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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)**

## **DISCLOSEABLE TRANSACTION PROPOSED ESTABLISHMENT OF A JOINT VENTURE COMPANY**

On 9 April 2010, the Company, through China Resources Gas, its wholly-owned subsidiary, entered into a proposed sino-foreign equity joint venture arrangement with the PRC Party pursuant to the Joint Venture Contract and the Articles of Association in relation to the proposed establishment of the Joint Venture Company (subject to the approval of the relevant PRC authorities), which will become a jointly controlled entity of the Company upon establishment. It is proposed that the Joint Venture Company will principally engage in, among other things, the investment, construction and operation of the city piped gas facilities as well as the supply and sale of gas in Jiangning District, Nanjing City of the PRC, subject to the approval of the relevant PRC authorities.

As the applicable percentage ratio calculated under Rule 14.07 of the Listing Rules exceeds 5% but less than 25%, the entering into of the Joint Venture Contract and the Articles of Association for the establishment of the Joint Venture Company constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The Board announces that on 9 April 2010, the Company, through China Resources Gas, its wholly-owned subsidiary and the PRC Party entered into the Joint Venture Contract and the Articles of Association in relation to the proposed establishment of the Joint Venture Company, subject to the approval of the relevant PRC authorities.

### **THE JOINT VENTURE CONTRACT DATED 9 APRIL 2010**

#### **The Parties**

- (a) China Resources Gas, a wholly-owned subsidiary of the Company; and
- (b) the PRC Party.

#### **Proposed Business Scope of the Joint Venture Company**

The proposed business scope of the Joint Venture Company includes, among other things, the investment, construction and operation of the city piped gas facilities as well as the supply and sale of gas in Jiangning District, Nanjing City of the PRC, subject to the approval of the relevant PRC authorities.

### **Proposed total investment**

RMB951 million (equivalent to approximately HK\$1,081.67 million).

### **Proposed registered capital**

RMB600 million (equivalent to approximately HK\$682.44 million) of which:

- (a) 49% (being RMB294 million, equivalent to approximately HK\$334.40 million) will be contributed in cash by China Resources Gas; and
- (b) 51% (being RMB306 million, equivalent to approximately HK\$348.04 million) will be contributed by the PRC Party by way of a combination of cash and the transfer to the Joint Venture Company its ownership interests in the Contribution Assets whose appraised values are determined based on a valuation as at 30 June 2009 by a valuer agreed between the Parties. Aggregate of the cash contribution and the appraised value of the Contribution Assets as at 30 June 2009 is RMB351 million, equivalent to approximately HK\$399.23 million and is subject to final audit by an accounting firm to be appointed by the Joint Venture Company as at the respective date(s) of their transfer to the Joint Venture Company which is in turn subject to approval of the relevant government authorities.

China Resources Gas, in contributing cash to the Joint Venture Company in return for a 49% stake in the Joint Venture Company, shall, within sixty days from the Date of Establishment, have made total cash contributions of RMB600 million, equivalent to approximately HK\$682.44 million, to the Joint Venture Company. The portion of its cash contribution exceeding its agreed capital contribution (being RMB306 million, equivalent to approximately HK\$348.04 million) shall be injected into the Joint Venture Company as share premium. China Resources Gas has provided to the PRC Party a deposit payment of RMB50 million, equivalent to approximately HK\$56.87 million, which will form part of the contribution in settlement of the agreed capital contribution of RMB600 million.

The PRC Party, in contributing the Contribution Assets to the Joint Venture Company, shall, within sixty days from the Date of Establishment, have completed or procured the completion of all procedures required for transferring its ownership interests in the Contribution Assets to the Joint Venture Company. The portion of its contribution (by way of a combination of cash and the transfer of the Contribution Assets) exceeding its agreed capital contribution (being RMB45 million, equivalent to approximately HK\$51.18 million) shall be injected into the Joint Venture Company as share premium. Such share premium, in addition to the share premium contributed by China Resources Gas, will be shared between China Resources Gas and the PRC Party in proportion to their respective equity interests in the Joint Venture Company. An audit of its contribution (in cash and by way of the transfer of the Contribution Assets) will be conducted to confirm the appraised value thereof as at their respective date(s) of transfer to the Joint Venture Company. If the final audited total appraised value of its contribution (net of all liabilities) exceeds the original total appraised value of RMB351 million, the Joint Venture Company is required to pay to the PRC Party the amount in excess within six months of the audit. If the final audited total appraised value of such contribution (net of all liabilities) is less than the original total appraised value, the PRC Party is required either to pay to the Joint Venture Company the shortfall or to assume liability to the Joint Venture Company in the amount of such shortfall.

The capital contributions of the Parties are subject to the verification to be conducted by an accounting firm registered in the PRC.

The cash capital contribution of China Resources Gas will be funded by internal resources of the Company and bank borrowings to be arranged by the Company.

Save for the proposed capital contribution under the Joint Venture Contract referred to above, neither China Resources Gas nor the PRC Party have committed to other contributions or made commitments of a capital nature for the Joint Venture Company.

## **Board of Directors, Supervisory Board and general management**

The board of directors of the Joint Venture Company will comprise seven directors. The PRC Party is entitled to nominate four directors (including the chairman) and China Resources Gas is entitled to nominate three directors (including the vice chairman). The Supervisory Board of the Joint Venture Company will comprise three supervisors. Each of the PRC Party and China Resources Gas is entitled to nominate one supervisor and the third supervisor is to be nominated through election by members of the labour union or other equivalent union or organisation. The general manager of the Joint Venture Company, to be nominated by China Resources Gas and to be appointed by the board of directors of the Joint Venture Company, will be principally responsible for overseeing the daily operation of the Joint Venture Company and executing the decisions of the board of directors of the Joint Venture Company.

## **Term of operation**

50 years from the Date of Establishment. The Parties shall decide on whether to extend the term of operation of the Joint Venture Company at least six months prior to the expiry of the term, subject to the approval of the relevant PRC authorities.

## **Sharing of profits or losses**

Any profits or losses of the Joint Venture Company will be distributed to or shared between China Resources Gas and the PRC Party in proportion to their respective equity interests in the Joint Venture Company.

## **INFORMATION ON THE PRC PARTY**

The PRC Party is principally engaged in, among other things, the development, sale and supply of coal gas related products and the provision of gas-related goods and services in Jiangning District, Nanjing City of the PRC.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the PRC Party and its ultimate beneficial owner(s) are independent third parties not connected with the Board, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules.

## **REASONS FOR, AND BENEFITS, OF THE PROPOSED TRANSACTION**

The Group has been seeking attractive business opportunities in the PRC to expand its core business of city gas distribution. Its piped natural gas operations are strategically located in the areas of the PRC with rich reserves of natural gas and areas which are economically more developed and densely populated. Nanjing fits the above investment criteria as it is one of the largest cities in China in term of population. Nanjing is clearly a key location which the Group aims to target so as to achieve accelerated business growth in the coming years.

The PRC Party, with a customer base of 130,000 and an annual gas sales volume of 33.12 million cubic metres, is one of the major gas operators in Jiangning District of Nanjing City. Through the establishment of the Joint Venture Company with the PRC Party, it is believed the Group will benefit from an immediate access to the local market. The establishment of the Joint Venture Company will help position the Group to further develop the local market in Nanjiang City leveraging on the platform set up by the Joint Venture Company. The establishment of the Joint Venture Company will accelerate the Group's aspiration to become one of the largest pan-China city gas operators in the PRC.

The terms of the Joint Venture Contract and the Articles of Association were negotiated on an arm's length basis between the parties concerned and were determined on normal commercial terms. The Directors consider that such terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Joint Venture Contract and the Articles of Association is greater than 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## GENERAL

The Company is a limited liability company incorporated in Bermuda and its shares have been listed on the Stock Exchange since 7 November 1994. The Group is principally engaged in the sale and distribution of gas fuel and related products and gas connection services in the PRC. Its current operation covers provincial capitals and major cities such as Chengdu, Nanjing, Wuhan, Kunming, Jinan, Wuxi and Suzhou. China Resources Gas is an investment holding company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company.

To the knowledge of the Directors, the Joint Venture Company will become a jointly controlled entity of the Company upon its establishment.

## DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise.

“Articles of Association”	an articles of association dated 9 April 2010 entered into between China Resources Gas and the PRC Party in relation to the establishment and operation of the Joint Venture Company;
“Board”	means the board of Directors;
“China Resources Gas”	means China Resources Gas Limited (華潤燃氣有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
“Company”	means China Resources Gas Group Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange;
“Contribution Assets”	means certain operating assets and related equipment owned by the PRC Party in the PRC, subject to the approval of the relevant PRC authorities;
“Date of Establishment”	means the date of establishment of the Joint Venture Company, being the date of issue of the business licence of the Joint Venture Company by the relevant PRC government authority;
“Directors”	means the directors of the Company;
“Group”	means the Company and its subsidiaries (as defined in the Companies Ordinance, Chapter 32 of the Laws of Hong Kong);
“HK\$”	means Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Joint Venture Company”	means the joint venture company to be incorporated in the PRC

and proposed to be named as “Nanjing Jiangning China Resources Gas Co., Ltd (南京江寧華潤燃氣有限公司)”, which equity capital will be owned as to 51% by the PRC Party and 49% by China Resources Gas;

- “Joint Venture Contract” means a joint venture contract dated 9 April 2010 entered into between China Resources Gas and the PRC Party in relation to the proposed establishment of the Joint Venture Company;
- “Listing Rules” means the Rules Governing the Listing of Securities on the Stock Exchange;
- “Parties” means China Resources Gas and the PRC Party, the parties to the Joint Venture Contract, and the word “Party” shall be construed accordingly;
- “PRC” means the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC;
- “PRC Party” means 南京市江寧區煤氣（集團）公司 (translated as Nanjing City Jiangning District Gas (Group) Company Limited)\*, a wholly state-owned limited liability company established in the PRC;
- “RMB” means Renminbi, the lawful currency of the PRC; and
- “Stock Exchange” means The Stock Exchange of Hong Kong Limited.

By Order of the Board  
**China Resources Gas Group Limited**  
**Ong Thiam Kin**  
*Executive Director & Company Secretary*

Hong Kong, 9 April 2010

*As at the date of this announcement, the directors of the Company are Mr. Ma Guoan, Mr. Wang Chuandong and Mr. Ong Thiam Kin, being Executive Directors; Mr. Li Fuzuo, Mr. Du Wenmin and Mr. Wei Bin, being Non-executive Directors; and Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian, being Independent Non-executive Directors.*

*For the purposes of this announcement, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB1.00 to HK\$1.1374, for the purposes of illustration only. No representation is made that any amount in Hong Kong dollars or RMB could have been or could be converted at the above rate or at any other rates.*

\* *The English name of this PRC-incorporated company is only an English translation of the corresponding official Chinese name and is provided for identification purposes only.*