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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)**

### **CONTINUING CONNECTED TRANSACTION: LNG SUPPLY AGREEMENT**

On 13 January 2023, Yuanheng Gas entered into the LNG Supply Agreement in respect of the sale and purchase of LNG with GG Natural Gas. As the LNG Supply Agreement is entered into between an indirect wholly owned subsidiary of the Company (namely Yuanheng Gas) and a connected person of the Company at the subsidiary level only (namely 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 transaction contemplated under the LNG Supply Agreement have been subject to arm's length negotiation between Yuanheng Gas and GG Natural Gas, and has been entered into by Yuanheng Gas 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 transaction contemplated under the LNG Supply Agreement and the proposed annual cap for the one-year period ending 31 December 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 LNG Supply Agreement and the transaction contemplated thereunder, no Director have abstained from voting on the resolutions passed at the Board meeting held on 13 January 2023 to approve the LNG Supply Agreement and the transaction contemplated thereunder (including the proposed annual cap).

On 13 January 2023, Yuanheng Gas entered into the LNG Supply Agreement in respect of the sale and purchase of LNG with GG Natural Gas.

Details of the LNG Supply Agreement are set out below.

## **PRINCIPAL TERMS OF THE LNG SUPPLY AGREEMENT**

Date: 13 January 2023

Parties: (1) Yuanheng Gas, as seller  
(2) GG Natural Gas, as purchaser

Term: One year from 1 January 2023 to 31 December 2023

Subject matter: Yuanheng Gas has agreed to sell and GG Natural Gas has agreed to purchase LNG subject the terms and conditions contained in the LNG Supply Agreement.

Pricing basis: The price shall be agreed by the parties based on the prevailing average market price of LNG in the PRC.

The parties have continuously been utilizing the national direct reporting site for commodity prices of the Department of Price of 國家發展與改革委員會 (National Development and Reform Commission of the PRC) (“**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 and settled monthly between GG Natural Gas and Yuanheng Gas upon verification by both parties. GG Natural Gas shall pay Yuanheng Gas after Yuanheng Gas tenders the VAT invoices to GG Natural Gas.

Annual cap: Proposed annual cap for the one-year period for supply of LNG is as follows:

**Annual cap**  
*RMB'000*

14 January 2023 to 31 December 2023 60,000

*Note:* From 1 January 2023 to the date of the LNG Supply Agreement, no LNG was sold under the LNG Supply Agreement.

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

- (a) the historical transaction amount and costs of LNG supplied by Yuanheng Gas to the GG Natural Gas;
- (b) the production and operation capacity of the Group, in particular Yuanheng Gas;
- (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.

The historical transaction amounts of LNG supplied by Yuanheng Gas to GG Natural Gas for the three years ended 31 December 2020, 2021 and 2022 are set out below:

	<b>Total historical transaction amount of LNG RMB'000</b>
Year ended 31 December 2020 (audited)	171,611
Year ended 31 December 2021 (audited)	79,669
Year ended 31 December 2022 ( <i>note</i> )	46,957

*Note:* The figure for the year ended 31 December 2022 are based on the management accounts.

## **REASONS FOR ENTERING INTO THE LNG SUPPLY AGREEMENT AND THE ANNUAL CAP**

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 continuing global coronavirus pandemic and the recent resurgence of coronavirus pandemic in China and the continuing volatile situation in the global oil and gas industry, together with the disruptive effects caused by sudden lockdowns and logistics chaos and bottlenecks, both parties have negotiated and agreed on the principal terms of the LNG Supply Agreement to remain fundamentally the same as the recently expired agreement governing the same underlying transaction which expired on 31 December 2022.

As a result and after arms lengths negotiations, the parties agreed to continue to follow their PRC operating companies' financial year period (being the same as the calendar year) as the term of the LNG Supply Agreement, where they normally make their annual forecasts and business plans, and would be more practical in the continued unstable global environment. Likewise, the basis for the annual cap of the LNG Supply Agreement is also determined based on this twelve-month period as the transaction contemplated thereunder will be able to better tie in with the business plans and annual forecasts of the parties which were based on their respective financial year.

The Board considers this is beneficial to all concerned as this would enhance the efficacy of business forecasts of each relevant subsidiary company 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.

Our Group sources natural gas from other suppliers, processes and produces LNG in other regions outside Guizhou Province and is open for sale to all buyers. In view of the industry nature and our long term relationship with GG Group, our Group via one of our subsidiaries, Yuanheng Gas has entered into the LNG Supply Agreement with a member of GG Group to supply them our Group's LNG products. In addition to the LNG Supply Agreement, the Group and GG Group currently have two other continuing connected transactions that are subsisting, details of which please refer to the announcement of the Company dated 30 June 2022.

## **BOARD CONFIRMATIONS**

The Directors (including the independent non-executive Directors) have confirmed and considered that the transaction contemplated under the LNG Supply Agreement have been subject to arm's length negotiation between Yuanheng Gas and GG Natural Gas, and has been entered into by Yuanheng Gas 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 transaction contemplated under the LNG Supply Agreement and the proposed annual cap for the one-year period ending 31 December 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 LNG Supply Agreement and the transaction contemplated thereunder, no Director have abstained from voting on the resolutions passed at the Board meeting held on 13 January 2023 to approve the LNG Supply Agreement and the transaction contemplated thereunder (including the proposed annual cap).

## **LISTING RULES IMPLICATIONS**

Guizhou Gas holds 50% interests in 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 where the Company indirectly holds the remaining 50% interests in it, and therefore, Guizhou Gas is a connected person of the Company.

As GG Natural Gas is a subsidiary of Guizhou Gas, thus GG Natural Gas is a connected person of the Company and the transaction contemplated under the LNG Supply Agreement constitute a continuing connected transaction under Chapter 14A of the Listing Rules.

As the LNG Supply Agreement is entered into between an indirect wholly owned subsidiary of the Company (namely Yuanheng Gas) and a connected person of the Company at the subsidiary level only (namely 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.

Yuanheng Gas is a company established under the laws of the PRC and an indirectly wholly owned subsidiary of the Company. Yuanheng Gas and its subsidiaries are engaged in the LNG processing, distribution, sales, trading and transportation and other auxiliary operations and networks in the PRC.

## **INFORMATION ON GG GROUP**

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. Guizhou Gas is a company established under the laws of the PRC and a leading gas corporation in Guizhou Province, PRC. The GG Group is the largest operator of intercity gas pipeline networks and sales of natural gas in Guizhou Province, PRC. Guizhou Gas was listed on the Shanghai Stock Exchange on November 2017 (stock code 600903).

## DEFINITIONS

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

“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
“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
“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
“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 Supply Agreement”	the agreement dated 13 January 2023 and entered into between Yuanheng Gas and GG Natural Gas regarding the supply of natural gas by Yuanheng Gas to GG Natural Gas
“PRC”	The People’s Republic of China
“Shareholders”	holders of ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Yuanheng Gas”

廣州元亨燃氣有限公司 (Guangzhou Yuanheng Gas Co., Limited\*), a wholly foreign-owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

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

Hong Kong, 13 January 2023

*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*