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天伦燃气
TIANLUN GAS

China Tian Lun Gas Holdings Limited
中國天倫燃氣控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 01600)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Highlights of results for the six months ended 30 June 2018:

- Gas sales volume recorded rapid growth. Total gas sales volume was 605 million m^3, representing an increase of 20.7% as compared with 501 million m^3 for the corresponding period of last year. Gas sales volume to industrial and commercial users was 336 million m^3, representing a year-on-year increase of 27.8%; gas sales volume to residential users was 123 million m^3, representing a year-on-year increase of 48.2%.

- Revenue was RMB1,899 million, representing an increase of 27.4% as compared with RMB1,490 million for the corresponding period of last year. Revenue from gas sales was RMB1,453 million, representing an increase of 25.0% as compared with RMB1,162 million for the corresponding period of last year; revenue from connection business was RMB398 million, representing an increase of 33.6% as compared with RMB298 million for the corresponding period of last year; revenue from other businesses which mainly include value-added services was RMB48 million, representing a substantial increase of 63.2% as compared with RMB29 million for the corresponding period of last year.

- Gross profit was RMB498 million, representing an increase of 31.3% as compared with RMB379 million for the corresponding period of last year. Overall gross profit margin was 26.2%. Gross profit margin for gas sales was 14.2%, representing an increase of 0.20 percentage points compared with the corresponding period of last year.

- Excluding gains/losses arising from cross currency swap contracts and exchange, adjusted profit attributable to owners of the Company amounted to RMB253 million, representing an increase of 34.9% as compared with RMB187 million for the corresponding period of last year.

- Profit attributable to owners of the Company amounted to RMB215 million, representing an increase of 15.3% as compared with RMB187 million for the corresponding period of last year.

- The Board recommends the payment of an interim dividend of RMB5.36 cents per share and the dividend payment ratio was approximately 25%.

The board (the "**Board**") of directors (the "**Directors**") of China Tian Lun Gas Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited results of the Group for the six months ended 30 June 2018 (the "**Reporting Period**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Revenue	*5*	**1,899,344**	1,490,354
Cost of sales		**(1,401,500)**	(1,111,290)
Gross profit		**497,844**	379,064
Distribution costs		**(16,416)**	(11,370)
Administrative expenses		**(65,172)**	(57,871)
Other gains — net		**6,683**	2,065
Operating profit		**422,939**	311,888
Finance income		**31,773**	21,830
Finance expenses		**(154,273)**	(80,971)
Finance expenses — net	*8*	**(122,500)**	(59,141)
Share of post-tax profits of associates		**9,787**	21,937
Profit before income tax		**310,226**	274,684
Income tax expense	*7*	**(83,345)**	(77,778)
Profit for the period		**226,881**	196,906
Profit attributable to:			
Owners of the Company		**215,307**	186,815
Non-controlling interests		**11,574**	10,091
		226,881	196,906

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Profit for the period		**226,881**	196,906
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		**226,881**	196,906
Attributable to:			
Owners of the Company		**215,307**	186,815
Non-controlling interests		**11,574**	10,091
		226,881	196,906
Earnings per share for profit attributable to owners of the Company (RMB per share)			
— Basic earnings per share	*9*	**0.22**	0.19
— Diluted earnings per share	*9*	**0.22**	0.19

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	**Unaudited 30 June 2018 RMB'000**	Audited 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**2,492,035**	2,353,795
Investment properties	*10*	**30,016**	30,827
Lease prepayments	*10*	**227,787**	223,872
Intangible assets	*10*	**3,561,795**	3,407,638
Investments accounted for using equity method	*11*	**511,562**	501,775
Deferred income tax assets		**40,389**	27,431
Available-for-sale financial assets		**—**	61,395
Financial assets at fair value through other comprehensive income		**61,395**	—
Prepayments and other receivables	*12*	**69,056**	69,661
Prepayments related to other non-current assets		**91,770**	81,705
Total non-current assets		**7,085,805**	6,758,099
Current assets			
Inventories		**52,524**	46,625
Trade and bills receivables	*12*	**450,192**	381,986
Prepayments and other receivables	*12*	**359,057**	284,563
Financial assets at fair value through profit or loss	*14*	**300,000**	300,000
Restricted cash		**59,056**	22,739
Cash and cash equivalents		**1,761,481**	678,237
Total current assets		**2,982,310**	1,714,150
Total assets		**10,068,115**	8,472,249

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30 June 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**8,340**	8,340
Share premium	*13*	**1,241,353**	1,264,114
Reserves		**155,848**	153,526
Retained earnings		**1,567,680**	1,352,373
		2,973,221	2,778,353
Non-controlling interests		**356,727**	339,450
Total equity		**3,329,948**	3,117,803

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
As at 30 June 2018

	Note	**Unaudited 30 June 2018** *RMB'000*	Audited 31 December 2017 *RMB'000*
LIABILITIES			
Non-current liabilities			
Other payables and accruals	*18*	**136,598**	136,598
Borrowings	*16*	**3,794,790**	2,898,385
Deferred income		**1,440**	1,472
Deferred income tax liabilities	*17*	**438,769**	419,881
		4,371,597	3,456,336
Current liabilities			
Trade payables	*18*	**239,606**	180,754
Other payables and accruals	*18*	**275,301**	346,965
Dividend payables		**22,761**	—
Advances from customers		**—**	253,618
Contract liabilities		**260,736**	—
Financial liabilities at fair value through profit or loss	*15*	**—**	22,898
Current income tax liabilities		**140,790**	125,128
Borrowings	*16*	**1,427,376**	968,747
		2,366,570	1,898,110
Total liabilities		**6,738,167**	5,354,446
Total equity and liabilities		**10,068,115**	8,472,249

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company						
	Share Capital *RMB'000* *Note 13*	Share premium *RMB'000* *Note 13*	Reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2018	**8,340**	**1,264,114**	**153,526**	**1,352,373**	**2,778,353**	**339,450**	**3,117,803**
Comprehensive income							
Profit for the period	—	—	—	215,307	215,307	11,574	226,881
Total transactions with owners, recognised directly in equity							
Dividend payables	—	(22,761)	—	—	(22,761)	—	(22,761)
Capital contribution from non-controlling interests	—	—	—	—	—	6,400	6,400
Dividends paid to non-controlling interests	—	—	—	—	—	(697)	(697)
Employees share option scheme: — Value of employee services	—	—	2,322	—	2,322	—	2,322
Total transactions with owners, recognised directly in equity	—	(22,761)	2,322	—	(20,439)	5,703	(14,736)
Balance as at 30 June 2018	**8,340**	**1,241,353**	**155,848**	**1,567,680**	**2,973,221**	**356,727**	**3,329,948**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 2017

	Attributable to owners of the Company						
	Share Capital *RMB'000*	Share premium *RMB'000*	Reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance as at 1 January 2017	8,340	1,264,114	78,416	1,080,332	2,431,202	320,507	2,751,709
Comprehensive income							
Profit for the period	—	—	—	186,815	186,815	10,091	196,906
Total transactions with owners, recognised directly in equity							
Employees share option scheme:							
— Value of employee services	—	—	1,197	—	1,197	—	1,197
— Transfer to accumulated earnings upon forfeiture of share options	—	—	(8,756)	8,756	—	—	—
Total transactions with owners, recognised directly in equity	—	—	(7,559)	8,756	1,197	—	1,197
Balance as at 30 June 2017	8,340	1,264,114	70,857	1,275,903	2,619,214	330,598	2,949,812

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 gas including natural gas and compressed natural gas (the "CNG") and production and sales of liquefied natural gas ("LNG") in bulk and in cylinders in certain cities of the People's Republic of China (the "PRC").

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

This unaudited condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This unaudited condensed interim financial information was approved by the Board of Directors for issue on 27 August 2018.

This condensed consolidated interim financial information is unaudited.

2 BASIS OF PRESENTATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with HKAS 34, "Interim financial reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with HKFRSs.

3 ACCOUNTING POLICIES

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

The Group has adopted the following amendments to standards effective from 1 January 2018:

• HKFRS 9	Financial Instruments
• HKFRS 15	Revenue from Contracts with Customers
• Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
• Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
• Amendments to HKAS 40	Transfers of Investment Property
• HK(IFRIC) — Interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of the amendments to standards had no material effect on the Group's reported results and financial position for the current and prior accounting periods except as described below.

HKFRS 15, "Revenue from Contracts with Customers"

HKFRS 15 replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer.

The Group adopted the new standard using the modified retrospective approach with comparatives not be restated and applied the new guidance only to contracts that are not completed at 1 January 2018.

The Group derives its revenue primarily from gas sales and gas pipeline connections. The impacts of the adoption of this new standard are set out below:

Sale of gases

Revenue from sale of gases shall be recognised at the point in time when control is transferred to the customer, 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.

The adoption of HKFRS 15 had no significant impact on revenue recognition in respect of sale of gases business.

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 15, "Revenue from Contracts with Customers" *(Continued)*

Connection of gas pipelines

In prior reporting periods, the revenue in respect of the connection and construction of gas pipelines was recognised using the percentage of completion method, but when the period of construction works was short, the revenue was recognised when the relevant construction works had been completed and connection services had been rendered.

Under HKFRS 15, revenue from gas pipeline connections may be recognised over time or at a point in time depending on the terms of the contracts and actual work performed.

For the six months ended 30 June 2018, the Group has concluded that the adoption of HKFRS 15 had no material impact on revenue recognition in respect of connection of gas pipelines business.

Presentation of liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of contract liabilities in the balance sheet, which was previously presented as advances from customers to reflect the terminology of HKFRS 15.

Therefore, liabilities amounting to RMB253,618,000 were reclassified from advances from customers to contract liabilities on 1 January 2018.

HKFRS 9, "Financial Instruments"

HKFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of this new standard resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

Classification and Measurement

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

- those to be measured at amortised cost.

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 9, "Financial Instruments" *(Continued)*

Classification and Measurement *(Continued)*

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Debt instruments are subsequently measured at amortised cost, FVPL or FVOCI, which depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 9, "Financial Instruments" *(Continued)*

Classification and Measurement *(Continued)*

Equity instruments (Continued)

The Group elected to present in OCI changes in the fair value of its equity investment previously classified as available-for-sale, because the investment is held as a long-term strategic investment that is not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB61,395,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RMB14,418,000 were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group mainly has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade and bills receivables for sales of gases and from connection of gas pipelines;

- prepayments and other receivables.

The Group is required to revise its impairment methodology under HKFRS 9 for these assets.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss is immaterial.

Trade and bills receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables. To measure the expected credit losses, trade and bills receivables have been grouped based on shared credit risk characteristics and the days past due.

Prepayments and other receivables

The Group measures the loss allowances at an amount equal to 12-month expected credit losses if, at the reporting date, the credit risk on prepayments and other receivables has not increased significantly since initial recognition. Otherwise, the Group shall measure the loss allowances at an amount equal to the lifetime expected credit losses.

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 9, "Financial Instruments" *(Continued)*

Impairment *(Continued)*

Prepayments and other receivables (Continued)

Based on the assessments undertaken, the Group concluded that the adoption of new expected credit loss model did not have a material impact on loss allowances for its financial assets.

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 SEGMENT INFORMATION

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

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

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

The long-haul pipeline gas transmission business which sells gas to urban gas distributors and large industrial users is classified as "the Long-haul Pipeline Gas Transmission and Sales".

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.

5 SEGMENT INFORMATION *(Continued)*

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

The segment information for the six-month period ended 30 June 2018 is as follows:

	City gas sales *RMB'000*	Long-haul pipeline gas transmission and sales *RMB'000*	Gas pipeline connection *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue from external customers	1,024,474	428,381	398,471	48,018	—	1,899,344
Gross profit	161,389	44,985	260,715	30,755	—	497,844
Distribution costs					(16,416)	(16,416)
Administrative expenses					(65,172)	(65,172)
Other gains — net					6,683	6,683
Operating profit						422,939
Finance expenses — net					(122,500)	(122,500)
Share of post-tax profits of associates					9,787	9,787
Profit before income tax						310,226
Income tax expense					(83,345)	(83,345)
Profit for the period						226,881

5 SEGMENT INFORMATION *(Continued)*

The segment information for the six-month period ended 30 June 2017 is as follows:

	City gas sales *RMB'000*	Long-haul pipeline gas transmission and sales *RMB'000*	Gas pipeline connection *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue from external customers	725,389	437,353	298,197	29,415	—	1,490,354
Gross profit	119,036	43,845	199,656	16,527	—	379,064
Distribution costs					(11,370)	(11,370)
Administrative expenses					(57,871)	(57,871)
Other gains — net					2,065	2,065
Operating profit						311,888
Finance expenses — net					(59,141)	(59,141)
Share of post-tax profits of associates					21,937	21,937
Profit before income tax						274,684
Income tax expense					(77,778)	(77,778)
Profit for the period						196,906

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 2018, revenue from sales to a single external customer amounted to RMB168,802,000, representing 9% of total revenue of the Group; for the six months ended 30 June 2017, revenue from sales to a single external customer amounted to RMB168,734,000, representing 11% of total revenue of the Group.

6 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Raw materials and consumables used	**1,236,927**	969,373
Changes in finished goods and work in progress	**(13,294)**	(10,750)
Depreciation on property, plant and equipment *(Note 10)*	**63,456**	51,021
Depreciation on investment properties *(Note 10)*	**811**	511
Amortisation of lease prepayments *(Note 10)*	**3,401**	2,230
Amortisation of intangible assets *(Note 10)*	**40,466**	34,503
Losses/(gains) on disposal of property, plant and equipment and lease prepayments	**379**	(277)

7 INCOME TAX EXPENSES

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax:		
— PRC corporate income tax	**101,764**	84,356
Deferred income tax	**(18,419)**	(6,578)
	83,345	77,778

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2018 is 27% (the estimated tax rate for the six months ended 30 June 2017 was 28%).

8 FINANCE EXPENSES — NET

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income		
Interest income on bank deposits and loan to third party	**(10,747)**	(8,361)
Investment income on financial assets at fair value through profit or loss		
— Investment in trust	**(12,972)**	(13,469)
— Cross currency swap contracts	**(8,054)**	—
	(31,773)	(21,830)
Finance expenses		
Interest expense on borrowings	**123,088**	94,906
Investment losses on cross currency swap contracts	**—**	45,499
Exchange losses/(gains)	**46,497**	(47,508)
Others	**733**	666
Less: Amounts capitalised on qualifying assets	**(16,045)**	(12,592)
	154,273	80,971
	122,500	59,141

9 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is 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	
	2018	2017
	Unaudited	Unaudited
Profit attributable to owners of the Company *(RMB'000)*	**215,307**	186,815
Weighted average number of ordinary shares in issue *(thousands)*	**989,615**	989,615
Basic earnings per share *(RMB per share)*	**0.22**	0.19

9 EARNINGS PER SHARE *(Continued)*

(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, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Profit attributable to owners of the Company *(RMB'000)*	**215,307**	186,815
Weighted average number of ordinary shares in issue *(thousands)*	**989,615**	989,615
Adjustments for:		
— Share options *(thousands)*	**1,195**	—
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**990,810**	989,615
Diluted earnings per share *(RMB per share)*	**0.22**	0.19

During the period ended 30 June 2018, the share options were dilutive (the period ended 30 June 2017: antidilutive).

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

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

	Property, plant and equipment	**Investment properties**	**Lease prepayments**	**Intangible assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2018					
Net book value as at 1 January 2018	**2,353,795**	**30,827**	**223,872**	**3,407,638**	**6,016,132**
Additions	**169,169**	**—**	**3,376**	**2,863**	**175,408**
Acquisition of subsidiaries	**33,144**	**—**	**3,940**	**191,760**	**228,844**
Disposals	**(617)**	**—**	**—**	**—**	**(617)**
Depreciation charge	**(63,456)**	**(811)**	**(3,401)**	**(40,466)**	**(108,134)**
Net book value as at 30 June 2018	**2,492,035**	**30,016**	**227,787**	**3,561,795**	**6,311,633**
Six months ended 30 June 2017					
Net book value as at 1 January 2017	2,124,140	18,210	233,842	2,999,084	5,375,276
Additions	125,679	—	12,708	8	138,395
Transfer to investment properties	(422)	—	—	—	(422)
Transfer from property, plant and equipment	—	422	—	—	422
Disposals	(6,568)	—	(22,697)	—	(29,265)
Depreciation charge	(51,021)	(511)	(2,230)	(34,503)	(88,265)
Net book value as at 30 June 2017	2,191,808	18,121	221,623	2,964,589	5,396,141

11 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Beginning of the period	**501,775**	271,571
Share of post-tax profits of associates	**9,787**	21,937
End of the period	**511,562**	293,508

The assets, liabilities, revenue and results of associates, all of which are unlisted, are shown below:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Assets	**14,997,094**	11,220,878
Liabilites	**(12,530,286)**	(9,856,183)
Revenue	**449,300**	269,305
Share of post-tax profits	**9,787**	21,937

12 TRADE AND BILLS RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

Trade and bills receivables

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade receivables — gross	**396,990**	351,551
Less: provision for impairment	**(2,590)**	(2,404)
Trade receivables — net	**394,400**	349,147
Bills receivables	**55,792**	32,839
	450,192	381,986

Prepayments and other receivables

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Prepayments	**151,155**	120,237
Receivables due from related parties *(note 22)*	**13,755**	28,468
Other receivables	**208,409**	169,955
Value-added-tax to be offset and prepaid income tax	**54,794**	35,564
	428,113	354,224
Less: long-term prepayments	**(69,056)**	(69,661)
Current portion	**359,057**	284,563

12 TRADE AND BILLS RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

The credit period generally granted to customers in relation to sales of gas 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 is granted case by case with maximum of 2 years in general case. The ageing analysis of trade receivables and receivables due from related parties in trade nature based on invoice date is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 30 days	**313,621**	277,405
31 days to 90 days	**15,313**	9,476
91 days to 1 year	**32,762**	44,862
1 year to 2 years	**23,351**	22,261
Over 2 years	**11,943**	12,397
	396,990	366,401

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	**Ordinary share capital**	**Share premium**	**Total**
	(Thousand)	*RMB'000*	*RMB'000*	*RMB'000*
		Unaudited	Unaudited	Unaudited
Issued and fully paid:				
At 30 June 2018 (nominal value of HK$0.01 each)	989,615	8,340	1,241,353	1,249,693
At 1 January 2018 (nominal value of HK$0.01 each)	989,615	8,340	1,264,114	1,272,454

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Investment in trust *(i)*	**300,000**	300,000

(i) Gains or losses from changes in fair value of financial assets at fair value through profit or loss are recorded in "Finance income" in the interim condensed consolidated financial information.

The fair value of the investment in trust is measured by the discounted cash flow model with key assumptions including expected return rate, counter-parties' credit risk and market interest rate, which results in these measurements being classified as Level 3 in the fair value hierarchy.

15 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Cross currency swap contracts *(i)*	**—**	22,898

(i) Changes in fair value of financial liabilities at fair value through profit or loss are recorded in "Finance expenses" in the interim condensed consolidated financial information.

The fair value of cross currency swap contracts is determined by reference to the prices as quoted by the counterparty financial institution, which results in these measurements being classified as level 2 in the fair value hierachy.

16 BORROWINGS

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current	**3,794,790**	2,898,385
Current	**1,427,376**	968,747
	5,222,166	3,867,132

Changes in borrowings are analysed as follows:

	RMB'000
For the six months ended 30 June 2018	
Opening amount as at 1 January 2018	**3,867,132**
Proceeds from borrowings	**2,101,776**
Repayments of borrowings	**(793,490)**
Exchange losses	**46,748**
Closing amount as at 30 June 2018	**5,222,166**

	RMB'000
Six months ended 30 June 2017	
Opening amount as at 1 January 2017	3,588,447
Proceeds from borrowings	651,000
Repayments of borrowings	(350,696)
Exchange gains	(54,333)
Closing amount as at 30 June 2017	3,834,418

Interest expense on borrowings and loans for the six months ended 30 June 2018 is RMB123,088,000 (Six months ended 30 June 2017: RMB94,906,000).

17 DEFERRED INCOME TAX LIABILITIES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Balance as at 1 January	**419,881**	370,414
Acquisition of subsidiaries	**25,012**	—
(Charged) to profit or loss	**(6,124)**	(3,792)
Balance as at 30 June	**438,769**	366,622

18 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Trade payables

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	**239,606**	180,754

Other payables and accruals

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Amounts due to related parties *(note 22)*	**31,889**	30,687
Accrued payroll and welfare	**1,381**	4,254
Interest payables	**11,057**	8,631
Other taxes payables	**4,945**	22,266
Contingent consideration payables *(i)*	**232,680**	294,021
Other payables	**129,947**	123,704
	411,899	483,563
Less: Long-term other payables	**(136,598)**	(136,598)
Current portion	**275,301**	346,965

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

18 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS *(Continued)*

The ageing analysis of trade payables and payable due to related parties in trade nature based on invoice date is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 30 days	**119,439**	100,353
31 days to 90 days	**40,066**	35,332
91 days to 1 year	**54,027**	22,303
1 to 2 years	**14,732**	13,387
2 to 3 years	**6,918**	2,699
Over 3 years	**4,424**	6,680
	239,606	180,754

19 DIVIDENDS

As disclosed in the final results announcement on 26 March, 2018, the Board of Directors has decided to declare a final dividend of RMB2.30 cents per share for the year ended 31 December 2017 to shareholders whose names appear in the register of members of the Company at the close of business on Friday, 15 June 2018, and the total dividend of RMB 22,761,000 was paid to the Eligible Shareholders on 13 July 2018.

The Board declared payment of an interim dividend for six months ended 30 June 2018 of approximately RMB5.36 cents per share. The interim dividends which are to be paid on or around Friday, 30 November 2018 to the shareholders whose names appear in the register of members of the Company at the close of business on Wednesday, 31 October 2018, amounting to approximately RMB53,000,000, have not been recognised as a liability in this interim financial information, but will be recognised in shareholders' equity for the year ending 31 December 2018.

20 CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities.

21 BUSINESS COMBINATION

On 31 January 2018, the Group completed acquiring 100% of the equity interests of Mizhi County Changxing Natural Gas Company Limited (Mizhi Changxing), which mainly engaged in sales of natural gas, sales and maintenance of gas appliances, installation and maintenance of natural gas pipeline systems in Mizhi, Yulin, Shaanxi Province, the PRC, with a total consideration of RMB122,000,000.

On 31 January 2018, the Group completed acquiring 100% of the equity interests of Wubu County Changxing Natural Gas Company Limited (Wubu Changxing), which mainly engaged in sales of urban pipeline gas, vehicles filling stations, installation and sales of gas equipment in Wubu, Yulin, Shaanxi Province, the PRC, with a total consideration of RMB55,000,000.

As a result of the abovementioned acquisition, the Group is expected to increase its presence in these markets. The goodwill of approximately RMB91,712,000 arising from the combination is attributable to the strengths obtained by the acquired enterprises in competitive markets, operating synergies with other companies 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 consideration paid for the acquisitions, the provisional fair value of assets acquired and liabilities assumed are as follows:

	Mizhi Changxing As at 31 January 2018	**Wubu Changxing As at 31 January 2018**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Consideration for purchase:			
— Cash	108,843	49,495	158,338
— Contingent consideration	13,157	5,505	18,662
Total consideration	122,000	55,000	177,000

21 BUSINESS COMBINATION *(Continued)*

The consideration paid for the acquisitions, the provisional fair value of assets acquired and liabilities assumed are as follows: *(Continued)*

	Mizhi Changxing As at 31 January 2018	**Wubu Changxing As at 31 January 2018**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Recognised amounts of identifiable assets and liabilities assumed:			
Cash and cash equivalents	23,866	806	24,672
Property, plant and equipment	16,159	16,985	33,144
Intangible assets	68,696	31,352	100,048
Lease prepayments	—	3,940	3,940
Deferred income tax assets	—	663	663
Inventories	1,828	1,022	2,850
Trade and other receivables	2,732	3,525	6,257
Other current assets	141	—	141
Current income tax liabilities	(246)	—	(246)
Trade and other payables	(1,008)	(16,539)	(17,547)
Contract liabilities	(35,967)	(7,655)	(43,622)
Deferred income tax liabilities	(17,174)	(7,838)	(25,012)
Total identifiable net assets	59,027	26,261	85,288
Goodwill	62,973	28,739	91,712
Consideration for acquisition	122,000	55,000	177,000

21 BUSINESS COMBINATION *(Continued)*

The consideration paid for the acquisitions, the provisional fair value of assets acquired and liabilities assumed are as follows: *(Continued)*

	Mizhi Changxing *RMB'000*	Wubu Changxing *RMB'000*	Prior years' acquisition *RMB'000*	Total *RMB'000*
Outflow of cash to acquire business, net of cash acquired:				
— Cash consideration	98,843	44,495	80,003	223,341
— Cash and cash equivalents in subsidiaries acquired	(23,866)	(806)	—	(24,672)
	74,977	43,689	80,003	198,669

(a) Acquisition-related costs of approximately RMB21,000 have been charged to administrative expenses in profit or loss for the period ended 30 June 2018.

(b) Contingent consideration

In accordance with the estimated contigent consideration agreement, the Group will pay consideration in cash of RMB13,157,000 if no disputes of the equity of Mizhi Changxing and no findings of undisclosed obligation or unrecorded liabilities within one year after the acquisition date and satisfying the requirements of payment agreed by both parties.

In accordance with the estimated contigent consideration agreement, the Group will pay consideration in cash of RMB5,505,000 if no disputes of the equity of Wubu Changxing and no findings of undisclosed obligation or unrecorded liabilities within one year after the acquisition date and satisfying the requirements of payment agreed by both parties.

(c) Acquired receivables

The provisional fair value of trade and other receivables is approximately RMB6,257,000.

(d) Provisional fair value of identifiable assets and liabilities

The Group has engaged an independent valuer to identify the fair value of identifiable assets and liabilities acquired. The valuations on Mizhi Changxing and Wubu Changxing have not yet been completed and the provisional fair value represents management's current best estimates of the fair values at acquisition, which may be subject to change.

21 BUSINESS COMBINATION *(Continued)*

(e) Revenue and profit contribution

The acquired businesses contributed aggregated revenues of approximately RMB19,047,000 and aggregated net profit of approximately RMB2,613,000 to the Group for the period from the acquisition date to 30 June 2018.

Had the acquisitions been consolidated from 1 January 2018, the consolidated revenue and consolidated net profit for the period ended 30 June 2018 were RMB31,130,000 and RMB3,978,000, respectively.

22 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, and it 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 six months ended 30 June 2018 and 2017, and balances arising from related party transactions as at 30 June 2018 and 31 December 2017.

(a) Name and relationship with related parties

Name of related party	Relationship
International Finance Corporation ("IFC")	Shareholder of the Company
Henan Guangwushan Urban and Rural Construction Limited ("Guangwushan Construction")	Controlled by the Controlling Shareholders
Henan Tian Lun Gas Engineering Investment Limited ("Henan Tian Lun Engineering investment")	Controlled by the Controlling Shareholders
Suzhou Pingzhuang Industrial Natural Gas Limited ("Suzhou Pingzhuang")	Associate

22 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

The Group had the following significant transactions with related parties

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Sales of gas		
Suzhou Pingzhuang	**10,492**	13,572
Interest charge		
IFC	**10,879**	9,444

(c) Balances with related parties

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade and other receivables		
Suzhou Pingzhuang	**108**	115
Guangwushan Construction	**—**	14,735
Henan Tian Lun investment	**13,647**	13,618
	13,755	28,468
Trade and other payables		
Suzhou Pingzhuang	**200**	200
Henan Tian Lun Engineering investment	**21,427**	21,227
IFC	**10,262**	9,260
	31,889	30,687
Loans due to		
IFC	**396,996**	392,052

22 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Remuneration of key management

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Basic salaries and allowances	**10,446**	7,983
Discretionary bonuses	**539**	507
Retirement benefit contributions	**1,211**	1,013
	12,196	9,503

23 EVENT AFTER THE BALANCE SHEET DATE

(a) On 12 July 2018, Henan Tian Lun, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with the Vendor, Henan Tian Lun Gas Engineering Investment Limited, pursuant to which, Henan Tian Lun agreed to purchase and the Vendor agreed to sell 13% equity interest in Zhongji Dadi at a total consideration of RMB71,510,000.

Prior to completion of the acquisition, Henan Tian Lun held 87% equity interest in Zhongji Dadi, a non-wholly-owned subsidiary of the Company. Upon completion of the transaction contemplated under the equity transfer agreement, Henan Tian Lun's equity interest in Zhongji Dadi was increased to 100%, and Zhongji Dadi will become a wholly-owned subsidiary of the Company.

(b) On 12 July 2018, the Company granted a total of 30,000,000 share options to certain eligible participants to subscribe for a total of 30,000,000 ordinary shares of HK$0.01 each in the Company's equity capital in accordance with the share option scheme adopted on 13 October 2010. The exercise price of the share options is HK$9.12 per share, (i) one fifth of the share options may be exercised within the period from 12 July 2019 to 11 July 2020; (ii) one fifth of the share options may be exercised within the period from 12 July 2020 to 11 July 2021; (iii) one fifth of the share options may be exercised within the period from 12 July 2021 to 11 July 2022; (iv) one fifth of the share options may be exercised within the period from 12 July 2022 to 11 July 2023; and (v) the remaining one fifth of the share options may be exercised within the period from 12 July 2023 to 11 July 2024, upon acceptance of the grant of share options and subject to the terms of the share option scheme.

(c) On 27 June 2018, Henan Tian Lun Gas Group Limited ("Henan Tian Lun", as a limited partner), an indirect wholly-owned subsidiary of the Company together with Henan Zhongyu Financial Holdings and Equity Investment Management Co., Ltd. ("Henan Zhongyu", as a general partner) and Henan Yuzi Urban and Rural Integration Construction and Development Co., Ltd. ("Yuzi Development", as a limited partner)(Henan Tian Lun, Henan Zhongyu and Yuzi Development called "partnership ") entered into partnership agreement to establish Henan Yuzi Tianlun New Energy Investment Fund Centre (limited partnership) (the "Fund").

23 EVENT AFTER THE BALANCE SHEET DATE *(Continued)*

According to the partnership agreement, the size of first phase of the Fund will be RMB1 billion, of which RMB599 million will be contributed by Yuzi Development, RMB 400 million will be contributed by Henan Tian Lun and RMB1 million will be contributed by Henan Zhongyu.

On 13 July 2018, pursuant to the partnership agreement, Henan Tian Lun invested RMB 400 million, at the same time, Yuzi Development invested RMB599 million and Henan Zhongyu invested RMB1 million.

INDUSTRY REVIEW

In the first half of 2018, the continued advancement of natural gas price reform and the solid implementation of "coal-to-gas conversion" policies have prompted China's natural gas to maintain rapid growth in terms of production, import and consumption. The statistics released by the National Development and Reform Commission and the National Bureau of Statistics showed that natural gas production in the first half of the year was 77.5 billion m^3, representing a year-on-year increase of 4.6%; the natural gas import volume was 42.08 million tons, representing an increase of 35.4%; the apparent consumption of natural gas was 134.8 billion m^3, with a growth rate up to 17.5%. The continuous upgrade of economic transformation, continuous optimization of energy structure, rapid development of new urbanization and deepening reform of oil and gas system in China will continue to stimulate the growth capacity and development potential of natural gas consumption.

In order to promote the smooth implementation of the "13th Five-Year Plan" energy plan, the National Energy Administration issued the "Guidelines for Energy Work in 2018" on 26 February 2018, which proposed that the proportion of national natural gas consumption would increase to around 7.5% and the natural gas production would be about 160 billion m^3 in 2018. At the same time, it required to increase the construction of gas storage and peak-shaving facilities, support local governments and enterprises to jointly build gas storage service facilities, and complete the natural gas reserve peak-shaving system. In addition, it required to promote the reform of the oil and gas pipeline network operation mechanism, rationalize the provincial pipeline network system, accelerate the fair and open oil and gas infrastructure, and improve the investment and operation mechanism of oil and gas reserve facilities through the research and formulation of relevant supporting policies and measures.

On 25 May 2018, the "Notice of the National Development and Reform Commission on the Rationalization of the City Gate Price of Residential Gas" adjusted the residential gas city gate prices to further promote the market-oriented reform of natural gas prices. The notice clearly changed the price mechanism of residential gas consumption from the maximum price control to the benchmark price management, and the price should be set according to the non-residential gas city gate price level (10% VAT rate). At the same time, both the supply and demand parities can negotiate and determine the specific city gate price within the range of 20% increase and unlimited decrease based on the benchmark city gate price, and realize the unification with the non-residential gas price mechanism.

In addition, the Ministry of Finance, the Ministry of Ecology and Environment, the Ministry of Housing and Urban-Rural Development, and the National Energy Administration jointly issued the "Notice on Expanding the Scope of Winter Clean Heating Pilot Cities in the Northern Region with Central Financial Support" on 23 July 2018. On the basis of original "2+26" cities, Zhangjiakou and 11 cities in Fenwei Plain were added, and the corresponding central financial award and subsidy fund standards were clearly defined, which fully demonstrated the government determination to encourage the development of natural gas utilization and the advancement of coal-to-gas conversion policy.

The gradual opening of infrastructure investment to social capital, the improvement of natural gas price's competitiveness, and the intensive introduction of favorable policies in the industry will inevitably promote the rapid development of natural gas in China, which will bring broad prospects for the Group in natural gas market.

BUSINESS REVIEW

For the six months ended 30 June 2018, the Group took advantage of the rapid development of the natural gas market and responded to the call of national environmental protection policies. While continuously improving the management level of existing projects, the Group deeply explored the potential value in the operating areas and maintained the continued growth of the Group's performance.

Up to now, the Group has 58 urban gas projects in 16 provinces across the country, and 7 cities in which 18 urban gas projects are located belong to the "2+38" winter clean heating cities in northern region determined by the Ministry of Finance, the Ministry of Ecology and Environment, the Ministry of Housing and Urban-Rural Development, and the National Energy Administration. In addition, the Group has 51 operating gas refilling stations, 6 long-haul pipelines and 2 LNG plant projects.

The key results and operating data of the Group for the six months ended 30 June 2018 and their comparison against the figures for the corresponding period of last year are as follows:

	Six Months Ended 30 June		
	2018	2017	Increase
Revenue (RMB'000)	**1,899,344**	1,490,354	27.4%
Profit before income tax (RMB'000)	**310,226**	274,684	12.9%
Adjusted profit attributable to owners of the Company (RMB'000) *(Note 1)*	**252,514**	187,245	34.9%
Profit attributable to owners of the Company (RMB'000)	**215,307**	186,815	15.3%
Weighted average number of shares ('000)	**989,615**	989,615	0.0%
Earnings per share — basic (RMB) *(Note 2)*	**0.22**	0.19	15.8%
Total connected pipeline gas users:			
— Residential users(households)	**1,780,362**	1,421,073	25.3%
— Industrial and commercial users (users)	**16,496**	9,756	69.1%
— Designed daily gas supply capacity to industrial and commercial users (in ten thousand m^3)	**726**	525	38.3%
Natural gas sales volume (in ten thousand m^3)	**60,499**	50,121	20.7%
Including:			
— Natural gas sales volume to industrial and commercial users (in ten thousand m^3)	**33,621**	26,302	27.8%
— Natural gas sales volume to residential users (in ten thousand m^3)	**12,253**	8,268	48.2%
Long-haul pipeline gas transmission volume (in ten thousand m^3)	**41,991**	39,450	6.4%
Total length of medium and high-pressure pipelines (kilometre)	**4,015**	3,624	10.8%

Note 1 Excluding gains/losses arising from cross currency swap contracts and exchange.

Note 2 In accordance with the requirements of the relevant accounting standards, earning per share of the Group will be subject to the weighted average number of ordinary shares.

Gas User Connection Volume

During the Reporting Period, new connections to residential users and industrial and commercial users of the Group were approximately 134,077 and approximately 1,061, representing year-on-year increases of 40.1% and 26.5%, respectively. As at 30 June 2018, the Group had a total of approximately 1,780,362 residential users (including the number of existing residential users in the two projects of Mizhi and Wubu in Shaanxi before consolidation of financial statements) and a total of approximately 16,496 industrial and commercial users (including the number of existing industrial and commercial users in the two projects of Mizhi and Wubu in Shaanxi before consolidation of financial statements), representing increases of 25.3% and 69.1% as compared with the corresponding period of last year, respectively.

Gas Sales Volume

During the Reporting Period, gas sales volume of the Group totally amounted to 605 million m^3, representing an increase of 104 million m^3 or 20.7%, as compared with the corresponding period of last year. Gas volume sold to industrial and commercial users, residential users, transportation gas users and wholesale users accounted for 55.6%, 20.3%, 9.5% and 14.6% of total gas sales volume, respectively. The average selling prices (exclusive of tax) of natural gas sold by the Group to industrial and commercial users, residential users, transportation users (including retail and wholesale) and wholesale users were RMB2.43/m^3, RMB2.17/m^3, RMB3.07/m^3 and RMB2.00/m^3, respectively.

In line with the government's policy of vigorously promoting natural gas, the Group actively developed coal-to-gas conversion industrial and commercial users in the existing operating areas. Its gas sales volume increased by 27.8% as compared with the corresponding period of last year, and the proportion of such sales volume to total sales volume increased by 3.10 percentage points over the corresponding period of last year. Excluding the gas sale volume to industrial and commercial users through long-haul pipeline business segment, gas sales volume to industrial and commercial users of the rest gas projects of the Group grew by 49.1% as compared with the corresponding period of last year. The designed daily gas supply capacity for industrial and commercial users reached 7.26 million m^3, with a significant increase of 38.3% as compared with the corresponding period of last year. As the newly-developed industrial and commercial users started to ramp up gas usage, the Group believes its gas sales volume to industrial and commercial users will further increase significantly.

The overall gas sales volume to residential users increased by 48.2% as compared with the corresponding period of last year, mainly due to the Group's innovative residential user development model which achieved double growth of both denotation and connotation as well as the significant growth in gas sales volume to residential customers in Jintang project in Sichuan, and the newly consolidated Mizhi and Wubu projects in Shaanxi in the first half of this year (the gas sales volume and performance of Mizhi and Wubao projects in Shaanxi had been consolidated into the Group's statements since February 2018).

During the Reporting Period, pipeline gas transmission volume not included in total gas sales volume was 420 million m^3, representing an increase of 25 million m^3 or 6.4% as compared with the corresponding period of last year, mainly due to increased demand from natural gas power plant users.

Development of New Projects

Completion of the acquisition of Shaanxi Wubu and Mizhi Projects

During the Reporting Period, the Group completed full takeover of the operation and management of the two target companies for the two urban gas projects in Mizhi County and Wubu County in Shaanxi Province, which were newly acquired at the end of last year, and began to conduct the consolidation of financial statements in February this year, contributing to the Group's interim results.

Grant of Exclusive Township Pipeline Gas Concession Right in Wugang City, Henan Province

On 16 June 2018, Henan Tian Lun Gas Pipeline Network Co., Ltd. * (河南天倫燃氣管網有限公司), an indirect subsidiary of the Company, entered into "Wugang Township Pipeline Gas Franchise Agreement" with the Housing and Urban-Rural Development Bureau of Wugang City, Henan Province and obtained the exclusive pipeline gas concession right in 7 townships of Wugang City. Tianlun Pipeline Network exclusively operates and maintains township pipeline gas facilities in the region, supplies gas to users by pipeline transportation, provides relevant rush repair and rescue services in respect of the pipeline gas facilities and charges fees. The concession period will be 27 years.

Located in the central part of Henan Province, Wugang City is a famous industrial and eco-tourism city. Wuyang Iron and Steel Company Limited* (舞陽鋼鐵有限責任公司) is an important production and scientific research base for wide and thick steel plates in China. Wugang City was listed in the first batch of pilot counties/cities of Henan Province's "Development and Quality Improvement Projects in 100 Cities" in 2017. It vigorously pushed forward construction of new towns under the unified deployment of Henan Provincial Government. The Company believes that Wugang City has great potential for industrial and township coal-to-gas conversion, and due to its adjacency to Baofeng County and Ye County, where the Group also owns exclusive township pipeline natural gas concession rights, it is expected that the above three projects will have synergies and can further enhance the Group's business scale and market share in Central China.

Establishment of a Coal-to-Gas Conversion Investment Fund

Henan is a large province in the PRC in terms of population and economy. As at the end of 2017, Henan Province had a population of 109 million, ranking No.1 in the PRC in terms of household registered population. Henan Province has 108 county-level administrative regions, approximately 1,900 townships and 15 million households in townships. In 2017, Henan had a gross domestic product of RMB4.5 trillion and government financial spending in people's living of RMB639 billion.

Located in the central part of China, Henan Province has good conditions to natural gas supply as national trunk pipelines including the West-East Pipelines I and II and Yulin-Jinan Pipeline go through Henan. By 2020 the total natural gas pipeline mileage in Henan Province is expected to exceed 7,000 kilometres. Henan Province vigorously promoted coal-to-gas conversion and plans to reduce total coal consumption in Henan Province by approximately 10% from 2015 to below 213 million tons in 2020 and to increase natural gas consumption to 17 billion m^3, accounting for over 8.5% of total energy consumption in Henan Province.

The Company is of the view that there is great potential in the coal-to-gas conversion in townships in Henan Province, mainly for the following reasons: (i) the township gas penetration rate in Henan Province currently is lower than 5%; (ii) Henan Province is located in a plain area, with concentrated township population, which is beneficial for large-scale gas connection; (iii) Henan Province is in central China, with a number of national trunk natural gas pipelines going through, which provide good conditions to natural gas supply; (iv) governments at all levels in Henan Province launched a large number of policies to strongly support the development of township coal-to-gas conversion.

On 27 June 2018, Henan Tian Lun Gas Group Limited* (河南天倫燃氣集團有限公司) ("**Henan Tian Lun**", as a limited partner), an indirect wholly-owned subsidiary of the Company, entered into a partnership agreement (the "**Partnership Agreement**") with Henan Zhongyu Financial Holdings and Equity Investment Management Co., Ltd.* (河南省中豫金控股權投資管理有限公司) ("**Henan Zhongyu**", as the general partner) and Henan Yuzi Urban and Rural Integration Construction and Development Co., Ltd.* (河南省豫資城鄉一體化建設發展有限公司) ("**Yuzi Development**", as a limited partner) to establish Henan Yuzi Tianlun New Energy Investment Fund Centre (Limited Partnership) * (河南豫資天倫新能源投資基金中心(有限合伙)) (the "**Fund**") to invest in coal-to-gas conversion projects in the townships in Henan Province and the upstream and downstream natural gas industrial chain.

Pursuant to the Partnership Agreement: (i) the total capital contribution to the Fund to be made by all the partners shall be RMB10 billion, of which RMB1 million, RMB5,999 million and RMB4 billion shall be made by Henan Zhongyu, Yuzi Development and Henan Tian Lun, respectively; (ii) the first phase of the Fund is RMB1 billion, of which RMB600 million will be contributed by Yuzi Development and RMB400 million by Henan Tian Lun; (iii) the remaining capital contribution to the fund to be made by each partner shall be made by tranches in view of the investment plan and progress of the Fund.

Both of Henan Zhongyu and Yuzi Development are controlled by Zhongyuan Yuzi Investment Holding Group Co., Ltd.* (中原豫資投資控股集團有限公司) ("**Yuzi Holding**"). Yuzi Holding is a provincial investment and financing companies established and wholly-owned by Henan Provincial Finance Department as approved by Henan Provincial Government to support the development of urbanization in new form and foster the integrated development of urban and rural areas in Henan Province. As at the end of 2017, Yuzi Holding had total assets of RMB250 billion, ranking No.1 among government investment and financing companies in Henan Province, with a domestic credit rating of AAA and an international credit rating of A-.

The Fund intends to establish a project holding company, which will utilise the funds provided by the Fund, government grants and long-term facilities to be provided by policy banks and financial institutions to invest in coal-to-gas conversion projects in the townships in Henan Province and the upstream and downstream natural gas industrial chain, so as to capture the opportunities to be brought by the rapid development of the natural gas industry in the PRC and explore the huge potential of the natural gas market in the townships in Henan Province through making full use of the advantages of the partners.

Investment in Gas Refilling Stations

As at 30 June 2018, the Group had a total of 51 operating gas refilling stations. The Group will pay close attention to the relevant orientation of national policies and changes in the price of the energy market, select projects with high investment income, and carefully carry out the layout of the gas refilling station business.

LNG Plant Projects

According to the design plan, the Group's gas source bases in Changling County, Jilin Province will have a daily production volume of 150,000 m^3 of CNG and LNG each. In particular, the current average daily production of CNG production facility was close to 150,000 m^3 and was stable. The average daily production of LNG has reached 130,000 m^3. With the steady production of the project, its advantages in gas source cost, geographical location and the Group's strong distribution capability in Northeast China will grow even stronger, which will further lower the Group's gas cost in such area and lay a solid foundation for its further development of the Northeast China gas market in the future.

Up to now, the Kunlun Energy Sichuan Guangyuan LNG plant project contracted by the Group has commenced gas supply and operation. The plant has a designed daily production capacity of 1 million m^3 of LNG and an annual production capacity of 300 million m^3 of LNG. Through this cooperation, Tianlun Gas has locked in LNG purchases and costs and is able to sell it to downstream customers through a extensive distribution system. In addition, Guangyuan is located in the northeastern part of Sichuan, close to Shaanxi Province and Henan Province, which helps to ensure the gas source supply of the Group's existing projects in Sichuan, Shaanxi and Henan provinces, and will also become one of the gas source guarantees for coal-to-gas conversion in township in Henan Province.

Long-haul Pipelines

The Group has a total of six long-haul pipelines, three of which have been put into operation and are located in Da'an City, Jilin Province, Pingdingshan City, Henan Province and Wujiang City, Jiangsu Province, respectively, which have provided a strong supply of gas source to the Group.

As at the end of the Reporting Period, the progress of the Group's three long- haul pipelines under construction/planning is as follows:

- Lushan-Ruzhou Pipeline Branch of the West-East Pipeline II: The construction of first phase has been completed in the second quarter and was qualified for gas supply conditions. It is currently in the process of gas approval.

- Yuzhou-Changge project: Its construction has been commenced in the first quarter and the procedures of safety assessment and environmental assessment were completed. It is expected to be completed in the fourth quarter to achieve gas supply conditions. It will mainly serve Xuchang Subsidiary, a core member of the Group, and supply gas to its related surrounding markets.

- Puyang-Hebi pipeline: It is currently conducting pre-preparation work. Upon completion, it will further lower the gas supply cost of Puyang Subsidiary and Hebi Subsidiary and provide strong gas source support for further expansion into surrounding pipeline market.

The Group will focus on self-construction pipeline projects in the current operation regions, develop new projects and new areas at the right time, explore high-quality and large-scale industrial direct supply projects, and actively participate in the businesses of midstream gas source procurement, distributed energy and gas transmission and supply for industrial parks and power plants to maintain a steady growth in the Group's gas sales business and further expand its operation regions.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue amounted to RMB1,899 million, representing a year-on-year increase of 27.4% as compared with RMB1,490 million for the corresponding period of last year. The Group's revenue was primarily derived from the businesses of sales of gas and gas pipeline connections, accounting for 76.5% and 21.0% (the corresponding period of last year: 78.0% and 20.0%), respectively, of the total revenue for the six months ended 30 June 2018.

Revenue from Sales of Gas

The Group delivers, distributes and sells natural gas to industrial and commercial users, residential users, transportation users and wholesale users in the cities in which it operates, and is engaged in pipeline gas transmission. For the six months ended 30 June 2018, the Group had a significant growth in gas sales volume. Revenue from gas sales amounted to RMB1,453 million, representing a year-on-year increase of 25.0% as compared with RMB1,162 million for the corresponding period of last year. In particular, revenue from gas sales to industrial and commercial users was RMB816 million, representing a year-on-year increase of 30.6% as compared with RMB624 million for the corresponding period of last year; gas sales to industrial and commercial users accounted for 56.1% of total gas sales, representing an increase of 2.44 percentage points from 53.7% for the corresponding period of last year; revenue from gas sales to residential users was RMB265 million, representing a year-on-year increase of 46.3% as compared with RMB182 million for the corresponding period of last year.

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. During the Reporting Period, revenue from gas pipeline connections amounted to RMB398 million, representing a year-on-year increase of 33.6% as compared with RMB298 million for the corresponding period of last year.

Revenue from Other Businesses

Most of the revenue from other businesses of the Group comes from value-added services. During the Reporting Period, the Group vigorously expanded value-added services such as gas stove sales, gas comprehensive insurance agency, and gas modification and maintenance, and achieved good results, driving the revenue from other businesses to reach RMB48 million, representing a significant increase of 63.2% as compared with RMB29 million for the corresponding period of last year.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group realized gross profit of RMB498 million, representing a year-on-year increase of 31.3% as compared with RMB379 million for the corresponding period of last year. Overall gross profit margin of the Group was 26.2%. Gross profit margin for gas sales was 14.2%, representing an increase of 0.20 percentage point as compared with the corresponding period of last year, mainly due to the continuous optimization of the Group's gas sales structure. Gross profit margin for connection business was 65.4%, representing a decrease of 1.53 percentage points as compared with the corresponding period of last year, mainly due to the development of small- and medium-sized and township users and the increase in the cost of connection materials during the Reporting Period. Gross profit margin for other businesses was 64.0%, representing an increase of 7.86 percentage points as compared with the corresponding period of last year.

Distribution Cost and Administrative Expenses

The Group's distribution cost for the Reporting Period was RMB16 million, and administrative expenses for the year were RMB65 million. With the continuous implementation of cost control policies such as the comprehensive budgeting management system, the Group's distribution costs and administrative expenses as a percentage of total revenue as at 30 June 2018 remained almost stable as compared with corresponding period of last year.

Other Gains — Net

During the Reporting Period, other gains — net of the Group amounted to RMB6.68 million, representing an increase of RMB4.62 million as compared with the corresponding period of last year.

Finance Expenses — Net

During the Reporting Period, finance expenses — net of the Group amounted to RMB123 million, representing a year-on-year increase of 108.5% as compared with RMB59 million for the corresponding period of last year. The main reasons are as follows: (i) the net loss of cross currency swap contracts and exchange during the Reporting Period was RMB38.44 million, while the net income of cross currency swap contracts and exchange for the corresponding period of last year was RMB2.01 million; (ii) the increase in the principal of the loan made the interest expense during the Reporting Period increased by RMB28 million as compared with the corresponding period of last year.

Share of Profit after Tax of Associates

During the Reporting Period, the Group's share of profit after tax of associates amounted to RMB9.79 million, while the share of profit after tax of associates for the corresponding period of last year was RMB21.94 million. The main reason was that the domestic monetary environment tightened during the Reporting Period, resulting in the decrease in the profit of the associate Henan Jiuding Financial Leasing Co., Ltd.* (河南九鼎金融租賃股份有限公司) as compared with the corresponding period of last year.

Profit for the period and Net Margin

During the Reporting Period, excluding gains/losses arising from cross currency swap contracts and exchange, adjusted profit for the period of the Group amounted to RMB264 million, representing an increase of 33.8% as compared with RMB197 million for the corresponding period of last year. The adjusted net margin was 13.9%, representing an increase of 0.66 percentage points as compared with 13.2% for the corresponding period of last year.

During the Reporting Period, profit for the period of the Group amounted to RMB227 million, representing an increase of 15.2% as compared with RMB197 million for the corresponding period of last year.

Profit Attributable to Owners of the Company

During the Reporting Period, excluding gains/losses arising from cross currency swap contracts and exchange, adjusted profit attributable to owners of the Company amounted to RMB253 million, representing an increase of 34.9% as compared with RMB187 million for the corresponding period of last year.

During the Reporting Period, profit attributable to owners of the Company was RMB215 million, representing a year-on-year increase of 15.3% as compared with RMB187 million for the corresponding period of last year.

To supplement the consolidated results of the Group prepared in accordance with HKFRSs, non-HKFRS financial measures in terms of adjusted profit for the period, adjusted net margin, and adjusted net profit attributable to owners of the Company have been presented in this announcement. The Company's management believes that the non-HKFRS financial measures provide investors with useful supplementary information to assess the performance of the Group operations by excluding gains/losses of cross currency swaps and exchange. The net loss of cross currency swap contracts and exchange during the Reporting Period was RMB38.44 million, while the net gains of cross currency swap contracts and exchange for the corresponding period of last year was RMB2.01 million.

These unaudited non-HKFRS financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with HKFRS. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies.

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 2018, the Group incurred capital expenditure of RMB344 million, of which RMB199 million was used for payment of Mizhi project and Wubu project in Shaanxi and previous project acquisitions and RMB145 million for continuously improving businesses of urban 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 2018, the Group held cash and cash equivalents of RMB1,761 million. In addition, liquid investment classified as financial assets at fair value through profit or loss was RMB300 million in total. Among cash and cash equivalents, 98.4% was denominated in RMB, 1.3% was denominated in US dollars and 0.3% was denominated in HK dollars.

As at 30 June 2018, the Group's total borrowings were RMB5,222 million (among which loans denominated in RMB were RMB2,625 million, loans denominated in US dollars were RMB1,345 million and loans denominated in Hong Kong dollars were RMB1,252 million). The Group's borrowings comprised mainly long-term borrowings, which accounted for 72.7% of total borrowings.

As at 30 June 2018, the Group's gearing ratio, calculated based on the percentage of total liabilities over total assets, was 66.9%.

Finance Cost and Exchange Risk Management

For the six months ended 30 June 2018, the Group's interest expense on borrowings was RMB123 million, representing an increase of 29.5% as compared with the corresponding period of last year, mainly due to the increase in the withdrawal of loans by the Group last year.

As at 30 June 2018, the Group's borrowings denominated in foreign currencies accounted for 49.7% of its total borrowings, and the proportion of borrowings denominated in foreign currencies continued to decline. The Group will continue to monitor the changes in exchange rates and strive to lower its finance costs through diversified arrangements, and will adopt appropriate hedging measures to lower its exchange risk as and when necessary.

OPERATIONAL REVIEW

Risk Management

The Group attaches great importance to the establishment of risk management mechanism, continuously optimizes and thoroughly implements various types of risk control, enhances its ability to cope with risks and its market competitiveness, and ensures the long-term stable development of the Group.

In the first half of the year, the Group issued an annual system management plan, and the members' system management departments and regional management departments carried out the evaluation of the implementation of the system quarterly, the functional departments of the Group conducted random inspections to form an evaluation report and the members conducted self-inspections to ensure the implementation of the system and raise the risk awareness of employees. In addition, the Group established a financial operation abnormal information monitoring index system, and the monitoring indicators involved fund management, abnormal cost information, aging of current accounts, aging of inventory, contract financial and tax audit terms, tax invoice compliance and other items. The Group also released the "Gas Financial Operation Information Sharing Report" on financial operation abnormalities to guarantee the compliance of financial operation of members. In addition, in order to control the risk of charging business of third-party network platforms such as WeChat and Alipay, the Group issued the "Measures for the Management of Third-Party Platform Service Charges" to provide management standards for members to handle third-party platform services.

While preventing risks, the Group was also concerned about countermeasures following realization of risks. During the Reporting Period, the Group ensured all risks including the public liability insurance, all property insurance, directors and senior management liability insurance as well as accidental injury insurance and term life insurance covering all employees of the Group were effectively covered by insurance and minimized the possible risk losses of the Group.

Information Management

Effective information management can realize the dynamic sharing of information and resources by integrating all aspects of the enterprise and planning the enterprise's business processes, thus effectively supporting enterprise's decision-making and ensuring the sustainable development of the enterprise.

During the year, the Group established a fund management and control system with the fund budget as the core and based on account management, standardized the enterprise's settlement process, and uniformly managed credit and financing operations. The Group realized direct connection between banks and enterprises, and dynamically supervised the accounts of members. The funds will be collected in an instant and used in a centralized manner, thereby reducing financing costs and financial risks, promoting the coordinated development of members within the Group and greatly enhancing the overall competitiveness of the Group. The gas charging system has the statistical function of various user reports, which can effectively calculate the relevant data such as meter reading, charging, security check and customer abnormal analysis for the current month or several months. The customer service staff of members can extract the required data information from the system to conduct effective management of the company's gas users, realizing the same process management philosophy in different regions. At the same time, the Group has established a standardized workflow for the office automation system, efficiently completed collaborative work approval, and provided convenient historical information inquiry for the audit work. The sharing and release of the Group's news, announcements, systems, and learning materials enabled employees to understand the company's dynamics and knowledge base at the first time. The Group's mobile APP was also launched so that employees can view company information and conduct approval operations at any time, no matter where they are, which greatly improved work efficiency.

Human Resources

As at 30 June 2018, total number of employees of the Group was 2,728. The remuneration of employees of the Group is determined based on their work performance, work experiences and prevailing market rate.

During the Reporting Period, the Group re-established the organizational structure of the Group's headquarters according to the Group's strategic objectives. Through the check on internal talent resources, the Group sorted out the internal potential management talents, and better laid the foundation for the next step of external talent recruitment and internal selection.

In order to meet the Group's urgent demands for talents due to rapid development and realize the human resources strategic planning of "internal promotion of talents", the Group has launched a one-year FLT (Future Leader Talent) training program. The teaching methods organized covered the previous lectures, special reports, case studies, interactive discussions and visits, as well as the later training for talents waiting for post with tutor's guidance, temporary post training and project training, broadened the business management areas of each student, and enhanced comprehensive decision-making ability and trained their teamwork awareness and coordination capabilities, so that they could have the ability to develop into members' general managers and regional deputy general managers. In addition, based on the guidance of the China Stone Project Team, the Group completed the adjustment of its salary model and the new performance appraisal model based on its current situation, further stimulating the employees' passion and cohesiveness.

OUTLOOK

The pace of China's energy structure adjustment has accelerated, the proportion of natural gas in the energy structure has shown a steady and rapid upward trend, and the position of natural gas in the energy structure has become increasingly prominent. With the gradual implementation of natural gas price reform and the utilization of new natural gas technologies, the process of "gasification" of China's energy structure will be further accelerated. In the first half of the year, the Group seized the golden opportunity for natural gas development brought about by actively grasping national policies and market needs, and was determined to expand market share and improve operational efficiency. At the same time, the Group deepened cost control, improved risk management capabilities, and promoted sustained and steady growth in performance.

In the second half of the year, the Group will seize the opportunity of the development of the industry, follow the opportunities for the Company's business development brought by national industry policies, dig deep for the growth potential of the existing business areas and develop new fields, new businesses and new models to achieve the Company's sustained and rapid growth. The Group will vigorously promote the coal-to-gas conversion business in the townships of Henan Province and seek cooperation opportunities for coal-to-gas conversion in townships outside the province through copying the coal-to-gas conversion fund cooperation model. The Group will speed up the pace of entering the gas source trade industry upstream. The long-haul pipelines will mainly be built in the existing business areas. The Group will also develop high-quality and large-scale industrial direct supply projects, actively participate in the businesses of midstream gas source procurement, distributed energy and gas transmission and supply for industrial parks and power plants and strive to achieve upstream and downstream integration. In addition, the Group will continue to optimize its information management platform, create internal promotion channels for employees and introduce diversified incentives for employees and management to motivate the creativity of employees and management and achieve the Group's strategic goals of rapid growth and sustainable development in order to repay the shareholders with better performance.

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

During the Reporting Period, neither the Company nor its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Acquisition of 13% Equity Interest in Zhongji Dadi

On 12 July 2018, Henan Tian Lun entered into the Equity Transfer Agreement with Henan Tian Lun Gas Engineering Investment Company Limited* (河南省天倫燃氣工程投資有限公司) controlled by Mr. Zhang Yingcen (executive director and controlling shareholder of the Company) to complete a shareholding increase of 13% in Zhongji Dadi at an aggregate consideration of RMB71,510,000. After the completion of the acquisition, Henan Tian Lun holds a total of 100% equity interest in Zhongji Dadi. For further details, please refer to the announcement of the Company dated 12 July 2018.

With the Group's unremitting efforts in operation, Zhongji Dadi has recorded strong performance since its acquisition by the Group, which has enabled the Group to quickly expand its gas operations and market influence in Northeast China and contributed to the overall results of the Company with its outstanding performance. Given that the Group currently already owns 87% equity interest in Zhongji Dadi, the Board is of the opinion that through the acquisition of the remaining 13% equity interest in Zhongji Dadi, the Company will be able to control 100% equity interest in Zhongji Dadi, which will in turn further improve the Company's overall management of and control over its gas operations in Northeast China and accordingly improve the Company's size and profitability.

Share Option Scheme

On 12 July 2018, the Company granted a total of 30,000,000 share options to certain eligible participants to subscribe for a total of 30,000,000 new shares of the Company under the share option scheme adopted on 13 October 2010. For details, please refer to the announcement of the Company dated 12 July 2018.

AMENDMENTS TO PARTNERSHIP AGREEMENT OF A COAL-TO-GAS CONVERSION INVESTMENT FUND

The Red Asset Management Center (LP) Henan* (河南睿達資產管理中心(有限合夥)), as the Fund's manager, has submitted registration documents for the Fund to Asset Management Association of China* (中國證券投資基金業協會) (the "**Fund Association**") on 2 August 2018. The Company expects that the Fund Association shall complete registration process for the Fund within twenty business days after the registration documents meet its requirements.

As unanimously agreed by all partners of the Fund, the amended Partnership Agreement submitted to the Fund Association contains the following key amendments as compared to the original Partnership Agreement as disclosed in the Company's announcement dated 27 June 2018:

(i) the payment deadline for the total committed capital contribution to the Fund has been amended from 31 December 2033 to 15 August 2029;

(ii) Henan Zhongyu's first phase capital contribution to the Fund shall be RMB1 million instead of nil;

(iii) Yuzi Development's first phase capital contribution to the Fund shall be RMB599 million instead of RMB600 million; and

(iv) a meeting attended by all partners shall entrust a private fund manager with management qualifications as the external third party manager of the Fund.

Save as the amendments disclosed above, all the material terms and conditions of the Agreement shall remain unchanged and in full force and effect. In July 2018, all partners have paid its respective first phase capital contribution with a total amount of RMB1 billion to the Fund. For details, please refer to the announcement published by the Company on 3 August 2018.

INTERIM DIVIDENDS

In order to thank the shareholders for their support, the Group has established a long-term steady dividend policy. Pursuant to the resolutions of the Board on 27 August 2018, the Board recommended the payment of an interim dividend for the six months ended 30 June 2018 of RMB5.36 cents per share (the "**Interim Dividend**") with the dividend payout ratio being approximately 25%.

The Interim Dividend will be paid in Hong Kong dollars on or about Friday, 30 November 2018 to the shareholders whose names appear on the register of members of the Company after the close of business on Wednesday, 31 October 2018. 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 Tuesday, 23 October 2018 to Wednesday, 31 October 2018 (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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 22 October 2018.

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. Yeung Yui Yuen Michael and Ms. Zhao Jun. 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
China Tian Lun Gas Holdings Limited
Zhang Yingcen
Chairman

Zhengzhou, the People's Republic of China, 27 August 2018

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan, Mr. Zhang Suwei, Mr. Feng Yi and Ms. Li Tao; the non-executive Director is Mr. Wang Jiansheng and the independent non-executive Directors are Mr. Liu Jin, Mr. Li Liuqing, Mr. Yeung Yui Yuen Michael and Ms. Zhao Jun.

** For identification purpose only*