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ENN 新奥

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 2014

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 2014 (the "Period") together with the comparative unaudited figures for the corresponding period in 2013. 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 2014

		Six months ended 30 June	
		2014	**2013**
	Notes	*RMB million (unaudited)*	*RMB million (unaudited)*
Revenue	*3*	14,351	10,386
Cost of sales		(11,413)	(7,665)
Gross profit		2,938	2,721
Other income		134	107
Other gains and losses	*4*	36	(182)
Distribution and selling expenses		(200)	(173)
Administrative expenses		(890)	(784)
Share of results of associates		45	42
Share of results of joint ventures		228	178
Finance costs		(204)	(346)
Profit before tax		2,087	1,563
Income tax expense	*5*	(554)	(517)
Profit and total comprehensive income for the period		1,533	1,046
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		1,214	737
Non-controlling interests		319	309
		1,533	1,046
		RMB	*RMB*
Earnings per share	*7*		
Basic		1.12	0.68
Diluted		1.00	0.68

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

	Notes	**At 30 June 2014** *RMB million (unaudited)*	**At 31 December 2013** *RMB million (audited)*
Non-current assets			
Property, plant and equipment		17,805	17,531
Prepaid lease payments		1,062	948
Investment properties		76	76
Goodwill		191	206
Intangible assets		1,298	1,294
Interests in associates		837	804
Interests in joint ventures		3,176	2,998
Available-for-sale financial assets		114	114
Other receivables		28	35
Amounts due from associates		72	55
Amounts due from joint ventures		156	183
Deferred tax assets		351	318
Deposits paid for investments		51	106
Deposits paid for acquisition of property, plant and equipment, land use rights and operation rights		185	130
Restricted bank deposits		46	10
		25,448	24,808
Current assets			
Inventories		416	419
Trade and other receivables	*8*	2,677	2,829
Prepaid lease payments		23	23
Amounts due from customers for contract work		134	193
Amounts due from associates		92	87
Amounts due from joint ventures		541	439
Amounts due from related companies		68	25
Restricted bank deposits		72	260
Cash and cash equivalents		7,109	6,822
		11,132	11,097
Current liabilities			
Trade and other payables	*9*	5,396	6,166
Amounts due to customers for contract work		2,247	2,033
Amounts due to associates		54	88
Amounts due to joint ventures		1,331	1,187
Amounts due to related companies		196	18
Taxation payables		314	319
Bank and other loans – due within one year		692	921
Financial guarantee liability		53	59
Dividend payable		411	-
Deferred income		83	78
		10,777	10,869
Net current assets		355	228
Total assets less current liabilities		25,803	25,036

Capital and reserves		
Share capital	113	113
Reserves	10,234	9,430
Equity attributable to owners of the Company	10,347	9,543
Non-controlling interests	2,329	2,349
Total equity	12,676	11,892
Non-current liabilities		
Bank and other loans – due after one year	1,739	1,902
Corporate bond	497	497
Senior notes	4,543	4,498
Medium-term notes	700	700
Convertible bonds at fair value through profit and loss	3,869	3,925
Deferred tax liabilities	406	399
Deferred income	1,373	1,223
	13,127	13,144
	25,803	25,036

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 2013.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of the above amendments to HKFRSs and Interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. Segment Information

Information reported to the chief operating decision maker, the Company's President for the purposes of resource allocation and performance assessment among segments focuses specifically on different type of goods and services. Specifically, the Group's operating and reportable segments under HKFRS 8 are gas connection segment, sales of piped gas segment, vehicle gas refuelling stations segment, wholesale of gas segment, sales of other energy segment, sales of gas appliances segment and sales of material segment. Segment profit reviewed by the President represents the gross profit earned by each segment.

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

Six months ended 30 June 2014 (unaudited)

	Gas connection	Sales of piped gas	Vehicle gas refuelling stations	Wholesale of gas	Sales of other energy	Sales of gas appliances	Sales of material	Consolidation
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment revenue	2,449	12,504	1,825	2,500	171	158	607	20,214
Inter-segment sales	(327)	(3,434)	(15)	(1,361)	(144)	(111)	(471)	(5,863)
Revenue from external customers	2,122	9,070	1,810	1,139	27	47	136	14,351
Segment profit before depreciation and amortisation	1,384	1,518	293	15	13	24	8	3,255
Depreciation and amortisation	(62)	(213)	(28)	(1)	(12)	(1)	-	(317)
Segment profit	1,322	1,305	265	14	1	23	8	2,938

Six months ended 30 June 2013 (unaudited)

	Gas connection	Sales of piped gas	Vehicle gas refuelling stations	Wholesale of gas	Sales of other energy	Sales of gas appliances	Sales of material	Consolidation
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment revenue	2,154	8,342	1,381	1,646	117	157	498	14,295
Inter-segment sales	(301)	(1,877)	(7)	(1,103)	(83)	(114)	(424)	(3,909)
Revenue from external customers	1,853	6,465	1,374	543	34	43	74	10,386
Segment profit before depreciation and amortisation	1,218	1,412	297	27	13	18	17	3,002
Depreciation and amortisation	(52)	(188)	(23)	(2)	(15)	(1)	-	(281)
Segment profit (losses)	1,166	1,224	274	25	(2)	17	17	2,721

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 President for the purposes of resources allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

4. Other Gains and Losses

	Six months ended 30 June	
	2014	**2013**
	RMB million	*RMB million*
Other gains (losses) comprise:		
Gain on disposal of a subsidiary	14	-
Gain on disposal of an associate	13	-
Gain on disposal of a joint venture	1	-
Gain on re-measurement of assets upon step acquisition of a business (Note)	-	24
Fair value gain (loss) of convertible bonds	56	(214)
(Loss) gain on foreign exchange, net	(50)	18
Others	2	(10)
	36	(182)

Note:

It represents the fair value gain on re-measurement of assets upon acquisition of business in a subsidiary, 河源市管道燃氣發展有限公司 ("Heyuan Piped Gas"), during the six months ended 30 June 2013.

5. Income Tax Expense

	Six months ended 30 June	
	2014	**2013**
	RMB million	*RMB million*
PRC Enterprise Income Tax:		
Current tax	570	520
Withholding tax	19	21
	589	541
Deferred tax:		
Current period	(35)	(24)
	554	517

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 2013: 25%).

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 2013 of HK$48.00 cents (equivalent to approximately RMB37.97 cents) per share on 1,082,859,397 shares (six months ended 30 June 2013: final dividend in respect of 2012 of HK$42.20 cents (equivalent to approximately RMB34.22 cents) per share) amounting to approximately RMB411 million (six months ended 30 June 2013: RMB371 million) were declared on 24 March 2014 and were not paid as at 30 June 2014.

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 2014	2013
	RMB million	*RMB million*
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the period attributable to owners of the Company)	1,214	737
Effect of dilutive potential ordinary shares:		
Fair value gain of convertible bonds	(56)	-
Earnings for the purposes of diluted earnings per share	1,158	737

	Six months ended 30 June 2014	2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,082,869	1,082,859
Effect of dilutive potential ordinary shares:		
Share options	412	412
Convertible bonds	79,779	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,163,060	1,083,271

The convertible bonds of US$500 million issued by the Company on 26 February 2013 were anti-dilutive for the period ended 30 June 2013 and accordingly had not been taken into account in the computation of the diluted earnings per share.

8. Trade and Other Receivables

Included in the trade and other receivables are trade receivables amounting to RMB740 million (31 December 2013: RMB735 million). The Group allows an average credit period of 60 to 90 days to its trade customers, except for certain customers with credit period more than 90 days. The following is an aged analysis of trade receivables, net of impairment, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 30 June 2014	At 31 December 2013
	RMB million	*RMB million*
Within three months	636	663
4-6 months	61	40
7-9 months	30	19
10-12 months	13	13
	740	735

9. Trade and Other Payables

Included in trade and other payables are trade payables of RMB1,313 million (31 December 2013: RMB1,973 million). The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At 30 June 2014	**At 31 December 2013**
	RMB million	*RMB million*
Within three months	1,023	1,692
4-6 months	106	104
7-9 months	63	38
10-12 months	18	26
More than 1 year	103	113
	1,313	1,973

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 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)	Increase/ (Decrease)
Revenue (RMB million)	14,351	10,386	38.2%
Gross profit (RMB million)	2,938	2,721	8.0%
Profit attributable to owners of the Company (RMB million)	1,214	737	64.7%
Earnings per share – Basic (RMB)	1.12	0.68	64.7%
Connectable urban population	61,645,000	57,467,000	7.3%
Connectable residential households	20,548,000	19,156,000	7.3%
New natural gas connections made during the period:			
– residential households	650,484	630,183	3.2%
– commercial/industrial (“C/I”) customers (sites)	4,115	3,510	605
– installed designed daily capacity for C/I customers (m^3)	4,653,800	3,973,117	17.1%
Accumulated number of connected natural gas customers:			
– residential households (Notes 1 & 2)	9,852,169	8,399,466	17.3%
– C/I customers (sites) (Notes 1 & 2)	42,958	34,151	8,807
– installed designed daily capacity for C/I customers (m^3) (Notes 1 & 2)	46,524,925	37,355,317	24.5%
Accumulated number of connected piped gas (including natural gas) customers:			
– residential households	9,931,749	8,489,432	17.0%
– C/I customers (sites)	43,156	34,464	8,692
– installed designed daily capacity for C/I customers (m^3)	46,581,062	37,401,007	24.5%
Natural gas penetration rate	47.9%	43.8%	4.1%
Piped gas (including natural gas) penetration rate	48.3%	44.3%	4.0%
Unit of piped gas sold to residential households (m^3)	653,657,000	561,826,000	16.3%
Unit of piped gas sold to C/I customers (m^3)	3,319,048,000	2,538,857,000	30.7%
Unit of gas sold to vehicles (m^3)	675,841,000	538,711,000	25.5%
Unit of wholesale gas sold (m^3)	364,599,000	138,317,000	163.6%
Number of vehicle gas refuelling stations	485	376	109
Number of natural gas processing stations	141	129	12
Total length of existing intermediate and main pipelines (km)	25,179	22,588	11.5%

Notes:

1. Including a total of 1,519,407 natural gas residential customers and 3,546 natural gas C/I customers (with a total designed daily capacity of 2,812,687m^3) from acquisition/conversion at 30 June 2014.
2. 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 2,369,684m^3) from acquisition/conversion at 30 June 2013.

Amid China’s steady economic growth in the first half of 2014, thanks to the efforts of our employees, the Group maintained persistent growth in all business segments and further enhanced internal control, laying a solid foundation to achieve the annual business guidance.

Gas Sales

During the period, the Group’s total gas sales volume was 5,013 million cubic metres, up 32.7% from the corresponding period last year, in which 5,000 million cubic metres were attributable to natural gas sales, up 34.1% year-on-year. The proportion of natural gas sold to residential households, commercial/industrial (“C/I”) customers and vehicle users amounted to 13.0%, 66.4% and 13.3%, increased by 16.4%, 32.8% and 25.2% year-on-year respectively.

In order to enhance the returns to our shareholders and fully utilise our non-pipeline transportation capacity, the Group continued to conduct the natural gas wholesale business and sold 365 million cubic metres of natural gas during the period, representing a year-on-year increase of 163.6% and accounting for 7.3% of the total gas sales volume.

During the period, revenue from gas sales amounted to RMB12,020 million, representing an increase of 43.4% over the same period last year. The proportion of revenue attributable to gas sales out of the Group's total revenue further increased to 83.7% from 80.6% in the same period last year. Driven by the robust growth of gas sales, which is our major revenue stream providing long-term and stable income, the Group's revenue structure has been further optimised.

Gas Connection

During the period, the Group conducted 650.5 thousand new connections for residential households, representing an increase of 3.2% over the corresponding period last year. As at the end of June 2014, the accumulated number of the Group's connected residential households using natural gas was 9,852.2 thousand. Including other piped gas, the connected residential households totaled 9,931.7 thousand. The average gas penetration rate rose to 48.3% from 45.6% at the end of 2013. New connections for 4,115 C/I customers were conducted (with total installed designed daily capacity of 4,653.8 thousand cubic metres) and the accumulated number of connected C/I customers was 42,958 (with total installed designed daily capacity of 46.52 million cubic metres) as at the end of June 2014. Including other piped gas, the connected C/I customers totaled 43,156 (with total installed designed daily capacity of 46.58 million cubic metres).

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 present, the mere 5.1% share of natural gas out of China's primary energy consumption and the relatively low gas penetration rate show a broad prospect for the Group's business.

As at the end of June 2014, the accumulated length of intermediate and main pipelines constructed by the Group was 25,179 kilometres and the number of natural gas processing stations reached 141, allowing a daily natural gas supplying capacity of 59.30 million cubic metres, and enabling the Group to meet long-term demand arising from existing natural gas projects.

During the period, the Group's gas connection fee revenue reached RMB2,122 million, representing an increase of 14.5% over the corresponding period last year. The average connection fees for residential households and C/I customers were RMB2,785 (per household) and RMB145 (per cubic metre) respectively, similar to the same period last year.

Construction and Operation of Vehicle Gas Refuelling Stations

With further efforts of the Chinese government to optimise energy structure and control pollution, vehicles using clean energy have become a ubiquitous trend. In addition to the price competitiveness of natural gas compared with gasoline and diesel, the prospects for the development of vehicle CNG and LNG refuelling businesses will be promising. The Group further expanded this operation by constructing and putting into operation 9 CNG refuelling stations and 28 LNG refuelling stations during the period. We have 277 CNG and 208 LNG refuelling stations in operation respectively.

During the period, the natural gas sales volume of vehicle gas refuelling stations increased by 25.2% to 667 million cubic metres, accounting for 13.3% of the overall gas sales volume of the Group. Sales revenue attributable to vehicle gas sales was RMB 1,810 million, up 31.7% compared with the corresponding period last year.

Development of LNG Bunkering Business

During the period, the Group continued to actively expand its LNG bunkering business by participating in national pilot projects, strengthening partnership, exploring ship refuelling business model and broadening client base. Since its successful engine conversion and trial run of an LNG bunkering vessel in Xinyi, Jiangsu last year, the Group has completed more engine conversions and LNG refuelling for 11 dredgers and 1 LNG bunkering vessel in Jiangsu Province and Shandong Province in the first half of the year. Meanwhile, the Group commenced the construction of an LNG bunkering terminal and a brand new LNG bunkering vessel in Xinyi, Jiangsu Province as well as a bunkering barge in Xijiang, Guangxi. In addition to more strategic planning for developing LNG bunkering business in the coastal cities along the

Yangtze River, the Grand Canal and the Pearl River leveraging its city-gas business, the Group also conducted extensive research on bunkering, vessel engine conversion and bunkering terminal construction to facilitate the steady development of the LNG bunkering business.

New Projects

The Group acquired 6 new city-gas projects and industrial parks during the period, including:

Projects	The Group's shareholding	Major industry
Yangxi County, Guangdong Province	100%	Green food processing, construction materials and glass manufacturing industry
Dingan County, Hainan Province	60%	Tourism, real estate, food & beverage, pharmaceutical industry
Changjiang County, Hainan Province	60%	Tourism, real estate, rubber, deep processing of steel, iron and ores, and construction materials industry
Ledong County, Hainan Province	60%	Tourism, real estate
Wangdu Economic Development Zone, Hebei Province	100%	Green food processing, machinery and footwear industry
Guannan Development Zone, Jiangsu Province	100%	Chemicals, metal processing and shipbuilding industry

The above projects enjoy tremendous development potential with robust industrial and commercial activities and strong industrial agglomeration effect. The Group expected these projects to further expand its scale of natural gas distribution. As of 30 June 2014, the Group managed 140 city-gas projects in China, with a connectable population coverage of 61.65 million people. In light of the energy structure optimisation, urbanisation and industrialisation in China, the Group will be able to acquire more new projects in the future.

In addition to the above city-gas projects and individual industrial parks, the Group also acquired 10 industrial parks managed by existing city-gas projects, including the Xinxiang Fengquan Industrial Zone, Xinxiang Dakuai Town Industrial Zone and Song County Industrial Zone in Henan Province; Xinghua Changrong Industrial Park and Funing Goudun Town Industrial Park in Jiangsu Province; Zhaoqing Southern China Renewable Resources Industrial Park in Guangdong Province, as well as Lingao Jinpai Harbour Provincial Development Zone, Longbo Bay Development Zone, Maniao Bay Development Zone and Haikou Longwan Zone in Hainan Province. The high concentration of industrial users in the industrial parks will enlarge the Group's gas sales volume. Meanwhile, their close proximity to existing projects of the Group also allows it to further lower the operating costs through economies of scale.

Proposed Disposal of LNG Processing Plants

While formulating future development strategy, the Group also reviews its present operations by taking into consideration the changes in overall market and related policies to develop an appropriate investment strategy and allocate more resources to its core downstream operations. During the period, the Group sold 55% and 30% of its equity interests in the LNG processing plants in Beihai and Ningxia to a gas source supplier and a joint venture partner respectively. According to the Group's announcements issued on 21 July 2014 and 15 August 2014 regarding the disposal of 45% and 100% of its equity interests in the LNG processing plants in Beihai and Qinshui respectively, and upon the valuation conducted by an independent third-party valuer, the Group and the buyers entered into the sale and purchase agreement, pursuant to which the Group agreed to sell its interests for a consideration of RMB230 million. The agreement will take effect upon satisfaction of all conditions precedent. The LNG processing plants, which had primarily served to secure the gas supply for downstream gas projects, were not part of the Group's core business, while natural gas supply is becoming more abundant in China, the Group's need for operating its own LNG processing plants has diminished. The management believed the disposal of these LNG processing plants would help the Group focus on expanding its core downstream business and better allocate its resources.

Gross and Net Profit Margins

During the period, the Group's overall gross profit margin and net profit margin were 20.5% and 10.7% respectively. Compared to the corresponding period last year, the gross profit margin decreased by 5.7%, while the net profit margin remained at the similar level.

The decline in gross profit margin was caused by the Group's continuous improvement in its revenue structure. The proportion of revenue attributable to connection fee, which has higher margin but was one-off, decreased progressively, down from 17.8% last year to 14.8%, while the proportion of revenue attributable to stable and recurring gas sales gradually increased. Besides, due to the natural gas city-gate price hike in the second half last year, the Group completed cost pass-through to most of the downstream users so as to maintain stable dollar margin, but the gross profit margin in percentage decreased. In addition, the Quanzhou project, which gross profit margin was lower than the average level of other projects, recorded a significant growth in revenue from gas sales, dragging the overall gross profit margin.

Human Resources

As at 30 June 2014, the Group employed a total of 27,378 employees, of which 14 were based in Hong Kong. The workforce was expanded to support the Group's new projects and business development. The employees were remunerated at the market level with benefits such as bonus, retirement benefit, professional training and share option scheme.

International Awards

After receiving honors from Institutional Investor in 2013, the Group once again received honors in The 2014 All-Asia Executive Team ranking by the magazine, including No.1 in "Asia's Best CEOs", No. 2 in "Asia's Best CFOs", No. 2 in "Asia's Best IR Professionals and No. 2 in "Asia's Best Investor Relations Company" under power sector. The Group was also honored No. 6 in Best Investor Relations by FinanceAsia, "Top 100 for Investor Relations in Greater China" by IR Magazine, "Mainland Enterprise Listed in HK Ranking – Best Company in Clean and Renewable Energy Industry" by Yazhou Zhoukan, etc. These honours 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 our fruitful results that come along the Group's development.

FINANCIAL RESOURCES REVIEW

Liquidity and Financial Resources

As at 30 June 2014, the Group's bank balances and cash amounted to RMB7,109 million (31 December 2013: RMB6,822 million). Total debts amounted to RMB12,040 million (31 December 2013: RMB12,443 million) while the net gearing ratio, i.e. the ratio of net debt to equity (including non-controlling interests), was 38.9% (31 December 2013: 47.3%).

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.

Borrowings Structure

As at 30 June 2014, the Group's total debts amounted to RMB12,040 million (31 December 2013: RMB12,443 million), including fixed rate bonds of US$750 million (equivalent to RMB4,543 million) and zero coupon convertible bonds of US$500 million (equivalent to RMB3,869 million). Except for bank loans of US$150 million (equivalent to RMB910 million), the remaining bank and other loans are denominated in Renminbi and bear interest at the interest rate announced by the People's Bank of China. Short-term loans amounted to RMB692 million while the remaining were long-term loans falling due after one year or above.

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 RMB4,543 million) with an issue price of 99.274% and a 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% of the issued share capital of the Company throughout the term of the bonds.

Five-year Zero Coupon Convertible Bonds

On 29 January 2013, the Group announced a proposed issuance of zero coupon convertible bonds denominated in dollar with an aggregate principal amount of US$500 million, which started trading officially on the Singapore Exchange on 27 February 2013. Excluding commissions and administrative charges, the net proceeds of approximately US$490 million were used for refinancing existing debts and other general purposes to improve the Company's debt structure, reduce interest expenses and improve cash flow and profitability.

As all of the Group's core businesses are located in China, any appreciation in Renminbi will benefit the Group in receiving revenues in Renminbi and repaying loans in foreign currencies, thereby reducing the costs arising from foreign loans indirectly.

Financial Guarantee Liability

As at 30 June 2014, the Group had issued guarantees to banks to secure loan facilities granted to associates and joint ventures to the extent of approximately RMB466 million (31 December 2013: RMB466 million). The amounts have been utilised on the balance date.

Commitments

(a) Capital commitments

	At 30 June 2014 *RMB million*	**At 31 December 2013** *RMB million*
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for	44	55
Capital commitment in respect of investments in:		
- joint ventures	93	118
- associates	17	-

(b) Other commitments

As at 30 June 2014, the Group has commitment amounting to RMB45 million (31 December 2013: RMB46 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 2014, domestic natural gas production volume, natural gas import volume (including LNG) and natural gas apparent consumption volume reached 63.2 billion cubic metres, 28.3 billion cubic metres and 88.7 billion cubic metres respectively, representing increases of 7.5%, 14.4% and 8.9% respectively.

The natural gas industry will enter into a new stage of rapid development on the back of social progress and national reforms. In particular, as the Chinese government proactively implemented the Atmospheric Pollution Prevention Action Plan, and the State Council and local governments signed the Letters of Responsibility for atmospheric pollution prevention, the use of clean energy will grow at a faster pace, promoting the broader use of natural gas in China. The "Circular Concerning Opinions on Establishing a

Long-term Mechanism for Securing the Stable Supply of Natural Gas" published by the General Office of the State Council on 14 April 2014 stated that the domestic natural gas supply will be increased and the natural gas supply is expected to reach 400 billion or even 420 billion cubic metres by 2020. To achieve this target, the Chinese government has been enhancing the natural gas supply capability and constructing infrastructure gradually. A number of national long distance pipelines were put into operation, including the Panjing–Double6 Gas Storage Facility Pipeline, the Lianmuqin-Guazhou section of West-East Pipeline III, as well as the Duyun, Kunming East, Zunyi-Heping South and Qinzhou branches of the China-Myanmar Natural Gas Pipeline in the first half of 2014. Moreover, as of the first half of this year, a total of 10 LNG import terminals were constructed and put into operation, with an aggregate receiving capacity of 56.2 million tons per year. The construction of such infrastructure is expected to accelerate in order to meet the strong demand for natural gas in China.

Looking forward, the Group will seize the opportunities brought by the strong development of natural gas in China by allocating resources in a prudent and scientific manner after taking into account the impact of macro-economic environment and the development of the natural gas industry. The Group will also strive to achieve the annual business targets and develop solid strategic plans for the future. In terms of operation, the Group will continue to expand the distribution and trading of natural gas and promote the development of vehicle/ship LNG business. Meanwhile, the Group will further enhance its management standard by strengthening cost control, measurement and project management, as well as improve customer service, ensure operation safety, and advance with the goal of operational excellence.

The use of clean energy has become a major trend in China and the natural gas industry will enjoy more rapid growth and extensive development in the foreseeable future. Seizing this opportunity, the Group will leverage on its strengths to adapt to any market changes and meet customers' needs. Apart from making significant contribution to environmental protection and energy sectors both within and beyond the country, the Group will also maximise the long-term interests of the shareholders and employees.

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.

The Audit Committee currently comprised of all members who are all Independent Non-executives Directors. Mr. Kong Chung Kau ceased as the member and Chairman of the Audit Committee on 30 May 2014. Ms. Yien Yu Yu, Catherine has been appointed as the Chairperson. Mr. Lim Haw Kuang and Mr. Zhang Gang ceased as the members of Audit Committee on 24 March 2014. Mr. Yuen Po Kwong, Mr. Ma Zhixiang and Mr. Law Yee Kwan, Quinn have been appointed as the additional member of Audit Committee on 24 March, 24 March and 30 May 2014 respectively.

An audit committee meeting was held on 21 August 2014 to review the unaudited interim results and interim financial report for the six months ended 30 June 2014. 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 2014 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 CORPORATE GOVERNANCE CODE

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 30 May 2014 due to business trips. Alternatively, Mr. Han Jishen, the Executive Director and President 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, 22 August 2014

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:
Mr. Wang Yusuo (Chairman)
Mr. Cheung Yip Sang (Vice Chairman)
Mr. Yu Jianchao
Mr. Han Jishen (President)
Mr. Wang Dongzhi (Chief Financial Officer)

Non-executive Directors:
Mr. Wang Zizheng
Mr. Jin Yongsheng
Mr. Lim Haw Kuang

Independent Non-executive Directors:
Mr. Wang Guangtian
Ms. Yien Yu Yu, Catherine
Mr. Ma Zhixiang
Mr. Yuen Po Kwong
Mr. Law Yee Kwan, Quinn

The Interim Report 2014 will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange.