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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)

PLACING OF NEW SHARES

TO

TEMPLETON STRATEGIC EMERGING MARKETS FUND II, LDC

AND

NEDERLANDSE FINANCIERINGS - MAATSCHAPPIJ VOOR ONTWIKKELINGSLANDEN N.V.

AND

RESUMPTION OF TRADING

On 28 October 2005, the Company entered into the Subscription Agreements with the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 133,000,000 Subscription Shares (as to 93,000,000 Subscription Shares by TSEMF II and as to 40,000,000 Subscription Shares by FMO) at a Subscription Price of HK\$1.16 per Subscription Share. The Subscription Agreements are not conditional upon each other.

The Subscription Price represents (i) a discount of approximately 4.94% to the volume-weighted average prices of HK\$1.2203 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days upto and including 27 October 2005, being the last trading day before the date of this announcement; (ii) a discount of approximately 7.20% to the closing price of HK\$1.25 per Share as quoted on the Stock Exchange on 27 October 2005, being the last trading day before the date of this announcement and the date on which the terms of the Subscription was fixed; and (iii) a discount of approximately 3.81% to the average closing price of approximately HK\$1.206 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 27 October 2005, being the last trading day before the date of this announcement.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers. 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 Company and the Shareholders as a whole.

The Subscription Shares represent approximately 5.38% of the existing issued share capital of the Company and approximately 5.10% 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 is approximately HK\$153 million and will be applied for future investment of gas projects in the PRC and as general working capital of the Group.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 28 October 2005 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 31 October 2005.

SUBSCRIPTION AGREEMENTS

The Subscriptions Agreements	:	TSEMF II Agreement and FMO Agreement
Date	:	28 October 2005
Parties to the TSEMF II Agreement	:	(a) The Company (b) TSEMF II
Parties to the FMO Agreement	:	(a) The Company (b) FMO

On 28 October 2005, the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 133,000,000 Subscription Shares (as to 93,000,000 Subscription Shares by TSEMF II and as to 40,000,000 Subscription Shares by FMO) at a Subscription Price of HK\$1.16 per Subscription Share. The Subscription Agreements are not conditional upon each other.

The Subscribers

TSEMF II and FMO. Each of the Subscribers, and their ultimate beneficial owner(s), as the case may be, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined under the Listing Rules) and are not connected persons (as defined under the Listing Rules) of the Company and that the Subscribers are not parties acting in concert as defined under the Takeovers Code.

TSEMF II makes strategic investments throughout emerging markets and is managed by Templeton Asset Management Ltd ("TAML"), which has eleven offices located throughout emerging markets including Singapore and Hong Kong. TAML's emerging markets investment team is headed by Dr. Mark Mobius and managed over US\$20 billion as of 30 September 2005. TAML is a subsidiary of Franklin Resources, Inc. ("FRI") (NYSE: BEN). FRI is a global investment management organization operating as Franklin Templeton Investments. Franklin Templeton Investments provides global and domestic investment management solutions managed by its Franklin, Templeton, Mutual Series and Fiduciary Trust investment teams. The San Mateo, California-based company has more than 50 years of investment experience and over US\$452 billion in assets under management as of 30 September 2005.

FMO is the international development bank of the Netherlands. FMO invests risk capital in companies and financial institutions in developing countries. With an investment portfolio of €2 billion, FMO is one of the largest bilateral development banks worldwide and its mission is to create flourishing enterprises, which can serve as engines of sustainable growth in their countries.

Number of Subscription Shares

The Subscription Shares represent approximately 5.38% of the existing issued share capital of the Company and approximately 5.10% 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\$1.16 per Subscription Share represents:

- (i) a discount of approximately 4.94% to the volume-weighted average prices of HK\$1.2203 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including 27 October 2005, being the last trading day before the date of this announcement;
- (ii) a discount of approximately 7.20% to the closing price of HK\$1.25 per Share as quoted on the Stock Exchange on 27 October 2005, being the last trading day before the date of this announcement and the date on which the terms of the Subscription was fixed; and
- (iii) a discount of approximately 3.81% to the average closing price of approximately HK\$1.206 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 27 October 2005, being the last trading day before the date of this announcement.

The net Subscription Price (after deducting the legal fees and other related expenses paid by the Company) is approximately HK\$1.151 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers. 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 Company and the Shareholders as a whole.

Rights

The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with all the Shares in issue on the date of allotment and issue of the Subscription Shares including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment and issue of the Subscription Shares.

Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the General Mandate. As at the date of this announcement, the Company has not allotted and issued any new Shares pursuant to the General Mandate. The 133,000,000 Subscription Shares to be allotted and issued will utilise approximately 26.96% of the General Mandate.

Conditions of the Subscription

The Subscription, which comprises TSEMF II's Subscription and FMO's Subscription, is conditional upon the fulfillment (or waiver) of the following conditions:

- (a) the Listing Committee granting the approval for the listing of, and permission to deal in, the Subscription Shares;
- (b) all necessary consents and approvals as may be required in respect of the transactions contemplated under the Subscription Agreements having been obtained by the Company; and
- (c) the passing of the necessary resolutions by the Board, and if necessary, the passing by the Shareholders of an ordinary resolution at a special general meeting of the Company to approve the Subscription.

In the event that all the conditions are not fulfilled on or before 31 December 2005 or such later date as may be agreed between the relevant parties to the TSEMF II's Agreement and the FMO's Agreement, the TSEMF II's Agreement and the FMO's Agreement shall terminate save for any rights or obligations which may accrue under their respective Subscription Agreements prior to such termination and neither the Company, TSEMF II or FMO shall have any claim against any other party for costs, damages, compensation or otherwise under their respective Subscription Agreements.

Completion of the Subscription

Completion of TSEMF II's Subscription will take place at the earliest practicable date, but no later than 31 December 2005, unless the parties agree, in writing, to another date, but provided always that the conditions have been satisfied or waived.

Completion of FMO's Subscription will take place at the earliest practicable date, but no later than 31 December 2005, unless the parties agree, in writing, to another date, but provided always that the conditions have been satisfied or waived.

Lock-in period

TSEMF II has undertaken and covenanted with the Company that it will not, and will procure that none of its subsidiaries will, within a period of twelve (12) months from the date of completion, dispose of (with or without consideration) any of the Subscription Shares except the occurrence of the significant events as described below:

- (a) any significant change in the nature of business of the Company and the Group; or
- (b) any material breach of the warranties, representations, covenants and obligations made by the Company pursuant to the respective Subscription Agreements; or
- (c) any policy announcement by the PRC Government which has a material effect on the viability and profitability of the Group or its business affairs.

FMO has undertaken and covenanted with the Company that it will not, and will procure that none of its subsidiaries will, within a period of thirty-six (36) months from the date of completion, dispose of (with or without consideration) any of the Subscription Shares except the occurrence of the significant events as described above.

Application for listing

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

REASONS FOR THE SUBSCRIPTION

The Group is principally engaged in the investment in, and the 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 has considered various ways of raising funds and consider that the Subscription represents an appropriate opportunity in the circumstances to raise capital for the Group while broadening its shareholder and capital bases. By entering into the Subscription Agreements, the Group raises further capital to strengthen its financial position for future possible investments.

As at the date of this announcement, although a balance of about HK\$254 million net proceeds from the issue of the Bonds remains unused, the Directors consider the current fund raising exercise is nevertheless appropriate and in the interest of the Company and the Shareholders as a whole. The Directors consider that given the capital intensive nature of the natural gas industry, it would be prudent for the Group to maintain a sufficient and healthy level of readily available funds in order to capture opportunities in the natural gas market in a timely manner. Further, the Directors have been continually looking for suitable future investments and consider that sufficient funds should be readily available in case suitable investments come up.

The net proceeds of the Subscription is approximately HK\$153 million (after deducting the legal fees and other related expenses paid by the Company) and will be applied for future investment of gas projects in the PRC and as general working capital of the Group. The Directors have been continually identifying suitable investments which are in line with the Group's principal business from time to time and further announcement will be made by the Company in compliance with the Listing Rules. As at the date of this announcement, the Directors confirm that no new investments have yet been finalised by the Group.

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

ISSUE OF EQUITY SECURITIES IN THE PAST TWELVE MONTHS

The following table summarises the fund raising activities of the Group for the twelve 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
1 November 2004	Placing of 210,000,000 new Shares at HK\$0.61 per new Share	About HK\$128,000,000	General working capital of the Group	<p>About HK\$91 million was used in the projects located in Yangzhong, Suzhou and Dangyang;</p> <p>About HK\$10 million was used as repayment of a short-term loan;</p> <p>About HK\$20 million was used for the acquisition of projects located in Xiaogan;</p> <p>About HK\$7 million was used as the Group's general working capital</p>
21 February 2005	Placing of 210,000,000 new Shares at HK\$1.158 per new Share	About HK\$243,000,000	General working capital of the Group	<p>About HK\$138 million was used in the projects located in Nanjing, Tianmen, Yulin, Qiuzhou, Puzhou, Xinyi, Nanling, Xuzhou, Qinghe and Huoshan</p> <p>About HK\$39 million have been applied as the Group's contribution to the enlarged registered capital of Central Asia Shenzhen Natural Gas (Shenzhen) Company Limited, a wholly foreign owned enterprise established in the PRC and a wholly owned subsidiary of the Company</p> <p>About HK\$36 million was used to repay the convertible notes</p> <p>About HK\$30 million was used as the Group's general working capital</p>
24 June 2005	Issue of the Bonds	About HK\$301,860,000 in relation to the issue of the bonds	Investments in natural gas projects, repayment of portions of existing indebtedness and as general working capital of the Group	<p>About HK\$48 million was used in the project located in Maoming.</p> <p>The balance of about HK\$254 million remained unused.</p>

EFFECT ON SHAREHOLDING STRUCTURE AS A RESULT OF THE SUBSCRIPTION

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

Shareholders	As at the date of this announcement and immediately before completion of the Subscription		Immediately after completion of the Subscription	
	Number of issued Shares	Approximate Percentage	Number of issued Shares	Approximate Percentage
Hai Xia Finance Holdings Limited (<i>Notes 1 & 3</i>)	340,000,003	13.75%	340,000,003	13.05%
Mr. Liu Ming Hui (<i>Notes 2 & 3</i>)	474,106,000	19.17%	474,106,000	18.19%
China Petroleum & Chemical Corporation	210,000,000	8.49%	210,000,000	8.06%
GAIL (India) Limited	210,000,000	8.49%	210,000,000	8.06%
TSEMF II	–	–	93,000,000	3.57%
FMO	–	–	40,000,000	1.54%
Public	1,238,716,335	50.10%	1,238,716,335	47.53%
Total:	<u>2,472,822,338</u>	<u>100.00%</u>	<u>2,605,822,338</u>	<u>100.00%</u>

Notes:

1. Hai Xia Finance Holdings Limited (“**Hai Xia**”) is a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of Strait Economic and Technologic Cooperation Center which in turn is a unit of the Taiwan Affairs Office of the State Council.

These 340,000,003 Shares represent 211,500,003 Shares beneficially owned by and 128,500,000 Shares agreed to be acquired by Hai Xia from Mr. Liu Ming Hui (“**Mr. Liu**”), Managing Director, pursuant to note 3 below.

2. These 474,106,000 Shares represent 210,606,000 Shares beneficially owned by Mr. Liu and 128,500,000 Shares agreed to be sold to Hai Xia pursuant to note 3 below and 135,000,000 options granted by the Company.
3. On 8 March 2005 a sale and purchase agreement was entered into between Hai Xia and Mr. Liu pursuant to which Mr. Liu agreed to sell and Hai Xia agreed to purchase 190,000,000 Shares from Mr. Liu in five tranches for a cash consideration in the aggregate amount of HK\$330,000,000. Details of the transaction were set out in the announcement of the Company dated 9 March 2005. At the date of this announcement, the sale and purchase of 61,500,000 Shares had been completed.

The above table has not taken into account any new Shares which may fall to be allotted and issued upon conversion of the Bonds. In the event such Bonds are converted into Shares, up to 180,242,634 Shares will be issued.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 28 October 2005 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 31 October 2005.

DEFINITIONS

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

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Bonds”	the US\$40,000,000 1% convertible bonds due 2010 (equivalent to approximately HK\$312,000,000) at an initial conversion price of HK\$1.731 as announced by the Company on 24 June 2005
“Business Day”	a day (excluding 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 and the issued Shares of which are listed on the Stock Exchange
“Directors”	directors (including the independent non-executive directors) of the Company from time to time
“FMO”	Nederlandse Financierings – Maatschappij Voor Ontwikkelingslanden N.V., a company incorporated in The Netherlands with limited liability
“FMO Agreement”	the agreement dated 28 October 2005 and entered into between the Company and FMO in respect of the FMO’s Subscription
“FMO’s Subscription”	the subscription for 40,000,000 Subscription Shares by FMO pursuant to the FMO Agreement
“General Mandate”	the general mandate granted to the Directors to allot, issue and deal with new Shares at the annual general meeting of the Company held on 18 August 2005, pursuant to which a maximum of 493,302,467 new Shares may be allotted and issued as at the date of this announcement.
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“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)
“Subscribers”	(1) TSEMF II or its nominees, and (2) FMO or its nominee(s)
“Subscription”	the subscription for the Subscription Shares by the Subscribers subject to and upon the terms of the Subscription Agreements
“Subscription Agreements”	together the TSEMF II Agreement and the FMO Agreement
“Subscription Price”	the subscription price of HK\$1.16 per Subscription Share
“Subscription Shares”	an aggregate of 133,000,000 new Shares to be subscribed by the Subscribers pursuant to the Subscription Agreements as to 93,000,000 new Shares by TSEMF II and as to 40,000,000 new Shares by FMO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“TSEMF II”	Templeton Strategic Emerging Markets Fund II, LDC, an exempted limited duration company incorporated in the Cayman Islands and represented by its investment manager Templeton Asset Management Limited
“TSEMF II Agreement”	the agreement dated 28 October 2005 and entered into between the Company and TSEMF II in respect of the TSEMF II’s Subscription
“TSEMF II’s Subscription”	the subscription for 93,000,000 Subscription Shares by TSEMF II pursuant to the TSEMF II Agreement
“USA”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of USA
“€”	Euro, the lawful currency of The Netherlands
“%”	per cent.

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

Hong Kong, 28 October 2005

* *for identification purpose only*

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

Please also refer to the published version of this announcement in The Standard and SCMP-Business.