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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 TRANSACTIONS ACQUISITION OF REMAINING 49% INTERESTS IN JOINT VENTURES

THE HK ACQUISITION AND WUHAN ACQUISITION

On 28 June 2016 (after trading hours of the Stock Exchange), the HK Buyer, a wholly-owned subsidiary of the Company, and the Seller entered into the HK Agreement, pursuant to which the HK Buyer has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares, representing approximately 49% of the entire issued share capital of HK Target at the consideration of RMB70,000,000 (equivalent to approximately HK\$82,353,000).

On 28 June 2016 (after trading hours of the Stock Exchange), the Wuhan Buyer, a wholly-owned subsidiary of the Company, and the Seller entered into the Wuhan Agreement, pursuant to which the Wuhan Buyer has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Equity, representing 49% equity interest in the registered capital of Wuhan Target at the consideration of RMB210,000,000 (equivalent to approximately HK\$247,059,000).

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Seller is a non-wholly-owned subsidiary of SK E&S. SK E&S is a substantial shareholder of the Company holding approximately 15.84% of the issued share capital of the Company. Accordingly, the Seller is a connected person of the Company. As the applicable percentage ratios of the Agreements exceed 0.1% but are less than 5%, the transactions contemplated under the Agreements are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 28 June 2016 (after trading hours of the Stock Exchange), the HK Buyer, a wholly-owned subsidiary of the Company, and the Seller entered into the HK Agreement, pursuant to which the HK Buyer has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares, representing approximately 49% of the entire issued share capital of HK Target at the consideration of RMB70,000,000 (equivalent to approximately HK\$82,353,000).

On 28 June 2016 (after trading hours of the Stock Exchange), the Wuhan Buyer, a wholly-owned subsidiary of the Company, and the Seller entered into the Wuhan Agreement, pursuant to which the Wuhan Buyer has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Equity, representing 49% equity interest in the registered capital of Wuhan Target at the consideration of RMB210,000,000 (equivalent to approximately HK\$247,059,000).

The principal terms of the Agreements are summarised as follows:

The HK Agreement

Date

28 June 2016 (after trading hours of the Stock Exchange)

Parties

- (1) the HK Buyer, namely Rosy Link Investments Limited (a wholly-owned subsidiary of the Company), as the purchaser
- (2) the Seller, namely SK E&S HongKong Corporation Limited, as the vendor

The Seller is a company incorporated in Hong Kong, whose principal business is investment holding. The Seller is a non-wholly-owned subsidiary of SK E&S. SK E&S is a substantial shareholder of the Company holding approximately 15.84% of the issued share capital of the Company. Accordingly, the Seller is a connected person of the Company.

Subject matter under the HK Agreement

Pursuant to the HK Agreement, the HK Buyer has conditionally agreed to purchase and the Seller has conditionally agreed to sell the Sale Shares, representing approximately 49% of entire issued share capital of HK Target as at the date of the HK Agreement.

Consideration

The consideration for the HK Acquisition is RMB70,000,000 (equivalent to approximately HK\$82,353,000) which was determined based on arm's length negotiation between the parties and on normal commercial terms having regard to the financial information and growth potential of the HK

Target. The consideration will be financed by internal resources of the Group and paid by the HK Buyer to the Seller by wire transfer of immediately available funds in U.S. dollars on the date of HK Completion.

Conditions

HK Completion is conditional upon fulfilment of the following conditions:

1. the Seller's warranties under the HK Agreement remaining true and accurate as at HK Completion;
2. there having been no material adverse change in respect of the Seller's ability to perform its obligations under the HK Agreement since the date of the HK Agreement; and
3. all the conditions precedents to Wuhan Completion pursuant to the terms of the Wuhan Agreement having been fulfilled or waived.

All the above conditions may be waived by the HK Buyer at its sole discretion at any time before HK Completion by notice in writing to the Seller. If any of the above conditions shall not have been fulfilled or waived on the date of HK Completion, then the parties shall not be bound to proceed with the HK Acquisition and the HK Agreement shall terminate immediately upon written notice by either the HK Buyer or the Seller to the other party save in respect of claims arising out of any breach prior to the termination of the HK Agreement.

HK Completion will take place on the 10th Business Day following the date on which all the above conditions have been satisfied or waived, or such other date as the HK Buyer and the Seller may agree in writing.

The Wuhan Agreement

Date

28 June 2016 (after trading hours of the Stock Exchange)

Parties

- (1) the Wuhan Buyer, namely Wuhan Zhongran Investment Company Limited* (武漢中燃投資有限公司) (a wholly-owned subsidiary of the Company), as the purchaser
- (2) the Seller, namely SK E&S HongKong Corporation Limited, as the vendor

Subject matter under the Wuhan Agreement

Pursuant to the Wuhan Agreement, the Wuhan Buyer has conditionally agreed to purchase and the Seller has conditionally agreed to sell the Sale Equity, representing 49% equity interest in the registered capital of Wuhan Target as at the date of the Wuhan Agreement.

Consideration

The consideration for the Wuhan Acquisition is RMB210,000,000 (equivalent to approximately HK\$247,059,000) which was determined based on arm' length negotiation between the parties and on normal commercial terms having regard to the financial information and growth potential of the Wuhan Target. The consideration will be financed by internal resources of the Group and paid by the Wuhan Buyer to the Seller by wire transfer of immediately available funds in U.S. dollars on the date of Wuhan Completion.

Conditions

Wuhan Completion is conditional upon fulfilment of the following conditions:

1. the Seller's warranties under the Wuhan Agreement remaining true and accurate as at Wuhan Completion;
2. there having been no material adverse change in respect of the Seller's ability to perform its obligations under the Wuhan Agreement since the date of the Wuhan Agreement;
3. the transfer of the Sale Equity and the Wuhan Agreement having been approved by the Approval Authority and an updated approval certificate reflecting the Wuhan Buyer's 100% equity interest in the registered capital of the Wuhan Target having been issued by the Approval Authority;
4. the transfer of the Sale Equity having been registered with the AIC and a new business license having been issued to the Wuhan Target;
5. the payment guarantee of approximately RMB47,000,000 provided by SK E&S Co., Ltd. to Hana Bank (China) Co., Ltd. Beijing Branch for the benefit of Huanggang Sailuo Natural Gas Co., Ltd.* (黃岡賽洛天然氣有限公司) for the duration from 26 November 2015 to 25 November 2016 has been duly replaced by China Gas Holdings Limited or its affiliates; and
6. the loan of U.S. dollars 2,050,000 plus any and all interests accrued thereon has been duly repaid by Huangzhou Sailuo Natural Gas Co., Ltd.* (黃岡賽洛天然氣有限公司) to the Seller.

The conditions (to the extent waivable) may be waived by the Wuhan Buyer at its sole discretion at any time before Wuhan Completion by notice in writing to the Seller. If any of the above conditions shall not have been fulfilled or waived on the Wuhan Long Stop Date, then the parties shall not be bound to proceed with the Wuhan Acquisition and the Wuhan Agreement shall terminate immediately upon written notice by either the Wuhan Buyer or the Seller to the other party save in respect of claims arising out of any breach prior to the termination of the Wuhan Agreement.

Wuhan Completion will take place on the 10th Business Day following the date on which all of the above conditions have been fulfilled or waived (to the extent waiveable) or such other date as the Wuhan Buyer and the Seller may agree in writing.

INFORMATION ON THE TARGET COMPANIES

HK Target

The HK Target is a company incorporated under Hong Kong laws with limited liability and is currently owned as to approximately 51% and approximately 49% by the HK Buyer and the Seller, respectively, as at the date of this announcement. The HK Target is principally engaged in investment holding.

A summary of the consolidated financial information of the HK Target is as follows:

	For the year ended	
	31 December	
	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net profit before taxation and extraordinary items	1,170	13,818
Net profit after taxation and extraordinary items	1,159	13,818

According to the financial statements of the HK Target, the net assets of the HK Target, on a consolidated basis, as at 31 December 2015 was approximately HK\$76,980,000.

Wuhan Target

The Wuhan Target is a company established in the PRC as a Sino-foreign equity joint venture enterprise and owned as to 51% and 49% by the Wuhan Buyer and the Seller, respectively, as at the date of this announcement. The Wuhan Target is principally engaged in gas technology development, gas appliance production and sales, gas equipment and provision of gas appliance installation and maintenance service.

A summary of the consolidated financial information of the Wuhan Target, is as follows:

	For the year ended	
	31 December	
	2014	2015
	<i>(RMB\$'000)</i>	<i>(RMB\$'000)</i>
Net profit before taxation and extraordinary items	39,468	83,390
Net profit after taxation and extraordinary items	25,876	64,699

According to the financial statements of the Wuhan Target, the net assets of the Wuhan Target, on a consolidated basis, as at 31 December 2015 was approximately RMB149,635,000 (equivalent to approximately HK\$176,041,000).

INFORMATION OF THE GROUP, THE BUYERS AND THE SELLER

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 the development and application of technologies relating to natural gas and LPG in China.

The Buyers

The HK Buyer is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The Wuhan Buyer is a wholly-owned subsidiary of the Company is principally engaged in construction of city gas pipeline networks and investments in petrochemicals and natural gas, etc.

The Seller

The Seller is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

HK Target and Wuhan Target, jointly through their affiliated companies, engaged in the investment, construction and operation of natural gas-related businesses such as city gas business and compressed natural gas (CNG) vehicle refilling station business in the PRC, with 13 city gas companies and 4 CNG vehicle refilling station projects located in Hubei and Anhui provinces. In 2015, the sales volume of natural gas of these companies was 107 million cubic meters. As at 31 December 2015, a total of 3,807 kilometers of natural gas pipeline have been constructed and an accumulated total of 305,000 natural gas users have been connected.

The Group will own the entire equity interests of HK Target and Wuhan Target through this transaction. By achieving the absolute control over the two companies, it will be favorable to the introduction of the Group's operation philosophy and operational mechanism to improve the operating efficiency of the two companies and the affiliated natural gas projects, which will in turn raise the profitability of these projects.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreements and the transactions contemplated thereunder are based on normal commercial terms, are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

None of the Directors has a material interest in the transactions contemplated under the Agreements, save for Mr. YU Jeong Joon and Mr. KIM Yong Joong who are the representative director and vice president of China business unit of SK E&S respectively. Accordingly, Mr. YU Jeong Joon and Mr. KIM Yong Joong did not vote on the Board resolutions approving the Agreements.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Seller is a non-wholly-owned subsidiary of SK E&S. SK E&S is a substantial shareholder of the Company holding approximately 15.84% of the issued share capital of the Company. Accordingly, the Seller is a connected person of the Company. As the applicable percentage ratios of the Agreements exceed 0.1% but are less than 5%, the transactions contemplated under the Agreements are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Agreements”	the HK Agreement and the Wuhan Agreement
“AIC”	the Wuhan Municipal Administration of Industry and Commerce or equivalent authorities
“Approval Authority”	the Bureau of Commerce of Wuhan Municipality or equivalent authorities
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are open for business in the PRC and Hong Kong
“Buyers”	the HK Buyer and the Wuhan Buyer
“Company”	China Gas Holdings Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 384)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK Acquisition”	the acquisition of the Sale Shares in the HK Target pursuant to the HK Agreement

“HK Agreement”	the share purchase agreement dated 28 June 2016 entered into between the HK Buyer and the Seller, in respect of the HK Acquisition
“HK Buyer”	Rosy Link Investments Limited, a wholly-owned subsidiary of the Company and a company incorporated in the British Virgin Islands
“HK Completion”	the completion of the HK Agreement
“HK Target”	China Gas — SK E&S HongKong Company Limited, a company incorporated in Hong Kong with limited liability and owned as to approximately 51% and approximately 49% by the HK Buyer and the Seller, respectively, as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LPG”	liquefied petroleum gas
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SK E&S”	SK E&S Co., Ltd., a substantial shareholder of the Company and a member of the SK Group of Korea
“Sale Shares”	3,719,089 ordinary shares of HK\$37,190,890 in the issued share capital of the HK Target legally and beneficially owned by the Seller
“Sale Equity”	the 49% equity interest in the Wuhan Target legally and beneficially owned by the Seller
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S. dollars”	United States dollars, the lawful currency of the United States of America

“Wuhan Acquisition”	the acquisition of Sale Equity in the Wuhan Target pursuant to the Wuhan Agreement
“Wuhan Agreement”	the equity transfer agreement dated 28 June 2016 entered into between the Wuhan Buyer and the Seller, in respect of the Wuhan Acquisition
“Wuhan Buyer”	Wuhan Zhongran Investment Company Limited* (武漢中燃投資有限公司), a wholly-owned subsidiary of the Company and wholly foreign-owned enterprise established in the PRC
“Wuhan Completion”	the completion of the Wuhan Agreement
“Wuhan Long Stop Date”	30 September 2016
“Wuhan Target”	Wuhan Zhongran — SK E&S Gas Group Co., Ltd.* (武漢中燃愛思開燃氣集團有限公司), a company established in the PRC as a Sino-foreign equity joint venture enterprise and owned as to 51% and 49% by the Wuhan Buyer and the Seller, respectively, as at the date of this announcement

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of HK\$1 to RMB0.85. 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 the order of the Board of
China Gas Holdings Limited
ZHOU Si
Chairman

Hong Kong, 28 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 purpose only*