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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)

CONNECTED TRANSACTION CAPITAL INCREASE AND AMENDMENT TO THE ARTICLES OF ASSOCIATION OF AN ASSOCIATE OF THE COMPANY

The Company announces that on 19 March 2021, Guizhou Gas, Guizhou Nongjin and Guizhou Huayuan, being all the shareholders of Guizhou Pipelines, unanimously approved the Capital Increase at the Members Meeting of Guizhou Pipelines and agreed to adopt the Amended Articles of Association to reflect the changes to be made pursuant to the Capital Increase.

Guizhou Gas is a connected person of the Company, and Guizhou Pipelines being a non-wholly owned subsidiary of Guizhou Gas is also a connected person of the Company. Guizhou Pipelines is an associate of our Group.

The purpose of the Capital Increase is to inject additional funds to Guizhou Pipelines to repay certain outstanding debts and corresponding guarantees and to provide it with adequate working capital.

Although the Board understood the financial need of Guizhou Pipelines and the business consideration and reasons for further capital injection to Guizhou Pipelines, the Board did not consider the circumstances were sufficient enough for the Group to contribute the necessary funding to an associate of the Group, taking into account the ongoing and uncertain implications of the global coronavirus pandemic, the global trade war and the volatile energy market.

As a result and upon negotiation among all the shareholders of Guizhou Pipelines, it was unanimously resolved and agreed that Guizhou Huayuan, a subsidiary of the Company shall not be required to make any contribution towards the Capital Increase and that the other two shareholders, Guizhou Gas and Guizhou Nongjin shall make their contributions in proportion to their respective shareholding ratios in Guizhou Pipelines for the Capital Increase.

No consideration and no amount would be required to be paid or received by Guizhou Huayuan or by the Company in respect of the Capital Increase.

Immediately upon completion of the Capital Increase, Guizhou Huayuan's shareholding interest in Guizhou Pipelines will be diluted from 20% to about 10.59% and Guizhou Pipelines will remain to be an associate of the Group. The shareholding interest of Guizhou Gas in Guizhou Pipelines will be increased from 51% to 57% and the shareholding interest of Guizhou Nongjin in Guizhou Pipelines will be increased from 29% to about 32.41%.

The Articles of Association of Guizhou Pipelines will be amended and filed with relevant PRC authorities for registration upon completion of the Capital Increase to reflect the changes.

Since Guizhou Gas and its non-wholly owned subsidiary Guizhou Pipelines are connected persons at the subsidiary level of the Company, the terms of the Capital Increase and the consequential amendment to the Articles of Association constitutes a material variation to the original terms and a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Capital Increase and the consequential change to the Articles of Association are made 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 MEMBERS MEETING

Date

19 March 2021

Parties:

Guizhou Gas	the controlling shareholder of Guizhou Pipelines, holding 51% of its equity interests
Guizhou Nongjin	a shareholder of Guizhou Pipelines, holding 29% of its equity interests
Guizhou Huayuan	a shareholder of Guizhou Pipelines, holding 20% of its equity interests and a subsidiary of the Company
Guizhou Pipelines	an associate of the Company, and a non-wholly owned subsidiary of Guizhou Gas, which is the company being subject to the Capital Increase

At the Members Meeting, it was unanimously resolved by all shareholders of Guizhou Pipelines that the Capital Increase and the consequential amendments to the Articles of Association were approved.

THE CAPITAL INCREASE

The Company announces that on 19 March 2021, Guizhou Gas, Guizhou Nongjin and Guizhou Huayuan, being all the shareholders of Guizhou Pipelines, unanimously approved the Capital Increase at the Members Meeting of Guizhou Pipelines and agreed to adopt the Amended Articles of Association to reflect the changes to be made pursuant to the Capital Increase.

The purpose of the Capital Increase is to inject additional funds to Guizhou Pipelines to repay certain outstanding debts and corresponding guarantees and to provide it with adequate working capital.

Pursuant to the unanimous decision of all shareholders of Guizhou Pipelines at the Members Meeting, Guizhou Gas has agreed to contribute an additional RMB255,000,000 and Guizhou Nongjin has agreed to contribute an additional RMB145,000,000 as capital in proportion to their respective shareholding ratios in Guizhou Pipelines. Guizhou Huayuan has decided not to make any contribution to Guizhou Pipelines under the Capital Increase.

Immediately upon completion of the Capital Increase, Guizhou Huayuan's shareholding interest in Guizhou Pipelines will be diluted from 20% to about 10.59% and Guizhou Pipelines will remain to be an associate of the Group. The shareholding interest of Guizhou Gas in Guizhou Pipelines will be increased from 51% to 57% and the shareholding interest of Guizhou Nongjin in Guizhou Pipelines will be increased from 29% to about 32.41%.

Below is a breakdown of the equity interests in Guizhou Pipelines before and immediately upon completion of the Capital Increase.

Shareholder	Current percentage	Equivalent to the amount of registered capital <i>RMB'000</i>	Percentage immediately upon completion of the Capital Increase	Equivalent to the amount of registered capital <i>RMB'000</i>
Guizhou Gas	51%	229,500	57.00%	484,500
Guizhou Nongjin	29%	130,500	32.41%	275,550
Guizhou Huayuan	20%	90,000	10.59%	90,000
		<u>450,000</u>		<u>850,000</u>

Payment under the Capital Increase shall be made in cash to Guizhou Pipelines on or before 23 March 2021, or such other date(s) to be agreed among all the shareholders of Guizhou Pipelines, otherwise, the Capital Increase shall not become effective and there will be no consequential change to the Articles of Association.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Upon completion of the Capital Increase, the current Articles of Association will be amended to reflect the changes of the registered and paid up capital of Guizhou Pipelines from RMB450,000,000 to RMB850,000,000 and the changes in the shareholding interests among the three shareholders of Guizhou Pipelines. Saved for the aforesaid changes, no other terms to the Articles of Association will be changed. Guizhou Pipelines will thereafter arrange for administration filings of the Amended Articles of Association with applicable PRC regulatory authorities.

NO CONSIDERATION

No consideration and no amount would be required to be paid or received by Guizhou Huayuan or by the Company in respect of the Capital Increase.

The Board considers that by deciding not to make proportional contribution to Guizhou Pipelines under the Capital Increase and resulted in the Group's shareholding interests in Guizhou Pipelines being diluted would not have any material or adverse effect to the Group. Guizhou Pipelines will continue to be treated as an associate of our Group.

Further, the value of the Capital Increase was arrived at after arm's length negotiation between all the shareholders of Guizhou Pipelines with reference to (i) the unaudited net asset value of Guizhou Pipelines as at 30 September 2020, being RMB400,170,146; (ii) the registered and paid up capital before the Capital Increase being RMB450,000,000; (iii) the increase of RMB400,000,000 to the net asset value and the registered and paid up capital

immediately upon completion of the Capital Increase; and (iv) finally determining the value for the increase in the registered capital of Guizhou Pipelines to be RMB1.00 per RMB1.00 registered capital.

The Directors considers the terms and the basis of the Capital Increase are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON GUIZHOU GAS, GUIZHOU NONGJIN AND GUIZHOU PIPELINES

Guizhou Gas is a company established under the laws of the PRC and a leading gas corporation in Guizhou Province, PRC. They are 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).

Guizhou Pipelines is a company established under the laws of the PRC in 2013 and is a non-wholly owned subsidiary of Guizhou Gas. It is principally engaged in investment in pipeline infrastructure and sale of piped gas. The Company held the 20% equity interests in Guizhou Pipelines since 2014.

Guizhou Nongjin is a company established under the laws of the PRC and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Guizhou Nongjin and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company. It is principally engaged in investment holding.

Below set out total assets, net assets and the audited net profits (loss) after taxation and extraordinary items of Guizhou Pipelines for the two financial years ended 2019 and 2020.

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	1,054,279	1,119,811
Net assets	395,388	438,940
(Loss) profit for the year after taxation	<u>(43,552)</u>	<u>2,532</u>

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.

REASONS FOR THE CAPITAL INCREASE AND REASONS FOR THE COMPANY GIVING UP ITS RIGHT THEREUNDER

The purpose of the Capital Increase is to inject additional funds to Guizhou Pipelines to repay certain outstanding debts and corresponding guarantees and to provide it with adequate working capital.

Since Guizhou Pipelines is only an associate of the Group, but is a non-wholly owned subsidiary of Guizhou Gas, even though the Board understood the financial need of Guizhou Pipelines and the business consideration and reasons for further capital injection to Guizhou Pipelines, the Board did not consider the circumstances were sufficient enough for the Group to contribute the necessary funding to an associate of the Group, taking into account the ongoing and uncertain implications of the global coronavirus pandemic, the global trade war and the volatile energy market. It would be more prudent for the Group to conserve our Group's existing internal financial resources for our Group's business and financial needs.

However, the Board considers the Capital Increase should go ahead as it is also a reasonable and necessary action for improving the business and financial position of Guizhou Pipelines.

As a result and upon negotiation among all shareholders of Guizhou Pipelines, and on the understanding that the terms and valuation of the Capital Increase were on a fair and reasonable basis, it was unanimously resolved and agreed that Guizhou Huayuan, a subsidiary of the Company, shall not be required to make any contribution towards the Capital Increase and that the other two shareholders, Guizhou Gas and Guizhou Nongjin shall make their contributions in proportion to their respective shareholding ratios in Guizhou Pipelines for the Capital Increase. In this way, both the concerns and need of the parties involved will be satisfactorily addressed.

The Directors (including the independent non-executive Directors) have confirmed and considered that the terms to the Capital Increase and the consequential amendment to the Articles of Association have been subject to arm's length negotiation between Guizhou Huayuan and the respective counterparties, are fair and reasonable, and on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

Since no Director is considered to have material interest therein, no Director have abstained from voting on the resolutions passed at the Board meeting held on 19 March 2021 to approve the Capital Increase and the consequential amendment to the Articles of Association.

LISTING RULES IMPLICATIONS

Since Guizhou Gas is a substantial shareholder in certain subsidiaries of the Company, and Guizhou Pipelines, being a non-wholly owned subsidiary of Guizhou Gas, are both connected persons of the Company but at the subsidiary level only, the Capital Increase and the amendment to the Articles of Association constitutes a material variation to the original terms and a connected transaction under Chapter 14A of the Listing Rules.

As the Capital Increase and the consequential change to the Articles of Association are made 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.

DEFINITIONS

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

“Amended Articles of Association”	the amended Articles of Association of Guizhou Pipelines to reflect the changes to be made pursuant to the Capital Increase, namely the increase of the registered and paid up capital and the changes in the shareholding percentage of the three shareholders following the Capital Increase
“Articles of Association”	the existing Articles of Association of Guizhou Pipelines
“Capital Increase”	the capital increase in the total amount of RMB400,000,000 to be paid by Guizhou Gas and Guizhou Nongjin in proportion to their respective shareholding ratios of 51:29 in Guizhou Pipelines on or before 23 March 2021
“Company”	Yuan Heng Gas Holdings Limited, a company incorporated in Bermuda with limited liability and 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”	the directors of the Company
“Group”	the Company and its subsidiaries

“Guizhou Gas”	貴州燃氣集團股份有限公司 (Guizhou Gas Group Corporation Limited)*, a company established under the laws of the PRC and its issued shares are listed on the Shanghai Stock Exchange
“Guizhou Huayuan”	貴州華元投資有限公司 (Guizhou Huayuan Investment Limited)*, a company established under the laws of the PRC and is an indirectly wholly owned subsidiary of the Company
“Guizhou Nongjin”	貴州農金投資有限公司 (Guizhou Nongjin Investment Limited)*, is a company established under the laws of the PRC and is a third party independent of the Company and connected persons of the Company
“Guizhou Pipelines”	貴州燃氣（集團）天然氣支線管道有限公司 (Guizhou Gas (Group) Natural Gas Branch Pipelines Limited)*, a company established under the laws of the PRC and is a non-wholly owned subsidiary of Guizhou Gas
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Members Meeting”	the meeting of all the shareholders of Guizhou Pipelines held on 19 March 2021 which unanimously approved the Capital Increase and the Amended Articles of Association
“PRC”	The People’s Republic of China
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 19 March 2021

As at the date of this announcement, the executive Directors are Mr. Wang Jianqing, Mr. Bao Jun and Mr. Zhou Jian; and the Independent non-executive Directors are Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie.

* *English translation for the Chinese companies are for identification purposes only.*