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 2012

For the year ended 31 December 2012, revenue of the Group amounted to approximately RMB716,362,000, representing an increase of approximately 58.86%, as compared with approximately RMB450,931,000 in the corresponding period of last year.

For the year ended 31 December 2012, profit attributable to owners of the Company amounted to approximately RMB135,097,000, representing an increase of approximately 63.30%, as compared with approximately RMB82,730,000 in the corresponding period of last year.

For the year ended 31 December 2012, earnings per share of the Company was approximately RMB0.16, representing an increase of approximately 60.00%, as compared with approximately RMB0.10 in 2011.

The board (the "Board") of directors (the "Directors") of China Tian Lun Gas Holdings Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") is pleased to announce the annual results of the Group for the year ended 31 December 2012 (the "Reporting Period").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi ("RMB"))

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Revenue	4	**716,362**	450,931
Cost of sales		**(465,126)**	(278,927)
Gross profit		**251,236**	172,004
Distribution costs		**(11,863)**	(7,793)
Administrative expenses		**(56,167)**	(48,187)
Other income		**9,546**	10,737
Other gains — net		**12,766**	290
Operating profit		**205,518**	127,051
Finance income		**32,488**	5,454
Finance costs		**(35,073)**	(14,872)
Finance costs — net	6	**(2,585)**	(9,418)
Profit before income tax	5	**202,933**	117,633
Income tax expense	7	**(53,710)**	(27,280)
Profit for the year		**149,223**	90,353
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**149,223**	90,353
Profit and total comprehensive income attributable to:			
Owners of the Company		**135,097**	82,730
Non-controlling interests		**14,126**	7,623
		149,223	90,353
Earnings per share for profit attributable to owners of the Company (RMB per share)			
— Basic and diluted	8	**0.16**	0.10
Dividends	13	**—**	—

CONSOLIDATED BALANCE SHEET

(All amounts in RMB)

		As at 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Lease prepayments		**48,141**	29,706
Property, plant and equipment		**526,520**	568,573
Investment properties		**9,561**	10,058
Intangible assets		**441,197**	423,991
Deferred income tax assets		**2,237**	1,917
Trade and other receivables	*9*	**13,336**	14,870
Other non-current assets		**2,075**	2,382
		1,043,067	1,051,497
Current assets			
Inventories		**73,674**	45,067
Trade and other receivables	*9*	**160,303**	101,329
Available for sale		**—**	62,000
Financial assets at fair value through profit or loss		**375,983**	—
Restricted cash		**—**	5,000
Cash and cash equivalents		**368,940**	310,762
		978,900	524,158
Total assets		**2,021,967**	1,575,655
EQUITY			
Equity attributable to owners of the Company			
Share capital	*10*	**7,077**	7,077
Share premium	*10*	**454,188**	454,188
Reserves	*11*	**19,061**	4,817
Retained earnings		**270,885**	150,048
		751,211	616,130
Non-controlling interests		**145,055**	168,090
Total equity		**896,266**	784,220
LIABILITIES			
Non-current liabilities			
Trade and other payables	*12*	**—**	25,000
Borrowings		**165,901**	186,074
Deferred income tax liabilities		**43,325**	30,188
		209,226	241,262

CONSOLIDATED BALANCE SHEET *(Continued)*

(All amounts in RMB)

		As at 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Trade and other payables	*12*	**141,425**	172,895
Advance from customers		**114,750**	87,123
Current income tax liabilities		**20,476**	5,478
Borrowings		**639,824**	284,677
		916,475	550,173
Total liabilities		**1,125,701**	791,435
Total equity and liabilities		**2,021,967**	1,575,655
Net current assets / (liabilities)		**62,425**	(26,015)
Total assets less current liabilities		**1,105,492**	1,025,482

1. GENERAL INFORMATION OF THE GROUP

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

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the gas pipeline connections by providing residential, commercial and industrial users with laying and installation and transportation, distribution and sales of gases including natural gas and compressed natural gas (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 address of the Company's registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS).

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.

2.2 Changes in accounting policies and disclosures

The new standard adopted by the Group:

The HKICPA has 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 amendments do not have a material impact on the Group's financial statements.

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) Assessment of 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.

(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 2012, the Group has deferred income tax assets of approximately RMB2,237,000 (2011: RMB1,917,000). 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 provision for impairment of assets, 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 RMB89,000 (2011: RMB81,000).

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

Accounting for business 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.

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, has been reviewed by the senior executive management team, and its results are included in the "all other segment" 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 of the Group. 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 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	**395,106**	**301,812**	**19,444**	**—**	**716,362**
Gross profit	**54,026**	**187,049**	**10,161**	**—**	**251,236**
Distribution costs				**(11,863)**	**(11,863)**
Administrative expenses				**(56,167)**	**(56,167)**
Other income				**9,546**	**9,546**
Other gains — net				**12,766**	**12,766**
Operating profit					**205,518**
Finance costs — net				**(2,585)**	**(2,585)**
Profit before income tax					**202,933**
Income tax expense				**(53,710)**	**(53,710)**
Profit for the year					**149,223**

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

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

For the year ended 31 December 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).

5. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Raw materials and consumables used	**351,721**	213,213
Changes in inventories of finished goods and work in progress	**(3,006)**	(6,544)
Depreciation on property, plant and equipment	**26,398**	16,231
Depreciation on investment properties	**497**	468
Amortisation of lease prepayments	**1,189**	661
Amortisation of intangible assets	**7,401**	5,152

6. FINANCE COSTS — NET

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Finance income		
— Interest income derived from bank deposits	**(2,096)**	(4,091)
— Investment gains derived from financial assets at fair value through profit or loss	**(30,392)**	—
— Interest income derived from receivables due from a related party	**—**	(1,363)
	(32,488)	(5,454)
Finance costs		
— Interest expense on borrowings	**42,362**	18,094
— Exchange (gains) / losses	**(91)**	1,200
— Others	**1,077**	557
Less: amounts capitalised on qualifying assets	**(8,275)**	(4,979)
	35,073	14,872
	2,585	9,418

7. 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 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")

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 2012 and 2011, 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 ended in 2011, the enacted tax rate applicable to Henan Tian Lun Gas is 25% for the year ended 31 December 2012 (2011: 12.5%). All other subsidiaries incorporated in the PRC, are subject to PRC CIT rate at 25% for the year ended 31 December 2012 (2011: 25%).

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Current income tax:		
— PRC corporate income tax	**51,556**	26,694
Deferred tax	**2,154**	586
	53,710	27,280

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	
	2012	2011
	RMB'000	*RMB'000*
Profit before income tax	**202,933**	117,633
Tax calculated at statutory tax rates applicable to each group entity	**53,267**	26,589
Expenses not deductible for tax purposes	**443**	646
Others	**—**	45
	53,710	27,280

The weighted average applicable tax rate for the year ended 31 December 2012 is 26% (2011: 23%). The increase of the weighted average applicable tax rate was due to the increase of the PRC CIT rate for Henan Tian Lun Gas.

8. 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	
	2012	2011
Group's profit attributable to owners of the Company (RMB'000)	**135,097**	82,730
Weighted average number of shares in issue (in thousand)	**827,925**	827,925
Basic earnings per share (RMB per share)	**0.16**	0.10

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

9. TRADE AND OTHER RECEIVABLES

	Group	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables (a)	**100,424**	48,421
Bills receivable	**1,500**	1,000
Prepayments	**28,936**	35,091
Receivables due from related parties	**6,963**	4,026
Other receivables	**34,220**	21,531
Value-added-tax to be offset	**1,596**	6,130
	173,639	116,199
Less: long-term prepayments	**(13,336)**	(14,870)
Current portion	**160,303**	101,329

The fair value of trade and other receivables, except 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 advances payments, and in circumstances of credit sales, management closely monitors the credit quality of the customers, and credit period was granted case by case with maximum of 2 years. The ageing analysis of trade receivables is as follows:

Group	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Less than 30 days	**67,743**	17,345
31 days to 90 days	**20,403**	23,554
91 days to 1 year	**8,094**	4,401
Over 1 year	**4,184**	3,121
	100,424	48,421

10. SHARE CAPITAL AND PREMIUM

	Number of Shares *In thousand*	Ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid				
At 1 January 2011	827,925	7,077	454,188	461,265
At 31 December 2011	827,925	7,077	454,188	461,265
At 31 December 2012	**827,925**	**7,077**	**454,188**	**461,265**

The total authorised number of ordinary shares is 2,000,000,000 shares (2011: 2,000,000,000 shares) with a par value of HK$0.01 per share (2011: HK$0.01 per share).

11. RESERVES

	Capital reserves *RMB'000*	Statutory reserves *RMB'000*	Total *RMB'000*
At 1 January 2011	5,493	13,399	18,892
Appropriation (a)	—	8,925	8,925
Business combination under common control	(23,000)	—	(23,000)
At 31 December 2011	(17,507)	22,324	4,817
At 1 January 2012	**(17,507)**	**22,324**	**4,817**
Appropriation (a)	**—**	**14,260**	**14,260**
Transaction with non-controlling interests	**(16)**	**—**	**(16)**
At 31 December 2012	**(17,523)**	**36,584**	**19,061**

(a) Statutory reserves

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserves fund before distributing the net profit. When the balance of the statutory surplus reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory surplus reserves fund after such issue is not less than 25% of registered capital.

For the year ended 31 December 2012, approximately RMB14,260,000 (2011: RMB8,925,000) were appropriated to the statutory surplus reserves funds from net profits of certain PRC Subsidiaries.

12. TRADE AND OTHER PAYABLES

	Group 2012 RMB'000	2011 RMB'000
Trade payables (a and b)	**63,677**	40,448
Amount due to related parties (a and b)	**994**	916
Accrued payroll and welfare	**2,055**	3,214
Interest payables	**1,023**	1,114
Other taxes payables	**3,008**	2,259
Other payables (a)	**70,668**	149,944
	141,425	197,895
Less: long term other payables	**—**	(25,000)
Current portion	**141,425**	172,895

(a) As at 31 December 2012 and 2011, 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 ageing analysis of the trade payables, including amounts due to related parties which were trade in nature was as follows:

Group	**As at 31 December** 2012 RMB'000	2011 RMB'000
Less than 30 days	**27,937**	12,057
31 days to 90 days	**11,895**	8,665
91 days to 1 year	**13,175**	8,175
1 year to 2 years	**10,071**	9,746
2 years to 3 years	**900**	1,134
Over 3 years	**663**	671
	64,641	40,448

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

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

	Group 2012 RMB'000	2011 RMB'000
RMB	**141,175**	197,490
HK$	**250**	405
	141,425	197,895

13. DIVIDENDS

Pursuant to the resolution of the Board of Directors dated 28 March 2013, the directors of the Company proposed not to recommend a final dividend for the year ended 31 December 2012 (2011: Nil).

INDUSTRY REVIEW

Structure and Development Trend of China's Energy Industry

Rapid development of urbanization and industrialization in the People's Republic of China (the "PRC" or "China") directly stimulated the continuous increase of energy demand. As an economical, efficient and clean energy source, natural gas has become indispensable in promoting low carbon economic development of the PRC. It has also become one of the major strategic energy sources of the PRC.

According to the preliminary audit under the Publication of Statistics of the National Economic and Social Development of the People's Republic of China for 2012 announced by the National Bureau of Statistics of China, the annual energy consumption in 2012 amounted to approximately 3,620 million tons of standard coal equivalent, representing an increase of approximately 3.9% as compared with last year, among which the consumption of coal, crude oil and electricity increased by approximately 2.5%, 6.0% and 5.5%, respectively, compared with last year, while the growth of natural gas consumption was the fastest and increased by approximately 10.2% compared with last year. China's energy consumption per unit of gross domestic product per RMB10,000 decreased by approximately 3.6% in 2012.

The 2012 Report on Development in the Foreign and Domestic Oil & Gas Industries, issued by China National Petroleum Corporation Economics & Technology Research Institute, estimated that the demand of natural gas in the PRC in 2013 will continue to grow, the consumption of natural gas will maintain a double digit growth, and consumption of natural gas will reach approximately 165 billion cubic meters in 2013, with the proportion of natural gas in the primary consumption structure being approximately 5.8%. The report further states that the PRC has issued a number of energy related plans and policies under the "Twelfth Five-Year Plan" in 2012, and achieved the materialization of the development goals of the oil and gas industry, together with a clearer picture on policy orientation, and also accelerated the transformation of the mode of development of the oil and gas industry.

During the period of the "Twelfth Five-Year Plan", the energy structural adjustment will focus on the following tasks: take effective measures to enhance energy-saving in order to improve the utilization level of traditional clean energy; increase the utilization scale of clean energy such as natural gas; coordinate and plan the key energy bases and speed up construction of transportation pipelines of the regional energies so as to promote the optimization of energy resources, etc. By 2015, the utilization scale of natural gas might reach approximately 260 billion cubic meters, and the proportion of natural gas in the primary consumption structure will increase from approximately 4.4% in 2010 to approximately 8.3% in 2015, which will be higher than that of hydroelectric power, nuclear power, solar energy and wind power.

Natural gas has become a significant source of energy for urban gas, industrial energy and transport energy development in the PRC and its prospect for a sustainable development market is bright.

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, the PRC continuously issued a number of policies to boost the development of the natural gas industry.

The national energy administration issued the Current Status, Existing Problems 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 pressure on environmental protection, increase in the proportion of transport-use natural gas has an important strategic significance for lowering the 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 vessels and infrastructure construction of gas refilling stations. Secondly, China should formulate technical standards as soon as possible, including uniform standards for converting diesel vehicle into Liquefied Natural Gas ("LNG") system, standards for manufacturing, operation, quality and security of LNG vehicles, standards for fuel and emission of natural gas vehicles, etc. Thirdly, China should improve its supporting policies, formulate and perfect the policies for permission of importing natural gas vehicles and the fiscal and taxation policies for supporting 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 licenses of natural gas vehicles and vessels.

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 the 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 by the PRC government 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. The PRC government supports private capital to cooperate with state-owned oil enterprises, and invest in the construction of cross-border and cross regional oil and natural gas main pipeline projects, to construct oil and gas branch pipelines, coal-bed gas, coal gas and shale gas pipelines, regional transmission and distribution pipeline networks, LNG production facilities, natural gas storage and transshipment facilities, etc. in different forms, as well as to be used in relevant warehouse 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 2012. According to the plan, urban gas penetration rate will be more than 94% and the gas penetration rate in counties and small towns will be more than 65% by the end of the "Twelfth Five-Year" period. 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 order to encourage, guide and regulate the downstream sectors of natural gas utilization, the National Development and Reform Commission released the Decree 15 of 2012 - Policies on Natural Gas Utilization (《天然氣利用政策》),on 14 October 2012, implemented on 1 December 2012, pursuant to which, the PRC government encourages and supports the development of natural gas utilization in the following areas: urban households; public service facilities (airports, government offices, staff canteens, kindergartens, schools, hospitals, inns, hotels, catering, shopping malls, office buildings, railway stations, welfare houses, nursing homes, ports, passenger terminals, bus stations); natural gas vehicles (especially dual-fuel and LNG vehicles), including city buses, taxis, logistics vehicles, passenger vehicles, sanitation vehicles and trucks and other carrying vehicles fuelled by natural gas; centralized heating users in central urban areas and the heart of new districts; gas air-conditioning; interruptible sectors in the industries such as building materials, machinery and electronics, textiles, petrochemicals and metallurgy, projects using natural gas instead of oil, projects using natural gas instead of coals and new projects fuelled by natural gas; gas replacement projects for industrial boilers in central urban areas; carrying vessels fuelled by natural gas (especially LNG) sailing on inland rivers, lakes and seas, etc.

The PRC has attached great importance to the utilization of natural gas industry, frequently introducing relevant policies on the optimization of energy structure and encouragement of natural gas development, and focused on the promotion of new energy as represented by natural gas.

In order to effectively monitor polluting particles (PM2.5), in February 2012, the State Council of the PRC agreed to release a newly revised Ambient Air Quality Standard which includes PM2.5 (mainly from vehicle exhaust, fuel dust and coal fly ash) monitoring indicators and it is a mandatory monitoring work which has to be conducted in every province and city.

With the increasing recognition among the people towards PM2.5 and the persistent hazy weather in some cities of mainland China around the Chinese Spring Festival in 2013, the people are increasingly obtaining in-depth recognition towards environmental issues, and accordingly the PRC government also paid much more attention to the environmental pollution problem and has been enacting different types of environment-protection policies continuously.

Rapid development of urbanization and continuous enactment of policies concerning clean energies will undoubtedly promote the development of the natural gas sector (especially the transport gas sector) of the PRC.

Business Review

The Group is principally engaged in gas pipeline connections, transportation and sales of gas, construction and operation of vehicle gas refilling stations, and production and sale of LNG in the PRC.

Development of New Projects

For the year ended 31 December 2012, the Group has acquired another 8 urban gas projects in Luzhai County of Liuzhou in Guangxi Province, Lankao County and Weishi County of Kaifeng in Henan Province, Cao County and Shan County of Heze in Shandong Province, Jingtaizheng Road Industrial Park of Baiyin in Gansu Province, Gulang County of Wuwei in Gansu Province, and Dongkou county of Shaoyang in Hunan Province and has entered into a contract concerning a project of a large gas source base.

Obtaining Gas Exclusive Operation Rights in Luzhai County of Liuzhou in 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) ("Luzhai 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), pursuant to which Luzhai 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, Luorong Industrial Park, is among the provincial economic development zones, has formed an industry-gathering area such as paper industry, chemical industry, construction materials industry, manufacturing industry, smelting industry. The industry users in Luzhai County is the important profit growth point of the Group in the future.

Obtaining Urban Gas Projects in Lankao County and Weishi County of Kaifeng City in 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 of Kaifeng City.

Laokao County is administered by Henan Province, and enjoys the treatment of a provincial city. By doing so, Lankao County has been 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 has become an important support for the economic zones in central China. 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, nonferrous 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.

Obtaining Urban Gas Projects in Cao County and Dan County in Heze City of Shandong Province

On 13 September 2012, Henan Tian Lun entered into equity transfer agreements with 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 in Cao County Zhong Tian and Shan County Zhong Tian respectively so as to obtain 2 urban gas projects in Cao County and Shan County of Heze City in Shandong Province.

Cao County is one of the counties under direct supervision of the Shandong provincial government, and a county on the list of the 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 Heze 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 outstanding strategic positions and development advantages amongst all counties in Heze City, and established a foundation for the Group to expand its gas business in the Shandong area and the peripheral cities.

Obtaining the Urban Gas Project in the Jingtaizheng Road Industrial Park of Baiyin in Gansu Province

On 19 September 2012, Henan Tian Lun and the Administrative Committee of the Jingtai Industrial Concentration Zone entered into an agreement with respect to a gas utilization project under which the Group shall obtain the urban gas project in the Jingtaizheng Road Industrial Park of Baiyin in Gansu Province.

The Jingtaizheng Road Industrial Park is located in Baiyin High-Tech Industrial Zone which is within the national High-Tech industrial development zones, with a very good location opposite to the provincial capital of Gansu Province Lanzhou and close to 8 cities/counties of 4 provinces/autonomous regions (Gansu, Ningxia, Qinghai and Inner Mongolia). At present, an industrial pattern comprising non-metallic mineral products, construction materials, agricultural and livestock products processing and warehousing logistics, etc. has preliminarily formed in this industrial park, laying the foundation for the Group to develop the industrial users of the industrial park and expand the gas market nearby.

Obtaining the Urban Gas Project of Gulang County of Wuwei in Gansu Province

On 13 November 2012, Henan Tian Lun and the Gulang government duly entered into a concession agreement of urban gas under which the Group acquired 30 years of exclusive operation rights (including urban pipeline gas and gas refilling stations etc) at Gulang County.

Gulang county is located at the eastern end of the Hexi corridor of Gansu with very convenient transportation conditions, where the Lanzhou-Xinjiang Railway and Gantang-Wuyi South Railway are located in the county, and a railway freight yard with a capacity of 18-million tons is under construction. There are also the Lianyungang-Horgos Highway and the Shuangta-Yinchuan Highway, and, the National Road No.312 that runs from the north to the south and Provincial Road No.308 that runs from the east to the west, which allows a daily traffic flow of heavy trucks of over 3,000 vehicles, and therefore the market of gas for vehicles is promising. The Group will invest and construct in this county gas supply facilities and pipeline network for the town and the industrial parks, gas refilling stations providing urban residents with gas, industrial and commercial gas, liquefied natural gas and compressed natural gas, natural gas liquefying and welding gas processing plants, LNG logistics companies natural gas gate stations, storage and distribution station construction, the project of transmission of natural gas from the west to the east Pipeline No.3 Gulang branch, creating a gas utilization demonstration area of Gansu Province and even northwest of China to lay a solid foundation for the Group to develop the northwest market of China.

Obtaining the Urban Gas Project at Dongkou County of Shaoyang in Hunan Province

On 13 November 2012, Henan Tian Lun and the original shareholders of Donkou Senbo Gas Co., Ltd ("Senbo Gas ") entered into an equity transfer agreement under which the Group acquired 100% equity interests in Senbo Gas and in turn obtained exclusive operation rights (including urban pipeline gas and gas refilling stations etc) at Dongkou County.

Dongkou county, which is part of Shaoyang, Hunan province, owns convenient transportation conditions and superior locations and abundant resources with a total population of 830,000 people of which urban residents comprise 160,000 million, and also it owns a better foundation for the development of the gas market, procurement of the Dongkou project will lay a very good foundation for the Group to enter the natural gas market of both Hunan and Hubei Province.

Investment in Bases of Gas Sources

For the year ended 31 December 2012, the Group has 5 operating compressed natural gas ("CNG") parent stations in total in Jilin Province and He'nan Province with a total daily CNG production capacity of 300,000 m^3. In addition, the LNG processing plant with an annual production capacity of 400 million m^3 of LNG has been under preparation in the Kai County (Chongqing) Industrial Park (70% equity of which is held by Henan Tian Lun), completion of this project will promote the business model of the Group to evolute from control of gas sources to development of transport gas projects and form a whole industrial chain.

Investment in Gas Refilling Stations

For the year ended 31 December 2012, the Group has 18 CNG/LNG gas refilling stations in operation, and over 30 gas refilling stations under preparation are being constructed in total. The transport gas business has become one of the key development fields of the Group, the Group has established the transport gas division and several regional sub-divisions, formed an experienced professional team so as to make greater efforts to develop the transport gas project.

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 refilling stations with target customers such as transportation groups, transport groups, port groups and mine enterprises and power plant with the one-on-one business model and provide major customers with professional services. Such business model will allow the Group to 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.

MATERIAL ACQUISITION, DISPOSAL AND INVESTMENT

Disposal of equity interests in Cangxi Datong

In view of improving the quality of the Group's assets, on 13 September 2012, Henan Tian Lun entered into an equity transfer agreement with Golden Dragon Co., Ltd ("Golden Dragon Company"), an independent third party, pursuant to which Henan Tian Lun disposed of its entire equity interests (i.e. 51% equity) 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 said disposal, Henan Tian Lun will not have any equity interest in Cangxi Datong, and thus Cangxi Datong will no longer be a subsidiary of the Company.

Investment in a trust scheme

Henan Tian Lun entered into an investment agreement on 21 March 2012 (as supplemented by a supplemental agreement on 4 May 2012) with Zhongyuan Trust Co., Ltd. ("Zhongyuan Trust"), pursuant to which Henan Tian Lun agreed to invest an amount not exceeding RMB400 million in aggregate in the trust scheme managed by Zhongyuan Trust ("Trust Scheme"), and Zhongyuan Trust agreed to apply the trust principal for investment on behalf of Henan Tian Lun in trust products for the benefit of Henan Tian Lun. As of 31 December 2012, the Group had invested RMB370 million in aggregate in the Trust Scheme. The Trust Scheme has been operating smoothly, from which Henan Tian Lun has received stable income. For the year ended 31 December 2012, Henan Tian Lun has recognised a return of approximately RMB30,392,000 in aggregate, of which approximately RMB24,409,000 were fully performing.

Competing Interests

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

As Jilin Zhongji Dadi Investment Limited (吉林省中吉大地投資有限公司) ("Zhongji Investment") and Ms. Jia Dan intend to transfer 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") in a limited period of time, 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.

The companies under the control of Mr. Zhang Yingcen, together with Zhongji Investment and Ms. Jia Dan, have completed the transaction regarding to the acquisition of 49% of equity interests in Zhongji Dadi. 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 and accelerate the expansion in the Northwest market, particularly in the development of the transport gas operation, with a view to enhancing the profitability of Zhongji Dadi to the best they can.

Investment in LNG Refilling Stations

As at the date of this Announcement, Mr. Zhang Yingcen, the chairman of the Company, has reported in writing to the Board on the business opportunities in respect of a number of LNG refilling stations in Henan Province, which are outside of the operating area of the Group. In the opinion of the Board, LNG refilling stations are still at an early stage of development in China, and the Company's experience in the operation of relevant LNG refilling 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 a number of LNG refilling stations as stated in his report on a trial basis. Mr. Zhang Yingcen also undertook that the Group may purchase such LNG refilling stations from him at fair market value when appropriate.

Gas Pipeline Connection Volume

During the Reporting Period, the Group connected a total of 104,829 residential users to gas pipelines, representing an increase of approximately 40.02% as compared with the corresponding period of last year. As at 31 December 2012, the Group's residential users had increased to 456,934, representing an increase of approximately 39.28% as compared with the corresponding period of last year. The Group has connected a total of 597 users from industrial and commercial and other sectors to gas pipelines. As at 31 December 2012, the Group has a total of 2,467 industrial and commercial users, representing an increase of approximately 34.22% as compared with the corresponding period of last year. Through innovative residential users development efforts, the Group actively promoted the development of industrial and commercial users and direct single users, thus the Group was able to maintain the growth of its gas pipeline connection volume during the year, and safeguard the Group's continual growth of gas sales volume and gas sales revenue in the future.

Gas Sales Volume

During the Reporting Period, the Group sold a total of approximately 154,710,000 m^3 of gas, representing a substantial increase of approximately 49,320,000 m^3, or approximately 46.80%, as compared with the corresponding period of last year. Natural gas sold amounted to approximately 142,360,000 m^3, representing an increase of approximately 56,570,000 m^3, or approximately 65.94%, 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 27.28%, 35.58% and 37.13%, respectively, of the total gas sales volume.

The Group has placed transport gas operation, which has a higher gross profit, as the development focus in the future. As at 31 December 2012, the number of the Group's gas refilling stations which are in operation increased to 18. 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 37.13% in 2012. 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.
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As at 31 December 2012, the Group has entered into cooperative agreements with tens of big industrial users in the regions in which it operates, and these industrial users which have signed the agreements will start to use natural gas in 2013. Gas sales volume from industrial users will significantly increase accordingly. With the newly-built refilling stations of the Group commence operation, the Group expects its gas sales to achieve relatively rapid growth in the future.

Customer Services

The Group attaches great importance to customer services. The Group continues to improve the quality of customer services and has established a well-organized system of customer services to maintain good relationships between the customers and the Group to continuously drive the Group's business further development. Each project company of the Group has set up a 24-hour customer service hotline to ensure prompt response to the feedbacks and requests of customers. In particular, a 24-hour one-on-one service model was implemented for industrial and commercial users. The Group also conducts regular safety checks on the gas facilities for customers, and also explains gas usage safety knowledge to them, conducts face to face communications regularly with customers in public places frequented by these customers and distributes brochures about gas safety. Each project company of the Group continues to cooperate with local mobile companies, and to establish mobile information services platforms in order to provide better quality and highly efficient services to customers.

Safety and Risk Management

The Group puts strong emphasis on safety operation and formulated strict quality control standards such as safety system and standards and contingency plans. All the staff have strictly complied with the quality control standards to ensure safety operation. The Group provides education and training for its staff from time to time to strengthen their safety awareness. A 24-hour surveillance system was set up and implemented to monitor any potential gas accidents. Daily inspection for the urban branch pipeline network was conducted for maintenance and repair. The Group has also formulated safety rules on gas usages for its users and provided regular educational publicity and instructions to the end-users based on common knowledge of gas usages.

Operation Management

The Group has established an efficient management team, which possesses rich experience related to the urban pipeline gas industry and is able to grasp onto business development opportunities timely, facilitating the Group to expand its business presence rapidly. It also demonstrates strong execution ability to maintain good operation of the project companies. With the continuous expansion of our operation scale, the Group has introduced and recruited some staff at the middle to senior level at an appropriate time, which supplements the human resources for the Group's rapid development. Through the systematic performance management system and our corporate culture which is "creating business, enjoying and return together", the Group fully motivates staffs' enthusiasm and their initiative. The system has inspired our staffs' potentiality and boosted morale. The Group believes that its operation efficiency of the projects will be able to be improved effectively by integrating and duplicating the management model of Tian Lun, particularly in respect of the operational model, cost control and human resources.

FINANCIAL REVIEW

For the year ended 31 December 2012, the Group's revenue amounted to approximately RMB716,362,000, representing an increase of approximately RMB265,431,000 or a rise of approximately 58.86% as compared with the corresponding period of last year; gross profit amounted to approximately RMB251,236,000, representing an increase of approximately RMB79,232,000 or a rise of approximately 46.06% as compared with the corresponding period of last year; profit attributable to owners of the Company amounted to approximately RMB135,097,000, representing an increase of approximately RMB52,367,000 or a rise of approximately 63.30% as compared with the corresponding period of last year.

Revenue

For the year ended 31 December 2012, the Group's revenue was primarily derived from the gas pipeline connections business and transportation and sales of gas business, accounting for approximately 42.13% and 55.15% of the total revenue (the corresponding period of last year: approximately 45.04% and 52.39%), respectively. With changes of the revenue structure, the Group's revenue structure is constantly improving and becoming increasingly stable. Sales of gases business, a long term stable business, is increasing in its proportion of the total revenue, which will safeguard the steady growth of the results of the Group.

Revenue from Gas Pipeline Connection

The Group conducts gas pipeline connection operation by providing property developers and industrial and commercial users with gas pipeline laying and installation services in its operating cities. For the year ended 31 December 2012, the quantity of the Group's gas pipeline connection volume maintained a steady growth, and revenue from gas pipeline connections amounted to approximately RMB301,812,000, representing an increase of approximately 48.60% from approximately RMB203,103,000 for the corresponding period of last year.

Revenue from Sales of Gas

The Group is engaged in the transportation, distribution and sales of natural gas in its operating cities. For the year ended 31 December 2012, the Group had a significant growth in gas sales volume. Revenue from gas sales amounted to approximately RMB395,106,000, representing an increase of approximately 67.25% from approximately RMB236,231,000 for the corresponding period of last year.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2012, the Group achieved gross profit of approximately RMB251,236,000, representing an increase of approximately RMB79,232,000 as compared with the year ended 31 December 2011. Overall gross profit margin of the Group was approximately 35.07%, representing a slight decline of approximately 3.07 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 pipeline connections business, which generates higher gross profit, dropped from approximately 45.04% in 2011 to approximately 42.13%, and the proportion of revenue derived from sales of the gas business, which generates relatively less comprehensive gross profit, increased from approximately 52.39% in 2011 to approximately 55.15%.

Distribution Cost and Administrative Expenses

With the continuous implementation of cost control policies such as the comprehensive budgeting management system of the Group, the Group's distribution costs and administrative expenses to total revenue in 2012 has declined compared to 2011.

The Group's distribution cost in 2012 was approximately RMB11,863,000, accounting for approximately 1.66% of the total revenue, lowered from approximately 1.73% in 2011. The Group's administrative expenses for the year ended 31 December 2012 was approximately RMB56,167,000, accounting for approximately 7.84% of the total revenue, lowered from approximately 10.69% in 2011.

Financial Position

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

As at 31 December 2012, the Group's cash and cash equivalents amounted to approximately RMB368,940,000, of which 99.35% was denominated in RMB and the remaining 0.65% was denominated in HK dollars, and its financial assets at fair value through profit or loss of approximately RMB375,983,000 can be realized at any time, safeguarding the needs of project expansion and acquisition of businesses of the Group.

As at 31 December 2012, the Group's total borrowing was approximately RMB805,725,000 (among which loans denominated in RMB was approximately RMB799,666,000 and the loans denominated in USD was approximately RMB6,059,000), of which approximately 79.41% was accounted as current liabilities. The loans repayable within one year amounted to approximately RMB639,824,000, approximately RMB35,000,000 was secured by the Group's properties. As at 31 December 2012, the Group's gearing ratio was approximately 55.67% 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, substantially all of its income and expenses were denominated in RMB, therefore, 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 when necessary.

Human Resources

As at 31 December 2012, the total number of employees of the Group was 1,420. The Group has always been concerned for the continuous training of the employees of each level and the improvement of their level of business abilities. Those senior management with outstanding performance are recommended by the Group to take high-end MBA seminars or obtain EMBA degrees of famous universities in the PRC so as to strengthen their capacity of management. The Group organizes various training activities from time to time to train general employees, which includes corporate culture, service etiquette, fire-protection security and so forth, aiming at improving service and expertise. Meanwhile, the Group is committed to training internal management personnel and carries out backup manager training regularly, the content covers all levels with respect to management. The Group constantly fosters talents of high quality in a variety of ways so as to support the development of the Group in the future.

Outlook

The year 2012 was an unusual year for the Group, faced with complicated domestic and international economic situations. The Group continued to maintain its momentum of rapid growth; the integrated operation of the Group saw its initial results; the pace of expansion nationwide got more robust and powerful and thoughts of seeking upgrade strategies became clearer.

Looking ahead in 2013, it will be a year of both opportunities and challenges. Internationally, the global economic environment is complicated and the developed economies show weak momentum of economic recovery. Domestically, the new generation of government leaders have enacted new favorable policies one after another, while the process of urbanization and industrialization is speeding up to boost the economy to recover rapidly, and macro-economy will enter a new stage of rapid growth. From the point of view of the industrial trend, the new energy industry and the energy-saving environment industry, as the emerging strategic industries, are being greatly supported by the government, and the weight of natural gas in the energy consumption structure will be doubled during the period of the "Twelve Five-Year Plan", therefore the potential of growth is substantial; supply of diversified gas sources are abundant, and the west pipeline No.2 has been fully built while west pipeline No.3 has commenced. In addition, the China-Myanmar gas pipeline will be built and put into production, therefore ocean gas is the inevitable trend. The supply network of natural gas will get more concentrated, the coverage will gradually involve in a majority of the counties of China. All these are favorable for the development of the industry in the long-term. Besides, transport gas has emerged out of the period of conceptual cognition, construction of gas refilling stations has increased in leaps and bounds, providing the Group with rare historical opportunities to participate in the reform of the industry and to realize leapfrog development.

In 2013, the Group will resolutely implement the development strategy of "Alliance & Cooperation, Overall Progress and Quick Victory" and the operational strategy of "Accelerating of connection, Increase Capacity and Optimization of Operation", carry out the safeguards of every description concerning "Laying a solid foundation and Improving efficiency", and endeavor to give the shareholders more excellent results.

Use Of Proceeds from Global Offering

The proceeds received by the Company from the initial public offering of the Company ("Global Offering") on 10 November 2010, after deducting the relevant costs of Global Offering, together with the proceeds from the exercise of the over-allotment option on 29 November 2010, amounted to approximately HK$425.1 million in total. The Company has used 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 31 December 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 31 December 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 filling 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 31 December 2012, the total proceeds of approximately HK$425.1 million from the Global Offering raised by the Company was fully utilized in accordance with the proposed use of proceeds set out in the Prospectus.

Share Option Scheme

For the year ended 31 December 2012, the Company had not granted any share option.

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

For the year ended 31 December 2012, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Final Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2012.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 22 May 2013 to Friday, 24 May 2013 (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 Friday, 24 May 2013, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's 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 Tuesday, 21 May 2013.

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 of the Company, each of them confirmed that they 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 contained in the former Appendix 14 to the Listing Rules from the period of 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") contained in the revised Appendix 14 to the Listing Rules during the period from 1 April 2012 to 31 December 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 Audit 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 year ended 31 December 2012.

Audit of Financial Statements

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

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated accounts for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Annual Report

The Company's annual report for the year ended 31 December 2012 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.tianlungas.com), and copies of the annual report will be despatched to the shareholders of the Company in due course.

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

Zhengzhou, the PRC, 28 March 2013

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan, Mr. Hu Xiaoming, Mr. Feng Yi, Mr. Sun Heng and Ms. Li Tao; and the independent non-executive Directors are Mr. Li Liuqing, Mr. Zhang Jiaming and Ms. Zhao Jun.