

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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

The Board announces that on 20 June 2007, Zhongran Investment, a wholly owned subsidiary of the Company, has separately entered into the Baotao Gas Agreement, Pipeline Engineering Agreement and Gas Station Agreement for the acquisition of the 80% interests in each of the Target Companies respectively.

Pursuant to the Pipeline Engineering Agreement, Zhongran Investment, as purchaser, has agreed to purchase from Mr. Wang and Mr. Guo and Mr. Wang and Mr. Guo, as vendors, have agreed to sell to the Company the Shenyin Engineering Interest for a total cash consideration of RMB8,000,000 (equivalent to approximately HK\$8,240,000).

Pursuant to the Gas Station Agreement, Zhongran Investment, as purchaser, has agreed to purchase from Mr. Wang Yu and Mr. Wang Yu, as vendor, has agreed to sell to Zhongran Investment the Shenyin Natural Gas Station Interest for a total cash consideration of RMB24,000,000 (equivalent to approximately HK\$24,720,000).

Pursuant to the Baotao Gas Agreement, the Purchasers have agreed to purchase from Shenyin Holding and Shenyin Holding, as vendor, has agreed to sell to the Purchasers the Baotao Gas Interest for a total cash consideration of RMB147,040,000 (equivalent to approximately HK\$151,451,200).

Pursuant to the Cooperation Agreement, the Purchasers have agreed and the Vendors have agreed to transfer the equity interests of each of the Target Companies in accordance with the Pipeline Engineering Agreement, Gas Station Agreement and Baotao Gas Agreement and the parties agreed that upon the Registration Completion Date, the parties to the Agreements shall continue the existing principal business of the Target Companies, the Projects in accordance with the regulations of Baotao City Government and the Operation Right.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Mr. Wang, Mr. Guo, Mr. Wang Yu and Shenyin Holding (and its ultimate beneficial owners), are Independent Third Parties. Upon completion of the Transactions, the Target Companies become non-wholly owned subsidiaries of the Company whereas the accounts of the Target Companies will be fully consolidated with that of the Group.

Further details of the Agreements are set out below.

The Transactions constitute a discloseable transaction for the Company under the Listing Rules. A circular containing, among other matters, details of the Transactions will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

## **INTRODUCTION**

The Board announces that on 20 June 2007, Zhongran Investment, a wholly owned subsidiary of the Company, has separately entered into the Agreements for the acquisition of the 80% interests in each of the Target Companies respectively.

### **(1) BAOTAO GAS AGREEMENT**

Date: 20 June 2007

Parties: (1) Zhongran Investment, a wholly owned subsidiary of the Company;

(2) Zhongran Gas, a wholly owned subsidiary of the Company, (together with Zhongran Investment) as the Purchasers; and

(3) Shenyin Holding, as vendor.

As at the date of the Baotao Gas Agreement, Baotao Gas was wholly and beneficially owned as to 100% by Shenyin Holding.

Shenyin Holding was established on 11 March 1998 in Baotao City, the PRC. Its registered capital was RMB80,000,000 (equivalent to approximately HK\$82,400,000). Shenyin Holding is beneficially owned by Mr. Wang and Mr. Guo Aihou as to 95% and 5% respectively. It is principally engaged in business investment and management consultancy, sale of machinery and communication facilities, development of computer software, development of city based infrastructure facilities. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Shenyin Holding and its beneficial owners is an Independent Third Party.

Save for the Baotao Gas Agreement, Shenyin Holding has had no business dealings with the Group.

### **Assets to be acquired**

The Baotao Gas Interest, which represents 80% equity interests in the registered capital of Baotao Gas, in which Zhongran Investment and Zhongran Gas are entitled to 50% and 30% equity interests in the registered capital of Baotao Gas respectively. Further details of Baotao Gas is set out under the paragraphs headed "Information on Baotao Gas" below.

### **Consideration**

The total consideration for the Baotao Gas Interest is RMB147,040,000 in cash (equivalent to approximately HK\$151,451,200), which shall be paid to the vendor in accordance with the Cooperation Agreement. Further details of the consideration regarding Baotao Gas Agreement is set out under the paragraphs headed "Consideration for the Transactions" below.

The 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 Baotao Gas which is further elaborated under the sections headed "Information on Baotao Gas", its net asset value and the business prospect of Baotao Gas. The Board (including the independent non-executive Directors) considers that the Baotao Gas Agreement was entered into on normal commercial terms and its terms are fair and reasonable and the entering into of the Baotao Gas Agreement is in the interests of the Company and the Shareholders as a whole.

### **Transfer effective date**

The effective date for the transfer of the Baotao Gas Interest shall be the date on which all legal procedures for vesting the Baotao Gas Interest in the Company have been completed.

### **Defaults**

In the event Shenyin Holding breaches any obligations, undertakings or warranties under the Baotao Gas Agreement, Shenyin Holding shall indemnify the Purchasers on all damages directly or indirectly incurred (including but not limited to all the litigation costs and legal costs).

In the event the Purchasers breach any obligations, undertakings or warranties under the Baotao Gas Agreement, the Purchasers shall indemnify Shenyin Holding on all damages directly or indirectly incurred (including but not limited to all the litigation costs and legal costs).

### **Termination**

The Baotao Gas Agreement provides that should Shenyin Holding not be able to assist the Purchasers to complete all legal procedures for the transfer of the Baotao Gas Interest within two months from the date on which the Baotao Gas Agreement was entered into (i.e. on or before 20 August 2007), the Purchasers are entitled to terminate the Baotao Gas Agreement. Upon termination of the Baotao Gas Agreement, Shenyin Holding shall return all consideration received and indemnify the Purchasers on all damages directly or indirectly incurred (including but not limited to all the litigation costs and legal costs).

## **(2) PIPELINE ENGINEERING AGREEMENT**

Date: 20 June 2007

Parties: (1) Zhongran Investment, a wholly owned subsidiary of the Company, as purchaser;

(2) Mr. Wang; and

(3) Mr. Guo, (together with Mr. Wang) as vendor

As at the date of the Pipeline Engineering Agreement, Shenyin Engineering was wholly and beneficially owned as to 10% and 90% by Mr. Guo and Mr. Wang respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Mr. Wang and Mr. Guo is an Independent Third Party and save for being holders of the equity interest in Shenyin Engineering, each of Mr. Wang and Mr. Guo does not have relationship with each other.

Save for the Pipeline Engineering Agreement, Mr. Guo has had no business dealings with the Group. Save for the Pipeline Engineering Agreement, and being one of the beneficial owners of Shenyin Holding, Mr. Wang has had no business dealings with the Group.

### **Assets to be acquired**

The Shenyin Engineering Interest, which represents 80% equity interests in the registered capital of Shenyin Engineering. Zhongran Investment will acquire 10% equity interests in the registered capital of Shenyin Engineering from Mr. Guo and the remaining 70% equity interests from Mr. Wang. Further details of Shenyin Engineering is set out under the paragraphs headed “Information on Shenyin Engineering” below.

### **Consideration**

The total consideration for the Shenyin Engineering Interest is RMB8,000,000 in cash (equivalent to approximately HK\$8,240,000), which shall be paid to the vendors in accordance with the Cooperation Agreement. Further details of the consideration regarding Pipeline Engineering Agreement is set out under the paragraphs headed “Consideration for the Transactions” below.

The 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 registered capital of Shenyin Engineering which is further elaborated under the sections headed “Information on Shenyin Engineering”, its net asset value and the business prospect of Shenyin Engineering. The Board (including the independent non-executive Directors) considers that the Pipeline Engineering Agreement was entered into on normal commercial terms and its terms are fair and reasonable and the entering into of the Pipeline Engineering Agreement is in the interests of the Company and the Shareholders as a whole.

### **Transfer Effective Date**

The effective date for the transfer of the Shenyin Engineering Interest shall be the date on which all legal procedures for vesting the Shenyin Engineering Interest in the Company have been completed.

### **Defaults**

In the event Mr. Wang and Mr. Guo breach any obligations, undertakings or warranties under the Shenyin Engineering Agreement, Mr. Wang and Mr. Guo shall indemnify Zhongran Investment on all damages directly or indirectly incurred (including but not limited to all the litigation costs and legal costs).

In the event Zhongran Investment breaches any obligations, undertakings or warranties under the Shenyin Engineering Agreement, Zhongran Investment shall indemnify Mr. Wang and Mr. Guo on all damages directly or indirectly incurred (including but not limited to all the litigation costs and legal costs).

## **Termination**

The Pipeline Engineering Agreement provides that should Mr. Wang and Mr. Guo not be able to assist Zhongran Investment to complete all legal procedures for the transfer of the Shenyin Engineering Interest within two months from the date on which the Pipeline Engineering Agreement was entered into (i.e. on or before 20 August 2007), Zhongran Investment is entitled to terminate the Pipeline Engineering Agreement. Upon termination of the Pipeline Engineering Agreement, Mr. Wang and Mr. Guo shall return all consideration received and indemnify Zhongran Investment on all damages directly or indirectly incurred (including but not limited to all the litigation costs and legal costs).

### **(3) GAS STATION AGREEMENT**

Date: 20 June 2007

Parties: (1) Zhongran Investment, a wholly owned subsidiary of the Company, as purchaser; and

(2) Mr. Wang Yu, as vendor

As at the date of the Gas Station Agreement, Shenyin Natural Gas Station was beneficially owned as to 100% by Mr. Wang Yu, who to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is an Independent Third Party.

Save for the Gas Station Agreement, Mr. Wang Yu has had no business dealings with the Group.

#### **Assets to be acquired**

The Shenyin Natural Gas Station Interest, which represents 80% interest in the registered capital of Shenyin Natural Gas Station. As at the date of this announcement, Mr. Wang Yu holds 100% of the registered capital of Shenyin Natural Gas Station. For further details of Shenyin Natural Gas Station, please refer to the paragraphs headed "Information on Shenyin Natural Gas Station" below.

#### **Consideration**

The total consideration for the Shenyin Natural Gas Station Interest is RMB24,000,000 in cash (equivalent to approximately HK\$24,720,000), which shall be paid to Mr. Wang Yu in accordance with the Cooperation Agreement. Further details of the consideration regarding Gas Station Agreement is set out under the paragraphs headed "Consideration for the Transactions" below.

The consideration will be funded by internal resources of the Group.

The consideration was determined after arm's length negotiation between Zhongran Investment and Mr. Wong Yu with reference to the registered capital of Shenyin Natural Gas Station, its net asset value and the business prospect of Shenyin Natural Gas Station. The Board (including the independent non-executive Directors) considers that the Gas Station Agreement was entered into on normal commercial terms and its terms are fair and reasonable and the entering into of the Gas Station Agreement is in the interests of the Company and the Shareholders as a whole.

## **Transfer Effective Date**

The effective date for the transfer of the Shenyin Natural Gas Station 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 Shenyin Natural Gas Station Interest to Zhongran Investment.

## **Defaults**

In the event Mr. Wang Yu breaches any obligations, undertakings or warranties under the Gas Station Agreement, Mr. Wang Yu shall indemnify Zhongran Investment on all damages directly or indirectly incurred (including but not limited to all the litigation costs and legal costs).

In the event Zhongran Investment breaches any obligations, undertakings or warranties under the Gas Station Agreement, Zhongran Investment shall indemnify Mr. Wang Yu on all damages directly or indirectly incurred (including but not limited to all the litigation costs and legal costs).

## **Termination**

The Gas Station Agreement provides that should Mr. Wang Yu not be able to assist Zhongran Investment to complete all legal procedures for the transfer of the Shenyin Natural Gas Station Interest within two months from the date on which the Gas Station Agreement was entered into (i.e. on or before 20 August 2007), Zhongran Investment is entitled to terminate the Gas Station Agreement. Upon termination of the Gas Station Agreement, Mr. Yu shall return all consideration received and indemnify Zhongran Investment on all damages directly or indirectly incurred (including but not limited to all the litigation costs and legal costs).

## **(4) COOPERATION AGREEMENT**

Date: 20 June 2007

- (1) Zhongran Investment, a wholly owned subsidiary of the Company,
- (2) Zhongran Gas, a wholly owned subsidiary of the Company, together with Zhongran Investment, as the Purchasers; and
- (3) Shenyin Holding;
- (4) Mr. Wang;
- (5) Mr. Guo; and
- (6) Mr. Wang Yu, (3) to (6) together, as the Vendors.

## **Contents**

The parties to the Cooperation Agreement agreed that:

- (a) Shenyin Holding, shall transfer the Baotao Gas Interest to the Purchasers, in which Zhongran Investment and Zhongran Gas shall be entitled to 50% and 30% equity interests of the registered capital of Baotao Gas respectively;



- (b) Mr. Wang and Mr. Guo, shall transfer the Shenyin Engineering Interest to Zhongran Investment, in which Mr. Wang shall transfer 70% equity interests of the registered capital of Shenyin Engineering and Mr. Guo shall transfer 10% equity interests of the registered capital of Shenyin Engineering; and
- (c) Mr. Wang Yu, shall transfer the Shenyin Natural Gas Station Interest to Zhongran Investment, being 80% equity interests of the registered capital of Shenyin Natural Gas Station.

Upon acquisition of the Baotao Gas Interest, Shenyin Engineering Interest and Shenyin Natural Gas Station Interest, the Purchasers shall in aggregate, be entitled to 80% equity interests of each of the Target Companies.

### **Consideration for the Transactions**

- (a) Shenyin Holding, shall transfer the Baotao Gas Interest to the Purchasers in a consideration of RMB147,040,000 in cash (equivalent to approximately HK\$151,451,200);
- (b) Mr. Wang and Mr. Guo, shall transfer the Shenyin Engineering Interest to Zhongran Investment in a consideration of RMB8,000,000 in cash (equivalent to approximately HK\$8,240,000); and
- (c) Mr. Wang Yu, shall transfer the Shenyin Natural Gas Station Interest to Zhongran Investment in a consideration of RMB24,000,000 in cash (equivalent to approximately HK\$24,720,000).

According to the Cooperation Agreement, the Total Consideration, shall be paid in cash, in the following manner:

- (i) as to RMB100,000,000 (equivalent to approximately HK\$103,000,000) payable within fifteenth day upon approval from the Registration Completion Date;
- (ii) as to RMB79,040,000 (equivalent to approximately HK\$81,411,200) payable in two instalments within four months from the Registration Completion Date.

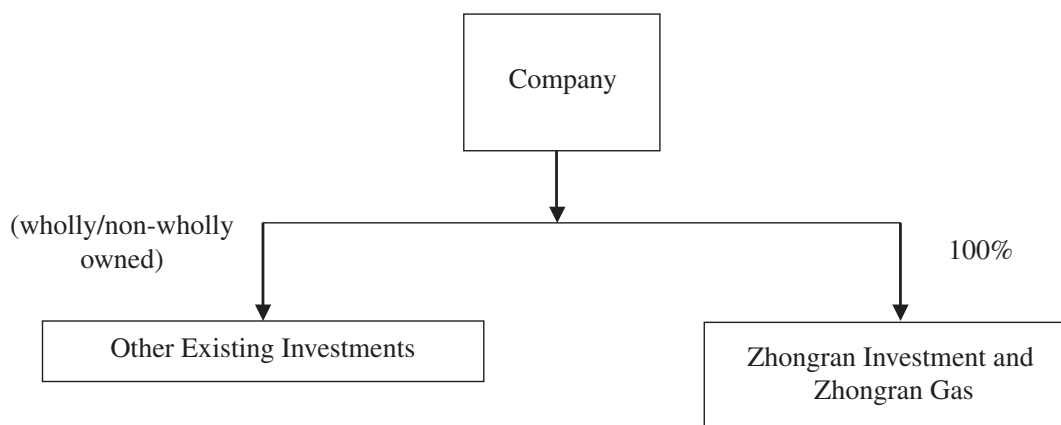
Although the consideration for the Transactions will be funded by internal resources of the Group, the Directors consider that there will not be any material adverse impact on the working capital position of the Group as a result of the Transactions.

The consideration was determined after arm's length negotiation between the relevant parties with reference to the registered capital of each of the Target Companies, their respective net asset values, together with the prospect of the project. The Board (including the independent non-executive Directors) considers that each of the Agreements was entered into on normal commercial terms and its terms are fair and reasonable and the entering into of each of the Agreements is in the interests of the Company and the Shareholders as a whole.

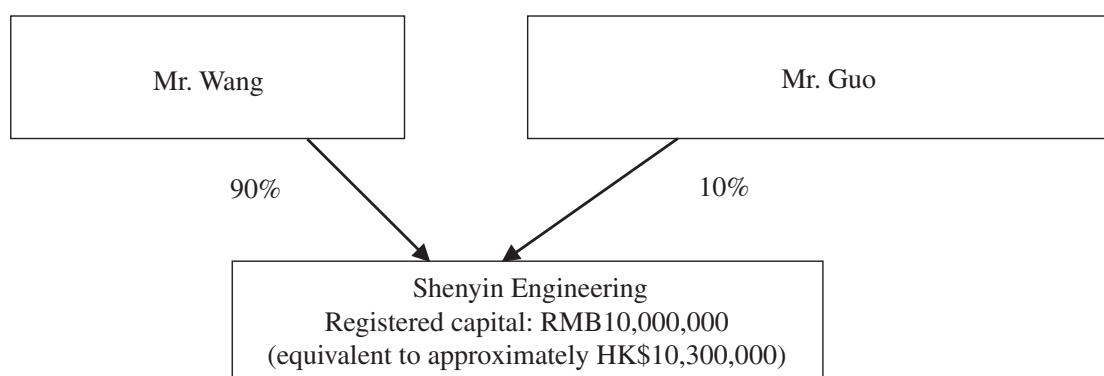
## GROUP STRUCTURE

The diagram below shows the structure of the Group, Shenyin Engineering, Shenyin Natural Gas Station and Baotao Gas immediately before and after completion of the transfers under the Transactions:

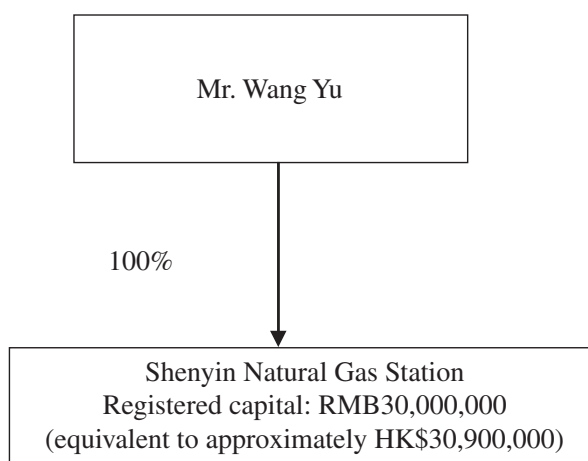
The structure of the Group immediately before completion of the transfers under the Transactions is as follows:



The structure of Shenyin Engineering immediately before completion of the transfers under the Pipeline Engineering Agreement is as follows:

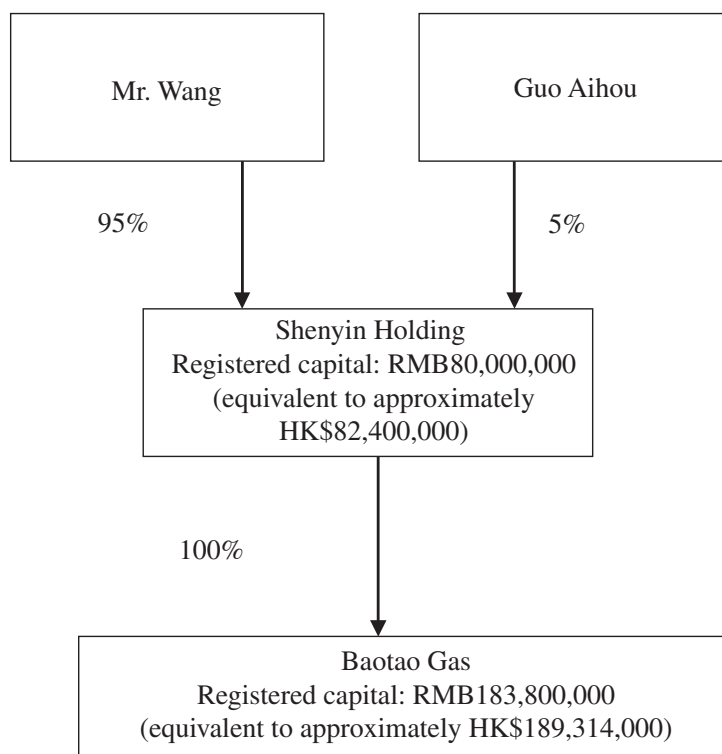


The structure of Shenyin Natural Gas Station immediately before completion of the transfers under the Gas Station Agreement is as follows:

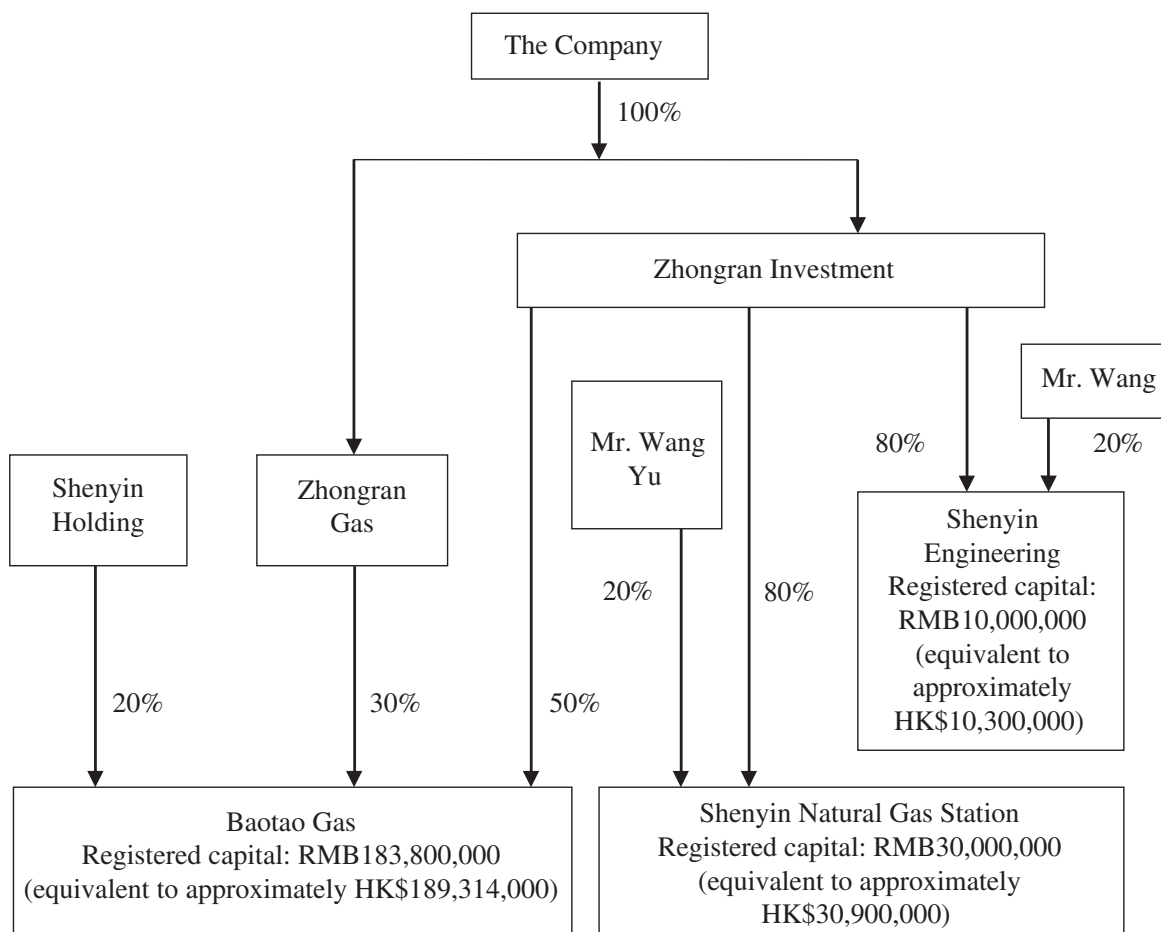




The structure of Baotao Gas immediately before completion of the transfers under the Baotao Gas Agreement is as follows:



Immediately after completion of the Transactions:



There were no prior transactions with Mr. Wang, Mr. Guo, Mr. Wang Yu and Shenyin Holdings and its ultimate beneficial owners with the Group which requires aggregation under Chapter 14 of the Listing Rules.

The 80% equity interests in each of the Target Companies upon acquisition was determined after arm's length negotiations with the relevant parties to the Baotao Gas Agreement, the Pipeline Engineering Agreement and Gas Station Agreement respectively.

Each of the Baotao Gas Agreement, the Pipeline Engineering Agreement, the Gas Station Agreement and the Cooperation Agreement is not inter-conditional upon each other.

### **INFORMATION ON SHENYIN ENGINEERING**

Shenyin Engineering was established on 6 August 2004 in Baotao City in the PRC with a registered capital of RMB9,000,000 (equivalent to approximately HK\$9,270,000). The registered capital of Shenyin Engineering has been paid up in full. The principal business of Shenyin Engineering is the design, construction and maintenance of city pipeline projects in the PRC.

According to the unaudited financial statements of Shenyin Engineering, which were prepared under Generally Accepted Accounting Principles of the PRC, the unaudited total assets of Shenyin Engineering as at 31 May 2007 was approximately RMB11,452,000 (equivalent to approximately HK\$11,795,560). The net profits before taxation for the year ended 31 December 2005 and 31 December 2006 were RMB165,282 (equivalent to approximately HK\$170,240) and RMB1,390,648 (equivalent to approximately HK\$1,432,367) respectively. The net profits after taxation for the year ended 31 December 2005 and 31 December 2006 were RMB110,739 (equivalent to approximately HK\$114,061) and RMB931,734 (equivalent to approximately HK\$959,686) respectively.

### **INFORMATION ON SHENYIN NATURAL GAS STATION**

Shenyin Natural Gas Station was established on 19 July 2006 in Baotao City in the PRC with a registered capital of RMB30,000,000 (equivalent to approximately HK\$30,900,000). The registered capital of Shenyin Natural Gas Station has been paid up in full. The principal business of Shenyin Natural Gas Station is natural gas refill services and gas station administration in the PRC.

According to the unaudited financial statements of Shenyin Natural Gas Station, which were prepared under Generally Accepted Accounting Principles of the PRC, the unaudited total assets of Shenyin Natural Gas Station as at 31 May 2007 was approximately RMB31,450,000 (equivalent to approximately HK\$32,393,500). As Shenyin Natural Gas Station was established on 19 July 2006, apart from the registered capital which was paid up in full, Shenyin Natural Gas Station has no operation; there was no net profit for the year ended 31 December 2005 and 2006.

### **INFORMATION ON BAOTAO GAS**

Baotao Gas was established on 24 July 2003 in Baotao City, the PRC with a registered capital of RMB183,800,000 (equivalent to approximately HK\$189,314,000) of which all has been paid up in full. Baotao Gas principally engages in production and sale of liquefied natural gas, coal gas, natural gas and their respective side products, design and operation of the liquefied natural gas and coal gas projects; charging of service fee for the production of liquefied natural gas, coal gas and natural gas in the PRC.

According to the unaudited financial statements of Baotao Gas, which were prepared under Generally Accepted Accounting Principles of the PRC, the unaudited total assets of Baotao Gas as at 31 May 2007 was approximately RMB611,277,000 (equivalent to approximately HK\$629,615,310). The net loss/profits before taxation for the year ended 31 December 2005 and 31 December 2006 were RMB16,204,992 (equivalent to approximately HK\$16,691,142) and RMB777,350 (equivalent to approximately HK\$800,671) respectively. The net profits after taxation for the year ended 31 December 2006 was RMB777,350 (equivalent to approximately HK\$800,671).

## **INFORMATION ON THE USAGE OF NATURAL GAS IN BAOTAO CITY**

Baotao City is situated in central Inner Mongolia. It governs 9 administrative regions and counties. It's area is 27,768,000 sq.km, and it's population is 2.1 million. After nearly 40 years of development, Baotao City has become an industrial economy with metallurgy, large-sized machinery, large-sized vehicles, electricity and power, chemical engineering, coal and charcoal, etc., as its major industry.

Baotao City Gas Limited has been authorized 50 years of pipeline gas operation right for city area of Baotao City. At present, Baotao City Gas Limited has established two city processing station, three distribution station and a comprehensive high, medium and low pressure pipeline network which covers all major cities. There are 3 industrial consumers who use over 100,000 m<sup>3</sup> of gas every day. Baotao City's major source of natural gas comes from Petrochina Zhangxing gas field, which supplies sufficient amount of gas. In 2006, Baotao City Gas Limited sold a total of 110 million m<sup>3</sup> of natural gas, among which industrial consumers consumed 80%, natural gas vehicle users consumed 10% and households and commercial users consumed the remaining 10%. The total sale of natural gas has increased 100% compared to last year in the corresponding period of time. As more and more industrial consumers switch to natural gas and according to the natural gas supply agreement, we expect the sale of gas will reach 0.2 billion m<sup>3</sup> in 2007, and it will reach 0.35 billion m<sup>3</sup> in 2008. Baotao City Shenyin Natural Gas Limited has, at present, established one natural gas mother refilling station and three daughter refilling stations, and will build another four natural gas daughter refilling station to ease the frequent queueing demand from Baotao City public transport and vehicles for refilling. The major responsibility of Baotao City Shenyin Pipeline Engineering Limited is to provide Baotao City Gas Limited with services including design, construction, installation and repair of urban pipeline engineering project. It has been in operation since 2007.

## **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 Agreements 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 attached to Baotao Gas and the principal business of each of the Target Companies where were all in line with the Group's overall business, the Directors consider that the entering into of the Agreements will enhance the earnings ability of the Group and accord the Group with a steady income stream. Upon the Registration Completion Date, the parties to the Agreements shall continue the existing principal businesses of the Target Companies and the PNG Projects in accordance with the regulations of Baotao City Government and the Operation Right.

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 Transactions, the Target Companies become non-wholly owned subsidiaries of the Group. The Group will recognize its 80% indirect interest in the Target Companies and the accounts of the Target Companies will be fully consolidated with that of the Group.

## **LISTING RULES IMPLICATIONS**

The Transactions constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other matters, details of the Transactions will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Agreements”	the Baotao Gas Agreement, the Pipeline Engineering Agreement, the Gas Station Agreement and the Cooperation Agreement
“Baotao Gas”	包頭市燃氣有限公司(Baotao City Gas Limited)#, a company established in Baotao City, the PRC, an Independent Third Party
“Baotao Gas Agreement”	the share transfer agreement dated 20 June 2007 entered into between Zhongran Investment, Zhongran Gas and Mr. Wang, relating to the sale and purchase of 80% equity interest in Baotao Gas
“Baotao Gas Interest”	80% equity interest of Baotao Gas
“Board”	board of the Directors
“Company”	China Gas Holdings Limited (中國燃氣控股有限公司)*, a company incorporated in Bermuda with limited liability, whose Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Cooperation Agreement”	the cooperative agreement dated 20 June 2007 entered into between Zhongran Investment, Zhongran Gas, Shenyin Holding, Mr. Wang, Mr. Guo and Mr. Wang Yu, in relation to, among others matters, the existing business of the Target Companies and their related gas projects
“Director(s)”	directors (including the independent non-executive directors) of the Company from time to time
“Gas Station Agreement”	the share transfer agreement dated 20 June 2007 entered into between Zhongran Investment and Mr. Wang Yu relating to the sale and purchase of Shenyin Natural Gas Station Interest
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Hong Kong”	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
“Mr. Wang”	Wang Huyun(汪虎雲), one of the vendors to the Pipeline Engineering Agreement and the majority shareholder of Shenyin Engineering holding 90% of the equity interest thereof, an Independent Third Party
“Mr. Guo”	Guo Hulin(郭虎林), one of the vendors to the Pipeline Engineering Agreement and one of the shareholders of Shenyin Engineering holding 10% of the equity interest thereof, an Independent Third Party
“Mr. Wang Yu”	Wang Yu (汪宇), the vendor to the Gas Station Agreement and the ultimate beneficial owner of Shenyin Natural Gas Station holding 100% of the equity interest thereof, an Independent Third Party
“Operation Right”	50-years of exclusive operating right from the date of the establishment of Baotao Gas
“Pipeline Engineering Agreement”	the share transfer agreement dated 20 June 2007 entered into between Zhongran Investment, Mr. Wang and Mr. Guo relating to the sale and purchase of Shenyin Engineering Interest
“PNG Project”	the project to be carried out in Baotao City, the PRC, in relation to (i) the sale and distribution of piped natural gas; (ii) the operation and construction of, gas pipeline infrastructure; and (iii) supply of gas for vehicles and operation of refilling stations and other gas related business.

“Purchasers”	Together, Zhongran Investment and Zhongran Gas, both are wholly owned subsidiaries of the Company and the purchasers under the Baotao Gas Agreement and the PNG Cooperation Agreement
“PRC”	the People’s Republic of China
“Registration Completion Date”	the date on which all the approval of the registration of each of the Purchasers as members of the Target Companies in accordance with the Agreements have been obtained
“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)
“Shenyin Engineering”	包頭市申銀管道工程有限公司(Baotao City Shenyin Pipeline Engineering Limited)#, a company established in Baotao City, the PRC, an Independent Third Party
“Shenyin Engineering Interest”	80% equity interest of Shenyin Engineering
“Shenyin Holding”	包頭市申銀產業集團有限公司 (Baotao City Shenyin Chan Ye Holding Limited)#, a company established in Baotao City, the PRC, an Independent Third Party
“Shenyin Natural Gas Station”	包頭市申銀天然氣加氣站有限公司(Baotao City Shenyin Natural Gas Limited)#, a company established in Baotao City, the PRC, an Independent Third Party
“Shenyin Natural Gas Station Interest”	80% equity interest of Shenyin Natural Gas Station
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Baotao Gas, Shenyin Natural Gas Station and Shenyin Engineering
“Total Consideration”	the aggregate consideration in a sum of RMB179,040,000 (equivalent to approximately HK\$184,411,200), being aggregate consideration of the Transactions
“Transactions”	the acquisitions under the Baotao Gas Agreement, Pipeline Engineering Agreement and Gas Station Agreement when aggregated
“Vendors”	Together, Shenyin Holding, Mr. Wang, Mr. Guo, and Mr. Wang Yu, the vendors under the Cooperation Agreement
“Zhongran Investment”	中燃投資有限公司 (Zhongran Investment Limited)#, a limited liability company established and subsisting in Shenzhen, PRC, and a wholly owned subsidiary of the Company

“Zhongran Gas”	中燃燃氣實業(深圳)有限公司 (Zhongran Gas (Shenzhen) Company 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
“%”	per cent.
“m <sup>3</sup> ”	cubic metre
“sq.km.”	square kilometer

By order of the Board  
**Liu Ming Hui**  
*Managing Director*

Hong Kong, 22 June 2007

\* *for identification purpose only*

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

*For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.03. This exchange rate is for illustration purpose 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.*

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

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