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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 ELECTRICITY AND NEW ENERGY SEGMENT OF THE GROUP**

CAPITAL INCREASE

On 20 June 2025, the Target Company and Zhongran Gas (each a wholly-owned subsidiary of the Company), China Dual Carbon, Brilliant Linkwise and Beauty Asia entered into the Capital Increase Agreement, pursuant to which China Dual Carbon, Brilliant Linkwise and Beauty Asia agreed to subscribe for newly issued registered capital in the Target Company, representing an aggregate of 23% equity interest in the Target Company upon Completion, for an aggregate consideration of RMB216,000,000.

IMPLICATIONS UNDER THE LISTING RULES

Mr. LIU Ming Hui is the chairman and an executive Director and a substantial shareholder of the Company. Mr. HUANG Yong is the executive president and an executive Director of the Company. Ms. LIU Chang is an executive Director. Accordingly, each of Mr. LIU Ming Hui, Mr. HUANG Yong and Ms. LIU Chang is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Given China Dual Carbon, Brilliant Linkwise and Beauty Asia are each wholly-owned by Mr. LIU Ming Hui, Mr. HUANG Yong and Ms. LIU Chang, respectively, each of China Dual Carbon, Brilliant Linkwise and Beauty Asia is an associate of Mr. LIU Ming Hui, Mr. HUANG Yong and Ms. LIU Chang, respectively pursuant to Chapter 14A of the Listing Rules.

As the Capital Increase will dilute the Company's shareholding in the Target Company from 100% to 77%, the Capital Increase constitutes a deemed disposal under Rule 14.29 of 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 of the Capital Increase Agreement and the transactions contemplated thereunder will constitute a connected transaction of the Company subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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The principal terms of the Capital Increase Agreement are as follows:

Date

20 June 2025 (after trading hours)

Parties

- (1) The Target Company (a wholly-owned subsidiary of the Company)
- (2) Zhongran Gas (a wholly-owned subsidiary of the Company)
- (3) China Dual Carbon
- (4) Brilliant Linkwise
- (5) Beauty Asia

Pursuant to the Capital Increase Agreement, China Dual Carbon, Brilliant Linkwise and Beauty Asia will make capital contributions to the registered capital of the Target Company. Each of China Dual Carbon, Brilliant Linkwise and Beauty Asia shall pay 20% of their respective capital contributions by 31 December 2025, and the remaining 80% within three years after the date of the Capital Increase Agreement in cash to the receiving account of the Target Company.

Completion shall be subject to and conditional upon the Company's compliance with any necessary requirements in accordance with the Listing Rules.

SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

The following table sets out the shareholding structure of the Target Company before and immediately after Completion:

Shareholders	Interest in the registered capital of the Target Company before Completion <i>RMB</i>	Percentage of interest in the registered capital of the Target Company before Completion <i>%</i>	Consideration of the Capital Increase <i>RMB</i>	Interest in the registered capital of the Target Company immediately after Completion <i>RMB</i>	Percentage of interest in the registered capital of the Target Company immediately after Completion <i>%</i>
Zhongran Gas	670,136,700	100	–	670,136,700	77 ⁽²⁾
China Dual Carbon	–	–	65,739,130.4	60,921,518.18 ⁽¹⁾	7
Brilliant Linkwise	–	–	56,347,826.1	52,218,444.16 ⁽¹⁾	6
Beauty Asia	–	–	93,913,043.5	87,030,740.26 ⁽¹⁾	10
	670,136,700	100	216,000,000	870,307,402.60	100

Notes:

- (1) The amounts of RMB4,817,612.22, RMB4,129,381.94 and RMB6,882,303.24 shall be credited as capital reserve of the Target Company in respect of the capital contribution made by each of China Dual Carbon, Brilliant Linkwise and Beauty Asia, respectively.
- (2) 2% is intended to be allocated for certain future employee equity incentive schemes.

The consideration of the Capital Increase is determined after arm's length negotiation among the parties based on the Valuation as at 31 March 2025 by the Valuer, being RMB216,000,000.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The proceeds from the Capital Increase will be used primarily for the continued business development by the Target Company in the electricity and new energy segment. The Company considers that the Capital Increase by certain core management members of the Group demonstrate their long term commitment in the electricity and new energy segment that the Target Company is engaged in, and also align their interests with the Company's long-term strategic goals in this business segment, ensuring a unified direction and commitment in achieving the Group's vision of building a comprehensive framework for the business segment. The Capital Increase will also provide capital for further development of the business segment, supporting ongoing projects, research and development, and the expansion of the energy service offerings, and ensuring long-term growth and sustainability. The Company also considers that the business integration of the Group's electricity and new energy segment is crucial. By developing a comprehensive energy service ecosystem, the Target Company will evolve from a single electricity supplier to a green city operator, thereby redefining customer value, enhancing customer loyalty, and elevating service levels for industrial and commercial users. Business integration and process optimisation of the segment will establish a rapid-response collaborative system, thus improving resource allocation and decision-making efficiency. The Company believes that these strategic initiatives are essential for enhancing operational efficiency, setting new industry standards, and fostering the sustainable growth of the Group's electricity and new energy segment.

The Directors (including the independent non-executive Directors) consider that the Capital Increase is 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.

INFORMATION ON THE PARTIES OF THE CAPITAL INCREASE AGREEMENT

The Group and Zhongran Gas

The Group is one of China's largest trans-regional integrated energy suppliers and service providers. Presence mainly in China, it specializes in the investment, construction and operations of city and township gas pipelines, gas terminals, storage and transport facilities and logistics systems, delivering natural gas and liquified petroleum gas (LPG) to residential, industrial, and commercial users. The Group also builds and operates compressed natural gas (CNG) and liquefied natural gas (LNG) fueling stations while developing and applying natural gas and LPG technologies. At China Gas, years of exploration and growth were translated into a full-fledged business portfolio centered around piped gas, stretching across LPG, LNG, integrated energy, gas equipment and kitchen appliances and grid-based new retail in the private domain backed by stores.

Zhongran Gas is a wholly-owned subsidiary of the Company, and is principally engaged in, among other things, investment in and establishment of industrial business and technological development and application of natural gas pipeline.

Target Company

The Target Company is a limited liability company established in China. The Target Company is a wholly-owned subsidiary of the Company and is principally engaged in the sales of electricity and development, consultancy services and investment in clean energy. The Target Company operates on a national scale, focusing on expanding its presence in the power sector and advancing clean energy and low-carbon solutions. Since its establishment, the Target Company has played a key role in supporting strategic initiatives in energy innovation and sustainable development across China. An internal reorganisation (the Internal Reorganisation) has been conducted by the Group pursuant to which certain wholly-owned subsidiaries of the Company engaged in the same relevant electricity and new energy sector have become wholly-owned subsidiaries of the Target Company, the completion of which has taken place prior to the entering into of the Capital Increase Agreement.

Set out below are certain unaudited financial information of the Target Company for the years ended 31 March 2024 and 2025:

	Year ended 31 March 2024 (RMB'000) (unaudited)	Year ended 31 March 2025 (RMB'000) (unaudited)
Profit before tax	16,546	20,982
Profit after tax	<u>12,585</u>	<u>16,280</u>

As at 31 March 2025, the unaudited net asset value of the Target Company is RMB594,893,667.

China Dual Carbon

China Dual Carbon is a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. LIU Ming Hui, the chairman and an executive Director and a substantial shareholder of the Company.

Brilliant Linkwise

Brilliant Linkwise is a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. HUANG Yong, the executive president and an executive Director of the Company.

Beauty Asia

Beauty Asia is a company incorporated in the British Virgin Islands, which is wholly-owned by Ms. LIU Chang, an executive Director and the daughter of Mr. LIU Ming Hui.

FINANCIAL EFFECT OF THE CAPITAL INCREASE

Upon Completion, the Target Company will be owned as to 77% by Zhongran Gas (a wholly-owned subsidiary of the Company), 7% by China Dual Carbon, 6% by Brilliant Linkwise and 10% by Beauty Asia. Accordingly, the Group's equity interest in the Target Company will be diluted from 100% to 77% as a result of the Capital Increase.

Upon Completion, the Target Company will continue to be regarded as a subsidiary of the Company and the financial results of the Target Company will continue to be accounted for and consolidated into the financial results of the Group.

The Company does not expect to record any gain or loss as a result of the Capital Increase. The actual gain or loss, if any, as a result of the Capital Increase to be recorded by the Group is to be determined as at Completion and subject to audit.

IMPLICATIONS UNDER THE LISTING RULES

Mr. LIU Ming Hui is the chairman and an executive Director and a substantial shareholder of the Company. Mr. HUANG Yong is the executive president and an executive Director of the Company. Ms. LIU Chang is an executive Director and the daughter of Mr. LIU Ming Hui. Accordingly, each of Mr. LIU Ming Hui, Mr. HUANG Yong and Ms. LIU Chang is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Given China Dual Carbon, Brilliant Linkwise and Beauty Asia are each wholly-owned by Mr. LIU Ming Hui, Mr. HUANG Yong and Ms. LIU Chang, respectively, each of China Dual Carbon, Brilliant Linkwise and Beauty Asia is an associate of Mr. LIU Ming Hui, Mr. HUANG Yong and Ms. LIU Chang, respectively pursuant to Chapter 14A of the Listing Rules.

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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 of the Capital Increase Agreement and the transactions contemplated thereunder will constitute a connected transaction of the Company subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. LIU Ming Hui, Mr. HUANG Yong and Ms. LIU Chang have a material interest in the Capital Increase Agreement and the transactions contemplated thereunder. As such, each of them abstained from voting on the Board resolutions approving the Capital Increase Agreement. Prof. LIU Mingxing, a non-executive Director, also abstained from voting on such Board resolutions by virtue of his family relationship with Mr. LIU Ming Hui and Ms. LIU Chang. Save as disclosed above, none of the Directors had any material interest in the Capital Increase Agreement and no Director was required to abstain from voting on the Board resolutions for approving the Capital Increase Agreement at the meeting of the Board.

VALUATION

The Valuer issued the Valuation Report on 19 June 2025, assessing and concluding the market value of a 23% equity interest in the Target Company upon Completion as of the Valuation Date to be RMB216,000,000. The Valuation was conducted in accordance with the relevant standards issued by the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors, and the International Valuation Standards Council, and was prepared on a market value basis under the assumption of the Target Company's continued operation as a going concern.

Valuation Methodology

According to the Valuation Report, the Valuer has considered commonly adopted valuation approaches in the market (namely cost approach, market approach and income approach) for the purpose of determining the market value of a 23% equity interest in the Target Company upon Completion at the Valuation Date.

After careful consideration of the nature of the Target Company's business, the availability and reliability of financial and market data, and the purpose of the valuation, the Valuer determined that the market approach was the most appropriate valuation method.

The cost approach was not adopted as it does not adequately reflect the future economic benefits and growth of the Target Company's ongoing operations. The income approach was also not adopted due to the high degree of subjectivity and its sensitivity to long-term financial forecasts, both of which could materially affect the valuation outcome.

The market approach, specifically the enterprise value to normalized EBITDA multiple (EV/Normalized EBITDA) method, was selected as it is widely recognized for its ability to neutralize differences in capital structure, taxation and depreciation and amortization policies among comparable companies, thereby focusing on core operating profitability. The Valuer identified a group of listed companies in mainland China with comparable business models in the electricity sales sector, and derived the relevant valuation multiples from their publicly available financial data.

Scope of Work and Limitations

The Valuer's work included:

- a) collecting and reviewing financial and operational information of the Target Company, including unaudited management accounts as of the Valuation Date and audited financial statements for the preceding two years;
- b) conducting interviews and discussions with management to understand the business, historical performance, and future plans;
- c) researching and analysing industry trends and comparable market data;
- d) identifying and selecting appropriate listed comparable companies in the electricity sales sector in mainland China, based on business model, geographic focus, and data transparency; and
- e) applying the selected valuation methodology and performing necessary adjustments.

The Valuer's analysis was subject to certain limitations, including reliance on information provided by management and publicly available sources, which were not independently verified. The Valuer did not audit the financial data and assumed its accuracy and completeness. The Valuation does not reflect any events or circumstances arising after the Valuation Date. These limitations are consistent with market practice and are necessary to ensure a timely and cost-effective valuation process, as also noted in other market-based valuation reports.

Key inputs of the Valuation

Selection basis of the Comparable Companies

Based on the market approach, the market value of a 23% equity interest in the Target Company upon Completion was determined with reference to the business nature and operational information of the Comparable Companies. During the selection process of Comparable Companies, the Valuer has mainly focused on the following criteria:

- a) Industry: The main business must be electricity retail, and the volume of externally purchased electricity sold must exceed the volume of self-generated electricity.
- b) Geographic Scope: The primary area of operation must be within mainland China.
- c) Listed Company: The company must be publicly listed on a stock exchange to ensure transparency of financial data.

- d) Data Quality: Financial information must come from authoritative sources such as FactSet or from audited public disclosure documents.

Market multiple, adjustments and quantitative inputs

The selected comparable companies differ from the Target Company in terms of scale. Generally, larger companies are perceived to have lower operational and financial risks, resulting in a lower required rate of return by the market and, consequently, higher valuation multiples.

To more accurately reflect the risk profile of the Target Company and ensure the relevance of the selected multiples, a size premium was applied to the EV/normalized EBITDA multiples of the comparable companies. The adjustment was made using the following formula:

$$\text{Adjusted EV/normalized EBITDA multiple} = 1 / [(1/M) + \varepsilon * \theta]$$

Where:

M = EV/normalized EBITDA multiples of the Comparable Companies at the Valuation Date

ε = ratio of equity value to invested capital of the Comparable Companies, reflecting the impact of capital structure

θ = size premium differential, representing the additional cost of equity capital required to account for the size difference between the Comparable companies and the Target Company

The valuation parameters of the Comparable Companies as at the Valuation Date are shown in the table below:

Company	Business	Externally Purchased Electricity/ Self-generated Electricity	Adjusted EV/ normalized EBITDA multiple
Sichuan Mingxing Electric Power Co. Ltd.	The company's main business functions are the production and supply of electricity and heat, construction of power transmission and transformation projects and equipment installation. The company is also involved in the research and development of photoelectricity products, commodity trade, and other fields. The company has a vested interest in 11 subsidiaries and has business covering many regions in the Sichuan Province.	798.72%	11.65
Chongqing Three Gorges Water Conservancy and Electric Power Co., Ltd. Class A	The company's core business function is the production and supply of electricity. The company also covers diversified fields such as power equipment installation, advertising services, and sales of building materials and home appliances. The company is mainly engaged in the hydropower business and is one of the important power suppliers in the Chongqing area.	576.99%	14.71
Chongqing Fuling Electric Power Industrial Co Ltd Class A	The company specialises in the supply and sale of electric power. The company also provides power facilities installation services, energy conservation services, and power transmission and distribution equipment. The company is a key player in the electricity infrastructure of the Chongqing region.	All sales are sourced from externally purchased electricity	7.62

Company	Business	Externally Purchased Electricity/ Self-generated Electricity	Adjusted EV/ normalized EBITDA multiple
Sichuan Xichang Electric Power Co., Ltd.	The company's business covers the production, transmission, and distribution of electric power. The company is also involved in ferroalloy production, mineral development, and real estate. The company is responsible for guaranteeing the power supply in the Liangshan Prefecture and neighbouring areas.	182.83%	13.05
Leshan Electric Power Co., Ltd.	The company is mainly engaged in the supply of electricity, natural gas, photovoltaic new energy, and water. The company also provides contracting and testing services for electrical facilities. The company is a major provider of integrated energy services in Leshan.	783.55%	18.86
Hunan Chendian International Development Co., Ltd.	The company's business covers the supply of electricity, water, and industrial gas, as well as sewage treatment. The company also invests in the development of hydropower stations. With a focus on hydropower, the company promotes the development of regional green energy supply and environmental protection industry.	123.88%	12.48
			13.06

Currency: RMB Yuan; Source: FactSet database, Kroll Cost of Capital Navigator (2023)

The Valuer adopted a normalized EBITDA of RMB15,913,687 for the Target Company, after adjusting for non-operating and non-recurring items to enhance comparability. The average EV/normalized EBITDA multiple of the selected Comparable Companies, after adjustment for size as shown in the table above was 13.06. Given that the Target Company is not publicly listed, a 20.0% discount was applied to account for the lower liquidity, referencing empirical research on restricted stock transactions. A control premium of 23.5% was applied to reflect the additional value that a potential acquirer is willing to pay to obtain a controlling interest in the Target Company, in line with prevailing market practice for similar transactions.

The valuation also factored in the Target Company's cash position, construction-in-progress, long-term equity investments, other receivables and payables, lease liabilities, and minority interests as of the Valuation Date as well as the Internal Reorganisation. Based on the above methodology, inputs, and adjustments, the Valuer concluded that the market value of a 23% equity interest in the Target Company upon Completion as of 31 March 2025, was RMB216,000,000.

Assumptions

The principal assumptions adopted by the Valuer include:

- a) the Target Company will continue as a going concern;
- b) no material adverse changes in the economic, regulatory, or business environment after the Valuation Date;
- c) the management team remains competent and the business continues to operate in accordance with current plans; and
- d) all information provided to the Valuer is accurate and complete.

Identity, Qualification, and Independence of the Valuer

The Valuer is an independent professional valuation firm with relevant experience and qualifications in business and equity valuation. The Valuer is independent of the Group and the connected persons of the Company, and has provided written consent for the inclusion of its valuation opinion in this announcement. As confirmed by the Valuer, the Valuer's credentials and independence are consistent with market practice and regulatory requirements for connected transactions involving Hong Kong listed companies.

Board Review

The Board has reviewed the key assumptions, methodology, and procedures adopted in the valuation report. After due and careful consideration, the Board is satisfied that the valuation has been prepared on a fair and reasonable basis and is in the interests of the Company and its shareholders as a whole.

DEFINITIONS

The following expressions have the following meanings in this announcement:

“Beauty Asia”	美亞有限公司 (Beauty Asia Limited), a company incorporated in the British Virgin Islands and wholly-owned by Ms. LIU Chang
“Board”	the board of Directors
“Brilliant Linkwise”	輝煌聯智有限公司* (Brilliant Linkwise Limited), a company incorporated in the British Virgin Islands and wholly-owned by Mr. HUANG Yong
“Capital Increase”	the proposed injection of capital into the Target Company by China Dual Carbon, Brilliant Linkwise and Beauty Asia in accordance with the term and conditions of the Capital Increase Agreement as investments in the electricity and new energy segment of the Group
“Capital Increase Agreement”	the capital increase agreement dated 20 June 2025 entered into among the Target Company, China Dual Carbon, Brilliant Linkwise and Beauty Asia and Zhongran Gas
“China”	the People’s Republic of China
“China Dual Carbon”	中國雙碳管理科技有限公司 (China Dual Carbon Management Technology Limited), a company incorporated in the British Virgin Islands and wholly-owned by Mr. LIU Ming Hui
“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)
“Comparable Companies”	publicly listed companies that were considered to be comparable to the Target Company by the Valuer

“Completion”	completion of the Capital Increase pursuant to the terms set out in the Capital Increase Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. HUANG Yong”	Mr. HUANG Yong, the executive president and an executive Director of the Company
“Mr. LIU Ming Hui”	Mr. LIU Ming Hui, the chairman and an executive Director and a substantial shareholder of the Company
“Prof. LIU Mingxing”	Prof. LIU Mingxing, a non-executive Director, the younger brother of Mr. LIU Ming Hui and the uncle of Ms. LIU Chang
“Ms. LIU Chang”	Ms. LIU Chang, an executive Director and the daughter of Mr. LIU Ming Hui
“RMB”	Renminbi, the lawful currency of China
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	中燃宏明電力銷售有限公司 (China Gas Hongming Electricity Sales Limited*), a company established under the laws of China and a wholly-owned subsidiary of the Company
“Valuation”	the valuation of a 23% equity interest in the Target Company upon Completion prepared by the Valuer
“Valuation Date”	31 March 2025
“Valuation Report”	the valuation report assessing the market value of a 23% equity interest in the Target Company upon Completion as of 31 March 2025 prepared by the Valuer
“Valuer”	CHFT Advisory and Appraisal Ltd.

“Zhongran Gas”

中燃燃氣實業(深圳)有限公司 (China Gas Industrial (Shenzhen) Limited*),
a company established under the laws of China and a wholly-owned subsidiary of
the Company

“%”

per cent

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

Hong Kong, 20 June 2025

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, Prof. LIU Mingxing, Mr. Ayush GUPTA and Ms. ZHOU Xueyan 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*