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 2011

For the year ended 31 December 2011, revenue of the Group amounted to approximately RMB450,931,000, representing an increase of approximately 74.61%, as compared with approximately RMB258,255,000 in 2010.

For the year ended 31 December 2011, gross profit of the Group amounted to approximately RMB172,004,000, representing an increase of approximately 42.07%, as compared with approximately RMB121,074,000 in 2010.

For the year ended 31 December 2011, profit for the year of the Group amounted to approximately RMB90,353,000, representing an increase of approximately 18.94%, as compared with approximately RMB75,968,000 in 2010.

For the year ended 31 December 2011, profit attributable to owners of the Company amounted to approximately RMB82,730,000, representing an increase of approximately 10.11%, as compared with approximately RMB75,136,000 in 2010.

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 audited consolidated results of the Group for the year ended 31 December 2011, together with comparative figures for the corresponding period of 2010 as follows:

Consolidated Balance Sheet
(All amounts in Renminbi ("RMB"))

	Note	As at 31 December 2011 RMB'000	2010 RMB'000 Restated
ASSETS			
Non-current assets			
Property, plant and equipment		**568,573**	143,645
Investment properties		**10,058**	9,935
Lease prepayments		**29,706**	8,273
Intangible assets		**423,991**	34,966
Deferred income tax assets		**1,917**	1,581
Trade and other receivables	5	**14,870**	—
Other non-current assets		**2,382**	—
		1,051,497	198,400
Current assets			
Inventories		**45,067**	8,309
Trade and other receivables	5	**101,329**	64,743
Available-for-sale financial assets		**62,000**	—
Restricted cash		**5,000**	—
Cash and cash equivalents		**310,762**	411,926
		524,158	484,978
Total assets		**1,575,655**	683,378
EQUITY			
Equity attributable to owners of the Company			
Share capital	6	**7,077**	7,077
Share premium	6	**454,188**	454,188
Reserves		**4,817**	18,892
Retained earnings		**150,048**	76,243
		616,130	556,400
Non-controlling interests		**168,090**	2,845
Total equity		**784,220**	559,245

Consolidated Balance Sheet *(Continued)*
(All amounts in Renminbi("RMB"))

		As at 31 December	
	Note	**2011**	2010
		RMB'000	*RMB'000*
			Restated
LIABILITIES			
Non-current liabilities			
Trade and other payables	*7*	**25,000**	—
Borrowings		**186,074**	6,350
Deferred income tax liabilities		**30,188**	—
		241,262	6,350
Current liabilities			
Trade and other payables	*7*	**172,895**	47,262
Advance from customers		**87,123**	43,936
Current income tax liabilities		**5,478**	1,506
Borrowings		**284,677**	25,079
		550,173	117,783
Total liabilities		**791,435**	124,133
Total equity and liabilities		**1,575,655**	683,378
Net current (liabilities)/assets		**(26,015)**	367,195
Total assets less current liabilities		**1,025,482**	565,595

Consolidated Statement of Comprehensive Income
(All amounts in RMB)

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000 Restated
Revenue	4	**450,931**	258,255
Cost of sales		**(278,927)**	(137,181)
Gross profit		**172,004**	121,074
Distribution costs		**(7,793)**	(2,629)
Administrative expenses		**(48,187)**	(17,644)
Other income		**10,737**	—
Other gains — net		**290**	94
Operating profit		**127,051**	100,895
Finance income		**5,454**	2,365
Finance costs		**(14,872)**	(5,577)
Finance costs — net	9	**(9,418)**	(3,212)
Profit before income tax		**117,633**	97,683
Income tax expense	10	**(27,280)**	(21,715)
Profit for the year		**90,353**	75,968
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**90,353**	75,968
Profit and total comprehensive income attributable to:			
Owners of the Company		**82,730**	75,136
Non-controlling interests		**7,623**	832
		90,353	75,968
Earnings per share for profit attributable to owners of the Company (RMB per share)			
— Basic and diluted	11	**0.10**	0.12
Dividends	12	**—**	33,087

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 estate developers and commercial and industrial users with laying and installation and transportation, distribution and sales of gases including natural gas, coal gas, compressed natural gas (the "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 Group was collectively controlled by Mr. Zhang Yingcen, his wife and his eldest son (collectively the "Controlling Shareholders").

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 Company's Board of Directors on 30 March 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

Puyang Tian Lun Gas Limited ("Puyang Tian Lun") was established by Mr. Zhang Yingcen and Henan Tian Lun Gas Engineering Investment Limited ("Henan Tian Lun Engeering Investment") with equity interests of 10% and 90% respectively. Henan Tian Lun Engeering Investment was a company incorporated in the PRC and owned by the Controlling Shareholders. In June 2011, the Group acquired the entire equity interests in Puyang Tian Lun for a cash consideration of RMB23 million. Puyang Tian Lun and the Group are controlled and ultimately owned by the Controlling Shareholders. Accordingly, the aforesaid transaction was regarded as business combination under common control. These consolidated financial statements incorporated Puyang Tian Lun's results as if both Puyang Tian Lun and the Group had always been combined. The financial statements for the year ended 31 December 2010 have been restated to reflect this common control transaction accordingly.

2.2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

3. **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS** *(Continued)*

(b) Income taxes

The Group's subsidiaries that operate in the PRC are subject to corporate income tax in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expense in the period in which such estimate is changed.

As at 31 December 2011, the Group has deferred income tax assets of approximately RMB1,917,000 (2010: RMB1,581,000). To the extent that it is probable that the taxable profit will be available against which the deductible temporary differences will be utilised, deferred income tax assets are recognised for temporary differences arising from impairment provisions taken on receivables, accrued expenses, tax losses and depreciation. Should the Group be required to increase the tax rate, every 1% increment in tax rate would render a further write up of deferred tax assets in the amount of approximately RMB81,000 (2010: RMB67,000).

(c) Depreciation and amortisation

The Group's management determines the estimated residual value, useful lives and related depreciation/amortisation charges for the property, plant and equipment, investment properties, and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortisation charge where useful lives are different to previously estimated.

(d) Impairment of trade and other receivables

Provision for impairment of trade and other receivables is determined based on the evaluation of collectibility of trade and other receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each counterparty and the current market condition.

(e) Purchase price allocation for business combination other than common control combinations

Accounting for business acquisitions other than common control combinations require the Group to allocate the cost of the acquisition to the specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group undertakes a process to identify all assets and liabilities acquired, including any identified intangible assets where appropriate. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as assets useful lives, may materially impact the Group's financial position and results of operation. In determining the fair values of the identifiable assets acquired and liabilities assumed, valuations were conducted by an independent valuer and estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management of the Group.

4. **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 operating segments derive their revenue primarily from transportation and sales of gases, and gas pipeline connections.

The revenue from rental income of investment properties and other miscellaneous income, is not reviewed by the senior executive management team, and its results are included in the "all other segment" column.

4. **SEGMENT INFORMATION** *(Continued)*

The senior executive management team assesses the performance of the operating segments based on the measure of gross profit, which is determined by using the accounting policies which are the same as disclosed in note 2 above. Meanwhile, the Group does not allocate operating costs, 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.

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2011 is as follows:

	Transportation and sales of gas *RMB'000*	**Gas pipeline connections** *RMB'000*	**All other segments** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Total external revenue	**236,231**	**203,103**	**11,597**	**—**	**450,931**
Gross profit	**39,316**	**126,388**	**6,300**	**—**	**172,004**
Distribution costs				**(7,793)**	**(7,793)**
Administrative expenses				**(48,187)**	**(48,187)**
Other income				**10,737**	**10,737**
Other gains — net				**290**	**290**
Operating profit					**127,051**
Finance costs — net				**(9,418)**	**(9,418)**
Profit before income tax					**117,633**
Income tax expense				**(27,280)**	**(27,280)**
Profit for the year					**90,353**

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2010 is as follows:

	Transportation and sales of gas *RMB'000*	Gas pipeline connections *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Total external revenue	110,214	140,407	7,634	—	258,255
Gross profit	14,904	101,156	5,014	—	121,074
Distribution costs				(2,629)	(2,629)
Administrative expenses				(17,644)	(17,644)
Other gains — net				94	94
Operating profit					100,895
Finance costs — net				(3,212)	(3,212)
Profit before income tax					97,683
Income tax expense				(21,715)	(21,715)
Profit for the year					75,968

The principal subsidiaries of the Company are domiciled in the PRC. All their revenue from external customers are derived from the PRC, and all the non-current assets (there are no financial instrument, employment benefit assets and rights arising under insurance contracts) are located in the PRC.

For the year ended 31 December 2011, no revenue derived from sales made to a single external customers amounted to 10% or more of the Group's total revenue (2010: nil).

5. TRADE AND OTHER RECEIVABLES

	Group 2011	2010
	RMB'000	*RMB'000*
Trade receivables (a)	**48,421**	20,829
Bills receivable	**1,000**	—
Prepayments	**35,091**	7,888
Receivables due from related parties	**4,026**	17,858
Other receivables	**21,531**	18,168
Value-added-tax to be offset	**6,130**	—
	116,199	64,743
Less: long-term prepayments	**(14,870)**	—
Current portion	**101,329**	64,743

The fair value of trade and other receivables, except the prepayments which are not financial assets, of the Group approximated their carrying amounts.

(a) The credit period generally granted to customers in relation to sales of pipelined gases is from 10 to 90 days. 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 aging analysis of trade receivables is as follows:

Group

	As at 31 December 2011	2010
	RMB'000	*RMB'000*
Less than 30 days	**17,345**	12,326
31 days to 90 days	**23,554**	2,499
91 days to 1 year	**4,401**	5,003
Over 1 year	**3,121**	1,001
	48,421	20,829

6. SHARE CAPITAL AND PREMIUM

(a) Authorised share capital of the Company

	As at 31 December 2011	2010
	RMB'000	*RMB'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.01	**17,192**	17,192

	Number of ordinary shares	Ordinary shares
		RMB'000
Authorised:		
On 20 May 2010, date of incorporation	38,000,000	333
Increase in authorised share capital	1,962,000,000	16,859
	2,000,000,000	17,192

On 13 October 2010, the authorised share capital was increased from HK$380,000 to HK$20,000,000 (equivalent to approximately RMB17,192,000) divided into 2,000,000,000 ordinary shares of HK$0.01 each in preparation for the Global Offering.

6. **SHARE CAPITAL AND PREMIUM** *(Continued)*

(b) **Issued share capital and premium of the Company**

	Number of ordinary shares	Ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid:				
On 20 May 2010, date of incorporation	1	—	—	—
Allotment of shares pursuant to the Reorganisation	999,999	9	95,993	96,002
Shares issued pursuant to the Global Offering	229,425,000	1,962	400,226	402,188
Shares issued under the capitalisation issue	597,500,000	5,106	(5,106)	—
Share issuance costs	—	—	(36,925)	(36,925)
As at 31 December 2010 and 31 December 2011	827,925,000	7,077	454,188	461,265

7. **TRADE AND OTHER PAYABLES**

	The Group 2011 *RMB'000*	2010 *RMB'000*
Trade payables *(a and b)*	**40,448**	15,078
Amount due to related parties *(a)*	**916**	13,889
Accrued payroll and welfare	**3,214**	123
Interest payables	**1,114**	—
Other taxes payables	**2,259**	1,917
Other payables *(a)*	**149,944**	16,255
	197,895	47,262
Less: long term other payables	**(25,000)**	—
Current portion	**172,895**	47,262

(a) As at 31 December 2011 and 2010, all such trade and other payables of the Group were non-interest bearing and their fair value approximated their carrying amounts due to their short maturities.

(b) The aging analysis of the trade payables, including amounts due to a related party which were trade in nature, was as follows:

Group

	As at 31 December 2011 *RMB'000*	2010 *RMB'000*
Less than 30 days	**12,057**	8,348
31 days to 90 days	**8,665**	3,489
91 days to 1 year	**8,175**	3,810
1 year to 2 years	**9,746**	795
2 years to 3 years	**1,134**	36
Over 3 years	**671**	522
	40,448	17,000

The credit terms generally granted by the Group's suppliers ranged from 10 to 90 days.

8. PROFIT BEFORE INCOME TAX

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit before income tax has been arrived at after charging:		
Raw materials and consumables used	**213,213**	100,700
Changes in inventories of finished goods and work in progress	**(6,544)**	8,158
Depreciation on property, plant and equipment	**16,231**	8,240
Depreciation on investment properties	**468**	436
Amortisation of lease prepayments	**661**	132
Amortisation of intangible assets	**5,152**	738

9. FINANCE COSTS — NET

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Finance income		
— Interest income derived from bank deposits	**(4,091)**	(381)
— Interest income derived from receivables due from a related party	**(1,363)**	(1,984)
	(5,454)	(2,365)
Finance costs		
— Interest expense on borrowings	**18,094**	4,607
— Exchange loss	**1,200**	876
— Others	**557**	94
Less: amounts capitalised on qualifying assets	**(4,979)**	—
	14,872	5,577
	9,418	3,212

10. INCOME TAX EXPENSE

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

(b) Hong Kong profits tax

For the years ended 31 December 2011 and 2010, there is no Hong Kong profits tax applicable to any group entity as no group entity had profit derived from Hong Kong.

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

All the Company's subsidiaries incorporated in the PRC are subject to 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 2011 and 2010, as determined in accordance with the relevant PRC income tax rules and regulations.

Among the abovementioned subsidiaries, Henan Tian Lun Gas Group Limited ("Henan Tian Lun Gas"), as a foreign investment enterprise, was entitled to exemption from the PRC CIT for the two years commencing from its first profit making year of operations, after offsetting all unexpired tax losses carried forward from previous years, and thereafter, entitled to a 50% relief from the enacted CIT rate for the next three years (the "5-Year Tax Concession"). As the 5-Year Tax Concession started from 2007, the enacted tax rate applicable to Henan Tian Lun Gas is 12.5% for the year ended 31 December 2011 (2010: 12.5%). All other subsidiaries, are subject to PRC CIT rate at 25% for the year ended 31 December 2011 (2010: 25%).

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Current income tax:		
— PRC corporate income tax	**26,694**	22,656
Deferred tax	**586**	(941)
	27,280	21,715

The difference between the actual income tax charge in profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit before income tax	**117,633**	97,683
Tax calculated at statutory tax rates applicable to each group entity	**26,589**	20,479
Expenses not deductible for tax purposes	**646**	122
Income not subject to income tax	**—**	(17)
Effect of withholding income tax in relation to net income attributable to foreign investor of the PRC operation	**—**	468
Effect of withholding income tax in relation to capital gains derived from equity transfer	**—**	520
Under provision in prior years	**—**	143
Others	**45**	—
	27,280	21,715

11. EARNINGS PER SHARE

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

	Year ended 31 December	
	2011	2010
Group's profit attributable to owners of the Company (RMB'000)	**82,730**	75,136
Weighted average number of shares in issue (in thousand)	**827,925**	629,381
Basic earnings per share (RMB per share)	**0.10**	0.12

Diluted earnings per share is the same as basic earnings per share as there were no potentially dilutive instruments outstanding.

12. DIVIDENDS

Pursuant to the resolution of the Board of Directors dated 30 March 2012, the directors of the Company proposed not to recommend a final dividend for the year ended 31 December 2011.

Business review

The Group is principally engaged in the gas pipeline connections, transportation and sale of gas, construction and operation of vehicle gas filling station, and production and sale of LNG in the People's Republic of China (the "PRC").

The following tables set forth the information for the year ended 31 December 2011 and 2010:(1) the breakdown of revenue from gas pipeline connections operation, transportation and sale of gas operation; (2) the breakdown of the users' number of the transportation and sales of gas operation; and (3) the breakdown of the sales volume of gas.

Table 1: Revenue from gas pipeline connections operation and the transportation and sales of gas operation

	For the year ended 31 December				
	2011		2010		
	RMB'000	**Proportion of total revenue** *(%)*	RMB'000	Proportion of total revenue *(%)*	**Growth rate** *(%)*
Transportation and sales of gas operation	**236,231**	**52.39**	110,214	42.68	**114.34**
Gas pipeline connections operation	**203,103**	**45.04**	140,407	54.37	**44.65**
Others	**11,597**	**2.57**	7,634	2.95	**51.91**
	450,931	**100.00**	258,255	100.00	**74.61**

Table 2: Users' number of the transportation and sales of gas operation

	As at 31 December		
	2011 *Units*	2010 *Units*	**Growth rate** *(%)*
Residential users	**328,078**	172,222	**90.50**
Commercial and industrial users	**1,838**	1,209	**52.03**
Total	**329,916**	173,431	**90.23**
Gas filling stations	**12**	3	**300.00**

Table 3: Sales volume of gas

	For the year ended 31 December		
	2011 *10,000 m^3*	2010 *10,000 m^3*	**Growth rate** *(%)*
Residential users	**2,810**	1,834	**53.22**
Commercial and Industrial users	**4,502**	3,181	**41.53**
Vehicle users	**3,227**	793	**306.94**
Total	**10,539**	5,808	**81.46**

Overall financial results

For the year ended 31 December 2011, the Group's revenue amounted to approximately RMB450,931,000, representing an increase of approximately 74.61%, as compared with approximately RMB258,255,000 in 2010. For the year ended 31 December 2011, gross profit of the Group amounted to approximately RMB172,004,000, representing an increase of approximately 42.07%, as compared with approximately RMB121,074,000 in 2010. For the year ended 31 December 2011, profit for the year of the Group amounted to approximately RMB90,353,000, representing an increase of approximately 18.94%, as compared with approximately RMB75,968,000 in 2010. For the year ended 31 December 2011, profit attributable to owners of the Company amounted to approximately RMB82,730,000, representing an increase of approximately 10.11%, as compared with approximately RMB75,136,000 in 2010. For the year ended 31 December 2011, earnings per share of the Company was approximately RMB0.1, representing a decrease as compared with approximately RMB0.12 in 2010, which was mainly due to the calculation of earnings per share by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period and the weighted average number of issued ordinary shares in 2010 was lower than that in 2011.

Revenue

The Group's revenue for the year ended 31 December 2011 was primarily generated from its gas pipeline connections operation, transportation and sales of gas operation and other operation, which accounted for approximately 45.04%, 52.39% and 2.57% of the total revenue respectively.

Gas Pipeline Connections Operation

The Group conducts gas pipeline connections operation by providing property developers and commercial and industrial users with laying and installation in its operating cities. During the year, the Group continued to expand the coverage of pipeline network in its originally operating regions and improve the connection rate of gas projects. The new projects provided a large number of connectable users to the Group, which increased the connection volume of the Group in this year.

For the years ended 31 December 2011 and 2010, revenue generated from the Group's gas pipeline connections operation amounted to approximately RMB203,103,000 and RMB140,407,000, respectively. In 2011, revenue generated from gas pipeline connections operation increased by 44.65% as compared to the corresponding period of 2010.

As at 31 December 2011, the residential users of the Group increased to 328,078, representing an increase of 90.50% as compared with 2010. The commercial and industrial users of the Group in 2011 increased by 52.03% to 1,838 as compared with 1,209 in 2010.

In 2011, as the user market maintained continuous growth and the market conditions continued to improve, the new projects provided the Group with a large number of customer bases and the number of user market exceeded the target of the year.

Transportation and Sales of Gas Operation

For the years ended 31 December 2011 and 2010, revenue generated from the transportation and sales of gas operation amounted to approximately RMB236,231,000 and RMB110,214,000, representing approximately 52.39% and 42.68% of the total revenue of the Group, respectively.

During the year, the Group sold 105,390,000 m^3 of gases in total, representing an increase of 47,310,000 m^3 , or significant increase of 81.46% as compared with the corresponding period of last year. The volume of gas sold to residential users, commercial and industrial users and vehicle users accounted for 26.66%, 42.72% and 30.62% of total gas sales.

The Group will focus on transport gas operation with higher gross profit in future. The number of the Group's gas filling stations in operation increased from 3 in 2010 to 12 in 2011. The gas sales to vehicle users of the Group accounted for approximately 30.62% of total gas sales in 2011, increased from approximately 7.35% in 2009 and representing a CAGR of approximately 188.39%. The percentage of sales revenue of natural gas of vehicle users to total gas sales revenue amounted to 41.90% in 2011.

Zhengzhou Shangjie Tian Lun Gas Limited ("Shangjie Tian Lun"), a subsidiary of the Company, strives to complete gas conversion as soon as possible and the Group will only supply natural gas to its end users upon completion of the conversion. As Shangjie Tian Lun greatly expanded its industrial user base in 2011, it signed cooperation agreements with several large industrial enterprises and commenced equipment modification. The gas will be supplied to such enterprises immediately upon completion of gas conversion of Shangjie Tian Lun, and Shangjie Tian Lun will achieve better results and increase its gas sales in future.

As for the Group's production and processing base of gas sources in Guangyuan, Sichuan, the equipment installation has been basically completed and the image project is close to the end. The Group will commence equipment testing and trial production as soon as possible. After the base of gas sources commences operation, it will result in a substantial increase in gas sale scale of the Group, and will benefit the development of industrial users and investment in gas filling station.

Baiyin Natural Gas Limited* (白銀市天然氣有限公司) ("Baiyin Company"), a subsidiary of the Company, has achieved a significant result in increasing industrial users and entered into the cooperation agreements with the large industrial users such as Chrome Salt Plant (鉻鹽廠), Titanium Dioxide Plant (鈦白粉廠) and Fluoride Salt Plant (氟化鹽廠) under Baiyin Nonferrous Metals (Group) Co., Ltd. *(白銀有色金屬集團) and since then, the gases have been supplied gradually. Coupled with the expansion of the production scale of original industrial users, Baiyin Company will achieve better results in gas sale scale in 2012.

Along with the increase in new projects, the expansion of operation regions, the base of gas sources successfully commencing production and the newly constructed gas filling stations putting into operation, the Group is expected to achieve higher growth in the sale of gas in future.

Cost of sales

The Group's cost of sales increased by approximately 103.33% from approximately RMB137,181,000 for the year ended 31 December 2010 to approximately RMB278,927,000 for the year ended 31 December 2011, which is primarily attributable to the increase in business volume and higher cost of sales of some new projects.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2011 amounted to approximately RMB172,004,000, representing an increase of 42.07% as compared with gross profit of approximately RMB121,074,000 in 2010. Overall gross profit margin decreased to 38.14% as compared to 2010, which was mainly attributable to the difference of the geographical regions and operation mode of the newly acquired enterprises. However, the Group will continuously strive to tighten up the control of the costs incurred by the newly acquired enterprises and that improve the Group's cost control. On the other hand, with the gradual enhancement of the Group's gas sales volume structure, the gross profit margin of the gas sale operation rose to 16.64%, representing an increase of 3.12% as compared with the corresponding period of last year.

Distribution cost and administrative expenses

The Group's distribution cost for the year ended 31 December 2011 was approximately RMB7,793,000, accounting for approximately 1.73% of total revenue. For the year ended the 31 December 2011, the Group's administrative expenses was approximately RMB48,187,000, accounting for approximately 10.69% of total revenue. As a result of business growth of the Group and the time required for improvement of the cost of new projects, the cost for 2011 was increased, which was also attributable to the current stage of business expansion of the Group. The Group will strive to reduce cost through, among others, the implementation of a comprehensive budgeting system and a central procurement system.

Finance costs

The Group's finance costs increased by approximately 166.67% from approximately RMB5,577,000 for the year ended 31 December 2010 to approximately RMB14,872,000 for the year ended 31 December 2011. The increase in finance costs was primarily due to increase in interest expenses for the Group's continuous expansion in operation scale and increase in bank borrowings attributable to increase in capital reserves.

** for identification purpose only*

Income tax expense

For the year ended 31 December 2011, the Group's income tax expense was RMB27,280,000, representing an increase of 25.63% as compared with RMB21,715,000 for the year ended 31 December 2010, the increase was primarily due to the increase in profit before tax.

Liquidity and Capital Resources

The Group's primary liquidity requirements are to use cash to invest in facilities and equipment, service its indebtedness, and fund working capital and normal recurring expenses. To date, the Group has financed its cash requirements through a combination of cash generated from operating activities, bank borrowings and proceeds from the Global Offering. The capital management policy of the Group aimed at ensuring the sustainable operation of the Group, providing returns and revenue for the shareholders of the Company and other stakeholders, as well as maintaining a healthy capital structure to reduce financial costs.

The Group's gearing ratio as at 31 December 2011 was 50.23%. Leveraging on its good relationship with banks and its good credit rating, the Group intends to obtain credit limit from banks and other financial institutions, to support the development of new projects with an aim to create better returns for the shareholders.

Capital expenditures

The Group's principal requirements for capital expenditures are in relation to the expansion of the facilities, major maintenance, modernization of our existing facilities and equipment for operations, as well as business acquisitions. For the year ended 31 December 2011, the total expenditures to the purchases of property, plant and equipment, land use rights and business acquisition were approximately RMB515,169,000.

Cash flow

As at 31 December 2011, the Group's cash and cash equivalents were approximately RMB310,762,000, 98.53% of which was denominated in RMB and the remaining 1.47% in Hong Kong dollars. Net cash generated from operating activities, net cash used in investing activities and net cash generated from financing activities amounted to approximately RMB35,816,000, approximately RMB568,179,000 and approximately RMB432,399,000, respectively. In view of the Group's existing business scale, the Group has sufficient cash flow to meet its daily operational needs, and to fund the development of new projects and investment in construction.

Indebtedness

As at 31 December 2011, the total borrowings of the Group amounted to RMB470,751,000, approximately 60.47% of which was recorded as current liabilities. The borrowings of RMB284,677,000 was subject to repayment within a year.

The Group's gearing ratio as at 31 December 2011 calculated by total liabilities divided by total assets was 50.23%. The Group's current ratio as at 31 December 2011, calculated by current assets by current liabilities was 95.27%. The Directors believe that the Group's financial position is solid with healthy working capital management.

Contingent liabilities

As at 31 December 2011, the Group did not have significant contingent liabilities.

Development of New Projects

2011 is the first year after the successful listing of the Company and is also the first year to launch nationwide business layout and seek strategic upgrade. During this year, the Group continued to carry out its work style of "Rapid response and high efficiency", transforming itself from a regional company with its foothold in Henan to a large corporation based in Henan and spreading to the whole China. Up to now, the Group had achieved excellent results with the rapid growth of the urban gas projects and gas filling stations and have provided a solid foundation for the swift expansion of the Group. As of the date of this announcement, the Group had acquired 3 bases of gas sources, 17 urban gas concession operation regions, and 13 exclusive vehicle-use gas operation regions. The operation regions have been extended to the key regions such as Northeast China, Northwest China and Southwest China from Central China. It is believed that the completion of these new projects will bring a better growth and development for the Group in the future.

As for base of gas sources, the Group has acquired a large base of LNG gas sources in Guangyuan, Sichuan which ranks high in China in terms of production capacity and two CNG main stations which are near to the large gas field in Jilin Province. By acquiring these bases of gas sources, it will bring competitive advantages for the Group's expansion of gas operation to the surrounding provinces. In addition, it is significant to the long term development of the Group as its business entered the upstream of urban gas industry through the project.

As for urban gas concession operation rights, the Group, by means of merges and acquisitions, has acquired rights in 11 urban gas concession operation regions in total, including Gaoxin District in Puyang City, Henan Province; Minquan County and Yucheng County in Henan Province; Tongyu County, Dunhua City, Panshi City, Daan City, Jiutai City, Zhenlai County, Helong Town in Nongan County in Jilin Province; Baiyin City in Gansu Province. The Group, by means of direct investment, has additionally acquired 6 urban gas concession operation regions in total, including Heqi Industrial district and Shilin Ceramic Industrial district in Hebi City, Song County in Luoyang City, New district in Xuchang City, Xinye County in Nanyang City, Henan Province; Luzhai County in Liuzhou City, Guangxi Province in China.

As for transport gas operation, the Group, by means of mergers and acquisitions and direct investment, has additionally acquired 13 exclusive vehicle-use gas operation regions, 9 gas filling stations in operation, and several gas filling stations with construction approval already granted by the government. The transport gas operation has become an important direction for the Group's future development. Currently, the Group has reached cooperation with a public transport company and a transportation group in Hebi, the PRC, a petrochemical company and a large transportation group in Xuchang and a large transportation group in Xingtai, Henan, the PRC in relation to the joint construction of CNG and LNG gas filling stations. These CNG and LNG gas filling stations through point-to-point cooperation are positively progressing. The Group will seek to significantly increase the number of gas filling stations in operation in 2012.

Use of Proceeds from Global Offering

The proceeds received by the Company from the Global Offering on 10 November 2010, after deducting the relevant costs of the Global Offering, together with the proceeds from the exercise the over-allotment option on 29 November 2010, amounted to approximately HK$425.1 million in total. The Company has used the proceeds for the proposed use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 27 October 2010 (the "Prospectus"). As of 31 December 2011, the use of proceeds is as follows:

Usage	**Proposed use of proceeds as set out in the Prospectus in HK$'000,000**	**Accumulated use of proceeds as of 31 December 2011 in HK$'000,000**
Construction of gas processing stations, gas pipeline networks and other gas supply facilities in the operating cities	74.8	68.2
Acquisition or development of new urban gas projects	214.7	200.0
Investment in the construction of a new gas filling station	25.5	5.0
Investment in LNG and biofuel business opportunities	67.6	67.6
Working capital and other general corporate purposes	42.5	42.5
Total	**425.1**	**383.3**

The unutilized balance of the proceeds is temporarily placed as short term deposits with licensed banks in Hong Kong and the PRC.

International Awards

During the year, the 2010 annual report of the Company was presented a bronze award at the "Vision Award of 2010 Annual Report" organized by the League of American Communications Professionals, an international professional awarding institution, which fully demonstrated that the Company conveyed clear corporate information to the investors and established an effective communication channel with the investors through its annual report.

On 4 January 2012, for the first list of 2012 — "the Potential Enterprises in the PRC" (中國潛力企業榜) in Forbes, Chinese edition magazine that published in Shanghai, the Company was ranked fortieth in the "2012 the Most Potential Listed Company" (2012中國最具潛力上市公司) as the only listed company in the natural gas industry. Such award fully recognized the potential of the Group to record continuous growth.

Outlook of 2012

In 2011, natural gas consumption in China increased by 12%, representing the fastest growth in terms of major energy consumption. In the next 5 years, the demand for natural gas in China will increase by at least 2.5 times. The proportion of primary energy consumption structure of natural gas will increase from 4.6% in 2010 to 8%.

The Twelfth Five-Year Plan of China clearly states that development of clean energy will be accelerated while energy saving and emission reduction will be reinforced. It also states that the supply of natural gas will be enhanced while the establishment of energy transmission and distribution network will be strengthened. It is foreseeable that the natural gas industry will enter a period of rapid development. In 2011, the Second West-East Gas Transmission Pipeline will commence operation and the construction of the Third and the Fourth West-East Gas Transmission Pipeline will be commenced. The Group currently has 17 major natural gas pipelines under planning and construction. Projects such as the transport of Russian natural gas to the region and Offshore Gas pipelines (海氣登陸) are also in progress. By focusing on the development of a resource-saving and environmental-friendly society, the PRC government put great effort in adjusting the economic structure and the mode of growth. The government also encouraged capital investment in energy production, transmission and distribution through implementing various policies. These factors will bring new historic development opportunities to the natural gas industry in China.

In view of new historic opportunities in 2012, the Group will continue to facilitate the nationwide business layout, realize the strategic upgrade of the Group and establish a development strategy, namely "providing a comprehensive service combining sales and use of natural gas by forming a highlighted and synergistic business portfolio, on the basis of urban gas, under the support of base of gas sources and focused on transport gas". On the one hand, the Group will strengthen the establishment of its gas production base, increase the investment in long distance natural gas transmission and distribution projects, and accelerate the acquisition of urban gas operating projects. Through multi-regional industry consolidation and merger of enterprises through different methods, the governance of the Group will replicated efficiently and the profitability of projects will rapidly increase. On the other hand, the Group changes its strategic focus from the traditional urban gas operation to the transport gas operation, focuses on expediting the development of transport clean energy, makes efforts to create the first brand of transport energy in China and promotes Tian Lun Gas to move forward with its grand goal.

In 2012, the Group's development goal will be clearer and the development prospect will be broader. Facing the new situation, we will experience a new challenge, stride across a new field, carefully adhere to its core value of "creating business and return together", and continue to carry out "hard-working spirit to undertaking, team-work spirit of sincere cooperation, a never-ending pioneering spirit". The Group will enhance confidence and stride forward with its given strategic goals.

Purchase, Sale and Redemption of Listed Securities of the Company

For the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Final Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 December 2011.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 28 May 2012 to Wednesday, 30 May 2012 (both dates inclusive) and no transfer of shares will be registered during such period. In order to qualify for the right to attend the annual general meeting which will be convened on Wednesday, 30 May 2012, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 25 May 2012.

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 of all Directors of the Company, each of them confirmed that they strictly complied with the required standards set out in the Model Code during the year ended 31 December 2011.

Corporate Governance Practice

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. The Company has complied with the Code during the year, except for the following:

Under code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer shall be separate and shall not be performed by the same individual. The Company has not established any senior position of a "chief executive officer", which constitutes a deviation of the code provision A.2.1. Mr. Zhang Yingcen, the chairman of the Company, is also responsible for overseeing the overall operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the Company's management. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently. The Company understands the importance to comply with the code provision A.2.1 and will continue to consider the feasibility of appointing a chief executive officer.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 23 October 2010. The Audit Committee is currently composed of three independent non-executive directors, namely Mr. Li Liuqing, chairman of the Audit Committee, Mr. Chang Zongxian and Ms. Zhao Jun. The Audit Committee and the management had reviewed the accounting principles and practice, and discussed on the audit, internal control and financial reporting issues. The Audit Committee had reviewed and discussed the results and financial statements for the year ended 31 December 2011 of the Group, and this announcement.

Audit of Financial Statements

PricewaterhouseCoopers, the external auditor of the Group, had audited the consolidated financial statements of the Group and issued unqualified opinion.

Annual Report

The Company's annual report for the financial year ended 31 December 2011 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

Hong Kong, 30 March 2012

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan, Mr. Feng Yi and Mr. Sun Heng, the non-executive Director is Mr. Zhang Daoyuan, and the independent non-executive Directors are Mr. Chang Zongxian, Mr. Li Liuqing, Mr. Zhang Jiaming and Ms. Zhao Jun.