ENN 新奥

ENN Energy Holdings Limited
新奥能源控股有限公司
（Stock code 股份代號: 2688）

WE ARE PROVIDING THE FUEL OF GROWTH
增長原動力 帶動豐碩成果

interim report 2011
二零一一年中期業績報告

Contents

Dear Shareholders,

The Board of Directors (the "Directors") of ENN Energy 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 2011 (the "Period") was RMB628,835,000, representing an increase of RMB95,074,000 or 17.8% as compared to RMB533,761,000 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		
	2011	2010	Increase/
	(Unaudited)	(Unaudited) (Restated)	(Decrease)
Revenue (RMB)	**7,202,237,000**	5,043,719,000	42.8%
Gross profit (RMB)	**1,891,249,000**	1,421,128,000	33.1%
Profit attributable to owners of the Company (RMB)	**628,835,000**	533,761,000	17.8%
Earnings per share – Basic (RMB)	**59.88 cents**	50.83 cents	17.8%
Connectable urban population	**49,135,000**	45,663,000	7.6%
Connectable residential households	**16,378,000**	15,221,000	7.6%
New natural gas connections made during the Period:			
– residential households	**522,881**	426,245	22.7%
– commercial/industrial ("C/I") customers (sites)	**2,684**	1,821	863
– installed designed daily capacity for C/I customers (m^3)	**3,578,678**	2,376,246	50.6%
Accumulated number of connected natural gas customers:			
– residential households	**5,948,313**[1]	4,965,321[2]	19.8%
– C/I customers (sites)	**20,687**[1]	15,405[2]	5,282
– installed designed daily capacity for C/I customers (m^3)	**21,267,618**[1]	15,380,603[2]	38.3%
Accumulated number of connected piped gas (including natural gas) customers:			
– residential households	**6,122,143**	5,165,474	18.5%
– C/I customers (sites)	**21,146**	16,059	5,087
– installed designed daily capacity for C/I customers (m^3)	**21,758,054**	15,914,980	36.7%
Natural gas penetration rate	**36.3%**	32.6%	3.7%
Piped gas (including natural gas) penetration rate	**37.4%**	33.9%	3.5%
Unit of piped gas sold to residential households (m^3)	**451,109,000**	346,813,000	30.1%
Unit of piped gas sold to C/I customers (m^3)	**1,741,846,000**	1,303,150,000	33.7%
Unit of gas sold to vehicles (m^3)	**314,635,000**	241,522,000	30.3%
Unit of wholesale gas sold (m^3)	**133,440,000**	87,376,000	52.7%
Unit of bottled liquefied petroleum gas ("LPG") sold (ton)	**17,584**	29,384	(40.2%)
Unit of steam sold (ton)	**48,498**	42,521	14.1%
Number of vehicle refuelling stations	**203**	176	27
Number of natural gas processing stations	**103**	95	8
Total length of existing intermediate and main pipelines (km)	**17,264**	15,537	11.1%

Notes:

1. Including a total of 1,013,931 natural gas residential customers and 2,313 natural gas C/I customers (with a total designed daily capacity of 1,111,870m^3) from acquisition/conversion.

2. Including a total of 1,003,319 natural gas residential customers and 2,072 natural gas C/I customers (with a total designed daily capacity of 1,067,232m^3) from acquisition/conversion.

BUSINESS REVIEW

Pipeline Construction

During the Period, gas connection fee revenue reached RMB1,580,137,000, representing an increase of 39.1% over the corresponding period last year and accounting for 21.9% of the total revenue. The average connection fees for residential households and C/I customers were RMB2,738 and RMB152 (per m^3) respectively. As compared to the figures in 2010, the average connection fees for residential households during the Period remained at a similar level, 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 22.7% and 50.6% respectively as compared to the corresponding period last year. The robust growth in C/I customers not only evidenced the Group's excellent execution ability but also showed the competitive advantages of natural gas over other kinds of energy. Currently, the potential for making new gas connections for both residential households and C/I customers in the areas already covered by the Group is still enormous.

Gas Sales

During the Period, piped gas sales revenue reached RMB3,863,147,000, representing an increase of 45.7% over the corresponding period last year and accounting for 53.6% of the total revenue.

Revenue from vehicle gas refuelling stations ("refuelling stations") amounted to RMB741,362,000 during the Period, showing a growth of 33.5% as compared to the corresponding period last year and accounting for 10.3% of the total revenue. On the other hand, as compared to the same period last year, the number of refuelling stations has further increased from 176 to 203, being located in 50 cities of the state, among which 57 were situated in 14 cities outside piped gas projects of the Group. 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.

Since 2010, the Group has started the wholesale business of natural gas, and this enabled the Group to utilise existing gas equipments more effectively to increase our gas sales revenue and enhance our overall returns on investments. During the Period, the revenue from wholesale of gas reached RMB584,916,000, representing an increase of 50.2% as compared to the corresponding period last year and accounting for 8.1% of the total revenue.

Sales of piped gas and sales of gas from refuelling stations and wholesale of gas continue to accelerate, contributing to 72.1% of the total revenue in aggregate. As compared with the percentage of 71.3% during the corresponding period last year, the gas sales revenue has achieved a further growth and is still the major source of revenue of the Group. 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. It is expected that the percentage of gas sales revenue over total revenue will continue to increase in the future.

During the Period, sales revenue from bottled LPG reached RMB102,289,000, representing a decrease of 30.2% as compared to the corresponding period last year, leading to a shrink in its share over the total revenue from 2.9% in the corresponding period last year to 1.4%. Given the drop in the sales of bottled LPG, the Group allocated more resources to gas connections and sales of natural gas which can both generate much higher margins.

Gross and Net Profit Margins

During the Period, the overall gross profit margin and net profit margin (before non-controlling interests) of the Group were 26.3% and 11.7% respectively, representing a decrease of 1.9% and 2.1% respectively as compared to the corresponding period last year.

The decrease in gross profit margin was mainly resulted from the continuous improvement in the Group's revenue structure. In total revenue, the share of one-off connection fee that has higher gross profit margin was dropping consistently, while that of gas sales which is on a long-term and continuous basis has achieved persistent increase. On the other hand, on 1 June 2010, there was a uniform purchase price increase of over 10% for onshore natural gas in China. Despite the fact that the Group is able to increase the sales profit per unit of gas, the gross profit margin of gas sales has dropped due to the above reason and resulted in a decrease in the Group's overall gross profit margin given that gas sales is the major source of revenue for the Group.

As for the decrease in net profit margin, other than the impact caused by gross profit margin mentioned above, the one-off expense of RMB95,029,000 arising from the early redemption of the US$200 million 7-year high-yield bond issued in 2005 during the Period is also a reason. Meanwhile, the Group issued a US$750 million 10-year bond during the Period, which increases the total debt and in turn the total finance cost of the Group. In addition, non-cash expense of RMB23,080,000 arising from the grant of share options to the management by the Group in June 2010 were accounted for during the Period, whilst such expense amounted to RMB8,282,000 only in the corresponding period last year. All these factors are the major reasons for the decrease in the Group's net profit margin.

New Projects

During the Period, the Group secured the following 10 new piped gas projects:

Country/Province	City	Connectable urban population
Hunan	Yongzhou	600,000
Hunan	Wangcheng County	150,000
Hunan	Ningxiang County Development Zone, Jinzhou Hi-tech zone	300,000
Jiangsu	Hongze County	400,000
Fujian	Anxi County	120,000
Hebei	Rongcheng County	70,000
Yunnan	Kunming City Hi-tech Zone	40,000
Liaoning	Dayou Linhai Economic Zone, Linghai City	20,000
Jiangsu	Yancheng Environmental Protection Industrial Park	–
Guangxi	Guiping Industrial Park, Guigang City	–

The commercial and industrial development in these project cities are relatively robust. In Hunan Province, the largest industries in Yongzhou City include chemical, paper-making and production of flue-cured tobacco; in Wangcheng County, ceramics and food processing industries are more well-developed while in Ningxiang County, food, textile and new material processing industries are relatively well-established. After acquiring the above three projects, the number of projects of the Group in Hunan Province increased to nine and the operating cost of the three new projects could be lowered through the location and scale of the existing six projects. The Hongze County in Jiangsu Province, being the ninth project of the Group in that province, is more developed in its chemical sector. The Anxi County in Fujian province is most famous for its tea industry, in particular the production of Tie Guanyin, a renowned brand of Chinese tea. The Rongcheng County in Hebei Province has a robust textile industry, while the largest industries in Kunming City Hi-tech Zone of Yunnan Province include pharmacy, food and electrical equipments. The Dayou Linhai Economic Zone in Linghai City is more developed in its metallurgical and aerospace material processing industries. As to the Yancheng Environmental Protection Industrial Park in Jiangsu Province and the Guiping Industrial Park in Guigang City of Guangxi Province, eco-industrial material processing, vehicle fitting processing and ceramics production are their key sectors. All of the above industries are favourable to the sales of natural gas and it is expected that these new projects will contribute 700 million cubic meters of natural gas sales per year to the Group. As of 30 June 2011, the Group has 100 piped gas projects in China with a total connectable urban population of 49,135,000. When the only one overseas gas project is included, the total connectable urban population increased to 58,055,000.

Given the Group's strategy of acquiring projects with low gas penetration rates, as of 30 June 2011, the overall gas penetration rate of the Group's China projects is 37.4%. From the Group's past experience, the gas penetration rates can reach as high as 80% to 90%. 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 2011, the total number of staff employed by the Group was 20,192, of which 9 were based in Hong Kong. The number of staff was increased 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 2011, the Group's cash and cash equivalents (including fixed bank deposits) was equivalent to RMB5,657,083,000 (31 December 2010: RMB2,851,300,000), and its total debts amounted equivalent to RMB9,838,561,000 (31 December 2010: RMB6,262,913,000). Its net gearing ratio, i.e. the ratio of net debt to equity (including non-controlling interests), was 52.5% (31 December 2010: 45.2%).

Seven-year 7.375% Fixed Rate Bonds

On 28 June 2011, the Company has completed the redemption of the 7-year bonds in aggregate principal amount of US$200,000,000 (equivalent to RMB1,614,040,000) in full.

Ten-year 6% Fixed Rate Bonds

On 13 May 2011, the Company issued 10-year bonds in the aggregate principal amount of US$750,000,000 (equivalent to RMB4,863,375,000) with issue price of 99.274% and redemption price of 100%. The coupon of the bonds is 6.0%, and interests are paid semi-annually. The terms of the bonds require Mr. Wang Yusuo, the Chairman of the Company, to retain not less than 25% of the issued share capital of the Company throughout the term of the bonds.

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.

Borrowings Structure

As at 30 June 2011, the Group's total debts amounted equivalent to RMB9,838,561,000 (31 December 2010: RMB6,262,913,000), including loans and bonds of US$900,000,000 (equivalent to RMB5,824,440,000) and mortgage loans of HK$12,357,000 (equivalent to RMB10,276,000). Apart from the US$750,000,000 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 interests at 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 RMB1,144,731,000 that are secured by assets with the carrying amount equivalent to RMB53,337,000, all of the other loans are unsecured. Short-term loans were equivalent to RMB2,085,521,000 while the remaining were long-term loans falling due after one year or above.

As all of the operations of the Group are in China, except for the loans and bonds of US$900,000,000 and HK$12,357,000 which are denominated in US dollars and Hong Kong dollars respectively, revenues and expenses were mainly denominated in Renminbi. Hence, there were no significant foreign exchange exposures or risks in operation. The Group currently does not have foreign currency hedging policy but the Directors will monitor the market trends of exchange rates and interest rates closely and adopt appropriate measures when necessary.

Financial Guarantee Liability

As at 30 June 2011, the Group had issued guarantees to banks to secure loan facilities granted to associates and jointly controlled entities to the extent of RMB45,000,000 (31 December 2010: RMB45,000,000) and RMB50,000,000 (31 December 2010: Nil) respectively. The amounts have been utilised at the balance sheet date.

Capital Commitments

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	**94,915**	85,563
Capital commitment in respect of investments in associates or joint controlled entities	**96,546**	68,564

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 and liquefied 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. The Group obtained its first international natural gas project Vietnam last year. The Vietnam project has started to develop customers in Ho Chi Minh and Hanoi now and it is expected that the construction of pipeline networks will be commenced phase by phase in the coming two years and will then contribute to a even better earnings of the Group in the long run. Feasibility study on other potential gas projects in Asia will be carried on by the Group at the same time.

The year of 2011 marks the beginning of the 12th Five-year Plan, under which the Chinese government highlighted seven focuses of energy development: (1) to optimise the development of fossil fuels, reasonably control coal production capacity and enhance the supply of natural gas; (2) to accelerate the development of non-fossil fuels and ensure that the consumption of non-fossil fuels will account for 11% or above of the primary energy consumption by 2015; (3) to enhance the development of energy pipeline network; (4) to accelerate energy technology and facilities innovation; (5) to enhance energy saving and emission reduction; (6) to strengthen international energy cooperation; and (7) to promote the energy system reform. At the Copenhagen Climate Change Conference, the international community reached the consensus of developing a low-carbon economy. Natural gas, a clean and efficient fossil fuel, is the bridge in the transition to new energy as well as one of the pillars of low-carbon economy. It is estimated that the carbon dioxide emission of natural gas is 41% and 28% lower than that of coal and oil respectively. In the post global financial crisis era, extensive development and use of natural gas will be a realistic option for countries in response to global warming and an important strategy for maintaining the energy safety of a nation and enhancing its international competitiveness.

In 2009, the Chinese government pledged to reduce the emission of carbon dioxide per unit of gross domestic product by 40%-45% by 2020 as compared to 2005. In order to ensure the fulfillment of this goal, during the period of 12th Five-year Plan, China will put extra efforts in developing natural gas and increasing the share of electric power generated by natural gas. In particular, the development of coal-based power in Eastern China will be strictly controlled and gas power plants will be one of the focuses of the construction of power plants. To cope with the growing demand for natural gas, the Chinese government invested heavily in natural gas infrastructure. At the moment, the national natural gas pipeline network in China, which is fundamentally formed by the West-East Pipeline I and II, Shaanxi-Beijing Pipeline I, II and III, Zhong-Wu Pipeline, Sebei-Xining-Lanzhou Pipeline, Sichuan-East Pipeline, as well as two branch pipelines named Hebei-Nanjing Pipeline and Huai-Wu Pipeline, has been basically completed. According to the plan of the Chinese government, 17 natural gas pipeline projects including the West-East Pipeline III and IV and China-Myanmar Oil and Gas Pipeline will be completed and launched in the coming years. At the same time, more and more import LNG terminals will be built along the coast. The real "network era" for the natural gas industry will begin by then. The gradual completion of the infrastructures for such natural gas network will benefit the Group's downstream projects directly and provide sufficient protection to the gas supply of the Group. On the other hand, it is also explicitly included in the 12th Five-year Plan that the annual consumption of natural gas will be boosted from the current 104.8 billion cubic meters to 260 billion cubic meters in 2015, representing an increase of 1.5 times in natural gas consumption in the coming four to five years and eventually enhancing the share of natural gas in primary energy from the current 3.9% to 8.3%.

Given that our downstream projects could be benefited directly by the support from the policies of the central government, the Group has started to expand its investments since last year. The capital expenditure per year has increased from RMB1.5 billion to over RMB2 billion, showing that the Group has high confidence on the industry and its own projects. As a result, it is expected that the sales volume of natural gas of the Group will achieve further growth in the future.

As the Chinese government takes more stringent stance on the implementation of energy saving and emission reduction policies, excellent development opportunities have arisen for the Group's energy management business. The construction of the energy polygeneration project in Changsha Huanghua Airport the Group participated in and started last year has been completed on 9 June 2011 and equipment test was also finished. A comprehensive final test is expected to finish on 19 July 2011 and trial operation will begin by then. On the other hand, during the first half of 2011, the Group has contracted 123 industrial energy-saving improvement projects, of which 63 have received gas connection and the total daily gas consumption was 640,000 cubic meters.

In addition, in order to maintain a persistent and rapid business growth and further expand the gas source distribution scale, the Group takes a proactive stance in exploring new sources of business growth. Since natural gas has explicit advantages over diesel in terms of economic benefits and environmental friendliness, the Group has endeavored to launch the vehicle/ship-use LNG business during the year. This business mainly targets at city buses, heavy trucks and ships traveling on lakes and nearby seas and helps them to save energy, reduce emission and save costs by using natural gas, which is both lower priced and more environmental friendly, as their fuels. The profitability of the Group can also be enhanced at the same time. During the first half of 2011, 10 LNG refuelling stations located in Guangdong, Zhejiang, Shandong, Hebei provinces and Inner Mongolia Autonomous Region have been launched and put into trial operation. The Group believes that the LNG refuelling station business possesses enormous development potentials and will be able to make significant contributions to the growth of the Group's gas sales.

Currently, as compared to most countries and regions in other parts of the world, China still maintains healthy and stable growth in respect of its economic development. The boost in new gas connections and sales volume to C/I customers shows that there is still a good momentum for growth in China. Also, contributed by 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.

Under the macro environment and the background of energy saving and emission reduction, 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 favour of 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 and LNG terminal. 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 have been maximised at the same time.

To cope with our future business expansion plan, the Group successfully issued US$750 million ten-year bonds that carry a fixed interest of 6% during the Period. Through our great deal of efforts over the years, we have obtained investment grade ratings in both listed company and bond categories from three major globally recognised investment rating agencies, namely Standard and Poor's, Moody's Investors and Fitch Ratings at the same time, and thus become one of the very few on the market among privately-owned companies in China that receive investment grade ratings. Year 2011 marks the 10th anniversary of our listing on the Hong Kong Stock Exchange. With proven growth and performance achieved since listing, the Group would like to take this opportunity to express our heartfelt gratitude to our staff and management for their significant contribution over the years and to our shareholders and the investment community for their long-term support.

Deloitte.
德勤

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

Introduction

We have reviewed the interim financial information set out on pages 10 to 39, which comprises the condensed consolidated statement of financial position of ENN Energy Holdings Limited (the "Company") and its subsidiaries as of 30 June 2011 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 34 "Interim Financial Reporting" ("HKAS 34") 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 inquiries, 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
26 August 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	NOTES	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited) (restated)
Revenue	4	**7,202,237**	5,043,719
Cost of sales		**(5,310,988)**	(3,622,591)
Gross profit		**1,891,249**	1,421,128
Other income	5	**84,047**	61,020
Other gains and losses	6	**(20,202)**	(5,222)
Distribution and selling expenses		**(126,301)**	(90,677)
Administrative expenses		**(607,219)**	(482,214)
Share of results of associates		**12,560**	6,713
Share of results of jointly controlled entities		**171,659**	138,720
Finance costs	7	**(238,151)**	(150,627)
Profit before tax	8	**1,167,642**	898,841
Income tax expense	9	**(326,820)**	(203,744)
Profit and total comprehensive income for the period		**840,822**	695,097
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**628,835**	533,761
Non-controlling interests		**211,987**	161,336
		840,822	695,097
Earnings per share	11		
Basic		**59.88 cents**	50.83 cents
Diluted		**59.30 cents**	50.82 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	NOTES	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	**11,556,774**	10,800,123
Prepaid lease payments	12	**675,838**	658,096
Investment properties	12	**53,845**	53,845
Goodwill		**195,343**	191,841
Intangible assets		**713,311**	702,352
Interests in associates		**561,013**	487,683
Interests in jointly controlled entities	13	**1,622,754**	1,361,265
Available-for-sale financial assets		**14,433**	14,433
Loan receivable		**3,000**	6,000
Other receivables	16	**71,957**	72,439
Amounts due from associates		**21,215**	20,700
Amounts due from related companies		**13,930**	20,489
Deferred tax assets	9	**157,771**	130,954
Deposits paid for investments		**40,800**	30,000
Deposits paid for acquisition of property, plant and equipment, land use rights and operation rights		**4,867**	5,376
Restricted bank deposits	17	**5,315**	5,305
		15,712,166	14,560,901
Current assets			
Inventories		**281,499**	249,019
Trade and other receivables	16	**1,884,086**	1,356,055
Prepaid lease payments	12	**13,263**	12,576
Amounts due from customers for contract work		**294,507**	306,913
Amounts due from associates	14	**12,852**	11,501
Amounts due from jointly controlled entities	15	**439,434**	213,585
Amounts due from related companies		**19,847**	12,808
Restricted bank deposits	17	**42,701**	64,891
Cash and cash equivalents		**5,657,083**	2,851,300
		8,645,272	5,078,648

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	NOTES	At 30 June 2011 RMB'000 (unaudited)	At 31 December 2010 RMB'000 (audited)
Current liabilities			
Trade and other payables	18	**4,021,507**	3,572,688
Amounts due to customers for contract work		**713,849**	664,839
Amounts due to associates	14	**90,803**	69,297
Amounts due to jointly controlled entities	15	**574,279**	554,223
Amounts due to related companies		**36,069**	41,137
Taxation payables		**238,239**	172,288
Bank and other loans – due within one year	19	**1,261,941**	1,568,742
Short-term debentures	20	**823,580**	810,607
Financial guarantee liability		**4,757**	5,544
Deferred income	21	**35,762**	29,109
		7,800,786	7,488,474
Net current assets (liabilities)		**844,486**	(2,409,826)
Total assets less current liabilities		**16,556,652**	12,151,075
Capital and reserves			
Share capital		**109,879**	109,879
Reserves		**6,276,467**	5,921,570
Equity attributable to owners of the Company		**6,386,346**	6,031,449
Non-controlling interests		**1,574,182**	1,508,402
Total equity		**7,960,528**	7,539,851
Non-current liabilities			
Bank and other loans – due after one year	19	**2,469,022**	2,567,632
Corporate bond	22	**495,881**	–
Guaranteed notes	23	**–**	1,315,932
Senior notes	24	**4,788,137**	–
Deferred tax liabilities	9	**240,427**	225,034
Deferred income	21	**602,657**	502,626
		8,596,124	4,611,224
		16,556,652	12,151,075

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

Six months ended 30 June 2011 (unaudited)

	Equity attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note c)	Share option reserve RMB'000	Statutory surplus reserve fund RMB'000 (note a)	Designated safety fund reserve RMB'000 (note b)	Accumulated profits RMB'000	Total RMB'000	Equity attributable to non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	109,879	2,184,461	(17,838)	101,313	368,243	25,966	3,259,425	6,031,449	1,508,402	7,539,851
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	628,835	628,835	211,987	840,822
Recognition of equity settled share-based payment	–	–	–	23,080	–	–	–	23,080	–	23,080
Acquisition of subsidiaries (Note 26)	–	–	–	–	–	–	–	–	1,046	1,046
Capital contribution from non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	3,400	3,400
Dividend recognised as distribution (Note 10)	–	–	–	–	–	–	(297,018)	(297,018)	–	(297,018)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(150,653)	(150,653)
Transfer to statutory surplus reserve fund	–	–	–	–	11,268	–	(11,268)	–	–	–
Transfer to designated safety fund reserve	–	–	–	–	–	6,626	(6,626)	–	–	–
At 30 June 2011	109,879	2,184,461	(17,838)	124,393	379,511	32,592	3,573,348	6,386,346	1,574,182	7,960,528

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

Six months ended 30 June 2010 (unaudited)

	Equity attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note c)	Share option reserve RMB'000	Statutory surplus reserve fund RMB'000 (note a)	Property revaluation reserve RMB'000	Designated safety fund reserve RMB'000 (note b)	Accumulated profits RMB'000	Total RMB'000	Equity attributable to non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	109,879	2,184,461	(18,374)	–	307,440	55,302	14,176	2,508,941	5,161,825	1,316,432	6,478,257
Effect of changes in accounting policy (Note 2)	–	–	–	–	–	(55,302)	–	10,148	(45,154)	(6,561)	(51,715)
At 1 January 2010 as restated	109,879	2,184,461	(18,374)	–	307,440	–	14,176	2,519,089	5,116,671	1,309,871	6,426,542
Profit for the period and total comprehensive income for the period (restated)	–	–	–	–	–	–	–	533,761	533,761	161,336	695,097
Recognition of equity settled share-based payment	–	–	–	8,282	–	–	–	–	8,282	–	8,282
Acquisition of additional interests in subsidiaries	–	–	2,085	–	–	–	–	–	2,085	(6,701)	(4,616)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	27,359	27,359
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	2,955	2,955
Dividend recognised as distribution (Note 10)	–	–	–	–	–	–	–	(200,158)	(200,158)	–	(200,158)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(101,420)	(101,420)
Transfer to statutory surplus reserve fund	–	–	–	–	28,176	–	–	(28,176)	–	–	–
Transfer to designated safety fund reserve	–	–	–	–	–	–	3,479	(3,479)	–	–	–
At 30 June 2010	109,879	2,184,461	(16,289)	8,282	335,616	–	17,655	2,821,037	5,460,641	1,393,400	6,854,041

Notes:

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

b. 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.

c. The amount at 30 June 2011 represented the difference between the paid-up capital of the subsidiaries acquired and the nominal value of the Company's shares 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 RMB19,005,000.

   The amount at 30 June 2010 represented the difference between the paid-up capital of the subsidiaries acquired and the nominal value of the Company's shares of RMB1,167,000 mentioned above 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 RMB17,456,000.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	NOTES	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Net cash from operating activities		**1,050,874**	957,175
Investing activities			
Deferred income received		**122,310**	130,866
Purchase of property, plant and equipment		**(981,901)**	(804,306)
Increase in prepaid lease payments		**(23,681)**	(32,382)
Deposits paid for investments		**(10,800)**	(113,075)
Refund of deposits paid for investments		**–**	3,200
Net cash outflow on acquisition of subsidiaries	26	**(31,385)**	(239,527)
Investments in jointly controlled entities		**(168,497)**	(33,000)
Investments in associates		**(64,300)**	(15,000)
Decrease in restricted bank deposits		**22,180**	38,989
Advance to trust fund		**–**	(300,000)
Return of loan receivable		**–**	3,000
Other investing activities		**29,597**	15,147
Net cash used in investing activities		**(1,106,477)**	(1,346,088)
Financing activities			
Interest paid on bank and other loans and short term debentures		**(117,665)**	(121,499)
Interest paid on guaranteed notes		**(87,549)**	(49,886)
Repayment of guaranteed notes, including premium		**(1,389,349)**	–
Dividends paid to non-controlling shareholders		**(150,653)**	(101,420)
Dividends paid to owners of the Company		**(297,018)**	–
New bank loans raised		**2,210,000**	1,470,896
Repayment of bank loans		**(2,615,411)**	(1,041,076)
Proceeds from issue of senior notes	24	**4,863,375**	–
Expenses from issue of senior notes	24	**(66,114)**	–
Proceeds from issue of corporate bond	22	**500,000**	–
Expenses from issue of corporate bond	22	**(4,535)**	–
Amount advanced from jointly controlled entities		**18,288**	32,405
Amount repaid to jointly controlled entities		**(45,098)**	(5,488)
Other financing activities		**43,115**	(16,643)
Net cash from financing activities		**2,861,386**	167,289
Increase (decrease) in cash and cash equivalents		**2,805,783**	(221,624)
Cash and cash equivalents at the beginning of the period		**2,851,300**	2,712,661
Cash and cash equivalents at the end of the period		**5,657,083**	2,491,037

1. Basis of Preparation

The condensed consolidated 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 in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Change in Accounting Policy

During the year ended 31 December 2010, the Group changed its accounting policy to state the land and buildings held for use in production or supply of goods or services at cost, less any accumulated depreciation and accumulated impairment losses. This change in accounting policy has been accounted for in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The change in accounting policy has been accounted for retrospectively. The change in accounting policy has also resulted in the adjustments to the equity items as at 1 January 2010, details of which are set out in the Group's annual financial statements for the year ended 31 December 2010.

As a result, the comparative financial information for the six months ended 30 June 2010 was restated accordingly and summarised below:

	Six months ended 30 June 2010 (originally stated) RMB'000	Adjustments arising from change in accounting policy RMB'000	Six months ended 30 June 2010 (as restated) RMB'000
Cost of sales/net impact on profit attributable to the owners of the Company	3,623,029	(438)	3,622,591

The change in accounting policy has resulted in an increase in the profit of the Group for the six months ended 30 June 2011 by RMB438,000 and the increase in the basic and diluted earnings per share of the Group by RMB0.04 cents and RMB0.04 cents, respectively.

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except as described below.

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.

The application of these new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in and/or disclosures set out in the condensed consolidated financial statements.

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2011

[2] Effective for annual periods beginning on or after 1 January 2013

[3] Effective for annual periods beginning on or after 1 January 2012

[4] Effective for annual periods beginning on or after 1 July 2012

The directors of the Company (the "Directors") are in the process of assessing the financial impact of these new or revised standards and amendments on the Group.

4. Segment Information

Information reported to the chief operating decision maker, the Company's Chief Executive Officer (the "CEO") for the purposes of resource allocation and performance assessment among segments focuses specifically on different type of goods and services.

During the six months ended 30 June 2011, the Group identified two new reportable operating segments, namely sales of material and wholesale of gas, which are separated from the gas connection and sales of piped gas segments, respectively, reported in the prior period. Accordingly, the segment information reported for the prior period has been restated to reflect the newly reportable segment as a separate segment as well as the effect of change in accounting policy set out in Note 2.

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

Six months ended 30 June 2011 (unaudited)

	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	Sales of material RMB'000	Wholesale of gas RMB'000	Consolidation RMB'000
Revenue from external customers	1,580,137	3,863,147	102,289	42,527	741,362	287,859	584,916	7,202,237
Segment profit before depreciation and amortisation	995,486	806,857	4,206	15,930	162,768	25,514	65,855	2,076,616
Depreciation and amortisation	(27,538)	(136,715)	(2,429)	(1,099)	(12,157)	–	(5,429)	(185,367)
Segment profit	967,948	670,142	1,777	14,831	150,611	25,514	60,426	1,891,249
Other income								84,047
Other gains and losses								(20,202)
Distribution and selling expenses								(126,301)
Administrative expenses								(607,219)
Share of results of associates								12,560
Share of results of jointly controlled entities								171,659
Finance costs								(238,151)
Profit before tax								1,167,642
Income tax expense								(326,820)
Profit for the period								840,822

4. Segment Information *(continued)*

Six months ended 30 June 2010 (unaudited) (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	Sales of material RMB'000	Wholesale of gas RMB'000	Consolidation RMB'000
Revenue from external customers	1,135,882	2,651,542	146,515	28,231	555,467	136,739	389,343	5,043,719
Segment profit before depreciation and amortisation	692,246	683,711	7,221	13,544	121,203	20,654	45,789	1,584,368
Depreciation and amortisation	(24,846)	(120,475)	(2,075)	(902)	(9,993)	–	(4,949)	(163,240)
Segment profit	667,400	563,236	5,146	12,642	111,210	20,654	40,840	1,421,128
Other income								61,020
Other gains and losses								(5,222)
Distribution and selling expenses								(90,677)
Administrative expenses								(482,214)
Share of results of associates								6,713
Share of results of jointly controlled entities								138,720
Finance costs								(150,627)
Profit before tax								898,841
Income tax expense								(203,744)
Profit for the period								695,097

Segment profit represents the gross profit earned by each segment without allocation of other income, other gains and losses, distribution and selling expenses, administrative expenses, share of results of associates and jointly controlled entities, and finance costs. This is the measure reported to the CEO for the purposes of resource allocation and performance assessment.

4. Segment Information *(continued)*

The following is an analysis of the Group's assets by reportable and operating segments:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Gas connection	**2,484,454**	2,280,384
Sales of piped gas	**9,368,457**	8,851,397
Distributions of bottled LPG	**149,314**	101,922
Sales of gas appliances	**237,460**	144,473
Vehicle gas refuelling stations	**563,361**	485,072
Sales of material	**177,821**	84,053
Wholesale of gas	**233,923**	191,508
Segment assets	**13,214,790**	12,138,809
Unallocated corporate assets	**11,142,648**	7,500,740
Total assets	**24,357,438**	19,639,549

5. Other Income

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Other income includes:		
Incentive subsidies (Note)	**32,837**	19,774
Interest income	**13,509**	13,437
Rental income from investment properties, net	**1,360**	1,762
Repairs and maintenance income	**1,108**	1,927

Note: 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.

6. Other Gains and Losses

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Impairment loss (recognised) reversed on:		
– Trade receivables	**(8,214)**	(15,905)
– Other receivables	**26,585**	(1,009)
Gain (loss) on disposal of		
– Prepaid lease payments	**–**	3,658
– Property, plant and equipment	**(2,858)**	(14,660)
Gain of derecognition of a subsidiary to jointly controlled entity	**–**	9,633
Early redemption premium of guaranteed notes (Note 23)	**(95,029)**	–
Gain on foreign exchange, net	**59,314**	13,061
	(20,202)	(5,222)

7. Finance Costs

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Interest on:		
Bank and other loans wholly repayable within five years	**76,434**	72,162
Bank loans not wholly repayable within five years	**53,239**	37,267
Guaranteed notes	**54,868**	49,886
Short-term debentures	**12,972**	12,496
Senior notes	**37,370**	–
Corporate bond	**11,825**	–
	246,708	171,811
Less: Amount capitalised under construction in progress	**(8,557)**	(21,184)
	238,151	150,627

8. Profit Before Tax

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000 (restated)
Profit before tax has been arrived at after charging:		
Share-based payment expenses (included in administrative expenses)	**23,080**	8,282
Depreciation and amortisation:		
– property, plant and equipment	**231,214**	206,536
– intangible assets	**16,522**	15,162
Total depreciation and amortisation (Note)	**247,736**	221,698
Release of prepaid lease payments	**6,578**	7,249
Research and development expenses (included in administrative expenses)	**1,506**	1,294

Note: The amount of total depreciation and amortisation included in cost of sales and administrative expenses are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000 (restated)
Depreciation and amortisation included in:		
Cost of sales	**185,367**	163,240
Administrative expenses	**62,369**	58,458
	247,736	221,698

9. Income Tax Expense

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
PRC Enterprise Income Tax	**345,114**	264,119
Deferred taxation	**(18,294)**	(60,375)
	326,820	203,744

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 2011 (six months ended 30 June 2010: 25%).

9. Income Tax Expense *(continued)*

The Group's effective income tax rate for the six months ended 30 June 2011 is 28.0% (six months ended 30 June 2010: 22.7%) as a result of the transition from preferential tax rate to a new tax rate in certain subsidiaries of the Group. During the six months ended 30 June 2011, the rates applicable to these subsidiaries range from 24% to 25% (six months ended 30 June 2010: 22% to 25%) and the reduced tax rates range from 12% to 12.5% (six months ended 30 June 2010: 11% to 12.5%). In addition, during the six months ended 30 June 2011, the Group has not recognised the deferred tax assets in respect of the unused tax losses of RMB294,136,000 (six months ended 30 June 2010: RMB176,032,000) due to the uncertainty of future profit streams.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the period.

The deferred taxation balances are as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Deferred tax assets	**157,771**	130,954
Deferred tax liabilities	**(240,427)**	(225,034)
	(82,656)	(94,080)

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 from 1 January 2008 RMB'000 (Note)	Deferred income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011	4,990	142,150	43,985	36,893	(132,700)	(1,238)	94,080
Acquisition of a business	–	6,870	–	–	–	–	6,870
(Credit) charge to profit or loss	–	(3,392)	1,059	11,264	(26,769)	(456)	(18,294)
At 30 June 2011	4,990	145,628	45,044	48,157	(159,469)	(1,694)	82,656

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 total amount of undistributed retained profits of certain PRC entities from 1 January 2008 attributable to non-PRC shareholders as the Directors consider the amount will be probably reversed in the foreseeable future upon distribution of profit by the respective group entities.

10. Dividend

The final dividend in respect of fiscal year 2010 of HK$28.35 cents (equivalent to approximately RMB24.12 cents) per share (six months ended 30 June 2010: final dividend in respect of 2009 of HK$21.65 cents (equivalent to approximately RMB19.06 cents) per share) amounting to approximately RMB247,588,000 (six months ended 30 June 2010: RMB200,158,000) were declared on 25 March 2011 and were paid on 22 June 2011.

The special dividend in respect of fiscal year 2010 of HK$5.66 cents (equivalent to approximately RMB4.82 cents) per share (six months ended 30 June 2010: nil) amounting to approximately RMB49,430,000 (six months ended 30 June 2010: nil) were declared on 25 March 2011 and were paid on 22 June 2011.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

11. 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	
	2011	2010
	RMB'000	RMB'000
		(restated)
Earnings		
Earnings for the purposes of basic earnings per share and diluted earnings per share	**628,835**	533,761

	Six months ended 30 June	
	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,050,149,397**	1,050,149,397
Effect of dilutive potential ordinary shares arising from share options	**10,232,587**	99,022
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,060,381,984**	1,050,248,419

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

During the six months ended 30 June 2011, the Group acquired property, plant and equipment and prepaid lease payments amounting to approximately RMB981,901,000 and RMB23,681,000 (six months ended 30 June 2010: RMB804,306,000 and RMB32,382,000) respectively.

In addition, through acquisition of a business, the Group's property, plant and equipment and prepaid lease payments increased by approximately RMB23,061,000 and RMB1,627,000 respectively (six months ended 30 June 2010: RMB99,643,000 and RMB119,271,000 respectively) during the period.

No revaluation on investment properties was carried out during the period. The valuation at 31 December 2010 was carried out by Knight Frank Petty Limited, on an open market value basis. The Directors consider that the carrying amounts of the investment properties at 30 June 2011 were not significantly different from their fair values on 31 December 2010.

13. Interests in Jointly Controlled Entities

During the six months ended 30 June 2011, the Group made additional capital contribution by the proportion of ownership interest held in a jointly controlled entity, 南昌中石油昆侖新奧天然氣利用有限公司 amounting to RMB14,500,000, and made capital contribution to three newly set up jointly controlled entities, namely 杭州蕭山環能實業有限公司, 唐山新奧永順清潔能源有限公司, 河南京寶新奧新能源有限公司 amounting to RMB114,000,000. In addition, the Group acquired 40% of equity interest in 河北中石油昆侖天然氣利用有限公司 ("Hebei Kunlun") at a total consideration of RMB88,000,000, which included a net cash payments of RMB68,000,000 and the entire interest in a subsidiary with the fair value of RMB20,000,000 (Note 27).

The Group hold 40% of equity interest in Hebei Kunlun and controls 40% of the voting power in the general meeting. Under the joint venture agreement, all financial and operational decisions must be approved by more than two-third of the directors of Hebei Kunlun, therefore Hebei Kunlun is classified as a jointly controlled entity.

14. Amounts Due from/to Associates

Included in the amounts due from/to associates are trade receivables amounting to RMB9,700,000 (31 December 2010: RMB8,438,000) and trade payables amounting to RMB2,516,000 (31 December 2010: RMB1,699,000) and the aged analysis is as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivables due from associates		
0-3 months	**1,714**	3,716
4-6 months	**1,666**	735
7-9 months	**1,604**	671
10-12 months	**694**	49
More than 1 year	**4,022**	3,267
	9,700	8,438

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade payables due to associates		
0-3 months	**1,332**	1,513
4-6 months	**79**	30
7-9 months	**970**	24
10-12 months	**–**	33
More than 1 year	**135**	99
	2,516	1,699

Owing the strategic relationship with the associates, there is no formal credit policy applied to trade receivable balances by the Group, and in the opinion of the Directors, the trade receivable balances are not overdue.

15. Amounts Due from/to Jointly Controlled Entities

Included in the amounts due from/to jointly controlled entities are trade receivables amounting to RMB165,536,000 (31 December 2010: RMB94,578,000) and trade payables amounting to RMB160,410,000 (31 December 2010: RMB140,817,000) and the aged analysis is as follow:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivables due from jointly controlled entities		
0-3 months	**85,251**	57,971
4-6 months	**23,149**	12,824
7-9 months	**15,787**	10,069
10-12 months	**4,081**	1,990
More than 1 year	**37,268**	11,724
	165,536	94,578

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade payables due to jointly controlled entities		
0-3 months	**31,446**	121,851
4-6 months	**40,589**	12,602
7-9 months	**85,594**	2,940
10-12 months	**27**	460
More than 1 year	**2,754**	2,964
	160,410	140,817

Owing the strategic relationship with the jointly controlled entities, there is no formal credit policy applied to trade receivable balances by the Group, and in the opinion of the Directors, the trade receivable balances are not overdue.

16. Trade and Other Receivables

The following is an aged analysis, net of impairment, presented based on invoice date at the end of the reporting period:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
0-3 months	**500,245**	378,052
4-6 months	**47,541**	50,346
7-9 months	**24,417**	16,018
10-12 months	**1,913**	13,206
More than 1 year	**2,408**	6,831
Total trade receivables (Note)	**576,524**	464,453
Other receivables	**301,762**	259,443
Notes receivable	**257,964**	78,992
Advance to suppliers, deposits and prepayments	**819,793**	625,606
	1,956,043	1,428,494
Analysed for reporting purpose as:		
Current portion	**1,884,086**	1,356,055
Non-current portion	**71,957**	72,439
	1,956,043	1,428,494

Note:

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.

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Balance at beginning of the period/year	**105,466**	125,093
Impairment losses recognised	**15,583**	39,268
Amounts recovered	**(33,954)**	(56,061)
Amounts written off as uncollectible	**(2,619)**	(2,834)
Balance at end of the period/year	**84,476**	105,466

17. Restricted Bank Deposits

Restricted bank deposits classified as current assets represent the bank deposits pledged to banks to secure certain bills facilities granted to the Group by certain banks and purchase contracts with suppliers, and deposits pledged to local government to secure the rights of operation.

Restricted bank deposits classified as non-current assets represent the bank deposits pledged to local government to secure the rights of operations.

The restricted bank deposits carry fixed interest rate range from 0.36% to 0.50% per annum. The restricted bank deposits will be released upon the settlement of relevant bill facilities and the expiry of purchase contracts or operation rights.

18. Trade and Other Payables

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
0-3 months	**997,430**	844,645
4-6 months	**241,909**	174,909
7-9 months	**110,628**	74,996
10-12 months	**22,570**	26,436
More than 1 year	**110,833**	142,321
Total trade payables	**1,483,370**	1,263,307
Advances received from customers	**1,951,693**	1,783,137
Accrued charges and other payables	**586,444**	526,244
	4,021,507	3,572,688

19. Bank and Other Loans

During the period, the Group obtained new bank loans in the amount of RMB2,210,000,000 (six months ended 30 June 2010: RMB1,470,896,000) and made repayments in the amount of RMB2,615,411,000 (six months ended 30 June 2010: RMB1,041,076,000). The loans bear interest at the range from 2.83% to 6.80% per annum (31 December 2010: 2.83% to 5.85% per annum). These proceeds were used to finance the capital expenditure and general working capital of the Group.

At 30 June 2011, certain assets of the Group with aggregate carrying value of RMB53,337,000 (31 December 2010: RMB63,409,000) were pledged as security for bank and other loans, bills facilities and contracts granted to the Group, associates and jointly controlled entities.

20. Short-term Debentures

The balance at 30 June 2011 represents the short-term debenture issued to third party with face value of RMB800,000,000 and the accrued interests of RMB23,580,000. The amount was unsecured and carries interest at 3.27% per annum and was repaid on 5 August 2011.

21. Deferred Income

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Balance at beginning of the period/year	**531,735**	296,415
Additions	**122,310**	259,070
Release to profit or loss	**(15,626)**	(23,750)
Balance at end of the period/year	**638,419**	531,735
Analysed for the reporting purpose as:		
Current portion	**35,762**	29,109
Non-current portion	**602,657**	502,626
Total	**638,419**	531,735

Note:

Deferred income represented the subsidies received from the industrial customers to subsidise the construction cost of the main gas pipelines to the gas provision site and the gas storage, and the connection fee received by the Group's subsidiaries from its customers for the construction cost of the Group's main gas pipelines.

22. Corporate Bond

On 16 February 2011, pursuant to the approval [2011] No. 29 issued by National Development and Reform Commission ("NDRC"), NDRC approved a wholly-owned subsidiary of the Company, 新奧（中國）燃氣投資有限公司 (Xinao (China) Gas Investment Company Limited) to issue a corporate bond of RMB500,000,000. The amount is unsecured and carries interest of 6.45% per annum and is repayable on 16 February 2018. The net proceeds, after deducting the issuance costs, amounted to RMB495,465,000.

According to the terms and conditions of the corporate bond, the Group may at its option to increase the coupon rate by 0% to 1% at the end of year five, that is 16 February 2016 by giving the notice to bondholder 10 days before 16 February 2016. At the same time, the bondholder may at its option require the Company to redeem the bond at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining bond will be subject to the increased interest rate until the maturity date. The put option is considered closely related to the host contract and is therefore not separately accounted for. The effective interest rate of the corporate bond is approximately 6.616% per annum after adjusted for transaction costs.

The corporate bond recognised in the condensed consolidated statement of financial position is calculated as follows:

	At 30 June 2011 RMB'000
Nominal value of corporate bond	500,000
Issue costs	(4,535)
Fair value at date of issuance	495,465
Amortisation of issue costs	416
Carrying amount at 30 June 2011	495,881

23. Guaranteeed Notes

The balance at 31 December 2010 represented the guaranteed notes in the aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,614,040,000) (the "2012 Guaranteed Notes") which are unsecured, unconditionally and irrecoverably guaranteed by certain subsidiaries of the Company. The guaranteed notes are denominated in US dollars at fixed interest rate of 7.375% per annum and are due in August 2012.

On 28 June 2011 (the "Redemption Date"), the Company redeemed the entire outstanding 2012 Guaranteed Notes in full at a redemption price equal to 100% of the principal amount outstanding thereof which was US$200,000,000 (equivalent to approximately RMB1,294,320,000), plus the applicable premium of US$14,684,000 (equivalent to approximately RMB95,029,000) and accrued and unpaid interest of US$5,895,000 (equivalent to approximately RMB38,178,000) as of the Redemption Date. The premium of approximately RMB95,029,000 was recognised as "other gains and losses" in the condensed consolidated statement of comprehensive income (Note 6).

24. Senior Notes

On 13 May 2011, the Company issued 6% senior notes with an aggregated nominal value of US$750,000,000 (equivalent to approximately RMB4,863,375,000) (the "2021 Senior Notes") at face value. The net proceeds, after deducting the issuance costs, amounted to US$739,804,000 (equivalent to RMB4,797,261,000). The 2021 Senior Notes matures on 13 May 2021. The 2021 Senior Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2021 Senior Notes, at any time or from time to time prior to the maturity date, the Company may at its option to redeem the notes at a redemption price equal to 100% of the principal amount thereof plus applicable premium and accrued and unpaid interest to such redemption date. The applicable premiums is the greater of (1) 1.0% of the principal amount and (2) the excess of (A) the present value at such redemption date of 100% of the principal amount, plus all required remaining scheduled interest payments due on the 2021 Senior Notes through the maturity date (but excluding accrued and unpaid interest to redemption date), computed using a discount rate equal to the Treasury Rate plus 25 basis points, over (B) the principal amount on redemption date.

As the estimated fair value the early redemption right is insignificant at initial recognition and at 30 June 2011, the embedded derivative is not separately accounted for. The effective interest rate is approximately 6.1843% per annum after adjusted for transaction costs.

The 2021 Senior Notes recognised in the condensed consolidated statement of financial position are calculated as follows:

	At 30 June 2011 RMB'000
Nominal value of 2021 Senior Notes	4,863,375
Issue costs	(66,114)
Fair value at date of issuance	4,797,261
Amortisation of issue costs	551
Exchange gain	(9,675)
Carrying amount at 30 June 2011	4,788,137
Fair values of the 2021 Senior Notes*	4,996,641

* The fair values of the 2021 Senior Notes are determined directly by references to the price quotations published by the Singapore Exchange Securities Trading Limited on 29 June 2011, the last dealing date for the purpose of this report.

25. Share Options

On 14 June 2010, the Company granted share options to directors and certain employees ("Grantees") to subscribe for a total of 33,490,000 ordinary shares of HK$0.10 each in the share capital of the Company under the share option scheme adopted by the Company on 21 May 2002, subject to acceptance by the Grantees.

Among the share options granted above, 14,810,000 share options were granted to the Directors to subscribe for a total of 14,810,000 shares in the Company and 18,680,000 share options were granted to certain employees of the Group to subscribe for a total of 18,680,000 shares in the Company.

During the six months ended 30 June 2011, two employees who were the Grantees of the share options were appointed as Directors and two directors who were the Grantees of the share options retired from directorship. Accordingly, the share options granted to the Directors and certain employees of the Group has changed to 17,860,000 and 15,630,000 share options, respectively as at 30 June 2011.

The following tables disclose details of the Company's share options held by the employees (including directors) and movements in such holdings under the share option scheme during the six months ended 30 June 2011:

					Number of options			
	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding at 1.1.2011	Granted during the period	Exercised during the period	Outstanding at 30.6.2011
Tranche 1	14.6.2010	14.6.2010 to 13.12.2010	14.12.2010 to 13.6.2020	HK$16.26	16,745,000	–	–	16,745,000
Tranche 2	14.6.2010	14.6.2010 to 13.6.2012	14.6.2012 to 13.6.2020	HK$16.26	16,745,000	–	–	16,745,000
					33,490,000	–	–	33,490,000
Exercisable at the end of the period								16,745,000
Weighted average exercise price					HK$16.26	–	–	HK$16.26

The closing price of the Group's shares immediately before 14 June 2010, the date of grant, was HK$16.22 per share.

Exercise price of the share options granted is HK$16.26 per share, which represents the highest of (i) the closing price of HK$16.26 per share as stated in the daily quotations sheet of the Stock Exchange on 14 June 2010, being the date of grant; (ii) the average closing price of HK$15.04 per share as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of the share.

During the six months ended 30 June 2011, the Group recognised share-based expenses of RMB23,080,000 (six months ended 30 June 2010: RMB8,282,000). The total fair value of the options calculated by using the binomial model was HK$193,297,000.

26. Acquisitions of Business

On 15 April 2011, the Group acquired 90% of the registered capital of 江蘇華海管道燃氣有限責任公司 (“Jiangsu Huahai”) at a total cash consideration of RMB32,625,000. Jiangsu Huahai is a group of companies engaging in the sales of piped gas in Jiangsu province and was acquired with the objective of significantly improving marketing coverage in Jiangsu and obtaining contribution arising from gas supply to industrial centre.

Consideration transferred

	RMB’000
Cash consideration paid	32,625

Acquisition-related costs amounting to RMB121,000 have been excluded from the cost of acquisition and have been recognised as administrative expenses in condensed consolidated statement of comprehensive income in the current period.

The fair value of assets and liabilities recognised at the date of acquisition

	RMB’000
Current assets	
Cash and cash equivalents	1,240
Trade and other receivables	1,210
Inventories	29
Non-current assets	
Property, plant and equipment	23,061
Intangible assets-rights of operation	27,480
Prepaid lease payments	1,627
Current liabilities	
Trade and other payables	(17,608)
Non-current liabilities	
Deferred tax liabilities	(6,870)
	30,169

26. Acquisition of Business *(continued)*

The fair value of intangible assets is determined based on the valuation report issued by an independent professional valuer and the management reasonable estimation in investment evaluation due diligence.

The fair value of the trade and other receivables amounted to RMB1,210,000 in aggregated which is estimated to be the same as the gross contractual amounts of these receivables. The Directors preliminarily considered that all acquired receivables will be recoverable.

Non-controlling interests

In the current period, the Group has elected to measure non-controlling interests at the proportionate share of the acquirees' net identified assets at the respective acquisition date.

The non-controlling interest (10%) in Jiangsu Huahai recognised at the acquisition date was measured based on the proportionate share of the acquirees' net identifiable assets which amounted to RMB1,046,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	32,625
Plus: Non-controlling interests	1,046
Less: Fair value of identified net assets acquired	(30,169)
Goodwill arising on acquisition	3,502

Goodwill arose on the acquisition of Jiangsu Huahai is attributable to its anticipated profitability and the anticipated future operating synergies from the combination.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	(32,625)
Less: Cash and cash equivalent balances acquired	1,240
	(31,385)

26. Acquisition of Business *(continued)*

Impact of acquisition on the results of the Group

Included in the profit for the interim period is RMB112,000 attributable to the additional business generated by Jiangsu Huahai. Revenue for the period includes RMB2,064,000 generated from Jiangsu Huahai.

Had the acquisition of Jiangsu Huahai been effected at 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been RMB7,205,300,000, and the profit for the period would have been RMB841,686,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2011, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group, had Jiangsu Huahai been acquired at the beginning of the current reporting period, the Directors have calculated depreciation and amortisation of property, plant and equipment and intangible asset acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

27. Disposal of a Subsidiary and Acquisition of a Jointly Controlled Entity

On 31 March 2011, the Group entered into an equity transfer agreement with an independent third party (the "Seller") to acquire 40% of equity interest in Hebei Kunlun at a cash consideration of RMB76,000,000. At the same time, the Group agreed to transfer 100% of equity interest in a wholly owned subsidiary, 新奧鹿泉車用燃氣有限公司 ("Xinao Luquan") to the Seller, for a cash consideration of RMB8,000,000.

The net assets of Xinao Luquan derecognised at the date of disposal were as follows:

	RMB'000
Current assets	
Cash and cash equivalents	13,997
Trade and other receivables	4,365
Non-current asset	
Property, plant and equipment	8,385
Current liabilities	
Trade and other payables	(6,747)
	20,000

27. Disposal of a Subsidiary and Acquisition of a Jointly Controlled Entity *(continued)*

The carrying amount of the net assets of Xinao Luquan derecognised approximates the fair value of the business of Xinao Luquan. The disposal of Xinao Luquan is considered to be an exchange of assets for the acquisition of 40% of equity interest in Hebei Kunlun, and accordingly, the cost of acquisition of Hebei Kunlun is calculated as follows:

	RMB'000
Fair value of net assets of a subsidiary disposed of	20,000
Less: Proceeds from disposal (not yet received and included as other receivable at 30 June 2011)	(8,000)
	12,000
Cash consideration (out of which RMB50,000,000 are not yet paid and included in other payable at 30 June 2011)	76,000
Cost of acquisition of a jointly controlled entity	88,000

Net cash outflow arising on acquisition of a jointly controlled entity

	RMB'000
Consideration paid	26,000
Cash and cash equivalent disposed of	13,997
	39,997

28. Commitments

(a) Capital commitments

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Capital expenditure in respect of acquisition of property, plant or equipment contracted for but not provided	**94,915**	85,563

(b) Other commitments

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Capital commitment in respect of investments in associates or jointly controlled entities	**96,546**	68,564

In addition to above, at 30 June 2011, the Group has commitment amounting to RMB13,788,000 (31 December 2010: RMB20,876,000) in respect of acquisition of land use rights in the PRC.

29. Related Party Transactions

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Associates		
– Sales of gas to	**9,093**	351
– Sales of materials to	**2,700**	415
– Provision of gas transportation services to	**197**	4,135
– Purchase of materials from	**1,357**	1,928
– Purchase of gas from	**17,952**	19,246
– Provision of gas transportation services by	**19**	–
Jointly controlled entities		
– Sales of gas to	**143,085**	132,735
– Sales of materials to	**44,201**	27,283
– Purchase of gas from	**132,274**	113,194
– Provision of gas transportation services to	**127,765**	90,234
– Loan interest received from	**–**	420
– Payments made on behalf of the Group	**182**	191
– Provision of supporting services	**16,553**	298
– Provision of construction services	**20,925**	14,445
– Provision of car rental services	**125**	–
Companies controlled by Mr. Wang Yu Suo ("Mr. Wang") a controlling shareholder and director of the Company		
– Sales of gas to	**3,713**	2,164
– Purchase of materials used in production		
– Dimethyl Methyl Ether from	**–**	10,355
– Purchase of materials from	**112**	2,084
– Provision of gas connection services to	**1,268**	–
– Provision for property management services by	**2,824**	1,722
– Provision for property management services to	**218**	218
– Provision of maritime transportation services by	**8,400**	4,304
– Purchase of land use rights from	**–**	37,000
– Purchase of equipment and supporting services from	**–**	14,956
– Lease of premises to	**520**	520
– Lease of premises from	**1,298**	1,298
– Provision of supporting services by	**10,162**	9,331
– Payment on behalf by	**–**	351

29. Related Party Transactions *(continued)*

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Non-controlling shareholders of subsidiaries		
– Provision of gas construction services to	**4,580**	–
– Provision of construction services by	**2,442**	587
– Payment on behalf by	**–**	236
– Loan advance to	**–**	1,979
– Lease of premises from	**30**	30
– Lease of land from	**1,200**	–
– Provision of transportation services by	**970**	425
– Purchase of gas from	**169**	1,564
– Sales of gas to	**–**	405

The Company issued the 2021 Senior Notes on 13 May 2011. The terms and conditions of the 2021 Senior Notes require Mr. Wang to retain control over the Company throughout the term of the 2021 Senior Notes failing which the Company would be require to repurchase all outstanding notes at purchase price equal to 101% of their principal amount plus accrued and unpaid interest at such repurchase date. In addition, Mr. Wang and Ms. Zhao Baoju, spouse of Mr. Wang has provided personal guarantees to the extent of RMB340,000,000 (31 December 2010: RMB670,000,000).

A jointly controlled entity has pledged its rights to receive gas supply fee income in favour of a bank to secure banking facility amounted to RMB95,000,000 (31 December 2010: RMB100,000,000) granted to the Group. Such banking facilities have not been utilised as at 30 June 2011.

The Group has provided guarantees to associates amounting to RMB102,000,000 (31 December 2010: RMB87,000,000) and to jointly controlled entities amounting to RMB135,000,000 (31 December 2010: RMB142,000,000).

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Short-term employee benefits	**4,929**	3,560
Post-employment benefits	**26**	35
Share-based payments	**14,031**	3,662
	18,986	7,257

Disclosure of Interests

Directors' interests or short positions in shares and in share options

As at 30 June 2011, 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:

		Interests in shares						
Name of Director	Capacity	Personal interests	Corporate interests	Family interests	Total interests in shares	Interests in underlying shares pursuant to share options	Total aggregate interests in shares and underlying shares	Approximate percentage of the Company's total issued share capital as at 30 June 2011
Mr. Wang Yusuo ("Mr. Wang")	Beneficial owner and interest of controlled corporation	596,000 (Note 2)	326,095,000 (Note 1)	–	326,691,000	1,000,000 (Note 3)	327,691,000	31.20%
Ms. Zhao Baoju ("Ms. Zhao")	Interest of controlled corporation and interest of spouse	–	326,095,000 (Note 1)	596,000 (Note 2)	326,691,000	1,000,000 (Note 3)	327,691,000	31.20%
Mr. Cheung Yip Sang	Beneficial owner	–	–	–	–	3,900,000	3,900,000	0.37%
Mr. Zhao Jinfeng	Beneficial owner	–	–	–	–	2,360,000	2,360,000	0.22%
Mr. Yu Jianchao	Beneficial owner	–	–	–	–	3,600,000	3,600,000	0.34%
Mr. Cheng Chak Ngok	Beneficial owner	–	–	–	–	450,000	450,000	0.04%
Mr. Zhao Shengli (Note 4)	Beneficial owner	–	–	–	–	3,100,000	3,100,000	0.30%
Mr. Wang Dongzhi (Note 4)	Beneficial owner	–	–	–	–	2,450,000	2,450,000	0.23%
Mr. Jin Yongsheng	Beneficial owner	–	–	–	–	400,000	400,000	0.04%
Mr. Wang Guangtian	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Ms. Yien Yu Yu, Catherine	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Mr. Kong Chung Kau	Beneficial owner	–	–	–	–	200,000	200,000	0.02%

Notes:

1. The two references to 326,095,000 shares relate to the same block of shares. Such shares are held by ENN Group International Investment Limited ("EGII"), 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. On 14 June 2010, Mr. Wang and Ms. Zhao were granted 800,000 and 200,000 share options respectively by the Company. Mr. Wang, being the spouse of Ms. Zhao, will be deemed to be interested in the share options held by Ms. Zhao while Ms. Zhao, being the spouse of Mr. Wang, will be deemed to be interested in the share options held by Mr. Wang.
4. Mr. Zhao Shengli and Mr. Wang Dongzhi were appointed as Executive Directors of the Company on 25 March 2011.
5. Mr. Liang Zhiwei and Ms. Zhai Xiaoqin retired from directorships of the Company with effect from 31 May 2011. During the period from 1 January 2011 to 31 May 2011 when they were holding directorships of the Company, they were interested in 1,250,000 share options respectively.

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 2011, 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 2011	Number of options granted during the Period (Note 2)	Number of options reclassified during the Period	Number of shares subject to outstanding options as at 30 June 2011 (Aggregate)	Approximate percentage of the Company's total issued share capital as at 30 June 2011 (Aggregate)
Mr. Wang	14.06.2010	14.12.2010 – 14.06.2020	16.26	400,000 (Note 3)	–	–	800,000	0.08%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	400,000 (Note 3)	–	–		
Ms. Zhao	14.06.2010	14.12.2010 – 14.06.2020	16.26	100,000 (Note 3)	–	–	200,000	0.02%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	100,000 (Note 3)	–	–		
Mr. Cheung Yip Sang	14.06.2010	14.12.2010 – 14.06.2020	16.26	1,950,000	–	–	3,900,000	0.37%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	1,950,000	–	–		
Mr. Zhao Jinfeng	14.06.2010	14.12.2010 – 14.06.2020	16.26	1,180,000	–	–	2,360,000	0.22%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	1,180,000	–	–		
Mr. Yu Jianchao	14.06.2010	14.12.2010 – 14.06.2020	16.26	1,800,000	–	–	3,600,000	0.34%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	1,800,000	–	–		
Mr. Cheng Chak Ngok	14.06.2010	14.12.2010 – 14.06.2020	16.26	225,000	–	–	450,000	0.04%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	225,000	–	–		
Mr. Liang Zhiwei (Note 4)	14.06.2010	14.12.2010 – 14.06.2020	16.26	625,000	–	(625,000)	–	–
	14.06.2010	14.06.2012 – 14.06.2020	16.26	625,000	–	(625,000)		
Ms. Zhai Xiaoqin (Note 4)	14.06.2010	14.12.2010 – 14.06.2020	16.26	625,000	–	(625,000)	–	–
	14.06.2010	14.06.2012 – 14.06.2020	16.26	625,000	–	(625,000)		
Mr. Zhao Shengli (Note 5)	14.06.2010	14.12.2010 – 14.06.2020	16.26	–	–	1,550,000	3,100,000	0.30%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	–	–	1,550,000		
Mr. Wang Dongzhi (Note 5)	14.06.2010	14.12.2010 – 14.06.2020	16.26	–	–	1,225,000	2,450,000	0.23%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	–	–	1,225,000		
Mr. Jin Yongsheng	14.06.2010	14.12.2010 – 14.06.2020	16.26	200,000	–	–	400,000	0.04%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	200,000	–	–		
Mr. Wang Guangtian	14.06.2010	14.12.2010 – 14.06.2020	16.26	100,000	–	–	200,000	0.02%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	100,000	–	–		
Ms. Yien Yu Yu, Catherine	14.06.2010	14.12.2010 – 14.06.2020	16.26	100,000	–	–	200,000	0.02%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	100,000	–	–		
Mr. Kong Chung Kau	14.06.2010	14.12.2010 – 14.06.2020	16.26	100,000	–	–	200,000	0.02%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	100,000	–	–		
Total				14,810,000	–	3,050,000	17,860,000	

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. "Period" refers to the period from 1 January 2011 to 30 June 2011.
3. On 14 June 2010, Mr. Wang and Ms. Zhao were granted 800,000 and 200,000 share options respectively by the Company. Mr. Wang, being the spouse of Ms. Zhao, will be deemed to be interested in the share options held by Ms. Zhao while Ms. Zhao, being the spouse of Mr. Wang, will be deemed to be interested in the share options held by Mr. Wang.
4. Mr. Liang Zhiwei and Ms. Zhai Xiaoqin retired from directorships of the Company with effect from 31 May 2011. The share options granted to Mr. Liang Zhiwei and Ms. Zhai Xiaoqin were therefore reclassified from "Directors" to "Employees" on 31 May 2011.
5. Mr. Zhao Shengli and Mr. Wang Dongzhi were appointed as Executive Directors of the Company on 25 March 2011. The share options granted to Mr. Zhao Shengli and Mr. Wang Dongzhi were therefore reclassified from "Employees" to "Directors" on 25 March 2011.

Save as disclosed above, at no time during the period from 1 January 2011 to 30 June 2011 (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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, 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:

		Interests in shares						
Name of shareholder	**Capacity**	**Personal interests**	**Corporate interests**	**Family interests**	**Total interests in shares**	**Interests in underlying shares pursuant to share options**	**Total aggregate interests in shares and underlying shares** (Note 4)	**Approximate percentage of the Company's total issued share capital as at 30 June 2011**
Mr. Wang	Beneficial owner and interest of controlled corporation	596,000 (Note 2)	326,095,000 (Note 1)	–	326,691,000	1,000,000 (Note 3)	327,691,000 (L)	31.20%
Ms. Zhao	Interest of controlled corporation and interest of spouse	–	326,095,000 (Note 1)	596,000 (Note 2)	326,691,000	1,000,000 (Note 3)	327,691,000 (L)	31.20%
EGII	Beneficial owner	–	326,095,000 (Note 1)	–	326,095,000	–	326,095,000 (L)	31.05%
Capital Research and Management Company	Investment Manager	–	103,379,700	–	103,379,700	–	103,379,700 (L)	9.84%
Commonwealth Bank of Australia	Interest of controlled corporation	–	94,473,000	–	94,473,000	–	94,473,000 (L)	9.00%
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/approved lending agent	–	61,806,794	–	61,806,794	–	61,806,794 (L) (including 58,109,738 (P)	5.89%

Notes:

1. The three references to 326,095,000 shares relate to the same block of shares. Such shares are held by EGII 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. On 14 June 2010, Mr. Wang and Ms. Zhao were granted 800,000 and 200,000 share options respectively by the Company. Mr. Wang, being the spouse of Ms. Zhao, will be deemed to be interested in the share options held by Ms. Zhao while Ms. Zhao, being the spouse of Mr. Wang, will be deemed to be interested in the share options held by Mr. Wang.
4. (L) represents Long Position; (P) represents Lending Pool.

Save as disclosed above, as at 30 June 2011, 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 2011, 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 2011	Number of options granted during the Period (Note 2)	Number of options reclassified during the Period due to change of directorships		Number of shares subject to outstanding options as at 30 June 2011 (Aggregate)	Approximate percentage of the Company's total issued share capital as at 30 June 2011 (Aggregate)
						Appointment of Directors (Note 3)	Retirement of Directors (Note 4)		
Directors	14.06.2010	14.12.2010 – 14.06.2020	16.26	7,405,000 (Note 3)	–	2,775,000	(1,250,000)	17,860,000	1.70%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	7,405,000 (Note 3)	–	2,775,000	(1,250,000)		
Employees	14.06.2010	14.12.2010 – 14.06.2020	16.26	9,340,000 (Note 4)	–	(2,775,000)	1,250,000	15,630,000	1.49%
	14.06.2010	14.06.2012 – 14.06.2020	16.26	9,340,000 (Note 4)	–	(2,775,000)	1,250,000		
Total				33,490,000	–	–	–	33,490,000	3.19%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. “Period” refers to the period from 1 January 2011 to 30 June 2011.

3. Mr. Zhao Shengli and Mr. Wang Dongzhi, who were interested in 3,100,000 share options and 2,450,000 share options respectively, were appointed as Executive Directors of the Company on 25 March 2011. The share options granted to Mr. Zhao Shengli and Mr. Wang Dongzhi were therefore reclassified from “Employees” to “Directors” on 25 March 2011.

4. Mr. Liang Zhiwei and Ms. Zhai Xiaoqin, who were interested in 1,250,000 share options respectively, retired from directorships of the Company with effect from 31 May 2011. The share options granted to Mr. Liang Zhiwei and Ms. Zhai Xiaoqin were therefore reclassified from “Directors” to “Employees” on 31 May 2011.

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

Disclosure of Information on Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information on Directors are as follows:

1. with effect from 1 January 2011, the annual salaries and allowance, among the emolument items, of Mr. Wang Yusuo, the Chairman and Executive Director of the Company, has been adjusted from HK$2,400,000 to HK$3,120,000.

2. with effect from 1 January 2011, the annual salaries and allowance, among the emolument items, of Mr. Cheung Yip Sang, the Chief Executive Officer and Executive Director of the Company, has been adjusted from HK$1,023,000 to HK$1,920,000.

3. with effect from 1 January 2011, the annual salaries and allowance, among the emolument items, of Mr. Zhao Jinfeng, an Executive Director of the Company, has been adjusted from HK$500,000 to HK$720,000.

4. with effect from 1 January 2011, the annual salaries and allowance, among the emolument items, of Mr. Yu Jianchao, an Executive Director of the Company, has been adjusted from HK$500,000 to HK$720,000.

5. with effect from 1 January 2011, the annual salaries and allowance, among the emolument items, of Mr. Cheng Chak Ngok, the Executive Director, Chief Financial Officer and Company Secretary of the Company, has been adjusted from HK$1,144,000 to HK$1,950,000.

6. with effect from 1 January 2011, the annual fee of Ms. Zhao Baoju, a Non-executive Director of the Company, has been adjusted from HK$150,000 to HK$240,000.

7. with effect from 1 January 2011, the annual fee of Mr. Jin Yongsheng, a Non-executive Director of the Company, has been adjusted from HK$150,000 to HK$240,000.

8. with effect from 1 January 2011, the annual fee of Mr. Wang Guangtian, an Independent Non-executive Director of the Company, has been adjusted from HK$150,000 to HK$240,000.

9. with effect from 1 January 2011, the annual fee of Ms. Yien Yu Yu, Catherine, an Independent Non-executive Director of the Company, has been adjusted from HK$150,000 to HK$240,000.

10. with effect from 1 January 2011, the annual fee of Mr. Kong Chung Kau, an Independent Non-executive Director of the Company, has been adjusted from HK$150,000 to HK$240,000.

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 control (including financial control, operational control, compliance control, risk management function and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, as well as their training programmes and budget) 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 25 August 2011 to review the unaudited interim results and interim financial report for the six months ended 30 June 2011. 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 2011 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 Hong Kong Institute of Certified Public Accountants.

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 31 May 2011 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

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). On 28 June 2011, the Company has completed the redemption of such 7-year bonds in full and therefore, the abovementioned obligation has been released.

On 13 May 2011, the Company issued 10-year bonds and the terms and conditions of the bonds require Mr. Wang Yusuo, the controlling shareholder of the Company, to retain at least 25% of the total issued share capital of the Company throughout the term of the bonds. The total amount of the loan involved is US$750,000,000 (equivalent to RMB4,863,375,000).

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, 26 August 2011

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