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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)

HISTORICAL CONNECTED TRANSACTIONS

BACKGROUND

Reference is made to point 3 of the announcement made by the Company dated 20 April 2011 (the “**Announcement**”) regarding the appointment of an independent party to investigate allegations made by Mr. Li and Mr. Xu against Mr. Pang Yingxue (“**Mr. Pang**”). Unless the context requires otherwise, terms used herein shall bear the same meanings as those defined in the Announcement.

The Board wishes to announce that, following the Announcement made by the Company, PricewaterhouseCoopers (“**PwC**”) was engaged by the Audit Committee of the Company to review the matters alleged by Mr. Li and Mr. Xu against Mr. Pang, including but not limited to the Group’s relationships with each of Maoyi, Haodi, Pipeline and Jiuan (the “**Four Companies**”).

Based on the report issued by PwC (the “**Report**”), the Company conducted further internal enquiry into the matters highlighted by PwC. The Board noted that, during the Relevant Periods (as the case may be), there were certain continuing connected transactions entered into between certain members of the Group and each of Pipeline and Jiuan (out of the Four Companies) which have been identified as connected persons of the Company through their association with Mr. Pang. Details of such connected persons and continuing connected transactions of the Company are further described under the sections headed “Connected Persons” and “Continuing Connected Transactions” below.

CONNECTED PERSONS

As Mr. Pang has been a director of Zhongran Gas, a wholly-owned subsidiary of the Company, since its establishment on 22 November 2002, Mr. Pang has been a connected person of the Company since that date.

PwC has identified two connected persons of the Company, namely Pipeline and Jiuan, as a result of their association with Mr. Pang in the past, of which the Company was previously not aware. Based on the information set out in the Report, the Board noted that Pipeline and Jiuan were connected persons of the Company for the following reasons:

(1) Pipeline

Pipeline was established on 2 January 2004 and was principally engaged in the production and sale of anti-corrosion services and products for pipelines. Mr. Pang was the legal representative of Pipeline between its date of establishment and 23 March 2011. Pipeline was wholly-owned by Jiecheng International. Mr. Pang was a shareholder and director of Jiecheng International and had been a 70% shareholder since its incorporation. Mr. Pang became the sole director of Jiecheng International since 30 August 2005 and his shareholding increased from 70% to 100% for the period between August 2005 and August 2006. Jiecheng International was dissolved on 29 April 2011.

By virtue of Mr. Pang's shareholding in Jiecheng International which in turn owned Pipeline from 2 January 2004 to 29 April 2011, Pipeline was an associate of Mr. Pang and therefore a connected person of the Company during the relevant time.

(2) Jiuan

Jiuan was established on 28 February 2001 and is principally engaged in the trading of gas equipment and parts. Mr. Pang's nephew Mr. Wang Qingsong ("**Mr. Wang**") held the positions of legal representative and director between 18 October 2004 and 12 April 2010 and on 14 July 2006 acquired a 60% shareholding in Jiuan.

Since Mr. Wang is the nephew of Mr. Pang, Mr. Wang is deemed to be a connected person of the Company. In addition, Jiuan has been an associate of Mr. Wang by virtue of Mr. Wang's interest in Jiuan since 14 July 2006 and Jiuan has therefore been a connected person of the Company since that date.

CONTINUING CONNECTED TRANSACTIONS

As it was noted that Pipeline and Jiuan were connected persons of the Company, the Company conducted a thorough investigation to identify the transactions that were entered into between any member of the Group and each of Pipeline and Jiuan during the relevant time at which they were connected persons of the Company (the "**Historical Connected Transaction**"). However, due to the lapse of time and changes in personnel, the Company has had difficulties in retrieving the relevant historical records for ascertaining details of each specific Historical Connected Transaction.

Notwithstanding this, the Company, based on the accounting records kept by the Company, has identified the following two categories of connected transactions which were entered into by certain members of the Group and each of Pipeline and Jiuan during the Relevant Periods (as the case may be):

Type of transaction	2004	2005	2006	2007	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
1. Pipeline:	996,000	4,436,000	1,270,000	3,092,000	3,265,000	147,000	N/A
Purchases of spiral pipes and multi-layered anti-corrosion products and services by the Group from Pipeline							
2. Jiuan:	N/A	N/A	30,252,000	25,067,000	8,873,000	1,160,000	551,000
	<i>(Note 2)</i>	<i>(Note 2)</i>					
Purchases of gas equipment (including pressure regulating stations, pressure regulating cabinets, metering stations and dispensing stations) by the Group from Jiuan							

Notes:

1. The figures are approximates and presented solely based on the accounting records kept by the Company during the Relevant Periods.
2. For the reasons set out in the paragraph headed “Connected Persons – Jiuan” above, Jiuan was not a connected person of the Company in 2004 and 2005.

INFORMATION OF THE GROUP

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.

BREACH OF LISTING RULES

None of the Percentage Ratios in respect of the Historical Connected Transactions, on an annual aggregated basis, exceeded 0.1% in 2009 or 2010. Accordingly, such continuing connected transactions were exempt from reporting, annual review, announcement and independent Shareholders’ approval requirements of Chapter 14A of the Listing Rules which were in force at the relevant time. As the highest Percentage Ratio in respect of the Historical Connected Transactions from 2004 to 2008, on an

annual aggregated basis, exceeded 0.1% but was less than 2.5% (save for those transactions entered into between the Group and Jiuan during 2006 in respect of which the highest Percentage Ratio exceeded 2.5%), the Historical Connected Transactions constituted continuing connected transactions of the Company under the then Chapter 14A of the Listing Rules which were in force at the relevant time.

The entering into of the Historical Connected Transactions by the Group and the failure by the Company to report and announce the details of the Historical Connected Transactions and to seek independent Shareholders' approval (if required) constituted a breach of the Listing Rules.

The Directors explained that the non-compliance of the Listing Rules was due to the fact that Mr. Pang was only appointed as a director of the Company on 28 January 2011, and he was not aware that he was a connected person of the Company during the Relevant Period. Therefore the Company was not notified of Mr. Pang's relationship with Pipeline and Jiuan, and hence the Board was not aware of the Historical Connected Transactions until after the Report was issued by PwC. Accordingly, the Company's breach of the Listing Rules was inadvertent.

INTERNAL CONTROL REVIEW

In order to minimise the prospect that a similar connected transaction would occur in the future, the Audit Committee of the Company also engaged PwC to review the Company's key internal controls over the procurement cycle and recommend areas of improvement.

PwC's report confirmed that since 2008 the Group has had an established online platform for the procurement of certain raw materials, and under this platform the suppliers of such raw materials submit tenders or bids subject to an approval process. In addition, there are other policies and guidelines in respect of the procurement cycle which have been adopted by the Group with respect to the procurement purchase and payment process including guidelines for approval limits and principles regarding the segregation of duties and authorities.

PwC's report also suggested that the Company strengthen its existing disclosure requirements for suppliers and employees and develop and implement policies and procedures for connected transactions and related party transactions (the "**Recommendations**"), including:

- (a) requesting all suppliers to declare ownership interests in and other relationships with the Group or the Group's connected persons and employees; and
- (b) providing training to the Group's employees on connected transactions and related party transactions.

REMEDIAL ACTIONS

The Board has adopted all of the Recommendations and has taken steps to revise the Company's existing relevant internal control policies in order to implement the Recommendations.

The Group will not have any transaction with Pipeline and Jiuan in the future.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“connected transactions”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Haodi”	深圳市捷成浩迪科技有限公司 (Shenzhen Jiecheng Haodi Technology Ltd.), a company incorporated in the PRC
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jiecheng International”	Jiecheng International Investment Holdings Limited (捷成國際投資控股有限公司), a company incorporated in Hong Kong
“Jiuan”	深圳市久安燃氣設備有限公司 (Shenzhen Jiuan Gas Equipment Co., Ltd.), a company incorporated in the PRC
“Maoyi”	深圳市茂億實業發展有限公司 (Shenzhen Maoyi Industry Development Co., Ltd.), a company incorporated in the PRC
“Percentage Ratio”	has the meaning as defined in Rule 14.07 of the Listing Rules
“Pipeline”	滄州捷成管道防腐有限公司 (Cangzhou Jiecheng Pipeline Anti-Corrosion Co., Ltd.), a company incorporated in the PRC

“PRC”	The People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“Relevant Periods”	the years between 2004 to 2010
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Zhongran Gas”	中燃燃氣實業(深圳)有限公司 (Zhongran Gas (Shenzhen) Company Limited), a wholly-foreign owned enterprise of the Company
“%”	means per cent.

By the Order of the Board
CHINA GAS HOLDINGS LIMITED
WONG Sin Yue, Cynthia
Chairperson

Hong Kong, 12 September 2011

As at 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*