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 2013

For the year ended 31 December 2013, revenue of the Group amounted to approximately RMB911,939,000, representing an increase of approximately 27.30%, as compared with approximately RMB716,362,000 in the corresponding period of last year.

For the year ended 31 December 2013, gross profit of the Group amounted to approximately RMB333,036,000, representing an increase of approximately 32.56%, as compared with approximately RMB251,236,000 in the corresponding period of last year.

For the year ended 31 December 2013, profit attributable to owners of the Company amounted to approximately RMB168,945,000, representing an increase of approximately 25.05%, as compared with approximately RMB135,097,000 in the corresponding period of last year.

For the year ended 31 December 2013, earnings per share of the Company was approximately RMB0.20, representing a significant increase of approximately 25.00%, as compared with approximately RMB0.16 in the corresponding period of last year.

The board (the "Board") of directors (the "Directors") of China Tian Lun Gas Holdings Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") is pleased to announce the annual results of the Group for the year ended 31 December 2013 (the "Reporting Period").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi ("RMB"))

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**911,939**	716,362
Cost of sales		**(578,903)**	(465,126)
Gross profit		**333,036**	251,236
Distribution costs		**(13,669)**	(11,863)
Administrative expenses		**(65,224)**	(56,167)
Other income		**—**	9,546
Other (losses)/gains — net	*6*	**(214)**	12,766
Operating profit		**253,929**	205,518
Finance income		**28,644**	32,488
Finance costs		**(36,421)**	(35,073)
Finance costs — net	*7*	**(7,777)**	(2,585)
Profit before income tax		**246,152**	202,933
Income tax expense	*8*	**(59,864)**	(53,710)
Profit for the year		**186,288**	149,223
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**186,288**	149,223
Profit and total comprehensive income attributable to:			
Owners of the Company		**168,945**	135,097
Non-controlling interests		**17,343**	14,126
		186,288	149,223
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
— Basic and diluted	*9*	**0.20**	0.16
Dividends	*14*	**—**	—

CONSOLIDATED BALANCE SHEET

(All amounts in RMB)

		As at 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Lease prepayments		**64,833**	48,141
Property, plant and equipment		**726,081**	526,520
Investment properties		**9,006**	9,561
Intangible assets		**650,898**	441,197
Deferred income tax assets		**2,599**	2,237
Trade and other receivables	*10*	**17,788**	13,336
Other non-current assets		**3,743**	2,075
		1,474,948	1,043,067
Current assets			
Inventories		**93,330**	73,674
Trade and other receivables	*10*	**251,739**	160,303
Financial assets at fair value through profit or loss		**221,824**	375,983
Restricted cash		**9,145**	—
Cash and cash equivalents		**576,402**	368,940
		1,152,440	978,900
Total assets		**2,627,388**	2,021,967
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*11*	**7,077**	7,077
Share premium	*11*	**454,188**	454,188
Reserves	*12*	**34,109**	19,061
Retained earnings		**424,594**	270,885
		919,968	751,211
Non-controlling interests		**170,428**	145,055
Total equity		**1,090,396**	896,266

CONSOLIDATED BALANCE SHEET *(Continued)*

(All amounts in RMB)

		As at 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**781,124**	165,901
Deferred income tax liabilities		**63,975**	43,325
		845,099	209,226
Current liabilities			
Trade and other payables	*13*	**285,556**	141,425
Advance from customers		**152,711**	114,750
Current income tax liabilities		**24,232**	20,476
Borrowings		**229,394**	639,824
		691,893	916,475
Total liabilities		**1,536,992**	1,125,701
Total equity and liabilities		**2,627,388**	2,021,967
Net current assets		**460,547**	62,425
Total assets less current liabilities		**1,935,495**	1,105,492

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 31 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets at fair value through profit or loss, which are carried at fair value.

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

Changes in accounting policy and disclosures

New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

- Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- HKFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

- HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

- Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

- HKFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- Amendment to HKFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

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.

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) Estimate 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 2013, the Group has deferred income tax assets of approximately RMB2,599,000 (2012: RMB2,237,000). 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 RMB104,000 (2012: RMB89,000).

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

Accounting for business combinations requires 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 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 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.

4. SEGMENT INFORMATION *(Continued)*

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2013 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	**504,357**	**384,784**	**22,798**	**—**	**911,939**
Gross profit	**80,632**	**241,714**	**10,690**	**—**	**333,036**
Distribution costs				**(13,669)**	**(13,669)**
Administrative expenses				**(65,224)**	**(65,224)**
Other losses — net				**(214)**	**(214)**
Operating profit					**253,929**
Finance costs — net				**(7,777)**	**(7,777)**
Profit before income tax					**246,152**
Income tax expense				**(59,864)**	**(59,864)**
Profit for the year					**186,288**

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

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 2013, no revenue derived from sales made to a single external customers amounted to 10% or more of the Group's total revenue (2012: nil).

5. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Raw materials and consumables used	**453,253**	351,721
Changes in inventories of finished goods and work in progress	**(2,093)**	(3,006)
Depreciation on property, plant and equipment	**32,445**	26,398
Depreciation on investment properties	**489**	497
Amortisation of lease prepayments	**1,327**	1,189
Amortisation of intangible assets	**9,703**	7,401

6. OTHER (LOSSES)/GAINS - NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Gains on disposal of available-for-sale financial assets	**323**	877
Gains on disposal of subsidiaries	**—**	11,801
Losses on disposal of property, plant and equipment and investment properties	**(798)**	(72)
Others	**261**	160
	(214)	12,766

7. FINANCE COSTS — NET

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Finance income		
— Interest income derived from bank deposits	**(876)**	(2,096)
— Investment gains derived from financial assets at fair value through profit or loss	**(27,768)**	(30,392)
	(28,644)	(32,488)
Finance costs		
— Interest expense on borrowings	**47,353**	42,362
— Exchange gains	**(1,647)**	(91)
— Others	**320**	1,077
Less: amounts capitalised on qualifying assets	**(9,605)**	(8,275)
	36,421	35,073
	7,777	2,585

8. 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 2013 and 2012, 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 2013 and 2012, as determined in accordance with the relevant PRC income tax rules and regulations. The PRC CIT rate is 25% (2012: 25%).

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current tax on profits for the year	**63,411**	51,556
Deferred tax	**(3,547)**	2,154
	59,864	53,710

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	
	2013	2012
	RMB'000	*RMB'000*
Profit before income tax	**246,152**	202,933
Tax calculated at statutory tax rates applicable to each group entity	**61,258**	53,267
Others	**(1,394)**	443
	59,864	53,710

The weighted average applicable tax rate for the year ended 31 December 2013 is 25% (2012: 26%).

9. 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	
	2013	2012
Profit attributable to owners of the Company (RMB'000)	**168,945**	135,097
Weighted average number of shares in issue (thousands)	**827,925**	827,925
Basic earnings per share (RMB per share)	**0.20**	0.16

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

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables (a)	**132,156**	100,424
Bills receivable	**3,450**	1,500
Prepayments	**52,946**	28,936
Receivables due from related parties	**16,029**	6,963
Other receivables	**57,151**	34,220
Value-added-tax to be offset	**7,795**	1,596
	269,527	173,639
Less: long-term prepayments	**(17,788)**	(13,336)
Current portion	**251,739**	160,303

(a) The credit period generally granted to customers in relation to sales of pipelined gases is from 10 to 90 days. As for the customers in relation to connection of gas pipelines, the Group generally requests advance payments, and in circumstances of credit sales, management closely monitors the credit quality of the customers, and credit period was granted case by case with maximum of 2 years. The ageing analysis of trade receivables is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Less than 30 days	**93,297**	67,743
31 days to 90 days	**15,044**	20,403
91 days to 1 year	**11,154**	8,094
Over 1 year	**12,661**	4,184
	132,156	100,424

11. SHARE CAPITAL AND SHARE PREMIUM

	Number of Shares *(thousands)*	**Ordinary shares** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
Issued and fully paid				
At 1 January 2012	827,925	7,077	454,188	461,265
At 31 December 2012	827,925	7,077	454,188	461,265
At 31 December 2013	827,925	7,077	454,188	461,265

The total authorised number of ordinary shares is 2,000,000,000 shares (2012: 2,000,000,000 shares) with a par value of HK$0.01 per share (2012: HK$0.01 per share).

12. RESERVES

	Capital reserves *RMB'000*	Statutory reserves *RMB'000*	Total *RMB'000*
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
At 1 January 2013	(17,523)	36,584	19,061
Appropriation (a)	—	15,236	15,236
Transaction with non-controlling interests	(360)	—	(360)
Waiver of liability by non-controlling interests	172	—	172
At 31 December 2013	(17,711)	51,820	34,109

(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 2013, approximately RMB15,236,000 (2012: RMB14,260,000) were appropriated to the statutory surplus reserves funds from net profits of certain PRC Subsidiaries.

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2013 *RMB'000*	2012 *RMB'000*
Trade payables *(a and b)*	**78,093**	63,677
Amounts due to related parties *(a and b)*	**—**	994
Accrued payroll and welfare	**1,663**	2,055
Interest payables	**2,720**	1,023
Other taxes payables	**10,004**	3,008
Other payables *(a)*	**193,076**	70,668
	285,556	141,425

13. TRADE AND OTHER PAYABLES *(Continued)*

(a) As at 31 December 2013 and 2012, 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:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Less than 30 days	**23,160**	27,937
31 days to 90 days	**26,037**	11,895
91 days to 1 year	**9,614**	13,175
1 year to 2 years	**15,008**	10,071
2 years to 3 years	**4,150**	900
Over 3 years	**124**	663
	78,093	64,641

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:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
RMB	**285,556**	141,175
HK$	**—**	250
	285,556	141,425

14. DIVIDENDS

Pursuant to the resolution of the Board of Directors dated 31 March 2014, the directors of the Company proposed not to recommend any dividend for the year ended 31 December 2013 (2012: nil).

INDUSTRY REVIEW

Structure and Development Trend of China's Energy Industry

Accelerated urbanization and industrialization of the PRC and the continuous optimization of and adjustment to energy structure have become long-term positive factors favoring the development of the natural gas industry. The superior features of natural gas have enabled it to become one of the major source of energy for the development of China's low-carbon emission economy.

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 2013 issued by the National Bureau of Statistics of China, the annual energy consumption in 2013 amounted to approximately 3,750 million tons of standard coal equivalent, representing an increase of approximately 3.7% as compared with 2012, among which the consumption of coal, crude oil and electricity increased by approximately 3.7%, 3.4% and 7.5%, respectively as compared with last year, while the growth of natural gas consumption was the fastest and increased by approximately 13.0% as compared with last year. China's energy consumption per unit of gross domestic product per RMB10,000 decreased by approximately 3.7% in 2013.

According to the 2013 Report on Development in the Foreign and Domestic Oil & Gas Industries issued by China National Petroleum Corporation Economics & Technology Research Institute, demand for clean energy contributed to the fast growth of natural gas consumption in the PRC. During the period from 2003 to 2012, the average annual growth rate of China's natural gas consumption was 17.4% and was the fastest among the top 10 natural gas consumption countries. The report estimates that China's demand for natural gas will continue to grow rapidly in 2014 and the apparent natural gas consumption is expected to increase 11% year-on-year to 186 billion m^3, accounting for 6.3% of the primary energy consumption.

The Twelfth Five-Year Plan for Energy Development issued by the State Council on 1 January 2013 states that China targets that by 2015, natural gas consumption as a percentage of the primary energy consumption shall increase to 7.5%; the number of urban and rural natural gas user population shall reach 250 million and natural gas production capacity shall reach 156.5 billion m^3. It also aims to actively develop distributed energy resources and strengthen the construction of natural gas pipeline network. During the Twelfth Five-Year period, 44,000 kilometers of new natural gas pipelines will be constructed and the receiving capability of liquefied natural gas in coastal areas will increase by over 50 million tons.

As the penetration rate of natural gas continues to increase in China's urban gas field and the pace of replacement of traditional energy with natural gas in industrial, transportation and energy sectors accelerates, there are promising prospects for the development of natural gas market in the future.

The Policy On Natural Gas Utilization in the PRC

The Action Plan on Prevention and Treatment of Air Pollution (《大氣污染防治行動計劃》) issued by the State Council on 10 September 2013 specifies that, after five years of hard effort, the air quality in China has improved in general and the number of days of serious air pollution has decreased significantly. It strives to gradually eliminate serious air pollution to greatly improve national air quality within another five or more years. In particular, by 2017 the concentration of inhalable particles in cities at prefecture level and above in the PRC shall decrease by more than 10% as compared to 2012 and the number of days of good air quality shall increase every year.

In order to achieve the goals above, a series of specific measures have been introduced in the plan, which include, among other things, comprehensive rectification of small coal-fired furnaces, acceleration of the elimination of heavy polluting yellow label vehicles and old vehicles, strengthening the development of public transportation, and promotion of new energy vehicles. The supply of natural gas, substitute natural gas and coal bed methane will be increased. By 2015, the transmission capacity of new main natural gas pipelines shall exceed 150 billion cubic metres, covering Beijing, Tianjin, Hebei, Yangtze River Delta and Pearl River Delta. The utilization methods of natural gas shall be optimized, and priority shall be given to resident uses or replacement of coal in new natural gas supply. Projects with efficient energy uses such as distributed natural gas shall be encouraged, and the development of natural gas chemical projects shall be restricted. The government will formulate a substitute natural gas development plan to accelerate the industrialization and scale production of substitute natural gas while complying with the strictest environment protection standards and ensuring water supply. The replacement of coal-fired facilities with natural gas-fired ones for the existing industrial enterprises in Beijing, Tianjin, Hebei, Yangtze River Delta and Pearl River Delta shall speed up. By 2017, the natural gas replacement works for coal-fired boilers, industrial furnaces and self-supply coal-fired power plants shall be substantially completed. The area where use of high-pollution fuels is prohibited shall be expanded gradually from the existing urban area to suburbs. In light of the renovation of urban villages, suburbs and their adjacent rural areas, and shanty towns and through policy compensation and the introduction of measures such as separate tariff for peak and valley hours, seasonal tariff pricing, progressive tariff pricing, and pitch-peak tariff, use of coal shall be gradually replaced by natural gas or electricity. Local people's governments shall enhance their policy support to for "coal-to-gas upgrade" projects involving people's livelihood, phasing-out of yellow label vehicles and old vehicles, replacement of low-speed goods vehicles with light goods vehicles, and shall provide guiding finance support to clean production demonstration projects in key industries.

On 5 March 2014, Premier Li Keqiang delivered the government work report at the second meeting of the twelfth session of the National People's Congress. The report states that the construction of ecological civilization is vital for people's lives and the future of the nation. Hazy weather is affecting larger parts of China and environmental pollution has become a major problem, which is nature's red-light warning against the extensive model of development. The government must strengthen protection of the ecological environment and take forceful measures to complete this challenging task.

In 2014, the government will take strong measures to strengthen pollution prevention and control, which mainly include the shutting down of 50,000 small coal-fired furnaces and the promotion of new energy vehicles. It will strengthen energy conservation and emissions reduction, and impose a ceiling on total energy consumption. In 2014, it aims to cut energy intensity by more than 3.9%, and the emissions of sulfur dioxide and chemical oxygen demand will both be reduced by 2%. It will strengthen exploration, exploitation and utilization of natural gas, coal seam gas and shale gas.

As hazy weather and air pollution treatment draw growing attention, the introduction of environment protection policies will undoubtedly promote the rapid development of China's natural gas industry and have a positive effect on the change of the overall energy structure in China.

BUSINESS REVIEW

During the Reporting Period, the Group continued to actively seek opportunities to expand its business presence by continuing to increase investment in transportation gas projects and gas source bases. As the subsidiaries of the Company strengthened their efforts into developing local gas markets, the number of users for gas distribution and sales significantly increased.

Development of New Projects

During the year ended 31 December 2013, the Group has obtained a total of another 14 urban gas projects and 2 gas source base projects. 4 projects were obtained through concession agreements with local governments, namely three industrial parks in Weishi County of Kaifeng City in Henan Province, Changchun Airport Economic Zone and Yitong Manchu Autonomous County ("Yitong") in Jilin Province, and Guanyang County in Guangxi Zhuang Autonomous Region ("Guangxi"); 10 projects were obtained through mergers and acquisitions, namely Huize County, Gejiu City, Guangnan County, Yanshan County, Ludian County, Honghe Prefecture and Hekou County in Yunnan Province, Gaoxin District and Dongming County of Heze City in Shandong Province, and Ceramic Industrial Park in Chaozhou City of Guangdong Province; a coke oven gas-produced liquefied natural gas ("LNG") source base project in Luoyang City of Henan Province, a gas source base project in Changling County of Jilin Province were obtained through joint venture.

Urban gas projects of Gangwei New District, Xinwei Industrial Park and Weibei Technology and Food Industrial Park in Weishi County, Kaifeng City, Henan Province

On 28 April 2013, Henan Tian Lun Gas Group Limited (河南天倫燃氣集團有限公司) ("Henan Tian Lun") and the People's Government of Weish County, Henan Province entered into a pipeline gas concession agreement and a strategic cooperation agreement on comprehensive utilization of natural gas, pursuant to which Henan Tian Lun obtained the urban gas exclusive operation rights and the exclusive operation rights of vehicle-use gas in Gangwei New District, Xinwei Industrial Park and Weibei Technology and Food Industrial Park in Weishi County of Henan Province.

With strategically advantageous locations, Gangwei New District, Xinwei Industrial Park and Weibei Technology and Food Industrial Park in Weishi County will be built into a high-standard industrial park focusing on production and processing of furniture and comprehensive and auxiliary processing of electronic products. They are the core area for undertaking industrial transfer and the development of the central plains economic zone of Henan Province. They serve as a bridge and link for the development of an airport district in Weishi County and the development of employment base, manufacturing base, ecological base and service base in Zhengbian New District. Meanwhile, Gangwei New District is in close proximity to Zhengzhou airport economic comprehensive experimental zone, the first airport economic development zone in the PRC, which will bring valuable development opportunities to the utilization of natural gas in Gangwei New District. The acquisition of the three industrial park gas projects in Weishi County has expanded the regional coverage of the Group's concession operation in Weishi County.

Urban gas project in the Airport Economic Zone of Changchun City, Jilin Province

On 28 August 2013, Henan Tian Lun entered into a urban gas concession agreement with the Management Committee of Changchun Airport Economic Zone, pursuant to which Henan Tian Lun obtained the pipeline gas exclusive operation rights in Changchun Airport Economic Zone for a term of 30 years.

Located in a core area covered by three major development strategies, being "Changchun-Jilin-Tumenjiang", "Changchun-Jilin Integration" and "Changdongbei" and along the transportation and economic corridor between two megacities, Changchun City and Jilin City, Changchun Airport Economic Zone is only three kilometers away from the Jialong Airport. Within the area, Changchun-Tumenjiang Railway, Changchun-Jilin North Section, and Airport Expressway (under construction), Changchun-Jilin Intercity Railway, Changchun-Jilin Expressway, Changshi Road and Jiuwan Road constitute a three-dimensional transportation network of "six horizontal lines, three vertical lines and one overhead line" which enjoys great location advantage. Meanwhile, Changchun Airport Economic Zone is a province-level economic development zone and enjoys various favorable policies. In the future, the zone is planned to become an ecological new town focusing on the development of airport-related industries supported by headquarters economy, airport logistics and tourism complex and will comprise five major functional areas, being leisure and tourism resort, high-end commercial and residential properties, culture and innovation industry park, administrative, educational and headquarters economy zone, and modern commercial services and commercial and residential area. The acquisition of the operation right in Changchun Airport Economic Zone will further expand the market share of the Group in the northeastern gas market.

Urban gas project of Guanyang County, Guangxi

On 29 September 2013, Henan Tian Lun entered into an urban pipeline gas concession agreement with the People's Government of Guangxi, pursuant to which Henan Tian Lun obtained the gas exclusive operation rights in Guanyang County, Guangxi for a term of 30 years. The scope of exclusive operation includes urban pipeline gas and gas refilling stations, etc.

Situated in the northeastern part of Guilin, Guanyang County has Quanzhou to the north, Gongcheng to the south, Xing'an and Lingzhou to the west, and Dao County and Jiangyon County of Hunan Province to the east, and enjoys convenient transportation access. Meanwhile, the Jiangdong New Zone project of Guanyang County, Guangxi, which commenced construction in June 2012 will become an administrative centre, residential community and commercial centre as well as a modern ecological new town comprising administrative, culture, commercial, leisure, commercial and residential functions. There will be broad prospects for development of residential, industrial and commercial users in the area in the future.

Urban gas project in Yitong Manchu Autonomous County, Jilin Province

On 18 October 2013, Henan Tian Lun entered into a pipeline gas concession agreement with the People's Government of Yitong Manchu Autonomous County of Jilin Province, pursuant to which Henan Tian Lun obtained the pipeline gas exclusive operation rights in Yitong Manchu Autonomous County of Jilin Province for a term of 30 years.

Located in south-central Jilin Province, Yitong Manchu Autonomous County has Shuangyang District, Changchun City to the east, Gongzhuling City to the west, Dongyuan, Dongfeng and Panshi cities to the south and Changchun City to the north, and enjoys a significant location advantage. Yitong County is one of the national top 100 commodity grain producing counties and has rich mining and tourism resources. The Group believes that its obtaining of the exclusive operation project in Yitong Manchu Autonomous County will further enhance the synergies of its existing urban gas projects in northeastern China, expand its scale of operation and bring economic benefits.

Seven urban gas projects in Yunnan Province

On 25 August 2013, Henan Tian Lun entered into an equity transfer agreement with the then shareholders of Yunnan Datong Natural Gas Limited (雲南大通天燃氣有限公司) ("Yunnan Datong") in relation to the acquisition of 100% equity interest of Yunnan Datong, pursuant to which Henan Tian Lun obtained seven urban gas projects owned by Yunnan Datong.

The seven projects of Yunnan Datong are located in various areas in eastern Yunnan Province, including Huize, Gejiu, Guangnan, Yanshan, Ludian ,Honghe and Hekou, respectively. As a private gas enterprise with a large number of projects and large capacity of gas production, Yunnan Datong occupies an important position and has strong influence in the emerging natural gas market of Yunnan Province. The acquisition of the entire equity interest in Yunnan Datong has enabled the Group to expand its business into the majority area of Yunnan Province and significantly improved the Group's influence in southwestern China. Such has great importance to the Group's facilitation of its strategic planning in southwestern China by laying a solid foundation for the Group's development in the natural gas market in southwestern China.

Urban gas project in Gaoxin District of Heze City, Shandong Province

On 11 December 2013, Henan Tian Lun entered into an equity transfer agreement with the then shareholder of Heze Guanghe Natural Gas Company Limited (菏澤市廣荷天然氣有限公司) ("Guanghe Gas") in relation to the acquisition of 100% equity interest of Guanghe Gas, pursuant to which Henan Tian Lun obtained the pipeline gas exclusive operation rights in Gaoxin District of Heze City in Shandong Province.

The Heze-Dongming long-distance natural gas pipeline invested and constructed by Guanghe Gas formally commenced gas transmission in November 2013, with a designed gas transmission capacity of 300,000m^3/day which effectively ensures the supply of natural gas in the area where Guanghe Gas operates. Within such area, especially in Gaoxin District where medicine, food and equipment manufacturing enterprises are concentrated, there is great potential for the industrial gas market. With the commencement of gas transmission by the long-distance natural gas pipeline which guarantees sufficient supply of natural gas, increasingly strict environment protection policies, gradual advancement of the "coal-to-gas upgrade of local coal-fired boilers", and good industrial foundation and unique advantages, there is enormous potential in the natural gas market in the area where Guanghe Gas operates, which will provide strong support for the Group to expand and consolidate gas markets in Shandong Province and its surrounding areas.

Urban gas project of Dongming County, Shandong Province

On 12 December 2013, Henan Tian Lun entered into an equity transfer agreement with Dongming Wanji Natural Gas Industry Company Limited (東明萬吉天然氣實業有限公司) ("Wanji Gas") in relation to the acquisition of 80% equity interest of Wanji Gas, pursuant to which Henan Tian Lun obtained the pipeline gas exclusive operation rights in Dongming County and the industrial parks under its administration.

Dongming County was ranked among the top GDP districts in Heze City. With a large number of property projects and rapid growth of the urban population, there is great potential for the development of residential, industrial and commercial users. Situated in the hinterland of Zhongyuan Oil Field, Dongming County enjoys "preferential gas pricing for oil zone", and the low level of gas pricing brings strong profitability. The successful acquisition of the Wanji Gas project represented the Group's strategic planning in Shandong Province and will further increase its share of the natural gas market in Shandong Province.

Gas project of the Ceramic Industrial Park in Chaozhou City

On 25 December 2013, Tian Lun New Energy Limited (天倫新能源有限公司) ("Tian Lun New Energy "), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement") with the then shareholders of Wah Shing Century Limited ("Wah Shing Century "), pursuant to which Tian Lun New Energy acquired 100% equity interest of Wah Shing Century. Following the transaction, Tian Lun New Energy indirectly controlled Chaozhou Huamao Energy Distribution Company Limited (潮州市華茂能源配送有限公司) ("Huamao Energy") which was held as to 60% by Wah Shing Century and began to be engaged in the investment in and construction of natural gas pipelines and transmission and sale of natural gas in Fuyang Town, Longhu Town and Dongfeng Town of Chaozhou City. For details, please refer to the Company's announcement dated 27 December 2013.

Chaozhou is the largest production and exporting base of arts and crafts porcelains, daily-used porcelains and sanitary ware in the PRC. It is also one of the few regions in the PRC where LPG (liquefied petroleum gas) and LNG (liquefied natural gas) are heavily used. Currently, LPG is widely used among the ceramic industry users in Chaozhou, accounting for approximately one-sixth of the annual usage in Guangdong Province. Ceramic industry users prefer to use LNG which is cleaner, of superior quality and is more competitive in the market. With the gradual popularity of LNG in recent years, Chaozhou has become one of the top LNG users in the Pearl River Delta area in terms of annual usage. The end-user prices of natural gas in this area are determined by referring to those of LNG. This gives a relative price advantage over LPG, and better room for the gross margin of each unit of gas volume.

With the rapid development of Chaozhou ceramic industry, the ceramic industrial enterprises are gradually moving toward the south-east of Chaozhou (to the direction of Fuyang, Longhu and Dongfeng). With the current ceramic industry foundations in these three towns, there will be a lot of room for the growth of the natural gas market in ceramic production in this area in the future. Huamao Energy has already installed most of the pipelines and facilities needed for natural gas in these three towns. The whole project is expected to be completed in the first half of 2014, at which time the supply of gas to end-users will begin. According to surveys and researches conducted by the Group with the current users of ceramic industry in the three towns, there are no less than 260 companies within the operating area of Huamao Energy. It is expected that gas consumption will reach 600,000 m^3/day for the current users of ceramic producers, and the potential market capacity will be over 1,000,000 m^3/day. It is expected that after Huamao Energy's gas supply and distribution is in operation, the supply will reach 300,000 m^3/day within two years, and exceed 400,000 m^3 within three years.

Successful precedent cases with similar business model have been found in other industrial park districts in Chaozhou. Through this acquisition, the Group will hold a controlling interest in Huamao Energy through Wah Shing Century. This is an opportunity for the Group not only to gain access to the natural gas market in the southern part of the PRC, but also provide a solid foundation for the rapid uplifting of natural gas production as well as a continuous and steady income in the sale of gas, and a good platform for the future natural gas business development in the southern part of the PRC.

Coke Oven Gas-produced LNG Source Base Project of Luoyang City, Henan Province

On 30 December 2013, Henan Tian Lun entered into a co-operation agreement with Luoyang Rongtuo Coking Company Limited (洛陽榕拓焦化有限公司) ("Luoyang Rongtuo"), pursuant to which both parties formed a joint venture company for investing and operating a coke oven gas-produced LNG project in Luoyang city. The registered capital of the JV Company is RMB50,000,000, of which RMB40,000,000 would be contributed by Henan Tian Lun in cash, representing 80% of the shareholding interest of the JV Company. The JV Company will develop a coke oven gas-produced LNG project with daily production capacity of LNG of approximately 200,000 cubic metres. It is intended that Henan Tian Lun will underwrite the sale of the LNG produced by the JV Company. For details, please refer to the Company's announcement dated 30 December 2013.

Gas source base project in Changling County, Jilin Province

On 4 December 2013, Henan Tian Lun established a joint venture in Changling County, Jilin Province with an independent third party. The joint venture has a registered capital of RMB10,000,000, of which RMB7,000,000 was contributed by Henan Tian Lun in cash, and it is held as to 70% by Henan Tian Lun. The joint venture intends to invest in a synthesis welding gas project in proximity to Songyuan Oilfield, Jilin Province. Its main products will be synthesis welding gas or LNG. It has a designed daily production capacity of 300,000 cubic metres of LNG, of which its phase one project has a designed daily production capacity of 100,000 cubic metres of LNG. Currently the project is undergoing planning and approval procedures.

Investment in Bases of Gas Sources

The coke oven gas-produced LNG source base project with Luoyang Rongtuo was the first coke oven gas-produced LNG project of the Group and marked the entry of the Group into a new gas source area which was of great strategic importance to the Group. The operation of this project not only will expand the natural gas channels of the Group but also will more effectively secure the gas source supply to the Group's gas refilling stations in Henan Province and lower the gas procuring cost of the Group to a certain extent. In addition, apart from self-consumption, the remaining portion of LNG underwritten by the Group will be sold to external customers which will increase the Group's revenue from sale of gas. The construction of the project will commence in the first half of 2014, and it is expected to commence production in the fourth quarter of 2015.

The equipment tender and design of the LNG processing plant with an annual production capacity of 400 million cubic metres of LNG was completed in the Kai County (Chongqing) Industrial Park (70% equity of which is held by Henan Tian Lun). Its construction has commenced and is expected to be completed in the fourth quarter of 2015. Completion of this project will facilitate the business model of the Group to evolve from control of gas sources to development of transport gas projects and form a whole industrial chain.

Furthermore, early-stage preparations for the Group's gas source base project in Changling County, Jilin Province is progressing actively and the construction of the project is scheduled to commence during the first half of 2014.

Investment in Gas Refilling Stations

For the year ended 31 December 2013, the Group had 25 gas refilling stations in operation, and over 13 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 projects.

Investment in LNG Refilling Stations

During the year ended 31 December 2013, Mr. Zhang Yingcen, the chairman of the Company, had reported in writing to the Board on the business opportunities in respect of 5 LNG refilling stations in Henan Province, which are outside of the operating area of the Group. In the opinion of the Board, those LNG refilling stations are still at an early stage of development, 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 the 5 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 year ended 31 December 2013, the Group connected a total of 136,398 residential users to gas pipelines, representing an increase of approximately 30.11% as compared with the corresponding period of last year. As at 31 December 2013, the Group's residential users had increased to 593,332, representing an increase of approximately 29.85% as compared with the corresponding period of last year. The Group had connected a total of 622 users from industrial and commercial and other sectors to gas pipelines. As at 31 December 2013, the Group had a total of 3,089 industrial and commercial users, representing an increase of approximately 25.21% as compared with the corresponding period of last year. Through increasing the efforts on residential users development and actively promoting the development of industrial and commercial users and direct single users, the Group was able to maintain the growth of its gas pipeline connection volume during the Reporting Period, and safeguard the Group's continuous growth of gas sales volume and gas sales revenue in the future.

Gas Sales Volume

During the year ended 31 December 2013, the Group sold a total of approximately 181,060,000 m^3 of gas, representing a substantial increase of approximately 26,350,000 m^3, or approximately 17.03%, 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 27.84%, 31.03% and 41.13% of the total gas sales volume, respectively (the corresponding period of last year: approximately 27.28%, 35.58% and 37.14%, respectively).

The Group has placed transport gas operation, which has a higher gross profit, as the development focus in the future. As at 31 December 2013, the number of the Group's gas refilling stations which are in operation increased to 25. The gas sales volume to vehicle users as a percentage of the total gas sales volume of the Group increased from approximately 37.14% in 2012 to approximately 41.13% in 2013. The gas sales volume to vehicle users as a percentage of the total gas sales volume continued to rise, which will continue to promote the increase of the gross profit margin of the Group's gas sale operations.

As at 31 December 2013, the Group has entered into cooperative agreements with big industrial users in the regions in which it operates, such as the Aluminum Corporation of China Henan Branch project, the potassium permanganate project of Changyuan Chemical in Baiyin City, the Xuchang Tobacco Plant project and the Hebi Science and Education Park project of Foxcoon, in which Aluminum Corporation of China Henan Branch commenced to supply natural gas in 2013 with daily consumption of 50,000 cubic metres, and other industrial users which have signed the agreements will also start to use natural gas. In addition, the Group's gas project of the Ceramic Industrial Park in Chaozhou City will start to supply natural gas to local ceramic users in the first half of 2014. In 2014, gas sales volume from industrial users will significantly increase accordingly. With the commencement of operation of the newly-built refilling stations of the Group, the Group expects its gas sales to achieve relatively rapid growth in the future.

Customer Services

Adhering to the customer service slogan of "use Tian Lun gas to enjoy family happiness", the Group focuses on customer demand, continues to improve the quality of customer service and optimize system of customer service. Each project company within the Group continues to optimize its customer service process and has established service appraisal models to conduct overall assessment and analysis of customer service quality in three areas, being day-to-day appraisal, customer satisfaction survey and management review, so as to constantly strengthen implementation of its good services standard. Detailed service commitments in respect of customer service hotline, installation application, replacement and pipe connection, gas supply, repair, safety examination and complaint acceptance have been established. Trainings on service protocol are provided to employees on a regular basis to ensure strict compliance with customer service rules. Each project company within the Group continues to expand its customer service channels, from traditional home services and outlet services to expand to multiple service forms such as telephone services and online services, which has helped to effectively improve customer service efficiency and customer satisfaction and strive to provide satisfactory services to satisfying services to customers.

Safety and Risk Management

The Group attaches great importance to safe operation and management and has in place a strict safety management system and detailed implementation rules, as well as safety protection measures such as emergence response plans and gas volume protection measures. The Group has always been paying great attention to improving the staff's awareness of safety by strengthening safety education and trainings provided to the staff and establishing full-time and part-time safety supervisors in each member and department within the Group. With the aim of maintaining safe operation, all staff of the Group strictly adheres to its various management rules. 24-hour alert hotlines have been established in all members of the Group to ensure prompt handling of gas incidents. Gas use safety is monitored in real time through the SCADA system. The Group examines branch urban pipelines on a daily basis and conducts regular safety checks for industrial and commercial users on a weekly basis and for residential users on an annual basis to ensure gas use safety. The Group has also prepared guidelines on safe use of gas and provides free materials on safe use of gas to end users on a regular basis.

Operation Management

The Group sticks to its unified, standardized and systematic principles in enterprise operation and management. During the Reporting Period, a unified VI system and enterprise culture was promoted within the Group, from the headquarters to each project company, in order to further enhance the Group's corporate brand image and reinforce employees' sense of cohesion. In addition, as the size and geographical coverage of the Group continue to expand, certain regional centers have been set up to improve the efficiency of management and decision-makings. As a result, the scope of functions and development objectives of each region have been clearly specified, which meets the Group's need to pursue regulated and efficient development. The Group also supplemented its human resources by combining the recruitment of high- and medium-level external talented personnel and fresh graduates with internal talent cultivation and position competition. The Group constantly improved performance management system to fully motivate staff's enthusiasm and their initiative. The system has inspired staff's Potential and boosted morale. By analyzing and duplicating the Group's successful model of operation and management, particularly in respect of business model, costs control and human resources, the Group believes that the operation of its project can be effectively improved.

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group's revenue amounted to approximately RMB911,939,000, representing an increase of approximately RMB195,577,000 or a rise of approximately 27.30% as compared with the corresponding period of last year; gross profit amounted to approximately RMB333,036,000, representing an increase of approximately RMB81,800,000 or a rise of approximately 32.56% as compared with the corresponding period of last year; profit attributable to owners of the Company amounted to approximately RMB168,945,000, representing an increase of approximately RMB33,848,000 or a rise of approximately 25.05% as compared with the corresponding period of last year.

Revenue

For the year ended 31 December 2013, the Group's revenue was primarily derived from the gas pipeline connections business and transportation and sales of gas business, accounting for approximately 42.19% and 55.31% of the total revenue (the corresponding period of last year: approximately 42.13% and 55.15%), respectively.

Revenue from Gas Pipeline Connection

The Group conducts gas pipeline connection operation by providing property developers and industrial and commercial users with gas pipeline laying and installation services in its operating cities. For the year ended 31 December 2013, the quantity of the Group's gas pipeline connection volume maintained a steady growth, and revenue from gas pipeline connections amounted to approximately RMB384,784,000, representing an increase of approximately 27.49% from approximately RMB301,820,000 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 2013, the Group had a significant growth in gas sales volume. Revenue from gas sales amounted to approximately RMB504,357,000, representing an increase of approximately 27.65% from approximately RMB395,106,000 for the corresponding period of last year. For the year ended 31 December 2013, the Group's gross profit from gas sales was approximately RMB80,632,000, representing a significant increase of approximately 49.25% from approximately RMB54,026,000 in the corresponding period in 2012.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2013, the Group achieved gross profit of approximately RMB333,036,000, representing an increase of approximately RMB81,800,000 as compared with the year ended 31 December 2012. Overall gross profit margin of the Group was approximately 36.52% for the year ended 31 December 2013, representing a slight increase of approximately 1.45 percent as compared with the corresponding period of last year, which was mainly attributable to the change in the structure of gas sales business. In the year ended 31 December 2013, the contribution of sale volume of vehicle users to total sales, which enjoys a relatively high gross profit margin, increased to 41.13% from 37.14% in the corresponding period of last year, while revenue from newly-developed industrial users also increased to a certain extent as compared with the corresponding period in 2012.

Distribution Cost and Administrative Expenses

With the continuous implementation of cost control policies such as the comprehensive budgeting management system, the Group's proportion of distribution costs and administrative expenses to total revenue in the year ended 31 December 2013 has declined as compared with the corresponding period of last year.

The Group's distribution cost in the year ended 31 December 2013 was approximately RMB13,669,000, accounting for approximately 1.50% of the total revenue, lowered from approximately 1.66% in 2012. The Group's administrative expenses for the year ended 31 December 2013 was approximately RMB65,224,000, accounting for approximately 7.15% of the total revenue, lowered from approximately 7.84% in 2012.

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 2013, the Group's cash and cash equivalents amounted to approximately RMB576,402,000, of which 57.44% was denominated in RMB, 42.11% was denominated in US dollars and the remaining 0.45% was denominated in HK dollars, and its financial assets at fair value through profit or loss of approximately RMB221,824,000 can be realized at any time, safeguarding the needs of project expansion and acquisition of businesses of the Group.

As at 31 December 2013, the Group's total borrowing was approximately RMB1,010,518,000 (among which loans denominated in RMB was approximately RMB529,236,000 and the loans denominated in USD was approximately RMB481,282,000), of which approximately 22.70% was accounted as current liabilities. The loans repayable within one year amounted to approximately RMB229,394,000, approximately RMB35,000,000 was secured by the Group's properties. As at 31 December 2013, the Group's gearing ratio was approximately 58.50% 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.

Investment in a Trust Scheme

Henan Tian Lun entered into an investment agreement with Zhongyuan Trust Co., Ltd. ("Zhongyuan Trust") on 21 March 2012 (as supplemented by two supplemental agreements on 4 May 2012 and 21 March 2014, respectively) (the "Investment Agreement"), 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") for a term of two years commencing from 21 March 2012 (the "Trust Period"), and Zhongyuan Trust agreed to utilize the trust principal to invest in trust products on behalf of and for the benefits of Henan Tian Lun.

During the period from 21 March 2012 to the date of this announcement (the "Period"), the Group had invested RMB370 million in aggregate in the Trust Scheme. The investment funds were financed by internal resources of the Group. During the Period, the Company had withdrawn RMB150 million in aggregate from the investment in the Trust Scheme according to the Group's requirements for daily operations and expansion.

Human Resources

As at 31 December 2013, the total number of employees of the Group was 1,506. The Group has always been concerned with 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

With the arrival of a golden era for the natural gas industry to boost China's sustainable economic growth, the Group has made remarkable achievements and new breakthroughs in its various undertakings by making concerted efforts to reinforce its capability and conduct reforms and innovations in 2013. With sustained efficient operation, the Group's results of operation recorded steady growth and its presence continued to expand.

Looking ahead in 2014, there will be both opportunities and challenges. From a global perspective, the world's economy has been picking up and has showed a positive prospect in general, and major economies have started to stabilize and recover. The economy of Europe and the United States started to step out of the shadow of recession and Asia maintained positive momentum. In China, as "China Dream" is on the way, comprehensive reform will start a new journey of growth. A series of macroeconomic control policies for the purpose of "ensuring steady growth, adjusting the structure, advancing reform, and benefiting the people" have released the "new bonus of reform" in various industries. As the progress of urbanization and industrialization continued to speed up and contributed to the rapid recovery of economy, China's macro-economy will enter a new round of fast growth.

As for the natural gas industry, new energy and energy-saving and environment protection industries receive strong government support as strategically important emerging industries. The PRC government is determined to accelerate the cleaning and utilization of energy with high consumption and pollution, phase out obsolete production capacity and improve the utilization rate of clean energy in high energy-consumption industries, so as to guide and facilitate the transformation and upgrade of traditional industries, which will promote the continuous growth of natural gas consumption in the PRC. Further, the domestic production of natural gas gradually increased and the sources of gas supply became more diversified. The west pipeline No.2 and the China-Myanmar pipeline have been fully built and put into production while the construction of the west pipeline No.3 has commenced. As at the end of 2013, the total national pipeline length reached 60,000 kilometers, covering 28 provinces, municipalities and autonomous regions in the PRC. The extensive coverage of the pipeline network constitutes a long-term positive factor for the natural gas industry.

In 2014, the Group will continue to resolutely implement the development strategy of "alliance & cooperation, overall progress and quick victory" and the operational strategy of "increasing capacity and expanding gas sources", carry out various types of safeguards measures concerning "laying a solid foundation and improving efficiency", and endeavor to repay the shareholders with more excellent results.

Loan Agreement and Condition in Respect of Specific Obligations of the Controlling Shareholder

On 15 October 2013, the Company (as borrower) and Mr. Zhang Yingcen (as guarantor) ("Mr. Zhang"), entered into a loan agreement (the "Loan Agreement") with a number of banks (as lenders) (the "Lenders") relating to a credit facility in the amount of US$78,000,000 (the "Loan") with a tenor of three years commencing from the date of the Loan Agreement.

Pursuant to the Loan Agreement, if Mr. Zhang fails to (i) be the single largest shareholder of the Company or the chairman of the board of directors of the Company or (ii) have control over the business or management (including financial and/or personnel management) of the Company or the Company and its subsidiaries, this will constitute a breach of terms of the Loan Agreement and may also lead to an event of default under the Loan Agreement. Upon the occurrence of a breach of terms of or an event of default under the Loan Agreement, the Lenders may declare that the Loan be cancelled and/or declare that all outstanding amount including all accrued interest of the Loan be immediately due and payable. As at the date of this announcement, all terms of the Loan Agreement and the condition in respect of the specific obligations above have been duly complied with. For details, please refer to the Company's announcement dated 15 October 2013.

Share Option Scheme

For the year ended 31 December 2013, the Company had not granted any share option.

Subsequent Events

Grant of share options

On 27 January 2014, a total of 20,000,000 share options to subscribe for up to a total of 20,000,000 ordinary shares of HK$0.01 each of the Company were granted to the executive Directors and certain employees of the Company under the share option scheme adopted by the Company on 13 October 2010. Among the Share Options granted above, 7,300,000 share options were granted to the Directors to subscribe for a total of 7,300,000 Shares. For details, please refer to the Company's announcement dated 27 January 2014.

Postponement of the Trust Scheme

On 21 March 2012, Henan Tian Lun and Zhongyuan Trust Company Limited ("Zhongyuan Trust") entered into a trust investment agreement (the "Investment Agreement") in relation to the investment in a portfolio of trust financial products managed and maintained by Zhongyuan Trust for a term of two years commencing from 21 March 2012 (the "Trust Period"). On 21 March 2014, Henan Tian Lun and Zhongyuan Trust entered into the supplemental agreement (the "Supplemental Agreement") to the Investment Agreement, pursuant to which the Trust Period has been extended for a period of two years until 21 March 2016. For details of the Supplemental Agreement, please refer to the announcement of the Company dated 25 March 2014.

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

For the year ended 31 December 2013, neither the Company nor its subsidiaries had purchased, sold or redeemed any of its listed securities.

Contingent Liabilities

For the year ended 31 December 2013, the Group did not have any significant contingent liabilities.

Final Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2013.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 26 May 2014 to Wednesday, 28 May 24 (both dates inclusive) and no transfer of shares will be registered during such period. In order to qualify for the right to attend the annual general meeting which will be convened on Wednesday, 28 May 2014, 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 Friday, 23 May 2014.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all Directors of the Company, each of them confirmed that they strictly complied with the required standards set out in the Model Code during the year ended 31 December 2013.

Corporate Governance Code

The Company has adopted and been in compliance with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the period from 1 January 2013 to 31 December 2013.

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 2013.

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 2013 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 2013 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, 31 March 2014

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. Cao Zhibin, Mr. Li Liuqing, Mr. Zhang Jiaming and Ms. Zhao Jun.