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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)

DISCLOSEABLE TRANSACTION: FORMATION OF A JOINT VENTURE COMPANY AND RESUMPTION OF TRADING

The Board is pleased to announce that China City Natural Gas, a wholly owned subsidiary of the Company, entered into the Agreement with Cangzhou Municipal Government on 24 October 2004, pursuant to which China City Natural Gas and Cangzhou Municipal Government have agreed to establish Cangzhou JV which will be principally engaged in the design, construction and operation of natural gas pipeline network and ancillary facilities as well as provision of piped natural gas in Cangzhou, Hebei Province, the PRC. Cangzhou JV will be owned as to 70% by China City Natural Gas and as to the balance of 30% by Cangzhou Municipal Government. Upon establishment, Cangzhou JV will be a non-wholly owned subsidiary of the Company.

Pursuant to the terms of the Agreement, the total investment of Cangzhou JV will be RMB150,000,000 (approximately HK\$142,857,143) and the registered capital will be RMB50,000,000 (approximately HK\$47,619,048). China City Natural Gas will contribute a total of RMB35,000,000 (equivalent to approximately HK\$33,333,333) to the registered capital of Cangzhou JV.

Cangzhou JV is in the process of being set up pursuant to the Agreement. Cangzhou JV will be principally engaged in the Natural Gas Project.

The investment under the Agreement constitutes a discloseable transaction on the part of the Company under the Listing Rules. A circular containing further details of the investment under the Agreement will be despatched to the shareholders of the Company as soon as practicable.

The Board has noted the recent increase in the trading volume of the Shares. The Board confirmed that save as disclosed above, there is no negotiation or agreement for any intended acquisition or realisations which are discloseable under Rule 13.23 of the Listing Rules. Neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price sensitive nature.

Trading of shares of the Company was suspended with effect from 9:30 a.m. on 25 October 2004 at the request of the Company pending publication of this announcement. Application has been made for the resumption of the trading of the shares of the Company at 9:30 a.m. on 26 October 2004.

THE AGREEMENT

Date of the Agreement: 24 October 2004

Parties

China City Natural Gas and Cangzhou Municipal Government

The parties to the Agreement agreed to set up Cangzhou JV which will be principally engaged in the Natural Gas Project.

Information on Cangzhou JV

Cangzhou JV, a Chinese-foreign owned limited company to be established in the PRC, will be owned as to 70% by China City Natural Gas and as to the balance of 30% by Cangzhou Municipal Government. Cangzhou Municipal Government 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 to the Company (as defined in the Listing Rules).

Cangzhou JV will become a 70% subsidiary of the Company upon its establishment pursuant to the Agreement and be consolidated into the Group's accounts. It will be principally engaged in the Natural Gas Project.

The registered capital of Cangzhou JV Company will be RMB50,000,000 (equivalent to approximately HK\$47,619,048) which has yet to be paid up by China City Natural Gas and Cangzhou Municipal Government in proportion to their respective shareholdings in Cangzhou JV (i.e., as to RMB35,000,000, equivalent to approximately HK\$33,333,333 to be contributed by China City Natural Gas in cash, which shall be financed by the internal resources of the Group, and the remaining to be contributed by Cangzhou Municipal Government in assets, which include the natural gas pipe networks, land, buildings or facilities etc, in accordance with the relevant laws and regulations).

Cangzhou JV will have a tenure of 30 years. Cangzhou JV will make a total investment in the sum of RMB150,000,000 (equivalent to approximately HK\$142,857,143) in the Natural Gas Project (the “**Total Cangzhou JV Investment Amount**”). Pursuant to the Agreement, China City Natural Gas and Cangzhou Municipal Government have agreed that the difference (the “**Difference**”) between the Total Cangzhou JV Investment Amount and the registered capital of the Cangzhou JV will be paid up in accordance with their respective shareholdings in the Cangzhou JV. There is no specific timing for paying up the Difference and China City Natural Gas has yet to decide how to finance its portion for the Difference. The Company is required to comply with all the requirements under the Listing Rules in respect of any additional financial assistance provided by the Group to Cangzhou JV.

Pursuant to the Agreement, it has been agreed among all the parties that within three months from the Business Licence Date, China City Natural Gas will contribute RMB35,000,000 (equivalent to approximately HK\$33,333,333) as registered capital of the Cangzhou JV in cash. It has also been agreed that within two weeks from the Business Licence Date, Cangzhou Municipal Government will inject the assets to Cangzhou JV as registered capital after valuation.

Cangzhou city is located in the south-east of Hebei Province, the PRC, comprising two direct governance districts and ten counties. Cangzhou City had a population of approximately 6,770,000.

According to the feasibility studies of Cangzhou JV prepared by the government of Cangzhou City, it is estimated that in the Cangzhou City district, the number of subscribers for the natural gas will increase up to 200,000 within the next five years. In addition, according to the said feasibility studies, it is anticipated that the volume of the consumption size of the natural gas at Cangzhou City district will reach 300,000,000 cubic meters in the next 10 years.

The board of directors of Cangzhou JV will be constituted in accordance with the respective shareholdings of China City Natural Gas and Cangzhou Municipal Government in Cangzhou JV. The number of the directors to be appointed by the respective parties has yet been determined and will be further confirmed.

According to the Agreement, the profits generated by Cangzhou JV will be shared by China City Natural Gas and Cangzhou Municipal Government in proportion to their respective shareholdings in Cangzhou JV.

Since the Agreement was signed on 24 October 2004, the establishment of Cangzhou JV is still in progress.

The investment under the Agreement

Pursuant to the terms of the Agreement, China City Natural Gas will contribute a total of RMB35,000,000 (equivalent to approximately HK\$33,333,333) in cash to the registered capital of Cangzhou JV and the remaining RMB15,000,000 (equivalent to approximately HK\$14,285,714) will be contributed by Cangzhou Municipal Government in assets.

Reasons for the investment under the Agreement

The Group is principally engaged in investment in, among others, natural gas/energy and property projects. The Directors consider that the investment under the Agreement represents a good opportunity for the Company to further invest in the natural gas business in the PRC which is in line with the Group’s strategy to expand into natural gas industries in the PRC whereupon Cangzhou JV will be treated as a subsidiary of the Company upon establishment.

The Directors take the view that given that the Natural Gas Project will be operated, managed and developed by Cangzhou JV on an exclusive basis and that natural gas is a household necessity, profits generated by the Natural Gas Project are certain and sufficient to cover the investment contribution.

The Directors, including the independent non-executive Directors, consider the terms of the investment under the Agreement and the Difference are fair and reasonable, taking into account the prospects of development in the Natural Gas Project in Cangzhou, Hebei Province, the PRC.

GENERAL

The investment contemplated under the Agreement constitutes a discloseable transaction on the part of the Company under the Listing Rules. A circular containing further details of the investment under the Agreement will be despatched to the shareholders of the Company as soon as practicable.

The Board has noted the recent increase in the trading volume of the Shares. The Board confirmed that save as disclosed above, there is no negotiation or agreement for any intended acquisition or realisations which are discloseable under the Rule 13.23 of the Listing Rules. Neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price sensitive nature.

This announcement is made by the order of the Board, the Directors of which individually and jointly accept responsibility for the accuracy of this announcement.

Trading of the shares of the Company was suspended with effect from 9:30 a.m. on 25 October 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 26 October 2004.

DEFINITIONS

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| “Agreement” | the cooperative agreement dated 24 October 2004 entered into among China City Natural Gas and Cangzhou Municipal Government in relation to the establishment of Cangzhou JV and the operation of the Natural Gas Project contemplated thereunder |
| “Board” | board of Directors |
| “Business Licence Date” | the date on which the business licence of Cangzhou JV is issued |
| “BVI” | the British Virgin Islands |
| “China City Natural Gas” | China City Natural Gas Holdings Limited, a company incorporated in BVI and is a wholly owned subsidiary of the Company |
| “Cangzhou JV” | Cangzhou Zhongran City Gas Development Company Limited, a Chinese-foreign equity joint venture company in the PRC to be established by China City Natural Gas and Cangzhou Municipal Government pursuant to the Agreement |
| “Cangzhou Municipal Government” | 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). |
| “Company” | China Gas Holdings Limited (中國燃氣控股有限公司), a company incorporated in Bermuda with limited liability, whose issued shares are listed on the Stock Exchange |
| “Directors” | directors of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Natural Gas Project” | a series of projects to be carried out by Cangzhou JV in Cangzhou, Hebei Province, the PRC, in relation to the design, construction and operation of natural gas pipeline network and ancillary facilities, the provision of piped natural gas, repair and maintenance of natural gas equipment and facilities as well as expansion of existing natural gas facilities |
| “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 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

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

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.

By Order of the Board
Liu Ming Hui
Managing Director

Hong Kong, 25 October 2004

* *for identification purpose only*

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