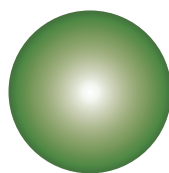


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元亨燃氣

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 29 December 2023 (after trading hours), 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 only 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 LNG Supply Agreement have been subject to arm's length negotiation between Yuanheng Gas and GG Natural Gas, and have 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 transactions contemplated under the LNG Supply Agreement and the proposed annual cap for the one-year period ending 31 December 2024 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 has abstained from voting on the resolution(s) passed at the Board meeting held on 29 December 2023 to approve the LNG Supply Agreement and the transactions contemplated thereunder (including the proposed annual cap).

INTRODUCTION

On 29 December 2023 (after trading hours), 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: 29 December 2023

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

Term: One year from 1 January 2024 to 31 December 2024

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 with reference to the LNG average price as published on the website of Subline China Information Co. Limited (commonly known as SCI) (an Independent Third Party) (<https://intl.sci99.com/>).

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 on a monthly basis. GG Natural Gas shall pay Yuanheng Gas one day 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 <i>RMB'000</i> |
|------------------------------------|-------------------------------------|
| 1 January 2024 to 31 December 2024 | 160,000 |

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) certain 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 2021, 2022 and 2023 are set out below:

| | Total historical transaction amount of LNG sold RMB'000 |
|--|--|
| Year ended 31 December 2021 (actual) | 79,669 |
| Year ended 31 December 2022 (actual) | 46,957 |
| Year ending 31 December 2023 (<i>note</i>) | 135,365 |

Note: The figures for the year ending 31 December 2023 comprises historical transaction amounts for the eleven months up to and including 30 November 2023 and the estimated amounts for December 2023.

INFORMATION ON THE GROUP AND YUANHENG GAS

The Company is an investment holding company. The Group is principally engaged in the Group has been 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 has been listed on the Shanghai Stock Exchange since November 2017 (stock code 600903).

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. As the previous framework agreement in governing the LNG supply will expire by end of 2023, to continue to govern the on-going transactions between the Group and GG Group, on 29 December 2023 (after trading hours) the Group entered into the LNG Supply Agreement to govern the continuous supply of LNG to GG Group.

As a result and after arms' length negotiations, both parties have 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 will expire on 31 December 2023. Furthermore, both 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. Likewise, the basis for the annual cap of the LNG Supply Agreement is also determined based on this twelve-month period as the transactions 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.

BOARD CONFIRMATION

The Directors (including the independent non-executive Directors) have confirmed and considered that the transactions contemplated under the LNG Supply Agreement have been subject to arm's length negotiation between Yuanheng Gas and GG Natural Gas, and have 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 transactions contemplated under the LNG Supply Agreement and the proposed annual cap for the one-year period ending 31 December 2024 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 transactions contemplated thereunder, no Director has abstained from voting on the resolution(s) passed at the Board meeting held on 29 December 2023 to approve the LNG Supply Agreement and the transaction contemplated thereunder (including the proposed annual cap).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Guizhou Gas holds 50% interests in Huaheng Energy, where the Company indirectly holds the remaining 50% interests in. Guizhou Gas, by virtue of its shareholding in Huaheng Energy is a connected person of the Company.

As GG Natural Gas is a subsidiary of Guizhou Gas, GG Natural Gas is therefore a connected person of the Company and the transactions contemplated under the LNG Supply Agreement constitute continuing connected transactions 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 only 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.

DEFINITIONS

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

| | |
|--------------------|---|
| “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 |
| “Director(s)” | director(s) 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 |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “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 |
| “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 29 December 2023 and entered into between Yuanheng Gas and GG Natural Gas regarding the supply of LNG by Yuanheng Gas to GG Natural Gas |
| “percentage ratios” | shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | Shares of the Company |
| “Shareholder(s)” | holder(s) of Share(s) |
| “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

“%”

per cent.

On behalf of the Board
Yuan Heng Gas Holdings Limited
Wang Jianqing
Chairman and Chief Executive Officer

Hong Kong, 29 December 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, Mr. Tom Xie and Mr. Wong Siu Hung Patrick.

** English translations of the Chinese names are for illustration purposes only.*