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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 2019**

Highlights of results for the year ended 31 December 2019:

- Revenue was RMB6,549 million, representing an increase of 28.1% as compared with RMB5,113 million for the corresponding period of last year.
- Gross profit was RMB1,704 million, representing an increase of 19.3% as compared with RMB1,428 million for the corresponding period of last year.
- Core profit for the year amounted to RMB811 million, representing an increase of 20.6% as compared with RMB673 million for the corresponding period of last year.

- Basic earnings per share were RMB0.80, representing an increase of 37.9% as compared with RMB0.58 for the corresponding period of last year.
- It is recommended to pay dividends per share of RMB0.12 for the year ended 31 December 2019.

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 2019 together with the audited comparative figures for the corresponding period of last year as follows.

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>Year ended 31 December</b>	
	<i>Notes</i>	<b>2019</b>	<b>2018</b>
		<b>RMB'000</b>	<b>RMB'000</b>
			<i>Restated</i>
			<i>(Note 2)</i>
Revenue	3	<b>6,548,618</b>	5,113,254
Cost of sales	4	<b>(4,844,726)</b>	(3,685,038)
<b>Gross profit</b>		<b>1,703,892</b>	1,428,216
Distribution expenses	4	<b>(57,965)</b>	(41,350)
Administrative expenses	4	<b>(196,020)</b>	(166,917)
Other income	5	<b>4,720</b>	9,439
Other losses — net	6	<b>(19,345)</b>	(138,789)
<b>Operating profit</b>		<b>1,435,282</b>	1,090,599
Finance income		<b>25,311</b>	80,410
Finance expenses		<b>(290,896)</b>	(261,265)
Finance expenses — net	7	<b>(265,585)</b>	(180,855)
Share of post-tax loss of associates and a joint venture		<b>(42,317)</b>	(44,940)
<b>Profit before income tax</b>		<b>1,127,380</b>	864,804
Income tax expense	8	<b>(313,915)</b>	(264,444)
<b>Profit for the year</b>		<b>813,465</b>	600,360
<b>Profit attributable to:</b>			
— Owners of the Company		<b>789,179</b>	569,142
— Non-controlling interests		<b>24,286</b>	31,218
		<b>813,465</b>	600,360
<b>Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB per share)</b>			
— Basic earnings per share	9	<b>0.80</b>	0.58
— Diluted earnings per share	9	<b>0.79</b>	0.57

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(Continued)*

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Profit for the year</b>	<b>813,465</b>	<b>600,360</b>
<b>Other comprehensive income:</b>		
<i>Item that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	<b>698</b>	<b>13,065</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>698</b>	<b>13,065</b>
<b>Total comprehensive income for the year</b>	<b>814,163</b>	<b>613,425</b>
<b>Attributable to:</b>		
— Owners of the Company	<b>789,877</b>	<b>582,207</b>
— Non-controlling interests	<b>24,286</b>	<b>31,218</b>
	<b>814,163</b>	<b>613,425</b>

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Notes	2019	2018
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		251,696	—
Lease prepayment		—	223,400
Property, plant and equipment		2,850,058	2,679,097
Investment properties		50,047	51,637
Intangible assets		3,874,972	3,786,504
Investments accounted for using the equity method		806,395	856,835
Deferred income tax assets		28,678	33,692
Financial assets at fair value through other comprehensive income		79,746	78,815
Trade and other receivables	10	49,648	59,454
Prepayments related to other non-current assets		49,409	132,813
		8,040,649	7,902,247
Current assets			
Inventories		204,949	200,053
Contract assets		508,898	210,450
Trade and other receivables	10	1,548,124	1,462,265
Financial assets at fair value through other comprehensive income		50,602	—
Financial assets at fair value through profit or loss		—	305,000
Cash and cash equivalents		1,349,836	1,075,907
Restricted cash		235,723	278,171
		3,898,132	3,531,846
Total assets		11,938,781	11,434,093

# **CONSOLIDATED BALANCE SHEET** *(Continued)*

	<i>Notes</i>	<b>As at 31 December</b>	
		<b>2019</b>	<b>2018</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	11	8,430	8,340
Share premium	11	1,029,366	1,188,151
Reserves	12	454,530	281,932
Retained earnings		2,398,458	1,771,445
		<u>3,890,784</u>	<u>3,249,868</u>
<b>Non-controlling interests</b>		<u>296,536</u>	<u>293,901</u>
<b>Total equity</b>		<u>4,187,320</u>	<u>3,543,769</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		3,880,034	3,809,825
Lease liabilities		6,060	—
Deferred income tax liabilities		546,553	475,011
Trade and other payables	13	—	136,598
Deferred income		5,984	1,472
		<u>4,438,631</u>	<u>4,422,906</u>
<b>Current liabilities</b>			
Trade and other payables	13	1,202,124	1,244,770
Contract liabilities		469,051	374,851
Dividend payables		5,768	6,238
Current income tax liabilities		319,913	233,336
Borrowings		1,312,368	1,608,223
Lease liabilities		3,606	—
		<u>3,312,830</u>	<u>3,467,418</u>
<b>Total liabilities</b>		<u>7,751,461</u>	<u>7,890,324</u>
<b>Total equity and liabilities</b>		<u>11,938,781</u>	<u>11,434,093</u>

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2020.

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 adopted the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

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

The Group had to change its accounting policies following the adoption of HKFRS 16 and the impacts are summarised below. The other amendments and interpretation listed above has no significant impact on the consolidated financial statements of the Group.

### **Impact of the adoption of HKFRS 16 “Leases” on the Group’s consolidated financial statements**

The Group has adopted HKFRS 16 “Leases” retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

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”. In addition, the prepayments for land use rights as at 1 January 2019 was reclassified to right-of-use assets (“**ROU assets**”).

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

- Right-of-use assets — increased by RMB230,616,000
- Lease prepayments — decreased by RMB223,400,000
- Trade and other receivables — decreased by RMB854,000
- Lease liabilities — increased by RMB6,362,000

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

Details of the reclassification and changes in accounting policies will be set out in the annual report.



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

### Changes in presentation of foreign exchange gains/(losses)

From 1 January 2019, the Group presented all foreign exchange gains/(losses) in profit or loss within ‘other losses — 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 losses — net’. The net foreign exchanges losses for the year ended 31 December 2018 was reclassified retrospectively to “other losses — net”. The adjustment details as below:

<b>For the year ended 31 December 2018</b>	<b>As previously reported <i>RMB'000</i></b>	<b>Net foreign exchange losses reclassification <i>RMB'000</i></b>	<b>As restated <i>RMB'000</i></b>
Finance expenses	403,785	(142,520)	261,265
Other (gains)/losses — net	(3,731)	142,520	138,789

## 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, long-haul pipeline gas transmission and engineering construction service.

In 2018, the senior executive management team reviewed the engineering design and construction functions and gas pipelines connections as separate operating segment and assessed the performance of the operating segments based on the measure of sales revenue and gross profit, the Group does not allocate operating expenses. In 2019, the Group changed the internal organisational structure for the purpose of better resource allocation and assessment of segment performance, the senior executive management team regarded the engineering design and construction functions and gas pipelines connections (together as “engineering construction service”) as a single operating segment. The senior executive management team assesses performance of the operating segments based on segment result which represent the profit before taxation earned by each segment without allocation of other income, other losses — net, finance expense-net, share of post-tax loss of associates and a joint venture, unallocated corporate expenses such as central administration costs and directors’ salaries. The segment reporting for the year of 2018 was adjusted retrospectively.

### 3. SEGMENT INFORMATION (Continued)

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 Group does not allocate assets and liabilities to its segments, as the senior executive management team do not use these information to allocate resources to or evaluate the performance of operating segment. Therefore, the Group does not report a measure of segment assets and liabilities for each reportable segment.

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2019 is as follows:

	City gas sales RMB'000	Long-haul pipeline gas transmission and sales RMB'000	Engineering construction service RMB'000	All other segments RMB'000	Inter-segment elimination RMB'000	Unallocated RMB'000	Total RMB'000
Total revenue	2,873,741	1,187,672	2,355,353	198,394	(66,542)	—	6,548,618
Inter-segment revenue	—	—	—	66,542	(66,542)	—	—
External revenue	2,873,741	1,187,672	2,355,353	131,852	—	—	6,548,618
Timing of revenue recognition							
At a point in time	2,873,741	1,187,672	—	128,581	—	—	4,189,994
Over time	—	—	2,355,353	3,271	—	—	2,358,624
Segment profit	339,112	87,446	985,573	53,777	—	—	1,465,908
Unallocated expenses						(16,001)	(16,001)
Other income						4,720	4,720
Other losses — net						(19,345)	(19,345)
<b>Operating profit</b>							1,435,282
Finance expenses — net						(265,585)	(265,585)
Share of post-tax loss of associates and a joint venture						(42,317)	(42,317)
<b>Profit before income tax</b>							1,127,380
Income tax expense						(313,915)	(313,915)
<b>Profit for the year</b>							813,465

### 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, as restated, is as follows:

	City gas sales RMB'000	Long-haul pipeline gas transmission and sales RMB'000	Engineering construction service 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	1,748,407	168,006	(30,847)	—	5,113,254
Inter-segment revenue	—	—	—	30,847	(30,847)	—	—
External revenue	2,318,336	909,352	1,748,407	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	—	—	1,748,407	3,409	—	—	1,751,816
Segment profit	313,439	81,684	784,306	61,216	—	—	1,240,645
Unallocated expenses						(20,696)	(20,696)
Other income						9,439	9,439
Other losses — net						(138,789)	(138,789)
<b>Operating profit</b>							1,090,599
Finance expenses — net						(180,855)	(180,855)
Share of post-tax loss of associates and a joint venture						(44,940)	(44,940)
<b>Profit before income tax</b>							864,804
Income tax expense						(264,444)	(264,444)
<b>Profit for the year</b>							600,360

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 2019, revenue of approximately RMB 1,591,209,000 and 24% of the Group's total revenue, is derived from a single customer (2018: RMB 1,043,429,000 and 20%). The revenue is attributable to the engineering construction service (2018: engineering construction service).

#### 4. EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables used	3,772,782	2,995,547
Changes in inventories of finished goods and work in progress	—	6,272
Depreciation on property, plant and equipment	142,825	124,513
Depreciation on investment properties	2,978	2,175
Depreciation of lease prepayments	—	6,107
Amortisation of intangible assets	90,227	81,129
Employee benefit expenses	203,611	171,631
Depreciation of right-of-use assets	9,266	—
Licensing fee for the exclusive operating rights for city pipeline network	1,100	1,100
Engagement of construction and design services	735,556	378,597
Transportation costs	6,623	6,682
Travelling expenses	8,887	8,335
Maintenance costs	19,320	13,347
Auditors' remuneration		
— Audit services	3,500	3,400
Professional expenses	7,293	5,725
Advertising expenses	3,429	5,928
Entertainment expenses	14,216	10,388
Office expenses	17,566	15,243
Taxes	18,619	16,478
Energy consumption	32,163	29,907
Net impairment loss	6,170	7,638
Miscellaneous	2,580	3,163
	<hr/>	<hr/>
Total cost of sales, distribution expenses and administrative expenses	<b>5,098,711</b>	<b>3,893,305</b>

#### 5. OTHER INCOME

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants in relation to		
— Tax refund	1,996	4,905
— Subsidies for local investment rewards and other incentives	2,724	4,534
	<hr/>	<hr/>
	<b>4,720</b>	<b>9,439</b>

## 6. OTHER LOSSES — NET

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
		Restated (Note 2)
(Losses)/gains on disposal of a subsidiary	(10,718)	2,984
Gains on disposal of property, plant and equipment	377	47
Penalty and overdue fines	(1,809)	(548)
Changes in fair value of contingent consideration	54,303	—
Net foreign exchange losses	(61,724)	(142,520)
Disposal losses of notes receivables measured at fair value through other comprehensive income	(2,337)	—
Others	2,563	1,248
	<u>(19,345)</u>	<u>(138,789)</u>

## 7. FINANCE EXPENSES — NET

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
		Restated (Note 2)
Finance income		
— Interest income from bank deposits, bank financial product, and third parties	(16,327)	(41,846)
— Investment gains on financial assets at fair value through profit or loss:		
Investment in a trust	(8,984)	(30,509)
Cross currency swap contracts	—	(8,055)
	<u>(25,311)</u>	<u>(80,410)</u>
Finance expenses		
— Interest expense on borrowings	317,099	289,933
— Leasing liabilities	496	—
— Others	2,878	2,294
Less: amounts capitalised on qualifying assets	(29,577)	(30,962)
	<u>290,896</u>	<u>261,265</u>
	<u>265,585</u>	<u>180,855</u>

## 8. INCOME TAX EXPENSE

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

For the years ended 31 December 2019 and 2018, there are no Hong Kong profits tax applicable (tax rate 16.5%) to any Group entities.

- (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 2019 and 2018, 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% (2018: 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 2019 is 15% (2018: 15%).

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

	<b>Year ended 31 December</b>	
	<b>2019</b>	2018
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
Current tax on profits for the year	<b>252,363</b>	261,800
Deferred income tax	<b>61,552</b>	2,644
	<b>313,915</b>	264,444

## 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	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	<u>789,179</u>	<u>569,142</u>
Weighted average number of shares in issue (thousands)	<u>990,849</u>	<u>989,615</u>
Basic earnings per share (RMB per share)	<u>0.80</u>	<u>0.58</u>

### (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	
	2019	2018
Profit attributable to owners of the Company (RMB'000)	<u>789,179</u>	<u>569,142</u>
Weighted average number of shares in issue (thousands)	<u>990,849</u>	<u>989,615</u>
Adjustments for:		
— Share options (thousands)	<u>4,235</u>	<u>3,724</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>995,084</u>	<u>993,339</u>
Diluted earnings per share (RMB per share)	<u>0.79</u>	<u>0.57</u>

## 10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables — gross (a)	303,546	463,367
Less: provision for impairment	(14,391)	(9,446)
Bills receivables	3,043	50,949
Prepayments	597,417	319,461
Receivables due from related parties (a)	501,875	463,573
Other receivables	169,206	202,751
Less: provision for impairment	(290)	(280)
Value-added-tax to be offset and prepaid income tax	37,366	31,344
	<u>1,597,772</u>	<u>1,521,719</u>
Less: long-term prepayments	<u>(49,648)</u>	<u>(59,454)</u>
Current portion	<u><u>1,548,124</u></u>	<u><u>1,462,265</u></u>

- (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 engineering construction service, 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 two years. The following is an ageing analysis of trade receivables and receivables due from related parties in trade nature amounting to RMB488,258,000 (2018: RMB437,559,000), presented based on invoice date at the end of the reporting period:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Less than 30 days	659,252	780,231
31 days to 90 days	22,683	39,765
91 days to 1 year	47,986	43,832
Over 1 year	32,433	13,233
Over 2 years	29,450	23,865
	<u>791,804</u>	<u>900,926</u>

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



## 10. TRADE AND OTHER RECEIVABLES *(Continued)*

- (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 2019, the trade receivables with carrying value of approximately RMB23,940,000 (2018: RMB24,933,000) were pledged for the Group's borrowings.

## 11. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares <i>(thousands)</i>	Ordinary shares <i>RMB '000</i>	Share premium <i>RMB '000</i>	Total <i>RMB '000</i>
<b>Issued and fully paid:</b>				
<b>At 1 January 2018</b>	989,615	8,340	1,264,114	1,272,454
Dividends relating to 2018 dividend	—	—	(75,963)	(75,963)
<b>At 31 December 2018</b>	989,615	8,340	1,188,151	1,196,491
Dividends relating to 2019 dividend <i>(Note 14)</i>	—	—	(211,838)	(211,838)
Issue of shares pursuant to share option scheme	10,000	90	53,053	53,143
<b>At 31 December 2019</b>	999,615	8,430	1,029,366	1,037,796

The total authorised number of ordinary shares is 2,000,000,000 shares (2018: 2,000,000,000 shares) with a par value of HKD0.01 per share (2018: HKD0.01 per share).

## 12. RESERVES

	Capital reserves <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Financial assets at fair value through other comprehensive income <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 1 January 2018</b>	(56,077)	195,185	14,418	153,526
Revaluation-gross	—	—	17,420	17,420
Revaluation-tax	—	—	(4,355)	(4,355)
Appropriation (i)	—	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
<b>At 31 December 2018</b>	<u>(90,806)</u>	<u>345,255</u>	<u>27,483</u>	<u>281,932</u>
<b>At 1 January 2019</b>	(90,806)	345,255	27,483	281,932
Revaluation-gross	—	—	931	931
Revaluation-tax	—	—	(233)	(233)
Waives liabilities from non-controlling interests	12,260	—	—	12,260
Appropriation (i)	—	162,166	—	162,166
Employee share option scheme: — Value of employee services	6,303	—	—	6,303
— Issue of shares pursuant to share option scheme	(8,829)	—	—	(8,829)
<b>At 31 December 2019</b>	<u>(81,072)</u>	<u>507,421</u>	<u>28,181</u>	<u>454,530</u>

## 12. RESERVES (Continued)

### (i) Statutory reserves

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

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

For the year ended 31 December 2019, approximately RMB162,166,000 (2018: RMB150,070,000) were appropriated to the statutory surplus reserves funds from net profits of certain PRC subsidiaries.

## 13. TRADE AND OTHER PAYABLES

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b>RMB’000</b>	RMB’000
Trade payables ( <i>a and b</i> )	<b>320,601</b>	241,930
Notes payables	<b>423,800</b>	430,000
Amounts due to related parties ( <i>a</i> )	<b>29,182</b>	41,175
Accrued payroll and welfare	<b>3,661</b>	2,197
Interest payables	<b>15,009</b>	16,708
Other taxes payables	<b>93,821</b>	83,725
Contingent consideration payables	<b>138,128</b>	339,680
Other payables ( <i>a</i> )	<b>177,922</b>	225,953
	<b>1,202,124</b>	1,381,368
Less: non-current portion of other payables and accruals	—	(136,598)
Current portion	<b>1,202,124</b>	1,244,770

### 13. TRADE AND OTHER PAYABLES *(Continued)*

- (a) As at 31 December 2019 and 2018, 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 2019 and 2018, the ageing analysis of the trade payables, based on invoice date was as follows:

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Less than 30 days	<b>189,361</b>	159,811
31 days to 90 days	<b>46,415</b>	37,300
91 days to 1 year	<b>45,596</b>	12,825
1 year to 2 years	<b>18,062</b>	6,737
2 years to 3 years	<b>5,483</b>	7,687
Over 3 years	<b>15,684</b>	17,570
	<hr/>	<hr/>
	<b>320,601</b>	241,930
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
RMB	<b>1,185,568</b>	1,361,975
USD	<b>7,482</b>	12,944
HKD	<b>9,074</b>	6,449
	<hr/>	<hr/>
	<b>1,202,124</b>	1,381,368
	<hr/> <hr/>	<hr/> <hr/>

#### 14. DIVIDENDS

The dividend paid in 2019 was RMB211,838,000 (2018: RMB75,963,000).

	<b>2019</b> <b><i>RMB'000</i></b>	2018 <i>RMB'000</i>
Final dividend for the year ended 31 December 2018 of RMB10.00 cents per share (2017: RMB2.30 cents per share) paid to ordinary shares	<b>98,310</b>	22,885
Interim dividend for the year ended 31 December 2019 of RMB11.42 cents per share(2018: RMB5.36 cents per share) paid to ordinary shares	<b>113,528</b>	53,078
	<b>211,838</b>	75,963

Pursuant to the resolution of the Board of Directors dated 31 March 2020, the directors of the Company proposed to distribute total final dividend of RMB119,954,000 (RMB12.00 cents per share) for the year ended 31 December 2019 (2018: RMB98,310,000, RMB10.00 cents per share), which was not recognised as a liability at year end.

## INDUSTRY REVIEW

In 2019, as China is continuously deepening the reform in the oil and gas system, the domestic demand and supply of natural gas continued to grow steadily. According to the official data of natural gas from the National Development and Reform Commission of China (the “NDRC”) and the National Bureau of Statistics, the apparent consumption nationwide was 306.7 billion m<sup>3</sup>, representing a year-on-year growth of 9.4%; the production was 173.62 billion m<sup>3</sup>, representing a year-on-year growth of 9.8%; and the annual total import volume was 96.56 million tons, representing a year-on-year growth of 6.9%. China has become a major driving force to global natural gas consumption. Natural gas has become a highly regarded alternative energy source in China due to its cleanliness and safety. It has gradually established a prominent position as one of the main energy sources of China’s modern clean energy system, with good industrial development prospects.

In order to deepen the market-oriented reform and promote the rapid development of high-quality industries, the NDRC has issued a series of policies to guide and support them. In March 2019, the NDRC released the Implementing Opinions on the Reform of the Operation Mechanism of Oil and Gas Pipeline Networks, aiming to, through the reform, form an oil and gas market system with multi-agent and multi-channel supply of upstream oil and gas resources, efficient collection and transmission of a unified central pipeline network, and full competition in the downstream sales market. In April 2019, the NDRC promulgated the Catalogue for Guiding Industry Restructuring (2019 edition, consultation paper), aiming to promote the rapid development of encouraged industries that are conducive to meeting the needs of people’s good lives and promoting high-quality development, including the natural gas industry and related industry categories.

In June 2019, the NDRC and the Ministry of Commerce issued the Special Administrative Measures for the Admission of Foreign Investment (Negative List) (2019 edition). The purpose of the said policy is to remove restrictions on foreign investment to enable foreign enterprises to get access to the industrial chain of urban gas supply and participate in the competitive market with equal treatment as domestic gas groups, thereby stimulating the vitality of the entire energy market and driving industrial upgrading. In the same month, the NDRC and the National Energy Administration of China jointly issued the Measures for the Fair and Open Supervision of Oil and Gas Pipeline Network Facilities, further specifying the fair and open measures and improving corresponding regulatory requirements. The implementation of the measures will effectively improve the fair, open and utilization efficiency of midstream facilities, increase the oil and gas supply volume and efficiency, and promote diversified competition in the oil and gas market.

In August 2019, the People's Government of Henan Province proposed at the special governance meeting for "three sources of pollution", namely, scattered, poorly-managed and heavily-polluting enterprises, scattered coal, and scattered dust, to convert 2 million households to gas- or electricity-powered heating from coal by the end of 2019 by launching a special governance campaign, thus promoting the provincial prevention and control of gas pollution and holistically raising the governance level of scattered dust pollution.

In October 2019, ten departments including the Ministry of Ecology and Environment, the NDRC and the people's governments of Beijing and Henan Province jointly issued the Action Plan for the Comprehensive Management of Air Pollution in Autumn and Winter 2019-2020 in the Beijing-Tianjin-Hebei and Surrounding Areas. The said action plan calls for the steady and continuous improvement of the ambient air quality, full completion of the 2019 ambient air quality improvement goals in the Beijing-Tianjin-Hebei region and surrounding areas, and resolute victory in the blue-sky protection campaign to lay a solid foundation for building a moderately prosperous society in all respects. With the progress of China's urbanization, the implementation of policies is expected to usher in a golden development age of coal-to-gas conversion in townships.

In December 2019, after five years of construction, the China-Russia East-Route Natural Gas Pipeline, hailed as the main energy artery between China and Russia, was officially put into operation, becoming an effective supplement to China's imported gas sources. As a landmark project of China-Russia energy cooperation, the China-Russia East-Route Natural Gas Pipeline will promote the sustainable economic and social development in regions along the pipeline, especially in Northeast China.

The deepening of the market-oriented reform in the natural gas industry, the launch of relevant policies favorable for environmental protection, and the official operation of the China-Russia East-Route Natural Gas Pipeline at the end of 2019 will optimize the industrial structure and promote balance the between supply and demand in natural gas industry, thus becoming a strong policy support for the Group to expand the natural gas market.

## **BUSINESS REVIEW**

For the year ended 31 December 2019, the Group deeply explored the potential of various users in the existing gas market, selectively acquired high-quality urban gas projects, accelerated the development of township coal-to-gas business, and created new value-added business. 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 2019 as compared to the corresponding period of the previous year are as follows:

	<b>For the year ended 31 December</b>		
	<b>2019</b>	<b>2018</b>	<b>Change by</b>
Revenue (RMB'000)	<b>6,548,618</b>	5,113,254	28.1%
Gross profit (RMB'000)	<b>1,703,892</b>	1,428,216	19.3%
Core profit for the year* (RMB'000)	<b>811,376</b>	672,992	20.6%
Profit attributable to owners			
of the Company (RMB'000)	<b>789,179</b>	569,142	38.7%
Weighted average shares (Unit: '000)	<b>990,849</b>	989,615	0.1%
Earnings per share** — basic (RMB)	<b>0.80</b>	0.58	37.9%
Total pipeline gas users:	<b>3,247,483</b>	2,354,203	37.9%
— Residential users (households)	<b>3,224,163</b>	2,334,714	38.1%
— Industrial and commercial users (users)	<b>23,320</b>	19,489	19.7%
— Designed daily gas supply capacity to industrial and commercial users (in ten thousand m <sup>3</sup> )	<b>868</b>	755	15.0%
Natural gas sales volume (in ten thousand m <sup>3</sup> ):	<b>156,640</b>	129,236	21.2%
— Natural gas sales volume to residential users (in ten thousand m <sup>3</sup> )	<b>31,258</b>	25,675	21.7%
— Urban natural gas sales volume to industrial and commercial users *** (in ten thousand m <sup>3</sup> )	<b>51,511</b>	40,722	26.5%
— Natural gas sales volume to transportation users (in ten thousand m <sup>3</sup> )	<b>15,640</b>	14,123	10.7%
— Gas source trade (in ten thousand m <sup>3</sup> )	<b>11,535</b>	5,731	101.3%
— Direct supply to industrial users (in ten thousand m <sup>3</sup> )	<b>26,680</b>	24,788	7.6%
— Direct supply to urban gas enterprises (in ten thousand m <sup>3</sup> )	<b>20,018</b>	18,197	10.0%
Long-haul pipeline gas transmission volume (in ten thousand m <sup>3</sup> )	<b>76,178</b>	86,759	(12.2%)
Total length of medium and high-pressure pipelines (kilometre)	<b>5,048</b>	4,408	14.5%

\* Excluding other losses — net, cross currency swap contracts and investment in a trust.

\*\* 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.



## **Engineering Construction Service Volume**

The Group actively developed urban gas residential users and township coal-to-gas business in Henan's operating areas. For the year ended 31 December 2019, the Group connected a total of 839,115 new residential users to gas pipelines, and the total number of residential users to gas pipelines increased to 3,224,163, representing an increase of 38.1% as compared with the corresponding period of last year.

For the year ended 31 December 2019, the Group provided engineering construction service for a total of 3,431 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 23,320, representing an increase of 19.7% as compared with the corresponding period of last year.

## **Gas Sales Volume**

For the year ended 31 December 2019, natural gas sales volume of the Group amounted to 1,566 million m<sup>3</sup>, representing an increase of 274 million m<sup>3</sup> or 21.2%, as compared with the corresponding period of last year. Gas volume sold to residential users, industrial and commercial users, transportation gas users, gas source trade, direct supply to industrial users and direct supply to urban gas enterprises accounted for 20.0%, 32.8%, 10.0%, 7.4%, 17.0% and 12.8% of total gas sales volume, respectively.

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 26.5% as compared with the corresponding period of last year. During the year ended 31 December 2019, pipeline gas transmission volume of the Group was 762 million m<sup>3</sup>.

## **Development of New Projects**

During the year ended 31 December 2019, the Group completed full takeover of the operation and management and consolidation of financial statements of the project in Xiping County, Zhumadian City in Henan Province. At the same time, the Group had another three new urban gas projects, including the grant of the pipeline gas concession rights in Xichuan County, Henan Province, and Jia County, Henan Province and the acquisition of urban gas project in Shenqiu County, Henan Province, among which, the project in Shenqiu County in Henan Province had not been consolidated into the Group in 2019. At the end of 2019, the Group had a total of 63 urban gas projects in 15 provinces across China.

### **Completion of the Acquisition of the Urban Gas Project in Xiping County, Zhumadian City, Henan Province**

During the year ended 31 December 2019, the Group completed full takeover of the operation and management of the target company for the project in Xiping County, Zhumadian City in Henan Province, which was newly acquired in November 2018, and began to conduct the consolidation of financial statements since 31 January 2019, contributing to the Group's results.

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

On 9 May 2019, Henan Tian Lun Gas Group Limited a subsidiary of the Company, was granted the exclusive concession right for pipeline gas in 15 townships in Xichuan County, Henan Province, to exclusively operate and maintain township pipeline gas facilities, supply gas to users by pipeline, provide emergency repair and rescue services for related pipeline gas facilities and charge fees for a concession period of 30 years.

Xichuan County boasts sound real estate development, a considerable user base of gas pipelines connection, and promising industrial projects with great potential. Thanks to its abundant tourism resources, Xichuan County is a famous tourist city in the Central China and a domestic tourist hotspot, with the leading ecological sightseeing belt in the middle route of the South-to-North Water Transfer Project, enjoying a good gas development foundation for vehicles and commercial users. The acquisition of the exclusive township pipeline gas concession right in Xichuan County will further expand the business scope and generate synergies in township coal-to-gas project in Henan Province, and form regional monopoly with the project in Xichuan County under operation.

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

On 20 May 2019, Henan Tian Lun Gas Pipeline Network Co., Ltd., an indirect subsidiary of the Company, entered into "Jia County Township Pipeline Gas Franchise Agreement" with the Housing and Urban-Rural Development Bureau of Jia County, Henan Province and obtained the exclusive pipeline gas concession right in 3 townships of Jia County. Tian Lun Pipeline Network Co., Ltd. exclusively invests, constructs, operates, maintains and upgrades municipal 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 30 years.

Located in the central western part of Henan Province, Jia County boasts convenient transportation, only 80 kilometers away from Zhengzhou International Airport. With the rapid development of the industrial economy, Jia County has formed eight major industries including raw coal mining, foundry, food processing, machinery manufacturing, chemical industry, papermaking, tanning and footwear, building materials, and craft products, with bright prospects for the future industrial gas market development. The acquisition of the township pipeline gas concession rights can further expand the potential of local industries and township coal-to-gas conversion. Also, due to its neighboring to Baofeng County and Ye County, where the Group also owns exclusive township pipeline natural gas concession rights, it will create synergies and can further enhance the Group's business scale and market share in the central part of China.

### **Acquisition of Urban Gas Project in Shenqiu County, Henan Province**

On 28 December 2019, Henan Tian Lun Gas Group Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with the then shareholder of Shenqiu County Huixintuan Gas Limited to acquire the entire equity interest in Shenqiu County Huixintuan Gas Limited at a consideration of RMB280,000,000.

Shenqiu County, where the project locates, is the east gate of Henan Province and the intersection connecting the Central Plains Economic Circle and the East China Economic Circle. Shenqiu County has gas supplied by Huaiyang-Xiangcheng Pipeline of the Huaiyang Sub-station of the CNPC First West-East Gas Pipeline Project, and plans to use the gas supplied by two companies ENN and Haite in Jieshou through the First West-East Gas Pipeline. Sufficient gas source supply will provide strong support for the Group's future operations. The target company has a stable and mature business operation, with a user base including 96,000 residential households (55,000 urban households and 41,000 township households), and 450 industrial and commercial households, and 34,000 households for gas pipelines connections, contributing to an annual gas sales volume of approximately 22 million m<sup>3</sup> in 2019. In addition, the gas pipeline stretches 443 kilometers and has a coverage of 19 townships. The follow-up investment is small and it can be quickly built into a large-scale residential project. Shenqiu County has a population of about 1.4 million. By 2030, Shenqiu County plans to have a total urban population of 495 thousand, about 165 thousand households; a population of 1.05 million in townships, about 247.5 thousand households, indicating a huge potential for gas pipelines connections in the future. Shenqiu County enjoys fast and convenient transportation. The Zhengzhou-Hefei High-speed Rail Project, which was officially opened to traffic at the end of 2019, and the Nanjing-Luoyang Expressway, which runs through the whole Henan, will accelerate the net inflow of urban population and access to further development of local real estate and commerce. Shenqiu County has been actively promoting the process of urban industrialization. The growth rate of its industrial added values above the scale ranks third in Zhoukou City. The presence of Angang Zhoukou Iron and Steel Co., Ltd. will also drive the development of the iron and steel industrial park with a production capacity of ten

million tons to deliver a qualitative leap in industrial gas sales. In addition, relying on the only inland port in Henan Province to access to rivers and seas, Shenqiu County allows year-round navigation for ships with a capacity under 2,000 tons at Shaying River Port. A number of port-based industrial projects in such fields as metallurgical, building materials, and new energy have been introduced and cultivated. The target company has established long-term stable cooperation with 51 industrial users, indicating promising future development, and gas sales of industrial users will be steadily increased.

Through the acquisition of this project, the Group can further expand the coverage of the Company's coal-to-gas conversion business in Henan Province. At the same time, this project can form synergies with the urban gas projects of the Group that have been in operation in Henan Province, to further increase the Group's its market share in Henan province.

### **Long-haul Pipelines**

The Group has a total of six long-haul pipelines, three of which have been put into operation and are located in Da'an City, Jilin Province, Pingdingshan City, Henan Province and Wujiang City, Jiangsu Province, respectively, which have played an important role in securing the Group's gas source supply. As at 31 December 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, 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.
- Yuzhou-Changge project: The pipeline has been successfully completed and qualified for gas supply conditions. The construction of the station line buildings and auxiliary buildings, and installation and commissioning of station-related equipment have been completed. #1 valve room and #2 valve room have been installed.
- Puyang-Hebi pipeline: Sinopec's reply to the pipeline open has been obtained so far. 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 pay real-time attention to relevant policies of the national pipeline network and focus on the long-haul pipelines projects supporting the existing urban gas projects while exploring high-quality and large-scale industrial direct supply projects, and participate in the businesses of midstream gas source procurement, develop distributed energy and gas transmission and supply for industrial parks and power plants from time to time, to maintain a steady growth in the Group's gas sales business.

## **FINANCIAL REVIEW**

### **Revenue**

For the year ended 31 December 2019, the Group's revenue amounted to RMB6,549 million, representing a year-on-year increase of RMB1,436 million or 28.1%. The Group's revenue was primarily derived from the transportation and sales of gas business, engineering construction service business, accounting for 62.0% and 36.0% (the corresponding period of last year: 63.1% and 34.2%), respectively, of the total revenue for the year ended 31 December 2019.

### **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 2019, the Group had a significant growth in gas sales volume. Revenue from gas sales amounted to RMB4,061 million, representing a year-on-year increase of 25.8% from RMB3,228 million for the corresponding period of last year. In particular, revenue from gas sales to industrial and commercial users was RMB2,090 million, representing a year-on-year increase of 24.5% as compared with RMB1,679 million for the corresponding period of last year; revenue from gas sales to residential users was RMB735 million, representing a year-on-year increase of 30.6% as compared with RMB563 million for the corresponding period of last year.

### **Revenue from engineering construction services**

As of the year ended 31 December 2019, revenue generated from engineering construction services amounted to RMB2,355 million. In term of engineering construction services proceeds, for the year ended 31 December 2019, cash proceeds from engineering construction services amounted to RMB2,402 million, representing an increase of 77.4%, from RMB1,354 million for the corresponding period of last year.

## **Gross Profit and Gross Profit Margin**

For the year ended 31 December 2019, the Group realized gross profit of RMB1,704 million, representing an increase of RMB276 million or 19.3% from the corresponding period of last year. Overall gross profit margin of the Group was 26.0%. Gross profit margin for gas sales was 13.1%, representing an decrease of 1.9 percentage points compared with the corresponding period of last year. Gross profit margin for connection engineering construction service was 46.8%, representing a decrease of 2.9 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.

## **Other Income**

For the year ended 31 December 2019, other income of the Group amounted to RMB5 million, representing a decrease of RMB4 million as compared with the corresponding period of last year.

## **Other losses — Net**

For the year ended 31 December 2019, other losses — net of the Group amounted to RMB19 million, representing a decrease of RMB119 million as compared with the corresponding period of last year.

## **Finance Expenses — Net**

For the year ended 31 December 2019, finance expenses — net of the Group amounted to RMB266 million, representing an increase of RMB85 million as compared with the corresponding period of last year.

## **Share of Profit after Tax of Associates and A Joint Venture**

For the year ended 31 December 2019, the Group's share of loss after tax of associates and a joint venture amounted to RMB42 million.

## **Net Profit and Net Profit Margin**

For the year ended 31 December 2019, net profit of the Group amounted to RMB813 million, representing an increase of RMB213 million or 35.5%, as compared with the corresponding period of last year. For the year ended 31 December 2019, net profit margin of the Group was 12.4%.

## **Net Profit Attributable to Owners of the Company**

For the year ended 31 December 2019, net profit attributable to owners of the Company was RMB789 million, representing an increase of RMB220 million or 38.7% 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 2019, the Group incurred capital expenditure of RMB590 million, of which RMB268 million was used in project acquisitions and RMB322 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 2019, the Group held cash and cash equivalents to RMB1,350 million in total, of which 98.9% was denominated in RMB, 1.1% was denominated in HK dollars, safeguarding the needs of project expansion and acquisition of businesses of the Group.

As at 31 December 2019, the Group's total borrowings were RMB5,192 million (among which loans denominated in RMB were RMB2,180 million, loans denominated in US dollars were RMB284 million and loans denominated in HK dollars were RMB2,728 million). Among those borrowings, 74.7% of which were classified as non-current liabilities, and 25.3% of which were classified as current liabilities. As at 31 December 2019, the gearing ratio, calculated based on the percentage of total liabilities over total assets, was 64.9%.

## **FINANCE COST AND EXCHANGE RISK MANAGEMENT**

For the year ended 31 December 2019, the Group's finance cost was RMB317 million, representing an increase of 9.3% as compared with the corresponding period of last year.



For the year ended 31 December 2019, the Group's overseas borrowings denominated in foreign currencies accounted for 58.0% of its total borrowings. The Group will continue to closely monitor the changes in exchange rates and strive to lower its finance costs through diversified arrangements, and will adopt necessary measures to lower its exchange risk as and when necessary.

In February 2020, the Group formally entered into a three-year loan agreement with four banks in Asia Pacific region. According to the loan agreement, the four banks agreed to grant a loan of US\$70 million to the Company for general operating capital turnover and vested liabilities repayment. The financial cost of the above financial arrangement is significantly lower than the previous loans granted to the Group. This bank loan can not only reduce the overall financial cost of the Company, but also supplement operating funds thus providing financial support for potential acquisition opportunities of the Group to achieve steady and sustained development.

## **THE COVID-19**

The COVID-19 swept China in the beginning of 2020. The traffic and population movement regulations issued by the Chinese government and the policies for delayed resumption of work adopted in various places will have a major impact on the manufacturing, catering, transportation, tourism, and hotel industries. The Group's user gas demand has also declined to some extent. The central and local governments issued a series of supportive measures, including preferential policies for increasing financing support and reducing, postponing or exempting taxes to help SMEs stabilize production and operations, thus promoting the healthy and stable development of the whole economy.

In active response to the national policy requirements, all member enterprises of the Group have carried out prevention and control while ensuring the supply and services for all types of gas users. The member enterprises have streamlined the project progress and get well-prepared for the preliminary basic materials for gas pipelines connections. Member enterprises have ascertained in-depth and fully cooperated with the work and production resumption plans of industrial and commercial users, especially those with huge gas demand, to lay the foundation for subsequent resumption of work and production. Member enterprises have timely communicated with governments at all levels and upstream gas suppliers to ensure the implementation of the COVID-19-related preferential policies. The application of Tian Lun gas online platform has also been promoted to quickly explore the potential customers of value-added services. The Group believes that the impact of the COVID-19 on the market economy is temporary, and new market development opportunities will follow. With the resumption of work in all walks of life, the Group will efficiently align with various businesses after the end of the COVID-19 to lay a good foundation for future business development.



## OUTLOOK

In 2019, China made continuous progress in the oil gas reform. With national natural gas utilization and environmental protection policies, the proportion of natural gas in China's energy structure has shown a steady and rapid rise. At the same time, the upstream resource development and infrastructure construction encourage social capital, the listing of National Petroleum and Natural Gas Pipe Network Group Co., Ltd. and the full operation and gas transportation of the China-Russia East-Route Natural Gas Pipeline also bring new opportunities to the Group.

In 2020, the Group will seize the development opportunity of national natural gas favorable policy, to rapidly expand the business scale of the Group, maintain the stable growth of gas sales, and continuously improve the operation quality of traditional urban gas business. Meanwhile, the Group will create an ecosystem of value-added business products and services, open up “online + offline” marketing channels, realize diversification of marketing forms so as to enhance core competitiveness. The Group will also steadily promote the township coal-to-gas business in a high quality manner in Henan Province, increase mergers and acquisitions of urban gas projects in Henan Province, and explore new paths and models for cooperative development. Combined with the users of coal-to-gas and the regional distribution of urban gas supply, the Group strives to launch a number of key long-haul pipeline projects in Henan to ensure the supply of gas. In addition, the Group will comprehensively harmonize the Group's management process, strengthen cost control, improve risk management capabilities, optimize organizational structure, enhance team building, and promote steady and sustained growth of performance, so as to bring ideal returns to shareholders of the Company (the “**Shareholders**”) and maximize their dividends.

### **Repurchase, Sell or Redeem any Shares of the Company**

During the year ended 31 December 2019, none of the Company or any of its subsidiaries had repurchased, sold or redeemed any shares of the Company.

### **Contingent Liabilities**

As at 31 December 2019, 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 31 March 2020, the Board recommended the payment of a final dividend (the “**Final Dividend**”) for the year ended 31 December 2019 of RMB12.00 cents per share. Together with an interim dividend of RMB11.42 cents per share which had been paid, total dividend paid for the year ended 31 December 2019 was RMB23.42 cents per share (RMB15.36 cents per share in 2018).

The Final Dividend will be paid in Hong Kong dollars on or about 2 June 2020 (Tuesday) to the Shareholders whose name appear on the register of members of the Company on 27 May 2020 (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 21 May 2020 (Thursday) to 27 May 2020 (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 20 May 2020 (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 2019.

## **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 2019 to 31 December 2019.

## **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 consolidated results and consolidated financial statements of the Group for the year ended 31 December 2019.

## **Audit of Financial Statements**

PricewaterhouseCoopers, the external auditor of the Group, had audited the consolidated financial statements of the Group and issued unqualified opinion. The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2019 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 2019 will be published on the website of Hong Kong Exchange and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.tianlungas.com](http://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, 31 March 2020

*As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan (Chief Executive), Mr. Liu Min and Ms. Li Tao; and the independent non-executive Directors are Mr. Liu Jin, Mr. Li Liuqing, Mr. Yeung Yui Yuen Michael and Ms. Zhao Jun.*