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天倫燃气
TIANLUN GAS

Tian Lun Gas Holdings Limited

天倫燃气控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1600)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

Highlights of results for the six months ended 30 June 2023:

- Total gas sales volume was 1,082 million m³, representing an increase of 11.8% as compared with 968 million m³ for the corresponding period of last year. Among the total gas sales volume, gas retail sales volume was 872 million m³, representing an increase of 4.5% as compared with 835 million m³ for the corresponding period of last year.
- Revenue was RMB3,967 million, representing an increase of 5.9% as compared with RMB3,745 million for the corresponding period of last year.
- Core profit for the half year amounted to RMB223 million, representing a decrease of 8.0% as compared with RMB243 million for the corresponding period of last year. Excluding the factor of rural gastification business, core profit for the half year amounted to RMB221 million, representing an increase of 24.2% as compared with RMB178 million for the corresponding period of last year.
- The Board declared the payment of an interim dividend of RMB6.82 cents per share.

The board (the “**Board**”) of directors (the “**Directors**”) of Tian Lun Gas Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) is pleased to announce the unaudited results of the Group for the six months ended 30 June 2023 (the “**Reporting Period**”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		Unaudited	Unaudited
Revenue	2	3,966,651	3,744,711
Cost of sales		(3,344,545)	(3,138,999)
Gross profit		622,106	605,712
Distribution costs		(36,897)	(31,522)
Administrative expenses		(105,221)	(106,125)
Net impairment losses on financial assets and contract assets		(1,273)	(1,867)
Other income		7,232	4,591
Other losses — net	3	(33,808)	(69,349)
Operating profit		452,139	401,440
Finance income		5,417	5,364
Finance expenses		(196,719)	(142,574)
Finance expenses — net	6	(191,302)	(137,210)
Share of results of associates and a joint venture	9	17,372	6,745
Profit before income tax		278,209	270,975
Income tax expense	5	(80,579)	(84,696)
Profit for the period		197,630	186,279
Profit attributable to:			
Owners of the Company		186,651	171,111
Non-controlling interests		10,979	15,168
		197,630	186,279

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		Unaudited	Unaudited
Profit for the period		197,630	186,279
Other comprehensive income for the period, net of tax		—	—
		<hr/>	<hr/>
Total comprehensive income for the period		197,630	186,279
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		186,651	171,111
Non-controlling interests		10,979	15,168
		<hr/>	<hr/>
		197,630	186,279
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share for profit attributable to owners of the Company (RMB per share)			
— Basic earnings per share	7	0.19	0.17
— Diluted earnings per share	7	0.19	0.17
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The notes on pages 7 to 23 are an integral part of this unaudited interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2023

		30 June	31 December
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment	8	3,675,701	3,646,105
Investment properties	8	40,105	41,576
Right-of-use assets	8	266,410	268,115
Intangible assets	8	4,920,557	4,980,409
Investments accounted for using the equity method	9	1,003,276	801,015
Deferred income tax assets		22,098	18,044
Financial assets at fair value through profit or loss	12(a)	13,609	80,687
Financial assets at fair value through other comprehensive income	11	59,800	59,800
Trade and other receivables	10	16,332	13,221
Prepayments related to other non-current assets		70,788	67,670
		<hr/>	<hr/>
Total non-current assets		10,088,676	9,976,642
		<hr/>	<hr/>
Current assets			
Inventories		186,213	129,260
Contract assets		2,131,417	2,667,764
Trade and other receivables	10	2,114,377	1,644,577
Financial assets at fair value through other comprehensive income	11	—	10,899
Financial assets at fair value through profit or loss	12(a)	242,198	54,712
Restricted cash		128,744	134,745
Cash and cash equivalents		1,252,876	1,340,135
		<hr/>	<hr/>
Total current assets		6,055,825	5,982,092
		<hr/>	<hr/>
Total assets		16,144,501	15,958,734
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)*As at 30 June 2023*

		30 June	31 December
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		Unaudited	Audited
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	<i>13(a)</i>	8,264	8,511
Treasury share	<i>13(b)</i>	(73,233)	(158,925)
Share premium	<i>13(a)</i>	252,452	341,096
Reserves		877,666	877,666
Retained earnings		4,626,248	4,439,597
		<hr/> 5,691,397	<hr/> 5,507,945
Non-controlling interests		<hr/> 319,133	<hr/> 314,725
Total equity		<hr/> 6,010,530 <hr/>	<hr/> 5,822,670 <hr/>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2023

		30 June	31 December
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		Unaudited	Audited
LIABILITIES			
Non-current liabilities			
Borrowings	<i>14</i>	4,337,305	4,287,778
Deferred income		9,944	11,387
Lease liabilities		6,552	6,886
Deferred income tax liabilities	<i>15</i>	734,948	745,495
		<hr/> 5,088,749	<hr/> 5,051,546
Current liabilities			
Trade and other payables	<i>16</i>	890,660	1,161,991
Lease liabilities		2,298	1,569
Dividend payables		5,681	6,837
Contract liabilities		588,313	575,851
Financial liabilities at fair value through profit or loss	<i>12(b)</i>	—	8,562
Current income tax liabilities		404,350	414,422
Borrowings	<i>14</i>	3,153,920	2,915,286
		<hr/> 5,045,222	<hr/> 5,084,518
Total liabilities		<hr/> 10,133,971	<hr/> 10,136,064
Total equity and liabilities		<hr/> 16,144,501	<hr/> 15,958,734

The notes on pages 7 to 23 are an integral part of this unaudited interim condensed consolidated financial information.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

1 GENERAL INFORMATION OF THE GROUP

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 engineering construction service by providing residential, commercial and industrial users with gas pipeline construction and infrastructure laying and installation and transportation, distribution and sales of gases including natural gas and compressed natural gas (“**CNG**”) and production and sales of liquefied natural gas (“**LNG**”) in bulk and in cylinders in certain cities of the People’s Republic of China (the “**PRC**”).

The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

This unaudited condensed consolidated interim financial information is presented in RMB unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 29 August 2023.

This condensed consolidated interim financial information is unaudited.

2 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 sales of natural gas in cylinders, sales of natural gas in bulk and engineering construction services.

The senior executive management reviews the business performance based on the types of end-users who use its products. For sales made to residential customers, industrial and commercial customers, and transportation customers is classified as sales of natural gas in cylinders; sales to distribution users of city gas enterprises and gas source trading users are classified as sales of natural gas in bulk. The revenue from value-added business and other miscellaneous income, have been reviewed by the senior executive management, and its results are included in the section “all other segments”.

2 SEGMENT INFORMATION *(Continued)*

The senior executive management team assesses performance of the operating segments based on segment results which represent the profit before taxation earned by each segment without allocation of net impairment losses on financial assets and contract assets, other income, other (losses)/gains — net, finance expenses — net and share of results of associates and a joint venture, unallocated corporate expenses such as central administration costs and directors' salaries.

The Group does not allocate 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 operating segments. Therefore, the Group does not report a measure of segment assets and liabilities for each reportable segment.

The segment information provided to the senior executive management team for the reportable segments for the six-month period ended 30 June 2023 is as follows:

	Sales of natural gas in cylinders <i>RMB'000</i>	Sales of natural gas in bulk <i>RMB'000</i>	Engineering construction services <i>RMB'000</i>	All other segments <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Total revenue	2,581,431	620,902	566,072	398,404	(200,158)	—	3,966,651
Inter-segment revenue	—	—	—	200,158	(200,158)	—	—
Revenue from external customers	2,581,431	620,902	566,072	198,246	—	—	3,966,651
Segment profit	164,057	28,755	233,308	75,023	—	—	501,143
Unallocated expenses						(21,155)	(21,155)
Net impairment losses on financial assets and contract assets						(1,273)	(1,273)
Other income						7,232	7,232
Other losses — net						(33,808)	(33,808)
Operating profit							452,139
Finance expenses — net						(191,302)	(191,302)
Share of results of associates and a joint venture						17,372	17,372
Profit before income tax							278,209
Income tax expense						(80,579)	(80,579)
Profit for the period							197,630

2 SEGMENT INFORMATION (Continued)

The segment information provided to the senior executive management for the reportable segments for the six-month period ended 30 June 2022 is as follows:

	Sales of natural gas in cylinders <i>RMB'000</i>	Sales of natural gas in bulk <i>RMB'000</i>	Engineering construction services <i>RMB'000</i>	All other segments <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Total revenue	2,419,892	412,863	734,123	265,739	(87,906)	—	3,744,711
Inter-segment revenue	—	—	—	87,906	(87,906)	—	—
Revenue from external customers	2,419,892	412,863	734,123	177,833	—	—	3,744,711
Segment profit	102,800	26,791	304,479	54,151	—	—	488,221
Unallocated expenses						(20,156)	(20,156)
Net impairment losses on financial assets and contract assets						(1,867)	(1,867)
Other income						4,591	4,591
Other gains — net						(69,349)	(69,349)
Operating profit							401,440
Finance expenses — net						(137,210)	(137,210)
Share of results of associates and a joint venture						6,745	6,745
Profit before income tax							270,975
Income tax expense						(84,696)	(84,696)
Profit for the period							<u>186,279</u>

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

For the six months ended 30 June 2023, revenue from a single external customer amounted to RMB243,213,000, representing approximately 6.1% of the total revenue of the Group (six months ended 30 June 2022: RMB427,037,000, representing approximately 11.4% of the total revenue of the Group). The revenue is attributable to the engineering construction service and sales of natural gas in bulk (six months ended 30 June 2022: engineering construction service and sales of natural gas in bulk).

3 OTHER LOSSES — NET

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Net exchange losses	(119,034)	(132,479)
Gains on financial assets and financial liabilities at fair value through profit or loss	79,102	48,949
Other gains	6,124	14,181
	<u>(33,808)</u>	<u>(69,349)</u>

4 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Raw materials and consumables used	2,861,377	2,691,555
Depreciation on property, plant and equipment (<i>Note 8</i>)	101,311	99,140
Depreciation on investment properties (<i>Note 8</i>)	1,471	1,635
Amortisation of right-of-use assets (<i>Note 8</i>)	5,212	5,232
Amortisation of intangible assets (<i>Note 8</i>)	62,807	62,833
(Gains)/losses on disposal of property, plant and equipment and right-of-use assets	(1,543)	1,267
(Gains) on disposal of associates	—	(4)

5 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Current income tax:		
— PRC corporate income tax	95,180	89,666
Deferred income tax	(14,601)	(4,970)
	<u>80,579</u>	<u>84,696</u>

All the Company's subsidiaries incorporated in the PRC are subject to the PRC corporate income tax, which has been provided based on the statutory income tax rate of the assessable income of each of such companies during the six months ended 30 June 2023 and 30 June 2022, as determined in accordance with the relevant PRC income tax rules and regulations. The CIT rate of the relevant subsidiaries operating in the PRC is 25% (six months ended 30 June 2022: 25%). Certain subsidiaries are entitled to the Development of the Western Regions CIT preferential policies and subject to a preferential CIT rate of 15% (six months ended 30 June 2022: 15%). Besides that, certain subsidiaries are also entitled to the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises CIT preferential policies and subject to a preferential CIT rate of 5% (six months ended 30 June 2022: 2.5% to 5%).

6 FINANCE EXPENSES — NET

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Finance income		
Income from bank deposits and bank products	(5,417)	(5,364)
	<hr/>	<hr/>
Finance expenses		
Interest expense on borrowings	203,141	148,910
Leasing interests	234	337
Others	3,915	2,454
Less: amounts capitalised on qualifying assets	(10,571)	(9,127)
	<hr/>	<hr/>
	196,719	142,574
	<hr/>	<hr/>
	191,302	137,210
	<hr/> <hr/>	<hr/> <hr/>

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
Profit attributable to owners of the Company (<i>RMB'000</i>)	186,651	171,111
Weighted average number of ordinary shares in issue (<i>thousands</i>)	969,101	982,776
Basic earnings per share (<i>RMB per share</i>)	0.19	0.17
	<hr/> <hr/>	<hr/> <hr/>

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2023, the Company had no dilutive potential shares (six months ended 30 June 2022: no dilutive).

8 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

During the operating period, the changes of property, plant and equipment, investment properties, right-of-use assets and intangible assets of the Group are as follows:

	Property, plant and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended 30 June 2023					
Net book amount as at 1 January 2023	3,646,105	41,576	268,115	4,980,409	8,936,205
Additions	140,228	—	—	2,955	143,183
Transfer from property, plant and equipment	—	—	3,507	—	3,507
Transfer to right-of-use assets	(3,507)	—	—	—	(3,507)
Disposals	(5,814)	—	—	—	(5,814)
Depreciation charge	(101,311)	(1,471)	(5,212)	(62,807)	(170,801)
	<u>3,675,701</u>	<u>40,105</u>	<u>266,410</u>	<u>4,920,557</u>	<u>8,902,773</u>
For the six months ended 30 June 2022					
Net book amount as at 1 January 2022	3,518,709	45,008	272,206	5,097,000	8,932,923
Additions	147,650	—	7,050	3,128	157,828
Transfer from investment properties	205	—	—	—	205
Transfer to property, plant and equipment	—	(205)	—	—	(205)
Disposals	(4,016)	—	(1,465)	—	(5,481)
Depreciation charge	(99,140)	(1,635)	(5,232)	(62,833)	(168,840)
	<u>3,563,408</u>	<u>43,168</u>	<u>272,559</u>	<u>5,037,295</u>	<u>8,916,430</u>

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Beginning of the period	801,015	773,671
Additions	184,889	—
Disposals	—	(20,188)
Share of results of associates	34,667	37,457
Share of result of a joint venture	(17,295)	(30,712)
	<hr/>	<hr/>
End of the period	1,003,276	760,228
	<hr/> <hr/>	<hr/> <hr/>

The assets, liabilities and revenue of associates and a joint venture, all of which are unlisted, are shown below:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Assets	42,073,660	38,220,822
Liabilities	(36,971,409)	(33,516,673)
Revenue	806,771	756,185
Share of results of associates and a joint venture	17,372	6,745
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

10 TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	Unaudited	Audited
Trade receivables	581,386	515,629
Receivables due from related parties	977,991	463,631
Less: provision for impairment	(46,349)	(45,330)
Bills receivables	38,732	15,614
Prepayments	424,538	571,331
Other receivables	99,687	107,624
Less: provision for impairment	(556)	(302)
Value-added-tax to be offset and prepaid income tax	55,280	29,601
	2,130,709	1,657,798
Less: long-term prepayments	(16,332)	(13,221)
Current portion	2,114,377	1,644,577

The credit period generally granted to customers in relation to sales of gas is up to 2 months. As for customers in relation to engineering construction services, the Group generally requests advance payments, and in circumstances of credit sales, management closely monitors the credit quality of the customers, and the credit period is granted case by case with a maximum of 2 years in general. An ageing analysis of trade receivables and receivables due from related parties in trade nature based on billing date is as follows:

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	Unaudited	Audited
Less than one year	1,397,487	821,521
1 year to 2 years	114,698	113,773
Over 2 years	32,595	30,369
	1,544,780	965,663

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Non-current assets		
Equity instrument — unlisted securities		
— Gas industry equity interest (i)	59,800	59,800
	=====	=====
Current assets		
Debt instrument		
— Notes receivable (ii)	—	10,899
	=====	=====

- (i) The fair values of unlisted equity securities are 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.
- (ii) Debt investments at fair value through other comprehensive income comprise notes receivable. The Group measures the fair value of the notes receivable within Level 3 of the fair value hierarchy using the discounted cash flow method, which gives rise to fair values approximating the cost.

12 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Financial Assets at Fair Value Through Profit or Loss

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	Unaudited	Audited
Non-current Assets		
Cross currency swap and interest rate swap contracts (i)	13,609	80,687
Current Assets		
Total Return Swap (the TRS) (ii)	116,725	47,212
Cross currency swap and interest rate swap contracts (i)	125,473	7,500
	242,198	54,712
	255,807	135,399

(i) In order to deconcentrate the Group's foreign exchange risk among USD, HK dollars and its functional currency RMB, the Group entered into RMB/USD forward exchange instruments contract and RMB/HK dollars forward exchange instruments contract. The forward exchange instruments are measured at fair value at the end of the reporting period which is determined by reference to the prices as quoted by the counterparty financial institution.

(ii) The Company entered into the TRS Transaction with the TRS Counterparty. The maximum Equity Notional Amount of the TRS Transaction is HK\$200 million. The TRS Transaction will be no less than 12 months. For details, please refer to the announcements of the Company dated 13 April 2023.

The TRS Transaction is measured at fair value which is determined by reference to the quoted prices for similar assets in an active market.

12 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

(b) Financial Liabilities at Fair Value Through Profit or Loss

	30 June 2023 RMB'000 Unaudited	31 December 2022 RMB'000 Audited
Current liabilities		
Forward exchange instrument (a)(i)	—	8,562
	<u> </u>	<u> </u>

13 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

(a) Share capital and share premium

	Number of shares (Thousands)	Ordinary shares RMB'000 Unaudited	Share premium RMB'000 Unaudited	Total RMB'000 Unaudited
Issued and fully paid:				
At 30 June 2023 (nominal value of HK\$0.01 each)	<u>981,885</u>	<u>8,264</u>	<u>252,452</u>	<u>260,716</u>
At 1 January 2023 (nominal value of HK\$0.01 each)	<u>1,010,027</u>	<u>8,511</u>	<u>341,096</u>	<u>349,607</u>

13 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES *(Continued)*

(b) Treasury shares

	Number of shares (thousands)	Total RMB'000 Unaudited
At 1 January 2022	31,490	200,697
Repurchase of shares	52,178	255,911
Cancellation of shares	(43,588)	(297,683)
At 31 December 2022	40,080	158,925
At 1 January 2023	40,080	158,925
Repurchase of shares	880	3,199
Cancellation of shares	(28,142)	(88,891)
At 30 June 2023	12,818	73,233
	=====	=====

14 BORROWINGS

	30 June 2023 RMB'000 Unaudited	31 December 2022 RMB'000 Audited
Non-current	4,337,305	4,287,778
Current	3,153,920	2,915,286
	=====	=====
	7,491,225	7,203,064

14 BORROWINGS (Continued)

Changes in borrowings are analysed as follows:

	<i>RMB'000</i>
For the six months ended 30 June 2023	
Opening amount as at 1 January 2023	7,203,064
Proceeds from new loans	1,576,954
Less: financing expenses paid	(365)
Repayments of borrowings	(1,429,579)
Exchange losses	133,450
Amortisation of financing expenses	7,701
	<hr/>
Closing amount as at 30 June 2023	7,491,225
	<hr/> <hr/>
	<i>RMB'000</i>
For the six months ended 30 June 2022	
Opening amount as at 1 January 2022	6,306,022
Proceeds from new loans	2,756,796
Less: financing expenses paid	(10,471)
Repayments of borrowings	(1,982,631)
Exchange losses	136,217
Amortisation of financing expenses	4,470
	<hr/>
Closing amount as at 30 June 2022	7,210,403
	<hr/> <hr/>

Interest expense on borrowings for the six months ended 30 June 2023 is RMB203,141,000 (six months ended 30 June 2022: RMB148,910,000).

15 DEFERRED INCOME TAX LIABILITIES

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Balance as at 1 January	745,495	753,669
Credited to profit or loss	(10,547)	(1,914)
	<u>734,948</u>	<u>751,755</u>
Balance as at 30 June	<u><u>734,948</u></u>	<u><u>751,755</u></u>

16 TRADE AND OTHER PAYABLES

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Trade payables	389,604	358,256
Amounts due to related parties	10,462	16,244
Notes payable	187,100	427,700
Accrued payroll and welfare	2,270	6,069
Interest payables	16,598	13,243
Other taxes payables	214,814	229,419
Contingent consideration payables (i)	14,516	14,516
Other payables	55,296	96,544
	<u>890,660</u>	<u>1,161,991</u>
	<u><u>890,660</u></u>	<u><u>1,161,991</u></u>

- (i) The fair values of contingent consideration payables were measured by the discounted method and included in Level 3 of the fair value hierarchy.

16 TRADE AND OTHER PAYABLES (Continued)

An ageing analysis of trade payables based on billing date is as follows:

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	Unaudited	Audited
Less than one year	359,289	317,393
1 year to 2 years	15,708	18,437
2 years to 3 years	7,433	6,906
Over 3 years	7,174	15,520
	389,604	358,256

17 DIVIDENDS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	Unaudited	Unaudited
Final dividend for the year 2022 of 11.00 cents per share paid to ordinary shares (2021: RMB14.57 cents per share)	108,008	148,031

On 30 June 2023, subject to the approval of the Shareholders in general meeting, a final dividend of RMB11.00 cents per Share for the year ended 31 December 2022, amounting to approximately RMB89,179,000 (excluding the undistributed final dividend of RMB18,829,000 which has been agreed by Mr. Zhang Yingcen, the controlling Shareholder of the Company) was declared. Final dividend was payable on 21 July 2023 after the Reporting Period.

Pursuant to the resolutions of the Board on 29 August 2023, the Board of the Company declared the payment of a total interim dividend of RMB66,965,000 (RMB6.82 cents per share) for the six months ended 30 June 2023 (for the six months ended 30 June 2022: a total of RMB75,050,000 (RMB7.35 cents per share)), and this interim dividend was not recognised as a liability in this interim financial information.

18 BASIS OF PREPARATION OF THE INTERIM REPORT

This condensed consolidated interim financial information for the half-year period ended 30 June 2023 has been prepared in accordance with HKAS 34 Interim Financial Reporting.

This interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual report for the year ended 31 December 2022 and all other public announcements made by the Group during the period.

The accounting policies adopted in the preparation of this condensed consolidated interim financial information are consistent with those of the previous year and corresponding interim reporting period, except for the adoption of the new and amended standards as set out below.

(i) New and amended standards adopted by the Group

A number of new or amended standards and interpretation are mandatory for the first time for the current reporting period. The standards, amendments and interpretation did not have a material impact or are not relevant to the Group.

INDUSTRY REVIEW

The year 2023 is the first year for the full implementation of the spirit of the 20th National Congress and also a critical year for the “14th Five-Year Plan”. The report of the 20th National Congress proposed to further promote the energy revolution, intensify the exploration and development of petroleum and gas resources, increase reserves and production, and accelerate the planning and construction of a new energy system, which demonstrated the direction of promoting the green, low-carbon transformation and high-quality development of energy. Especially under the current “dual-carbon” goal, green and low-carbon transformation is still the main direction for China’s energy transformation, and the energy industry is the main battlefield for promoting green and low-carbon development. As a high-quality, efficient, clean and low-carbon energy source, natural gas is complementary to renewable energy and plays an important role in realizing the “dual-carbon” goal of guaranteeing energy security and green and low-carbon transformation. It will continue to grow steadily both at present and in the longer term. In the first half of the year, on the basis of stabilizing petroleum and gas production, China promoted the increase of natural gas reserves and production, accelerated the development of new energy, and strived to realize the increase of gas, green, and “high”, forming a new milestone in the green transformation layout.

Since 2023, China’s recovery of production and life have been accelerated, and the national energy supply and demand has been generally stable. In the first half of the year, China’s economy has maintained a steady upward trend, with GDP growth of 5.5% year-on-year. As the domestic economy continued to recover, international natural gas prices have fallen, and the growth rate of natural gas demand has bottomed out, pushing the domestic natural gas industry to rebound. The long-term consumption trend of natural gas has returned to the growth track. According to statistics, in the first half of the year, natural gas production and imports maintained steady growth, with national natural gas production of 115.5 billion m³, an increase of 5.4% year-on-year. The apparent natural gas consumption in the PRC amounted to 194.9 billion m³, an increase of 6.7% year-on-year. China’s natural gas industry is still in the stage of rapid development.

In recent years, the full implementation of the petroleum and gas system reform, the renewal and upgrade of the aging gas pipelines and the acceleration of the construction of gas storage facilities, the gradual construction of the multi-source and multi-path gas supply, and the normalization of frequent fluctuation in gas prices have promoted the market reform of gas prices, which has been the direction in the PRC. In the first half of the year, the National Development and Reform Commission (“NDRC”) issued the Notice on Organizing the Signing of Medium- and Long-Term Natural Gas Contracts in 2023 (《關於組織簽訂2023年天然氣中長期合同的通知》), and at the same time issued the Letter on the Provision of Information on Upstream and Downstream Price Linkage Mechanisms for Natural Gas (《關於提供天然氣上下游價格聯動機制有關情況的函》) to various provinces and cities, in order to push forward the implementation of the price linkage mechanism for natural gas. With that, Chongqing, Hebei, Guizhou, Weifang, Mianyang (Sichuan) and many other places issued relevant notices to adjust the sales price of residential pipelined natural gas, which eased the contradiction in gas prices and promoted the healthy development of the gas industry to a certain extent. In the future, with the improvement of the marketization of natural gas in China, the national and provincial natural gas price reforms will be further deepened, with the upstream and downstream price mechanism of natural gas continuing to improve.

BUSINESS REVIEW

For the six months ended 30 June 2023, the Group has always kept in mind the fundamental attribute of a public utility and has actively assumed the social responsibility of ensuring supply for people’s livelihood. While taking root in the gas industry, the Group accelerated the development of new energy business, so as to improve the gas supply guarantee capability and achieve high-quality development of the gas industry.

The key results and operating data of the Group for the six months ended 30 June 2023 and their comparison against the figures for the corresponding period of last year are as follows:

	Six months ended 30 June		Change
	2023	2022	
Revenue (RMB'000)	3,966,651	3,744,711	5.9%
Gross profit (RMB'000)	622,106	605,712	2.7%
Profit attributable to owners of the Company (RMB'000)	186,651	171,111	9.1%
Weighted average number of shares ('000)	969,101	982,776	(1.4)%
Earnings per share — basic (RMB)	0.19	0.17	11.8%
New pipeline gas customers:	148,894	191,986	(22.4)%
— City gas residential customers (households)	138,094	132,240	4.4%
— Rural gasification residential customers (households)	9,333	58,177	(84.0)%
— Industrial and commercial customers (households)	1,467	1,569	(6.5)%
Total pipeline gas customers:	5,443,209	5,130,628	6.1%
— City gas residential customers (households)	3,447,405	3,158,950	9.1%
— Rural gasification residential customers (households)	1,952,025	1,932,733	1.0%
— Industrial and commercial customers (households)	43,779	38,945	12.4%
Natural gas sales volume (in ten thousand m ³):	108,215	96,797	11.8%
Sales volume of retail business of natural gas (in ten thousand m ³)	87,180	83,458	4.5%
— Natural gas sales volume to residential customers (in ten thousand m ³)	26,670	24,727	7.9%
— Natural gas sales volume to industrial and commercial customers (in ten thousand m ³)	55,870	54,639	2.3%
— Natural gas sales volume to transportation customers (in ten thousand m ³)	4,640	4,092	13.4%
Sales volume of wholesale business of natural gas (in ten thousand m ³)	21,035	13,339	57.7%
Long-haul pipeline gas transmission volume (in ten thousand m ³)	33,897	34,349	(1.3)%
Total length of medium and high-pressure pipelines (kilometre)	9,003	8,799	2.3%

Gas Source Optimization

In the first half of the year, with the domestic economic recovery, various enterprises accelerated the resumption of work and production, and the domestic demand for natural gas continued to pick up. The Group continued to improve the accuracy of its gas demand forecasts based on the domestic supply and demand situation of natural gas, rationalize the deployment of gas sources, and strive to secure gas contracts with “good price and sufficient quantity”. In addition, the Group paid close attention to the short-term policy changes of upstream resources, and expanded gas source acquisition channels in multiple ways to ensure stable gas supply. The Group also participated in the acquisition of incremental resources based on the internal supply and demand situation, so as to lock in the amount of resources in advance and under the premise of cost control. This year, the Group will continue to promote the interconnection, backup gas source storage, completion of gas injection into gas storage tanks and signing of sales contracts with end-users, in order to enhance its gas replenishment and emergency response capability. As of 30 June 2023, the Group’s total length of medium and high-pressure pipelines reached 9,003 kilometers.

Value-added Services

The Group continued to build a value-added service system with Tian Lun’s characteristics and enhance its own brand popularity. Leveraging on the Group’s resource advantages, the Group has been able to satisfy more application scenarios through an innovative and empowering value-added business model, thereby facilitating the continuous growth of the value-added business. In the first half of the year, the Group continued to focus on gas users, pinpointing their consumption habits and product needs, and providing gas appliance sales services, modification services, insurance and safety services to satisfy the diversified and personalized needs of users. Through online and offline operation services, the Group has expanded its diversified sales channels and continued to optimize its “product + service” system to enhance product competitiveness and create value. As at 30 June 2023, the Group’s revenue from value-added business amounted to RMB153 million, representing an increase of 11.3% compared with RMB137 million for the corresponding period of last year, while gross profit amounted to RMB76 million, representing an increase of 24.7% compared with RMB61 million for the corresponding period of last year.

FINANCIAL REVIEW

During the Reporting Period, the Group's revenue amounted to RMB3,967 million, representing an increase of 5.9% as compared with RMB3,745 million for the corresponding period of last year. The margin was RMB622 million, representing a year-on-year increase of 2.7% as compared with RMB606 million for the corresponding period of last year. Overall gross profit margin was 15.7%. Profit attributable to owners of the Company amounted to RMB187 million, representing a year-on-year increase of 9.1% as compared with RMB171 million for the corresponding period of last year. Basic earnings per share amounted to RMB0.19, representing a year-on-year increase of 11.8% as compared with RMB0.17 for the corresponding period of last year.

Revenue from Engineering Construction Services

During the Reporting Period, the Group's revenue from engineering construction services amounted to RMB566 million, representing a year-on-year decrease of 22.9% as compared to RMB734 million for the corresponding period of last year. Among which, the Group actively promoted the operation of the urban renewal and reconstruction plan to ensure a stable level of profitability in the engineering construction services business. Revenue from the urban gas construction and service amounted to RMB401 million, representing a year-on-year increase of 5.2% as compared to RMB381 million for the corresponding period of last year.

Revenue from Gas Retail Business

For the six months ended 30 June 2023, revenue from retail business of the Group amounted to RMB2,581 million, representing a year-on-year increase of 6.7% as compared with RMB2,420 million for the corresponding period of last year.

Revenue from Gas Wholesale Business

For the six months ended 30 June 2023, revenue from wholesale business of the Group amounted to RMB621 million, representing a year-on-year increase of 50.4% as compared with RMB413 million for the corresponding period of last year.

Revenue from Other Business

Most of the revenue from other business comes from value-added services. During the Reporting Period, the Group's value-added business precisely positioned customers' demands, innovated business models and enriched product contents, which contributed to a revenue of RMB198 million from other business, representing an increase of 11.5% as compared with RMB178 million for the corresponding period of last year.

Gross Profit and Profit

During the Reporting Period, the Group realized gross profit of RMB622 million, representing a year-on-year increase of 2.7% as compared with RMB606 million for the corresponding period of last year. Overall gross profit margin of the Group was 15.7%, basically equal to the same period of last year.

During the Reporting Period, the Group realized profit of RMB501 million, representing a year-on-year increase of 2.6% as compared with RMB488 million for the corresponding period of last year. Among which, the urban gas business realized a profit of RMB472 million, representing a year-on-year increase of 30.4% as compared with RMB362 million for the corresponding period of last year (an increase of 48.8% in the profit of gas sales; an increase of 14.6% in the profit of engineering construction services; an increase of 38.5% in the profit of other businesses).

Distribution Cost and Administrative Expenses

The Group's distribution cost for the Reporting Period was RMB37 million, and administrative expenses were RMB105 million.

Other Losses — Net

During the Reporting Period, other losses — net of the Group amounted to RMB34 million, representing a decrease of RMB36 million as compared with the corresponding period of last year, mainly due to the losses of RMB119 million generated from exchange rate fluctuations for the period.

Finance Expenses — Net

During the Reporting Period, finance expenses — net of the Group amounted to RMB191 million, representing an increase of RMB54 million as compared with RMB137 million for the corresponding period of last year.

Share of Results of Associates and a Joint Venture

During the Reporting Period, the Group's share of profit after tax of associates and a joint venture amounted to RMB17.37 million.

Profit for the Period

During the Reporting Period, excluding other losses – net and impairment losses on financial and contract assets, net, the adjusted core profit amounted to RMB223 million, representing a decrease of 8.0% as compared with RMB243 million for the corresponding period of last year. Excluding the factor of rural gastification business, core profit for the half year amounted to RMB221 million, representing an increase of 24.2% as compared with RMB178 million for the corresponding period of last year.

During the Reporting Period, profit for the period of the Group amounted to RMB198 million, representing an increase of 6.1% as compared with RMB186 million for the corresponding period of last year.

Net Profit Attributable to Owners of the Company

During the Reporting Period, net profit attributable to owners of the Company was RMB187 million, representing a year-on-year increase of 9.1% as compared with the corresponding period of last year.

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 six months ended 30 June 2023, the Group incurred capital expenditure of RMB139 million, which was used for continuously improving businesses of city gas and long-haul pipeline. The above capital expenditure was financed by the Group's operating cash flows and bank borrowings.

As at 30 June 2023, the Group held cash and cash equivalents of RMB1,253 million in total, (among which 91.0% was denominated in RMB, 4.4% was denominated in HK dollars and 4.6% was denominated in US dollars), so as to safeguard the capital needs for the project expansion and acquisition of business of the Group.

As at 30 June 2023, the Group's total borrowings were RMB7,491 million, among which loans denominated in RMB were RMB3,875 million, loans denominated in HK dollars were RMB843 million and loans denominated in US dollars were RMB2,773 million. Among those borrowings, 57.9% of which were classified as non-current liabilities, and 42.1% of which were classified as current liabilities. As at 30 June 2023, the gearing ratio of the Group, calculated based on the percentage of total liabilities over total assets, was 62.8%.

Finance Cost and Exchange Risk Management

For the six months ended 30 June 2023, the Group's interest expense on borrowings was RMB203 million, representing an increase of 36.4% as compared with the corresponding period of last year.

As at 30 June 2023, the Group's borrowings denominated in foreign currencies accounted for 48.3% of its total borrowings. 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.

OUTLOOK

Looking ahead to the second half of 2023, with the full resumption of normalized economic and social operations, China's economic operations will continue to stabilize and improve. Against the backdrop of uncertainties in the external environment, China's economic recovery will demonstrate strong resilience. In terms of the industry, driven by favorable factors such as socio-economic recovery, stimulation of energy policies, increase in resource supply and decrease in the cost of gas supply, industrial production, commercial operations, transportation and other activities will increase, and the demand for natural gas will return to a steady and positive trend.

In the future, the Group will continue to implement the integrated development model of green and low-carbon energy business in the long term under the national policies of "dual carbon" and rural revitalization. The Group will also join hands with multi-industry and multi-discipline partners to expand its nationwide coverage of gas services, value-added services and green energy services.

In the second half of the year, the Group will continue to plough into the gas field, and coordinate and reserve gas sources and formulate emergency plans for gas supply management before winter heating season. While improving the profitability of the main business, the Group will also enhance the comprehensive management capability and risk resistance of natural gas supply, so as to ensure accurate, timely and effective handling of various natural gas supply emergencies, maximize the safety and stable gas supply for residential users in the operating area, and do its utmost to meet the needs of the users. At the same time, the Company will continue to adhere to the customer demand-oriented approach, increase the policy-oriented marketing of gas safety products, vigorously expand the value-added business market through market-oriented operation and innovative strategies, and enhance its core competitiveness and market awareness. Through continuous improvement in product quality and service standards to meet the diversified needs of consumers, the Group will further expand its business scope and enhance its brand strength.

The Group will continue to shoulder the mission of promoting energy transformation and green development, and implement the strategic layout of “gas-electricity coordination” through various measures, put efforts in ensuring the orderly progress of distributed photovoltaic construction. The Group will make good use of the concentrated and abundant rural rooftop resources in Henan as the new path for energy transformation, and strive to find a new way to increase the proportion of clean energy in the rural comprehensive energy utilization scenario. Using the role of a “household photovoltaics operator”, the Group will push forward the effective implementation of rooftop photovoltaics for the residents, and provide full support for the rural energy revolution, accelerating the realization of a comprehensive green transformation of the economy and society.

As a public utility company, the Group will also actively fulfill its social responsibility and contribute to the harmonious development of the society by advancing its future development around greening, marketization, professionalization and synergy. The Group adheres to the business philosophy of “green development” and integrates green management into its operation mechanism, taking practical actions to fulfill its commitment to green operation and to enhance its sustainable management level on all fronts. At the same time, the Group will comprehensively promote its sustainable development strategy, proactively respond to future environmental, energy and economic challenges, and comprehensively promote rural revitalization through the “gas-electricity coordination” and other rural energy development models, with a view to realizing the collaborative development of enterprises and society.

PURCHASE, SELL OR REDEEM ANY LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2023, the Company purchased certain of its shares on the Stock Exchange which were subsequently cancelled by the Company. The details of such share repurchase as at 30 June 2023 are summarised below:

Month	Number of shares repurchased	Repurchase price of shares per share		Price paid <i>In total</i> HK\$
		<i>Highest</i>	<i>Lowest</i>	
		HK\$	HK\$	
January 2023	880,500	4.42	3.80	3,654,792.11

The 880,500 shares repurchased in January 2023 were cancelled in April 2023.

The shares of the Company were repurchased by the Company pursuant to the mandate granted by the shareholders at the annual general meeting held in May 2022, for the purpose of benefiting the Company and its shareholders as a whole by increasing the net asset value and earnings per share of the Company.

Save as disclosed above, neither the Company nor its subsidiaries had purchased, redeemed or sold any of listed securities of the Company during the Reporting Period.

INTERIM DIVIDENDS

The Group has established a long-term steady dividend policy. Pursuant to the resolutions of the Board on 29 August 2023, the Board declared the payment of an interim dividend for the six months ended 30 June 2023 of RMB6.82 cents per share (the “**Interim Dividend**”).

The Interim Dividend will be paid in Hong Kong dollars on or about Thursday, 30 November 2023 to the shareholders whose names appear on the register of members of the Company on Tuesday, 31 October 2023. Further announcement will be made by the Company in relation to the exact amount of the Dividend in Hong Kong dollars when the conversion rate for Renminbi to Hong Kong dollars to be adopted has been determined by the Board.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders' entitlement to the proposed Interim Dividend, the register of members of the Company will be closed from Thursday, 26 October 2023 to Tuesday, 31 October 2023 (both days inclusive), during which no transfer of shares of the Company will be registered.

In order to be qualified for the entitlement to the proposed Interim Dividend, all completed transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 25 October 2023.

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 made to all the Directors, each of them confirmed that they had strictly complied with the required standards set out in the Model Code during the Reporting Period.

CORPORATE GOVERNANCE CODE

The Company has adopted and complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the Reporting Period.

AUDIT COMMITTEE

During the Reporting Period, the audit committee of the Company (the "**Audit Committee**") consisted of three independent non-executive Directors, namely, Mr. Li Liuqing (chairman of the Audit Committee), Mr. Lei Chunyong and Ms. Zhou Lin. The Audit Committee has reviewed this announcement and the unaudited consolidated financial statements of the Group for the Reporting Period.

INTERIM REPORT

The Company's interim report for the Reporting Period will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.tianlungas.com), and copies of the interim report will be dispatched to the shareholders of the Company in due course.

By order of the Board
Tian Lun Gas Holdings Limited
Zhang Yingcen
Chairman

Zhengzhou, the PRC, 29 August 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan (Chief Executive), Mr. Liu Min and Ms. Li Tao; the non-executive Directors are Ms. Chen Hong and Mr. Zhang Daoyuan; and the independent non-executive Directors are Mr. Li Liuqing, Ms. Ou Yaqun, Mr. Lei Chunyong and Ms. Zhou Lin.