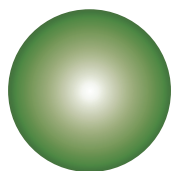


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元亨燃氣

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)

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
WITH A CONNECTED PERSON AT SUBSIDIARY LEVEL:
SIGNING OF A COOPERATION AGREEMENT TO
(1) TERMINATE THE PREVIOUS AGREEMENT FOR
FORMATION OF THE JV COMPANY; AND
(2) MAKE NEW ARRANGEMENT FOR
FORMATION OF THE JV COMPANY**

On 30 December 2016 (after trading hours), Guangzhou Yuanheng, Guizhou Tianranqi, Guizhou Devotion and Guizhou Qiantong (now known as Hongda Lixin Quality Assessment Co., Ltd* (貴州鴻達立信計量檢測有限公司) entered into the Cooperation Agreement for the Project.

Pursuant to the Cooperation Agreement, the Agreement shall be terminated upon the Cooperation Agreement becoming effective.

Pursuant to the Cooperation Agreement, Guangzhou Yuanheng, Guizhou Tianranqi and Guizhou Devotion agreed that the JV Company will have a registered capital of RMB201,000,000 and the capital contribution by each the JV Shareholders shall be paid by cash. Guangzhou Yuanheng shall contribute RMB142,710,000 and shall have 71% interest in the JV Company.

As at the date of this announcement, the JV Company has not yet been established and thus has not commenced any business operations.

As one or more of the applicable percentage ratios is more than 5% but less than 25%, the formation of the JV Company constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Each of Guizhou Tianranqi and Guizhou Qiantong is a wholly-owned subsidiary of Guizhou Gas. Guizhou Gas currently 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, Guizhou Tianranqi and Guizhou Qiantong are connected persons of the Company at subsidiary level. The entering into the Cooperation Agreement is a connected transaction with connected person at subsidiary level only, and is exempt from the circular, independent financial adviser and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

Reference is made to the announcements of Yuan Heng Gas Holdings Limited (the “**Company**”) dated 23 September 2016 (the “**Announcement**”) in relation to the formation of the JV Company. Unless the context otherwise requires, terms defined in this announcement shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, Guangzhou Yuanheng, Guizhou Qiantong and Guizhou Devotion entered into the Agreement for formation of the JV Company in relation to the Project for electricity selling in Guizhou. As at the date of this announcement, the JV Company has not been incorporated and none of terms of the Agreement has been performed by the parties to the Agreement.

On 30 December 2016 (after trading hours), the existing three parties to the Agreement, namely Guangzhou Yuanheng, Guizhou Devotion and Guizhou Qiantong (now known as Hongda Lixin Quality Assessment Co., Ltd* (貴州鴻達立信計量檢測有限公司) and a new party Guizhou Tianranqi Co., Ltd.* (貴州省天然氣有限公司) (“**Guizhou Tianranqi**”), entered into a new cooperation agreement (the “**Cooperation Agreement**”) for the Project.

THE COOPERATION AGREEMENT

Date: 30 December 2016

Parties: (1) Guangzhou Yuanheng;
(2) Guizhou Tianranqi;
(3) Guizhou Devotion; and
(4) Guizhou Qiantong.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry:

- (a) Each of Guizhou Tianranqi and Guizhou Qiantong is a wholly-owned subsidiary of Guizhou Gas. Guizhou Gas currently 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, Guizhou Tianranqi and Guizhou Qiantong are connected persons of the Company at subsidiary level; and
- (b) Guizhou Devotion and its ultimate beneficial owner are third parties independent of the Group and the connected persons of the Group.

Termination of the Agreement

Pursuant to the Cooperation Agreement, the Agreement shall be terminated immediately upon signing of the Cooperation Agreement by all parties to the Agreement.

Guizhou Qiantong enters into the Cooperation Agreement to agree and accept the termination of the Agreement, but it will not become a party relating to the formation of the JV Company under the terms of the Cooperation Agreement, and any of its rights and obligations that may have will be taken over by Guizhou Tianranqi, where both are subsidiaries of Guizhou Gas.

Formation of the JV Company

Pursuant to the Cooperation Agreement, Guangzhou Yuanheng, Guizhou Tianranqi and Guizhou Devotion (collectively as the "**JV Shareholders**") agreed to form the JV Company in relation to the Project under the terms of the Cooperation Agreement.

Capital Contribution

Pursuant to the Cooperation Agreement, Guangzhou Yuanheng, Guizhou Tianranqi and Guizhou Devotion agreed that the JV Company will have a registered capital of RMB201,000,000 and the capital contribution by each the JV Shareholders shall be paid by cash as follows:

Contributing party	Amount to be contributed	Interest in the JV Company
Guangzhou Yuanheng	RMB142,710,000	71%
Guizhou Tianranqi	RMB20,100,000	10%
Guizhou Devotion	RMB38,190,000	19%

The JV Company will become an indirect non-wholly owned subsidiary of the Company.

The amount of capital contribution to be made by the JV Shareholders was arrived at after arm's length negotiations between them having taken into account the expected capital requirements of the JV Company. It is contemplated that the capital contribution payable by Guangzhou Yuanheng will be funded by internal resources of the Group.

BUSINESS OF THE JV COMPANY

The business scope of the JV Company, subject to the approval of the relevant governmental authorities, includes sale of electricity, investment in electricity projects, provision of consultancy and related auxiliary services in relation to power technology; wholesaling, sales and lease of electric equipment; provision of integrated energy supply, energy management contracts and related consultancy services; exploitation of distributed energy sources and related consultancy services, energy internet and research and development, etc.

As at the date of this announcement, the JV Company has not yet been established and thus has not commenced any business operations.

BOARD COMPOSITION

The board of directors of the JV Company will consist of five directors. Three of the directors of the JV Company will be nominated by Guangzhou Yuanheng, one director will be nominated by Guizhou Tianranqi, and the remaining one director will be nominated by Guizhou Devotion. The chairman of the JV Company will be nominated by Guizhou Tianranqi. The nominated directors of the JV Company shall be elected by the shareholders of the JV Company. If a nominated director is not elected by the shareholders of the JV Company, his nominating shareholder shall nominate other directors for the JV Shareholders to consider and elect, until all five directors are elected.

RESTRICTIONS ON EQUITY TRANSFERS AND ENCUMBRANCES

No JV Shareholder may transfer or pledge or charge part or all of its equity interest in the JV Company to a third party without prior consent of the other JV Shareholders. In the event that a JV Shareholder proposes to transfer part or all of its equity interest in the JV Company, the other JV Shareholders shall have a right of first refusal to such equity interest.

DISTRIBUTION OF PROFIT

Profit available for distribution will be distributed to the JV Shareholders pro rata to their respective capital contribution in the JV Company.

REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT

As stated in the Announcement dated 23 September 2016, the Company believes the continuous and further reform of electricity selling business promulgated by the PRC State Council will bring about enormous development opportunities for and benefit to power companies, corporate electricity purchasers, sellers and users and the formation of the JV can create new profit growth point for the Group.

Since the entering into the Agreement, Guizhou Qiantong has indicated that due to the change of its own business scope and operation, it does not want to proceed further with the Project while another subsidiary of Guizhou Gas has shown interest in participating in the Project with lesser capital commitment. Having considered the benefit of the Project that could be brought to the Group, the Company agrees to increase in its capital commitment to the Project and interest in the JV Company from 51% to 71%. The Board considers that reaching the Cooperation Agreement to further stimulate the progress of the Project is in the interest of the Group and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) have confirmed and considered that the terms of the Cooperation Agreement and the transactions contemplated therein, including the formation of the JV Company and the amount of capital contribution, have been subject to arm's length negotiation between the Group and the relevant parties, and the terms of the Cooperation Agreement are fair and reasonable and have been entered into by the Group on normal commercial terms and is in the interests of the Company and its shareholders as a whole.

Since no Director is considered to have any material interest in the Cooperation Agreement and the transactions contemplated therein, no Director has abstained from voting on the resolutions passed at the Board meetings held on 30 December 2016 to approve on the relevant resolutions approving the Cooperation Agreement and the transactions contemplated therein.

INFORMATION OF THE GROUP AND THE PARTIES

The Company is an investment holding company and its subsidiaries are principally engaged in the trading of oil and gas products and the provision of related consultancy services and processing, distribution, sales, trading and transportation of LNG and other auxiliary operations and networks in the PRC.

Guangzhou Yuanheng is a wholly-owned indirect 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.

Guizhou Tianranqi, a wholly-owned subsidiary of Guizhou Gas, is principally engaged in the business of procurement, transportation and sales of natural gas and liquefied petroleum gas, designs, constructions and supervisions of the gas related engineering, and sales, maintenance and auxiliary projects of gas appliances.

Guizhou Qiantong, a wholly-owned subsidiary of Guizhou Gas, is principally engaged in the business of testing, calibration and maintenance of measurement equipment and instruments; mine development, investment; investment in environmental protection and infrastructure.

Guizhou Gas is the biggest city gas supplying companies in Guizhou, and it has powerful local resources and customer resources. Guizhou Gas currently 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, Guizhou Qiantong and Guizhou Tianranqi are connected persons of the Company at subsidiary level.

Guizhou Devotion is a company incorporated in the PRC with limited liability and a subsidiary of an integrated clean energy services company listed on the Shenzhen Stock Exchange, Guangzhou Devotion Thermal Technology Co., Ltd.* (廣州迪森熱能技術股份有限公司) (“**Devotion Thermal**”) (stock code: 300335). Devotion Thermal is a leading service provider using biomass, clean coal, natural gas and other clean energy sources in the PRC.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios is more than 5% but less than 25%, the formation of the JV Company constitutes a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Moreover, since Guizhou Gas, Guizhou Tianranqi and Guizhou Qiantong are connected persons of the Company at subsidiary level only, the entering into the Cooperation Agreement is a connected transaction with connected person at subsidiary level only, and is exempt from the circular, independent financial adviser and shareholders’ approval requirement pursuant to Rule 14A.101 of the Listing Rules.

By order of the Board
Yuan Heng Gas Holdings Limited
WANG JIANQING
Chairman and Chief Executive Officer

Hong Kong, 30 December 2016

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*