



# Envisioning New Heights

# Chairman's Statement

## Seeing The Next Level

**With the PRC Government's recognition of environmental protection as being an important means of achieving sustainable growth, the country has embraced green energy wholeheartedly. Natural gas — the cleanest of fuels — is expected to constitute 17% of China's energy source by 2010 and China Gas will be determined to be a leading gas operator, not just in the Mainland, but around the world.**

On behalf of the Board of Directors (the "Board" or the "Directors") of China Gas Holdings Limited ("China Gas" or the "Company", together with its subsidiaries, the "Group"), I would like to present to the shareholders the 2007 annual report.

### Financial Results

In the past financial year ended March 31, 2007, the Group's overall performance was satisfactory. Turnover amounted to HK\$1,236,469,000 and profit attributable to shareholders was HK\$190,103,000, an increase of 96.1% and 21.3% respectively compared to last year. Earnings per share was HK6.35 cents.

Over the past financial year, the Group connected a total of 164,544 new household users, 33 new industrial users and 369 new commercial users, representing a year-on-year growth of approximately 16.3%, 65.0% and 159.9% respectively. As at March 31, 2007, the Group's total connected residential customers came to 1,349,782 households, connected industrial customers 111 users and commercial customers 10,451 users, representing a year-on-year growth of approximately 67.4%, 54.2% and 649.2% respectively. During the past financial year, the Group sold a total of 432,195,000 m<sup>3</sup> piped gas, an approximately 145.0% year-on-year growth, of which 357,726,000 m<sup>3</sup> was natural gas, representing a year-on-year growth of 107.6%, and 74,469,000 m<sup>3</sup> was other piped gases. This demonstrated a rapid growth in our sale of piped gas.

### Final Dividend and Closure of Registrar of Members

The Board recommended the payment of a final dividend of HK1.2 cent (2006: HK1 cent) per share for the year ended March 31, 2007.

The registrar of members of the Company will be closed from August 22, 2007 to August 29, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on August 21, 2007.

The final dividend, if approved by the shareholders in the annual general meeting of the Company to be held on August 29, 2007, is expected to be paid to qualified persons on or before September 28, 2007.

**Supplying gas is an important responsibility which stresses safety and reliability. Acknowledging our responsibility, we will look to the world in search of steady, long-term sources of green energy and employ stringent safety measures so as to propel our nation forward.**

### **New Projects Development**

For new projects development, the Group had secured nine new city gas projects in six provinces/autonomous regions/directly-administered cities during the past year. Of these nine city gas projects, three were in Inner Mongolia Autonomous Region and were the Group's first investment in this region, one in Chongqing Municipality, one in Anhui Province, two in Shandong Province, one in Liaoning Province and one in Shaanxi Province. The city gas projects in Inner Mongolia Autonomous Region covered the most prosperous cities namely Hohhot City and Baotou City. The two city gas projects in Shandong Province were situated in Dezhou City and Qingdao City, each with population over a million. In addition, the Group also invested in two LNG production factories. The one with 500,000 tons annual production capacity is located in XuanHanxian, Dazhou City, Sichuan Province and the one with annual production capacity of 300,000 tons is in Kaixian, Chongqing Municipality. The Group also invested two long distance pipeline projects in Wushen Banner and Otog Banner, Ordos City, Inner Mongolia Autonomous Region, with capacities of one billion m<sup>3</sup> per year and 1.2 billion m<sup>3</sup> per year respectively. The Group also invested in one long distance natural gas pipeline project in Tianjin Municipality during the same period.

### **Capital Market**

In the last financial year, the Group has obtained financing support from major international financial institutions.

In October 2006, the Group obtained financing package in an aggregate amount of US\$149 million from the Asian Development Bank which is to fund the Group's investment in new natural gas distribution infrastructure in China. Among this financing package, US\$24 million was for the subscription of the Company's shares, US\$50 million was a 9-year development capital facility, and US\$75 million was a 7-year development capital facility granted by the Royal Bank of Scotland and nine other commercial banks under the arrangement of Asian Development Bank. The interest rate on these two development capital facilities were much more favourable than that of a high-yield bond of a similar tenor in the international capital market, and this demonstrates the strong support of Asian Development Bank to us, the Group's credibility in the banking community, and the recognition of the Group's business prospects.

### **Shareholders' Structure and Board Composition**

In the last fiscal year, the shareholder base of the Company has become more internationalized. Hai Xia Finance Holdings Limited is the founding and substantial shareholder of the Company. Asian Development Bank became a shareholder of the Company in October 2006, together with the three international strategic shareholders namely China Petroleum & Chemical Corporation, GAIL (India) Limited and Oman Oil Company, S.A.O.C., the Company had become an important platform to facilitate cooperation among energy companies in Asia.





Grounded In  
Reliability

GAKIN  
压力表  
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MC  
曾制02000105号  
NO. 20110422  
青岛华青集团有限公司



The image shows a complex industrial facility with numerous large yellow pipes and blue valves. The pipes are arranged in a grid-like pattern, and the valves are mounted on concrete bases. A prominent blue valve with a black handwheel is in the foreground. A large, stylized graphic overlay in shades of green and yellow is positioned on the right side of the image, pointing towards the text. The background is a paved area with some greenery visible in the distance.

Watching Our  
Network Grow



**We have expanded our gas network by over 2,900 km within the last fiscal year alone and acquired eight more gas concessions and three long-distance gas transmission projects in the span of 15 months — a prelude of things to come.**

The composition of the Board of the Company also had changes in this financial year. Mr. Suresh Raghavanachari, representative from GAIL (India) Limited, resigned as a non-executive director of the Company in December 2006 due to job deployment and Mr. R.K. Goel, a finance director was then nominated by GAIL (India) Limited to become a non-executive director of the Company. Following the completion of the share subscription by Asian Development Bank, Mr. Joe Yamagata, a director of Private Sector Operations Department, was nominated by Asian Development Bank to become a non-executive director of the Company in October 2006. Mr. Harrison Blacker, the nominee from Oman Oil Company, S.A.O.C. resigned as a non-executive director of the Company in July 2007 and will be appointed as the managing director of China Oman Energy Co. Ltd. Mr. Mark Gelinis, a General Counsel was then nominated by Oman Oil Company, S.A.O.C. to become a non-executive director of the Company. On behalf of the Board, I would like to welcome Mr. Joe Yamagata, Mr. R.K. Goel and Mr. Mark Gelinis to join the Board and believe that with their outstanding ability and rich industry, finance and legal experience, their participation in the Board will strengthen our team and will bring more good ideas to the Group. We will ensure that the Board will continue to maintain a high governance standard and leverage on its experience and expertise so as to guide the Group to become a successful international natural gas company. Meanwhile, I would like to take this opportunity to express my gratitude to Mr. Suresh Raghavanachari and Mr. Harrison Blacker for their services and contributions to the Company during their tenure of office.

### Prospects

Our business is in a steady phase of growth. With a large portfolio of quality projects and sufficient capital support, the coming year is expected to be another year of rewards. We will continue to move towards our goals, pursue a more proactive investment strategy, invest in more gas projects and strengthen on investment in the upstream supply market, especially in the areas of liquefied natural gas and compressed natural gas. The Group will continue to work hard for better returns of our shareholders.

Lastly, I would like to express my thanks to the staff, the management team and the fellow board members for their endeavors and hard work. I am also grateful to our shareholders for their full support of our business strategies, as well as to the banking community and investors for their confidence, encouragement and recognition.

**Li Xiao Yun**  
*Chairman*

July 20, 2007