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港華燃氣有限公司
Towngas China Company Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1083)

2013 INTERIM RESULTS ANNOUNCEMENT

Financial Highlights:

- Profit after taxation attributable to shareholders surged by 49.2% to HK$533 million.
- Basic earnings per share increased significantly by 41.4% to 20.51 HK cents per share.
- Turnover rose to HK$2,962 million, representing an increase of 21.5%.

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 2013.

The unaudited consolidated results of the Group for the six months ended 30 June 2013 together with the comparative figures of 2012 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended 30 June	
		2013	2012
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	*(unaudited)*
Turnover	*3*	**2,961,947**	2,437,459
Operating profit before returns on investments		**434,658**	341,914
Other gains, net		**78,170**	1,966
Share of results of associates		**163,495**	138,442
Share of results of joint ventures		**120,769**	112,885
Finance costs	*4*	**(72,516)**	(75,740)
Profit before taxation	*5*	**724,576**	519,467
Taxation	*6*	**(150,413)**	(119,192)
Profit for the period		**574,163**	400,275
Profit for the period attributable to:			
Shareholders of the Company		**532,758**	357,086
Non-controlling interests		**41,405**	43,189
		574,163	400,275
		HK cents	*HK cents*
Earnings per share	*7*		
– Basic		**20.51**	14.51
– Diluted		**20.45**	14.49

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	NOTES	**30.06.2013** **HK$'000** ***(unaudited)***	31.12.2012 *HK$'000* *(audited)*
Non-current assets			
Property, plant and equipment		**8,203,233**	7,652,265
Leasehold land		**346,951**	304,619
Intangible assets		**176,144**	177,089
Goodwill		**5,482,918**	4,284,965
Interest in associates		**2,666,371**	2,525,529
Interest in joint ventures		**1,712,782**	1,546,131
Loans to joint ventures		**96,055**	91,706
Available-for-sale investments		**170,266**	170,016
Deferred consideration receivable		**120,284**	156,724
		18,975,004	16,909,044
Current assets			
Inventories		**512,406**	394,596
Leasehold land		**11,183**	9,961
Loans to associates		**31,594**	33,582
Loans to joint ventures		**162,486**	139,757
Trade and other receivables, deposits and prepayments	*9*	**1,172,840**	1,056,809
Amounts due from non-controlling shareholders		**39,124**	6,358
Other financial assets		**-**	6,391
Time deposits over three months		**330,884**	219,302
Bank balances and cash		**2,235,375**	2,479,484
		4,495,892	4,346,240
Current liabilities			
Trade and other payables and accrued charges	*10*	**3,321,182**	2,998,265
Amounts due to non-controlling shareholders		**525,119**	193,504
Taxation		**434,680**	435,654
Borrowings – amount due within one year		**2,039,166**	1,946,359
		6,320,147	5,573,782
Net current liabilities		**(1,824,255)**	(1,227,542)
Total assets less current liabilities		**17,150,749**	15,681,502
Non-current liabilities			
Loans from the ultimate holding company		**994,000**	993,750
Borrowings – amount due after one year		**3,097,522**	3,145,493
Deferred taxation		**245,698**	236,306
Other financial liabilities		**11,040**	18,992
		4,348,260	4,394,541
Net assets		**12,802,489**	11,286,961
Capital and reserves			
Share capital		**261,286**	246,035
Reserves		**11,703,380**	10,235,681
Equity attributable to shareholders of the Company		**11,964,666**	10,481,716
Non-controlling interests		**837,823**	805,245
Total equity		**12,802,489**	11,286,961

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands on 16 November 2000 under the Companies Law (Revised) Chapter 22 of the Cayman Islands as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company ("Directors"), the Group's parent and ultimate holding company is The Hong Kong and China Gas Company Limited ("HKCG"), a company incorporated in Hong Kong with its shares listed on the Stock Exchange.

The functional currency of the Company is Renminbi ("RMB"). The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"). The reason for selecting HKD as its presentation currency is because the Company is a public company incorporated in the Cayman Islands with its shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales and distribution of piped gas in the People's Republic of China (the "PRC") including the provision of piped gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of gas fuel automobile refilling stations, and the sale of gas household appliances.

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 on the Stock Exchange ("the Listing Rules").

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately HK$1,824 million as at 30 June 2013. The Group's current liabilities as at 30 June 2013 included borrowings of approximately HK$2,039 million that are repayable within one year from the end of the reporting period.

As of the date of approval for issuance of the condensed consolidated financial statements, the Group had un-drawn facilities (the "Facilities") amounting to approximately HK$2,405 million. When considering the Group's ability to continue as a going concern, the Directors consider that approximately HK$2,020 million of the Group's bank loans that are repayable within one year from the end of the reporting period will be rolled over or refinanced as the Group has good relationship with the banks and has good credibility.

Taking into account of the internally generated funds and the available Facilities, the Directors are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current interim period, the Group has applied, for the first time, the following new and revised HKASs, HKFRSs, amendments and interpretation ("HK(IFRIC) - Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

3. 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 turnover.

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, net and unallocated corporate expenses such as central administration costs and directors' salaries. They 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 *HK$'000*	**Gas connection** *HK$'000*	**Consolidated** *HK$'000*
Six months ended 30 June 2013			
TURNOVER			
External	**2,393,619**	**568,328**	**2,961,947**
Segment results	**221,779**	**278,142**	**499,921**
Other gains, net			**78,170**
Unallocated corporate expenses			**(65,263)**
Share of results of associates			**163,495**
Share of results of joint ventures			**120,769**
Finance costs			**(72,516)**
Profit before taxation			**724,576**
Taxation			**(150,413)**
Profit for the period			**574,163**

	Sales and distribution of piped gas and related products *HK$'000*	Gas connection *HK$'000*	Consolidated *HK$'000*
Six months ended 30 June 2012			
TURNOVER			
External	1,929,127	508,332	2,437,459
Segment results	148,428	243,555	391,983
Other gains, net			1,966
Unallocated corporate expenses			(50,069)
Share of results of associates			138,442
Share of results of joint ventures			112,885
Finance costs			(75,740)
Profit before taxation			519,467
Taxation			(119,192)
Profit for the period			400,275

4. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Interest on:		
– bank and other borrowings wholly repayable within five years	**70,514**	73,153
– bank and other borrowings not wholly repayable within five years	**614**	713
	71,128	73,866
Bank charges	**1,388**	1,874
	72,516	75,740

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**3,680**	3,639
Release of leasehold land	**5,484**	5,018
Cost of inventories sold	**2,073,123**	1,738,230
Depreciation of property, plant and equipment	**155,675**	131,530
Staff costs	**281,551**	220,341
Exchange loss	**-**	16,608
Loss on disposal of a subsidiary	**34,712**	-
and after crediting:		
Interest income	**16,246**	10,024
Interest income on loans to associates and joint ventures	**5,228**	3,715
Imputed interest income on deferred consideration receivable and loans to joint ventures	**7,274**	7,884
Exchange gain	**73,886**	-

6. TAXATION

The taxation charge represents PRC Enterprise Income Tax ("EIT") 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.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries were entitled to exemption from EIT for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries would be entitled to a 50% relief from EIT for the following three years. The reduced tax rate for the relief period was 12.5%. EIT for the six months ended 30 June 2012 had been provided for after taking these tax incentives into account. These tax incentives were expired by the year 2012. Certain subsidiaries which are operating in the Western China have been granted tax concessions by the local tax bureau and are entitled to EIT at concessionary rate of 15%. Save as aforesaid, the applicable tax rate for the current interim period is 25%.

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	
	2013	2012
	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	**532,758**	357,086

	Number of shares	
	Six months ended 30 June	
	2013	2012
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,598,006**	2,460,345
Effect of dilutive potential ordinary shares:		
Share options	**7,432**	4,412
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,605,438**	2,464,757

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: nil). During the period, a dividend of six HK cents per share (2012: five HK cents per share) amounting to HK$156,771,000 was paid to the shareholders as the final dividend for 2012 (HK$123,017,000 for 2011).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.06.2013	31.12.2012
	HK$'000	*HK$'000*
Trade receivables	**484,220**	412,371
Deferred consideration receivable	**38,916**	39,321
Prepayments	**407,431**	387,959
Other receivables and deposits	**242,273**	217,158
	1,172,840	1,056,809

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:

	30.06.2013	31.12.2012
	HK$'000	*HK$'000*
0 to 90 days	**389,713**	384,737
91 to 180 days	**26,676**	15,908
181 to 360 days	**67,831**	11,726
	484,220	412,371

10. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	30.06.2013	31.12.2012
	HK$'000	*HK$'000*
Trade payables	**639,836**	592,348
Receipt in advance	**1,764,751**	1,620,465
Consideration payable for acquisitions of businesses	**197,719**	297,941
Consideration payable to a joint venture (note a)	**86,251**	-
Other payables and accruals	**631,785**	481,597
Amount due to ultimate holding company (note b)	**840**	5,914
	3,321,182	2,998,265

Notes:

(a) The amount represents consideration payable to a joint venture for the acquisition of a city gas business.

(b) The amount is unsecured, interest-free and repayable on demand.

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

	30.06.2013	31.12.2012
	HK$'000	*HK$'000*
0 to 90 days	**448,318**	440,373
91 to 180 days	**80,637**	40,066
181 to 360 days	**55,052**	43,550
Over 360 days	**55,829**	68,359
	639,836	592,348

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2013, the Group recorded a turnover of HK$2,962 million, a growth of 21.5% over the corresponding period of 2012. Profit after taxation attributable to shareholders of the Company amounted to HK$533 million, an increase of 49.2% as compared to the corresponding period last year. Basic earnings per share amounted to 20.51 HK cents, representing an increase of 41.4% compared to the corresponding period of 2012.

Turnover

For the six months ended 30 June 2013, turnover from the sales and distribution of piped gas and related products increased 24.1% to HK$2,394 million over the corresponding period last year, accounting for 80.8% of the Group's total turnover. This growth was primarily attributable to the steady increase in the volume of overall gas sales and higher average gas sales prices. The Group recorded a connection fee income of HK$568 million, representing an increase of 11.8% over the corresponding period last year. 117,000 new households' connections were made by our subsidiaries during the first six months of 2013.

New Project Development

As at the date of this report, the Group had acquired 11 gas projects since the beginning of the year. These include city gas projects located in Shiheng Town in Feicheng City and the Economic Development Zone in Boxing County in Binzhou City, Shandong Province; the Zhengpugang Xin Qu Modern Industrial Zone in Maanshan City, Fanchang County in Wuhu City and Bozhou-Wuhu Modern Industrial Zone in Bozhou City, Anhui Province; Mianzhu City in Sichuan Province; Fengxi District in Chaozhou City, Guangdong Province; Dafeng City in Jiangsu Province; Cang County, Mengcun Hui Autonomous County and Yanshan County in Cangzhou City, Hebei Province. The Group will continue to seek rapid market expansion through mergers and acquisitions. In addition to increasing its share in existing regional markets, the Group also actively seeks opportunities in other regions to step up with its business development.

	Project	Shareholding of the Group	Major Industries in the Operating Regions
1.	Shiheng Town, Feicheng City, Shandong Province	100%	Metallurgical smelting, food processing, equipment fabrication
2.	Economic Development Zone, Boxing County, Binzhou City, Shandong Province	65%(*)	Steel coating
3.	Zhengpugang Xin Qu Modern Industrial Zone, Maanshan City, Anhui Province	100%	High-end equipment fabrication, automobile parts and accessories, iron and steel
4.	Mianzhu City, Sichuan Province	80%	Phosphorous chemicals, glass chemicals, building materials
5.	Fengxi District, Chaozhou City, Guangdong Province	60%	Ceramic necessities and ceramic arts
6.	Fanchang County, Wuhu City, Anhui Province	50%	New materials in construction, light textiles, metallurgy machinery and medication
7.	Bozhou-Wuhu Modern Industrial Zone, Bozhou City, Anhui Province	49%	Manufacturing of modern machinery and equipment, electronic information
8.	Dafeng City, Jiangsu Province	51%	Petrochemical industry, new materials, pharmaceutical chemistry, production of heavy machinery and equipment and papermaking
9.	Cang County, Cangzhou City, Hebei Province	90%	Chemical industry, equipment manufacturing, communications and electronic products manufacturing
10.	Mengcun Hui Autonomous County, Cangzhou City, Hebei Province	90%	Pipe fittings manufacturing
11.	Yanshan County, Cangzhou City, Hebei Province	90%	Piping manufacturing

***** The Group holds a 51% equity interest of the project and will ultimately own a 65% equity interest in this project.

Available-for-sale Investments

Available-for-sale investments mainly consist 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 has no material contingent liabilities as at 30 June 2013.

Placing of Shares

In January of the current year, the Company successfully placed 150 million new ordinary shares at a price of HK$6.31 per share in the market with net proceeds from the placing (after deduction of commission and other expenses of the placing) amounting to HK$930 million. This share placement was over-subscribed by enthusiastic investors with more than 20 times. Net proceeds from the placement is used as general working capital and for future investments.

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 2013, the Group's total borrowings amounted to HK$6,131 million, of which HK$994 million represented loans from HKCG due between 1 to 5 years, HK$3,060 million represented bank loans and other loans due between 1 to 5 years, HK$2,039 million represented bank loans and other loans due within 1 year, and HK$38 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 the HK$750 million in bank loans and other borrowings 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. As at 30 June 2013, the Group did not have any pledge on assets. As at the end of the period, the Group had a current ratio of 0.7 times and a gearing ratio (net debt excluding the HKCG loans ("Net Debt") to equity attributable to shareholders of the Company plus Net Debt) of 17.7%.

As at 30 June 2013, the Group's cash and cash equivalents amounted to HK$2,235 million, mainly denominated in Renminbi, Hong Kong dollars and United States dollars.

As at 30 June 2013, the Group's unutilised available facilities amounted to HK$2,293 million. Subsequently, the Group obtained HK$250 million of loan facility, utilised loans amounting to HK$176 million and made a loan repayment of HK$38 million. As such, as at the date of approval for issuance of the condensed consolidated financial statements, unutilised facilities available to the Group amounted to HK$2,405 million.

The Group's activities are predominantly operated and conducted in Hong Kong and mainland China. Its cash, cash equivalents or borrowings are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. As such, exposure to any material foreign exchange risks is not anticipated.

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 consistently strong liquidity position with its cash and cash equivalents on hand and unutilised banking facilities and has adequate financial resources to meet its contractual obligations and operating requirements.

Interim Dividend

The Board has resolved not to declare an interim dividend (2012: nil).

Employee and Remuneration Policies

As at 30 June 2013, the Group had 19,193 employees, 99% of whom worked in mainland China. Employee remuneration is based on individual performance, job nature and 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. The Group also encourages employees to seek a sound balance between work and leisure, while 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.

"2013 The Best CEO of Chinese Listed Companies" by Forbes

Mr. Wong Wai Yee, Peter, Executive Director and Chief Executive Officer, was once again named in the list of "2013 The Best CEO of Chinese Listed Companies" by Forbes, after achieving the same feat in 2012. The inclusion of Mr. Wong in this prestigious list not only affirms the Group's long-standing leadership in the industry but also highly recognises Mr. Wong's outstanding management calibre and contributions.

Corporate Social Responsibility

The Group is committed to the fulfillment of its responsibilities as a corporate citizen as it endeavours to contribute to the cause of environmental protection, offer relief and assistance to the underprivileged, and promote in mainland China the tradition of participation in community welfare activities championed by HKCG, its parent company.

During the period, the Group founded its own charity brand of "Gentle Breeze Movement", providing a uniform identity under which the Group would conduct community welfare activities together with its Group companies. This "Gentle Breeze Movement" identity will be adopted for all community welfare activities of the Group – from energy conservation and environmental protection campaigns to tree planting, rice dumplings for the community, charity libraries, disaster relief and poverty aid schemes, etc. The Group takes solid actions to fulfill its philosophy in corporate social responsibility that calls for "proactive involvement in public welfare to benefit the community and care for environmental protection to reward society".

In June 2013, the Group donated teaching and daily-living facilities to Hanshui Primary School, Gaofeng College, Qiaoxin Primary School and Xiushui County Special Education School in Xiushui County, Jiangxi Province, in a bid to help creating a better learning environment for local children. Following donations to the Shanghai Soong Ching Ling Foundation - Bank of East Asia Charity Fund by the Group, "Firefly Funland" was officially opened at the Anjiazhuang Primary School in Linqu County Longshan Industrial Park in Shandong Province. The "Firefly Funland" consisted of electronic education products, networks and projectors, together with a library comprising over 2,000 books.

Outlook

Economic Landscape

In March 2013, China set an economic growth target at 7.5% for 2013, representing a target growth rate below 8% for the second year in a row, with the intention of promptly providing a leeway that would help to facilitate the transition of the Chinese economy from an investment-driven development model into a consumption-driven one. The Chinese government has pinned down some of its key tasks for the year, which include expediting the formulation of medium to long-term development planning for urbanisation; accelerating the adjustment of industrial structures and resolving problems created by excessive capacities; and implementing price reforms in respect of resource-based products. The successful transformation of the Chinese economic development will be favourable to the long-term development of the city gas industry.

Natural Gas Price Reforms

Driven by favourable national policies for natural gas development, the natural gas market has expanded rapidly with increasing demand for imported natural gas. As importation of natural gas continues to grow, natural gas city gate prices are set to rise. The National People's Congress held in March 2013 has called for the steady advance of energy pricing reforms during the current year, seeking to step-up the process in changing energy production and utilisation techniques while also strengthening strategies for energy conservation as a priority. In late June this year, the National Development and Reform Commission ("NDRC") announced a detailed plan for natural gas price reforms, which included the upward adjustment of provincial gate prices with effect from 10 July, with a view to generally raising natural gas gate prices to a level equivalent to 85% of the prices of alternative energy by 2015.

To mitigate the impact of the new natural gas pricing mechanism on existing downstream users, NDRC has stipulated that the gate price for residential users should remain unchanged when gas prices are raised, while gas prices may be adjusted by not more than RMB0.4 for existing volume, based on actual gas consumption levels of various provinces in 2012, as a moderating measure. NDRC has also instructed the provincial price control authorities to determine detailed implementation rules in the natural gas price reforms at various segments within the province, taking into account actual local conditions.

Reasonable upward adjustments in natural gas gate prices could attract more domestic and international suppliers to supply natural gas to China. This will not only alleviate the persistent undersupply of natural gas in the country during the winter season, it will also assure sufficient sources of gas supply for the healthy long-term development of China's natural gas industry. Following the NDRC's announcement with regard to the natural gas price reforms, Group companies have been in close communication with local governments as well as our industrial and commercial customers to ensure a smooth transition to the new prices and the implementation of linked price changes. The Group will also enhance the marketing strategies of its Group companies to ensure that natural gas remains superior in competition against other forms of alternative energy.

The Group's Business Development Direction

While China's transformation of its economic development model and its natural gas pricing reforms might hamper the growth of the industrial and commercial gas consumption in the short term, they can increase the supply of natural gas in the future. The nation's urbanisation policy remains a strong driving force for the city gas industry. China's urbanisation ratio of 51.3% at the end of 2011 marked the first time in the nation's history when the urban population outnumbered the rural population. With the urbanisation ratio reaching 52.6% at the end of 2012, the city gas industry is set for ongoing growth. The favourable national policy towards the development of natural gas will continue to benefit the city gas industry. As such, the Group will continue to increase its investment in city gas industry in active support of the national policy, building pipeline networks based on market demand. In terms of new project development, the Group will adhere to its long-standing strategy of proactive investment.

Looking ahead, the Group will continue to enhance management standards and customer satisfaction with its best efforts to assure its leading position in competition, while working incessantly to serve as a role model in China 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 2013.

Corporate Governance

Save as disclosed below, the Company had complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2013. In respect of code provision A.6.7 of the CG Code, one of the independent non-executive directors was unable to attend the annual general meeting of the Company held on 3 June 2013 due to other engagement overseas.

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 2013.

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 12 August 2013 to review the unaudited condensed consolidated financial statements for the six months ended 30 June 2013. 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 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.

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, 20 August 2013

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)*

Independent Non-executive Directors:
Cheng Mo Chi, Moses
Li Man Bun, Brian David
Chow Vee Tsung, Oscar

Non-executive Director:
Kwan Yuk Choi, James