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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Gas Holdings Limited (the “Company”), you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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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

A letter from the board of directors of the Company is set out on pages 4 to 14 of this circular.

9 January 2007

* *for identification purpose only*

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings when used herein:

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Jiatai Agreement”	the share transfer agreement dated 18 December 2006 entered into between Zhongran Investment and Jiatai Investment relating to the sale and purchase of the Shanghai Zipower Interest
“Jiatai Investment”	四川嘉泰投資管理有限公司 (Sichuan Jiatai Investment Management Limited)#, a limited liability company established in Chengdu City, Sichuan Province, the PRC
“Jiatai Minority Shareholders”	eight individual shareholders of Jiatai Investment holding in aggregate 43% equity interest in Jiatai Investment
“Latest Practicable Date”	5 January 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

* *for identification purpose only*

DEFINITIONS

“Operation Right”	30-years of exclusive operating right from the date of the establishment of Taineng Natural Gas
“Patek Investment”	Patek Investment Group Ltd., a company incorporated in BVI with limited liability and wholly owned by Mr. Sun
“Positive Rise”	Positive Rise Energy Limited (正興能源有限公司)#, a company incorporated in BVI with limited liability
“Positive Rise Agreement”	the share transfer agreement dated 18 December 2006 entered into between the Company and the Vendors relating to the sale and purchase of the Positive Rise Interest
“Positive Rise Interest”	the entire equity interest in Positive Rise beneficially held by the Vendors as at the date of the Positive Rise Agreement
“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong
“Shanghai Zipower”	上海中寶科控燃氣實業有限公司 (Shanghai Zipower Gas Industry Co. Ltd.)#, a company established in Shanghai City, the PRC
“Shanghai Zipower Interest”	2.55% equity interest in Shanghai Zipower beneficially held by Jiatai Investment as at the date of the Jiatai Agreement
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Mr. Sun”	Mr. Sun An, one of the vendors to the Positive Rise Interest and the ultimate beneficial owner of Patek Investment and majority shareholder of Jiatai Investment holding 57% of the equity interest thereof
“Taineng Natural Gas”	泰能天然氣有限公司 (Taineng Natural Gas Co. Ltd.), a company established in Qingdao City, Shandong Province, the PRC
“Transactions”	the acquisitions under the Positive Rise Agreement and the Jiatai Agreement, when aggregated and taken together

DEFINITIONS

“Vendors”	together, Mr. Sun and Patek Investment
“Zhongran Investment”	中燃投資有限公司(Zhongran Investment Limited) [#] , a limited liability company established and subsisting in Shenzhen, the PRC and a wholly owned subsidiary of the Company
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“m ³ ”	cubic metre
“sq. km.”	square kilometer
“%”	per cent.

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB1.00. This exchange rate is for the purpose 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.

[#] *the English translations of the Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words*



CHINAGAS
中國燃氣

CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 384)

Executive Directors:

Mr. Li Xiao Yun (*Chairman*)

Mr. Xu Ying (*Vice Chairman*)

Mr. Liu Ming Hui (*Managing Director*)

Mr. Ma Jin Long

Mr. Zhu Wei Wei

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Non-executive Directors:

Mr. Feng Zhuo Zhi

Mr. Harrison Blacker

Mr. Joe Yamagata

Mr. R. K. Goel

*Head office and principal place
of business in Hong Kong:*

Room 1601, 16th Floor

AXA Centre

151 Gloucester Road

Wanchai

Hong Kong

Independent non-executive Directors:

Mr. Zhao Yu Hua

Dr. Mao Er Wan

Ms. Wong Sin Yue, Cynthia

9 January 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 20 December 2006 in which the Board announced that on 18 December 2006, the Company and Zhongran Investment, a wholly owned subsidiary of the Company, has separately entered into the Positive Rise Agreement and the Jiatai Agreement for the acquisition of the entire equity interests in Positive Rise and 2.55% equity interest in Shanghai Zipower respectively.

* *for identification purpose only*

LETTER FROM THE BOARD

The Transactions constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with further details regarding the Transactions and the Group.

THE POSITIVE RISE AGREEMENT

Date

18 December 2006

Parties

(A) The Company, as purchaser; and

(B) The Vendors, as vendors

As at the date of the Positive Rise Agreement, Positive Rise was wholly and beneficially owned as to 10% and 90% by respectively Mr. Sun and Patek Investment, which in turn is entirely beneficially owned by Mr. Sun. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Mr. Sun and Patek Investment together with its ultimate beneficial owner (i.e. Mr. Sun) is an Independent Third Party.

Patek Investment is principally engaged in investment holdings.

Save for the Positive Rise Agreement, none of the Vendors has had any business dealings with the Group.

Assets to be acquired

The Positive Rise Interest, which represents the entire interest in the registered capital of Positive Rise. As at the Latest Practicable Date, Positive Rise held 97.45% of the registered capital of Shanghai Zipower which in turn holds 51% of the registered capital of Taineng Natural Gas.

Further details of Positive Rise, Shanghai Zipower and Taineng Natural Gas are set out under the paragraphs headed "Information on Positive Rise", "Information on Shanghai Zipower" and "Information on Taineng Natural Gas" below.

LETTER FROM THE BOARD

Consideration

The total consideration for the Positive Rise Interest is HK\$252,950,000, which shall be paid to the Vendors in cash in the following manner:

- (i) as to HK\$56,000,000 payable on the second day upon the signing of the Positive Rise Agreement;
- (ii) as to HK\$54,000,000 payable within five working days upon the signing of the Positive Rise Agreement;
- (iii) as to HK\$40,000,000 payable within six working days upon signing of the Positive Rise Agreement;
- (iv) as to RMB20,000,000 (equivalent to approximately HK\$20,000,000) payable within 15 working days upon signing of the Positive Rise Agreement; and
- (v) as to the remaining HK\$82,950,000 payable not earlier than 30 March 2007.

As at the Latest Practicable Date, the Group had made payments as set out in items (i) to (iii) above. The payments made were and the remaining consideration will be, funded by internal resources of the Group.

The consideration was determined after arm's length negotiation between the Company and the Vendors with reference to the total assets of Positive Rise and net assets of Shanghai Zipower, both of which are further elaborated under the sections headed "Information on Positive Rise" and "Information on Shanghai Zipower" below respectively. The Board (including the independent non-executive Directors) considers that the Positive Rise Agreement was entered into on normal commercial terms and its terms are fair and reasonable and the entering into of the Positive Rise Agreement is in the interest of the Company and the Shareholders as a whole.

Transfer Effective Date

The effective date for the transfer of the Positive Rise Interest shall be the date on which all legal procedures for vesting the Positive Rise Interest in China Gas have been completed. To the best of the Directors' belief, those legal procedures encompass the execution of an instrument of transfer for the transferring of the Positive Rise Interest and the passing of a member's resolution of Positive Rise approving the transfer of the Positive Rise Interest and the registration of the Company as a member of Positive Rise by it.

Upon the signing of the Positive Rise Agreement, China Gas and Mr. Sun, jointly, have begun to carry out matters regarding the transfer of the Positive Rise Interest to China Gas. The transfer of the Positive Rise Interest to China Gas has been completed on 19 December 2006.

LETTER FROM THE BOARD

Defaults

In the event the Vendors breach any obligations, undertakings or warranties under the Positive Rise Agreement, the Vendors shall pay to the Company a default payment (the “**Positive Rise Default Payment**”) in the amount of HK\$12,647,500, representing 5% of the total consideration of HK\$252,950,000) for the Positive Rise Interest. If the breach further causes failure in vesting the Positive Rise Interest in the Company, the Vendors shall return all consideration received and indemnify the Company on damages directly or indirectly incurred.

In the event the Company breaches any obligations, undertakings or warranties under the Positive Rise Agreement, the Company shall pay to the Vendors the Positive Rise Default Payment. If the breach further causes damages to the Vendors, the Company shall indemnify the Vendors on damages directly or indirectly incurred.

Termination

The Positive Rise Agreement provides that should the Vendors not be able to assist the Company to complete all legal procedures for the transfer of the Positive Rise Interest within two months from the date on which the Positive Rise Agreement was entered into (i.e. on or before 18 February 2007), the Company is entitled to terminate the Positive Rise Agreement. Upon termination of the Positive Rise Agreement, the Vendors shall return all consideration received, pay the Positive Rise Default Payment and indemnify the Company on damages directly or indirectly incurred.

THE JIATAI AGREEMENT

Date

18 December 2006

Parties

- (A) Zhongran Investment, as purchaser, a wholly-owned subsidiary of the Company; and
- (B) Jiatai Investment, as vendor

As at the date of the Jiatai Agreement, Shanghai Zipower was beneficially owned as to 2.55% and 97.45% by Jiatai Investment and Positive Rise respectively. The ultimate beneficial owners of Jiatai Investment are Mr. Sun (57%) (being one of the vendors to the Positive Rise Interest and the ultimate beneficial owner of Patek Investment, another vendor to the Positive Rise Interest) and the Jiatai Minority Shareholders (43%) whom to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are Independent Third Parties and save for being holders of the equity interest in Jiatai Investment, each of Mr. Sun and the Jiatai Minority Shareholders do not have relationship with each other.

LETTER FROM THE BOARD

Jiatai Investment is principally engaged in investment holdings.

Save for the Jiatai Agreement, neither Jiatai Investment nor any of its beneficial owners has had any business dealings with the Group.

Assets to be acquired

The Shanghai Zipower Interest, which represents 2.55% interest in the registered capital of Shanghai Zipower. As at the Latest Practicable Date, Jiatai Investment held 2.55% of the registered capital of Shanghai Zipower which in turn holds 51% of the registered capital of Taineng Natural Gas.

For further details of Shanghai Zipower and Taineng Natural Gas, please refer to the paragraphs headed “Information on Shanghai Zipower” and “Information on Taineng Natural Gas” below respectively.

Consideration

The total consideration for the Shanghai Zipower Interest is RMB3,000,000 (equivalent to approximately HK\$3,000,000), which shall be settled by cash in the following manner:

- (i) as to RMB1,000,000 (equivalent to approximately HK\$1,000,000) payable within ten days from the signing of the Jiatai Agreement;
- (ii) as to RMB1,000,000 (equivalent to approximately HK\$1,000,000) payable within ten days from the date on which the relevant documents on the transfer of Shanghai Zipower Interest have been submitted to the relevant PRC governmental authorities for registration and approval; and
- (iii) as to the remaining RMB1,000,000 (equivalent to approximately HK\$1,000,000) payable within ten days from the obtaining of the approval on the transfer of the Shanghai Zipower Interest from the relevant PRC governmental authorities.

As at the Latest Practicable Date, the Group had made the payment as set out in item (i) above. The payment made was and the remaining consideration will be, funded by internal resources of the Group.

The consideration was determined after arm's length negotiation between Zhongran Investment and Jiatai Investment with reference to the net assets of Shanghai Zipower. The Board (including the independent non-executive Directors) considers that the Jiatai Agreement was entered into on normal commercial terms and its terms are fair and reasonable and the entering into of the Jiatai Agreement is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Transfer Effective Date

The effective date for the transfer of the Shanghai Zipower Interest shall be the date of completion of the procedures to be carried out at the relevant PRC governmental authorities for the transfer of the Shanghai Zipower Interest to Zhongran Investment. Those procedures include submitting the relevant documents relating to the transfer of Shanghai Zipower Interest to the relevant PRC governmental authorities for registration and the obtaining the approval thereof.

Upon the signing of the Jiatai Agreement, Zhongran Investment and Jiatai Investment, jointly, have begun to carry out matters regarding the transfer of the Shanghai Zipower Interest to Zhongran Investment. As at the Latest Practicable Date, the relevant documents on the transfer of Shanghai Zipower Interest have been prepared pending submission to the relevant PRC governmental authorities for registration and approval. Zhongran Investment expects the transfer procedures for vesting the Shanghai Zipower Interest in Zhongran Investment will be completed in one month's time from the signing of the Jiatai Agreement.

Defaults

In the event Jiatai Investment breaches any obligations, undertakings or warranties under the Jiatai Agreement, Jiatai Investment shall pay to Zhongran Investment a default payment (the “**Jiatai Default Payment**”) in the amount of RMB150,000 (equivalent to approximately HK\$150,000), representing 5% of the total consideration of RMB3,000,000 (equivalent to approximately HK\$3,000,000) for the Shanghai Zipower Interest. If the breach further causes failure in vesting the Shanghai Zipower Interest in Zhongran Investment, Jiatai Investment shall return all consideration received and indemnify Zhongran Investment on damages directly or indirectly incurred.

In the event Zhongran Investment breaches any obligations, undertakings or warranties under the Jiatai Agreement, Zhongran Investment shall pay to Jiatai Investment the Jiatai Default Payment. If the breach further causes damages to Jiatai Investment, Zhongran Investment shall indemnify Jiatai Investment on damages directly or indirectly incurred.

Termination

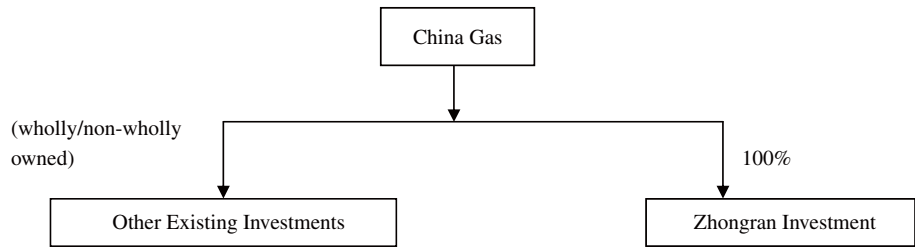
The Jiatai Agreement provides that should Jiatai Investment not be able to assist Zhongran Investment to complete all legal procedures for the transfer of the Shanghai Zipower Interest (i.e. the obtaining of an approval on the transfer of Shanghai Zipower Interest from the relevant PRC governmental authorities) within two months from the date on which the Jiatai Agreement was entered into (i.e. on or before 18 February 2007), Zhongran Investment is entitled to terminate the Jiatai Agreement. Upon termination of the Jiatai Agreement, Jiatai Investment shall return all consideration received, pay Jiatai Default Payment and indemnify Zhongran Investment on damages directly or indirectly incurred.

LETTER FROM THE BOARD

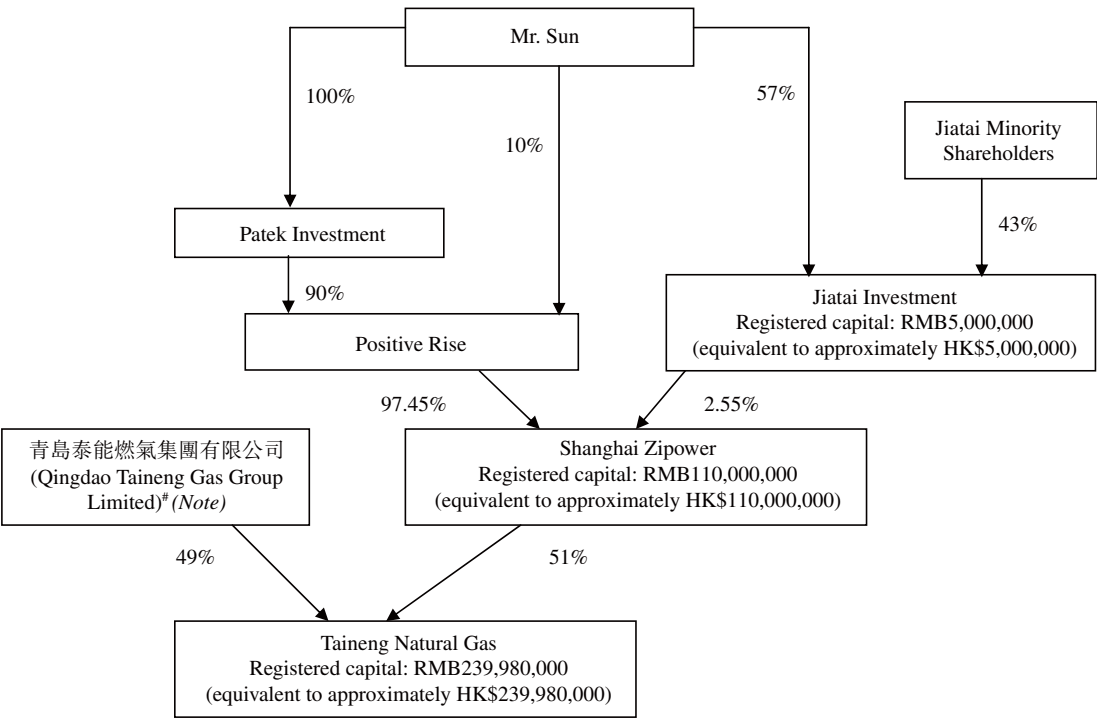
GROUP STRUCTURE

The diagrams below show the structure of the Group, Positive Rise and Jiatai Investment immediately before and after completion of the transfers under the Transactions.

The structure of the Group immediately before completion of the transfers under the Transactions is as follows:

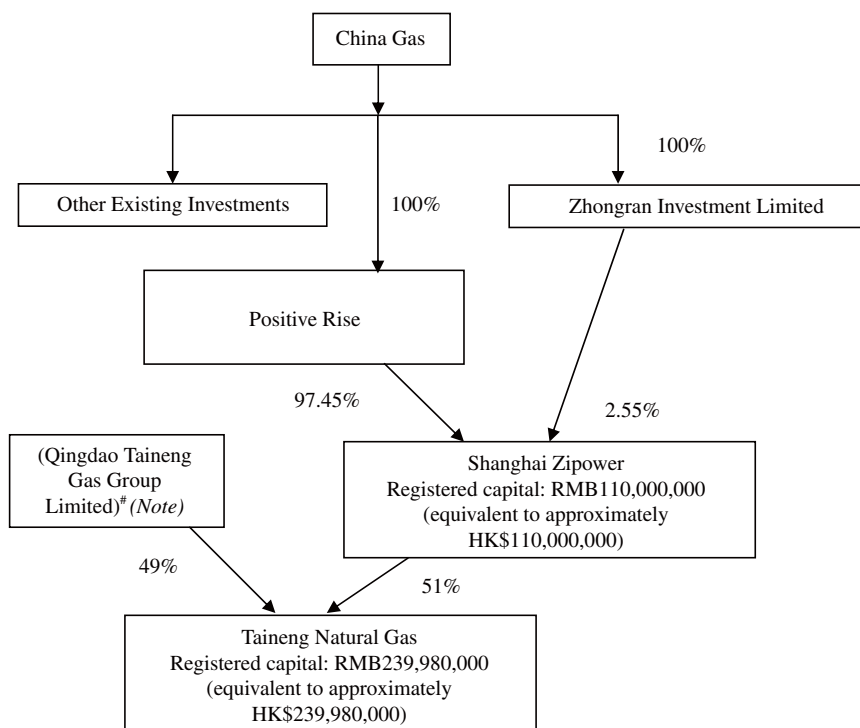


The structure of Positive Rise and Jiatai Investment immediately before completion of the transfers under the Transactions is as follows:



LETTER FROM THE BOARD

Immediately after completion of the Transactions:



Note: To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, 青島泰能燃氣集團有限公司 (Qingdao Taineng Gas Group Limited)* and its ultimate beneficial owner(s) are Independent Third Parties and that save for being holders of the equity interest in Taineng Natural Gas with Shanghai Zipower, 青島泰能燃氣集團有限公司 (Qingdao Taineng Gas Group Limited)# are not connected with Shanghai Zipower and its ultimate beneficial owners as at the Latest Practicable Date.

INFORMATION ON POSITIVE RISE

Positive Rise is a company incorporated in BVI on 8 March 2006, with its principal business being investment holdings, which was owned as to 10% and 90% by respectively Mr. Sun and Patek Investment immediately prior to the completion of transfer of the Positive Rise Interest which in turn is wholly and beneficially owned by Mr. Sun. As at the Latest Practicable Date, Positive Rise holds 97.45% of the registered capital of Shanghai Zipower, which in turn holds 51% of the registered capital of Taineng Natural Gas.

According to the unaudited financial statements of Positive Rise itself provided by Mr. Sun which were prepared under Generally Accepted Accounting Principles in Hong Kong, the unaudited total assets of Positive Rise was approximately RMB74,749,152 (equivalent to approximately HK\$74,749,152) as at 15 December 2006. Positive Rise does not have liability as at 15 December 2006. Pursuant to the Positive Rise Agreement, in the event there are liabilities of Positive Rise which are not recognized by the Company, the Vendors shall be responsible therefor.

According to the Vendors, apart from holding equity interest in Shanghai Zipower, Positive Rise has not been carrying on business since its incorporation. As such, no consolidated accounts of Positive Rise had been provided.

LETTER FROM THE BOARD

INFORMATION ON SHANGHAI ZIPOWER

Shanghai Zipower was established on 18 April 2003 in Shanghai City in the PRC with a registered capital of RMB110,000,000 (equivalent to approximately HK\$110,000,000). The registered capital of Shanghai Zipower has been paid up in full. The principal business of Shanghai Zipower is investment holdings. As at the Latest Practicable Date, Shanghai Zipower holds 51% of the registered capital of Taineng Natural Gas.

According to the unaudited financial statements of Shanghai Zipower itself provided by Jiatai Investment, which were prepared under Generally Accepted Accounting Principles of the PRC, the unaudited total assets of Shanghai Zipower as at 15 December 2006 was approximately RMB126,749,499 (equivalent to approximately HK\$126,749,499) and the unaudited total liability of Shanghai Zipower as at 15 December 2006 was approximately RMB50,050,000 (equivalent to approximately HK\$50,050,000). Pursuant to the Jiatai Agreement, in the event there are liabilities of Jiatai Investment which are not recognized by Zhongran Investment, Jiatai Investment shall be responsible therefor.

According to Jiatai Investment, save for holding equity interest in Taineng Natural Gas, Shanghai Zipower has not been carrying on business since its establishment. As such, no consolidated accounts of Shanghai Zipower had been provided.

INFORMATION ON TAINENG NATURAL GAS

Taineng Natural Gas was established on 16 December 2005 in Qingdao City, Shandong Province, the PRC with a registered capital of RMB239,980,000 (equivalent to approximately HK\$239,980,000) of which RMB122,390,000 (equivalent to approximately HK\$122,390,000) was contributed by Shanghai Zipower and the remaining contribution of RMB117,590,000 (equivalent to approximately HK\$117,590,000) was made by 青島泰能燃氣集團有限公司 (Qingdao Taineng Gas Group Limited)[#], an Independent Third Party. Taineng Natural Gas principally engages in the operation of piped gas business in Qingdao City, Shandong Province, the PRC with the Operation Right.

According to the unaudited financial statements of Taineng Natural Gas provided by Shanghai Zipower, which were prepared under Generally Accepted Accounting Principles of the PRC, Taineng Natural Gas recorded an unaudited loss before and after taxation and extraordinary items of approximately RMB24,110,685 (equivalent to approximately HK\$24,110,685) for the nine months ended 30 September 2006; and the unaudited total assets of Taineng Natural Gas as at 30 September 2006 was approximately RMB592,286,194 (equivalent to approximately HK\$592,286,194).

The board of directors of Taineng Natural Gas comprised eight directors, of whom four (including the chairman of the board thereof who does not have a second casting vote) were appointed by Shanghai Zipower, three were appointed by 青島泰能燃氣集團有限公司 (Qingdao Taineng Gas Group Limited)[#], an Independent Third Party and one independent director was appointed by the government authority of Qingdao City. The independent director shall have the right to veto any resolution of Taineng Natural Gas if he/she considers that the relevant resolution would affect the public interests and safety.

LETTER FROM THE BOARD

Based on the composition of the board of directors of Taineng Natural Gas, upon completion of the transfer of both the Positive Rise Interest and the Shanghai Zipower Interest, the Group may not obtain majority vote from, and hence, does not have control over, the board of directors of Taineng Natural Gas.

INFORMATION ON THE USAGE OF NATURAL GAS IN QINGDAO CITY

Qingdao City is the most important business centre in the Shandong Province in the PRC and also one of the most important cities in terms of business development along the coastline in the northern part of the PRC. Qingdao City occupies a total area of 10,654 sq. km. with a total population of 7,410,000 residents as at the end of 2005 of which 2,650,000 population are resident in the city area.

Taineng Natural Gas presently offers three categories of gas product namely natural gas, coal gas and liquefied gas. Taineng Natural gas has 380,000 users of whom 140,000 and 240,000 users are coal gas and natural gas users respectively. According to the planning and requirement of the Qingdao Municipal Government, Taineng Natural Gas plans to transform its existing coal gas users to natural gas users by the end of 2007.

There are a number of Chinese branded enterprises stationed in Qingdao City. Both the economic development and population growth of Qingdao City have been progressing well and that there is tremendous demand for natural gas in Qingdao City. In 2005, the natural gas and coal gas consumption amounted to about 74.5 million m³ and 166 million m³ respectively. It is estimated that natural gas demand in Qingdao City will increase to about 1 billion m³ by 2010.

REASONS FOR THE TRANSACTIONS

The Group is principally engaged in investment in, and operation and management of, gas pipeline infrastructure and the sale and distribution of piped natural gas and compressed natural gas in the PRC.

The Directors have always been active in seeking opportunities for expanding and enhancing its principal business in the PRC. The Directors (including the independent non-executive Directors) consider that the entering into of the Positive Rise Agreement and the Jiatai Agreement represents a good opportunity to expand the Group's business in the PRC which is in line with the Group's overall business objective of developing and investing in natural gas projects in the PRC.

Given the Operation Right and the number of piped natural gas users in Qingdao City, the Directors consider that the entering into of the Positive Rise Agreement and the Jaitai Investment Agreement will enhance the earnings ability of the Group and accord the Group with a steady income stream.

LETTER FROM THE BOARD

For reasons described above, the Directors (including the independent non-executive Directors) view that the entering into of the Transactions as investments with great potential and will provide an enhanced revenue base and a good opportunity for the Company to participate in gas related business in other cities in the PRC. Taking into account the benefits of the Transactions as described above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Transactions, are fair and reasonable and the Transactions are in the interests of the Company and the Shareholders as a whole.

Upon completion of the acquisition of the Positive Rise Interest and the Shanghai Zipower Interest, Positive Rise and Shanghai Zipower will become subsidiaries of China Gas and that the Group will have acquired indirectly the entire interest in Shanghai Zipower and 51% of the registered capital of Taineng Natural Gas. Whereas the accounts of Positive Rise and Shanghai Zipower will be consolidated with that of the Group, Taineng Natural Gas will be accounted for as a jointly controlled entity of the Company for lack of control of the board of directors thereof. The Group will recognize its 51% indirect interest in Taineng Natural Gas by proportionate consolidation (i.e. the Group shares, among other items, each of the assets, liabilities, income and expenses of Taineng Natural Gas which will be combined with similar items of the Group and reflected in the consolidated financial statements of the Group). Details of the composition of the board of directors of Taineng Natural Gas is set out under the paragraph headed “Information on Taineng Natural Gas” above.

FINANCIAL EFFECT

Upon completion of the transfers under the Transactions, the accounts of Positive Rise and Shanghai Zipower will be consolidated with that of the Group and Taineng Natural Gas will be accounted for as a jointly controlled entity using proportionate consolidation. The Group’s assets and liabilities will thereby be increased accordingly and the Group expects its earnings will be enhanced as a result of the Transactions.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix of this circular.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors’ interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

(i) Shares:

Name of Director	Note	Nature of interest	Total	Approximate percentage or attributable percentage of shareholdings (%)
Mr. Liu Ming Hui	1	Personal	505,224,000 (L)	16.42
(“Mr. Liu”)			118,500,000 (S)	3.85

(L) Long position

(S) Short position

Note:

1. Among these 505,224,000 Shares, 251,724,000 Shares are beneficially owned by Mr. Liu, 135,000,000 Shares represent options held by Mr. Liu and 118,500,000 Shares are to be delivered to Hai Xia Finance Holdings Limited (“Hai Xia”). Pursuant to a sale and purchase agreement dated 8 March 2005 and entered into between Hai Xia and Mr. Liu, Mr. Liu agreed to sell and Hai Xia agreed to purchase 190,000,000 Shares from Mr. Liu in five tranches for cash consideration in the aggregate amount of HK\$330,000,000. Details of the transaction have been set out in the announcement of the Company dated 9 March 2005. As at the Latest Practicable Date, of 190,000,000 Shares to be transferred to Hai Xia, 71,500,000 Shares had been completed.

(ii) *Share options:*

Name of Director	Number of options held	Nature of interest	Number of underlying Shares	Approximate percentage of the issued share capital of the Company (%)
Mr. Li Xiaoyun	5,000,000 (<i>Note 1</i>)	Personal	5,000,000	0.16
	5,000,000 (<i>Note 5</i>)	Personal	5,000,000	0.16
Mr. Xu Ying	5,000,000 (<i>Note 1</i>)	Personal	5,000,000	0.16
	90,000,000 (<i>Note 3</i>)	Personal	90,000,000	2.93
Mr. Liu Ming Hui	5,000,000 (<i>Note 1</i>)	Personal	5,000,000	0.16
	130,000,000 (<i>Note 3</i>)	Personal	130,000,000	4.23
Mr. Ma Jin Long	9,240,711 (<i>Note 1</i>)	Personal	9,240,711	0.30
Mr. Zhu Wei Wei	4,000,000 (<i>Note 1</i>)	Personal	4,000,000	0.13
	6,000,000 (<i>Note 2</i>)	Personal	6,000,000	0.20
Mr. Mao Er Wan	1,000,000 (<i>Note 1</i>)	Personal	1,000,000	0.03
Ms. Wong Sin Yue Cynthia	1,000,000 (<i>Note 1</i>)	Personal	1,000,000	0.03
	700,000 (<i>Note 4</i>)	Personal	700,000	0.02
Mr. ZhaoYu Hua	1,000,000 (<i>Note 1</i>)	Personal	1,000,000	0.03
	700,000 (<i>Note 4</i>)	Personal	700,000	0.02

Notes:

- These options were granted under the share option scheme (the “**Share Option Scheme**”) adopted by the Company on 6 February 2003 which entitle the holders thereof to subscribe for Shares at an exercise price of HK\$0.80 per Share during the period from 1 September 2004 to 8 January 2014.
- These options were granted under the Share Option Scheme entitling the holders thereof to subscribe for Shares at an exercise price of HK\$0.71 per Share during the period from 20 March 2005 to 5 October 2014.
- These options were granted under the Share Option Scheme entitling the holders thereof to subscribe for Shares at an exercise price of HK\$0.71 per Share during the period from 22 November 2004 to 5 October 2014. The exercise of options will be subject to the condition that the consolidated net asset value of the Group, which shall be certified by the auditors appointed by the Company, as at the date of exercise of the options being not less than HK\$1 billion.
- These options were granted under the Share Option Scheme entitling the holders thereof to subscribe for Shares at an exercise price of HK\$0.71 per Share during the period from 1 January 2005 to 5 October 2014.
- These options were granted under the Share Option Scheme entitling the holders thereof to subscribe for Shares at an exercise price of HK\$1.50 per Share during the period from 20 October 2010 to 19 October 2015.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person(s) (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(i) Substantial shareholders of the Company:

Name of Shareholders	Notes	Nature of interest	Total	Approximate percentage or attributable percentage of shareholdings (%)
Ms. Xu Xau Lan	1	Deemed interest	505,224,000 (L) 118,500,000 (S)	16.42 3.85
Hai Xia	2	Beneficial owner	340,000,003 (L) 150,000,003 (S)	11.05 4.88
China Petroleum & Chemical Corporation		Beneficial owner	210,000,000 (L)	6.83
GAIL (India) Limited		Beneficial owner	210,000,000 (L)	6.83
Oman Oil Company S.A.O.C.		Beneficial owner	210,000,000 (L)	6.83
Mackenzie Financial Corporation		Investment manager	231,010,000 (L)	7.51

(L) Long position

(S) Short position

Notes:

- 1. Ms. Xu Xau Lan is deemed to be interested in the Shares held by her spouse, Mr. Liu.
- 2. Among these 340,000,003 Shares 221,500,003 Shares are beneficially owned by Hai Xia and 118,500,000 Shares are to be delivered by Mr. Liu to Hai Xia pursuant to the sale and purchase agreement dated 8 March 2005 and entered into between Hai Xia and Mr. Liu. Details of the transaction have been set out in the announcement of the Company dated 9 March 2005 and in note 1 under the section “Directors’ interests and short positions in the securities of the Company and its associated corporations” headed “Shares” in this appendix.

(ii) Substantial shareholders of other members of the Group:

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding (%)
Yichang Zhongran City Gas Company Limited	宜昌天然氣有限責任公司 (Yichang City Natural Gas Company Limited) [#]	30
Wuhu City Natural Gas Development Company Limited	安徽省蕪湖市燃氣總公司 (Anhui Province Wuhu City Natural Gas Head Company) [#]	10
Yiyang Central Gas & City Gas Development Company Limited	益陽市城市建設投資開發有限責任公司 (Yiyang City Construction, Investments and Development Company Limited) [#]	20
Xiaogan China Gas Co. Limited	北京裕隆倉燃氣技術有限公司 (Beijing Yu Long Cang Technology Co. Limited) [#]	45
Suzhou Zhongran City Gas Development Company Limited	宿州市燃氣有限公司 (Suzhou Gas Company Limited) [#]	25
Shouxian Zhongran City Gas Development Limited	壽縣建設投資公司 (Shouxian Construction Investment Co) [#]	10
Beijing Zhongran Xiangke Oil Gas Technology Company Limited	北京中燃偉業投資有限公司 (Beijing Zhongran Wei Yip Investment Co. Limited) [#]	40
Baoji Zhongran City Gas Development Co. Ltd.	寶雞市天然氣總公司 (Baoji City Gas Company) [#]	36

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding (%)
Yangzhou Zhongran City Gas Development Company Ltd.	揚州市城建國有資產控股(集團)有限責任公司 (Yangzhou City Construction National Assets Holdings (Group) Company Limited) [#]	50
Liuzhou Zhongran City Gas Development Company Ltd.	柳州市投資控股有限公司 (Liuzhou City Investment Holdings Limited) [#]	50
Dalian Zhongran City Gas Development Co., Limited	大連市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the Dalian Municipal Government, Liaoning Province) [#]	25
Fu Shun Zhongran City Gas Development Company Ltd.	撫順市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the Fushun Municipal Government, Liaoning Province) [#]	30
Hohhot Zhongran City Gas Development Company Limited	呼和浩特市煤氣有限責任公司 (Hohhot City Coal Gas Company Limited) [#]	50
Dezhou Zhongran City Gas Development Company Limited	德州市燃氣總公司 (Dezhou Gas Company) [#]	49
Wuwei Zhongran City Gas Development Company Limited	重慶市川東燃氣工程建設有限公司 (Chongqing Chuan Dong Gas Engineering Construction Company Ltd) [#]	10

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

Each of Mr. Xu Ying and Mr. Liu Ming Hui had entered into a service agreement with the Company commencing from 1 April 2005 for a period of three years.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had entered into or proposed to enter into any service agreement with any member of the Group, which will expire or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries had engaged in any litigation, arbitration or claim of material importance and there is no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or, any other conflicts of interest within the Group.

6. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is located at Room 1601, 16th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1901-05, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The secretary of the Company is Ms. Yang Yan Tung Doris, *ACS, ACIS*.
- (e) The qualified accountant of the Company is Mr. Huang Chao Fei, *FCCA, CPA*.
- (f) The English text of this circular shall prevail over the Chinese text in case of inconsistency.