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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2011

The Board of Directors (the "Board" or the "Directors") of China Gas Holdings Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011, together with the comparative figures for the year ended 31 March 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Year ended 31 March 2011** ***HK$'000***	Year ended 31 March 2010 *HK$'000*
Revenue	*3*	**15,861,880**	10,211,959
Cost of sales		**(12,951,408)**	(8,095,667)
Gross profit		**2,910,472**	2,116,292
Other income		**236,937**	273,885
Other gains and losses		**15,497**	472,192
Selling and distribution costs		**(600,495)**	(445,012)
Administrative expenses		**(846,200)**	(606,658)
Finance costs		**(635,029)**	(522,677)
Share of results of associates		**15,856**	(114,402)
Profit before taxation		**1,097,038**	1,173,620
Taxation	*4*	**(315,716)**	(158,119)
Profit for the year	*5*	**781,322**	1,015,501
Other comprehensive income			
Increase in fair value on available-for-sale investments		**2,678**	7,958
Exchange difference arising on translation		**262,444**	1,240
Other comprehensive income for the year		**265,122**	9,198
Total comprehensive income for the year		**1,046,444**	1,024,699

	Note	Year ended 31 March 2011 HK$'000	Year ended 31 March 2010 HK$'000
Profit for the year attributable to:			
Owners of the Company		**625,896**	875,636
Non-controlling interests		**155,426**	139,865
		781,322	1,015,501
Total comprehensive income attributable to:			
Owners of the Company		**821,928**	884,834
Non-controlling interests		**224,516**	139,865
		1,046,444	1,024,699
Earnings per share	*6*		
Basic		**HK16.31 cents**	HK26.19 cents
Diluted		**HK14.60 cents**	HK23.13 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	**31 March 2011** *HK$'000*	31 March 2010 *HK$'000* (restated)	1 April 2009 *HK$'000* (restated)
Non-current assets				
Investment properties		**408,135**	343,158	295,127
Property, plant and equipment		**13,799,669**	11,084,805	9,154,271
Prepaid lease payments		**1,128,929**	938,713	848,607
Interests in associates		**1,009,505**	957,709	1,000,966
Available-for-sale investments		**85,884**	82,838	41,995
Derivative financial instrument		**–**	9,759	684,467
Goodwill		**1,565,604**	900,577	320,297
Other intangible assets		**1,401,675**	1,254,675	276,197
Deposits for acquisition of property, plant and equipment		**600,040**	254,751	63,218
Deposits for acquisition of associate and a subsidiary		**133,627**	–	68,966
Amount due from an associate		**163,166**	–	–
Deferred tax assets		**91,466**	88,155	56,890
		20,387,700	15,915,140	12,811,001
Current assets				
Inventories		**1,076,525**	564,163	540,898
Amounts due from customers for contract work		**166,884**	103,265	219,993
Trade and other receivables	*7*	**2,388,040**	1,871,061	1,285,698
Derivative financial instruments		**–**	2,909	1,261
Amounts due from associates		**92,115**	138,236	243,250
Prepaid lease payments		**34,283**	25,933	14,647
Held-for-trading investments		**11,948**	15,468	11,544
Pledged bank deposits		**1,647,444**	489,103	847,759
Bank balances and cash		**5,081,589**	3,872,316	2,048,698
		10,498,828	7,082,454	5,213,748
Current liabilities				
Trade and other payables	*8*	**4,503,034**	3,182,020	2,603,313
Derivative financial instruments		**32,122**	–	782
Amounts due to customers for contract work		**285,728**	239,316	121,743
Taxation		**149,592**	146,162	51,733
Amounts due to associates		**13,254**	23,867	–
Amount due to a non-controlling interest of a subsidiary		**5,042**	–	–
Bank and other borrowings – due within one year		**7,312,837**	5,332,060	3,218,798
		12,301,609	8,923,425	5,996,369
Net current liabilities		**(1,802,781)**	(1,840,971)	(782,621)
Total assets less current liabilities		**18,584,919**	14,074,169	12,028,380

	31 March 2011	31 March 2010	1 April 2009
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
Equity			
Share capital	**43,831**	33,610	33,336
Reserves	**8,720,845**	4,089,412	3,189,934
Equity attributable to owners of the Company	**8,764,676**	4,123,022	3,223,270
Non-controlling interests	**1,573,480**	1,107,215	758,858
Total equity	**10,338,156**	5,230,237	3,982,128
Non-current liabilities			
Derivative financial instruments	**–**	–	360,087
Amount due to a non-controlling interest of a subsidiary	**–**	356,591	356,591
Bank and other borrowings – due after one year	**7,720,327**	7,984,046	7,079,124
Convertible bonds	**–**	–	14,823
Deferred taxation	**526,436**	503,295	235,627
	8,246,763	8,843,932	8,046,252
	18,584,919	14,074,169	12,028,380

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and certain financial instruments, which are measured at revaluated amounts or fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Statement of Cash Flows (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 7 specify that changes in ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Accordingly, the resulting cash flows are classified as financing activities in the consolidated statement of cash flows. The application of the amendments to HKAS 7 has resulted in a change in the presentation of cash outflows for current and prior year. Specifically, the capital contributions in the acquisition of additional interests in subsidiaries of HK$22,988,000 paid in current year are included in cash flows from financing activities in the consolidated statement of cash flows.

HKFRS 3 (as revised in 2008) Business combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 April 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, as a result, the Group has recognised HK$20,884,000 of such costs as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of HK$20,884,000 and earnings per share, for basic and diluted were decreased, by HK0.54 cent and HK0.49 cent respectively.

HKAS 27 (as revised in 2008) Consolidated and separate financial statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has resulted in change in the Group's accounting policy regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

These changes have been applied prospectively from 1 April 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group's acquisition of additional interests in subsidiaries in the current year. The change in policy has resulted in (i) the difference of HK$53,083,000 between the consideration paid of HK$94,991,000 and the non-controlling interests derecognised of HK$41,908,000 which was recognised directly in equity instead of as goodwill; and (ii) the difference of HK$9,572,000 between the consideration paid of HK$29,158,000 and the non-controlling interests derecognised of HK$38,730,000 which was recognised directly in equity instead of discount on acquisitions of additional interests in subsidiaries in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of HK$9,572,000 and the earnings per share, for basic and diluted were decreased, by HK0.25 cent and HK0.22 cent respectively.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the borrower of a term loan that contains a repayment on demand clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK INT 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK INT 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK INT 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$37,299,000 and HK$114,943,000 have been reclassified from non-current liabilities to current liabilities as at 31 March 2010 and 1 April 2009 respectively. As at 31 March 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$59,523,000 have been classified as current liabilities. The application of HK INT 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

Amendment to HKAS 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, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as 1 April 2010 based on information which existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK$21,994,000, HK$20,468,000 as at 1 April 2009 and 31 March 2010 respectively being reclassified to property, plant and equipment. As at 31 March 2011, leasehold land that qualifies for finance lease classification with carrying amount of HK$18,942,000 has been included in property, plant and equipment. The application of amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current year by line items are as follows:

	2011
	HK$'000
Increase in administrative expenses	(20,884)
Decrease in other gains and losses	(9,572)
Decrease in profit for the year	(30,456)

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 April 2009 and 31 March 2010 are as follows:

	As at 1 April 2009 (originally stated)	Adjustments	As at 1 April 2009 (restated)	As at 31 March 2010 (originally stated)	Adjustments	As at 31 March 2010 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	9,132,277	21,994	9,154,271	11,064,337	20,468	11,084,805
Prepaid lease payments	885,248	(21,994)	863,254	985,114	(20,468)	964,646
Bank and other borrowings – current	3,103,855	114,943	3,218,798	5,294,761	37,299	5,332,060
Bank and other borrowings – non-current	7,194,067	(114,943)	7,079,124	8,021,345	(37,299)	7,984,046
Total effects on net assets		–			–	

The effects of changes in accounting policies described above on the Group's basic and diluted earnings per share for the current year are as follows:

	2011 Impact on basic earnings per share	2011 Impact on diluted earnings per share
	HK cents	*HK cents*
Figures before adjustments	17.10	15.31
Adjustments arising from changes in the Group's accounting policies in relation to		
– acquisition-related costs	(0.54)	(0.49)
– acquisition of additional interests in subsidiaries	(0.25)	(0.22)
Figures after adjustments	16.31	14.60

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of underlying assets[5]
HKAS 24 (as revised in 2009)	Related party disclosures[6]
HK (IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK (IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2014 and that the application of the new Standard may affect the classification and measurement of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

In addition to the above the HKICPA issued the following standards on 24 June 2011.

HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures

These new or revised standards are mandatorily effective for annual periods beginning on or after 1 January 2013. Early application is permitted so long as all of the six new or revised standards are applied early. The directors anticipate these standards will be adopted in the Group's consolidated financial statements for the period beginning 1 April 2013. The directors have not yet had an opportunity to consider the potential impact of the adoption of these standards.

Other than as described above, 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 consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM"), being the managing directors of the Group, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services rendered which is also consistent with the basis of organisation of the Group, except for Zhongyu Gas Holdings Limited ("Zhongyu Gas"), a subsidiary where the Group has acquired 56.33% of equity interest in it. The Group consider Zhongyu Gas is a single operating segment as CODM reviews the total revenue and overall result of Zhongyu Gas. The Group's operating and reportable segments under HKFRS 8 are as follows:

(i) Sales of piped gas;
(ii) Gas connection;
(iii) Sales of liquefied petroleum gas ("LPG");
(iv) Sales of coke and gas appliances; and
(v) Zhongyu Gas

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 March 2011

	Sales of piped gas *HK$'000*	Gas connection *HK$'000*	Sales of LPG *HK$'000*	Sales of coke and gas appliances *HK$'000*	Zhongyu Gas *HK$'000*	Segment Total *HK$'000*
SEGMENT REVENUE FROM EXTERNAL CUSTOMERS	5,582,934	2,086,497	6,654,797	485,131	1,035,998	15,845,357
SEGMENT PROFIT (LOSS)	692,146	1,046,494	(22,435)	2,638	92,410	1,811,253
Revenue arising from property investment						16,523
Interest and other gains						57,493
Unallocated corporate expenses						(189,742)
Finance costs						(614,391)
Change in fair value of investment properties						47,057
Change in fair value of derivative financial instruments						(44,790)
Loss on disposal of a jointly controlled entity						(932)
Gain on disposal of associates						753
Loss on disposal of available-for-sale investments						(2,042)
Share of results of associates						15,856
Profit before taxation						1,097,038

	HK$'000
Reconciliation of revenue	
Total revenue for operating segments	15,845,357
Rental income	16,523
Group's consolidated revenue	15,861,880

For the year ended 31 March 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 FROM EXTERNAL CUSTOMERS	3,831,627	1,461,573	4,637,924	268,845	10,199,969
SEGMENT PROFIT	587,271	645,212	74,471	10,499	1,317,453
Revenue arising from property investment					11,990
Interest and other gains					49,279
Unallocated corporate expenses					(154,947)
Finance costs					(522,677)
Change in fair value of investment properties					44,645
Change in fair value of derivative financial instruments					372,755
Loss on disposal of jointly controlled entities					(5,814)
Loss on disposal of an associate					(1,190)
Gain on disposal of a subsidiary					141
Discount on acquisition of a jointly controlled entity					302
Discount on acquisition of businesses					176,085
Share of results of associates					(114,402)
Profit before taxation					1,173,620

	HK$'000
Reconciliation of revenue	
Total revenue for operating segments	10,199,969
Rental income	11,990
Group's consolidated revenue	10,211,959

4. TAXATION

	2011	2010
	HK$'000	*HK$'000*
The People's Republic of China ("PRC") Enterprise Income Tax	**322,951**	192,985
Deferred taxation	**(7,235)**	(34,866)
	315,716	158,119

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

Taxation arising in other jurisdictions in the PRC is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted 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 ("Tax preference"). The Tax preference arrangement of the aforesaid PRC subsidiaries have been/will be expired from 2011 to 2013. The reduced tax rate for the relief period is 12.5% for both years. The charge of PRC Enterprise Income Tax for the years has been provided for after taking these Tax preference into account.

5. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**6,000**	5,500
Depreciation of property, plant and equipment	**598,992**	476,194
Release of prepaid lease payments	**43,771**	26,461
Amortisation of intangible assets included in cost of sales	**48,974**	20,019
Minimum lease payments for operating leases	**72,668**	85,890
Loss on disposal of property, plant and equipment	**9,263**	4,253
Loss on disposal of prepaid lease payments	**3,340**	–
Share of tax of associates (included in share of results of associates)	**5,015**	4,175
Staff costs	**640,883**	443,134
Cost of inventories recognised as expenses	**12,221,110**	7,472,632
Rental income from investment properties less outgoings	**(14,209)**	(10,319)

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:

	2011	2010
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**625,896**	875,636

	2011	2010
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,837,014**	3,343,913
Adjustment for effect of dilutive potential ordinary shares:		
Share options	**449,193**	441,788
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,286,207**	3,785,701

Note: All outstanding convertible bonds were converted during the year ended 31 March 2010. The impact on diluted earnings per share for the year ended 31 March 2010 on assumed conversion was not considered significant and therefore had not been accounted for in the calculation.

In addition, the diluted earnings per share for the year ended 31 March 2011 has not assumed the conversion of convertible bonds issued by Zhongyu Gas as it would increase the earnings per share, after taking into account of the effect of effective interest, change in fair value of redemption option derivative components and gain on redemption of the convertible bonds net of related tax expenses, if any.

7. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**1,118,704**	820,144
Less: Accumulated allowances	**(237,692)**	(221,497)
Trade receivables	**881,012**	598,647
Deposits paid for construction and other materials	**193,644**	100,278
Deposits paid for purchase of natural gas and LPG	**341,648**	306,555
Advanced payments to sub-contractors	**209,515**	150,151
Tender deposits	**595**	66,107
Rental and utilities deposits	**23,599**	24,541
Other tax recoverable	**106,328**	43,260
Other receivables, deposits and prepayments	**395,195**	345,742
Amounts due from non-controlling interests of subsidiaries	**84,472**	212,050
Amounts due from shareholders of jointly controlled entities	**152,032**	23,730
Total trade and other receivables	**2,388,040**	1,871,061

Other than certain major customers with good repayment history which the Group allows a longer credit period or settlement by installment 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 presented based on invoice date at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
0-180 days	**680,125**	480,797
181-365 days	**101,498**	74,793
Over 365 days	**99,389**	43,057
	881,012	598,647

The non-trade balances of amounts due from non-controlling interests of subsidiaries and shareholders of jointly controlled entities are unsecured, non-interest bearing and repayable on demand.

8. 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 presented base on the invoice date at the reporting date:

	2011	2010
	HK$'000	*HK$'000*
0-90 days	**1,368,367**	1,058,186
91-180 days	**220,427**	245,035
Over 180 days	**606,434**	382,258
Trade and bill payables	**2,195,228**	1,685,479
Other payables and accrued charges	**222,123**	128,572
Construction fee payables	**263,178**	154,119
Other tax payables	**62,013**	57,392
Accrued staff costs	**79,672**	85,512
Loan interest payables	**46,659**	47,481
Deposits received from customers	**61,271**	55,191
Advance payments from customers	**494,281**	361,227
Advances received from customers for contract works that have not yet been started	**929,962**	430,269
Amounts due to non-controlling interests of subsidiaries	**69,705**	50,501
Amounts due to shareholders of jointly controlled entities	**17,399**	24,668
Obligation on capital injection to Fujian Anran Gas Investment Company Limited by Beijing Zhongmin Zhongran Trading Company Limited	**23,448**	23,448
Obligation on acquisition of additional interest in a subsidiary	**38,095**	–
Deferred cash consideration for the acquisition of businesses	**–**	78,161
	4,503,034	3,182,020

Included in the amounts due to non-controlling interests of subsidiaries and shareholders of jointly controlled entities are trade payables amounting to HK$3,706,000 (2010: HK$4,469,000) and HK$3,224,000 (2010: HK$9,136,000) respectively. All of the balances were aged within 90 days based on invoice date and the average credit period is 90 days.

The non-trade balances of amounts due to non-controlling interests of subsidiaries and shareholders of jointly controlled entities are unsecured, non-interest bearing and repayable on demand.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of HK2.2 cents (2010: HK1.7 cents) per ordinary share.

The final dividend will be paid on or about 30 September 2011 to shareholders whose names appear on the Registrar of Members of the Company on the date of the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22 August 2011 to 23 August 2011, both days inclusive, during which period no transfer of shares will be registered. In order to quality for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 19 August 2011.

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 year ended 31 March 2011, turnover of the Group amounted to HK$15,861,880,000 (for the year ended 31 March 2010: HK$10,211,959,000), increased by 55.3% over last year. Gross profit amounted to HK$2,910,472,000 (for the year ended 31 March 2010: HK$2,116,292,000), increased by 37.5% over last year. Overall gross profit margin was 18.3% (for the year ended 31 March 2010: 20.7%). Profit for the year decreased by 23.1% year-on-year to HK$781,322,000 (for the year ended 31 March 2010: HK$1,015,501,000). Earnings per share amounted to HK16.31 cents (for the year ended 31 March 2010: HK 26.19 cents). However, excluding non-cash and non-operational income and expenses, the Group achieved core earnings of HK$827,405,000 (for the year ended 31 March 2010: HK$590,085,000), representing an actual growth of 40.2%. Again, if non-cash and non-operational income and expenses are excluded, core earnings per share, an increase of 30% over that in financial year 2010, actually amounted to HK17.51 cents (for the year ended 31 March 2010: HK13.46 cents).

New Projects Expansion

As of 31 March 2011, the Group has secured 148 city piped gas projects (with exclusive concession rights), 9 long-distance natural gas pipeline projects, 105 CNG refilling stations for vehicles, 1 natural gas development project and 54 LPG distribution projects in 20 provinces, autonomous regions and directly administered cities.

The Group secured an additional 28 city piped gas projects during the period from 1 April 2010 to 31 March 2011 as set out below:

Provinces/Autonomous Regions/Directly Administered Cities	Municipalities/Districts
Gansu Province	Lingtai County
Liaoning Province	Liu’erbao Town Special Economic Zone, Zhuanghe Industrial Park
Heilongjiang Province	Greater Khingan Mountains Area
Guangxi Zhuang Autonomous Region	Bobai County, Wuxuan County
Anhui Province	Xiuning County, Huoqiu County, Maoji Experimental Zone
Hubei Province	Qingshan District of Wuhan
Jiangxi Province	Xinfeng County
Guangdong Province	Fengshun County, Pingyuan County, Huazhou City, Dabu County, Wuhua County
Hebei Province	Cangzhou High-tech Zone
Henan Province	Sanmenxia City, Jiaozuo City, Luohe City, Xinmi City, Yongcheng City, Jiyuan City, Yanshi City, Xiuwu City
Shandong Province	Linyi City, Linyi Devoplement Zone, Linyi County

The above new projects cover a connectable city population of approximately 6,889,775 (approximately 2,067,834 households). The connectable city population covered by the Group's gas projects has increased to 59,165,950 (approximately 18,202,322 households) as of 31 March 2011, representing an increase of 5.8% over 2010.

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 year ended 31 March 2011 is discussed below.

Natural Gas Business

As a major supplier and service provider specialized in natural gas, the Group has established its unique and well-fit operating and management system in domestic gas industry after nine years of development, which plays a positive role in enhancing management efficiency and operating results.

Construction of Piped Gas Networks

City piped gas networks construction is one of the principal businesses of the Group. By constructing urban arterial and branch pipe networks, the Group connects natural gas pipelines to residential as well as industrial and commercial users, from whom connection fees and gas usage fees are charged.

During the financial year, the Group had completed 25 processing stations, high-pressure gas pipelines of 206 km, city medium and low-pressure gas pipelines of approximately 3,784 km and branch and customer pipeline network of 3,163 km.

As at 31 March 2011, the Group accomplished piped gas supply in 112 cities, and had 112 processing stations, high-pressure gas pipelines of approximately 1,684 km, city medium to low-pressure gas pipelines of approximately 21,383 km and branch and customer pipeline network of 36,122 km constructed. Designed gas supply capacity of the processing stations reached 25,855,000 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 financial year, the Group completed natural gas connections for 901,982 domestic households (2010: 657,907 domestic households), an increase of approximately 37.1% over the same period last year. The average piped gas connection fee for residential users was RMB2,454.

As at 31 March 2011, the accumulated connected residential users of the Group grew by approximately 25.7% over the same period last year to 6,078,806 households (2010: 4,837,436 households), representing 33.4% of the total connectable domestic households, well below the connection ratio of 80% in developed markets, indicating that the residential gas market still holds considerable potential for our expansion in the future.

Industrial and Commercial Customers

During the financial year, the Group continued to focus on developing the industrial and commercial users markets by establishing a "performance driven" incentive mechanism in order to achieve the best market development results. The Group made good improvement in the development of industrial and commercial customers and further improved the customers structure. During the financial year, the Group completed additional connections for 254 industrial users and 3,680 commercial and public welfare users.

As at 31 March 2011, the accumulative acquired and connected industrial customers and commercial customers of the Group were 1,270 and 37,470 representing an increase of approximately 56.8% and 11.9% respectively as compared with those in the same period last year. During the financial year, connection fee for industrial users was calculated on the basis of the contracted daily gas volume at the average rate of RMB54 per m^3 and the average connection fee paid by commercial customers was RMB64,735 per customer.

During the financial year, the Group's gas connection income grew by approximately 60.5% over the same period last year to HK$2,346,388,000 representing approximately 14.8% of the Group's total revenue for the year.

CNG Refilling Stations for Vehicles

During the financial year, the Group's Vehicle Gas Development Department had laid a firm foundation for standard and efficient operation of the refilling stations and made significant progress in the setup of technical specifications, project construction standards and management system of refilling stations and the establishment of refilling stations project department of project companies. The Group currently owns 105 CNG refilling stations for vehicles, with a daily capacity in excess of 1,500,000 m^3, representing an increase of 15.4% and 11.1% respectively as compared with those in the same period last year. Sales volume of CNG for vehicles took up 8.5% of the Group's total sales volume of natural gas during the financial year. The shortage of natural gas supply in recent years has greatly hindered the development of CNG refilling stations for vehicles. In the next five years, the business of refilling stations for vehicles will have an even more promising outlook, and natural gas, as clean energy, will be a key choice for vehicle fuels given the continuous implementation of the PRC government's policies of energy conservation and emission reduction and easing the shortage of natural gas supply. As such, the Group will continue to step up the acquisition and construction of refilling station projects to strengthen its profitability. The Group will also push ahead the construction of LNG (liquefied natural gas) refilling stations with an aim to providing vehicles for long-distance passenger and cargo transport with clean fuel.

Sale of Natural Gas

The operating revenue of natural gas is generated from connection fee and sales of gas. Connection fee is a one-off income, and the sales income of gas is the ultimate generator of the Group's profit.

During the financial year, the Group sold a total of 4,452,403,000 m^3 of natural gas, an increase of 31.7% as compared to the same period last year, of which 568,689,000 m^3 was sold to residential users, 3,011,087,000 m^3 to industrial users (including 1,740,000,000 m^3 natural gas sold directly to industrial users through long-distance pipeline) and 492,850,000 m^3 to commercial and public welfare users and 379,777,000 m^3 to CNG vehicle drivers.

During the financial year, gas sold to industrial users accounted for approximately 67.6% of the total natural gas volume sold, commercial users approximately 11.1%, residential users approximately 12.8% and CNG vehicle drivers approximately 8.5%. With a large proportion of industrial users in the customer mix, the Group enjoys enormous potential in its future gas sales. In addition, the relaxed tariff imposed by the government on gas for industrial and commercial use enabled the Group to pass through the fluctuation in upstream prices more easily. Upon the adjustment to the benchmark wellhead price of onshore gas initiated by the National Development and Reform Commission on 31 May 2010, the Group managed to pass on the cost hikes in natural gas for most of the city gas projects to the downstream industrial and commercial users.

During the financial year, the Group's natural gas sales income grew by approximately 66.0% over the same period last year to HK$6,359,041,000, representing approximately 40.1% of the Group's total revenue for the year.

As at 31 March 2011, the daily natural gas supply capacity of the Group reached 13,900,000 m^3, increased by approximately 33.5% over the same period last year, of which the actual domestic usage was approximately 1,775,396 m^3/day, actual industrial usage approximately 9,400,342 m^3/day, actual commercial usage approximately 1,538,633 m^3/day, and actual CNG vehicles usage approximately 1,185,629 m^3/day.

The Group's average selling price (pre tax) of natural gas was RMB2.15 per m^3 for residential users, RMB2.29 per m^3 for industrial users, RMB2.35 per m^3 for commercial users, and RMB2.72 per m^3 for CNG vehicle drivers for the past financial year.

The core business of the Group is piped natural gas supply. However, for some projects in areas such as Fushun, Liuzhou and Mudanjiang where piped natural gas is not yet accessible, piped coal gas or LPG blended with air is sold as a transitional fuel. A total of 162,398,680 m^3 piped coal gas and LPG blended with air were sold during the financial year, of which coal gas sale was 159,255,872 m^3 and LPG blended with air sale was 3,142,808 m^3. With the introduction of upstream natural gas into such cities, the operation of transitional fuels of the Group has been scaling down.

According to the construction and production schedules of the natural gas pipelines projects in the PRC, the nationwide onshore gas pipeline system will be gradually improved and the overall supply of the onshore natural gas will be significantly increased, which is conducive to mitigating the short-term imbalance between demand and supply, and thus will eventually satisfy the increasing demand in China for natural gas. Capitalising on this opportunity, the Group will continue to reinforce its business relationship with upstream suppliers by securing supply contracts so as to explore new market.

Liquefied Petroleum Gas Business

In terms of the domestic energy sector, the LPG consumer market still holds extensive room for development in the PRC as compared with its alternatives such as natural gas and coal. Sales of LPG in China during 2011 reached 23.65 million tons, representing a growth of 5.4%. With the continuous price hike of refined oil, natural gas, coal and other energy resources in the PRC, the competitive edge of LPG has gradually sharpened. The deepening of the urbanisation process and the improvement of living standard in rural areas of the PRC will also drive the demand for LPG as clean energy in various small towns and rural-urban fringe zones. Moreover, industrial application of LPG in the PRC is still not as popular and extensive as in other developed economies in the world. At present, the demand for LPG in non-ferrous metal smelting, industrial furnace firing, chemical feedstock and fuel cells has begun rising with huge potential, helping the continuous growth in industrial applications of LPG.

Following the establishment of new refineries and capacity expansion of existing ones in the PRC, the supply of domestic LPG has been increasing, creating a safe haven for stablising the supply and demand of the LPG market and mitigating price fluctuation. In addition, the import tariff of LPG has been reduced to 2% from 5% this year, which is in tune with the government's policy direction in encouraging the import of LPG as energy products. The continuous appreciation of Renminbi exchange rate will further reduce the import cost of LPG, thus stimulating the growth of import and consumption volume of LPG.

Group's LPG Business Review

The financial year 2011 has been challenging for the LPG wholesale market. During the first half of the financial year, the Group's LPG business suffered from a loss due to the unusual volatility of the global LPG price. As the LPG price gradually resumed normalcy, the Group's LPG business returned to profitability in the second half of the financial year. A total of 984,600 tons of natural gas was sold by the Group during the financial year. Income generated from principal businesses amounted to HK$6,654,797,000. Due to the impact of the first half of the financial year, our LPG business had an operating loss of HK$22,435,000 in total.

In the past year, the Group stepped up its efforts in regulating its operations, continued to improve its management systems and working procedures and implemented a standardised management mechanism. Breakthrough was achieved in the establishment of its information technology system, facilitating centralised financial management and the integration of logistics, capital flow, document flow and human resources as well as information sharing. The Group also improved its operating and management structure for the LPG wholesale and retail chain operation so as to strengthen its LPG wholesale and retail operating system. The Group implemented the performance target responsibility system to motivate our employees through target allocation, accomplishment and evaluation. The Group also initiated various new businesses such as terminal storage, chemicals trading and refined oil operation to elevate the utilisation of assets and widen the scope of operation.

Integration of upstream, midstream and downstream operations

During the financial year of 2011, the Group fully utilised the scale and geographical advantages of its storage, terminal and logistics operations and integrated its upstream and downstream resources. The Group maintained close relationship with various upstream companies such as Kunlun Gas, Zhenhai Refining & Chemical, Keyuan Petrochemicals (科元石化) and WEPEC (大連西太), and signed cooperation agreements with them to ensure a stable supply of upstream resources. The Group has also made significant efforts in the integration of end-users markets through the acquisition of Panva Group. Other projects completed included the establishment of Wuhu Zhongran Energy Co., Ltd. (蕪湖中燃能源有限公司) and Changshu Zhongran Energy Co., Ltd. (常熟中燃能源有限公司), the acquisition of 100% interest in Changshu Huarun LPG Co., Ltd., (常熟華潤液化氣有限公司) and the joint establishment of Changshu Zhongran Gangcheng Energy Co., Ltd. (常熟中燃港城能源有限公司) and Foshan Zhongran Huanan Energy Co., Ltd. (佛山中燃華南能源有限公司). There were in total 4 investment projects completed in financial year 2011, which involved 3 different regions and 13 class III stations representing a market volume of 50,000 tons per annum. In addition, there are 7 projects in progress in 11 regions and 34 class III stations, representing estimated total sales of 130,000 tons per annum. There are another 10 reserve projects in 10 regions and 50 class III stations, with estimated total sales of 200,000 tons per annum.

In financial year 2012, the Group will speed up mergers and acquisitions in the LPG sector. To date, the Group has jointly established Guangdong Qingyuan Puhua Energy Investment Company Limited (廣東清遠普華能源投資有限公司), Yixing Zhongran Energy Company Limited (宜興中燃能源有限公司) and Hangzhou Zhongyou Gaosheng Energy Co., Ltd (杭州中油高盛能源有限公司). Moving on to the next stage, the Group will step up its effort in integrating the retail markets by completing the merger and acquisition and consolidation of Panva. Meanwhile, the Group will intensify the consolidation of the retail markets in regions such as Jiangsu, Zhejiang, Anhui, Fujian and Guangxi, and accelerate the merger and acquisition of quality assets in regions where the Group's existing project companies are situated, in a bid to transform those project companies into regional market leaders which will boost the Group's distribution capability for 150,000 tons a year. The consolidation of the retail market is conducive in rapidly expanding the Group's customer network, raising sales, lowering unit operation cost, lifting profit margin of retailing and generating synergy through the vertical integration of the upstream, midstream and downstream market segments. More importantly, as LPG sold in the retail market comes primarily from domestic oil refineries, volatility of upstream price can be transmitted to the retail market with relative ease, thus significantly reducing the risk stemming from the difference between selling price and purchasing cost of LPG.

Value-added services for end users

In the coming five years, the Group will be supplying natural gas to more than 12,000,000 urban households, and LPG to more than 30,000,000 urban households, serving over 150 million customers in total. Leveraging on our existing service network, management platform and customers clusters, the Group aims to maximise the value of our customer network by providing various forms of extended services and proactively developing value-added services to meet customers' needs. Such measures are expected to expand significantly the room for profit growth, widen the conduits to achieve such growth as well as to improve our profitability.

The Group will facilitate growth by providing value-added services as a measure to enhance our customers average unit spending. For existing and potential customers, the Group will create value and profit by providing gas insurance services, maintenance services, gas equipment improvement services, sales and installation of gas appliances and other forms of services. The Group will also commence retail business by using gas stations as a distribution channel to create additional revenue sources. The Group will also take real measures such as door-to-door delivery services to facilitate brand-building and enhance brand effect, hence improving the Group's profitability.

Human Resources

A team of excellent employees is vital to the success of a corporation. The Group adheres to the management concept of "people come first". During this financial year, the Group continued to upgrade the professionalism and competence of its staff at all levels through the establishment of a sound recruitment and internal training mechanism. The Group created a platform for knowledge exchange and sharing of experience among its staff, and also recruited and retained capable personnel by enhancing job satisfaction and providing attractive remuneration packages.

As at 31 March 2011, the Group had approximately 19,808 employees, an increase of approximately 14% over last year. More than 99.9% of the Group's employees are stationed in the PRC. Remuneration is determined with reference to the qualification and experience of the staff concerned and according to the prevailing industry practice in the respective regions in which it operates. Apart from basic salary and pension fund contribution, certain employees may be rewarded with discretionary bonuses, merit payments and share options depending on the Group's operating results and the performance of such individual employees.

Corporate Management

It has been the Group's long-standing tradition to adhere to a "systemised, standardised, institutionalised" management philosophy with respect to enhancing the level of management and operation. During this financial year, the Group consummated a robust production and operation management system, which laid the foundation for the Group's systemised production management policies as well as its standardised operation. By bringing the construction management system online, control and regulation over construction procedures were enhanced, enabling the Group to perform construction management with a high degree of transparency. By promoting a "standardised financial department", the competence of financial management personnel was improved, thus, financial risks were effectively avoided and the level of financial management as a whole was raised. By establishing an in house tutoring mechanism, the Group's employee training system was reinforced, which in turn improved the professional skills and management competency of managerial staff. The Group strengthened the establishment of a performance assessment system by pushing forward the deployment of an Electronic Human Resource (EHR) system, which provided comprehensive performance assessment coverage of employees and safeguarded the rapid expansion of the Group. Meanwhile, to ensure the effective implementation of the management systems, the Group conducted monitoring work through self-evaluation and cross-evaluation, guaranteeing the establishment of systemised, standardised and institutionalised management systems.

In addition, to further improve the management efficiency of the Group so as to ensure a more systemized, efficient and safe operation, the Group will, starting from the new fiscal year, implement a group-wide authority delegation system. Through a more concise approval procedure, the implementation of this authority delegation system, as well as the strengthening of our monitor mechanism, the management efficiency of the Group will continue to improve.

Strengthening Corporate Governance

During the financial year, the former senior management of the Group had been detained for investigation by the Shenzhen PSB since December 2010 for suspected "embezzlement of the assets of an organization in which they have duties" (職務侵佔罪) and was formally arrested in January 2011. In order to eliminate the negative impacts caused by the crisis and ensure the resumption of normal operation of business, the board of directors took decisive measures to protect, to the greatest extent possible, the interest of the shareholders as a whole.

First and foremost, it was of paramount importance to maintain stability during turbulent times. The Group succeeded in stabilising internal management and resolving issues such as capital adequacy though the appointment of provisional managing directors (acting) and the establishment of an ad hoc management committee. On the other hand, the Group engaged PricewaterhouseCoopers to conduct a review on its bank accounts from 1 April 2010 to the occurrence of the said incident, which confirmed that no material and unusual matters were identified. Another step taken by the Group was to seek development while maintaining stability. Through the removal of the ex-chairman and ex-vice chairman and another member of the board, and the subsequent appointment of the new joint managing directors, our board affirmed the senior management of the Group which oversaw the continuous development of its business, plotted a new development course and mapped out the specific implementation plans. Leveraging on a stabilised internal management, the Group was able to follow its established developmental strategy and rolled out its new "hub-satellite cities" investment strategy to continuously acquire exclusive rights to new natural gas projects in various cities. Meanwhile, the Group successfully entered into an equity transfer agreement with Panva Gas Holdings Limited on 10 March 2011, which opened the door for the Group to realise a speedy entry into the LPG retail market in China, and paved the way for further integration of midstream wholesaling and downstream retail businesses in the LPG market in China.

Under the proper guidance of the board of directors and the direct leadership of the senior management team, the Group will, through collaboration with our entire staff, transform itself into a corporation with emphasis on better unity, more transparency and higher efficiency.

Financial Review

Liquidity

In face of the prevailing economic conditions, it is essential for any company to maintain sufficient liquidity. The Group has a steady cash flow for its principal business. Coupled with an effective and well-established capital management system, the Group is able to maintain stable operations under the prevailing pressure of credit crunch.

As at 31 March 2011, the total assets of the Group was HK$30,886,528,000, increased by approximately 34.3% as compared to that as at 31 March 2010. Cash on hand was HK$6,729,033,000 (31 March 2010: HK$4,361,419,000). The Group had a current ratio of approximately 0.85 (31 March 2010: 0.79). After deducting the import letter of credit and trust receipt loan of Shanghai Zhongyou amounting to HK$3,333,668,000, the Group's current ratio was approximately 1.17. The net gearing ratio was 0.48 (31 March 2010: 1.24), as calculated based on the net borrowings of HK$4,970,463,000 (total borrowings of HK$15,033,164,000 less the acceptance bills and trust receipts of Shanghai Zhongyou amounting to HK$3,333,668,000 and bank balances and cash of HK$6,729,033,000) and net assets of HK$10,338,156,000 as at 31 March 2011.

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

Financial Resources

In October 2010, the Group completed a placement of 718,556,000 new shares to investors and raised HK$3,070,523,000 which substantially increased the Group's liquidity and greatly decreased the Group's gearing ratio, strengthening the Group's capital structure.

The Group has always been seeking a long-standing relationship with Chinese (including Hong Kong) and foreign banks. As the Group's principal cooperating bank, China Development Bank (CDB) provided the Group with a facility of US$220 million under a term of eight years, which further improved the Group's debt structure. Besides, the Group entered into a long-term loan facility agreement amounting up to US$200 million in total with the Asian Development Bank (ADB) to finance its "hub-satellites cities" investment strategy mentioned above. Apart from the continuous financing provided by CDB and ADB, the principal commercial banks in China also provided credit support to the Group, including the Industrial and Commercial Bank of China, China Construction Bank, Postal Savings Bank of China, Bank of Communications, Agricultural Bank of China and China Citic Bank. As at June 2011, there were over 20 banks which have extended syndicated loans and credit facilities to the Group and most syndicated loans have terms longer than five years with an average maturity of nine years. Bank loans are generally used as the working and investment capital of the Group.

As at 31 March 2011, the Group's portfolio of bank loans and other loans is as follows:

	2011	2010
	HK$'000	*HK$'000*
Less than one year	**7,312,837**	5,332,060
After one year but not more than two years	**503,059**	662,620
After two years but not more than five years	**3,500,997**	3,025,857
After five years	**3,716,271**	4,295,569
	15,033,164	13,316,106

* *of these, the acceptance bills and trust receipts of Shanghai Zhongyou amounted to HK$3,333,668,000 (2010: HK$2,255,659,000)*

As at 31 March 2011, the Group had bank loans and other loans amounting to HK$15,033,164,000, representing an increase of 12.9% over that of 2010, of which HK$3,333,668,000 belonged to trade finances relating to the short-term import letter of credit of Shanghai Zhongyou.

The operating and capital expenditures of the Group are financed by operating cash income, subscription moneys from strategic investors and bank loans. The Group has sufficient funding to satisfy its future capital expenditures and working capital requirements.

Foreign Exchange and Interest Rate

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 31 March 2011, the Group pledged certain properties, plants and equipment and prepaid lease payments with net carrying value of HK$307,859,000 and HK$42,394,000 (31 March 2010: HK$318,543,000 and HK$18,575,000) respectively, investment properties with net carrying value of HK$41,980,000 (31 March 2010: HK$27,220,000), trade receivables with net carrying value of HK$40,012,000 (31 March 2010: HK$86,817,000), inventories with net carrying value of HK$127,041,000 (31 March 2010: HK$138,729,000) and pledged bank deposits of HK$1,647,444,000 (31 March 2010: HK$489,103,000) and certain subsidiaries pledged their equity investments in other subsidiaries to banks to secure loan facilities.

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 31 March 2011 amounting to HK$219,208,000 (31 March 2010: HK$146,754,000) and HK$28,157,000 (31 March 2010: HK$140,194,000) respectively, and such commitments would require 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 31 March 2011, the Group did not have any material contingent liabilities (31 March 2010: nil).

PROSPECTS

The Group, through almost nine years of rapid development, has established its project network nationwide and realised economies of scale in city piped gas distribution, LPG distribution and CNG vehicle gas businesses in spite of the difficulties and challenges in the past financial year. The above core businesses have generated ongoing net operating cash flow for the Group to support our development. In addition, through the concerted efforts of the board of directors and the management, our shareholders, creditors, staff and the local governments of the regions where the Group's projects are located have built up strong confidence in our capability of defying the temporary hardship and maintaining sustainable development.

Looking to the next financial year, the Group will spare no effort to secure large quality projects in city piped gas distribution business with upstream development as priority. By leveraging on diversified strategies including cooperative operation with upstream enterprises and capital injection, the Group is dedicated to establish a stable and long-term relationship of demand and supply between the upstream and downstream through a win-win benefit chain. The move will address the concern about gas source for the Group's projects and assure the selected projects of stable gas supply to expand business penetration. The Group aims to reinforce its leading position in the market and position itself as front-runner in the gas industry by way of benign and circular development. In respect to the LPG business, the Group will step up mergers and acquisitions in the LPG market. Next, the Group will intensify the consolidation of downstream end markets and complete the merger and acquisition of Panva LPG. Meanwhile, the Group will enhance the integration of downstream end markets, accelerate the mergers and acquisitions of quality assets in regions where the Group's existing project companies are operated, in a bid to swiftly transform those project companies into regional market leaders. Besides, the Group will strive for the "transition from a single operation-distributor to an operation-service provider", and research and introduce value-added services to the end users by tapping on existing service network, management platform and customer base. In the coming five years, it is envisaged that the Group will supply natural gas to more than 12,000,000 urban households, and LPG to more than 30,000,000 urban households, serving over 150,000,000 customers in total. By fully exploring the value of our customer network, the Group may further expand profit generators, broaden profit sources and enhance its profitability.

The Group will continue to establish and maintain long-term collaboration with banks at home and abroad to support the future business development plans of the Group. Moreover, The Group will exercise full-scale supervision and assessment on the operation and financial management of each project company, while also pushing forward the reform of management and control of the same, with an aim to heighten management efficiency and effectiveness and achieve the harmonious development among employees, enterprises, society and nature. In addition, the Group will endeavor to render quality social public services and establish itself as a well-organized gas corporation which wins the trust from customers, gains the respect from the community, and creates values for the shareholders.

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 year, 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 financial year ended 31 March 2011.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2011.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the year ended 31 March 2011, 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 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 annual report of the Company for the year ended 31 March 2011 will be dispatched to the shareholders around 14 July 2011 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
LEUNG Wing Cheong, Eric
Joint Managing Director

Hong Kong, 28 June 2011

* *for identification purpose only*

As at the date of this announcement, Mr. LEUNG Wing Cheong, Eric, Mr. PANG Yingxue, Mr. Ma Jinlong and Mr. ZHU Weiwei are the executive Directors, Mr. FENG Zhuozhi, Mr. Joe YAMAGATA, Mr. R.K. JAIN, Mr. MOON Duk Kyu and Mr. Mulham AL-JARF are the non-executive Directors, Mr. Mark D. GELINAS as alternate to Mr. AL-JARF, and Mr. ZHAO Yuhua, Dr. MAO Erwan and Ms. WONG Sin Yue, Cynthia are the independent non-executive Directors.