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CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

CONTINUING CONNECTED TRANSACTIONS

THE VALUE-ADDED PRODUCTS PURCHASE AGREEMENT

The Board announces that on 28 March 2025, the Company and Electronic Business entered into the Value-added Products Purchase Agreement, pursuant to which the YPH Group agreed to supply Value-added Products to the Parent Group, for a term commencing from 1 April 2025 and ending on 31 March 2028.

THE SAFETY INSPECTION SERVICE AGREEMENT

On 28 March 2025, the Company and Electronic Business entered into the Safety Inspection Service Agreement, pursuant to which the YPH Group agreed to provide the Parent Group with safety inspection services for the Parent Group's customers, for a term commencing from 1 April 2025 and ending on 31 March 2028.

IMPLICATIONS UNDER THE LISTING RULES

Mr. LIU is the chairman, an executive Director and a substantial shareholder of the Company. Accordingly, Mr. LIU is a connected person of the Company. Given Electronic Business is an indirect wholly-owned subsidiary of YPH which is in turn owned as to 23.5% by Mr. LIU, Electronic Business is a connected subsidiary of the Company. As such, the transactions under the CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the respective annual caps of each of the CCT Agreements exceed 0.1% but all of them are less than 5%, the entering into the CCT Agreements and the transactions contemplated thereunder will constitute continuing connected transactions of the Company subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcements of the Company dated 28 August 2022, 5 September 2022 and 17 March 2023 in relation to, among other things: (a) an existing value-added products purchase agreement, pursuant to which, it was agreed that the Parent Group shall purchase and Electronic Business and its subsidiaries shall supply Value-added Products from time to time for a term up to 31 March 2025; and (b) an existing safety inspection service agreement, pursuant to which Electronic Business and its subsidiaries agreed to provide the Parent Group with safety inspection services for the Parent Group's customers, for a term commencing from 1 August 2022 up to 31 March 2025. Given the upcoming expiry of the aforesaid existing agreements, the Company entered into the CCT Agreements, namely the Value-added Products Purchase Agreement and the Safety Inspection Service Agreement with Electronic Business, each for a term from 1 April 2025 to 31 March 2028.

THE CCT AGREEMENTS

THE VALUE-ADDED PRODUCTS PURCHASE AGREEMENT

Date: 28 March 2025

Parties:

- (1) The Company (for itself and on behalf of the other members of the Parent Group (namely the Company's subsidiaries other than members of the YPH Group))
- (2) Electronic Business (for itself and on behalf of the other members of the YPH Group)

Term: Commencing from 1 April 2025 and ending on 31 March 2028.

Major Terms: The Parent Group shall purchase and the YPH Group shall supply Value-added Products processed, manufactured or distributed by the relevant members of the YPH Group and related services from time to time. The YPH Group shall be responsible for product development (direct or commissioned product development), brand maintenance, promotion, marketing and sale training.

The Value-added Products Purchase Agreement does not impose any sale or purchase obligation, and the sale and purchase of each batch of Value-added Products shall be subject to the corresponding contracts to be entered into between the relevant members of the Parent Group and the YPH Group, for so long as such contracts do not contradict with the Value-added Products Purchase Agreement.

Price Determination: The price of each batch of Value-added Products shall be determined in accordance with the following principles:

- (i) where a government-guided fee standard is available, the government-guided price or the government-prescribed price;
- (ii) where no government-guided fee standard is applicable, the pricing of the Value-added Products is determined through price enquiry and comparison on the relevant price information platform or by referring to the prices of similar transactions in the surrounding markets where practicable. The finance department of the Company shall seek to obtain quotations from at least three independent third-party suppliers for each type of Value-added Products where practicable on an annual basis. A management personnel of the Company authorised to approve such transactions will review and compare the prices and terms in respect of the Value-added Products offered by the YPH Group to the Company with the reference price from other quotations or the price assessed by an independent third-party valuation agency, as applicable, for comparable products before entering into the individual contracts pursuant to the Value-added Products Purchase Agreement. The price of the Value-added Products should not exceed the best price among all the prices offered by comparable independent third-party suppliers in the relevant market in the ordinary course of business based on comparable terms and conditions or the price assessed by an independent third-party valuation agency (as applicable);
- (iii) where none of the above is applicable, the price shall be determined on a cost-plus method, namely by taking into account the reasonable costs incurred in providing such Value-added Products (including product development, brand promotion, sales management and training) plus a reasonable profit margin (with reference to the general range of profit in the industry). The parties will refer to the historical average price for the relevant products and/or profit margins of at least two comparable products, where available, to determine whether the profit charged is in line with the industry.

The underlying contracts to be entered into between the relevant members of the Parent Group and the YPH Group shall be on normal commercial terms, fair and reasonable, and on terms no less favourable to the Parent Group than those available to the Parent Group for the comparable purchase of Value-added Products by the Parent Group from independent third parties.

Payment: Payment shall be settled within 30 days from the date of completion of each transaction, unless otherwise agreed.

THE SAFETY INSPECTION SERVICE AGREEMENT

Date: 28 March 2025

Parties:

- (1) The Company (for itself and on behalf of other members of the Parent Group (namely the Company's subsidiaries other than members of the YPH Group))
- (2) Electronic Business (for itself and on behalf of the other members of the YPH Group)

Term: Commencing from 1 April 2025 and ending on 31 March 2028.

Major Terms: The YPH Group shall provide the Parent Group with (i) regular safety inspection services for the Parent Group's customers, which consist of inspection, fixing and enhancement of household appliances such as burning appliances connecting hoses, gas stoves, water heaters, wall-mounted boilers, valves and value-added products such as alarms, self-closing valves; (ii) safety inspections and fixing of hidden dangers in the household setting, such as indoor and outdoor pipes/valves, electricity meters and open kitchens, for the Parent Group's customers on a need basis; and (iii) the provision of customer service training and certification, including the provision of skills training, star rating, practical training and certification and assessment services for customer service staff in the Parent Group; (iv) the provision of secondary meters installation services for residential users, including installation of gas meters, and installation of gas meter front valve for residential users; (v) the provision of gas supply and ignition services for residential users, including gas pipeline airtightness testing, gas safety education, pipeline transmission, gas appliance ignition, etc.; and (vi) the provision of gas meter inspection services, including gas meter calibration inspection, airtightness inspection, etc.

The Safety Inspection Service Agreement does not impose any obligation on the amount of services to be provided to the Parent Group. Details and frequency of such services to be provided from time to time shall be subject to the corresponding contracts to be entered into between the relevant members of the Parent Group and the YPH Group for so long as such contracts do not contradict with the Safety Inspection Service Agreement.

Price Determination: The service fees payable by the Parent Group under the Safety Inspection Service Agreement shall comprise:

- (i) **Safety inspection service fees:** a fixed service fee of currently RMB15 per registered household (annual safety inspection), a fixed service fee of currently RMB25 per registered household (bi-annual safety inspection), a fixed service fee of currently RMB6 for each household where contact could not be made, and a fixed service fee of currently RMB2 for each non-cooperating household. In addition, a service fee for tailored safety inspection services based on the reasonable costs incurred by the YPH Group in providing the services;
- (ii) **Hazard rectification service fees:** a fixed service fee of currently RMB25 per household for rectification of potential safety risks or hazards;
- (iii) **Secondary meter installation service fees:** a fixed service fee of currently RMB110 per household for secondary meters installation (average per household price, with exact charge for specific household to be determined);
- (iv) **Gas connection and ignition service fees:** a fixed service fee of currently RMB30 per household for gas supply and ignition; and
- (v) **Gas meter inspection service fees:** a fixed service fee of currently RMB18 per household for gas meter inspection.

The parties shall review the above fixed service fees from time to time and determine the same in the corresponding contracts.

The above service fees were determined after arm's length negotiations between the parties taking into account the operating costs expected to be incurred by the YPH Group in providing the services including staff costs, technical support expenses and material costs with reference to the prevailing market price of similar service.

The underlying contracts to be entered into between the relevant members of the Parent Group and the YPH Group shall be on normal commercial terms, fair and reasonable, and on terms no less favourable to the Parent Group than those being offered by independent third parties to the Parent Group for comparable services.

Payment: A deposit representing 20% of the estimated annual service fee shall be payable within 10 days of signing of the underlying contract. The actual amount of service fee shall be settled by the parties on a monthly basis, upon which the Parent Group shall make payment before the 15th day of the following month, unless otherwise agreed.

HISTORICAL AMOUNTS AND BASIS FOR DETERMINING THE ANNUAL CAPS

The historical transaction amounts for the year ended 31 March 2025 and the annual caps for each of the CCT Agreements are set out below:

	Historical amounts for such products/ services for the year ending 31 March 2025 (RMB million)	Annual caps for the year ending 31 March 2026 (RMB million)	Annual caps for the year ending 31 March 2027 (RMB million)	Annual caps for the year ending 31 March 2028 (RMB million)
Value-added Products				
Purchase Agreement	974.6	894.2	803.9	745.9
Safety Inspection Service				
Agreement	179.5	316.2	434.3	548.1

The annual caps for the Value-added Products Purchase Agreement were determined taking into account: (i) the historical transaction amount incurred under the Value-added Products Purchase Agreement for the year ending 31 March 2025; (ii) the expected transaction amounts based on the expected growth and development of the Parent Group and the YPH Group, using the government-prescribed price or prevailing market price of the Value-added Products as price indicator; and (iii) the regulatory environment, safety requirements and expected economic outlook that influence future demand for the Value-added Products supplied by the YPH Group for supporting the Parent Group's projects in various regions nationwide.

The annual caps for the Safety Inspection Service Agreement were determined taking into account: (i) the historical transaction amount incurred under the Safety Inspection Service Agreement for the year ending 31 March 2025; (ii) the percentage of projects under the members of the Parent Group that have yet to complete the annual safety inspection and number of users of the Parent Group's services; and (iii) the expected growth in demand for safety inspection services of the Parent Group as a result of the increase in its customer base.

The Directors (including the independent non-executive Directors) consider that each annual cap under the respective CCT Agreements is fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

INTERNAL CONTROLS FOR THE GROUP'S CONTINUING CONNECTED TRANSACTIONS

The pricing policy for the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel of the Group to ensure that the relevant continuing connected transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders as a whole. In addition to compliance with the requirements on annual review by the external auditor and independent non-executive Directors under the Listing Rules in respect of the Group's continuing connected transactions, regular checks will be conducted to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of the related CCT Agreements and the price charged for a specific transaction is fair and reasonable and in accordance with the pricing policy.

Specifically in respect of the relevant continuing connected transactions under the Value-added Products Purchase Agreement, the Company has in place internal control policies to ensure that such continuing connected transactions will not be prejudicial to the interests of the Company and its shareholders as a whole. The Company will review from time to time (i) the terms offered by comparable independent third-party suppliers and compare those with the terms of the Value-added Products Purchase Agreement; and (ii) the price offered by comparable independent third-party suppliers or the price assessed by an independent third-party valuation agency, as applicable, and compare that with the price offered by the YPH Group to ensure that the terms offered by the YPH Group are no less favourable than those offered by independent third parties. The Company will endeavour to negotiate with the YPH Group in good faith with a view to complying with the pricing principles.

Specifically in respect of the relevant continuing connected transactions under the Safety Inspection Service Agreement, the Company has in place internal control policies to ensure that such continuing connected transactions will not be prejudicial to the interests of the Company and its shareholders as a whole. In particular, the finance department of the Company regularly updates the Parent Group's approved service providers' list with the terms and price offered by independent third-party service providers offering comparable services. The service fees under the Safety Inspection Service Agreement are fixed fees with a term of one year. Before entering into each underlying contract, the finance department shall seek to obtain quotations from at least three independent third-party service providers on the approved suppliers' list on an annual basis or the price assessed by an independent third-party valuation agency, as applicable, and compare the terms offered by the comparable independent third-party service providers or the price assessed by an independent third-party valuation agency (as applicable) with that offered by the YPH Group. The terms of the services contemplated under the Safety Inspection Service Agreement should not be less favourable than that offered by comparable independent third parties or the price assessed by an independent third-party valuation agency (as applicable). The Company will endeavour to negotiate with the YPH Group in good faith with a view to complying with the pricing principles. The Company will regularly review the terms and price offered by the YPH Group with that on the approved service providers' list to ensure that the terms of the Safety Inspection Service Agreement are no less favourable than those offered by comparable independent third-party service providers. In the event that the service fees will be adjusted upwards, the finance department will conduct similar exercises as mentioned above to ensure that the proposed service fees quoted by the YPH Group are no less favorable to the prevailing market price.

In addition, the utilisation rate of the relevant annual caps will be monitored by the relevant personnel of the Group from time to time. In the event that the utilisation rate is approaching its cap, the relevant member of the senior management will be informed for further evaluation on whether the Company is required to comply with the relevant requirements under the Listing Rules.

The Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the CCT Agreements will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the shareholders as a whole.

The audit committee of the Company comprising independent non-executive Directors will review the transactions under the CCT Agreements regularly. Pursuant to Rule 14A.56 of the Listing Rules, the Board will engage the external auditor to report on the Company's continuing connected transactions every year, pursuant to which such external auditor will provide a letter to the Board in accordance with the said rule.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CCT AGREEMENTS

The Value-added Products Purchase Agreement

The YPH Group provides information technology services and e-commerce platform as its core, and has made a full industry layout in information technology, product R&D and manufacturing, supply chain and trade, e-commerce technology, terminal sales, finance and insurance, etc. It focuses on providing kitchen products and services to users and is committed to building a leading kitchen scene ecological integration service platform in China. The Company believes that the YPH Group has extensive experience in full chain management ranging from product R&D, production, supply chain management, procurement, sales, installation and after-sales management, and its professional sales and after-sales service team can provide professional training and support to the members of the Parent Group in respect of product sales strategy, channel construction, marketing campaign plans and after-sales skills. The Parent Group will leverage the YPH Group's supply chain integration and brand promotion capabilities to strengthen product operations and full lifecycle management, and enhance end-marketing capabilities for Value-added Products to meet the needs of end-users.

With the introduction of favourable policies for economic recovery, the accelerating pace of pipeline renovation projects and the increasing demand from users for gas safety products, the Company believes the demand for Value-added Products will continue. In order to meet the continuous demand for Value-added Products, the Parent Group will need to leverage the YPH Group's extensive experience in full chain management ranging from product development, production, supply chain management, procurement, sales, installation and after-sales management, and its professional sales and after-sales service team can provide professional training and support to the members of the Parent Group in respect of product sales strategy, channel construction, marketing campaign plans and aftersales skills. The Parent Group will leverage the YPH Group's supply chain integration and brand promotion capabilities to strengthen product operations and full lifecycle management, and enhance end-marketing capabilities for Value-added Products to meet the needs of end-users.

The Safety Inspection Service Agreement

For the purpose of ensuring gas safety and eliminating safety hazards, city gas operators are required by law to conduct regular safety inspections of the city gas pipeline network and end-users, while users' demand for quality of products and services is gradually increasing. In order to meet these demands, more and more city gas companies have outsourced their safety inspection business to professional security inspection service providers in recent years, and this security inspection service outsourcing model has become the best practice industrywide. YPH Group is a market-oriented and professional company with the ability to provide quality services to users and the means of information technology. By cultivating the service awareness of customer service personnel, improving the service skills of customer service personnel and promoting intelligent customer service facilities, YPH Group can effectively help Parent Group realize the refined management of users, improve the gas safety management capability and enhance the soft power of customer service. It is also conducive to the Group's continuous expansion of its value-added services business and enhancement of its product competitiveness.

INFORMATION ON THE GROUP

The Group is one of China's largest trans-regional integrated energy suppliers and service providers. Presence mainly in China, it specializes in the investment, construction and operations of city and township gas pipelines, gas terminals, storage and transport facilities and logistics systems, delivering natural gas and liquefied petroleum gas (LPG) to residential, industrial, and commercial users. The Group also builds and operates compressed natural gas (CNG) and liquefied natural gas (LNG) fueling stations while developing and applying natural gas and LPG technologies. At China Gas, years of exploration and growth were translated into a full-fledged business portfolio centered around piped gas, stretching across LPG, LNG, integrated energy, gas equipment and kitchen appliances and grid-based new retail in the private domain backed by stores.

INFORMATION ON ELECTRONIC BUSINESS AND YPH GROUP

Electronic Business is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. It is an indirect wholly-owned subsidiary of YPH, which is in turn owned as to 71% by the Company, 23.5% by Mr. LIU and 5.5% by TrustCo. As disclosed in the Company's announcement dated 12 November 2024, YPH acts as the holding company of the value-added service businesses operated by YPH Group. YPH, pursuant to an internal reorganisation, indirectly owns the entire issued shares of Electronic Business. YPH Group is principally engaged in the sale and provision of kitchen-focused household products and services including, among others, kitchen appliances, gas safety products, other household products and other services including residential upgrade solutions.

The YPH Group is customer demand-driven, and through professional and market-oriented operations, it continuously enhances the competitiveness of the Parent Group's traditional core businesses and contributes to the Group's overall performance in gas business, safety operations, customer services, value – added business, new energy business and digital development.

IMPLICATIONS UNDER THE LISTING RULES

Mr. LIU is the chairman, an executive Director and a substantial shareholder of the Company. Accordingly, Mr. LIU is a connected person of the Company. Given Electronic Business is an indirect wholly-owned subsidiary of YPH which is in turn owned as to 23.5% by Mr. LIU, Electronic Business is a connected subsidiary of the Company. As such, the transactions under the CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Mr. LIU abstained from voting on the board resolution approving the CCT Agreements and their respective annual caps. Due to their relationships with Mr. LIU, Ms. LIU Chang (Director) was absent from the Board meeting of the Company while the relevant resolution was being discussed whilst Prof. LIU Mingxing (Director) abstained from voting on such board resolution. Save and except for the aforesaid, none of the Directors has any material interest in any of the transactions contemplated under the CCT Agreements and no Director was required to abstain from voting on the board resolutions to approve the same.

Given that one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the respective annual caps of each of the CCT Agreements exceed 0.1% but all of them are less than 5%, the entering into the CCT Agreements and the transactions contemplated thereunder will constitute continuing connected transactions of the Company subject to the reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

The following expressions have the following meanings in this announcement:

“Board”	the board of Directors
“CCT Agreements”	collectively, the Value-added Products Purchase Agreement and the Safety Inspection Service Agreement
“Company”	China Gas Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 384)
“Director(s)”	the director(s) of the Company
“Electronic Business”	Electronic Business Development Company Limited (電子商務發展有限公司), a company incorporated in the British Virgin Islands with limited liability and a connected subsidiary of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LPG”	liquefied petroleum gas
“Mr. LIU”	Mr. LIU Ming Hui, the chairman, and an executive Director and a substantial shareholder of the Company
“Parent Group”	the Group excluding the YPH Group
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Safety Inspection Service Agreement”	the safety inspection service framework agreement entered into between the Company and Electronic Business on 28 March 2025, in relation to the provision of safety inspection service by the YPH Group to the Parent Group, for a term commencing from 1 April 2025 and ending on 31 March 2028
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TrustCo”	YPH Share Award Scheme Limited, a company incorporated in the BVI with limited liability incorporated for the purpose of holding such shares of YPH on trust for the grantees of the future share incentive plan of YPH
“Value-added Products”	value-added products including gas appliance, alarms and other gas-related products and related services
“Value-added Products Purchase Agreement”	the value-added products purchase framework agreement entered into between the Company and Electronic Business on 28 March 2025, in relation to the supply of Value-added Products by the YPH Group to the Parent Group, for a term commencing from 1 April 2025 and ending on 31 March 2028

“YPH”	YPH Inc., a limited liability company incorporated in the Cayman Islands and a non-wholly owned subsidiary of the Company
“YPH Group”	YPH and its subsidiaries (including Electronic Business)

By the order of the Board
China Gas Holdings Limited
LIU Ming Hui
Chairman and President

Hong Kong, 28 March 2025

As at the date of this announcement, Mr. LIU Ming Hui, Mr. HUANG Yong, Mr. ZHU Weiwei, Ms. LI Ching, Ms. LIU Chang and Mr. ZHAO Kun are the executive directors of the Company; Mr. XIONG Bin, Prof. LIU Mingxing, Mr. Ayush GUPTA and Ms. ZHOU Xueyan are the non-executive directors of the Company; and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. CHEN Yanyan, Mr. ZHANG Ling and Dr. MA Weihua are the independent non-executive directors of the Company.

* *For identification purpose only*