2013

Interim Report

Towngas China Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

CORPORATE INFORMATION

Board of Directors
Executive Directors
Chan Wing Kin, Alfred *(Chairman)*
Wong Wai Yee, Peter *(Chief Executive Officer)*
Ho Hon Ming, John *(Company Secretary)*

Non-Executive Director
Kwan Yuk Choi, James

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

Authorised Representatives
Chan Wing Kin, Alfred
Ho Hon Ming, John

Company Secretary
Ho Hon Ming, John

Audit Committee
Li Man Bun, Brian David *(Chairman)*
Cheng Mo Chi, Moses
Chow Vee Tsung, Oscar

Remuneration Committee
Cheng Mo Chi, Moses *(Chairman)*
Li Man Bun, Brian David
Chow Vee Tsung, Oscar
Chan Wing Kin, Alfred

Nomination Committee
Chan Wing Kin, Alfred *(Chairman)*
Cheng Mo Chi, Moses
Li Man Bun, Brian David
Chow Vee Tsung, Oscar

Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Registered Office
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Ugland House
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KY1-1104
Cayman Islands

Head Office and Principal Place of Business
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North Point, Hong Kong
Telephone : (852) 2963 3298
Fascimile : (852) 2561 6618
Stock Code : 1083
Website : www.towngaschina.com

Principal Share Registrar and Transfer Office
Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar
Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Hong Kong Branch Share Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers
Bank of China (Hong Kong) Limited
China Merchants Bank, Shenzhen Branch

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Turnover

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

New Project Development

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

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

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

Available-for-sale Investments

Available-for-sale investments mainly consist of the Group's investment in Chengdu City Gas Co., Ltd., which is accounted for at cost. No provision for impairment was required for the period and such investment is accounted for as long-term investment.

Contingent Liabilities

The Group has no material contingent liabilities as at 30 June 2013.

Placing of Shares

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

Financial Position

The Group has adopted a prudent approach in financial resources management, maintaining an appropriate level of cash and cash equivalents as well as adequate facilities to meet the requirements of day-to-day operations and business development, while also controlling borrowings at a healthy level.

As at 30 June 2013, the Group's total borrowings amounted to HK$6,131 million, of which HK$994 million represented loans from The Hong Kong and China Gas Company Limited ("HKCG") due between 1 to 5 years, HK$3,060 million represented bank loans and other loans due between 1 to 5 years, HK$2,039 million represented bank loans and other loans due within 1 year, and HK$38 million represented bank loans and other loans due over 5 years. The Group entered into an interest rate swap contract to swap the 5 year variable-rate bank borrowing of HK$350 million to the fixed-rate borrowing in 2011. Other than the HK$750 million in bank loans and other borrowings which bore interests at fixed rates, the Group's loans were mainly arranged on a floating interest rate basis. The maturities and interest rates of the loans were arranged to provide sound financial resources and stable interest costs for the Group. As at 30 June 2013, the Group did not have any pledge on assets. As at the end of the period, the Group had a current ratio of 0.7 times and a gearing ratio (net debt excluding the HKCG loans ("Net Debt") to equity attributable to shareholders of the Company plus Net Debt) of 17.7%.

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

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

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

The operating and capital expenditure of the Group is funded by cash flow from operations, internal liquidity and financing agreements with banks and its shareholders. The Group maintains a consistently strong liquidity position with its cash and cash equivalents on hand and unutilised banking facilities and has adequate financial resources to meet its contractual obligations and operating requirements.

Interim Dividend

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

Employee and Remuneration Policies

As at 30 June 2013, the Group had 19,193 employees, 99% of whom worked in mainland China. Employee remuneration is based on individual performance, job nature and responsibilities involved. The Group also provides on-the-job training as well as generous benefits packages for employees, which include medical welfare, provident funds, bonuses and other incentives. The Group also encourages employees to seek a sound balance between work and leisure, while endeavouring to improve the working environment for employees on a continuing basis so that they can realise their full potential for the benefit of the Group.

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

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

Corporate Social Responsibility

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

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

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

Outlook

Economic Landscape

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

Natural Gas Price Reforms

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

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

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

The Group's Business Development Direction

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

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

OTHER INFORMATION

Directors' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2013, the interests or short positions of the Directors and chief executive in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to: (a) Divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares and underlying Shares

Name of Company	Name of Director	Capacity	Interest in Shares			Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of the issued share capital of the Company or its associated corporation as at 30.06.2013
			Personal interest	Family interest	Corporate interest				
Towngas China Company Limited	Chan Wing Kin, Alfred	Beneficial owner	–	–	–	–	3,618,000	3,618,000	0.14%
	Wong Wai Yee, Peter	Beneficial owner	–	–	–	–	3,015,000	3,015,000	0.12%
	Ho Hon Ming, John	Beneficial owner	–	–	–	–	3,015,000	3,015,000	0.12%
	Kwan Yuk Choi, James	Beneficial owner	1,500,000	–	–	1,500,000	1,515,000	3,015,000	0.12%

Name of Company	Name of Director	Capacity	Interest in Shares: Personal interest	Family interest	Corporate interest	Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of the issued share capital of the Company or its associated corporation as at 30.06.2013
HKCG	Chan Wing Kin, Alfred	Interest held jointly with spouse	182,156	–	–	182,156	–	182,156	0.00%
	Ho Hon Ming, John	Beneficial owner	28,527	–	–	28,527	–	28,527	0.00%
	Kwan Yuk Choi, James	Beneficial owner and interest of spouse	64,306	72,858	–	137,164	–	137,164	0.00%

Details of the Directors' interests in share options granted by the Company are set out under the heading "Directors' Rights to Acquire Shares" below.

Directors' Rights to Acquire Shares

Pursuant to the Company's share option scheme, the Company has granted to certain Directors options to subscribe the Shares, details of which as at 30 June 2013 were as follows:

Name of Director	Date of grant	Exercise period	Number of Shares subject to outstanding options as at 01.01.2013	Exercise price HK$	as at 30.06.2013: Number of Shares subject to outstanding options	as at 30.06.2013: Approximate percentage of the Company's issued share capital
Chan Wing Kin, Alfred	16.03.2007	16.03.2008 – 27.11.2015	1,085,400	3.811	1,085,400	0.04%
	16.03.2007	16.03.2009 – 27.11.2015	1,085,400	3.811	1,085,400	0.04%
	16.03.2007	16.03.2010 – 27.11.2015	1,447,200	3.811	1,447,200	0.06%
Wong Wai Yee, Peter	16.03.2007	16.03.2008 – 27.11.2015	904,500	3.811	904,500	0.03%
	16.03.2007	16.03.2009 – 27.11.2015	904,500	3.811	904,500	0.03%
	16.03.2007	16.03.2010 – 27.11.2015	1,206,000	3.811	1,206,000	0.05%
Ho Hon Ming, John	16.03.2007	16.03.2008 – 27.11.2015	904,500	3.811	904,500	0.03%
	16.03.2007	16.03.2009 – 27.11.2015	904,500	3.811	904,500	0.03%
	16.03.2007	16.03.2010 – 27.11.2015	1,206,000	3.811	1,206,000	0.05%
Kwan Yuk Choi, James	16.03.2007	16.03.2008 – 27.11.2015	904,500	3.811	–	–
	16.03.2007	16.03.2009 – 27.11.2015	904,500	3.811	309,000	0.01%
	16.03.2007	16.03.2010 – 27.11.2015	1,206,000	3.811	1,206,000	0.05%

Notes:

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

2. During the period, no option was granted to the Directors and no option held by the Directors had lapsed or was cancelled. 1,500,000 options had been exercised by Mr. Kwan Yuk Choi, James, a Non-Executive Director of the Company during the period.

3. These options represent personal interests held by the Directors as beneficial owners.

Save as stated above, as at 30 June 2013, there were no other interests or short positions of the Directors and the chief executive in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in 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.

Arrangements to Purchase Shares or Debentures

Other than the share option scheme of the Company as disclosed herein, at no time during the period was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders (other than the Directors or chief executive of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in Shares and underlying Shares in the Company

Name of Shareholder	Capacity	Aggregate interest in Shares	Approximate percentage of the Company's issued share capital as at 30.06.2013
Lee Shau Kee	Interest of controlled corporations	1,628,172,901 *(Note 1)*	62.31%
Rimmer (Cayman) Limited ("Rimmer")	Trustee	1,628,172,901 *(Note 2)*	62.31%
Riddick (Cayman) Limited ("Riddick")	Trustee	1,628,172,901 *(Note 2)*	62.31%
Hopkins (Cayman) Limited ("Hopkins")	Interest of controlled corporations	1,628,172,901 *(Note 2)*	62.31%
Henderson Development Limited ("HD")	Interest of controlled corporations	1,628,172,901 *(Note 2)*	62.31%

Name of Shareholder	Capacity	Aggregate interest in Shares	Approximate percentage of the Company's issued share capital as at 30.06.2013
Henderson Land Development Company Limited ("HLD")	Interest of controlled corporations	1,628,172,901 *(Note 2)*	62.31%
Faxson Investment Limited ("Faxson")	Interest of controlled corporations	1,628,172,901 *(Note 2)*	62.31%
HKCG	Interest of controlled corporations	1,628,172,901 *(Note 3)*	62.31%
Towngas International Company Limited ("TICL")	Interest of controlled corporations	1,585,202,901 *(Note 3)*	60.67%
Hong Kong & China Gas (China) Limited ("HK&CG (China)")	Beneficial owner	1,585,202,901 *(Note 3)*	60.67%
Commonwealth Bank of Australia ("Commonwealth Bank")	Interest of controlled corporations	157,610,900 *(Note 4)*	6.03%

Notes:

1. The entire issued share capital of Rimmer, Riddick and Hopkins were owned by Dr. the Hon. Lee Shau Kee. Dr. the Hon. Lee Shau Kee was therefore taken to be interested in the same 1,628,172,901 Shares as set out in Notes 2 and 3 below by virtue of Part XV of the SFO.

2. Rimmer and Riddick as trustees of respective discretionary trusts, held units in a unit trust ("Unit Trust"). Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of HD. HD was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD. HLD through its subsidiaries (including Faxson) was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HKCG. Each of Rimmer, Riddick, Hopkins, HD, HLD and Faxson was therefore taken to be interested in the same 1,628,172,901 Shares which HKCG is deemed interested in as described in Note 3 below by virtue of Part XV of the SFO.

3. As HK&CG(China) was a wholly-owned subsidiary of TICL, which in turn was a wholly-owned subsidiary of HKCG, each of TICL and HKCG was therefore taken to be interested in the 1,585,202,901 Shares held by HK&CG(China) by virtue of Part XV of the SFO. In addition, HKCG was also taken to be interested in (1) the 40,470,000 Shares held by its indirect wholly-owned subsidiary, Planwise Properties Limited; and (2) the 2,500,000 Shares held by its indirect wholly-owned subsidiary, Superfun Enterprises Limited.

4. Commonwealth Bank was taken to be interested in these 157,610,900 Shares which were held by indirect wholly-owned subsidiaries of Commonwealth Bank.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2013, 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.

Short positions in Shares and underlying Shares in the Company

As at 30 June 2013, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares of the Company.

Other Persons

Save as disclosed above, as at 30 June 2013, the Company had not been notified of any other person who had interest or short position in the shares or underlying shares of the Company, which are required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Share Option Scheme of the Company

The Company operates a share option scheme ("2005 Main Board Scheme") under which the Board may, at its discretion, offer any employee (including any director) of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated in the above scheme. The 2005 Main Board Scheme was approved by the shareholders of the Company on 28 November 2005 and has a life of 10 years until 27 November 2015.

Details of specific categories of options are as follows:

Option type	**Date of grant**	**Exercise period**	**Exercise price** HK$
2005 Main Board Scheme:			
2006 Options	03.10.2006	04.10.2007 – 27.11.2015	2.796
	03.10.2006	04.04.2008 – 27.11.2015	2.796
	03.10.2006	04.10.2008 – 27.11.2015	2.796
2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811
	16.03.2007	16.03.2009 – 27.11.2015	3.811
	16.03.2007	16.03.2010 – 27.11.2015	3.811

The following table discloses movements in the share options of the Company during the period:

	Option type	Date of grant	Exercise period	Exercise price (HK$)	Outstanding at 01.01.2013	Exercised during the period	Outstanding at 30.06.2013	Weighted average closing price of Shares immediately before the date(s) on which options were exercised (HK$)
Category 1: Directors								
Chan Wing Kin, Alfred	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	1,085,400	–	1,085,400	–
	Options	16.03.2007	16.03.2009 – 27.11.2015	3.811	1,085,400	–	1,085,400	–
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,447,200	–	1,447,200	–
Wong Wai Yee, Peter	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	–	904,500	–
	Options	16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	–	904,500	–
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	–	1,206,000	–
Ho Hon Ming, John	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	–	904,500	–
	Options	16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	–	904,500	–
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	–	1,206,000	–
Kwan Yuk Choi, James	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	904,500	–	7.24
	Options	16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	595,500	309,000	7.24
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	–	1,206,000	–
Total for Directors					12,663,000	1,500,000	11,163,000	
Category 2: Employees	2006	03.10.2006	04.10.2007 – 27.11.2015	2.796	301,500	–	301,500	–
	Options	03.10.2006	04.04.2008 – 27.11.2015	2.796	542,700	–	542,700	–
		03.10.2006	04.10.2008 – 27.11.2015	2.796	723,600	–	723,600	–
	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	603,000	301,500	301,500	8.06
	Options	16.03.2007	16.03.2009 – 27.11.2015	3.811	603,000	301,500	301,500	8.06
		16.03.2007	16.03.2010 – 27.11.2015	3.811	804,000	402,000	402,000	8.06
Total for Employees					3,577,800	1,005,000	2,572,800	
All categories					16,240,800	2,505,000	13,735,800	

Notes:

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

2. During the period, no share option was cancelled or had lapsed.

3. During the period, no new option was granted.

Purchases, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2013.

Corporate Governance

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. All directors confirmed, following specific enquiries by the Company, that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2013.

Audit Committee

The Company has established an audit committee (the "Audit Committee") in accordance with requirements under the Listing Rules for the purposes of reviewing and supervising the Group's financial reporting processes and internal controls.

An Audit Committee meeting was held on 12 August 2013 to review the unaudited condensed consolidated financial statements for the six months ended 30 June 2013. Deloitte Touche Tohmatsu, the Company's external auditor, had carried out a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2013 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Updates on Biographical Details of Directors under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the updates on biographical details of Directors are as follows:

Mr. Ho Hon Ming, John *F.C.A., F.C.P.A., B.A. (Hons.)*
Executive Director and Company Secretary

Mr. Ho was appointed as a director of Changchun Gas Co., Ltd, which is a listed company on the Shanghai Stock Exchange on 30 May 2013.

Mr. Kwan Yuk Choi, James *J.P., C.Eng., F.H.K.I.E., F.I.G.E.M., F.I.Mech.E., F.E.I., F.C.I.B.S.E., M.B.A., B.Sc. (Eng)*
Non-Executive Director

Mr. Kwan was conferred an Honorary Fellow of The Hong Kong Institution of Engineers in March 2013.

Dr. Cheng Mo Chi, Moses *GBS, OBE, JP*
Independent Non-Executive Director and Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee

Dr. Cheng was appointed as a Chairman of the Committee on Free Kindergarten Education established by the Education Bureau on 8 April 2013 and was awarded a Doctorate of the Academy *honoris causa* by The Hong Kong Academy for Performing Arts on 28 June 2013.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF TOWNGAS CHINA COMPANY LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of Towngas China Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 48 which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated income statement, 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 August 2013

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	NOTES	Six months ended 30 June 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Turnover	3	**2,961,947**	2,437,459
Operating profit before returns on investments	4	**434,658**	341,914
Other gains, net		**78,170**	1,966
Share of results of associates		**163,495**	138,442
Share of results of joint ventures		**120,769**	112,885
Finance costs	5	**(72,516)**	(75,740)
Profit before taxation	6	**724,576**	519,467
Taxation	7	**(150,413)**	(119,192)
Profit for the period		**574,163**	400,275
Profit for the period attributable to:			
Shareholders of the Company		**532,758**	357,086
Non-controlling interests		**41,405**	43,189
		574,163	400,275
		HK cents	HK cents
Earnings per share	8		
— Basic		**20.51**	14.51
— Diluted		**20.45**	14.49

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**574,163**	400,275
Other comprehensive income		
Items that will not be subsequently reclassified to profit or loss		
Exchange differences arising on translation to presentation currency	**193,075**	(30,223)
Items that may be subsequently reclassified to profit or loss		
Fair value change on cash flow hedge	**7,952**	(5,794)
Total comprehensive income for the period	**775,190**	364,258
Total comprehensive income attributable to:		
Shareholders of the Company	**721,633**	323,846
Non-controlling interests	**53,557**	40,412
Total comprehensive income for the period	**775,190**	364,258

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	30.6.2013 HK$'000 (unaudited)	31.12.2012 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**8,203,233**	7,652,265
Leasehold land		**346,951**	304,619
Intangible assets		**176,144**	177,089
Goodwill	11	**5,482,918**	4,284,965
Interests in associates		**2,666,371**	2,525,529
Interests in joint ventures		**1,712,782**	1,546,131
Loans to joint ventures		**96,055**	91,706
Available-for-sale investments		**170,266**	170,016
Deferred consideration receivable		**120,284**	156,724
		18,975,004	16,909,044
Current assets			
Inventories		**512,406**	394,596
Leasehold land		**11,183**	9,961
Loans to associates		**31,594**	33,582
Loans to joint ventures		**162,486**	139,757
Trade and other receivables, deposits and prepayments	12	**1,172,840**	1,056,809
Amounts due from non-controlling shareholders		**39,124**	6,358
Other financial assets		**–**	6,391
Time deposits over three months		**330,884**	219,302
Bank balances and cash		**2,235,375**	2,479,484
		4,495,892	4,346,240
Current liabilities			
Trade and other payables and accrued charges	13	**3,321,182**	2,998,265
Amounts due to non-controlling shareholders		**525,119**	193,504
Taxation		**434,680**	435,654
Borrowings — amount due within one year	14	**2,039,166**	1,946,359
		6,320,147	5,573,782
Net current liabilities		**(1,824,255)**	(1,227,542)
Total assets less current liabilities		**17,150,749**	15,681,502

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2013

	NOTES	**30.6.2013** **HK$'000** **(unaudited)**	31.12.2012 HK$'000 (audited)
Non-current liabilities			
Loans from the ultimate holding company	15	**994,000**	993,750
Borrowings — amount due after one year	14	**3,097,522**	3,145,493
Deferred taxation		**245,698**	236,306
Other financial liabilities		**11,040**	18,992
		4,348,260	4,394,541
Net assets		**12,802,489**	11,286,961
Capital and reserves			
Share capital	16	**261,286**	246,035
Reserves		**11,703,380**	10,235,681
Equity attributable to shareholders of the Company		**11,964,666**	10,481,716
Non-controlling interests		**837,823**	805,245
Total equity		**12,802,489**	11,286,961

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to shareholders of the Company									
	Share capital	Share premium	Exchange reserve	Share option reserve	Hedge reserve	General reserves	Retained earnings	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2012 and 1 January 2013 (audited)	246,035	5,663,096	1,475,413	24,021	(18,992)	95,011	2,997,132	10,481,716	805,245	11,286,961
Exchange differences arising on translation to presentation currency	–	–	180,923	–	–	–	–	180,923	12,152	193,075
Fair value change on cash flow hedge	–	–	–	–	7,952	–	–	7,952	–	7,952
Profit for the period	–	–	–	–	–	–	532,758	532,758	41,405	574,163
Total comprehensive income for the period	–	–	180,923	–	7,952	–	532,758	721,633	53,557	775,190
Issue of shares upon share placement	15,000	915,308	–	–	–	–	–	930,308	–	930,308
Issue of shares upon exercise of share options	251	13,000	–	(3,705)	–	–	–	9,546	–	9,546
Transfer	–	–	–	–	–	7,507	(7,507)	–	–	–
Addition on acquisition of subsidiaries	–	–	–	–	–	–	–	–	52,678	52,678
Capital contributed from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	29,319	29,319
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(107,004)	(107,004)
Partial disposal of a subsidiary	–	–	–	–	–	–	(21,766)	(21,766)	21,766	–
Dividends paid to shareholders of the Company	–	(156,771)	–	–	–	–	–	(156,771)	–	(156,771)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(17,738)	(17,738)
	15,251	771,537	–	(3,705)	–	7,507	(29,273)	761,317	(20,979)	740,338
At 30 June 2013 (unaudited)	**261,286**	**6,434,633**	**1,656,336**	**20,316**	**(11,040)**	**102,518**	**3,500,617**	**11,964,666**	**837,823**	**12,802,489**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2013

	Attributable to shareholders of the Company									
	Share capital	Share premium	Exchange reserve	Share option reserve	Hedge reserve	General reserves	Retained earnings	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2011 and 1 January 2012 (audited)	246,035	5,786,113	1,320,493	24,021	(12,693)	90,102	2,161,243	9,615,314	683,941	10,299,255
Exchange differences arising on translation to presentation currency	–	–	(27,446)	–	–	–	–	(27,446)	(2,777)	(30,223)
Fair value change on cash flow hedge	–	–	–	–	(5,794)	–	–	(5,794)	–	(5,794)
Profit for the period	–	–	–	–	–	–	357,086	357,086	43,189	400,275
Total comprehensive income for the period	–	–	(27,446)	–	(5,794)	–	357,086	323,846	40,412	364,258
Transfer	–	–	–	–	–	3,655	(3,655)	–	–	–
Dividends paid to shareholders of the Company	–	(123,017)	–	–	–	–	–	(123,017)	–	(123,017)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(14,231)	(14,231)
	–	(123,017)	–	–	–	3,655	(3,655)	(123,017)	(14,231)	(137,248)
At 30 June 2012 (unaudited)	246,035	5,663,096	1,293,047	24,021	(18,487)	93,757	2,514,674	9,816,143	710,122	10,526,265

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	NOTES	Six months ended 30 June 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Net cash generated from operating activities		**322,336**	186,493
Investing activities			
Purchases of property, plant and equipment		**(515,193)**	(350,835)
Consideration paid for acquisitions of businesses acquired in prior periods		**(319,246)**	(71,062)
Acquisitions of businesses (net of cash and cash equivalents acquired)	19	**(678,092)**	(24,540)
Disposal of a subsidiary (net of cash and cash equivalents disposed)	20	**1,839**	–
Purchase of leasehold land		**(23,003)**	(3,103)
Dividends received from joint ventures		**111,864**	77,133
Repayment of loans from associates		**2,488**	–
Repayment of loans from joint ventures		**–**	51,453
Deferred consideration received		**40,000**	40,000
Dividends received from an associate		**79,347**	–
Increase in time deposits over three months		**(111,582)**	(8,175)
Other investing cash flows		**(13,232)**	28,485
Net cash used in investing activities		**(1,424,810)**	(260,644)
Financing activities			
Repayments of bank and other loans		**(1,571,056)**	(919,893)
Dividends paid to shareholders of the Company		**(156,771)**	(123,017)
Dividends paid to non-controlling shareholders of subsidiaries		**(17,738)**	(14,231)
New bank and other loans raised		**1,601,389**	1,069,180
Capital contribution from non-controlling shareholders of subsidiaries		**29,319**	–
Issue of shares upon exercise of share options		**9,546**	–
Issue of shares upon share placement		**930,308**	–
Net cash generated from financing activities		**824,997**	12,039
Net decrease in cash and cash equivalents		**(277,477)**	(62,112)
Cash and cash equivalents at beginning of the period		**2,479,484**	1,922,503
Effect of foreign exchange rate changes		**33,368**	(5,304)
Cash and cash equivalents at end of the period, representing bank balances and cash		**2,235,375**	1,855,087

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

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

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

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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules").

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new and revised HKAS(s), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretation ("HK(IFRIC)–Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA:

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)–Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC)–Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of HKFRS 11 (continued)

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 18. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories:(a) items that will not be subsequently reclassified to profit or loss; and (b) items that may be subsequently reclassified to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

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

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The following amendments and interpretation have been issued after the date the consolidated financial statements for the year ended 31 December 2012 were authorised for issuance and are not yet effective:

Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)–Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014

The Directors anticipate that the application of the above interpretation will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker of the Group has been identified as the executive directors of the Company (the "Executive Directors").

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors to facilitate strategic decision making.

The Group currently organises its operations into two operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely sales and distribution of piped gas and related products and gas connection. They represent two major lines of business engaged by the Group. The principal activities of the operating and reportable segments are as follows:

Sales and distribution of piped gas and related products	—	Sales of piped gas (mainly natural gas) and gas related household appliances*
Gas connection	—	Construction of gas pipeline networks under gas connection contracts

* Sales from gas related household appliances contribute to less than 5% of the Group's total turnover.

Segments results represent the profit before taxation earned by each segment, excluding finance costs, share of results of associates, share of results of joint ventures, other gains, net and unallocated corporate expenses such as central administration costs and directors' salaries. They are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

Amount of segment assets and liabilities of the Group are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors.

3. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

Information regarding these segments is presented below.

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

3. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

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

4. OPERATING PROFIT BEFORE RETURNS ON INVESTMENTS

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Turnover	**2,961,947**	2,437,459
Less expenses:		
Gas fuel, stores and materials used	**1,881,949**	1,583,452
Staff costs	**281,551**	220,341
Depreciation, amortisation, and release of leasehold land	**164,839**	140,187
Other expenses	**198,950**	151,565
	434,658	341,914

5. FINANCE COSTS

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

6. PROFIT BEFORE TAXATION

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

7. TAXATION

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

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

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

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to shareholders of the Company	**532,758**	357,086

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

9. DIVIDENDS

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

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately HK$515,193,000 (2012: HK$350,835,000) on additions to property, plant and equipment, including HK$367,336,000 (2012: HK$192,939,000) on the construction in progress of gas pipelines and HK$147,857,000 (2012: HK$157,896,000) on other plant and equipment.

11. GOODWILL

	HK$'000
At 31 December 2012	4,284,965
Currency realignment	69,257
Provisional amount acquired on acquisitions of businesses *(note 19)*	1,128,696
At 30 June 2013	5,482,918

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.6.2013	31.12.2012
	HK$'000	HK$'000
Trade receivables	**484,220**	412,371
Deferred consideration receivable	**38,916**	39,321
Prepayments	**407,431**	387,959
Other receivables and deposits	**242,273**	217,158
	1,172,840	1,056,809

Trade receivables

The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. Longer credit period is also allowed on a case by case basis. The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	30.6.2013	31.12.2012
	HK$'000	HK$'000
0 to 90 days	**389,713**	384,737
91 to 180 days	**26,676**	15,908
181 to 360 days	**67,831**	11,726
	484,220	412,371

13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	30.6.2013 HK$'000	31.12.2012 HK$'000
Trade payables	**639,836**	592,348
Receipt in advance	**1,764,751**	1,620,465
Consideration payable for acquisitions of businesses	**197,719**	297,941
Consideration payable to a joint venture *(note a)*	**86,251**	–
Other payables and accruals	**631,785**	481,597
Amount due to ultimate holding company *(note b)*	**840**	5,914
	3,321,182	2,998,265

Notes:

(a) The amount represents consideration payable to a joint venture for acquisition of Pingyin business as disclosed in note 19.

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

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

	30.6.2013 HK$'000	31.12.2012 HK$'000
0 to 90 days	**448,318**	440,373
91 to 180 days	**80,637**	40,066
181 to 360 days	**55,052**	43,550
Over 360 days	**55,829**	68,359
	639,836	592,348

14. BORROWINGS

	30.6.2013 HK$'000	31.12.2012 HK$'000
Bank loans — unsecured	**5,073,782**	5,029,939
Other loans — unsecured	**62,906**	61,913
	5,136,688	5,091,852

14. BORROWINGS (CONTINUED)

The maturity of the above borrowings is as follows:

	30.6.2013	31.12.2012
	HK$'000	HK$'000
On demand or within one year	**2,039,166**	1,946,359
More than one year but not exceeding two years	**773,527**	1,107,375
More than two years but not exceeding five years	**2,285,951**	2,000,674
More than five years	**38,044**	37,444
	5,136,688	5,091,852
Less: Amount due within one year shown under current liabilities	**(2,039,166)**	(1,946,359)
Amount due after one year	**3,097,522**	3,145,493

15. LOANS FROM THE ULTIMATE HOLDING COMPANY

The amounts represent unsecured loans denominated in US dollar and HK dollar which bear interest at Hong Kong Interbank Offered Rate plus a premium ranging from 1.25% to 3% per annum and are repayable in the fifth year from the date of the relevant draw down of the loan.

Principal outstanding	**Maturity**	**Effective Interest rate**	**Carrying amount 30.6.2013**	**Carrying amount** 31.12.2012
			HK$'000	HK$'000
HK$800,000,000 (2012: HK$800,000,000)	December 2014 – June 2017 (2012: December 2014 – June 2017) (according to date of draw down)	2.94% (2012: 2.91%)	**800,000**	800,000
US$25,000,000 (2012: US$25,000,000)	December 2016 (2012: December 2016)	3.87% (2012: 3.88%)	**194,000**	193,750
			994,000	993,750

16. SHARE CAPITAL

Authorised shares of HK$0.10 each

	Number of shares	Share capital HK$'000
At 31 December 2012 and 30 June 2013	5,000,000,000	500,000

A summary of the movements in the issued and fully paid capital of the Company is as follows:

	Number of shares	Share capital HK$'000
At 31 December 2012	2,460,344,830	246,035
Issue of shares upon share placement *(note a)*	150,000,000	15,000
Issue of shares upon exercise of share options *(note b)*	2,505,000	251
At 30 June 2013	2,612,849,830	261,286

Notes:

(a) On 16 January 2013, 150,000,000 new shares of the Company were issued by a share placement ("Placement") at a price of HK$6.31 per share. The Company intends to use the net proceeds after deducting related commission and other expenses of HK$930,308,000 from the Placement for the Group's general working capital and further investments of the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 4 June 2012.

(b) During the period ended 30 June 2013, the Company allotted and issued 2,505,000 shares of HK$0.10 each for cash at the price of HK$3.811 per share as a result of the exercise of share options.

All the shares which were issued during the period ended 30 June 2013 rank pari passu with the then existing shares in all respects.

17. CAPITAL COMMITMENTS

Except as disclosed elsewhere in the condensed consolidated financial statements, the Group has the following significant capital commitments at the end of the reporting period:

	30.6.2013	31.12.2012
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**41,026**	92,702
— acquisitions of subsidiaries *(note)*	**308,214**	610,572
— acquisition of an associate	**4,549**	–

Note: Amount represented consideration contracted for but not provided in the condensed consolidated financial statements for the acquisitions of two subsidiaries operating gas business in the PRC. As at 30 June 2013, the acquisitions were not yet completed and subject to certain conditions before completion.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) , as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value as at 30.6.2013	Fair value as at 31.12.2012	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
(1) Foreign currency forward contract classified as other financial asset in the statement of financial position	Asset — nil	Assets — HK$6,391,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of the Group.	N/A	N/A
(2) Interest rate swaps classified as other financial liabilities in the statement of financial position	Liabilities (designated for hedging) — HK$11,040,000	Liabilities (designated for hedging) — HK$18,992,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of the Group.	N/A	N/A

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

19. ACQUISITIONS OF BUSINESSES

During the six months ended 30 June 2013, the Group acquired the following businesses which are principally engaged in the sales and distribution of piped gas in the PRC. The primary reason for the below acquisitions was for the expansion of the Group's business and to increase returns to its shareholders.

	Date of acquisition	Percentage of registered capital acquired	Purchase consideration HK$'000
Business combinations in:			
Feicheng Hong Kong and China Gas Company Limited ("Feicheng")	January 2013	–*	59,411
Shenyang business ("Shenyang")	January 2013	–*	162,095
Pingyin business ("Pingyin")	January 2013	–*	136,628

19. ACQUISITION OF BUSINESSES (CONTINUED)

	Date of acquisition	Percentage of registered capital acquired	Purchase consideration
			HK$'000
Boxing Chongming Gasutilization Co., Ltd. ("Boxing")	January 2013	51%	120,823
Sichuan Quanxin Gas Co., Ltd. ("Quanxin")	January 2013	80%	168,948
Anxian County Lanyan Gas Co., Ltd. ("Lanyan")	January 2013	80%	10,382
Mianzhu Xinxin Natural Gas Co., Ltd. ("Xinxin")	January 2013	80%	5,209
Chaozhou Fengxi Hong Kong and China Gas Co., Ltd. ("Fengxi")	January 2013	60%	193,713
Yanshan Hong Kong & China Gas Co., Ltd. ("Yanshan")	April 2013	90%	68,010
Mengcun Hong Kong & China Gas Co., Ltd. ("Mengcun")	April 2013	90%	34,005
Cangxian Hong Kong & China Gas Co., Ltd. ("Cangxian")	April 2013	90%	68,010
Dafeng Hong Kong and China Gas Company Limited ("Dafeng")	May 2013	51%	367,089

* During the period, the Group acquired the identifiable assets and liabilities associated with the business of sales and distribution of piped gas from the former owners.

19. ACQUISITION OF BUSINESSES (CONTINUED)

The acquisition-related costs were insignificant and were recognised as expenses in the current period, within other expenses of note 4.

Details of provisional fair value of net identifiable assets acquired and provisional goodwill are as follows:

	Feicheng	Boxing	Quanxin	Lanyan	Xinxin	Shenyang	Fengxi	Pingyin	Yanshan	Mengcun	Cangxian	Dafeng	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 *(note a)*	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Purchase consideration	59,411	120,823	168,948	10,382	5,209	162,095	193,713	136,628	68,010	34,005	68,010	367,089	1,394,323
Non-controlling interests	–	4,121	15,586	745	643	–	9,571	–	1,138	1,147	1,139	18,588	52,678
Acquiree's provisional fair value of net identifiable assets acquired (see below)	(19,336)	(8,410)	(77,931)	(3,727)	(3,216)	(26,715)	(23,927)	(82,864)	(11,383)	(11,471)	(11,390)	(37,935)	(318,305)
Provisional goodwill	40,075	116,534	106,603	7,400	2,636	135,380	179,357	53,764	57,765	23,681	57,759	347,742	1,128,696

Note a: The Group acquired the Pingyin business from a joint venture of the Group for cash consideration of HK$93,100,000 and issuance of 35% equity interest in Ji Nan Ping Yin Hong Kong & China Gas Co., Ltd ("Jinan Pingyin"), a subsidiary of the Group. The fair value of the 35% equity interest in Jinan Pingyin, determined by reference to the fair value of Jinan Pingyin at the date of the acquisition, amounted to HK$43,532,000.

The non-controlling interests recognised at the acquisition dates were measured by reference to the proportionate share of provisional fair values of the acquirees' net assets at the acquisition dates and amounted to HK$52,678,000.

19. ACQUISITION OF BUSINESSES (CONTINUED)

The net identifiable assets acquired in the transactions are as follows:

Acquirees' provisional fair values at acquisition dates:

	Boxing HK$'000	Quanxin HK$'000	Shenyang HK$'000	Fengxi HK$'000	Pingyin HK$'000	Dafeng HK$'000	Other businesses HK$'000	Total HK$'000
Net assets acquired:								
Property, plant and equipment	48,775	50,607	25,570	1,415	63,259	41,153	28,328	259,107
Leasehold land	–	1,147	467	–	14,753	7,017	457	23,841
Inventories	2,217	2,630	678	–	4,852	2,062	926	13,365
Trade and other receivables, deposit, and prepayments *(note)*	10,105	50,095	–	26	–	15,772	53,615	129,613
Cash and bank balances	42	13,072	–	22,934	–	12,012	2,662	50,722
Trade and other payables and accrued charges	(43,081)	(29,925)	–	(448)	–	(24,791)	(23,821)	(122,066)
Taxation	(920)	–	–	–	–	(2,105)	(395)	(3,420)
Borrowing	(8,728)	(6,234)	–	–	–	(10,760)	–	(25,722)
Deferred taxation	–	(3,461)	–	–	–	(2,425)	(1,249)	(7,135)
	8,410	77,931	26,715	23,927	82,864	37,935	60,523	318,305

Note: The trade and other receivables acquired with a fair value of HK$119,671,000 had gross contractual amounts of HK$119,671,000. The best estimate at acquisition date of contractual cash flows not expected to be collected was nil.

19. ACQUISITION OF BUSINESSES (CONTINUED)

Net cash outflow arising on acquisitions:

	Boxing HK$'000	Quanxin HK$'000	Shenyang HK$'000	Fengxi HK$'000	Pingyin HK$'000	Dafeng HK$'000	Other businesses HK$'000	Total HK$'000
Purchase consideration	120,823	168,948	162,095	193,713	136,628	367,089	245,027	1,394,323
Less: equity instrument issued	–	–	–	–	(43,532)	–	–	(43,532)
Cash consideration	120,823	168,948	162,095	193,713	93,096	367,089	245,027	1,350,791
Amounts unpaid and included in:								
— consideration payable for acquisitions	(67,231)	–	(25,275)	–	–	–	(28,561)	(121,067)
— consideration payable to a joint venture	–	–	–	–	(86,251)	–	–	(86,251)
— amounts due to non-controlling shareholders	(30,734)	(156,082)	–	–	–	(128,270)	(99,573)	(414,659)
Bank balances and cash acquired	(42)	(13,072)	–	(22,934)	–	(12,012)	(2,662)	(50,722)
	22,816	(206)	136,820	170,779	6,845	226,807	114,231	678,092

Provisional goodwill arose from the above acquisitions because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the business. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

The goodwill arising from the above acquisitions is determined on a provisional basis as the Group is in the process of completing the identification of separable intangible assets and the independent valuation to assess the fair value of the identifiable assets acquired. It may be adjusted upon the completion of initial accounting year which shall not exceed one year from the respective acquisition date.

During the period, acquired businesses contributed HK$128,419,000 and HK$16,915,000 to the Group's turnover and profit for the period between the date of acquisition and the end of the reporting period, respectively.

Had the above acquisitions been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2013 would have been HK$3,064,279,000, and the amount of the profit for the interim period would have been HK$585,915,000. The pro forma 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 acquisitions been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

20. DISPOSAL OF A SUBSIDIARY

In May 2013, the Group disposed its 51% equity interest in Jinan Jihua Gas Co., Ltd. ("Jinan") to an associate of the Group, Shandong Jihua Gas Co., Ltd., for cash consideration of HK$76,659,000. Since the Group lost control on Jinan, relevant assets and liabilities are derecognised from the Group's condensed consolidated financial statements.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	183,476
Inventories	6,098
Trade and other receivables, deposits and prepayments	28,212
Cash and bank balances	74,820
Trade and other payables and accrued charges	(44,116)
Taxation	(24,159)
Deferred taxation	(5,956)
	218,375
Non-controlling interests	(107,004)
	111,371
The loss on disposal is calculated as follows:	
Cash consideration	76,659
Net assets disposed of	(111,371)
Loss on disposal	(34,712)
Net cash inflow arising on disposal:	
Cash consideration	76,659
Less: bank balances and cash disposed of	(74,820)
	1,839

The revenue and operating losses of the disposed subsidiary included in the Group's condensed consolidated financial statements amounted to HK$46,392,000 and HK$8,177,000, respectively.

21. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the notes to the condensed consolidated financial statements, the following related party transactions took place during the period:

Name of related party	Nature of transactions	Six months ended 30 June 2013 HK$'000	Six months ended 30 June 2012 HK$'000
HKCG	Interest expense	**15,388**	6,332
GH – Fusion Corporation Limited *(note b)*	Purchase of pipeline construction materials and tools	**2,053**	3,331
Shanxi ECO Coalbed Methane Co., Ltd. *(note a)*	Purchase of coalbed methane	**30,823**	22,847
Hongkong and China Technology (Wuhan) Company Limited *(note a)*	System software and supporting services	**434**	1,124
ECO Environmental Investments Limited *(note a)*	Office licence income	**–**	168
Anhui Province Natural Gas Development Company Limited *(note b)*	Purchase of compressed natural gas	**35,588**	30,072
Jilin Province Natural Gas Limited Company *(note c)*	Purchase of compressed natural gas vehicles	**3,974**	–
Jilin Province Natural Gas Limited Company *(note c)*	Consideration for the acquisition of remaining 50% equity interest of Gongzhuling Gangtian Compressed Natural Gas Co. Ltd.	**6,143**	–
Shenyang Sanquan Project Management Consulting Co., Ltd. *(note a)*	Project management services	**3,482**	461

21. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related party	Nature of transactions	Six months ended 30 June 2013 HK$'000	2012 HK$'000
Towngas Telecommunications (Shenzhen) Limited *(note a)*	Cloud computing system and supporting service	**4,224**	3,001
Shandong Hong Kong and China Gas Training Institute *(note b)*	Training services	**370**	72
Gongzhuling Gangtian Compressed Natural Gas Co., Ltd. *(note b)*	Sale of compressed natural gas	**795**	–
M-Tech Metering Solution (Shenzhen) Co., Ltd. *(note a)*	Purchase of pipeline construction materials and tools	**618**	–
G-Tech Piping Tech (Zhongshan) Ltd. *(note a)*	Purchase of pipeline construction materials and tools	**836**	–
Tongling Hong Kong and China Gas Company Limited *(note c)*	Purchase of compressed natural gas	**68**	–

Notes:

(a) HKCG had controlling interests in these companies.

(b) HKCG had significant influences in these companies.

(c) HKCG jointly controlled this company with another party.