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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**

Reference is made to the announcements of the Company dated 24 August 2009 and 25 August 2009 whereby the Company announced the Capital Injection and Restructuring.

#### **THE GROUP RESTRUCTURING**

The Board is pleased to announce that on 10 September 2009, Zhongran Gas, Zhejiang Zhongyou Hua Dian and Shanghai Zhongyou Energy have agreed to undergo the Group Restructuring pursuant to which the registered capital of Shanghai Zhongyou Energy will be revised to RMB500,000,000 (equivalent to approximately HK\$568,181,818) from the present level of RMB600,000,000 (equivalent to approximately HK\$681,818,181). After the Group Restructuring, Zhongran Gas will hold the entire equity interests in Shanghai Zhongyou Energy, which in turn will hold 83% equity interests in Zhejiang Zhongyou Hua Dian.

#### **IMPLICATIONS UNDER THE LISTING RULES**

The Group Restructuring will be aggregated with the Capital Injection and Restructuring for the purpose of calculating the five tests under the Listing Rules and when so aggregated, the Group Restructuring constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcements of the Company dated 24 August 2009 and 25 August 2009 in relation to, among others, the Capital Injection and Restructuring. The Company is pleased to announce that in order to further streamline the group structure of the Zhejiang Zhongyou Hua Dian group, on 10 September 2009, Zhongran Gas, Zhejiang Zhongyou Hua Dian and Shanghai Zhongyou Energy have agreed to undergo the Group Restructuring.

## **THE GROUP RESTRUCTURING**

- Date** : 10 September 2009
- Parties** : (i) Zhongran Gas  
(ii) Zhejiang Zhongyou Hua Dian  
(iii) Shanghai Zhongyou Energy

Each of Zhejiang Zhongyou Hua Dian, Shanghai Zhongyou Energy and Zhongran Gas is a subsidiary of the Company. Zhongran Gas is an investment holding company whereas Zhejiang Zhongyou Hua Dian and Shanghai Zhongyou Energy are principally engaged in LPG business.

Please refer to the section headed "Group structure before and after the Group Restructuring" for more details of the shareholding structure of Zhejiang Zhongyou Hua Dian group.

The parties to the Group Restructuring have agreed to undergo the Group Restructuring pursuant to which Zhejiang Zhongyou Hua Dian will cease to hold equity interests in Shanghai Zhongyou Energy and the registered and paid-up capital of Shanghai Zhongyou Energy will be reduced from RMB600,000,000 (equivalent to approximately HK\$681,818,181) to RMB500,000,000 (equivalent to approximately HK\$568,181,818). Zhongran Gas will hold the entire equity interests of Shanghai Zhongyou Energy, which in turn, will hold 83% equity interests in Zhejiang Zhongyou Hua Dian. The reduction amount is based on the registered capital of Shanghai Zhongyou Energy of RMB600,000,000 and the approximately 16.7% equity interests of Shanghai Zhongyou Energy held by Zhejiang Zhongyou Hua Dian immediately before the Group Restructuring.

## **REASONS FOR THE GROUP RESTRUCTURING**

The Group is principally engaged in the investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of gas in the PRC while the Zhejiang Zhongyou Hua Dian and Shanghai Zhongyou Energy are principally engaged in LPG business.

Over more than two decades' rapid growth, China has become the second largest LPG consumer in the world. Estimates indicated that China's LPG market demand will reach 30 million tonnes by 2015 with a market value of RMB200 billion. Despite the slowdown over the past two years owing

to the high LPG price, China's LPG consumption is expected to pick up and resume stable growth in the coming years. The Board believes that the China LPG market will see a stable growth in demand.

The acquisition of 83% interests of Zhejiang Zhongyou Hua Dian was completed in September 2008.

According to the audited financial statements of Shanghai Zhongyou Energy, Shanghai Zhongyou Energy recorded profit before taxation of approximately HK\$27,186,000 and profit after taxation of approximately HK\$26,564,000 for the year ended 31 December 2007 and audited loss of approximately HK\$4,868,000 for the year ended 31 December 2008. Shanghai Zhongyou Energy has a net asset of approximately HK\$157,930,000 as at 31 December 2008.

According to the audited financial statements of Zhejiang Zhongyou Hua Dian group, Zhejiang Zhongyou Hua Dian group recorded an audited profit before taxation of approximately HK\$38,856,000 and audited profit after taxation of approximately HK\$31,432,000 for the year ended 31 December 2007. Zhejiang Zhongyou Hua Dian group has a net asset of approximately HK\$566,493,000 as at 31 March 2009. The net loss of Zhejiang Zhongyou Hua Dian group for the period ended 31 March 2009 (before and after taxation) was approximately HK\$68,064,773.

The Board considers that upon completion of the Group Restructuring, the Company's attributable interests in Shanghai Zhongyou Energy will be increased from approximately 94.85% to 100%. Based on that Shanghai Zhongyou Energy will hold 83% equity interests in Zhejiang Zhongyou Hua Dian upon completion of the Group Restructuring, the Company's attributable interests in Zhejiang Zhongyou Hua Dian would be increased from approximately 78.73% to 83%. Both Shanghai Zhongyou Energy and Zhejiang Zhongyou Hua Dian will continue to be subsidiaries of the Company.

In relation to the gain or loss of the transaction, though the increase in the Company's attributable interests in Shanghai Zhongyou Energy and Zhejiang Zhongyou Hua Dian will be deemed as an acquisition on the part of the Company, the financial effects of such acquisition will be eliminated by the corresponding effects of the reduction in registered capital of Shanghai Zhongyou Energy and accordingly, there will be no gain or loss accrued to the Company.

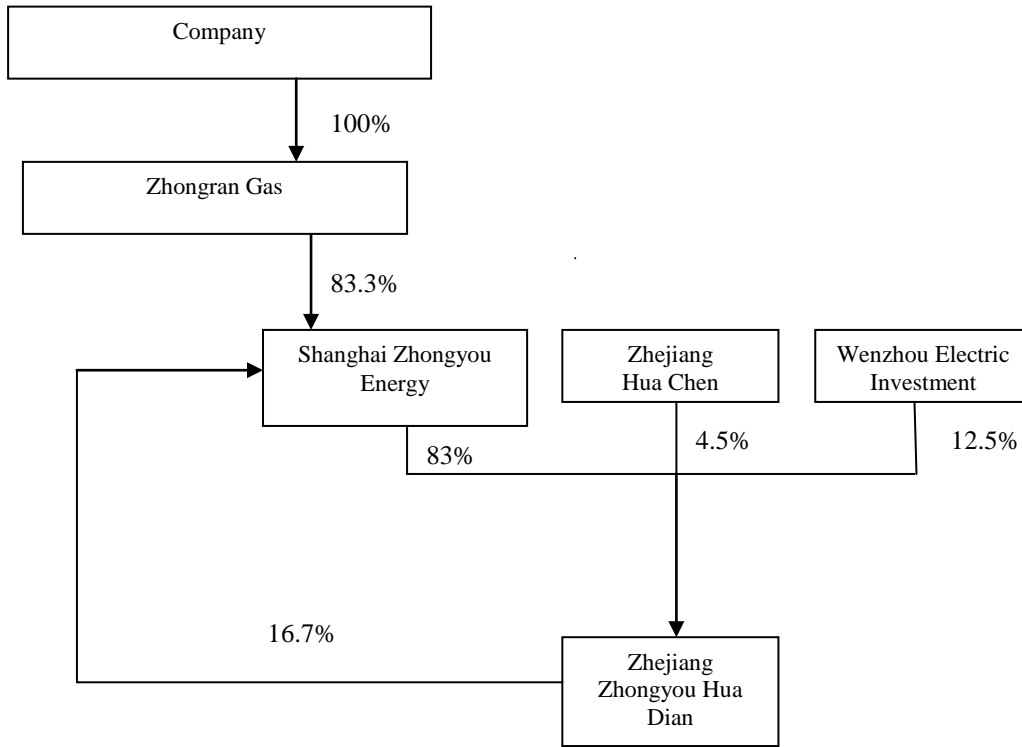
The Board further considers that the Group Restructuring would streamline the management and operation of the Zhejiang Zhongyou Hua Dian group, thereby achieving a better efficiency.

In light of the aforesaid, the Directors consider that the terms of the Group Restructuring are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

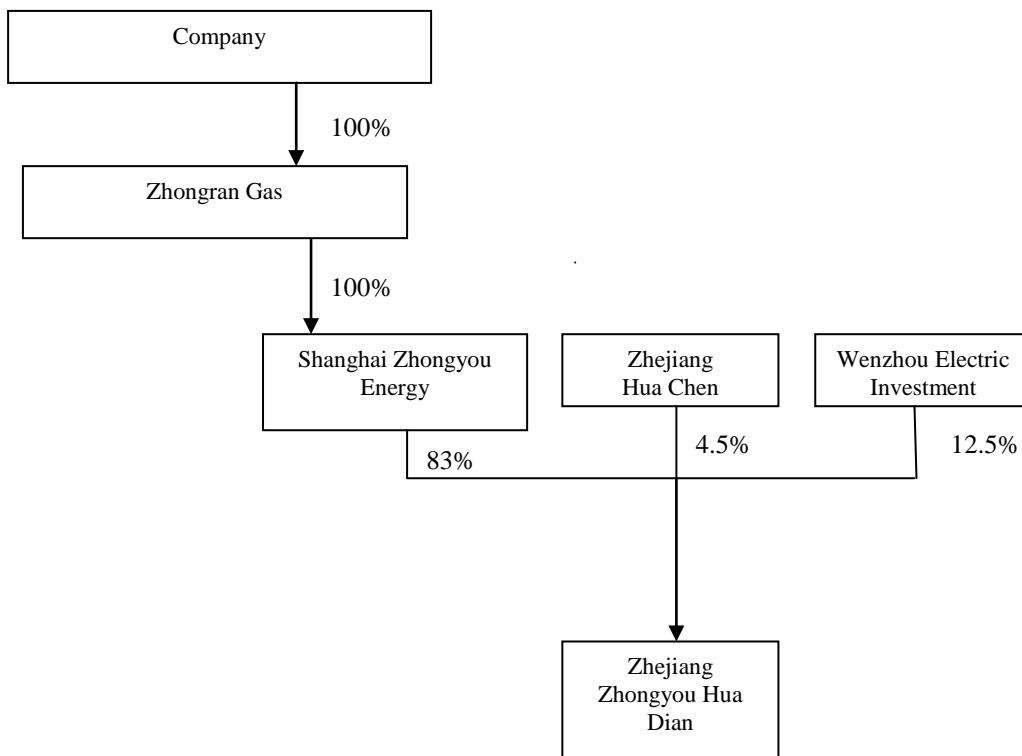
## **GROUP STRUCTURE BEFORE AND AFTER THE GROUP RESTRUCTURING**

Set out below is the Zhejiang Zhongyou Hua Dian group structure before and after the Group Restructuring:

### Present Structure



### Immediately after completion of the Group Restructuring



## GENERAL

The Group Restructuring will be aggregated with the Capital Injection and Restructuring for the purpose of calculating the five tests under the Listing Rules and when so aggregated, the Group Restructuring constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

<b>“Board”</b>	the board of Directors
<b>“Capital Injection and Restructuring”</b>	the capital injection and restructuring of the Zhejiang Zhongyou Hua Dian group, details of which have been disclosed in the announcement of the Company dated 24 August 2009
<b>“Company”</b>	China Gas Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
<b>“Directors”</b>	directors of the Company from time to time
<b>“Group”</b>	the Company and its subsidiaries
<b>“Group Restructuring”</b>	the proposal among Zhongran Gas, Zhejiang Zhongyou Hua Dian and Shanghai Zhongyou Energy in relation to the corporate restructuring of the group of companies comprising Zhejiang Zhongyou Hua Dian and Shanghai Zhongyou Energy, details of which are disclosed herein
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Third Party”</b>	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry are third

	parties independent of the Company and its connected persons (as defined under the Listing Rules)
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“LPG”</b>	liquefied petroleum gas
<b>“PRC”</b>	People’s Republic of China
<b>“Shanghai Zhongyou Energy”</b>	上海中油能源控股有限公司(Shanghai Zhongyou Energy Holdings Co. Ltd.#), a company established and subsisting in the PRC and a wholly-owned subsidiary of Zhejiang Zhongyou Hua Dian before the Capital Injection and Restructuring
<b>“Shares”</b>	ordinary shares of HK\$0.01 each in the share capital of the Company
<b>“Shareholders”</b>	holder(s) of the issued Share(s)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Wenzhou Electric Investment”</b>	溫州電力投資有限公司 (Wenzhou Electric Investment Co.#), a company established in the PRC and save for its interests in Zhejiang Zhongyou Hua Dian, an Independent Third Party
<b>“Zhejiang Hua Chen”</b>	浙江華辰能源有限公司 (Zhejiang Hua Chen Energy Co. Ltd.#), a company established in the PRC and save for its interests in Zhejiang Zhongyou Hua Dian, an Independent Third Party
<b>“Zhejiang Zhongyou Hua Dian”</b>	浙江中油華電能源有限公司(Zhejiang Zhongyou Hua Dian Energy Co. Ltd.#), a limited liability company established in Dongtouxian, Zhejiang province, the PRC and an indirect 83% owned subsidiary of the Company before the Capital Injection and Restructuring

“Zhongran Gas”	中燃燃氣實業(深圳)有限公司(Zhongran Gas Industrial (Shenzhen) 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.

By order of the Board of  
**CHINA GAS HOLDINGS LIMITED**  
*Liu Ming Hui*  
**Managing Director**

Hong Kong, 10 September 2009

\* *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 specified, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1.00 to RMB0.88. This exchange rate is for the purpose of illustration only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rates 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. Joe Yamagata, Mr. R.K. Goel, Mr. Kim Joong Ho and Mr. William Rackets 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.*