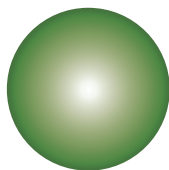


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元亨燃氣

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 TRANSACTION

Reference is made to the announcement of the Company in relation to, inter alia, the continuing connected transaction of the Group under the Piped Gas Purchase Agreement.

Despite the price of natural gas and pipeline usage fee under the Piped Gas Purchase Agreement remaining more or less the same with the projected price, owing to a substantial increase in the demand by one of the major customers of our Group which is a third party independent to the Company and its connected persons in the past few months where such increase in demand is expected to continue in the forthcoming months, it is expected that the annual cap for the current period under the Piped Gas Purchase Agreement will exceed the then estimated annual cap.

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.

GG Pipeline is a non-wholly owned subsidiary of Guizhou Gas, thus GG Pipeline and Guizhou Gas are connected persons of the Company at the subsidiary level only, and the transactions contemplated under the Piped Gas Purchase Agreement 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 the Piped Gas 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 29 April 2020 (the “**Announcement**”) in relation to, inter alia, the continuing connected transaction of the Group under the Piped Gas Purchase Agreement. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

Under the Piped Gas Purchase Agreement, the annual cap for each year are arrived at by the estimated natural gas demand multiplied by the projected price of natural gas and the pipeline usage fee.

The annual cap under the Pipeline Purchase Agreement was determined based on the following matters:

- (a) the historical transaction amount and costs of piped gas purchased by the Group from the GG Group;
- (b) the production and operation capacity of the Group/Huaheng Energy;
- (c) the demand estimated for piped gas during the financial year ending 31 March 2021;
- (d) the projected price of natural gas and pipeline usage fee during the financial year ending 31 March 2021; and
- (e) a buffer to accommodate changes in market conditions.

REVISION OF ANNUAL CAPS

Despite the price of natural gas and pipeline usage fee under the Piped Gas Purchase Agreement remaining more or less the same with the projected price, owing to a substantial increase in the demand of about 135% of the estimated quantity by one of the major customers of our Group (which is a third party independent to the Company and its connected persons in the past few months) where such increase in demand is expected to continue in the forthcoming months, it is expected that the annual cap for the current period under the Piped Gas Purchase Agreement will exceed the then estimated annual cap.

Although with the increased demand of natural gas purchases, the parties to the Piped Gas Purchase Agreement do not intend to, and is not required to, revise any of its existing terms. However, since the reference price of natural gas and pipeline usage fee under the Piped Gas Purchase Agreement remaining more or less the same with the projected price, the parties to the Piped Gas Purchase Agreement are not required to enter into any supplemental or revised agreement to amend any commercial terms or to cater for the increase of the annual caps thereunder, which is a compliance matter of the Company.

On 4 January 2021, the Directors proposed to revise the annual cap in respect of the transactions contemplated under the Piped Gas Purchase Agreement increasing the annual cap for the forthcoming periods, as follows:

	Original Annual Cap (in RMB)	Revised Annual Cap (in RMB)
Year ending 31 March 2021	<u>283,000,000</u>	<u>383,000,000</u>

The revised annual cap for the year ending 31 March 2021 is arrived at by the updated estimated demand for natural gas multiplied by the projected price of natural gas and the pipeline usage fee.

As far as the Directors are aware, the original annual cap in respect of the transactions contemplated under the Piped Gas Purchase Agreement for the year ending 31 March 2021 has not been exceeded as at the date of this announcement and about 81% of the original annual cap has been utilised up to the end of December 2020 based on the Company's available data.

Save and except the revised annual cap in respect of the transactions contemplated under the Piped Gas Purchase Agreement, the principal terms and conditions of the Piped Gas Purchase Agreement remain unchanged which has been announced previously and are reproduced as follows:

Date: 29 April 2020

Parties: (1) Huaheng Energy, as purchaser
(2) GG Pipeline, as seller

Term: One year from 1 April 2020 to 31 March 2021

Subject matter: Huaheng Energy has agreed to purchase and GG Pipeline has agreed to sell natural gas via their pipelines subject to the terms and conditions contained in the Pipeline Purchase Agreement.

Pricing basis: The price to be paid by Huaheng Energy shall be the aggregate of the price of the natural gas and the price of the pipelines usage fee.

GG Pipeline shall source the natural gas to sell to Huaheng Energy and the price of the natural gas shall be the actual settlement price of the natural gas sold and charged by Guizhou Sales Branch of China National Petroleum Corporation, an Independent Third Party, the seller of the natural gas.

The pipeline usage fee shall be RMB0.483 per cubic meter (inclusive of VAT), subject to adjustment as agreed between Huaheng Energy and GG Pipeline.

Payment term: Actual price of the natural gas payable shall be determined weekly between GG Pipeline and Huaheng Energy upon verification by both parties, while Huaheng Energy is required to pay the expected amount in advance.

REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS

The transactions contemplated under the Piped Gas Purchase Agreement 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 Piped Gas Purchase Agreement. The revision of the annual cap is necessary to reflect the increase in the demand by one of the major customers of the Group which is a third party independent to the Company and its connected persons since the signing of the Piped Gas Purchase Agreement, and to enable the Group to purchase more natural gas under the Piped Gas Purchase Agreement.

The Board believes that the revision of the annual cap will help the Group to maintain and continue to 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 on the one hand and to satisfy the customers of the Group's demand of natural gas on the other hand.

BOARD CONFIRMATION

The Directors (including the independent non-executive Directors) have confirmed and considered that the transactions contemplated under the Piped Gas Purchase Agreement have been subject to arm's length negotiation between the Group and GG Pipeline (a subsidiary of Guizhou Gas), and have been entered into by the Group in the ordinary and usual course of business, the terms of the Piped Gas Purchase 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 the Piped Gas Purchase Agreement (including the revised annual cap) for the year ending 31 March 2021 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 Piped Gas Purchase Agreement and the transactions contemplated thereunder, no Director has abstained from voting on the resolutions passed at the Board meeting held on 4 January 2021 to approve the revised annual cap for the continuing connected transactions contemplated under the Piped Gas Purchase Agreement.

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.

GG Pipeline is a non-wholly owned subsidiary of Guizhou Gas, thus GG Pipeline and Guizhou Gas are connected persons of the Company at the subsidiary level only, and the transactions contemplated under the Piped Gas Purchase Agreement 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 the Piped Gas 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.

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. Guizhou Gas was listed on the Shanghai Stock Exchange on November 2017 (stock code: 600903).

GG Pipeline is a company established under the laws of the PRC and is a non-wholly owned subsidiary of Guizhou Gas. It is principally engaged in investment in pipeline infrastructure and sale of piped gas.

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.