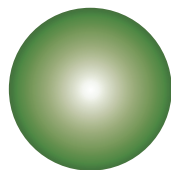


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元亨燃氣

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)**

### **MAJOR TRANSACTION DISPOSAL OF GUANGZHOU JU YUAN INVESTMENT DEVELOPMENT CO., LTD.**

#### **SUMMARY OF PRINCIPAL TERMS OF THE AGREEMENT**

On 7 December 2018 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire equity interest in the Target at the Consideration in accordance with the terms and conditions of the Agreement.

If the Conditions Precedent are not satisfied (or waived) by 5pm on the Long Stop Date, the Agreement will be terminated and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches.

Upon satisfaction (or waiver) of the Conditions Precedent on or prior to the Long Stop Date, the Vendor shall procure the Target to declare the Special Dividend of approximately RMB97,200,000 on the Long Stop Date. The Special Dividend shall be payable in cash within twelve months following the Long Stop Date to the Vendor, as the Vendor is the sole shareholder of the Target on the Long Stop Date and prior to Completion. Further, the Purchaser has undertaken to pay any balance of the Special Dividend if the Target fails to pay to the Vendor within the above deadline.

The Vendor shall, within five Business Days after the Long Stop Date, submit the application for the transfer of the Sale Shares to the relevant regulatory authorities in the PRC for approval and registration and the date of registration being recorded by the relevant PRC authorities shall be the date of Completion.

Immediately upon Completion, the Company will no longer have any interest in the Target, save for the outstanding Special Dividend payable within twelve months following the Long Stop Date, and the financial results of the Target will cease to be consolidated into the accounts of the Company.

### **LISTING RULES IMPLICATIONS**

As one of the relevant percentage ratios exceeds 25% but below 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser, being a Shareholder who has a material interest in the Agreement, together with his associates, is required to abstain from voting at the general meeting to be convened for the approval of the Disposal.

A circular containing further information on the Agreement and the transactions contemplated thereunder and other information as required under the Listing Rules together with a notice convening the special general meeting to approve the Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 23 January 2019 to allow sufficient time for the preparation and finalization of certain information of the circular, and in particular, the indebtedness statement taking into account the forthcoming Christmas Holiday and the New Year Holiday.

**As Completion is subject to the fulfillment of the Conditions Precedent, the Disposal may or may not proceed to Completion. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

The Board is pleased to announce that on 7 December 2018 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire equity interest in the Target at the Consideration in accordance with the terms and conditions of the Agreement.

### **THE AGREEMENT**

Date: 7 December 2018

Parties: The Purchaser; and  
The Vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is a third party independent of the Company and its connected persons save and except that the Purchaser holds about 2% Shares for long-term investments purpose.

## **ASSETS TO BE DISPOSED OF**

Subject to and conditional upon fulfilment or waiver of the Conditions Precedent, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares.

Upon Completion, the Purchaser will become the sole shareholder of the Target and the Company will cease to have any equity interest in the Target and will cease to be a subsidiary of the Company.

## **CONSIDERATION**

The Consideration payable by the Purchaser to the Vendor for the Sale Shares is RMB423,000,000 which shall be settled by instalments as follows:

1. RMB169,200,000 shall be payable in cash by the Purchaser on the Completion Date;
2. RMB1,200,000 shall be deemed to have been paid by the Vendor novating the Outstanding Liability to the Purchaser on a dollar-to-dollar basis on the Completion Date;
3. RMB126,900,000 shall be payable in cash by the Purchaser on the 120th day following the Completion Date; and
4. the remaining balance of RMB125,700,000 shall be payable in cash by the Purchaser on the 360th day following the Completion Date.

The aggregate value of the Consideration in respect of the Sale Shares was determined by the parties after arm's length negotiations with reference to the net asset value of the Target as at 30 September 2018 being approximately RMB507,500,000 (adjusted for the estimated interest income (net of tax) to be generated up to the Long Stop Date in the amount of approximately RMB12,700,000) after deducting a Special Dividend to be declared to the Vendor equivalent to the entire amount standing to the credit of the distributable reserves of the Target in the amount of approximately RMB97,200,000 on the Long Stop Date before proceeding to Completion. The Directors believe that the Consideration and the basis are fair and reasonable.

The net cash proceeds of from the Disposal, after deducting the estimated transaction costs arising from the Disposal, will amount to approximately RMB421,000,000. Subject to the Completion taking place, the Board intends to use the proceeds of the Disposal (i) to settle part of the loans of the Group falling due in 2019; and (ii) for general working capital for the Group's existing businesses.

## **CONDITIONS PRECEDENT**

Completion is conditional upon the following Conditions Precedent having been fulfilled or waived:

1. the Purchaser and his advisers and agents having completed a satisfactory due diligence review of the assets, liabilities, operations and business of the Target within 14 days after the date of the Agreement;
2. if applicable, the Shareholders approving the Agreement and the transactions contemplated thereunder in accordance with the Listing Rules, the Bye-laws and applicable laws and regulations;
3. no material breach of any of the Purchaser, and the Purchaser having fulfilled his undertakings and responsibilities in all respects; and
4. no material breach of any of the Vendor, and the Vendor having fulfilled his undertakings and responsibilities in all respects.

The Purchaser may at any time waive in whole or in part, with or without conditions, the above Conditions Precedent (1) and (4) and the Vendor may at any time waive in whole or in part, with or without conditions, the above Condition Precedent (3). If any of the Conditions Precedent are not satisfied (or waived) by 5pm on the Long Stop Date, the Agreement will be terminated and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches.

## **DECLARATION OF SPECIAL DIVIDEND AND COMPLETION**

Upon satisfaction (or waiver) of the Conditions Precedent on or prior to the Long Stop Date, the Vendor shall procure the Target to declare the Special Dividend of approximately RMB97,200,000 on the Long Stop Date. The Special Dividend shall be payable in cash within twelve months following the Long Stop Date to the Vendor, as the Vendor is the sole shareholder of the Target on the Long Stop Date and prior to Completion. Further, the Purchaser has undertaken to pay any balance of the Special Dividend if the Target fails to pay to the Vendor within the above deadline.

The amount of the Special Dividend is equivalent to the entire amount standing to the credit of the distributable reserves of the Target as at the Long Stop Date. In view of the fact that the Target has not received any actual payment of the Interests Income up to the date of this announcement, the Directors considered that payment of the Special Dividend on a deferred basis and with the Purchaser undertaking to pay any balance if the Target fails to pay up are fair and reasonable in the circumstances.

The Vendor shall, within five Business Days after the Long Stop Date, submit the application for the transfer of the Sale Shares to the relevant regulatory authorities in the PRC for approval and registration and the date of registration being recorded by the relevant PRC authorities shall be the date of Completion.

## **INFORMATION ON THE COMPANY AND THE VENDOR**

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 liquefied natural gas and other auxiliary operations and networks in the PRC.

The Vendor is an indirect wholly owned 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.

## **INFORMATION ON THE PURCHASER**

The Purchaser is a businessman. The Purchaser is previously the owner of the Target and sold the Target to the Company pursuant to a sale and purchase agreement dated 13 March 2017, details of which is set out in the announcements of the Company dated 13 and 31 March 2017.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is a third party independent of the Company and its connected persons save and except that the Purchaser holds about 2% Shares for long-term investments purpose.

## **INFORMATION ON THE TARGET**

The Target is an investment holding company incorporated in the PRC with limited liabilities and holds the following two principal assets:

1. The Arbitral Award which was ruled by the China Guangzhou Arbitration Commission (the "CGAC") in favour of the Target against the other parties to the Cooperation Agreement in connection with the Target's investments of 11.5% equity interest in the Storage Company which was not proceeded. Details of the original investments in the Storage Company are set out in the announcement of the Company dated 13 March 2017 and details of the arbitration are set out in the announcements of the Company dated 9 August 2017, 13 September 2017 and 15 November 2017.

Although the Arbitral Award has granted the Target, in summary, a return of the original investment fund, financing costs and interests for the investment, damages for breach of agreements and costs and expenses of the Arbitration, together with the benefits of the Preservation Ruling given by the Intermediate People's Court of

Guangzhou City, Guangdong Province (the “**Intermediate Court**”) freezing relevant bank deposits and other assets to the extent of about RMB375 million, up to the date of this announcement, there has been no material progress on the Arbitration. One of the principal reason is that the Target is still in the progress of seeking legal advice in relation to the steps and administrative procedures to enforce the Preservation Ruling and to realise the assets thereunder and use the proceeds to satisfy the amounts under the Arbitral Award.

2. The 19.9998% interest in Guangzhou Hui Yin Wo Feng Investment Partnership (Limited Partnership) (the “**Investment Partnership**”). As set out in the announcement of the Company dated 13 March 2017, the Target has invested in the Investment Partnership pursuant to the Partnership Agreement and, up to the date of this announcement, the Investment Partnership has made one investment which comprises an equity interest of 21.06% in the Network Company. The Target has not received any material investment update from the Investment Partnership up to the date of this announcement.

Based on the unaudited financial statements of the Target as at 30 September 2018, the Target had total assets of about RMB543,900,000, total liabilities of about RMB36,400,000, and net assets of about RMB507,500,000. The Target paid up registered capital is RMB423,000,000.

Set out below is the unaudited financial information of the Target for the two financial years ended 31 December 2016 and 2017 respectively:

	For the year ended	
	31 December	
	2016	2017
	<i>about</i>	<i>about</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	—
Net profit before taxation	4,592	<b>75,101</b>
Net profit after taxation	3,436	<b>56,326</b>
Total assets	220,083	<b>507,918</b>
Net assets	3,515	<b>59,811</b>

*Note:* The Target 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’s profit was substantially derived from the Interests Income during the relevant period.

## **REASONS FOR THE DISPOSAL**

The original intention for the acquisition of the Target was to create long-term and strategic interests for the Group by expanding the Group's operational flexibility and to diversify the Group's business portfolio and to broaden the income source and enhance value to the Shareholders. However, the investment under the Cooperation Agreement has failed to materialize and the return of investments has been subject to the arbitration and court proceedings. Although Arbitral Award and Preservation Rulings have been granted in favour of the Target, the Board considers that all litigation procedures are inherently risky and uncertain as to the final outcome and time, costs and efforts spent may not be commensurate to the final rewards.

On the other hand, upon periodic review of the investment the Investment Partnership has made, the Board has noted that the investment has failed to deliver the expected return so far. Further and in view of the deteriorating global business market, and in particular, the noticeable political pressures by several major industrialised countries against internet and technology companies from the PRC, the Board considers investment in such companies has decreased in attractiveness and potential at least in the short to medium term.

Therefore, the Board considers it would be in the interests of the Company and the Shareholders as a whole to dispose of the Target, so as to realise the contingent values under the Arbitral Award and allow the Company to reallocate its resources and focus on the Group's principal business and activities. Taking into account of the matters as described in this announcement, the Directors believe that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

## **FINANCIAL EFFECT TO THE COMPANY OF THE DISPOSAL**

Immediately upon Completion, the Company will no longer have any interest in the Target, save for the outstanding Special Dividend payable within twelve months following the Long Stop Date, and the financial results of the Target will cease to be consolidated into the accounts of the Company.

The Company expects to record an immaterial gain/loss (subject to adjustment and audit) from the Disposal, based on (i) the Consideration of RMB423,000,000; (ii) the unaudited net asset value of the Target of approximately RMB507,500,000 as at 30 September 2018; (iii) the amount standing to the credit of the distributable reserves of approximately RMB84,500,000 of the Target as at 30 September 2018, and (iv) the transaction cost arising from the Disposal.

The actual gain/loss as a result of the Disposal to be recorded by the Group is subject to audit to be performed by the auditors of the Company and might be different since the net asset value of the Target as at 30 September 2018 and the amount standing to the credit of the distributable reserve as at 30 September 2018 may be different from those as at the date of Completion.



## LISTING RULES IMPLICATIONS

As one of the relevant percentage ratios exceeds 25% but below 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser, being a Shareholder who has a material interest in the Agreement, together with his associates, is required to abstain from voting at the general meeting to be convened for the approval of the Disposal.

A circular containing further information on the Agreement and the transactions contemplated thereunder and other information as required under the Listing Rules together with a notice convening the special general meeting to approve the Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 23 January 2019 to allow sufficient time for the preparation and finalization of certain information of the circular, and in particular, the indebtedness statement taking into account the forthcoming Christmas Holiday and the New Year Holiday.

**As Completion is subject to the fulfillment of the Conditions Precedent, the Disposal may or may not proceed to Completion. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 7 December 2018 entered into between the Vendor and the Purchaser in relation to the Disposal
“Arbitral Award”	the arbitral award granted by the CGAC in connection with the arbitration initiated by the Target under the terms of the Cooperation Agreement
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or a public holiday) on which licensed banks are open for general banking business in Hong Kong
“Bye-laws”	the bye-laws of the Company for the time being



“Company”	Yuan Heng Gas Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares are listed on the Stock Exchange
“Completion”	completion of the Disposal on the Completion Date
“Completion Date”	the date where the approval and registration of the transfer of the Sale Shares by the relevant authorities of the PRC
“Conditions Precedent”	the conditions precedent, the fulfillment or waiver of which the Disposal is subject to, as described in the section headed “ <i>Conditions Precedent</i> ” in this announcement
“connected person”	has the meaning as defined under the Listing Rules
“Consideration”	RMB423,000,000, being the aggregate value of the consideration for the sale and purchase of the Sale Shares
“Cooperation Agreement”	the cooperation agreement entered into by the Target dated 25 December 2015 in connection with the Storage Company
“Directors”	the directors of the Company
“Disposal”	the sale of the Sales Shares by the Vendor pursuant to the terms of the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Interests Income”	the interest on the investment amount paid by the Target to the Storage Company under the Cooperation Agreement as calculated pursuant to the formula awarded under the Arbitral Award
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 February 2019
“Network Company”	Zhejiang Cao Gen Network Technology Company Limited, a company established under the laws of the PRC with limited liability

“Outstanding Liability”	a sum of RMB1,200,000 which is unsecured, interest free and with no repayment date owed by the Vendor to the Target and remain outstanding as at the date of the Agreement
“Partnership Agreement”	the partnership agreement dated 12 August 2016 and entered into between the Target, being one of the limited partners and the other partners in connection with the Investment Partnership
“PRC”	the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Preservation Ruling”	a civil ruling dated 11 August 2017 made by the Intermediate Court freezing certain bank deposits and other assets to the extent of about RMB375 million
“Purchaser”	Mr. Zhu Ya Chen
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire equity interest in the Target
“Shareholders”	holders of Shares
“Shares”	shares of HK\$0.10 each in the share capital of the Company
“Special Dividend”	a special dividend of approximately RMB97,200,000 to be declared by the Target on the Long Stop Date after satisfaction (or waiver) of the Conditions Precedent to the Vendor, being the sole shareholder of the Target, where the amount of the dividend shall be equivalent to the entire amount standing to the credit of the distributable reserves of the Target as at the Long Stop Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Storage Company”	Quanzhou Zhenrong Petrochemical Storage Company Limited, a company established under the laws of the PRC with limited liability

“Target”	Guangzhou Ju Yuan Investment Development Co. Ltd., a limited liability company established in the PRC, an indirect wholly owned subsidiary immediately before Completion
“Vendor”	Guangzhou Yuanheng Gas Co. Ltd., an indirect wholly owned subsidiary of the Company and a wholly-owned foreign enterprise established under the laws of the PRC

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

Hong Kong, 7 December 2018

*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.*