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 2012

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 2012, together with the comparative figures for the six months ended 30 September 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		Six months ended	
		30 September	30 September
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	*(unaudited)*
Revenue	*3*	**8,566,483**	7,912,488
Cost of sales		**(6,661,149)**	(6,288,503)
Gross profit		**1,905,334**	1,623,985
Other income		**265,823**	173,879
Other gains and losses		**87,556**	(16,626)
Distribution costs		**(385,286)**	(303,558)
Administrative expenses		**(482,139)**	(366,890)
Finance costs		**(389,808)**	(442,252)
Share of results of associates		**68,316**	28,726
Profit before taxation		**1,069,796**	697,264
Taxation	*4*	**(134,787)**	(253,642)
Profit for the period	*5*	**935,009**	443,622
Other comprehensive income			
Exchange difference arising on translation		**74,432**	107,143
Decrease in fair value on available-for-sale investments		**(832)**	(7,845)
Other comprehensive income for the period		**73,600**	99,298
Total comprehensive income for the period		**1,008,609**	542,920
Profit for the period attributable to:			
Owners of the Company		**808,200**	373,608
Non-controlling interests		**126,809**	70,014
		935,009	443,622

Total comprehensive income attributable to:			
Owners of the Company		**872,387**	453,979
Non-controlling interests		**136,222**	88,941
Total comprehensive income for the period		**1,008,609**	542,920
Earnings per share			
Basic	*6*	**HK18.31 cents**	HK8.52 cents
Diluted	*6*	**HK17.04 cents**	HK8.02 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	**30 September 2012** ***HK$'000*** ***(unaudited)***	31 March 2012 *HK$'000* *(audited)*
Non-current assets			
Investment properties		**247,363**	450,600
Property, plant and equipment		**16,028,294**	14,423,598
Prepaid lease payments		**1,079,518**	1,093,945
Investments in associates		**2,371,403**	2,286,243
Available-for-sale investments		**82,846**	76,658
Goodwill		**1,051,866**	1,038,591
Other intangible assets		**1,256,625**	1,281,448
Deposits for acquisition of property, plant and equipment		**401,670**	202,919
Deposits for acquisition of subsidiaries and associates		**91,463**	-
Other receivable		**204,170**	-
Amount due from an associate		**123,227**	141,932
Deferred tax assets		**94,065**	94,065
		23,032,510	21,089,999
Current assets			
Inventories		**1,733,454**	1,743,372
Amounts due from customers for contract work		**247,279**	173,519
Trade and other receivables	*7*	**2,771,313**	3,169,928
Amounts due from associates		**165,602**	124,792
Prepaid lease payments		**38,737**	33,656
Held-for-trading investments		**9,350**	10,893
Pledged bank deposits		**558,557**	710,459
Bank balances and cash		**4,787,423**	4,817,767
		10,311,715	10,784,386
Current liabilities			
Trade and other payables	*8*	**6,057,672**	4,659,547
Amounts due to customers for contract work		**194,325**	244,667
Taxation		**100,222**	189,339

Amounts due to associates	**-**	2,302
Amount due to a non-controlling interest of a subsidiary	**5,165**	5,165
Bank and other borrowings – due within one year	**8,132,015**	8,963,385
	14,489,399	14,064,405
Net current liabilities	**(4,177,684)**	(3,280,019)
Total assets less current liabilities	**18,854,826**	17,809,980

	30 September 2012	31 March 2012
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Equity		
Share capital	**45,287**	43,831
Reserves	**10,591,498**	9,775,854
Equity attributable to owners of the Company	**10,636,785**	9,819,685
Non-controlling interests	**1,205,770**	1,056,777
Total equity	**11,842,555**	10,876,462
Non-current liabilities		
Bank and other borrowings – due after one year	**6,525,292**	6,406,777
Deferred tax liabilities	**486,979**	526,741
	7,012,271	6,933,518
	18,854,826	17,809,980

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as 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").

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 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA:

- amendments to HKFRS 7 Financial instruments: Disclosures - Transfers of financial assets; and
- amendments to HKAS 12 Deferred tax: Recovery of underlying assets

The application of the above amendments to 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.

3. SEGMENT INFORMATION

The Group's reportable and operating segments under HKFRS 8 are: sales of piped gas, gas connection, sales of liquefied petroleum gas ("LPG"), sales of coke and gas appliance and Zhongyu Gas Holdings Limited ("Zhongyu Gas"), in which the Group's Chief operating decision maker reviewed the result of Zhougyu Gas being shared by the Group under equity method of accounting.

Segment information for the six months ended 30 September 2012 and 2011 about these businesses is presented below.

Six months ended 30 September 2012

	Sales of piped gas	**Gas connection**	**Sales of LPG**	**Sales of coke and gas appliance**	**Zhongyu Gas**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue	**3,885,370**	**1,494,701**	**2,904,868**	**281,544**	**-**	**8,566,483**
Segment result	**588,599**	**777,935**	**(13,340)**	**(33,936)**	**33,163**	**1,352,421**
Interest and other gains						**94,347**
Unallocated corporate expenses						**(111,276)**
Change in fair value of investment properties						**86,211**
Gain on disposal of a subsidiary						**2,748**
Finance costs						**(389,808)**
Share of results of associates						**35,153**
Profit before taxation						**1,069,796**

Six months ended 30 September 2011(restated)

	Sales of piped gas	Gas connection	Sales of LPG	Sales of coke and gas appliance	Zhongyu Gas	Consolidated
	HK$'000	*HK$'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)	14,813	1,200,349
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						13,913
Profit before taxation						697,264

4. TAXATION

	Six months ended	
	30 September	30 September
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
PRC Enterprise Income Tax	**174,549**	258,781
Deferred taxation	**(39,762)**	(5,139)
	134,787	253,642

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

The taxation charge of the People's Republic of China, other than Hong Kong (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	30 September
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**310,617**	307,291
Release of prepaid lease payments	**19,369**	17,786
Amortization of intangible assets	**24,823**	23,738
Interest income	**(44,057)**	(38,087)
Loss on disposal of property, plant and equipment	**17,341**	1,187
Gain on disposal of prepaid lease payments	**(38,779)**	-

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	30 September
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
<u>Earnings</u>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**808,200**	373,608

	'000	*'000*
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,414,203**	4,383,055
Effect of dilutive potential ordinary shares:		
Share options	**329,769**	276,272
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,743,972**	4,659,327

7. TRADE AND OTHER RECEIVABLES

	30 September 2012	31 March 2012
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Trade receivables	**1,072,727**	1,535,691
Less: Accumulated allowances	**(245,779)**	(245,779)
Trade receivables	**826,948**	1,289,912
Deposits paid for construction and other materials	**137,659**	308,784
Deposits paid for purchase of natural gas and LPG	**504,399**	410,945
Advanced payments to sub-contractors	**424,078**	430,058
Other receivables, deposits and prepayments	**689,529**	564,072
Amounts due from non-controlling interests of subsidiaries	**37,406**	26,062
Amounts due from shareholders of jointly controlled entities	**151,294**	140,095
	2,771,313	3,169,928

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

	30 September 2012	31 March 2012
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
0-180 days	**634,059**	1,083,664
181-365 days	**144,300**	127,931
Over 365 days	**48,589**	78,317
	826,948	1,289,912

8. TRADE AND OTHER PAYABLES

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

	30 September 2012	31 March 2012
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
0-90 days	**1,996,008**	1,201,760
91-180 days	**173,280**	302,054
Over 180 days	**1,015,739**	736,944
Trade payables	**3,185,027**	2,240,758
Other payables and accrued charges	**308,564**	326,180
Construction fee payables	**198,370**	271,344
Loan interest payables	**97,737**	60,519
Deposits received from customers	**124,485**	46,549
Advanced payments from customers	**805,987**	669,464
Advances received from customers for contract works that have not been started	**1,295,381**	939,156
Amounts due to non-controlling interests of subsidiaries	**37,243**	95,639
Amounts due to shareholders of jointly controlled entities	**4,878**	9,938
	6,057,672	4,659,547

INTERIM DIVIDEND

The Directors resolved the payment of HK 2.2 cents per share as interim dividend (six months ended 30 September 2011: Nil).

The interim dividend will be paid on or about 31 January 2013 to shareholders whose names appear on the Register of Members of the Company on the date of 23 January 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 January 2013 to 23 January 2013 (both days inclusive), during which period no transfers of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-16, 17th floor, Hopewell, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on 18 January 2013

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 liquefied petroleum gas ("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 2012, turnover of the Group amounted to HK$8,566,483,000 (six months ended 30 September 2011: HK$7,912,488,000), increased by 8.3% over the same period last year. Gross profit (including LPG business) amounted to HK$1,905,334,000 (six months ended 30 September 2011: HK$1,623,985,000), increased by 17.3% over the same period last year. Overall gross profit margin was 22.2% (six months ended 30 September 2011: 20.5%). Profit for the period increased by 110.8% over the same period last year to HK$935,009,000 (six months ended 30 September 2011: HK$443,622,000), representing an overall net profit margin of 10.9% (six months ended 30 September 2011: 5.6%). Earnings per share amounted to HK18.31 cents (six months ended 30 September 2011: earnings per share of HK8.52 cents).

New Projects Expansion

As of 28 November 2012, the Group had secured 172 city piped gas projects (with exclusive concession rights), 9 long distance natural gas pipeline projects, 153 compressed natural gas ("CNG") refilling stations for vehicles, 1 natural gas development projects and 50 LPG distribution projects in 21 provinces, autonomous regions and directly-administered cities.

The Group secured 15 additional city piped gas projects in Heilongjiang Province, Hubei Province, Guangxi Zhuang Autonomous Region, Gansu Province, Jiangxi Province and Inner Mongolia Autonomous Region from 1 April 2012 to 28 November 2012.

Locations of the new projects:

Provinces/Autonomous Regions/Directly-administered Cities	**Cities/Districts**
Heilongjiang Province	Tangyuan County, Huanan County
Hubei Province	Wuhan Jiangnan District, Danjiangkou City, Laohekou City, Yuan'an County
Guangxi Zhuang Autonomous Region	Guiping City, Chongzuo City, Beihai City
Gansu Province	Huating County, Jingning County, Chongxin County
Jiangxi Province	Wuyuan County, Le’an City
Inner Mongolia Autonomous Region	Alashanmeng Wusitai Industrial Zone

The connectable city population covered by the Group's gas projects has increased to 65,855,000 (approximately 20,270,000 households) as of 28 November 2012, representing a year-on-year increase of 5.4%.

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 development strategies. The performance of each segment for the six months ended 30 September 2012 is discussed below.

Natural Gas Business

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

Construction of Piped Gas Networks

City piped gas network is the operation foundation of a gas supplier. 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.

As at 30 September 2012, the Group operated piped gas supply in 120 cities, and had intermediate and arterial gas pipeline networks (excluding pipelines in the premises of our customers) of 35,043km and 126 processing stations (city gate stations) constructed.

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 591,542 domestic households, an increase of approximately 12.4% over the same period last year; the average piped gas connection fee for residential users was RMB2,459 per connection.

As at 30 September 2012, the accumulated connected residential users of the Group grew by approximately 18.1% year-on-year to 7,805,544, representing 39.0% of the total connectable domestic households. In view of the gap between its overall connection ratio and that of developed markets at 70%, the Group expects its new connected users will grow steadily in the future to contribute stable connection fee income.

Industrial and Commercial Customers

Compared to residential users, industrial and commercial users have higher demand for gas while the operating expenses for unit gas sales are lower. As such, the Group stepped up its efforts in connecting industrial and commercial users while satisfying the gas demand from residential users. Advancing its "Central-satellite cities" development strategy constantly, the Group expects to secure more piped gas projects in industrial cities, economic development zones and industrial parks, which will become a strong growth driver to its natural gas sales.

During the period, the Group completed connections for 257 industrial customers and 3,262 commercial customers. Industrial users are primarily engaged in petro-chemical, porcelain making, building material production, metallurgy and glass making industries.

As at 30 September 2012, the accumulated acquired and connected industrial customers and commercial customers of the Group were 1,895 and 46,735, representing a year-on-year increase of approximately 32.7% and 15.2% respectively. During the period, connection fee for industrial users was calculated on the basis of the contracted daily gas volume at the average rate of RMB75 per m^3 and the average connection fee paid by commercial customers was RMB44,637 per customer.

During the period, the Group's gas connection income grew by approximately 23.3% over the same period last year to HK$1,494,701,000, representing approximately 17.4% of the Group's total revenue for the period.

CNG/LNG Refilling Stations

As China promotes 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 and shipping vessels. On 14 October 2012, the National Development and Reform Commission of China ("NDRC") promulgated the Natural Gas Utilization Policy, which will come into effect from 1 December 2012. Taking into consideration the social, environment and economic benefits of natural gas utilization and gas consumption characteristics of different users, the NDRC categorizes natural gas users as "prioritized", "allowed", "restricted" and "prohibited" to strategically optimize the consumption structure and enhance the utilization efficiency of natural gas, reiterating the prioritized utilization fields including urban development as well as vehicles and inland river, lake and coastal shipping vessels. To effectively promote the gas refilling business for vehicles and vessels, the Group's wholly-owned subsidiary China Gas Clean Energy Company Limited joined effort with the city gas project operators of the Group to boost the development and construction of CNG/LNG refilling station projects for vehicles and vessels, aiming at higher market share in the natural gas refilling sector.

The Group currently owns 153 natural gas refilling stations for vehicles, with a daily supply in excess of 1,710,000 m^3. Sales volume of CNG for vehicles took up 8.6% of the Group's total sales volume of natural gas during the period, representing an increase of approximately 23.8% as compared to the same period last year.

Sale of Natural Gas

During the period, the Group sold a total of 3,052,518,000 m^3 of natural gas, an increase of 27.6% as compared to the same period last year, of which 319,098,000 m^3 was sold to residential users, 2,192,551,000 m^3 to industrial users, 278,199,000 m^3 to commercial users and 262,670,000 m^3 to CNG vehicle drivers.

Gas sold to industrial users accounted for approximately 71.8% of the total natural gas volume sold, commercial users approximately 9.1%, residential users approximately 10.5% and CNG vehicle drivers approximately 8.6%.

For the period under review, the Group's natural gas sales income grew by approximately 15.4% over the same period last year to HK$3,885,370,000, representing approximately 45.4% of the Group's total revenue for the period.

Average selling price (pre tax) of natural gas was RMB2.22 per m^3 for residential users, RMB2.56 per m^3 for industrial users, RMB2.68 per m^3 for commercial users, and RMB2.70 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 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 provided as a transitional fuel. A total of 108,882,000 m^3 of piped coal gas and LPG blended with air were sold during the period. 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 currently has 8 LPG terminals and 50 LPG distribution projects (excluding the 22 LPG distribution projects owned by Panva Gas Holdings Limited ("Panva Gas")).

During the period, a total of 411,011 tonnes of LPG were sold (not inclusive of the 282,940 tonnes sold by Panva Gas during the period from 1 April 2012 to 30 September 2012), representing a decline of 1.5% year-on-year. Total revenue amounted to approximately HK$2,904,868,000 and income from LPG sales decreased by approximately 4.9% over the same period last year. During the period, gross profit was HK$159,903,000 (six months ended 30 September 2011: HK$137,730,000), and operating loss was HK$13,340,000 (six months ended 30 September 2011: profit of HK$47,661,000).

Through the three years since investing in LPG business, the Group has been committed to forging a vertically integrated LPG business chain backed by direct procurement of LPG from upstream refineries with the downstream end business as the core profit generator, aiming at scale merit and higher profitability as a whole. The Group will continue to increase strategic investment in end market projects to consolidate and expand retail network, seeking to complete the acquisition of the remaining 51% equity interests in Panva Gas as soon as possible. Meanwhile, the Group will step up construction of the call centre to give full play to its commanding role for logistics, and improve its logistics system to upgrade the logistics and distribution service capabilities. While developing the end retail business, the Group has further revitalized the existing LPG terminals, storage facilities and relevant assets by promoting chemical storage and terminal resource utilization operations, leading to higher asset utilization and lower fixed costs on unit LPG sales and thus the desirable economic benefits for the Group.

Continued urbanization and the improvement of living standards in rural areas of China will drive the demand for LPG in small towns and rural-urban fringe zones. As China's largest integrated LPG supplier with upstream, midstream and downstream operations, the Group will leverage on its improving service network to enhance service quality and offer customers convenient and high quality clean energy.

Value-added Services for End Users

The increasing connection ratio of the Group's gas projects has fostered a fast expanding customer base. Currently, the Group is providing piped gas service to more than 7,800,000 residential users and 48,000 industrial and commercial users as well as bottled LPG to more than 6,000,000 residential users under an expanding customer network, which implies vast potential value addition opportunities. It is an inherent need of the Group to provide value-added services to end users, in order to enhance the profitability of its operation and service network and better serve the community.

The Group's project companies are proactively promoting the value-added advertising business and gas appliance sales to boost revenue, while cooperating with major domestic insurance companies to jointly develop the city gas insurance market. Through market research and technological innovations for years, the Group expects to vigorously develop the distributed energy project which can provide large-scale users with efficient comprehensive energy through integrated natural gas applications to meet their different needs for heating, electricity and cooling, thus enhancing the profitability of the Group.

HUMAN RESOURCES

As at 30 September 2012, the Group had approximately 20,281 employees, a year-on-year increase of approximately 1.1%. 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. Through rotating staff to different posts in the headquarters and project companies, the Group helps the staff to improve professional and organization capabilities under a well-established talent development system.

FINANCIAL REVIEW

Liquidity

Given the current uncertainties in international and domestic economic situation, 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 through the cycles.

As at 30 September 2012, total assets of the Group were HK$33,344,225,000, increasing by approximately 4.6% as compared to that as at 31 March 2012. The Group's cash on hand was HK$5,345,980,000 (31 March 2012: HK$5,528,226,000). The Group had a current ratio of approximately 0.71 (31 March 2012: 0.77), or 0.99 after deducting the LPG trade finances related facilities totalling HK$4,075,587,000. The net gearing ratio was 0.44 (31 March 2012: 0.44), as calculated based on net borrowings of HK$5,235,740,000 (total borrowings of HK$14,657,307,000 less the LPG trade finances related facilities of HK$4,075,587,000 and bank balances and cash of HK$5,345,980,000) and net assets of HK$11,842,555,000 as at 30 September 2012.

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. As one of the Group's principal banks, China Development Bank ("CDB") provided the Group with a long term facility of RMB20 billion and an 8-year loan facility of US$220 million, giving a solid financial backing to the Group's investments and stable operations. The Group also received credit support from major banks at home and abroad, including The Industrial and Commercial Bank of China, Asian Development Bank, Commonwealth Bank of Australia, The Netherlands Development Finance Company, Bank of Communications, Postal Savings Bank of China, Bank of China, China Construction Bank, The Agricultural Bank of China and China CITIC Bank. As at 30 September 2012, over 20 banks had extended syndicated loans and credit facilities to the Group and most syndicated loans have terms longer than five years with an average maturity of nine years. Bank loans are generally used as the working capital of the Group.

As at 30 September 2012, the Group had bank loans and other loans amounting to HK$14,657,307,000, of which HK$4,075,587,000 represented the LPG trade finances related facilities.

The operating and capital expenditures of the Group are financed by operating cash income, bank loans, revolving credit facilities and development financial loans. The Group has sufficient funding to satisfy its future capital expenditures and working capital requirements.

Foreign Exchange

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

Charge on Assets

As at 30 September 2012, the Group pledged certain properties, plants and equipment and prepaid lease payments with net carrying value of HK$278,092,000 (31 March 2012: HK$282,593,000) and HK$17,075,000 (31 March 2012: HK$17,349,000) respectively, investment properties with net carrying value of HK$47,000,000 (31 March 2012: HK$42,350,000), trade receivables with net carrying value of HK$49,485,000 (31 March 2012: HK$31,056,000), and pledged bank deposits of HK$558,557,000 (31 March 2012: HK$710,459,000) and certain subsidiaries pledged their equity investments in other subsidiaries to banks to secure loan facilities.

Capital Commitments

The Group had capital commitments in respect of the acquisition of property, plant and equipment and construction materials contracted for but not provided in the financial statements as at 30 September 2012 amounting to HK$188,005,000 (31 March 2012: HK$173,183,000) and HK$38,998,000 (31 March 2012: HK$42,337,000) respectively, and such commitments would require the Group's present cash and external borrowings. The Group has undertaken to acquire shares in some Chinese enterprises and set up Sino-foreign joint ventures in China.

Contingent Liabilities

As at 30 September 2012, the Group did not have any material contingent liabilities (31 March 2012: nil).

PROSPECTS

The well-established concept of carbon emission reduction and the increasing natural gas supply in recent years, together with the maturing city gas business, have fostered new opportunities in the natural gas distribution industry. To name a few, industrial park piped gas business has become an inevitable choice for city gas operators, in view of the established pattern of industrial zones (parks) surrounding the central cities after the large-scale industrial projects were relocated to the suburb. The natural gas refilling business for vehicles and vessels, given its high return on investment, has become an intensified arena for gas enterprises. Meanwhile, the natural gas-based comprehensive energy distribution campaign has been taken as an important strategic initiative by the government to improve energy utilization efficiency and promote structural upgrading, energy saving and emission reduction. To address such opportunities and market changes, the Group will root itself in the city gas distribution sector in light of its "Great Market" strategy with a focus on satellite industrial cities surrounding central cities, capitalizing on its network advantages across over 170 domestic cities to develop more gas projects with attractive return. At the same time, it will push ahead with the development of value-added services as well as the natural gas-based comprehensive energy distribution projects. According to the Twelfth Five-Year Plan on Urban Gas Development in China issued by the NDRC on 27 June 2012, by the end of the Twelfth Five-Year Plan period, the total urban gas supply volume should increase by 113% over the end of the Eleventh Five-Year Plan period to 178.2 billion m^3, including approximately 120 billion m^3 for natural gas, 18 million tonnes for LPG, 30 billion m^3 for manufactured gas and 5 billion m^3 for other alternative gas energy sources. The rapid growth in natural gas supply volume has become a driver to the sustainable strong momentum of the Group's city gas projects.

On LPG business, the Group will continue the regional and specialized management model, expand its downstream distribution network with improved asset operations, and aggressively cooperate with upstream petrochemical refineries including China Petroleum & Chemical Corporation ("Sinopec") to further reduce procurement cost, so as to enhance its profitability.

On 15 October 2012, the Group entered into a strategic cooperation framework agreement with Sinopec in relation to strategic cooperation on a number of gas operation segments, including city piped natural gas, LPG and the natural gas refilling business for vehicles and vessels. The Group believes that the businesses under the cooperation agreement will help to reinforce and expand its natural gas and LPG distribution network as well as its natural gas refilling business for vehicles and vessels, thus contributing to a significantly higher overall profitability and a further growth in shareholder value.

In 2012, a milestone in its history, the Group circumvented unfavourable internal and external factors and maintained a sound business momentum to embrace its tenth anniversary. Looking back to the past decade, the Group witnessed changes and reforms in the gas industry and has built up itself from a new-born to a grown-up, demonstrating its passion for excellence to scale new heights, usher in transformations and serving the country and society.

Looking ahead, the Group will continue to focus on its principal business in market development, improve corporate governance and enhance service awareness and management efficiency, to live up to its commitment to a domestically leading energy service provider with integrated natural gas and LPG distribution operations.

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 A.4.1 in that the non-executive directors of the Company were not appointed for a specific term and A.6.7 where some non-executive Directors were unable to attend the last annual general meeting of the Company held in August 2012 due to their being absent from Hong Kong that day. All the non-executive Directors are however subject to retirement by rotation and re-election at the Company's annual general meeting in accordance to the bye-laws of the Company.

All independent non-executive directors of the Company have already served for more than nine years, each of them has met the independence guidelines set out in rule 3.13 of the Listing Rules and submitted to the Company an annual confirmation of independence. The Board would consider carefully, based on their individual experiences and contributions to the Board, to recommend at general meetings for continuous appointment as an independent non-executive Director of the Company whenever he or she retires and wishes to seek for re-election.

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 2012.

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 2012.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the six months ended 30 September 2012, 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 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.

On Behalf of the Board of

CHINA GAS HOLDINGS LIMITED

Liu Ming Hui

Managing Director

Hong Kong, 28 November 2012

As at the date of this announcement, Mr. LIU Ming Hui, Mr. LEUNG Wing Cheong, Eric, Mr. PANG Yingxue, Mr. ZHU Weiwei and Mr. MA Jin Long are the executive Directors, Mr. FENG Zhuozhi, Mr. Jo YAMAGATA, Mr. P K JAIN and Mr. MOON Duk Kyu (his alternate is Mr. KIM Yong Joong) 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*