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

2012 INTERIM RESULTS ANNOUNCEMENT

Financial Highlights:

- Profit after taxation attributable to shareholders increased by 18.1% to HK\$357 million.
- Basic earnings per share increased by 17.8% to 14.51 HK cents per share.
- Turnover rose to HK\$2,437 million, representing an increase of 24.3%.

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 2012.

The unaudited consolidated results of the Group for the six months ended 30 June 2012 together with the comparative figures of 2011 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
		2012	2011
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	2,437,459	1,960,185
Operating profit before returns on investments		341,914	227,131
Other gains, net		1,966	59,046
Share of results of associates		138,442	109,273
Share of results of jointly controlled entities		112,885	98,711
Finance costs	4	(75,740)	(74,651)
Profit before taxation	5	519,467	419,510
Taxation	6	(119,192)	(85,722)
Profit for the period		400,275	333,788
Profit for the period attributable to:			
Shareholders of the Company		357,086	302,475
Non-controlling interests		43,189	31,313
		400,275	333,788
		HK cents	HK cents
Earnings per share	7		
– Basic		14.51	12.32
– Diluted		14.49	12.31

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	NOTES	30.06.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		6,354,463	6,127,967
Leasehold land		282,399	296,226
Intangible assets		178,411	182,910
Goodwill		3,853,931	3,848,101
Interest in associates		2,345,576	2,243,599
Interest in jointly controlled entities		1,513,543	1,481,514
Loans to jointly controlled entities		135,756	131,532
Available-for-sale investments		169,805	169,893
Deferred consideration receivable		159,494	203,682
		<u>14,993,378</u>	<u>14,685,424</u>
Current assets			
Inventories		558,446	387,702
Leasehold land		9,522	9,786
Loans to associates		33,129	30,826
Loans to jointly controlled entities		87,723	140,127
Trade and other receivables, deposits and prepayments	9	914,603	852,188
Amounts due from minority shareholders		6,272	6,267
Time deposits over three months		156,758	148,583
Bank balances and cash		1,855,087	1,922,503
		<u>3,621,540</u>	<u>3,497,982</u>
Current liabilities			
Trade and other payables and accrued charges	10	2,312,999	2,262,579
Amounts due to minority shareholders		167,725	194,894
Taxation		338,956	320,622
Borrowings – amount due within one year		1,730,307	1,512,629
		<u>4,549,987</u>	<u>4,290,724</u>
Net current liabilities		<u>(928,447)</u>	<u>(792,742)</u>
Total assets less current liabilities		<u>14,064,931</u>	<u>13,892,682</u>
Non-current liabilities			
Loans from the ultimate holding company		471,640	471,790
Borrowings – amount due after one year		2,829,356	2,902,121
Deferred taxation		218,570	205,900
Other financial liabilities		19,100	13,616
		<u>3,538,666</u>	<u>3,593,427</u>
Net assets		<u>10,526,265</u>	<u>10,299,255</u>
Capital and reserves			
Share capital		246,035	246,035
Reserves		9,570,108	9,369,279
Equity attributable to shareholders of the Company		9,816,143	9,615,314
Non-controlling interests		710,122	683,941
Total equity		<u>10,526,265</u>	<u>10,299,255</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 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 of Hong Kong Limited (“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\$928 million as at 30 June 2012. The Group’s current liabilities as at 30 June 2012 included borrowings of approximately HK\$1,730 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\$1,329 million of which approximately HK\$522 million of the Facilities were from the ultimate holding company. When considering the Group’s ability to continue as a going concern, the Directors considered that approximately HK\$1,692 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

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 HKICPA.

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 disclosures set out in these condensed consolidated financial statements.

The HKICPA has issued a number of new and revised HKASs and HKFRSs which are not effective for accounting period beginning 1 January 2012. The Group has not early adopted these new or revised standards.

The Directors anticipate that the application of the new and revised standards and amendments will have no material impact on the results and the 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 that are used to make strategic decisions.

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 jointly controlled entities, other net gains and unallocated corporate expenses such as central administration costs and directors' salaries. This is the measure reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

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

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 2012			
TURNOVER			
External	<u>1,929,127</u>	<u>508,332</u>	<u>2,437,459</u>
Segment results	<u>148,428</u>	<u>243,555</u>	391,983
Other gains, net			1,966
Unallocated corporate expenses			(50,069)
Share of results of associates			138,442
Share of results of jointly controlled entities			112,885
Finance costs			<u>(75,740)</u>
Profit before taxation			519,467
Taxation			<u>(119,192)</u>
Profit for the period			<u>400,275</u>
Six months ended 30 June 2011			
TURNOVER			
External	<u>1,597,085</u>	<u>363,100</u>	<u>1,960,185</u>
Segment results	<u>111,748</u>	<u>158,014</u>	269,762
Other gains, net			59,046
Unallocated corporate expenses			(42,631)
Share of results of associates			109,273
Share of results of jointly controlled entities			98,711
Finance costs			<u>(74,651)</u>
Profit before taxation			419,510
Taxation			<u>(85,722)</u>
Profit for the period			<u>333,788</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	73,153	25,507
– bank and other borrowings not wholly repayable within five years	713	675
– guaranteed senior notes	-	47,421
	<u>73,866</u>	<u>73,603</u>
Bank charges	<u>1,874</u>	<u>1,048</u>
	<u>75,740</u>	<u>74,651</u>

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Staff costs	220,341	172,785
Amortisation of intangible assets	3,639	3,517
Amortisation of leasehold land	5,018	4,827
Cost of inventories sold	1,738,230	1,429,806
Depreciation of property, plant and equipment	131,530	107,624
Exchange loss	16,608	-
and after crediting:		
Interest income	10,024	5,188
Imputed interest income on deferred consideration receivable and loans to jointly controlled entities	7,884	7,973
Exchange gain	<u>-</u>	<u>42,446</u>

6. TAXATION

The taxation charge comprises of PRC Enterprise Income Tax 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 are entitled to exemption from PRC Enterprise Income Tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The reduced tax rate for the relief period was 12.5% (2011: 12.5%). PRC Enterprise Income Tax for the period has been provided for after taking these tax incentives into account. These tax incentives will be expired by the end of 2012.

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	
	2012	2011
	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	<u>357,086</u>	<u>302,475</u>
	Number of shares	
	Six months ended 30 June	
	2012	2011
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,460,345	2,455,449
Effect of dilutive potential ordinary shares:		
Share options	<u>4,412</u>	<u>1,307</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,464,757</u>	<u>2,456,756</u>

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: nil). During the period, a dividend of five HK cents per share (2011: three HK cents per share) amounting to HK\$123,017,000 was paid to the shareholders as the final dividend for 2011 (HK\$73,810,000 for 2010).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.06.2012 <i>HK\$'000</i>	31.12.2011 <i>HK\$'000</i>
Trade receivables	302,250	314,965
Deferred consideration receivable	38,916	39,321
Prepayments	320,057	301,182
Other receivables and deposits	<u>253,380</u>	<u>196,720</u>
	<u>914,603</u>	<u>852,188</u>

Trade receivables

The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	30.06.2012 <i>HK\$'000</i>	31.12.2011 <i>HK\$'000</i>
0 to 90 days	271,058	301,311
91 to 180 days	18,179	4,675
181 to 360 days	<u>13,013</u>	<u>8,979</u>
	<u>302,250</u>	<u>314,965</u>

10. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	30.06.2012 HK\$'000	31.12.2011 HK\$'000
Trade payables	511,420	507,091
Receipt in advance	1,346,717	1,291,474
Consideration payable for acquisitions	92,521	88,137
Other payables and accruals	358,831	375,114
Amount due to the ultimate holding company (Note)	<u>3,510</u>	<u>763</u>
	<u>2,312,999</u>	<u>2,262,579</u>

Note:

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:

	30.06.2012 HK\$'000	31.12.2011 HK\$'000
0 to 90 days	339,283	374,361
91 to 180 days	36,455	39,171
181 to 360 days	78,317	39,599
Over 360 days	<u>57,365</u>	<u>53,960</u>
	<u>511,420</u>	<u>507,091</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2012, the Group booked a turnover of HK\$2,437 million, a growth of 24.3% over the corresponding period of 2011. Profit after taxation attributable to shareholders of the Company amounted to HK\$357 million, an increase of 18.1% as compared to the corresponding period last year. Basic earnings per share amounted to 14.51 HK cents, representing an increase of 17.8% compared to the corresponding period of 2011.

Turnover

Sales of Piped Gas and Related Products

Turnover from the sales and distribution of piped gas and related products increased 20.8% to HK\$1,929 million over the corresponding period last year, accounting for 79.1% 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.

Gas Connection

For the six months ended 30 June 2012, the Group recorded a connection fee income of HK\$508 million, representing an increase of 40.0% over the corresponding period last year. This growth is attributable to the connections made by our subsidiaries for 107,000 new households during the first six months of 2012, as compared to 74,000 new households in the corresponding period last year.

New Project Development

As at the date of this report, the Group had acquired 4 gas projects since the beginning of the year. These include a city piped gas project and a midstream gas pipeline project at Wafangdian City in Dalian, Liaoning Province, as well as city piped gas projects at the Binhai Science and Technology Park in Zhaoyuan City, Shandong Province and at Yifeng County in Yichun City, Jiangxi 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.

City Piped Gas Project and Midstream Gas Pipeline Project at Wafangdian City in Dalian, Liaoning Province

At the beginning of the year, the Group acquired a 60% equity interest in a city piped gas project and a 30% equity interest in a midstream gas pipeline project at Wafangdian City in Dalian. Situated 100 km to the northeast of Dalian, Wafangdian City is a well-established industrial centre with a long history in the production of bearings. The city is one of China's three major bearings manufacturing centres. According to the nation's relevant industrial policies, the bearings industry at Wafangdian City is set for further expansion, which will give rise to enormous potential gas consumption estimated at approximately 150 million cubic metres per annum in five years' time.

City Piped Gas Project at the Binhai Science and Technology Park, Zhaoyuan City, Shandong Province

In March, the Group acquired a 100% equity interest in a city piped gas project at the Binhai Science and Technology Park in Zhaoyuan City, Shandong Province. The project company has a registered capital of approximately RMB22 million and operates at the Binhai Science and Technology Park in Zhaoyuan City, which is an important part in the development of Zhaoyuan City and a new hot spot for the city's economic growth. With a focus on three pillar industries – tourism development, advanced technologies and modern logistics, gas consumption will reach 10 million cubic metres per annum in five years' time.

City Piped Gas Project at Yifeng County, Yichun City, Jiangxi Province

Yifeng Hong Kong & China Gas Co., Ltd. was established in June. It has a registered capital of RMB32 million and the Group holds a 100% equity interest in this project. Yifeng County is located in the northwestern region of Jiangxi Province, 120 km from the provincial capital of Nanchang City. Serving as a hub for enterprises in the region featuring large-scale manufacturers of ceramics and building materials, the Yifeng County Industrial Park presents enormous potential in the demand for natural gas. Annual gas consumption in five years' time is estimated to be approximately 57 million cubic metres.

Available-for-sale Investments

Available-for-sale investments mainly comprise 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 2012.

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 2012, the Group's total loans amounted to HK\$5,031 million, comprising loans from HKCG due between 1 to 5 years in the amount of HK\$472 million; bank loans and other loans due within 1 year in the amount of HK\$1,730 million; bank loans and other loans due between 1 to 5 years in the amount of HK\$2,787 million and other loans due over 5 years in the amount of HK\$42 million. Bank loans and other loans in the amount of HK\$682 million bear interest at fixed rates, of which, HK\$350 million was swapped from a 5 year variable-rate bank borrowings through an interest rate contract which was entered into by the Group last year. Save as mentioned, the Group's borrowings were mainly arranged on a floating rate basis. The maturities and interest rates of the loans were arranged to provide the Group with sound financial resources and stable interest costs. As at the end of the period, the Group had a current ratio of 0.8 times and a gearing ratio (net debt excluding the HKCG loans ("Net Debt") to equity attributable to shareholders plus Net Debt) of 20.6%.

As at 30 June 2012, the Group did not have any pledge on its assets.

As at 30 June 2012, the Group's cash and cash equivalents amounted to HK\$1,855 million in aggregate and unutilised available facilities amounted to HK\$1,552 million. Subsequently, the Group utilised loans amounting to HK\$415 million and made a loan repayment of HK\$192 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\$1,329 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 (2011: nil).

Employee and Remuneration Policies

As at 30 June 2012, the Group had 17,553 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.

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.

In March 2012, the Group organised a grand plantation activity at Daifushan Forest Park in Guangzhou under the theme of "Towngas China Forest Invites You to Create a Greener World". The Group has planted 6,800 trees over a green area of 12,000 square metres in the first half of 2012. Meanwhile, our call to over 100 enterprises of the Group and HKCG to participate in eco-friendly activities, such as the tree plantation and Earth Hour, was met with enthusiastic response.

The Group and HKCG in association with more than 100 enterprises once again worked together to organise the "Towngas Rice Dumplings for the Community" campaign on the eve of the Dragon Boat Festival. Under this initiative, Towngas China volunteers visited local welfare institutions to distribute 75,000 rice dumplings and gifts, to senior citizens living on their own, orphans and other underprivileged groups who warranted our care. The dumpling-making sessions also included fun contests and performances that added to the festive occasion, enabling the old and the young alike to share in the heartwarming spirit and mutual care of the community.

In July 2012, a “Summit Forum on the Social Responsibility of Chinese Corporate Citizens” organised by the Group in association with the China Corporate Citizenship Committee of the Ministry of Civil Affairs and the China City Gas Association was held in Beijing to provide a platform for leading enterprises to share their insights and experiences in the performance and promotion of corporate social responsibility and to investigate possibilities for more effective implementation. The Group also officially introduced its internal regime for corporate social responsibility report on the occasion of this Forum.

Outlook

China’s Economic and Investment Landscape

Looking to the years ahead, ongoing volatility is expected in global economic and financial markets, and China will be among the few nations tipped to sustain strong economic growth. At a time when Western countries are still struggling with the Eurozone’s debt crisis, China seems to have identified a unique growth model of its own in relation to the global economy. China’s economy is expected to bottom out in 2012, and experts are optimistic that the nation will sustain GDP growth at approximately 8% annually.

The participation of private capital in the municipal development and energy sectors was encouraged by the government in its policy document entitled “Certain Opinions of the State Council on Encouraging and Guiding the Healthy Development of Private Investment” which was issued in 2010 to address the international financial crisis. The government reiterated its position to encourage private investment in the municipal development and energy sectors at the State Council Executive Meeting held in May 2012. At the same time, the Standing Committee of the National People’s Congress highlighted the importance of rigorous regulation of local debt when it reviewed the revised financial budget bill in June. These new developments in government policy, coupled with its stated policy of focusing on the development of natural gas in the “12th Five-Year Plan” period, are set to benefit the city gas industry. The Group will also continue to increase its investment in China’s city gas industry in active support of the national policy.

Development of the Natural Gas Market during the “12th Five-Year Plan” Period

According to figures announced by the National Bureau of Statistics in January 2012, China’s urbanisation ratio had reached 51.3%, suggesting that the size of the urban population had, for the first time, surpassed that of the rural population. Experts’ estimates have put the annual growth rate of China’s urbanisation ratio at 1%, which promises potential growth opportunities for the city gas market. China’s total natural gas consumption is expected to maintain its rapid growth during the “12th Five-Year Plan” period, reaching 260 billion cubic metres by 2015, and city gas operators can expect to serve a natural gas market of over 130 billion cubic metres, about half of China’s total consumption of natural gas for that year. Capitalising on this favourable trend, all Group companies have drawn up 5-year development plans looking into accelerated investment in pipeline networks during the “12th Five-Year Plan” period, in order to catch up with this rapid growth in local gas markets.

In other developments, the commencement of the trial reform in the natural gas pricing mechanism in Guangdong and Guangxi, as proposed by the government in December 2011, is having little impact on the Group’s business targets for 2012, as detailed rules for the trials have yet to be announced. With China’s increasing importation of natural gas, however, natural gas city gate prices are set to rise. The Group is monitoring the situation closely and will furnish opinions to industry associations and governing authorities to improve the reform proposition as appropriate. Meanwhile, the Group companies will continue to maintain close working relationships with their industrial and commercial customers, so as to ensure swift response in the implementation of linked price changes, in the event of any adjustments in natural gas city gate prices.

Underpinning Towngas China's Quality and Management Excellence

Our superiority in gas supply safety and customer service constitutes an increasingly important competitive edge as China grows into an affluent society. While leveraging the opportunities presented by the “12th Five-Year Plan” to accelerate business development and improve efficiency with full efforts, the Group will also seek to enhance management standards and customer satisfaction in the Group companies, in a bid to cement its pole position in the market.

In the midst of rapid development during the “12th Five-Year Plan” period, the Towngas China Group is committed to the pursuit of growth that promises quality and effectiveness. In addition to marketing and financial targets, Towngas China Group companies have also established benchmarks in gas supply safety, customer service, human resources and corporate social responsibility, working incessantly to showcase the model of an outstanding enterprise in China's city gas industry.

OTHER INFORMATION

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 2012.

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 2012. 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 4 June 2012 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 (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 2012.

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 13 August 2012 to review the unaudited condensed consolidated financial statements for the six months ended 30 June 2012. 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 2012 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, 17 August 2012

At the date of this announcement, the Board comprises:

Executive Directors:

Chan Wing Kin, Alfred (*Chairman*)
Wong Wai Yee, Peter (*Chief Executive Officer*)
Kwan Yuk Choi, James
Ho Hon Ming, John (*Company Secretary*)
Law Wai Fun, Margaret

Independent Non-executive Directors:

Cheng Mo Chi, Moses
Li Man Bun, Brian David
Chow Vee Tsung, Oscar