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## **SINO GAS HOLDINGS GROUP LIMITED**

**中油潔能控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1759)**

**(1) DISCLOSEABLE TRANSACTION  
IN RELATION TO THE ACQUISITION OF  
THE REMAINING 50% EQUITY INTERESTS IN  
HENAN BLUE SKY SINO GAS TECHNOLOGY COMPANY LIMITED ; AND  
(2) CHANGE IN USE OF PROCEEDS**

### **THE ACQUISITION**

On 27 February 2020 (after trading hours), HK Investment, an indirect wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor and Henan Blue Sky, pursuant to which, HK Investment has agreed to purchase, and the Vendor has agreed to sell, the Sale Shares, representing 50% of the equity interests of Henan Blue Sky, at a total cash consideration of RMB19,000,000 (equivalent to approximately HK\$21,112,518.61).

Henan Blue Sky is a joint venture entity of the Company established in the PRC principally engaged in the supply of CNG by operating a CNG Mother Station located in Zhumadian City and 3 CNG refuelling stations in Zhumadian City and Xinyang City in Henan Province, the PRC, and has been owned as to 50% by the Group (through HK Investment) and 50% by the Vendor since July 2015. Upon completion of the Acquisition, Henan Blue Sky will become a wholly-owned subsidiary of the Company.

### **LISTING RULES IMPLICATION**

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction under Rule 14.06 of the Listing Rules.

**Completion is subject to the completion of the Relevant Procedures as set out in the Sale and Purchase Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **CHANGE IN USE OF PROCEEDS**

The Shares of the Company were listed on the main board of the Stock Exchange on 28 December 2018 and the Net Proceeds amounted to approximately HK\$120.3 million. Having considered the continuous effect of the changes in the business environment, in order to utilise the Net Proceeds in a more effective way and to capture favourable investment opportunities, the Board reviewed the utilisation of the Net Proceeds and resolved to further reallocate the portion of the use of Net Proceeds to finance the Acquisition, details of which are set out in this announcement.

The Board is pleased to announce that on 27 February 2020 (after trading hours), HK Investment, an indirect wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor and Henan Blue Sky, pursuant to which, HK Investment has agreed to purchase, and the Vendor has agreed to sell, the Sale Shares, representing 50% of the equity interests of Henan Blue Sky, at a total cash consideration of RMB19,000,000 (equivalent to approximately HK\$21,112,518.61). Details of the Sale and Purchase Agreement are set out below:

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

27 February 2020

### **Parties**

1. Purchaser: HK Investment
2. Vendor: Henan Blue Sky Gas Corporation (河南藍天燃氣股份有限公司); and
3. Henan Blue Sky (as the target of the Acquisition)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the existing shareholding held by the Vendor in Henan Blue Sky as at the date of this announcement, the Vendor (including its ultimate beneficial owner(s)) are Independent Third Parties.

### **Assets to be acquired**

50% of the equity interests of Henan Blue Sky

### **Consideration**

The consideration for the Acquisition is RMB19,000,000 (equivalent to approximately HK\$21,112,518.61), which shall be paid by the Purchaser to the Vendor in the following manner:

1. The Purchaser shall pay to the Vendor RMB6,000,000 within 15 days after signing of the Sales and Purchase Agreement (the “**First Payment**”), upon which the Purchaser shall take over the management of Henan Blue Sky; and
2. Within one month from the First Payment, the Vendor shall assist the Purchaser in completing all approvals, filings, registration and other procedures in the Administration for Industry and Commerce (the “**Relevant Procedures**”). Upon the completion of all Relevant Procedures, the Purchaser shall pay to the Vendor the remaining balance of RMB13,000,000 within 3 business days.

The consideration was negotiated between the parties on an arm’s length basis based on the net asset value of Henan Blue Sky as at 31 December 2019 (at RMB32,974,705.04). The Directors consider that the consideration for the Acquisition is fair and reasonable and in the interests of the Company and its shareholders as a whole. The Acquisition will be financed by the Net Proceeds, details of which are set out in the section headed “Change in Use of Proceeds” below.

### **Completion**

Completion shall take place on the date on which all Relevant Procedures and any changes in directorship of Henan Blue Sky have been completed and payment of the remaining balance of RMB13,000,000 by the Purchaser to the Vendor shall take place within 3 business days after Completion.

### **INFORMATION ON HENAN BLUE SKY**

Henan Blue Sky is a limited liability company established under the laws of PRC on 16 May 2007 and was owned in equal shares by HK Investment and Henan Blue Sky Gas Corporation (河南藍天燃氣股份有限公司) with a registered and issued capital of RMB20,000,000. Henan Blue Sky has been a joint venture entity of the Company since July 2015. Henan Blue Sky is primarily engaged in the investment and operation of a CNG Mother Station located in Zhumadian City and 3 CNG refuelling stations in Zhumadian City and Xinyang City, Henan Province, the PRC. Henan Blue Sky has been under the management of the Vendor since July 2015.

The following is a summary of the certain unaudited financial information of Henan Blue Sky for each of the two years ended 31 December 2019, which is prepared in accordance with generally accepted accounting principles in the PRC :

	<b>Year ended 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Revenue	34,791	31,109
Profit before taxation	396	2,017
Net profit after taxation	396	1,849

As at 31 December 2019, the unaudited net asset value of Henan Blue Sky was RMB32,974,705.04.

## **INFORMATION OF THE GROUP**

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange. The principal business activity of the Company is investment holding. The Group is an integrated LPG and natural gas supplier with a complete industry in the PRC. The Group primarily engages in the operation of LPG, CNG and LNG vehicular refuelling stations (車用加氣站), LPG domestic stations (民用站), CNG Mother Stations (母站) and the LPG and CNG wholesale business in Guangdong Province and Henan Province, the PRC.

## **INFORMATION OF HENAN BLUE SKY GAS CORPORATION (河南藍天燃氣股份有限公司)**

Henan Blue Sky Gas Corporation (河南藍天燃氣股份有限公司) is a company incorporated in the PRC with shares listed on the National Equities Exchange and Quotations System (the “**NEEQ**” or “**New Third Board**”) of the PRC (stock code: 833371). Henan Blue Sky Gas Corporation (河南藍天燃氣股份有限公司) is principally engaged in natural gas transmission and sale of natural gas. The company's main products are natural gas pipeline transportation services and pipeline natural gas for residential use, commercial operation, industrial production, gas power generation and gas refuelling vehicles.

## **REASONS FOR THE ACQUISITION**

It has been one of the Company's missions to solidify the Group's leading role in the LPG and natural gas supplier in the PRC. The Acquisition is in line with the Group's expansion strategy by means of acquisition and merger. Henan Blue Sky has been a joint venture entity of the Company since July 2015 and generated positive business and financial results and the Group believes it is desirous to increase its equity stakes in Henan Blue Sky for the Group's business expansion and strategic investment. The Acquisition therefore represents a good opportunity to allow the Group to increase its equity stake in and consolidate its control and the overall management over Henan Blue Sky.

After Completion, Henan Blue Sky will become a wholly-owned subsidiary of the Company whose results, assets and liabilities will be consolidated into the books of the Company. The Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction under Rule 14.06 of the Listing Rules.

**Completion is subject to the completion of the Relevant Procedures and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **CHANGE IN USE OF PROCEEDS**

Reference is made to the Prospectus, the allotment results announcement of the Company dated 27 December 2018 and the Interim Report of the Company. The Shares of the Company were listed on the main board of the Stock Exchange on 28 December 2018 (the “**Listing**”). The Net Proceeds amounted to approximately HK\$120.3 million, after deduction of the underwriting commission and other listing expenses. As stated in the section headed “Future Plans and Use of Proceeds” in the Prospectus dated 14 December 2018 and the 2018 annual report of the Company dated 29 April 2019, the Group intended to use the Net Proceeds for the following purposes:

- approximately 17.0%, or HK\$20.5 million, of the net proceeds from the Global Offering will be used to acquire operational rights of a LPG domestic station;
- approximately 18.0%, or HK\$21.7 million, of the net proceeds from the Global Offering will be used to strengthen the Company’s LPG logistic and storage capacity by constructing storage facilities;
- approximately 23.0%, or HK\$27.7 million, of the net proceeds from the Global Offering will be used to complete construction, purchase land, equipment and machineries for the new CNG Mother Station;
- approximately 20.0%, or HK\$24.1 million, of the net proceeds from the Global Offering will be used for completion of construction of new stations, purchase and installation of their requisite equipment and machineries and maintenance of the Company’s existing stations;
- approximately 12.0%, or HK\$14.4 million, of the net proceeds from the Global Offering will be used to increase the Company’s logistics capacity by purchasing additional vehicle fleets; and
- approximately 10.0%, or HK\$12.0 million, of the net proceeds from the Global Offering will be used for the Company’s general working capital.

As at the date of this announcement, the Group utilised an aggregate amount of approximately HK\$36.1 million of the Net Proceeds, representing approximately 30.0% of the Net Proceeds. The unutilised Net Proceed amounted to approximately HK\$84.2 million, representing approximately 70.0% of the Net Proceeds.

Since the Shares of the Company have been listed for over 1 year and having considered the changes in the business environment, in order to utilise the Net Proceeds in a more effective way and to facilitate efficient allocation of the Company’s financial resources, the Board reviewed the utilisation of the Net Proceeds and resolved to reallocate the portion of the use of Net Proceeds as follows:

<b>Intended use of proceeds</b>	<b>Original Allocation</b> <i>HK\$ million</i>	<b>Revised Allocation</b> <i>HK\$ million</i>	<b>Utilisation as at the date of this announcement</b> <i>HK\$ million</i>	<b>Remaining balance after revised Allocation</b> <i>HK\$ million</i>
To acquire operating rights of an LPG domestic station	20.5	20.5	0	20.5
To strengthen our LPG logistics and storage capacity by constructing storage facilities	21.7	21.7	0	21.7
To complete construction, purchase land, equipment and machineries and installation for the new CNG mother station	27.7	14.5	10.0	4.5
To construct new stations, purchase and install their requisite equipment and machineries and perform maintenance of our existing stations	24.1	16.1	14.1	2.0
To increase our logistics capacity by purchasing additional vehicle fleets	14.4	14.4	0	14.4
To finance the Acquisition	-	21.1	0	21.1
General working capital	12.0	12.0	12.0	0
<b>Total</b>	<b>120.3</b>	<b>120.3</b>	<b>36.1</b>	<b>84.2</b>

As previously disclosed in the Prospectus and as stated above, the Group intended to construct the new CNG mother station and stations to further consolidate the Group's market shares. The Directors are of the view that, based on the latest estimation, the cost of constructing a CNG mother station and stations were lower than expected and therefore generated idle funds, and that natural gas business still has certain degree of development potential in Henan Province, the PRC, and therefore it is expected the proposed Acquisition would help increase the Group's market shares, consolidate its market position and enhance its competitiveness in Henan Province through consolidating the results of operation of Henan Blue Sky into that of the Group. The Directors also believe that the acquisition of interests in Henan Blue Sky served similar purpose of constructing new stations and thus part of the proceeds is now reallocated for the Acquisition. The Company believes that the redistribution and changes in the use of proceeds will enable the Company to use currently idle cash in a more efficient and flexible way, which is in the best interest of the Company and its shareholders as a whole.

The Board considers that the above changes in the use of proceeds and the treatment of unutilised proceeds are fair and reasonable, and would meet the financial needs of the Group and enhance the flexibility in financial management of the Company. The Board is of the view that the reallocation is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group and is in the best interests of the Company and the Shareholders as a whole. The Directors will continuously assess the business objectives of the use of proceeds as set out in the Prospectus, and the Interim Report and the above, and will revise or amend such plans to cope with the changing market conditions to ensure the business growth of the Group.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings ascribed to them below:

“Acquisition”	the acquisition of the Sale Shares in Henan Blue Sky by the Purchaser under the Sale and Purchase Agreement
“Board”	the board of Directors
“CNG”	compressed natural gas, a type of natural gas that is compressed to high density through imposing high-pressure to facilitate the ease and efficiency of transportation
“CNG Mother Station”	CNG mother station that is operated for processing and supplying CNG to the CNG refuelling stations and other wholesale customers
“Company”	Sino Gas Holdings Group Limited (中油潔能控股集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 1759)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Global Offering”	the offering of the Shares by way of global offering as disclosed in the Prospectus

“Group”	the Company and its subsidiaries
“Henan Blue Sky”	Henan Blue Sky Sino Gas Technology Company Limited (河南藍天中油潔能科技有限公司), a limited liability company established under the laws of PRC on 16 May 2007 and was owned in equal shares by HK Investment and Henan Blue Sky Gas Corporation (河南藍天燃氣股份有限公司) as at the date of this announcement, and the Company’s jointly controlled entity
“HK Investment”	Sino Gas Investment Group Limited (中油投資集團有限公司), a company incorporated under the laws of Hong Kong on 24 March 2015 with limited liability and an indirect wholly owned subsidiary of the Company as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third party(ies) independent of the Company and its connected persons
“Interim Report”	interim report of the Company for the six months ended 30 June 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas, a type of natural gas that has been converted to liquid form through application of pressure and cooling for ease and efficiency of transportation
“LPG”	liquefied petroleum gas, a type of inflammable gas produced during natural gas processing and oil refining, which could be stored as liquid under pressure
“Net Proceeds”	the net proceeds received by the Company in connection with the Global Offering
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Taiwan and Macau Special Administrative Region
“Prospectus”	the prospectus of the Company dated 14 December 2018

“Purchaser”	HK Investment
“Sale and Purchase Agreement”	the sale and purchase agreement dated 27 February 2020 entered into amongst the Vendor, the Purchaser and Henan Blue Sky in relation to the Acquisition
“Sale Shares”	50% of equity interests of Henan Blue Sky
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Henan Blue Sky Gas Corporation (河南藍天燃氣股份有限公司), a company incorporated in the PRC with shares listed on the NEEQ of the PRC (stock code: 833371)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	renminbi, the lawful currency of the PRC
“%”	per cent

*# The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names.*

By Order of the Board  
**Sino Gas Holdings Group Limited**  
**Mr. Ji Guang**  
*Chairman*

Hong Kong, 27 February 2020

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Ji Guang (*Chairman and Chief Executive Officer*)

Ms. Ji Ling (*Vice-Chairman*)

Ms. Cui Meijian

Mr. Zhou Feng

Independent non-executive Directors:

Mr. Sheng Yuhong

Mr. Wang Zhonghua

Dr. Zheng Jian