



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

(incorporated in the Cayman Islands with limited liability)  
(Stock Code : 3633)

**FIRST QUARTERLY REPORT**  
**FOR THE THREE MONTHS ENDED**  
**31ST MARCH, 2013**

## FINANCIAL HIGHLIGHTS

	For the three months ended 31st March,		
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	% Change
Turnover	<b>708,920</b>	627,294	<b>+13.0%</b>
Sales of piped gas	<b>584,879</b>	510,931	<b>+14.5%</b>
Connection revenue from gas pipeline construction	<b>72,659</b>	65,507	<b>+10.9%</b>
Operation of CNG filling stations	<b>45,435</b>	39,349	<b>+15.5%</b>
Gross profit (Gross margin)	<b>137,187</b> <b>(19.4%)</b>	124,672 (19.9%)	<b>+10.0%</b> <b>(-0.5%)</b>
Profit attributable to owners of the Company	<b>40,394</b>	37,065	<b>+9.0%</b>
Earnings per share			
Basic	<b>HK1.60 cents</b>	HK1.53 cents	<b>+4.6%</b>
Diluted	<b>HK1.60 cents</b>	HK1.51 cents	<b>+6.0%</b>
EBITDA	<b>103,879</b>	92,992	<b>+11.7%</b>

The board of directors (the “Board” or the “Directors”) of Zhongyu Gas Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31st March, 2013, together with the comparative figures for the corresponding period in 2012, which are set out as below. The Group is principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, distribution of piped gas to residential, industrial and commercial users; (ii) the construction and operation of compressed natural gas (“CNG”) filling stations for vehicles; and (iii) the exploration, exploitation and development of coalbed methane gas (“CBM”) in The People’s Republic of China (“PRC”).

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31ST MARCH, 2013 (UNAUDITED)**

		<b>Three months ended 31st March,</b>	
	<i>NOTES</i>	<b>2013 HK \$'000</b>	<b>2012 HK \$'000</b>
Turnover	3	<b>708,920</b>	627,294
Cost of sales		<b>(571,733)</b>	(502,622)
Gross profit		<b>137,187</b>	124,672
Other gain		<b>1,081</b>	-
Other income	5	<b>4,950</b>	5,611
Selling and distribution costs		<b>(13,294)</b>	(9,413)
Administrative expenses		<b>(47,356)</b>	(47,187)
Finance costs	6	<b>(10,653)</b>	(13,200)
Profit before tax		<b>71,915</b>	60,483
Income tax expenses	7	<b>(20,366)</b>	(18,226)
Profit for the period		<b>51,549</b>	42,257
Other comprehensive income			
Exchange difference arising on translation		<b>5,230</b>	(154)
Total comprehensive profit for the period		<b>56,779</b>	42,103
Profit for the period attributable to:			
Owners of the Company		<b>40,394</b>	37,065
Minority interests		<b>11,155</b>	5,192
		<b>51,549</b>	42,257
Total comprehensive profit attributable to:			
Owners of the Company		<b>45,624</b>	36,911
Minority interests		<b>11,155</b>	5,192
		<b>56,779</b>	42,103
Earnings per share	9		
Basic (HK cents per share)		<b>1.60</b>	1.53
Diluted (HK cents per share)		<b>1.60</b>	1.51

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31ST MARCH, 2013**

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements for the three months ended 31st March, 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December, 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1st January, 2013. HKFRSs comprise HKFRS and HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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

**3. TURNOVER**

Turnover represents the net amounts received and receivable for goods sold and services rendered by the Group to outside customers, net of discounts and related taxes. An analysis of the Group's turnover for the three months ended 31st March, 2013 is as follow:

	<b>Three months ended 31st March,</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Sales of piped gas	<b>584,879</b>	510,931
Connection revenue from gas pipeline construction	<b>72,659</b>	65,507
Operation of CNG filling stations	<b>45,435</b>	39,349
Sales of liquefied petroleum gas	<b>4,073</b>	10,935
Sales of stoves and related equipment	<b>1,874</b>	572
	<b>708,920</b>	627,294

#### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

##### Business segments

The Company's executive directors are the chief operating decision makers as they collectively make strategic decisions on resources allocation and performance assessment. The Group is principally engaged in the investment, operation and management of city gas pipeline infrastructure, distribution of piped gas to residential, industrial and commercial users; the construction and operation of CNG filling stations for vehicles and the exploration, exploitation and development of coalbed methane gas in the PRC. Nearly all identifiable assets of the Group are located in the PRC. Information reported to the Company's executive directors for the purpose of resources allocation and assessment of performance focuses on the type of products or services. Each type of product or service is managed by a unique business unit within the Group whose performance is assessed independently. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group. The Group's operating and reportable segments are therefore as follows:

- (a) sales of piped gas
- (b) connection revenue from gas pipeline construction
- (c) operation of CNG filling stations
- (d) sales of liquefied petroleum gas
- (e) sales of CBM
- (f) Sales of stoves and related equipment

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

##### For the three months ended 31st March, 2013

	Sales of piped gas	Connection revenue from gas pipeline construction	Operation of CNG filling stations	Sales of liquefied petroleum gas	Sales of CBM	Sales of stoves and related equipment	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>584,879</u>	<u>72,659</u>	<u>45,435</u>	<u>4,073</u>	<u>-</u>	<u>1,874</u>	<u>708,920</u>
Segment profit (loss)	<u>42,625</u>	<u>40,444</u>	<u>6,815</u>	<u>1,225</u>	<u>(1,988)</u>	<u>602</u>	89,723
Other income							4,950
Central corporate expenses							(12,105)
Finance costs							<u>(10,653)</u>
Loss before tax							71,915
Income tax expenses							<u>(20,366)</u>
Loss for the period							<u>51,549</u>

## For the three months ended 31st March, 2012

	Sales of piped gas HK\$'000	Connection revenue from gas pipeline construction HK\$'000	Operation of CNG filling stations HK\$'000	Sales of liquefied petroleum gas HK\$'000	Sales of CBM equipment HK\$'000	Sales of stoves and related equipment HK\$'000	Consolidated HK\$'000
Segment revenue	<u>510,931</u>	<u>65,507</u>	<u>39,349</u>	<u>10,935</u>	<u>-</u>	<u>572</u>	<u>627,294</u>
Segment profit (loss)	<u>37,635</u>	<u>38,458</u>	<u>7,040</u>	<u>168</u>	<u>(2,817)</u>	<u>(454)</u>	80,030
Other income and other gains and losses							5,611
Central corporate expenses							(11,958)
Finance costs							<u>(13,200)</u>
Profit before tax							60,483
Income tax expense							<u>(18,226)</u>
Profit for the period							<u>42,257</u>

## 5. OTHER INCOME

	Three months ended 31st March,	
	2013 HK\$'000	2012 HK\$'000
Bank interest income	469	453
Government subsidies ( <i>Note</i> )	1,751	4,437
Sundry income	<u>2,730</u>	<u>721</u>
	<u>4,950</u>	<u>5,611</u>

*Note:* During the three months ended 31st March, 2013, the Group has received subsidies of HK\$1,751,000 (2012: HK\$4,437,000) from the relevant PRC governments for promoting the use of natural gas. There are no conditions attached to the subsidies granted to the Group.

## 6. FINANCE COSTS

	Three months ended 31st March,	
	2013 HK\$'000	2012 HK\$'000
Interest on bank borrowings	21,459	17,300
Less: Amounts capitalised in construction in progress	<u>(10,806)</u>	<u>(4,100)</u>
	<u>10,653</u>	<u>13,200</u>

## 7. INCOME TAX EXPENSES

	Three months ended 31st March,	
	2013 HK\$'000	2012 HK\$'000
PRC Enterprise Income Tax	<u>20,366</u>	<u>18,226</u>

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

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

## 8. PROFIT FOR THE PERIOD

	Three months ended 31st March,	
	2013 HK\$'000	2012 HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	18,042	16,166
Amortisation of other intangible assets	1,304	1,299
Amortisation of prepaid lease payments	<u>1,965</u>	<u>1,844</u>
Total depreciation and amortisation	<u>21,311</u>	<u>19,309</u>

## 9. EARNINGS PER SHARE

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

	Three months ended 31st March,	
	2013 HK\$'000	2012 HK\$'000
<b><u>Earnings</u></b>		
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	<u>40,394</u>	<u>37,065</u>
	As at 31st March,	
	2013 '000	2012 '000
<b><u>Number of shares</u></b>		
Weighted average number of shares for the purpose of basic earnings per share	2,524,008	2,421,522
Effect of dilutive potential ordinary shares: Share options issued by the Company ( <i>Note</i> )	<u>2,241</u>	<u>37,103</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,526,249</u>	<u>2,458,625</u>

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

## 10. DIVIDENDS

No dividend was paid or proposed during the three months ended 31st March, 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

## 11. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the addition to property, plant and equipment was approximately HK\$69,994,000 (2012: HK\$52,675,000).

## 12. ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

Save as disclosed in the Section Headed “Financial Review” in this report, the Group had no acquisitions, disposals nor significant investments for the three months ended 31st March, 2013.

## 13. RESERVES

	Share		Property revaluation		Statutory		Accumulated profit	Total
	premium	options reserve	options reserve	Other reserve	surplus reserve	Translation reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January, 2012 (audited)	<u>816,047</u>	<u>19,143</u>	<u>1,128</u>	<u>1,049</u>	<u>42,462</u>	<u>182,975</u>	<u>1,655</u>	<u>1,064,459</u>
Profit for the period	-	-	-	-	-	-	37,065	37,065
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(154)	-	(154)
Total comprehensive profit for the period	-	-	-	-	-	(154)	37,065	36,911
Exercise of share option	<u>78,325</u>	<u>(18,421)</u>	-	-	-	-	-	<u>59,904</u>
Balance at 31st March, 2012 (unaudited)	<u>894,372</u>	<u>722</u>	<u>1,128</u>	<u>1,049</u>	<u>42,462</u>	<u>182,821</u>	<u>38,720</u>	<u>1,161,274</u>
Balance at 1st January, 2013 (audited)	<u>895,054</u>	<u>520</u>	<u>1,128</u>	<u>1,049</u>	<u>55,746</u>	<u>197,106</u>	<u>214,392</u>	<u>1,364,995</u>
Profit for the period	-	-	-	-	-	-	40,394	40,394
Exchange differences arising on translation of foreign operations	-	-	-	-	-	5,230	-	5,230
Total comprehensive profit for the period	-	-	-	-	-	5,230	40,394	45,624
Balance at 31st March, 2013 (unaudited)	<u>895,054</u>	<u>520</u>	<u>1,128</u>	<u>1,049</u>	<u>55,746</u>	<u>202,336</u>	<u>254,786</u>	<u>1,410,619</u>

## **BUSINESS REVIEW**

During the period under review, we were principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, distribution of piped gas to residential, industrial and commercial users; (ii) the construction and operation of CNG filling stations for vehicle; and (iii) the exploration, exploitation and development of CBM in the PRC.

### **Gas Sources from the West-East Gas Pipeline**

The main pipeline of the Second West-East Gas Pipeline has completed and commenced gas supply in July 2011. As a result, piped gas supply for the Group's projects located in various cities has increased significantly, enabling the Group to connect with more end users, increasing the Group's turnover and in turn, enhancing its earning base.

The connection and supply of gas to Yanshi City and Xinmi City from the sub-pipeline of the Second West-East Gas Pipeline completed and commenced supply in October 2012 and March 2013 respectively. As a result the sales of piped gas to Yanshi City and Xinmi City has greatly increased. The gas in most of the gas projects of the Group except the gas projects in Yongcheng City, Nanjing City and Shaowu City are connected and supplied through the First and Second West-East Gas Pipeline.

### **Upstream CBM Exploration**

With the aim of ensuring sufficient and cost-effective gas supply to the Group's downstream gas projects located in the PRC and enhancing the Group's profitability, the Group tapped into the upper stream CBM supply market in the PRC in 2007.

As at 31st March, 2013, the Group secured eight coal blocks, situated at Jiaozuo, Zhengzhou, Pingdingshan (including Yuzhou and Ruzhou), Hebi, Yima, Yongxia, Henan Province, the PRC to explore, exploit, develop and produce CBM. The Group will continue to update investors on the latest exploration progress.

## FINANCIAL REVIEW

### Overall

The Group's results for the three months ended 31st March, 2013 was driven by organic growth. The Group's turnover for the period under review increased to HK\$708,920,000 (2012: HK\$627,294,000). The Group's profit attributable to owners of the Company reached HK\$40,394,000 (2012: HK\$37,065,000).

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

	Three months ended 31st March,				
	2013 (HK\$'000)	% of total	2012 (HK\$'000)	% Increase/ of total (Decrease)	
Turnover					
- Sales of piped gas	584,879	82.5%	510,931	81.5%	14.5%
- Connection revenue from gas pipeline construction	72,659	10.2%	65,507	10.4%	10.9%
- Operation of CNG filling stations	45,435	6.4%	39,349	6.3%	15.5%
- Sales of liquefied petroleum gas	4,073	0.6%	10,935	1.7%	(62.8%)
- Sales of stoves and related equipment	1,874	0.3%	572	0.1%	227.6%
	<b>708,920</b>	<b>100%</b>	<b>627,294</b>	<b>100%</b>	<b>13.0%</b>

### Turnover

The turnover for the period under review increased by 13.0% to approximately HK\$708,920,000 compared to approximately HK\$627,294,000 for the corresponding period last year. The significant growth in turnover was mainly attributable to the robust growth in sales of piped gas to industrial and residential customers.

### *Sales of Piped Gas*

Sales of piped gas for the three months ended 31st March, 2013 amounted to approximately HK\$584,879,000, representing an increase of approximately 14.5% over the corresponding period last year.

Nearly 97% of the total sales of piped gas was derived from the provision of natural gas. The rapid growth in sales of piped gas was mainly attributable to the increase in gas sales volume by 17.5% to 206,812,000 m<sup>3</sup> from 175,941,000 m<sup>3</sup>. During the year under review, the unit of natural gas provided by the Group to (i) its residential customers was approximately 39,676,000 m<sup>3</sup> (2012: 26,292,000 m<sup>3</sup>); (ii) its industrial customers was approximately 140,000,000 m<sup>3</sup> (2012: 124,541,000 m<sup>3</sup>); (iii) its commercial customers was approximately 22,082,000 m<sup>3</sup> (2012: 18,953,000 m<sup>3</sup>); and (iv) its wholesale customers was approximately 5,054,000 m<sup>3</sup> (2012: 6,155,000 m<sup>3</sup>).

Sales of piped gas for the period under review contributed approximately 82.5% of the total turnover of the Group. As compared to the percentage of approximately 81.5% during the corresponding period last year, sales of piped gas continued to become the major source of turnover for the Group.

### *Gas Pipeline Construction*

Connection revenue from gas pipeline construction for the three months ended 31st March, 2013 amounted to approximately HK\$72,659,000, representing an increase of approximately 10.9% over the corresponding period last year. The increase in connection revenue from gas pipeline construction was mainly attributable to the increase in average connection fee for residential households to approximately RMB2,800 compared to approximately RMB2,400 for the corresponding period last year. The connection fee charged to industrial/commercial customers by the Group was significantly higher than that charged to residential households and was determined on a case-by-case basis.

During the period under review, the connection revenue from gas pipeline construction contributed approximately 10.2% of the total turnover of the Group. As compared with the percentage of approximately 10.4% during the corresponding period last year, the connection revenue from gas pipeline construction continued to be one of major sources of turnover for the Group.

During the year under review, the Group made new gas pipeline connection for 17,032 residential households (2012: 16,662 residential households), 15 industrial customers (2012: 15 industrial customers) and 69 commercial customers (2012: 58 commercial customers). As at 31st March, 2013, the Group's penetration rate of residential pipeline connection reached 55.8% (2012: 55.4%) (represented by the percentage of accumulated number of the Group's connected residential households to the estimated aggregate number of connectable residential households in operation regions).

### *Operation of CNG Filling Station*

Revenue from operating the CNG filling stations for the three months ended 31st March, 2013 amounted to approximately HK\$45,435,000, representing an increase of approximately 15.5% over the corresponding period last year. The increase was mainly due to an increase in the number of CNG filling stations from nine to twelve stations. During the year under review, the total unit of natural gas provided by the Group to vehicles was approximately 10,785,000 m<sup>3</sup> (2012: 9,272,000 m<sup>3</sup>).

During the period under review, the turnover derived from operating the CNG filling stations accounted for approximately 6.4% of the total turnover for the Group.

In addition, the Group commenced building an additional seventeen CNG refilling stations in the PRC. It is targeted that fourteen new CNG refilling stations will commence operation by the end of 2013. The remaining new CNG refilling stations are expected to commence operations in the first half of 2014.

### **Gross profit margin**

The overall gross profit margin for the three months ended 31st March, 2013 was approximately 19.4% (2012: 19.9%). The slight decrease in overall gross profit margin resulted from the slight increase in the proportion of turnover derived from sales of piped gas, which in general has a relatively low profit margin, and the slight decrease in proportion of turnover derived from connection revenue from gas pipeline construction, which in general has a relatively high profit margin. The Group's turnover attributable to sales of piped gas increased to approximately 82.5% for the period (2012: 81.5%). The Group's turnover attributable to connection revenue from gas pipeline construction decreased to approximately 10.2% for the period (2012: 10.4%).

The gross profit margin for the sales of piped gas was 14.7% (2012: 15.0%); for the gas pipeline construction was 62.9% (2012: 66.2%); and for the operation of CNG filling stations was 21.9% (2012: 25.4%).

### **Other income and gain**

Other income and gains increased to approximately HK\$6,031,000 for the three months ended 31st March, 2013 compared to approximately HK\$5,611,000 for the corresponding period last year. The increase was mainly due to the gain on disposal of part of a liquefied petroleum gas business carried out by a subsidiary of the Company for the three months ended 31st March, 2013 amounting to approximately HK\$1,081,000, which was offset by the decrease in government subsidies to approximately HK\$1,751,000 (2012: HK\$4,437,000). Such government subsidies were for promoting the use of natural gas. There were no conditions attached to subsidies granted to the Group.

## **Operating expenses**

Operating expenses, including selling and distribution costs and administrative expenses increased by 7.2% to approximately HK\$60,650,000 for the three months ended 31st March, 2013 compared to approximately HK\$56,600,000 for the corresponding period last year. The increase was mainly attributable to the increase in staff salary cost to approximately HK\$33,027,000 for the three months ended 31st March, 2013 (2012: HK\$27,589,000) as a result of the salary increment in the third quarter of 2012. The increase was offset by the decrease in out-of-pocket expenses by 36.2% to approximately HK\$5,198,000 for the three months ended 31st March, 2013 compared to approximately HK\$8,147,000 for the corresponding period last year resulting from a cost control policy.

## **Finance costs**

Finance costs decreased by 19.3% to approximately HK\$10,653,000 for the three months ended 31st March, 2013 compared to approximately HK\$13,200,000 for the corresponding period last year. The decrease was mainly attributable to the increase in the amounts capitalised in construction in progress.

## **Income tax expenses**

Under EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

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

The income tax expenses for the three months ended 31st March, 2013 amounted to approximately HK\$20,366,000 (2012: HK\$18,226,000).

## **Profit attributable to owners**

As a result of the above, the Group recorded profit attributable to owners of the Company of approximately HK\$40,394,000 for the three months ended 31st March, 2013 (2012: HK\$37,065,000).

## **Earnings per share**

The basic and diluted earnings per share attributable to the owners of the Company were both HK\$1.60 cents for the three months ended 31st March, 2013, as compared with that of HK\$1.53 basic earnings per share cents and HK\$1.51 cents diluted earnings per share respectively for the corresponding period last year.

## **Earnings before interests, taxation, depreciation and amortisation (“EBITDA”)**

For the three months ended 31st March, 2013, the Group's EBITDA increased by 11.7% to approximately HK\$103,879,000 compared to approximately HK\$92,992,000 for the corresponding period last year.

## **Prospects**

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

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

## **DISCLOSURE OF INTERESTS**

### **(a) Interests of Directors**

As at 31st March, 2013, the interests and short positions of the Directors and the Joint Managing Directors of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

*Long positions in the Shares of the Company*

<b>Name of Directors</b>	<i>Notes</i>	<b>Nature of Shares and/or underlying Shares</b>	<b>Type of Interests</b>	<b>Approximate percentage of issued share capital</b> <i>(Note 4)</i>
Mr. Wang Wenliang	1	578,619,542	Beneficial and interest in controlled corporation	22.92%
Mr. Xu Yongxuan	2	1,000,000	Beneficial	0.04%
Mr. Lui Siu Keung	3	6,000,000	Beneficial	0.24%
Mr. Lu Zhaoheng	3	3,000,000	Beneficial	0.12%
Mr. Li Chunyan	2	1,000,000	Beneficial	0.04%
Mr. Luo Yongtai	2	1,000,000	Beneficial	0.04%
Mr. Hung, Randy King Kuen	3	1,000,000	Beneficial	0.04%

*Notes:*

1. Among these Shares and/or underlying Shares, 567,453,542 Shares are held by Hezhong Investment Holding Company Limited (“Hezhong”). Mr. Wang Wenliang is beneficially interested in 100% of the issued share capital of Hezhong. The remaining 11,166,000 Shares are directly held by Mr. Wang Wenliang.
2. These underlying Shares are to be allotted and issued upon exercise of the rights attaching to the share options at an exercise price of HK\$0.49 per share under the share option scheme adopted by the Company on 24th October, 2003.
3. The Shares are directly held by the director.
4. As at 31st March, 2013, the total issued share capital of the Company was 2,524,007,684.

Save as disclosed above, as at 31st March, 2013, none of the Directors nor the Joint Managing Directors of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## (b) Interests of substantial shareholders of the Company

So far as is known to the Directors, as at 31st March, 2013, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### *Long positions in the Shares of the Company*

Name of Shareholder	Notes	Type of interests	Number of Shares	Approximate percentage of interests (Note 3)
China Gas Holdings Limited	1	Interest of controlled corporation	1,111,934,142	44.05%
Rich Legend International Limited	1	Beneficial	1,111,934,142	44.05%
Hezhong	2	Beneficial	567,453,542	22.48%

### *Notes:*

1. According to the disclosure of interests pages as shown in the website of the Stock Exchange as at 31st March, 2013, China Gas Holdings Limited controlled 100% of Rich Legend International Limited ("Rich Legend") and is therefore deemed to be interested in the 1,111,934,142 Shares held by Rich Legend. This does not include an interest in 568,619,542 Shares which, based on such disclosure are not held beneficially by Rich Legend but are held by Rich Legend in a capacity described as "Other" in the relevant disclosure of interests pages. Apart from the information ascertained in the disclosure of interest pages as shown in the website of the Stock Exchange, the Company has no further information.
2. Hezhong is beneficially interested in 567,453,542 shares. Mr. Wang Wenliang is beneficially interested in 100% of the issued share capital of Hezhong.
3. As at 31st March, 2013, the total issued share capital of the Company was 2,524,007,684.

Save as disclosed above, as at 31st March, 2013, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## **DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

As at 31st March, 2013, the Board did not have any specific plans for material investment or capital assets.

## **COMPETING INTEREST**

China Gas Holdings Limited is a substantial shareholder of the Company. For the reasons stated in the Transfer of Listing announcement of the Company dated 29 June 2012, the Board is of the view that in so far as the existing pipeline gas projects of the Group in the PRC are concerned, the Group and China Gas Holdings Limited are not competing with each other due to the nature of the natural gas industry in the PRC. However, there may be competition between the Group and China Gas Holdings Limited in relation to the construction and operation of gas stations in the PRC in the future depending on the direction and expansion of the Group's operations and business in the PRC.

Save as stated in the Transfer of Listing announcement of the Company dated 29th June, 2012 and as mentioned above, during the period under review, none of the directors, the management shareholders or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interest in a business which competed with or might compete with the business of the Group.

## **CORPORATE GOVERNANCE CODE**

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. During the period under review, the Company has complied with all the applicable code provisions under the CG Code, except for the following deviation:

CG Code Provision A.2.1 provides that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive should be clearly established and set out in writing.

The Chairman of the Company is Mr. Wang Wenliang and the Joint Managing Directors (who have similar roles and responsibilities as those of a chief executive) consist of Mr. Wang Wenliang and Mr. Lui Siu Keung. As a result, the dual role that Mr. Wang Wenliang has as the Chairman and a Joint Managing Director may constitute a deviation from CG Code Provision A.2.1.

Mr. Wang Wenliang has been the Chairman and executive director of the Company since its listing on the Stock Exchange. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure which will avoid the decision-making process from being unnecessarily hindered and also ensures that the Group can respond to business opportunities efficiently and promptly.

Mr. Wang Wenliang is one of the largest shareholder of the Company who is deemed to hold approximately 22.92% of the total issued shares of the Company as at the date of this report. He is in charge of the Group's overall strategic decisions and has played a vital role in developing the business of the Group.

Major decisions made by Mr. Wang Wenliang as the Chairman and a Joint Managing Director are reviewed by the Board and the Board believes that Mr. Lui Siu Keung's appointment as the other Joint Managing Director also helps to put in place adequate safeguards to ensure a balance of power and authority, so that no one individual represents a considerable concentration of power.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted and complied with the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, during the period under review, the Company confirms that the Directors complied with the required standard against which the Company.

## **AUDIT COMMITTEE**

The Company's Audit Committee, comprising Mr. Li Chunyan, Dr. Luo Yongtai and Mr. Hung, Randy King Kuen, as the independent non-executive Directors, has reviewed with the Company's management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited consolidated results of the Group for the three months ended 31st March, 2013.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the three months ended 31st March, 2013.

## **BOARD OF DIRECTORS**

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

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

Hong Kong, 15th May, 2013