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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)**

### **CONTINUING CONNECTED TRANSACTIONS — THE LPG SUPPLY AGREEMENT AND THE CNG SUPPLY AGREEMENT**

Reference is made to the section headed “Connected Transactions — Continuing Connected Transactions Which Are Exempt From Circular And The Independent Shareholders’ Approval Requirements (Partially Exempt CCTs)” in the Prospectus in relation to, among other things, the LPG supply agreement entered into by GD Petrochemical and GZ Jiahexing Development and the CNG supply agreement entered into by Zhengzhou Sino Gas and Zhengzhou Public Transportation.

#### **THE LPG SUPPLY AGREEMENT**

The Group’s subsidiary, GD Petrochemical, and GZ Jiahexing Development have entered into a renewed LPG Supply Agreement on 31 December 2020 in relation to the supply of LPG between the Group and GZ Jiahexing Development for a further term of three years commencing from 1 January 2021 and ending on 31 December 2023.

#### **LISTING RULES IMPLICATION**

As GZ Jiahexing Development is a substantial shareholder of GZ Jiahexing, a subsidiary of the Company, GZ Jiahexing Development is considered a connected person of the Company at the subsidiary level.

Therefore, the transactions contemplated under the LPG Supply Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As (i) GZ Jiahexing Development is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the LPG Supply Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the transactions contemplated under the LPG Supply Agreement and confirmed that the terms of the LPG Supply Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the transactions contemplated under the LPG Supply Agreement are subject to the annual reporting, annual review and announcement requirements, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **THE CNG SUPPLY AGREEMENT**

The Group's subsidiary, Zhengzhou Sino Gas, and Zhengzhou Public Transportation have entered into a renewed CNG Supply Agreement on 31 December 2020 in relation to the supply of CNG between the Group and Zhengzhou Public Transportation for a further term of three years commencing from 1 January 2021 and ending on 31 December 2023.

### **LISTING RULES IMPLICATION**

As Zhengzhou Public Transportation is a substantial shareholder of Zhengzhou Sino Gas, a subsidiary of the Company, Zhengzhou Public Transportation is considered a connected person of the Company at the subsidiary level.

Therefore, the transactions contemplated under the CNG Supply Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As (i) Zhengzhou Public Transportation is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the CNG Supply Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the transactions contemplated under the CNG Supply Agreement and confirmed that the terms of the CNG Supply Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the transactions contemplated under the CNG Supply Agreement are subject to the annual reporting, annual review and announcement requirements, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the section headed "Connected Transactions — Continuing Connected Transactions Which Are Exempt From Circular And The Independent Shareholders' Approval Requirements (Partially Exempt CCTs)" in the Prospectus in relation to, among other things, the LPG supply agreement entered into by GD Petrochemical and GZ Jiahexing Development and the CNG supply agreement entered into by Zhengzhou Sino Gas and Zhengzhou Public Transportation.

## THE LPG SUPPLY AGREEMENT

The Group's subsidiary, GD Petrochemical, and GZ Jiahexing Development have entered into a renewed LPG Supply Agreement on 31 December 2020 in relation to the supply of LPG between the Group and GZ Jiahexing Development for a further term of three years commencing from 1 January 2021 and ending on 31 December 2023.

The principal terms of the LPG Supply Agreement are summarised as follows:

Date:	31 December 2020
Parties:	(1) GD Petrochemical (for itself and on behalf of other members of the Group) (as supplier);  (2) GZ Jiahexing Development (as purchaser).
Term (period):	Three years from 1 January 2021 to 31 December 2023
Supply arrangement:	For each year, the parties will agree on the expected annual sales volume of LPG to be supplied by the Group to GZ Jiahexing Development. In the event that, GZ Jiahexing Development fails to purchase up to 95% of the agreed annual sales volume, GZ Jiahexing Development shall compensate the Group by paying an amount calculated by 5% of the gas charge for the shortfall volume (the difference between the actual sales volume and 95% of the agreed sales volume).
Determination of gas charges and other terms:	The gas charges (for LPG) are determined by the parties (on arm's length basis and in good faith), and it comprises: (i) the basic gas charge, which is determined with reference to prevailing market prices of LPG supplied by the Group to other Independent Third Parties and (ii) a finance charge for granting a credit period for a fixed amount (" <b>Annual Purchase Allowance</b> ") (agreed between the parties for each financial year) to GZ Jiahexing Development, which is determined with reference to the cost of obtaining bank facilities available to the Group and adding a premium to be negotiated between the parties.

Payment and credit terms: The gas charges shall be settled monthly by GZ Jiahexing Development, subject to a credit period for a balance that equals to the Annual Purchase Amount, which shall only be settled in June of each financial year. To secure the payment by GZ Jiahexing Development of the Annual Purchase Amount, GZ Jiahexing Development shall pledge its assets (including equity interest, motor vehicles and gas storage equipment) to the Group in May of each financial year, the value of such pledged assets shall be two times of the Annual Purchase Allowance (assessed and adopted in May of each financial year until the next pledge and assessment in May of the following financial year). For each time the unsettled gas charges incurred exceed the then applicable Annual Purchase Allowance, GZ Jiahexing Development will be required to settle all outstanding gas charges before the Group continues to supply LPG to GZ Jiahexing Development.

### Historical amount

Set out below are the historical amounts under the LPG Supply Agreement for the two years ended 31 December 2018 and 2019 and the eleven months ended 30 November 2020:

	Year ended 31 December		Eleven months ended
	2018	2019	30 November 2020
Sales volume for the year/period ( <i>thousand tonnes</i> )	17.6	17.2	14.8
Total gas charges ( <i>RMB million</i> )	68.6	61.1	41.5

### Annual caps and basis of determination

Set out below are the annual caps under the LPG Supply Agreement for the three years ending 31 December 2023:

	Year ending 31 December		
	2021	2022	2023
Sales volume for the year ( <i>thousand tonnes</i> )	25.3	25.3	25.3
Total gas charges ( <i>RMB million</i> )	96.1	96.1	96.1

The annual caps under the LPG Supply Agreement for the three years ending 31 December 2023 were determined based on:

- (a) the historical sales volume and transaction amounts as set out above;
- (b) the expected stable demand of gas from GD Jiahexing Development for the three years ending 31 December 2023;
- (c) the range of historical market prices of LPG during the two years ended 31 December 2019 and the eleven months ended 30 November 2020 and the anticipated market prices of LPG; and
- (d) the inflation rate of the PRC during the two years ended 31 December 2019 and the eleven months ended 30 November 2020 and the expected inflation rate for the three years ending 31 December 2023.

## **THE CNG SUPPLY AGREEMENT**

The Group's subsidiary, Zhengzhou Sino Gas, and Zhengzhou Public Transportation have entered into a renewed CNG Supply Agreement on 31 December 2020 in relation to the supply of CNG between the Group and Zhengzhou Public Transportation for a further term of three years commencing from 1 January 2021 and ending on 31 December 2023.

The principal terms of the CNG Supply Agreement are summarised as follows:

Date:	31 December 2020
Parties:	(1) Zhengzhou Sino Gas (for itself and on behalf of other members of the Group) (as supplier);  (2) Zhengzhou Public Transportation (as purchaser).
Term (period):	Three years from 1 January 2021 to 31 December 2023
Determination of gas charges and other terms:	The gas charges (for CNG) are determined by the parties (on arm's length basis and in good faith) with reference to (i) prevailing market prices (such market prices are set by market players with reference to the guiding price issued by the Zhengzhou Commodity Price Bureau) of CNG in Zhengzhou City and (ii) prevailing market prices of CNG purchased by Zhengzhou Public Transportation from other Independent Third Parties. The gas charges and other terms shall be no less favourable to the Group than those provided for the supply of CNG by the Group to other Independent Third Parties.
Payment terms:	The gas charges (for CNG) shall be settled by Zhengzhou Public Transportation to Zhengzhou Sino Gas on a monthly basis.

## Historical amount

Set out below are the historical amounts under the CNG Supply Agreement for the two years ended 31 December 2018 and 2019 and the eleven months ended 30 November 2020:

	Year ended 31 December		Eleven months ended
	2018	2019	30 November 2020
Sales volume for the year/period (million m <sup>3</sup> )	38.0	35.7	17.7
Total gas charges (RMB million)	119.4	122.0	62.1

## Annual caps and basis of determination

Set out below are the annual caps under the CNG Supply Agreement for the three years ending 31 December 2023:

	Year ending 31 December		
	2021	2022	2023
Sales volume for the year (million m <sup>3</sup> )	21.9	20.9	19.9
Total gas charges (RMB million)	82.1	78.4	74.7

The annual caps under the CNG Supply Agreement for the three years ending 31 December 2023 were determined based on:

- (a) the historical sales volume and transaction amounts as set out above;
- (b) the expected demand of gas from Zhengzhou Public Transportation for the three years ending 31 December 2023;
- (c) the range of historical market prices of CNG during the two years ended 31 December 2019 and the eleven months ended 30 November 2020 and the anticipated market prices of CNG; and
- (d) the inflation rate of the PRC during the two years ended 31 December 2019 and the eleven months ended 30 November 2020 and the expected inflation rate for the three years ending 31 December 2023.

## **INTERNAL CONTROL MEASURES**

In order to ensure that the terms for the supply of LPG and CNG under the LPG Supply Agreement and CNG Supply Agreement, respectively, are fair and reasonable and no less favourable than the terms provided to any Independent Third Parties, the Company has adopted the following measures:

- (i) the relevant personnel of the Company will keep track of the sales records on the supply of LPG and CNG by the Group to Independent Third Parties for the purpose of ensuring that the price determined by the Group for the supply of LPG and CNG will be comparable to, or no less favourable than, the fair market prices for LPG and CNG or under similar sales arrangement offered to Independent Third Parties by the Group;
- (ii) the relevant personnel of the Company will keep track of the aggregate transaction amount for LPG and CNG under the LPG Supply Agreement and the CNG Supply Agreement, respectively, for the purpose of ensuring that the annual caps will not be exceeded; and
- (iii) the Company has adopted relevant reporting and record-keeping procedures to allow independent non-executive Directors and auditors of the Company to perform annual review of the supply of LPG and CNG under the LPG Supply Agreement and the CNG Supply Agreement, respectively, and ensure that the transactions conducted under the LPG Supply Agreement and the CNG Supply Agreement comply with (a) the Company's internal control procedures; (b) the terms of the LPG Supply Agreement and the CNG Supply Agreement; and (c) relevant laws, regulations, the Company's policies and the Listing Rules.

By implementing the above internal control measures and procedures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control measures and procedures to ensure that the transactions contemplated under the relevant continuing connected transactions will be on normal commercial terms and no less favourable to the Group than those provided to Independent Third Parties.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE LPG SUPPLY AGREEMENT AND THE CNG SUPPLY AGREEMENT**

GZ Jiahexing Development's principal business activities include the wholesale of LPG. During the years ended 31 December 2018 and 2019 and the eleven months ended 30 November 2020 and up to the date of this announcement, the Group has been supplying LPG to GZ Jiahexing Development based on the LPG supply agreement as set out in the Prospectus. The Directors consider that it would be beneficial to the Group for GZ Jiahexing Development to continue its existing wholesale of LPG arrangement through the LPG Supply Agreement.

Zhengzhou Public Transportation's principal business activities include the operation of public buses in Zhengzhou City. Pursuant to the joint venture agreement entered into between Beijing Sinogas Company Limited (北京中油潔能環保科技有限責任公司) (which was replaced by HK Investment as the holder of 60% of the registered capital in Zhengzhou Sino Gas on 14 February 2017), Zhengzhou Public Transportation and Sino Gas Hengran

Petroleum Gas Company Limited (中油恆燃石油燃氣有限公司), it was agreed among the parties that, Zhengzhou Sino Gas shall supply CNG to Zhengzhou Public Transportation at the prevailing market prices of CNG in Zhengzhou City. During the years ended 31 December 2018 and 2019 and the eleven months ended 30 November 2020 and up to the date of this announcement, Zhengzhou Sino Gas supplied CNG to the public buses operated by Zhengzhou Public Transportation Group at the Group's gas refuelling stations, which are located within the public bus stops of Zhengzhou Public Transportation.

In view of the Group's joint venture agreement with Zhengzhou Public Transportation and given that the supply of CNG is an integral part of the joint venture agreement and grants site usage right of 8 parcels of land on which 8 refuelling stations of the Group operates, the Directors consider that the CNG Supply Agreement is necessary to maintain the business development of the Group.

### **DIRECTORS' VIEW ON THE CONTINUING CONNECTED TRANSACTIONS**

The Directors (including the independent non-executive Directors) are of the view that the LPG Supply Agreement and the CNG Supply Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms and on pricing terms no less favourable to the Company than those provided to Independent Third Parties, and the terms and the annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the LPG Supply Agreement and CNG Supply Agreement, and hence no Director was required to abstain from voting on the board resolutions for approving the LPG Supply Agreement and CNG Supply Agreement.

### **INFORMATION ON THE GROUP**

The Group is principally engaged in the provision of integrated LPG and natural gas services. The Group operates LPG, CNG and LNG vehicle refuelling stations, CNG mother stations and LPG, CNG and LNG wholesale businesses.

### **INFORMATION ON ZHENGZHOU PUBLIC TRANSPORTATION**

Zhengzhou Public Transportation is a state-owned enterprise established in the PRC and is principally engaged in the operation of public buses in Zhengzhou City, the PRC. According to public records as at the date of this announcement, Zhengzhou Public Transportation is wholly owned by State-owned Assets Supervision and Administrator Commission of Zhengzhou Municipal People's Government (鄭州市人民政府國有資產監督管理委員會).

### **INFORMATION ON GZ JIAHEXING DEVELOPMENT**

GZ Jiahexing Development is a company established in the PRC and is principally engaged in the wholesale of LPG. According to public records as at the date of this announcement, GZ Jiahexing Development is ultimately owned by Yao Zhiyi (姚志義), an Independent Third Party.

## **LISTING RULES IMPLICATIONS**

### **LPG Supply Agreement**

As GZ Jiahexing Development is a substantial shareholder of GZ Jiahexing, a subsidiary of the Company, GZ Jiahexing Development is considered a connected person of the Company at the subsidiary level. Therefore, the transactions contemplated under the LPG Supply Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As (i) GZ Jiahexing Development is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the LPG Supply Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the transactions contemplated under the LPG Supply Agreement and confirmed that the terms of the LPG Supply Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the transactions contemplated under the LPG Supply Agreement are subject to the annual reporting, annual review and announcement requirements, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **CNG Supply Agreement**

As Zhengzhou Public Transportation is a substantial shareholder of Zhengzhou Sino Gas, a subsidiary of the Company, Zhengzhou Public Transportation is considered a connected person of the Company at the subsidiary level. Therefore, the transactions contemplated under the CNG Supply Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As (i) Zhengzhou Public Transportation is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the CNG Supply Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the transactions contemplated under the CNG Supply Agreement and confirmed that the terms of the CNG Supply Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the transactions contemplated under the CNG Supply Agreement are subject to the annual reporting, annual review and announcement requirements, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **APPROVAL OF THE BOARD**

The Board has approved the transactions contemplated under each of the LPG Supply Agreement and the CNG Supply Agreement.

None of the Directors had material interests in the transactions contemplated under each of the LPG Supply Agreement and the CNG Supply Agreement. Therefore, no Director is required to abstain from voting on the resolutions of the Board approving the said agreements.

## DEFINITIONS

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

“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 Supply Agreement”	the CNG supply agreement dated 31 December 2020 entered into between Zhengzhou Sino Gas as supplier and Zhengzhou Public Transportation as purchaser in relation to the supply of CNG
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“GD Petrochemical”	Guangdong Sino Gas Petrochemical Company Limited (廣東中油潔能石化有限公司), a limited liability company established under the laws of PRC and an indirect wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“GZ Jiahexing”	Guangzhou Sino Gas Jiahexing Petrochemical Company Limited (廣州中油潔能嘉和興石化有限公司), a limited liability company established under the laws of PRC and a 51% owned subsidiary of the Company, and the remaining 49% was owned by GZ Jiahexing Development as at the date of this announcement

“GZ Jiahexing Development”	Guangzhou City Jiahexing Development Company Limited (廣州市嘉和興發展有限公司), a limited liability company established under the laws of PRC. By virtue of being the holder of over 10% of the registered capital of GZ Jiahexing, it is a connected person of the Company at the subsidiary level
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“LPG Supply Agreement”	the LPG supply agreement dated 31 December 2020 entered into between GD Petrochemical as supplier and GZ Jiahexing Development as purchaser in relation to the supply of LPG
“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
“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
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	renminbi, the lawful currency of the PRC

“Zhengzhou Public Transportation”	Zhengzhou Public Transport Group Company Limited (鄭州市公共交通集團有限公司) (formerly known as “Zhengzhou City Public Transportation Head Company (鄭州市公共交通總公司)”), a state-owned enterprise established under the laws of PRC. By virtue of being the holder of over 10% of the registered capital in Zhengzhou Sino Gas, it is a connected person of the Company at the subsidiary level
“Zhengzhou Sino Gas”	Zhengzhou Sino Gas Bus Fuel Company Limited (鄭州中油潔能巴士燃氣有限公司), a limited liability company established under the laws of PRC and a 60%-owned subsidiary of the Company, and the remaining 38% and 2% was owned by Zhengzhou Public Transportation and Zhengzhou Investment Holdings Company Limited (鄭州投資控股有限公司)
“%”	per cent

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

Hong Kong, 31 December 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 Peng