中裕燃氣控股有限公司
ZHONGYU GAS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3633)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

FINANCIAL HIGHLIGHTS

	For the six months ended 30th June,		
	2012	2011	*% of*
	HK$'000	*HK$'000*	*changes*
Turnover	**1,236,654**	692,429	78.6%
Sales of piped gas	**967,018**	497,796	94.3%
Connection revenue from gas pipeline construction	**165,735**	121,893	36.0%
Operation of CNG filling stations	**81,379**	50,910	59.8%
Gross profit	**267,530**	145,476	83.9%
(Gross margin)	**(21.6%)**	(21.0%)	(0.6%)
Profit attributable to owners of the Company	**80,011**	6,466	1,137.4%
Earnings per share			
Basic	**HK3.24 cents**	HK0.30 cent	980.0%
Diluted	**HK3.21 cents**	HK0.30 cent	970.0%
EBITDA	**198,243**	77,669	155.2%
Net assets value per share	**HK$0.48**	HK$0.46	4.3%

The board of directors (the "Board" or the "Director") of Zhongyu Gas Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2012, together with the comparative figures for the corresponding period in 2011, which are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE, 2012 (UNAUDITED)

		Three months ended 30th June,		Six months ended 30th June,	
		2012	2011	**2012**	2011
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*3*	**609,360**	379,851	**1,236,654**	692,429
Cost of sales		**(467,578)**	(279,044)	**(969,124)**	(546,953)
Gross profit		**141,782**	100,807	**267,530**	145,476
Other gains and losses		**2,554**	44	**2,554**	44
Other income	*5*	**1,962**	1,802	**7,573**	2,734
Selling and distribution costs		**(9,030)**	(6,244)	**(18,443)**	(13,615)
Administrative expenses		**(41,173)**	(41,525)	**(89,436)**	(80,540)
Share-based payment		**–**	(3,095)	**–**	(3,095)
Finance costs	*6*	**(10,767)**	(9,333)	**(23,967)**	(17,631)
Profit before tax		**85,328**	42,456	**145,811**	33,373
Income tax expenses	*7*	**(32,098)**	(12,144)	**(50,324)**	(15,278)
Profit for the period	*8*	**53,230**	30,312	**95,487**	18,095
Other comprehensive income					
Exchange differences arising on translation		**(11,514)**	19,859	**(11,668)**	17,057
Total comprehensive income for the period		**41,716**	50,171	**83,819**	35,152
Profit for the period attributable to:					
Owners of the Company		**42,946**	20,440	**80,011**	6,466
Non-controlling interests		**10,284**	9,872	**15,476**	11,629
		53,230	30,312	**95,487**	18,095
Total comprehensive income attributable to:					
Owners of the Company		**31,524**	37,320	**68,435**	20,544
Non-controlling interests		**10,192**	12,851	**15,384**	14,608
		41,716	50,171	**83,819**	35,152
Earnings per share	*9*				
Basic		**HK1.70 cents**	HK0.89 cent	**HK3.24 cents**	HK0.30 cent
Diluted		**HK1.70 cents**	HK0.88 cent	**HK3.21 cents**	HK0.30 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30TH JUNE, 2012

	Notes	**30th June, 2012 (unaudited) *HK$'000***	31st December, 2011 (audited) *HK$'000*
Non-current assets			
Investment properties		**6,515**	6,570
Property, plant and equipment	*11*	**1,608,188**	1,514,801
Goodwill		**109,066**	109,066
Other intangible assets		**141,531**	146,672
Deposits paid for acquisition of property, plant and equipment		**225,816**	180,891
Prepaid lease payments		**145,241**	146,476
Available-for-sale investment		**3,666**	3,697
		2,240,023	2,108,173
Current assets			
Inventories		**91,496**	65,867
Trade and bills receivables	*12*	**125,102**	141,381
Deposits, prepayments and other receivables		**224,950**	130,939
Prepaid lease payments		**4,411**	4,448
Pledged bank deposit		**59,709**	34,582
Bank balances and cash		**431,672**	351,275
		937,340	728,492
Current liabilities			
Deferred income and advance received		**306,013**	198,513
Trade and bills payables	*13*	**220,700**	275,711
Other payables and accrued charges		**188,542**	169,378
Amounts due to customers for contract work		**17,111**	13,861
Bank borrowings		**497,684**	422,493
Tax payables		**28,920**	33,475
		1,258,970	1,113,431
Net current liabilities		**(321,630)**	(384,939)
Total assets less current liabilities		**1,918,393**	1,723,234

	30th June, 2012 (unaudited) *HK$'000*	31st December, 2011 (audited) *HK$'000*
Capital and reserves		
Share capital	**25,230**	23,982
Reserves	**1,192,798**	1,064,459
Equity attributable to owners of the Company	**1,218,028**	1,088,441
Non-controlling interests	**155,653**	140,699
Total equity	**1,373,681**	1,229,140
Non-current liabilities		
Deferred income and advance received	**25,549**	25,549
Bank Borrowings	**505,377**	453,537
Deferred taxation	**13,786**	15,008
	544,712	494,094
Total equity and non-current liabilities	**1,918,393**	1,723,234

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	Attributable to owners of the Company										
	Share Capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Property revaluation reserve HK$'000	Other reserve HK$'000	Statutory surplus reserve HK$'000	Translation reserve HK$'000	Accumulated (losses) profit HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1st January, 2011 (audited)	19,740	639,463	–	1,128	9,371	32,417	141,606	(74,414)	769,311	133,096	902,407
Profit for the period	–	–	–	–	–	–	–	6,466	6,466	11,629	18,095
Other comprehensive income for the period	–	–	–	–	–	–	14,078	–	14,078	2,979	17,057
Total comprehensive income for the period	–	–	–	–	–	–	14,078	6,466	20,544	14,608	35,152
Transfer to statutory surplus reserve	–	–	–	–	–	6,042	–	(6,042)	–	–	–
Recognition of equity-settled share-based payments	–	–	3,095	–	–	–	–	–	3,095	–	3,095
Issue of shares	3,940	155,581	–	–	–	–	–	–	159,521	–	159,521
Dividends paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(29,868)	(29,868)
Transaction costs attributable to issue of shares	–	2,019	–	–	–	–	–	–	2,019	–	2,019
Balance at 30th June, 2011 (unaudited)	23,680	797,063	3,095	1,128	9,371	38,459	155,684	(73,990)	954,490	117,836	1,072,326
Balance at 1st January, 2012 (audited)	**23,982**	**816,047**	**19,143**	**1,128**	**1,049**	**42,462**	**182,975**	**1,655**	**1,088,441**	**140,699**	**1,229,140**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**80,011**	**80,011**	**15,476**	**95,487**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(11,576)**	**–**	**(11,576)**	**(92)**	**(11,668)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(11,576)**	**80,011**	**68,435**	**15,384**	**83,819**
Transfer to statutory surplus reserve	**–**	**–**	**–**	**–**	**–**	**159**	**–**	**(159)**	**–**	**–**	**–**
Exercise of share options	**1,248**	**78,325**	**(18,421)**	**–**	**–**	**–**	**–**	**–**	**61,152**	**–**	**61,152**
Dividends paid by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(430)**	**(430)**
Balance at 30th June, 2012 (unaudited)	**25,230**	**894,372**	**722**	**1,128**	**1,049**	**42,621**	**171,399**	**81,507**	**1,218,028**	**155,653**	**1,373,681**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	Six months ended 30th June,	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Net cash from operating activities	**63,337**	52,265
Net cash used in investing activities	**(215,514)**	(90,143)
Net cash from (used in) financing activities	**232,574**	(44,178)
Net increase (decrease) in cash and cash equivalents	**80,397**	(82,056)
Cash and cash equivalents at 1st January	**351,275**	351,963
Cash and cash equivalents at 30th June, represented by bank balances and cash	**431,672**	269,907

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30th June, 2012 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31th December, 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1st January, 2012. HKFRSs comprise HKFRS and HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting polices, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold and services rendered by the Group to outside customers, net of discounts and related taxes. An analysis of the Group's turnover for the six months ended 30th June, 2012 is as follows:

	Six months ended 30th June,	
	2012	2011
	HK$'000	*HK$'000*
Sales of piped gas	**967,018**	497,796
Connection revenue from gas pipeline construction	**165,735**	121,893
Operation of compressed natural gas ("CNG") filling station	**81,379**	50,910
Sales of liquefied petroleum gas	**20,873**	20,097
Sales of stoves and related equipment	**1,649**	1,733
	1,236,654	692,429

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

The Group's executive directors are the chief operating decision makers as they collectively make strategic decisions on resources allocation and performance assessment. The Group is principally engaged in development, construction and operation of natural gas and coalbed gas projects in the PRC. Nearly all identifiable assets of the Group are located in PRC. Information reported to the Group's executive directors for the purpose of resources allocation and assessment of performance focuses on the type of products or services. Each type of product or service is managed by an unique business unit within the Group whose performance is assessed independently. The Group's operating segments and reportable segments are therefore as follows:

(a) sales of piped gas

(b) connection revenue from gas pipeline construction

(c) operation of CNG filling stations

(d) sales of liquefied petroleum gas

(e) sales of coalbed methane gas ("CBM")

(f) Sales of stoves and related equipment

The following is an analysis of the Group's revenue and results by reportable segment for the periods under review:

Segment information about these businesses is presented below:

Income statement for the six months ended 30th June, 2012

	Sales of piped gas *HK$'000*	Connection revenue from gas pipeline construction *HK$'000*	Operation of CNG filling stations *HK$'000*	Sales of liquefied petroleum gas *HK$'000*	Sales of CBM *HK$'000*	Other operations *HK$'000*	Total *HK$'000*
Segment revenue	967,018	165,735	81,379	20,873	–	1,649	1,236,654
Segment profit (loss)	74,058	95,503	18,907	214	(4,677)	(20)	183,985
Other income and other gains and losses							10,127
Central corporate expenses							(24,334)
Finance costs							(23,967)
Profit before tax							145,811
Income tax expenses							(50,324)
Profit for the period							95,487

Income statement for the six months ended 30th June, 2011

	Sales of piped gas HK$'000	Connection revenue from gas pipeline construction HK$'000	Operation of CNG filling stations HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of CBM HK$'000	Other operations HK$'000	Total HK$'000
Segment revenue	497,796	121,893	50,910	20,097	–	1,733	692,429
Segment (loss) profit	(4,057)	60,758	25,713	116	(6,806)	244	75,968
Other income and other gains and losses							2,778
Central corporate expenses							(27,742)
Finance costs							(17,631)
Profit before tax							33,373
Income tax expenses							(15,278)
Profit for the period							18,095

5. OTHER INCOME

	Six months ended 30th June, **2012** *HK$'000*	2011 *HK$'000*
Bank interest income	**1,405**	1,006
Government subsidies *(Note)*	**4,912**	83
Sundry income	**1,256**	1,645
	7,573	2,734

Note: During the six months ended 30th June, 2012, the Group has received subsidies of HK$4,912,000 (2011: HK$83,000) from the relevant PRC governments for promoting the use of natural gas. There are no conditions attached to the subsidies granted to the Group.

6. FINANCE COSTS

	Six months ended 30th June, **2012** *HK$'000*	2011 *HK$'000*
Interest on bank borrowings	**23,967**	15,245
Interest on shareholder loan	**–**	2,386
	23,967	17,631

7. INCOME TAX EXPENSES

	Six months ended 30th June, 2012	2011
	HK$'000	*HK$'000*
PRC Enterprise Income Tax	**50,324**	15,278
PRC withholding tax	**1,222**	3,058
Deferred taxation	**(1,222)**	(3,058)
	50,324	15,278

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries had no assessable profits arising in Hong Kong for both periods.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are exempted from the EIT Law for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The tax concession arrangement of the aforesaid PRC subsidiaries have been expired from 2010 to 2011. According to New Law, the tax concession arrangement will not be granted to all new applicants incorporated after 16th March, 2007. As for the existing group entities entitle such tax concession but have not commenced their first profit-making year they will be exempted from the EIT Law for two years, followed by a 50% reduction for the next three years regardless of its reported results commencing from 1st January, 2008 and the charge of the EIT Law for the year has been provided for after taking these tax incentive into account. The tax concession arrangement of the subsidiaries in Jiaozuo City and Jiyuan City was expired in 2011 and all PRC subsidiaries of the Group would not enjoy reduction of tax rate in 2012.

8. PROFIT FOR THE PERIOD

	Six months ended 30th June, 2012	2011
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**32,483**	23,761
Amortisation of other intangible assets	**2,597**	2,634
Amortisation of prepaid lease payment	**3,512**	3,048
Total depreciation and amortisation	**38,592**	29,443

9. 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:

	Three months ended 30th June,		Six months ended 30th June,	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Earnings				
Earnings for the purposes of basic and diluted earnings per share	**42,946**	20,440	**80,011**	6,466

	As at 30th June,		As at 30th June,	
	2012	2011	**2012**	2011
	'000	*'000*	***'000***	*'000*
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,523,008**	2,294,403	**2,472,265**	2,135,090
Effect of dilutive potential ordinary shares:				
Share options issued by the Company *(Note)*	**1,850**	36,840	**19,488**	36,840
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,524,858**	2,331,243	**2,491,753**	2,171,930

Note: Weighted average number of ordinary shares for the purpose of the computation of diluted earnings per shares has taken into account the effect of the options with dilutive effect.

10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30th June, 2012, nor has any dividend been proposed since 30th June, 2012 (2011: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the addition to property, plant and equipment was approximately HK$140,069,000 (2011: HK$143,676,000).

12. TRADE AND BILLS RECEIVABLES

An aged analysis of trade receivables as at the balance sheet dates is as follows:

	30th June, 2012	31st December, 2011
	HK$'000	*HK$'000*
0 - 30 days	**106,053**	93,036
31 - 90 days	**3,975**	155
91 - 180 days	**559**	52
181 - 360 days	**156**	46
Trade receivables	**110,743**	93,289
0 - 90 days	**14,359**	30,466
91 - 180 days	**–**	17,626
Bills receivables	**14,359**	48,092
Trade and bills receivables	**125,102**	141,381

13. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade payables as at the balance sheet dates:

	30th June, 2012	31st December, 2011
	HK$'000	*HK$'000*
0 - 30 days	**132,027**	223,768
31 - 90 days	**7,702**	20,579
91 - 180 days	**36,005**	5,458
Over 180 days	**20,525**	13,582
Trade payables	**196,259**	263,387
0 - 90 days	**–**	12,324
91 - 180 days	**24,441**	–
Bills payables	**24,441**	12,324
Trade and bills payables	**220,700**	275,711

14. ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

Save as disclosed herein, the Group had no acquisitions, disposals nor significant investments for the six months ended 30th June, 2012.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 30th June, 2012, the Group had consolidated current assets of approximately HK$937,340,000 (2011: HK$728,492,000) and its current ratio was approximately 0.7 (2011: 0.7). As at 30th June, 2012, the Group has total net debts of approximately HK$571,389,000 (2011: HK$524,755,000), measured as consolidated bank borrowings of approximately HK$1,003,061,000 (2011: HK$876,030,000) minus consolidated bank balances and cash of approximately HK$431,672,000 (2011: HK$351,275,000). As at 30th June, 2012, the Group had net gearing ratio of approximately 41.6% (2011: 42.7%), measured as total net debts to consolidated total equity of approximately HK$1,373,681,000 (2011: HK$1,229,140,000). The consolidated trade and bills receivables amounted to approximately HK$125,102,000 (2011: HK$141,381,000) while consolidated trade and bills payables amounted to approximately HK$220,700,000 (2011: HK$275,711,000).

Financial resources

During the six months ended 30th June, 2012, the Group generally financed its operations with internally generated resources and bank borrowings. As at 30th June, 2012, all of the bank borrowings were secured or unsecured and on normal commercial basis.

Working capital

In view of the Group's current financial and liquidity positions and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

During the period under review, the Group experienced only immaterial exchange rates fluctuations as most of the Group's monetary assets and liabilities were denominated in either Renminbi or the United States dollars and the Group conducted its business transactions principally in Renminbi. The Group expects that the appreciation of Renminbi against the United States dollars will continue in the foreseeable future. Accordingly, the Group considered that as the exchange rate risk of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

EMPLOYEE INFORMATION

As at 30th June, 2012, the Group had a total of 2,184 employees (2011: 2,117) in Hong Kong and the PRC, and the total remuneration for the period under review was approximately HK$72,726,000 (2011: HK$55,965,000). More than 99.8% of the Group's employees are located in the PRC. The Group's remuneration and bonus policies are basically determined by the performance of individual employees.

The emoluments of the Directors are decided by the Remuneration Committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 24th October, 2003, the Company adopted a share option scheme ("Share Option Scheme") pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and any of its subsidiaries) or any person who has contributed or will contribute to the Group.

Under the Share Option Scheme, the Directors may offer to any employees or any person who has contributions to the Group share options to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme. The exercise price is determined by the Directors, and shall not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The following table discloses movements of the Company's share options granted under the Share Option Scheme and movements in such holdings during the period under review:

Name and status of participants	Date of grant	Exercise period	Exercise price *HK$*	As at 1st January, 2012	Number of share options: Granted during the period under review	Exercised during the period under review	Lapsed/ Cancelled during the period under review	Outstanding at 30th June, 2012
Directors, chief executives and substantial shareholders and their respective connected persons								
Wang Wenliang	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	10,000,000	–	(10,000,000)	–	–
Xu Yongxuan	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	1,000,000	–	–	–	1,000,000
Lui Siu Keung	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	6,000,000	–	(6,000,000)	–	–
Lu Zhaoheng	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	–	–	–	–	–
Li Chunyan	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	1,000,000	–	–	–	1,000,000
Luo Yongtai	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	1,000,000	–	–	–	1,000,000
Hung, Randy King Kuen	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	1,000,000	–	–	–	1,000,000
				20,000,000	–	(16,000,000)	–	4,000,000
Employees and others	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	108,800,000	–	(108,800,000)	–	–
				128,800,000	–	(124,800,000)	–	4,000,000
Exercisable at the end of the period								4,000,000
Weighted average exercise price				HK$0.49	–	HK$0.49	–	HK$0.49

The closing price of the Shares on 8th April, 2011 was HK$0.48, which was the date immediately before the date on which the Share Options were granted on 11th April, 2011. The weighted average closing price of the Shares immediately before the date the Share Options were exercised during the period under review was HK$0.8. Save as disclosed above, at no time during the period under review was the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CHARGE ON THE GROUP'S ASSETS

As at 30th June, 2012, the Group did not have any charges on the Group's assets.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 30th June, 2012, the Directors did not have any future plans for material investment or capital assets.

Capital Commitments

As at 30th June, 2012, the capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements is HK$47,584,000 (2011: nil).

Contingent Liabilities

As at 30th June, 2012, the Group did not have any contingent liabilities.

TRANSFER OF LISTING

The Board is pleased to announce that the Company has successfully transferred its listing from the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the Main Board of the Stock Exchange (the "Main Board") under the new stock code "3633" on 11 July 2012 (the "Transfer of Listing").

The Transfer of Listing had no effect on the existing share certificates in respect of the Shares which continues to be good evidence of legal title and be valid for trading, settlement and registration purposes and did not involve any transfer or exchange of the existing share certificates. As announced by the Company on 18 June 2012, the board lot size for trading in the Shares was changed from 2,000 Shares to 4,000 Shares with effect on 10 July 2012. As from 10 July 2012, being the effective date of new board lots of 4,000 Shares, new certificate of the Shares will be issued in new board lot size of 4,000 Shares. Save for the change in board lot size, no change was made to the English and Chinese stock short names of the Company, the existing share certificates, the trading currency of the Shares and the Hong Kong branch share registrar and transfer office of the Company following the Transfer of Listing.

The Board believes that the listing of the Shares on the Main Board will enhance the profile of the Group and improve the trading liquidity of the Shares. The Board is of the view that the Transfer of Listing will be beneficial to the future growth and business development of the Group. As at the date of this report, the Board has no immediate plan to change the nature of business of the Group following the Transfer of Listing. The Transfer of Listing did involve the issue of any new Shares by the Company.

BUSINESS REVIEW

During the period under review, we are principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, distribution of piped gas to residential, industrial and commercial users; (ii) the construction and operation of compressed natural gas ("CNG") filling stations for vehicle; and (iii) the exploration, exploitation and development of coalbed methane ("CBM") in the People's Republic of China (the "PRC").

Downstream Piped Gas Distribution

Wuyishan Project

Reference is made to the Annual Report 2011 of the Company dated 21st March, 2012 in which the Company mentioned that Zhongyu (Henan) Energy Holdings Limited ("Zhongyu Henan"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Capital Injection Agreement") on 4th November, 2011 with 鄭州大田投資有限公司 (Zhengzhou Datian Investment Company Limited) ("Zhengzhou Datian"), 葉建斌 ("Ye Jianbin") and 卓雲震 ("Zhuo Yunzhen"), in respect of the proposed injection in registered capital of 武夷山市中閩天然氣有限公司 (Wuyishan City Zhong Min Natural Gas Company Limited) ("Wuyishan Zhong Min") by Zhongyu Henan. Immediately after completion of the Capital Injection Agreement, Wuyishan Zhong Min is an indirect non wholly-owned subsidiary of the Company. Wuyishan Zhong Min would tender a bid to obtain an exclusive right granted by the Peoples' Government of Wuyishan City to engage in the construction and operation of piped natural gas projects in Wuyishan City. Wuyishan Zhong Min has been approved by the local government for being eligible candidate and Wuyishan Zhong Min will tender a bid to the local government in coming months.

Second West-East Gas Pipeline Project

The main pipeline of second West-East Gas Pipeline has been completed and commenced gas supply in July 2011. As a result, piped gas supply for the Group's project located city has increased significantly, which facilitates the Group to connect with more end users, increases the Group's turnover and in turn, enhances its earning base.

The supply of piped natural gas to Sanmenxia City and Luohe City from the second West-East Gas Pipeline has commenced in July 2011 and September 2011 respectively. Benefit from such gas ramp-up, the piped gas sale and supply for the Group's project located in the Sanmenxia City and Luohe City has increased greatly.

We expect the connection and supply of piped natural gas to Yanshi City and Xinmi City from the sub-pipeline of second West-East Gas Pipeline will be completed and commenced in the second half of 2012. It is believed that this project piped gas sales and supply for the Group's project located in the Yanshi City and Xinmi City will increase greatly.

Price Link Mechanism

In addition, the Group obtained the Notice on Problems Relating to the Piped Natural Gas Prices in Henan Province（關於河南省管道天然氣價格有關問題的通知）(the "Notice") issued by Henan Province Development and Reform Commission on 9 December 2011. Pursuant to the Notice, a price link mechanism between the upstream and selling prices of natural gas for residential users (the "Price Link Mechanism") was established. The selling price of natural gas for residential users of the Group's subsidiaries in Jiaozuo City, Luohe City and Jiyuan City has already been increased during the period under review.

Major Operational Data

The downstream natural gas distribution business of the Group primarily comprises sales of piped gas, gas pipeline construction and sales of natural gas from CNG filling stations for vehicles.

The major operational data of the Group for the period under review together with the comparative figures for the corresponding period last year are as follows:

	Six months ended 30th June, (unaudited)		Increase/
	2012	2011	(Decrease)
Number of Exclusive Gas Projects *(Note a)*	**15**	15	–
– Henan Province	**12**	12	–
– Shandong Province	**3**	3	–
Connectable urban population ('000) *(Note b)*	**4,308**	3,525	22.2%
Connectable residential households ('000)	**1,231**	992	24.1%
No. of new piped gas connections made during the period			
– Residential households	**41,017**	33,614	22.0%
– Industrial customers	**29**	23	26.1%
– Commercial customers	**175**	138	26.8%
Accumulated number of connected piped gas customers			
– Residential households	**573,254**	465,056	23.3%
– Industrial customers	**374**	300	24.7%
– Commercial customers	**1,959**	1,554	26.1%
Penetration rates of residential pipeline connection *(Note c)*	**47%**	47%	–

	Six months ended 30th June, (unaudited) 2012	2011	Increase/ (Decrease)
Unit of piped natural gas sold ('000 m^3)	**335,695**	168,111	99.7%
– Residential households	**40,191**	28,419	41.4%
– Industrial customers	**258,672**	113,957	127.0%
– Commercial customers	**27,734**	19,553	41.8%
– Wholesale customers	**9,098**	6,182	47.2%
The piped natural gas usage per customer (m^3)			
– Residential household	**77**	68	13.2%
– Industrial customer	**767,572**	430,839	78.2%
– Commercial customer	**15,789**	14,097	12.0%
Unit of piped mixed gas sold ('000 m^3)	**22,960**	19,935	15.2%
Unit of piped coal gas sold ('000 m^3)	**36,645**	44,276	(17.2%)
Number of CNG Filling Stations			
– Accumulated	**9**	9	–
– Under construction	**9**	6	3
Unit of natural gas sold to vehicles ('000 m^3)	**19,222**	12,856	49.5%
The natural gas usage per station ('000 m^3)	**2,136**	883	141.9%
Unit of bottle LPG sold (ton)	**2,693**	2,703	(0.4%)
Total length of existing intermediate and main pipelines (km)	**2,216**	1,774	24.9%

Note a: The number of Exclusive Gas Projects represents the contracts of exclusive right for sales and distribution of piped gas were signed by relevant local authorities.

Note b: The information is quoted from the website of PRC government. The increase in connectable urban population is due to the increase in urban area and jurisdictional region of the cities.

Note c: The penetration rates of residential pipeline connection represented by the percentage of accumulated number of the Group's residential households to the estimated aggregate number of connectable residential households.

Upstream CBM Exploration

With the aim to ensure sufficient and cost-effective gas supply for the Group's downstream gas projects located in Henan Province, the PRC, and enhance the Group's profitability, the Group tapped into the upper stream CBM supply market in the PRC in 2007.

As at 30th June, 2012, the Group secured eight coal blocks, situated at Jiaozuo, Zhengzhou, Pingdingshan (including Yuzhou and Ruzhou), Hebi, Yima, Yongxia, Henan Province, the PRC, to explore, exploit, develop and produce CBM.

Regarding its upstream business, the exploration of CBM in Henan Province is still being operated. The dewatering and releasing process of the operating wells are under monitoring and evaluation by professionals. The Group will continue to update investors on the latest exploration progress.

FINANCIAL REVIEW

Overall

The Group's results for the six months ended 30th June, 2012 was mainly driven by organic growth of the businesses. Benefitting from the gas supply ramp-up since the second half of 2011, the Group's turnover for the period under review increased substantially to HK$1,236,654,000 (2011: HK$692,429,000). The Group's profit attributable to owners of the Company reached HK$80,011,000 (2011: HK$6,466,000).

An analysis of the Group's turnover for the period under review, together with the comparative figures for the corresponding period last year are as follows:

	Six months ended 30th June,				
	2012 *(HK$'000)*	**% of total**	2011 *(HK$'000)*	% of total	Increase/ (Decrease)
Turnover					
– Sales of piped gas	**967,018**	**78.2%**	497,796	71.8%	94.3%
– Connection revenue from gas pipeline construction	**165,735**	**13.4%**	121,893	17.6%	36.0%
– Operation of CNG filling station	**81,379**	**6.6%**	50,910	7.4%	59.8%
– Sales of liquefied petroleum gas	**20,873**	**1.7%**	20,097	2.9%	3.9%
– Sales of stoves and related equipment	**1,649**	**0.1%**	1,733	0.3%	(4.8%)
	1,236,654	**100%**	692,429	100%	78.6%

Turnover

The turnover for the period under review increased by 78.6% to approximately HK$1,236,654,000 from approximately HK$692,429,000 for the corresponding period last year. The significant growth in turnover was mainly attributable to the robust growth in sales of piped gas and connection revenue from gas pipeline construction as well as the operation of CNG filling station.

Sales of Piped Gas

Sales of piped gas for the six months ended 30th June, 2012 amounted to approximately HK$967,018,000, representing an increase of approximately 94.3% over the corresponding period last year.

Nearly 91% of the total sales of piped gas was derived from provision of natural gas. The rapid growth in sales of piped gas was mainly attributable to the increase in gas sales volume by 99.7% to 335,695,000 m^3 from 168,111,000 m^3. The construction of natural gas pipeline connecting the second West-East Gas Pipeline and Sanmenxia City, Henan Province, the PRC, was completed and the supply of piped natural gas to Sanmenxia City from the second West-East Gas Pipeline has been commenced in July 2011. As a result, piped gas supply for the Group's project located in the Sanmenxia City has increased greatly, which facilitates the Group to connect more industrial users in order to increase the Group's turnover and in turn, enhance its earning base. The incline in gas consumption of industrial users drove the gas sales increment.

During the period under review, the piped natural gas usage per customer provided by the Group to its residential household was approximately 77 m^3 (2011: 68 m^3); to its industrial customer was approximately 767,572 m^3 (2011: 430,839 m^3); to its commercial customer was approximately 15,789 m^3 (2011: 14,097 m^3).

The selling price of natural gas for residential users increased by 19.3% when comparing the corresponding period last year, which has pushed up the sales during the period. Moreover, the selling price of natural gas for industrial and commercial users of the Group's subsidiaries in Jiaozuo City and Jiyuan City increased in late of 2011 which caused the sales incline.

Sales of piped gas for the period under review contributed approximately 78.2% of the total turnover of the Group. As compared with the percentage of approximately 71.8% during the corresponding period last year, sales of piped gas continued to become the major source of turnover of the Group.

Gas Pipeline Construction

Connection revenue from gas pipeline construction for the six months ended 30th June, 2012 amounted to approximately HK$165,735,000, representing an increase of approximately 36.0% over the corresponding period last year. The increase in connection revenue from gas pipeline construction was mainly attributable to the increase in construction work of gas pipeline connection completed for residential households to 41,017 from 33,614. As the second West-East Gas Pipeline has commenced operations in July 2011, the piped gas supply for the Group's project located in the Sanmenxia City and Luohe City increased significantly, which facilitate the Group to connect with more end users, it caused more construction work of gas pipeline connection completed for residential users. The average connection fee for industrial and commercial customers was determined on a case basis, which increased by 42.5% to push up the sales during the period under review.

For the period under review, the average connection fee for residential households was RMB2,606 which was similar to that during the corresponding period last year. The connection fee charged to industrial/commercial customers by the Group was significantly higher than that charged to residential households and was determined on a case-by-case basis.

During the period under review, the connection revenue from gas pipeline construction contributed approximately 13.4% of the total turnover of the Group. As compared with the percentage of approximately 17.6% during the corresponding period last year, the connection revenue from gas pipeline construction continued to be one of major source of turnover of the Group.

As at 30th June, 2012, the Group's penetration rates of residential pipeline connection reached 47% (2011: 47%) (represented by the percentage of accumulated number of the Group's residential households to the estimated on aggregate number of connectable residential households).

Operation of CNG Filling Station

Revenue from operation of CNG filling station for the six months ended 30th June, 2012 amounted to approximately HK$81,379,000, representing an increase of approximately 59.8% over the corresponding period last year. The increase was mainly due to a CNG filling station in Luohe City which commenced operations in May 2011, which also resulted an increase in turnover of approximately 52.9% in Luohe City over the corresponding period last year. The natural gas usage per station increased by 141.9% to approximately 2,136,000 m^3 for the six months ended 30th June, 2012 from approximately 883,000 m^3 for the corresponding period last year. Moreover, the selling price increment in Nanjing City also lead the revenue from operation of CNG filling station.

During the period under review, the turnover derived from operation of CNG filling stations accounted for approximately 6.6% of the total turnover of the Group. The number of the Group's CNG filling stations is nine, which is the same as the corresponding period last year.

In addition, the Group has commenced building an additional nine CNG refilling stations in the PRC. It is expected that four new CNG refilling stations will commence operation in the second half of 2012. The remaining five new CNG refilling stations are expected to commence operation in 2013.

Gross profit margin

The overall gross profit margin for the six months ended 30th June, 2012 was approximately 21.6% (2011: 21.0%). The Price Link Mechanism benefits the Group to pass the upward gas procurements cost to our residential users and caused the profit margins of gas sales to residential customers to incline which in turn attributed to the increase in the overall gross profit margin. The increase in the proportion of sales of piped gas for industrial and commercial users, which has a relatively higher profit margin, has improved the gross profit margin. Moreover, the selling price of natural gas for industrial and commercial users of the Group's subsidiary in Jiyuan City increased in late 2011 as well as the selling price of natural gas for commercial users of the Group's subsidiary in Jiaozuo City increased in late 2011, which caused slightly increased in the gross profit margin for selling the natural gas to industrial and commercial customers.

In addition, the increase in gross profit margin was partially due to the increase in the gross profit margin of connection revenue from gas pipeline construction was increased by 4.8% when comparing the corresponding period last year. Such gross profit margin increment was mainly driven by the average connection fee for residential and commercial customers incline. The overall gross profit margin is keep steady was mainly due to the reasons mentioned above are netted off the effect from the increase in the proportion of turnover derived from sales of piped gas, which in general has a relatively low profit margin, in the Group's total turnover to approximately 78.2% for the period under review (2011: 71.8%).

Other income

Other income and gains increased to approximately HK$7,573,000 for the six months ended 30th June, 2012 from approximately HK$2,734,000 for the corresponding period last year. The amount mainly represented the bank interest income of approximately HK$1,405,000, the government subsidies of approximately HK$4,912,000 and the sundry income of approximately HK$1,256,000. The substantially increase was mainly attributable to the government subsidies for the six months ended 30th June, 2012 increased to approximately HK$4,912,000 (2011: HK$83,000). Such government subsidies were for promoting the use of natural gas. There are no conditions attached to subsidies granted to the Group.

Operating expenses

Operating expenses, including selling and distribution costs and administrative expenses increased by 14.6% to approximately HK$107,879,000 for the six months ended 30th June, 2011 from approximately HK$94,155,000 for the corresponding period last year. The increase was mainly attributable to the increase in staff salary cost to approximately HK$50,873,000 for the six months ended 30th June, 2012 (2011: HK$41,034,000) resulting from the salary increment in the second half of 2011. The entertainment expenses increased by 22.1% to approximately HK$15,624,000 for the six months ended 30th June, 2012 from approximately HK$12,791,000 for the corresponding period last year resulting from seeking business opportunities. Moreover, the depreciation cost increased by 12.2% to approximately HK$10,398,000 for the six months ended 30th June, 2012 from approximately HK$9,267,000 for the corresponding period last year resulting from the additional equipment for the business development.

Share-based payment

Share-based payment expense of HK$3,095,000 for the share options granted on 11th April, 2011 was recorded for the six months ended 30th June, 2011. On 11th April, 2011, the Company granted the share options to the Grantees to subscribe for an aggregate of 159,000,000 ordinary shares at par value HK$0.01 each of the Company were granted to the eligible participants by the Company pursuant to the share option scheme adopted by the shareholders of the Company on 24th October, 2003 (the "Share Option"). The exercise price of share options granted was HK$0.490 per share. The share options granted shall be valid for a period of ten years from the date of grant. No such expense was recorded for the six months ended 30th June, 2012 as no new share options were granted for the six months ended 30th June, 2012.

Finance costs

Finance costs increased by 35.9% to approximately HK$23,967,000 for the six months ended 30th June, 2012 from approximately HK$17,631,000 for the corresponding period last year. For the period under review, the interest on bank borrowings increased by 57.2% to approximately HK$23,967,000 from HK$15,245,000 for the corresponding period last year. The increase was mainly attributable to the increase in the average bank borrowings and the decrease in the amounts capitalised in construction in progress resulting from additions to construction in progress decline.

Income tax expenses

No provision of Hong Kong Profits Tax has been made in consolidated financial statements as the Company and its subsidiaries had no assessable profits arising in Hong Kong for both periods.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The tax concession arrangement of the aforesaid PRC subsidiaries have been expired from 2010 to 2011. According to New Law, the tax concession arrangement will not be granted to all new applicants incorporated after 16th March, 2007. As for the existing group entities entitle to such tax concession but have not commenced their first profit-making year they are exempted from PRC Enterprise Income Tax for two years, followed by a 50% reduction for the next three years regardless of its reported results commencing from 1st January, 2008 and the charge of PRC Enterprise Income Tax for the year has been provided for after taking these tax incentive into account.

The tax concession arrangement of the subsidiaries in Jiaozuo City and Jiyuan City was expired in 2011 and the subsidiaries would not enjoy 50% reduction of tax rate in 2012. Accordingly, the income tax expenses for the six months ended 30th June, 2012 amounted to approximately HK$50,324,000 (2011: HK$15,278,000).

Profit attributable to owners

As a result of the above, the Group recorded the profit attributable to owners of the Company of approximately HK$80,011,000 for the six months ended 30th June, 2012 (2011: HK$6,466,000).

Earnings per share

The basic and diluted earnings per share attributable to the owners of the Company were HK3.24 cents and HK3.21 cents respectively for the six months ended 30th June, 2012, as compared with that of HK0.30 cent and HK0.30 cent respectively for the corresponding period last year.

Earnings (excluding other income and gains and losses) before interests, taxation, depreciation, amortisation ("EBITDA")

For the six months ended 30th June, 2012 excluding other income and gains and losses, the Group's EBITDA increased by 155.2% to approximately HK$198,243,000 from approximately HK$77,669,000 for the corresponding period last year.

Net assets value per share

The net assets value per share attributable to the owners of the Company was HK$0.48 for the six months ended 30th June, 2012, representing an increase of 4.3% as compared with that of HK$0.46 for the corresponding period last year.

The net assets value represents total assets minus total liabilities and non-controlling interests.

Prospects

The Group is confident in its future prospects since the steady growth of the natural gas market in China is expected to be maintained due to the favorable domestic business environment and the growing demand for piped gas consumption arising from the progressing urbanization in China. In the future, the Group will expand its downstream natural gas distribution with a focus on high margin commercial and industrial users and gas refueling stations with the goal of increasing its penetration rate in the nine cities it is operating in.

In addition to the abovementioned strategies, the Group is cautiously seeking for suitable investment opportunities. With our healthy financial position, together with the constant cash inflow generated by our downstream projects, we believe that we would be able to prudently increase our market penetration. At the same time, we will strive to enhance our operation efficiency by cooperating with promising peers in the industry. We believe that Zhongyu Gas is well-positioned to tackle the challenges imposed by the global economic environment and maximize our shareholders' returns.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 30th June, 2012, the interests and short positions of the Directors and the Chief Executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in the Shares of the Company

Name of Directors	*Note*	**Nature of Shares and/or underlying Shares**	**Type of Interests**	**Approximate percentage of issued share capital** *(Note 4)*
Mr. Wang Wenliang	*1*	578,619,542	Beneficial and interest in controlled corporation	22.93%
Mr. Xu Yongxuan	*2*	1,000,000	Beneficial	0.04%
Mr. Lui Siu Keung	*3*	6,000,000	Beneficial	0.24%
Mr. Lu Zhaoheng	*3*	3,000,000	Beneficial	0.12%
Mr. Li Chunyan	*2*	1,000,000	Beneficial	0.04%
Mr. Luo Yongtai	*2*	1,000,000	Beneficial	0.04%
Mr. Hung, Randy King Kuen	*2*	1,000,000	Beneficial	0.04%

Note:

1. Among these Shares and/or underlying Shares, 567,453,542 Shares are held by Hezhong Investment Holding Company Limited ("Hezhong"). Mr. Wang Wenliang is beneficially interested in 100% of the issued share capital of Hezhong. The remaining 11,166,000 Shares are directly held by Mr. Wang Wenliang.

2. These underlying Shares are to be allotted and issued upon exercise the rights attaching to the share options granted at an exercise price of HK$0.49 per share under the share option scheme adopted by the Company on 24th October, 2003.

3. The Shares are directly held by the director.

4. As at 30th June, 2012, the total issued share capital of the Company was 2,523,007,684.

Save as disclosed above, as at 30th June, 2012, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors, as at 30th June, 2012, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the Shares of the Company

Name of Shareholder	*Notes*	**Type of interests**	**Number of Shares**	**Approximate percentage of interests** *(Note 3)*
China Gas Holdings Limited	*1*	Interest of controlled corporation	1,111,934,142	44.07%
Rich Legend International Limited	*1*	Beneficial	1,111,934,142	44.07%
Hezhong	*2*	Beneficial	567,453,542	22.49%

Notes:

1. According to the disclosure of interests pages as shown in the website of the Stock Exchange, China Gas Holdings Limited holds as to 100% equity interests of Rich Legend International Limited ("Rich Legend") and is therefore deemed to be interested in the 1,111,934,142 Shares held by Rich Legend. Apart from the information ascertained in the disclosure of interest pages as shown in the website of the Stock Exchange, the Company has no further information.

2. Hezhong is beneficially interested in 567,453,542 shares. Mr. Wang Wenliang is beneficially interested in 100% of the issued share capital of Hezhong respectively.

3. As at 30th June, 2012, the total issued share capital of the Company was 2,523,007,684.

Save as disclosed above, as at 30th June, 2012, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE CODE

Since the Transfer of Listing, the Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. During the period under review where the Company was listed on the GEM, the Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 15 of the Rules Governing the Listing of Securities on the GEM Board ("GEM Listing Rules"), except for the following deviation:

CG Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Since the Transfer of Listing, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, during the period under review where the Company was listed on the GEM, the Company confirms that the Directors complied with the required standard against which the Company and Directors must measure their conduct regarding transactions in securities of the Company set out in Chapter 5 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company's Audit Committee, comprising Mr. Li Chunyan, Dr. Luo Yongtai and Mr. Hung, Randy King Kuen, as the independent non-executive Directors, has reviewed with the Company's management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited consolidated results of the Group for the six months ended 30th June, 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the six months ended 30th June, 2012.

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.zygas.com.cn under "Announcement" respectively. The interim report of the Company for the six months ended 30th June, 2012 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.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Wang Wenliang *(Chairman and Joint Managing Director)*, Mr. Lui Siu Keung *(Joint Managing Director and Chief Financial Officer)* and Mr. Lu Zhaoheng, as the executive Directors, Mr. Xu Yongxuan *(Vice-Chairman)*, as the non-executive Directors and Mr. Li Chunyan, Dr. Luo Yongtai and Mr. Hung, Randy King Kuen, as the independent non-executive Directors.

By Order of the Board
ZHONGYU GAS HOLDINGS LIMITED
Lui Siu Keung
Joint Managing Director

Hong Kong, 2nd August, 2012