



Interim Report
2007

Sino Gas Group Limited

(Incorporated in Hong Kong with limited liability)
Stock code : 260

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's unaudited consolidated revenue for the six months ended 30 June 2007 amounted to HK\$65.2 million, compared with HK\$82.6 million reported in the previous corresponding period. Excluding the revenue on other services amounted to HK\$27.5 million recorded in the previous period, there is an increase in gas sales revenue of approximately HK\$10.1 million for the current period. The increase in gas sales revenue was mainly contributed from the newly constructed compressed natural gas ("CNG") refueling stations in the People's Republic of China (the "PRC") during the six months ended 30 June 2007.

The Group recorded a gross profit from gas sales activities of HK\$13 million for the six months ended 30 June 2007, which represented a slight improvement on the gas sales segment gross profit of HK\$11.6 million reported in the previous period, while excluding the gross profit from other services in the previous period.

The launch of new gas refueling stations during the period resulted in the surge of related fixed overheads, which could not be balancing off by increase in gas sales owing to the trial run under-utilisations. As a result, the unaudited consolidated loss attributable to equity holders for the six months ended 30 June 2007 amounted to HK\$16.4 million, compared with the profit amounted to HK\$14.7 million for the previous period. The increase in fixed overheads was mainly due to the normal increment in depreciation and staff costs, and also finance costs on bank borrowings and convertible bonds issued during the period.

The Group has focused on the CNG vehicles refueling stations business since January 2005 and its business achievement up-to-date is respectable. The board of directors (the "Board") is confident of its business outlook and the Group is in well position to achieve its business roadmap.

OPERATIONAL REVIEW

Since 2006, the Group has successfully teamed up with Zhengzhou Public Bus Co. Limited and Xuzhou Public Bus Co. Limited by setting up joint ventures with them to secure 20 years bus fuel gas usage contracts.

In addition, the Group has successfully established presence and increased its retail penetrations in various cities in the PRC, including Guangzhou, Changchun, Jinan, Chengdu, and Henan provinces. Although the result for the first half of 2007 has not yet reflected the full capacity of these new projects, the Board expects these new projects should contribute respectable revenue and profit in the near future. Going forward, the Group continues to focus on the vehicles gas consumption market and targets to complete more mother and daughter stations. The next few years will be a great leap period for the Group and the Board is confident that the Group is well positioned to capture this growing market in the PRC.

BUSINESS OUTLOOK

The Group will continue to focus its activities of gas related business and expand its natural gas business in the PRC. The use of CNG in the PRC is becoming more popular, partly due to government policies in the PRC in promoting natural gas as a more environmental friendly energy source and partly due to the fact that natural gas is more cost-efficient than other energy sources such as petroleum. In addition to the use of CNG in households and for industrial purposes, CNG has also become increasingly popular energy sources for motor vehicles because it is a cheaper and cleaner substitute of petroleum. The Group will continue to construct more CNG refueling stations in various cities in the PRC. Leveraging on its experience and management expertise, the Group will further consolidate its leading marketplace in the PRC.

FINANCIAL RESOURCES

During the six months ended 30 June 2007, the financial position of the Group was strengthened by the net proceeds of approximately HK\$145.3 million received from the issuance of 284,500,000 Company's shares and 41,000,000 options during the period, and by issuing convertible bonds with aggregated principal amounts of HK\$85.8 million to shareholders during the period. The proceeds will be used for the expansion of the Group's gas related business.

At 30 June 2007, the Group's borrowings (including interest-bearing bank and other loans and finance lease payables) amounted to approximately HK\$98.5 million (31 December 2006: HK\$84 million), of which HK\$65 million (31 December 2006: HK\$50 million) were related to bank borrowings at operating subsidiaries level funding the local PRC operations denominated in Renminbi, and therefore the Group's gearing ratio, representing the ratio of total bank borrowings to equity attributable to equity holders of the parent of HK\$565.3 million (31 December 2006: HK\$421.1 million) was 17.4% (31 December 2006: 19.9%). Cash and bank balances were HK\$232.5 million (31 December 2006: HK\$59.5 million). Accordingly, the Group has maintained a net cash position as at 30 June 2007.

During the six months ended 30 June 2007, the Group was not materially exposed to foreign currency risk.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2007 (2006: Nil).

STAFF BENEFIT

At 30 June 2007, the Group had a total of 747 employees. The total employees' remuneration for the six months ended 30 June 2007 amounted to approximately HK\$9.4 million. The Group continues to provide remuneration package to employees according to market practices, their experience and performance. Other benefits include contribution of statutory mandatory provident fund for the employees and medical scheme. There was no major change on staff remuneration policies during the period.

CHARGES ON GROUP ASSETS

At 30 June 2007, the Group had pledged equity interests of certain subsidiaries of the Company and the office premises in Hong Kong for the loans granted from a local financial institution.

CONTINGENT LIABILITIES AND LITIGATION

At 30 June 2007, the Group granted a corporate guarantee of HK\$9 million (31 December 2006: HK\$9 million) to an associate, and the Company granted corporate guarantees of HK\$41.3 million (31 December 2006: HK\$26.3 million) to certain subsidiaries. In addition, the Company is currently a defendant in lawsuit brought by a third party alleging the Company for a debt amounted to HK\$2.2 million under a loan agreement dated 12 October 2004 together with the interest thereon since 12 February 2005. The Company is in the course of defending such litigation and the related liabilities had been accrued for in the interim financial statements at the balance sheet date.

By order of the Board

LO CHI HO, WILLIAM

Chief Executive Officer

Hong Kong, 25 September 2007

As of the date of this interim report, the Board comprises eight directors, of which Mr. Ji Guirong (Chairman) is the non-executive director; Mr. Lo Chi Ho William (Chief Executive Officer), Mr. Sun Wenhao, Mr. Wu Ding and Mr. Ji Hui are the executive directors; Mr. Wang Zhonghua, Mr. Zhong Qiang and Mr. Xiao Wei are the independent non-executive directors.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2007, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to 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 (the "Model Code") in the Rules Governing the Listing Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Notes	Long/Short position	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of options held
Mr. Lo Chi Ho, William	(a)	Long	Interest of controlled corporation	30,000,000	1.72%	45,000,000
	(b)	Long	Beneficial owner	1,180,000	0.07%	10,000,000
Mr. Ji Hui	(c)	Long	Beneficial owner	-	-	2,000,000

Notes:

- (a) The 30,000,000 shares and 45,000,000 options are held by Universal Vantage Limited which is wholly and beneficially owned by Mr. Lo Chi Ho, William.
- (b) The interest of 10,000,000 underlying shares represent share options granted by the Company to Mr. Lo Chi Ho, William on 3 January 2006.
- (c) The interest of 2,000,000 underlying shares represent share options granted by the Company to Mr. Ji Hui on 3 January 2006.

Save as disclosed above, as at 30 June 2007, none of the directors of the Company had an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2007, the following interests of 5% or more of the issued share capital, options and convertible bonds of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Notes	Long/Short position/ Lending pool	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of convertible shares issuable under the convertible bonds held	Number of options held
Billirich Investment Limited	(a)	Long	Beneficial owner	260,500,000	14.90%	24,644,549	-
	(a)	Short	Beneficial owner	45,000,000	2.57%	-	-
CATIC (H.K.) Limited	(a)	Long	Interest of controlled corporation	260,500,000	14.90%	24,644,549	-
	(a)	Short	Interest of controlled corporation	45,000,000	2.57%	-	-
CATIC International Holdings Limited	(a)	Long	Interest of controlled corporation	260,500,000	14.90%	24,644,549	-
	(a)	Short	Interest of controlled corporation	45,000,000	2.57%	-	-
China Aviation Industry Corporation I	(a)	Long	Interest of controlled corporation	260,500,000	14.90%	24,644,549	-
	(a)	Short	Interest of controlled corporation	45,000,000	2.57%	-	-
China Aviation Industry Corporation II	(a)	Long	Interest of controlled corporation	260,500,000	14.90%	24,644,549	-
	(a)	Short	Interest of controlled corporation	45,000,000	2.57%	-	-
China National Aero-Technology Import & Export Corporation	(a)	Long	Interest of controlled corporation	260,500,000	14.90%	24,644,549	-
	(a)	Short	Interest of controlled corporation	45,000,000	2.57%	-	-
Tacko International Limited	(a)	Long	Interest of controlled corporation	260,500,000	14.90%	24,644,549	-
	(a)	Short	Interest of controlled corporation	45,000,000	2.57%	-	-
Deephaven Relative Value Equity Trading Ltd.	(b)	Long	Beneficial owner	110,000,000	6.29%	61,611,374	10,000,000
Deephaven Capital Management LLC	(b)	Long	Interest of controlled corporation	110,000,000	6.29%	61,611,374	10,000,000
Knight Capital Group Inc.	(b)	Long	Interest of controlled corporation	110,000,000	6.29%	61,611,374	10,000,000
Keywise Capital Management (HK) Ltd.	(c)	Long	Investment manager	120,000,000	6.86%	-	20,000,000
Sun Shining Investment Corp.	(d)	Long	Beneficial owner and interest of controlled corporation	89,050,000	5.09%	49,289,099	-
Tai Yuen Textile Company Ltd.	(d)	Long	Interest of controlled corporation	89,050,000	5.09%	49,289,099	-
JP Morgan Chase & Co.		Long	Interest of controlled corporation	75,160,000	4.30%	-	-
		Lending pool	Interest of controlled corporation	61,650,000	3.53%	-	-

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

- (a) Billirich Investment Limited ("Billirich") is a wholly-owned subsidiary of CATIC International Holdings Limited ("CATIC International"). Tacko International Limited holds approximately 27.98% of the issued capital of CATIC International, is a wholly-owned subsidiary of CATIC (H.K.) Limited, which in turn is a wholly-owned subsidiary of China National Aero-Technology Import & Export Corporation. China National Aero-Technology Import & Export Corporation is owned as to 50% by China Aviation Industry Corporation I and as to 50% by China Aviation Industry Corporation II. Accordingly, all these corporations are deemed to be interested in the shares held by Billirich.
- (b) Deephaven Relative Value Equity Trading Ltd. ("Deephaven") is a wholly-owned subsidiary of Deephaven Market Neutral Master Fund LP ("DMNMF"). Deephaven Capital Management LLC holds approximately 0.10% equity interest in DMNMF, is a wholly owned subsidiary of KEP Holdings I LLC, which in turn is a wholly-owned subsidiary of Knight Capital Group Inc. Accordingly, all these corporations are deemed to be interested in the shares, convertible shares and options held by Deephaven.
- (c) The 120,000,000 shares and 20,000,000 options are held by Keywise Capital Management (HK) Ltd. in capacity of investment manager, of which 85,520,000 shares and 14,250,000 options are beneficially owned by Keywise Greater China Opportunities Master Fund and 34,480,000 shares and 5,750,000 options are beneficially owned by Keywise Greater China Master Fund.
- (d) The 89,050,000 shares and 49,289,099 convertible shares which to be issued upon exercise of the convertible bonds are beneficially held by Sun Shining Investment Corp. ("Sun Shining") and Grand Win Overseas Ltd. ("Grand Win"), a wholly-owned subsidiary of Sun Shining, respectively. Tai Yuen Textile Company Ltd. beneficially owns 82.86% equity interest in Sun Shining, and is therefore deemed to be interested in the 89,050,000 shares and 49,289,099 convertible shares held by Sun Shining and Grand Win.

Save as disclosed above, as at 30 June 2007, no person, other than the directors of the Company whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all directors of the Company confirmed that they had complied with the required standards as set out in the Model Code during the period.

AUDIT COMMITTEE

The Audit Committee, comprises the three independent non-executive directors of the Company, has reviewed with the management the accounting principals and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's unaudited condensed consolidated interim accounts have been reviewed and approved by the Audit Committee, who is of the opinion that such accounts comply with the applicable accounting standards, the Listing Rules and all legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the non-executive director and two independent non-executive directors of the Company, is responsible for reviewing and evaluating the remuneration policies of executive directors and senior management and making recommendations to the Board from time to time.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 have been reviewed by the Audit Committee, and have been reviewed by Ernst & Young 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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To the board of directors of Sino Gas Group Limited

(Incorporated in Hong Kong with limited liabilities)

Introduction

We have reviewed the interim financial information set out on pages 10 to 28, which comprises the condensed consolidated balance sheet of Sino Gas Group Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended, and explanatory notes. The 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 are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 interim financial information consists of making inquiries, primary 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

25 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENTFor the six months ended
30 June

		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
	<i>Notes</i>		
REVENUE		65,184	82,625
Cost of sales		(52,185)	(45,691)
Gross profit		12,999	36,934
Other income and gains	4	4,070	3,798
Selling and distribution costs		(4,168)	(2,895)
Administrative expenses		(21,763)	(19,529)
Finance costs	5	(5,192)	(1,964)
Share of profits and losses of:			
Jointly-controlled entities		(1,505)	(56)
Associates		301	746
PROFIT/(LOSS) BEFORE TAX	6	(15,258)	17,034
Tax	7	(35)	(118)
PROFIT/(LOSS) FOR THE PERIOD		(15,293)	16,916
Attributable to:			
Equity holders of the parent		(16,430)	14,660
Minority interests		1,137	2,256
		(15,293)	16,916
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		(1.08 cents)	1.28 cents
Diluted		N/A	1.20 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	181,371	175,378
Prepaid land lease payments		11,357	11,692
Goodwill		199,372	199,372
Interest in a jointly-controlled entity		27,498	9,043
Interest in an associate		8,666	8,365
Available-for-sale investments	11	3,200	1,800
Deposits paid for acquisition of plant and machinery		56,715	14,226
Total non-current assets		488,179	419,876
CURRENT ASSETS			
Inventories		11,816	12,330
Trade receivables	12	37,310	37,471
Prepayments, deposits and other receivables		22,399	32,014
Due from a jointly-controlled entity		10,175	1,678
Due from minority shareholders		5,363	8,077
Loan to a partner of a jointly-controlled entity		9,000	9,000
Cash and bank balances		232,499	59,547
Total current assets		328,562	160,117
CURRENT LIABILITIES			
Trade payables	13	7,437	15,182
Other payables and accruals		28,553	26,661
Due to an associate		129	82
Due to minority shareholders		1,371	1,402
Tax payable		8,797	9,154
Interest-bearing bank and other borrowings	14	71,674	52,905
Finance lease payables		252	247
Total current liabilities		118,213	105,633

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	<i>Notes</i>		
NET CURRENT ASSETS		210,349	54,484
TOTAL ASSETS LESS CURRENT LIABILITIES		698,528	474,360
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	26,353	30,495
Convertible bonds	15	78,020	–
Finance lease payables		218	345
Total non-current liabilities		104,591	30,840
Net assets		593,937	443,520
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	16	349,771	290,671
Equity component of convertible bonds	15	10,164	–
Reserves		205,389	130,445
		565,324	421,116
Minority interests		28,613	22,404
Total equity		593,937	443,520

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent											
	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Equity component of convertible bonds HK\$'000	Special capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve fund HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2006	200,971	507,781	-	-	828,646	-	-	3,865	(1,255,237)	286,026	46,295	332,321
Exchange realignment and total income and expenses for the period recognised directly in equity	-	-	-	-	-	4,418	-	-	-	4,418	1,221	5,639
Profit for the period	-	-	-	-	-	-	-	-	14,660	14,660	2,256	16,916
Total income and expense for the period	-	-	-	-	-	4,418	-	-	14,660	19,078	3,477	22,555
Issue of shares for acquisition of a subsidiary	24,900	52,290	-	-	-	-	-	-	-	77,190	-	77,190
Issue of warrants for acquisition of a subsidiary	-	26,408	-	-	-	-	-	-	-	26,408	-	26,408
Issue of shares	20,000	32,000	-	-	-	-	-	-	-	52,000	-	52,000
Share issue expenses	-	(2,015)	-	-	-	-	-	-	-	(2,015)	-	(2,015)
Equity-settled share option arrangements	-	-	6,210	-	-	-	-	-	-	6,210	-	6,210
Issue of shares upon exercise of options	7,800	-	-	-	-	-	-	-	-	7,800	-	7,800
Transfer of reserve upon exercise of options	-	2,996	(2,996)	-	-	-	-	-	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(2,687)	(2,687)
At 30 June 2006	253,671	619,460	3,214	-	828,646	4,418	-	3,865	(1,240,577)	472,697	47,085	519,782
At 1 January 2007	290,671	674,944	3,008	-	828,646	7,967	1,865	3,865	(1,389,850)	421,116	22,404	443,520
Exchange realignment and total income and expenses for the period recognised directly in equity	-	-	-	-	-	(405)	-	-	-	(405)	(65)	(470)
Loss for the period	-	-	-	-	-	-	-	-	(16,430)	(16,430)	1,137	(15,293)
Total income and expense for the period	-	-	-	-	-	(405)	-	-	(16,430)	(16,835)	1,072	(15,763)
Issue of shares and options	56,900	81,076	8,819	-	-	-	-	-	-	146,795	-	146,795
Share issue expenses	-	(1,526)	-	-	-	-	-	-	-	(1,526)	-	(1,526)
Issue of shares upon exercise of options	2,200	3,410	-	-	-	-	-	-	-	5,610	-	5,610
Issue of convertible bonds	-	-	-	10,164	-	-	-	-	-	10,164	-	10,164
Transfer of reserve upon exercise of options	-	2,366	(2,366)	-	-	-	-	-	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(863)	(863)
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	6,000	6,000
At 30 June 2007	349,771	760,270*	9,461*	10,164	828,646*	7,562*	1,865*	3,865*	(1,406,280)*	565,324	28,613	593,937

* These reserve accounts comprise the consolidated reserves of HK\$205,389,000 (31 December 2006: HK\$130,445,000) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

**For the six months ended
30 June**

	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(15,120)	6,318
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(68,987)	(38,517)
NET CASH INFLOW FROM FINANCING ACTIVITIES	257,059	54,915
NET INCREASE IN CASH AND CASH EQUIVALENTS	172,952	22,716
Cash and cash equivalents at beginning of period	59,547	32,358
CASH AND CASH EQUIVALENTS AT END OF PERIOD	232,499	55,074
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	232,499	55,074

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Appendix 16 of the Listing Rules.

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the Group’s annual financial statements for the year ended 31 December 2006, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations (“Ints”)) that affect the Group and are adopted for the first time for the current period’s condensed consolidated interim financial statements as disclosed in note 2 below.

2. IMPACT OF NEW OR REVISED HKFRSs

The following new and revised HKFRSs are adopted for the first time for the current period’s condensed consolidated interim financial statements:

HKAS 1 Amendment	Capital disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these HKFRSs has had no material impact on the Group’s condensed consolidated interim financial statements.

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and profit/(loss) for the Group's primary segments for the six months ended 30 June 2007 and 2006.

	Operation of gas stations		Trading of gas related products		Securities trading and investment holding		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	57,481	69,824	7,703	12,801	-	-	65,184	82,625
Other revenue	-	-	955	633	-	-	955	633
Total	57,481	69,824	8,658	13,434	-	-	66,139	83,258
Segment results	1,467	26,179	(3,470)	3,256	-	-	(2,003)	29,435
Interest and rental income and unallocated gains							1,886	1,185
Unallocated expenses							(9,974)	(14,292)
Finance costs							(5,192)	(1,964)
Gain on disposal of a subsidiary	-	-	-	-	1,229	1,980	1,229	1,980
Share of profits and losses of:								
Jointly-controlled entities	(1,505)	(11)	-	-	-	(45)	(1,505)	(56)
Associates	301	657	-	-	-	89	301	746
Profit/(loss) before tax							(15,258)	17,034
Tax							(35)	(118)
Profit/(loss) for the period							(15,293)	16,916

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income		
Interest income	1,589	974
Income from installation of infrastructure for CNG supply	955	633
Rental income	-	159
Others	297	52
	2,841	1,818
Gains		
Gain on disposal of a subsidiary	1,229	1,980
	4,070	3,798

5. FINANCE COSTS

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	2,400	1,401
Interest on bank loans wholly repayable after five years	397	-
Interest on convertible bonds wholly repayable within five years	2,384	-
Interest on a finance lease	11	17
Total interest	5,192	1,418
Other finance costs:		
Increase in discounted amount of a loan from an associate and other loans arising from the passage of time	-	546
	5,192	1,964

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived after charging:

	For the six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	52,185	43,517
Cost of services provided	-	2,174
Depreciation	2,884	1,409
Recognition of prepaid land lease payments	355	49
Equity-settled employee share option expense	-	6,210
Loss on disposal of items of property, plant and equipment	1,382	-

7. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Group:		
Current – Mainland China	35	118
Total tax charge for the period	35	118

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$16,430,000 (2006: profit of HK\$14,660,000), and the weighted average number of 1,525,708,617 (2006: 1,142,714,142) ordinary shares in issue during the period, as adjusted to reflect the rights issue during the period.

A diluted loss per share amount for the six months ended 30 June 2007 has not been disclosed, as the share options, warrants and convertible bonds outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

The calculation of diluted earnings per share amount for the six months ended 30 June 2006 was based on the profit for the period attributable to ordinary equity holders of the parent of HK\$14,660,000. The weighted average number of ordinary shares of 1,217,131,980 used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

9. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2007 (2006: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$9 million (2006: HK\$19 million) in the development of construction in progress and HK\$5 million (2006: HK\$14 million) in purchasing other items of property, plant and equipment.

11. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Overseas unlisted equity investments, at cost	150,365	148,965
Impairment	(147,165)	(147,165)
	3,200	1,800

The above equity investments were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

11. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

At 30 June 2007, the Group's unlisted equity investments with carrying amounts of HK\$3,200,000 (31 December 2006: HK\$1,800,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

Available-for-sale investments include the Company's investment in the 35% interest in the issued share capital of CMEP Limited ("CMEP") at cost of HK\$137,858,000 (31 December 2006: HK\$137,858,000) acquired in 2003 which had been fully provided for in 2005. CMEP is a company incorporated in the British Virgin Islands and is principally engaged in the holding of a contractual right to receive fees from the business of trading of television commercial airtime in Mainland China.

The investment was acquired at a total consideration together with the direct expenses of HK\$137,858,000 pursuant to a sale and purchase agreement (the "Agreement") entered into between China Media International Group Limited ("CMI") and the Company in 2003, under which CMI had certain undertakings made in favour of the Company, including profit guarantees of CMEP.

However, such undertakings and guarantees were not fulfilled. The Company instigated legal proceedings against CMI in 2004 to claim for, among others, damages for breach of the Agreement. A judgement was granted by the court in favour of the Company. In the opinion of the directors, the Group is unable to enforce the judgement of the court since management of CMI is no longer contactable. Accordingly, the directors considered that the investment is fully impaired and an impairment loss of HK\$137,858,000 in respect of the investment in CMEP was charged to the income statement in 2005.

The remaining impairment losses of HK\$9,307,000 (31 December 2006: HK\$9,307,000) as at 30 June 2007 represent impairment losses recognised in respect of the other available-for-sale investments determined by the directors with reference to the present value of the estimated cash flows of those investments.

12. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

12. TRADE RECEIVABLES (Continued)

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
0 – 90 days	9,849	8,784
91 – 120 days	2	3,222
Over 120 days	27,459	25,465
	37,310	37,471

The carrying amounts of the trade receivables approximate to their fair values.

13. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
0 – 90 days	4,937	13,988
91 – 120 days	1,421	343
Over 120 days	1,079	851
	7,437	15,182

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade payables approximate to their fair values.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Current				
Other loans – unsecured	–	On demand	2,150	2,150
Bank loans – unsecured	5.8 – 7.7	Within 1 year	65,000	50,000
Long term bank loans – secured	Prime–2.8	Within 1 year	4,524	755
			71,674	52,905
Non-current				
Bank loans – secured	Prime–2.8	2008 – 2021	15,103	15,495
Bank loans – secured	HIBOR+1.75	2008 – 2009	11,250	15,000
			26,353	30,495
			98,027	83,400

At 30 June 2007, the Group's banking facilities were secured by the following:

- (i) pledges of equity interests in certain subsidiaries of the Company;
- (ii) pledges of the Group's office premises in Hong Kong with carrying value of HK\$22,968,000 (31 December 2006: HK\$23,217,000); and
- (iii) corporate guarantees amounting to an aggregate of HK\$41,310,000 (31 December 2006: HK\$26,310,000) executed by the Company.

Except for the unsecured bank loans of HK\$65,000,000 (31 December 2006: HK\$50,000,000) which are denominated in Renminbi, all other bank borrowings are in Hong Kong dollars.

The Group's other loans are unsecured, interest-free and repayable on demand.

The carrying amounts of the Group's interest-bearing bank and other borrowings approximate to their fair values.

15. CONVERTIBLE BONDS

On 10 January 2007 and 19 March 2007, the Company issued convertible bonds with an aggregated nominal value of HK\$85,800,000. There was no movement in the number of these convertible bonds during the period. The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion price of HK\$0.65 per conversion share at any time after issue of the convertible bonds and the Company shall have the right to require the conversion upon occurrence of certain mandatory conversion events. Any convertible bonds not converted will be redeemed at par in two years after the date of issue or further extended as agreed between the bondholders and the Company in writing. The bonds carry interest at a rate of 2% per annum, which is payable half-yearly in arrears.

Pursuant to the convertible bond agreements, the conversion price of these convertible bonds can be adjusted from time to time when (i) there is share consolidation or share split; (ii) issue of new shares by the Company; (iii) capital distribution made by the Company; (iv) offer of new class of shares or grant of any options or warrants by the Company to the existing shareholders. On 25 May 2007, the Company adjusted the initial conversion price from HK\$0.65 each to HK\$0.633 each upon the issuance of ordinary shares as detailed in note 16(a) and (b) below, as the condition of the conversion price adjustment has been met.

Besides, the bondholders have the right to convert the whole or part of the principal amount of the convertible bonds into conversion shares at any time after issue of the convertible bonds and from time to time in amounts of not less than HK\$1,000,000 on each conversion, save that if at any time, the principal outstanding amount of the convertible bonds is less than HK\$1,000,000, the whole (but not part only) of the principal outstanding amount of the convertible bonds may be converted. In addition, if the market price of the Company's share met certain predetermined mandatory conversion prices, the Company shall have the right to require the conversion of certain portion of the outstanding principal amount under each convertible bond and all interest accrued thereon into the conversion shares at the respective mandatory conversion prices.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the period have been split as to the liability and equity components, as follows:

	HK\$'000
Nominal value of convertible bonds issued during the period	85,800
Equity component	(10,164)
Liability component at the issuance date	75,636
Interest expense	2,384
Liability component at 30 June 2007	78,020

16. SHARE CAPITAL**Shares**

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 December 2006: 10,000,000,000) ordinary shares of HK\$0.2 each	2,000,000	2,000,000
Issued and fully paid:		
1,748,855,026 (31 December 2006: 1,453,355,026) ordinary shares of HK\$0.2 each	349,771	290,671

During the period, the movements in share capital were as follows:

- (a) 284,500,000 ordinary shares of HK\$0.20 each at prices ranging from HK\$0.51 to HK\$0.55 per share and 41,000,000 options at an exercise price of HK\$0.51 each were issued to certain independent third parties and existing shareholders for a total cash consideration, before expenses, of HK\$146,795,000.
- (b) 11,000,000 shares of HK\$0.20 each were issued for cash at an exercise price of HK\$0.51 per share pursuant to the exercise of 11,000,000 options for a total cash consideration, before expenses, of HK\$5,610,000.

All the shares issued during the period rank pari passu in all respects with the existing shares.

Warrants

In connection with the acquisition of a subsidiary during the year ended 31 December 2006, the Company issued 55,500,000 warrants (the "2008 Warrants") as part of the purchase consideration. Each warrant entitles to the holder thereof to subscribe for one ordinary share at a subscription price of HK\$0.20 per share for a period of 24 months commencing from the date of issue of 2008 Warrants. No 2008 Warrants were exercised during the period.

Options

During the six months ended 30 June 2007, 41,000,000 options at an exercise price of HK\$0.51 each were granted to certain independent third parties and existing shareholders, of which 11,000,000 options were exercised during the period. As at 30 June 2007, 30,000,000 options were outstanding and will be expired on 7 December 2007.

16. SHARE CAPITAL (Continued)

Options (Continued)

Besides, the Company also operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. During the six months ended 30 June 2007, no (2006: 100,000,000) share options were granted to the directors and employees of the Group and other eligible participants, and no (2006: 39,000,000) share options were exercised. As at 30 June 2007, 41,000,000 share options were outstanding under the said option scheme.

At the balance sheet date, the Company had 71,000,000 (31 December 2006: 41,000,000) share options outstanding. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 71,000,000 (31 December 2006: 41,000,000) additional ordinary shares of the Company and additional share capital of HK\$14,200,000 (31 December 2006: HK\$8,200,000) and share premium of HK\$9,300,000 (31 December 2006: HK\$3,008,000) (before issue expenses).

Subsequent to the balance sheet date, on 6 August 2007, 3,000,000 new shares were issued upon the exercise of 3,000,000 share options by an employee of the Group. Besides, on 23 August 2007, 149,000,000 share options were granted to the directors and employees of the Group and other eligible participants pursuant to the refreshment of the scheme mandate limit of the share option scheme as approved by the shareholders of the Company on 15 February 2007 at the subscription price of HK\$0.35 per share. At the date of approval of these condensed consolidated interim financial statements, the Company had 217,000,000 share options outstanding, which represented approximately 12.39% of the Company's shares in issue as at that date.

17. CONTINGENT LIABILITIES AND LITIGATIONS

At balance sheet date, contingent liabilities not provided for in the condensed consolidated interim financial statements were as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Corporate guarantees given to banks in connection with facilities granted to:		
An associate	9,000	9,000
An independent third party	-	100,000
	9,000	109,000

17. CONTINGENT LIABILITIES AND LITIGATIONS (Continued)

As at 30 June 2007, the corporate guarantee granted to an associate was utilised to the extent of HK\$8,000,000 (31 December 2006: HK\$8,000,000), and the corporate guarantee granted to an independent third party as at 31 December 2006 was released upon the full repayment of bank borrowings in the current period.

In addition to the pending litigation set out in note 11 above, the Company is currently a defendant in a lawsuit brought by a third party alleging the Company for a debt amounting to HK\$2,150,000 under a loan agreement dated 12 October 2004 together with the interest thereon since 12 February 2005. The Company is in the course of defending such litigation and the related liabilities had been accrued for in the condensed consolidated interim financial statements at the balance sheet date.

18. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises, gas stations and staff quarters under non-cancellable operating lease arrangements with terms ranging from one to twenty years.

At 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within one year	1,980	2,859
In the second to fifth years, inclusive	2,301	5,500
After five years	2,121	3,591
	6,402	11,950

19. COMMITMENTS

In addition to the operating lease commitments detailed in note 18 above, the Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK\$18,344,000 (31 December 2006: HK\$16,552,000) contracted for but not provided in the condensed consolidated interim financial statements as at 30 June 2007.

20. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions disclosed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Sale of products to an associate	(i)	-	51
Sale of products to minority shareholders	(i)	16,611	6,203
Purchases of products from a jointly-controlled entity	(ii)	375	-
Interest income from a partner of a jointly-controlled entity	(iii)	134	49

Notes:

- (i) The sales to the associate and minority shareholders were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The purchases from the jointly-controlled entity were made according to the published prices and conditions offered by the jointly-controlled entity to its major customers.
- (iii) The interest income received was charged at an interest rate of 3% per annum on the loan granted to a partner of a jointly-controlled entity.
- (b) Outstanding balances with related parties:
- (i) The balances with jointly-controlled entities, associates and minority shareholders are unsecured, interest-free and have no fixed terms of repayment.
- (ii) The loan to a partner of a jointly-controlled entity is unsecured, bears interest at 3% per annum and repayable within one year.

The carrying amounts of these balances approximate to their fair values.

20. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Short term employee benefits	1,104	1,839
Post-employment benefits	12	12
Share-based payments	-	624
Total compensation paid to key management personnel	1,116	2,475

The related party transactions in respect of items (a)(i) to (a)(iii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

21. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation and accounting treatment.

22. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 25 September 2007.