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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)

VOLUNTARY ANNOUNCEMENT

ENTERING INTO AN AGREEMENT REGARDING CAPITAL INCREASE AND EXPANSION OF SHAREHOLDING IN SHANDONG PETROLEUM AND NATURAL GAS COMPANY LIMITED*

This is a voluntary announcement made by China Gas Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”).

Reference is made to the announcement of the Company dated 17 August 2017 in relation to a strategic cooperation framework agreement entered into with Shandong Luxin Investment Holdings Group Co., Ltd.* (山東省魯信投資控股集團有限公司, “**Shandong Luxin Investment**”).

The board of directors of the Company (the “**Board**”) is pleased to announce that China Gas Industrial (Shenzhen) Limited* (中燃燃氣實業(深圳)有限公司, the “**Investor**”), a wholly-owned subsidiary of the Company, has entered into an agreement with the representatives of the substantial shareholders of Shandong Petroleum and Natural Gas Company Limited* (山東石油天然氣股份有限公司, “**Shandong Petroleum and Natural Gas**”) for the capital increase and shareholding expansion in Shandong Petroleum and Natural Gas, pursuant to which the Investor has conditionally agreed to increase the capital of and its shareholding in Shandong Petroleum and Natural Gas for a consideration of RMB800,000,000 (approximately HK\$916,664,000). After the completion of the capital increase and shareholding expansion, the Investor’s shareholding in Shandong Petroleum and Natural Gas will reach 41%.

As a business platform with access to and in cooperation with upstream gas source enterprises in Shandong Province, Shandong Petroleum and Natural Gas is engaged in building natural gas pipeline networks and integrating natural gas business resources in Shandong Province. Through the capital increase and shareholding expansion, the Group will strengthen cooperation with Shandong Luxin Investment, a substantial shareholder of Shandong Petroleum and Natural Gas. With Shandong Petroleum and Natural Gas as the platform, both parties will carry out comprehensive cooperation in upstream resource acquisition, natural gas pipeline network construction, natural gas sales, liquefied natural gas terminal construction, natural gas storage facilities, central heating, natural gas power generation, distributed energy resources and other new energy investments in Shandong Province by tapping on the rich natural gas resources in Shandong Province and strong capital strength of Shandong Luxin Investment and the Group’s strengths in technology, management and industry layout in the fields of natural gas and new energy.

After the completion of the capital increase and shareholding expansion, the shareholding of Shandong Luxin Investment in Shandong Petroleum and Natural Gas will reach 43.39%. The shareholders of Shandong Luxin Investment are the Shandong Provincial People's Government-owned Assets Supervision and Administration Commission and Shandong Provincial Council for Social Security Fund. As an important investment and financing vehicle and asset management platform of Shandong, Shandong Luxin Investment owns large natural gas pipeline networks and urban gas projects in Shandong Province. Its business scope covers various fields including capital operation, assets management, external investment as well as investment and operation of infrastructure and businesses in strategic emerging industries. The natural gas related assets of Shandong Luxin Investment include 9 long distance natural gas transmission pipelines with a total length of 1,542.1 kilometers. These pipelines have an annual supply capacity of over 8.5 billion m³ and provide natural gas to 12 prefecture-level cities in Shandong Province. The actual transmission of natural gas in 2017 reached 4.56 billion m³. Shandong Luxin Investment has shareholding in 20 natural gas companies including 10 city gas companies in Shandong Province and Hebei Province. The volume of natural gas sold in 2017 was 2.1 billion m³.

Shandong Petroleum and Natural Gas has established 13 natural gas branch pipelines with a total length of approximately 470 kilometers. The designed annual transmission capacity of these pipelines is close to 7.0 billion m³ and the actual transmission of natural gas in 2017 reached 459 million m³. It invested in 2 large-scale natural gas pipelines with a total length of 1,176 kilometers. The designed annual transmission capacity of the pipelines is close to 12.05 billion m³ and the actual transmission of natural gas in 2017 reached 4.0 billion m³. Meanwhile, Shandong Petroleum and Natural Gas operates and has controlling rights of 3 city gas projects (under construction).

The Group believes that by investing in Shandong Petroleum and Natural Gas, it will strengthen its strategic cooperation with Shandong Luxin Investment and speed up the development of the natural gas industry chain covering upstream, midstream and downstream resources in Shandong Province with the consolidated advantages and resources of both sides, thus accelerating the development of the strategic layout of "gasification in Shandong" (氣化山東) and maximizing the corporate and social benefits.

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

Hong Kong, 27 August 2018

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 of the Company; Mr. LIU Mingxing (his alternate being Ms. LIU Chang), Mr. JIANG Xinhao, Mr. Rajeev Kumar MATHUR and Mr. JO Jinho (his alternate being Mr. KWON Woonsang) are the non-executive directors of the Company; and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. WONG Sin Yue Cynthia, Ms. CHEN Yanyan and Mr. ZHANG Ling are the independent non-executive directors of the Company.

* *for identification purpose only*