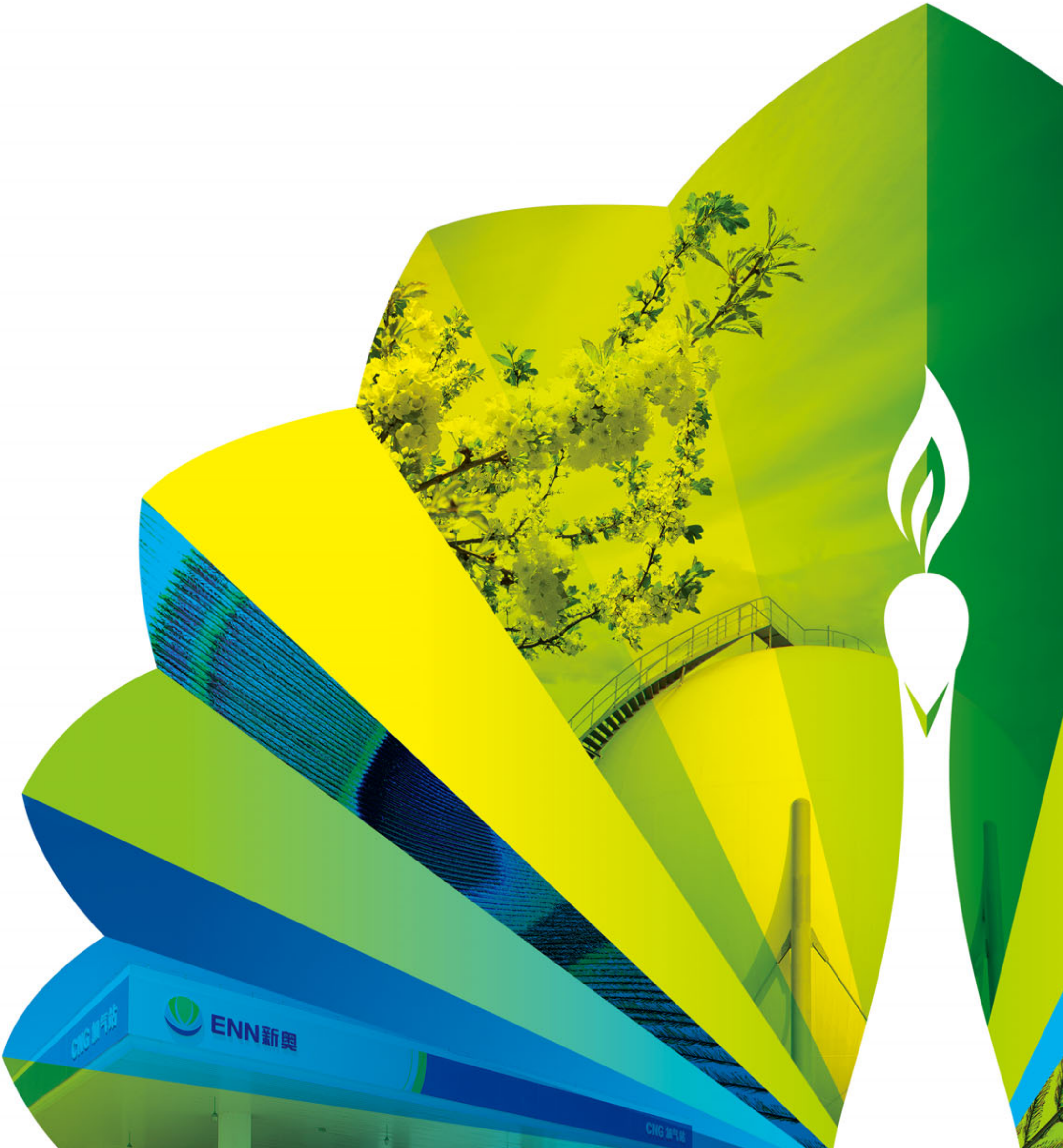
ENN 新奧

ENN Energy Holdings Limited
新奧能源控股有限公司
(Stock code 股份代號: 2688)

SUSTAINING ATTRACTIVE RETURNS
持續亮麗回報

interim report 2013
二零一三年中期業績報告



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Financial and Operational Highlights

Dear Shareholders,

The Board of Directors (the "Directors") of ENN Energy Holdings Limited (the "Company", and together with its subsidiaries, the "Group") is pleased to announce that the unaudited profit attributable to owners of the Company for the six months ended 30 June 2013 (the "Period") was RMB737 million, representing an increase of RMB7 million or 1% as compared to RMB730 million for the corresponding period last year.

Financial and Operational Highlights

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		
	2013 (Unaudited)	2012 (Unaudited)	Increase/ (Decrease)
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 2,369,684m^3) 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 1,950,234m^3) from acquisition/conversion at 30 June 2012.

Management Discussion and Analysis

Business Review

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 was 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.

Management Discussion and Analysis

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.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF ENN ENERGY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of ENN Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 9 to 34, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013 RMB million (unaudited)**	Six months ended 30 June 2012 RMB million (unaudited)
Revenue	3	**10,386**	8,774
Cost of sales		**(7,665)**	(6,363)
Gross profit		**2,721**	2,411
Other income	4	**107**	94
Other gains and losses	5	**(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	6	**(346)**	(309)
Profit before tax	7	**1,563**	1,402
Income tax expense	8	**(517)**	(414)
Profit and total comprehensive income for the period		**1,046**	988
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**737**	730
Non-controlling interests		**309**	258
		1,046	988
Earnings per share (RMB)	10		
Basic		**68.02 cents**	68.78 cents
Diluted		**68.00 cents**	68.54 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	**At 30 June 2013 RMB million (unaudited)**	At 31 December 2012 RMB million (audited)
Non-current assets			
Property, plant and equipment	11	**16,056**	15,099
Prepaid lease payments	11	**871**	770
Investment properties	11	**69**	69
Goodwill		**206**	196
Intangible assets	12	**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	14	**18**	17
		22,548	21,206
Current assets			
Inventories		**328**	311
Trade and other receivables	13	**2,218**	2,062
Prepaid lease payments	11	**21**	20
Amounts due from customers for contract work		**271**	180
Amounts due from associates	15	**119**	83
Amounts due from joint ventures	16	**361**	528
Amounts due from related companies		**40**	31
Restricted bank deposits	14	**240**	316
Cash and cash equivalents		**7,751**	6,156
		11,349	9,687

	Notes	At 30 June 2013 RMB million (unaudited)	At 31 December 2012 RMB million (audited)
Current liabilities			
Trade and other payables	17	**4,816**	4,894
Amounts due to customers for contract work		**1,729**	1,451
Amounts due to associates	15	**82**	20
Amounts due to joint ventures	16	**945**	896
Amounts due to related companies		**22**	32
Taxation payables		**307**	292
Bank and other loans – due within one year	18	**999**	2,737
Short-term debentures		**1,237**	1,208
Financial guarantee liability		**20**	23
Dividend payable		**371**	–
Deferred income	19	**69**	61
		10,597	11,614
Net current assets/(liabilities)		**752**	(1,927)
Total assets less current liabilities		**23,300**	19,279
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	18	**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	19	**1,079**	966
Convertible bonds at fair value through profit and loss	20	**3,357**	–
		12,045	8,609
		23,300	19,279

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

Six months ended 30 June 2013 (unaudited)

	Equity attributable to owners of the Company									
	Share capital RMB million	Share premium RMB million	Special reserve RMB million (note c)	Share option reserve RMB million	Statutory surplus reserve fund RMB million (note a)	Designated safety fund reserve RMB million (note b)	Accumulated profits RMB million	Total RMB million	Equity attributable to non-controlling interests RMB million	Total equity RMB million
At 1 January 2013	113	1,541	(18)	3	504	39	6,471	8,653	2,017	10,670
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	737	737	309	1,046
Acquisition of a subsidiary (Note 22)	–	–	–	–	–	–	–	–	8	8
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	136	136
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(234)	(234)
Transfer to statutory surplus reserve fund	–	–	–	–	82	–	(82)	–	–	–
Dividend recognised as distribution (Note 9)	–	–	–	–	–	–	(371)	(371)	–	(371)
Lapse of share options	–	–	–	(1)	–	–	1	–	–	–
Transfer to designated safety fund	–	–	–	–	–	2	(2)	–	–	–
At 30 June 2013	113	1,541	(18)	2	586	41	6,754	9,019	2,236	11,255

Six months ended 30 June 2012 (unaudited)

	Equity attributable to owners of the Company									
	Share capital RMB million	Share premium RMB million	Special reserve RMB million (note c)	Share option reserve RMB million	Statutory surplus reserve fund RMB million (note a)	Designated safety fund reserve RMB million (note b)	Accumulated profits RMB million	Total RMB million	Equity attributable to non-controlling interests RMB million	Total equity RMB million
At 1 January 2012	110	2,202	(18)	142	409	38	4,163	7,046	1,794	8,840
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	730	730	258	988
Recognition of equity settled share-based payment	–	–	–	21	–	–	–	21	–	21
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	15	15
Capital contribution from non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	16	16
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(216)	(216)
Transfer to statutory surplus reserve fund	–	–	–	–	42	–	(42)	–	–	–
Dividend recognised as distribution (Note 9)	–	–	–	–	–	–	(313)	(313)	–	(313)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(16)	(16)
Exercise of share options	1	273	–	(70)	–	–	–	204	–	204
Transfer to designated safety fund reserve	–	–	–	–	–	1	(1)	–	–	–
At 30 June 2012	111	2,475	(18)	93	451	39	4,537	7,688	1,851	9,539

Notes:

a. In accordance with the People's Republic of China ("PRC") regulations, the statutory surplus reserve fund retained by the subsidiaries in the PRC is non-distributable.

b. Pursuant to relevant PRC regulation, the Group is required to transfer 1.5% on revenue generated from transportation of gas or other dangerous chemical into a designated safety fund reserve. The fund will be used for installation and repair and maintenance of safety facilities.

c. The amount at 30 June 2013 represented the difference between the paid-up capital of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition amounting to RMB2 million during the group restructuring carried out for the purpose of initial public offering of the Company's shares in 2001 and the difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the additional interests in a subsidiary amounting to RMB20 million.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 RMB million (unaudited)	2012 RMB million (unaudited)
Net cash from operating activities		**1,441**	1,295
Investing activities			
Deferred income received		**154**	150
Purchase of property, plant and equipment		**(1,069)**	(1,334)
Net cash inflow (outflow) on acquisition of subsidiaries	21, 22	**18**	(124)
Repayment from (to) joint ventures		**157**	(212)
Other investing activities		**(94)**	(237)
Net cash used in investing activities		**(834)**	(1,757)
Financing activities			
New bank loans raised		**2,777**	3,721
Repayment of bank loans		**(4,526)**	(2,674)
Proceeds from issue of convertible bonds		**3,143**	–
Transaction costs for issue of convertible bonds		**(64)**	–
Other financing activities		**(342)**	(317)
Net cash from financing activities		**988**	730
Increase in cash and cash equivalents		**1,595**	268
Cash and cash equivalents at the beginning of the period		**6,156**	3,355
Cash and cash equivalents at the end of the period		**7,751**	3,623
Represented by:			
Cash and cash equivalents included in assets classified as held for sale		**–**	5
Cash and cash equivalents at the end of the period		**7,751**	3,618
		7,751	3,623

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

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.

2. Principal Accounting Policies *(continued)*

New and Revised Standards on Consolidation, Joint Arrangements, Associates and Disclosures *(continued)*

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* set out in note 23.

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 resource 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 RMB million	Sales of piped gas RMB million	Vehicle gas refuelling stations RMB million	Wholesale of gas RMB million	Distributions of bottled liquefied petroleum gas RMB million	Sales of gas appliances RMB million	Sales of material RMB million	Consolidation 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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

3. Segment Information *(continued)*

Six months ended 30 June 2012 (unaudited)

	Gas connection RMB million	Sales of piped gas RMB million	Vehicle gas refuelling stations RMB million	Wholesale of gas RMB million	Distributions of bottled liquefied petroleum gas RMB million	Sales of gas appliances RMB million	Sales of material RMB million	Consolidation 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 expenses. This is the measure reported to the CEO for the purposes of resource allocation and performance assessment.

4. Other Income

	Six months ended 30 June 2013 RMB million	2012 RMB million
Other income includes:		
Incentive subsidies (Note)	**37**	28
Interest income	**36**	19

Note:

The amount represents incentives received from the government for sales of gas and provision of connection service and refunds of various taxes as incentives received from the government authorities in various cities of the PRC. These incentive subsidies were recorded in the period when the relevant approval was obtained.

5. Other Gains and Losses

	Six months ended 30 June 2013 RMB million	2012 RMB million
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
	(182)	3

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.

6. Finance Costs

	Six months ended 30 June 2013 RMB million	2012 RMB million
Interest on:		
Bank and other loans wholly repayable within five years	94	113
Bank loans not wholly repayable within five years	48	39
Medium-term notes	19	–
Short-term debentures	28	40
Senior notes	141	142
Corporate bond	16	16
	346	350
Less: Amount capitalised under construction in progress	(64)	(41)
	282	309
Transaction costs incurred for issue of convertible bonds (Note 20)	64	–
	346	309

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

7. Profit Before Tax

	Six months ended 30 June	
	2013	2012
	RMB million	RMB million
Profit before tax has been arrived at after charging:		
Depreciation and amortisation:		
– property, plant and equipment	**312**	274
– intangible assets	**36**	30
Total depreciation and amortisation (Note)	**348**	304
Release of prepaid lease payments	**11**	10
Research and development expenses (included in administrative expenses)	**13**	2
Share-based payment expenses (included in administrative expenses)	**–**	21

Note:

The amount of total depreciation and amortisation included in cost of sales and administrative expenses are as follows:

	Six months ended 30 June	
	2013	2012
	RMB million	RMB million
Depreciation and amortisation included in:		
Cost of sales	**281**	224
Administrative expenses	**67**	80
	348	304

8. Income Tax Expense

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

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 5.

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.

9. 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).

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2013

10. 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	**737**	730

	Six months ended 30 June	
	2013	2012
	'000	'000
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	**412**	3,582
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,083,271**	1,065,646

The convertible bonds of US$500 million issued by the Company on 26 February 2013 (Note 20) 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).

11. Property, Plant and Equipment, Prepaid Lease Payments and Investment Properties

During the six months ended 30 June 2013, the Group acquired property, plant and equipment and prepaid lease payments amounting to approximately RMB1,169 million and RMB102 million (six months ended 30 June 2012: RMB1,334 million and RMB44 million) respectively.

In addition, through acquisition of subsidiaries or business, the Group's property, plant and equipment and prepaid lease payments increased by approximately RMB118 million and RMB11 million respectively (six months ended 30 June 2012: RMB3 million and RMB2 million respectively) during the current interim period.

No revaluation on investment properties was carried out during the current interim period. The valuation at 31 December 2012 was carried out by an independent firm of professional valuers on an open market value basis. The Directors consider that the carrying amounts of the investment properties at 30 June 2013 were not significantly different from their fair values on 31 December 2012.

12. Intangible Assets

During the six months ended 30 June 2013, through acquisition of subsidiaries or business, the Group's intangible assets increased by approximately RMB109 million (six months ended 30 June 2012: RMB218 million).

13. 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 RMB million	At 31 December 2012 RMB million
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)	**631**	541
Other receivables	**457**	400
Notes receivable	**314**	309
Advance to suppliers, deposits and prepayments	**816**	812
	2,218	2,062

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.

14. Restricted Bank Deposits

The restricted bank deposits carry fixed interest rate range from 0.39% to 0.50% (31 December 2012: 0.35% to 0.46%) per annum.

The reduction in restricted bank deposits during the current interim period mainly represents the release upon the settlement of relevant bill facilities and the expiry of purchase contracts.

15. Amounts Due from/to Associates

Included in the amounts due from/to associate are trade receivables amounting to RMB60 million (31 December 2012: RMB41 million) and trade payables amounting to RMB68 million (31 December 2012: RMB13 million) and the aged analysis based on invoice date at the end of the reporting period is as follows:

	At 30 June 2013 RMB million	At 31 December 2012 RMB million
Trade receivables due from associates		
Within three months	**41**	23
4-6 months	**5**	2
7-9 months	**3**	3
10-12 months	**1**	3
More than 1 year	**10**	10
	60	41

	At 30 June 2013 RMB million	At 31 December 2012 RMB million
Trade payables due to associates		
Within three months	**67**	13
4-6 months	**1**	–
	68	13

Owing the strategic relationship with the associates, there is no formal credit policy applied to above balances by the Group, and in the opinion of the Directors, the above balances are not overdue.

16. Amounts Due from/to Joint Ventures

Included in the amounts due from/to joint ventures are trade receivables amounting to RMB235 million (31 December 2012: RMB252 million) and trade payables amounting to RMB202 million (31 December 2012: RMB180 million) and the aged analysis based on invoice date at the end of the reporting period is as follow:

	At 30 June 2013 RMB million	At 31 December 2012 RMB million
Trade receivables due from joint ventures		
Within three months	**104**	145
4-6 months	**82**	17
7-9 months	**12**	36
10-12 months	**5**	14
More than 1 year	**32**	40
	235	252

	At 30 June 2013 RMB million	At 31 December 2012 RMB million
Trade payables due to joint ventures		
Within three months	**106**	106
4-6 months	**51**	21
7-9 months	**29**	26
10-12 months	**4**	–
More than 1 year	**12**	27
	202	180

Owing the strategic relationship with the joint ventures, there is no formal credit policy applied to above balances by the Group, and in the opinion of the Directors, the above balances are not overdue.

17. 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 RMB million	At 31 December 2012 RMB million
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	**1,503**	1,818
Advances received from customers	**2,612**	2,312
Accrued charges and other payables	**701**	764
	4,816	4,894

18. Bank and Other Loans

During the current interim period, the Group obtained new bank loans in the amount of RMB2,777 million (six months ended 30 June 2012: RMB3,721 million) and made repayments in the amount of RMB4,526 million (six months ended 30 June 2012: RMB2,674 million). The loans bear interest at the range from 2.05% to 7.82% per annum (31 December 2012: 2.05% to 7.54% per annum). These proceeds were used to finance the capital expenditure and general working capital of the Group.

At 30 June 2013, certain assets of the Group with aggregate carrying value of RMB343 million (31 December 2012: RMB414 million) were pledged as security for bank and other loans, bills facilities and contracts granted to the Group, its associates and joint ventures.

19. Deferred Income

During the current interim period, the Group received RMB154 million (six months ended 30 June 2012: RMB150 million) subsidies from the industrial customers to subsidise the construction cost of the main gas pipelines to the gas provision site and the gas storage.

20. Convertible Bonds at Fair Value Through Profit and Loss

On 26 February 2013, the Company issued zero coupon United States dollar ("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.

In accordance with the terms and conditions of the Bonds, the Company: (i) may at any time after 26 February 2016 and prior to the maturity date redeem in whole, but not in part, the Bonds for the time being outstanding at the early redemption amount, provided that (a) the closing price of the shares (translated into US dollar at the prevailing rate defined in the terms and conditions of the Bonds) for each of any 20 trading days within a period of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which notice of such redemption is published was at least 130 per cent of the early redemption amount divided by the then prevailing conversion ratio (as defined in the terms and conditions of the Bonds agreement) and (b) the applicable redemption date does not fall within a closed period; or (ii) may at any time prior to the maturity date of the Bonds redeem in whole, but not in part, the Bonds for the time being outstanding at the early redemption amount provided that prior to the date of such notice at least 90 per cent in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

The Bonds, are traded on Singapore Exchange Securities Trading Limited, were designated as financial instrument at fair value through profit and loss and the market price represents the fair value of the Bonds.

At the end of the current interim reporting period, the market value of the Bonds was US$543 million (approximately RMB3,357 million). There was fair value loss of US$43 million (approximately RMB214 million). The transaction costs incurred for issue of the Bonds approximately RMB64 million was recognised as part of finance costs during the current interim period (six months ended 30 June 2012: nil).

21. Acquisition of Business

On 23 May 2013, the Group acquired 100% of the registered capital of LNG Europe B.V. ("LNG Europe") at a cash consideration of EUR1.2 million (approximately RMB10 million). LNG Europe is engaged in wholesales of liquid and gaseous fuels and liquefied natural gas in Netherlands.

On 27 June 2013, the Group acquired further 51.13% of the registered capital of 河源市管道燃氣發展有限公司 ("Heyuan Piped Gas") at a cash consideration of RMB84 million which became a wholly owned subsidiary of the Group. Heyuan Piped Gas is the holding company of a group of companies engaging in the sales of piped gas in Guangdong province, the PRC.

Heyuan Piped Gas and LNG Europe were acquired with the objective of significantly improving market coverage in Guangdong province, the PRC and as a touchstone to expand business to European Zone.

In accordance with the sale and purchase agreement of the shares in LNG Europe (the "Sale and Purchase Agreement"), the vendors of LNG Europe agreed that the purchase price should be adjusted by: (1) the difference between the final net asset value and the provisional value disclosed below; (2) the difference between the final value of property, plant and equipment and the provisional value disclosed below; and (3) an additional payment between EUR360,000 to EUR840,000 depending on LNG Europe's actual performance comparing to the target sales volume of truck business and the target consolidated earnings before interest, taxes, depreciation and amortisation as set out in the Sale and Purchase Agreement for the next five years after the date of acquisition.

21. Acquisition of Business *(continued)*

Consideration

	Heyuan Piped Gas RMB million	LNG Europe RMB million
Cash	84	5
Fair value of adjusted purchase price (provisional value)	–	5
	84	10

Acquisition-related costs have been excluded from the cost of acquisition and have been recognised as administrative expenses in condensed consolidated statement of profit or loss and other comprehensive income in current period.

The provisional values of the assets and liabilities of Heyuan Piped Gas and LNG Europe at the date of acquisition are as follows:

	Heyuan Piped Gas RMB million	LNG Europe RMB million
Non-current assets		
Property, plant and equipment	112	3
Intangible assets – rights of operation	100	–
Prepaid lease payments	11	–
Current assets		
Inventories	3	–
Trade and other receivables	15	1
Cash and cash equivalents	21	1
Non-current liabilities		
Deferred tax liabilities	(25)	–
Current liabilities		
Trade and other payables	(73)	(5)
	164	–

In accordance with the best estimation at acquisition date, the fair values of the receivables acquired in these transactions are the same as the gross contractual amounts.

21. Acquisition of Business *(continued)*

Goodwill Arising on Acquisition (Determined on a Provisional Basis)

	Heyuan Piped Gas RMB million	LNG Europe RMB million
Consideration	84	10
Plus: Fair value of previously held interest (provisional value)	80	–
Less: Fair value of identified net assets acquired	(164)	–
Goodwill arising on acquisition	–	10

Goodwill arose on the acquisition of LNG Europe is attributable to its anticipated profitability and the anticipated future operating synergies from the combination.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net Cash Inflow (Outflow) Arising on Acquisition

	Heyuan Piped Gas RMB million	LNG Europe RMB million
Consideration paid in cash	–	(5)
Less: Cash and cash equivalent balances acquired	21	1
	21	(4)

Impact of Acquisition on the Results of the Group

No material impact on revenue and profit for the period ended 30 June 2013 were bought by LNG Europe and Heyuan Piped Gas as they were acquired close to the end of the current interim period.

Had the acquisition of LNG Europe and Heyuan Piped Gas been effected at 1 January 2013, the revenue of the Group for the six months ended 30 June 2013 would have been approximately RMB10,420 million, and the profit for the current interim period would have been approximately RMB1,049 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2013, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group, had LNG Europe and Heyuan Piped Gas been acquired on 1 January 2013, the Directors have calculated depreciation and amortisation of property, plant and equipment, prepaid lease payment and intangible asset acquired on the basis of the provisional fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

22. Acquisition of Assets Through Acquisition of a Subsidiary

On 6 May 2013, the Group acquired 70% of the registered capital of 睢寧萬豐天然氣有限公司 ("Suining Piped Gas") at a cash consideration of RMB19 million. Suining Piped Gas is engaged in sales of piped gas. Suining Piped Gas has not yet commenced operation as at the date of acquisition. The transaction was accounted for acquisition of assets through acquisition of a subsidiary and the fair value of the assets and liabilities acquired are as follows:

	RMB million
Non-current assets	
Property, plant and equipment	3
Intangible assets – right of operation	9
Current assets	
Cash and cash equivalents	15
Net assets	27
Less: Non-controlling interests	(8)
Net assets acquired	19
Total consideration	19
Satisfied by:	
Cash	14
Consideration payables (included in other payables)	5
	19

	RMB million
Net cash inflow arising on acquisition:	
Cash consideration paid	(14)
Less: cash and cash equivalents acquired	15
	1

23. Fair Value Measurement of Financial Instruments

The following table gives information about how the fair values of financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group measures its convertible bonds at fair value at the end of each reporting period on a recurring basis:

	Fair value as at			
	30 June 2013 RMB million	31 December 2012 RMB million	**Fair value hierarchy**	**Valuation technique**
Financial liabilities				
Convertible bonds	**3,357**	–	Level 1	Fair values are derived from quoted prices in an active market

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values:

	At 30 June 2013		At 31 December 2012	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Financial liabilities:				
Corporate bond	**497**	**482**	497	475
Senior notes	**4,558**	**5,274**	4,629	5,453
Medium-term notes	**700**	**653**	700	680
Short-term debentures	**1,237**	**1,176**	1,208	1,170
Fixed rate bank loans	**869**	**855**	1,481	1,470

24. 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 investments 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.

25. Related Party Transactions

The Group has entered into the following transactions with its related parties during the period:

	Six months ended 30 June	
	2013	2012
	RMB million	RMB million
Associates		
– Sales of gas to	**27**	3
– Sales of materials to	**17**	10
– Provision of gas transportation services to	**–**	1
– Purchase of materials from	**–**	1
– Purchase of gas from	**97**	22
– Loan interest received from	**1**	–
Joint ventures		
– Sales of gas to	**129**	203
– Sales of materials to	**28**	50
– Purchase of gas from	**304**	194
– Provision of gas transportation services to	**181**	185
– Loan interest received from	**3**	4
– Loan interest paid to	**2**	4
– Provision of supporting services by	**2**	9
– Provision of construction services by	**14**	17
Companies controlled by Mr. Wang Yu Suo (“Mr. Wang”) a controlling shareholder and director of the Company		
– Sales of gas to	**4**	4
– Provision for engineering construction by	**7**	2
– Provision of energy supporting services by	**21**	3
– Provision of gas connection service to	**–**	2
– Provision for property management services by	**4**	4
– Provision of maritime transportation services by	**5**	6
– Purchase of equipment and supporting service from	**–**	3
– Lease of premises from	**1**	1
– Provision of supporting service by	**10**	10
Non-controlling shareholders of subsidiaries		
– Provision of construction service by	**2**	3
– Lease of premises from	**3**	2
– Provision of transportation services by	**1**	1
– Purchase of gas from	**1**	1
– Provision of supporting service by	**2**	–
– Purchase of materials from	**2**	–

25. Related Party Transactions *(continued)*

The Company issued US$750 million senior notes (the "2021 Senior Notes") on 13 May 2011. The terms and conditions of the 2021 Senior Notes require Mr. Wang to retain control over the Company throughout the term of the 2021 Senior Notes failing which the Company would be require to repurchase all outstanding notes at purchase price equal to 101% of their principal amount plus accrued and unpaid interest at such repurchase date.

In addition, Mr. Wang and Ms. Zhao Baoju, spouse of Mr. Wang has provided personal guarantees to the extent of RMB1,950 million (31 December 2012: RMB2,370 million) to certain banks for banking facilities granted to the Group as at 30 June 2013.

A joint venture has pledged its rights to receive gas supply fee income in favour of a bank to secure banking facility amounted to RMB641 million (31 December 2012: RMB561 million) granted to the Group. Such banking facilities have not been utilised as at 30 June 2013.

The Group has provided guarantees to associates for banking facilities amounting to RMB176 million (31 December 2012: RMB176 million) and to joint ventures for banking facilities amounting to RMB538 million (31 December 2012: RMB300 million), respectively.

The compensation to key management personnel during the period is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Short-term employee benefits	**4,898**	4,983
Post-employment benefits	**68**	68
Share-based payments	**–**	11,283
	4,966	16,334

Other Information

Disclosure of Interests

Directors' interests or short positions in shares and in share options

As at 30 June 2013, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange, were as follows:

Name of Director	Capacity	Personal interests	Interests in shares Corporate interests	Family interests	Total interests in shares	Interests in underlying shares pursuant to share options	Total aggregate interests in shares and underlying shares	Approximate percentage of the Company's total issued share capital as at 30 June 2013
Mr. Wang Yusuo ("Mr. Wang")	Beneficial owner and interest of controlled corporation	596,000 (Note 2)	326,095,000 (Note 1)	–	326,691,000	–	326,691,000	30.17%
Ms. Zhao Baoju ("Ms. Zhao")	Interest of controlled corporation and interest of spouse	–	326,095,000 (Note 1)	596,000 (Note 2)	326,691,000	–	326,691,000	30.17%
Mr. Wang Guangtian	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Ms. Yien Yu Yu, Catherine	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Mr. Kong Chung Kau	Beneficial owner	–	–	–	–	200,000	200,000	0.02%

Notes:

1. The two references to 326,095,000 shares relate to the same block of shares. Such shares are held by ENN Group International Investment Limited ("EGII"), which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.

2. Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these shares held by Mr. Wang, and vice versa.

Details of the Directors' interests in share options granted by the Company are set out below under the heading "Directors' rights to acquire shares".

Save as disclosed above, as at 30 June 2013, the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code recorded no other interests or short positions of the Directors in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO).

Other Information

Directors' rights to acquire shares

Pursuant to the Company's share option schemes, the Company has granted options on the Company's ordinary shares in favour of certain Directors, the details of which are as follows:

Name of Director	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2013	Number of options exercised during the Period (Note 2)	Number of shares subject to outstanding options as at 30 June 2013 (Aggregate)	Approximate percentage of the Company's total issued share capital as at 30 June 2013 (Aggregate)
Mr. Wang Guangtian	14.06.2010	14.12.2010–14.06.2020	16.26	100,000	–	200,000	0.02%
	14.06.2010	14.06.2012–14.06.2020	16.26	100,000	–		
Ms. Yien Yu Yu, Catherine	14.06.2010	14.12.2010–14.06.2020	16.26	100,000	–	200,000	0.02%
	14.06.2010	14.06.2012–14.06.2020	16.26	100,000	–		
Mr. Kong Chung Kau	14.06.2010	14.12.2010–14.06.2020	16.26	100,000	–	200,000	0.02%
	14.06.2010	14.06.2012–14.06.2020	16.26	100,000	–		
Total				600,000	–	600,000	

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. "Period" refers to the period from 1 January 2013 to 30 June 2013.

Save as disclosed above, at no time during the Period was the Company or its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2013, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Interests in shares: Personal interests	Interests in shares: Corporate interests	Interests in shares: Family interests	Total interests in shares	Interests in underlying shares pursuant to share options	Total aggregate interests in shares and underlying shares	Approximate percentage of the Company's total issued share capital as at 30 June 2013
Mr. Wang	Beneficial owner and interest of controlled corporation	596,000 (Note 2)	326,095,000 (Note 1)	–	326,691,000	–	326,691,000	30.17%
Ms. Zhao	Interest of controlled corporation and interest of spouse	–	326,095,000 (Note 1)	596,000 (Note 2)	326,691,000	–	326,691,000	30.17%
EGII	Beneficial owner	–	326,095,000 (Note 1)	–	326,095,000	–	326,095,000 (L)	30.17%
The Capital Group Companies, Inc	Interest of controlled corporation	–	140,892,596 (Note 3)	–	140,892,596 (Note 3)	–	140,892,596 (Note 3)	13.01%
Capital Research and Management Company	Investment manager	–	128,156,700	–	128,156,700	–	128,156,700	11.84%
Commonwealth Bank of Australia	Interest of controlled corporation	–	84,760,000	–	84,760,000	–	84,760,000	7.83%
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/approved lending agent	–	62,822,534 (L) (including 57,376,234 (P)) 1,917,373 (S)	–	62,822,534 (L) (including 57,376,234 (P)) 1,917,373 (S)	–	62,822,534 (L) (including 57,376,234 (P)) 1,917,373 (S)	5.80% (L) (including 5.30% (P)) 0.18% (S)

Notes:

1. The three references to 326,095,000 shares relate to the same block of shares. Such shares are held by EGII which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.
2. Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these shares held by Mr. Wang, and vice versa.
3. Of these shares, 128,156,700 shares are held by Capital Research and Management Company (a company which is wholly owned by the Capital Group Companies, Inc.)
4. (L) represents Long Position; (S) represents Short Position; (P) represents Lending Pool.

Save as disclosed above, as at 30 June 2013, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company. Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2013, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Other Information

Share Option Scheme

The Company has adopted a share option scheme (the "2002 Scheme") pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 21 May 2002.

The following table discloses details of the Company's share options held by the employees (including Directors) and movements in such holdings under the 2002 Scheme during the Period:

Grantee	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2013	Number of options lapsed during the Period (Note 2)	Number of shares subject to outstanding options as at 30 June 2013 (Aggregate)	Approximate percentage of the Company's total issued share capital as at 30 June 2013 (Aggregate)
Directors	14.06.2010	14.12.2010–14.06.2020	16.26	300,000	–	600,000	0.05%
	14.06.2010	14.06.2012–14.06.2020	16.26	300,000	–		
Employees	14.06.2010	14.06.2012–14.06.2020	16.26	180,000	(180,000)	–	0.02%
Total				780,000	(180,000)	600,000	0.07%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. "Period" refers to the period from 1 January 2013 to 30 June 2013.

No share option was granted or cancelled under the 2002 Scheme during the Period.

The 2002 Scheme has expired on 20 May 2012, and upon its expiration, no further options could be granted thereunder; however, the rules of the 2002 Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiration or otherwise as may be required in accordance with the rules of the 2002 Scheme. Therefore, the expiration of the 2002 Scheme will not in any event affect the terms of the grant of such outstanding options that has already been granted under the 2002 Scheme and the above outstanding options granted under the 2002 Scheme shall continue to be subject to the provisions of the 2002 Scheme.

The Company has adopted a new share option scheme (the "2012 Scheme") pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 26 June 2012. No share option has been granted under the 2012 Scheme yet.

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 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 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.

Other Information

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Loan Agreements Imposing Specific Performance Obligations on Controlling Shareholders

On 13 May 2011 and 26 February 2013, the Company issued 10-year senior notes and 5-year zero coupon convertible bonds ("Bonds") with the principal amount of US$750 million (equivalent to RMB4,863million) and US$500 million (equivalent to RMB3,143 million) respectively. Both of the senior notes and Bonds with terms and conditions require Mr. Wang, the controlling shareholder of the Company, to retain at least 25% of the total issued share capital of the Company throughout the term of the bonds.

Interests in Competitors

During the Period, none of the Directors or the management shareholders of the Company or their respective associates had an interest in a business which competes or may compete with the business of the Group.

By order of the Board
WANG Yusuo
Chairman

Hong Kong, 26 August 2013

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