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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

ACQUISITION OF 50% REMAINING INTEREST IN A JOINT VENTURE

The Board is pleased to announce that on 3 September 2013, the Company and the Sellers entered into the Share Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire from SK E&S and SK Gas approximately 45.82% and approximately 4.18% of the issued share capital of the Target Company, respectively, for a total consideration of RMB129,500,000 (equivalent to approximately HK\$ 161,875,000).

SK E&S is directly and indirectly interested in an aggregate of approximately 14.34% of the issued share capital of the Company by virtue of (i) its direct interest in approximately 12.82% of the Company; and (ii) its indirect interest in approximately 1.52% of the Company held through Pusan City Gas Co., Ltd., which is in turn owned as to approximately 43.99% by SK E&S. SK E&S is therefore a substantial shareholder and a connected person of the Company under Chapter 14A of the Listing Rules.

The Acquisition in respect of the 45.82% interest in the Target Company from SK E&S constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) is higher than 0.1% and less than 5%, the Acquisition is, pursuant to Rule 14A.32 of the Listing Rules, subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

INTRODUCTION

Pursuant to the Share Purchase Agreement, the Company has conditionally agreed to acquire from SK E&S and SK Gas approximately 45.82% and approximately 4.18% of the issued share capital of the Target Company, respectively, free from all encumbrances at Completion.

For details of the Target Company, please refer to the paragraph headed “Information on the Target Company” below.

THE SHARE PURCHASE AGREEMENT

Date : 3 September 2013

Parties

The Sellers : SK E&S
SK Gas

The Purchaser : China Gas Holdings Limited (i.e. the Company)

The Target Company : China Gas – SK Energy Holdings Co., Limited

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, SK Gas and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Consideration

The Consideration is RMB129,500,000 (equivalent to approximately HK\$ 161,875,000) which was determined based on arm’s length negotiation between the parties and on normal commercial terms having regard to the growth potential of the Target Company. The Consideration will be financed by internal resources of the Group and paid by the Company to the Sellers in cash on the Completion Date.

Conditions

Completion of the Acquisition is conditional upon fulfilment of the following conditions:

- (i) the warranties in the Share Purchase Agreement remaining true and accurate at Completion as if repeated at Completion and at all times between the date of the Share Purchase Agreement and Completion; and
- (ii) there having been no material adverse change since the date of the Share Purchase Agreement.

All the Conditions may be waived by the Company at its sole discretion at any time before Completion by notice in writing to the Sellers. If any of the Conditions shall not have been fulfilled or waived on the Completion Date, then the parties shall not be bound to proceed with the Acquisition and the Share Purchase Agreement shall terminate immediately upon written notice by either the Company or the Sellers to the other parties save in respect of claims arising out of any breach prior to the termination of the Share Purchase Agreement.

Completion

Completion will take place on the 10th Business Days after the date of the Share Purchase Agreement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated under Hong Kong laws with limited liability and is currently owned as to 50%, approximately 45.82% and approximately 4.18% by the Company, SK E&S and SK Gas, respectively. The Target Company is principally engaged in the provision of gas and energy for cities in the PRC.

A summary of the audited consolidated financial information of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards, is as follows:

| | For the year ended 31 December 2011 HK\$ | For the year ended 31 December 2012 HK\$ |
|---|---|---|
| Net profit/(loss) before taxation and extraordinary items | 4,363,464 | 1,235,715 |
| Net profit/(loss) after taxation and extraordinary items | 1,990,567 | (775,529) |

According to the audited financial statements of the Target Company, the audited net assets of the Target Company, on a consolidated basis, as at 31 December 2012 was approximately HK\$201,414,533.

INFORMATION OF THE GROUP AND THE SELLERS

The Group

The Group is primarily engaged in the construction and operation of city gas pipelines, and transmission of natural gas and sale of LPG to residential, industrial and commercial users in the PRC. The Group owns 184 city gas projects, the largest portfolio in the PRC. The Group also invests in associated infrastructure such as gas terminals, storage and transportation facilities, gas logistics systems and vehicle refilling stations and engages in the development and application of technologies relating to petroleum, natural gas and LPG in the PRC.

SK E&S

SK E&S is principally engaged in city gas, liquefied natural gas (LNG), and power business.

SK GAS

SK Gas is principally engaged in crude oil, natural gas, LPG, their by-products, and environment related business.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is principally engaged in investment and management of city gas projects in the PRC and currently owns the operational rights in Jinhua and Taizhou cities in Zhejiang province, distributing gas to about 100,000 households and 300 industrial and commercial customers. This acquisition is in line with the Company's investment strategy to explore the opportunities to increase interests in its existing project companies at a reasonable price which would in turn increase its revenue and profit for the benefit of the shareholders. With the connection of the West-East II national natural gas pipeline to Zhejiang province, Jinhua and Taizhou cities are expecting to be supplied with piped natural gas in 2014 which will further boost natural gas sales volume and profits in these two projects.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholder as a whole.

IMPLICATIONS UNDER THE LISTING RULES

SK E&S is directly and indirectly interested in an aggregate of approximately 14.34% of the issued share capital of the Company by virtue of (i) its direct interest in approximately 12.82% of the Company; and (ii) its indirect interest in approximately 1.52% of the Company held through Pusan City Gas Co., Ltd., which is in turn owned as to approximately 43.99% by SK E&S. SK E&S is therefore a substantial shareholder and a connected person of the Company under Chapter 14A of the Listing Rules.

The Acquisition in respect of the 45.82% interest in the Target Company from SK E&S constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) is higher than 0.1% but less than 5%, the Acquisition in respect of the 45.82% interest in the Target Company from SK E&S is, pursuant to Rule 14A.32 of the Listing Rules, subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement.

In view of his relationship with the SK Group, Mr. Yu Jeong Joon has a material interest in the Acquisition and has abstained from voting on the relevant board resolutions in respect of the Acquisition.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have following meanings:

| | |
|-----------------------|---|
| “Acquisition” | the acquisition of the 50% of the issued share capital of the Target Company by the Company from the Sellers as contemplated under the Share Purchase Agreement |
| “Board” | the board of Directors |
| “Business Days” | a day (other than a Saturday, Sunday or public holiday) on which banks are open for business in the PRC and Hong Kong |
| “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 of Hong Kong Limited (stock code: 384) |
| “Completion” | the completion of the Acquisition |
| “Completion Date” | the date of Completion |
| “Conditions” | the conditions of the Completion, which are set out in the paragraphs headed “The Share Purchase Agreement – Conditions” of this announcement |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Consideration” | the consideration for the Acquisition |
| “Directors” | the directors 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 PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “LPG” | liquefied petroleum gas |
| “PRC” | The People’s Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of the Share Purchase Agreement |

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|----------------------------|---|
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sellers” | SK E&S and SK Gas |
| “Share Purchase Agreement” | the conditional share purchase agreement dated 3 September 2013 entered into among the Company and the Sellers in relation to the Acquisition |
| “Shareholders” | the shareholders of the Company |
| “SK E&S” | SK E&S Co., Ltd., a company incorporated and registered under the laws of the Republic of Korea, being one of the Sellers |
| “SK Gas” | SK Gas Co., Ltd., a company incorporated and registered under the laws of the Republic of Korea, being one of the Sellers |
| “substantial shareholder” | has the meaning ascribed thereto under the Listing Rules |
| “Target Company” | China Gas – SK Energy holdings Limited, a company incorporated under the laws of Hong Kong, which is the target company in the Acquisition |

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of RMB 1.00 to HK\$ 1.25. This exchange rate is for illustration purposes only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

By the order of the Board of
China Gas Holdings Limited
Liu Ming Hui
Executive Chairman

Hong Kong, 3 September 2013

* *for identification purpose only*

As of the date of this announcement, Mr. LIU Ming Hui, Mr. LEUNG Wing Cheong, Eric, Mr. PANG Yingxue, Mr. ZHU Weiwei, Mr. MA Jinlong, Mr. Chen Xinguo, Mr. HUANG Yong and Mr. Zhuo Si are the Executive Directors; Mr. P. K. JAIN and Mr. YU Jeong Joon (his alternate being Mr. KIM Yong Joong) are the Non-executive Directors; and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. WONG Sin Yue, Cynthia, Mr. HO Yeung and Ms. CHEN Yanyan are the Independent Non-executive Directors.