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新奥能源控股有限公司
ENN Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2688)

Interim Results Announcement
For The Six Months Ended 30 June 2013

The Board of Directors (the “Board”) of ENN Energy Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2013 (the “Period”) together with the comparative unaudited figures for the corresponding period in 2012. The unaudited condensed consolidated financial statements have been reviewed by the Company’s auditors and the Audit Committee.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	<i>NOTES</i>	Six months ended 30 June	
		2013 <i>RMB million</i> <i>(unaudited)</i>	2012 <i>RMB million</i> <i>(unaudited)</i>
Revenue	3	10,386	8,774
Cost of sales		<u>(7,665)</u>	<u>(6,363)</u>
Gross profit		2,721	2,411
Other income		107	94
Other gains and losses	4	(182)	3
Distribution and selling expenses		(173)	(169)
Administrative expenses		(784)	(785)
Share of results of associates		42	22
Share of results of joint ventures		178	135
Finance costs		<u>(346)</u>	<u>(309)</u>
Profit before tax		1,563	1,402
Income tax expense	5	<u>(517)</u>	<u>(414)</u>
Profit and total comprehensive income for the period		<u>1,046</u>	<u>988</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		737	730
Non-controlling interests		<u>309</u>	<u>258</u>
		<u>1,046</u>	<u>988</u>
Earnings per share (RMB)	7		
Basic		<u>68.02 cents</u>	<u>68.78 cents</u>
Diluted		<u>68.00 cents</u>	<u>68.54 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

		At 30 June 2013	At 31 December 2012
	NOTES	RMB million (unaudited)	RMB million (audited)
Non-current assets			
Property, plant and equipment		16,056	15,099
Prepaid lease payments		871	770
Investment properties		69	69
Goodwill		206	196
Intangible assets		1,311	1,238
Interests in associates		793	798
Interests in joint ventures		2,500	2,271
Available-for-sale financial assets		114	14
Amounts due from associates		51	40
Amounts due from joint ventures		127	116
Amounts due from related companies		40	42
Deferred tax assets		269	222
Deposits paid for investments		55	217
Deposits paid for acquisition of property, plant and equipment, land use rights and operation rights		68	97
Restricted bank deposits		18	17
		<u>22,548</u>	<u>21,206</u>
Current assets			
Inventories		328	311
Trade and other receivables	8	2,218	2,062
Prepaid lease payments		21	20
Amounts due from customers for contract work		271	180
Amounts due from associates		119	83
Amounts due from joint ventures		361	528
Amounts due from related companies		40	31
Restricted bank deposits		240	316
Cash and cash equivalents		7,751	6,156
		<u>11,349</u>	<u>9,687</u>
Current liabilities			
Trade and other payables	9	4,816	4,894
Amounts due to customers for contract work		1,729	1,451
Amounts due to associates		82	20
Amounts due to joint ventures		945	896
Amounts due to related companies		22	32
Taxation payables		307	292
Bank and other loans – due within one year		999	2,737
Short-term debentures		1,237	1,208
Financial guarantee liability		20	23
Dividend payable		371	-
Deferred income		69	61
		<u>10,597</u>	<u>11,614</u>
Net current assets / (liabilities)		<u>752</u>	<u>(1,927)</u>
Total assets less current liabilities		<u>23,300</u>	<u>19,279</u>

Capital and reserves

Share capital	113	113
Reserves	8,906	8,540
Equity attributable to owners of the Company	9,019	8,653
Non-controlling interests	2,236	2,017
Total equity	11,255	10,670

Non-current liabilities

Bank and other loans – due after one year	1,460	1,471
Corporate bond	497	497
Senior notes	4,558	4,629
Medium-term notes	700	700
Deferred tax liabilities	394	346
Deferred income	1,079	966
Convertible bonds at fair value through profit and loss	3,357	-
	12,045	8,609
	23,300	19,279

Notes:**1. Basis of Preparation**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

Pursuant to the amendment to HKAS 1 *Presentation of items of Other Comprehensive Income*, the title of “condensed consolidated statement of other comprehensive income” is changed to “condensed consolidated statement of profit and loss and other comprehensive income”.

New and revised standards on consolidation, joint arrangements, associates and disclosures

The Group has applied a package of five standards on consolidation, joint arrangements, associates and disclosures, including HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 *Consolidated and Separate Financial Statements* (as revised in 2011), HKAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011) and the relevant amendments in the current period.

Key requirements of these five standards that are relevant to the Group are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation - Special Purpose Entities*. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC)-Int 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive.

In June 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these HKFRSs for the first time.

The application of these five standards has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods. However, the directors of the Company ("Directors") consider the application of HKFRS 12 will affect the Group's disclosures in its annual financial statements for the year ending 31 December 2013.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Additional disclosures of fair value information required by HKFRS 13 *Fair Value Measurement* were made in the condensed consolidated financial statements.

Saved as disclosed above, application of other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

In addition, the Group has applied the following policy applicable to its convertible bonds issued during the current interim period. The Group designated the convertible bonds as financial liabilities at fair value through profit or loss ("FVTPL") as the convertible bonds contained one or more embedded derivatives and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract to be designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on measurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the "other gains and losses" line item. The fair values are derived from quoted prices in an active market.

3. Segment Information

Information reported to the chief operating decision maker, the Company's Chief Executive Officer (the "CEO") for the purposes of resources allocation and performance assessment among segments focuses specifically on different type of goods and services. Specifically, the Group's operating and reportable segment under HKFRS 8 are gas connection segment, sales of piped gas segment, vehicle refuelling stations segment, wholesale of gas segment, distributions of bottled liquefied petroleum gas segment, sales of gas appliances segment and sales of material segment.

The following is an analysis of the Group's revenue and results by reportable segment for the periods under review:

Six months ended 30 June 2013 (unaudited)

	Gas connection		Sales of piped gas		Vehicle gas refuelling stations		Wholesale of gas		Distributions of bottled liquefied petroleum gas		Sales of gas appliances		Sales of material		Consolidation	
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment revenue	2,154	8,433	1,381	1,638	34	157	498	14,295								
Inter-segment sales	(301)	(1,960)	(7)	(1,103)	-	(114)	(424)	(3,909)								
Revenue from external customers	1,853	6,473	1,374	535	34	43	74	10,386								
Segment profit before depreciation and amortisation	1,222	1,421	297	26	1	18	17	3,002								
Depreciation and amortisation	(56)	(197)	(23)	(1)	(3)	(1)	-	(281)								
Segment profit (losses)	1,166	1,224	274	25	(2)	17	17	2,721								

Six months ended 30 June 2012 (unaudited)

	Gas connection		Sales of piped gas		Vehicle gas refuelling stations		Wholesale of gas		Distributions of bottled liquefied petroleum gas		Sales of gas appliances		Sales of material		Consolidation	
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
Segment revenue	1,996	6,382	1,064	1,506	74	135	669	11,826								
Inter-segment sales	(302)	(1,275)	(1)	(954)	-	(92)	(428)	(3,052)								
Revenue from external customers	1,694	5,107	1,063	552	74	43	241	8,774								
Segment profit before depreciation and amortisation	1,081	1,193	258	49	2	18	34	2,635								
Depreciation and amortisation	(28)	(172)	(18)	(3)	(2)	(1)	-	(224)								
Segment profit	1,053	1,021	240	46	-	17	34	2,411								

Segment profit represents the gross profit earned by each segment without allocation of other income, other gains and losses, distribution and selling expenses, administrative expenses, share of results of associates and joint ventures, finance costs and income tax expense. This is the measure reported to the CEO for the purposes of resources allocation and performance assessment.

4. Other Gains and Losses

	Six months ended 30 June	
	2013	2012
	<i>RMB million</i>	<i>RMB million</i>
Other (losses) gains comprise:		
Gain on derecognition of subsidiaries	-	28
Gain on re-measurement of assets upon step acquisition of a business	24	-
Fair value loss of convertible bonds	(214)	-
Gain (loss) on foreign exchange, net	18	(14)
Arrangement fee of banking facilities (Note)	-	(19)
Others	(10)	8
	<u>(182)</u>	<u>3</u>

Note:

The balance represented an arrangement fee payable to a financial institution for certain banking facilities granted to the Group which is not refundable regardless of the utilisation of such facilities by the Group.

5. Income Tax Expense

	Six months ended 30 June	
	2013	2012
	<i>RMB million</i>	<i>RMB million</i>
PRC Enterprise Income Tax:		
Current tax	520	437
Withholding tax	21	11
	<u>541</u>	<u>448</u>
Deferred tax:		
Current period	(24)	(34)
	<u>517</u>	<u>414</u>

PRC Enterprise Income Tax mainly comprises income tax of the Group which are recognised based on the applicable statutory tax rate of 25% expected for the full financial year (six months ended 30 June 2012: 25%).

The Group's effective income tax rate for the six months ended 30 June 2013 is 33.1% (six months ended 30 June 2012: 29.5%) as a result of the tax effect on the non-deductible fair value loss on the convertible bonds as set out in Note 4.

During the six months ended 30 June 2013, the Group has not recognised the deferred tax assets in respect of the unused tax losses of RMB598 million (six months ended 30 June 2012: RMB376 million) due to the uncertainty of future profit streams.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the period.

6. Dividend

The final dividend in respect of fiscal year 2012 of HK\$42.20 cents (equivalent to approximately RMB34.22 cents) per share on 1,082,859,397 shares (six months ended 30 June 2012: final dividend in respect of 2011 of HK\$36.23 cents (equivalent to approximately RMB29.37 cents) per share) amounting to approximately RMB371 million (six months ended 30 June 2012: RMB313 million) were declared on 26 March 2013 and were not paid as at 30 June 2013.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

7. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2013	2012
	RMB million	RMB million
Earnings		
Earnings for the purposes of basic earnings per share and diluted earnings per share	<u>737</u>	<u>730</u>
	Six months ended 30 June	
	2013	2012
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,082,859	1,062,064
Effect of dilutive potential ordinary shares arising from share options	<u>412</u>	<u>3,582</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,083,271</u>	<u>1,065,646</u>

The convertible bonds of US\$500 million issued by the Company on 26 February 2013 were anti-dilutive and accordingly had not been taken into account in the computation of the diluted earnings per share.

During the current interim period, there is no share option granted and exercised and the number of lapsed share options is 180,000. As at 30 June 2013, the number of outstanding share options is 600,000 (31 December 2012: 780,000).

8. Trade and Other Receivables

The following is an aged analysis, net of impairment, presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 30 June 2013	At 31 December 2012
	<i>RMB million</i>	<i>RMB million</i>
Within three months	552	463
4-6 months	47	39
7-9 months	22	26
10-12 months	9	6
More than 1 year	1	7
Total trade receivables (Note)	<u>631</u>	<u>541</u>
Other receivables	457	400
Notes receivables	314	309
Advance to suppliers, deposits and prepayments	<u>816</u>	<u>812</u>
	<u>2,218</u>	<u>2,062</u>

Note:

The Group allows an average credit period ranging from 60 to 90 days to its trade customers, except for certain customers with credit period more than 90 days.

9. Trade and Other Payables

The following is an aged analysis, presented based on invoice date at the end of the reporting period:

	At 30 June 2013	At 31 December 2012
	<i>RMB million</i>	<i>RMB million</i>
Within three months	1,114	1,554
4-6 months	173	77
7-9 months	91	53
10-12 months	19	15
More than 1 year	106	119
Total trade payables	<u>1,503</u>	<u>1,818</u>
Advances received from customers	2,612	2,312
Accrued charges and other payables	<u>701</u>	<u>764</u>
	<u>4,816</u>	<u>4,894</u>

BUSINESS REVIEW

The major results and operational data of the Group for the Period together with the comparative figures for the corresponding period last year are as follows:

	Six months ended 30 June		Increase/ (Decrease)
	2013	2012	
	(Unaudited)	(Unaudited)	
Revenue (RMB million)	10,386	8,774	18.4%
Gross profit (RMB million)	2,721	2,411	12.9%
Profit attributable to owners of the Company (RMB million)	737	730	1.0%
Earnings per share – Basic (RMB cents)	68.02	68.78	(1.1)%
Connectable urban population	57,467,000	53,389,000	7.6%
Connectable residential households	19,156,000	17,796,000	7.6%
New natural gas connections made during the period:			
– residential households	630,183	566,127	11.3%
– commercial/industrial (“C/I”) customers (sites)	3,510	3,130	380
– installed designed daily capacity for C/I customers (m ³)	3,973,117	3,903,963	1.8%
Accumulated number of connected natural gas customers:			
– residential households (Notes 1 & 2)	8,399,466	7,294,633	15.1%
– C/I customers (sites) (Notes 1 & 2)	34,151	26,968	7,183
– installed designed daily capacity for C/I customers (m ³) (Notes 1 & 2)	37,355,317	29,176,519	28.0%
Accumulated number of connected piped gas (including natural gas) customers:			
– residential households	8,489,432	7,436,007	14.2%
– C/I customers (sites)	34,464	27,327	7,137
– installed designed daily capacity for C/I customers (m ³)	37,401,007	29,737,646	25.8 %
Natural gas penetration rate	43.8%	41.0%	2.8%
Piped gas (including natural gas) penetration rate	44.3%	41.8%	2.5%
Unit of piped gas sold to residential households (m ³)	561,826,000	510,957,000	10.0%
Unit of piped gas sold to C/I customers (m ³)	2,538,857,000	2,128,610,000	19.3%
Unit of gas sold to vehicles (m ³)	538,711,000	438,965,000	22.7%
Unit of wholesale gas sold (m ³)	138,317,000	118,602,000	16.6%
Number of vehicle refuelling stations	376	276	100
Number of natural gas processing stations	129	116	13
Total length of existing intermediate and main pipelines (km)	22,588	19,952	13.2%

Notes:

1. Including a total of 1,307,416 natural gas residential customers and 3,044 natural gas C/I customers (with a total designed daily capacity of 2,369,684m³) from acquisition/conversion at 30 June 2013.
2. Including a total of 1,294,644 natural gas residential customers and 3,007 natural gas C/I customers (with a total designed daily capacity of 1,950,234m³) from acquisition/conversion at 30 June 2012.

Albeit the slowdown of China’s economic growth in the first half of 2013, the Group, supported by the concerted efforts of our employees, maintained persistent growth in every core business and further enhanced internal control, laying a solid foundation to enable us achieve the annual business guidance.

Gas Connection

During the Period, the Group conducted 630,183 new connections for residential households, representing an increase of 11.3% over the corresponding period last year. As at the end of June 2013, the accumulated number of the Group’s connected residential households using natural gas reached 8.40 million (connected residential households using piped gas totaled 8.49 million). Average gas penetration rate rose to 44.3% from 42.1% at the end of 2012. New connections for 3,510 commercial/industrial (“C/I”) customers were conducted during the Period (with total installed designed daily capacity of 3.97 million cubic meters). Accumulated number of connected C/I customers was 34,151 (with total installed designed daily capacity of 37.36 million cubic meters). Connected C/I customers using piped gas totaled 34,464 (with total installed designed daily capacity of 37.40 million cubic meters).

Amid the slowing economic growth, the Group's ability to maintain stable growth in gas connection business fully demonstrated its market insight and the strong capability to capitalise market opportunities. At the same time, the relatively low gas penetration rate and the mere 5% share of natural gas out of China's primary energy consumption show a prospective future for the Group's business.

As at the end of June 2013, the accumulated length of intermediate and main pipelines constructed by the Group was 22,588 kilometers and the number of natural gas processing stations reached 129, allowing a daily natural gas supplying capacity of 47.0 million cubic meters, and enabling the Group to meet long term demand from existing natural gas projects.

During the Period, the Group's gas connection fee revenue reached RMB1,853 million, representing an increase of 9.4% over the corresponding period last year. The average connection fees for residential households and C/I customers were RMB2,732 (per household) and RMB144 (per cubic meter) respectively, remaining at similar levels as compared to the same period last year.

Gas Sales

During the Period, the Group's total piped gas sales volume was 3,778 million cubic meters, up 18.2% from the corresponding period last year, in which 3,730 million cubic meters were attributable to natural gas sales, up 22.8% year-on-year. Comparing with the corresponding period last year, the proportion of natural gas sold to residential households, C/I customers and vehicle users amounted to 15.0%, 67.0% and 14.3%, increased by 12.8%, 25.6% and 22.8% respectively, comparing with the corresponding period last year.

During the Period, revenue from gas sales reached RMB6,473 million, representing an increase of 26.7% over the corresponding period last year. 62.3% of the Group's total revenue was attributable to gas sales, up from 58.2% in the same period last year. Driven by the robust growth of piped gas sales, which is our major revenue stream providing long term and stable income, the Group's revenue structure has been further modified.

Gross and Net Profit Margins

During the Period, the Group's overall gross profit margin and net profit margin were 26.2% and 10.1% respectively, representing decreases of 1.3 percentage points and 1.2 percentage points respectively as compared to the corresponding period last year.

Overall gross margin declined due to the Group's continuous improvement in its revenue structure. The portion of revenue attributable to higher margin but one-off connection fee decreased progressively, down from 19.3% to 17.8% as compared to the corresponding period last year, while the portion of revenue attributable to stable and recurring gas sales gradually increased.

The decrease in net profit margin was mainly attributable to the impact of one-off expenses this year including the non-cash loss derived from the fair value change of US\$500 million convertible bonds issued in the first half of this year.

Human Resources

As at 30 June 2013, the total number of staff employed by the Group was 25,030, of which 15 were based in Hong Kong. The number of staff was increased to cope with the needs arising from the Group's new projects and business development. The staff was remunerated at the market level with benefits such as statutory insurance, provident fund, bonus, retirement benefit and share option scheme.

New Projects

During the Period, the Group secured 5 new piped gas projects and 4 industrial park projects. The city-gas projects acquired included Baoding City in Hebei Province, Heyuan City, Leizhou City and Dongyuan County in Guangdong Province and Dingyuan County in Anhui Province. The industrial park projects acquired included Suining Suburban Project in Jiangsu Province, Suchu Modern Industry Park in Anhui Province, Binzhou Zhanhua Economic Development Zone in Shandong Province and Xintai City

Development Zone in Shandong Province. All of the above projects have robust commercial and industrial activities and promising growth prospect, enabling the Group to further expand its gas sales volume. Meanwhile, leveraging the new projects' proximity with the Group's existing projects, the Group can achieve its scale advantage and lower operating cost.

As at 30 June 2013, the Group has 126 city-gas projects under management, covering a total connectable population of 57,467,000 in China. In view of China's energy structure adjustment and the advancement of urbanisation and industrialisation, upcoming opportunities of acquiring new projects can be expected in the future.

Construction of Vehicle Gas Refuelling Stations

During the Period, 9 CNG refuelling stations and 37 LNG refuelling stations were constructed and put into operation with the accumulated number of 253 CNG refuelling stations and 123 LNG refuelling stations, spanning across 92 cities in China, including 35 cities which we do not have city-gas operation.

During the Period, sales volume of vehicle gas increased 22.7% to 540 million cubic meters, accounting for 14.3% of the Group's total gas sales. Revenue attributable to vehicle gas refuelling stations amounted to RMB1,374 million, up 29.3% from the corresponding period last year.

Continuous greenhouse gases emission from vehicles worsened the environmental conditions. With a view to resolving this, natural gas is deemed to be one of the major forms of transportation energy in the future, given the optimisation and adjustment of China's energy structure and the economic advantage of natural gas over other forms of transportation energy. The Group will fully utilise its existing resources and networks to actively develop this highly promising business.

FINANCIAL RESOURCES REVIEW

Liquidity and Financial Resources

As at 30 June 2013, the Group's bank balances and cash amounted to RMB7,751 million (31 December 2012: RMB6,156 million). Total debts amounted to RMB12,808 million (31 December 2012: RMB11,242 million) while the net gearing ratio, i.e. the ratio of net debt to equity (including non-controlling interests), was 44.9% (31 December 2012: 47.7%).

Borrowings Structure

As at 30 June 2013, the Group's total debts amounted to RMB12,808 million (31 December 2012: RMB11,242 million), including fixed rate bonds of US\$750 million (equivalent to RMB4,558 million) and zero coupon convertible bonds of US\$500 million (equivalent to RMB3,357 million). The remaining bank and other loans are denominated in Renminbi and bear interest at the weighted average effective interest rate of 5.91%. The project companies used the Renminbi loans as their working capital and operational expenditure. Except for the loan amount equivalent to RMB975 million that are secured by assets with carrying amount equivalent to RMB85 million, all of the other loans are unsecured. Short-term loans and bonds amounted to RMB2,236 million while the remaining were long-term loans falling due after one year or above.

As all of the operations of the Group are in China, except for the bonds of US\$1,250 million which are denominated in United States dollar ("US dollar"), revenues and expenses were mainly denominated in Renminbi. Hence, there were no significant foreign exchange exposures or risks. If Renminbi appreciates in the future, the Group will benefit from receiving revenues denominated in Renminbi and repaying foreign loans, thereby reducing the cost arising from foreign loans indirectly. The Group currently does not have foreign currency hedging policy but the Directors will monitor the market trends of exchange rates and interest rates closely and adopt appropriate measures when necessary. Currently, the Group's operating and capital expenditures are funded by operating cash flow, internal liquidity, bank loans and issued bonds. The Group has sufficient sources of funds and unutilised banking facilities to meet the future capital expenditure and working capital requirements.

Ten-year 6% Fixed Rate Bonds

On 13 May 2011, the Company issued 10-year bonds in the aggregate principal amount of US\$750 million (equivalent to RMB4,863 million) with issue price of 99.274% and redemption price of 100%. The coupon of the bonds is 6.0%, and interests are paid semi-annually. The terms of the bonds require Mr. Wang Yusuo, the Chairman of the Company, to retain not less than 25.0% of the issued share capital of the Company throughout the term of the bonds.

Five-year Zero Coupon Convertible Bonds

On 26 February 2013, the Company issued Zero Coupon US dollar denominated convertible bonds with the aggregate principal amount of US\$500 million (approximately RMB3,143 million) (the "Bonds"). Each bond will, at the option of the holder, be convertible into fully paid ordinary shares with a par value of HK\$0.10 each in the issued and paid up capital of the Company at an initial conversion price of HK\$48.62 per share. Conversion may occur at any time on or after 8 April 2013 up to 16 February 2018. If the Bonds have not been converted, they will be redeemed on 26 February 2018 at 102.53 per cent of their principal amount. If all the outstanding Bonds are converted into shares, approximately 79,778,897 ordinary shares of the Company will be issued, equivalent to 7.37% of the total issued share capital of the Company.

As at 30 June 2013, no Bonds was converted into the ordinary shares of the Company.

Financial Guarantee Liability

As at 30 June 2013, the Group had issued guarantees to banks to secure loan facilities granted to associates and joint ventures to the extent of approximately RMB714 million (31 December 2012: RMB476 million). The amounts have been utilised at the balance date.

Commitments

(a) Capital commitments

	At 30 June 2013 RMB million	At 31 December 2012 RMB million
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	98	110
Capital commitment in respect of investment in:		
- joint ventures	148	287
- associates	-	40

(b) Other commitments

As at 30 June 2013, the Group has commitment amounting to RMB26 million (31 December 2012: RMB30 million) in respect of acquisition of land use rights in the PRC.

PROSPECTS

According to the statistics published by the National Development and Reform Commission, in the first half of 2013, domestic natural gas production volume, natural gas import volume (including LNG) and natural gas apparent consumption volume reached 58.8 billion cubic meters, 24.7 billion cubic meters and 81.5 billion cubic meters respectively, representing increases of 9.0%, 24.6% and 13.1% respectively.

In order to push forward the reform in energy production and utilisation patterns, adjust and optimise energy structure and build a safe, stable, economical, clean and modernised energy industry, the 12th Five-Year Plan promulgated by the Chinese government promoted the use of natural gas as one of the means in achieving this. It is estimated that natural gas consumption volume will reach 235 billion cubic meters by 2015. The proportion of natural gas consumption out of total primary energy consumption will

increase to 7.5%. In order to achieve such target, the natural gas supplying capacity and the relevant infrastructure has been improved each year. After the West-East Pipeline II, which has an annual transmission capacity of 30 billion cubic meters, came into full operation and started supplying gas since 2012, the construction of China-Myanmar Natural Gas Pipeline with an annual transmission capacity of 12 billion cubic meters was completed and commenced gas supply on 28 July this year, becoming China's fourth largest energy import channel apart from the Central Asia Oil & Gas Pipeline, the China-Russia Crude Oil Pipeline and the maritime energy transmission channel. The Group's projects in Guangxi and Yunnan are expected to benefit directly from the China-Myanmar Natural Gas Pipeline. Meanwhile, according to the construction schedule, new LNG import terminals located in Tianjin, Zhuhai in Guangdong Province, Caofeidian in Hebei Province and Qingdao in Shandong Province, will be completed and launched progressively in near term to satisfy China's strong demand for natural gas. In addition, the Group's fourth LNG processing plant in Pingdingshan, Henan Province, has been put into operation in May this year, total daily production capacity of the four operating LNG processing plants exceeds 1.3 million cubic meters, which effectively ensured the Group's gas supply.

During the Period, facing a complicated external environment, while developing traditional business in an orderly manner, the Group made considerable strides to develop new businesses including industrial parks and vehicle/ship LNG refuelling stations. Thanks to the collected efforts of all staff, the Group achieved stable growth in all core business and improved the overall level of internal control. Firstly, customer satisfaction was further enhanced. In 2013, adhering to the theme of "service and customer experience improvement", through a series of measures including service skill training enhancement of frontline staff, process review, monitor channel optimisation and innovation, the Group further improved the expertise, standardisation and service management efficiency of its customer service, steadily increased various performance targets of key services and maintained its industry leadership in terms of customer satisfaction. Secondly, quantitative management was strengthened and the transmission loss was reduced. In the first half of the year, the Group continued to monitor and provided on-site support of the implementation of the quantitative management programs in 15 key group companies. By launching targeted measures to specific items, transmission loss was brought down significantly. Thirdly, the management of operating cost model was continuously implemented. In the first half of this year, the Group fully launched cost optimisation management by intensifying the application of the theory and methodology of operating cost on the basis of summarising the experience of 16 group companies that already applied operating cost management. The Group identified the enterprise operation benchmarks and the gap before achieving those benchmarks through reviewing and optimising key group companies and critical operations. In addition, the Group effectively reduced unit operating cost and enhanced enterprise operating efficiency through rectification methods.

According to Chinese government's planning, industrialisation, urbanisation and green development will become the theme of national economic development during the 12th Five-Year Plan Period or even in the coming 10 years. (The 2013 City Blue Book published by Chinese Academy of Social Science recently indicated that China's average urbanisation rate was only 42.2% in 2012. It is expected to reach approximately 60% by 2020.) The Chinese government will realise the beneficial interaction between industrialisation and urbanisation and will carry forward urbanisation construction as the key tactic to adjust China's economic structure. Meanwhile, in view of challenging situations such as resources constraints, serious environmental pollution and ecosystem deterioration, such as the ongoing existence of smog in Northern China since this year, imposing broad and persistent impact to around 600 million people, the need for green, renewable and low-carbon development become more pressing. Natural gas being one of the low-carbon, economic and effective forms of energy, propelled the industry to grow mature. Riding on the well-established natural gas infrastructure and rich operational experience after ten years' of development, the relatively well-developed natural gas industry undoubtedly provides promising prospect in terms of its scope and scale of application. Taking advantage of this opportunity, the Group will make contribution to environmental protection and energy sectors both within and beyond China, in the best interests of our shareholders, customers, staff, the society and the corporate in the long run.

Moreover, after receiving a number of honors voted by Institutional Investors in 2012, the Company once more received honors in The 2013 All-Asia Executive Team by Institutional Investor including Rank No. 6 of "Best Companies in China" (Rank No. 1 in power sector), "Asia's Best Investor Relations Company" (Rank No. 3 in power sector), "Asia's Best CEOs" (Rank No. 2 in power sector), "Asia's Best CFOs" (Rank No. 3 in power sector) and "Asia's Best IR Professionals (Rank No. 3 in power sector). The Company's Executive Director and CEO Mr. Cheung Yip Sang was also honored "2013 China's Best

CEO” by Forbes. These honors fully demonstrated that the Group’s business performance and management’s profound execution ability was acclaimed by investors, shareholders and analysts in the sector. We will continue to redouble our efforts to ensure that investors and shareholders will be able to share the fruitful results that come along with the Group’s development. Taking this opportunity, we would like to express our heartfelt gratitude to our shareholders, institutional investors, analysts, customers and business partners.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Company established an Audit Committee on 28 March 2001. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control (including financial control, operational control, compliance control, risk management function and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, as well as their training programmes and budget) and financial reporting matters. Members of the Audit Committee are Mr. Wang Guangtian, Ms. Yien Yu Yu, Catherine and Mr. Kong Chung Kau, who are all independent non-executive Directors. Mr. Zhang Gang and Mr. Lim Haw Kuang, Independent Non-executive Directors, were appointed as additional Audit Committee members of the Company on 26 March 2013. An audit committee meeting was held on 23 August 2013 to review the unaudited interim results and interim financial report for the six months ended 30 June 2013. Deloitte Touche Tohmatsu, the Group’s external auditors, have carried out a review of the unaudited interim financial report for the six months ended 30 June 2013 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as contained in Appendix 10 to the Listing Rules. Specific enquiries have been made with all Directors who have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding Directors’ securities transactions during the Period.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

To the knowledge of the Board, the Company has complied with the Code Provisions set out in the Corporate Governance Code (the “Code”) as contained in Appendix 14 to the Listing Rules throughout the Period except a deviation from Code Provision E.1.2. Mr. Wang Yusuo (Chairman of the Board) was unable to attend the annual general meeting of the Company held on 21 May 2013 due to business trips. Alternatively, Mr. Wang Dongzhi, the Executive Director and Chief Financial Officer of the Company, attended and acted as the chairman of the said annual general meeting.

By order of the Board
WANG YUSUO
Chairman

Hong Kong, 26 August 2013

As at the date of this announcement, the board of directors of the Company comprises seven Executive Directors, namely Mr. WANG Yusuo (Chairman), Mr. CHEUNG Yip Sang (Chief Executive Officer), Mr. ZHAO Jinfeng, Mr. YU Jianchao, Mr. HAN Jishen, Mr. ZHAO Shengli and Mr. WANG Dongzhi (Chief Financial Officer); two Non-executive Directors, namely Ms. ZHAO Baoju and Mr. JIN Yongsheng; and five Independent Non-executive Directors, namely Mr. WANG Guangtian, Ms. YIEN Yu Yu, Catherine, Mr. KONG Chung Kau, Mr. ZHANG Gang and Mr. LIM Haw Kuang.

The Interim Report 2013 will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange.