



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

To: Business Editor (For immediate release)

ZHONGYU GAS HOLDINGS LIMITED (STOCK CODE: 8070.HK)

Announces Its First Quarterly Results for the Three Months Ended 31st March, 2012

Turnover Increased by 100.7% to HK\$627,294,000

EBITDA Increased by 595.8% to HK\$87,381,000

Profit Attributable to Owners of the Company Was HK\$37,065,000

<u>Financial Highlights</u>	For the Three Months Ended 31st March (HK\$'000)		
	2012	2011	Changes
Turnover	627,294	312,578	+100.7%
Gross Profit (Gross Margin)	125,748 (20.0%)	44,669 (14.3%)	+181.5% +5.7ppt
EBITDA (EBITDA margin)	87,381 (13.9%)	12,559 (4.0%)	+595.8% +9.9ppt
Profit (Loss) Attributable to Owners of the Company	37,065	(13,974)	N/A

(Hong Kong, 4 May 2012) – **Zhongyu Gas Holdings Limited** (“Zhongyu Gas” or “the Company”, together with its subsidiaries, collectively as the “Group”) (Stock Code: 8070.HK), an early mover in developing a vertically integrated gas operation from upstream resources development to downstream distribution in China, announces its first quarterly results for the three months ended 31st March, 2012 (the “Period”).

During the Period, the Group’s turnover increased by 100.7% to approximately HK\$627,294,000 from approximately HK\$312,578,000 in the corresponding period last year. The significant growth in turnover was mainly attributable to the robust growth in sales of piped gas and connection revenue from gas pipeline construction.

Gross profit for the Period increased by 181.5% to HK\$125,748,000 from approximately HK\$44,669,000 in the corresponding period last year. The overall gross profit margin increased to 20.0% during the Period, compared with 14.3% in the same period last year. The increase in the gross profit margin was mainly attributable to the Price Link Mechanism which benefits the Group by passing the upward gas procurement cost to residential users, as well as the increase in the proportion of sales of piped gas for industrial and commercial users, and the increase of sales from connection revenue, both of which have relatively higher profit margins.

During the Period, the Group’s EBITDA increased by 595.8% to approximately HK\$87,381,000 from approximately HK\$12,559,000 for the corresponding period in 2011. Profit attributable to shareholders amounted to HK\$37,065,000 for the Period, as compared to a loss of HK\$13,974,000 in the corresponding period last year.



Business Overview

<u>Sales Breakdown</u>	For the Three Months Ended 31st March (HK\$'000)				
	Turnover			% to Total Sales	
	2012	2011	Changes	2012	2011
Sales of piped gas	510,931	239,206	+113.6%	81.5%	76.5%
Gas pipeline construction	65,507	32,914	+99.0%	10.4%	10.5%
Sales of natural gas from compressed natural gas ("CNG") filling stations	39,349	29,989	+31.2%	6.3%	9.6%
Sales of liquefied petroleum gas ("LPG")	10,935	9,344	+17.0%	1.7%	3.0%
Sales of stoves and related equipment	572	1,125	-49.2%	0.1%	0.4%
Total	627,294	312,578	+100.7%	100%	100%

Downstream Gas Business

Sales of Piped Gas

Sales of piped gas for the Period amounted to approximately HK\$510,931,000, representing an increase of approximately 113.6% over the corresponding period last year. Nearly 91% of total sales of piped gas for the Period was derived from provision of natural gas. During the Period, the total units of natural gas provided by the Group to its customers were approximately 175,941,000 m³ (2011: 86,696,000 m³).

Gas Pipeline Construction

Connection revenue from gas pipeline construction for the Period amounted to approximately HK\$65,507,000, representing an increase of approximately 99.0% over the corresponding period last year. The increase in connection revenue from gas pipeline construction was mainly attributable to the increase in construction work of gas pipeline connection completed for residential households to 16,662 from 9,741.

As at 31st March, 2012, the Group's natural gas penetration rate reached 55.4% (2011: 43.5%) (represented by the percentage of accumulated number of residential households to estimated on aggregate of connectable residential households).

Sales of Natural Gas from CNG Filling Stations

Revenue from operation of CNG filling station for the Period amounted to approximately HK\$39,349,000, representing an increase of approximately 31.2% over the corresponding period last year. The increase was mainly due to increase the number of CNG filling station to nine from eight and the selling price increment to RMB4.07 per meter cubed from RMB3.81 per meter cubed in Nanjing City.

In addition, the Group has commenced building six additional CNG refilling stations in the PRC. It is expected that three new CNG refilling stations will commence operations by the second half of 2012. The remaining three new CNG refilling stations are expected to commence operations in early 2013.

Upstream Gas Business

As at 31st March, 2012, 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 Group's exploration of CBM in Henan Province is still being operated. The dewatering and releasing process of the operating wells are under monitoring and evaluation by professionals.



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The Group will continue to update investors on the latest exploration progress.

Material Event during the Period

Proposed Transfer of Listing Shares to the Main Board

On 5th April, 2012, the Company has submitted a formal application to the Stock Exchange for the proposed transfer of listing of the shares of the Company from the Growth Enterprise Market of the Stock Exchange to the Main Board of the Stock Exchange (the “Main Board”). The board of directors believes that the listing of the shares on the Main Board will enhance the profile of the Group, improve the trading liquidity of the shares, as well as benefit the future growth and business development of the Group.

Bid for Exclusive Piped natural Gas Projects in Wuyishan City

Wuyishan City Zhong Min Natural Gas Company Limited (武夷山市中閩天然氣有限公司) (“Wuyishan Zhong Min”), an indirect non wholly-owned subsidiary of the Company, has submitted a formal application to the Peoples’ Government of Wuyishan City in April 2012 to seek to become an eligible candidate. After obtaining the application approval by the local government, Wuyishan Zhong Min will tender a bid to obtain an exclusive right granted by the People’s Government of Wuyishan City to engage in the construction and operation of piped natural gas projects in Wuyishan City.

Growth 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. The favorable domestic business environment and the growing demand for piped gas consumption arising from progressing urbanization and increasing consumption by automobiles will also serve to drive growth. 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 the second West-East Gas Pipeline has been completed and commenced gas supply in July 2011. Moreover, the supply of piped natural gas to Yanshi City and Xinmi City from the sub-pipeline of second West-East Gas Pipeline will also be completed and commence in the second half of 2012. As a result, piped gas supply for the Group’s project located city will increase significantly, which will further facilitate the Group to connect with more end users, increase the Group’s turnover and in turn, enhance its earning base in the near future.

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 Zhongyu Gas is well-positioned to tackle the challenges imposed by the global economic environment and maximize our shareholders’ returns.

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About Zhongyu Gas Holdings Limited (Stock Code: 8070.HK)

Zhongyu Gas Holdings Limited, is an early mover in developing a vertically integrated gas operation from upstream resource development to downstream distribution in China, which is a unique model in the China gas sector. Zhongyu Gas enjoys the exclusive right to develop CBM resources in Henan, a province with proven CBM reserves of approximately 1 trillion m³ (34 trillion ft³). Currently Zhongyu Gas has fifteen exclusive downstream projects, three downstream projects in Shandong province and twelve downstream projects in Henan province. Zhongyu Gas was listed on the GEM board of the Stock Exchange of Hong Kong in 2001. On 5th April, 2012, Zhongyu Gas has submitted a formal application to the Stock Exchange of Hong Kong for the transfer of listing of the shares to the Main Board of the Stock Exchange.

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



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