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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

THE SUPPLEMENTAL AGREEMENT TO THE EQUITY TRANSFER AGREEMENT IN RELATION TO THE ACQUISITION OF PANVA GAS HOLDINGS LIMITED

Subsequent to the Purchaser and the Vendors entering into the Equity Transfer Agreement, on 4 June 2011, the Purchaser and the Vendors entered into the Supplemental Agreement, pursuant to which (i) the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell 49% of the entire issued shares of the Target for a total cash consideration of HK\$259,700,000; and (ii) the Vendors have agreed to grant the Call Option to the Purchaser or any other associated company nominated by the parent company of the Purchaser for acquiring the Option Shares within the Option Exercise Period for the Option Share Consideration.

Upon Completion, the Target will be as to 49% held by the Purchaser and as to 51% held by the Vendors and will not become a subsidiary of the Company.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition pursuant to the Equity Transfer Agreement (as supplemented by the Supplemental Agreement) exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and therefore the Company is subject to the reporting and announcement requirements.

Reference is made to the announcements of the Company dated 29 April 2011 and 31 May 2011 in relation to the delay in despatch of the circular for the Equity Transfer Agreement. Since the Acquisition has become a discloseable transaction for the Company under Chapter 14 of the Listing Rules, the Company is not required to issue a circular for the Acquisition and no shareholders' approval is required for the Company to enter into the Acquisition.

Reference is made to the announcement of the Company dated 10 March 2011 in relation to the Equity Transfer Agreement and the announcements of the Company dated 29 April 2011 and 31 May 2011 in relation to the delay in despatch of the circular for the Equity Transfer Agreement. Unless otherwise defined, terms used in this announcement shall have the same meanings as defined in the Announcement.

THE SUPPLEMENTAL AGREEMENT

On 4 June 2011, the Purchaser and the Vendors entered into the Supplemental Agreement to amend and supplement the Equity Transfer Agreement as follows:

Assets to be acquired

The Sale Shares, representing 49% of the entire issued shares of the Target as at the date of this announcement, consists of 17,858 issued shares of the Target held by Magic Strength, 25,698 issued shares of the Target held by Wealth Elite and 10,889 issued shares of the Target held by Elite First. The Sale Shares and all the interests attached thereto will be transferred to the Purchaser upon Completion.

Upon Completion, the Target will be as to 49% held by the Purchaser and as to 51% held by the Vendors and will not become a subsidiary of the Company.

Consideration

The consideration for the Sale Shares is HK\$259,700,000, which is to be settled in the following manners:

- (a) a deposit of HK\$84,800,000 has been paid by the Purchaser to a bank account jointly designated by the Vendors; and
- (b) the balance of the Purchase Price, being HK\$174,900,000, will be payable by the Purchaser to a bank account jointly designated by the Vendors upon Completion.

Forfeiture of deposit

If Completion fails to proceed in accordance with the terms and conditions of the Supplemental Agreement due to reasons caused by the Purchaser or its parent company, the Vendors are entitled to unilaterally terminate the Supplemental Agreement and request the Purchaser to compensate all the damages that the Vendors may have suffered as a consequence. The total amount of such compensation shall not exceed HK\$84,800,000, being the amount of the deposit already paid by the Purchaser.

Provided that the Vendors have duly performed their obligations in relation to Completion, if the Purchaser fails to make the payment of the balance of the Purchase Price (i.e. HK\$174,900,000) on the Base Date, a daily penalty of 0.1% of such outstanding payment shall be payable by the Purchaser to the Vendors for such delay and if the delay in payment exceeds 15 days, the Vendors are entitled to

unilaterally terminate the Supplemental Agreement and request the Purchaser to pay a compensation of HK\$84,800,000. The aggregated amount of all the penalty and the compensation (including the compensation as mentioned in the above paragraph) shall not exceed HK\$84,800,000 and such penalty and compensation shall be deducted from the deposit already paid by the Purchaser.

Call Option

Pursuant to the Supplemental Agreement, the Vendors have agreed to grant the Call Option to the Purchaser or any other associated company nominated by the parent company of the Purchaser for acquiring the Option Shares within the Option Exercise Period for the Option Shares Consideration.

The exercise by the Purchaser of the Call Option is conditional upon (i) the shareholders' approval of the Company, if required, having been obtained for the transfer of the Option Shares; and (ii) all the necessary approvals in relation to the Supplemental Agreement and the transactions contemplated thereunder, including but not limited to, the approvals for anti-trust application, having been obtained from the relevant competent PRC authorities.

When and if the Call Option is fully exercised by the Purchaser, the Target will become a wholly-owned indirect subsidiary of the Company and its financial information will be consolidated into the Group.

Completion

Completion will take place on a day falling not later than 30 June 2011, subject to delivery of certain completion documents, including a shareholders' agreement to be agreed and signed by the Purchaser and the Vendors. Upon Completion, the Share Mortgage will be released in accordance with its terms.

Debt repayment

As at the date of the signing of the Supplemental Agreement, the outstanding payment obligations in connection with the debt owed by the Target to Towngas China was adjusted based on the actual liabilities owed by the Target to Towngas China and such adjusted outstanding payment obligations will not exceed HK\$273,750,000.

Upon the full repayment of the aforementioned debt, the Purchaser and the Vendors shall be responsible for the immediate release of the Share Charges and the relevant guarantees and the Purchaser and the Vendors shall bear their respective costs incurred thereby.

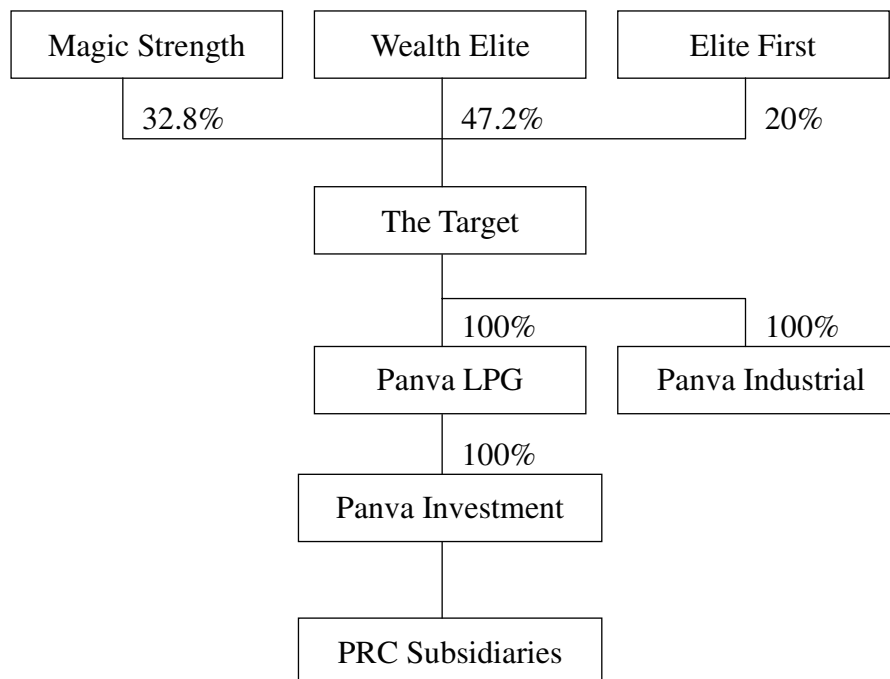
As at the date of the Supplemental Agreement, the Purchaser as lender and the Target as borrower entered into a facility letter, pursuant to which the Purchaser agreed to provide an interest-bearing 18-month term loan of HK\$40,000,000 to the Target, which is to be secured, *inter alia*, by the Share Mortgage.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Equity Transfer Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

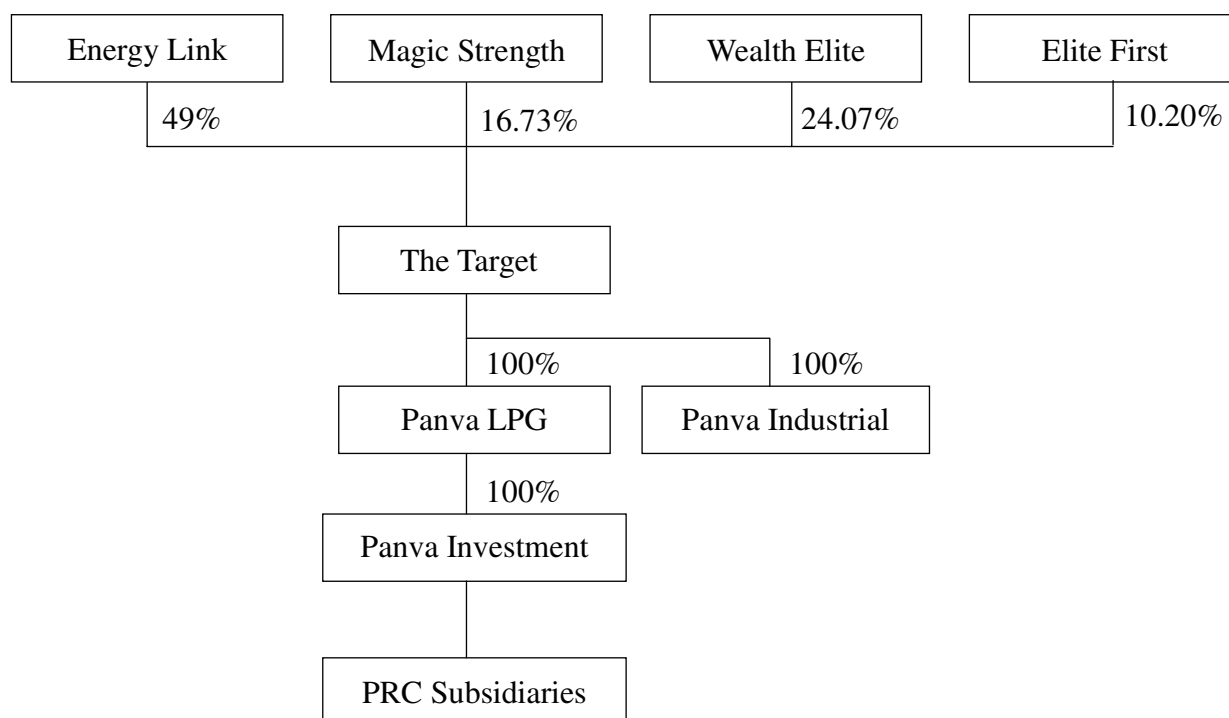
SHAREHOLDING STRUCTURE OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group (i) as at the date of this announcement; and (ii) immediately following Completion:

(i) Shareholding structure of the Target Group as at the date of this announcement



(ii) Shareholding structure of the Target Group immediately following Completion



IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition pursuant to the Equity Transfer Agreement (as supplemented by the Supplemental Agreement exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and therefore the Company is subject to the reporting and announcement requirements.

Reference is made to the announcements of the Company dated 29 April 2011 and 31 May 2011 in relation to the delay in despatch of the circular for the Equity Transfer Agreement. Since the Acquisition has become a discloseable transaction for the Company under Chapter 14 of the Listing Rules, the Company is not required to issue a circular for the Acquisition and no shareholders' approval is required for the Company to enter into the Acquisition.

REASONS FOR THE ENTERING OF THE EQUITY TRANSFER AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)

Since the Target Group is principally engaged in terminal retail business of LPG in the PRC and the Group is principally engaged in the wholesale of the LPG, the Board considers that the Acquisition would enable the consolidation of LPG market in the PRC and achieve economies of scale for the Group's midstream LPG wholesale business. Furthermore, the Board considers that such vertical integration of business would capture higher market coverage in the PRC and achieve better margins for the Group's LPG business.

In addition, the Board considers that the Acquisition could enhance the capital strength and brand value of the Group's LPG business as the Target Group has good brand recognition in the downstream market while the Group's LPG wholesale business has good strategic layout and growth potential. The Acquisition is expected to provide a strong support to the long-term development and lay down a solid foundation for the sustainable growth of the Group's LPG business.

Given the terms and conditions of the Equity Transfer Agreement are now amended and supplemented by the Supplemental Agreement, the Board believes that no approvals from the relevant competent PRC authorities will be required for the Acquisition. The entering into of the Supplemental Agreement between the Purchaser and the Vendors will expedite completion of the Acquisition and therefore the integration of the midstream wholesale and downstream retail LPG business of the Group and the Target Group respectively.

GENERAL

For the details of information of the Group, the Vendors, the Target Group (including financial information of the Target Group), please refer to the Announcement.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors under the Equity Transfer Agreement (as supplemented by the Supplemental Agreement)
“Announcement”	the announcement of the Company dated 10 March 2011 in relation to the Equity Transfer Agreement
“Base Date”	a date falling not later than 30 June 2011
“Call Option”	an option granted to the Purchaser for acquiring 51% of the entire issued shares of the Target held by the Vendors pursuant to the terms and conditions of the Supplemental Agreement
“Completion”	the completion of the sale and purchase of the Sale Shares
“Equity Transfer Agreement”	the equity transfer agreement dated 10 March 2011 entered into between the Purchaser and the Vendors for the sale and purchase of the shares of the Target
“Option Exercise Period”	within 12 months after the Base Date
“Option Shares”	the remaining 51% issued shares of the Target held by the Vendors
“Option Share Consideration”	HK\$270,300,000
“Purchase Price”	HK\$259,700,000, being the aggregate purchase price payable by the Purchaser to the Vendors for the Sale Shares
“Sale Shares”	54,445 shares of the Target, representing 49% of the issued shares of the Target, held by the Vendors as at the date of the Equity Transfer Agreement (as supplemented by the Supplemental Agreement)
“Share Charges”	the share charges created over the shares in Panva LPG, Panva Investment and its subsidiaries held by the Target for the purpose of securing the outstanding payment obligations in connection with a debt of HK\$273,750,000 owed by the Target to Towngas China

“Share Mortgage” the share mortgage created over the entire issued share capital of the Target (including Sale Shares) held by the Vendors in favour of the Purchaser

“Supplemental Agreement” the supplemental agreement to the Equity Transfer Agreement dated 4 June 2011 entered into between the Purchaser and the Vendors for the sale and purchase of the Sale Shares

By the order of the Board of
China Gas Holdings Limited
Leung Wing Cheong, Eric
Joint Managing Director

Hong Kong, 6 June 2011

* *for identification purpose only*

As of the date of this announcement, Mr. Leung Wing Cheong, Eric, Mr. Ma Jin Long, Mr. Zhu Wei Wei and Mr. Pang Ying Xue are the executive Directors, Mr. Feng Zhuo Zhi, Mr. Joe Yamagata, Mr. P. K. Jain, Mr. Moon Duk Kyu and Mr. Mulham Al Jarf are the non-executive Directors, Mr. Mark D. Gelinas as alternate to Mr. Al Jarf, and Mr. Zhao Yu Hua, Dr. Mao Er Wan and Ms. Wong Sin Yue, Cynthia are the independent non-executive Directors.