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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 AND CONNECTED TRANSACTION AMENDED AND RESTATED SHARE PURCHASE AGREEMENT RELATING TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF BEIJING GAS DEVELOPMENT LIMITED AND ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

#### **AMENDED AND RESTATED SHARE PURCHASE AGREEMENT**

Reference is made to the announcement of the Company dated 26 November 2014, the circular of the Company dated 27 February 2015, the announcement of the Company dated 24 June 2015, the announcement of the Company dated 30 October 2015 and the announcement of the Company dated 31 March 2016 in relation to, among other things, the proposed acquisition of the entire issued share capital of Beijing Gas Development Limited, which constitutes a discloseable and connected transaction of the Company under the Listing Rules.

As disclosed in the Previous Announcements and Circular, on 26 November 2014, the Company, the Purchaser (being a wholly-owned subsidiary of the Company), the Seller and the Guarantor entered into the Original Share Purchase Agreement, pursuant to which the Purchaser agreed to acquire from the Seller the Sale Share (being the entire issued share capital of the Target Company) subject to the fulfilment of certain conditions, including but not limited to the completion of the Original Reorganisation. The parties to the Original Share Purchase Agreement subsequently entered into side agreements to extend the date by which the Original Conditions shall be fulfilled or waived. As at the date of this announcement, the Seller and the Target Company have not been able to complete the Original Reorganisation (being one of the Original Conditions) due to difficulties in obtaining local PRC governmental approvals for the transfer of the legal and/or beneficial interest in the Excluded Target Group Companies to the Target Company, accordingly the Original Completion has not taken place.

As such, to facilitate Completion of the Proposed Acquisition, on 28 June 2016 (after trading hours of the Stock Exchange), the Company, the Purchaser, the Seller and the Guarantor entered into the Amended and Restated Share Purchase Agreement, pursuant to which the parties thereto agreed to amend and restate certain terms of the Original Share Purchase Agreement, in particular, to amend the composition of the Target Group to exclude the Excluded Target Group Companies and to amend the scope of the Reorganisation to exclude the transfer of the legal and/or beneficial interest in the Hegang Entity and the Tangshan Entity to the Target Company. The Amended and Restated Share Purchase Agreement replaces and supersedes the Original Share Purchase Agreement in its entirety and all amendments thereto prior to the date of the Amended and Restated Share Purchase Agreement.

Pursuant to the Amended and Restated Share Purchase Agreement, the Purchaser has conditionally agreed to acquire from the Seller the Sale Share (being the entire issued share capital of the Target Company) for a Consideration of RMB1,213,443,000 (equivalent to approximately HK\$1,533,790,480), subject to adjustments. The Consideration shall be satisfied by the Company allotting and issuing 110,823,011 Consideration Shares at the Benchmark Share Price to the Seller (or a wholly-owned subsidiary of the Guarantor) at or after Completion, subject to adjustments. The Consideration Shares (or the Adjusted Consideration Shares, as the case may be) shall be issued under the Specific Mandate to be approved by the Shareholders at the SGM.

#### **LISTING RULES IMPLICATIONS OF THE PROPOSED ACQUISITION FOR THE COMPANY**

As at the date of this announcement, BEHL directly and indirectly owns 1,126,840,132 Shares, representing approximately 22.95% of the issued share capital of the Company. As such, BEHL is a connected person of the Company. The Seller is a wholly-owned subsidiary of BEHL. Therefore, the Seller is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

The amendments contemplated under the Amended and Restated Share Purchase Agreement constitute material variations to the terms of a discloseable and connected transaction of the Company under Rule 14.36 and Rule 14A.35 of the Listing Rules.

Pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules, the Proposed Acquisition will be aggregated with the transaction contemplated under the Jinzhou Equity Transfer Agreement. As the highest of the applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) of the Proposed Acquisition (whether on a standalone basis or aggregated with the transaction contemplated under the Jinzhou Equity Transfer Agreement) is more than 5% but less than 25% and the Proposed Acquisition involves issue of new Shares to a connected person of the Company, the Proposed Acquisition will be required to comply with the reporting, announcement and independent shareholders' approval requirements for a discloseable and connected transaction under the Listing Rules.

BEHL and its wholly-owned subsidiary, Hong Mao Developments Limited (which collectively hold an aggregate 22.95% interest in the Company as at the date of this announcement) shall be regarded as having a material interest in the Proposed Acquisition, and therefore BEHL, Hong Mao Developments Limited and their respective associates will abstain from voting on the resolution at the SGM to approve the Proposed Acquisition. As Mr. Zhou Si and Mr. Jiang Xinhao, being Directors of the Company, are also the directors of BEHL, both of them abstained from voting on the board resolutions to approve the Proposed Acquisition. Save as disclosed above, none of the Directors had any material interest in the Proposed Acquisition and no Director was required to abstain from voting on the board resolutions for approving the Proposed Acquisition.

### **CIRCULAR AND THE SGM**

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Proposed Acquisition and the transactions contemplated under the Amended and Restated Share Purchase Agreement. Central China International Capital Limited and President Securities (Hong Kong) Limited have been appointed as the joint independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Acquisition and the transactions contemplated under the Amended and Restated Share Purchase Agreement.

The SGM will be convened for the Shareholders to consider and, if thought fit, to approve the Amended and Restated Share Purchase Agreement, the transactions contemplated thereunder and the Specific Mandate. It is expected that a circular will be despatched to the Shareholders on or before 20 July 2016. The circular will contain, among other things, further details of the Proposed Acquisition, the transactions contemplated under the Amended and Restated Share Purchase Agreement and the Specific Mandate, a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and a letter from the Joint Independent Financial Advisers containing their advice to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition and the transactions contemplated under the Amended and Restated Share Purchase Agreement. The circular will also be accompanied by a notice to convene the SGM and the proxy form.

**Warning: The completion of the Proposed Acquisition is subject to satisfaction (or, if applicable, waiver) of all of the Conditions, and therefore the Proposed Acquisition may or may not be completed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or other securities of the Company.**

## INTRODUCTION

Reference is made to the announcement of the Company dated 26 November 2014, the circular of the Company dated 27 February 2015, the announcement of the Company dated 24 June 2015, the announcement of the Company dated 30 October 2015 and the announcement of the Company dated 31 March 2016 in relation to, among other things, the proposed acquisition of the entire issued share capital of Beijing Gas Development Limited (collectively, the “**Previous Announcements and Circular**”), which constitutes a discloseable and connected transaction of the Company under the Listing Rules.

As disclosed in the Previous Announcements and Circular, on 26 November 2014, the Company, the Purchaser (being a wholly-owned subsidiary of the Company), the Seller and the Guarantor entered into the Original Share Purchase Agreement, pursuant to which the Purchaser agreed to acquire from the Seller the Sale Share (being the entire issued share capital of the Target Company) subject to the fulfilment of certain conditions, including but not limited to the completion of the Original Reorganisation. The parties to the Original Share Purchase Agreement subsequently entered into side agreements to extend the date by which the Original Conditions shall be fulfilled or waived. As at the date of this announcement, the Seller and the Target Company have not been able to complete the Original Reorganisation (being one of the Original Conditions) due to difficulties in obtaining local PRC governmental approvals for the transfer of the legal and/or beneficial interest in the Hegang Entity and the Tangshan Entity, which were target group companies under the Original Share Purchase Agreement (the “**Excluded Target Group Companies**”), to the Target Company, accordingly the Original Completion has not taken place.

## AMENDED AND RESTATED SHARE PURCHASE AGREEMENT

As such, to facilitate Completion of the Proposed Acquisition, on 28 June 2016 (after trading hours of the Stock Exchange), the Company, the Purchaser, the Seller and the Guarantor entered into the Amended and Restated Share Purchase Agreement, pursuant to which the parties thereto agreed to amend and restate certain terms of the Original Share Purchase Agreement, in particular, to amend the composition of the Target Group to exclude the Excluded Target Group Companies and to amend the scope of the Reorganisation to exclude the transfer of the legal and/or beneficial interest in the Excluded Target Group Companies to the Target Company. The Amended and Restated Share Purchase Agreement replaces and supersedes the Original Share Purchase Agreement in its entirety and all amendments thereto prior to the date of the Amended and Restated Share Purchase Agreement.

## **Key terms of the Amended and Restated Share Purchase Agreement**

**Date** : 28 June 2016

### **Parties**

The Seller : Beijing Gas Group (BVI) Co., Ltd., being a wholly-owned subsidiary of the Guarantor

The Guarantor : Beijing Enterprises Holdings Limited

The Purchaser : Fresh Goal Limited, being a wholly-owned subsidiary of the Company

The Company : China Gas Holdings Limited

### **Subject matter of the Proposed Acquisition**

The Purchaser has agreed to purchase, and the Seller has agreed to sell, the Sale Share in accordance with the terms and conditions of the Amended and Restated Share Purchase Agreement.

As at the date of the Amended and Restated Share Purchase Agreement, the Target Group principally engages in the distribution of city gas, natural gas for vehicle use and the construction of long-distance natural gas pipelines in the PRC. Further details of the Target Group are set out in the section headed “Information of the Group, the Purchaser, the Seller, the Guarantor and the Target Group” in this announcement.

### **Consideration and Consideration Shares**

Under the Original Share Purchase Agreement, the consideration was RMB1,632,795,828 (equivalent to approximately HK\$2,063,851,945), subject to adjustments based on the net asset value of the Target Group (including the Excluded Target Group Companies) attributable to the Seller, and the number of Shares to be issued to the Seller (or a wholly-owned subsidiary of the Guarantor) as consideration was 149,122,250 Shares at a benchmark Share price of HK\$13.84 per Share, which represented a premium of approximately 3.10% over the average closing price per Share for the last five consecutive trading days as quoted on the Stock Exchange up to and including the day immediately prior to the date of the Original Share Purchase Agreement.

Under the Amended and Restated Share Purchase Agreement, the consideration (the “**Consideration**”) for the Proposed Acquisition of the Sale Share is RMB1,213,443,000 (equivalent to approximately HK\$1,533,790,480), subject to adjustments based on the net asset value of the Target Group attributable to the Seller.

The Consideration shall be satisfied by the Company allotting and issuing 110,823,011 new Shares of the Company (the “**Consideration Shares**”) at the Benchmark Share Price to the Seller (or a wholly-owned subsidiary of the Guarantor) at or after Completion, subject to adjustments. The issue price per Consideration Share is HK\$13.84 (the “**Benchmark Share Price**”), which represents a premium of approximately 22.35% over the average closing price per Share for the last five consecutive trading days as quoted on the Stock Exchange up to and including the day immediately prior to the date of the Amended and Restated Share Purchase Agreement.

The Consideration is subject to the following adjustments based on the net asset value of the Target Group as at 30 June 2014 attributable to the Seller as set out in the June Audited Accounts (the “**2014 Net Asset Value**”) multiplied by 1.4:

- (a) if the 2014 Net Asset Value multiplied by 1.4 is more than RMB1,213,443,000 (equivalent to approximately HK\$1,533,790,480), there shall be added to the Consideration an amount equal to such excess amount, and the Purchaser shall pay such amount in cash to the Seller; and
- (b) if the 2014 Net Asset Value multiplied by 1.4 is less than RMB1,213,443,000 (equivalent to approximately HK\$1,533,790,480), there shall be deducted to the Consideration an amount equal to such shortfall amount, and the Seller shall receive, instead of the Consideration Shares, such adjusted number of new Shares (the “**Adjusted Consideration Shares**”) which shall be calculated as follows:

Adjusted Consideration Shares = Consideration Shares – Reduced Shares

where:

Reduced Shares = (RMB1,213,443,000 (equivalent to approximately HK\$1,533,790,480) – 2014 Net Asset Value × 1.4)/Benchmark Share Price

For the avoidance of doubt, the number of Reduced Shares shall be rounded to the nearest integer.

### **Basis of determination of Consideration**

The Consideration for the Proposed Acquisition was agreed between the Purchaser and the Seller after arm’s length negotiations with reference to the net asset value as set out in the combined unaudited accounts of the Target Group as at 30 June 2014 and 30 April 2016 and having considered the future prospects of the Target Group.

### **Specific Mandate**

Pursuant to the Amended and Restated Share Purchase Agreement, 110,823,011 Consideration Shares (or the Adjusted Consideration Shares, as the case may be) will be allotted and issued by the Company to the Seller (or a wholly-owned subsidiary of the Guarantor) under the Specific Mandate to be approved by the Shareholders at the SGM.



The Consideration Shares (or the Adjusted Consideration Shares, as the case may be) will, upon issue and credited as fully paid, rank *pari passu* in all respects with all the existing Shares then in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and the permission to deal in, the Consideration Shares (or the Adjusted Consideration Shares, as the case may be).

### Effect of the issue of the Consideration Shares on the shareholding structure of the Company

For illustrative purposes only, assuming there is no change to the issued share capital of, and the shareholding in, the Company from the date of this announcement to the Completion Date, being the day on which the Consideration Shares will be issued to the Seller (or a wholly-owned subsidiary of the Guarantor), the shareholding structure of the Company, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry: (a) as at the date of this announcement, and (b) immediately after the issue of the Consideration Shares (assuming no adjustment will be made to the Consideration) will be as follows:

Name of Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares	
	Number of Shares	Approximate % <sup>(5)</sup>	Number of Shares	Approximate % <sup>(6)</sup>
The Seller and its close associates <sup>(1)</sup>	1,126,840,132	22.95	1,237,663,143	24.65
<b>Other Substantial Shareholders</b>				
China Gas Group Limited and its close associates <sup>(2)</sup>	754,908,000	15.37	754,908,000	15.03
SK E&S Co., Ltd and its close associates <sup>(3)</sup>	778,042,500	15.84	778,042,500	15.50
<b>Directors</b>				
Mr. LIU Ming Hui	287,798,000	5.86	287,798,000	5.73
Mr. HUANG Yong <sup>(4)</sup>	117,278,000	2.39	117,278,000	2.34
Mr. ZHU Weiwei	7,000,000	0.14	7,000,000	0.14
Mr. MA Jinlong	1,216,000	0.02	1,216,000	0.02
Mr. ZHAO Yuhua	1,400,000	0.03	1,400,000	0.03
Dr. MAO Erwan	1,800,000	0.04	1,800,000	0.04
Ms. WONG Sin Yue, Cynthia	<u>2,806,000</u>	<u>0.06</u>	<u>2,806,000</u>	<u>0.06</u>
<b>Public Shareholders</b>	<u>1,831,295,929</u>	<u>37.29</u>	<u>1,831,295,929</u>	<u>36.47</u>
<b>Total</b>	<u><b>4,910,384,561</b></u>	<u><b>100.00</b></u>	<u><b>5,021,207,572</b></u>	<u><b>100.00</b></u>

- The Seller is a wholly-owned subsidiary of BEHL. Each of Beijing Enterprises Group Company Limited (“**BE Group**”), Beijing Enterprises Group (BVI) Company Limited (“**BE Group BVI**”) and BEHL is deemed to be interested in 1,126,840,132 Shares, 72,752,000 of which are directly and beneficially owned by BEHL, and 1,054,088,132 of which are directly and beneficially owned by Hong Mao Developments Limited (“**Hong Mao**”). Hong Mao is wholly-owned by BEHL, which is deemed to be owned as to 60.78% by BE Group BVI. BE Group BVI is in turn wholly-owned by BE Group.

2. The Shares are directly and beneficially owned by China Gas Group Limited (“CGGL”). CGGL is owned as to 50% by Joint Coast Alliance Market Development (“Joint Coast”) which, in turn, is wholly-owned by Mr. LIU Ming Hui. The other 50% interest in CGGL is owned by Fortune Oil PRC Holdings Limited.
3. Among 778,042,500 Shares, 705,034,500 Shares are beneficially owned by SK E&S Ltd. and 73,008,000 Shares are owned by Pusan City Gas Co., Ltd., which is in turn owned as to 74.05% by SK E&S Ltd..
4. The Shares include 770,000 Shares held by Ms. ZHAO Xiaoyu, the spouse of Mr. HUANG Yong.
5. The percentage was calculated on the basis of 4,910,384,561 Shares in issue as at the date of this announcement and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.
6. The percentage was calculated on the enlarged issued share capital of the Company as a result of the issue of the Consideration Shares comprising a total of 5,021,207,572 Shares and is rounded to the nearest 2 decimal places. Numbers may not add up to 100% due to rounding.

### **Conditions to the Completion of the Amended and Restated Share Purchase Agreement**

Completion of the Proposed Acquisition is conditional upon:

1. completion of the due diligence in respect of the Target Group by the Purchaser;
2. the passing by the Independent Shareholders of a resolution to approve the Amended and Restated Share Purchase Agreement and the transactions contemplated thereunder and the allotment and issuance of the Consideration Shares at the SGM;
3. completion of the Reorganisation;
4. no obligation for a general offer in respect of the Shares (other than those held by or to be issued to the Seller (or a wholly-owned subsidiary of the Guarantor) pursuant to the Amended and Restated Share Purchase Agreement and any party acting in concert with it) shall arise for the Seller or any party acting in concert with it pursuant to Rule 26 of the Takeovers Code as a result of the Completion;
5. the Seller shall (to the extent required or applicable to it): (a) at its own expense, as soon as possible and in any event no later than 30 days after the date of the Amended and Restated Share Purchase Agreement, truly, accurately and completely report all relevant information on the Transaction to the relevant PRC tax authority in accordance with Article 9 of Bulletin 7, and provide the Purchaser with a copy of its written submission to the relevant PRC tax authority evidencing the submission, as soon as practicable after the relevant submission has been made; and (b) fully and promptly discharge all PRC Tax liabilities assessed on it, or levied, charged or required to be withheld by the Purchaser or any Target Group Company in relation to or otherwise arising from the sale of the Sale Share by it provided that nothing in this paragraph shall preclude the Seller from filing appeals or objections to any assessment levy or charge in accordance with applicable laws and rules;



6. all permits, consents, approvals, filings and clearances (including AML Filings) that are required for the Seller, the Seller Group, the Purchaser, the Purchaser Group or any of the Target Group Companies in connection with the execution, delivery and performance of the Transaction Documents and the consummation of the Proposed Acquisition having been obtained in accordance with the applicable laws or from any third parties, and such permits, consents, approvals, filings and clearances (including AML Filings) not having been withdrawn;
7. the Listing Committee having granted the approval for the listing of, and permission to deal in, the Consideration Shares or, if any adjustment is applied in the manner set out in the section headed “Consideration and Consideration Shares” above, the Adjusted Consideration Shares;
8. since the date of the Amended and Restated Share Purchase Agreement, there not having been a Material Adverse Change;
9. any of the Seller’s warranties under the Amended and Restated Share Purchase Agreement, to the extent that a breach would or would reasonably likely to result in a Material Adverse Change, remain true and accurate and not misleading at Completion by reference to the facts and circumstances existing at the relevant time; and
10. the Seller having materially complied with pre-Completion obligations set out in the Amended and Restated Share Purchase Agreement and otherwise performed in all material respects all of the covenants and agreements required to be performed by it under the Amended and Restated Share Purchase Agreement.

The Purchaser may at its sole discretion waive, either in whole or in part, all or any of the Conditions above (except the Conditions set out in paragraphs 2, 3, 4, 5, 6 and 7) at any time by notice in writing to the Seller. In the event that any of the Conditions shall not have been fulfilled or waived on or before 30 September 2016 (or such later date as the Purchaser and the Seller may agree in writing), then neither the Purchaser nor the Seller shall be bound to proceed with the purchase and sale of the Sale Share and the Amended and Restated Share Purchase Agreement shall terminate immediately upon written notice by either the Purchaser or the Seller to the other parties, save for certain clauses which shall survive such termination and save in respect of claims arising out of any breach prior to the termination of the Amended and Restated Share Purchase Agreement.

### **Guarantee**

Pursuant to the Amended and Restated Share Purchase Agreement, the Guarantor has irrevocably and unconditionally:

1. guaranteed to the Purchaser punctual performance by the Seller of all its obligations under the Transaction Documents to which it is a party; and
2. undertaken with the Purchaser that whenever the Seller does not pay any amount when due under or in connection with the Transaction Documents, the Guarantor shall immediately on demand and without deduction or withholding pay that amount as if it was the principal obligor.

## **Completion**

Completion will take place within 10 Business Days after all of the Conditions have been satisfied or waived (or such later date as the Seller and the Purchaser may agree in writing). Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

Within three months after the date of Completion, the Purchaser shall procure the repayment of the shareholders loans owed by the Target Group Companies to the Seller Group, the total amount of which is RMB304,017,436 (equivalent to approximately HK\$357,667,572) as at the date of the Amended and Restated Share Purchase Agreement.

## **Post-Completion acquisition of the Tangshan Entity**

Subject to Completion taking place, the Seller is willing to transfer 49% equity interest in the Tangshan Entity to the Purchaser at a consideration which may be determined principally in line with the pricing principles set out in the Original Share Purchase Agreement settled in cash or other means to be agreed by the Seller and the Purchaser (the “**Tangshan Acquisition**”). Subject to the Seller providing evidence to the reasonable satisfaction of the Purchaser that the Seller has obtained all permits, consents, approvals, filings and clearances (including AML Filings) that are required such that, subject to the execution of a separate sale and purchase agreement for the Tangshan Acquisition, the Seller is ready, willing and able to transfer or procure the transfer 49% equity interest in Tangshan Entity to the Purchaser, the Purchaser may in its sole and absolute discretion elect to notify the Seller in writing within 30 days after its receipt of the abovementioned evidence that the Purchaser shall purchase 49% equity interest in the Tangshan Entity. The completion of the Tangshan Acquisition will be conditional upon the fulfilment of certain conditions, including but not limited to all permits, consents, approvals, filings and clearances (including AML Filings) that are required for Tangshan Acquisition having been obtained in accordance with the applicable laws or from any third parties, and such permits, consents, approvals, filings and clearances (including AML Filings) not having been withdrawn. The detailed terms of the Tangshan Acquisition will be set out in a separate sale and purchase agreement for the Tangshan Acquisition to be separately negotiated by the parties in accordance with the principles the Amended and Restated Share Purchase Agreement.

The Tangshan Entity is a company established under the laws of the PRC on 18 August 1993 with a registered capital of RMB540,816,300. It is primarily engaged in city gas business.

The Company will comply with the requirements of the applicable Listing Rules and make further announcement(s) in this respect as and when appropriate.

## FINANCIAL INFORMATION OF THE TARGET GROUP

A summary of the unaudited combined financial information of the Target Group as provided by the Seller is as follows:

	<b>For the 4 months ended 30 April 2016 RMB'000 (unaudited)</b>	<b>For the year ended 31 December 2015 RMB'000 (unaudited)</b>	<b>For the year ended 31 December 2014 RMB'000 (unaudited)</b>
Net profit before taxation	17,631	40,595	32,774
Net profit after taxation	14,247	26,884	33,412
Combined net asset value	1,964,601	1,940,393	1,818,842

The net asset value of the Target Group attributable to the Seller as at 30 June 2014 and 30 April 2016 were RMB866,745,000 and RMB1,004,355,778 respectively.

## LISTING RULES IMPLICATIONS OF THE PROPOSED ACQUISITION FOR THE COMPANY

As at the date of this announcement, BEHL directly and indirectly owns 1,126,840,132 Shares, representing approximately 22.95% of the issued share capital of the Company. As such, BEHL is a connected person of the Company. The Seller is a wholly-owned subsidiary of BEHL. Therefore, the Seller is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

The amendments contemplated under the Amended and Restated Share Purchase Agreement constitute material variations to the terms of a discloseable and connected transaction of the Company under Rule 14.36 and Rule 14A.35 of the Listing Rules.

Pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules, the Proposed Acquisition will be aggregated with the transaction contemplated under the Jinzhou Equity Transfer Agreement. As the highest of the applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) of the Proposed Acquisition (whether on a standalone basis or aggregated with the transaction contemplated under the Jinzhou Equity Transfer Agreement) is more than 5% but less than 25% and the Proposed Acquisition involves issue of new Shares to a connected person of the Company, the Proposed Acquisition will be required to comply with the reporting, announcement and independent shareholder' approval requirements for a discloseable and connected transaction under the Listing Rules.

BEHL and its wholly-owned subsidiary, Hong Mao Developments Limited (which collectively hold an aggregate 22.95% interest in the Company as at the date of this announcement) shall be regarded as having a material interest in the Proposed Acquisition, and therefore BEHL, Hong Mao Developments Limited and their respective associates will abstain from voting on the resolution at the SGM to approve the Proposed Acquisition. As Mr. Zhou Si and Mr. Jiang Xinhao, being Directors of the Company, are also the directors of BEHL, both of them abstained from voting on the board resolutions to approve the Proposed Acquisition. Save as disclosed above, none of the Directors had any material interest in the Proposed Acquisition and no Director was required to abstain from voting on the board resolutions for approving the Proposed Acquisition.

## **REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION**

The Directors consider that the Proposed Acquisition is in line with the business strategies and the expansion plan of the Group.

The business of the Target Group in the PRC focuses on the distribution of city gas, natural gas for vehicle use and the construction of long-distance natural gas pipelines and the Target Group has 10 city gas projects, 3 CNG and 1 LNG gas stations for vehicles as well as 1 long-distance natural gas pipeline. The coverage of the Target Group principally includes Liaoning, Heilongjiang, Shandong and Anhui. The Group also runs various projects in these areas. Jinzhou of Liaoning has long been known as an industrial city in the PRC. As a result, these areas have a considerable number of industrial users which presents great market potential. The business of the Target Group is expected to complement and generate synergy with the Group's existing business. Given that the Target Group has completed the connection of most of its long distance natural gas pipelines, together with the increasing demand for winter heating supply and the growing prevalence of the "coal-to-gas" policy, it is believed that the Proposed Acquisition will greatly enhance the Group's performance and offer a better roadmap for the Group's future business development. In addition, the Target Group's operations which are secured under various concession agreements and government permission for exclusive operation through joint venture cooperation will provide new impetus to business growth of the Group.

The Directors believe that Proposed Acquisition will expand the urban population coverage of the Group's projects, increase the number of gas users and boost the natural gas sales, therefore generating new momentum for the continuing growth of the Group's business.

The Directors (other than the independent non-executive Directors who will form an opinion after taking into consideration the recommendation of the Joint Independent Financial Advisers) consider that the terms of the Proposed Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

## **INFORMATION OF THE GROUP, THE PURCHASER, THE SELLER, THE GUARANTOR AND THE TARGET GROUP**

### **The Group**

The Group is a gas operator and service provider principally engaged in the investment, construction and operation of city gas pipeline infrastructure facilities, gas terminals, storage and transportation facilities, gas logistics systems, transmission of natural gas and LPG to residential, industrial and commercial users, construction and operation of compressed natural gas/liquefied natural gas refilling stations as well as development and application of technologies relating to natural gas and LPG in China.

### **The Purchaser**

The Purchaser is a wholly-owned subsidiary of the Company. Its principal activity is investment holding.

### **The Seller**

The Seller is a wholly-owned subsidiary of BEHL and is an investment holding company which holds the entire issued share capital of the Target Company.

### **The Guarantor**

The Guarantor is a company incorporated under the laws of Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 392). The Guarantor and its subsidiaries principally engage in the distribution and sale of piped natural gas, the provision of natural gas transmission, gas technology consultation and development services, surveying and plotting of underground construction projects, the construction and installation of gas pipelines and related equipment and the provision of repair and maintenance services in Beijing, the PRC, the production, distribution and sale of beer in Beijing and other provinces in the PRC, the construction of sewage and water treatment plants and other infrastructural facilities and the provision of construction services for comprehensive renovation projects in the PRC and Malaysia, sewage treatment, water treatment and distribution in the PRC and the Portuguese Republic, and the provision of consultancy services and the licensing of technical know-how that are related to sewage treatment in the PRC.

### **The Target Group**

Under the Original Share Purchase Agreement, the Target Company was a special purpose vehicle for holding interest in 12 PRC project companies (which included the Excluded Target Group Companies) subject to completion of the Original Reorganisation.

As the Original Reorganisation could not be completed, under the Amended and Restated Share Purchase Agreement, the Target Company is a special purpose vehicle for holding interest in 10 PRC project companies (which does not include the Excluded Target Group Companies) subject to completion of Reorganisation. The 10 project companies are established in the PRC of which the Seller Group holds majority interest in seven of them and minority interest in three of them. The principal business of these project companies are holding, managing and operating 10 gas projects in various provinces in the PRC, including Liaoning, Heilongjiang, Shandong and Anhui provinces involving the distribution of city gas, natural gas for vehicle use and the construction of long-distance natural gas pipelines.

## **CIRCULAR AND THE SGM**

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Proposed Acquisition and the transactions contemplated under the Amended and Restated Share Purchase Agreement. Central China International Capital Limited and President Securities (Hong Kong) Limited have been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Acquisition and the transactions contemplated under the Amended and Restated Share Purchase Agreement.

The SGM will be convened for the Shareholders to consider and, if thought fit, to approve the Amended and Restated Share Purchase Agreement, the transactions contemplated thereunder and the Specific Mandate. It is expected that a circular will be despatched to the Shareholders on or before 20 July 2016. The circular will contain, among other things, further details of the Proposed Acquisition, the transactions contemplated under the Amended and Restated Share Purchase Agreement and the Specific Mandate, a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and a letter from the Joint Independent Financial Advisers containing their advice to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition and the transactions contemplated under the Amended and Restated Share Purchase Agreement. The circular will also be accompanied by a notice to convene the SGM and the proxy form.

## **GENERAL**

**Warning: The completion of the Proposed Acquisition is subject to satisfaction (or, if applicable, waiver) of all of the Conditions, and therefore the Proposed Acquisition may or may not be completed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or other securities of the Company.**



## DEFINITIONS

“2014 Net Asset Value”	has the meaning as ascribed to it in the section headed “Consideration and Consideration Shares” of this announcement
“Adjusted Consideration Shares”	has the meaning ascribed to it in the section headed “Consideration and Consideration Shares” of this announcement, individually an “Adjusted Consideration Share”
“AMB”	Anti-Monopoly Bureau of the Ministry of Commerce of the PRC
“Amended and Restated Share Purchase Agreement”	the amended and restated share purchase agreement dated 28 June 2016 entered into among the Purchaser, the Company, the Seller and the Guarantor in relation to the Proposed Acquisition
“AML”	Anti-Monopoly Law of the PRC
“AML Filings”	means all filings required to be made by the Purchaser (with the assistance provided by the Seller) to the AMB in relation to the Proposed Acquisition pursuant to the AML
“associates”	has the meaning ascribed to it under the Listing Rules
“BEHL”/“Guarantor”	Beijing Enterprises Holdings Limited (北京控股有限公司), a company incorporated under the laws of Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 392)
“Benchmark Share Price”	has the meaning ascribed to it in the section headed “Consideration and Consideration Shares” of this announcement
“Board”	the board of Directors
“Bulletin 7”	the tax notice issued by the PRC State Administration of Taxation titled the “State Administration of Taxation’s Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises” (State Administration of Taxation Bulletin [2015] No. 7), as may be amended or supplemented from time to time, including any similar or replacement law on the tax treatment of the offshore indirect transfer of any China Taxable Property and including any applicable laws in the PRC against the avoidance of PRC tax
“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

“China Taxable Property”	means the property of an “establishment or place” situated in the PRC, real estates situated in the PRC, equity interests in PRC resident enterprises and any other property directly held by a non-resident enterprise and whose transfer results in enterprise income tax liability for the non-resident enterprise in accordance with the provisions of the Enterprise Income Tax Law of the PRC
“close associates(s)”	has the meaning ascribed to it under the Listing Rules
“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)
“Completion”	the completion of the Proposed Acquisition
“Completion Date”	the date of Completion
“Conditions”	the Conditions to the Completion, which are set out in the section “Conditions to the Completion of the Amended and Restated Share Purchase Agreement” of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	has the meaning ascribed to it under the section headed “Consideration and Consideration Shares” of this announcement
“Consideration Shares”	has the meaning ascribed to it under the section headed “Consideration and Consideration Shares” of this announcement, individually a “Consideration Share”
“Directors”	the directors of the Company
“Excluded Target Group Companies”	has the meaning ascribed to it in the section headed “Introduction” of this announcement
“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 People’s Republic of China
“Hegang Entity”	Hegang Juyuan Coalbed Methane Corporation Ltd.* (鶴崗聚源煤層氣有限責任公司), a company established under the laws of the PRC

“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, being Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. WONG Sin Yue, Cynthia, Mr. HO Yeung and Ms. CHEN Yanyan, established to advise the Independent Shareholders in respect of the Proposed Acquisition and the transactions contemplated under the Amended and Restated Share Purchase Agreement
“Independent Shareholders”	Shareholders other than BEHL, Hong Mao Developments Limited and their respective associates
“Jinzhou Equity Transfer Agreement”	the equity transfer agreement dated 23 June 2016 entered into between Shenzhen City Zhongran Gas Company Limited* (深圳市中燃燃氣有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser, and Beijing Gas Group Limited (北京燃氣集團有限公司), as vendor in relation to the acquisition of 51% equity interest in PetroChina Beijing Gas (Jinzhou) Natural Gas Co., Ltd.* (中石油北燃(錦州)燃氣有限公司)
“Joint Independent Financial Advisers”	Central China International Capital Limited and President Securities (Hong Kong) Limited, being the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition and the transactions contemplated under the Amended and Restated Share Purchase Agreement
“June Audited Accounts”	(i) the combined audited pro forma statement of financial position of the Target Group as at 30 June 2014 and (ii) the combined audited pro forma statement of profit or loss for the six months ended 30 June 2014 of the Target Group to be prepared by Deloitte Touche Tohmatsu, the auditors appointed by the Purchaser
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“LPG”	liquefied petroleum gas
“Material Adverse Change”	any change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a material adverse change on: (a) the ability of the Seller to perform its obligations under the Transaction Documents; or (b) the business, assets and liabilities, condition (financial or otherwise), results of operations or near prospects of the Target Group as a whole

“Original Completion”	the completion of the proposed acquisition of the Sale Share by the Purchaser from the Seller as contemplated under the Original Share Purchase Agreement
“Original Conditions”	the conditions to the Original Completion
“Original Reorganisation”	the transfer by three affiliates of the Seller to the Target Company or its wholly-owned subsidiary of the legal and/or beneficial interest in certain target group companies as contemplated under the Original Share Purchase Agreement
“Original Share Purchase Agreement”	the share purchase agreement dated 26 November 2014 entered into among the Purchaser, the Company, the Seller and the Guarantor in relation to the proposed acquisition of the Sale Share (as amended by certain side agreements), which is replaced and superseded by the Amended and Restated Share Purchase Agreement
“PRC”	People’s Republic of China
“Previous Announcements and Circular”	has the meaning ascribed to it in the section headed “Introduction” of this announcement
“Proposed Acquisition”	the proposed acquisition of the Sale Share by the Purchaser from the Seller as contemplated under the Amended and Restated Share Purchase Agreement
“Purchaser”	Fresh Goal Limited, a company incorporated and registered under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“Purchaser Group”	the group of companies comprising the Purchaser and its affiliates (including, following Completion, the Target Group Companies)
“Reorganisation”	the transfer by three affiliates of the Seller to the Target Company or its wholly-owned subsidiary of the legal and/or beneficial interest in certain Target Group Companies
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	the entire issued share capital of the Target Company
“Seller”	Beijing Gas Group (BVI) Co., Ltd., a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of BEHL

“Seller Group”	the group of companies comprising the Seller and its affiliates (excluding the Target Group Companies)
“SGM”	a special general meeting to be convened by the Company to consider and approve the Proposed Acquisition, the transactions contemplated under the Amended and Restated Share Purchase Agreement and the Specific Mandate
“Shareholders”	holders of Shares
“Shares”	the ordinary shares of the Company with par value of HK\$0.01 each, and each a “Share”
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Independent Shareholders to allot and issue the Consideration Shares at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tangshan Acquisition”	has the meaning ascribed to it in the section headed “Post-Completion acquisition of the Tangshan Entity” of this announcement
“Tangshan Entity”	Tangshan Gas Group Co., Ltd.* (唐山市燃氣集團有限公司), a company established under the laws of the PRC
“Target Company”	Beijing Gas Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Seller as of the date of this announcement
“Target Group”	the Target Company and 10 companies established in the PRC principally engaged in the holding, management and operations of PRC projects and business relating to natural gas, details of which are set out in the section headed “Information of the Group, the Purchaser, the Seller, the Guarantor and the Target Group — The Target Group” in this announcement and “Target Group Companies” shall be construed accordingly
“Transaction Documents”	the Amended and Restated Share Purchase Agreement, the disclosure letter dated the date of the Amended and Restated Share Purchase Agreement provided by the Seller to the Purchaser and any other document entered into pursuant to the Amended and Restated Share Purchase Agreement

*Save for the amount of the Consideration, for which conversion of RMB into HK\$ is calculated at the exchange rate of HK\$1=RMB0.79114 (being the median rate between the buying rate and the selling rate of HK\$ to RMB or RMB to HK\$ (as the case may be) as announced by the People's Bank of China at the date of the Original Share Purchase Agreement), for the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of HK\$1=RMB0.85 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 order of the Board of  
**China Gas Holdings Limited**  
**ZHOU Si**  
Chairman

Hong Kong, 28 June 2016

*As of the date of this announcement, Mr. ZHOU Si, Mr. LIU Ming Hui, Mr. HUANG Yong, Mr. ZHU Weiwei, Mr. MA Jinlong and Ms. LI Ching are the executive Directors; Mr. YU Jeong Joon (his alternate being Mr. KIM Yong Joong), Mr. LIU Mingxing, Mr. Arun Kumar MANCHANDA and Mr. JIANG Xinhao 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.*

\* *For identification purpose only*