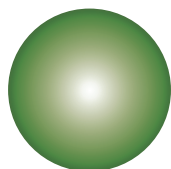


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元亨燃氣
YUANHENG GAS

YUAN HENG GAS HOLDINGS LIMITED

元亨燃氣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS UNDER FRAMEWORK AGREEMENTS

Reference is made to the announcement of the Company dated 4 September 2014 in relation to, among other things, the continuing connected transactions of the Group under the Existing Framework Agreements. On 22 August 2017, the relevant parties entered into the Renewed Framework Agreements to renew the Existing Framework Agreements which expired on 31 March 2017.

(1) Renewed GG Supply Agreement

Pursuant to the Renewed GG Supply Agreement entered into between Guizhou Gas and Yuanheng Gas, members of the Group agreed to sell LNG to the members of GG Group for a three-year term.

(2) Renewed GG Purchase Agreement

Pursuant to the Renewed GG Purchase Agreement entered into between Guizhou Gas and Yuanheng Gas, members of the Group have agreed to purchase Natural Gas Products from the members of GG Group for a three-year term.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Guizhou Gas 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 is a connected person of the Company at the subsidiary level only under Rule 14A.06(9) of the Listing Rules, and each of the transactions contemplated under the Renewed Framework Agreements constitutes continuing connected transactions under Chapter 14A of the Listing Rules.

As the Renewed GG Supply Agreement and Renewed GG Purchase Agreement respectively are entered into between an indirect wholly-owned subsidiary of the Company (namely Yuanheng Gas) for and on behalf of the members of the Group and a connected person of the Company at the subsidiary level only (namely Guizhou Gas) for and on behalf of the members of GG Group on normal commercial terms or better, the Company is required to comply with the reporting and announcement requirements, but is exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of Yuan Heng Gas Holdings Limited (the “**Company**”) dated 4 September 2014 in relation to, among other things, (i) the Existing GG Supply Agreement; and (ii) the Existing GG Purchase Agreement (the “**Announcement**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

On 22 August 2017, the relevant parties entered into the Renewed Framework Agreements to renew the Existing Framework Agreements which expired on 31 March 2017.

RENEWED FRAMEWORK AGREEMENTS

1. Renewed GG Supply Agreement

Other than renewing the term and the annual caps under the Renewed GG Supply Agreement, the principal terms and conditions of the Renewed GG Supply Agreement are identical to the Existing GG Supply Agreement, and set out as follows:

- Date: 22 August 2017
- Parties: (1) Yuanheng Gas (as seller); and
(2) Guizhou Gas (as purchaser)
- Subject: Yuanheng Gas has agreed to, and will procure each member of the Group to sell, and Guizhou Gas has agreed to, and will procure each member of the GG Group, to purchase LNG subject to the terms and conditions contained in the Renewed GG Supply Agreement and any sale and purchase of LNG to be made shall be made separately by an individual purchase order on an “order-by-order” basis.
- Term: Three (3) years commencing from 1 April 2017 to 31 March 2020, and is renewable in writing between both parties, subject to compliance with all applicable laws and regulations, including, but not limited to, the Listing Rules.
- Pricing basis: The price shall be determined at arm’s length negotiation on normal commercial terms no less favourable than otherwise provided by independent third parties according to the prevailing market price of the month with reference to, a monthly market report on LNG price in the PRC issued by a global market research organization. The actual settlement price and the method of payment (including payment by way of cash or such other manners as agreed by the parties) shall be determined based on the above principle and confirmed in the sales contract to be signed by the parties. The payment terms will be on market terms which are no less favourable than otherwise provided by independent third parties.

Annual caps: Proposed annual caps for sale of LNG are as follows:

	Annual cap <i>(in RMB)</i>
Year ending 31 March 2018	160,000,000
Year ending 31 March 2019	220,000,000
Year ending 31 March 2020	300,000,000

The proposed annual caps for each year are arrived at by the estimated LNG demand multiplied by the projected price of the LNG.

The annual caps under the GG Supply Agreement were determined based on the following matters:

- (a) the historical transaction amount of LNG supplied by the Group to the GG Group;
- (b) the production and operation capacity of the Group;
- (c) the demand estimated for LNG during the three financial years ending 31 March 2020;
- (d) the projected price of LNG during the three financial years ending 31 March 2020;
and
- (e) a buffer to accommodate changes in market conditions.

The historical transaction amount of LNG supplied by the members of the Group to the members of the GG Group for the three years ended 31 March 2017 (audited) are set out below:

	Total historical sale amount of LNG <i>(in RMB)</i>
Year ending 31 March 2015	nil
Year ending 31 March 2016	86,100,000
Year ending 31 March 2017	114,794,000

2. Renewed GG Purchase Agreement

Other than renewing the term and the annual caps under the Renewed GG Purchase Agreement, the principal terms and conditions of the Renewed GG Purchase Agreement are identical to the Existing GG Purchase Agreement, and are as follows:

- Date: 22 August 2017
- Parties: (1) Guizhou Gas (as seller); and
(2) Yuanheng Gas (as purchaser)
- Subject: Guizhou Gas has agreed to, and will procure each member of the GG Group to sell, and Yuanheng Gas has agreed to, and will procure each member of the Group to purchase Natural Gas Products subject to the terms and conditions contained in the Renewed GG Purchase Agreement and any sale and purchase of Natural Gas Products to be made shall be made separately by an individual purchase order on an “order-by-order” basis.
- Term: Three (3) years commencing from 1 April 2017 to 31 March 2020, and is renewable in writing between both parties, subject to compliance with all applicable laws and regulations, including, but not limited to, the Listing Rules.
- Pricing basis: The price shall be determined at arm’s length negotiation on normal commercial terms no less favourable than otherwise provided by independent third parties according to the prevailing market price of the month with reference to a monthly market report on price of LNG in the PRC issued by a global market research organization. The actual settlement price and the method of payment (including payment by way of cash or such other manners as agreed by the parties) shall be determined based on the above principle and confirmed in the sales contract to be signed by the parties. The payment terms will be on market terms which are no less favourable than otherwise provided by independent third parties.

Annual caps: Proposed annual caps for trading of Natural Gas Products are as follows:

	Annual cap <i>(in RMB)</i>
Year ending 31 March 2018	170,000,000
Year ending 31 March 2019	210,000,000
Year ending 31 March 2020	270,000,000

The proposed annual caps for each year are arrived at by the estimated Natural Gas Products demand multiplied by the projected price of the Natural Gas Products.

Basis of the annual caps:

The annual caps under the Renewed GG Purchase Agreement were determined based on the following matters:

- (a) the historical transaction amount of Natural Gas Products purchased by the Group from the GG Group;
- (b) the production and operation capacity of the Group;
- (c) the increase in demand of natural gas after the completion of their production facilities of certain customers of the Group;
- (d) the demand estimated for Natural Gas Products during the three financial years ending 31 March 2020;
- (e) the projected price of Natural Gas Products during the three financial years ending 31 March 2020; and
- (f) a buffer to accommodate changes in market conditions.

The historical transaction amount of Natural Gas Products purchased by the members of the Group from the members of the GG Group for the three years ended 31 March 2017 (audited) are set out below:

	Total historical transaction amount of Natural Gas Products <i>(in RMB)</i>
Year ending 31 March 2015	97,310,000
Year ending 31 March 2016	149,597,000
Year ending 31 March 2017	132,235,000

TRANSACTIONS CONDUCTED PRIOR TO THE EXECUTION OF THE RENEWED FRAMEWORK AGREEMENTS

Prior to the execution of the Renewed GG Supply Agreement, but subsequent to the expiry of the Existing GG Supply Agreement, minimal amount of transactions was conducted between the Group and the GG Group upon similar terms and/or conditions as in the Existing GG Supply Agreement (the “**Prior Supply Transactions**”). As the aggregate amount of these Prior Supply Transactions does not exceed 1% of the relevant percentage ratios and the transactions are connected transactions only because they involves connected person at the subsidiary level (namely Guizhou Gas) for and on behalf of the members of the GG Group, these Prior Supply Transactions are fully exempted from shareholders’ approval, annual review and all disclosure requirements under Rule 14A.76(1)(b) of the Listing Rules.

Prior to the execution of the Renewed GG Purchase Agreement, but subsequent to the expiry of the Existing GG Purchase Agreement, minimal amount of transactions was conducted between the Group and the GG Group upon similar terms and/or conditions as in the Existing GG Purchase Agreement (the “**Prior Purchase Transactions**”). As the aggregate amount of these Prior Purchase Transactions does not exceed 1% of the relevant percentage ratios and the transactions are connected transactions only because they involves connected person at the subsidiary level (namely Guizhou Gas) for and on behalf of the members of the GG Group, these Prior Purchase Transactions are fully exempted from shareholders’ approval, annual review and all disclosure requirements under Rule 14A.76(1)(b) of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED FRAMEWORK AGREEMENTS

Since the expiry of the Existing Framework Agreements, members of the Group have the Prior Supply Transactions and the Prior Purchase Transactions with members of the GG Group. The Board notes that if members of the Group and members of the GG Group will continue to conduct transactions upon similar terms and/or conditions as in the Existing Framework Agreements, the amount of the transactions will exceed the de minimis threshold and will no longer be fully exempted under Rule 14A.76(1) of the Listing Rules. Thus, the Company proposed to Guizhou Gas and both agreed to enter into the Renewed Framework Agreements.

The transactions contemplated under the Renewed Framework Agreements are an integral part of the ordinary and usual course of business of the Group and will be conducted on normal commercial terms following arm's length negotiation between the parties to the Renewed Framework Agreements.

The GG Group is a leading natural gas play in the industry and have the exclusive rights for the supply of natural gas in certain cities where the Group operates. The entering into of the Renewed Framework Agreements will help the Group to maintain and develop strategic business relationship with the GG Group and continue to bring sustainable contribution to the Group's profitability in the long run.

The Directors (including the independent non-executive Directors) have confirmed and considered that the transactions contemplated under each of the Renewed GG Supply Agreement and the Renewed GG Purchase Agreement have been subject to arm's length negotiation between the Group and Guizhou Gas, and have been entered into by the Group in the ordinary and usual course of business, the terms of each of the Renewed Framework Agreement are fair and reasonable and on normal commercial terms or better. The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under each of the Renewed Framework Agreements and the respective proposed annual caps for each of the three years ending 31 March 2020 are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Since no Director is considered to have material interest in the Renewed GG Supply Agreement and the Renewed GG Purchase Agreement and the transactions contemplated thereunder, no Director have abstained from voting on the resolutions passed at the Board meeting held on 22 August 2017 to approve the Renewed GG Supply Agreement and the Renewed GG Purchase Agreement and the transactions contemplated thereunder (including the respective proposed annual caps).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Guizhou Gas 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 is a connected person of the Company at the subsidiary level only under Rule 14A.06(9) of the Listing Rules, and each of the transactions contemplated under the Renewed Framework Agreements constitutes continuing connected transactions under Chapter 14A of the Listing Rules.

As the Renewed GG Supply Agreement and Renewed GG Purchase Agreement respectively are entered into between an indirect wholly-owned subsidiary of the Company (namely Yuanheng Gas) for and on behalf of the members of the Group and a connected person of the Company at the subsidiary level only (namely Guizhou Gas) for and on behalf of the members of GG Group on normal commercial terms or better, the Company is required to comply with the reporting and announcement requirements, but is exempted from the circular, (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

GENERAL INFORMATION

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.

Yuanheng Gas is a wholly-owned foreign enterprise 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.

Huaheng Energy is a company established under the laws of the PRC and an indirectly non wholly owned subsidiary of the Company holding 50% of its interests, where the remaining 50% interests is held by Guizhou Gas. Huaheng Energy is a licensed natural gas dealer for the supply and sale of natural gas. As at the date of this announcement, it operates two LNG satellite stations located in Renhuai Famous Wine Industrial Park and Kweichow Moutai Distilleries in Renhuai, Guizhou, PRC for the storage and distribution of natural gas to the white wine distilleries.

Information on GG Group

Guizhou Gas is a state controlled enterprise 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.

DEFINITIONS

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

“Existing Framework Agreement”	Existing GG Purchase Agreement and Existing GG Supply Agreement
“Existing GG Purchase Agreement”	the framework agreement dated 4 September 2014 and entered into between Guizhou Gas and Yuanheng Gas regarding the purchase of Natural Gas Products by the members of the Group from the members of the GG Group
“Existing GG Supply Agreement”	the framework agreement dated 4 September 2014 and entered into between Guizhou Gas and Yuanheng Gas regarding the sale of LNG by the members of the Group to the members of the GG Group
“Guizhou Gas”	貴州燃氣集團股份有限公司 (Guizhou Gas Group Co., Ltd*), formerly known as 貴州燃氣(集團)有限責任公司 (Guizhou Gas (Group) Co., Ltd*), a state-controlled company established under the laws of the PRC
“Renewed Framework Agreements”	Renewed GG Purchase Agreement and Renewed GG Supply Agreement
“Renewed GG Purchase Agreement”	the framework agreement dated 22 August 2017 and entered into between Guizhou Gas and Yuanheng Gas regarding the purchase of Natural Gas Products by the members of the Group from the members of the GG Group
“Renewed GG Supply Agreement”	the framework agreement dated 22 August 2017 and entered into between Guizhou Gas and Yuanheng Gas regarding the sale of LNG by the members of the Group to the members of the GG Group

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

Hong Kong, 22 August 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.