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

2013
INTERIM REPORT


天伦燃气加气站

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MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2013 (the "Reporting Period"), the revenue and profit of China Tian Lun Gas Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are rising steadily. Revenue and gross profit amounted to approximately RMB399,361,000 and RMB139,691,000, respectively, representing an increase of 23.10% and 18.04% as compared with that of approximately RMB324,413,000 and RMB118,346,000 for the corresponding period of last year. Profit attributable to owners of the Company amounted to approximately RMB72,708,000, representing an increase of approximately 23.74% as compared with that of approximately RMB58,760,000 for the corresponding period of last year.

BUSINESS REVIEW

Gas Pipeline Connection

During the Reporting Period, revenue from the gas pipeline connection of the Group amounted to approximately RMB148,623,000, representing an increase of approximately 23.45% as compared to the corresponding period of last year, accounting for approximately 37.22% of the total revenue. During the Reporting Period, new connections to residential users and commercial and industrial users of the Group were 53,916 and 242 respectively. As of 30 June 2013, the Group has a total of 510,850 residential users and 2,709 commercial and industrial users, representing an increase of approximately 38.37% and 33.12% as compared to the corresponding period of last year. The continuous and stable increase of the connection revenue of the Group mainly benefits from the acceleration of the urbanization process of the PRC as well as the distribution of the existing projects which are mainly located in the tier three or four cities with lower urbanization level but a larger population base. The state urbanization drives the transfer of rural population to urban population, which increased the number of connectable users covered by the existing projects of the Group. Meanwhile, with the operational strategy of "Accelerating Connection, Increasing Capacity and Optimization of Operation", together with the strong market

development capacity in the new and existing property, connection number for residential users of the Group maintained sustainable and material growth. The current overall gas penetration rate of the Group is 36%, there is still a large space for growth as compared with 70% and 80% recorded in the mature market. The Group believes that the number of new residential users and commercial and industrial users will keep increasing through intensive and hard work on the existing projects, and revenue from connections will continue to make a significant contribution to the cash flow and total revenue of the Company.

Transportation and Sales of Gas

During the Reporting Period, revenue from transportation and sales of gas amounted to approximately RMB241,116,000, representing an increase of 23.60% as compared to the corresponding period of last year, and accounted for 60.38% of the total revenue, recorded a continuous rise as compared with that of 60.13% of the corresponding period of last year. During the Reporting Period, the total sales of gas of the Group were approximately 88,626,000 m^3 (30 June 2012: 79,250,000 m^3), representing an increase of approximately 11.83% as compared to the corresponding period of last year. This indicated that the volume of transportation and sales keep expanding, and its proportion in the total revenue of the Group continues to increase; driving the revenue structure of the Group into further optimization and perfection; decreasing the reliance on the one-time connection fees; and acquiring long-term and more stable source of income.

During the Reporting Period, the gas volume of the Group sold to residential users, commercial and industrial users and vehicle users accounted for approximately 29.38%, 30.04% and 40.58%, respectively, of the total gas sales volume. Sales income from residential users, commercial and industrial users and vehicle users accounted for approximately 22.14%, 28.02% and 49.84%, respectively, of the total gas sales income. The gas sales income from vehicle users further increased to 49.84% of the total gas sales income as compared with that of 47.56% of the corresponding period of last year, which indicated that the Group keeps regarding transport gas as the key point of business development, which has a higher gross profit, less price restriction and larger gas consumption. The Group believes that the constant growth of gas sales to vehicle users helps to further improve the gross profit margin of the total gas sales business of the Group. In addition, state policies such as the moving of industry from coastal area to inland, migration of industrial enterprises from central cities to rims and energy conservation and emission reduction helped the Group gain more commercial and industrial users and achieve constant growth of gas sales.

Investment in Gas Refilling Stations

As of 30 June 2013, the Group has 17 compressed natural gas ("CNG") and 1 liquefied natural gas ("LNG") gas refilling stations in total under operation and several gas refilling stations under the inspection and acceptance phase of the government which are expected to commence operation in the second half of 2013, and dozens of gas refilling stations are under construction. The transport gas business has become one of the key development fields of the Group, the Group has established specialized institutions and positions so as to intensify the development effort in transport gas project.

Investment in Bases of Gas Sources

As of 30 June 2013, the Group has 6 operating CNG parent stations in total in Jilin Province and Henan Province with a total daily CNG production capacity of 500,000 m^3. In addition, the LNG processing plant with an annual production capacity of 400 million m^3 of LNG has been under preparation in the Kai County (Chongqing) Industrial Park (70% equity of which is held by Henan Tian Lun Gas Group Limited (河南天倫燃氣集團有限公司) ("Henan Tian Lun"), a wholly-owned subsidiary of the Company). Completion of this project will promote the whole industry chain business model of the Group covering control of gas sources to development of transport gas projects.

Gross Profit Margin and Net Profit Margin

The Group achieved gross profit of approximately RMB139,691,000 during the Reporting Period, representing an increase of approximately RMB21,345,000 as compared to the corresponding period of last year. The general gross profit margin and net profit margin of the Group were 34.98% and 19.68% respectively, representing a slight decrease of 1.5 percent and 0.54 percent respectively as compared to the corresponding period of last year, which was mainly due to the improvement of the overall gas penetration rate. With relatively low gross profit but more stable income, gas sales saw a rise in its proportion accounting for the total income, which increased to approximately 60.38% as compared with that of approximately 60.13% of the corresponding period of 2012. This resulted in a slight decrease in the gross profit margin and net profit margin of the Group but improvement of the stability of the business.

Development of New Projects

During the Reporting Period, the Group obtained three gas projects of industrial park and further obtained 7 gas projects in Yunnan Province after the Reporting Period and up to the date of this announcement, and succeeded in a urban gas project bidding in Jilin Province. As at the date of this announcement, the Group has 37 urban gas projects in the PRC. The Group will continue to keep track of the gas investment opportunities in the PRC, look for undeveloped projects as well as merger and acquisition opportunities and to constantly expand the operation scope of the Group.

Obtaining the Gas Projects of Gangwei New District, Xinwei Industrial Park and Weibei Technology and Food Industrial Park in Weishi County, Kaifeng City, Henan Province

On 28 April 2013, Henan Tian Lun and the government of Weishi County entered into a pipeline gas concession agreement and a strategic cooperation agreement on comprehensive utilization of natural gas so as to obtain the urban gas exclusive operating rights and exclusive operating rights of vehicle-use gas in Gangwei New District, Xinwei Industrial Park and Henan Weibei Technology and Food Industrial Park.

Gangwei New District, Xinwei Industrial Park and Henan Weibei Technology and Food Industrial Park of Weishi County enjoy advantage of locations. These districts will be built into a high standard industrial park with focus on furniture production and processing and comprehensive processing of electronic products, and will be the core area of Henan Province for undertaking industrial transfer and the development of central plains economic region. They are the bridge and bond for the development of Airport District and employment base, manufacture base, ecological base and service base of Zhengbian New District. Meanwhile, Gangwei New District is close to Zhengzhou airport economic comprehensive experimental area, which has a planning area of 415 sq.km, providing a favorable development opportunity for the gas utilization of Gangwei New District. The obtaining of the gas projects in the three industrial parks in Weishi County expands the coverage area of exclusive operation of the Group in Weishi County.

Success in Bidding for Pipeline Gas Concession Project in Yitong County, Jilin Province

The Group is always closely keeping track of all gas investment opportunities in Jilin province in order to continuously enlarge its share in the gas market. Henan Tian Lun actively prepared for and participated in bidding for the pipeline gas concession project organized by the Housing and Urban-Rural Development Bureau of Yitong Manchu Autonomous County ("Yitong County") as at the end of May 2013. Henan Tian Lun received the Letter of Acceptance on 15 July 2013. Henan Tian Lun is negotiating relevant terms with the Housing and Urban-Rural Development Bureau of Yitong County pursuant to the Letter of Acceptance. It is expected that relevant agreement will be duly entered into in the near future.

Acquisition of 100% Interests of Yunnan Datong Natural Gas Limited

On 25 August 2013, Henan Tian Lun entered into a transfer agreement with former shareholders of Yunnan Datong Natural Gas Limited (the "Yunnan Datong") and acquired 100% equity interest of Yunnan Datong, whereby Henan Tian Lun acquired urban gas concession rights and exclusive operation rights of vehicle-use gas in 7 cities of Yunnan province held by Yunnan Datong.

The 7 gas projects of Yunnan Datong spread over eastern Yunnan province, including Huize, Gejiu, Guangnan, Yanshan, Ludian, Honghe and Hekou. As a private gas group with a large amount of projects and large capacity of gas production, Yunnan Datong plays an important role and has great influence in the emerging gas market of Yunnan province. The acquisition of 100% interests of Yunnan Datong enables the Group to expand its business into the majority area of Yunnan province and significantly improved the influence of the Group in the southwest area. It has a great significance in the promotion of strategic layout of the Group and creates a solid foundation for later development and growth in the southeast gas market.

Investment in a Trust Scheme

Henan Tian Lun entered into an investment agreement with Zhongyuan Trust Co., Ltd. ("Zhongyuan Trust") on 21 March 2012, as supplemented by a supplemental agreement on 4 May 2012, pursuant to which Henan Tian Lun agreed to invest an amount not exceeding RMB400 million in aggregate in the trust scheme managed by Zhongyuan Trust ("Trust Scheme"), and Zhongyuan Trust agreed to utilize the trust principal to invest in trust products on behalf of and for the benefits of Henan Tian Lun.

As of 30 June 2013, the Group had invested RMB370 million in aggregate in the Trust Scheme. The Group has redeemed RMB50 million during the Reporting Period and with an investment balance of RMB320 million remaining in the Trust Scheme. The Trust Scheme runs in a proper way, from which Henan Tian Lun has received stable income. As of 30 June 2013, the Group has received a return of approximately RMB47,630,000 in aggregate, of which approximately RMB17,238,000 of the return were received during the Reporting Period.

Human Resources

As of 30 June 2013, the total number of employees of the Group was 1,418 and the total remuneration was approximately RMB28,453,000 for the six months ended 30 June 2013. The Group remunerates its staff according to their individual performance, work experience and prevailing market standard.

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

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group has been exercising cautious policies in respect of financial resources management, including maintenance of appropriate level of cash and cash equivalents as well as sufficient credit facilities, in order to cope with the daily operation needs and business development and control the borrowing at a healthy level. As at 30 June 2013, the Group's cash and cash equivalents amounted to approximately RMB261,856,000, of which 99.20% was denominated in RMB, and 0.34% in HK Dollars and 0.46% in USD. As at 30 June 2013, the Group's gearing ratio was approximately 48.48% calculated based on the percentage of total liabilities over total assets (31 December 2012: 55.67%). The decrease in gearing ratio was mainly due to repayment of part of the short-term borrowings by the Group. The EBITDA to interest cover ratio was at the healthy level of 7.29 times. The financial position and liquidity of the Group are relatively healthy and stable.

Credit Structure

As at 30 June 2013, the Group's total borrowing was approximately RMB635,822,000 (31 December 2012: RMB805,725,000), among which loans denominated in RMB was approximately RMB532,800,000 (31 December 2012: RMB799,666,000), and the loans denominated in USD was approximately RMB103,022,000 (31 December 2012: loans denominated in USD was RMB6,059,000). Approximately 62.23% (31 December 2012: 79.41%) of the borrowing was accounted as current liabilities. The long-term loans repayable within one year amounted to approximately RMB10,658,000. Approximately RMB200,000,000 of the Group's total borrowing was secured by the Group's properties and charge rights of a portion of gas projects.

In general, as all businesses of the Group are situated in the PRC, substantially all of its income and expenses are denominated in RMB except for the above mentioned loans denominated in USD (approximately RMB103,022,000), there is no significant risk relating to exchange rate fluctuation. The Group will closely monitor the interest rate and exchange rate of the market and make appropriate responses when necessary.

Contingent Liabilities

As at 30 June 2013, the Group did not have any material contingent liabilities.

Business Prospect

Natural gas, as a type of high quality and efficient clean energy, has played an important strategic role in advancing the development of China's urbanization construction and low carbon economy, optimizing energy structure, promoting energy conservation and environmental protection and coping with climate change. Accelerating the development of natural gas, raising the proportion of natural gas in China's disposable energy consumption structure, reducing the difference with the international average level, are not only the real reaction of market demand brought by the increasing pace of China's urbanization and industrialization, but also the urgent need for Chinese government to strengthen energy conservation and emission reduction, improve the environment, optimize energy structure, and conduct sustainable development.

Accordingly, China's National Development and Reform Commission and National Energy Administration has established "the twelfth five-year plan of national cities and towns gas development" (the "Plan"). The Plan indicated that the "twelfth five-year" period is not only a key period for the comprehensive development of the modern energy industry system, but also an important period of pushing the development of natural gas industry into a new stage, which is required to create favorable conditions for the natural gas industry development in our country. At the same time, the Plan has expressly specified that there will be new gas pipelines (including feeder) of 44 thousand kilometers, the new trunk pipeline capacity of about 150 billion m^3 per year, newly-added bases of gas storage capacity of about 22 billion m^3, accounting for about 9% of the total gas consumption in 2015, city emergency and peak shaving of gas storage capacity of 1.5 billion m^3 during the "twelfth five-year" period. By the end of the "twelfth five-year" period, it is expected to preliminarily form a national main pipeline network, with West-East gas transmission, Sichuan-East gas transmission, the Shanxi-Beijing line and coastal main lines as the main artery and connecting four main import strategic channels, main production areas, consumption areas and gas storage bases, to guarantee multi-sources of gas supply, multimode peak shaving, smooth and safe gas supply pattern. By 2015, gas population in cities and towns of our country will reach 250 million, accounting for about 18% of the total population. According to the current conditions, existing problems, countermeasures and suggestions over the promotional use of natural gas in the national transportation areas, which is issued by National Energy Administration on 5 April, 2012, under the context of soaring oil price and increasing environmental pressure, raising consumption proportion of transportation gas has important strategic significance in reducing reliance on imported oil, optimizing energy structure, reducing pollutant emission and coping with climate change.

The Group will actively grasp the golden opportunity of natural gas development brought by national policy and market demand to expand market share, enhance operation efficiency, meanwhile, strengthen cost control, improve the ability of risk management, promote the continuous and steady growth of performance, so as to bring ideal returns to shareholders and maximize value of shareholders. As a result, the Group has established the following main development strategies:

1. To vigorously develop traffic gas business which has high gross profit margin to enhance the gas sales gross profit margin of the Group as a whole. As local governments gradually launched the twelfth five-year development plan of vehicle gas, the Group will grasp the opportunity to designate transportation gas which has higher gross profit margin as the focus of future business development. The current proportion of sales volume of traffic gas to the total sales volume of gas has risen from 35.72% in 2012 to 40.58% of the Reporting Period. It is expected that the proportion will continue to increase with the new gas refilling station to be put into operation in the second half of the year, and thus gradually enhance the gross profit margin of gas sales business of the Group as a whole.

2. To focus on the development of industrial users with large gas consumption to provide a guarantee for the Group to expand gas sales volume. As the industrial enterprises in the coastal areas speed up the pace of transfer to inland provinces and with the strict implementation of national policy of energy conservation and emission reduction, the industrial gas has a great potential for growth. Dozens of large industrial users who signed cooperation agreement with the Group has entered into steady implementation stage, equipment renovation project has been progressing smoothly, which is expected to promote sharp rise of industrial gas sales volume of the Group after gradual supply of gas to these enterprises.

3. To grasp the opportunity to expand new cities gas project so as to realize denotative and connotative growth at the same time. The Group will continue to expand the market share, actively focus on potential acquisition of good projects with the characteristics of high growth, strong profitability, lower risk of operation and sustainability, make use of the existing projects as the base to grab the surrounding industrial parks and the three construction of key towns which is institutionalized, standardized, and has its procedures. In addition, urbanization construction of China will further promote expansion of urban population in tier three or four cities, advancing existing projects of the Group to cover more residents, gas demand of residential house will be increased, so the residential users development of the existing projects of the Group has a great space to expand and develop. The Group plans to further strengthen the intensive cultivation of existing projects, vigorously increase connection rate and the rate of gasification, improve operation efficiency and realize a sharp growth in the existing projects.

4. To advance the systematic cost control. The Group will further strengthen the cost control by promoting group unified bidding of important materials and equipments, integrating engineering design and construction, setting up cost analysis model for each unit, improving the efficiency of human cost, having strict control of the management cost, strengthening management of transmission error, making full use of the hematopoietic function of operating cash flow, so as to enhance the Group's profitability.

5. To strengthen risk management. In order to positively respond to the risk of upstream natural gas price adjustment, the Group has actively promoted industrial structure optimization, increased the proportion of traffic and industrial users, which have stronger bargaining power, higher gross margin and faster price shift from upstream to downstream. It is conductive to successfully pass cost and control the impact of gas price adjustment to the Group.

The Group believes that with the active and efficient implementation of these development strategies, the Group will further optimize the industrial structure, form the three core industries with "urban gas as the base, gas source as the backing, traffic gas as the gravity" and continue to improve the core competitiveness of the Group in the field of transportation energy, so as to further optimize the whole industrial chain business model, realize sustainable development and bring a higher long-term value returns for shareholders.

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 30 June 2013, 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 required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and 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	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Zhang Yingcen ("Mr. Zhang") (Note 1)	Interest of controlled corporation and interest of spouse	578,175,500	69.83
Mr. Xian Zhenyuan (Note 2)	Interest of controlled corporation	18,442,300	2.22

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

Name of Director	Name of Corporation	Capacity/ Nature of interest	Number 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 owned 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 owned 63,728,000 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 Yanxi ("Ms. Sun") is the spouse of Mr. Zhang, and Ms. Sun held 5,722,500 Shares through her individual security account; therefore, Mr. Zhang is deemed or taken to be interested in all the Shares held by Ms. Sun 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 owned 18,442,300 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 30 June 2013, 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.

SUBSTANTIAL SHAREHOLDERS' LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

To the knowledge of the Directors, as at 30 June 2013, 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 the shares and underlying shares

Name	Capacity/Nature of interest	Number 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	63,728,000	7.70
Ms. Sun (Note 2)	Interest of spouse	578,175,500	69.83
Munsun China Select Fund	Investment Manager	52,672,500	6.36

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 as to 60.0%. Tian Lun Group Limited owned 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 owned 63,728,000 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 held 5,722,500 Shares through her individual security account. Ms. Sun is the spouse of Mr. Zhang, and therefore Ms. Sun is deemed or taken to be interested in all the Shares in which Mr. Zhang is interested for the purpose of the SFO.

Save as disclosed above, as at 30 June 2013, 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.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

SHARE OPTION SCHEME

During the six months ended 30 June 2013, the Company had not granted any share option.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2013, neither the Company nor its subsidiaries had purchased, sold or redeemed any shares of the Company.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 had strictly complied with the required standards set out in the Model Code during the Reporting Period.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules during the period from 1 January 2013 to 30 June 2013.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") of the Company consists of three independent non-executive Directors, namely, Mr. Li Liuqing (Chairman of the committee), Mr. Zhang Jiaming and Ms. Zhao Jun. The Audit Committee had held meetings with the management to review the accounting principles and practices adopted by the Group and discussed the audit, internal control and financial reporting issues. The Audit Committee had reviewed and discussed the interim report including the unaudited financial statements of the Group for the six months ended 30 June 2013.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June 2013 RMB'000	Unaudited 2012 RMB'000
Revenue	6	**399,361**	324,413
Cost of sales		**(259,670)**	(206,067)
Gross profit		**139,691**	118,346
Distribution costs		**(6,169)**	(6,098)
Administrative expenses		**(26,372)**	(26,845)
Other income		**—**	3,312
Other gains — net		**81**	7,773
Operating profit		**107,231**	96,488
Finance income		**17,978**	839
Finance costs		**(19,932)**	(11,525)
Finance costs — net	8	**(1,954)**	(10,686)
Profit before income tax		**105,277**	85,802
Income tax expense	9	**(26,667)**	(20,206)
Profit for the period		**78,610**	65,596
Other comprehensive income for the period, net of tax		**—**	—
Total comprehensive income for the period		**78,610**	65,596
Profit and total comprehensive income attributable to:			
Owners of the Company		**72,708**	58,760
Non-controlling interests		**5,902**	6,836
		78,610	65,596
Earnings per share for profit attributable to owners of the Company (RMB per share)			
— Basic and diluted	10	**0.09**	0.07

The notes on pages 17 to 32 form an integral part of these unaudited interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**553,764**	526,520
Investment properties	11	**9,322**	9,561
Lease prepayments	11	**48,391**	48,141
Intangible assets	11	**436,573**	441,197
Deferred income tax assets		**2,111**	2,237
Trade and other receivables	12	**16,320**	13,336
Other non-current assets		**1,328**	2,075
		1,067,809	1,043,067
Current assets			
Inventories		**70,786**	73,674
Trade and other receivables	12	**168,796**	160,303
Financial assets at fair value through profit or loss	13	**324,926**	375,983
Cash and cash equivalents		**261,856**	368,940
		826,364	978,900
Total assets		**1,894,173**	2,021,967
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	**7,077**	7,077
Share premium	14	**454,188**	454,188
Reserves		**18,701**	19,061
Retained earnings		**343,593**	270,885
		823,559	751,211
Non-controlling interests		**152,292**	145,055
Total equity		**975,851**	896,266

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**240,143**	165,901
Deferred income tax liabilities		**42,020**	43,325
		282,163	209,226
Current liabilities			
Trade and other payables	15	**126,635**	141,425
Advance from customers		**100,914**	114,750
Current income tax liabilities		**12,931**	20,476
Borrowings		**395,679**	639,824
		636,159	916,475
Total liabilities		**918,322**	1,125,701
Total equity and liabilities		**1,894,173**	2,021,967
Net current assets		**190,205**	62,425
Total assets less current liabilities		**1,258,014**	1,105,492

The notes on pages 17 to 32 form an integral part of these unaudited interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 14	Note 14					
Balance at 1 January 2013 (As previously reported)	**7,077**	**454,188**	**19,061**	**270,885**	**751,211**	**145,055**	**896,266**
Comprehensive income							
Profit for the period	**–**	**–**	**–**	**72,708**	**72,708**	**5,902**	**78,610**
Transactions with owners							
Transaction with non-controlling interests	**–**	**–**	**(360)**	**–**	**(360)**	**(615)**	**(975)**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**1,950**	**1,950**
Balance at 30 June 2013	**7,077**	**454,188**	**18,701**	**343,593**	**823,559**	**152,292**	**975,851**

	Attributable to owners of the Company						
	capital	Share premium	Share Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 14	Note 14					
Balance at 1 January 2012 (As previously reported)	7,077	454,188	4,817	150,048	616,130	168,090	784,220
Comprehensive income							
Profit for the period	—	—	—	58,760	58,760	6,836	65,596
Balance at 30 June 2012	7,077	454,188	4,817	208,808	674,890	174,926	849,816

The notes on pages 17 to 32 form an integral part of these unaudited interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2013 RMB'000 Unaudited	2012 RMB'000 Unaudited
Cash flows from operating activities			
Cash generated from operations		**89,277**	75,311
Interest paid		**(23,049)**	(20,429)
Income tax paid		**(35,391)**	(18,320)
Net cash generated from operating activities		**30,837**	36,562
Cash flows from investing activities			
Purchases of property, plant and equipment		**(44,289)**	(63,806)
Increase in lease prepayments		**(828)**	(12,751)
Purchase of intangible assets		**(110)**	
Proceeds from disposal of property, plant and equipment		**74**	473
Net payments from related parties		**—**	1,307
Purchases of available-for-sale financial assets		**—**	(439,990)
Proceeds from disposal of available-for-sale financial assets		**—**	126,442
Proceeds from disposal of financial assets at fair value through profit or loss		**50,000**	—
Income derived from financial assets at fair value through profit or loss		**27,441**	—
Net cash outflow for the acquisition of subsidiaries		**(2,000)**	(32,535)
Transaction with non-controlling interests		**(975)**	
Interest received		**740**	820
Net cash generated from /(used in) investing activities		**30,053**	(420,040)
Cash flows from financing activities			
Proceeds from borrowings		**402,221**	466,200
Repayments of borrowings		**(572,124)**	(222,402)
Capital injection from non-controlling interests		**1,950**	—
Net cash (used in)/generated from financing activities		**(167,953)**	243,798
Net decrease in cash and cash equivalents		**(107,063)**	(139,680)
Cash and cash equivalents at beginning of the period		**368,940**	310,762
Exchange (losses)/gains on cash and cash equivalents		**(21)**	19
Cash and cash equivalents at end of the period		**261,856**	171,101

The notes on pages 17 to 32 form an integral part of these unaudited interim consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION OF THE GROUP

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

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the gas pipeline connections by providing residential, commercial and industrial users with laying and installation and transportation, distribution and sales of gases including natural gas and compressed natural gas (the "CNG") and production and sales of liquefied natural gas ("LNG") in bulk and in cylinders in certain cities of the People's Republic of China (the "PRC").

The address of the Company's registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

This unaudited condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved by the Board of Directors for issue on 30 August 2013.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with HKFRSs.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

- HKAS 19 (revised) 'Employee benefits'. HKAS 19 (revised) amends the accounting for employment benefits. The amendments do not have a material impact on the Group's financial statements.

- HKFRS 10, 'Consolidated financial statements'. Under HKFRS 10, subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The group has applied HKFRS 10 retrospectively in accordance with the transition provisions of HKFRS 10. There is no impact on the Group's consolidated financial statements.

- HKFRS 11, 'Joint arrangements'. The policy choice of proportionate consolidation under HKAS 31 has been eliminated under HKFRS 11. Equity accounting must be used for joint controlled entities. There is no impact on the Group's consolidated financial statements.

- HKFRS 13 'Fair value measurement'. HKFRS 13 measurement and disclosure requirements are applicable for the December 2013 year end. The group has included the disclosures for financial assets (See Note 5).

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted.

HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. There is no impact on the Group's consolidated financial statements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

There are no other HKFRSs or HKFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

4 ESTIMATES

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENT

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2013.

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
Assets				
Financial assets at fair value through profit or loss				
— Investment in trust	**—**	**—**	**324,926**	**324,926**
Total assets	**—**	**—**	**324,926**	**324,926**

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENT *(continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
— Investment in trust	—	—	375,983	375,983
Total assets	—	—	375,983	375,983

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2013.

	Financial assets at fair value through profit or loss RMB'000	**Total** RMB'000
Balance at 1 January	375,983	375,983
Additions	—	—
Changes in fair value recognised in profit or loss	(1,057)	(1,057)
Disposals	(50,000)	(50,000)
Balance at 30 June	324,926	324,926
Total gains or losses for the period including in profit or loss for assets held at the end of the reporting period	17,238	17,238

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENT *(continued)*

The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Total**
	RMB'000	RMB'000	RMB'000
Balance at 1 January	—	62,000	62,000
Additions	370,000	89,990	459,990
Changes in fair value recognised in profit or loss	5,983	—	5,983
Disposals	—	(151,990)	(151,990)
Balance at 31 December	375,983	—	375,983
Total gains or losses for the period including in profit or loss for assets held at the end of the reporting period	30,392	877	31,269

During the six months ended 30 June 2013, there were no transfers between levels of the fair value hierarchy used in measuring the fair value of the Group's financial assets.

During the six months ended 30 June 2013, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

During the six months ended 30 June 2013, there were no reclassifications of financial assets.

6 SEGMENT INFORMATION

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

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

The reportable operating segments derive their revenue primarily from transportation and sales of gases, and gas pipeline connections.

The revenue from rental income of investment properties and other miscellaneous income, has been reviewed by the senior executive management team, and its results are included in the "all other segments" column.

6 SEGMENT INFORMATION *(continued)*

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 3 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.

The segment information provided to the senior executive management team for the reportable segments for the six months ended 30 June 2013 is as follows:

	Transportation and sales of gas RMB'000	**Gas pipeline connections** RMB'000	**All other segments** RMB'000	**Unallocated** RMB'000	**Total** RMB'000
Total external revenue	**241,116**	**148,623**	**9,622**	**—**	**399,361**
Gross profit	**39,335**	**94,941**	**5,415**	**—**	**139,691**
Distribution costs				**(6,169)**	**(6,169)**
Administrative expenses				**(26,372)**	**(26,372)**
Other gains — net				**81**	**81**
Operating profit					**107,231**
Finance costs — net				**(1,954)**	**(1,954)**
Profit before income tax					**105,277**
Income tax expense				**(26,667)**	**(26,667)**
Profit for the period					**78,610**

6 SEGMENT INFORMATION *(continued)*

The segment information provided to the senior executive management team for the reportable segments for the six months ended 30 June 2012 is as follows:

	Transportation and sales of gas RMB'000	**Gas pipeline connections** RMB'000	**All other segments** RMB'000	**Unallocated** RMB'000	**Total** RMB'000
Total external revenue	195,076	120,389	8,948	—	324,413
Gross profit	34,116	77,963	6,267	—	118,346
Distribution costs				(6,098)	(6,098)
Administrative expenses				(26,845)	(26,845)
Other income				3,312	3,312
Other gains — net				7,773	7,773
Operating profit					96,488
Finance costs — net				(10,686)	(10,686)
Profit before income tax					85,802
Income tax expense				(20,206)	(20,206)
Profit for the period					65,596

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

For the six months ended 30 June 2013, no revenue derived from sales made to a single external customer amounted to 10% or more of the Group's total revenue (2012: nil).

7 PROFIT BEFORE INCOME TAX

The following items have been charged to the profit before income tax during the period:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	Unaudited	Unaudited
Raw materials and consumables used	**201,720**	168,959
Changes in inventories of finished goods and work in progress	**(6,670)**	(4,385)
Depreciation on property, plant and equipment (Note 11)	**14,753**	11,747
Depreciation on investment properties (Note 11)	**239**	239
Amortisation of lease prepayments (Note 11)	**578**	552
Amortisation of intangible assets (Note 11)	**4,734**	4,548

8 FINANCE COSTS — NET

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	Unaudited	Unaudited
Finance income		
— Interest income derived from bank deposits	**(740)**	(839)
— Investment gains derived from financial assets at fair value through profit or loss	**(17,238)**	—
	(17,978)	(839)
Finance costs		
— Interest expense on borrowings	**19,978**	18,322
— Exchange losses/(gains)	**21**	(19)
— Others	**666**	85
Less: amounts capitalised on qualifying assets	**(733)**	(6,863)
	19,932	11,525
	1,954	10,686

9 INCOME TAX EXPENSE

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

(b) Hong Kong profits tax

For the six months ended 30 June 2013 and 2012, there is no Hong Kong profits tax applicable to any group entity as no group entity had profit derived from Hong Kong.

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

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 31 December 2013 is 25% (the estimated tax rate for the six months ended 30 June 2012 was 25%).

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	Unaudited	Unaudited
Current income tax:		
— PRC CIT	**27,846**	21,051
Deferred tax	**(1,179)**	(845)
	26,667	20,206

10 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.

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Group's profit attributable to owners of the Company (RMB'000)	**72,708**	58,760
Weighted average number of shares in issue (in thousand)	**827,925**	827,925
Basic earnings per share (RMB per share)	**0.09**	0.07

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

11 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LEASE PREPAYMENTS AND INTANGIBLE ASSETS

During the period, the movement of property, plant and equipment, investment properties, lease prepayments and intangible assets are as follows:

	Property, plant and equipment RMB'000	Investment properties RMB'000	Lease prepayments RMB'000	Intangible assets RMB'000	Total RMB'000
Six months ended 30 June 2013					
Opening net book amount 1 January 2013	**526,520**	**9,561**	**48,141**	**441,197**	**1,025,419**
Additions	**42,955**	**—**	**828**	**110**	**43,893**
Disposals	**(958)**	**—**	**—**	**—**	**(958)**
Depreciation charge	**(14,753)**	**(239)**	**(578)**	**(4,734)**	**(20,304)**
Closing net book amount at 30 June 2013	**553,764**	**9,322**	**48,391**	**436,573**	**1,048,050**
Six months ended 30 June 2012					
Opening net book amount 1 January 2012	568,573	10,058	29,706	423,991	1,032,328
Additions	70,273	—	13,643	4,369	88,285
Acquisition of subsidiaries	17,800	—	—	21,462	39,262
Disposals	(473)	—	—	—	(473)
Depreciation charge	(11,747)	(239)	(552)	(4,548)	(17,086)
Closing net book amount at 30 June 2012	644,426	9,819	42,797	445,274	1,142,316

12 TRADE AND OTHER RECEIVABLES

	30 June 2013 RMB'000 Unaudited	31 December 2012 RMB'000 Audited
Trade receivables	**88,619**	100,424
Bills receivable	**1,139**	1,500
Prepayments	**34,346**	28,936
Receivables due from related parties (Note 18)	**14,982**	6,963
Other receivables	**42,107**	34,220
Value-added-tax to be offset	**3,923**	1,596
	185,116	173,639
Less: long-term prepayments	**(16,320)**	(13,336)
Current portion	**168,796**	160,303

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

	30 June 2013 RMB'000 Unaudited	31 December 2012 RMB'000 Audited
Less than 30 days	**68,850**	67,743
31 days to 90 days	**9,384**	20,403
91 days to 1 year	**8,652**	8,094
Over 1 year	**1,733**	4,184
	88,619	100,424

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2013 RMB'000 Unaudited	31 December 2012 RMB'000 Audited
Investment in trust	**324,926**	375,983

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'Finance income' in the interim condensed consolidated financial statements.

The fair value of the investment in trust is measured by the discounted cash flow model with key assumptions including expected return rate, counter-parties' credit risk and market interest rate.

14 SHARE CAPITAL AND PREMIUM

	Number of Shares	Ordinary shares RMB'000 Unaudited	Share premium RMB'000 Unaudited	Total RMB'000 Unaudited
Issued and fully paid				
At 30 June 2013 and 1 January 2013 (nominal value of HK$0.01 each)	**827,925,000**	**7,077**	**454,188**	**461,265**
At 30 June 2012 and 1 January 2012 (nominal value of HK$0.01 each)	827,925,000	7,077	454,188	461,265

15 TRADE AND OTHER PAYABLES

	30 June 2013 RMB'000 Unaudited	31 December 2012 RMB'000 Audited
Trade payables	**70,275**	63,677
Amounts due to related parties (Note 18)	**2,115**	994
Accrued payroll and welfare	**1,279**	2,055
Interest payables	**936**	1,023
Other taxes payables	**2,952**	3,008
Other payables	**49,078**	70,668
	126,635	141,425

The ageing analysis of the trade payables, including amounts due to related parties which were trade in nature was as follows:

	30 June 2013 RMB'000 Unaudited	31 December 2012 RMB'000 Audited
Less than 30 days	**36,331**	27,937
31 days to 90 days	**14,758**	11,895
91 days to 1 year	**11,517**	13,175
1 year to 2 years	**8,427**	10,071
2 years to 3 years	**646**	900
Over 3 years	**711**	663
	72,390	64,641

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

16 DIVIDENDS

No dividends had been paid or declared by the Company for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

17 CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any material contingent liabilities.

18 RELATED PARTIES 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 Mr. Zhang Yingcen and his family members comprising his wife and eldest son ("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 six months ended 30 June 2013 and 2012, and balances arising from related party transactions as at 30 June 2013 and 31 December 2012.

(a) Significant related party transactions

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	Unaudited	Unaudited
Purchase of construction service		
— Hebi Hexiang Engineering Limited ("Hexiang Engineering")	**5,781**	5,359
Rendering of service		
— Henan Tian Lun Gas Engineering Investment Limited ("Henan Tian Lun Engineering Investment")	**100**	100

18 RELATED PARTIES TRANSACTIONS *(continued)*

(b) Balances with related parties

	30 June 2013 RMB'000 Unaudited	31 December 2012 RMB'000 Audited
Trade and other receivables		
Other receivables due from		
— Henan Tian Lun Engineering Investment	**14,982**	6,963
Trade and other payables		
Trade payables due to		
— Hexiang Engineering	**2,115**	964
Other payables due to		
— Hexiang Engineering	**—**	30
	2,115	994

(c) Key management compensation

	Six months ended 30 June	
	2013 RMB'000 Unaudited	2012 RMB'000 Unaudited
Basic salaries and allowances	**1,783**	2,258
Discretionary bonuses	**—**	—
Retirement benefit contributions	**204**	241
	1,987	2,499

19 EVENTS AFTER THE END OF REPORTING PERIOD

(a) Weishi Tian Lun Gas Co., Ltd. (尉氏縣天倫燃氣有限公司), with registered capital of RMB 10 million, was established by the Group as a wholly owned subsidiary on 30 July 2013, which is principally engaged in the sale of natural gas.

(b) On 25 August 2013, pursuant to a share transfer agreement entered into between the Group and the former shareholders of Yunnan Datong Natural Gas Limited (雲南大通天然氣有限公司) (the "Yunnan Datong"), the Group acquired 100% of the equity interests of Yunnan Datong for a consideration of RMB 80 million. The Group acquired 7 projects with exclusive operating rights for city pipeline network and gas station of Yunnan Datong, which are principally engaged in the sale of gas and gas equipment business.

(c) Jilin Yitong Tian Lun Gas Co., Ltd. (吉林伊通天倫燃氣有限公司), with registered capital of RMB 10 million, was established by the Group as a wholly owned subsidiary on 26 August 2013, which is principally engaged in the sale of natural gas.