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 2014

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 2014, together with the comparative figures for the six months ended 30 September 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

		Six months ended	
		30 September 2014	30 September 2013
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**15,588,121**	10,461,324
Cost of sales		**(12,433,813)**	(7,984,291)
Gross profit		**3,154,308**	2,477,033
Other income		**458,935**	253,784
Other gains and losses		**52,966**	24,713
Distribution costs		**(520,018)**	(368,007)
Administrative expenses		**(633,824)**	(515,659)
Finance costs		**(310,518)**	(335,045)
Share of results of associates		**77,635**	135,597
Share of results of joint ventures		**160,805**	162,769

	Notes	Six months ended 30 September 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (unaudited)
Profit before taxation		**2,440,289**	1,835,185
Taxation	*4*	**(483,365)**	(350,509)
Profit for the period	*5*	**1,956,924**	1,484,676
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**(52,618)**	112,186
Increase/(decrease) in fair value on available-for-sale investments		**8,430**	(126)
Other comprehensive income for the period		**(44,188)**	112,060
Total comprehensive income for the period		**1,912,736**	1,596,736
Profit for the period attributable to:			
Owners of the Company		**1,680,120**	1,282,895
Non-controlling interests		**276,804**	201,781
		1,956,924	1,484,676
Total comprehensive income attributable to:			
Owners of the Company		**1,635,932**	1,375,708
Non-controlling interests		**276,804**	221,028
Total comprehensive income for the period		**1,912,736**	1,596,736
Earnings per share			
Basic	*6*	**HK 33.56 cents**	HK27.41 cents
Diluted	*6*	**HK 32.57 cents**	HK26.14 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	**30 September 2014** *HK$'000* **(unaudited)**	31 March 2014 *HK$'000* (audited)
Non-current assets			
Investment properties		**259,464**	255,068
Property, plant and equipment		**19,724,805**	17,834,621
Prepaid lease payments		**1,242,579**	1,171,179
Investments in associates		**2,873,525**	2,686,039
Investments in joint ventures		**4,198,392**	4,117,689
Available-for-sale investments		**172,100**	162,984
Goodwill		**2,793,173**	2,337,439
Other intangible assets		**2,333,349**	1,984,329
Deposits for acquisition of property, plant and equipment		**349,754**	385,225
Deposits for acquisition of subsidiaries and associates		**120,564**	97,159
Amount due from an associate		**56,739**	189,887
Deferred tax assets		**110,798**	110,798
		34,235,242	31,332,417
Current assets			
Inventories		**1,519,751**	1,207,282
Amounts due from customers for contract work		**680,173**	529,365
Trade and other receivables	*7*	**5,414,036**	4,736,597
Amounts due from associates		**119,689**	175,759
Amounts due from joint ventures		**361,648**	536,324
Prepaid lease payments		**37,438**	33,425
Held-for-trading investments		**8,690**	8,813
Pledged bank deposits		**120,947**	250,748
Bank balances and cash		**5,954,584**	6,453,899
		14,216,956	13,932,212
Current liabilities			
Trade and other payables	*8*	**7,182,146**	6,079,095
Amounts due to customers for contract work		**138,611**	136,811
Taxation		**400,004**	304,796
Amount due to a non-controlling interest of a subsidiary		**1,843**	2,675
Bank and other borrowings — due within one year		**3,504,542**	5,760,676
		11,227,146	12,284,053
Net current liabilities		**2,989,810**	1,648,159
Total assets less current liabilities		**37,225,052**	32,980,576

	30 September 2014 HK$'000 (unaudited)	31 March 2014 HK$'000 (audited)
Equity		
Share capital	**50,211**	49,953
Reserves	**16,922,431**	15,733,536
Equity attributable to owners of the Company	**16,972,642**	15,783,489
Non-controlling interests	**2,796,364**	2,373,523
Total equity	**19,769,006**	18,157,012
Non-current liabilities		
Bank and other borrowings — due after one year	**16,823,879**	14,192,186
Deferred tax liabilities	**632,167**	631,378
	17,456,046	14,823,564
	37,225,052	32,980,576

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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

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

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, Fortune Gas Investment Holdings Limited ("Fortune Gas") 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 2014 and 2013 about these businesses is presented below.

Six months ended 30 September 2014 (unaudited)

	Sales of piped gas *HK$'000*	Gas connection *HK$'000*	Sales of LPG *HK$'000*	Sales of coke and gas appliance *HK$'000*	Fortune Gas *HK$'000*	Zhongyu Gas *HK$'000*	Consolidated *HK$'000*
Segment revenue	4,982,513	2,245,845	7,608,787	11,564	739,412	—	15,588,121
Segment result	780,251	1,286,260	188,944	2,536	396,102	56,151	2,710,244
Interest and other gains							118,868
Unallocated corporate expenses							(107,335)
Impairment loss on amount due from an associate							(145,646)
Change in fair value of investment properties							4,396
Loss on disposal of property, plant and equipment							(4,295)
Finance costs							(308,431)
Share of results of associates							20,390
Share of results of joint ventures							152,098
Profit before taxation							2,440,289

Six months ended 30 September 2013 (unaudited) (restated)

	Sales of piped gas *HK$'000*	Gas connection *HK$'000*	Sales of LPG *HK$'000*	Sales of coke and gas appliance *HK$'000*	Fortune Gas *HK$'000*	Zhongyu Gas *HK$'000*	Consolidated *HK$'000*
Segment revenue	4,151,239	1,965,136	4,148,538	3,133	193,278	—	10,461,324
Segment result	685,366	1,097,825	12,966	952	36,045	42,801	1,875,955
Interest and other gains							111,192
Unallocated corporate expenses							(96,679)
Change in fair value of investment properties							6,215
Gain on deemed disposal of joint ventures							37,597
Loss on deemed disposal of an associate							(15,033)
Gain on disposal of a subsidiary							152
Finance costs							(334,184)
Share of results of associates							92,354
Share of results of joint ventures							157,616
Profit before taxation							1,835,185

4. TAXATION

	Six months ended	
	30 September 2014	30 September 2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax	**493,060**	356,335
Deferred taxation	**(9,695)**	(5,826)
	483,365	350,509

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 2014	30 September 2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**394,164**	306,522
Release of prepaid lease payments	**18,670**	19,632
Amortization of intangible assets	**30,723**	17,351
Interest income	**(44,927)**	(35,397)
Loss on disposal of property, plant and equipment	**4,295**	355

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:

	Six months ended	
	30 September 2014	30 September 2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**1,680,120**	1,282,895
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,006,038**	4,680,456
Effect of dilutive potential ordinary shares: Share options	**152,024**	228,002
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,158,062**	4,908,458

7. TRADE AND OTHER RECEIVABLES

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**1,680,673**	1,438,018
Less: Accumulated allowances	**(318,613)**	(318,613)
Trade receivables	**1,362,060**	1,119,405
Deposits and advanced payments for construction and other materials	**763,974**	681,232
Deposits and advanced payments for purchase of natural gas and LPG	**803,747**	545,747
Advanced payments to sub-contractors	**529,324**	538,683
Other receivables, deposits and prepayments	**1,915,007**	1,811,606
Amounts due from non-controlling interests of subsidiaries	**39,924**	39,924
	5,414,036	4,736,597

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 2014	31 March 2014
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–180 days	**1,157,131**	890,496
181–365 days	**146,545**	182,357
Over 365 days	**58,384**	46,552
	1,362,060	1,119,405

8. TRADE AND OTHER PAYABLES

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

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–90 days	**1,602,759**	1,101,225
91–180 days	**281,011**	432,312
Over 180 days	**1,295,642**	1,001,938
Trade payables	**3,179,412**	2,535,475
Other payables and accrued charges	**623,757**	660,378
Construction fee payables	**603,177**	507,833
Loan interest payables	**78,159**	115,947
Deposits received from customers	**52,433**	48,253
Advanced payments from customers	**1,400,155**	1,338,459
Advances received from customers for contract works that have not been started	**1,041,060**	801,053
Amounts due to non-controlling interests of subsidiaries	**203,993**	71,697
	7,182,146	6,079,095

INTERIM DIVIDEND

The Directors resolved the payment of HK2.2 cents per share as interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: HK2.2 cents per share).

The interim dividend will be paid on or about 30 January 2015, Friday to shareholders whose names appear on the register of members of the Company on the date of 21 January 2015, Wednesday.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 January 2015, Monday to 21 January 2015, Wednesday, both days inclusive, during which period no transfers of shares of the Company will be registered for the purpose of determining entitlement to the interim dividend.

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 share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on 16 January 2015, Friday.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group, a gas operator and service provider, is 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 customers, construction and operation of natural gas refilling stations for vehicles and vessels as well as the development and application of technologies relating to petroleum, natural gas and LPG in China.

Business Review

Financial & Operational Highlights

For the six months ended 30 September 2014, turnover of the Group amounted to HK$15,588,121,000 (six months ended 30 September 2013: HK$10,461,324,000), an increase of 49.0% over the same period last year. Gross profit (including LPG business) amounted to HK$3,154,308,000 (six months ended 30 September 2013: HK$2,477,033,000), an increase of 27.3% over the same period last year. Overall gross profit margin was 20.2% (six months ended 30 September 2013: 23.7%). Profit before tax for the period amounted to HK$2,440,289,000 (six months ended 30 September 2013: HK$1,835,185,000), an increase of 33.0% over the same period last year. Profit after tax amounted to HK$1,956,924,000 (six months ended 30 September 2013: HK$1,484,676,000), an increase of 31.8% over the same period last year. Profit attributable to shareholders increased by 31.0% to HK$1,680,120,000 (six months ended 30 September 2013: HK$1,282,895,000). Overall net profit margin was 12.6% (six months ended 30 September 2013: 14.2%). Earnings per share amounted to HK33.56 cents (six months ended 30 September 2013: HK27.41 cents), an increase of 22.4% over the same period last year.

Total assets and net assets of the Group as at 30 September 2014 reached HK$48,452,198,000 and HK$19,769,006,000 respectively (HK$45,264,629,000 and HK$18,157,012,000 as at 31 March 2014 respectively). Bank balances and cash as at 30 September 2014 were HK$6,075,531,000 (HK$6,704,647,000 as at 31 March 2014).

	Six months ended 30 September **2014** **(Unaudited)**	2013 (Unaudited)	Change
Financial Performance			
Turnover *(HK$'000)*	**15,588,121**	10,461,324	49.0%
Gross profit *(HK$'000)*	**3,154,308**	2,477,033	27.3%
Profit attributable to owners of the Company *(HK$'000)*	**1,680,120**	1,282,895	31.0%
Earnings per share — Basic *(HK cents)*	**33.56**	27.41	22.4%
Operational Performance			
Number of city natural gas projects	**243**	208	+35
Total piped gas sale volume *(million m^3)*	**4,193**	3,560	17.8%
Natural gas sold through city gas projects *(million m^3)*	**2,784**	2,124	31.1%
Natural gas sold through long distance pipelines *(million mm^3)*	**1,302**	1,373	(5.2%)
Other piped gas *(million m^3)*	**107**	63	69.8%
Total natural gas sale volume — user breakdown *(million mm^3)*			
Residential households	**520**	440	18.2%
Industrial users	**2,723**	2,428	12.1%
Commercial users	**415**	324	28.1%
Gas stations (CNG/LNG/L-CNG)	**428**	305	40.3%
New piped gas connections and gas stations during the period			
Residential households	**958,548**	850,438	12.7%
Industrial users	**300**	226	32.7%
Commercial users	**4,684**	3,485	34.4%
Gas stations (CNG/LNG/L-CNG)	**81**	44	84.1%
Accumulated number of connected piped gas users and gas stations			
Residential households	**11,265,543**	9,597,530	17.4%
Industrial users	**3,014**	2,407	25.2%
Commercial users	**64,163**	54,497	17.7%
Gas stations (CNG/LNG/L-CNG)	**434**	224	93.8%
Average residential connection fee *(RMB/household)*	**2,607**	2,548	2.3%
Total length of existing intermediate and main pipelines *(km)*	**52,411**	44,400	18.0%

New Projects Expansion

As at 30 September 2014, the Group has secured 243 city piped gas projects (with exclusive concession rights), 13 long distance natural gas pipeline projects, 434 compressed/liquefied natural gas ("CNG/LNG") refilling stations for vehicles, 1 natural gas development project, 2 coal bed methane development projects and 98 LPG distribution projects in 24 provinces (including autonomous regions and municipalities).

From 1 April 2014 to 30 September 2014, the Group also secured 6 new city piped gas projects and 1 new long distance natural gas pipeline project locating in Hebei Province, Heilongjiang Province, Hunan Province, and Jiangxi Province:

Provinces/Autonomous Regions/Municipalities	Cities/Districts
Hebei Province	Dingxing County, Dingzhou City
Heilongjiang Province	Fuyu County, Hailun County, Jixi City
Hunan Province	New Zone of Yiyang City
Jiangxi Province	Changbei natural gas pipeline

As at 30 September 2014, the connectable urban population covered by the Group's gas projects increased to 84,759,000 (approximately 25,586,000 households), an increase of 21.1% over the same period last year.

Gas Business Review

The Group's gas business is divided into two segments, namely natural gas segment and LPG segment, which cater for the needs of different customer groups and require different market development strategies. The performance of each segment for the six months ended 30 September 2014 is discussed below.

Natural Gas Business

As an operator and service provider mainly focusing on natural gas supply, the Group has, through its rapid development in the past 13 years, well established a unique operating and management system that suits it best in the gas industry in China. With constant optimisation, such system has proven to contribute positively towards the enhancement of management efficiency and operating results of the Group.

Construction of Piped Natural Gas Networks

City natural gas pipeline networks are the foundation of the Group's gas supply. By constructing its networks with urban arterial and branch pipelines, the Group connects natural gas pipelines with its residential as well as industrial and commercial customers, from whom connection fees and gas usage fees are charged.

As at 30 September 2014, the Group supplied piped natural gas in 168 operating cities and had constructed intermediate and arterial pipeline networks of 52,411 km in length with 226 processing stations (city-gate stations).

Natural Gas Users

Natural gas customers of the Group are mainly classified into residential customers, industrial and commercial customers, and CNG/LNG refilling stations for vehicles.

Residential Customers

During the period, the Group completed natural gas connection for 958,548 new residential households, an increase of approximately 12.7% over the same period last year, and the average piped gas connection fee for residential customers was RMB2,607 per household.

As at 30 September 2014, the number of accumulated connected residential users of the Group was 11,265,543, an increase of approximately 17.4% over the same period last year, representing 44.0% of the total number of connectable customers. The Group's overall penetration rate, though rising constantly, remains low when compared to the 70% penetration rate in developed markets. It is expected that the number of new residential users subscribing to the Group's services will increase steadily in the future, and will generate stable gas connection income to the Group.

Industrial and Commercial Customers

The Chinese Government has been encouraging high energy consumption and high emission industries to replace highly-polluting coal and oil with natural gas, a clean energy, to strengthen energy conservation and emission reduction. The State Council of China promulgated Action Plan on Prevention and Control of Air Pollution (《大氣污染防治行動計劃》) in September 2013. According to the Plan, China will make efforts to rectify small coal-fired boilers and accelerate the construction of central heating systems and "coal-to-gas" conversion projects. By 2017, coal-fired boilers with efficiency of and lower than 10 tons of steam per hour will be eliminated for the cities at and above prefecture level, and coal-fired boilers with efficiency lower than 20 tons of steam per hour will be stopped building. The State Council of China also released Circular on Several Opinions on a Long-term Mechanism for Ensuring the Stable Supply of Natural Gas (《保障天然氣穩定供應長效機制若干意見的通知》) in April 2014 to secure the availability of 112 billion cubic meters of natural gas by 2020 to meet the demand from "coal-to-gas" conversion projects. In the coming three to five years, coal-to-gas conversion projects will be developed quickly, capturing this opportunity will substantially facilitate and enhance the Group's natural gas sales to industrial users and for the winter heating consumption.

Industrial and commercial customers have higher demand for natural gas and lower operating cost for unit gas sales as compared with residential customers. As such, in addition to fulfilling the demand of residential customers for natural gas, the Group speeded up gas connections for industrial and commercial customers. As the implementation of the Group's "hub-satellite cities" development strategy continues, the Group expects to secure more piped natural gas projects in industrialised cities, economic development zones and industrial parks. These new projects will become one of the Group's major drivers for natural gas sales growth in the future.

During the period, the Group newly connected 300 industrial customers and 4,684 commercial customers, the former of which were mainly in industries such as petrochemicals, ceramics, building materials, metallurgy and glass.

As at 30 September 2014, the total numbers of industrial customers and commercial customers acquired and connected by the Group were 3,014 and 64,163 respectively, an increase of approximately 25.2% and 17.7% respectively over the same period last year. The average connection fee for industrial customers and commercial customers was RMB348,846 and RMB54,824 per customer respectively.

During the period, the Group recorded gas connection income of HK$2,245,845,000, an increase of approximately 14.3% over the same period last year, accounting for approximately 14.4% of the Group's total turnover for the period.

CNG/LNG Refilling Stations

Given the advocacy of energy conservation and emission reduction by Government policies, and the gradual easing of shortage of natural gas supply, natural gas, as a clean energy, has become a preferred choice for vehicle and vessel fuels. Based primarily on CNG refilling stations and secondarily on LNG ones, the Group stepped up efforts in the development and construction of CNG/LNG refilling stations for vehicles and vessels to expand the Group's market share in the natural gas refilling business.

During the period, the Group added 55 new CNG refilling stations and 26 LNG refilling stations for vehicles. As at 30 September 2014, the Group owns 434 natural gas refilling stations, including 350 CNG refilling stations for vehicles and 84 LNG refilling stations for vehicles, an increase of 93.8% in the total number of stations over the same period last year. During the period, natural gas volume for vehicles accounted for 10.5% of the Group's total natural gas volume, an increase of approximately 40.3% over the same period last year.

Sale of Natural Gas

During the period, the Group sold a total of 4,085,874,811 m^3 of natural gas primarily through city piped gas network and long-distance natural gas pipelines, an increase of 16.8% over the same period last year, of which 2,784,312,082 m^3 were sold through city piped gas network, an increase of 31.1% over the same period last year, and 1,301,562,730 m^3 were sold through long-distance natural gas pipelines, a decrease of 5.2% over the same period last year. During the period, the volume of gas sold through long-distance natural gas pipelines decreased. It was mainly because some industrial users took advantage of the summer season to execute its annual production equipment maintenance, such as downstream users of Changmeng Pipeline in Mongolia. In addition, due to the structural adjustment on end users of the Chongqing Changnan Pipeline, natural gas supply to industrial users stopped and it is now delivering shale gas produced by Sinopec in Sichuan, and the shale gas production takes time to increase. The group expects that the gas sale volume from long distance natural gas pipelines will increase moderately in the second half of the fiscal year. At the same time, the Group's new pipelines were still under construction or under initial stage of operation, such as Huanggang-Daye Pipeline in Hubei Province with an annual designed capacity of 1.85 billion m^3, Liaoyang Pipeline with an annual designed capacity of 1 billion m^3 and Cangzhou Pipeline in Hebei with an annual designed capacity of 4 billion m^3. These new long distance pipelines will contribute significant long-distance natural gas sales increase to the Group once they complete construction and commence operation.

During the period, 519,923,045 m^3 of natural gas were sold to residential customers, accounting for approximately 12.7% of the Group's total sales of natural gas, 2,723,236,763 m^3 to industrial customers, accounting for approximately 66.6% of the Group's total sales of natural gas, 415,152,946 m^3 to commercial customers, accounting for approximately 10.2% of the Group's total sales of natural gas and 427,562,057 m^3 to vehicle users, accounting for approximately 10.5% of the Group's total sales of natural gas.

During the period, the Group recorded natural gas sales of HK$4,982,513,000, accounting for approximately 32.0% of the Group's total turnover, and income from natural gas sales increased by approximately 20.0% over the same period last year.

The core business of the Group is piped natural gas supply. However, for some projects in areas such as Fushun where piped natural gas is not yet accessible, piped coal gas or LPG blended with air is sold as a transitional fuel. During the period, a total of 107,060,932 m^3 of piped coal gas and air-blended LPG was sold. However, with the availability of upstream natural gas to these cities, the sale of transitional fuels by the Group is expected to decrease gradually.

Selling Price of Natural Gas

During the period, the average selling price (pre-tax) of the Group's natural gas was RMB2.41 per m^3 for residential customers, RMB2.69 per m^3 for industrial customers, RMB2.92 per m^3 for commercial customers, and RMB3.26 per m^3 for CNG/LNG vehicle users.

With the staged commencement of operation of the West-East Gas Pipeline No. 2, China-Myanmar natural gas pipeline and coastal natural gas terminals, imported natural gas quickly took up a higher proportion of China's natural gas supply, and as a result, increase in natural gas prices became inevitable. In order to regulate natural gas prices, guarantee natural gas supply, promote energy saving and emission reduction, and increase utilisation rate of resources, National Development and Reform Commission (the "NDRC") issued the "Notice of the NDRC on Adjusting the Natural Gas Prices" (the "Notice") on 28 June 2013. The natural gas prices were to be adjusted stage by stage and great efforts were to be made to achieve full adjustment by the end of 2015 for the purpose of allowing the natural gas prices to be completely determined by the market mechanism. The Notice categorised natural gas into existing gas volume and incremental gas volume. From 10 July 2013 on, the price of incremental gas volume was adjusted in one step to reach reasonable price relations with such alternative energies as fuel oil and liquefied petroleum gas (with the weight of 60% and 40%). Under the phased adjustment, the price of existing gas volume was increased twice each by no more than RMB0.4 per m^3 on 10 July 2013 and 1 September 2014, and would be adjusted up to the same level as that of incremental gas volume by 2015 finally.

Subsequent to the implementation of the natural gas price adjustment scheme, the Group proactively communicated with local governments where our projects are located, and with industrial and commercial customers as well as vehicle users. A price pass-through mechanism was then initiated, so as to effectively transfer the two price adjustments to downstream customers.

Reasonable adjustment to natural gas price is conducive to the orderly import of natural gas, and is able to drive up domestic natural gas production volume substantially and alleviate natural gas supply shortage effectively, as well as to benefit the long-term healthy development of natural gas industry in China.

Liquefied Petroleum Gas Business

The Group currently owns 8 LPG terminals and 98 LPG distribution projects.

During the period, the Group sold 1,153,000 tons of LPG (including 755,000 tons of wholesale sales volume and 398,000 tons of retail volume), an increase of 49.8% over the same period last year. Revenue amounted to approximately HK$7,608,787,000 (for the six months ended 30 September 2013: HK$4,148,538,000), an increase of approximately 83.4% over the same period last year. During the period, gross profit was HK$465,788,000 (for the six months ended 30 September 2013: HK$231,604,000). Operating profit was HK$188,944,000 (for the six months ended 30 September 2013: HK$12,966,000). Contractual sales accounted for more than 60% of the total wholesale volume for the period, enabling the Group to avoid to some extent the negative impacts caused by the volatility of the global LPG price and to mitigate the operational risks associated with the LPG wholesale business.

With LPG becoming more popular in townships and villages and its long and stable utilisation amongst industrial and commercial markets, China's LPG industry meets a rare development opportunity, especially in the rapid growth of the petrochemical synthesis and processing sector where LPG is being used as a raw material. The Group will fully utilise its LPG terminals, storage facilities and fleets of vehicle and vessel to boost overseas and domestic purchases of LPG, and in turn gradually increase utilisation rate of midstream LPG resources. In addition, the Group will capitalise the advantage of its integrated business chain by putting in place a central procurement system for its downstream retail business, so as to lay out a proper deployment over its gas source procurement, storage resources and market coverage and reach an effective synergy between the wholesale segment and retail segment, which will maximise the profit margin of the whole production chain.

Value-added Services for End Users

With the continuous increase in the penetration rate of gas projects, our customer base has been rapidly expanding. Currently, the Group provides more than 11 million residential households and 67,000 industrial and commercial customers with piped natural gas services, and 6 million residential households with bottled LPG. With the gradual expansion of the customer network, the benefits of provision of value-added services are enormous. Therefore, the development of end-user value-added services is not only conducive to raising the profitability of our business, but also provides customers with better social services in our society.

Currently, the Group's project companies are actively pursuing revenue generation through value-added advertising, sales of gas appliances, and cooperation with domestic reputable insurance companies to develop the city gas insurance services market. In addition, after years of market research and technological innovation, the Group will develop diversified energy projects, by comprehensive utilisation of natural gas, major customers are provided with highly efficient comprehensive energies, various needs of customers in heating, electricity and cooling will be satisfied.

Human Resources

A team of excellent employees is vital to the success of a corporation. Adhering to the management concept of "people come first", the Group sticks to the philosophy of "cultivating talents within the Group while recruiting potential talents from outside" with regard to personnel training and team building. Through the establishment of a recruitment and internal training mechanism, the Group has created a platform for knowledge exchange and sharing of experience among our staff. The Group constantly upgrades the professionalism and competence of our staff at all levels, and recruits talents and retains capable staff by enhancing job satisfaction and providing attractive remuneration packages.

As at 30 September 2014, the Group had approximately 37,000 employees in total. More than 99.9% of the Group's employees are based in China. Employee remuneration is determined with reference to the qualifications and experience of individual staff and according to the prevailing industry practice in the respective regions of operation. Apart from basic salary and pension fund contributions, selected employees may be rewarded with discretionary bonuses, merit payments and share options depending on the Group's financial results and their respective performance.

Financial Review

For the six months ended 30 September 2014, turnover of the Group amounted to HK$15,588,121,000 (six months ended 30 September 2013: HK$10,461,324,000), an increase of 49.0% over the same period last year. Gross profit (including LPG business) amounted to HK$3,154,308,000 (six months ended 30 September 2013: HK$2,477,033,000), an increase of 27.3% over the same period last year. Overall gross profit margin was 20.2% (six months ended 30 September 2013: 23.7%). Profit after tax was HK$1,956,924,000 (six months ended 30 September 2013: HK$1,484,676,000), an increase of 31.8% over the same period last year.

Operating Expenses

Operating expenses (including selling and distribution costs and administrative expenses) increased by 30.6% from approximately HK$883,666,000 for the same period last year to approximately HK$1,153,842,000 due to business growth of the Group during the period.

Finance Costs

For the six months ended 30 September 2014, finance costs decreased by 7.3% from approximately HK$335,045,000 for the same period last year to approximately HK$310,518,000, which was mainly due to the adoption of more effective management measures on interest margin and liquidity by the Group during the period.

Income Tax Expenses

For the six months ended 30 September 2014, income tax expenses increased 37.9% to HK$483,365,000 (2013: HK$350,509,000). The increase in taxation expenses was mainly due to increase in assessable profit as a result of business growth.

Liquidity

The principal business of the Group generates steady cash flow. Coupled with an effective and well-established capital management system, the Group is able to maintain stable and healthy operations.

As at 30 September 2014, total assets of the Group amounted to HK$48,452,198,000, an increase of approximately 7.0% over that as at 31 March 2014. Cash on hand was HK$6,075,531,000 (31 March 2014: HK$6,704,647,000). The Group had a current ratio of approximately 1.27 (31 March 2014: 1.13). After deducting the total borrowings of HK$1,933,300,000 in relation to LPG trade financing, the Group's current ratio was approximately 1.53. The net gearing ratio was 0.62 (31 March 2014: 0.57), as calculated on the basis of the net borrowings of HK$12,319,590,000 (total borrowings of HK$20,328,421,000 less the borrowings of HK$1,933,300,000 in relation to LPG trade financing, and bank balance and cash of HK$6,075,531,000) and net assets of HK$19,769,006,000 as at 30 September 2014.

The Group has always been adopting a prudent financial management policy. The majority of available cash of the Group has been placed with credible banks as demand and time deposits.

Financial Resources

The Group has long-standing relationships with Chinese (including Hong Kong) and overseas banks. As the Group's principal cooperating bank, China Development Bank provided the Group with loan facilities including a long-term credit facility of RMB20 billion under a term of up to 15 years and a loan facility of US$420 million, giving a strong financial support to the Group's project investments and stable operations. In addition, the Group also received long-term credit support from major domestic and overseas banks such as Asian Development Bank (ADB), Industrial and Commercial

Bank of China, China Construction Bank, The Netherlands Development Finance Company, Bank of Taiwan, Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, Malayan Banking Berhad, Bank of Communications and Agricultural Bank of China. As at September 2014, over 30 banks had extended syndicated loans and credit facilities to the Group and most of the syndicated loans were of term over five years with an average maturity of seven years. Bank loans are generally used to fund the working capital requirements and project investments of the Group.

As at 30 September 2014, bank loans and other loans of the Group amounted to HK$20,328,421,000, of which HK$1,933,300,000 were LPG trade facilities.

The operating and capital expenditures of the Group are financed by operating cash income, bank borrowings, revolving credit facilities and development financial loans. The Group currently 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 2014, the Group pledged certain property, plants and equipment and prepaid lease payments with net carrying values of HK$229,128,000 and nil (31 March 2014: HK$262,215,000 and HK$16,328,000) respectively, investment properties with net carrying value of HK$59,500,000 (31 March 2014: HK$58,800,000), pledged inventory of HK$155,696,000 (31 March 2014: HK$155,696,000), pledged bank deposits of HK$120,947,000 (31 March 2014: HK$250,748,000) and certain subsidiaries pledged their equity investments in other subsidiaries to banks to secure loan facilities as at 30 September 2014.

Capital Commitments

The Group has capital commitments in respect of the acquisition of property, plant and equipment and construction materials contracted but not provided for in the financial statements as at 30 September 2014 amounting to HK$115,239,000 (31 March 2014: HK$87,804,000) and HK$131,225,000 (31 March 2014: HK$170,810,000) respectively, and such commitments would require the utilisation of the Group's cash on hand and external borrowings. The Group has undertaken to acquire shares in certain Chinese enterprises and set up Sino-foreign joint ventures in China.

Contingent Liabilities

As at 30 September 2014, the Group did not have any material contingent liabilities (31 March 2014: nil).

Prospects

The PRC government has supportive policies in place focusing on natural gas as the green energy of the highest quality for the purpose of achieving energy saving and emission reduction and a low-carbon economy. Recently, the government has launched a series of policies on the use of natural gas and prevention and control of air pollution to ensure the healthy development of the clean energy industry in China by accelerating regulation on the industries with high energy consumption and heavy pollution, gradually directing and promoting transformation and upgrade of traditional industries, and boosting the implementation of the measures on "coal-to-gas" and "oil-to-gas" conversions. In addition, haze regulation and the continual urbanisation further strengthened the rigid demand for clean energy in the country.

In March 2014, Working Scheme on Strengthening Prevention and Control of Air Pollution in Energy Industry (《能源行業加強大氣污染防治工作方案》), jointly issued by the NDRC, the National Energy Administration and the Ministry of Environmental Protection of the PRC, set out the goals for the proportion of natural gas (excluding coal gas) to primary energy consumption at 7% for 2015 and over 9% for 2017, orderly substitution for industrial and commercial coal furnaces, promotion of coordination of the energy industry and the ecosystem and sustainable development, and requirements on practical improvement on air quality.

In November 2014, the NDRC issued the Plan to Cope with Climate Changes (2014-2020) (《國家應對氣候變化規劃(2014-2020年)》), pursuant to which, consumption of domestic natural gas will reach 360 billion m^3 by 2020. At the same time, in respect of adjusting the structure of energies, China will promote the "coal-to-gas" conversion project, by which the demand for natural gas will then reach 112 billion m^3.

Currently, the network construction of main and branch pipelines for natural gas transmission in China is improving and both the growth rate of domestic natural gas supply and that of imports were in two digits. The unique geographical conditions of China are also favourable for natural gas imports. China enjoys natural gas imports through long-distance pipelines from countries with abundant reserves of natural gas in the west, north and south. In May 2014, China and Russia entered into a 30-year natural gas supply contract, pursuant to which 38.0 billion m^3 of natural gas is to be transmitted from Russia to China per year through the East China-Russia Natural Gas Pipeline from 2018. In early November, a second natural gas supply framework agreement was concluded, under which Russia will supply China with 30 billion m^3 of natural gas per year through the West China-Russia Natural Gas Pipeline in addition to the amount under the previous agreement. The entering into of such agreement between the two countries will relieve the tight domestic supply and will benefit projects of the Group in, among other things, Harbin and Jiamusi in northeast China where the demand for gas for industrial use and heating use in winter is significant. In addition, more than 10 LNG terminals have been built along the southeast China coast for overseas LNG resources imports, thus further satisfying the strong demand for natural gas in China.

During the second half of the financial year, the Group will attain its rapid yet sustainable growth in its business segments by continuously and closely following the development trends in the industry and the markets and seizing opportunities brought by various favourable state policies. For the city gas business, it will seize opportunities brought by the "coal-to-gas" policies in various regions, exploit the huge potential of the industrial and commercial gas markets, and further enhance the level of development and management of value-added services for customers. At the same time, it will continue to optimise its business structure, focus both on development and management and exercise its comprehensive market development strategies based on the "macro-view". For the LPG business, it will boost overseas and domestic purchases of LPG by making good use of its existing LPG terminals, storage facilities and fleets of vehicles and vessels with market rates taken into account, and gradually increase the utilisation rate of its midstream LPG resources. It will capitalise on the advantage of its unique integrated business chain so as to lay out a proper deployment over its gas source procurement, storage resources and market coverage, thus maximising overall benefits of the supply chain and further strengthening its operations against risks. For the end-user business, the Group will keep up its efforts on brand penetration level, strengthen its control over the regional markets and distribution channels, and adjust and optimise the processes, system and staff deployment of the operation and management of the functional departments. For the vehicle and vessel refuelling business, the Group will further modify its systems, and strive to complete the construction of 200 gas stations for the year, thus laying a solid foundation for the completion of construction of 1,000 gas stations by 2017.

Looking forward, in light of new opportunities and challenges, the Group will continue to raise our alert on cost control, conduct our work intensively and meticulously to further optimise our management model and improve our management efficiency. At the same time, the Group will continue to put in more efforts in market expansion for new approaches of natural gas utilisation, especially in connection with refilling for vehicles and vessels and conversion from "coal to gas". Our ultimate goal is to build our unique core competitiveness through a superior management model and strong management team, thereby continuously creating greater value for shareholders, the staff and the society.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with all the code provisions ("Code Provisions") of Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the period other than Code Provision A.4.1 as none of the non-executive Directors or independent non-executive Directors of the Company is appointed for a specific term. However, in accordance with Bye-law 87 of the Company's Bye-laws, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and be eligible for re-election. The Board considers that the compliance with these procedures meet with Code Provision A.4.1.

COMPLIANCE OF THE MODEL CODE

The Company has adopted the model code for securities transactions by directors of listed issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific enquiry has been made with all directors of the Company and all directors of the Company confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2014.

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 2014.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the six months ended 30 September 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is required to be published on the websites 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 2014 will be dispatched to the shareholders as soon as possible and will publish on the websites of the HKEX and the Company accordingly.

On Behalf of the Board of
CHINA GAS HOLDINGS LIMITED
ZHOU Si
Chairman

Hong Kong, 26 November 2014

As at the date of this announcement, Mr. ZHOU Si, Mr. LIU Ming Hui, Mr. HUANG Yong, Mr. ZHU Weiwei, Mr. MA Jinlong, Mr. CHEN Xinguo and Ms. LI Ching are the executive Directors, Mr. YU Jeong Joon (his alternate is Mr. KIM Yong Joong), Mr. Rajeev MATHUR and Mr. LIU Mingxing are the non-executive Directors and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. WONG Sin Yue, Cynthia, Mr. HO Yeung and Ms. CHEN Yanyan are the independent non-executive Directors.

* *for identification purpose only*