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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)

### INSIDE INFORMATION — UPDATES ON LITIGATION

The announcement is made by China Gas Holdings Limited (the “**Company**”) pursuant to Rule 13.09 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to: (i) the announcement of the Company dated 29 April 2011 in relation to the Legal Proceedings initiated against the Company by Mr. Li Xiao Yun and Mr. Xu Ying, two former directors of the Company (collectively referred to as the “**Plaintiffs**”), with regards to their Option Shares; and (ii) the announcement of the Company dated 15 October 2015 in relation to the Appeal Judgment and the Company’s intention to appeal the Appeal Judgment (collectively, the “**Announcements**”). Unless otherwise specified, terms in this announcement shall have the same meanings as those defined in the Announcements.

The Legal Proceedings were initiated against the Company by the Plaintiffs with regards to their respective purported exercise of share options of the Company, which would entitle Mr. Li Xiao Yun and Mr. Xu Ying to 10,000,000 and 95,000,000 shares of the Company respectively, in relation to which the Company did not allot and issue the Option Shares to them. As regards the share options granted to Mr. Li Xiao Yun, the exercise prices were HK\$0.80 per share for 5,000,000 Option Shares (granted in 2004) and HK\$1.50 per share for the other 5,000,000 Option Shares (granted in 2005). As regards the share options granted to Mr. Xu Ying, the exercise prices were HK\$0.80 per share for 5,000,000 Options Shares (granted in 2004) and HK\$0.71 per share for the remaining 90,000,000 Option Shares (granted in 2004). In light of their wrongdoings (details of which are set out in the circular of the Company dated 6 April 2011), the Plaintiffs were also removed from their respective offices as directors of the Company in April 2011.

On 15 October 2015, the Court of Appeal of Hong Kong (the “**Court of Appeal**”) ordered the Company to, among others, pay the Plaintiffs a total sum of HK\$279,291,087.44 as damages (the “**Judgment**”). On 16 March 2016, the Company applied to the Appeal Committee of the Court of Final Appeal of Hong Kong (the “**Court of Final Appeal**”) for leave to appeal against the Judgment.

The Board wishes to inform its shareholders that on 18 August 2016, the Court of Final Appeal did not give leave to the Company to appeal against the Judgment (the “**Final Appeal Decision**”). This court action has therefore concluded. The Company will pay the full Judgment sum of HK\$279,291,087.44 plus interest and costs of (among others) the trial, the appeal and the applications for leave to appeal. The total interest accrued up to and including 22 February 2016, being the latest date up to which the accrued interest can be determined, is approximately HK\$83,772,020.54. The applicable interest rate in respect of the interest accrued subsequent to 22 February 2016 is being determined by the Court of Appeal. The total legal costs will be assessed in due course.

The Company had already made provision in its financial statements for the year ended 31 March 2016 for the Judgment sum of HK\$279,291,087.44 and the sum of HK\$8,019,094.26, being the part of the accrued interest which was able to be determined when the Company paid such sums into the court on 23 February 2016.

The Board considers that the outcome of the Legal Proceedings would not have a material adverse impact on the Company and its subsidiaries. The Company wishes to reiterate that the Board always endeavours to protect the interests of the Company and its shareholders as a whole. The purpose of the Company granting share options to eligible persons is to provide incentive and reward to such persons for their contributions to the Company. However, in light of this litigation and to avoid further dispute in future, the Company has during the formulation of the new share option scheme in 2013 made it abundantly clear that, if any grantees have been found to have caused harm to the Company’s interests or have not contributed to the Company, the Board shall have the right to cancel the share options granted to such persons in accordance with the terms of the relevant share option schemes and grant letters.

By order of the Board  
**China Gas Holdings Limited**  
**ZHOU Si**  
*Chairman*

Hong Kong, 18 August 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*