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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 FORMATION OF JOINT VENTURE COMPANY AND CHARTERING OF TWO LNG VESSELS

FORMATION OF JOINT VENTURE COMPANY

On 18 July 2023 (after trading hours), China City Gas (a wholly-owned subsidiary of the Company), Vantage Energy and Fortune Clean Energy entered into the Joint Venture Agreement, pursuant to which the Joint Venture Company will be established in relation to the acquisition, owning and chartering out of the two LNG Vessels. The Joint Venture Company will not become a subsidiary of the Company upon its formation and its financial results will not be consolidated into the financial statements of the Group.

CHARTERING OF TWO LNG VESSELS

Pursuant to the Joint Venture Agreement, the Charterer (a wholly-owned subsidiary of the Company) shall time charter the two LNG Vessels for twenty years.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the formation of the Joint Venture Company and the chartering of the two LNG Vessels, exceeds 5% but is less than 25%, the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements but are exempt from the shareholders' approval requirement.

FORMATION OF JOINT VENTURE COMPANY

On 18 July 2023 (after trading hours), China City Gas (a wholly-owned subsidiary of the Company), Vantage Energy and Fortune Clean Energy entered into the Joint Venture Agreement, pursuant to which the Joint Venture Company will be established in relation to the acquisition, owning and chartering out of the two LNG Vessels.

The Joint Venture Agreement contains customary terms for joint venture of similar nature, and the principal terms of which are as follows:

Date

18 July 2023 (after trading hours)

Parties

- 1) China City Gas (a wholly-owned subsidiary of the Company)
- 2) Vantage Energy
- 3) Fortune Clean Energy

Subscription of shares by the JV Partners

Pursuant to the terms of the Joint Venture Agreement, the amount to be paid by the JV Partners for the initial subscription of shares of the Joint Venture Company will be as follows:

JV Partners	Subscription amount <i>USD</i>	Shareholding percentage %
China City Gas	30	30
Vantage Energy	45	45
Fortune Clean Energy	<u>25</u>	<u>25</u>
Total	<u><u>100</u></u>	<u><u>100</u></u>

The Joint Venture Company will not become a subsidiary of the Company upon its formation and its financial results will not be consolidated into the financial statements of the Group.

Funding for the Joint Venture Company and acquisition of LNG Vessels

The Joint Venture Company shall set up two wholly-owned special purpose vehicles for the purpose of acquiring and owning each of the LNG Vessels to be designed and built by a third party shipbuilder (which is and its ultimate beneficial owners are third parties independent of the Company and its connected persons).

The Joint Venture Company shall seek external financing for the purpose of acquiring and owning of the two LNG Vessels, on the terms and conditions (including any encumbrance, security interest or shareholders' guarantee that may be required in respect of such external financing) to be agreed between the financier and the Joint Venture Company, which shall be unanimously approved by the board of directors of the Joint Venture Company. To the extent not financed by external financing, the Joint Venture Company shall seek funding by way of (a) capital contributions by the JV Partners in proportion to their respective shareholding in the Joint Venture Company; and/or (b) shareholder loans from JV Partners of such amount in proportion to their respective shareholding in the Joint Venture Company. According to the Joint Venture Agreement, any capital contribution from the JV Partners to the Joint Venture Company (including any call for additional funding or granting of guarantee to third parties) shall be subject to unanimous approval of the JV Partners.

Board and management of the Joint Venture Company

The board of directors of the Joint Venture Company shall consist of four directors. A JV Partner shall have the right to nominate a person as director for every 20% of the shares it holds, including the right to require such director to resign from office and nominate other person(s) as replacement. Where a JV Partner's shareholding is reduced below the required percentage of shares for the purpose of nomination of a director, such JV Partner shall cause the director(s) nominated by it be removed from office. The chairman of the board shall be nominated by the board of directors of the Joint Venture Company in the first meeting and the role of chairman shall rotate among the directors of the Joint Venture Company at each subsequent meeting.

All decisions of the board of the directors of the Joint Venture Company shall be approved by way of majority vote, save for matter requiring unanimous consent of all directors. All decisions of the JV Partners as shareholders of the Joint Venture Company shall be decided by majority of shares represented at the meeting by JV Partners present and voting, save for matter requiring unanimous consent of all JV Partners (including but not limited to any call upon the JV Partners for additional funding or granting of guarantee to third parties).

Distribution of profit

The distributable profits of the Joint Venture Company shall be distributed to the JV Partners in proportion to their respective shareholding.

Restriction on transfer of equity interests

Without the prior written consent of the other parties to the Joint Venture Agreement or unless otherwise permitted therein, any JV Partner shall not transfer its shareholding interests in the Joint Venture Company.

CHARTERING OF THE TWO LNG VESSELS

Pursuant to the Joint Venture Agreement, the Charterer (a wholly-owned subsidiary of the Company) shall, as soon as practicable and after the subscription, enter into the Time Charterparties for chartering the two LNG Vessels.

It is expected that the Charterer will charter the two LNG Vessels for a term of 20 years and the expected principal terms of which are as follows:

Charter period

The charter period shall be a period of 20 years commencing from the date of delivery of the two LNG Vessels.

Charter hire

The charter hire for each LNG Vessel shall be at a daily hire rate of approximately USD80,000 to USD100,000, payable on a monthly basis. The rate of the charter hire is determined after arm's length negotiation, and the Company considers such rate to be reasonable having compared the current market rate of charter hire by reference to the type of the LNG Vessels. Pursuant to HKFRS 16, the Company will recognise the estimated value of right-of-use asset on its consolidated statement of financial position in connection with the Time Charterparties. The estimated value of the right-of-use asset to be recognized by the Company under the terms of the Time Charterparties amounted to approximately HK\$6,721 million in aggregate, representing the present value of the aggregate charter hire payable thereunder in accordance with HKFRS 16.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE COMPANY AND CHARTERING OF THE LNG VESSELS

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. China City Gas is a company incorporated in the PRC and a wholly-owned subsidiary of the Company. Its principal business activity is investment holding. The Charterer is a company incorporated in the PRC and a wholly-owned subsidiary of the Company. Its principal business activity is to plan and implement LNG trading strategy of the Group.

The formation of the Joint Venture Company and the chartering of the LNG Vessels will allow the Group to secure a stable supply of LNG Vessels for its LNG business development and diversified business models. The Group can use the LNG Vessels leased for a long term at a pre-determined rate with certainty despite price fluctuation in the vessel chartering market.

Fortune Clean Energy is a subsidiary of one of the world's leading ship leasing companies. Vantage Energy is a subsidiary of a well-established shipping company. By partnering with these experienced shipping companies to form a Joint Venture Company, the Group can tap into their rich experience and technical expertise and hence enhance its transportation and logistics capabilities.

The Directors (including the independent non-executive Directors) are of the view that the formation of the Joint Venture Company and the chartering of the LNG Vessels are on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The initial subscription of shares of the Joint Venture Company and payments of charter hire under the Time Charterparties are expected to be satisfied by the internal resources of the Group.

As none of the Directors has a material interest in the transactions contemplated under the Joint Venture Agreement, none of them is required to abstain from voting on the relevant board resolutions of the Company.

INFORMATION OF THE JOINT VENTURE PARTNERS

Vantage Energy

Vantage Energy is a company incorporated in British Virgin Islands and is principally engaged in ship owning and asset management in relation to shipbuilding consultancy, ship management and commercial management. Vantage Energy is a wholly-owned subsidiary of Wah Kwong Maritime Transport Holdings Limited. As one of Hong Kong's leading privately owned shipowners, Wah Kwong Maritime Transport Holdings Limited owns and operates a diversified fleet of ships in addition to offering a full range of technical and commercial management service to customer and owners. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, Wah Kwong Maritime Transport Holdings Limited is ultimately beneficially owned by The New George S.K.Chao Trust.

Fortune Clean Energy

Fortune Clean Energy is a company incorporated in the Marshall Islands and is principally engaged in the provision of ship leasing services. Fortune Clean Energy is a wholly-owned subsidiary of CSSC (Hong Kong) Shipping Company Limited ("CSSC"), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 3877). CSSC's main business includes lease services, shipbroking services and financing services.

To the best of the Directors' knowledge, information, and belief, having made all reasonable enquiries, Vantage Energy, Fortune Clean Energy and their ultimate beneficial owners are independent third parties of the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

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DEFINITIONS

Unless the contents otherwise requires, the following expressions have the following meaning in this announcement:

“Board”	the board of Directors
“Charterer”	China Gas Hongda Energy Trading Co., Ltd, a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“China City Gas”	China City Gas Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“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
“Fortune Clean Energy”	Fortune Clean Energy 2023 Holding Limited, a company incorporated in the Marshall Islands and a wholly-owned subsidiary of CSSC (Hong Kong) Shipping Company Limited
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases” which include standards and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Joint Venture Agreement”	the joint venture agreement dated 18 July 2023 entered into between the JV Partners in relation to the formation and management of the Joint Venture Company

“Joint Venture Company”	the joint venture company to be established pursuant to the terms of the Joint Venture Agreement
“JV Partners”	collectively, China City Gas, Vantage Energy and Fortune Clean Energy, and “JV Partner” shall mean any or each of them, as the context requires
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LNG”	liquefied natural gas
“LNG Vessel”	each of the two LNG carriers to be acquired, owned and chartered out by its respective Vessel Owner pursuant to the Joint Venture Agreement
“LPG”	liquefied petroleum gas
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Time Charterparties”	the LNG time charters to be entered into between the Charterer and the relevant Vessel Owner, in relation to the chartering of the two LNG Vessels pursuant to the Joint Venture Agreement
“USD”	United States dollars, the lawful currency of the United States of America
“Vantage Energy”	Vantage Energy Holding Limited, a company incorporated in British Virgin Islands and a wholly-owned subsidiary of Wah Kwong Maritime Transport Holdings Limited

“Vessel Owner” each of the two special purpose vehicles to be incorporated by, and wholly-owned by, the Joint Venture Company for the purposes of acquiring, owning and chartering out the LNG Vessels

“%” per cent

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

Hong Kong, 18 July 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*