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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)

**REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 4 September 2014 in relation to, *inter alia*, the continuing connected transactions of the Group under the Existing Framework Agreements, and the announcement of the Company dated 22 August 2017 in relation to the renewal of continuing connected transactions of the Group under the Renewed Framework Agreements.

Despite the respective demand of LNG and the Natural Gas Products under the Renewed GG Supply Agreement and the Renewed GG Purchase Agreement remaining unchanged, owing to the increase in the market unit prices for LNG and Natural Gas Products since the signing of the Renewed Framework Agreements, it is expected that certain annual caps for the forthcoming periods under the Renewed Framework Agreements will exceed the then estimated annual caps. On 25 January 2019, the Directors proposed to revise the annual caps in respect of the transactions contemplated under the Renewed Framework Agreements.

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 Supplemental Agreements constitutes continuing connected transactions under Chapter 14A of the Listing Rules.

As (i) Guizhou Gas is a connected person of the Company at the subsidiary level; (ii) the continuing connected transactions contemplated under each of the Renewed GG Supply Agreement and the Renewed GG Purchase Agreement are on normal commercial terms or better; and (iii) the Directors (including the independent non-executive Directors) have approved the continuing connected transactions and confirmed that the terms of the continuing connected transactions are fair and reasonable and that the continuing connected transactions are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, 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**”, together with its subsidiaries, the “**Group**”) dated 4 September 2014 in relation to, *inter alia*, the continuing connected transactions of the Group under the Existing Framework Agreements, and the announcement of the Company dated 22 August 2017 in relation to the renewal of continuing connected transactions of the Group under the Renewed Framework Agreements (the “**Announcements**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

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. The Renewed Framework Agreements are for a term of three years 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.

Under the Renewed Framework Agreements, the annual caps for each year are arrived at by the estimated LNG or Natural Gas Products demand multiplied by the projected price of LNG or the Natural Gas Products.

The annual caps under the Renewed 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 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.

REVISION OF ANNUAL CAPS

Despite the respective demand of LNG and the Natural Gas Products under the Renewed GG Supply Agreement and the Renewed GG Purchase Agreement remaining unchanged, owing to the increase in the market unit prices for LNG and Natural Gas Products since the signing of the Renewed Framework Agreements, it is expected that certain annual caps for the forthcoming periods under the Renewed Framework Agreements will exceed the then estimated annual caps.

However, since the respective demand of LNG and the Natural Gas Products under the Renewed GG Supply Agreement and the Renewed GG Purchase Agreement remaining unchanged, the parties to the Renewed Framework Agreements are not required to enter into any supplemental or revised framework agreement to amend any commercial terms or to cater of the increase of the annual caps thereunder, which is a compliance matter of the Company.

On 25 January 2019, the Directors proposed to revise the annual caps in respect of the transactions contemplated under the Renewed Framework Agreements by increasing some of the annual caps for the forthcoming periods, as follows:

1. Renewed GG Supply Agreement

The Directors proposed to revise the annual cap for the year ending 31 March 2019 in respect of the transactions contemplated under the Renewed GG Supply Agreement as follows:

	Original Annual Cap (in RMB)	Revised Annual Cap (in RMB)
Year ending 31 March 2019	220,000,000	280,000,000
Year ending 31 March 2020	300,000,000	No change

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

As far as the Directors are aware, the original annual cap in respect of the transactions contemplated under the Renewed GG Supply Agreement for the year ending 31 March 2019 has not been exceeded as at the date of this announcement and about 39% of the original annual cap has been utilised up to the end of December 2018 based on the Company's available data.

2. Renewed GG Purchase Agreement

The Directors proposed to revise the annual caps for the year ending 31 March 2019 and the year ending 31 March 2020 in respect of the transactions contemplated under the Renewed GG Purchase Agreement as follows:

	Original Annual Cap (in RMB)	Revised Annual Cap (in RMB)
Year ending 31 March 2019	210,000,000	280,000,000
Year ending 31 March 2020	270,000,000	364,000,000

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

As far as the Directors are aware, the original annual cap in respect of the transactions contemplated under the Renewed GG Purchase Agreement for the year ending 31 March 2019 has not been exceeded as at the date of this announcement and about 89% of the original annual cap has been utilised up to the end of December 2018 based on the Company's available data.

Save and except the revised annual caps in respect of the transactions contemplated under the Renewed Framework Agreements, the principal terms and conditions of the Renewed Framework Agreements remain unchanged which has been announced previously and are reproduced as follows:

1. Renewed GG Supply Agreement

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.

2. Renewed GG Purchase Agreement

- 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.

REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS

The transactions contemplated under the Renewed Framework Agreements have been an integral part of the ordinary and usual course of business of the Group and have been conducted on normal commercial terms following arm’s length negotiation between the parties to the Renewed Framework Agreements. The revision of the annual caps is necessary to reflect the increased market unit price of LNG or Natural Gas Products since the signing of the Renewed Framework Agreements, and to enable the Group to sell or purchase the same quantity of LNG or Natural Gas Products under the Renewed Framework Agreements.

The Board believes that the revision of the annual caps will help the Group to maintain and develop the long term relationship with the GG Group, especially when GG Group is a leading natural gas player in the industry and have the exclusive rights for the supply of natural gas in certain cities where the Group operates.

BOARD CONFIRMATION

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 Agreements 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 (including the revised annual caps) for each of the two 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 25 January 2019 to approve the revised annual caps for the continuing connected transactions contemplated under the Renewed Framework Agreements.

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 (i) Guizhou Gas is a connected person of the Company at the subsidiary level; (ii) the continuing connected transactions contemplated under each of the Renewed GG Supply Agreement and the Renewed GG Purchase Agreement are on normal commercial terms or better; and (iii) the Directors (including the independent non-executive Directors) have approved the continuing connected transactions and confirmed that the terms of the continuing connected transactions are fair and reasonable and that the continuing connected transactions are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, 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:

“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, 25 January 2019

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