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中裕燃气控股有限公司

ZHONGYU GAS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3633)

DISCLOSEABLE TRANSACTION PROPOSED PRIVATIZATION OF SINO GAS INTERNATIONAL HOLDINGS INC. THE SUBSCRIPTION AGREEMENT AND PROVISION OF FINANCIAL ASSISTANCE

THE SUBSCRIPTION AGREEMENT

As part of the participation between the Group and the Co-investors in the Proposed Privatization and in preparation for Completion, on November 25, 2014 (i) Zhongyu Beijing and Harmony Gas entered into the Subscription Agreement; and (ii) MSPEA and Harmony Gas entered into the MSPEA Subscription Agreement.

SATISFACTION OF CONDITION

The Company is informed that as at November 25, 2014, the Condition under the Merger Agreement in relation to obtaining the approval of the applicable governmental authority under the anti-monopoly law of the PRC for the consummation of the transactions contemplated by the Merger Agreement has been satisfied.

PROVISION OF FINANCIAL ASSISTANCE

On November 25, 2014, Zhongyu Beijing entered into the Further Loan Agreement with Harmony Gas, pursuant to which Zhongyu Beijing conditionally agreed to grant to Harmony Gas the Further Loan Facility of up to US\$40,000,000 (equivalent to approximately HK\$311,200,000), the proceeds of which are to be used for the Designated Purposes.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Further Loan Facility were more than 5% but below than 25%, the grant of the Further Loan Facility, on a stand-alone basis, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As Zhongyu Beijing is a subsidiary of the Company, Harmony Gas is a party to the Proposed Transactions and the proceeds of the Further Loan Facility is to be used for the Designated Purposes, the grant of the Further Loan Facility, the Loan Facility and the Proposed Transactions require aggregation under Rule 14.22 of the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the grant of the Further Loan Facility when aggregated with the Proposed Transactions and the Loan Facility were also more than 5% but less than 25%, the grant of the Further Loan Facility, when aggregated with the Loan Facility and the Proposed Transactions, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

References are made to the announcements of the Company dated April 3, 2014, April 17, 2014, June 4, 2014 and August 6, 2014 (the “**Announcements**”) in relation to the Proposed Privatization of Sino Gas. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Announcements.

PROPOSED PRIVATIZATION AND THE SUBSCRIPTION AGREEMENT

As part of the participation between the Group and the Co-investors in the Proposed Privatization and in preparation for Completion, on November 25, 2014 (i) further to the Commitment Letter, Zhongyu Beijing and Harmony Gas entered into the Subscription Agreement, pursuant to which Zhongyu Beijing agreed to subscribe for the Subscription Shares at the Subscription Price; and (ii) further to the MSPEA Commitment Letter, MSPEA and Harmony Gas entered into the MSPEA Subscription Agreement, pursuant to which MSPEA agreed to subscribe for the MSPEA Subscription Shares at the MSPEA Subscription Price.

The principal terms of the Subscription Agreement are set out below:

Date:	November 25, 2014
Parties:	(i) Zhongyu Beijing; and (ii) Harmony Gas
Subscription for shares:	Harmony Gas has agreed to allot and issue, and Zhongyu Beijing has agreed to subscribe for 28,804,417 ordinary shares in Harmony Gas for an aggregate consideration of US\$37,445,741.45

Conditions: Completion of the Subscription Agreement is conditional upon following:

- (i) satisfaction or waiver of each of the Conditions to the respective obligations of Prosperity Gas and Harmony Gas to effect the Merger; and
- (ii) substantially simultaneous completion of the MSPEA Subscription Agreement.

Upon completion of the Subscription Agreement and the MSPEA Subscription Agreement, the Company and MSPEA will hold 56.4% and 43.6% shareholding interests in Harmony Gas, respectively, in the interim period before the Contribution Completion and Completion. Once the Conditions are satisfied or waived, the Contribution Completion will take place shortly before the Completion, upon which Harmony Gas will allot and issue 6,524,174 ordinary shares to Eloten Group Ltd. Therefore, upon Completion, the Group, MSPEA and Eloten Group Ltd will hold 50%, 38.7% and 11.3% shareholding interests in Harmony Gas, respectively.

SATISFACTION OF CONDITION

In relation to the Proposed Privatization and the Merger Agreement, the Company is informed that as at November 25, 2014, the Condition under the Merger Agreement in relation to obtaining the approval of the applicable governmental authority under the anti-monopoly law of the PRC or any official clarifications, guidance, interpretations or implementation rules in connection with or relation to such law for the consummation of the transactions contemplated by the Merger Agreement has been satisfied. Once Completion takes place, further announcement will be made by the Company in relation to Completion.

PROVISION OF FINANCIAL ASSISTANCE

On November 25, 2014, Zhongyu Beijing entered into the Further Loan Agreement with Harmony Gas, pursuant to which Zhongyu Beijing conditionally agreed to grant to Harmony Gas the Further Loan Facility of up to US\$40,000,000 (equivalent to approximately HK\$311,200,000).

The Further Loan Agreement

The principal terms and conditions of the Further Loan Agreement are summarized as follows:

Date: November 25, 2014

Lender: Zhongyu Beijing

Borrower: Harmony Gas

Amount of Further Loan Facility:	Up to US\$40,000,000 (equivalent to approximately HK\$311,200,000)
Interest rate:	8.00% per annum, payable semi-annually
Default interest rate:	<ul style="list-style-type: none"> (i) 0.5% per annum on the default of any interest payment from the date of default until the sum is paid (ii) 0.2% per annum on the default of any overdue principal amount drawn from the Further Loan Facility from the date of default until the sum is paid
Maturity date:	<p>The loan shall become immediately due and payable upon the earlier of:</p> <ul style="list-style-type: none"> (i) the date on which Zhongyu Beijing gives Harmony Gas notice that the loan is immediately due and repayable; (ii) the termination of the Merger Agreement; and (iii) the day on which any of MSPEA, Zhongyu Beijing or Eloten Group Ltd or their respective nominee ceases to be a shareholder of Harmony Gas.
Use of proceeds:	<p>Harmony Gas shall use the proceeds from the Further Loan Facility for the purposes of financing the:</p> <ul style="list-style-type: none"> (i) payment of certain fees and expenses in connection with the Merger; (ii) working capital and capital expenditure of Harmony Gas or its subsidiaries; and (iii) redemption of the outstanding series B convertible preferred shares of Sino Gas for the purpose of the Merger (together, the “Designated Purposes”).
Repayment terms:	<p>Harmony Gas may repay the Further Loan Facility, together with accrued interest, at any time without penalty.</p> <p>Harmony Gas shall pay to Zhongyu Beijing additional amounts as may be required such that after any applicable deduction or withholding tax, the amounts repaid will not be less than the aggregate amount of principal amount and any interest.</p>

Conditions precedent: Completion of the Further Loan Agreement is conditional upon the fulfillment of the following conditions:

- (i) Harmony Gas having performed and complied with all agreements and conditions contained in the Further Loan Agreement;
- (ii) the making of the Further Loan Facility being permitted by the relevant laws and regulations and the Listing Rules; and
- (iii) completion of the Subscription Agreement and the MSPEA Subscription Agreement.

Funding of the Further Loan Facility

The Further Loan Facility will be financed by the internal resources of the Group and external financing of the Group.

REASONS AND BENEFITS OF THE GRANT OF THE FURTHER LOAN FACILITY

Harmony Gas has requested the Group to grant the Further Loan Facility for purposes in connection with the Merger, including the Designated Purposes. Having considered the prospect of the Merger, the Group agreed to grant the Further Loan Facility after arm's length negotiation with Harmony Gas. Furthermore, the Group currently has certain amount of available funds deposited in banks in PRC and the grant of the Further Loan Facility will enable the Group to better utilize its available funds in an interim period and receive a more favourable return on such funds from the interest income to be generated from the Further Loan Facility, the interest rate for which was determined based on the prevailing commercial lending interest rate of banks in the PRC.

The Directors consider that the terms of the Further Loan Agreement are on normal commercial terms and are fair and reasonable and thus the entering into of the Further Loan Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Further Loan Facility were more than 5% but below 25%, the grant of the Further Loan Facility, on a stand-alone basis, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As Zhongyu Beijing is a subsidiary of the Company, Harmony Gas is a party to the Proposed Transactions and the proceeds of the Further Loan Facility is to be used for the Designated Purposes, the grant of the Further Loan Facility, the Loan Facility and the Proposed Transactions require aggregation under Rule 14.22 of the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the grant of the Further Loan Facility when aggregated with

the Loan Facility and the Proposed Transactions were also more than 5% but less than 25%, the grant of the Further Loan Facility, when aggregated with the Loan Facility and the Proposed Transactions, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

GENERAL

Information on Zhongyu Beijing and the Group

Zhongyu Beijing is a wholly-owned subsidiary of the Company. The Company and its subsidiaries are principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure and the distribution of piped gas to residential, industrial and commercial users; (ii) the construction and operation of compressed natural gas or liquefied natural gas filling stations for vehicles; and (iii) the exploration, exploitation and development of coalbed methane gas in the PRC.

Information on Harmony Gas

Harmony Gas is an investment holding company incorporated under the laws of the Cayman Islands as an exempted company with limited liability. As at the date of this announcement, the sole shareholder of Harmony Gas is MSPEA and the sole asset of Harmony Gas is the entire issued share capital of Prosperity Gas. Upon completion of the Subscription Agreement and Completion, the Company will indirectly hold 56.4% and 50% shareholding interests in Harmony Gas, respectively. Upon Completion, Harmony Gas will indirectly wholly-own Sino Gas, and the Group will indirectly hold 50% shareholding interests in the privatized Sino Gas through Harmony Gas. Save as disclosed in this announcement, to the best of the Director's knowledge, information and belief and having made all reasonable enquiries, each of Harmony Gas, Prosperity Gas and MSPEA is a third party independent of the Company and its connected person.

DEFINITIONS

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

“Completion”	the completion of the Proposed Privatization
“Contribution Completion”	the completion of the Contribution Agreement
“Designated Purposes”	has the meaning given to it in the section headed “Provision of Financial Assistance – The Further Loan Agreement – Use of Proceeds” of this announcement
“Further Loan Agreement”	the loan agreement dated November 25, 2014 entered into between Zhongyu Beijing and Harmony Gas in relation to the Further Loan Facility

“Further Loan Facility”	the loan facility of US\$40,000,000 (equivalent to approximately HK\$311,200,000) granted by Zhongyu Beijing to Harmony Gas pursuant to the Further Loan Agreement
“MSPEA Subscription Agreement”	the subscription agreement dated November 25, 2014 entered into between MSPEA and Harmony Gas, pursuant to which MSPEA agreed to subscribe for the MSPEA Subscription Shares at the MSPEA Subscription Price
“MSPEA Subscription Price”	the subscription price of US\$28,964,315.25 for the MSPEA Subscription Shares
“MSPEA Subscription Shares”	22,280,242 ordinary shares in Harmony Gas
“Subscription Agreement”	the subscription agreement dated November 25, 2014 entered into between Zhongyu Beijing and Harmony Gas, pursuant to which Zhongyu Beijing agreed to subscribe for the Subscription Shares at the Subscription Price
“Subscription Price”	the subscription price of US\$37,445,741.45 for the Subscription Shares
“Subscription Shares”	28,804,417 ordinary shares in Harmony Gas
“US\$”	the lawful currency of the United States of America
“Zhongyu Beijing”	Zhongyu Gas Investment (Beijing) Limited, a business company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company

By order of the Board
Zhongyu Gas Holdings Limited
Lui Siu Keung
Joint Managing Director

Hong Kong, November 25, 2014

In this announcement, unless otherwise specified, amounts in US\$ is converted to HK\$ at conversion rates of US\$1.00 = HK\$7.78 for illustration only. No representation was made that any amounts in US\$ could have been or could be converted into HK\$ at such rate or any other rates.

As at the date of this announcement, the executive Directors of the Company are Mr. Wang Wenliang, Mr. Lui Siu Keung and Mr. Lu Zhaoheng, the non-executive Directors is Mr. Xu Yongxuan and the independent non-executive Directors are Mr. Li Chunyan, Dr. Luo Yongtai and Mr. Hung, Randy King Kuen.