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**天伦燃气**  
**TIANLUN GAS**

**China Tian Lun Gas Holdings Limited**

**中國天倫燃氣控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 01600)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

Highlights of results for the six months ended 30 June 2020:

- Total gas retail sales volume was 571 million m<sup>3</sup>, representing an increase of 4.1% as compared with 548 million m<sup>3</sup> for the corresponding period of last year.
- Revenue was RMB2,996 million, representing a decrease of 4.9% as compared with RMB3,150 million for the corresponding period of last year.
- Core profit for the half year amounted to RMB424 million, representing an increase of 3.5% as compared with RMB410 million for the corresponding period of last year.
- Basic earnings per share were RMB0.38, representing a decrease of 7.3% as compared with RMB0.41 for the corresponding period of last year.
- The Board recommends the payment of an interim dividend of RMB11.40 cents per share, which remained relatively stable as compared to the corresponding period last year.

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 2020 (the “**Reporting Period**”).

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

|   | Notes | Six months ended 30 June     |                              |
|---|-------|------------------------------|------------------------------|
|   |       | 2020<br>RMB'000<br>Unaudited | 2019<br>RMB'000<br>Unaudited |
| Revenue   | 2     | 2,995,535                    | 3,150,250                    |
| Cost of sales   |       | (2,159,041)                  | (2,320,786)                  |
| <b>Gross profit</b>   |       | <b>836,494</b>               | 829,464                      |
| Distribution costs  |       | (23,957)                     | (23,066)                     |
| Administrative expenses                                       |       | (86,684)                     | (83,778)                     |
| Other income  |       | 2,139                        | 3,075                        |
| Other losses — net  | 3     | (48,028)                     | (12,058)                     |
| <b>Operating profit</b>                                       |       | <b>679,964</b>               | 713,637                      |
| Finance income  |       | 3,894                        | 18,552                       |
| Finance expenses  |       | (131,630)                    | (139,211)                    |
| Finance expenses — net  | 6     | (127,736)                    | (120,659)                    |
| Share of post-tax losses of associates<br>and a joint venture |       | (13,724)                     | (17,524)                     |
| <b>Profit before income tax</b>                               |       | <b>538,504</b>               | 575,454                      |
| Income tax expense  | 5     | (150,886)                    | (154,208)                    |
| <b>Profit for the period</b>                                  |       | <b>387,618</b>               | 421,246                      |
| <b>Profit attributable to:</b>                                |       |                              |                              |
| Owners of the Company   |       | 375,157                      | 404,935                      |
| Non-controlling interests                                     |       | 12,461                       | 16,311                       |
|   |       | <b>387,618</b>               | 421,246                      |

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

*For the six months ended 30 June 2020*

|  | <i>Note</i> | <b>Six months ended 30 June</b> |                       |
|--|-------------|---------------------------------|-----------------------|
|  |             | <b>2020</b>                     | <b>2019</b>           |
|  |             | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
|  |             | <b>Unaudited</b>                | Unaudited             |
| Profit for the period  |             | <b>387,618</b>                  | 421,246               |
| Other comprehensive income<br>for the period, net of tax   |             | —                               | —                     |
| <b>Total comprehensive income for the period</b>   |             | <b>387,618</b>                  | 421,246               |
| <b>Attributable to:</b>  |             |                                 |                       |
| Owners of the Company  |             | <b>375,157</b>                  | 404,935               |
| Non-controlling interests  |             | <b>12,461</b>                   | 16,311                |
|  |             | <b>387,618</b>                  | 421,246               |
| <b>Earnings per share for profit attributable<br/>to owners of the Company<br/>(RMB per share)</b> |             |                                 |                       |
| — Basic earnings per share   | 7           | <b>0.38</b>                     | 0.41                  |
| — Diluted earnings per share   | 7           | <b>0.38</b>                     | 0.41                  |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

|   |              | <b>30 June</b>    | 31 December    |
|---|--------------|-------------------|----------------|
|   |              | <b>2020</b>       | 2019           |
|   | <i>Notes</i> | <b>RMB'000</b>    | <b>RMB'000</b> |
|   |              | <b>Unaudited</b>  | <b>Audited</b> |
| <b>ASSETS</b>   |              |                   |                |
| <b>Non-current assets</b>   |              |                   |                |
| Property, plant and equipment                                     | 8            | <b>2,959,932</b>  | 2,850,058      |
| Investment properties   | 8            | <b>51,266</b>     | 50,047         |
| Right-of-use assets   | 8            | <b>260,304</b>    | 251,696        |
| Intangible assets   | 8            | <b>4,056,054</b>  | 3,874,972      |
| Investments accounted for using the equity method                 | 9            | <b>795,278</b>    | 806,395        |
| Deferred income tax assets  |              | <b>29,648</b>     | 28,678         |
| Financial assets at fair value through other comprehensive income | 11           | <b>79,746</b>     | 79,746         |
| Trade and other receivables                                       | 10           | <b>34,538</b>     | 49,648         |
| Prepayments related to other non-current assets                   |              | <b>43,802</b>     | 49,409         |
|   |              | <hr/>             | <hr/>          |
| <b>Total non-current assets</b>                                   |              | <b>8,310,568</b>  | 8,040,649      |
|   |              | <hr/>             | <hr/>          |
| <b>Current assets</b>   |              |                   |                |
| Inventories   |              | <b>164,020</b>    | 204,949        |
| Contract assets   |              | <b>627,556</b>    | 508,898        |
| Trade and other receivables                                       | 10           | <b>1,777,145</b>  | 1,548,124      |
| Financial assets at fair value through other comprehensive income | 11           | <b>40,393</b>     | 50,602         |
| Restricted cash   |              | <b>325,368</b>    | 235,723        |
| Cash and cash equivalents   |              | <b>1,273,287</b>  | 1,349,836      |
|   |              | <hr/>             | <hr/>          |
| <b>Total current assets</b>                                       |              | <b>4,207,769</b>  | 3,898,132      |
|   |              | <hr/>             | <hr/>          |
| <b>Total assets</b>   |              | <b>12,518,337</b> | 11,938,781     |
|   |              | <hr/> <hr/>       | <hr/> <hr/>    |

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)***As at 30 June 2020*

|   |              | <b>30 June<br/>2020</b> | 31 December<br>2019 |
|---|--------------|-------------------------|---------------------|
|   | <i>Notes</i> | <b>RMB'000</b>          | <b>RMB'000</b>      |
|   |              | <b>Unaudited</b>        | <b>Audited</b>      |
| <b>EQUITY</b>   |              |                         |                     |
| <b>Equity attributable to equity holders<br/>of the Company</b> |              |                         |                     |
| Share capital   | 12           | 8,430                   | 8,430               |
| Share premium   | 12           | 909,339                 | 1,029,366           |
| Reserves  |              | 455,393                 | 454,530             |
| Retained earnings   |              | 2,773,615               | 2,398,458           |
|   |              | <hr/>                   | <hr/>               |
|   |              | 4,146,777               | 3,890,784           |
|   |              | <hr/>                   | <hr/>               |
| <b>Non-controlling interests</b>                                |              | 301,883                 | 296,536             |
|   |              | <hr/>                   | <hr/>               |
| <b>Total equity</b>   |              | <b>4,448,660</b>        | <b>4,187,320</b>    |
|   |              | <hr/> <hr/>             | <hr/> <hr/>         |

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)***As at 30 June 2020*

|   |              | <b>30 June</b>          | 31 December      |
|---|--------------|-------------------------|------------------|
|   |              | <b>2020</b>             | 2019             |
|   | <i>Notes</i> | <b>RMB'000</b>          | <i>RMB'000</i>   |
|   |              | <b>Unaudited</b>        | Audited          |
| <b>LIABILITIES</b>  |              |                         |                  |
| <b>Non-current liabilities</b>                                |              |                         |                  |
| Borrowings  | <i>13</i>    | <b>3,332,588</b>        | 3,880,034        |
| Deferred income   |              | <b>9,510</b>            | 5,984            |
| Lease liabilities   |              | <b>5,931</b>            | 6,060            |
| Deferred income tax liabilities                               | <i>14</i>    | <b>582,058</b>          | 546,553          |
|   |              | <hr/> <b>3,930,087</b>  | <hr/> 4,438,631  |
| <b>Current liabilities</b>                                    |              |                         |                  |
| Trade and other payables                                      | <i>15</i>    | <b>1,492,306</b>        | 1,202,124        |
| Lease liabilities   |              | <b>2,879</b>            | 3,606            |
| Dividend payables   |              | <b>5,525</b>            | 5,768            |
| Contract liabilities  |              | <b>471,227</b>          | 469,051          |
| Financial liabilities at fair value<br>through profit or loss |              | <b>2,220</b>            | —                |
| Current income tax liabilities                                |              | <b>353,507</b>          | 319,913          |
| Borrowings  | <i>13</i>    | <b>1,811,926</b>        | 1,312,368        |
|   |              | <hr/> <b>4,139,590</b>  | <hr/> 3,312,830  |
| <b>Total liabilities</b>                                      |              | <hr/> <b>8,069,677</b>  | <hr/> 7,751,461  |
| <b>Total equity and liabilities</b>                           |              | <hr/> <b>12,518,337</b> | <hr/> 11,938,781 |

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 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 services 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 consolidated interim financial information was approved by the Board of Directors for issue on 26 August 2020.

This condensed consolidated interim financial information is unaudited.

## 2 SEGMENT REPORT

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

In 2020, the Group changed its internal organisational structure for the purpose of better resource allocation and assessment of segment performance. The senior executive management reviews business performance according to the types of end-users who use its products. For sales made to residential customers, industrial and commercial customers, and transportation customers is classified as retail business of natural gas; whereas for sales made to city gas enterprise customers for direct supply and wholesale purpose, and gas source trading customers is classified as wholesale business of natural gas. Business segments are being reclassified as: sales of nature gas in cylinders, sales of nature gas in bulk, engineering construction services and other segments. The senior executive management team assesses performance of the operating segments based on segment results which represent the profit before taxation earned by each segment without allocation of other income, other losses — net, finance expenses — net and share of post-tax losses of associates and a joint venture and without allocation of corporate expenses included in central administration costs and directors’ salaries. The segment reporting for the six-month period ended 30 June 2019 was adjusted retrospectively.

## 2 SEGMENT REPORT (Continued)

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.

The Group does not allocate 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 2020 is as follows:

|   | Sales of<br>natural gas<br>in cylinders<br><i>RMB'000</i> | Sales of<br>natural gas<br>in bulk<br><i>RMB'000</i> | Engineering<br>construction<br>services<br><i>RMB'000</i> | All other<br>segments<br><i>RMB'000</i> | Inter-<br>segment<br>elimination<br><i>RMB'000</i> | Unallocated<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|---|---|--|---|---|--|-------------------------------|-------------------------|
| Total revenue   | 1,462,099   | 322,540  | 1,142,010   | 90,606                                  | (21,720)   | —                             | 2,995,535               |
| Inter-segment revenue   | —   | —  | —   | 21,720                                  | (21,720)   | —                             | —                       |
| Revenue from external customers                               | 1,462,099   | 322,540  | 1,142,010   | 68,886                                  | —  | —                             | 2,995,535               |
| Segment profit  | 171,721   | 20,202   | 506,194   | 36,019                                  | —  | —                             | 734,136                 |
| Unallocated expenses  |   |  |   |   |  | (8,283)                       | (8,283)                 |
| Other income  |   |  |   |   |  | 2,139                         | 2,139                   |
| Other losses — net  |   |  |   |   |  | (48,028)                      | (48,028)                |
| <b>Operating profit</b>                                       |   |  |   |   |  |                               | 679,964                 |
| Finance expenses — net  |   |  |   |   |  | (127,736)                     | (127,736)               |
| Share of post-tax losses<br>of associates and a joint venture |   |  |   |   |  | (13,724)                      | (13,724)                |
| <b>Profit before income tax</b>                               |   |  |   |   |  |                               | 538,504                 |
| Income tax expense  |   |  |   |   |  | (150,886)                     | (150,886)               |
| <b>Profit for the period</b>                                  |   |  |   |   |  |                               | <b>387,618</b>          |



## 2 SEGMENT REPORT (Continued)

The segment information provided to the senior executive management for the reportable segments for the six-month period ended 30 June 2019 is as follows:

|  | Sales of<br>natural gas<br>in cylinders<br><i>RMB'000</i><br>(restated) | Sales of<br>natural gas<br>in bulk<br><i>RMB'000</i><br>(restated) | Engineering<br>construction<br>services<br><i>RMB'000</i><br>(restated) | All other<br>segments<br><i>RMB'000</i> | Inter-<br>segment<br>elimination<br><i>RMB'000</i> | Unallocated<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|---|--|---|---|--|-------------------------------|-------------------------|
| Total revenue  | 1,494,986   | 495,017  | 1,099,268   | 93,539                                  | (32,560)   | —                             | 3,150,250               |
| Inter-segment revenue  | —   | —  | —   | 32,560                                  | (32,560)   | —                             | —                       |
| Revenue from external customers                                | 1,494,986   | 495,017  | 1,099,268   | 60,979                                  | —  | —                             | 3,150,250               |
| Segment profit   | 159,345   | 48,140   | 489,227   | 32,378                                  | —  | —                             | 729,090                 |
| Unallocated expenses   |   |  |   |   |  | (6,470)                       | (6,470)                 |
| Other income   |   |  |   |   |  | 3,075                         | 3,075                   |
| Other losses — net   |   |  |   |   |  | (12,058)                      | (12,058)                |
| <b>Operating profit</b>  |   |  |   |   |  |                               | 713,637                 |
| Finance expenses — net   |   |  |   |   |  | (120,659)                     | (120,659)               |
| Share of post-tax profits of<br>associates and a joint venture |   |  |   |   |  | (17,524)                      | (17,524)                |
| <b>Profit before income tax</b>                                |   |  |   |   |  |                               | 575,454                 |
| Income tax expense   |   |  |   |   |  | (154,208)                     | (154,208)               |
| <b>Profit for the period</b>                                   |   |  |   |   |  |                               | <u>421,246</u>          |

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

For the six months ended 30 June 2020, revenue from a single customer amounted to RMB737,824,000, representing 25% of the total revenue of the Group; for the six months ended 30 June 2019, revenue from a single customer amounted to RMB688,148,000, representing 22% of the total revenue of the Group.

### 3 OTHER LOSSES — NET

|                             | Six months ended 30 June |                 |
|-----------------------------|--------------------------|-----------------|
|                             | 2020                     | 2019            |
|                             | <i>RMB'000</i>           | <i>RMB'000</i>  |
|                             | Unaudited                | Unaudited       |
| Net foreign exchange losses | (54,707)                 | (11,215)        |
| Other gains/(losses)        | 6,679                    | (843)           |
|                             | <u>(48,028)</u>          | <u>(12,058)</u> |

### 4 PROFIT BEFORE INCOME TAX

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

|   | Six months ended 30 June |                |
|---|--------------------------|----------------|
|   | 2020                     | 2019           |
|   | <i>RMB'000</i>           | <i>RMB'000</i> |
|   | Unaudited                | Unaudited      |
| Raw materials and consumables used  | 1,620,777                | 1,861,559      |
| Changes in finished goods and work in progress                                      | —                        | 18,023         |
| Depreciation on property, plant and equipment ( <i>Note 8</i> )                     | 80,553                   | 68,657         |
| Depreciation on investment properties ( <i>Note 8</i> )                             | 1,531                    | 1,479          |
| Amortisation of right-of-use assets ( <i>Note 8</i> )                               | 4,850                    | 4,512          |
| Amortisation of intangible assets ( <i>Note 8</i> )                                 | 48,104                   | 44,903         |
| (Gains)/losses on disposal of property, plant and equipment and right-of-use assets | (3,264)                  | 21             |
|   | <u>(3,264)</u>           | <u>21</u>      |

## 5 INCOME TAX EXPENSE

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

|                            | Six months ended 30 June |                |
|----------------------------|--------------------------|----------------|
|                            | 2020                     | 2019           |
|                            | <i>RMB'000</i>           | <i>RMB'000</i> |
|                            | Unaudited                | Unaudited      |
| Current income tax:        |                          |                |
| — PRC corporate income tax | 146,849                  | 147,465        |
| Deferred income tax        | 4,037                    | 6,743          |
|                            | <u>150,886</u>           | <u>154,208</u> |

According to the PRC Enterprise Income Tax Law (the “EIT Law”) and the Implementation Regulations, the enterprise income tax rates applicable to the Group’s PRC subsidiaries range from 15% to 25% (2019: 15% to 25%).

According to the Catalogue of Encouraged Industries in Western Regions promulgated by the National Development and Reform Commission of the PRC in 2014, certain subsidiaries operating in western area of China have been granted tax concessions by local tax bureaus, applicable to a concessionary tax rate of 15%.

**6 FINANCE EXPENSES — NET**

|  | <b>Six months ended 30 June</b> |                |
|--|---------------------------------|----------------|
|  | <b>2020</b>                     | 2019           |
|  | <b><i>RMB'000</i></b>           | <i>RMB'000</i> |
|  | <b>Unaudited</b>                | Unaudited      |
| Finance income   |                                 |                |
| Interest income on bank deposits, bank financial products and loans to third parties             | <b>(3,894)</b>                  | (9,568)        |
| Investment income on financial assets at fair value through profit or loss of the current period |                                 |                |
| — Investment in trust  | —                               | (8,984)        |
|  | <b>(3,894)</b>                  | (18,552)       |
| Finance expenses   |                                 |                |
| Interest expense on borrowings   | <b>142,884</b>                  | 157,197        |
| Lease interest   | <b>274</b>                      | 239            |
| Others   | <b>1,395</b>                    | 783            |
| Less: amounts capitalised on qualifying assets   | <b>(12,923)</b>                 | (19,008)       |
|  | <b>131,630</b>                  | 139,211        |
|  | <b>127,736</b>                  | 120,659        |

## 7 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.

|  | <b>Six months ended 30 June</b> |           |
|--|---------------------------------|-----------|
|  | <b>2020</b>                     | 2019      |
|  | <b>Unaudited</b>                | Unaudited |
| Profit attributable to owners of the Company<br>(RMB'000)          | <b>375,157</b>                  | 404,935   |
| Weighted average number of ordinary shares<br>in issue (thousands) | <b>999,615</b>                  | 989,615   |
| Basic earnings per share (RMB per share)                           | <b>0.38</b>                     | 0.41      |

### (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.

|  | <b>Six months ended 30 June</b> |           |
|--|---------------------------------|-----------|
|  | <b>2020</b>                     | 2019      |
|  | <b>Unaudited</b>                | Unaudited |
| Profit attributable to owners of the Company (RMB'000)                                   | <b>375,157</b>                  | 404,935   |
| Weighted average number of ordinary shares<br>in issue (thousands)                       | <b>999,615</b>                  | 989,615   |
| Adjustments for — Share options (thousands)  | <b>803</b>                      | 3,130     |
| Weighted average number of ordinary shares<br>for diluted earnings per share (thousands) | <b>1,000,418</b>                | 992,745   |
| Diluted earnings per share (RMB per share)   | <b>0.38</b>                     | 0.41      |

During the period ended 30 June 2020, the share options were dilutive (the period ended 30 June 2019: dilutive).

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

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

|   | Property,<br>plant and<br>equipment<br><i>RMB'000</i> | Investment<br>properties<br><i>RMB'000</i> | Right-of-use<br>assets<br><i>RMB'000</i> | Intangible<br>assets<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|---|---|--|--|--|-------------------------|
| For the six months ended 30 June 2020       |   |  |  |  |                         |
| Net Book Value at 1 January 2020            | 2,850,058   | 50,047                                     | 251,696                                  | 3,874,972                              | 7,026,773               |
| Additions                                   | 110,197   | —  | 978                                      | 9                                      | 111,184                 |
| Acquisition of subsidiaries                 | 97,039  | —  | 4,309                                    | 229,177                                | 330,525                 |
| Transfer from property, plant and equipment | —   | —  | 13,945                                   | —                                      | 13,945                  |
| Transfer from right-of-use assets           | —   | 2,750                                      | —  | —                                      | 2,750                   |
| Transfer to investment properties           | —   | —  | (2,750)                                  | —                                      | (2,750)                 |
| Transfer to right-of-use assets             | (13,945)  | —  | —  | —                                      | (13,945)                |
| Disposals                                   | (2,864)   | —  | (3,024)                                  | —                                      | (5,888)                 |
| Depreciation charge                         | (80,553)  | (1,531)                                    | (4,850)                                  | (48,104)                               | (135,038)               |
| Net value as at 30 June 2020                | <u>2,959,932</u>                                      | <u>51,266</u>                              | <u>260,304</u>                           | <u>4,056,054</u>                       | <u>7,327,556</u>        |
| Six months ended 30 June 2019               |   |  |  |  |                         |
| Net value as at 1 January 2019              | 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                | <u>2,739,999</u>                                      | <u>50,158</u>                              | <u>232,887</u>                           | <u>3,919,373</u>                       | <u>6,942,417</u>        |

## 9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

|   | <b>Six months ended 30 June</b> |                       |
|---|---------------------------------|-----------------------|
|   | <b>2020</b>                     | <b>2019</b>           |
|   | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
|   | <b>Unaudited</b>                | <b>Unaudited</b>      |
| Beginning of the period                     | <b>806,395</b>                  | 856,835               |
| Additions                                   | <b>2,607</b>                    | —                     |
| Share of post-tax profits of associates     | <b>26,915</b>                   | 22,058                |
| Share of post-tax losses of a joint venture | <b>(40,639)</b>                 | (39,582)              |
|   | <hr/>                           | <hr/>                 |
| End of the period                           | <b>795,278</b>                  | 839,311               |
|   | <hr/> <hr/>                     | <hr/> <hr/>           |

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

|                          | <b>Six months ended 30 June</b> |                       |
|--------------------------|---------------------------------|-----------------------|
|                          | <b>2020</b>                     | <b>2019</b>           |
|                          | <b><i>RMB'000</i></b>           | <b><i>RMB'000</i></b> |
|                          | <b>Unaudited</b>                | <b>Unaudited</b>      |
| Assets                   | <b>22,557,025</b>               | 18,677,551            |
| Liabilities              | <b>(18,621,631)</b>             | (15,039,255)          |
| Revenue                  | <b>418,330</b>                  | 211,469               |
| Share of post-tax losses | <b>(13,724)</b>                 | (17,524)              |
|                          | <hr/>                           | <hr/>                 |
|                          | <hr/> <hr/>                     | <hr/> <hr/>           |

## 10 TRADE AND OTHER RECEIVABLES

|   | <b>30 June<br/>2020<br/>RMB'000<br/>Unaudited</b> | 31 December<br>2019<br>RMB'000<br>Audited |
|---|---|---|
| Trade receivables                                   | 358,966   | 303,546                                   |
| Less: provision for impairment                      | (14,617)  | (14,391)                                  |
| Bills receivables                                   | 9,247   | 3,043                                     |
| Prepayments   | 352,589   | 597,417                                   |
| Receivables due from related parties                | 888,754   | 501,875                                   |
| Other receivables                                   | 171,558   | 169,206                                   |
| Less: provision for impairment                      | (417)   | (290)                                     |
| Value-added-tax to be offset and prepaid income tax | 45,603  | 37,366                                    |
|   | <u>1,811,683</u>                                  | <u>1,597,772</u>                          |
| Less: long-term prepayments                         | (34,538)  | (49,648)                                  |
| Current portion                                     | <u><u>1,777,145</u></u>                           | <u><u>1,548,124</u></u>                   |

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

|                    | <b>30 June<br/>2020<br/>RMB'000<br/>Unaudited</b> | 31 December<br>2019<br>RMB'000<br>Audited |
|--------------------|---|---|
| Within 30 days     | 748,862   | 659,252                                   |
| 31 days to 90 days | 117,185   | 22,683                                    |
| 91 days to 1 year  | 268,965   | 47,986                                    |
| 1 year to 2 years  | 72,757  | 32,433                                    |
| Over 2 years       | 26,338  | 29,450                                    |
|                    | <u><u>1,234,107</u></u>                           | <u><u>791,804</u></u>                     |



## 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

|   | <b>30 June<br/>2020<br/>RMB'000<br/>Unaudited</b> | 31 December<br>2019<br>RMB'000<br>Audited |
|---|---|---|
| <b>Non-current assets</b>               |   |   |
| Equity instrument — unlisted securities |   |   |
| — Gas industry equity interest (i)      | <u>79,746</u>                                     | <u>79,746</u>                             |
| <b>Current assets</b>                   |   |   |
| Debt instrument                         |   |   |
| — Notes receivable (ii)                 | <u>40,393</u>                                     | <u>50,602</u>                             |

- (i) The fair values of unlisted equity securities are calculated by using the market approach to determine the fair value of the assets by reference to the transaction prices, or “valuation multiples” implicit in the transaction prices, of identical or similar assets on the market, which results in these measurements being classified as Level 3 in the fair value hierarchy.
- (ii) Debt investments at fair value through other comprehensive income comprise notes receivable with gains or losses arising from changes in their fair values recorded in “other losses — net” in this interim condensed consolidated financial information.

The Group measures the fair value of the notes receivable within Level 3 of the fair value hierarchy using the discounted cash flow method, which gives rise to fair values approximating the cost.

## 12 SHARE CAPITAL AND SHARE PREMIUM

|  | Number of<br>ordinary<br>shares<br><i>(Thousands)</i> | Ordinary<br>share<br>capital<br><i>RMB'000</i><br>Unaudited | Share<br>premium<br><i>RMB'000</i><br>Unaudited | Total<br><i>RMB'000</i><br>Unaudited |
|--|---|---|---|--------------------------------------|
| Issued and fully paid:                                   |   |   |   |                                      |
| At 30 June 2020<br>(nominal value of<br>HK\$0.01 each)   | 999,615   | 8,430   | 909,339   | 917,769                              |
| At 1 January 2020<br>(nominal value of<br>HK\$0.01 each) | 999,615   | 8,430   | 1,029,366                                       | 1,037,796                            |

## 13 BORROWINGS

|             | 30 June<br>2020<br><i>RMB'000</i><br>Unaudited | 31 December<br>2019<br><i>RMB'000</i><br>Audited |
|-------------|--|--|
| Non-current | 3,332,588                                      | 3,880,034  |
| Current     | 1,811,926                                      | 1,312,368  |
|             | <b>5,144,514</b>                               | <b>5,192,402</b>                                 |

### 13 BORROWINGS (Continued)

Changes in borrowings are analysed as follows:

|                                       | <i>RMB'000</i>   |
|---------------------------------------|------------------|
| For the six months ended 30 June 2020 |                  |
| Opening amount as at 1 January 2020   | 5,192,402        |
| Proceeds from new loans               | 540,016          |
| Repayments of borrowings              | (643,085)        |
| Exchange losses                       | 55,181           |
|                                       | <hr/>            |
| Closing amount as at 30 June 2020     | <b>5,144,514</b> |
|                                       | <hr/> <hr/>      |
|                                       | <i>RMB'000</i>   |
| 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           |
|                                       | <hr/>            |
| Closing amount as at 30 June 2019     | <b>5,224,932</b> |
|                                       | <hr/> <hr/>      |

Interest expense on borrowings for the six months ended 30 June 2020 is RMB142,884,000 (six months ended 30 June 2019: RMB157,197,000).

## 14 DEFERRED INCOME TAX LIABILITIES

|                             | Six months ended 30 June |                |
|-----------------------------|--------------------------|----------------|
|                             | 2020                     | 2019           |
|                             | <i>RMB'000</i>           | <i>RMB'000</i> |
|                             | Unaudited                | Unaudited      |
| Balance as at 1 January     | 546,553                  | 475,011        |
| Acquisition of subsidiaries | 31,708                   | 23,107         |
| Credited to profit or loss  | 3,797                    | 7,350          |
|                             | <hr/>                    | <hr/>          |
| Balance as at 30 June       | <b>582,058</b>           | 505,468        |
|                             | <hr/> <hr/>              | <hr/> <hr/>    |

## 15 TRADE AND OTHER PAYABLES

|                                       | 30 June          | 31 December    |
|---------------------------------------|------------------|----------------|
|                                       | 2020             | 2019           |
|                                       | <i>RMB'000</i>   | <i>RMB'000</i> |
|                                       | Unaudited        | Audited        |
| Trade payables                        | 452,760          | 320,601        |
| Amounts due to related parties        | 15,725           | 29,182         |
| Notes payable                         | 579,965          | 423,800        |
| Accrued payroll and welfare           | 1,974            | 3,661          |
| Interest payables                     | 13,285           | 15,009         |
| Other taxes payables                  | 111,191          | 93,821         |
| Contingent consideration payables (i) | 134,085          | 138,128        |
| Other payables                        | 183,321          | 177,922        |
|                                       | <hr/>            | <hr/>          |
|                                       | <b>1,492,306</b> | 1,202,124      |
|                                       | <hr/>            | <hr/>          |
| Less: long-term other payables        | —                | —              |
| Current portion                       | <b>1,492,306</b> | 1,202,124      |
|                                       | <hr/> <hr/>      | <hr/> <hr/>    |

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

## 15 TRADE AND OTHER PAYABLES (Continued)

An ageing analysis of trade payables and the amounts due to related parties with trade nature based on invoice date is as follows:

|                    | <b>30 June<br/>2020<br/>RMB'000<br/>Unaudited</b> | 31 December<br>2019<br>RMB'000<br>Audited |
|--------------------|---|---|
| Within 30 days     | <b>85,299</b>                                     | 189,361                                   |
| 31 days to 90 days | <b>160,793</b>                                    | 46,415                                    |
| 91 days to 1 year  | <b>137,305</b>                                    | 45,596                                    |
| 1 year to 2 years  | <b>60,824</b>                                     | 18,062                                    |
| 2 years to 3 years | <b>5,298</b>                                      | 5,483                                     |
| Over 3 years       | <b>11,275</b>                                     | 15,684                                    |
|                    | <hr/> <b>460,794</b> <hr/>                        | <hr/> 320,601 <hr/>                       |

## 16 DIVIDENDS

|   | <b>Six months ended 30 June<br/>2020<br/>RMB'000<br/>Unaudited</b> | 2019<br>RMB'000<br>Unaudited |
|---|--|------------------------------|
| Final dividend for the year 2019 of RMB12.00 cents<br>per share declared to ordinary shares<br>(2018: RMB10.00 cents per share) | <hr/> <b>120,027</b> <hr/>   | <hr/> 98,310 <hr/>           |

Pursuant to the resolutions of the Board on 26 August 2020, the Board of the Company recommended the payment of a total interim dividend of RMB113,956,000 (RMB11.40 cents per share) for the six months ended 30 June 2020 (for the six months ended 30 June 2019: a total of RMB113,528,000 (RMB11.42 cents per share)), and this interim dividend was not recognised as a liability in this interim financial information.

## 17 BASIS OF PREPARATION OF THE INTERIM REPORT

This interim condensed consolidated financial information for the half-year reporting period ended 30 June 2020 has been prepared in accordance with Accounting Standard 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 2019 and any public announcements made by the Group during the interim reporting period.

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

### (i) New and amended standards adopted by the Group

A number of new or amended standards and interpretation are mandatory for the first time for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

## **INDUSTRY REVIEW**

During the first half of 2020, the State continued to deepen the natural gas market-oriented reform and fully motivated the market and economic vitality in the energy industry, but under the impact of public health emergency event at the beginning of the year, the growth paces of the production, import and consumption volume of natural gas in China slowed down. 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 94.96 billion m<sup>3</sup>, representing a year-on-year increase of 9.9%; the total natural gas import volume was 66.74 billion m<sup>3</sup>, representing a year-on-year increase of 3.3%; the apparent consumption of natural gas was 155.61 billion m<sup>3</sup>, with a growth rate up to 4%.

In order to effectively lower the negative impact of public health emergency on the natural gas industry and to fully secure the safe and steady supply of natural gas, the National Development and Reform Commission and other authorities issued the “Notice on Reducing Gas Cost of Non-residents In Stages and Support the Resumption of Work and Production of Enterprises (關於階段性降低非居民用氣成本支持企業複業複產的通知)” in order to comprehensively raise the overall gas sales level of natural gas, strive to safeguard the consumer and industrial gas market, and promote full recovery of gas enterprises. In addition, the State deepened the marketization reform of energy industry and is committed to build a fair and open business environment. The “Energy Law of the People’s Republic of China (consultation paper) (中華人民共和國能源法(徵求意見稿))” issued by the National Energy Administration clearly states the principle of “energy marketization”, which involves various areas including up-stream exploration and mining, primary energy consumption and energy transmission, aims to increase the quality in industry development, create a more diverse, fair and open business environment, promote high-quality development in energy industry as well as optimize energy structure.

In recent years, natural gas consumption has continued to grow rapidly, with its importance increasing in the national energy system. The government has continued to focus on industry development and has continually implemented various favourable policies that positively guide the steady growth of the industry. At the same time, the establishment of the national pipeline network company will also provide good opportunities for the continuous and rapid development of the Group.

## **BUSINESS REVIEW**

For the six months ended 30 June 2020, the Group closely followed the guidance of national policies, and by leveraging on its own resource advantages along with the goals of fully exploring market potentials and expanding markets, it continued to optimize management methods and improve management, so as to strategically respond to the downward pressure on the economy in the first half of the year, and to lay solid foundation for achieving operating goals with high standards in the second half of the year. The key results and operating data of the Group for the six

months ended 30 June 2020 and their comparison against the figures for the corresponding period of last year are as follows:

|   | 2020             | Six months ended 30 June<br>2019 | Change  |
|---|------------------|----------------------------------|---------|
| Revenue (RMB'000)   | <b>2,995,535</b> | 3,150,250                        | (4.9%)  |
| Gross profit (RMB'000)  | <b>836,494</b>   | 829,464                          | 0.9%    |
| Profit attributable to owners<br>of the Company (RMB'000)   | <b>375,157</b>   | 404,935                          | (7.4%)  |
| Weighted average number of shares ('000)  | <b>999,615</b>   | 989,615                          | 1.0%    |
| Earnings per share* — basic (RMB)   | <b>0.38</b>      | 0.41                             | (7.3%)  |
| <br>  |                  |                                  |         |
| New pipeline gas customers:   | <b>380,440</b>   | 391,756                          | (2.9%)  |
| — City gas residential<br>customers (households)  | <b>138,824</b>   | 140,577                          | (1.2%)  |
| — Township coal-to-gas residential<br>customers (households)  | <b>240,439</b>   | 250,027                          | (3.8%)  |
| — Industrial and commercial customers<br>(households)   | <b>1,177</b>     | 1,152                            | 2.2%    |
| <br>  |                  |                                  |         |
| Total pipeline gas customers:   | <b>3,736,418</b> | 2,796,693                        | 33.6%   |
| — City gas residential customers<br>(households)  | <b>2,510,082</b> | 2,143,034                        | 17.1%   |
| — Township coal-to-gas residential<br>customers (households)  | <b>1,201,231</b> | 632,618                          | 89.9%   |
| — Industrial and commercial customers<br>(households)   | <b>25,105</b>    | 21,041                           | 19.3%   |
| — Designed daily gas supply capacity to<br>industrial and commercial customers<br>(in ten thousand m <sup>3</sup> ) | <b>926</b>       | 815                              | 13.7%   |
| <br>  |                  |                                  |         |
| Natural gas sales volume (in ten thousand m <sup>3</sup> ):   | <b>71,464</b>    | 74,099                           | (3.6%)  |
| Sales volume of retail business of natural gas<br>(in ten thousand m <sup>3</sup> )                                 | <b>57,074</b>    | 54,807                           | 4.1%    |
| — Natural gas sales volume to residential<br>customers (in ten thousand m <sup>3</sup> )                            | <b>17,676</b>    | 15,213                           | 16.2%   |
| — Natural gas sales volume to industrial<br>and commercial customers<br>(in ten thousand m <sup>3</sup> )           | <b>35,766</b>    | 36,102                           | (0.9%)  |
| — Natural gas sales volume to<br>transportation customers<br>(in ten thousand m <sup>3</sup> )                      | <b>3,632</b>     | 3,492                            | 4.0%    |
| Sales volume of wholesale business of<br>natural gas (in ten thousand m <sup>3</sup> )                              | <b>14,390</b>    | 19,292                           | (25.4%) |
| <br>  |                  |                                  |         |
| Long-haul pipeline gas transmission volume<br>(in ten thousand m <sup>3</sup> )                                     | <b>32,338</b>    | 35,243                           | (8.2%)  |
| Total length of medium and<br>high-pressure pipelines (kilometre)   | <b>5,769</b>     | 4,737                            | 21.8%   |

\* 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



## **Engineering Construction Services**

As at 30 June 2020, the Group connected 138,824 new residential customers to city gas pipelines, and the total number of residential customers to city gas pipelines increased to 2,510,082.

During the Reporting Period, the Group has followed the state's favourable policy for coal-to-gas conversion development and has actively developed the coal-to-gas conversion projects in the townships in Henan Province. As at 30 June 2020, the Group connected 240,439 new customers of township coal-to-gas conversion in Henan Province, and the total number of the township coal-to-gas conversion customers in Henan Province provided with gas connection services reached 1,201,231.

As at 30 June 2020, the Group connected a total of 1,177 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 25,105.

## **Gas Sales Volume**

During the Reporting Period, gas sales volume of the Group totally amounted to 715 million m<sup>3</sup>, representing a decrease of 3.6%, as compared with 741 million m<sup>3</sup> for the corresponding period of last year. Gas volume sold to residential customers, industrial and commercial customers, transportation customers and wholesale business accounted for 24.7%, 50.1%, 5.1% and 20.1% of total gas sales volume, respectively.

Total gas sales volume to residential customers increased by 16.2% as compared with the corresponding period of last year, mainly due to an increase of residential customers from the Group's existing projects and residential customers from newly acquired projects as well as the growth in average gas sales volume per residential customer units.

## **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 2020, 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.

- Yuzhou-Changege project: The pipeline has been successfully completed and qualified for gas supply conditions. The construction of 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 and provide strong gas source support for further expansion into surrounding pipeline market.

The Group will seize the opportunities of the favourable policy for national oil and gas pipeline development and the establishment of the national pipeline network company, 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 RMB2,996 million, representing a decrease of 4.9% as compared with RMB3,150 million for the corresponding period of last year. The margin was RMB836 million, representing an increase of 0.9% as compared with RMB829 million for the corresponding period of last year. Overall gross profit margin was 27.9%. Profit attributable to owners of the Company amounted to RMB375 million, representing a year-on-year decrease of 7.4% as compared with RMB405 million for the corresponding period of last year. Basic earnings per share amounted to RMB0.38, representing a decrease of 7.3% as compared with RMB0.41 for the corresponding period of last year.

### **Revenue from Engineering Construction Services**

During the Reporting Period, the Group formulated flexible development strategies based on the market and customer needs, and revenue generated from engineering construction services amounted to RMB1,142 million, representing an increase of 3.9 percentage points as compared with RMB1,099 million for the corresponding period of last year.

### **Revenue from Gas Retail Business**

For the six months ended 30 June 2020, revenue from retail business of the Group amounted to RMB1,462 million, representing a year-on-year decrease of 2.2 percentage points as compared with RMB1,495 million for the corresponding period of last year.

## **Revenue from Gas Wholesale Business**

For the six months ended 30 June 2020, revenue from wholesale business of the Group amounted to RMB323 million, representing a year-on-year decrease of 34.8% as compared with RMB495 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 appliances, comprehensive gas insurance agency service, gas renovation and maintenance, sales and installation of gas safety equipment etc., which contributed to a revenue of RMB69 million to other businesses, representing an increase of 13.1% as compared with RMB61 million for the corresponding period of last year.

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

During the Reporting Period, the Group realized gross profit of RMB836 million, representing a year-on-year increase of 0.9% as compared with RMB829 million for the corresponding period of last year. Overall gross profit margin of the Group was 27.9%, among which, gross profit margin for gas sales was 13.0%, representing a slight increase of 0.4% as compared with the corresponding period of last year. The gross profit margin for engineering construction services was 49.1%, which maintained basically at the same level as last year.

## **Distribution Cost and Administrative Expenses**

The Group’s distribution cost for the Reporting Period was RMB24 million, and administrative expenses were RMB87 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 2020 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 RMB48 million, representing an increase of RMB36 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 RMB128 million, representing an increase of 5.9% as compared with RMB121 million for the corresponding period of last year, mainly due to a decrease in finance income and investment income on trust.

## **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 RMB14 million.

## **Profit for the period**

During the Reporting Period, excluding other losses – net and investment income on trust, the adjusted core profit amounted to RMB424 million, representing an increase of 3.5% as compared with RMB410 million for the corresponding period of last year.

During the Reporting Period, profit for the period of the Group amounted to RMB388 million, representing a decrease of 8.0% as compared with RMB421 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 RMB375 million, representing a year-on-year decrease of 7.4% 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 2020, the Group incurred capital expenditure of RMB376 million, of which RMB271 million was used for payment of project acquisitions and RMB105 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 2020, the Group held cash and cash equivalents of RMB1,273 million in total, (among which 95.5% was denominated in RMB, 3.9% was denominated in HK dollars and 0.6% was denominated in US dollars), so as to safeguard the capital needs for the project expansion and acquisition of business of the Group.

As at 30 June 2020, the Group's total borrowings were RMB5,145 million, among which loans denominated in RMB were RMB1,970 million, loans denominated in HK dollars were RMB2,568 million and loans denominated in US dollars were RMB607 million. Among those borrowings, 64.8% of which were classified as non-current liabilities, and 35.2% of which were classified as current liabilities. As at 30 June 2020, the gearing ratio, calculated based on the percentage of total liabilities over total assets, was 64.5%.

### **Finance Cost and Exchange Risk Management**

For the six months ended 30 June 2020, the Group's interest expense on borrowings was RMB143 million, representing a decrease of 9.1% as compared with the corresponding period of last year.

As at 30 June 2020, the Group's borrowings denominated in foreign currencies accounted for 61.7% 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.

## **OPERATIONAL REVIEW**

### **Risk Management**

The Group has adhered to comprehensive risk management principles and has regarded risk management as basic guarantee and management basis for various operations. It committed in building a scientific, systematic and comprehensive risk management system, so as to achieve the optimal integration of risk management and the Group.

In terms of operation and management, the Group further improved the management and assessment mechanism of receivables, set up targeted assessment methods, strictly implemented assessment goals, practically enhanced the execution of assessment methods, thereby further increased the overall management level of the Group's receivables. In terms of engineering construction management, the Group continued to amend and improve the five engineering management systems, including "Tian Lun Gas Construction Management System (天倫燃氣工程管理制度)", "Tian Lun Gas Construction Service Project Bidding Guidelines (天倫燃氣工程服務項目招投標工作指引)" and "Tian Lun Gas Engineering Design Drawings Examination Guidelines (天倫燃氣工程設計圖紙會審工作指引)", with the aim to strengthen the management of engineering construction in the form of systems. In terms of risk management of business entities, the Group, on the one hand, has increased the random inspection on the implementation and internal control of system processes, persisted in eradicating the violations of laws and regulations, identified problems timely and provided guidance, and also tracked the rectification and implementation progress of all problems. On the other hand, the Group will more comprehensively sort out the risk points of all key important segments, conduct accurate identification, scientific prediction, detailed analysis, effective evaluation and concentrated prevention.

### **Information Management**

Combining with its own development strategic goals, the Group has continued to optimize and improve its information management, and enabled it to apply through the entire business process and management system, thus reduced the operation risks and costs, increased efficiency and effectiveness, strongly supported company policies, enhanced market competitiveness, and hence maximized corporate value.

Regarding the newly acquired member companies, the Group will incorporate them into its existing financial system, capital management system and charging system platform, so as to ensure the unity and refined management of the Group's information system. The financial system ensures a unified accounting system among the newly acquired member companies and the entire group, which guarantees the completeness, accuracy and consistency of accounting information, is beneficial to the Group's financial data analysis and facilitates internal control and supervision. The capital management system achieves the instant collection and centralized use of funds, as well as reduces finance cost and financial risks. The charging system allows customer service staff to have effective management of gas users, while gas users can pay online at real time through various ways such as Alipay, WeChat, and self-service charging terminals, thus greatly saves the queue up time for users. In addition, the Group promotes the station control system of gas filling station, which displays real-time data such as station entry-and-exit pressure, temperature, temporary flow under standard conditions, and accumulated flow under standard conditions through software. These data can be uploaded to total flow management platform, and such platform allows remote and timely data checking, thereby facilitates unified management.

## **Human Resources**

As at 30 June 2020, total number of employees of the Group was 3,012. The remuneration of employees of the Group is determined based on their work performance, work experiences and prevailing market rate.

In order to effectively attain the Group's strategic goals, increase operating efficiency, and further strengthen the Group's resource synergy and management and control abilities, the Group optimized and adjusted its organizational structure according to its development focus in the first half of the year. At the same time, the Group sorted and created reserve registry on existing employees, set standards on three aspects: keen in learning, ambition and dedication, accurately identified talents with high potential, continued creating outstanding think-tank echelon, so as to secure sufficient talents for the Group's development. The Group also attaches great importance on talent cultivation. It set up mid-to-high level, eagle plan, elite plan, flying hawk plan as well as management training and nurturing plan targeting for employees at all levels. Through adopting ways such as internal and external lecturer trainings, as well as onsite exchange learning and on-the-job in-depth study in outstanding enterprises, the Group focused on the skills and capabilities required for each position, and paved the promotion paths of future career development for staff. Moreover, through evaluation events and activities such as the "Quarterly Award on Commitment", "Excellent Member of the Year", and "Excellent Management Award", the Group has set benchmark models and formed a positive competitive atmosphere at work. The Group continued to optimise its performance management and remuneration system through internal interviews, industry research and communication with consulting firms, with the aim of formulating a practical and effective incentive mechanism to enhance work enthusiasm and sense of belonging among staff.



## **OUTLOOK**

At the beginning of 2020, under the impact of COVID-19 pandemic health emergent event, all industries and economic activities across China almost went into a halt, the Group's gas market scale and user development business were also affected to a certain extent. However, while actively responding to the government call to join hands in fighting the pandemic, the Group has also actively prepared for the resumption of work and production, hence it has finally successfully completed the risk transition during the pandemic, and has laid a strong foundation for achieving its annual operating goal.

In the second half of the year, the Group will continue adhering to the ideas of “Reform, Innovation, Adjustment”, further push forward management reforms, optimize management teams, strengthen the strategic analysis of the Group's businesses and key projects, and adjust the Group's development ideas with reference to market rules. While ensuring stable development of the inventory market, the Group will vigorously develop growing markets and seek breakthroughs around “sales and marketing”, and it will take “efficiency and safety” as its goal to focus on increments, explore new policies and put much effort on expanding the Group's scale. It will also introduce innovative management, innovative marketing, and cultivate new profit growth points and development model. Moreover, the Group will raise work efficiency, strengthen risk management and control, leverage on suitable circumstances, and actively construct a resource base and business platform for the Group's future sustainable development, thus striving to provide returns to the shareholders of the Company with better results.

## **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 31 July 2020, pursuant to the share option scheme adopted by the Company on 13 October 2010, a total number of 4,000,000 options have been exercised by two 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 26 August 2020, the Board recommended the payment of an interim dividend for the six months ended 30 June 2020 of RMB11.40 cents per share (the “**Interim Dividend**”) with the dividend payout ratio being approximately 30.4%.

The Interim Dividend will be paid in Hong Kong dollars on or about Monday, 30 November 2020 to the shareholders whose names appear on the register of members of the Company after the close of business on Friday, 30 October 2020. 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 Friday, 23 October 2020 to Friday, 30 October 2020 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be qualified for the entitlement to the proposed Interim Dividend, all completed transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 22 October 2020.

## **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](http://www.hkexnews.hk)) and the Company’s website ([www.tianlungas.com](http://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, 26 August 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.*