CHINA GAS
中國燃氣

CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

INTERIM RESULTS
FOR THE SIX MONTNS ENDED SEPTEMBER 30, 2009

The Board of Directors (the "Board" or the "Directors") of China Gas Holdings Limited (the "Company") announces the condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended September 30, 2009, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009

		Six Months Ended	
	Notes	**September,30 2009** ***HK$'000*** *(Unaudited)*	**September,30 2008** *HK$'000* *(Unaudited)* (Restated)
Revenue	4	**3,937,292**	1,649,787
Cost of sales		**(3,003,261)**	(1,096,687)
Gross profit		**934,031**	553,100
Other income		**112,655**	87,203
Distribution costs		**(210,592)**	(66,385)
Administrative expenses		**(257,212)**	(157,236)
Change in fair value of derivative financial instruments		**163,728**	(48,955)
Gain (loss) on fair value changes of held-for-trading investments		**3,773**	(19,252)
Change in fair value of investment properties		**19,600**	(2,448)
Discount on acquisition of subsidiaries		**67,623**	-
Impairment loss recognised in respect of trade and other receivable		**(40,236)**	(74,000)
Finance costs		**(275,060)**	(142,545)
Share of results of associates		**22,861**	6,577
Profit before taxation		**541,171**	136,059
Taxation	6	**(50,393)**	(24,073)
Profit for the period		**490,778**	111,986
Other comprehensive income			
Exchange gain on translation of operations outside Hong Kong		**494**	88,240
Gain (loss) on fair value change of available-for-sale investments		**6,413**	(5,571)
Other comprehensive income for the period (net of tax)		**6,907**	82,669
Total comprehensive income for the period		**497,685**	194,655
Profit for the period attributable to:			
Equity holders of the Company		**431,778**	73,836
Minority interests		**59,000**	38,150
		490,778	111,986
Total comprehensive income attributable to:			
Equity holders of the Company		**438,685**	156,505
Minority interests		**59,000**	38,150
		497,685	194,655

	Notes		
Earnings per share	7		
Basic		**HK12.95 cents**	HK2.22 cents
Diluted		**HK12.05 cents**	HK2.01 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2009

	Notes	**September 30, 2009** ***HK$'000*** ***(unaudited)***	March 31, 2009 *HK$'000* *(audited)*
Non-current assets			
Investment properties		**314,727**	295,127
Property, plant and equipment		**10,158,122**	9,239,775
Prepaid lease payments		**880,723**	869,075
Interests in associates		**1,063,243**	1,006,332
Available-for-sales investments		**60,686**	41,995
Goodwill		**906,047**	633,620
Other intangible assets		**327,385**	320,297
Deposits for acquisition of property, plant and equipment		**136,032**	276,197
Prepayment for acquisitions of subsidiaries and an associate		**329,773**	63,218
Amount due from associates		**87,964**	68,966
Deferred tax assets		**66,949**	56,890
		14,331,651	12,871,492
Current assets			
Inventories		**582,772**	540,898
Amounts due from customers for contract work		**191,983**	219,993
Trade and other receivables	8	**1,599,972**	1,285,698
Derivative financial instruments		**3,211**	1,261
Amount due from associates		**210,195**	243,250
Prepaid lease payments		**17,432**	16,173
Held-for-trading investments		**11,552**	11,544
Pledged bank deposits		**954,656**	847,759
Bank balances and cash		**1,548,467**	2,048,698
		5,120,240	5,215,274
Current liabilities			
Trade and other payables	9	**2,917,350**	2,603,313
Derivative financial instruments		**6,919**	782
Amounts due to customers for contract work		**93,623**	121,743
Taxation		**54,010**	51,733
Bank and other borrowings – due within one year		**3,102,667**	3,103,855
Convertible bonds		**14,823**	-
		6,189,392	5,881,426
Net current liabilities		**(1,069,152)**	(666,152)
Total assets less current liabilities		**13,262,499**	12,205,340

	Notes	**September 30, 2009** **_HK$'000_** **_(unaudited)_**	March 31, 2009 _HK$'000_ _(audited)_
Capital and reserves			
Share capital		**33,353**	33,336
Share premium and reserves		**3,614,952**	3,189,934
Equity attributable to equity holders of the Company		**3,648,305**	3,223,270
Minority interests		**829,638**	794,001
Total equity		**4,477,943**	4,017,271
Non-current liabilities			
Derivative financial instruments		**192,172**	360,087
Amount due to a minority shareholder of a subsidiary		**356,591**	356,591
Bank and other borrowings – due after one year		**7,968,539**	7,194,067
Convertible bonds		**-**	14,823
Deferred taxation		**267,254**	262,501
		8,784,556	8,188,069
		13,262,499	12,205,340

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLCIES

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

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning April 1, 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual period beginning or after July 1, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS39
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & HKAS1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives

HK(IFRIC) - INT 13	Customer loyalty programmes
HK(IFRIC) - INT 15	Agreements for the construction of real estate
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation

The adoption of these new or revised standards, amendments and interpretations had no material effect on the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment had been required.

Except as described below, the same accounting policies, presentation and methods of computation have been followed in condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended March 31, 2009.

HKFRS 8 – Operating segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments and has had no impact on the reported results or financial position of the Group.

HKAS 1 (Revised) – Presentation of financial statements

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact of the reported results or financial position of the Group.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008 [1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [1]
HKAS 39 (Amendment)	Eligible hedged items [1]
HKFRS1 (Revised)	First-time adoption of HKFRSs [1]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations [1]
HK(IFRIC) - INT 17	Distribution of non-cash assets to owners [1]
HK(IFRIC) - INT 18	Transfer of assets from customers [4]

[1] Effective for accounting periods beginning on or after July 1, 2009.
[2] Effective for accounting periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate.
[3] Effective for accounting periods beginning on or after January 1, 2010.
[4] Effective for transfers on or after July 1, 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. RESTATEMENTS

During the period ended September 30, 2008, the Group acquired certain subsidiaries of which the fair values of the identifiable assets, liabilities and contingent liabilities acquired were determined provisionally. During the period, the Group made certain fair value adjustments, with reference to the valuation reports, to the carrying amounts of the identifiable assets and liabilities of the subsidiaries acquired as a result of completing the initial accounting. The adjustments to the fair values at the acquisition date of the identifiable assets, liabilities and contingent liabilities were made as if initial accounting had been completed on the acquisition date.

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from April 1, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segment (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in a redesignation of the Group' reportable segments as compared with the primary reportable segments determined in accordance with HKAS14. Nor has the adoption of HKFRS 8 changed the basis of the measurement of segment profit or loss.

The Group is organized into four operating divisions – sales of piped gas, gas connection, sales of liquefied petroleum gas ("LPG") and sales of coke and gas appliances. These principal operating activities are the basis on which the chief operating decision maker allocated resources to segments and to assess their performance. Segment information about these businesses is presented below:

Six months ended September 30, 2009

	Sales of piped gas HK$'000	Gas connection HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of coke and gas appliances HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE	1,577,112	559,269	1,748,104	52,328	480	3,937,293
SEGMENT RESULT	267,839	299,129	(2,414)	539	19,474	584,567
Unallocated corporate revenue						57,676
Unallocated corporate expenses						(80,225)
Change in fair value of derivative financial instruments						163,729
Discount on acquisition of subsidiaries						67,623
Finance costs						(275,060)
Share of results of associates						22,861
Profit before taxation						541,171
Taxation						(50,393)
Profit for the period						490,778

Six months ended September 30, 2008

	Sales of piped gas HK$'000	Gas connection HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of coke and gas appliances HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE	1,039,417	412,950	-	196,850	480	1,649,697
SEGMENT RESULT	131,530	175,708	-	5,974	(2,558)	310,654
Unallocated corporate revenue						87,201
Unallocated corporate expenses						(76,873)
Change in fair value of derivative financial instruments						(48,955)
Finance cost						(142,545)
Share of results of associates						6,577
Profit before taxation						136,059
Taxation						(24,073)
Profit for the period						111,986

5. PROFIT FOR THE PERIOD

	Six months ended	
	September 30, 2009	September 30, 2008
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**217,971**	126,448
Release of prepaid lease payment	**6,715**	5,197
Amortisation of intangible assets	**6,422**	4,672

6. TAXATION

	Six months ended	
	September 30, 2009	September 30, 2008
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
PRC Enterprise Income Tax	**64,297**	44,338
Deferred taxation	**(13,904)**	(20,265)
	50,393	24,073

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit derived in Hong Kong for either period. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

The taxation charge of the PRC Enterprise Income Tax for the current and prior periods have been made based on the Group's estimated assessable profits calculated at the prevailing rates in accordance with the relevant income tax laws applicable to the subsidiaries in the PRC.

7. EARNINGS PER SHARE

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

	Six months ended	
	September 30, 2009	September, 30 2008
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
		(Restated)
Earnings for the purpose of basic earnings per share, being profit for the period attributable to equity holders of the Company	**431,778**	73,836
Adjustment for the effect of dilutive potential ordinary shares:		
Change in fair value of embedded derivatives of convertible bonds	**-**	(1,991)
Interest on convertible bonds	**-**	323
Earnings for the purpose of diluted earnings per share	**431,778**	72,168

Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,333,846**	3,332,887
Adjustment of effect of dilutive potential ordinary shares:		
Share options	**248,754**	254,177
Convertible bonds	**-**	8,954
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,582,600**	3,596,018

The computation of diluted earnings per share does not assume the conversion of convertible bonds for the period ended September 30, 2009 as the conversion would result in an increase in earnings per share.

8. TRADE AND OTHER RECEIVABLES

Other than certain major customers with good repayment history which the Group allows a longer credit period or settlement by instalment basis, the Group generally allows an average credit period of 30 to 180 days to its trade customers. The following is an aged analysis of trade receivables net of impairment losses at the reporting date:

	September 30, 2009	March 31, 2009
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0-180 days	**392,938**	344,066
181-365 days	**105,042**	92,333
Over 365 days	**247,280**	219,375
Total trade receivables before accumulated allowances	**745,260**	655,774
Less: accumulated allowances	**(186,315)**	(146,079)
Trade receivables	**558,945**	509,695
Deposits paid for purchase of natural gas and LPG	**223,076**	130,983
Advanced payments to contractors and deposit paid for construction materials	**242,730**	180,940
Other receivables, deposits and prepayments	**477,760**	328,528
Amounts due from minority shareholders of subsidiaries	**68,925**	70,155
Amounts due from shareholders of a jointly controlled entity	**28,536**	65,397
	1,599,972	1,285,698

9. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The following is an aged analysis of trade and other payables at the reporting date:

	September 30, 2009	March 31, 2009
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0-90 days	**1,124,915**	1,142,836
91-180 days	**78,075**	119,262
Over 180 days	**417,167**	249,131
Trade payables	**1,620,157**	1,511,229
Other payables and accrued charges	**445,812**	499,483
Advance payments from customers	**254,701**	186,196
Advance received from customers for contract work	**582,074**	258,592
Amounts due to minority shareholders of subsidiaries	**14,606**	99,745
Deferred cash consideration for the acquisition of business	**-**	48,068
	2,917,350	2,603,313

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended September 30, 2009 (six months ended September 30, 2008: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a gas operator and service provider primarily engaged in the investment, construction and operation of city gas pipeline infrastructure facilities, gas terminal, storage and transportation facilities, gas logistics systems, transmission of natural gas and LPG to residential, industrial and commercial users, construction and operation of CNG refilling stations as well as the development of technologies relating to natural gas and LPG in China.

For the six months ended September 30, 2009, turnover of the Group amounted to HK$3,937,292,000 (six months ended September 30, 2008: HK$1,649,787,000), increased by 138.7 % over the same period last year. Gross profit amounted to HK$934,031,000 (for the six months ended September 30, 2008: HK$553,100,000), increased by 68.9 % over the same period of last year. Overall gross profit margin (included the LPG business) was 23.7 % (six months ended September 30, 2008: 33.5%). Net profit for the period was HK$490,778,000 (six months ended September 30, 2008: HK$111,986,000), representing an overall net profit margin of 12.5 % (six months ended September 30, 2008: 6.8%). Earnings per share amounted to HK 12.95 cents (six months ended September 30, 2008: earnings per share amounted to HK2.22 cents).

During the period, the Group acquired 49% equity interest in Fujian Anran Gas Company Ltd. ("Anran") and hence the operation over its 29 city piped gas projects at a consideration of approximately HK$369,641,000.

New Projects Expansion

From April 1, 2009 to November 30, 2009, the Group obtained 40 city piped gas projects (with exclusive concession rights). New projects located over Fujian province, Liaoning province, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Shaanxi province. In conclusion, as of November 30, 2009, the Group had secured 114 city piped gas projects (with exclusive concession rights) in 18 provinces, autonomous regions and directly-administered cities, eight long distance natural gas pipeline projects, 72 CNG vehicle refilling stations, one natural gas development project, as well as 45 LPG distribution projects. The above new city piped gas projects cover a connectable city population of approximately 5,731,000 (approximately 1,249,063 households). The connectable city population covered by the Group's gas projects has increased to approximately 50,866,000 (approximately 15,828,000 households) as of November 2009, representing an increase of 15.7% as compared to the same period last year.

The Group completed the acquisition of 49% equity interest in Anran and the rights to operate 29 city piped gas projects during the period under review. The Group has rebuilt a set of well-designed management and procedural systems for Anran and strengthened its distribution network.

In October 2009, the Group signed a strategic cooperation agreement with CNPC Kunlun Natural Gas Company Limited commencing their full cooperation in the areas of piped gas operations, LPG operations, and supply and procurement of natural gas. In relation to the piped gas business, each party has agreed not to compete with the long-distance gas pipeline projects and city gas projects already secured by the other party and will give preference to the other party as cooperation partner in the development of long-distance pipeline projects and city gas projects. Regarding the development of piped gas projects in large and medium cities in the country, the two parties may jointly apply to the provincial and municipal governments or join force in submission of project tenders. For the LPG business, the two partners will utilize Shanghai Zhongyou Energy Holdings Co. Ltd. ("Shanghai Zhongyou Energy") as their LPG operating platform. Shanghai Zhongyou Energy will leverage on its LPG storage capacities and distribution networks of its about 50 subsidiaries in five provinces and one city (including Zhejiang, Jiangsu, Fujian, Guangdong, Guangxi and Shanghai) in the coastal regions in the southeast China and on the huge LPG resources of CNPC to increase the market share of the Group's LPG business.

Gas Business Review

The Group's gas business is managed under two segments, namely natural gas and LPG, the customer bases and market strategies of which are different from each other. The performance of each segment for the six months ended September 30, 2009 is discussed as follows.

Natural Gas Business

As a gas supplier and service provider specializing in natural gas, the Group has over the past seven years developed a unique and tailor-made operating and management system with a view to improving its management efficiency and operating results in the gas industry in China.

Construction of Piped Gas Networks

Construction of city gas pipeline networks is one of the Group's principal businesses. Through the construction of city main pipeline network and branch pipeline network, the Group connects natural gas to residential, industrial and commercial users, and charges them for such connection and gas usage. As at September 30, 2009, the Group accomplished piped gas supply in 80 cities, and had 79 processing stations, high-pressure gas pipelines of approximately 1,332 km, medium to low-pressure gas pipelines of approximately 12,621 km and branch and customer pipeline network of 15,037 km constructed. Designed gas supply capacity of the processing stations reached 17,300,000 m^3 per day.

Natural Gas Users

The natural gas users of the Group mainly include residential users, industrial and commercial users and CNG vehicle refilling stations.

Residential Users

For the six months ended September 30, 2009, the Group completed natural gas connections for a total of 289,262 residential users, representing an increase of approximately 63.5 % over the same period last year. The average piped gas connection fee for residential users was RMB 2,418.

During the period, the Group also acquired 163,273 residential users who were primarily from Anran's 29 city gas projects. As at September 30, 2009, the accumulated connected residential users of the Group grew by approximately 23.5% over the same period last year to 4,197,905, representing 28.3% of the total connectable domestic households.

Industrial and Commercial Users

During the period, the Group completed connections for 105 industrial users and 1,752 commercial users and acquired 4 industrial users and 191 commercial users respectively. Industrial users are primarily engaged in the petrochemical, porcelain making, building material productions, metallurgy and glass making industries. As at September 30, 2009, the accumulated acquired and connected industrial users and commercial users of the Group were 529 and 30,454, representing an increase of approximately 116.8% and 24.8% respectively as compared with those in the same period last year. Connection fee for industrial users was calculated on the basis of the contracted daily gas volume at the average rate of RMB 50 per m^3 and the average connection fee for commercial users was RMB 33,650 per user. During the period, the Group's gas connection income grew by approximately 35.4 % over the same period last year to HK$559,269,000, representing approximately 14.2% of the Group's total revenue for the period.

CNG vehicle refilling stations

The Group currently owned 72 CNG vehicle refilling stations, with a daily capacity in excess of 1,200,000 m^3. Sales income from CNG for vehicles took up 7.1 % of the Group's total sales income natural gas during the financial year, representing an increase of approximately 33.8 % as compared to the same period last year.

Sales of piped gas

During the period, the Group sold a total of 1,507,004,000 m^3 of natural gas, an increase of 101.8% as compared to the same period last year, of which 165,149,000 m^3 was sold to residential users, 1,088,626,000 m^3 to industrial users and 145,384,000 m^3 to commercial users and 107,845,000 m^3 to CNG vehicle drivers. During the period, gas sold to industrial users accounted for approximately 72.2% of the total natural gas volume sold, commercial users approximately 9.6%, residential users approximately 11.0% and CNG vehicle drivers approximately 7.2%.

During the period, the Group's natural gas sales income grew by approximately 51.7% over the same period last year to HK$1,577,112,000, representing approximately 40.0% of the Group's total revenue for the year.

As at September 30, 2009, the daily natural gas supply capacity of the Group reached 8,913,000 m^3, increased by approximately 98.7% over the same period last year, of which the actual domestic usage was approximately 1,437,000 m^3/day, actual industrial usage approximately 5,963,000 m^3/day, actual commercial usage approximately 623,000 m^3/day, and actual CNG vehicles usage approximately 890,000 m^3/day. As of November 30, 2009, the total natural gas supply of the Group had exceeded 9,320,000 m^3 per day.

The Group's average selling price (pre tax) of natural gas was RMB1.84 per m^3 for residential users, RMB2.03 per m^3 for industrial users, RMB2.31 per m^3 for commercial users, and RMB2.14 per m^3 for CNG vehicle drivers.

The core business of the Group is piped natural gas supply. However, some of the projects are still selling piped coal gas as a transitional gas supply. A total of 145,474,900 m^3 piped coal gas was sold during the period, of which 85,597,000 m^3 was sold to residential users, 30,080,500 m^3 to industrial users and 29,797,200 m^3 to commercial users.

Liquefied Petroleum Gas Business

The Group was conducting its LPG business mainly through Zhongyou Hua Dian Group. During the period, sales volume of LPG totaled at approximately 435,900 tonnes. The Group recorded a sales income for LPG of HK$1,748,104,000 in aggregate, accounting for approximately 44.4% of the Group's total turnover for the period. During the period, the Group's LPG business contributed a gross profit of HK$143,383,000, representing an overall gross profit margin of 8.7% (March 31, 2009: 5.7%). As the scale of its LPG operation enlarges and the vertical integration of its LPG supply chain gradually completes, the Group expects the gross profit margin of its LPG operation to increase over time.

Human Resources

As at September 30, 2009, the Group has approximately 17,121 employees, an increase of approximately 22.3% over the same period last year. More than 99.9% of the Group's employees are located in China. Remuneration is determined with reference to the qualifications and experience of the staff and according to the prevailing industry practice in the respective regions where it operates. Apart from the basic salaries and pension fund contribution, some employees may be given discretionary bonuses and merit payment depending on the financial results of the Group and performance of these individual employees. During the period, the Group allotted share options to employees based on their performance and seniority.

Financial Review

Liquidity

As at September 30, 2009, the total assets of the Group was HK$19,451,891,000, increased by approximately 7.6% as compared to that as at March 31, 2009. The Group's cash on hand was HK$2,503,123,000 (March 31, 2009: HK$2,896,457,000). The Group had a current ratio of approximately 0.83 (March 31, 2009: 0.89). After deducting the import letter of credit of Shanghai Zhongyou Energy amounting to HK$2,295,512,000, the Group's current ratio was 1.31. The net gearing ratio was 2.0 (March 31, 2009: 1.37). The calculation of net gearing ratio was based on the net borrowings of HK$8,939,497,000 (total borrowings of HK$11,442,620,000 less bank balances and cash of HK$2,503,123,000) and the net assets of HK$4,457,435,000 as at September 30, 2009. The Group has always been pursuing a prudent financial management policy. The majority of the cash available was deposited with credible banks as demand and time deposits.

Capital Structure

The Company issued convertible bonds with 1% per annum coupon due June 29, 2010 with an aggregate principal amount of US$40,000,000 (the "Bonds") in June 2005. The initial conversion price of the Bonds was HK$1.731. As in October 2009, bonds with a principal amount of US$2,000,000 were converted into an aggregate of 9,012,131 ordinary shares of the Company. After the conversion of the remaining convertible bonds amounted US$2,000,000, the Company has no more convertible bonds to be exercised. The Company had made an application to The Stock Exchange of Hong Kong Limited in November 2009 for the withdrawal of the listing of the Bonds.

Financial Resources

Following the relief of the financial crisis, some banks and financial institutions have started to resume borrowing. The Group secured a financial facility in the aggregate amount of US$30,000,000 from the Export Development Canada in August 2009, which will be used to fund the construction of CNG vehicle refilling stations of the Group. In addition, The Group secured a financial facility in the aggregate amount of US$35,000,000 from the Bank of Tokyo-Mitsubishi UFJ, Limited, which will be used as the general working capital of the Group. The above financial facilities are both LIBOR based.

Over the years, the Group has maintained a long-term and sound cooperation relationship with the Chinese banks. During the period, China Development Bank granted credit facilities amounting to US$720 million and HK$160 million respectively to the Group. In order to satisfy the RMB funding requirements of the Group, save as the medium-to long-term project loan facility arrangement in the amount of RMB14.5 billion provided by China Development Bank to the Group in respect of its natural gas projects, the additional loan facility granted to the Group during the period amounted to RMB550 million. During the period, the Group was also granted a three-year facility in the amount of US$80 million by ICBC. As at the date hereof, the total credit facilities granted by ICBC to the Group amounted to RMB6.0 billion.

Apart from the financing arrangements provided by China Development Bank and ICBC to the Group, the Group also obtained bank available facilities from some new banks. During the period, the Group secured a credit facility in the amount of RMB6.0 billion from each of China Construction Bank and Bank of Communications. At the same time, the Group was granted credit facilities by Agricultural Bank of China, Bank of China, China Merchants Bank and Postal Savings Bank of China. The Group's existing available credit facilities have exceeded RMB 40.0 billion, providing strong financial support to maintain the stability of the Group's operations. Currently, most of the Group's syndicated loans have a term longer than five years with an average maturity of nine years.

As at September 30, 2009, the Group had bank borrowings and other loans amounting to HK$11,071,206,000, of which HK$2,782,633,000 was debt consolidated from Shanghai Zhongyou Energy, over 82.5% of which were short-term letter of credit and relevant trade finances.

During the period, the operating and capital expenditures of the Group were financed by operating cash income and bank loans. The Group has sufficient funds to satisfy its future capital expenditures and working capital requirements.

Foreign Exchange

No significant foreign exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB and US dollars.

Charge on Assets

As at September 30, 2009, the Group pledged certain property, plant and equipment and prepaid lease payments having a net carrying value of approximately HK$449,646,000 and HK$36,652,000 (March 31, 2009: HK$457,164,000 and HK$37,047,000) respectively, investment properties having a net carrying value of HK$25,300,000 (March 31, 2009:HK$19,200,000), trade receivables having a net carrying value of HK$65,125,000 (March 31, 2009: HK$45,878,000), inventories having carrying value of HK$91,954,000 (March 31, 2009: HK$87,651,000), pledged bank deposits of HK$954,656,000 (March 31, 2009:HK$847,759,000) and certain subsidiaries pledged their equity investments in other subsidiaries to banks to secure loan facilities granted to the Group.

Capital Commitments

The Group has a capital commitment in respect of the acquisition of property, plant and equipment and construction materials for property, plant and equipment contracted for but not provided in the financial statements as at September 30, 2009 was HK$181,123,000 (as at March 31, 2009: HK$208,150,000) and HK$81,649,000 (as at March 31, 2009: HK$201,256,000) respectively, and such commitments would require a substantial part of the Group's present cash and external borrowings. The Group has promised to acquire shares of some Chinese enterprises and set up Sino-foreign joint venture companies in China.

Contingent Liabilities

As at September 30, 2009, the Group did not have any material contingent liabilities (as at March 31, 2009: Nil).

PROSPECTS

The Group recorded a steady business growth for the first half of the year and was well in progress towards its operational goal set for the year. During the second half of the financial year, the Group will adhere to its strategic principle of "Deepening reform and initiating the second business" with an aim to enhancing the Group's profitability and to increasing its market share so as to improve the business value of the Group.

Currently, the overall Chinese economy is growing steadily with a strong demand for energy. The Group will maintain a healthy operational cash flow and exert stringent measures in relations to the collection of receivables and controlling human resources cost. The Group will, at the same time, pay close attention to the changes in the industry data and economy indicator with an aim to ensuring a stable development of the business of the Group. The Board believes that with a sound development of the overall economy of China, coupled with the competitive advantages and leadership position of the Group in the gas industry, and its effective risk control system, the Group will bring better returns to shareholders in the financial year.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules for the six months ended September 30, 2009, except for the non-executive directors should be appointed for a specific term and be subject to re-election. All the existing non-executive directors of the Company are not appointed for specific term, but are subject to retirement and re-election at the Company's annual general meeting in accordance to the bye-laws of the Company.

COMPLIANCE OF THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules and all of the directors of the Company confirmed that they have complied with the required standards set out in the Model Code for the six months ended September 30, 2009.

REVIEW OF INTERIM RESULTS

The Audit committee has reviewed the unaudited interim financial statements of the Group for the six months ended September 30, 2009 prior to their approval by the Board of the Company.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the six months ended September 30, 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The interim results announcement is required to be published on the website of The Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Latest Listed Company Information" and the Company at www.chinagasholdings.com.hk under "Announcements" respectively. The interim report of the Company for the six months ended September 30, 2009 will be dispatched to the shareholders on around December 30, 2009 and will publish on the websites of the HKEX's and the Company's websites accordingly.

On Behalf of the Board of
China Gas Holdings Limited
Liu Ming Hui
Managing Director

Hong Kong, December 16, 2009

** for identification purpose only*

As at the date of this announcement, Mr. Li Xiao Yun, Mr. Xu Ying, Mr. Liu Ming Hui, Mr. Ma Jin Long and Mr. Zhu Wei Wei are the executive Directors, Mr. Feng Zhuo Zhi, Mr. Joe Yamagata, Mr. R.K. Goel, Mr. Kim Joong Ho and Mr. William Rackets are the non-executive Directors and Mr. Zhao Yu Hua, Dr. Mao Er Wan and Ms. Wong Sin Yue, Cynthia are the independent non-executive Directors.