# CHINA GAS HOLDINGS LIMITED
# 中國燃氣控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 384)**

## ANNUAL RESULTS
## FOR THE YEAR ENDED 31 MARCH 2012

The Board of Directors (the "Board" or the "Directors") of China Gas Holdings Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2012, together with the comparative figures for the year ended 31 March 2011, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | **Year ended 31 March 2012** ***HK$'000*** | Year ended 31 March 2011 *HK$'000* |
|---|---|---|---|
| Revenue | *3* | **18,933,565** | 15,861,880 |
| Cost of sales | | **(15,327,831)** | (12,951,408) |
| Gross profit | | **3,605,734** | 2,910,472 |
| Other income | | **384,018** | 236,937 |
| Other gains and losses | | **132,427** | 93,230 |
| Selling and distribution costs | | **(733,202)** | (600,495) |
| Administrative expenses | | **(938,922)** | (923,933) |
| Finance costs | | **(916,045)** | (635,029) |
| Share of results of associates | | **86,408** | 15,856 |
| Profit before taxation | | **1,620,418** | 1,097,038 |
| Taxation | *4* | **(478,502)** | (315,716) |
| Profit for the year | *5* | **1,141,916** | 781,322 |
| Other comprehensive income | | | |
| (Decrease) increase in fair value on available-for-sale investments | | **(6,854)** | 2,678 |
| Exchange difference arising on translation | | **136,640** | 262,444 |
| Other comprehensive income for the year | | **129,786** | 265,122 |
| Total comprehensive income for the year | | **1,271,702** | 1,046,444 |

| | Note | **Year ended 31 March 2012** *HK$'000* | Year ended 31 March 2011 *HK$'000* |
|---|---|---|---|
| Profit for the year attributable to: | | | |
| Owners of the Company | | **953,926** | 625,896 |
| Non-controlling interests | | **187,990** | 155,426 |
| | | **1,141,916** | 781,322 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **1,058,328** | 821,928 |
| Non-controlling interests | | **213,374** | 224,516 |
| | | **1,271,702** | 1,046,444 |
| Earnings per share | | | |
| Basic | *6* | **HK21.76 cents** | HK16.31 cents |
| Diluted | | **HK20.55 cents** | HK14.60 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2012*

| | Notes | 31 March 2012 *HK$'000* | 31 March 2011 *HK$'000* (restated) |
|---|---|---|---|
| Non-current assets | | | |
| Investment properties | | **450,600** | 408,135 |
| Property, plant and equipment | | **14,423,598** | 13,799,669 |
| Prepaid lease payments | | **1,093,945** | 1,128,929 |
| Interests in associates | | **2,286,243** | 1,009,505 |
| Available-for-sale investments | | **76,658** | 85,884 |
| Goodwill | | **1,038,591** | 1,535,326 |
| Other intangible assets | | **1,281,448** | 1,444,208 |
| Deposits for acquisition of property, plant and equipment | | **202,919** | 600,040 |
| Amount due from an associate | | **141,932** | 163,166 |
| Deposit for acquisition of an associate | | **–** | 133,627 |
| Deferred tax assets | | **94,065** | 91,466 |
| | | **21,089,999** | 20,399,955 |
| Current assets | | | |
| Inventories | | **1,743,372** | 1,076,525 |
| Amounts due from customers for contract work | | **173,519** | 166,884 |
| Trade and other receivables | *7* | **3,169,928** | 2,388,040 |
| Amounts due from associates | | **124,792** | 92,115 |
| Prepaid lease payments | | **33,656** | 34,283 |
| Held-for-trading investments | | **10,893** | 11,948 |
| Pledged bank deposits | | **710,459** | 1,647,444 |
| Bank balances and cash | | **4,817,767** | 5,081,589 |
| | | **10,784,386** | 10,498,828 |
| Current liabilities | | | |
| Trade and other payables | *8* | **4,659,547** | 4,503,034 |
| Derivative financial instruments | | **–** | 32,122 |
| Amounts due to customers for contract work | | **244,667** | 285,728 |
| Taxation | | **189,339** | 149,592 |
| Amounts due to associates | | **2,302** | 13,254 |
| Amount due to a non-controlling interest of a subsidiary | | **5,165** | 5,042 |
| Bank and other borrowings – due within one year | | **8,963,385** | 7,312,837 |
| | | **14,064,405** | 12,301,609 |
| Net current liabilities | | **(3,280,019)** | (1,802,781) |
| Total assets less current liabilities | | **17,809,980** | 18,597,174 |

| | 31 March 2012 | 31 March 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | | (restated) |
| Equity | | |
| Share capital | **43,831** | 43,831 |
| Reserves | **9,775,854** | 8,720,845 |
| Equity attributable to owners of the Company | **9,819,685** | 8,764,676 |
| Non-controlling interests | **1,056,777** | 1,575,102 |
| Total equity | **10,876,462** | 10,339,778 |
| Non-current liabilities | | |
| Bank and other borrowings – due after one year | **6,406,777** | 7,720,327 |
| Convertible bonds | **–** | – |
| Deferred tax liabilities | **526,741** | 537,069 |
| | **6,933,518** | 8,257,396 |
| | **17,809,980** | 18,597,174 |

*Notes:*

## 1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and certain financial instruments that are measured at fair values.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/ or on the disclosures set out in these consolidated financial statements.

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

| | |
|---|---|
| Amendments to HKFRSs | Annual improvement to HKFRSs 2009-2011 cycle[1] |
| Amendments to HKFRS 7 | Disclosures – Transfers of financial assets[2] |
| Amendments to HKFRS 7 | Disclosures – Offsetting financial assets and financial liabilities[1] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory effective date of HKFRS 9 and transition disclosures[3] |
| HKFRS 9 | Financial instruments[3] |
| HKFRS 10 | Consolidated financial statements[1] |
| HKFRS 11 | Joint arrangements[1] |
| HKFRS 12 | Disclosure of interests in other entities[1] |
| HKFRS 13 | Fair value measurement[1] |
| Amendments to HKAS 1 | Presentation of items of other comprehensive income[5] |
| Amendments to HKAS 12 | Deferred tax: Recovery of underlying assets[4] |
| HKAS 19 (Revised 2011) | Employee benefits[1] |
| HKAS 27 (Revised 2011) | Separate financial statements[1] |
| HKAS 28 (Revised 2011) | Investments in associates and joint ventures[1] |
| Amendments to HKAS 32 | Offsetting financial assets and financial liabilities[6] |
| HK (IFRIC) – INT 20 | Stripping costs in the production phase of a surface mine[1] |

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 July 2011.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

## 3. REVENUE AND SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM"), being the managing directors of the Group, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services rendered which is also consistent with the basis of organization of the Group, except for Zhongyu Gas Holdings Limited ("Zhongyu Gas"), a subsidiary where the Group had acquired 56.33% equity interest in it during the year ended 31 March 2011. The Group considered Zhongyu Gas was a single operating segment as CODM reviewed the total revenue and overall result of Zhongyu Gas during the year ended 31 March 2011.

On 18 April 2011, Zhongyu Gas ceased to be a subsidiary of the Group and become an associate as a result of share placing by Zhongyu Gas. The Group's effective interest in Zhongyu Gas was reduced from approximately 56.33% to approximately 46.96%. Since then, the CODM reviewed the results of Zhongyu Gas being shared by the Group under equity method of accounting and Zhongyu Gas continues to be a single operating segment.

The Group's reportable and operating segments under HKFRS 8 are as follows:

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

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

**For the year ended 31 March 2012**

| | Sales of piped gas *HK$'000* | Gas connection *HK$'000* | Sales of LPG *HK$'000* | Sales of coke and gas appliances *HK$'000* | Zhongyu Gas *HK$'000* | Segment Total *HK$'000* |
|---|---|---|---|---|---|---|
| **SEGMENT REVENUE FROM EXTERNAL CUSTOMERS** | **7,662,537** | **2,803,721** | **7,992,816** | **456,694** | **–** | **18,915,768** |
| **SEGMENT PROFIT (LOSS)** | **1,033,390** | **1,403,733** | **80,749** | **(34,052)** | **53,018** | **2,536,838** |
| **Revenue arising from property investment** | | | | | | **17,797** |
| **Change in fair value of investment properties** | | | | | | **41,491** |
| **Interest and other gains** | | | | | | **79,253** |
| **Unallocated corporate expenses** | | | | | | **(148,657)** |
| **Finance costs** | | | | | | **(916,045)** |
| **Change in fair value of financial instruments** | | | | | | **32,122** |
| **Gain on disposal of a subsidiary** | | | | | | **2,035** |
| **Loss on deemed disposal of a subsidiary** | | | | | | **(60,176)** |
| **Gain on deemed disposals of an associate** | | | | | | **2,370** |
| **Share of results of unlisted associates** | | | | | | **33,390** |
| **Profit before taxation** | | | | | | **1,620,418** |

| | *HK$'000* |
|---|---|
| **Reconciliation of revenue** | |
| **Total revenue for operating segments** | **18,915,768** |
| **Rental income** | **17,797** |
| **Group's consolidated revenue** | **18,933,565** |

For the year ended 31 March 2011

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

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

## 4. TAXATION

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The People's Republic of China ("PRC") Enterprise Income Tax | **485,725** | 322,951 |
| Deferred taxation | **(7,223)** | (7,235) |
| | **478,502** | 315,716 |

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

Taxation arising in other jurisdictions in the PRC is calculated at the rates prevailing in the relevant jurisdictions except for the tax preference defined as per below.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from PRC Enterprise Income Tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC entities will be entitled to a 50% relief from PRC Enterprise Income Tax for the following three years ("Tax preference"). The Tax preference arrangement of the aforesaid PRC subsidiaries have been/will be expired from 2012 to 2013. The reduced tax rate for the relief period is 12.5% for both years. The charge of PRC Enterprise Income Tax for the years has been provided for after taking these Tax preference into account.

## 5. PROFIT FOR THE YEAR

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit for the year has been arrived at after charging (crediting): | | |
| Auditor's remuneration | **6,500** | 6,000 |
| Depreciation of property, plant and equipment | **556,969** | 598,992 |
| Release of prepaid lease payments | **33,945** | 43,771 |
| Amortisation of intangible assets included in cost of sales | **46,264** | 48,974 |
| Minimum lease payments for operating leases | **121,194** | 72,688 |
| Loss on disposal of property, plant and equipment | **7,646** | 9,263 |
| (Gain) loss on disposal of prepaid lease payments | **(1,450)** | 3,340 |
| Research and development cost (included in administrative expenses) | **–** | 8,642 |
| Share of tax of associates (included in share of results of associates) | **31,404** | 5,015 |
| Staff costs | **802,943** | 640,883 |
| Cost of inventories recognised as expenses | **14,599,068** | 12,221,110 |
| Rental income from investment properties less outgoings | **(14,436)** | (14,209) |

## 6. EARNINGS PER SHARE

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

| | 2012<br>*HK$'000* | 2011<br>*HK$'000* |
|---|---|---|
| Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company | **953,926** | 625,896 |

| | 2012<br>*'000* | 2011<br>*'000* |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **4,383,055** | 3,837,014 |
| Adjustment for effect of dilutive potential ordinary shares: | | |
| Share options | **258,977** | 449,193 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **4,642,032** | 4,286,207 |

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

## 7. TRADE AND OTHER RECEIVABLES

| | 2012<br>*HK$'000* | 2011<br>*HK$'000* |
|---|---|---|
| Trade receivables | **1,535,691** | 1,118,704 |
| Less: Accumulated allowances | **(245,779)** | (237,692) |
| Trade receivables | **1,289,912** | 881,012 |
| Deposits paid for construction and other materials | **308,784** | 193,644 |
| Deposits paid for purchase of natural gas and LPG | **410,945** | 341,648 |
| Advanced payments to sub-contractors | **430,058** | 209,515 |
| Tender deposits | **610** | 595 |
| Rental and utilities deposits | **25,567** | 23,599 |
| Other tax recoverable | **127,989** | 106,328 |
| Other receivables and deposits | **210,908** | 200,337 |
| Prepaid operating expenses | **198,998** | 194,858 |
| Amounts due from non-controlling interests of subsidiaries | **26,062** | 84,472 |
| Amounts due from shareholders of jointly controlled entities | **140,095** | 152,032 |
| Total trade and other receivables | **3,169,928** | 2,388,040 |

Other than certain major customers with good repayment history which the Group allows a longer credit period or settlement by instalment basis, the Group generally allows an average credit period of 30 to 180 days to its trade customers.

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

| | 2012 | 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0-180 days | **1,083,664** | 680,125 |
| 181-365 days | **127,931** | 101,498 |
| Over 365 days | **78,317** | 99,389 |
| | **1,289,912** | 881,012 |

The trade receivables with carrying amount of HK$1,083,664,000 (2011: HK$680,125,000) are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

The Group has policies for allowance of bad and doubtful debts which are based on the evaluation of collectability and age analysis of accounts and on the management's judgment including the credit creditworthiness and the past collection history of each customer.

During the year ended 31 March 2012, the Group made an allowance of HK$2,290,000 (2011: HK$7,383,000) in respect of the trade receivables related to the gas pipeline construction business, which was past due at the reporting date with long age and slow repayments were received from respective customers since the due date. The directors of the Company considered the related receivables may be impaired and specific allowance is made.

## 8. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period:

| | 2012<br>*HK$'000* | 2011<br>*HK$'000* |
|---|---|---|
| 0-90 days | **1,201,760** | 1,368,367 |
| 91-180 days | **302,054** | 220,427 |
| Over 180 days | **736,944** | 606,434 |
| Trade and bill payables | **2,240,758** | 2,195,228 |
| Other payables and accrued charges | **236,163** | 222,123 |
| Construction fee payables | **271,344** | 263,178 |
| Other tax payables | **36,813** | 62,013 |
| Accrued staff costs | **53,204** | 79,672 |
| Loan interest payables | **60,519** | 46,659 |
| Deposits received from customers | **46,549** | 61,271 |
| Advance payments from customers | **669,464** | 494,281 |
| Advances received from customers for contract works that have not yet been started | **939,156** | 929,962 |
| Amounts due to non-controlling interests of subsidiaries | **95,639** | 69,705 |
| Amounts due to shareholders of jointly controlled entities | **9,938** | 17,399 |
| Obligation on capital injection to Fujian Anran Gas Investment Company Limited by Beijing Zhongmin Zhongran Trading Company Limited | **–** | 23,448 |
| Obligation on acquisition of additional interest in a subsidiary | **–** | 38,095 |
| | **4,659,547** | 4,503,034 |

Included in the amounts due to non-controlling interests of subsidiaries and shareholders of jointly controlled entities are trade payables amounting to HK$7,671,000 (2011: HK$3,706,000) and HK$3,273,000 (2011: HK$3,224,000) respectively. All of the balances were aged within 90 days based on invoice date and the average credit period is 90 days.

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

## FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of HK3.92 cents (2011: HK2.2 cents) per ordinary share.

The final dividend will be paid on or about 30 September 2012 to shareholders whose names appear on the Register of Members of the Company on the date of the forthcoming annual general meeting.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22 August 2012 to 23 August 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17 Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 21 August 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Introduction to the Group

The Group is primarily engaged in the construction and operation of city gas pipelines, and transmission of natural gas and sale of liquefied petroleum gas ("LPG") to residential, industrial and commercial users in China. The Group owns 160 exclusive city gas concessions, the largest portfolio in China. The Group also invests in associated infrastructure such as gas terminals, storage and transportation facilities, gas logistics systems and vehicle refilling stations and engages in the development and application of technologies relating to petroleum, natural gas and LPG in China.

### Business Review

For the year ended 31 March 2012, the revenue of the Group increased by 19.4% over the same period last year to HK$18,933.6 million (for the year ended 31 March 2011: HK$15,861.9 million). Gross profit amounted to HK$3,605.7 million (for the year ended 31 March 2011: HK$2,910.5 million), an increase of 23.9% over the same period last year. Overall gross profit margin was 19.0% (for the year ended 31 March 2011: 18.3%). Profit for the year increased by 46.2% over the same period last year to HK$1,141.9 million (for the year ended 31 March 2011: HK$781.3 million). Basic earnings per share amounted to HK21.76 cents (for the year ended 31 March 2011: HK16.31 cents), an increase of 33.4% over the same period last year.

### New Projects

During the financial year, the Group secured 9 additional city piped gas projects, bringing the total to 157 city piped gas projects with exclusive concession rights as at 31 March 2012. In addition, the Group owned 9 long-distance natural gas pipeline projects, 133 compressed natural gas ("CNG") refilling stations for vehicles, 1 natural gas development project and 44 LPG distribution projects in 20 provinces, autonomous regions and municipalities in China.

From 1 April 2012 to 27 June 2012, the Group secured three new city piped gas projects, two in Heilongjiang Province and one in Hubei Province, increasing the total number of its piped city gas projects to 160, the largest portfolio in China.

The new projects secured since 1 April 2011 are located as follows:

| **Location** | **Cities/Districts** |
|---|---|
| Liaoning Province | Qingyuan |
| Heilongjiang Province | Huachuan, Tangyuan, Huanan |
| Anhui Province | Qimen, Susong Linjiang Industrial Zone |
| Hebei Province | Cangzhou High-tech Zone |
| Henan Province | 4 projects secured by Zhongyu Gas |
| Hubei Province | Wugang Jiangnan |

The connectable urban population covered by the Group's gas projects has increased to 62.5 million (approximately 19.2 million households) as of 31 March 2012.

**Gas Business Review**

The Group's principal business segments are natural gas and LPG, the customer bases and market strategies of which are different from each other. The performance of each segment for the year ended 31 March 2012 is discussed below.

**Natural Gas Business**

***Construction of Piped Gas Networks***

The Group constructs urban arterial and branch pipeline networks and connects natural gas pipelines to residential, industrial and commercial users, to whom connection fees and gas usage fees are charged.

As at 31 March 2012, the Group operated piped gas supply in 117 cities, and had intermediate and arterial gas pipeline networks (excluding pipelines in the premises of our customers) of 33,505 km and 119 processing stations (city gate stations) constructed. Designed gas supply capacity of these processing stations reached 27.0 million cubic meters per day in aggregate.

***Natural Gas Users***

The customers for natural gas supplied by the Group are residential, industrial and commercial users and CNG refilling stations for vehicles.

### *Residential Customers*

During the financial year, the Group completed natural gas connections for 1,104,640 domestic households (2011: 901,982 households), an increase of approximately 22.5% over the same period last year. The average piped gas connection fee for residential users during the financial year was RMB2,473.

As at 31 March 2012, the total connected residential users of the Group were 7,187,894 (2011: 6,078,806 households), an increase of approximately 18.2% year-on-year and represented 37.4% of the total connectable domestic households in the areas in which the Group operates.

### *Industrial and Commercial Customers*

The Chinese Government has continued to encourage large energy consumers such as our industrial users to use clean energy like natural gas to replace coal and oil gradually in order to promote energy conservation and reduce emissions. The Group will continue to benefit from this trend as it enjoys increasing demand of natural gas from large industrial users.

During the financial year, the Group added 358 industrial users and 5,812 commercial and public welfare users. As at 31 March 2012, the Group had 1,629 industrial customers and 43,301 commercial customers, representing an increase of approximately 28.3% and 15.6% respectively as compared to the last financial year. The average connection fee for industrial users (calculated on the basis of the contracted daily gas volume) was RMB68 per cubic meters and the average connection fee paid by commercial customers was RMB62,553 per customer.

During the financial year, the Group's gas connection income grew by approximately 34.4% over the same period last year to HK$2,803.7 million, representing approximately 14.8% of the Group's total revenue for the year.

## Compressed Natural Gas (CNG)/Liquefied Natural Gas ("LNG") Refilling Stations

As at 31 March 2012, the Group owned 133 CNG refilling stations for vehicles, with a daily capacity in excess of 1.7 million cubic meters in aggregate, representing an increase of 26.7% and 14.0% respectively as compared with those in the same period last year. The sales volume of CNG for vehicles represented 9.2% of the Group's total sales volume of natural gas during the financial year.

The shortage of natural gas supply in China in recent years has slowed the development of CNG/LNG refilling stations for vehicles. As China continues to pursue energy-saving and emission reduction policies and as the supply of natural gas is expected to increase in the next five years, we believe natural gas will become an increasingly important fuel option for vehicles. To capture this increasing demand, the Group plans to continue to roll out new CNG/LNG gas refilling stations for vehicles across its network locations.

**Sale of Natural Gas**

The operating revenue of natural gas is generated from connection fees (a one off income for the Group) and sales of gas (based on volumes sold).

During the financial year, the Group sold a total of 5,563.4 million cubic meters of natural gas, an increase of 25.0% as compared to the same period last year, of which 705.5 million cubic meters was sold to residential users, 3,707.4 million cubic meters to industrial users, 640.1 million cubic meters to commercial and public welfare users and 510.4 million cubic meters to CNG vehicle drivers.

During the financial year, gas sold to industrial users accounted for approximately 66.6% of the total natural gas volume sold, commercial users approximately 11.5%, residential users approximately 12.7% and CNG vehicle drivers approximately 9.2%. With a large proportion of industrial and commercial users in its city concession, the Group is well-placed to continue the growth of its gas sales. In addition, the less stringent requirements in respect of gas tariffs for industrial and commercial users enable the Group to pass through the fluctuation in upstream prices more easily.

During the financial year, the Group's piped gas sales income grew by approximately 37.2% over the same period last year to HK$7,662.5 million, representing approximately 40.5% of the Group's total revenue for the year.

The Group's average selling price (pre tax) of natural gas was RMB2.12 per cubic meters for residential users, RMB2.36 per cubic meters for industrial users, RMB2.46 per cubic meters for commercial users, and RMB2.65 per cubic meters for CNG vehicle drivers during the period.

The core business of the Group is piped natural gas supply. However, for some projects in areas such as Fushun, Liuzhou and Mudanjiang where piped natural gas is not yet accessible, piped coal gas or LPG blended with air is sold as a transitional fuel. A total of 206.5 million cubic meters piped coal gas and LPG blended with air were sold during the financial year. With upstream natural gas being introduced into such cities, the sale of transitional fuels by the Group is likely to scale down gradually.

China is in the process of constructing gas pipelines and LNG receiving terminals across the country to create a national gas pipeline network with connections to overseas resources. In the next five years, we expect the overall supply of natural gas to significantly increase. The Chinese Government is planning to raise the share of natural gas in primary energy consumption in China from the current 4.4% to 8.3% by 2015 (source: National Bureau of Energy), and natural gas supply in China is expected to reach 260 billion cubic meters by then (source: National Development and Reform Commission (NDRC)), which will help mitigate the short-term undersupply, and begin to satisfy the current and rising demand for natural gas in China. Capitalising on this opportunity, the Group will continue to reinforce its business relationship with upstream suppliers by securing supply contracts and accelerate the development of new markets.

The NDRC, the country's highest level price regulator, launched pilot reforms on natural gas pricing in Guangdong Province and Guangxi Zhuang Autonomous Region on 26 December 2011. They stated that "The ultimate goal of the reform is to loosen the grip of the ex-factory prices and let the market take over. The Chinese Government just regulates the rates of natural gas pipeline transportation which has natural monopoly characteristics. The new pricing mechanism will be promoted nationwide based on the experience accumulated and the evaluation of various impacts". The Group believes that these reforms will lead to an increase in domestic natural gas price and thus stimulate increased supply, which will be to the benefit of the Group. The Group will continue to actively implement the cost pass-through pricing mechanism in order to ensure a fair return to its project companies.

Thanks to the West-East Gas Pipeline No. 2, cities in Guangdong Province and Guangxi Zhuang Autonomous Region where the Group's city piped gas projects are located are expected to have access to stable and cheaper supplies of piped gas by the end of the year or early next year. As such, the operation of the Group's city piped gas projects located in those cities is expected to be significantly improved.

**LPG Business**

The Group currently has 8 LPG terminals and 44 LPG distribution projects (excluding the 22 LPG distribution projects owned by Panva Gas Holdings Limited ("Panva")).

During the financial year, the Group sold a total of 894,000 tonnes of LPG (excluding LPG sold by Panva), representing a decline of 9.2% year-on-year, of which 678,000 tonnes were wholesale volume, representing a decline of 17.4% year-on-year, and 216,000 tonnes were retail sales volume, representing an increase of 41.3% year-on-year. Total revenue amounted to approximately HK$7,992.8 million, representing an increase of 20.1% year-on-year. Gross profit amounted to HK$438.0 million (2011: HK$320.8 million). Operating profit was HK$80.7 million (2011: loss of HK$22.4 million). Total contract sales accounted for more than 65% of the total sales, enabling the Group to mitigate, to a certain extent, the adverse effect brought by the volatility of international LPG prices and to be less influenced by the risk in the operation of LPG wholesales business.

Through business chain integration and management optimization in the past three years, a market-oriented, specialized and regional operating and management model has been established for the Group's LPG business. In its three years of operation, the Group has continued to develop a vertically integrated business chain for LPG, with the downstream end market as the core profit generator. Retail LPG is purchased from refineries in China and the Group passes on cost increases in the upstream to its end-retail customers. Therefore, the development of the Group's LPG retail business is critical to its competitiveness and profitability, in particular to manage the supply and inventory risk that the mid-stream and wholesale businesses face. The development strategy for the Group's LPG business in the near term future is to increase its retail sales network and integrate this business with its downstream and midstream operations. This process began with the acquisition of a 49% interest in Panva in June 2011. Panva is one of the largest downstream retailers of LPG in China. The Group intends to acquire the remaining 51% interest (subject to the antitrust approval by the Ministry of Commerce) in 2012. Upon completion, the acquisition will allow the Group to significantly enhance its market share in LPG retail market and to achieve economy of scale, with a view to improving the profitability of its LPG business. The Group's focus will remain on enhancing its downstream distribution capacity. Assets that are non-core to this plan will be considered for potential disposal or monetization, with a view to improving the overall profitability of the LPG business.

Sales of LPG in China during 2011 reached 24.2 million tonnes, representing a growth of 6.2% year-on-year, of which 14.0 million tonnes were sales to households, accounting for 57.9% of the total sales. Given the overall increase in the price of refined oil, natural gas, coal and other energy resources in China, the competitiveness of LPG has gradually improved. The deepening of the urbanization process and the improvement of living standard in rural areas of China will also drive the demand for LPG as clean energy in various small towns and rural-urban fringe zones. As China's largest integrated LPG supplier with upstream, midstream and downstream operations, we expect the Group to benefit from this demand as it increases its market share, completes the vertical integration and strengthens the cost-effectiveness of its LPG business.

**Value-added Services for End Users**

Developing value-added businesses is the Group's core strategy to transform itself to become a natural gas operator and service provider from a mere gas distributor, and this is needed by the industry/market and for the development of the Group. As at 31 March 2012, the Group provided piped gas service to more than 7,000,000 residential users and various professional services to more than 40,000 industrial and commercial users. In the coming five years, the Group expects to supply natural gas to more than 12,000,000 households, and LPG to more than 30,000,000 households, serving more than 150,000,000 people in total.

The Group has started to develop value-added services for this customer base to broaden its revenue streams and enhance the Group's profitability and overall competitiveness. In particular, in July 2011, the Group issued the *Circular on Carrying Out Value-added Businesses* to encourage its project companies to provide value-added services, such as maintenance services, gas equipment improvement services and sales and installation of gas appliances. In addition, during the financial year, the Group entered into strategic cooperation framework agreements with insurance companies such as China Ping An Insurance, New China Insurance, Huatai Insurance and China Pacific Life Insurance in order to jointly develop gas insurance services.

The Group intends to continue to expand the scope of its value-added services and improve its sales and marketing approaches with a view to gradually raising the proportion of its profit derived from value-added services, transforming itself from a gas distributor to a one-stop energy service provider and further enhancing the profitability and overall competitive edge of the Group's operation and service network.

**Human Resources**

Our employees are vital to the success of the Group and we adhere to the management concept of "people come first". With respect to personnel training and team construction, the Group follows the concept of "cultivating talents inside the Group while recruiting potential talents from outside the Group". During the financial year, the Group continued to upgrade the professionalism and competence of its staff at all levels through the establishment of a sound recruitment and internal training mechanism. The Group created a platform for knowledge exchange and sharing of experience among its staff, and also recruited and retained capable personnel by enhancing job satisfaction and providing attractive remuneration packages. During the financial year, the Group promulgated the *Annual Salary System for Managements of Project Companies of China Gas Group (Trial), Remuneration and Welfare Management System for Basic and Middle Level Staff of Project Companies of China Gas Group (Trial), Remuneration and Welfare System of Shenzhen Headquarters of China Gas Group (Trial), Measures for the Exchange of Managers of China Gas Group and Rules for Promotion of Staff of China Gas Group* as its guidelines, evaluation criteria and control mechanism, and a better remuneration/welfare determination framework and an improved team building system have since taken shape.

As at 31 March 2012, the Group had approximately 20,000 employees, a year-on-year increase of approximately 1.0%. 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 payments and share options depending on the financial results of the Group and individual performance of these employees.

**Corporate Management**

It has been the Group's long-standing tradition to adhere to a "systemized, standardized, institutionalized" management philosophy with respect to enhancing the level of management and operation. Along with its growing scale, enlarging operational region and changing staff structure as well as a maturing gas industry, the Group keeps improving its management policies to remain a well-managed corporate enterprise. During the financial year, the Group put forward the vision of region-based coordination and management to better implement the principle of "shifting the operational focus to a lower level and moving the management platform to the front" and to further improve the Group's decision-making efficiency. In June 2011, the Group issued *the Circular on Coordinating and Managing Operations of the Group's Project Companies Based on Region* to set forth the requirements of region-based coordination and management. In February 2012, the Group issued the *Circular on the Establishment of Regional Coordination and Management Center* to further define the chief representatives and functional supervisors of the eight regions in which the Group operates. The Regional Coordination and Management Center of a region is now authorized to supervise, guide and serve the Group's project companies in that region and coordinate with the local Chinese Governments on matters such as gas supply and gas price, which were previously handled by the functional departments of the Group's headquarters. The Group's headquarters now focuses on management matters such as budgeting, operating standards, performance targets and future development strategies. The implementation of this regional management plan is an important change to the Group's management model. The Group needs it to achieve higher standards and efficiency for its overall management, and to lay a better foundation for its operations and control.

In terms of production and operation, the Group actively refines its operating system, continues to invest in its information technology, and actively encourages innovation so as to increase the efficiency and standard of its operations. The Group is one of the leaders in the industry in terms of gas loss management, which is an important indicator gauging a gas company's overall management quality. This achievement has significantly reduced operating costs and enhanced the safety standard of its operations. No major safety related incidents happened during the financial year. In respect of the operation of its LPG business, the Group, through its experience, innovation and research, has successfully developed a LPG supply chain information system which was awarded with the honour as "The 2011 Most Influential Enterprise in China – IT Management". The Group was the only recipient of this award from the gas industry.

**Corporate Governance Enhancement**

We continually seek to improve corporate governance and internal controls. With this in mind and with the assistance of independent accounting and legal advisers during the period, the Group's internal organization structure was comprehensively evaluated with a view to ensuring effective support to its daily operations. During the period, key procedures of the operating activities were reviewed, and operation related policies and procedures, including rules and regulations of the Investment Committee and implementing regulations for construction subcontracting and tender and procurement, were amended.

The Group undertakes to incorporate effective and sustainable corporate governance and internal control measures into corporate development strategy and risk management system through self-review and adoption of opinions provided by independent third parties to ensure that the Group continuously improves its corporate governance and internal control level.

**Financial Review**

***Liquidity***

The sovereign debt situation in Europe and its consequential impact on global growth have created a challenging global macro-economic environment for corporate borrowing and the costs and terms of fund-raising. In face of the prevailing economic conditions, it is essential for any company to maintain sufficient liquidity. Coupled with an effective and well-established capital management system, the Group is able to maintain stable operations despite the difficult macro-economic and capital markets environment.

As at 31 March 2012, the total assets of the Group stood at HK$31,874.4 million, an increase of approximately 3.2% as compared to 31 March 2011. Cash on hand was HK$5,528.2 million (31 March 2011: HK$6,729.0 million). The Group had a current ratio of approximately 0.77 (31 March 2011: 0.85). After deducting the import letter of credit and trust receipt loan related to the Company's LPG business which amounted to HK$5,097.6 million in aggregate, the Group's current ratio was approximately 1.20. The net gearing ratio was 0.44 (31 March 2011: 0.48), as calculated on the basis of the net borrowings of HK$4,744.4 million (total borrowings of HK$15,370.2 million less the acceptance bills and trust receipts of HK$5,097.6 million and bank balances and cash of HK$5,528.2 million) and net assets of HK$10,876.5 million as at 31 March 2012.

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

*Financial Resources*

The Group has long-standing relationships 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 refinancing facility of US$220 million, giving a solid financial backing to the Group's investments and operations. In addition, the Group entered into a long-term facility agreement with the Asian Development Bank (ADB) for a loan amount up to US$200 million in total. Apart from the continuous financing provided by CDB and ADB, the Group received credit support from major commercial banks in China, including The Industrial and Commercial Bank of China, China Construction Bank, Postal Savings Bank of China, Bank of Communications, The Agricultural Bank of China and China Citic Bank. As at March 2012, there were over 20 banks which 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 31 March 2012, the Group's portfolio of bank loans and other loans was as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Less than one year | **8,963,385** | 7,253,314 |
| After one year but not more than two years | **911,073** | 503,059 |
| After two years but not more than five years | **2,737,790** | 3,500,997 |
| After five years | **2,757,914** | 3,716,271 |
| | **15,730,162** | 14,973,641 |
| Add) Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but within a repayment on demand clause | **–** | 59,523 |
| | **15,730,162** | 15,033,164 |

Included in the portfolio of loans repayable in less than one year were acceptance bills and trust receipts related to the Company's LPG business amounted to HK$5,097.6 million (2011: HK$3,333.7 million)

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

### Foreign Exchange and Interest Rate

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

### Charge on Assets

As at 31 March 2012, the Group pledged certain properties, plants and equipment and prepaid lease payments with net carrying value of HK$282.6 million (31 March 2011: HK$307.9 million) and HK$17.3 million (31 March 2011: HK$42.4 million) respectively, investment properties with net carrying value of HK$42.4 million (31 March 2011: HK$42.0 million), trade receivables with net carrying value of HK$31.1 million (31 March 2011: HK$40.0 million) and pledged bank deposits of HK$710.5 million (31 March 2011: HK$1,647.4 million) and certain subsidiaries pledged their equity investments in other subsidiaries to banks to secure loan facilities.

### Capital Commitments

The Group had capital commitments in respect of the acquisition of property, plant and equipment and construction materials contracted for but not provided in the financial statements as at 31 March 2012 amounting to HK$173.2 million (31 March 2011: HK$219.2 million) and HK$42.3 million (31 March 2011: HK$28.2 million) respectively, and such commitments would require the Group's present cash and external borrowings. The Group has undertaken to acquire shares in some Chinese enterprises and set up Sino-foreign joint ventures in China.

### Contingent Liabilities

As at 31 March 2012, the Group did not have any material contingent liabilities (31 March 2011: nil).

## PROSPECTS

The NDRC launched pilot reforms on natural gas pricing in Guangdong Province and Guangxi Zhuang Autonomous Region on 26 December 2011. The Group believes that these reforms will lead to an increase in domestic natural gas prices and thus stimulate gas supply to the benefit of the Group through increased sales and revenue. According to forecasts made by the National Bureau of Energy of China, natural gas will almost double its share of China's primary energy consumption by 2015 to 8.3% of the total. China's natural gas consumption is anticipated to reach 260 billion cubic meters by 2015, increasing at an average of 17.3% per annum from 85 billion cubic meters in 2008 (source: NDRC).

Capitalizing on these opportunities, the Group secured 12 new city piped gas projects (with exclusive concession rights) in Liaoning, Heilongjiang, Hebei, Hubei, Anhui and Henan since 1 April 2011. The Group currently owns 160 city gas projects (as at 27 June 2012), the largest portfolio in China, covering a connectable population of approximately 62.5 million (approximately 19.2 million households).

The Group will continue to increase connections to gas users so as to raise the utilisation rate of its city gas network. At the same time, the Group will continue to implement its investment strategy, which, with central cities as the core, focuses on expanding into the surrounding industrial satellite cities, aiming at obtaining industrial users with large volume gas consumption to gain higher market share and increase profitability.

Transportation from vehicles and vessels is an increasing demand source for gas. The Group now has 133 CNG stations across China and is seeking to expand the number of stations rapidly. The Group is also planning a new LNG refilling business for long distance passenger and commercial vehicles, in particular coal carrying trucks, which is another new market for gas and will help ensure the longer term growth of the transport sector applications of gas.

In the LPG business the Group will continue to integrate and streamline the midstream wholesale business and downstream distribution networks to create a vertically integrated business chain. Further to the successful acquisition of a 49% interest in Panva in the year ended 31 March 2012, one of the largest LPG retailers in China, the Group expects to acquire the remaining 51% interest in this financial year. This will enable the Group to increase its exposure to, and focus on, the higher margin retail business with the aim of improving the overall profitability of the LPG business.

The Group is currently providing piped gas service to more than seven million residential users and more than 40,000 industrial and commercial users. In the next five years, the Group aims to be delivering natural gas to more than 12 million households and LPG to more than 30 million households, over 150 million people in total. The Group will continue to develop value-added services for this customer base, such as providing gas insurance services, maintenance services, gas equipment improvement services and sales and installation of gas appliances, to broaden its revenue streams and enhance the Group's profitability and overall competitiveness.

## 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year, except for the requirement that non-executive directors should be appointed for a specific term and be subject to re-election. All the existing non-executive directors of the Company are not appointed for a specific term, but are subject to retirement and re-election at the Company's annual general meeting in accordance to the bye-laws of the Company.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules and all of the directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the financial year ended 31 March 2012.

## REVIEW OF ANNUAL RESULTS

The Audit Committee of the Board has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2012.

## PURCHASE, SALE AND REDEMPTION OF SHARES

For the year ended 31 March 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

This results announcement is required to be published on the website of The Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Latest Listed Company Information" and the Company at www.chinagasholdings.com.hk under "Announcements" respectively. The annual report of the Company for the year ended 31 March 2012 will be dispatched to the shareholders around 13 July 2012 and will be published on the websites of the HKEX and the Company accordingly.

On Behalf of the Board of
**CHINA GAS HOLDINGS LIMITED**
**LEUNG Wing Cheong, Eric**
*Joint Managing Director*

Hong Kong, 28 June 2012

* *for identification purpose only*

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