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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)

DISCLOSURE UNDER RULE 13.18 RELATING TO A LOAN FACILITY OF HK\$15 MILLION

On 4 January 2021, after trading hours, the Company, as borrower, and the Lender entered into the Loan Agreement pursuant to which the Lender agreed to grant to the Company a loan of HK\$15 million for a term of 12 months from 4 January 2021, the date of the Drawdown Date. The Loan is secured by the Share Mortgage and the Guarantee and the proceeds will be used to repay an existing loan of the Company.

LISTING RULES IMPLICATIONS

Pursuant to the Loan Agreement, Mr. Wang, being a connected person of the Company, is required to provide personal guarantee. The provision of personal guarantee (and thus financial assistance) by Mr. Wang, a connected person of the Company, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that no security over the assets of the Group or financial assistance is granted to Mr. Wang, in respect of the grant of financial assistance by him to secure the Company's obligations under the Loan Agreement and such grant of financial assistance by the Wang is for the benefit of the Company on normal commercial terms (or better to the Company), such grant of financial assistance is fully exempted from the reporting, announcement and independent Shareholders' approval requirements of Chapter 14A of the Listing Rules under Rule 14A.90 of the Listing Rules.

However, the specific performance obligations of Mr. Wang, the controlling shareholder of the Company under the transaction contemplated under the Loan Agreement is required to be disclosed pursuant to Rule 13.18 of the Listing Rules.

The provision of the Indemnity Agreement for the collateral security (and thus financial assistance) provided by the Chargor constitutes a transaction of the Company under Chapter 14 of the Listing Rules. However, given all applicable percentage ratios under Chapter 14 of the Listing Rules does not exceed 5%, the entering into the Indemnity Agreement is not subject to any reporting and announcement requirements under Chapter 14 of the Listing Rules and the disclosure made in this announcement is to provide a full and complete picture of the Loan Agreement and the transactions contemplated thereunder.

The Board announces that on 4 January 2021, after trading hours, the Company, as borrower, and the Lender entered into the Loan Agreement pursuant to which the Lender agreed to grant to the Company a loan of HK\$15 million for a term of 12 months from the date of the Drawdown Date. The Loan is secured by the Share Mortgage and the Guarantee.

In consideration of the Chargor's agreement to provide the Charged Shares as collateral security for the Loan, on 4 January 2021, the Company entered into the Indemnity Agreement with the Chargor pursuant to which the Company will indemnify the Chargor in case the Lender enforce the security provided under the Share Mortgage.

THE LOAN AGREEMENT

Set out below are the principal terms of the Loan Agreement:

- Date: 4 January 2021
- Parties: The Lender (as lender); and
The Company (as borrower)
- Loan amount: HK\$15 million
- Maturity Date: twelve months from the date of the Drawdown Date
- Interest rate: 9% per annum
- Conditions precedent of the Loan: The obligations of the Lender to make the Loan available to the Company during the Availability Period shall be expressly subject to the following conditions precedent:
- (1) that the Lender shall have received in form and substance satisfactory to it all of the following documents:
 - (a) copies, certified as true and complete by a director of the Company, of the Certificate of Incorporation, Certificate of Incumbency, the Memorandum and Articles of Association, and the register of directors of the Company;

- (b) copies, certified as true and complete by a director of the Company, of resolutions of the board of directors approving the Loan Agreement, any of the Finance Document which the Company is a party, and all documents and notices relating thereto, and authorising the due execution of the same on its behalf (affixing the common seal of the Company thereto where applicable) and authorizing appropriate persons to take any actions contemplated thereby;
 - (c) the Loan Agreement and any of the Finance Document to which the Company is a party duly executed by the Company;
 - (d) the Guarantee duly executed by the Guarantor;
 - (e) the Share Mortgage duly executed by the Chargor; and
 - (f) such other documents as reasonably required by the Lender.
- (2) that no event of default (as defined) shall have occurred;
 - (3) that there is no material adverse change; and
 - (4) that LTV ratio of the Charged Shares shall not exceed 30% as required under the Loan Agreement.

Upon any Loan not being made by reason of non-fulfilment of any of the above conditions precedents, the Company shall pay to the Lender on demand a sum of up to HK\$20,000 as compensation to the Lender against its direct losses, expenses and liabilities actually incurred in connection with the Loan Agreement.

Prepayment:

The Company may on or after the Interest Payment Date of the 1st monthly instalment of the Loan prepay to the Lender the Loan, in whole or in part, outstanding under the Loan on the next Interest Payment Date provided that:

- (a) the Company shall have given to the Lender not less than five Business Days' notice in writing of its intention to make such prepayment, specifying the amount to be prepaid and the date on which prepayment is to be made; and

- (b) the Company shall on the date of prepayment pay to the Lender all accrued interest and the amount specified in the prepayment notice.

Securities:

The Loan is secured by the Guarantee and the Share Mortgage.

The Share Mortgage is the charge over the Charged Shares executed by the Chargor as security in favour of the Lender.

Early repayment obligations:

- (i) The Lender shall be entitled to demand by 14 Business Days' prior notice to the Company to repay all but not part of the outstanding indebtedness due under the Loan Agreement to the Lender if at any time in the reasonable opinion of the Lender, any law or regulation by any governmental agency or judicial authority shall make the Lender unlawful or otherwise not feasible for the Lender to give effect to or maintain its obligations under the Loan Agreement.
- (ii) Upon any default having occurred under any of the Security Documents by any Security Provider which is not capable of being rectified, or which is capable of being rectified but have not been rectified and have been continuing for more than five Business Days under any Security Documents, the Lender may by notice in writing notify the Company and demand the Company, by not less than five (5) Business Days' prior notice, repayment of all but not part of the outstanding indebtedness under the Loan Agreement.
- (iii) After the drawing of the Loan has been made under the Loan Agreement and when the Loan or interest thereon or any money payable under the Loan Agreement remains outstanding, if the LTV ratio exceeds 50%, the Lender shall have the right to demand the Company to repay such amount within three Business Days after a written notification has been given by the Lender to the Company to repay such amount with a view to lower the LTV ratio back to 30%.

The Security Documents and specific performance obligations of the controlling shareholder, Mr. Wang under Rule 13.18

Payment obligations and the performance of all the obligations of the Company under the Finance Documents are secured by the Security Documents entered into by the Chargor and Mr. Wang.

Mr. Wang has entered into the Guarantee on 4 January 2021 to unconditionally and irrevocably guarantee the due and punctual performance of the Company under the Finance Documents, including payment of all sums due and payable by the Company under the Loan Agreement.

It is a condition that Mr. Wang shall maintain and hold not less than 51% of the Shares during the terms of the Loan Agreement. As at the date of this announcement, Mr. Wang holds, indirectly, approximately 63.31% of the issued Shares of the Company.

Specific performance obligations of the Chargor

The Chargor entered into the Share Mortgage on 4 January 2021, being the Drawdown Date to charge an aggregate of 166,387,619 Shares, representing approximately 2.54% of the issued share capital of the Company, in favour of the Lender as continuing security for the obligations under the Finance Documents.

INDEMNITY AGREEMENT

Pursuant to the Indemnity Agreement, in consideration of the Chargor's agreement to provide the Charged Shares as security for the Company's obligations under the Loan Agreement in favour of the Lender and execute the Share Mortgage in favour of the Lender, the Company shall pay a sum of HK\$50,000 to the Chargor as its fees and expenses for provision of the security and execution of the Share Mortgage.

In case the Lender enforces the Share Mortgage and uses the Charged Shares to satisfy any money due by the Company under the Loan Agreement, the Company undertakes to indemnify and keep indemnified the Chargor against:

- (a) any loss arising from and out of the default of the Company under the Loan Agreement, other than those the breach of any warranties and representations relating to and/or given by the Chargor under the Finance Documents; and
- (b) save in the case of breaches of any warranties and representations relating to and/or given by the Chargor under the Finance Documents, all reasonable costs, expenses, claims, demands, and liabilities for which the Chargor may become liable and against all actions, suits, proceedings, claims or demands of any nature whatsoever for which action may be taken or made against the Chargor by the Lender or which may be incurred or which may arise directly or indirectly by reason of any breach of the Loan Agreement by the Company.

Notwithstanding any provision in the Indemnity Agreement or any other remedies available to the Chargor, the maximum amount of indemnity to be provided by the Company to the Chargor is HK\$15,000,000.

The Executive Directors have known Ms. Cai, the sole shareholder of the Chargor for many years and she has been a passive investor in the Company holding the subject Charged Shares since 2014 and has informed the Board that she does not have any plan to sell or to utilize the Charged Shares for any personal refinancing or other matters. Since the Lender sought for securities as collateral, Ms. Cai willingly agreed to assist the Company considering the risk of default would be minimal.

On the other hand, the Board considers that the risk of any potential default by the Chargor under the Share Mortgage is very low and that even if the unlikely scenario arises, it would only give rise to the obligations of the Company to fully repay all outstanding loans, interests and costs incurred, which the Company considers it will have sufficient financial resources to satisfy and would not cause any material or adverse business or financial position on the Group as a whole. And further, the indemnity provided to the Chargor is capped to the maximum amount of the loan and also is likewise unlikely to be exercised as the Company would have simply repaid the loan before the Lender would have enforced the Share Mortgage. And in view of the payment made to the Chargor for entering into the Share Mortgage which reflects the costs and expenses it will incur for entering into the Share Mortgage, the Board considers that the terms and conditions of the Indemnity Agreement, and the payment and indemnity amount thereunder and their basis are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

REASONS FOR THE TRANSACTION

The Loan is used to repay an existing loan of the Company due to the Lender, which was due on 4 January 2021 with terms similar to the Loan Agreement and was announced by the Company on 2 July 2020. The Company confirms that the condition precedents to the Loan Agreement was satisfied on 4 January 2021 and the Loan was drawn on the same day and used to repay the aforesaid existing loan due to the Lender.

The terms of the Loan Agreement were determined through arm's length negotiations between the parties, and the Directors (including the independent non-executive Directors) are of the view that the Loan Agreement was entered into on normal commercial terms and that the terms of the Loan Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The terms of the Indemnity Agreement were determined through arm's length negotiations between the parties, and the Directors (including the independent non-executive Directors) are of the view that the Indemnity Agreement was entered into on normal commercial terms and that the terms of the Indemnity Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

GENERAL INFORMATION

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.

The Lender is a wholly-owned subsidiary of PFGL. The Lender is a registered money lender holding a valid Money Lenders Licence under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) and its principal activities include money lending business.

PFGL and its subsidiaries are principally engaged in financial services business, money lending business, trading business and assets investment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lender and its ultimate beneficial owners are Independent Third Parties.

The Chargor is a company incorporated in the British Virgin Islands with limited liability and is an investment holding vehicle of Ms. Cai holding the Charged Shares. Although the Chargor holds the Charged Shares, which represents approximately 2.54% of the issued share capital of the Company, it and its ultimate beneficial owner, Cai Shouyan is not a connected person under the Listing Rules. The Chargor and its ultimate beneficial owner are Independent Third Parties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Lender and its ultimate beneficial owners on the one hand and the Chargor and its ultimate beneficial owner on the other hand are third party independent to each other.

LISTING RULES IMPLICATIONS

Pursuant to the Loan Agreement, Mr. Wang, being a connected person of the Company, is required to provide personal guarantee. The provision of personal guarantee (and thus financial assistance) by Mr. Wang, a connected person of the Company, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that no security over the assets of the Group or financial assistance is granted to Mr. Wang, in respect of the grant of financial assistance by him to secure the Company's obligations under the Loan Agreement and such grant of financial assistance by the Wang is for the benefit of the Company on normal commercial terms (or better to the Company), such grant of financial assistance is fully exempted from the reporting, announcement and independent Shareholders' approval requirements of Chapter 14A of the Listing Rules under Rule 14A.90 of the Listing Rules.

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DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Availability Period”	the period commencing from the date of the Loan Agreement and ending on the earliest of (i) the date falling one (1) month from the date of the Loan Agreement; (ii) the date on which the Loan is cancelled pursuant to the terms of the Loan Agreement; or (iii) the date on which the Loan is drawn
“Board”	the board of Directors
“Business Day”	means a day (other than a Saturday, Sunday or a public holiday) on which the banks are open for general business in Hong Kong
“Charged Shares”	166,387,619 Shares held by the Chargor
“Chargor”	Ever Express Group Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Company”	Yuan Heng Gas Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Drawdown Date”	4 January 2021, the date on which the drawing is made by the Borrower and the date of advance made by the Lender

“Finance Documents”	the Loan Agreement, the Guarantee, the Share Mortgage, other documents set out in the Loan Agreement and any other document designated as such by the Lender and the Borrower
“Group”	the Company and its subsidiaries (as defined in the Listing Rules) from time to time
“Guarantee”	the deed of guarantee to be executed and delivered by Mr. Wang in favour of the Lender
“Guarantor”	Mr. Wang
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Indemnity Agreement”	the indemnity agreement entered into between the Company and the Chargor dated 4 January 2021
“Independent Third Parties”	third parties independent of the Company and connected persons of the Company, and an “Independent Third Party” shall be construed accordingly
“Interest Payment Date”	the last day of each Interest Period
“Interest Period”	in relation to the Loan outstanding under the Loan Agreement, means a period of one month’s duration
“Lender”	E Finance Limited, a company incorporated in Hong Kong with limited liability, (i) principally engages in money lending business in Hong Kong and is a licensed money lender in Hong Kong under the Money Lenders Ordinance; and (ii) is an indirect wholly-owned subsidiary of PFGL
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the secured term loan in the amount of HK\$15 million granted by the Lender to the Company pursuant to the terms of the Loan Agreement
“Loan Agreement”	the loan agreement dated 4 January 2021 entered into between the Lender and the Company in relation to the grant of the Loan to the Company

“LTV ratio”	being the result of (A) the principal amount of the Loan then outstanding, divided by (B) the multiple of (i) total number of Charged Shares under the Share Mortgage plus any other Shares that may be charged as additional security by the Chargor and/or other Security Providers; and (ii) the average closing price per Share in five consecutive Trading Days as quoted by the Stock Exchange, times (C) 100%
“Mr. Wang”	Mr. Wang Jianqing, the Chairman of the Board and an executive Director
“PFGL”	Power Financial Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 397)
“PRC”	the People’s Republic of China, for the purposes of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Security Documents”	the Guarantee and the Share Mortgage
“Security Providers”	the Guarantor and the Chargor
“Shares”	ordinary shares with a nominal value of HK\$0.10 each in the share capital of the Company
“Share Mortgage”	the share mortgage executed on 4 January 2021 and delivered by Ever Express in favour of the Lender over the Charged Shares
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trading Day”	a day when the Stock Exchange is open for dealing business
“%”	per cent

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

Hong Kong, 4 January 2021

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.