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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 IN RELATION TO THE ACQUISITION

On 13 March 2017 (after trading hours), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell the entire equity interest in the Target Company for a cash consideration of RMB1.

The Completion is conditional upon the conditions precedent under the Sale and Purchase Agreement having been fulfilled or waived by the Purchaser (as the case maybe) at or before 5:00 p.m. on the Long Stop Date.

Subject to the fulfilment (or waiver) of the conditions precedent set out in the Sale and Purchase Agreement, the Completion shall take place on or before the Long Stop Date.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but all the applicable percentages ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Completion of the Acquisition is subject to the fulfilment (or waiver) of the conditions precedent under the Sale and Purchase Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that on 13 March 2017 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company, at a consideration of RMB1, which shall be satisfied by cash of RMB1 in accordance with the terms and conditions of the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

Date : 13 March 2017

Parties : (i) the Purchaser; and
(ii) the Vendor.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons, save and except as at the date of this announcement, the Vendor is a shareholder of the Company and holds approximately 2.8% of the issued shares of the Company.

Assets to be acquired

Subject to and conditional upon fulfilment or waiver of the conditions precedent set out in the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares. Upon completion of the Acquisition, the Purchaser will become the sole shareholder of the Target Company, and the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Company.

Consideration

The total consideration payable by the Purchaser to the Vendor for the Sale Shares is RMB1, which shall be settled in cash on Completion. The consideration is to be funded by internal resources of the Group.

The consideration in respect of the Sale Shares was determined by the parties after arm's length negotiations with reference to, *inter alia*, the financial conditions of the Target Company, including the unpaid registered Capital of the Target Company. Based on the foregoing, the Directors are of the view that the consideration for the Sale Shares is fair and reasonable.

The Loan Agreement

On 8 February 2017, the Target Company has entered into a loan agreement (the “**Loan Agreement**”) with Guangzhou An Feng Investment Company Limited* (廣州安豐投資有限公司) (the “**Lender**”) and the Vendor as guarantor, pursuant to which the Lender agreed and has lent to the Target Company a sum of RMB418,000,000 (the “**Loan**”). The Loan bears an annual interest of 5% and is due for repayment on 31 March 2017. The Loan is unsecured, but the Vendor has guaranteed to the Lender that if the Target Company fails to repay the Loan and the accrued interests, the Vendor shall transfer the Sale Shares to the Lender and pay a default penalty of 2% of the Loan to the Lender.

As at the date of this announcement, the Loan is still outstanding and the Company is advised that there is no breach to any of the terms of the Loan Agreement.

To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, the Lender is a third party independent of the Company and its connected persons and is a third party independent of the Vendor.

Conditions precedent

The Completion is conditional upon the following conditions having been fulfilled or waived by the Purchaser:

1. the Purchaser and its advisor(s) and agent(s) having completed its due diligence review of the assets, liabilities, operations and business of the Target Company on or before 30 April 2017 and the results of such review being satisfactory to the Purchaser;
2. a legal opinion on PRC laws having been issued by a PRC lawyer and its content, format and scope (including but not limited to the Sale and Purchase Agreement and the transactions contemplated therein, business and operations of the Target Company and contracts entered into by the Target Company including the Cooperation Agreement, the Partnership Agreement and the investment in the Cao Gen network) being satisfactory and acceptable to the Company;
3. the Vendor having obtained the Lender’s consent to enter into a supplemental loan agreement to be effective on Completion, pursuant to which the existing terms of the Loan Agreement shall be revised including the repayment date of the Loan and accrued interests shall be extended to 30 September 2017 and all guarantee obligations and requirement of the Vendor or by any other party shall be terminated and deleted; and

4. all warranties and representations by the Vendor stipulated in the Sale and Purchase Agreement being true and accurate, and the Vendor having fulfilled his undertakings and responsibilities thereunder in all respects.

The Purchaser may at any time waive in whole or in part (with or without conditions) any of the conditions precedent (1), (2) and (4) above by notice in writing to the Vendor. If any of the conditions precedent above has not been satisfied (or the case may be, waived by the Purchaser) at or before 5:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement shall cease and terminate (save and except for clauses relating confidentiality, notice and governing laws which shall continue to have full force and effect) and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

The Vendor shall, within five business days after fulfilment (or to the extent permitted, the waiver) of the conditions precedent set forth in the Sale and Purchase Agreement, submit the application for the transfer of Sale Shares to the relevant regulatory authorities in the PRC.

Subject to the terms and conditions of the Sale and Purchase Agreement abovementioned, the Completion shall take place upon the registration for the transfer of Sale Shares to the Purchaser having been approved by the relevant regulatory authorities in the PRC, which shows the Purchaser has been registered as the new sole shareholder of the Target Company and the legal representative of the Target Company have been changed to a person designated by the Purchaser by the relevant regulatory authorities.

Furthermore, the supplemental loan agreement will become effective upon Completion.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company incorporated in Bermuda with limited liability. 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.

The Purchaser

The Purchaser 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.

The Vendor

The Vendor, an individual, is the sole shareholder and legal representative of the Target Company before Completion. The Vendor is also a shareholder of the Company and holds approximately 2.8% of the issued shares of the Company and is a third party independent of the Company and its connected persons.

The Target Company

The Target Company is an investment holding company incorporated in the PRC with limited liability. The Target Company's two assets are:

- (1) Contractual rights under the Cooperation Agreement for investments of 11.5% equity interest in Quanzhou Zhenrong Petrochemical Storage Company Limited* (泉州振戎石化倉儲) (“**Zhenrong Storage**”) for a maximum investment of approximately RMB190.75 million which has been advanced by the Target Company to Zhenrong Storage.

As at the date of this announcement, the Company is advised that completion is pending upon the registration of the Target Company as the shareholder of the 11.5% equity interest being approved by the relevant PRC regulatory authorities, failing which Zhenrong Storage shall return the investments amount to the Target Company.

Zhenrong Storage is a foreign-owned enterprise incorporated in the PRC. Zhenrong Storage is principally engaged in the construction and operation of storage facilities, and the import and export of goods and technology.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Zhenrong Storage and all parties to the Cooperation Agreement and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons, and also each of them is a third party independent of the Vendor (save for the Target Company which is wholly owned by the Vendor).

- (2) 19.9998% interest in Guangzhou Hui Yin Wo Feng Investment Partnership (Limited Partnership)* (廣州匯垠沃豐投資合夥企業(有限合夥) (“**Hui Yin Wo Feng**”).

Hui Yin Wo Feng is a limited partnership established in the PRC, with the Target Company being one of the limited partners pursuant to the Partnership Agreement. Hui Yin Wo Feng is principally engaged in equity investment and the provision of corporate and investment advisory service. Under the Partnership Agreement, the Target Company is required to, and has paid up its equity contribution of RMB202.2 million for 19.9998% interest under the Partnership Agreement. As at the date of this announcement, Hui Yin Wo Feng has made one investment which comprises an equity interest of 21.3% in Zhejiang Cao Gen Network Technology Company Limited* (浙江草根網絡科技有限公司) (“**Cao Gen Network**”).

Cao Gen Network is a limited liability company incorporated in the PRC. Cao Gen Network is principally engaged in the value-added telecommunication service business, food business, tobacco trading, sales of computer hardware and software, development of computer network technology, technical services and consultancy, computer information system integration, business data consultancy, investment management and consultancy, sale of textiles, clothing, daily commodities, household appliances and electronic products. Cao Gen Network established and operates www.cgtz.com, a comprehensive online financial asset trading platform with over 7.4 million registered users.

To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, each of the Hui Yin Wo Feng, Cao Gen Network and all parties to the Partnership Agreement and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons, and also each of them is a third party independent of the Vendor (save for the Target Company which is wholly owned by the Vendor).

Based on its unaudited financial statements of the Target Company as at 28 February 2017, the Target Company had total assets of approximately RMB427 million, total liabilities of approximately RMB423 million due to the Lender, net assets of approximately RMB4 million and an unpaid registered capital of RMB30 million.

Set out below is the unaudited financial information of the Target Company for the financial years ended 31 December 2015 and 31 December 2016, respectively:

	For the year ended	
	31 December	
	2015	2016
	<i>approximately</i>	<i>approximately</i>
	RMB'000	RMB'000
Revenue	–	–
Net profit before taxation	105	4,592
Net profit after taxation	79	3,436
Net profit excluding the non-recurring gains and losses (after taxation)	79	3,436

Note: The Target Company has not carried out any business activities other than the two investments under the Cooperation Agreement and the Partnership Agreement set out above. However, the Target Company's profit was derived from interests accrued from its existing cash during the relevant period.

	As at 31 December	
	2015	2016
Total assets	190,993	220,083
Net assets	79	3,515

REASONS FOR THE PROPOSED ACQUISITION

The Group is 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.

The Board believes that the Acquisition can create long-term and strategic interests for the Group, including but not limited to the following:

- to foster collaboration with downstream users/facility providers, thereby expanding and improving the Group's operational flexibility;
- to diversify the business portfolio of the Group, broaden the source of income and enhance value to the shareholders; and
- in view of the enormous growth potential of online financial platform and the increasing popularity of financial transactions via the Internet, the Acquisition will enable the Group to seize the market opportunities and expand its operations.

“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Cooperation Agreement”	a cooperation agreement entered into by the Target Company dated 25 December 2015 for Zhenrong storage.
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2017
“PRC”	the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Partnership Agreement”	the partnership agreement dated 12 August 2016 between the Target Company being one of the limited partners and the other partners for Hui Yin Wo Feng
“Purchaser”	Guangzhou Yuanheng Gas Co., Limited* (廣州元亨燃氣有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire equity interest in the Target Company as at the date of the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 13 March 2017 entered into between the Purchaser and the Vendor in relation to the Acquisition

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangzhou Ju Yuan Investment Development Company Limited* (廣州聚元投資發展有限公司), a limited liability company incorporated in the PRC
“Vendor”	Mr. Zhu Ya Chen* (朱亞晨), the sole shareholder and legal representative of the Target Company before Completion

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

Hong Kong, 13 March 2017

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.

* *For identification purpose only*