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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)

### INSIDE INFORMATION MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE ACQUISITION

This announcement is made by Yuan Heng Gas Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

#### POSSIBLE ACQUISITION

The board of directors (the “**Board**”) of the Company is pleased to announce that on 15 August 2022 (after trading hours), 廣州元亨燃氣有限公司 (Guangzhou Yuanheng Gas Co., Limited\*) (“**Guangzhou Yuanheng**”), a wholly-owned subsidiary of the Company, entered into a non-legally binding 合作框架備忘錄 (memorandum of understanding) (the “**Memorandum**”) with 廣州元亨能源有限公司 (Guangzhou Circle Energy Company Limited\*) (“**Circle Energy**”), pursuant to which Guangzhou Yuanheng intends to acquire from Circle Energy (the “**Possible Acquisition**”) a non-controlling stake of less than 50% of the issued share capital in one or more subsidiaries (“**Target Group**”) held and controlled by Circle Energy.

## **INFORMATION ABOUT THE TARGET GROUP**

The Target Group holds a large-scale coastal petrochemical storage base in the southeastern coastal areas of the PRC which is located in the deep-water port of Meizhou Bay, with a superior geographical location and has over 1,000 Mu of scarce land and shoreline resources. The storage base is operational with a storage capacity of over 400,000 cubic meters. It is mainly engaged in coastal petrochemical storage and possesses the qualifications for operation of hazardous chemicals. The chemical storage varieties and turnover account for a large market share in the southeastern coastal areas of the PRC. It is equipped with a 100,000-ton, 10,000-ton and 3,000-ton deep-water terminals capable of loading and unloading of hazardous chemicals and oil products, with the capacity of loading, unloading, trans-shipment and berthing of bulk cargo. It can carry out energy trading and provide comprehensive energy services such as berthing, loading and unloading, and pipeline transportation of liquefied chemicals and has a large room for development in the future. Circle Energy and the Target Group has been planning to introduce large domestic petrochemical state-owned enterprises to cooperate and invest in the expansion of a large-scale LNG receiving terminal at the existing site.

Pursuant to the Memorandum, the parties agreed to further negotiate on details and terms of the Possible Acquisition, to agree on matters such as the equity of the Target Group to be acquired by Guangzhou Yuanheng, the consideration for the Possible Acquisition and the manner of payment with reference to, among other things, the due diligence review on the Target Group and its assets and operations to be conducted by independent professional firms to be engaged by Guangzhou Yuanheng.

## **EXCLUSIVITY PERIOD**

Pursuant to the Memorandum, the parties agreed that from the date of the Memorandum and expire on the date falling 180 days from the date of the Memorandum (the “**Exclusivity Period**”), neither party shall directly or indirectly discuss, negotiate or reach any understanding or any form of agreement or arrangement with a third party (other than the shareholders of Circle Energy) in relation to the Possible Acquisition as provided in the Memorandum, unless prior consent has been obtained from the other party.

If the Memorandum is terminated for whatever reason before the expiration of the Exclusivity Period, the Exclusivity Period will then be immediately expired.

## **VALIDITY PERIOD**

The Memorandum shall take effect upon signing by the parties and shall terminate until the occurrence of any of the following event (whichever is the earliest): (1) the Memorandum is superseded by definitive agreement(s) or supplemental agreements to the Memorandum in relation to the Possible Acquisition or further agreement in relation to the Possible Acquisition as agreed in the Memorandum; (2) the Memorandum is terminated by either party by giving one month’s prior written notice to the other party without cause; or (3) the expiry of the Exclusivity Period.

## **LEGAL EFFECT**

The Memorandum is not legally binding between the parties in relation to the Possible Acquisition, except those terms relating to confidentiality, the Exclusivity Period, the amendment to the Memorandum, the validity and termination of the Memorandum and the governing law, which are legally binding.

## **INFORMATION ABOUT CIRCLE ENERGY**

Circle Energy is one of the “Top 500 Energy Enterprises in China”, “Top 500 Service Enterprises in China” and a large-scale backbone enterprise in Guangdong Province. It has long been committed to comprehensive oil and gas energy services and development. Relying on large coastal petrochemical storage bases and high-quality resources in the coastal areas of the PRC, Circle Energy is a large-scale comprehensive energy enterprise integrating energy import, energy storage, energy trade and energy services.

Save for Mr. Wang Jianqing, the Executive Director, Chairman and Chief Executive Officer of the Company, who is also the general manager of Circle Energy, Circle Energy and its shareholders are independent third parties of the Company. In order to avoid possible conflict of interest arising from the Possible Acquisition, Mr. Wang Jianqing had abstained and will abstain from voting on the Possible Acquisition at the board meetings of the Company.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE MEMORANDUM**

The Group are principally engaged in (i) trading of oil and gas products and (ii) processing, distribution, sales, trading and transportation LNG and other auxiliary operations and networks in the PRC. It is the Group’s business strategy to cooperate with Circle Energy in the storage business of LNG and/or related petrochemical products to complement and expand the Group’s business resources and advantages and improve the Group’s service level in the PRC.

The Board believes that with further clarification of the PRC’s carbon neutrality goal, the PRC has accelerated the development of low-carbon energy structure. With the increasing demand following the government policies of “coal to gas” in urban industrial zones and the “guaranteed supply of gas in winter” for civilian use, natural gas will undoubtedly become one of the dominant energy sources in the energy consumption market which the Group operates in. Therefore, the Possible Acquisition, if materialised, will strategically complement the Group’s comprehensive operation level in the LNG-related business sector, and the Group is expected to take advantage of the opportunity of in-depth cooperation with peer companies to further explore and expand the LNG storage and distribution channels.

## GENERAL

The Possible Acquisition, if materialised, may constitute a notifiable transaction of the Company under the Listing Rules. The Company will make further announcement(s) as and when appropriate in accordance with the Listing Rules if the Company enters into any definitive agreement or if there is any material development on the Possible Acquisition.

**The Board wishes to emphasise that no formal and legally binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition is subject to further negotiations between the parties and may or may not be materialised. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 15 August 2022

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

*\* for identification purpose only*