鄭州華潤燃氣股份有限公司
Zhengzhou China Resources Gas Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 3928)

UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

- During the Relevant Period, unaudited turnover of the Group and profit attributable to the shareholders of the Company amounted to approximately RMB972,835,000 and RMB135,690,000 respectively, representing respective increases of approximately 28.44% and 4.50% over the corresponding period of last year.

- Sales of piped natural gas for the Relevant Period amounted to approximately RMB735,727,000, representing an increase of approximately 34.13% over the corresponding period of last year.

- Revenue derived from gas pipeline construction aggregated to approximately RMB245,258,000 for the Relevant Period, representing an increase of approximately 17.65% over the corresponding period of last year, which was primarily attributable to the desirable growth in gas pipeline construction projects for residential users.

- Basic earnings per share for the Relevant Period were approximately RMB1.084, representing an increase of approximately RMB0.047 as compared with approximately RMB1.037 for the corresponding period of last year.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

FINANCIAL STATEMENTS

The board of directors (the "Board") of Zhengzhou China Resources Gas Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011 (the "Relevant Period") together with comparative figures of the corresponding period of 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited and restated)
Turnover	5	**972,835**	757,444
Cost of sales		**(708,209)**	(517,346)
Gross profit		**264,626**	240,098
Other income		**2,449**	2,592
Selling and distribution expenses		**(36,466)**	(25,178)
Administrative expenses		**(52,269)**	(40,943)
Other expenses and losses		**(430)**	(1,222)
Share of profits of an associate		**3,058**	314
Profit before taxation		**180,968**	175,661
Taxation	6	**(44,956)**	(45,639)
Profit and total comprehensive income for the period	7	**136,012**	130,022
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**135,690**	129,843
Non-controlling interests		**322**	179
		136,012	130,022
		RMB **(unaudited)**	*RMB* (unaudited and restated)
Earnings per share	9		
Basic		**1.084**	1.037

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	At 30 June 2011	At 31 December 2010
		RMB'000	*RMB'000*
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**1,082,585**	1,041,962
Prepaid lease payments		**108,435**	109,868
Interests in an associate		**29,252**	26,194
Deferred tax assets		**23,909**	24,497
		1,244,181	1,202,521
CURRENT ASSETS			
Inventories		**31,641**	21,520
Trade and other receivables	*11*	**202,877**	240,245
Prepaid lease payments		**2,852**	2,852
Amounts due from customers for contract work		**12,257**	2,964
Amount due from immediate holding company		**3,285**	3,200
Amounts due from fellow subsidiaries		**1,097**	712
Fixed deposits held at banks with maturity over three months		**45,000**	45,000
Bank balances and cash		**521,950**	357,342
		820,959	673,835
CURRENT LIABILITIES			
Trade and other payables	*12*	**823,712**	763,628
Amounts due to customers for contract work		**87,735**	81,015
Amount due to immediate holding company		**3,442**	110
Amounts due to fellow subsidiaries		**930**	2,173
Taxation payable		**7,345**	23,466
		923,164	870,392
NET CURRENT LIABILITIES		**(102,205)**	(196,557)
NET ASSETS		**1,141,976**	1,005,964
Capital and reserves			
Share capital	*13*	**125,150**	125,150
Reserves		**992,902**	857,212
Equity attributable to owners of the Company		**1,118,052**	982,362
Non-controlling interests		**23,924**	23,602
		1,141,976	1,005,964

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Other reserves**	**Capital reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000* *(Note a)*	*RMB'000* *(Note b)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011 (audited)	125,150	101,026	258,886	28,150	469,150	982,362	23,602	1,005,964
Profit and total comprehensive income for the period	–	–	–	–	135,690	135,690	322	136,012
At 30 June 2011 (unaudited)	125,150	101,026	258,886	28,150	604,840	1,118,052	23,924	1,141,976
At 1 January 2010 (audited)	125,150	101,026	219,317	28,150	386,192	859,835	23,089	882,924
Profit and total comprehensive income for the period	–	–	–	–	129,843	129,843	179	130,022
Transfers between categories	–	–	20,433	–	(20,433)	–	–	–
Dividends paid	–	–	–	–	(20,349)	(20,349)	–	(20,349)
At 30 June 2010 (unaudited and restated)	125,150	101,026	239,750	28,150	475,253	969,329	23,268	992,597

Notes:

(a) Other reserves comprise of statutory surplus reserve and general surplus reserve.

In accordance with the Company Law of the People's Republic of China (the "PRC") and the respective articles of association of the Company and its subsidiaries, each of the Company and its subsidiaries is required to allocate 10% of its profits after tax, as determined in accordance with relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory surplus reserve until such reserve reaches 50% of its registered capital. In addition, appropriations to general surplus reserve are made out of profit after taxation of the Company and subsidiaries while the amount and allocation basis are decided by its board of directors annually. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve and general surplus reserve may be converted to increase paid -up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(b) Capital reserve arises from the acquisition of non-controlling interests in a subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited and restated)
NET CASH FROM OPERATING ACTIVITIES	**275,344**	220,404
INVESTING ACTIVITIES		
Payments for acquisition of property, plant and equipment	**(114,415)**	(68,161)
Withdrawal of fixed deposits held at banks with maturity over three months	**–**	30,000
Withdrawal of pledged bank deposits	**–**	26,450
Placement of pledged bank deposits	**–**	(26,450)
Placement of fixed deposits held at banks within maturity over three months	**–**	(10,000)
Others investing cash flows (net)	**1,590**	4,942
NET CASH USED IN INVESTING ACTIVITIES	**(112,825)**	(43,219)
FINANCING ACTIVITIES		
Advances from immediate holding company	**3,332**	5,021
Repayment to fellow subsidiaries	**(1,243)**	(444)
Dividends paid	**–**	(20,349)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**2,089**	(15,772)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**164,608**	161,413
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**357,342**	291,732
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTING BANK BALANCES AND CASH	**521,950**	453,145

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. GENERAL

The Company was established in the PRC on 18 December 2000 as a joint stock limited company under the Company Law of the PRC. The Company's H shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In August 2010, China Resources Gas Group Limited ("CR Gas Group"), a company incorporated in Bermuda with its shares listed on the Stock Exchange, acquired a substantial equity interest in the Company through its subsidiaries and became the parent of the Company, and China Resources National Corporation ("CRNC") became the ultimate holding company of the Company.

The Group is principally engaged in the sales of natural gas, pressure control equipment and gas appliances, the construction of gas pipelines and the provision of renovation services of gas pipelines.

The interim results of the Group are unaudited and have been reviewed by the Company's Audit Committee.

2. PRIOR PERIOD ADJUSTMENTS

In the prior period, the Group recognised income from construction contracts for gas connection upon the completion of construction of pipelines for users and connection of such pipelines to the Group's existing gas pipeline network, which is concurrent with the "fire ignition ceremony". Upon the acquisition of an equity interest in the Company by CR Gas Group during the year ended 31 December 2010, the management of the Company reassessed the Group's accounting policy for revenue recognition in respect of construction contracts for gas connection and adopted the percentage of completion method in its annual consolidated financial statements for the year ended 31 December 2010 in order to be consistent with the accounting policy adopted by CR Gas Group.

(a) The effect of change in accounting policy on the condensed consolidated statement of comprehensive income during the six months ended 30 June 2010 is as follows:

	Six months ended 30 June 2010	Effect of change in accounting policy	Six months ended 30 June 2010
	RMB'000 (unaudited and originally stated)	*RMB'000*	*RMB'000* (unaudited and restated)
Turnover	730,780	26,664	757,444
Cost of sales	(507,167)	(10,179)	(517,346)
Gross profit	223,613	16,485	240,098
Other income	2,592	–	2,592
Selling and distribution expenses	(25,178)	–	(25,178)
Administrative expenses	(40,943)	–	(40,943)
Other expenses and losses	(1,222)	–	(1,222)
Share of profits of an associate	314	–	314
Profit before taxation	159,176	16,485	175,661
Taxation	(41,636)	(4,003)	(45,639)
Profit and total comprehensive for the period	117,540	12,482	130,022
Profit and total comprehensive income for the period attributable to:			
Owners of the Company	117,361	12,482	129,843
Non-controlling interests	179	–	179
	117,540	12,482	130,022

(b) The effect of change in accounting policy on the result for the six months ended 30 June 2011 by line items is as follows:

	RMB'000
Increase in turnover	20,327
Increase in costs of sales	(9,853)
Increase in taxation	(2,619)
Increase in profit and total comprehensive income for the period	7,855

(c) The effect of change in accounting policy described above on the Group's basic earnings per share for the six months ended 30 June 2011 and 2010 is as follows:

	2011	2010
	RMB	*RMB*
Figures before adjustments	**1.021**	0.938
Adjustments arising from change in accounting policy	**0.063**	0.099
Figures after adjustments	**1.084**	1.037

(d) The impact of the change in accounting policy on the condensed consolidated statement of financial position as at 1 January 2010 has been disclosed in the annual report of the Company for the year ended 31 December 2010.

3. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with International Accounting Standard 34 "Interim Financial Reporting".

In preparing the condensed consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately RMB102,205,000 as at 30 June 2011. Taking into account that the balance of trade and other payables as at 30 June 2011 included receipts in advance from customers of RMB466,293,000 and the internally generated funds, the directors of the Company are confident that the Group will be able to meet its financial obligations, including its obligations in relation to the receipts in advance from customers for gas connection projects, when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

4. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards and interpretations ("new or revised IFRSs").

The Group has applied IAS 24 "Related party disclosures" (as revised in 2009) in full in the current period. IAS 24 (as revised in 2009) has resulted in a revision on the following two aspects: (a) introduction of a partial exemption from the disclosure requirements for government-related entities and (b) revision of the definition of a related party.

In its annual consolidated financial statements for the year ended 31 December 2010, the Group early applied the partial exemption from the disclosure requirements for government-related entities. In the current interim period, the Group has applied for the first time the revised definition of a related party and the remaining parts of IAS 24 (as revised in 2009).

IAS 24 (as revised in 2009) requires retrospective application. The application of the amendment of IAS 24 (as revised in 2009) has had no effect on the amounts recognised or recorded and disclosed in the condensed consolidated financial statements for the current and prior periods.

The application of the other new and revised IFRSs 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.

The Group has not early applied any new and revised standards and interpretations that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised standards and interpretations but is not yet in a position to state whether these new and revised standards and interpretations would have a material impact on its results of operations and financial position.

5. TURNOVER AND SEGMENT INFORMATION

The Group has identified two operating and reportable segments – sale and distribution of gas fuel and related products and gas connection. The Group's chief operating decision maker uses such operating segment information to make strategic decisions.

The activities of these divisions are as follows:

Sale and distribution of gas fuel and related products – sale of natural gas and other related products, including pressure control equipment and gas appliances

Gas connection – connection fee income and construction contracts for gas connection to the Group's pipelines

Information regarding the above segments is reported below.

The following is an analysis of the Group's revenue and results by operating and reportable segments for the periods under review.

	Sale and distribution of gas fuel and related products	Gas connection	Subtotal	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2011					
Turnover					
External sales	**731,244**	**241,591**	**972,835**	**–**	**972,835**
Inter-segment sales*	**29,007**	**29,227**	**58,234**	**(58,234)**	**–**
Total	**760,251**	**270,818**	**1,031,069**	**(58,234)**	**972,835**
Result					
Segment results	**43,428**	**186,982**	**230,410**	**(3,661)**	**226,749**
Share of profits of an associate					**3,058**
Unallocated income					**390**
Unallocated expenses					**(49,229)**
Profit before taxation					**180,968**

	Sale and distribution of gas fuel and related products	Gas connection	Subtotal	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2010 (restated)					
Turnover					
External sales	553,797	203,647	757,444	–	757,444
Inter-segment sales*	7,702	41,714	49,416	(49,416)	–
	561,499	245,361	806,860	(49,416)	757,444
Result					
Segment results	54,389	163,744	218,133	(3,174)	214,959
Share of profits of an associate					314
Unallocated income					906
Unallocated expenses					(40,518)
Profit before taxation					175,661

* Inter-segment transactions are conducted based on market prices.

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

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
Sale and distribution of gas fuel and related products	**1,861,137**	1,619,583
Gas connection	**170,369**	226,667
Segment assets	**2,031,506**	1,846,250
Interests in an associate	**29,252**	26,194
Unallocated assets	**4,382**	3,912
Total assets	**2,065,140**	1,876,356

6. TAXATION

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000* (restated)
Current tax		
PRC Enterprise Income Tax	**44,368**	47,051
Deferred taxation	**588**	(1,412)
	44,956	45,639

Profits tax arising in the PRC is calculated based on the applicable tax rates on assessable profits.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**29,741**	24,631
Release of prepaid land lease payments	**1,433**	1,416
Loss on disposal of property, plant and equipment	**–**	243
Write down of inventories to the realisable value	**352**	544
Impairment loss on trade receivables	**24**	116
Interest income on bank deposits	**(2,060)**	(1,686)

8. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Dividends recognised as distribution during the period:		
Final dividend paid for 2010 of nil (2010: for 2009 of RMB0.1626 per ordinary share)	**–**	20,349

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2011.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000* (restated)
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**135,690**	129,843

	2011	2010
Number of shares:		
Number of shares for the purpose of basic earnings per share	**125,150,000**	125,150,000

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment with total amount of RMB70,364,000 (2010: RMB68,161,000) including construction in progress amounting to RMB67,785,000 (2010: RMB34,649,000). Carrying value of property, plant and equipment disposed of by the Group during the six months ended 30 June 2011 was nil (2010: RMB374,000).

11. TRADE AND OTHER RECEIVABLES

The Group generally allows credit periods ranging from 30 to 60 days to its trade customers. The aged analysis of trade receivables, including notes receivable, net of allowance for doubtful debts, is presented based on the invoice date at the end of the reporting period as follows:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
0 – 30 days	**102,918**	130,105
31 – 60 days	**18,532**	17,709
61 – 90 days	**11,917**	6,214
91 – 180 days	**18,426**	11,302
Over 180 days	**1,936**	3,408
	153,729	168,738

12. TRADE AND OTHER PAYABLES

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
Trade payables	**172,078**	158,732
Receipt in advance from customers	**466,293**	434,384
Other payables	**134,850**	116,285
Accruals	**15,821**	1,402
Payroll payables	**34,670**	52,825
	823,712	763,628

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

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
0 – 90 days	**64,101**	127,133
91 – 180 days	**63,778**	21,954
Over 180 days	**44,199**	9,645
	172,078	158,732

The average credit period on purchases of goods ranges from 7 to 365 days.

13. SHARE CAPITAL

	Number of shares		Nominal value of shares	
	At 30 June 2011	At 31 December 2010	**At 30 June 2011**	At 31 December 2010
			RMB'000	*RMB'000*
Shares of RMB1 each				
Authorised:				
At beginning of the period/year and at end of the period/year	**125,150,000**	125,150,000	**125,150**	125,150
Issued and fully paid:				
At beginning of the period/year and at end of the period/year	**125,150,000**	125,150,000	**125,150**	125,150
Represented by:				
Domestic shares	**70,084,000**	70,084,000	**70,084**	70,084
H shares	**55,066,000**	55,066,000	**55,066**	55,066
	125,150,000	125,150,000	**125,150**	125,150

14. CAPITAL COMMITMENTS

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for	**3,016**	2,960
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**158,501**	15,757
	161,517	18,717

15. RELATED PARTY TRANSACTIONS

Transactions with related parties

In addition to the related party transactions set out in respective notes to the condensed consolidated financial statements, during the six months ended 30 June 2011 and 2010, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Rental expenses paid to immediate holding company *(Note)*	**6,335**	–
Property management fee paid to a former fellow subsidiary	**–**	476

Note: During the six months ended 30 June 2010, the Group paid rental expenses of RMB5,075,000 to immediate holding company before the acquisition of equity interest in the Company by CR Gas Group in August 2010.

Compensation of key management personnel of the Group

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Short-term benefits	**2,332**	2,621
Post-employment benefits	**149**	134
	2,481	2,755

Transactions/balances with the other state-controlled entities

Apart from the transactions with the parent company and its subsidiaries which have been disclosed in other notes to the condensed consolidated financial statements, the Group also conducts businesses with entities directly or indirectly controlled by the PRC government in the ordinary course of business, including purchase and sales of gas. A large portion of purchase of gas is from government-related entities.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

General

The Group is mainly engaged in the sales of piped natural gas, gas appliances and pressure control equipment to residential users, commercial users, industrial users, vehicular users and compressed natural gas ("CNG") users, as well as providing gas pipeline construction services. Turnover of various products and services as at 30 June 2011 and 2010 is listed as follows:

	As at 30 June				
	2011		2010		
	Turnover *(RMB'000)*	***As % of turnover***	Turnover *(RMB'000)* (Restated)	*As % of turnover*	*Growth %*
Natural gas	**735,727**	**74.82%**	548,531	71.66%	34.13%
Gas appliances	**2,037**	**0.21%**	7,008	0.92%	-70.93%
Pressure control equipment	**145**	**0.01%**	362	0.05%	-59.94%
Gas pipelines					
– Connection and construction	**245,258**	**24.94%**	208,468	27.23%	17.65%
– Provision of renovation work	**72**	**0.01%**	1,013	0.13%	-92.89%
Others	**156**	**0.02%**	127	0.02%	22.83%
	983,395	**100.00%**	765,509	100.00%	28.46%
Less: Business tax and government surcharges	**(10,560)**		(8,065)		
Total	**972,835**		757,444		28.44%

For the six months ended 30 June 2011, the Group recorded a turnover of approximately RMB972,835,000, representing an increase of 28.44% as compared with the corresponding period of last year, which was mainly attributed to the increase in both income from the sales of natural gas and income from gas pipeline connection and construction business.

During the Relevant Period, the overall gross profit margin of the Group was approximately 27.20%, representing a decrease of approximately 4.5 percentage points as compared with approximately 31.70% of the corresponding period of last year. The decrease of gross profit margin was primarily due to the continuous rise in purchase cost of natural gas, thus the gross profit margin of the sales of natural gas decreased to approximately 11.60% in the Relevant Period from approximately 14.51% of the corresponding period of last year. In addition, the gross profit margin of the gas pipeline connection and construction business decreased to approximately 77.17% in the Relevant Period from approximately 79.75% of the corresponding period of last year.

During the Relevant Period, the Group recorded other income of approximately RMB2,449,000, most of which was interest income, representing a decrease of approximately 5.52% as compared with approximately RMB2,592,000 of the corresponding period of last year, mainly due to the decrease in government subsidy.

During the Relevant Period, the selling and distribution expenses of the Group amounted to approximately RMB36,466,000, representing an increase of approximately 44.83% as compared with approximately RMB25,178,000 of the corresponding period of last year, mainly due to the increase in staff costs such as employees' salary, welfare, labour insurance, etc. During the Relevant Period, the administrative expenses of the Group was approximately RMB52,269,000, representing an increase of approximately 27.66% as compared with approximately RMB40,943,000 of the corresponding period of last year, mainly due to the increase in staff costs, repairs expenses and intermediary fees.

The Group's other expenses and losses amounted to approximately RMB430,000 representing a decrease of approximately 64.81% as compared with approximately RMB1,222,000 of the corresponding period of last year, mainly because during the Relevant Period, the Group did not write off certain assets as it did during the corresponding period of last year.

During the Relevant Period, the Group's share of profits of an associate was approximately RMB3,058,000, representing an increase of approximately 873.89% as compared with approximately RMB314,000 of the corresponding period of last year, mainly attributed to the ideal growth in profits of Pingdingshan Gas Co., Ltd., an associate of the Group.

Income tax expenses of the Group for the Relevant Period were approximately RMB44,956,000, representing a decrease of approximately 1.50% as compared with approximately RMB45,639,000 of the corresponding period of last year, which was a slight decrease.

During the Relevant Period, the net profit attributable to shareholders of the Company was approximately RMB135,690,000, representing an increase of approximately 4.50% as compared with approximately RMB129,843,000 for the corresponding period of last year.

Sales of Piped Natural Gas

The turnover attributed to the sales of piped natural gas for the Relevant Period amounted to approximately RMB735,727,000, representing an increase of approximately 34.13% as compared with approximately RMB548,531,000 for the corresponding period of last year.

During the Relevant Period, the total gas consumption by natural gas users of the Group was approximately 313,434,000m^3, representing an increase of approximately 22.66% as compared with approximately 255,535,000m^3 for the corresponding period of last year.

Natural gas consumption of the Group analyzed by different types of users during the Relevant Period, together with the comparative figures for the corresponding period of last year are set out below:

	For the six months ended 30 June				
	2011		2010		
	Total gas consumption	**As a percentage of total gas consumption**	Total gas consumption	As a percentage of total gas consumption	Increase/ Decrease
Natural Gas Consumption (approximately ’000m^3)	**313,434**		255,535		22.66%
Including					
residential users	**108,759**	**34.70%**	96,496	37.76%	12.71%
commercial users	**105,088**	**33.53%**	85,177	33.33%	23.38%
industrial users	**53,025**	**16.92%**	37,485	14.67%	41.46%
vehicular users	**35,129**	**11.21%**	36,087	14.12%	-2.65%
CNG users	**11,433**	**3.65%**	290	0.11%	3842.41%

During the Relevant Period, the gas consumption by residential users of the Group recorded a steady growth, and increased by 12.71% as compared with the corresponding period of last year. The increase in gas consumption was mainly due to the natural growth of the number of residential users. The increase in gas consumption by industrial and commercial users recorded a satisfactory growth, showing an increase of approximately 41.46% and 23.38% respectively. It was mainly a result of the Group’s progressive development of larger industrial and commercial users. During the Relevant Period, the growth in the gas consumption by vehicular users of the Group decreased by 2.65% as compared with the corresponding period of last year. The major reason was that the Group lost certain customers to other vehicular gas station operators in fierce competition. During the Relevant Period, the Group achieved a substantial increase in the purchase of natural gas by CNG users, reporting a significant increase of 3,842.41% as compared with the corresponding period of last year. One of the reasons was that the Group only started to sell gas to CNG users from 29 April last year, so the figure of the corresponding period of last year only represented a two-month gas sales volume. Secondly, the Group obtained an additional CNG user during the Relevant Period, and the purchase volume from original users also increased. These users primarily purchase compressed natural gas from the Group and then redistribute to other users. Therefore, having one additional user can bring about considerable gas sales.

As at 30 June 2011, the Group has 1,046,537 residential users, representing an increase of 46,260 users as compared with 1,000,277 residential users as at 31 December 2010; 2,856 commercial users, representing an increase of 164 users as compared with 2,692 commercial users as at 31 December 2010; 96 industrial users, representing an increase of 8 users as compared with 88 industrial users as at 31 December 2010; 12,106 vehicular users, representing an increase of 1,196 users as compared with 10,910 vehicular users as at 31 December 2010; 3 CNG users, representing an increase of 1 user as compared with 2 CNG users as at 31 December 2010.

During the Relevant Period, the Group purchased approximately 269,379,000m^3 and 52,611,000m^3 of natural gas from “Project of Transmitting Natural Gas through the West to the East Pipelines” and North China Petroleum Bureau, China Petroleum & Chemical Corporation (中石化華北石油局) respectively, representing approximately 82.40% and 16.09% of the total purchase of natural gas respectively. During the Relevant Period, the Group’s cost for gas purchase kept climbing, and the average cost for gas purchases rose from approximately RMB1.5210/m^3 for the corresponding period of last year to approximately RMB1.7413/m^3 during the Relevant Period.

Sales of Gas Appliances and Pressure Control Equipment

The Group is also engaged in the sales of gas appliances and pressure control equipment. The gas appliances available for sale mainly include gas stoves, water heaters, fire alarms, etc.. These gas appliances were purchased from several gas appliance producers and sold through the Group's sales outlets in Zhengzhou. In relation to pressure control equipment, the main sales targets are other natural gas suppliers and residential users. During the Relevant Period, revenue from sales of gas appliances and pressure control equipment amounted to approximately RMB2,037,000 and approximately RMB145,000, representing a decrease of approximately 70.93% and approximately 59.94% as compared with approximately RMB7,008,000 and approximately RMB362,000 for the corresponding period of last year, respectively.

Natural Gas Pipeline Construction Services

During the Relevant Period, the Group adopted the percentage-of-completion method to recognize the revenue derived from provision of natural gas pipeline construction services. As a result, the provision of natural gas pipeline construction services for the corresponding period of last year was restated from RMB180,894,000 to RMB208,468,000. With the new method of revenue recognition, the provision of natural gas pipeline construction services amounted to approximately RMB245,258,000, representing an increase of approximately 17.65% as compared with the corresponding period of last year. The revenue for connection of natural gas supply for residential users was approximately RMB224,021,000 while that for commercial user was approximately RMB20,850,000. The increase in the revenue from natural gas pipeline construction services was mainly attributable to the satisfactory growth in natural gas pipeline construction projects for residential users. Furthermore, the Group obtained revenue from other construction projects amounting to approximately RMB387,000.

In addition, the Group provides gas pipeline renovation services. During the Relevant Period, such income amounted to approximately RMB72,000, representing a decrease of approximately 92.89% as compared with approximately RMB1,013,000 for the corresponding period of last year. The decrease was mainly attributable to the reduction of the number of outdoor construction projects.

Net profit and return to shareholders

During the Relevant Period, net profit margin of the Group was approximately 13.95% which was lower than 17.14% recorded for the corresponding period of last year. The decrease was mainly due to a squeeze in gross profit margin of the sales of natural gas and the provision of gas pipeline connection and construction services. Furthermore, the higher growth rate of selling and distribution expenses than the growth rate of revenue reduced net profit margin as well.

Average return to shareholders for the Relevant Period, based on the profit attributable to shareholders of the Company divided by the average of equity attributable to shareholders of the Company at the beginning and at the end of the Relevant Period was 12.92%, which represented a decrease as compared with 14.20% of the corresponding period of last year. This was primarily because no final dividends were distributed during the Relevant Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Borrowing and banking facilities

The Group currently finances its capital expenditure and operations mainly by internally generated funds, bank loans and its bank deposits or cash on hand. The Group is of the view that, in the long run, the Group will generate its liquidity from business operations and will consider making use of further equity finances or bank loans when necessary.

As at 30 June 2011, the Group had no interest-bearing bank borrowings.

Net current liabilities

The directors of the Company have given consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately RMB102,205,000 as at 30 June 2011. Taking into account that the balance of trade and other payables as at 30 June 2011 included receipts in advance from customers of RMB466,293,000 and the internally generated funds, the directors of the Company are confident that the Group will be able to meet its financial obligations, including its obligations in relation to the receipts in advance from customers for gas connection projects, when they fall due in the foreseeable future.

Working capital

As at 30 June 2011, the Group had cash and bank balances of approximately RMB521,950,000.

Equity to liabilities ratio

As at 30 June 2011, equity to liabilities ratio (being total equity over total liabilities and expressed in percentage) of the Group was 123.70%, which was higher than 115.58% as at 31 December 2010. This shows that more than half of the assets were still financed by shareholders' equity, so our financial position remained stable. The increase in such ratio as compared with the end of the previous year was mainly because no final dividend was distributed during the Relevant Period, and therefore there was no decrease in the equity.

Foreign exchange risk

All of the Group's businesses are operated in the PRC and all of its transactions are settled in Renminbi. Therefore, the Group's exposure to foreign currency risk is minimal.

Contingent liabilities and pledged assets

As at 30 June 2011, the Group had no significant contingent liabilities and its assets were not under pledge.

Employees and remuneration policy

There is no significant change in the Group's employees and remuneration policy compared to that disclosed in the annual report for the year ended 31 December 2010.

Material acquisitions and disposals of subsidiaries and associated companies

During the Relevant Period and the corresponding period of last year, the Group had no material acquisitions and disposals of subsidiaries and associated companies.

Material investment

As at 30 June 2011, the Group had no material investment, and likewise as at 30 June 2010.

Prospect

Residential Users

Being influenced by a series of government policies to control the property market, the market of residential gas will only grow steadily. The national government's enforcement of the purchase restriction order and increase in the first instalment ratio of the second property have limited the development of residential property market and hence will limit the Group's development in the market of residential users. Furthermore, Consumer Price Index of the PRC has maintained at a relatively high level in the recent months, resulting in uncertainties in the Group's plan of raising the selling price of residential gas in the short-term. However, in the long-term, the Group is still optimistic about the increase in the selling price of residential gas and the implementation of an effective price linkage mechanism.

Industrial and Commercial Users

On 26 January 2011, the Development and Reform Commission of Henan Province officially announced that the "Central China Economic Zone" should be included in the "Plan of National Key Functional Areas". This implies that the "Central China Economic Zone" has officially become a national-level key development zone. Being the capital city of Henan province, Zhengzhou will become the development centre of the "Central China Economic Zone". In order to be aligned with national policies, the Zhengzhou municipal government has now increased its efforts in merchant promotion. As it grasps firmly the opportunity of changing regional industry structures in China, the municipal government has been trying to attract large-scale manufacturing enterprises to migrate to Zhengzhou. With an influx of people and goods, economic development will speed up. The industry of natural gas, as required in manufacturing, will definitely benefit from this move. Therefore, the Group believes that the industrial and commercial gas consumption market in Zhengzhou still has ample room for further development.

Vehicular Users

Facing the competitions from new gas station operators and the challenges from the national government's policies to encourage electric vehicles, on the one hand, the Group works hard to reinforce its original user base, and on the other hand, it adopts the strategy of collaboration instead of competition by providing those new gas stations with CNG or supplying gas to them through gas pipelines, so as to achieve a win-win situation.

OTHER INFORMATION

CHANGE OF NAME OF THE COMPANY AND STOCK SHORT NAME

The change of the Chinese name of the Company from "鄭州燃氣股份有限公司" to "鄭州華潤燃氣股份有限公司" and the English name from "Zhengzhou Gas Company Limited" to "Zhengzhou China Resources Gas Company Limited" for identification purposes only became effective on 28 June 2011. The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 13 July 2011.

The stock short name of the Company had been changed from "ZHENGZHOU GAS'' to "ZHENGZHOU CRGAS" in English and from "鄭州燃氣" to "鄭州華潤燃氣" in Chinese. The shares of the Company have been traded on the Stock Exchange under the new stock short name with effect from 9:00 a.m. on 22 July 2011.

The website address of the Company, "www.hnzzgas.com", remains unchanged.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2011, none of the Directors, supervisors or chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have been taken under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" to be notified to the Company and the Stock Exchange.

DISCLOSURES UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2011, the person (not being a Director or supervisor or chief executive of the Company) or companies who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which will be required pursuant to section 336 of the SFO to be recorded in the register of the Company, or who were directly or indirectly interested in 10% or more of the nominal value of any classes of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company) were as follows:

Long positions in ordinary shares of the Company:

Name	**Capacity/Nature of interest**	**Number of H Shares held in the Company**	**Approximate % of beneficial interests in H Shares in the Company**	**Number of Domestic Shares held in the Company**	**Approximate % of beneficial interests in Domestic Shares in the Company**	**Approximate % of beneficial interests in the total registered share capital of the Company**
Zhengzhou China Resources Gas Co., Limited ("ZCRG") *(note 1)*	Beneficial owner	–	–	54,041,510	77.11%	43.18%
China Resources Gas (China) Investment Limited ("China Resources Gas (China) Investment") *(notes 2, 3, 4)*	Beneficial owner and corporate	4,923,000	8.94%	54,041,510	77.11%	47.12%
China Resources Gas (Hong Kong) Investment Limited ("China Resources Gas (Hong Kong) Investment") *(note 5)*	Corporate	–	–	12,202,490	17.41%	9.75%
Linhai China Resources Gas Company Limited ("Linhai China Resources Gas") *(note 5)*	Corporate	–	–	12,202,490	17.41%	9.75%
China Resources Gas Limited *(notes 3, 5)*	Corporate	4,923,000	8.94%	66,244,000	94.52%	56.87%
China Resources Gas Group Limited ("CR Gas Group") *(notes 3, 5)*	Corporate	4,923,000	8.94%	66,244,000	94.52%	56.87%
Splendid Time Investments Inc. ("Splendid Time") *(notes 3, 5)*	Corporate	4,923,000	8.94%	66,244,000	94.52%	56.87%
China Resources (Holdings) Company Limited ("CRH") *(notes 3, 5)*	Corporate	4,923,000	8.94%	66,244,000	94.52%	56.87%
CRC Bluesky Limited ("CRC Bluesky") *(notes 3, 5)*	Corporate	4,923,000	8.94%	66,244,000	94.52%	56.87%
China Resources Co., Limited ("CRCL") *(notes 3, 5)*	Corporate	4,923,000	8.94%	66,244,000	94.52%	56.87%
China Resources National Corporation ("CRNC") *(notes 3, 5)*	Corporate	4,923,000	8.94%	66,244,000	94.52%	56.87%

Notes:

1. ZCRG held 54,041,510 domestic shares of the Company ("Domestic Shares"), representing 77.11% of the total domestic shares of the Company.

2. China Resources Gas (China) Investment owns 72.06% of the registered capital of ZCRG, and is therefore deemed to hold those 54,041,510 Domestic Shares held by ZCRG.

3. China Resources Gas (China) Investment is wholly owned by China Resources Gas Limited. CR Gas Group is the only shareholder of China Resources Gas Limited. Splendid Time and Commotra Company Limited ("Commotra") jointly owns 68.08% equity of CR Gas Group. CRH (which is a wholly owned subsidiary of CRC Bluesky) owns 100% of equity of Splendid Time and Commotra. CRC Bluesky is a wholly owned subsidiary of CRCL, and CRNC owns 100% of equity of CRCL. According to the SFO, apart from Commotra, the above companies are deemed to hold those 4,923,000 H Shares and 54,041,510 Domestic Shares.

4. According to the joint announcement jointly issued on 8 October 2010 by China Resources Gas (China) Investment, CR Gas Group and the Company, China Resources Gas (China) Investment holds 4,926,000 H shares, representing approximately 8.95% of the Company's beneficial interest in the H Shares.

5. Linhai Baishun Art Company Limited directly holds 12,202,490 Domestic Shares. Linhai Baishun Art Company Limited is wholly owned by Linhai China Resources Gas, which is in turn wholly owned by China Resources Gas (Hong Kong) Investment. China Resources Gas (Hong Kong) Investment is a wholly owned subsidiary of China Resources Gas Limited. Therefore, according to the SFO, Linhai China Resources Gas, China Resources Gas (Hong Kong) Investment, China Resources Gas Limited, CR Gas Group, Splendid Time, CRH, CRC Bluesky, CRCL and CRNC are deemed to hold those 12,202,490 Domestic Shares.

So far as the Directors are aware, as at 30 June 2011, the person (not being a Director or supervisor or chief executive of the Company) or companies who were directly or indirectly interested in 10% or more of the nominal value of any classes of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company) were as follows:

Name of subsidiary of the Company	Name of Shareholder	Nominal value of registered and paid-up capital held by the shareholder in the subsidiary	Approximate % of shareholding of the subsidiary
Dengfeng Zhengran Gas Co., Ltd.	Zhengzhou Gas Engineering and Construction Co., Ltd.	RMB23,500,000	78.33%
Henan Zhengran Jinxiang Vehicular Energy Co., Ltd.	Zhengzhou Traffic and. Transportation (Group) Co., Ltd.	RMB18,000,000	45%

Save as disclosed above, the Directors are not aware of any other person (not being a Director or supervisor or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any classes of the share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company).

DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES UNDER OPTION DERIVATIVES

Save as disclosed above, during the six months ended 30 June 2011, none of the Directors, supervisors or chief executives of the Company were granted options to subscribe for H Shares of the Company. As at 30 June 2011, none of the Directors, supervisors or chief executives, or their spouses or minor children (with their age under 18) had any right to acquire H Shares in the Company or had exercised any of such right during the period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

According to the publicly available information of the Company and as far as the Directors of the Company are aware, the Directors confirmed that the Company had maintained a sufficient public float required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Relevant Period.

AUDIT COMMITTEE

The Company established an audit committee on 30 September 2002 with terms of reference re-adopted on 29 March 2007 in compliance with the Listing Rules. The primary functions of the audit committee are to review the financial reporting process and the internal control systems of the Group. The audit committee currently comprises three members, namely Ms. Wang Xiuli and Mr. Zhang Jianqing, both being independent non-executive Directors, and Mr. Zhang Wushan, a non-executive Director. Ms. Wang Xiuli is the chairperson of the audit committee.

During the Relevant Period, the audit committee held two meetings and reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2011.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2011.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2011, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Group, having made specific enquiry of all Directors, is not aware of any non-compliance by any of the Directors with the required standard of dealings and the code of conduct regarding securities transactions by the Directors.

INTERIM REPORT AND DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hnzzgas.com). The interim report for the six months ended 30 June 2011 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

DIRECTORS

As at the date of this announcement, the members of the Board include three executive Directors, namely, Mr. Yan Guoqi (閆國起), Mr. Yang Changyi (楊長毅) and Mr. Li Hongwei (李紅衛), four non- executive Directors, namely, Mr. Zhang Wushan (張武山), Mr. Li Yantong (李燕同), Mr. Ding Ping (丁平) and Mr. Liu Jianwen (劉劍文) and four independent non-executive Directors, namely, Mr. Yu Jingsong (余勁松), Mr. Zhang Jianqing (張建清), Ms. Wang Xiuli (王秀麗) and Mr. Wong Ping (王平).

By order of the Board
Zhengzhou China Resources Gas Company Limited*
Yan Guoqi
Chairman

23 August 2011
Zhengzhou, the PRC

* *For identification purpose only*