



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 Third Quarterly Results for the Nine Months Ended 30th September, 2011

Turnover Increased by 42.4% to HK\$1,069,779,000

Gross Profit Increased by 21.0% to HK\$232,968,000

Net Profit amounted to HK\$17,569,000

**STRONG GROWTH OF DOWNSTREAM OPERATIONS
 PROMOTES THE GROUP'S SUSTAINABLE BUSINESS DEVELOPMENT**

<u>Financial Highlights</u>	For the Nine Months Ended 30th September (HK\$'000)		
	2011	2010	Changes
Turnover	1,069,779	751,203	+42.4%
Gross Profit (Gross Margin)	232,968 (21.8%)	192,517 (25.6%)	+21.0%
EBITDA	125,938	100,056	+25.9%
Profit Attributable to Owners of the Company	17,569	16,075	+9.3%

(Hong Kong, 14 November 2011) – **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 third quarterly results for the nine months ended 30th September, 2011 (the “Period”).

During the Period, the Group’s turnover increased by 42.4% to approximately HK\$1,069,779,000 from approximately HK\$751,203,000 in the corresponding period last year. The growth in turnover was mainly attributable to the robust growth in sales of piped gas.

Gross profit increased by 21.0% to HK\$232,968,000 from approximately HK\$192,517,000 in the corresponding period last year. The overall gross profit margin decreased to 21.8% during the Period, compared with 25.6% in the same period last year. The decrease was mainly due to the increase in the proportion of turnover derived from sales of piped gas, which in general has a relatively lower profit margin, and accounted for approximately 70.7% of the Group’s total turnover for the Period, up from approximately 67.3% for the corresponding period in 2010.

The Group’s EBITDA for the Period increased by 25.9% to HK\$125,938,000 from approximately HK\$100,056,000 in the corresponding period last year. Profit attributable to owners of the Company amounted to approximately HK\$17,569,000 during the Period, representing an increase of approximately 9.3% as compared to HK\$16,075,000 in the corresponding period last year.



Business Overview

<u>Sales Breakdown</u>	For the Nine Months Ended 30th September (HK\$'000)				
	Turnover			% to Total Sales	
	2011	2010	Changes	2011	2010
Sales of piped gas	756,187	505,321	+49.6%	70.7%	67.3%
Gas pipeline construction	195,854	151,054	+29.7%	18.3%	20.1%
Sales of natural gas from compressed natural gas ("CNG") filling stations	86,014	58,825	+46.2%	8.0%	7.8%
Sales of liquefied petroleum gas ("LPG")	28,867	27,444	+5.2%	2.7%	3.7%
Sales of stoves and related equipment	2,857	8,559	-66.6%	0.3%	1.1%
Total	1,069,779	751,203	+42.4%	100.0%	100%

Downstream Gas Business

As at 30th September, 2011, the Group has secured fifteen exclusive projects. Among which, 12 are in Henan Province and 3 are in Shandong Province. The cities in which the Group's gas projects operate currently have a total connectable central urban population of approximately 3,525,000. It is estimated that there are an aggregate of approximately 992,000 connectable residential households.

Sales of Piped Gas

Sales of piped gas for the nine months ended 30th September, 2011 amounted to approximately HK\$756,187,000, representing an increase of approximately 49.6% over the corresponding period last year. The rapid growth in sales of piped gas was mainly attributable to the increase in the number of households, industrial and commercial users connected as well as the increase in the total gas consumption. Sales of piped gas for the Period contributed approximately 70.7% of the total turnover of the Group (2010: 67.3%) and continued to become the major source of turnover of the Group.

Gas Pipeline Construction

Connection revenue from gas pipeline construction for the nine months ended 30th September, 2011 amounted to approximately HK\$195,854,000, representing an increase of approximately 29.7% 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 during the Period.

Sales of Natural Gas from CNG Filling Stations

Revenue from operation of CNG filling stations for the Period amounted to approximately HK\$86,014,000, representing an increase of approximately 46.2% over the corresponding period last year. The increase was mainly due to the increased number of CNG filling stations and the selling price increment in Nanjing City's CNG filling stations. During the Period, the Group has built four CNG filling stations and they have come into operation. As a result, the number of the Group's CNG refilling stations increased to nine from five as compared with the corresponding period last year. In addition, the Group has commenced construction of six additional CNG refilling stations in the PRC. It is expected that three new CNG refilling stations will commence operation in early 2012. The remaining three new CNG refilling stations are expected to commence operation in the second half of 2012.

Upstream Gas Business

During the Period, Zhongyu Gas had secured 8 coal blocks, situated in Jiaozuo, Zhengzhou, Pingdingshan (including Yuzhou and Ruzhou), Hebi, Yima, Yongxia, Henan Province, the PRC to explore, exploit, develop and produce CBM. Moreover, regarding its upstream business, the exploration of CBM in Henan Province



operated smoothly.

Material Event during the Period

Share Placement

On 18th April, 2011, the Company has through Kingsway Financial Services Group Limited placed 394,000,000 new shares representing approximately 16.64% of the Company's entire issued share capital as enlarged by the placement to not less than six independent institutional, professional and/or other private investor, at the placing price of HK\$0.41 per share.

The net proceeds from the placing are approximately HK\$159.52 million and are used to repay the loan of US\$18,507,044.4 made by China Gas Holdings Limited (Stock Code: 384) to the Company pursuant to a loan agreement date 10th September, 2010 (the "Shareholder's Loan") and all interest accrued thereon under the Shareholder's Loan. The remaining proceeds (if any) are used for the general working capital of the Group.

As a result of the completion of the share placement, the Company has fulfilled the minimum 25% public float requirement under Rule 11.23 of the GEM Listing Rules.

New Gas Project

On 6th May, 2011, Yongcheng China-Gas Heating Explore Company Limited, a non-wholly owned subsidiary of the Company, entered into the agreement with 永城市產業集聚區管委會 (Council of Yongcheng City Industry Cluster) to obtain a right for constructing and operating of piped natural gas projects on an exclusive basis in the new industrial development district located in Yongcheng. The Directors are of the view that the entering into of the agreement could provide an opportunity for the Group to further invest in the natural gas business in the PRC in order to enlarge the geographical coverage of its operations.

Equity Interest Transfer

On 22nd June, 2011, 泰安市旭升電子科技有限公司 (Taian City Xusheng Electronics Technology Company Limited) and 臨沂中燃城市燃氣建設發展有限公司 (Linyi China Gas City Gas Construction Company Limited), a non-wholly owned subsidiary of the Company, entered into the equity transfer agreement pursuant to which Xusheng has agreed to transfer to Linyi China Gas 33% of the equity interest in 臨沂山林燃氣有限公司 (Linyi Shanlin Gas Company Limited) held by it in accordance with the terms of the Equity Transfer Agreement. Linyi China Gas currently owned as to 67% of the total equity interest in Linyi Shanlin. After completion of equity interest transfer, Linyi China Gas owns the entire equity interest in Linyi Shanlin.

Event After the Reporting Period

On 4th November, 2011, Zhongyu (Henan) Energy Holdings Limited ("Zhongyu Henan"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Capital Injection Agreement") with Zhengzhou Datian Investment Company Limited (鄭州大田投資有限公司) ("Zhengzhou Datian"), 葉建斌 ("Ye Jianbin") and 卓雲震 ("Zhuo Yunzhen") in respect of the proposed injection in registered capital of Wuyishan City Zhong Min Natural Gas Company Limited (武夷山市中閩天然氣有限公司) ("Wuyishan Zhong Min") by Zhongyu Henan. Pursuant to the Capital Injection Agreement, the registered capital of Wuyishan Zhong Min will be increased by RMB29,000,000 from RMB1,000,000 to RMB30,000,000. Among the total increase in the registered capital of Wuyishan Zhong Min, as to RMB15,300,000 will be contributed by Zhongyu Henan in cash, and the remaining RMB13,700,000 will be contributed by Zhengzhou Datian in cash.

After the completion of the Capital Injection Agreement, Wuyishan Zhong Min will be an indirect non wholly-owned subsidiary of the Company. Wuyishan Zhong Min will tender a bid 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. The Group believes that entering into the Capital Injection Agreement could provide an opportunity for the Group to further invest in the natural gas business in the PRC in order to enlarge the geographical coverage of its operations.

Growth Prospects



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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 nine cities it is operating in.

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: 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.

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

Released by the **Elite Investor Relations Limited** for and on behalf of **Zhongyu Gas Holdings Limited**. For further information, please contact:

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