天伦燃气
TIANLUN GAS

2017
Interim Report

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

We Are Here

TO PROVIDE CLEAN ENERGY

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MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

In the first half of 2017, with the recovery of the Chinese economy, the promulgation of favourable policies and the steady progress of environmental protection work, natural gas consumption in the PRC showed an explosive growth. According to the National Development and Reform Commission, China's natural gas consumption in the first half of 2017 amounted to 114.6 billion m^3, representing an increase of approximately 15.20%, which is the first double-digit growth since 2015. The Group took such good market opportunities to vigorously develop various gas business and maintained significant growth in the first half of the year. During the Reporting Period, the Group's revenue and gross profit were approximately RMB1,490 million and RMB379 million, respectively, representing an increase of approximately 15.50% and approximately 15.55% as compared with approximately RMB1,290 million and approximately RMB328 million, respectively, for the corresponding period of last year. Profit attributable to owners of the Company amounted to approximately RMB187,000,000, representing an increase of approximately 23.84% as compared with approximately RMB151,000,000 for the corresponding period of last year. Gas sales volume of the Group amounted to approximately 501,000,000 m^3, representing an increase of approximately 13.61% as compared with the corresponding period of last year. The total number of the Group's various gas users reached to approximately 1,430,829.

BUSINESS REVIEW

Gas Pipeline Connection

During the Reporting Period, new connections to residential users and industrial and commercial users of the Group were approximately 95,691 and approximately 839, respectively. As at 30 June 2017, the Group had a total of approximately 1,421,073 residential users and approximately 9,756 industrial and commercial users, representing increases of approximately 16.99% and approximately 19.06%, respectively, as compared with the corresponding period of last year. Average connection fee paid by each residential user was RMB2,631 and average connection fee paid by each industrial and commercial user was RMB55,344.

Transportation and Sales of Gas

During the Reporting Period, total gas sales volume of the Group was approximately 501,000,000 m^3, representing an increase of approximately 13.61% as compared with the total gas sales volume of approximately 441,000,000 m^3 for the corresponding period of last year. Pipeline gas distribution volume amounted to approximately 394,000,000 m^3. Gas volume sold to residential users, industrial and commercial users, transportation gas users and urban gas enterprise users accounted for approximately 16.50%, 54.12%, 15.20% and 14.18%, respectively, of the total gas sales volume. The average selling prices of natural gas sold by the Group to residential users, industrial and commercial users, transportation gas users (including retail and wholesale) and urban gas enterprise users (exclusive of tax) were approximately RMB2.20/m^3, RMB2.35/m^3, RMB2.53/m^3 and RMB1.88/m^3, respectively.

Following the pace of urbanization development, the Group had created new models of civil users development and strengthened its efforts on civil users development. During the Reporting Period, Xuchang subsidiary , Hebei subsidiary and Ming Sheng, being members of the Group, recorded a significant growth, and the Group's total gas sales volume to residential users increased by approximately 19.76% as compared with the corresponding period of last year.

Gas sales volume to industrial and commercial users increased by approximately 20.42% as compared with the corresponding period of last year. Excluding gas sale volume to industrial and commercial users for long-haul pipeline business, gas sales volume to industrial and commercial users of other gas projects of the Group still increased by approximately 31.93% as compared with the corresponding period of last year.

The successive launch of national environmental protection and subsidy policies further promoted the progress of coal-to-gas conversion projects of enterprises. The Group actively responded to the call of the State and energetically developed the coal-to-gas user market while maintaining the continuous growth of industrial users in the existing areas of its operation. During the Reporting Period, gas supply to Baiyin Non-ferrous Group, Dongfang Titanium (東方鈦業), Uni-President and Baiyin Sanfeng Wenchuan Environmental Protection, with which the Group entered into contracts last year in the northwest region of China, commenced, with daily gas consumptions of 20,000 m^3, 100,000 m^3, 30,000 m^3 and 10,000 m^3, respectively. The average daily gas consumption of several large industrial gas users of the subsidiaries situated in Hebi which had completed coal-to-gas conversion projects last year, including Hebi Dongjiang Construction, Hebi Coal Power, Hebi Zhongtai Mining, Hebi Coal and Henan Luda Engineering Machinery, reached 50,000 m^3 in total. In addition, members of the Group in various regions actively developed potential local coal-to-gas users in view of local situations. In particular, the subsidiary situated in Shangjie of the southern region of Henan successfully entered into a contract with Henan Jinju Color Aluminium, which currently has a daily gas consumption of 60,000 m^3. With further improvement in facilities, its daily gas consumption is expected to reach 80,000 m^3. In South China Region, a contract had been successfully entered into with Guangdong Xintongda Steel Pipe Plant with a designed daily gas consumption of 40,000 m^3. Cooperation agreements had also been entered into with 30 industrial users in such region. In addition, Shan County Subsidiary, Dongming Subsidiary and Hebi Subsidiary in North Henan Region successfully developed Shandong Sunsine Chemicals, Shandong Green Baozhu Fertilisers (山東綠寶珠肥業) and Hebi Hangyu Road and Bridge Construction as users, with designed daily gas consumption of 50,000 m^3, 30,000 m^3 and 30,000 m^3, respectively. It is believed that the gas consumption of these newly developed industrial users will lead to a significant increase in the gas sales volume of the Group to industrial users.

Gas sales volume to transportation gas users increased by approximately 33.50% as compared with the corresponding period of last year, mainly due to the stable CNG production of Jilin Changling project and the sound development of vehicle gas sales business. In addition, the launch of new policies for internet hailing vehicles and the increasing gasoline price resulted in the rebound of business volume of traditional taxies. In particular, the subsidiaries situated in Shangjie, Gulang, Qian County and Jiutai of the Group all recorded significant increase in vehicle gas sales volume.

Furthermore, gas sales volume to urban gas enterprise users was approximately 71,090,000 m^3, and pipeline gas distribution volume was approximately 394,000,000 m^3, representing a decrease of 20.87% and an increase of approximately 13.54%, respectively, as compared with the corresponding period of last year.

Development of New Projects

During the Reporting Period, the Group acquired an urban gas project in Jintang County, Sichuan Province. As at the end of the Reporting Period, the Group had a total of 54 urban gas projects.

Acquisition of an urban gas project in Jintang County, Sichuan Province

On 12 May 2017, Xuchang Tian Lun Gas Group Limited* (許昌市天倫燃氣有限公司) entered into an agreement with the then shareholders of Sichuan Jintang Gas Company * (四川省金堂縣燃氣公司) to acquire the entire equity interest of Sichuan Jintang Gas Company at a consideration of RMB500,000,000.

Jintang County, where the project operates, is in the core area of the Chengdu-Chongqing economic circle and only 42 kilometres from the central urban area of Chengdu, the PRC. It is a key development area in the Chengdu Plain economic circle and a key development zone for characteristics industries in Chengdu. Local property business in Jintang County is at a stage of rapid growth, with a large number of properties under construction and to be developed and land available for development. With its unique location advantage, the Chengdu-Jintang subway, which is under construction, will also be completed for traffic in 2020. With the improving transportation network, urban population will maintain fast growth, and local civil gas market has broad development prospects. The "Da Zhi Zao" (大智造) industrial park, which has a planned area of 330 square kilometres and has commenced construction, will focus on the development into an industrial cluster area for energy-saving and environmental protection, general aviation, new energy vehicles, new materials, high-end equipment, and biological medicine industries, and it is a "trillion level industrial new town" and a "national development zone" in Chengdu. The Chengdu-Aba Industrial Park focuses on the development of energy-saving and environmental protection, resources recycling and electronics industry cluster and has participated over 100 large-scale industrial projects. It strives to develop into a first-class energy-saving and environmentally-friendly industry demonstration park in the PRC. In addition, Jintang County government vigorously promotes the development of local tourism industry and focuses on the development of a number of demonstration tourism projects including the largest children's theme park in south-western China, China's first big data football base and a hot spring resort of China Travel Service (Hong Kong). The improving urban systems, growing urban area and population, developing industrial park and key investment projects will all facilitate the future market expansion and development of the project.

The project has a stable and mature business operation with over 110,000 residential users, more than 2,200 commercial users and 230 industrial users. It has gas supplied by both China Petroleum and Chemical Corporation, Southwest Oil and Gas Branch and PetroChina Company Limited, Southwest Natural Gas Sales Branch, which further ensures its future steady growth. The project is only 30 kilometers away from Xindu District where the subsidiary in Sichuan Ming Sheng operates. Such acquisition will further expand the business size of the Group in south-western China, improve the operational synergies generated by the Group's urban gas projects in Sichuan Province, Gansu Province, Shaanxi Province and Yunnan Province, and have strategic values and play an important role in the Group's presence in Sichuan Province and further increase in its market share in south-western China.

Investment in Gas Refilling Stations

As at 30 June 2017, the Group had added 6 new operating gas refilling stations and had a total of 50 operating gas refilling stations and 9 gas refilling stations were under construction. The Group will pay close attention to the relevant policy developments and actively follow up on project development. It will establish additional gas refilling stations in the principle of mostly self-development and making prudent investments.

Investment in LNG Processing Plants

According to the design plan, the Group's gas source bases at Changling County, Jilin Province will have a daily production volume of 150,000 m^3 of CNG and LNG each. During the Reporting Period, the CNG production was stable and the daily production was close to 150,000 m^3. The installation and commissioning of LNG equipment was completed, which will commence production in the third quarter of 2017. With its gas source cost advantage and geographical advantage, as well as the Group's strong distribution ability in north-eastern China, the project is expected to, following the commencement of production, further lower the Group's gas cost in such area and lay a solid foundation for its further development of the Northeast China market.

In addition, in order to lower the investment cost and future operation cost of the project, after negotiations with local government, the LNG processing plant project in Kaizhou District, Chongqing (formerly known as Kai County, Chongqing) will be relocated to Puli Industrial New Area, which is closer to the gas source. Currently the Group is undergoing the procedures for the land approval of the new site. Once relocated to Puli Industrial New Area with convenient accessibility and significant location advantage, the project can rely on the regional policy advantage and enjoy government infrastructure and favourable policies such as interest subsidy for financing.

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, with a total annual gas transmission capacity of 5 billion m^3. As at the end of the Reporting Period, the station line work of the Lushan-Ruzhou Pipeline Branch of the West-East Pipeline II of the Group under construction was substantially completed, and its preliminary work was also completed. Its development will commence in the third quarter of 2017. Furthermore, the Yuzhou-Changge project, which targets to mainly serve Xuchang Subsidiary, a core subsidiary of the Group, and supply gas to related surrounding markets, has been included in the 13th five-year plan of Henan Province for energy development. Currently the station site selection, pipeline survey, design tender and determination of preliminary routes has been completed, and the planning and site selection for townships along the line is underway. The project is expected to commence construction in the fourth quarter of the year. In addition, the planned Puyang-Hebi pipeline of the Group was approved and included in the 13th five-year plan of Henan Province by Henan Province Development and Reform Commission, and will, upon completion, further lower the gas supply cost of Puyang Subsidiary and Hebi Subsidiary and provide strong gas source support for future expansion into surrounding pipeline market.

The Group will continue to identify the opportunities for the construction of long-haul pipelines and strive to capture more market share through active expansion of gas supply to gas power plants, direct supply to industrial parks and distributed energy business.

HUMAN RESOURCES

As at 30 June 2017, the total number of employees of the Group was 2,507. The remuneration of employees of the Group are determined based on their work performance, work experiences and prevailing market rate.

The Group pays great attention to the continuous training of staff and the improvement of their business skills. It carries out targeted training program in view of the needs of positions at various levels and through the selection of certified internal tutors and appointment of external professional lecturers. In particular, a senior management training program was launched at the Group's regions to further improve team leadership, support the strategic planning of the Company and the fulfillment of operational objectives. The continuous reserve manager training camp enables middle management to obtain comprehensive management experiences and provide strong support for their future career promotion. In addition, the Group arranges various kinds of training for low-level employees from time to time to further improve their services and professional quality, and implements a Parachute Program for college graduates, whereby mentors are assigned to them so that they can quickly integrate into their positions and department work. For talent reserve and introduction, by continuous implementation of the "Talent Program", "Coming Home to Work at Tian Lun" and "Management Trainee for President" programs as well as the combination of internal competition for positions, traditional campus recruitment and social recruitment, the Group strives to ensure adequate supply of talents to support the future business development of the Group.

Moreover, through contest activities including "Quarterly Bravery Awards", "Annual Outstanding Employees" and "Excellent Management Awards", the Group set models to create a good environment for competition. By appointing China Stone, a top enterprise consulting management company in the PRC to optimise its human resource system, the Group continued to improve its performance appraisal system, remuneration adjustment and other incentive mechanisms in order to further motivate employees and strengthen cohesion and sense of belonging to the Group.

INFORMATION MANAGEMENT

Based on its actual operational needs, the Group continued to refine and promote its information system and improved the standardized and refined management.

In the first half of 2017, its marketing service system realised the diversification of customer service channels and further improved the quality and efficiency of its customer services. The Group entered into a cooperation agreement with Zhongyuan Bank to establish IC card self-service recharge terminals at the areas of its operation across Henan Province free of charge. Currently the pilot program has been launched at Xuchang Subsidiary. In addition, members of the Group opened WeChat public accounts to provide self-service payment functions through WeChat and Alipay, and provided cloud customer service function to share the handling volume of traditional telephone customer service, which has effectively supported the highly-efficient operation of its overall marketing and customer service system and provided additional marketing and service channels for the Company. Furthermore, the conventional development of the gas project management system was completed, which enabled the clear understanding of material consumption in construction, construction progress and key points such as project filing and inspection for all of its projects and effective project management. Currently the system has been put into use in South Henan and North Henan regions. The promotion, inspection and acceptance of the equipment management system and transmission error management system was completed, which had been put into operation in four major regions including South Henan, North Henan, East China and South China and provide effective support for the Group to analyze various equipment data. In addition, the video monitoring and comprehensive environment monitoring and management system was installed at major stations of the Group in the first half of the year. The relevant management system will be jointly developed by the Group's information management centre and its safety and environment department to regulate the use and operation of the video system to maximize its effectiveness.

FINANCIAL REVIEW

Revenue from Gas Pipeline Connection

During the Reporting Period, the Group's revenue from gas pipeline connection amounted to approximately RMB298,000,000, representing an increase of approximately 2.76% as compared with the corresponding period of last year and accounting for approximately 20.00% of the total revenue of the Group.

Revenue from Gas Sales

During the Reporting Period, the Group's gas sales volume recorded significant growth. Revenue from gas sales amounted to approximately RMB1,162,000,000, representing an increase of approximately 18.21% as compared with approximately RMB983,000,000 for the corresponding period of last year and accounting for approximately 77.99% of the total revenue of the Group. In particular, gas sales revenue from long-haul pipeline transmission project amounted to approximately RMB437,000,000, and gas sales revenue from the other gas projects amounted to approximately RMB725,000,000, representing an increase of approximately 32.06% as compared with the corresponding period of last year.

Gross Profit, Gross Profit Margin and Net Profit Margin

During the Reporting Period, the Group recorded gross profit of approximately RMB379,000,000, representing an increase of approximately 15.55% as compared with the corresponding period of last year. Overall profit margin of the Group was approximately 25.44%, at a similar level to that of the corresponding period of last year; net profit margin was approximately 13.22%, representing a slight increase of 0.27 percentage point as compared with the corresponding period of last year.

Liquidity and Financial Resources

The Group has been adopting prudent policies in respect of financial resources management, including maintenance of an appropriate level of cash and cash equivalents as well as sufficient credit facilities, in order to cope with its daily operation needs and business development and maintain borrowing at a healthy level. As at 30 June 2017, the Group's cash and cash equivalents amounted to approximately RMB977,000,000, of which approximately 82.76% was denominated in Renminbi, approximately 12.45% in US Dollars, approximately 4.54% in Hong Kong Dollars and approximately 0.25% in European Dollars. As at 30 June 2017, the Group's gearing ratio, calculated based on the percentage of total liabilities over total assets, was approximately 63.61%.

Credit Structure

As at 30 June 2017, the Group's total borrowings were approximately RMB3,834,000,000 (As at 31 December 2016: approximately RMB3,588,000,000), of which borrowings denominated in Renminbi were approximately RMB1,638,000,000 (As at 31 December 2016: approximately RMB1,247,000,000) and borrowings denominated in US Dollars were approximately RMB2,196,000,000 (As at 31 December 2016: borrowings denominated in US Dollars of approximately RMB2,341,000,000). Approximately 39.78% (As at 31 December 2016: approximately 23.65%) of borrowings were classified as current liabilities. Loans repayable within one year were approximately RMB1,525,000,000, of which approximately RMB1,316,000,000 was secured by the Group's gas charge rights. As at 30 June 2017, cash and cash equivalents, current financial assets and available credit facilities amounted to approximately RMB1,283,000,000 in total, and the credit facilities obtained but unutilized by the Group amounted to approximately RMB774,000,000.

Exchange Risk Management

As at 30 June 2017, the Group's overseas loans denominated in US Dollars accounted for approximately 57.28% of its total borrowings, which was lower than industry average. 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. 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.

Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities (As at 31 December 2016: none).

OUTLOOK

Benefiting from the support and promotion by China's policies for energy structure optimisation and environment pollution treatment, the PRC natural gas market maintained a strong growth momentum and market-oriented natural gas reform continued to accelerate. In the first half of 2017, the 13th Five-year Plan for Natural Gas Development and the Opinions on Acceleration of Use of Natural Gas were promulgated, which further confirmed that natural gas will be developed into a major energy in China's modern clean energy system to provide a driving force for the development of the natural gas market. In the first half of 2017, the Group maintained an efficient and mature management and control model, leading to the strong growth of overall results.

In the second half of 2017, the Group will closely follow the favourable opportunities brought by national policies and economic environment and adjust its overall strategic planning in order to maintain continuous rapid growth of its results. The Group will continue to refine the market rules for its urban gas operation and strengthen the control of costs and expenses in the daily operation and project construction of gas business. While continuing to selectively acquire urban gas projects and keeping a close eye on the development of areas with established gas pipeline infrastructure, the Group will focus on target companies that can generate synergy in its existing areas of operation and seize the opportunities brought by the coal-to-gas conversion to develop more large high-quality industrial users. Also, the Group will independently construct long-haul pipelines to complement urban infrastructure, develop independent distributed energy projects at large plants and industrial parks, and focus on the development of gas transmission business for new gas power plants in Jiangsu and Guangdong provinces. In addition, the Group will further strengthen its standardized and information management, enhance the acquisition of knowledge on industry technologies and innovations in business models, and improve its ability to solve technical issues. The Group firmly believes that with the national favorable policies and its excellent management and control model, all employees of the Group will unite as one and repay shareholders and investors with more outstanding 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 shares of the Company.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Increased shareholding of controlling shareholder

Tian Lun Group Co., Ltd. (天倫集團有限公司) acquired on-market a total of 7,873,500 shares of the Company during the period from 26 June 2017 to 13 July 2017. Following such acquisitions, Tian Lun Group and Mr. Zhang Yingcen were interested in 471,171,300 shares and 540,621,800 shares (excluding the underlying put shares as defined in the announcement of Company dated 27 March 2015), respectively, representing approximately 47.61% and approximately 54.62%, respectively, of the entire share capital of the Company. For details, please refer to the announcements of the Company dated 29 June, 30 June, 7 July and 14 July 2017.

Share Option Scheme

On 18 July 2017, the Company granted a total of 15,000,000 share options to three executive Directors to subscribe for a total of 15,000,000 ordinary shares of HK$0.01 each in accordance with the share option scheme adopted on 13 October 2010. For details, please refer to the announcement of the Company dated 18 July 2017.

Increase of registered capital of a joint venture company

Henan Tian Lun Gas Group Limited ("Henan Tian Lun"), a wholly-owned subsidiary of the Company, together with Bank of Zhengzhou Co., Ltd. ("Zhengzhou Bank") and Zhengzhou Yutong Bus Co., Ltd. ("Zhengzhou Yutong"), established a financial leasing company ("JV") in Zhengzhou, Henan Province on 23 March 2016 with a capital contribution of RMB200,000,000.

On 15 August 2017, Henan Tian Lun further injected RMB200,000,000 to the registered capital of the JV in proportion to its shareholding in the JV, and Zhengzhou Bank and Zhengzhou Yutong also injected RMB290,000,000 and RMB510,000,000, respectively, in proportion to their respective shareholdings. Upon completion of the capital increase, the JV remained owned as to 20%, 29% and 51%, respectively by Henan Tian Lun, Zhengzhou Bank and Zhengzhou Yutong.

The financial leasing services provided by the JV will enable the potential customers of the Group to meet their capital needs for coal-to-gas conversion and assist them in future expansion of gas business of the Company. In addition, the JV has been under steady operation and recorded strong results. As such, the increase in the capital of the JV company can bring stable returns to the Company and further promote the development of gas business of the Company. For details, please refer to the announcements of the Company dated 17 February 2016, 16 August 2017 and 17 August 2017.

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 of 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2017, the interests and short positions of the Directors and chief executives of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

1. Long Positions in the Shares and underlying Shares:

Name	Capacity/ Nature of Interest	Number of Shares Held/ Interested	Number of underlying Shares Held/ Interested	Approximate percentage of the Company's total issued Shares
Mr. Zhang Yingcen	Beneficial owner (Note 1)	—	181,689,608	18.36%
	Interest of controlled corporation (Notes 2 and 3)	530,490,800	545,068,824	108.68%
	Interest of spouse (Note 4)	5,722,500	181,689,608	18.94%
Mr. Xian Zhenyuan	Beneficial owner (Note 5)	—	2,000,000	0.20%
	Interest of controlled corporation (Note 6)	12,829,500	—	1.30%
Mr. Feng Yi	Beneficial owner (Note 7)	—	300,000	0.03%
Ms. Li Tao	Beneficial owner (Note 8)	—	300,000	0.03%
Mr. Sun Heng	Beneficial owner (Note 9)	—	300,000	0.03%

2. Long Positions in the Ordinary Shares of the Associated Corporation:

Name of Director	Name of the associated corporation	Capacity/ Nature of interest	Number of shares held	Percentage of interests in the associated corporation
Mr. Zhang	Tian Lun Group Limited	Interest of controlled corporation	10	100

Notes:

1. On 27 March 2015, (i) Mr. Zhang, Ms. Sun Yanxi ("Ms. Sun") and Mr. Zhang Daoyuan, as sponsors (collectively, the "Sponsors"), (ii) Chequers Development Limited, Gold Shine Development Limited and Tian Lun Group Limited (formerly known as Fortune Hill Group Limited) as special purpose vehicles owned directly and/or indirectly by one or more Sponsors (those special purpose vehicles, together with the Sponsors, the "Grantors"); and (iii) International Finance Corporation ("IFC") and IFC Global Infrastructure Fund, LP ("IFC Fund", "IFC" and "IFC Fund" collectively, the "Investors") entered into a sponsors' agreement (the "Sponsors' Agreement"), pursuant to which the Grantors have, inter alia, granted the Put Option (as defined in the circular of the Company dated 21 April 2015) to IFC and IFC Fund.

   The Grantors assume joint and several obligations to purchase the Put Shares (as defined in the circular of the Company dated 21 April 2015). Accordingly, assuming the Investors elect to exercise the Put Option (as defined in the circular of the Company dated 21 April 2015) in full against Mr. Zhang only, Mr. Zhang is obliged to purchase the Put Shares, being 181,689,608 Shares.

2. Gold Shine Development Limited is interested in 466,762,800 Shares through its wholly-owned subsidiary, namely Tian Lun Group Limited. The entire issued share capital of Gold Shine Development Limited is owned as to 60% by Mr. Zhang. Therefore, Mr. Zhang is deemed or taken to be interested in all the Shares and underlying Shares held by Tian Lun Group Limited for the purposes of the SFO.

   Chequers Development Limited is wholly-owned by Mr. Zhang, which is interested in 63,728,000 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all the Shares and underlying Shares held by Chequers Development Limited for the purposes of the SFO.

   Mr. Zhang is the director of Gold Shine Development Limited, Tian Lun Group Limited and Chequers Development Limited.

3. The Grantors assume joint and several obligations to purchase the Put Shares under the Sponsors' Agreement. Accordingly, assuming the Investors elect to exercise the Put Option in full against the Sponsors' SPVs (as defined in the circular of the Company dated 21 April 2015) only, the Sponsors' SPVs, as a group, is obliged to purchase the Put Shares, being 181,689,608 Shares. Such underlying 545,068,824 Shares represent the aggregation of the maximum number of the Put Shares that may be put by the Investors to each of the Sponsors' SPVs in such circumstances.

4. Ms. Sun, the spouse of Mr. Zhang holds 5,722,500 Shares through her individual security account. Therefore, Mr. Zhang is deemed or taken to be interested in all the Shares held by Ms. Sun for the purpose of the SFO.

   The Grantors assume joint and several obligations to purchase the Put Shares under the Sponsors' Agreement. Accordingly, assuming the Investors elect to exercise the Put Option in full against Ms. Sun only, Ms. Sun is obliged to purchase the Put Shares, being 181,689,608 Shares.

5. These 2,000,000 underlying Shares represent the 2,000,000 Shares which may be allotted and issued to Mr. Xian Zhenyuan upon full exercise of the share options granted to him under the share option scheme adopted by the Company on 13 October 2010 (each share option granted under the share option scheme is referred to as "Share Option" and each Share Option shall entitle the holder thereof to subscribe for one Share).

6. Mr. Xian Zhenyuan beneficially owns 90.0% of the issued share capital of Pleasant New Limited, which in turn owns 12,829,500 Shares. Therefore, Mr. Xian Zhenyuan is deemed or taken to be interested in all the Shares held by Pleasant New Limited for the purposes of the SFO. Mr. Xian Zhenyuan is the sole director of Pleasant New Limited.

7. These 300,000 underlying Shares represent the 300,000 Shares which may be allotted and issued to Mr. Feng Yi upon full exercise of the Share Options granted to him.

8. These 300,000 underlying Shares represent the 300,000 Shares which may be allotted and issued to Ms. Li Tao upon full exercise of the Share Options granted to her.

9. These 300,000 underlying Shares represent the 300,000 Shares which may be allotted and issued to Mr. Sun Heng upon full exercise of the Share Options granted to him.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, the underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 30 June 2017, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons (except the Directors and chief executives of the Company) had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares and the underlying Shares

Name	Capacity/Nature of Interest	Number of Shares held/ interested	Number of underlying Shares held/ interested	Approximate percentage of the Company's total issued Shares
Tian Lun Group Limited (Notes 1, 2 and 3)	Beneficial owner	466,762,800	181,689,608	65.53%
Gold Shine Development Limited (Notes 1, 2 and 4)	Beneficial owner	—	181,689,608	18.36%
	Interest of controlled corporation	466,762,800	181,689,608	65.53%
Chequers Development Limited (Notes 2 and 5)	Beneficial owner	63,728,000	181,689,608	24.80%
Ms. Sun Yanxi (Notes 2 and 6)	Beneficial interest	5,722,500	181,689,608	18.94%
	Interest of spouse	530,490,800	726,758,432	127.04%

Name	Capacity/Nature of Interest	Number of Shares held/ interested	Number of underlying Shares held/ interested	Approximate percentage of the Company's total issued Shares
Zhang Daoyuan (Notes 2 and 7)	Beneficial interest	—	181,689,608	18.36%
IFC Asset Management Company, LLC (Note 8)	Investment manager	90,844,804	—	9.18%
IFC Global Infrastructure Fund, LP (Note 8)	Beneficial owner	90,844,804	—	9.18%
IFC (Note 8)	Beneficial owner	90,844,804	—	9.18%

Notes:

(1) The entire issued share capital of Tian Lun Group Limited is held by Gold Shine Development Limited. Tian Lun Group Limited owns 466,762,800 Shares. Therefore, Gold Shine Development Limited is deemed or taken to be interested in all the Shares and underlying Shares held by Tian Lun Group Limited for the purposes of the SFO.

(2) The Grantors assume joint and several obligations to purchase the Put Shares under the Sponsors' Agreement.

(3) Such 181,689,608 underlying Shares represent the maximum number of the Put Shares that may be put by the Investors to Tian Lun Group Limited under the Sponsors' Agreement.

(4) Such 181,689,608 underlying Shares represent the maximum number of the Put Shares that may be put by the Investors to Gold Shine Development Limited under the Sponsors' Agreement.

(5) Such 181,689,608 underlying Shares represent the maximum number of the Put Shares that may be put by the Investors to Chequers Development Limited under the Sponsors' Agreement.

(6) Gold Shine Development Limited is owned as to 60% by Mr. Zhang. Together with Notes (1), (3) and (4) above, Mr. Zhang is deemed or taken to be interested in all the Shares and the underlying Shares held by Tian Lun Group Limited for the purposes of the SFO.

Chequers Development Limited is wholly-owned by Mr. Zhang, who in turn owns 63,728,000 Shares. Together with Note (5) above, Mr. Zhang is also deemed or taken to be interested in all the Shares and underlying Shares held by Chequers Development Limited for the purposes of the SFO.

Mr. Zhang may be obliged to purchase the 181,689,608 underlying Shares, representing the maximum number of the Put Shares that may be put by the Investors to Mr. Zhang under the Sponsors' Agreement.

Ms. Sun is the spouse of Mr. Zhang, and therefore Ms. Sun is deemed or taken to be interested in all the Shares and the underlying Shares in which Mr. Zhang is interested and may be obliged to purchase respectively for the purpose of the SFO.

Ms. Sun holds 5,722,500 Shares through her individual security account and may be obliged to purchase the 181,689,608 underlying Shares, representing the maximum number of the Put Shares that may be put by the Investors to Ms. Sun under the Sponsors' Agreement.

(7) Such 181,689,608 underlying Shares represent the maximum number of the Put Shares that may be put by the Investors to Mr. Zhang Daoyuan under the Sponsors' Agreement.

(8) These 90,844,804 Shares are held by IFC Fund, which is owned as to 100% by IFC. IFC also owns the entire issued share capital of IFC Asset Management Company, LLC. IFC is deemed or taken to be interested in all the Shares held by IFC Fund, for the purposes of the SFO.

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any interests or short positions in the Shares and the underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under Section 336 of the SFO, except those held by the Directors or chief executives of the Company.

INTERIM DIVIDENDS

The Board declared payment of an interim dividend for six months ended 30 June 2017 of RMB7.88 cents per share. The actual dividend amount will be paid out by the Company in HKD and confirmed prior to the payment date. Further announcement will be made in this regard when appropriate. The interim dividends, amounting to approximately HK$89,870,000 will be distributed on or around Thursday, 30 November 2017 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 31 October 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 October 2017 to Tuesday, 31 October 2017, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividends, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 24 October 2017.

CORPORATE GOVERNANCE CODE

The Company has adopted and been in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during 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 had held meetings with the management to review accounting principles and practices adopted by the Group and discussed audit, internal control and financial reporting issues. The Audit Committee had reviewed and discussed the results and financial statements of the Group for the Reporting Period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 RMB'000 Unaudited	2016 RMB'000 Unaudited
Revenue	5	**1,490,354**	1,289,887
Cost of sales		**(1,111,290)**	(961,741)
Gross profit		**379,064**	328,146
Distribution costs		**(11,370)**	(10,133)
Administrative expenses		**(57,871)**	(49,927)
Other gains — net		**2,065**	16,692
Operating profit		**311,888**	284,778
Finance income		**21,830**	28,256
Finance expenses		**(80,971)**	(85,045)
Finance expenses — net	8	**(59,141)**	(56,789)
Share of post-tax profits of associates		**21,937**	4,241
Profit before income tax		**274,684**	232,230
Income tax expense	7	**(77,778)**	(64,767)
Profit for the period		**196,906**	167,463
Profit attributable to:			
Owners of the Company		**186,815**	151,080
Non-controlling interests		**10,091**	16,383
		196,906	167,463
Profit for the period		**196,906**	167,463
Other comprehensive income for the period, net of tax		**—**	—
Total comprehensive income for the period		**196,906**	167,463
Attributable to:			
Owners of the Company		**186,815**	151,080
Non-controlling interests		**10,091**	16,383
		196,906	167,463
Earnings per share for profit attributable to owners of the Company (RMB per share)			
— Basic earnings per share	9	**0.19**	0.15
— Diluted earnings per share	9	**0.19**	0.15

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2,191,808**	2,124,140
Investment properties	10	**18,121**	18,210
Lease prepayments	10	**221,623**	233,842
Intangible assets	10	**2,964,589**	2,999,084
Investments accounted for using equity method	11	**293,508**	271,571
Deferred income tax assets		**29,057**	26,271
Financial assets at fair value through profit or loss	14	**—**	19,786
Available-for-sale financial assets		**40,145**	40,145
Trade and other receivables	12	**63,812**	56,315
Prepayments related to other non-current assets		**67,002**	30,331
Total non-current assets		**5,889,665**	5,819,695
Current assets			
Inventories		**52,642**	41,892
Trade and other receivables	12	**698,122**	603,164
Dividends receivable		**—**	4,642
Available-for-sale financial assets		**—**	2,000
Financial assets at fair value through profit or loss	14	**305,667**	335,267
Restricted cash		**183,655**	71,362
Cash and cash equivalents		**977,420**	755,390
Total current assets		**2,217,506**	1,813,717
Total assets		**8,107,171**	7,633,412
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	**8,340**	8,340
Share premium	13	**1,264,114**	1,264,114
Reserves		**70,857**	78,416
Retained earnings		**1,275,903**	1,080,332
		2,619,214	2,431,202
Non-controlling interests		**330,598**	320,507
Total equity		**2,949,812**	2,751,709

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	18	**137,818**	136,598
Borrowings	16	**2,309,283**	2,739,953
Deferred income		**1,424**	1,472
Deferred income tax liabilities	17	**366,622**	370,414
		2,815,147	3,248,437
Current liabilities			
Trade and other payables	18	**486,989**	530,408
Dividends payables		**6,143**	6,143
Advance from customers		**194,627**	150,690
Financial liabilities at fair value through profit or loss	15	**14,105**	—
Current income tax liabilities		**115,213**	97,531
Borrowings	16	**1,525,135**	848,494
		2,342,212	1,633,266
Total liabilities		**5,157,359**	4,881,703
Total equity and liabilities		**8,107,171**	7,633,412

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company						
	Share Capital RMB'000 Note 13	Share premium RMB'000 Note 13	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2017	**8,340**	**1,264,114**	**78,416**	**1,080,332**	**2,431,202**	**320,507**	**2,751,709**
Comprehensive income							
Profit for the period	—	—	—	186,815	186,815	10,091	196,906
Total transactions with owners, recognised directly in equity							
Employees share option scheme:							
— Value of employee services	—	—	1,197	—	1,197	—	1,197
— Transfer to accumulated earnings upon forfeiture of share options	—	—	(8,756)	8,756	—	—	—
Total transactions with owners, recognised directly in equity	—	—	(7,559)	8,756	1,197	—	1,197
Balance as at 30 June 2017	**8,340**	**1,264,114**	**70,857**	**1,275,903**	**2,619,214**	**330,598**	**2,949,812**

	Attributable to owners of the Company						
	Share Capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2016	8,512	1,366,774	95,987	877,091	2,348,364	434,014	2,782,378
Comprehensive income							
Profit for the period	—	—	—	151,080	151,080	16,383	167,463
Total transactions with owners, recognised directly in equity							
Acquisition of subsidiaries	—	—	—	—	—	5,523	5,523
Dividends paid to non-controlling interests	—	—	—	—	—	(3,651)	(3,651)
Acquisition of additional interests in subsidiary	—	—	(54,559)	—	(54,559)	(136,441)	(191,000)
Employees share option scheme							
— Value of employee services	—	—	2,582	—	2,582	—	2,582
Total transactions with owners, recognised directly in equity	—	—	(51,977)	—	(51,977)	(134,569)	(186,546)
Balance as at 30 June 2016	8,512	1,366,774	44,010	1,028,171	2,447,467	315,828	2,763,295

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Cash flows from operating activities		
Cash generated from operations	**327,951**	299,324
Interest paid	**(103,389)**	(98,412)
Income tax paid	**(66,965)**	(58,682)
Net cash generated from operating activities	**157,597**	142,230
Cash flows from investing activities		
Purchases of property, plant and equipment	**(107,353)**	(73,601)
Increase in lease prepayments	**(4,499)**	(25,942)
Purchases of intangible assets	**(8)**	(455)
Proceeds from disposal of property, plant and equipment	**853**	22
Proceeds from disposal of lease prepayments	**20,817**	—
Disposal of available-for-sale financial assets	**2,010**	3,005
Disposal of financial assets at fair value through profit or loss	**318,000**	—
Investment income derived from financial assets at fair value through profit or loss	**8,463**	16,133
Investment income derived from available-for-sale financial assets	**4,642**	—
Purchases of financial assets at fair value through profit or loss	**(300,000)**	—
Investments in associates	**—**	(200,000)
Net cash outflow for the acquisition of subsidiaries	**(20,294)**	(247,984)
Prepayments related to share purchase agreements	**(51,788)**	—
Interest income from cross currency swap contracts	**4,777**	—
Interest received	**8,361**	5,145
Changes in restricted cash	**(120,243)**	(4,125)
Net cash used in investing activities	**(236,262)**	(527,802)
Cash flows from financing activities		
Proceeds from borrowings	**611,000**	1,852,163
Repayments of borrowings	**(310,696)**	(446,967)
Transactions with non-controlling interests	**—**	(170,000)
Changes in restricted cash	**7,950**	(35,320)
Net cash generated from financing activities	**308,254**	1,199,876
Net increase in cash and cash equivalents	**229,589**	814,304
Cash and cash equivalents at beginning of the period	**755,390**	609,385
Exchange (losses)/gains	**(7,559)**	13,630
Cash and cash equivalents at end of the period	**977,420**	1,437,319

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1 GENERAL INFORMATION OF THE GROUP

China Tian Lun Gas Holdings Limited (the "Company") was incorporated on 20 May 2010 in the Cayman Islands under the Companies Law (2010 Revision) of the Cayman Islands as an exempted company with limited liability. The Company is an investment holding company and was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 November 2010.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the gas pipeline connections by providing residential, commercial and industrial users with laying and installation and transportation, distribution and sales of gas including natural gas and compressed natural gas (the "CNG") and production and sales of liquefied natural gas ("LNG") in bulk and in cylinders in certain cities of the People's Republic of China (the "PRC").

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

This unaudited condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This unaudited condensed interim financial information was approved by the Board of Directors for issue on 31 August 2017.

This condensed consolidated interim financial information is unaudited.

2 BASIS OF PRESENTATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with HKAS 34, "Interim financial reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with HKFRSs.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other new and amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 SEGMENT INFORMATION

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

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

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

In 2016, the senior executive management team reviewed Beijing Tian Lun Investment Company Limited and its indirect subsidiaries (collectively, "Beijing Tian Lun Investment Group") as a single operating segment. Such operating segment is principally engaged in the long-haul pipeline gas transmission business (the "Long-haul Pipeline Gas Business") to sell gas to urban gas distributors and large industrial users, and also records other insignificant income from other business. During the period ended 30 June 2017, the senior executive management team changed the internal organisational structure and regarded the Long-haul Pipeline Gas Business operated by Beijing Tian Lun Investment Group as a single operating segment, and its other business was consolidated into other respective operating segments. The segment reporting for the period ended 30 June 2016 was adjusted retrospectively.

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

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

5 SEGMENT INFORMATION *(continued)*

The segment information provided to the senior executive management team for the reportable segments for the six-month period ended 30 June 2017 is as follows:

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

5 SEGMENT INFORMATION *(continued)*

The segment information provided to the senior executive management team for the reportable segments for the six-month period ended 30 June 2016 is as follows:

	Transportation and sales of gas RMB'000	Gas pipeline connections RMB'000	Long-haul pipeline gas business RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from external customers (restated)	549,458	290,080	433,976	16,373	—	1,289,887
Gross profit (restated)	82,531	196,488	42,670	6,457	—	328,146
Distribution costs					(10,133)	(10,133)
Administrative expenses					(49,927)	(49,927)
Other gains — net					16,692	16,692
Operating profit						284,778
Finance expenses — net					(56,789)	(56,789)
Share of post-tax profit of associates					4,241	4,241
Profit before income tax						232,230
Income tax expense					(64,767)	(64,767)
Profit for the period						167,463

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 2017, revenue from sales to a single external customer amounted to RMB168,734,000, representing 11% of total revenue of the Group; for the six months ended 30 June 2016, revenue from sales to a single external customer amounted to RMB167,428,000, representing 13% of total revenue of the Group. Such revenue was from the Long-haul Pipeline Gas Business segment.

6 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Raw materials and consumables used	**969,373**	880,108
Changes in finished goods and work in progress	**(10,750)**	1,202
Depreciation on property, plant and equipment (Note 10)	**51,021**	50,261
Depreciation on investment properties (Note 10)	**511**	1,567
Amortisation of lease prepayments (Note 10)	**2,230**	2,024
Amortisation of intangible assets (Note 10)	**34,503**	32,914
(Gains)/losses on disposal of property, plant and equipment and lease prepayments	**(277)**	1,235

7 INCOME TAX EXPENSES

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Current income tax:		
— PRC corporate income tax	**84,356**	64,795
Deferred income tax	**(6,578)**	(28)
	77,778	64,767

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2017 is 28% (the estimated tax rate for the six months ended 30 June 2016 was 28%).

8 FINANCE EXPENSE — NET

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Finance income		
Interest income on bank deposits and loan to third party	**(8,361)**	(5,145)
Investment income on financial assets at fair value through profit or loss	**(13,469)**	(23,111)
	(21,830)	(28,256)
Finance expenses		
Interest expense on borrowings	**94,906**	79,297
Cross currency swap contracts	**45,499**	—
Exchange (gains)/losses	**(47,508)**	21,612
Others	**666**	417
Less: Amounts capitalised on qualifying assets	**(12,592)**	(16,281)
	80,971	85,045
	59,141	56,789

9 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Profit attributable to owners of the Company (RMB'000)	**186,815**	151,080
Weighted average number of ordinary shares in issue (thousands)	**989,615**	1,009,615
Basic earnings per share (RMB per share)	**0.19**	0.15

9 EARNINGS PER SHARE *(continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Profit attributable to owners of the Company (RMB'000)	**186,815**	151,080
Weighted average number of ordinary shares in issue (thousands)	**989,615**	1,009,615
Adjustments for:		
— Share options (thousands)	**—**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**989,615**	1,009,615
Diluted earning per share (RMB per share)	**0.19**	0.15

During the period ended 30 June 2017, the share options were anti-dilutive (the period ended 30 June 2016: anti-dilutive).

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

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

	Property, plant and equipment RMB'000	Investment properties RMB'000	Lease prepayments RMB'000	Intangible assets RMB'000	Total RMB'000
Six months ended 30 June 2017					
Net book value as at 1 January 2017	**2,124,140**	**18,210**	**233,842**	**2,999,084**	**5,375,276**
Additions	**125,679**	**—**	**12,708**	**8**	**138,395**
Transfer to investment properties	**(422)**	**—**	**—**	**—**	**(422)**
Transfer from property, plant and equipment	**—**	**422**	**—**	**—**	**422**
Disposals	**(6,568)**	**—**	**(22,697)**	**—**	**(29,265)**
Depreciation charge	**(51,021)**	**(511)**	**(2,230)**	**(34,503)**	**(88,265)**
Net book value as at 30 June 2017	**2,191,808**	**18,121**	**221,623**	**2,964,589**	**5,396,141**
Six months ended 30 June 2016					
Net book value as at 1 January 2016	1,943,756	19,662	170,745	2,478,723	4,612,886
Additions	105,401	—	17,692	455	123,548
Acquisition of subsidiaries	78,627	—	19,731	551,047	649,405
Transfer to investment properties	(2,587)	—	—	—	(2,587)
Transfer from property, plant and equipment	—	2,587	—	—	2,587
Disposals	(1,257)	—	—	—	(1,257)
Depreciation charge	(50,261)	(1,567)	(2,024)	(32,914)	(86,766)
Net book value as at 30 June 2016	2,073,679	20,682	206,144	2,997,311	5,297,816

11 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Beginning of the period	**271,571**	50,803
Additions	—	200,000
Share of post-tax profits of associates	**21,937**	4,241
End of the period	**293,508**	255,044

The Group's share of the assets and liabilities, revenue and results of associates, all of which are unlisted, are shown below:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Assets	**11,220,878**	1,968,762
Liabilities	**(9,856,183)**	(793,752)
Revenue	**269,305**	59,081
Share of post-tax profits	**21,937**	4,241

12 TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2017	2016
	RMB'000	RMB'000
	Unaudited	Audited
Trade receivables	**403,750**	348,929
Bills receivable	**25,183**	1,090
Prepayments	**97,311**	93,975
Receivables due from related parties (Note 21)	**28,582**	28,539
Other receivables	**163,026**	147,910
Value-added tax to be offset and prepaid income tax	**44,082**	39,036
	761,934	659,479
Less: Long-term prepayments	**(63,812)**	(56,315)
Current portion	**698,122**	603,164

12 TRADE AND OTHER RECEIVABLES *(continued)*

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

	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited
Within 30 days	**236,300**	169,509
31 days to 90 days	**39,082**	24,481
91 days to 1 year	**99,290**	116,197
1 year to 2 years	**36,272**	44,716
Over 2 years	**7,721**	8,852
	418,665	363,755

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (Thousand)	**Ordinary share capital** RMB'000 Unaudited	**Share premium** RMB'000 Unaudited	**Total** RMB'000 Unaudited
Issued and fully paid:				
At 30 June 2017 (nominal value of HK$0.01 each)	**989,615**	**8,340**	**1,264,114**	**1,272,454**
At 1 January 2017 (nominal value of HK$0.01 each)	989,615	8,340	1,264,114	1,272,454

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited
Investment in trust (i)	**305,667**	318,882
Cross currency swap contracts	**—**	36,171
	305,667	355,053
Less: Non-current portion of cross currency swap contracts	**—**	(19,786)
Current portion	**305,667**	335,267

(i) During the period, investment in a trust amounting to RMB318,882,000 was disposed and investment in a trust amounting to RMB300,000,000 was acquired.

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

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

15 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited
Cross currency swap contracts (i)	**14,105**	—

(i) Changes in fair value of financial liabilities at fair value through profit or loss were recorded in "Finance costs" in these interim condensed consolidated financial information.

The fair values of cross currency swap contracts are determined by reference to the prices as quoted by the counterparty financial institution, which are included in Level 2 measurement of fair value hierarchy.

16 BORROWINGS

	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited
Non-current	**2,309,283**	2,739,953
Current	**1,525,135**	848,494
	3,834,418	3,588,447

Movements in borrowings are analysed as follows:

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

	RMB'000
Six months ended 30 June 2016	
Opening amount as at 1 January 2016	2,736,610
Proceeds from borrowings	1,852,163
Repayments of borrowings	(446,967)
Exchange losses	35,142
Closing amount as at 30 June 2016	4,176,948

Interest expense on borrowings and loans for the six months ended 30 June 2017 is RMB94,906,000 (Six months ended 30 June 2016: RMB79,297,000).

17 DEFERRED INCOME TAX LIABILITIES

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Balance as at 1 January	**370,414**	314,887
Acquisition of subsidiaries	**—**	46,046
(Charged)/credited to profit or loss	**(3,792)**	1,950
Balance as at 30 June	**366,622**	362,883

18 TRADE AND OTHER PAYABLES

	30 June	31 December
	2017	2016
	RMB'000	RMB'000
	Unaudited	Audited
Trade payables	**208,348**	175,380
Amounts due to related parties (Note 21)	**32,159**	31,595
Bills payables	**3,100**	12,900
Accrued payroll and welfare	**1,853**	4,025
Interests payables	**7,786**	9,145
Other taxes payables	**5,597**	14,341
Contingent consideration payables (i)	**200,300**	220,594
Other payables	**165,664**	199,026
	624,807	667,006
Less: Long-term other payables	**(137,818)**	(136,598)
Current portion	**486,989**	530,408

(i) The fair values of contingent consideration payables were measured by the discounted cash flow method and included in Level 3 of the fair value hierarchy. During the period ended 30 June 2017, the Group's contingent consideration payables amounting to RMB20,294,000 were paid in cash.

18 TRADE AND OTHER PAYABLES *(continued)*

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

	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited
Within 30 days	**102,708**	90,837
31 days to 90 days	**42,936**	32,274
91 days to 1 year	**43,243**	31,342
1 to 2 years	**13,635**	12,993
2 to 3 years	**3,767**	4,764
Over 3 years	**2,259**	3,170
	208,548	175,380

19 DIVIDENDS

The Board declared payment of an interim dividend for six months ended 30 June 2017 of RMB7.88 cents per share (for the six months ended 30 June 2016: approximately RMB6.93 cents per share). The interim dividends which are to be paid around Thursday, 30 November 2017 to the shareholders whose names appear in the register of members of the Company at the close of business on Tuesday, 31 October 2017, amounting to approximately HK$89,870,000, have not been recognised as a liability in this interim financial information, but will be recognised in shareholders' equity for the year ending 31 December 2017.

20 CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any material contingent liabilities.

21 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Group is controlled by Tian Lun Group Limited, a company incorporated in the British Virgin Islands ("BVI"), a direct wholly-owned subsidiary of Gold Shine Development Limited in the BVI, and it is ultimately controlled by Mr. Zhang Yingcen and his wife ("Controlling Shareholders").

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2017 and 2016, and balances arising from related party transactions as at 30 June 2017 and 31 December 2016.

(a) Name and relationship with related parties

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

21 RELATED PARTY TRANSACTIONS *(continued)*

(b) Significant related party transactions

Significant related party transactions are as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Sales of gas		
Suzhou Pingzhuang	**13,572**	6,112
Provision of pipeline connection services		
Guangwushan Construction	**—**	14,735
Acquisition of non-controlling interests		
Henan Tian Lun investment	**—**	191,000
Interest charge		
IFC	**9,444**	8,600

(c) Balances with related parties

	30 June	31 December
	2017	2016
	RMB'000	RMB'000
	Unaudited	Audited
Trade and other receivables		
Suzhou Pingzhuang	**180**	91
Guangwushan Construction	**14,735**	14,735
Henan Tian Lun investment	**13,667**	13,713
	28,582	28,539
Trade and other payables		
Suzhou Pingzhuang	**200**	204
Henan Tian Lun investment	**22,754**	22,046
IFC	**9,205**	9,345
	32,159	31,595
Loans due to		
IFC	**406,464**	416,220

21 RELATED PARTY TRANSACTIONS *(continued)*

(d) Remuneration of key management

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Basic salaries and allowances	**7,983**	7,584
Discretionary bonuses	**507**	845
Retirement benefit contributions	**1,013**	980
	9,503	9,409

22 EVENT AFTER THE BALANCE SHEET DATE

1. On 12 May 2017, Xuchang Tian Lun Gas Group Limited* (許昌市天倫燃氣有限公司), a wholly-owned subsidiary of the Group, entered into an agreement with the then shareholders of Sichuan Jintang Gas Company* (四川省金堂縣燃氣公司) to acquire the entire equity interest of Sichuan Jintang Gas Company at a consideration of RMB500,000,000. The acquisition was completed in July 2017, and the relevant valuation is being conducted.

2. On 18 July 2017, the Company granted a total of 15,000,000 share options to three Directors of the Company to subscribe for a total of 15,000,000 ordinary shares of HK$0.01 each in accordance with the share option scheme adopted on 13 October 2010.

   The exercise price of the share options is HK$4.97 per share, and (i) one third of the share options are exercisable from 18 July 2018 to 17 July 2019; (ii) another one third of the share options are exercisable from 18 July 2019 to 17 July 2020; and (iii) the remaining one third of the share options are exercisable from 18 July 2020 to 17 July 2021, upon acceptance of the grant of share options and subject to the terms of the share option scheme.

3. Henan Tian Lun Gas Group Limited * (河南天倫燃氣集團有限公司) ("Henan Tian Lun"), a wholly-owned subsidiary of the Group, together with Zhengzhou Yutong Bus Co., Ltd. ("Zhengzhou Yutong") and Bank of Zhengzhou Co., Ltd. ("Zhengzhou Bank"), jointly invested and established a financial leasing company in Zhengzhou, Henan Province on 23 March 2016.

   On 15 August 2017, Henan Tian Lun contributed additional capital of RMB200,000,000 in proportion to its shareholding of 20% in such company, and Zhengzhou Bank and Zhengzhou Yutong contributed additional RMB290,000,000 and RMB510,000,000, respectively, in proportion to their shareholdings. Upon completion of the capital increase, such company remains to be owned as to 20%, 29% and 51%, respectively by Henan Tian Lun, Zhengzhou Bank and Zhengzhou Yutong.