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

INTERIM REPORT 2012


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CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

THE POLICY ON NATURAL GAS UTILIZATION IN THE PRC

As a more environmental-friendly and more efficient energy, natural gas has continuously gained attention from and has been greatly supported by the PRC government in recent years. In 2012, China continuously issued a number of policies to boost the development of the natural gas industry.

The National Energy Administration issued the Current Status of, Existing Problems of and Proposals on Promotion and Utilization of Natural Gas in China's Transport Field (《我國交通領域推廣使用天然氣的現狀、存在的問題及對策建議》) on 5 April 2012, which clearly specifies that against soaring oil price and environmental protection pressure, increase in proportion of transport-use natural gas has an important strategic importance to a lower degree of dependence on foreign oil, optimization of energy structure, reduction of pollutants emission and response to climate change. Application of natural gas in the transport field should be emphasized during the period of the "Twelfth Five-Year" Plan. Firstly, China should enhance overall coordination among the authorities related to energy, transport and technology, and specify its industrial polices as soon as possible in order to do well in relevant plans of manufacturing natural gas vehicle and vessel and infrastructure construction of filling stations. Secondly, China should formulate technical standards as soon as possible, including uniform standards for converting diesel vehicle into LNG system, standards for manufacturing, operation, quality and security of LNG vehicle, standards for fuel and emission of natural gas vehicle, etc.. Thirdly, China should improve its supporting policies, formulate and improve the permission policy and fiscal and taxation policies on the support of natural gas vehicles; rationalize the pricing relationship between natural gas and other fuel so as to provide the owners of natural gas vehicles and vessels with foreseeability of long-term policies; learn from international experience to formulate and improve the relevant rules of transport management and loosen the restriction on allowing license of natural gas vehicles and vessels.

Management Discussion and Analysis (Continued)

Proposals of The National Energy Administration on Encouraging and Guiding Private Capital to Further Expand Investment in Energy Area (《國家能源局關於鼓勵和引導民間資本進一步擴大能源領域投資的實施意見》) was issued on 18 June 2012, which specifies that investment scope of private capital should be expanded and private capital is to be encouraged to participate in the construction and operation of energy projects, exploration and development of energy resources and construction of oil and natural gas pipeline networks. Private capital is encouraged to enter the field of oil and gas exploration and development, cooperate with state-owned oil enterprises to conduct oil and gas exploration development, invest in exploration and development projects of unconventional oil and gas resources such as coal-bed gas, shale gas and oil shale in many forms, and invest in construction of coal-bed gas and coal-mine gas extraction and utilization projects. Support private capital to cooperate with state-owned oil enterprises, and invest in construction of cross-border and cross regional projects of oil and natural gas mainline pipeline, construct oil and gas branch pipelines, coal-bed gas, coal gas and shale gas pipelines, regional transmission and distribution pipeline networks, production facilities of liquefied natural gas (LNG), natural gas storage and transshipment facilities, etc. in many forms. Private capital will also be used in relevant warehousing and transshipment services.

In order to promote the healthy and rapid development of urban gas, the Ministry of Housing and Urban-Rural Development of the PRC issued the "Twelfth Five-Year" Plan of National City Gas Development (《全國城鎮燃氣發展「十二五」規劃》) in July. According to the plan, urban gas penetration rate will be more than 94% and the gas penetration rate in county and small towns will be more than 65% by the end of the period of the "Twelfth Five-Year". Among them, the number of residents with access to gas will be more than 625 million, the number of household users with access to gas will be 200 million and residential gas consumption will be 33 billion cubic meters. Gas consumption by industry, commerce and service enterprises will be 81 billion cubic meters. Gas consumption by distributed energy resources projects will reach 12 billion cubic meters.

In light of the present situation, the PRC government has continuously issued polices for encouraging the natural gas industry and each local government has also issued local natural gas support plans, policies and measures one after another.

The People's Government of Jilin Province also released the "Twelfth Five-Year" Plan of Energy Development and Energy Guarantee System Construction of Jilin Province (《吉林省能源發展和能源保障體系建設「十二五」規劃》) on 27 February 2012, the People's Government of Henan Province released the "Twelfth Five-Year" Plan of Energy Development of Henan Province (《河南省「十二五」能源發展規劃》) on 19 March 2012, Henan Province Development and Reform Commission released the "Twelfth Five-Year" Plan of Vehicle-Use Natural Gas of Henan Province (《河南省車用天然氣「十二五」發展規劃》) on 14 May 2012, etc..

Natural gas industry development has attracted much attention from the PRC government, industrial policies which are beneficial to the natural gas industry has entered into an intensive phase.

Currently, the "Twelfth Five-Year" Plan of Natural Gas (天然氣「十二五」規劃) complied by the National Energy Administration has been examined and submitted to the State Council for reply and it is expected that this plan will be published in the near future. The preliminary version of the standard for examination of the "Twelfth Five-Year" Plan of Energy Development (《能源發展「十二五」規劃》) complied by the National Energy Administration and the National Energy Commission has been submitted to the State Council for review.

BUSINESS REVIEW

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

Development of New Projects

As at the date of this report, the Group has acquired another 5 urban gas projects in Luzhai County, Liuzhou, Guangxi Province, Lankao County and Weishi County, Kaifeng, Henan Province, and Cao County and Shan County, Heze, Shandong Province and has entered into a contract concerning a project of a large gas source base.

Obtaining of Urban Gas Project in Luzhai County, Liuzhou, Guangxi Province

On 12 January 2012, Guangxi Luzhai Tian Lun Gas Co., Ltd. (廣西鹿寨天倫燃氣有限公司) ("Guangxi Tian Lun"), a wholly-owned subsidiary of the Company entered into an exclusive gas operation agreement with the Housing and Urban-Rural Development Bureau of Luzhai County (鹿寨縣住房和城鄉建設局), pursuant to which Guangxi Tian Lun acquired 30 years of exclusive gas operation rights in Luzhai County covering operations such as urban pipelined gas and gas refilling stations.

Luzhai County is in close proximity to Liuzhou City, an industrial city in Guangxi, and is one of the counties with strong comprehensive economic strength in Liuzhou City. As Luzhai County positively undertakes the industry shift of the northern area and Liuzhou City, and is positioned as "the sub-central city of Liuzhou City", it becomes the main direction and new space for expansion of Liuzhou City. Guangxi Luzhai Economic Development Zone is one of the provincial economic zones under which there are Chengnan Comprehensive Economic Development Zone, Luzhai Central Industrial Park, Luzhai-Luorong Industrial Corridor and Luorong Industrial Park, and an industrial cluster district including paper industry, chemical industry, construction industry, manufacturing industry and smelting industry has taken initial shape. The industry user in Luzhai County is the important profit growth point of Guangxi Tian Lun in the future.

Obtaining of Urban Gas Project in Lankao County and Weishi County, Kaifeng City, Henan Province

On 12 April 2012, Henan Tian Lun Gas Group Limited (河南天倫燃氣集團有限公司) ("Henan Tian Lun"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with the original shareholders of Kaifeng Xi'na Natural Gas Company Limited (開封西納天然氣有限公司) ("Kaifeng Xi'na") pursuant to which Henan Tian Lun obtained 2 urban gas projects in Lankao County and Weishi County, Kaifeng City.

In order to implement the strategic policies of inspiring the vitality of county-level economic development and nurturing a new economic growth point of the Henan government, the Henan government has upgraded Laokao County to a county administered by Henan Province which can enjoy the treatment of a provincial city. By doing so, Lankao County will be gradually constructed and developed as a modern medium-sized city and a regional sub-center with prosperous economy and strong radiant and driving ability, and become an important support for the economic zones in the central. Lankao County and Weishi County are both strong industrial counties in Kaifeng City with a strong industrial base, which have gradually formed into an industrial base of raw chemical materials and chemical products industry, textile industry, non-ferrous metal smelting industry and rubber products industry with considerable scale and provide a foundation for the Group to develop industrial users and increase gas volume.

Urban Gas Projects Secured in Cao County and Dan County in Hezhe City of Shandong Province

As at 13 September 2012, Henan Tian Lun entered into two equity transfer agreements with Beijing Zhong Tian Gas Investment Limited (北京中天氣投資有限公司), the original shareholders of Cao County Zhong Tian Gas Limited ("Cao County Zhong Tian") and Shan County Zhong Tian Gas Limited ("Shan County Zhong Tian") respectively, pursuant to which Henan Tian Lun acquired 80% of the equity interests from Cao County Zhong Tian and Shan County Zhong Tian respectively so as to obtain 2 urban gas projects in Cao County and Shan County, Heze City, Shandong Province.

Cao County is one of the counties under direct supervision of the Shandong Provincial Government, and a county on the list of top 100 national food businesses as well as a manufacturing base for nationwide premium cotton. It is also a county with the largest population in Hezhe City. Dan County is one of the top 10 counties and cities for investment in Shandong Province. In recent years, Cao County and Dan County have both become the bridgeheads and transition hubs undertaking the industries shifted from the east of Shandong. They have both claimed the outstanding strategic positions and development advantages amongst all counties in Hezhe City.

Investment in new Gas Source Base

Henan Tian Lun entered into a strategic cooperation framework agreement and an agreement of settling in Linjiang Park of Kai County Industrial Park Zone with the People's Government of Kai County of Chongqing City in May and August 2012, respectively, which determines that Henan Tian Lun shall conduct a welding-cutting gas construction project with annual production capacity of 400 million cubic meters of LNG in Linjiang Park of Kai County Industrial Park Zone through business invitation and investment attraction. This project will commence construction in the second half of 2012. The project will be constructed in two phrases and it is expected that the first phase of combined welding-cutting gas construction project with annual production capacity of 200 million cubic meters of LNG will commence production in the second half of 2013.

Henan Tian Lun entered into an agreement with a cooperation partner, pursuant to which both parties shall establish a joint venture to operate this project. The registered capital of the joint venture is RMB20 million and Henan Tian Lun shall contribute RMB14 million with a 70% shareholding in the joint venture. By acquiring this project, the supply capacity of the Group (as a LNG supplier) will be significantly increased. The base of gas source can guarantee that the Group's projects close to the base of gas source have a sufficient gas source supply; besides, as a solid foundation for rapid development of Tian Lun, it can also rapidly support the Group's emphasis on development of transport gas project.

Investment in Refilling Stations

As of 30 June 2012, the Group accumulatively has 15 CNG refilling stations in operation and another 3 CNG refilling stations will be added during the Reporting Period. In addition, there are 10 refilling stations under construction and dozens of refilling stations are going through the planning procedures such as site selection.

Other than directly investing in construction of refilling stations in the Group's own regions, the Group will put emphasis on leveraging the Group's exclusive vehicle-use gas operation right, intensive urban gas operation region and its own gas source base, to take the initiative in jointly constructing CNG refilling stations and LNG filling stations with the target customers such as transportation group, transport group, port group and mine enterprise and power plant with the one-on-one business model and provide large customers with professional services. Such business model makes the Group construct the refilling stations in places convenient to the customers and target vehicle users before construction of stations, which shortens the investment recovery period to a large extent. In the future, transport gas operation will become one of the important development fields of the Group.

Management Discussion and Analysis (Continued)

Competing Interests

Acquisition of Entire Equity Interests in Zhongji Dadi Held by the Original Shareholders

On 5 April 2012, Henan Tian Lun received a notification letter in relation to proposed transfer of 39% and 10% of equity interests in Jilin Zhongji Dadi Gas Group Limited (吉林省中吉大地燃氣集團有限公司) ("Zhongji Dadi") by Jilin Zhongji Dadi Investment Limited (吉林省中吉大地投資有限公司) ("Zhongji Investment") and Ms. Jia Dan at a consideration of not less than RMB200 million. It is stated in the notification letter that the consideration for transfer of 39% and 10% of equity interests in Zhongji Dadi of Zhongji Investment and Ms. Jia Dan shall be no less than RMB200 million and Henan Tian Lun is required to exercise its pre-emptive rights and complete this transaction within one month, otherwise Henan Tian Lun will be deemed to have waived its pre-emptive rights and Zhongji Investment and Ms. Jia Dan shall be entitled to transfer their equity interests in an aggregate of 49% in Zhongji Dadi to a third party.

The Board considers that it is essential for the development of business of the Group to further increase its shareholding in Zhongji Dadi. However, after considering the effect on the Group's cash flow after the payment of consideration and the Group's finding that it was difficult to guarantee the completion of all approval processes in relation to the acquisition of the equity interests in Zhongji Dadi (including complying with relevant requirements regarding approval as stipulated in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")) within a month, in order to seize the opportunity of acquiring 49% of equity interests in Zhongji Dadi, the Board agreed Henan Tian Lun to waive its pre-emptive rights to Zhongji Dadi and agreed that Mr. Zhang Yingcen, the chairman of the Board, could acquire aggregately 49% of equity interests in Zhongji Dadi held by Zhongji Investment and Ms. Jia Dan.

A company under the control of Mr. Zhang Yingcen entered into an equity transfer agreement with Zhongji Investment and Ms. Jia Dan on 27 April 2012, pursuant to which Mr. Zhang Yingcen would acquire 49% of equity interests in Zhongji Dadi at a consideration of RMB200 million. Mr. Zhang Yingcen also undertook that the Group may purchase entire equity interests in Zhongji Dadi held by him at fair market value when appropriate. At present, the Group and Mr. Zhang Yingcen have already held 100% of equity interests in Zhongji Dadi and both parties are making great efforts to improve cost control ability of Zhongji Dadi with a view to enhancing the profitability of Zhongji Dadi at the best they can.

Investment in LNG Filling Stations

As at the date of this report, Mr. Zhang Yingcen, the chairman of the Company, has reported in writing to the Board on the business opportunities in respect of three LNG filling stations in Henan province. In the opinion of the Board, LNG filling stations are still at an early stage of development in China, and the Company's experience in the operation of relevant LNG filling stations has yet to be accumulated, and may require the Group to put in more resources. As such, the Board gave its consent for Mr. Zhang Yingcen to invest in the three LNG filling stations as stated in his report on a trial basis. Mr. Zhang Yingcen also undertook that the Group may purchase such LNG filling stations from him at fair market value when appropriate.

Gas Connection Volume

During the Reporting Period, the Group connected a total of 41,114 residential users to gas pipelines, representing an increase of approximately 6.81% as compared with the corresponding period of last year. As at 30 June 2012, the Group's residential users had increased to 369,192, representing an increase of approximately 12.53% from 31 December 2011. The Group has connected a total of 197 users from industrial and commercial and other sectors to gas pipelines. As at 30 June 2012, the Group has a total of 2,035 industrial and commercial users, representing an increase of approximately 10.72% from 31 December 2011. The Group speeded up the development of its new and existing users and individual users by innovative marketing and promotion efforts and taking "Connection acceleration" as its top priority, and was able to maintain the growth of its gas connection volume during the Reporting Period.

Management Discussion and Analysis (Continued)

Gas Sales Volume

During the Reporting Period, the Group sold a total of 79,250,000 m^3 of gas, representing a substantial increase of 35,510,000 m^3, or approximately 81.18%, as compared with the corresponding period of last year. Natural gas sold amounted to 68,770,000 m^3, representing an increase of 37,320,000 m^3, or approximately 118.66%, as compared with the corresponding period of last year. Gas volume sold to residential users, industrial and commercial users and vehicle users accounted for approximately 27.12%, 37.16% and 35.72%, respectively, of the total gas sales volume.

The Group will focus on transport gas operation with higher gross profit in the future. As at 30 June 2012, the number of the Group's gas filling stations in operation increased to 15. The gas sales volume to vehicle users as a percentage of the total gas sales volume of the Group increased from approximately 30.62% in 2011 to approximately 35.72% during the Reporting Period. The gas sales volume to vehicle users as a percentage of the total gas sales volume continued to rise, which will drive the gross profit margin of the Group's gas sale operations higher.

Zhengzhou Shangjie Tian Lun Gas Limited ("Shangjie Tian Lun"), a subsidiary of the Company, completed gas conversion in August 2012, and started to supply only natural gas to its end users. As Shangjie Tian Lun actively expanded its industrial users in recent years, it has entered into cooperation agreements with a number of large industrial enterprises and has completed equipment upgrade. Shangjie Tian Lun has commenced to supply gas to these enterprises upon completion of its gas conversion, and it will achieve better results and higher gas sale volume in the future.

The Group has entered into cooperative agreements with dozens of potential industrial users in the regions in which it operates. As these industrial users start to use natural gas and the newly-built refilling stations of the Group commence operation, the Group expects its gas sales to achieve relatively rapid growth in the future.

FINANCIAL REVIEW

For the six months ended 30 June 2012, the Group's revenue amounted to approximately RMB324,413,000, representing an increase of approximately RMB136,141,000 or a rise of approximately 72.31% as compared with the corresponding period of last year; gross profit amounted to approximately RMB118,346,000, representing an increase of approximately RMB38,664,000 or a rise of approximately 48.52% as compared with the corresponding period of last year; profit attributable to owners of the Company amounted to approximately RMB58,760,000, representing an increase of approximately RMB8,622,000 or a rise of approximately 17.20% as compared with the corresponding period of last year.

Revenue

For the six months ended 30 June 2012, the Group's revenue was primarily derived from the gas connections business and transportation and sale of the gas business, accounting for approximately 37.11% and 60.13% of the total revenue (the corresponding period of last year: approximately 50.2% and 47.6%), respectively. With changes of the revenue structure, the Group's revenue structure constantly improves and becomes increasingly stable. Sustained sales of the gas business increase its proportion of the total revenue, which will safeguard the steady growth of the results of Tian Lun Gas.

Revenue from Gas 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. During the Reporting Period, its gas connection volume maintained a steady growth, and revenue from gas connection amounted to approximately RMB120,389,000, representing an increase of approximately 27.31% from approximately RMB94,565,000 for the corresponding period of last year.

Management Discussion and Analysis (Continued)

Revenue from Gas Sales

The Group is engaged in the transportation, distribution and sales of natural gas and coal gas in the cities in which it operates. During the Reporting Period, the Group had a significant growth in gas sales volume. Revenue from gas sales amounted to approximately RMB195,076,000, representing an increase of approximately 117.59% from approximately RMB89,654,000 for the corresponding period of last year.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2012, the Group achieved gross profit of approximately RMB118,346,000 during the period, representing an increase of approximately RMB38,664,000 as compared with the corresponding period. Overall gross profit margin of the Group was approximately 36.48%, representing a slight decline of approximately 1.66 percent as compared with 2011. Such decline was mainly attributable to changes of the revenue structure where the proportion of revenue derived from the gas connections business, which generates higher gross profit, to the total revenue dropped from approximately 45.04% in 2011 to approximately 37.11%, and the proportion of revenue derived from sales of the gas business, which generates less comprehensive gross profit, to the total revenue increased from approximately 52.39% in 2011 to approximately 60.13%.

In this first half year, the Group continued to improve the cost control level of newly acquired projects and its own cost control condition. The Group has preliminarily achieved the current effective results, as evidenced by the declining cost of gas connection for newly acquired projects. During the reporting period, gross profit margin of the Group's gas connections business climbed by 2.53 percent from approximately 62.23% in 2011 to approximately 64.76%.

With the increasing proportion of gas sales to vehicle users to the total gas sales, gross profit margin of the gas sales business is expected to rise continuously, and the structure of gas sales will also improve gradually. During the reporting period, gross profit margin of the gas sales business increased by 0.84 percent from approximately 16.65% in 2011 to approximately 17.49%.

Financial Position

The Group has been exercising cautious policies in respect of financial resources management, including maintenance of appropriate level of cash and cash equivalents as well as sufficient credit cap, in order to cope with the needs of daily operation and business development and remain a healthy level of borrowing control.

As at 30 June 2012, the Group's cash and cash equivalents amounted to approximately RMB171,101,000, of which 98% was denominated in RMB and the remaining 2% was denominated in HK dollars, and its available-for-sale financial assets of RMB383,290,000 can be realized at any time, safeguarding the needs of project expansion and acquisition businesses of the Group.

As at 30 June 2012, the Group's total borrowing was approximately RMB714,549,000 (among others, the loans denominated in RMB was approximately RMB708,479,000 and the loans denominated in USD was approximately RMB6,070,000), approximately 76.06% of which was accounted as current liabilities. The loans repayable within one year amounted to approximately RMB 419,000,000, approximately RMB31,000,000 was secured by the Group's properties and rights to charge for a portion of gas projects. As at 30 June 2012, the Group's gearing ratio was approximately 55.98% calculated based on the percentage of total liabilities over total assets.

In general, as all of the Group's businesses were situated in the PRC, and substantially all of its income and expenses were denominated in RMB, there were no significant risk relating to exchange fluctuation. The Group will closely monitor the interest rate and exchange rate of the market and make appropriate responses in due course.

The Group holds cash and cash equivalents, available-for-sale financial assets that is realized at any time, and outstanding banking facilities, which ensures continuous and healthy liquidity to provide sufficient financial resources to cope with the needs of expansion and acquisition businesses.

Employees and Remuneration Policy

As at 30 June 2012, the total number of employees of the Group was 1,353, with a total remuneration of approximately RMB23,031,000 during the reporting period. The Group remunerates its staffs according to their individual performance, work experience and prevailing market standard.

The Group constantly focuses on the continuous training of employees and improvement of business expertise, while organizing all kinds of training activities from time to time. Such activities involve management, industry-wide professional knowledge, service etiquette, fire drills and many others. The Group is also committed to cultivation of management personnel and ongoing provision of training programs to reserve management talents, the coverage of which extends to all levels. On the other hand, the Group recommends outstanding employees to participate in high-end MBA seminars or apply for MBA degree courses available at famous universities in China in order to improve their management expertise. The Group will keep cultivating high quality talents through various methods in order to support the future development of the Group's business.

Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

Prospects

With the loosening of the central government's macro-economic control policies, monetary and fiscal policies tend to become favorable; following over a year of correction, the domestic property sector started to recover, which will be beneficial to the growth of the Group's gas connection operations in the second half of the year. As the urbanization progress in China continues, the third and fourth tier cities are still at a stage of rapid urbanization; new community building in rural areas across China is progressing rapidly, which will drive the growth of the Group's gas connection operations in the long-term.

As for industry landscape, demand for LNG for use in vehicles started to grow rapidly, and there are great potential for it. The consolidation of urban gas operations is still in the progress. All of these present great opportunities to the Group.

In the second half of this year, the Group will explore the potential of gas connection for residential users, and further increase its gas sales volume to industrial and commercial and vehicle users so as to achieve its annual performance targets, by way of building on the favorable policies on the PRC natural gas industry and resulting opportunities, adhering to its operational strategy of "Speed up the Connection, Increase the Gas Volume" in the current positive environment of real estate market recovery and urbanization. The Group will strengthen its project expansion and operation capabilities to achieve its annual development targets under its development strategy of "Alliance Cooperation, Quick-development to Win" and through the innovation in organizational structure and incentive mechanisms. It will uphold its management philosophy of "System Building, Support Enhancement" by strengthening team building as planned to improve its centralized management and operation and to improve its management, operation and services. The Group believes it will deliver better results in the second half of this year to maximize shareholder return.

OTHER INFORMATION

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 Global Offering, together with the proceeds from the exercise of the overallotment option on 29 November 2010, amounted to approximately HK$425.1 million in total. The Company has used and will use the 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 at 30 June 2012, the use of the proceeds was as follows:

Usage	**Proposed use of proceeds as set out in the Prospectus** in HK$ million	**Accumulated use of proceeds as at 30 June 2012** in HK$ million
Construction of gas processing stations, gas pipeline networks and other gas supply facilities in the operating cities	74.8	74.8
Acquisition or development of new urban gas projects	214.7	214.7
Investment in construction of a new gas station	25.5	25.5
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	425.1

As at 30 June 2012, the total proceeds of approximately HK$425.1 million from global placing raised by the Company was fully utilized in accordance with the proposed use of proceeds set out in the Prospectus.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the"SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Other Information (Continued)

1. Long Positions in the Shares of the Company ("Shares"):

Name of Director	Capacity/Nature of interest	Numbers of Shares held	Approximate percentage of issued share capital of the Company
Mr. Zhang Yingcen (Note 1)	Interest of controlled corporation and the spouse	578,175,500	69.83
Mr. Xian Zhenyuan (Note 2)	Interest of controlled corporation	36,954,300	4.46

2. Long Positions in the Ordinary Shares of the Associated Corporation

Name of Director	Name of Corporation	Capacity/Nature of interest	Numbers of Shares held	Approximate percentage of interests in the associated corporation
Mr. Zhang Yingcen	Tian Lun Group Limited	Interest of controlled corporation	10	100

Notes:

(1) The entire issued share capital of Tian Lun Group Limited is held by Gold Shine Development Limited, which is in turn owned by Mr. Zhang Yingcen as to 60.0%. Tian Lun Group Limited owns 508,725,000 Shares. Therefore, Mr. Zhang is deemed or taken to be interested in all the Shares held by Tian Lun Group Limited for the purposes of the SFO. Mr. Zhang beneficially owns all shares in issue of Chequers Development Limited, which in turn owns 63,728,000 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all the Shares held by Chequers Development Limited for the purposes of the SFO. Ms. Sun Yanxi ("Ms. Sun") is the spouse of Mr. Zhang and holds 5,722,500 shares through personal securities account, therefore Mr. Zhang is deemed and taken to be interested in all the shares in which Ms. Sun is interested for the purposes of the SFO. Mr. Zhang is the director of Tian Lun Group Limited, Gold Shine Development Limited and Chequers Development Limited.

(2) Mr. Xian Zhenyuan beneficially owns 80.0% of the issued share capital of Pleasant New Limited, which in turn owns 36,954,300 Shares. Therefore, Mr. Xian is deemed or taken to be interested in all the Shares held by Pleasant New Limited for the purposes of the SFO. Mr. Xian is the sole director of Pleasant New Limited.

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

To the knowledge of the Directors, as at 30 June 2012, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons (except the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares

Name	Capacity/Nature of interest	Numbers of Shares held	Approximate percentage of issued share capital of the Company
Tian Lun Group Limited	Beneficial owner	508,725,000	61.45
Gold Shine Development Limited (note 1)	Interest of controlled corporation	508,725,000	61.45
Chequers Development Limited	Beneficial owner	63,728,000	7.70
Ms. Sun (note 2)	Interest of spouse	578,175,500	69.83

Notes:

(1) The entire issued share capital of Tian Lun Group Limited is held by Gold Shine Development Limited. Tian Lun Group Limited owns 508,725,000 shares. Therefore, Gold Shine Development Limited is also deemed or taken to be interested in all the Shares held by Tian Lun Group Limited for the purposes of the SFO.

(2) The entire issued share capital of Tian Lun Group Limited is held by Gold Shine Development Limited, which is in turn owned by Mr. Zhang as to 60.0%. Tian Lun Group Limited owns 508,725,000 Shares. Therefore, Mr. Zhang is deemed or taken to be interested in all the Shares held by Tian Lun Group Limited for the purposes of the SFO. Mr. Zhang beneficially owns all shares in issue of Chequers Development Limited, which in turn owns 63,728,000 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all the Shares held by Chequers Development Limited for the purposes of the SFO. Ms. Sun holds 5,722,500 shares through personal securities account and is the spouse of Mr. Zhang; therefore Ms. Sun is deemed or taken to be interested in all the Shares in which Mr. Zhang is interested for the purpose of the SFO.

Save as disclosed above, as at 30 June 2012, the Directors were not aware of any interests or short positions in the Shares and underlying shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under Section 336 of the SFO, except those held by Directors or chief executives of the Company.

SHARE OPTION SCHEME

During the six months ended 30 June 2012, the Company had not granted any share option.

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

During the six months ended 30 June 2012, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: Nil).

THE 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 Listing Rules as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all Directors, each of them confirmed that they had strictly complied with the required standards set out in the Model Code during the Reporting Period.

CORPORATE GOVERNANCE CODE

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 during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the new edition of the Code which took effect from 1 April 2012) (the "Revised Code") during the period from 1 April 2012 to 30 June 2012. The company complied with the code provisions set out in the Code and the Revised Code, save and except as follows:

Under code provision A.2.1 of the Code and the Revised Code, the roles of the chairman and the chief executive shall be segregated and shall not be performed by the same individual. The Company had not established any senior position of "chief executive" for the period between 1 January 2012 and 31 May 2012, which constituted a deviation of the code provision A.2.1 of the Code and the Revised Code. In order to comply with code provision A.2.1 of the Code and the Revised Code, Mr. Hu Xiaoming had been appointed as the chief executive of the Company with effect from 1 June 2012.

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 committee), Mr. Zhang Jiaming 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 results and financial statements of the Group for the six months ended 30 June 2012.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**644,426**	568,573
Investment properties	6	**9,819**	10,058
Lease prepayments	6	**42,797**	29,706
Intangible assets	6	**445,274**	423,991
Deferred income tax assets		**1,917**	1,917
Trade and other receivables	7	**14,355**	14,870
Other non-current assets		**2,294**	2,382
Total non-current assets		**1,160,882**	1,051,497
Current assets			
Inventories		**46,285**	45,067
Trade and other receivables	7	**164,049**	101,329
Available-for-sale financial assets		**383,290**	62,000
Restricted cash		**5,000**	5,000
Cash and cash equivalents		**171,101**	310,762
Total current assets		**769,725**	524,158
Total assets		**1,930,607**	1,575,655
EQUITY			
Equity attributable to owners of the Company			
Share capital	8	**7,077**	7,077
Share premium	8	**454,188**	454,188
Reserves		**4,817**	4,817
Retained earnings		**208,808**	150,048
		674,890	616,130
Non-controlling interests		**174,926**	168,090
Total equity		**849,816**	784,220

Interim Condensed Consolidated Balance Sheet (Continued)

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	9	**25,000**	25,000
Borrowings		**171,074**	186,074
Deferred income tax liabilities		**32,150**	30,188
Total non-current liabilities		**228,224**	241,262
Current liabilities			
Trade and other payables	9	**214,397**	172,895
Advance from customers		**86,486**	87,123
Current income tax liabilities		**8,209**	5,478
Borrowings		**543,475**	284,677
Total current liabilities		**852,567**	550,173
Total liabilities		**1,080,791**	791,435
Total equity and liabilities		**1,930,607**	1,575,655
Net current liabilities		**(82,842)**	(26,015)
Total assets less current liabilities		**1,078,040**	1,025,482

The notes on pages 19 to 32 are an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited six months ended 30 June 2012 RMB'000	Unaudited 2011 RMB'000
Revenue	5	**324,413**	188,272
Cost of sales		**(206,067)**	(108,590)
Gross profit		**118,346**	79,682
Distribution costs		**(6,098)**	(3,029)
Administrative expenses		**(26,845)**	(11,841)
Other income		**3,312**	7,344
Other gains — net		**7,773**	—
Operating profit		**96,488**	72,156
Finance income		**839**	1,117
Finance costs		**(11,525)**	(3,358)
Finance costs — net	11	**(10,686)**	(2,241)
Profit before income tax		**85,802**	69,915
Income tax expense	12	**(20,206)**	(13,722)
Profit for the period		**65,596**	56,193
Other comprehensive income for the period, net of tax		**—**	—
Total comprehensive income for the period		**65,596**	56,193
Profit and total comprehensive income attributable to:			
Owners of the Company		**58,760**	50,138
Non-controlling interests		**6,836**	6,055
		65,596	56,193
Earnings per share for profit attributable to owners of the Company (RMB per share)			
— Basic and diluted	13	**0.07**	0.06

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	Share premium	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012							
(As previously reported)	7,077	454,188	4,817	150,048	616,130	168,090	784,220
Comprehensive income							
Profit for the period	—	—	—	58,760	58,760	6,836	65,596
Balance at 30 June 2012	7,077	454,188	4,817	208,808	674,890	174,926	849,816

	Attributable to owners of the Company						
	Share capital	Share premium	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2011							
(As previously reported)	7,077	454,188	(1,369)	73,910	533,806	2,845	536,651
Business combination							
under common control	—	—	23,000	818	23,818	—	23,818
Balance at 1 January 2011							
(As restated)	7,077	454,188	21,631	74,728	557,624	2,845	560,469
Comprehensive income							
Profit for the period	—	—	—	50,138	50,138	6,055	56,193
Transactions with owners							
Business combination							
under common control	—	—	(23,000)	—	(23,000)	—	(23,000)
Acquisition of subsidiaries	—	—	—	—	—	48,372	48,372
Capital injection from							
non-controlling interests	—	—	—	—	—	58,400	58,400
Others	—	—	—	(5)	(5)	5	—
Balance at 30 June 2011	7,077	454,188	(1,369)	124,861	584,757	115,677	700,434

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited	Unaudited
		six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		75,311	54,737
Interest paid		(20,429)	(4,938)
Income tax paid		(18,320)	(13,658)
Net cash generated from operating activities		36,562	36,141
Cash flows from investing activities			
Purchases of property, plant and equipment		(63,806)	(69,342)
Increase in lease prepayments		(12,751)	(3,286)
Net payments from related parties		1,307	—
Purchases of available-for-sale financial assets		(439,990)	—
Proceeds from disposal of available-for-sale financial assets		126,442	—
Net cash outflow for the acquisition of subsidiaries	15	(32,535)	(179,274)
Purchase of intangible assets		—	(33)
Proceeds from disposal of property, plant and equipment		473	—
Interest received		820	—
Net cash used in investing activities		(420,040)	(251,935)
Cash flows from financing activities			
Proceeds from borrowings		466,200	215,000
Repayments of borrowings		(222,402)	(65,000)
Capital injection from non-controlling interests		—	58,400
Net cash generated from financing activities		243,798	208,400
Net decrease in cash and cash equivalents		(139,680)	(7,394)
Cash and cash equivalents at beginning of the period		310,762	411,926
Exchange gains/(losses)		19	(1,096)
Cash and cash equivalents at end of the period		171,101	403,436

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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")(the "Listing Business") 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.

The Group was collectively controlled by Mr. Zhang Yingcen and his family members comprising his wife and eldest son (collectively the "Controlling Shareholders").

This unaudited condensed consolidated interim financial information is presented in Renminbi("RMB"), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved by the Board of Directors for issue on 30 August 2012.

This condensed consolidated interim financial information has not been audited.

Key events

The operational highlight of the period was the acquisition of subsidiaries which engaged in the Listing Business. Further details are given in Note 15.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with HKFRSs.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

(a) Change in accounting policy

In December 2010, the HKICPA amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial period ended 30 June 2012 and there is no impact on the financial statements as the Group does not have any investment properties measured at fair value.

(b) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

HKAS 19 (Amendment) "Employee benefits", HKFRS 9 "Financial instruments", HKFRS 10"Consolidated financial statements", HKFRS 12 "Disclosure of interests in other entities", and HKFRS 13 "Fair value measurements", all effective for annual periods beginning on or after 1 January 2013.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

5. 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 segments" column.

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 3 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.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION *(continued)*

The segment information provided to the senior executive management team for the reportable segments for the six months ended 30 June 2012 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	195,076	120,389	8,948	—	324,413
Gross profit	34,116	77,963	6,267	—	118,346
Distribution costs				(6,098)	(6,098)
Administrative expenses				(26,845)	(26,845)
Other income				3,312	3,312
Other gains — net				7,773	7,773
Operating profit					96,488
Finance costs — net				(10,686)	(10,686)
Profit before income tax					85,802
Income tax expense				(20,206)	(20,206)
Profit for the period					65,596

Notes to Interim Condensed Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION *(continued)*

The segment information provided to the senior executive management team for the reportable segments for the six months ended 30 June 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	89,654	94,565	4,053	—	188,272
Gross profit	16,088	62,556	1,038	—	79,682
Distribution costs				(3,029)	(3,029)
Administrative expenses				(11,841)	(11,841)
Other income				7,344	7,344
Operating profit					72,156
Finance costs — net				(2,241)	(2,241)
Profit before income tax					69,915
Income tax expense				(13,722)	(13,722)
Profit for the period					56,193

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 six months 30 June 2012, no revenue derived from sales made to a single external customer amounted to 10% or more of the Group's total revenue (2011: nil).

Notes to Interim Condensed Consolidated Financial Statements (Continued)

6. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LEASE PREPAYMENTS AND INTANGIBLE ASSETS

During the period, the movement of property, plant and equipment, investment properties, lease prepayments and intangible assets are as follows:

	Property, plant and equipment RMB'000	Investment properties RMB'000	Lease prepayments RMB'000	Intangible assets RMB'000	Total RMB'000
Six months ended 30 June 2012					
Opening net book amount 1 January 2012	**568,573**	**10,058**	**29,706**	**423,991**	**1,032,328**
Additions	**70,273**	**—**	**13,643**	**4,369**	**88,285**
Acquisition of subsidiaries (Note 15)	**17,800**	**—**	**—**	**21,462**	**39,262**
Disposals	**(473)**	**—**	**—**	**—**	**(473)**
Depreciation charge	**(11,747)**	**(239)**	**(552)**	**(4,548)**	**(17,086)**
Closing net book amount at 30 June 2012	**644,426**	**9,819**	**42,797**	**445,274**	**1,142,316**
Six months ended 30 June 2011					
Opening net book amount 1 January 2011	149,930	9,556	8,273	32,216	199,975
Additions	161,504	—	13,240	7,196	181,940
Disposals	(207)	—	—	—	(207)
Depreciation charge	(5,484)	(224)	(182)	(498)	(6,388)
Closing net book amount at 30 June 2011	305,743	9,332	21,331	38,914	375,320

7. TRADE AND OTHER RECEIVABLES

	30 June 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
Trade receivables	26,913	48,421
Bills receivables	4,500	1,000
Prepayments	36,328	35,091
Receivables due from related parties	—	4,026
Other receivables	97,919	21,531
Interest receivables	890	—
Value-added-tax to be offset	11,854	6,130
	178,404	116,199
Less: long-term prepayments	(14,355)	(14,870)
Current portion	164,049	101,329

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 advances, 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 the trade receivables is as follows:

	30 June 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
Less than 30 days	11,876	17,345
31 days to 90 days	4,269	23,554
91 days to 1 year	7,640	4,401
Over 1 year	3,128	3,121
	26,913	48,421

Notes to Interim Condensed Consolidated Financial Statements (Continued)

8. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Ordinary shares RMB'000 Unaudited	Share premium RMB'000 Unaudited	Total RMB'000 Unaudited
Issued and fully paid:				
At 30 June 2012 and 1 January 2012 (nominal value of HK$0.01 each)	**827,925,000**	**7,077**	**454,188**	**461,265**
At 30 June 2011 and 1 January 2011 (nominal value of HK$0.01 each)	827,925,000	7,077	454,188	461,265

9. TRADE AND OTHER PAYABLES

	30 June 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
Trade payables	**71,482**	40,448
Amount due to related parties	**2,275**	916
Accrued payroll and welfare	**521**	3,214
Interest payables	**147**	1,114
Other taxes payables	**970**	2,259
Other payables	**164,002**	149,944
	239,397	197,895
Less: long — term other payables	**(25,000)**	(25,000)
Current portion	**214,397**	172,895

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

	30 June 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
Less than 30 days	**21,666**	12,057
31 days to 90 days	**16,223**	8,665
91 days to 1 year	**18,098**	8,175
1 year to 2 years	**13,215**	9,746
2 years to 3 years	**3,805**	1,134
Over 3 years	**750**	671
	73,757	40,448

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

10. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
Raw materials and consumables used	168,959	76,530
Changes in inventories of finished goods and work in progress	(4,385)	7,821
Depreciation on property, plant and equipment (Note 6)	11,747	5,484
Depreciation on investment properties (Note 6)	239	224
Amortisation of lease prepayments (Note 6)	552	182
Amortisation of intangible assets (Note 6)	4,548	498

11. FINANCE COSTS — NET

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
Finance income		
— Interest income derived from bank deposits	(839)	(1,117)
Finance costs		
— Interest expense on borrowings	18,322	2,193
— Exchange (gain)/loss	(19)	1,096
— Others	85	69
Less: amounts capitalised on qualifying assets	(6,863)	—
	11,525	3,358
	10,686	2,241

Notes to Interim Condensed Consolidated Financial Statements (Continued)

12. 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 six months ended 30 June 2012 and 2011, 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")

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 31 December 2012 is 25% (the estimated tax rate for the six months ended 30 June 2011 was 25%).

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
Current income tax:		
— PRC corporate income tax	**21,051**	13,759
Deferred income tax	**(845)**	(37)
	20,206	13,722

13. 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.

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
Group's profit attributable to owners of the Company (RMB'000)	**58,760**	50,138
Weighted average number of shares in issue (in thousand)	**827,925**	827,925
Basic earnings per share (RMB per share)	**0.07**	0.06

14. DIVIDENDS

No dividends had been paid or declared by the Company for the six months ended 30 June 2012.

15. BUSINESS COMBINATION

Business combinations other than common control combinations

On 12 April 2012, the Group acquired 100% of the equity interests in the registered capital of Kaifeng Xi'na Gas Limited (Kaifeng Xi'na), an independent third party established in the PRC with limited liability, which is principally engaged in the urban gas and CNG business in Lankao County and Weishi County in Henan Province, for a consideration of approximately RMB38,096,000. The goodwill of approximately RMB14,062,000 arising from the acquisition is attributable to a number of factors. Most significant amongst these is the premium attributable to the influence in the region, well positioned business operating in a gas upstream competitive market. Other important elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale.

The following table summarises the consideration paid for the acquisition, and the net assets acquired and goodwill recognised:

	Kaifeng Xi'na **12 April 2012** RMB'000
Consideration	
— Cash	35,296
— Contingent consideration	2,800
Total consideration	38,096

	Provisional fair value RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	653
Property, plant and equipment	17,800
Intangibles:	
— Exclusive operating rights	7,400
— Software and others	—
Inventories	4,590
Receivables	12,952
Trade and other payables	(2,039)
Advance from customers	(15,472)
Deferred income tax liabilities	(1,850)
Total identifiable net assets	24,034
Non-controlling interests	—
Goodwill	14,062
	38,096

Notes to Interim Condensed Consolidated Financial Statements (Continued)

15. BUSINESS COMBINATION *(continued)*

Business combinations other than common control combinations *(continued)*

	RMB'000
Outflow of cash to acquire business, net of cash acquired	
— cash paid (i)	33,188*
— cash and cash equivalents in subsidiary acquired	(653)
Cash outflow on acquisition	32,535

(i) For the six months ended 30 June 2012, such cash consideration paid out are including (1) the amount of RMB25,200,000 for the acquisition of Kaifeng Xi'na; (2) the amount of approximately RMB2,988,000 and RMB5,000,000 for the acquisition of Song County Tian Lun Gas Limited and Baiyin Natural Gas Limited in prior year.

* As at 30 June 2012, there was still unpaid balance of approximately RMB10,096,000 in the consideration and included in other payables in the consolidated balance sheet. The cash consideration has been paid out completely by the Group in July 2012.

(a) Acquisition-related costs of approximately RMB41,078 have been charged to administrative expenses in the consolidated statement of comprehensive income for the six months ended 30 June 2012.

(b) Contingent consideration

As at 12 April 2012, the Group entered into acquisition agreement with shareholders of Kaifeng Xi'na. According to the acquisition agreement, contingent consideration of RMB2,800,000 has been recognised. The contingent consideration is pledged for the contingent liabilities of the shareholders of Kaifeng Xi'na due to failure to fulfill their obligations of disclosure, and will be paid in the end of the 12th month after the shareholders of Kaifeng Xi'na handing over their management rights.

The fair value of the contingent consideration approximates their carrying amounts due to their short term maturity. The contingent consideration is included in other payables in the consolidated balance sheet.

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2012.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

17. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2012 and 2011, and balances arising from related party transactions as at 30 June 2012 and 31 December 2011.

(a) Significant related party transactions

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
Purchase of construction service		
— Hebi Hexiang Engineering Limited ("Hexiang Engineering")	**5,359**	4,817

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
Rendering of service		
— Henan Tian Lun Gas Engineering Investment Limited ("Henan Tian Lun Engineering Investment")	**100**	—

(b) Balances with related parties

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
	Unaudited	Audited
Trade and other receivables		
Other receivables due from		
— Henan Tian Lun Engineering Investment	**—**	990
— Henan Tian Lun Real Estate Limited	**—**	2,845
— Hexiang Engineering	**—**	191
	—	4,026
Trade and other payables		
Trade payables due to		
— Hexiang Engineering	**2,275**	—
Other payables due to		
— Hexiang Engineering	**—**	916
	2,275	916

Notes to Interim Condensed Consolidated Financial Statements (Continued)

17. RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
Basic salaries and allowances	**2,258**	349
Discretionary bonuses	**—**	—
Retirement benefit contributions	**241**	9
	2,499	358

18. EVENTS AFTER THE END OF REPORTING PERIOD

(a) On 13 September 2012, the Group entered into the agreement with Golden Dragon Company, pursuant to which the Group will dispose of its entire equity interests in Cangxi County Datong Natural Gas and Investment Limited ("Cangxi Datong") to Golden Dragon Company at a consideration of RMB90,000,000. Upon the completion of the disposal, the Group will not have any equity interest in Cangxi Datong, and thus Cangxi Datong will no longer be a subsidiary of the Group. The original shareholders of Cangxi Datong have given the Group the written commitment, which fully exempt the Group the contingent consideration of RMB45 millions.

(b) As at 13 September 2012, the Group entered into two acquisition agreements with Beijing Zhong Tian Gas Investment Limited in relation to an acquisition of 80% of the equity interest in the registered capital of Cao County Zhong Tian Gas Limited ("Cao County Zhong Tian") and Shan County Zhong Tian Gas Limited ("Shan County Zhong Tian"), respectively, for a consideration of RMB64 millions. Cao County Zhong Tian and Shan County Zhong Tian are principally engaged in sales of natural gas and gas equipment.