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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 INCREASE IN STAKE IN A VALUE-ADDED SERVICE COMPANY

THE ACQUISITION AGREEMENT

On 9 March 2022 (after trading hours of the Stock Exchange), the Company and the Sellers (namely, Mr. LIU and Mr. HUANG) entered into the Acquisition Agreement pursuant to which the Company conditionally agreed to purchase, and the Sellers conditionally agreed to sell, the Sale Shares, representing in aggregate 20% of the total issued shares in the Target Company, at the Consideration of HK\$3,000 million.

Immediately prior to the Completion, the Target Company is a subsidiary of the Company and is beneficially owned as to 51% by the Company, 40% by Mr. LIU and 3.5% by Mr. HUANG, while the remaining 5.5% is currently held by Mr. LIU which is intended to be allocated to the eligible individuals who contribute to the growth and development of the Target Group. Upon Completion, the Target Company will be beneficially owned as to 71% by the Company and 23.5% by Mr. LIU, and the remaining 5.5% will continue to be held by Mr. Liu as aforesaid.

IMPLICATIONS UNDER THE LISTING RULES

Mr. LIU is the chairman, managing director and president, and an executive Director and a substantial shareholder of the Company. Mr. HUANG is the executive president and an executive Director of the Company. Accordingly, each of Mr. LIU and Mr. HUANG is a connected person of the Company pursuant to the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined in the Listing Rules) exceeds 0.1% and all of them are less than 5%, the entering into the Acquisition Agreement and the transactions contemplated thereunder will constitute a connected transaction of the Company subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 9 March 2022 (after trading hours of the Stock Exchange), the Company and the Sellers (namely, Mr. LIU and Mr. HUANG) entered into the Acquisition Agreement pursuant to which the Company conditionally agreed to purchase, and the Sellers conditionally agreed to sell, the Sale Shares, representing, in aggregate, 20% of the total issued shares in the Target Company, at the Consideration of HK\$3,000 million.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are as follows:

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| Date | 9 March 2022 |
| Parties | Buyer: the Company Sellers: Mr. LIU and Mr. HUANG |
| Subject matter | the Sale Shares in the Target Company, representing 16.5% and 3.5% of the total issued shares of Target Company, held by Mr. LIU and Mr. HUANG, respectively, as at the date of the Acquisition Agreement |
| Consideration | The total cash consideration (the “ Consideration ”) for the sale and purchase of the Sale Shares is HK\$3,000 million (with HK\$2,475 million payable to Mr. LIU and HK\$525 million payable to Mr. HUANG) which has been arrived at after arm’s length negotiation among the Buyer and the Sellers with reference to, among other things, the valuation of approximately RMB25,630 million (equivalent to approximately HK\$31,720 million) as of 30 September 2021 as appraised by an independent valuer, namely CHFT Advisory And Appraisal Limited, based on the market approach. |

Conditions precedent

Completion is conditional upon satisfaction or waiver (as the case may be) of each of the following conditions on or before the Completion Date:

- (a) no material adverse change or force majeure event as described in the Acquisition Agreement occurring before the Completion;
- (b) the warranties made by the Sellers pursuant to the Acquisition Agreement being true and accurate and not misleading as of the date of the Acquisition Agreement and the Completion Date; and
- (c) each of the Sellers having complied with the obligations imposed on him under the Acquisition Agreement that are due to be complied on or before the Completion Date.

In the event that the above conditions have not been fulfilled or (where applicable) waived by the Buyer on or before the Completion Date, the Buyer may elect, in its sole and absolute discretion, to terminate the Acquisition Agreement forthwith.

Completion

Completion of the sale and purchase under the Acquisition Agreement is contemplated to take place on 10 March 2022.

Immediately prior to the Completion, the Target Company is a subsidiary of the Company and is beneficially owned as to 51% by the Company, 40% by Mr. LIU and 3.5% by Mr. HUANG, while the remaining 5.5% is currently held by Mr. LIU which is intended to be allocated to the eligible individuals who contribute to the growth and development of the Target Group. Upon Completion, the Target Company will be beneficially owned as to 71% by the Company and 23.5% by Mr. LIU, and the remaining 5.5% will continue to be held by Mr. LIU as aforesaid.

Put option undertaking

The Sellers have jointly and severally granted a put option to the Buyer (the “**Put Option**”) pursuant to which the Sellers have jointly and severally agreed to purchase the Put Shares (or a portion thereof as the Buyer may in its sole and absolute discretion determine) from the Buyer (or its designated entity(ies)) upon the occurrence of the following events:

- (a) the board of directors of the Buyer and (where required under the applicable laws and regulations) the shareholders of the Buyer having resolved to procure the listing of the shares of the Spinco on the Stock Exchange or any other stock exchange (the “**Listing**”) as recognised by the Buyer; and
- (b) (i) the Listing does not take place on or before 31 March 2024 (or such later date as the Buyer may in its sole and absolute discretion determine) (the “**Relevant Date**”); or (ii) if Listing takes place on or before the Relevant Date, during the period from the date of Listing up to and including the Relevant Date, there are less than 10 full trading days on which the market capitalisation of the Spinco on the relevant trading day reaches at least HK\$15,000 million based on the closing trading price of the shares of the Spinco as quoted on the relevant stock exchange and the number of shares of the Spinco listed on the relevant stock exchange on such trading day.

Upon the occurrence of the aforementioned events, the Buyer is entitled (but not obligated) to exercise the Put Option by serving a written notice to the Sellers at any time during the six-month period from the last occurrence of the aforesaid events and the Put Option may be exercised in one or more occasions. Within two months from the date of such notice served to the Sellers (or such later date as the Buyer may in its sole and absolute discretion determine), the Sellers will jointly and severally pay a consideration of HK\$3,360 million in cash (or the corresponding portion thereof if the Buyer does not exercise the Put Option in respect of 100% of the Put Shares) to the Buyer or its designated entity(ies) for the purchase of such Put Shares.

INFORMATION ON THE GROUP

The Group is one of the largest trans-regional, integrated energy suppliers and service providers in China. Focusing on China, it is primarily engaged in investing, constructing, and operating city and township gas pipelines, gas terminals, storage and transport facilities, and gas logistics systems; transmitting natural gas and LPG to residential, industrial and commercial users; constructing and operating compressed natural gas/liquefied natural gas fuelling stations; and developing and applying natural gas and LPG-related technologies. In addition, the Group has developed a comprehensive business portfolio of value-added services, heating, new energy, distribution and sale of electricity, and charging stations based on its extensive consumer base.

Mr. LIU is the chairman, managing director and president, and an executive Director and a substantial shareholder of the Company.

Mr. HUANG is the executive president and an executive Director of the Company.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability. The Target Company is a subsidiary of the Company and is principally engaged in investment holdings. Empowered by technology and driven by big data, the subsidiaries of the Target Company principally engage in providing the sales and services in respect of products for comprehensive household scenarios, operating online and offline grid-based private domains, offering smart city integrated management, and delivering low carbon digital-twin technology services.

Set forth below are certain unaudited consolidated financial information of the Group and Target Group for the two years immediately preceding the date of the Acquisition Agreement:

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|--|---|---|
| | <i>(HK\$ million)</i> | <i>(HK\$ million)</i> |
| Profit before taxation (Value-added services segment of the Group) | 2,321.1 | 1,594.3 |
| Profit before taxation (Target Group) | 448.5 | 347.2 |
| Proportion in profit before taxation from the Group's value-added services segment | 19.3% | 21.8% |
| Profit after taxation (Target Group) | 364.0 | 259.2 |

REASONS AND BENEFITS FOR ENTERING INTO THE ACQUISITION AGREEMENT

Value-added services not only enable the Group to tap into its customers' potential value, but also help effectively strengthen the Group's brand advantages and service competitiveness. Thus, such services have become a key development direction for the Group's growth. Over the seven years of development, the value-added service business has achieved impressive results. The Target Group has

been crucial in supporting the Group's value-added service business, serving effectively as a growth driver. Over the past seven years, the Target Group has managed to build and maintain an experienced service team, well-managed institutions and systems, along with an innovative business model and system technical barriers. It has launched a 3X3X3 business model of GaaS (Grid as a Service), combining offline services with online platform technologies, merging direct sales channels with community-level fission marketing and distribution functionality. As such, the product portfolio of the Target Group has extended from traditional products to all kinds of household products, integrating research and development, products selection and supply chain. Meanwhile, by incorporating smart household settings, IoT architecture, and digital-twin technology into scenarios such as urban buildings and industrial parks, the Target Group has been providing services on household energy management and community-level low carbon inclusive applications. Since the date of its establishment, the Target Group has always been a crucial platform for the incubation, empowerment, and scientific innovations of the Group's value-added services segment. Through increasing stake in the Target Company, the Group can consolidate its control over, and to lock up greater income from the Target Company, so as to continuously maximize profit by tapping into customers' value and product innovation. In view of the business prospects, financial performance and potential value of the Target Group, the Directors consider that it is in the interest of the Company to increase its investment in the Target Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreement 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.

IMPLICATIONS UNDER THE LISTING RULES

Mr. LIU is the chairman, managing director and president, and an executive Director and a substantial shareholder of the Company. Mr. HUANG is the executive president and an executive Director of the Company. Accordingly, Mr. LIU and Mr. HUANG are the connected persons of the Company pursuant to the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined in the Listing Rules) exceeds 0.1% and all of them are less than 5%, the entering into the Acquisition Agreement and the transactions contemplated thereunder will constitute a connected transaction of the Company subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. LIU and Mr. HUANG, being Directors, are also the sellers in the Acquisition Agreement, both of them abstained from voting on the Board resolutions to approve the Acquisition Agreement. Ms. LIU Chang and Mr. LIU Mingxing, each a Director, also abstained from voting on such board resolutions by virtue of their relationship with Mr. LIU. Save as disclosed above, none of the Directors had any material interest in the Acquisition Agreement and no Director was required to abstain from voting on the board resolutions for approving the entering into the Acquisition Agreement at the meeting of the Board.

DEFINITIONS

The following expressions have the following meanings in this announcement:

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| “Acquisition Agreement” | the agreement dated 9 March 2022 entered into among the Company and the Sellers in relation to the sale and purchase of the Sale Shares |
| “Board” | the board of Directors |
| “Company” or “Buyer” | 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” | completion of the sale and purchase of the Sale Shares |
| “Completion Date” | the date on which the Completion shall take place, currently contemplated to be 10 March 2022 (or such other date as the parties may otherwise agree) |
| “Consideration” | has the meaning ascribed to it under the section headed “Acquisition Agreement” of this announcement |
| “Director(s)” | the director(s) of the Company |
| “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 |
| “Listing” | has the meaning ascribed to it under the section headed “Acquisition Agreement” of this announcement |
| “Listing Rules” | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Mr. HUANG” | Mr. HUANG Yong, the executive president and an executive Director of the Company |
| “Mr. LIU” | Mr. LIU Ming Hui, the chairman, managing director and president, and an executive Director and a substantial shareholder of the Company |
| “Put Option” | has the meaning ascribed to it under the section headed “Acquisition Agreement” of this announcement |
| “Put Shares” | the Sale Shares or the corresponding shares of the Spinco |

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| “Relevant Date” | has the meaning ascribed to it under the section headed “Acquisition Agreement” of this announcement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale Shares” | the shares of Target Company to be sold by the Sellers pursuant to the terms and conditions of the Acquisition Agreement, representing, in aggregate, 20% of the total issued shares of the Target Company |
| “Sellers” | Mr. LIU and Mr. HUANG |
| “Shareholder(s)” | holder(s) of the shares of the Company |
| “Spinco” | (i) the Target Company, or its holding company that may be incorporated, established or otherwise added as part of the reorganisation to be undertaken by the Target Group, or (ii) any of the members of the Target Group, in either case that will become the vehicle for the Listing |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Electronic Business Development Company Limited (電子商務發展有限公司), a company incorporated in the British Virgin Islands with limited liability and a subsidiary of the Company |
| “Target Group” | the Target Company and its subsidiaries |

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

Hong Kong, 10 March 2022

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, Mr. Mahesh Vishwanathan IYER and Mr. Xiong Bin are the non-executive directors of the Company; and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. CHEN Yanyan, Mr. ZHANG Ling and Dr. MA Weihua are the independent non-executive directors of the Company.