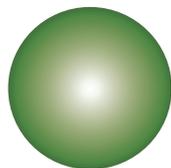


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元亨燃氣  
YUANHENG GAS

## **YUAN HENG GAS HOLDINGS LIMITED**

**元亨燃氣控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 332)**

### **TWO CONTINUING CONNECTED TRANSACTIONS**

On 30 June 2022, Huaheng Energy entered into (i) the Piped Gas Purchase Agreement 1A in respect of the sale and purchase of natural gas with GG Renhuai; (ii) Piped Gas Purchase Agreement 1B in respect of the transport of the natural gas bought from GG Renhuai with GG Pipeline; and (iii) the LNG Purchase Agreement in respect of the sale and purchase of LNG with GG Natural Gas.

As each of the Agreements is entered into between an indirect non-wholly owned subsidiary of the Company (namely Huaheng Energy) and a connected person of the Company at the subsidiary level only (namely GG Pipeline, GG Renhuai and GG Natural Gas) on normal commercial terms or better, the Company is required to comply with the reporting and announcement requirements but are exempted from the circular, (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

The Directors (including the independent non-executive Directors) have confirmed and considered that the transactions contemplated under the Piped Gas Purchase Agreements and the LNG Purchase Agreement have been subject to arm's length negotiation between Huaheng Energy and the respective parties, and have been entered into by Huaheng Energy in the ordinary and usual course of business and on normal commercial terms or better and which are no less favourable to the Group than those available to or from Independent Third Parties and are of the view that the transactions contemplated under the Piped Gas Purchase Agreements and the LNG Purchase Agreement and the respective proposed annual caps thereunder for the period from 1 July 2022 to 31 May 2023 are fair and reasonable, are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. Since no Director is considered to have material interest in the Piped Gas Purchase Agreements, the LNG Purchase Agreement and the respective transactions contemplated thereunder, no Director have abstained from voting on the resolutions passed at the Board meeting held on 30 June 2022 to approve the Piped Gas Purchase Agreement 1A, Piped Gas Purchase

Agreement 1B, the LNG Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps).

On 30 June 2022, Huaheng Energy entered into (i) the Piped Gas Purchase Agreement 1A in respect of the sale and purchase of natural gas with GG Renhuai; (ii) Piped Gas Purchase Agreement 1B in respect of the transport of the natural gas bought from GG Renhuai with GG Pipeline; and (iii) the LNG Purchase Agreement in respect of the sale and purchase of LNG with GG Natural Gas.

Details of the agreements are set out below.

## **PRINCIPAL TERMS OF THE AGREEMENTS**

### **1. Piped Gas Purchase Agreement 1A and Piped Gas Purchase Agreement 1B**

Date: 30 June 2022

Parties: (1) Huaheng Energy, as purchaser  
(2) GG Renhuai, as seller in Piped Gas Purchase Agreement 1A

GG Pipeline, as service provider in Piped Gas Purchase Agreement 1B

Term: For the period from 1 July 2022 to 31 May 2023

Subject matter: Huaheng Energy has agreed to purchase and GG Renhuai have agreed to sell natural gas to Huaheng Energy pursuant to Piped Gas Purchase Agreement 1A, and the natural gas to be sold to Huaheng Energy will be transported via GG Pipeline's pipelines pursuant to the Piped Gas Purchase Agreement 1B.

These two agreements together constitute one transaction in respect of the sale and purchase of the natural gas, but two separate agreements are entered into which are requested by GG Group to satisfy their administrative, payment and settlement purposes only.

Pricing basis: Under Piped Gas Purchase Agreement 1A, GG Renhuai shall source the natural gas to sell to Huaheng Energy and the price of the natural gas shall be the actual settlement price of the natural gas sold and charged by the immediate seller of natural gas to GG Renhuai which are normally one of the PRC state-owned companies.

Under Piped Gas Purchase Agreement 1B, GG Pipeline shall charge Huaheng Energy the pipeline usage fee at the rate of RMB0.483 per cubic meter (inclusive of VAT) for the natural gas sold by GG Renhuai to Huaheng Energy, subject to adjustment as agreed between Huaheng Energy and GG Pipeline.

**Payment term:** Actual price of the natural gas payable shall be determined weekly between each of GG Renhuai, GG Pipeline and Huaheng Energy upon verification by the relevant parties, while Huaheng Energy is required to pay the expected amount in advance.

**Annual cap:** Proposed annual cap for the period for purchase price and pipeline usage fee of piped gas is as follows:

	<b>Annual cap</b> <i>RMB'000</i>
1 July 2022 to 31 May 2023	1,259,000

**Basis of the annual cap:** The annual cap under the Piped Gas Purchase Agreements was determined based on the estimated natural gas demand multiplied by the projected price of the natural gas and the pipeline usage fee and the following matters:

- (a) the historical transaction amount and costs of piped gas purchased by the Group from the GG Group;
- (b) the production and operation capacity of the Group, in particular Huaheng Energy;
- (c) the projected gradual increase in demand of piped gas throughout the period with estimated purchase of piped gas from the Group's customers;
- (d) the projected price of natural gas and pipeline usage fee for the relevant period; and
- (e) a buffer to accommodate changes in market conditions.

The historical transaction amounts of piped gas purchased (including pipeline usage fee) by Huaheng Energy from GG Pipeline for the two years ended 31 December 2021 and 2020, and the amount for the six months ended 30 June 2022 are set out below:

	<b>Total historical transaction amount of piped gas RMB'000</b>
For the year ended 31 December 2020	290,647
For the year ended 31 December 2021	458,928
For the six months ended 30 June 2022	463,500

It should be noted that the historical amounts for year ended 31 December 2020 was initially adversely affected by the coronavirus outbreak in early January 2020 in the PRC which caused nationwide shutdown and disruption and hence caused a decrease in piped gas usage and also a reduction in the price of the piped gas. Although business operation has gradually been resumed, the war in Ukraine and a new coronavirus outbreak in the second quarter of 2022 in the PRC have once again disrupted the global business operations and energy market and as a result, natural gas prices are expected to remain relatively high in 2022 compared to previous years.

## 2. LNG Purchase Agreement

Date:	30 June 2022
Parties:	(1) Huaheng Energy, as purchaser  (2) GG Natural Gas, as seller
Term:	For the period from 1 July 2022 to 31 May 2023
Subject matter:	Huaheng Energy has agreed to purchase and GG Natural Gas has agreed to sell LNG subject to the terms and conditions contained in the LNG Purchase Agreement.
Pricing basis:	The price shall be (i) agreed by the parties according to the prevailing average monthly market price of LNG in the PRC, and (ii) subject to the adjustments that may be made by (a) 國家發展與改革委員會 (National Development and Reform Commission of the PRC) (“NDRC”), 中國石油天然氣股份有限公司 (PetroChina Company Limited) (an Independent Third Party) and other relevant government departments to the price of natural gas products; and (b) the amount caused by any change or surcharges made by relevant government departments on the transportation fees or electricity suppliers directly attributable to the natural gas to be supplied.

The parties have continuously been utilizing the national direct reporting site for commodity prices of the Department of Price of NDRC operated by Sublime China Information Co., Limited (commonly known as SCI) (an Independent Third Party) for nationwide natural gas market price for pricing purposes and other relevant market data.

**Payment term:** Actual price of the LNG payable shall be determined monthly between GG Natural Gas and Huaheng Energy upon verification of the actual LNG sold and purchased by both parties, while Huaheng Energy is required to pay the expected amount of LNG to be purchased monthly in advance based on previous month's usage, adjusted by the actual price of the current month.

**Annual cap:** Proposed annual cap for the period for purchase of LNG is as follows:

**Annual cap**  
*RMB'000*

1 July 2022 to 31 May 2023 828,000

**Basis of the annual cap:** The annual cap under the LNG Purchase Agreement was determined based on estimated LNG demand multiplied by the projected price of the LNG and the following matters:

- (a) the historical transaction amount and costs of LNG purchased by the Group from the GG Group;
- (b) the production and operation capacity of the Group, in particular Huaheng Energy;
- (c) the demand estimated for LNG during the period;
- (d) the projected price of LNG during the period; and
- (e) a buffer to accommodate changes in market conditions.

**Total historical transaction amount of LNG**  
*RMB'000*

For the year ended 31 December 2020	50,033
For the year ended 31 December 2021	41,581
For the six months ended 30 June 2022	103,737

Similarly, the historical amounts for year ended 31 December 2020 was initially adversely affected by the coronavirus outbreak in early January 2020 in the PRC which caused nationwide shutdown and disruption and hence caused a decrease in LNG usage and demand. Although business operation and demand has gradually been resumed, the war in Ukraine and a new coronavirus outbreak in the second quarter of 2022 in the PRC have once again disrupted the business operations and demand on the one hand, and the energy market and supply on the other hand. Likewise, LNG prices are expected to remain relatively high in 2022 compared to previous years.

## **REASONS FOR ENTERING INTO THE AGREEMENTS AND THE ANNUAL CAPS**

The Group and GG Group have been transacting numerous natural gas products and services since 2014 and have entered into various framework agreements, purchase agreements and/or services agreements in relation to the purchase or sale of various natural gas products or services between members of the Group and members of GG Group and are expected to continue.

In view of the ongoing global coronavirus pandemic, the recent outbreak of the coronavirus pandemic in the PRC and the war in Ukraine since the second quarter of 2022, which continued to contribute and exacerbate the very volatile situation in the oil and gas industry, together with the disruptive effects caused by sudden lockdowns and logistics chaos and bottlenecks, the GG Group have requested to revise certain terms of the previous agreements, and both parties have negotiated and agreed on the principal terms for the transactions as contemplated under the respective agreements set out in this announcement.

The Agreements are entered into to replace the previous agreements (as announced by the Company on 31 December 2021 “the **Announcement**”) at the request of GG Group for the following reasons: (i) two separate agreements (instead of previously one agreement) of the Piped Gas Purchase Agreements were entered into for satisfying GG Group’s administrative, payment and settlement purposes, and (ii) a new term of 11 months ending May 2023 which reflect and tie in with the terms of the revised agreements entered into between GG Group and their upstream natural gas suppliers. Other than these changes, other terms continue to reflect the common market practice and terms for transactions of similar types and are in substance similar to the previous agreements of similar types entered into between the parties.

As previously announced, the respective annual caps of the previous agreements have been based on the calendar year which tie in with the financial year of our operating subsidiaries in the PRC, where the calendar year is the period they normally make their annual forecasts and business plans. However, the continued effect of the global coronavirus pandemic coupled with the recent new coronavirus outbreak in the PRC and the war in Ukraine have made the market players more difficult to predict or forecast in the already volatile global business and energy market. Therefore, new or revised agreements have been entered by various market players to secure or safeguard continued supply of natural gas in response to the changed market situation. In this regard, the Board considers entering into of the new Agreements to replace the previous agreements is beneficial to the Company and the Shareholders as a whole because the business terms are in substance similar to the previous agreements of similar types entered into between the parties, and the changes are in effect to satisfy the administrative procedures of GG Group

and tie in with the terms of the revised agreements entered into between GG Group and their upstream suppliers so as to minimize their commercial risks, which in return will minimize our commercial risks to lose one of our long-term and stable supplier.

Taking in account all the factors, the Board considers the terms of the Agreements are beneficial to all concerned and their revised annual caps are fair and reasonable as this would enable better business forecasts in view of the volatile and uncertain situation and will not have any adverse impact to the business or financial position of the Company at all.

Although our Group and GG Group are competitors in the same oil and gas industry, it is also common practice that market players often will trade among themselves for different types of gas products for many different reasons, such as due to different geographical locations to minimize transportation costs or to secure steady and cost effective sources of supply, or due to seasonal fluctuations so as to maintain steady sources of supply.

So far as the board is aware, GG Group generally provides the most cost effective and reliable sources of supplies of natural gas in Guizhou Province to Huaheng Energy, where it is located.

On the other hand, our Group also sources natural gas from other suppliers, processes and produces LNG in other regions outside Guizhou Province and is open for sale to all buyers. For information purpose, our Group has also entered into a LNG supply agreement supplying LNG products to GG Group and no term needs to be amended (please refer to the Announcement for further details).

## **BOARD CONFIRMATIONS**

The Directors (including the independent non-executive Directors) have confirmed and considered that the transactions contemplated under the Piped Gas Purchase Agreements and the LNG Purchase Agreement have been subject to arm's length negotiation between Huaheng Energy and the respective parties, and have been entered into by Huaheng Energy in the ordinary and usual course of business and on normal commercial terms or better and which are no less favourable to the Group than those available to or from Independent Third Parties and are of the view that the transactions contemplated under the Piped Gas Purchase Agreements and the LNG Purchase Agreement and the respective proposed annual caps thereunder for the period from 1 July 2022 to 31 May 2023 are fair and reasonable, are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. Since no Director is considered to have material interest in the Piped Gas Purchase Agreements, the LNG Purchase Agreement and the respective transactions contemplated thereunder, no Director have abstained from voting on the resolutions passed at the Board meeting held on 30 June 2022 to approve the Piped Gas Purchase Agreements, the LNG Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps).

## **LISTING RULES IMPLICATIONS**

Guizhou Gas holds 50% interests in Huaheng Energy, a company established under the laws of the PRC and an indirectly non-wholly owned subsidiary of the Company where the Company indirectly holds the remaining 50% interests in it, and therefore, Guizhou Gas is a connected person of the Company.

As each of GG Pipeline, GG Renhuai and GG Natural Gas is a subsidiary of Guizhou Gas, thus Guizhou Gas, GG Pipeline and GG Natural Gas are connected persons of the Company and the transactions contemplated under the Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As each of the Agreements is entered into between an indirect non-wholly owned subsidiary of the Company (namely Huaheng Energy) and a connected person of the Company at the subsidiary level only (namely GG Pipeline, GG Renhuai and GG Natural Gas) on normal commercial terms or better, the Company is required to comply with the reporting and announcement requirements but are exempted from the circular, (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

## **INFORMATION ON THE GROUP**

The Company is an investment holding company. The Group is principally engaged in (i) trading of oil and gas products and the provision of related consultancy services; and (ii) processing, distribution, sales, trading and transportation of LNG and other auxiliary operations and networks in the PRC.

Huaheng Energy is a company established under the laws of the PRC and an indirectly non-wholly owned subsidiary of the Company holding 50% of its interests, where the remaining 50% interests is held by Guizhou Gas. Huaheng Energy is a licensed natural gas dealer for the supply and sale of natural gas. It also operates two LNG satellite stations located in Renhuai Famous Wine Industrial Park and Kweichow Moutai Distilleries in Renhuai, Guizhou, PRC for the storage and distribution of natural gas to the white wine distilleries.

## **INFORMATION ON GG GROUP**

GG Pipeline is a company established under the laws of the PRC and is a non-wholly owned subsidiary of Guizhou Gas. It is principally engaged in investment in pipeline infrastructure and sale of piped gas. The Company has an indirect equity interests of about 10.59% in GG Pipeline.

GG Renhuai is a company established under the laws of the PRC and is a wholly-owned subsidiary of Guizhou Gas. It is principally engaged in sales of natural gas.

GG Natural Gas is a company established under the laws of the PRC and is a wholly-owned subsidiary of Guizhou Gas. It is principally engaged in sales of natural gas.

## DEFINITIONS

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

“Agreements”	collectively the Piped Gas Purchase Agreement 1A, the Piped Gas Purchase Agreement 1B and the LNG Purchase Agreement
“Board”	the board of Directors
“Company”	Yuan Heng Gas Holdings Limited, a company incorporated in Bermuda with limited liability, its issued Shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Guizhou Gas”	貴州燃氣集團股份有限公司 (Guizhou Gas Group Corporation Ltd*), formerly known as 貴州燃氣(集團)有限責任公司 (Guizhou Gas (Group) Co., Ltd*), a company established under the laws of the PRC and its shares are listed on the Shanghai Stock Exchange
“GG Group”	collectively, Guizhou Gas and its subsidiaries
“GG Natural Gas”	貴州省天然氣有限公司 (Guizhou Province Natural Gas Co., Ltd.*), a company established under the laws of the PRC and is a wholly-owned subsidiary of Guizhou Gas
“GG Pipeline”	貴州燃氣(集團)天然氣支線管道有限公司 (Guizhou Gas (Group) Natural Gas Branch Pipeline Co., Ltd.*), a company established under the laws of the PRC and is a non-wholly owned subsidiary of Guizhou Gas
“GG Renhuai”	貴州燃氣(集團)仁懷市燃氣有限責任公司 (Guizhou Gas (Group) Renhuai City Gas Co., Ltd.*), a company established under the laws of the PRC and is a wholly-owned subsidiary of Guizhou Gas
“Huaheng Energy”	貴州華亨能源投資有限公司 (Guizhou Huaheng Energy Investment Co., Ltd*), a company established under the laws of the PRC and an indirectly non-wholly owned subsidiary of the Company holding 50% of its interests

“Independent Third Party”	to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, a third party independent of the Company and connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas
“LNG Purchase Agreement”	the agreement dated 30 June 2022 and entered into between Huaheng Energy and GG Natural Gas regarding the purchase of natural gas by Huaheng Energy from GG Natural Gas
“Piped Gas Purchase Agreement 1A”	the agreement dated 30 June 2022 and entered into between Huaheng Energy and GG Renhuai regarding the purchase of natural gas by Huaheng Energy from GG Renhuai
“Piped Gas Purchase Agreement 1B”	the agreement dated 30 June 2022 and entered into between Huaheng Energy and GG Pipeline regarding the transfer of natural gas by Huaheng Energy by using the pipelines of GG Pipeline
“Piped Gas Purchase Agreements”	collectively Piped Gas Purchase Agreement 1A and Piped Gas Purchase Agreement 1B
“PRC”	The People’s Republic of China
“Shareholders”	holders of ordinary share(s) in the Company of HK\$0.10 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Yuan Heng Gas Holdings Limited**  
**Wang Jianqing**  
*Chairman and Chief Executive Officer*

Hong Kong, 30 June 2022

*As at the date of this announcement, the executive Directors are Mr. Wang Jianqing and Mr. Bao Jun; and the Independent non-executive Directors are Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie.*

\* *for identification purpose only*