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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

ACQUISITION OF A PROPERTY

THE ACQUISITION

On 14 June 2018, Zhenjiang CR, a non wholly-owned subsidiary of the Company, and Zhenjiang City Construction entered into the Sale and Purchase Agreement, pursuant to which Zhenjiang CR has agreed to purchase, and Zhenjiang City Construction has agreed to sell the Property at a consideration of RMB315.67 million (approximately HK\$385.11 million) subject to the terms and conditions set out therein. The Property is intended to be used as an integrated office building for Zhenjiang CR, which includes dispatch center, customer service center, archives, offices, staff cafeteria, parking lots, etc.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Zhenjiang City Construction owns 39% equity interest in Zhenjiang CR (a subsidiary of the Company) and is a substantial shareholder of a subsidiary of the Company, and is therefore a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules. As such, the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is subject to the reporting and announcement requirements, but exempted from the independent shareholders' approval requirements under the Listing Rules.

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THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

DATE OF THE AGREEMENT

14 June 2018

PARTIES

- (a) Zhenjiang CR, as purchaser; and
- (b) Zhenjiang City Construction, as vendor.

NATURE OF THE TRANSACTION

Pursuant to the Sale and Purchase Agreement, Zhenjiang CR has agreed to purchase, and Zhenjiang City Construction has agreed to sell the Property subject to the terms and conditions set out in the Sale and Purchase Agreement

THE PROPERTY

The Property to be acquired under the Sale and Purchase Agreement is located at Block A, Zone A of the business district of Nanxu New City (南徐新城), Zhenjiang City, the PRC. The Property is a commercial building of 21 floors, with a total gross floor area of 30,841.47 sq.m., made up of an above-ground gross floor area of 22,264.57 sq.m., an underground gross floor area of 7,376.5 sq.m. and a passageway area of approximately 1,200.4 sq.m. As at the date of this announcement, the Property was wholly-owned by Zhenjiang City Construction. The original acquisition cost by Zhenjiang City Construction of the land on which the Property has been built was RMB11,515,700 (approximately HK\$14,049,154) and the construction cost was approximately RMB270,863,700 (approximately HK\$330,453,714).

CONSIDERATION

The consideration for the Property agreed under the Sale and Purchase Agreement is RMB315.67 million (approximately HK\$385.11 million), which was determined after arm's length negotiation between Zhenjiang CR and Zhenjiang City Construction with reference to the market value of the Property of RMB318 million (approximately HK\$388 million) as estimated in the valuation report Dong Zhou Ping Bao Zi [2018] No. 0205 prepared by Shanghai Orient Asset Appraisal Co., Ltd. (a firm of independent valuers) adopting a market-based approach), and adjusted in accordance with the differences between the actual area of the Property and the appraised area.

The consideration will be payable in cash by Zhenjiang CR to Zhenjiang City Construction in the following manner: (a) 95% of the consideration to be payable within 15 business days of receiving proof of first registration of the Property from Zhenjiang City Construction; and (b) the remainder 5% of the consideration to be payable within 15 business days after the first anniversary of the completion of the delivery of the Property. The consideration for the Property will be financed from internal resources of the Group.

CONDITIONS PRECEDENT

The delivery of the Property under the Sale and Purchase Agreement will be conditional upon the satisfaction of certain conditions precedent, including the passing of various inspections and obtaining certain requisite approval documents such as a “Certificate of Confirmation on the Construction of Proposed Supporting Facilities” for the Property by Zhenjiang City Construction.

CLOSING

The Property shall be delivered to Zhenjiang CR by Zhenjiang City Construction on or before 28 August 2018. In case of a force majeure event which causes a delay in the delivery of the Property, subject to Zhenjiang City Construction providing notice to Zhenjiang CR within 15 days of the event and upon Zhenjiang CR providing confirmation, the delivery date of the Property may be extended based on the factual circumstances at the time.

Zhenjiang City Construction shall carry out ownership transfer registration procedures in relation to the Property with relevant authorities in accordance with relevant PRC requirements, and Zhenjiang CR shall provide necessary assistance and cooperation. Zhenjiang City Construction shall complete all the ownership transfer registration procedures within three months upon receiving the down payment.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in downstream gas distribution in the PRC. As the Group develops, the service environment of Zhenjiang CR’s current office is no longer able to satisfy the needs of its businesses. The Board is of the view that purchasing a prime location and excellent quality property in Zhenjiang as its new integrated office building will enable the Group to save time and reduce costs by eliminating needs in areas such as reporting and approval, construction and decoration. It can also realize the smart construction of dispatch centers, call centers and customer service centers, enhance the brand image of the Group, satisfy the needs of the city government’s planning requirements and further uphold and consolidate the relationship between enterprises and the government.

The Directors (including the independent non-executive Directors), having made all reasonable and due inquiries, are of the opinion that the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and that the proposed acquisition, although not conducted in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole.

As none of the Directors has any material interest in the Sale and Purchase Agreement, none of the Directors is required to abstain from voting on the approved Board resolution.

GENERAL INFORMATION

Zhenjiang CR

Zhenjiang CR is a company incorporated in the PRC with limited liability and a subsidiary owned as to 51%, 39% and 10% by a wholly-owned subsidiary of the Company, Zhenjiang City Construction and Zhenjiang City Blue Sky Investment Co., Ltd. (鎮江市藍天投資有限公司), respectively, and is principally engaged in the sale of liquefied gas and the connection of gas pipelines. Zhenjiang CR holds several subsidiaries engaged in the sale and distribution of gas fuel and related products, gas connection, sale of gas appliances and sale of gas fuel in automobile refilling stations.

Zhenjiang City Construction

Zhenjiang City Construction is a company incorporated in the PRC with limited liability and is principally engaged in urban infrastructure project investment, construction and operation management, real estate development and operation, property management, etc.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Zhenjiang City Construction owns 39% equity interest in Zhenjiang CR (a subsidiary of the Company) and is a substantial shareholder of a subsidiary of the Company, and is therefore a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules. As such, the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is subject to the reporting and announcement requirements, but exempted from the independent shareholders' approval requirements under the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Property by Zhenjiang CR from Zhenjiang City Construction pursuant to the Sale and Purchase Agreement;
“Board”	the board of directors of the Company;
“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;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“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;
“Property”	Block A, Zone A of the business district of Nanxu New City (南徐新城), Zhenjiang City, the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 14 June 2018 entered into between Zhenjiang CR and Zhenjiang City Construction in relation to the Acquisition;
“sq.m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Zhenjiang City Construction”	Zhenjiang City Construction Industry Group Co., Ltd.*(鎮江城市建設產業集團有限公司), a company incorporated in the PRC with limited liability and a substantial shareholder of Zhenjiang CR;
“Zhenjiang CR”	Zhenjiang China Resources Gas Co., Ltd.*(鎮江華潤燃氣有限公司), a company incorporated in the PRC with limited liability and a 51% non wholly-owned subsidiary of the Company; and
“%”	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\$1.22. No representation is made that any amount in RMB or HK\$ could have been or could be converted at the above rate or at any other rates.

By order of the Board
China Resources Gas Group Limited
WANG Chuandong
Executive Director

Hong Kong, 14 June 2018

As at the date of this announcement, the Directors of the Company are Mr. WANG Chuandong, Mr. SHI Shanbo and Mr. GE Bin, being Executive Directors; Mr. DU Wenmin, Mr. CHEN Ying and Mr. WANG Yan, being Non-executive Directors; and Mr. WONG Tak Shing, Mr. YU Hon To, David and Mr. QIN Chaokui, being Independent Non-executive Directors.

* Translation for reference purpose only