港華燃氣有限公司
Towngas China Company Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1083)

2016 INTERIM RESULTS ANNOUNCEMENT

Financial Highlights:

- Total gas sales of the Group steadily grew by 5% to 3,551 million cubic metres.
- Profit from project companies on the mainland denominated in Renminbi increased 11% to RMB678 million.
- Profit after taxation attributable to shareholders of the Company was HK$564 million.

RESULTS

The board of directors (the "Board") of Towngas China Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016.

The unaudited consolidated results of the Group for the six months ended 30 June 2016 together with the comparative figures of 2015 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	**Six months ended 30 June** **2016** ***HK$'000*** ***(unaudited)***	 2015 *HK$'000* *(unaudited)*
Turnover	*2*	**3,435,946**	3,931,075
Operating profit before returns on investments		**556,122**	521,518
Other gains, net		**2,980**	106,195
Share of results of associates		**175,911**	174,994
Share of results of joint ventures		**156,133**	152,591
Finance costs	*3*	**(109,958)**	(82,903)
Profit before taxation	*4*	**781,188**	872,395
Taxation	*5*	**(164,747)**	(178,957)
Profit for the period		**616,441**	693,438
Profit for the period attributable to:			
Shareholders of the Company		**564,399**	639,166
Non-controlling interests		**52,042**	54,272
		616,441	693,438
		HK cents	*HK cents*
Earnings per share	*7*		
– Basic		**21.18**	24.24
– Diluted		**N/A**	24.21

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit for the period	**616,441**	693,438
Other comprehensive (expense) income		
Item that will not be reclassified subsequently to profit or loss		
Exchange differences arising on translation to presentation currency	**(341,074)**	6,874
Item that may be reclassified subsequently to profit or loss		
Fair value change on available-for-sale investment	**3,751**	-
Cash flow hedge:		
Fair value change on cash flow hedge	**2,361**	903
Reclassification of fair value adjustments to profit or loss	**1,239**	-
	(333,723)	7,777
Total comprehensive income for the period	**282,718**	701,215
Total comprehensive income attributable to:		
Shareholders of the Company	**250,677**	646,064
Non-controlling interests	**32,041**	55,151
Total comprehensive income for the period	**282,718**	701,215

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	NOTES	**30.06.2016** *HK$'000* *(unaudited)*	31.12.2015 *HK$'000* *(audited)*
Non-current assets			
Property, plant and equipment		**12,401,282**	12,054,598
Leasehold land		**555,555**	502,146
Intangible assets		**530,165**	560,257
Goodwill		**5,586,372**	5,732,259
Interest in associates		**2,987,404**	2,940,684
Interest in joint ventures		**2,131,254**	2,071,013
Loans to joint ventures		**78,189**	92,796
Loan to a non-controlling shareholder		**16,921**	-
Available-for-sale investments		**256,777**	259,506
		24,543,919	24,213,259
Current assets			
Inventories		**501,509**	558,421
Leasehold land		**26,229**	25,763
Loan to an associate		**-**	17,912
Loans to joint ventures		**96,440**	155,845
Trade and other receivables, deposits and prepayments	*8*	**1,360,855**	1,506,681
Amounts due from non-controlling shareholders		**15,928**	16,317
Other financial assets		**28,994**	-
Time deposits over three months		**210,703**	237,938
Bank balances and cash		**2,507,256**	2,138,388
		4,747,914	4,657,265
Current liabilities			
Trade and other payables and accrued charges	*9*	**4,343,784**	4,159,819
Amounts due to non-controlling shareholders		**107,132**	151,299
Taxation		**666,543**	650,428
Borrowings – amount due within one year		**2,671,320**	3,183,174
Other financial liabilities		**1,239**	3,600
		7,790,018	8,148,320
Net current liabilities		**(3,042,104)**	(3,491,055)
Total assets less current liabilities		**21,501,815**	20,722,204
Non-current liabilities			
Loans from the ultimate holding company		**993,750**	993,750
Borrowings – amount due after one year		**5,428,938**	4,591,433
Deferred taxation		**419,789**	437,165
		6,842,477	6,022,348
Net assets		**14,659,338**	14,699,856

	30.06.2016	31.12.2015
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Capital and reserves		
Share capital	**266,506**	266,506
Reserves	**13,195,749**	13,211,578
Equity attributable to shareholders of the Company	**13,462,255**	13,478,084
Non-controlling interests	**1,197,083**	1,221,772
Total equity	**14,659,338**	14,699,856

1. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the current interim period.

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

2. 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 revenue.

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. These are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

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 2016			
TURNOVER			
External	**2,693,205**	**742,741**	**3,435,946**
Segment results	**279,316**	**346,879**	**626,195**
Other gains, net			**2,980**
Unallocated corporate expenses			**(70,073)**
Share of results of associates			**175,911**
Share of results of joint ventures			**156,133**
Finance costs			**(109,958)**
Profit before taxation			**781,188**
Taxation			**(164,747)**
Profit for the period			**616,441**

	Sales and distribution of piped gas and related products *HK$'000*	Gas connection *HK$'000*	Consolidated *HK$'000*
Six months ended 30 June 2015			
TURNOVER			
External	3,212,316	718,759	3,931,075
Segment results	266,849	326,613	593,462
Other gains, net			106,195
Unallocated corporate expenses			(71,944)
Share of results of associates			174,994
Share of results of joint ventures			152,591
Finance costs			(82,903)
Profit before taxation			872,395
Taxation			(178,957)
Profit for the period			693,438

3. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**115,434**	86,384
Bank charges	**3,000**	2,234
	118,434	88,618
Less: amounts capitalised	**(8,476)**	(5,715)
	109,958	82,903

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**10,529**	10,268
Release of leasehold land	**9,640**	7,963
Cost of inventories sold	**2,314,392**	2,838,587
Depreciation of property, plant and equipment	**226,757**	212,248
Staff costs	**390,263**	385,619
Exchange loss	**108,203**	-
Change in fair value of other financial liabilities	**1,239**	-
and after crediting:		
Interest income	**12,778**	12,459
Dividend income from available-for-sale investments	**62,559**	65,136
Exchange gain	**-**	11,202
Change in fair value of other financial assets	**28,994**	-

5. TAXATION

The taxation charge represents Enterprise Income Tax ("EIT") of the People’s Republic of China ("PRC") 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.

The EIT rates applicable for the Group’s PRC subsidiaries range from 15% to 25% (2015: 15% to 25%).

Following the Catalogue of Encouraged Industries in Western Region which was promulgated by the National Development and Reform Commission of the PRC in 2014, certain subsidiaries which are operating in the Western China have been granted a concessionary tax rate of 15% by the local tax bureau.

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: nil). During the period, a dividend of HK ten cents per ordinary share (2015: HK ten cents per ordinary share) amounting to HK$266,506,000 was declared by the Board as the final dividend for 2015 (HK$264,291,000 for 2014).

The final dividend for 2015 was payable in cash but shareholders were given the option of electing to receive the final dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. Subsequent to the reporting period, on 18 July 2016, the final dividend of HK ten cents per ordinary share, which included the scrip dividend alternative offered to shareholders, was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2015.

7. 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	
	2016	2015
	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	**564,399**	639,166

	Number of shares	
	Six months ended 30 June	
	2016	2015
	’000	*’000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,665,063**	2,636,306
Effect of dilutive potential ordinary shares:		
Share options	**N/A**	3,710
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	2,640,016

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.06.2016	31.12.2015
	HK$'000	*HK$'000*
Trade receivables	**645,957**	734,598
Prepayments	**430,821**	502,695
Other receivables and deposits	**284,077**	269,388
	1,360,855	1,506,681

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:

	30.06.2016	31.12.2015
	HK$'000	*HK$'000*
0 to 90 days	**433,320**	544,639
91 to 180 days	**84,444**	99,045
181 to 360 days	**128,193**	90,914
	645,957	734,598

9. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	30.06.2016	31.12.2015
	HK$'000	*HK$'000*
Trade payables	**996,480**	941,764
Receipt in advance	**2,491,233**	2,403,811
Consideration payable for acquisitions of businesses	**101,199**	106,366
Consideration payable to a joint venture	**-**	1,528
Other payables and accruals	**753,707**	705,113
Amount due to ultimate holding company (note)	**1,165**	1,237
	4,343,784	4,159,819

Note: The amount is unsecured, interest-free and repayable on demand.

Trade payables

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

	30.06.2016	31.12.2015
	HK$'000	*HK$'000*
0 to 90 days	**651,733**	673,382
91 to 180 days	**146,525**	100,631
181 to 360 days	**106,341**	88,848
Over 360 days	**91,881**	78,903
	996,480	941,764

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the first half of 2016, the Group sold 3,551 million cubic metres of gas in total, representing a 5 % overall growth. Profit from project companies on the mainland denominated in Renminbi increased 11 % to RMB678 million. In view of the continued fluctuations of the exchange rate of Renminbi, the Group increased the percentage of Renminbi borrowings to total borrowings and made use of foreign currency swap contracts to minimise the foreign exchange risks in the period. Benefitted from the above measures, the Group recorded a decrease in net loss to HK$79 million arising from the drop in the foreign exchange rate of Renminbi, comprising foreign exchange loss of HK$108 million and gains of HK$29 million from changes in fair value of other financial assets. Profit after taxation attributable to shareholders of the Company amounted to HK$564 million, a decrease of 12% as compared to the corresponding period last year. Basic earnings per share amounted to HK21.18 cents, representing a decrease of 13% compared to the corresponding period of 2015.

Turnover

For the six months ended 30 June 2016, turnover from the sales of piped gas and related products declined 16% to HK$2,693 million over the corresponding period last year due to devaluation of Renminbi and downward adjustments to the natural gas price as made by the Chinese Government in November 2015. The total consolidated volume of gas sold in the current period amounted to 924 million cubic metres, representing an increase of 3% over the corresponding period last year. In the gas connection business, income from connection fees for the period amounted to HK$743 million, an increase of 3% over corresponding period last year. Consolidated new households' connections of 180,000 were made during the period under review.

Development of New Project

During the first half of the year, the Group acquired a 25% equity interest in SCEI Distributed Energy Systems Co., Ltd.. A natural gas "distributed energy project" is one that utilises natural gas as its fuel and aims to achieve energy cascade utilisation through models such as Combined Cooling Heating and Power (CCHP). The comprehensive energy efficiency of such project can reach 70% or more. At the same time, state-of-the-art power supply methods will be adopted in areas close to load centres in order to achieve efficient natural gas utilisation. This project will primarily focus in regions where major consumption of energy occur, such as metropolitan areas and industrial parks, where the technology of distributed renewable energy utilisation will be widely applied and strongly promoted. General objective of the project company during the "13th five-year strategic plan" period is to cement its leading market position within Sichuan Province and to gain an initial foothold in ex-Sichuan market, as well as to make attempts breaking into overseas markets (2016 to 2017), and to eventually develop itself into a corporation with global presence, with an undisputable dominating position within Sichuan market and a business coverage extended over the entire China, while also delineating steps to expand into overseas (2018 to 2020). As of today, approvals for three distributed energy resources projects have already been granted to the project company.

Available-for-sale Investments

Available-for-sale investments mainly consisted of the Group’s investment in Chengdu City Gas Co., Ltd. ("Chengdu Gas") and NanJing Public Utilities Development Co., Ltd. ("NanJing Public"), which contributed dividends to the Group. Chengdu Gas was stated at cost while NanJing Public was stated at fair value and no impairment provision was required during the period.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2016.

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 2016, the Group's total borrowings amounted to HK$9,094 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$5,371 million represented bank loans and other loans due between 1 to 5 years, HK$2,671 million represented bank loans and other loans due within 1 year, and HK$58 million represented bank loans and other loans due over 5 years. Other than bank loans and other loans of HK$4,653 million 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 the businesses of the Group are mainly occurred in mainland China and most transactions, assets and liabilities were stated in Renminbi, the Group bore foreign currency risk from fluctuations of Renminbi exchange rate for non-Renminbi denominated deposits and borrowings. Therefore, the Group raised the proportion of borrowings denominated in Renminbi to the total borrowings which amounted to HK$5,098 million and the remaining HK$3,996 million borrowings were denominated mainly in Hong Kong dollars and United States dollars. The Group entered into one-year currency swap contracts in the period to hedge foreign currency risk for Hong Kong dollar-denominated bank loans of HK$1,300 million. As at 30 June 2016, the Group did not have any pledge on assets. As at the end of the period, the Group had a gearing ratio (net debt excluding the HKCG loans ("Net Debt") to equity attributable to shareholders of the Company plus Net Debt) of 28.6%.

As at 30 June 2016, the Group's cash and cash equivalents together with time deposits amounted to HK$2,718 million, of which 97% are Renminbi-denominated and the rest are denominated in Hong Kong dollars and United States dollars.

As at 30 June 2016, the Group's unutilised available facilities amounted to HK$2,700 million.

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 strong liquidity position with its cash and cash equivalents on hand and unutilised banking facilities and we have adequate financial resources to meet our contractual obligations and operating requirements.

Credit Ratings

In July 2016, Standard & Poor’s maintained the long-term corporate credit rating of Towngas China at "BBB+", its long-term Greater China credit rating at "cnA+" and its rating outlook as "stable". In July 2015, Moody’s Investors Service upgraded the issuer rating of Towngas China from "Baa2" to "Baa1" with a "stable" outlook rating. These ratings, and the ongoing enhancement in our credit standing in particular, reflect the credit rating agencies’ recognition of Towngas China’s sound financial position.

Interim Dividend

The Board has resolved not to declare an interim dividend (2015: nil).

Employee and Remuneration Policies

As at 30 June 2016, the Group had 21,687 employees, 99% of whom worked in mainland China. Employee remuneration is based on individual performance, job nature and the relevant 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. We also encourage employees to seek a sound balance between work and leisure, while also 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.

2016 HKMA Quality Award Grand Award

Towngas China was honoured with the Grand Award presented by The Hong Kong Management Association (HKMA) at its 2016 HKMA Quality Awards, in recognition of our lasting commitment to quality. The award is highly gratifying as it affirms our approach to total quality management and the development of quality products, services and performance across our operations. Our ongoing efforts to improve our customer services, safety, operations, human resources, corporate social responsibilities and financial performance continue to contribute to our enduring business success.

Corporate Social Responsibilities

At Towngas China, the spirit of our corporate citizenship is demonstrated by our efforts to help protect the environment and our commitment to give back to society while, at the same time, pursuing our business development. As such, in the first half of the year, we organised a series of environmental and community programmes to support both our, as well as the community’s, sustainable development.

Within the community, our Towngas Gentle Breeze Movement campaign continued to provide teaching and other support materials to impoverished schools in remote and mountainous regions to foster a better educational environment for students. In the first half of the year, we made donations to Huashige School in Liaoning Province and Leyang Elementary School in Sichuan Province. The donations included desks and chairs, beds, books and school uniforms. The Group and its project companies also participated once again in our annual "Towngas Rice Dumplings for the Community" initiative, assembling nearly a thousand volunteers who prepared over 36,000 rice dumplings. These dumplings were then donated to social welfare organisations and low-income groups across the country.

We continued our tree planting activities, one of our major environmental protection initiatives. Together with over 10 project companies, we planted trees that spread out over an area of more than 3,600 square metres. Also taking a proactive approach to promote a low-carbon lifestyle in the community, we initiated our "Contest of Low Carbon Creativity" project this year. An excellent example of this initiative is the "Low-carbon Commute" campaign, which promoted a walk-for-health culture, encouraging staff to adopt a low-carbon lifestyle. Employees were also invited to submit creative ideas that would apply the principles of recycle and reuse in our daily lives – this has resulted in the growing of potted plants using excess polyethylene (PE) pipes in homes. By the end of June, continuing this low carbon journey, we had organised nearly 30 environmental activities in total.

Outlook

Economic Landscape

Tracing the growth trajectory of China's economic development, it is apparent that the country has commenced its transition to "the new normal", particularly after the "12th Five-Year Plan" period. Performance has been fair within the overall macro-economic indicators in the "gear-changing phase" for economic growth. Against this backdrop, the start of China's "13th Five-Year Plan", and 2016 in particular, will play a crucial role in the comprehensive development to a moderate and prosperous society. With GDP growth currently targeted at 6.5% to 7%, figures published by the National Statistics Bureau reveal that year-on-year growth for the second quarter reached 6.7%, while it was flat in comparison to the first quarter. Overall economic development maintained a mid-to-high rate, entering a period of stable development in line with the economic development patterns under the "new normal".

China is reaping enormous benefit from its ongoing structural reforms with the market playing a decisive role in resource allocation. Hand-in-hand with these developments, five major objectives have been established for China's economy in 2016 – "cutting overcapacity, destocking, deleveraging, reducing cost and shoring up weak growth areas". The achievement of these strategies will bring China's economy a step closer to sustainable and quality growth.

The "New Normal" Status of Natural Gas Price Reforms

Last year, ensuring the stable progress of natural gas price reforms, China aligned the price of non-residential "existing" and "incremental" gas usage volumes. In November 2015, the city-gate prices of non-residential natural gas were substantially reduced while a tiered pricing mechanism for residential gas volumes was implemented. These moves marked a significant step, not only in natural gas price reforms but also in market-oriented reforms for the upstream, midstream and downstream natural gas industry.

Since the beginning of market-oriented reforms for natural gas prices in China in 2010, adjustments have mainly focused on the price of non-residential gas usage volumes, while the price of residential gas sales have remained largely unchanged. It is understood that the relevant authorities are holding discussions on "Opinions on Enhancing the Market-oriented Reform for Natural Gas Price" (hereafter referred to as the "Opinion"). The ultimate aim of these reforms is to liberate gas supply as well as sales prices, enabling the government to only regulate gas supply prices with regard to pipelines and networks under a natural monopoly. China has set out to achieve these goals within the "13th Five-Year Plan" period. Based on the current reform plan, any division between residential and non-residential upstream gas prices will cease, with this proposed alignment set to come into effect in 2016. Regulations will gradually be removed entirely and prices will be determined by supply and demand or by market transactions. The "Opinion" advocates that city-gate prices for residential usage be adjusted by increasing the lower benchmark "residential" city-gate prices to the same level as non-residential volumes. On the mainland, the prices of residential volumes have long been lower than that of non-residential volumes, leading to severe cross-subsidy issues. The alignment of gas prices in both categories will therefore be beneficial, in that it will progressively resolve these cross-subsidy issues while also reducing the prices for non-residential gas usage. This in turn will encourage the use of natural gas in the non-residential sector.

The Group has been preparing for these natural gas price reforms. We have conducted widespread research on residential and non-residential products based on the price advantages of natural gas in the energy market. Dedicated teams have also been established to look into market expansion and the additional benefits of natural gas usage to capture the many new opportunities arising from these reforms. The Group encourages our project companies to push the replacement coal-fired boilers and the use of natural gas in the catering sector. In the residential market, the Group leveraged on the newly introduced progressive price level system and the ample supply of gas resources to actively explore the household heating and clothes drying market, which has led to extremely positive business results.

Market Prospects of the City Gas Business

During the "13th Five-Year Plan" period, the substitution of natural gas for traditional energies such as coal and petroleum should be the quickest and most effective measure to deal with the growing smog problem in China. From the perspective of the natural gas industry, its market-oriented transformation progress will accelerate even further in 2016 as both the reforms on the supply side and growth from the demand side are facilitated. Forecasts predict that the share of natural gas in the demand for domestic primary energy will reach 10% in 2020. In the past decade, China’s consumption of natural gas has recorded an average year-on-year growth of over 13%, while the volume of natural gas imported into China in 2015 doubled in comparison to 2011. The development prospects for natural gas thus remain immense in China. Currently, the share of natural gas in the country’s primary energy consumption is a meagre 5.8%. The level of natural gas consumption per capita is also a mere one-third of the international standard. Hence, the Group is optimistic and confident with regard to the future growth and demand of city-gas markets in China.

The Group's Future Business Development Direction

In accordance with the country’s "13th Five-Year Plan" and in line with its steady and sustainable economic development, China is actively promoting green energy policies. As such, the pace of natural gas reforms is rapidly accelerating. The successive introduction and implementation of complementary policies and programmes have not only improved the demand for natural gas in the market, they have also improved its affordability for users. The Group will thus ride the pace of development of the natural gas industry in China, enabling our expansion in the natural gas market, and to boost our growth and ongoing profitability.

Looking ahead, we will continue to expend our utmost efforts to enhance our management standards with due emphasis on our customer services and corporate social responsibilities. We will also pursue our ongoing growth with a strong focus both on quality and efficiency, as we work to ensure our leading edge against the competition and endeavour to serve as a role model for China’s city gas industry.

OTHER INFORMATION

Purchases, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

Corporate Governance

The Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") during the six months ended 30 June 2016.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the "Model Code") 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 2016.

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, risk management and internal control systems.

An Audit Committee meeting was held on 10 August 2016 to review the unaudited condensed consolidated financial statements for the six months ended 30 June 2016. 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 2016 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Appreciation

On behalf of the Board, I would like to express sincere gratitude to all staff for their dedication and hard work, and to all shareholders and investors for their long-standing support.

By Order of the Board
Ho Hon Ming, John
Executive Director and Company Secretary

Hong Kong, 16 August 2016

At the date of this announcement, the Board comprises:

Executive Directors:
Chan Wing Kin, Alfred *(Chairman)*
Wong Wai Yee, Peter *(Chief Executive Officer)*
Ho Hon Ming, John *(Company Secretary)*
Kee Wai Ngai, Martin

Independent Non-Executive Directors:
Cheng Mo Chi, Moses
Li Man Bun, Brian David
Kwan Yuk Choi, James