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CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(incorporated in Bermuda in limited liability)

(Stock Code: 384)

ANNOUNCEMENT

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

The Board is pleased to announce that the Joint Venture Agreement is entered into between China Natural Gas and the PRC Party pursuant to which a joint venture, Shaoxing Zhongran City Gas Development Company Limited, will be established in Shaoxing County, Zhejiang Province, the PRC. The Shaoxing JV will be owned as to 55% by China Natural Gas and the remaining 45% by the PRC Party. Upon the establishment of the Shaoxing JV, it will be a non-wholly owned subsidiary of the Company.

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THE JOINT VENTURE AGREEMENT

Date: 11 April 2005

Parties

- (A) China Natural Gas; and
- (B) 紹興縣中國輕紡城管道燃氣有限公司 (Shaoxing County China Qing Fang City Piped Gas Company Limited) (*note*), 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).

Registered capital and total investment

The parties to the Joint Venture Agreement agreed that a joint venture, Shaoxing Zhongran City Gas Development Company Limited will be established in Shaoxing County, Zhejiang Province, the PRC which will be engaged in the Shaoxing Gas Projects. The Joint Venture will obtain the exclusive rights for the operation of the piped gas business in Shaoxing County for 30 years and that the relevant government authorities in the PRC will not approve the operation of the business of piped gas and the projects of piped gas during such period of time.

Pursuant to the Joint Venture Agreement, the registered capital of the Shaoxing JV will be RMB70,000,000 (equivalent to approximately HK\$66,037,735.85), of which RMB31,500,000 (equivalent to approximately HK\$29,716,981.13) will be contributed by the PRC Party by way of contribution in kind (including the gas pipes networks and related facilities) and RMB38,500,000 (equivalent to approximately HK\$36,320,754.72) will be contributed by the Group by way of cash, both within one month from the date of the registration of the Shaoxing JV. The assets to be contributed by the PRC Party will be valued by an independent valuer in the PRC to be appointed by both parties to the JV Agreement. In the event that the value of the assets contributed by the PRC Party is less than RMB31,500,000 (equivalent to approximately HK\$29,716,981.13), China Natural Gas agreed that the PRC Party should contribute the outstanding amount by way of cash. If the PRC Party fails to contribute the outstanding amount by way of cash, China Natural Gas agreed to further contribute for such outstanding amount and the equity interests of China Natural Gas in the Shaoxing JV will be increased accordingly.

The total investment of the Shaoxing JV will be determined in accordance with the feasibility study report to be approved by the relevant government authority in the PRC and the difference between the total investment and the registered capital will be paid up by funds drawn from the profits generated by Shaoxing JV.

Obligations of the parties

It is provided that the PRC Party shall, among others,

- (a) provide the evidence for the title ownerships of the assets to be contributed by it for valuation;
- (b) transfer the ownerships of the gas pipes networks, the land use rights and the buildings and facilities established on the relevant land for the purpose of contributing to the registered capital to the Shaoxing JV; and
- (c) prepare the articles of association of the Shaoxing JV with the cooperation of China Natural Gas.

China Natural Gas shall, among others,

- (a) assist to register and procure the completion of the procedures for the establishment of the Shaoxing JV;
- (b) prepare the feasibility study of the Shaoxing Gas Projects; and
- (c) prepare the articles of association of the Shaoxing JV with the cooperation of the PRC Party.

The Group's investment in Shaoxing JV will be financed by the internal resources of the Group.

Profit sharing in the Shaoxing JV

Upon establishment of the Shaoxing JV, the Group and the PRC Party will be entitled to share the net profits of the Shaoxing JV in proportion to their equity interests in the Shaoxing JV.

Board of directors of the Shaoxing JV

The board of directors of the Shaoxing JV will comprise five directors, of which two will be appointed by the PRC Party and three will be appointed by China Natural Gas. The chairman of the board of directors of the Shaoxing JV will be nominated by China Natural Gas and one of the vice-chairmen will be appointed by the PRC Party and the other will be appointed by China Natural Gas.

INFORMATION OF SHAOXING COUNTY

Shaoxing County is situated at the south part of Zhejiang Province with population of approximately one million and is one of the most important production bases for the dyeing and textile industries in the PRC. Shaoxing City Binhai development zone is located at the north part of Shaoxing City and is one of the largest development zones of Zhejiang Province in which various industries including glass-manufacturing industry, chemical dyeing industry and environmental industry develop. It is estimated that the demand of natural gas of the development zone will be high.

The main energy for use in Shaoxing County is bottled liquefied petroleum gas and coal, and a small section of households use pipelined liquefied petroleum gas-air mixture. At present, no piped gas is available in Binhai development zone. In order to improve the living quality of the people and the investment environment in the city and strengthen the environment protection, the government of Shaoxing County decided to develop the natural gas pipe networks and introduce the use of natural gas. According to the research conducted by the government of Shaoxing County, it is estimated that the natural gas usages for Shaoxing County and the Binhai development zone in Shaoxing County in 2010 and 2020 (including all residential and industrial usages) will reach approximately 0.3 billion cubic metres and 0.6 billion cubic metres respectively.

REASONS FOR JOINT VENTURE AGREEMENT

The Group is principally engaged in investment in, among others, natural gas/energy and property projects. The Directors consider that the entering into the Joint Venture 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.

The Directors consider that the terms of the Joint Venture Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	board of Directors
“China Natural Gas”	China Natural Gas Investment Limited, a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of the Company
“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 main board of the Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Joint Venture Agreement”	the joint venture agreement dated 11 April 2005 entered into between China Natural Gas and the PRC Party in relation to, among others, the establishment of the Shaoxing JV
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People's Republic of China
“PRC Party”	紹興縣中國輕紡城管道燃氣有限公司(Shaoxing County China Qing Fang City Piped Gas Company Limited) (<i>note</i>), 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)
“RMB”	Renminbi, the lawful currency of PRC
“Shaoxing Gas Projects”	the projects to be carried out by the Shaoxing JV in Shaoxing County in relation to the construction and operation of the city gas pipe networks and the ancillary facilities and the transportation, production, sales and supply of gas and the design, installation and maintenance of pipe networks and the ancillary facilities.
“Shaoxing JV”	Shaoxing Zhongran City Gas Development Company Limited (紹興中燃城市燃氣發展有限公司) a joint venture to be established in the PRC in accordance with the Joint Venture Agreement
“%”	per cent.

By Order of the Board
Liu Ming Hui
Managing Director

Hong Kong, 11 April 2005

* *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.

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1 to RMB1.06. This exchange rate is for purposes of illustration only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

Note:–

The English translations of Chinese names or words in this announcement are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

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