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CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION:

SUBSCRIPTION OF NEW SHARES AND PROPOSED GRANT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES AND RESUMPTION OF TRADING

On 16 January 2004, the Company entered into the Subscription Agreements with the Subscribers and the Dragon Media Guarantors, pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 180,000,000 Shares in cash at a subscription price of HK\$0.65 per Subscription Share.

The Subscription Price represents (i) a discount of approximately 9.72% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on 16 January 2004, being the last trading day before the date of this announcement; and (ii) a discount of approximately 13.33% to the average closing price of approximately HK\$0.75 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 16 January 2004. The Subscription Price was arrived at after arm's length negotiations between the Company, the Subscribers and the Dragon Media Guarantors. The Directors consider that the Subscription Price is fair and reasonable so far as the Shareholders as a whole are concerned.

The Subscription Shares represent approximately 12.07% of the existing issued share capital of the Company and approximately 10.77% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The net proceeds of the Subscription of about HK\$117,000,000 will be applied as the Group's future investments in natural gas projects in the PRC and/or general working capital of the Group.

On 16 January 2004, the Company was informed by Heng Fung Group and Mr. Liu that on the same date, Heng Fung Group has entered into the Sale and Purchase Agreement with Mr. Liu, pursuant to which Heng Fung Group has agreed to sell and Mr. Liu has agreed to acquire an aggregate of 250,000,000 Shares in cash at an aggregate consideration of HK\$180,000,000.

The Sale Shares represent approximately 16.77% of the existing issued share capital of the Company and approximately 14.96% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Completion of the Sale and Purchase Agreement will take place in seven stages within a 16-month period after the date of the Sale and Purchase Agreement.

Immediately after completion of the Subscription and the Acquisition in full, Mr. Liu will become a new substantial Shareholder holding approximately 22.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Since Mr. Liu is an executive Director and the issued share capital of Dragon Media is owned as to 24% by Mr. Zhu Wei Wei, an executive Director, and as to 76% by Mr. Huang Yong, a director of Shenzhen Natural Gas, the Subscription constitutes a connected transaction on the part of the Company under Rule 14.23 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 Subscription and the transactions contemplated thereunder including but not limited to the allotment and issue of the Subscription Shares to the Subscribers pursuant to the Subscription Agreements, and the grant of the general mandates. The Subscribers, the Dragon Media Guarantors and their respective associates will abstain from voting for the resolutions approving the Subscription and the transactions contemplated thereunder including but not limited to the allotment and issue of the Subscription Shares, at the SGM.

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 Subscription. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

A circular containing, among other things, details of the Subscription Agreements, the proposed grant of the general mandates, the letter of advice from the independent financial adviser to the Independent Board Committee, the recommendation of the Independent Board Committee to the Independent Shareholders 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 19 January 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 26 January 2004.

SUBSCRIPTION AGREEMENTS

On 16 January 2004, the Company entered into the Subscription Agreements with the Subscribers and the Dragon Media Guarantors, pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 180,000,000 Shares in cash at a subscription price of HK\$0.65 per Subscription Share.

The Subscribers

- (i) Pursuant to the Liu Subscription Agreement, Mr. Liu has conditionally agreed to subscribe for 130,000,000 Subscription Shares. Mr. Liu is an executive Director and was appointed to the board of Directors on 29 April 2002.
- (ii) Pursuant to the Dragon Media Subscription Agreement, Dragon Media has conditionally agreed to subscribe for 50,000,000 Subscription Shares. The issued share capital of Dragon Media is owned as to 24% by Mr. Zhu Wei Wei and as to the remaining 76% by Mr. Huang Yong. Mr. Zhu Wei Wei is an executive Director. Mr. Huang Yong is a director of Shenzhen Natural Gas.

The Dragon Media Guarantors

Pursuant to the Dragon Media Subscription Agreement, the Dragon Media Guarantors have unconditionally and irrevocably undertaken to procure the prompt performance by Dragon Media of all its obligations under or arising out of or in connection with the Dragon Media Subscription Agreement and have also undertaken to the Company that if and whenever Dragon Media shall be in default, the Dragon Media Guarantors shall fully indemnify the Company against all loss and damages arising in connection thereof. The liabilities of the Dragon Media Guarantors under the Dragon Media Subscription Agreement shall be joint and several.

Number of Subscription Shares

The Subscription Shares represent approximately 12.07% of the existing issued share capital of the Company and approximately 10.77% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The subscription price of HK\$0.65 per Subscription Share represents:

- (i) a discount of approximately 9.72% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on 16 January 2004, being the last trading day before the date of this announcement; and
- (ii) a discount of approximately 13.33% to the average closing price of approximately HK\$0.75 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 16 January 2004.

The Subscription Price was arrived at after arm's length negotiations between the Company, the Subscribers and the Dragon Media Guarantors with reference to the closing prices as shown above. The Directors consider that the Subscription Price and the terms of the Subscription Agreements are fair and reasonable and are in the interests of the Shareholders as a whole.

Rights

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Mandate to issue the Subscription Shares

The SGM will be convened and held to consider and, if thought fit, to approve, among other things, the Subscription and the transactions contemplated thereunder including but not limited to the allotment and issue of the Subscription Shares to the Subscribers pursuant to the Subscription Agreements.

Conditions of the Subscription

The Subscription is conditional upon the following conditions having been fulfilled by 30 April 2004 (or such other date as may be agreed between the Company and the Subscribers):

- (i) the passing of the necessary resolution by the Independent Shareholders at the SGM to approve the Subscription and the transactions contemplated thereunder including but not limited to the allotment and issue of the Subscription Shares pursuant to the Subscription Agreements;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares; and
- (iii) (if so required) the Bermuda Monetary Authority granting permission for the allotment and issue of the Subscription Shares.

In the event that the conditions of the Subscription are not fulfilled in full by the date stipulated, the Subscription Agreements shall cease and determine and neither the Company nor the Subscribers shall have any obligations and liabilities under the Subscription Agreements. As at the date of this announcement, condition (iii) has been fulfilled.

Completion of the Subscription

Completion of the Subscription will take place on the third business day after all the conditions of the Subscription are fulfilled (or such other date as may be agreed between the Company and the Subscribers). There will be no change to the board of Directors immediately upon completion of the Subscription.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AGREEMENTS

The Group is principally engaged in investment in, among other things, natural gas/energy and property projects.

By entering into the Subscription Agreements, the Group can raise capital for the Group to further strengthen its financial position. The net proceeds of the Subscription of about HK\$117,000,000 will be applied as the Group's future investments in natural gas projects in the PRC and/or the Group's general working capital.

The Company estimates that approximately HK\$35,000,000, representing approximately 30% of the net proceeds of the Subscription, will be applied as the general working capital of the Group. The Company currently intends to apply the remaining balance of the net proceeds of the Subscription for the Group's future investments in natural gas projects in the PRC. As at the date of this announcement, the Directors confirm that no such investment opportunities have been identified yet. Further announcement will be made as and when appropriate in accordance with the Listing Rules. The Company currently does not intend to apply the net proceeds of the Subscription as repayment of loans.

The Directors consider that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the Company, the Subscribers and the Dragon Media Guarantors and that the terms of the Subscription Agreements are fair and reasonable so far as the interests of the Shareholders as a whole are concerned.

The following table summaries the fund raising activities of the Group for the 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
10 June 2003	Issue of convertible note in the principal amount of US\$6,000,000	About HK\$46,800,000	As investment in natural gas projects in the PRC	The net proceeds of about HK\$46,800,000 have been applied as the Group's contribution to the registered capital of Yichang China Gas & City Gas Company Limited. (Note 1)
9 October 2003	Placing of an aggregate of 70,000,000 new Shares	About HK\$50,000,000	As general working capital of the Group	The net proceeds of about HK\$6,000,000 have been applied as the Group's general working capital and the remaining balance of about HK\$44,000,000 has been applied to repay the Group's short term liabilities.
30 October 2003	Issue of convertible bonds due 2008 in up to five tranches (Note 2)	Up to US\$13,000,000 (Note 2)	(Note 2)	The Tranche 1 Bonds were issued on 13 November 2003. The Company will apply the net proceeds derived from the issue of the Tranche 1 Bonds in accordance with the intended use as set out in the Company's announcement dated 30 October 2003.
11 November 2003	Top-up placing of 160,000,000 Shares	About HK\$130,000,000	As to approximately HK\$78,000,000 for the contribution of the enlarged registered capital of Shenzhen Natural Gas and as to the remaining balance as the general working capital of the Group.	The net proceeds of approximately HK\$78,000,000 have been applied as the Group's contribution to the enlarged registered capital of Shenzhen Natural Gas and approximately HK\$10,000,000 has been applied to repay the Group's short term bank borrowings. The remaining balance of about HK\$42,000,000 remains unutilised.

Notes:

1. Yichang China Gas & City Gas Company Limited is a Chinese-foreign equity joint venture established in the PRC by Shenzhen Natural Gas, Wuhan China Natural Gas Investment Company Limited and Yichang City Natural Gas Company Limited. The registered capital of Yichang China Gas & City Gas Company Limited is contributed as to 49% by Shenzhen Natural Gas, as to 21% by Wuhan China Natural Gas Investment Company Limited and as to 30% by Yichang City Natural Gas Company Limited.

Yichang China Gas & City Gas Company Limited is 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 Yichang, Hubei Province, the PRC. For details of the formation of Yichang China Gas & City Gas Company Limited, please refer to the Company's announcement dated 10 December 2002.

2. The net proceeds of about HK\$45,000,000 derived from the issue of the Tranche 1 Bonds will be used entirely as the second stage capital contribution in the Group's natural gas projects in Huainan and Wuhu, the PRC, through Shenzhen Natural Gas. The net proceeds derived from the Tranche 2 Bonds (if issued) will, depending on the extent that the Tranche 2 Bonds are issued, be used for capital contribution in the Group's existing or future natural gas projects and/or for working capital purposes.

Details regarding the issue of the Bonds are set out in the Company's announcements dated 30 October 2003, 17 December 2003 and 19 December 2003 and the Company's circular dated 3 December 2003 .

The net proceeds of about HK\$130,000,000 derived from the top-up placing of an aggregate of 160,000,000 Shares in November 2003 have been earmarked as to approximately HK\$78,000,000 for the contribution of the enlarged registered capital of Shenzhen Natural Gas and as to the remaining balance as the general working capital of the Group. Although a balance of approximately HK\$42,000,000 of such net proceeds remains unutilised as at the date of this announcement, the Company has no intention to alter the intended use of such unutilised proceeds.

(i) Taking into account the market conditions and the performance of the trading prices of the Shares; and
(ii) in order to raise further funds for the Group's future investments in natural gas projects in the PRC, the Directors consider the Subscription and its timing to be in the interests of the Group and the Shareholders as a whole.

ACQUISITION OF SHARES BY MR. LIU

On 16 January 2004, the Company was informed by Heng Fung Group and Mr. Liu that on the same date, Heng Fung Group has entered into the Sale and Purchase Agreement with Mr. Liu, pursuant to which Heng Fung Group has agreed to sell and Mr. Liu has agreed to acquire an aggregate of 250,000,000 Shares in cash at an aggregate consideration of HK\$180,000,000.

The consideration payable by Mr. Liu of HK0.72 per Share represents (i) the closing price per Share as quoted on the Stock Exchange on 16 January 2004, being the date of the Sale and Purchase Agreement; and (ii) a discount of 4.00% to the average closing price of approximately HK\$0.75 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 16 January 2004. The Company was informed by Heng Fung Group and Mr. Liu that the consideration was arrived at after arm's length negotiations between the parties.

The Sale Shares represent approximately 16.77% of the existing issued share capital of the Company and approximately 14.96% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Completion of the Acquisition will take place in seven stages within a 16-month period after the date of the Sale and Purchase Agreement in accordance with the following time frame:

	Consideration payable	Sale Shares to be delivered
Before 5 February 2004	HK\$40,500,000	90,000,000
11 months after the date of the Sale and Purchase Agreement	HK\$23,191,875	26,600,000
12 months after the date of the Sale and Purchase Agreement	HK\$23,191,875	26,600,000
13 months after the date of the Sale and Purchase Agreement	HK\$23,191,875	26,600,000
14 months after the date of the Sale and Purchase Agreement	HK\$23,191,875	26,600,000
15 months after the date of the Sale and Purchase Agreement	HK\$23,191,875	26,600,000
16 months after the date of the Sale and Purchase Agreement	HK\$23,540,625	27,000,000
Total	HK\$180,000,000	250,000,000

The issued shares of Heng Fung Holdings are listed on the main board of the Stock Exchange. According to the annual report of Heng Fung Holdings for the year ended 31 March 2003, Heng Fung Group is principally engaged in the provision of financial services and securities investments, including corporate finance, consumer finance and credit card business.

CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the Subscription and the Acquisition are as follows:

Shareholders	At the date of this announcement and immediately before completion of the Subscription and the Acquisition		Immediately after completion of the Subscription but before completion of the Acquisition		Immediately after completion of the Subscription and the Acquisition	
	No. of Shares	Approximate Percentage	No. of Shares	Approximate Percentage	No. of Shares	Approximate Percentage
Heng Fung Group	252,496,000	16.94% (Note 1)	252,496,000	15.11% (Note 1)	2,496,000	0.15%
Hai Xia Finance Holdings Limited (Note 2)	150,000,003	10.06%	150,000,003	8.98%	150,000,003	8.98%
Mr. Liu	–	–	130,000,000	7.78%	380,000,000	22.74%
Dragon Media	–	–	50,000,000	2.99%	50,000,000	2.99%
Public	1,088,361,659	73.00%	1,238,361,662	74.11%	1,240,857,662	74.26%
Total	1,490,857,662	100%	1,670,857,662	100%	1,670,857,662	100%

Note 1: These Shares are held as to 36,596,700 Shares by Sure World Capital Limited, as to 10,104,000 Shares by Rasa Sayang Limited and as to 859,843 Shares by Heng Fung Capital Company Limited, all of which are wholly owned subsidiaries of Heng Fung Holdings, and as to the remaining 204,935,457 Shares by Heng Fung Holdings. Pursuant to the Sale and Purchase Agreement, Heng Fung Group has agreed to sell and Mr. Liu has agreed to acquire an aggregate of 250,000,000 Shares in cash at an aggregate consideration of HK\$180,000,000.

Note 2: Hai Xia Finance Holdings Limited is wholly and beneficially owned by Hai Xia Travel Agency which is principally engaged in providing tourist and investment services to Taiwanese traveling in the PRC and helps to cultivate economic, technological and cultural exchange between the Strait. Hai Xia Travel Agency is wholly owned by the Taiwan Affairs Office of the State Council of the PRC.

Immediately after completion of the Subscription and the Acquisition in full, Mr. Liu will become a new substantial Shareholder holding approximately 22.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Mr. Liu is a director of (i) Greater China Holdings Limited, the entire issued shares of which is listed on the main board of the Stock Exchange; and (ii) Profit Capital Limited, a wholly owned subsidiary of Greater China Holdings Limited. Profit Capital Limited is interested in approximately 1.33% of the issued share capital of the Company as at the date of this announcement and will be interested in approximately 1.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Mr. Liu, Dragon Media, Mr. Zhu Wei Wei and Mr. Huang Yong are parties acting in concert (as defined in the Takeovers Code). Save as aforesaid, Dragon Media, Mr. Zhu Wei Wei, Mr. Huang Yong and Mr. Liu are not parties acting in concert (as defined in the Takeovers Code) with any other Shareholders.

Immediately after completion of the Acquisition in full, Heng Fung Group will hold 2,496,000 Shares, representing approximately 0.17% of the existing issued share capital of the Company and approximately 0.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Company was informed by Heng Fung Group that it may dispose of those Shares in the market if and when it deems appropriate to do so.

PROPOSED GRANT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

In connection with the enlarged issued share capital of the Company as a result of the Subscription, the Directors also propose to seek approval from the Shareholders at the SGM for the grant of general mandates to (i) allot and issue new Shares not exceeding 20% of; and (ii) repurchase Shares not exceeding 10% of, the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

SGM

Since Mr. Liu is an executive Director and the issued share capital of Dragon Media is owned as to 24% by Mr. Zhu Wei Wei, an executive Director, and as to 76% by Mr. Huang Yong, a director of Shenzhen Natural Gas, the Subscription constitutes a connected transaction on the part of the Company under Rule 14.23 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 Subscription and the transactions contemplated thereunder including but not limited to the allotment and issue of the Subscription Shares to the Subscribers pursuant to the Subscription Agreements, and the grant of the general mandates. The Subscribers, the Dragon Media Guarantors and their respective associates will abstain from voting for the resolutions approving the Subscription and the transactions contemplated thereunder including but not limited to the allotment and issue of the Subscription Shares, at the SGM.

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 Subscription. An independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

GENERAL INFORMATION

A circular containing, among other things, details of the Subscription Agreements, the proposed grant of the general mandates, the letter of advice from the independent financial adviser to the Independent Board Committee, the recommendation of the Independent Board Committee to the Independent Shareholders 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 19 January 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 26 January 2004.

DEFINITIONS

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

“Acquisition”	the acquisition of an aggregate of 250,000,000 Shares by Mr. Liu from Heng Fung Group pursuant to the Sale and Purchase Agreement
“associates”	has the meaning ascribed to this term under the Listing Rules
“Bonds”	Tranche 1 Bonds, Tranche 2 Bonds, Tranche 3 Bonds, Tranche 4 Bonds and Tranche 5 Bonds

“Bonds Subscription Agreements”	the two agreements dated 29 October 2003 entered into between the Company and Merrill Lynch relating to, among other things, the subscription of the Bonds
“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
“Directors”	directors (including the independent non-executive directors) of the Company
“Dragon Media”	Dragon Media Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and the issued share capital of which is owned as to 24% by Mr. Zhu Wei Wei, an executive Director, and as to 76% by Mr. Huang Yong, a director of Shenzhen Natural Gas, and the subscriber under the Dragon Media Subscription Agreement
“Dragon Media Subscription Agreement”	the agreement dated 16 January 2004 and entered into between the Company, Dragon Media and the Dragon Media Guarantors in respect of the Subscription
“Dragon Media Guarantors”	together, Mr. Zhu Wei Wei and Mr. Huang Yong, the guarantors under the Dragon Media Subscription Agreement
“Group”	the Company and its subsidiaries
“Heng Fung Holdings”	Heng Fung Holdings Limited, a substantial Shareholder holding, directly and through its wholly owned subsidiaries, approximately 16.94% of the issued share capital of the Company as at the date of this announcement
“Heng Fung Group”	together, Sure World Capital Limited, Rasa Sayang Limited and Heng Fung Capital Company Limited, all of which are wholly owned subsidiaries of Heng Fung Holdings, and Heng Fung Holdings
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Subscription
“Independent Shareholders”	Shareholders other than the Subscribers, the Dragon Media Guarantors and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Liu Subscription Agreement”	the agreement dated 16 January 2004 and entered into between the Company and Mr. Liu in respect of the Subscription
“Merrill Lynch”	Merrill Lynch International
“Mr. Liu”	Mr. Liu Ming Hui, an executive Director, the subscriber under the Liu Subscription Agreement and the purchaser under the Sale and Purchase Agreement
“PRC”	the People’s Republic of China

“Sale Shares”	an aggregate of 250,000,000 Shares acquired by Mr. Liu pursuant to the Sale and Purchase Agreement
“Sale and Purchase Agreement”	a binding letter of offer issued by Mr. Liu and accepted by the Heng Fung Group on 16 January 2004 in relation to the Acquisition
“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 Subscription and the transactions contemplated thereunder including but not limited to the allotment and issue of the Subscription Shares and the grant of the general mandates
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“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
“Subscribers”	together, Mr. Liu and Dragon Media
“Subscription”	the subscription for the Subscription Shares by the Subscribers pursuant to the Subscription Agreements
“Subscription Agreements”	together, the Liu Subscription Agreement and the Dragon Media Subscription Agreement
“Subscription Price”	the subscription price of HK\$0.65 per Subscription Share
“Subscription Shares”	an aggregate of 180,000,000 Shares, as to 130,000,000 Shares to be subscribed by Mr. Liu pursuant to the Liu Subscription Agreement and as to 50,000,000 to be subscribed by Dragon Media pursuant to the Dragon Media Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers
“Tranche 1 Bonds”	convertible bonds with an aggregate principal amount of US\$6,000,000 due 2008 issued by the Company to Merrill Lynch pursuant to the Bonds Subscription Agreements
“Tranche 2 Bonds”	convertible bonds with an aggregate principal amount of up to US\$7,000,000 which are to be issued by the Company to Merrill Lynch pursuant to an option granted by the Company to Merrill Lynch under the Bonds Subscription Agreements
“Tranche 3 Bonds”	convertible bonds with an aggregate principal amount of up to US\$8,000,000 which are to be issued by the Company to Merrill Lynch pursuant to an option granted by the Company to Merrill Lynch under the Bonds Subscription Agreements
“Tranche 4 Bonds”	convertible bonds with an aggregate principal amount of up to US\$10,000,000 which are to be issued by the Company to Merrill Lynch pursuant to an option granted by the Company to Merrill Lynch under the Bonds Subscription Agreements

“Tranche 5 Bonds”	convertible bonds with an aggregate principal amount of up to US\$10,000,000 which are to be issued by the Company to Merrill Lynch pursuant to an option granted by the Company to Merrill Lynch under the Bonds Subscription Agreements
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“US\$”	United States dollars, the lawful currency for the time being of the United States of America
“%”	per cent.

By order of the board of directors of
China Gas Holdings Limited
Xu Ying
Vice Chairman

Hong Kong, 21 January 2004

* *for identification purpose only*

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