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 2019

Highlights of results for the six months ended 30 June 2019:

- Gas sales volume recorded rapid growth. Total gas sales volume was 741 million m^3, representing an increase of 22.5% as compared with 605 million m^3 for the corresponding period of last year. The number of total pipeline gas customers was 2,796,693, representing a year-on-year increase of 55.6%.
- Revenue was RMB3,150 million, representing a significant increase of 65.9% as compared with RMB1,899 million for the corresponding period of last year.
- Profit attributable to owners of the Company amounted to RMB405 million, representing an increase of 88.1% as compared with RMB215 million for the corresponding period of last year.
- Basic earnings per share were RMB0.41, representing an increase of 86.4% as compared with RMB0.22 for the corresponding period of last year.
- The Board recommends the payment of an interim dividend of RMB11.42 cents per share, representing a significant increase of 113.1% as compared with the interim dividend of RMB5.36 cents for the corresponding period of last year, and the dividend payout ratio was approximately 28.0%.

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 2019 (the "**Reporting Period**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Revenue	*5*	**3,150,250**	1,899,344
Cost of sales		**(2,320,786)**	(1,401,500)
Gross profit		**829,464**	497,844
Distribution costs		**(23,066)**	(16,416)
Administrative expenses		**(83,778)**	(65,172)
Other income		**3,075**	2,866
Other losses — net (restated)	*6*	**(12,058)**	(42,680)
Operating profit		**713,637**	376,442
Finance income		**18,552**	31,773
Finance expenses (restated)		**(139,211)**	(107,776)
Finance expenses — net (restated)	*9*	**(120,659)**	(76,003)
Share of post-tax (losses)/profits of associates and a joint venture		**(17,524)**	9,787
Profit before income tax	*7*	**575,454**	310,226
Income tax expense	*8*	**(154,208)**	(83,345)
Profit for the period		**421,246**	226,881
Profit attributable to:			
Owners of the Company		**404,935**	215,307
Non-controlling interests		**16,311**	11,574
		421,246	226,881

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

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Profit for the period		**421,246**	226,881
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		**421,246**	226,881
Attributable to:			
Owners of the Company		**404,935**	215,307
Non-controlling interests		**16,311**	11,574
		421,246	226,881
Earnings per share for profit attributable to owners of the Company (RMB per share)			
— Basic earnings per share	*10*	**0.41**	0.22
— Diluted earnings per share	*10*	**0.41**	0.22

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	**Unaudited 30 June 2019 *RMB'000***	Audited 31 December 2018 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**2,739,999**	2,679,097
Investment properties	*11*	**50,158**	51,637
Lease prepayments	*11*	**—**	223,400
Right-of-use assets	*11*	**232,887**	—
Intangible assets	*11*	**3,919,373**	3,786,504
Investments accounted for using equity method	*12*	**839,311**	856,835
Deferred income tax assets		**34,819**	33,692
Financial assets at fair value through other comprehensive income		**78,815**	78,815
Trade and other receivables	*13*	**62,147**	59,454
Prepayments related to other non-current assets		**87,985**	132,813
Total non-current assets		**8,045,494**	7,902,247
Current assets			
Inventories		**176,912**	200,053
Contract assets		**360,466**	210,450
Trade and other receivables	*13*	**1,987,509**	1,462,265
Financial assets at fair value through profit or loss		**—**	305,000
Restricted cash		**258,796**	278,171
Cash and cash equivalents		**798,758**	1,075,907
Total current assets		**3,582,441**	3,531,846
Total assets		**11,627,935**	11,434,093

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30 June 2019

	Note	**Unaudited 30 June 2019** ***RMB'000***	Audited 31 December 2018 *RMB'000*
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*14*	**8,340**	8,340
Share premium	*14*	**1,089,841**	1,188,151
Reserves		**284,254**	281,932
Retained earnings		**2,176,380**	1,771,445
		3,558,815	3,249,868
Non-controlling interests		**306,497**	293,901
Total equity		**3,865,312**	3,543,769

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30 June 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	*17*	**136,598**	136,598
Borrowings	*15*	**3,893,297**	3,809,825
Deferred income		**1,472**	1,472
Lease liabilities		**6,256**	—
Deferred income tax liabilities	*16*	**505,468**	475,011
		4,543,091	4,422,906
Current liabilities			
Trade and other payables	*17*	**1,119,515**	1,244,770
Lease liabilities		**2,791**	—
Dividend payables		**5,238**	6,238
Contract liabilities		**496,756**	374,851
Current income tax liabilities		**263,597**	233,336
Borrowings	*15*	**1,331,635**	1,608,223
		3,219,532	3,467,418
Total liabilities		**7,762,623**	7,890,324
Total equity and liabilities		**11,627,935**	11,434,093

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

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 customers 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.

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 21 August 2019.

This condensed consolidated interim financial information is unaudited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34, "Interim financial reporting".

The interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Group during the interim reporting period.

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 and changes as set out below.

The Group has adopted the following amendments to standards effective from 1 January 2019:

HKFRS 16	Leases
HK (IFRIC) — Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRS Standards 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11,HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

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 in Note 3.1 below.

3.1 Adoption of HKFRS 16, "Leases"

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

3.1.1 Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.86%.

3 ACCOUNTING POLICIES *(Continued)*

3.1 Adoption of HKFRS 16, "Leases" *(Continued)*

3.1.1 Adjustments recognised on adoption of HKFRS 16 *(Continued)*

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	7,521
(Less): exemption for short term leases	(12)
Operating lease liabilities before discounting at 31 December 2018	7,509
Effect from discounting at incremental borrowing rate at 1 January 2019	(1,147)
Total lease liabilities at 1 January 2019	6,362
Of which are:	
Current lease liabilities	1,878
Non-current lease liabilities	4,484

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 ***RMB'000***	1 January 2019 *RMB'000*
Lease prepayments	**227,371**	227,209
Properties	**5,516**	3,407
	232,887	230,616

3 ACCOUNTING POLICIES *(Continued)*

3.1 Adoption of HKFRS 16, "Leases" *(Continued)*

3.1.1 Adjustments recognised on adoption of HKFRS 16 *(Continued)*

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increase by RMB 230,616,000
- lease prepayments — decrease by RMB 223,400,000
- Trade and other receivables — decrease by RMB 854,000
- lease liabilities — increase by RMB 6,362,000.

There is no impact on retained earnings on 1 January 2019.

(i) Impact on earnings per share

Earnings per share decreased by RMB0.011 cents per share for the six months to 30 June 2019 as a result of the adoption of HKFRS 16.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3 ACCOUNTING POLICIES *(Continued)*

3.1 Adoption of HKFRS 16, "Leases" *(Continued)*

3.1.1 Adjustments recognised on adoption of HKFRS 16 *(Continued)*

(ii) Practical expedients applied (Continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK (IFRIC) — Interpretation 4 Determining whether an Arrangement contains a Lease.

As a lessor, depending on the terms of arrangements entered into with customers, the Group's leases of investment properties are classified as operating lease. The accounting treatment of its lease arrangements has not changed compared with HKAS 17.

3.1.2 The Group's leasing activities and how these are accounted for

The Group's leases are mainly rentals of offices and lease prepayments. Lease prepayment is amortised over the lease period of 5 to 50 years using straight-line method. Rental contracts for offices are typically made for fixed periods of 2 to 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the 2018 financial year, leases of offices and lease prepayments were classified as operating leases and the payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3 ACCOUNTING POLICIES *(Continued)*

3.1 Adoption of HKFRS 16, "Leases" *(Continued)*

3.1.2 The Group's leasing activities and how these are accounted for (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate

- amounts expected to be payable by the lessee under residual value guarantees

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of equipment.

3 ACCOUNTING POLICIES *(Continued)*

3.2 Changes in accounting policies of foreign exchange

From 1 January 2019, the Group presented foreign exchange gains/(losses) in profit or loss within 'other gains — net'. Until 31 December 2018 foreign exchange gains/(losses) that relate to borrowings and cash and cash equivalents were previously presented in profit or loss within 'finance costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other gains — net'.

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 2018.

5 SEGMENT REPORT

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

The senior executive management 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 city gas sales, engineering design and construction and gas pipeline connections.

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

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

5 SEGMENT REPORT *(Continued)*

The senior executive management 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 of the Group. Meanwhile, the Group does not allocate operating costs, assets or liabilities to its segments, as the senior executive management 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 provided to the senior executive management team for the reportable segments for the six-month period ended 30 June 2019 is as follows:

	City gas sales *RMB'000*	Long-haul pipeline gas transmission and sales *RMB'000*	Engineering design and construction *RMB'000*	Gas pipeline connection *RMB'000*	All other segments *RMB'000*	Inter-segment elimination *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Total revenue	1,394,466	595,537	688,148	411,120	93,539	(32,560)	—	3,150,250
Inter-segment revenue	—	—	—	—	32,560	(32,560)	—	—
Revenue from external customers	1,394,466	595,537	688,148	411,120	60,979	—	—	3,150,250
Gross profit	200,411	49,607	262,877	277,554	39,015	—	—	829,464
Distribution costs							(23,066)	(23,066)
Administrative expenses							(83,778)	(83,778)
Other income							3,075	3,075
Other losses — net							(12,058)	(12,058)
Operating profit								713,637
Finance expenses — net							(120,659)	(120,659)
Share of post-tax losses of associates and a joint venture							(17,524)	(17,524)
Profit before income tax								575,454
Income tax expense							(154,208)	(154,208)
Profit for the period								421,246

5 SEGMENT REPORT *(Continued)*

The segment information provided to the senior executive management for the reportable segments for the six-month period ended 30 June 2018 is as follows:

	City gas sales	Long-haul pipeline gas transmission and sales	Engineering design and construction	Gas pipeline connection	All other segments	Inter-segment elimination	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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 income							2,866	2,866
Other losses — net (restated)							(42,680)	(42,680)
Operating profit								376,442
Finance expenses — net (restated)							(76,003)	(76,003)
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

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 2019, revenue from sales to a single external customer amounted to RMB688,148,000 representing 22% of total revenue of the Group; 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.

6 OTHER LOSSES — NET

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net exchange losses	**(11,215)**	(46,497)
Other (losses)/gains (i)	**(843)**	3,817
	(12,058)	(42,680)

(i) During the period, 70% equity interests in Chongqing Tianlun Kaida New Energy Gas Limited was disposed of and the net loss of the disposal of the equity attributable to owners was RMB10,718,000.

7 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Raw materials and consumables used	**1,861,559**	1,236,927
Changes in finished goods and work in progress	**18,023**	(13,294)
Depreciation on property, plant and equipment *(Note 11)*	**68,657**	63,456
Depreciation on investment properties *(Note 11)*	**1,479**	811
Amortisation of lease prepayments *(Note 11)*	**—**	3,401
Amortisation of right-of-use assets *(Note 11)*	**4,512**	—
Amortisation of intangible assets *(Note 11)*	**44,903**	40,466
Losses on disposal of property, plant and equipment and lease prepayments	**21**	379

8 INCOME TAX EXPENSES

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax:		
— PRC corporate income tax	**147,465**	101,764
Deferred income tax	**6,743**	(18,419)
	154,208	83,345

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 2019 is 27% (the estimated tax rate for the six months ended 30 June 2018 was 27%).

9 FINANCE EXPENSES — NET

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited (resteated)
Finance income		
Interest income on bank deposits, bank financial products and loan to third party	**(9,568)**	(10,747)
Investment income on financial assets at fair value through profit or loss of the current period		
— Investment in trust	**(8,984)**	(12,972)
— Cross currency swap contracts	**—**	(8,054)
	(18,552)	(31,773)
Finance expenses		
Interest expense on borrowings	**157,197**	123,088
Lease interest	**239**	—
Others	**783**	733
Less: amounts capitalised on qualifying assets	**(19,008)**	(16,045)
	139,211	107,776
	120,659	76,003

10 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	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit attributable to owners of the Company *(RMB'000)*	**404,935**	215,307
Weighted average number of ordinary shares in issue *(thousands)*	**989,615**	989,615
Basic earnings per share *(RMB per share)*	**0.41**	0.22

(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	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit attributable to owners of the Company *(RMB'000)*	**404,935**	215,307
Weighted average number of ordinary shares in issue *(thousands)*	**989,615**	989,615
Adjustments for:		
— Share options *(thousands)*	**3,130**	1,195
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**992,745**	990,810
Diluted earnings per share *(RMB per share)*	**0.41**	0.22

During the period ended 30 June 2019, the share options were dilutive (the period ended 30 June 2018: dilutive).

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

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

	Property, plant and equipment *RMB'000*	**Investment properties** *RMB'000*	**Lease prepayments** *RMB'000*	**Right-of-use assets** *RMB'000*	**Intangible assets** *RMB'000*	**Total** *RMB'000*
For the six months ended 30 June 2019						
Net Book Value at 1 January 2019, as previously reported	**2,679,097**	**51,637**	**223,400**	—	**3,786,504**	**6,740,638**
Effect of the adoption of HKFRS 16 *(Note 3.1)*	—	—	**(223,400)**	**230,616**	—	**7,216**
Net book value as at 1 January 2019 (restated)	**2,679,097**	**51,637**	—	**230,616**	**3,786,504**	**6,747,854**
Additions	**124,227**	—	—	**4,779**	**592**	**129,598**
Acquisition of subsidiaries	**22,383**	—	—	**2,004**	**177,180**	**201,567**
Disposals	**(121)**	—	—	—	—	**(121)**
Disposal of a subsidiary	**(16,930)**	—	—	—	—	**(16,930)**
Depreciation charge	**(68,657)**	**(1,479)**	—	**(4,512)**	**(44,903)**	**(119,551)**
Net value as at 30 June 2019	**2,739,999**	**50,158**	—	**232,887**	**3,919,373**	**6,942,417**
Six months ended 30 June 2018						
Net 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 value as at 30 June 2018	2,492,035	30,016	227,787	—	3,561,795	6,311,633

12 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Beginning of the period	**856,835**	501,775
Share of post-tax profits of associates	**22,058**	9,787
Share of post-tax losses of a joint venture	**(39,582)**	—
End of the period	**839,311**	511,562

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Assets	**18,677,551**	14,997,094
Liabilites	**(15,039,255)**	(12,530,286)
Revenue	**211,469**	179,134
Share of post-tax (losses)/profits	**(17,524)**	9,787

13 TRADE AND OTHER RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade receivables	**522,875**	463,367
Less: provision for impairment	**(9,781)**	(9,446)
Bills receivables	**73,893**	50,949
Prepayments	**202,012**	319,461
Receivables due from related parties	**827,650**	463,573
Other receivables	**369,720**	202,751
Less: provision for impairment	**(507)**	(280)
Value-added-tax to be offset and prepaid income tax	**63,794**	31,344
	2,049,656	1,521,719
Less: long-term prepayments	**(62,147)**	(59,454)
Current portion	**1,987,509**	1,462,265

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. 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 ageing analysis of trade receivables and receivables due from related parties in trade nature based on invoice date is as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 30 days	**881,795**	780,231
31 days to 90 days	**339,616**	39,765
91 days to 1 year	**73,229**	43,832
1 year to 2 years	**13,196**	13,233
Over 2 years	**21,717**	23,865
	1,329,553	900,926

14 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares *(Thousand)*	Ordinary share capital *RMB'000* Unaudited	Share premium *RMB'000* Unaudited	Total *RMB'000* Unaudited
Issued and fully paid:				
At 30 June 2019 (nominal value of HK$0.01 each)	989,615	8,340	1,089,841	1,098,181
At 1 January 2019 (nominal value of HK$0.01 each)	989,615	8,340	1,188,151	1,196,491

15 BORROWINGS

	30 June 2019 ***RMB'000*** **Unaudited**	31 December 2018 *RMB'000* Audited
Non-current	**3,893,297**	3,809,825
Current	**1,331,635**	1,608,223
	5,224,932	5,418,048

15 BORROWINGS *(Continued)*

Changes in borrowings are analysed as follows:

	RMB'000
For the six months ended 30 June 2019	
Opening amount as at 1 January 2019	**5,418,048**
Proceeds from new loans	**1,639,000**
Repayments of borrowings	**(1,844,087)**
Exchange losses	**11,971**
Closing amount as at 30 June 2019	**5,224,932**

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

Interest expense on borrowings for the six months ended 30 June 2019 is RMB157,197,000 (Six months ended 30 June 2018: RMB123,088,000).

16 DEFERRED INCOME TAX LIABILITIES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Balance as at 1 January	**475,011**	419,881
Acquisition of subsidiaries	**23,107**	25,012
Credited/(charged) to profit or loss	**7,350**	(6,124)
Balance as at 30 June	**505,468**	438,769

17 TRADE PAYABLES AND OTHER PAYABLES

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	**300,784**	241,930
Amounts due to related parties	**11,496**	41,175
Notes payable	**430,000**	430,000
Accrued payroll and welfare	**1,705**	2,197
Interest payables	**12,056**	16,708
Other taxes payables	**107,207**	83,725
Contingent consideration payables *(i)*	**217,438**	339,680
Other payables	**175,427**	225,953
	1,256,113	1,381,368
Less: long-term other payables	**(136,598)**	(136,598)
Current portion	**1,119,515**	1,244,770

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

17 TRADE PAYABLES AND OTHER PAYABLES *(Continued)*

The ageing analysis of trade payables based on invoice date is as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 30 days	**102,287**	159,811
31 days to 90 days	**135,224**	37,300
91 days to 1 year	**31,715**	12,825
1 to 2 years	**360**	6,737
2 to 3 years	**6,539**	7,687
Over 3 years	**24,659**	17,570
	300,784	241,930

18 DIVIDENDS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Final dividend for the year 2018 of RMB10.00 cents per share declared to ordinary shares (2017: RMB2.30 cents per share)	**98,310**	22,885

Pursuant to the resolutions of the Board on 21 August 2019, the Board of the Company recommended the payment of a total interim dividend of RMB113,014,000 (RMB11.42 cents per share) for the six months ended 30 June 2019 (for the six months ended 30 June 2018: a total of RMB53,078,000 (RMB5.36 cents per share)), and this interim dividend was not recognised as a liability in this interim financial information.

INDUSTRY REVIEW

During the first half of 2019, supportive policies of the State continued to drive the demand for natural gas in China, and natural gas of China continued to record double-digit growth in terms of production, import and consumption. The information 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 86.4 billion m^3, representing a year-on-year increase of 10.3%; the natural gas import volume was 46.92 million tons, representing an increase of 11.6%; the apparent consumption of natural gas was 149.3 billion m^3, with a growth rate up to 10.8%.

In order to further promote the optimisation and upgrading of the industries, the National Development and Reform Commission issued the "Guidance Catalogue for Industrial Structure Adjustments (2019 Edition, Consultation Draft)" (《產業結構調整指導目錄(2019年本，徵求意見稿》) in April 2019. The guiding principles of this revision will greatly facilitate the economic and social development and is beneficial to those supported industries that meet the people's needs for well-being and promote high-quality development. The supported industries include those engaged in up-stream exploration and mining of oil and natural gas, exploration of shale oil and gas, infrastructure of oil and gas pipelines, city gas and distributed energy of city gas and natural gas.

In June 2019, the National Development and Reform Commission and the Ministry of Commerce issued the "Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Edition)" (《外商投資准入特別管理措施(負面清單)(2019年版)》), lifting the restriction that gas and heating networks in cities with a population greater than 500,000 should be controlled by Chinese entities. Foreign companies can thus gain access to the industry chain of city gas supply and compete against Chinese gas groups under the same national treatment. Lifting the restriction on foreign investment will invigorate the energy market as a whole, and drive investment in gas infrastructure and the upgrading of relevant facilities. Chinese city gas companies, on their part, can enhance their core competitiveness by providing differentiated and value-added services and improving service qualities.

In June 2019, the National Development and Reform Commission and the National Energy Administration jointly issued the "Regulatory Measures to Ensure Fair Access to Oil and Gas Pipeline Network Facilities" (《油氣管網設施公平開放監管辦法》), in order to further refine measures to promote fair access and further optimise regulatory requirements for ensuring fair access. The measures emphasise the substance of constitutions and mechanisms closely related to fair access (such as planned construction, the separation of pipeline transport and sale, and interconnection), and aim at strengthening administrative measures for disclosing information, entering into contracts and performing regulatory functions. The measures will promote fair access to mid-stream facilities, provide flexible and sufficient supply, enhance the efficient use of oil and gas network facilities, facilitate competition between diversified oil and gas market players, and safeguard the safe and stable supply of oil and gas resources.

In August 2019, during a special treatment and control meeting devoted to discussing the "Three Scattered" issue, the Government of Henan Province announced that it aims to carry out coal replacing and conversion plans in 2,000,000 coal-burning households by the end of this year, in order to strengthen air pollution control in Henan Province. The "Three Scattered" issue refers to three sources of pollution, namely "scattered, unregulated and polluting" enterprises, scattered coal used by households, and scattered dust caused by coal burning. The Henan Province has focused on the "Three Scattered" issue and commenced special control plans, with the aim of replacing 2,000,000 coal-burning households with natural gas or electricity (known as the "Two Replacements") and enhancing the control of dust pollution in a comprehensive manner by the end of 2019.

As the gas market becomes increasingly competitive and transparent, new types of urbanisation and industrialisation are speeding up, the township coal-to-gas conversion is picking up the pace, and more and more supportive policies are being launched. Thus, a steady growth in natural gas in China can be expected, and it will provide ample opportunities for the Group's continuous and rapid development.

BUSINESS REVIEW

For the six months ended 30 June 2019, the Group captured the good opportunity attributed to the national natural gas policy. While continuously enhancing the quality of operation and management on the existing projects, the Group also deeply explored the potential market value in the existing operation projects and facilitated the continued positive growth of the Group's overall performance.

The key results and operating data of the Group for the six months ended 30 June 2019 and their comparison against the figures for the corresponding period of last year are as follows:

	Six Months Ended 30 June		
	2019	2018	Increase
Revenue (RMB'000)	**3,150,250**	1,899,344	65.9%
Gross profit (RMB'000)	**829,464**	497,844	66.6%
Profit attributable to owners of the Company (RMB'000)	**404,935**	215,307	88.1%
Weighted average number of shares ('000)	**989,615**	989,615	—
Earnings per share* — basic (RMB)	**0.41**	0.22	86.4%
Total pipeline gas customers:	**2,796,693**	1,796,858	55.6%
— City gas residential customers (households)	**2,143,034**	1,780,362	20.4%
— Township coal-to-gas residential customers (households)	**632,618**	—	—
— Industrial and commercial customers (households)	**21,041**	16,496	27.6%
— Designed daily gas supply capacity to industrial and commercial customers (in ten thousand m^3)	**815**	726	12.3%
Natural gas sales volume (in ten thousand m^3):	**74,099**	60,499	22.5%
— Natural gas sales volume to residential customers (in ten thousand m^3)	**15,213**	12,253	24.2%
— Natural gas sales volume to industrial and commercial customers (in ten thousand m^3)	**25,765**	20,485	25.8%
— Natural gas sales volume to transportation customers (in ten thousand m^3)	**6,506**	5,767	12.8%
— Gas source trade (in ten thousand m^3)	**3,620**	—	—
— Direct supply volume to city gas customers (in ten thousand m^3)	**9,467**	8,858	6.9%
— Direct supply volume to industrial gas customers (in ten thousand m^3)	**13,528**	13,136	3.0%
Long-haul pipeline gas transmission volume (in ten thousand m^3)	**35,243**	41,991	(16.1%)
Total length of medium and high-pressure pipelines (kilometre)	**4,737**	4,408	7.5%

* 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 Pipelines Connections Volume

As at 30 June 2019, the Group connected 140,577 new residential customers to city gas pipelines, and the total number of residential customers to city gas pipelines increased to 2,143,034, representing an increase of 20.4% as compared with the corresponding period of last year.

During the Reporting Period, the Group has actively developed the coal-to-gas conversion business in the townships of the operating areas in Henan Province. Thanks to the support from all levels of government and competent authorities, as at 30 June 2019, the Group connected 250,027 new customers of township coal-to-gas conversion in Henan, and the total number of the township coal-to-gas conversion customers in Henan provided with gas connection services reached 632,618. The Group connected a total of 2,775,652 residential customers to gas pipelines, representing a year-on-year increase of 56.0%, including 2,143,034 residential customers of city gas from company and 632,618 township coal-to-gas conversion customers in Henan.

As at 30 June 2019, the Group connected a total of 1,152 industrial and commercial customers to gas pipelines, and the total number of its industrial and commercial customers under the projects operated by the Group increased to 21,041, representing an increase of 27.6% as compared with the corresponding period of last year.

Gas Sales Volume

During the Reporting Period, gas sales volume of the Group totally amounted to 741 million m^3, representing an increase of 136 million m^3 or 22.5%, as compared with the corresponding period of last year. Gas volume sold to residential customers, industrial and commercial customers, transportation customers, gas source trade, direct supply volume to city gas customers and direct supply volume to industrial customers accounted for 20.5%, 34.8%, 8.8%, 4.9%, 12.8% and 18.2% of total gas sales volume, respectively.

Total gas sales volume to residential customers increased by 24.2% as compared with the corresponding period of last year, mainly due to the development of innovative model on residential customers of existing projects and a significant increase of the sales volume to residential customers from merger and acquisition projects.

Benefiting from the continued promotion of the coal-to-gas and environmental protection policies of the State, the Group vigorously developed industrial and commercial coal-to-gas customers within the operating area, hence city gas sales volume to industrial and commercial customers increased by 25.8% as compared with the corresponding period of last year.

Development of New Projects

Completion of the Acquisition of an City Gas Project in Xiping County, Zhumadian City, Henan Province

As at 30 June 2019, the Group completed the full takeover of the operation and management of a city gas project company in Xiping County, Zhumadian City, Henan Province, which was newly acquired in November 2018, and began to consolidate its financial statements since 31 January 2019, which contributed to the Group's results.

Grant of Township Pipeline Gas Concession Right Project in Xichuan County, Henan Province

On 9 May 2019, Henan Tian Lun Gas Group Limited* (河南天倫燃氣集團有限公司), a subsidiary of the Company, obtained the exclusive pipeline gas concession rights in 15 townships of Xichuan County, Henan Province. Tian Lun Gas exclusively operates and maintains township pipeline gas facilities in the region, supplies gas to customers 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 30 years.

The property market of Xichuan County maintained strong growth momentum, implying a large number of potential connectable customers, and a broad prospect in the industrial project market shows a greater development potential. Meanwhile, with its extensive tourism resources, Xichuan County holds a leading position in the ecological sightseeing belt of the South-North Water Transfer Project, and with a strong development base of vehicle gas and commercial customers, it has been developed into a renowned tourism city in Central China as well as a hot tourism spot in the PRC. The grant of the township pipeline gas concession rights in Xichuan County will further expand the regional operation of the Company's township coal-to-gas conversion projects in Henan Province and create synergies with its existing operating projects in Xichuan County to create a monopoly in the region.

Grant of Township Pipeline Gas Concession Right Project in Jia County, Henan Province

On 20 May 2019, Henan Tian Lun Pipeline Company Limited* (河南天倫燃氣管網有限公司), a subsidiary of the Company, entered into "Jia County Township Pipeline Gas Franchise Agreement" (《郟縣鄉鎮管道燃氣特許經營權協定》) with the Housing and City-Rural Development Bureau of Jia County, Henan Province and obtained the exclusive pipeline gas concession rights in 3 townships within the Jia County. Tian Lun Pipeline exclusively makes investment in the construction, operates, maintains and upgrades municipal pipeline gas facilities in the district area, supplies gas to customers 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 30 years.

Jia County locates in the mid-west of Henan Province, along with its adequate transportation and only 80km from the Zhengzhou Xinzheng International Airport. With the rapid development of the industrial economy, Jia Country developed its eight major industries, namely coal mining industry, casting industry, food processing industry, mechanical manufacturing industry, chemical industry, paper industry, leather good and shoes industry, construction and building materials industry and handicraft manufacturing industry, alluding to a bright outlook for the development future industrial gas market. Obtaining the township pipeline gas concession rights will further expand its potential for coal-to-gas conversion in the local industries and townships. Meanwhile, synergies are expected to be achieved as Jia County is close to Baofeng County and Ye County, for which the Group has exclusive township pipeline gas concession rights, and its business scale and market shares in Central China will be further expanded.

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 120,000 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 city 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 play an important role in securing the Group's gas source supply. As at 30 June 2019, 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 so as the relevant procedures. It has been docked with Lushan Substation of the West-East Pipeline II, with nitrogen replacement completed and gas supply conditions satisfied. It is expected that gas pipeline connections will be achieved in the fourth 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 have been completed. 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 and provide strong gas source support for further expansion into surrounding pipeline market.

The Group will focus on the long-haul pipeline projects equipped with existing city gas projects, explore high-quality and large-scale industrial direct supply projects and 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

During the Reporting Period, the Group's revenue amounted to RMB3,150 million, representing a significant year-on-year increase of 65.9% as compared with RMB1,899 million for the corresponding period of last year. The margin was RMB829 million, representing an increase of 66.6% as compared with RMB498 million for the corresponding period of last year. Overall gross profit margin was 26.3%. Profit attributable to owners of the Company amounted to RMB405 million, representing a significant increase of 88.1% as compared with RMB215 million for the corresponding period of last year. Basic earnings per share amounted to RMB0.41, representing an increase of 86.4% as compared with RMB0.22 for the corresponding period of last year.

Revenue from Gas Pipelines Connections and Engineering Design and Construction Business

During the Reporting Period, revenue from city gas pipeline connection business amounted to RMB411 million, representing a year-on-year increase of 3.2 percentage points from RMB398 million for the corresponding period of last year. In terms of pipeline connection fee proceeds, for the six months ended 30 June 2019, cash received from city gas pipeline connection business amounted to RMB503 million, representing a year-on-year increase of 29.0% from RMB390 million for the corresponding period of last year.

For the six months ended 30 June 2019, the Group maintained a steady growth in the township coal-to-gas conversion business in the operating areas in Henan Province. Meanwhile, the Group vigorously expanded its township coal-to-gas business outside the operating areas in Henan Province, and contributed RMB688 million to the total revenue of the Group. As at the date of this announcement, cash received from the completed township coal-to-gas conversion projects in Henan Province amounted to RMB730 million.

Revenue from Sales of Gas

For the six months ended 30 June 2019, revenue from city gas sales of the Group amounted to RMB1,394 million, representing a year-on-year increase of 36.1% as compared with RMB1,024 million for the corresponding period of last year. Revenue from long-haul pipeline gas transmission and sales amounted to RMB596 million, representing a year-on-year increase of 39.0% as compared with RMB428 million for the corresponding period of last year.

Revenue from Other Businesses

Most of the revenue from other businesses comes from value-added services. During the Reporting Period, the Group continued to enhance the skills of its value-added business team as well as the competitiveness of our products. We established a "Online + Offline" training system and conducted research and development of new products and new technologies, in order to offer our customers with one-stop value-added services including sales of gas applicances, comprehensive gas insurance agency service, gas renovation and maintenance, sales and installation of gas safety equipment etc., which contributed to a revenue of RMB61 million to other businesses, representing an increase of 27.0% as compared with RMB48 million for the corresponding period of last year.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group realized gross profit of RMB829 million, representing a year-on-year increase of 66.6% as compared with RMB498 million for the corresponding period of last year. Overall gross profit margin of the Group was 26.3%. Gross profit margin for gas sales was 12.6%, representing a decrease of 1.6 percentage points as compared with the corresponding period of last year, mainly due to an increase in the cost of gas sales. The gross profit margin for gas pipelines connections was 67.5%, representing a year-on-year increase of 2.1 percentage points as compared with the corresponding period of last year. The gross profit margin for engineering design and construction was 38.2%.

Distribution Cost and Administrative Expenses

The Group's distribution cost for the Reporting Period was RMB23 million, and administrative expenses were RMB84 million. With the continuous implementation of cost control measures 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 2019 remained almost stable as compared with corresponding period of last year.

Other Losses — Net

During the Reporting Period, other losses — net of the Group amounted to RMB12.06 million, representing a decrease of RMB30.62 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 RMB121 million, representing a year-on-year increase of 58.8% as compared with RMB76 million for the corresponding period of last year. The main reason is an increase in the principal of the loan made the interest expense during the Reporting Period increased by RMB34 million as compared with the corresponding period of last year.

Share of Loss after Tax of Associates and A Joint Venture

During the Reporting Period, the Group's share of loss after tax of associates and a joint venture amounted to RMB18 million.

Profit for the period and Net Margin

During the Reporting Period, excluding gains/losses arising from exchange and disposal of a subsidiary, the adjusted profit amounted to RMB443 million, representing an increase of 67.8% as compared with RMB264 million for the corresponding period of last year.

During the Reporting Period, profit for the period of the Group amounted to RMB421 million, representing an increase of 85.7% as compared with RMB227 million for the corresponding period of last year.

Net Profit Attributable to Owners of the Company

During the Reporting Period, net profit attributable to owners of the Company was RMB405 million, representing a year-on-year increase of RMB190 million or 88.1% as compared with the corresponding period of last year.

Financial Position

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

For the six months ended 30 June 2019, the Group incurred capital expenditure of RMB364 million, of which RMB235 million was used for payment of project acquisitions and RMB129 million for continuously improving businesses of city gas and long-haul pipeline. The above capital expenditure was financed by the Group's operating cash flows and bank borrowings.

As at 30 June 2019, the Group held cash and cash equivalents of RMB799 million. Among cash and cash equivalents, 88.9% was denominated in RMB, 10.0% was denominated in HK dollars and 1.1% was denominated in US dollars.

As at 30 June 2019, the Group's total borrowings were RMB5,225 million (among which loans denominated in RMB were RMB2,305 million, loans denominated in HK dollars were RMB2,571 million and loans denominated in US dollars were RMB349 million). The Group's borrowings comprised mainly long-term borrowings, which accounted for 74.5% of total borrowings.

As at 30 June 2019, the Group's gearing ratio, calculated based on the percentage of total liabilities over total assets, was 66.8%.

Finance Cost and Exchange Risk Management

For the six months ended 30 June 2019, the Group's interest expense on borrowings was RMB157 million, representing an increase of 27.7% 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 2019, the Group's borrowings denominated in foreign currencies accounted for 55.9% of its total borrowings. 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

An effective risk management enables an enterprise to enhance its risk prevention and improve its management quality of the overall operation, to smooth its path to a sustainable, healthy and scientific development.

In the first half of the year, the Group has developed a three-tier organizational system including the Risk Management Committee, the Risk Control Legal Affairs Center and the Risk Management Department in order to establish a system for comprehensive risk management for the Group to further regulate risk management, along with vertical management and mechanism of joint-leadership. Meanwhile, efforts on risk system building and management have been made. By making adjustments to the Group's system and meeting with each business department, the Group summarised problems that are relatively prominent during the business process through creating a comprehensive business flowchart, and enhanced risk identifying capabilities of each department and the understanding, mastery and usage on measures of risk management. The " Risk Management of Tian Lun (Quarterly Edition)" (《天倫集團風險管理季刊》) and "Legal Briefing" (《法律簡報》) are prepared and published to popularize risk management and legal knowledge, improve employees' risk awareness and act as a huge encouragement for the implementation of risk management and the promotion of and education about the legal system. In addition, the Group prepares relevant reports for existing potential risks arising from coal-to-gas conversion and its management in accordance to the management functions of each department and the work progress in respect of coal-to-gas conversion projects.

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 risks losses of the Group.

Information Management

Information management can effectively encourage enterprise to establish its full presence and adapt to any changes in the market, facilitate the integrated and refined corporate management, comprehensively improve the modernised management level of the corporate and the corporate effectiveness and efficiency, as well as the competitiveness of the enterprise.

During the Reporting period, the meter reading plan, security inspection and cloud customer service system of ordering have been implemented in Yu'nan region. The meter usage and security inspection results will be recorded and photographed through onsite mobile devices, and the results will be uploaded to the marketing system and cloud customer service system in order to reduce repetitive work and increase the accuracy and authenticity of such results. The photos will be uploaded to the cloud customer service system for backup and future inspection. If any problem is identified during the process of security inspection, the order will be converted to a work order for maintenance works, hence the work efficiency of the employees will be improved significantly. The jobs will be assigned through mobile devices, and onsite services will be provided accordingly after the orders are received, and payment, photograph and invoice will be settled onsite after the completion of maintenance works. Such measure will increase the work efficiency by skipping the steps of getting a hard copy of work order, so as to offer customers with "one-stop" service and save their time for payment settlement. The Group has set up a call centre to offer customer hotline services via phone calls or WeChat to provide services for enquiries, maintenance and value-added services, so as to achieve the direct assigning of jobs in difference provinces and branches and unify their management and service supervision. The recording of the phone conversation will be uploaded to the cloud customer service system for backup immediately in order to avoid loss of records. Meanwhile, in terms of the coal-to-gas conversion projects, the Group has adopted the Huawei Hyper-Converged technology to set up a fare collection system platform for coal-to-gas conversion, and to establish a good foundation for the coal-to-gas business.

Human Resources

As at 30 June 2019, total number of employees of the Group was 3,201. The remuneration of employees of the Group is determined based on their work performance, work experiences and prevailing market rate.

The Group continued to optimise its education and training system, implement a comprehensive system of talent management and speed up strategic nurturing of talents. During the Reporting Period, the Group launched the Eagle Programme, a training camp aiming at enhancing the competence of general managers from the Group's members and focusing on six key competence-related factors that restrict general managers from the Group's members in achieving targeted results. Through educating participating general managers about advanced management concepts and their corresponding management tools and methods, it can comprehensively enhance the management calibre and skills they should be equipped with, together with scientific training assessment and selection of assessment tools, a talent pool comprising of director candidates with huge potential has been formed in preparation for launching the Top Eagle Programme. Meanwhile, the Group set up systematic plans for nurturing university graduates and management requirements for the mentorship system regarding the plans for nurturing of university graduates. It launched an induction training camp, titled "Dream and Grow up together with Tian Lun", for university graduates to introduce new blood into the Group for Tian Lun's businesses. Moreover, the Group integrated its strategic planning for corporate development and continued to optimise its performance management and remuneration system through internal interviews, industry research and communication with consulting firms, with the aim of designing a practical and effective incentive mechanism to motivate its entire staff and create a sense of belonging among them.

OUTLOOK

Benefiting from the promotion of the State's policy on coal-to-gas conversion and the economic advantages natural gas already has over other alternative energy sources in the field of city gas, the gas industry has entered into a phase of rapid development, with natural gas's position as a source of clean energy being strengthened. During the first half of the year, the Group rode a wave of policies and opportunities favourable to the gas industry in China and relied on the Group's efficient and mature system of integrated control and refined operational management to continue to record a steady growth in its overall results.

During the second half of the year, the Group will continue to enhance the operational quality of its traditional gas business, strengthen the internal control of the Group, and explore the potential of its existing operating area in order to ensure the continuous growth of its core business. Meanwhile, the Group plans to provide its customers with one-stop services through product and service innovations, in order to increase the profitability of the Company's value-added services provided to residential customers. Regarding investment and merger and acquisition, the Group will continue to merge with and acquire city gas projects. Moreover, the Group will push for the township coal-to-gas conversion business outside the Group's operating area in the Henan Province, seeking opportunities for cooperation outside the province regarding township coal-to-gas conversion through replicating the cooperation model of the coal-to-gas conversion fund. The

Group will align itself with the trend of green energy and the upgrading of consumption structure, adapt to changes in the industry and the market proactively, continue to innovate, tighten its cost control, improve its risk management capability and drive the continuous and steady growth of its results, in order to bring desirable returns to its shareholders and maximise shareholder value.

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

Exercise of share options

On 16 July 2019 and 17 July 2019, pursuant to the share option scheme adopted by the Company on 13 October 2010, a total number of 5,000,000 options have been exercised by three executive Directors, and the exercise price was HK$4.97 per share.

INTERIM DIVIDENDS

The Group has established a long-term steady dividend policy. Pursuant to the resolutions of the Board on 21 August 2019, the Board recommended the payment of an interim dividend for the six months ended 30 June 2019 of RMB11.42 cents per share (the "**Interim Dividend**") with the dividend payout ratio being approximately 28.0%.

The Interim Dividend will be paid in Hong Kong dollars on or about Friday, 29 November 2019 to the shareholders whose names appear on the register of members of the Company after the close of business on Thursday, 31 October 2019. 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 Wednesday, 23 October 2019 to Thursday, 31 October 2019 (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 Tuesday, 22 October 2019.

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, 21 August 2019

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