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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Highlights of results for the year ended 31 December 2018:

- Revenue was RMB5,113 million, representing an increase of 64.47% as compared with RMB3,109 million for the corresponding period of last year.

- Gross profit was RMB1,428 million, representing an increase of 85.98% as compared with RMB768 million for the corresponding period of last year.

- Excluding gains/losses arising from cross currency swap contracts and exchange, core profit for the year amounted to RMB730 million, representing an increase of 91.95% as compared with RMB380 million for the corresponding period of last year.

- Basic earnings per share were RMB0.58, representing an increase of 40.78% as compared with RMB0.41 for the corresponding period of last year.

- Dividends of per share paid and recommended were RMB15.36 cents, representing an increase of 50.88% as compared with RMB10.18 cents for the corresponding period of last year.

The board (the "**Board**") of directors (the "**Directors**") of China Tian Lun Gas Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**") is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2018 together with the audited comparative figures for the corresponding period of last year as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December **2018** *RMB'000*	2017 *RMB'000*
Revenue	*3*	**5,113,254**	3,109,014
Cost of sales	*4*	**(3,685,038)**	(2,341,070)
Gross profit		**1,428,216**	767,944
Distribution expenses	*4*	**(41,350)**	(29,449)
Administrative expenses	*4*	**(166,917)**	(134,060)
Other income	*5*	**9,439**	27,115
Other gains — net	*6*	**3,731**	5,339
Operating profit		**1,233,119**	636,889
Finance income		**80,410**	47,280
Finance expenses		**(403,785)**	(131,701)
Finance expenses — net	*7*	**(323,375)**	(84,421)
Share of post-tax (loss)/profit of associates and a joint venture		**(44,940)**	23,371
Profit before income tax		**864,804**	575,839
Income tax expense	*8*	**(264,444)**	(146,682)
Profit for the year		**600,360**	429,157
Profit attributable to:			
Owners of the Company		**569,142**	404,250
Non-controlling interests		**31,218**	24,907
		600,360	429,157
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB per share)			
— Basic earnings per share	*9*	**0.58**	0.41
— Diluted earnings per share	*9*	**0.57**	0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**600,360**	429,157
Other comprehensive income:		
Item that may be reclassified to profit or loss		
Changes in the fair value of available-for-sale financial assets	—	15,937
Item that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	**13,065**	—
Other comprehensive income for the year, net of tax	**13,065**	15,937
Total comprehensive income for the year	**613,425**	445,094
Attributable to:		
Owners of the Company	**582,207**	420,187
Non-controlling interests	**31,218**	24,907
	613,425	445,094

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	**2018**	2017
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Lease prepayments		**223,400**	223,872
Property, plant and equipment		**2,679,097**	2,353,795
Investment properties		**51,637**	30,827
Intangible assets		**3,786,504**	3,407,638
Investments accounted for using the equity method		**856,835**	501,775
Deferred income tax assets		**33,692**	27,431
Financial assets at fair value through other comprehensive income		**78,815**	—
Available-for-sale financial assets		**—**	61,395
Trade and other receivables	*10*	**59,454**	69,661
Prepayments related to other non-current assets		**132,813**	81,705
		7,902,247	6,758,099
Current assets			
Inventories		**200,053**	46,625
Contract assets		**210,450**	—
Trade and other receivables	*10*	**1,462,265**	666,549
Financial assets at fair value through profit or loss		**305,000**	300,000
Cash and cash equivalents		**1,075,907**	678,237
Restricted cash		**278,171**	22,739
		3,531,846	1,714,150
Total assets		**11,434,093**	8,472,249

CONSOLIDATED BALANCE SHEET *(Continued)*

		As at 31 December	
	Note	**2018**	2017
		RMB'000	*RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*11*	**8,340**	8,340
Share premium	*11*	**1,188,151**	1,264,114
Reserves	*12*	**281,932**	153,526
Retained earnings		**1,771,445**	1,352,373
		3,249,868	2,778,353
Non-controlling interests		**293,901**	339,450
Total equity		**3,543,769**	3,117,803
LIABILITIES			
Non-current liabilities			
Borrowings		**3,809,825**	2,898,385
Deferred income tax liabilities		**475,011**	419,881
Trade and other payables	*13*	**136,598**	136,598
Deferred income		**1,472**	1,472
		4,422,906	3,456,336
Current liabilities			
Trade and other payables	*13*	**1,244,770**	527,719
Contract liabilities		**374,851**	—
Dividend payables		**6,238**	—
Advances from customers		—	253,618
Current income tax liabilities		**233,336**	125,128
Borrowings		**1,608,223**	968,747
Financial liabilities at fair value through profit or loss		—	22,898
		3,467,418	1,898,110
Total liabilities		**7,890,324**	5,354,446
Total equity and liabilities		**11,434,093**	8,472,249

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 engineering design and construction and gas pipelines connections by providing residential, commercial and industrial users with laying and installation and transportation, distribution and sales of gases including natural gas and compressed natural gas ("CNG") and production and sales of liquefied natural gas ("LNG") in bulk and in cylinders in certain cities of the People's Republic of China (the "PRC").

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

These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2019.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets and liabilities at fair value through profit or loss (including derivative instruments), which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

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

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKAS 28 (amendments)	Investments in associates and joint ventures
HKAS 40 (amendments)	Transfers of investment property
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
HK (IFRIC) — Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual improvement 2014-2016 cycle	Amendment to HKFRS 1 and HKAS 28

Except for impact of the adoption of HKFRS 15 and HKFRS 9, the adoption of these interpretation and amendments to the standards has no significant impact on the results and financial position of the Group.

The adoption of HKFRS 9 and HKFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 9 and HKFRS 15, the comparative figures have not been restated, details of which are set out below:

(a) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 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.

There was no significant impact on the Group's retained earnings as at 1 January 2018. The main effects resulting from reclassification are as follows:

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

(a) HKFRS 9 Financial Instruments *(Continued)*

(i) Reclassification of financial instruments on adoption of HKFRS 9

Financial assets — 1 January 2018	**Available-for-sale financial assets** *RMB'000*	**Financial assets at fair value through other comprehensive income** *RMB'000*
Closing balance 31 December 2017 — HKAS 39	**61,395**	**—**
Reclassify gas industry equity interest from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(61,395)	61,395
Opening balance 1 January 2018 — HKFRS 9	**—**	**61,395**

Due to the above reclassification of equity interest, fair value gains of RMB14,418,000 were reclassified from available-for-sale financial assets reserve to the financial assets at fair value through other comprehensive income reserve on 1 January 2018 (Note 12).

(ii) Impairment of financial assets

Trade receivables and contract assets relating to sales of gas, gas pipelines connections and engineering design and construction are the main financial assets of the Group that are subject to HKFRS 9's new expected credit loss model.

The Group was required to revise its impairment methodology under HKFRS 9 for the financial assets. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The Group recognise the loss allowance for expected credit losses on other receivables. There is no significant impact on the Group's retained earnings and equity at 1 January 2018.

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

(b) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, 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 evaluated the impact of the adoption of HKFRS 15 to the retained earnings of 1 January 2018, there is no significant impact on the retained earnings. In summary, liabilities amount to RMB253,618,000 were reclassified from advances from customers to contract liabilities on 1 January 2018.

3. SEGMENT INFORMATION

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

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

The reportable segments derive their revenue and profit primarily from city gas sales, engineering design and construction and gas pipelines connections.

In 2018, due to the expansion of the operation and increase in significance of the engineering design and construction functions, the Group separates the engineering design and construction segment which the senior executive management team reviewed it individually for better resource allocation and assessment of segment performance.

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

The senior executive management team assesses the performance of the operating segments based on the measure of sales revenue and gross profit, which are determined by using the accounting policies. Meanwhile, the Group does not allocate operating expenses, 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.

3. **SEGMENT INFORMATION** *(Continued)*

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2018 is as follows:

	City gas sales *RMB'000*	Long-haul pipeline gas transmission and sales *RMB'000*	Engineering design and construction *RMB'000*	Gas pipelines connections *RMB'000*	All other segments *RMB'000*	Inter-segment elimination *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Total revenue	2,318,336	909,352	1,043,429	704,978	168,006	(30,847)	—	5,113,254
Inter-segment revenue	—	—	—	—	30,847	(30,847)	—	—
External revenue	2,318,336	909,352	1,043,429	704,978	137,159	—	—	5,113,254
Timing of revenue recognition								
At a point in time	2,318,336	909,352	—	—	133,750	—	—	3,361,438
Over time	—	—	1,043,429	704,978	3,409	—	—	1,751,816
Gross profit	385,754	98,106	417,146	451,872	75,338	—	—	1,428,216
Distribution expenses							(41,350)	(41,350)
Administrative expenses							(166,917)	(166,917)
Other income							9,439	9,439
Other gains — net							3,731	3,731
Operating profit								1,233,119
Finance expenses — net							(323,375)	(323,375)
Share of post-tax loss of associates and a joint venture							(44,940)	(44,940)
Profit before income tax								864,804
Income tax expense							(264,444)	(264,444)
Profit for the year								600,360

3. **SEGMENT INFORMATION** *(Continued)*

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2017 is as follows:

	City gas sales *RMB'000*	Long-haul pipeline gas transmission and sales *RMB'000*	Gas pipelines connections *RMB'000*	All other segments *RMB'000*	Inter-segment elimination *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Total revenue	1,603,673	824,437	619,931	60,973	—	—	3,109,014
Inter-segment revenue	—	—	—	—	—	—	—
External revenue	1,603,673	824,437	619,931	60,973	—	—	3,109,014
Timing of revenue recognition							
At a point in time	1,603,673	824,437	—	58,155	—	—	2,486,265
Over time	—	—	619,931	2,818	—	—	622,749
Gross profit	271,348	89,656	380,289	26,651	—	—	767,944
Distribution expenses						(29,449)	(29,449)
Administrative expenses						(134,060)	(134,060)
Other income						27,115	27,115
Other gains — net						5,339	5,339
Operating profit							636,889
Finance expenses — net						(84,421)	(84,421)
Share of post-tax profit of associates						23,371	23,371
Profit before income tax							575,839
Income tax expense						(146,682)	(146,682)
Profit for the year							429,157

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

During the year ended 31 December 2018, revenue of approximately RMB1,043,429,000 and 20% of the Group's total revenue, is derived from a single customer (2017: RMB336,566,000 and 11%). The revenue is attributable to the engineering design and construction segment (2017: the long-haul pipeline gas transmission and sales segment).

4. EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Raw materials and consumables used	**2,995,547**	1,999,266
Changes in inventories of finished goods and work in progress	**6,272**	3,761
Depreciation on property, plant and equipment	**124,513**	109,203
Depreciation on investment properties	**2,175**	1,312
Amortisation of lease prepayments	**6,107**	4,764
Amortisation of intangible assets	**81,129**	73,075
Employee benefit expense	**171,631**	149,111
Licensing fee for the exclusive operating rights for city pipeline network	**1,100**	1,100
Engagement of construction and design services	**378,597**	73,839
Transportation costs	**6,682**	6,081
Travelling expense	**8,335**	6,103
Maintenance costs	**13,347**	10,249
Auditors' remuneration		
— Audit services	**3,400**	3,300
Professional expenses	**5,725**	3,756
Advertising expenses	**5,928**	2,214
Entertainment expenses	**10,388**	7,284
Office expenses	**15,243**	9,276
Taxes	**16,478**	14,881
Energy consumption	**29,907**	21,008
Impairment loss	**7,638**	2,404
Other expenses	**3,163**	2,592
Total cost of sales, distribution expenses and administrative expenses	**3,893,305**	2,504,579

5. OTHER INCOME

	Year ended 31 December 2018 *RMB'000*	2017 *RMB'000*
Government grants in relation to		
— Tax refund	**4,905**	2,990
— Subsidies for local investment rewards and other incentives	**4,534**	11,180
Dividend income from available-for-sale financial assets	**—**	12,945
	9,439	27,115

6. OTHER GAINS — NET

	Year ended 31 December 2018 *RMB'000*	2017 *RMB'000*
Gains on disposal of a subsidiary	**2,984**	—
Gains/(losses) on disposal of property, plant and equipment and lease prepayments	**47**	(2,347)
Penalty and overdue fines	**(548)**	(1,566)
Reversal of trade payables	**—**	3,615
Others	**1,248**	5,637
	3,731	5,339

7. FINANCE EXPENSES — NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Finance income		
— Interest income from bank deposits, bank financial products and loans to third parties	**(41,846)**	(21,045)
— Investment gains on financial assets at fair value through profit or loss:		
Investment in a trust	**(30,509)**	(26,235)
Cross currency swap contracts	**(8,055)**	—
	(80,410)	(47,280)
Finance expenses		
— Interest expense on borrowings	**289,933**	214,618
— Net exchange losses/(gains)	**142,520**	(119,382)
— Investment losses on cross currency swap contracts	**—**	64,434
— Others	**2,294**	1,518
Less: amounts capitalised on qualifying assets	**(30,962)**	(29,487)
	403,785	131,701
	323,375	84,421

8. TAXATION

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

(b) Hong Kong profits tax

For the years ended 31 December 2018 and 2017, there are no Hong Kong profits tax applicable (tax rate 16.5%) to any Group entities.

8. **TAXATION** *(Continued)*

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

All the Company's subsidiaries incorporated in the PRC are subject to the PRC CIT, which has been provided based on the statutory income tax rate of the assessable income of each of such companies during the years ended 31 December 2018 and 2017, as determined in accordance with the relevant PRC income tax rules and regulations. The CIT rate of all the relevant subsidiaries operating in the PRC is 25% (2017: 25%), except for Baiyin Natural Gas Limited, Li Quan County Hong Yuan Natural Gas Company Limited, Qian County Hong Yuan Natural Gas Company Limited, Baiyin Wantong Gas Limited, Gulang Tianlun Gas Limited, Sichuan Mingsheng Natural Gas Company Limited, Sichuan Jintang County Tian Lun Gas Company Limited, Mizhi Changxing Natural Gas Limited and Wubu Changxing Natural Gas Limited as they were approved to entitle to the CIT Preferential Policies for the Development of the Western Regions and the CIT rate of 2018 is 15% (2017: 15%).

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax on profits for the year	**261,800**	165,474
Deferred income tax	**2,644**	(18,792)
	264,444	146,682

9. **EARNINGS PER SHARE**

(a) Basic

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

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company *(RMB'000)*	**569,142**	404,250
Weighted average number of shares in issue *(thousands)*	**989,615**	989,615
Basic earnings per share *(RMB per share)*	**0.58**	0.41

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 per share for the year) 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.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company *(RMB'000)*	**569,142**	404,250
Weighted average number of shares in issue *(thousands)*	**989,615**	989,615
Adjustments for:		
— Share options *(thousands)*	**3,724**	802
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**993,339**	990,417
Diluted earnings per share *(RMB per share)*	**0.57**	0.41

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables — gross *(a)*	**463,367**	351,551
Less: provision for impairment	**(9,446)**	(2,404)
Bills receivables	**50,949**	32,839
Prepayments	**319,461**	120,237
Receivables due from related parties *(a)*	**463,573**	28,468
Other receivables	**202,751**	169,955
Less: provision for impairment	**(280)**	—
Value-added-tax to be offset and prepaid income tax	**31,344**	35,564
	1,521,719	736,210
Less: long-term prepayments	**(59,454)**	(69,661)
Current portion	**1,462,265**	666,549

(a) The credit period generally granted to customers in relation to sales of pipelined gases is up to two months. As for the customers in relation to connection of gas pipelines, the Group generally requests advance payments, and in circumstances of credit sales, management closely monitors the credit quality of the customers, and credit period was granted case by case with maximum of 2 years. As for the customer in relation to engineering design and construction, the Group requests advance payment and credit period was grant up to 6 months. The following is an ageing analysis of trade receivables and receivables due from related parties in trade nature amounting to RMB437,559,000 (2017: RMB14,850,000), presented based on invoice date at the end of the reporting period:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than 30 days	**780,231**	277,405
31 days to 90 days	**39,765**	9,476
91 days to 1 year	**43,832**	44,862
Over 1 year	**13,233**	22,261
Over 2 years	**23,865**	12,397
	900,926	366,401

10. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) The carrying amounts of trade and other receivables approximate their fair values.

(c) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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

(e) As at 31 December 2018, the trade receivables with carrying value of approximately RMB24,933,000 were pledged for the Group's borrowings.

11. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares *(thousands)*	**Ordinary shares** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
Issued and fully paid:				
At 1 January 2017	989,615	8,340	1,264,114	1,272,454
At 31 December 2017	989,615	8,340	1,264,114	1,272,454
Dividends relating to 2018 *(Note 14)*	—	—	(75,963)	(75,963)
At 31 December 2018	989,615	8,340	1,188,151	1,196,491

The total authorised number of ordinary shares is 2,000,000,000 shares (2017: 2,000,000,000 shares) with a par value of HKD0.01 per share (2017: HKD0.01 per share).

12. RESERVES

	Capital reserves	Statutory reserves	Financial assets at fair value through other comprehensive income	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	(60,670)	140,605	—	(1,519)	78,416
Revaluation-gross	—	—	—	21,250	21,250
Revaluation-tax	—	—	—	(5,313)	(5,313)
Appropriation (a)	—	54,580	—	—	54,580
Employee share option scheme:					
— Value of employee services	4,593	—	—	—	4,593
At 31 December 2017	(56,077)	195,185	—	14,418	153,526
Reclassification on adoption of HKFRS9	—	—	14,418	(14,418)	—
At 1 January 2018	(56,077)	195,185	14,418	—	153,526
Revaluation-gross	—	—	17,420	—	17,420
Revaluation-tax	—	—	(4,355)	—	(4,355)
Appropriation (a)	—	150,070	—	—	150,070
Acquisition of additional interests of subsidiaries	(39,563)	—	—	—	(39,563)
Employee share option scheme:					
— Value of employee services	4,834	—	—	—	4,834
At 31 December 2018	(90,806)	345,255	27,483	—	281,932

12. RESERVES *(Continued)*

(a) Statutory reserves

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

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

For the year ended 31 December 2018, approximately RMB150,070,000 (2017: RMB54,580,000) were appropriated to the statutory surplus reserves funds from net profits of certain PRC subsidiaries.

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables *(a and b)*	**241,930**	180,754
Notes payables	**430,000**	—
Amounts due to related parties *(a)*	**41,175**	30,687
Accrued payroll and welfare	**2,197**	4,254
Interest payables	**16,708**	8,631
Other taxes payables	**83,725**	22,266
Contingent consideration payables	**339,680**	294,021
Other payables *(a)*	**225,953**	123,704
	1,381,368	664,317
Less: non-current portion of other payables and accruals *(d)*	**(136,598)**	(136,598)
Current portion	**1,244,770**	527,719

13. TRADE AND OTHER PAYABLES *(Continued)*

(a) As at 31 December 2018 and 2017, all such trade payables and the current portion of other payables of the Group were non-interest bearing and their fair values approximated to their carrying amounts due to their short maturities.

(b) At 31 December 2018 and 2017, the ageing analysis of the trade payables, based on invoice date was as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than 30 days	**159,811**	100,353
31 days to 90 days	**37,300**	35,332
91 days to 1 year	**12,825**	22,303
1 year to 2 years	**6,737**	13,387
2 years to 3 years	**7,687**	2,699
Over 3 years	**17,570**	6,680
	241,930	180,754

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
RMB	**1,361,975**	649,811
USD	**12,944**	11,360
HKD	**6,449**	3,146
	1,381,368	664,317

(d) At 31 December 2018, the non-current portion of other payables and accruals included contingent consideration payables amounted to RMB124,406,000 (2017: RMB124,406,000) which were at fair value and long-term loan due to a non-controlling interest of a subsidiary amounted to RMB12,192,000 (2017: RMB12,192,000) with an interest rate of 10% per annum, of which the fair value approximated to the carrying amounts. The fair values of the contingent consideration payables and amount due to the non-controlling interest were measured by the discounted cash flow method and included in level 3 of the fair value hierarchy.

14. DIVIDENDS

The dividend paid in 2018 was RMB75,963,000 (2017: RMB77,629,000).

	2018	2017
	RMB'000	*RMB'000*
Final dividend for the year ended 31 December 2017 of RMB2.30 cents per share (2016: Nil) paid to ordinary shares	**22,885**	—
Interim dividend for the year ended 31 December 2018 of RMB5.36 cents per share (2017: RMB7.88 cents per share) paid to ordinary shares	**53,078**	77,629
	75,963	77,629

Pursuant to the resolution of the Board of Directors dated 29 March 2019, the directors of the Company proposed to distribute total final dividend of RMB99,000,000 (RMB10.00 cents per share) for the year ended 31 December 2018 (2017: RMB22,885,000) (RMB2.30 cents per share), which was not recognised as a liability at year end.

INDUSTRY REVIEW

In 2018, a rapid growth trend appeared in the demand for natural gas in China, which was attributable to several factors such as the economic recovery and the further promotion of environmental protection policy. According to data from the National Development and Reform Commission and the National Bureau of Statistics of the PRC, the annual apparent consumption of natural gas was 280.3 billion m^3, representing a year-on-year growth of 18.1%; production of natural gas was 161 billion m^3, representing a year-on-year growth of 7.5%; and import volume of natural gas was 903.9 billion tons, representing a year-on-year growth of 31.9%. With the continuous promotion of ecological civilization and the reform on the energy supply side, natural gas boasts of economical advantages over other alternative energy sources in the fields of urban gas and transportation. As one of the main energy sources in China's modern clean energy system, its position is increasingly important and its future market growth potential is huge.

In 2018, the central government of the PRC took the opportunity of the strategy of energy restructuring to vigorously promote the development and utilization of natural gas and issued a series of long-term policies favorable for the industry. The "Guidelines for Energy Work in 2018" issued by National Energy Administration, clearly provided that the construction of facilities for gas storage and peak-sharing should be intensified, enterprises should be introduced to construct gas storage and service facilities with local governments, and the peak-sharing system for natural gas storage should be gradually improved. In addition, the central government also announced the relevant supporting policies and measures to accelerate the reform of the oil and gas pipeline network operation mechanism, rationalize the provincial pipeline network system, promote the fair access to oil and gas infrastructure, and improve the investment and operation mechanism of oil and gas reserve facilities.

Meanwhile, the State Council issued the "Three-Year Action Plan to Win the Blue Sky Defence War", in July 2018, in which the central government of the PRC made it clear that it would vigorously adjust and optimize the industrial structure and energy structure, continuously implement air pollution prevention and control actions, and remain determined to win the blue sky defence war. For clean heating in the northern China, the central government of the PRC required to implement the "coal-to-gas" project on the basis of the supply capacity of natural gas to ensure clean heating and warm home in winter. This policy undoubtedly plays a scientific guiding and standardizing role in the development of the " coal-to-gas" business in the industry and lays a good foundation for the long-term development of the " coal-to-gas" business.

The reform of the oil and gas operation mechanism was accelerated, the infrastructure gradually became accessible for private enterprises, and the promulgation of a series of favorable environmental protection policies such as "coal-to-gas conversion" policy, will continue to strongly promote the growth of natural gas consumption, thus providing a powerful support for our arrangements in the natural gas market.

BUSINESS REVIEW

For the year ended 31 December 2018, the Group deeply explored the potential of traditional urban gas market, and selectively acquired high-quality urban gas projects. As a response of the Group to the call of the country, the Group carried out Henan township coal-to-gas business and promoted value-added services. As a result, the Group maintained the rapid growth of its overall performance.

The key results and operating data of the Group for the year ended 31 December 2018 as compared to the same period of the previous year are as follows:

	As at 31 December		
	2018	2017	Change by
Revenue (RMB'000)	**5,113,254**	3,109,014	64.47%
Gross profit (RMB'000)	**1,428,216**	767,944	85.98%
Core profit for the year* (RMB'000)	**729,890**	380,251	91.95%
Weighted average shares (Unit: '000)	**989,615**	989,615	—
Earnings per share** — basic (RMB)	**0.5751**	0.4085	40.78%
Total pipeline gas users:	**2,354,203**	1,636,226	43.88%
— Urban residential users (households)	**1,952,123**	1,621,270	20.41%
— Township coal-to-gas residential users (households)	**382,591**	—	—
— Industrial and commercial users (users)	**19,489**	14,956	30.31%
— Designed daily gas supply capacity to industrial and commercial users (in ten thousand m^3)	**755**	626	20.61%
Natural gas sales volume (in ten thousand m^3):	**129,236**	106,359	21.51%
— Natural gas sales volume to residential users (in ten thousand m^3)	**25,675**	18,053	42.22%
— Urban natural gas sales volume to industrial and commercial users *** (in ten thousand m^3)	**40,722**	31,853	27.84%
— Natural gas sales volume to transportation users (in ten thousand m^3)	**14,123**	15,117	(6.58%)
— Natural gas sales volume to wholesale users (in ten thousand m^3)	**18,197**	16,616	9.51%
Gas source trade (in ten thousand m^3)	**5,731**	—	—
Long-haul pipeline gas transmission volume (in ten thousand m^3)	**86,759**	86,383	0.44%
Total length of medium and high-pressure pipelines (kilometre)	**4,408**	3,902	12.97%

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

** 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.

*** Net of gas sales volume to industrial and commercial users of the long-haul pipeline gas transmission segment

Gas Pipelines Connections Volume

For the year ended 31 December 2018, the Group connected a total of 235,911 new residential users to gas pipelines, and the total number of urban residential users to gas pipelines increased to 1,952,123, representing an increase of 20.41% as compared with the corresponding period of last year.

To actively respond to the national policy of coal-to-gas project and rural revitalization plan, the Group launched the township coal-to-gas conversion project in Henan at the end of July 2018. Thanks to the established regional network of the Group in Henan province, the strong support from all levels of government and competent authorities and our active development efforts, the Group provided 382,591 rural households in Henan with gas connection services as of 31 December 2018. For the year ended 31 December 2018, the Group connected a total of 2,334,714 residential users to gas pipelines, representing a year-on-year increase of 44.01%, including 1,952,123 urban residential users from company and 382,591 township coal-to-gas conversion users in Henan.

For the year ended 31 December 2018, the Group connected a total of 3,228 industrial and commercial users to gas pipelines, and the total number of its industrial and commercial users under the projects operated by the Group increased to 19,489, representing an increase of 30.31% as compared with the corresponding period of last year.

Gas Sales Volume

For the year ended 31 December 2018, natural gas sales volume of the Group amounted to 1.292 billion m^3, representing an increase of 228 million m^3 or 21.51%, as compared with the corresponding period of last year. Gas volume sold to residential users, industrial and commercial users, transportation gas users, wholesale users and gas source trade accounted for 19.87%, 50.69%, 10.93%, 14.08% and 4.43% of total gas sales volume, respectively.

Total gas sales volume to residential users increased by 42.22% as compared with the corresponding period of last year, mainly because the Group developed residential users for its existing projects and the sales volume to residential users in the Jintang project in Sichuan Province, Xuchang project, Liquan project and newly acquired projects increased significantly.

Benefiting from the continued promotion of the environmental protection policy of the country and the Group’s strategy of vigorously developing industrial and commercial coal-to-gas users within the operating area, urban gas sales volume to industrial and commercial users increased by 27.84% as compared with the corresponding period of last year.

During the year ended 31 December 2018, pipeline gas transmission volume of the Group was 868 million m^3, which is basically the same as that of last year.

Development of New Projects

During the year ended 31 December 2018, the Group completed full takeover of the operation and management and consolidation of financial statements of the projects in Mizhi County and Wubu County in Shaanxi Province. At the same time, the Group had another three new urban gas projects, including the acquisition of two urban gas projects in Yuhua District, Shijiazhuang City, Hebei Province and Xiping County, Zhumadian City in Henan Province, among which, the project in Xiping County, Zhumadian City in Henan Province had not been consolidated into the Group in 2018, as well as the acquisition of the exclusive township pipeline gas concession right in Wugang City, Henan Province. At the end of the Reporting Period, the Group had a total of 60 urban gas projects in 17 provinces across China.

Completion of the Acquisition of Shaanxi Mizhi and Wubu Projects

During the year ended 31 December 2018, 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 2017, and began to conduct the consolidation of financial statements since 1 February 2018, contributing to the Group's 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. Tian Lun 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 the central part of China.

Establishment of a Coal-to-Gas Conversion Investment Fund and Initiation of Township Coal-to-Gas Conversion Project in Henan

Henan Province 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 RMB4,500 billion and the 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 Province. 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 township coal-to-gas conversion 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; and (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 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(有限合夥)) (the "**Fund**") to invest in the township coal-to-gas conversion projects in Henan Province and the upstream and downstream natural gas industrial chain.

Pursuant to amended the Partnership Agreement (as disclosed in the announcement dated 3 August 2018): (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 RMB599 million will be contributed by Yuzi Development, RMB400 million by Henan Tian Lun and RMB1 million by Henan Zhongyu; and (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 intended to establish a project holding company, which would 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 the township coal-to-gas conversion projects 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.

Acquisition of Urban Gas Project in Yuhua District, Shijiazhuang City, Hebei Province

On 24 August 2018, Henan Tian Lun Gas Group Limited* (河南天倫燃氣有限公司), an indirect wholly-owned subsidiary of the Company, entered into an agreement with the then shareholder of Shijiazhuang Jinming Gas Limited* (石家莊金明燃氣有限公司) to acquire the entire equity interest in Shijiazhuang Jinming Gas Limited at a consideration of RMB265,000,000.

Located in the North of China, Hebei Province is one of the provinces in the "capital economic cycle". As of 2017, the population in Hebei Province was 75.19 million, and the GDP in Hebei Province reached approximately RMB3,596.4 billion; Meanwhile, pursuant to "National Economic and Social Development Plan of Beijing-Tianjin-Hebei Region during the 13th Five-Year Plan" (「十三五」時期京津冀國民經濟和社會發展規劃), in the future, Beijing, Tianjin and Hebei will form a new synergic mechanism in terms of integration of transportation, protections of ecological environment and the upgrade and transfer of industries, etc.. Shijiazhuang City is the capital city of Hebei Province, and locates in the south central of Hebei Province and along the Bohai Economic Rim. In 2017, the GDP of Shijiazhuang was RMB655.8 billion. Shijiazhuang City locates in the golden zone of the joint development of Beijing, Tianjin and Hebei, 283 kilometres far away from downtown Beijing. Shijiazhuang City is also a city which the implementation of its coastal open-door policy and open financial market was approved by the State Council, as well as the political, economic, technological, financial, cultural and information center of Hebei Province.

The project's operating area is located in Yuhua District, Shijiazhuang City, Hebei Province. The total population within the operating area is about 900,000. In addition to the existing households heated by gas, currently, there are still seven large-scale urban villages which are being demolished steadily, while real estate developers such as Sunac, R&F, Country Garden and Evergrande have had a presence into, and at least 110,000 residential users will be connected with the pipeline gas in the next three years. Some of the developed communities within the operating area are heated by gas-fired boilers. Since 2014, the number of installations of heating boilers ranges from 20 to 60 tons per year. Conservatively, at least 30 tons of additional gas-fired boilers can be installed each year, which will result in a stable increase of the gas sales. At the same time, the project's operating area locates in the main urban area of Shijiazhuang, within which there are a large number of commercial users that have not been developed. With the strengthening of the implementation of no coal and no liquefied gas in the urban area of Shijiazhuang City, the development prospects of commercial users are promising in the future. The air pollution prevention work program introduced by the State and policy-type subsidies on a continuous basis will also have a positive impact on the project's coal-to-gas business and industrial and commercial user development in the operating area.

The project has secured gas source from Hebei Natural Gas Company, which is conducive to its stable development in the future. At the same time, the project's business operations are mature and stable. At present, there are 90,000 residential users, 110 industrial and commercial users, and the annual sales volume of gas is about 22 million m^3. Through this acquisition, the Group obtained the gas management right in a provincial capital city in the north of China, and formed a contiguous scale effect with the Group's gas projects in cities such as Henan and Shandong, and it will have important strategic value and influence for the future layout in Hebei market and further expanding of the market share in northern China of the Group.

Acquisition of an urban gas project in Xiping County, Zhumadian City, Henan Province

On 29 November 2018, Henan Tianlun Gas Group Co., Ltd.* (河南天倫燃氣有限公司), an indirect wholly-owned subsidiary of the Company, entered into an agreement with the then shareholders of Xiping Kaida Gas Co., Ltd.* (西平凱達燃氣有限公司) to acquire the entire equity interest of Xiping Kaida Gas Co., Ltd. at a consideration of RMB152,000,000.

Zhumadian City is located in the south-central part of Henan Province. Functioning as the junction of the south and north, and east and the west part of China, it has the apparent advantage in geography. As of 2017, the city's population was 8.02 million and its GDP reached approximately RMB200.3 billion. The "Huaihe Ecological Economic Belt Development Plan" issued by the National Development and Reform Commission includes Zhumadian City in the inland rising area of the central and western regions, and puts forward specific requirements for infrastructure construction, industrial development and air pollution prevention and control in Zhumadian City.

Xiping County, Zhumadian City, where the project operates, is 130 kilometres away from Xinzheng International Airport and is located in the "One Day Economic Circle" of Zhengzhou and Wuhan, both of which are central cities of China. In 2017, the total population of Xiping County was 860,000, and the GDP reached RMB22.5 billion, representing a year-on-year increase of 8.7% and ranking first in Zhumadian City. At the same time, Xiping County is also a pilot project for the cooperation of the national township enterprises in the east, central and west part of China, and a national strong pilot county for enriching the people by the science and technology.

The project of the Company has a stable and mature business operation and 43,000 residential users, 379 commercial users and 30 industrial users, with an annual gas sales volume of approximately 20.82 million cubic metres. It has gas supplied by Henan Lantian Gas Yu'nan Branch. The long-haul pipeline of the Company in Henan Province is only 26 kilometres away from Xiping County, with a lower cost of pipelines laying. After the completion of the acquisition, the high-pressure pipeline will be extended to Xiping County to provide sufficient gas source supply for the future development of the project and reduce the cost of gas source procurement.

Xiping County has a complete industrial system. It has built Zhishang Industrial Park, Huaxia Zheshang Industrial Park, Leizu Textile Industrial Park and Industrial Cluster Park, which are mainly engaged in garment, agricultural and livestock products processing and mechanical processing. The gradual promotion of coal-to-gas conversion business for the local industrial users and the settlement of new industrial users will bring considerable industrial gas sales growth. In addition, according to the planning of the Xiping County Government, the renovation of seven local shanty towns will bring about 20,000 resettlement units. It is expected that nearly 20,000 new units will be delivered in the next three years with the further expansion of urban areas. In addition, there are about 16,000 households in the county that have risers installed but gas supply not commenced. All these have shown a broad prospect in gas sales for residents in the future.

Through this acquisition, the Group can extend to surrounding townships grounding on the operating area of the project, to further expand the coverage of the Company's township coal-to-gas conversion business in Henan Province. At the same time, it can form synergies with the urban gas projects of the Group that have been in operation in Henan Province, to further consolidate the Group's gas network advantages in Henan Province and increase its market share in the province.

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. The CNG production facility currently has an actual daily production of 110,000 m^3 and its production is stable. The LNG production facility has an actual daily production of 140,000 m^3. With the steady production of the project, its advantages in lower gas cost and favourable geographical location and the Group's advantage in strong distribution capability in Northeast China will further lower the Group's gas cost in such area and form synergies with existing urban gas projects of the Group in the Northeast China, thereby laying a solid foundation for its further development of the Northeast China market in the future.

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 played an important role in securing the Group's gas source supply. As at 31 December 2018, 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 of 2018, and the relevant procedures has been completed. It has been docked with Lushan Substation of the West-East Pipeline II, with nitrogen replacement completed and qualified for gas supply conditions. It is expected that gas pipeline connections will be achieved in the third quarter of 2019.

- Yuzhou-Changge project: The pipeline has been successfully completed. The station line construction and procedures for docking with the 3# valve room of the Pingdingshan-Tai'an Pipeline Branch of the West-East Pipeline II are underway. It is expected that the gas supply will be commenced in the fourth quarter of 2019.

- 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 of the Company 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.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the Group's revenue amounted to RMB5,113 million, representing a year-on-year increase of RMB2,004 million or 64.47%. The Group's revenue was primarily derived from the gas pipelines connections and engineering design and construction business, as well as the transportation and sales of gas business, accounting for 34.19% and 63.12% (the corresponding period of last year:19.94% and 78.10%), respectively, of the total revenue for the year ended 31 December 2018.

Revenue from gas pipelines connections and engineering design and construction business

For the year ended 31 December 2018, revenue from urban gas pipeline connections amounted to RMB705 million, representing a year-on-year increase of 13.72% from RMB620 million for the corresponding period of last year. In terms of pipeline connection fee proceeds, for the year ended 31 December 2018, cash received from gas pipeline connections amounted to RMB854 million, representing a year-on-year increase of 21.83% from RMB701 million for the corresponding period of last year.

During the year ended 31 December 2018, the Group cooperated with Henan Yuzi to carry out a township coal-to-gas conversion project in Henan province, contributing revenue of RMB1.043 billion to the Group. The average connection fee was RMB2,727.27 per household. As of the date of this announcement, cash received from coal-to-gas conversion pipeline connections amounted to RMB700 million. It is believed that the Company's township coal-to-gas conversion project in Henan province will continue to be implemented rapidly and create a new driving force for profit growth with the effective fund cooperation model, long-term financial support provided by policy banks and financial institutions, strong gas source guarantee and national favourable policies.

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 business. For the year ended 31 December 2018, the Group had a significant growth in gas sales volume. Revenue from gas sales amounted to RMB3,228 million, representing a year-on-year increase of 32.93% from RMB2,428 million for the corresponding period of last year. In particular, revenue from gas sales to industrial and commercial users was RMB1,679 million, representing a year-on-year increase of 26.63% as compared with RMB1,326 million for the corresponding period of last year; revenue from gas sales to residential users was RMB563 million, representing a year-on-year increase of 43.70% as compared with RMB392 million for the corresponding period of last year.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2018, the Group realized gross profit of RMB1,428 million, representing an increase of RMB660 million or 85.98% from the corresponding period of last year. Overall gross profit margin of the Group was 27.93%. Gross profit margin for gas sales was 14.99%, representing an increase of 0.12 percentage points compared with the same period of last year. Gross profit margin for connection business was 49.70%, representing a decrease of 11.64 percentage points compared with the corresponding period of last year, mainly due to the lower gross profit margin of the township coal-to-gas conversion connection carried out by the Group during the year.

Distribution Cost and Administrative Expenses

The Group's distribution cost for the year ended 31 December 2018 was RMB41.35 million, and administrative expenses for the year were RMB167 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 for the year ended 31 December 2018 remained almost at the same level as in last year.

Other Income

For the year ended 31 December 2018, other income of the Group amounted to RMB9 million, representing a decrease of RMB18 million as compared with the corresponding period of last year.

Other Gains - Net

For the year ended 31 December 2018, other gains - net of the Group amounted to RMB4 million, representing a decrease of RMB2 million as compared with the corresponding period of last year

Finance Expenses - Net

For the year ended 31 December 2018, finance expenses - net of the Group amounted to RMB323 million, representing an increase of RMB239 million as compared with the corresponding period of last year.

Share of Loss after Tax of Associates and A Joint Venture

For the year ended 31 December 2018, the Group's share of loss after tax of associates and a joint venture amounted to RMB45 million.

Net Profit and Net Profit Margin

For the year ended 31 December 2018, net profit of the Group amounted to RMB600 million, representing an increase of RMB171 million or 39.89%, as compared with the corresponding period of last year. For the year ended 31 December 2018, net profit margin of the Group was 11.74%.

Net Profit Attributable to Owners of the Company

For the year ended 31 December 2018, net profit attributable to owners of the Company was RMB569 million, representing an increase of RMB165 million or 40.79% as compared with the corresponding period of last year.

FINANCIAL POSITION

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

For the year ended 31 December 2018, the Group incurred capital expenditure of RMB706 million, of which RMB381 million was used in project acquisitions and RMB325 million in continuously improving urban gas business. The above capital expenditure was financed by the Group's operating cash flows and bank borrowings.

As at 31 December 2018, the Group held cash and cash equivalents and liquid investment classified as financial assets at fair value through profit or loss of RMB1,381 million in total, of which cash and cash equivalents amounted to RMB1,076 million, of which 97.93% was denominated in RMB, 1.93% was denominated in US dollars and 0.14% was denominated in HK dollars, and its liquid investment of RMB305 million, safeguarding the needs of project expansion and acquisition of businesses of the Group.

As at 31 December 2018, the Group's total borrowing was RMB5,418 million (among which loans denominated in RMB were RMB2,681 million, loans denominated in US dollars were RMB924 million and loans denominated in Hong Kong dollars were RMB1,813 million). The Group's borrowings comprised mainly long-term borrowings, and 70.32% of borrowings were classified as non-current liabilities and 29.68% was classified as current liabilities. The loans repayable within one year amounted to RMB1,608 million, of which RMB496 million was secured by the Group's gas charge rights. As at 31 December 2018, the gearing ratio, calculated based on the percentage of total liabilities over total assets, was 69.01%.

FINANCE COST AND EXCHANGE RISK MANAGEMENT

For the year ended 31 December 2018, the Group's finance cost was RMB290 million, representing an increase of 35.09% as compared with the corresponding period of last year, mainly due to the increase in the Group's financing scale for reserving sufficient funds for the next business development.

For the year ended 31 December 2018, the Group's overseas borrowings denominated in foreign currencies accounted for 50.51% of its total borrowings, which was lower than the average level of industry peers. The Group will continue to closely monitor the changes in exchange rates and strive to lower its finance costs through diversified arrangements, and will adopt necessary measures to lower its exchange risk as and when necessary.

OUTLOOK

In 2018, while the international environment was complex and volatile, China's national economy continued to operate in a reasonable range and maintained an overall stability, with the Gross Domestic Product (GDP) increasing by 6.6% compared with 2017. Meanwhile, China made solid progress in supply-side structural reform, continued to optimize the energy structure adjustment, and maintained a rapid growth trend in the natural gas market development. During the year, while deeply exploring the growth potential of traditional city gas in the areas where it operates to maintain steady growth, the Group joined hands with Henan Yuzi to establish a coal-to-gas conversion fund to jointly develop the township coal-to-gas conversion business in Henan and develop value-added services, so as to bring new business growth points to the Group and ensure the sustained and rapid growth of the Group's results.

In 2019, the Group will continue to adhere to the innovative development concept, while maintaining a faster growth of value-added services, try to innovate the primary business model of traditional gas and explore new forms of investment development and external cooperation. The Group will intensify its efforts to continuously improve the operation quality of existing businesses, and at the same time, continue to do a good job in the acquisition of incremental resources. In terms of investment and acquisition, the linkage effect between selective acquisition projects and township coal-to-gas conversion blank demonstration zones in the will be considered as a development factor. In addition, based on the township coal-to-gas conversion practices in Henan and combined with the core capabilities of existing operating businesses, the Group will further enhance the building of the Group's development path and further strengthen the industry positioning and operating characteristics of the Group in the capital market by grasping the development opportunities of the industry chain and the midstream and upstream industries, to create better conditions for the Company to increase its market value and to repay the shareholders with better results.

Purchase, sale or redemption of the Company's listed securities

During the year ended 31 December 2018, none of the Company or any of its subsidiaries had repurchased, sold or redeemed any shares of the Company.

Contingent Liabilities

During the year ended 31 December 2018, the Group had no material contingent liabilities.

Final Dividend

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 29 March 2019, the Board recommended the payment of a final dividend for the year ended 31 December 2018 of RMB10.00 cents per share (the "**Final Dividend**"). Together with an interim dividend of RMB5.36 cents per share which had been paid, total dividend paid and recommended for the year ended 31 December 2018 was RMB15.36 cents per share, representing an increase of 50.88% as compared with the corresponding period of 2017.

The Final Dividend will be paid in Hong Kong dollars on or about 20 June 2019 (Thursday) to the Shareholders whose name appear on the register of members of the Company on 5 June 2019 (Wednesday), subject to the Shareholders' approval at the forthcoming annual general meeting. Further announcement will be made by the Company in relation to the exact amount of the Final 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 Final Dividend, the register of members of the Company will be closed from 30 May 2019 (Thursday) to 5 June 2019 (Wednesday) (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed Final Dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Group'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, no later than 4:30 p.m. on 29 May 2019 (Wednesday).

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 strictly complied with the required standards set out in the Model Code for the year ended 31 December 2018.

Corporate Governance Code

The Company has adopted and has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the period from 1 January 2018 to 31 December 2018.

Audit Committee

The audit committee (the "**Audit Committee**") of the Company consists of three independent non-executive Directors, namely, Mr. Li Liuqing (chairman of the Audit Committee), Mr. Yeung Yui Yuen Michael and Ms. Zhao Jun. The Audit Committee had held meetings with the management to review accounting principles and practices adopted by the Group and discussed the audit, internal control and financial reporting issues. The Audit Committee had reviewed and discussed the annual results and financial statements of the Group for the year ended 31 December 2018.

Audit of Financial Statements

PricewaterhouseCoopers, the external auditor of the Group, had audited the consolidated financial statements of the Group and issued unqualified opinions. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been compared and agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary results announcement.

Annual Report

The Company's annual report for the year ended 31 December 2018 will be published on the website of Hong Kong Exchange and Clearing Limited (www.hkexnews.hk) and the Company's website (www.tianlungas.com), and copies of the annual report will be despatched 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 PRC, 29 March 2019

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan (Chief Executive), 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*