

CHAIRMAN'S STATEMENT

主席報告

On behalf of the board of directors (the "board") of Chinese People Gas Holdings Company Limited (the "Company") and its subsidiaries (the "Group"), I have pleasure to present to the Shareholders the Group's annual report for the year ended 31 March 2006.

INDUSTRY REVIEW

According to the 2005 National Economy and Social Development Statistics published by the China National Statistics Bureau, China's economy continued to maintain a sustained, stable, high speed growth in 2005. Its GDP for the year reached RMB18.2 trillion (equivalent to HK\$17.6 trillion), representing an increase of 9.9% over last year; the per capita annual disposable income in urban areas amounted to RMB10,493 (equivalent to HK\$10,138), representing an increase of 9.6% over last year. The total energy consumption for the whole year amounted to 2.22 billion tons of standard coal, representing an increase of 9.5% over last year. Among which, coal consumption was 2.14 billion tons, representing an increase of 10.6%; crude oil consumption was 0.3 billion tons, representing an increase of 2.1%; natural gas consumption was 50 billion cubic meters, representing an increase of 20.6%. This indicated that China's rapid economic growth has driven the increase in demand of natural gas consumption, and consumption of natural gas has grown much faster than other energy consumption and the national economy.

本人謹代表中民燃氣控股有限公司(「本公司」)董事會(「董事會」)及其附屬公司(「本集團」)，欣然向股東提呈本集團截至二零零六年三月三十一日止年度報告。

行業回顧

中國國家統計局發布的二零零五年國民經濟和社會發展統計公報顯示，二零零五年中國經濟繼續保持持續、穩定、高速增長，國內生產總值達人民幣18.2萬億元(折合約港幣17.6萬億元)，比上年增長9.9%，城鎮居民人均可支配收入人民幣10,493元(折合約港幣10,138元)，比上年增長9.6%。全年能源消費總量22.2億噸標準煤，比上年增長9.5%。其中，煤炭消費量21.4億噸，增長10.6%；原油3.0億噸，增長2.1%；天然氣500億立方米，增長20.6%。此表明中國經濟高速增長帶動了天然氣消費需求增加，而天然氣消費增長遠遠快於其他能源消費和國民經濟增長。

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INDUSTRY REVIEW (Continued)

However, in recent years, the adjustment of domestic natural gas price in China substantially lagged behind the continually rising international oil price and natural gas price, and domestic natural gas price was just equal to around 40% of the average international natural gas price. At the end of 2005, National Development and Reform Commission (NDRC) issued the "Notice of NDRC in Relation to Reform the Formation Mechanism of Natural Gas Factory Price and Appropriately Raise Natural Gas Ex-factory Price in the Near Term". According to the notice, it decided to reform the formation mechanism of natural gas price in order to further standardize price management; to gradually raise natural gas price, to make it clearer the relationship with the price of alternative energy, and to establish a mechanism of linking with the price of alternative energy and dynamic adjustment. It also decided to appropriately raise natural gas ex-factory price throughout the country starting from 26 December 2005, with the ex-factory price of natural gas used for industrial and city fuel gas rose RMB50 to RMB150 (equivalent to HK\$48.3 to 144.9) Km cubic and the ex-factory price of natural gas used for chemical fertilizer production rose RMB50 to RMB100 (equivalent to HK\$48.3 to 96.6), representing an average increase of about 10%. This is the first time since 1997 for the PRC to adjust the natural gas ex-factory price remarkably, resulting in natural gas price shifted from strictly government designated pricing to government guided pricing. Since the current natural gas price is about 30% to 50% lower than the average price of alternative energy such as coal, electricity, liquefied petroleum gas, there is still great room for natural gas price to increase.

行業回顧(續)

然而近年來相對於國際上不斷上漲的油價和天然氣價格，中國國內天然氣價格調整嚴重滯後，國內天然氣價格僅相當於國際天然氣平均價格的40%左右。二零零五年底中國國家發展改革委員會頒發《國家發展改革委關於改革天然氣出廠價格形成機制及近期適當提高天然氣出廠價格的通知》，決定改革天然氣價格形成機制，以進一步規範價格管理；逐步提高天然氣價格，理順與可替代能源的價格關係，建立與可替代能源價格掛鉤和動態調整機制；並決定自二零零五年十二月二十六日起在全國範圍內適當提高天然氣出廠價格，工業及城市燃氣用天然氣出廠價格每千立方米提高人民幣50至150元(折合約港幣48.3至144.9元)，化肥生產用天然氣提高人民幣50至100元(折合約港幣48.3至96.6元)，平均漲幅在10%左右。這是中國自一九九七年以來首次對天然氣出廠價格作較大幅度的調整，使天然氣價格從嚴格的政府定價向政府指導定價邁進。由於當前天然氣價格比煤、電、液化石油氣等替代能源平均價格便宜30%至50%左右，因此，未來天然氣價格仍有較大上漲空間。

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INDUSTRY REVIEW (Continued)

In March 2006, the "11th Five-Year Plan for Economic and Social Development of the People's Republic of China" was passed in the 4th Conference of the 10th National People's Congress. For the area of petroleum and natural gas, it is stated that the effort for exploration of petroleum and natural gas resources should be strengthened and the subject of oil & gas exploration should be diversified; to implement the parallel development of oil and gas in order to increase crude oil output steadily and increase natural gas production; to strengthen cooperation with overseas partners in the area of development and construct offshore imported liquefied petroleum gas project in an appropriate manner; and to expand and establish new national oil reserve bases to strengthen national oil strategic reserve capability. In the next five years, China will expedite the planning and construction of oil & gas main pipeline network and ancillary facilities, gradually improve oil & gas pipeline network across the nation, and construct a second west to east natural gas transmission pipeline and land-way imported oil & gas pipeline in due course. With these policy-oriented measures, it is expected that China's oil & gas resources development and urban natural gas industry will grow rapidly in the future.

APPRECIATION

On behalf of the Board of the Company, I sincerely thank all shareholders and various social organizations for their support to the group over the year.

Liu Jing
Chairman

Hong Kong, 1 September 2006

行業回顧(續)

二零零六年三月十屆全國人大四次會議通過的《中華人民共和國國民經濟和社會發展第十一個五年規劃綱要》在石油及天然氣方面提出，加大石油及天然氣資源勘探力度，推進油氣勘探開發主體多元化；實行油氣並舉，穩定增加原油產量，提高天然氣產量；擴大境外合作開發，在沿海地區適度建設進口液化天然氣項目；擴建和新建國家石油儲備基地增強石油戰略儲備能力。未來五年，中國將加快油氣幹線管網和配套設施的規劃建設，逐步完善全國油氣管線網絡，適時建設第二條西氣東輸管道及陸路進口油氣管道。此政策導向表明中國油氣資源開發、城市天然氣行業在未來將高速發展。

致謝

本人謹代表本公司董事會對全體股東及社會各界一年來對本集團的支持表示衷心感謝。

主席
劉京

香港，二零零六年九月一日