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 MONTHS ENDED 30 SEPTEMBER 2010

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 30 September 2010, together with the comparative figures for the six months ended 30 September 2009, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

		Six Months Ended	
		30 September 2010	30 September 2009
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	*(Unaudited)*
Revenue		**6,537,621**	3,937,292
Cost of sales		**(5,302,909)**	(3,003,261)
Gross profit		**1,234,712**	934,031
Other income		**135,196**	112,655
Selling and distribution costs		**(285,553)**	(210,592)
Administrative expenses		**(341,939)**	(257,212)
Finance costs		**(302,025)**	(275,060)
Discount on acquisition of subsidiaries		**-**	67,623
Change in fair value of derivative financial instruments		**(178,590)**	163,728
Change in fair value of held-for-trading investments		**(450)**	3,773
Change in fair value of investment properties		**6,600**	19,600
Allowance for trade and other receivables		**(243)**	(40,236)
Share of results of associates		**27,950**	22,861
Profit before taxation		**295,658**	541,171
Taxation	4	**(171,929)**	(50,393)
Profit for the period	5	**123,729**	490,778
Other comprehensive income			
Change in fair value of available-for-sale investments		**595**	6,413
Exchange difference arising on translation		**365**	494
Other comprehensive income for the period		**960**	6,907
Total comprehensive income for the period		**124,689**	497,685
Profit for the period attributable to:			
Owners of the Company		**92,984**	431,778
Non-controlling interests		**30,745**	59,000
		123,729	490,778
Total comprehensive income attributable to:			
Owners of the Company		**93,944**	438,685
Non-controlling interests		**30,745**	59,000
		124,689	497,685

	Notes		
Earnings per share	6		
Basic		**HK2.69 cents**	HK12.95 cents
Diluted		**HK2.30 cents**	HK12.05 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2010

	Notes	**30 September 2010** ***HK$'000*** ***(unaudited)***	31 March 2010 *HK$'000* *(audited)* *(restated)*
Non-current assets			
Investment properties		**355,376**	343,158
Property, plant and equipment		**12,638,302**	11,084,805
Prepaid lease payments		**1,041,753**	937,187
Interests in associates		**991,147**	957,709
Available-for-sale investments		**79,540**	82,838
Derivative financial instrument		**-**	9,759
Goodwill		**1,552,874**	900,577
Other intangible assets		**1,437,106**	1,254,675
Deposits for acquisition of property, plant and equipment		**564,909**	254,751
Prepayment for acquisition of a subsidiaries		**32,404**	-
Deferred tax assets		**88,216**	88,155
		18,781,627	15,913,614
Current assets			
Inventories		**785,431**	564,163
Amounts due from customers for contract work		**130,125**	103,265
Trade and other receivables	7	**2,178,456**	1,871,061
Derivative financial instruments		**-**	2,909
Amounts due from associates		**200,145**	138,236
Prepaid lease payments		**32,137**	27,459
Held-for-trading investments		**14,702**	15,468
Pledged bank deposits		**302,729**	489,103
Bank balances and cash		**3,955,551**	3,872,316
		7,599,276	7,083,980
Current liabilities			
Trade and other payables	8	**3,786,780**	3,182,020
Amounts due to customers for contract work		**610,497**	239,316
Derivative financial instruments		**112,330**	-
Taxation		**181,859**	146,162
Amounts due to associates		**-**	23,867
Bank and other borrowings – due within one year		**5,410,759**	5,294,761
		10,102,225	8,886,126
Net current liabilities		**(2,502,949)**	(1,802,146)
Total assets less current liabilities		**16,278,678**	14,111,468

	Notes	**30 September 2010** ***HK$'000*** **(unaudited)**	31 March 2010 *HK$'000* *(audited)* *(restated)*
Equity			
Share capital		**36,352**	33,610
Reserves		**4,912,118**	4,089,412
Equity attributable to owners of the Company		**4,948,470**	4,123,022
Non-controlling interests		**1,464,682**	1,107,215
Total equity		**6,413,152**	5,230,237
Non-current liabilities			
Derivative financial instruments		**53,593**	-
Amount due to a minority shareholder of a subsidiary		**356,649**	356,591
Bank and other borrowings – due after one year		**8,937,959**	8,021,345
Deferred taxation		**517,325**	503,295
		9,865,526	8,881,231
		16,278,678	14,111,468

Notes:

1. 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 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 POLICIES

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, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) - INT 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 1 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendment to HKFRS 17 "Lease"

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which substantially all the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

In accordance with the transitional provisions of HKAS 17 "Leases", the Group reassessed the classification of land elements of unexpired leases at April 1, 2010 based on information which existed at the inception of these leases. Leasehold lands which met finance lease classification have been reclassified from prepaid lease payments to property, plant and equipment retrospectively, resulting in a reclassification of prepaid lease payments with previous carrying amount of HK$21,994,000 as 1 April 2009 as property, plant and equipment that are measured at cost model.

Summary of the effect of the above changes in accounting policies

The effect of changes in accounting policies described above on the financial positions of the Group as at 31 March 2010 is as follows:

	As at 31 March 2010 (originally stated)	Adjustments	As at 31 March 2010 (restated)
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	11,064,337	20,468	11,084,805
Prepaid lease payments	957,655	(20,468)	937,187
Total effects on net assets		-	

The above restatement did not result in financial impact for the current and prior accounting periods.

The directors of the Company anticipate that the application of the other new or revised Standards, Amendments or Interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group is currently organized into four operating divisions - sales of piped gas, gas connection, sales of liquefied petroleum gas ("LPG") and sales of coke and gas appliances. The following is an analysis of the Group's revenue and results by operating segment.

Six months ended 30 September 2010

	Sales of piped gas HK$'000	Gas connection HK$'000	Sales of LPG HK$'000	Sales of coke and gas appliances HK$'000	Segment Total HK$'000
SEGMENT REVENUE	**2,404,538**	**1,005,288**	**2,897,589**	**229,726**	**6,537,141**
SEGMENT PROFIT (LOSS)	**388,985**	**492,890**	**(106,465)**	**(2,354)**	**773,056**
Revenue arising from property investment					**480**
Interest and other gains					**71,516**
Unallocated corporate expenses					**(103,329)**
Finance costs					**(302,025)**
Change in fair value of investment properties					**6,600**
Change in fair value of derivative financial instruments					**(178,590)**
Share of results of associates					**27,950**
Profit before taxation					**295,658**

Reconciliation of revenue	**HK$'000**
Total revenue for operating segments	**6,537,141**
Rental income	**480**
Group's revenue	**6,537,621**

Six months ended 30 September 2009

	Sales of piped gas HK$'000	Gas connection HK$'000	Sales of LPG HK$'000	Sales of coke and gas appliances HK$'000	Segment Total HK$'000
SEGMENT REVENUE	1,577,112	559,269	1,748,104	52,327	3,936,812
SEGMENT PROFIT (LOSS)	267,839	299,129	(2,414)	539	565,093
Revenue arising from property investment					480
Interest and other gains					57,676
Unallocated corporate expenses					(80,830)
Finance costs					(275,060)
Change in fair value of investment properties					19,600
Change in fair value of derivative financial instruments					163,728
Discount on acquisition of subsidiaries					67,623
Share of results of associates					22,861
Profit before taxation					541,171

Reconciliation of revenue	HK$'000
Total revenue for operating segments	3,936,812
Rental income	480
Group's revenue	3,937,292

4. TAXATION

	Six Months Ended	
	30 September	30 September
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
The People's Republic of China ("PRC") Enterprise Income Tax	**177,885**	64,297
Deferred taxation	**(5,956)**	(13,904)
	171,929	50,393

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit for either period.

The taxation charge for the PRC Enterprise Income Tax is recognized on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

5. PROFIT FOR THE PERIOD

	Six Months Ended	
	30 September	30 September
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
		(restated)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**237,908**	218,734
Release of prepaid lease payments	**15,649**	5,952
Amortisation of intangible assets included in cost of sales	**13,833**	6,422
Interest income	**(33,667)**	(35,606)
Loss on disposal of property, plant and equipment	**2,001**	2,086
Share of tax of jointly controlled entities	**14,719**	4,257

6. EARNINGS PER SHARE

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

	Six Months Ended	
	30 September	30 September
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	**92,984**	431,778

	30 September	30 September
	2010	2009
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,451,754**	3,333,846
Adjustment for effect of dilutive potential ordinary shares:		
Share options	**583,775**	248,754
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,035,529**	3,582,600

Note:
The computation of diluted earnings per share does not assume the conversion of convertible bonds for the period ended 30 September 2009 as the assumed conversion would result in an increase in earnings per share. All outstanding convertible bonds were converted during the year ended 31 March 2010.

7. 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 allows an average credit period of 30 to 180 days to its trade customers.

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

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
0-180 days	**523,388**	480,797
181-365 days	**88,442**	74,793
Over 365 days	**265,378**	264,554
Total trade receivables before accumulated allowances	**877,208**	820,144
Less: Accumulated allowances	**(221,740)**	(221,497)
Trade receivables	**655,468**	598,647
Deposits paid for construction and other materials	**184,232**	100,278
Deposits paid for purchase of natural gas and LPG	**396,847**	306,555
Advanced payments to sub-contractors	**282,381**	150,151
Other receivables, deposits and prepayments	**545,106**	479,650
Amounts due from minority shareholders of subsidiaries	**95,958**	212,050
Amounts due from shareholders of jointly controlled entities	**18,464**	23,730
Total trade and other receivables	**2,178,456**	1,871,061

8. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables presented base on the invoice date at the reporting date:

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
0-90 days	**1,322,908**	1,058,186
91-180 days	**202,142**	245,035
Over 180 days	**513,158**	382,258
Trade payables	**2,038,208**	1,685,479
Other payables and accrued charges	**605,673**	528,267
Advance payments from customers	**1,029,783**	791,496
Amounts due to minority shareholders of subsidiaries	**89,343**	50,501
Amounts due to shareholders of jointly controlled entities	**325**	24,668
Obligation on capital injection by a subsidiary to a jointly controlled entity	**23,448**	23,448
Deferred cash consideration for the acquisition of business	**-**	78,161
	3,786,780	3,182,020

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review

For the six months ended 30 September 2010, turnover of the Group amounted to HK$6,537,621,000 (six months ended 30 September 2009: HK$3,937,292,000), increased by 66.0% over the same period last year. Gross profit (including LPG business) amounted to HK$1,234,712,000 (six months ended 30 September 2009: HK$934,031,000), increased by 32.2% over the same period last year. Overall gross profit margin was 18.9% (six months ended 30 September 2009: 23.7%). Profit for the period decreased by 74.8% year-on-year to HK$123,729,000 (six months ended 30 September 2009: HK$490,778,000), representing an overall net profit margin of 1.9% (six months ended 30 September 2009: 12.5%). Earnings per share amounted to HK2.69 cents (six months ended 30 September 2009: earnings per share amounted to HK12.95 cents).

During the review period, the operating and financial performance in respect of the Group's natural gas business remained strong, with natural gas revenue increased to HK$2,404,538,000, an increase of 52.5% year-on-year. The slow down in the overall gross margin and net margin of the Group were primarily due to the lingering effect of some interest rate contracts entered into during 2006 and 2008, which contributed to a non-cash and non-operating marked-to-market expense of HK$178,590,000, and all of which will be expiring in FY2012. In addition, during the months of April, May and June 2010, international LPG price increased sharply outpacing that of international crude oil price, while the domestic LPG sale price did not follow the trend. As a result, the sale of imported LPG in China contributed a loss to the Group's LPG operations. By September 2010, the Group recorded an accumulative operating loss of HK$106,465,000 from its LPG business. The domestic sale price of LPG in China has since September 2010 been increasing, and November saw a sharp increase in the gross margin on the sale of our imported LPG. The Group expects this trend to continue in the ensuing months prior to the end of this financial year.

New Projects Expansion

As of 31 October 2010, the Group had secured 140 city piped gas projects (with exclusive concession rights), eight long distance natural gas pipeline projects, 102 CNG refilling stations for vehicles, one natural gas development project and 44 LPG distribution projects in 20 provinces, autonomous regions and directly-administered cities.

The Group secured additional 17 city gas piped projects during the period from 1 July 2010 to 31 October 2010 covering Henan Province, Shandong Province, Zhejiang Province, Gansu Province, Liaoning Province and Inner Mongolia Autonomous Region.

The above new projects cover a connectable city population of approximately 2,972,000 (approximately 929,000 households). The connectable city population covered by the Group's gas projects has increased to approximately 58,890,375 (approximately 18,207,805 households) as of October 2010, representing an increase of 15.7% as compared to the same period last year.

The Group completed its acquisition of 56.33% interests in Zhongyu Gas Holdings Limited ("Zhongyu", together with its subsidiaries, "Zhongyu Group") in August 2010. Zhongyu is a vertically integrated gas operator from upstream resource development to downstream distribution in the PRC. Its upstream business includes exploration, exploitation, development and production of coalbed methane whereas downstream business includes sales of piped gas, natural gas from CNG refilling stations for vehicles and bottled liquefied petroleum gas.

As of 30 September 2010, Zhongyu Group secured 11 gas projects, three in Shandong Province and eight in Henan Province, and approximately 89% of total sales of piped gas were derived from provision of natural gas. Based on the accumulated connected 389,176 residential households and 1,531 industrial/commercial customers, its penetration rate reached 42%. During the period from 1 January 2010 to 30 September 2010, Zhongyu Group sold a total of 240,000,000 m^3 of gas, of which 214,081,000 m^3 was natural gas.

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 30 September 2010 is discussed as follows.

Natural Gas Business

As a gas supplier and service provider specializing in natural gas, the Group has established its unique and well-fit operation management system in domestic gas industry.

Construction of Piped Gas Networks

During the period, the Group had completed 15 processing stations, high-pressure gas pipelines of 183 km, city medium and low-pressure gas pipeline of approximately 1,526 km and branch and customer pipeline network of 2,230 km.

As at 30 September 2010, the Group accomplished piped gas supply in 103 cities, and had 111 processing stations, high-pressure gas pipelines of approximately 1,612 km, medium to low-pressure gas pipelines of approximately 17,391 km and branch and customer pipeline network of 33,743 km constructed. Designed gas supply capacity of the processing stations reached 22,636,000 m^3 per day.

Natural Gas Users

Natural gas users of the Group mainly include residential users, industrial and commercial users and CNG refilling stations for vehicles.

Residential Customers

During the period under review, the Group completed natural gas connections for 386,500 domestic households, an increase of approximately 33.6% over the same period last year. The average piped gas connection fee for residential users was RMB2,484.

During the period, the Group also acquired 409,581 residential users which were primarily from the 11 projects of Zhongyu Gas. As at 30 September 2010, the accumulated connected residential users of the Group grew by approximately 34.2% over the same period last year to 5,633,517, representing 32.7% of the total connectable domestic households.

Industrial and Commercial Customers

Compared to residential users, industrial and commercial users have higher demand for gas and are the focus of the Group's business direction.

During the period, the Group completed connections for 95 industrial customers and 1,699 commercial customers and acquired 4 industrial customers and 1,539 commercial customers. Industrial users are primarily engaged in chemical, porcelain making, building material production, metallurgy and glass making industries.

As at 30 September 2010, the accumulated acquired and connected industrial customers and commercial customers of the Group were 909 and 36,714, representing an increase of approximately 71.8% and 20.6% 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 52 per m^3 and the average connection fee paid by commercial customers was RMB 41,490 per customer.

During the period, the Group's gas connection income grew by approximately 79.8% over the same period last year to HK$1,005,288,000, representing approximately 15.4% of the Group's total revenue for the year.

CNG refilling stations for vehicles

The Group currently owns 102 CNG refilling stations for vehicles, with a daily capacity in excess of 1,410,000 m^3. Sales volume of CNG for vehicles took up 10.1% of the Group's total sales volume of natural gas during the financial year, representing an increase of approximately 72.5% as compared to the same period last year.

Sale of Natural Gas

During the period, the Group sold a total of 1,835,508,000m^3 of natural gas, an increase of 21.8% as compared to the same period last year, of which 234,522,000 m^3 was sold to residential users, 1,178,636,000 m^3 to industrial users, 236,421,000 m^3 to commercial users and 185,929,000 m^3 to CNG vehicle drivers. Gas sold to industrial users accounted for approximately 64.2% of the total natural gas volume sold, commercial users approximately 12.9%, residential users approximately 12.8% and CNG vehicle drivers approximately 10.1%.

For the period under review, the Group's natural gas sales income grew by approximately 52.5% over the same period last year to HK$2,404,538,000, representing approximately 36.8% of the Group's total revenue for the year.

As at 30 September 2010, the daily natural gas supply capacity of the Group reached 13,110,000 m^3, increased by approximately 47.1% over the same period last year, of which the actual domestic usage was approximately 1,674,909 m^3/day, actual industrial usage approximately 8,418,113 m^3/day, actual commercial usage approximately 1,688,479 m^3/day, and actual CNG vehicles usage approximately 1,328,499 m^3/day.

Average selling price (pre tax) of natural gas was RMB2.06 per m^3 for residential users, RMB2.16 per m^3 for industrial users, RMB2.48 per m^3 for commercial users, and RMB2.37 per m^3 for CNG vehicle drivers for the period under review.

During the period, the Group recorded sales income of piped coal gas from Fushun, Liuzhou and Yangzhou projects. A total of 53,426,000 m^3 piped coal gas was sold during the period, of which 40,801,000 m^3 was sold to residential customers, 4,985,000 m^3 to industrial customers and 7,640,000 m^3 to commercial customers.

Liquefied Petroleum Gas Business

The Group's LPG business is conducted mainly through Shanghai Zhongyou Energy Group, which has completed internal restructuring during the period. On 26 November 2010, the Group entered into a joint-venture agreement with one of its major shareholders, Oman Oil Company S.A.O.C ("OOC"). According to the agreement, the Group and OOC will form a joint venture company ("JV") in which the Group will hold 55% interest by directing all assets of Shanghai Zhongyou Energy Group toward the JV, and OOC will hold 45% interest through the injection of US$131,500,000 in cash. The cooperation will significantly enhance the Group's ability to integrate the LPG business, accelerate the pace of assets acquisitions in the LPG downstream market, expand the scale of our downstream operations, establish a more comprehensive vertically-integrated industry chain, and thereby achieve the economy of scale.

As at 30 September 2010, the Group had 11 LPG terminals and 44 LPG distribution projects. During the period, a total of 508,482 tonnes LPG was sold, representing a growth of 16.7% year-on-year. Total revenue amounted to approximately HK$2,897,589,000, an increase of approximately 65.8%.

<u>Human Resources</u>

As at 30 September 2010, the Group had approximately 19,199 employees, an increase of approximately 12.1% 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 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, merit payment and share options depending on the financial results of the Group and individual performance of these employees. The Group also provides extensive training including training programs for new employees and different levels of technical and management courses for the Group's management and employees.

Financial Review

Liquidity

As at 30 September 2010, total assets of the Group was HK$26,380,903,000, increased by approximately 14.7% as compared to that as at 31 March 2010. The Group's cash on hand was HK$4,258,280,000 (31 March 2010: HK$4,361,419,000). The Group had a current ratio of approximately 0.75 (31 March 2010: 0.80), or 1.05 after deducting the LPG trade finances related facilities totaling HK$2,851,490,000. The net gearing ratio was 1.18 (31 March 2010: 1.32), as calculated based on net borrowings of HK$7,595,597,000 (total borrowings of HK$14,705,367,000 less the LPG trade finances related facilities of HK$2,851,490,000 and bank balances and cash of HK$4,258,280,000) and net assets of HK$6,413,152,000 as at 30 September 2010.

The Group has always been pursuing a prudent financial management policy. The majority of the cash available were deposited with credible banks as demand and time deposits.

Financial Resources

There are over 20 banks extended syndicate loans and credit facilities to the Group and most syndicate loans are under a term longer than five years with an average maturity of nine years. Bank loans are used as general working capital, the majority of which will accrue interest at US$ LIBOR+1.6%. As at 30 September 2010, the Group had bank loans and other loans amounting to HK$14,705,367,000, of which HK$2,851,490,000 represented the LPG trade finances related facilities.

Apart from the financing arrangements provided by China Development bank, the Group was granted credit facilities by Asian Development Bank in the amount of US$200 million for new project development purpose in October 2010. The Group's existing available credit facilities have exceeded HK$40 billion, providing strong financial support to maintain the stability of the Group's operations.

In October 2010, the Group completed a share placement and had raised a net total of about HK$3,070,000,000. The purpose of this placement exercise was to reduce the debt level of the Group, and these net proceeds will be used to pay off part of the RMB denominated debt of the Group which currently carries higher interest costs. After such debt repayment, the Management expects the debt position, the gearing level as well as the overall finance costs of the Group to fall significantly.

The operating and capital expenditures of the Group are financed by operating cash income, subscription proceeds from investors, bank loans, revolving credit facilities and development financial loans. The Group has sufficient funding 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 30 September 2010, the Group pledged certain property, plant and equipment and prepaid lease payments with net carrying value of approximately HK$328,827,000 and HK$34,200,000 (31 March 2010: HK$298,075,000 and HK$39,043,000) respectively, investment properties with net carrying value of HK$30,120,000 (31 March 2010: HK$27,220,000), trade receivables with net carrying value of HK$37,410,000 (31 March 2010: HK$86,817,000), inventories with carrying value of HK$100,359,000 (31 March 2010: HK$138,729,000) and pledged bank deposits of HK$302,729,000 (31 March 2010: HK$489,103,000) and certain subsidiaries pledged their equity investments in other subsidiaries to banks to secure loan facilities granted to the Group.

Capital Commitments
The Group had capital commitments in respect of the acquisition of property, plant and equipment and construction materials contracted for but not provided in the financial statements as at 30 September 2010 amounting to HK$128,842,000 (31 March 2010: HK$146,754,000) and HK$118,324,000 (31 March 2010: HK$140,194,000) respectively, and such commitments would require a substantial part of the Group's present cash and external borrowings. The Group has undertaken to acquire shares in some Chinese enterprises and set up Sino-foreign joint ventures in China.

Contingent Liabilities
As at 30 September 2010, the Group did not have any material contingent liabilities (31 March 2010: nil).

PROSPECTS
The economic growth rate of China remains relatively high in 2010, and this growth momentum is expected to continue in 2011. Given the prevailing impact of the domestic economic stimulus package, the demand for clean energy remains strong. With the increase in the upstream gas supply, the completion of major long-distance pipeline projects in China and commencement of commercial operation of the LNG terminals in the coastal areas, shortage in the upstream gas supply will gradually be mitigated, thereby fueling a rapid increase in the demand from the industrial and commercial users as well as the gas refueling stations in the large number of cities where the Group has a presence. As the Group's overall connection rate of residential users is still at a lower level, there remains a lot of room for further development in this area. Moreover, the equity cooperation between the Group and Oman Oil is expected to improve the Group's operating performance in the LPG business and its overall profitability. Looking forward to the blueprint for the energy sector under China's 12th Five-Year Plan, gas remains the focus of China's future development strategy for clean energy and the Group will play an active role in it as a promoter of the energy reform in China.

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 throughout the period, 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 throughout the six months ended 30 September 2010.

REVIEW OF INTERIM RESULTS
The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the interim results for the six months ended 30 September 2010.

PURCHASE, SALE AND REDEMPTION OF SHARES
For the six months ended 30 September 2010, 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 30 September 2010 will be dispatched to the shareholders as soon as possible 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, 29 November 2010

** 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. Moon Duk Kyu and Mr. Mulham Al Jarf 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.