

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

REVISION OF EXISTING ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 28 August 2022 and 5 September 2022 in relation to, among others, the Value-added Products Purchase Agreement, pursuant to which, it was agreed that the Parent Group shall purchase and the Electronic Business Group shall supply Value-added Products processed, manufactured or distributed by the relevant members of the Electronic Business Group from time to time.

On 17 March 2023 (after trading hours), the Company entered into the Supplemental Agreement with Electronic Business to revise the Existing Annual Caps. Save for the revision of the Existing Annual Caps, all other terms and conditions (including price determination) under the Value-added Products Purchase Agreement remain unchanged. The principal terms of the Value-added Products Purchase Agreement are set out in the section headed "The Non-Exempt CCT Agreements — The Value-added Products Purchase Agreement" in the announcement of the Company dated 28 August 2022 and details of the price determination (which shall remain unchanged) are set out in the announcement of the Company dated 5 September 2022.

IMPLICATIONS UNDER THE LISTING RULES

Mr. LIU is the chairman and president, an executive Director and a substantial shareholder of the Company. Accordingly, Mr. LIU is a connected person of the Company. As Electronic Business is owned as to 71% by the Company and 29% by Mr. LIU, it is a connected subsidiary of the Company. As such, the transactions under the Value-added Products Purchase Agreement and the Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company intends to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the relevant provisions of Chapter 14A of the Listing Rules in respect of the relevant continuing connected transaction.

Given that one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the highest Revised Annual Caps under the Value-added Products Purchase Agreement and the Supplemental Agreement exceed 0.1% but all of them are less than 5%, the transactions contemplated under the Value-added Products Purchase Agreement and the Supplemental Agreement will constitute continuing connected transactions of the Company subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

REVISION OF EXISTING ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 28 August 2022 and 5 September 2022 in relation to, among others, the Value-added Products Purchase Agreement, pursuant to which, it was agreed that the Parent Group shall purchase and the Electronic Business Group shall supply Value-added Products processed, manufactured or distributed by the relevant members of the Electronic Business Group from time to time.

On 17 March 2023 (after trading hours), the Company entered into the Supplemental Agreement with Electronic Business to revise the Existing Annual Caps. Save for the revision of the Existing Annual Caps, all other terms and conditions (including price determination) under the Value-added Products Purchase Agreement remain unchanged. The principal terms of the Value-added Products Purchase Agreement are set out in the section headed "The Non-Exempt CCT Agreements — The Value-added Products Purchase Agreement" in the announcement of the Company dated 28 August 2022 and details of the price determination (which shall remain unchanged) are set out in the announcement of the Company dated 5 September 2022.

THE SUPPLEMENTAL AGREEMENT

- Parties:**
- (1) The Company (for itself and on behalf of the other members of the Parent Group (namely the Company's subsidiaries other than members of the Electronic Business Group))
 - (2) Electronic Business (for itself and on behalf of the other members of the Electronic Business Group)

Date

17 March 2023 (after trading hours)

Duration

From 17 March 2023 to 31 March 2025, unless terminated earlier in accordance with the terms of the Value-added Products Purchase Agreement.

Subject matter

Pursuant to the Supplemental Agreement, the Existing Annual Caps under the Value-added Products Purchase Agreement are revised as follows:

For the year ending 31 March 2023 (RMB million)		For the year ending 31 March 2024 (RMB million)		For the year ending 31 March 2025 (RMB million)	
Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap
695.1	900.4	675.9	995.0	578.6	975.1

Save for the revision of the Existing Annual Caps to the Revised Annual Caps, all other terms and conditions under the Value-added Products Purchase Agreement remain the same.

HISTORICAL AMOUNTS AND BASIS FOR DETERMINING THE REVISED ANNUAL CAPS

The fees charged for the provision of the Value-added Products by the Electronic Business Group to the Parent Group for the year ended 31 March 2022 and the ten months ended 31 January 2023 were RMB20,000,000 and approximately RMB482,910,000, respectively.

The Revised Annual Caps were determined between the Company and Electronic Business with reference to, among others:

- (i) the historical transaction amounts: From 1 August 2022 to 31 January 2023, the actual transaction amount incurred under the Value-added Products Purchase Agreement was approximately RMB423,270,000, representing approximately 60.9% of the Existing Annual Caps for the year ending 31 March 2023;
- (ii) following the gradual lifting of pandemic control measures in China since December 2022 and the introduction of favourable policies to promote economic recovery, generally speaking, the property market and consumer market in China have started to pick up. Accordingly, the demand for Value-added Products in support of the Parent Group's business has also started to grow in February 2023 and the momentum of post-pandemic rebound is expected to continue;
- (iii) more specifically, the Parent Group has been actively promoting pipeline renovation projects across various regions since 2022. However, prevention and control measures for the pandemic slowed down the progress of the projects in various regions. From early 2023, the Parent Group accelerated the progress of the projects, and this raised the demand for Value-added Products; and
- (iv) with the implementation of relevant policies by governments across the country to promote safety, the demand for indoor security products has been stimulated, which in turn has led to an increase in the sales of security products supplied by the Electronic Business Group for supporting the Parent Group's projects in various regions nationwide.

The Directors (including the independent non-executive Directors) consider that each of the Revised Annual Caps is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS

With the gradual lifting of pandemic control measures since the end of 2022, the introduction of favourable policies for economic recovery, the accelerating pace of pipeline renovation projects and the increase in users' demand for gas-related security products, the Company believes that the demand for Value-added Products will continue to increase. In order to meet the increasing demand for Value-added Products, the Parent Group will need to leverage the Electronic Business Group's extensive experience in full chain management ranging from product development, production, supply chain management, procurement, sales, installation and after-sales management, and its professional sales and after-sales service team can provide professional training and support to the members of the Parent Group in respect of product sales strategy, channel construction, marketing campaign plans and after-sales skills. The Parent Group will leverage the Electronic Business Group's supply chain integration and brand promotion capabilities to strengthen product operations and full lifecycle management, and enhance end-marketing capabilities for Value-added Products to meet the needs of end-users. Please also refer to the section headed "Historical amounts and basis for determining the Revised Annual Caps" in this announcement for details.

Based on the aforementioned reasons, the Board anticipated that the Existing Annual Caps under the Value-added Products Purchase Agreement for the three years ending 31 March 2025 will be exceeded. As such, the Directors propose to revise the Existing Annual Caps for the three years ending 31 March 2025. The Directors (including the independent non-executive Directors) consider that the terms of the Value-added Products Purchase Agreement and the Supplemental Agreement (including the Revised Annual Caps) are fair and reasonable, the transactions contemplated under the Value-added Products Purchase Agreement and the Supplemental Agreement are on normal commercial terms, and in the ordinary and usual course of business of the Group, and that the Value-added Products Purchase Agreement and the Supplemental Agreement and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

The pricing policy for the continuing connected transactions of the Group under the Value-added Products Purchase Agreement and the Supplemental Agreement will continue to be supervised and monitored by the relevant personnel of the Group to ensure that the relevant continuing connected transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. In addition to compliance with the requirements on annual review by external auditors and independent non-executive Directors under the Listing Rules in respect of the Group's continuing connected transactions, the Company has in place internal control policies to ensure that the relevant continuing connected transactions under the Value-added Products Purchase Agreement and the Supplemental Agreement will not be prejudicial to the interests of the Company and its Shareholders as a whole. The Company will review from time to time (i) the terms offered by comparable independent third party suppliers and compare those with the terms of the

Value-added Products Purchase Agreement; and (ii) the price offered by comparable independent third party suppliers or the price assessed by an independent third-party valuation agency, as applicable, and compare that with the price offered by the Electronic Business Group to ensure that the terms offered by the Electronic Business Group are no less favourable than those offered by independent third parties.

The utilisation rate of the Revised Annual Caps shall continue to be monitored by the relevant personnel of the Group from time to time. In the event that the utilisation rate is approaching its cap, the relevant member of the senior management will be informed for further consideration on whether the Company is required to further comply with the relevant requirements under the Listing Rules.

The Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Value-added Products Purchase Agreement and the Supplemental Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

The audit committee of the Company comprising independent non-executive Directors will review the transactions under the Value-added Products Purchase Agreement and the Supplemental Agreement regularly. Pursuant to Rule 14A.56 of the Listing Rules, the Board will engage the External Auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The External Auditor will issue report(s) containing its findings (if any) and conclusions in respect of the transactions contemplated under the Value-added Products Purchase Agreement and the Supplemental Agreement in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's report will be provided by the Company to the Stock Exchange on an annual basis.

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.

INFORMATION ON ELECTRONIC BUSINESS

Electronic Business is a company incorporated in the British Virgin Islands with limited liability. Electronic Business is owned as to 71% by the Company and 29% by Mr. LIU and is a non-wholly owned subsidiary of the Company which is principally engaged in investment holdings. Empowered by technology, the Electronic Business Group is principally engaged in providing sales and services in respect of products for comprehensive household scenarios, operating online and offline grid-based domains, offering smart city integrated management, and delivering low-carbon digital-twin technology services.

The Electronic Business Group is customer demand-driven, and through professional and market-oriented operations, it continuously enhances the competitiveness of the Parent Group's traditional core businesses and helps the Group's overall performance in gas business, safety operations, customer services, value-added business, new energy business and digital development.

IMPLICATIONS UNDER THE LISTING RULES

Mr. LIU is the chairman and president, an executive Director and a substantial shareholder of the Company. Accordingly, Mr. LIU is a connected person of the Company. As Electronic Business is owned as to 71% by the Company and 29% by Mr. LIU, it is a connected subsidiary of the Company. As such, the transactions under the Value-added Products Purchase Agreement and the Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company intends to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with relevant provisions of Chapter 14A of the Listing Rules in respect of the relevant continuing connected transaction.

Given that one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the highest Revised Annual Caps under the Value-added Products Purchase Agreement and the Supplemental Agreement exceed 0.1% but all of them are less than 5%, the transactions contemplated under the Value-added Products Purchase Agreement and the Supplemental Agreement will constitute continuing connected transactions of the Company subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. LIU had abstained from voting on the board resolutions concerning the Value-added Products Purchase Agreement and the Supplemental Agreement and the Revised Annual Caps. Ms. LIU Chang and Mr. LIU Mingxing (each a Director) had also abstained from voting due to their relationship with Mr. LIU. Save and except for the aforesaid, no other Director has any material interest in any of the transactions contemplated under the Value-added Products Purchase Agreement and the Supplemental Agreement and is required to abstain from voting on the board resolutions to approve the same.

DEFINITIONS

The following expressions have the following meanings in this announcement:

“Board”	the board of Directors
“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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected subsidiary”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Electronic Business”	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 connected subsidiary of the Company
“Electronic Business Group”	Electronic Business and its subsidiaries
“Existing Annual Caps”	the existing annual caps in respect of the fees payable by the Parent Group for the Value-added Products under the Value-added Products Purchase Agreement for the period from 1 August 2022 to 31 March 2025 as disclosed in the announcements of the Company dated 28 August 2022 and 5 September 2022
“External Auditor”	the external auditor of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. LIU”	Mr. LIU Ming Hui, the chairman and president, and an executive Director and a substantial shareholder of the Company
“Parent Group”	the Group excluding the Electronic Business Group
“Revised Annual Caps”	the annual caps under the Value-added Products Purchase Agreement as revised by the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 17 March 2023 entered into between the Company and Electronic Business to revise the Value-added Products Purchase Agreement
“Value-added Products”	value-added products including gas appliance, alarms and high-frequency products
“Value-added Products Purchase Agreement”	the value-added products purchase framework agreement entered into between the Company and Electronic Business on 28 August 2022, in relation to the supply of Value-added Products by the Electronic Business Group to the Parent Group, for a term commencing from 1 August 2022 and ending on 31 March 2025
“%”	per cent

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

Hong Kong, 17 March 2023

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. XIONG Bin, 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, Mr. ZHANG Ling and Dr. MA Weihua are the independent non-executive directors of the Company.

* *For identification purpose only*