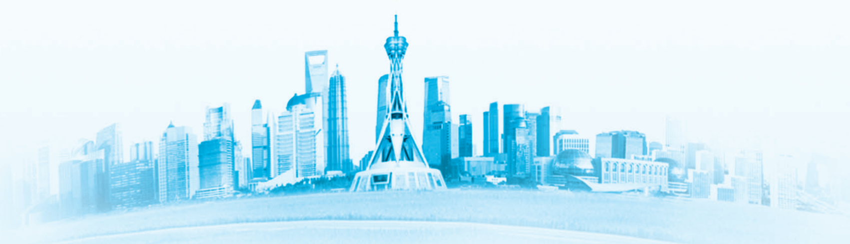
天伦燃气
TIANLUN GAS

INTERIM REPORT **2014**



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

WE ARE HERE
TO PROVIDE CLEAN ENERGY

CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2014 (the "Reporting Period"), both the revenue and profit of China Tian Lun Gas Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") continued to grow. Revenue and gross profit amounted to approximately RMB574,759,000 and RMB202,185,000, respectively, representing increases of approximately 43.92% and approximately 44.74%, respectively, as compared with that of approximately RMB399,361,000 and approximately RMB139,691,000, respectively, for the corresponding period of last year. Profit attributable to owners of the Company amounted to approximately RMB103,244,000, representing an increase of approximately 42.00% as compared with that of approximately RMB72,708,000 for the corresponding period of last year.

BUSINESS REVIEW

Gas Pipeline Connection

For the six months ended 30 June 2014, revenue from the gas pipeline connection of the Group amounted to approximately RMB227,481,000, representing an increase of approximately 53.06% as compared to the corresponding period of last year and accounting for approximately 39.58% of its total revenue. During the Reporting Period, new connections to residential users and commercial and industrial users of the Group were approximately 79,552 and 412 respectively. As at 30 June 2014, the Group had a total of approximately 728,649 residential users (of which 55,765 were from newly-acquired projects) and approximately 3,702 commercial and industrial users (of which 201 were from newly-acquired projects), representing increases of approximately 42.63% and 36.66%, respectively, as compared to the corresponding period of last year. With the operation of an increasing number of the Group's new gas projects, the government's great efforts in rebuilding shanty areas in third-tier and fourth-tier cities and the strengthening of the Company's development of industrial and commercial users above designated scale, the Group was able to record rapid growth of its gas pipeline connection volume during the Reporting Period, which will also provide customer base for the continuous growth of the Group's gas sales volume and gas sales revenue in the future.

Transportation and Sales of Gas

For the six months ended 30 June 2014, revenue from transportation and sales of gas amounted to approximately RMB334,660,000, representing an increase of approximately 38.80% as compared to the corresponding period of last year. During the Reporting Period, total sales volume of gas of the Group was approximately 116,756,000 m^3 (30 June 2013: approximately 88,626,000 m^3), representing an increase of approximately 31.74% as compared to the corresponding period of last year.

During the Reporting Period, the gas sales volume of the Group to residential users, commercial and industrial users and vehicle users accounted for approximately 29.05%, 35.90% and 35.05%, respectively, of its total gas sales volume. Sales revenue from residential users, commercial and industrial users and vehicle users accounted for approximately 22.47%, 35.97% and 41.56%, respectively, of its total gas sales revenue.

During the Reporting Period, the Group benefited from domestic industrial transfer and strengthened its efforts in developing industrial and commercial users which consume large volume of gas and have a higher profit margin. As at 30 June 2014, gas sales revenue from industrial and commercial users accounted for approximately 35.97% of total gas sales revenue, up from approximately 28.02% for the corresponding period of last year, and revenue from gas sales to industrial and commercial users increased significantly by approximately 78.20%.

During the six months ended 30 June 2014, the Group entered into co-operation agreements with large industrial users within the regions in which it operates, including CITIC Guoan Chemical Company Limited (中信國安化工有限公司), Henan Jurui Vehicle Components Co., Ltd. (河南炬鋭機動車零部件有限公司), Xuchang Tobacco Machinery Co., Ltd. (許昌煙草機械有限公司) and Henan Xinchang Non-ferrous Metals Co., Ltd. (河南鑫昌有色金屬有限公司). CITIC Guoan Chemical Company Limited (中信國安化工有限公司) has commenced gas transmission in June 2014, with a designed daily capacity of 110,000 m^3. Moreover, Xuchang Tobacco Plant (許昌市捲煙廠), a large industrial user with which the Group entered into a contract in 2013, will complete its relocation in the third quarter of 2014, following which it will formally start using gas supplied by the Group with a designed daily capacity of 100,000 m^3. The recovery of non-ferrous metals and basic chemicals market has led to the gradual rebound of gas consumption of the Group's industrial users in Baiyin City, Gansu Province such as Baiyin Nonferrous Metal Group (白銀有色集團) and Baiyin Chromate Plant (白銀鉻鹽廠). Furthermore, the Board is pleased to report that the Group's LNG gasification station in Chaozhou City, Guangdong Province, the PRC with a storage capacity of 1,500,000 m^3, began supplying natural gas to local industrial users in May 2014. As at the date of this report, the Company had 86 high-end ceramic enterprise users with a total designed daily capacity of 190,000 m^3. With over 500 high-end ceramic enterprises clustered in such area, we believe there is great market potential. With the significant growth of the Group's gas sales to industrial users and the commencement of operation of its newly constructed gas refilling stations in 2014, the Group expects to maintain rapid growth of gas sales in the future.

Gross Profit Margin and Net Profit Margin

For the six months ended 30 June 2014, the Group achieved gross profit of approximately RMB202,185,000, representing an increase of approximately 44.74% as compared to the corresponding period of last year. The overall gross profit margin and net profit margin of the Group were approximately 35.18% and approximately 20.12%, respectively, representing increases of approximately 0.2 percent and approximately 0.44 percent, respectively, as compared to the corresponding period of last year. Such significant increase in gross profit was due to the rapid growth of the Group's principal activities, demonstrated by the 38.80% increase in gas sales and 53.06% increase in revenue from gas pipeline connection as compared to the corresponding period of last year. Meanwhile, due to the Group's effective cost control, the distribution cost and administrative expenses represented approximately 7.86% of the total revenue of the Group for the Reporting Period, representing a decrease of 0.29 percent as compared with approximately 8.15% for the corresponding period of last year.

Development of New Projects

During the Reporting Period, the Group obtained two urban gas projects located in Chenghai District and Chaoyang District in Shantou City, Guangdong Province. As at the date of this report, the Group has 43 urban gas projects in the PRC. The Group will continue to keep track of natural gas investment opportunities in the PRC, and in particular build on the areas in which it operates to constantly expand its network coverage and achieve operational competitiveness in such areas. It will also focus on urban gas projects and industrial parks where a large number of companies are clustered with huge demand for gas consumption, so as to strive for the fast growth of its gas sales.

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

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

The Group has been making great efforts in developing gas projects in affluent areas such as Beijing, Tianjin, Hebei, Yangtze River Delta and Pearl River Delta. As one of the first five special economic zones for implementation of the opening-up policy in the PRC, Shantou is an important transportation hub, import and export port and goods distribution center in eastern Guangdong, southern Jiangxi and south-western Fujian, as well as an important connection link between Pearl River Delta and the Western Taiwan Straits Economic Zone.

Chenghai District and Chaoyang District in Shantou City are important components of Shantou's economy. There is dense population and great room for development of civil and commercial gas markets in these areas. In addition, due to Chenghai District's position as an important toy manufacturing base and Chaoyang District's position as a major textile and apparel, music and video and stationery and mechanical and electronic industry cluster in the PRC, there is huge potential for the industrial gas market. Through the Acquisition, the Group will obtain a project in Chenghai District and Chaoyang District of Shantou City, which is expected to provide the Group with considerable profitability. Also, these areas are adjacent to the area of the Group's gas project in Chaozhou City, which will create synergies. Building on its presence in eastern Guangdong, the Group will rapidly expand into the surrounding areas and further increase its market share in southern China.

Investment in Gas Refilling Stations

As at 30 June 2014, the Group had a total of 27 operating gas refilling stations and 23 planned gas refilling stations, which has helped to further expand its network coverage to consolidate its regional leadership. These gas refilling stations are mostly located in Henan Province, Jilin Province and Yunnan Province, the PRC, for which the Group has built CNG mother stations or LNG processing plants with appropriate sizes in their adjacent areas to improve overall profitability.

Investments in LNG Processing Plants

Preparations for construction have been completed for the coke oven gas-produced LNG source base project, a co-operation project with Luoyang Rongtuo Coking Company Limited (洛陽榕拓焦化有限公司) with an annual production capacity of 60 million m^3 of LNG and also the first coke oven gas-produced LNG project of the Group, which is scheduled to be put into operation in the fourth quarter of 2015. The operation of this project will not only expand the natural gas channels of the Group but will also more effectively secure the gas supply sources for the Group's gas refilling stations in Henan Province and lower the gas procurement cost of the Group to a certain extent. In addition, apart from self-consumption, the remaining portion of LNG underwritten by the Group will be sold to external customers which will increase the Group's revenue from sale of gas.

The LNG processing plant project with an annual production capacity of 400 million m^3 of LNG (70% of its equity interest is held by the Group) in Kai County Industrial Park, Chongqing City, the PRC has entered into the construction stage. The first phase is expected to commence production in the first quarter of 2016 with a designed production capacity of 200 million m^3 of LNG. Upon completion, the project will mostly serve as the source of the Company's gas supply to Yunnan Province, Guangxi Province and Guangdong Province and help to realize the transformation of the Company's business model from external purchase to internal purchase. It will also secure sufficient gas supply for the Company to develop gas refilling stations in the areas mentioned above in the future.

Furthermore, preparations for construction have been completed for the Group's gas source base project in Changling County, Jilin Province, the PRC with an annual production capacity of 100 million m^3 of LNG, which is scheduled to commence production in the first quarter of 2016. The operation of this project will secure adequate supply of gas for the Group to further expand its network coverage in Jilin Province.

Loan Agreement

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

Pursuant to the Loan Agreement, if Mr. Zhang fails to (1) be the single largest shareholder of the Company or the chairman of the board of directors of the Company or (2) have control over the business or management (including financial and/or personnel management) of the Company or the Company and its subsidiaries, this will constitute a breach of the terms of the Loan Agreement and may also lead to an event of default under the Loan Agreement. Upon the occurrence of a breach of the terms of or an event of default under the Loan Agreement, the Lenders may declare that the Loan be cancelled and/or declare that all outstanding amount including all accrued interest of the Loan be immediately due and payable. As at the date of this report, all terms of the Loan Agreement and the condition in respect of the specific obligations above have been duly complied with. For details, please refer to the Company's announcement dated 15 October 2013.

Human Resources

As at 30 June 2014, the total number of employees of the Group was 1,743. The Group remunerates its staff based on their individual performance, work experience and prevailing market standard. The Group attaches great importance to internal talents cultivation and recruitment of external talents. Since 2012, the Group has been carrying out a manager trainee program whereby it arranges experienced lecturers in the energy industry to teach lessons for a term of one year covering strategic management, project management and cross-department communication, etc. A large number of manager trainees have emerged through such program. In addition, the Group also recruits graduates from colleges and universities nationwide each year. Through providing them with outward bound trainings and trainings on enterprise culture and gas knowledge at an early stage and implementing a "Parachute Program" at a later stage pursuant to which a mentor is assigned to each graduate to help them integrate in their positions and departments, the Group's talent base has expanded. Furthermore, the introduction of experienced technical and management talents, internal promotion of employees through competition, and an improving performance assessment system, have provided strong talent support for the Group's future development.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group has been adopting prudent 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 its daily operation needs and business development and maintain borrowing at a healthy level. As at 30 June 2014, the Group's cash and cash equivalents amounted to approximately RMB324,690,000, of which 93.86% was denominated in Renminbi, 2.64% in Hong Kong Dollars and 3.50% in US Dollars. As at 30 June 2014, the Group's gearing ratio was approximately 63.40%, which was calculated based on the percentage of total liabilities over total assets.

Credit Structure

As at 30 June 2014, the Group's total borrowing was approximately RMB1,312,950,000 (31 December 2013: approximately RMB1,010,518,000), of which loans denominated in Renminbi were approximately RMB736,355,000 (31 December 2013: approximately RMB529,236,000), and loans denominated in US Dollars were approximately RMB576,595,000 (31 December 2013: loans denominated in US Dollars were approximately RMB481,282,000). Approximately 31.42% (31 December 2013: approximately 22.70%) of the borrowings was accounted for as current liabilities. The loans repayable within one year amounted to approximately RMB130,159,000.

In general, as all businesses of the Group were situated in the PRC, substantially all of its revenue and expenses were denominated in Renminbi except the loans denominated in US Dollars (equivalent to approximately RMB576,595,000) mentioned above, there were no significant risks relating to exchange rate fluctuation. The Group will closely monitor the interest rate and exchange rate of the market and adopt appropriate measures when necessary.

Contingent Liabilities

As at 30 June 2014, the Group had no material contingent liabilities.

SUBSEQUENT EVENT

Proposed Equity Investment and Financing from IFC

On 27 August 2014, the Company and International Finance Corporation ("IFC") entered into a mandate letter (the "Mandate Letter") pursuant to which IFC is considering to subscribe for up to US$125 million in the equity shares of the Company (the "Equity Investment") by IFC and one or more funds managed by IFC Asset Management Company, LLC, a wholly-owned subsidiary of IFC as well as the subsequent debt financing (the "Debt Financing"). The proceeds of the proposed Equity Investment (if materialised) and Debt Financing (if materialised) are intended to be used by the Group in constructing the liquefied natural gas plants and gas filling stations, expanding the city gas pipeline network and acquiring additional municipal gas projects. For details, please refer to the Company's announcement dated 27 August 2014.

AWARDS

Following its inclusion in the list of the "Enterprises with Most Potential in the PRC" published by Forbes Chinese edition in 2012, the Company was once again seen in such list in January 2014, with its ranking rising to No. 26 from the previous No. 40, which has fully demonstrated the recognition of the Company's growth potential. Mr. Xian Zhenyuan, an executive Director, was named among the "Best CEOs of Listed Companies 2014", which also represents a recognition of the Group's results and management standard.

OUTLOOK

According to the Proposal on Strengthening Prevention and Control of Air Pollution in Energy Industry (能源行業加強大氣污染防治工作方案) jointly issued by the National Development and Reform Commission, the National Energy Administration and the Ministry of Environmental Protection in March 2014, the objective of natural gas (excluding coal gas) consumption as a percentage of total energy consumption is set as reaching 7% by 2015 and 9% by 2017. In terms of natural gas supply, production of conventional natural gas will be increased, and the construction of infrastructure such as trunk pipeline networks will speed up to replace coal-fired boilers for industrial and commercial uses in an orderly manner. The specific objective of national natural gas supply is to reach supply of 250 billion m^3 by 2015 and 330 billion m^3 by 2017.

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

In May 2014, China National Petroleum Corporation and Russia's Gazprom entered into a natural gas sale and purchase agreement for a term of 30 years. Russia will supply gas to China through the East Section of China-Russia Natural Gas Pipeline since 2018, with an annual gas supply of 38 billion m^3. The Group's projects located in Jilin Province will benefit from the execution of the agreement. Currently the Group has 9 urban gas projects, 17 gas refilling stations in operation and under construction, and one LNG processing plant under construction in Jilin Province which will directly benefit from the agreement.

The State Council promulgated the Opinions on Further Promoting Household Registration Reforms (關於進一步推進戶籍制度改革的意見) in July 2014, which involves adjusting household registration policies, removing the classification of people into agricultural households and non-agricultural households, and establishing a uniform household registration system for urban and rural population. The objective of such reform is that by 2020, around 100 million rural migrant workers and other permanent urban residents will have obtained household registration in urban areas, which will be a strong positive factor for the Group development of urban gas projects in third-tier and fourth-tier cities.

Rapid urbanization of the PRC, construction of infrastructure such as natural gas pipeline networks, growing concerns of the public about air and environmental pollution, and the introduction of favorable policies for natural gas, will all provide great room for the Group's future development.

In the second half of the year, the Group will strive to seize the opportunities brought by industry growth and follow the business development opportunities brought to the Group by national policies to achieve its sustained rapid growth. In respect of urban gas, it will focus on operation of large projects with huge demand for gas consumption, pay a close attention to opportunities for establishing presence in emerging markets arising from industrial transfer, and speed up construction of and market development for the projects it has obtained but which have yet to commence operation (currently the Group has 10 urban gas projects yet to commence operation). In respect of gas refilling station business, the Group will continue to adhere to its business model of consolidating regional leadership and becoming fully vertically-integrated by way of accelerating the construction of its planned stations and further expanding the coverage of its competitive regional network while seeking opportunities to expand into new areas. In respect of LNG processing plants, it will focus on the construction of its existing three processing plants. Project construction by stage and acquisition of new projects must be carried out in a manner so that the Group's projects are adjacent to end markets and production matches sales. It will collaborate with upstream and downstream players to mitigate market risk and enhance its profitability.

The Group will continue to be committed to improving people's lives. With its mission of "developing clean energy and improving living environment" (發展清潔能源,改善人居環境) and its three core activities of "urban gas as basis, gas resource bases as support, and vigorously developing transport gas" (城市燃氣為基礎,氣源基地為後盾,大力發展交通燃氣), the Group will continue to implement its overall development strategy of "striving to become bigger, using advanced technology to achieve rapid growth" (大、新、快), by focusing on the development and utilization of natural gas to accelerate its pace of expansion, and in turn to maximize the returns to shareholders.

OTHER INFORMATION

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 2014, 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 (the "Shares"):

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested	Approximate percentage of issued share capital of the Company
Mr. Zhang Yingcen (Note 1)	Interest of controlled corporation and interest of spouse	528,175,500	63.79
Mr. Xian Zhenyuan (Note 2 and 3)	Interest of controlled corporation and beneficial owner	22,442,300	2.71
Mr. Hu Xiaoming (Note 3)	Beneficial owner	1,500,000	0.18
Mr. Feng Yi (Note 3)	Beneficial owner	600,000	0.07
Mr. Sun Heng (Note 3)	Beneficial owner	600,000	0.07
Ms. Li Tao (Note 3)	Beneficial owner	600,000	0.07

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

Name of Director	Name of the associated corporation	Capacity/ Nature of interest	Number of Shares held	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 458,725,000 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 the shares in issue of Chequers Development Limited, which in turn owns 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 holds 5,722,500 Shares through her individual security account. 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 a 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 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.

(3) On 27 January 2014, 4,000,000, 1,500,000, 600,000, 600,000 and 600,000 share options were granted to Mr. Xian Zhenyuan, Mr. Hu Xiaoming, Mr. Feng Yi, Mr. Sun Heng and Ms. Li Tao respectively under the share option scheme adopted by the Company on 13 October 2010.

Save as disclosed above, as at 30 June 2014, 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 2014, 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	458,725,000	55.40
Gold Shine Development Limited (Note 1)	Interest of controlled corporation	458,725,000	55.40
Chequers Development Limited	Beneficial owner	59,678,000	7.20
Ms. Sun (Note 2)	Interest of spouse	528,175,500	63.79
Munsun Asset Management (Asia) Ltd	Investment manager	82,696,500	9.99
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 458,725,000 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 owns 458,725,000 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 the shares in issue of Chequers Development Limited, which owns 59,678,000 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 holds 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 2014, 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 the 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 2014 (30 June 2013: Nil).

SHARE OPTION SCHEME

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

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

During the six months ended 30 June 2014, neither the Company nor its subsidiaries had purchased, sold or redeemed any shares of the Company.

TRUST SCHEME

On 21 March 2012, Henan Tian Lun and Zhongyuan Trust Company Limited (中原信託有限公司) ("Zhongyuan Trust") entered into a trust investment agreement (the "Investment Agreement") in relation to the investment in a portfolio of trust financial products managed and maintained by Zhongyuan Trust (the "Trust Scheme") for a term of two years commencing from 21 March 2012 (the "Trust Period"). On 21 March 2014, Henan Tian Lun and Zhongyuan Trust entered into a supplemental agreement (the "Supplemental Agreement") to the Investment Agreement, pursuant to which the maturity of the Trust Period has been extended to 21 March 2016. For details of the Trust Scheme and the Supplemental Agreement, please refer to the announcements of the Company dated 18 January 2013 and 21 and 25 March 2014.

As at 30 June 2014, the Group held RMB320,000,000 under the Trust Scheme. From 31 December 2012 to the date of this report, total return of approximately RMB81,522,000 was received under the Trust Scheme, of which approximately RMB23,362,000 was received during the Reporting Period.

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 (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all the Directors, each of them confirmed that they had strictly complied with the required standards set out in the Model Code during the Reporting Period.

CORPORATE GOVERNANCE CODE

The Company has adopted and been in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period from 1 January 2014 to 30 June 2014.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely, Mr. Li Liuqing (chairman of the Audit Committee), Mr. Zhang Jiaming and Ms. Zhao Jun. The Audit Committee had held meetings with the management to review accounting principles and practices adopted by the Group and discussed audit, internal control and financial reporting issues. The Audit Committee had reviewed and discussed the results and unaudited financial statements of the Group for the six months ended 30 June 2014.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Note	**RMB'000**	RMB'000
		Unaudited	Unaudited
Revenue	6	**574,759**	399,361
Cost of sales		**(372,574)**	(259,670)
Gross profit		**202,185**	139,691
Distribution costs		**(7,935)**	(6,169)
Administrative expenses		**(37,230)**	(26,372)
Other gains — net		**1,352**	81
Operating profit		**158,372**	107,231
Finance income	10	**25,809**	17,978
Finance costs	10	**(30,198)**	(19,932)
Finance costs — net	10	**(4,389)**	(1,954)
Profit before income tax		**153,983**	105,277
Income tax expense	9	**(38,320)**	(26,667)
Profit for the period		**115,663**	78,610
Other comprehensive income for the period, net of tax		**—**	—
Total comprehensive income for the period		**115,663**	78,610
Profit and total comprehensive income attributable to:			
Owners of the Company		**103,244**	72,708
Non-controlling interests		**12,419**	5,902
		115,663	78,610
Earnings per share for profit attributable to owners of the Company (RMB per share)			
— Basic and diluted		**0.12**	0.09

The notes on pages 17 to 38 form an integral part of this unaudited interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**953,522**	726,081
Investment properties	12	**8,448**	9,006
Lease prepayments	12	**128,221**	64,833
Intangible assets	12	**1,318,186**	650,898
Deferred income tax assets		**3,957**	2,599
Trade and other receivables	13	**16,150**	17,788
Other non-current assets		**4,205**	3,743
Total non-current assets		**2,432,689**	1,474,948
Current assets			
Inventories		**102,856**	93,330
Trade and other receivables	13	**318,614**	251,739
Financial assets at fair value through profit or loss	15	**330,191**	221,824
Restricted cash		**9,145**	9,145
Cash and cash equivalents		**324,690**	576,402
Total current assets		**1,085,496**	1,152,440
Total assets		**3,518,185**	2,627,388
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	**7,077**	7,077
Share premium	14	**454,188**	454,188
Reserves		**39,641**	34,109
Retained earnings		**527,838**	424,594
		1,028,744	919,968
Non-controlling interests		**258,962**	170,428
Total equity		**1,287,706**	1,090,396

Interim Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2014

	Note	Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	18	**135,855**	—
Borrowings	16	**900,364**	781,124
Deferred income tax liabilities	17	**124,211**	63,975
Total non-current liabilities		**1,160,430**	845,099
Current liabilities			
Trade and other payables	18	**490,638**	285,556
Advance from customers		**151,135**	152,711
Current income tax liabilities		**15,690**	24,232
Borrowings	16	**412,586**	229,394
Total current liabilities		**1,070,049**	691,893
Total liabilities		**2,230,479**	1,536,992
Total equity and liabilities		**3,518,185**	2,627,388
Net current assets		**15,447**	460,547
Total assets less current liabilities		**2,448,136**	1,935,495

The notes on pages 17 to 38 form an integral part of this unaudited interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company						
	Share capital RMB'000 Note 14	Share premium RMB'000 Note 14	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2014 (As previously reported)	**7,077**	**454,188**	**34,109**	**424,594**	**919,968**	**170,428**	**1,090,396**
Comprehensive income							
Profit for the period	**–**	**–**	**–**	**103,244**	**103,244**	**12,419**	**115,663**
Transactions with owners							
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**73,665**	**73,665**
Grant of share options	**–**	**–**	**5,532**	**–**	**5,532**	**–**	**5,532**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**2,450**	**2,450**
Balance as at 30 June 2014	**7,077**	**454,188**	**39,641**	**527,838**	**1,028,744**	**258,962**	**1,287,706**

	Attributable to owners of the Company						
	Share capital RMB'000 Note 14	Share premium RMB'000 Note 14	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as 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 as at 30 June 2013	7,077	454,188	18,701	343,593	823,559	152,292	975,851

The notes on pages 17 to 38 form an integral part of this unaudited interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Cash flows from operating activities		
Cash generated from operations	**151,199**	89,277
Interest paid	**(34,657)**	(23,049)
Income tax paid	**(48,983)**	(35,391)
Net cash generated from operating activities	**67,559**	30,837
Cash flows from investing activities		
Purchases of property, plant and equipment	**(107,934)**	(44,289)
Increase in lease prepayments	**(8,690)**	(828)
Purchases of available-for-sale financial assets	**(230,500)**	—
Disposal of available-for-sale financial assets	**230,714**	—
Purchases of financial assets at fair value through profit or loss	**(100,000)**	—
Disposal of financial assets at fair value through profit or loss	**—**	50,000
Net cash outflow for the acquisition of subsidiaries	**(378,256)**	(2,000)
Purchase of intangible assets	**(1,702)**	(110)
Proceeds from disposal of property, plant and equipment and investment properties	**3,369**	74
Transaction with non-controlling interests	**—**	(975)
Investment income derived from financial assets at fair value through profit or loss	**18,509**	27,441
Interest received	**2,447**	740
Net cash (used in)/generated from investing activities	**(572,043)**	30,053
Cash flows from financing activities		
Proceeds from borrowings	**390,572**	402,221
Repayments of borrowings	**(141,140)**	(572,124)
Capital injection from non-controlling interests	**2,450**	1,950
Net cash generated from/(used in) financing activities	**251,882**	(167,953)
Net decrease in cash and cash equivalents	**(252,602)**	(107,063)
Cash and cash equivalents at beginning of the period	**576,402**	368,940
Exchange gains/(losses)	**890**	(21)
Cash and cash equivalents at end of the period	**324,690**	261,856

The notes on pages 17 to 38 form an integral part of this unaudited interim condensed consolidated financial information.

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 ("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 18 August 2014.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with HKFRSs.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those applied for the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

- The Group has adopted HK(IFRIC)-Int 21 'Levies'. HK(IFRIC)-Int 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Group is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial information for the period ended 30 June 2014. The Group does not expect HK(IFRIC)-Int 21 to have a significant effect on the results for the financial year ending 31 December 2014.

- Other amendments to HKFRSs effective for the financial year ending 31 December 2014 are not expected to have a material impact on the Group.

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 the Group.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2014 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 required to be adopted until 1 January 2018 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. In the current reporting period, the Group had not recognised such losses in other comprehensive income.

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 HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 ACCOUNTING POLICIES *(continued)*

3.1 Share-base payments

(a) Equity-settled share-based payment transactions

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payment transactions among group entities

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(c) Social security contributions on share options gains

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, 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 this condensed consolidated interim financial information, the significant judgements 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 2013, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

There have been no changes in the risk management department or in any risk management policies since the year end.

5.2 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 non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.2 Liquidity risk *(continued)*

	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 30 June 2014				
Bank borrowings	**428,159**	**444,372**	**564,034**	**15,397**
Other borrowings	**4,461**	**510**	**1,504**	**7,956**
Trade and other payables (i)	**481,374**	**109,142**	**3,427**	**23,286**
At 30 June 2013				
Bank borrowings	413,890	74,476	169,852	47,732
Other borrowings	514	510	1,504	8,233
Trade and other payables (i)	122,404	—	—	—

(i) Trade and other payables include trade payables, bills payable, amounts due to related parties, other payables and interest payables as stated in Note 18.

5.3 Fair value estimation

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 2014.

	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	**—**	**—**	**330,191**	**330,191**
Total assets	**—**	**—**	**330,191**	**330,191**

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.3 Fair value estimation *(continued)*

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 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	—	—	221,824	221,824
Total assets	—	—	221,824	221,824

There were no transfers within levels 1, 2 and 3 during the period.

There were no other changes in valuation techniques during the period.

5.4 Fair value measurements using significant unobservable inputs (Level 3)

30 June 2014

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Opening balance as at 1 January	221,824	—	221,824
Additions	100,000	230,500	330,500
Changes in fair value recognised in profit or loss	8,367	—	8,367
Disposals	—	(230,500)	(230,500)
Closing balance as at 30 June	330,191	—	330,191
Total gains for the period included in profit or loss for assets held at the end of the reporting period	23,362	214	23,576

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.4 Fair value measurements using significant unobservable inputs (Level 3) *(continued)*

30 June 2013

	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Opening balance as 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)
Closing balance as at 30 June	324,926	324,926
Total gains for the period included in profit or loss for assets held at the end of the reporting period	17,238	17,238

For investment in trust at fair value through profit or loss approximately RMB23,362,000 and (2013: approximately RMB17,238,000) was included in 'Finance income' (2013: same) in the interim consolidated statement of comprehensive income.

5.5 Group's valuation processes

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every quarter, in line with the Group's quarterly reporting dates.

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.6 Fair value of financial assets and liabilities measured at amortised cost

The fair value of borrowings are as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Non-current	**905,830**	785,271
Current	**412,586**	229,394
	1,318,416	1,014,665

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Other current financial assets
- Cash and banks
- Trade and other payables

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 period ended 30 June 2014 is as follows:

	Transportation and sales of gas RMB'000	Gas pipeline connections RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Total external revenue	334,660	227,481	12,618	—	574,759
Gross profit	54,704	142,463	5,018	—	202,185
Distribution costs				(7,935)	(7,935)
Administrative expenses				(37,230)	(37,230)
Other gains — net				1,352	1,352
Operating profit					158,372
Finance costs — net				(4,389)	(4,389)
Profit before income tax					153,983
Income tax expense				(38,320)	(38,320)
Profit for the period					115,663

6 SEGMENT INFORMATION *(continued)*

The segment information provided to the senior executive management team for the reportable segments for the period 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

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 2014, no revenue derived from sales made to a single external customer amounted to 10% or more of the Group's total revenue (2013: nil).

7 BUSINESS COMBINATIONS

On 31 January 2014, the Group acquired 100% of the equity interests of Wah Shing Century Limited ("Wah Shing Century"), an independent third party company incorporated in Hong Kong with limited liability and as a result the Group acquired the control over Chaozhou Huamao Energy Distribution Company Limited ("Huamao Energy"), a company owned as to 60% by Wah Shing Century. Huamao Energy is an independent third party company, established in Guang Dong, the PRC with limited liability, which is principally engaged in investment in and construction of natural gas pipelines and distribution and sales of natural gas in Fuyang Town, Longhu Town and Dongfeng Town in Chaozhou City, Guangdong Province, the PRC. The total consideration was RMB432,000,000.

On 30 April 2014, the Group acquired 90% of the equity interests of Shantou City Chenghai Gas Construction Company Limited ("Shantou Chenghai"), and as a result the Group acquired 90% equity interest of named Shantou City Chaoyang District Min'an Pipeline Gas Company Limited ("Shantou Chaoyang"), a wholly owned subsidiary of Shantou Chenghai. Shantou Chenghai is an independent third party company incorporated in the PRC with limited liability. Shantou Chenghai is principally engaged in investment in and construction of natural gas pipelines and distribution and sales of natural gas in Chenghai District, Shantou City, Guangdong Province, the PRC. Shantou Chaoyang is principally engaged in the same business in Chaoyang District, Shantou City, Guangdong Province, the PRC. The total consideration shall not exceed RMB270,000,000.

The goodwill of approximately RMB433,986,000 arises from a number of factors including expected synergies through combining a highly skilled workforce and obtaining greater production efficiencies through knowledge transfer; obtaining economies of scale by cost reductions from purchasing efficiencies, price reductions and greater volume rebates from suppliers; and unrecognised assets such as the workforce.

The following table summarises the consideration paid for the acquisitions, the provisional fair value of assets acquired, liabilities assumed and the non-controlling interests at the respective acquisition dates:

	Wah Shing Century As at 31 January 2014	**Shantou Chenghai As at 30 April 2014**	**Total**
	RMB'000	RMB'000	RMB'000
Consideration for purchase:			
— Cash	216,000	186,876	402,876
— Contingent consideration	216,000	83,124	299,124
Total consideration	432,000	270,000	702,000
Indebtedness arrangement	(78,217)	(14,000)	(92,217)
Consideration for acquisition	353,783	256,000	609,783

7 BUSINESS COMBINATIONS *(continued)*

	Wah Shing Century provisional fair value As at 31 January 2014 RMB'000	Shantou Chenghai provisional fair value As at 30 April 2014 RMB'000	Total RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed:			
Cash and cash equivalents	4,375	26,745	31,120
Property, plant and equipment	60,160	43,399	103,559
Intangibles:			
— Operating rights	148,497	92,811	241,308
Lease prepayments	45,152	12,254	57,406
Inventories	—	11,924	11,924
Trade and other receivables	33,756	42,657	76,413
Other non-current assets	—	15	15
Borrowings	—	(53,000)	(53,000)
Current income tax liabilities	—	(672)	(672)
Trade and other payables	(92,317)	(57,488)	(149,805)
Advance from customers	—	(8,479)	(8,479)
Net deferred tax liability	(37,124)	(23,203)	(60,327)
Total identifiable net assets acquired	162,499	86,963	249,462
Non-controlling interests	(64,969)	(8,696)	(73,665)
Goodwill	256,253	177,733	433,986
	353,783	256,000	609,783

	Wah Shing Century RMB'000	Shantou Chenghai RMB'000	Prior year acquisitions RMB'000	Total RMB'000
Outflow of cash to acquire businesses, net of cash acquired:				
— cash paid	216,000	186,876	6,500	409,376
— cash and cash equivalents in subsidiaries acquired	(4,375)	(26,745)	—	(31,120)
Cash outflow on acquisition	211,625	160,131	6,500	378,256

7 BUSINESS COMBINATIONS *(continued)*

(a) Acquisition-related costs of approximately RMB32,500 have been charged to administrative expenses in the profit or loss for the period ended 30 June 2014.

(b) Contingent consideration

According to the acquisition agreement, the Group will pay RMB216 million as the consideration to the vendor of Wah Shing Century (including Huamao Energy) under the condition that no dispute on the legal right of the equity and assets, no undisclosed obligations or unrecorded liabilities to be discovered by the Group and the agreed terms of payment are met.

According to the acquisition agreement, the Group will pay approximately RMB83 million as the consideration to the vendor of Shantou Chenghai (including shantou Chaoyang) under the condition that no dispute on the legal right of the equity and assets, no undisclosed obligations or unrecorded liabilities to be discovered by the Group and the agreed terms of payment are met.

(c) Acquired receivables

The provisional fair value of trade and other receivables is approximately RMB76,413,000 and includes trade receivables with a provisional fair value of approximately RMB12,719,000, which is the gross contractual amount of the trade receivables.

(d) Provisional fair value of acquired identifiable assets and liabilities

The Group has engaged an independent valuer to identify the fair value of identifiable assets and liabilities acquired. The valuation of Wah Shing Century (including Huamao Energy) and Shantou Chenghai (including Shantou Chaoyang) have not yet been completed and the provisional fair value represents management's current best estimates of the fair values at acquisition, which are subject to change.

(e) Non-controlling interests

The Group has chosen to recognise the non-controlling interests on a non-controlling interests proportion of the fair value for the acquisition.

8 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	unaudited	unaudited
Raw materials and consumables used	**296,049**	201,720
Changes in inventories of finished goods and work in progress	**(9,525)**	(6,670)
Depreciation on property, plant and equipment (Note 12)	**20,328**	14,753
Depreciation on investment properties (Note 12)	**232**	239
Amortisation of lease prepayments (Note 12)	**2,708**	578
Amortisation of intangible assets (Note 12)	**9,708**	4,734
Gains on disposal of property, plant and equipment and investment properties	**1,138**	—

9 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	unaudited	unaudited
Current income tax:		
— PRC corporate income tax	**39,769**	27,846
Deferred income tax	**(1,449)**	(1,179)
	38,320	26,667

Income tax expense is recognised based on management's 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 2014 is 26% (the estimated tax rate for the six months ended 30 June 2013 was 26%).

10 FINANCE COSTS — NET

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	unaudited	unaudited
Finance income		
Interest income derived from bank deposits	**(2,447)**	(740)
Investment gains derived from financial assets at fair value through profit or loss	**(23,362)**	(17,238)
	(25,809)	(17,978)
Finance costs		
Interest expense on borrowings	**36,458**	19,978
Exchange (gains)/losses	**(890)**	21
Others	**839**	666
Less: amounts capitalised on qualifying assets	**(6,209)**	(733)
	30,198	19,932
	4,389	1,954

11 DIVIDENDS

No dividends had been paid or declared by the Company for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

12 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 2014					
Net book amount as at 1 January 2014	**726,081**	**9,006**	**64,833**	**650,898**	**1,450,818**
Additions	**146,115**	**—**	**8,690**	**1,702**	**156,507**
Acquisition of subsidiaries	**103,559**	**—**	**57,406**	**675,294**	**836,259**
Disposals	**(1,905)**	**(326)**	**—**	**—**	**(2,231)**
Depreciation charge	**(20,328)**	**(232)**	**(2,708)**	**(9,708)**	**(32,976)**
Net book amount as at 30 June 2014	**953,522**	**8,448**	**128,221**	**1,318,186**	**2,408,377**
Six months ended 30 June 2013					
Net book amount as at 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)
Net book amount as at 30 June 2013	553,764	9,322	48,391	436,573	1,048,050

Goodwill acquired has not yet been allocated to a cash-generating unit at the end of the period as the accounting for business combination is still provisional.

13 TRADE AND OTHER RECEIVABLES

	30 June 2014 RMB'000 unaudited	31 December 2013 RMB'000 audited
Trade receivables	**135,558**	132,156
Bills receivable	**3,750**	3,450
Prepayments	**75,383**	52,946
Receivables due from related parties (Note 20)	**1,516**	16,029
Other receivables	**105,643**	57,151
Value-added-tax to be offset	**12,914**	7,795
	334,764	269,527
Less: long-term prepayments	**(16,150)**	(17,788)
Current portion	**318,614**	251,739

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 2014 RMB'000 unaudited	31 December 2013 RMB'000 audited
Less than 30 days	**111,039**	93,297
31 days to 90 days	**6,598**	15,044
91 days to 1 year	**7,814**	11,154
Over 1 year	**10,107**	12,661
	135,558	132,156

14 SHARE CAPITAL AND SHARE 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 2014 and 1 January 2014 (nominal value of HK$0.01 each)	**827,925,000**	**7,077**	**454,188**	**461,265**
At 30 June 2013 and 1 January 2013 (nominal value of HK$0.01 each)	827,925,000	7,077	454,188	461,265

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2014 RMB'000 unaudited	31 December 2013 RMB'000 audited
Investment in trust	**330,191**	221,824

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 information.

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

16 BORROWINGS

	30 June 2014 RMB'000 unaudited	31 December 2013 RMB'000 audited
Non-current	**900,364**	781,124
Current	**412,586**	229,394
	1,312,950	1,010,518

Movements in borrowings are analysed as follows:

	RMB'000
Six months ended 30 June 2014	
Opening amount as at 1 January 2014	1,010,518
Acquisition of subsidiaries	53,000
Proceeds from borrowings	390,572
Repayments of borrowings	(141,140)
Closing amount as at 30 June 2014	1,312,950
Six months ended 30 June 2013	
Opening amount as at 1 January 2013	805,725
Proceeds of new borrowings	402,221
Repayment of borrowings	(572,124)
Closing amount as at 30 June 2013	635,822

Interest expense on borrowings and loans for the six months ended 30 June 2014 is approximately RMB36,458,000 (six months ended 30 June 2013: RMB19,978,000).

17 DEFERRED INCOME TAX LIABILITIES

	Six months ended 30 June	
	2014 RMB'000 unaudited	2013 RMB'000 unaudited
Balance as at 1 January	**63,975**	43,325
Acquisition of subsidiaries	**60,327**	—
Credited to profit or loss	**(91)**	(1,305)
Balance as at 30 June	**124,211**	42,020

18 TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000 unaudited	31 December 2013 RMB'000 audited
Trade payables	124,065	78,093
Bills payable	2,100	—
Accrued payroll and welfare	2,349	1,663
Interest payables	2,884	2,720
Other taxes payable	6,915	10,004
Other payables	488,180	193,076
	626,493	285,556
Less: long-term other payables	(135,855)	—
Current portion	490,638	285,556

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

	30 June 2014 RMB'000 unaudited	31 December 2013 RMB'000 audited
Less than 30 days	54,429	23,160
31 days to 90 days	24,519	26,037
91 days to 1 year	30,662	9,614
1 year to 2 years	7,117	15,008
2 years to 3 years	3,451	4,150
Over 3 years	3,887	124
	124,065	78,093

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

19 CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any material contingent liabilities.

20 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 controlled by Tian Lun Group Limited, a company incorporated in the British Virgin Islands ("BVI"), a direct wholly-owned subsidiary of Gold Shine Development Limited in the BVI, and it 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 2014 and 2013, and balances arising from related party transactions as at 30 June 2014 and 31 December 2013.

(a) Name and relationship with related parties

Name of related party	Relationship
Henan Tian Lun Real Estate Limited ("Henan Tian Lun Real Estate")	Controlled by the Controlling Shareholders
Henan Tian Lun Engineering Investment Limited ("Henan Tian Lun Engineering Investment")	Controlled by the Controlling Shareholders
Hebi Hexiang Engineering Limited ("Hexiang Engineering")	Controlled by the Controlling Shareholders (before 21 June 2013)

(b) Significant related party transactions

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	unaudited	unaudited
Purchase of construction and pipeline installation services		
Hexiang Engineering	**–**	5,781
Rendering of management services to a related party		
Henan Tian Lun Engineering Investment	**–**	100

20 RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

	30 June 2014 RMB'000 unaudited	31 December 2013 RMB'000 audited
Trade and other receivables		
Other receivables due from		
Henan Tian Lun Engineering Investment	**1,516**	16,029

(d) Key management compensation

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	unaudited	unaudited
Basic salaries and allowances	**3,249**	1,783
Discretionary bonuses	**351**	—
Retirement benefit contributions	**324**	204
	3,924	1,987