



[For Immediate Release]

CHINA GAS ANNOUNCES 2007/08 ANNUAL RESULTS

TURNOVER UP 106.4% TO HK\$2,552,075,000

GROSS PROFIT UP 77.7% TO HK\$746,119,000

SALES VOLUME SURGED BY 165.8% TO 1,148,859,000 m³

Financial Highlights

	For the year ended 31 March		
	2008 HK\$'000	2007 HK\$'000 (restated)	Changes
Turnover	2,552,075	1,236,469	+106.4%
Sale of piped gas	1,691,159	750,101	+125.5%
Connection fee	615,282	387,243	+58.9%
Gross profit	746,119	419,764	+77.7%
Other income	187,474	100,093	+87.3%
Provision for contract work and trade receivables	(136,813)	(9,201)	+1,386.9%
EBITDA	784,296	461,438	+70.0%
EBIT	586,977	362,009	+62.1%
Impairment of fair value of derivative financial instruments	(166,884)	(4,307)	+3,774.7%
Profit for the year	166,286	236,249	-29.6%
Profit attributable to shareholders	119,774	200,789	-40.4%
Basic earnings per share (HK cents)	3.73	6.70	-44.3%
Final dividend per share (HK cents)	1.2	1.2	-
Total dividend per share (HKcents)	1.2	1.2	-
	2008 HK\$'000	2007 HK\$'000	Changes
Total assets	11,295,789	7,308,847	+54.5%
Equity interests	3,119,287	2,358,549	+32.3%
Cashflow from operating activities	631,648	169,145	+273.4%
Cash on hand	1,674,641	1,512,347	+10.7%

[Hong Kong – 24 July 2008] Leading PRC piped-gas operator **China Gas Holdings Limited** (“China Gas” or the “Group”; Stock Code 384) announced its annual results for the year ended 31 March 2008, reporting a 106.4% year-on-year surge in turnover to HK\$2,552,075,000 and a 77.7% year-on-year increase of gross profit to HK\$746,119,000. EBIT was HK\$586,977,000, representing a 62.1% growth against last year. According to Hong Kong accounting standards, the Group recorded a reduction of approximately HK\$166,884,000 for the change in fair value of convertible bonds and other derivative financial instruments in the review period. In June 2005, the Group issued convertible bonds in the amount of US\$40,000,000 at an exercise price of HK\$1.731 per share, and US\$38,000,000 worth of convertible bonds were exercised during the review period. Moreover, the Group made a provision of HK\$136,813,000 for amounts due from customers for contract work and trade receivables. **If the non-cash reduction in the fair value of financial derivatives and provisions were not taken into calculation so as to look at the actual operating performance of the Group during the review period, profit after tax for the year was HK\$435,780,000, representing a 74.5% growth against last year. Profit attributable to shareholders for the year grew by 81.6% to HK\$389,268,000. Earnings per share were HK12.13 cents, up by 69.5%.**

The Board proposed to distribute a final dividend of HK1.2 cent per share, representing a dividend payout ratio of 32.2% (2007: 20%).

Connection Fee

During the year, the Group completed natural gas connections for 280,230 households (2007: 164,544 households) and 1,911 industrial & commercial users (2007: 402 users), bringing in a total of HK\$615,282,000 in connection fees, which was 58.9% higher than that of last year. Average connection fee per user increased from RMB2,092 in FY2007 to RMB2,295 for the year, indicative of the consistent connection fee policy in China. The Group supplied gas to accumulatively 2,253,044 residential users and 19,510 industrial & commercial users as at the end of the year under review, up 66.9% and 84.7% respectively against the previous year. Currently, the Group’s piped gas projects cover a connectable city gas supply population of approximately 42,801,000 (approximately 13,329,625 households), representing a year-on-year increase of 33.7%. As at 31 March 2008, the Group’s overall gas penetration rate was only 20.6%, as compared to 60% to 70% in relatively mature markets. This suggests connection fees have strong potential to grow to become a significant source of cash flow and hence a major contributor to the overall income of the Group in the next few years.

Sale of Piped Gas

The Group sold in total 1,148,859,000 m³ of piped gas during the period, approximately 165.8% more than last year. Of the total volume sold, piped natural gas accounted for 1,043,523,000 m³, a leap of 191.7%. Revenue from sale of piped gas, the Group's main revenue contributor, amounted to HK\$1,691,159,000, a marked 125.5% increase when compared with last year, constituting 66.3% of the Group's total turnover versus 60.7% last year. As revenue from sales of piped gas has been increasing consistently year by year, the Group has become less reliant on income from one-off connection fees and is able to build a more balanced revenue structure for its business in the long run.

Of the total volume of natural gas sold, household users accounted for 14.4%, industrial users 64.2%, commercial users 11.3% and CNG vehicle users 10.1%. All the segments reported substantial sales growth, with sales of CNG recording the sharpest year-on-year growth of 364.1% and industrial consumption up by 154.9%.

Healthy Financial Position

As at 31 March 2008, the Group's cash on hand reached HK\$1,674,641,000 (31 March 2007: HK\$1,512,347,000). Current ratio and net gearing ratio were approximately 2.19 (31 March 2007: 1.65) and 1.21 (31 March 2007: 0.74) respectively. The Group was in a very strong cash position, providing it with sufficient capital to satisfy capital expenditure and working capital needs.

New Gas Projects

During the review period, the Group made notable achievements in the aspect of investment in medium to large scale city gas projects. It secured six piped gas projects in cities and regions including Harbin City in Heilongjiang Province, Meizhou City in Guangdong Province, Taizhou City in Zhejiang Province, Bohai New Area in Hebei Province, Yulin City in Shaanxi Province and Sujiatun district in Shenyang City of Liaoning Province, together with the five projects acquired by the Group recently, taking the Group's total number of gas projects reached 68.

To address shortage of natural gas supply in China, the Group has been actively pursuing middle and upstream natural gas exploration and distribution projects. During the year, the Group's high pressure long distance natural gas pipeline transmission projects increased to six, including two new lines in the Inner Mongolia Autonomous Region and Hebei Province. The former of the two has an annual gas

transmission capacity of 1,200,000,000 m³.

The Group also secured a coal bed methane project in Ordos City in the Inner Mongolia Autonomous Region. The project covers a total area of 2,440 sq. km. and has a coal bed methane reserve of 110 billion m³ to 300 billion m³. In addition, the Group acquired Zhejiang Zhongyou Hua Dian Energy Co. Ltd. (浙江中油華電能源公司), the largest LPG distributor in China, making it the gas operator with the largest distribution network in the country.

To expand the Group's business network and make the best use of resources of shareholders and strategic partners, the Group signed a joint venture agreements with strategic shareholder GAIL (India) Limited and Oman Oil Company, S. A. O. C. (Oman Oil) respectively during the financial year to undertake gas projects in China such as CNG refilling, the coal bed methane project as well as the licence to import fuel products in China. Also, the joint venture formed by the Group and another strategic partner SK Group in Korea had secured two city gas projects in Taizhou City and Jinhua City, Zhejiang Province. Besides leveraging on the solid experience and advanced technologies of its partners, China Gas will also make use of their well established energy networks to import fuel products from the Middle East for distribution in China. These businesses are expected to generate lucrative profits for the Group.

Mr. Liu Ming Hui, Managing Director of China Gas, said, "Looking ahead, we will continue to put our focus on city gas projects while looking for investment opportunities in coal bed methane business, natural gas long distance pipelines, as well as energy imports. We are committed to enhancing the living standard of Chinese citizens, and will spare no effort in improving corporate governance standards and reducing costs of operations, thereby creating the best value for shareholders."

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Note: Webcast of the FY2008 annual results announcement of China Gas Holdings Limited will be available after 9:00 pm HK time today on its website <http://www.chinagasholdings.com.hk>

About China Gas

China Gas Holdings Limited ("China Gas", stock code: 384) is a natural gas services operator, principally engaging in the investment, construction and management of city gas pipeline infrastructure, distribution of natural gas and LPG to residential, industrial and commercial users, construction and operation of oil stations and gas stations, and development and application of oil, natural gas and LPG related technologies. Major shareholders of the Company include the Haixia Economy and Technology Cooperation Centre under the Taiwan Affairs Office of the State Council of China, Asian Development Bank, Sinopec, the second largest oil and gas

company in China, and Gail (India) Limited, the largest natural gas company in India under the control of Indian federal government, and Oman Oil Company, S. A. O. C., and SK Group, the largest energy company in Korea.. To date, China Gas owns a total of 78 natural gas projects, including exclusive piped gas development rights in 68 cities and region, six natural gas pipeline transmission projects, one natural gas exploration project, one natural gas purification project, and one coal bed methane project, as well as the license to import and export LNG and other fuel products in China.

More information about the Group, its products and services may be obtained at <http://www.chinagasholdings.com.hk>.

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