



CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(Incorporated in Bermuda in limited liability)
(Stock Code: 384)

NEW PLACING OF SHARES AND RESUMPTION OF TRADING

PLACING OF SHARES

On 31 October 2004, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 210,000,000 Subscription Shares in cash at a subscription price of HK\$0.61 per Subscription Share.

The Subscriber undertakes that it will not dispose of any of the Subscription Shares within a period of 12 months from the date of Completion.

The Subscription Price represents (i) a discount of approximately 39.6% to the closing price of HK\$1.01 per Share as quoted on the Stock Exchange on 28 October 2004, being the last trading day before the date of the Subscription Agreement; (ii) a discount of approximately 33.11% to the average closing price of approximately HK\$0.912 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 28 October 2004; and (iii) a discount of approximately 27.21% to the average closing price of approximately HK\$0.838 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 28 October 2004. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber. 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 (i) approximately 11.87% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 10.61% 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\$128,000,000 will be applied as the general working capital of the Group.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

At the SGM, a specific mandate for the allotment and issue of the Subscription Shares will be sought from the Shareholders. A circular containing, among other things, further information about the Subscription together with a notice of SGM will be despatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 29 October 2004 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 2 November 2004.

SUBSCRIPTION AGREEMENT

Date: 31 October 2004

Parties: (i) Issuer: the Company
(ii) Subscriber: the Subscriber

Information on the Subscriber

The Subscriber is the first company in the PRC listed in all of the following places: Hong Kong (Stock Code: 386), New York, London and Shanghai and is also an integrated energy and chemical company with upstream, midstream and downstream operations. The principal operations of the Subscriber and its subsidiaries include (i) exploring for and developing, producing and trading crude oil and natural gas; (ii) processing crude oil into refined oil products, producing refined oil products and trading, transporting, distributing and marketing refined oil products; and (iii) producing, distributing and trading of petrochemical products.

The Subscriber is not a connected person of the Company as defined under the Listing Rules. The Subscriber is independent of and not connected with the Company or its connected persons as defined in the Listing Rules.

Number of Subscription Shares

The Subscription Shares represent (i) approximately 11.87% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 10.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscriber undertakes that it will not dispose of any of the Subscription Shares within a period of 12 months from the date of Completion.

Subscription Price

The subscription price of HK\$0.61 per Subscription Share represents:

- (i) a discount of approximately 39.6% to the closing price of HK\$1.01 per Share as quoted on the Stock Exchange on 28 October 2004, being the last trading day before the date of the Subscription Agreement;
- (ii) a discount of approximately 33.11% to the average closing price of approximately HK\$0.912 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 28 October 2004; and
- (iii) a discount of approximately 27.21% to the average closing price of approximately HK\$0.838 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 28 October 2004.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the closing prices as shown above. Given that the Subscriber will be a

valuable strategic business partner of the Group and the introduction of it as a strategic investor of the Company could strengthen the Group's position as a leading natural gas investor in the PRC, the Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and 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 Subscription Shares will be allotted and issued under the specific mandate to be granted to the Board to issue the Subscription Shares at the SGM.

Conditions of the Subscription

The Subscription is conditional upon the following conditions having been fulfilled by 31 December 2004 (or such other later date as may be agreed between the Company and the Subscriber):

- (i) the passing of the necessary resolution by the Shareholders at the SGM to approve the allotment and issue of the Subscription Shares;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;
- (iii) (if so required) the relevant authority in the jurisdiction where the Company is incorporated granting permission for the allotment and issue of the Subscription Shares;
- (iv) the Subscriber having obtained all necessary consents, approvals, and permits from the relevant PRC governmental authorities in respect of the Subscription; and
- (v) the receipt by the Company of the PRC legal opinion to be obtained by the Subscriber in form and content satisfactory to the Company in respect of the matters, including but not limited to the Subscription, contemplated under the Subscription Agreement.

In the event that the conditions of the Subscription are not fulfilled in full by the date stipulated, the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement.

Completion of the Subscription

Completion 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 Subscriber).

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 AND THE CO-OPERATION STRATEGIC AGREEMENT

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

By entering into the Subscription Agreement, the Group can raise further capital for future investment. The Board considered that the introduction of the Subscriber as a strategic investor of the Company could strengthen the Group's position as a leading natural gas investor in the PRC. In addition, the Subscriber and the Company have entered into a co-operation strategic agreement. A separate announcement regarding the co-operation strategic agreement has been made by the Company on the same date of this announcement.

The net proceeds of the Subscription of about HK\$128,000,000 will be applied as the Group's general working capital. The Board considers that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Immediately after Completion, there will be no change to the composition of the Board and the principal business engaged by the Group.

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
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)	About HK\$98,000,000 (Note)	(Note)	The Tranche 1 Bonds in the principal amount of US\$6,000,000 were issued on 13 November 2003. The Tranche 2 Bonds in the principal amount of US\$7,000,000 were issued on 10 June 2004. The Company has applied the net proceeds derived from the issue of the Tranche 1 Bonds and the Tranche 2 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, approximately HK\$45,000,000 have been applied to repay the Group's short term bank borrowings and approximately HK\$4,000,000 has been applied to acquired the Group's natural gas project in Xiaogan. The remaining balance of about HK\$3,000,000 was used as administration expenses.
21 January 2004	Placing of an aggregate of 180,000,000 new Shares	About HK\$117,000,000	As the Group's future investments in natural gas projects in the PRC and/or the Group's general working capital	The net proceeds of approximately HK\$68,000,000 have been applied to repay the Group's short term bank borrowings, approximately HK\$13,000,000 have been applied as the Group's contribution to the enlarged registered capital of Shenzhen Natural Gas, approximately HK\$31,000,000 have been applied as the contribution in the Group's natural gas projects in Yiyang and Suizhou and the remaining balance of approximately HK\$5,000,000 was utilised as the Group's administration expenses.
5 October 2004	Placing of a total of 260,000,000 Warrants at an issue price of HK\$0.01 per Warrant (pending for completion)	About HK\$2,500,000	general working capital of the Group	–

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
5 October 2004	Placing of a 90,000,000 new Shares at HK\$0.52 per new Share (pending for completion)	About HK\$46,700,000	general working capital of the Group	–

Note:

The net proceeds of about HK\$45,000,000 derived from the issue of the Tranche 1 Bonds, will be used as the Group's second stage capital contribution in the natural gas projects in Huainan and Wuhu, the PRC, through Shenzhen Natural Gas. The net proceeds of about HK\$53,000,000 derived from the issue of the Tranche 2 Bonds will be used for future investment in natural gas projects in the PRC and general working capital.

Details regarding the issue of the bonds are set out in the Company's announcements dated 30 October 2003, 13 November 2003, 17 December 2003, 19 December 2003, 10 June 2004 and 8 October 2004 and the Company's circular dated 3 December 2003.

CHANGES OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company had 1,769,432,338 Shares in issue. The shareholding structure of the Company before and after the Apollo Completion and the allotment and issue of the Subscription Shares, are as follows:

Shareholder	As at the date of this announcement		Immediate after the Apollo Completion		Immediate after the Completion and the Apollo Completion	
	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage
Liu Ming Hui (Note 1)	385,000,000	21.76%	385,000,000	20.71%	385,000,000	18.60%
The Subscriber	Nil	Nil	Nil	Nil	210,000,000	10.15%
Other public Shareholders	1,384,432,338	78.24%	1,474,432,338 (Note 2)	79.29%	1,474,432,338 (Note 2)	71.25%
Total	1,769,432,338	100%	1,859,432,338	100%	2,069,432,338	100%

Note 1:

These 385,000,000 Shares represent the Shares beneficially owned by, and agreed to be acquired by, Mr. Liu Ming Hui, an executive Director.

Pursuant to a sale and purchase agreement dated 16 January 2004 and entered into between Heng Fung Holdings Limited and its subsidiaries (together the "Heng Fung Group") as vendor and Mr. Liu Ming Hui as purchaser, Heng Fung Group has agreed to sell and Mr. Liu as agreed to acquire an aggregate of 250,000,000 Shares. As at the date of this announcement, the sale and purchase of 90,000,000 Shares has been completed and Mr. Liu is beneficially interested in 225,000,000 Shares.

Note 2:

90,000,000 Shares out of these Shares will be issued pursuant to a subscription agreement entered into between the Company and Apollo Elite International Limited dated 30 September 2004. For further details in relation to the placing of these new shares, please refer to the announcement of the Company dated 5 October 2004.

The above table has not taken into account the new Shares which fall to be allotted and issued upon conversion of the Tranche 2 Bonds and the exercise of the Subscription Rights relating to the Tranche 1 and the Tranche 2 Bonds and the Warrants.

GENERAL

A circular containing, among other things, further information about the Subscription together with a notice of SGM will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 29 October 2004 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 2 November 2004.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

"Apollo Completion"	the completion of the subscription by Apollo Elite International Limited for a total number of 90,000,000 Shares pursuant to a subscription agreement entered into between the Company and Apollo Elite International Limited dated 30 September 2004
"associates"	has the meaning ascribed to this term under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day (not being a Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Company"	China Gas Holdings Limited, a company incorporated in Bermuda with limited liability the issued Shares of which are listed on the Stock Exchange

“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Directors”	the directors of the Company
“Exercise Price”	an initial exercise price of HK\$0.66 per New Share (subject to adjustment) at which holders of the Warrants may subscribe for the New Shares
“Fixed Conversion Price”	HK\$0.792 per Share
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merrill Lynch”	Merrill Lynch International, an unlimited liability company established under the Laws of England and Wales
“New Share(s)”	new Share(s) which fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrant(s)
“PRC”	the People’s Republic of China
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the allotment and issue of the Subscription Shares
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	holders of the Shares
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Sinopec Corp., a company incorporated in the PRC the issued Shares of which are listed on the Stock Exchange
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	a conditional subscription agreement dated 31 October 2004 and entered into between the Company and the Subscriber in relation to the Subscription Shares
“Subscription Price”	the subscription price of HK\$0.61 per Subscription Share
“Subscription Rights”	the option granted by the Company to Merrill Lynch in respect of each of the Tranche 1 Bonds and the Tranche 2 Bonds for the subscription of further new Shares at the Fixed Conversion Price
“Subscription Share(s)”	a total number of 210,000,000 Shares for which the Subscriber has conditionally agreed to subscribe pursuant to the Subscription Agreement
“Tranche 1 Bonds”	convertible bonds with an aggregate principal amount of US\$6,000,000 due 2008 issued by the Company to Merrill Lynch on 13 November 2003
“Tranche 2 Bonds”	convertible bonds with an aggregate principal amount of US\$7,000,000 due 2008 issued by the Company to Merrill Lynch on 10 June 2004
“Warrant(s)”	260,000,000 unlisted warrants to be issued by the Company at the Warrant Issue Price, each entitles the holder thereof to subscribe for one New Share at the Exercise Price of HK\$0.66 (subject to adjustment) at any time during a period of five years commencing from the date of issue of the Warrants
“Warrant Issue Price”	HK\$0.01 per unit of Warrant
“Warrant Placing”	a private placing of the Warrants at the Warrant Issue Price pursuant to the Warrant Placing Agreements
“Warrant Placing Agreements”	together (i) a conditional placing agreement dated 28 September 2004 made between the Company and Mr. Kan Che Kin, Billy Albert in relation to the placing of 180,000,000 Warrants; and (ii) a conditional placing agreement dated 28 September 2004 made between the Company and Mr. Liu Zhi He in relation to the placing of 80,000,000 Warrants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 1 November 2004

* *for identification purpose only*

As at the date of this announcement, Mr. Li Xiaoyun, Mr. Xu Ying, Mr. Liu Ming Hui, Mr. Ma Jin Long and Mr. Zhu Wei Wei are the executive Directors, Mr. Wu Bangjie is the non-executive Director and Mr. Zhao Yu Hua, Dr. Mao Er Wan and Ms. Wong Sin Yue, Cynthia are the independent non-executive Directors.