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

2010
Annual Report


We are here to
provide clean energy.

Contents

Company Profile

Board of Directors

Executive Director

Mr. Zhang Yingcen *(Chairman)*
Mr. Xian Zhenyuan
Mr. Feng Yi
Mr. Sun Heng

Non-executive Director

Mr. Zhang Daoyuan

Independent Non-executive Director

Mr. Chang Zongxian
Ms. Zhao Jun
Mr. Zhang Jiaming
Mr. Li Liuqing

Audit Committee

Mr. Li Liuqing *(Chairman)*
Mr. Chang Zongxian
Ms. Zhao Jun

Remuneration Committee

Mr. Zhang Yingcen *(Chairman)*
Mr. Zhang Jiaming
Ms. Zhao Jun

Nomination Committee

Mr. Zhang Yingcen *(Chairman)*
Mr. Chang Zongxian
Ms. Zhao Jun

Authorized Representatives

Mr. Feng Yi
Mr. Hung, Man Yuk Dicson

Company Secretary

Mr. Hung, Man Yuk Dicson *FCCA, HKICPA*

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Cayman Islands

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Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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Wanchai, Hong Kong

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Central, Hong Kong

Compliance Adviser

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Stock Code

01600

Investor Relations

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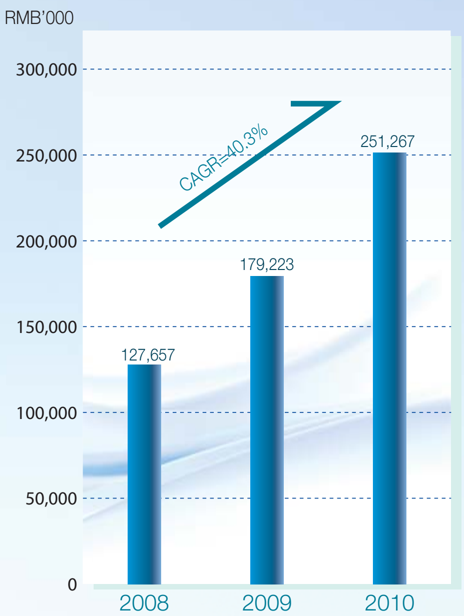
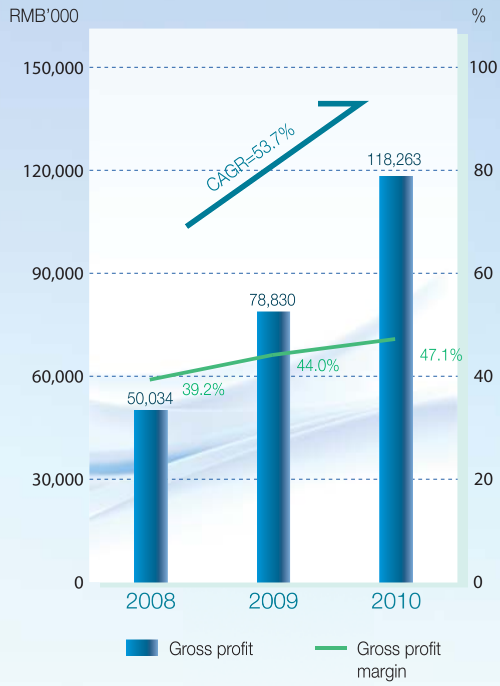
Financial Highlights

	2010 RMB'000	2009 RMB'000
Revenue and profit		
Revenue	251,267	179,223
Profit before income tax	95,075	61,545
Income tax expense	21,715	13,992
Profit for the year	73,360	47,553
Dividends	33,087	—
Assets and liabilities		
Non-current assets	181,863	167,691
Current assets	462,890	103,312
Non-current liabilities	6,350	35,827
Current liabilities	101,752	124,553
Net current assets/(liabilities)	361,138	(21,241)
Cash and cash equivalents	409,454	14,860
Loan	31,429	75,642
Equity		
Share capital	7,077	—
Share premium	454,188	—
Equity attributable to owners of the Company	533,806	107,794
Non-controlling interests	2,845	2,829
Total equity	536,651	110,623
Earnings per share — basic and diluted	0.12 (RMB)	0.07 (RMB)

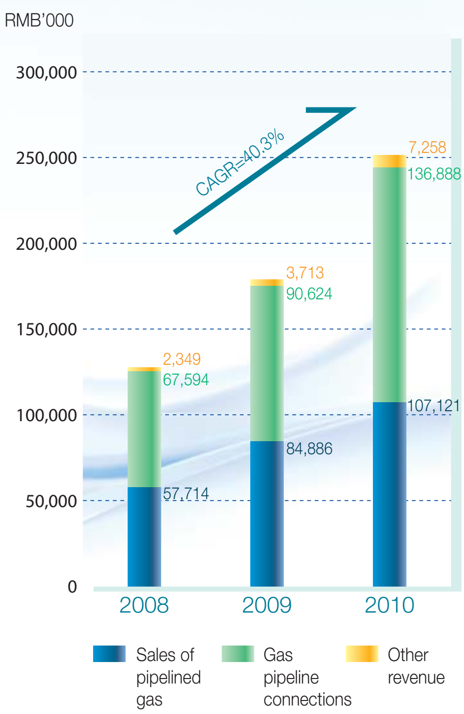
Revenue



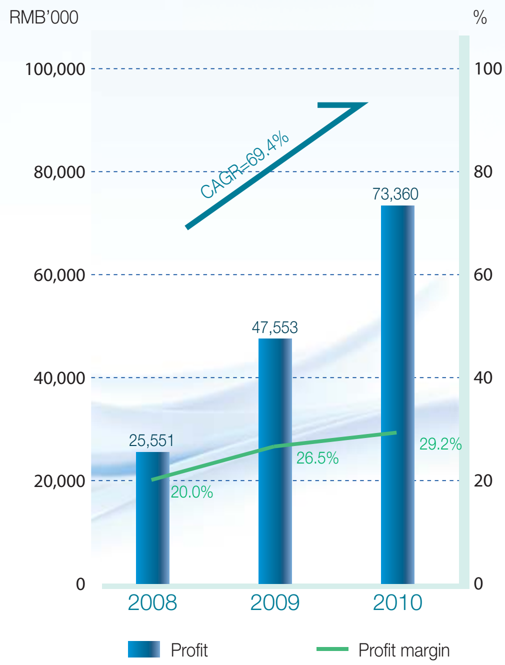
Gross profit and gross profit margin



Revenue structure



Profit and profit margin



China Tian Lun Gas Holdings Limited
Mr. Zhang Yingcen
Chairman

In the next five years, the proportion of natural gas to primary energy consumption will be doubled. We will grasp this opportunity to achieve further growth. It is expected that China Tian Lun Gas Holdings Limited will grow significantly and achieve exhilarating results in 2011.

Chairman's Statement

Following its rapid growth in 2010, China's economy has become the second largest economy in the world. The completion of the Eleventh Five-Year Plan and the launch of the Twelfth Five-Year Plan bode well for promising prospects of China with vibrant economic development and sustainable growth. China will see a positive social development in the future as it is becoming a strong and wealthy nation with prospering businesses.

China Tian Lun Gas Holdings Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") was listed on the Main Board of the Hong Kong Stock Exchange on 10 November 2010. The duration from the preparation of the IPO to the successful listing was only seven months and the IPO recorded over-subscription of 452 times. It marked the recognition of the Group's satisfactory asset operation and outstanding corporate management as well as the return of the dedication and efforts of its staff over the past eight years.

The success of the Group in 2010 marked a significant milestone in its development and enhanced its recognition and reputation. It also strengthened the confidence and competitiveness of the corporate development of the Company. Proceeds from the global offering of the Company and its extensive management experience over the years, excellent operation model and substantial capital support will also expedite the future growth of the Group.

Annual Results

In 2010, the accelerating urbanization and economic development of China boosted the surge in demand while the implementation of the low-carbon economic development policy facilitated the extensive use of clean energy such as natural gas. During the year, with the dedication of the entire staff of the Group, the Company recorded substantial growth in its operating results. Revenue amounted to RMB251,267,000, representing an increase of 40.2% as compared with 2009. Profit attributable to owners of the Company amounted to RMB72,528,000, representing an increase of 63.7% as compared with 2009. Earnings per share amounted to RMB0.12, representing an increase of 71.4% as compared with 2009. Gross profit margin of sale of gases of the Group in 2010 was 14.2%. The increase was mainly due to the stable growth in the sale of gases of the Group and the increase in the proportion of CNG business and sale of gases for industrial and commercial uses which were of higher profit margin. In 2010, the number of new residential users was 53,822, representing an increase of 27.9% as compared with 2009. As at the end of 2010, the number of users of various types was 163,717, which was mainly due to the urbanization and the rapid growth of natural gas coverage in the areas in which the Group operates. It reflects the future growth potential of the market. The net profit margin of the overall business of the Group in 2010 was 29.2%. It was mainly due to the excellent asset operation and cost control of the Group.

Corporate Management

In 2010, the Group maintained satisfactory cost control. Distribution cost and administrative expenses accounted for 7.4% of its turnover. The control standards of the transmission error in sale of gases and the installation cost of connection business were similar to the level of its leading peers in the industry. The Group continued the extension of the application of its information management platform. The information management model was adopted in the operation management, administrative management, financial management, capital management and investment management to enhance corporate management efficiency. Corporate data analysis and information integration for management's decision-making were carried out to ensure decision-making efficiency and operation quality. The Group continued to strengthen team cooperation and recruitment. The Group provided continuous training to cultivate the expertise and integration ability of staff and offered outstanding staff with opportunities for further studies in related fields. A group of professional young employees with outstanding performance was selected to the management team as the major support for future development of the Group. Adhering to its principle of "creating business and return together", the Group considers excellent corporate system as one of its core competitive edges for corporate development. It has further improved its operation management to create a special operation management model with "a mechanism of efficient decision-making, strong execution, flexible operation and exceptional distribution".

Outlook of 2011

In 2010, natural gas consumption in China increased by 18.2%, representing the fastest growth in terms of major energy consumption. In the next 5 years, the demand for natural gas in China will increase by at least 2.5 times. The proportion of primary energy consumption structure of natural gas will increase from 3.9% to 8%. The Twelfth Five-Year Plan of China clearly states that development of clean energy will be accelerated while energy saving and emission reduction will be reinforced. It also states that the supply of natural gas will be enhanced while the establishment of energy transmission and distribution network will be strengthened. It is foreseeable that the natural gas industry will enter a period of rapid development. In 2011, the Second West-East Gas Transmission Pipeline will commence operation and the construction of the Third and the Fourth West-East Gas Transmission Pipeline will be commenced. The Group currently has 17 major natural gas pipelines under planning and construction. Projects such as the transport of Russian natural gas to the region and Offshore Gas pipelines (海氣登陸) are also in progress. By focusing on the development of a resource-saving and environmental-friendly society, the PRC government put great effort in adjusting the economic structure and the mode of growth. The government also encouraged capital investment in energy production, transmission and distribution through implementing various policies. These factors will bring new historic development opportunities to the natural gas industry in China.

In view of new historic opportunities in 2011, the Group will capitalize on the Company's experience and knowledge in gas operation and management over the years and the opportunity brought by the Company's listing to double the growth of the Group. On one hand, the Group will launch its nationwide business layout to strengthen the establishment of its gas production base and increase the investment in long distance natural gas transmission and distribution projects. By expediting the business development of CNG and LNG filling stations, the quality of operating assets of the Group will be further enhanced. On the other hand, the Group will accelerate the acquisition of urban gas operating projects. Through multi-region industry consolidation and merger of enterprises through different methods, the governance of the Group will be replicated efficiently. As a result, the profitability of projects will rapidly increase. The Group is expected to achieve significant and rapid growth in 2011.

Acknowledges

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I would like to express my sincere gratitude to our staff members for their contributions in 2010, and extend my appreciation to the shareholders and investors for their support.

Mr. Zhang Yingcen
Chairman

30 March 2011

Earnings per share recorded a significant increase of 71.4% in 2010 as compared with that of 2009.

We aim to benefit mankind by developing clean energy. We enjoy the delights of innovation when making unremitting effort and striving for our goal.

Management Discussion and Analysis

With large market shares, huge room for development, strong supports from policies and the trend of low-carbon emission, the prospects of natural gas business are brilliant.

Industry Review

Structure and Development Trend of China's Energy Industry

China's accelerating urbanization and economic development stimulated the increase of energy demand. As an economical, efficient and clean energy source, natural gas has become indispensable in the low-carbon economic development of China. It has also become one of the major strategic energy sources of China.

Over the last decade, the consumption of natural gas recorded robust growth. The consumption of natural gas was only 24.5 billion cubic meters in 2000 and reached 108 billion cubic meters in 2010. According to the preliminary audit under the Publication of Statistics of the National Economic and Social Development of the People's Republic of China for 2010 of the National Bureau of Statistics of China, the annual energy consumption in 2010 amounted to 3,250 million tons of SCE, representing an increase of 5.9% as compared with last year. The consumption of coal, crude oil, natural gas and electricity increased by 5.3%, 12.9%, 18.2% and 13.1% respectively. China's energy consumption per unit of gross domestic product in RMB10,000 decreased by 4.0%. As compared with the bulletins of the past 5 years, the average increase of natural gas consumption was approximately 15.5%. Meanwhile, natural gas currently accounts for only approximately 3.9% of the primary energy consumption structure and is far below the average level of Asia and the world, reflecting great development potential in the future.

As indicated in the Twelfth Five-Year Plan of the PRC government, China will continue to optimize and adjust the development of energy structure. It is expected the proportion of natural gas in the primary consumption structure will increase to 8% in 2015 from the current 3.9%. The increase of natural gas consumption will surpass that of other sources of energy such as hydroelectric power, nuclear power, solar power and wind power. As natural gas is becoming a significant source of energy for China's urban gas and industrial energy development, representing a huge market potential for sustainable development.

China's Policy on the Use of Natural Gas

In the view of the rapid urbanization and the transformation of China's economy, the PRC government undertook in 2009 that carbon dioxide emissions per unit of GDP will decrease by 40% to 45% in 2020 as compared with that of 2005.

The increase in the operating revenue amounted to 40.2%, and its contribution to the results of the Group was further enhanced.

With a bright prospect and steady development, China Tian Lun Gas Holdings Limited will repay its shareholders with its rapid and sound growth.

Recently, more policies have been introduced by the government to optimize the energy structure and encourage the development of natural gas. China focused on the promotion of new energy as well as energy-saving and emission reduction by promulgating various polices including the Medium-to-Long-Term Development Plan for Renewable Energy (《可再生能源中長期發展規劃》), Policies on Natural Gas Utilization, the Notice of Issuing Comprehensive Plan of Energy-saving and Emission Reduction by the State Council (《國務院關於印發節能減排綜合性工作方案的通知》) and the Implementation Plan of Public Energy-saving and Emission Reduction (《節能減排全民行動實施方案》).

The National Development and Reform Commission clearly states in the Overall Requirement and Task of Energy Development of 2010 (《2010年能源工作總體要求和任務》) that it will accelerate the development of natural gas. China will maintain the increase in natural gas production by enhancing the development of major gas field in middle and western China and offshore natural gas. The use of offshore natural gas resources will increase, especially in the international LNG market. Focus will be put on the development of unconventional natural gases such as shale gas, coalbed gas and coal-based natural gas. Cooperation in exploration and development of natural gas resources with neighbouring countries will be enhanced. The government will also accelerate the domestic pipeline construction for natural gas. Efforts will be made to strengthen peak-loading capacity, management of natural gas consumption and the regional coordination of peak-loading capacity.

As clearly stated in the Outline of the Twelfth Five-Year Plan for National Economic and Social Development (《我國國民經濟和社會發展十二五規劃綱要》), During the period of the Eleventh Five-Year Plan, China will enhance the management of emission reduction, and facilitate the reform of the production and utilization of energy. It will also strive for energy-saving development and domestic reduction in energy consumption to diversify its development and protection of the environment. It will also enhance the mutual cooperation with the international markets and optimize energy structure. It will establish a safe, stable, economical and clean modern energy industry. It will facilitate the diversified development of clean energy. Exploration of natural gas will be increased to boost the growth of natural gas production. China will optimize the layout of energy development. The focuses of national energy development layout and establishment will be coordinated. On-spot processing ability will be enhanced to reduce long-distance transportation of large amount of primary energy. Reasonable planning of the establishment of energy reserve facilities will be made to enhance the comprehensiveness of the oil reserve system, improve the establishment of natural gas reserve facilities and strengthen contingent peak loading capacity. China will enhance the energy transportation pipelines by accelerating the construction of strategic oil and gas pipelines in north-western, north-eastern and south-western China and pipelines for imported offshore oil and gas. As such, the major domestic oil and gas pipeline network will be optimized. The government will also coordinate the pipelines for the import of natural gas, LNG stations and major cross-region gas transportation and distribution pipeline networks.

China focused on the development of the natural gas industry by enhancing the exploration of domestic resources, increasing excavation and expanding production capacity. It also imported natural gas resources and reinforced the planning and construction of natural gas pipelines. It is foreseeable that the sufficient natural gas in the future will render a promising prospect for the rapid development of natural gas projects in various regions.

Business Review

The major businesses of the Group are gas pipeline connection, transportation and sales of pipelined gas as well as construction and operation of automobile gas station. The operating results of the Group in 2010 were generated from the existing operating areas. Since the successful listing during the year, the Group has devoted to diversify its business and expand its urban gas operations, which achieved remarkable results. The Group believe these new projects will contribute to the growth of business in 2011.

Great oaks from little acorns grow. China Tian Lun Gas Holdings Limited with its rich industry experience, standardized management and wealth of talents is confident in developing foothold across China.

Development of New Projects

The Group has strived to realize a rapid growth of its businesses, maximize the returns for its shareholders and serve the community through a series of major investments and mergers and acquisitions. Upon the successful listing of the Group, the management has devoted significant resources in the development of new projects and achieved excellent results in this regard.

The Group has acquired 1 urban gas operation region and 1 operation region for automobile gas station in Heqi Industrial district, and has planned to acquire 9 urban gas operation regions in Gaoxin District in Puyang, Minquan and Yucheng in Henan Province, Tongyu, Dunhua, Panshi, Daan, Jiutai and Zhenlai in Jilin Province and 10 operation regions for automobile gas station in Henan Province and Jilin Province. It is believed that the completion of these new projects will bring a better growth and development for the Group in the future.

The Group planned to acquire one gas production and processing base in Sichuan Province, one of the major source of natural gas in China. The annual production capacity of the project is 390 million cubic metres of LNG or Combined Welding-cutting Gas (compose of 99.2% natural gas and a small amount of addictives) and the daily production capacity is approximately 1.2 million cubic metres of LNG, which rank high in China in terms of production scale. The project is at the stage of equipment installation and trial production, it is expected to commence production at the beginning of the second half of 2011. In addition to the promising outlook, the Group considers the project can bring massive competitive advantages for expansion of urban gas business to the surrounding provinces. It is significant to the long term development of the Group as its business entered the upstream of urban gas industry through the project.

Capitalizing on the opportunities of the Second West-East Gas Transmission Pipeline and Sichuan-to-East China Gas Project, the projects of the Group in Henan Province will continue to develop and expand to those cities without pipelined gas. The Group will also continue to identify pipelined gas projects with remarkable results for merger, acquisition and cooperation.

In addition to Henan Province, the Group will continue to expand its business in other regions in China. The development strategy aims at developing gas source production and processing projects in major gas sources in China, enhancing competitiveness of urban gas business surrounding the gas sources and increasing investments in CNG and LNG-end gas station with its large-scale gas source advantages. Moreover, the Group intends to establish a specialized energy technology research and development institute to closely monitor investment opportunities of new energies related to gas.

Gas Pipeline Connection

The Group is engaged in the gas pipeline connections operation and provides property developers and commercial and industrial users with laying and installation services. During the year, the Group was dedicated to increase the connection rate of gas projects with a continuing and rapid growth in the overall connection rate. The continuing and rapid growth of new pipeline connection will generate more revenue for the Group. The Group believes that the sales of gas will increase significantly due to the rapid increase of pipeline connection.

In 2010, as a result of the investment in pipeline construction, the boost of real estate market and the construction of governmental-subsidized housing, the Group's connection volume surpassed its annual target. For the years ended 31 December 2010 and 2009, revenue generated from gas pipeline connection business was approximately RMB136,888,000 and RMB90,624,000 respectively. In 2010, revenue generated from gas pipeline connection business increased by 51.1% as compared to the corresponding period of 2009.

Residential Market

During the year, the Group connected natural gas pipelines for 53,822 residential users, representing an increase of 27.9% as compared with the new pipeline connections last year. In 2010, as the residential market maintained continuous growth and the market conditions continued to improve, the number of new residential users exceeded the target of the year.

As of 31 December 2010, the penetration rate of residential gas users of the project of the Group increased to 30% from 21% at the end of 2009. According to the industrial experience, urban pipelines connections for residential users can reach more than 80.0%. Current connection rate of the Group amounts to only 30%, and the development prospect of the Group in the residential market is promising. The new urban gas project will also facilitate the growth in the number of new residential users and the retention rate of existing users.

Commercial and Industrial Markets and Others

During the year, the Group connected gas pipelines for 253 industrial, commercial and other users. As at the end of 2010, number of industrial users was 24, representing an increase of 47.0% as compared with the corresponding period last year, and the number of commercial users were 194, representing an increase of 35.9% as compared with the corresponding period last year. As at the end of 2010, the total number of industrial and commercial users of all projects of the Group amounted to 966.

The implementation of Circular Economy Promotion Law, execution of the Twelfth Five-Year Plan and the increasing number of industrial enterprises moving towards inland area where abundant human resources are located have created opportunities for the expansion of commercial and industrial markets of the Group. In addition, it is believed the Group can take advantage of its established gas production and processing capabilities to grasp the opportunities to strengthen the development of industrial and commercial markets.

Sales of Pipelined Gas

During the year, the Group sold 56,670,000m^3 of gases, of which 37,840,000m^3 were natural gas, representing an increases of 34.6% as compared with last year. The volume of gas sold to residential users, industrial and commercial users and other users and vehicle users accounted for 30.6%, 55.4% and 14.0% respectively.

With the commencement of operation of the Second West-East Gas Transmission Pipeline and the completion of natural gas conversion for the Shangjie project company, the development for the sales of pipelined gas business has turned to a new page. In addition, the substantial increase of new users in 2010 will bring satisfactory growth in the gas sales of the Group. The Group's production and processing base of gas sources in Guangyuan, Sichuan is scheduled to commence operation in the second half of 2011, which is expected to result in a substantial increase in the sales of gas of the Group, and will benefit the development of industrial users and investment in gas filling station.

Customer Services

The Group attached great importance to customer services. The Group continued to improve the quality of customer services and established a well-organized system of customer services to maintain good relationships between the customers and the Company. In particular, a 24-hour one-on-one service model was implemented for industrial and commercial users so as to facilitate further development of the Group's businesses.

Each project company of the Group has set up a 24-hour customer service hotline to ensure prompt response to the feedbacks and requests of customers. The project companies of the Group regularly visited the customers to understand their awareness of gas safety and conduct safety inspection for the gas equipment. The project companies also promoted safety use of natural gas through the media, direct communication with customers in the public occasions and regular distribution of safety gas usage manual.

Safety and Risk Management

The Group put emphasis on safety operation and formulated strict quality control standards such as safety system and standards and contingency plans. All of its staff has strictly complied with the quality control standards to ensure safety operation.

The Group provided education and training for its staff from time to time to strengthen their safety awareness. A 24-hour surveillance system was set up and implemented to monitor any potential gas accidents. Daily inspection for urban branch pipeline network was conducted for maintenance and repair. The Group has also formulated safety rules on gas usages for its users and provided regular educational publicity and instructions to the end-users based on common knowledge gas usages.

Efficient Operation Management

The Group has established an efficient management team, members of which possessed over 12 years of experience in urban pipelined gas industry in average. The management team was able to grasp the opportunities for business development in a timely manner, facilitating the Group to expand its business presence rapidly. It also demonstrated strong execution capability to improve the financial position of the project companies in a short time.

The Group believes that the operation efficiency of the projects was improved effectively by integrating and duplicating the management model of Tian Lun, particularly in respect of the operational model, cost control and human resources.

Financial Review

For the year ended 31 December 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. 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. Basic earnings per share amounted to approximately RMB0.12 (2009: RMB0.07), representing an increase of 71.4% as compared with 2009.

Revenue

The Group's revenue for the year ended 31 December 2010 amounted to approximately RMB251,267,000 (2009: RMB179,223,000), representing an increase of 40.2% as compared with 2009. The increase was mainly attributable to the increased connections of residential, commercial and industrial users driven by the market as well as the increase in the number of compressed natural gas filling stations and the users of compressed natural gas.

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. 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 the 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 the 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 the increases 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 and Gross Profit Margin

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.

The Group has attached high importance to the gas transmission loss control and cost management during the whole process of pipelined gas installation. Overall gross profit margin of the Group in 2010 maintained the leading position within the industry, increasing 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 as compared to other gas products of the Group.

Distribution Cost and Administrative Expenses

The Group has exerted great efforts in its corporate cost control, and strived to enhance its profits by reducing costs. The Group has maintained a leading position in the industry in terms of cost management. Its operation efficiency was enhanced through the implementation of a comprehensive budgeting system and meticulous process management, the refinement of incentive mechanism and optimization of resource allocation, realizing better values to its shareholders.

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.

The Group's administrative expenses for the year ended 31 December 2010 increased by approximately 64.9% to approximately RMB16,036,000, as compared with approximately RMB9,723,000 for the year ended 31 December 2009. The increase was primarily due to (i) increase of service fee of engaging intermediary institution for listing as compared with the corresponding period last year; (ii) increases in headcounts and the average salaries and benefits of the employees due to business needs.

Liquidity and Financial 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 of the shares of the Company on 10 November 2010 (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.

For the year ended 31 December 2010, the Group has total borrowings of RMB31,429,000, of which 79.8% was recorded as current liability and was due within one year. The Group's gearing ratio for the year ended 31 December 2010 was 16.8%, which was significantly lower than the average of the industry. Leveraging on its good relationship with banks and its good credit rating, the Group intends to obtain credit limit from banks and other financial institutions, to support the development of new projects with an aim to create better returns for the shareholders.

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. In view of the Group's existing business scale, the Group has sufficient cash flow to meet its operational needs, and to fund the development of new projects and investment in construction.

Contingent Liabilities

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

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.

Capital expenditures

Our principal requirements for capital expenditures are in relation to the expansion of the facilities, major maintenance, modernization of our 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.

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%. As at 31 December 2010, the cash and cash equivalents amounted to approximately RMB409,454,000, representing an increase of approximately RMB394,594,000 from 2009. Approximately 74.7% of the cash and cash equivalents was denominated in Renminbi and the other approximately 25.3% was denominated in Hong Kong dollars.

The Group's gearing ratio calculated 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.

Risk in foreign exchange

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. The Group has not adopted formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the year ended 31 December 2010.

Pledge of assets of the group

Details of the Company's pledge assets as at 31 December 2010 are set out in note 18 to the consolidated financial statements.

Employees

As at 31 December 2010, the total number of employees of the Group was 304. During the year, the staff costs (including directors' remuneration in the form of salaries and other allowances) was approximately RMB7,952,000.

Significant investment held

The Group did not have significant investment held as at 31 December 2010.

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.

Human talents are unlimited.
Strong developing strategies and remarkable execution capabilities of the Group are the keys to success.

Directors and Senior Management

Directors

Executive Directors

Mr. Zhang Yingcen (張瀛岑先生), aged 48, the founder and the Chairman of the Board. Mr. Zhang was appointed as a Director on 20 May 2010 and redesignated as an Executive Director on 13 October 2010. He is also the Chairman of the Remuneration Committee and the Nomination Committee of the Company. He is responsible for the overall strategic planning of the Group and has involved in leading the development and investment of the business of the Group in the PRC. Mr. Zhang has more than fourteen years of management experience, including nine years of experience in the management of gas enterprises. Mr. Zhang was the Chairman of certain subsidiaries of the Company. In January 2001, Mr. Zhang received the certificate of graduation in advanced EMBA program from Enterprise Research Center of Peking University* (北京大學企業研究中心EMBA課程高級研修班結業證書). Mr. Zhang cares for the society and holds positions in other associations and national authorities. He was appointed as a representative of the 11th National People's Congress of the PRC* (中華人民共和國第十一屆全國人民代表大會代表) since January 2008 and is currently the Vice Chairman of the Industrial and Business Association in Henan Province* (河南省工商業聯合會副主席).

Mr. Xian Zhenyuan (冼振源先生), aged 36, is an Executive Director and the General Manager of the Company. Mr. Xian was appointed as an executive Director on 13 October 2010. He is responsible for the overall management of the Group. Mr. Xian has eight years of experience in the management of gas enterprises. Mr. Xian joined the Group in 2003, and has been directors and general managers of certain subsidiaries. Mr. Xian obtained a bachelor's degree majoring in International Trade from Southeast University* (東南大學) in the PRC in July 1997 and obtained a master's degree majoring in Accounting from Macquarie University in Australia in April 2003.

Mr. Feng Yi (馮毅先生), aged 32, was appointed as an Executive Director and the Deputy General Manager of the Company on 13 October 2010. He joined the Group in March 2008 as the Director and Deputy General Manager of Henan Tian Lun Gas Group Limited. He is responsible for the strategic investment planning and corporate financing activities of the Group. Mr. Feng has nine years of experience in corporate investment and financing. Prior to joining the Group, he served as an investment specialist in the Strategic Investment Department of Zhengzhou Yutong Bus Co., Ltd* (鄭州宇通客車股份有限公司) between July 2002 and April 2005. He was the assistant to chairman and vice general manager of Henan Yatai Commercial Consultation Co., Ltd* (河南雅泰商務諮詢服務有限公司) in Henan Province (the Zhengzhou Branch of 21 Century Real Estate in the PRC* (21世紀不動產（中國）鄭州區域分部)) from April 2005 to August 2006. Mr. Feng was the assistant to the General Manager and the Vice General Manager of Henan Tian Lun Gas Engineering Investment Limited between September 2006 to November 2009. Mr. Feng obtained a bachelor's degree in International Trade from Southwestern University of Finance and Economics* (西南財經大學) in the PRC in July 2002.

Mr. Sun Heng (孫恒先生), aged 53, was appointed as an Executive Director and the Deputy General Manager of the Company on 13 October 2010. He joined the Group in November 2004. He is responsible for the operation and management of certain project companies in Hebi. Mr. Sun is also the Director and General Manager of certain subsidiaries of the Company. Prior to joining the Group, Mr. Sun worked in Luoyang Liquidified Gas Co., Ltd* (洛陽市液化氣公司) from August 1993 to October 2004 and was appointed as the Chief Officer of its Operation and Sales Department and the Vice Secretary of the CPC branch of its Operation and Sales Department and Vice Manager. In June 2006, Mr. Sun was qualified as a Registered Senior Consultant for Oil and Gas Business* (石油燃氣註冊高級諮詢師) by Henan Consultation Association of Science & Technology* (河南省科技諮詢業協會) upon the confirmation of Henan Provincial Department of Science and Technology* (河南省科學科技廳). He received a diploma of Economics* (經濟專業班) from Party School of the Henan Committee of CPC* (中國共產黨河南省委黨校) through correspondence course in July 1991.

Non-executive Directors

Mr. Zhang Daoyuan (張道遠先生), aged 25, was appointed as a Non-Executive Director on 13 October 2010. He is the son of Mr. Zhang Yingcen and one of the Controlling Shareholders. Mr. Zhang has served as an assistant to General Manager of Henan Tian Lun Real Estate Limited since December 2007. Mr. Zhang graduated from Griffith University in Australia in November 2007 and obtained a bachelor's degree majoring in finance.

Independent Non-executive Directors

Mr. Chang Zongxian (常宗賢先生), aged 52, was appointed as the Independent Non-Executive Director on 13 October 2010. Mr. Chang is also a Committee Member of the Audit Committee and the Nomination Committee of the Company. Mr. Chang has extensive management experience in the gas industry. Mr. Chang was the chairman of Zhengzhou Gas (Group) Co., Ltd* (鄭州燃氣集團有限公司) from 2000 to 2007. He was also a Non-Executive Director between 2001 and 2005, and a Supervisor between 2005 and 2007 of Zhengzhou Gas Company Limited* (鄭州燃氣股份有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 3928). Mr. Chang was also the Chairman of White Dove Group Co., Ltd* (白鴿集團有限責任公司) from 2001 to 2003. Mr. Chang has been the Chief Executive Officer of Samost Photoelectrical Scientific Stock Co., Ltd* (生茂光電科技股份有限公司) since January 2010. Mr. Chang graduated from School of Business of Hunan University* (湖南大學商學院) in the PRC in January 1996 and obtained a master's degree in science. Mr. Chang was appointed as the Deputy General Secretary of People's Congress of Zhengzhou City* (鄭州市人大常委會) since March 2009. He was also appointed as a representative of the Tenth People's Congress of Henan Province (河南省第十屆人民代表大會) in December 2002.

Mr. Li Liuqing (李留慶先生), aged 37, was appointed as the Independent Non-Executive Director on 13 October 2010. Mr. Li has over nine years of experience in accounting and auditing, gained from his employment with Henan Suntront Tech Co., Ltd* (河南新天科技股份有限公司) and Henan Branch of Ascenda Certified Public Accountants Ltd.* (天健正信會計師事務所有限公司). Mr. Li is a Director and Chief Financial Officer of Henan Suntront Tech Co., Ltd* (河南新天科技股份有限公司) since October 2009. He served as a Senior Manager and a Vice Branch Manager of Henan Branch of Ascenda Certified Public Accountants Ltd.* (天健正信會計師事務所有限公司) from January 2000 to November 2009. Mr. Li graduated from Henan University of Finance and Economics (河南財經學院) in December 1998 with a bachelor's degree in Accounting by way of self-studied examination. He then obtained a postgraduate certificate majoring in Corporate Management from Tianjin University of Finance and Economics* (天津財經大學) in July 2000. Mr. Li has passed the Certified Public Accountant examination in the PRC in May 1998.

Mr. Zhang Jiaming (張家銘先生), aged 30, was appointed as the Independent Non-Executive Director on 13 October 2010. Mr. Zhang is also a Committee Member of the Remuneration Committee of the Company. Mr. Zhang served as an assistant head of a department in T&T Supermarket Inc. He has served as an assistant to General Manager and Vice General Manager of Henan Huaxing Investment Co., Ltd* (河南華星投資有限公司) since September 2009. Mr. Zhang obtained a bachelor of management degree from the University of Lethbridge in Alberta, Canada in May 2008.

Ms. Zhao Jun (趙軍女士), aged 48, was appointed as the Independent Non-executive Director on 13 October 2010. Ms. Zhao is also a Committee Member of the Audit Committee, Remuneration Committee and the Nomination Committee of the Company. Ms. Zhao worked in the Post Office of Zhengzhou City* (鄭州市郵政局) and Postal Transportation Bureau of Henan Province* (河南省郵政運輸局) and served as a Lecturer, Education Officer (教育主管) and Occupational Testing Officer (職業技能鑒定站主任) successively from April 1986 to April 2010. Ms. Zhao has served as a Director of Human Resources in Shanghai Shibang Machinery Co., Ltd.* (上海世邦機器有限公司) since April 2010. She obtained a bachelor's degree majoring in Agricultural Machinery repair from Agricultural Machinery Department of Henan Agricultural University* (河南省農學院) in the PRC in July 1984.

Senior Management

Mr. Du Qin (杜欽先生), aged 59, has been a Director and General Manager of Xuchang Tian Lun Gas Limited since he joined the Group in July 2009, and is responsible for the overall operational management of this company. Mr. Du has over 36 years of experience in operational management of large state-owned corporations gained from his experience with Luoyang Copper Group* (洛陽銅加工集團有限公司). Prior to joining the Group, he worked for Luoyang Copper Group* (洛陽銅加工集團有限公司) from December 1975 to June 2009, and served as an assistant to general manager of Luoyang Copper Group*. Mr. Du obtained a master degree in Economics from Renmin University of China* (中國人民大學) in the PRC in January 1998.

Mr. Xie Chaoyang (謝朝陽先生), aged 48, joined the Group in 2002. Since joining the Group, he has served as the Vice General Manager and Chief Engineer of Henan Tian Lun Gas Group Limited, the General Manager of Xuchang Tian Lun Gas Limited, the Chairman and General Manager of Xuchang Tian Lun Vehicle-use Gas Limited and the General Manager of Zhengzhou Shangjie Tian Lun Gas Limited since June 2009. Prior to joining the Group, he worked for Hebi Coal Gas Co., Ltd* (鶴壁市煤氣公司) and acted as Vice Manager and Vice Secretary of CPC General Branch from May 1998 to December 2002. He obtained a diploma in Mathematics* (數學系數學專業文憑) from Zhengzhou University* (鄭州大學) in the PRC through correspondence course in July 1986.

Mr. Wang Jun (王軍先生), aged 60, joined the Group in January 2010 and served as the Chief Engineer of Henan Tian Lun Gas Group Limited, responsible for its general technology and engineering management. Mr. Wang has extensive experience in technical services and business planning of large gas corporation. Mr. Wang was the Chief Engineer of Henan Tian Lun Gas Engineering Investment Limited from February 2009 to January 2010. Prior to joining the Group, Mr. Wang served as the Senior Engineer and the Head of Equipment Management Department for Zhengzhou Gas Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3928), from May 1987 to April 2004. Mr. Wang also served as a technical consultant for Zhongyu Gas Holdings Ltd, a company listed on GEM on the Stock Exchange (Stock Code: 8070) from August 2004 to October 2008. He obtained a bachelor's degree majoring in Chemical Machinery from Zhengzhou University of Technology* (鄭州工學院) in the PRC in September 1975.

Mr. Li Xinjian (李新建先生), aged 40, the Chief Financial Officer of the Company, joined the Group on December 2009 and served as Manager of the Finance Department of Henan Tian Lun Gas Group Limited and was responsible for financial management of the Group. He has been the Manager of the Financial Department of Henan Tian Lun Gas Engineering Investment Limited since May 2004 until December 2009. Mr. Li has extensive experience in corporate financial management. Prior to joining the Group, Mr. Li served various positions such as Head and Deputy Head of Capital Division of Financial Department and the Head of Financial Department of White Dove (Group) Company Limited* (白鴿(集團)股份有限公司), (now known as Zhong Yuan Environmental Protection Co., Ltd* (中原環保股份有限公司), a company listed on Shenzhen Stock Exchange, Stock Code: 000544), from February 2002 to April 2004. Mr. Li obtained a diploma in Foreign Accounting from Xian University of Technology (西安理工大學) in the PRC in July 1994 and a master degree in Business Administration from the Guangxi University (廣西大學) in the PRC in June 2009.

Company Secretary

Mr. HUNG, Man Yuk Dicson (洪旻旭先生), aged 36, was appointed as the company secretary of the Company in October 2010. Mr. Hung obtained a master's degree majoring in Finance from The Curtin University of Technology in November 2002. Mr. Hung was admitted as an associate member of Hong Kong Institute of Certified Public Accountants (previously, The Hong Kong Society of Accountants) in July 2004 and a fellow member of The Association of Chartered Certified Accountants in United Kingdom in November 2006. From May 2007 to December 2008, Mr. Hung was the qualified accountant and the company secretary of Zhongtian International Limited, a company listed on the Stock Exchange (Stock Code: 2379). Since December 2007, he has been the General Manager of Lead & Partners Limited, a secretarial company in Hong Kong. Since December 2009, Mr. Hung has been the Director to the Professional Consultancy and Advisory Services Department of LEAD CPA Limited, a chartered public accountant firm in Hong Kong. Since July 2010, he has been the company secretary of Come Sure Group (Holdings) Limited, a company listed on the Stock Exchange (Stock Code: 794).

* *For identification purpose only*

Directors' Report

The Directors are pleased to present the annual report for the year ended 31 December 2010 together with the audited consolidated financial statements to the Shareholders.

Corporate Reorganisation

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 20 May 2010.

Pursuant to the group reorganisation (the "Reorganisation") in preparation of the listing of the shares of the Company on the Mainboard of the Stock Exchange, the Company became the holding company of the group formed after completion of the Reorganisation.

Details of the Reorganisation are set out in the paragraph headed "History and Corporate Structure" and in Appendix VI "Statutory and General Information" to the prospectus of the Company dated 27 October 2010.

The Company's shares were listed on the Mainboard of the Stock Exchange on 10 November 2010.

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2010 are set out in note 10 to the consolidated financial statements.

Principal Business

The Company is an investment holding company whose subsidiaries are principally engaged in the investment, operation and management of gas pipeline connections, transportation, distribution and sales of pipelined gas, and distribution and sales of compressed natural gas filling stations in the People's Republic of China (the "PRC")

Summary Financial Information

A summary of the published results and assets, liabilities and equity of the Group for the last four financial years, as extracted from the financial statements and the Prospectus, is set out on page 128 of this report. This summary does not form part of the consolidated financial statements in this annual report.

Use of Proceeds from Global Offering

The proceeds received by the Company from the Global Offering on 10 November 2010, after deducting the relevant costs of Global Offering, together with the proceeds from the exercise of 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 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 the 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	7.8
Total	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.

Dividends

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

Reserves

The details of the movements of reserves of the Company and the Group during the year is set out in note 15 to the consolidated financial statements.

Biographies of Directors and Senior Management

The biographies of Directors and senior management are set out in the section headed "Directors and Senior Management" in this annual report.

Management Contracts

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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 rights to attend the forthcoming annual general meeting of the Company, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong 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 for registration not later than 4:30 p.m. on Monday, 30 May 2011 for the purpose of register.

Bank Borrowings

Details of bank borrowings of the Group are set out in note 18 to the consolidated financial statements.

Directors and Service Contracts

The Directors up to the date of this report are set as follows:

Executive Directors	Mr. Zhang Yingcen *(Chairman)*
	Mr. Xian Zhenyuan
	Mr. Feng Yi
	Mr. Sun Heng
Non-executive Director	Mr. Zhang Daoyuan
Independent non-executive Directors	Mr. Chang Zongxian
	Ms. Zhao Jun
	Mr. Zhang Jiaming
	Mr. Li Liuqing

Each Director has entered into a service contract with the Company. The service term of executive Director and non-executive Director is from 10 November 2010 to 9 November 2013 whereas the service term of independent non-executive Director is from 10 November 2010 to 9 November 2012. These service contracts may be terminated by either party giving not less than three months' prior notice in writing. As at 31 December 2010, none of the Directors of the Company has a service contract with the Company which is not determinable within one year without payment compensation, other than statutory compensation.

Directors' Interests in Contracts

Save as contracts regarding the Reorganisation and the offering relating to the listing of shares of the Company, none of the Company or any of its subsidiaries had entered into a significant contract in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

Competing Interests

Save as disclosed in the paragraphs headed "Deed of Non-competition" under the section "Relationship with Our Controlling Shareholders and Their Associates" in the Prospectus and details of the intention to exercise option regarding Puyang Tian Lun as set out in the announcement of the Company dated 25 March 2011 and under the section "Events after reporting period" in this report, none of the Directors, and the substantial shareholders had any interest in any business, which competed with or might compete with the business of the Group.

The Board has established a committee (the "Committee") comprising all the independent non-executive Directors which was delegated with the authority to review on an annual basis of the non-competition undertakings (the "Non-competition Undertakings") given by Mr. Zhang Yingcen, Mr. Zhang Daoyuan, Ms. Sun Yanxi, Chequers Development Limited, Goldshine Development Limited, Tian Lun Group Limited (collectively, the "Covenantors") in the deed of non-competition entered into by, among others, the Covenantors dated 20 October 2010 (an extract of the material terms of the Non-competition Undertakings had been set out in the Prospectus). The Covenantors confirmed that (a) they have provided all information necessary for the enforcement of the deed of the non-competition as requested by the Committee from time to time; and (b) from the effective date of the Non-competition Undertakings and up to 31 December 2010, they had complied with the Non-competition Undertakings. The Committee also confirmed that they did not aware of any non-compliance with the Non-competition Undertakings by the Covenantors during the same period.

Exercise of the option regarding Puyang Tian Lun Gas Limited

All the independent non-executive Directors have reviewed and decided that the Company shall not exercise the option (the "Option") granted by Mr. Zhang Yingcen, Ms. Sun Yanxi, Mr. Zhang Daoyuan and Henan Tian Lun Gas Engineering Investment Limited (collectively, the "Grantors"), under which the Company has the right to acquire the entire equity interests in Puyang Tian Lun Gas Limited ("Puyan Tian Lun") and/or right of first refusal if the Grantors intend to sell any of the equity interests in Puyan Tian Lun (the "Right of First Refusal") from the grant date of the Option, the Right of First Refusal and up to 31 December 2010 as Puyan Tian Lun had not yet obtained the Gas Operation Permit for its commencement of operation and no intention of selling of the equity interests in Puyan Tian Lun by the Grantors had been notified to the Company during the same period. An extract of the material terms of the Option and the Right of First Refusal had been set out in the Prospectus.

Confirmation of Independence of Independent Non-Executive Directors

The Board confirmed that it has received from each of the independent non-executive Directors an annual confirmation of her or his independence and considers, based on the confirmations received, the independent non-executive Directors remain independent.

Remuneration Policy

The Directors and senior management of the Company receive compensation in the form of fees, salaries, allowances, benefits in kind or discretionary bonuses relating to the performance of the Group. The Group also reimburse the Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to the Group or discharging their duties in relation to the operations of the Group. When reviewing and determining the specific remuneration packages for the executive Directors and senior management, the remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment elsewhere in the Group and desirability of performance-based remuneration.

Details of the remuneration of Directors are set out in note 25 to the consolidated financial statements.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 December 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Capacity/Nature of interest	Numbers of Shares held	Approximate percentage of issued share capital of the Company
Mr. Zhang Yingcen (Note 1)	Interest of controlled corporation	558,400,500	67.45
Mr. Xian Zhenyuan (Note 2)	Interest of controlled corporation	40,099,500	4.84

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

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

Notes:

(1) The entire issued share capital of Tian Lun Group Limited is held by Gold Shine Development Limited, which is in turn owned by Mr. Zhang Yingcen as to 60.0%. Tian Lun Group Limited owns 508,725,000 Shares. Therefore, Mr. Zhang is deemed or taken to be interested in all the Shares held by Tian Lun Group Limited for the purposes of the SFO. Mr. Zhang beneficially owns all shares in issue of Chequers Development Limited, which in turn owns 49,675,500 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all the Shares held by Chequers Development Limited for the purposes of the SFO. Mr. Zhang is the director of Tian Lun Group Limited, Gold Shine Development Limited and Chequers Development Limited.

(2) Mr. Xian Zhenyuan beneficially owns 80.0% of the issued share capital of Pleasant New Limited, which in turn owns 40,099,500 Shares. Therefore, Mr. Xian is deemed or taken to be interested in all the Shares held by Pleasant New Limited for the purposes of the SFO. Mr. Xian is the sole director of Pleasant New Limited.

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section of "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" in the above, at no time during the year was the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Long Positions in the Shares and Underlying Shares of the Company

To the knowledge of the Directors, as at 31 December 2010, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons (except the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares

Name	Capacity/Nature of interest	Numbers of Shares held	Approximate percentage of issued share capital of the Company
Tian Lun Group Limited	Beneficial owner	508,725,000	61.45
Gold Shine Development Limited (Note 1)	Interest of controlled corporation	508,725,000	61.45
Chequers Development Limited	Beneficial owner	49,675,500	6.00
Ms. Sun Yanxi ("Ms. Sun") (Note 2)	Interest of spouse	558,400,500	67.45

Substantial Shareholder of Subsidiary

Name of Director	Name of subsidiary	Capacity/ Nature of interest	Approximate percentage of interest held
Zhengzhou Chengxin Assets Management Limited	Zhengzhou Shangjie Tian Lun Gas Limited	Beneficial owner	10

Notes:

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

(2) The entire issued share capital of Tian Lun Group Limited is held by Gold Shine Development Limited, which is owned by Mr. Zhang Yingcen as to 60.0%. Tian Lun Group Limited owns 508,725,000 Shares. Therefore, Mr. Zhang is deemed or taken to be interested in all the Shares held by Tian Lun Group Limited for the purposes of the SFO. Mr. Zhang beneficially owns all shares in issue of Chequers Development Limited, which owns 49,675,500 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all the Shares held by Chequers Development Limited for the purposes of the SFO. Ms. Sun is the spouse of Mr. Zhang, therefore Ms. Sun is deem or taken to be interested in all the Shares in which Mr. Zhang is interested for the purpose of the SFO.

Except for the disclosed above, as at 31 December 2010, the Directors were not aware of any interests or short positions in the Shares and underlying shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under Section 336 of the SFO, except those held by directors or chief executives of the Company.

Share Option Scheme

As to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 13 October 2010 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "Shares") to, inter alia, any employees (full-time or part-time), directors, consultants and advisers or any substantial shareholder, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on 10 November 2010 and shall be valid and effective for a period of ten years commencing on 13 October 2010, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10.0% of the shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

The total number of securities available for issue under the Scheme as at the date of this report was 79,800,000 Shares which represented 9.6% of the issued share capital of the Company as at the date of this report. The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1.0% of the Shares in issue.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

During the period between the date of the listing of shares of the Company on the Main Board of the Stock Exchange and 31 December 2010, no share option has been granted by the Company under the Scheme.

Continuing Connected Transactions

The Group entered into a long-term framework agreement of gas pipeline construction and installation with Hebi Hexiang Engineering Limited ("Hexiang Engineering") on 13 October 2010 pursuant to which that the consideration paid by the Group to Hexiang Engineering on an annual basis under the Hexiang Engineering Construction Agreement will not be more than RMB8,200,000, RMB9,500,000 and RMB11,000,000 for the three years ending 31 December 2012, respectively. The transaction amount with Hexiang Engineering for the year ended 31 December 2010 was approximately RMB7,397,000. Hexiang Engineering is principally engaged in installation of pipelines and installation of water, electricity and heat supply. It is owned as to 80% and 20% by Henan Tian Lun Investment Holdings Limited ("Henan Tian Lun Holdings") and Henan Tian Lun Gas Engineering Investment Limited ("Henan Tian Lun Engineering Investment"), respectively. Henan Tian Lun Holdings is owned as to 50%, 25% and 25% by Mr. Zhang Yingcen, Mr. Zhang Daoyuan and Ms. Sun Yanxi, respectively. Henan Tian Lun Engineering Investment is owned as to 80% and 20% by Henan Tian Lun Holdings and Henan Tian Lun Real Estate Limited, respectively. Mr. Zhang Yingcen is one of the controlling shareholders of the Company and a Director. Therefore, Hexiang Engineering is a connected person of the Company under the Listing Rules. The transactions with Hexiang Engineering mentioned above constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that the continuing connected transactions were (i) conducted on normal commercial terms; (ii) carried out in our Group's ordinary and usual course of business, and in accordance with the terms and agreements governing the transactions; and (iii) fair and reasonable, and in the interest of the shareholders of the Company as a whole.

The auditor of the Company has reported to the Board on matters stated in Rule 14A.38 of the Listing Rules in relation to the above continuing connected transactions.

Save as the transactions disclosed above, the Directors consider that those related party transactions disclosed in note 31 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

Key Customers and Suppliers

In 2010, sales to the largest five customers of the Group accounted for approximately 11.7% of the total revenue of the Group, while purchases from the five largest suppliers of the Group accounted for approximately 82.7% respectively of the total purchases of the Group. To the best of the Board's knowledge having made all enquiries with all Directors, neither the Directors, their associates nor shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in the Group's five largest customers or suppliers during the year.

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

Save as disclosed in the Prospectus dated 27 October 2010 and the exercise of the over allotment option of 29,925,000 Shares on 29 November 2010, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from 10 November 2010, being the listing date of Company, to 31 December 2010.

On 29 November 2010 the over allotment option (the "Over-Allotment Option") has been fully exercised on behalf of the underwriters of the international placing under the Global Offering (the "International Placing") in respect of an aggregate of 29,925,000 Shares, representing 15.0% of the Offer Shares initially available under the Global Offering before any exercise of the Over-Allotment Option, to cover over allocations in the International Placings.

The Over-allotment Shares was allotted and issued by the Company at HK$2.05 per Share ("Offer Price per Offer Share") (excluding brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%), being the final Offer Price per Offer Share in connection with the Global Offering. The additional net proceeds to be received by the Company upon allotment and issue of the Over-allotment Shares are estimated to be approximately HK$58.9 million, which will be used by the Company for the items as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus on a pro-rata basis, but in any event the amount assigned for general working capital would not be more than 10.0% of the total net proceeds from the Global Offering. As a result of exercise of the Over-allotment Option in full, the total net proceeds from the Global Offering to be received by the Company are estimated to be approximately HK$425.5 million. Details in relation to the exercise of the Over Allotment Option are set out in the announcement of the Company dated 29 November 2010.

Pre-Emptive Rights

There are no relevant provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands, and therefore the Company is not obliged to offer new Shares on a pro-rata basis to existing shareholders.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

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 million and RMB2 million respectively for the establishment of a joint venture, the registered capital of which will be held as to 90.0% and 10.0% 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. Capital Injection to 河南綠源燃氣有限公司 (Henan Luyuan Gas Limited)

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. On 31 March 2011, Henan Tian Lun, a wholly-owned subsidiary of the Company, entered into the Formal Agreement of Capital Injection with the Target Company Shareholders, pursuant to which, the Existing Target Company Shareholders agreed with the capital injection by Henan Tian Lun and Henan Tian Lun agreed with the capital injection to the Target Company. According to the agreements, Henan Tian Lun will contribute a capital of RMB25 million to the Target Company, among which, RMB23,330,000 will be injected to the registered capital while the remaining RMB1,670,000 will be utilized as the capital reserves of the Target Company. After the capital injection, Henan Tian Lun will hold 70.0% of the equity interests in the Target Company while the Target Company Shareholders will hold 30.0% of the equity interests in the Target Company through their initial capital contribution in the Target Company in the amount of RMB10 million, and Henan Tian Lun 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 (or any members of the Group) 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 2011, 24 March 2011 and 31 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 exclusive operation agreement in relation to operation of natural gas in the Heqi Industry Assemble Zone of Hebi (the "Exclusive Operation 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 exclusive operation period. According to the Exclusive Operation 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 of the Option (the "Grantors") including, among others, Mr. Zhang Yingcen and Henan Tian Lun Gas 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.

Corporate Governance

The Company has applied the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules. Since its listing on the Stock Exchange, the Company has complied with the code provisions of the Code for the year ended 31 December 2010, save for the exceptions explained in the Corporate Governance Report in this report.

Auditor

The Company has appointed PricewaterhouseCoopers as auditor of the Company for the year ended 31 December 2010. A resolution will be proposed in the forthcoming annual general meeting for the re-appointment of PricewaterhouseCoopers as the Company's auditor.

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

30 March 2011

Corporate Governance Report

Corporate Governance Code

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. The Company has complied with the Code during the period from 10 November 2010 (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 "chief executive officer", which constitutes a deviation of the code provision A.2.1 of the Code. 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 of the Code and will continue to consider the feasibility of appointing a chief executive officer.

The Model Code for Securities Transactions by Directors

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

Board of Directors

Members of the Board of Directors

As at the date of this annual report, the Board comprised the following Directors, including (i) executive Directors, Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan, Mr. Feng Yi and Mr. Sun Heng; (ii) non-executive Director, Mr. Zhang Daoyuan; and (iii) independent non-executive Directors, Mr. Chang Zongxian, Ms. Zhao Jun, Mr. Zhang Jiaming and Mr. Li Liuqing.

The biographies of all the Directors are set out in the section headed "Directors and Senior Management" in this annual report. All Directors have the relevant experiences for effectively carrying out their duties.

The Company has already appointed four independent non-executive Directors and at least one of them has accounting expertise to assist the management in formulating development strategies of the Group, and to ensure that the preparation of the financial reports and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the shareholders and the Company. The Company has received confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules, and believes that, as at the date of this annual report, they were independent of the Company in accordance with the relevant requirement of the Listing Rules.

Save as Mr. Zhang Daoyuan being the son of Mr. Zhang Yingcen, there are no other relationships among the members of the Board.

Responsibilities of Directors

All newly appointed Directors received comprehensive, formal training on the first occasion of their appointments and were ensured to have a proper understanding of the businesses and development of the Group and that they were fully aware of their responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they are continuously updated with regulatory developments, business and market changes and the strategic development of the Group. There is no change in the composition of the Board since the Listing Date.

Supply of and Access to Information

In respect of regular Board meeting, and so far as practicable in all other cases, an agenda accompanied by the relevant Board papers are sent to all Directors in a timely manner and at least 3 days before the intended date of a Board meeting.

All Directors are entitled to have access to Board papers, minutes and related materials.

The Operation of the Board

The Board is responsible for formulating the development targets and objectives, material acquisitions and disposals, material capital investment, dividend policies, the appointment and removal of directors and senior management, remuneration policies and other major operation and financial issues of the Company. The powers and duties of the Board include convening shareholders' meetings and reporting the Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining business plans and investment plans, formulating annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association.

Code A.1.1 stipulates that the Board shall convene meetings regularly with at least four board meetings every year (approximately once a quarter).

As the Company was listed on 10 November 2010, during the year ended 31 December 2010, the Board held one meeting.

The attendance of the Directors at the Board meeting is as follows:

Directors	Attendance/meeting held
Executive Directors	
Mr. Zhang Yingcen *(Chairman)*	1/1
Mr. Xian Zhenyuan	1/1
Mr. Feng Yi	1/1
Mr. Sun Heng	1/1
Non-executive Directors	
Mr. Zhang Daoyuan	1/1
Independent non-executive Directors	
Mr. Chang Zongxian	1/1
Ms. Zhao Jun	1/1
Mr. Zhang Jiaming	1/1
Mr.. Li Liuqing	1/1

In general, the notices of meetings of the Board of the Company are sent to all Directors through email and fax before the dates of meetings. In order to enable the Directors to consider the issues to be approved in the meetings with adequate time, the notices of regular board meetings will be sent to all Directors 14 days prior to the convening of the meeting while prior notification of the convening of ad hoc board meetings will be made to Directors in due course. In order to provide all Directors with a full picture of the latest operating conditions of the Company, the management representatives of the Company will report the latest operating conditions of the Company and the implementation of the issues resolved in the last Board meeting to all the Directors before the convening of the meeting.

Committees Under the Board

The Audit Committee, the Remuneration Committee and the Nomination Committee were established under the Board. These committees perform supervision and control of the Company based on their written terms of reference.

Audit Committee

The Company established the Audit Committee on 13 October 2010 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Li Liuqing (an independent non-executive Director with the appropriate professional qualifications who serves as chairman of the committee), Mr. Chang Zongxian and Ms. Zhao Jun. The Audit Committee shall meet at least twice a year.

The written terms of reference of the Audit Committee are in line with the code provisions of the Code and are available upon request and on the Company's website.

The Audit Committee had reviewed the Group's internal controls for the financial year ended 31 December 2010. The Group's final results for the year ended 31 December 2010 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this annual report, and confirmed that this annual report is complete and accurate, and complies with all relevant rules and regulations, including but not limited to the Listing Rules. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Audit Committee had not held any meetings since the Listing Date up to 31 December 2010.

Subsequent to 31 December 2010 and up to the date of this annual report, one meeting was held by the Audit Committee.

The attendance of the members of the Audit Committee at the Audit Committee meeting is as follows:

Member	Attendance/Meeting held subsequent to 31 December 2010 and up to the date of this annual report
Mr. Li Liuqing *(Chairman)*	1/1
Mr. Chang Zongxian	1/1
Ms. Zhao Jun	1/1

Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of the Directors passed on 13 October 2010. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, and to ensure that the candidates to be nominated as Directors are experienced, high caliber individuals. The Nomination Committee consists of two independent non-executive Directors, namely, Mr. Chang Zongxian and Ms. Zhao Jun and Mr. Zhang Yingcen, an executive Director and, who is the chairman of the Nomination Committee.

The written terms of reference of the Nomination Committee are in line with the code provisions of the Code and are available upon request and on the Company's website.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors and other related matters. The Nomination Committee had not held any meeting since the Listing Date up to 31 December 2010.

Subsequent to 31 December 2010 and up to the date of this annual report, one meeting was held by the Nomination Committee to review the structure, size and composition of the Board, and to assess the independence of independent non-executive Directors. The attendance of the members of the Nomination Committee at the Nomination Committee meeting is as follows:

Member	Attendance/Meeting held subsequent to 31 December 2010 and up to the date of this annual report
Mr. Zhang *(Chairman)*	1/1
Mr. Chang Zongxian	1/1
Ms. Zhao Jun	1/1

Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 13 October 2010 in compliance with the code provisions of the Code. The Remuneration Committee comprises two independent non-executive Directors, namely Ms. Zhao Jun and Mr. Zhang Jiaming and one executive directors, namely, Mr. Zhang Yingcen, who is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the code provisions of the Code and are available upon request and on the Company's website. The Remuneration Committee had not held any meeting since the Company's listing from 10 November 2010 up to 31 December 2010. Subsequent to 31 December 2010 and up to the date of this annual report, one meeting was held by the Remuneration Committee to review the remuneration policies of the Company, the remuneration packages of the Directors for the year 2010, and the proposals on remuneration packages of the Directors for the year 2010. The attendance of the members of the Remuneration Committee at the Remuneration Committee meeting is as follows:

Member	Attendance/Meeting held subsequent to 31 December 2010 and up to the date of this annual report
Mr. Zhang Yingcen *(Chairman)*	1/1
Mr. Zhang Jiaming	1/1
Ms. Zhao Jun	1/1

Appointment, Re-Election and Removal of Directors

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for an initial term of 3 years commencing from 10 November 2010 and subject to termination by either party upon giving not less than 3 months' prior written notice to the other party.

Each of the independent non-executive Directors has entered into a service contract with the Company for an initial term of 2 years commencing from 10 November 2010 and subject to termination by either party upon giving with not less than 3 months' prior written notice to the other party.

In accordance with Article 108(a) of the Articles of Association of the Company, at each annual general meeting, at least one-third of the Directors shall retire from office by rotation. Each director shall retire at least once every three years and such Directors shall include those who have been assumed the longest term of office since their last election or re-election.

In accordance with Article 108(b) of the Articles of Association of the Company, new directors appointed in the year shall retire from office by rotation and offer themselves for re-election at the forthcoming annual general meeting. As such, all Directors will retire from office in the forthcoming annual general meeting, and being eligible and if willing, offer themselves for re-election.

Directors' and Auditor's Responsibility for the Financial Statements

All Directors acknowledge their responsibility for preparing the accounts and the financial statements for the year ended 31 December 2010. The auditor to the Company acknowledge their reporting responsibilities in the auditor's report on the financial statements for the year ended 31 December 2010. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

Auditor's Remuneration

The audit fee of the Group for the year ended 31 December 2010 was RMB1,180,000, there were no significant non-audit service assignments being performed by the auditor of the Group.

Internal Control

The Board is responsible for maintaining the effective internal control system of the Group. The Board performs annual review of the effectiveness of all material supervision, including financial supervision, operating supervision, compliance supervision and risk management system, through the Audit Committee. Internal review personnel are responsible for assisting the Audit Committee in reviewing the effectiveness of the internal control system. Internal review personnel performs internal review and other relevant review regularly. They report the review results to the Audit Committee and provide the members of the committee with advice to optimize internal control. During the year, internal review personnel mainly reviewed the major risk management systems based on the internal control advice in the report formulated by external audit institutions, and reported the review results to the Board. With the support of the Board, the internal review personnel carried out improvement for the operation of the Group.

Investor Relations

The Group has already set up a designated department for investor relations and established various channels for the communication with investor, including direct line, fax and mail so as to ensure smooth communication between the Company and investors. In addition, in order to provide a full picture of the business development and prospects of the Company to the media, securities analysts, fund managers and investors, the Company held ad hoc call conferences and luncheons for them, organized visits to the Company on a regular basis and answer their inquires in a timely manner.

Communication with Shareholders

The Company endeavours to maintain an on-going dialogue with its shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation.

The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirement.

Independent Auditor's Report

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

羅兵咸永道會計師事務所
香港中環
太子大廈22樓

To the shareholders of China Tian Lun Gas Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Tian Lun Gas Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 55 to 127, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2011

Consolidated Balance Sheet

(All amounts in Renminbi ("RMB"))

	Note	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	133,668	125,377
Investment properties	7	9,556	9,511
Lease prepayments	8	8,273	2,071
Intangible assets	9	28,785	29,507
Deferred income tax assets	19	1,581	1,225
		181,863	167,691
Current assets			
Inventories	11	7,623	17,700
Trade and other receivables	12	45,813	70,752
Cash and cash equivalents	13	409,454	14,860
		462,890	103,312
Total assets		644,753	271,003
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	7,077	—
Share premium	14	454,188	—
Reserves	15	(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
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	19	—	585
Borrowings	18	6,350	35,242
		6,350	35,827

		As at 31 December	
		2010	2009
	Note	RMB'000	RMB'000
Current liabilities			
Trade and other payables	16	33,906	39,473
Advance from customers	17	41,261	43,046
Current income tax liabilities		1,506	1,634
Borrowings	18	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

The notes on pages 61 to 127 are an integral part of these financial statements.

The financial statements on pages 55 to 127 were approved by the Board of Directors on 30 March 2011 and were signed on its behalf.

Mr. Zhang Yingcen
Chairman

Mr. Xian Zhenyuan
Director

Balance Sheet

(All amounts in RMB)

	Note	As at 31 December 2010 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	10	96,002
Current assets		
Trade and other receivables	12	275,656
Cash and cash equivalents	13	95,269
		370,925
Total assets		466,927
EQUITY		
Equity attributable to owners of the Company		
Share capital	14	7,077
Share premium	14	454,188
Accumulated losses		(6,833)
Total equity		454,432
LIABILITIES		
Current liabilities		
Trade and other payables	16	12,495
Total equity and liabilities		466,927
Net current assets		358,430
Total assets less current liabilities		454,432

The notes on pages 61 to 127 are an integral part of these financial statements.

The financial statements on pages 55 to 127 were approved by the Board of Directors on 30 March 2011 and were signed on its behalf.

Mr. Zhang Yingcen
Chairman

Mr. Xian Zhenyuan
Director

Consolidated Statement of Comprehensive Income

(All amounts in RMB)

		Year ended 31 December	
		2010	2009
	Note	RMB'000	RMB'000
Revenue	5	251,267	179,223
Cost of sales	20	(133,004)	(100,393)
Gross profit		118,263	78,830
Distribution costs	20	(2,438)	(2,236)
Administrative expenses	20	(16,036)	(9,723)
Other gains — net	22	59	671
Operating profit		99,848	67,542
Finance income		800	1,066
Finance costs		(5,573)	(7,063)
Finance costs — net	23	(4,773)	(5,997)
Profit before income tax		95,075	61,545
Income tax expense	24	(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 (RMB per share)			
— Basic and diluted	26	0.12	0.07

The notes on pages 61 to 127 are an integral part of these consolidated financial statements.

Dividends	27	33,087	—

Consolidated Statement of Changes in Equity

(All amounts in RMB)

	Attributable to owners of the Company						
	Share capital RMB'000 Note 14	Share premium RMB'000 Note 14	Reserves RMB'000 Note 15	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2009	–	–	55,786	2,277	58,063	5,007	63,070
Comprehensive Income							
Profit for the year	–	–	–	44,299	44,299	3,254	47,553
Transactions with owners							
Appropriation	–	–	4,181	(4,181)	–	–	–
Acquisition of non-controlling interests	–	–	5,432	–	5,432	(5,432)	–
Balance at 31 December 2009	–	–	65,399	42,395	107,794	2,829	110,623
Comprehensive Income							
Profit for the year	–	–	–	72,528	72,528	832	73,360
Transactions with owners							
Appropriation	–	–	7,926	(7,926)	–	–	–
Dividends	–	–	–	(33,087)	(33,087)	(816)	(33,903)
Capital injection from Controlling Shareholders	–	–	96,213	–	96,213	–	96,213
Deemed distribution to Controlling Shareholders	–	–	(84,385)	–	(84,385)	–	(84,385)
Allotment of shares pursuant to the Reorganisation	9	95,993	(96,002)	–	–	–	–
Waiver of liability by Controlling Shareholders	–	–	9,480	–	9,480	–	9,480
Shares issued pursuant to the Global Offering	1,962	400,226	–	–	402,188	–	402,188
Shares issued under the capitalisation issue	5,106	(5,106)	–	–	–	–	–
Share issuance costs	–	(36,925)	–	–	(36,925)	–	(36,925)
Balance at 31 December 2010	7,077	454,188	(1,369)	73,910	533,806	2,845	536,651

The notes on pages 61 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(All amounts in RMB)

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash generated from operations	28	100,238	69,937
Interest paid		(4,105)	(6,975)
Income tax paid		(22,784)	(11,943)
Net cash generated from operating activities		73,349	51,019
Cash flows from investing activities			
Purchases of property, plant and equipment		(15,639)	(13,506)
Increase in lease prepayments		(6,334)	—
Net payments from/(to) related parties		40,077	(21,283)
Purchase of intangible assets		—	(68)
Proceeds from disposal of property, plant and equipment	28	28	189
Interest received		298	62
Net cash generated from/(used in) investing activities		18,430	(34,606)
Cash flows from financing activities			
Proceeds from borrowings		35,000	34,100
Repayments of borrowings		(79,516)	(47,024)
Dividends	27	(33,903)	—
Capital injection from the Controlling Shareholders		96,213	—
Deemed distribution to Controlling Shareholders		(84,385)	—
Proceeds from issuance of ordinary shares pursuant to the Global Offering		402,188	—
Payments of share issuance costs		(32,328)	—
Net cash generated from/(used in) financing activities		303,269	(12,924)
Net increase in cash and cash equivalents		395,048	3,489
Cash and cash equivalents at beginning of the year		14,860	11,371
Exchange losses on cash and cash equivalents		(454)	—
Cash and cash equivalents at end of the year	13	409,454	14,860

The notes on pages 61 to 127 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010
(All amounts in RMB unless otherwise stated)

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. General information of the Group and reorganisation *(continued)*

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.

1. General information of the Group and reorganisation *(continued)*

1.2 The Reorganisation *(continued)*

(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.

1. General information of the Group and reorganisation *(continued)*

1.2 The Reorganisation *(continued)*

(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. Summary of significant accounting polices

2.1 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 principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. Summary of significant accounting polices *(continued)*

2.1 Basis of preparation *(continued)*

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 4.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), "Business combinations", and consequential amendments to Hong Kong Accounting Standards ("HKAS") 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

- The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The revised standard was adopted by the Group from 1 January 2010.

2. Summary of significant accounting polices *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(a) New and amended standards adopted by the Group *(continued)*

- HKAS 7, "Statement of cash flows" (amendment), classification of expenditures on unrecognised assets (effective 1 January 2010). This amendment requires that only expenditures that result in a recognised asset in the balance sheet can be classified as investing activities. The amendment has no significant impact on the Group's financial statements.

- HKAS 18, "Revenue" (amendment). Additional guidance has been added to the appendix to HKAS 18 "Revenue" regarding the determination as to whether an entity is acting as a principal or an agent. The application of such additional guidance has no impact on the Group's financial statements.

- HKAS 36, "Impairment of assets" (amendment), unit of accounting for goodwill impairment test (effective 1 January 2010). The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of HKFRS 8, "Operating segments" (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of HKFRS 8). This amendment has no impact on the Group's financial statements.

- HKAS 38, "Intangible assets" (amendment) (effective 1 July 2009). This amendment clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. This Group adopted the amendment from 1 January 2010.

2. Summary of significant accounting polices *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(b) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events)*

- HKFRS 1 (amendment), "Additional exemptions for first-time adopters" (effective 1 January 2010). This amendment is not relevant to the Group as it is an existing HKFRS preparer.

- HKFRS 2 (amendment), "Group cash-settled share-based payment transactions" (effective 1 January 2010). In addition to incorporating HK(IFRIC) — Int 8, "Scope of HKFRS 2", and HK(IFRIC) — Int 11, "HKFRS 2 — Group and treasury share transactions", the amendments expand on the guidance in HK(IFRIC) — Int 11 to address the classification of group arrangements that were not covered by that interpretation. This amendment has no impact on the Group's financial statements.

- HKAS 27 (revised), "Consolidated and separate financial statements" (effective 1 July 2009). The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the profit or loss. This amendment has no impact on the Group's financial statements.

- HKAS 39 (amendment), "Eligible hedge items" (effective 1 July 2009). The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt and prohibits including time value in a one-sided hedged risk when designating options as hedges. This amendment has no impact on the Group's financial statements.

2. Summary of significant accounting polices *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events) *(continued)*

- HK(IFRIC) — Int 17, "Distribution of non-cash assets to owners" (effective 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets (or with a cash alternative) to shareholders either as a distribution of reserves or as dividends. This amendment has no impact on the Group's financial statements.

- Below amendment to existing standard is from first annual improvements project published in October 2008 by HKICPA, which is not currently relevant to the Group and has no impact on the Group's financial statements.

  — Amendment to HKFRS 5 "Non-current assets held for sale and discontinued operations" (and consequential amendment to HKFRS 1 "First-time adoption"), plan to sell the controlling interest in a subsidiary (effective 1 July 2009).

- Below amendments to existing standards and interpretations are from second annual improvements project published in May 2009 by HKICPA, which are not currently relevant to the Group and have no impact on the Group's financial statements.

  — Amendment to HKFRS 2, "Share-based payment", scope of HKFRS 2 and HKFRS 3 (revised) (effective 1 July 2009);

  — Amendment to HKFRS 5, "Non-current assets held for sale and discontinued operations", disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations (effective 1 January 2010);

2. Summary of significant accounting polices *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events) *(continued)*

- Amendment to HKAS 1 (amendment), current/non-current classification of convertible instruments (effective 1 January 2010);

- Amendment to HKAS 17, "Leases", classification of leases of land and buildings (consequential amendment to HK-Int 4, Leases — determination of the length of lease term in respect of Hong Kong land leases) (effective 1 January 2010);

- Amendment to HKAS 39, "Financial instruments: Recognition and measurement", treating loan prepayment penalties as closely related derivatives (effective 1 January 2010);

- Amendment to HKAS 39, "Financial instruments: Recognition and measurement", cash flow hedge accounting (effective 1 January 2010);

- Amendment to HKAS 39, "Financial instruments: Recognition and measurement", scope exemption for business combination contracts (effective 1 January 2010);

- Amendment to HK(IFRIC) — Int 9 and HKFRS 3 (revised), (effective 1 July 2009); and

- Amendment to HK(IFRIC) — Int 16, "Hedges of a net investment in a foreign operation" (effective 1 July 2009).

2. Summary of significant accounting polices *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

The management of the Company assesses impact of these new standards and interpretations as follow.

- HKFRS 9, "Financial instruments", issued in November 2009. This standard is the first step in the process to replace HKAS 39, "Financial instruments: recognition and measurement". HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets.

- HKAS 24 (revised), "Related party disclosures", issued in November 2009. It supersedes HKAS 24, "Related party disclosures", issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011.

- "Classification of rights issues" (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with HKAS 8 "Accounting policies, changes in accounting estimates and errors". This amendment is not currently applicable to the Group.

2. Summary of significant accounting polices *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted *(continued)*

- Amendments to HK(IFRIC) Int-14 "Prepayments of a minimum funding requirement" corrects an unintended consequence of HK(IFRIC) Int-14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction". Without the amendments, entities are not permitted to recognize as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC) Int-14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This amendment is not currently applicable to the Group.

- HKAS 12 (Amendment) "Deferred tax: Recovery of underlying assets" The amendment introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. Prior to the amendment, HKAS 12 requires an entity to measure the deferred tax relating to an asset/liability depending on whether the entity expects to recover/settle the carrying amount of the asset/liability through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. This amendment is not currently applicable to the Group.

2. Summary of significant accounting polices *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted *(continued)*

- HK(IFRIC) — Int 19, "Extinguishing financial liabilities with equity instruments" clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted. This interpretation is not currently applicable to the Group.

- "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" (Amendment to HKFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1 July 2010. Early adoption is permitted. This is not relevant to the Group, as it is an existing HKFRS preparer.

- In May 2010, the HKICPA published certain improvements to HKFRSs which will be effective for accounting periods beginning on or after 1 January 2011 or later periods. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

  HKFRS 1 (amendment) First-time Adoption of HKFRSs,
  HKFRS 3 (revised) (amendment) Business Combinations,
  HKFRS 7 (amendment) Financial Instruments: Disclosures,
  HKAS 1 (amendment) Presentation of financial statements,
  HKAS 27 (revised) (amendment) Consolidated Financial Statements and Separate Financial Statements,
  HKAS 34 (amendment) Interim Financial Reporting, and
  HK(IFRIC) 13 (amendment) Customer Loyalty Programs

2. Summary of significant accounting polices *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(c) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted* *(continued)*

The Group is in the process of making an assessment of the impact of these new/revised standards, amendments and interpretations to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2. Summary of significant accounting polices *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries *(continued)*

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivables.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Business combination under common control

The consolidated financial statements incorporates the financial statement items of the combining entities in which the common control combination occurs as if they had been consolidated from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the aggregate of the share capital and share premium of the entities transferred to the Group pursuant to the Reorganisation have been recognised directly in equity as part of reserves.

2. Summary of significant accounting polices *(continued)*

2.2 Consolidation *(continued)*

(b) Business combination under common control *(continued)*

The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when combining entities first came under common control, where this is a shorter period, regardless of the date of common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been consolidated at the earliest date presented or when they first came under common control, whichever is the latest.

(c) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. Summary of significant accounting polices *(continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management team, including the chairman and the chief executive officer, that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "finance income or cost". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other gains — net".

2. Summary of significant accounting polices *(continued)*

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values which is 0%–5% of the cost over their estimated useful lives, as follows:

— Buildings	25 years
— Equipment and machinery	10 years
— Gas pipelines	
— natural gas pipelines	25 years
— coal gas pipelines	16 years
— Office equipment and motor vehicles	5 years

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. Summary of significant accounting polices *(continued)*

2.5 Property, plant and equipment *(continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains — net" in profit or loss.

2.6 Investment properties

Investment properties, principally office buildings, are held for rental yields and are not occupied by the Group. Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over their estimated useful life of 25 years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

2.7 Lease prepayments

Lease prepayments represent upfront prepayments made for the land use rights. Lease prepayments are stated at costs and are amortised on a straight-line basis over the remaining period of the land use rights, net of any impairment losses. The amortisation is charged within "administration expenses" in the consolidated statements of comprehensive income.

2. Summary of significant accounting polices *(continued)*

2.8 Intangible assets

(a) Exclusive operating rights for city pipeline network

Exclusive operating rights for city pipeline network represent the exclusive rights for distribution of gas in certain cities or districts in the PRC, and are stated at cost less accumulated amortisation and impairment losses, if any. The cost incurred for the acquisition of exclusive operating rights for city pipeline network is capitalised and amortised on a straight-line basis over their estimated useful lives (30–50 years).

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 years).

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, financial assets held to maturity and financial assets available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group only has financial assets classified as "loans and receivables" for the year ended 31 December 2010.

2. Summary of significant accounting polices *(continued)*

2.10 Financial assets *(continued)*

(a) Classification *(continued)*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (Notes 2.13 and 2.14).

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises materials for gas pipelines, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. Summary of significant accounting polices *(continued)*

2.13 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group assesses at the end of each reporting period whether there is objective evidence that trade and other receivables are impaired. Trade and other receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the trade and other receivables that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider; and
- It becomes probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for receivables.

2. Summary of significant accounting polices *(continued)*

2.13 Trade and other receivables *(continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. Summary of significant accounting polices *(continued)*

2.18 Current and deferred income tax *(continued)*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and tax losses. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits — Pension obligations and other benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit, housing fund, medical insurance and unemployment fund plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in profit or loss as employee benefit expense when they are incurred.

2. Summary of significant accounting polices *(continued)*

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss during the period necessary to match them with the costs that they are intended to compensate.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, return, rebates and discounts and after eliminating sales within the Group.

(a) Connection of gas pipelines

Revenue in respect of the connection and construction of gas pipelines is recognised upon the completion of construction of pipelines for users and connection of the pipelines to the Group's existing gas pipeline network, which, coincides with the "fire ignition ceremony". The "fire ignition ceremony" is a final and essential step to ascertain that the gas pipeline built is functioning properly and is acceptable to users. Upon the fire ignition ceremony, the significant risks and rewards of ownership will be transferred to the customers and the economic benefits associated with the contracts will be passed to the Group. The average time required for the Group to complete a gas pipeline construction project is approximately two to four months.

(b) Sale of gases

Revenue from the sale of gases, including pipelined gases and CNG, is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the gas is delivered to customers and title has passed, and is based on the gas consumption derived from metre readings.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(d) Rental income

Rental income from investment properties is recognised in profit or loss on a straight-line basis over the period of the leases.

2. Summary of significant accounting polices *(continued)*

2.22 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's operations are principally performed within the PRC with most transactions settled in RMB. In addition to the proceeds from Global Offering which were denominated in HK$, the Group has certain daily administrative activities which are settled in HK$ and certain borrowings which are settled in US$. The Group's assets and liabilities that are subject to foreign exchange rate risk include bank deposits and borrowings that are denominated in HK$ and US$. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) ***Foreign exchange risk*** *(continued)*

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2010 and 2009 are as follows:

Group

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Assets (Notes 12 and 13)		
HK$	114,954	50
Liabilities (Notes 16 and 18)		
US$	6,429	6,242
HK$	7,175	3,574

Management has set up policies for non-RMB denominated bank deposits to manage the Group's foreign exchange risk against its functional currency, including term deposits to earn higher interest income to offset the loss due to appreciation of RMB.

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) **Market risk** *(continued)*

(i) ***Foreign exchange risk*** *(continued)*

The following table shows the sensitivity analysis of an increase/decrease of 5% in RMB against US$ and HK$, with all other variables held constant, as at 31 December 2010 and 2009 respectively. This sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each reporting period. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next end of reporting period. If there is a 5% increase/decrease in RMB against US$ and HK$, the effect on the profit before income tax is as follows:

Group

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Increase of 5% RMB against US$ and HK$		
— (Decrease)/Increase of profit before income tax	(5,068)	488
Decrease of 5% RMB against US$ and HK$		
— Increase/(Decrease) of profit before income tax	5,068	(488)

(ii) ***Cash flow and fair value interest rate risk***

As the Group has no significant interest-bearing assets other than cash and cash equivalents, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from borrowings and bank deposits. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2010, the Group's bank loans bore interest at variable rates and the other borrowings at fixed rate. The Group currently does not use any interest rate swaps to hedge its exposure to interest-rate risk.

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk *(continued)*

As at 31 December 2010, if interest rates on borrowings had been 0.3% higher/lower with all other variables held constant, profit before income tax for the year would have been approximately RMB94,000 (2009: RMB227,000), lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2010, if interest rates on all interest-bearing bank deposits had been 0.3% higher/lower with all other variables held constant, profit before income tax for the year would have been approximately RMB1,228,000 (2009: RMB44,000), higher/lower, respectively, mainly as a result of higher/lower interest income earned.

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents and trade and other receivables.

As at 31 December 2010, all of the Group's bank deposits are deposited in major financial institutions located in the PRC and Hong Kong, which management believes are of high credit quality without significant credit risk. The Group's bank deposits as at 31 December 2010 and 2009 were as follows:

Group

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Big four commercial banks (i)	26,966	13,061
Other listed banks	214,452	50
Other state-owned banks	167,953	1,692
	409,371	14,803

(i) Big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China, all being sizable banks in the PRC.

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

Credit risk is managed on a risk portfolio basis. Credit risk arises from deposits with banks, as well as credit exposures to customers, including outstanding trade and other receivables.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group generally requests advances from customers. In circumstances of credit sales, to manage the credit risk in respect of trade and other receivables, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers, and generally does not require collateral from the customers on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintains a provision for impairment of receivables and actual losses incurred have been within management's expectation.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions, as well as equity financing through shareholders.

The table below analyses the Group's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2010				
Bank borrowings	25,568	—	—	—
Other borrowings	280	558	1,646	10,165
Trade and other payables (i)	31,980	—	—	—
At 31 December 2009				
Bank borrowings	44,970	20,843	11,377	—
Other borrowings	—	289	1,711	11,042
Trade and other payables (i)	38,223	—	—	—

(i) Trade and other payables include trade payables, amounts due to related parties and other payables as stated in Note 16.

Company

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2010				
Other payables	12,495	—	—	—

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

3. Financial risk management *(continued)*

3.2 Capital risk management *(continued)*

The Group monitors capital risk on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at 31 December 2010 and 2009 were as follows:

Group

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Total borrowings	31,429	75,642
Less: cash and cash equivalents	(409,454)	(14,860)
Net (cash position)/debt	(378,025)	60,782
Total equity	536,651	110,623
Total capital	158,626	171,405
Gearing ratio	N/A	0.35

The decrease in gearing ratio as at year ended 31 December 2010 was resulted from proceeds pursuant to the Global Offering.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables, and current borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair value of the non-current borrowings is disclosed in Note 18.

4. 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) (Note 19). 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).

4. Critical accounting estimates and judgments *(continued)*

(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.

5. Segment information

Management has determined the operating segments based on the reports reviewed by the senior executive management team on monthly basis that are used to make strategic decisions.

The senior executive management team considers the business from a "product" perspective only, as geographically all the products are provided within the PRC, which is considered as one geographic location with similar risks and returns.

The reportable operating segments derive their revenue primarily from transportation and sales of 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, which is determined by using the accounting policies which are the same as disclosed in Note 2 above. Meanwhile, the Group does not allocate operating costs, assets or liabilities to its segments, as the senior executive management team does not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Group does not report a measure of segment assets and segment liabilities for each reportable segment.

5. Segment information *(continued)*

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

5. Segment information *(continued)*

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).

6. Property, plant and equipment — Group

	Buildings RMB'000	Equipment and machinery RMB'000	Gas pipelines RMB'000	Office equipment and motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2009						
Cost	16,994	5,420	99,002	3,081	13,615	138,112
Accumulated depreciation	(1,825)	(1,345)	(14,212)	(2,013)	—	(19,395)
Net book amount	15,169	4,075	84,790	1,068	13,615	118,717
Year ended 31 December 2009						
Opening net book amount	15,169	4,075	84,790	1,068	13,615	118,717
Additions	171	58	—	327	12,464	13,020
Transfer in from CIP	1,828	3,732	14,789	21	(20,370)	—
Transfer from investment properties	266	—	—	—	—	266
Disposals	(10)	(3)	—	(39)	—	(52)
Depreciation charge	(672)	(527)	(4,968)	(407)	—	(6,574)
Closing net book amount	16,752	7,335	94,611	970	5,709	125,377
At 31 December 2009						
Cost	19,228	9,198	113,790	2,970	5,709	150,895
Accumulated depreciation	(2,476)	(1,863)	(19,179)	(2,000)	—	(25,518)
Net book amount	16,752	7,335	94,611	970	5,709	125,377
Year ended 31 December 2010						
Opening net book amount	16,752	7,335	94,611	970	5,709	125,377
Additions	41	9	—	248	16,343	16,641
Transfer in from CIP	1,655	4,458	10,071	—	(16,184)	—
Transfer to investment properties	(468)	—	—	—	—	(468)
Disposals	—	—	—	(46)	—	(46)
Depreciation charge	(749)	(1,105)	(5,661)	(321)	—	(7,836)
Closing net book amount	17,231	10,697	99,021	851	5,868	133,668
At 31 December 2010						
Cost	20,343	13,665	123,861	2,734	5,868	166,471
Accumulated depreciation	(3,112)	(2,968)	(24,840)	(1,883)	—	(32,803)
Net book amount	17,231	10,697	99,021	851	5,868	133,668

(a) Depreciation expense of approximately RMB7,063,000 (2009: RMB5,650,000) has been charged in cost of sales, RMB33,000 (2009: RMB83,000) in distribution cost and RMB740,000 (2009: RMB841,000) in administrative expenses.

(b) Bank borrowings were secured by certain properties of the Group with a net book value of approximately RMB5,828,000 as at 31 December 2010 (2009: RMB6,080,000) (Note 18).

7. Investment properties — Group

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of the year		
Cost	11,131	11,397
Accumulated depreciation	(1,620)	(1,232)
Net book amount	9,511	10,165
For the year		
Opening net book amount	9,511	10,165
Transfer from/(to) property, plant and equipment	468	(266)
Depreciation charge	(423)	(388)
Closing net book amount	9,556	9,511
At end of the year		
Cost	11,707	11,131
Accumulated depreciation	(2,151)	(1,620)
Net book amount	9,556	9,511
Fair value at end of the year (a)	19,993	17,700

(a) As at 31 December 2010, the fair value of the investment properties represented management's best estimate which was based on current prices in an active market for similar properties.

As at 31 December 2009, the fair value of the investment properties was valued by an independent and professionally qualified valuer. Valuations were based on current prices in an active market for similar properties.

(b) The following amounts have been recognised in profit or loss:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Rental income	1,414	1,337
Direct operating expenses from properties that generate rental income	(606)	(647)
	808	690

7. Investment properties — Group *(continued)*

(c) Depreciation expense of approximately RMB423,000 (2009: RMB388,000) has been charged in cost of sales.

(d) Leasing arrangements

Certain investment properties are leased to tenants under long-term operating leases with rental payable at regular intervals during the year based on the payment terms. Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Within 1 year	1,095	700
Later than 1 year but no later than 3 years	1,063	113
	2,158	813

(e) Bank borrowings were secured by certain of the Group's investment properties with a net book value of approximately RMB8,019,000 as at 31 December 2010 (2009: RMB8,390,000) (Note 18).

8. Lease prepayments — Group

The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC, the net book values of which are analysed as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Outside of Hong Kong		
— Lease between 35 and 49 years	8,273	2,071

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Opening net book value	2,071	1,006
Additions	6,334	1,089
Amortisation charge	(132)	(24)
Close net book value	8,273	2,071

9. Intangible assets — Group

	Exclusive operating rights for city pipeline network RMB'000	Computer Software RMB'000	Total RMB'000
At 1 January 2009			
Cost	33,615	162	33,777
Accumulated amortisation	(3,480)	(141)	(3,621)
Net book amount	30,135	21	30,156
Year ended 31 December 2009			
Opening net book amount	30,135	21	30,156
Additions	—	68	68
Amortisation charge	(695)	(22)	(717)
Closing net book amount	29,440	67	29,507
At 31 December 2009			
Cost	33,615	230	33,845
Accumulated amortisation	(4,175)	(163)	(4,338)
Net book amount	29,440	67	29,507
Year ended 31 December 2010			
Opening net book amount	29,440	67	29,507
Amortisation charge	(696)	(26)	(722)
Closing net book amount	28,744	41	28,785
At 31 December 2010			
Cost	33,615	225	33,840
Accumulated Amortisation	(4,871)	(184)	(5,055)
Net book amount	28,744	41	28,785

(a) Amortisation of approximately RMB722,000 (2009: RMB717,000) is included in the administrative expenses.

(b) The exclusive operating rights for city pipeline network represent the exclusive rights of sales and distribution of gases in Xuchang City and Shangjie District of Zhengzhou City in Henan Province, respectively. The terms of such exclusive rights are 50 and 30 years, starting from 2003 and 2007, respectively. In addition, the exclusive operating rights for city pipeline network of Xuchang City was acquired through assumption of a loan (Note 18), and the exclusive right of Shangjie District of Zhengzhou City was acquired through an acquisition of a business in 2007.

10. Investments in subsidiaries — Company

	As at 31 December 2010 RMB'000
Investments at cost, unlisted (a)	96,002

(a) The investments in subsidiaries of the Company were initially measured at the carrying amount of the equity as shown in the separate financial statements of Upsky Holdings on 11 October 2010 (Note 1.2(i)).

The following is a list of the principal subsidiaries as at 31 December 2010:

Name	Country/Place and date of incorporation	Type of legal entity	Issued/ paid-in capital (RMB'000)	Effective interest held	Principal/activities and place of operation
Upsky Holdings	BVI/ 8 July 2003	Limited liability company	7*	100%	Intermediary holding company in BVI
Tian Lun New Energy	Hong Kong/ 10 May 2010	Limited liability company	—*	100%	Intermediary holding company in HK
Hebi New Energy (鶴壁市天倫新能源有限公司)	PRC/ 13 May 2010	Limited liability company	15,000	100%	Sale of pipelined natural gas, construction and connection of gas pipelines in the PRC
Henan Tian Lun Gas (河南省天倫燃氣集團有限公司)	PRC/ 1 November 2002	Limited liability company	250,000	100%	Sale of pipelined natural gas, construction and connection of gas pipelines in the PRC
Hebi Tian Lun Vehicle (鶴壁市天倫車用燃氣有限公司)	PRC/ 29 October 2007	Limited liability company	10,000	100%	Sale of CNG in the PRC
Xuchang Tian Lun (許昌市天倫燃氣有限公司)	PRC/ 29 September 2003	Limited liability company	25,000	100%	Sale of pipelined natural gas, construction and connection of gas pipelines in the PRC
Xuchang Tian Lun Vehicle (許昌市天倫車用燃氣有限公司)	PRC/ 12 September 2008	Limited liability company	10,000	100%	Sale of CNG in the PRC
Shangjie Tian Lun (鄭州市上街區天倫燃氣有限公司)	PRC/ 18 July 2007	Limited liability company	15,000	90%	Sale of pipelined coal gas, construction and connection of gas pipelines in the PRC

* The issued capital of Upsky Holdings is US$1,000.
The issued capital of Tian Lun New Energy is HK$2.

11. Inventories — Group

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Materials for gas pipelines	4,303	5,956
Consumables	13	29
Work in progress	3,307	6,589
Finished pipelined network	—	5,126
	7,623	17,700

The cost of inventories recognised as the Group's expense and included in cost of sales amounted to approximately RMB105,386,000 (2009: RMB81,937,000).

12. Trade and other receivables — Group and Company

	Group		Company
			As at
			31 December
	2010	2009	2010
	RMB'000	RMB'000	RMB'000
Trade receivables (a)	20,065	9,943	—
Bills receivable	—	400	—
Prepayments	7,888	2,246	—
Receivables due from related parties (Note 31)	—	55,440	264,412
Other receivables	17,860	3,994	11,244
Less: provision for impairment of other receivables (b)	—	(1,271)	—
	45,813	70,752	275,656

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

12. Trade and other receivables — Group and Company *(continued)*

(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:

Group

	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:

Group

	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.

12. Trade and other receivables — Group and Company *(continued)*

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

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

	Group		Company
	2010	2009	2010
	RMB'000	RMB'000	RMB'000
RMB	34,611	70,752	110,702
HK$	11,202	—	164,954
	45,813	70,752	275,656

(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.

13. Cash and cash equivalents — Group and Company

	Group		Company
	2010	2009	2010
	RMB'000	RMB'000	RMB'000
Cash in hand	83	57	—
Cash at banks	409,371	14,803	95,269
	409,454	14,860	95,269

All cash at banks are deposits with original maturity within 3 months.

13. Cash and cash equivalents — Group and Company *(continued)*

Cash in hand and at banks are denominated in the following currencies:

	Group		Company
	2010	2009	2010
	RMB'000	RMB'000	RMB'000
RMB	305,702	14,810	1
HK$	103,752	50	95,268
Cash and cash equivalents	409,454	14,860	95,269

The conversion of the RMB denominated balances into foreign currencies and the remittance of these funds out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

14. Share capital and premium — Group and Company

(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.

14. Share capital and premium — Group and Company *(continued)*

(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.

15. Reserves — Group

	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.

15. Reserves — Group *(continued)*

(d) For the year ended 31 December 2010, as part of the Reorganisation, 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 Controlling Shareholders.

(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 (Note 10).

(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).

16. Trade and other payables — Group and Company

	Group		Company
	2010	2009	2010
	RMB'000	RMB'000	RMB'000
Trade payables (a and b)	14,496	12,488	—
Amount due to related parties (a and b) (Note 31)	2,104	17,015	5,320
Accrued payroll and welfare	121	181	—
Other taxes payables	1,805	1,069	—
Other payables (a)	15,380	8,720	7,175
	33,906	39,473	12,495

16. Trade and other payables — Group and Company *(continued)*

(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:

Group

	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 and the Company's trade and other payables were denominated in the following currencies:

	Group		Company
	2010	2009	2010
	RMB'000	RMB'000	RMB'000
RMB	26,731	35,899	5,320
HK$	7,175	3,574	7,175
	33,906	39,473	12,495

17. Advance from customers — Group

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Advance from customers	41,261	43,046

Advance from customers mainly represents payments received from customers for connections of gas pipeline.

18. Borrowings — Group

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Non-current		
Bank borrowings — guaranteed (e)	—	29,000
Other borrowings (d)	6,350	6,242
Total non-current borrowings	6,350	35,242
Current		
Bank borrowings		
— pledged (a)	25,000	15,000
— guaranteed (e)	—	25,400
Other borrowings (d)(i)	79	—
Total current borrowings	25,079	40,400
Total borrowings	31,429	75,642

(a) All these bank borrowings were secured by certain of the Group's property, plant and equipment, investment properties (Note 6 and 7).

18. Borrowings — Group *(continued)*

(b) The carrying amount and fair value of non-current borrowings are follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Carrying amount	6,350	35,242
Fair value	5,307	35,232

The carrying amount of current borrowings approximated their fair value, as the impact of discounting was not significant.

The fair value of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics, which was 7.43% as at 31 December 2010 (2009: 7.40%).

(c) The maturities of the Group's borrowings at respective end of reporting period are set out as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Total borrowings		
— Within 1 year	25,079	40,400
— Between 1 and 2 years	161	18,581
— Between 2 and 5 years	517	11,016
— Over 5 years	5,672	5,645
	31,429	75,642

18. Borrowings — Group *(continued)*

(d) The carrying amount of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
RMB	25,000	69,400
US$ (i)	6,429	6,242
	31,429	75,642

(i) The borrowings denominated in US$ represented other borrowings from local government assumed by the Group to acquire the exclusive operating rights for city pipeline network in Xuchang City of Henan Province in 2003.

(e) As at 31 December 2009, such bank borrowings were guaranteed by Henan Tian Lun Engineering Investment and Henan Tian Lun Real Estate, related parties of the Group.

(f) The effective interest rates of the Group's borrowings denominated in RMB and US$ at the end of each reporting date are set out as follows:

	As at 31 December	
	2010	2009
RMB	7.43%	6.53%–10.62%
US$	6.09%	6.09%

19. Deferred income tax — Group

(a) The analysis of deferred income tax is as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Deferred tax assets		
— Deferred tax assets to be recovered after more than 12 months	717	619
— Deferred tax assets to be recovered within 12 months	864	606
	1,581	1,225
Deferred tax liabilities		
— Deferred tax liabilities to be recovered within 12 months	—	(585)
Deferred tax assets (net)	1,581	640

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of year	640	1,530
Credited/(charged) to profit or loss	941	(890)
At end of year	1,581	640

19. Deferred income tax — Group *(continued)*

(b) The movements on the deferred income tax assets and liabilities are as follows:

Deferred tax assets

	Provision for impairment of assets RMB'000	Accrued expenses RMB'000	Tax losses RMB'000	Depreciation RMB'000	Total RMB'000
As at 1 January 2009	249	99	866	316	1,530
(Charged)/credited to profit or loss	(28)	410	(866)	179	(305)
As at 31 December 2009	221	509	—	495	1,225
Credited to profit or loss	—	134	—	222	356
As at 31 December 2010	221	643	—	717	1,581

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related benefit through the future taxable profits is probable.

Deferred tax liabilities

	Withholding tax relating to unremitted retained earnings RMB'000
As at 1 January 2009	—
Charged to profit or loss	(585)
As at 31 December 2009	(585)
Credited to profit or loss	585
As at 31 December 2010	—

19. Deferred income tax — Group *(continued)*

(b) The movements on the deferred income tax assets and liabilities are as follows: *(continued)*

Deferred tax liabilities *(continued)*

Withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC, in respect of unremitted earnings generated after 31 December 2007.

As at 31 December 2009, deferred income tax liability of RMB585,000 had been recognised as the withholding tax that would be payable on the unremitted earnings of Henan Tian Lun Gas. Unremitted earnings attributable to Upsky Holdings amounted to approximately RMB5,848,000, as at 31 December 2009. Such deferred tax liability was realised when Henan Tian Lun Gas paid dividend to Upsky Holdings in 2010.

As at 31 December 2010, deferred income tax liability of approximately RMB4,207,000 had not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totaled approximately RMB42,070,000 as at 31 December 2010 and the Group does not intend to remit these unremitted earnings from the relevant subsidiaries to the Hong Kong holding entity in the foreseeable future.

(c) There were no significant unrecognised deferred tax assets as at 31 December 2010 and 2009.

20. 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 (Note 6)	7,836	6,574
Depreciation on investment properties (Note 7)	423	388
Amortisation of lease prepayments (Note 8)	132	24
Amortisation of intangible assets (Note 9)	722	717
Employee benefit expense (Note 21)	7,952	5,317
Licensing fee for the exclusive operating rights for city pipeline network (a) (Note 30)	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.

21. 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

22. Other gains — net

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
(Losses)/gains on disposal of property, plant and equipment	(18)	137
Gains on waiver of liabilities due to independent third parties	—	444
Others	77	90
	59	671

23. 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 (Note 31(b))	(502)	(1,004)
Finance costs		
— Interest expense on borrowings	4,607	6,975
— Exchange loss	876	47
— Others	90	41
	4,773	5,997

24. 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 31 December 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 (Note 19)	(941)	890
	21,715	13,992

24. Income tax expense *(continued)*

(c) PRC corporate income tax (the "PRC CIT") *(continued)*

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

25. Directors' and senior management's emoluments

(a) Directors' emoluments

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Basic salaries and allowances	440	180
Discretionary bonuses	20	52
Retirement benefit contributions	31	11
	491	243

25. Directors' and senior management's emoluments *(continued)*

(a) Directors' emoluments *(continued)*

The remuneration of each director of the Company for the year ended 31 December 2010 is set out below:

Name of directors	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Mr. Zhang Yingcen	33	—	5	38
Mr. Xian Zhenyuan	91	—	14	105
Mr. Feng Yi	118	9	11	138
Mr. Sun Heng	123	11	1	135
Mr. Zhang Daoyuan	15	—	—	15
Mr. Chang Zongxian*	15	—	—	15
Mr. Li Liuqing*	15	—	—	15
Ms. Zhao Jun*	15	—	—	15
Mr. Zhang Jiaming*	15	—	—	15
	440	20	31	491

The remuneration of each director of the Company for the year ended 31 December 2009 is set out below:

Name of directors	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Mr. Zhang Yingcen	—	—	—	—
Mr. Xian Zhenyuan	—	—	—	—
Mr. Feng Yi	81	23	11	115
Mr. Sun Heng	99	29	—	128
Mr. Zhang Daoyuan	—	—	—	—
Mr. Chang Zongxian*	—	—	—	—
Mr. Li Liuqing*	—	—	—	—
Ms. Zhao Jun*	—	—	—	—
Mr. Zhang Jiaming*	—	—	—	—
	180	52	11	243

* represent the independent non-executive directors

25. Directors' and senior management's emoluments *(continued)*

(a) Directors' emoluments *(continued)*

As at 13 October 2010, the Company appointed 4 independent non-executive directors, Mr. Chang Zongxian, Mr. Li Liuqing, Ms. Zhao Jun and Mr. Zhang Jiaming.

For the years ended 31 December 2010, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office; no director waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the Group for the years ended 31 December 2010 included three (2009: two) directors. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals for the years ended 31 December 2010 (2009: three) are as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Basic salaries and allowances	204	167
Discretionary bonuses	20	47
Retirement benefit contributions	7	20
	231	234

The emoluments of the five highest paid individuals paid by the Group fell within the following bands:

	Year ended 31 December	
	2010	2009
Nil to HK$1,000,000 (equivalent to RMB850,900)	2	3

No emoluments were paid by the Group to the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

26. 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 14) 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.

27. 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.

27. Dividends *(continued)*

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. 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 Tian 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.

28. Cash generated from operations

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended 31 December 2010 RMB'000	2009 RMB'000
Profit before income tax	95,075	61,545
Adjustments for:		
— Depreciation of property, plant and equipment and investment properties	8,259	6,962
— Amortisation of intangible assets and lease prepayments	854	741
— Finance income	(800)	(1,066)
— Finance costs	4,862	7,022
— Gain on waiver of other liabilities due to independent third parties (Note 22)	—	(444)
— Net losses/(gains) on disposal of property, plant and equipment	18	(137)
	108,268	74,623
Changes in working capital:		
— Inventories	10,077	1,848
— Trade and other receivables	(30,501)	(597)
— Trade and other payables	14,179	(293)
— Advance from customers	(1,785)	(5,644)
	(8,030)	(4,686)
Cash generated from operations	100,238	69,937

28. Cash generated from operations *(continued)*

(b) Proceeds from sale of property, plant and equipment

In the consolidated statements of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Net book amount	46	52
(Losses)/gains on disposal of property, plant and equipment	(18)	137
Proceeds from disposal of property, plant and equipment	28	189

(c) Non-cash transaction

As disclosed in Note 15(g), pursuant to the agreement entered 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).

29. Profit attributable to owners of the Company

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB6,833,000 for the year ended 31 December 2010.

30. Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of each reporting period, but not yet incurred is as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Property, plant and equipment	—	1,944

30. Commitments *(continued)*

(b) Licensing fee commitments (Note 20)

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Not later than one year	1,100	1,100
Later than one year and no later than five years	4,400	4,400
Later than five years	18,700	19,800
	24,200	25,300

31. Related party transactions

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

The Group is ultimately controlled by the Controlling Shareholders.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2010 and 2009, and balances arising from related party transactions as at 31 December 2010 and 2009.

(a) Name and relationship with related parties

Name of related party	Relationship
Mr. Zhang Yingcen	One of the Controlling Shareholders
Ms. Sun Yanxi	One of the Controlling Shareholders
Mr. Zhang Daoyuan	One of the Controlling Shareholders
Henan Tian Lun Real Estate	Controlled by the Controlling Shareholders
Henan Tian Lun Engineering Investment	Controlled by the Controlling Shareholders
Hebi Hexiang Engineering Limited (“Hexiang Engineering”)	Controlled by the Controlling Shareholders

31. Related party transactions *(continued)*

(b) Significant related party transactions

The Group had the following significant transactions with related parties.

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Purchase of construction service		
— Hexiang Engineering	7,397	5,237

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Interest income from receivables		
— Henan Tian Lun Real Estate (Note 23)	502	1,004

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Waiver of liabilities		
— Mr. Zhang Yincen (Note 15(g))	9,480	—

These transactions are carried out on terms agreed with the counter parties in the ordinary course of business.

31. Related party transactions *(continued)*

(c) Balances with related parties

	Group		Company
	2010	2009	2010
	RMB'000	RMB'000	RMB'000
Trade and other receivables			
Other receivables due from			
— Henan Tian Lun Engineering Investment	—	36,497	—
— Henan Tian Lun Real Estate	—	14,719	—
— Hexiang Engineering	—	4,224	—
— Upsky Holdings	—	—	153,742
— Tian Lun New Energy	—	—	110,670
	—	55,440	264,412
Trade and other payables			
Trade payables due to			
— Hexiang Engineering	1,844	1,148	—
Other payables due to			
— Mr. Zhang Yingcen	—	3,574	—
— Henan Tian Lun Engineering Investment	—	12,293	—
— Hexiang Engineering	260	—	—
— Henan Tian Lun Gas	—	—	5,320
	260	15,867	5,320
	2,104	17,015	5,320

31. Related party transactions *(continued)*

(d) Key management compensation

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Basic salaries and allowances	999	456
Discretionary bonuses	95	128
Retirement benefit contributions	77	39
	1,171	623

32. Events after the end of reporting period

The following events took place subsequent to 31 December 2010:

On 21 February 2011, Henan Tian Lun Gas, a wholly-owned subsidiary of the Company and Mr. Li Shihai ("Mr. Li"), an independent third party, entered into the Cooperative Agreement, pursuant to which both parties will jointly contribute capital to form a new company (the "Joint Venture") in Pingdingshan City, Henan Province, to operate the CNG and related gas business in Pingdingshan City. The Joint Venture will be incorporated with a registered capital of RMB20,000,000, and Henan Tian Lun Gas will contribute RMB18,000,000, representing 90% of the registered capital, and Mr. Li will contribute RMB2,000,000, representing 10% of the registered capital. As at the date of this report, Henan Tian Lun Gas has injected capital in cash of RMB4,000,000 into this Joint Venture.

Four Year Financial Summary

The consolidated results of the Group for the year ended 31 December 2010 and the consolidated assets, liabilities and equity of the Group as at 31 December 2010 are those set out in the financial statements included in this report.

The summary of the consolidated results of the Group for each of the three years ended 31 December 2007, 2008 and 2009 and of the assets, liabilities and equity as at 31 December 2007, 2008 and 2009 have been extracted from the prospectus issued on 27 October 2010 in connection with the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited on 10 November 2010. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in Note 2 to the financial statements.

No financial statement of the Group for the year ended 31 December 2006 has been published.

The summary below does not form part of the financial statements.

	Year ended 31 December			
RESULTS	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	251,267	179,223	127,657	65,888
Gross profit	118,263	78,830	50,034	28,703
Profit before income tax	95,075	61,545	32,417	12,488
Income tax expense	(21,715)	(13,992)	(6,866)	(4,198)
Profit for the year	73,360	47,553	25,551	8,290

	As at 31 December			
ASSETS, LIABILITIES AND EQUITY	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	644,753	271,003	249,487	243,580
Total liabilities	108,102	160,380	186,417	216,061
Total equity	536,651	110,623	63,070	27,519