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**Subject:** China Gas Holdings (384.HK) - consider tactical long-equity position [C]

Classification: Confidential

Jeffrey -

Have you looked at China Gas (384.HK)? Consider tactical position - long equity - on potential for a Russia/China nat gas agreement.

Gazprom (GAZP.RX, ruble denominated shares) is likely the more common implementation (both charts below). Would argue that the new pipeline diverts existing supply for Gazprom, where it is incremental earnings growth for the likes of China Gas.

<http://www.reuters.com/article/2014/04/09/russia-china-gas-idUSL6N0N11XM20140409>

The original call is on The 3rd Plenum's commitment to environmental reform (specifically reduction of carbon emissions by increasing nat gas usage). The near-term catalyst stems from this week's developments in the Ukrainian-Russian crisis. Not surprisingly, with the chill from the Western world threatening demand for Russia's commodity, Putin's accelerated conversations to the east. Market chatter suggests that negotiations on a Russia-China pipeline could divert 38bn cubic meters of gas per year over to China, and that Putin has sped up negotiations with the intent of turning his presently scheduled May 20 visit to China, into a signing ceremony for an export contract.

The stock is a hedge fund name. The DB analyst has been less fond (latest rating is hold with a 9 HKD target). I think this is a tactical, geopolitically-driven entry point on a name that's also a compelling long-term growth investment. Right now it's trading close to 25x 2015 EPS ests of 0.50 HKD, bull case is meaningful upside potential in earnings on an uptake of nat gas in China.

China Gas (384 HK is fairly liquid - ~5mm share avg daily volume over the last month)

Tazia

**China Gas 1yr Price History**