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 2010

For the year ended 31 December 2010, revenue of the Group amounted to approximately RMB251,267,000, representing an increase of approximately RMB72,044,000, or approximately 40.2%, as compared with approximately RMB179,223,000 in 2009.

For the year ended 31 December 2010, profit attributable to owners of the Company amounted to approximately RMB72,528,000, representing a significant increase of approximately RMB28,229,000, or approximately 63.7%, as compared with approximately RMB44,299,000 in 2009.

The increase in revenue of the Group and profit attributable to owners of the Company was primarily due to the increase of urban pipelined gas demands and the continuous development in the cities where the Group has operation.

For the year ended 31 December 2010, earnings per share of the Company was approximately RMB0.12, representing a significant increase of 71.4% as compared with approximately RMB0.07 in 2009.

The board (the "**Board**") of directors (the "**Directors**") of China Tian Lun Gas Holdings Limited (the "**Company**", together with its subsidiaries collectively referred to as the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2010, together with comparative figures for the corresponding period of 2009 as follows:

Consolidated Balance Sheet

		As at 31 December	
		2010	2009
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**133,668**	125,377
Investment properties		**9,556**	9,511
Lease prepayments		**8,273**	2,071
Intangible assets		**28,785**	29,507
Deferred income tax assets		**1,581**	1,225
		181,863	167,691
Current assets			
Inventories		**7,623**	17,700
Trade and other receivables	*5*	**45,813**	70,752
Cash and cash equivalents		**409,454**	14,860
		462,890	103,312
Total assets		**644,753**	271,003
EQUITY			
Equity attributable to owners of the Company			
Share capital	*6*	**7,077**	—
Share premium	*6*	**454,188**	—
Reserves	*7*	**(1,369)**	65,399
Retained earnings		**73,910**	42,395
		533,806	107,794
Non-controlling interests		**2,845**	2,829
Total equity		**536,651**	110,623

Consolidated Balance Sheet (continued)

		As at 31 December	
		2010	2009
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**—**	585
Borrowings		**6,350**	35,242
		6,350	35,827
Current liabilities			
Trade and other payables	*8*	**33,906**	39,473
Advance from customers		**41,261**	43,046
Current income tax liabilities		**1,506**	1,634
Borrowings		**25,079**	40,400
		101,752	124,553
Total liabilities		**108,102**	160,380
Total equity and liabilities		**644,753**	271,003
Net current assets/(liabilities)		**361,138**	(21,241)
Total assets less current liabilities		**543,001**	146,450

Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**251,267**	179,223
Cost of sales	*9*	**(133,004)**	(100,393)
Gross profit		**118,263**	78,830
Distribution costs	*9*	**(2,438)**	(2,236)
Administrative expenses	*9*	**(16,036)**	(9,723)
Other gains — net		**59**	671
Operating profit		**99,848**	67,542
Finance income		**800**	1,066
Finance costs		**(5,573)**	(7,063)
Finance costs — net	*11*	**(4,773)**	(5,997)
Profit before income tax		**95,075**	61,545
Income tax expense	*12*	**(21,715)**	(13,992)
Profit for the year		**73,360**	47,553
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**73,360**	47,553
Profit and total comprehensive income attributable to:			
Owners of the Company		**72,528**	44,299
Non-controlling interests		**832**	3,254
		73,360	47,553
Earnings per share for profit attributable to owners of the Company			
— Basic and diluted	*13*	**0.12**	0.07
Dividends	*14*	**33,087**	—

1. General information of the Group and reorganisation

1.1 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.

On 27 October 2010, the Company issued a prospectus (the "**Prospectus**") and launched a global offering of 199,500,000 ordinary shares ("**the Global Offering**"), at an offer price of HK$2.05 per share (the "**Offer Price**"). On 2 December 2010, the over-allotment option as detailed in the Prospectus was fully exercised and the Company was required to allot and issue an aggregate of 29,925,000 additional shares at the Offer Price. Gross proceeds received by the Company from the Global Offering (including proceeds from the exercise of the over-allotment option) amounted to approximately HK$470,300,000 in aggregate, of which approximately HK$204,500,000 was received by the Company on 10 November 2010, approximately HK$204,500,000 was received by the Company on 11 November 2010, and approximately HK$61,300,000 was received by the Company on 2 December 2010.

The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in the gas pipeline connections by providing estate developers and commercial and industrial users with laying and installation and transportation, distribution and sales of pipelined gases including natural gas, coal gas and, compressed natural gas (the "**CNG**") in certain cities of People's Republic of China ("**PRC**") (the "**Listing Business**").

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 30 March 2011.

1.2 The Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "**Reorganisation**"), the Listing Business were carried out by the companies now comprising the Group, which were collectively controlled by Mr. Zhang Yingcen and his family members comprising his wife and eldest son (collectively the "**Controlling Shareholders**").

The Group underwent the following Reorganisation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing**").

(a) Prior to the Reorganisation, four out of the five operating companies, incorporated in the PRC, namely Zhengzhou Shangjie Tian Lun Gas Limited ("**Shangjie Tian Lun**"), Xuchang Tian Lun Gas Limited ("**Xuchang Tian Lun**"), Xuchang Tian Lun Vehicle-use Gas Limited ("**Xuchang Tian Lun Vehicle**"), Hebi Tian Lun Vehicle-use Gas Limited ("**Hebei Tian Lun Vehicle**") (collectively "**the four operating companies**"), were majority owned by Henan Tian Lun Gas Engineering Investment Limited ("**the then holding company**" or "**Henan Tian Lun Engineering Investment**"), a company incorporated in the PRC and beneficially owned by the Controlling Shareholders. The remaining operating company, Henan Tian Lun Gas Group Limited ("**Henan Tian Lun Gas**"), formerly named "**Hebi Tian Lun Gas Limited**", was 80% owned by Upsky Holdings Limited ("**Upsky Holdings**"), a company incorporated in the British Virgin Islands ("**BVI**") and beneficially owned by the Controlling Shareholders, and 20% owned by the then holding company.

(b) On 10 May 2010, Tian Lun New Energy Limited ("**Tian Lun New Energy**") was incorporated in Hong Kong with an authorised share capital of HK$10,000 at HK$1 each. One share was allotted and issued at par to Upsky Holdings.

(c) Pursuant to an equity transfer agreement dated 15 May 2010, Upsky Holdings and Henan Tian Lun Engineering Investment transferred their respective 80% and 20% equity interests in Henan Tian Lun Gas to Tian Lun New Energy for a consideration of RMB9,200,000 and RMB2,300,000, respectively. Such considerations were based on the valuation of Henan Tian Lun Gas as at 31 March 2010 by an independent valuer in the PRC.

(d) On 13 May 2010, Hebi Tian Lun New Energy Limited ("**Hebi New Energy**") was incorporated as a limited liability company in the PRC by the then holding company. Hebi New Energy has not been involved in any significant business transactions since its date of incorporation other than the Reorganisation up to the date of this report. On 29 June 2010, the then holding company transferred the entire equity interests in Hebi New Energy to Henan Tian Lun Gas at a consideration of RMB15,000,000, which represented the registered capital paid by the then holding company. In order to finance the payment obligation of such consideration, capital injection has been made by Tian Lun Group Limited ("**Tian Lun Group**"), a company incorporated in the BVI and ultimately wholly owned by the Controlling Shareholders, as disclosed in (h) below. In September 2010, such consideration was paid out to the then holding company.

(e) On 20 May 2010, the Company was established in the Cayman Islands as a wholly owned subsidiary of Tian Lun Group.

(f) Pursuant to various equity transfer agreements dated 29 June 2010, the then holding company transferred its entire shareholdings of the four operating companies to Henan Tian Lun Gas. The total considerations for such transfers of shareholdings were approximately RMB67,085,000, which were based on the respective valuation of the four operating companies as at 31 March 2010 by an independent valuer in the PRC. In order to finance the payment obligation of such consideration, capital injection has been made by Tian Lun Group as disclosed in (h) below. On 30 June and 13 September 2010, Henan Tian Lun Gas paid consideration of approximately RMB4,155,000 and RMB62,930,000 to the then holding company, respectively. As a result of the aforesaid transfers, Tian Lun New Energy became the holding company of all the operating companies and Hebi New Energy within the Group.

(g) On 6 July 2010, pursuant to a share transfer agreement entered into between Tian Lun Group and Pleasant New Limited ("**Pleasant New**"), a company incorporated in the BVI and is beneficially owned by certain executive directors of the Company, Tian Lun Group transferred a 6.7% equity interests in Upsky Holdings to Pleasant New for a consideration of approximately HK$35,011,000, which approximated the fair value of such equity interest as at 6 July 2010 as determined by an independent valuer.

(h) In August 2010, Tian Lun Group subscribed one share at United States Dollars ("**US$**") 0.1 each of Upsky Holdings at a consideration of HK$93,050,000 (equivalent to approximately RMB81,213,000). Upsky Holdings injected HK$94,350,000 into Tian Lun New Energy by the subscription of one share in Tian Lun New Energy. In August 2010, Tian Lun New Energy injected cash of HK$91,650,000, equivalent to approximately RMB80,000,000 into Henan Tian Lun Gas as registered capital. The cash so injected was paid out to the then holding company as described in (d) and (f) above.

(i) On 11 October 2010, the Company entered into a sale and purchase agreement with Tian Lun Group and Pleasant New, pursuant to which (i) Tian Lun Group transferred all the shares it held in Upsky Holdings to the Company and as consideration, 932,999 shares, all credited as fully paid, were allotted to Tian Lun Group and the one nil paid share then held by Tian Lun Group was credited as fully paid up; and (ii) Pleasant New transferred all the shares it held in Upsky Holdings to the Company and as consideration, 67,000 shares, all credited as fully paid up, were allotted and issued to Pleasant New.

Upon completion of the Reorganisation, the Company became the holding company of the Group.

2. Basis of preparation

Pursuant to the Reorganisation as described in Note 1.2, the Reorganisation was accounted for as a reorganisation of businesses under common control, in a manner similar to a pooling-of-interest. The assets and liabilities transferred to the Group have been stated at historical carrying amounts. The consolidated financial statements have been prepared as if the Company and the current corporate structure had been in existence as at all dates and during the years presented.

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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

3. Critical accounting estimates and judgments

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

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

(a) Current income taxes and deferred tax

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.

The Group has deferred income tax assets of approximately RMB1,581,000 (2009: RMB1,225,000). To the extent that it is probable that the taxable profit will be available against which the deductible temporary differences will be utilised, deferred income tax assets are recognised for temporary differences arising from impairment provisions taken on inventory and receivables, accrued expenses, tax losses and depreciation. Should the Group be required to increase the tax rate, every 1% increment in tax rate would render a further write up of deferred tax assets in the amount of approximately RMB67,000 (2009:RMB53,000).

(b) Depreciation and amortisation

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

(c) Impairment of trade and other receivables

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

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 pipelined gases, and gas pipeline connections.

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

The senior executive management team assesses the performance of the operating segments based on the measure of gross profit. 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 2010 is as follows:

	Transportation and sales of pipelined gas *RMB'000*	**Gas pipeline connections** *RMB'000*	**All other segments** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Total external revenue	**107,121**	**136,888**	**7,258**	**—**	**251,267**
Gross profit	**15,173**	**98,413**	**4,677**	**—**	**118,263**
Distribution costs				**(2,438)**	**(2,438)**
Administrative expenses				**(16,036)**	**(16,036)**
Other gains — net				**59**	**59**
Operating profit					**99,848**
Finance costs — net				**(4,773)**	**(4,773)**
Profit before income tax					**95,075**
Income tax expense				**(21,715)**	**(21,715)**
Profit for the year					**73,360**

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2009 is as follows:

	Transportation and sales of pipelined gas *RMB'000*	Gas pipeline connections *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Total external revenue	84,886	90,624	3,713	—	179,223
Gross profit	11,987	64,596	2,247	—	78,830
Distribution costs				(2,236)	(2,236)
Administrative expenses				(9,723)	(9,723)
Other gains — net				671	671
Operating profit					67,542
Finance costs — net				(5,997)	(5,997)
Profit before income tax					61,545
Income tax expense				(13,992)	(13,992)
Profit for the year					47,553

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

For the year ended 31 December 2010, no revenue derived from sales made to a single external customers amounted to 10% or more of the Group's total revenue (2009: nil).

5. Trade and other receivables

	As at 31 December	
	2010 ***RMB'000***	2009 *RMB'000*
Trade receivables *(a)*	**20,065**	9,943
Bills receivable	**—**	400
Prepayments	**7,888**	2,246
Receivables due from related parties	**—**	55,440
Other receivables	**17,860**	3,994
Less: provision for impairment of other receivables *(b)*	**—**	(1,271)
	45,813	70,752

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

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Less than 30 days	**11,562**	7,427
31 days to 90 days	**2,499**	1,443
91 days to 1 year	**5,003**	194
Over 1 year	**1,001**	879
	20,065	9,943

As at 31 December 2010, trade receivables of approximately RMB396,000 (2009: RMB195,000) 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 aging analysis of these trade receivables is as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Over 1 year	**396**	195

As at 31 December 2010, trade receivables of approximately RMB19,669,000 (2009: RMB9,748,000) were fully performing.

(b) For the year ended 31 December 2010, other receivables of approximately RMB1,271,000 were written off as uncollectible.

(c) Trade and other receivables were denominated in the following currencies:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
RMB	**34,611**	70,752
HK$	**11,202**	—
	45,813	70,752

(d) As at 31 December 2010 and 2009, 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.

6. Share capital and premium

(a) Authorised share capital of the Company

	Year ended 31 December 2010 Number of ordinary shares	Ordinary shares *RMB'000*
Authorised:		
On 20 May 2010, date of incorporation	38,000,000	333
Increase in authorised share capital	1,962,000,000	16,859
	2,000,000,000	17,192

As at the date of incorporation, the initial authorised share capital of the Company was HK$380,000 (equivalent to approximately RMB333,000) divided into 38,000,000 ordinary shares of HK$0.01 each.

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

(b) Issued share capital and premium of the Company

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

(i) On 11 October 2010, the Company acquired the entire issued share capital of Upsky Holdings by allotting and issuing a total of 999,999 shares of HK$0.01 each to Tian Lun Group and Pleasant New (Note 1.2).

(ii) In November and December of 2010, the Company issued an aggregate of 229,425,000 ordinary shares of HK$0.01 each pursuant to the Global Offering as disclosed in Note 1.1. The excess of issue price over the par value of the ordinary shares were credited to share premium.

(iii) In November 2010, 597,500,000 ordinary shares were issued at par to the shareholders on the register of members of the Company at the close of business on 13 October 2010 in proportion to the respective shareholdings by way of capitalisation of the sum of HK$5,975,000 (equivalent to approximately RMB5,106,000) standing to the credit of the share premium received upon the issuance of shares referred to in (ii) above.

7. Reserves

	Capital reserves RMB'000	Statutory reserves RMB'000	Total RMB'000
Balance at 1 January 2009	54,755	1,031	55,786
Acquisition of non-controlling interests *(b)*	5,432	—	5,432
Appropriation *(c)*	—	4,181	4,181
Balance at 31 December 2009	60,187	5,212	65,399
Appropriation *(c)*	—	7,926	7,926
Capital injection from Controlling Shareholders *(d)*	96,213	—	96,213
Deemed distribution to Controlling Shareholders *(e)*	(84,385)	—	(84,385)
Allotment of shares pursuant to the Reorganisation *(f)*	(96,002)	—	(96,002)
Waiver of liability by Controlling Shareholders *(g)*	9,480	—	9,480
Balance at 31 December 2010	**(14,507)**	**13,138**	**(1,369)**

(a) *Capital reserves as at 1 January 2009*

The brought forward reserve balance as at 1 January 2009 represented the combined paid-in capital of the subsidiaries now comprising the Group as at 1 January 2009, after eliminating intra-group investments.

(b) In December 2009, the Group acquired 10% equity interests of a subsidiary held by another shareholder as settlement of the liability of approximately RMB2,500,000 owed by such shareholder to the Controlling Shareholders.

(c) *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 2010, approximately RMB7,926,000 (2009: RMB4,181,000) were appropriated to the statutory surplus reserves funds from net profits of certain PRC Subsidiaries.

(d) For the year ended 31 December 2010, as part of the Reorgnisation, the Controlling Shareholders injected capital of approximately RMB96,213,000 into the subsidiaries of the Company (Note 1.2(d) and (h)).

(e) For the year ended 31 December 2010, as part of the Reorganization, the Group paid a consideration of approximately RMB84,385,000 to the Controlling Shareholders for transfer of equity interests in certain entities in PRC as disclosed in Note 1.2. The payment of such consideration in cash was accounted for as the Group's deemed distribution to the owners.

(f) The allotment of shares pursuant to the Reorganisation represented the carrying amount of the equity as shown in the separate financial statements of Upsky Holdings on 11 October 2010.

(g) Pursuant to an agreement entered into between Upsky Holdings and Mr. Zhang Yingcen in October 2010, Mr. Zhang Yingcen waived the repayment by Upsky Holdings of payables amounting to approximately HK$11,054,000 (equivalent to approximately RMB9,480,000).

8. Trade and other payables

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Trade payables *(a and b)*	**14,496**	12,488
Amount due to related parties *(a and b)*	**2,104**	17,015
Accrued payroll and welfare	**121**	181
Other taxes payables	**1,805**	1,069
Other payables *(a)*	**15,380**	8,720
	33,906	39,473

(a) As at 31 December 2010 and 2009, all such trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Less than 30 days	**7,843**	6,345
31 days to 90 days	**3,459**	2,918
91 days to 1 year	**3,693**	2,245
1 year to 2 years	**788**	1,138
2 years to 3 years	**36**	274
Over 3 years	**521**	716
	16,340	13,636

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 are denominated in the following currencies:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
RMB	**26,731**	35,899
HK$	**7,175**	3,574
	33,906	39,473

9. Expense by nature

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Raw materials and consumables used	**96,978**	81,108
Changes in inventories of finished goods and work in progress	**8,408**	829
Depreciation on property, plant and equipment	**7,836**	6,574
Depreciation on investment properties	**423**	388
Amortisation of lease prepayments	**132**	24
Amortisation of intangible assets	**722**	717
Employee benefit expense *(Note 10)*	**7,952**	5,317
Licensing fee for the exclusive operating rights for city pipeline network *(a)*	**1,100**	1,100
Engagement of construction and design services	**9,225**	6,457
Transportation	**534**	419
Auditors' remuneration	**1,248**	54
Professional expenses	**3,993**	200
Advertising expenses	**371**	452
Entertainment expenses	**845**	484
Office expenses	**372**	719
Taxes	**5,561**	3,622
Other expenses	**5,778**	3,888
Total cost of sales, distribution costs and administrative expenses	**151,478**	112,352

(a) In September 2002, the local government of Hebi City and Henan Tian Lun Engineering Investment entered into a licensing agreement, pursuant to which Henan Tian Lun Engineering Investment was granted the exclusive operating rights for city pipeline network to construct, develop and operate gas facilities in Hebi City, for a term of 30 years (the "**Concession Period**"). Under the agreement, the Group is required to pay an annual fee of RMB1,100,000 to the local government. Such arrangement has been accounted for by the Group as an operating lease.

10. Employee benefit expense

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Wages and salaries	**5,759**	3,930
Pension costs — defined contribution plans	**761**	570
Social security benefits costs	**581**	296
Others	**851**	521
	7,952	5,317

11. Finance costs — net

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Finance income		
— Interest income derived from bank deposits	**(298)**	(62)
— Interest income derived from receivables due from a related party	**(502)**	(1,004)
Finance costs		
— Interest expense on borrowings	**4,607**	6,975
— Exchange loss	**876**	47
— Others	**90**	41
	4,773	5,997

12. Income tax expense

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

(b) Hong Kong profits tax

For the years ended 31 December 2010 and 2009, 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 2010 and 2009, as determined in accordance with the relevant PRC income tax rules and regulations.

Among the abovementioned subsidiaries, Henan Tian Lun Gas, as a foreign investment enterprise, was entitled to exemption from the PRC CIT for the two years commencing from its first profit making year of operations, after offsetting all unexpired tax losses carried forward from previous years, and thereafter, entitled to a 50% relief from the enacted CIT rate for the next three years (the "**5-Year Tax Concession**"). As the 5-Year Tax Concession started from 2007, the enacted tax rate applicable to Henan Tian Lun Gas is 12.5% for the year ended 31 December 2010 (2009: 12.5%). The other subsidiaries, including Hebi Tian Lun Vehicle, Hebi New Energy, Xuchang Tian Lun, Xuchang Tian Lun Vehicle and Shangjie Tian Lun, are subject to PRC CIT rate at 25% for the year ended 2010 (2009: 25%).

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Current income tax:		
— PRC corporate income tax	**22,656**	13,102
Deferred tax	**(941)**	890
	21,715	13,992

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	
	2010	2009
	RMB'000	*RMB'000*
Profit before income tax	**95,075**	61,545
Tax calculated at statutory tax rates applicable to each group entity	**20,479**	13,277
Expenses not deductible for tax purposes	**122**	131
Income not subject to income tax	**(17)**	—
Effect of withholding income tax in relation to net income attributable to foreign investor of the PRC operation	**468**	585
Effect of withholding income tax in relation to capital gains derived from equity transfer	**520**	—
Under provision in prior years	**143**	—
Others	**—**	(1)
	21,715	13,992

13. Earnings per share

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

	Year ended 31 December	
	2010	2009
Group's profit attributable to owners of the Company *(RMB'000)*	**72,528**	44,299
Weighted average number of shares in issue *(in thousand)*	**629,381**	598,500
Basic earnings per share *(RMB per share)*	**0.12**	0.07

The weighted average number of ordinary shares in issue for the year ended 31 December 2010 used in the basic earnings per share calculation is determined on the assumption that the 597,500,000 shares issued upon the capitalisation issue and 1,000,000 shares issued under the Reorganisation (Note 6(b)) had been in issue since the beginning of the periods presented (1 January 2009) (for the year ended 31 December 2009: same).

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

14. Dividends

Chinese law requires dividends to be paid only out of the net profit calculated according to China accounting principles, which is different from HKFRSs. Chinese laws also require to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

In addition, under the existing corporate income tax law of the PRC (the "**CIT Law**"), the Company is deemed to be a "non-tax resident enterprise" as defined under the CIT Law and its implementation regulations, and a withholding tax at the rate of 10% is applicable to any dividends for earnings accumulated since 1 January 2008, payable to the Company, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements.

On 26 March 2010, in accordance with the resolutions of the owners of Xuchang Tian Lun, Xuchang Tian Lun Vehicle, and Hebi Tian Lun Vehicle, and the board of directors of Henan Tian Lun Gas, retained earnings of approximately RMB29,330,000, RMB158,000, RMB1,110,000 and RMB13,158,000 were appropriated to the then equity holders of the respective companies respectively. Among such dividends, approximately RMB33,087,000 in total were appropriated to Henan Tian Lun Engineering Investment, and the remaining were appropriated to certain subsidiaries within the Group. The dividends appropriated to Henan Tian Lun Engineering Investment were paid and accounted for as an appropriation of retained earnings in the consolidated financial statements for the year ended 31 December 2010.

In July 2010, in accordance with resolutions of shareholders of Shangjie Tian Lun, retained earnings of approximately RMB7,339,000 and RMB816,000 were appropriated to Henan Tian Lun Gas and the other owner of Shangjie Tain Lun, respectively. Such dividend was paid in August 2010.

Pursuant to the resolution of the Board of Directors dated 30 March 2011, the directors of the Company proposed not to recommend a final dividend for the year ended 31 December 2010.

Management Discussion and Analysis

Business review

The Group is principally engaged in the gas pipeline connections operation and the transportation and sales of pipelined gas operation in the People's Republic of China (the "**PRC**"). The following tables set forth: (1) breakdown of revenue from the Group's gas pipeline connections operation and transportation and sales of pipelined gas operation; and (2) the breakdown of the Group's users' connections for its transportation and sales of pipelined gas operation:

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

	For the year ended 31 December				
	2010		**2009**		
	RMB'000	**Proportion of total revenue (%)**	**RMB'000**	**Proportion of total revenue (%)**	**Growth rate (%)**
Transportation and Sales of Pipelined Gas Operation	**107,121**	**42.6**	84,886	47.4	26.2
Gas Pipeline Connections Operation	**136,888**	**54.5**	90,624	50.6	51.1
Others	**7,258**	**2.9**	3,713	2.1	95.5
Total revenue	**251,267**	**100.0**	179,223	100.0	40.2

Table 2: Users' connections for the transportation and sales of pipelined gas operation

	As at 31 December		
	2010	2009	**Growth rate**
	Units	Units	%
Residential users	**162,751**	108,929	49.4
Commercial users	**735**	541	35.9
Industrial users	**75**	51	47.1
Other users *(Note)*	**156**	121	28.9
Total number of connections	**163,717**	109,642	49.3
CNG filling stations	**3**	2	50.0

Note: Mainly consisting of schools, government offices, military bases and hospitals.

Overall financial results

For the year ended 31 December 2010, the Group's revenue amounted to approximately RMB251,267,000 (2009: RMB179,223,000), representing an increase of approximately 40.2% as compared with 2009. Gross profit was approximately RMB118,263,000 (2009: RMB78,830,000), representing an increase of approximately 50.0% as compared with 2009. Profit attributable to owners of the Company amounted to approximately RMB72,528,000 (2009: RMB44,299,000), representing an increase of approximately 63.7% as compared with 2009.

Revenue

The Group's revenue for the year ended 31 December 2010 was primarily generated from its gas pipeline connections operation and its transportation and sales of pipelined gas operation, which accounted for approximately 54.5% and approximately 42.6% of the total revenue respectively.

Gas Pipeline Connections Operation

The Group conducts gas pipeline connections operation by providing property developers and commercial and industrial users with laying and installation in its operating cities. The Group's new users generally engage us to provide gas pipeline connections prior to our transportation and distribution of natural gas or coal gas to them. For the years ended 31 December 2010 and 2009, revenue generated from the Group's gas pipeline connections operation amounted to approximately RMB136,888,000 and RMB90,624,000, representing approximately 54.5% and 50.6% of our total revenue respectively. The increase in revenue was mainly due to the increase in the number of new connections. The number of new connections to the Group's pipeline networks increased from approximately 110,000 units of users as at 31 December 2009 to approximately 164,000 units of users as at 31 December 2010, the increase was attributable to the increased market demands of pipelined gas and continuous development in its operating cities.

Transportation and Sales of Pipelined Gas Operation

The Group is one of the principal pipelined gas transporters and distributors in Henan Province, PRC, pursuant to Concessions of 30 years or longer. The Group transports, distributes and sells pipelined natural gas or coal gas in its operating cities. The Group also distributes and sells compressed natural gas, or CNG as vehicular fuel, through the CNG filling stations operated by us in two of its operating cities. For the years ended 31 December 2010 and 2009, revenue generated from the transportation and sales of pipelined gas operation amounted to approximately RMB107,121,000 and RMB84,886,000, representing approximately 42.6% and 47.4% of the total revenue respectively. The increase in the sales revenue was mainly due to the increase in the average selling price of pipelined natural gas and CNG, and increase in sales volume. The increase in the average selling price was mainly because the relevant governmental authority raised the price ceiling for the sale of gases. The total sales volume of pipelined gas of the Group increased from 52,760,969m^3 for the year ended 31 December 2009 to 56,673,274m^3 for the year ended 31 December 2010, the increase in sales volume was mainly caused by the increased number of connections in residential, commercial and industrial users due to market demands, as well as the increase in the number of the Group's CNG filling stations and CNG users.

Cost of sales

The Group's cost of sales increased by approximately 32.5% from approximately RMB100,393,000 for the year ended 31 December 2009 to approximately RMB133,004,000 for the year ended 31 December 2010. Among a number of cost items, the costs for raw materials and consumable used and changes in inventories of finished goods and work-in-progress together increased from approximately RMB81,937,000 for the year ended 31 December 2009 to approximately

RMB105,386,000 for the year ended 31 December 2010. The increase was primarily due to the increased sales volume of pipelined gas and increased connections of users. The purchase costs of construction and design services increased from approximately RMB6,457,000 for the year ended 31 December 2009 to approximately RMB9,225,000 for the year ended 31 December 2010, which was in line with the increase in the revenue for the same period. The depreciation on property, plant and equipment increased from approximately RMB6,574,000 for the year ended 31 December 2009 to approximately RMB7,836,000 for the year ended 31 December 2010.

The cost of sales from transportation and sales of pipelined gas operation increased by 26.1% from approximately RMB72,899,000 for the year ended 31 December 2009 to approximately RMB91,948,000 for the year ended 31 December 2010, mainly due to increased sales volume of pipelined gas, which further resulted in the increase in purchases for natural gas.

The cost of sales for the Group's gas pipeline connections operation increased by 47.8% from approximately RMB26,028,000 for the year ended 31 December 2009 to approximately RMB38,475,000 for the year ended 31 December 2010. The increase in cost of sales was because of an increase in the materials, labors and expenses used in the operation due to increased demand for the gas pipeline connections in its operating cities.

Gross profit

The Group's gross profit for the year ended 31 December 2010 amounted to approximately RMB118,263,000, representing an increase of 50.0% as compared with gross profit of approximately RMB78,830,000 in 2009. Overall gross profit margin of the Group increased by 3.1% from 44.0% in the previous year to 47.1%, which was caused by (i) the enlargement of the scale of business, allowing us to enjoy a higher margin from economies of scale; (ii) the increase in sales proportion of gas pipeline connections operation as compared to 2009, which has a relatively higher margin; and (iii) the substantial increase in sales proportion of CNG, which has a relatively higher margin compared to our other gas products.

Distribution cost

The Group's distribution cost for the year ended 31 December 2010 was approximately RMB2,438,000. The proportion of distribution cost to revenue decreased to 1.0% from 1.3% for the year ended 31 December 2009. The decrease was because the Group achieved higher revenue growth with lower distribution cost as a result of the effective distribution cost control, which also reflected that the Group was developing steadily.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2010 increased by approximately 64.9% from approximately RMB9,723,000 for the year ended 31 December 2009 to approximately RMB16,036,000. The increase was primarily due to (i) increases in headcounts and the average salaries and benefits of the administrative personnel; and (ii) the increase in related expenditures in line with the business growth.

Finance costs

The Group's finance costs decreased by approximately 21.1% from approximately RMB7,063,000 for the year ended 31 December 2009 to approximately RMB5,573,000 for the year ended 31 December 2010. The decrease in finance costs was primarily due to the decrease in interests expenses as a result of reduction in outstanding balances of bank borrowings.

Income tax expense

The Group's income tax expense increased from approximately RMB13,992,000 for the year ended 31 December 2009 to approximately RMB21,715,000 for the year ended 31 December 2010, which was primarily due to the increased in profit before tax attributable to the outstanding operating results.

Liquidity and Capital Resources

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

Cash flow

The net increase in cash and cash equivalents for the year ended 31 December 2010 was approximately RMB395,048,000. Net cash generated from operating activities, investing activities and financing activities amounted to approximately RMB73,349,000, approximately RMB18,430,000 and approximately RMB303,269,000, respectively.

Capital expenditures

The Group's principal requirements for capital expenditures are in relation to the expansion of the facilities, major maintenance, modernization of existing facilities and equipment for operations, as well as business acquisitions. For the year ended 31 December 2010, the total expenditures to the purchases of property, plant and equipment and land use rights were approximately RMB21,973,000 respectively.

Indebtedness

As at 31 December 2010, the total borrowings of the Group amounted to RMB31,429,000, approximately 79.8% of which was recorded as current liabilities that were repayable within a year. Bank borrowings amounting to RMB25,000,000 were pledged by the Group's assets. The prevailing market interest rate of financial instruments with similar characteristics and terms available to the Group was 7.4%.

The Group's gearing ratio as at 31 December 2010 was 16.8% (2009: 59.2%). The decrease in gearing ratio was mainly due to the substantial increase in cash and cash equivalents resulted from the increase in financing income from the shares issued in the global offering. The financing income from share issue and cash flow generated from operating activities will provide efficient capital resources for the expansion and working capital of the Group. In general, as all of the Group's businesses were situated in the PRC, and substantially all of its income and expense were denominated in RMB, there was no significant risk relating to exchange fluctuation. The Group will closely monitor the interest rate and exchange rate of the market and make appropriate responses in due course.

Contingent liabilities

As at 31 December 2010, the Group did not have significant contingent liabilities.

Material acquisition and disposal of subsidiary and associated company

Except for the reorganization carried out in preparation for the listing of the Company's shares, the Group had no material acquisition or disposal of subsidiary and associated company during the year ended 31 December 2010.

Use of Proceeds from Global Offering

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

Usage	**Proposed use of proceeds as set out in the Prospectus** *in HK$ million*	**Use of proceeds as at 31 December 2010** *in HK$ million*
Construction of gas processing stations, gas pipeline networks and other gas supply facilities in the operating cities	74.8	0.5
Acquisition or development of new urban gas projects	214.7	—
Investment in construction of a new gas filling station	25.5	—
Investment in LNG and biofuel business opportunities	67.6	—
Working capital and other general corporate purposes	42.5	7.9
	425.1	8.3

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

Outlook

By the end of 2012, the Second West-East Gas Transmission Pipeline will provide 4 billion cubic meters of natural gas to Henan Province, and the gas utilization rate of the major municipals and counties of the province reached 75% and 40% respectively, reflecting the extension of urban gas use to rural areas.

On 26 November 2010, the Three-year Plan of Urban and Rural Improvement of Henan Province (河南省城鄉建設三年大提升行動計畫) was issued by the People's Government of Henan Province for the construction of the project of "Expansion of Gas Application in Henan" (氣化河南).

The First and the Second West-East Gas Transmission Pipelines, the Sichuan-to-East China Gas Project will provide the urban gas industry with sufficient gas resources for the development of down-stream markets and a platform for the expansion of new projects of the Group.

The Group's long-term goal is to become a leading clean energy operator in the PRC by capitalizing on its advantages and experiences in the industry. With its international financing platform, the Group will rapidly extend the application of its successful operation model and increase its investment in various aspects of the gas market in the PRC. As such, the Group targets to outperform its peers in the PRC gas industry in terms of business growth. The Group will strive to ensure that people can enjoy a living environment with blue sky and clear water in the urban area. To this end, it will endeavor to provide cleaner gas to more families for enhancing the convenience and satisfaction of their living.

Purchase, Sale and Redemption of Listed Securities of the Company

During the period from 10 November 2010, being the listing date of the Company's shares on the Stock Exchange, to 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Events After the Reporting Period

1. *Formation of joint venture*

   On 21 February 2011, Henan Tian Lun Gas Group Limited (河南天倫燃氣集團有限公司) (formerly known as Hebi Tian Lun Gas Limited 鶴壁市天倫燃氣有限公司)("**Henan Tian Lun**"), a wholly-owned subsidiary of the Company and Mr. Li Shihai (李世海)("**Mr. Li**") entered into a cooperative agreement (the "**Cooperative Agreement**"), pursuant to which both parties will jointly contribute capital to form a joint venture company in the Pingdingshan City (the "**Pingdingshan City**"), Henan Province, the PRC within a month upon signing of the Cooperative Agreement for expanding the Group's vehicle-use gas and related gas business to the Pingdingshan City. According to the Cooperative Agreement, Henan Tian Lun and Mr. Li will inject capital of RMB18,000,000 and RMB2,000,000 respectively for the establishment of a joint venture, the registered capital of which will be held as to 90% and 10% by Henan Tian Lun and Mr. Li respectively. Details in relation to the formation of joint venture are set out in the announcement of the Company dated 21 February 2011.

2. *Letter of intent in respect of possible capital injection*

On 22 February 2011, the Company entered into the non-legally binding letter of intent with the shareholders (the "**Target Company Shareholders**") of 河南綠源燃氣有限公司 (Henan Luyuan Gas Limited) (the "**Target Company")** of in relation to a possible capital injection, pursuant to which, the Company (or any member of the Group) agrees to contribute a capital of RMB25 million to the Target Company, after which, the Company (or any member of the Group) will hold 70% of the equity interests in the Target Company while the Target Company Shareholders will hold 30% of the equity interests in the Target Company through their initial capital contribution in the Target Company in the amount of RMB10 million, and the Company (or any member of the Group) agrees to pay the Target Company Shareholders an amount of RMB12 million as compensation. After the capital injection, the total registered capital of the Target Company will be RMB35 million.

The Company and the Target Company Shareholders had not entered into any Formal Agreement in respect of the possible capital injection by 24 March 2011 and the letter of intent thereby lapsed on 24 March 2011.

Details of the letter of intent in respect of the possible capital injection are set out in the announcements of the Company dated 22 February and 24 March 2011 respectively.

3. *Obtaining of exclusive operation rights*

On 17 March 2011, Hebi Tian Lun New Energy Limited ("**Hebi New Energy**"), a wholly-owned subsidiary of the Company and the Management Committee of the Heqi Industry Assemble Zone of Hebi (鶴壁市鶴淇產業集聚區管理工作委員會) entered into the concession agreement in relation to operation of natural gas in the Heqi Industry Assemble Zone of Hebi (the "**Concession Agreement**"), pursuant to which Hebi New Energy has been granted the exclusive gas operation rights in the Heqi Industry Assemble Zone of Hebi for a term of 30 years with an option to extend the concession period. According to the Concession Agreement, Hebi New Energy promised to invest RMB20 million in the Heqi Industry Assemble Zone of Hebi. Details of obtaining of exclusive operations rights are set out in the announcement of the Company dated 17 March 2011.

4. *Intention to exercise option regarding Puyang Tian Lun*

Pursuant to the deed of non-competition dated 20 October 2010 (the "**Deed of Non-competition**") entered into by the grantors (the "**Grantors**") including, among others, Mr. Zhang Yingcen and Henan Tian Lun Engineering Investment Limited in favor of the Company, the Grantors had granted to the Company an option (the "**Option**") to acquire the entire equity interests in Puyang Tian Lun Gas Limited (濮陽市天倫燃氣有限公司) ("**Puyang Tian Lun**"), and the exercise of the Option by the Company is subject to, among other things, Puyang Tian Lun obtaining the necessary permit and certificate to commence its operation.

On 21 March 2011, the Company was notified by the Grantors that Puyang Tian Lun had obtained the necessary permit and certificate to commence its operation. On 25 March 2011, all the independent non-executive Directors and the Board has resolved to issue the notice of intent of exercise of the Option pursuant to the terms of the Deed of Non-competition.

Details of the Deed of Non-competition are set out in the paragraphs headed "Deed of Non-competition" under the section headed "Relationship with Our Controlling Shareholders and Their Associates" in the Prospectus and the details of the intention to exercise option regarding Puyang Tian Lun are set out in the announcement of the Company dated 25 March 2011.

Dividend

The Directors do not recommend the payment of any final dividends for the year ended 31 December 2010.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 31 May 2011 to Thursday, 2 June 2011 (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, all transfer instruments 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 Monday, 30 May 2011.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all Directors of the Company, each of them confirmed that they complied with the required standards set out in the Model Code during the period since the listing of the Company's shares on 10 November 2010 (the "**Listing Date**") to 31 December 2010.

Corporate Governance Practices

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to the Listing Rules. The Company has complied with the Code during the period from the Listing Date to 31 December 2010, except for the follows:

Under code provision A.1.1 of the Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. As the Company became listed on 10 November 2010, the Board and the Board committees, including the Audit Committee, Nomination Committee and Remuneration Committee had not convened and held any meeting from the Listing Date to 31 December 2010.

Under code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer shall be separate and shall not be performed by the same individual. The Company has not established any senior position of a "chief executive officer", which constitutes a deviation of the code provision A.2.1.

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

Audit Committee

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

Audit of Financial Statements

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

Annual Report

The Company's annual report for the financial year ended 31 December 2010 will be published on the website of Hong Kong Exchanges and Clearing 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 and
Executive Director

Hong Kong, 30 March 2011

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