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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

2015 INTERIM RESULTS ANNOUNCEMENT

Financial Highlights:

- Profit after taxation attributable to shareholders of the Company surged 37% to HK\$639 million.
- Basic earnings per share significantly increased 35% to 24.24 HK cents per share.
- Turnover rose HK\$257 million to HK\$3,931 million.

RESULTS

The board of directors (the "Board") of Towngas China Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2015.

The unaudited consolidated results of the Group for the six months ended 30 June 2015 together with the comparative figures of 2014 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

| | <i>NOTES</i> | Six months ended 30 June | |
|--|--------------|--|--|
| | | 2015 <i>HK\$'000</i> <i>(unaudited)</i> | 2014 <i>HK\$'000</i> <i>(unaudited)</i> |
| Turnover | 2 | 3,931,075 | 3,674,163 |
| Operating profit before returns on investments | | 521,518 | 495,996 |
| Other gains (losses), net | | 106,195 | (42,407) |
| Share of results of associates | | 174,994 | 183,477 |
| Share of results of joint ventures | | 152,591 | 138,361 |
| Finance costs | 3 | (82,903) | (82,289) |
| Profit before taxation | 4 | 872,395 | 693,138 |
| Taxation | 5 | (178,957) | (171,485) |
| Profit for the period | | 693,438 | 521,653 |
| Profit for the period attributable to: | | | |
| Shareholders of the Company | | 639,166 | 467,968 |
| Non-controlling interests | | 54,272 | 53,685 |
| | | 693,438 | 521,653 |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Earnings per share | 7 | | |
| – Basic | | 24.24 | 17.90 |
| – Diluted | | 24.21 | 17.85 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

| | <i>NOTES</i> | 30.06.2015 <i>HK\$'000</i> <i>(unaudited)</i> | 31.12.2014 <i>HK\$'000</i> <i>(audited)</i> |
|---|--------------|--|---|
| Non-current assets | | | |
| Property, plant and equipment | | 11,745,087 | 11,026,351 |
| Leasehold land | | 464,261 | 449,682 |
| Intangible assets | | 598,196 | 608,608 |
| Goodwill | | 6,002,263 | 5,890,298 |
| Interest in associates | | 2,973,390 | 2,836,497 |
| Interest in joint ventures | | 2,099,561 | 1,936,057 |
| Loans to joint ventures | | 46,215 | 56,012 |
| Available-for-sale investments | | <u>170,813</u> | <u>170,763</u> |
| | | 24,099,786 | 22,974,268 |
| Current assets | | | |
| Inventories | | 584,265 | 565,951 |
| Leasehold land | | 23,855 | 23,827 |
| Loan to an associate | | 18,749 | 18,745 |
| Loans to joint ventures | | 230,912 | 166,245 |
| Trade and other receivables, deposits and prepayments | 8 | 1,771,859 | 1,788,086 |
| Amounts due from non-controlling shareholders | | 17,061 | 16,551 |
| Time deposits over three months | | 269,995 | 344,914 |
| Bank balances and cash | | <u>1,625,299</u> | <u>1,451,652</u> |
| | | 4,541,995 | 4,375,971 |
| Current liabilities | | | |
| Trade and other payables and accrued charges | 9 | 4,441,711 | 4,136,399 |
| Amounts due to non-controlling shareholders | | 171,477 | 188,092 |
| Taxation | | 610,295 | 582,078 |
| Borrowings – amount due within one year | | <u>2,193,523</u> | <u>2,482,814</u> |
| | | 7,417,006 | 7,389,383 |
| Net current liabilities | | <u>(2,875,011)</u> | <u>(3,013,412)</u> |
| Total assets less current liabilities | | <u>21,224,775</u> | <u>19,960,856</u> |
| Non-current liabilities | | | |
| Loans from the ultimate holding company | | 993,750 | 993,750 |
| Borrowings – amount due after one year | | 4,884,829 | 4,075,077 |
| Deferred taxation | | 447,762 | 440,603 |
| Other financial liabilities | | <u>6,045</u> | <u>6,948</u> |
| | | 6,332,386 | 5,516,378 |
| Net assets | | <u>14,892,389</u> | <u>14,444,478</u> |
| Capital and reserves | | | |
| Share capital | | 264,291 | 263,266 |
| Reserves | | <u>13,409,887</u> | <u>12,990,685</u> |
| Equity attributable to shareholders of the Company | | 13,674,178 | 13,253,951 |
| Non-controlling interests | | <u>1,218,211</u> | <u>1,190,527</u> |
| Total equity | | <u>14,892,389</u> | <u>14,444,478</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. APPLICATION OF NEW AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

| | |
|-----------------------|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010 - 2012 Cycle |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011 - 2013 Cycle |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions |

The application of the above new amendments to HKFRSs and HKAS 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.

2. SEGMENT INFORMATION

Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker of the Group has been identified as the executive directors of the Company (the "Executive Directors").

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors to facilitate strategic decision making.

The Group currently organises its operations into two operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely sales and distribution of piped gas and related products and gas connection. They represent two major lines of business engaged by the Group. The principal activities of the operating and reportable segments are as follows:

| | | |
|--|---|---|
| Sales and distribution of piped gas and related products | – | Sales of piped gas (mainly natural gas) and gas related household appliances* |
| Gas connection | – | Construction of gas pipeline networks under gas connection contracts |

* Sales from gas related household appliances contribute to less than 5% of the Group's total revenue.

Segments results represent the profit before taxation earned by each segment, excluding finance costs, share of results of associates, share of results of joint ventures, other gains (losses), net and unallocated corporate expenses such as central administration costs and directors' salaries. These are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

Information regarding these segments is presented below.

| | Sales and distribution of piped gas and related products <i>HK\$'000</i> | Gas connection <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|------------------------------------|---|---|---|
| Six months ended 30 June 2015 | | | |
| TURNOVER | | | |
| External | <u>3,212,316</u> | <u>718,759</u> | <u>3,931,075</u> |
| Segment results | <u>266,849</u> | <u>326,613</u> | 593,462 |
| Other gains, net | | | 106,195 |
| Unallocated corporate expenses | | | (71,944) |
| Share of results of associates | | | 174,994 |
| Share of results of joint ventures | | | 152,591 |
| Finance costs | | | <u>(82,903)</u> |
| Profit before taxation | | | 872,395 |
| Taxation | | | <u>(178,957)</u> |
| Profit for the period | | | <u>693,438</u> |

| | Sales and distribution of piped gas and related products <i>HK\$'000</i> | Gas connection <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|------------------------------------|---|---|---|
| Six months ended 30 June 2014 | | | |
| TURNOVER | | | |
| External | <u>3,029,584</u> | <u>644,579</u> | <u>3,674,163</u> |
| Segment results | <u>272,504</u> | <u>293,831</u> | 566,335 |
| Other losses, net | | | (42,407) |
| Unallocated corporate expenses | | | (70,339) |
| Share of results of associates | | | 183,477 |
| Share of results of joint ventures | | | 138,361 |
| Finance costs | | | <u>(82,289)</u> |
| Profit before taxation | | | 693,138 |
| Taxation | | | <u>(171,485)</u> |
| Profit for the period | | | <u>521,653</u> |

3. FINANCE COSTS

| | Six months ended 30 June | |
|--|--------------------------|---------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Interest on: | | |
| – bank and other borrowings wholly repayable within five years | 85,963 | 85,064 |
| – bank and other borrowings not wholly repayable within five years | 421 | 468 |
| | <u>86,384</u> | <u>85,532</u> |
| Bank charges | 2,234 | 1,804 |
| | <u>88,618</u> | <u>87,336</u> |
| Less: amounts capitalised | (5,715) | (5,047) |
| | <u>82,903</u> | <u>82,289</u> |

4. PROFIT BEFORE TAXATION

| | Six months ended 30 June | |
|--|--------------------------|-----------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Profit before taxation has been arrived at after charging: | | |
| Amortisation of intangible assets | 10,268 | 3,714 |
| Release of leasehold land | 7,963 | 6,405 |
| Cost of inventories sold | 2,838,587 | 2,651,563 |
| Depreciation of property, plant and equipment | 212,248 | 183,269 |
| Staff costs | 385,619 | 332,449 |
| Exchange loss | - | 144,044 |
| and after crediting: | | |
| Interest income | 12,459 | 12,161 |
| Interest income on loans to associates and joint ventures | 5,865 | 3,846 |
| Imputed interest income on deferred consideration receivable and loans to joint ventures | 3,847 | 5,888 |

5. TAXATION

The taxation charge represents Enterprise Income Tax ("EIT") of the People's Republic of China ("PRC") for both periods.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The EIT rates applicable for the Group's PRC subsidiaries range from 15% to 25% (2014: 15% to 25%).

Following the Catalogue of Encouraged Industries in Western Region which was promulgated by the National Development and Reform Commission of the PRC in 2014, certain subsidiaries which are operating in the Western China have been granted a concessionary tax rate of 15% by the local tax bureau.

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: nil). During the period, a dividend of ten HK cents per share (2014: eight HK cents per share) amounting to HK\$264,291,000 was declared by the Board as the final dividend for 2014 (HK\$209,246,000 for 2013).

The final dividend for 2014 was payable in cash but shareholders were given the option of electing to receive the final dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. Subsequent to the reporting period, on 10 July 2015, the final dividend of ten HK cents per share, which included the scrip dividend alternative offered to shareholders, was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2014.

7. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to shareholders of the Company | <u>639,166</u> | <u>467,968</u> |
| | | Number of shares |
| | | Six months ended 30 June |
| | 2015 | 2014 |
| | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 2,636,306 | 2,613,878 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | <u>3,710</u> | <u>7,651</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>2,640,016</u> | <u>2,621,529</u> |

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 30.06.2015 <i>HK\$'000</i> | 31.12.2014 <i>HK\$'000</i> |
|-----------------------------------|--------------------------------------|-------------------------------|
| Trade receivables | 774,625 | 743,444 |
| Deferred consideration receivable | - | 112,011 |
| Prepayments | 632,954 | 668,718 |
| Other receivables and deposits | 364,280 | 263,913 |
| | <u>1,771,859</u> | <u>1,788,086</u> |

Trade receivables

The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. Longer credit period is also allowed on a case by case basis. The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

| | 30.06.2015 <i>HK\$'000</i> | 31.12.2014 <i>HK\$'000</i> |
|-----------------|--------------------------------------|-------------------------------|
| 0 to 90 days | 677,345 | 671,721 |
| 91 to 180 days | 41,912 | 21,240 |
| 181 to 360 days | 55,368 | 50,483 |
| | <u>774,625</u> | <u>743,444</u> |

9. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

| | 30.06.2015 <i>HK\$'000</i> | 31.12.2014 <i>HK\$'000</i> |
|--|--------------------------------------|-------------------------------|
| Trade payables | 1,056,066 | 1,028,183 |
| Receipt in advance | 2,399,089 | 2,354,328 |
| Consideration payable for acquisitions of businesses | 119,264 | 127,861 |
| Consideration payable to a joint venture | - | 23,490 |
| Other payables and accruals | 866,082 | 600,433 |
| Amount due to ultimate holding company (note) | <u>1,210</u> | <u>2,104</u> |
| | <u>4,441,711</u> | <u>4,136,399</u> |

Note: The amount is unsecured, interest-free and repayable on demand.

Trade payables

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

| | 30.06.2015 <i>HK\$'000</i> | 31.12.2014 <i>HK\$'000</i> |
|-----------------|--------------------------------------|-------------------------------|
| 0 to 90 days | 713,552 | 754,712 |
| 91 to 180 days | 142,654 | 123,977 |
| 181 to 360 days | 111,272 | 79,586 |
| Over 360 days | <u>88,588</u> | <u>69,908</u> |
| | <u>1,056,066</u> | <u>1,028,183</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2015, the Group recorded a turnover of HK\$3,931 million, a growth of HK\$257 million over the corresponding period of 2014. Profit after taxation attributable to shareholders of the Company amounted to HK\$639 million, an increase of 37% as compared to the corresponding period last year. Basic earnings per share amounted to 24.24 HK cents, representing an increase of 35% compared to the corresponding period of 2014.

Turnover

For the six months ended 30 June 2015, turnover from the sales and distribution of piped gas and related products increased 6% to HK\$3,212 million from HK\$3,030 million over the corresponding period last year. This growth was primarily attributable to the steady increase in the volume of gas sales and higher gas sales prices. The total consolidated volume of gas sold in the current period amounted to 899 million cubic meters, an increase of 4% compared to corresponding period in 2014. For the connection business, the Group recorded an income of HK\$719 million on connection fees in the current period, representing an increase of 12% over the corresponding period last year. Consolidated new households' connections of 160,000 were made during the period under review.

Development of New Projects

As at the date of this report, the Group acquired three gas projects during the year. They consist of a city gas project in Wulian County in Rizhao City, Shandong Province, with automobile parts and accessories, machinery manufacturing and stone supply being the major industries of the region; the Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project, Anhui Province; and the Taigang Gas mid-stream long-haul pipeline project in Taian City, Shandong Province. While the Group has been focusing on the development of downstream city gas projects through mergers and acquisitions in the past to achieve rapid expansion in market share, we have also started to actively develop our mid-stream piped transmission business. The Xuancheng-Huangshan natural gas sub-stream project, Anhui Province will ensure the stable development of our business in the region by providing a complementary operation to our city gas businesses, while the Taigang Gas mid-stream long-haul pipeline project in Taian City, Shandong Province is proving its enormous strategic significance due to its location at the hub of China National Petroleum Corporation's gas supply in Shandong Province, offering strong assurance in gas supply for the Group's downstream city gas projects covered by the pipe network.

Available-for-sale Investments

Available-for-sale investments mainly consisted of the Group's investment in Chengdu City Gas Co., Ltd., which is accounted for at cost. No provision for impairment was required for the period and such investment is accounted for as long-term investment.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2015.

Financial Position

The Group has adopted a prudent approach in financial resources management, maintaining an appropriate level of cash and cash equivalents as well as adequate facilities to meet the requirements of day-to-day operations and business development, while also controlling borrowings at a healthy level.

As at 30 June 2015, the Group's total borrowings amounted to HK\$8,072 million, of which HK\$994 million represented loans from The Hong Kong and China Gas Company Limited ("HKCG") due between 1 to 5 years, HK\$4,783 million represented bank loans and other loans due between 1 to 5 years, HK\$2,194 million represented bank loans and other loans due within 1 year, and HK\$101 million represented bank loans and other loans due over 5 years. The Group entered into an interest rate swap contract to swap the 5 year variable-rate bank borrowing of HK\$350 million to the fixed-rate borrowing in 2011. Other than HK\$688 million of bank loans and other loans which bore interests at fixed rates, the Group's loans were mainly arranged on a floating interest rate basis. The maturities and interest rates of the loans were arranged to provide sound financial resources and stable interest costs for the Group. The Group's borrowings are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. As at the end of the period, the Group had a gearing ratio (net debt excluding the HKCG loans ("Net Debt") to equity attributable to shareholders of the Company plus Net Debt) of 27.5%.

As at 30 June 2015, the Group's cash and cash equivalents together with time deposits amounted to HK\$1,895 million, mainly denominated in Renminbi, Hong Kong dollars and United States dollars.

As at 30 June 2015, the Group's unutilised available facilities amounted to HK\$2,249 million.

The operating and capital expenditure of the Group is funded by cash flow from operations, internal liquidity and financing agreements with banks and its shareholders. The Group maintains a strong liquidity position with its cash and cash equivalents on hand and unutilised banking facilities and we have adequate financial resources to meet our contractual obligations and operating requirements.

Credit Ratings

In June 2015, Standard & Poor's upgraded the long-term corporate credit rating of Towngas China from "BBB" to "BBB+", while maintaining its long-term Greater China credit rating at "cnA+" and its rating outlook as "stable". In July 2015, Moody's Investors Service upgraded the issuer rating of Towngas China from "Baa2" to "Baa1" with a "stable" outlook rating. These ratings, and the ongoing enhancement in our credit standing in particular, reflect the credit rating agencies' recognition of Towngas China's sound financial position.

Interim Dividend

The Board has resolved not to declare an interim dividend (2014: nil).

Employee and Remuneration Policies

As at 30 June 2015, the Group had 21,215 employees, 99% of whom worked in mainland China. Employee remuneration is based on individual performance, job nature and the relevant responsibilities involved. The Group also provides on-the-job training as well as generous benefits packages for employees, which include medical welfare, provident funds, bonuses and other incentives. We also encourage employees to seek a sound balance between work and leisure, while also endeavouring to improve the working environment for employees on a continuing basis so that they can realise their full potential for the benefit of the Group.

Mr. Chan Wing Kin, Alfred Honoured with "Gas Industry Leadership Award" at the "Gas Industry Awards 2015"

Mr. Chan Wing Kin, Alfred, Managing Director of HKCG and Chairman of the Group, was honoured with the "Gas Industry Leadership Award" at the "Gas Industry Awards 2015" jointly organised by the Institution of Gas Engineers & Managers and the Energy and Utilities Alliance of the United Kingdom, making him the first Chinese business leader to earn this award. The "Gas Industry Awards 2015" was held to honour the enterprises and individuals who have made outstanding contributions to the development of the gas industry. Mr. Chan won this award in recognition of his outstanding achievements in driving the rapid development of the city gas business in China together with his strong leadership of a team of professionals recognised for its performance excellence in gas safety, customer services and operating efficiencies.

Corporate Social Responsibilities

In fulfillment of our corporate social responsibilities, we are committed to environmental protection, together with help and support for the less privileged. Our aim is to uphold and promote the tradition of philanthropic involvement, long held by our parent company, HKCG, in mainland China.

The Group donated school uniforms, computers, sporting items, musical instruments, painting tools as well as the setting up of canteen facilities and the building of the "Towngas China Charity Library" to Pingshang Primary School in Lubuge Town, Xingyi City, Guizhou Province. Since the commencement of this campaign in 2013, we have helped 18 schools in Xiushui in Jiangxi, Wenchuan in Sichuan, Maanshan in Anhui, Chizhou in Anhui, Weifang in Shandong and Xingyi in Guizhou with the renovation of teaching blocks, construction of e-classrooms as well as donations for teaching equipment, learning tools, stationery and sporting items, significantly improving the learning environment for local students.

The Group launched a campaign called "A Date with Towngas China Forest" as project companies all over the nation invited the local media and customers to participate in environmental protection activity of tree planting with Towngas China volunteers. A total of 4,000 trees have been planted, forming a green zone of 8,000 square metres.

Towngas China volunteers also visited Bailu Primary School in Wuxi County, Chongqing as part of the "Companionship for Resident Children's Programme". In addition to homework tutorials and cultivation in music, art and sports, they also assisted in the day care and mental guidance of the children.

Recognising our outstanding performance in operational safety, service quality and social contributions, the Group was named the "2015 Chinese Corporate Responsibility Brand - Most Influential Enterprise" at the "2015 Chinese Corporation Responsibility Brand Conference". This event is jointly organised by the Corporate Citizenship Committee of China Federation of Social Work, CCTV Channel for Finance and Economics and Tencent Charity Foundation, to facilitate comprehensive harmony and sustainable development throughout the business community and society, by identifying and honouring brands that lead the way in corporate social responsibility.

Outlook

Economic Landscape

The Chinese government has set the GDP growth target for 2015 at approximately 7%, with plans to drive national economic development through proactive fiscal policies and prudent monetary policies facilitating the transition to a consumption-driven growth model from the investment-driven model in the past.

The launch of the policies for this new normal economic status coincided with a period of global economic weakness and exchange rate fluctuations. As a result, China experienced an economic downturn during the first half of 2015, evidenced by a significant slowdown in export growth together with increasing caution in real estate development and investment. Responding to the situation, the government increased the scale of its proactive fiscal policy, leading to successive cuts both in benchmark lending and deposit interest rates by the central bank. In view of these developments, we believe that the target GDP growth rate of 7% for the full year can be achievable.

The New Normal Status of Natural Gas Price Reforms

Following two upward adjustments of non-residential natural gas city-gate prices across the nation in July 2013 and September 2014, the Chinese government converged the prices of non-residential existing gas and incremental gas in April 2015 by slightly raising the natural gas city-gate price for existing gas and substantially lowering the natural gas city-gate price for incremental gas, resulting in a slight decrease in the overall natural gas city-gate price for non-residential gas for the Group in 2015, as compared to 2014.

At the same time, the significant decline in international oil prices since 2014 coupled with a slackening in energy demand due to lacklustre global economic conditions, resulted in an oversupply of natural gas in China in 2015. During the months of April and May, the country reported a rare year-on-year decrease in the domestic production of natural gas, while the total volume demand for natural gas in May was also lower than that for the same period in 2014. As a result of the oversupply, liquefied natural gas ("LNG") suppliers in some regions even resorted to price cuts to enhance sales and compete with piped city gas suppliers for industrial customers.

While the establishment of the new normal status for natural gas price reforms has caused some repercussions in the natural gas industry, it has also expedited the marketisation and internationalisation of China's natural gas industry. This will benefit the city gas sector in the long term. Looking ahead, the Towngas China Group has put plan into place to deal with the possible repercussions of these natural gas price reforms. With the adoption of the "Year of Marketing Strategy" as our annual management theme in early 2014, our project companies have achieved highly positive results in developing the commercial and industrial gas consumption markets over the past two years. Our staffs have also been gearing up their technical capabilities in the natural gas applications in order to demonstrate the superiority of natural gas as an alternative energy to customers. As such, the Towngas China Group is confident that we will sustain rapid development in the natural gas market under the new normal status environment.

The official commencement of the trial operation of the Shanghai Petroleum and Natural Gas Exchange on 1 July 2015 represents an important step for the National Development and Reform Commission to advance natural gas trading and price reforms. This will lead to fairer competition as it expedites the move towards opening up natural gas transmission facilities and LNG receiving terminals, whilst also allowing China to get more natural gas supplies from the international market at competitive prices. The Natural Gas Exchange thus signifies a new chapter in China's natural gas reform, which will create a profound, positive impact on the development of the city gas sector.

Market Prospects of the City Gas Business

Despite the recent weakness experienced in the natural gas market, the natural gas market will sustain sound development in the long term given the national policy to enhance the development of the natural gas industry. Since 2014, the Chinese government has announced a number of important development plans that will be carried out into 2020. These include the "National New-type Urbanisation Plan (2014 - 2020)", "Action Plan for the National Energy Development Strategy (2014 - 2020)", as well as the "Proposal for Enhancing Prevention and Mitigation of Air Pollution in the Energy Sector", which call for revolutionary reforms in the four aspects of "energy consumption, energy supply, energy-related technologies and energy systems", showcasing a strong determination of the Chinese government to roll out energy strategies for a modern society. Furthermore, with the support of large-scale import gas projects, such as the Central Asian natural gas pipeline D and the East line of the China-Russia natural gas pipeline, scheduled for operation in 2016 and 2018, respectively, the size of China's natural gas market is expected to exceed 300 billion cubic metres by 2020. This figure represents growth in excess of 100 billion cubic metres during the five-year-plan ("FYP") period of 2016-2020. With the city gas sector benefitting the most from this development, the Group is seizing every opportunity to act vigorously and rapidly in the development of new projects.

Direction of the Group's Business Development

The Group holds an optimistic view for China's long-term economic development. Demand for investments in natural gas and city gas will remain robust, as urbanisation will continue to provide a strong driving force for development during the nation's 13th FYP period. At the same time there will be escalating demand for energy conservation and environmental protection throughout the country. The Group's city gas business on the mainland will therefore continue to benefit from the rapid development of China's natural gas industry.

Looking ahead, we will continue to spend utmost efforts on enhancing management standards with due emphasis on customer services and corporate social responsibility. We will also be pursuing our ongoing growth with focuses both on quality and efficiency, working to ensure our leading edge against the competition and endeavoring to serve as a role model for China's city gas industry.

OTHER INFORMATION

Purchases, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

Corporate Governance

The Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") during the six months ended 30 June 2015.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the directors. All directors confirmed, following specific enquiries by the Company, that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2015.

Audit Committee

The Company has established an audit committee (the "Audit Committee") in accordance with requirements under the Listing Rules for the purposes of reviewing and supervising the Group's financial reporting processes and internal controls.

An Audit Committee meeting was held on 5 August 2015 to review the unaudited condensed consolidated financial statements for the six months ended 30 June 2015. Deloitte Touche Tohmatsu, the Company's external auditor, had carried out a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2015 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.

Appreciation

On behalf of the Board, I would like to express sincere gratitude to all staff for their dedication and hard work, and to all shareholders and investors for their long-standing support.

By Order of the Board

Ho Hon Ming, John

Executive Director and Company Secretary

Hong Kong, 12 August 2015

At the date of this announcement, the Board comprises:

Executive Directors:

Chan Wing Kin, Alfred (*Chairman*)
Wong Wai Yee, Peter (*Chief Executive Officer*)
Ho Hon Ming, John (*Company Secretary*)
Kee Wai Ngai, Martin

Independent Non-Executive Directors:

Cheng Mo Chi, Moses
Li Man Bun, Brian David
Kwan Yuk Choi, James