


中国燃气




CHINA GAS

中国燃气控股有限公司 CHINA GAS HOLDINGS LTD.



 Company's Joint Venture Gas Supply Projects

 Company's Gas Supply Projects Under Study

 West-East Gas Pipeline

ANNUAL REPORT 2002

CORPORATE INFORMATION

BOARD OF DIRECTORS

Li Xiaoyun *(Co-Chairman)*
Chan Heng Fai *(Executive Chairman)*
Liu Ming Hui *(Managing Director)*
Xu Ying
Chan Yoke Keow
Chan Sook Jin, Mary-ann
Fong Kwok Jen
Wooldridge Mark Dean
Chan Tong Wan
Lee Ka Leung, Daniel
Wong Dor Luk, Peter
Da Roza Joao Paulo

COMPANY SECRETARY

Yuen Ping Man

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

326 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

LEGAL ADVISORS

Hong Kong
Bermuda

Herbert Smith
Conyers, Dill & Pearman

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

CHAIRMAN'S STATEMENT

ACQUISITION OF INTEREST IN A NATURAL GAS PIPELINE NETWORK AND RELATED OPERATIONS

Gas Projects in outer Beijing

In early May 2002, the Group entered into agreements to acquire a 60% interest in Beijing Xiangke Jiahua Oil & Gas Technology Co., Ltd ("Xiangke"). Xiangke is a limited company incorporated in the PRC in 2001 and has a 30 year business license which was granted on April 28, 2001. Xiangke is principally engaged in the sale of oil, gas products and related chemical products, providing technical services for exploration of oil and gas fields, and the installation of related facilities, equipment and instruments. Xiangke is one of the first companies in the PRC to use compressed natural gas for applications in private enterprises. It has obtained patents granted by the PRC government on the techniques related to compressed natural gas.

The natural gas network operated by Xiangke covers more than 180,000 households and 20 industrial users in the outer Beijing area, of which approximately 30,000 households and 8 industrial users have registered to use natural gas. According to a feasibility study conducted by Xiangke, the number of registered users is expected to increase to approximately 90,000 households by the end of year 2002.

Gas Projects in the Provinces of Hunan and Hubei

In May 2002, the Group entered into agreements to inject \$57.6 million cash to acquire a 48% shareholding interest in a joint venture in the PRC which will contract with appropriate PRC strategic partners to invest in natural gas projects in cities of Changsha, Zhuzhou and Xiangtan which are situated in the province of Hunan in the PRC. The PRC joint venture includes a wholly-owned subsidiary of Shenzhen Nanshan Power Station Co. Ltd, a Shenzhen listed company, as a shareholder. By leveraging off the partners' expertise in the energy industry, the Group would be able to take advantage of opportunities in the PRC energy sector.

In June 2002, the Group entered into an agreement with Hai Xia Finance Holdings Limited to invest HK\$4.9 million to acquire a 49% equity interest in China Gas Development Group Limited which has entered into three agreements with the People's Government of Suizhou City, Development Plan Commission of Shiyan City and Yichang City Natural Gas Company Limited. These three agreements support the formation of three joint ventures in the PRC to principally engage in the design, construction and operation of a natural gas pipeline network and ancillary facilities as well as the provisioning of piped natural gas in the cities of Suizhou, Shiyan and Yichang which are situated in the province of Hubei in the PRC. These projects will serve as the focal points for expansion of the Group's end user distribution network for sale and distribution of domestic and industrial use natural gas in northern China. Through the joint ventures in the PRC, the Group's natural gas business is expected to expand into various markets in other provinces in the PRC.

CHAIRMAN'S STATEMENT

ACQUISITION OF INTEREST IN A NATURAL GAS PIPELINE NETWORK AND RELATED OPERATIONS – *continued*

Prospects

According to the Energy Information Administration of US Department of Energy, natural gas usage in the PRC in 1999 only accounted for 2.8% of total energy consumption, which is especially low when compared to an average of 22% in developed countries. Coupled with favourable government environmental policies and wider consumer acceptance, it is expected that the usage of natural gas will increase substantially. The construction of West to East Pipelines project and gas transmission networks are progressing. As the PRC's energy sector continues to evolve with the heightened use of natural gas, we believe the Group is well placed to capitalise on the opportunities. The Group will expand its natural gas business by leveraging off the strengths and the networks of its strategic partners in the PRC.

We are realistically optimistic about our future. Our business foundation is strong and our strategic partnerships are solid. By effective utilisation of our capital, we will expand and extend our natural gas business in the years to come.

Appreciation

I would like to thank the members of the Board for their guidance and to extend my appreciation to the management and staff for their continued dedication and hard work.

On behalf of the Board

CHAN HENG FAI

Executive Chairman

Hong Kong, 19th July, 2002

384

HONG KONG STOCK EXCHANGE :STOCK CODE 384

香港聯交所上市公司: 編號384

www.chinagasholdings.com