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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)

CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 51% EQUITY INTERESTS IN PETROCHINA BEIJING GAS (JINZHOU) NATURAL GAS CO., LTD.

THE PROPOSED TRANSACTION

On 23 June 2016 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into an Equity Transfer Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to sell and transfer, and the Purchaser has conditionally agreed to acquire, the Equity Interests at the Consideration of RMB234,557,600 (equivalent to approximately HK\$277,136,916). The Equity Interests represent 51% of the equity interests of the Target Company, which is in addition to the 48% equity interest in the Target Company which the Company has agreed to, among other things, acquire under the Initial Share Purchase Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Vendor is an indirect wholly-owned subsidiary of BEHL, which directly and indirectly owns 1,126,840,132 Shares, representing approximately 22.95% of the issued share capital of the Company. Under Chapter 14A of the Listing Rules, the Vendor is a connected person of the Company and the Proposed Transaction constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Proposed Transaction exceed 0.1% but all the percentage ratios are less than 5%, the Proposed Transaction is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but exempt from the independent shareholders' approval requirement under the Listing Rules.

Pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules, the Proposed Transaction and the transactions contemplated under the Initial Share Purchase Agreement will be aggregated and as the highest of the applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) is more than 5% but less than 25% and the Initial Share Purchase Agreement had already constituted a discloseable and connected transaction, the Proposed Transaction will only be required to comply with the disclosure requirements of a connected transaction of the Company.

THE PROPOSED TRANSACTION

On 23 June 2016 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company entered into an Equity Transfer Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to sell and transfer, and the Purchaser has conditionally agreed to acquire, the Equity Interests at the Consideration of RMB234,557,600 (equivalent to approximately HK\$277,136,916).

EQUITY TRANSFER AGREEMENT

Date: 23 June 2016

Parties

Purchaser: Shenzhen City Zhongran Gas Company Limited* (深圳市中燃燃氣有限公司)

Vendor: Beijing Gas Group Limited (北京燃氣集團有限公司)

Subject matter of the Proposed Transaction

The assets to be acquired under the Proposed Transaction are the Equity Interests which represent 51% of the equity interest of the Target Company, which is in addition to the 48% equity interest in the Target Company which the Company has agreed to, among other things, acquire under the Initial Share Purchase Agreement.

The Target Company is principally engaged in the distribution of city gas and natural gas for vehicle use and the construction of long-distance natural gas pipelines.

Consideration

The consideration (the “**Consideration**”) for the Equity Interests is RMB234,557,600 (equivalent to approximately HK\$277,136,916), which has been arrived at after arm’s length negotiation between the Purchaser and the Vendor with reference to, among other things, the unaudited financial results of the Target Company for the year ended 31 December 2015, the original acquisition price paid by the Vendor for the Equity Interests of RMB223,000,000 (equivalent to approximately HK\$263,481,261),

the fees and expenses incurred by the Vendor for its acquisition of the Equity Interests of RMB11,557,600 (equivalent to approximately HK\$13,655,655), the Initial Share Purchase Agreement and the future prospects of the Target Company.

The Consideration for the Equity Interests shall be payable in cash on Completion.

Conditions to the Completion of the Equity Transfer Agreement

Completion is conditional upon satisfaction or waiver (as the case may be) of each of the following conditions (the “**Conditions**”) on or before the Long Stop Date:

- (a) all approvals, filings and registrations in relation to the transfer of equity interest in the Target Company from PetroChina to the Vendor having been obtained and completed, including but not limited to obtaining approvals from the relevant governmental authorities, completing filings and registrations with the relevant governmental authorities and any other filings or registrations as the Purchaser may reasonably request;
- (b) the amended joint venture contract and amended articles of association of the Target Company having been signed, approved and adopted;
- (c) the board of directors of the Target Company having passed a resolution approving the Proposed Transaction, the amended joint venture contract and the amended articles of association of the Target Company;
- (d) obtaining the relevant consents and approvals from the relevant governmental authorities in relation to the Proposed Transaction, the amended joint venture contract and the amended articles of association of the Target Company;
- (e) completing the recordal filing with the relevant governmental authorities, obtaining the updated business license of the Target Company, completing the registration of the amended joint venture contract and amended articles of association of the Target Company, and completing the removal of the existing directors, supervisor and general manager of the Target Company and the appointment of new directors, supervisor and general manager nominated by the Purchaser;
- (f) the Target Company and the Purchaser having completed all the necessary procedures relating to the payment and transmission of the Consideration by the Purchaser to the Vendor;
- (g) no material adverse change; and
- (h) the representations and warranties remaining true, accurate and not misleading in all material respects.

In the event that the above conditions have not been fulfilled or waived (if applicable) on or before the Long Stop Date or such other date as may be agreed between the Company and the Vendor, the Equity Transfer Agreement shall lapse and be of no further effect.

Completion

Completion will take place within 10 Business Day after all of the Conditions have been satisfied or waived (or such other date as the Purchaser and Vendor may agree). Following the completion of the Initial Share Purchase Agreement and Completion, the Target Company will be a subsidiary of the Group.

INFORMATION ON THE GROUP

The Group is a gas operator and service provider principally engaged in the investment, construction and operation of city gas pipeline infrastructure facilities, gas terminals, storage and transportation facilities, gas logistics systems, transmission of natural gas and LPG to residential, industrial and commercial users, construction and operation of compressed natural gas/liquefied natural gas refilling stations as well as development and application of technologies relating to natural gas and LPG in China.

The Purchaser is a wholly-owned subsidiary of the Company and is principally engaged in the investment of gas projects.

The Vendor is an indirect wholly-owned subsidiary of BEHL, a substantial shareholder of the Company, and is an investment holding company principally engaged in natural gas operations in the PRC.

INFORMATION ON THE TARGET COMPANY

The Target Company is a Sino-Foreign joint venture established under the laws of the PRC on 31 March 2010 with a registered capital of RMB300,000,000 and paid up capital of RMB300,000,000. The business scope of the Target Company includes the production, supply and sale of natural gas; the investment, construction, operation, maintenance, repair and replacement of gas pipeline infrastructure; the development, consulting and servicing of natural gas and heat technology; the production, sale, repair and servicing of natural gas equipment; the production, supply and sale of compressed natural gas; filling of natural gas vehicles; gas meter testing, modification of natural gas facilities, inspection of natural gas appliances and supply of natural gas heating. The Target Company is principally engaged in the distribution of city gas and natural gas for vehicle use and the construction of long-distance natural gas pipelines.

As at the date of this announcement, the equity structure of the Target Company is as follows:

Name of Shareholder	Approximate percentage of the equity interest held
PetroChina	51%
Vendor	48%
Huaxin	1%

The Vendor has exercised its right of first refusal under the existing joint venture contract in respect of the Target Company to acquire an additional 51% of equity interest in the Target Company from PetroChina. Based on the information provided by the Vendor, completion of this transfer is pending registration and filings with the relevant governmental authorities and is expected to take place at or before the Completion. Set out below is the unaudited financial information of the Target Company for the relevant periods:

	4 months ended 30 April 2016 RMB'000 (unaudited)	Year ended 31 December 2015 RMB'000 (unaudited)	Year ended 31 December 2014 RMB'000 (unaudited)
Net profit/(loss) before tax	4,267	(18,554)	(6,836)
Net profit/(loss) after tax	4,267	(18,554)	(6,836)
	At 30 April 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (unaudited)
Net assets	197,935	194,903	213,457

As at 30 April 2016, the unaudited net assets of the Target Company amounted to approximately RMB197,935,000 (equivalent to approximately HK\$233,866,204).

REASONS FOR THE PROPOSED TRANSACTION

Under the Initial Share Purchase Agreement, the Group intended to purchase 48% equity interests in the Target Company. In August 2015, PetroChina offered to dispose the Equity Interests. The Vendor exercised its right of first refusal under the existing joint venture contract in respect of the Target Company to acquire the Equity Interests from PetroChina. To further the Group's business strategies, the Company proposed to acquire an additional 51% equity interest to increase its stake in the Target Company.

The business of the Target Company is expected to complement and generate synergy with the Group's existing business. The Directors consider that the Proposed Transaction, together with the transactions contemplated under the Initial Share Purchase Agreement, is in line with the business strategies and the expansion plan of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Vendor is an indirect wholly-owned subsidiary of BEHL, which directly and indirectly owns 1,126,840,132 Shares, representing approximately 22.95% of the issued share capital of the Company. Under Chapter 14A of the Listing Rules, the Vendor is a connected person of the Company and the Proposed Transaction constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Proposed Transaction exceed 0.1% but all the percentage ratios are less than 5%, the Proposed Transaction is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but exempt from the independent shareholders' approval requirement under the Listing Rules.

Pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules, the Proposed Transaction and the transactions contemplated under the Initial Share Purchase Agreement will be aggregated and as the highest of the applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) is more than 5% but less than 25% and the Initial Share Purchase Agreement had already constituted a discloseable and connected transaction, the Proposed Transaction will only be required to comply with the disclosure requirements of a connected transaction of the Company.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Equity Transfer Agreement are on normal commercial terms and that such terms are fair and reasonable as well as in the interests of the Company and its shareholders as a whole. As Mr. Zhou Si and Mr. Jiang Xinhao, being Directors of the Company, are also the directors of BEHL, both of them abstained from voting on the board resolution to approve the Proposed Transaction. Save as disclosed above, none of the Directors had any material interest in the Proposed Transaction and no Director was required to abstain from voting on the board resolution for approving the Proposed Transaction.

DEFINITIONS

“BEHL”	Beijing Enterprises Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 392)
“Board”	the board of Directors
“Business Days”	a day (other than a Saturday, Sunday) on which banks are open for business in the PRC and Hong Kong
“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 (stock code: 384)

“Completion”	the completion of the Proposed Transaction
“Completion Date”	the date of Completion
“Conditions”	the Conditions to the Completion, which are set out in the section “Conditions to the Completion of the Equity Transfer Agreement” of this announcement
“connected person(s)”	has the meaning prescribed to it under the Listing Rules
“Consideration”	has the meaning ascribed to it under the section headed “Consideration” of this announcement
“Directors”	the directors of the Company
“Equity Interests”	51% of the equity interests of the Target Company
“Equity Transfer Agreement”	the equity transfer agreement dated 23 June 2016 entered into between the Purchaser and the Vendor in relation to the Proposed Transaction
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Huaxin”	Jinzhou Huaxin Assets Management (Group) Co., Ltd.* (錦州華信資產經營(集團)有限公司), a company established under the laws of the PRC
“Initial Share Purchase Agreement”	the share purchase agreement dated 26 November 2014 entered into between Fresh Goal Limited (a wholly-owned subsidiary of the Company), the Company, Beijing Gas Group (BVI) Co., Ltd. and Beijing Enterprises Holdings Limited in relation to the acquisition of Beijing Gas Development Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Long Stop Date”	30 September 2016
“LPG”	liquefied petroleum gas
“PetroChina”	PetroChina Natural Gas Co., Ltd.* (中國石油天然氣股份有限公司), a company established under the laws of the PRC

“PRC”	People’s Republic of China
“Proposed Transaction”	the proposed acquisition of the Equity Interests by the Purchaser from the Vendor as contemplated under the Equity Transfer Agreement
“Purchaser”	Shenzhen City Zhongran Gas Company Limited* (深圳市中燃燃氣有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	the ordinary shares of the Company with par value of HK\$0.01 each, and each a “Share”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	PetroChina Beijing Gas (Jinzhou) Natural Gas Co., Ltd* (中石油北燃(錦州)燃氣有限公司), a Sino-Foreign joint venture established under the laws of the PRC
“Vendor”	Beijing Gas Group Limited (北京燃氣集團有限公司), a company incorporated under the laws of Hong Kong

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of HK\$1=RMB0.84636 (being the median rate between the buying rate and the selling rate of HK\$ to RMB or RMB to HK\$ (as the case may be) as announced by the People’s Bank of China at the date of this announcement). This exchange rate is for illustration purposes only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

By order of the Board
China Gas Holdings Limited
ZHOU Si
Chairman

Hong Kong, 23 June 2016

As of the date of this announcement, Mr. ZHOU Si, Mr. LIU Ming Hui, Mr. HUANG Yong, Mr. ZHU Weiwei, Mr. MA Jinlong and Ms. LI Ching are the executive Directors; Mr. YU Jeong Joon (his alternate being Mr. KIM Yong Joong), Mr. LIU Mingxing, Mr. Arun Kumar MANCHANDA and Mr. JIANG Xinhao are the non-executive Directors; and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. WONG Sin Yue, Cynthia, Mr. HO Yeung and Ms. CHEN Yanyan are the independent non-executive Directors.

* *For identification purposes only.*