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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 IN RELATION TO FORMATION OF A JOINT VENTURE

FORMATION OF A JOINT VENTURE

On 22 December 2023, the Subsidiary (a wholly-owned subsidiary of the Company), Western Trust and each of the Platform Companies entered into the Cooperation Framework Agreement and related agreements to, among other things, establish the Joint Venture Company, in which the Subsidiary will own 40% and Western Trust will own 60% of the Joint Venture Company.

As part of the Transaction contemplated under the Cooperation Framework Agreement, the Equity Transfers will take place whereby the Fund shall transfer its entire interest in each of the Platform Companies to the Joint Venture Company. Upon completion of the Equity Transfers, the Joint Venture Company will own not less than 99.0% equity interest in each of the Platform Companies. The remaining equity interest in the Platform Companies will continue to be held by the Subsidiary.

LISTING RULES IMPLICATIONS

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 transactions contemplated thereunder exceeds 5% but is less than 25%, the formation of the Joint Venture Company and the transactions contemplated under the Cooperation Framework Agreement 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.

INTRODUCTION

Reference is made to the announcement of China Gas Holdings Limited (the “**Company**”) dated 26 October 2016 in relation to, among others, the establishment of the Fund. 中國保險投資基金(有限合夥) (China Insurance Investment Fund L.P.*) (the “**Investor**”) is a preferential limited partner of the Fund and 中燃燃氣實業(深圳)有限公司 (China Gas Industrial (Shenzhen) Limited*) (the “**Subsidiary**”), being a wholly-owned subsidiary of the Company, is a deferred limited partner of the Fund. Prior to the Equity Transfers, the Fund (which is not consolidated as a subsidiary of the Company) holds 99.9% equity interest in Platform Company I and 99.0% equity interest in each of Platform Company II, Platform Company III, Platform Company IV and Platform Company V.

On 22 December 2023, the Subsidiary, Western Trust and each of the Platform Companies entered into the Cooperation Framework Agreement and related agreements to, among other things, establish the Joint Venture Company, in which the Subsidiary will own 40% and Western Trust will own 60% of the Joint Venture Company. The purpose of the Joint Venture Company is to own the equity interest in the Platform Companies currently owned by the Fund. The Company expects that, given the Subsidiary does not have effective control of the Joint Venture Company, the Joint Venture Company will not be consolidated as a subsidiary of the Company. The results of the Joint Venture Company will be accounted for under equity method of accounting by the Company.

As part of the Transaction, the Equity Transfers will take place whereby the Fund shall transfer its entire interest in each of the Platform Companies to the Joint Venture Company.

Upon completion of the Equity Transfers, the Joint Venture Company will own not less than 99.0% of equity interest in each of the Platform Companies. The remaining equity interest in the Platform Companies will continue to be held by the Subsidiary.

COOPERATION FRAMEWORK AGREEMENT

Set out below are the principal terms of the Cooperation Framework Agreement:

Date

22 December 2023

Parties to the Cooperation Framework Agreement

- (a) Western Trust
- (b) The Subsidiary (a wholly-owned subsidiary of the Company)
- (c) Each of the Platform Companies

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Western Trust and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons. Regarding the shareholding structure of the Platform Companies, please see “Information of the parties to the Transaction” below.

Subject matter

Western Trust and the Subsidiary agreed to establish the Joint Venture Company for the purpose of holding the equity interest in the Platform Companies, namely 99.9% equity interest in Platform Company I and 99.0% equity interest in each of Platform Company II, Platform Company III, Platform Company IV and Platform Company V. The Cooperation Framework Agreement stipulates various rights of the JV Partners in the Joint Venture Company and the business and operational arrangements relating therein.

Management structure of the Joint Venture Company

Shareholders' meeting

Significant matters of the Joint Venture Company (such as determination of the operations policy and investment decisions, electing and replacing directors, approval of annual financial budget and annual financial statements, approval of profit distribution plan and loss compensation plan, change of the registered capital, amendments to the articles of association, or dissolution and liquidation) shall be determined by the shareholders of the Joint Venture Company. Shareholders' resolutions shall be approved by shareholders holding more than two-thirds of the Joint Venture Company Total Capital Contribution (as defined below).

Board of directors

The board of directors of the Joint Venture Company shall consist of three directors, of which Western Trust shall nominate two directors, and the Subsidiary shall nominate one director. The chairman of the Joint Venture Company shall be the director nominated by the Subsidiary, and shall also act as the legal representative of the Joint Venture Company. The board of directors of the Joint Venture Company shall be accountable to the shareholders. Directors' resolutions shall be passed by unanimous votes.

Distribution of profit

Following repayment of the principal and interest payable in respect of the Bank Loan, all distributable funds shall be distributed to Western Trust on a preferential basis up to its equity investment amount together with income. Any remaining funds shall be distributed to the Subsidiary up to its equity investment amount together with income. After the aforesaid distributions, any remaining funds shall be distributed to the JV Partners in proportion to their respective paid-up registered capital amounts.

Capital and financing

Capital contribution by the JV Partners and basis for determination

Pursuant to the terms of the Cooperation Framework Agreement, the capital contributions to be made by the JV Parties will be as follows:

JV Partners	Registered capital RMB	Capital reserve RMB	Total RMB	Shareholding percentage
Subsidiary	4 million	602.4 million	606.4 million	40%
Western Trust	<u>6 million</u>	<u>903.6 million</u>	<u>909.6 million</u>	<u>60%</u>
Total (the “Joint Venture Company Total Capital Contribution”)	<u>10 million</u>	<u>1,506 million</u>	<u>1,516 million</u>	<u>100%</u>

The respective capital contributions by the JV Partners were determined after arm’s length negotiations between the parties with reference to the cost of the Equity Transfers. The initial capital contribution from Western Trust amounts to RMB 909.6 million (the “**Western Trust Initial Capital Contribution**”). The Company expects that, given the Subsidiary does not have effective control of the Joint Venture Company, the Joint Venture Company will not be consolidated as a subsidiary of the Company. The results of the Joint Venture Company will be accounted for under equity method of accounting by the Company.

Others

In addition to the capital contributions to be provided by the JV Partners, the Joint Venture Company shall obtain a bank loan of RMB 2.274 billion from Industrial Bank (the “**Bank Loan**”). The Subsidiary has agreed to provide guarantee (and as guaranteed by the Company on any shortfall) for repayment of the Bank Loan.

EQUITY TRANSFERS

As part of the Transaction contemplated under the Cooperation Framework Agreement, the Equity Transfers will take place whereby the Fund shall transfer its entire interest in each of the Platform Companies to the Joint Venture Company, namely 99.9% equity interest in Platform Company I and 99.0% equity interest in each of Platform Company II, Platform Company III, Platform Company IV and Platform Company V. The remaining equity interest in each of the Platform Companies will continue to be owned by the Subsidiary.

Taking into account applicable valuation report, audited financial statements and determined on arm's length negotiations between the parties, the aggregate consideration payable by the Joint Venture Company to the Fund under the Equity Transfers will not exceed RMB3.79 billion. The Joint Venture Company will finance such acquisition by utilising the capital and financing obtained by it from the JV Partners and the Bank Loan as described above.

OTHER ARRANGEMENTS PURSUANT TO THE COOPERATION FRAMEWORK AGREEMENT

Pursuant to the Cooperation Framework Agreement and its related agreements, certain options have also been granted with respect to Western Trust's equity interest in the Joint Venture Company and the Joint Venture Company's equity interest in the Platform Companies, respectively.

Call Options

During the period commencing from the date of Western Trust's injection of capital into the Joint Venture Company until the end of 32 months of Western Trust's establishment (or, earlier, until Western Trust transfers to the Subsidiary all its equity interest in the Joint Venture Company), the Subsidiary has (i) the right to purchase by itself or by its nominee all of Western Trust's equity interest in the Joint Venture Company (the "**Western Trust Call Option**") at a pre-determined price, which is equal to the aggregate of Western Trust Initial Capital Contribution and any outstanding fee under the Western Trust Call Option; or (ii) the right to purchase by itself or its nominee all of the Joint Venture Company's equity interest in the Platform Companies (the "**Joint Venture Company Call Option**") at a pre-determined price, which is equal to the aggregate of the consideration for the Equity Transfers and any outstanding fee under the Joint Venture Company Call Option, by serving an option notice to Western Trust or the Joint Venture Company. In consideration for the Subsidiary to be entitled to the Western Trust Call Option and the Joint Venture Company Call Option (together, the "**Call Options**"), the Subsidiary shall pay Western Trust fee for the Western Trust Call Option (the "**Western Trust Call Option Fees**") and shall pay the Joint Venture Company fee for the Joint Venture Company Call Option (the "**Joint Venture Company Call Option Fees**"; together with the Western Trust Call Option Fees, the "**Call Options Fees**") on a quarterly basis, calculated based on an annual rate of the costs of the Equity Transfers and the exercisable period. The Company estimates that the Western Trust Call Option Fees shall not exceed RMB180 million and the Joint Venture Company Call Option Fees shall not exceed RMB230 million.

Others

In the event that the Call Options are not exercised as contemplated under the Cooperation Framework Agreement or a default occurs on the part of the Subsidiary, Western Trust is entitled to sell all its equity interest in the Joint Venture Company to third party purchaser(s), the Joint Venture Company is entitled to sell all of its equity interest in the Platform Companies to third party purchaser(s) and Western Trust is entitled to restructure the corporate governance of the Joint Venture Company and the Platform Companies at its sole discretion. Western Trust can drag along the equity interests of the Subsidiary in the Joint Venture Company, and can drag along the equity interests of the Subsidiary in

the Platform Companies via the Joint Venture Company. Upon the occurrence of such circumstances, the Subsidiary will withdraw from the management and operation of the Joint Venture Company and the Platform Companies.

In the event of a deadlock event (such as the failure to obtain management consensus on significant matters or failure by the Subsidiary or the Platform Companies to meet their respective obligations or targets, as the case may be), Western Trust is entitled to sell all its equity interest in the Joint Venture Company to third party purchaser(s). If such disposal is not completed within 2 months, the Subsidiary has the obligation to purchase all such equity interest in the Joint Venture Company from Western Trust at a consideration based on the Western Trust Initial Capital Contribution and, if any, any applicable outstanding Western Trust Call Option Fees, or the valuation thereof.

UNDERTAKINGS FROM THE COMPANY

The Company has provided undertakings to provide liquidity support for the Subsidiary's obligations under the Cooperation Framework Agreement and related agreements. Such undertaking is subject to a maximum cap which equals to the aggregate of the Western Trust Initial Capital Contribution and the Call Options Fees.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Transaction facilitates the continuing business development and operation of each of the Platform Companies (which are mainly engaged in rural gas-for-coal projects in the Northern region of China) whilst leveraging on the expertise and resources of Industrial Bank and Western Trust to optimise the shareholding structure of the Platform Companies by introducing the Joint Venture Company as the holding company of the Platform Companies.

The Directors (including the independent non-executive Directors) consider that the terms of the Cooperation Framework Agreement and the related documentation to be fair and reasonable which are on normal commercial terms, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

The Company intends to finance the Group's capital contributions and commitment to the Joint Venture Company and the transactions contemplated thereunder by internal resources.

INFORMATION OF THE PARTIES TO THE TRANSACTION

The Fund and the Platform Companies

The Fund is a limited partnership incorporated in the PRC. The general partner of the Fund is 深圳市中燃基金管理有限責任公司 (Shenzhen China Gas Fund Management Company Limited), which is held as to 70% by the Subsidiary and 30% by 中保投資有限責任公司 (China Insurance Investment Company Limited) ("**China Insurance Investment**"), the general partner of 中國保險投資基金(有限合夥) (China Insurance Investment Fund L.P.) ("**China Insurance Investment Fund**"). To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of

China Insurance Investment and China Insurance Investment Fund and their ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons. The general partner of the Fund holds a 0.2% stake in the Fund. The preferential limited partner of the Fund is China Insurance Investment Fund, which holds a 56.10% stake in the Fund. So far as the Company is aware, China Insurance Investment Fund is a state-controlled limited partnership as approved to be established by The State Council of the People's Republic of China. The deferred limited partner of the Fund is the Subsidiary, which holds a 43.90% stake in the Fund.

Prior to completion of the Equity Transfers, the Fund holds 99.9% equity interest in Platform Company I and 99.0% equity interest in each of Platform Company II, Platform Company III, Platform Company IV and Platform Company V, while the Subsidiary holds the remaining equity interest in each of the Platform Companies. Each of the Platform Companies is principally engaged in rural gas-for-coal projects in the Northern region of China.

Further financial information of the Fund for the two years year ended 31 March 2023 is set out in Note 19 to the Company's consolidated financial statements as set out in the annual reports of the Company for the year ended 31 March 2023 and for the year ended 31 March 2022.

Western Trust

Western Trust is a company incorporated in the PRC and is principally engaged in trust management. So far as the Company is aware, Western Trust is ultimately jointly invested and owned by companies including Shaanxi Investment Group Co., Ltd. (a company incorporated in the PRC and ultimately owned by Shaanxi Provincial People's Government State-owned Assets Supervision and Administration Commission) and Shaanxi Provincial Industrial Investment Co., Ltd. (a company incorporated in the PRC and ultimately owned by the Shaanxi Provincial Department of Finance). A trust scheme has been set up by Western Trust for the purpose of funding the Western Trust Initial Capital Contribution.

The Group and the Subsidiary

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.

The Subsidiary is a company incorporated in the PRC and a wholly-owned subsidiary of the Company. The Subsidiary is principally engaged in, among other things, invest in and establishment of industrial business and technological development and application of natural gas pipeline.

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 transactions contemplated under the Cooperation Framework Agreement (namely, the capital commitment in the Joint Venture Company by the Subsidiary, the guarantee in respect of the Bank Loan, the Call Options Fees and the potential fulfilment of obligation to purchase the equity interest in the Joint Venture Company from Western Trust, as well as the Equity Transfers) exceeds 5% but is less than 25%, the formation of the Joint Venture Company and the transactions contemplated under the Cooperation Framework Agreement 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.

DEFINITIONS

Unless the contents otherwise requires, the following expressions have the following meaning 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)
“Cooperation Framework Agreement”	the cooperation framework agreement dated 22 December 2023 entered into among the JV Partners and each of the Platform Companies in relation to, among others, the formation and management of the Joint Venture Company
“Director(s)”	the director(s) of the Company
“Equity Transfers”	the transfer of the Fund's entire interests in each of the Platform Companies to the Joint Venture Company as contemplated under the Cooperation Framework Agreement
“Fund”	中保投中燃(深圳)清潔能源發展基金(有限合夥) (China Insurance Investment China Gas (Shenzhen) Clean Energy Development Investment Fund L.P.*), a limited partnership established under the laws of the PRC pursuant to a limited partnership agreement dated 26 October 2016
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“Industrial Bank”	興業銀行 (Industrial Bank Company Limited), a joint stock company established with limited liability under PRC law, the shares of which are listed on the Shanghai Stock Exchange (stock code: 601166)
“Joint Venture Company”	the joint venture company to be established as contemplated under the Cooperation Framework Agreement and related agreements
“JV Partners”	collectively, the Subsidiary and Western Trust
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Platform Company I”	保定中燃宏潔能源開發集團有限公司 (Baoding China Gas Hongjie Energy Development Group Co., Ltd.*), a company established with limited liability under PRC law
“Platform Company II”	天津中燃宏潔能源集團有限公司 (Tianjin China Gas Hongjie Energy Group Co., Ltd.*), a company established with limited liability under PRC law
“Platform Company III”	滄州中燃能源發展有限公司 (Cangzhou Zhongran Energy Development Co., Ltd.*), a company established with limited liability under PRC law
“Platform Company IV”	廊坊市中燃宏勝能源科技有限公司 (Langfang Zhongran Hongsheng Energy Technology Co., Ltd.*), a company established with limited liability under PRC law
“Platform Company V”	邢臺中燃能源發展有限公司 (Xingtai Zhongran Energy Development Co., Ltd.*), a company established with limited liability under PRC law
“Platform Companies”	collectively, Platform Company I, Platform Company II, Platform Company III, Platform Company IV and Platform Company V
“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

“Subsidiary”	中燃燃氣實業(深圳)有限公司 (China Gas Industrial (Shenzhen) Limited*), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company, being one of the limited partners of the Fund
“Transaction”	the exit of the Fund from its equity interest in the Platform Companies pursuant to which the Joint Venture Company shall be established for the purpose of taking up such equity interest, the details of which are set out in this announcement
“Western Trust”	西部信託有限公司 (Western Trust Company Limited*), a company established with limited liability under PRC law
“%”	per cent

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

Hong Kong, 22 December 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. Ayush GUPTA 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*