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天伦燃气
TIANLUN GAS

Tian Lun Gas Holdings Limited

天倫燃氣控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1600)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

Highlights of results for the six months ended 30 June 2022:

- Total gas sales volume was 968 million m³, representing an increase of 4.2% as compared with 929 million m³ for the corresponding period of last year. Among the total gas sales volume, total gas retail sales volume was 835 million m³, representing an increase of 9.7% as compared with 761 million m³ for the corresponding period of last year.
- Revenue was RMB3,745 million, representing an increase of 4.0% as compared with RMB3,599 million for the corresponding period of last year.
- Core profit for the half year amounted to RMB241 million, representing a decrease of 46.3% as compared with RMB449 million for the corresponding period of last year.
- The Board recommends the payment of an interim dividend of RMB7.35 cents per share.

The board (the “**Board**”) of directors (the “**Directors**”) of Tian Lun Gas Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) is pleased to announce the unaudited results of the Group for the six months ended 30 June 2022 (the “**Reporting Period**”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 Unaudited	2021 RMB'000 Unaudited
Revenue	2	3,744,711	3,599,400
Cost of sales		(3,138,999)	(2,730,672)
Gross profit		605,712	868,728
Distribution costs		(31,522)	(30,972)
Administrative expenses		(107,992)	(96,117)
Other income		4,591	6,500
Other (losses)/gains — net	3	(69,349)	78,384
Operating profit		401,440	826,523
Finance income		5,364	4,942
Finance expenses		(142,574)	(115,775)
Finance expenses — net	6	(137,210)	(110,833)
Share of results of associates and a joint venture	9	6,745	(9,770)
Profit before income tax		270,975	705,920
Income tax expense	5	(84,696)	(174,618)
Profit for the period		186,279	531,302
Profit attributable to:			
Owners of the Company		171,111	515,355
Non-controlling interests		15,168	15,947
		186,279	531,302

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

For the six months ended 30 June 2022

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
		Unaudited	Unaudited
Profit for the period		186,279	531,302
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		186,279	531,302
Attributable to:			
Owners of the Company		171,111	515,355
Non-controlling interests		15,168	15,947
		186,279	531,302
Earnings per share for profit attributable to owners of the Company (RMB per share)			
— Basic earnings per share	7	0.17	0.51
— Diluted earnings per share	7	0.17	0.51

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment	8	3,563,408	3,518,709
Investment properties	8	43,168	45,008
Right-of-use assets	8	272,559	272,206
Intangible assets	8	5,037,295	5,097,000
Investments accounted for using the equity method	9	760,228	773,671
Deferred income tax assets		30,096	27,040
Financial assets at fair value through other comprehensive income	11	72,600	72,600
Trade and other receivables	10	21,998	24,996
Prepayments related to other non-current assets		72,026	58,389
		9,873,378	9,889,619
Total non-current assets			
Current assets			
Inventories		180,652	154,642
Contract assets		2,612,248	2,414,722
Trade and other receivables	10	1,623,664	1,407,831
Financial assets at fair value through other comprehensive income	11	—	6,747
Financial assets at fair value through profit or loss	12(a)	116,264	39,018
Restricted cash		184,497	177,279
Cash and cash equivalents		1,169,751	1,014,978
		5,887,076	5,215,217
Total current assets			
		15,760,454	15,104,836
Total assets			

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)*As at 30 June 2022*

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		Unaudited	Audited
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	<i>13(a)</i>	8,513	8,466
Treasury share	<i>13(b)</i>	(75,824)	(200,697)
Share premium	<i>13(a)</i>	416,144	528,133
Reserves		736,807	736,819
Retained earnings		4,316,569	4,145,458
		<hr/>	<hr/>
		5,402,209	5,218,179
		<hr/>	<hr/>
Non-controlling interests		309,897	310,195
		<hr/>	<hr/>
Total equity		5,712,106	5,528,374
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2022

		30 June	31 December
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		Unaudited	Audited
LIABILITIES			
Non-current liabilities			
Borrowings	14	5,325,190	4,247,647
Deferred income		12,482	12,627
Lease liabilities		7,649	7,060
Deferred income tax liabilities	15	751,755	753,669
		<hr/>	<hr/>
		6,097,076	5,021,003
Current liabilities			
Trade and other payables	16	1,053,707	1,418,781
Lease liabilities		3,505	2,914
Dividend payables		5,179	6,533
Contract liabilities		588,947	592,003
Financial liabilities at fair value through profit or loss	12(b)	20,114	39,287
Current income tax liabilities		394,607	437,566
Borrowings	14	1,885,213	2,058,375
		<hr/>	<hr/>
		3,951,272	4,555,459
Total liabilities		<hr/> 10,048,348 <hr/>	<hr/> 9,576,462 <hr/>
Total equity and liabilities		<hr/> 15,760,454 <hr/> <hr/>	<hr/> 15,104,836 <hr/> <hr/>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

1 GENERAL INFORMATION OF THE GROUP

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

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

The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

This unaudited condensed consolidated interim financial information is presented in RMB unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 29 August 2022.

This condensed consolidated interim financial information is unaudited.

2 SEGMENT INFORMATION

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

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

The reportable segments derive their revenue and profit primarily from sales of natural gas in cylinders, sales of natural gas in bulk and engineering construction services.

The senior executive management reexamined the business model and the types of end-users who use its products, and reclassified part of natural gas wholesale businesses into retail businesses, enabling better review of business performance. For sales made to residential customers, industrial and commercial customers, and transportation customers is classified as sales of natural gas in cylinders; sales to distribution users of city gas enterprises and gas source trading users are classified as natural gas wholesale business. The revenue from rental income of investment properties, value-added business and other miscellaneous income, have been reviewed by the senior executive management, and its results are included in the section “all other segments”. The segment information for the period ended 30 June 2021 has been adjusted retrospectively.

2 SEGMENT INFORMATION (Continued)

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)/gains — net, finance expenses — net and share of results of associates and a joint venture, unallocated corporate expenses such as central administration costs and directors' salaries.

The Group does not allocate 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 operating segments. Therefore, the Group does not report a measure of segment assets and liabilities for each reportable segment.

The segment information provided to the senior executive management team for the reportable segments for the six-month period ended 30 June 2022 is as follows:

	Sales of natural gas in cylinders <i>RMB'000</i>	Sales of natural gas in bulk <i>RMB'000</i>	Engineering construction services <i>RMB'000</i>	All other segments <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Total revenue	2,419,892	412,863	734,123	265,739	(87,906)	—	3,744,711
Inter-segment revenue	—	—	—	87,906	(87,906)	—	—
Revenue from external customers	2,419,892	412,863	734,123	177,833	—	—	3,744,711
Segment profit	102,800	26,791	304,479	54,151	—	—	488,221
Unallocated expenses						(22,023)	(22,023)
Other income						4,591	4,591
Other losses — net						(69,349)	(69,349)
Operating profit							401,440
Finance expenses — net						(137,210)	(137,210)
Share of results of associates and a joint venture						6,745	6,745
Profit before income tax							270,975
Income tax expense						(84,696)	(84,696)
Profit for the period							186,279

2 SEGMENT INFORMATION *(Continued)*

The segment information provided to the senior executive management for the reportable segments for the six-month period ended 30 June 2021 is as follows:

	Sales of natural gas in cylinders <i>RMB'000</i>	Sales of natural gas in bulk <i>RMB'000</i>	Engineering construction services <i>RMB'000</i>	All other segments <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Total revenue	1,925,875	414,645	1,172,361	166,085	(79,566)	—	3,599,400
Inter-segment revenue	—	—	—	79,566	(79,566)	—	—
Revenue from external customers	1,925,875	414,645	1,172,361	86,519	—	—	3,599,400
Segment profit	202,962	18,146	489,913	45,809	—	—	756,830
Unallocated expenses						(15,191)	(15,191)
Other income						6,500	6,500
Other gains — net						78,384	78,384
Operating profit							826,523
Finance expenses — net						(110,833)	(110,833)
Share of results of associates and a joint venture						(9,770)	(9,770)
Profit before income tax							705,920
Income tax expense						(174,618)	(174,618)
Profit for the period							<u>531,302</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 2022, revenue from a single external customer amounted to RMB427,037,000, representing approximately 11.4% of the total revenue of the Group (six months ended 30 June 2021: RMB783,366,000, representing approximately 21.8% of the total revenue of the Group). The revenue is attributable to the engineering construction service and sales of natural gas in bulk (six months ended 30 June 2021: engineering construction service and sales of natural gas in bulk).

3 OTHER (LOSSES)/GAINS — NET

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Net exchange (losses)/gains	(132,479)	32,666
Changes in fair value of contingent consideration	—	54,303
Gains/(losses) on foreign exchange instrument	46,400	(8,191)
Other gains/(losses)	16,730	(394)
	<u>(69,349)</u>	<u>78,384</u>

4 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Raw materials and consumables used	2,691,555	2,019,158
Depreciation on property, plant and equipment (<i>Note 8</i>)	99,140	90,282
Depreciation on investment properties (<i>Note 8</i>)	1,635	1,531
Amortisation of right-of-use assets (<i>Note 8</i>)	5,232	6,166
Amortisation of intangible assets (<i>Note 8</i>)	62,833	58,228
Losses/(gains) on disposal of property, plant and equipment and right-of-use assets	1,267	(120)
(Gains) on disposal of associates	(4)	—
	<u>2,861,662</u>	<u>2,175,265</u>

5 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Current income tax:		
— PRC corporate income tax	89,666	151,395
Deferred income tax	(4,970)	23,223
	<u>84,696</u>	<u>174,618</u>

5 INCOME TAX EXPENSE (Continued)

All the Company's subsidiaries incorporated in the PRC are subject to the PRC corporate income tax, which has been provided based on the statutory income tax rate of the assessable income of each of such companies during the six months ended 30 June 2022 and 30 June 2021, as determined in accordance with the relevant PRC income tax rules and regulations. The CIT rate of the relevant subsidiaries operating in the PRC is 25% (six months ended 30 June 2021: 25%). Certain subsidiaries are entitled to the Development of the Western Regions CIT preferential policies and subject to a preferential CIT rate of 15% (six months ended 30 June 2021: 15%). Besides that, certain subsidiaries are also entitled to the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises CIT preferential policies and subject to a preferential CIT rate vary from 2.5% to 5% (six months ended 30 June 2021: 2.5% to 10%).

6 FINANCE EXPENSES — NET

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Finance income		
Income from bank deposits and bank products	<u>(5,364)</u>	<u>(4,942)</u>
Finance expenses		
Interest expense on borrowings	148,910	120,278
Leasing interests	337	166
Others	2,454	3,520
Less: amounts capitalised on qualifying assets	<u>(9,127)</u>	<u>(8,189)</u>
	<u>142,574</u>	<u>115,775</u>
	<u>137,210</u>	<u>110,833</u>

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are 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	
	2022	2021
	Unaudited	Unaudited
Profit attributable to owners of the Company (RMB'000)	171,111	515,355
Weighted average number of ordinary shares in issue (thousands)	982,776	1,003,615
Basic earnings per share (RMB per share)	<u>0.17</u>	<u>0.51</u>

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2022, the Company had no dilutive potential shares (six months ended 30 June 2021: no 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, plant and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended 30 June 2022					
Net book amount as at 1 January 2022	3,518,709	45,008	272,206	5,097,000	8,932,923
Additions	147,650	—	7,050	3,128	157,828
Transfer from investment properties	205	—	—	—	205
Transfer to property, plant and equipment	—	(205)	—	—	(205)
Disposals	(4,016)	—	(1,465)	—	(5,481)
Depreciation charge	(99,140)	(1,635)	(5,232)	(62,833)	(168,840)
	<u>3,563,408</u>	<u>43,168</u>	<u>272,559</u>	<u>5,037,295</u>	<u>8,916,430</u>
For the six months ended 30 June 2021					
Net book amount as at 1 January 2021	3,034,918	47,022	267,789	4,087,446	7,437,175
Additions	144,422	—	442	812	145,676
Acquisition of subsidiaries	249,367	—	5,664	1,147,738	1,402,769
Transfer from property, plant and equipment	—	—	409	—	409
Transfer to right-of-use assets	(409)	—	—	—	(409)
Disposals	(506)	—	—	—	(506)
Depreciation charge	(90,282)	(1,531)	(6,166)	(58,228)	(156,207)
	<u>3,337,510</u>	<u>45,491</u>	<u>268,138</u>	<u>5,177,768</u>	<u>8,828,907</u>

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Beginning of the period	773,671	783,924
Disposals	(20,188)	—
Share of results of associates	37,457	32,139
Share of result of a joint venture	(30,712)	(41,909)
	<u>773,671</u>	<u>783,924</u>
End of the period	<u><u>760,228</u></u>	<u><u>774,154</u></u>

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Assets	38,220,822	34,069,835
Liabilities	(33,516,673)	(29,519,687)
Revenue	756,185	711,152
Share of results of associates and a joint venture	6,745	(9,770)
	<u>38,220,822</u>	<u>34,069,835</u>
	<u><u>(33,516,673)</u></u>	<u><u>(29,519,687)</u></u>
	<u><u>756,185</u></u>	<u><u>711,152</u></u>
	<u><u>6,745</u></u>	<u><u>(9,770)</u></u>

10 TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Trade receivables	498,422	390,109
Receivables due from related parties	338,000	324,428
Less: provision for impairment	(33,732)	(31,883)
Bills receivables	113,475	45,676
Prepayments	571,429	542,211
Other receivables	100,203	111,946
Less: provision for impairment	(328)	(310)
Value-added-tax to be offset and prepaid income tax	58,193	50,650
	<u>1,645,662</u>	<u>1,432,827</u>
Less: long-term prepayments	(21,998)	(24,996)
	<u>1,645,662</u>	<u>1,432,827</u>
Current portion	<u><u>1,623,664</u></u>	<u><u>1,407,831</u></u>

10 TRADE AND OTHER RECEIVABLES (Continued)

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 billing date is as follows:

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Less than one year	617,895	569,333
1 year to 2 years	162,989	101,352
Over 2 years	41,931	30,245
	<u>822,815</u>	<u>700,930</u>

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Non-current assets		
Equity instrument — unlisted securities		
— Gas industry equity interest (i)	<u>72,600</u>	<u>72,600</u>
Current assets		
Debt instrument		
— Notes receivable (ii)	<u>—</u>	<u>6,747</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.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

- (ii) Debt investments at fair value through other comprehensive income comprise notes receivable. 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 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Financial Assets at Fair Value Through Profit or Loss

	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Current Assets		
Bank financial products	—	30,000
Forward exchange instrument (i)	53,194	9,018
Total Return Swap (the TRS) (ii)	63,070	—
	<hr/>	<hr/>
	116,264	39,018
	<hr/> <hr/>	<hr/> <hr/>

- (i) In order to deconcentrate the Group's foreign exchange risk among USD, HK dollars and its functional currency RMB, the Group entered into RMB/USD forward exchange instruments contract and RMB/HK dollars forward exchange instruments contract respectively from 2020 to 2022. The forward exchange instruments are measured at fair value at the end of the reporting period which is determined by reference to the prices as quoted by the counterparty financial institution.
- (ii) On 13 May 2022, the Company entered into the TRS Transaction with the TRS Counterparty. The maximum Equity Notional Amount of the TRS Transaction is HK\$100 million. The TRS Transaction will be no less than 12 months.

The TRS Transaction is measured at fair value which is determined by reference to the quoted prices for similar assets in an active market.

12 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

(b) Financial Liabilities at Fair Value Through Profit or Loss

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Current liabilities		
Forward exchange instrument (a)(i)	20,114	39,287

13 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

(a) Share capital and share premium

	Number of shares (Thousands)	Ordinary shares RMB'000 Unaudited	Share premium RMB'000 Unaudited	Total RMB'000 Unaudited
Issued and fully paid:				
At 30 June 2022 (nominal value of HK\$0.01 each)	1,010,027	8,513	416,144	424,657
At 1 January 2022 (nominal value of HK\$0.01 each)	1,003,615	8,466	528,133	536,599

13 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (Continued)

(b) Treasury shares

	Number of shares <i>(thousands)</i>	Total RMB '000 Unaudited
At 1 January 2022	31,490	200,697
Repurchase of shares	24,916	172,810
Cancellation of shares	(43,588)	(297,683)
	<hr/>	<hr/>
At 30 June 2022	12,818	75,824
	<hr/> <hr/>	<hr/> <hr/>

14 BORROWINGS

	30 June 2022 RMB '000 Unaudited	31 December 2021 RMB '000 Audited
Non-current	5,325,190	4,247,647
Current	1,885,213	2,058,375
	<hr/>	<hr/>
	7,210,403	6,306,022
	<hr/> <hr/>	<hr/> <hr/>

Changes in borrowings are analysed as follows:

	<i>RMB '000</i>
For the six months ended 30 June 2022	
Opening amount as at 1 January 2022	6,306,022
Proceeds from new loans	2,756,796
Less: financing expenses paid	(10,471)
Repayments of borrowings	(1,982,631)
Exchange losses	136,217
Amortisation of financing expenses	4,470
	<hr/>
Closing amount as at 30 June 2022	7,210,403
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14 BORROWINGS (Continued)

	<i>RMB'000</i>
For the six months ended 30 June 2021	
Opening amount as at 1 January 2021	5,064,639
Additions from acquisition of subsidiaries	137,150
Proceeds from new loans	2,823,773
Repayments of borrowings	(2,345,635)
Exchange gains	(31,161)
	<hr/>
Closing amount as at 30 June 2021	<u>5,648,766</u>

Interest expense on borrowings for the six months ended 30 June 2022 is RMB148,910,000 (six months ended 30 June 2021: RMB120,278,000).

15 DEFERRED INCOME TAX LIABILITIES

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Balance as at 1 January	753,669	593,221
Acquisition of subsidiaries	—	88,637
(Credit)/Charged to profit or loss	(1,914)	20,882
	<hr/>	<hr/>
Balance as at 30 June	<u>751,755</u>	<u>702,740</u>

16 TRADE AND OTHER PAYABLES

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Trade payables	350,925	585,245
Amounts due to related parties	2,892	4,447
Notes payable	274,545	244,494
Accrued payroll and welfare	3,715	8,930
Interest payables	18,747	11,704
Other taxes payables	238,219	263,330
Contingent consideration payables (i)	66,819	180,700
Other payables	97,845	119,931
	1,053,707	1,418,781

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

An ageing analysis of trade payables based on billing date is as follows:

	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Less than one year	293,932	544,956
1 year to 2 years	33,655	24,758
2 years to 3 years	14,733	6,633
Over 3 years	9,607	8,898
	351,927	585,245

17 DIVIDENDS

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Final dividend for the year 2021 of 14.57 cents per share paid to ordinary shares (2020: RMB15.30 cents per share)	148,031	154,768

Pursuant to the resolutions of the Board on 29 August 2022, the Board of the Company recommended the payment of a total interim dividend of RMB74,237,000 (RMB7.35 cents per share) for the six months ended 30 June 2022 (for the six months ended 30 June 2021: a total of RMB134,785,000 (RMB13.43 cents per share)), and this interim dividend was not recognised as a liability in this interim financial information.

18 BASIS OF PREPARATION OF THE INTERIM REPORT

This condensed consolidated interim financial information for the half-year period ended 30 June 2022 has been prepared in accordance with HKAS 34 Interim Financial Reporting.

This interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual report for the year ended 31 December 2021 and all other public announcements made by the Group during the period.

The accounting policies adopted in the preparation of this condensed consolidated interim financial information are consistent with those of the previous 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 standards, amendments and interpretation did not have a material impact or are not relevant to the Group.

INDUSTRY REVIEW

Under the new trend of reform on national oil and gas system and further promotion of dual-carbon target strategies, the natural gas industry has invited opportunities of transformation. The gas industry has united its efforts to expand new energy and integrate new technologies, promote the marketization, digitalization and intelligent transformation of the industry. It is important for city gas enterprises to attain quality and integrated development of energy while performing its long-term mission of guarantee, optimize, and secure supply in urban gas business. As a clean, low-carbon, safe and efficient quality resource, natural gas will support the decarbonization across industries along with renewable energy and other fuels. At the same time, by promoting various kinds of integrated development of energy, such can achieve energy transformation and upgrade in China as well as the healthy and sustainable development in urban gas industry, which is of great significance to the acceleration of green, low-carbon and intelligent development.

During the first half of the year, the global natural gas market still showed a mismatch situation in demand and supply. Although the pandemic is gradually under control at the current phase, and global economy has been recovering, yet recurrence of the pandemic has hindered the full recovery of capacity shortfall of natural gas. In the face of rapid increase in demand, the contradiction between supply and demand for natural gas worldwide persists. At the same time, under the impact of factors such as extreme climate, regional conflicts, and energy transformation, the natural gas prices in China have been rising and continuously raised the gas source cost in urban gas terminals. Under such context, several provinces (regions) including Hebei, Hunan, Hubei, Guizhou, Gansu, and Guangxi have successively issued relevant documents, started the price linkage mechanism along the upstream and downstream of natural gas industry, eased the gas price contradiction to a certain extent, and facilitated the healthy development of gas industry. Meanwhile, the PRC government and relevant authorities have successively promulgated a series of policies, such as the “Opinions on Accelerating the Construction of a Large Unified National Market (《關於加快建設全國統一大市場的意見》)” and the “Implementation Opinions on Work for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy (《關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的實施意見》)”, with the aim to promote the construction of a unified national energy market, deepen the reform on marketization mechanism of natural gas resources, constantly encourage the sustainable development of urban natural gas industry, and with the goal of fully establishing a green and low-carbon circular economic system, a clean, low-carbon, safe and efficient energy system as well as a carbon-neutral long-term mechanism by 2060.

With carbon neutrality becoming a global consensus, energy transformation is an inevitable trend and has also become the basic strategies for economic and energy development in China. From the experiences of countries and regions that have achieved carbon peak emissions, it was proven that natural gas can play a crucial role in energy transformation and the attaining of dual-carbon goal. The role of natural gas as a bridge in the process of energy transformation and its position as alternative energy has gradually established, the integrated development of natural gas and new energy has become a recognized trend in the industry. At present, several provinces in China have set out the policies of integrated development of gas, electricity, and new energy. Provinces including Henan, Hubei, Shaanxi, Gansu have issued their respective provincial energy development “14th Five-Year Plan”. Among which, the “Notice of Henan Province’s “14th Five-Year Plan” on Modern Energy System and Carbon-Peaking and Carbon Neutrality Plan (《河南省「十四五」現代能源體系和碳達峰碳中和規劃的通知》)” published by the People’s Government of Henan Province has expressly pushed forward the integrated development of gas, electricity and new energy power generation, promoted the deployment of energy storage facilities for newly planned wind power and photovoltaics projects, enhanced the consumption and storage capacities of new energy. With the advancement of reform on energy mechanism, as well as gradual improvement in the relevant laws and regulation and standard systems, it can be expected that an extensive room for development exists in the field of integrated development of natural gas and new energy.

BUSINESS REVIEW

For the six months ended 30 June 2022, as a leading city gas operator in China, the Group actively adapted to the industry reform and market development, adopted more steady and pragmatic operating strategies, and fully sorted the operation management ideas, so as to lay a strong foundation for achieving the Group’s high quality and sustainable development.

The key results and operating data of the Group for the six months ended 30 June 2022 and their comparison against the figures for the corresponding period of last year are as follows:

	Six months ended 30 June		
	2022	2021	Change
Revenue (RMB'000)	3,744,711	3,599,400	4.0%
Gross profit (RMB'000)	605,712	868,728	(30.3%)
Profit attributable to owners of the Company (RMB'000)	171,111	515,355	(66.8%)
Weighted average number of shares ('000)	982,776	1,003,615	(2.1%)
Earnings per share — basic (RMB)	0.17	0.51	(66.7%)
New pipeline gas customers:	191,986	286,688	(33.0%)
— City gas residential customers (households)	132,240	145,130	(8.9%)
— Rural gasification residential customers (households)	58,177	140,081	(58.5%)
— Industrial and commercial customers (households)	1,569	1,477	6.2%
Total pipeline gas customers:	5,130,628	4,581,971	12.0%
— City gas residential customers (households)	3,158,950	2,880,326	9.7%
— Rural gasification residential customers (households)	1,932,733	1,667,438	15.9%
— Industrial and commercial customers (households)	38,945	34,207	13.9%
Natural gas sales volume (in ten thousand m³):	96,797	92,905	4.2%
Sales volume of retail business of natural gas (in ten thousand m ³)	83,458	76,079	9.7%
— Natural gas sales volume to residential customers (in ten thousand m ³)	24,727	20,886	18.4%
— Natural gas sales volume to industrial and commercial customers (in ten thousand m ³)	54,639	50,523	8.1%
— Natural gas sales volume to transportation customers (in ten thousand m ³)	4,092	4,670	(12.4%)
Sales volume of wholesale business of natural gas (in ten thousand m ³)	13,339	16,826	(20.7%)
Long-haul pipeline gas transmission volume (in ten thousand m ³)	34,349	38,642	(11.1%)
Total length of medium and high-pressure pipelines (kilometre)	8,799	8,295	6.1%

Engineering Construction Services

As at 30 June 2022, the Group connected 190,417 new residential customers, and the total number of residential customers to gas pipelines increased to 5,091,683 representing an increase of 12.0% as compared to the corresponding period last year.

As at 30 June 2022, the Group provided a total of 1,569 industrial and commercial customers with engineering construction services, and the total number of its industrial and commercial customers under the projects operated by the Group reached 38,945, representing an increase of 13.9% as compared to the corresponding period last year.

Gas Sales Volume

During the Reporting Period, gas sales volume of the Group totally amounted to 968 million m³, representing an increase of 4.2%, as compared with the corresponding period of last year. Among which, gas sales volume in retail business amounted to 835 million m³, representing an increase of 9.7%. Gas volume sold to residential customers, industrial and commercial customers, transportation customers and wholesale business accounted for 25.5%, 56.5%, 4.2% and 13.8% of total gas sales volume, respectively.

During the Reporting Period, the Group vigorously developed residential customer base. Total gas sales volume to residential customers increased by 18.4% as compared with the corresponding period of last year. Meanwhile, by formulating flexible development strategies for commercial customers, the sales volume of industrial and commercial customers of the Group increased by 8.1% as compared to the corresponding period last year.

Gas Source Optimization

During the first half of the year, due to the intensifying geopolitical influences, the change in supply and demand of and price fluctuations in natural gas continued to affect the stability of global energy supply and inflation, and high gas sources price imposed certain extent of pressure on enterprises. The Group adjusted the gas source procurement strategy according to the prevailing situation and continued to optimize the gas source structure based on the supply and demand trend. The Group continued to deepen its cooperation with upstream supply side, and based on the gas consumption last year, it made reasonable plans on contracted gas volume, co-ordinated and entered into the gas resource increment, and steadily expanded the procurement volume of pipeline gas sources. In addition, the Group achieved profits through the qualification of shippers to open up business channels of pipeline gas trade. Through LNG centralized procurement model, the Group was able to fix the purchase volume and purchase prices in advance, thus effectively reduced gas source costs and increased the capability of gas source supply.

During the Reporting Period, the Group has a total of six long-haul pipelines, five of which have been put into operation with one in Da'an City, Jilin Province, one in Wujiang City, Jiangsu Province, two in Pingdingshan City, Henan Province and one in Xuchang City, Henan Province, which play an important role in securing the Group's gas source supply. An Anyang to Hebi pipeline is to be built. As at 30 June 2022, the total length of medium and high-pressure pipelines reached 8,799 kilometers.

Value-added Services

The Group has always adhered to the concept of "Being customer-centric and service-oriented" to develop value-added businesses. Through innovative business models and enriching service content, it continued to expand brand influence, and also met the diversified and differentiated demands of customers by in-depth exploration of customer values. Focusing on life scenario of customers, the Group precisely grasped customer demands based on regional preferences and consumption differences between urban and rural residents as well as launched various targeted sales and marketing activities. The Group attempted to enter deep into the community in the form of self-operated convenient stores, thus created a convenient lifestyle, achieved business integration, and promoted outlet empowerment. The Company cooperated with well-known manufacturers to create own brands on gas appliance, safety products and metering products, so as to provide customers with quality and competitive price products while reducing procurement costs, thus increased the Company's profit margins. The Group gradually formed a value-added business system with Tian Lun's unique characteristics, realized comprehensive service value, and enhanced the core competitiveness and profitability of value-added business. As at 30 June 2022, revenue from value-added business achieved RMB137 million, representing an increase of 88.0% as compared with RMB73 million for the corresponding period of last year; gross profit reached RMB61 million, representing an increase of 12.9% as compared with RMB54 million for the corresponding period of last year.

FINANCIAL REVIEW

During the Reporting Period, the Group's revenue amounted to RMB3,745 million, representing an increase of 4.0% as compared with RMB3,599 million for the corresponding period of last year. The margin was RMB606 million, representing a decrease of 30.3% as compared with RMB869 million for the corresponding period of last year. Overall gross profit margin was 16.2%. Profit attributable to owners of the Company amounted to RMB171 million, representing a year-on-year decrease of 66.8% as compared with RMB515 million for the corresponding period of last year. Basic earnings per share amounted to RMB0.17, representing a decrease of 66.7% as compared with RMB0.51 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 RMB734 million, representing a decrease of 37.4% as compared with RMB1,172 million for the corresponding period of last year.

Revenue from Gas Retail Business

For the six months ended 30 June 2022, revenue from retail business of the Group amounted to RMB2,420 million, representing a year-on-year increase of 25.7% as compared with RMB1,926 million for the corresponding period of last year.

Revenue from Gas Wholesale Business

For the six months ended 30 June 2022, revenue from wholesale business of the Group amounted to RMB413 million, representing a year-on-year decrease of 0.4% as compared with RMB415 million for the corresponding period of last year.

Revenue from Other Business

Most of the revenue from other business comes from value-added services. During the Reporting Period, the Group's value-added business precisely positioned customers' demands, innovated business models and enriched product contents, which contributed to a revenue of RMB178 million to other business, representing an increase of 105.5% as compared with RMB87 million for the corresponding period of last year.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group realized gross profit of RMB606 million, representing a year-on-year decrease of 30.3% as compared with RMB869 million for the corresponding period of last year. Overall gross profit margin of the Group was 16.2%, representing a decrease of 8.0 percentage points as compared with the corresponding period of last year.

Distribution Cost and Administrative Expenses

The Group's distribution cost for the Reporting Period was RMB32 million, and administrative expenses were RMB108 million.

Other (Losses)/Profits — Net

During the Reporting Period, other losses — net of the Group amounted to RMB69 million, representing a decrease of RMB148 million as compared with the corresponding period of last year, mainly due to the losses of RMB132 million generated from exchange rate fluctuations for the period.

Finance Expenses — Net

During the Reporting Period, finance expenses — net of the Group amounted to RMB137 million, representing an increase of RMB26 million as compared with RMB111 million for the corresponding period of last year.

Share of Results of Associates and a Joint Venture

During the Reporting Period, the Group's share of profit after tax of associates and a joint venture amounted to RMB6.75 million.

Profit for the Period

During the Reporting Period, excluding other profits/(losses) – net, the adjusted core profit amounted to RMB241 million, representing a decrease of 46.3% as compared with RMB449 million for the corresponding period of last year.

During the Reporting Period, profit for the period of the Group amounted to RMB186 million, representing a decrease of 64.9% as compared with RMB531 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 RMB171 million, representing a year-on-year decrease of 66.8% 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 2022, the Group incurred capital expenditure of RMB266 million, of which RMB114 million was used for payment of project acquisitions and RMB152 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 2022, the Group held cash and cash equivalents of RMB1,170 million in total, (among which 93.9% was denominated in RMB, 2.1% was denominated in HK dollars and 4.0% 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 2022, the Group's total borrowings were RMB7,210 million, among which loans denominated in RMB were RMB4,070 million, loans denominated in HK dollars were RMB256 million and loans denominated in US dollars were RMB2,884 million.

Among those borrowings, 73.9% of which were classified as non-current liabilities, and 26.1% of which were classified as current liabilities. As at 30 June 2022, the gearing ratio of the Group, calculated based on the percentage of total liabilities over total assets, was 63.8%.

Finance Cost and Exchange Risk Management

For the six months ended 30 June 2022, the Group's interest expense on borrowings was RMB149 million, representing an increase of 23.8% as compared with the corresponding period of last year.

As at 30 June 2022, the Group's borrowings denominated in foreign currencies accounted for 43.5% 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.

SUSTAINABLE DEVELOPMENT

The Group recognized the importance of environmental, social and governance (ESG) to the long-term stable development of the Company, thus it constantly optimized the ESG management system. The Company set up the ESG Committee in May 2022 to further improve its governance structure and strengthened core competitiveness to ensure sustainable development. During the Reporting Period, the Group published the 2021 ESG Report to disclose its 2021 ESG management performance to all sectors in society. Under the context of the public being more aware of sustainable development and the convergence of low-carbon environmental protection values, the Group presented its implementation of sustainable development goals in an open and transparent manner, as well as promoted and guides the concept of sustainable development to society, thereby raised corporate influence and public recognition. The Company highly valued its communication with stakeholders, had in-depth understanding on the expectations of respective stakeholders and responded to their demands in a timely manner. The Group identified 10 most relevant sustainable development goals according to its own business features and undertook to support and implement sustainable development goals in the Company's development strategies and business operations.

In 2021, the Group's urban gas operation and transmission business distributed a total of 2,755 million m³ of natural gas, representing the replacement of approximately 4,590,000 tonnes of standard coal consumption. The Group adhered to the ecological concept of green development, continued to improve the level of environmental management and efficiency of the use of resources, reduced the negative impact of own operations on the environment, and created a low-carbon environmental-friendly business operation model, thus jointly protected the clear rivers and green mountains. In 2021, indicators such as total emission intensity of greenhouse gases, and energy consumption intensity further decreased. The Group has been committed to the mission of "developing clean energy and improving the living environment", adjusted to the national energy transformation trend, responded to the country's low-carbon development strategy, and helped China achieve dual-carbon goals. The Group adhered to clean energy as business development direction, constructed a green, low-carbon, safe and efficient energy system, and further expanded and innovated the low-carbon energy business while promoting high-quality development of the natural gas business, with an aim to become a top-tier green and low-carbon energy supply and service provider in the PRC. Relying on the business layout and market development experience over years, the Group developed various new energy business including distributed rooftop photovoltaics and promoted regional energy green transformation with "gas-electricity coordination" model. Tian Lun Gas not only focused on its own development, but also emphasized on giving back to society and undertook corporate social responsibilities while providing efficient clean energy for users. With the help of value-added business platform to promote special agricultural products, the Group helped farmers in operating areas to create and increase income, assisted in rural revitalization, and it also participated in various charitable activities, and fully served society. In 2021, the Group donated a total of RMB12.8 million, as well as contributed to many areas such as fighting against the pandemic and caring for the growth of young people.

The Group adheres to the value of "To develop and enjoy Tian Lun together", puts great importance on co-create and sharing with employees. The Group upholds the "people-oriented" management philosophy, establishes a sound talent management system to mobilize the initiative, enthusiasm, and creativity of employees, coordinates the joint development of enterprises and staff, sets up a fair, just, and open human resources system and policies, and practically safeguards all lawful rights of employees. Through adopting a top-down approach to surveying training demand, the Group determines the course directions that leaders at all levels care about most. We also set up a diversified training system for employee differentiation. The training system covers different ranks and positions of all departments, thus promotes the all-around development of employees. In 2021, the Group recorded a total of 166,792 training hours for all employees, with an average 47.64 hours of training per employee. The Group cares about the physical and mental well-being of employees and actively creates a harmonious and pleasant working environment. In the leisure time, the Group organizes a range of cultural and sports activities to create a favorable working atmosphere for employees and help them achieve a balance between life and work.

Safety is a prerequisite of the survival and development of enterprises. For energy enterprises, a thorough and safe management system is the foundation of ensuring safety. Combining production and practicality, the Group established a sound trio-management structure comprising safety production leadership mechanism, supervision and monitoring mechanism, guarantee mechanism. The Group has constantly strengthened the implementation of safety management and supervision responsibility of “top leaders” of member companies. Through signing the “Annual Safety Production Target Responsibility Letter” with each member company, the Group organized the assessment of safety goals. In 2021, Tian Lun Gas appointed a total of 82 safety production management personnel, with the share of rank-and-file employees in the Safety Committee increased to 30%. The Group has continued to promote the standardization and process of emergency management, formulated the “Emergency Management Policy of Tian Lun Gas” and the “Emergency Response Management Process”, and constantly improved the emergency management system to enhance the emergency response capabilities. Meanwhile, the Group adheres to the principle of “four do not allow” in terms of emergency management, strictly preventing the occurrence of safety accidents. In 2021, Tian Lun Gas carried out 356 safety emergency drills, and no major safety accident occurred during the year, and the annual investment in safety production reached RMB29.75 million.

New Business Development

As a major agricultural province, Henan, led by the concept of green low-carbon concept, promotes rural energy reform, and strives to achieve both rural revitalization and dual-carbon targets. The Group will follow the national policy of “adopt electricity if appropriate, adopt gas if appropriate”, use roof rent to promote gas consumption, and adopt the method of whole village applying photovoltaic projects to promote gas construction, with an aim to build a gas-electricity synergy model with Tian Lun characteristics and swiftly deploy the rural household photovoltaic market. The Group’s operating area has covered 16 provinces across the country and has accumulated over 5 million users. Among which, the scale of user managed within Henan Province has reached 3 million households, and nearly 2 million users are township households. Through the rural gasification projects, the Group has had an extensive market network system in Henan Province with a good reputation and equipped with the ability to rapidly develop the market. Leveraging on existing customer resources, the Group can effectively reduce the market development costs and further increase the profit margin of EPC projects. In terms of engineering construction, the Group possesses rich and thorough experience in engineering construction management with a first-rate construction team, thus it can rapidly complete engineering construction with high quality. At the same time, with the rural service stations covering an extensive area, it can ensure the operational efficiency and increase the income of power stations, and the gas-electricity synergy model can effectively lower the operational costs, thus enhance project economies. In future, Tian Lun will continue to adhere to the concept of green, low-carbon and sustainable development, assist in rural revitalization, focus on developing photovoltaic business while carrying out gas business, as well as contribute to the township energy reform.

OUTLOOK

In the first half of 2022, under the impact of various unexpected factors such as Russia-Ukraine crisis and sanctions, and a new round of pandemic and prevention and control policies, China's economy faced increased operational pressure. To practically stabilize the economic development, the government adopted a series of policy measures to stabilize the macroeconomy, optimize the pandemic prevention and control measures, accelerate the resumption of work and production as well as commerce and market, and put full efforts on stabilizing growth, employment, and expectations as well as safeguarding people's livelihood. During the first half of the year, China's GDP had a year-on-year growth of 2.5%, of which, the GDP in the second quarter has a year-on-year growth of 0.4%. China's economy faced a lot of difficulties and challenges in midst of such complex internal and external environment, however, as the pandemic slowed down, China's economy has demonstrated strong resilience. Looking forward to the second half of the year, as the pandemic across the country gradually subsides and the resumption of work and production steadily proceed, the pace of full recovery for China's economy will be smooth and positive. The Group believes that, under the positive stimulus of efficient coordination of pandemic control and economic and social development, and constant manifestation of the effect of vigorously promoting various policies and measures to stabilize the economy, China's economy is expected to continue to rebound and maintain at a reasonable range.

In the second half of 2022, benefitting from the gradual recovery of China's economy and the national long-term goals such as carbon peak and carbon neutrality, the natural gas industry will still be in a phase of stable development. The Group takes root in the gas industry, continues to expand its business scale to enhance follow-up development, and adopts a series of measure on areas such as gas source coordination, operation adjustment, and optimization and protection of pipeline network, so as to strive to protect the safety and stability of gas supply in the operating areas, as well as continue to play an essential role in city modernization. In the context of the increasing market demand for natural gas, the Group achieves high-quality and highly efficient development; under the general trend of green energy and the upgrading of consumption structure, the Group realizes the integration of economic benefits and social values. While focusing on expanding and strengthening the urban gas business, the Group will implement the refined management of urban gas business, enhance systematic management thinking, improve user experience, and improve safety management efficiency. The Group will continue to focus on users' needs, optimize product layout and service quality, and establish the "Tian Lun Gas" brand image in the long run. It will also infiltrate the standardized and modernized service concept into its entire operation process, actively launch comprehensive services that provide benefits and convenience to the people, and truly and sincerely provide services for users. The Group will undertake the safety responsibilities and put them into action, take safe operation as the basis and foundation for establishing business and sustainable development, and adhere to the principle of "Safety First, Fulfilling Responsibilities" so as to ensure "zero incidents" of any safety accidents at the major level or above throughout the year.

At the current stage, green development has become a significant economic development concept in China. Against such background, the Group also explores a new development path, and has officially planned to launch the integrated energy business with rooftop photovoltaics as the major development direction. In the second half of 2022, while continuously developing traditional gas business, the Group will gradually break away from the single gas development model, practice the development idea of “Integrate resources externally; Strengthening advantages internally”, incubate “second growth curve”, and accelerate its pace of becoming a top-tier green and low-carbon energy supply and service provider in the PRC. Externally, the Group has cooperated with several powerful central enterprises to jointly create a low-carbon energy strategic cooperative ecosystem, and while steadily deepening the existing strategic partnership, the Group will introduce more long-term and strategic collaborative development partnerships as well. Internally, the Group will utilize the abundant lighting resources in the operating areas and rely on its enormous “rural gasification” user resources to give full play to the highly efficient engineering construction capability of “14-day whole process photovoltaic grid connection (14 天全流程光伏並網)”, and use the existing developed urban gas service stations as one-stop service centres for photovoltaic users, further provide high-quality, convenient and reliable gas-electricity collaborative services for township customers, and fully assist in achieving China’s rural revitalization and the goal of carbon peak and carbon neutrality.

REPURCHASE, SELL OR REDEEM ANY SHARES OF THE COMPANY

For the six months ended 30 June 2022, the Company purchased certain of its shares on the Stock Exchange which were subsequently cancelled by the Company. The details of such share repurchase as at 30 June 2022 are summarised below:

Month	Number of shares repurchased	Repurchase price of shares		Price paid <i>In total</i> HK\$
		per share		
		<i>Highest</i> HK\$	<i>Lowest</i> HK\$	
January 2022	24,916,000	9.15	8.15	213,911,210.34

The 18,672,000 shares repurchased in December 2021 and the 24,916,000 shares repurchased in January 2022 were cancelled in February 2022.

The shares of the Company were repurchased by the Company in 2022 pursuant to the mandate granted by the shareholders at the annual general meeting held in May 2021, for the purpose of benefiting the Company and its shareholders as a whole by increasing the net asset value and earnings per share of the Company.

Save as disclosed above, neither the Company nor its subsidiaries had purchased, redeemed or sold any of listed securities of the Company during the Reporting Period.

INTERIM DIVIDENDS

The Group has established a long-term steady dividend policy. Pursuant to the resolutions of the Board on 29 August 2022, the Board recommended the payment of an interim dividend for the six months ended 30 June 2022 of RMB7.35 cents per share (the “**Interim Dividend**”), which is subject to the approval of the shareholders of the Company at the extraordinary general meeting (the “**EGM**”), the date of which will be further announced.

The Interim Dividend will be paid in Hong Kong dollars on or about Wednesday, 30 November 2022 to the shareholders whose names appear on the register of members of the Company after the close of business on Monday, 31 October 2022. 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 Monday, 24 October 2022 to Monday, 31 October 2022 (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 Friday, 21 October 2022.

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), Ms. Zhao Jun and Ms. Ou Yaqun. The Audit Committee has reviewed this announcement and the unaudited consolidated financial statements of the Group for the Reporting Period.

INTERIM REPORT

The Company’s interim report for the Reporting Period will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company’s website (www.tianlungas.com), and copies of the interim report will be dispatched to the shareholders of the Company in due course.

By order of the Board
Tian Lun Gas Holdings Limited
Zhang Yingcen
Chairman

Zhengzhou, the PRC, 29 August 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan (Chief Executive), Ms. Qin Ling, Mr. Liu Min and Ms. Li Tao; the non-executive director is Ms. Chen Hong; and the independent non-executive Directors are Mr. Liu Jin, Mr. Li Liuqing, Ms. Zhao Jun, and Ms. Ou Yaqun.