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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)

ANNOUNCEMENT

**Discloseable Transaction relating to
Conditional voluntary general offer by
Macquarie Capital Securities Limited
on behalf of**

**Rich Legend International Limited, a wholly-owned subsidiary of China Gas Holdings Limited
to acquire all of the issued shares in the capital of
Zhongyu Gas Holdings Limited
(other than those shares already held by Rich Legend International Limited
and parties acting in concert with it)**

**and
to acquire all of the outstanding convertible bonds of Zhongyu Gas Holdings Limited
and**

**for the cancellation of all the outstanding share options of
Zhongyu Gas Holdings Limited
and**

Resumption of Trading

**Financial adviser to
China Gas Holdings Limited and Rich Legend International Limited**



MACQUARIE CAPITAL (HONG KONG) LIMITED

SUMMARY

On 17 January 2010 (and as supplemented on 22 January 2010), the Offeror proposed to the board of directors of Zhongyu that it intends to make a voluntary conditional cash and securities exchange offer (i) to acquire all of the issued shares in the capital of Zhongyu (other than those shares already held by the Offeror and the Concert Parties); (ii) for the acquisition of all the Convertible Bonds; and (iii) for the cancellation of all the outstanding Share Options.

As the relevant ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Offers exceed 5% but are less than 25%, the Offers and the transactions contemplated thereunder will constitute a discloseable transaction of the Company under Rule 14.08 of the Listing Rules.

For further information relating to the Offers, please refer to the Joint Offer Announcement.

WARNING: The Offers are conditional upon the satisfaction of the Conditions described in the Joint Offer Announcement. Zhongyu Shareholders, Zhongyu Bondholders, Zhongyu Optionholders and shareholders of the Company, and investors or potential investors of Zhongyu and the Company should therefore exercise caution when dealing in shares, convertible bonds and/or options of Zhongyu and the Company.

1. INTRODUCTION

On 17 January 2010 (and as supplemented on 22 January 2010), the Offeror proposed to the board of directors of Zhongyu that it intends to make a voluntary conditional cash and securities exchange offer (i) to acquire all of the issued shares in the capital of Zhongyu (other than those shares already held by the Offeror and the Concert Parties); (ii) for the acquisition of all the Convertible Bonds; and (iii) for the cancellation of all the outstanding Share Options.

2. DETAILS OF THE OFFERS

Particulars of the Offers: A voluntary cash and securities exchange offer by the Offeror (i) to acquire all of the issued shares in the capital of Zhongyu (other than those shares already held by the Offeror and the Concert Parties), (ii) to acquire all of the Convertible Bond(s) outstanding; and (iii) to cancel all of the outstanding Share Options.

Consideration for the Offers: **Share Offer**

The Share Offer Consideration comprises of (i) HK\$0.1743 in cash, and (ii) the allotment and issue of 0.1512 new Consideration Share per Zhongyu Share accepted under the Share Offer.

Based on the Share Offer Consideration and 1,969,501,684 Zhongyu Shares in issue (representing the Zhongyu Shares not already held by the Offeror and the Concert Parties) as at the date of this announcement, the maximum value of the Share Offer (assuming none of the Convertible Bonds are converted into Zhongyu Shares, no Share Options are exercised and the Share Offer is accepted in full and there is no change in the share capital of Zhongyu) is approximately HK\$1,781,603,338.

In the event all the Convertible Bonds are converted into Zhongyu Shares, all the Share Options are exercised in full by Zhongyu Optionholders prior to the Closing Date and the Share Offer is accepted in full (including all Zhongyu Shares issued and allotted as a result of the exercise of the Share Options and the Convertible Bonds), the maximum value of the Share Offer will be increased to approximately HK\$2,116,974,031. In that case, no amount will be payable under the Convertible Bond Offer and the Option Offer. In such case, Zhongyu shall receive an aggregate subscription price of approximately HK\$156,466,000 and HK\$85,853,580 from the conversion of the Convertible Bonds and the exercise of the Share Options respectively.

Convertible Bond Offer

The Convertible Bond Consideration comprises of (i) HK\$19,480.0170 in cash, and (ii) the allotment and issue of 16,898.3280 new Consideration Shares for each US\$10,000 nominal amount of the outstanding Convertible Bonds accepted under the Convertible Bond Offer.

Based on the Convertible Bond Offer Consideration, the maximum value of the Convertible Bond Offer (assuming no Convertible Bonds are converted into Zhongyu Shares or otherwise redeemed prior to the Closing Date and the Convertible Bond Offer is accepted in full) is approximately HK\$202,197,882.

Option Offer

The Option Offer Consideration comprises of (i) HK\$0.0202 in cash and the allotment and issue of 0.0175 Consideration Share, per Zhongyu Share which may be subscribed under the Share Options with an exercise price of HK\$0.80, (ii) HK\$0.0664 in cash and the allotment and issue of 0.0576 Consideration Share, per Zhongyu Share which may be subscribed under the Share

Options with an exercise price of HK\$0.56, and (iii) HK\$0.1146 in cash and the allotment and issue of 0.0994 Consideration Share, per Zhongyu Share which may be subscribed under the Share Options with an exercise price of HK\$0.31, for each Share Option accepted under the Option Offer.

Based on the Option Offer Consideration, the maximum value of the Option Offer (assuming no Share Options are exercised or otherwise cancelled prior to the Closing Date and the Option Offer is accepted in full) is approximately HK\$47,319,227.

Consideration Shares:

Based on the Share Offer Consideration, the Convertible Bond Consideration and the Option Offer Consideration (and assuming that each of the Share Offer, Option Offer and Convertible Bond Offer is accepted in full), the maximum number of new Consideration Shares that may fall to be issued in connection with the Offers is 339,494,549. This represents approximately 10.11% of the 3,358,636,151 existing issued Shares as at the Last Trading Date, and approximately 9.18% of the enlarged issued share capital of 3,698,130,700 Shares immediately following the issue of the aforesaid number of new 339,494,549 Consideration Shares.

The Shares will be issued free from all liens, charges and encumbrances and together with all rights attaching to them, including the right to receive all dividends declared, and will rank pari passu with the existing Shares. There will be no restrictions on the transfer of the Shares to be issued under the Offers, other than in respect of Hezhong and the Management Owners who have granted a non-disposal undertaking to the Company and the Offeror under the Irrevocable Undertaking. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be issued in connection with the Offers.

The consideration payable under the Offers was determined on the basis of the most recent published financial information of Zhongyu, the Company's review of Zhongyu's business and potential synergies arising from the acquisition of control by the Company.

Conditions of the Offers: The Offers will be conditional on the satisfaction or (if applicable) waiver of certain Conditions. Details of the Conditions are set out in the Joint Offer Announcement.

Irrevocable Undertaking: On 17 January 2010, Hezhong and each of the Management Owners executed an Irrevocable Undertaking in favour of the Company and the Offeror, pursuant to which Hezhong and the Management Owners undertook to, within three business days following the despatch of the Offer Document, accept or procure the acceptance of the Share Offer in respect of all of the Zhongyu Shares owned by them as at the date of the Irrevocable Undertaking, and any Zhongyu Shares of which they will become the legal or beneficial owners thereafter. As at the date of this announcement, 945,755,542 and 1,166,000 Zhongyu Shares are held by Hezhong and Mr. Wang, respectively, together representing approximately 48.08% of the issued share capital of Zhongyu (assuming no Share Options are exercised) since the end of the Last Trading Date.

The Irrevocable Undertaking given by Hezhong and the Management Owners also provides that unless and until the Share Offer lapses or is withdrawn without having become wholly unconditional, it/he will be restricted from dealing in any or all of the Zhongyu Shares or the Share Options held by the Management Owners or any interest in all or any thereof (whether conditionally or unconditionally).

Non-Disposal Undertaking: Pursuant to the Irrevocable Undertaking, each of Hezhong and the Management Owners has further undertaken in favour of the Company and the Offeror that they shall not and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior consent of the Company and the Offeror, deal in any of the Consideration Shares they receive pursuant to the Offers for a period of 12 months from the Completion Date.

Completion Date: The date of completion of the offers will be the date on which the transfer of the Zhongyu Shares to the Offeror, the acquisition of the Convertible Bonds and the cancellation of the Share Options are completed in full pursuant to the Takeovers Code and the terms of the Offers.

For further information relating to the Offers, please refer to the Joint Offer Announcement.

3. GENERAL INFORMATION

3.1 Information on the Offeror and the Company

The Offeror is a company incorporated in the British Virgin Islands on 10 December 2009 and is a direct wholly-owned subsidiary of the Company. The directors of the Offeror are Xu Ying, Liu Ming Hui and Zhu Wei Wei, who are also directors of the Company. The main business of the Offeror is investment holding.

The Company was incorporated in Bermuda on 22 August 1995 as an exempted company with limited liability under Bermuda law. The Company was listed on the Main Board of the Stock Exchange on 20 October 1995, trading under the stock code 384. The Company is a natural gas services operator and is principally engaged in the investment, operation and management of city gas pipeline infrastructure, distribution of natural gas and liquefied petroleum gas to residential, commercial and industrial users, construction and operation of oil stations and gas stations, and development and application of natural gas and liquefied petroleum gas related technologies in the PRC.

Shareholding Structure of the Company

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the Completion Date is as follows:

Name of Shareholder	As at the date of this announcement		Immediately following completion of the Offers (assuming minimum acceptances) ⁽¹⁾		Immediately following completion of the Offers (assuming full acceptances) ⁽²⁾	
	Approx. %		Approx. %		Approx. %	
	No. of Shares held	of issued Shares	No. of Shares held	of issued Shares	No. of Shares held	of issued Shares
Hai Xia Finance Holdings Limited	346,000,003	10.30	346,000,003	9.86	346,000,003	9.36
Liu Ming Hui	273,124,000	8.13	273,124,000	7.79	273,124,000	7.39
Oman Oil Company S.A.O.C.	237,567,060	7.07	237,567,060	6.77	237,567,060	6.42
China Petroleum & Chemical (Sinopec)	210,000,000	6.25	210,000,000	5.99	210,000,000	5.68
Gail India Limited	210,000,000	6.25	210,000,000	5.99	210,000,000	5.68
Hezhong	–	–	142,998,238	4.08	142,998,238	3.86
Mr. Wang	–	–	176,299	0.01	1,170,343	0.03
Mr. Hao	–	–	–	–	4,078,559	0.11
Public shareholders	2,081,945,088	62.00	2,087,962,666	59.51	2,273,192,497	61.47
Total	3,358,636,151	100.00	3,507,828,266	100.00	3,698,130,700	100.00

Note:

- (1) Assuming that (i) each of Hezhong and the Management Owners agrees to accept the Offers as provided in the Irrevocable Undertaking in full, (ii) neither the Option Offer nor the Convertible Bond Offer has been accepted, and (iii) that the Offeror and the Concert Parties will hold 50.1% of Zhongyu Shares in issue following the Completion Date.
- (2) Assuming that (i) each of Hezhong and the Management Owners agrees to accept the Offers as provided in the Irrevocable Undertaking in full, (ii) none of the Share Options are exercised and none of the Convertible Bonds are converted into Zhongyu Shares, and (iii) that the Offers are accepted in full.

3.2 Information on the Zhongyu Group and Hezhong

Zhongyu was incorporated in the Cayman Islands on 12 February 2001 as an exempted company with limited liability under the Cayman Islands Companies Law. Zhongyu was listed on GEM on 5 June 2001, trading under the stock code 8070.

Zhongyu is a vertically integrated gas operator from upstream resource development to downstream distribution in the PRC. Its principal business includes exploration, exploitation and development of coalbed methane, sales of piped gas, natural gas from compressed natural gas filling stations for vehicles and bottled liquefied petroleum gas as well as the development, construction of gas pipeline network.

Based on audited financial statements of the Zhongyu Group as set out in its annual report for the year ended 31 December 2008, the consolidated net asset value of Zhongyu was approximately HK\$761,375,000 as at 31 December 2008. Based on audited financial statements of the Zhongyu Group as set out in its annual reports for the years ended 31 December 2007 and 2008, (i) Zhongyu recorded a net loss before tax and extraordinary items of approximately HK\$78,242,000 and net loss after tax and extraordinary items of approximately HK\$91,565,000, for the year ended 31 December 2008; and (ii) net loss before tax and extraordinary items of approximately HK\$18,199,000 and net loss after tax and extraordinary items of approximately HK\$22,308,000, for the year ended 31 December 2007. Based on unaudited financial statements of the Zhongyu Group as set out in its third quarterly report for 2009, Zhongyu recorded a consolidated net profit before tax and extraordinary items of approximately HK\$78,558,000, and consolidated net profit after tax and extraordinary items of approximately HK\$58,511,000, for the nine months ended 30 September 2009.

Hezhong, being the controlling shareholder of Zhongyu, is an investment company incorporated in the British Virgin Islands in which the Management Owners, namely Mr. Wang and Mr. Hao, own 60% and 40% of its issued share capital respectively. The Management Owners are also executive directors of Zhongyu.

To the best of the knowledge, information and belief of the directors of the Company, having made all reasonable enquiries, Zhongyu, the Management Owners and Hezhong and the ultimate beneficial owners of Hezhong are third parties independent of the Company and its connected persons.

3.3 Reasons for the Offers

Zhongyu is a vertically integrated gas operator from upstream resource development to downstream distribution in the PRC.

Zhongyu Group's upstream business includes exploration, exploitation and development of coalbed methane. Zhongyu entered into the coalbed methane market in 2007 via a joint venture. As at 30 September 2009, Zhongyu Group secured eight coal blocks, situated at Jiaozuo, Zhengzhou, Pingdingshan (including Yuzhou and Ruzhou), Hebi, Yima, Yongxia, Henan Province, in the PRC to explore, exploit, develop and produce coalbed methane.

Zhongyu Group's downstream business includes sales of piped gas, natural gas from compressed natural gas filling stations for vehicles and bottled liquefied petroleum gas. Approximately 90% of total sales of piped gas for the nine months ended 30 September 2009 was derived from provision of natural gas.

Further, Zhongyu Group is also principally involved in the development and construction of gas pipeline network. As at 30 September 2009, Zhongyu has the accumulated number of residential households of 282,813 and industrial/commercial customers of 1,195. As at 30 September 2009, Zhongyu Group's penetration rate reached 32%.

The Offeror believes there are compelling commercial reasons for a merger between the Company and Zhongyu as set out below:

Entry into the natural gas market in Henan province, PRC

As at 30 September 2009, the Company's pipeline network covers 18 provinces autonomous regions and directly administered cities which does not include the Henan province, PRC, whereas Zhongyu currently operates eight downstream natural gas distribution projects and CNG vehicle refilling stations in such province and has a market presence within the province. The completion of the Offers will enable the Group to gain entry into the Henan market through Zhongyu.

Expansion of the Group's business in Shandong province, PRC

The completion of the Offers will enable the Group to expand its business in Shandong province through Zhongyu, which is currently operating three downstream natural gas distribution projects. This will enable the Enlarged Group to expand its market share in the province and result in higher penetration rate following completion of the Offers.

Management efficiency and business synergy

The completion of the Offers will enable the integration of the business of Zhongyu Group with the Group, both of which currently operate under similar business models, and will provide business synergy opportunities, due to cost-efficiency and economies of scale. In particular, the completion of the Offers will strengthen the management of the Enlarged Group, which will be able to leverage on the Group's existing management experience in the industry. The integration will also provide opportunities for resource sharing and result in greater management efficiency within the Enlarged Group.

Entry into a complimentary business

The completion of the Offers will provide the Group with greater access to the untapped potential of the coalbed methane industry. Currently, the Group has one coalbed methane exploration project, while Zhongyu Group is principally engaged in the exploration, exploitation and development of coalbed methane (in addition to its interest in natural gas).

The completion of the Offers will provide opportunities for business synergy within the Enlarged Group to further develop into the coalbed methane business in which the Group and Zhongyu Group are engaged. This will compliment the Enlarged Group's natural gas business as coalbed methane is an alternative natural resource to natural gas.

3.4 The Company's intentions in relation to Zhongyu and the Enlarged Group

The Company intends to continue with the existing business of the Group, as well as with the existing business of Zhongyu Group, following completion of the Offers. Neither the Company nor the Offeror intends to make any changes to the current business operations of Zhongyu Group following completion of the Offers. It is also the intention of the Company and the Offeror that there will not be any material changes in the management or employees of Zhongyu Group as a result of the Offers.

The Company and the Offeror intend to nominate additional directors to the board of Zhongyu following completion of the Offers. Any changes to the board of Zhongyu will be made in compliance with the Takeovers Code, the Listing Rules and the constitutional documents of Zhongyu. Further announcement(s) will be made upon the appointment of new directors of Zhongyu accordingly.

Subject to market conditions, the Company will explore various opportunities to further develop and expand the business of the Group and Zhongyu Group, including but not limited to the possibility of undertaking new investments and/or conducting fund raising exercises to increase capital.

4. LISTING RULES IMPLICATIONS

As the relevant ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Offers exceed 5% but are less than 25%, the Offers and the transactions contemplated thereunder will constitute a discloseable transaction of the Company under Rule 14.08 of the Listing Rules.

The Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the ordinary Shares then in issue. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be issued in connection with the Offers. The Consideration Shares will be issued under the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 28 August 2009.

5. 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 18 January 2010 (Hong Kong time), 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 on the Stock Exchange with effect from 9:30 a.m. on 27 January 2010 (Hong Kong time).

For further information relating to the Offers, please refer to the Joint Offer Announcement.

WARNING: The Offers are conditional upon the satisfaction of the Conditions described in the Joint Offer Announcement. Zhongyu Shareholders, Zhongyu Bondholders, Zhongyu Optionholders and shareholders of the Company, and investors or potential investors of Zhongyu and the Company should therefore exercise caution when dealing in shares, convertible bonds and/or options of Zhongyu and the Company.

6. DEFINITIONS

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

“associates”	has the meaning ascribed to it in the Listing Rules;
“Cayman Islands Companies Law”	means the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Closing Date”	means the date to be stated in the Composite Document as the first closing date of the Offers or any subsequent closing date as may be announced by the Offeror and approved by the Executive;

“Company”	means China Gas Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 384);
“Completion Date”	means the date on which the transfer of the Zhongyu Shares to the Offeror, the acquisition of the Convertible Bonds and the cancellation of the Share Options are completed in full pursuant to the Takeovers Code and the terms of the Offers;
“Composite Document”	means the composite document to be issued jointly by the Company and Zhongyu to all Zhongyu Shareholders, Zhongyu Bondholders and Zhongyu Optionholders in connection with the Offers in accordance with the Takeovers Code containing, inter alia, details of the Offers, the terms and conditions of the Offers and the board circular of Zhongyu;
“Concert Parties”	means parties acting in concert with the Offeror and/or the Company, as determined in accordance with the Takeovers Code;
“Conditions”	means the conditions of the Offers as set out in the Joint Offer Announcement;
“Consideration Shares”	means the Shares to be allotted and issued to the Zhongyu Shareholders, Zhongyu Bondholders and Zhongyu Optionholders as part of the consideration for the Offers, and “Consideration Share” means any one such Share;
“Convertible Bond Offer”	means the voluntary conditional cash and securities exchange offer by MCSL on behalf of the Offeror for all the outstanding Convertible Bonds at the consideration of the Convertible Bond Offer Consideration;
“Convertible Bond Offer Consideration”	means the payment of HK\$19,480.0170 in cash and 16,898.3280 new Consideration Shares for each US\$10,000 nominal amount of the Convertible Bonds;
“Convertible Bonds”	means the convertible bonds in an aggregate principal amount of US\$20,000,000 issued by Zhongyu to the Zhongyu Bondholders on 25 June 2007 (and as amended pursuant to an amendment agreement dated 25 March 2009);

“Enlarged Group”	means the Company and its subsidiaries (which will include the Zhongyu Group) following completion of the Offers;
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“GEM”	means the Growth Enterprise Market of the Stock Exchange;
“Group”	means the Company and its subsidiaries;
“Hezhong”	means Hezhong Limited, a limited company incorporated in the British Virgin Islands with limited liability, in which Mr. Wang and Mr. Hao own 60% and 40% of its issued share capital, respectively;
“HK\$”	means Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Irrevocable Undertaking”	means the irrevocable undertaking dated 17 January 2010 given by Hezhong and each of the Management Owners in favour of the Company and the Offeror;
“Joint Offer Announcement”	means the joint announcement issued by the Company, the Offeror and Zhongyu in respect of the Offers on the same day of this announcement;
“Last Trading Date”	means 15 January 2010, being the last trading day prior to the suspension of trading in the Shares pending the publication of this announcement;
“Listing Committee”	has the meaning ascribed to such term in the Listing Rules;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, or the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, as the case may be;

“Macquarie”	means Macquarie Capital (Hong Kong) Limited, a licensed corporation under the SFC licensed to conduct Type 6 (advising on corporate finance) regulated activities, which is the financial advisor to the Company and the Offeror in connection with the Offers;
“Management Owners”	means Mr. Wang and Mr. Hao, each a director of Zhongyu, who own 60% and 40% respectively and together collectively own all of the issued share capital of Hezhong;
“MCSL”	means Macquarie Capital Securities Limited, a licensed corporation under the SFC licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities;
“Mr. Hao”	means Mr. Hao Yu, a director of Zhongyu and the beneficial owner of 40% of the issued share capital of Hezhong;
“Mr. Wang”	means Mr. Wang Wenliang, a director of Zhongyu and the beneficial owner of 60% of the issued share capital of Hezhong;
“Offer Period”	has the meaning given to it in the Takeovers Code;
“Offeror”	means Rich Legend International Limited, an investment holding company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company;
“Offers”	means the Share Offer, the Convertible Bond Offer and the Option Offer;
“Option Offer”	means the voluntary conditional cash and securities exchange offer by MCSL on behalf of the Offeror for cancellation of the Share Options at the Option Offer Consideration;
“Option Offer Consideration”	means (i) the amount of HK\$0.0202 in cash and the allotment and the issue of 0.0175 new Consideration Share per Zhongyu Share which may be subscribed under the Share Options with an exercise price of HK\$0.80, (ii) the amount of HK\$0.0664 in cash and the allotment and issue of 0.0576 new Consideration Share per Zhongyu Share which may be subscribed under the Share Options with an exercise price of HK\$0.56, and (iii) the amount of HK\$0.1146 in cash and the allotment and issue of 0.0994 new Consideration Share per Zhongyu Share which may be subscribed under the Share Options with an exercise price of HK\$0.31, for each Share Option accepted under the Option Offer;

“PRC”	means the People’s Republic of China and, for the purposes of this announcement, excluding Hong Kong, Taiwan and Macau;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Share Offer”	means the voluntary conditional cash and securities exchange offer by MCSL on behalf of the Offeror at the Share Offer Consideration to acquire all of the issued shares in the share capital of Zhongyu other than those Zhongyu Shares held by the Offeror and the Concert Parties;
“Share Offer Consideration”	means (i) the amount of HK\$0.1743 in cash, and (ii) the allotment and issue of 0.1512 new Consideration Share per each Zhongyu Share accepted under the Share Offer;
“Share Option Scheme”	means the share option scheme adopted by Zhongyu on 30 September 2003, as amended from time to time;
“Share Options”	means the outstanding options granted pursuant to the Share Option Scheme and “Share Option” shall be construed accordingly;
“Shares”	means ordinary shares of HK\$0.01 each in the issued share capital of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it in the Listing Rules;
“Takeovers Code”	means the Codes on Takeovers and Mergers and Share Repurchases published by the SFC;
“Zhongyu”	means Zhongyu Gas Holdings Limited, a limited company incorporated in the Cayman Islands with limited liability whose shares are listed on GEM (Stock Code: 8070);
“Zhongyu Bondholders”	means holders of the Convertible Bonds;

“Zhongyu Group”	means Zhongyu and its subsidiaries;
“Zhongyu Optionholders”	means registered grantees/holders for the time being of the Share Options;
“Zhongyu Shareholders”	means registered holders for the time being of the Zhongyu Shares;
“Zhongyu Shares”	means ordinary shares of HK\$0.01 each in the issued share capital of Zhongyu; and
“%”	means per cent.

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

Hong Kong, 26 January 2010

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

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.

* *For identification purpose only*