

The directors present their annual report and the audited financial statements for the year ended March 31, 2003.

CHANGE OF NAME

Pursuant to a special resolution passed on July 5, 2002, the name of the Company was changed from Hai Xia Holdings Limited to China Gas Holdings Limited and adopted a Chinese translation of the Company's name from 海峽集團有限公司 to 中國燃氣控股有限公司 for identification purpose.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 17 and 18, respectively, to the financial statements.

During the year, the Group acquired 60%, 55% and 100% interests in Beijing Zhongran Xiangke Oil Gas Technology Company Limited, formerly known as "Beijing Xiangke Jiahua Oil & Gas Technology Company Limited ("Beijing Xiangke"), Zhengzhou Standard Petrochemical Company Limited ("Zhengzhou Standard") and Elegant Cheer Limited ("ECL") respectively at a total consideration of HK\$98 million. Beijing Xiangke, Zhengzhou Standard and ECL are principally engaged in natural gas business, petroleum business and property holding, respectively.

RESULTS

The results of the Group for the year ended March 31, 2003 are set out in the consolidated income statement on page 21.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 69.

INVESTMENT PROPERTIES

Movements in the investment properties of the Group during the year are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at March 31, 2003 are set out on page 70.

SHARE CAPITAL

Movements in the share capital of the Company are set out in note 26 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of change in equity on page 25 and note 27 to the financial statements respectively.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 40 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors

Li Xiao Yun	(redesignated as executive director on November 20, 2002)
Xu Ying	(redesignated as executive director on June 2, 2003)
Liu Ming Hui	(redesignated as executive director on July 19, 2002)
Zhu Wei Wei	(appointed on September 5, 2002)
Ma Jin Long	(appointed on September 5, 2002)
Liu Yujie	(appointed on November 6, 2002 and resigned on June 2, 2003)
Wang Wen Liang	(appointed on January 17, 2003 and resigned on June 10, 2003)
Chan Sook Jin, Mary-ann	(resigned on July 22, 2002)
Chan Yoke Keow	(resigned on August 2, 2002)
Chan Heng Fai	(resigned on November 20, 2002)

Non-executive directors

Wu Bangjie	(appointed on November 20, 2002)
Li Xiao Yun	(redesignated as executive director on November 20, 2002)
Liu Ming Hui	(appointed on April 29, 2002 and redesignated as executive director on July 19, 2002)
Xu Ying	(redesignated as executive director on June 2, 2003)
Wooldridge Mark Dean	(resigned on July 22, 2002)
Chan Tong Wan	(resigned on August 2, 2002)
Fong Kwok Jen	(resigned on August 16, 2002)

Independent non-executive directors

Zhao Yuhua	(appointed on November 20, 2002)
Mao Er Wan	(appointed on January 7, 2003)
Wong Dor Luk, Peter	(resigned on October 25, 2002)
Da Roza Joao Paulo	(resigned on November 20, 2002)
Lee Ka Leung, Daniel	(resigned on January 7, 2003)

In accordance with the provisions of the Company's Bye-laws, Messrs. Ma Jin Long, Zhu Wei Wei, Mao Er Wan, Zhao Yuhua and Wu Bangjie shall retire and, being eligible, offer themselves for re-election.

DIRECTORS (continued)

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the above clause of the Company's Bye-laws.

DIRECTORS' INTERESTS IN SECURITIES

(1) Shares

At March 31, 2003, none of the directors or the chief executive, nor their associates, had any interests in the equity or debt securities of the Company or any of its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance of Hong Kong ("SDI Ordinance").

(2) Options

Particulars of the Company's share option schemes are set out in note 38 to the financial statements.

The directors had personal interests in share options to subscribe for shares in the Company as follows and the following table discloses movements in the Company's share option during the year:

(a) Share Option Scheme adopted on October 2, 1995

Name of director	Date of grant	Exercisable period	Exercise price HK\$	Number of share options at 4.1.2002	Exercised during the year	Number of share options at 3.31.2003
Chan Sook Jin, Mary-ann*	2.10.1998	2.10.1998 to 2.9.2008	0.11	1,000,000	(1,000,000)	—

* Resigned as director of the Company on July 22, 2002.

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$1.35 per share.

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(2) Options *(continued)*

- (b) Share Option Scheme adopted on February 6, 2003

No share option was granted under this scheme since its adoption.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the directors nor the chief executives nor their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such rights during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests in Securities" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At March 31, 2003, the register of substantial shareholders maintained by the Company under section 16(1) of the SDI Ordinance, showed that the following shareholder had an interest of 10% or more in the share capital of the Company:

Name	Direct interest	Deemed interest
Sure World Capital Limited <i>(Note 1)</i>	101,557,700 Ordinary shares	—
Rasa Sayang Limited <i>(Note 1)</i>	10,104,000 Ordinary shares	—
Heng Fung Capital Company Limited <i>(Note 1)</i>	3,388,000 Ordinary shares	—
Heng Fung Underwriter Limited ("Heng Fung Underwriter") <i>(Note 1)</i>	200,000 Ordinary shares	—
Heng Fung Holdings Limited ("Heng Fung")	204,935,457 Ordinary shares	320,185,157 Ordinary shares

SUBSTANTIAL SHAREHOLDERS *(continued)*

Note 1: These companies are wholly-owned subsidiaries of Heng Fung. Messrs. Chan Heng Fai, Fong Kwok Jen, Chan Tong Wan and Wong Dor Luk, Peter, Mrs. Chan Yoke Keow and Ms. Chan Sook Jin, Mary-ann, have interests in shares of Heng Fung. All of them were former directors of the Company and their respective dates of resignation are disclosed in the section entitled "Directors" of this report.

Note 2: As at March 31, 2002, Profit Capital Limited ("Profit Capital") directly held 100,000,000 ordinary shares of the Company. Profit Capital is a wholly owned subsidiary of Greater China Holdings Limited ("Greater China") and Greater China was deemed to be interested in the 100,000,000 ordinary shares.

On September 25, 2002, both Profit Capital and Greater China ceased to be the substantial shareholders of the Company due to the increase in the issued share capital of the Company after completion of various private placement and share transaction.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at March 31, 2003.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, the Group paid management fee of HK\$492,000 to Heng Fung Underwriter. Messrs. Chan Heng Fai, Fong Kwok Jen, Chan Tong Wan and Wong Dor Luk, Peter, Mrs. Chan Yoke Keow and Ms. Chan Sook Jin, Mary-ann, former directors of the Company, have beneficial interests in the ultimate holding company of Heng Fung Underwriter.

Other than as disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 41% of the Group's turnover, with the largest customer accounted for approximately 19%. The aggregate purchases attributable to the Group's five largest suppliers were approximately 85% of total purchases of the Group, with the largest supplier accounted for approximately 27%.

At no time during the year did any director, any associate of a director, or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's share capital, have any beneficial interests in the Group's five largest customers or suppliers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended March 31, 2003 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the non-executive directors are not appointed for a specific term but are subject to a retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint, Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Xu Ying

Vice-chairman

July 25, 2003