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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 AND FRUSTRATING ACTION

**ACQUISITION OF REMAINING 51% OF THE ISSUED SHARES IN
PANVA GAS HOLDINGS LIMITED PURSUANT TO THE EXERCISE OF A CALL
OPTION GRANTED UNDER THE SUPPLEMENTAL AGREEMENTS**

The Board is pleased to announce that on 27 July 2012, the Purchaser, pursuant to the Call Option, entered into the 51% Agreement with the Vendors pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell 51% of the issued share capital of the Target for a total cash consideration of HK\$270,300,000.

Reference is made to the announcements of the Company dated 10 March 2011 and 6 June 2011 in relation to the 49% Agreement, pursuant to which the Purchaser had acquired from the Vendors 49% of the issued shares of the Target for a total cash consideration of HK\$259,700,000 and the Vendors agreed to grant a call option to the Purchaser to acquire the Sale Shares. Reference is also made to the announcement of the Company dated 29 May 2012 in relation to the Second Supplemental Deed pursuant to which the exercise period of the Call Option has been extended to 30 September 2012. Upon completion of the 51% Transaction, the Target will become a wholly-owned subsidiary of the Company and its financial information will be consolidated into the Group's.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the 51% Transaction pursuant to the 51% Agreement exceeds 5% but all the applicable percentage ratios are less than 25%, the 51% Transaction 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.

The Company is currently the subject of an unsolicited pre-conditional voluntary cash offer by ENN Energy Holdings Limited and China Petroleum & Chemical Corporation. Under Rule 4 of the Takeovers Code, once a bona fide offer has been communicated to the board of an offeree company or the board of an offeree company has reason to believe that a bona fide offer may be imminent, no action which could effectively result in an offer being frustrated, or in the shareholders of the offeree company being denied an opportunity to decide on the merits of an offer, shall be taken by the board of the offeree company in relation to the affairs of the company without the approval of the shareholders in general meeting. The 51% Transaction comprises an acquisition of assets of a material amount and is therefore a frustrating action of the Company under Rule 4 of the Takeovers Code. The 51% Transaction is therefore subject to the shareholders' approval requirements under Rule 4 of the Takeovers Code.

A circular containing further details of the 51% Transaction and a notice of the SGM will be despatched to the shareholders of the Company as soon as possible, but not later than 31 July 2012.

The Board is pleased to announce that on 27 July 2012, the Purchaser entered into the 51% Agreement with the Vendors pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the remaining 51% of the issued share capital of the Target for a total cash consideration of HK\$270,300,000.

Reference is made to the announcements of the Company dated 10 March 2011 and 6 June 2011 in relation to the 49% Agreement, pursuant to which the Purchaser had acquired from the Vendors 49% of the issued shares of the Target for a total cash consideration of HK\$259,700,000 and the Vendors granted the Call Option to the Purchaser. Reference is also made to the announcement of the Company dated 29 May 2012 in relation to the Second Supplemental Deed pursuant to which the exercise period of the Call Option has been extended to 30 September 2012. Upon completion of the 51% Transaction, the Target will become a wholly-owned subsidiary of the Company and its financial information will be consolidated into the Group's.

THE 51% AGREEMENT

On 27 July 2012, the Purchaser and the Vendors entered into the 51% Agreement in relation to the acquisition of the Sale Shares by the Purchaser.

Assets to be acquired

The Sale Shares, representing 51% of the issued shares of the Target as at the date of this announcement, consist of 18,586 issued shares of the Target held by Magic Strength, 26,746 issued shares of the Target held by Wealth Elite and 11,333 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 become a wholly-owned subsidiary of the Company.

Consideration

The consideration for the Sale Shares is HK\$270,300,000, which is payable by the Purchaser in cash on the Completion Date in the following manner:

- (a) HK\$30,000,000 to be paid to the Joint Account; and
- (b) HK\$240,300,000 to be paid to a bank account jointly designated by the Vendors.

The consideration will be paid by the Company by using internal resources. The consideration was agreed between the Purchaser and the Vendors after arm's length negotiations taking into account net asset value of the Target and its affiliated companies when the Purchaser and the Vendors entered into the 49% Agreement. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the 51% Agreement are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

Conditions Precedent

Completion of the 51% Transaction is conditional upon, among others:

- (a) all parties having obtained all governmental approvals, consents, permits, registration and filing for records (including but not limited to anti-trust approval) which are necessary for the 51% Agreement and the transactions contemplated thereunder, and each such approval, consent, permit, registration and filing for records having remained in full force and effect;
- (b) there having been no material adverse change to the Target and its affiliated companies since the date of signing the 51% Agreement;
- (c) the representations and warranties provided by each Vendor in the 51% Agreement remaining true and accurate as at Completion;

- (d) there being no order issued by any competent court or regulatory authority which would restrict or prohibit any transaction contemplated under the 51% Agreement or render any such transaction void, and there being no promulgated or enacted law, rule, regulation or other requirement which would restrict or prohibit any transaction contemplated under the 51% Agreement or render any such transaction void;
- (e) there being no pending or threatened litigation or other proceedings which might prohibit or restrict the 51% Transaction or might render the 51% Transaction void or which is otherwise related to the 51% Transaction; and
- (f) the Shareholders at the SGM approving, among other things, the 51% Agreement and the transactions contemplated thereunder.

Completion

Completion will take place within five business days after fulfilment of all the Conditions Precedent. If any of the Conditions Precedent has not been satisfied or waived on or before the Long Stop Date, unless Completion is extended by agreement between the Purchaser and the Vendors in writing, the 51% Agreement shall terminate.

Profits sharing

The profits of the Target shall be shared by the Purchaser and the Vendors in the following manner:

- (a) the profits of the Target accrued for the 6 months ended 30 June 2011 (as audited by the auditors of the Target) shall be shared by the Vendors according to their proportion of shareholding interests in the Target before completion of the 49% Agreement;
- (b) the profits of the Target accrued from 1 July 2011 to the Completion Date (as audited by the auditors of the Target) shall be shared by the Purchaser and the Vendors according to their proportion of shareholding interests in the Target as at the date of the 51% Agreement; and
- (c) the profits of the Target accrued after Completion shall only be distributed to the Purchaser.

Undertaking by the Vendors

The Vendors have jointly and severally irrevocably undertaken to the Purchaser that the net profit (after deducting all taxation and extraordinary items and excluding any gain or loss from the valuation of assets of the Target and after discussion, adjustment and confirmation by the Purchaser and the Vendors) of the Target and its affiliated companies for the year ended 31

December 2012, as showed in the audited financial statements for the year ended 31 December 2012 prepared in accordance with the Hong Kong Financial Reporting Standards, shall not be less than HK\$60,000,000.

If the actual profit of the Target and its affiliate companies is less than HK\$60,000,000, the shortfall (the “**Shortfall**”) shall be compensated by the Vendors to the Purchaser, in the following manner:

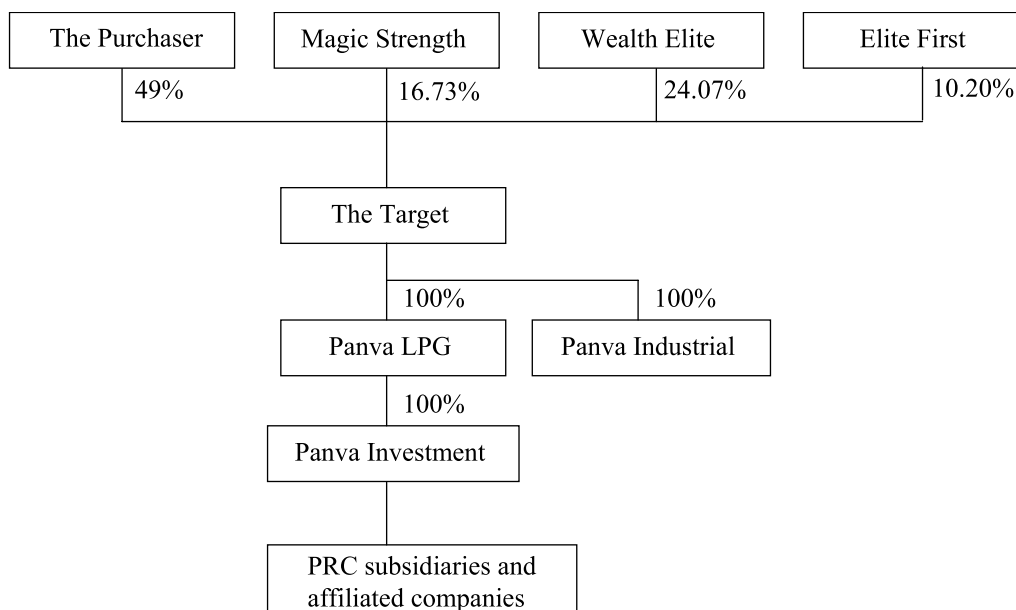
- (a) the Vendors shall not receive their share of the profits of the Target and its affiliated companies accrued up to 31 December 2011 up to the amount of the Shortfall; and
- (b) if the Shortfall cannot be covered in full by the compensation made in accordance with (a) above, the difference shall be deducted from the amounts retained in the Joint Account.

The liabilities of the Vendors for the above undertaking shall be limited to the compensation made in the manner set out in (a) and (b) above.

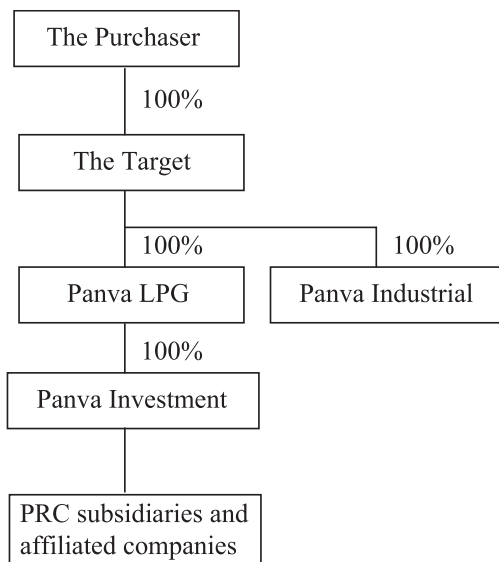
SHAREHOLDING STRUCTURE OF THE TARGET

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

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



(b) Shareholding structure of the Target immediately following Completion



FINANCIAL INFORMATION OF THE TARGET

A summary of the unaudited consolidated financial information of the Target prepared in accordance with the Hong Kong Financial Reporting Standards, as provided by the Vendors, is as follows:

	For the year ended 31 December 2010	For the year ended 31 December 2011
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit before taxation	117.9	109.4
Net profit after taxation	87.9	78.3

According to the unaudited financial statements of the Target, the net assets value of the Target, on a consolidated basis, as at 31 December 2011 was approximately HK\$461.8 million.

IMPLICATIONS UNDER THE LISTING RULES AND RULE 4 OF THE TAKEOVERS CODE

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the 51% Transaction pursuant to the 51% Agreement exceeds 5% but all the percentage ratios are less than 25%, the 51% Transaction 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.

The Company is currently the subject of an unsolicited pre-conditional voluntary cash offer by ENN Energy Holdings Limited and China Petroleum & Chemical Corporation. Under Rule 4 of the Takeovers Code, once a bona fide offer has been communicated to the board of an offeree

company or the board of an offeree company has reason to believe that a bona fide offer may be imminent, no action which could effectively result in an offer being frustrated, or in the shareholders of the offeree company being denied an opportunity to decide on the merits of an offer, shall be taken by the board of the offeree company in relation to the affairs of the company without the approval of the shareholders in general meeting. The 51% Transaction comprises an acquisition of assets of a material amount and is therefore a frustrating action of the Company under Rule 4 of the Takeovers Code. The 51% Transaction is therefore subject to the shareholders' approval requirements under Rule 4 of the Takeovers Code.

A circular containing further details of the 51% Transaction and a notice of the SGM will be despatched to the shareholders of the Company as soon as possible, but not later than 31 July 2012.

In the event that the Company is no longer subject to an offer from the date hereof to the date of the SGM for any reason, the 51% Transaction will cease to be a frustrating action under Rule 4 of the Takeovers Code. In that case, the Company will not convene the SGM to obtain the shareholders' approval for the 51% Transaction. A further announcement will be made by the Company in this regard as appropriate.

REASONS FOR EXERCISING THE CALL OPTION AND ENTERING INTO THE 51% AGREEMENT

Since the Target and its affiliated companies are principally engaged in terminal retail business of LPG in the PRC and the Group is principally engaged in the wholesale of LPG, the Board considers that exercising the Call Option and the 51% Transaction would enable our consolidation of LPG market in the PRC and achieve economies of scale. Furthermore, the Board considers that such vertical integration of business would capture higher market coverage in the PRC.

The 51% Transaction would enable the Group to gain full control of the Target so as to integrate the Target operationally and financially into the Group's management system, which would further enhance the profitability of the vertically consolidated LPG business of the Group.

In addition, the Board considers that the 51% Transaction could enhance the capital strength and brand value of the Group's LPG business as the Target and its affiliated companies have good brand recognition in the downstream market while the Group's LPG wholesale business has good strategic layout and growth potential. The 51% Transaction is expected to provide a strong support to the long-term development and lay down a solid foundation for the sustainable development of the Group's LPG business.

INFORMATION OF THE GROUP, THE VENDORS AND THE TARGET

The Group

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.

Magic Strength

Magic Strength is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement, the entire issued share capital of Magic Strength is held by Mr. Ou Yaping.

Wealth Elite

Wealth Elite is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement, the entire issued share capital of Wealth Elite is held as to 69.49% by Mr. Chen Wei, 8.47% by Mr. Tang Yui Man Francis, 8.47% by Mr. Shen Lianjin, 3.39% by Mr. Li Fujun, 3.39% by Mr. Zhang Keyu, 3.39% by Ms. Huang Jie and 3.39% by Mr. Li Feng.

Elite First

Elite First is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement, the entire issued share capital of Elite First is held as to 50% by Mr. Chen Wei and 50% by Mr. Shen Lianjin.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for the Vendors' respective equity interests in the Target before completion of the 51% Transaction, the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Target

The Target is an investment holding company incorporated in the British Virgin Islands with limited liability and its entire issued share capital is currently owned by the Purchaser, Magic Strength, Wealth Elite and Elite First as to 49%, 16.73%, 24.07% and 10.20% respectively. For further details of the shareholding structure of the Target, please refer to the paragraph headed "Shareholding Structure of the Target" above.

The Target and its subsidiaries are principally engaged in terminal retail business of LPG in the PRC. Its major assets and businesses include a national customer service phone number of 95007, and approximately 450 self-owned retail stores and approximately 120 franchised outlets which are located in provinces such as Jiangsu, Hubei and Zhejiang.

DEFINITIONS

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

“49% Agreement”	the equity transfer agreement dated 10 March 2011 entered into between the Purchaser and the Vendors, as supplemented by the Supplemental Agreements, in relation to the sale and purchase of 49% of the issued shares of the Target
“51% Agreement”	the agreement dated 27 July 2012 entered into between the Purchaser and the Vendors for the sale and purchase of the Sale Shares
“51% Transaction”	the acquisition of the Sale Shares under the 51% Agreement
“Board”	the board of Directors
“Call Option”	an option granted to the Purchaser to acquire the Sale Shares held by the Vendors pursuant to the Supplemental Agreements
“Company”	China Gas Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 384)
“Completion”	the completion of the 51% Transaction
“Completion Date”	a day falling within five business days after fulfilment of all Conditions Precedent, or such other day as agreed by the parties to the 51% Agreement
“Conditions Precedent”	the conditions precedent of the 51% Transaction which are set out in the paragraph headed “Conditions Precedent” of this announcement
“Directors”	the directors of the Company
“Elite First”	Elite First Ltd., a company incorporated in the British Virgin Islands
“First Supplemental Agreement”	the supplemental agreement to the 49% Agreement dated 4 June 2011 entered into between the Purchaser and the Vendors

“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Account”	the bank account to be opened by the Purchaser and the Vendors not less than five business days prior to the Completion Date, or such other time agreed by the Purchaser and the Vendors
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 December 2012
“LPG”	liquefied petroleum gas
“Magic Strength”	Magic Strength Holdings Ltd., a company incorporated in the British Virgin Islands
“Panva Industrial”	Panva Industrial Gas Investments Limited 百江工業氣體投資有限公司, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Target
“Panva Investment”	Panva Investment Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Panva LPG
“Panva LPG”	Panva LPG Investment Holdings Limited 百江液化氣投資有限公司, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Target
“PRC”	The People’s Republic of China
“Purchaser”	Energy Link Investments Ltd., a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Sale Shares”	51% of the issued shares of the Target
“Second Supplemental Deed”	the supplemental deed to the 49% Agreement dated 29 May 2012 entered into between the Purchaser and the Vendors
“SGM”	a special general meeting to be convened by the Company to consider and approve the 51% Transaction

“Supplemental Agreements”	the First Supplemental Agreement and the Second Supplemental Deed
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Target”	Panva Gas Holdings Limited 百江氣體控股有限公司, a company incorporated in the British Virgin Islands with limited liability
“Vendors”	Magic Strength, Wealth Elite and Elite First
“Wealth Elite”	Wealth Elite Holdings Ltd., a company incorporated in the British Virgin Islands

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

Hong Kong, 27 July 2012

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, 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 statement herein misleading.

As of the date of this announcement, Mr. LEUNG Wing Cheong, Eric, Mr. PANG Yingxue, Mr. ZHU Weiwei and Mr. MA Jinlong are the executive Directors, Mr. FENG Zhuozhi, Mr. Jo YAMAGATA, Mr. P K JAIN, Mr. MOON Duk Kyu (his alternate is Mr. KIM Yong Joong) and Mr. Mulham AL-JARF (his alternate is Mr. Mark D. GELINAS) are the non-executive Directors and Mr. ZHAO Yuhua, Dr. MAO Erwan and Ms. WONG Sin Yue, Cynthia are the independent non-executive Directors.

* *for identification purpose only*