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 2014

For the year ended 31 December 2014, revenue of the Group amounted to approximately RMB1,343,936,000, representing an increase of approximately 47.37%, as compared with approximately RMB911,939,000 in the corresponding period of last year.

For the year ended 31 December 2014, gross profit of the Group amounted to approximately RMB461,496,000, representing an increase of approximately 38.57%, as compared with approximately RMB333,036,000 in the corresponding period of last year.

For the year ended 31 December 2014, profit attributable to owners of the Company amounted to approximately RMB220,153,000, representing an increase of approximately 30.31%, as compared with approximately RMB168,945,000 in the corresponding period of last year.

For the year ended 31 December 2014, earnings per share of the Company was approximately RMB0.27, representing an increase of approximately 35%, as compared with approximately RMB0.20 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 2014 (the "Reporting Period").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Renminbi ("RMB"))

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	3	**1,343,936**	911,939
Cost of sales	4	**(882,440)**	(578,903)
Gross profit		**461,496**	333,036
Distribution expenses	4	**(16,148)**	(13,669)
Administrative expenses	4	**(84,111)**	(65,224)
Other gains/(losses) — net	5	**9,945**	(214)
Operating profit		**371,182**	253,929
Finance income		**40,155**	28,644
Finance expenses		**(66,922)**	(36,421)
Finance expenses — net	6	**(26,767)**	(7,777)
Share of post-tax losses of associate		**(106)**	—
Profit before income tax		**344,309**	246,152
Income tax expense	7	**(93,370)**	(59,864)
Profit for the year		**250,939**	186,288
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**250,939**	186,288
Profit and total comprehensive income attributable to:			
Owners of the Company		**220,153**	168,945
Non-controlling interests		**30,786**	17,343
		250,939	186,288
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB per share)			
— Basic earnings per share	8	**0.27**	0.20
— Diluted earnings per share	8	**0.27**	0.20
Dividends	13	**—**	—

CONSOLIDATED BALANCE SHEET
(All amounts in RMB)

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
			(Restated)
ASSETS			
Non-current assets			
Lease prepayments		**118,477**	64,833
Property, plant and equipment		**1,059,722**	725,683
Investment properties		**8,203**	9,006
Intangible assets		**1,237,838**	643,173
Investments accounted for using the equity method		**49,894**	—
Deferred income tax assets		**3,676**	2,599
Trade and other receivables	*9*	**11,917**	17,788
Other non-current assets		**10,612**	3,743
		2,500,339	1,466,825
Current assets			
Inventories		**76,709**	93,330
Trade and other receivables	*9*	**480,140**	251,739
Available-for-sale financial assets		**2,000**	—
Financial assets at fair value through profit or loss		**331,474**	221,824
Restricted cash		**22,121**	9,145
Cash and cash equivalents		**263,584**	576,402
		1,176,028	1,152,440
Total assets		**3,676,367**	2,619,265
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*10*	**7,077**	7,077
Share premium	*10*	**454,188**	454,188
Reserves	*11*	**68,366**	34,109
Retained earnings		**616,336**	424,594
		1,145,967	919,968
Non-controlling interests		**329,867**	171,066
Total equity		**1,475,834**	1,091,034

CONSOLIDATED BALANCE SHEET *(Continued)*
(All amounts in RMB)

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
			(Restated)
LIABILITIES			
Non-current liabilities			
Borrowings		**722,609**	781,124
Other payables	*12*	**158,749**	—
Deferred income tax liabilities		**158,036**	67,214
		1,039,394	848,338
Current liabilities			
Trade and other payables	*12*	**305,166**	273,556
Advance from customers		**144,458**	152,711
Current income tax liabilities		**51,112**	24,232
Borrowings		**660,403**	229,394
		1,161,139	679,893
Total liabilities		**2,200,533**	1,528,231
Total equity and liabilities		**3,676,367**	2,619,265
Net current assets		**14,889**	472,547
Total assets less current liabilities		**2,515,228**	1,939,372

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 25 March 2015.

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

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 consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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.

Changes in accounting policy and disclosures

(a) 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 2014:

- Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.

- HK(IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

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

Changes in accounting policy and disclosures *(Continued)*

(a) New and amended standards adopted by the Group (Continued)

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

  Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

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. 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.

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2014 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	**747,829**	**572,772**	**23,335**	**—**	**1,343,936**
Gross profit	**115,875**	**335,301**	**10,320**	**—**	**461,496**
Distribution expenses				**(16,148)**	**(16,148)**
Administrative expenses				**(84,111)**	**(84,111)**
Other gains — net				**9,945**	**9,945**
Operating profit					**371,182**
Finance expenses — net				**(26,767)**	**(26,767)**
Share of post-tax losses of associate				**(106)**	**(106)**
Profit before income tax					**344,309**
Income tax expense				**(93,370)**	**(93,370)**
Profit for the year					**250,939**

3. 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 expenses				(13,669)	(13,669)
Administrative expenses				(65,224)	(65,224)
Other losses — net				(214)	(214)
Operating profit					253,929
Finance expenses — 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 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.

4. EXPENSES BY NATURE

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Raw materials and consumables used	**655,144**	453,253
Changes in inventories of finished goods and work in progress	**31,142**	(2,093)
Depreciation on property, plant and equipment	**46,059**	32,445
Depreciation on investment properties	**476**	489
Amortisation of lease prepayments	**2,968**	1,327
Amortisation of intangible assets	**26,050**	9,703
Employee benefit expense	**83,006**	64,067
Licensing fee for the exclusive operating rights for city pipeline network	**1,100**	1,100
Engagement of construction and design services	**66,229**	38,066
Transportation	**5,694**	5,324
Auditors' remuneration		
— Audit services	**3,100**	2,900
Professional expenses	**1,736**	2,292
Advertising expenses	**2,370**	1,513
Entertainment expenses	**5,154**	1,867
Office expenses	**5,904**	5,421
Taxes	**25,456**	18,121
Energy consumption	**12,882**	7,221
Other expenses	**8,229**	14,780
Total cost of sales, distribution costs and administrative expenses	**982,699**	657,796

5. OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Gains on disposal of available-for-sale financial assets	**334**	323
Gains/(losses) on disposal of property, plant and equipment and investment properties	**346**	(798)
Others	**(735)**	261
Reversal of liabilities	**10,000**	—
	9,945	(214)

6. FINANCE EXPENSES — NET

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Finance income		
— Interest income on bank deposits and loan to third party	**(6,100)**	(876)
— Investment gains on financial assets at fair value through profit or loss	**(34,055)**	(27,768)
	(40,155)	(28,644)
Finance expenses		
— Interest expense on borrowings	**80,055**	47,353
— Exchange losses/(gains)	**34**	(1,647)
— Interest on other financial liabilities	**8,280**	—
— Others	**542**	320
Less: amounts capitalised on qualifying assets	**(21,989)**	(9,605)
	66,922	36,421
	26,767	7,777

7. TAXATION

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current tax on profits for the year	**96,872**	63,411
Deferred tax	**(3,502)**	(3,547)
	93,370	59,864

8. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2014	2013
Profit attributable to owners of the Company (RMB'000)	**220,153**	168,945
Weighted average number of shares in issue (thousands)	**827,925**	827,925
Basic earnings per share (RMB per share)	**0.27**	0.20

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2014	2013
Profit attributable to owners of the Company (RMB'000)	**220,153**	168,945
Weighted average number of shares in issue (thousands)	**827,925**	827,925
Adjustments for:		
— Share options (thousands)	**2,308**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**830,233**	827,925
Diluted earnings per share (RMB per share)	**0.27**	0.20

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables (a)	**228,872**	132,156
Bills receivable	**1,080**	3,450
Prepayments	**45,119**	52,946
Receivables due from related parties	**14,317**	16,029
Other receivables	**138,903**	57,151
Loan to third party	**50,000**	—
Value-added-tax to be offset	**13,766**	7,795
	492,057	269,527
Less: long-term prepayments	**(11,917)**	(17,788)
Current portion	**480,140**	251,739

(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	
	2014	2013
	RMB'000	*RMB'000*
Less than 30 days	**104,519**	93,297
31 days to 90 days	**27,475**	15,044
91 days to 1 year	**78,667**	11,154
Over 1 year	**18,211**	12,661
	228,872	132,156

As at 31 December 2014, trade receivables of approximately RMB224,398,000 (2013: RMB129,918,000) were fully performing.

As at 31 December 2014, trade receivables of approximately RMB4,474,000 (2013: RMB2,238,000) were past due but not impaired. These relate to a number of independent customers that have good trading records with the Group. Based on the past experiences, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in their credit quality and the balances are considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Over 1 year	**4,474**	2,238

(b) The carry amount of the Group's trade and other receivables were denominated in the following currencies:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
RMB	**492,057**	269,527

9. **TRADE AND OTHER RECEIVABLES** *(Continued)*

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

(d) As at 31 December 2014 and 2013, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

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

(f) As at 31 December 2014, the maturity of the loan to third party was within 1 year and with annual interest rate of 13%.

10. **SHARE CAPITAL AND PREMIUM**

	Number of Shares *(thousands)*	Ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid				
At 1 January 2013	**827,925**	7,077	**454,188**	461,265
At 31 December 2013	**827,925**	7,077	**454,188**	461,265
At 31 December 2014	**827,925**	7,077	**454,188**	461,265

The total authorised number of ordinary shares is 2,000,000,000 shares (2013: 2,000,000,000 shares) with a par value of HK$0.01 per share (2013: HK$0.01 per share).

11. **Reserves**

	Capital reserves *RMB'000*	Statutory reserves *RMB'000*	Total *RMB'000*
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
At 1 January 2014	(17,711)	51,820	34,109
Appropriation (a)	—	28,411	28,411
Employee share option scheme:			
— Value of employee services	5,846	—	5,846
At 31 December 2014	(11,865)	80,231	68,366

Statutory reserves

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

For the year ended 31 December 2014, approximately RMB28,411,000 (2013: RMB15,236,000) were appropriated to the statutory surplus reserves funds from net profits of certain PRC Subsidiaries.

12. Trade and other payables

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Trade payables *(a and b)*	**115,581**	78,093
Amounts due to related parties *(a and b)*	**185**	—
Accrued payroll and welfare	**1,561**	1,663
Interest payables	**5,453**	2,720
Other taxes payables	**7,143**	10,004
Other payables *(a)*	**333,992**	181,076
	463,915	273,556
Less non-current portion: other payables	**(158,749)**	—
Current portion	**305,166**	273,556

(a) As at 31 December 2014 and 2013, all such trade payables and the current portion of other payables of the Group were non-interest bearing and their fair value approximated their carrying amounts due to their short maturities.

(b) As at 31 December 2014 and 2013, the ageing analysis of the trade payables, including amounts due to related parties of trading in nature based on invoice date was as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Less than 30 days	**26,562**	23,160
31 days to 90 days	**36,688**	26,037
91 days to 1 year	**42,169**	9,614
1 year to 2 years	**6,203**	15,008
2 years to 3 years	**1,914**	4,150
Over 3 years	**2,045**	124
	115,581	78,093

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

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
		(Restated)
RMB	**463,915**	273,556

13. DIVIDENDS

Pursuant to the resolution of the Board of Directors dated 25 March 2015, the directors of the Company proposed not to recommend any dividend for the year ended 31 December 2014 (2013: nil).

INDUSTRY REVIEW

Structure and Development Trend of the Energy Industry in the PRC

The continuous adjustment to the energy structure and the successive introduction of policies supporting the natural gas development have become long-term positive factors favoring the development of the natural gas industry in the PRC. The superior features of natural gas have enabled it to become one of the major source of energy for the development of PRC's low-carbon emission economy.

According to the preliminary audit under the Publication of Statistics of the National Economic and Social Development of the PRC for 2014 (《中華人民共和國2014年國民經濟和社會發展統計公報》) issued by the National Bureau of Statistics of China, the annual energy consumption in 2014 amounted to approximately 4,260 million tons of standard coal, representing an increase of approximately 2.2% as compared with that in 2013, among which the consumption of coal decreased by approximately 2.9% and the consumption of crude oil and electricity increased by approximately 5.9% and 3.8% respectively as compared with last year, while the growth of natural gas consumption was the fastest and increased by approximately 8.6% as compared with last year. The PRC's energy consumption per unit of gross domestic product per RMB10,000 decreased by approximately 4.8% in 2014.

According to the 2014 Report on Development in the Foreign and Domestic Oil & Gas Industries (《2014年國內外油氣行業發展報告》) issued by China National Petroleum Corporation Economics & Technology Research Institute, the demand for clean energy has contributed to the rapid growth of the natural gas consumption in the PRC. The report estimates that PRC's demand for natural gas will continue to grow rapidly in 2015 and the apparent natural gas consumption is expected to increase by 8.9% yearly to 200 billion m^3, representing 6.6% of the primary energy consumption.

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

The Policy on Natural Gas Utilization in the PRC

On 24 March 2014, three ministries and commissions, namely the National Development and Reform Commission, the National Energy Administration and the Ministry of Environment Protection, jointly issued the Work Plan on Strengthening the Prevention and Control of Air Pollution for the Energy Industry (《能源行業加強大氣污染防治工作方案》), giving a detailed illustration of how natural gas can secure the supply of clean energy. The PRC government will increase the conventional natural gas production, accelerate the construction of natural gas trunk pipeline network, the gas storage facilities and the peaking adjustment facilities, and to set the supply of natural gas to residents and for use in heating supply as its priority. The objective of natural gas consumption is that by 2015, the PRC's natural gas supply capacity will reach 250 billion m^3, and natural gas (excluding coal liquefied gas) will account for over 7% of the total energy consumption in the PRC. By 2017, the PRC's natural gas supply capacity will reach 330 billion m^3.

On 14 April 2014, the State Council forwarded the Several Opinions on Establishing a Long-term Mechanism to Guarantee the Steady Supply of Natural Gas (《關於建立保障天然氣穩定供應長效機制若干意見》) issued by the National Development and Reform Commission, which states the goal of natural gas supply capacity shall reach 400 billion m^3, preferably 420 billion m^3 by 2020, and that "coal-to-gas" project shall advance to meet a total gas consumption demand of 112 billion m^3 for the coal-to gas projects by 2020.

The Energy Development Strategy Action Plan (2014-2020) (《能源發展戰略行動計劃2014-2020 年》) published by the General Office of the State Council on 7 June 2014 states that PRC plans to build eight new natural gas production bases by 2020, each capable of producing 10 billion m^3 of gas per year, with 10% of its energy supplied from natural gas, and basically all of the urban residents shall have access to natural gas. It plans to increase the total conventional natural gas reserve already set up to 5.5 trillion m^3. The PRC will accelerate the construction of the natural gas pipeline network and gas storage facilities to have a trunk pipeline with a mileage of over 120,000 kilometres. It will formulate a medium to long-term natural gas development plan to facilitate the construction of natural gas refilling stations specifically for urban taxies and buses, actively and orderly develop LNG vehicles and compressed natural gas vehicles, and steadily develop private cars, inter-city buses, heavy-duty trucks and ships using natural gas as fuel.

On 5 March 2015, the Premier of the PRC, Mr. Li Keqiang delivered the government work report at the third meeting of the twelfth session of the National People's Congress. The report states that environmental pollution is a blight on people's quality of life and a trouble that weighs on their hearts and the country must resolve it. In 2015, the PRC government will be determined to conserve energy, reduce emissions, and improve the environment. It will fully implement the action plan for preventing and controlling air pollution, cut the intensity of carbon dioxide by at least 3.1%, reduce both chemical oxygen demand and ammonia nitrogen emissions by around 2%, reduce emissions of sulfur dioxide and nitrogen oxides by around 3% and 5% respectively, and reduce energy consumption by over 3.1%. It will further reduce emissions of major pollutants and promote new energy vehicles.

Pressing air pollution problems, more effort on the prevention and treatment of air pollution and the introduction of the natural gas promotion policies will undoubtedly facilitate the rapid development of natural gas industry in the PRC and have a positive effect on the change of the overall energy structure in the PRC.

BUSINESS REVIEW

During the year, the Group actively developed urban gas projects by continuing to increase the investment in transportation gas projects. 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 2014, the Group obtained three urban gas projects in Chenghai District and Chaoyang District, Shantou City, Guangdong Province and Harbour Industrial Park, Hubei Province, the PRC, making the number of its urban gas projects reaching 44. The Group also expanded into the construction of long-haul transmission pipeline and upper-stream business by participating in the construction of a natural gas pipeline in Inner Mongolia for the first time, which will hopefully have a material positive effect on the Group's business size. As at the date of this announcement, the Group has obtained another two urban gas projects in Qian County and Liquan County, Shaanxi Province, and plans to obtain an urban gas project and two long-haul pipelines by entering into a letter of intent with Beijing Hui Ji Tai Zhan Investment Company Limited (北京慧基泰展投資有限公司) in relation to acquisition of its equity interest.

Acquisition of Two Urban Gas Projects in Chenghai District and Chaoyang District, Shantou City, Guangdong Province, the PRC (the "Acquisition")

On 9 May 2014, Henan Tian Lun Gas Group Limited (河南天倫燃氣集團有限公司) ("Henan Tian Lun") entered into an equity transfer agreement (the "Equity Transfer Agreement") with the then shareholders of Shantou City Chenghai Gas Construction Company Limited (汕頭市澄海燃氣建設有限公司) ("Chenghai Gas"), pursuant to which it acquired 90% of the equity interest of Chenghai Gas and indirectly holds 90% of the equity interest of Shantou City Chaoyang District Min'an Pipeline Gas Company Limited (汕頭市潮陽區民安管道燃氣有限公司) ("Chaoyang Gas") which was 100% owned by Chenghai Gas. As a result, it obtained two urban gas projects in Chenghai District and Chaoyang District, Shantou City, Guangdong Province, the PRC. For details, please refer to the Company's announcement dated 9 May 2014.

The Group has been making great efforts in developing gas projects in affluent areas such as Beijing, Tianjin, Hebei, Yangtze River Delta and Pearl River Delta. As one of the first five special economic zones for implementation of the opening-up policy in the PRC, Shantou is an important transportation hub, import and export port and goods distribution center in eastern Guangdong, southern Jiangxi and south-western Fujian, as well as an important connection link between Pearl River Delta and the Western Taiwan Straits Economic Zone. Chenghai District and Chaoyang District in Shantou City are important components of Shantou's economy. There is dense population and great room for development of civil and commercial gas markets in these areas. In addition, due to Chenghai District's position as an important toy manufacturing base and Chaoyang District's position as a major textile and apparel, music and video and stationery and mechanical and electronic industry cluster in the PRC, there is huge potential for the industrial gas market. Through the Acquisition, the Group will obtain a project in Chenghai District and Chaoyang District of Shantou City, which is expected to provide the Group with considerable profitability. Also, these areas are adjacent to the area of the Group's gas project in Chaozhou City, which will create synergies. Building on its presence in eastern Guangdong, the Group will rapidly expand into the surrounding areas and further increase its market share in southern PRC.

Establishment of Joint Venture

On 28 September 2014, Henan Tian Lun, Inner Mongolia Transportation and Investment Co., Ltd. (內蒙古交通投資有限責任公司) ("Inner Mongolia Transportation and Investment") and Inner Mongolia Minghua Holdings Co., Ltd. (內蒙古明華控股有限公司) ("Inner Mongolia Minghua Holdings") entered into a promoters agreement (the "Promoters Agreement "), pursuant to which the parties shall establish a joint venture company. For details, please refer to the Company's announcement dated 28 September 2014.

In the Outline for the Eleventh Five-Year Development Plan (《十一五規劃綱要》), the Chinese government stated that future development plans for natural gas will mostly focus on two areas, namely the diversification of investors and the diversification of resource types. The Several Opinions of the State Council on Encouraging and Guiding the Sound Development of Private Investment (New 36 Rules) (《國務院關於鼓勵和引導民間投資健康發展的若干意見》(新36條)) issued by the Chinese government also expressly stated that the government encourages private capital to participate in petroleum and natural gas development, to enter into oil and gas exploration and development and cooperate with state-owned petroleum enterprises to conduct oil and gas exploration and development, and to participate in the construction of storage, transmission and pipeline distribution facilities and network for crude oil, natural gas and petroleum products through equity investments.

The Group actively responded to these national policies and strived to capture the opportunities brought by these policies by expanding its business in the upper-stream of the natural gas industry. The establishment of the joint venture will strength the Group's competitiveness in expanding natural terminal business in Beijing, Tianjin, Hebei and Shandong and enable the Group to support their development with gas sources.

Acquisition of a Natural Gas Comprehensive Utilisation Project in Harbour Industrial Park (臨港工業園區), Songzi City, Hubei Province, the PRC

On 24 October 2014, Henan Tian Lun entered into a natural gas comprehensive utilisation project investment framework agreement with the People's Government of Songzi City, Hubei Province (the "Investment Framework Agreement"). Pursuant to the Investment Framework Agreement, the parties shall cooperate in investing, constructing and operating a natural gas comprehensive utilisation project in Songzi City, including developing and constructing natural gas stations, supply facilities and network, refilling stations for vehicles and ships in Harbour Industrial Park, Songzi City, constructing natural gas-electricity-oil multi-functional stations in the urban area of Songzi, supplying gas for industrial and residential uses in specified industrial parks and townships, and implementing gas supply peaking adjustment in the urban area of Songzi.

Located on the border between Wuhan City Circle and Western Hubei Eco-cultural Tourism Circle, Harbour Industrial Park in Songzi serves as an important connection link in the Yangtze River Economic Belt, less than 100 kilometres from both Yichang Port in its upper-stream and Jingzhou Port in its down-stream, both are provincial ports. With the synergies of economic development in the harbour and its convenient accessibility, there is a great room for development of transport gas. In the future, Harbour Industrial Park will be developed into a modern new district with port logistics, chemical, machinery manufacturing and dyeing as its pillar industries and integrating administration, business and logistics, living, technical research and development, and education and training function. The acquisition of this project will lay a solid foundation for the Group to develop surrounding natural gas market and provide economies of scale with the Group's existing projects in Henan, Shaanxi and Hunan provinces.

Investment in Bases of Gas Sources

The Group's gas source base project in Changling County, Jilin Province has passed project design review and commenced construction. It is expected to commence trial operation in the first quarter of 2016 and commence production in the second quarter of 2016. The commencement of production of this project will bring huge benefits and assurance to the Group's gas refilling stations in Jilin Province.

The Group's 70%-owned LNG processing plant project with an annual capacity of 400 million m^3 of LNG commenced construction in the Kai County (Chongqing) Industrial Park. Its phase one is expected to commence trial operation in the second quarter of 2016 and commence production in the third quarter of 2016 with a designed annual capacity of 200 million m^3. Upon completion, the project will mainly serve as the gas supply source of the Group in Yunnan, Guangxi and Guangdong provinces, realizing the transformation from external purchase to internal purchase. It will also provide sufficient gas source for the Company's development of gas refilling stations in these areas.

Due to issues relating to the cost of gas source, gas supply stability and environment, the development of the Group's coke oven gas-produced LNG source base project with Luoyang Rongtuo Coking Company Limited (洛陽榕拓焦化有限責任公司) with a designed annual capacity of 60 million m^3 of coke oven gas has been delayed and will resume as and when appropriate in the future.

Investment in Gas Refilling Stations

As at 31 December 2014, the Group had 36 gas refilling stations in operation, 3 CNG mother stations under expansion are being constructed and over 13 gas refilling stations under preparation. The transport gas business has become one of the key development fields of the Group. The Group made great efforts to develop transport gas by establishing alliance and cooperation with transport enterprises and newspaper groups in order to quickly establish its national presence.

Gas Pipeline Connection Volume

During the year ended 31 December 2014, the Group connected a total of 196,765 residential users to gas pipelines, representing an increase of approximately 44.26% as compared with the corresponding period of last year. As at 31 December 2014, the Group's residential users had increased to 790,097, representing an increase of approximately 33.16% as compared with the corresponding period of last year. The Group had connected a total of 1,031 users from industrial and commercial and other sectors to gas pipelines. As at 31 December 2014, the Group had a total of 4,120 industrial and commercial users, representing an increase of approximately 33.38% as compared with the corresponding period of last year. Through increasing the efforts on residential user 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 2014, the Group sold a total of approximately 257,590,000 m^3 of gas, representing a substantial increase of approximately 76,530,000 m^3, or approximately 42.27%, 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 26.73%, 43.02% and 30.25% of the total gas sales volume, respectively, in which gas volume sold to industrial and commercial users representing a sharp increase of approximately 97.22% as compared with the corresponding period of last year.

The Group actively develops industrial and commercial users in the areas in which it operates. As at 31 December 2014, the Group had started to supply gas to large industrial and commercial users which had entered into contracts with the Group in Chaoyang District, Shantou City, Guangdong Province, Xuchang City, Hebi City and Shangjie District, Zhengzhou City, Henan Province. As at the date of this announcement, the Company has a large number of high-end ceramic enterprise users in the area of its project in Chaozhou City, Guangdong Province, which accounted for 25% of the number of such enterprises in the industrial park with a total daily gas consumption of 200,000 m^3. There is a promising prospect for gas supply in such area. With a significant increase in the Group's gas sales to industrial and commercial users in 2014 and as the Group's gas refilling stations commence operation in the coming year, the Group's gas sales are expected to maintain rapid growth in the future.

Customer Services

The Group introduced standardized management by optimizing and unifying customer service process and making service undertakings in different aspects of customers service, including service hotline, installation application, replacement and connection of pipelines, indoor safety inspection and complaint handling. It has implemented a uniformed customer service image and upgraded service hardware and facilities. Trainings on service protocol were provided to its employees on a regular basis to ensure strict compliance with customer service rules. It advanced information development, developed a uniformed marketing service system and established a uniformed service platform while taking into account the need of different customers. Its customer service channels have been expanded through the introduction of a variety of service channels, such as on-line service, bank service, entrusted fee collection service, self-help terminal service to supplement its traditional home service and outlet service in order to improve customer service efficiency and customer satisfaction.

Safety and Risk Management

The Group attaches great importance to safe operation and management and has in place a systematic and standardized safety management and review system. The Group conducted full examination of the status of safety management of its members and strived to improve its internal safety management to prevent the occurrence of safety accidents. The system contains standardized management systems in occupational health, safety and environment (HSE) and provides uniformed and standardized requirements for eight areas of HSE management of the Group, being system building, engineering, stations, distribution, customer, fire control, transportation, environment and society. It also organizes safety education trainings and emergency drills for its staff to improve their safety awareness. 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 in order to improve their safety management awareness and emergency response capability.

Operation Management

The Group continues to implement its principle of systematic, uniformed and standardized operation and management. During the year, the continuous improvement of the rules and processes of the Group has effectively helped to avoid risks and improve work efficiency. Its information development was fully launched, an improved management and control authorisation system has been established for its finance NC projects, and a uniformed management platform has been built. A uniformed business workflow and marketing service system has been implemented in all members of the Group to achieve centralized management and control. In addition, by conducting in-depth onsite visits to its industrial user customers and learning management experience from industry leaders, the Group has finished supplementation and promotion review for its standardized operation and management model, enabling the Group's integrated operation model to step into the right path. Moreover, the Group has effectively lowered its material costs and labour costs by strengthening management of project outsourcing. Its expenses for the full year was lower than the annual budget, indicating that the Group's core competitiveness of low-cost operation has maintained its leading status in the industry.

Human Resources

As at 31 December 2014, the total number of employees of the Group was 1,890. The Group remunerates its staff based on their individual performance, work experience and prevailing market standard.

Through recruitment of medium and senior level talents and outstanding college graduates, the Group has added valuable human resources for its rapid development. In addition, an internal talent cultivation model has been gradually established. By conducting large business training sessions relating to market, technology, management, finance and culture, the skills of its staff have significantly improved. By holding competitions for position and reserve manager boot camp, a large number of young talents have been identified, significantly expanding the talent team of the Group. The Group also recruits graduates from colleges and universities nationwide each year. Through providing them with outward bound trainings and trainings on enterprise culture and gas knowledge at an early stage and implementing a "Parachute Program" at a later stage pursuant to which a mentor is assigned to each graduate to help them integrate in their positions and departments quickly, the Group's talent base has expanded. Improving performance assessment mechanism has helped to match the value of positions with market standards. Irregular promotion of new comers and adjustment to their remuneration packages have become normal, which further helped to maintain a steady team, develop staff potential and motivate them.

FINANCIAL REVIEW

For the year ended 31 December 2014, the Group's revenue amounted to approximately RMB1,343,936,000, representing an increase of approximately RMB431,997,000 or a rise of approximately 47.37% as compared with the corresponding period of last year; gross profit amounted to approximately RMB461,496,000, representing an increase of approximately RMB128,460,000 or a rise of approximately 38.57% as compared with the corresponding period of last year; profit attributable to owners of the Company amounted to approximately RMB220,153,000, representing an increase of approximately RMB51,208,000 or a rise of approximately 30.31% as compared with the corresponding period of last year.

Revenue

For the year ended 31 December 2014, the Group's revenue was primarily derived from the gas pipeline connections business and transportation and sales of gas business, accounting for approximately 42.62% and 55.64% of the total revenue (the corresponding period of last year: approximately 42.19% and 55.31%), 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 2014, the quantity of the Group's gas pipeline connection volume maintained a steady growth, and revenue from gas pipeline connections amounted to approximately RMB572,772,000, representing an increase of approximately 48.86% from approximately RMB384,784,000 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 2014, the Group had a significant growth in gas sales volume. Revenue from gas sales amounted to approximately RMB747,829,000, representing an increase of approximately 48.27% from approximately RMB504,357,000 for the corresponding period of last year.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2014, the Group achieved gross profit of approximately RMB461,496,000, representing an increase of approximately RMB128,460,000 as compared with the year ended 31 December 2013. Overall gross profit margin of the Group was approximately 34.34% for the year ended 31 December 2014, representing a slight decrease of approximately 2.18 percentage points, which is due to rise of labour and material costs and increase of intangible assets amortization.

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 2014 has declined as compared with the corresponding period of last year.

The Group's distribution cost in the year ended 31 December 2014 was approximately RMB16,148,000, and the Group's administrative expenses for the year ended 31 December 2014 was approximately RMB84,111,000.

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 control the borrowing at a healthy level.

As at 31 December 2014, the Group's cash and cash equivalents amounted to approximately RMB263,584,000, of which 96.59% was denominated in RMB, 0.46% was denominated in US dollars and the remaining 2.95% was denominated in HK dollars, and its financial assets at fair value through profit or loss of approximately RMB331,474,000 can be realized at any time, safeguarding the needs of project expansion and acquisition of businesses of the Group.

As at 31 December 2014, the Group's total borrowing was approximately RMB1,383,012,000 (among which loans denominated in RMB was approximately RMB711,722,000 and the loans denominated in USD was approximately RMB671,290,000), of which approximately 47.75% was accounted as current liabilities. The loans repayable within one year amounted to approximately RMB660,403,000, of which approximately RMB189,000,000 was secured by the Group's properties and gas charge rights. As at 31 December 2014, the Group's gearing ratio was approximately 59.86% 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 rate fluctuation. The Group will closely monitor the interest rate and exchange rate of the market and make appropriate responses when necessary.

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 a 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.

Outlook

As the largest energy consumer in the world, the PRC has been facing the emerging environment pollution and energy safety issues as a result of the rapid growth of energy production and consumption in 2014. As the Chinese government keeps a close eye on people's life and development and environment protection and puts great efforts into the development of clean energy, a promising era for natural gas has begun in the PRC. Through concerted efforts at all level within the Group, the Group continued to maintain steady growth in its overall performance and steady and strong expansion and expand its business presence in the PRC. Moreover, the Group participated in the construction of a long-haul natural gas pipeline in the upper-stream of the industry for the first time and continued to expand its business scale.

In 2015, the Group will continue to explore the growth potential of its existing operating areas by speeding up the construction and production of transport gas projects and acquiring gas source bases for development, in order to continue to improve its core competitiveness in response to market demand and low-cost operation while continue to maintain rapid growth among the peers in the industry. It will continue to steadfastly implement the development strategy of good, new and fast" 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" to meet the goals of the Group for the year and repay the shareholders with more excellent results.

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

On 30 December 2014, 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$40,000,000 (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, among others, declare that the Loan be cancelled and/or declare that the part of the Loan which has been drawn down by the Company, all accrued interest of the Loan and all other amounts which shall be payable by the Company to the Lenders under the Loan Agreement be immediately due and payable. As at the date of this announcement, all the 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 30 December 2014.

Share Option Scheme

On 27 January 2014, a total of 20,000,000 share options (the "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.

SUBSEQUENT EVENTS

Resignation of Executive Director and Chief Executive and Appointment of Chief Executive

Mr. Hu Xiaoming has resigned as an executive Director and the chief executive of the Company due to other career pursuit which requires more of his attention with effect from 8 January 2015. In addition, Mr. Xian Zhenyuan has been appointed as the chief executive of the Company with effect from 8 January 2015. Please refer to the Company's announcement dated 8 January 2015 for details.

Acquisition of 100% Equity Interest of Two Companies in Xian Yang, Shaanxi Province

On 9 January 2015, Henan Tian Lun entered into an equity transfer agreement (the "Equity Transfer Agreement") with Mr. Wen Su Gang (文素剛) and Mr. Zhang Hong Zhong (張宏忠), pursuant to which Henan Tian Lun conditionally agreed to acquire 100% equity interest in 乾縣宏遠天然氣有限公司 (Qian County Hong Yuan Natural Gas Company Limited) ("Qian County Company") and 禮泉縣宏遠天然氣有限公司 (Li Quan County Hong Yuan Natural Gas Company Limited) ("Li Quan Company") in Shannxi and in turn two urban gas projects in Qian County and Liquan County, Xianyang, Shaanxi Province at a total consideration of RMB286,000,000.

Pursuant to the Equity Transfer Agreement, the subject matters to be acquired by Henan Tian Lun shall include the following:

(1) 100% equity interest in Qian County Company and Li Quan Company held by Mr. Wen and Mr. Zhang and the relevant rights attached thereto, including but not limited to the rights to profits distributions, shareholders' rights, voting rights and rights of appointment and removal of personnel;

(2) gas-related assets and other assets of Qian County Company and Li Quan Company; and

(3) the exclusive gas operation right of Qian County Company and Li Quan Company in the administrative areas of Qian County (乾縣) and Li Quan County (禮泉縣).

Through the above acquisition, the Group will obtain the gas projects in Qian County and Li Quan County, Xian Yang City, which are expected to generate strong profitability for the Group. Furthermore, the economies of scale will be realized as these projects are adjacent to the Group's gas projects in Baiyin City, Gansu Province and Henan Province. The above acquisition will assist the Group in expanding to surrounding areas and further increasing its market share in northwestern PRC. Please refer to the Company's announcement dated 9 January 2015 for details.

Letter of Intent In Relation to the Possible Acquisition

On 27 January 2015, Henan Tian Lun entered into a non-legally binding letter of intent with Mr. Li Zi Feng (李子峰) and 天津乾盛投資合夥企業(有限合夥) (Tianjin Qian Sheng Investment Partnership Enterprise (Limited Partnership) ("Tianjin Qian Sheng") in relation to the possible acquisition by Henan Tian Lun of 75% of the equity interest in 北京慧基泰展投資有限公司 (Beijing Hui Ji Tai Zhan Investment Company Limited) ("Beijing Hui Ji"). Pursuant to the terms of the letter of intent, the Company shall pay a refundable deposit of RMB160,000,000 to Mr. Li and Tianjin Qian Sheng.

The consideration for the possible acquisition, including the consideration amount and the way of settlement, shall be subject to the results of the due diligence review on Beijing Hui Ji and further negotiation between the parties to the aforesaid letter of intent and the terms and conditions of the formal agreement.

Mr. Li and Tianjin Qian Sheng guarantee that within the term of the letter of intent (being a period of six months from the date of signing of the aforesaid letter of intent), Mr. Li and Tianjin Qian Sheng shall not cause the transfer of the equity interest, assets and the rights of Beijing Hui Ji and its subsidiaries and also guarantee the normal operating activities of the Beijing Hui Ji and its subsidiaries.

Beijing Hui Ji has built and currently operates over 200 kilometres of high- and medium-pressure natural gas pipelines. It has obtained a natural gas sales quota of 980 million m^3/year and transmits nearly 4 billion m^3 of natural gas per annum using its pipelines. In addition, Beijing Hui Ji has established a business network involving construction and operation of long-haul natural gas pipelines, urban gas and direct supply of natural gas to large industrial parks, covering Henan, Jiangsu and Fujian provinces of the PRC. The possible acquisition will further expand the Group's business coverage and operating area and bring huge financial benefits to the Group. Please refer to the Company's announcement dated 27 January 2015 for details.

Proposed Issue of New Shares under Specific Mandate

On 11 February 2015, International Finance Corporations ("IFC") and IFC Global Infrastructure Fund ("IFC Fund") entered into a subscription agreement with the Company (the "Subscription Agreement "). On the terms and Subject to the conditions of the Subscription Agreement, IFC agrees to conditionally subscribe and pay for 90,871,200 fully paid subscription shares and IFC Fund agrees to subscribe and pay for 90,871,200 fully paid subscription shares, in each case at the subscription price of HK$6.40 per subscription share. The Company will seek the specific mandate from the shareholders at the extraordinary general meeting of the shareholders of the Company to allot and issue the subscription shares.

Pursuant to the Subscription Agreement, at all times during the period commencing on the Subscription Date and ending on the first anniversary thereof, IFC or IFC Fund shall not, without the prior written consent of the Company, transfer, sell, lease or pledge to any person any of the subscription shares for which it has subscribed on the subscription date.

As a condition of the obligations of IFC and IFC Fund to subscribe under the subscription agreement, on 11 February 2015, IFC and IFC Fund and the Company had also entered into the policy agreement, which was subsequently replaced and superseded by the amended and restated policy agreement dated 20 March 2015. Pursuant to the aforesaid amended and restated policy agreement, IFC and IFC Fund, as a group, shall only exercise their rights of nomination and removal of their nominated directors in accordance with all applicable laws (which include the Listing Rules) and the applicable provisions under the Company's articles of association.

The Company shall also comply with all matters set forth in the corporate governance improvement plan under the amended and restated policy agreement.

IFC, a member of the World Bank Group, is a global investment and advisory institution. As an outstanding investment platform under the World Bank Group, IFC enjoys a good reputation in the world and has first-class talents and first-hand experience in environment, social and corporate governance aspects. The Company will take this opportunity to further enhance the Company's capability in areas such as corporate governance by learning from IFC's international experience and combing it with the Company's own situations. The entering into of the equity investment and cooperation represents a great positive factor which will benefit the Company's overall brand and reputation in international finance market. Please refer to the Company's announcements dated 11 February 2015 and 20 March 2015 for details.

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

For the year ended 31 December 2014, neither the Company nor its subsidiaries had purchased, sold or redeemed any of its listed securities.

Contingent Liabilities

For the year ended 31 December 2014, 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 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 the Directors, each of them confirmed that they strictly complied with the required standards set out in the Model Code during the year ended 31 December 2014.

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 2014 to 31 December 2014.

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 annual results and financial statements of the Group for the year ended 31 December 2014.

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 2014 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 2014 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, 25 March 2015

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