

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim 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 AND CONNECTED TRANSACTION**

#### **THE ACQUISITION AND THE HUA CHEN ACQUISITION**

The Board is pleased to announce that on 9 July 2010, Zhongran Gas and Wenzhou Electric Investment have entered into the Acquisition Agreement, pursuant to which Zhongran Gas will acquire and Wenzhou Electric Investment will dispose of 12.5% interests of Zhejiang Zhongyou Hua Dian.

The Board is also pleased to announce that on 9 July 2010, Zhongran Gas and Zhejiang Hua Chen also have entered into the Hua Chen Acquisition Agreement pursuant to which Zhongran Gas will acquire 4.5% interests of Zhejiang Zhongyou Hua Dian from Zhejiang Hua Chen.

Immediately after completion of the Acquisition and the Hua Chen Acquisition, Zhejiang Zhongyou Hua Dian will become a wholly owned subsidiary of the Group.

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

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

As Wenzhou Electric Investment is a substantial shareholder of Zhejiang Zhongyou Hua Dian and is deemed as a connected person under Chapter 14A, the Acquisition also constitutes a connected transaction on the part of the Company. As the applicable percentage ratios of the Acquisition under the Listing Rules do not exceed 5%, the transactions contemplated under the Acquisition Agreement are subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE ACQUISITION**

### **The Acquisition Agreement**

- Date** : 9 July 2010
- Parties** : (i) Zhongran Gas; and  
(ii) Wenzhou Electric Investment

Wenzhou Electric Investment is a company established in the PRC and a substantial shareholder of Zhejiang Zhongyou Hua Dian holding 12.5% interests of Zhejiang Zhongyou Hua Dian. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for being a substantial shareholder of Zhejiang Zhongyou Hua Dian, Wenzhou Electric Investment and its ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons.

Zhejiang Zhongyou Hua Dian is a company established in the PRC and as at the date hereof, is held as to 83% by Shanghai Zhongyou Energy. Zhejiang Zhongyou Hua Dian is principally engaged in LPG business.

Zhongran Gas is a direct wholly owned subsidiary of the Company and is an investment holding company.

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

### **Assets to be acquired**

Pursuant to the Acquisition Agreement, Zhongran Gas will acquire and Wenzhou Electric Investment will dispose of 12.5% interests of Zhejiang Zhongyou Hua Dian. Immediately after completion of the Acquisition and the Hua Chen Acquisition, Zhejiang Zhongyou Hua Dian will become a wholly owned subsidiary of the Group.

### **Consideration for the Acquisition**

The consideration for the Acquisition shall be RMB75,100,000 (equivalent to approximately HK\$85,340,909) in cash, which shall be payable by Zhongran Gas to Wenzhou Electric Investment upon completion of the Acquisition.

The consideration was determined after arms' length negotiations between Zhongran Gas and Wenzhou Electric Investment with reference to the net asset value of Zhejiang Zhongyou Hua Dian. The funding for the consideration shall be from the internal resources of the Group.

## **THE HUA CHEN ACQUISITION**

### **The Hua Chen Acquisition Agreement**

**Date** : 9 July 2010

**Parties** : (i) Zhongran Gas; and  
(ii) Zhejiang Hua Chen

Zhejiang Hua Chen is a company established in the PRC and a shareholder of Zhejiang Zhongyou Hua Dian holding 4.5% registered capital of Zhejiang Zhongyou Hua Dian. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Zhejiang Hua Chen and its ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons.

The Hua Chen Acquisition Agreement is not inter-conditional with the Acquisition Agreement.

### **Assets to be acquired**

Pursuant to the Hua Chen Acquisition Agreement, Zhongran Gas will acquire and Zhejiang Hua Chen will dispose of 4.5% registered capital of Zhejiang Zhongyou Hua Dian. Immediately after completion of the Acquisition and the Hua Chen Acquisition, Zhejiang Zhongyou Hua Dian will become a wholly owned subsidiary of the Group.

### **Consideration for the Hua Chen Acquisition**

The consideration for the Hua Chen Acquisition shall be RMB10,850,000 (equivalent to approximately HK\$12,329,545) in cash, which shall be payable by Zhongran Gas to Zhejiang Hua Chen upon completion of the Hua Chen Acquisition.

The consideration was determined after arms' length negotiations between Zhongran Gas and Zhejiang Hua Chen with reference to the net asset value of Zhejiang Zhongyou Hua Dian. The funding for the consideration shall be from the internal resources of the Group.

## **REASONS FOR THE ACQUISITION AND THE HUA CHEN ACQUISITION**

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.

The urban gas market of the PRC mainly comprises three major segments namely LPG, natural gas and manufactured coal gas. Due to the reason of costs, the pipeline construction for natural gas requires higher concentration of population which has gradually resulted in the dominance of natural gas in city centers and LPG in suburban and rural areas. Estimated indicated that China's LPG demand will reach 30 million tones by 2015 with a market value of RMB200 million. The Board believes that demand in the China LPG market will see a stable growth in the near future.

According to the audited financial statements of Zhejiang Zhongyou Hua Dian, it recorded an audited profit (before and after taxation) of approximately HK\$ HK\$56,163,000 for the year ended 31 March 2010. 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. Zhejiang Zhongyou Hua Dian group has a net asset of approximately HK\$155,390,000 as at 31 March 2010.

The Board considers that upon completion of the Acquisition and the Hua Chen Acquisition, Zhejiang Zhongyou Hua Dian will become a wholly owned subsidiary of the Group. In light of the future stable growth in demand in the China LPG market, it is expected that the increase in interests in Zhejiang Zhongyou Hua Dian will benefit the Group.

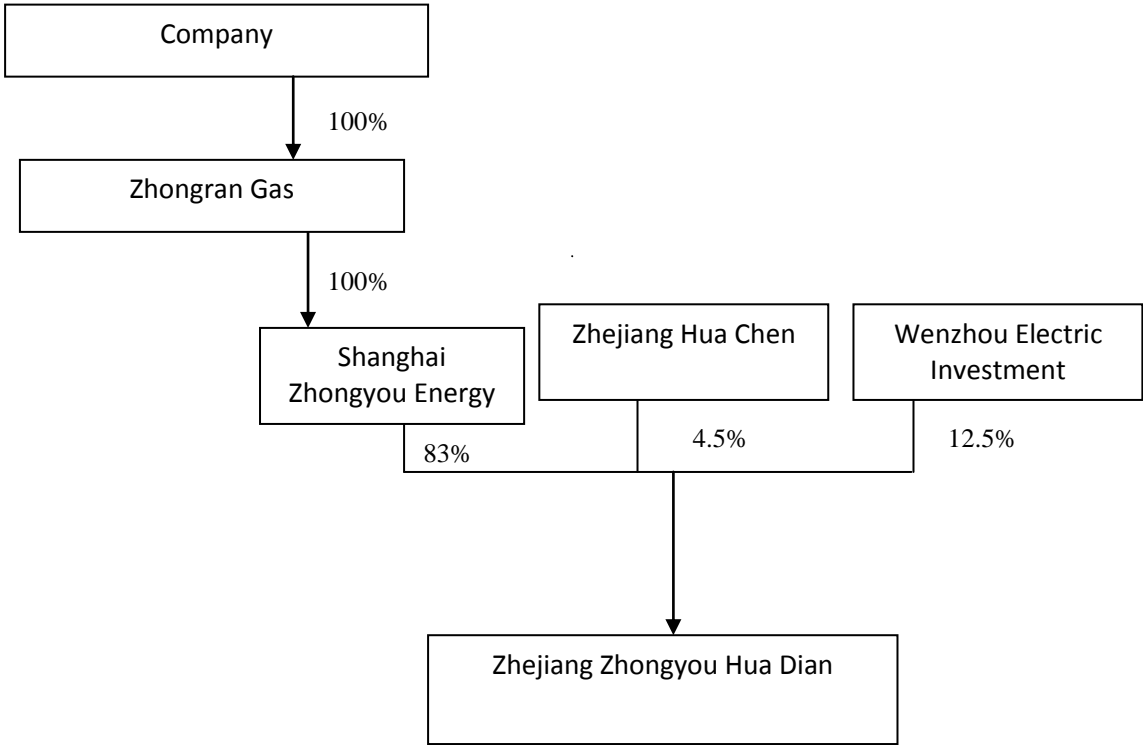
The Board further considers that the Acquisition and the Hua Chen Acquisition would streamline the management and operation of the Zhejiang Zhongyou Hua Dian group, thereby achieving a better efficiency.

In light of the aforesaid, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the Hua Chen Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

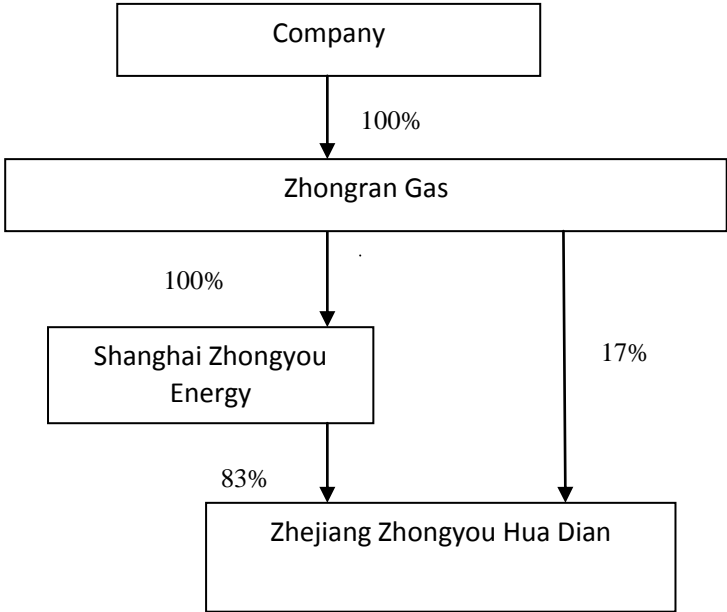
## **GROUP STRUCTURE BEFORE AND AFTER THE ACQUISITION AND THE HUA CHEN ACQUISITION**

Set out below is the Zhejiang Zhongyou Hua Dian group structure before and after the Acquisition and the Hua Chen Acquisition:

**Present Structure**



**Immediately after completion of the Acquisition and the Hua Chen Acquisition**



## IMPLICATIONS UNDER THE LISTING RULES

Reference is made to the announcements of the Company dated 24 and 25 August 2009 and 10 and 18 September 2009 respectively in relation to the Restructuring.

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

Since Wenzhou Electric Investment is a substantial shareholder to Zhejiang Zhongyou Hua Dian, a non-wholly owned subsidiary of the Group, Wenzhou Electric Investment is regarded as a connected person to the Company under Chapter 14A of the Listing Rules. The Acquisition therefore also constitutes a connected transaction on the part of the Company. As the applicable percentage ratios of the Acquisition under the Listing Rules do not exceed 5%, the transactions contemplated under the Acquisition Agreement are subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirements under Chapter 14A 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>“Acquisition”</b>	acquisition of 12.5% interest of Zhejiang Zhongyou Hua Dian by Zhongran Gas from Wenzhou Electric Investment pursuant to the terms of the Acquisition Agreement
<b>“Acquisition Agreement”</b>	acquisition agreement dated 9 July 2010 entered into between Zhongran Gas and Wenzhou Electric Investment in relation to the Acquisition
<b>“Board”</b>	the board of Directors
<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>“Hua Chen Acquisition”</b>	acquisition of 4.5% interest of Zhejiang Zhongyou Hua Dian by Zhongran Gas from Zhejiang Hua Chen pursuant to the terms of the Hua Chen Acquisition Agreement
<b>“Hua Chen Acquisition Agreement”</b>	acquisition agreement dated 9 July 2010 entered into between Zhongran Gas and Zhejiang Hua Chen in relation to the Hua Chen Acquisition
<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>“Restructuring”</b>	the group restructuring of Zhejiang Zhongyou Hua Dian group as disclosed in the announcements of the Company dated 24 and 25 August 2009 and 10 and 18 September 2009
<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 Zhongran Gas
<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

“Zhejiang Hua Chen”	浙江華辰能源有限公司(Zhejiang Hua Chen Energy Co. Ltd.#), a company established in the PRC and an Independent Third Party
“Zhejiang Zhongyou Hua Dian”	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 immediately before completion of the Acquisition and the Hua Chen Acquisition
“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, 9 July 2010

\* *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. Moon Duk Kyu and Mr. Mulham Al Jarf 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.*