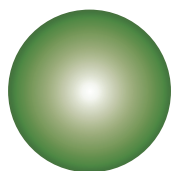


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元亨燃氣

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)**

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION  
WITH A CONNECTED PERSON AT SUBSIDIARY LEVEL:  
FORMATION OF JOINT VENTURE**

On 23 September 2016 (after trading hours), Guangzhou Yuanheng, a wholly-owned subsidiary of the Company, Guizhou Qiantong, and Guizhou Devotion entered into the Agreement for formation of the JV Company in relation to the Project.

Pursuant to the Agreement, Guangzhou Yuanheng, Guizhou Qiantong and Guizhou Devotion agreed that the JV Company will have a registered capital of RMB201,000,000, and the capital contribution by each the parties to the Agreement shall be paid by cash. Guangzhou Yuanheng will contributed RMB102,510,000 and will have 51% interest in the JV Company. The JV Company will be an indirect non-wholly owned subsidiary of the Company.

As at the date of this announcement, the JV Company has not yet been established and thus has not commenced any business operations.

As one or more of the applicable percentage ratios is more than 5% but less than 25%, the formation of the JV Company constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Guizhou Qiantong is a company established under the laws of the PRC and principally engaged in the business of clean energy and is a subsidiary of Guizhou Gas. Guizhou Gas currently holds 50% interests in Huaheng Energy, an indirectly non-wholly owned subsidiary of the Company where the Company indirectly holds the remaining 50% interests in it. Therefore, Guizhou Gas and Guizhou Qiantong are connected persons of the Company at subsidiary level. Since both Guizhou Gas and Guizhou Qiantong are connected persons of the Company at subsidiary level only, the entering into the Agreement is a connected transaction with connected person at subsidiary level only, and is exempt from the circular, independent financial adviser and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

The board (the “**Board**”) of directors (the “**Directors**”) of Yuan Heng Gas Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that on 23 September 2016 (after trading hours), Guangzhou Yuanheng Gas Co., Limited\* (廣州元亨燃氣有限公司) (“**Guangzhou Yuanheng**”), a wholly-owned subsidiary of the Company, Guizhou Qiantong Investment Co., Limited\* (貴州黔通投資有限公司) (“**Guizhou Qiantong**”), and Guizhou Devotion Energy Technology Company Limited\* (貴州迪森能源科技有限公司) (“**Guizhou Devotion**”) entered into a cooperation agreement (the “**Agreement**”) for formation of a jointly-owned company (the “**JV Company**”) in relation to electricity selling in Guizhou (the “**Project**”).

## THE AGREEMENT

Date: 23 September 2016

Parties: (1) Guangzhou Yuanheng;  
(2) Guizhou Qiantong; and  
(3) Guizhou Devotion.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry:

(a) Guizhou Qiantong is a subsidiary of Guizhou Gas Group Corporation Ltd.\* (貴州燃氣集團股份有限公司) (“**Guizhou Gas**”). Guizhou Gas currently holds 50% interests in 貴州華亨能源投資有限公司 (Guizhou Huaheng Energy Investments Co., Ltd\*) (“**Huaheng Energy**”), an indirectly non-wholly owned subsidiary of the Company

\* For identification purpose only

where the Company indirectly holds the remaining 50% interests in it, and therefore, Guizhou Gas and Guizhou Qiantong are connected persons of the Company at subsidiary level; and

- (b) Guizhou Devotion and its ultimate beneficial owner are third parties independent of the Group and the connected persons of the Group.

## **CAPITAL CONTRIBUTION**

Pursuant to the Agreement, Guangzhou Yuanheng, Guizhou Qiantong and Guizhou Devotion agreed that the JV Company will have a registered capital of RMB201,000,000, and the capital contribution by each the parties to the Agreement shall be paid by cash as follows:

<b>Contributing party</b>	<b>Amount to be contributed</b>	<b>Interest in the JV Company</b>
Guangzhou Yuanheng	RMB102,510,000	51%
Guizhou Qiantong	RMB60,300,000	30%
Guizhou Devotion	RMB38,190,000	19%

The JV Company will be an indirect non-wholly owned subsidiary of the Company.

The amount of capital contribution to be made by the parties to the Agreement was arrived at after arm's length negotiations between them having taken into account the expected capital requirements of the JV Company. It is contemplated that the capital contribution payable by Guangzhou Yuanheng will be funded by internal resources of the Group.

## **BUSINESS OF THE JV COMPANY**

The business scope of the JV Company, subject to the approval of the relevant governmental authorities, includes sale of electricity, investment in electricity projects, provision of consultancy and related auxiliary services in relation to power technology; wholesaling, sales and lease of electric equipment; provision of integrated energy supply, energy management contracts and related consultancy services; exploitation of distributed energy sources and related consultancy services, energy internet and research and development, etc.

As at the date of this announcement, the JV Company has not yet been established and thus has not commenced any business operations.

The specific electricity supply and other detailed operational issues will be further determined by the parties to the Agreement.

## **BOARD COMPOSITION**

The board of directors of the JV Company will consist of seven directors. Four of the directors of the JV Company will be nominated by Guangzhou Yuanheng, two directors will be nominated by Guizhou Qiantong, and the remaining one director will be nominated by Guizhou Devotion. The chairman of the JV Company will be nominated by Guizhou Qiantong. The nominated directors of the JV Company shall be elected by the shareholders of the JV Company. If a nominated director is not elected by the shareholders of the JV Company, his nominating shareholder shall nominate other directors for the shareholders of the JV Company to consider and elect, until all seven directors are elected.

## **RESTRICTIONS ON EQUITY TRANSFERS AND ENCUMBRANCES**

A party to the Agreement may not transfer or pledge or charge part or all of its equity interest in the JV Company Joint Venture to a third party without prior consent of the other parties to the Agreement.

In the event that a party to the Agreement proposes to transfer part or all of its equity interest in the JV Company, the other parties to the Agreement shall have a right of first refusal to such equity interest.

## **DISTRIBUTION OF PROFIT**

Profit available for distribution will be distributed to the parties to the Agreement pro rata to their respective capital contribution in the JV Company.

## **REASONS FOR AND BENEFITS OF THE AGREEMENT**

The PRC State Council promulgated “The Opinions on Promoting Further Reform of the Electricity System” (關於進一步深化電力體制改革的若干意見) and related documents on 15 March 2015 to advocate the participation in electricity selling business by the private sector in an orderly manner. Since under the state policy, the reform of electricity market is in full swing, which will benefit power companies, corporate electricity purchasers, sellers and users. By setting up a jointly-owned electricity selling company with large state-owned enterprises of Guizhou Province, the Group shall transport relatively low price, additional electricity to industrial users with high power demand in other region and create new profit growth point for the Group.

The Board considers that the entering into of the Agreement is in line with the business of the Group. The Directors (including the independent non-executive Directors) have confirmed and considered that the terms of the Agreement and the transactions contemplated therein, including the formation of the JV Company and the amount of capital contribution, have been subject to arm's length negotiation between the Group and the relevant parties, and the terms of the Agreement are fair and reasonable and have been entered into by the Group on normal commercial terms and is in the interests of the Company and its shareholders as a whole.

Since no Director is considered to have any material interest in the Agreement and the transactions contemplated therein, no Director has abstained from voting on the resolutions passed at the Board meetings held on 23 September 2016 to approve on the relevant resolutions approving the Agreement and the transactions contemplated therein.

## **INFORMATION OF THE GROUP AND THE PARTIES**

The Company is an investment holding company and its subsidiaries are principally engaged in the trading of oil and gas products and the provision of related consultancy services and processing, distribution, sales, trading and transportation of LNG and other auxiliary operations and networks in the PRC.

Guangzhou Yuanheng is a wholly owned indirect subsidiary of the Company and a wholly-owned foreign enterprise established under the laws of the PRC and principally engaged in the business of clean energy.

Guizhou Qiantong is a company established under the laws of the PRC and principally engaged in the business of clean energy. Guizhou Qiantong is a subsidiary of Guizhou Gas. Guizhou Gas is one of the biggest city gas supplying companies in Guizhou, and it has powerful local resources and customer resources. Guizhou Gas currently holds 50% interests in Huaheng Energy, an indirectly non-wholly owned subsidiary of the Company where the Company indirectly holds the remaining 50% interests in it, and therefore, Guizhou Gas and Guizhou Qiantong are connected persons of the Company at subsidiary level.

Guizhou Devotion is a company incorporated in the PRC with limited liability and a subsidiary of an integrated clean energy services company listed on the Shenzhen Stock Exchange, Guangzhou Devotion Thermal Technology Co., Ltd.\* (廣州迪森熱能技術股份有限公司) (“**Devotion Thermal**”) (stock code: 300335). Devotion Thermal is a leading service provider using biomass, clean coal, natural gas and other clean energy sources in the PRC.

\* *For identification purpose only*

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios is more than 5% but less than 25%, the formation of the JV Company constitutes a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Moreover, since both Guizhou Gas and Guizhou Qiantong are connected persons of the Company at subsidiary level only, the entering into the Agreement is a connected transaction with connected person at subsidiary level only, and is exempt from the circular, independent financial adviser and shareholders’ approval requirement pursuant to Rule 14A.101 of the Listing Rules.

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

Hong Kong, 23 September 2016

*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.*