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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)

ANNOUNCEMENT PURSUANT TO RULE 13.09

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board is pleased to announce that the Company entered into the Sale and Purchase Agreement with the Vendor on 15 December 2004 pursuant to which the Company has agreed to purchase and the Vendor has agreed to sell the Sale Shares (representing 82% of the issued share capital of China Gas Pipeline) and the Sale Loan for an aggregate cash consideration of HK\$16,400,640. The Company currently owns 18% of the issued share capital of China Gas Pipeline. Following Completion, China Gas Pipeline will become a direct wholly owned subsidiary of the Company and Danyang Zhongran will become an indirect wholly owned subsidiary of the Company. Completion of the Acquisition, subject to certain conditions precedent having been satisfied, shall take place on or before 17 December 2004.

One of the major projects currently undertaken by Danyang Zhongran is the construction of a 54 kilometers long gas pipeline extending from the Zhi Jiang sub-station of the Zhong Wu natural gas pipeline operated by PetroChina Company Limited (中國石油天然氣股份有限公司) to the glass manufacturing factory in Danyang city operated by Hubei Sanxia New Building Materials Co., Ltd. (湖北三峽新型建材股份有限公司), a company which shares are listed on the Shanghai Stock Exchange as A-shares. The gas pipeline, which is expected to be completed in around March 2005, will support the supply of natural gas to the four production lines of the glass manufacturing factory as well as to the residents of the Danyang urban areas. Danyang Zhongran is in the process of applying to the Danyang city government for the 30-year exclusive rights to supply pipeline gas in the Danyang city area.

The gas pipeline is designed to support a supply capacity of 300,000,000 cubic metres. It is expected that the natural gas demand from the glass manufacturing factory could reach 95,000,000 cubic metres (representing approximately 2.43 times of the Group's aggregate gas sales of approximately 39,130,000 cubic metres for the year 2004 and approximately 4.33 times of the Group's gas sales to the industry sector of approximately 21,950,000 cubic metres for the year 2004) in 2005 and increase to as high as 280,000,000 cubic metres by 2008.

Trading of shares of the Company was suspended with effect from 9:30 a.m. on 15 December 2004 at the request of the Company pending publication of this announcement. Application has been made for the resumption of trading of the shares of the Company at 9:30 a.m. on 17 December 2004.

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THE SALE AND PURCHASE AGREEMENT

Date: 15 December 2004

Parties

(A) the Company; and

(B) the Vendor

Assets to be acquired

(A) the Sale Shares, being 82 shares of US\$1.00 each in the issued share capital of China Gas Pipeline, representing 82% of its entire issued share capital; and

(B) the Sale Loan, being the shareholder's loan in the amount of HK\$16,400,000 made by the Vendor to China Gas Pipeline, the entire balance of which remains outstanding as at the date of the Sale and Purchase Agreement.

Consideration for the Sale Shares and Sale Loan

The aggregate consideration for the Sale Shares and the Sale Loan is HK\$16,400,640, as to HK\$640 in respect of the Sale Shares and HK\$16,400,000 in respect of the Sale Loan, which shall be paid by the Company to the Vendor in cash on or before 31 December 2004. The Consideration was negotiated at arm's length and on normal commercial terms, with reference to the registered capital of Dangyang Zhongran. The Consideration will be funded by the Company's internal resources. The Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and that the Acquisition is in the interests of the Company and its shareholders as a whole.

Conditions Precedent

The Sale and Purchase Agreement is conditional on the following conditions precedent having been satisfied before 12:00 noon on 17 December 2004:

- (a) all requirements under the Listing Rules (where applicable) having been complied with; and
- (b) the Vendor having done all acts necessary to effect the transfer of the Sale Shares to the Company and having provided the Company with documentary evidence thereof.

Completion

Completion shall take place on or before 17 December 2004. Following Completion, China Gas Pipeline will become a direct wholly owned subsidiary of the Company and Dangyang Zhongran will become an indirect wholly owned subsidiary of the Company.

INFORMATION ON CHINA GAS PIPELINE AND DANGYANG ZHONGRAN

China Gas Pipeline is a company incorporated in the British Virgin Islands on 10 March 2004 as a special purpose vehicle for holding 100% of the equity interest in Dangyang Zhongran. The Company currently owns 18% of the issued share capital of China Gas Pipeline. In proportion to the Sale Loan provided by the Vendor to China Gas Pipeline, the Company had also earlier provided a shareholder's loan to China Gas Pipeline in the sum of HK\$3,600,000. Following Completion, China Gas Pipeline will become a direct wholly owned subsidiary of the Company.

Dangyang Zhongran is a wholly-foreign owned enterprise established in the PRC on 1 November 2004 and is principally engaged in gas pipeline infrastructure construction and maintenance and operation of supporting facilities. Dangyang Zhongran has a tenure of 30 years commencing from 1 November 2004. As at the date of this announcement, Dangyang Zhongran has a fully paid up registered capital of HK\$20,000,000 and total investment of HK\$40,000,000. Following Completion, Dangyang Zhongran will become an indirect wholly owned subsidiary of the Company. The Company intends to fund that part of the capital investment of Dangyang Zhongran above its registered capital by means of bank borrowings.

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REASONS FOR THE ACQUISITION

The Group is principally engaged in investment in, among others, natural gas/energy and property projects. The Board considers that the Acquisition offers 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 particular, increasing the proportion of natural gas sales in the Group's total sales revenue. As such, the acquisition of equity interests in a company engaged in gas pipeline infrastructure will enable the Group to directly supply natural gas to industrial corporate customers with a high demand for natural gas and facilitate the Group's said objectives. Further, the Acquisition allows the Group to gain full control of China Gas Pipeline and Dangyang Zhongran.

GENERAL

Trading of the shares of the Company was suspended with effect from 9:30 a.m. on 15 December 2004 at the request of the Company pending publication of this announcement. Application has been made for the resumption of trading of the shares of the Company at 9:30 a.m. on 17 December 2004.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Company from the Vendor pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“China Gas Pipeline”	China Gas Pipeline Limited, a company incorporated in the British Virgin Islands on 10 March 2004 with limited liability
“Company”	China Gas Holdings Limited (中國燃氣控股有限公司), a company incorporated in Bermuda with limited liability, which issued shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Consideration”	the aggregate consideration in the sum of HK\$16,400,640 to be paid by the Company to the Vendor for the Sale Shares and the Sale Loan
“Dangyang Zhongran”	Dangyang Zhongran Gas Co., Ltd. (當陽中燃天然氣有限公司), a wholly foreign-owned enterprise with limited liability established in the PRC on 1 November 2004 and wholly owned by China Gas Pipeline
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	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 and Taiwan
“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 December 2004 and entered into between the Company and the Vendor in relation to the Sale Shares and the Sale Loan
“Sale Loan”	the shareholder’s loan in the amount of HK\$16,400,000 made by the Vendor to China Gas Pipeline, the entire balance of which remains outstanding as at the date of the Sale and Purchase Agreement
“Sale Shares”	82 shares of US\$1.00 each in the issued share capital of China Gas Pipeline, representing 82% of its entire issued share capital
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Watergate Offshore Limited, a company incorporated in the British Virgin Islands on 10 March 2004, which along with its ultimate beneficial owner, are each an independent third party which is independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) and is not a connected person of the Company (as defined in the Listing Rules)

“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“US\$”	United States Dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
Liu Ming Hui
Managing Director

Hong Kong, 16 December 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.