



天津天聯公用事業股份有限公司  
TIANJIN TIANLIAN PUBLIC UTILITIES COMPANY LIMITED

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**First Quarterly Report 2007**

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*This report, for which the directors (the “Directors”) of Tianjin Tianlian Public Utilities Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: — (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

### HIGHLIGHTS

- Turnover of approximately RMB14,284,000 for the three months ended 31 March 2007.
- Gross profit of approximately RMB3,455,000 for the three months ended 31 March 2007.
- Net gain of approximately RMB490,000 for the three months ended 31 March 2007.

## RESULTS

The Board of Directors (the "Board") of Tianjin Tianlian Public Utilities Company Limited (the "Company") is pleased to present the unaudited results of the Company and its subsidiary (the "Group") for the three months ended 31 March 2007 together with the unaudited comparative figures for the three months ended 31 March 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2007

		<b>Three months ended</b>	
		<b>31 March 2007</b>	31 March 2006
		<b>RMB'000</b>	RMB'000
		<b>(unaudited)</b>	<i>(unaudited)</i>
	NOTES		
Turnover	3 & 4	<b>14,284</b>	9,443
Cost of sales		<b>(10,829)</b>	(5,165)
		<b>3,455</b>	4,278
Gross profit			
Other income	5	<b>372</b>	922
Selling expenses		<b>(8)</b>	(51)
Administrative expenses		<b>(2,311)</b>	(3,384)
Finance costs	6	<b>(520)</b>	(363)
		<b>988</b>	1,402
Profit before tax	7		
Income tax expense	8	<b>(498)</b>	(650)
		<b>490</b>	752
Profit for the period			
Attributable to:			
Equity holders of the parent		<b>490</b>	752
Earnings per share			
— basic (RMB cent)	10	<b>0.05</b>	0.08

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2007

	Share capital	Share premium	Statutory surplus reserve	Statutory Public welfare fund	Retained profits	Attributable to equity holders of the parent	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	99,500	31,667	5,421	2,710	47,438	186,736	—	186,736
Profit for the period and total recognized income and expenses for the period	—	—	—	—	752	752	—	752
At 31 March 2006	99,500	31,667	5,421	2,710	48,190	187,488	—	187,488
Profit for the period and total recognized income and expenses for the period	—	—	—	—	27,676	27,676	—	27,676
Appropriation	—	—	2,706	—	(2,706)	—	—	—
Transfer	—	—	2,710	(2,710)	—	—	—	—
At 31 December 2006	99,500	31,667	10,837	—	73,160	215,164	—	215,164
Profit for the period and total recognized income and expenses for the period	—	—	—	—	490	490	—	490
At 31 March 2007	99,500	31,667	10,837	—	73,650	215,654	—	215,654

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2007

### 1. GENERAL

The Company was established at 55 Hei Niucheng Road Hexi District, Tianjin, the People's Republic of China (the "PRC") as a joint stock limited company. The Company's overseas-listed foreign shares ("H Shares") were listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas. The subsidiary is dormant.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information have been prepared on the historical cost basis and in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the annual consolidated financial information for the year ended 31 December 2006.

In the current period, the Group has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosure <sup>1</sup>
HK (IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK (IFRIC) — Int 8	Scope of HKFRS 2 <sup>3</sup>
HK (IFRIC) — Int 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK (IFRIC) — Int 10	Interim Financial Reporting and Impairment <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006

## 2. PRINCIPAL ACCOUNTING POLICIES — *Continued*

The adoption of these new HKFRSs had no material effect on the results or financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) — Int 12	Service Concession Agreements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

## 3. TURNOVER

Turnover represents revenue from gas connection contracts, net of business and related tax and surcharges, and from the sales of gas and gas appliances, net of value added tax.

#### 4. SEGMENT INFORMATION

##### Business segments

For management purposes, the Group is currently divided into three divisions, namely gas connection construction, sales of gas and sales of gas appliances. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	<b>Turnover</b>		<b>Result</b>	
	<b>Three months ended 31 March</b>		<b>Three months ended 31 March</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Gas connection contract revenue	<b>4,327</b>	6,434	<b>3,143</b>	5,076
Sales of gas	<b>9,870</b>	2,992	<b>1,871</b>	395
Sales of gas appliances	<b>87</b>	17	<b>37</b>	7
	<b>14,284</b>	9,443	<b>5,051</b>	5,478
Other income			<b>372</b>	922
Unallocated expenses			<b>(3,915)</b>	(4,635)
Finance costs			<b>(520)</b>	(363)
Profit before tax			<b>988</b>	1,402
Income tax expense			<b>(498)</b>	(650)
Profit for the period			<b>490</b>	752

#### 5. OTHER INCOME

Included in other income, there is a government subsidy of RMB313,000 (three months ended 31 March 2006: RMB869,000), which represents the subsidy from the government for encouraging the Group doing business in Jinnan development zone.



## 6. FINANCE COSTS

	<b>Three months ended 31 March</b>	
	<b>2007 RMB'000</b>	2006 RMB'000
Interest on bank borrowings wholly repayables within five years	<b>520</b>	363

## 7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	<b>Three months ended 31 March</b>	
	<b>2007 RMB'000</b>	2006 RMB'000
Depreciation of property, plant and equipment	<b>1,961</b>	1,751
Amortisation of prepaid lease payments included in administrative expenses	<b>38</b>	37
Operating lease rentals	<b>149</b>	334
Bank interest income	<b>(59)</b>	(54)

## 8. INCOME TAX EXPENSE

	<b>Three months ended 31 March</b>	
	<b>2007 RMB'000</b>	2006 RMB'000
The charge comprises:		
Current PRC enterprise income tax	<b>508</b>	650
Deferred taxation	<b>(10)</b>	—
	<b>498</b>	650

The Company is subject to the PRC enterprise income tax rate of 33% for both periods.

The subsidiary did not have taxable profit for both periods.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

## 9. DIVIDEND

The directors do not recommend the payment of any dividend for the period (three months ended 31 March 2006: nil).

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the parent for the period of RMB490,000 (three months ended 31 March 2006: RMB752,000) and the number of 995,000,000 shares in issue during both periods.

No diluted earnings per share has been presented as the Company had no dilutive potential ordinary shares during the period or at the balance sheet date.

## 11. RELATED PARTY TRANSACTIONS

(a) During the period, the following related party transactions took place:

Name of related party	Nature of transactions	Three months ended 31 March	
		2007 RMB'000	2006 RMB'000
天津市燃氣集團有限公司	Purchase of gas	7,839	2,429
(Note i)	Entrusted management fee (Note ii)	71	—

Notes:

- (i) 天津市燃氣集團有限公司 is the substantial shareholder of the Company.
- (ii) On 27 September 2006, the Company entered into an agreement with 天津市燃氣集團有限公司, whereby the Company agreed to acquire certain plant and equipment located in Xiqing, Tianjin (the "Xiqing Assets") from 天津市燃氣集團有限公司 at a consideration of RMB7,194,000 (the "Asset Transfer Agreement"). Though the transfer of Xiqing Assets had already been completed in early October 2006, the Company decided to entrust 天津市燃氣集團有限公司 to manage the Xiqing Assets from the completion date of the Asset Transfer Agreement until 31 January 2007 pursuant to the provision stated in the Asset Transfer Agreement, with a view to ensure normal operation of the Xiqing Assets after the transfer. The Company agreed to pay management fee of RMB71,000 per month to 天津市燃氣集團有限公司.

11. RELATED PARTY TRANSACTIONS — *Continued*

- (b) Material transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group's substantial shareholder is 天津市燃氣集團有限公司 which is controlled by PRC government (these entities other than 天津市燃氣集團有限公司 are hereinafter collectively referred to as "State-Owned Enterprises"). During the period, the Group had material transactions with some of these State-Owned Enterprises in its ordinary and usual course of business.

While the directors of the Company consider State-Owned Enterprises are independent third parties so far as the Group's business transactions with them are concerned, for the purpose of this report, the Group has identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises during the period as follows:

	<b>Three months ended 31 March</b>	
	<b>2007 RMB'000</b>	2006 RMB'000
Sales	<u>—</u>	<u>1,297</u>
Interest expense	<u><b>520</b></u>	<u>363</u>

Except as disclosed above, the Directors are of the opinion that transactions with other State-Owned Enterprises are not significant to the Group's operations.

11. RELATED PARTY TRANSACTIONS — *Continued*

- (c) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	<b>Three months ended 31 March</b>	
	<b>2007</b>	2006
	<b>RMB'000</b>	RMB'000
Short-term benefit	<b>298</b>	272
Post employment benefit	<b>2</b>	1
	<b>300</b>	273

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group was successfully listed on GEM on 9 January 2004.

### BUSINESS REVIEW

For the three months ended 31 March 2007, the Group reported a revenue of approximately RMB14,284,000, representing an increase of approximately 51.27% as compared with the corresponding period in the previous year. The Group's net profit for the three months ended 31 March 2007 amounted to approximately RMB490,000 (2006: net profit of approximately RMB752,000).

#### Segmental Information Analysis

During the period, the Group has implemented its formulated development strategies to provide piped gas connection to the users in the Group's operational locations in Tianjin City and Jining, Inner Mongolia. Sales of gas is the major source of income for the Group, which is followed by the gas connection revenue and sales of gas appliances. The Group will further expand the operation in these two areas, in order to attain its strategic objectives for this year.

#### Financial Resources

The Group is generally funded by equity financing and bank borrowings. As at 31 March 2007, the Group had bank borrowings of RMB30,000,000 and RMB10,000,000 from Agricultural Bank of China and Shenzhen Development Bank, respectively.

The Group mostly uses Renminbi in its operation and it had not used any financial instrument for currency hedging purposes, as it considers that its exposure to fluctuations in exchange rates is only minimal.

#### Contingent Liabilities

As at 31 March 2007, the Group had no material contingent liabilities or guarantees.

## PROSPECTS

With the fast growth of China's economy and the gradual increase of private investments, all the recent factors indicate that the growth of the energy industry in China remains strong. Combined with the special attention of the State on the West-to-East Pipeline Project and environmental protection measures, the gas industry in China is still growing rapidly. In view of environment protection and efficiency, the Chinese government plans to gradually reduce the use of coal and instead encourage the use of green fuels such as various natural gases.

Benefiting from the reformation of gas companies across China and the considerable demands, the Group expects to further increase the market share. The directors and management of the Company will try their best to bring satisfactory returns to shareholders.

The Group plans to further explore the following areas in the future:

- Focus on the balanced development of various gas-related businesses and make efforts to develop the piped gas market, including participating in the urban natural gas pipeline network projects in local areas by way of mergers or acquisitions.
- Continue to advance the research, evaluation, negotiation and other work related to existing projects, and ensure the fulfillment of the business objectives.
- Continue to strengthen the financial management of the Group. The Group also aims to continuously lower the operating costs and maximize the revenue from the operating projects.
- Further its efforts in personnel training and recruitment, facilitate the smooth operations and developments of the Group, develop positive corporate culture, and upgrade the management of the Company.

Based on these achievements, the Group will further strengthen the operating management of existing businesses and input greater resources into the market development.

## DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 March 2007, the interests and short positions of the Directors, chief executives and supervisors of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors of the Company as referred to in Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

### Long position

#### Domestic Shares of RMB0.1 each in the capital of the Company

Name of Director/Supervisor	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Ms. Tang Jie	Beneficial owner	41,700,000	4.19%/6.27%
Mr. Bai Shao Liang (please see Note 2 under the section "Substantial Shareholders")	Held by controlled corporation	235,925,000	23.71%/35.48%

Save as disclosed in the above paragraph, as at 31 March 2007, none of the Directors, chief executives and supervisors of the Company had interest or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and supervisors of the Company as referred to in Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 31 March 2007, the following, not being a Director, chief executive or supervisor of the Company, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO:

### Long position

#### Domestic Shares of RMB0.1 each in the capital of the Company

Name of shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Tianjin Beacon Coatings Co., Ltd (Note 1) 天津燈塔塗料有限公司	Beneficial owner	123,014,790	12.36%/18.50%
Tianjin Gas Group Company Limited 天津市燃氣集團有限公司	Beneficial owner	264,360,210	26.57%/39.75%
Tianjin Wanshun Real Estate Company Limited 天津市萬順置業有限公司	Beneficial owner	235,925,000	23.71%/35.48%
Tianjin Wanshun Business Development Company Limited (Note 2) 天津市萬順商務發展有限公司	Held by controlled corporation	235,925,000	23.71%/35.48%
Ms. Li Sha (Note 2)	Family	235,925,000	23.71%/35.48%
Mr. Bai Shao Peng (Note 2)	Held by controlled corporation	235,925,000	23.71%/35.48%
Ms. Zhang Xiu Ying (Note 2)	Family	235,925,000	23.71%/35.48%

Note 1: Tianjin Tsinlien Investment & Trade Company Limited changed its name to Tianjin Beacon Coatings Co. Ltd on 20 January 2004.



Note 2: Tianjin Wanshun Business Development Company Limited ("Wanshun Business Development") holds 80% interest in Tianjin Wanshun Real Estate Company Limited ("Wanshun Real Estate"). Mr. Bai Shao Liang holds 34.40% and 20% interests in Wanshun Business Development and Wanshun Real Estate respectively and is the sole executive director of Wanshun Real Estate. Ms. Li Sha is the wife of Mr. Bai Shao Liang. Mr. Bai Shao Peng holds 65.60% interests in Wanshun Business Development. Ms. Zhang Xiu Ying is the wife of Mr. Bai Shao Peng. Under the SFO, Wanshun Business Development, Mr. Bai Shao Liang, Ms. Li Sha, Mr. Bai Shao Peng and Ms. Zhang Xiu Ying are taken to be interested in all the shares of the Company held by Wanshun Real Estate.

## Long position

### H Shares of RMB0.1 each in the capital of the Company

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in the Company/H Shares of the Company
Martin Currie Investment Management Limited	Investment Manager	20,000,000	2.01%/6.06%
China Development Capital Partnership L.P.	Investment Manager	20,000,000	2.01%/6.06%

Save as disclosed above, as at 31 March 2007, the Directors are not aware of any person, not being a Director, chief executive or supervisor of the Company, have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the three months ended 31 March 2007, neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No contract of significance to which the Company or its subsidiary was a party and in which a Director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period under review or at any time during the period.

## **COMPETING INTERESTS**

As at 31 March 2007, the Directors are not aware of any business or interest of the Directors, the management shareholders of the Company and their respective associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## **CORPORATE GOVERNANCE**

The Company had complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the period of review.

During the three months ended 31 March 2007, the Company had complied with the Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

At no time during the period under review was the Company or its subsidiary a party to any arrangements to enable the Directors and supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2007, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry with all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

## AUDIT COMMITTEE

The Company established an audit committee on 3 December 2003 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors, Professor Ma Jun Lu, Mr. Luo Wei Kun and Mr. Chan Shun Kuen. The Audit Committee has reviewed the report for this period.

By order of the board

**Tianjin Tianlian Public Utilities Company Limited**

**Sun Bo Quan**

*Chairman*

Tianjin, PRC, 14 May 2007