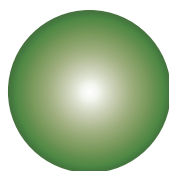

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yuan Heng Gas Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

**(1) MAJOR TRANSACTION — DISPOSAL OF
GUANGZHOU JU YUAN INVESTMENT DEVELOPMENT CO., LTD;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

A letter from the Board is set out on pages 5 to 13 of this circular.

A notice convening the SGM to be held on Thursday, 14 February 2019 at 10:45 a.m. at Theatre A, 22nd Floor, United Centre, 95 Queensway, Hong Kong is set out on pages 22 to 23 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the HKExnews website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.yuanhenggas.com.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy to the Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible together with a power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, and in any event not less than 48 hours before the time fixed for holding the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

25 January 2019

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Accompanying document — Form of Proxy for the SGM

EXPECTED TIMETABLE

2019

Latest time for lodging transfer of Shares	4:30 p.m. on Friday, 8 February
Closure of Register (both dates inclusive)	Monday, 11 February to Thursday, 14 February
Latest time for lodging the proxy forms for use at the SGM.	10:45 a.m. on Tuesday, 12 February
Record Date for determination of entitlements to the SGM	Thursday, 14 February
Date and time of SGM	10:45 a.m. on Thursday, 14 February
Announcement of the poll results of the SGM to be posted on the HKExnews website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.yuanhenggas.com	After 4:00 p.m. on Thursday, 14 February

Notes:

1. All dates and time set out in this circular refer to Hong Kong dates and time.
2. Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) at the HKExnews website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.yuanhenggas.com as and when appropriate and in accordance with the Listing Rules.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 7 December 2018 entered into between the Vendor and the Purchaser in relation to the Disposal
“Announcement”	the announcement of the Company dated 7 December 2018 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
“associate”	has the meaning ascribed to this term under the Listing Rules
“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
“CCASS”	the Central Clearing and Settlement System, established and operated by HKSCC
“CGAC”	the China Guangzhou Arbitration Commission
“Company”	Yuan Heng Gas Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the Shares of which 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 fulfilment or waiver of which the Disposal is subject to, as described in the section headed “Conditions Precedent” in this circular
“connected person”	has the meaning ascribed to this term 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

DEFINITIONS

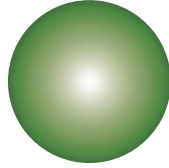
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sales Shares by the Vendor pursuant to the terms of the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Interests Income”	the interest payable to the Target as calculated pursuant to the formula awarded under the Arbitral Award on the investment amount paid by the Target to the Storage Company under the Cooperation Agreement
“Intermediate Court”	the Intermediate People’s Court of Guangzhou City, Guangdong Province
“Investment Partnership”	Guangzhou Hui Yin Wo Feng Investment Partnership (Limited Partnership)
“Latest Practicable Date”	22 January 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 February 2019
“Mr. Wang”	Mr. Wang Jianqing, the Chairman and an executive Director
“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

DEFINITIONS

“PRC”	the People’s Republic of China and for the sole purpose of this circular 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
“Register”	the register of members of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire equity interest in the Target
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM” or “Special General Meeting”	the special general meeting of the Company to be held at Theatre A, 22nd Floor, United Centre, 95 Queensway, Hong Kong on Thursday, 14 February 2019 at 10:45 a.m., notice of which is set out on pages 22 to 23 of this circular, or any adjournment thereof
“SGM Notice”	the notice dated 25 January 2019 convening the SGM set out on pages 22 to 23 of this circular
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Registrar”	Tricor Tengis Limited, being the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (or other share registrar as the Company may from time to time appoint)
“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

DEFINITIONS

“Storage Company”	Quanzhou Zhenrong Petrochemical Storage Company Limited, a company established under the laws of the PRC with limited liability
“substantial shareholder”	has the meaning ascribed to this term under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers and Share Buy-backs
“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
“%”	per cent.



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)

Board of Directors:

Executive Directors

Mr. Wang Jianqing (*Chairman and Chief Executive Officer*)

Mr. Bao Jun

Mr. Zhou Jian (*Chief Operating Officer*)

Independent Non-Executive Directors

Dr. Leung Hoi Ming

Mr. Wong Chi Keung

Mr. Tom Xie

Registered Office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Principal place of business:

Room 4102, 41/F

Far East Finance Centre

16 Harcourt Road

Hong Kong

25 January 2019

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION — DISPOSAL OF
GUANGZHOU JU YUAN INVESTMENT DEVELOPMENT CO., LTD.;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to the Disposal of the Target Company.

The purpose of this circular is to provide you with, among other things, details of the Disposal and other information as required to be disclosed under the Listing Rules, and the giving of the SGM Notice.

LETTER FROM THE BOARD

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 on the Long Stop Date in the amount of approximately RMB97,200,000 (calculated based on the amount standing to the credit of the distributable reserves of approximately RMB84,500,000 of the Target as at 30 September 2018, as

LETTER FROM THE BOARD

increased by the aforesaid estimated interest income (net of tax) to be generated up to the Long Stop Date in the amount of approximately RMB12,700,000) before proceeding to Completion. The Directors believe that the Consideration and the basis are fair and reasonable.

The net cash proceeds of 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 in the sum of approximately RMB350,000,000 falling due from time to time in 2019 of such loans if not renewed; and (ii) the remaining balance, for general working capital for the Group's existing trading of oil and gas business.

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 5 p.m. 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.

As at the Latest Practicable Date, the Company has been informed by the Vendor that the above Condition Precedent (1) has been satisfied and neither the Vendor nor the Purchaser is aware of any material breach that may affect the fulfilment of the above Conditions Precedent (3) and (4), and the only outstanding condition to be fulfilled is the Company to seek Shareholders' approval of the Agreement and the transactions contemplated thereunder at the SGM under the above Condition Precedent (2).

LETTER FROM THE BOARD

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 and 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 after Completion has taken place 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 the Announcement and remain so up to the Latest Practicable Date, 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.

LETTER FROM THE BOARD

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 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 Court freezing relevant bank deposits and other assets to the extent of about RMB375 million, up to the Latest Practicable Date, there has been no material progress on the arbitration. One of the principal reasons 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 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 Latest Practicable Date, 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 Latest Practicable Date.

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.

LETTER FROM THE BOARD

Set out below is the financial information of the Target extracted from the Group's audited consolidated financial statements for the two financial years ended 31 March 2017 and 2018 and from the Group's unaudited interim results for the six months ended 30 September 2018 respectively:

	For the year ended 31 March		For the six months ended 30 September
	2017	2018	2018
	<i>about</i>	<i>about</i>	<i>about</i>
	RMB'000	RMB'000	RMB'000
Revenue	—	—	—
Net profit before taxation	3,698 <i>Note 4</i>	85,391	22,297
Net profit after taxation	3,698 <i>Note 4</i>	63,133	16,723
Total assets	429,436 <i>Note 5</i>	519,363	543,939
Net assets	4,636 <i>Note 5</i>	67,769	507,492

Notes:

1. 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.
2. To the understanding of the Company (after obtaining relevant advice from the Company's PRC legal advisor), the Target's financial information (save as noted below) have been included in the audit of the Group's consolidated financial statements for the relevant financial years of the Group and is therefore considered to have been audited by the current auditors of the Group, save and except for the profit and loss items for the year ended 31 March 2017 (which arose from pre-acquisition transactions and are not included in the audit of the Group's consolidated financial statements for that financial year, and therefore are unaudited). It is further noted that no significant audit adjustments have been made on the Target's financial results for the relevant financial years.
3. No impairment has been made in respect of the Target's assets (including the receivables arising from the Interests Income) during the relevant period.
4. The acquisition of the Target by the Group was completed on 31 March 2017. These figures arose from the pre-acquisition period by the Group were received by the vendor before completion, which did not belong to the Group and are not audited by the Group's current auditors.
5. As mentioned in note 2, these figures were audited by the Group's current auditors.

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

LETTER FROM THE BOARD

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 which 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 circular, 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 Target will cease to be a subsidiary of the Company and the financial results of the Target will cease to be consolidated into the accounts of the Company.

The Company expects to record a loss of about RMB1,000,000 (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. In any event, the Directors consider that there will be no material adverse impact to the financial position and business operations of the Group as a whole as a result of the Disposal.

LETTER FROM THE BOARD

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 SGM to be convened for the approval of the Disposal.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the SGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

THE SGM

The SGM will be held at Theatre A, 22nd Floor, United Centre, 95 Queensway, Hong Kong on Thursday, 14 February 2019 at 10:45 a.m. to consider and, if thought fit, pass the resolution to approve the Disposal.

Any Shareholder with a material interest in the Disposal and the Agreement and his close associates will need to abstain from voting on the resolution approving the Disposal.

Other than the Purchaser and his associates, no Shareholder is required to abstain from voting on the resolution for approving the Disposal to be proposed at the SGM under the Listing Rules.

The notice convening the SGM is set out on pages 22 to 23 in this circular and a form of proxy for use at the SGM is enclosed. Such form of proxy is also published on the HKExnews website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.yuanhenggas.com.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy to the Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible together with a power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, and in any event not less than 48 hours before the time fixed for holding the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

The Register will be closed from Monday, 11 February 2019 to Thursday, 14 February 2019 (both days inclusive) in order to determine the Shareholders' entitlements to attend and vote at the SGM, during which no transfer of Shares will be registered. In order to qualify for attending and voting at the SGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 8 February 2019.

RECOMMENDATIONS

The Directors are of the opinion that the Disposal is fair and reasonable and is in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to approve the Disposal to be proposed at the SGM.

WARNING

As Completion is subject to the fulfilment 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.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in appendices to this circular.

This circular is in English and Chinese. In the case of any inconsistency, the English version shall prevail.

Yours faithfully,
By the order of the Board of
YUAN HENG GAS HOLDINGS LIMITED
Wang Jianqing
Chairman and Chief Executive Officer

1. INDEBTEDNESS AND CONTINGENT LIABILITIES

At the close of business on 30 November 2018, being the latest practicable date for the purpose of ascertaining the indebtedness and contingent liabilities of the Group prior to the printing of this Circular. The Group had outstanding indebtedness and contingent liabilities as follows:

Bank and other borrowings:

- (a) On 30 November 2018, the Group had outstanding bank borrowings of RMB230,500,000 which were unsecured and guaranteed by the Company, certain of its subsidiaries and a non-controlling equity owner of a subsidiary.
- (b) On 30 November 2018, the Group had outstanding bank borrowing of RMB500,000,000 which was unguaranteed and secured by certain equity interest of a subsidiary of the Company, certain equity interest of an associate of the Group, and certain shares of the Company owned by two shareholders of the Company.
- (c) On 30 November 2018, the Group had outstanding bank borrowing of RMB216,900,000 which was secured by certain land use rights, property, plants and equipment of two subsidiaries of the Company and guaranteed by two subsidiaries of the Company.
- (d) On 30 November 2018, the Group had outstanding other borrowing of HK\$80,000,000 (equivalent to approximately RMB70,980,000) which was unguaranteed and secured by the entire registered share and a floating charge of a subsidiary of the Company.
- (e) On 30 November 2018, the Group had outstanding other borrowing of HK\$300,000,000 (equivalent to approximately RMB266,175,000) which was secured by certain shares of the Company owned by a shareholder of the Company and guaranteed by a director of the Company.
- (f) On 30 November 2018, the Group had outstanding other borrowing of USD10,000,000 (equivalent to approximately RMB69,206,000) which was unsecured and unguaranteed.

Other payables:

- (a) On 30 November 2018, the Group had other payables of an aggregate amount of approximately RMB24,007,000 and an aggregate amount of HK\$7,923,000 (equivalent to approximately RMB7,030,000) which were unsecured and unguaranteed.

- (b) On 30 November 2018, the Group had outstanding other payable of HK\$658,000 (equivalent to approximately RMB583,000) which was unguaranteed and secured by the entire registered share and a floating charge of a subsidiary of the Company.
- (c) On 30 November 2018, the Group had outstanding other payable of HK\$976,000 (equivalent to approximately RMB866,000) which was secured by certain shares of the Company owned by a shareholder of the Company and guaranteed by a director of the Company.

Financial guarantee:

On 30 November 2018, the Group had issued financial guarantee to the banks in respect of four bank loans obtained by three associates of the Group of approximately RMB134,333,300, representing the amount that could be required to be paid if the guarantee was called upon in entirety by the banks.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or authorized or otherwise created but unissued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments or material contingent liabilities at the close of business on 30 November 2018.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 November 2018 up to the Latest Practicable Date.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the cash flows generated from the operating activities, the financial resources presently available to the Group, and without taking into account the estimated net proceeds from the Disposal and the Special Dividend, the Group has sufficient working capital for its present requirements and for at least twelve months from the date of this circular in the absence of unforeseen circumstances.

3. EFFECTS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

Upon Completion, the Target will cease to be an indirect wholly-owned subsidiary of the Company. As the Target will cease to be an indirect wholly-owned subsidiary of the Company, its financial results, assets and liabilities will no longer be included in the consolidated financial statements of the Company. The Disposal is expected to result in a decrease in the Group's total assets and total liabilities, and the net asset value of the Group is expected to decrease. Given the Target is an investment holding company, it is expected that the Disposal will not have any negative impact on the earnings of the Group in the long term. The Company expects to record a loss of about RMB1,000,000 (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, (iv) the estimated interest income (net of tax) to be generated up to the Long Stop Date in the amount of approximately RMB12,700,000 (and the corresponding increase in the distributable reserves during the same period), and (v) the transaction cost arising from the Disposal.

Shareholders should note that the actual amount of the gain/loss from the Disposal to be recognised in the consolidated financial statements of the Company depends on (i) the net asset value of the Target upon Completion; and (ii) the then exchange rate for Renminbi to Hong Kong Dollars, and therefore may be different from the amount stated above.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion of the Disposal, the Group is and will continue to be 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 Board is optimistic about the future prospect of the Group and believes that the relevant policies promoting the use of natural gas would be conducive to the market environment, in which the Group operates. It is expected that revenue from trading of oil and gas products and the production and sales of liquefied natural gas will continue to be the principal sources of income of the Group after the Disposal.

While remaining optimistic about the prospect of the Group's operation, the management is mindful of the dynamic market environment exacerbated by instabilities brought by geopolitical conflicts and incidents which have significant economic impact such as the Sino-U.S. trade war which began in the second half of 2018 and the Brexit impasse. In this regard, the Group will continue to adopt cautionary steps and implement various strategies to mitigate the adverse impact on the business arising from challenges as in this market condition.

Looking forward, the Group will continue to develop its businesses in natural gas sector and to explore new business opportunities in order to create value for its shareholders.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or (b) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Directors' and chief executive's interests in the Shares

Name of Directors	Capacity/ Nature of interest	Number of Shares held		Number of underlying Shares	Aggregate percentage of interest as at the Latest Practicable Date
		Long position	Short position		
Mr. Wang	Beneficial owner and interest in controlled corporation	3,760,179,824 (note 1)	—	—	57.45
Bao Jun	Beneficial owner	45,000,000	—	—	0.69

Note 1: Out of the 3,760,179,824 shares, 132,532,000 Shares are held by Mr. Wang. Mr. Wang is deemed interested in, and duplicated, 2,991,143,473 Shares which Champion Ever Limited was interested, 586,486,402 Shares which Galaxy King Limited was interested, and 50,017,949 shares which Champion Golden Limited was interested. Champion Golden Limited is held as to 50% by Mr. Wang. Both Champion Ever Limited and Galaxy King Limited are wholly owned by Mr. Wang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (b) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any member of the Group which is not expiring or determinable by the Director within one year without payment of compensation other than statutory compensation.

4. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and is or may be material:

- (i) the agreement dated 13 March 2017 between the Vendor and the Purchaser for sale and purchase of the Target Company for cash consideration of RMB1;
- (ii) the subscription agreement dated 13 February 2017 between the Company and Eight International Group Limited for the subscription of 331,000,000 Shares under general mandate at the subscription price of HK\$0.68 per Share;
- (iii) the subscription agreement dated 21 March 2017 between the Company and Wealth Bloom acting as general partner for and on behalf of Fundfleet Investment Limited Partnership for the subscription of 503,703,704 Shares under general mandate at the subscription price of HK\$0.675 per Share;
- (iv) the loan agreement dated 24 November 2017 entered into between Capital Strategic Partners Limited and the Company in relation to the secured term loan facility in the amount of HK\$180 million;
- (v) the supplemental agreement dated 29 December 2017 entered into between 廣州元亨燃氣有限公司 (Guangzhou Yuanheng Gas Co., Limited*) (“**Guangzhou Yuanheng**”), 達州市匯鑫能源有限公司 (Dazhou Hui Xin Energy Co, Limited*), 貴州燃氣(集團)有限責任公司 (Guizhou Gas (Group) Co., Ltd*) and 貴州金橋忠信投資有限公司 (Guizhou Jinqiao Zhongxin Investments Limited*) for an extension of the time for fulfilment of the conditions precedent and the time limits for making the fourth stage payment under an agreement dated 21 April 2015;

* English name for identification purpose only

- (vi) the share charge dated 25 January 2018 executed by Firmwill Investments Limited (“**Firmwill**”), a wholly-owned subsidiary of the Company, in favour of Capital Strategic Partners Limited over the entire issued share capital of Fully World Limited (“**Fully World**”), a wholly-owned subsidiary of Firmwill;
- (vii) the debenture dated 25 January 2018 executed by Fully World in favour of Capital Strategic Partners Limited creating the floating charge over all or any part of the property and/or assets of Fully World as security for all moneys due and/or to become due, or otherwise outstanding or owing, or covenanted to be paid by the Company, Firmwill or Fully World to Capital Strategic Partners Limited;
- (viii) the subscription agreement dated 27 April 2018 between the Company, Champion Ever Limited, Galaxy King Limited, Mr. Wang and CCB International Overseas Limited for the subscription of secured guaranteed notes issued by the Company in the aggregate principal amount of up to HK\$300 million;
- (ix) the secured guaranteed note dated 4 May 2018 in the principal amount of HK\$150 million issued by the Company in favour of the note holder;
- (x) the secured guaranteed note dated 30 May 2018 in the principal amount of HK\$150 million issued by the Company in favour of the note holder; and
- (xi) the Agreement.

5. LITIGATION

The Target received an arbitral award dated 7 November 2017 for, 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 Court freezing relevant bank deposits and other assets to the extent of about RMB375 million. Up to the date of this circular, there has been no material progress on the arbitration. One of the principal reasons 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.

The Shanghai Baoshan District People’s Court (上海市寶山區人民法院) accepted on 8 October 2018 the civil action commenced by Guangzhou Yuanheng, a wholly-owned subsidiary of the Company against 上海優迎投資管理有限公司 (Shanghai You Ying Investment Management Co*), 張衛國 (Mr. Zhang Weiguo), 上海項昊實業有限公司 (Shanghai Xianghao Industrial Co Ltd*), 哈爾濱哈船動力技術有限責任公司 (Harbin Hachuan Power Technology Limited Liability Company*), 無錫濰柴產品銷售服務有限公司 (Wuxi Weichai Products Sales and Services Co Ltd*) and 上海紐納土石方工程有限公司 (Shanghai Niuna Earthwork Engineering Co Ltd*) for breach of an agreement dated 30 December 2016. No hearing date has been fixed for the said civil action as at the Latest Practicable Date.

* *English name for identification purpose only*

Save as aforesaid, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claims of material importance is known to the Directors to be pending or threatened against any member of the Group.

6. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS OF THE GROUP

None of the Directors had any interest, either direct or indirect, in any assets which had been since 31 March 2018 (being the date to which the latest published audited accounts of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Save for the subscription agreement dated 27 April 2018 (item (viii) of the Material Contract set out in this Appendix II) entered into by Mr. Wang and the two companies controlled by Mr. Wang (namely Champion Ever Limited and Galaxy King Limited) where Mr. Wang and his two controlled companies have provided guarantees and securities in favour of the Company (please refer to the announcement of the Company dated 27 April 2018 for further details), none of the other Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

8. DOCUMENTS AVAILABLE FOR INSPECTION

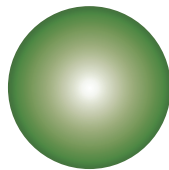
Copies of the following documents are available for inspection during normal business hours between 10:00 a.m. – 4:00 p.m. on Monday to Friday (except public holiday) at the head office and principal place of business of the Company in Hong Kong at Room 4102, 41/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong up to and including 14 February 2019:

- (a) the memorandum and bye-laws of the Company;
- (b) the constitution documents of the Target;
- (c) annual reports of the Group for the two years ended 31 March 2017 and 2018;
- (d) the letter from the Board;
- (e) the material contracts referred to under the section headed “Material Contracts” in this Appendix; and
- (f) this circular.

9. GENERAL

- (a) The Company Secretary of the Company is Mr. Wan Oi Ming Kevin, who is a Certified Public Accountant (Practising) in Hong Kong, a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (b) As at the Latest Practicable Date, there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong.
- (c) The address of the Share Registrar, Tricor Tengis Limited, is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

NOTICE OF SPECIAL GENERAL MEETING



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Yuan Heng Gas Holdings Limited (the “**Company**”) will be held at Theatre A, 22nd Floor, United Centre, 95 Queensway, Hong Kong on Thursday, 14 February 2019 at 10:45 a.m. for considering and, if thought fit, passing (with or without amendment) the following resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the sale and purchase agreement dated 7 December 2018 (the “**Agreement**”) entered into between Guangzhou Yuanheng Gas Co. Ltd. (the “**Vendor**”) as the vendor and Mr. Zhu Ya Chen (the “**Purchaser**”) as the purchaser (a copy of the Agreement is produced to the Meeting and marked “**A**” and initialled by the Chairman of the Meeting for identification purpose) in relation to the sale by the Company via the Vendor (which is a wholly owned subsidiary of the Company) to the Purchaser of all the equity interests in Guangzhou Ju Yuan Investment Development Co. Ltd. at the total consideration of RMB423,000,000.00 and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorized to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Agreement and the transactions contemplated thereunder respectively.”

Yours faithfully,
By the order of the Board
YUAN HENG GAS HOLDINGS LIMITED
Wang Jianqing
Chairman and Chief Executive Officer

Hong Kong, 25 January 2019

NOTICE OF SPECIAL GENERAL MEETING

Registered Office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business:
Room 4102, 41/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
- (3) In the case of joint holders of a share if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
- (4) In order to be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or their authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) A member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual, or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
- (6) Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.
- (7) Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll. Therefore, the Chairman of the meeting will demand that all resolutions will be voted by way of poll at the meeting.