



中油潔能
SINO GAS

Sino Gas Group Limited

(Incorporated in Hong Kong with limited liability)

Stock code : 260

INTERIM REPORT

2008

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's unaudited consolidated revenue for the six months ended 30 June 2008 amounted to HK\$134.5 million, compared with HK\$65.2 million reported in the previous corresponding period, there is an increase in gas sales revenue of approximately HK\$69.3 million for the current period, a jump in 106%. 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").

The Group recorded a gross profit from gas sales activities of HK\$16.3 million for the six months ended 30 June 2008, which represented a slight improvement on the gas sales gross profit of HK\$13 million reported in the previous period.

Although there was improvement on gas sales revenue in the first half of 2008, the new business development and 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 the increase in gas sales owing to the initial running under-utilizations. The Group's unaudited consolidated loss attributable to equity holders for the six months ended 30 June 2008 amounted to HK\$22.1 million, compared with the loss amounted to HK\$16.4 million for the previous period. The increase in fixed overheads was mainly due to the normal increment in depreciation and labour costs.

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

During the period, the Group has successfully constructed new CNG refueling stations in Changchun, Shandong, Xinzheng and Xuzhou, the PRC, and the Group is committed to build more stations to penetrate this vast vehicles market.

The Group has successfully established presence and increased its retail penetrations in various cities in the PRC, including Guangzhou, Changchun, Jinan, Chengdu, Xuzhou, Anhui and cities in Henan Province. Although the result for the first half of 2008 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. In addition to expand presence in existing cities, the Group is expanding into other key major cities in Jiangxi Province and Shanxi Province, the PRC. Going forward, the Group continues to focus on the vehicles gas consumption market and targets to complete more CNG 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

At 30 June 2008, the Group's borrowings (including interest-bearing bank and other loans and finance lease payables) amounted to approximately HK\$45.8 million (31 December 2007: HK\$95 million), of which HK\$17 million (31 December 2007: HK\$62 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 borrowings to equity attributable to equity holders of the parent of HK\$448.7 million (31 December 2007: HK\$430.5 million) was 10.2% (31 December 2007: 22.1%). Cash and bank balances were HK\$86 million (31 December 2007: HK\$135.2 million). Accordingly, the Group has maintained a net cash position as at 30 June 2008.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2008 (2007: Nil).

STAFF BENEFIT

At 30 June 2008, the Group had a total of 898 employees. The total employees' remuneration for the six months ended 30 June 2008 amounted to approximately HK\$20.9 million (2007: 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 2008, 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.

By order of the Board

LO CHI HO WILLIAM

Chief Executive Officer

Hong Kong, 19 September 2008

As of the date of this interim report, the Board comprises seven directors, of which Mr. Ji Guirong (Chairman) is the non-executive director; Mr. Lo Chi Ho William (Chief Executive Officer), Mr. Sun Wenhao 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 2008, 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	Long/short position	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Lo Chi Ho, William	Long	Beneficial owner	28,710,000	1.59%

Long positions in share options of the Company:

Name of director	Number of options directly beneficially owned
Ji Guirong	14,900,000
Lo Chi Ho, William	24,900,000
Ji Hui	2,000,000
	41,800,000

Save as disclosed above, as at 30 June 2008, none of the directors of the Company had an interest or a short position in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of 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 pursuant to the Model Code in the Listing Rules.

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

At 30 June 2008, the following interests and short positions of 5% or more of the issued share capital 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	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
Billirich Investment Limited	(a)	Long	Beneficial owner	383,050,000	21.19%	24,644,549
CATIC (H.K.) Limited	(a)	Long	Interest of a controlled corporation	383,050,000	21.19%	24,644,549
CATIC International Holdings Limited	(a)	Long	Interest of a controlled corporation	383,050,000	21.19%	24,644,549
China Aviation Industry Corporation I	(a)	Long	Interest of a controlled corporation	383,050,000	21.19%	24,644,549
China Aviation Industry Corporation II	(a)	Long	Interest of a controlled corporation	383,050,000	21.19%	24,644,549
China National Aero-Technology Import & Export Corporation	(a)	Long	Interest of a controlled corporation	383,050,000	21.19%	24,644,549
Tacko International Limited	(a)	Long	Interest of a controlled corporation	383,050,000	21.19%	24,644,549

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

Name	<i>Notes</i>	Long/short position	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
Deephaven Relative Value Equity Trading Ltd.	(b)	Long	Beneficial owner	115,590,000	6.40%	61,611,374
Deephaven Capital Management LLC	(b)	Long	Interest of a controlled corporation and Investment Manager	115,590,000	6.40%	61,611,374
Knight Capital Group Inc.	(b)	Long	Interest of a controlled corporation	115,590,000	6.40%	61,611,374
Deephaven Capital Management Holdings LLC	(b)	Long	Interest of a controlled corporation	115,590,000	6.40%	61,611,374
Deephaven Managing Partners, LLC	(b)	Long	Interest of a controlled corporation	115,590,000	6.40%	61,611,374
Colin Smith	(b)	Long	Interest of a controlled corporation	115,590,000	6.40%	61,611,374
Bonus World Limited		Long	Beneficial owner	120,000,000	6.64%	-
Sun Shining Investment Corp.	(c)	Long	Beneficial owner and interest of a controlled corporation	89,050,000	4.93%	49,289,099
Tai Yuen Textile Company Limited	(c)	Long	Interest of a controlled corporation	89,050,000	4.93%	49,289,099

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS 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 which holds approximately 38.54% 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 Global Multi-Strategy Master Fund LP (previously known as Deephaven Market Neutral Master Fund LP) ("DGMSMF"). Deephaven Capital Management LLC, which holds an equity interest of approximately 0.10% in DGMSMF, is a wholly-owned subsidiary of Deephaven Capital Management Holdings LLC ("DCMH"). DCMH is owned as to 49% by Deephaven Managing Partners, LLC ("DMP") and 51% by KEP Holdings I LLC, which in turn is a wholly-owned subsidiary of Knight Capital Group Inc. Mr. Colin Smith is interested in 65% equity interest in DMP. Accordingly, all the aforesaid parties are deemed to be interested in the shares and convertible shares held by Deephaven.
- (c) 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 Limited beneficially owns a 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 2008, 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 a 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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company has complied with the relevant provisions of 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 principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's unaudited interim condensed consolidated financial statements have been reviewed and approved by the Audit Committee, who is of the opinion that such financial statements 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 interim condensed consolidated financial statements for the six months ended 30 June 2008 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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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 condensed consolidated financial statements of Sino Gas Group Limited and its subsidiaries ("the Group") as at 30 June 2008 set out on pages 11 to 30, which comprises the interim consolidated balance sheet as at 30 June 2008 and the related interim consolidated income statement, statement of changes in equity and cash flow 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 these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong
19 September 2008

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended
30 June

		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
	<i>Notes</i>		
REVENUE		134,480	65,184
Cost of sales		(118,196)	(52,185)
Gross profit		16,284	12,999
Other income and gains	5	13,945	4,070
Selling and distribution costs		(9,177)	(4,168)
Administrative expenses		(36,576)	(21,763)
Finance costs	6	(5,572)	(5,192)
Share of profits and losses of:			
Jointly-controlled entities		(210)	(1,505)
Associate		-	301
LOSS BEFORE TAX	7	(21,306)	(15,258)
Tax	8	(540)	(35)
LOSS FOR THE PERIOD		(21,846)	(15,293)
Attributable to:			
Equity holders of the parent		(22,115)	(16,430)
Minority interests		269	1,137
		(21,846)	(15,293)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		(1.24 cents)	(1.08 cents)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	300,587	246,623
Prepaid land lease payments		19,036	15,298
Goodwill		128,425	128,425
Interest in a jointly-controlled entity		10,683	10,220
Available-for-sale investments	12	5,358	5,029
Deposits paid for acquisition of plant and machinery	11	65,002	73,327
Loan to a minority shareholder	22(b)(i)	9,500	–
Total non-current assets		538,591	478,922
CURRENT ASSETS			
Inventories		10,584	6,433
Trade receivables	13	22,171	15,911
Prepayments, deposits and other receivables	14	45,549	52,022
Due from an associate	22(b)(ii)	–	7,416
Due from a jointly-controlled entity	22(b)(ii)	123	–
Due from minority shareholders	22(b)(ii)	6,382	17,298
Loan to a minority shareholder	22(b)(ii)	–	9,000
Cash and bank balances		85,985	135,232
Total current assets		170,794	243,312
CURRENT LIABILITIES			
Trade payables	15	18,986	17,585
Other payables and accruals		56,316	41,843
Due to an associate	22(b)(ii)	1,835	–
Due to a jointly-controlled entity	22(b)(ii)	–	2,782
Due to minority shareholders	22(b)(ii)	1,651	2,818
Tax payable		11,132	10,792
Interest-bearing bank and other borrowings	16	27,709	72,612
Finance lease payables		218	257
Total current liabilities		117,847	148,689

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		30 June 2008 (Unaudited)	31 December 2007 (Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NET CURRENT ASSETS		52,947	94,623
TOTAL ASSETS LESS CURRENT LIABILITIES		591,538	573,545
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	17,835	22,088
Convertible bonds	17	83,062	80,506
Finance lease payables		-	88
Total non-current liabilities		100,897	102,682
Net assets		490,641	470,863
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	18	361,471	350,371
Reserves		87,262	80,102
		448,733	430,473
Minority interests		41,908	40,390
Total equity		490,641	470,863

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent											
	Issued capital HK\$'000	Share premium 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 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
At 1 January 2008	350,371	766,939	15,501	10,164	828,646	26,254	1,865	3,865	(1,573,132)	430,473	40,390	470,863
Exchange realignment and total income and expenses for the period recognised directly in equity	-	-	-	-	-	25,337	-	-	-	25,337	1,683	27,020
Loss for the period	-	-	-	-	-	-	-	-	(22,115)	(22,115)	269	(21,846)
Total income and expense for the period	-	-	-	-	-	25,337	-	-	(22,115)	3,222	1,952	5,174
Issue of shares upon exercise of warrants	11,100	-	-	-	-	-	-	-	-	11,100	-	11,100
Equity-settled share option arrangements	-	-	3,938	-	-	-	-	-	-	3,938	-	3,938
Transfer of reserve upon forfeiture of options	-	294	(294)	-	-	-	-	-	-	-	-	-
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(434)	(434)
At 30 June 2008	361,471	767,233*	19,145*	10,164*	828,646*	51,591*	1,865*	3,865*	(1,595,247)*	448,733	41,908	490,641

* These reserve accounts comprise the consolidated reserves of HK\$87,262,000 (31 December 2007: HK\$80,102,000) in the condensed consolidated balance sheet.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended
30 June

	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	19,622	(15,120)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(43,526)	(68,987)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(30,437)	257,059
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(54,341)	172,952
Cash and cash equivalents at beginning of period	135,232	59,547
Effect of foreign exchange rate changes, net	5,094	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	85,985	232,499
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	85,985	232,499

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Sino Gas Group Limited is a limited liability company incorporated in Hong Kong whose shares are publicly traded.

The principal activities of the Group are described in note 4.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2008 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 and the disclosure requirements set out in Appendix 16 of the Listing Rules.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2007.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, 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 interim condensed consolidated financial statements as disclosed in note 3 below.

3. IMPACT OF NEW OR REVISED HKFRSs

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

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

4. 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 2008 and 2007.

	Operation of gas stations		Trading of gas-related products		Securities trading and investment holding		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	127,562	57,481	6,918	7,703	-	-	134,480	65,184
Other revenue	6,858	-	967	955	-	-	7,825	955
Total	134,420	57,481	7,885	8,658	-	-	142,305	66,139
Segment results	(2,107)	1,467	(5,166)	(3,470)	-	-	(7,273)	(2,003)
Interest and rental income and unallocated gains							1,686	1,886
Unallocated expenses							(14,371)	(9,974)
Finance costs							(5,572)	(5,192)
Gain on disposal of an available-for-sale investment	-	-	-	-	4,434	-	4,434	-
Gain on disposal of a subsidiary	-	-	-	-	-	1,229	-	1,229
Share of profits and losses of:								
Jointly-controlled entities	(210)	(1,505)	-	-	-	-	(210)	(1,505)
Associate	-	301	-	-	-	-	-	301
Loss before tax							(21,306)	(15,258)
Tax							(540)	(35)
Loss for the period							(21,846)	(15,293)

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Other income		
Government grants received*	6,858	–
Interest income	818	1,589
Income from installation of infrastructure for CNG supply	967	955
Rental income	751	–
Others	117	297
	9,511	2,841
Gains		
Gain on disposal of an available-for-sale investment	4,434	–
Gain on disposal of a subsidiary	–	1,229
	4,434	1,229
	13,945	4,070

* Various government grants have been received to subsidise the operation of gas stations in various provinces in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	1,931	2,400
Interest on bank loans wholly repayable after five years	221	397
Interest on convertible bonds wholly repayable within five years	3,414	2,384
Interest on a finance lease	6	11
	5,572	5,192

7. LOSS BEFORE TAX

The Group's loss before tax is arrived after charging:

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Cost of inventories sold	118,196	52,185
Depreciation	10,191	2,884
Recognition of prepaid land lease payments	907	355
Equity-settled share option expense	3,938	-
Loss on disposal of items of property, plant and equipment	1,238	1,382

8. 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 (2007: 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	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Group:		
Current – Mainland China	540	35
Total tax charge for the period	540	35

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$22,115,000 (2007: HK\$16,430,000), and the weighted average number of 1,783,264,367 (2007: 1,525,708,617) ordinary shares in issue during the period, as adjusted to reflect the rights issue during the period.

Diluted loss per share amounts for the six months ended 30 June 2008 and 2007 have not been disclosed, as the share options, warrants and convertible bonds outstanding during the periods had an anti-dilutive effect on the basic loss per share for the periods.

10. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2008 (2007: Nil).

11. PROPERTY, PLANT AND EQUIPMENT AND DEPOSITS PAID FOR ACQUISITION OF PLANT AND MACHINERY

During the period, the Group spent approximately HK\$13 million (2007: HK\$9 million) in the development of construction in progress and HK\$37 million (2007: HK\$5 million) in purchasing other items of property, plant and equipment. Besides, the Group paid deposit of approximately HK\$11 million (2007: HK\$43 million) in purchasing other items of plant and machinery.

12. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Overseas unlisted equity investments, at cost	151,024	152,300
Impairment	(145,666)	(147,271)
	5,358	5,029

The above investments consist of investments in equity securities which were designed as available-for-sale financial assets and have no fixed maturity date or coupon rate.

At 30 June 2008, the Group's unlisted equity investments with carrying amounts of HK\$5,358,000 (31 December 2007: HK\$5,029,000) 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 values 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 2007: 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 principally engages 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 the sale and purchase agreement (the "Agreement") entered into between China Media International Group Limited ("CMI") and the Company in 2003, under which CMI had made certain undertakings in favour of the Company, including profit guarantees for CMEP.

12. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

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 which was not able to enforce the judgement up to the date of this report. 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 was 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\$7,808,000 (31 December 2007: HK\$9,413,000) as at 30 June 2008 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.

13. TRADE RECEIVABLES

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Trade receivables	39,639	31,341
Impairment	(17,468)	(15,430)
	22,171	15,911

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.

13. TRADE RECEIVABLES (Continued)

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

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
0 – 90 days	16,342	15,793
91 – 120 days	229	59
Over 120 days	23,068	15,489
	39,639	31,341

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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Prepayments	15,854	27,111
Deposits and other receivables	185,935	173,134
Impairment	(156,240)	(148,223)
	45,549	52,022

The financial assets included in the above balances which are not considered to be impaired related to receivables for which there is no recent history of default and are neither past due nor impaired.

15. 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 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
0 – 90 days	7,281	10,850
91 – 120 days	526	214
Over 120 days	11,179	6,521
	18,986	17,585

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.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Current				
Other loans – unsecured	–	On demand	2,150	2,150
Bank loans – unsecured	5.8-8.2	2009	17,100	62,060
Current portion of long term bank loans – secured	Prime-2.8	2009	959	902
Current portion of long term bank loans – secured	HIBOR+1.75	2009	7,500	7,500
			27,709	72,612
Non-current				
Bank loans – secured	Prime-2.8 to HIBOR+1.75	2009-2021	17,835	22,088
			45,544	94,700

16. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

At 30 June 2008, 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 building in Hong Kong with carrying value of HK\$22,471,000 (31 December 2007: HK\$22,720,000); and
- (iii) corporate guarantees aggregating HK\$33,410,000 (31 December 2007: HK\$43,060,000) executed by the Company.

Except for the unsecured bank loans of HK\$17,100,000 (31 December 2007: HK\$62,060,000) which are denominated in Renminbi, all other bank borrowings are in Hong Kong dollars.

The Group's other borrowings 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.

17. CONVERTIBLE BONDS

On 10 January 2007 and 19 March 2007, the Company issued convertible bonds with an aggregate nominal value of HK\$85,800,000. There was no movement in number of those 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 share at anytime after issue of the convertible bonds or 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. The bonds carry interest at a rate of 2% per annum, which is payable half-yearly in arrears.

On 25 May 2007, the Company adjusted the initial conversion price from HK\$0.65 per share to HK\$0.633 per share as certain conditions for the conversion price adjustment has been met. 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.

17. CONVERTIBLE BONDS (Continued)

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

	HK\$'000
Nominal value of convertible bonds issued	85,800
Equity component	(10,164)
Liability component at the issuance date	75,636
Interest expense	5,728
Interest paid	(858)
Liability component at 31 December 2007	80,506
Liability component at 1 January 2008	80,506
Interest expense	3,414
Interest paid	(858)
Liability component at 30 June 2008	83,062

18. SHARE CAPITAL

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Authorised: 10,000,000,000 (31 December 2007: 10,000,000,000) ordinary shares of HK\$0.2 each	2,000,000	2,000,000
Issued and fully paid: 1,807,355,000 (31 December 2007: 1,751,855,000) ordinary shares of HK\$0.2 each	361,471	350,371

18. SHARE CAPITAL (Continued)

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

- (a) 55,500,000 shares of HK\$0.20 each were issued for cash at a subscription price of HK\$0.20 per share pursuant to the exercise of 55,500,000 warrants for a total cash consideration, before expenses, of HK\$11,100,000.

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

19. CONTINGENT LIABILITIES AND LITIGATIONS

In addition to the pending litigation set out in note 12 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 were accrued for in the financial statements at the balance sheet date.

20. OPERATING LEASE ARRANGEMENTS

(a) As Lessor

The Group leases certain of its gas stations and equipments under non-cancellable operating lease arrangements with terms ranging from one to fifteen years.

At 30 June 2008, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within one year	1,796	–
In the second to fifth years, inclusive	5,721	–
After five years	16,851	–
	24,368	–

20. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As Lessee

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 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within one year	7,167	5,080
In the second to fifth years, inclusive	24,985	17,441
After five years	33,739	26,541
	65,891	49,062

21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had capital commitments in respect of the acquisition of items of property, plant and equipment of HK\$102,417,000 (31 December 2007: HK\$100,123,000) contracted for but not provided in the interim condensed consolidated financial statements as at 30 June 2008.

22. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Sale of products to minority shareholders	(i)	11,258	16,611
Purchases of products from a jointly-controlled entity	(ii)	1,141	375
Interest income from a minority shareholder	(iii)	40	–
Interest income from a partner of a jointly-controlled entity	(iii)	–	134
Rental income from an associate	(iv)	595	–

Notes:

- (i) The sales to 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 from a minority shareholder and a partner of a jointly-controlled entity was charged at an interest rate of 3% per annum.
- (iv) The rental income received from an associate was mutually agreed between the Group and the associate with reference to market rent.

22. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

- (i) The loan to a minority shareholder is unsecured, non-interest-bearing and repayable within two years.
- (ii) Except for the loan to a minority shareholder which was interest-bearing at 3% per annum, all other balances with jointly-controlled entities, associates and minority shareholders are unsecured, interest-free and have no fixed terms of repayment.

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

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

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Short term employee benefits	4,074	1,104
Post-employment benefits	12	12
Share-based payments	788	–
Total compensation paid to key management personnel	4,874	1,116

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.

23. COMPARATIVE AMOUNTS

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

24. APPROVAL OF THE INTERIM FINANCIAL REPORT

These interim condensed consolidated financial statements were approved and authorised for issue by the Board on 19 September 2008.