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 2006

The Board of Directors (the "Directors") of China Gas Holdings Limited (the "Company") is pleased to approve and announce the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006, together with the figures for the six months ended 30 September 2005 as follows. The interim consolidated accounts have not been audited but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2006

	Notes	**Six months ended 30 September 2006 (unaudited)**	Six months ended 30 September 2005 (unaudited and restated)
		HK$'000	*HK$'000*
Revenue	*4*	**475,098**	262,520
Cost of sales		**(315,700)**	(134,360)
Gross profit		**159,398**	128,160
Other income		**34,555**	9,466
Distribution costs		**(16,260)**	(10,777)
Administrative expenses		**(69,993)**	(61,695)
Change in fair value of derivative financial instruments		**14,843**	4,000
Gain on fair value changes of investments held for trading		**27,365**	–
Impairment loss recognized in respect of trade and other receivable		**(6,000)**	–
Finance costs		**(41,596)**	(15,895)
Share of results of associates		**142**	(139)
Profit before taxation	*5*	**102,454**	53,120
Taxation	*6*	**(1,068)**	(147)
Profit for the period		**101,386**	52,973
Attributed to:			
Equity holders of the parent		**89,918**	43,457
Minority interest		**11,468**	9,516
		101,386	52,973
Earnings per share	*7*		
Basic		**HK3.08 cents**	HK1.79 cents
Diluted		**HK2.87 cents**	HK1.61 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	30 September 2006 *HK$'000* (unaudited)	31 March 2006 *HK$'000* (audited)
Non-current assets		
Property, plant and equipment	**1,995,301**	1,809,844
Investment properties	**44,450**	44,450
Prepaid lease payments	**97,218**	94,434
Interests in associates	**1,977**	613
Available-for-sales investments	**22,677**	27,989
Goodwill	**348,459**	275,375
Deposits for acquisition of property, plant and equipment	**282,127**	173,863
Deposit for an investment	**58,548**	–
	2,850,757	2,426,568
Current assets		
Inventories	**160,913**	108,024
Amounts due from customers for contract work	**455,085**	454,914
Trade and other receivables	**418,725**	347,666
Prepaid lease payments	**2,680**	1,926
Investments held for trading	**51,140**	–
Derivative financial instruments	**26,140**	27,660
Bank balances and cash	**1,916,991**	1,727,130
	3,031,674	2,667,320
Current liabilities		
Trade and other payables	**428,565**	391,765
Derivative financial instruments	**33,006**	49,369
Amounts due to customers for contract work	**3,877**	1,209
Taxation	**1,263**	1,784
Bank and other borrowings – due within one year	**729,670**	345,662
Obligations under a finance lease – due within one year	**–**	64
	1,196,381	789,853
Net current assets	**1,835,293**	1,877,467
Total assets less current liabilities	**4,686,050**	4,304,035

	30 September 2006	31 March 2006
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital and reserves		
Share capital	**29,242**	29,216
Reserves	**1,894,935**	1,836,242
Equity attributable to equity holders of the parent	**1,924,177**	1,865,458
Minority interest	**305,016**	255,308
Total equity	**2,229,193**	2,120,766
Non-current liabilities		
Bank and other borrowings – due after one year	**1,914,029**	1,665,790
Amount due to a minority shareholder of a subsidiary	**265,158**	244,505
Convertible bonds	**277,670**	272,974
	2,456,857	2,183,269
	4,686,050	4,304,035

Notes to the condensed financial statements:

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal accounting policies

The condensed financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2006 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006 respectively. The adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs") has no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

3. Potential impact arising from the Hong Kong Financial Reporting Standards issued but not effective

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment on the impact on the application of these standards, amendments or interpretations and has so far concluded that the adoption of them will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 8	Scope of HKFRS 2[2]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[3]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[4]

1 Effective for accounting periods beginning on or after 1 January 2007.
2 Effective for accounting periods beginning on or after 1 May 2006.
3 Effective for accounting periods beginning on or after 1 June 2006.
4 Effective for annual periods beginning on or after 1 November 2006.

4. For management purposes, the Group is currently organized into four operating divisions – property investment, financial and securities investment, gas pipeline construction and sales of piped gas. These principal operating activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Six months ended 30 September 2006

	Property investment *HK$'000*	Financial and securities investment *HK$'000*	Gas pipeline construction *HK$'000*	Sales of piped gas *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Revenue	**468**	**–**	**156,582**	**270,346**	**47,702**	**475,098**
Segment result	**(100)**	**32,005**	**90,688**	**14,560**	**(2,129)**	**135,024**
Unallocated corporate revenue						**24,500**
Unallocated corporate expenses						**(30,459)**
Change in fair value of derivative financial instruments						**14,843**
Finance cost						**(41,596)**
Share of results of associates						**142**
Profit before taxation						**102,454**
Taxation						**(1,068)**
Profit for the period						**101,386**

Six months ended 30 September 2005

	Property investment *HK$'000*	Financial and securities investment *HK$'000*	Gas pipeline construction *HK$'000*	Sales of piped gas *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Revenue	580	–	131,433	96,107	34,400	262,520
Segment result	(674)	(22)	91,000	6,964	1,102	98,370
Unallocated corporate revenue						7,573
Unallocated corporate expenses						(40,789)
Change in fair value of derivative financial instruments						4,000
Finance cost						(15,895)
Share of result of an associate						(139)
Profit before taxation						53,120
Taxation						(147)
Profit for the period						52,973

5. Profit before taxation

Profit before taxation has been arrived at after charging depreciation of HK$31,485,000 (six months ended 30 September 2005: HK$8,857,000) and crediting interest income of HK$21,743,000 (six months ended 30 September 2005: HK$6,860,000).

6. Taxation

The amount represents PRC income tax for both periods.

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

7. Earnings per share

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

	Six months ended	
	30 September 2006 ***HK$'000*** **(unaudited)**	30 September 2005 *HK$'000* (unaudited and restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent)	**89,918**	43,457

Number of shares	**’000**	’000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,923,032**	2,424,690
Effect of dilutive potential ordinary shares:		
Share options	**206,187**	228,176
Convertible note	**N/A**	N/A
Convertible bonds	**N/A**	N/A
Warrants	**–**	45,730
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,129,219**	2,698,596

The computation of diluted earnings per share for both periods did not assume the exercise of the Company’s outstanding convertible note and bonds as the exercise price was higher than the average market price for shares.

INTERIM DIVIDEND

Given the cash need for continual business expansion, the Directors resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2006 (six months ended 30 September 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped natural gas and compressed natural gas in China.

The Group has further secured four city piped gas projects with exclusive concession rights since July 2006. The four city piped gas projects are located in Wuweixian of Anhui Province, Dezhou City of Shandong Province, Wushen and Hohhot City of Inner Mongolia Autonomous Region. Besides, the Group has obtained two long distance pipeline projects in Inner Mongolia Autonomous Region and Tianjin City respectively and one LNG liquefaction project with 300,000 tones annual production capacity in Kaixian, Chongqing Municipality. By mid-December 2006, the Group has secured a total of 60 natural gas projects in 14 provinces (autonomous regions and directly-administered cities), with 54 cities and districts piped natural gas projects with exclusive concession rights, four long distance gas pipeline projects, one natural gas exploration and production project and one LNG liquefaction project.

Business Review

For the six months ended 30 September 2006, turnover of the Group amounted to HK$475,098,000 (six months ended 30 September 2005: HK$262,520,000). Net profit was HK$101,386,000 (six months ended 30 September 2005: HK$52,973,000). Earnings per share was HK3.08 cents (six months ended 30 September 2005: HK1.79 cents).

Development of New Projects

By mid-December 2006, the Group had accumulated 54 cities and districts piped natural gas projects with exclusive operating rights, four long distance gas pipeline projects, one natural gas exploration and production project and one LNG liquefaction project. The new projects include four cities and districts piped natural gas projects with exclusive operating rights include Wuweixian in Anhui province, Dezhou City in Shandong province and Wushen and Hohhot City in Inner Mongolia Autonomous Region, the long distance gas pipeline projects in Inner Mongolia Autonomous Region and Tianjin City, and a LNG liquefaction project in Kaixian, Chongqing Municipality.

In August 2006, the Group, through its subsidiary, signed a joint venture agreement with 呼和浩特煤氣有限責任公司 (Hohhot City Coal Gas Company Limited) for the establishment of a joint venture company in Hohhot City to be engaged in the natural gas project in Hohhot city, Inner Mongolia Autonomous Region with exclusive right for the operation of the piped gas business for 30 years. The joint venture company has a registered capital of RMB800,000,000 and is owned as to 50% by each of the Group and Hohhot City Coal Gas Company Limited.

In September 2006, the Group, through its subsidiary, signed a cooperation agreement with 德州市燃氣總公司 (Dezhou Gas Company) for the establishment of a joint venture company in Dezhou City to be engaged in the natural gas project in Dezhou City, Shandong Province with exclusive right for the operation of the piped gas business for 30 years. The joint venture company has a registered capital of RMB218,622,000 and is owned as to 51% by the Group and 49% by Dezhou Gas Company.

In December 2006, the Company signed a cooperation agreement with 重慶市開縣人民政府 (People's Government of Kaixian, Chongqing Municipality) for the establishment of a wholly owned subsidiary by Zhongran Investment Limited in Kaixian, Chongqing Municipality which will be 100% owned by the Group. The wholly owned subsidiary will have a total investment of RMB800,000,000 and has a registered capital of RMB240,000,000 with annual LNG production capacity of 300,000 tones. This is the Group's first investment in LNG production and transportation project. It is expected that the investment and construction of this LNG project will not only safeguard the source of gas supply to the Group's existing cities gas projects but also enhance the Group competitiveness in bidding for future gas projects.

Construction of Piped Gas Networks
During the period under review, the Group had completed five processing stations, one medium to high pressure regulating stations, high pressure pipelines of approximately 8 km, and medium to low pressure pipelines of approximately 632 km.

As at 30 September 2006, the Group was supplying natural gas in 28 cities and owned a total of 30 processing stations, 21 medium to high pressure regulating stations, high pressure pipelines of approximately 420 km, medium to low pressure pipelines of approximately 3,657 km, and city pipeline network of about 3,881 km. Designed gas supply capacity of our processing stations reached 7,106,750 m^3/day.

Connection fee represented approximately 32.96% of the Group's total revenue for the period under review.

Residential Customers
During the six-months period ended 30 September 2006, the Group completed natural gas connections for 62,417 domestic households, an increase of 5.51% compared to that of the last period. The average connection fee of residential users was RMB2,404, an increase of 1.35% compared with last financial year.

During the period under review, the Group acquired a total of 189,828 residential users and these users were primarily from the Fushun project. As at 30 September 2006, the Group had a total of 1,058,348 residential users, representing 13.93% of the total connectable households.

Industrial and Commercial Customers
During the six-months period ended 30 September 2006, the Group completed natural gas connections for 13 industrial customers and 133 commercial customers, a growth of 30% and 315.63% respectively compared with the last corresponding period. Connection fee paid by industrial users was calculated on the basis of the contracted daily gas volume at the average rate of RMB15.29 per m^3, and average connection fee paid by commercial users was RMB64,831 per user.

As at 30 September 2006, the Group accumulated a total of 86 industrial users and 7,382 commercial users.

Sale of Piped Gas
During the period under review, the Group recorded natural gas sales income of HK$241,413,000, representing approximately 50.81% of the Group's total turnover. The gas sales income was approximately 154.61% higher than that of the same period last year.

As at 30 September 2006, the Group sold in total 144,414,690 m^3 natural gas of which 22,242,440 m^3 was sold to residential customers, 103,206,513 m^3 to industrial customers and 11,638,126 m^3 to commercial customers, 6,560,090 m^3 CNG to vehicle users and 767,520 m^3 to other customers.

Average selling price (pre tax) was RMB1.84 per cubic meter for residential customers, RMB1.63 for industrial customers, RMB2.11 for commercial customers and RMB2.28 for CNG vehicles.

As at 30 September 2006, the Group sold in total 25,038,270 m^3 other piped gas and recorded other piped gas sales income of HK$28,933,000, representing approximately 6.09% of the Group total turnover.

Gross Profit Margin and Net Profit Margin
During the period, the Group realized revenue of HK$475,098,000 (six months ended 30 September 2005: HK$262,520,000), an increase of 80.98% as compared to the corresponding period last year and gross profit of HK$159,398,000 (six months ended 30 September 2005: HK$128,160,000), representing 33.55% (six months ended 30 September 2005: 48.8%) of the Group's overall gross profit margin. The Group realized net profit of HK$101,386,000 (six months ended 30 September 2005: HK$52,973,000), representing an overall net profit margin of 21.34% (six months ended 30 September 2005: 20.18%).

Employees
As at 30 September 2006, the Group had approximately 5,255 employees, representing an increase of approximately 17.71% compared to 31 March 2006. The increase was due to the increase in the numbers of natural gas joint venture companies during the period. More than 99% of the Group's employees are located in the PRC.

Financial Review
Liquidity
As at 30 September 2006, the total assets of the Group were HK$5,882,431,000, an increase by approximately 15.48% as compared to 31 March 2006.

As at 30 September 2006, cash on hand was HK$1,916,991,000 (31 March 2006: HK$1,727,130,000). The Group's total bank and other borrowings amounted to HK$2,643,699,000 (31 March 2006: HK$2,011,452,000) of which approximately 27.60%, 10.07%, 32.08% and 30.25% would be due within one year, from first to second year, from second to fifth year and after the fifth year, respectively.

The Group's current ratio was approximately 2.53 (31 March 2006: 3.38) and the net gearing ratio was 0.57 (31 March 2006: 0.38). The calculation of net gearing ratio was based on the net borrowings of HK$1,269,536,000 (total borrowing of HK$3,186,527,000 less bank balance and cash of HK$1,916,991,000) and the net assets of HK$2,229,193,000 as at 30 September 2006.

Capital Structure
In August 2006, the Company entered into a subscription agreement with Asian Development Bank ("ADB") for the subscription of a total of 150,000,000 shares of the Company at a subscription price of HK$1.25 per share. Net proceeds of approximately HK$186,700,000 were available to the Group for investments in natural gas projects in China obtained after August 2006. Completion of the transaction took place in October 2006.

Financial Resources
The Group obtained a term loan facility of up to US$50 million from ADB in October 2006 which was comprised of a US$25 million tranche and a RMB tranche of RMB199,055,000, equivalent to approximately US$25 million. Proceeds from the facility will be applied towards financing the Group's equity investments in the natural gas projects in the PRC. This facility is subject to a floating interest rate.

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are denominated in Hong Kong dollars, RMB and US dollars. Besides, the Group believes that RMB appreciation will continue in the foreseeable future. Since all the operating income of the Group is denominated in RMB, we expected the Group to benefit from repaying foreign currency debt with RMB.

All the development capital loans and syndicated loans granted to the Group are based on floating interest rates. The Group has entered into different interest rate swap contracts in early 2006 in respect of these loans in order to hedge the interest rate exposure.

The Group's operating and capital expenditures are funded by operating cash income, subscription monies from strategic investors, bank loans, convertible bonds, development capital debt, syndicated bank loans and term loan facility. The Group has sufficient sources of capital to meet future capital expenditure and working capital requirements.

Charge on Assets
At as 30 September 2006, the Group had pledged part of its property, plant and equipment, prepaid lease payments and investment properties having net book value of approximately HK$371,612,000 (31 March 2006: HK$371,867,000) and certain investments in subsidiaries to banks in order to secure loan facilities granted to the Group.

Capital Commitments
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 2006 were HK$440,241,000 (31 March 2006: HK$453,224,000) and HK$52,775,000 (31 March 2006: HK$175,573,000) respectively, which would require a substantial use of the Group's present cash resources and external funding. The Group has committed to acquiring interests in certain PRC enterprises and establishing certain sino-foreign joint venture companies in the PRC.

Contingent Liabilities
The Group did not have any material contingent liabilities as at 30 September 2006 (31 March 2006: Nil).

PROSPECTS

During the period under review, the Group continued to bid for gas projects in large-sized cities with high population density and posted new progress in this respect. The newly acquired Dezhou project and Hohhot project, both with broad gas customer base and large gas sale, will not only increase the number of natural gas users of the Group in a rapid pace, but will also contribute a stable source of sales income to the Group. With the investment capital of the Group for such projects being promptly applied to expand their respective piped natural gas networks, the number of natural gas users and the sales income of these projects are expected to grow continually, which in turn will contribute to the growth in overall revenue of the Group. During the period, the Group also acquired two long distance gas pipeline projects in Inner Mongolia and Tianjin. In light of the operating efficiency of the Group's existing long distance gas pipeline projects, it is expected the above two long distance gas pipeline projects will be able to operate at a low operating cost and to provide continual support to the Group's natural gas distribution business, thereby benefiting the Group in terms of its increase in natural gas sales and gross margin.

In addition, under the current situation of rapid growth in natural gas demand and lack of gas sources in the PRC, the Group has fully recognized the importance of participating in midstream and upstream natural gas businesses. The Group has secured its first liquefaction natural gas project in Kaixian, Chongqing and will continue to pursue other investment opportunities relating to liquefied natural gas projects, so as to provide further support and safeguard for the development of the Group's natural gas business.

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the Group's unaudited results for the six months ended 30 September 2006.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the six months ended 30 September 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

CORPORATE GOVERNANCE

The Directors are of the opinion that the Company has complied with the Code of Best Practice as set out in Appendices 14 and 23 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") except that the non-executive and independent non-executive directors are not appointed for a specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

Pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules, the Company had made specific enquiries of all directors, and all directors confirmed that they have complied with the Model Code throughout the period ended 30 September 2006.

On Behalf of the Board of
China Gas Holdings Limited
Liu Ming Hui
Managing Director

Hong Kong, 15 December 2006

* *for identification purpose only*

As at the date of this announcement, Mr. Li Xiao Yun, Mr. Xu Ying, Mr. Liu Ming Hui, Mr. Ma Jin Long and Mr. Zhu Wei Wei are the executive Directors, Mr. Feng Zhuo Zhi, Mr. Harrison Blacker, Mr. Joe Yamagata and Mr. R.K. Goel are the non-executive Directors and Mr. Zhao Yu Hua, Dr. Mao Er Wan and Ms. Wong Sin Yue, Cynthia are the independent non-executive Directors.

Please also refer to the published version of this announcement in The Standard.