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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ESTABLISHMENT OF AN INVESTMENT FUND

THE ESTABLISHMENT OF THE FUND

On 26 October 2016, the General Partner and the Limited Partners entered into the Limited Partnership Agreement in relation to the formation of the Fund. Pursuant to the Limited Partnership Agreement, the Fund is expected to have an aggregate capital commitment of up to RMB10,020,000,000. The Fund shall focus on investing in the Company's 4G (PNG, LNG, CNG and LPG) energy projects, pushing forward the transformation of the Company from a gas supplier into an integrated energy solutions provider and promoting the construction of national energy infrastructure through, among other things, direct equity investments or debt investments.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules exceed(s) 5% but are less than 25%, the formation of the Fund pursuant to the Limited Partnership Agreement constitutes a discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE LIMITED PARTNERSHIP AGREEMENT

On 26 October 2016, the General Partner and the Limited Partners entered into the Limited Partnership Agreement in relation to the formation of the Fund.

The principal terms of the Limited Partnership Agreement are as follows:

Date	26 October 2016.
Name of the Fund	中保投中燃(深圳)清潔能源發展基金(有限合夥) (China Insurance Investment China Gas (Shenzhen) Clean Energy Development Investment Fund L.P.*)
General Partner	深圳市中燃基金管理有限責任公司 (Shenzhen China Gas Fund Management Company Limited*).

The General Partner shall be responsible for the management and operation of the Fund. As at the date hereof, the General Partner is a wholly-owned subsidiary of the Subsidiary and hence an indirect wholly-owned subsidiary of the Company. The General Partner has a registered capital of RMB20,000,000. It is intended that the General Partner will be owned as to 70% by the Subsidiary and 30% by the Investor's GP. Accordingly, on 26 October 2016, the Subsidiary entered into the Equity Transfer Agreement with the Investor's GP for the transfer of 30% of the equity interest in the General Partner from the Subsidiary to the Investor's GP at RMB6,000,000 in cash, the consideration for such transfer was determined after arm's length negotiations based on 30% of the registered capital of the General Partner.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Investor's GP and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Limited Partners	The Investor, namely 中國保險投資基金(有限合夥) (China Insurance Investment Fund L.P.*). The Investor is a preferential limited partner of the Fund. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Investor and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.
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The Subsidiary, namely 中燃燃氣實業(深圳)有限公司 (China Gas Industrial (Shenzhen) Limited*), being a wholly-owned subsidiary of the Company. The Subsidiary is a deferred limited partner of the Fund.

Unless otherwise provided, none of the Limited Partners shall be entitled to the management or control the Fund or otherwise conduct any business on the Fund's behalf.

Additional partner(s)

Without the unanimous consent of all partners, there shall be no additional partner(s) for the Fund.

Duration of the Fund

Seven years from the date of first contribution of the committed capital, subject to an extension by unanimous consent of all partners.

Investment focus

The Fund shall focus on investing in the Company's 4G (PNG, LNG, CNG and LPG) energy projects, pushing forward the transformation of the Company from a gas supplier into an integrated energy solutions provider and promoting the construction of national energy infrastructure through, among other things, direct equity investments or debt investments.

The respective committed capital contribution of the partners of the Fund

	Committed capital contribution amount	Percentage
	<i>RMB</i>	<i>(%)</i>
General Partner	20,000,000	0.20
Limited Partners		
Investor	7,000,000,000	69.86
The Subsidiary	<u>3,000,000,000</u>	<u>29.94</u>
	<u><u>10,020,000,000</u></u>	<u><u>100.00</u></u>

The size of the Fund and the respective committed capital contribution are determined after arm's length negotiations among the parties.

Payment of capital contribution

The General Partner shall, subject to the fulfilment of certain conditions including, among other things, the due establishment of the Fund, issue written notices to the partners from time to time to seek capital contribution and the partners shall make the capital contribution accordingly. The actual capital contribution of each partner shall not exceed the corresponding committed capital contribution (as set out in the table above) of such partner.

The Investor shall contribute its committed capital contribution on the condition that the investment decision committee of the General Partner shall have approved investment project(s) of the Fund involving an amount of not less than such proposed capital contribution. Prior to the Investor (as the preferential limited partner) having contributed its committed capital amount in full and the investment project(s) of the Fund having generated income or stable cash flow, the General Partner shall not seek capital contribution from the Subsidiary (as the deferred limited partner) or itself, other than for the purpose of paying any preferential return of the Investor (as the preferential limited partner) or redemption by the Fund of the actual capital contributed by the Investor (as the preferential limited partner).

**Investment decision
committee**

The General Partner shall establish an investment decision committee as the investment decision making authority of the Fund, which shall comprise three committee members. Among these committee members, two of whom shall be nominated by the Subsidiary, while one of whom shall be nominated by the Investor's GP who shall also be the chairman of the committee and the general manager of the General Partner. Unless otherwise provided, any resolution of the committee shall be subject to the unanimous consent of all committee members.

**Investment advisory
committee**

The General Partner shall establish an investment advisory committee, which shall comprise three committee members, one of whom shall be nominated by the Subsidiary who shall also be the chairman of the committee, one of whom shall be nominated by the Investor's GP and one of whom shall be an external expert to be nominated jointly by the Subsidiary and the Investor's GP.

Members of investment advisory committee shall not overlap with members of investment decision committee.

Investment decision process

The investment decision process of the Fund shall be as follow:

- (i) the Subsidiary shall be responsible for recommending investment projects and the General Partner shall conduct due diligence and feasibility studies for submission to the investment advisory committee;

- (ii) the investment advisory committee shall submit its advice in respect of the potential investment projects to the investment decision committee; and
- (iii) the investment decision committee shall consider and make the final decision with respect to the investment projects.

Divestment

The methods of divestment by the Fund from investment projects include:

- (i) acquisition of the investment target by the Company;
- (ii) sale of the investment target to third party(ies) in the market; and
- (iii) in the absence of (i) and (ii) and during the term of the Fund, acquisition of the investment target by an acquirer designated by the Company.

Preferential return

The Investor (as the preferential limited partner) shall be entitled to a preferential return based on its actual capital contribution (after deducting any redeemed amount).

Preferential redemption

The Investor (as the preferential limited partner) shall be entitled to seek early redemption of its capital contribution from the 5th anniversary of the date of its first capital contribution:

- 5th anniversary 20% of the actual amount of capital commitment
- 6th anniversary 20% of the actual amount of capital commitment
- 7th anniversary 60% of the actual amount of capital commitment

In the event that the Fund does not have sufficient funding in satisfying the aforesaid early redemption, the Subsidiary (as the deferred limited partner) shall contribute to the Fund by subscribing the deferred units of the Fund.

Management fee The General Partner shall be entitled to an annual management fee amounting to 0.3% of the actual capital of the Fund.

Investment advisory fee The General Partner shall engage the Investor's GP as the investment adviser to the Fund who shall be entitled to an annual investment advisory fee amount to 0.3% of the Investor's actual capital contribution.

In connection with the Fund and the Limited Partnership Agreement, the Company made an undertaking on 26 October 2016 to procure, among other things: (i) the divestment by the Fund in the manner as described in "Divestment" above; (ii) the payment of the preferential return by the Fund as described in "Preferential return" above; (iii) the preferential redemption by the Fund as described in "Preferential redemption" above; and (iv) the payment of any damages, fees and compensation in connection with any non-payment pursuant to the Limited Partnership Agreement. According to the undertaking, the Company may need to fulfill the compliance requirements under the applicable laws and regulations (such as shareholders/independent shareholders' approval under the Listing Rules) for the purpose of complying with the aforesaid obligations in the future.

SHAREHOLDERS' AGREEMENT

The Shareholders' Agreement was entered on 26 October 2016 to regulate, among other things, the management of the General Partner.

Date 26 October 2016

Parties The Subsidiary
The Investor's GP

Registered capital RMB20,000,000

- The Subsidiary — 70%, namely RMB14,000,000
- The Investor's GP — 30%, namely RMB6,000,000

Management of the General Partner

Board of directors

The board of directors of the General Partner shall comprise three directors. The Subsidiary shall be entitled to nominate two directors and the Investor's GP shall be entitled to nominate one director. The chairman of the board of directors who shall also be the legal representative of the General Partner, shall be the director nominated by the Subsidiary. The key responsibilities of the board of directors of the General Partner include, among other things, convening shareholders' meeting, reporting to shareholders, executing decisions of the shareholders' meetings, formulating business plan, investment portfolio and annual budget and undertaking other general management tasks.

The quorum of meeting shall be all directors and any decision made by the board of directors must be approved by all directors.

General manager and finance officer

The Investor's GP shall be entitled to nominate a candidate as the general manager. The Subsidiary shall be entitled to nominate a candidate as the finance officer.

The key responsibilities of the general manager include, among other things, taking charge of general operation management, executing the decisions of the shareholders' meetings and the board of directors and executing business and investment plan.

The finance officer shall be responsible for the financial management of the General Partner.

Supervisor

There shall be one supervisor of the General Partner and such supervisor shall be nominated by the Subsidiary. The key responsibilities of the supervisor include, among other things, reviewing financial matters and overseeing compliance of board of directors and senior management.

Investment decision committee

There shall be an investment decision committee. Please see “Limited Partnership Agreement — Investment decision committee” for details.

Investment advisory committee

There shall be an investment advisory committee. Please see “Limited Partnership Agreement — Investment advisory committee” for details.

Equity transfer

Save for the potential transfer of certain equity interest by the Subsidiary to the management team of the General Partner where appropriate, no transfer of the equity interest in the General Partner shall be made without the prior consent of all shareholders. Upon the expiry of the Fund and divestment of the Investor from the Fund, the Subsidiary and the Investor’s GP shall enter into an equity transfer agreement for the transfer of 30% equity interest in the General Partner by the Investor’s GP back to the Subsidiary.

INFORMATION ON THE GROUP AND THE OTHER PARTIES

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 and gas logistics systems, transmission of natural gas and LPG to residential, industrial and commercial users, construction and operation of CNG/LNG refilling stations as well as the development and application of technologies relating to natural gas and LPG in the PRC.

The Others

The General Partner

The General Partner, namely 深圳市中燃基金管理有限責任公司 (Shenzhen China Gas Fund Management Company Limited*) is a company established under the laws of the PRC and a wholly-owned subsidiary of the Subsidiary as at the date hereof. For the purpose of management and operation of the Fund, it is intended that the General Partner will be held as to 70% by the Subsidiary and 30% by the Investor’s GP upon the completion of the Equity Transfer Agreement. Upon completion of the transfer, the General Partner will no longer be a subsidiary of the Company.

As at the date hereof, the General Partner has not engaged in any substantial business activities and therefore does not have any historical profits or loss. The net asset value of the General Partner as at 30 September 2016 is RMB20,000,000. The purpose of the establishment of the General Partner is to act as the general partner of the Fund for the management and operation thereof.

The Limited Partners

The Subsidiary

The Subsidiary, namely 中燃燃氣實業(深圳)有限公司 (China Gas Industrial (Shenzhen) Limited*), is a company established under the laws of the PRC and is a wholly-owned subsidiary of the Company. The Subsidiary is principally engaged in, among other things, invest in and establishment of industrial business and technological development and application of natural gas pipeline.

The Investor

The Investor, namely 中國保險投資基金 (有限合夥) (China Insurance Investment Fund L.P.*), is a limited partnership established under the laws of the PRC. It is principally engaged in equity investment management. The Investor's GP, namely 中保投資有限責任公司 (China Insurance Investment Company Limited), is the general partner of the Investor.

REASONS FOR AND BENEFIT OF THE ESTABLISHMENT OF THE FUND

The Board believes that the Fund will provide the Group with significant financing support for its future development. Through the support of the Fund, the Group will continue to focus on investing in the 4G (PNG, LNG, CNG and LPG) energy projects, pushing forward the transformation of the Company from a gas supplier into an integrated energy solutions provider and promoting construction of national energy infrastructure.

The Directors (including the independent non-executive Directors) consider that the terms of the Limited Partnership Agreement and the related documentation are fair and reasonable and on normal commercial terms, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

The Company intends to finance the Group's capital contributions and commitment to the Fund by internal resources (including the net proceeds to be received by the Group pursuant to the Equity Transfer Agreements).

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules exceed(s) 5% but are less than 25%, the formation of the Fund pursuant to the Limited Partnership Agreement constitutes a discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

The following expressions have the following meanings in this announcement:

“Board”	the board of Directors
“CNG”	compressed natural gas
“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)
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 26 October 2016 entered into between the Subsidiary and the Investor’s GP in relation to the transfer of 30% of the equity interest in the General Partner by the Subsidiary to the Investor’s GP
“Fund”	中保投中燃(深圳)清潔能源發展基金(有限合夥) (China Insurance Investment China Gas (Shenzhen) Clean Energy Development Investment Fund L.P.*), a limited partnership to be established under the laws of the PRC pursuant to the Limited Partnership Agreement
“General Partner”	深圳市中燃基金管理有限責任公司 (Shenzhen China Gas Fund Management Company Limited*), the general partner of the Fund
“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
“Investor”	中國保險投資基金(有限合夥) (China Insurance Investment Fund L.P.*), one of the Limited Partners
“Investor’s GP”	中保投資有限責任公司 (China Insurance Investment Company Limited), the general partner of the Investor
“Limited Partners”	the Investor and the Subsidiary
“Limited Partnership Agreement”	the limited partnership agreement dated 26 October 2016 entered into among the General Partner and the Limited Partners in relation to the formation of the Fund

“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LNG”	liquefied natural gas
“LPG”	liquefied petroleum gas
“PNG”	piped natural gas
“PRC”	the People’s Republic of China, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan are excluded
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 26 October 2016 entered into among the Subsidiary and the Investor’s GP in relation to the rights and obligations of these parties as shareholders of the General Partner
“Subsidiary”	中燃燃氣實業(深圳)有限公司 (China Gas Industrial (Shenzhen) Limited*), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company, being one of the Limited Partners

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

Hong Kong, 26 October 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