天伦燃气
TIANLUN GAS

2014
ANNUAL REPORT

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

COMPANY PROFILE

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Yingcen *(Chairman)*
Mr. Xian Zhenyuan *(Chief Executive)*
Mr. Feng Yi
Mr. Sun Heng
Ms. Li Tao

Independent Non-executive Directors

Mr. Cao Zhibin
Mr. Li Liuqing
Mr. Zhang Jiaming
Ms. Zhao Jun

AUDIT COMMITTEE

Mr. Li Liuqing *(Chairman)*
Mr. Zhang Jiaming
Ms. Zhao Jun

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Feng Yi
Mr. Hung, Man Yuk Dicson

COMPANY SECRETARY

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

HEAD OFFICE IN THE PRC

4th Floor,
Tian Lun Group Building,
No.6 Huang He East Road,
Zheng Dong Xin District,
Zhengzhou City,
Henan Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1603, 16th Floor
100 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

COMPANY PROFILE

CAYMAN ISLANDS SHARE TRANSFER OFFICE

Appleby Trust (Cayman) Ltd
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716,
17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

AUDITOR

PricewaterhouseCoopers
22nd Floor,
Prince's Building,
Central, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Loong & Yeung
Suites 2001-2006,
20th Floor,
Jardine House,
1 Connaught Place,
Central, Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation
Bank of China Limited
The Hongkong and Shanghai Banking Corporation Limited

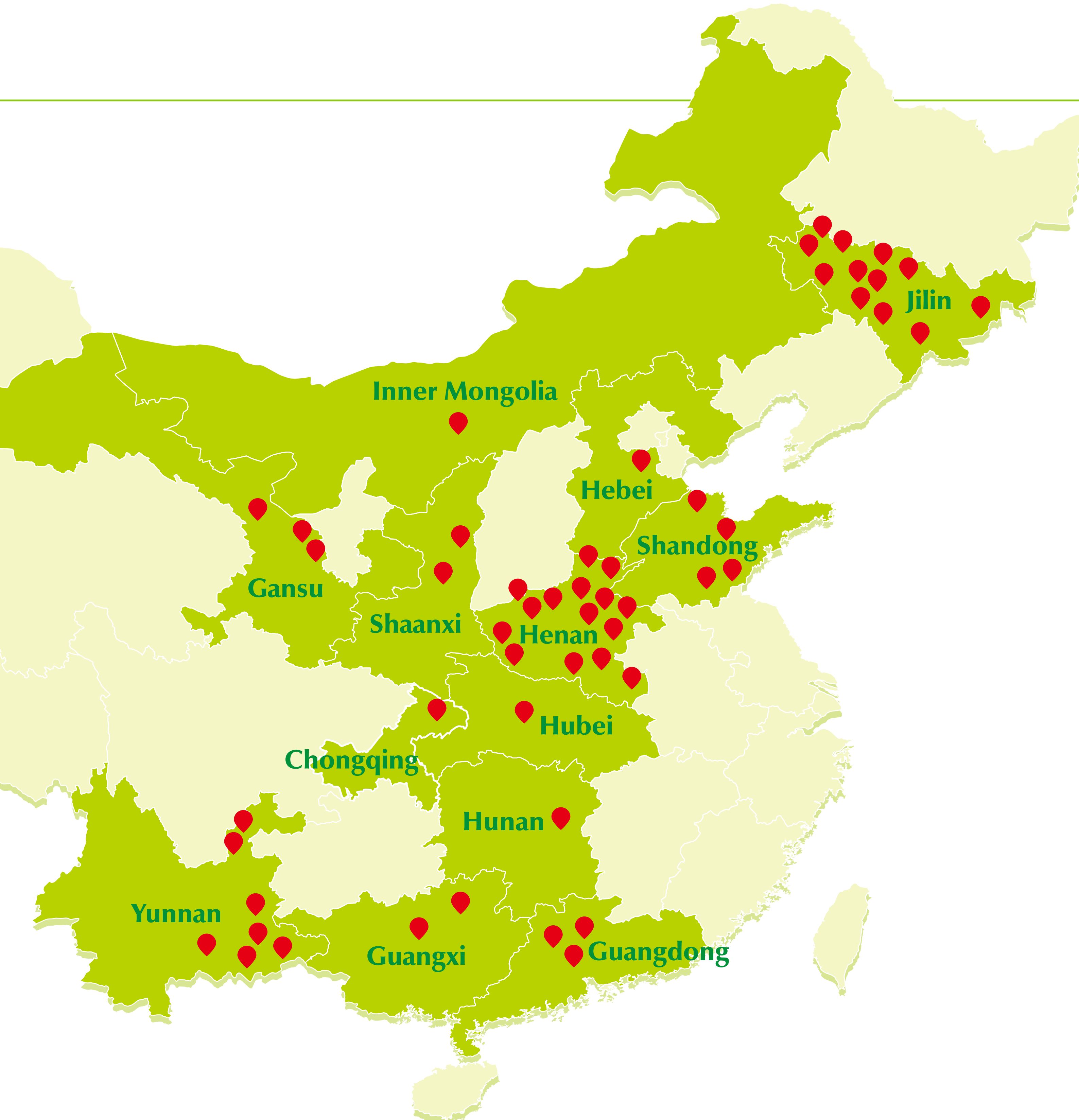
STOCK CODE

01600

INVESTOR RELATIONS

Telephone:	86 371 6370 7151
Fax:	86 371 6397 9930
E-mail:	ir@tianlungas.com
Website:	www.tianlungas.com
Address:	Department of Investor Relations, 4th Floor, Tian Lun Group Building, No.6 Huang He East Road, Zheng Dong Xin District, Zhengzhou City, Henan Province, the PRC
Zip Code:	450003

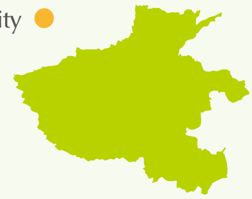
BUSINESS REGIONS



Urban Gas Project 🟢 | Transportation Gas Project 🟡 | Gas Source Base 🟠 | Long-haul Transmission Pipeline 🔴

Henan

Hebi City 🟢🟡🟠
Shilin Industrial Assemble Zone 🟢
Heqi Industrial Assemble Zone 🟢
Xuchang City 🟢🟡🟠
Xuchange New Area 🟢
Shangjie District in Zhengzhou City 🟢🟡🟠
High-tech District in Puyang City 🟢
Shangqiu City 🟡
Minquan County 🟢🟡
Yucheng County 🟢
Song County 🟢🟡
Xinye County 🟢🟡
Weishi County 🟢🟡
Three Industrial Parks in Weishi County 🟢
Lankao County 🟢🟡🟠
Luoyang City 🟠



Jilin

Dunhua City 🟢
Panshi City 🟢🟡
Da'an City 🟢🟡🟠
Jiutai City 🟢🟡🟠
Baicheng City 🟡
Tongyu County 🟢🟡
Zhenlai County 🟢🟡
Nong'an County 🟢
Shuangyang District in Changchun City 🟡🟠
Changchun Airport Economic Zone 🟢
Yitong Manchu Autonomous County 🟢
Changling County 🟠

Yunnan

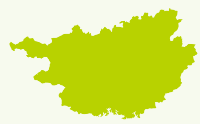
Huize County 🟢
Gejiu City 🟢
Guangnan County 🟢
Yanshan County 🟢
Ludian County 🟢
Honghe Prefecture 🟢
Hekou County 🟢

Shandong

Cao County 🟢
Shan County 🟢
Gaoxin District in Heze City 🟢
Dongming County 🟢

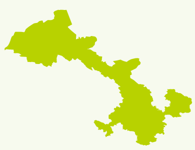
Guangxi

Luzhai County 🟢
Guanyang County 🟢



Gansu

Baiyin City 🟢🟡
Jingtaizheng Road Industry Park 🟢
Gulang County 🟢🟡



Hunan

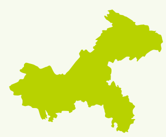
Dongkou County 🟢🟡

Hubei

Harbour Industrial Park, Songzi City 🟢🟡

Chongqing

Kai County 🟠

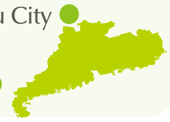


Hebei

Xingtai City 🟡

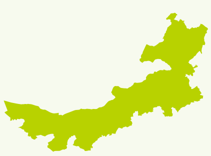
Guangdong

Ceramic Industrial Park in Chaozhou City 🟢
Chenghai District in Shantou City 🟢
Chaoyang District in Shantou City 🟢



Inner Mongolia

🔴



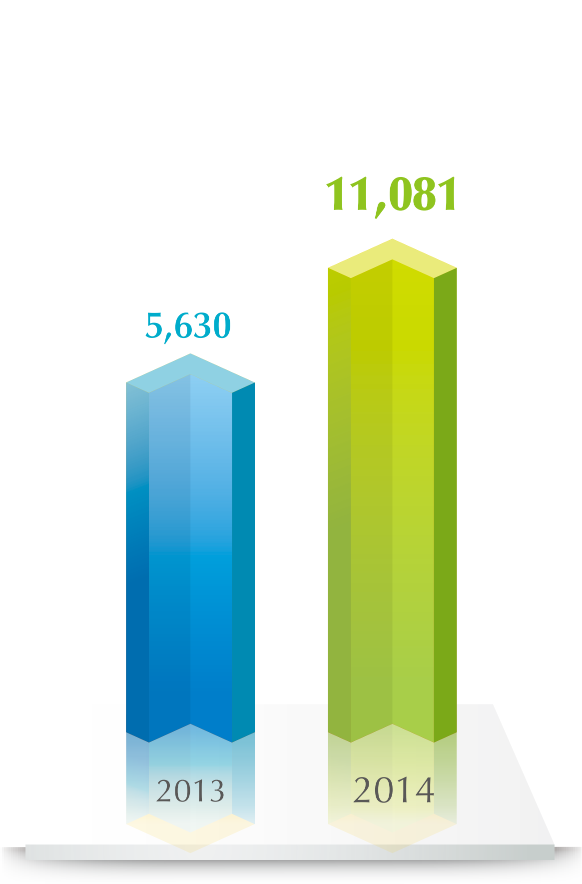
Shaanxi Province

Qian County 🟢🟡
Liquan County 🟢🟡

OPERATION

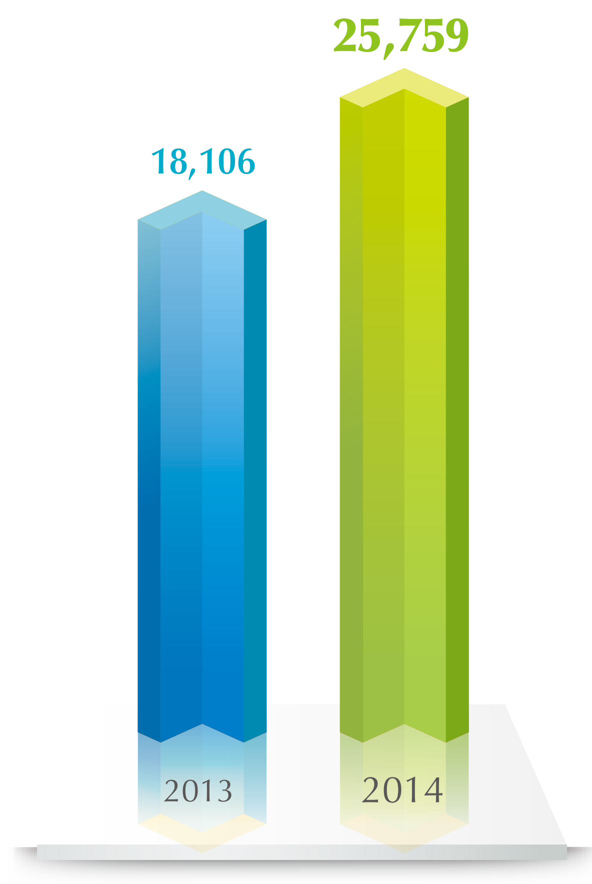
GAS SALES VOLUME TO VEHICLE USERS

(0'000 m^3)

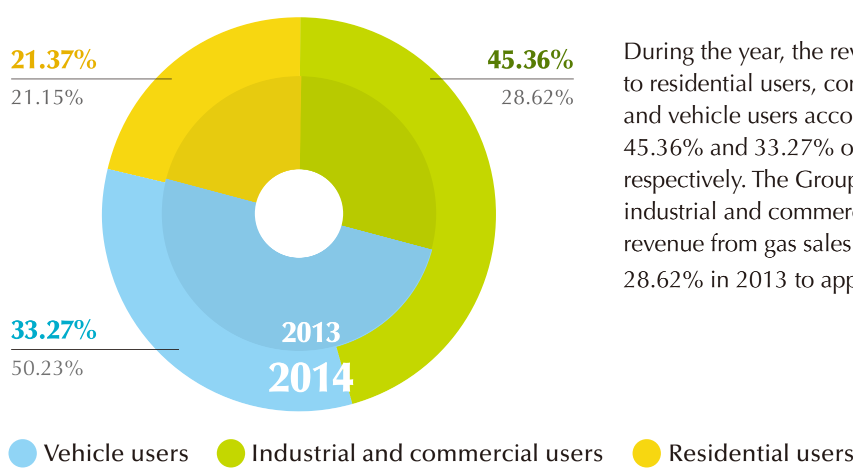


TOTAL GAS SALES VOLUME

(0'000 m^3)

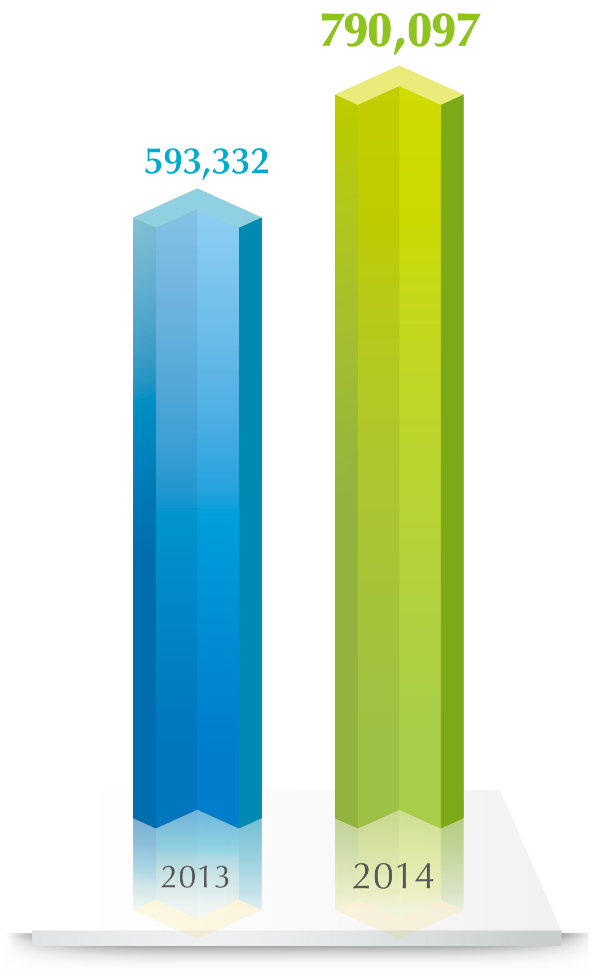


STRUCTURE OF REVENUE FROM GAS SALES

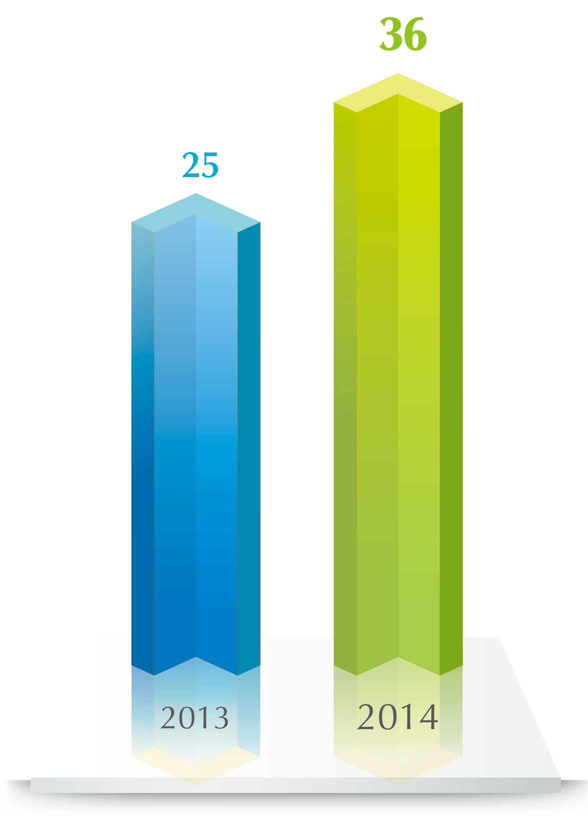


During the year, the revenue from gas sales of the Group to residential users, commercial and industrial users and vehicle users accounted for approximately 21.37%, 45.36% and 33.27% of total revenue from gas sales, respectively. The Group's revenue from gas sales to industrial and commercial users as a percentage of total revenue from gas sales increased from approximately 28.62% in 2013 to approximately 45.36% in 2014.

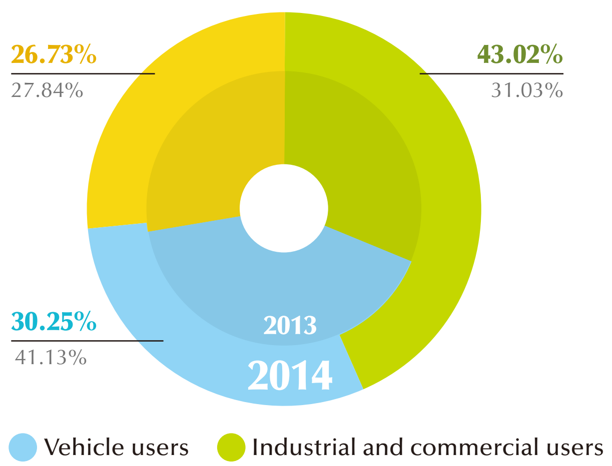
AGGREGATE RESIDENTIAL USERS



NUMBER OF GAS REFILLING STATIONS



GAS SALES STRUCTURE



During the year, the volume of gas of the Group sold to residential users, commercial and industrial users and vehicle users accounted for approximately 26.73%, 43.02% and 30.25% of total gas sales, respectively. The volume of gas sold to industrial and commercial users as a percentage of total volume of gas sold increased from approximately 31.03% in 2013 to approximately 43.02% in 2014.

FINANCIAL HIGHLIGHTS

REVENUE

RMB'000

GROSS PROFIT

RMB'000

PROFIT FOR THE YEAR

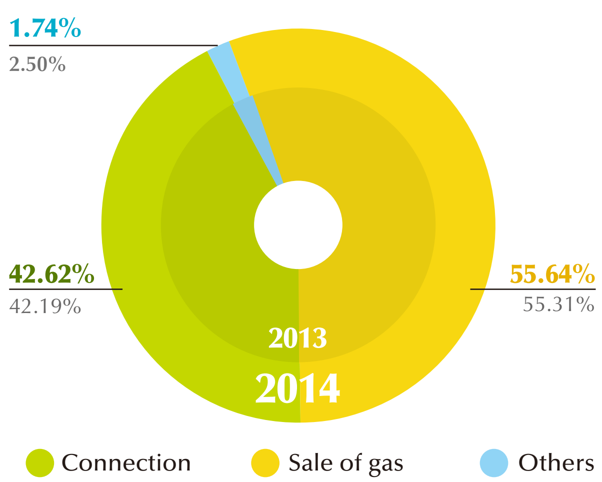
RMB'000

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

RMB'000

	2013 RMB'000 (Restated)	**2014 RMB'000**
Revenue and profit		
Revenue	911,939	**1,343,936**
Profit before income tax	246,152	**344,309**
Income tax expense	59,864	**93,370**
Profit for the year	186,288	**250,939**
Assets and liabilities		
Non-current assets	1,466,825	**2,500,339**
Current assets	1,152,440	**1,176,028**
Non-current liabilities	848,338	**1,039,394**
Current liabilities	679,893	**1,161,139**
Cash and cash equivalents	576,402	**263,584**
Equity		
Share capital	7,077	**7,077**
Share premium	454,188	**454,188**
Equity attributable to owners of the Company	919,968	**1,145,967**
Non-controlling interests	171,066	**329,867**
Total equity	1,091,034	**1,475,934**
Earnings per share - basic and diluted	0.20	**0.27**

REVENUE STRUCTURE



During the year, the revenue from gas pipeline connections operation, transportation and sales of gas operation and other operation of the Group accounted for approximately 42.62%, 55.64% and 1.74% of total revenue, respectively. In 2014, revenue from transport and sales of gas as a percentage of total revenue increased by approximately 48.27% from 2013.

CHAIRMAN'S STATEMENT

As the PRC government keeps a close eye on people's life and development and environment protection and puts great efforts into the development of clean energy in 2014, a promising era for natural gas has begun in the PRC. Through concerted efforts at all level within the Group, the Group continued to maintain steady growth in its overall performance with stable and strong expansion and enlarge its business presence in the PRC in 2014.

Zhang Yingcen, Chairman

CHAIRMAN'S STATEMENT

ANNUAL RESULTS

With years of rapid growth, the Group has become a large clean energy group with national presence in the PRC. Its operational regions have been extended from Central China to other key regions such as Northeast China, Northwest China, Southwest China, Southern China, Eastern China and Central China. During the reporting year, the Group vigorously expanded its business scope and started the upper-stream business of long-haul transmission pipelines. The Group established a new model of industrial development through strategic upgrade. In addition, it promoted and cultivated a large number of industry elites and key talents through its recruitment and training program, which had substantially stimulated the Group's development potential and boosted the improvement on its overall management system. As such, its overall results maintained continuous growth, providing constant drives for pursuing its future goals.

During the reporting year, with the hardwork of the entire staff of the Group, the Company continued to record growth in its operating results. The revenue amounted to approximately RMB1,343,936,000, representing an increase of 47.37% as compared with the corresponding period in 2013. The profit attributable to owners of the Company amounted to RMB220,153,000, representing an increase of approximately 30.31% as compared with the corresponding period in 2013. Gross profit reached approximately RMB461,496,000, representing an increase of approximately 38.57% as compared with the corresponding period in 2013. In 2014, the number of new pipeline connections to residential users was 196,765, representing an increase of approximately 44.26% as compared with the corresponding period in 2013. As at the end of 2014, the accumulated number of users of various types was 790,097, representing an increase of approximately 33.16% as compared with the corresponding period in 2013.

CORPORATE MANAGEMENT

The Group continued to improve its systems and processes and optimised its internal organisational structure. The Group kept a close eye on the progress of its key projects, and continued to strengthen the efficiency of its implementation capability. It fully activated its information development to build an unified management platform, and completed amendments its standardized operational and management models and assessments on promotion. The integrated operation model of the Group is stepping on the right track.

The Group continued to attract elites and talents in various areas with its outstanding development platform. Furthermore, the Group carried out a hierarchical talent cultivation program, under which various designed trainings are provided to senior management, technical staff and ordinary staff of the Company. Through internal competition and promotion, back-up manager training camp and the "Parachute Program", new talents constantly joined the Group to meet its growing needs of personnel arising from its rapid growth. Furthermore, the continuous improvement of the performance assessment mechanism had kept the staff of the Company up-to-date with the market development. The special promotion of new employees and the regular remuneration adjustment mechanism, had further stabilized its workforce, motivated and encouraged them.

Committed to its mission of "developing clean energy and improving living environment", the Group always considers that excellent corporate management system is one of its core competitive edges for corporate development. It has constantly improved its operation management and formed a special operation management model with "a mechanism of efficient decision-making, strong execution, flexible operation and exceptional distribution".

CHAIRMAN'S STATEMENT

COMPANY AWARDS

On 7 January 2014, Forbes' Chinese edition published the list of "Enterprises with Most Potential in the PRC" for 2014. Among the top 100 listed companies with great potential in the PRC, the Company was the only company in the natural gas industry, and was included in the list for the second time since 2012, with its ranking jumping to No. 26 from No. 40. Such award again with higher ranking has demonstrated the recognition of the Company's growth potential.

On 4 December 2014, the Company was honored with the award of the Best Investment Value Listed Company at the Chinese Listed Companies Overseas Summit & the China Securities Golden Bauhinia Competition held by Ta Kung Pao together with the Listed Companies Association of Beijing, the Hong Kong Chinese Enterprises Association, Shanghai Enterprise Association, Chinese Financial Association of Hong Kong, Chinese Securities Association of Hong Kong, The Hong Kong Institute of Chartered Secretaries and Hong Kong Securities Professionals Association. It fully demonstrated the Company's recognition and influence in the international capital market.

OUTLOOK OF 2015

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

In 2015, the Group will continue to explore the growth potential of its existing operating areas by accelerating the construction and production of transport gas projects and acquiring gas source bases for development as and when opportunities arise, in order to continue to improve its core competitiveness in response to the market demand and low-cost operation while continue to maintain rapid growth among the competitors in the industry. It will continue to steadfastly implement the development strategy of "good, new and fast" and the operational strategy of "increasing capacity and expanding gas sources", carry out various types of protective measures in relation to "laying a solid foundation and improving efficiency" to meet the goals of the Group for the year to give the shareholders of the Company more excellent results.

ACKNOWLEDGEMENT

On behalf of the board of directors of the Company, I would like to express my sincere gratitude to our staff members for their contributions in 2014, and I highly appreciate the continuing support from the shareholders and investors of the Company.

Zhang Yingcen
Chairman

25 March 2015


Forbes


热烈欢迎2014届大学毕业生！


安全管理人员培训


澄海燃气
天伦燃气
项目合作签约仪式

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Structure and Development Trend of the Energy Industry in the PRC

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

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

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

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

The Policy on Natural Gas Utilization in the PRC

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

BUSINESS REVIEW

During the year, the Group actively developed urban gas projects by continuing to increase the investment in transportation gas projects. As the subsidiaries of the Company strengthened their efforts into developing local gas markets, the number of users for gas distribution and sales significantly increased.

Development of New Projects

During the year ended 31 December 2014, the Group obtained three urban gas projects in Chenghai District and Chaoyang District, Shantou City, Guangdong Province and Harbour Industrial Park, Hubei Province, the PRC, making the number of its urban gas projects reaching 44. The Group also expanded into the construction of long-haul transmission pipeline and upper-stream business by participating in the construction of a natural gas pipeline in Inner Mongolia for the first time, which will hopefully have a material positive effect on the Group's business size. As at the date of this report, the Group has obtained another two urban gas projects in Qian County and Liquan County, Shaanxi Province, and plans to obtain an urban gas project and two long-haul transmission pipelines by entering into a letter of intent with Beijing Hui Ji Tai Zhan Investment Company Limited (北京慧基泰展投資有限公司) in relation to acquisition of its equity interest.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Establishment of Joint Venture

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Investment in Bases of Gas Sources

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

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

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

Investment in Gas Refilling Stations

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gas Pipeline Connection Volume

During the year ended 31 December 2014, the Group connected a total of 196,765 residential users to gas pipelines, representing an increase of approximately 44.26% as compared with the corresponding period of last year. As at 31 December 2014, the Group's residential users had increased to 790,097, representing an increase of approximately 33.16% as compared with the corresponding period of last year. The Group had connected a total of 1,031 users from industrial and commercial and other sectors to gas pipelines. As at 31 December 2014, the Group had a total of 4,120 industrial and commercial users, representing an increase of approximately 33.38% as compared with the corresponding period of last year. Through increasing the efforts on residential user development and actively promoting the development of industrial and commercial users and direct single users, the Group was able to maintain the growth of its gas pipeline connection volume during the Reporting Period, and safeguard the Group's continuous growth of gas sales volume and gas sales revenue in the future.

Gas Sales Volume

During the year ended 31 December 2014, the Group sold a total of approximately 257,590,000 m^3 of gas, representing a substantial increase of approximately 76,530,000 m^3, or approximately 42.27%, as compared with the corresponding period of last year. Gas volume sold to residential users, industrial and commercial users and vehicle users accounted for approximately 26.73%, 43.02% and 30.25% of the total gas sales volume, respectively, in which gas volume sold to industrial and commercial users representing a sharp increase of approximately 97.22% as compared with the corresponding period of last year.

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

Customer Services

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

MANAGEMENT DISCUSSION AND ANALYSIS

Safety and Risk Management

The Group attaches great importance to safe operation and management and has in place a systematic and standardized safety management and review system. The Group conducted full examination of the status of safety management of its members and strived to improve its internal safety management to prevent the occurrence of safety accidents. The system contains standardized management systems in occupational health, safety and environment (HSE) and provides uniformed and standardized requirements for eight areas of HSE management of the Group, being system building, engineering, stations, distribution, customer, fire control, transportation, environment and society. It also organizes safety education trainings and emergency drills for its staff to improve their safety awareness. 24-hour alert hotlines have been established in all members of the Group to ensure prompt handling of gas incidents. Gas use safety is monitored in real time through the SCADA system. The Group examines branch urban pipelines on a daily basis and conducts regular safety checks for industrial and commercial users on a weekly basis and for residential users on an annual basis to ensure gas use safety. The Group has also prepared guidelines on safe use of gas and provides free materials on safe use of gas to end users on a regular basis in order to improve their safety management awareness and emergency response capability.

Operation Management

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

Human Resources

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

Revenue

For the year ended 31 December 2014, the Group's revenue was primarily derived from the gas pipeline connections business and transportation and sales of gas business, accounting for approximately 42.62% and 55.64% of the total revenue (the corresponding period of last year: approximately 42.19% and 55.31%), respectively.

Revenue from Gas Pipeline Connection

The Group conducts gas pipeline connection operation by providing property developers and industrial and commercial users with gas pipeline laying and installation services in its operating cities. For the year ended 31 December 2014, the quantity of the Group's gas pipeline connection volume maintained a steady growth, and revenue from gas pipeline connections amounted to approximately RMB572,772,000, representing an increase of approximately 48.86% from approximately RMB384,784,000 for the corresponding period of last year.

Revenue from Sales of Gas

The Group is engaged in the transportation, distribution and sales of natural gas in its operating cities. For the year ended 31 December 2014, the Group had a significant growth in gas sales volume. Revenue from gas sales amounted to approximately RMB747,829,000, representing an increase of approximately 48.27% from approximately RMB504,357,000 for the corresponding period of last year.

Gross Profit and Gross Profit Margin

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

Distribution Cost and Administrative Expenses

With the continuous implementation of cost control policies such as the comprehensive budgeting management system, the Group's proportion of distribution costs and administrative expenses to total revenue in the year ended 31 December 2014 has declined as compared with the corresponding period of last year.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position

The Group has been exercising cautious policies in respect of financial resources management, including maintaining an appropriate level of cash and cash equivalents as well as sufficient credit limits, in order to cope with the needs of daily operation and business development and control the borrowing at a healthy level.

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

As at 31 December 2014, the Group's total borrowing was approximately RMB1,383,012,000 (among which loans denominated in RMB was approximately RMB711,722,000 and the loans denominated in USD was approximately RMB671,290,000), of which approximately 47.75% was accounted for as current liabilities. The loans repayable within one year amounted to approximately RMB660,403,000, of which approximately RMB189,000,000 was secured by the Group's properties and gas charge rights. As at 31 December 2014, the Group's gearing ratio was approximately 59.86% calculated based on the percentage of total liabilities over total assets. In general, as all of the Group's businesses were situated in the PRC, substantially all of its income and expenses were denominated in RMB, therefore, there were no significant risk relating to exchange rate fluctuation. The Group will closely monitor the interest rate and exchange rate of the market and make appropriate responses when necessary.

Postponement of the Trust Scheme

On 21 March 2012, Henan Tian Lun and Zhongyuan Trust Company Limited ("Zhongyuan Trust") entered into a trust investment agreement (the "Investment Agreement") in relation to the investment in a portfolio of trust financial products managed and maintained by Zhongyuan Trust for a term of two years commencing from 21 March 2012 (the "Trust Period"). On 21 March 2014, Henan Tian Lun and Zhongyuan Trust entered into a supplemental agreement (the "Supplemental Agreement") to the Investment Agreement, pursuant to which the Trust Period has been extended for a period of two years until 21 March 2016. For details of the Supplemental Agreement, please refer to the announcement of the Company dated 25 March 2014.

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

On 30 December 2014, the Company (as borrower) and Mr. Zhang Yingcen (as guarantor) ("Mr. Zhang"), entered into a loan agreement (the "Loan Agreement") with a number of banks (as lenders) (the "Lenders") relating to a credit facility in the amount of US$40,000,000 (the "Loan") with a tenor of three years commencing from the date of the Loan Agreement.

Pursuant to the Loan Agreement, if Mr. Zhang fails to (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 terms of the Loan Agreement and may also lead to an event of default under the Loan Agreement. Upon the occurrence of a breach of terms of or an event of default under the Loan Agreement, the Lenders may, among others, declare that the Loan be cancelled and/or declare that the part of the Loan which has been drawn down by the Company, all accrued interest of the Loan and all other amounts which shall be payable by the Company to the Lenders under the Loan Agreement be immediately due and payable. As at the date of this report, all the terms of the Loan Agreement and the condition in respect of the specific obligations above have been duly complied with. For details, please refer to the Company's announcement dated 30 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Share Option Scheme

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

SUBSEQUENT EVENTS

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

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

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

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

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

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

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

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

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

Letter of Intent In Relation to the Possible Acquisition

On 27 January 2015, Henan Tian Lun entered into a non-legally binding letter of intent with Mr. Li Zi Feng (李子峰) and 天津乾盛投資合夥企業(有限合夥) (Tianjin Qian Sheng Investment Partnership Enterprise (Limited Partnership) ("Tianjin Qian Sheng") in relation to the possible acquisition by Henan Tian Lun of 75% of the equity interest in 北京慧基泰展投資有限公司 (Beijing Hui Ji Tai Zhan Investment Company Limited) ("Beijing Hui Ji"). Pursuant to the terms of the letter of intent, the Company shall pay a refundable deposit of RMB160,000,000 to Mr. Li and Tianjin Qian Sheng. The consideration for the possible acquisition, including the consideration amount and the way of settlement, shall be subject to the results of the due diligence review on Beijing Hui Ji and further negotiation between the parties to the aforesaid letter of intent and the terms and conditions of the formal agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

On 27 March 2015, Henan Tian Lun (as purchaser) and Tianjin Qian Sheng and Tianjin Tai Zhan Asset Management Centre (天津泰展資產管理中心(有限合夥)) ("Tianjin Tai Zhan") (as vendors) entered into an equity transfer Agreement, pursuant to which the Henan Tian Lun agreed to purchase, and Tianjin Qian Sheng and Tianjin Tai Zhan agreed to sell, the entire equity interest in Beijing Hui Ji for a total consideration of RMB860,000,000 (which will be partially settled by the Deposit) in cash. For details, please refer to the Company's announcement dated 27 March 2015.

Proposed Issue of New Shares under Specific Mandate

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Contingent Liabilities

For the year ended 31 December 2014, the Group did not have any significant contingent liabilities.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all the Directors, each of them confirmed that they strictly complied with the required standards set out in the Model Code during the reporting period.

Corporate Governance Code

The Company has adopted and been in compliance with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the period from 1 January 2014 to 31 December 2014.

Audit Committee

The audit committee (the "Audit Committee") of the Company consists of three independent non-executive Directors, namely, Mr. Li Liuqing (chairman of the Audit Committee), Mr. Zhang Jiaming and Ms. Zhao Jun. The Audit Committee had held meetings with the management to review accounting principles and practices adopted by the Group and discussed the audit, internal control and financial reporting issues. The Audit Committee had reviewed and discussed the annual results and financial statements of the Group for the year ended 31 December 2014.

Audit of Financial Statements

PricewaterhouseCoopers, the external auditor of the Group, had audited the consolidated financial statements of the Group and issued unqualified opinion. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated accounts for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhang Yingcen (張瀛岑先生), aged 52, is the founder of the Company and also the Chairman and an Executive Director of the Company. He is responsible for the overall strategic planning and has involved in leading the development and investment of the business of the Group in the PRC. Mr. Zhang has more than 18 years of management experience, including 13 years of experience in the management of gas enterprises. Mr. Zhang received the certificate of graduation in advanced EMBA program from Enterprise Research Center of Peking University (北京大學企業研究中心EMBA課程高級研修班結業證書) in 2001, and received a certificate of graduation in the PRC Enterprise CEO/Financial CEO program from Cheung Kong Graduate School of Business (長江商學院中國企業CEO/金融CEO課程結業證書) in 2014. He is currently the representative of the 12th National People's Congress of the PRC (中華人民共和國第十二屆全國人民代表大會代表) and Vice Chairman of the Industrial and Business Association in Henan Province (河南省工商業聯合會副主席).

Mr. Xian Zhenyuan (冼振源先生), aged 40, is an Executive Director, the Chief Executive and the General Manager of the Company. He is responsible for the overall management of the Group. Mr. Xian has 11 years of experience in the management of gas enterprises. Mr. Xian joined the Group in 2003, and served as a director and general manager of certain subsidiaries of the Company successively. Mr. Xian obtained a bachelor's degree majoring in International Trade from Southeast University (東南大學) in the PRC in 1997 and obtained a master's degree majoring in Accounting from Macquarie University in Australia in 2003.

Mr. Feng Yi (馮毅先生), aged 36, is an Executive Director and Deputy General Manager of the Company. He is responsible for the strategic investment planning and corporate financing activities of the Group. Mr. Feng has 13 years of experience in corporate investment and financing. Mr. Feng joined the Group in 2006 and acted as the assistant to the general manager, deputy general manager and director of Henan Tian Lun Gas Group Limited successively. Prior to joining the Group, Mr. Feng was responsible for investment and financing of Zhengzhou Yutong Bus Co., Ltd. (鄭州宇通客車股份有限公司) and Zhengzhou Branch of 21 Century Real Estate in the PRC (21世紀不動產（中國）鄭州區域分部). Mr. Feng obtained a bachelor's degree in International Trade from Southwestern University of Finance and Economics (西南財經大學) in the PRC in 2002, and obtained EMBA in Guanghua School of Management in Peking University (北京大學光華管理學院) in the PRC in 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sun Heng (孫恒先生), aged 57, is an Executive Director and Deputy General Manager of the Company. He is responsible for the operation and management of the Group. He has 21 years of experience in the management of gas enterprises. Mr. Sun joined the Group in 2004 and acted as the general manager and a director of certain subsidiaries of the Company successively. Prior to joining the Group, Mr. Sun was responsible for operation and management of Luoyang Liquidified Gas Co., Ltd (洛陽市液化氣公司). Mr. Sun was qualified as a Registered Senior Consultant for Oil and Gas Business (石油燃氣註冊高級諮詢師) by Henan Consultant Association of Science & Technology (河南省科技諮詢業協會) and Henan Provincial Department of Science and Technology (河南省科學科技廳) in 2006. Mr. Sun received a diploma of Economics from the Party School of the Henan Committee of CPC (中國共產黨河南省委黨校) in 1991.

Ms. Li Tao (李濤女士), aged 43, is an Executive Director and Deputy General Manager of the Company. She joined the Group in April 2011 and is responsible for the financial management of the Group. Ms. Li has years of experience in corporate finance management. Prior to joining the Group, Ms. Li had served as the head of finance of SDIC Henan Coal Transportation & Sales Co., Ltd (國投河南煤炭運銷有限公司). Ms. Li obtained a bachelor's degree in Economics from Henan University of Economics and Law (河南財經政法大學) in the PRC in 1994. She is a senior accountant and a Certified Public Accountant in the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Cao Zhibin (曹志斌先生), aged 70, was appointed as an Independent Non-executive Director on 26 July 2013. Mr. Cao had been the prefectural party committee secretary of Lou Di, Hunan Province, vice secretary general of the provincial party committee of Hunan Province and vice secretary general of the provincial party committee of Heilongjiang Province. From April 2010 to May 2011, Mr. Cao served as an independent director of Macrolink Real Estate Co. Ltd (新華聯不動產股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000620). Mr. Cao graduated from MBA Management Institute of Hunan University (湖南大學) in 1995.

Mr. Li Liuqing (李留慶先生), aged 41, was appointed as an Independent Non-executive Director on 13 October 2010. Mr. Li has over ten years of experience in accounting and auditing, and was a senior manager and vice branch manager of Henan Branch of Ascenda Certified Public Accountants Ltd. (天健正信會計師事務所有限公司河南分所). He is currently a director and Chief Financial Officer of Henan Suntront Tech Co., Ltd. (河南新天科技股份有限公司). Mr. Li obtained a bachelor's degree in Accounting from Henan University of Economics And Law (河南財經政法大學) in 1998 and a postgraduate certificate majoring in Corporate Management from Tianjin University of Finance and Economics (天津財經大學) in 2000. Mr. Li is a Certified Public Accountant on securities, a Certified Public Valuer and a Certified Tax Agent in the PRC.

Mr. Zhang Jiaming (張家銘先生), aged 34, was appointed as an Independent Non-executive Director on 13 October 2010. Mr. Zhang served as an assistant head of a department in T&T Supermarket Inc. He is currently a general manager of Henan Ruizhishang Business Co., Ltd (河南瑞之尚商貿有限公司). Mr. Zhang obtained a bachelor of management degree from the University of Lethbridge in Alberta, Canada in 2008.

Ms. Zhao Jun (趙軍女士), aged 52, was appointed as an Independent Non-executive Director on 13 October 2010. Ms. Zhao worked in the Post Office of Zhengzhou City (鄭州市郵政局) and Postal Transportation Bureau of Henan Province (河南省郵政運輸局) and served as a Lecturer, Education Officer (教育主管) and Occupational Testing Officer (職業技能鑒定站主任) successively. Ms. Zhao is currently the manager of Shanghai Shibang Machinery Co., Ltd. Beijing Office (上海世邦機器有限公司北京辦事處). Ms. Zhao obtained a bachelor's degree majoring in Agricultural Machinery Repair from Agricultural Machinery Department of Henan Agricultural University (河南農學院) in the PRC in 1984.

SENIOR MANAGEMENT

Mr. Du Qin (杜欽先生), aged 63, is a deputy general manager of Henan Tian Lun Gas Group Limited. Mr. Du has over 37 years of experience in operational management of large state-owned corporations. He has been the director and general manager of Xuchang Tian Lun Gas Limited concurrently since he joined the Group in July 2009, responsible for the overall operational management of this company. Prior to joining the Group, Mr. Du worked for Luoyang Copper (Group) Co., Ltd. (洛陽銅加工集團有限公司) and served as the assistant to general manager. Mr. Du obtained a master's degree in Economics from Renmin University of China (中國人民大學) in 1998.

Mr. Xie Chaoyang (謝朝陽先生), aged 52, is the general manager of Zhengzhou Shangjie Tian Lun Gas Limited (鄭州市上街區天倫燃氣有限公司). Mr. Xie has 13 years of experience in management of gas enterprises. Since joining the Group in 2002, he has served as the Deputy General Manager and Chief Engineer of Henan Tian Lun Gas Group Limited, the General Manager of Xuchang Tian Lun Gas Limited, the Chairman and General Manager of Xuchang Tian Lun Vehicle-use Gas Limited. Prior to joining the Group, he worked for Hebi Coal Gas Co., Ltd. (鶴壁市煤氣公司) and acted as Vice Manager and Vice Secretary of CPC General Branch. Mr. Xie obtained a diploma in Mathematics (數學係數學專業文憑) from Zhengzhou University (鄭州大學) in the PRC in 1986.

Mr. Zhao Junfeng (趙軍鋒先生), aged 38, is the general manager of Henan Luyuan Gas Limited. Mr. Zhao has 10 years of experience in the management of gas enterprises. Since joining the Group in 2003, he has served as the manager of safety and technology department of Xuchang Tian Lun Gas Limited and deputy general manager of Zhengzhou Shangjie Tian Lun Gas Limited. Mr. Zhao obtained a bachelor's degree majoring in Construction, Environment and Facilities Engineering from Henan University of Urban Construction in the PRC in 1999. Mr. Zhao is a professional medium-level engineer in urban gas and a registered safety engineer in the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Xinjian (李新建先生), aged 44, the Chief Financial Officer of the Company, is responsible for the financial management of the Group. Mr. Li has extensive experience in corporate financial management. Prior to joining the Group in 2004, Mr. Li served various positions such as Head and Deputy Head of Capital Division of Financial Department and the Head of Financial Department of Zhong Yuan Environmental Protection Co., Ltd (中原環保股份有限公司). Mr. Li obtained a diploma in Foreign Accounting from Xi'an University of Technology (西安理工大學) in 1994 and a master's degree in Business Administration from the Guangxi University (廣西大學) in the PRC in 2009.

COMPANY SECRETARY

Mr. HUNG, Man Yuk Dicson (洪旻旭先生), aged 40, is the company secretary of the Company. Mr. Hung was the qualified accountant and company secretary of Zhongtian International Limited (Stock Code: 2379). He is currently the General Manager of Lead & Partners Limited, a secretarial company in Hong Kong; a director of the Professional Consultancy and Advisory Services Department of LEAD CPA Limited, a chartered public accountant firm in Hong Kong; and the company secretary of Come Sure Group (Holdings) Limited (Stock Code: 794). Mr. Hung obtained a master's degree majoring in Finance from Curtin University of Technology in 2002. Mr. Hung was admitted as an associate member of Hong Kong Institute of Certified Public Accountants in 2004 and a fellow member of the Association of Chartered Certified Accountants in United Kingdom in 2006.

DIRECTORS' REPORT

The Directors are pleased to present the annual report for the year ended 31 December 2014 together with the audited consolidated financial statements to the shareholders of the Company (the "Shareholders").

PRINCIPAL BUSINESS

The Company is an investment holding company whose subsidiaries are principally engaged in the investment, operation and management of gas pipeline connections, transportation, distribution and sales of gas, construction and operation of gas filling stations, and production and sales of LNG in the People's Republic of China (the "PRC"). Further details of the principal business and subsidiaries of the Company are set out in note 10 to the consolidated financial statements in this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the annual results of the Group for the last five financial years is set out on the last page of this report. The summary does not form part of the consolidated financial statements in this annual report.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2014.

RESERVES

Details of the movements of reserves of the Company and the Group during the year are set out in note 25 to the consolidated financial statements.

As at 31 December 2014, the reserves of the Company available for distribution to shareholders amounted to RMB411,949,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

BANK BORROWINGS

Details of bank borrowings of the Group are set out in note 28 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

The Directors as at the date of this report are as follows:

Executive Directors

Mr. Zhang Yingcen *(Chairman)*
Mr. Xian Zhenyuan *(Chief Executive)*
Mr. Feng Yi
Mr. Sun Heng
Ms. Li Tao

Independent Non-executive Directors

Mr. Cao Zhibin
Mr. Li Liuqing
Mr. Zhang Jiaming
Ms. Zhao Jun

Each Director has entered into a service contract with the Company. Each of the executive Directors has entered into a service contract with the Company for a term of 3 years commencing from 10 November 2013 and subject to termination by either party upon giving no less than 3 months' prior written notice to the other party.

Each of Mr. Li Liuqing, Mr. Zhang Jiaming and Ms. Zhao Jun, being independent non-executive Directors, had entered into a service contract with the Company for a term of two years commencing from 10 November 2013 and subject to termination by either party upon giving no less than 3 months' prior written notice to the other party. Mr. Cao Zhibin, an independent non-executive Director, has entered into a service contract with the Company for a term of 2 years commencing from 26 July 2013 and subject to termination by either party upon giving no less than 3 months' prior written notice to the other party.

As at 31 December 2013, none of the Directors had a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save for the exercise of options in respect of Puyang Tian Lun Gas Limited (details of which are set out in the section headed "Relationship with Our Controlling Shareholders and Their Associates" in the prospectus of the Company dated 27 October 2010), none of the Company or any of its subsidiaries had entered into any contract of significance in which a Director had a material interest, as at the end of the year or at any time during the year.

COMPETING INTERESTS

Investment in LNG Refilling Stations

During the year ended 31 December 2014, Mr. Zhang Yingcen, the chairman of the Company, has reported in writing to the Board on the business opportunities in respect of 2 LNG refilling stations, which are outside of the operating area of the Group. In the opinion of the Board, LNG refilling stations are still at an early stage of development in China, and the Company's experience in the operation of relevant LNG refilling stations has yet to be accumulated, and may require the Group to put in more resources. As such, the Board gave its consent for Mr. Zhang Yingcen to invest in the 2 LNG refilling stations as stated in his report on a trial basis. Mr. Zhang Yingcen also undertook that the Group may purchase such LNG refilling stations from him at fair market value when appropriate.

All independent non-executive Directors had reviewed on an annual basis the non-competition undertakings (the "Non-competition Undertakings") given by Mr. Zhang Yingcen, Ms. Sun Yanxi, Goldshine Development Limited and Tian Lun Group Limited (collectively, the "Covenantors") in the deed of non-competition entered into by, among others, the Covenantors dated 20 October 2010. The Covenantors confirmed that (a) they have provided all information necessary for the enforcement of the deed of non-competition as requested by independent non-executive Directors from time to time; and (b) from the effective date of the Non-competition Undertakings and up to 31 December 2014, they had complied with the Non-competition Undertakings. All independent non-executive Directors also confirmed that they were not aware of any non-compliance with the Non-competition Undertakings by the Covenantors during the same period.

DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REMUNERATION POLICY

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

Details of the remuneration of Directors are set out in note 8 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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/ underlying Shares held	Approximate percentage of issued share capital of the Company
Mr. Zhang Yingcen (Note 1)	Interest of controlled corporation and interest of spouse	532,748,300	64.35%
Mr. Xian Zhenyuan (Note 2)	Interest of controlled corporation and beneficial owner	16,829,500	2.03%
Feng Yi (Note 3)	Beneficial owner	600,000	0.07%
Sun Heng (Note 4)	Beneficial owner	600,000	0.07%
Li Tao (Note 5)	Beneficial owner	600,000	0.07%

DIRECTORS' REPORT

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 as to 60.0%. Tian Lun Group Limited owns 463,297,800 Shares. Therefore, Mr. Zhang is deemed or taken to be interested in all the Shares held by Tian Lun Group Limited for the purposes of the SFO. Mr. Zhang beneficially owns all shares in issue of Chequers Development Limited, which in turn owns 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; 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 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 12,829,500 Shares. Therefore, Mr. Xian is deemed or taken to be interested in all the Shares held by Pleasant New Limited for the purposes of the SFO. Mr. Xian is the sole director of Pleasant New Limited.

These 4,000,000 underlying Shares represent the 4,000,000 Shares which may be allotted and issued to Mr. Xian Zhenyuan upon full exercise of the share options granted under the Share Option Scheme adopted by the Company on 13 October 2010 (the "Share Option Scheme", each share option granted under the Share Option Scheme is referred to as "Share Option" and each Share Option shall entitle the holder thereof to subscribe for one Share) to him.

(3) These 600,000 underlying Shares represent the 600,000 Shares which may be allotted and issued to Mr. Feng Yi upon full exercise of the Share Options granted to him.

(4) These 600,000 underlying Shares represent the 600,000 Shares which may be allotted and issued to Mr. Sun Heng upon full exercise of the Share Options granted to him.

(5) These 600,000 underlying Shares represent the 600,000 Shares which may be allotted and issued to Ms. Li Tao upon full exercise of the Share Options granted to her.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' REPORT

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

To the best knowledge of the Directors, as at 31 December 2014, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons (not being the Directors and chief executive 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:

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Tian Lun Group Limited (Note 1)	Beneficial owner	463,297,800	55.95%
Gold Shine Development Limited (Note 1)	Interest of controlled corporation	463,297,800	55.95%
Chequers Development Limited	Beneficial owner	63,728,000	7.70%
Ms. Sun (Note 2)	Interest of spouse and beneficial owner	532,748,300	64.34%

Notes:

(1) The entire issued share capital of Tian Lun Group Limited is held by Gold Shine Development Limited. Tian Lun Group Limited owns 463,297,800 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 463,297,800 Shares. Therefore, Mr. Zhang is deemed or taken to be interested in all the Shares held by Tian Lun Group Limited for the purposes of the SFO. Mr. Zhang beneficially owns all shares in issue of Chequers Development Limited, which in turn owns 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 holds 5,722,500 Shares through her individual security account. Ms. Sun is the spouse of Mr. Zhang, 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 31 December 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 directors or chief executives of the Company.

SHARE OPTION SCHEME

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

DIRECTORS' REPORT

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

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

The total number of securities available for issue under the Share Option Scheme as at the date of this report was 82,792,500 Shares which represented 10% of the issued share capital of the Company as at the date of this report. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1.0% of the Shares in issue.

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

On 27 January 2014, the Company granted a total of 20,000,000 share options to executive Directors and certain employees of the Company to subscribe for up to a total of 20,000,000 ordinary shares of HK$0.01 each of the Company under the Share Option Scheme. Among the Share options granted above, 7,300,000 share options were granted to the Directors to subscribe for a total of 7,300,000 Shares. For details, please refer to the Company's announcement dated 27 January 2014.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, sales to the largest five customers of the Group accounted for approximately 7.50% of the turnover of the Group, in which the largest customer accounted for approximately 2.01%, while purchases from the five largest suppliers of the Group accounted for approximately 31.55% of the purchases of the Group in which the largest supplier accounted for approximately 15.52%. To the best of the Board's knowledge having made all enquiries with all Directors, neither the Directors, their associates, nor any shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in the Group's five largest customers or suppliers during the year ended 31 December 2014.

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

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

PRE-EMPTIVE RIGHTS

There are no relevant provisions for pre-emptive rights in the Company's articles of association or the laws of Cayman Islands.

DIRECTORS' REPORT

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the public float of the Company is not less than 25% prescribed under the Listing Rules.

CORPORATE GOVERNANCE

The Company has implemented the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules. The Company has been in compliance with the Code throughout the year ended 31 December 2014.

AUDITOR

The Company has appointed PricewaterhouseCoopers as auditor of the Company for the year ended 31 December 2014. A resolution will be proposed in the forthcoming annual general meeting of the Company for the re-appointment of PricewaterhouseCoopers as the Company's auditor.

For and on behalf of the Board of
China Tian Lun Gas Holdings Limited
Zhang Yingcen
Chairman

25 March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

The Company has adopted and complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the period from 1 January 2014 to 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all Directors of the Company, each of them confirmed that they strictly complied with the required standards set out in the Model Code during the Reporting Period.

BOARD OF DIRECTORS

Members of the Board of Directors

As at the date of this annual report, the Board comprised of (i) Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan (Chief Executive), Mr. Feng Yi, Mr. Sun Heng and Ms. Li Tao as executive Directors; and (ii) Mr. Cao Zhibin, Mr. Li Liuqing, Mr. Zhang Jiaming and Ms. Zhao Jun as independent non-executive Directors.

The biographies of all the Directors are set out in the section headed "Directors and Senior Management" in this annual report. All executive Directors of the Company have sufficient experiences for their positions to effectively carry out their duties.

The Company has appointed four independent non-executive Directors and at least one of them has accounting expertise to assist the management in formulating development strategies of the Group, and to ensure that the preparation of the financial reports and other mandatory reports by the Board are in strict adherence to appropriate systems in order to protect the interests of the shareholders and the Company. Each independent Director has confirmed in accordance with the guidelines specified in Rule 3.13 of the Listing Rules that they are independent of the Company, and the Company considers that they were independent in accordance with the Listing Rules as at the date of this annual report.

There are no relationships (including financial, business, family or other material/relevant relationship) among the members of the Board, and in particular, between the chairman of the Board and the chief executive of the Company.

CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance duties as set out in revised code provision D.3.1. of the Code, During the year ended 31 December 2014, the Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of the corporate governance policy of the Group.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF DIRECTORS AND PROFESSIONAL DEVELOPMENT

All appointed Directors received comprehensive, formal training on the first occasion of their appointments and were ensured to have a proper understanding of the businesses and development of the Group and that they were fully aware of their responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. To facilitate the Directors to discharge their responsibilities, they are continuously updated with regulatory developments, business and market changes and the strategic development of the Group. All Directors, namely Mr. Zhang Yingcen, Mr. Xian Zhenyuan, Mr. Hu Xiaoming, Mr. Feng Yi, Mr. Sun Heng, Ms. Li Tao, Mr. Cao Zhibin, Ms. Zhao Jun, Mr. Zhang Jiaming and Mr. Li Liuqing, have participated in a training course on the PRC Company Law organized by the PRC legal adviser to the Company, to develop and refresh their knowledge and skills and provided their training records for the financial year ended 31 December 2014 to the Company.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda accompanied by the relevant Board papers are sent to all Directors in a timely manner and at least 3 days before the specified date of a Board meeting. All Directors are entitled to have access to Board papers, Board minutes and related materials.

THE OPERATION OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board is also responsible for making decisions of formulating the development targets and strategies, material acquisitions and disposals, material capital investment, dividend policies, the appointment and removal of directors and senior management, remuneration policies and other major operation and financial issues of the Company. The powers and duties of the Board include convening shareholders' meetings and reporting the Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining business plans and investment plans, formulating annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the memorandum (the "Memorandum") and articles of association (the "Articles") of the Company. The daily business operations and administrative functions of the Group are delegated to the management.

Code provision A.1.1 stipulates that the Board shall convene meetings regularly with at least 4 board meetings every year (approximately once a quarter).

The Board held 8 meetings during the year ended 31 December 2014.

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

CORPORATE GOVERNANCE REPORT

Directors	Attendance/Board Meetings held
Executive Directors	
Mr. Zhang Yincen *(Chairman)*	8/8
Mr. Xian Zhenyuan *(Chief Executive)*	8/8
Mr. Hu Xiaoming *(resigned on 8 January 2015)*	4/8
Mr. Feng Yi	8/8
Mr. Sun Heng	8/8
Ms. Li Tao	8/8
Independent non-executive Directors	
Mr. Cao Zhibin	8/8
Ms. Zhao Jun	8/8
Mr. Zhang Jiaming	8/8
Mr. Li Liuqing	8/8

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

COMMITTEES UNDER THE BOARD

The audit committee of the Company ("Audit Committee"), the remuneration committee of the Company ("Remuneration Committee") and the nomination committee of the Company ("Nomination Committee") were established under the Board. These committees perform supervision and control of the Company based on their written terms of reference.

Audit Committee

The primary duties of the Audit Committee are to make recommendations on the appointment, re-appointment and removal of external auditors, to review financial statements and making recommendations on the financial reporting, and to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Li Liuqing, Mr. Zhang Jiaming and Ms. Zhao Jun. Mr. Li Liuqing is the chairman of the Audit Committee and has the appropriate professional qualifications. The Audit Committee shall meet at least twice a year.

The Audit Committee had reviewed the Group's final results for the year ended 31 December 2013, the Group's interim results and report for the six months ended 30 June 2014 and the Group's internal controls for the year ended 31 December 2014. The Group's final results for the year ended 31 December 2014 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this annual report, and confirmed that this annual report is complete and accurate, and complies with all relevant rules and regulations, including but not limited to the Listing Rules. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Audit Committee held 2 meetings during the year ended 31 December 2014.

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

Member	Attendance/Committee Meetings held
Mr. Li Liuqing *(Chairman)*	2/2
Mr. Zhang Jiaming	2/2
Ms. Zhao Jun	2/2

Nomination Committee

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

The Nomination Committee shall meet at least once every year.

The Nomination Committee held 2 meetings during the year ended 31 December 2014 for reviewing the structure of the Board, size and composition of the Board, assessing the independence of the independence non-executive Directors and other related matters.

The attendance of the members of the Nomination Committee at the committee meetings is as follows:

Member	Attendance/Committee Meetings held
Mr. Zhang Yingcen *(Chairman)*	2/2
Mr. Zhang Jiaming	2/2
Ms. Zhao Jun	2/2

Board Diversity

The Stock Exchange introduced certain amendments to the Code set out in Appendix 14 to the Listing Rules which are effective from 1 September 2013 in relation to the Board diversity. In order to achieve the diversity of members of the Board, the Board will take into account a number of factors including gender, age, cultural and educational background and length of service. The term of office of the Nomination Committee has been amended to include its obligation to monitor the implementation of policy on Board diversity by Directors.

The Group has adopted the policy on Board diversity which is summarized as follows:

(1). Election of members of the Board shall be based on a series of diversified bases, including but not limited to gender, age, cultural and educational background, expertise, skills, knowledge and length of service; and

(2). The Nomination Committee will monitor the implementation of diversity policy in order to ensure that the policy produces desirable results.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The primary duties of the Remuneration Committee include mainly: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them.

The Remuneration Committee comprises two independent non-executive Directors, namely Ms. Zhao Jun and Mr. Zhang Jiaming, and one executive Director, namely Mr. Zhang Yingcen. Ms. Zhao Jun is the chairperson of the Remuneration Committee. The Remuneration Committee shall meet at least once every year for reviewing the remuneration policies.

The Remuneration Committee held 2 meetings during the year ended 31 December 2014.

The attendance of the members of the Remuneration Committee at the committee meetings is as follows:

Member	Attendance/Committee Meetings held
Ms. Zhao Jun *(Chairperson)*	2/2
Mr. Zhang Yingcen	2/2
Mr. Zhang Jiaming	2/2

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years commencing from 10 November 2013 and subject to termination by either party upon giving no less than 3 months' prior written notice to the other party.

Each of Mr. Li Liuqing, Mr. Zhang Jiaming and Ms. Zhao Jun, being independent non-executive Directors, had entered into a service contract with the Company for a term of two years commencing from 10 November 2013 and subject to termination by either party upon giving no less than 3 months' prior written notice to the other party. Mr. Cao Zhibin, an independent non-executive Director, has entered into a service contract with the Company for a term of 2 years commencing from 26 July 2013 and subject to termination by either party upon giving no less than 3 months' prior written notice to the other party.

CORPORATE GOVERNANCE REPORT

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

GENERAL MEETINGS

The 2014 annual general meeting (the "2014 AGM") was held on 28 May 2014. The attendance record of the Directors at the 2014 AGM is as follows:

Directors	Attendance/General Meetings held
Executive Directors	
Mr. Zhang Yincen *(Chairman)*	1/1
Mr. Hu Xiaoming *(resigned on 8 January 2015)*	1/1
Mr. Xian Zhenyuan *(Chief Executive)*	1/1
Mr. Feng Yi	1/1
Mr. Sun Heng	–/–
Ms. Li Tao	1/1
Independent Non-executive Directors	
Mr. Cao Zhibin	–/–
Mr. Li Liuqing	1/1
Mr. Zhang Jiaming	1/1
Ms. Zhao Jun	1/1

The Company's external auditors also attended the 2014 AGM.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the accounts and the financial statements for the year ended 31 December 2014.

The auditor to the Company acknowledges its reporting responsibilities in the auditor's report on the financial statements for the year ended 31 December 2014. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing financial statements.

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the Group's audit expenses amounted to RMB3,100,000. There were no significant non-audit service assignments performed by the auditor of the Group.

INTERNAL CONTROL

The Board is responsible for maintaining operation of the effective internal control system of the Group. The Board performs annual review of the effectiveness of all material supervision, including financial supervision, operating supervision, compliance supervision and risk management system, through the Audit Committee. Internal review personnel are responsible for assisting the Audit Committee in reviewing the effectiveness of the internal control system. Internal review personnel perform internal review and other relevant review regularly. They report the review results to the Audit Committee and provide the members

CORPORATE GOVERNANCE REPORT

of the committee with advice to optimize internal control for the Audit Committee's consideration. During the year, internal review personnel mainly reviewed the major risk management systems based on the internal control advice in the report formulated by external audit institutions, and reported the review results to the Board. With the support of the Board, the internal review personnel carried out improvement for the operation of the Group. The Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries during the year ended 31 December 2014.

PROCEDURES FOR CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, no less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 72 of the Articles, the number of Shareholders necessary for putting forward a proposal at a Shareholders' meetings is as follows:

(i). at least 2 Shareholders entitled to vote at any general meeting; or

(ii). any Shareholder or Shareholders representing no less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the general meeting; or

(iii). any Shareholder or Shareholders holding Shares conferring a right to vote at the general meeting being Shares on which an aggregate sum has been paid up equal to no less than one-tenth of the total sum paid up on all the Shares conferring that right.

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

The procedures for shareholders to propose a person for election as a Director are posted on the website of the Company.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

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

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain an on-going dialogue with its shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation. The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings. The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirement.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time put their enquiries to the Board in writing to the Company whose contact details are as follows:

China Tian Lun Gas Holdings Limited
4th Floor, Tian Lun Group Building
No.6 Huang He East Road
Zheng Dong Xin District
Zhengzhou City
Henan Province, the PRC
Email: ir@tianlungas.com
Telephone and Fax no.: 86 371 6397 7151

MATERIAL CHANGES IN CONSTITUTIONAL DOCUMENTS

There were no material no changes in the Company's constitutional documents during the year ended 31 December 2014.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of China Tian Lun Gas Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 135, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi ("RMB"))

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	5	**1,343,936**	911,939
Cost of sales	7	**(882,440)**	(578,903)
Gross profit		**461,496**	333,036
Distribution expenses	7	**(16,148)**	(13,669)
Administrative expenses	7	**(84,111)**	(65,224)
Other gains/(losses) — net	6	**9,945**	(214)
Operating profit		**371,182**	253,929
Finance income		**40,155**	28,644
Finance expenses		**(66,922)**	(36,421)
Finance expenses — net	9	**(26,767)**	(7,777)
Share of post-tax losses of associate	10b	**(106)**	—
Profit before income tax		**344,309**	246,152
Income tax expense	11	**(93,370)**	(59,864)
Profit for the year		**250,939**	186,288
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**250,939**	186,288
Profit and total comprehensive income attributable to:			
Owners of the Company		**220,153**	168,945
Non-controlling interests		**30,786**	17,343
		250,939	186,288
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB per share)			
— Basic earnings per share	12	**0.27**	0.20
— Diluted earnings per share	12	**0.27**	0.20

The notes on pages 53 to 135 are an integral part of these consolidated financial statements.

		Year ended 31 December 2014 RMB'000	2013 RMB'000
Dividends	30	**—**	—

CONSOLIDATED BALANCE SHEET

(All amounts in RMB)

	Note	As at 31 December 2014 RMB'000	2013 RMB'000 (Restated)
ASSETS			
Non-current assets			
Lease prepayments	14	**118,477**	64,833
Property, plant and equipment	15	**1,059,722**	725,683
Investment properties	16	**8,203**	9,006
Intangible assets	17	**1,237,838**	643,173
Investments accounted for using the equity method	10b	**49,894**	—
Deferred income tax assets	29	**3,676**	2,599
Trade and other receivables	19	**11,917**	17,788
Other non-current assets		**10,612**	3,743
		2,500,339	1,466,825
Current assets			
Inventories	20	**76,709**	93,330
Trade and other receivables	19	**480,140**	251,739
Available-for-sale financial assets	18	**2,000**	—
Financial assets at fair value through profit or loss	21	**331,474**	221,824
Restricted cash	22	**22,121**	9,145
Cash and cash equivalents	22	**263,584**	576,402
		1,176,028	1,152,440
Total assets		**3,676,367**	2,619,265
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	23	**7,077**	7,077
Share premium	23	**454,188**	454,188
Reserves	25	**68,366**	34,109
Retained earnings	25	**616,336**	424,594
		1,145,967	919,968
Non-controlling interests		**329,867**	171,066
Total equity		**1,475,834**	1,091,034

CONSOLIDATED BALANCE SHEET

(All amounts in RMB)

	Note	As at 31 December **2014** **RMB'000**	2013 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings	28	**722,609**	781,124
Other payables	26	**158,749**	—
Deferred income tax liabilities	29	**158,036**	67,214
		1,039,394	848,338
Current liabilities			
Trade and other payables	26	**305,166**	273,556
Advance from customers	27	**144,458**	152,711
Current income tax liabilities		**51,112**	24,232
Borrowings	28	**660,403**	229,394
		1,161,139	679,893
Total liabilities		**2,200,533**	1,528,231
Total equity and liabilities		**3,676,367**	2,619,265
Net current assets		**14,889**	472,547
Total assets less current liabilities		**2,515,228**	1,939,372

The notes on pages 53 to 135 are an integral part of these consolidated financial statements.

The financial statements on pages 46 to 135 were approved by the Board of Directors on 25 March 2015 and were signed on its behalf.

Zhang Yingcen
Director

Xian Zhenyuan
Director

BALANCE SHEET

(All amounts in RMB)

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Other receivables	19	**3,846**	7,142
Investments in subsidiaries	10a	**101,848**	96,002
		105,694	103,144
Current assets			
Other receivables	19	**785,101**	570,299
Restricted cash	22	**9,179**	9,145
Cash and cash equivalents	22	**6,880**	241,778
		801,160	821,222
Total assets		**906,854**	924,366
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	23	**7,077**	7,077
Share premium	23	**454,188**	454,188
Reserves	25	**5,846**	—
Accumulated losses	25	**(42,239)**	(17,155)
Total equity		**424,872**	444,110
LIABILITIES			
Non-current liabilities			
Borrowings	28	**318,188**	475,558
Current liabilities			
Borrowings	28	**159,094**	—
Trade and other payables	26	**4,700**	4,698
		163,794	4,698

BALANCE SHEET

(All amounts in RMB)

		As at 31 December	
		2014	2013
	Note	**RMB'000**	RMB'000
Total liabilities		**481,982**	480,256
Total equity and liabilities		**906,854**	924,366
Net current assets		**637,366**	816,524
Total assets less current liabilities		**743,060**	919,668

The notes on pages 53 to 135 are an integral part of these financial statements.

The financial statements on pages 46 to 135 were approved by the Board of Directors on 25 March 2015 and were signed on its behalf.

Zhang Yingcen	**Xian Zhenyuan**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB)

	Attributable to owners of the Company						
	Share capital RMB'000 Note 23	Share premium RMB'000 Note 23	Reserves RMB'000 Note 25	Retained earnings RMB'000 Note 25	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013	7,077	454,188	19,061	270,885	751,211	145,055	896,266
Comprehensive income							
Profit for the year	—	—	—	168,945	168,945	17,343	186,288
Transactions with owners							
Appropriation	—	—	15,236	(15,236)	—	—	—
Acquisition of subsidiaries, as restated (Note 34.2)	—	—	—	—	—	4,259	4,259
Transaction with non-controlling interests	—	—	(360)	—	(360)	(615)	(975)
Capital injection from non-controlling interests	—	—	—	—	—	4,950	4,950
Waiver of liability by non-controlling interests	—	—	172	—	172	74	246
Balance at 31 December 2013, as restated	7,077	454,188	34,109	424,594	919,968	171,066	1,091,034
Balance at 1 January 2014, as restated	7,077	454,188	34,109	424,594	919,968	171,066	1,091,034
Comprehensive income							
Profit for the year	—	—	—	220,153	220,153	30,786	250,939
Transactions with owners							
Appropriation	—	—	28,411	(28,411)	—	—	—
Acquisition of subsidiaries (Note 34.1)	—	—	—	—	—	131,766	131,766
Dividends paid to non-controlling interests	—	—	—	—	—	(4,751)	(4,751)
Capital injection from non-controlling interests	—	—	—	—	—	1,000	1,000
Employee share option scheme:							
— Value of employee services	—	—	5,846	—	5,846	—	5,846
Balance at 31 December 2014	**7,077**	**454,188**	**68,366**	**616,336**	**1,145,967**	**329,867**	**1,475,834**

The notes on pages 53 to 135 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB)

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	**369,700**	247,045
Interest paid		**(71,485)**	(56,303)
Income tax paid		**(73,764)**	(59,975)
Net cash generated from operating activities		**224,451**	130,767
Cash flows from investing activities			
Purchases of property, plant and equipment and investment properties		**(247,385)**	(131,370)
Increase in lease prepayments		**(27,285)**	(12,857)
Proceeds from disposal of property, plant and equipment and investment properties	31	**4,900**	3,254
Purchase of intangible assets		**(162)**	(17,029)
Purchases of available-for-sale financial assets		**(419,650)**	(332,000)
Proceeds from disposal of available-for-sale financial assets		**417,984**	332,323
Purchases of financial assets at fair value through profit or loss		**(100,000)**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	150,000
Net cash outflow for the acquisition of subsidiaries	34	**(411,976)**	(109,526)
Transaction with non-controlling interests		**—**	(975)
Investment income on financial assets at fair value through profit or loss		**38,038**	27,441
Interest received		**6,100**	876
Investment in associate		**(50,000)**	—
Changes in restricted cash		**(12,942)**	—
Loan to third party		**(50,000)**	—
Net cash used in investing activities		**(852,378)**	(89,863)
Cash flows from financing activities			
Proceeds from borrowings		**605,512**	1,047,851
Repayments of borrowings		**(286,618)**	(876,795)
Capital injection from non-controlling interests		**1,000**	3,000
Dividends paid to non-controlling interests		**(4,751)**	—
Changes in restricted cash		**—**	(9,145)
Net cash generated from financing activities		**315,143**	164,911
Net (decrease)/increase in cash and cash equivalents		**(312,784)**	205,815
Cash and cash equivalents at beginning of the year		**576,402**	368,940
Exchange (losses)/gains on cash and cash equivalents		**(34)**	1,647
Cash and cash equivalents at end of the year	22	**263,584**	576,402

The notes on pages 53 to 135 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

1. GENERAL INFORMATION OF THE GROUP

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2015.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets at fair value through profit or loss, which are carried at fair value.

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted

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

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

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

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls entities when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation (continued)

(a) Business combinations *(continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (Note 2.9).

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of post-tax losses of associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance expenses — net'. All other foreign exchange gains and losses are presented in profit or loss within 'other gains/(losses) — net'.

Changes in fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.5 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

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

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

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

—	Buildings	20-30 years
—	Equipment and machinery	5-10 years
—	Gas pipelines	16-30 years
—	Office equipment and motor vehicles	3-8 years

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

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

2.6 Property, plant and equipment *(continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

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

2.7 Investment property

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are within 'other gains/(losses) — net' in profit or loss.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.8 Lease prepayments

Lease prepayments represent upfront prepayments made for the land use rights. Lease prepayments are stated at costs and are amortised on a straight-line basis over the remaining period of the land use rights, net of any impairment losses.

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Exclusive operating rights for city pipeline network and gas station

Exclusive operating rights for city pipeline network and gas station represent the exclusive rights for distribution of gas in certain cities or districts in the PRC, and are stated at cost less accumulated amortisation and impairment losses, if any. The cost incurred for the acquisition of exclusive operating rights is capitalised and amortised on a straight-line basis over their estimated useful lives (10 — 50 years).

(c) Network

Network acquired in a business combination is the distribution network of pipelined gas and is recognised at fair value at the acquisition date. The network is carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost over the estimated lives of 30 years.

(d) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 — 5 years).

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

2.10 Impairment of non-financial assets

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

2.11 Financial assets

2.11.1 Classification

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

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amount that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (Notes 2.15 and 2.16).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.11 Financial assets *(continued)*

2.11.2 Recognition and measurement

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within 'finance expenses — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss within 'finance expenses — net' when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as 'other gains/(losses) — net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Group's right to receive payments is established.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

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

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

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

2.13 Impairment of financial assets *(continued)*

(b) Assets classified as available for sale (continued)

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

2.14 Inventories

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

2.15 Trade and other receivables

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

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

2.16 Cash and cash equivalents

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

2.17 Share capital

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

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

2.18 Trade and other payables

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

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

2.19 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.20 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associates' undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

2.21 Current and deferred income tax *(continued)*

(c) Offsetting

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

2.22 Employee benefits — Pension obligations and other benefits

(a) Pension obligations

The Group's subsidiaries in the PRC contribute on a monthly basis to various defined contribution retirement schemes managed by the PRC Government. The contributions to the schemes are charged to profit or loss as and when incurred. The Group's obligations are determined at a certain percentage of the salaries of the employees.

(b) Housing fund and other benefits

All full-time employees of the Group's subsidiaries in the PRC are entitled to participate in various government-sponsored housing and other benefits funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2.23 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, 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 or holding shares for a specified period of time).

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

2.23 Share-based payments *(continued)*

(a) Equity-settled share-based payment transactions (continued)

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 profit or loss, with a corresponding adjustment to equity.

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.

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 (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.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Connection of gas pipelines

Revenue in respect of the connection and construction of gas pipelines is recognised using the percentage of completion method, but when the period of construction works is short, the revenue is recognised when the relevant construction works are completed and connection services are rendered. The average time required for the Group to complete a gas pipeline construction project is approximately two to four months.

(b) Sale of gases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

2.24 Revenue recognition *(continued)*

(c) Rental income

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

(d) Service income

Service income represents income from engineering designing and consulting services provided to customers and is recognised when services are rendered.

2.25 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.26 Operating leases

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

2.27 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Risk management is carried out by Group finance department under the policies approved by the board of directors. Group finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and use of non-derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014
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3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar ("USD"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Management has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency.

As at 31 December 2014, if RMB had weakened/strengthened by 1% (2013: 1%) against the USD with all other variables held constant, the Group's post-tax profit for the year then ended would have been approximately RMB5,026,000 (2013: RMB1,789,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated bank borrowings and cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings and bank deposits. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2014, the Group's borrowings of RMB1,296,072,000 (2013: RMB785,559,000) bore interest at variable rates and borrowings of RMB86,940,000 (2013: RMB224,959,000) at fixed rates. The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2014, if interest rates on borrowings had been 0.3% higher/lower with all other variables held constant, profit before income tax for the year would have been approximately RMB3,888,000 (2013: RMB2,357,000) lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2014, if interest rates on all interest-bearing bank deposits had been 0.3% higher/lower with all other variables held constant, profit before income tax for the year would have been approximately RMB853,000 (2013: RMB1,723,000) higher/lower, respectively, mainly as a result of higher/lower interest income earned.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Credit risk*

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, available-for-sale financial assets and the financial assets at fair value through profit or loss.

As at 31 December 2014 and 2013, all of the Group's bank deposits are deposited in major financial institutions which management believes are of high credit quality without significant credit risk.

The Group closely monitors the trust investment classified as financial assets at fair value through profit or loss. The Group assesses the credit quality of the trust investment by reviewing the investment report prepared by the trust agency, focusing on the quality of the investment product, past performance and the collateral. The financial department is responsible for such monitoring procedures.

Available-for-sale financial assets are non-derivative financial products purchased from major listed banks in the PRC with comparatively lower risk that do not pose any significant credit risk to the Group.

The Group has no significant concentration of credit risk in relation to trade and other receivables, with exposure spread over a number of counterparties and customers.

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

(c) *Liquidity risk*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014
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3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

The table below analyses the Group's and Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	**Less than 1 year RMB'000**	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**
At 31 December 2014				
Bank borrowings	**723,421**	**416,024**	**349,740**	**—**
Other borrowings	**2,803**	**188**	**608**	**5,172**
Trade and other payables (i)	**296,462**	**10,500**	**135,689**	**110,703**
At 31 December 2013 (restated)				
Bank borrowings	266,847	319,009	478,823	30,925
Other borrowings	6,582	164	530	4,871
Trade and other payables (i)	261,889	—	—	—

Company	**Less than 1 year RMB'000**	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**
At 31 December 2014				
Bank borrowings	**175,424**	**324,374**	**—**	**—**
Other payables (i)	**4,700**	**—**	**—**	**—**
At 31 December 2013				
Bank borrowings	17,815	176,334	323,225	—
Other payables (i)	4,698	—	—	—

(i) Trade and other payables include trade payables, amounts due to related parties, other payables and interest payables as stated in Note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

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

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

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

The gearing ratios as at 31 December 2014 and 2013 were as follows:

Group	**As at 31 December**	
	2014	2013
	RMB'000	RMB'000
		(Restated)
Total borrowings (Note 28)	**1,383,012**	1,010,518
Less: cash and cash equivalents (Note 22)	**(263,584)**	(576,402)
Net debt	**1,119,428**	434,116
Total equity	**1,475,834**	1,091,034
Total capital	**2,595,262**	1,525,150
Gearing ratio	**43%**	28%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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).

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For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 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	**—**	**—**	**331,474**	**331,474**
Available-for-sale financial assets				
— Bank financial products	**—**	**—**	**2,000**	**2,000**
Total assets	**—**	**—**	**333,474**	**333,474**
Liabilities				
Other payables				
— Contingent consideration (i)	**—**	**—**	**202,640**	**202,640**

(i) As at 31 December 2014, the contingent consideration payables were included in the current and non-current portion of other payables with amounts of RMB58,111,000 and RMB144,529,000, respectively.

The following table presents the Group's 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
Liabilities				
Other payables				
— Contingent consideration (Restated) (i)	—	—	95,670	95,670

(i) As at 31 December 2013, all of the contingent consideration payables were included in other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014
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3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

There were no transfers between levels 1 and 2 during the year

(a) Financial instruments in level 1

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.

(b) Financial instruments in level 2

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 valuation technique used to value the financial instrument is discounted cash flow analysis.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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For the year ended 31 December 2014
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3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(c) *Financial instruments in level 3*

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Contingent consideration RMB'000	Total RMB'000
Balance at 1 January	221,824	—	95,670	317,494
Acquisition of subsidiaries	—	—	136,249	136,249
Additions	100,000	419,650	—	519,650
Changes in fair value recognised in profit or loss	9,650	—	8,280	17,930
Disposals	—	(417,650)	—	(417,650)
Deductions	—	—	(37,559)	(37,559)
Balance at 31 December	331,474	2,000	202,640	536,114
Total gains/(losses) for the year included in profit or loss for assets held at the end of the year	34,055	334	(8,280)	26,109

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3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(c) *Financial instruments in level 3 (continued)*

The following table presents the changes in level 3 instruments for the year ended 31 December 2013.

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Contingent consideration RMB'000 (Restated)	Total RMB'000
Balance at 1 January	375,983	—	21,059	397,042
Additions	—	332,000	80,462	412,462
Changes in fair value recognised in profit or loss	(1,733)	—	—	(1,733)
Disposals	(152,426)	(332,000)	—	(484,426)
Deductions	—	—	(5,851)	(5,851)
Balance at 31 December	221,824	—	95,670	317,494
Total gains for the year included in profit or loss for assets held at the end of the year	27,768	323	—	28,091

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables and current borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair value of the non-current borrowings is disclosed in Note 28.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17).

(b) Income taxes

The Group's subsidiaries that operate in the PRC are subject to corporate income tax in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expense in the period in which such estimate is changed.

Deferred tax liabilities are generally recognised for all taxable temporary differences, except that the temporary differences arise from the initial recognition of goodwill, or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

As at 31 December 2014, the Group had deferred income tax assets of approximately RMB3,676,000 (2013: RMB2,599,000) (Note 29). To the extent that it is probable that the taxable profit will be available against which the deductible temporary differences will be utilised, deferred income tax assets are recognised for temporary differences arising from provision for impairment of assets, accrued expenses, tax losses and depreciation. Should the Group be required to increase the tax rate, every 1% increment in tax rate would render a further write up of deferred tax assets in the amount of approximately RMB147,000 (2013: RMB104,000).

As at 31 December 2014, the Group had deferred income tax liabilities of approximately RMB158,036,000 (2013: RMB67,214,000) (Note 29). The Group generally recognises the taxable temporary differences arising from the fair value adjustments of business combinations and financial assets at fair value through profit or loss. Should the Group be required to increase the tax rate, every 1% increment in tax rate would render a further write up of deferred tax liabilities in the amount of approximately RMB6,321,000 (2013: RMB2,689,000).

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(c) Purchase price allocation for business combinations other than common control combinations

Accounting for business combinations requires the Group to allocate the cost of the acquisition to the specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group undertakes a process to identify all assets and liabilities acquired, including any identified intangible assets where appropriate. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as assets useful lives, may materially impact the Group's financial position and results of operation. In determining the fair values of the identifiable assets acquired and liabilities assumed, valuations were conducted by an independent valuer and estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management.

5 SEGMENT INFORMATION

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

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

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

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

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

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5 SEGMENT INFORMATION *(continued)*

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2014 is as follows:

	Transportation and sales of gas RMB'000	**Gas pipeline connections RMB'000**	**All other segments RMB'000**	**Unallocated RMB'000**	**Total RMB'000**
Total external revenue	**747,829**	**572,772**	**23,335**	**—**	**1,343,936**
Gross profit	**115,875**	**335,301**	**10,320**	**—**	**461,496**
Distribution expenses				**(16,148)**	**(16,148)**
Administrative expenses				**(84,111)**	**(84,111)**
Other gains — net				**9,945**	**9,945**
Operating profit					**371,182**
Finance expenses — net				**(26,767)**	**(26,767)**
Share of post-tax losses of associate				**(106)**	**(106)**
Profit before income tax					**344,309**
Income tax expense				**(93,370)**	**(93,370)**
Profit for the year					**250,939**

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2013 is as follows:

	Transportation and sales of gas RMB'000	Gas pipeline connections RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Total external revenue	504,357	384,784	22,798	—	911,939
Gross profit	80,632	241,714	10,690	—	333,036
Distribution expenses				(13,669)	(13,669)
Administrative expenses				(65,224)	(65,224)
Other losses — net				(214)	(214)
Operating profit					253,929
Finance expenses — net				(7,777)	(7,777)
Profit before income tax					246,152
Income tax expense				(59,864)	(59,864)
Profit for the year					186,288

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

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6. OTHER GAINS/(LOSSES) — NET

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

7. EXPENSES BY NATURE

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Raw materials and consumables used	**655,144**	453,253
Changes in inventories of finished goods and work in progress	**31,142**	(2,093)
Depreciation on property, plant and equipment (Note 15)	**46,059**	32,445
Depreciation on investment properties (Note 16)	**476**	489
Amortisation of lease prepayments (Note 14)	**2,968**	1,327
Amortisation of intangible assets (Note 17)	**26,050**	9,703
Employee benefit expense (Note 8)	**83,006**	64,067
Licensing fee for the exclusive operating rights for city pipeline network	**1,100**	1,100
Engagement of construction and design services	**66,229**	38,066
Transportation	**5,694**	5,324
Auditors' remuneration		
— Audit services	**3,100**	2,900
Professional expenses	**1,736**	2,292
Advertising expenses	**2,370**	1,513
Entertainment expenses	**5,154**	1,867
Office expenses	**5,904**	5,421
Taxes	**25,456**	18,121
Energy consumption	**12,882**	7,221
Other expenses	**8,229**	14,780
Total cost of sales, distribution expenses and administrative expenses	**982,699**	657,796

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8. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Wages and salaries	**57,961**	47,119
Pension costs — defined contribution plans	**7,066**	6,214
Social security benefits costs	**6,049**	5,282
Share options granted to directors and employees (Note 24)	**5,846**	—
Others	**6,084**	5,452
	83,006	64,067

(a) Directors' emoluments

For the year ended 31 December 2014 is set out below:

Name	**Basic salaries and allowances RMB'000**	**Discretionary bonuses RMB'000**	**Retirement benefit contributions RMB'000**	**Total RMB'000**
Mr. Zhang Yingcen	**200**	**—**	**43**	**243**
Mr. Xian Zhenyuan	**180**	**—**	**43**	**223**
Mr. Hu Xiaoming	**88**	**—**	**43**	**131**
Mr. Sun Heng	**125**	**—**	**2**	**127**
Mr. Feng Yi	**150**	**—**	**17**	**167**
Ms. Li Tao	**150**	**—**	**17**	**167**
Mr. Cao Zhibin*	**60**	**—**	**—**	**60**
Mr. Li Liuqing*	**60**	**—**	**—**	**60**
Ms. Zhao Jun*	**60**	**—**	**—**	**60**
Mr. Zhang Jiaming*	**60**	**—**	**—**	**60**
	1,133	**—**	**165**	**1,298**

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8. EMPLOYEE BENEFIT EXPENSE *(continued)*

(a) Directors' emoluments *(continued)*

For the year ended 31 December 2013 is set out below:

Name	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Mr. Zhang Yingcen	200	—	31	231
Mr. Xian Zhenyuan	180	—	39	219
Mr. Hu Xiaoming	150	—	23	173
Mr. Sun Heng	150	—	2	152
Mr. Feng Yi	150	—	14	164
Ms. Li Tao	150	—	14	164
Mr. Cao Zhibin*	30	—	—	30
Mr. Li Liuqing*	60	—	—	60
Ms. Zhao Jun*	60	—	—	60
Mr. Zhang Jiaming*	60	—	—	60
	1,190	—	123	1,313

* represent the independent non-executive directors

For the year ended 31 December 2014, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office; no director waived or has agreed to waive any emolument.

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the Group for the year ended 31 December 2014 included two (2013: four) directors. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals for the year ended 31 December 2014 (2013: one) are as follows:

	Year ended 31 December	
	2014 **RMB'000**	2013 RMB'000
Basic salaries, and allowances	**678**	150
Retirement benefit contributions	**14**	21
	692	171

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8. EMPLOYEE BENEFIT EXPENSE *(continued)*

(b) Five highest paid individuals *(continued)*

The emoluments of the above individual fell within the following bands:

	Year ended 31 December	
	2014	2013
Nil to HK$1,000,000 (approximate to RMB789,000)	**3**	1

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

9. FINANCE EXPENSES — NET

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

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10a. INVESTMENTS IN SUBSIDIARIES — COMPANY

(a) Investments in subsidiaries

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Investments at cost:		
Unlisted shares	**96,002**	96,002
Capital contribution relating to share-based payment	**5,846**	—
	101,848	96,002

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

The capital contribution relating to share based payment relates to share options granted by the Company to employees of subsidiary undertakings in the Group. Refer to Note 24 for further details on the Group's share option schemes.

The following is a list of the principal subsidiaries as at 31 December 2014:

Name	Country/ Place and date of incorporation	Type of legal entity	Issued/ paid-in capital (RMB'000)	Effective interest held	Principal activities and place of operation
Upsky Holdings Limited ("Upsky Holdings")	BVI/ 8 July 2003	Limited liability company	7*	100%**	Intermediary holding company in BVI
Tian Lun New Energy Limited ("Tian Lun New Energy")	Hong Kong/ 10 May 2010	Limited liability company	—*	100%	Intermediary holding company in HK
Hebi Tian Lun New Energy Limited ("Hebi New Energy") (鶴壁市天倫新能源有限公司)	PRC/ 13 May 2010	Limited liability company	15,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Henan Tian Lun Gas Group Limited ("Henan Tian Lun Gas") (河南省天倫燃氣集團有限公司)	PRC/ 1 November 2002	Limited liability company	430,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Hebi Tian Lun Vehicle-use Gas Limited ("Hebi Tian Lun Vehicle") (鶴壁市天倫車用燃氣有限公司)	PRC/ 29 October 2007	Limited liability company	10,000	100%	Sales of CNG in the PRC
Xuchang Tian Lun Gas Limited ("Xuchang Tian Lun") (許昌市天倫燃氣有限公司)	PRC/ 29 September 2003	Limited liability company	25,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC

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10a. INVESTMENTS IN SUBSIDIARIES — COMPANY *(continued)*

(a) Investments in subsidiaries *(continued)*

Name	Country/ Place and date of incorporation	Type of legal entity	Issued/ paid-in capital (RMB'000)	Effective interest held	Principal activities and place of operation
Xuchang Tian Lun Vehicle-use Gas Limited ("Xuchang Tian Lun Vehicle") (許昌市天倫車用燃氣有限公司)	PRC/ 12 September 2008	Limited liability company	10,000	100%	Sales of CNG in the PRC
Zhengzhou Shangjie Tian Lun Gas Limited ("Shangjie Tian Lun") (鄭州市上街區天倫燃氣有限公司)	PRC/ 18 July 2007	Limited liability company	15,000	90%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Baiyin Natural Gas Limited ("Gansu Baiyin") (白銀市天然氣有限公司)	PRC/ 16 June 2003	Limited liability company	30,361	98.97%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Baiyin Wangtong Gas Limited ("Baiyin Wangtong") (白銀市萬通燃氣有限公司)	PRC/ 15 October 2009	Limited liability company	8,500	100%	Sales of CNG in the PRC
Jilin Zhongji Dadi Gas Group Limited ("Jilin Zhongji") (吉林省中吉大地燃氣集團有限公司)	PRC/ 25 March 2005	Limited liability company	140,000	51%	Sales of pipelined natural gas, construction and connection of gas pipelines and sales of CNG in the PRC
Jiutai Dadi Gas Limited ("Jiutai Dadi") (九台市大地燃氣有限公司)	PRC/ 8 July 2008	Limited liability company	24,000	51%	Sales of pipelined natural gas in the PRC
Panshi Dadi Gas Limited ("Panshi Dadi") (磐石市大地燃氣有限公司)	PRC/ 26 October 2006	Limited liability company	10,000	51%	Sales of pipelined natural gas and CNG in the PRC
Da'an Dadi Gas Limited ("Da'an Dadi") (大安市大地燃氣有限公司)	PRC/ 25 January 2008	Limited liability company	12,000	51%	Sales of pipelined natural gas and CNG in the PRC
Baicheng Dadi Natural Gas Limited ("Baicheng Dadi") (白城市大地天然氣有限公司)	PRC/ 23 March 2006	Limited liability company	6,000	51%	Sales of CNG in the PRC
Zhenlai County Dadi Gas Limited ("Zhenlai County Dadi") (鎮賚縣大地燃氣有限公司)	PRC/ 30 September 2009	Limited liability company	16,000	51%	Sales of pipelined natural gas in the PRC

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10a. INVESTMENTS IN SUBSIDIARIES — COMPANY *(continued)*

(a) Investments in subsidiaries *(continued)*

Name	Country/ Place and date of incorporation	Type of legal entity	Issued/ paid-in capital (RMB'000)	Effective interest held	Principal activities and place of operation
Tongyu County Dadi Gas Limited ("Tongyu County Dadi") (通榆縣大地燃氣有限公司)	PRC/ 30 November 2005	Limited liability company	10,000	51%	Sales of pipelined natural gas in the PRC
Puyang Tian Lun Gas Limited ("Puyang Tianlun") (濮陽市天倫燃氣有限公司)	PRC/ 9 November 2009	Limited liability company	20,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Dunhua Dadi Gas Limited ("Dunhua Dadi") (敦化市大地天然氣有限公司)	PRC/ 15 January 2007	Limited liability company	13,000	51%	Sales of pipelined natural gas in the PRC
Baicheng Zhongji Gas Distribution Limited ("Baicheng Zhongji") (白城市中吉燃氣經銷有限公司)	PRC/ 10 November 2007	Limited liability company	5,000	51%	Natural gas transportation service in the PRC
Changchun Zhongji Dadi Trade Limited ("Changchun Zhongji") (長春市中吉大地經貿有限公司)	PRC/ 22 June 2010	Limited liability company	100	51%	Sales of gas equipment in the PRC
Jilin Dadi Technology Consultancy Limited ("Jilin Dadi") (吉林市大地技術諮詢有限公司)	PRC/ 7 March 2002	Limited liability company	5,000	51%	Engineering design and consulting services in the PRC
Xinye County Tian Lun Gas Limited ("Xinye Tian Lun") (新野縣天倫燃氣有限公司)	PRC/ 2 November 2011	Limited liability company	10,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Henan Luyuan Gas Limited ("Henan Luyuan") (河南綠源燃氣有限公司)	PRC/ 6 January 2005	Limited liability company	33,330	70%	Sales of pipelined natural gas, construction and connection of gas pipelines and sales of CNG in the PRC
Song County Tian Lun Gas Limited ("Henan Songxian") (嵩縣天倫燃氣有限公司)	PRC/ 24 June 2011	Limited liability company	10,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC

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10a. INVESTMENTS IN SUBSIDIARIES — COMPANY *(continued)*

(a) Investments in subsidiaries *(continued)*

Name	Country/ Place and date of incorporation	Type of legal entity	Issued/ paid-in capital (RMB'000)	Effective interest held	Principal activities and place of operation
Shangqiu Luyuan Vehicle Gas Limited ("Shangqiu Luyuan Vehicle") (商丘市綠源汽車燃氣有限公司)	PRC/ 22 August 2006	Limited liability company	1,060	70%	Sales of CNG in the PRC
Dongkou Senbo Gas Limited ("Dongkou Senbo") (洞口森博燃氣有限公司)	PRC/ 6 January 2011	Limited liability company	10,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Kaifeng Xi'Na Natural Gas Limited ("Kaifeng Xi'Na") (開封西納天然氣有限公司)	PRC/ 28 October 2004	Limited liability company	30,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Cao County Zhongtian Gas Limited ("Caoxian Zhongtian") (曹縣中天燃氣有限公司)	PRC/ 9 May 2012	Limited liability company	10,000	80%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Shan County Zhongtian Gas Limited ("Shanxian Zhongtian") (單縣中天燃氣有限公司)	PRC/ 27 April 2006	Limited liability company	10,000	80%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Guangxi Luzhai Tianlun Gas Limited ("Luzhai Tianlun") (廣西鹿寨天倫燃氣有限公司)	PRC/ 6 January 2012	Limited liability company	30,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Xingtai Tianlun Yunyu Vehicle Gas Limited ("Xingtai Tianlun") (邢臺天倫運興車用燃氣有限公司)	PRC/ 31 May 2012	Limited liability company	4,000	70%	Sales of CNG in the PRC
Gulang Tianlun Gas Limited ("Gulang Tianlun") (古浪天倫燃氣有限公司)	PRC/ 30 November 2012	Limited liability company	10,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Chongqing Tianlun Kaida New Energy Gas Limited ("Tianlun Kaida") (重慶天倫凱達新能源燃氣有限公司)	PRC/ 22 October 2012	Limited liability company	20,000	70%	Sales of liquefied natural gas in the PRC

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10a. INVESTMENTS IN SUBSIDIARIES — COMPANY *(continued)*

(a) Investments in subsidiaries *(continued)*

Name	Country/ Place and date of incorporation	Type of legal entity	Issued/ paid-in capital (RMB'000)	Effective interest held	Principal activities and place of operation
Jilin Changling County Tianlun Gas Limited ("Changling Tianlun") (吉林長嶺縣天倫燃氣有限公司)	PRC/ 4 December 2013	Limited liability company	10,000	70%	New energy technology development services in the PRC
Dongming Wanji Natural Gas Industrial Limited ("Dongming Wanji") (東明萬吉天然氣實業有限公司)	PRC/ 3 June 2005	Limited liability company	10,000	80%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Heze Guanghe Natural Gas Limited ("Heze Guanghe") (菏澤市廣菏天然氣有限公司)	PRC/ 24 January 2002	Limited liability company	10,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Guangxi Guanyang Tianlun Gas Limited ("Guanyang Tianlun") (廣西灌陽天倫燃氣有限公司)	PRC/ 27 November 2013	Limited liability company	10,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
Zhengzhou Shangjie Tianlun Vehicle Gas Limited ("Shangjie Tianlun Vehicle") (鄭州市上街區天倫車用燃氣有限公司)	PRC/ 18 April 2013	Limited liability company	10,000	100%	Sales of CNG in the PRC
Yunnan Datong Natural Gas Limited ("Yunnan Datong") (雲南大通天然氣有限公司)	PRC/ 24 March 2013	Limited liability company	30,000	100%	Engineering design and consulting services in the PRC
Huize Datong Natural Gas Limited ("Huize Datong") (會澤縣大通天然氣有限公司)	PRC/ 21 December 2007	Limited liability company	8,000	100%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC
Gejiu Datong Natural Gas Limited ("Gejiu Datong") (個舊大通天然氣有限公司)	PRC/ 15 January 2009	Limited liability company	10,000	100%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC
Guangnan Datong Natural Gas Limited ("Guangnan Datong") (廣南縣大通天然氣有限公司)	PRC/ 2 September 2010	Limited liability company	6,000	100%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC

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10a. INVESTMENTS IN SUBSIDIARIES — COMPANY *(continued)*

(a) Investments in subsidiaries *(continued)*

Name	Country/ Place and date of incorporation	Type of legal entity	Issued/ paid-in capital (RMB'000)	Effective interest held	Principal activities and place of operation
Hekou Datong Natural Gas Limited ("Hekou Datong") (河口縣大通天然氣有限公司)	PRC/ 24 September 2013	Limited liability company	6,000	100%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC
Yanshan Datong Natural Gas Limited ("Yanshan Datong") (硯山縣大通天然氣有限公司)	PRC/ 10 May 2011	Limited liability company	5,000	100%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC
Honghe Datong Natural Gas Limited ("Honghe Datong") (紅河大通天然氣有限公司)	PRC/ 25 August 2009	Limited liability company	10,000	100%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC
Ludian Datong Natural Gas Limited ("Ludian Datong") (魯甸縣大通天然氣有限公司)	PRC/ 22 July 2010	Limited liability company	5,000	100%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC
Jingtai Tianlun Gas Limited ("Jingtai Tianlun") (景泰天倫燃氣有限公司)	PRC/ 22 April 2013	Limited liability company	2,000	100%	New energy technology development services in the PRC
Weishi Tianlun Gas Limited ("Weishi Tianlun") (尉氏縣天倫燃氣有限公司)	PRC/ 30 July 2013	Limited liability company	10,000	100%	Sales of pipelined natural gas in the PRC
Jilin Yitong Tianlun Gas Limited ("Yitong Tianlun") (吉林伊通天倫燃氣有限公司)	PRC/ 26 August 2013	Limited liability company	10,000	100%	Engineering design and consulting services in the PRC
Hong Kong Xin Rong Limited ("HK Xin Rong") (香港信融有限公司)	Hong Kong/ 13 June 2013	Limited liability company	610*	100%	Trading of natural gas equipment in HK
Luoyang Tianlun Rongtuo Clear Energy Limited ("Luoyang Rongtuo") (洛陽天倫榕拓清潔能源有限公司)	PRC/ 30 January 2014	Limited liability company	50,000	80%	Sales and produce of new clear energy in the PRC
Shantou Chaoyang District Minan Pipelined Gas Limited ("Shantou Chaoyang") (汕頭市潮陽區民安管道燃氣有限公司)	PRC/ 15 October 2008	Limited liability company	10,000	90%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC

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10a. INVESTMENTS IN SUBSIDIARIES — COMPANY *(continued)*

(a) Investments in subsidiaries *(continued)*

Name	Country/ Place and date of incorporation	Type of legal entity	Issued/ paid-in capital (RMB'000)	Effective interest held	Principal activities and place of operation
Shantou Chenghai Gas Construction Limited ("Shantou Chenghai") (汕頭市澄海燃氣建設有限公司)	PRC/ 24 June 1994	Limited liability company	17,250	90%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC
Chaozhou Huamao Energy Distribution Limited ("Chaozhou Huamao") (潮州市華茂能源配送有限公司)	PRC/ 6 September 2010	Limited liability company	133,224	60%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC
Tangyin Yuneng Gas Limited ("Tangyin Yuneng") (湯陰豫能燃氣有限公司)	PRC/ 30 May 2013	Limited liability company	10,000	100%	Provision of designing service of gas pipelines in the PRC
Songzi Tianlun Gas Limited ("Songzi Tianlun") (松滋天倫燃氣有限公司)	PRC/ 4 December 2014	Limited liability company	10,000	100%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC
Wah Shing Century Limited ("Wah Shing Century") (華盛世紀有限公司)	Hong Kong/ 5 August 2014	Limited liability company	79*	100%	Investment in equity and assets in HK

* The issued capital of Upsky Holdings is US$1,000.
The issued capital of Tian Lun New Energy is HK$2.
The issued capital of HK Xin Rong is US$100,000.
The issued capital of Wah Shing Century is HK$100,000.

** Shares hold directly by the Company.

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10a. INVESTMENTS IN SUBSIDIARIES — COMPANY *(continued)*

(b) Material non-controlling interests

The total non-controlling interests for the period is approximately RMB329,867,000, of which approximately RMB16,308,000 is attributed to Henan Luyuan, approximately RMB156,721,000 is attributed to Jilin Zhongji, approximately RMB109,685,000 is attributed to Chaozhou Huamao, and approximately RMB21,305,000 is attributed to Shantou Chenghai. The non-controlling interests in respect of other subsidiaries are not material.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

	Jilin Zhongji As at 31 December		Henan Luyuan As at 31 December		Chaozhou Huamao As at 31 December	Shantou Chenghai As at 31 December
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	**2014 RMB'000**
Current						
Assets	**168,492**	118,860	**24,975**	24,707	**18,782**	**57,898**
Liabilities	**171,326**	156,990	**8,690**	8,312	**62,267**	**52,682**
Total net current (liabilities)/assets	**(2,834)**	(38,130)	**16,285**	16,395	**(43,485)**	**5,216**
Non-current						
Assets	**248,740**	229,920	**33,301**	28,175	**186,600**	**83,878**
Liabilities	**—**	—	**—**	—	**14,220**	**—**
Total non-current assets	**248,740**	229,920	**33,301**	28,175	**172,380**	**83,878**
Net assets	**245,906**	191,790	**49,586**	44,570	**128,895**	**89,094**

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10a. INVESTMENTS IN SUBSIDIARIES — COMPANY *(continued)*

(b) Material non-controlling interests *(continued)*

Summarised statement of comprehensive income

	Jilin Zhongji		Henan Luyuan		Chaozhou Huamao	Shantou Chenghai
	Year ended 31 December		Year ended 31 December		Period for the eleven months ended 31 December	Period for the eight months ended 31 December
	2014	2013	**2014**	2013	**2014**	**2014**
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	**RMB'000**
Revenue	**208,294**	220,757	**38,485**	35,161	**46,191**	**74,435**
Profit/(loss) before income tax	**70,892**	35,536	**7,350**	8,962	**(394)**	**21,767**
Income tax expense	**(16,775)**	(6,640)	**(2,335)**	(2,606)	**130**	**(6,064)**
Profit/(loss) for the year/period	**54,117**	28,896	**5,015**	6,356	**(264)**	**15,703**
Other comprehensive income	**—**	—	**—**	—	**—**	**—**
Total comprehensive income/(loss)	**54,117**	28,896	**5,015**	6,356	**(264)**	**15,703**
Total comprehensive income/(loss) allocated to non-controlling interests	**26,517**	14,159	**1,505**	1,907	**(106)**	**1,570**
Dividends paid to non-controlling interests	**—**	—	**—**	—	**—**	**—**

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10a. INVESTMENTS IN SUBSIDIARIES — COMPANY *(continued)*

(b) Material non-controlling interests *(continued)*

Summarised statement of cash flows

	Jilin Zhongji		Henan Luyuan		Chaozhou Huamao	Shantou Chenghai
	Year ended 31 December		Year ended 31 December		Period for the eleven months ended 31 December	Period for the eight months ended 31 December
	2014 RMB'000	2013 RMB'000	**2014** RMB'000	2013 RMB'000	**2014** RMB'000	**2014** RMB'000
Cash flows from operating activities						
Cash generated from operations	**33,741**	38,619	**10,962**	8,422	**60,801**	**22,285**
Interest paid	**—**	—	**(60)**	(909)	**—**	**(1,409)**
Income tax paid	**(8,619)**	(6,629)	**(2,624)**	(2,685)	**—**	**(3,850)**
Net cash generated from operating activities	**25,122**	31,990	**8,278**	4,828	**60,801**	**17,026**
Net cash used in investing activities	**(21,754)**	(18,031)	**(7,810)**	(6,553)	**(61,612)**	**(7,811)**
Net cash used in financing activities	**—**	—	**(500)**	(2,300)	**—**	**—**
Net increase/(decrease) in cash and cash equivalents	**3,368**	13,959	**(32)**	(4,025)	**(811)**	**9,215**
Cash and cash equivalents at beginning of year/period	**31,885**	17,926	**2,866**	6,891	**4,375**	**15,636**
Cash and cash equivalents at end of year/period	**35,253**	31,885	**2,834**	2,866	**3,564**	**24,851**

The information above is the amount before inter-company eliminations.

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10b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Associate	**49,894**	—

The amounts recognised in profit and loss are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Associate	**(106)**	—

Set out below is the associate of the Group as at 31 December 2014, which is held directly by the Group; the country of incorporation is also its principal place of business.

Nature of investment in associate as at 31 December 2014

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest**	**Nature of the relationship**	**Measurement method**
Inner Mongolia Petroleum and Gas Investment Corporation Limited ("Inner Mongolia Petroleum and Gas") (內蒙古油氣投資股份有限公司)	Inner Mongolia, the PRC	33.33	Note 1	Equity

Note 1: Inner Mongolia Petroleum and Gas was incorporated on 11 December 2014 and mainly engages in the construction of long-distance petroleum and gas pipelines, and investment in the petroleum and gas industry. Inner Mongolia Petroleum and Gas is a strategic partnership for the Group, providing access to new customers and markets of the upstream gas industry and creating synergies with the subsidiaries of the Group.

Inner Mongolia Petroleum and Gas is an unlisted company and there is no quoted market price available for its equity.

There are no contingent liabilities relating to the Group's interest in the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

Summarised financial information for the associate

Summarised balance sheet

	As at 31 December 2014 RMB'000
Cash and cash equivalents	149,866
Other current assets (excluding cash and cash equivalents)	251
Total current assets	150,117
Other current liabilities (including trade payables)	436
Total current liabilities	436
Net assets	149,681

Summarised statement of comprehensive income

	Year ended 31 December 2014 RMB'000
Loss before income tax	(319)
Loss for the year	(319)
Total comprehensive loss	(319)

The information above reflects the amounts presented in the financial statements of the associate (and not Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associate:

Summarised financial information

	2014 RMB'000
Opening net assets	150,000
Loss for the period	(319)
Closing net assets	149,681
Interest in associate (33.33%)	49,894
Carrying value	49,894

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11. INCOME TAX EXPENSE

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

(b) Hong Kong profits tax

For the years ended 31 December 2014 and 2013, there is no Hong Kong profits tax applicable to any Group entity as no Group entity had profit derived from Hong Kong.

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

All the Company's subsidiaries incorporated in the PRC are subject to the PRC CIT, which has been provided based on the statutory income tax rate of the assessable income of each of such companies during the years ended 31 December 2014 and 2013, as determined in accordance with the relevant PRC income tax rules and regulations. The CIT rate of all the subsidiaries operate in the PRC is 25% (2013: 25%), except for Gansu Baiyin as it has been approved to entitle to the CIT Preferential Policies for the Development of the Western Regions and the CIT rate of 2014 is 15% (2013: 25%).

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Current tax on profits for the year	**96,872**	63,411
Deferred tax (Note 29)	**(3,502)**	(3,547)
	93,370	59,864

The difference between the actual income tax charge in profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit before income tax	**344,309**	246,152
Tax calculated at statutory tax rate applicable to each group entity	**83,899**	61,258
Expenses not deductible for tax purposes	**1,965**	—
Tax losses with no deferred tax assets recognised	**7,135**	—
Others	**371**	(1,394)
	93,370	59,864

The weighted average applicable tax rate for the year ended 31 December 2014 is 24% (2013: 25%).

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12. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB25,084,000 for the year ended 31 December 2014 (2013: RMB4,884,000).

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14. LEASE PREPAYMENTS — GROUP

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Outside Hong Kong		
— Lease between 35 and 49 years	**118,477**	64,833

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Opening net book value	**64,833**	48,141
Acquisition of subsidiaries (Note 34.1)	**29,725**	5,162
Additions	**26,887**	12,857
Amortisation charge	**(2,968)**	(1,327)
Closing net book value	**118,477**	64,833

(a) All the amortisation of the Group's land use rights was charged to administrative expenses.

(b) As at 31 December 2014, the Group was in the process of obtaining the legal title of land use rights with carrying amount of approximately RMB31,938,000 (2013: RMB1,722,000).

(c) Bank borrowings are secured on land use rights for the carrying amount of approximately RMB17,090,000 (2013: Nil) (Note 28).

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15. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Buildings	Equipment and machinery	Gas pipelines	Office equipment and motor vehicles	CIP	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013						
Cost	112,037	68,608	272,846	35,578	111,145	600,214
Accumulated depreciation	(9,160)	(12,545)	(43,651)	(8,338)	—	(73,694)
Net book amount	102,877	56,063	229,195	27,240	111,145	526,520
Year ended 31 December 2013 (Restated)						
Opening net book amount	102,877	56,063	229,195	27,240	111,145	526,520
Acquisition of subsidiaries, as restated (Note 34.2)	4,797	3,631	29,608	2,040	32,315	72,391
Additions	1,582	9,385	2,584	6,749	142,903	163,203
Transfer from CIP	8,495	9,466	72,552	13	(90,526)	—
Transfer from investment properties	56	—	—	—	—	56
Disposals (Note 31)	(269)	(28)	—	(3,745)	—	(4,042)
Depreciation charge	(4,528)	(8,570)	(13,471)	(5,876)	—	(32,445)
Closing net book amount	113,010	69,947	320,468	26,421	195,837	725,683
At 31 December 2013 (Restated)						
Cost	126,625	91,054	377,590	39,289	195,837	830,395
Accumulated depreciation	(13,615)	(21,107)	(57,122)	(12,868)	—	(104,712)
Net book amount	113,010	69,947	320,468	26,421	195,837	725,683
Year ended 31 December 2014						
Opening net book amount	**113,010**	**69,947**	**320,468**	**26,421**	**195,837**	**725,683**
Acquisition of subsidiaries (Note 34.1)	**10,833**	**214**	**24,226**	**4,401**	**78,084**	**117,758**
Additions	**5,003**	**13,551**	**15,029**	**7,678**	**225,306**	**266,567**
Transfer from CIP	**51,624**	**46,366**	**146,240**	**1,712**	**(245,942)**	**–**
Transfer from investment properties	**327**	**–**	**–**	**–**	**–**	**327**
Disposals (Note 31)	**(482)**	**(812)**	**(148)**	**(3,112)**	**–**	**(4,554)**
Depreciation charge	**(5,795)**	**(11,650)**	**(21,492)**	**(7,122)**	**–**	**(46,059)**
Closing net book amount	**174,520**	**117,616**	**484,323**	**29,978**	**253,285**	**1,059,722**
At 31 December 2014						
Cost	**194,038**	**149,915**	**562,887**	**49,007**	**253,285**	**1,209,132**
Accumulated depreciation	**(19,518)**	**(32,299)**	**(78,564)**	**(19,029)**	**–**	**(149,410)**
Net book amount	**174,520**	**117,616**	**484,323**	**29,978**	**253,285**	**1,059,722**

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For the year ended 31 December 2014
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15. PROPERTY, PLANT AND EQUIPMENT — GROUP *(continued)*

(a) Depreciation expense of approximately RMB38,101,000 (2013: RMB27,097,000) has been charged in cost of sales, RMB450,000 (2013: RMB212,000) in distribution expenses and RMB7,508,000 (2013: RMB5,136,000) in administrative expenses.

(b) Bank borrowings were secured by certain buildings of the Group with a net book value of approximately RMB12,581,000 as at 31 December 2014 (2013: RMB4,641,000) (Note 28).

(c) As at 31 December 2014, the Group was in the process of obtaining the legal title of buildings with carrying amount of approximately RMB25,904,000 (2013: RMB7,637,000).

(d) As at 31 December 2014, the CIP mainly comprises the gas pipelines being constructed in the PRC.

(e) The Group has capitalised borrowing costs amounting to RMB21,989,000 (2013: RMB9,605,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings at 7.99% (2013: 7.63%).

16. INVESTMENT PROPERTIES — GROUP

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of the year		
Cost	**12,694**	12,772
Accumulated depreciation	**(3,688)**	(3,211)
Net book amount	**9,006**	9,561
For the year		
Opening net book amount	**9,006**	9,561
Transfer to property, plant and equipment	**(327)**	(56)
Disposal	**—**	(10)
Depreciation charge	**(476)**	(489)
Closing net book amount	**8,203**	9,006
At end of the year		
Cost	**12,216**	12,694
Accumulated depreciation	**(4,013)**	(3,688)
Net book amount	**8,203**	9,006
Fair value at end of the year (b)	**23,137**	25,767

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16. INVESTMENT PROPERTIES — GROUP *(continued)*

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Rental income	**1,534**	1,799
Direct operating expenses from properties that generated rental income	**(776)**	(966)
	758	833

As at 31 December 2014 and 2013, the Group had no unprovided contractual obligations for future repairs and maintenance.

(b) The Group's investment properties are analysed as follows:

As at 31 December 2014 and 2013, the fair value of investment property is measured using significant unobservable inputs (Level 3).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the years of 2014 and 2013.

Valuation techniques

The valuation of investment properties are determined using the direct comparison approach. Sales prices of comparable properties in close proximity are adjusted for property's size and the ageing degree.

The significant unobservable inputs adopted include:

Recent market price — Based on the actual market selling price of the properties;

Property's size — Based on the size of the properties;

The ageing degree — Based on the years of the properties used.

Description — Office building	**Fair value** RMB'000	**Valuation technique**	**Unobservable inputs**
At 31 December 2014	23,137	Direct comparison approach	RMB5,500 — RMB8,100 per square meter
At 31 December 2013	25,767	Direct comparison approach	RMB5,500 — RMB8,050 per square meter

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16. INVESTMENT PROPERTIES — GROUP *(continued)*

(c) Depreciation expense of approximately RMB476,000 (2013: RMB489,000) has been charged in cost of sales.

(d) Leasing arrangements

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 1 year	**1,082**	1,172
Later than 1 year but no later than 3 years	**368**	1,155
	1,450	2,327

(e) Bank borrowings were secured by certain of the Group's investment properties with a net book value of approximately RMB6,953,000 as at 31 December 2014 (2013: RMB7,351,000) (Note 28).

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17. INTANGIBLE ASSETS — GROUP

	Goodwill	Exclusive operating rights	Computer software	Network	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013					
Cost	240,979	217,442	336	—	458,757
Accumulated amortisation	—	(17,272)	(288)	—	(17,560)
Net book amount	240,979	200,170	48	—	441,197
Year ended 31 December 2013 (Restated)					
Opening net book amount	240,979	200,170	48	—	441,197
Acquisition of subsidiaries, as restated (Note 34.2)	93,401	101,249	—	—	194,650
Additions	—	16,905	124	—	17,029
Amortisation charge	—	(9,591)	(112)	—	(9,703)
Closing net book amount	334,380	308,733	60	—	643,173
At 31 December 2013 (Restated)					
Cost	334,380	335,596	460	—	670,436
Accumulated amortisation	—	(26,863)	(400)	—	(27,263)
Net book amount	334,380	308,733	60	—	643,173
Year ended 31 December 2014					
Opening net book amount	**334,380**	**308,733**	**60**	**–**	**643,173**
Acquisition of subsidiaries (Note 34.1)	**192,818**	**111,350**	**–**	**316,385**	**620,553**
Additions	**–**	**–**	**162**	**–**	**162**
Amortisation charge	**–**	**(17,011)**	**(81)**	**(8,958)**	**(26,050)**
Closing net book amount	**527,198**	**403,072**	**141**	**307,427**	**1,237,838**
At 31 December 2014					
Cost	**527,198**	**446,946**	**622**	**316,385**	**1,291,151**
Accumulated Amortisation	**–**	**(43,874)**	**(481)**	**(8,958)**	**(53,313)**
Net book amount	**527,198**	**403,072**	**141**	**307,427**	**1,237,838**

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17. INTANGIBLE ASSETS — GROUP *(continued)*

(a) Amortisation of approximately RMB26,050,000 (2013: RMB9,703,000) is included in cost of sales.

(b) Impairment for goodwill

Management reviews the business performance based on subsidiaries and type of business. It has identified Jilin Zhongji, Puyang Tianlun, Henan Luyuan, Henan Songxian, Dongkou Senbo, Kaifeng Xi'Na, Caoxian Zhongtian, Shanxian Zhongtian, Gansu Baiyin, Yunnan Datong, Heze Guanghe, Dongming Wanji, Chaozhou Huamao and Shantou Chenghai as the main subsidiaries.

The above subsidiaries all engaged in sale of natural gas, and connection of gas pipelines in the PRC. Goodwill is monitored by management at the operating segment level. The following is a summary of goodwill allocation for each CGU:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
		(Restated)
Jilin location		
Jilin Zhongji	**89,045**	89,045
Gansu location		
Gansu Baiyin	**86,715**	86,715
Henan location		
Puyang Tianlun	**6,167**	6,167
Henan Luyuan	**7,663**	7,663
Henan Songxian	**8,115**	8,115
Kaifeng Xi'Na	**10,079**	10,079
Hunan location		
Dongkou Senbo	**7,572**	7,572
Yunnan location		
Yunnan Datong	**16,778**	16,778
Shandong location		
Caoxian Zhongtian	**11,401**	11,401
Shanxian Zhongtian	**14,222**	14,222
Heze Guanghe	**61,656**	61,656
Dongming Wanji	**14,967**	14,967
Guangdong location		
Chaozhou Huamao	**166,070**	—
Shantou Chenghai	**26,748**	—
	527,198	334,380

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17. INTANGIBLE ASSETS — GROUP *(continued)*

(b) Impairment for goodwill *(continued)*

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the gas business in which the CGU operates.

As the CGUs in the same geography share approximately the same compound annual volume growth rate, long term growth rate and pre-tax discount rate. The CGUs in the same geography had been grouped by location.

The key assumptions used for value-in-use calculations in 2014 are as follows:

	Jilin Location	**Gansu Location**	**Henan Location**	**Hunan Location**	**Yunnan Location**	**Shandong Location**	**Guangdong Location**
Sales volume (% annual growth rate)	**20%**	**14%**	**13%**	**30%**	**35%**	**22%**	**54%**
Sales price (% annual growth rate)	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Other operating costs (RMB'000)	**14,490**	**8,943**	**4,013**	**2,282**	**3,447**	**9,565**	**10,848**
Annual capital expenditure (RMB'000)	**7,560**	**3,806**	**2,306**	**1,776**	**7,582**	**6,502**	**11,740**
Gross margin (% of revenue)	**23%**	**30%**	**35%**	**40%**	**30%**	**34%**	**24%**
Long term growth rate	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**
Pre-tax discount rate	**19%**	**18%**	**19%**	**18%**	**19%**	**18%**	**19%**
Recoverable amount of the CGUs	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

The key assumptions used for value-in-use calculations in 2013 are as follows:

	Jilin Location	Gansu Location	Henan Location	Hunan Location	Yunnan Location	Shandong Location
Sales volume (% annual growth rate)	19%	16%	13%	27%	34%	18%
Sales price (% annual growth rate)	0%	0%	0%	0%	0%	0%
Other operating costs (RMB'000)	17,330	8,229	3,495	1,675	2,597	11,516
Annual capital expenditure (RMB'000)	6,208	3,606	3,521	2,054	6,374	5,198
Gross margin (% of revenue)	17%	31%	38%	50%	27%	27%
Long term growth rate	3%	3%	3%	3%	3%	3%
Pre-tax discount rate	19%	18%	19%	18%	19%	18%
Recoverable amount of the CGUs	N/A	N/A	N/A	N/A	N/A	N/A

These assumptions have been used for the analysis of each CGU within the operating segment.

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17. INTANGIBLE ASSETS — GROUP *(continued)*

(b) Impairment for goodwill *(continued)*

Sales volume is the average annual growth rate which is based on past performance and management's expectations of market development over the five-year forecast period.

Sales price is the average annual growth rate over the five-year forecast period, it is estimated to be stable during the forecast period.

Other operating costs are the fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases and these do not reflect any future restructurings or cost saving measures. The amounts disclosed above are the average operating costs for the five-year forecast period.

Annual capital expenditure is the expected cash costs in the subsidiaries of each location. This is based on the historical experience and the long-term assets investment plan of the management.

Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the current sales margin levels.

The long term growth rates are based on management's best estimates with consideration of both internal and external factors relating to the CGUs.

The discount rates used are pre-tax and reflect specific risks relating to the relevant locations.

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18. AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

(a) Movements of the Group's available-for-sale financial assets are set out as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Balance at 1 January	**—**	—
Additions	**419,650**	332,000
Disposals	**(417,650)**	(332,000)
Balance at 31 December	**2,000**	—

(b) All available-for-sale financial assets are denominated in RMB.

(c) The maximum exposure to credit risk at the reporting date is the carrying value of the bank financial products classified as available-for-sale.

(d) None of these financial assets is either past due or impaired.

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19. TRADE AND OTHER RECEIVABLES — GROUP AND COMPANY

	Group		**Company**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (a)	**228,872**	132,156	**—**	—
Bills receivable	**1,080**	3,450	**—**	—
Prepayments	**45,119**	52,946	**—**	354
Receivables due from related parties (Note 35)	**14,317**	16,029	**781,923**	566,179
Other receivables	**138,903**	57,151	**7,024**	10,908
Loan to third party	**50,000**	—	**—**	—
Value-added-tax to be offset	**13,766**	7,795	**—**	—
	492,057	269,527	**788,947**	577,441
Less: long-term prepayments	**(11,917)**	(17,788)	**(3,846)**	(7,142)
Current portion	**480,140**	251,739	**785,101**	570,299

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

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

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

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19. TRADE AND OTHER RECEIVABLES — GROUP AND COMPANY *(continued)*

(a) *(continued)*

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

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

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

	Group		**Company**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**492,057**	269,527	**788,947**	577,441

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

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

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

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

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20. INVENTORIES — GROUP

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Materials for gas pipelines	**44,356**	34,550
Consumables	**756**	176
Work in progress	**21,241**	35,834
Finished pipeline network	**10,356**	22,770
	76,709	93,330

The cost of inventories recognised as the Group's expense and included in cost of sales amounted to approximately RMB686,286,000 (2013: RMB451,160,000).

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Investment in trust	**331,474**	221,824

On 21 March 2012, Henan Tian Lun Gas and Zhongyuan Trust Company Limited ("Zhongyuan Trust") entered into a trust investment agreement (the "Investment Agreement") in relation to the investment in a portfolio of trust financial products managed and maintained by Zhongyuan Trust for a term of two years commencing from 21 March 2012 (the "Trust Period"). On 21 March 2014, Henan Tian Lun Gas and Zhongyuan Trust entered into a supplemental agreement to extend the trust period for two years until 21 March 2016.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'finance expenses — net' in profit or loss (Note 9).

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.

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22. CASH AND CASH EQUIVALENTS — GROUP AND COMPANY

(a) Cash and cash equivalents

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash in hand	**1,212**	11,196	**—**	—
Cash at banks	**262,372**	565,206	**6,880**	241,778
	263,584	576,402	**6,880**	241,778

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**254,587**	331,100	**7**	8
US$	**1,201**	242,741	**11**	241,563
HK$	**7,796**	2,561	**6,862**	207
Cash and cash equivalents	**263,584**	576,402	**6,880**	241,778

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

(b) Restricted cash

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**12,942**	—	**—**	—
US$	**9,179**	9,145	**9,179**	9,145
Restricted cash	**22,121**	9,145	**9,179**	9,145

As at 31 December 2014, US$1,500,000 (equivalent to approximately RMB9,179,000) (2013: US$1,500,000) are restricted deposits held at bank as reserve for serving of debt for loans provided by the bank; and RMB12,942,000 are restricted deposits held at bank as the deposits for obtaining the urban gas operating permits from the local governments.

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23. SHARE CAPITAL AND SHARE PREMIUM — GROUP AND COMPANY

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

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

24. SHARE-BASED PAYMENTS — GROUP AND COMPANY

Share options are granted to directors and selected employees. The exercise price of the granted options represents the highest of the closing price on the date of grant, the average closing price for the five trading days immediately preceding the date of the grant, and the nominal value of the share. 50% of the share options may be exercised within the period from 27 January 2016 to 26 January 2017 ("tranche 1") and the remaining 50% of the share options may be exercised within the period from 27 January 2017 to 26 January 2018 ("tranche 2"). All of the share options have no vesting condition. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	2014	
	Average exercise price in HK$ per share option	**Number of share options (thousands)**
At 1 January	—	—
Granted	**7.142**	**20,000**
Forfeited	**7.142**	**(3,360)**
At 31 December	**7.142**	**16,640**

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24. SHARE-BASED PAYMENTS — GROUP AND COMPANY *(continued)*

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date — 27 January	Exercise price in HK$ per share option	Number of share options (thousands) 2014
2017	7.142	8,320
2018	7.142	8,320
		16,640

The fair value of options granted to the directors and selected employees is determined by using the binomial valuation model. For the tranche 1, the fair value of options granted to the directors and selected employees was HK$1.84 per option; for the tranche 2, the fair value of options granted to the directors and selected employees was HK$2.18 per option. The significant inputs into the model were spot share price of HK$7.01 at the grant date, exercise price shown above, volatilities of 39.33% and 39.58% for tranche 1 and tranche 2 respectively, dividend yield of 0%, exercise multiples of 2.8 and 2.2 for directors and selected employees respectively, forfeiture rate of 20.00% and 15.71% for directors and selected employees respectively, and an annual risk-free interest rates of 0.65% and 1.03% for tranche 1 and tranche 2 respectively. The volatilities were based on the daily historical volatility of the Company. See Note 8 for the total expense recognised in profit or loss for share options granted to directors and employees.

25. RESERVES AND RETAINED EARNINGS — GROUP AND COMPANY

(a) Reserves — Group

	Capital reserves RMB'000	Statutory reserves RMB'000	Total RMB'000
At 1 January 2013	(17,523)	36,584	19,061
Appropriation (i)	—	15,236	15,236
Transaction with non-controlling interests	(360)	—	(360)
Waiver of liability by non-controlling interests	172	—	172
At 31 December 2013	(17,711)	51,820	34,109
At 1 January 2014	**(17,711)**	**51,820**	**34,109**
Appropriation (i)	**—**	**28,411**	**28,411**
Employee share option scheme:			
— Value of employee services	**5,846**	**—**	**5,846**
At 31 December 2014	**(11,865)**	**80,231**	**68,366**

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25. RESERVES AND RETAINED EARNINGS — GROUP AND COMPANY *(continued)*

(a) Reserves — Group *(continued)*

(i) Statutory reserves

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserves fund before distributing the net profit. When the balance of the statutory surplus reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders.

The statutory surplus reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory surplus reserves fund after such issue is not less than 25% of registered capital.

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

(b) Reserves — Company

As at 31 December 2014, the reserves of the Company increased to RMB5,846,000 due to the share option schemes. Refer to Note 24 for further details on the Group's share option schemes.

(c) Retained earnings/(accumulated losses)

	Group RMB'000	Company RMB'000
At 1 January 2013	270,885	(12,271)
Profit/(loss) for the year	168,945	(4,884)
Appropriation	(15,236)	—
At 31 December 2013	424,594	(17,155)
At 1 January 2014	**424,594**	**(17,155)**
Profit/(loss) for the year	**220,153**	**(25,084)**
Appropriation	**(28,411)**	**—**
At 31 December 2014	**616,336**	**(42,239)**

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26. TRADE AND OTHER PAYABLES — GROUP AND COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Trade payables (a and b)	**115,581**	78,093	**—**	—
Amounts due to related parties (a and b) (Note 35)	**185**	—	**1,727**	1,728
Accrued payroll and welfare	**1,561**	1,663	**—**	—
Interest payables	**5,453**	2,720	**2,973**	2,720
Other taxes payables	**7,143**	10,004	**—**	—
Other payables (a)	**333,992**	181,076	**—**	250
	463,915	273,556	**4,700**	4,698
Less non-current portion: other payables	**(158,749)**	—	**—**	—
Current portion	**305,166**	273,556	**4,700**	4,698

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

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

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

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
RMB	**463,915**	273,556	**4,700**	4,698

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27. ADVANCE FROM CUSTOMERS — GROUP

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Advance from customers	**144,458**	152,711

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

28. BORROWINGS — GROUP AND COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Bank borrowings				
— pledged	**—**	100,000	**—**	—
— guaranteed (b)	**548,188**	475,558	**318,188**	475,558
— unsecured	**169,000**	200,000	**—**	—
Other borrowings (c)	**5,421**	5,566	**—**	—
Total non-current borrowings	**722,609**	781,124	**318,188**	475,558
Current				
Bank borrowings				
— pledged (a)	**189,000**	55,000	**—**	—
— guaranteed (b)	**468,883**	108,500	**159,094**	—
— unsecured	**—**	60,000	**—**	—
Other borrowings (c)	**2,520**	5,894	**—**	—
Total current borrowings	**660,403**	229,394	**159,094**	—
Total borrowings	**1,383,012**	1,010,518	**477,282**	475,558

(a) As at 31 December 2014, the current bank borrowings were secured by certain of the Group's lease prepayments, property, plant and equipment, investment properties (Note 14, 15 and 16) and the gas charging rights of Henan Tian Lun Gas.

As at 31 December 2013, the current bank borrowings were secured by certain of the Group's property, plant and equipment and investment properties (Note 15 and 16); the non-current bank borrowings were secured by the gas charging rights of Henan Tian Lun Gas and the operating rights of Heze Guanghe.

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28. BORROWINGS — GROUP AND COMPANY *(continued)*

(b) As at 31 December 2014, the current bank borrowings were guaranteed by Henan Tian Lun Real Estate Limited, a related party; the non-current bank borrowings were guaranteed by Mr. Zhang Yingcen (one of the controlling shareholders of the Company) and Henan Tian Lun Real Estate Limited.

As at 31 December 2013, the current bank borrowings were guaranteed by Henan Tian Lun Gas and Dongming Yun Ding Company Ltd., an independent third-party; the non-current bank borrowings were guaranteed by Mr. Zhang Yingcen, one of the controlling shareholders of the Company.

(c) As at 31 December 2014, such borrowings mainly represented (i) borrowings of RMB5,585,000 (2013: RMB5,725,000) from local government assumed by the Group to acquire the exclusive operating rights for city pipeline network in Xuchang City of Henan Province in 2003; and (ii) borrowings due to certain employees of the Group of RMB2,356,000 (2013: RMB5,735,000) which were unsecured, bore interests at rate 12% per annum.

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

	Group		**Company**	
	As at 31 December		**As at 31 December**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
— Within 1 year	**660,403**	229,394	**159,094**	—
— Between 1 and 2 years	**384,359**	288,685	**318,188**	158,519
— Between 2 and 5 years	**333,552**	457,569	**—**	317,039
— Over 5 years	**4,698**	34,870	**—**	—
	1,383,012	1,010,518	**477,282**	475,558

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

	Group		**Company**	
	As at 31 December		**As at 31 December**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**711,722**	529,236	**—**	—
US$	**671,290**	481,282	**477,282**	475,558
	1,383,012	1,010,518	**477,282**	475,558

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28. BORROWINGS — GROUP AND COMPANY *(continued)*

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

	Group		Company	
	As at 31 December		As at 31 December	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amount	**722,609**	781,124	**318,188**	475,558
Fair value	**732,178**	785,271	**319,354**	486,779

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

The fair value of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics, which was 5.75% as at 31 December 2014 (2013: 7.08%) and is within level 2 of the fair value hierarchy.

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

	Group		Company	
	As at 31 December		As at 31 December	
	2014	2013	**2014**	2013
RMB	**5.88%~12.00%**	6.00%~12.00%	**—**	—
US$	**2.66%~3.76%**	3.75%~6.55%	**3.73%**	3.75%

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29. DEFERRED INCOME TAX — GROUP

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
		(Restated)
Deferred tax assets		
— Deferred tax assets to be recovered after more than 12 months	**1,029**	1,550
— Deferred tax assets to be recovered within 12 months	**2,647**	1,049
	3,676	2,599
Deferred tax liabilities:		
— Deferred tax liability to be recovered after more than 12 months	**(151,451)**	(63,679)
— Deferred tax liability to be recovered within 12 months	**(6,585)**	(3,535)
	(158,036)	(67,214)
Deferred tax liabilities (net)	**(154,360)**	(64,615)

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
		(Restated)
At 1 January	**(64,615)**	(41,088)
Acquisition of subsidiaries (Note 34.1)	**(93,247)**	(27,074)
Credited to profit or loss	**3,502**	3,547
At 31 December	**(154,360)**	(64,615)

(b) The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax assets

	Provision for impairment of assets	**Accrued expenses**	**Tax losses**	**Depreciation**	**Share option**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2013	147	872	52	1,166	—	2,237
Credited/(charged) to profit or loss	—	154	(22)	230	—	362
As at 31 December 2013	147	1,026	30	1,396	—	2,599
Acquisition of subsidiary (Note 34.1)	—	—	1,111	—	—	1,111
(Charged)/credited to profit or loss	—	(527)	101	(367)	759	(34)
As at 31 December 2014	**147**	**499**	**1,242**	**1,029**	**759**	**3,676**

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29. DEFERRED INCOME TAX — GROUP *(continued)*

(b) The analysis of deferred tax assets and deferred tax liabilities is as follows: *(continued)*

Deferred tax liabilities

	Revaluation of financial assets at fair value through profit or loss RMB'000	**Fair value adjustments of business combinations** RMB'000	**Total** RMB'000
As at 1 January 2013	889	42,436	43,325
Acquisition of subsidiaries, as restated (Note 34.2)	—	27,074	27,074
Credited to profit or loss	(433)	(2,752)	(3,185)
As at 31 December 2013 (Restated)	456	66,758	67,214
Acquisition of subsidiaries (Note 34.1)	—	94,358	94,358
Charged/(credited) to profit or loss	2,413	(5,949)	(3,536)
As at 31 December 2014	2,869	155,167	158,036

As at 31 December 2014, deferred income tax liabilities of approximately RMB65,377,000 (2013: RMB40,537,000) had not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled approximately RMB653,774,000 as at 31 December 2014 (2013: RMB405,366,000). The Group does not intend to remit these unremitted earnings from the relevant subsidiaries to the Hong Kong holding entity in the foreseeable future.

(c) The Group did not recognise deferred income tax assets of approximately RMB1,666,000 (2013: RMB1,085,000) in respect of losses amounting to approximately RMB8,011,000 (2013: RMB4,545,000) that can be carried forward against future taxable income. The unrecognised tax losses will expire in the following years:

	2014 **RMB'000**	2013 RMB'000
2017	**438**	520
2018	**2,787**	3,455
2019	**1,043**	—
	4,268	3,975
No expiry date	**3,743**	570
	8,011	4,545

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30. DIVIDENDS

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

31. CASH GENERATED FROM OPERATIONS

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit before income tax	**344,309**	246,152
Adjustments for:		
— Depreciation of property, plant and equipment and investment properties	**46,535**	32,934
— Amortisation of intangible assets and lease prepayments	**29,018**	11,030
— Finance income	**(40,155)**	(28,644)
— Finance costs	**66,380**	36,101
— Gains on disposal of available-for-sale financial assets	**(334)**	(323)
— Share of post-tax losses of associate	**106**	—
— Reversal of liabilities	**(10,000)**	—
— (Gains)/losses on disposal of property, plant and equipment and investment properties (b)	**(346)**	798
	435,513	298,048
Changes in working capital:		
— Inventories	**26,119**	(14,348)
— Trade and other receivables	**(62,002)**	(49,284)
— Trade and other payables	**(16,345)**	(19,175)
— Advance from customers	**(13,585)**	31,804
	(65,813)	(51,003)
Cash generated from operations	**369,700**	247,045

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31. CASH GENERATED FROM OPERATIONS — GROUP *(continued)*

(b) Proceeds from disposal of property, plant and equipment and investment properties

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Net book amount (Note 15 and 16)	**4,554**	4,052
Gains/(losses) on disposal of property, plant and equipment and investment properties (Note 6)	**346**	(798)
Proceeds from disposal of property, plant and equipment and investment properties	**4,900**	3,254

32. CONTINGENCIES

As at 31 December 2014, the Group did not have any material contingent liabilities.

33. COMMITMENTS

(a) Capital commitments

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Capital contribution for establishing a new company	**—**	40,000
Business combination	**—**	432,000
Capital investment to associate	**100,000**	—
Property, plant and equipment	**200,320**	—
	300,320	472,000

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33. COMMITMENTS *(continued)*

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Not later than one year	**465**	630
Later than one year and no later than five years	**547**	735
	1,012	1,365

(c) Licensing fee commitments

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Not later than one year	**1,100**	1,100
Later than one year and no later than five years	**4,400**	4,400
Later than five years	**14,300**	15,400
	19,800	20,900

34. BUSINESS COMBINATION

34.1 Business combination through purchase of subsidiaries in 2014

On 31 January 2014, the Group acquired 100% of the equity interests of Wah Shing Century, an independent third party established in Hong Kong with limited liability, and indirectly controlled 60% of the equity interest of Chaozhou Huamao which is principally engaged in the gas business in Chaozhou City, Guangdong Province. The total consideration was approximately RMB333,677,000.

On 30 April 2014, the Group acquired 90% of the equity interests of Shantou Chenghai, an independent third party established in the PRC with limited liability, which is principally engaged in the gas business in Shantou City, Guangdong Province, and indirectly controlled 90% of the equity interests of Shantou Chaoyang which is principally engaged in the gas business in Shantou City, Guangdong Province. The total consideration was approximately RMB207,000,000.

As a result of the abovementioned acquisitions, the Group is expected to increase its presence in these markets. The goodwill of approximately RMB192,818,000 arising from the acquisitions are attributable to the pre-existing and well positioned business operating in competitive markets. None of the goodwill recognised is expected to be deductible for income tax purposes.

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34. BUSINESS COMBINATION *(continued)*

34.1 Business combination through purchase of subsidiaries in 2014 *(continued)*

The following table summarises the consideration paid for the acquisitions, the 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 RMB'000	**Shantou Chenghai as at 30 April 2014** RMB'000 **Provisonal**	**Total** RMB'000
Consideration			
— Cash	217,552	186,876	404,428
— Contingent consideration	116,125	20,124	136,249
Total consideration	333,677	207,000	540,677

	Wah Shing Century as at 31 January 2014 RMB'000	**Shantou Chenghai as at 30 April 2014** RMB'000 **Provisonal**	**Total** RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed:			
Cash and cash equivalents	4,375	15,636	20,011
Property, plant and equipment	80,873	36,885	117,758
Intangibles:			
— Exclusive operating rights	—	111,350	111,350
— Network	231,282	85,103	316,385
Lease prepayments	14,590	15,135	29,725
Inventories	—	9,498	9,498
Other current assets	1,584	—	1,584
Trade and other receivables	401	55,886	56,287
Deferred tax assets	1,111	—	1,111
Other non-current assets	11,582	—	11,582
Borrowings	—	(53,600)	(53,600)
Current income tax liabilities	—	(3,772)	(3,772)
Trade and other payables	(16,392)	(22,212)	(38,604)
Advance from customers	—	(5,332)	(5,332)
Deferred tax liabilities	(50,061)	(44,297)	(94,358)
Total identifiable net assets acquired	279,345	200,280	479,625
Non-controlling interests	(111,738)	(20,028)	(131,766)
Goodwill	166,070	26,748	192,818
	333,677	207,000	540,677

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34. BUSINESS COMBINATION *(continued)*

34.1 Business combination through purchase of subsidiaries in 2014 *(continued)*

	Wah Shing Century RMB'000	**Shantou Chenghai** RMB'000	**Prior years acquisitions** RMB'000	**Total** RMB'000
Outflow of cash to acquire businesses, net of cash acquired				
— cash paid	217,552	186,876	27,559*	431,987
— cash and cash equivalents in subsidiaries acquired	(4,375)	(15,636)	—	(20,011)
Cash outflow on acquisition	213,177	171,240	27,559	411,976

* For the year ended 31 December 2014, such cash consideration paid out included the amount of approximately RMB1,588,000, RMB11,872,000 and RMB14,099,000 for the acquisitions of Dongkou Senbo, Yunnan Datong and Dongming Wanji, respectively in prior years.

(a) Acquisition-related costs of approximately RMB20,000 have been charged to administrative expenses in the profit or loss for the year ended 31 December 2014.

(b) *Contingent consideration*

The contingent consideration arrangement requires the Group to pay in cash to the former owners of Wah Shing Century when Chaozhou Huamao can achieve the following sales volume of gas and fulfill the additional requirements:

Sales volume (m^3/day)	**Additional requirement**	**Contingent consideration to be paid**
200,000	To last 30 days	RMB106,448,000
400,000	To last 30 days	RMB54,000,000
600,000	To last 30 days	RMB54,000,000

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between RMB0 and RMB214,448,000.

The fair value of the contingent consideration arrangement of RMB116,125,000 was estimated by applying the income approach. The fair value estimates are based on a discount rate of 7.7% and assumed probability-adjusted sales volumes of Chaozhou Huamao. This is a level 3 fair value measurement.

The contingent consideration arrangement on a provisional basis requires the Group to pay in cash RMB20,124,000 to the former owners of Shantou Chenghai under the condition that within one year of the equity transfer of Shantou Chenghai and its subsidiary Shantou Chaoyang, 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 revalued results of the assets and liabilities.

The fair value of the contingent consideration except for the amounts due to the former owners of Wah Shing Century approximates their carrying amounts due to their short term maturity. The contingent consideration is included in other payables in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

34. BUSINESS COMBINATION *(continued)*

34.1 Business combination through purchase of subsidiaries in 2014 *(continued)*

(c) Acquired receivables

The fair value of trade and other receivables approximates its carrying amount of RMB56,287,000.

(d) 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.

(e) Revenue and profit contribution

The acquired businesses contributed aggregated revenues of approximately RMB120,626,000 and aggregated net profit of approximately RMB15,439,000 to the Group for the periods from the respective acquisition dates to 31 December 2014.

If the acquisition had occurred on 1 January 2014, consolidated revenue and consolidated net profit of the Group for the year ended 31 December 2014 would have been approximately RMB154,932,000 and approximately RMB18,894,000 respectively.

(f) Provisional fair value

The Group has engaged an independent valuer to identify the fair value of identifiable assets and liabilities acquired. The valuation of Shantou Chenghai 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 changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. BUSINESS COMBINATION *(continued)*

34.2 Business combination through purchase of subsidiaries in 2013

(a) On 31 October 2013, the Group acquired 100% of the equity interests of Yunnan Datong, an independent third party established in the PRC with limited liability, which is principally engaged in the gas business in several counties in Yunnan provinces. At the date of acquisition, the consideration transferred for the acquiree was determined provisionally, and goodwill has been determined based on the net identifiable assets of Yunnan Datong on a provisional basis. During the year ended 31 December 2014, the identification and determination of the consideration tranferred for the acquiree and fair values of the net identifiable assets acquired have been completed. The following adjustments have been made to retrospectively adjust the provisional amounts recognised at the date of acquisition.

	Yunnan Datong Amounts recognised (provisional basis) as at 31 October 2013	**Yunnan Datong Fair value adjustments**	**Yunnan Datong Amounts recognised (fair value) as at 31 October 2013**
	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)
Cash and cash equivalents	7,509	—	7,509
Property, plant and equipment	18,629	(398)	18,231
Lease prepayments	5,000	—	5,000
Intangible assets:			
— Exclusive operating rights	34,919	784	35,703
Inventories	894	—	894
Trade and other receivables	1,095	—	1,095
Other non-current assets	446	—	446
Trade and other payables	(17,838)	—	(17,838)
Advance from customers	(114)	—	(114)
Deferred tax liabilities	(8,596)	(96)	(8,692)
Total identifiable net assets acquired	41,944	290	42,234
Goodwill	29,068	(12,290)	16,778
	71,012	(12,000)	59,012

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For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

34. BUSINESS COMBINATION *(continued)*

34.2 Business combination through purchase of subsidiaries in 2013 *(continued)*

(b) On 31 December 2013, the Group acquired 80% of the equity interests of Dongming Wanji, an independent third party established in the PRC with limited liability, which is principally engaged in the gas business in Shandong Province. At the date of acquisition, the goodwill has been determined provisionally based on the net identifiable assets of Dongming Wanji. During the year ended 31 December 2014, the identification and determination of fair values of the net identifiable assets acquired have been completed. The following adjustments have been made to retrospectively adjust the provisional amounts recognised at the date of acquisition.

	Dongming Wanji Amounts recognised (provisional basis) as at 31 December 2013 RMB'000	**Dongming Wanji Fair value adjustments** RMB'000 (Restated)	**Dongming Wanji Amounts recognised (fair value) as at 31 December 2013** RMB'000 (Restated)
Cash and cash equivalents	195	—	195
Property, plant and equipment	9,421	—	9,421
Intangible assets:			
— Exclusive operating rights	13,570	4,246	17,816
Inventories	2,391	—	2,391
Trade and other receivables	11,656	—	11,656
Borrowings	(13,737)	—	(13,737)
Trade and other payables	(3,208)	—	(3,208)
Advance from customers	(150)	—	(150)
Deferred tax liabilities	(2,031)	(1,061)	(3,092)
Total identifiable net assets acquired	18,107	3,185	21,292
Non-controlling interest	(3,621)	(638)	(4,259)
Goodwill	17,514	(2,547)	14,967
	32,000	—	32,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

34. BUSINESS COMBINATION *(continued)*

34.2 Business combination through purchase of subsidiaries in 2013 *(continued)*

(c) On 31 December 2013, the Group acquired 100% of the equity interests of Heze Guanghe, an independent third party established in the PRC with limited liability, which is principally engaged in the gas business in Shandong Province. At the date of acquisition, the goodwill has been determined provisionally based on the net identifiable assets of Heze Guanghe. During the year ended 31 December 2014, the identification and determination of fair values of the net identifiable assets acquired have been completed. The following adjustments have been made to retrospectively adjust the provisional amounts recognised at the date of acquisition.

	Heze Guanghe Amounts Recognized (provisional basis) as at 31 December 2013	**Heze Guanghe Fair values Adjustments**	**Heze Guanghe Amounts recognised (fair value) as at 31 December 2013**
	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)
Cash and cash equivalents	4,171	—	4,171
Property, plant and equipment	44,739	—	44,739
Lease prepayments	162	—	162
Intangible assets:			
— Exclusive operating rights	39,410	8,320	47,730
Inventories	2,023	—	2,023
Trade and other receivables	1,688	—	1,688
Borrowings	(20,000)	—	(20,000)
Current income tax liabilities	(320)	—	(320)
Trade and other payables	(15,666)	—	(15,666)
Advance from customers	(5,893)	—	(5,893)
Deferred tax liabilities	(13,208)	(2,082)	(15,290)
Total identifiable net assets acquired	37,106	6,238	43,344
Goodwill	67,894	(6,238)	61,656
	105,000	—	105,000

The subsequent fair value adjustments did not have a significant impact to the Group in relation to the amortisation of acquired intangible assets and the depreciation of acquired property, plant and equipment of the abovementioned acquired subsidiaries for the year ended 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. 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 (incorporated in the BVI), and is ultimately controlled by Mr. Zhang Yingcen and his wife ("Controlling Shareholders").

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2014 and 2013, and balances arising from related party transactions as at 31 December 2014 and 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 Gas Engineering Investment Limited	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

The Group had the following significant transactions with related parties.

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Purchase of construction service		
— Hexiang Engineering	**–**	5,781

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Rendering of service		
— Henan Tian Lun Gas Engineering Investment Limited	**–**	150

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

35. RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and other receivables				
Other receivables due from				
— Henan Tian Lun Gas Engineering Investment Limited	**14,317**	16,029	**—**	—
— Henan Tian Lun Gas	**—**	—	**205,767**	205,767
— Upsky Holdings	**—**	—	**246,318**	247,486
— Tian Lun New Energy	**—**	—	**329,838**	112,926
	14,317	16,029	**781,923**	566,179

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and other payables				
— Henan Tian Lun Gas Engineering Investment Limited	**185**	—	**—**	—
— Upsky Holdings	**—**	—	**641**	642
— Henan Tian Lun Gas	**—**	—	**1,086**	1,086
	185	—	**1,727**	1,728

(d) Key management compensation

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Basic salaries and allowances	**5,265**	3,218
Discretionary bonuses	**987**	587
Retirement benefit contributions	**760**	434
	7,012	4,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in RMB unless otherwise stated)

36. EVENT AFTER THE BALANCE SHEET DATE

(i) On 9 January 2015, the Group entered into an acquisition agreement with a third party to purchase 100% equity interest of Li Quan County Hong Yuan Natural Gas Co. Limited and Qian County Hong Yuan Natural Gas Co. Limited, both of them engage in construction of natural gas pipelines, and the distribution and sales of natural gas in Shanxi Province, the PRC with a total consideration of RMB286,000,000. The acquiree is under valuation by a third-party valuer, and the valuation results have not been obtained up to date.

(ii) On 11 February 2015, the Group entered into a subscription agreement with International Finance Corporation ("IFC") and IFC Global Infrastructure Fund ("IFC Fund"). On the terms and subject to the conditions of the subscription agreement, both IFC and IFC Fund agree to conditionally subscribe 90,871,200 shares respectively, the subscription price per share is HK$6.40.

(iii) on 27 January 2015, the Group entered into a non-legally binding letter of intent with a third party in relation to a possible acquisition of 75% equity interest of Beijing Hui Ji Tai Zhan Investment Company Limited, which engages in the construction of the long-term distance pipelines and transportation of the pipelined natural gas. The total consideration has not been decided yet, and a deposit of RMB160,000,000 was paid by the Group.

FIVE YEAR FINANCIAL SUMMARY

RESULTS	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					Restated
Revenue	**1,343,936**	911,939	716,362	450,931	258,255
Gross profit	**461,496**	333,036	251,236	172,004	121,074
Profit before income tax	**344,309**	246,152	202,933	117,633	97,683
Income tax expense	**(93,370)**	(59,864)	(53,710)	(27,280)	(21,715)
Profit for the year	**250,939**	186,288	149,223	90,353	75,968

ASSETS, LIABILITIES AND EQUITY	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Restated			Restated
Total assets	**3,676,367**	2,619,265	2,021,967	1,575,655	683,378
Total liabilities	**2,200,533**	1,528,231	1,125,701	791,435	124,133
Total equity	**1,475,834**	1,091,034	896,266	784,220	559,245