天伦燃气
TIANLUN GAS

China Tian Lun Gas Holdings Limited
中國天倫燃氣控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 01600)

Announcement of Annual Results for the Year Ended 31 December 2016

For the year ended 31 December 2016, gas sales volume of the Group amounted to approximately 918,000,000 m^3, representing an increase of approximately 47.83%, as compared with approximately 621,000,000 m^3 in the corresponding period of last year.

For the year ended 31 December 2016, revenue of the Group amounted to approximately RMB2,693,000,000, representing an increase of approximately 19.58%, as compared with approximately RMB2,252,000,000 in the corresponding period of last year.

For the year ended 31 December 2016, gross profit of the Group amounted to approximately RMB692,000,000, representing an increase of approximately 13.63%, as compared with approximately RMB609,000,000 in the corresponding period of last year.

For the year ended 31 December 2016, profit attributable to owners of the Company amounted to approximately RMB313,000,000, representing an increase of approximately 10.21%, as compared with approximately RMB284,000,000 in the corresponding period of last year. Excluding the impact of exchange rate fluctuations, profit attributable to owners of the Company would be approximately RMB378,000,000, representing an increase of approximately 20.08% as compared with the corresponding period of last year.

The board (the "Board") of directors (the "Directors") of China Tian Lun Gas Holdings Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") is pleased to announce the annual results of the Group for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi ("RMB") unless otherwise stated)

		Year ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**2,693,094**	2,251,970
Cost of sales	*4*	**(2,000,745)**	(1,643,200)
Gross profit		**692,349**	608,770
Distribution expenses	*4*	**(23,541)**	(17,839)
Administrative expenses	*4*	**(117,205)**	(114,812)
Other income	*5*	**12,153**	11,531
Other gains — net	*6*	**43,982**	38,422
Operating profit		**607,738**	526,072
Finance income		**79,037**	44,936
Finance expenses		**(262,835)**	(141,919)
Finance expenses — net	*7*	**(183,798)**	(96,983)
Share of post-tax profit of associates		**20,768**	382
Profit before income tax		**444,708**	429,471
Income tax expense	*8*	**(110,299)**	(111,489)
Profit for the year		**334,409**	317,982
Profit attributable to:			
Owners of the Company		**313,379**	284,242
Non-controlling interests		**21,030**	33,740
		334,409	317,982
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB per share)			
— Basic earnings per share	*9*	**0.31**	0.30
— Diluted earnings per share	*9*	**0.31**	0.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

(All amounts in Renminbi ("RMB") unless otherwise stated)

		Year ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Profit for the year		**334,409**	317,982
Other comprehensive income:			
Item that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets		**(204)**	(1,315)
Other comprehensive income for the year, net of tax		**(204)**	(1,315)
Total comprehensive income for the year		**334,205**	316,667
Attributable to:			
Owners of the Company		**313,175**	282,927
Non-controlling interests		**21,030**	33,740
		334,205	316,667

CONSOLIDATED BALANCE SHEET

(All amounts in RMB unless otherwise stated)

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Lease prepayments		**233,842**	170,745
Property, plant and equipment		**2,124,140**	1,943,756
Investment properties		**18,210**	19,662
Intangible assets		**2,999,084**	2,478,723
Investments accounted for using the equity method		**271,571**	50,803
Deferred income tax assets		**26,271**	12,041
Financial assets at fair value through profit or loss		**19,786**	—
Available-for-sale financial assets		**40,145**	40,417
Trade and other receivables	*10*	**56,315**	49,715
Prepayments related to other non-current assets		**30,331**	297,093
		5,819,695	5,062,955
Current assets			
Inventories		**41,892**	60,547
Trade and other receivables	*10*	**603,164**	593,121
Dividend receivables		**4,642**	—
Available-for-sale financial assets		**2,000**	3,000
Financial assets at fair value through profit or loss		**335,267**	318,882
Cash and cash equivalents		**755,390**	609,385
Restricted cash		**71,362**	30,519
		1,813,717	1,615,454
Total assets		**7,633,412**	6,678,409

CONSOLIDATED BALANCE SHEET *(Continued)*

(All amounts in RMB unless otherwise stated)

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*11*	**8,340**	8,512
Share premium	*11*	**1,264,114**	1,366,774
Reserves	*12*	**78,416**	95,987
Retained earnings		**1,080,332**	877,091
		2,431,202	2,348,364
Non-controlling interests		**320,507**	434,014
Total equity		**2,751,709**	2,782,378
LIABILITIES			
Non-current liabilities			
Borrowings		**2,739,953**	1,887,102
Other payables	*13*	**136,598**	136,598
Deferred income		**1,472**	—
Deferred income tax liabilities		**370,414**	314,887
		3,248,437	2,338,587
Current liabilities			
Trade and other payables	*13*	**530,408**	505,717
Dividend payables		**6,143**	2,492
Advance from customers		**150,690**	127,735
Current income tax liabilities		**97,531**	71,992
Borrowings		**848,494**	849,508
		1,633,266	1,557,444
Total liabilities		**4,881,703**	3,896,031
Total equity and liabilities		**7,633,412**	6,678,409

1. GENERAL INFORMATION OF THE GROUP

China Tian Lun Gas Holdings Limited (the "Company") was incorporated on 20 May 2010 in the Cayman Islands under the Companies Law (2010 Revision) of the Cayman Islands as an exempted company with limited liability. The Company is an investment holding company and was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 November 2010.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the gas pipeline connections by providing residential, commercial and industrial users with laying and installation and transportation, distribution and sales of gases including natural gas and compressed natural gas ("CNG") and production and sales of liquefied natural gas ("LNG") in bulk and in cylinders in certain cities of the People's Republic of China (the "PRC").

The address of the Company's registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2017.

These consolidated financial statements are presented in RMB, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

New/revised standards, amendments and improvements

The following new standards, amendments to standards and improvements relevant to its operations are mandatory for adoption for the financial year beginning 1 January 2016 for the Group, but had no material effect on the Group's reported results and financial position for the current and prior accounting periods.

HKAS 1 (amendment)	Disclosure initiative
HKAS 27 (amendment)	Equity method in separate financial statements
HKAS 16 and HKAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation
HKFRS 10, HKFRS 12 and HKAS 28 (amendments)	Investment entities: applying the consolidation exception
HKFRS 11 (amendment)	Accounting for acquisitions of interests in joint operation
HKFRS 14	Regulatory deferral accounts
HKASs and HKFRSs	Annual improvements 2012 — 2014 Cycle

The following new standards and amendments to standards relevant to the Group's operations have been issued and are effective for the financial year beginning 1 January 2017 or after and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 12 (amendment)	Income taxes	1 January 2017
HKAS 7 (amendment)	Statement of cash flows	1 January 2017
HKFRS 2 (amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (amendments)	Sale or Contribution of assets between an investor and its associate or joint venture	To be announced

Management is in the process of making an assessment of the impact of the new standards and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the senior executive management team on monthly basis that are used to make strategic decisions.

The senior executive management team considers the business from a “product” perspective only, as geographically all the products are provided within the PRC, which is considered as one geographic location with similar risks and returns.

The reportable segments derive their revenue and profit primarily from transportation and sales of gases, and gas pipeline connections.

The Group had acquired 100% equity interest of Beijing Tian Lun Investment Company Limited (formerly known as: Beijing Hui Ji Tai Zhan Investment Company Limited) and indirectly controlled its subsidiaries during the year ended 31 December 2015 and acquired 85% equity interest of Lechang Anshunda Pipeline Nature Gas Company Limited during the year ended 31 December 2016 (together the “Beijing Tian Lun Investment Group”). The senior executive management team reviewed the results of Beijing Tian Lun Investment Group being consolidated by the Group and Beijing Tian Lun Investment Group is regarded a single operating segment.

The revenue from rental income of investment properties and other miscellaneous income, has been reviewed by the senior executive management team, and its results are included in the “all other segments” column.

The senior executive management team assesses the performance of the operating segments based on the measure of sales revenue and gross profit. Meanwhile, the Group does not allocate operating expenses, assets or liabilities to its segments, as the senior executive management team does not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Group does not report a measure of segment assets and segment liabilities for each reportable segment.

3. SEGMENT INFORMATION *(Continued)*

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2016 is as follows:

	Transportation and sales of gas	Gas pipeline connections	Beijing Tian Lun Investment Group	All other segments	Inter-segment elimination	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External revenue	1,135,647	588,809	927,149*	41,489	—	—	2,693,094
Inter-segment revenue	—	—	94	—	(94)	—	—
Total revenue	1,135,647	588,809	927,243	41,489	(94)	—	2,693,094
Gross profit	206,479	371,722	97,170	16,978	—	—	692,349
Distribution expenses						(23,541)	(23,541)
Administrative expenses						(117,205)	(117,205)
Other income						12,153	12,153
Other gains — net						43,982	43,982
Operating profit							607,738
Finance expenses — net						(183,798)	(183,798)
Share of post-tax profit of associates						20,768	20,768
Profit before income tax							444,708
Income tax expense						(110,299)	(110,299)
Profit for the year							334,409

3. **SEGMENT INFORMATION** *(Continued)*

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2015 is as follows:

	Transportation and sales of gas *RMB'000*	Gas pipeline connections *RMB'000*	Beijing Tian Lun Investment Group *RMB'000*	All other segments *RMB'000*	Inter-segment elimination *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
External revenue	975,034	571,041	675,735*	30,160	—	—	2,251,970
Inter-segment revenue	—	—	293	—	(293)	—	—
Total revenue	975,034	571,041	676,028	30,160	(293)	—	2,251,970
Gross profit	166,116	357,951	69,851	14,852	—	—	608,770
Distribution expenses						(17,839)	(17,839)
Administrative expenses						(114,812)	(114,812)
Other income						11,531	11,531
Other gains — net						38,422	38,422
Operating profit							526,072
Finance expenses — net						(96,983)	(96,983)
Share of post-tax profit of associates						382	382
Profit before income tax							429,471
Income tax expense						(111,489)	(111,489)
Profit for the year							317,982

* During 2016, external revenue of Beijing Tian Lun Investment Group segment comprises: approximately RMB919,069,000 is derived from transportation and sales of gas (2015: RMB675,107,000), approximately RMB7,045,000 is derived from gas pipeline connections (2015: RMB366,000), and approximately RMB1,035,000 is derived from other miscellaneous income (2015: RMB262,000).

3. **SEGMENT INFORMATION** *(Continued)*

The principal subsidiaries of the Company are domiciled in the PRC. All the revenue from external customers are derived from the PRC, and all the non-current assets are located in the PRC.

During the year ended 31 December 2016, revenue of approximately RMB338,308,000 and 13% of the Group's total revenue, is derived from a single external customer (2015: RMB302,698,000 and 13%). The revenue is attributable to the Beijing Tian Lun Investment Group segment.

4. **EXPENSES BY NATURE**

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Raw materials and consumables used	**1,679,126**	1,362,257
Changes in inventories of finished goods and work in progress	**13,150**	8,414
Depreciation on property, plant and equipment	**99,725**	84,411
Depreciation on investment properties	**1,021**	868
Amortisation of lease prepayments	**4,374**	4,384
Amortisation of intangible assets	**67,594**	51,972
Employee benefit expense	**132,511**	114,674
Licensing fee for the operating rights for city pipeline network	**1,100**	1,100
Engagement of construction and design services	**65,036**	62,232
Transportation	**4,975**	3,728
Travelling expense	**4,095**	3,190
Maintenance cost	**8,054**	6,292
Auditors' remuneration		
— Audit services	**3,210**	3,200
— Non-audit services	**100**	—
Professional expenses	**3,593**	6,513
Advertising expenses	**3,389**	3,539
Entertainment expenses	**5,719**	4,989
Office expenses	**6,545**	6,489
Taxes	**17,350**	27,799
Energy consumption	**18,474**	16,772
Other expenses	**2,350**	3,028
Total cost of sales, distribution expenses and administrative expenses	**2,141,491**	1,775,851

5. OTHER INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Dividend income from available-for-sale financial assets	**4,642**	4,832
Government grants in relation to		
— Tax refund	**4,721**	2,699
— Subsidies for local investment rewards and other incentives	**2,790**	2,000
Others	**—**	2,000
	12,153	11,531

6. OTHER GAINS — NET

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Gains on disposal of available-for-sale financial assets	**—**	62
Gains on disposal of property, plant and equipment	**5,978**	905
Changes on fair value of contingent consideration for acquisition of subsidiaries	**37,858**	35,889
Penalty and overdue fines	**(2,069)**	(443)
Others	**2,215**	2,009
	43,982	38,422

7. FINANCE EXPENSES — NET

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Finance income		
— Interest income from bank deposits and loan to third parties	**(10,600)**	(4,416)
— Investment gains on financial assets at fair value through profit or loss:		
Investment in trust	**(32,266)**	(40,520)
Cross currency swap contracts	**(36,171)**	—
	(79,037)	(44,936)
Finance expenses		
— Interest expense on borrowings	**191,033**	139,217
— Net exchange losses	**100,895**	30,647
— Others	**1,506**	634
Less: amounts capitalised on qualifying assets	**(30,599)**	(28,579)
	262,835	141,919
	183,798	96,983

8. TAXATION

(a) The Company and Upsky Holdings are not subject to profits tax in their respective countries of incorporation.

(b) Hong Kong profits tax

For the years ended 31 December 2016 and 2015, there are no Hong Kong profits tax applicable to any Group entities as no Group entities had profit derived from Hong Kong.

8. TAXATION *(Continued)*

(c) PRC corporate income tax (the "PRC CIT")

All the Company's subsidiaries incorporated in the PRC are subject to the PRC CIT, which has been provided based on the statutory income tax rate of the assessable income of each of such companies during the years ended 31 December 2016 and 2015, as determined in accordance with the relevant PRC income tax rules and regulations. The CIT rate of all the relevant subsidiaries operating in the PRC is 25% (2015: 25%), except for Baiyin Natural Gas Limited, Li Quan County Hong Yuan Natural Gas Company Limited, Qian County Hong Yuan Natural Gas Company Limited, Baiyin Wantong Gas Limited, Gulang Tianlun Gas Limited and Sichuan Mingsheng Natural Gas Company Limited as they were approved to entitle to the CIT Preferential Policies for the Development of the Western Regions and the CIT rate of 2016 is 15% (2015: 15%).

The amount of income tax expense charged to profit or loss represents:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current tax on profits for the year	**134,005**	124,542
Deferred tax	**(23,706)**	(13,053)
	110,299	111,489

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	**313,379**	284,242
Weighted average number of shares in issue (thousands)	**1,000,857**	954,562
Basic earnings per share (RMB per share)	**0.31**	0.30

9. EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	**313,379**	284,242
Weighted average number of shares in issue (thousands)	**1,000,857**	954,562
Adjustments for:		
— Share options (thousands)	**—**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,000,857**	954,562
Diluted earnings per share (RMB per share)	**0.31**	0.30

During the year ended 31 December 2016, the share options were antidilutive (2015: antidilutive).

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables (a)	**348,929**	328,688
Bills receivable	**1,090**	1,073
Prepayments	**93,975**	52,390
Receivables due from related parties (a)	**28,539**	14,100
Other receivables	**147,910**	203,410
Value-added-tax to be offset and prepaid income tax	**39,036**	43,175
	659,479	642,836
Less: long-term prepayments	**(56,315)**	(49,715)
Current portion	**603,164**	593,121

(a) The credit period generally granted to customers in relation to sales of pipelined gases is up to 2 months. As for the customers in relation to connection of gas pipelines, the Group generally requests advance payments, and in circumstances of credit sales, management closely monitors the credit quality of the customers, and credit period was granted case by case with maximum of 2 years. The ageing analysis of trade receivables and receivables due from related parties in trade nature based on invoice date is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Less than 30 days	**169,509**	126,441
31 days to 90 days	**24,481**	41,044
91 days to 1 year	**116,197**	117,387
1 year to 2 years	**44,716**	35,216
Over 2 years	**8,852**	8,600
	363,755	328,688

As at 31 December 2016, trade receivables of approximately RMB354,903,000 (2015: RMB320,088,000) were fully performing.

10. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) *(Continued)*

As at 31 December 2016, trade receivables of approximately RMB8,852,000 (2015: RMB 8,600,000) were past due but not impaired. These related to a number of independent customers that have good trading records with the Group. Based on the past experiences, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in their credit quality and the balances are considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Over 2 years	**8,852**	8,600

(b) The carry amount of trade and other receivables were denominated in RMB.

(c) The other classes within trade and other receivables do not contain impaired assets.

(d) As at 31 December 2016 and 2015, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

(e) The carrying amounts of the current portion of trade and other receivables approximate to the fair values.

11. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares *(thousands)*	Ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid:				
At 1 January 2015	827,925	7,077	454,188	461,265
Issue of shares	181,690	1,435	912,586	914,021
At 31 December 2015	1,009,615	8,512	1,366,774	1,375,286
Repurchase of shares (a)	(20,000)	(172)	(102,660)	(102,832)
At 31 December 2016	989,615	8,340	1,264,114	1,272,454

The total authorised number of ordinary shares is 2,000,000,000 shares (2015: 2,000,000,000 shares) with a par value of HK$0.01 per share (2015: HK$0.01 per share).

(a) During 2016, the Company acquired 19,999,500 of its own shares through purchases on the Hong Kong Stock Exchange, which had been cancelled during the year. The total amount paid to acquire the shares was HK$119,368,000 (equivalent to approximately RMB102,832,000), which had been deducted within the shareholders' equity. The details of share repurchased are as follows:

Date of repurchase	No. of ordinary shares *HK$0.01*	Price per share highest *HK$*	Price per share lowest *HK$*	Aggregated repurchased costs *HK$'000*
22 July 2016	5,949,000	5.97	5.88	35,366
25 July 2016	6,075,000	6.00	5.90	36,266
26 July 2016	4,984,500	6.00	5.98	29,871
27 July 2016	1,542,000	6.00	5.94	9,187
28 July 2016	1,449,000	6.00	5.95	8,678
	19,999,500			**119,368**

12. RESERVES

	Capital reserves RMB'000	Statutory reserves RMB'000	Available-for-sale Investments RMB'000	Total RMB'000
At 1 January 2015	(11,865)	80,231	—	68,366
Revaluation-gross	—	—	(1,753)	(1,753)
Revaluation-tax	—	—	438	438
Appropriation (a)	—	23,487	—	23,487
Employee share option scheme:				
— Value of employee services	5,449	—	—	5,449
At 31 December 2015	(6,416)	103,718	(1,315)	95,987
At 1 January 2016	(6,416)	103,718	(1,315)	95,987
Revaluation-gross	—	—	(272)	(272)
Revaluation-tax	—	—	68	68
Appropriation (a)	—	36,887	—	36,887
Acquisition of additional interests of subsidiaries	(59,497)	—	—	(59,497)
Employee share option scheme:				
— Value of employee services	5,243	—	—	5,243
At 31 December 2016	(60,670)	140,605	(1,519)	78,416

Statutory reserves

(a) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserves fund before distributing the net profit. When the balance of the statutory surplus reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders.

The statutory surplus reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory surplus reserves fund after such issue is not less than 25% of registered capital.

For the year ended 31 December 2016, approximately RMB36,887,000 (2015: RMB23,487,000) were appropriated to the statutory surplus reserves funds from net profits of certain PRC Subsidiaries.

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Notes payables	**12,900**	4,000
Trade payables (a and b)	**175,380**	149,963
Amounts due to related parties (a)	**31,595**	987
Accrued payroll and welfare	**4,025**	2,751
Interest payables	**9,145**	8,762
Other taxes payables	**14,341**	6,276
Contingent consideration payables	**220,594**	237,212
Other payables (a)	**199,026**	232,364
	667,006	642,315
Less: non-current portion of other payables (d)	**(136,598)**	(136,598)
Current portion	**530,408**	505,717

(a) As at 31 December 2016 and 2015, all such trade payables and the current portion of other payables of the Group were non-interest bearing and their fair values approximated to their carrying amounts due to their short maturities.

(b) At 31 December 2016 and 2015, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Less than 30 days	**90,837**	72,332
31 days to 90 days	**32,274**	26,712
91 days to 1 year	**31,342**	33,358
1 year to 2 years	**12,993**	11,727
2 years to 3 years	**4,764**	4,270
Over 3 years	**3,170**	1,564
	175,380	149,963

13. TRADE AND OTHER PAYABLES *(Continued)*

(c) The carrying amounts of the Group's trade and other payables were denominated in the following currencies:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
RMB	**649,813**	642,315
USD	**13,558**	—
HK$	**3,635**	—
	667,006	642,315

(d) At 31 December 2016, the non-current portion of other payables included contingent consideration payables amounted to RMB124,406,000 (2015: RMB124,406,000) which were at fair value and long-term loan due to a non-controlling interest of a subsidiary amounted to RMB12,192,000 (2015: RMB12,192,000) with an interest rate of 10% per annum, of which the fair value approximated to the carrying amount. The fair values of the contingent consideration payables and amount due to the non-controlling interest were measured by the discounted cash flow method and included in level 3 of the fair value hierarchy.

14. DIVIDENDS

The interim dividend paid in 2016 was HK$82,138,000, equivalent to approximately RMB73,251,000 (HK8.30 cents per share) (2015: nil).

Pursuant to the resolution of the Board of Directors dated 30 March 2017, the directors of the Company proposed not to recommend any final dividend for the year ended 31 December 2016 (2015: nil).

	2016	2015
	RMB'000	*RMB'000*
Interim dividend paid of HK8.30 cents per ordinary share	**73,251**	—

INDUSTRY REVIEW

Structure and development trend of the energy industry in the PRC

The advance of China's energy market reform, the increasing infrastructure, the improvement in the competitiveness of natural gas price, and the introduction of industry support policies had provided strong support for the rapid development of the natural gas market.

According to the National Development and Reform Commission (the "**NDRC**"), China's natural gas consumption in 2016 amounted to 205.8 billion m^3, representing an increase of approximately 6.6%. Natural gas consumption for the first quarter of the year ended 31 December 2016 showed a good start, with growth rates of January and February reaching as high as 17.6% and 18.5%, respectively. Growth was also maintained for the next three quarters. Due to factors including the sustainable development of national ecological civilization construction, further development of new industrialization and urbanization, energy consumption structure and energy-saving and emission-reduction, natural gas has become a major energy source and its consumption will maintain a momentum of rapid growth. The natural gas price reform also represents a long-term positive factor for the industry.

The policy on natural gas utilization in the PRC

In 2016, the relevant national authorities successively announced favourable policies to strongly facilitate the natural gas market reform. the NCRD issued the Measures for the Administration of the Price of Natural Gas Pipeline Transportation (for Trial Implementation) (天然氣管道運輸價格管理辦法(試行)) and the Measures for Supervision of Cost Pricing of Natural Gas Pipeline Transportation (for Trial Implementation) (天然氣管道運輸定價成本監審辦法(試行)) on 9 October 2016, which stipulated that the cross-province pipeline transportation price in the PRC may be set on the pricing basis of "permitted cost plus reasonable profit" with price cap to be determined based on a post-tax investment rate of return of 8%. It was also expressly stipulated that enterprises engaged in pipeline transportation business shall in principle separate the pipeline transportation business from other business. The introduction of new policies will further promoted the transparent pipeline operation and were conducive to the sustainable development of long-haul pipeline business of the Company.

On 24 December 2016, the NDRC issued the "13th Five-Year Plan for Natural Gas Development", which further clarified the natural gas development goals in the next few years. The Plan provides that by 2020, China's total natural gas supply capacity shall reach 360 billion m^3; the development of natural gas main pipe network and supporting pipeline shall be accelerated and the total length shall reach 14,000 kilometres; natural gas penetration rate for urban residents shall reach 60%; the government will support the development of natural gas vehicles and that the number of natural gas vehicles shall reach 10 million and 12,000 supporting gas refilling stations shall be constructed by 2020. The government will promote the "coal-to-gas" conversion progress, improve the percentage of power generation by natural gas, and encourage the development of gas utilization projects such as natural gas distributed energy. It will facilitate the separation of natural gas pipeline transportation from natural gas sales and allow third party's access to pipelines.

China's accelerated supply side reform and the successive introduction of natural gas-related favourable policies have brought unprecedented development opportunities for private enterprises in the natural gas industry, and the Group will seize the good opportunity to vigorously expand natural gas business presence.

BUSINESS REVIEW

During the year ended 31 December 2016, the Group continued to improve the operation and management of its existing projects. By capturing the good opportunities brought by China's urbanization reform and industrial energy-saving transformation, the Group fully explored the market potential of its existing projects and strived to expand the number of its new residential and industrial and commercial users in the areas in which it operates, so as to promote the continued strong growth of the overall results of the Group.

The key results and operating data of the Group for the year ended 31 December 2016 and their comparison against the figures for the previous year are as follows:

	For the Year Ended 31 December		
	2016	2015	Increase
Revenue *(RMB'000)*	**2,693,094**	2,251,970	19.59%
Gross profit *(RMB'000)*	**692,349**	608,770	13.73%
Profit attributable to owners of the Company *(RMB'000)*	**313,379**	284,242	10.25%
Weighted average number of shares *('000)*	**1,000,857**	954,562	4.85%
Earnings per share * — basic (RMB)	**0.3131**	0.2978	5.14%
Total pipeline gas users:			
— Residential users	**1,325,382**	1,016,385	30.40%
— Industrial and commercial users	**8,917**	5,737	55.43%
— Daily designed gas supply volume to industrial and commercial users (in ten thousand m^3)	**494**	378	30.69%
Natural gas sales volume to residential users (in ten thousand m^3)	**15,080**	10,083	49.56%
Natural gas sales volume to industrial and commercial users (in ten thousand m^3)	**45,266**	30,942	46.29%
Vehicle natural gas sales volume (in ten thousand m^3)	**12,246**	11,307	8.30%
Sales volume to urban gas company users (in ten thousand m^3)	**19,160**	9,723	97.06%
Total number of gas refilling stations (operating and under construction)	**59**	55	4
Total length of medium- and high-pressure pipelines * (kilometre)	**3,063**	2,616	447

* According to the requirements of the relevant accounting standards, earnings per share of the Group will be affected by the weighted average number of shares in issue.

* Including the pipeline length of newly consolidated projects of Henan Xi Chuan, Sichuan Ming Sheng and Guangdong Lechang of approximately 217 kilometres in total.

Development of new projects

During the year ended 31 December 2016, the Group acquired an urban gas project in Lechang City, Guangdong Province, acquired 36% additional equity interest in Zhongji Dadi Gas Group Limited, and the exclusive operating right of blank project in Baofeng County, Pingdingshan City. As at the end of the year ended 31 December 2016, the Group had a total of 53 urban gas projects. In addition, the gas projects of Henan Xi Chuan and Sichuan Ming Sheng, which were took over by the Group last year, has been consolidated in the financial results of the Group since February 2016, and the strong profitability of Sichuan Ming Sheng project has contributed to the annual results of the Group.

Acquisition of an urban gas project in Lechang City, Guangdong Province

On 12 May 2016, Beijing Tian Lun Investment Co., Ltd. * (北京天倫投資有限公司) (formerly known as Beijing Hui Ji Tai Zhan Investment Company Limited* (北京慧基泰展投資有限公司)), a wholly-owned subsidiary of the Company, entered into an agreement with Beijing Hui Tai Yuan He International Trading Co., Ltd.* (北京慧泰遠和國際貿易有限公司) to acquire 85% equity interest in Lechang Anshunda Pipeline Gas Co., Ltd.* (樂昌市安順達管道天然氣有限公司) in Guangdong Province ("Lechang Project Company") at a total consideration of RMB56,000,000.

Lechang Project Company owns exclusive operating rights for a term of 30 years in urban areas of Lechang, Lechang Industry Relocation Industrial Park and vehicle gas refilling stations, two LNG gasification stations and medium-pressure pipelines with a total length of 14.3 kilometres. With approximately 560,000 local residents in Lechang, its gas penetration rate is less than 10%, much lower than average gas penetration rates of 50% to 60% in developed areas, which indicates strong potential for the development of local civil gas market. In addition, Lechang has well-developed industrial economy, with total gross domestic product expected to be RMB11.6 billion for 2016. Lechang Industry Relocation Industrial Park, a focus of local government, is a provincial industry relocation industrial park and a key platform for driving local industrialization and urbanization. With a planned site area of 13,000 mus, the industrial park focuses on the development of textile, clothing and equipment manufacturing industries and is substantially completed for operation. The Group believes that the rapid growth of the industrial park and the increase in use of natural gas by local residents in Lechang will bring a strong driving force for the gas sales and gas pipeline connection business of Lechang Project Company.

Acquisition of additional 36% equity interest in Zhongji Dadi

On 22 May 2016, Henan Tian Lun Gas Group Limited, an indirect wholly-owned subsidiary of the Company, ("Henan Tian Lun") entered into an equity transfer agreement with Henan Tian Lun Gas Engineering Investment Limited* (河南省天倫燃氣工程投資有限公司), a company controlled by Mr. Zhang Yingcen (an executive Director and a controlling shareholder of the Company), to acquire additional 36% equity interest in Zhongji Dadi at a total consideration of RMB191,000,000. Upon completion of the acquisition, Henan Tian Lun held a total of 87% equity interest in Zhongji Dadi. For further details, please refer to the announcement of the Group dated 23 May 2016.

North-eastern China in which Zhongji Dadi is located has become one of the most important core areas for the operation of the Group, and the Group has 10 urban gas projects, 16 transportation gas projects and a LNG processing plant in such area. Prior to completion of the acquisition, the Group had 51% equity interest in Zhongji Dadi. Upon completion of the acquisition, the Group's equity interest in Zhongji Dadi was further increased to 87%. The Group believes that, the further integration of Zhongji Dadi into the Group is beneficial to strengthening the overall management and control of the Group on the gas business in the north-eastern region, thus further improving the profitability of Zhongji Dadi. Meanwhile, it helps enhance the size and profitability of the Group, comprehensively promoting the overall development of the Group's gas business and generating synergies.

Acquisition of Exclusive Operating Right for Blank Project in Baofeng County, Pingdingshan City

On 9 October 2016, Henan Tian Lun Gas Pipeline Network Co., Ltd. * (河南天倫燃氣管網有限公司) (formerly known as Henan Hui Ji Energy Limited * (河南慧基能源有限公司)) entered into a pipeline natural gas exclusive operating right in Baofeng County with Housing and Urban and Rural Construction Planning Bureau of Baofeng County, Pingdingshan City * (平頂山市寶豐縣住房和城鄉建設規劃局) to acquire the exclusive right to invest in, construct and operate gas pipelines in 8 towns, 4 townships and 2 industrial parks in Baofeng County.

Baofeng County is located in the west of Pingdingshan City, Henan Province and in close proximity to the urban area of Pingdingshan City. Leveraging its location advantage as a transportation hub, Baofeng is actively promoting the integration with the new urban area of Pingdingshan City and facilitating the concentration of production factors in central towns and central villages in order to build a modern town system and form a new pattern of integration of urban and rural development. Currently the population in townships of Baofeng City was approximately 150,000. As the urbanization progress speeds up, it is expected that the number of potential resident users of the Group will continue to grow. In addition, as an industrial transfer target area for Pingdingshan City, Baofeng County is building a modern industry system and striving to become a national industrial facility with support of key industries including solar photovoltaic, modern manufacturing, new materials, building materials, food processing, textile and other light industries. It has a large number of potential industrial and commercial users.

Investment in Bases of Gas Sources

The CNG equipment of the Group's gas source base project in Changling County, Jilin Province has a designed daily production capacity of 150,000 m^3. Since its production commencement in the middle of last year, it recorded fast expansion and its operating rate continued to increase. Its daily production had exceeded 85,000 m^3 as at 31 December 2016 and is close to 150,000 m^3 as at the date of this announcement. The installation and commissioning of LNG equipment was almost completed, which will commence production in the year. North-eastern China in which the Changling project is located is one of the important core areas for the operation of the Group, and the smooth development of CNG market also demonstrated the Group's strong distribution ability in the area. As such, the Group is fully confident in its LNG business which is about to commence production in the year.

In addition, for the LNG processing plant project in Kaizhou District, Chongqing (formerly known as Kai County, Chongqing), as negotiated with local government, the project location will be relocated to Puli Industrial New Area which is closer to the gas source, in order to reduce the investment and construction cost of the project. The new location will significantly reduce the length of pipeline required for the project and in turn reduce investment cost and future operation cost of the project. Puli Industrial New Area has a planned intensive road network and is close to key traffic hubs. As such, it has strong location advantage. In the future, the project will rely on the regional policy advantage and enjoy government infrastructure and favourable policies such as interest subsidy for financing.

Investment in Gas Refilling Stations

As at 31 December 2016, the Group added 3 new operating gas refilling stations and had a total of 44 operating gas refilling stations and more than 15 gas refilling stations under construction. The Group will pay close attention to the price trend of competitive energy and national policy guidance, and will carefully establish additional gas refilling stations while maintaining the investment return.

Long-haul Pipelines

The Group has a total of four long-haul pipelines, three of which have been put into operation and are located in Da'an City, Jilin Province, Pingdingshan City, Henan Province and Wujiang City, Jiangsu Province, respectively, with a total annual gas transmission capacity of 5 billion m^3. For the Lushan-Ruzhou Pipeline Branch of the West-East Pipeline II of the Group under construction, following active communication with local government, the site re-selection and planning for the new site has been completed. The first phase of the project has already started, and certain pipeline work has been completed. In addition, in order to further lower the gas purchase cost of Xuchang Subsidiary under the Group, it plans to lay long-haul pipelines in Xuchang to realize connection between Yuzhou and Changge. Currently the government approval for early work of the project has been obtained. In the future the pipelines will serve the supply of gas to Xuchang Subsidiary, a core company of the Group, and its neighbouring market. Furthermore, the Group is actively seeking opportunities to construct new long-haul pipelines and independently invests in the construction of long-haul pipeline projects supporting its existing urban gas projects and providing strong support for the expansion of projects along the pipelines. The Group will also focus on the development of gas transmission business of gas power plants, and capture more market share for its middle-stream business by way of constructing long-haul pipeline projects supporting the gas transmission of gas power plants.

Gas Pipeline Connection Volume

For the year ended 31 December 2016, the Group connected a total of 204,393 residential users to gas pipelines, and the total number of its residential users increased to 1,325,382 (including the number of existing residential users of the three projects, being Henan Xi Chuan, Sichuan Ming Sheng and Guangdong Lechang projects, prior to their consolidation), representing an increase of approximately 30.40% as compared with the corresponding period of last year. Average connection fee paid by each residential user was approximately RMB2,551. For the year ended 31 December 2016, the Group connected a total of 1,226 industrial and commercial users to gas pipelines, and the total number of industrial and commercial users of its operating projects amounted to 8,917 (including the number of existing industrial and commercial users of the three projects, being Henan Xi Chuan, Sichuan Ming Sheng and Guangdong Lechang projects, prior to their consolidation), representing an increase of approximately 55.43% as compared with the corresponding period of last year. Average connection fee paid by each industrial and commercial users was approximately RMB60,739.

Gas Sales Volume

For the year ended 31 December 2016, gas sales volume of the Group amounted to approximately 918,000,000 m^3, representing a significant increase of approximately 297,000,000 m^3 or 47.83%, as compared with the corresponding period of last year. Pipeline gas distribution volume amounted to approximately 780,000,000 m^3. Gas volume sold to residential users, industrial and commercial users, transportation gas users and urban gas company users accounted for 16.44%, 49.34%, 13.35% and 20.87%, respectively, of total gas sales volume. The average selling prices of natural gas sold by the Group to residential users, industrial and commercial users, transportation gas users (including retail and wholesale) and urban gas company users (exclusive of tax) were approximately RMB2.22/m^3, RMB2.29/m^3, RMB2.51/m^3 and RMB1.79/m^3, respectively. Excluding large industrial and commercial users, average selling price of natural gas sold to industrial and commercial users (exclusive of tax) was RMB2.48/m^3.

Gas sales volume to residential users increased by approximately 49.56% as compared with the corresponding period of last year, mainly due to the 30.40% increase in the number of the Group's residential users, as well as large sales volume to residential users of Ming Sheng project in Sichuan which has been consolidated. Excluding the gas sales volume to residential users of Ming Sheng project in Sichuan, gas sales volume to residential users of other gas projects increased by approximately 26.25% as compared with the corresponding period of last year.

The number of and sales volume to industrial and commercial users showed a leap forward development. Gas sales volume to industrial and commercial users increased significantly by approximately 46.29%. Excluding gas sale volume to industrial and commercial users of Beijing Tian Lun Investment Group (formerly Beijing Hui Ji project), gas sales volume to industrial and commercial users of other gas projects of the Group still increased by approximately 40% as compared with the corresponding period of last year.

During the year, the Group responded to the government's call for energy reform to save energy and reduce emission by actively developing potential coal-to-gas users in the areas of its operation and helping traditional enterprises with high energy consumption and high pollution conduct equipment upgrading and application of new technologies. As a result, it successfully developed a number of new large industrial users from the "coal-to-gas" conversion. Hebi Subsidiary recorded strong performance in particular. Once a city with the coal industry as its major support, Hebi accelerated economic transformation in recent years in order to gradually reduce its dependence on the coal industry. For this reason, Hebi Subsidiary timely adjusted its development strategy to focus on the development of large "coal-to-gas" industrial users in the area and successfully entered into contracts with many large "coal-to-gas" users including Hebi Coal & Electricity Co., Ltd. * (鶴壁煤電股份有限公司), Hebi Coal Group * (鶴壁煤業集團) and Hebi Zhongtai Mining

Co., Ltd. * (鶴壁中泰礦業公司) through its unremitting efforts. Gas supply to most of these users commenced in 2016, with a total of daily gas consumption of 55,000 m^3. In the meantime, other members of the Group conducted market exploration for potential users in their respective regions in view of local coal-to-gas conversion progress. Xuchang Subsidiary and Shangqiu subsidiary in South Henan region, and Dunhua Subsidiary in northeast region successfully developed large coal-to-gas users including Tianchang International Tobacco * (天昌國際煙草), Henan E'zhong Fertiliser * (河南鄂中肥業) and Jilin Asymchem Laboratories Co., Ltd. * (吉林凱萊英醫藥化學公司), and gas supply to all of them had commenced in 2016, with daily gas consumption of 25,000 m^3, 15,000 m^3 and 10,000 m^3, respectively. The number of coal-to-gas users of Baiyin Subsidiary, Qian County Subsidiary and Liquan Subsidiary, located in northwest region, also increased, as they successfully entered into contracts with a number of large gas users including Baiyin Non-ferrous Group * (白銀有色集團), Uni-President * (統一企業) and Hong'en Environment * (宏恩環保), each with a designed daily gas consumption of over 30,000 m^3. Gas supply will successively commence in the year. As at the end of the Reporting Period, the Group developed over 1,200 new industrial and commercial users. The Group believes that with the continuous increase in the number of industrial and commercial users and the expansion of their gas consumption, gas sales volume to industrial and commercial users will maintain rapid growth in the future.

Gas sales volume to transportation gas users increased by approximately 8.30% as compared with the corresponding period of last year, mainly due to the fact that Jilin Changling project and the newly operated refilling stations of Henan Tian Lun Gas Pipeline Network both commenced sales of vehicle gas last year, as well as the fact that with the rise in oil price in 2016, the price advantage of vehicle gas recovered, and vehicle gas sales volume of a number of members including Kaifeng Lan Kao and Jilin Qian An grew to varied extents during the year.

Gas sales volume to urban gas company users and pipeline gas distribution volume increased by approximately 97.06% and 26.83%, respectively, as compared with the corresponding period of last year. The substantial increase in gas sales volume to urban gas company users was mainly due to the following reasons: firstly, compared to 2015 when only the data of Beijing Tian Lun Investment Group for the period from April to December 2015 was consolidated, the data of Beijing Tian Lun Investment Group for the full year was consolidated in 2016, and the first quarter with extra data was a peak season for heating gas supply; secondly, the newly consolidated Ming Sheng project also has urban gas company users, which further contributed to the increase in overall gas sales volume to urban gas company users.

Customer Services

The Group always regards customer satisfaction as a key indicator of service quality and strives to provide customers with high quality service experience through understanding the real needs of customers, improving service concept and innovating service methods.

The Group adheres to the people-oriented philosophy and strives to enhance employees' service awareness and improve customer services. The Group has established a professional service training team to carry out the "Service quality improvement month" activity and provide regular special training to front-line service staff, in particular the system operation training provided to new customer service staff, which has significantly enhanced the operation skills of system operators and their ability to deal with common problems. In addition, the Group attaches great importance to customers' evaluation, complaint and recommendations, and has established a standardized customer complaint management system, which expressly stipulates that all members of the Group shall regularly summarize customers' suggestions and complaints and adopt effective recommendations for strict implementation. In addition, to meet the diversified gas consumption needs of customers, the Group has launched an "Extended service solution" for end users, which maximizes customer experience by developing one-on-one service solution according to the customized requirements of each user.

As for service terminal, the Group continued to adopt the innovative "Internet +" management concept and further promoted its full cooperation with Alipay by making full use of its established online payment channels and encouraging users to make payment through scan codes of Alipay and use online search service. It also introduced pilot self-payment machines for gas card metre users and established diversified services channels by combining on-line new services with off-line traditional services.

In respect of customer safety in gas use, the Group always considers customers' safety above all else by arranging specialized personnel to conduct safety examinations for yard pipeline network, indoors pipelines and gas devices and facilities and free home safety examinations each year to identify safety threats and ensure customers' safety in gas use.

Safety Management

As a basis for its healthy and sustainable development, the Group always takes safety management as a top priority in its operation and continues to implement safety management requirements with higher standards to support its steady growth.

During the year ended 31 December 2016, the Group continued to implement a safety management system with risk control as the core, continued to upgrade and improve its safety management mechanism, set out safety objectives and strengthened responsibility assessment. The Group attached importance to the development of the production safety management team and had established a team of safety management experts to cooperate with safety management consulting institutions and hold special training and seminars, which focus on solving the difficult problems in the production of the Group and had improved the expertise of safety management personnel. In addition, the Group strengthened the guidance and supervision of the daily safety management process of its members by conducting regular safety management assessment of all members, organizing pipeline operation risk assessment, special treatment of customers' hidden dangers and emergency rescue capability evaluation in order to selectively eliminating operation risk and fully improve safety management ability.

Risk Management

In the face of an increasingly complex business environment, a sustained and prudent risk management system will help the Group effectively avoid risks, enhance the forethought of operational decisions and ensure long-term steady development of the Group. During the year ended 31 December 2016, following the development and consolidation of over 100 risk management rules covering all links including market operation, finance, internal audit and safety production, the Group shifted its work focus to how to maximize the assurance that all rules are effectively implemented. By organizing seminars and taking into account its own situations, the Group had initially established a practical closed rick management and control proposal covering rule index database, training and learning, routine inspection, and evaluation and assessment. At the same time, in order to avoid acting blindly, the Group actively learned from the risk management experience of outstanding external enterprises and organized teams to visit and learn from exemplary enterprises, so that they could identify their own shortcomings through in-depth discussion and communication among management, achieve excellence and strive to make it risk control meet the standards for first-class enterprises.

Furthermore, the Group had established a risk management team at each of its members, designated risk managers, and prepared and issued the Management Measures for Risk Managers of the Group, which expressly stipulated that risk managers are responsible for the promotion of rules and the risk management system, regular preparation of risk control self-assessment reports and reporting various risks to the head office of the Group. Such risk management model with responsibility assigned to specific persons, has fully motivated risk managers' enthusiasm to "prevent risks, convey ideas and report events", enabled members of the Group to effectively implement management tasks and facilitated the continuous, efficient and regulated risk control within the Group.

Moreover, during the year ended 31 December 2016, the Group renewed the public liability insurance, all property insurance and directors and senior management liability insurance covering the whole Group to ensure that all risks are covered by insurance and minimize the possible risk losses of the Group.

Cost Management

Good cost control can effectively reduce operating costs of an enterprise, improve its production capacity and resource utilization, and improve its management model. The Group has always attached great importance to cost management and strict controls costs to ensure the continuous improvement of profitability.

With the increase in the number of township gas users of the Group, it established special rules to further clarify the standard for urban users and township users to regulate the classification standards for the connection cost and assets for different types of users. In addition, the Group conducted real-time monitoring of the costs of projects under construction. For projects with abnormal costs, the Group partnered with design and project management personnel to conduct site investigations to analyse the causes and jointly develop solutions in order to optimize cost control.

For material management, during the year ended 31 December 2016, the Group issued the "Highest Inventory" target to all members and urged its members to minimize the inventory by way of timely dealing with waste materials or assets through exchange with the plant, secondary use, internal allocation within the Group and disposal. It also updated a list of Class I material suppliers and strengthened the selection and monitoring of Classes II and III suppliers. It amended the centralized material procurement plan and the material supply agreement template to regulate the entering into of material procurement agreements.

The Group had implemented strict control over transmission error management, had sorted out key work in three areas including performance assessment, management and technology and had conducted special governance, and had established a clear transmission error management system. During the year ended 31 December 2016, the Group organized its stations to conduct transmission error analysis and strictly controlled upstream transmission errors through flow metre calibration and negotiation with upstream suppliers. Besides, it conducted a pilot transmission error management information program at Xuchang Subsidiary and Hebi Subsidiary to further improve the accuracy of data management and plans to apply the program at all members in the future.

Information Management

In 2016, the Group fully optimized and deepened the data advantage of its information system in its operation management and utilised its information development platform to consolidate the centralized financial management, human resources management and control, supply chain management and control, supply chain management and control and capital management and control modules which have been launched. Through application of these modules in its integrated collaborative office system platform, the Group identified, collected and corrected the minor problems in the process and further enhanced the effectiveness of the module system that has been launched online.

In addition, the Group continued to update and improve the new functions of each application system that has been launched or piloted in view of the actual needs of its operation during the year. In particular, while providing traditional functions including meter reading, charge, work order, security check, inspection and reporting, the marketing service system also added a new transmission error management module which has avoided human interference and ensured the accuracy of data management by analysing the basic values of gas intake volume of stations and pipeline storage volume and automatically generating transmission error results. Currently this function has been launched in Xuchang and Hebi. Furthermore, through further expansion of the coverage of the SCADA remote monitoring system, in addition to realizing the real-time remote monitoring and data transmission at major stations of members, the system also included the information on large industrial and commercial users of the Group and important and remote nodes of urban pipelines in the scope of monitoring to ensure that the central dispatch room at the headquarters of the Group can realize real-time monitoring through the remote transmission system. Moreover, the Group completed the testing for the launch of the "one card pass management platform" at gas refilling stations and started to promote the system. A total of 13 gas refilling stations of the Group have successfully used this platform to conduct charge management. Also, the Group has developed platform management rules including the Vehicle Gas IC Card Application Rules, which has effectively improved the charging and gas sales management at gas refilling stations and established an efficient charging system for future promotion and application at all gas refilling stations in the future.

Human Resources

As at 31 December 2016, total number of employees of the Group was 2,427. The remuneration of employees of the Group are determined based on their work performance, work experiences and prevailing market rate.

The Group attaches great importance to the cultivation, selection and introduction of talents. During the year, the Group developed a junior internal trainer cultivation plan, selected and appointed internal lecturers, and obtained certifications for the courses developed by it in order to provide professional training required for their positions. For internal selection, the Group held a talent selection program to select young cadres and a reserve manager training camp targeting middle-level cadres in order to open up career promotion path and provide a fair promotion platform for employees. For the recruitment of talented persons, the Group reserves sufficient human resources for its rapid development through campus recruitment across China, social recruitment and the "Coming Home to Work at Tian Lun" program which targets to attract high-end talented persons with local origin.

Further, the Group launched an organizational structure adjustment program setting out clear internal organizational structure and job placement standards at its members, and further promoted management standardization. In order to stimulate management potential and improve operational efficiency, each member of the Group entered into a performance responsibility letter at the beginning of the year in order to set out clear objectives for the year, play the role of rewards and punishments based on performance, effectively improve employees' work enthusiasm and promote the achievement of performance objectives of the Group.

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group's revenue amounted to approximately RMB2,693,000,000, representing an increase of approximately RMB441,000,000 or a rise of approximately 19.58% as compared with the corresponding period of last year. Gross profit amounted to approximately RMB692,000,000, representing an increase of approximately RMB83,000,000 or a rise of approximately 13.63% as compared with the corresponding period of last year. Profit attributable to owners of the Company amounted to approximately RMB313,000,000, representing an increase of approximately RMB29,000,000 or a rise of approximately 10.21% as compared with the corresponding period of last year.

Revenue

For the year ended 31 December 2016, the Group's revenue was primarily derived from the gas pipeline connections business and the transportation and sales of gas business, accounting for approximately 22.13% and 76.30% of the total revenue (the corresponding period of last year: approximately 25.37% and 73.28%), respectively.

Revenue from Gas Pipeline Connection

The Group conducts gas pipeline connection operation by providing property developers and industrial and commercial users with gas pipeline laying and installation services in the cities in which it operates. For the year ended 31 December 2016, revenue from gas pipeline connections amounted to approximately RMB596,000,000, representing a slight increase from approximately RMB571,000,000 for the corresponding period of last year.

Revenue from Sales of Gas

The Group is engaged in the transportation, distribution and sales of natural gas for large industrial users in the cities in which it operates. For the year ended 31 December 2016, the Group had a significant growth in gas sales volume. Revenue from gas sales amounted to approximately RMB2,055,000,000, representing an increase of approximately 24.55% from approximately RMB1,650,000,000 for the corresponding period of last year.

Gross Profit, Gross Profit Margin and Net Profit Margin

For the year ended 31 December 2016, the Group realized gross profit of approximately RMB692,000,000, representing an increase of approximately RMB83,000,000 or 13.63% from the year ended 31 December 2015. Overall gross profit margin of the Group was approximately 25.71%, representing a slight decrease of approximately 1.32 percentage points as compared with the corresponding period of last year. The slight decrease was mainly due to further increase in the percentage of the Group's revenue from sales of gas. Net profit margin of the Group was approximately 12.42%, representing a slight decrease of approximately 1.70 percentage points as compared with the corresponding period of last year.

Distribution Cost and Administrative Expenses

With the continuous implementation of cost control policies such as the comprehensive budgeting management system, the Group's proportion of distribution costs and administrative expenses to total revenue for the year ended 31 December 2016 has declined by approximately 0.66 percentage points as compared with the corresponding period of last year.

The Group's distribution cost for the year ended 31 December 2016 was approximately RMB23,540,000, and administrative expenses for the year was approximately RMB117,000,000.

Financial Position

The Group has been adopting prudent policies in respect of financial resources management, including maintaining an appropriate level of cash and cash equivalents as well as sufficient credit limits, in order to cope with the needs of daily operation and business development and control the borrowing at a healthy level.

For the year ended 31 December 2016, the Group spent capital expenditure of approximately RMB434,000,000, of which approximately RMB257,000,000 was used in project acquisitions and approximately RMB177,000,000 in continuously improving urban gas business. The above capital expenditure was financed by the Group's operating cash flows and bank borrowings. The Group's cash and cash equivalents amounted to approximately RMB755,000,000, of which approximately 58.19% was denominated in RMB, 41.31% was denominated in US dollars and 0.39% was denominated in HK dollars, and its financial assets at fair value through profit or loss of approximately RMB318,000,000 can be realized within a short time, safeguarding the needs of project expansion and acquisition of businesses of the Group.

As at 31 December 2016, the Group's total borrowing was approximately RMB3,588,000,000 (among which loans denominated in RMB was approximately RMB1,247,000,000 and loans denominated in US dollars was approximately RMB2,341,000,000), of which approximately 23.65% was accounted for as current liabilities. The loans repayable within one year amounted to approximately RMB848,000,000, of which approximately RMB206,000,000 was secured by the Group's properties, land use rights and gas charge rights. As at 31 December 2016, the gearing ratio, calculated based on the percentage of total liabilities over total assets, was approximately 63.95%.

Finance Cost and Exchange Risk Management

For the year ended 31 December 2016, the Group's finance cost was approximately RMB191,000,000, representing an increase of approximately 37.41% as compared with the corresponding period of last year, mainly due to the increase in the withdrawal of overseas loans by the Group in the year and the resulting increase in finance cost in the year.

During the year ended 31 December 2016, the changing international situation caused the wide fluctuation of Renminbi exchange rate. The Group keeps a close eye on the changes in the exchange market and exchanged certain borrowings denominated in U.S. dollars through cross currency swaps. The Group realized gain on change in fair value of approximately RMB36.17 million and interest exchange income of approximately RMB2.07 million, totalling approximately RMB38.24 million. As a result, it has kept medium-and long-term exchange rate risk under control and lowered its financing cost. In the future the Group will continue to monitor the exchange rates and adopt measures to avoid regulatory risks and minimize the potential exchange loss.

OUTLOOK

In 2017, China will continue to implement the 13th Five-Year Development Plan, focus on the supply side structural reform as the core, and further clarify the direction and path for the market reforms of energy including natural gas. In the coming year, China will continue to accelerate the development of natural gas as a mainstream energy and actively develop a series of gas-related rules or policies including the Opinions on Acceleration of Use of Natural Gas to promote the large-scale application of natural gas in key areas including urban supply, gas power generation, industrial and transportation fuels. Driven by the national environment protection policies and the pickup of global crude oil price, the competitiveness of natural gas in environmental protection and its price advantage will become more evident in the year, which will drive the steady growth of the demand for natural gas market in the PRC and hopefully help achieve the objective that the consumption of natural gas accounts for 6.8% of energy consumption in 2017.

In 2017, the Group will follow the pace of energy structure adjustment in the PRC, keep a close eye on the market conditions and make new development strategies in due course. This year, the Group will continue to adopt the development model of selective mergers and acquisitions and focus on the investment in areas with established gas penetration as well as the targets which can generate synergies together with its existing gas projects. In order to further develop the existing gas projects, the Group has proposed an innovative concept of extension development by developing single point direct supply of LNG and township gas market as new business. It emphasized that all members not only shall develop users in the surrounding areas of its operation but also shall expand business to core cities in the region and nearly industrial enterprise gathering areas. It shall change the traditional business philosophy and adopt a development model which allows developing customers first before laying pipelines, and gradually expand and get closer to suburb areas of large- and medium-sized cities so as to achieve the objective of extending areas of operation.

Further, by following the guide of national natural gas policies, the Group will strive to keep pace with the times and continue to develop new business growth drivers. The Group firmly believes that gas power plant will be a new driving force for the gas industry. It will monitor the development of gas transmission business for gas power plants in Jiangsu and Guangdong and to expand business when the opportunities arise. In the meantime, in order to further lower gas supply cost and achieve diversified development of industrial chain terminals, the Group will attempt to enter the distributed energy market by focusing on the development of distributed energy projects established by large plants and industrial parks.

The Group will continue to optimize internal operation and management. On one hand, the Group will implement control cost and management through enhanced operational rules to further optimize and improve overall operational efficiency. On the other hand, the Group will strengthen the study of advanced technologies in the industry by inviting well-known industry experts to provide introduction to and training in new policies and new technologies in the industry to its management, in order to improve its innovative business model through technologies and lay a solid technical foundation for the sustainable growth of its results of operation in the future. The Group believes that with more favourable policy support, more mature and efficient management model, more innovative development concept and the concerted efforts of all employees of Tian Lun, its growth rate will continue to be leading in the industry in the next year and it will repay shareholders, investors and users with even stronger performance and higher-quality services.

Corporate and Social Responsibilities

As a rising star committed to the development of natural gas industry with national presence, since its establishment, the Group has been providing stable supply of natural gas to all kinds of natural gas users and striving to become a national energy distribution enterprise which is worth customers' trust and wins social respect, with its mission of developing clean energy and improving living environment and its philosophy of putting customer's needs and interests first.

Economic Responsibility

Since its listing, the Group's business presence had continued to expand. Currently the Group owns 53 gas projects in 17 provinces in the PRC and employs a total of 2,427 employees, which has promoted the development of gas business in the third- and fourth-tier cities of China and surrounding townships, effectively increased local taxation income, alleviated employment pressure, promoted local economic growth and accelerated local urbanization reforms.

Environment Responsibility

The Group fully practices its mission as an enterprise providing clean energy by seizing the opportunities brought by China's energy reform to actively promote the "coal-to-gas" conversion progress of industrial users in the areas of its operation and promoting the use of natural gas among coal-to-gas users with high energy consumption and high emissions. With the continuous increase in number of coal-to-gas users of the Group, the emission of pollutants will be effectively reduced, which represents a response to national's call for energy-saving and emission-reduction and develop green economy with practical actions.

Social Public Welfare

Adhering to the principles of "develop and enjoy Tian Lun together" and "what is taken from the people is used in the interests of the people", the Group actively participated in various charitable activities. Mr. Zhang Yingcen, the controlling shareholder of the Group, partnered with Henan Disabled Foundation and established the Tian Lun Care for Children Fund in 2011, which donates to children and families in need. In September 2016, Mr. Zhang Yingcen once again helped the charity by donating RMB50 million to Henan Charity General Federation. The donation will be used to help treat children for serious illness in Lushi County, Sanmenxia City, Henan Province, purchase serious illness insurance for children in the county and help the children there with serious illness such as leukaemia and congenital heart disease and their families accept medical treatment in time.

Purchase, Sale or Redemption of the Company's Listed Securities

Taking into account of the Group's strong performance and development potential, the Board was of the view that conducting share repurchases would further improve its net assets value per share and earnings per share. As at 28 July 2016, the Company had repurchased a total of 19,999,500 shares of the Company on a total of five occasions at the highest and lowest prices per share of HK$6.00 and HK$5.88 respectively, with the total consideration paid for the share repurchases of not more than HK$120,000,000. All repurchased shares had been cancelled on 10 August 2016.

Contingent Liabilities

During the year ended 31 December 2016, the Group had no material contingent liabilities.

Dividend Distribution

Pursuant to a resolution passed on a Board meeting held on 30 March 2017, the Directors of the Company do not recommend the payment of the final dividend for the year ended 31 December 2016.

In addition, in order to repay the shareholders for their support, the Group has established a long-term steady dividend policy and plans to distribute interim dividend for 2017, details of which will be set out in the interim results announcement of the Group for 2017.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries made to all the Directors, each of them confirmed that they strictly complied with the required standards set out in the Model Code for the year ended 31 December 2016.

Corporate Governance Code

The Company has adopted and been in compliance with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the period from 1 January 2016 to 31 December 2016.

Audit Committee

The audit committee (the "Audit Committee") of the Company consists of three independent non-executive Directors, namely, Mr. Li Liuqing (chairman of the Audit Committee), Mr. Yeung Yui Yuen Michael and Ms. Zhao Jun. The Audit Committee had held meetings with the management to review accounting principles and practices adopted by the Group and discussed the audit, internal control and financial reporting issues. The Audit Committee had reviewed and discussed the annual results and financial statements of the Group for the year ended 31 December 2016.

Audit of Financial Statements

PricewaterhouseCoopers, the external auditor of the Group, had audited the consolidated financial statements of the Group and issued unqualified opinion. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been compared and agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Annual Report

The Company's annual report for the year ended 31 December 2016 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.tianlungas.com), and copies of the annual report will be despatched to the shareholders of the Company in due course.

By order of the Board
China Tian Lun Gas Holdings Limited
Zhang Yingcen
Chairman

Zhengzhou, the PRC, 30 March 2017

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan, Mr. Feng Yi, Mr. Sun Heng and Ms. Li Tao; the non-executive Director is Mr. Wang Jiansheng and the independent non-executive Directors are Mr. Li Liuqing, Mr. Yeung Yui Yuen Michael, Mr. Cao Zhibin and Ms. Zhao Jun.

* *For identification purposes only*