



China Gas Holdings Limited
中國燃氣控股有限公司



Corporate Presentation

August 2006

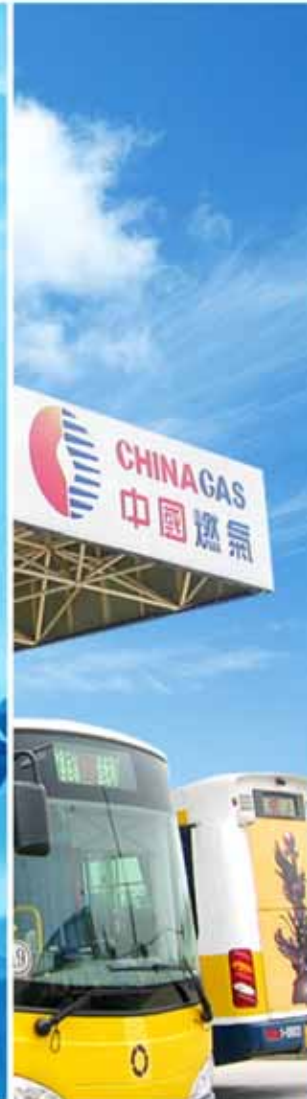
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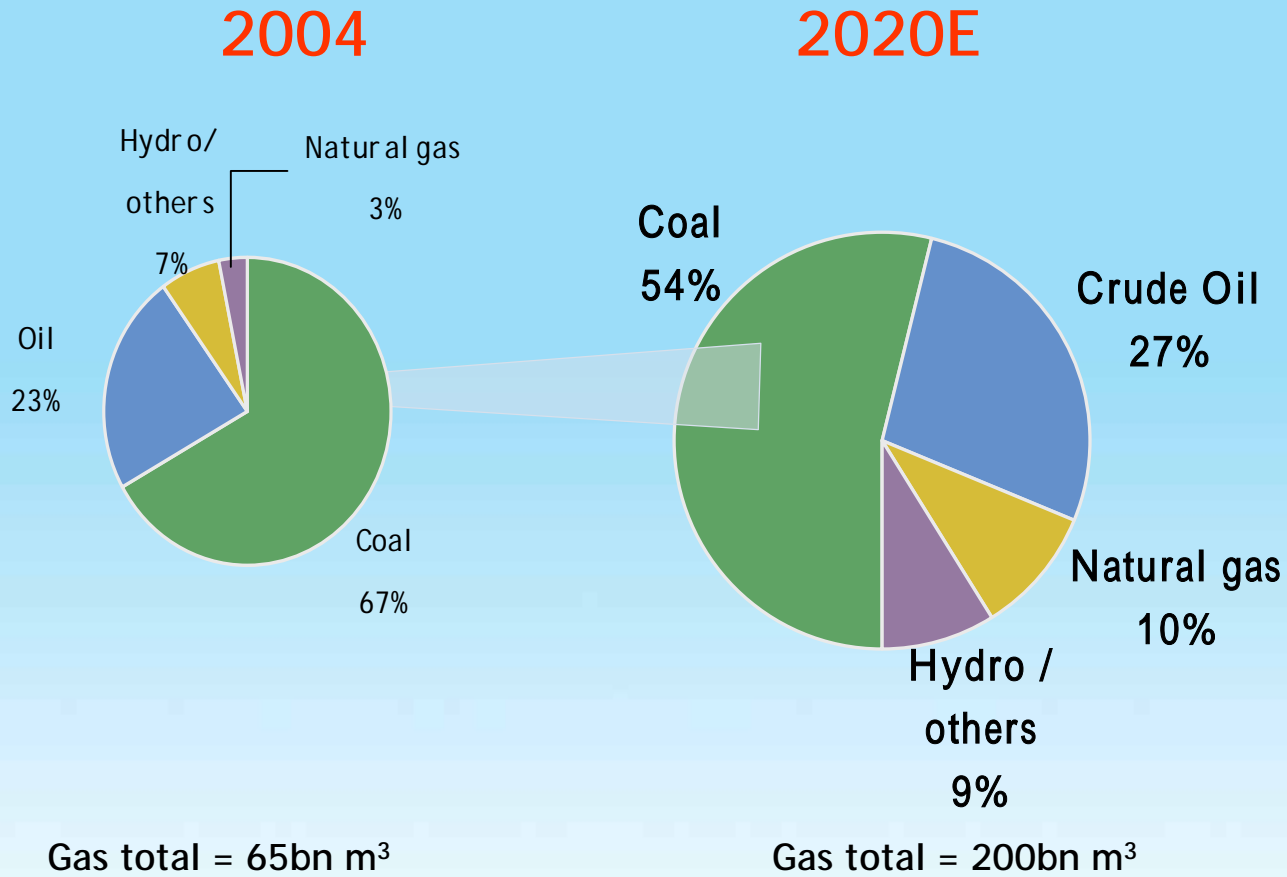
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Natural Gas Industry in China



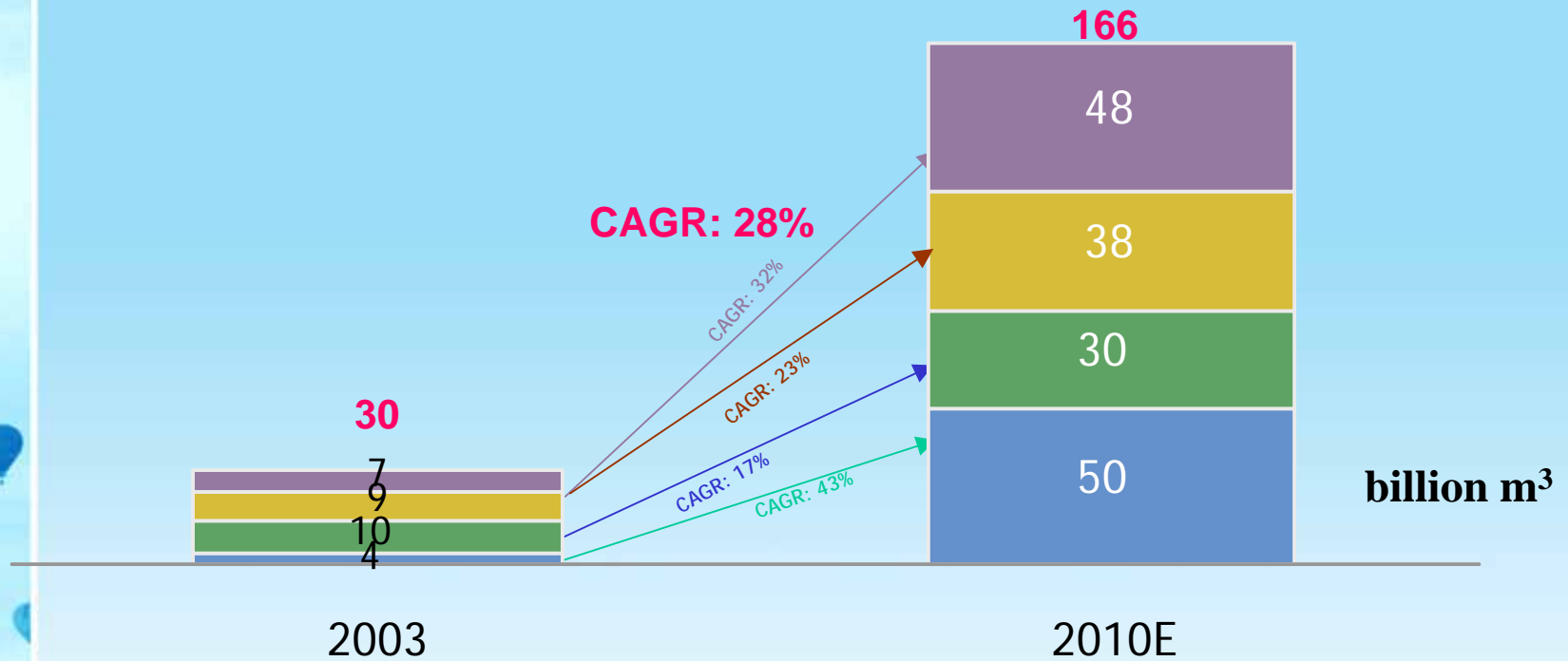
Natural Gas Mix in China



Source: BP, Equity research report and ccmnet.com

Natural Gas Demand Growth

- Power Generation
- Chemical/Fertilizer
- Industrial
- Residential



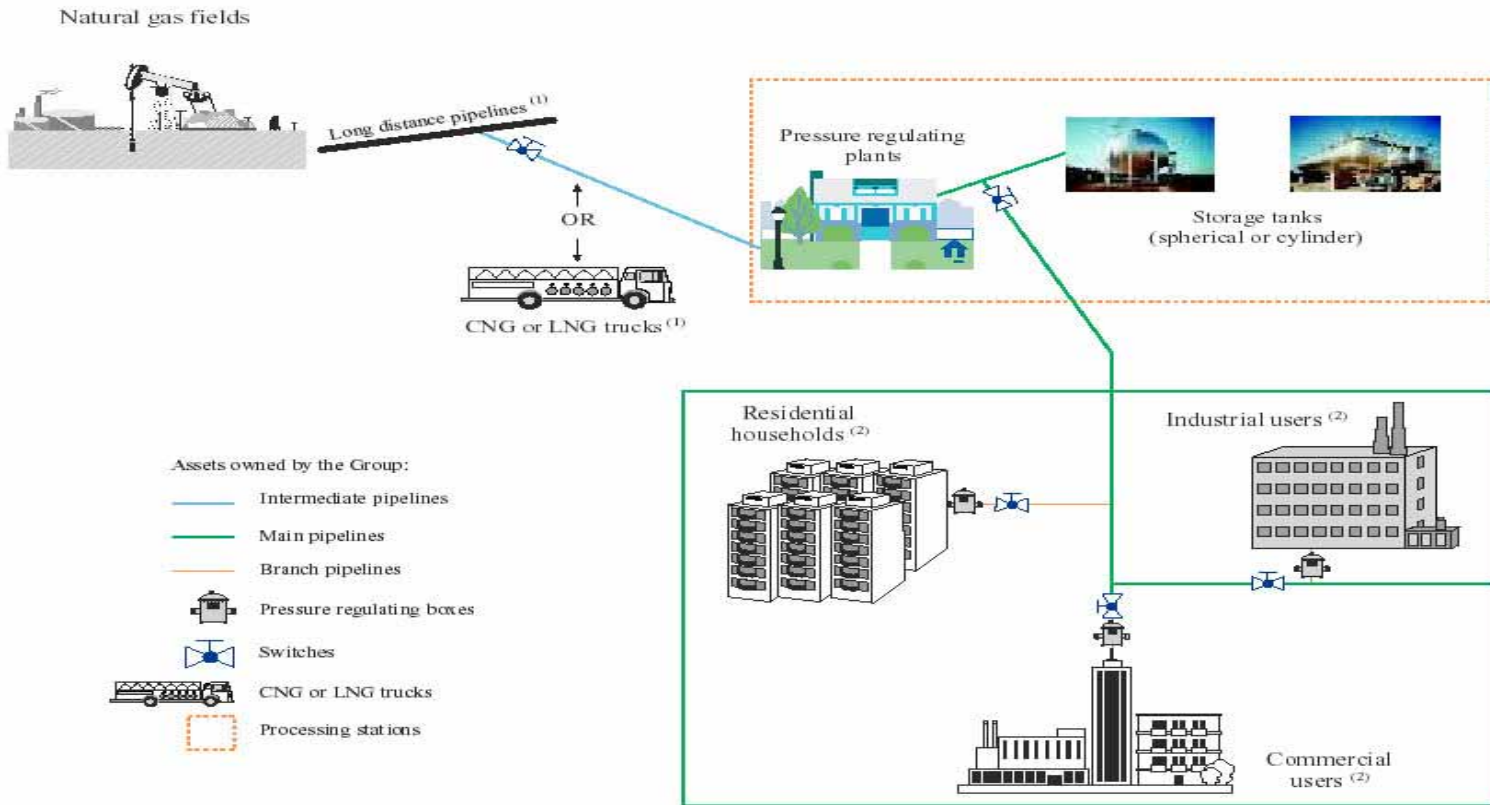
Source: NDRC, Equity research report

Central Government Natural Gas Strategies



- ❑ To reduce coal and oil consumption but to increase natural gas consumption to 10% by 2020 (world average was 28% in 2000).
- ❑ Constructed West to East Pipeline, Sichuan to East Pipeline and Second Shaanxi to Beijing Pipeline etc.
- ❑ Approved construction of LNG terminals for import of LNG from international market.
- ❑ Opened up downstream gas distribution market to foreign operators.
- ❑ Gradually let upstream and downstream gas tariffs be market-driven.

Business Model



Notes:

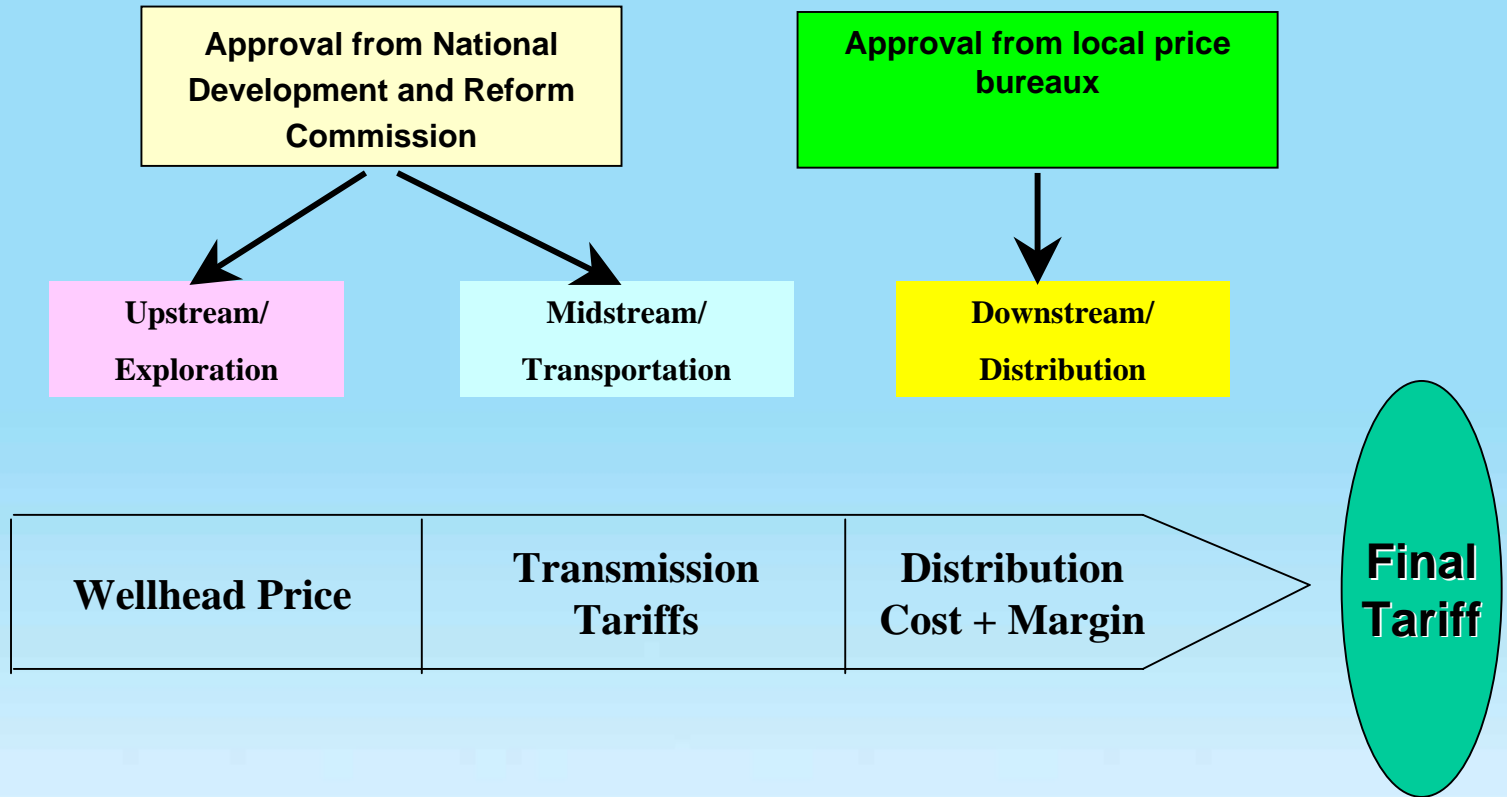
(1) Gas delivery using either intermediate pipelines or CNG or LNG trucks.

(2) Customers' pipelines which are not owned by the Group are within the customers' premises and are not highlighted in this diagram.

□ 2 sources of revenue:

- Connection fee: One-off payment mainly from residential users, less so from industrial and commercial users.
- Gas sale: Recurring income at tariffs approved by the local governments.

Pricing Structure



A Cost Pass Through Pricing Model

Cost Advantages of Natural Gas



Price Structure of Different Gas Types

	Purchase Price	Sale Price	Energy Generated		Gross Margin
	Rmb/m ³	Rmb/m ³	Kcal/m ³	Kcal/Rmb	%
Natural Gas	1.3	2.1	8,500	4,047	38%
Piped LPG	12.5*	14.0	22,000	1,571	10.7%
Coal Gas	0.7**	0.8	2,500	3,125	12%

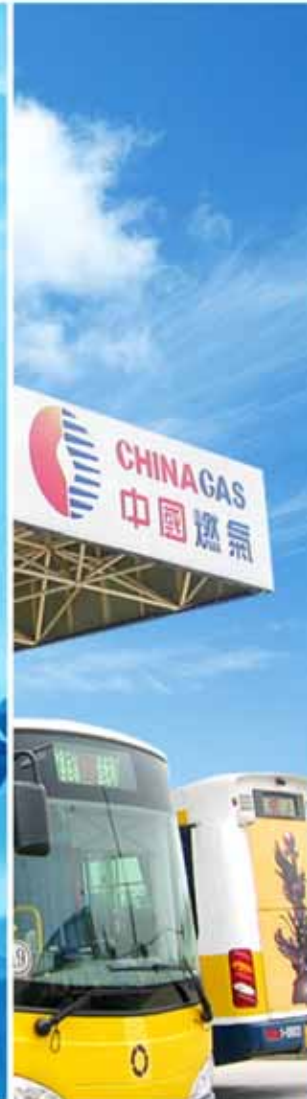
*Assuming wholesale price of LPG to be 5000 Rmb/ton **Taken into account local government subsidies

Monthly Expenditure by a Typical Household

Natural Gas	30Rmb---35Rmb
Compressed Natural Gas	35Rmb---40Rmb
Coal Gas	40Rmb---45Rmb
Piped LPG	80Rmb---85Rmb*

Sources: China Gas Statistics and various press/media reports. All data are 2005 figures.

About China Gas

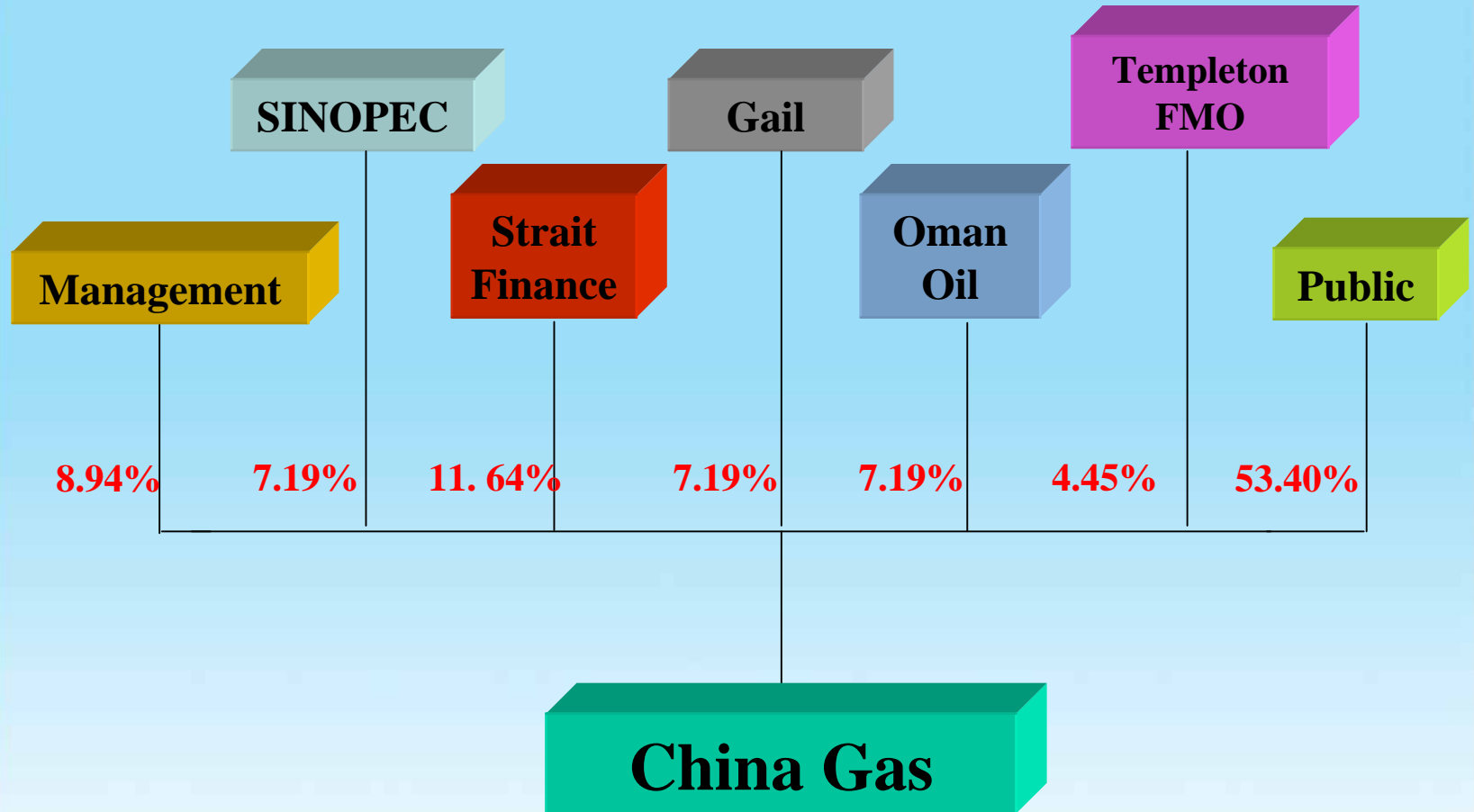


- ❑ A natural gas services operator, principally engaging in the investment, operation and management of city gas pipeline infrastructure, distribution of natural gas to residential and industrial users, construction and operation of natural gas refilling stations.
- ❑ Started natural gas distribution business in 2002 when China decided to build the West-East Pipeline.
- ❑ To date, China Gas has exclusive piped gas development rights in 50 cities and regions in China. China Gas has a pipeline network of more than 10,000 km serving around 1.6 million household users and nearly 11,000 industrial and commercial users.
- ❑ China Gas also owns two high-pressure intermediary pipelines and has invested in a gas producing company which owns 40 natural gas wells in Chongqing.

Corporate Strategy

- ❑ Target at cities with large industrial/commercial users & low natural gas penetration.
- ❑ Maintain operating control over projects.
- ❑ Leverage on the influence of our State shareholders in winning projects and obtaining favorable concession terms.
- ❑ Form strategic alliances with international technical partners to leverage on their strategic values to enhance growth and service quality.
- ❑ Invest in mid and up-stream gas opportunities in order to secure gas supply to down-stream projects.

Shareholding Structure



Total shares issued : Approximately 2.92 billion

Major FY2006 Milestones

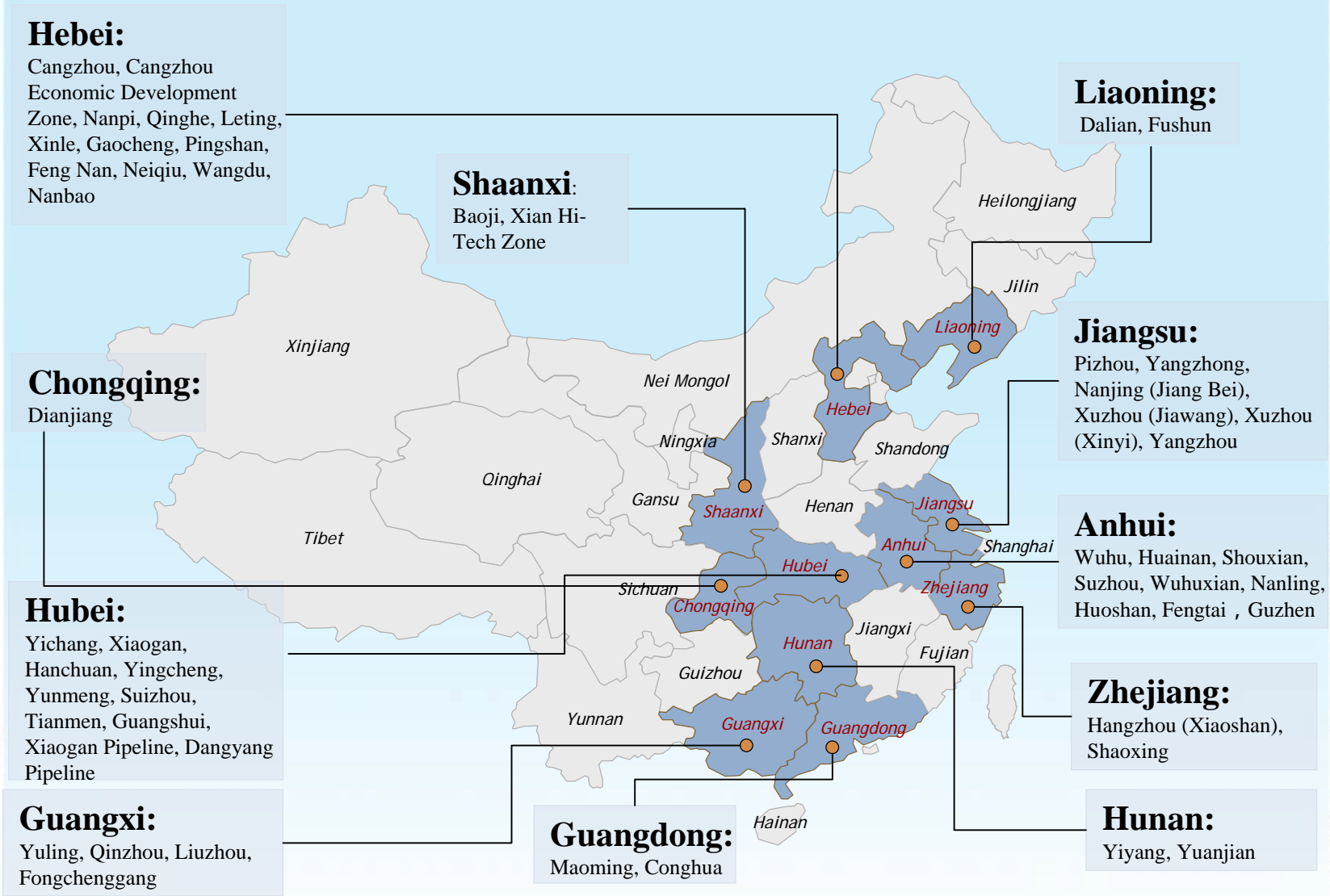


- ❑ Acquired 15 city concessions in 8 provinces, including Shaoxing in Zhejiang, Maoming in Guangdong, Yangzhou in Jiangsu, Baoji in Shaanxi, and Liuzhou in Guangxi.
- ❑ GAIL (India) Limited (GAIL) became a strategic shareholder in April 2005.
- ❑ A US\$60m 5-year syndicated debt was raised from 11 international banks in April 2005.
- ❑ A US\$40m 5-year convertible bond issue was completed in June 2005.
- ❑ A US\$50m 9-year development capital debt was raised from FMO and Proparco in October 2005.
- ❑ Oman Oil became a strategic shareholder in January 2006.
- ❑ China Development Bank granted a facility of RMB20 billion in January 2006 to finance the Company's gas projects in China.

Key Operational Highlights



Concession Locations



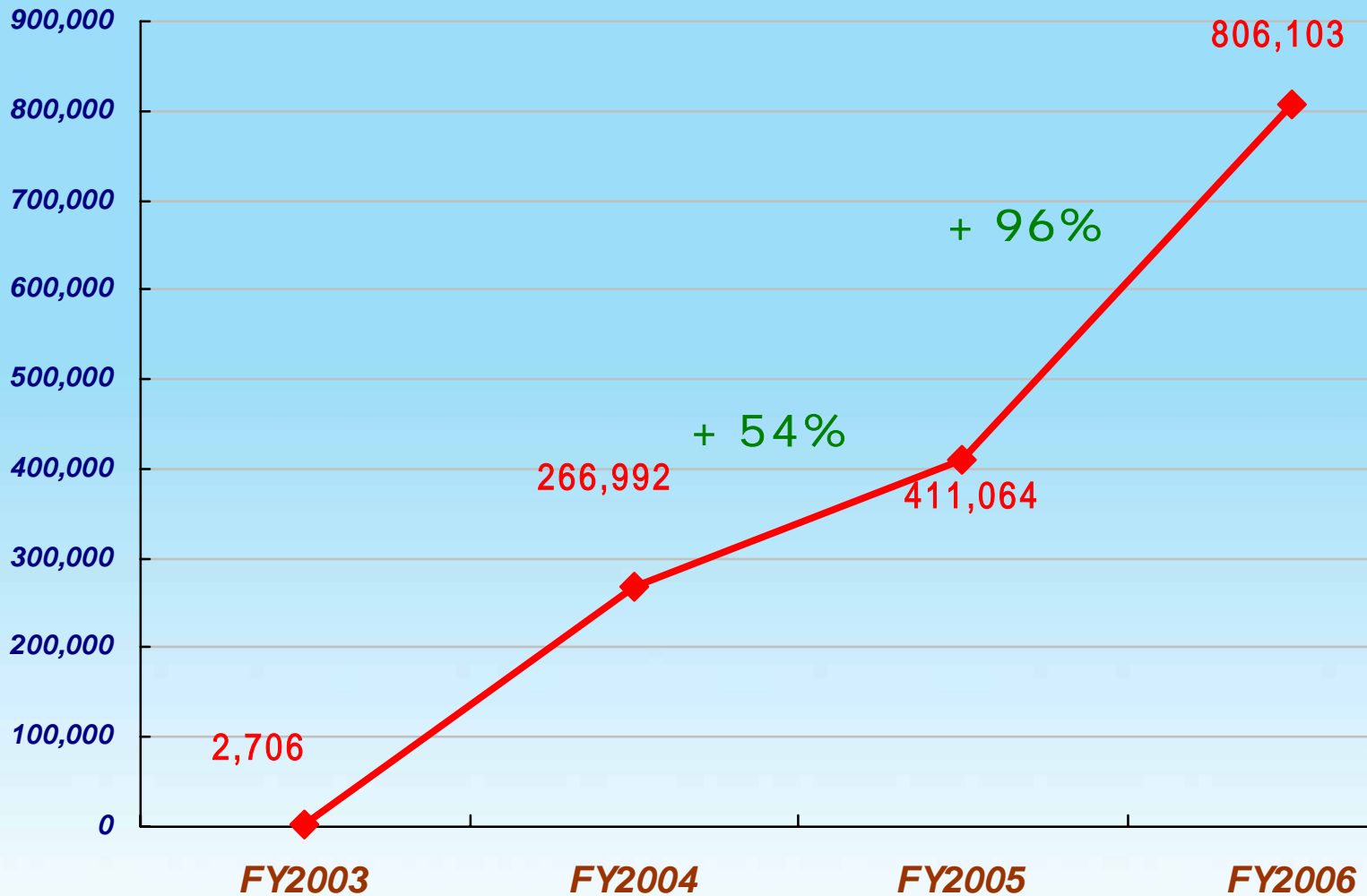
FY06 Customers Growth

	Organic	Acquired	FY06 Total	05/06 Change	Portfolio Total
Residential	141,543	253,419	394,962	+96.1%	806,103
Industrial	20	17	37	+105.7%	72
Commercial	142	764	906	+185.3%	1,395
CNG Stations	2	4	6	N/A	6

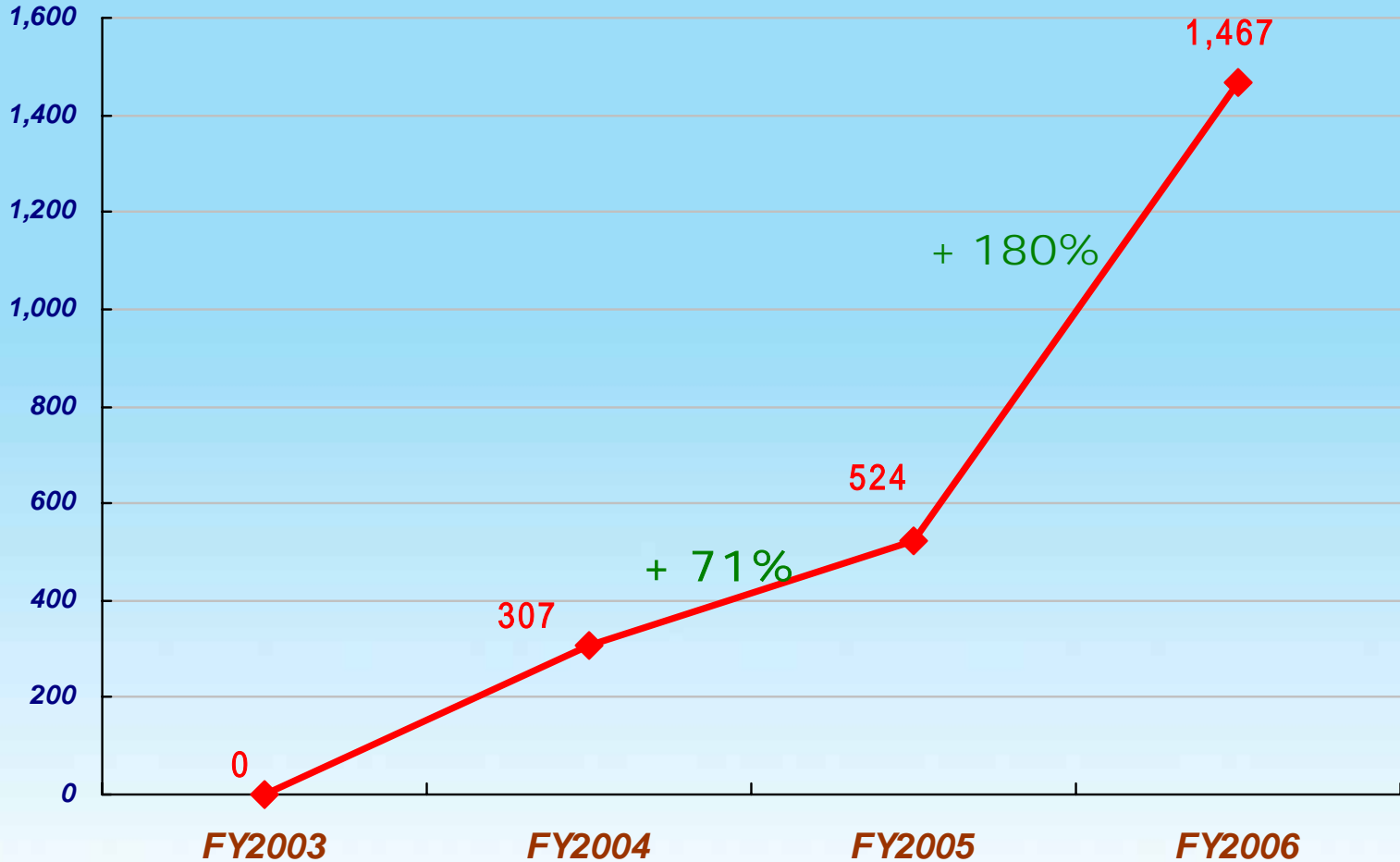
Natural Gas Volume Growth

Million m ³	FY2005	%	FY2006	%	Growth
Residential	9.66	26.0%	32.02	18.6%	+231.5%
Industrial	24.74	66.7%	126.01	73.1%	+409.3%
Commercial	2.70	7.3%	12.41	7.2%	+359.6%
CNG Stations	0	0%	0.31	0.2%	N/A
Others	0	0%	1.57	0.9%	N/A
Total	37.10	100.0%	172.32	100.0%	+364.5%

Residential Customers Growth Trend

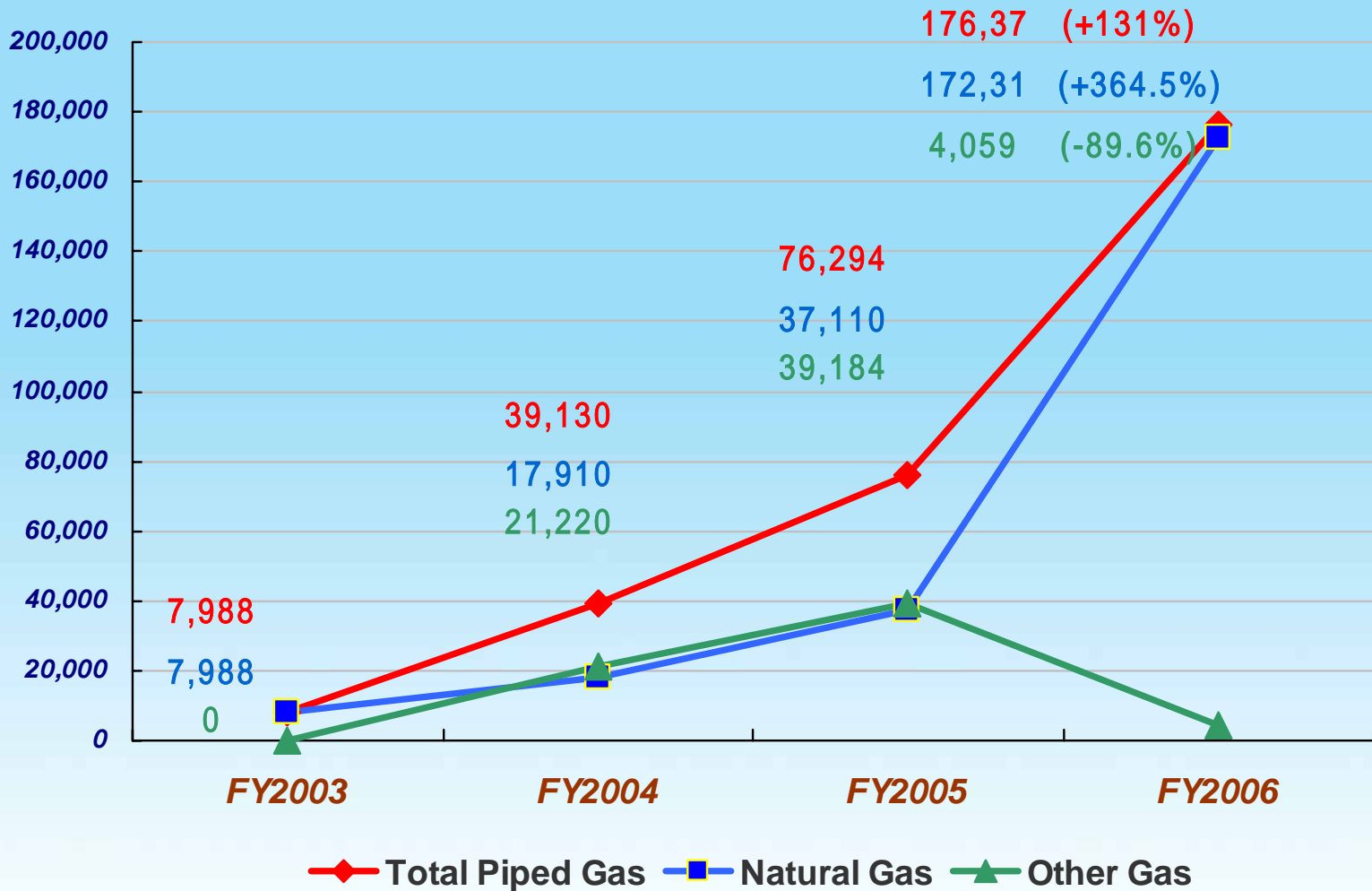


Industrial/Commercial Customers Growth Trend



Gas Volume Trend

Unit: '000m³



Other Operational Data

	FY2005	FY2006	Change
Total Daily NG Consumption (m ³)	403,200	756,209	+87.5%
Daily Residential Consumption (m ³)	52,743	111,948	+112.3%
Daily Industrial Consumption (m ³)	286,900	439,873	+53.3%
Daily Commercial Consumption (m ³)	63,600	143,988	+126.4%
Daily CNG for Automobiles (m ³)	0	41,843	N/A
Total Pipelines (km)	3,751	6,907	+84.1%
Urban Population Covered	14,575,000	23,034,000	+58.0%
Penetration Rate	9.02%	11.20%	+24.2%
Average Connection Fees	21 2,217	2,372	+6.4%

Key Financial Highlights

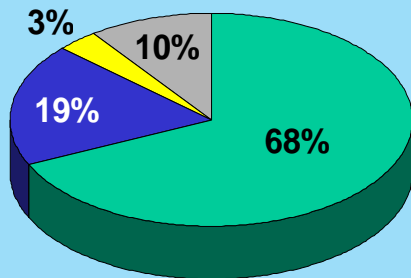


Summary Financials

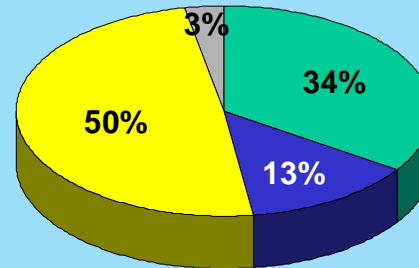
(HK\$'000)	FY2005 (restated)	FY2006	Change
Turnover	411,389	630,522	+53.3%
Gross Profit	247,404	305,354	+23.4%
EBDITA	172,406	273,625	+58.7%
Profit from Operations	146,955	162,890	+10.8%
Profit Att'ble to Shareholders	96,617	156,736	+62.2%
EPS (HK cents) (Basic)	5.24	6.15	+17.4%
EPS (HK cents) (Diluted)	5.10	5.54	+9.0%
Total Assets	2,752,985	5,093,888	+85.0%
Shareholders' Equity	988,630	1,865,458	+88.7%
Bank Balances and Cash	712,015	1,727,130	+142.6%

Turnover Breakdown

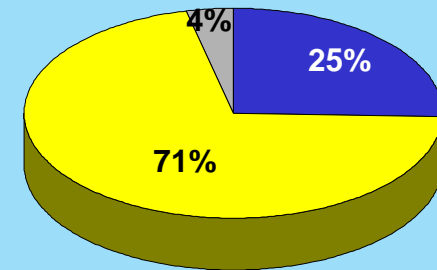
FY2003



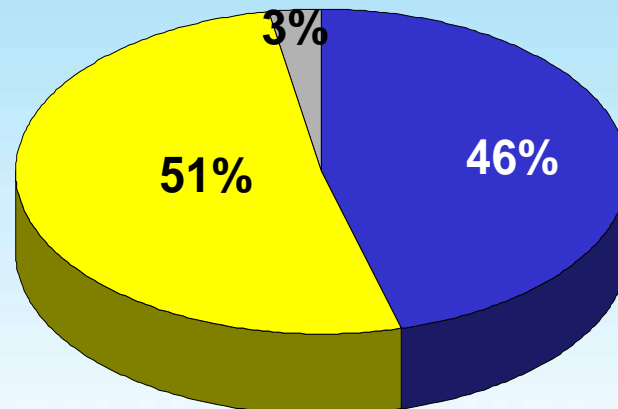
FY2004







FY2005 (restated)



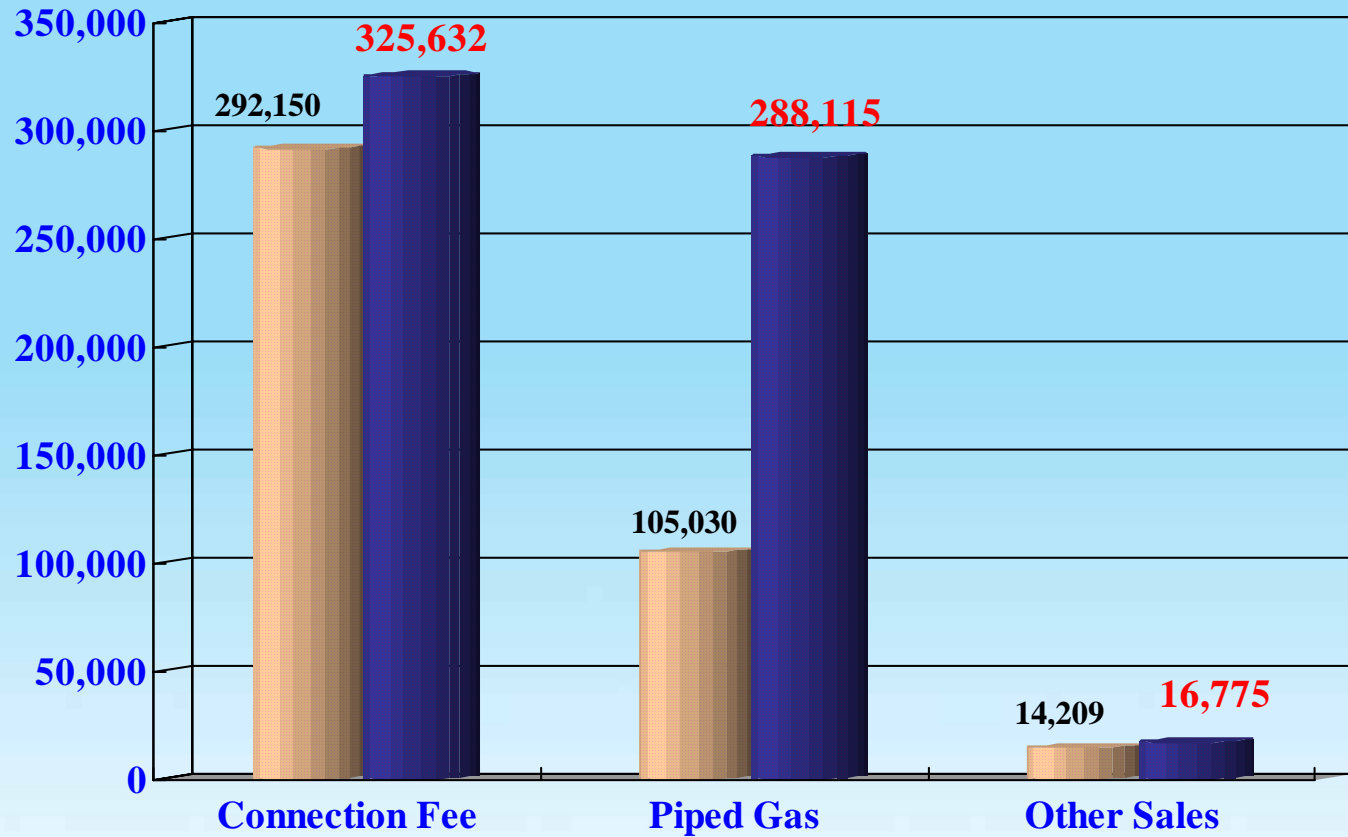
FY2006



-  Connection Fees
-  Sales of Piped Gas
-  Sales of Petroleum
-  Sales of Others

Segmental Turnover

HKD'000



2005 2006

Debt Position

HKD'000	FY2005	FY2006
Short-Term Debt	172,928	345,662
Long-Term Debt	1,283,449	1,910,295
Convertible Bond	0	272,974
Total	1,456,377	2,528,931

Gross Profit Margin

	FY2005	FY2006
Connection Fee	83.7%	82.0%
Natural Gas Sales	6.7%	15.0%
Other Piped Gas Sales	-20.9%	-29.7%
Other Sales	16.9%	16.0%

Profitability Ratios

	FY2005(restated)	FY2006
ROE	11.0%	12.9%
EBITDA Margin	41.9%	43.4%
Operating Margin	35.7%	25.8%
Gross Margin	60.1%	48.4%
Net Margin	32.2%	28.6%

Liquidity and Capital Ratios

	FY2005(restated)	FY2006
Net Gearing	71.8%	38.0%
Current Ratio	3.19	3.38
EBITDA/Interest	6.29	6.19

Major Post Balance Sheet Events



Major Events Since 1 April 2006



❑ Chongqing Gas Project

- Acquired 38.69% equity interest in Chongqing Ding Fat Industries Co., Ltd for RMB62.16m.
- The Company has 40 natural gas wells with total annual capacity of 150m m³ of natural gas, expandable to 650m m³.

❑ Dalian Project, Liaoning Province

- Invested RMB750m for 75% interest in the Dalian city gas network which has a customer base of 650,000 residential and 6,000 industrial and commercial users.

Major Events Since 1 April 2006



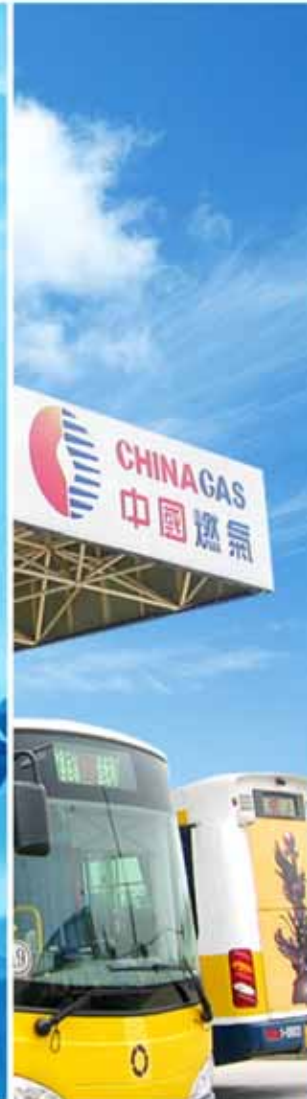
❑ Fushun Project, Liaoning Province

- Invested RMB93.33m for 70% interest in the Fushun city gas network which has a customer base of 189,000 residential and 3,000 industrial and commercial users.

❑ China Gas' Current Portfolio

- 50 city gas concessions and 2 intermediate pipeline projects.
- 1.6 million residential users.
- 11,000 industrial and commercial users.

Major Business Goals in FY2007



FY2007 Business Goals

- ❑ Project portfolio to reach 60 city concessions.
- ❑ Connectible population to reach 35 million.
- ❑ Connected residential customers to reach 2 million families.
- ❑ Daily natural gas consumption to reach 2 million m³.
- ❑ Gas volume to reach 500 million m³.

Disclaimer

Statements in this presentation and handout that are not strictly historical are “forward-looking” statements. Forward-looking statements involve risks and uncertainties, including, but not limited to, continued acceptance of the Company’s product and services in the marketplace, competitive factors, new products and technology changes, the Company’s dependence upon third party suppliers and other risks detailed from time to time in the presentation, handout and other related documents. China Gas is not responsible for the accuracy and completeness of the contents of such presentations and/or other documents. The materials and information in the presentations and other documents are for informational purposes only, and are not an offer or solicitation for the purchase or sale of any securities or financial instruments or to provide any investment service or investment advice.