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CHINA GAS
中國燃氣

CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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 2011, together with the comparative figures for the six months ended 30 September 2010, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2011

		Six months ended	
	Notes	**30 September 2011** ***HK$'000*** ***(unaudited)***	30 September 2010 *HK$'000* *(unaudited)* *(restated)*
Revenue	*3*	**7,912,488**	6,537,141
Cost of sales		**(6,288,503)**	(5,302,909)
Gross profit		**1,623,985**	1,234,232
Other income		**173,879**	135,676
Other gains and losses		**(16,626)**	(172,683)
Distribution costs		**(303,558)**	(285,553)
Administrative expenses		**(366,890)**	(341,939)
Finance costs		**(442,252)**	(302,025)
Share of results of associates		**28,726**	27,950
Profit before taxation		**697,264**	295,658
Taxation	*4*	**(253,642)**	(171,929)
Profit for the period	*5*	**443,622**	123,729

	Notes	Six months ended **30 September 2011** ***HK$'000*** ***(unaudited)***	 30 September 2010 *HK$'000* *(unaudited)* *(restated)*
Other comprehensive income			
Exchange gain on translation of operations outside Hong Kong		**107,143**	365
(Loss) Gain on fair value change of available-for-sale investments		**(7,845)**	595
Other comprehensive income for the period (net of tax)		**99,298**	960
Total comprehensive income for the period		**542,920**	124,689
Profit for the period attributable to:			
Owners of the Company		**373,608**	92,984
Non-controlling interests		**70,014**	30,745
		443,622	123,729
Total comprehensive income attributable to:			
Owners of the Company		**453,979**	93,944
Non-controlling interests		**88,941**	30,745
Total comprehensive income for the period		**542,920**	124,689
Earnings per share			
Basic	*6*	**HK8.52 cents**	HK2.69 cents
Diluted	*6*	**HK8.02 cents**	HK2.30 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	**30 September 2011 *HK$'000* *(unaudited)***	31 March 2011 *HK$'000* *(audited)* *(restated)*
Non-current assets			
Investment properties		**426,541**	408,135
Property, plant and equipment		**13,542,693**	13,799,669
Prepaid lease payments		**1,045,609**	1,128,929
Interests in associates		**2,222,541**	1,009,505
Available-for-sale investments		**85,268**	85,884
Goodwill		**1,053,144**	1,565,604
Other intangible assets		**1,229,831**	1,401,675
Deposits for acquisition of property, plant and equipment		**415,897**	600,040
Amount due from an associate		**271,996**	163,166
Deposits for acquisition of associate and subsidiaries		**55,591**	133,627
Deferred tax assets		**91,835**	91,466
		20,440,946	20,387,700
Current assets			
Inventories		**1,815,908**	1,076,525
Amounts due from customers for contract work		**186,607**	166,884
Trade and other receivables	*7*	**2,749,244**	2,388,040
Amounts due from associates		**241,680**	92,115
Prepaid lease payments		**35,572**	34,283
Held-for-trading investments		**9,008**	11,948
Pledged bank deposits		**1,526,576**	1,647,444
Bank balances and cash		**4,444,051**	5,081,589
		11,008,646	10,498,828
Current liabilities			
Trade and other payables	*8*	**4,695,756**	4,508,076
Amounts due to customers for contract work		**358,801**	285,728
Derivative financial instruments		**8,049**	32,122
Taxation		**188,982**	149,592
Amounts due to associates		**–**	13,254
Bank and other borrowings – due within one year		**8,196,975**	7,312,837
		13,448,563	12,301,609
Net current liabilities		**(2,439,917)**	(1,802,781)
Total assets less current liabilities		**18,001,029**	18,584,919

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Equity		
Share capital	**43,831**	43,831
Reserves	**9,093,053**	8,720,845
Equity attributable to owners of the Company	**9,136,884**	8,764,676
Non-controlling interests	**1,198,208**	1,573,480
Total equity	**10,335,092**	10,338,156
Non-current liabilities		
Bank and other borrowings – due after one year	**7,160,450**	7,720,327
Deferred taxation	**505,487**	526,436
	7,665,937	8,246,763
	18,001,029	18,584,919

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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

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)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
HKAS 32 (Amendments)	Classification of rights issues
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date of the consolidated financial statements for the year ended 31 March 2011 were authorised for issuance and are not yet effective:

HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates of first-time adopters[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[2]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 July 2012.
[3] Effective for annual periods beginning on or after 1 July 2011.

The five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 April 2013. Early application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors anticipate these new or revised standards will be adopted in the Group's consolidated financial statements for the financial year ending 31 March 2014 and are in the process of assessing the potential impact of those new or revised standards.

Other than disclosed above, the directors of the Company anticipate that the application of other new or revised standards will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

The Group is organised into four operating divisions – sales of piped gas, gas connection, sales of liquefied petroleum gas ("LPG") and sales of coke and gas appliance.

Segment information for the six months ended 30 September 2011 and 2010 about these businesses is presented below.

	Six months ended 30 September 2011				
	Sales of piped gas	Gas connection	Sales of LPG	Sales of coke and gas appliance	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	**3,367,891**	**1,212,634**	**3,053,972**	**277,991**	**7,912,488**
Segment result	**482,251**	**663,424**	**47,661**	**(7,800)**	**1,185,536**
Interest and other gains					**38,442**
Unallocated corporate expenses					**(101,018)**
Change in fair value of derivative financial instruments					**24,073**
Change in fair value of investment properties					**23,933**
Loss on deemed disposal of a subsidiary					**(60,176)**
Finance costs					**(442,252)**
Share of results of associates					**28,726**
Profit before taxation					**697,264**

	Six months ended 30 September 2010				
	Sales of piped gas	Gas connection	Sales of LPG	Sales of coke and gas appliance	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	2,404,538	1,005,288	2,897,589	229,726	6,537,141
Segment result	388,985	492,890	(106,465)	(2,354)	773,056
Interest and other gains					71,996
Unallocated corporate expenses					(103,329)
Change in fair value of derivative financial instruments					(178,590)
Change in fair value of investment properties					6,600
Finance costs					(302,025)
Share of results of associates					27,950
Profit before taxation					295,658

4. TAXATION

	Six months ended	
	30 September 2011	30 September 2010
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
PRC Enterprise Income Tax	**258,781**	177,885
Deferred taxation	**(5,139)**	(5,956)
	253,642	171,929

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

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

5. PROFIT FOR THE PERIOD

	Six months ended	
	30 September 2011	30 September 2010
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**307,291**	237,908
Release of prepaid lease payments	**17,786**	15,649
Amortisation of intangible assets	**23,738**	13,833
Interest income	**(38,087)**	(33,667)
Loss on disposal of property, plant and equipment	**1,187**	2,001
Share of tax of jointly controlled entities	**21,920**	14,719

6. EARNINGS PER SHARE

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

	Six months ended	
	30 September 2011	30 September 2010
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company	**373,608**	92,984
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,383,055**	3,451,754
Effect of dilutive potential ordinary shares:		
Share options	**276,272**	583,775
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,659,327**	4,035,529

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 – 180 days to its trade customers.

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

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
0-180 days	**862,789**	680,125
181-365 days	**79,555**	101,498
Over 365 days	**316,093**	337,081
Total trade receivables before accumulated allowances	**1,258,437**	1,118,704
Less: Accumulated allowances	**(245,521)**	(237,692)
Trade receivables	**1,012,916**	881,012
Deposits paid for construction and other materials	**178,423**	193,644
Deposits paid for purchase of natural gas and LPG	**369,832**	341,648
Advanced payments to sub-contractors	**376,366**	209,515
Other receivables, deposits and prepayments	**618,915**	525,717
Amounts due from non-controlling interests of subsidiaries	**51,862**	84,472
Amounts due from shareholders of jointly controlled entities	**140,930**	152,032
	2,749,244	2,388,040

8. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the end of reporting period:

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
0-90 days	**1,615,228**	1,368,367
91-180 days	**162,295**	220,427
Over 180 days	**657,574**	606,434
Trade payables	**2,435,097**	2,195,228
Other payables and accrued charges	**208,807**	363,808
Construction fee payables	**105,902**	263,178
Loan interest payables	**63,945**	46,659
Deposits received from customers	**78,931**	61,271
Advanced payments from customers	**600,464**	494,281
Advances received from customers for contract works that have not been started	**1,118,187**	929,962
Amounts due to non-controlling interests of subsidiaries	**55,418**	74,747
Amounts due to shareholders of jointly controlled entities	**6,764**	17,399
Obligation on capital injection to a jointly controlled entity by a subsidiary	**–**	23,448
Obligation on acquisition of additional interest in a subsidiary	**22,241**	38,095
	4,695,756	4,508,076

INTERIM DIVIDEND

The Directors do not recommend the payment of a interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: 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 gas 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 2011, turnover of the Group amounted to HK$7,912,488,000 (six months ended 30 September 2010: HK$6,537,141,000), increased by 21.0% over the same period last year. Gross profit (including LPG business) amounted to HK$1,623,985,000 (six months ended 30 September 2010: HK$1,234,232,000), increased by 31.6% over the same period last year. Overall gross profit margin was 20.5% (six months ended 30 September 2010: 18.9%). Profit for the period increased by 258.5% over the same period last year to HK$443,622,000 (six months ended 30 September 2010: HK$123,729,000), representing an overall net profit margin of 5.6% (six months ended 30 September 2010: 1.9%). Earnings per share amounted to HK8.52 cents (six months ended 30 September 2010: HK2.69 cents).

New Projects Expansion

As of 30 September 2011, the Group had secured 151 city piped gas projects (with exclusive concession rights), 9 long distance natural gas pipeline projects, 112 Compressed Natural Gas ("CNG") refilling stations for vehicles, 1 natural gas development project and 44 LPG distribution projects in 20 provinces, autonomous regions and directly-administered cities.

The Group secured 3 additional city piped gas projects in Hebei Province, Anhui Province and Heilongjiang Province from 1 April 2011 to 30 September 2011.

The connectable city population covered by the Group's gas projects has increased to approximately 62,494,950 (approximately 18,983,808 households) as of 30 September 2011, representing a year-on-year increase of 6.1%.

Gas Business Review

The Group's gas business is managed under two segments, namely natural gas and LPG, which have different customer bases and require different market strategies. The performance of each segment for the six months ended 30 September 2011 is discussed as follows.

Natural Gas Business

As a major gas supplier and service provider specializing in natural gas, the Group has, through its efforts in the decade, established its unique and well-fit operating and management system in domestic gas industry, which plays a positive role in enhancing management efficiency and operating results.

Construction of Piped Gas Networks

City piped gas network 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 period, the Group had completed 7 processing stations (city gate), high-pressure gas pipelines of 167 km, city medium and low-pressure gas pipelines of approximately 670 km and branch and customer pipeline network of 1,410 km.

As at 30 September 2011, the Group operated piped gas supply in 115 cities, and had 119 processing stations (city gate), high-pressure gas pipelines of approximately 1,851 km, medium and low-pressure gas pipelines of approximately 22,053 km and courtyard housing pipeline network of 37,532 km constructed. Designed gas supply capacity of the processing stations (city gate) reached 26,963,000 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, the Group completed natural gas connections for 526,481 domestic households, an increase of approximately 36.2% over the same period last year. The average piped gas connection fee for residential users was RMB2,437.

As at 30 September 2011, the accumulated connected residential users of the Group grew by approximately 17.3% year-on-year to 6,608,827, representing 34.8% 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 158 industrial customers and 2,459 commercial customers. Industrial users are primarily engaged in petrochemical, porcelain making, building material production, metallurgy and glass making industries.

As at 30 September 2011, the accumulated acquired and connected industrial customers and commercial customers of the Group were 1,428 and 40,553, representing a year-on-year increase of approximately 57.1% and 10.5% respectively. During the current financial year, connection fee for industrial users was calculated on the basis of the contracted daily gas volume at the average rate of RMB50 per m^3 and the average connection fee paid by commercial customers was RMB38,903 per customer.

During the period, the Group's gas connection income grew by approximately 20.6% over the same period last year to HK$1,212,634,000, representing approximately 15.3% of the Group's total revenue for the period.

CNG Refilling Stations for Vehicles

As China advances the energy-saving and emission-reduction policy and the undersupply of natural gas is to mitigate over time, natural gas, one of clean energy sources, is becoming an important fuel option for vehicles. To effectively promote the business of gas refilling station for vehicles, the Group established a wholly-owned subsidiary, China Gas Clean Energy Company Limited, during the period to boost the development and construction of CNG/LNG refilling station projects for vehicles and vessels, aiming at higher market share in the refilling sector.

The Group currently owns 112 natural gas refilling stations for vehicles, with a daily supply in excess of 1,495,000 m^3. Sales volume of CNG for vehicles took up 8.9% of the Group's total sales volume of natural gas during the financial year, representing an increase of approximately 14.1% as compared to the same period last year.

Sale of Natural Gas

During the period, the Group sold a total of 2,392,324,000 m^3 of natural gas, an increase of 30.3% as compared to the same period last year, of which 262,669,000 m^3 was sold to residential users, 1,660,665,000 m^3 to industrial users, 256,799,000 m^3 to commercial users and 212,191,000 m^3 to CNG vehicle drivers.

Gas sold to industrial users accounted for approximately 69.4% of the total natural gas volume sold, commercial users approximately 10.7%, residential users approximately 11.0% and CNG vehicle drivers approximately 8.9%.

For the period under review, the Group's natural gas sales income grew by approximately 40.1% over the same period last year to HK$3,367,891,000, representing approximately 42.6% of the Group's total revenue for the period.

As at 30 September 2011, the daily natural gas supply of the Group reached 15,089,000 m^3, increased by approximately 15.1% year-on-year, of which the actual domestic usage was approximately 1,697,630 m^3 per day, actual industrial usage approximately 10,203,078 m^3 per day, actual commercial usage approximately 1,773,268 m^3 per day, and actual CNG vehicles usage approximately 1,415,024 m^3 per day.

Average selling price (pre tax) of natural gas was RMB2.14 per m^3 for residential users, RMB2.32 per m^3 for industrial users, RMB2.64 per m^3 for commercial users, and RMB2.67 per m^3 for CNG vehicle drivers for the period under review.

The core business of the Group is piped natural gas supply. For certain projects in areas such as Fushun, Liuzhou and Mudanjiang where piped natural gas is not yet accessible, however, piped coal gas or LPG blended with air is sold as a transitional fuel. A total of 100,574,823 m^3 of piped coal gas and LPG blended with air were sold during the period, including 50,750,426 m^3 of coal gas and 49,824,397 m^3 of LPG blended with air. With upstream natural gas being introduced into such cities, the operation of transitional fuels of the Group is to scale down gradually.

Liquefied Petroleum Gas Business

The Group's LPG business is conducted mainly through Shanghai Zhongyou Energy Group ("Shanghai Zhongyou"). Thanks to the business chain integration and management optimization in the span of nearly three years, a market-oriented, specialized and regional operating and management mode has been well established for the Group's LPG business. During the period under review, Zhongyou took new business initiatives including chemical warehousing and terminal resource utilization to fully use the existing assets for higher asset utilization ratio, which contributed desirable economic results to the Group. On asset acquisition in downstream LPG distribution market, the Group continued to strengthen the consolidation of end market. Further to the acquisition of 49% interest in Panva Gas Holdings Limited ("Panva") completed in June 2011, the Group intends to acquire its remaining 51% interest subject to the antitrust approval by the Ministry of Commerce. Upon completion, the acquisition will allow the Group to significantly enhance its market share in LPG industry and its downstream distribution capacity, improving the vertically integrated business chains for scale merit and higher profitability.

The Group currently has 11 LPG terminals and 44 LPG distribution projects (excluding the 22 LPG distribution projects owned by Panva). In response to the changes of the LPG wholesale market, the Group has timely adjusted the pricing mechanism for industrial users, which requires industrial users to enter into an order agreement involving a fee of international LPG procurement costs plus a reasonable fixed profit. The adjustment enables the Group to evade, to a certain extent, the adverse effect brought by the volatility of international LPG price. During the period, a total of 417,287 tonnes of LPG was sold (excluding 152,311 tonnes sold by Panva during the period from 1 July to 30 September 2011), representing a decline of 17.9% year-on-year. Total revenue amounted to approximately HK$3,053,972,000, and income from LPG sales increased by approximately 5.4% over the same period last year. Operating profit for the period was HK$47,661,000 (six months ended 30 September 2010: loss of HK$106,465,000).

Human Resources

As at 30 September 2011, the Group had approximately 20,000 employees, a year-on-year increase of approximately 4.2%. 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

In face of the prevailing economic conditions, it is essential for any company to maintain sufficient liquidity. The Group has a steady cashflow 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 30 September 2011, total assets of the Group was HK$31,449,592,000, increasing by approximately 1.8% as compared to that as at 31 March 2011. The Group's cash on hand was HK$5,970,627,000 (31 March 2011: HK$6,729,033,000). The Group had a current ratio of approximately 0.82 (31 March 2011: 0.85), or 1.23 after deducting the Shanghai Zhongyou trade finances related facilities totaling HK$4,461,921,000. The net gearing ratio was 0.48 (31 March 2011: 0.48), as calculated based on net borrowings of HK$4,924,877,000 (total borrowings less the Shanghai Zhongyou trade finances related facilities and bank balances and cash) and net assets of HK$10,335,092,000 as at 30 September 2011.

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

The Group has always been seeking a long-standing relationship with Chinese (including Hong Kong) and foreign banks. During the period under review, as the Group's principal cooperating bank, China Development Bank ("CDB"), provided the Group with a refinancing facility of US$220 million under a term of 8 years, which further improved the Group's debt structure. In addition, major commercial banks in China also provided credit support to the Group on a continuous basis, including the Asian Development Bank ("ADB') and the Industrial and Commercial Bank of China, China Construction Bank, Postal Savings Bank of China, Bank of Communications, China Guangfa Bank and China CITIC Bank. As at September 2011, there were approximately 20 banks extending syndicate loans and credit facilities to the Group and loans extended by CDB and ADB are generally under a term longer than 5 years with an average maturity of 9 years. Bank loans are used as general working capital of the Group and the construction fund of the Group's project companies.

As at 30 September 2011, the Group had bank loans and other loans amounting to HK$15,357,425,000, of which HK$4,461,921,000 represented the LPG trade finances related facilities.

The operating and capital expenditures of the Group are financed by operating cash income, subscription proceeds from strategic 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 HK dollars, RMB and US dollars.

Charge on Assets

As at 30 September 2011, the Group pledged certain property, plant and equipment and prepaid lease payments with net carrying value of HK$284,463,000 and HK$17,486,000 (31 March 2011: HK$307,859,000 and HK$42,394,000) respectively, investment properties with net carrying value of HK$47,080,000 (31 March 2011: HK$41,980,000), trade receivables with net carrying value of HK$28,524,000 (31 March 2011: HK$40,012,000), inventories with net carrying value of HK$143,154,000 (31 March 2011: HK$127,041,000) and pledged bank deposits of HK$1,526,576,000 (31 March 2011: HK$1,647,444,000) 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 2011 amounting to HK$191,962,000 (31 March 2011: HK$219,208,000) and HK$39,334,000 (31 March 2011: HK$28,157,000) respectively. 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 2011, the Group did not have any material contingent liabilities (31 March 2011: Nil).

Prospects

The Group, after ten years of rapid development and active innovation, has achieved great success in supplying high quality clean energy and environment for the community, providing high grade and efficient services for customers, creating huge benefits for shareholders, and establishing vast development space for employees. At present, the Group has gained the advantage of large-scale operation in businesses such as city piped natural gas distribution, LPG distribution, CNG vehicle gas and long-distance pipelines, created promising growth possibilities, had sufficient and stable cash flow, laying a solid foundation for its sustainable development. In addition, the Group will strive to become an "energy solution provider" from a "single operation distributor" to research and promote terminal value-added services constantly by using the available service network, management platform and customer base. Looking into the future, the Group will continue to focus on the principal business and the market and the enhancement of management efficiency and service awareness in order to be more professional and more superior in the gas industry.

As to city gas distribution, due to the decreasing number of large quality projects available in the Chinese market, the development stage of organic growth has come upon the city piped gas industry. In response, the Group has developed and implemented a new investment strategy, which, with central cities as the core, focuses on expanding into the surrounding industrial satellite cities, supporting the Group's long-term, sustainable and rapid development with a strong driving force. With the full commencement of production in the West-East Gas Pipeline No. 2, the Sino-Kazakhstan, and the China-Myanmar natural gas pipelines as well as the liquefied natural gas terminals going into operation, it is expected that the natural gas sales will accelerate in the next two years. In addition, the Group also focused on Liquefied Natural Gas refilling stations and the application of other new energy sources and established a clean energy company which is principally engaged in the development of related business. With respect to the LPG business, the Group will raise business management level by implementing modular and regionalized management, continue to strengthen the advantage of centralized purchasing, and, together with the downstream distribution network, go on to raise the level of asset management. The Group will also continue to accelerate asset acquisitions in the LPG downstream market, complete the acquisition of all the equity interests in Panva LPG as soon as practicable and promote end-market integration. The Group is expected to gradually unleash the vertical integration synergies of LPG industry chain (upstream, midstream, and downstream) within three years.

In the future, the Group will endeavor to optimize internal management, improve corporate governing structure, enhance governance level and efficiency, provide services with the highest quality, establish itself as a public social service enterprise trusted by customers and respected by the community, and further improve its competitiveness in the industry. Standing in unity, China Gas Group will advance appropriately and timely with a view to striving for progress, stay realistic and pragmatic and step up its governance to achieve even greater success.

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 2011.

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 2011.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the six months ended 30 September 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 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 2011 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.

For and an behalf of
CHINA GAS HOLDINGS LIMITED
Wong Sin Yue, Cynthia
Chairperson

Hong Kong, 29 November, 2011

As at the date of this announcement, Mr. LEUNG Wing Cheong, Eric, Mr. PANG Yingxue, Mr. ZHU Weiwei and Mr. MA Jinlong are the executive Directors, Mr. FENG Zhuozhi, Mr. Jo YAMAGATA, Mr. P K JAIN, Mr. MOON Duk Kyu (his alternate is Mr. KIM Yong Joong) and Mr. Mulham AL-JARF (his alternate is Mr. Mark D. GELINAS) are the non-executive Directors and Mr. ZHAO Yuhua, Dr. MAO Erwan and Ms. WONG Sin Yue, Cynthia are the independent non-executive Directors.

* *for identification purpose only*