ENN 新奥

XinAo Gas Holdings Limited
新奧燃氣控股有限公司
(Stock code:股份代號: 2688)

EMISSION REDUCTION
Aligning with Policy for Clean China
減排 共創晴天
把握國策商機 共建綠色中國

SUSTAINABLE DEVELOPMENT
Energising Growth through Energy Innovation
發展 生生不息
創新清潔能源 推動企業成長

INTERIM REPORT 2009 二零零九年中期業績報告

XINAO GAS HOLDINGS LIMITED

INTERIM REPORT 2009

financial and operational highlights

Dear Shareholders,

The Board of Directors (the "Board") of Xinao Gas Holdings Limited (the "Company", and together with its subsidiaries, the "Group") is pleased to announce that the unaudited profit attributable to owners of the Company for the six months ended 30 June 2009 (the "Period") was RMB374,224,000, representing an increase of RMB88,225,000 or 30.8% as compared to RMB285,999,000 for the corresponding period last year.

Financial and Operational Highlights

The major results and operational data of the Group for the Period together with the comparative figures for the corresponding period last year are as follows:

	Six months ended 30 June		
	2009 (Unaudited)	2008 (Unaudited)	Increase/ (Decrease)
Revenue (RMB)	**4,016,415,000**	3,537,968,000	13.5%
Gross profit (RMB)	**1,224,515,000**	947,626,000	29.2%
Profit attributable to owners of the Company (RMB)	**374,224,000**	285,999,000	30.8%
Earnings per share – Basic (RMB)	**36.9 cents**	28.3 cents	30.4%
Connectable urban population	**41,874,000**	40,469,000	3.5%
Connectable residential households	**13,958,000**	13,490,000	3.5%
New natural gas connections made during the Period:			
– residential households	**356,675**	285,158	25.1%
– commercial/industrial ("C/I") customers (sites)	**1,196**	910	286
– installed designed daily capacity for C/I customers (m^3)	**1,394,926**	1,136,349	22.8%
Accumulated number of connected natural gas customers:			
– residential households	**4,045,135**[(1)]	2,887,114[(2)]	40.1%
– C/I customers (sites)	**12,064**[(1)]	8,685[(2)]	3,379
– installed designed daily capacity for C/I customers (m^3)	**10,457,977**[(1)]	7,639,664[(2)]	36.9%
Accumulated number of connected piped gas (including natural gas) customers:			
– residential households	**4,210,159**	3,313,919	27.0%
– C/I customers (sites)	**12,495**	9,379	3,116
– installed designed daily capacity for C/I customers (m^3)	**10,919,138**	8,315,765	31.3%
Natural gas penetration rate	**29.0%**	21.4%	7.6%
Piped gas (including natural gas) penetration rate	**30.2%**	24.6%	5.6%
Unit of piped gas sold to residential households (m^3)	**263,636,000**	220,756,000	19.4%
Unit of piped gas sold to C/I customers (m^3)	**887,087,000**	879,389,000	0.9%
Unit of gas sold to vehicles (m^3)	**187,522,000**	131,297,000	42.8%
Unit of bottled liquefied petroleum gas ("LPG") sold (ton)	**248,052**	219,651	12.9%
Number of vehicle refuelling stations	**141**	98	43
Number of natural gas processing stations	**91**	86	5
Total length of existing intermediate and main pipelines (km)	**13,222**	11,704	13.0%

Notes:

1. Including a total of 1,000,984 natural gas residential customers and 2,071 natural gas C/I customers (with a total designed daily capacity of 1,067,016 m^3) from acquisition/conversion.

2. Including a total of 623,900 natural gas residential customers and 1,526 natural gas C/I customers (with a total designed daily capacity of 831,451 m^3) from acquisition/conversion.

management discussion and analysis

BUSINESS REVIEW

Pipeline Construction

During the Period, gas connection fee revenue reached RMB1,182,883,000, representing an increase of 31.7% over the corresponding period last year and accounting for 29.5% of the total revenue. The average connection fees for residential households and C/I customers were RMB2,742 and RMB219 (per m^3) respectively. As compared to the figure in 2008, the average connection fees for residential households increased during the Period, which reveals that China maintains a stable policy over the charge of connection fees. On the other hand, the Group constantly provides C/I customers with promotions on connection fee in order to boost the gas sales.

Taking advantage of its industry experience and good management, the Group achieved sustained growth in the number of new connections. The new piped natural gas connections made to residential households and the designed daily capacity for C/I customers newly installed during the Period increased by 25.1% and 22.8% respectively as compared to the corresponding period last year.

Following the operation of the liquefied natural gas ("LNG") terminal in Fujian Province during 2009, the gas supply for the Group's seven projects in the Fujian province, including the one in Quanzhou city, an important industrial centre in South-East China, has been further secured. In addition, after the commencement of construction work of the West-East Pipeline II and the Sichuan-East Pipeline which will be completed phase by phase starting from 2009, the sufficient gas supply will facilitate more connections to both residential households and C/I customers and strengthen the Group with more stable and long-term revenue.

Gas Sales

During the Period, piped gas sales revenue reached RMB1,792,007,000, representing an increase of 21.3% over the corresponding period last year and accounting for 44.6% of the total revenue.

Sales of piped gas and vehicle gas continue to accelerate, making up 54.5% — more than half of the revenue. This shows that the Group has a more stable and long-term revenue base. The further decrease in reliance on one-off connection fee leads to a more enhanced revenue structure. On the other hand, the number of vehicle gas refuelling stations ("refuelling stations") has further increased from 98 to 141 compared with the same period last year, whilst the number of refuelling stations that are under construction or have already been built and will come into operation was 39. As a result, the gas sales to vehicles increased by 51.8% as compared to the corresponding period last year. Thanks to its contribution to environmental protection, the great reduction in fuel cost for vehicle users and the rapid increase in the number of vehicles in China, natural gas refuelling station business which provides clean energy as a substitute for gasoline for vehicle use is expected to experience rapid growth continuously. The Group can thus further optimise its current advantage on gas sources and increase the economies of scale for the gas projects on hand. It is expected that the refuelling station business will become one of the major catalysts for the increase in the Group's gas sales revenue in the long run.

During the Period, sales revenue from bottled LPG reached RMB597,768,000, representing a decrease of 30.9% as compared to the corresponding period last year, leading to a shrink in its share over the total revenue from 24.4% in the corresponding period last year to 14.9%. Given the drop in the sales of bottled LPG, the Group allocates more resources to gas connections and sales of natural gas which can both generate higher margins.

management discussion and analysis

Gross and Net Profit Margins

During the Period, the overall gross profit margin and net profit margin (before minority interests) of the Group were 30.5% and 12.3% respectively, both showing an increase as compared to the corresponding period last year.

The increase in gross profit margin mainly comes from the continuous improvement in the Group's revenue structure. During the Period, the Group has reduced the bottled LPG business, and as a result the share of revenue from bottled LPG over total revenue decreased from 24.4% to 14.9% as compared to the corresponding period last year. Since the margins of bottled LPG business is significantly lower than that of gas connections and piped gas sales, the shrink in the bottled LPG segment contributes to the increase in the Group's overall gross profit margin.

As for the increase in net profit margin, in addition to the abovementioned factor which helps stimulate the increase in gross profit margin, the effective cost control by the Group also plays a significant role. As a result of the cost control, the ratio of administrative expenses (including (impairment) reversal of impairment on trade and other receivables, net) to revenue decreases further from 12.4% to 11.5% as compared to the corresponding period last year. Moreover, in light of the further growth in the business of the Group, the share of results of associates and jointly controlled entities increased by 20.2% and 31.5% respectively as compared to the corresponding period last year, which in turn provides a good foundation for the Group's profits and cash flows.

New Projects

During the Period, the Group secured the following three new piped gas projects:

Province	City	Connectable urban population
Henan	Yichuan	80,000
Hebei	Luanxian	100,000
Jiangxi	Sanghai	50,000

Together with the abovementioned newly acquired piped gas projects, the Group has increased the total number of city gas projects to 75, with the connectable urban population raised to 41,874,000 (representing about 13,958,000 households). Currently, the Group is operating vehicle gas refuelling stations in 43 cities, among which 11 were not piped gas project cities of the Group. It is the Group's plan to expand the vehicle gas refuelling business to more and more cities. During the Period, the Group stuck to its existing strategy of acquiring peripheral towns and cities near existing gas projects and obtaining strategic projects, so that the economies of scale for existing gas projects could be fortified while the strategic planning of the Group's future development could be enhanced. For example, the new project Yichuan is located next to Luoyang, one of our existing gas projects. In Yichuan, power generation industry and aluminum processing industry are comparatively more well-developed. It is one of the counties where the West-East Pipeline II passes through and is also where the distributing station supplying gas to the urban area of Luoyang and peripheral counties is located. In view of the above, Yichuan enjoys exceptional and advantageous geographical location and operational conditions; Situated at the north-east of Hebei Province, Luanxian is very well-developed in terms of its glass and refractory material industry and has a heavy consumption of gas; Sanghai is located in Nanchang City of Jiangxi Province. Sanghai Development Zone, the Group's operational area in this project city, is the key development zone in that province and the pharmaceutical industry there is booming. Being the first gas project of the Group in the Jiangxi Province, the Sanghai project has established a good foundation for further business development of the Group in the province.

Given the Group's strategy of acquiring projects with low gas penetration rates, currently, the overall gas penetration rate of the Group's projects is 30.2% only. From the Group's past experience, the gas penetration rates can reach as high as 70% to 80%. In view of the huge number of connectable but not yet connected population under the coverage of the Group's projects which have obtained exclusive operational rights, the low gas penetration rate not only shows that the Group is still at the rapid development stage but also ensures good revenue in the future.

Human Resources

As at 30 June 2009, the total number of staff employed by the Group was 16,390, of which 11 were based in Hong Kong. The number of staff increased by 3.9% as compared to last year end to cope with the needs arising from new projects and business development of the Group. The staff was remunerated at the market level with benefits such as bonus, retirement benefit and share option scheme.

FINANCIAL RESOURCES REVIEW

Liquidity and Financial Resources

As at 30 June 2009, the Group's cash on hand (including fixed bank deposit) was equivalent to RMB2,218,461,000 (31 December 2008: RMB1,725,358,000), and its total debts amounted equivalent to RMB5,726,532,000 (31 December 2008: RMB5,403,140,000). Its net gearing ratio, i.e. the ratio of net debt to equity (including minority interests), was 59.0% (31 December 2008: 67.6%).

Under the US$25,000,000 Loan Agreements with International Finance Corporation ("IFC"), the private sector arm of the World Bank Group, and the subsequent amendment on the requirement thereafter, the Company, Mr. Wang Yusuo ("Mr. Wang") and the Borrowers (i.e. Bengbu Xinao Gas Company Limited, Shijiazhuang Xinao Gas Company Limited and Xiangtan Xinao Gas Company Limited, all being subsidiaries of the Company) have entered into the Share Retention Agreements with IFC on 18 May 2004 whereby Mr. Wang has agreed that, so long as any monies remain due or to become due and owing by the Borrowers to IFC under or in respect of the Loan Agreements, he and Ms. Zhao Baoju ("Ms. Zhao") will own, in aggregate, directly or, at any time that he and Ms. Zhao own in aggregate all the shares of Xinao Group International Investment Limited ("XGII"), indirectly through XGII, at least 27% of the issued share capital of the Company. Mr. Wang and Ms. Zhao are the beneficial and legal owners of XGII, which is owned as to 50% by Mr. Wang and 50% by Ms. Zhao. As at 30 June 2009, XGII and Mr. Wang together held 32.09% interests of the Company.

Seven-year 7.375% Fixed Rate Bonds

On 5 August 2005, the Company issued 7-year bonds in the aggregate principal amount of US$200,000,000 (equivalent to RMB1,614,040,000) with issue price and redemption price of 100%, which are unconditionally and irrevocably guaranteed by the guarantor subsidiaries. The guarantor subsidiaries are wholly-owned subsidiaries of the Company and are primarily holding companies that operate through their subsidiaries. The coupon of the bonds is 7.375%, and interests are paid semi-annually.

Currently, the Group's operating and capital expenditures are funded by operating cash flow, internal liquidity, bank loans and issued bonds. The Group has sufficient sources of funds and unutilised banking facilities to meet the future capital expenditure and working capital requirements for its existing projects.

management discussion and analysis

Borrowings Structure

As at 30 June 2009, the Group's total debts amounted equivalent to RMB5,726,532,000 (31 December 2008: RMB5,403,140,000), including loans and bonds of US$220,153,000 (equivalent to RMB1,486,737,000) and mortgage loans of HK$141,605,000 (equivalent to RMB124,829,000). Apart from the US$200,000,000 bonds which are fixed coupons, other US dollar loans and HK dollar mortgage loans bear interest at floating rates, and the remaining bank and other borrowings are denominated in Renminbi and bear the interest rates announced by the People's Bank of China. The project companies used the Renminbi loans as their working capital and operational expenditure. Except for the loan amount equivalent to RMB1,752,025,000 that are secured by assets with the carrying amount equivalent to RMB162,032,000, all of the other loans are unsecured. Short-term loans were equivalent to RMB2,501,737,000 while the remaining were long-term loans falling due after one year or above.

As all the operations of the Group are in China, revenues and expenses were mainly denominated in Renminbi. Hence, there were no significant foreign exchange exposures or risks. The Group will monitor the market trends of interest rates closely and adopt appropriate measures when necessary.

Financial Guarantee Liability

As at 30 June 2009, the Group had issued guarantees to banks to secure loan facilities granted to associates to the extent of RMB60,000,000 (31 December 2008: RMB60,000,000). No guarantee is issued in respect of any loan facilities granted to the jointly controlled entities of the Group (31 December 2008: Nil). The amounts have been utilized at the balance sheet date.

Capital Commitment

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	**56,684**	45,408
Capital commitment in respect of investment in jointly controlled entities	**33,620**	32,400
Group's share of capital commitments contracted but not provided in respect of its jointly controlled entities	**742**	1,076

PROSPECTS

The Group reached the critical mass in terms of the number of gas projects and the connectable population in China, and this enables the Group to selectively acquire high-quality new piped gas projects in recent years, boost the gas penetration rates of our existing gas projects, develop the business of compressed natural gas (as a substitute for gasoline) refuelling stations that can increase long-term natural gas sales, as well as develop the energy distribution channels in peripheral towns and cities of our gas projects, so as to achieve sustainable business expansion. During the first half of 2009, the gas penetration rate of the Group increased from 24.6% as recorded in the first half of last year to 30.2%, bringing more stable revenue and cash flows to the Group.

With the continuous growth in the Group's gas sales volume, secured gas supply is of utmost importance. Following the operation of the LNG import terminal in Putian, Fujian Province during the Period, the Group has also entered into a take-or-pay contract in relation to that terminal with CNOOC. This enables the Group to enjoy a more secured gas supply for its projects. Meanwhile, the construction of the West-East Pipeline II and Sichuan-East Pipeline connecting the eastern and western region of China has also been kicked off. Consequently, these new gas sources fundamentally secure the gas supply for the Group's piped natural gas projects in Guangdong Province, Guangxi Autonomous Region, Fujian Province and Zhejiang Province. In addition to these large-scale natural gas infrastructure projects by the State, the Group also develops its own upstream projects such as the investments in LNG plants located in Jincheng of Shanxi Province and Yinchuan of Ningxia Autonomous Region which were completed and come into production during the Period respectively. The annual LNG production capacity of these two projects reached over 300million m^3 and can benefit more downstream projects of the Group. At the same time, we will spare no efforts in seeking opportunities for developing other upstream projects with an aim to offer stronger protection to the Group's gas supply.

The sustained growth in the Chinese economy has exerted great pressure on its energy resources and environment. The high energy consumption along with economic development and the excessive emission of pollutants and greenhouse gas have also imposed a serious threat to the continuous development of the economy and society. Thanks to the increase in energy consumption efficiency and decrease in cost resulted from the improvement of technology, and enhancement in the public awareness of environmental protection, efficient use of clean energy has now gained wider recognition in the society. After years of excellent operation, the Group has built a strong brand identity and extensive customer resources. It has also taken a proactive stance to formulate new business model. On the other hand, primarily through the provision of comprehensive regional clean energy solutions, the Group has formulated various energy distribution systems and established supply models for multi-energy products including gas, photoelectricity and calorific capacity. By applying its extensive experience and utilising its advantage on advanced information systems, the Group has exercised effective management on the energy business and provide energy management services to its customers. As of to-date, the Group has entered into cooperation framework agreements with 11 cities or parks for the purpose of providing comprehensive clean energy solutions to such cities, parks and enterprises, promoting the use of clean energy, enhancing the efficient use of energy, reducing pollution and minimising emission. This enables the Group to, besides becoming a regional provider of comprehensive solutions on clean energy, energy saving and emission reduction, enhance its revenue base and earnings level and develop the long-term continuous growing ability on the basis of the existing sustained growth of natural gas connections and sales, eventually making significant contribution to the continuous, healthy development of the society and economy in respect of energy saving and emission reduction.

The Group has long been putting great emphasis on long-term sustainable development. In addition to expanding business and exploring gas sources, special importance has also been placed on management. This can be revealed by the Group's implementation of the Enterprise Resource Planning (ERP) system for the purpose of enhancing internal resources utilisation and strengthening internal control.

Under the global financial tsunami occurred last year, China still maintains healthy growth in respect of its economic development as compared to most countries and regions in other parts of the world. Also, contributed by the recovery of the property market during the Period and the stability feature of the public utilities sector, the Group has delivered impressive performance during the Period with a growth rate exceeding the original target set at the beginning of the year.

As for the macro environment, the Chinese government has devoted a great deal of effort in promoting the development of clean energy, new energy and renewable energy. Various laws and plans in relation to energy development have also been introduced by the Chinese government to support the promotion of energy. One of the examples of the supporting actions taken by the government is the development of energy infrastructure projects which includes construction of long distance natural gas pipelines. With such strong support from the government, and complemented by the energy services business vigorously promoted by the Group, sound management as well as the effective use of resources, the Group believes that, besides making contribution to environmental protection, the benefits of all shareholders and employees and the utilisation of social resources will also be maximised at the same time.

report on review of interim financial information

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF XINAO GAS HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 9 to 29, which comprise the condensed consolidated statement of financial position of XinAo Gas Holdings Limited as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company 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, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
15 September 2009

condensed consolidated statement of comprehensive income

For the six months ended 30 June 2009

	NOTES	Six months ended 30 June **2009** **(unaudited)** **RMB'000**	 2008 (unaudited) RMB'000
Revenue	3	**4,016,415**	3,537,968
Cost of sales		**(2,791,900)**	(2,590,342)
Gross profit		**1,224,515**	947,626
Other income	4	**42,853**	133,969
Selling expenses		**(67,550)**	(56,490)
Administrative expenses		**(384,379)**	(441,885)
Impairment loss on property, plant and equipment	5	**(12,536)**	–
(Impairment) reversal of impairment on trade and other receivables, net	13	**(78,237)**	4,168
Share of results of associates		**10,853**	9,029
Share of results of jointly controlled entities		**82,828**	63,006
Finance costs	6	**(174,428)**	(184,290)
Profit before taxation	7	**643,919**	475,133
Taxation	8	**(148,748)**	(96,769)
Profit for the period and total comprehensive income for the period		**495,171**	378,364
Profit for the period attributable to:			
Owners of the Company		**374,224**	285,999
Minority interests		**120,947**	92,365
		495,171	378,364
Total comprehensive income attributable to:			
Owners of the Company		**374,224**	285,999
Minority interests		**120,947**	92,365
		495,171	378,364
Earnings per share	10		
Basic		**36.9 cents**	28.3 cents
Diluted		**–**	27.7 cents

condensed consolidated statement of financial position

At 30 June 2009

	NOTES	At 30 June 2009 (unaudited) RMB'000	At 31 December 2008 (audited) RMB'000
Non-current assets			
Property, plant and equipment	11	**8,188,085**	7,855,387
Prepaid lease payments	11	**484,166**	472,228
Investment properties	11	**63,005**	63,005
Goodwill		**168,926**	168,926
Intangible assets		**453,348**	464,712
Interests in associates		**303,249**	292,483
Interests in jointly controlled entities		**783,743**	757,620
Available-for-sale investments		**13,956**	13,956
Loan receivable		**9,000**	12,000
Amount due from a jointly controlled entity	12	**69,000**	20,000
Deposits paid for investments in subsidiaries		**65,000**	96,228
Deposits paid for acquisition of property, plant and equipment, land use rights and operation rights		**15,759**	3,800
		10,617,237	10,220,345
Current assets			
Inventories		**250,377**	254,060
Trade and other receivables	13	**1,366,191**	1,431,087
Prepaid lease payments	11	**10,857**	9,354
Amounts due from customers for contract work		**499,326**	495,318
Amounts due from associates		**20,034**	17,630
Amounts due from jointly controlled entities	12	**217,925**	207,350
Amounts due from related companies		**56,752**	57,022
Restricted bank deposits		**83,200**	79,817
Fixed bank deposits	14	**230,000**	–
Cash and cash equivalents		**1,988,461**	1,725,358
		4,723,123	4,276,996
Non-current assets classified as held for sale	15	**–**	76,977
		4,723,123	4,353,973
Current liabilities			
Trade and other payables	16	**2,584,941**	2,752,280
Amounts due to customers for contract work		**486,431**	465,606
Amounts due to associates	17	**66,849**	46,502
Amounts due to jointly controlled entities	17	**203,244**	102,884
Amounts due to related companies		**25,177**	35,507
Taxation payable		**53,958**	75,932
Bank and other loans – due within one year	18	**2,501,737**	1,239,450
Short-term debentures	19	**–**	630,043
Financial guarantee liability		**3,848**	4,384
Deferred income – current portion	20	**6,892**	692
		5,933,077	5,353,280
Liability associated with assets classified as held for sale	15	**–**	75,000
		5,933,077	5,428,280
Net current liabilities		**(1,209,954)**	(1,074,307)
Total assets less current liabilities		**9,407,283**	9,146,038

	NOTES	At 30 June 2009 (unaudited) RMB'000	At 31 December 2008 (audited) RMB'000
Capital and reserves			
Share capital	21	**109,879**	106,318
Reserves		**4,599,047**	4,149,253
Equity attributable to owners of the Company		**4,708,926**	4,255,571
Minority interests		**1,234,884**	1,185,869
Total equity		**5,943,810**	5,441,440
Non-current liabilities			
Bank and other loans – due after one year	18	**1,875,622**	2,186,720
Guaranteed notes		**1,349,173**	1,346,927
Deferred taxation	8	**160,268**	150,873
Deferred income – non-current portion	20	**78,410**	20,078
		3,463,473	3,704,598
		9,407,283	9,146,038

condensed consolidated statement of changes in equity

For the six months ended 30 June 2009

Six months ended 30 June 2009

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note d)	Share option reserve RMB'000	Statutory surplus reserve fund RMB'000 (note a)	Property revaluation reserve RMB'000	Other reserve RMB'000 (note c)	Accumulated profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2009 (audited)	106,318	1,893,039	(18,374)	58,208	226,688	28,813	–	1,960,879	4,255,571	1,185,869	5,441,440
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	–	374,224	374,224	120,947	495,171
Issue of shares on exercise of share options (Note 21)	3,561	291,422	–	(58,208)	–	–	–	–	236,775	–	236,775
Disposal of a subsidiary (Note 23)	–	–	–	–	–	–	–	–	–	(1,581)	(1,581)
Dividend appropriation	–	–	–	–	–	–	–	(157,644)	(157,644)	–	(157,644)
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	(70,351)	(70,351)
Transfer to statutory surplus reserve fund	–	–	–	–	8,788	–	–	(8,788)	–	–	–
Transfer to other reserve (note c)	–	–	–	–	–	–	10,944	(10,944)	–	–	–
At 30 June 2009 (unaudited)	109,879	2,184,461	(18,374)	–	235,476	28,813	10,944	2,157,727	4,708,926	1,234,884	5,943,810

Six months ended 30 June 2008

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note d)	Share option reserve RMB'000	Statutory surplus reserve fund RMB'000 (note a)	Property revaluation reserve RMB'000	Other reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008 (audited)	106,318	1,893,039	(18,374)	53,878	157,891	24,688	–	1,518,107	3,735,547	925,111	4,660,658
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	–	285,999	285,999	92,365	378,364
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	43,277	43,277
Acquisition of business	–	–	–	–	–	–	–	–	–	1,389	1,389
Deemed acquisition of additional interest in a subsidiary (note b)	–	–	–	–	–	–	–	–	–	(1,294)	(1,294)
Dividend appropriation	–	–	–	–	–	–	–	(119,136)	(119,136)	–	(119,136)
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	(112,163)	(112,163)
Recognition of equity-settled share-based payments	–	–	–	4,330	–	–	–	–	4,330	–	4,330
Transfer to statutory surplus reserve fund	–	–	–	–	20,795	–	–	(20,795)	–	–	–
At 30 June 2008 (unaudited)	106,318	1,893,039	(18,374)	58,208	178,686	24,688	–	1,664,175	3,906,740	948,685	4,855,425

Notes:

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

b. During the six months ended 30 June 2008, 石家庄新奥燃氣有限公司, a 60% owned subsidiary of the Company, disposed of the 65% equity interest held in another subsidiary of the Company, 石家庄新奥車用燃氣有限公司 to a wholly-owned subsidiary of the Company, 新奥燃氣發展有限公司. Upon the completion of the transaction, the effective interest in 石家庄新奥車用燃氣有限公司 increased from 39% to 65% and gain on deemed acquisition of subsidiary amounting to RMB1,294,000 was recognised in the profit or loss during current period.

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

d. The amount represented the difference between the paid-up capital of the subsidiaries acquired and the nominal value of the Company's share issued for the acquisition amounting to RMB1,167,000 during the group restructuring carried out for the purpose of initial public offering of the Company's shares in 2001 and the difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the additional interests in a subsidiary amounting to RMB19,541,000 in 2007.

condensed consolidated statement of cash flows

For the six months ended 30 June 2009

	NOTES	Six months ended 30 June 2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
Net cash from operating activities		**694,588**	546,884
Investing activities			
Dividends received from jointly controlled entities		**–**	6,237
Dividends received from associates		**87**	1,123
Purchase of property, plant and equipment		**(514,308)**	(609,022)
Purchase of prepaid lease payments		**(18,809)**	(35,023)
Decrease (increase) in deposits paid for establishment of subsidiaries		**7,020**	(51,555)
Deposit paid for acquisition of land use rights		**(6,232)**	(8,000)
Deposit paid for acquisition of rights of operation		**(3,400)**	(5,272)
Proceeds from/ deposit received for disposal of an associate		**7,000**	75,000
Acquisition of intangible assets		**–**	(2,000)
Acquisition of businesses	16	**(69,200)**	(16,153)
Disposal of a subsidiary	23	**775**	–
Investments in associates		**–**	(18,000)
Investments in jointly controlled entities		**(4,500)**	(50,040)
Proceeds on disposal of property, plant and equipment		**24,075**	30,427
Proceeds on disposal of land use rights		**–**	2,520
Increase in restricted bank deposit		**(3,383)**	–
Increase in fixed deposits with maturities more than three months		**(230,000)**	–
Decrease (increase) in loan receivable		**3,000**	(15,000)
Other investing activities		**(1,020)**	(592)
Net cash used in investing activities		**(808,895)**	(695,350)
Financing activities			
Interest paid on guaranteed notes		**(50,281)**	(52,605)
(Repayment of) proceeds from short-term debenture		**(600,000)**	600,000
Contribution from minority interests		**–**	43,277
Dividends paid to minority interests		**(70,351)**	(112,163)
Dividends paid to shareholders		**(157,644)**	(119,136)
New bank loans raised		**1,984,404**	797,896
Repayment of bank loans		**(1,033,215)**	(575,344)
Proceeds from shares issued		**236,775**	–
Acquisition of a business	16	**(25,353)**	–
Advance from associates		**20,000**	–
Advance from jointly controlled entities		**79,000**	–
Others		**(5,925)**	–
Net cash from financing activities		**377,410**	581,925
Increase in cash and cash equivalents		**263,103**	433,459
Cash and cash equivalents at the beginning of the period		**1,725,358**	1,693,459
Cash and cash equivalents at the end of the period		**1,988,461**	2,126,918
Balances of cash and cash equivalents represented by:			
Bank balances and cash		**1,988,461**	2,126,918

notes to the condensed consolidated financial statements

For the six months ended 30 June 2009

1. Basis of Preparation

The condensed consolidated financial statements (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

In preparing the Interim Financial Statements, the directors of the Company ("Directors") have given careful consideration of the Company and its subsidiaries (collectively the "Group") in light of its net current liabilities of RMB1,209,954,000 as at 30 June 2009. On the basis that the Group has the fund raised from the issue of short-term debenture of RMB800,000,000 subsequent to the reporting date as set out in Note 25(a) and secured credit facilities of approximately RMB1,118,336,000 which remains unutilised at the date of approval of the Interim Financial Statements, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the Interim Financial Statements have been prepared on a going concern basis.

2. Principal Accounting Policies

The Interim Financial Statements have been prepared on the historical cost basis except for certain properties, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2009.

HKFRS 8 "Operating Segments" is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a resdesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, but some changes in presentation and disclosure has been made (see note 3).

HKAS 1 (revised 2007) "Presentation of Financial Statements" has introduced a number of terminology changes and has resulted in a number of changes in presentation and disclosure. The consolidated statement of comprehensive income includes all items disclosed in the former consolidated income statement and additional disclosure in other comprehensive income. The names of consolidated balance sheet and consolidated cash flow statement have now changed into the consolidated statement of financial position and consolidated statement of cash flows respectively with all contents remain the same.

The adoption of the new and revised HKFRSs has had no material impact on the reported results and financial position of the Group for current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

notes to the condensed consolidated financial statements

For the six months ended 30 June 2009

2. Principal Accounting Policies *(continued)*

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction[3]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[4]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Except that the Directors are in progress of assessing the potential impact on the application of HK(IFRIC)-Int 18, the Directors anticipate that the application of the other new or revised standards or interpretations have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group and regularly reviewed by the chief operating decision maker, the Company's Chief Executive Officer (the "CEO"), in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments.

Information reported to the CEO for the purposes of resource allocation and performance assessment among segments focuses specifically on different type of goods and services. As this is also the basis of designation of the Group's reportable segments under HKAS 14, the application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments.

Segment information reported for the prior period has been restated to conform with current period presentation.

3. Segment Information *(continued)*

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

Six months ended 30 June 2009

	Gas connection RMB'000	Sales of piped gas RMB'000	Distributions of bottled liquefied petroleum gas RMB'000	Sales of gas appliances RMB'000	Vehicle gas refuelling stations RMB'000	Consolidation RMB'000
Revenue from external customers	1,182,883	1,792,007	597,768	44,645	399,112	4,016,415
Segment profit before depreciation and amortisation	726,319	501,319	9,441	14,610	106,786	1,358,475
Depreciation and amortisation	(24,099)	(100,244)	(2,417)	(1,042)	(6,158)	(133,960)
Segment profit	702,220	401,075	7,024	13,568	100,628	1,224,515
Other income						42,853
Selling expenses						(67,550)
Administrative expenses						(384,379)
Impairment loss on property, plant and equipment						(12,536)
Impairment on trade and other receivables, net						(78,237)
Share of results of associates						10,853
Share of results of jointly controlled entities						82,828
Finance costs						(174,428)
Profit before taxation						643,919
Taxation						(148,748)
Profit for the period						495,171

notes to the condensed consolidated financial statements

For the six months ended 30 June 2009

3. Segment Information *(continued)*

Six months ended 30 June 2008 (restated)

	Gas connection RMB'000	Sales of piped gas RMB'000	Distributions of bottled liquefied petroleum gas RMB'000	Sales of gas appliances RMB'000	Vehicle gas refuelling stations RMB'000	Consolidation RMB'000
Revenue from external customers	898,314	1,476,991	864,479	35,327	262,857	3,537,968
Segment profit before depreciation and amortisation	554,070	406,822	10,581	10,927	77,001	1,059,401
Depreciation and amortisation	(23,581)	(80,437)	(2,017)	(939)	(4,801)	(111,775)
Segment profit	530,489	326,385	8,564	9,988	72,200	947,626
Other income						133,969
Selling expenses						(56,490)
Administrative expenses						(441,885)
Reversal of impairment on trade and other receivables, net						4,168
Share of results of associates						9,029
Share of results of jointly controlled entities						63,006
Finance costs						(184,290)
Profit before taxation						475,133
Taxation						(96,769)
Profit for the period						378,364

Segment profit represents the gross profit earned by each segment without allocation of selling expenses, administrative expenses, other income, impairment loss on property, plant and equipment, impairment loss (reversal of) impairment on trade and other receivables, net, share of results of associates and jointly controlled entities and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. Other Income

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Other income includes:		
Interest revenue from:		
– bank deposits	**7,894**	7,063
– loans to associates	**–**	4,810
– loans to jointly controlled entities	**2,580**	2,868
– loans to minority interests of subsidiaries with significant influence	**550**	781
Total interest revenue	**11,024**	15,522
Exchange gain, net (note a)	**–**	87,391
Gain on disposal of an associate (Note 15)	**5,023**	–
Gain on disposal of prepaid lease payment on land use rights	**–**	1,008
Incentive subsidies (note b)	**15,035**	13,001
Rental income from investment properties, net of outgoings	**1,176**	1,524
Miscellaneous sales	**295**	2,820
Repairs and maintenance income	**3,634**	2,484

Notes:

a. Included in the balance as at 30 June 2008 is an amount of RMB89,100,000 which is the exchange gain arising from the conversion of guaranteed notes denominated in US dollar.

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

5. Impairment loss on Property, Plant and Equipment

In 2008, the Group replaced the pipelines for delivery of coal gas into pipelines for delivery of natural gas in Shijiazhuang, Hebei Province, the PRC. During the period, the Director considered that the resalable value of such coal gas pipelines is immaterial and the cost for reuse outweighs the carrying values, therefore, full impairment loss of RMB12,536,000 is recognised in profit or loss during the six months ended 30 June 2009.

notes to the condensed consolidated financial statements

For the six months ended 30 June 2009

6. Finance Costs

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Interest on:		
Bank and other loans wholly repayable within five years	**86,172**	43,026
Bank loans not wholly repayable within five years	**40,635**	77,398
Guaranteed notes	**52,519**	54,459
Short-term debentures	**5,657**	23,595
Discounted bills	**390**	–
	185,373	198,478
Less: Amount capitalised under construction in progress	**(10,945)**	(14,188)
	174,428	184,290

7. Profit Before Taxation

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation and amortisation:		
– property, plant and equipment	**168,244**	192,205
– intangible assets	**11,364**	15,937
– prepaid lease payments	**5,368**	5,215
Total depreciation and amortisation	**184,976**	213,357
Loss on disposal of property, plant and equipments	**4,783**	916
Loss on disposal of a subsidiary (Note 23)	**1,571**	–
Exchange loss, net	**686**	–
Share-based payment expenses (included in administrative expenses)	**–**	4,330

8. Taxation

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
PRC Enterprise Income Tax	**139,353**	80,339
Deferred taxation	**9,395**	16,430
	148,748	96,769

PRC Enterprise Income Tax of the Group mainly comprises income tax of the Company and its subsidiaries which are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 25% for the six months ended 30 June 2009 (2008: 25%).

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

The movements of deferred taxation for the period are as follows:

	Attributable to					
	Valuation of properties RMB'000	**Intangible assets** RMB'000	**Capitalisation of interest in property, plant and equipment** RMB'000	**Undistributed retained profit of PRC entities** RMB'000 (note)	**Others** RMB'000	**Total** RMB'000
At 1 January 2009	**12,648**	**91,790**	**26,842**	**23,112**	**(3,519)**	**150,873**
(Credit) charge to income statement: for current period	**–**	**(2,316)**	**1,845**	**9,818**	**48**	**9,395**
At 30 June 2009	**12,648**	**89,474**	**28,687**	**32,930**	**(3,471)**	**160,268**

Note: The amount represents deferred taxation in respect of the temporary differences attributable to the undistributed retained profits earned after 1 January 2008 by the group entities registered in the PRC. The amount has been provided based on the temporary differences that the Director considers to be probably reversed in the foreseeable future upon distribution of profit by the respective group entities located in the PRC to non-PRC shareholders.

notes to the condensed consolidated financial statements

For the six months ended 30 June 2009

9. Dividend

The final dividend in respect of 2008 of HKD17.71 cents (equivalent to approximately RMB15.62 cents) per share (2008: final dividend in respect of 2007 of HKD13.42 cents (equivalent to approximately RMB12.57 cents) per share) amounting to approximately RMB157,644,000 (2008: RMB119,136,000) were paid during the period.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

10. Earnings per Share

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic earnings per share and diluted earnings per share (profit for the period attributable to owners of the Company)	**374,224**	285,999

	Six months ended 30 June	
	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,014,891,828**	1,009,759,397
Effect of dilutive potential ordinary shares arising from share options		20,922,706
Weighted average number of ordinary shares for the purpose of diluted earnings per share		1,030,682,103

No diluted earnings per share is presented as at 30 June 2009 as all the share options has been exercised in June 2009 and the Group has no dilutive potential ordinary shares as at 30 June 2009.

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

During the period, the Group acquired property, plant and equipment and land use rights amounting to approximately RMB536,188,000 and RMB18,809,000 (six months ended 30 June 2008: RMB609,022,000 and RMB35,023,000) respectively.

No revaluation on leasehold land and buildings and investment properties was carried out during the period. The valuation at 31 December 2008 was carried out by Knight Frank Petty Limited ("Knight Frank Petty"), an independent firm of qualified professional valuers not connected with the Group, on an open market value basis. The directors of the Company consider that the carrying amounts of the leasehold land and buildings and investment properties at 30 June 2009 were not significantly different from their fair values on 31 December 2008.

12. Amounts due from Jointly Controlled Entities

During the six months period ended 30 June 2009, an advance to a jointly controlled entity of RMB69,000,000 has been fallen due and renewed. The repayment date has been extended from January 2009 to January 2012 and the amount is interest bearing at interest rate is 5.4% per annum, therefore, it is reclassified as non-current assets.

In addition to the reclassification described above, the amounts due from jointly controlled entities classified as current assets at 30 June 2009 also include dividend receivable from jointly controlled entities of RMB61,205,000 for the dividend declared for 2008.

13. Trade and Other Receivables

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Trade receivables aged:		
0 – 3 months	**246,668**	280,300
4 – 6 months	**80,942**	101,705
7 – 9 months	**62,365**	40,811
10 – 12 months	**61,263**	16,423
More than 1 year	**22,367**	12,284
Total trade receivables	**473,605**	451,523
Other receivables	**336,755**	296,669
Notes receivable	**119,232**	186,342
Advance to suppliers, deposits and prepayments	**436,599**	496,553
	1,366,191	1,431,087

The Group allows an average credit period ranging from 60 to 90 days to its trade customers, except for certain customers with credit period more than 90 days.

notes to the condensed consolidated financial statements

For the six months ended 30 June 2009

13. Trade and Other Receivables *(continued)*

Movements in impairment on trade and other receivables are as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Balance at beginning of the period/ year	**78,463**	130,316
Impairment losses recognised	**99,060**	38,081
Amounts recovered	**(20,823)**	(53,015)
Amounts written off as uncollectible	**(3,030)**	(36,919)
Balance at end of the period/ year	**153,670**	78,463

Included in trade receivable balance as at 30 June 2009 is an amount due from a debtor amounting to RMB28,337,000. Having considered the estimated future cash flows from this amount, the Group has provided full impairment the amount in current period.

Included in trade and other receivable balance as at 30 June 2009 are amounts of RMB214,240,000, of which RMB43,000,000 is due from Shantou Longpeng Energy Investment Co., Ltd. ("Shantou Longpeng Investment") and RMB171,240,000 is due from a subsidiary of Shantou Longpeng Investment respectively. In August 2009, the Group assigned the whole amount without recourse to an independent third party at a cash consideration of RMB140,000,000 and the Group has a first refusal right to acquire the property, plant and equipment related to energy business at fair market value if those assets are used for settlement of the receivables. Having taken into account the subsequent settlement received from this debtor amounting to RMB20,000,000 and proceeds from disposal of the receivables, the Group has provided impairment of RMB54,240,000 in current period.

14. Fixed Bank Deposits

The fixed bank deposits are with maturities dates more than three months. They carry interest at market rates which range from 1.71% to 1.98% per annum.

15. Non-current Assets classified as held for-sale and the Associated Liabilities

Pursuant to a share transfer agreement dated 9 April 2008 entered into between the Company as vendor and 咸陽市國有資產監督管理委員會, an independent third party, as purchaser, the Company agreed to sell its entire 40% equity interest of an associate, 咸陽新奧燃氣有限公司 to 咸陽市國有資產監督管理委員會 at a consideration of RMB82,000,000, of which, RMB75,000,000 was received in 2008 and the RMB7,000,000 was received in current period. The transaction was completed during the six months ended 30 June 2009 and gain on disposal amounting to RMB5,023,000 was recognised in the profit or loss.

16. Trade and Other Payables

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Trade payables aged:		
0 – 3 months	**573,664**	604,911
4 – 6 months	**153,732**	157,560
7 – 9 months	**105,990**	84,548
10 – 12 months	**70,862**	54,523
More than 1 year	**95,857**	112,511
Total trade payables	**1,000,105**	1,014,053
Advances received from customers	**1,177,773**	1,122,741
Accrued charges and other payables	**407,063**	615,486
	2,584,941	2,752,280

Note: Included in other payables as at 31 December 2008 were consideration payable for acquisition of additional 44% equity interest in Beihai Xinao Gas Company Limited in December 2008, amounting to RMB69,200,000 and business of piped gas operation in Luoyang City in June 2007 amounting to RMB25,353,000, the amounts were fully settled during the six months ended 30 June 2009.

17. Amounts due to Associates/Jointly Controlled Entities

During the six months ended 30 June 2009, the Group received advances from two jointly controlled entities, namely 株洲新奥燃氣發展有限公司 and 長沙新奥燃氣發展有限公司 amounting to approximately RMB34,000,000 and RMB45,000,000 respectively and advances from an associate, 上海九環車用能源股份有限公司 amounting to approximately RMB20,000,000. These amounts are unsecured, interest free and repayable within one year from the reporting date.

18. Bank and Other Loans

During the period, the Group obtained new bank and other loans in the amount of RMB1,984,404,000 (six months ended 30 June 2008: RMB797,896,000) and made repayments in the amount of RMB1,033,215,000 (six months ended 30 June 2008: RMB575,344,000). The loans bear interest at the range from 2.39% to 6.53% per annum. The proceeds were used to finance the capital expenditure and general working capital of the Group.

At 30 June 2009, certain assets of the Group with aggregate carrying value of RMB162,032,000 (31 December 2008: RMB197,049,000) were pledged as security for loan and bills facilities granted by the banks.

19. Short-Term Debentures

All short-term debentures outstanding at 31 December 2008 were repaid during the six months ended 30 June 2009.

notes to the condensed consolidated financial statements

For the six months ended 30 June 2009

20. Deferred Income

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Balance at beginning of the period/year	**20,770**	–
Upfront fee received during the period/year	**67,880**	20,770
Release during the period/year	**(3,348)**	–
Balance at end of the period/year	**85,302**	20,770
Analysed for the reporting purpose as:		
Current portion	**6,892**	692
Non-current portion	**78,410**	20,078
Total	**85,302**	20,770

Deferred income represents the upfront fee received in respect of provision for gas connection service and gas supply. The amount has been treated as deferred income and recognised in the condensed consolidated statement of comprehensive income. The amount will be transferred to profit or loss over the service period.

21. Share Capital

	Number of shares	Amount HK$'000
Issued and fully paid ordinary shares of HK$0.10 each:		
At 1 January 2009	1,009,759,397	100,976
Issue of shares on exercise of share options (note)	40,390,000	4,039
At 30 June 2009	1,050,149,397	105,015
Presented in the financial statements as		RMB109,879

Note: On 8 June 2009, 40,390,000 shares were issued at exercise price of HK$6.65 per ordinary share in relation to the exercise of all outstanding share options as at 31 December 2008. These shares rank pari passu with the existing shares in all respects. No share option is outstanding as at 30 June 2009.

22. Commitments

(a) Capital commitments

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	**56,684**	45,408
Capital commitment in respect of investment in jointly controlled entities	**33,620**	32,400
Group's share of capital commitments contracted but not provided in respect of its jointly controlled entities	**742**	1,076

(b) Other commitments

As at 30 June 2009, the Group has commitment for acquisition of land use rights amounting to RMB24,044,000 (2008: RMB4,660,000) in respect of acquisition of land use rights in the PRC.

23. Disposal of a Subsidiary

On 21 March 2009, the Group disposed of its subsidiary, Nantong Xinneng Gas Development Company Limited (南通新能氣體開發有限公司) to an independent third party to the Group at a consideration of RMB800,000. The net assets of the subsidiary disposed of at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	4,797
Inventories	70
Trade and other receivables	2,586
Cash and cash equivalents	25
Trade and other payables	(3,526)
	3,952
Minority interests	(1,581)
Loss on disposal	(1,571)
Total consideration	800
Cash outflow arising on disposal:	
Cash consideration	800
Cash and cash equivalents	(25)
Cash and cash equivalents disposed of	(775)

notes to the condensed consolidated financial statements

For the six months ended 30 June 2009

24. Related Party Transactions

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

	Six months ended	
	2009	2008
	RMB'000	RMB'000
Associates		
– Sale of gas to	**2,761**	22,467
– Sale of materials to	**2,012**	1,203
– Purchase of gas from	**–**	25,559
– Provision of gas transportation services to	**7,257**	4,694
– Loan interest received from	**–**	4,810
Jointly controlled entities		
– Sale of gas to	**34,530**	41,291
– Sale of materials to	**32,290**	26,160
– Purchase of gas from	**81,287**	75,148
– Provision of gas transportation services to	**106,895**	76,590
– Loan interest received from	**2,580**	2,868
– Payments made on behalf of the Group	**2,780**	1,709
Companies controlled by Mr. Wang Yu Suo ("Mr. Wang") a controlling shareholder and director of the Company		
– Sales of gas to	**1,590**	872
– Purchase of materials used in production – DME from	**3,124**	113,317
– Provision of gas connection service to	**4,573**	1,399
– Provision for property management services by	**2,183**	2,163
– Provision for property management services to	**218**	218
– Provision of maritime transportation services by	**9,719**	–
– Provision of decoration services by	**–**	3,500
– Lease of premises to	**520**	520
– Lease of premises from	**1,298**	1,298
– Provision of supporting service by	**9,950**	273
– Provision of supporting service to	**–**	3,811
– Donation to (note)	**2,830**	–

Note: Donation is made to a non-profit making organisation, 新奧慈善基金會, of which Mr. Wang is the legal representatives up to April 2009.

Minority interests of subsidiaries with significant influence		
– Provision of gas connection service to	**–**	1,546
– Provision of construction service by	**1,006**	803
– Loan advance to	**309**	150
– Lease of premises from	**744**	85
– Lease of land from	**1,026**	1,026
– Provision of transportation services by	**425**	477
– Loan interest received from	**550**	781

24. Related Party Transactions *(continued)*

In addition, Mr. Wang and Ms. Zhao Baoju, spouse of Mr. Wang has provided personal guarantees to the extent of RMB1,010,000,000 (31 December 2008: RMB450,000,000) to certain banks for banking facilities granted to the Group as at 30 June 2009.

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

	Six months ended	
	2009	2008
	RMB'000	RMB'000
Short-term employee benefits	**3,942**	4,424
Post-employment benefits	**63**	49
Share-based payments	**–**	4,330
	4,005	8,803

25. Events after the End of the Interim Period

(a) Pursuant to the approval [2009] No. CP81 issued by National Association of Financial Market Institutional Investors ("NAFMII") dated 12 August 2009, NAFMII approved a wholly-owned subsidiary of the Company, 新奧(中國)燃氣投資有限公司, to issue short-term debenture with a maximum limit of RMB1,600,000,000 up to 12 August 2011.

On 27 August 2009, 新奧(中國)燃氣投資有限公司 issued short-term debenture to third party debenture holders with face value of RMB800,000,000. The debentures are unsecured, interests bearing at 3.15% per annum and repayable one year after the issue date.

(b) Subsequent to the end of the current interim period, the Group has set up a company established in the PRC. Details of investment are summarised as follows:

Name of Company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by Company	Principal activities
龍游新奧燃氣有限公司	PRC	USD3,000,000	90%	Investment in gas pipelines infrastructure and sales of piped gas

other information

Disclosure of Interests

Directors' Interests or Short Positions in Shares and in Share Options

As at 30 June 2009, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange, were as follows:

Name of Director	Capacity	Interest in shares Personal interests	Interest in shares Corporate interests	Interest in shares Family interests	Total interests in shares	Approximate percentage of the Company's total issued share capital as at 30 June 2009
Mr. Wang Yusuo ("Mr. Wang")	Beneficial owner and interest of controlled corporation	3,700,000 (Note 2)	333,275,000 (Note 1)	–	336,975,000	32.09%
Ms. Zhao Baoju ("Ms. Zhao")	Interest of controlled corporation and interest of spouse	–	333,275,000 (Note 1)	3,700,000 (Note 2)	336,975,000	32.09%

Notes:

1. The two references to 333,275,000 shares relate to the same block of shares. Such shares are held by Xinao Group International Investment Limited ("XGII"), which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.
2. Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these shares held by Mr. Wang.

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

Save as disclosed above, as at 30 June 2009, the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code recorded no other interests or short positions of the Directors in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO).

Directors' rights to acquire shares

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

Name of Director	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2009	Number of shares involved under options exercised during the Period (Note 2)	Number of shares subject to outstanding options as at 30 June 2009 (Aggregate)	Approximate percentage of the Company's total issued share capital as at 30 June 2009 (Aggregate)
Mr. Chen Jiacheng	15.03.2006	16.09.2006 – 15.03.2016	6.650	1,300,000	1,300,000	–	–
	15.03.2006	16.03.2008 – 15.03.2016	6.650	3,250,000	3,250,000		
Mr. Zhao Jinfeng	15.03.2006	16.09.2006 – 15.03.2016	6.650	1,300,000	1,300,000	–	–
	15.03.2006	16.03.2008 – 15.03.2016	6.650	3,250,000	3,250,000		
Mr. Yu Jianchao	15.03.2006	16.09.2006 – 15.03.2016	6.650	1,300,000	1,300,000	–	–
	15.03.2006	16.03.2008 – 15.03.2016	6.650	3,250,000	3,250,000		
Mr. Cheung Yip Sang	15.03.2006	16.09.2006 – 15.03.2016	6.650	1,140,000	1,140,000	–	–
	15.03.2006	16.03.2008 – 15.03.2016	6.650	2,850,000	2,850,000		
Mr. Cheng Chak Ngok	15.03.2006	16.09.2006 – 15.03.2016	6.650	160,000	160,000	–	–
	15.03.2006	16.03.2008 – 15.03.2016	6.650	400,000	400,000		
Total				18,200,000	18,200,000	–	–

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
2. "Period" refers to the period from 1 January 2009 to 30 June 2009.
3. These shares represent personal interests held by the directors as beneficial owners during the Period.

Save as disclosed above, at no time during the period from 1 January 2009 to 30 June 2009 (the "Period") was the Company or its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

other information

Substantial Shareholders

As at 30 June 2009, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Beneficial interests	Interest in shares Corporate interests	Family interests	Total interests in shares (Note 4)	Approximate percentage of the Company's total issued share capital as at 30 June 2009
Mr. Wang	Beneficial owner and interest of controlled corporation	3,700,000 (Note 2)	333,275,000 (Note 1)	–	336,975,000 (L)	32.09%
Ms. Zhao	Interest of controlled corporation and interest of spouse	–	333,275,000 (Note 1)	3,700,000 (Note 2)	336,975,000 (L)	32.09%
XGII	Beneficial owner	333,275,000 (Note 1)	–	–	333,275,000 (L)	31.74%
Penta Investment Advisers Ltd.	Investment Manager	–	131,072,768 (Note 3)	–	131,072,768 (L)	12.48%
Mr. John Zwaanstra	Interest of controlled corporation	–	131,072,768 (Note 3)	–	131,072,768 (L)	12.48%
Capital Research and Management Company	Investment Manager	–	92,619,000	–	92,619,000 (L)	8.82%
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	–	90,000,924	–	90,000,924 (L) (including 65,907,868 (P))	8.57%
Commonwealth Bank of Australia	Interest of controlled corporation	–	80,813,000	–	80,813,000 (L)	7.70%

Notes:

1. The three references to 333,275,000 shares relate to the same block of shares. Such shares are held by XGII which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.
2. Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these shares held by Mr. Wang.
3. The two references to 131,072,768 shares relate to the same block of shares. Such shares are held by Penta Investment Advisers Ltd., which is 100% beneficially owned by Mr. John Zwaanstra, in the capacity of an investment manager.
4. (L) represents Long Position; (P) represents Lending Pool.

Save as disclosed above, as at 30 June 2009, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company. Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2009, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Option Scheme

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

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

Grantee	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2009	Number of shares involved under options exercised during the Period (Note 2)	Number of shares subject to outstanding options as at 30 June 2009 (Aggregate)	Approximate percentage of the Company's total issued share capital (Aggregate)	Weighted average closing price of shares immediately before the date of exercise of options (HK$)
Directors	15.03.2006	16.09.2006 – 15.03.2016	6.650	5,200,000	5,200,000	–	–	12.6
	15.03.2006	16.03.2008 – 15.03.2016	6.650	13,000,000	13,000,000			12.6
Employees	15.03.2006	16.09.2006 – 15.03.2016	6.650	6,340,000	6,340,000	–	–	12.6
	15.03.2006	16.03.2008 – 15.03.2016	6.650	15,850,000	15,850,000			12.6
Total				40,390,000	40,390,000	–	–	–

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
2. "Period" refers to the period from 1 January 2009 to 30 June 2009.

No share option was granted, lapsed or cancelled during the Period.

Disclosure of Information on Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, with effect from 1 January 2009, the annual salaries and allowance, among the emolument items, of Mr. Cheng Chak Ngok, the Executive Director, Financial Controller and Company Secretary of the Company, has been adjusted from HK$720,000 to HK$936,000.

other information

Purchase, Sale or Redemption of Listed Securities

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Company established an Audit Committee on 28 March 2001. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. Members of the Audit Committee are Mr. Wang Guangtian, Ms. Yien Yu Yu, Catherine and Mr. Kong Chung Kau, who are all independent non-executive Directors. An audit committee meeting was held on 14 September 2009 to review the unaudited interim results and interim financial report for the six months ended 30 June 2009. Deloitte Touche Tohmatsu, the Group's external auditors, have carried out a review of the unaudited interim financial report for the six months ended 30 June 2009 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standards set out in the Model Code as contained in Appendix 10 to the Listing Rules. Specific enquiries have been made with all Directors who have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions during the Period.

The Code on Corporate Governance Practices

To the knowledge of the Board, the Company has complied with the Code Provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules throughout the Period except a deviation from Code Provision E.1.2 because the Chairman of the Board was unable to attend the annual general meeting of the Company held on 26 May 2009 due to business trip. Alternatively, Mr. Cheng Chak Ngok, the Executive Director and Company Secretary of the Company, attended and acted as the chairman of the said annual general meeting.

Loan Agreements Imposing Specific Performance Obligations on Controlling Shareholders

According to the US$25,000,000 Loan Agreement entered into by the Company and the subsequent amendment thereto, Mr. Wang Yusuo, the controlling shareholder of the Company, is required to retain at least 27% of the total issued share capital of the Company throughout the term of the loan agreement, which is 5 years from 18 May 2004. The Company issued 7-year bonds on 5 August 2005 and the terms and conditions of the bonds require Mr. Wang Yusuo, the controlling shareholder of the Company, to retain control over the Company throughout the term of the bonds. The total amount of the loan involved is US$200,000,000 (equivalent to RMB1,614,040,000).

Interests in Competitors

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

By order of the Board
WANG Yusuo
Chairman

Hong Kong, 15 September 2009

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