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CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 384)

MAJOR AND CONNECTED TRANSACTIONS:

(1) ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF GREAT SUN INVESTMENTS CO. LTD.; AND

**(2) ACQUISITION OF EQUITY INTERESTS IN HANCHUAN JIAXU GAS CO. LTD.,
YUMENG JIAXU GAS CO. LTD., YINGCHENG JIAXU GAS CO. LTD.
AND XIAOGAN JIAXU GAS CO. LTD.**

On 19 August 2004, the Company entered into the Great Sun Agreement with Famestar in relation to (i) the acquisition of the entire issued share capital of Great Sun; and (ii) the acquisition of the entire shareholder's loan owing by Great Sun to Famestar as at completion of the Great Sun Agreement, for an aggregate consideration of RMB81,600,000 (equivalent to approximately HK\$77,714,000).

On the same date, Shenzhen Natural Gas, a wholly owned subsidiary of the Company, entered into the Share Transfer Agreements with Beijing YLC in relation to the acquisition of 10% equity interests in Hanchuan Jiaxu, Yumeng Jiaxu, Yingcheng Jiaxu and Xiaogan Jiaxu, all of which are currently 65% owned subsidiaries of the Company.

Pursuant to the Hanchuan Agreement, Shenzhen Natural Gas agreed to acquire and Beijing YLC agreed to sell 10% equity interests in Hanchuan Jiaxu for a consideration of RMB3,730,000 (equivalent to approximately HK\$3,552,000). Pursuant to the Xiaogan Agreement, Shenzhen Natural Gas agreed to acquire and Beijing YLC agreed to sell 10% equity interests in Xiaogan Jiaxu for a consideration of RMB5,330,000 (equivalent to approximately HK\$5,076,000). Pursuant to the Yingcheng Agreement, Shenzhen Natural Gas agreed to acquire and Beijing YLC agreed to sell 10% equity interests in Yingcheng Jiaxu for a consideration of RMB5,330,000 (equivalent to approximately HK\$5,076,000). Pursuant to the Yumeng Agreement, Shenzhen Natural Gas agreed to acquire and Beijing YLC agreed to sell 10% equity interests in Yumeng Jiaxu for a consideration of RMB3,310,000 (equivalent to approximately HK\$3,152,000).

Upon completion of the Great Sun Acquisition and the JV Acquisition, Hanchuan Jiaxu, Yumeng Jiaxu, Yingcheng Jiaxu and Xiaogan Jiaxu will become wholly owned subsidiaries of the Company, while Xiaogan Zhenrong will become a 55% owned subsidiary of the Company.

The Great Sun Acquisition and the JV Acquisition, when aggregated with the Clever Decision Acquisition, constitute e-major transactions on the part of the Company under Rule 14.06 of the Listing Rules.

Since Famestar is the holding company of Great Sun, a substantial shareholder of Hanchuan Jiaxu, Yumeng Jiaxu, Yingcheng Jiaxu, Xiaogan Jiaxu and Xiaogan Zhenrong, all being non-wholly owned subsidiaries of the Company, Famestar is regarded as a connected person of the Company as defined under the Listing Rules.

Since Beijing YLC is a substantial shareholder of Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu, Yumeng Jiaxu and Xiaogan Zhenrong, all being non-wholly owned subsidiaries of the Company, Beijing YLC is also regarded as a connected person of the Company as defined under the Listing Rules.

Accordingly, the Great Sun Acquisition and the JV Acquisition also constitute connected transactions on the part of the Company under Rule 14A.13 of the Listing Rules and will be subject to, among other things, the approval of the Independent Shareholders at the SGM.

The SGM will be convened and held to consider and, if thought fit, to approve, among other things, the Great Sun Agreement, the Share Transfer Agreements and the transactions contemplated thereunder.

The Independent Board Committee comprising Mr. Zhao Yu Hua, Dr. Mao Er Wan and Ms. Wong Sin Yue, Cynthia, being all the independent non-executive Directors, will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Great Sun Acquisition and the JV Acquisition, and whether the Great Sun Acquisition and the JV Acquisition are in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Great Sun Acquisition, the JV Acquisition, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation from the Independent Board Committee to the Independent Shareholders, the accountants' reports on Great Sun, Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu and Yumeng Jiaxu, the information regarding the Group and the notice of the SGM will be despatched to the Shareholders within 21 days after the publication of this announcement.

Trading in Shares on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on 20 August 2004 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares at 9:30 a.m. on 24 August 2004.

THE GREAT SUN ACQUISITION

On 19 August 2004, the Great Sun Agreement was entered into in respect of the Great Sun Acquisition.

The Great Sun Agreement

Date	:	19 August 2004
Parties	:	(1) Vendor : Famestar (2) Purchaser : the Company
Subject assets	:	(1) 1,000 shares of US\$1.00 each in the share capital of Great Sun, representing its entire issued share capital; and (2) the entire shareholder's loan owing by Great Sun to Famestar as at completion of the Great Sun Agreement. The outstanding amount of which as at 31 March 2004 was approximately RMB15,291,700 (equivalent to approximately HK\$14,564,000).
Consideration	:	(1) The consideration for the sale and purchase of 1,000 shares of Great Sun is RMB66,308,300 (equivalent to approximately HK\$63,151,000); and

- (2) the consideration for the sale and purchase of the Sale Loan is RMB15,291,700 (equivalent to approximately HK\$14,564,000).

The said consideration shall be payable by the Company to Famestar in cash upon completion of the Great Sun Agreement.

The terms and conditions of the Great Sun Agreement were determined after arm's length negotiations between the parties, in particularly, with reference to the unaudited net asset value of Great Sun as at 31 March 2004, the historical performance of Great Sun and the face value of the Sale Loan. The Directors (excluding the independent non-executive Directors whose opinions are subject to the advice of the IFA) consider that the terms and conditions of the Great Sun Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information on Famestar

Famestar is an investment holding company established in the British Virgin Islands with limited liability.

Since Famestar is the holding company of Great Sun, a substantial shareholder of Hanchuan Jiaxu, Yumeng Jiaxu, Yingcheng Jiaxu, Xiaogan Jiaxu and Xiaogan Zhenrong, all being non-wholly owned subsidiaries of the Company, Famestar is regarded as a connected person of the Company as defined under the Listing Rules. Save as being the holding company of Great Sun, Famestar does not have any other relationship with any member of the Group.

Conditions

The Great Sun Agreement is conditional upon the following conditions having been fulfilled:

- (i) the passing of the necessary resolution by the Independent Shareholders at the SGM to approve the Great Sun Agreement and the transactions contemplated thereunder;
- (ii) all necessary approvals, consents and authorisations required to be obtained in relation to the Great Sun Agreement and the transactions contemplated thereunder having been obtained; and
- (iii) the warranties, representations and undertakings given by Famestar remaining true and accurate in all respects.

In the event that the conditions of the Great Sun Agreement have not been fulfilled in full (or as the case may be, waived by the Company) by 31 October 2004 or such later date as the Company may agree, the Great Sun Agreement shall cease and determine and none of the parties thereof shall have any obligations and liabilities under the Great Sun Agreement save for antecedent breaches of the provisions of the Great Sun Agreement.

Completion

Completion of the Great Sun Agreement is not conditional upon the completion of any of the Share Transfer Agreements and will take place on the third business day (or such later date as the Company may agree) after all the conditions of the Great Sun Agreement are fulfilled or waived.

THE JV ACQUISITION

On 19 August 2004, the Hanchuan Agreement, the Xiaogan Agreement, the Yingcheng Agreement and the Yumeng Agreement were entered into in respect of the JV Acquisition.

The Hanchuan Agreement

Date : 19 August 2004

Parties : (1) Vendor : Beijing YLC
(2) Purchaser : Shenzhen Natural Gas

- Subject assets : 10% equity interests in Hanchuan Jiaxu
- Consideration : The consideration for the sale and purchase of 10% equity interests in Hanchuan Jiaxu is RMB3,730,000 (equivalent to approximately HK\$3,552,000), of which:
- (1) RMB373,000 (equivalent to approximately HK\$355,000) shall be payable by Shenzhen Natural Gas within 10 business days after (i) the fulfilment of the conditions to the Hanchuan Agreement; and (2) the delivery by Beijing YLC of all relevant documents for registration of the transfer; and
 - (2) RMB3,357,000 (equivalent to approximately HK\$3,197,000) shall be payable by Shenzhen Natural Gas within 10 business days after completion of the Hanchuan Agreement.

The terms and conditions of the Hanchuan Agreement were determined after arm's length negotiations between the parties, in particularly, with reference to the unaudited net asset value of Hanchuan Jiaxu as at 31 March 2004 and the historical performance of Hanchuan Jiaxu. The Directors (excluding the independent non-executive Directors whose opinions are subject to the advice of the IFA) consider that the terms and conditions of the Hanchuan Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Xiaogan Agreement

- Date : 19 August 2004
- Parties : (1) Vendor : Beijing YLC
(2) Purchaser : Shenzhen Natural Gas
- Subject assets : 10% equity interests in Xiaogan Jiaxu
- Consideration : The consideration for the sale and purchase of 10% equity interests in Xiaogan Jiaxu is RMB5,330,000 (equivalent to approximately HK\$5,076,000), of which:
- (1) RMB533,000 (equivalent to approximately HK\$508,000) shall be payable by Shenzhen Natural Gas within 10 business days after (i) the fulfilment of the conditions to the Xiaogan Agreement; and (2) the delivery by Beijing YLC of all relevant documents for registration of the transfer; and
 - (2) RMB4,797,000 (equivalent to approximately HK\$4,569,000) shall be payable by Shenzhen Natural Gas within 10 business days after completion of the Xiaogan Agreement.

The terms and conditions of the Xiaogan Agreement were determined after arm's length negotiations between the parties, in particularly, with reference to the unaudited net asset value of Xiaogan Jiaxu as at 31 March 2004 and the historical performance of Xiaogan Jiaxu. The Directors (excluding the independent non-executive Directors whose opinions are subject to the advice of the IFA) consider that the terms and conditions of the Xiaogan Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Yingcheng Agreement

- Date : 19 August 2004
- Parties : (1) Vendor : Beijing YLC
(2) Purchaser : Shenzhen Natural Gas

Subject assets	:	10% equity interests in Yingcheng Jiaxu
Consideration	:	The consideration for the sale and purchase of 10% equity interests in Yingcheng Jiaxu is RMB5,330,000 (equivalent to approximately HK\$5,076,000), of which: <ul style="list-style-type: none"> (1) RMB533,000 (equivalent to approximately HK\$508,000) shall be payable by Shenzhen Natural Gas within 10 business days after (i) the fulfilment of the conditions to the Yingcheng Agreement; and (2) the delivery by Beijing YLC of all relevant documents for registration of the transfer; and (2) RMB4,797,000 (equivalent to approximately HK\$4,569,000) shall be payable by Shenzhen Natural Gas within 10 business days after completion of the Yingcheng Agreement.

The terms and conditions of the Yingcheng Agreement were determined after arm's length negotiations between the parties, in particularly, with reference to the unaudited net asset value of Yingcheng Jiaxu as at 31 March 2004 and the historical performance of Yingcheng Jiaxu. The Directors (excluding the independent non-executive Directors whose opinions are subject to the advice of the IFA) consider that the terms and conditions of the Yingcheng Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Yumeng Agreement

Date	:	19 August 2004
Parties	:	(1) Vendor : Beijing YLC (2) Purchaser : Shenzhen Natural Gas
Subject assets	:	10% equity interests in Yumeng Jiaxu
Consideration	:	The consideration for the sale and purchase of 10% equity interests in Yumeng Jiaxu is RMB3,310,000 (equivalent to approximately HK\$3,152,000), of which: <ul style="list-style-type: none"> (1) RMB331,000 (equivalent to approximately HK\$315,000) shall be payable by Shenzhen Natural Gas within 10 business days after (i) the fulfilment of the conditions to the Yumeng Agreement; and (2) the delivery by Beijing YLC of all relevant documents for registration of the transfer; and (2) RMB2,979,000 (equivalent to approximately HK\$2,837,000) shall be payable by Shenzhen Natural Gas within 10 business days after completion of the Yumeng Agreement.

The terms and conditions of the Yumeng Agreement were determined after arm's length negotiations between the parties, in particularly, with reference to the unaudited net asset value of Yumeng Jiaxu and the historical performance of Yumeng Jiaxu. The Directors (excluding the independent non-executive Directors whose opinions are subject to the advice of the IFA) consider that the terms and conditions of the Yumeng Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information on Beijing YLC

Beijing YLC is a company established in the PRC with limited liability. Beijing YLC is principally engaged in the investment and development of natural gas technology, technology transfer, technology training and technology services.

Since Beijing YLC is a substantial shareholder holding 10% equity interests in each of Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu and Yumeng Jiaxu and 45% equity interests in Xiaogan Zhenrong, all being non-wholly owned subsidiaries of the Company, Beijing YLC is regarded as a connected person of the Company as defined under the Listing Rules. Save as being the substantial shareholder of Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu, Yumeng Jiaxu and Xiaogan Zhenrong, Beijing YLC does not have any other relationship with any member of the Group.

Conditions

The Share Transfer Agreements are conditional upon the following conditions having been fulfilled:

- (i) in respect of the Hanchuan Agreement, the passing of the necessary resolution by the Independent Shareholders at the SGM to approve the Hanchuan Agreement and the transactions contemplated thereunder;
- (ii) in respect of the Xiaogan Agreement, the passing of the necessary resolution by the Independent Shareholders at the SGM to approve the Xiaogan Agreement and the transactions contemplated thereunder;
- (iii) in respect of the Yingcheng Agreement, the passing of the necessary resolution by the Independent Shareholders at the SGM to approve the Yingcheng Agreement and the transactions contemplated thereunder;
- (iv) in respect of the Yumeng Agreement, the passing of the necessary resolution by the Independent Shareholders at the SGM to approve the Yumeng Agreement and the transactions contemplated thereunder; and
- (v) in respect of the Share Transfer Agreements, all necessary approvals, consents and authorisations required to be obtained in relation to the Share Transfer Agreements and the transactions contemplated thereunder having been obtained.

No long stop date is specified in the Share Transfer Agreements.

Completion

Subject to the fulfilment of the conditions of the Share Transfer Agreements, completion of the Share Transfer Agreements shall take place on the date on which the transfers contemplated under the Share Transfer Agreements are registered with the relevant government authorities. Completion of the Share Transfer Agreements is not conditional upon completion of each other or the Great Sun Agreement.

Upon completion of the Share Transfer Agreements, Beijing YLC will cease to have any equity interests in Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu and Yumeng Jiaxu while continuing to hold 45% equity interests in Xiaogan Zhenrong. Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu and Yumeng Jiaxu will become wholly owned foreign enterprises and wholly owned subsidiaries of the Company.

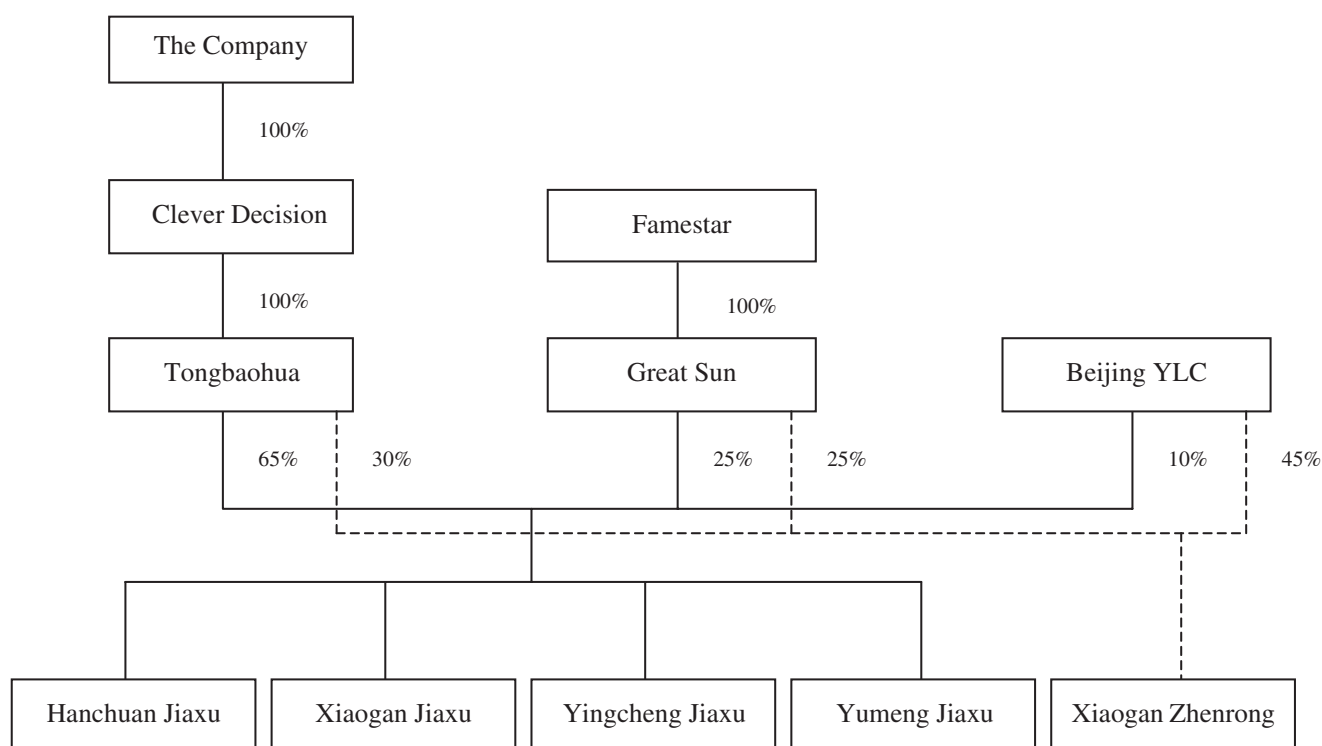
SOURCE OF FUNDING

The consideration for the Great Sun Acquisition and the JV Acquisition will be financed by the Group's internal resources.

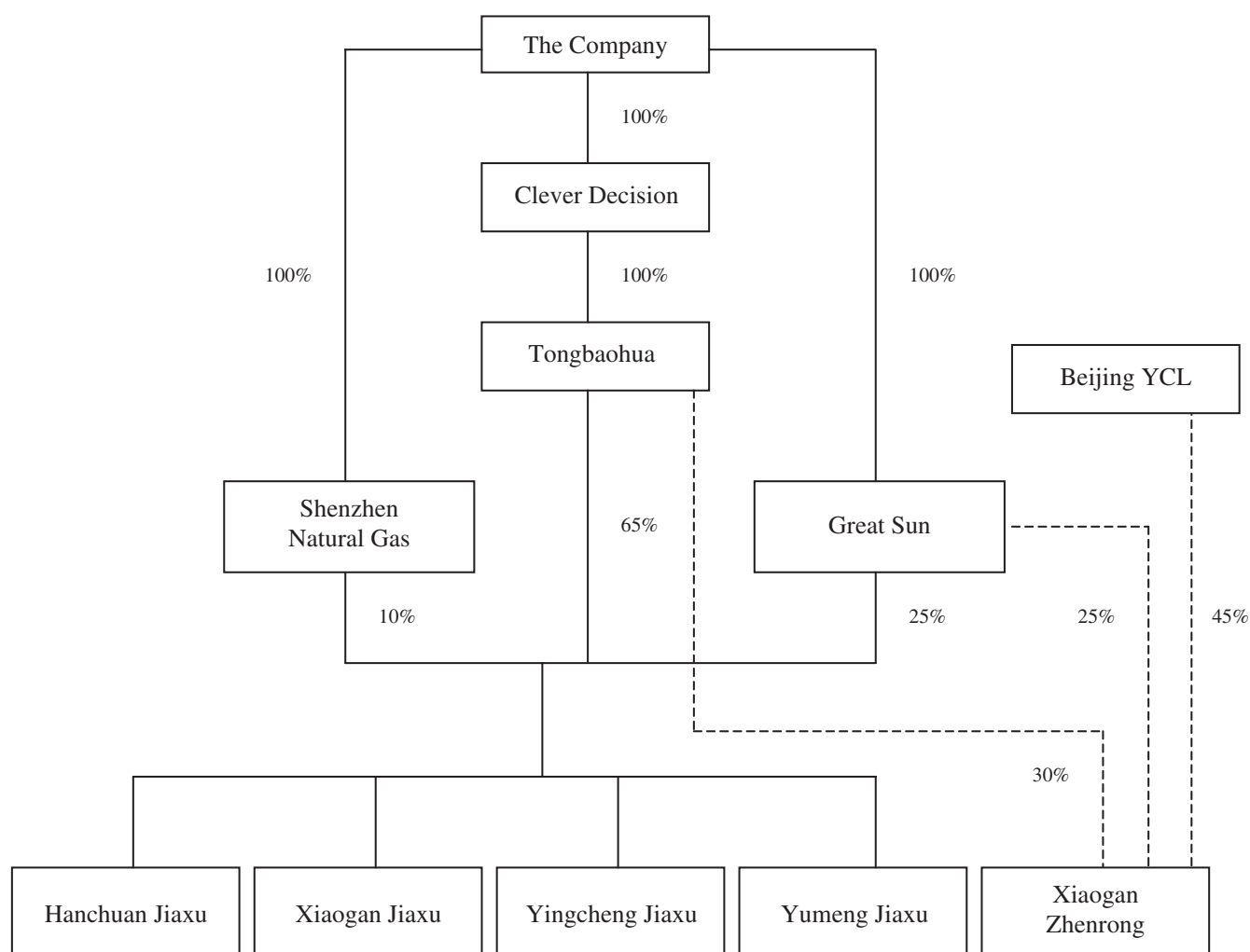
SHAREHOLDING STRUCTURE

The charts below set out the shareholding structure of Great Sun and the Five Joint Ventures before and after completion of the Great Sun Acquisition and the JV Acquisition:

Before completion of the Great Sun Acquisition and the JV Acquisition



After completion of the Great Sun Acquisition and the JV Acquisition



INFORMATION ON GREAT SUN

Great Sun is an investment holding company incorporated in the British Virgin Islands with limited liability. The principal asset of Great Sun is the holding of 25% equity interests in each of Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu, Yumeng Jiaxu and Xiaogan Zhenrong.

Based on the unaudited management accounts of Great Sun for the period commencing from 16 October 2002 (the date of incorporation of Great Sun) to 31 March 2004, the unaudited profits before and after taxation of Great Sun for the period from 16 October 2002 to 31 March 2004 were both approximately RMB10,907,000 (equivalent to approximately HK\$10,388,000). As at 31 March 2004, the unaudited net assets of Great Sun was approximately RMB10,916,000 (equivalent to approximately HK\$10,396,000).

INFORMATION ON THE FIVE JOINT VENTURES

Hanchuan Jiaxu

Hanchuan Jiaxu is a Chinese-foreign equity joint venture established in the PRC on 27 November 2002 and is principally engaged in the construction of natural gas pipeline network and the distribution and sale of natural gas in Hanchuan City, Hubei Province, the PRC. Hanchuan Jiaxu has a tenure of 30 years. Hanchuan Jiaxu will be converted into a wholly foreign owned enterprise upon completion of the Hanchuan Agreement.

The registered capital of Hanchuan Jiaxu is RMB7,000,000 (equivalent to approximately HK\$6,667,000), which is contributed as to 65% (being RMB4,550,000, equivalent to approximately HK\$4,333,000) by Tongbaohua, as to 25% (being RMB1,750,000, equivalent to approximately HK\$1,667,000) by Great Sun and as to the remaining 10% (being RMB700,000, equivalent to approximately HK\$667,000) by Beijing YLC.

As at the date of this announcement, each of Tongbaohua, Great Sun and Beijing YLC has fully contributed towards the registered capital of Hanchuan Jiaxu in accordance with their respective capital contribution ratios. Save for the above capital contribution, none of Tongbaohua, Great Sun nor Beijing YLC has advanced any shareholder's loan to Hanchuan Jiaxu.

The board of directors of Hanchuan Jiaxu currently consists of three directors. Upon completion of the Hanchuan Agreement, the existing director nominated by Beijing YLC will resign and the Group will appoint an additional representative to the board of directors of Hanchuan Jiaxu. Thereafter, all members of the board will be nominated by the Group.

Hanchuan Jiaxu was accounted for as a subsidiary of the Company in the audited consolidated financial statements of the Group for the year ended 31 March 2004. Based on the unaudited management accounts of Hanchuan Jiaxu for the period commencing from 27 November 2002 to 31 March 2004, the unaudited profits before and after taxation of Hanchuan Jiaxu were both approximately RMB15,792,191 (equivalent to approximately HK\$15,040,182). As at 31 March 2004, the unaudited net assets of Hanchuan Jiaxu was approximately RMB22,797,000 (equivalent to approximately HK\$21,712,000).

Xiaogan Jiaxu

Xiaogan Jiaxu is a Chinese-foreign equity joint venture established in the PRC on 22 August 2003 and is principally engaged in the construction of natural gas pipeline network and the distribution and sale of natural gas in Xiaogan City, Hubei Province, the PRC. Xiaogan Jiaxu has a tenure of 30 years. Xiaogan Jiaxu will be converted into a wholly foreign owned enterprise upon completion of Xiaogan Agreement.

The registered capital of Xiaogan Jiaxu is RMB10,000,000 (equivalent to approximately HK\$9,524,000), which is contributed as to 65% (being RMB6,500,000, equivalent to approximately HK\$6,190,000) by Tongbaohua, as to 25% (being RMB2,500,000, equivalent to approximately HK\$2,381,000) by Great Sun and as to the remaining 10% (being RMB1,000,000, equivalent to approximately HK\$952,000) by Beijing YLC.

As at the date of this announcement, each of Tongbaohua, Great Sun and Beijing YLC has fully contributed towards the registered capital of Xiaogan Jiaxu in accordance with their respective capital contribution ratios. Save for the above capital contribution, none of Tongbaohua, Great Sun nor Beijing YLC has advanced any shareholder's loan to Xiaogan Jiaxu.

The board of directors of Xiaogan Jiaxu currently consists of three directors. Upon completion of the Xiaogan Agreement, the existing director nominated by Beijing YLC will resign and the Group will appoint an additional representative to the board of directors of Xiaogan Jiaxu. Thereafter, all members of the board will be nominated by the Group.

Xiaogan Jiaxu was accounted for as a subsidiary of the Company in the audited consolidated financial statements of the Group for the year ended 31 March 2004. Based on the unaudited management accounts of Xiaogan Jiaxu for the period commencing from 22 August 2003 to 31 March 2004, the unaudited profits before and after taxation of Xiaogan Jiaxu were both approximately RMB14,187,135 (equivalent to approximately HK\$13,511,557). As at 31 March 2004, the unaudited net assets of Xiaogan Jiaxu was approximately RMB24,194,000 (equivalent to approximately HK\$23,042,000).

Yingcheng Jiaxu

Yingcheng Jiaxu is a Chinese-foreign equity joint venture established in the PRC on 27 November 2002 and is principally engaged in the construction of natural gas pipeline network and the distribution and sale of natural gas in Yingcheng City, Hubei Province, the PRC. Yingcheng Jiaxu has a tenure of 30 years. Yingcheng Jiaxu will be converted into a wholly foreign owned enterprise upon completion of Yingcheng Agreement.

The registered capital of Yingcheng Jiaxu is RMB10,000,000 (equivalent to approximately HK\$9,524,000), which is contributed as to 65% (being RMB6,500,000, equivalent to approximately HK\$6,190,000) by Tongbaohua, as to 25% (being RMB2,500,000, equivalent to approximately HK\$2,381,000) by Great Sun and as to the remaining 10% (being RMB1,000,000, equivalent to approximately HK\$952,000) by Beijing YLC.

As at the date of this announcement, each of Tongbaohua, Great Sun and Beijing YLC has fully contributed towards the registered capital of Yingcheng Jiaxu in accordance with their respective capital contribution ratios. Save for the above capital contribution, none of Tongbaohua, Great Sun nor Beijing YLC has advanced any shareholder's loan to Yingcheng Jiaxu.

The board of directors of Yingcheng Jiaxu currently consists of three directors. Upon completion of the Yingcheng Agreement, the existing director nominated by Beijing YLC will resign and the Group will appoint an additional representative to the board of directors of Yingcheng Jiaxu. Thereafter, all members of the board will be nominated by the Group.

Yingcheng Jiaxu was accounted for as a subsidiary of the Company in the audited consolidated financial statements of the Group for the year ended 31 March 2004. Based on the unaudited management accounts of Yingcheng Jiaxu for the period commencing from 27 November 2002 to 31 March 2004, the unaudited profits before and after taxation of Yingcheng Jiaxu were both approximately RMB9,963,568 (equivalent to approximately HK\$9,489,112). As at 31 March 2004, the unaudited net assets of Yingcheng Jiaxu was approximately RMB19,971,000 (equivalent to approximately HK\$19,020,000).

Yumeng Jiaxu

Yumeng Jiaxu is a Chinese-foreign equity joint venture established in the PRC on 27 November 2002 and is principally engaged in the construction of natural gas pipeline network and the distribution and sale of natural gas in Yumeng City, Hubei Province, the PRC. Yumeng Jiaxu has a tenure of 30 years. Yumeng Jiaxu will be converted into a wholly foreign owned enterprise upon completion of the Yumeng Agreement.

The registered capital of Yumeng Jiaxu is RMB6,200,000 (equivalent to approximately HK\$5,905,000), which is contributed as to 65% (being RMB4,030,000, equivalent to approximately HK\$3,838,000) by Tongbaohua, as to 25% (being RMB1,550,000, equivalent to approximately HK\$1,476,000) by Great Sun and as to the remaining 10% (being RMB620,000, equivalent to approximately HK\$590,000) by Beijing YLC.

As at the date of this announcement, each of Tongbaohua, Great Sun and Beijing YLC has fully contributed towards the registered capital of Yumeng Jiaxu in accordance with their respective capital contribution ratios. Save for the above capital contribution, none of Tongbaohua, Great Sun nor Beijing YLC has advanced any shareholder's loan to Yumeng Jiaxu.

The board of directors of Yumeng Jiaxu currently consists of three directors. Upon completion of the Yumeng Agreement, the existing director nominated by Beijing YLC will resign and the Group will appoint an additional representative to the board of directors of Yumeng Jiaxu. Thereafter, all members of the board will be nominated by the Group.

Yumeng Jiaxu was accounted for as a subsidiary of the Company in the audited consolidated financial statements of the Group for the year ended 31 March 2004. Based on the unaudited management accounts of Yumeng Jiaxu for the period commencing from 27 November 2002 to 31 March 2004, the unaudited profits before and after taxation of Yumeng Jiaxu were both approximately RMB13,709,227 (equivalent to approximately HK\$13,056,407). As at 31 March 2004, the unaudited net assets of Yumeng Jiaxu was approximately RMB19,914,000 (equivalent to approximately HK\$18,965,000).

Xiaogan Zhenrong

Xiaogan Zhenrong is a Chinese-foreign equity joint venture established in the PRC on 27 November 2002 and is principally engaged in the construction of main trunk gas pipeline in Changfu (常福) station, Wuhan of the "Zhong-Wu" (忠-武) line connecting the natural gas network in Xiaogan City, Hanchuan City, Yingcheng City and Yumeng City, Hubei Province, the PRC, for the eastern transmission of Xichuan gas (川氣), and the distribution and sale of natural gas to Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu and Yumeng Jiaxu which are then responsible for the construction of natural gas pipeline network and the distribution and sale of natural gas within the respective cities.

The registered capital of Xiaogan Zhenrong is RMB28,000,000 (equivalent to approximately HK\$26,667,000), which is contributed as to 30% (being RMB8,400,000, equivalent to HK\$8,000,000) by Tongbaohua, as to 25% (being RMB7,000,000, equivalent to approximately HK\$6,667,000) by Great Sun and as to the remaining 45% (being RMB12,600,000, equivalent to HK\$12,000,000) by Beijing YLC.

As at the date of this announcement, each of Tongbaohua, Great Sun and Beijing YLC has fully contributed towards the registered capital of Xiaogan Zhenrong in accordance with their respective capital contribution ratios. Save for the above capital contribution, none of Tongbaohua, Great Sun nor Beijing YLC has advanced any shareholder's loan to Xiaogan Zhenrong.

The board of directors of Xiaogan Zhenrong currently consists of three directors, one of whom are appointed by Tongbaohua, one of whom are appointed by Great Sun and one of whom are appointed by Beijing YLC. The chairman of the board of directors of Xiaogan Zhenrong is appointed by Tongbaohua. The composition of the board of directors of Xiaogan Zhenrong will remain unchanged after completion of the Great Sun Agreement.

Since the Group is able to control the composition of the board of directors of Xiaogan Zhenrong, Xiaogan Zhenrong was accounted for as a subsidiary of the Company in the audited consolidated financial statements of the Group for the year ended 31 March 2004. Based on the unaudited management accounts of Xiaogan Zhenrong for the period commencing from 27 November 2002 to 31 March 2004, the unaudited loss of Xiaogan Zhenrong was approximately RMB10,021,000 (equivalent to approximately HK\$9,544,000). As at 31 March 2004, the unaudited net assets of Xiaogan Zhenrong was approximately RMB17,999,000 (equivalent to approximately HK\$17,142,300).

GAS PROJECTS OPERATED BY THE FIVE JOINT VENTURES

Xiaogan Zhenrong is principally engaged in the construction of main trunk gas pipeline in Changfu (常福) station, Wuhan of the “Zhong-Wu” (忠-武) line connecting the natural gas network in Xiaogan City, Hanchuan City, Yingcheng City and Yumeng City, Hubei Province, the PRC, for the eastern transmission of Xichuan gas (川氣), and the distribution and sale of natural gas to Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu and Yumeng Jiaxu, which are then responsible for the construction of natural gas pipeline network and the distribution and sale of natural gas within the respective cities.

In November 2003, Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu and Yumeng Jiaxu were granted exclusive rights by the respective local governments to operate gas project as the sole operator in the construction of gas pipelines and the distribution and supply of natural gas in the respective cities for a period of up to 30 years. No exclusive operation right has been granted to Xiaogan Zhenrong.

Xiaogan Zhenrong is responsible for the construction of natural gas pipeline passing through Hanjing (漢江), Han Beihe (漢北河) and Fuhe (府河). The total length of the pipeline is 145 kilometres and such pipeline is expected to be completed by the end of 2005. The annual gas transmission capacity of the pipeline will be 336,490,000 cubic metres, and with pressurised function, the annual gas transmission capacity will reach 700,000,000 cubic metres in the long run.

Before the establishment of Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu and Yumeng Jiaxu, no natural gas pipeline has been constructed in Xiaogan City, Hanchuan City, Yingcheng City and Yumeng City, Hubei Province, the PRC. Most of the residents in these cities are petroleum gas and coal subscribers. Given the increasing awareness of environmental protection in the PRC, the Directors consider that the demand for natural gas in the PRC will be surging as natural gas is considered as an environmental friendly energy.

REASONS FOR THE ACQUISITION

The Group is principally engaged in investment in, among other things, natural gas/energy in the PRC.

In July 2003, the Company acquired 30% equity interests in Clever Decision for a consideration of HK\$8,440,000.

As set out in the announcement of the Company dated 11 February 2004 and the circular of the Company dated 23 February 2004, the Company acquired a further 70% equity interests in Clever Decision and the shareholder's loan owed by Clever Decision, for a consideration of RMB106,242,000 (equivalent to approximately HK\$101,183,000).

As at the date of this announcement, Clever Decision is a wholly owned subsidiary of the Company. The principal asset of Clever Decision is the holding of the entire equity interests in Tongbaohua, a wholly foreign owned enterprise established in the PRC. The principal asset of Tongbaohua is in turn the holding of 65% equity interests in Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu and Yumeng Jiaxu, and 30% equity interests in Xiaogan Zhenrong.

After completion of the Great Sun Acquisition and the JV Acquisition, Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu and Yumeng Jiaxu will become wholly owned subsidiaries of the Company, while Xiaogan Zhenrong will become a 55% owned subsidiary of the Company.

The Directors consider that the Great Sun Acquisition and the JV Acquisition offer the Group a good business opportunity to further invest in natural gas business which is in line with the Group's objective of developing and investing in natural gas projects in the PRC.

In view of the growing demand for natural gas and the results and performance of the Five Joint Ventures, the Directors believe that the Great Sun Acquisition and the JV Acquisition provide the Group with an opportunity to further increase its investment interests in the Five Joint Ventures with a view to further capitalising upon the growing natural gas market in the PRC.

LISTING RULES IMPLICATION

The Great Sun Acquisition and the JV Acquisition, when aggregated with the Clever Decision Acquisition, constitute major transactions on the part of the Company under Rule 14.06 of the Listing Rules.

Since Famestar is the holding company of Great Sun, a substantial shareholder of Hanchuan Jiaxu, Yumeng Jiaxu, Yingcheng Jiaxu, Xiaogan Jiaxu and Xiaogan Zhenrong, all being non-wholly owned subsidiaries of the Company, Famestar is regarded as a connected person of the Company as defined under the Listing Rules.

Since Beijing YLC is a substantial shareholder of Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu, Yumeng Jiaxu and Xiaogan Zhenrong, all being non-wholly owned subsidiaries of the Company, Beijing YLC is also regarded as a connected person of the Company as defined under the Listing Rules.

Accordingly, the Great Sun Acquisition and the JV Acquisition also constitute connected transactions on the part of the Company under Rule 14A.13 of the Listing Rules and will be subject to, among other things, the approval of the Independent Shareholders at the SGM.

SGM

The SGM will be convened and held to consider and, if thought fit, to approve, among other things, the Great Sun Agreement, the Share Transfer Agreements and the transactions contemplated thereunder.

The Independent Board Committee comprising Mr. Zhao Yu Hua, Dr. Mao Er Wan and Ms. Wong Sin Yue, Cynthia, being all the independent non-executive Directors, will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Great Sun Acquisition and the JV Acquisition, and whether the Great Sun Acquisition and the JV Acquisition are in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL INFORMATION

A circular containing, among other things, details of the Great Sun Acquisition, the JV Acquisition, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation from the Independent Board Committee to the Independent Shareholders, the accountants' reports on Great Sun, Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu and Yumeng Jiaxu, the information regarding the Group and the notice of the SGM will be despatched to the Shareholders within 21 days after the publication of this announcement.

RESUMPTION OF TRADING

Trading in Shares on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on 20 August 2004 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares at 9:30 a.m. on 24 August 2004.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“associates”	has the meaning ascribed to this term under the Listing Rules
“Beijing YLC”	北京裕隆倉燃氣技術有限公司 (Beijing Yu Long Cang Gas Technology Co. Ltd.), a company established in the PRC with limited liability and the vendor under the Share Transfer Agreements
“Clever Decision”	Clever Decision Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company

“Clever Decision Acquisition”	the acquisition of 70% equity interests in Clever Decision by the Company from Profit View International Limited, further details of which are set out in the announcement of the Company dated 11 February 2004 and the circular of the Company dated 23 February 2004
“Company”	China Gas Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Directors”	directors of the Company
“Famestar”	Famestar Investment Limited, a company incorporated in the British Virgin Islands and the vendor under the Great Sun Agreement
“Five Joint Ventures”	together, Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu, Yumeng Jiaxu and Xiaogan Zhenrong
“Great Sun”	Great Sun Investments Co. Ltd. (嘉旭投資有限公司), a company incorporated in the British Virgin Islands
“Great Sun Acquisition”	the acquisition by the Company of the entire issued share capital of Great Sun and the entire shareholder’s loan owing by Great Sun to Famestar, from Famestar subject to and upon the terms and conditions of the Great Sun Agreement
“Great Sun Agreement”	the sale and purchase agreement dated 19 August 2004 and entered into between Famestar and the Company in relation to, among other things, the sale and purchase of the entire issued share capital of Great Sun
“Group”	the Company and its subsidiaries
“Hanchuan Agreement”	the share transfer agreement dated 19 August 2004 and entered into between Beijing YLC as vendor and Shenzhen Natural Gas as purchaser in relation to the acquisition of 10% equity interests in Hanchuan Jiaxu
“Hanchuan Jiaxu”	漢川嘉旭天然氣有限公司 (Hanchuan Jiaxu Gas Co. Ltd.), a Chinese-foreign equity joint venture established in the PRC, which is currently a 65% owned subsidiary of the Company and will become a wholly foreign owned enterprise and a wholly owned subsidiary of the Company upon completion of the Hanchuan Agreement and the Great Sun Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Great Sun Acquisition and the JV Acquisition
“Independent Board Committee”	an independent board committee, comprising Mr. Zhao Yu Hua, Dr. Mao Er Wan and Ms. Wong Sin Yue, Cynthia, being all the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Great Sun Acquisition and the JV Acquisition
“Independent Shareholders”	Shareholders other than Beijing YLC, Great Sun, Famestar and their respective associates

“JV Acquisition”	the acquisition by Shenzhen Natuerel Gas of 10% equity interests in Hanchuan Jiaxu, Xiaogan Jiaxu, Yingcheng Jiaxu and Yumeng Jiaxu from Beijing YLC subject to and upon the terms and conditions of the Share Transfer Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Loan”	the entire shareholder’s loan owing by Great Sun to Famestar as at completion of the Great Sun Agreement
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, to approve, among other things, the Great Sun Agreement, the Share Transfer Agreements and the transactions contemplated thereunder
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Transfer Agreements”	together, the Hanchuan Agreement, the Xiaogan Agreement, the Yingcheng Agreement and the Yumeng Agreement
“Shenzhen Natural Gas”	中亞燃氣實業(深圳)有限公司 (Central Asia Natural Gas (Shenzhen) Company Limited), a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tongbaohua”	北京通寶華油燃氣技術發展有限公司 (Beijing Tongbaohua Oil & Gas Technology Development Limited), a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of the Company
“Xiaogan Agreement”	the share transfer agreement dated 19 August 2004 and entered into between Beijing YLC as vendor and Shenzhen Natural Gas as purchaser in relation to the acquisition of 10% equity interests in Xiaogan Jiaxu
“Xiaogan Jiaxu”	孝感嘉旭天然氣有限公司 (Xiaogan Jiaxu Gas Co. Ltd.), a Chinese-foreign equity joint venture established in the PRC, which is currently a 65% owned subsidiary of the Company and will become a wholly foreign owned enterprise and a wholly owned subsidiary of the Company upon completion of the Xiaogan Agreement and the Great Sun Agreement
“Xiaogan Zhenrong”	孝感振戎天然氣有限公司 (Xiaogan Zhenrong Gas Co. Ltd.), a Chinese-foreign equity joint venture established in the PRC, which is currently owned as to 30% by the Group and will be owned as to 55% by the Group upon completion of the Great Sun Agreement
“Yingcheng Agreement”	the share transfer agreement dated 19 August 2004 and entered into between Beijing YLC as vendor and Shenzhen Natural Gas as purchaser in relation to the acquisition of 10% equity interests in Yingcheng Jiaxu

“Yingcheng Jiaxu”	應城嘉旭天然氣有限公司 (Yingcheng Jiaxu Gas Co. Ltd.), a Chinese-foreign equity joint venture established in the PRC, which is currently a 65% owned subsidiary of the Company and will become a wholly foreign owned enterprise and a wholly owned subsidiary of the Company upon completion of the Yingcheng Agreement and the Great Sun Agreement
“Yumeng Agreement”	the share transfer agreement dated 19 August 2004 and entered into between Beijing YLC as vendor and Shenzhen Natural Gas as purchaser in relation to the acquisition of 10% equity interests in Yumeng Jiaxu
“Yumeng Jiaxu”	雲夢嘉旭天然氣有限公司 (Yumeng Jiaxu Gas Co. Ltd.), a Chinese-foreign equity joint venture established in the PRC, which is currently a 65% owned subsidiary of the Company and will become a wholly foreign owned enterprise and a wholly owned subsidiary of the Company upon completion of the Yumeng Agreement and the Great Sun Agreement
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“US\$”	United States dollars, the lawful currency for the time being of the United States of America
“%”	per cent.

For the purpose of this announcement, unless otherwise specified, conversions of Renminbi into Hong Kong dollars are based on the approximate exchange rate of RMB1.05 to HK\$1.00.

By order of the board of directors of
China Gas Holdings Limited
Liu Ming Hui
Managing Director

Hong Kong, 23 August 2004

* *for identification purpose only*

As at the date of this announcement, Mr. Li Xiaoyun, Mr. Xu Ying, Mr. Liu Ming Hui, Mr. Ma Jin Long and Mr. Zhu Wei Wei are the executive Directors, Mr. Wu Bangjie is the non-executive Director and Mr. Zhao Yu Hua, Dr. Mao Er Wan and Ms. Wong Sin Yue, Cynthia are the independent non-executive Directors.

Please also refer to the published version of this announcement in The Standard.