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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**  
**ACQUISITION BY WAY OF**  
**CAPITAL INJECTION IN HEFEI GAS**

On 12 July 2022, CR Gas China, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Hefei Urban Construction and Hefei Gas, pursuant to which, CR Gas China agreed to acquire 49% equity interests in Hefei Gas by making a capital contribution of RMB4,633,862,745 to Hefei Gas, of which RMB490,000,000 will be accounted for the registered capital of Hefei Gas and RMB4,143,862,745 will be accounted for the capital reserve of Hefei Gas.

Upon completion of the Capital Increase, Hefei Gas will become a joint venture held by CR Gas China and Hefei Urban Construction as to 49% and 51%, respectively, and therefore, Hefei Gas will not be consolidated into the Group's consolidated financial statements.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the transactions contemplated under the Capital Increase Agreement exceeds 5% but is less than 25%, the transaction contemplated under the Capital Increase Agreement constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

**THE CAPITAL INCREASE**

On 12 July 2022, CR Gas China, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Hefei Urban Construction and Hefei Gas, pursuant to which, CR Gas China agreed to acquire 49% equity interests in Hefei Gas by making a capital contribution of RMB4,633,862,745 to Hefei Gas, of which RMB490,000,000 will be accounted for the registered capital of Hefei Gas and RMB4,143,862,745 will be accounted for the capital reserve of Hefei Gas.

Principal terms of the Capital Increase Agreement are summarised as follows:

Date : 12 July 2022

Parties : (1) CR Gas China;  
(2) Hefei Urban Construction; and  
(3) Hefei Gas

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Hefei Urban Construction and Hefei Gas and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter : As at the date of this announcement, Hefei Gas is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Hefei Urban Construction with a registered capital of RMB510,000,000.

Pursuant to the Capital Increase Agreement, CR Gas China agreed to acquire 49% equity interests in Hefei Gas by making a capital contribution of RMB4,633,862,745 to Hefei Gas, of which RMB490,000,000 will be accounted for the registered capital of Hefei Gas and RMB4,143,862,745 will be accounted for the capital reserve of Hefei Gas.

Upon completion of the Capital Increase, the registered capital of Hefei Gas will be increased from RMB510,000,000 to RMB1,000,000,000. Hefei Gas will then become a joint venture held by CR Gas China and Hefei Urban Construction as to 49% and 51%, respectively, and be renamed as Hefei-China Resources Gas Company Limited\* (合燃華潤燃氣有限公司) (the "JV"), subject to the approval of the administration for market regulation.

Consideration : The capital contribution of RMB4,633,862,745 by CR Gas China shall be made in cash, and paid in full to the receiving account of Hefei Gas within 15 business days after the following conditions are satisfied:

(1) the industrial and commercial registration procedures for change for the Capital Increase have been completed and CR Gas China has been registered as a shareholder holding 49% of the equity interests in the JV; and

- (2) a new board of directors, supervisory board and management body have been established for the JV in accordance with its new articles of association, which was updated as a result of the Capital Increase and came into effect on the date of the Capital Increase Agreement. The parties to the Capital Increase Agreement shall endeavour to procure the fulfillment of this condition within 30 days after the completion of the relevant industrial and commercial registration procedures for change.

Pre-completion  
undertaking

: During the transitional period between the date of the Capital Increase Agreement and the establishment of the JV, CR Gas China and Hefei Urban Construction shall procure Hefei Gas:

- (1) to comply with relevant laws, rules and regulations in order to maintain continuous and stable operations;
- (2) to maintain the relative stability of the existing organisational and operational structure and continue to maintain relationships with customers to ensure that Hefei Gas's goodwill and operations are not adversely affected;
- (3) not to engage in unusual transactions that violate the arm's length principle or cause unusual debt to increase;
- (4) to maintain the Hefei Gas's assets in good working order, except for normal wear and tear, to ensure the safety of its assets;
- (5) to preform important contracts, agreements or other business-related documents signed in a timely manner;
- (6) to maintain financial books, records and vouchers, and handle tax-related matters in a legal manner;
- (7) to ensure the truthfulness, accuracy and completeness of Hefei Gas's information disclosure;
- (8) to establish a sound safety management system and implement management measures to provide safety assurance for Hefei Gas's production and operation; and
- (9) to ensure that the business decisions are in line with the future development needs of Hefei Gas and shall not harm the interests of all parties.

## **Determination of the consideration of the Capital Increase**

The consideration for the Capital Increase under the Capital Increase Agreement was arrived at after arm's length negotiation between CR Gas China and Hefei Urban Construction and determined with reference to the valuation of the equity of Hefei Gas by the Independent Valuer, Zhongshuizhiyuan Assets Appraisal Co., Ltd (中水致遠資產評估有限公司) as at 31 August 2021 (the "**Benchmark Date**") of approximately RMB4,823,000,000 (the "**Valuation**").

The Independent Valuer adopted the discounted cash flow method of income approach for the Valuation. Such method was based on simple reversal calculation by restating all the expected income and future cash flow pursuant to the existing items. In considering the expected future income, the Independent Valuer has considered the financial information of Hefei Gas together with market data.

The valuation was also based on the following key assumptions, including but not limited to:

- (i) the availability of an open market for the assets;
- (ii) the assets are under continuous use;
- (iii) the enterprise is a going concern and will operate continuously;
- (iv) there is no material changes to the external economic environment and the macroeconomy of the country;
- (v) there is no material changes to the tax related policies;
- (vi) the enterprise will continue to be able to renew the approvals and qualifications necessary for the business upon expiration;
- (vii) the enterprise is in compliance with all laws and regulations.

The Valuation was prepared in accordance with the PRC Accepted Asset Valuation Standards.

The Company intends to fund its capital contribution by internal resources.

## **REASONS FOR ENTERING INTO THE CAPITAL INCREASE AGREEMENT**

The Group is principally engaged in the downstream gas distribution business in the PRC and Hefei Gas is a wholly state-owned enterprise focusing on natural gas supply, provision of auxiliary services and manufacture of gas appliances in Hefei City.

The Group considers that the Capital Increase is beneficial to further enhancing the ability of Hefei Gas to develop sustainably, and is beneficial for the Group to expand its city gas project network in Anhui Province. Furthermore, considering that the Chinese government will continue to promote green development and the natural gas market has positive development prospects, while the Group aims to grasp the development opportunities in the industry and proactively coordinate with the green development policies of the government at all levels to achieve continuous and rapid growth in the core business of urban gas, the Group believes that the transaction is beneficial to further accelerate the expansion and integration of the Group in the gas market and the sustainable development of the Group, which enables the Group to obtain greater corporate efficiency and social efficiency and continuously creates greater values for our Shareholders.

The Board (including the independent non-executive Directors) is of the view that terms of the Capital Increase Agreement were determined after arm's length negotiations between the respective parties in each of the Capital Increase Agreement, which are fair and reasonable, and the entering into of the Capital Increase Agreement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

None of the Directors have any material interest in the Capital Increase Agreement and none of them is required to abstain from voting on the relevant board resolutions.

## **INFORMATION ON THE PARTIES**

### **The Group and CR Gas China**

The Company is a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange. As at the date of this announcement, approximately 61.46% of the issued shares of the Company are indirectly held by CRC, which is ultimately owned by CRNC, a state-owned enterprise in the PRC under the supervision of the SASAC. The Group is principally engaged in downstream gas distribution business in the PRC, including piped natural gas distribution, natural gas filling stations operation and sales of gas appliances.

CR Gas China is an indirect wholly-owned subsidiary of the Company, incorporated in the PRC with limited liability and principally engaged in the investment and management in gas and related fields.

### **Hefei Urban Construction**

Hefei Urban Construction is a company incorporated in the PRC with limited liability and is principally engaged in development and operation of urban construction projects and integrated real estate development, investment on projects and enterprises, equity participations and acquisitions, material trading (other than those restricted by the PRC and require permits) and properties leasing. Hefei Urban Construction is owned by Hefei Construction Investment and Holding Co., Ltd.\* (合肥市建設投資控股(集團)有限公司) as to 72.61%, which is ultimately owned by State-owned Assets Supervision and Administration Commission of Hefei Municipal Government of the PRC.

## Hefei Gas

Hefei Gas is a company incorporated in the PRC with limited liability and is principally engaged in gas production, sales and pipeline distribution; design, construction, installation, repairing, maintenance, service, supervision and consultation of municipal public construction works, gas construction works, heating works and ancillary works; supervision and consultation of housing construction projects; installation of mechanical and electrical equipment, fitting-out and decoration works, earthworks, rivet welding processing; manufacturing and operation of gas appliances; manufacturing, sales, installation and repairing of gas equipment and smart safety home appliances; commercial information consultancy; education information consultancy; insurance information consultancy; energy projects construction, development, utilisation, operation and management; vehicle cargo transportation; self-owned properties and equipment leasing. Hefei Gas is a wholly-owned subsidiary of Hefei Urban Construction, which is ultimately owned by State-owned Assets Supervision and Administration Commission of Hefei Municipal Government of the PRC.

As at the date of this announcement, the total registered capital of Hefei Gas amounts to RMB510,000,000 which is fully paid up.

Set out below are the net profits (both before and after taxation) of Hefei Gas and its subsidiaries based on the audited consolidated accounts of Hefei Gas for the two financial years ended 31 December 2021:

	<b>For the financial year ended 31 December</b>	
	<b>2020</b>	<b>2021</b>
	<b>RMB</b>	<b>RMB</b>
Net profits before taxation	334,982,915.49	385,848,017.35
Net profits after taxation	231,580,296.09	289,690,493.65

As at 31 December 2021, the audited net asset value of Hefei Gas was approximately RMB1,872,025,474.45 based on the audited consolidated account of Hefei Gas as at 31 December 2021.

## IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, CR Gas China is an indirect wholly-owned subsidiary of the Company. As the highest applicable percentage ratio (as defined in the Listing Rules) of the transactions contemplated under the Capital Increase Agreement exceeds 5% but is less than 25%, the transaction contemplated under the Capital Increase Agreement constitute discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempt from the shareholders' approval requirements pursuant to Chapter 14 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;
“Capital Increase”	the acquisition of 49% equity interests in Hefei Gas by CR Gas China by way of making a capital contribution of RMB4,633,862,745 to Hefei Gas, of which RMB490,000,000 will be accounted for the registered capital of Hefei Gas and RMB4,143,862,745 will be accounted for the capital reserve of Hefei Gas, pursuant to the terms and conditions of the Capital Increase Agreement;
“Capital Increase Agreement”	the capital injection agreement dated 12 July 2022 entered into among CR Gas China, Hefei Urban Construction and Hefei Gas in relation to the Capital Increase;
“Company”	China Resources Gas Group Limited (華潤燃氣控股有限公司), a company incorporated in Bermuda with limited liability, 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;
“CR Gas China”	China Resources Gas Investment (China) Limited, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“CRC”	China Resources Co., Limited, a company incorporated in the PRC with limited liability and ultimately wholly owned by CRNC;
“CRNC”	China Resources Company Limited, a company incorporated in the PRC with limited liability;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hefei Gas”	Hefei Gas Group Company Limited* (合肥燃氣集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Hefei Urban Construction;

“Hefei Urban Construction”	Hefei Urban Construction Investment and Holdings Co., Ltd.* (合肥城建投資控股有限公司), a company incorporated in the PRC with limited liability;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Valuer”	Zhongshuizhiyuan Assets Appraisal Co., Ltd (中水致遠資產評估有限公司), an independent valuer that carried out the Valuation;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

\* For identification purposes only

By order of the Board  
**CHINA RESOURCES GAS GROUP LIMITED**  
**WANG Chuandong**  
*Chairman*

Hong Kong, 13 July 2022

*As at the date of this announcement, the Executive Directors of the Company are Mr. YANG Ping and Mr. GE Bin, the Non-executive Directors of the Company are Mr. WANG Chuandong, Mr. WANG Gaoqiang, Mr. LIU Xiaoyong and Mr. LIU Jian and the Independent Non-executive Directors of the Company are Mr. WONG Tak Shing, Mr. YU Hon To, David, Mr. YANG Yuchuan and Mr. HU Xiaoyong.*