



## NATURE OF THE ACTION

1. Plaintiff brings this action individually and as a class action on behalf of all persons, other than defendants, who own the common stock of Sino Gas and who are similarly situated (the "Class"), for defendants' breach of their fiduciary duties. Plaintiff seeks compensatory damages and injunctive relief arising from the Proposed Transaction described below. Alternatively, in the event that the Proposed Transaction is consummated, Plaintiff seeks to recover damages for the breach of fiduciary duties owed by the Individual Defendants (as defined below). The Proposed Transaction and the acts of the Individual Defendants, as more particularly alleged herein, constitute a breach of defendants' fiduciary duties to Plaintiff and the Class and a violation of applicable legal standards governing the defendants herein.

2. On April 2, 2014, Sino Gas announced that it has entered into an Agreement and Plan of Merger (the "Merger Agreement") with Prosperity Gas Holdings Limited ("Parent") and Merger Sub Gas Holdings Inc. ("Merger Sub"), pursuant to which Parent will acquire the Company for US \$1.30 per share of the Company's common stock without interest (the "Proposed Transaction"). Following the effective time of the Merger, Parent will be beneficially owned by defendant Liu, an affiliate or affiliates of Morgan Stanley Private Equity Asia and Zhongyu Gas Holdings Limited (the "Buyout Group"). Currently, Mr. Liu beneficially owns an aggregate of approximately 11.3% of the outstanding shares of the Company's common stock.

3. The Company's board of directors, acting upon the unanimous recommendation of a special committee (the "Special Committee"), approved the Merger Agreement and the Merger and resolved to recommend that the Company's shareholders vote to approve the Merger Agreement and the Merger.

4. Concurrently with the execution of the Merger Agreement, Mr. Liu's investment vehicle has entered into a voting agreement with Parent whereby Mr. Liu's investment vehicle will, among other things, vote all of the shares of the Company's common stock beneficially owned by him in favor of the approval of the Merger Agreement and the Merger, representing approximately 11.3% of the outstanding shares of the Company's common stock. If completed, the Merger will result in the Company becoming a privately-held company and its common stock will no longer be publicly traded.

5. The Buyout Group seeks to acquire the remaining Sino Gas publicly held shares on unfair terms and without regard to the best interests of the Company's public shareholders or the intrinsic value of Sino Gas's stock. Indeed, the consideration to be paid to the class members is unconscionable, unfair and grossly inadequate consideration because, among other things, the intrinsic value of the stock of Sino Gas is materially in excess of \$1.30 per share, and the \$1.30 per share price is not the result of arm's length negotiations but was fixed arbitrarily by the Buyout Group to "cap" the market price of Sino Gas stock, as part of a plan for defendants to obtain complete ownership of Sino Gas assets and business at the lowest possible price.

6. Defendants have exacerbated their breaches of fiduciary duty by agreeing to lock up the Proposed Transaction with deal protection devices that preclude other bidders from making a successful competing offer for the Company. Specifically, defendants agreed to: (i) a no-solicitation provision that prevents other buyers from having access to the Company's confidential information which information is necessary to formulate a bid, except under extremely limited circumstances; (ii) a matching rights provision that allows 3 business days to match any competing proposal in the event one is made; and (iii) a provision that requires the Company to pay Parent a termination fee of \$2,656,402. These provisions substantially limit the

Board of Director's ability to act with respect to investigating and pursuing superior proposals and alternatives including a sale of all or part of Sino Gas.

7. The Company's Board has breached its fiduciary duties to Sino Gas shareholders by causing the Company to enter into the Merger Agreement that provides for the sale of Sino Gas at an unfair price, and deprives Sino Gas' public shareholders of maximum value to which they are entitled.

8. The Proposed Transaction serves no legitimate business purpose of Sino Gas but rather is an attempt by defendants to enable the Buyout Group to benefit unfairly from the transaction at the expense of Sino Gas's public shareholders. The proposed plan will, for a grossly inadequate consideration, limit Plaintiff and the other members of the class their right to share proportionately in the future success of Sino Gas and its valuable assets, while permitting the Buyout Group to reap huge benefits from the transaction.

9. By reason of the foregoing acts, practices and course of conduct, the Board has breached and will breach its duty to maximize shareholder value to carry out the Proposed Transaction. By reason of the foregoing, the Individual Defendants have violated their fiduciary duties to Sino Gas and the public stockholders of Sino Gas on the terms presently proposed.

10. Plaintiff and the class have suffered and will suffer irreparable injury unless defendants are enjoined from breaching their fiduciary duties and from carrying out the aforesaid plan and scheme. Plaintiff seeks to enjoin defendants from approving the Proposed Transaction or, in the event the Proposed Transaction is consummated, recover damages resulting from defendants' violations of their fiduciary duties of loyalty, good faith, due care, and full and fair disclosure.

## **JURISDICTION AND VENUE**

11. This Court has jurisdiction over each defendant named herein. Sino Gas is incorporated in the state of Utah, and all other defendants are officers and/or directors of Sino Gas with sufficient minimum contacts with Utah so as to render the exercise of jurisdiction by the courts of this State permissible under traditional notions of fair play and substantial justice.

12. Venue is proper in the Court because one or more of the defendants either resides in or is incorporated in Salt Lake County, with executive offices located in Midvale, Utah. Additionally, upon information and belief, a substantial portion of the transactions and wrongs complained of herein, including the defendants' primary participation in the wrongful acts detailed herein, occurred in Salt Lake County, and defendants have received substantial compensation in Salt Lake County for doing business here and engaging in numerous activities that had an effect in this County.

## **THE PARTIES**

13. Plaintiff has been the owner of the common stock of Sino Gas since prior to the transaction herein complained of and has held said stock continuously to date.

14. Defendant Sino Gas is a corporation duly organized and existing under the laws of the State of Utah with its principal offices located at NO. 18 Zhong Guan Cun Dong St., Haidian District, Beijing, F4 100083. Defendant Sino Gas through its subsidiaries, engages in the development and installation of natural gas distribution systems; and the distribution of natural gas to residential and industrial customers in the People's Republic of China. It owns and operates natural gas distribution systems in small and medium sized cities in Hebei, Jiangsu, Jilin, Anhui, and Yunnan provinces, as well as in the suburbs of Beijing. The Company is involved in the development and construction of local gas distribution networks; transportation

of natural gas from suppliers to its storage facilities; and operation and maintenance of gas distribution networks. It serves residential owners, property developers, government departments and organizations, private companies and state-owned enterprises, manufacturers, owners of hotels, restaurants, office buildings, shopping centers, hospitals, educational establishments, sports and leisure facilities, and exhibition halls. The Company owns and operates natural gas distribution systems in approximately 34 small and medium size cities serving approximately 293,758 residential and 7 industrial customers; and its facilities include approximately 2,039 kilometers of pipeline and delivery networks with a daily capacity of approximately 156,000 cubic meters of natural gas. Sino Gas International Holdings, Inc. is headquartered in Beijing, the People's Republic of China.

15. Defendant Yuchuan Liu ("Liu") is and has served as Chairman, Chief Executive Officer and President since September 7, 2006. Defendant Liu is the beneficial owner of 6,524,174 shares or 11.3% of the Company.

16. Defendant Zhicheng Zhou ("Zhou") is and has been a director of the Company since March 13, 2008 and Chief Operating Officer of the Company since October 19, 2006.

17. Defendant Chongjun Duan ("Duan") is and has been a director of the Company since April 25, 2011. Duan is a member of the audit committee and the compensation committee of the Board and is the Chairman of the compensation committee.

18. Defendant Robert Adler ("Adler") is and has been a director of the Company since May 3, 2011. Adler is also a member of the audit committee and the compensation committee of the Company's Board and is the Chairman of the audit committee of the Company's Board.

19. Defendant Jennifer Li (“Li”) is and has been a director of the Company since May 3, 2011. Li is also a member of the Company’s audit committee and the compensation committee. Prior to her appointment to the Board, Ms. Li’s most recent position was Hedge Fund Controller of Mercury Capital Management from June 2001 to January 2007. Ms. Li’s prior experience also includes working as a Vice President and Senior Relationship Manager at Morgan Stanley, as a Vice President and Portfolio Manager at Transamerica Business Capital, and as a Senior Associate with JP Morgan Chase.

20. The individual defendants in ¶¶ 15-19 constitute the Board of Sino Gas (the “Individual Defendants”) and, by reason of their corporate directorships and executive positions, stand in a fiduciary position relative to the Company’s public shareholders. Their fiduciary duties, at all times relevant herein, required them to exercise their best judgment, and to act in a prudent manner, and in the best interest of the Company’s public shareholders. Said defendants owe the public shareholders of Sino Gas the highest duty of good faith, fair dealing, due care, loyalty, and full candid and adequate disclosure.

21. Defendant Prosperity Gas Holdings Limited, (“Parent”) a Cayman Islands exempted company was formed for the sole purpose of carrying out the Proposed Transaction.

22. Defendant Merger Sub Gas Holdings Inc., (“Merger Sub”), a Utah corporation, and a wholly owned subsidiary of Parent, was formed for the sole purpose of carrying out the Proposed Transaction.

23. Defendants Liu, Parent and Merger Sub are collectively referred to herein as the “Buyout Group.”

24. The Buyout Group, the Individual Defendants and Sino Gas are collectively referred to herein as “Defendants.”

## CLASS ACTION ALLEGATIONS

25. Plaintiff brings this action on his own behalf and as a class action, pursuant to the rules of this court on behalf of all shareholders of defendant Sino Gas (except defendants herein and any person, firm, trust, corporation or other entity related to or affiliated with any of the defendants) or their successors in interest, who have been or will be adversely affected by the conduct of defendants alleged herein.

26. This action is properly maintainable as a class action.

27. The class of shareholders for whose benefit this action is brought is so numerous that joinder of all class members is impracticable. As of September 30, 2013, there are approximately 57,608,833 shares of Common Stock outstanding.

28. There are questions of law and fact which are common to members of the Class. The common questions include, *inter alia*, the following:

- a. whether the Sino Gas directors have breached their fiduciary duties of to Plaintiff and the Class in connection with the Proposed Transaction;
- b. whether the Proposed Transaction and transactions contemplated thereby, are unfairly coercive and constitute an unfair and inequitable subversion of stockholders rights and abdication of the Sino Gas Directors' fiduciary duties in the sale of the Company;
- c. whether the Plaintiff and other public stockholders have a fully informed voluntary choice whether to approve the sale or seek appraisal; and
- d. whether Plaintiff and the other members of the Class will be damaged irreparably by Defendants' failure to take action designed to obtain the best value for the public stockholders' interest in Sino Gas.

29. Plaintiff is committed to prosecuting this action and has retained competent counsel experienced in litigation of this nature. The claims of Plaintiff are typical of the claims of the other members of the Class and Plaintiff has the same interests as the other members of the Class. Accordingly, Plaintiff will fairly and adequately represent the Class.

30. The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class and establish incompatible standards of conduct for the party opposing the Class.

31. Defendants have acted and are about to act on grounds generally applicable to the Class, thereby making appropriate final injunctive relief with respect to the Class as a whole.

## **SUBSTANTIVE ALLEGATIONS**

### **The Company's Future is Bright**

32. Sino Gas's long-term market growth potential looks bright. On March 10, 2014, Sino Gas issued its Form 10Q/A Amendment No. 2 for the quarter ended September 30, 2013. Therein, the Company, in relevant part, stated:

#### **Economic & Industrial Trends**

We generate revenue from two sources: (i) connection fees for constructing connections to our natural gas distribution network and (ii) sales of natural gas. Given the fact that almost all of our connection fees are from new residential apartments, our connection activities are closely related to the development of the real estate industry in our targeted cities in China. Natural gas facilities in new apartments are often required by local governments, who aim to promote the use of natural gas in order to improve the quality of life of the local residents.

\* \* \*

There are three pillars in the Chinese economy: (i) domestic consumption (both private and public), (ii) net exports, and (iii) domestic investment. China's GDP grew 7.8% during the third quarter of 2013 and grew 7.7% overall in the first nine months of 2013 as compared to the same periods of 2012. Although the growth of nationwide GDP has slowed, especially in the large eastern cities, in the less developed regions of China, GDP growth remains strong. The Company has a

presence in four such regions. In Jiangsu province GDP grew 10.1%, in Hebei province GDP grew 8.5%, in Yunnan province GDP grew 12.1%, and in Jilin province GDP grew 8.8% in the first nine months of 2013.

Our gas users are comprised of both industrial and residential users. Gas sales to residential users are much less affected by economic and industrial factors and should maintain stable growth in the future. Gas sales to industrial users, however, are subject to the operating performance of the industrial user. As we develop into more cities in the coming years, we expect to add more industrial users when the opportunities arise and we possess the necessary capital requirements.

### **Material Opportunities**

The gas distribution market is quite fragmented in small (population less than 300,000) to medium (population between 300,000 and 1,000,000) sized cities in China and it is primarily in these markets that we are exploring potential project targets. Many small-sized city markets are still untapped or undeveloped. The development of these markets is generally considered one of the Company's major growth opportunities.

The natural gas distribution markets of most medium-sized or large cities have already been developed by large distributors or are still operated by state-owned companies. Acquisition opportunities exist for those still run by state-owned companies, as the central government encourages privatization of these companies. Acquisitions in these markets would have a material impact on the Company, potentially increasing the Company's assets and revenues significantly....

### **The Proposed Transaction**

33. On December 8, 2013, Sino Gas announced that the Special Committee of the Company received a proposal from Defendant Liu. Defendant Liu proposed a going private transaction pursuant to which all of the outstanding shares of Sino Gas common stock not currently held by himself and its affiliates would be converted into \$0.50 per share. Specifically the press release stated the following:

Sino Gas International Holdings, Inc. Announces Receipt of Renewed “Going Private” Proposal at \$0.50 Per Share

BEIJING and SALT LAKE CITY, December 8, 2013 – Sino Gas International Holdings, Inc. (“Sino Gas” or the “Company”), a holding company that is

engaged in the development of natural gas distribution systems and the distribution, of natural gas to residential and industrial customers in small- and medium-sized cities in the People's Republic of China, today announced that a Special Committee comprised of independent directors (the "Special Committee") of the Company's Board of Directors (the "Board") has received a renewed, non-binding proposal letter (the "Renewed Proposal") dated December 8, 2013 from Mr. Yuchuan Liu ("Mr. Liu"), the Company's Chairman and Chief Executive Officer and President, and an affiliate of Morgan Stanley Private Equity Asia, the private equity arm of Morgan Stanley ("MSPEA"), to acquire all of the outstanding shares of common stock of the Company not currently owned by Mr. Liu (and possibly other rollover shareholders) (the "Shares") in a going private transaction for \$0.50 in cash per Share (the "Acquisition"), subject to certain conditions.

Reference is made to that Proposal Letter, dated and delivered to the Board by Mr. Liu on April 28, 2012, in which Mr. Liu submitted a non-binding proposal to acquire all of the outstanding shares of the Company not owned by Mr. Liu in a going private transaction at US \$0.48 in cash per share (the "Original Proposal"). Through the Renewed Proposal, Mr. Liu and MSPEA reaffirm and supplement the Original Proposal and together intend to effect the Acquisition.

According to the Renewed Proposal the Acquisition is proposed to be financed through equity capital and Mr. Liu and certain of the Company's management and affiliates intend to exchange all or part of their equity interests in the Company into equity securities in the post-Acquisition company.

The Board formed a Special Committee to consider the Original Proposal. The Special Committee will be responsible for evaluating the Renewed Proposal. The Board cautions the Company's shareholders and others considering trading in the Company's securities that the Special Committee has just received the Renewed Proposal and that no decisions have been made by the Special Committee with respect to the Company's response to the Renewed Proposal. There can be no assurance that any definitive offer will be made, that any agreement will be executed or that this or any other transaction will be approved or consummated.

34. On April 2, 2014, Sino Gas announced that it has entered into a "Going Private" transaction whereby defendant Liu and his affiliates would acquire the Company for \$1.30 per share. Specifically the press release stated the following:

Sino Gas International Holdings Inc. Enters Into Merger Agreement For "Going Private" Transaction

BEIJING and SALT LAKE CITY, April 2, 2014 – Sino Gas International Holdings Inc. ("Sino Gas" or the "Company"), a holding company that is engaged

in the development of natural gas distribution systems and the distribution, of natural gas to residential and industrial customers in small- and medium-sized cities in the People's Republic of China, today announced that it has entered into an Agreement and Plan of Merger (the "Merger Agreement") with Prosperity Gas Holdings Limited, a Cayman Islands exempted company ("Parent") and Merger Sub Gas Holdings Inc., a Utah corporation and a wholly owned subsidiary of Parent ("Merger Sub"), pursuant to which Parent will acquire the Company for US\$1.30 per share of the Company's common stock without interest (the "Merger Consideration"). The Merger Consideration represents a 160% premium over the previously announced offer price of \$0.5, a 165% premium over the closing price of \$0.49 per share of Company common stock as quoted by OTC Bulletin Board on December 6 2013, and a 166% premium to the volume-weighted average price of the Company's common stock during the 30 trading days prior to December 6, 2013, the last trading day prior to the Company's announcement on December 8, 2013 that it had received a "going private" proposal from Mr. Yuchuan Liu, the Company's Chairman and Chief Executive Officer, and an affiliate of Morgan Stanley Private Equity Asia. The Merger Consideration implies an equity value of the Company of approximately US \$74.9 million, on a fully diluted basis.

Parent intends to finance the Merger through a combination of (i) an equity commitment of approximately US \$28.96 million by MSPEA Gas Holdings Limited, an affiliate of Morgan Stanley Private Equity Asia, (ii) an equity commitment of US \$37.45 million by Zhongyu Gas Holdings Limited, a company listed on the Hong Kong Stock Exchange and a leading gas service operator in China, and (iii) rollover equity contributed by Mr. Liu through his investment vehicle.

Pursuant to the terms and subject to the conditions of the Merger Agreement, Merger Sub will merge with and into the Company with the Company surviving the merger and becoming a wholly-owned subsidiary of Parent (the "Merger"). In connection with and at the effective time of the Merger, each share of the Company's common stock that is outstanding immediately prior to the effective time of the Merger will be cancelled in consideration for the right to receive \$1.30 in cash without interest (the "Merger Consideration"), except for (a) shares to be rolled over by Mr. Liu in connection with the Merger, which will be cancelled for no consideration at the effective time of the Merger, and (b) shares of the Company's common stock owned by shareholders who have exercised and not effectively withdrawn or lost the right of dissent in accordance with applicable Utah law, which shares will be cancelled at the effective time of the Merger and will entitle the former holders thereof to receive the appraised value thereon in accordance with applicable Utah law.

Following the effective time of the Merger, Parent will be beneficially owned by Mr. Liu, an affiliate or affiliates of Morgan Stanley Private Equity Asia and Zhongyu Gas Holdings Limited. Currently, Mr. Liu beneficially owns an

aggregate of approximately 11.3% of the outstanding shares of the Company's common stock.

The Company's board of directors, acting upon the unanimous recommendation of a special committee comprised solely of directors of the Company who are independent and unaffiliated with any of Parent, Merger Sub, Mr. Liu, Morgan Stanley Private Equity Asia or its affiliates, Zhongyu Gas Holdings Limited or any of the management members of the Company (the "Special Committee"), approved the Merger Agreement and the Merger and resolved to recommend that the Company's shareholders vote to approve the Merger Agreement and the Merger. The Special Committee exclusively negotiated the terms of the Merger Agreement with the assistance of its financial and legal advisors.

The Merger, which is currently expected to close in the second quarter of 2014, is subject to the approval of the Merger Agreement and the Merger at the Company's shareholders' meeting by both holders of at least a majority of the issued and outstanding shares of the Company's common stock, as well as other customary conditions.

Concurrently with the execution of the Merger Agreement, Mr. Liu's investment vehicle has entered into a voting agreement with Parent whereby Mr. Liu's investment vehicle will, among other things, to vote all of the shares of the Company's common stock beneficially owned by him in favor of the approval of the Merger Agreement and the Merger, representing approximately 11.3% of the outstanding shares of the Company's common stock. If completed, the Merger will result in the Company becoming a privately-held company and its common stock will no longer be publicly traded.

Ohrenstein & Brown, LLC is serving as United States legal advisor to the Special Committee and Houlihan Lokey (China) Limited is serving as financial advisor to the Special Committee. Cadwalader, Wickersham & Taft LLP is serving as United States legal advisor to the Company.

Skadden, Arps, Slate, Meagher & Flom LLP is serving as United States legal advisor to the buyer consortium. Cleary, Gottlieb, Steen & Hamilton LLP is serving as United States and Hong Kong legal advisor to Zhongyu Gas Holdings Limited. Winston & Strawn LLP is serving as United States legal advisor to Mr. Yuchuan Liu.

35. The Proposed Transaction is part of a course of conduct by the Buyout Group to limit the benefits to the public shareholders of Sino Gas for its own benefit.

36. The Buyout Group is led by defendant Liu. Defendant Liu owns approximately 11.3% of Sino Gas's outstanding common stock. Under these circumstances, neither the

Company's Board nor any committee thereof can be expected to protect the interests of the Company's public shareholders in a transaction that benefits the Buyout Group at the expense of the Sino Gas shareholders.

**The Proposed Transaction Consideration is Inadequate**

37. The Buyout Group seeks to acquire the remaining Sino Gas publicly held shares on unfair terms and without regard to the best interests of the Company's public shareholders or the intrinsic value of Sino Gas's stock. Indeed, the consideration to be paid to the class members is unconscionable, unfair and grossly inadequate consideration because, among other things, the intrinsic value of the stock of Sino Gas is materially in excess of \$1.30 per share, and the \$1.30 per share price is not the result of arm's length negotiations but was fixed arbitrarily by the Buyout Group to "cap" the market price of Sino Gas stock, as part of a plan for defendants to obtain complete ownership of Sino Gas assets and business at the lowest possible price.

38. Consideration being offered by the Buyout Group is grossly inadequate and the intrinsic value of the Company's stock is significantly greater than the \$1.30.

39. Defendants have exacerbated their breaches of fiduciary duty by agreeing to lock up the Proposed Transaction with deal protection devices that preclude other bidders from making a successful competing offer for the Company. Specifically, defendants agreed to: (i) a no-solicitation provision that prevents other buyers from having access to the Company's confidential information which information is necessary to formulate a bid, except under extremely limited circumstances; (ii) a matching rights provision that allows 3 business days to match any competing proposal in the event one is made; and (iii) a provision that requires the Company to pay Parent a termination fee of \$2,656,402. These provisions substantially limit the

Board of Director's ability to act with respect to investigating and pursuing superior proposals and alternatives including a sale of all or part of Sino Gas.

40. The Company's Board has breached its fiduciary duties to Sino Gas shareholders by causing the Company to enter into the Merger Agreement that provides for the sale of Sino Gas at an unfair price, and deprives Sino Gas' public shareholders of maximum value to which they are entitled.

**DEFENDANTS HAVE BREACHED THEIR FIDUCIARY DUTIES**

41. By the acts, transactions, and courses of conduct alleged herein, defendants, individually and as part of a common plan and scheme and/or aiding and abetting one another in total disregard of their fiduciary duties, are attempting to deprive Plaintiff and the Class of the true value of their investment in the Company.

42. The Proposed Transaction is wrongful, unfair, and harmful to Sino Gas's public stockholders, the Class members, and represents an attempt by defendants to aggrandize the personal and financial positions and interests of board members at the expense of and to the detriment of the stockholders of the Company. The Proposed Transaction will deny Plaintiff and other Class members their rights to share appropriately in the true value of the Company's assets and future growth in profits and earnings, while usurping the same for the benefit of the Buyout Group at an unfair and inadequate price.

43. In light of the foregoing, the Individual Defendants have breached their fiduciary duties of fair dealing and have not fully informed themselves about whether greater value can be achieved through the sale of the Company to a third-party in a manner designed to obtain the highest possible price for Sino Gas's public stockholders.

44. The Director Defendants' fiduciary obligations under these circumstances require

them to: (a) undertake an appropriate evaluation of Sino Gas's worth in an attempt to obtain a fair price for Sino Gas's public shareholders; (b) act independently so that the interests of Sino Gas's public shareholders will be protected and enhanced; and (c) disclose fully and completely all material information during consideration of the Proposed Transaction.

45. The terms of the Proposed Transaction as now proposed are unfair to the Class, and the unfairness is compounded by the disparity between the knowledge and information possessed by the Individual Defendants by virtue of their positions of control of Sino Gas and that possessed by Sino Gas's public shareholders.

46. The Individual Defendants' failure to reject immediately the facially inadequate Proposed Transaction evinces their disregard for ensuring that shareholders receive adequate value for their stock. By failing to reject the Proposed Transaction, outright defendants are artificially depressing the value of Sino Gas stock, thereby depriving Plaintiff and the Class of the right to receive the maximum value for their shares. In this regard, defendants have also breached their duty of fair dealing by portraying the Proposed Transaction consideration as not only adequate but by providing a premium without reference to current economic or market conditions or the historical market price of Sino Gas stock.

47. Defendants owe fundamental fiduciary obligations to Sino Gas's stockholders to take all necessary and appropriate steps to maximize the value under the circumstances for their shares. The Individual Defendants have the responsibility to act independently so that the interests of the Company's public stockholders will be protected and to consider properly all bona fide offers for the Company and to immediately reject offers that are clearly not in the interest of shareholders, but instead, have been designed to benefit the Buyout Group. Further, the directors of Sino Gas must adequately ensure that no conflict of interest exists between the

Individual Defendants' own interests and their fiduciary obligations of fair dealing or, if such conflicts exist, to ensure that all such conflicts will be resolved in the best interests of the Company's stockholders.

48. Because the Individual Defendants dominate and control the business and corporate affairs of Sino Gas and because they are in possession of private corporate information concerning Sino Gas's assets, businesses and future prospects, there exists an imbalance and disparity of knowledge of economic power between defendants and the public stockholders of Sino Gas. This discrepancy makes it grossly and inherently unfair for the Board or any committee thereto to continue to consider the Proposed Transaction.

49. Because the contemplated proposed acquisition is of self-interest, in that the Buyout Group stands on both sides of the transaction, the Buyout Group bears the burden of proving to Sino Gas's public shareholders and an appropriate court of law that its actions are fair to minority shareholders.

50. The special committee of Sino Gas directors is simply incapable of protecting the Company's public shareholders. The Board of Sino Gas is so conflicted and beholden to the Buyout Group that no combination of the Individual Defendants can be considered "independent." It was a foregone conclusion that the Board of Sino Gas, or any committee thereof, would determine the consideration being offered in the Proposed Transaction was fair to the Company's public shareholders. Indeed, defendant Liu beneficially owns approximately 11.3% of Sino Gas's outstanding common stock.

51. The Individual Defendants have breached their fiduciary and other common law duties owed to Plaintiff and other members of the Class in that they have not and are not

exercising independent business judgment and have acted and are acting to the detriment of the Class.

52. Plaintiff seeks preliminary and permanent injunctive relief and declaratory relief preventing defendants from inequitably and unlawfully depriving Plaintiff and the Class of their rights to realize a full and fair value for their stock at a premium over-the-market price and to compel defendants to carry out their fiduciary duties of good faith and loyalty.

53. Only through the exercise of this Court's equitable powers can Plaintiff and the Class be fully protected from the immediate and irreparable injury which defendants' actions threaten to inflict.

54. Unless enjoined by the Court, defendants will continue to breach their fiduciary duties owed to Plaintiff and the members of the Class and will not only prevent the sale of Sino Gas at a substantial premium, but will facilitate the sale at an unfair price to a pre-ordained buyer, all to the irreparable harm of Plaintiff and other members of the Class.

55. Plaintiff and the Class have no adequate remedy at law.

**COUNT I**  
**BREACH OF FIDUCIARY DUTY BY ALL INDIVIDUAL DEFENDANTS**

56. Plaintiff repeats and re-alleges each allegation set forth herein.

57. The Individual Defendants have violated the fiduciary duties of care and to the public stockholders of Sino Gas.

58. Plaintiff and the Class will suffer irreparable injury as a result of the Individual Defendants' actions.

59. Unless enjoined by this Court, the Individual Defendants will continue to breach their fiduciary duties owed to Plaintiff and the Class, and may consummate the Proposed Transaction, which will disenfranchise the Plaintiff and the Class, prevent the Plaintiff and the

Class from receiving the best price, and/or prevent the Proposed Transaction from being reviewed under entire fairness, all to the irreparable harm of Plaintiff and the Class, as aforesaid.

60. Plaintiff and the members of the Class have no adequate remedy at law. Only through the exercise of this Court's equitable powers can Plaintiff and the Class be fully protected from the immediate and irreparable injury which defendants' actions threaten to inflict.

**COUNT II**  
**AIDING AND ABETTING BREACH OF FIDUCIARY DUTIES**

61. Plaintiff repeats and re-alleges each of the foregoing allegations.

62. Defendant the Buyout Group has aided and abetted the Individual Defendants in their breaches of fiduciary duty. As participant in the Proposed Transaction, Parent and Merger Sub are aware of the Individual Defendants' breaches of fiduciary duties and in fact actively and knowingly encouraged and participated in said breaches in order to obtain the substantial financial benefits that the Proposed Transaction would provide at the expense of Sino Gas's stockholders.

**WHEREFORE**, Plaintiff prays for judgment, as follows:

A. determining that this action is a proper class action, and that Plaintiff is proper class representative and appointing Plaintiff's Counsel as Class Counsel;

B. enjoining defendants, temporarily and permanently, from taking any steps necessary to accomplish or implement the Proposed Transaction;

C. declaring that the Proposed transaction is in breach of the fiduciary duties of the defendants and, therefore, any agreement arising therefrom is unlawful and unenforceable;

D. to the extent, if any, that the Proposed Transaction complained of is consummated prior to the entry of final judgment, rescinding the transaction;

E. requiring defendants to fully disclose all material information regarding the Proposed Transaction;

F. awarding Plaintiff and the Class pre- and post-judgment interest at the statutory rate;

G. enjoining, temporarily and permanently, any material transactions or changes to Sino Gas's business and assets unless the Individual Defendants have complied with their duties of good faith and loyalty and do not constitute unfair dealing;

H. awarding to Plaintiff the costs and disbursements of this action, including a reasonable allowance for the fees and expenses of Plaintiff's attorneys and experts; and

I. granting such other and further relief as the Court deems appropriate.

Dated: April 9, 2014

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