天伦燃气
TIANLUN GAS

专注燃氣利用
踐行快速增長

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

ANNUAL REPORT 2015

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
Mr. Hu Xiaoming (resigned on 8 January 2015)

Non-executive Director

Mr. Wang Jiansheng
(appointed on 21 September 2015)

Independent Non-executive Directors

Mr. Cao Zhibin
Mr. Li Liuqing
Mr. Yeung Yui Yuen Michael
(appointed on 1 September 2015)
Ms. Zhao Jun
Mr. Zhang Jiaming (resigned on 1 September 2015)

AUDIT COMMITTEE

Mr. Li Liuqing *(Chairman)*
Mr. Yeung Yui Yuen Michael
(appointed on 1 September 2015)
Ms. Zhao Jun

REMUNERATION COMMITTEE

Ms. Zhao Jun *(Chairperson)*
Mr. Zhang Yingcen
Mr. Yeung Yui Yuen Michael
(appointed on 1 September 2015)

NOMINATION COMMITTEE

Mr. Zhang Yingcen *(Chairman)*
Ms. Zhao Jun
Mr. Yeung Yui Yuen Michael
(appointed on 1 September 2015)

AUTHORIZED REPRESENTATIVES

Mr. Feng Yi
Ms. Zhang Dongmei
(appointed on 30 December 2015)

COMPANY SECRETARY

Ms. Zhang Dongmei
(appointed on 30 December 2015)

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

Estera Trust (Cayman) Limited
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

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

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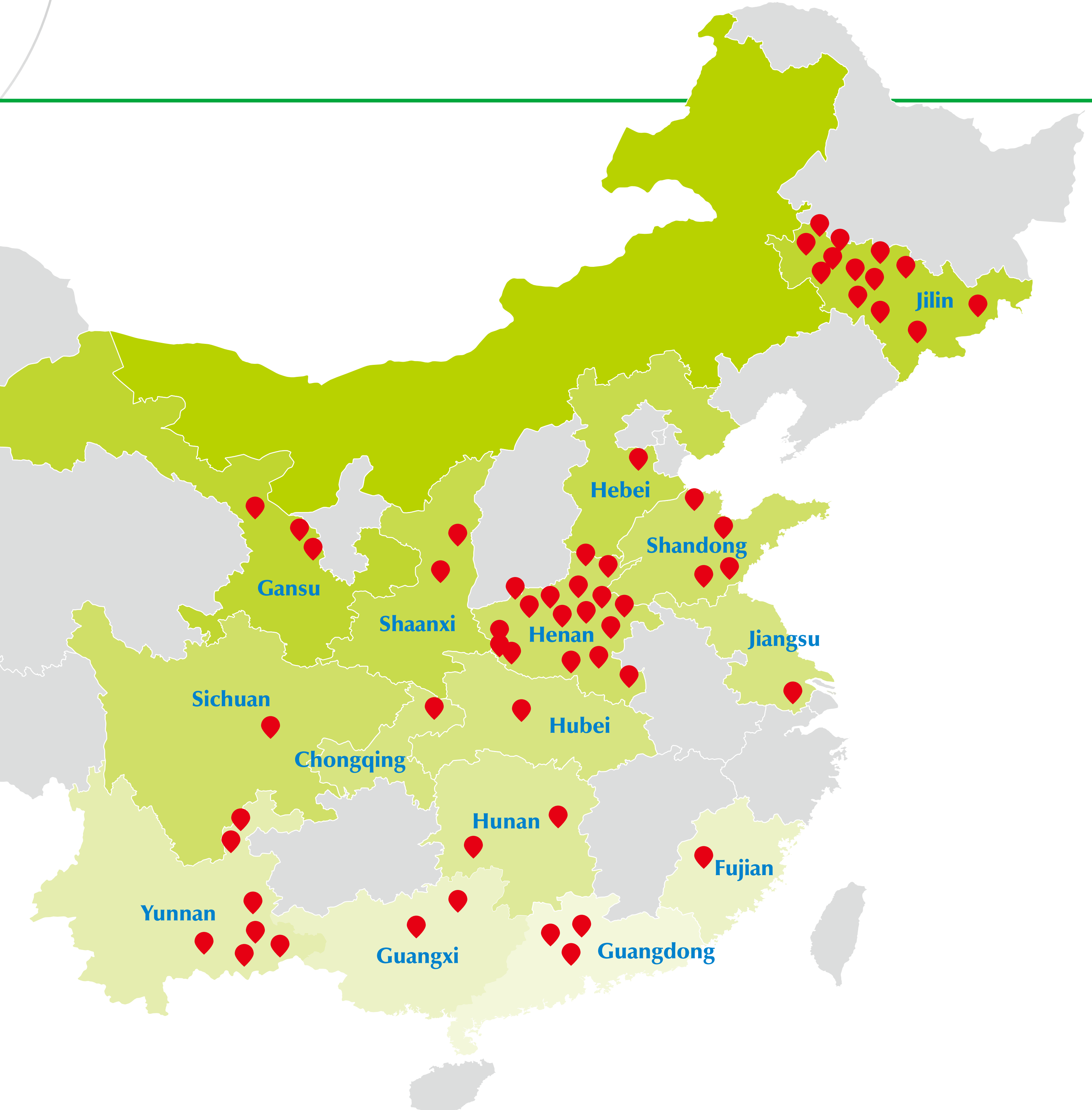
Zip Code:	450003

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
Pingdingshan City
Xichuan County

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
Qian'an 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
Fenghuang 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

Shaanxi Province

Qian County
Liquan County

Jiangsu

Wujiang City

Sichuan

Xindu District in Chengdu City

Fujian

Sanming City

PROJECT OPERATION INFORMATION

Place of operation					
Province	Project	Time of establishment	Number of urban population covered (10,000 persons)	Length of existing pipelines (KM)	Number of existing gas stations and stations under construction
Henan	Xuchang	September 2003	100	220	1
	Shangjie	July 2007	29	84.5	2
	Xinye	November 2011	26	51.6	1
	Minquan, Shangqiu	March 2011	34	72.7	2
	Lankao	May 2012	35	62	1
	Song County	June 2011	28	31	1
	Weishi	May 2012	36	77.6	3
	Hebi	November 2002	70	564.6	5
	Puyang	March 2010	25	77.1	1
	Huiji, Henan	March 2015	—	217	—
Shandong	Cao County	September 2012	75	69	1
	Shan County	October 2012	71	73	1
	Heze	November 2013	50	81.1	1
	Dongming	December 2013	40	76.5	1
Gansu	Baiyin	July 2011	43	72.9	1
	Gulang	November 2012	15	9.9	1
Shaanxi	Qian County	January 2015	39	65	1
	Liquan	January 2015	43	79.9	3
Hunan	Dongkou	October 2012	24	26.9	1
	Fenghuang	October 2015	16	13.3	—
Guangxi	Luzhai	January 2012	14	14.8	1
	Guanyang	September 2013	—	9.6	—
Yunnan	Gejiu	August 2013	—	0.8	1
	Guangnan	August 2013	18	15.2	1
	Hekou	August 2013	11	7.6	1
	Honghe Prefecture Industrial Park	August 2013	—	—	—
	Huize	August 2013	21	27.8	1
	Ludian	August 2013	—	—	—
	Yanshan	August 2013	10	14.8	1
Guangdong	Chaozhou	January 2014	—	69.5	—
	Chaoyang	May 2014	52	48	2
	Chenghai	May 2014	45	78.1	1
Fujian	Sanming	March 2015	—	3.5	1

	Daily gas supply capacity of natural gas stations (1,000 m³)	Residential users	Commercial users (including public welfare users)	Industrial users	Accumulated daily gas consumption of industrial and commercial users (including public welfare users) (m³/day)	Name of gas stations
	600	198,943	930	50	461,208	3
	360	45,036	215	57	453,328	2
	5	24,115	28	2	10,082	1
	192	39,329	74	16	36,003	3
	30	36,183	113	2	16,380	2
	72	31,986	92	0	11,016	1
	120	30,040	75	8	14,055	1
	1,201	132,197	933	29	272,963	5
	80	29,983	357	7	18,400	—
	—	—	—	—	1,660,000	—
	25	43,842	55	—	4,310	1
	20	41,177	120	3	17,983	1
	150	28,100	29	5	33,000	—
	288	25,005	151	5	8,137	—
	576	56,200	536	14	427,171	3
	36	9,695	15	1	590	2
	45	21,333	103	5	58,907	1
	402	21,106	122	12	11,552	3
	96	9,241	48	—	6,105	1
	—	397	—	—	—	1
	14.4	1,982	20	—	548	—
	—	—	—	—	—	—
	28	—	—	—	—	1
	—	108	2	—	176	1
	10	—	—	—	—	1
	—	—	—	—	—	—
	20	1,194	27	—	4,540	1
	—	—	—	—	—	—
	36	80	13	1	1,426	1
	—	—	—	119	196,000	—
	270	17,650	15	2	2,349	—
	5	42,051	214	—	1,330	—
	120	—	1	5	3,400	—

PROJECT OPERATION INFORMATION

Place of operation					
Province	Project	Time of establishment	Number of urban population covered (10,000 persons)	Length of existing pipelines (KM)	Number of existing gas stations and stations under construction
Jilin	Da'an	April 2011	19	47.7	1
	Dunhua	April 2011	26	34.3	—
	Jiutai	April 2011	23	68.1	1
	Nong'an	April 2011	15	18.6	—
	Panshi	April 2011	24	31.6	1
	Tongyu	April 2011	16	30.6	1
	Yitong	April 2011	—	15.5	1
	Zhenlai	April 2011	11	33.6	1
	Baicheng	April 2011	—	—	—
	Shuangyang	April 2011	—	—	—
	Qian'an	July 2015	13	20.3	1
	Changling LNG Source Base	December 2013	—	—	—
Hubei	Songzi	April 2015	—	—	—
Hebei	Xingtai	May 2012	—	—	—
Total			**1,117**	**2,616**	**45**

	Daily gas supply capacity of natural gas stations (1,000 m³)	Residential users	Commercial users (including public welfare users)	Industrial users	Accumulated daily gas consumption of industrial and commercial users (including public welfare users) (m³/day)	Name of gas stations
	50	13,744	315	1	14,390	2
	4.8	28,395	15	—	1,836	1
	150	19,670	330	—	4,494	2
	—	16,357	7	—	4,084	—
	20	24,339	191	—	9,607	2
	15	12,111	199	—	8,543	1
	25	—	—	—	—	1
	20	12,961	48	—	1,980	2
	—	—	—	—	—	3
	—	—	—	—	—	2
	60	1,835	—	—	—	—
	—	—	—	—	—	2
	—	—	—	—	—	—
	—	—	—	—	—	1
	5,146.2	**1,016,385**	**5,393**	**344**	**3,775,892**	**55**

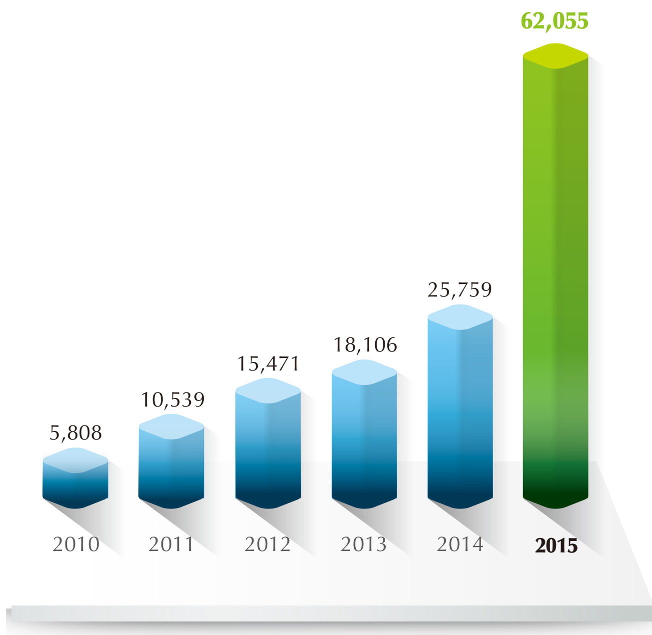
OPERATION

GAS SALES VOLUME TO INDUSTRIAL & COMMERCIAL USERS

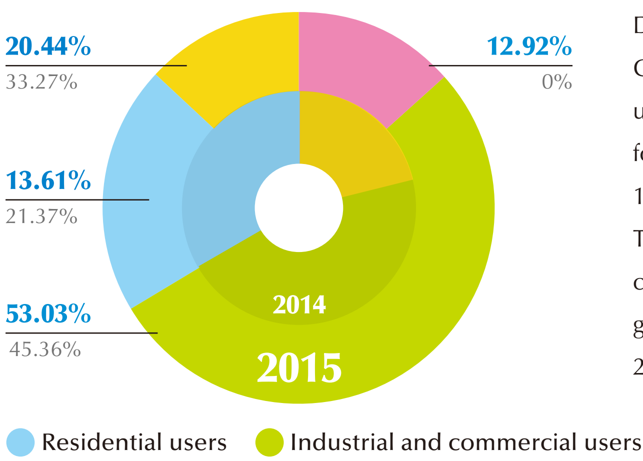
(0'000 m^3)

TOTAL GAS SALES VOLUME

(0'000 m^3)



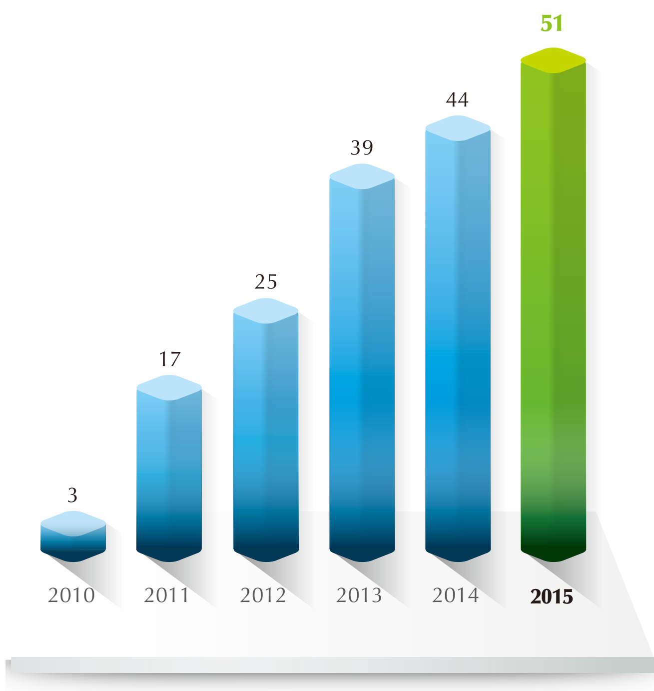
STRUCTURE OF REVENUE FROM GAS SALES



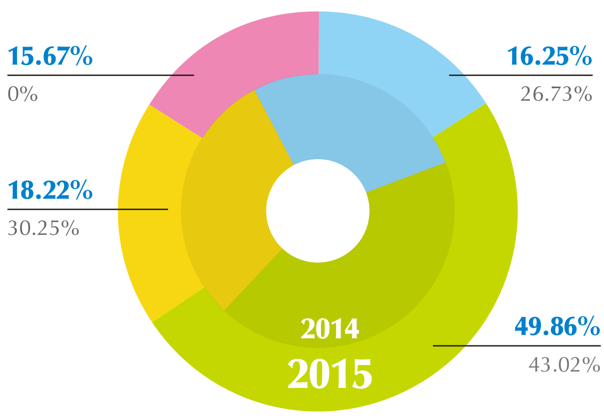
During the year, the revenue from gas sales of the Group to residential users, commercial and industrial users, vehicle users and urban gas users accounted for approximately 13.61%, 53.03%, 20.44% and 12.92% of total revenue from gas sales, respectively. The Group's revenue from gas sales to industrial and commercial users as a percentage of total revenue from gas sales increased from approximately 45.36% in 2014 to approximately 53.03% in 2015.

AGGREGATE CONNECTIONS USERS

NUMBER OF URBAN GAS PROJECTS



GAS SALES STRUCTURE



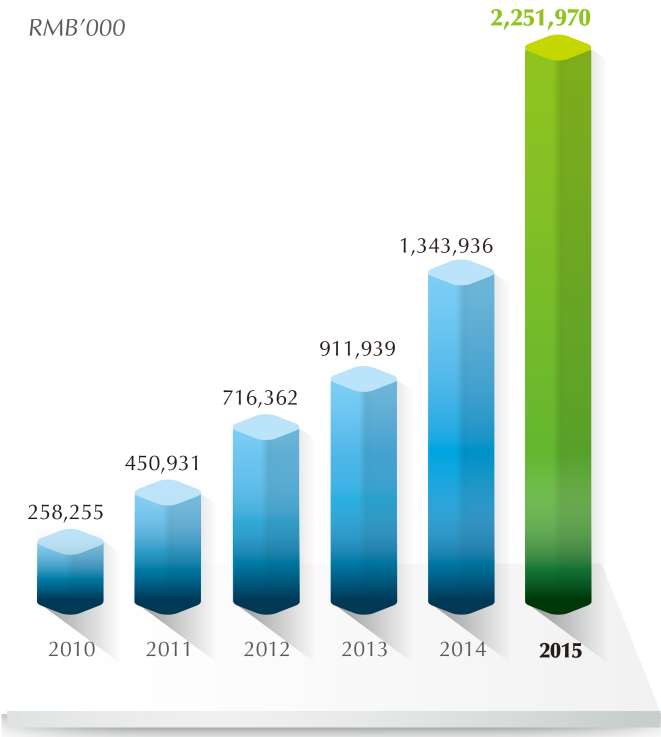
During the year, the volume of gas of the Group sold to residential users, commercial and industrial users, vehicle users and urban gas users accounted for approximately 16.25%, 49.86%, 18.22% and 15.67% of total gas sales, respectively. The volume of gas sold to industrial and commercial users as a percentage of total volume of gas sold increased from approximately 43.02% in 2014 to approximately 49.86% in 2015.

Residential users Industrial and commercial users Vehicle users Urban gas users

FINANCIAL HIGHLIGHTS

REVENUE

RMB'000

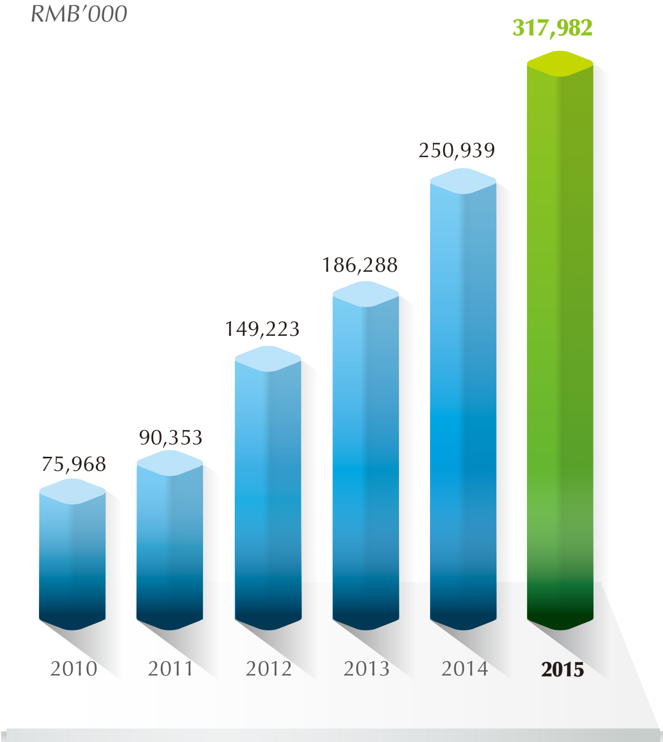


GROSS PROFIT

RMB'000

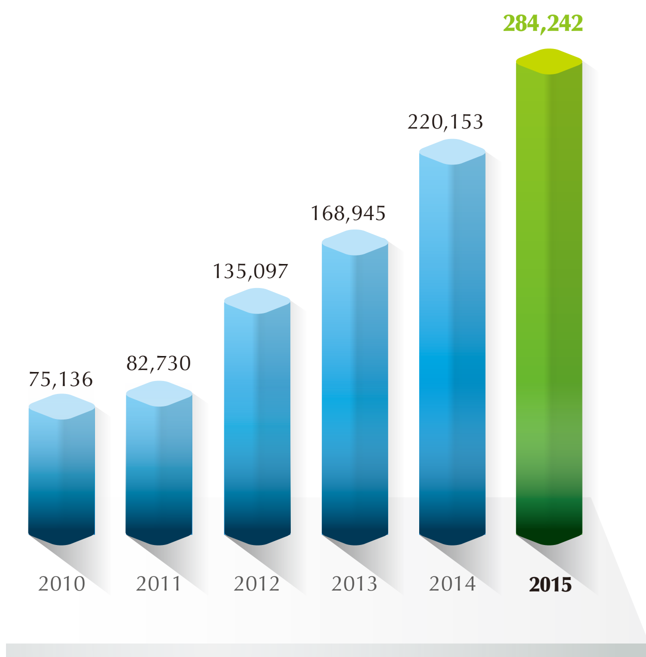
PROFIT FOR THE YEAR

RMB'000



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

RMB'000



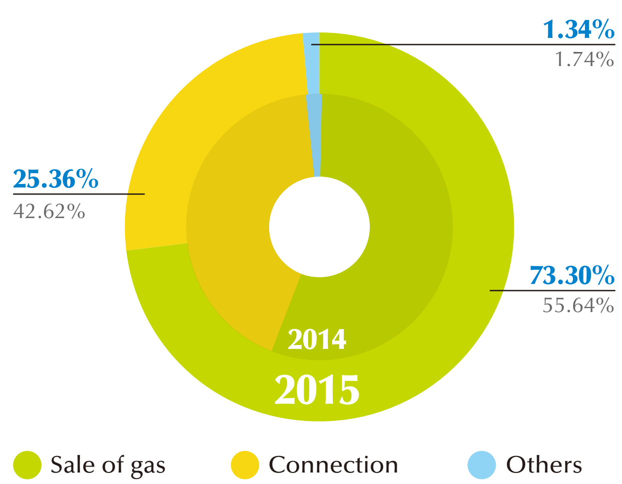
FINANCIAL HIGHLIGHTS

	2014 RMB'000 (Restated)	**2015 RMB'000**
Revenue and profit		
Revenue	1,343,936	**2,251,970**
Profit before income tax	344,309	**429,471**
Income tax expense	93,370	**111,489**
Profit for the year	250,939	**317,982**
Assets and liabilities		
Non-current assets	2,554,649	**5,062,955**
Current assets	1,176,028	**1,615,454**
Non-current liabilities	1,043,174	**2,338,587**
Current liabilities	1,210,535	**1,557,444**
Cash and cash equivalents	263,584	**609,385**
Equity		
Share capital	7,077	**8,512**
Share premium	454,188	**1,366,774**
Equity attributable to owners of the Company	1,145,967	**2,348,364**
Non-controlling interests	331,001	**434,014**
Total equity	1,476,968	**2,782,378**
Earnings per share - basic and diluted	0.27	**0.30**

FINANCIAL INDICATOR

	2014	**2015**
Gross margin	34.34%	**27.03%**
Net profit margin	18.67%	**14.12%**
Current ratio	97.15%	**103.72%**
Net assets gearing ratio	51.72%	**63.79%**
Assets gearing ratio	60.41%	**58.34%**
Weighted average return on capital	20.41%	**12.86%**

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 25.36%, 73.30% and 1.34% of total revenue, respectively. In 2015, revenue from transport and sales of gas as a percentage of total revenue increased by approximately 120.72% from 2014.

CHAIRMAN'S STATEMENT

The Group further strengthened its national presence and extended its business coverage, and was able to maintain a strong development momentum in 2015. The Group will strive to maintain rapid growth and continue to improve customer service quality in order to maximize the returns to its shareholders in 2016.

Zhang Yingcen, Chairman

CHAIRMAN'S STATEMENT

ANNUAL RESULTS

The year 2015 was a year when both opportunities and challenges existed. On the one hand, the continuous optimization of the energy structure of the People's Republic of China (the "PRC"), growing awareness of environmental protection and the successive introduction of government policies supporting natural gas development have created a favourable policy environment for the development of the natural gas industry. On the other hand, the decreasing growth pace of the PRC economy and wide fluctuations in the international energy prices resulted in lower growth of the natural gas consumption in the PRC. Under such complex environment in the last year, China Tian Lun Gas Holdings Limited (the "Company", together with its subsidiaries, the "Group") still maintained strong development momentum. Based on the steady operation of its existing projects, the Group successfully expanded its business into the middle-stream gas pipeline business by selectively investing in high-quality urban gas projects. It also continued to strengthen its national presence and started to enter core urban areas with mature natural gas development, realizing a win-win situation of in which both growth of its existing projects and expansion of new projects were achieved.

With the concerted efforts of all staff of the Group, its operating results continued to record significant growth during the year. Its revenue reached approximately RMB2,252,000,000, representing an increase of approximately 67.56% as compared with the corresponding period of 2014. Gross profit amounted to approximately RMB609,000,000, representing an increase of approximately 32.10% as compared with the corresponding period of last year. Profit attributable to owners of the Company was approximately RMB284,000,000, representing an increase of approximately 29.09% as compared with the corresponding period of 2014. Excluding the foreign exchange losses and the impact of the one-off expenses arising from the acquisition of Hui Ji project, profit attributable to owners of the Company would be approximately RMB322,000,000, representing an increase of approximately 46.36% as compared with the corresponding period of last year. In 2015, the Group's gas sales volume amounted to approximately 621,000,000 m^3, representing an increase of approximately 140.70% as compared with the corresponding period of last year. The total number of its various gas users reached 1,022,122.

CORPORATE MANAGEMENT

During the year, the Group made substantial progress in safety management, cost management and risk management. In respect of safety management, the Group obtained the OHS18001 system certification and realized its safety management objective of zero liability accident throughout the year. Meanwhile, through developing rules and systems and reinforcing management and control process, the Group continued to optimise and implement its measures in risk and cost management. In addition, a qualitative leap on the information development has been achieved by the Group. Its information management and control system has realised full coverage of finance, funds, human resources, operation and safety management, and the Group's management has become more standardized and efficient.

During the year, the Group's development of human resources system also continued to improve, six major modules of which, including organization management, personnel information management, staff change management, labour contract management and human resources analysis statement have fully realised information-based management and control. Furthermore, the Group conducted pilot remuneration management, social security and benefits management, time management and staff self-services in its major members, and the efficiency of its human resources system management and control has been considerably improved.

CHAIRMAN'S STATEMENT

COMPANY AWARDS

On 14 April 2015, Forbes' Chinese edition published the influential annual list of "Enterprises with Most Potential in the PRC". 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 third time, following its last inclusion in 2014, which has demonstrated the recognition by the capital market of the Company's growth potential.

On 14 January 2016, Alipay, a brand under Ant Financial, published the 2015 "Internet +" City Service Report in Beijing, and granted awards such as the "2015 City Service User Experience Award" and the "2015 Public Service Award". The Company received the "2015 City Service User Experience Award" for its forward-looking and advanced information development and its contribution in providing "Internet +" public services.

OUTLOOK OF 2016

The year 2016 is the first year of China's 13th five-year period and China's energy industry faces both significant opportunities and challenges. During the 13th five-year period, deteriorating air pollution in China will further accelerate the replacement of traditional energy such as coal and oil by natural gas, and the adjustments to natural gas price will, while promoting the process of marketization and accelerating supply-side reform in 2016, drive the fast growth of the demand for natural gas and realize the goal of natural gas accounting for 10% of primary energy consumption by 2020.

In 2016, the Group will seize the opportunities brought by reduction in gas prices to maintain rapid growth through developing new industrial and commercial users as well as the possible mergers and acquisitions opportunities in the economic downturn, while focusing on the development of its self-constructed projects. In addition, with its core management philosophy of "standardized group-wide management and control and systematical team building", the Group will fully implement a performance-based award and punishment and assessment mechanism. Based on comprehensive management of and control over budgets, the Group will further establish a quick operation decision-making mechanism and objective responsibility assessment system based on major regions and divisions, continue to advance its information-based management and improve the quality of its customer services in order to deliver better performance to its shareholders.

ACKNOWLEDGEMENT

On behalf of the board (the "Board") of directors (the "Director(s)") of the Company, I would like to express my sincere gratitude to our staff members for their contributions in 2015, and I highly appreciate the continuing support from the shareholders and investors of the Company.

Zhang Yingcen
Chairman

25 March 2016


热烈欢迎天伦集团2015年大学生
天伦集团


天伦燃气
宏远燃气
项目合作签约仪式


IFC
International Finance Corporation


天伦燃气
四川明圣
项目合作签约仪式


天伦燃气集团—蚂蚁金服
互联网+战略合作签约仪式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天伦燃气集团燃气工程管理培训

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Structure and Development Trend of the Energy Industry in the PRC

The continuous optimization of the energy structure, growing awareness of environmental protection and the successive introduction of policies supporting natural gas development have become long-term positive factors favoring the development of the natural gas industry in the PRC.

According to the National Development and Reform Commission of the PRC (the "NDRC"), China's natural gas consumption in 2015 amounted to 193.2 billion m^3. Although the growth for the first three quarters was only 2.5%, the sales volume for the fourth quarter increased the growth for the year to 5.7%. In January 2016, growth rate bounced back to 17.6%, indicating that the demand for natural gas in the PRC has gradually recovered. According to the 2015 Report on Development in the Foreign and Domestic Oil & Gas Industries (2015年國內外油氣行業發展報告) issued by China National Petroleum Corporation Economics & Technology Research Institute, in 2016, the reduction in price of natural gas and increasingly strict environmental protection measures will boost the growth of demand for natural gas and enable natural gas to represent 6.4% of primary energy consumption.

As China accelerated its urbanization, its economic transformation generated higher demand for clean energy. Although natural gas faces price reductions in the short term, there are still opportunities for its regional development and its prospects in the medium- and long-term are still promising.

The Policy on Natural Gas Utilization in the PRC

In 2015, the relevant national authorities successively announced favorable policies to strongly support the rapid growth of the natural gas industry. The Administrative Measures for the Franchising of Infrastructure and Public Utilities (基礎設施和公用事業特許經營管理辦法) jointly issued by six national departments and commissions including the NDRC, with effect from 1 June 2015, have provided legal protection to encourage and guide the entry of private capital into natural gas area. In particular, it is worth noting that the exclusive operating right for over 30 years will provide greater room for the operation of the Group. The recently revised Law of Prevention and Control of Atmospheric Pollution (大氣污染防治法) with effect from 1 January 2016 further advocates adjustment to energy structure, promotes the production and use of clean energy, and urges the relevant cities to transform into use of clean energy such as natural gas within the prescribed period and gradually reduce the percentage of coal in primary energy consumption.

During the year, the government adjusted the price of natural gas for non-residential users twice in order to further promote the market-oriented pricing reform of natural gas. With effect from 1 April 2015, the NDRC adjusted the gate station price of gas for non-residential users. The price of natural gas for new users decreased by RMB0.44/m^3, and the price of natural gas for existing users increased by RMB0.04/m^3, realizing the goal of maintaining the same price of natural gas for existing and new users. On 18 November 2015, the NDRC announced that the gate station price of natural gas for non-residential users shall be further reduced by RMB0.7/m^3, and the current maximum gate station price administration shall be changed to the benchmark gate station price administration. The reduced gate station price shall be regarded as the benchmark gate station price, based upon which the specific gate station price may be determined by suppliers and buyers through negotiations within the range of +20% and without downward limit. Price reduction twice during the year has further improved the marketization degree of natural gas prices and significantly lowered the gas procurement cost of the Group. It also facilitates the market expansion of downstream users, in particular large users such as industrial, power generation and vehicle users, increases the gas sales volume of the Group in the end market and has substantial practical significance to the development of natural gas industry and the optimization of energy structure in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Favorable policies have fully demonstrated the strong determination of the Chinese government to vigorously advance the development of natural gas. The Group will also seize the opportunities to actively expand new projects while maintaining rapid growth of its existing projects.

BUSINESS REVIEW

The key results and operating data of the Group for the year ended 31 December 2015 and their comparison against the figures for the previous year are as follows:

	For the Year Ended 31 December		
	2015	2014	Increase
Revenue (RMB'000)	**2,251,970**	1,343,936	67.57%
Gross profit (RMB'000)	**608,770**	461,496	31.91%
Profit attributable to owners of the Company (RMB'000)	**284,242**	220,153	29.11%
Earnings per share — basic (RMB)	**0.30**	0.27	11.11%
Number of new natural gas users during the year:			
— Residential users	**202,270**	196,765	2.80%
— Industrial and commercial users	**1,397**	1,031	35.50%
Total pipeline gas users:			
— Residential users	**1,016,385**	790,097	28.64%
— Industrial and commercial users	**5,737**	4,120	39.25%
— Daily gas supply volume to industrial and commercial users (in ten thousand m^3)	**378**	159	137.74%
Penetration ratio of residential users	**36.40%**	33.50%	2.90%
Natural gas sales volume to residential users (in ten thousand m^3)	**10,083**	6,885	46.45%
Natural gas sales volume to industrial and commercial users (in ten thousand m^3)	**30,942**	11,082	179.21%
Vehicle natural gas sales volume (in ten thousand m^3)	**11,307**	7,792	45.11%
Sales volume to urban gas companies (in ten thousand m^3)	**9,723**	—	—
Total number of gas refilling stations during the year (operating and under construction)	**55**	49	6
Total length of medium- and high-pressure pipelines (kilometer)	**2,616**	2,161	455

MANAGEMENT DISCUSSION AND ANALYSIS

Development of New Projects

Details of the seven new urban gas projects of the Group for the year ended 31 December 2015 are as follows:

	Shareholding percentage of the Group	Main industries in the location of operation
Qian County, Xianyang, Shaanxi Province	100%	Real estate, tourism
Li Quan County, Xianyang, Shaanxi Province	100%	Food processing, environmental protection
Sanming, Fujian Province	100%	Raw material industry, agricultural products production
Fenghuang County, Hunan Province	100%	Tourism
Qian'an County, Songyuan, Jilin Province	90%	Clean energy, agricultural products processing
Xichuan County, Nanyang, Henan Province**	100%	Real estate, manufacturing, pharmaceuticals, tourism
Xindu District, Chengdu, Sichuan Province**	100%	Food, pharmaceuticals, tourism

Note: For the projects marked "**", the acquisition agreement was entered into in 2015 and their results have not been consolidated yet.

For the year ended 31 December 2015, the Group acquired six urban gas projects in Qian County and Li Quan County in Xianyang, Shaanxi Province, Fenghuang County, Tujia-Miao Autonomous Prefecture of Xiangxi, Hunan Province, Qian'an County, Songyuan, Jilin Province, Xichuan County, Nanyang, Henan Province and Xindu District, Chengdu, Sichuan Province and acquired an urban gas project in Sanming, Fujian Province, two long-haul pipelines in Wujiang, Jiangsu Province and Pingdingshan, Henan Province and 19% equity interest in Pingdingshan Gas Co., Ltd.* (平頂山燃氣有限責任公司), through the acquisition of the entire equity interest in Beijing Hui Ji Tai Zhan Investment Company Limited* (北京慧基泰展有限公司), making the number of its urban gas projects reached 51.

Acquisition of Two Urban Gas Projects in Qian County and Li Quan County in Xianyang, Shaanxi Province

On 9 January 2015, 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 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 the entire equity interest in Qian County Hong Yuan Natural Gas Company Limited* (乾縣宏遠天然氣有限公司) and Li Quan County Hong Yuan Natural Gas Company Limited* (禮泉縣宏遠天然氣有限公司) at a total consideration of RMB286,000,000, for the purpose of acquiring two urban gas projects in Qian County and Li Quan County in Xianyang, Shaanxi Province. Please refer to the announcement of the Company dated 9 January 2015 for further information.

** For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

As the natural gas for use in Qian County and Li Quan County is supplied by Shaanxi Natural Gas Company* (陝西省天然氣公司), it guarantees sufficient and stable gas sources for future development of the local natural gas markets. Located in the Guanzhong-Tianshui Economic Zone and the core area of Xi'an Xianyang Half-hour Economic Cycle, the trend for property development project in Qian County is positive and there is great potential for development of residential gas uses. Qian County also has a prosperous tourism market. Most local hotels there use coal-fired boilers or gas boilers to supply heat, indicating huge potential for the upgrade of those coal-fired boilers to natural gas boilers and commercial gas uses in the future. With great accessibility and geographical advantage, the Board is of the view that there is a promising future for vehicle natural gas market in Qian County. With a booming food processing industry, Li Quan County has established the Li Quan County Food Industrial District, which contains five industry sectors, being (i) fruit product processing, (ii) pastries, (iii) packaging materials, (iv) mechanical processing and (v) pharmaceuticals and chemicals. In addition, the Liquan Xizhangbao Environmental Industrial District, which is jointly developed by the government of Li Quan County and Shaanxi Provincial Environmental Protection Department, is the only major modern environmental protection project in Shaanxi Province. The plasma system conversion project, bio-potassium fertilizer project and the solid waste processing center project there have commenced operations, and the old battery recycling project, old mineral oil recycling demonstration project and the innovative heavy metals absorption material production project are under construction, indicating a great potential for industrial natural gas uses in the future.

Acquisition of the Entire Equity Interest *in Beijing* Hui Ji Tai Zhan Investment Company Limited* (北京慧基泰展投資有限公司)

On 27 March 2015, Henan Tian Lun entered into an equity transfer agreement with Tianjin Qian Sheng Investment Partnership Enterprise (Limited Partnership)* (天津乾盛投資合夥企業(有限合夥)) and Tianjin Tai Zhan Asset Management Centre (Limited Partnership)* (天津泰展資產管理中心(有限合夥)), pursuant to which Henan Tian Lun conditionally agreed to acquire the entire equity interest in Beijing Hui Ji Tai Zhan Investment Company Limited* (北京慧基泰展投資有限公司) ("Beijing Hui Ji") at the total consideration of RMB860,000,000, so as to acquire, inter alia, an urban gas project in Sanming City, Fujian Province, two long-haul pipelines in Wujiang City, Jiangsu Province and Pingdingshan City, Henan Province, 19% equity interest in Pingdingshan Gas Co., Ltd.* (平頂山燃氣有限責任公司) and part of the creditor's rights. Please refer to the circular of Company dated 24 August 2015 for further information.

Beijing Hui Ji has built and currently operates two high- and medium-pressure natural gas pipelines. It has obtained a natural gas sales quota of 980 million m^3 per year and designed pipeline transmission volume of nearly 4 billion m^3 of natural gas. In addition, it has established a business network involving the construction and operation of long-haul natural gas pipelines, urban gas and direct supply of natural gas to large industrial districts, covering Henan, Jiangsu and Fujian provinces of China. The aforesaid acquisition will strongly supplement and expand the Group's existing business scope and customer base, and Beijing Hui Ji's leading position in the middle-and-upper-stream of the industry and its accumulated resources and experience will provide the Group with strategic advantages and competitiveness as well as bring huge financial benefits to the Group.

** For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

Acquisition of an Urban Gas Project in Fenghuang County, Tujia-Miao Autonomous Prefecture of Xiangxi, Hunan Province

On 7 July 2015, Henan Tian Lun entered into an equity transfer agreement with Mr. Xiang Zhi Jun (向致軍) and Hunan Zhongyou Zhiyuan Gas Co., Ltd.* (湖南中油致遠燃氣有限公司), pursuant to which Henan Tian Lun conditionally agreed to acquire 100% equity interest in Fenghuang Zhongyou Zhiyuan Gas Co., Ltd.* (鳳凰縣中油致遠燃氣有限公司), so as to acquire the pipeline gas operating right and the exclusive vehicle gas operating right in Fenghuang County, Hunan Province.

Currently there is no supply of natural gas in Fenghuang County, implying promising prospects for the development of local natural gas market. The Group is the only local LPG supplier in the area. In addition, Fenghuang County is a national class 4A scenic spot and was included in the World Heritage Tentative List for China in 2006. There are prosperous food and beverage and hotel industries in local area, which indicates there is strong potential for the development of commercial gas users. The acquisition of the project in Fenghuang County, Hunan Province will further strengthen the synergies created by the Group's existing urban gas projects in Hunan Province and in the surrounding areas and further enable the Group to expand its size of operation and bring great economic benefits.

Acquisition of an Urban Gas Project in Qian'an County, Songyuan City, Jilin Province

On 28 July 2015, Henan Tian Lun entered into an equity transfer agreement with Inner Mongolia Shengtai Energy Investment Co., Ltd.* (內蒙古聖泰能源投資集團有限公司), pursuant to which Henan Tian Lun conditionally agreed to acquire 90% equity interest in Qian'an Rixin Gas Co., Ltd.* (乾安縣日新燃氣有限公司), so as to acquire an urban gas project in Qian'an County, Songyuan City, Jilin Province.

Located in north-western part of Jilin Province, Qian'an County has formed synergies with the Group's projects in Changling County, Tongyu County and Da'an City. In addition, with the passing through of Changchun-Baicheng Railway and the Tongliao-Ranghulu Railway, the criss-crossing of Daqing-Guangzhou Expressway and the Wuchang-Youyizhongqi Expressway, and first- and second-class roads extending in all directions, a complete passenger transport network has been formed with huge accessibility advantage. Gas source of pipeline gas in Qian'an County is supplied by Qianxin intermediate station of Jilin Oilfield, which has provided a stable gas source for its future development of local users. The acquisition of the urban gas project in Qian'an County will lower the gas procurement costs of operating urban gas projects of the Group in north-eastern China, drive the development of projects in the surrounding areas, and connect its existing projects with those new projects to form a regional monopoly.

Acquisition of an Urban Gas Project in Xichuan County, Nanyang, Henan Province

On 23 October 2015, Henan Tian Lun entered into an equity transfer agreement with Xichuan Longcheng Natural Gas Co., Ltd.* (淅川縣龍成天然氣有限責任公司), pursuant to which Henan Tian Lun conditionally agreed to acquire the entire equity interest in Xichuan Longcheng Natural Gas Co., Ltd., so as to acquire an urban gas project in Xichuan County, Nanyang, Henan Province.

** For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

The gas market in Xichuan County is in the early stage of development and there is great potential for development of gas. Local property market maintained strong growth momentum, and there are many newly built projects, implying a large number of potential users. In addition, local industries are dominated by electrolytic aluminum, ferroalloy smelting, automobile shock absorber processing and pharmaceuticals. A large number of high technology projects with great market potential have been completed, and there is great potential for development of industrial users. With extensive tourism resources, Xichuan County is home to the core water source of the central route and canal headwork of the South-North Water Transfer Project, the world's largest water transfer project. It has developed into a renowned tourism city in Central China led by the ecological sightseeing belt of the canal headwork of the central route of the South-North Water Transfer Project and a hot tourism spot in the PRC, with strong base for the development of vehicle gas and commercial users. The acquisition of the urban gas project in Xichuan County has further expanded the region of the Group's operation in Henan Province and created synergies with its existing operating urban gas projects in Henan Province to form a regional monopoly.

Acquisition of Entire Equity Interest in Sichuan Ming Sheng Natural Gas Company Limited* (四川省明聖天然氣有限責任公司)

On 28 November 2015, Henan Tian Lun entered into an equity transfer agreement with Mr. Cai Xinchuan (蔡新川), Mr. Li Yong (李勇), Mr. Liu Zhimin (劉志敏) and Mr. Xu Hankang (許漢康), pursuant to which Henan Tian Lun conditionally agreed to acquire the entire equity interest in Sichuan Ming Sheng Natural Gas Company Limited, so as to acquire an urban gas project in Xindu District, Chengdu, Sichuan Province. For further details, please refer to the announcement of the Company dated 28 November 2015.

Located at the south-western part of the PRC, Sichuan Province is a large province in terms of population and economy and has a GDP of approximately RMB2.8 trillion in 2014. The project operates at Xindu District, which is only 15 kilometers away from Chengdu City in Sichuan Province. Xindu District is positioned as the northern suburban of the capital of Sichuan Province as it serves as a mechanical, electronic, food, biopharmaceutical, tourism and logistics base of Chengdu City. Xindu District will be developed into a more prosperous city with growing population that is expected to bring large potential for development and growth of the project.

Having secured gas sources from both China Petroleum and Chemical Corporation and Southwest Oil and Gas Branch and China National Petroleum Corporation, the project expects to see steady development in its business. In addition, Sichuan is the first province in the PRC using natural gas, and it has a large talent pool in the gas industry. As the project possesses employees with expertise in gas operations, the acquisition will further expand the Group's talent pool. Furthermore, the project is well-established, with approximately 100,000 residential customers and nearly 2,000 industrial and commercial users. It has generated a sales volume of approximately 60 million m^3 of gas per year, with a revenue of approximately RMB180 million. In 2014, it generated a net profit of approximately RMB45.11 million excluding non-recurring items. There is large potential for growth of the project.

Through the acquisition of the project, the Group has obtained a core urban gas operation right in the south-western part of the PRC, forming economies of scale together with the Group's urban gas projects in Gansu Province, Shaanxi Province and Yunnan Province. This is strategically important for the Group to expand its presence in Sichuan Province and to further enlarge its market share in the south-western part of the PRC in the future.

Investment in Bases of Gas Sources

Given the current weak LNG processing market in the PRC, the Group has made differentiated adjustments to and arrangements for its plans for investment in LNG processing project.

** For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has adjusted the planned daily production capacity of CNG and LNG at its LNG processing plant project in Changling County, Jilin Province to 150,000 m^3. With its own weather characteristics and relatively undeveloped upstream gas pipeline network system, there is strong demand for LNG in north-eastern part of China, providing a unique advantage for the development of local LNG market. With the project's advantages in gas source cost and location and the Group's end distribution capability in the area, the project is expected to realize strong operational performance.

In the meanwhile, the Group will optimize its investment plan for the Kai County (Chongqing) Industrial Park in view of local market conditions as and when appropriate. In the future, the Group will first actively seek in-depth cooperation with local governments and enterprises, and then consider its project arrangements in line with local plans.

Furthermore, the Group's coke oven gas-produced LNG source base project with Luoyang Rongtuo Coking Company Limited* (洛陽榕柘焦化有限責任公司) with a designed annual capacity of 60 million m^3 of coke oven gas has been terminated and the procedures for its deregistration are under way.

Investment in Gas Refilling Stations

As at 31 December 2015, the Group had a total of 41 operating gas refilling stations and 14 gas refilling stations under construction. By adhering to its principle of "Self-construction as the Focus and Cooperation as the Supplement", the Group increased the number of its gas refilling stations along National Highway 107 and Yangtze River and focused on areas including Henan, north-eastern part of China, Chongqing, Hubei and Jiangsu to build a new presence of key areas for gas refilling stations development.

Long-haul Pipelines

The Group has three long-haul pipelines in operation and under construction in Pingdingshan City, Henan Province and Wujiang City, Jiangsu Province, with a total annual gas transmission capacity of 5 billion m^3. The long-haul pipelines will lower the gas procurement costs of urban gas projects of the Group and provide strong support for the expansion of its projects along the pipelines. In the future, the Group will make full use of its gas source advantages brought by its long-haul pipelines and vigorously develop its basic business activities.

IFC Becoming the Second Largest Shareholder of the Company and Provision of Loan Financing

On 11 February 2015, the Company entered into a subscription agreement and a policy agreement with International Finance Corporation ("IFC") and IFC Global Infrastructure Fund, LP ("IFC Fund"), and the subscription was completed on 15 May 2015. IFC and IFC Fund subscribed for a total of approximately 181,700,000 shares, or approximately 18% of the entire issued share capital, of the Company. Since then, IFC has formally invested in the Company and became the second largest shareholder of the Company. For details, please refer to the circular of the Company dated 21 April 2015 and the announcements of the Company dated 11 February 2015, 21 April 2015 and 15 May 2015.

On 23 September 2015, IFC (as lender), Henan Tian Lun (as borrower), the Company and two other wholly-owned subsidiaries of the Company (as obligators) entered into a loan agreement (the "Loan Agreement") for loan facilities in the principal amount of US$60,000,000 for a term of less than six years. For details, please refer to the announcement of the Company dated 23 September 2015.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

As an outstanding investment platform under the World Bank Group, IFC is a global investor and consulting institution, enjoys a good reputation in the world and has first-class talents and firsthand experience in environment, social and corporate governance aspects. The establishment of long-term cooperation with IFC will enable the Company to implement stricter social environment protection plans, maintain commercial insurance with wider coverage and establish a more specialized corporate governance structure, so that the Company will more actively perform its social responsibility, enhance risk prevention during its operation, improve its overall corporate governance and realize comprehensive self-enhancement and improvement. The Company believes that the introduction of IFC represents a significant positive factor for its overall future development and brand reputation, and will create internationally first-class opportunities and platform for its development and maximize its values to shareholders and the society.

Gas Pipeline Connection Volume

For the year ended 31 December 2015, the Group connected a total of 202,270 residential users to gas pipelines, representing an increase of approximately 2.80% as compared with the corresponding period of last year. As at 31 December 2015, the number of the Group's residential users had increased to 1,016,385, representing an increase of approximately 28.64% as compared with the corresponding period of last year. Average connection fee paid by each residential user was approximately RMB2,546. For the year ended 31 December 2015, the Group connected a total of 1,397 new industrial and commercial users to gas, representing an increase of approximately 35.50% as compared with the corresponding period of last year. As at 31 December 2015, the Group had a total of 5,737 industrial and commercial users, representing an increase of approximately 39.25% as compared with the corresponding period of last year. Average connection fee paid by each industrial and commercial users was approximately RMB40,465. Through its active development of existing projects and acquisition of new projects, the Group advanced its development of residential users and industrial and commercial users, which ensured the growth of its gas pipeline connection volume during the year and also ensured the continuous growth of its gas sales volume and gas sales revenue.

Gas Sales Volume

For the year ended 31 December 2015, the Group sold a total of approximately 621,000,000 m^3 of gas, representing a substantial increase of approximately 363,000,000 m^3, or approximately 140.70%, as compared with the corresponding period of last year. Pipeline gas distribution volume amounted to approximately 615,000,000 m^3. Gas volume sold to residential users, industrial and commercial users, transportation gas users and urban gas users accounted for approximately 16.25%, 49.86%, 18.22% and 15.67%, respectively, of total gas sales volume. The average selling prices of natural gas sold by the Group to residential users, industrial and commercial users, transportation gas users (including retail and wholesale) and urban gas users (exclusive of tax) were approximately RMB2.19/m^3, RMB2.78/m^3, RMB2.93/m^3 and RMB2.16/m^3, respectively.

Gas sales volume to residential users increased by approximately 46.45% as compared with the corresponding period of last year, mainly due to the approximately 28.64% increase in the number of the Group's residential users, as well as the strong demand for gas for heating purpose in the winter at its newly acquired projects in Xianyang, Shaanxi Province. Excluding the gas sales volume to residential users in Xianyang, gas sales volume to residential users of other gas projects increased by approximately 35.09% as compared with the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Gas sales volume to industrial and commercial users increased substantially by approximately 179.21% as compared with the corresponding period of last year, as a result of the Group's successful development of new users in recent years and the consolidation of Hui Ji project into the Group. Excluding gas sale volume to industrial and commercial users of the Hui Ji project, gas sales volume to industrial and commercial users of other gas projects of the Group amounted to a total of approximately 150,000,000 m^3, representing an increase of approximately 35.61% as compared with the corresponding period of last year.

Gas sales volume to transportation gas users also recorded strong growth of approximately 45.11% as compared with the corresponding period of last year, mainly due to the commencement of operation of its new gas refilling stations and the contribution of its newly acquired projects in Xianyang, Shaanxi Province. Excluding the gas sales volume to transportation gas users, gas sales volume to transportation gas users of other gas projects of the Group increased by approximately 22.00% as compared with the corresponding period of last year.

The Company also developed urban gas users. For the year ended 31 December 2015, Hui Ji project sold a total of approximately 97,230,000 m^3 of natural gas to urban gas companies including Luohe Zhongyu Gas Company, Pingdingshan Gas Company and Wujiang Towngas. In addition, the Company provided natural gas distribution services for Datang Suzhou Cogen-power Co., Ltd.* (大唐蘇州熱電有限責任公司) and Jiangsu Huadian Wujiang Thermal Power Co., Ltd.* (江蘇華電吳江熱電有限公司), with a pipeline gas distribution volume of approximately 615,000,000 m^3, representing a strong growth as compared with the corresponding period of last year.

Customer Services

The Group always believes that the key to improvement in service quality is customer satisfaction, and in respect of customer services, it needs to implement service innovations from the standpoint of customers in order to meet the needs of customers to the greatest extent.

For the year ended 31 December 2015, the Group adopted the innovative management thinking of "Internet +" by deeply advancing its comprehensive cooperation with Alipay. It entered into a cooperation agreement with Alipay to facilitate the connection of the Group's online and mobile customer service platform to Alipay utility (gas) payment platform, which, by making full use of Alipay's established online payment channels and connection to Alipay's big data of users, provides the users of the Group with considerate payment services such as query and payment, electronic bills and public account as well as related services. In addition, the Group received the "2015 Urban Service User Experience Award" in relation to comprehensive utility area issued by Alipay for its forward-looking service philosophy and operation model of "Internet + residential services".

The Group focused on customers' needs by continuing to improve its customer service system and establishing diversified service channels. While developing traditional offline service model such as outlet services, home services and telephone customer services, the Group will also gradually develop new service methods including online customer services, and self-help service machines to comprehensively improve the flexibility of its customer services. Furthermore, the Group fully carried out the development of a customer service quality monitoring and assessment system, which conducts overall assessment and analysis of customer service quality from both internal and external standpoints by combining its regular internal monitoring and self-review with external customer satisfaction survey and customer complaint mechanism in order to fully understand and meet customer's real needs and optimize customer service experience.

** For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of customer safety management, the Group always considers customers' safety above all else by arranging specialized personnel to conduct safety examinations for yard pipeline network, indoors pipelines and gas devices and facilities and free home safety examinations each year to identify safety threats and ensure customers' safety in gas use.

Safety Management

The Group always upholds its safety development philosophy of "safety first, focusing on prevention and continuous improvement". For the year ended 31 December 2015, the Group passed OHS18001 system certification. No safety accident occurred for the year ended 31 December 2015 and the Group has achieved its zero liability accident objective.

In order to improve its safety, environment and occupational health management, the Group has set up an environment, health and safety department and established an environment, occupational health and safety (EHS) management system to systematically review and improve the Group's production safety workflow and work standards. In addition, it organized hazard identification and assessment across the Group and adopted hazard and operability study (HAZOP) method to conduct pre-identification and analysis of potential hazards in engineering projects or production equipment in order to improve the safety and operability of its production equipment. It adopted quantitative risk assessment (QRA) method to conduct quantitative analysis of the danger and harm degree at its stations by identifying the hazardous radius of its stations, listing the possible loss or casualty within the hazardous radius and adopting corresponding countermeasures. It adopted process hazard analysis (PHA) and job safety analysis (JSA) to conduct analysis of hazards in its production and corresponding management and control, so that it will be able to eliminate potential hazards.

In addition, the Group attaches great importance to safety reviews by relying on the experiences of leading enterprises in the industry to conduct phase-by-phase self-assessment, and actively introduces external safety consulting management institutions and safety management experts to conduct both internal and external standardized production safety reviews and systematically assess the comprehensive management of the Group and its member companies, so as to eliminate safety hazards and improve safety management capability.

Risk Management

The Group is fully aware of the importance of risk management to the continuous operation and long-term development of the Group, and focuses on promoting the contemporaneous advancement of risk control and growth. For the year ended 31 December 2015, in line with its risk management strategic goal, the Group finished the formulation of 121 rules at the Group level by establishing various rules, procedures and measures in respect of market operation, finance, internal audit and production safety in accordance with its basic risk management process. In addition, the Group arranged the creation of a group-wide risk case database by collecting and sorting nearly 100 real risk control cases in the industry and compiling them into a risk case manual to improve the risk awareness and risk control capability of employees of the Group through analyzing typical cases and studying the corresponding countermeasures.

MANAGEMENT DISCUSSION AND ANALYSIS

Fund management and investments and control and acquisitions have always been considered high risk business of the Group. For the year ended 31 December 2015, the Group conducted risk assessment covering the full process of fund management and investments and acquisitions, and developed the Fund Management and Risk Control Operation Guide which assigns the fund risk management and control function to direct persons in charge of every position and provide basic protection for the Group's fund safety. It established an independent special project team to conduct investigations independent from the investment development department on acquisition projects and arranged a project review committee to determine the quality of projects so that the Group can comprehensively and accurately understand the progress of investments and acquisition projects and reduce future project risks.

Based on its risk prevention in advance, the Group also carried out sound countermeasures following realization of risks. For the year ended 31 December 2015, the Group maintained public liability insurance and all property insurance covering the whole Group, installation project all risk for its projects under construction, and directors and senior management liability insurance for its directors and senior management in order to cover all kinds of risks and minimize the possible risk losses of the Group.

Cost Management

Cost management is an important management area for an enterprise to maintain long-term competitive advantages and maximize enterprise value. Since the listing of the shares of the Company, the Group has been strengthening its advantages in cost management and striving to apply these advantages in its new projects to improve its profitability.

For the year ended 31 December 2015, in order to strengthen the management of key phases in project construction, improve investment performance and realize reasonable and effective control over project cost and establish investment budgeting standards, the Group established a project cost department to revise its normal gas pricing standards and stations and urban pipeline network investment and issue a cost management system which sets out specific requirements and cost control in respect of the full process of project construction including planning and design, bidding and procurement, construction, completion settlement and delivery and operation. In addition, through adopting a uniform model of measurement instruments, enhancing pipeline network inspection and upgrading old pipeline network, the Group lowered its loss in gas distribution.

In respect of material management, the Group established a material management system to further regulate production material management, to realize standardized and regulated management in procurement, inspection, warehousing, storage, delivery and recycling links, and to further improve its fund utilization efficiency. It revised and issued a list of Class I material suppliers and established a material information platform which enabled the sharing of information on material suppliers and procurement price within the Group and effectively lowered the cost of production and operation of each member of the Group.

Information Management

As the business size of the Group continued to grow, stricter requirements have been imposed on the Group's information-based management. To this end, the Group fully carried out information development in order to further improve its standardized and refined management and strengthen its comprehensive management of and control over finance, fund, human resources, operation and safety management areas.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2015, the Group's four major modules, being centralized financial management, supply chain management and control, human resources management and control and user marketing and service system, had all been launched for use. In respect of finance, the Group established a centralized financial management model to ensure the completeness and accuracy of its accounting information and adopted refined and standardized financial management to facilitate internal control and supervision within the Group. The launch of the supply chain management and control module enabled the Group to realize management of the full process from procurement to warehouse management to material use application and to delivery and accounting and establish a complete and regulated business process. In addition, in respect of human resources management, based on consolidating its existing human resources system, the Group established a human resources management platform with uniform standards and information sharing and improved its personnel information database to strengthen the completeness and accuracy of its human resources information analysis. It established a uniform and complete marketing system, which, through implementing a uniform billing model for all members of the Group, incorporates all billing information into the Group's data center to realize centralized management and control within the Group.

Furthermore, during the year, the Group gradually pushed forward the works on the pilot production safety management and control and video monitoring platform and gas refilling station "one card pass" management platform, which paved the way for the Group's fully information-based management and control and is beneficial for promoting a uniform gas refilling station billing system.

Human Resources

During the year, driven by its information development, the Group's human resources department had completed the launch of six major modules including organizational institution management, personal information management, personal change management, labor cost management and HR analysis statement. In addition, the Group implemented four major modules including remuneration management, social security welfare management, time management and employee self-services at its major members on a trial basis, which has significantly improved the efficiency and effectiveness of its human resource management and control.

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, the Group adheres to its internal talent cultivation strategy by establishing specialized training sessions catering to the needs of different positions. By December 2015, the Group has trained nearly 1,000 persons during the year with total length of training of over 1,200 hours. The continuous talent cultivation plan has created a large talent pool for the Group. Young talents were promoted or assigned to important positions through competitions for position and reserve manager boot camp, significantly improving the quality of the talent team of the Group. Furthermore, through the "Parachute Program" for university graduates and the "one-on-one" coaching model, a unique cultivation program catering to their positions has been designed for each graduate to help them integrate into their positions and departments quickly and expand the talent base of the Group.

As at 31 December 2015, total number of employees of the Group was 2,380. The remuneration of employees of the Group are determined based on their work performance, work experiences and prevailing market rate. The Group also continued to improve its employee motivation mechanism to realize the link of their position performance to market value, and established an incentive mechanism with promotion of new employees and adjustment their remuneration on a fast track, in order to boost employee's self-exploration and development and raise employees' sense of belonging and loyalty to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group's revenue amounted to approximately RMB2,252,000,000, representing an increase of approximately RMB908,000,000 or a rise of approximately 67.56% as compared with the corresponding period of last year. Gross profit amounted to approximately RMB609,000,000, representing an increase of approximately RMB148,000,000 or a rise of approximately 32.10% as compared with the corresponding period of last year. Profit attributable to owners of the Company amounted to approximately RMB284,000,000, representing an increase of approximately RMB64,000,000 or a rise of approximately 29.09% as compared with the corresponding period of last year. Excluding the foreign exchange losses and the impact of the one-off expenses arising from the acquisition of Hui Ji project, profit attributable to owners of the Company would be approximately RMB322,000,000, representing an increase of approximately 46.36% as compared with the corresponding period of last year.

Revenue

For the year ended 31 December 2015, the Group's revenue was primarily derived from the gas pipeline connections business and the transportation and sales of gas business, accounting for approximately 25.36% and 73.30% of the total revenue (the corresponding period of last year: approximately 42.62% and 55.64%), 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 the cities in which it operates. For the year ended 31 December 2015, revenue from gas pipeline connections amounted to approximately RMB571,000,000, remaining at the same level as revenue from connection of last year. For the year ended 31 December 2015, the number of new pipeline connections to residential users grew by approximately 2.8% compared with last year, and the number of new industrial and commercial users increased by approximately 35.5% compared with last year. Due to the large number of small- and medium-sized users developed during the year and the preferential prices provided by the Group to promote its development of industrial and commercial users, both the number of and gas sales volume to new industrial and commercial users recorded significant growth, while revenue from gas connection grew at a lower pace than the increase in number of new users.

Revenue from Sales of Gas

The Group is engaged in the transportation, distribution and sales of natural gas for large industrial users in the cities in which it operates. For the year ended 31 December 2015, the Group had a significant growth in gas sales volume. Revenue from gas sales amounted to approximately RMB1,651,000,000, representing an increase of approximately 120.72% from approximately RMB748,000,000 for the corresponding period of last year. In particular, gas sales revenue from Hui Ji project amounted to approximately RMB676,000,000, and gas sales revenue from the other gas projects amounted to approximately RMB975,000,000, representing an increase of approximately 30.35% as compared with the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit, Gross Profit Margin and Net Profit Margin

For the year ended 31 December 2015, the Group realized gross profit of approximately RMB609,000,000, representing an increase of approximately RMB148,000,000 from the year ended 31 December 2014. Overall gross profit margin of the Group was approximately 27.03%, representing a decrease of approximately 7.31 percentage points as compared with the corresponding period of last year. Net profit margin of the Group was approximately 14.12%, representing a decrease of approximately 4.55 percentage points as compared with the corresponding period of last year. The decrease in gross profit margin was mainly due to the significant increase in the revenue from gas sales as a percentage of the Group's total revenue, and the characteristics of the long-haul pipeline business which has a lower gas sales gross profit margin than that of urban gas end distribution, being approximately 10.34%, affecting the Group's overall gross profit margin. Excluding the impact of Hui Ji project, gross profit margins of the Group's gas sales business and gas connection business both improved. Gross profit margin for the gas sales business was approximately 17.04%, representing an increase of approximately 1.55 percentage points as compared with the corresponding period of last year; gross profit margin for the connection business was approximately 62.68%, representing an increase of approximately 4.14 percentage points as compared with the corresponding period of last year.

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 for the year ended 31 December 2015 has declined by approximately 1.57 percentage points as compared with the corresponding period of last year.

The Group's distribution cost for the year ended 31 December 2015 was approximately RMB17,839,000, and administrative expenses for the year ended 31 December 2015 was approximately RMB115,000,000, including one-off expenses incurred in relation to the compliance works on major transaction under the Listing Rules in relation to acquisition of Hui Ji project.

Financial Position

The Group has been adopting prudent 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.

For the year ended 31 December 2015, the Group spent capital expenditure of approximately RMB1,702,000,000, of which approximately RMB1,439,000,000 was used in project acquisitions and approximately RMB263,000,000 in continuously improving urban gas business. The above capital expenditure was financed by the Group's operating cash flows, issue of shares and bank borrowings. The Group's cash and cash equivalents amounted to approximately RMB609,000,000, of which approximately 83.60% was denominated in RMB, 15.73% was denominated in US dollars and the remaining 0.67% was denominated in HK dollars, and its financial assets at fair value through profit or loss of approximately RMB319,000,000 can be realized within a short time, safeguarding the needs of project expansion and acquisition of businesses of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2015, the Group's total borrowing was approximately RMB2,737,000,000 (among which loans denominated in RMB was approximately RMB1,627,000,000 and loans denominated in US dollars was approximately RMB1,110,000,000), of which approximately 31.06% was accounted for as current liabilities. The loans repayable within one year amounted to approximately RMB850,000,000, of which approximately RMB211,000,000 was secured by the Group's properties and gas charge rights. As at 31 December 2015, the credit facilities obtained but unutilized by the Group amounted to approximately RMB396,000,000, in which those denominated in US dollars amounted to approximately US$180,000,000. As at 31 December 2015, its gearing ratio, calculated based on the percentage of total liabilities over total assets, was approximately 58.34%. Its net gearing ratio, calculated based on the percentage of net financial liabilities over net assets, was approximately 63.79%.

Finance Cost and Exchange Risk Management

For the year ended 31 December 2015, the Group's finance cost was approximately RMB139,000,000, representing an increase as compared with the corresponding period of last year, mainly due to the increase in new loans obtained by the Group to support its acquisition of new projects and business development for the year ended 31 December 2015.

For the year ended 31 December 2015, the Group's overseas loans denominated in US dollars accounted for approximately 41% of its total borrowings, which was approximately 8 percentage points lower than approximately 49% as at the end of last year and significant lower than industry peers. In 2016, the Group will continue to closely monitor the changes in exchange rates and strive to lower its finance costs through diversified arrangements, and will adopt necessary measures to lower its exchange risk as and when necessary.

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

On 1 December 2015, the Company (as borrower), Upsky Holdings Limited, Tian Lun New Energy Limited 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 term loan facility in the amount of US$250,000,000 (the "Loan") with a tenor of three years commencing from the date of the drawdown of the Loan (which can be extended for two years upon maturity in accordance with the terms of the Loan Agreement).

Pursuant to the Loan Agreement, if Mr. Zhang fails to (i) be the single largest beneficial shareholder of the Company together with his family members; or (ii) be the chairman of the Board; or (iii) have management control (which shall be construed as having the ability to direct the affairs or policies of the Company and/or to control the composition of the majority of the members of the Board) over the Company, this will constitute a breach of terms of the Loan Agreement and lead to an event of default under the Loan Agreement. Upon the occurrence of an event of default under the Loan Agreement, the Lenders may, among others, declare that the Loan be cancelled and/or declare that all outstanding amount including all accrued interest of the Loan be immediately due and payable. As at the date of this annual 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 announcement of the Company dated 1 December 2015.

CORPORATE AND SOCIAL RESPONSIBILITIES

As a rising star committed to the development of natural gas industry with national presence, since its establishment, the Group has been providing stable supply of natural gas to all kinds of natural gas users and striving to become a national energy distribution enterprise which is worth customers' trust and wins social respect, with its mission of developing clean energy and improving living environment and its philosophy of putting customer's needs and interests first.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Responsibility

As the core and foundation of social responsibility, since the listing of the shares of the Company, the Group has been maintaining rapid growth and continuous enhancement of economic performance, with its business covering many provinces and cities in the PRC. In particular, since the government announced the urbanization reform, the Group, in active response to the call of the government, vigorously developed urbanization business and has made great contributions to the economic development, taxation and employment in the third- and fourth-tier cities of China.

Environment Responsibility and Social Public Welfare

As an enterprise committed to developing clean energy, the Group has been performing its mission of environmental protection while maintaining growth in line with the government's green environmental protection policy for sustainable development. To this end, the Group established a stakeholder system designed to protect the normal lives and development of neighboring communities, residents and environment protection areas during its project construction and incorporate the protection of environment and residents' wellbeing into every link of its production and development.

As an enterprise based in central China, the Group also attaches great importance to environmental protection and cultural care at its hometown. During the year, the Group organized and participated in a voluntary tree planting activity themed "protecting mother river to build a beautiful Chinese dream" and an environment protection activity themed "I'm responsible for protecting the beautiful Central Plains". A letter of proposal for donations to impoverished children was issued within the Group to call for money and physical donations to children at the SOS Children Village in Kaifeng, which fully reflected the Group's social responsibility and cultural care.

SUBSEQUENT EVENTS

Establishment of a Finance Lease Company

Henan Tian Lun Gas Group Limited* ("Henan Tian Lun") (河南天倫燃氣集團有限公司), an indirect wholly-owned subsidiary of the Company, has entered into a promoters agreement (the "Promoters Agreement") with Bank of Zhengzhou Co., Ltd.* (鄭州銀行股份有限公司) ("Zhengzhou Bank") and Zhengzhou Yutong Bus Co., Ltd.* (鄭州宇通客車股份有限公司) ("Zhengzhou Yutong") to establish a finance lease company (the "Finance Lease Company") in Zhengzhou, Henan Province, the PRC.

Pursuant to the Promoters Agreement, Henan Tian Lun shall contribute RMB200,000,000 to the Finance Lease Company, representing 20% of the total registered capital of the Finance Lease Company. The Finance Lease Company will be principally engaged in, among others, financial leasing, transfers of subject assets of financial leases, investment businesses in securities with fixed revenues, acceptance of lease deposit from lessee, sales and disposals of leased objects and economic consulting.

The China Banking Regulatory Commission (中國銀行業監督管理委員會) had issued the approval for the establishment of the Finance Lease Company on 6 February 2016 (the "Approval") and Henan Tian Lun had received the Approval on 16 February 2016. For details, please refer to the announcement of the Company dated 16 February 2016. The Finance Lease Company formally commenced operation on 23 March 2016.

Extension of Trust Period under the Trust Scheme

On 21 March 2012, Henan Tian Lun, a wholly-owned subsidiary of the Company 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

** For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

of two years commencing from 21 March 2012 (the "Trust Period"). On 21 March 2014, the parties entered into a supplemental agreement (the "Supplemental Agreement") to the Investment Agreement, pursuant to which the Trust Period had been extended for a period of two years until 21 March 2016. On 21 March 2016, Henan Tian Lun and Zhongyuan Trust entered into another supplemental agreement, pursuant to which the Trust Period has been further extended for a period of one year until 21 March 2017. For details, please refer to the announcement of the Company dated 21 March 2016.

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

For the year ended 31 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities.

CONTINGENT LIABILITIES

As at 31 December 2015, 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 form 1 January 2015 to 31 December 2015.

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. Yeung Yui Yuen Michael 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 2015.

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 2015 have been compared and agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements 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 53, is the founder of the Company and also the chairman of the Board and an executive Director. 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 19 years of management experience, including 14 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. Zhang is a director of Tian Lun Group Limited, Gold Shine Development Limited and Chequers Development Limited, all are companies having an interest in the shares of the Company.

Mr. Xian Zhenyuan (冼振源先生), aged 41, is an executive Director and the general manager of the Company. He is responsible for the overall management of the Group. Mr. Xian has 12 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. Xian is the sole director of Pleasant New Limited, a company having an interest in the shares of the Company.

Mr. Feng Yi (馮毅先生), aged 37, 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 14 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 58, is an executive Director and deputy general manager of the Company. He is responsible for the operation and management of the Group. He has 22 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 44, 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, and obtained a master's degree in applied accounting and finance from Hong Kong Baptist University in 2014. She is a senior accountant and a Certified Public Accountant in the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Wang Jiansheng (王建盛先生), aged 60, was appointed as a non-executive Director on 21 September 2015. Mr. Wang worked as an economist in the International Monetary Fund and as an investment officer in the World Bank Group in Washington DC. He was a partner in a private equity management firm, and did philanthropic work in energy and environment fields. Mr. Wang has served on the board of several banks and non-bank financial institutions. Mr. Wang graduated from New York University in 1988 with a PhD in Development Economics.

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 the shares of which are 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. Yeung Yui Yuen Michael (楊耀源先生), aged 61, was appointed as an independent non-executive Director on 1 September 2015. Mr. Yeung is experienced in the development and growth of fast-moving consumer products (gum, chocolate, and confections) in emerging markets, and was the president of Wrigley Asia Pacific Ltd. He worked in R.J Reynolds Tobacco Co. Ltd., SC Johnson Co. Ltd., and Hong Kong TVB Co. Ltd. Mr. Yeung is a fellow member of the Hong Kong Institute of Directors and a council member of the Gerson Lehman Group (Asia) Ltd. Mr. Yeung obtained a bachelor's degree in Business Administration and Commerce (Distinction) from the University of Alberta, Canada in 1977.

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 human resources director 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. Xu Weidong (徐衛東先生), aged 46, is an executive deputy general manager of Henan Tian Lun Gas Group Limited. Mr. Xu has accumulated 24 years of gas enterprise management experience. After joining the Group in May 2011, he successively acted as general manager of Jilin Zhongji Dadi Gas Group Co., Ltd. (吉林省中吉大地燃氣集團有限公司) and general manager of Xuchang Tian Lun Gas Limited. Before joining the Group, Mr. Xu worked at Jilin Zhongji Dadi Gas Group Co., Ltd. as operation director. Mr. Xu obtained a diploma in clothing design from Jilin Textile Industry University (吉林省紡織工業大學) in 1992.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tang Qichao (湯其超先生), aged 39, is a deputy general manager of Henan Tian Lun Gas Group Limited. Mr. Tang has accumulated many years of large-scale enterprise management experience. After joining the Group in June 2010, he acted as general manager of Jilin Zhongji Dadi Gas Group Co., Ltd. (吉林省中吉大地燃氣集團有限公司). Before joining the Group, Mr. Tang worked at Shaanxi Feng Tai He Construction Development Co., Ltd. (陝西豐泰和建設發展有限公司) as deputy general manager. Mr. Tang obtained a master's degree in business administration from Northwest University (西北大學) in 2009.

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 14 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 (數學系數學專業文憑) 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 11 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.

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

Ms. Zhang Dongmei (張冬梅女士), aged 31, was appointed as the company secretary of the Company on 30 December 2015. Ms. Zhang joined the Group in April 2013 as an investor relations director. Ms. Zhang is a member of the Hong Kong Institute of Chartered Secretaries and a member of the Institute of Chartered Secretaries and Administrators. She obtained a master's degree in Professional Accounting and Corporate Governance from City University of Hong Kong. Before joining the Group, Ms. Zhang worked as a senior marketing director of a company the shares of which are listed on the Main Board of the Stock Exchange.

DIRECTORS' REPORT

The Directors are pleased to present the annual report for the year ended 31 December 2015 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 PRC. Further details of the principal business and subsidiaries of the Company are set out in note 11 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

The Group's business review for the year ended 31 December 2015, details of significant events which occurred subsequent to the end of the year and had impact on the Group, and discussion about the Group's future business development, are set out in the section headed "Chairman's Statement" on pages 14 to 16 and the section headed "Management Discussion and Analysis" on pages 18 to 34 of this annual report.

MAJOR RISKS AND UNCERTAINTIES

The Directors are aware that the Group's financial position, operating results and business outlook may be subject to many risks and uncertainties directly or indirectly relating to the business of the Group, and have put in place the relevant policies to ensure continuous identification and management of the adverse impacts such risks might have on the Group. The major risks and uncertainties currently facing the Group are set out below.

Finance risks

The Group may be exposed to finance risks including foreign currency risk, interest rate risk and liquidity risk. Management of the Group monitors market changes and will adopt various means to mitigate such risks as and when appropriate.

Business risk

The performance of major business of the Group is subject to many factors, including but not limited to overall market and economic conditions, and the performance of property, industry and commerce market where the Group operates its business. The Group will adjust its development plan in a timely manner in line with the development of its local users and in accordance with the relevant policies.

Growth strategy

The Group's business growth objectives will be achieved through internal growth, strategic investments and acquisitions. In the event of change in market condition, insufficient funds generated from operation or other reason, the Group will consider delaying, revising or abandoning its growth strategy in certain aspects.

Human resources risk

The Group may be subject to the risk of loss and recruitment of staff and talents with requisite skills. The Group will provide competitive remuneration packages and career development plans to suitable candidates and employees based on market standard, individual experience and individual performance. The Group will also recognise and encourage employees' contribution to the Group through performance appraisal system and adoption of share option scheme.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has adopted national environmental protection standards, put in place occupational health and environment protection measures, and established standardized operation procedures in order to ensure compliance with laws and regulations relating to environmental protection. During the year, the Group obtained OHSAS18001 (Occupational Health and Safety Management Systems) certification.

In its day-today business operation, the Group promotes greening measures, improves employees' awareness of environmental protection, advocates the philosophy of recycling, reduction of consumption and power saving, and encourages recycling of office supplies and other materials in order to lower the impacts on the environment.

The Group will review its environmental protection practice on a regular basis and adopt more environmental protection measures to cope with its business and operation in the future to improve the sustainability of the environment.

IMPORTANT RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group has always considered employees as essential for its continuous business growth, pays great attention to the safety of employee's working environment, and has in place health and safety systems and measures. The Group also organises induction and on-the-job trainings on a regular basis based on the needs of employee position and career development. In addition, the Group has established a fair and effective performance appraisal system and incentive plan to motivate employees to exhibit their talents and achieve performance objectives.

With customer needs in mind and by adhering to the principle of "putting customers above all else", the Group has developed a customer service guidebook and customer complaint management measures, and continues to provide customers with value-added services in order to improve customer satisfaction.

The Group selectively chooses suppliers by setting out requirements for suppliers participating in its public tender in areas such as experience, reputation and production capacity, and assesses successful bidders on a half-yearly basis. The Group has established long-term good cooperation with many suppliers.

Compliance with laws and regulations

The Group's business is mainly conducted through the Company's subsidiaries in the PRC and the shares of the Company are listed on the Stock Exchange. As such, the establishment and operation of the Group is subject to the relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2015 and up to the date of this report, the Group's operation has been in compliance with all relevant laws and regulations in the PRC and Hong Kong in all material respects.

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 2015.

DIRECTORS' REPORT

RESERVES

Details of the movements of reserves of the Company and the Group during the year are set out in note 26 to the consolidated financial statements.

As at 31 December 2015, the distributable reserves of the Group amounted to RMB1,262,360,000.

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 29 to the consolidated financial statements.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the year ended 31 December 2015 and as at the date of this report were as follows:

Executive Directors

Mr. Zhang Yingcen *(Chairman)*
Mr. Xian Zhenyuan
Mr. Feng Yi
Mr. Sun Heng
Ms. Li Tao
Mr. Hu Xiaoming (resigned on 8 January 2015)

Non-executive Director

Mr. Wang Jiansheng (appointed on 21 September 2015)

Independent Non-executive Directors

Mr. Cao Zhibin
Mr. Li Liuqing
Mr. Yeung Yui Yuen Michael
(appointed on 1 September 2015)
Ms. Zhao Jun
Mr. Zhang Jiaming (resigned on 1 September 2015)

The Company has maintained appropriate directors and senior management liability insurance policies for all Directors and members of senior management and reviews the coverage on an annual basis.

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 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.

Mr. Wang Jiansheng, a non-executive Director, has entered into a service contract with the Company for a term of 3 years commencing from 21 September 2015 and subject to termination by either party upon giving no less than one month' prior written notice to the other party.

Each of Mr. Li Liuqing and Ms. Zhao Jun, being independent non-executive Directors, had entered into a service contract with the Company for a term of three years commencing from 10 November 2015 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 2015 and subject to termination by either party upon giving no less than 3 months' prior written notice to the other party. Mr. Yeung Yui Yuen Michael, an independent non-executive Director, has entered into a service contract with the Company for a

DIRECTORS' REPORT

term of 3 years commencing from 1 September 2015 and subject to termination by either party upon giving no less than one month' prior written notice to the other party.

As at 31 December 2015, 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.

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 his or her 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 the Directors are set out in note 39 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 2015, 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:

DIRECTORS' REPORT

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

Name of Director	Capacity/ Nature of Interest	Number of Shares held/ interested	Number of underlying Shares held/ interested	Approximate percentage of the Company's total issued share capital
Mr. Zhang Yingcen ("Mr. Zhang")	Beneficial owner (Note 1)	—	181,689,608	18.00%
	Interest of controlled corporation (Notes 2 and 3)	527,025,800	545,068,824	106.19%
	Interest of spouse (Note 4)	5,722,500	181,689,608	18.56%
Mr. Xian Zhenyuan ("Mr. Xian")	Beneficial owner (Note 5)	—	4,000,000	0.40%
	Interest of controlled corporation (Note 6)	12,829,500	—	1.27%
Mr. Feng Yi ("Mr. Feng")	Beneficial owner (Note 7)	—	600,000	0.06%
Ms. Li Tao ("Ms. Li")	Beneficial owner (Note 8)	—	600,000	0.06%
Mr. Sun Heng ("Mr. Sun")	Beneficial owner (Note 9)	—	600,000	0.06%

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

Name of Director	Name of the associated corporation	Capacity/Nature of interest	Number of Shares held	Approximately percentage of interests in the associated corporation
Mr. Zhang	Tian Lun Group Limited	Interest of controlled corporation	10	100%

DIRECTORS' REPORT

Notes:

1. On 27 March 2015, (i) Mr. Zhang Yingcen, Ms. Sun Yanxi and Mr. Zhang Daoyuan, as sponsors (collectively, the "Sponsors"), (ii) Chequers Development Limited, Gold Shine Development Limited and Tian Lun Group Limited (formerly known as Fortune Hill Group Limited) as special purpose vehicles owned directly and/or indirectly by one or more Sponsors (those special purpose vehicles, together with the Sponsors, the "Grantors"); and (iii) International Finance Corporation ("IFC") and IFC Global Infrastructure Fund, LP ("IFC Fund", "IFC" and "IFC Fund" collectively, the "Investors") entered into a sponsors' agreement (the "Sponsors' Agreement"), pursuant to which the Grantors have, inter alia, granted the Put Option (as defined in the circular of the Company dated 21 April 2015) to IFC and IFC Fund.

   The Grantors assume joint and several obligations to purchase the Put Shares (as defined in the circular of the Company dated 21 April 2015). Accordingly, assuming the Investors elect to exercise the Put Option (as defined in the circular of the Company dated 21 April 2015) in full against Mr. Zhang only, Mr. Zhang is obliged to purchase the Put Shares, being 181,689,608 Shares.

2. Gold Shine Development Limited is interested in 463,297,800 Shares through its wholly-owned subsidiary, namely Tian Lun Group Limited. The entire issued share capital of Gold Shine Development Limited is owned as to 60% by Mr. Zhang. Therefore, Mr. Zhang is deemed or taken to be interested in all the Shares and underlying Shares held by Tian Lun Group Limited for the purposes of the SFO.

   Mr. Zhang wholly-owns Chequers Development Limited, which is interested in 63,728,000 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all the Shares and underlying Shares held by Chequers Development Limited for the purposes of the SFO.

   Mr. Zhang is the director of Gold Shine Development Limited, Tian Lun Group Limited and Chequers Development Limited.

3. The Grantors assume joint and several obligations to purchase the Put Shares under the Sponsors' Agreement. Accordingly, assuming the Investors elect to exercise the Put Option in full against the Sponsors' SPVs (as defined in the circular of the Company dated 21 April 2015) only, the Sponsors' SPVs, as a group, is obliged to purchase the Put Shares, being 181,689,608 Shares. Such underlying 545,068,824 Shares represent the aggregation of the maximum number of the Put Shares that may be put by the Investors to each of the Sponsors' SPVs in such circumstances.

4. Ms. Sun Yanxi ("Ms. Sun"), the spouse of Mr. Zhang 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 purpose of the SFO.

   The Grantors assume joint and several obligations to purchase the Put Shares under the Sponsors' Agreement. Accordingly, assuming the Investors elect to exercise the Put Option in full against Ms. Sun only, Ms. Sun is obliged to purchase the Put Shares, being 181,689,608 Shares.

5. These 4,000,000 underlying Shares represent the 4,000,000 Shares which may be allotted and issued to Mr. Xian upon full exercise of the share options granted to him under the share option scheme adopted by the Company on 13 October 2010 (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).

6. Mr. Xian 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.

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

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

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

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, the 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' REPORT

DIRECTORS' RIGHT 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 ended 31 December 2015 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

So far as is known to the Directors, as at 31 December 2015, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons (except the Directors and chief executives of the Company) had interests or short positions in the Shares or the 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:

Name	Capacity/Nature of Interest	Number of Shares held/ interested	Number of underlying Shares held/ interested	Approximate percentage of issued share capital of the Company
Tian Lun Group Limited (Notes 1, 2 and 3)	Beneficial owner	463,297,800	181,689,608	63.88%
Gold Shine Development Limited (Notes 1, 2 and 4)	Beneficial owner	—	181,689,608	18.00%
	Interest of controlled corporation	463,297,800	181,689,608	63.88%
Chequers Development Limited (Notes 2 and 5)	Beneficial owner	63,728,000	181,689,608	24.31%
Ms. Sun Yanxi (Notes 2 and 6)	Beneficial interest	5,722,500	181,689,608	18.56%
	Interest of spouse	527,025,800	726,758,432	124.18%
Zhang Daoyuan (Notes 2 and 7)	Beneficial interest	—	181,689,608	18.00%
IFC Asset Management Company, LLC (Note 8)	Investment manager	90,871,200	—	10.98%
IFC Fund, LP (Note 8)	Beneficial owner	90,844,804	—	9.00%
IFC (Note 8)	Beneficial owner	90,844,804	—	9.00%
	Interest of controlled corporation	90,844,804	—	9.00%
Munsun Assets Management Ltd (Note 9)	Beneficial interest and interest of controlled corporation	60,649,741	—	6.00%
Munsun Asset Management (Asia) Ltd	Investment manager	60,579,241	—	6.00%
Munsun China Select Fund	Beneficial owner	52,672,500	—	5.22%

DIRECTORS' REPORT

Name	Capacity/Nature of Interest	Number of Shares held/ interested	Number of underlying Shares held/ interested	Approximate percentage of issued share capital of the Company
Koo Yuen Kim	Beneficial owner	64,954,759	—	6.43%
Munsun Absolute Fund	Beneficial owner	50,578,000	—	5.01%
Bliss Best Limited	Beneficial owner	50,578,000	—	5.01%
ABCI Investment Management Limited (Note 10)	Interest of controlled corporation	50,578,000	—	5.01%
ABC International Holdings Limited (Note 10)	Interest of controlled corporation	50,578,000	—	5.01%
Agricultural Bank of China Limited (Note 10)	Interest of controlled corporation	50,578,000	—	5.01%
Central Huijin Investment Ltd. (Note 10)	Interest of controlled corporation	50,578,000	—	5.01%
Ministry of Finance of the People's Republic of China (Note 10)	Interest of controlled corporation	50,578,000	—	5.01%

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 and underlying Shares held by Tian Lun Group Limited for the purposes of the SFO.

(2) The Grantors assume joint and several obligations to purchase the Put Shares under the Sponsors' Agreement.

(3) Such 181,689,608 underlying Shares represent the maximum number of the Put Shares that may be put by the Investors to Tian Lun Group Limited under the Sponsors' Agreement.

(4) Such 181,689,608 underlying Shares represent the maximum number of the Put Shares that may be put by the Investors to Gold Shine Development Limited under the Sponsors' Agreement.

(5) Such 181,689,608 underlying Shares represent the maximum number of the Put Shares that may be put by the Investors to Chequers Development Limited under the Sponsors' Agreement.

(6) Gold Shine Development Limited is owned as to 60% by Mr. Zhang. Together with Notes (1), (3) and (4) above, Mr. Zhang is deemed or taken to be interested in all the Shares and the underlying Shares held by Tian Lun Group Limited for the purposes of the SFO.

Chequers Development Limited is wholly-owned by Mr. Zhang, which in turn owns 63,728,000 Shares. Together with Note (5) above, Mr. Zhang is also deemed or taken to be interested in all the Shares and underlying Shares held by Chequers Development Limited for the purposes of the SFO.

Mr. Zhang may be obliged to purchase the 181,689,608 underlying Shares, representing the maximum number of the Put Shares that may be put by the Investors to Mr. Zhang under the Sponsors' Agreement.

DIRECTORS' REPORT

Ms. Sun is the spouse of Mr. Zhang, and therefore Ms. Sun is deemed or taken to be interested in all the Shares and the underlying Shares in which Mr. Zhang is interested and may be obliged to purchase respectively for the purpose of the SFO.

Ms. Sun holds 5,722,500 Shares through her individual security account and may be obliged to purchase the 181,689,608 underlying Shares, representing the maximum number of the Put Shares that may be put by the Investors to Ms. Sun under the Sponsors' Agreement.

(7) Such 181,689,608 underlying Shares represent the maximum number of the Put Shares that may be put by the Investors to Mr. Zhang Daoyuan under the Sponsors' Agreement.

(8) These 90,844,804 Shares are held by IFC Fund, which is owned as to 100% by IFC. IFC also owns the entire issued share capital of IFC Asset Management Company, LLC. IFC is deemed or taken to be interested in all the Shares held by IFC Fund for the purposes of the SFO.

(9) Munsun Assets Management Ltd beneficially owns 1,372,500 Shares.

Munsun Assets Management Ltd owns the entire issued share capital of Munsun Asset Management (Asia) Ltd, which owns 59,277,241 Shares. Munsun Assets Management Ltd is deemed or taken to be interested in all the Shares held by Munsun Asset Management (Asia) Ltd for the purpose of the SFO.

(10) These 50,578,000 Shares were held by Bliss Best Limited. The Ministry of Finance of the People's Republic of China and Central Huijin Investment Ltd. held 39.21% and 40.41% of the equity interest of Agricultural Bank of China Limited respectively. Agricultural Bank of China Limited held the entire issued capital of ABC International Holdings Limited, which in turn held the entire issued share capital of ABCI Investment Management Limited. ABCI Investment Management Limited held the entire issued share capital of Bliss Best Limited. Therefore, each of the above parties is deemed or taken to be interested in all the Shares held by Bliss Best Limited for the purposes of the SFO.

Save as disclosed above, as at 31 December 2015, 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 a share option scheme (the "Scheme") on 13 October 2010 whereby the Board was authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company (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 Scheme became unconditional on 10 November 2010 and shall be valid and effective for a period of ten years commencing on 13 October 2010, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00. The exercise price of a Share in respect of any particular option granted under the 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.

DIRECTORS' REPORT

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

The total number of securities available for issue under the Scheme as at the date of this report was 61,300,000 Shares which represented approximately 6.07% of the issued share capital of the Company as at the date of this report. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1.0% of the Shares in issue.

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

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 a share option scheme adopted 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.

The status of the share options granted up to 31 December 2015 is as follows:

DIRECTORS' REPORT

Name and category of participant	Number of unlisted share options: As at 1 January 2015	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 31 December 2015	Date of grant of share options	Vesting period of share options	End of exercise period	Share price of the Company as at the date of grant of share options (HKD per Share)
Directors									
Mr. Xian Zhenyuan	4,000,000	—	—	—	4,000,000	27 January 2014	50%: 27 January 2016 to 26 January 2017	26 January 2018	7.01
							50%: 27 January 2017 to 26 January 2018		
Mr. Feng Yi	600,000	—	—	—	600,000	27 January 2014	50%: 27 January 2016 to 26 January 2017	26 January 2018	7.01
							50%: 27 January 2017 to 26 January 2018		
Mr. Sun Heng	600,000	—	—	—	600,000	27 January 2014	50%: 27 January 2016 to 26 January 2017	26 January 2018	7.01
							50%: 27 January 2017 to 26 January 2018		
Ms. Li Tao	600,000	—	—	—	600,000	27 January 2014	50%: 27 January 2016 to 26 January 2017	26 January 2018	7.01
							50%: 27 January 2017 to 26 January 2018		
Other employees	10,840,000	—	1,020,000	—	9,820,000	27 January 2014	50%: 27 January 2016 to 26 January 2017	26 January 2018	7.01
							50%: 27 January 2017 to 26 January 2018		
Total	16,640,000	—	1,020,000	—	15,620,000				

DIRECTORS' REPORT

RELATED PARTIES TRANSACTIONS

The Directors consider that those related party transactions disclosed in note 36 to the consolidated financial statements in this annual report are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

In 2015, sales to the five largest customers of the Group accounted for approximately 28.13% of the turnover of the Group, in which sales to the largest customer accounted for approximately 13.44%, while purchases from the five largest suppliers of the Group accounted for approximately 61.98% of the purchases of the Group in which purchases from the largest supplier accounted for approximately 40.63%. To the best of the Board's knowledge having made all enquiries with all Directors, neither the Directors, their close associates (as defined in the Listing Rules), 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 2015.

COMPETING INTERESTS

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, Gold Shine 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 2015, 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.

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

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PERMITTED INDEMNITY PROVISION

The articles of association of the Company provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has maintained appropriate Directors' liability insurance coverage for the Directors during the financial year ended 31 December 2015.

DIRECTORS' REPORT

SUBSEQUENT EVENTS

Details of important events affecting the Group after the end of 31 December 2015 are set out in the paragraph headed "Subsequent Events" in the "Management Discussion and Analysis" section of this annual report.

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.

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% as prescribed under the Listing Rules.

CORPORATE GOVERNANCE

The Company has implemented the code provisions set out in the Corporate Governance Practice 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 2015.

AUDITOR

The Company has appointed PricewaterhouseCoopers as auditor of the Company for the year ended 31 December 2015. 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 2016

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 2015 to 31 December 2015.

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 of the Company comprised (i) Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan, Mr. Feng Yi, Mr. Sun Heng and Ms. Li Tao as executive Directors; (ii) Mr. Wang Jiansheng as non-executive Director; and (iii) Mr. Cao Zhibin (appointed as independent non-executive Director on 26 July 2013), Mr. Li Liuqing, Mr. Yeung Yui Yuen Michael 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 2015, 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. Feng Yi, Mr. Sun Heng, Ms. Li Tao, Mr. Wang Jiansheng, Mr. Cao Zhibin, Ms. Zhao Jun, Mr. Yeung Yui Yuen Michael 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 2015 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 12 meetings during the year ended 31 December 2015.

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)*	12/12
Mr. Xian Zhenyuan *(Chief Executive)*	12/12
Mr. Feng Yi	12/12
Mr. Sun Heng	12/12
Ms. Li Tao	12/12
Mr. Hu Xiaoming (resigned on 8 January 2015)	–/12
Non-executive Director	
Mr. Wang Jiansheng (appointed on 21 September 2015)	4/12
Independent non-executive Directors	
Mr. Cao Zhibin	12/12
Ms. Zhao Jun	12/12
Mr. Zhang Jiaming (resigned on 1 September 2015)	8/12
Mr. Li Liuqing	12/12
Mr. Yeung Yui Yuen Michael (appointed on 1 September 2015)	4/12

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

Audit Committee

The 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 internal controls for the year ended 31 December 2015. The Group's final results for the year ended 31 December 2015 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 3 meetings during the year ended 31 December 2015.

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

CORPORATE GOVERNANCE REPORT

Member	Attendance/Committee Meetings held
Mr. Li Liuqing *(Chairman)*	3/3
Mr. Yeung Yui Yuen Michael (appointed on 1 September 2015)	1/3
Ms. Zhao Jun	3/3
Mr. Zhang Jiaming (resigned on 1 September 2015)	2/3

Nomination Committee

The primary duties of the Nomination Committee are, among others, 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. Yeung Yui Yuen Michael and Ms. Zhao Jun, and Mr. Zhang Yingcen, an executive Director and the chairman of the Board, who is also the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once every year.

The Nomination Committee held two meetings during the year ended 31 December 2015 for reviewing the structure of the Board, size and composition of the Board, assessing the independence of the independent 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. Yeung Yui Yuen Michael (appointed on 1 September 2015)	1/2
Ms. Zhao Jun	2/2
Mr. Zhang Jiaming (resigned on 1 September 2015)	1/2

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 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 the 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, among others, (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. Yeung Yui Yuen Michael, 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 one meeting during the year ended 31 December 2015.

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)*	1/1
Mr. Zhang Yingcen	1/1
Mr. Yeung Yui Yuen Michael (appointed on 1 September 2015)	–/1
Mr. Zhang Jiaming (resigned on 1 September 2015)	1/1

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors had 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.

Mr. Wang Jiansheng, a non-executive Director, had entered into a service contract with the Company for a term of 3 years commencing from 21 September 2015 and subject to termination by either party upon giving no less than one month' prior written notice to the other party.

Each of Mr. Li Liuqing and Ms. Zhao Jun, being independent non-executive Directors, had entered into a service contract with the Company for a term of 3 years commencing from 10 November 2015 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 2015 and subject to termination by either party upon giving no less than 3 months' prior written notice to the other party. Mr. Yeung Yui Yuen Michael, an independent non-executive Director, has entered into a service contract with the Company for a term of 3 years commencing from 1 September 2015 and subject to termination by either party upon giving no less than one month' 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

Two general meetings were held during the year ended 31 December 2015. The attendance record of the Directors is as follows:

Directors	Attendance/General Meetings held
Executive Directors	
Mr. Zhang Yincen *(Chairman)*	2/2
Mr. Xian Zhenyuan *(Chief Executive)*	2/2
Mr. Feng Yi	2/2
Mr. Sun Heng	1/2
Ms. Li Tao	2/2
Mr. Hu Xiaoming (resigned on 8 January 2015)	–/2
Non-executive Director	
Mr. Wang Jiansheng (appointed on 21 September 2015)	1/2
Independent Non-executive Directors	
Mr. Cao Zhibin	–/2
Mr. Li Liuqing	2/2
Mr. Yeung Yui Yuen Michael (appointed on 1 September 2015)	1/2
Ms. Zhao Jun	2/2
Mr. Zhang Jiaming (resigned on 1 September 2015)	1/2

The Company's external auditors also attended the 2015 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 2015.

The auditor to the Company acknowledges its reporting responsibilities in the auditor's report on the financial statements for the year ended 31 December 2015. 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 2015, the Group's audit expenses amounted to RMB3,200,000. 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

CORPORATE GOVERNANCE REPORT

results to the Audit Committee and provide the members 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 had conducted a review of the effectiveness of the internal control system of the Group during the year ended 31 December 2015.

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

Pursuant to Article 64 of the Articles of Association, 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 company secretary of the Company 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 of Association, 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 of Association, 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 changes in the Company's constitutional documents during the year ended 31 December 2015.

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 set out on pages 62 to 165, which comprise the consolidated balance sheet as at 31 December 2015, 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Renminbi ("RMB"))

	Note	Year ended 31 December 2015 RMB'000	 2014 RMB'000
Revenue	5	**2,251,970**	1,343,936
Cost of sales	8	**(1,643,200)**	(882,440)
Gross profit		**608,770**	461,496
Distribution expenses	8	**(17,839)**	(16,148)
Administrative expenses	8	**(114,812)**	(84,111)
Other income	6	**11,531**	—
Other gains — net	7	**38,422**	9,945
Operating profit		**526,072**	371,182
Finance income		**44,936**	40,155
Finance expenses		**(141,919)**	(66,922)
Finance expenses — net	10	**(96,983)**	(26,767)
Share of post-tax profit/(losses) of associates	11b	**382**	(106)
Profit before income tax		**429,471**	344,309
Income tax expense	12	**(111,489)**	(93,370)
Profit for the year		**317,982**	250,939
Profit attributable to:			
Owners of the Company		**284,242**	220,153
Non-controlling interests		**33,740**	30,786
		317,982	250,939
Other comprehensive income:			
Item that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets	26	**(1,315)**	—
Other comprehensive income for the year, net of tax		**(1,315)**	—
Total comprehensive income for the year		**316,667**	250,939
Attributable to:			
Owners of the Company		**282,927**	220,153
Non-controlling interests		**33,740**	30,786
		316,667	250,939
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB per share)			
— Basic earnings per share	13	**0.30**	0.27
— Diluted earnings per share	13	**0.30**	0.27

The notes on pages 67 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

(All amounts in RMB)

	Note	As at 31 December 2015 RMB'000	2014 RMB'000 (Restated)
ASSETS			
Non-current assets			
Lease prepayments	14	**170,745**	118,477
Property, plant and equipment	15	**1,943,756**	1,082,736
Investment properties	16	**19,662**	8,203
Intangible assets	17	**2,478,723**	1,269,134
Investments accounted for using the equity method	11b	**50,803**	49,894
Deferred income tax assets	30	**12,041**	3,676
Available-for-sale financial assets	18	**40,417**	—
Trade and other receivables	19	**49,715**	11,917
Prepayments related to other non-current assets	20	**297,093**	10,612
		5,062,955	2,554,649
Current assets			
Inventories	21	**60,547**	76,709
Trade and other receivables	19	**593,121**	480,140
Available-for-sale financial assets	18	**3,000**	2,000
Financial assets at fair value through profit or loss	22	**318,882**	331,474
Cash and cash equivalents	23	**609,385**	263,584
Restricted cash	23	**30,519**	22,121
		1,615,454	1,176,028
Total assets		**6,678,409**	3,730,677
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	24	**8,512**	7,077
Share premium	24	**1,366,774**	454,188
Reserves	26	**95,987**	68,366
Retained earnings	26	**877,091**	616,336
		2,348,364	1,145,967
Non-controlling interests		**434,014**	331,001
Total equity		**2,782,378**	1,476,968

CONSOLIDATED BALANCE SHEET

(All amounts in RMB)

	Note	As at 31 December 2015 RMB'000	2014 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings	29	**1,887,102**	722,609
Other payables	27	**136,598**	158,749
Deferred income tax liabilities	30	**314,887**	161,816
		2,338,587	1,043,174
Current liabilities			
Trade and other payables	27	**505,717**	354,562
Dividend payables		**2,492**	—
Advance from customers	28	**127,735**	144,458
Current income tax liabilities		**71,992**	51,112
Borrowings	29	**849,508**	660,403
		1,557,444	1,210,535
Total liabilities		**3,896,031**	2,253,709
Total equity and liabilities		**6,678,409**	3,730,677

The notes on pages 67 to 165 are an integral part of these consolidated financial statements.

The financial statements on pages 62 to 165 were approved by the Board of Directors on 31 March 2016 and were signed on its behalf.

Mr. Zhang Yingcen
Director

Mr. Xian Zhenyuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB)

	Attributable to owners of the Company						
	Share capital RMB'000 Note 24	Share premium RMB'000 Note 24	Reserves RMB'000 Note 26	Retained earnings RMB'000 Note 26	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014	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, as restated (Note 35.2)	—	—	—	—	—	132,900	132,900
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
Total transactions with owners	—	—	34,257	(28,411)	5,846	129,149	134,995
Balance at 31 December 2014, as restated	7,077	454,188	68,366	616,336	1,145,967	331,001	1,476,968
Balance at 1 January 2015, as restated	7,077	454,188	68,366	616,336	1,145,967	331,001	1,476,968
Comprehensive income							
Profit for the year	—	—	—	284,242	284,242	33,740	317,982
Other comprehensive income							
Available-for-sale financial assets	—	—	(1,315)	—	(1,315)	—	(1,315)
Total comprehensive income	—	—	(1,315)	284,242	282,927	33,740	316,667
Transactions with owners							
Issue of shares	1,435	912,586	—	—	914,021	—	914,021
Appropriation	—	—	23,487	(23,487)	—	—	—
Acquisition of subsidiaries (Note 35.1)	—	—	—	—	—	71,872	71,872
Dividends paid to non-controlling interests	—	—	—	—	—	(2,599)	(2,599)
Employee share option scheme:							
— Value of employee services	—	—	5,449	—	5,449	—	5,449
Total transactions with owners	1,435	912,586	28,936	(23,487)	919,470	69,273	988,743
Balance at 31 December 2015	**8,512**	**1,366,774**	**95,987**	**877,091**	**2,348,364**	**434,014**	**2,782,378**

The notes on pages 67 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB)

	Note	Year ended 31 December **2015** **RMB'000**	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**516,535**	369,700
Interest paid		**(173,706)**	(71,485)
Income tax paid		**(108,397)**	(73,764)
Net cash generated from operating activities		**234,432**	224,451
Cash flows from investing activities			
Purchases of property, plant and equipment		**(262,976)**	(247,385)
Increase in lease prepayments		**(5,911)**	(27,285)
Proceeds from disposal of property, plant and equipment	32	**4,435**	4,900
Purchase of intangible assets		**(874)**	(162)
Purchases of available-for-sale financial assets		**(53,000)**	(419,650)
Proceeds from disposal of available-for-sale financial assets		**52,062**	417,984
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		**2,000**	—
Net cash outflow for the acquisition of subsidiaries	35	**(1,150,610)**	(411,976)
Proceeds from indemnification asset		**60,000**	—
Prepayments related to share purchase agreements		**(257,030)**	—
Dividend income from available-for-sale financial assets		**4,832**	—
Investment income on financial assets at fair value through profit or loss		**51,112**	38,038
Interest received		**4,416**	6,100
Investment in associate		**—**	(50,000)
Changes in restricted cash		**(1,829)**	(12,942)
Loan to third party		**—**	(50,000)
Repayment of loan from third party		**50,000**	—
Net cash used in investing activities		**(1,503,373)**	(852,378)
Cash flows from financing activities			
Proceeds from shares issued		**916,428**	—
Proceeds from borrowings		**2,748,679**	605,512
Repayments of borrowings		**(1,978,917)**	(286,618)
Capital injection from non-controlling interests		**—**	1,000
Dividends paid to non-controlling interests		**(3,067)**	(4,751)
Changes in restricted cash		**(6,569)**	—
Loan repayments to third parties		**(80,000)**	—
Net cash generated from financing activities		**1,596,554**	315,143
Net increase/(decrease) in cash and cash equivalents		**327,613**	(312,784)
Cash and cash equivalents at beginning of the year	23	**263,584**	576,402
Exchange gains/(losses) on cash and cash equivalents		**18,188**	(34)
Cash and cash equivalents at end of the year	23	**609,385**	263,584

The notes on pages 67 to 165 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(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 31 March 2016.

These consolidated financial statements are presented in RMB, 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 all applicable 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 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 2015
(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 amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015, which do not have any significant impact to the Group:

- Amendment to HKFRS 8, "Operating segments" requires disclosure of the judgments made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

- Amendment to HKAS 24, "Related Party Disclosures" does not require the reporting entity to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

- Amendment to HKAS 40, "Investment property" clarifies that the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Group.

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(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)

(c) 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 2015, 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 HKFRS 9's full impact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(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)

(c) New standards and interpretations not yet adopted *(continued)*

- HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

- Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

  The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

  i. where the intangible asset is expressed as a measure of revenue; or

  ii. where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

  Amendments to HKAS 16 and HKAS 38 are effective for an entity's annual HKFRS financial statements for a period beginning on or after 1 January 2016, with earlier application permitted.

- Amendment to HKAS 27 on equity method in separate financial statements. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(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)

(c) New standards and interpretations not yet adopted *(continued)*

- Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate. The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

- Annual improvements 2014 — These annual improvements address certain issues in the 2012-2014 reporting cycle, primarily with a view to removing inconsistencies and clarifying wording. They include changes to the following standards which are relevant to the Group's operations. These annual improvements are effective for annual periods beginning on or after 1 January 2016.

  Amendment to HKFRS 7: Financial Instruments: Disclosure
  Amendment to HKAS 19: Employee Benefits

- The amendment to HKAS 34, 'Interim financial reporting'. It clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information.

  An entity shall apply the amendment to HKAS 34 retrospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

- Amendments to HKAS 1 "Disclosure initiative", clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

  Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(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)

(c) New standards and interpretations not yet adopted *(continued)*

The key areas addressed by the changes are as follows:

- Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material;

- Disaggregation and subtotals: the amendments clarify what additional subtotals are acceptable and how they should be presented;

- Notes: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users;

- Accounting policies: how to identify a significant accounting policy that should be disclosed;

- Other comprehensive income from equity accounted investments: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not.

An entity shall apply those amendments to HKAS 1 for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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 unless the transaction provides evidence of an impairment of the transferred asset. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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

2.3 Associates

Associates are entities 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 associates' 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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 — 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

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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 currency translation 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. Currency translation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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 — 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 — 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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

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) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives which are determined by the length of the adjusted lengths based on the existing sales contracts with its customers while taking into account the possibility of renewals by the management.

(e) 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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.

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 — 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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 include 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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

2.20 Borrowings costs *(continued)*

Borrowing costs include interest expense, finance charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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

2.21 Current and deferred income tax *(continued)*

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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 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 2015
(All amounts in RMB unless otherwise stated)

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

2.24 Revenue recognitions *(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 or directors, where appropriate.

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 and derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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, and the Group companies may mitigate the foreign exchange risk through purchasing foreign exchange forward contract or cross-currency swap. As at 31 December 2015 and 2014, the Group did not hold any foreign exchange forward contract, cross-currency swap or other derivative financial instruments.

As at 31 December 2015, if RMB had weakened/strengthened by 1% (2014: 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 RMB7,603,000 (2014: RMB5,026,000) 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 2015, the Group's borrowings of RMB2,348,112,000 (2014: RMB1,296,072,000) bore interest at variable rates and borrowings of RMB388,498,000 (2014: RMB86,940,000) 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 2015, if interest rates on borrowings at variable rates had been 0.3% higher/lower with all other variables held constant, profit before income tax for the year would have been approximately RMB7,044,000 (2014: RMB3,888,000) lower/higher, respectively, mainly as a result of higher/lower interest expense on variable rate borrowings.

As at 31 December 2015, if interest rates on all interest-bearing bank deposits had been 0.3% higher/lower with all other variables held constant, profit before income tax for the year would have been approximately RMB1,824,000 (2014: RMB853,000) higher/lower, respectively, mainly as a result of higher/lower interest income earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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 2015 and 2014, 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 include non-derivative financial products purchased from major listed banks in the PRC with comparatively lower risk and equity investment on an investee who also operates in the gas industry 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 large number of counterparties and customers.

The Group generally requests advances from customers in relation to the gas pipeline connection business, and grants credit periods up to two months to the customers in relation to the transportation and sales of gases business. 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 2015
(All amounts in RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

The table below analyses the Group'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 2015				
Bank borrowings	**937,837**	**606,289**	**786,997**	**263,990**
Other borrowings	**18,750**	**16,801**	**296,810**	**136,492**
Trade and other payables (i)	**496,690**	**14,753**	**108,000**	**106,448**
At 31 December 2014 (restated)				
Bank borrowings	723,421	416,024	349,740	—
Other borrowings	2,803	188	608	5,172
Trade and other payables (i)	345,858	10,500	135,689	110,703

(i) Trade and other payables include notes payables, trade payables, amounts due to related parties, other payables and interest payables as stated in Note 27.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management *(continued)*

The gearing ratios as at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
		(Restated)
Total borrowings (Note 29)	**2,736,610**	1,383,012
Less: cash and cash equivalents (Note 23)	**(609,385)**	(263,584)
Net debt	**2,127,225**	1,119,428
Total equity	**2,782,378**	1,476,968
Total capital	**4,909,603**	2,596,396
Gearing ratio	**43%**	43%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(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 2015.

	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	**–**	**–**	**318,882**	**318,882**
Available-for-sale financial assets				
— Bank financial products	**–**	**–**	**3,000**	**3,000**
— Unlisted equity securities in gas industry	**–**	**–**	**40,417**	**40,417**
Total assets	**–**	**–**	**362,299**	**362,299**
Liabilities				
Other payables				
— Contingent consideration (i)	**–**	**–**	**237,212**	**237,212**

(i) As at 31 December 2015, the contingent consideration payables were included in the current and non-current portion of other payables with amounts of RMB112,806,000 and RMB124,406,000, respectively.

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 (Restated) (i)	—	—	252,036	252,036

(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 RMB107,507,000 and RMB144,529,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

There were no transfers among levels 1, 2 and 3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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 2015.

	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	331,474	2,000	(252,036)	81,438
Acquisition of subsidiaries (Note 35.1)	—	42,170	(85,027)	(42,857)
Additions	—	53,000	—	53,000
Changes in fair value recognised in profit or loss	—	—	35,889	35,889
Net losses transfer to other comprehensive income	—	(1,753)	—	(1,753)
Disposals	(12,592)	(52,000)	—	(64,592)
Cash paid	—	—	63,962	63,962
Balance at 31 December	318,882	43,417	(237,212)	125,087
Total gains/(losses) for the year for assets and liabilities held at the end of the year included in:				
Profit or loss	40,520	62	35,889	76,471
Other comprehensive income	—	(1,753)	—	(1,753)
	40,520	(1,691)	35,889	74,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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 2014.

	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	221,824	—	(95,670)	126,154
Acquisition of subsidiaries, as restated (Note 35.2)	—	—	(185,645)	(185,645)
Additions	100,000	419,650	—	519,650
Changes in fair value recognised in profit or loss	9,650	—	(8,280)	1,370
Disposals	—	(417,650)	—	(417,650)
Cash paid	—	—	37,559	37,559
Balance at 31 December	331,474	2,000	(252,036)	81,438
Total gains/(losses) for the year included in profit or loss for assets and liabilities held at the end of the year	34,055	334	(8,280)	26,109

See Note 35 for disclosures of the measurement of the contingent consideration.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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 CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17).

In the opinion of the Company's directors, the recoverable amounts of the CGUs will not be lower than the carrying amount even if taking into account a reasonably possible change in a key assumption on the calculations of recoverable amounts of CGUs.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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

The Group had acquired 100% equity interest of Beijing Hui Ji Tai Zhan Investment Company Limited and indirectly controlled its subsidiaries Beijing Hui Ji Energy Holdings Limited, Henan Hui Ji Energy Limited, Sanming Hui Ji Energy Company Limited and Wujiang City Natural Gas Pipeline Network Company Limited (together the "Beijing Huiji Group") during the year ended 31 December 2015. The senior executive management team reviewed the results of Beijing Huiji Group being consolidated by the Group and Beijing Huiji Group is regarded a single operating segment.

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 sales revenue and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

5 SEGMENT INFORMATION *(continued)*

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2015 is as follows:

	Transportation and sales of gas RMB'000	Gas pipeline connections RMB'000	Beijing Huiji Group RMB'000	All other segments RMB'000	Inter-segment elimination RMB'000	Unallocated RMB'000	Total RMB'000
External revenue	975,034	571,041	675,735	30,160	–	–	2,251,970
Inter-segment revenue	–	–	293	–	(293)	–	–
Total revenue	975,034	571,041	676,028	30,160	(293)	–	2,251,970
Gross profit	166,116	357,951	69,851	14,852	–	–	608,770
Distribution expenses						(17,839)	(17,839)
Administrative expenses						(114,812)	(114,812)
Other income						11,531	11,531
Other gains — net						38,422	38,422
Operating profit							526,072
Finance expenses — net						(96,983)	(96,983)
Share of post-tax profit of associates						382	382
Profit before income tax							429,471
Income tax expense						(111,489)	(111,489)
Profit for the year							317,982

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

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 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.

During the year ended 31 December 2015, revenue of approximately RMB302,698,000 and 13% of the Group's total revenue, is derived from a single external customer (2014: none). The revenue is attributable to the Beijing Huiji Group segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

6. OTHER INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Dividend income from available-for-sale financial assets	**4,832**	—
Government grants in relation to		
— Tax refund	**2,699**	—
— Subsidies for local investment rewards	**2,000**	—
Others	**2,000**	—
	11,531	—

7. OTHER GAINS — NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Gains on disposal of available-for-sale financial assets	**62**	334
Gains on disposal of property, plant and equipment (Note 32)	**905**	346
Changes on fair value of contingent consideration for acquisition of subsidiaries	**35,889**	—
Reversal of liabilities	**—**	10,000
Others	**1,566**	(735)
	38,422	9,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

8. EXPENSES BY NATURE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Raw materials and consumables used	**1,362,257**	655,144
Changes in inventories of finished goods and work in progress	**8,414**	31,142
Depreciation on property, plant and equipment (Note 15)	**84,411**	46,059
Depreciation on investment properties (Note 16)	**868**	476
Amortisation of lease prepayments (Note 14)	**4,384**	2,968
Amortisation of intangible assets (Note 17)	**51,972**	26,050
Employee benefit expense (Note 9)	**114,674**	83,006
Licensing fee for the exclusive operating rights for city pipeline network	**1,100**	1,100
Engagement of construction and design services	**62,232**	66,229
Transportation	**6,918**	5,694
Auditors' remuneration		
— Audit services	**3,200**	3,100
Professional expenses	**6,513**	1,736
Advertising expenses	**3,539**	2,370
Entertainment expenses	**4,989**	5,154
Office expenses	**6,489**	5,904
Taxes	**27,799**	25,456
Energy consumption	**16,772**	12,882
Other expenses	**9,320**	8,229
Total cost of sales, distribution expenses and administrative expenses	**1,775,851**	982,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

9. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages and salaries	**80,595**	57,961
Pension costs — defined contribution plans	**10,722**	7,066
Social security benefits costs	**9,632**	6,049
Share options granted to directors and employees (Note 25)	**5,449**	5,846
Others	**8,276**	6,084
	114,674	83,006

(a) Five highest paid individuals

The five individuals whose emoluments were highest in the Group for the year ended 31 December 2015 included two (2014: two) directors whose emoluments are reflected in the analysis shown in Note 39. The emoluments payable to the remaining three individuals for the year ended 31 December 2015 (2014: three) are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Basic salaries, and allowances	**919**	678
Retirement benefit contributions	**31**	14
	950	692

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

	Year ended 31 December	
	2015	2014
Nil to Hong Kong Dollar ("HK$")1,000,000 (approximate to RMB813,400)	**3**	3

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

10. FINANCE EXPENSES — NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance income		
— Interest income from bank deposits and loan to third party	**(4,416)**	(6,100)
— Investment gains on financial assets at fair value through profit or loss	**(40,520)**	(34,055)
	(44,936)	(40,155)
Finance expenses		
— Interest expense on borrowings	**139,217**	80,055
— Exchange losses	**30,647**	34
— Interest on other financial liabilities	**—**	8,280
— Others	**634**	542
Less: amounts capitalised on qualifying assets	**(28,579)**	(21,989)
	141,919	66,922
	96,983	26,767

11a. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2015:

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") (河南天倫燃氣集團有限公司)	PRC/ 1 November 2002	Limited liability company	1,000,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11a. 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
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
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 Wantong Gas Limited ("Baiyin Wantong") (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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11a. 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
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11a. 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
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	13,000	100%	Sales of pipelined natural gas, construction and connection of gas pipelines in the PRC
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	12,000	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") (邢臺天倫運輿車用燃氣有限公司)	PRC/ 31 May 2012	Limited liability company	20,000	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11a. 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
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11a. 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
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11a. 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 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
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
Beijing Hui Ji Tai Zhan Investment Company Limited ("Hui Ji Tai Zhan") (北京慧基泰展投資有限公司)	PRC/ 23 May 2006	Limited liability company	70,000	100%	Intermediary holding in the PRC
Beijing Hui Ji Energy Holdings Limited ("Hui Ji Energy") (北京慧基能源控股有限公司)	PRC/ 2 April 2014	Limited liability company	343,320	100%	Intermediary holding in the PRC
Henan Hui Ji Energy Limited ("Henan Huiji") (河南慧基能源有限公司)	PRC/ 19 February 2008	Limited liability company	265,411	90%	Sales and transportation gas/PRC
Sanming Hui Ji Energy Company Limited ("Sanming Huiji") (三明慧基能源有限公司)	PRC/ 9 January 2012	Limited liability company	24,000	100%	Sales and transportation gas, gas pipeline connections/PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11a. 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
Wujiang City Natural Gas Pipeline Network Company Limited ("Wujiang Pipeline") (吳江市天然氣管網有限公司)	PRC/ 17 March 2008	Limited liability company	50,000	85%	Sales and transportation gas/PRC
Li Quan County Hong Yuan Natural Gas Company Limited ("Liquan Hongyuan") (禮泉縣宏遠天然氣有限公司)	PRC/ 12 December 2005	Limited liability company	3,000	100%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC
Qian County Hong Yuan Natural Gas Company Limited ("Qianxian Hongyuan") (乾縣宏遠天然氣有限公司)	PRC/ 18 September 2006	Limited liability company	3,000	100%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC
Jilin Qian'an Tianlun Gas Company Limited ("Jilin Qian'an") (吉林乾安天倫燃氣有限公司)	PRC/ 21 May 2010	Limited liability company	19,000	90%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC
Hunan Zhongyou Zhiyuan Gas Company Limited ("Hunan Zhongyou") (湖南中油致遠燃氣有限公司)	PRC/ 31 March 2011	Limited liability company	10,000	100%	Sales of pipelined natural gas; construction and connection of gas pipelines in the PRC

* The issued capital of Upsky Holdings is USD1,000.
The issued capital of Tian Lun New Energy is HK$2.
The issued capital of HK Xin Rong is USD100,000.
The issued capital of Wah Shing Century is HK$100,000.

** Shares hold directly by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11a. SUBSIDIARIES *(continued)*

(a) Material non-controlling interests

The total non-controlling interests as at 31 December 2015 are approximately RMB434,014,000 (2014: RMB331,001,000), of which approximately RMB17,562,000 (2014: RMB16,308,000) is attributed to Henan Luyuan, approximately RMB177,462,000 (2014: RMB156,721,000) is attributed to Jilin Zhongji, approximately RMB104,592,000 (2014: RMB109,685,000) is attributed to Chaozhou Huamao, approximately RMB23,258,000 (2014: RMB22,439,000) is attributed to Shantou Chenghai, approximately RMB37,973,000 is attributed to Henan Huiji, and approximately RMB35,853,000 is attributed to Wujiang Pipeline. 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		Henan Huiji As at 31 December	Wujiang Pipeline As at 31 December
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	**2015**
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	**RMB'000**
Current										
Assets	**160,814**	168,492	**29,157**	24,975	**17,106**	18,782	**46,866**	57,898	**194,234**	**29,835**
Liabilities	**(129,202)**	(171,326)	**(9,752)**	(8,690)	**(86,999)**	(62,267)	**(45,221)**	(52,682)	**(223,963)**	**(154,302)**
Total net current assets/(liabilities)	**31,612**	(2,834)	**19,405**	16,285	**(69,893)**	(43,485)	**1,645**	5,216	**(29,729)**	**(124,467)**
Non-current										
Assets	**258,563**	248,740	**34,564**	33,301	**191,369**	186,600	**100,665**	83,878	**391,213**	**202,492**
Liabilities	**–**	—	**–**	—	**–**	(14,220)	**–**	—	**(120,000)**	**–**
Total non-current assets	**258,563**	248,740	**34,564**	33,301	**191,369**	172,380	**100,665**	83,878	**271,213**	**202,492**
Net assets	**290,175**	245,906	**53,969**	49,586	**121,476**	128,895	**102,310**	89,094	**241,484**	**78,025**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11a. SUBSIDIARIES *(continued)*

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

Summarised statement of comprehensive income

	Jilin Zhongji		Henan Luyuan		Chaozhou Huamao		Shantou Chenghai		Henan Huiji	Wujiang Pipeline
	Year ended 31 December		Year ended 31 December		Year ended 31 December	Period for the eleven months ended 31 December	Year ended 31 December	Period for the eight months ended 31 December	Period for the nine months ended 31 December	Period for the nine months ended 31 December
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	**2015**
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	**RMB'000**
Revenue	**154,133**	208,294	**30,522**	38,485	**54,765**	46,191	**67,705**	74,435	**272,154**	**402,045**
Profit/(loss) before income tax	**59,057**	70,892	**5,950**	7,350	**(9,865)**	(394)	**17,691**	21,767	**8,878**	**42,380**
Income tax expense	**(14,788)**	(16,775)	**(1,567)**	(2,335)	**2,446**	130	**(4,475)**	(6,064)	**(2,323)**	**(10,964)**
Profit/(loss) for the year/period	**44,269**	54,117	**4,383**	5,015	**(7,419)**	(264)	**13,216**	15,703	**6,555**	**31,416**
Other comprehensive income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	**–**
Total comprehensive income	**44,269**	54,117	**4,383**	5,015	**(7,419)**	(264)	**13,216**	15,703	**6,555**	**31,416**
Total comprehensive income allocated to non-controlling interests	**21,692**	26,517	**1,315**	1,505	**(2,968)**	(106)	**1,322**	1,570	**656**	**4,712**
Dividends paid to non-controlling interests	**–**	–	**–**	–	**–**	–	**–**	–	**–**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11a. SUBSIDIARIES *(continued)*

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

Summarised statement of cash flows

	Jilin Zhongji		Henan Luyuan		Chaozhou Huamao		Shantou Chenghai		Henan Huiji	Pipeline
	Year ended 31 December		Year ended 31 December		Year ended 31 December	Period for the eleven months ended 31 December	Year ended 31 December	Period for the eight months ended 31 December	Period for the nine months ended 31 December	Period for the nine months ended 31 December
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	**2015**
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	**RMB'000**
Cash flows from operating activities										
Cash generated from operations	**20,266**	33,741	**3,098**	10,962	**16,394**	60,801	**5,116**	22,285	**166,657**	**42,743**
Interest paid	**–**	–	**(79)**	(60)	**(4,014)**	–	**(1,513)**	(1,409)	**(14,971)**	**(6,481)**
Income tax paid	**(14,239)**	(8,619)	**(1,324)**	(2,624)	**–**	–	**(10,485)**	(3,850)	**(6)**	**(7,142)**
Net cash generated from/ (used in) operating activities	**6,027**	25,122	**1,695**	8,278	**12,380**	60,801	**(6,882)**	17,026	**151,680**	**29,120**
Net cash used in investing activities	**(18,960)**	(21,754)	**(1,316)**	(7,810)	**(8,790)**	(61,612)	**(3,985)**	(7,811)	**(10,697)**	**(7,331)**
Net cash used in financing activities	**(87)**	–	**(15)**	(500)	**(12)**	–	**(9,135)**	–	**(90,032)**	**(25,130)**
Net (decrease)/increase in cash and cash equivalents	**(13,020)**	3,368	**364**	(32)	**3,578**	(811)	**(20,002)**	9,215	**50,951**	**(3,341)**
Cash and cash equivalents at beginning of year/period	**35,253**	31,885	**2,834**	2,866	**3,564**	4,375	**24,851**	15,636	**8,631**	**15,017**
Cash and cash equivalents at end of year/period	**22,233**	35,253	**3,198**	2,834	**7,142**	3,564	**4,849**	24,851	**59,582**	**11,676**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated balance sheet are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Associates	**50,803**	49,894

The amounts recognised in profit and loss are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Associates	**382**	(106)

Set out below are the associates of the Group as at 31 December 2015, which are held directly by the Group; the country of incorporation is also the principal place of business.

Nature of investment in associates as at 31 December 2015

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
Suzhou Ping Zhuang Industrial Gas Co., Ltd ("Suzhou Ping Zhuang") (蘇州平莊工業天然氣有限公司)	Jiangsu, the PRC	20.00	Note 2	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 partner for the Group, providing access to new customers and markets of the upstream gas industry and creating synergies with the subsidiaries of the Group.

Note 2: Suzhou Ping Zhuang mainly engages in the sales of bottled gas. Suzhou Ping Zhuang provides access to new customers and markets.

Inner Mongolia Petroleum and Gas and Suzhou Ping Zhuang are unlisted company and there is no quoted market price available for its equity.

There are no contingent liabilities relating to the Group's interests in the associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

Summarised financial information for the associates

Summarised balance sheets

	Inner Mongolia Petroleum and Gas As at 31 December		Suzhou Ping Zhuang As at 31 December
	2015	2014	**2015**
	RMB'000	RMB'000	**RMB'000**
Current			
Cash and cash equivalents	**7,031**	149,866	**37**
Other current assets (excluding cash and cash equivalents)	**145,328**	251	**668**
Total current assets	**152,359**	150,117	**705**
Other current liabilities (including trade payables)	**(1,743)**	(436)	**(4,539)**
Total current liabilities	**(1,743)**	(436)	**(4,539)**
Non-current			
Other non-current assets	**480**	—	**6,049**
Total non-current assets	**480**	—	**6,049**
Net assets	**151,096**	149,681	**2,215**

Summarised statements of comprehensive income

	Inner Mongolia Petroleum and Gas Year ended 31 December		Suzhou Ping Zhuang Nine months ended 31 December
	2015	2014	**2015**
	RMB'000	RMB'000	**RMB'000**
Revenue	**—**	—	**9,597**
Profit/(loss) before income tax	**1,781**	(319)	**(446)**
Profit/(loss) for the year/period	**1,415**	(319)	**(446)**
Total comprehensive income	**1,415**	(319)	**(446)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

11b. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

Summarised financial information for the associates *(continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in associates:

Summarised financial information

	Inner Mongolia Petroleum and Gas Year ended 31 December		Suzhou Ping Zhuang Nine months ended 31 December
	2015	2014	**2015**
	RMB'000	RMB'000	**RMB'000**
Opening net assets	**149,681**	150,000	**2,661**
Profit/(loss) for the year/period	**1,415**	(319)	**(446)**
Closing net assets	**151,096**	149,681	**2,215**
Interest in associates (33.33%; 20%)	**50,360**	49,894	**443**
Carrying value	**50,360**	49,894	**443**

12. INCOME TAX EXPENSE

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

(b) Hong Kong profits tax

For the years ended 31 December 2015 and 2014, there are no Hong Kong profits tax applicable to any Group entities as no Group entities 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 2015 and 2014, 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% (2014: 25%), except for Gansu Baiyin, Liquan Hongyuan and Qianxian Hongyuan as they were approved to entitle to the CIT Preferential Policies for the Development of the Western Regions and the CIT rate of 2015 is 15% (2014: 15%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

12. INCOME TAX EXPENSE *(continued)*

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

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current tax on profits for the year	**124,542**	96,872
Deferred tax (Note 30)	**(13,053)**	(3,502)
	111,489	93,370

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	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	**429,471**	344,309
Tax calculated at statutory tax rate applicable to each group entity	**111,253**	83,899
Income not subject to tax	**(1,304)**	—
Expenses not deductible for tax purposes	**1,246**	1,965
Tax losses with no deferred tax assets recognised	**1,091**	7,135
Utilisation of previously unrecognised tax losses	**(797)**	—
Others	**–**	371
	111,489	93,370

The weighted average applicable tax rate for the year ended 31 December 2015 is 26% (2014: 24%).

The tax credit relating to components of other comprehensive income is as follows:

	Year ended 31 December					
	2015			2014		
	Before tax	**Tax credit**	**After tax**	Before tax	Tax credit	After tax
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Fair value losses on available-for-sale financial assets	**(1,753)**	**438**	**(1,315)**	—	—	—
Other comprehensive income	**(1,753)**	**438**	**(1,315)**	—	—	—
Deferred tax (Note 30)	**–**	**(438)**	**–**	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

13. 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	
	2015	2014
Profit attributable to owners of the Company (RMB'000)	**284,242**	220,153
Weighted average number of shares in issue (thousands)	**954,562**	827,925
Basic earnings per share (RMB per share)	**0.30**	0.27

(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	
	2015	2014
Profit attributable to owners of the Company (RMB'000)	**284,242**	220,153
Weighted average number of shares in issue (thousands)	**954,562**	827,925
Adjustments for:		
— Share options (thousands)	**–**	2,308
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**954,562**	830,233
Diluted earnings per share (RMB per share)	**0.30**	0.27

During the year ended 31 December 2015, the share options were antidilutive (2014: dilutive).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

14. LEASE PREPAYMENTS

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:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Opening net book value	**118,477**	64,833
Acquisition of subsidiaries (Note 35.1)	**29,974**	29,725
Additions	**26,678**	26,887
Amortisation charge	**(4,384)**	(2,968)
Closing net book value	**170,745**	118,477

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

(b) As at 31 December 2015, the Group was in the process of obtaining the legal title of land use rights with carrying amount of approximately RMB27,257,000 (2014: RMB31,938,000).

(c) Bank borrowings are secured on land use rights for the carrying amount of approximately RMB11,661,000 (2014: RMB17,090,000) (Note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

15. PROPERTY, PLANT AND EQUIPMENT

	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 2014						
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 (Restated)						
Opening net book amount	113,010	69,947	320,468	26,421	195,837	725,683
Acquisition of subsidiaries, as restated (Note 35.2)	10,833	214	47,240	4,401	78,084	140,772
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 32)	(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	507,337	29,978	253,285	1,082,736
At 31 December 2014 (Restated)						
Cost	194,038	149,915	585,901	49,007	253,285	1,232,146
Accumulated depreciation	(19,518)	(32,299)	(78,564)	(19,029)	—	(149,410)
Net book amount	174,520	117,616	507,337	29,978	253,285	1,082,736
Year ended 31 December 2015						
Opening net book amount	**174,520**	**117,616**	**507,337**	**29,978**	**253,285**	**1,082,736**
Acquisition of subsidiaries (Note 35.1)	**68,815**	**51,554**	**523,351**	**8,775**	**21,975**	**674,470**
Additions	**1,959**	**4,989**	**–**	**2,807**	**274,746**	**284,501**
Transfer from CIP	**33,950**	**22,343**	**126,222**	**36**	**(182,551)**	**–**
Transfer to investment properties	**(10,010)**	**–**	**–**	**–**	**–**	**(10,010)**
Disposals (Note 32)	**–**	**(284)**	**(220)**	**(3,026)**	**–**	**(3,530)**
Depreciation charge	**(10,059)**	**(21,405)**	**(43,482)**	**(9,465)**	**–**	**(84,411)**
Closing net book amount	**259,175**	**174,813**	**1,113,208**	**29,105**	**367,455**	**1,943,756**
At 31 December 2015						
Cost	**286,648**	**228,873**	**1,235,839**	**57,217**	**367,455**	**2,176,032**
Accumulated depreciation	**(27,473)**	**(54,060)**	**(122,631)**	**(28,112)**	**–**	**(232,276)**
Net book amount	**259,175**	**174,813**	**1,113,208**	**29,105**	**367,455**	**1,943,756**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Depreciation expense of approximately RMB72,479,000 (2014: RMB38,101,000) has been charged in cost of sales, RMB1,330,000 (2014: RMB450,000) in distribution expenses and RMB10,602,000 (2014: RMB7,508,000) in administrative expenses.

(b) Bank borrowings were secured by certain buildings of the Group with a net book value of approximately RMB19,738,000 as at 31 December 2015 (2014: RMB12,581,000) (Note 29).

(c) As at 31 December 2015, the Group was in the process of obtaining the legal title of buildings with carrying amount of approximately RMB71,594,000 (2014: RMB25,904,000).

(d) As at 31 December 2015, the CIP mainly comprises the gas pipelines being constructed in the PRC.

(e) During the year ended 31 December 2015, the Group has capitalised borrowing costs amounting to RMB28,579,000 (2014:RMB21,989,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings at 8.16% (2014: 7.99%).

16. INVESTMENT PROPERTIES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of the year		
Cost	**12,216**	12,694
Accumulated depreciation	**(4,013)**	(3,688)
Net book amount	**8,203**	9,006
For the year		
Opening net book amount	**8,203**	9,006
Acquisition of subsidiaries (Note 35.1)	**2,317**	—
Transfer to property, plant and equipment	**—**	(327)
Transfer from property, plant and equipment	**10,010**	—
Depreciation charge	**(868)**	(476)
Closing net book amount	**19,662**	8,203
At end of the year		
Cost	**27,104**	12,216
Accumulated depreciation	**(7,442)**	(4,013)
Net book amount	**19,662**	8,203
Fair value at end of the year (b)	**35,984**	23,137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

16. INVESTMENT PROPERTIES *(continued)*

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Rental income	**2,530**	1,534
Direct operating expenses from properties that generated rental income	**(1,217)**	(776)
	1,313	758

As at 31 December 2015 and 2014, 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 2015 and 2014, 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 among levels 1, 2 and 3 during the years of 2015 and 2014.

Valuation techniques

The valuation of investment properties is 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 2015	35,984	Direct comparison approach	RMB5,150 - RMB9,000 per square meter
At 31 December 2014	23,137	Direct comparison approach	RMB5,500 - RMB8,100 per square meter

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

16. INVESTMENT PROPERTIES *(continued)*

(c) Depreciation expense of approximately RMB868,000 (2014: RMB476,000) 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	
	2015	2014
	RMB'000	RMB'000
Within 1 year	**1,381**	1,082
Later than 1 year but no later than 3 years	**1,897**	368
	3,278	1,450

(e) As at 31 December 2014, bank borrowing were secured by certain of the Group's investment properties with a net book value of approximately RMB6,953,000 (Note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

17. INTANGIBLE ASSETS

	Goodwill	Exclusive operating rights	Computer software	Network	Contractual customer relationships	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014						
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 (Restated)						
Opening net book amount	334,380	308,733	60	—	—	643,173
Acquisition of subsidiaries, as restated (Note 35.2)	232,007	100,053	—	319,789	—	651,849
Additions	—	—	162	—	—	162
Amortisation charge	—	(17,011)	(81)	(8,958)	—	(26,050)
Closing net book amount	566,387	391,775	141	310,831	—	1,269,134
At 31 December 2014 (Restated)						
Cost	566,387	435,649	622	319,789	—	1,322,447
Accumulated amortisation	—	(43,874)	(481)	(8,958)	—	(53,313)
Net book amount	566,387	391,775	141	310,831	—	1,269,134
Year ended 31 December 2015						
Opening net book amount	**566,387**	**391,775**	**141**	**310,831**	**–**	**1,269,134**
Acquisition of subsidiaries (Note 35.1)	**648,244**	**210,502**	**31**	**–**	**401,910**	**1,260,687**
Additions	**–**	**–**	**874**	**–**	**–**	**874**
Amortisation charge	**–**	**(28,399)**	**(211)**	**(10,735)**	**(12,627)**	**(51,972)**
Closing net book amount	**1,214,631**	**573,878**	**835**	**300,096**	**389,283**	**2,478,723**
At 31 December 2015						
Cost	**1,214,631**	**646,151**	**1,527**	**319,789**	**401,910**	**2,584,008**
Accumulated Amortisation	**–**	**(72,273)**	**(692)**	**(19,693)**	**(12,627)**	**(105,285)**
Net book amount	**1,214,631**	**573,878**	**835**	**300,096**	**389,283**	**2,478,723**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

17. INTANGIBLE ASSETS *(continued)*

(a) During the year ended 31 December 2015, amortisation of approximately RMB50,005,000 (2014: RMB26,050,000) was included in cost of sales, and RMB1,967,000 (2014: Nil) in administration expense.

(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, Shantou Chenghai, Beijing Huiji Group, Hunan Zhongyou, Jilin Qian'an, Liquan Hongyuan and Qianxian Hongyuan as the subsidiaries which are subject to the annual impairment testing on goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

17. INTANGIBLE ASSETS *(continued)*

(b) Impairment for goodwill *(continued)*

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	
	2015	2014
	RMB'000	RMB'000
		(Restated)
Jilin location		
Jilin Zhongji	**89,045**	89,045
Jilin Qian'an	**3,089**	—
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
Hunan Zhongyou	**20,353**	—
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**	166,070
Shantou Chenghai	**65,937**	65,937
Beijing Huiji Group		
Henan Huiji	**265,503**	—
Wujiang Pipeline	**188,697**	—
Sanming Hui	**22,518**	—
Shanxi location		
Liquan Hongyuan	**90,106**	—
Qianxian Hongyuan	**57,978**	—
	1,214,631	566,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

17. INTANGIBLE ASSETS *(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, while in some circumstances, an eight-year period is taken into consideration. Cash flows beyond the five-year or eight-year period are extrapolated using the estimated growth rates stated below until the expiry of the relevant operation periods or exclusive rights. The growth rate does not exceed the long-term average growth rate for the gas business in which the CGU operates. In the opinion of the Company's directors, the recoverable amounts of the CGUs will not be lower than the carrying amount even if taking into account a reasonably possible change in a key assumption on the calculations of recoverable amounts of the CGUs.

Except for the CGUs in Beijing Huiji Group, the other 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 Beijing Huiji Group share approximately the same compound annual volume growth rate, long term growth rate and pre-tax discount rate, as their business models are similar to each other. The CGUs in Beijing Huiji Group and the other CGUs in the same geography had been grouped together for presentation only, respectively.

The key assumptions used for value-in-use calculations in 2015 are as follows:

	Jilin Location	Gansu Location	Henan Location	Hunan Location	Yunnan Location	Shandong Location	Guangdong Location	Beijing Huiji Group	Shanxi Location
Sales volume (% annual growth rate)	**20%**	**18%**	**14%**	**26%**	**88%**	**22%**	**63%**	**26%**	**25%**
Sales price (% annual growth rate)	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Other operating costs (RMB'000)	**17,153**	**8,497**	**5,169**	**4,571**	**5,224**	**9,078**	**14,253**	**14,000**	**7,120**
Annual capital expenditure (RMB'000)	**11,495**	**4,015**	**7,856**	**2,012**	**10,387**	**8,001**	**12,319**	**22,253**	**3,856**
Gross margin (% of revenue)	**26%**	**31%**	**37%**	**29%**	**32%**	**35%**	**29%**	**13%**	**32%**
Long term growth rate	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**
Pre-tax discount rate	**20%**	**18%**	**19%**	**18%**	**18%**	**19%**	**19%**	**17%**	**18%**

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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

17. INTANGIBLE ASSETS *(continued)*

(b) Impairment for goodwill *(continued)*

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

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

Sales price is the average annual growth rate over the five-year or eight-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 or eight-year forecast period.

Annual capital expenditure is the expected cash costs in the subsidiaries of each group. 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 or eight-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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Balance at 1 January	**2,000**	—
Acquisition of subsidiaries (Note 35.1)	**42,170**	—
Additions	**53,000**	419,650
Disposals	**(52,000)**	(417,650)
Net losses transfer to other comprehensive Income (Note 26)	**(1,753)**	—
Balance at 31 December	**43,417**	2,000
Less: non-current portion	**(40,417)**	—
Current portion	**3,000**	2,000

Available-for-sale financial assets include the following:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Unlisted securities:		
— Bank financial products	**3,000**	2,000
— Gas industry equity interest (i)	**40,417**	—
	43,417	2,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

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

(i) As at 31 December 2015, the Group's total percentage shareholding in the investee was 19%.

This investment is classified as available-for-sale financial assets, rather than as an investment in an associate, because the Group does not have the power to exercise significant influence over the investee. Although one representative has been assigned to the investee as its director of the board, the Group's determination that it does not exercise a "significant influence" over the investee has been based on the following factors:

- The Group does not have a significant influence in respect of the voting power in the policy-making decisions of the investee due to the minority shareholding position;
- There are no interchange of management personnel or sharing of technical information between the Group and the investee;
- There are no potential voting rights that are currently exercisable or currently convertible;
- The access to the financial and operating information of the investee was very restrictive for the Group;
- In addition, the Group made a few proposals to the board of the investee, such as the dividends distribution plan and senior management assignment to the investee etc., all of these proposals were vetoed.

Available-for-sale financial assets measured at fair value in the consolidated balance sheet are categorised by level according to the significance of the inputs used in making the measurements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

(b) (continued)

(i) (continued)

Recurring measurements	Fair values	Quoted prices in Active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Available-for-sale financial assets				
Bank financial products	3,000	—	—	3,000
Unlisted equity investment	40,417	—	—	40,417
— As at 31 December 2015	43,417	—	—	43,417

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 in or out of Level 3 fair value measurements for available-for-sale financial assets during the year.

As at 31 December 2015, the fair values of bank financial products approximated to the carrying amounts due to the short maturities, and the fair values of unlisted equity investment are valued by independent professionally qualified valuation firm Asset Appraisal Limited and calculated by using the market approach to determine the fair value of the assets by reference to the transaction prices, or "valuation multiples" implicit in the transaction prices, of identical or similar assets on the market, which results in these measurements being classified as Level 3 in the fair value hierarchy.

In applying the market approach, a few valuation multiples are to be determined by dividing a financial parameter by the transaction price paid for similar business enterprises, such as historical or prospective turnover or profit at a given level. Valuation multiples are applied to the corresponding financial parameter of the subject asset in order to value it. Adjustments are required to the transaction prices or valuation multiples to reflect the differentiating characteristics of the business enterprises and the comparable business enterprises for which the transaction prices or valuation multiples are known. The multiples adopted in the valuation are price/book value, price/EBITDA and price/EBIT, and the value of unlisted equity investment was determined by the average of the results calculated using the different multiples.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

(b) (continued)

(i) (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	**Fair value** (RMB'000)	**Valuation technique**	**Unobservable inputs**	**Unobservable inputs (probability-weighted average)**	**Relationship of unobservable inputs to fair value**
Unlisted equity investment					
— As at 31 December 2015	40,417	Market approach	Price/book value Price/EBITDA Price/EBIT	0.91 10.26 14.51	The higher the ratios, the higher the fair value

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

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

19. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables (a)	**328,688**	228,872
Bills receivable	**1,073**	1,080
Prepayments	**52,390**	45,119
Receivables due from related parties (Note 36)	**14,100**	14,317
Other receivables	**203,410**	138,903
Loan to third party	**—**	50,000
Value-added-tax to be offset and prepaid income tax	**43,175**	13,766
	642,836	492,057
Less: long-term prepayments	**(49,715)**	(11,917)
Current portion	**593,121**	480,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

19. TRADE AND OTHER RECEIVABLES *(continued)*

(a) The credit period generally granted to customers in relation to sales of pipelined gases is up to 2 months. 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:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Less than 30 days	**126,441**	104,519
31 days to 90 days	**41,044**	27,475
91 days to 1 year	**117,387**	78,667
1 year to 2 years	**35,216**	13,737
Over 2 years	**8,600**	4,474
	328,688	228,872

As at 31 December 2015, trade receivables of approximately RMB320,088,000 (2014: RMB224,398,000) were fully performing.

As at 31 December 2015, trade receivables of approximately RMB8,600,000 (2014: RMB4,474,000) 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:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Over 2 years	**8,600**	4,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

19. TRADE AND OTHER RECEIVABLES *(continued)*

(b) The carrying amounts of trade and other receivables were denominated in RMB.

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

(d) As at 31 December 2015 and 2014, 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 to the fair values.

(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%.

20. PREPAYMENTS RELATED TO OTHER NON-CURRENT ASSETS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Prepayments related to share purchase agreements (a)	**257,030**	—
Prepayments related to long-term assets construction	**40,063**	10,612
	297,093	10,612

(a) As at 31 December 2015, the prepayments related to share purchase agreements represented the share purchase consideration prepayments in respect to the acquisitions on Sichuan Ming Sheng Natural Gas Co. Ltd. and Xichuan Long Cheng Natural Gas Co. Ltd. which are expecting to be completed during the year ending 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

21 INVENTORIES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Materials for gas pipelines	**36,391**	44,356
Consumables	**973**	756
Work in progress	**22,347**	21,241
Finished pipeline network	**836**	10,356
	60,547	76,709

The cost of inventories recognised as the Group's expense and included in cost of sales amounted to approximately RMB1,370,671,000 (2014: RMB686,286,000).

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Investment in trust	**318,882**	331,474

On 21 March 2012, Henan Tian Lun Gas and Zhongyuan Trust Company Limited ("Zhongyuan Trust"), which is ultimately owned by the People's Government of Henan Province, 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 10).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

23. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash in hand	**1,237**	1,212
Cash at banks	**608,148**	262,372
	609,385	263,584

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**509,412**	254,587
USD	**95,881**	1,201
HK$	**4,092**	7,796
Cash and cash equivalents	**609,385**	263,584

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**15,971**	12,942
USD	**14,548**	9,179
Restricted cash	**30,519**	22,121

As at 31 December 2015, USD2,240,000 (equivalent to approximately RMB14,548,000) (2014: USD1,500,000, equivalent to approximately RMB9,179,000) are restricted deposits held at bank as reserve for serving of debt for loans provided by the bank; RMB14,771,000 (2014: RMB12,942,000) are restricted deposits held at bank as the deposits for obtaining the urban gas operating permits from the local governments; and RMB1,200,000 (2014: nil) are held as the deposits of bank's acceptance bills.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

24. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:				
At 1 January 2014	827,925	7,077	454,188	461,265
At 31 December 2014	827,925	7,077	454,188	461,265
Issue of shares	181,690	1,435	912,586	914,021
At 31 December 2015	1,009,615	8,512	1,366,774	1,375,286

The Company issued 181,689,608 shares on 15 May 2015 (approximate 18% of the total ordinary share capital issued) to the International Finance Corporation ("IFC") and IFC Global Infrastructure Fund, LP ("IFC Fund"). The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to RMB916,413,000 (RMB5.04 per share), and incremental costs directly attributable to the issue of shares amounted to RMB2,392,000 were shown in equity as a deduction, net of tax, from the proceeds.

The total authorised number of ordinary shares is 2,000,000,000 shares (2014: 2,000,000,000 shares) with a par value of HK$0.01 per share (2014: HK$0.01 per share).

25. SHARE-BASED PAYMENTS

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"). The share options are conditional on the employee remaining in the entity's employ for a specified period of time. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

25. SHARE-BASED PAYMENTS *(continued)*

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

	2015	
	Average exercise price in HK$ per share option	**Number of share options (thousands)**
At 1 January	**7.142**	**16,640**
Forfeited	**7.142**	**(1,020)**
At 31 December	**7.142**	**15,620**

	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

As at 31 December 2015, none of the share options were exercisable (2014: Nil).

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

Expiry date — 27 January	**Exercise price in HK$ per share option**	**Number of share options (thousands) 2015**
2017	7.142	7,810
2018	7.142	7,810
		15,620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

25. SHARE-BASED PAYMENTS *(continued)*

The fair value of options granted to the directors and selected employees was 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 9 for the total expense recognised in profit or loss for share options granted to directors and employees.

26. RESERVES AND RETAINED EARNINGS

(a) Reserves

	Capital reserves RMB'000	Statutory reserves RMB'000	Available-for-sale Investment RMB'000	Total RMB'000
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
At 1 January 2015	**(11,865)**	**80,231**	**—**	**68,366**
Revaluation-gross (Note 18)	**—**	**—**	**(1,753)**	**(1,753)**
Revaluation-tax (Note 30)	**—**	**—**	**438**	**438**
Appropriation (i)	**—**	**23,487**	**—**	**23,487**
Employee share option scheme:				
— Value of employee services	**5,449**	**—**	**—**	**5,449**
At 31 December 2015	**(6,416)**	**103,718**	**(1,315)**	**95,987**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

26. RESERVES AND RETAINED EARNINGS *(continued)*

(a) Reserves *(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 2015, approximately RMB23,487,000 (2014: RMB28,411,000) were appropriated to the statutory surplus reserves funds from net profits of certain PRC Subsidiaries.

(b) Retained earnings

	As at 31 December RMB'000
At 1 January 2014	424,594
Profit for the year	220,153
Appropriation	(28,411)
At 31 December 2014	616,336
At 1 January 2015	**616,336**
Profit for the year	**284,242**
Appropriation	**(23,487)**
At 31 December 2015	**877,091**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

26. RESERVES AND RETAINED EARNINGS *(continued)*

(c) Other comprehensive income, net of tax

	Other reserves RMB'000	Total other comprehensive income RMB'000
31 December 2015		
Change in value of available-for-sale financial assets, net of tax	(1,315)	(1,315)
Total	(1,315)	(1,315)

27. TRADE AND OTHER PAYABLES

	As at 31 December	
	2015 **RMB'000**	2014 RMB'000 (Restated)
Notes payables	**4,000**	—
Trade payables (a and b)	**149,963**	115,581
Amounts due to related parties (a) (Note 36)	**987**	185
Accrued payroll and welfare	**2,751**	1,561
Interest payables	**8,762**	5,453
Other taxes payables	**6,276**	7,143
Other payables (a)	**469,576**	383,388
	642,315	513,311
Less non-current portion: other payables (d)	**(136,598)**	(158,749)
Current portion	**505,717**	354,562

(a) As at 31 December 2015 and 2014, all such trade payables and the current portion of other payables of the Group were non-interest bearing and their fair values approximated to their carrying amounts due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

27. TRADE AND OTHER PAYABLES *(continued)*

(b) At 31 December 2015 and 2014, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Less than 30 days	**72,332**	26,562
31 days to 90 days	**26,712**	36,688
91 days to 1 year	**33,358**	42,169
1 year to 2 years	**11,727**	6,203
2 years to 3 years	**4,270**	1,914
Over 3 years	**1,564**	2,045
	149,963	115,581

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
		(Restated)
RMB	**642,315**	513,311

(d) At 31 December 2015, the non-current portion of other payables included contingent consideration payables amounted to RMB124,406,000 (2014: RMB144,529,000) which were at fair value and long-term loan due to a non-controlling interest of a subsidiary amounted to RMB12,192,000 (2014: RMB14,220,000) with an interest rate of 10% per annum, of which the fair value approximated to the carrying amount. The fair values of the contingent consideration payables and amount due to the non-controlling interest were measured by the discounted cash flow method and included in level 3 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

28. ADVANCE FROM CUSTOMERS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Advance from customers	**127,735**	144,458

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

29. BORROWINGS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Non-current		
Bank borrowings		
— pledged (a)	**373,200**	—
— guaranteed (b)	**827,715**	548,188
— pledged and guaranteed (c)	**291,000**	—
— unsecured	**—**	169,000
Borrowings from a shareholder (d)	**389,616**	—
Other borrowings (e)	**5,571**	5,421
Total non-current borrowings	**1,887,102**	722,609
Current		
Bank borrowings		
— pledged (a)	**62,000**	189,000
— guaranteed (b)	**636,581**	468,883
— pledged and guaranteed (c)	**149,000**	—
Other borrowings (e)	**1,927**	2,520
Total current borrowings	**849,508**	660,403
Total borrowings	**2,736,610**	1,383,012

(a) As at 31 December 2015, the current and non-current bank borrowings were secured by certain of the Group's lease prepayments, property, plant and equipment (Note 14 and Note 15) and the gas charging rights of Xuchang Tian Lun and Shangjie Tian Lun.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

29. BORROWINGS *(continued)*

(b) As at 31 December 2015, the current bank borrowings were guaranteed by the related parties of the Group, which were Henan Tian Lun Real Estate Limited, Henan Tian Lun Gas Engineering Investment Limited and Mr. Zhang Yingcen (one of the shareholders of the Company); the non-current bank borrowings were guaranteed by Henan Tian Lun Real Estate Limited and Mr. Zhang Yingcen.

As at 31 December 2014, the current bank borrowings were guaranteed by Henan Tian Lun Real Estate Limited; the non-current bank borrowings were guaranteed by Mr. Zhang Yingcen and Henan Tian Lun Real Estate Limited.

(c) As at 31 December 2015, the current and non-current bank borrowings were secured by the gas charging rights of Henan Huiji, Sanming Huiji and Wujiang Pipeline, and guaranteed by Mr. Zhang Yingcen and the former shareholders of Henan Huiji, Mr. Li Zifeng and Ms. Gao Hui.

(d) As at 31 December 2015, borrowings of USD60,000,000 (equivalent to approximately RMB389,616,000) were from IFC, one of the Company's shareholders, which was guaranteed by Mr. Zhang Yingcen and two of his family members.

(e) As at 31 December 2015, such borrowings mainly represented (i) borrowings of RMB5,753,000 (2014: RMB5,585,000) 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; (ii) borrowings due to certain employees of the Group of RMB1,745,000 (2014: RMB2,356,000) which were unsecured, bore interests at rate 12% per annum.

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
— Within 1 year	**849,508**	660,403
— Between 1 and 2 years	**548,534**	384,359
— Between 2 and 5 years	**964,922**	333,552
— Over 5 years	**373,646**	4,698
	2,736,610	1,383,012

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**1,626,945**	711,722
USD	**1,109,665**	671,290
	2,736,610	1,383,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

29. BORROWINGS *(continued)*

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Carrying amount	**1,887,102**	722,609
Fair value	**1,891,888**	732,178

The carrying amount of current borrowings approximated their fair value due to short maturities, 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 6.61% as at 31 December 2015 (2014: 5.75%) and is within level 3 of the fair value hierarchy.

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**4.35%~12.00%**	5.88%~12.00%
USD	**3.79%~3.93%**	2.66%~3.76%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

30. DEFERRED INCOME TAX

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
		(Restated)
Deferred tax assets		
— Deferred tax assets to be recovered after more than 12 months	**1,185**	1,029
— Deferred tax assets to be recovered within 12 months	**10,856**	2,647
	12,041	3,676
Deferred tax liabilities		
— Deferred tax liability to be recovered after more than 12 months	**(296,975)**	(155,231)
— Deferred tax liability to be recovered within 12 months	**(17,912)**	(6,585)
	(314,887)	(161,816)
Deferred tax liabilities (net)	**(302,846)**	(158,140)

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
		(Restated)
At 1 January	**(158,140)**	(64,615)
Acquisition of subsidiaries (Note 35.1 and 35.2)	**(158,197)**	(97,027)
Tax credit relating to other comprehensive income	**438**	—
Credited to profit or loss	**13,053**	3,502
At 31 December	**(302,846)**	(158,140)

(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 2014	147	1,026	30	1,396	—	2,599
Acquisition of subsidiaries	—	—	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
Acquisition of subsidiaries (Note 35.1)	—	—	1,645	—	—	1,645
Credited to profit or loss	—	373	6,190	157	—	6,720
As at 31 December 2015	147	872	9,077	1,186	759	12,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

30. DEFERRED INCOME TAX *(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 related to business combinations RMB'000	Revaluation of available for sale financial assets RMB'000	Total RMB'000
As at 1 January 2014	456	66,758	—	67,214
Acquisition of subsidiaries, as restated (Note 35.2)	—	98,138	—	98,138
Charged/(credited) to profit or loss	2,413	(5,949)	—	(3,536)
As at 31 December 2014, as restated	2,869	158,947	—	161,816
Acquisition of subsidiaries (Note 35.1)	—	159,842	—	159,842
Credited to other comprehensive income	—	—	(438)	(438)
Credited to profit or loss	(2,648)	(3,685)	—	(6,333)
As at 31 December 2015	221	315,104	(438)	314,887

As at 31 December 2015, deferred income tax liabilities of approximately RMB100,552,900 (2014: RMB65,377,000) 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 RMB1,005,529,000 as at 31 December 2015 (2014: RMB653,774,000). 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 RMB1,961,000 (2014: RMB1,666,000) in respect of losses amounting to approximately RMB73,349,000 (2014: RMB8,011,000) that can be carried forward against future taxable income. The unrecognised tax losses will expire in the following years:

	2015 RMB'000	2014 RMB'000
2017	**438**	438
2018	**143**	2,787
2019	**500**	1,043
2020	**190**	—
	1,271	4,268
No expiry date	**72,078**	3,743
	73,349	8,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

31. DIVIDENDS

Pursuant to the resolution of the Board of Directors dated 31 March 2016, the directors of the Company proposed not to recommend any dividend for the year ended 31 December 2015 (2014: nil).

32. CASH GENERATED FROM OPERATIONS

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	**429,471**	344,309
Adjustments for:		
— Depreciation of property, plant and equipment and investment properties	**85,279**	46,535
— Amortisation of intangible assets and lease prepayments	**56,356**	29,018
— Finance income	**(44,936)**	(40,155)
— Finance costs	**141,285**	66,380
— Gains on disposal of available-for-sale financial assets	**(62)**	(334)
— Dividend income from available-for-sale financial assets	**(4,832)**	—
— Share of post-tax (profit)/losses of associates	**(382)**	106
— Reversal of liabilities	**—**	(10,000)
— Changes on fair value of contingent consideration for acquisition of subsidiaries	**(35,889)**	—
— Gains on disposal of property, plant and equipment (b)	**(905)**	(346)
	625,385	435,513
Changes in working capital:		
— Inventories	**19,111**	26,119
— Trade and other receivables	**(39,527)**	(62,002)
— Trade and other payables	**3,886**	(16,345)
— Advance from customers	**(92,320)**	(13,585)
	(108,850)	(65,813)
Cash generated from operations	**516,535**	369,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

32. CASH GENERATED FROM OPERATIONS *(continued)*

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

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net book amount (Note 15)	**3,530**	4,554
Gains on disposal of property, plant and equipment (Note 7)	**905**	346
Proceeds from disposal of property, plant and equipment	**4,435**	4,900

33. CONTINGENCIES

As at 31 December 2015 and 2014, the Group did not have any material contingent liabilities.

34. 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	
	2015	2014
	RMB'000	RMB'000
Share purchase consideration commitment	**287,970**	—
Capital investment to associates	**300,000**	100,000
Property, plant and equipment	**204,445**	200,320
	792,415	300,320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

34. COMMITMENTS *(continued)*

(b) Operating lease commitments

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Not later than one year	**402**	465
Later than one year and no later than five years	**816**	547
	1,218	1,012

(c) Licensing fee commitments

	As at 31 December	
	2015	2014
	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	**13,200**	14,300
	18,700	19,800

35. BUSINESS COMBINATION

35.1 Business combination through purchase of subsidiaries in 2015

On 31 January 2015, the Group acquired 100% of the equity interests of Liquan Hongyuan, an independent third party established in the PRC with limited liability, which is principally engaged in the gas business in Liquan County, Xianyang City, Shanxi Province. The total consideration was approximately RMB170,000,000.

On 31 January 2015, the Group acquired 100% of the equity interests of Qianxian Hongyuan, an independent third party established in the PRC with limited liability, which is principally engaged in the gas business in Qian County, Xianyang City, Shanxi Province. The total consideration was approximately RMB116,000,000.

On 1 April 2015, the Group acquired 100% of the equity interests of Hui Ji Tai Zhan, an independent third party established in the PRC with limited liability, and indirectly controlled 100% of the equity interest of Hui Ji Energy which is an intermediary holding company, 90% of the equity interest of Henan Huiji which is principally engaged in the gas business in Pingdingshan City, Henan Province, 100% of the equity interest of San Ming Huiji which is principally engaged in the gas business in Sanming City, Fujian Province and 85% of the equity interest of Wujiang Pipeline which is principally engaged in the gas business in Wujiang City, Jiangshu Province. The total consideration in fair value was approximately RMB784,952,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

35. BUSINESS COMBINATION *(continued)*

35.1 Business combination through purchase of subsidiaries in 2015 *(continued)*

On 31 August 2015, the Group acquired 90% of the equity interests of Jilin Qian'an, an independent third party established in the PRC with limited liability, which is principally engaged in the gas business in Qian'an County, Songyuan City, Jilin Province. The total consideration was approximately RMB22,500,000.

On 30 September 2015, the Group acquired 100% of the equity interests of Hunan Zhongyou, an independent third party established in the PRC with limited liability, which is principally engaged in the gas business in Fenghuang County, Xiangxi Autonomous State, Hunan Province. The total consideration was approximately RMB49,800,000.

As a result of the abovementioned acquisitions, the Group is expected to increase its presence in these markets. The goodwill of approximately RMB648,244,000 arising from the acquisitions are attributable to the pre-existing and well positioned business operating in competitive markets, operating synergies with other existed operations of the Group, the expansion to and the strategic advantages of the upper stream of the industry, and economies of scale expected to be derived from combining the operations. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	Liquan Hongyuan as at 31 January 2015	Qianxian Hongyuan as at 31 January 2015	Beijing Huiji Group as at 1 April 2015	Jilin Qian'an as at 31 August 2015	Hunan Zhongyou as at 30 September 2015	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consideration						
— Cash paid	153,000	104,400	794,000	19,595	47,230	1,118,225
— Contingent consideration	17,000	11,600	50,952	2,905	2,570	85,027
Total consideration transferred	170,000	116,000	844,952	22,500	49,800	1,203,252
Indemnification asset	—	—	(60,000)	—	—	(60,000)
Total consideration	170,000	116,000	784,952	22,500	49,800	1,143,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

35. BUSINESS COMBINATION *(continued)*

35.1 Business combination through purchase of subsidiaries in 2015 *(continued)*

	Liquan Hongyuan as at 31 January 2015 RMB'000	Qianxian Hongyuan as at 31 January 2015 RMB'000	Beijing Huiji Group as at 1 April 2015 RMB'000	Jilin Qian'an as at 31 August 2015 RMB'000	Hunan Zhongyou as at 30 September 2015 RMB'000	Total RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed:						
Cash and cash equivalents	2,119	2,611	26,533	—	314	31,577
Property, plant and equipment	29,765	28,395	593,549	15,618	7,143	674,470
Intangibles:						
— Contractual customer relationships	—	—	401,910	—	—	401,910
— Exclusive operating rights	85,202	59,822	34,764	6,290	24,424	210,502
— Others	—	—	31	—	—	31
Investment properties	—	—	2,317	—	—	2,317
Lease prepayments	2,485	1,190	17,841	3,298	5,160	29,974
Investments accounted for using the equity method	—	—	532	—	—	532
Inventories	932	506	558	488	465	2,949
Other current assets	—	—	21,120	47	—	21,167
Trade and other receivables	1,026	4,248	86,445	956	177	92,852
Available-for-sale financial assets	—	—	42,170	—	—	42,170
Deferred tax assets	—	—	1,645	—	—	1,645
Other non-current assets	2,936	—	17,674	—	—	20,610
Dividend payables	—	—	(2,960)	—	—	(2,960)
Borrowings	(5,000)	(5,000)	(525,000)	—	—	(535,000)
Current income tax liabilities	(166)	(313)	(694)	—	—	(1,173)
Trade and other payables	(13,168)	(10,963)	(161,759)	(3,234)	(2,130)	(191,254)
Advance from customers	(4,671)	(8,782)	(61,944)	(200)	—	(75,597)
Deferred tax liabilities	(21,566)	(13,692)	(116,783)	(1,695)	(6,106)	(159,842)
Total identifiable net assets acquired	79,894	58,022	377,949	21,568	29,447	566,880
Non-controlling interests	—	—	(69,715)	(2,157)	—	(71,872)
Goodwill	90,106	57,978	476,718	3,089	20,353	648,244
	170,000	116,000	784,952	22,500	49,800	1,143,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

35. BUSINESS COMBINATION *(continued)*

35.1 Business combination through purchase of subsidiaries in 2015 *(continued)*

	Liquan Hongyuan RMB'000	Qianxian Hongyuan RMB'000	Beijing Huiji Group RMB'000	Jilin Qian'an RMB'000	Hunan Zhongyou RMB'000	Prior years acquisitions RMB'000	Total RMB'000
Outflow of cash to acquire businesses, net of cash acquired							
— cash paid	153,000	104,400	794,000	19,595	47,230	63,962*	1,182,187
— cash and cash equivalents in subsidiaries acquired	(2,119)	(2,611)	(26,533)	—	(314)	—	(31,577)
Cash outflow on acquisition	150,881	101,789	767,467	19,595	46,916	63,962	1,150,610

* During the year ended 31 December 2015, such cash consideration paid out included the amount of approximately RMB59,011,000, RMB4,000,000 and RMB951,000 for the acquisitions of Shantou Chenghai, Dongming Wanji and Shanxian Zhongtian, respectively in prior years.

(a) Acquisition-related costs of approximately RMB4,257,000 have been charged to administrative expenses in profit or loss for the year ended 31 December 2015.

(b) *Contingent consideration*

The contingent consideration arrangement requires the Group to pay in cash to the former owners of Beijing Huiji Group if following conditions could be achieved:

(i) a sum of RMB26,000,000 of the consideration shall be payable to the former owners of Beijing Huiji Group within 30 days after the date of fulfilment of the following conditions: (a) Henan Huiji, an indirectly owned subsidiary, has procured the entering into of the first gas consumption agreement under the Lushan Ru Zhou Pipeline Branch with the amount of total gas consumption reaching 100 million m^3 per year; and (b) the Group has received not less than RMB30,000,000 from the customers as security deposits before 31 December 2015.

(ii) a sum of RMB40,000,000 of the consideration shall be payable to the former owners of Beijing Huiji Group within 30 days after the date of fulfilment of the following conditions: (a) Henan Huiji, an indirectly owned subsidiary, has procured the entering into of the second gas consumption agreement under the Lushan Ru Zhou Pipeline Branch with the amount of total gas consumption reaching 200 million m^3 per year; and (b) the Group has received not less than RMB50,000,000 from the customers as security deposits before 30 June 2016.

The fair value of the contingent consideration except for the amounts due to the former owners of Beijing Huiji Group approximates to 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 2015
(All amounts in RMB unless otherwise stated)

35. BUSINESS COMBINATION *(continued)*

35.1 Business combination through purchase of subsidiaries in 2015 *(continued)*

(b) Contingent consideration (continued)

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between RMB0 to RMB66,000,000.

The fair value of the contingent consideration amounted to RMB50,952,000 was estimated by applying the income approach. The fair value estimates are based on a discount rate of 7.7% and assumed probability-adjusted. This is a level 3 fair value measurement.

The contingent consideration arrangement requires the Group to pay in cash RMB17,000,000 to the former owners of Liquan Hongyuan under the condition that within one year of the equity transfer of Liquan Hongyuan, 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 result of the assets and liabilities.

The contingent consideration arrangement requires the Group to pay in cash RMB11,600,000 to the former owners of Qianxian Hongyuan under the condition that within one year of the equity transfer of Qianxian Hongyuan, 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 result of the assets and liabilities.

The contingent consideration arrangement requires the Group to pay in cash RMB2,570,000 to the former owners of Hunan Zhongyou under the condition that within one year of the equity transfer of Hunan Zhongyou, 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 result of the assets and liabilities.

The contingent consideration arrangement requires the Group to pay in cash RMB2,950,000 to the former owners of Jilin Qian'an under the condition that within one year of the equity transfer of Jilin Qian'an, 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 result of the assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

35. BUSINESS COMBINATION *(continued)*

35.1 Business combination through purchase of subsidiaries in 2015 *(continued)*

(c) Acquired receivables

The fair value of trade and other receivables approximates its carrying amount of RMB92,852,000.

(d) Indemnification asset

According to the seller's indemnification obligations under the share purchase agreement regarding the acquisition of Beijing Huiji Group, the seller agreed to indemnify the Group against all losses as a result of inaccuracy of the consolidated net assets of Beijing Huiji Group as at 31 December 2014. Subsequent to the completion date of the acquisition, the seller agreed to indemnify the Group an amount of RMB60,000,000.

(e) Non-controlling interests

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

(f) Revenue and profit contribution

The acquired businesses contributed aggregated revenues of approximately RMB786,925,000 and aggregated net profit of approximately RMB71,464,000 to the Group for the periods from the respective acquisition dates to 31 December 2015.

Had the respective acquisitions been consolidated from 1 January 2015, the consolidated statement of comprehensive income would show pro-forma revenue of RMB2,560,243,000 and net profit of RMB315,139,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

35. BUSINESS COMBINATION *(continued)*

35.2 Business combination through purchase of subsidiaries in 2014

(a) 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. 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 Shantou Chenhai on a provisional basis. During the year ended 31 December 2015, the identification and determination of the consideration transferred 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.

	Shantou Chenghai Amounts recognised (provisional basis) as at 30 April 2014 RMB'000	**Shantou Chenghai Fair value adjustments** RMB'000 (Restated)	**Shantou Chenghai Amounts recognised (fair value) as at 30 April 2014** RMB'000 (Restated)
Cash and cash equivalents	15,636	—	15,636
Property, plant and equipment	36,885	23,014	59,899
Intangible assets:			
— Exclusive operating rights	111,350	(11,297)	100,053
— Network	85,103	3,404	88,507
Lease prepayments	15,135	—	15,135
Inventories	9,498	—	9,498
Trade and other receivables	55,886	—	55,886
Borrowings	(53,600)	—	(53,600)
Current income tax liabilities	(3,772)	—	(3,772)
Trade and other payables	(22,212)	—	(22,212)
Advance from customers	(5,332)	—	(5,332)
Deferred tax liabilities	(44,297)	(3,780)	(48,077)
Total identifiable net assets acquired	200,280	11,341	211,621
Non-controlling interests	(20,028)	(1,134)	(21,162)
Goodwill	26,748	39,189	65,937
	207,000	49,396	256,396

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 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

36. 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 2015 and 2014, and balances arising from related party transactions as at 31 December 2015 and 2014.

(a) Name and relationship with related parties

Name of related party	Relationship
IFC	Shareholder of the Company
Henan Tian Lun Gas Engineering Investment Limited	Controlled by the Controlling Shareholders
Henan Tian Lun Real Estate Limited	Controlled by the Controlling Shareholders
Suzhou Ping Zhuang	Associate of the Group

(b) Significant related party transactions

The Group had the following significant transactions with related parties.

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Sales of Gas		
Suzhou Ping Zhuang	8,476	—

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Loan received from		
— IFC	**381,768**	—

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Interest charged by		
— IFC	**2,332**	—

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

36. RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade and other receivables		
Other receivables due from		
— Henan Tian Lun Gas Engineering Investment Limited	14,100	14,317

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade and other payables		
— Henan Tian Lun Gas Engineering Investment Limited	**575**	185
— Suzhou Ping Zhuang	**412**	—
	987	185

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Loan due to		
— IFC	**389,616**	—

(d) Key management compensation

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Basic salaries and allowances	**10,734**	5,265
Discretionary bonuses	**2,007**	987
Retirement benefit contributions	**804**	760
	13,545	7,012

37. EVENT AFTER THE BALANCE SHEET DATE

(i) In February 2016, the Group entered into a promoters agreement with Bank of Zhengzhou Co., Ltd. and Zhengzhou Yutong Bus Co., Ltd. to establish a finance lease company in Zhengzhou, Henan Province, the PRC. The Group shall contribute RMB200,000,000 to the finance lease company, representing 20% of the total registered capital.

(ii) On 21 March 2016, the Group entered into a supplemental agreement with Zhongyuan Trust, pursuant to which, the investment period has been further extended for a period of one year until 21 March 2017. The expected annualised net proceeds is 9.98%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Other receivables		**28,900**	3,846
Investments in subsidiaries		**107,297**	101,848
		136,197	105,694
Current assets			
Other receivables		**1,752,771**	785,101
Restricted cash		**14,548**	9,179
Cash and cash equivalents		**95,306**	6,880
		1,862,625	801,160
Total assets		**1,998,822**	906,854
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**8,512**	7,077
Share premium		**1,366,774**	454,188
Reserves	(Note (a))	**11,295**	5,846
Accumulated losses		**(104,414)**	(42,239)
Total equity		**1,282,167**	424,872
LIABILITIES			
Non-current liabilities			
Borrowings		**627,715**	318,188
Current liabilities			
Borrowings		**86,581**	159,094
Trade and other payables		**2,359**	4,700
		88,940	163,794
Total liabilities		**716,655**	481,982
Total equity and liabilities		**1,998,822**	906,854

The balance sheet of the Company was approved by the Board of Directors on 31 March 2016 and was signed on its behalf.

Mr. Zhang Yingcen
Director

Mr. Xian Zhenyuan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Note (a) Reserve movement of the Company

	Accumulated losses RMB'000	**Other reserves** RMB'000
At 1 January 2014	(17,155)	—
Loss for the year	(25,084)	—
Value of employee services	—	5,846
At 31 December 2014	(42,239)	5,846
At 1 January 2015	**(42,239)**	**5,846**
Loss for the year	**(62,175)**	**—**
Value of employee services	**—**	**5,449**
At 31 December 2015	**(104,414)**	**11,295**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

39 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015 is set out below:

Name	Fees	Basic salaries and allowances	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Yingcen	–	293	–	3	–	28	–	–	324
Mr. Sun Heng	–	180	–	3	–	–	–	–	183
Mr. Feng Yi	–	220	–	3	–	11	–	–	234
Ms. Li Tao	–	220	–	3	–	11	–	–	234
Mr. Cao Zhibin (i)	–	60	–	–	–	–	–	–	60
Mr. Li Liuqing (i)	–	60	–	–	–	–	–	–	60
Mr. Wang Jiansheng (i) **	–	35	–	–	–	–	–	–	35
Ms. Zhao Jun (i)	–	60	–	–	–	–	–	–	60
Mr. Yang Yaoyuan (i) **	–	42	–	–	–	–	–	–	42
Mr. Zhang Jiaming (i) ***	–	40	–	–	–	–	–	–	40
Chief executive:									
Mr. Xian Zhenyuan	–	280	–	3	–	28	–	–	311
	–	1,490	–	15	–	78	–	–	1,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

39 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

For the year ended 31 December 2014:

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622)

Name	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Total RMB'000
Mr. Zhang Yingcen	—	200	—	—	—	43	—	—	243
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 (i)	—	60	—	—	—	—	—	—	60
Mr. Li Liuqing (i)	—	60	—	—	—	—	—	—	60
Ms. Zhao Jun (i)	—	60	—	—	—	—	—	—	60
Mr. Zhang Jiaming (i) ***	—	60	—	—	—	—	—	—	60
Chief executive:									
Mr. Xian Zhenyuan	—	180	—	—	—	43	—	—	223
	—	1,133	—	—	—	165	—	—	1,298

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015
(All amounts in RMB unless otherwise stated)

39 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

(i) Independent non-executive or non-executive directors

** Wang Jiansheng: appointed on 21st September 2015.
Yang Yaoyuan: appointed on 21st September 2015.

*** Mr. Hu Xiaoming: resigned with effect from 8th January 2015.
Mr. Zhang Jiaming: resigned with effect from 1st September 2015

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the company or its subsidiary undertaking (2014: Nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2014: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2014: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2014: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
RESULTS	**2015**	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					Restated
Revenue	**2,251,970**	1,343,936	911,939	716,362	450,931
Gross profit	**608,770**	461,496	333,036	251,236	172,004
Profit before income tax	**429,471**	344,309	246,152	202,933	117,633
Income tax expense	**(111,489)**	(93,370)	(59,864)	(53,710)	(27,280)
Profit for the year	**317,982**	250,393	186,288	149,223	90,353

	As at 31 December				
ASSETS, LIABILITIES AND EQUITY	**2015**	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Restated			Restated
Total assets	**6,678,409**	3,730,677	2,627,388	2,021,967	1,575,655
Total liabilities	**3,896,031**	2,253,709	1,536,992	1,125,701	791,435
Total equity	**2,782,378**	1,476,968	1,090,396	896,266	784,220