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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)

TOTAL RETURN SWAP

This announcement is made by the Board on a voluntary basis.

SHARE AWARD SCHEME

Reference is made to the announcement of the Company dated 27 November 2020 in relation to the adoption of the share award scheme by the Company. The Scheme was adopted by the Company as means to recognise the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The Board may from time to time cause a contributed amount to be paid to the Trust by way of settlement or otherwise contributed by the Company or any subsidiary as directed by the Board which shall constitute part of the Trust Fund, for the purchase or subscription (as the case may be) of Shares and other purposes set out in the Scheme Rules and the Trust Deed.

TOTAL RETURN SWAP

On 8 October 2021, CGCM, a wholly-owned subsidiary of the Company, entered into the TRS Transaction with the TRS Counterparty in order to hedge its exposure to future Share price appreciation in connection with the Scheme.

The maximum Equity Notional Amount of the TRS Transaction is HK\$780 million and the maximum number of Shares underlying the TRS Transaction is 37,000,000 Shares, representing approximately 0.66% of the Company's issued share capital as of the date of this announcement. The TRS Transaction will be for a term of approximately 12 months. Subject to certain conditions, CGCM has the option to terminate the TRS Transaction early. Upon the expiry of such term or at an early termination of the TRS Transaction by CGCM the TRS Counterparty will be required to pay CGCM an amount in cash determined by reference to the Final Price. No physical delivery of Shares will be made to the Group

under the TRS Transaction. Further, the TRS Counterparty has no obligation to purchase any Shares and the Group has no right to direct the TRS Counterparty to purchase any Shares or enter into any hedge positions.

The Initial Price will be determined by the TRS Counterparty based on the volume weighted average price at which a broker dealer subject to the same securities law and rules and regulations as the TRS Counterparty or its affiliate, acting reasonably, would be able to execute hedge positions, having regard to a target as to the number of hedge positions which such broker dealer would execute each day during the relevant period (being a function of the then exchange-trade price of the Shares and market liquidity) and a maximum price per Share at which it would establish any hedge position. The Final Price will be determined by the TRS Counterparty based on the volume weighted average price at which a broker dealer subject to the same securities law and rules and regulations as the TRS Counterparty or its affiliate, acting reasonably, would be able to unwind its hedge positions.

CGCM is required to make an initial payment to the TRS Counterparty and is expected to make up further payments to the TRS Counterparty (the aggregate of such payments to the TRS Counterparty, the “**Aggregate CGCM Payment Amount**”). After the period during which the TRS Counterparty establishes hedge positions in respect of the TRS Transaction, if the Equity Notional Amount is less than the Aggregate CGCM Payment Amount, the TRS Counterparty will make a payment to CGCM equal to such difference.

Reasons for and benefits of the TRS Transaction

The reason for CGCM to enter into the TRS Transaction on these terms is to hedge the Group’s exposure to future Share price appreciation which may result in an increase in the cost of Share purchase under the Scheme. Such exposure arises in connection with the costs to be incurred and cash flow to be expended by the Group relating to its injection of cash into the Trust to fund the purchase of Shares from time to time and other purposes set out in the Scheme Rules and the Trust Deed. In view of the volatile market conditions and trading prices of the Shares, the Directors are of the view that the entering into of the TRS Transaction on such terms could hedge the Group’s exposure to future price appreciation of the Shares to be purchased pursuant to the Scheme and to reduce the Group’s costs to be incurred and cash flow expended for such purposes accordingly.

On the basis of the above and having regard to all relevant factors and considerations (including the level of historical trading prices of the Shares and the terms of the Scheme), the Directors are of the view that the terms of the TRS Transaction are fair and reasonable and the entering into of the TRS Transaction on such terms is in the interests of the Company, the Group and the Shareholders as a whole.

In connection with the termination of the TRS Transaction, any Shares acquired by the TRS Counterparty may be sold to the Trust.

Implications under the Listing Rules

As none of the applicable percentages under Rule 14.07 of the Listing Rules in relation to the TRS Transaction is 5% or more, the TRS Transaction is not subject to any of the reporting, announcement or shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the TRS Counterparty is a third party independent of the Company and is not a connected person of the Company. As such, the TRS Transaction is not regarded as a connected transaction under Chapter 14A of the Listing Rules.

Information relating to the Group

The Group is a gas operator and service provider principally engaged in the investment, construction and operation of city and town gas pipeline infrastructure, gas terminals, storage and transportation facilities and gas logistics systems, transmission of natural gas and liquefied petroleum gas 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 liquefied petroleum gas in the PRC.

Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

DEFINITIONS

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

“Board”	the board of directors of the Company
“CGCM”	China Gas Capital Management Limited, a wholly-owned subsidiary of the Company
“Company”	China Gas Holdings Limited, a company incorporated in Bermuda with limited liability, the 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 Notional Amount”	an amount in HK\$ equal to the Initial Price multiplied by the number of Shares underlying the TRS Transaction, subject to a maximum of HK\$780 million

“Final Price”	the final price as determined under the terms of the TRS Transaction
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Initial Price”	the initial price as determined under the terms of the TRS Transaction
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Scheme”	the share award scheme of the Company adopted by the Board on 27 November 2020, as amended from time to time
“Scheme Rules”	the rules relating to the Scheme, as amended from time to time
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification, reduction or reconstruction of the share capital of the Company from time to time)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TRS Counterparty”	Nomura Singapore Limited
“TRS Transaction”	the total return swap transaction entered into by CGCM with the TRS Counterparty on 8 October 2021
“Trust”	the trust constituted by the Trust Deed
“Trust Deed”	the trust deed made and entered into between the Company and the Trustee (as restated, supplemented and amended from time to time)

“Trust Fund” the funds and properties held under the Trust and managed by the Trustee

“Trustee” Tricor Trust (Hong Kong) Limited, and any additional or replacement trustees, being the trustee or trustees for the time being of the trusts declared in the Trust Deed

By order of the Board
China Gas Holdings Limited
LIU Ming Hui
Chairman, Managing Director and President

Hong Kong, 8 October 2021

As at the date of this announcement, Mr. LIU Ming Hui, Mr. HUANG Yong, Mr. ZHU Weiwei, Ms. LI Ching, Ms. LIU Chang and Mr. ZHAO Kun are the executive directors of the Company; Mr. LIU Mingxing, Mr. JIANG Xinhao and Mr. Mahesh Vishwanathan IYER are the non-executive directors of the Company; and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. CHEN Yanyan and Mr. ZHANG Ling are the independent non-executive directors of the Company.

* *For identification purpose only*