

To: Business Editor

【For Immediate Release】



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

(STOCK CODE: 3633.HK)

Announces Its Annual Results for the Year Ended 31 December 2012

Turnover Increased by 53.5% to HK\$2,754,084,000

**Profit Attributable to Owners of the Company Significantly Increased by 162.5%
to HK\$226,021,000**

**PROACTIVELY EXPANDING DOWNSTREAM NATURAL GAS PROJECTS
FULLY CAPITALIZING ON RISING DEMAND FOR NATURAL GAS IN CHINA
BOOSTING FUTURE GROWTH OF THE GROUP'S BUSINESS**

<u>Financial Highlights</u>	For the Year Ended 31 December (HK\$ '000)		
	2012	2011	Changes (%)
Turnover	2,754,084	1,794,319	53.5%
Gross profit (Gross profit margin)	648,612 (23.6%)	428,595 (23.9%)	51.3% (0.3%)
EBITDA	523,821	274,541	90.8%
Profit attributable to owners of the Company	226,021	86,114	162.5%
Earnings per share			
Basic	HK 9.05cents	HK 3.82 cents	136.9%
Diluted	HK 9.01cents	HK 3.77 cents	139.0%

(Hong Kong, 8 March 2013) – **Zhongyu Gas Holdings Limited** (“Zhongyu Gas” or the “Company”, together with its subsidiaries, the “Group”) (Stock Code:3633.HK), a leading natural gas operator in China, today announced its annual results for the year ended 31 December 2012 (the “Year”).

During the Year, the Group’s turnover increased by 53.5% to approximately HK\$2,754,084,000 from approximately HK\$1,794,319,000 last year. The outstanding growth in turnover was mainly attributable to the robust growth in sales of piped gas, connection revenue from gas pipeline construction and operation of CNG

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filing stations.

During the Year, the Group's gross profit increased by 51.3% to HK\$648,612,000 from approximately HK\$428,595,000 in the corresponding period last year. The overall gross profit margin was approximately 23.6% (2011: 23.9%). During the Year, the Price Link Mechanism enables the Group to pass the upward gas procurements cost to our residential users and resulted in the profit margins of gas sales to residential customers to increase which, in turn, contributed to the increase in the overall gross profit margin. However, the overall gross profit margin remained steady because such increased margins were offset by the increase in the proportion of turnover derived from sales of piped gas, which in general has a relatively low profit margin. The Group's total turnover attributable to sales of piped gas increased to approximately 72.9% for the year (2011 : 68.6%).

The Group's EBITDA during the Year increased by 90.8% to HK\$523,821,000 from approximately HK\$274,541,000 in the corresponding period last year. Profit attributable to owners of the Company soared by approximately 162.5% to approximately HK\$226,021,000 from approximately HK\$86,114,000 last year.

Business Overview

<u>Sales Breakdown</u>	For the Year Ended 31 December (HK\$ '000)				
	Turnover			% to Total Sales	
	2012	2011	Changes	2012	2011
Sales of piped gas	2,007,110	1,231,876	62.9%	72.9%	68.6%
Gas pipeline construction	546,378	394,470	38.5%	19.8%	22.0%
Sales of natural gas from compressed natural gas ("CNG") filling station	166,431	123,373	34.9%	6.0%	6.9%
Sales of liquefied petroleum gas ("LPG")	29,667	40,974	(27.6)%	1.1%	2.3%
Sales of stoves and related equipment	4,498	3,626	24.0%	0.2%	0.2%
Total	2,754,084	1,794,319	53.5%	100.0%	100.0%

Downstream Natural Gas Distribution

As at 31 December 2012, the Group has secured 17 exclusive projects. Among which, 12 are in Henan Province, 3 are in Shandong Province, 1 is in Jiangsu Province and 1 is in Fujian Province. The areas in which the Group's gas projects operate currently have a total connectable central urban population of approximately 4,308,000 (2011: 3,525,000). It is estimated that there are an aggregate of approximately 1,231,000 connectable residential households (2011: 992,000).

Sales of Piped Gas

Sales of piped gas during the Year amounted to approximately HK\$2,007,110,000, representing an increase of

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approximately 62.9% over the corresponding period last year. The rapid growth in sales of piped gas was mainly attributable to the increase in gas sales volume by 68.4% to 704,087,000 m³ from 418,072,000 m³ over the corresponding period last year. Nearly 94% of total sales of piped gas for the Year were derived from provision of natural gas.

Gas Pipeline Construction

Connection revenue from gas pipeline construction during the Year amounted to approximately HK\$546,378,000, representing an increase of approximately 38.5% over the corresponding period last year. The increase in connection revenue from gas pipeline construction was mainly attributable to the increase in completion of construction work for gas pipeline connection for residential households to 137,647 from 100,795, which was mainly resulted from the growth of new piped gas connections for residential households made during the year in Linyi City, Sanmenxia City, Yongcheng City and Luohe City, Shandong and Henan Province, the PRC. The average connection fees charged to residential households by the Group was approximately RMB2,700 (2011: RMB2,680).

The connection revenue from gas pipeline construction contributed approximately 19.8% of the total turnover of the Group, which continued to be one of major sources of turnover for the Group. As at 31 December 2012, the Group's penetration rates of residential pipeline connection reached 54.4% (2011: 53.0%) (Represented by the percentage of accumulated number of the Group's residential households to the estimated aggregate number of connectable residential households)

Sales of Natural Gas from CNG Filling Stations

Revenue from operating the CNG filling stations for the Year amounted to approximately HK\$166,431,000, representing an increase of approximately 34.9% over the corresponding period last year. The increase was mainly due to a CNG filling station commenced operations in Luohe City in May 2011, which resulted in an increase in turnover of approximately 32.4% in Luohe City over the corresponding period last year. The natural gas usage per station increased by 135.7% to approximately 4,387,000 m³ during the Year from approximately 1,861,000 m³ for the corresponding period last year.

During the year, the turnover derived from operating the CNG filling station accounted for approximately 6.0% of the total turnover of the Group. The number of the Group's CNG filling stations is increased to twelve in 2012 from nine in 2011. In addition, the Group commenced building an additional eight CNG refilling stations in the PRC. It is expected that six new CNG refilling stations will commence operation in 2013. The remaining new CNG refilling stations are expected to commence operation in 2014.

Upstream Gas Business

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. Currently, the exploration of CBM in Henan Province operated smoothly. The Group will continue to update

investors on the latest exploration progress.

Material Events during the Year

Transfer of Listing

The Company has successfully transferred its listing to the Main Board of the Stock Exchange of Hong Kong Limited under the new stock code "3633" on 11 July 2012.

Bid for Exclusive Piped natural Gas Projects in Wuyishan City

Wuyishan City Zhong Min Natural Gas Company Limited ("Wuyishan Zhong Min"), an indirect non wholly-owned subsidiary of the Company, has been approved by the local government for being an eligible candidate. Currently, the local government is carrying out overall urban and city gas planning. After such planning is finished, Wuyishan Zhong Min plans to submit a bid to the local government for that project to obtain an exclusive right granted by the Peoples' Government of Wuyishan City to engage in the construction and operation of piped natural gas projects in Wuyishan City.

New Acquisitions

Obtain 100% Equity Interests in Shanghai Xuanmin

On 12 December 2012, Zhengzhou Taipu Shangmao Company Limited ("Zhengzhou Taipu") and Zhongyu (Henan) Energy Holdings Limited ("Zhongyu Henan"), a wholly owned subsidiary of the Company, entered into the equity transfer agreement. Pursuant to which Zhongyu Henan will acquire 100% equity interests in Shanghai Xuanmin Energy Investment Management Company Limited ("Shanghai Xuanmin") from Zhengzhou Taipu at a total consideration of RMB145 million (equivalent to approximately HK\$180 million). After completion of the equity transfer agreement, Shanghai Xuanmin will become a wholly owned subsidiary of Zhongyu Gas.

Shanghai Xuanmin currently owns 100% equity interests in Shaowu City Xuanran Natural Gas Company Limited, which obtained the concession right from local authorities to operate the sales and distribution of natural gas in Shaowu City, the PRC. The concession right is exclusive for a period of 30 years for operations since 1 January 2009.

Shaowu City is a major industrial town in Minbei region, Fujian Province, the PRC. The total area and population of the town is 2,852 square kilometers and 300,000 respectively. The industry sector in Shaowu City has developed rapidly and its comprehensive economic strength keeps growing. There are over 170 sizeable industrial enterprises in city and the total output value in Shaowu City is RMB 14.6 billion.

Obtain 100% Equity Interests in Nanjing Jingqiao

On 8 October 2012, Zhengzhou Dongxin Aluminum Company Limited ("Zhengzhou Dongxin"), and

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Zhongyu Henan entered into the equity transfer agreement. Pursuant to which Zhengzhou Dongxin agreed to transfer its 100% equity interests in Nanjing Jingqiao Energy Investment Management Company Limited (“Nanjing Jingqiao”) to Zhongyu Henan at a total consideration of RMB130 million (equivalent to approximately HK\$160 million). After completion of the equity transfer agreement, Nanjing Jingqiao will become a wholly owned subsidiary of Zhongyu Gas.

Nanjing Jingqiao is principally engaged in the business of constructing natural gas reserves and related pipeline infrastructure projects in Jingqiao Town, Nanjing, the PRC. Nanjing Jingqiao obtained the concession right from local authorities to operate the sales and distribution of natural gas and compressed natural gas filling stations in Jingqiao Town, Nanjing, the PRC. The concession right is for a period of 30 years and has been granted for exclusive operations since 21 June 2010.

Jingqiao Town is a major industrial town in Nanjing, Jiangsu Province, the PRC. The total area and population of the town is 150 square kilometers and 44,000 respectively. The industry sector in Jingqiao Town has developed rapidly and its comprehensive economic strength keeps growing. There are 170 industrial enterprises in town with industrial output value of RMB 2.52 billion.

Growth Prospects

The Group is confident in its future prospects as the steady growth of the natural gas market in China is expected to continue because of 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 nine cities it is operating in.

The main pipeline of second West-East Gas Pipeline has been completed and commenced gas supply. The connection and supply of gas to Yanshi City from the sub-pipeline of second West-East Gas Pipeline was completed and commenced supply in late of October 2012. As a result, piped gas sales and supply for the Group’s project located in Yanshi City will increase significantly, enabling the Group to connect with more end users, increasing the Group’s turnover and in turn, enhancing its earning base.

With our healthy financial position, coupled with the constant cash inflow generated by our downstream projects, we will continue to prudently seek investment opportunities in the market in order to increase our penetration rate. At the same time, we will strive to enhance our operation efficiency by cooperating with promising peers in the industry and maximize our shareholder’s returns.

- End -

About Zhongyu Gas Holdings Limited (Stock Code: 3633)

Zhongyu Gas Holdings Limited (“Zhongyu Gas”) (Stock Code: 3633.HK), is a leading natural gas operator in

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China. Currently Zhongyu Gas has 17 exclusive downstream projects, 12 in Henan province, 3 in Shandong province, 1 in Jiangsu province and 1 in Fujian province. Leveraging on its broad client base and seasoned management team, the Group will strive to develop its natural gas sales business in order to capture the ample growth brought by the surging demand of clean energy in the domestic market, and promote the Group's long-term steady development.

Company Website: <http://www.zygas.com.cn>

Issued by Porda Havas International Finance Communications Group for and on behalf of **Zhongyu Gas Holdings Limited** For further information, please contact:

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