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**華潤燃氣控股有限公司**  
**China Resources Gas Group Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1193)**

**CONNECTED TRANSACTION**  
**ESTABLISHMENT OF A JOINT VENTURE IN FUJIAN**

**ESTABLISHMENT OF A JOINT VENTURE**

On 16 November 2016, CR Gas Investment, an indirect wholly-owned subsidiary of the Company, and CRP Investment, a direct wholly-owned subsidiary of CR Power, entered into the Joint Venture Agreement, pursuant to which the Parties will establish the Joint Venture in Fujian Province of the PRC. Upon the establishment of the Joint Venture, the Joint Venture will be owned by CR Gas Investment and CRP Investment as to 49% and 51%, respectively.

The Joint Venture will principally engage in the sale and distribution of electricity and design and implementation of electrical engineering projects; research and development, technical consulting, technology transfer and technical services for new energy technology; energy management contract, energy-saving consulting and electricity usage consulting services; production, sales and research of environmental friendly electrical products; and electricity business agency service and other electricity-related business approved by the government.

**IMPLICATIONS OF THE LISTING RULES**

As at the date of this announcement, CRH, the controlling shareholder of the Company, is also a controlling shareholder of CR Power by virtue of being interested in approximately 62.98% of the issued share capital of CR Power. Accordingly, CR Power and its wholly-owned subsidiary, CRP Investment, are associates of CRH and therefore connected persons of the Company.

As certain of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the establishment of the Joint Venture (including the provision of the Financial Assistance) exceed 0.1% but are all less than 5%, the establishment of the Joint Venture constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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The Joint Venture will principally engage in the sale and distribution of electricity and design and implementation of electrical engineering projects; research and development, technical consulting, technology transfer and technical services for new energy technology; energy management contract, energy-saving consulting and electricity usage consulting services; production, sales and research of environmental friendly electrical products; and electricity business agency service and other electricity-related business approved by the government.

## **ESTABLISHMENT OF JOINT VENTURE**

The principal terms of the Joint Venture Agreement are set out as follows:

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|---|---|
| <b>Date:</b>                                    | 16 November 2016  |
| <b>Parties:</b>                                 | (A) CR Gas Investment, an indirect wholly-owned subsidiary of the Company established in the PRC; and<br><br>(B) CRP Investment, a direct wholly-owned subsidiary of CR Power established in the PRC.   |
| <b>Total Investment and Registered Capital:</b> | The total investment amount of the Joint Venture is expected to be RMB400 million (approximately HK\$464 million).<br><br>The registered capital of the Joint Venture is expected to be RMB210 million (approximately HK\$243.6 million), representing 52.5% of the total investment amount.  |
| <b>Contribution to Registered Capital:</b>      | (a) CR Gas Investment will contribute RMB102.9 million (approximately HK\$119.4 million) in cash, representing 49% of the registered capital of the Joint Venture; and<br><br>(b) CRP Investment will contribute RMB107.1 million (approximately HK\$124.2 million) in cash, representing 51% of the registered capital of the Joint Venture.   |
| <b>Further Funding Commitment:</b>              | In the event the Joint Venture requires additional capital in excess of its registered capital to fund its development, the Joint Venture shall obtain financing from banks, and if the amount of such financing is insufficient for the Joint Venture's capital requirements, the Parties shall provide guarantees as security for bank loans to the Joint Venture (if project financing is practically infeasible) or shareholders' loan to the Joint Venture (the "Financial Assistance") up to such amount not exceeding the total investment amount of the Joint Venture. The Financial Assistance shall be provided by the Parties in proportion to their capital contribution. |

Assuming the difference between the registered capital and the expected total investment amount of the Joint Venture is to be solely contributed by the Parties through Financial Assistance in proportion to their capital contribution and on the basis of the current expected total investment amount, it is expected that the Financial Assistance to be provided by CR Gas Investment will not exceed RMB93.1 million (approximately HK\$108.0 million).

The amount of capital contribution (including the contribution to the registered capital and Financial Assistance) to be made by the Parties was arrived at after arm's length negotiation between the Parties having taken into account the expected capital requirements of the Joint Venture. It is contemplated that the contribution payable by CR Gas Investment will be funded by internal resources of the Group.

**Board Composition and  
Management Structure:**

The Joint Venture's board of directors will comprise of 7 directors, of which CRP Investment is entitled to appoint 4 directors and CR Gas Investment is entitled to appoint 3 directors.

CRP Investment will appoint the chairman of the board, who will also act as the legal representative of the Joint Venture, and CR Gas Investment will appoint the vice chairman of the board.

The Joint Venture shall have two supervisors, with each of CRP Investment and CR Gas Investment entitled to appoint one supervisor. The Joint Venture shall have one general manager who is to be appointed by the board of directors according to the nomination of CR Gas Investment.

**Scope of business:**

It is intended that the Joint Venture will principally engage in the following businesses:

- (i) sale and distribution of electricity and design and implementation of electrical engineering projects;
- (ii) research and development, technical consulting, technology transfer and technical services for new energy technology;
- (iii) energy management contract, energy-saving consulting and electricity usage consulting services;
- (iv) production, sales and research of environmental friendly electrical products; and
- (v) electricity business agency service and other electricity-related business approved by the government.

Restrictions on equity transfers and encumbrances: A Party may not transfer, pledge, charge or otherwise deal with its equity interest to a third party without the prior written consent of the other Party.

In any event that a Party proposes to transfer its equity interest in the Joint Venture, the other Party shall have a right of first refusal to such equity interest.

Distribution of profit: Save as agreed otherwise by the Parties, profit after taxation available for distribution will be distributed pro rata to their respective paid up capital contribution in the Joint Venture.

Upon its establishment, the Joint Venture shall be accounted for as a joint venture company of the Company.

## **REASONS AND BENEFITS OF ESTABLISHING THE JOINT VENTURE**

The Group is principally engaged in downstream gas distribution in the PRC, while CR Power Group is principally engaged in the investment, development, operation and management of power plants and coal mines in the PRC.

The Directors consider the establishment of the Joint Venture would enable the Parties to team up for the purpose of providing sales and marketing services for electricity in the Fujian Province. As both the Group and CR Power Group currently maintain various gas distribution and power generation operations in the Fujian Province, the Directors are confident that the Parties could utilize their regional expertise and resources jointly to expand their presence and coverage in the electricity retail and distribution market in the Province, which in turn could improve the economic benefit of the Company. The provision of Financial Assistance can also ensure that future capital needs for the expansion and development of the Joint Venture in the electricity retail and distribution business are met.

As the Joint Venture will be accounted for as a joint venture company of the Company upon its establishment, its financial results will be accounted for in the consolidated financial statements of the Group using the equity method of accounting.

The Directors (including the independent non-executive Directors) are of the view that the Joint Venture Agreement and the transactions contemplated therein (including the provision of Financial Assistance) are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and its shareholders as a whole. As none of the Directors has any material interest in the Joint Venture Agreement, no Directors were required to abstain from voting on the relevant Board resolutions passed.

## **INFORMATION ABOUT THE PARTIES**

### **CR Gas Investment**

CR Gas Investment is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

### **CRP Investment**

CRP Investment is a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of CR Power. It is principally engaged in investment holding.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CRH, the controlling shareholder of the Company, is also a controlling shareholder of CR Power by virtue of being interested in approximately 62.98% of the issued share capital of CR Power. Accordingly, CR Power and its wholly-owned subsidiary, CRP Investment, are associates of CRH and therefore connected persons of the Company.

As certain of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the establishment of the Joint Venture (including the provision of the Financial Assistance) exceed 0.1% but are all less than 5%, the establishment of the Joint Venture constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“CR Gas Investment”	華潤燃氣投資(中國)有限公司 (China Resources Gas Investment (China) Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“CRH”	China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company which indirectly held approximately 63.95% of the issued share capital of the Company as at the date of this announcement;
“CRP Investment”	華潤電力投資有限公司 (China Resources Power Investment Co., Ltd*), a wholly foreign owned enterprise established in the PRC and a direct wholly-owned subsidiary of CR Power;

“CR Power”	China Resources Power Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 836);
“CR Power Group”	CR Power and its subsidiaries;
“Company”	China Resources Gas Group Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1193);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Joint Venture”	the joint venture enterprise proposed to be established in Fujian Province of the PRC and to be named 華潤電力(福建)銷售有限公司 (China Resources Power (Fujian) Marketing Co., Ltd.*) pursuant to the terms of the Joint Venture Agreement;
“Joint Venture Agreement”	the agreement (合資經營合同) dated 16 November 2016 between CR Gas Investment and CRP Investment in relation to the establishment of the Joint Venture;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
“Parties”	parties to the Joint Venture Agreement, being CR Gas Investment and CRP Investment, and “Party” shall mean any of them;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

*For the purposes of this announcement and illustration only, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.16. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or at any other rates.*

*The English translations of the Chinese name(s) in this announcement, where indicated with “\*”, are provided for information only, and should not be regarded as the official English name(s) of such Chinese names.*

**By the order of the Board**  
**CHINA RESOURCES GAS**  
**GROUP LIMITED**  
**ONG Thiam Kin**  
*Executive Director & Company Secretary*

**Hong Kong, 16 November 2016**

*As at the date of this announcement, the Directors are Mr. Wang Chuandong, Mr. Shi Shanbo, Mr. Ge Bin and Mr. Ong Thiam Kin, being Executive Directors; Mr. Du Wenmin, Mr. Wei Bin, Mr. Chen Ying and Mr. Wang Yan, being Non-executive Directors; and Mr. Wong Tak Shing, Ms. Yu Jian, Mr. Yu Hon To, David and Mr. Qin Chaokui, being Independent Non-executive Directors.*