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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 ACQUISITION OF 51% INTEREST IN A PRC COMPANY
AND PROPOSED FORMATION OF A JOINT VENTURE COMPANY

On 9 January, 2009, Kileen Holdings, a wholly-owned subsidiary of the Company, entered into an Equity Transfer Agreement, together with a Supplemental Agreement supplementing the terms thereof, with the Transferor to acquire 51% interest in the PRC Company. The consideration for the Proposed Acquisition (subject to the approval of the relevant PRC authorities) is RMB265,000,000 (equivalent to approximately HK\$300,669,000) (subject to adjustment). Following completion of the Proposed Acquisition, the PRC Company, upon completion of certain procedures and obtaining the approvals of the relevant PRC authorities, will become a sino-foreign equity joint venture and is expected to become a subsidiary of the Company. Kileen Holdings has, on 9 January, 2009, entered into the Joint Venture Contract and Articles of Association with the Transferor and two other shareholders of the PRC Company in contemplation of the completion of the Proposed Acquisition whereupon Kileen Holdings will hold a 51% interest and the Transferor and the two other shareholders will hold the remaining 49% interest in the PRC Company. Upon completion of the Proposed Acquisition and hence the formation of the joint venture between Kileen Holdings and the original shareholders of the PRC Company, the PRC Company is expected to be principally engaged in, among other things, the manufacturing and sale of gas and provision of other gas-related goods and services in Wuhan, Hubei Province of the PRC, subject to the approval of the relevant PRC authorities.

As at the date of this announcement, the Proposed Acquisition together with the proposed additional investment of the Company, through Kileen Holdings, in the PRC Company, based on the relevant percentage ratio calculations under the Listing Rules, constitute a discloseable transaction of the Company which is subject to the requirements under Chapter 14 of the Listing Rules.

The Board announces that on 9 January, 2009, Kileen Holdings and the Transferor entered into the Equity Transfer Agreement, together with a Supplemental Agreement supplementing the terms thereof, in relation to the Proposed Acquisition, subject to the approval of the relevant PRC authorities. Following completion of the Proposed Acquisition, the PRC Company shall, upon completion of certain procedures and obtaining the approvals of the relevant PRC authorities, become a sino-foreign equity joint venture. In that respect, the Board further announces that on 9 January, 2009, Kileen Holdings and the Transferor, among others, entered into the Joint Venture Contract and the Articles of Association in relation to the proposed sino-foreign equity joint venture arrangement, subject to the approval of the relevant PRC authorities.

THE EQUITY TRANSFER AGREEMENT DATED 9 JANUARY, 2009 AND THE SUPPLEMENTAL AGREEMENT DATED 9 JANUARY, 2009

The Parties

- (a) Kileen Holdings; and
- (b) the Transferor.

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

Consideration

Pursuant to the Equity Transfer Agreement, Kileen Holdings has agreed to acquire 51% interest in the PRC Company at a consideration of RMB265,000,000 (equivalent to approximately HK\$300,669,000) (subject to adjustment) (the “**Consideration**”) from the Transferor.

The Consideration has been determined after arm's length negotiations with reference to the consolidated net asset value of approximately RMB43.20 million (equivalent to approximately HK\$49.01 million) of the PRC Company as at 30 April, 2008, as booked in the audited consolidated balance sheet of the PRC Company as at 30 April, 2008 (the “**30 April 2008 Net Asset Value**”).

The Parties agreed that, within 1 month following 15 January, 2009, an accounting firm registered in the PRC shall be appointed to conduct an audit on the consolidated net asset value of the PRC Company as at 31 January, 2009 (the “**Audited Net Asset Value**”). The Consideration is subject to adjustment such that, should the 30 April 2008 Net Asset Value be less than the Audited Net Asset Value, the shortfall will be deducted from the Consideration payable by Kileen Holdings and Kileen Holdings will only be required to pay the net amount of the consideration following such deduction.

Payment terms

Pursuant to the Equity Transfer Agreement, the Consideration shall be paid to the Transferor by Kileen Holdings in accordance with the following schedule:-

- (1) an amount of RMB159,000,000 (equivalent to approximately HK\$180,401,400), representing 60% of the Consideration, shall be payable within 10 days following completion or fulfillment of the obligations (all of which shall be completed or fulfilled within 2 months following execution of the Equity Transfer Agreement), as specified in the Equity Transfer Agreement, including (without limitation) (i) the Transferor having obtained the approval of the board and shareholders of the PRC Company to the Proposed Acquisition and the transactions contemplated in respect thereof and the relevant board and shareholders' resolution relating thereto; (ii) the Transferor having obtained from the other two shareholders of the PRC Company written waivers of their respective pre-emptive rights regarding the Proposed Acquisition, and the Transferor and such other two shareholders having executed the Joint Venture Contract and the Articles of Association; (iii) the Parties having obtained all necessary approvals of the relevant PRC authorities in respect of the Proposed Acquisition and the transactions contemplated in respect thereof; (iv) the Transferor having completed the procedures for changing the name of the PRC Company from “武漢通寶燃氣發展有限公司” (Wuhan Tongbao Gas Development Co. Ltd.)* to the proposed “武漢華潤通寶燃氣有限公司” (Wuhan China Resources Tongbao Gas Co. Ltd.)* (subject to the approval of the relevant PRC authorities) and for changing the status of the PRC Company into a sino-foreign equity joint venture; and (v) the Transferor having arranged for the change of the legal representative of each of the PRC Company and its subsidiaries to the authorized representatives of Kileen Holdings;

- (2) an amount of RMB106,000,000 (equivalent to approximately HK\$120,267,600) (subject to adjustment), representing 40% of the Consideration, shall be payable within 20 days following completion or fulfillment, by the Transferor, of the obligations (all of which shall be completed or fulfilled within 2 months following execution of the Equity Transfer Agreement) as specified in the Equity Transfer Agreement, including (without limitation) (i) completion of the procedures for changes to the land title document(s) and licences for business operations of the PRC Company corresponding to its change of name; (ii) repayment of the loan advanced by the PRC Company to the Transferor in the amount of approximately RMB39,491,000 (equivalent to approximately HK\$44,806,489); (iii) completion of the procedures required for the acquisition by the PRC Company of the minority interests (one per cent in each case) of two subsidiaries of the PRC Company at a total consideration of not more than RMB200,000 (equivalent to approximately HK\$226,920).

Increase in registered capital of the PRC Company

Under the Equity Transfer Agreement, the Parties agreed that, within 6 months following the establishment of the joint venture, each of the then shareholders of the PRC Company shall make further capital contributions in an amount proportionate to their then shareholdings in the PRC Company for increasing the registered capital of the PRC Company from RMB51.3 million to RMB100 million. Such increase in capital contribution is subject to approval from the relevant PRC authorities.

Source of funding

The Consideration (as may be adjusted) and contribution to the proposed increase in registered capital will be funded by internal resources of the Company.

INFORMATION ON THE PRC COMPANY

The PRC Company was incorporated on 14 May 2002 with limited liability in the PRC and is engaged in the provision of natural gas related products and services.

Registered and paid up capital

The registered and paid up capital of the PRC Company is, and upon completion of the Proposed Acquisition, will be, held by the parties as follows:-

Shareholders	Before the Proposed Acquisition			Immediately after the Proposed Acquisition			Immediately after the Proposed Increase in Capital Contribution of the shareholders of the PRC Company assuming the same shareholding structure		
	Capital amount		Approximate percentage of holding	Capital amount		Approximate percentage of holding	Capital amount		Approximate percentage of holding
	RMB million	HK\$ million		RMB million	HK\$ million		RMB million	HK\$ million	
Kileen Holdings	-	-	-	26.16	29.68	51.00%	51.00	57.86	51.00%
Transferor	30.72	34.85	59.89%	4.56	5.17	8.89%	8.89	10.09	8.89%
Other shareholder	5.70	6.47	11.11%	5.70	6.47	11.11%	11.11	12.61	11.11%
Other shareholder	14.88	16.88	29.00%	14.88	16.88	29.00%	29.00	32.90	29.00%
Total	51.30	58.20	100.00%	51.30	58.20	100.00%	100.00	113.46	100.00%

Financial information

The audited net profit and total assets as set out in the audited accounts of the PRC Company for the year ended 31 December 2007 and the unaudited net profit and total assets as set out in the management accounts of the PRC Company for the year ended 31 December 2008 (as prepared in accordance with generally accepted accounting principles in the PRC) are as follows:-

	For the year ended 31 December			
	2007		2008	
	<i>RMB</i>	<i>HK\$</i>	<i>RMB</i>	<i>HK\$</i>
Profit before taxation and extraordinary items	7,739,891	8,781,680	11,840,229	13,433,924
Net profit after taxation and extraordinary items	6,018,406	6,828,483	8,463,734	9,602,953
Total assets	225,729,742	256,112,965	302,637,497	343,372,504
Net assets	46,598,769	52,870,963	55,168,113	62,593,741

THE JOINT VENTURE CONTRACT DATED 9 JANUARY, 2009

The Parties

- (a) Kileen Holdings;
- (b) the Transferor; and
- (c) Other shareholders (one being a corporate shareholder and the other an individual)

Proposed Business Scope of the Sino-foreign Equity Joint Venture

Includes, among other things, the manufacturing and sale of gas and provision of other gas-related goods and services in Wuhan, Hubei Province of the PRC, subject to the approval of the relevant PRC authorities.

Proposed total investment

RMB100 million (equivalent to approximately HK\$113,46 million).

Proposed registered capital

RMB51.3 million (equivalent to approximately HK\$58.2 million) (prior to the proposed increase in registered capital referred to above) of which:-

- (a) 51% (being RMB26.16 million, equivalent to approximately HK\$29.68 million) to be contributed by Kileen Holdings would, following completion of the Proposed Acquisition, be deemed settled through payment by Kileen Holdings of the Consideration payable to the Transferor in the amount of RMB265,000,000 (equivalent to approximately HK\$300,669,000) (subject to adjustment) under the Equity Transfer Agreement;
- (b) approximately 8.89% (being RMB4.56 million, equivalent to approximately HK\$5.17 million) to be contributed by the Transferor would, following completion of the Proposed Acquisition, be deemed settled by the Transferor's original capital amount contributed to the PRC Company prior to the Proposed Acquisition;
- (c) 29% (being RMB14.88 million, equivalent to approximately HK\$16.88 million) to be contributed by another corporate shareholder would, following completion of the Proposed Acquisition, be deemed settled by the original capital amount contributed to the PRC Company by such shareholder prior to the Proposed Acquisition; and

- (d) approximately 11.11% (being RMB5.70 million, equivalent to approximately HK\$6.47 million) to be contributed by an individual shareholder would, following completion of the Proposed Acquisition, be deemed settled by the original capital amount contributed to the PRC Company by such shareholder prior to the Proposed Acquisition.

Save for the proposed capital contributions referred to above and in the paragraph headed “Increase in registered capital of the PRC Company”, Kileen Holdings has not committed to other contributions or made other commitments of a capital nature for the PRC Company.

Board representation

The board of directors of the PRC Company will comprise seven directors. Kileen Holdings is entitled to appoint four directors (including the chairman) and the Transferor is entitled to appoint three directors. The general manager of the PRC Company, to be appointed by the board of directors of the PRC Company, will be principally responsible for overseeing the daily operation of the PRC Company and executing the decisions of the board of directors of the PRC Company.

Term of operation

30 years from the date of issue of the business licence of the PRC Company as a sino-foreign equity joint venture by the relevant PRC government authority. The shareholders of the PRC Company shall decide on whether to extend the term of operation of the PRC Company at least three years prior to the expiry of the term. Should the Parties agree on an extension, the PRC Company shall, at least six months prior to the expiry of the term, apply to the relevant PRC government authority including the Ministry of Commerce of the PRC for such extension.

Share of profits or losses

Any profits or losses of the PRC Company will be distributed to or shared between the shareholders in proportion to their respective capital contributions to the PRC Company.

GENERAL

The Company is an investment holding company which holds primarily interests in businesses engaged in gas distribution in the PRC.

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

To the knowledge of the Directors, the PRC Company will become a subsidiary of the Company upon its establishment and its results will be consolidated into the results of the Group.

The Directors have been actively seeking investment opportunities so as to increase the return from the Group’s investment portfolio, enhance the Group’s business and assist the Group to further explore market opportunities for gas and gas-related products and services in the PRC. The Directors believe that the Proposed Acquisition and the formation of the joint venture upon completion of the Proposed Acquisition are consistent with the Group’s above strategy and will enable the Group to spearhead its strategic presence in Wuhan, the capital of the Hubei Province of the PRC, an area which the Directors believe is the heartland of central China.

The Board believes that the Equity Transfer Agreement, Supplemental Agreement, Joint Venture Contract and the Articles of Association were entered into after arm's length negotiations between the parties respectively thereto and are fair and reasonable and based on normal commercial terms and in the interest of the shareholders of the Company as a whole.

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 January, 2009 entered into between the Parties and other shareholders (one being a corporate shareholder and the other an individual) in relation to the establishment and operation of the sino-foreign equity joint venture;
“Board”	means the board of Directors;
“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;
“Directors”	means the directors of the Company;
“Equity Transfer Agreement”	the equity transfer agreement dated 9 January, 2009 entered into between the Transferor as transferor and Kileen Holdings as transferee in relation to the proposed transfer of 51% in the PRC Company, as supplemented by the Supplemental Agreement;
“Group”	the Company and its subsidiaries (as defined in the Companies Ordinance, Chapter 32 of the Laws of Hong Kong);
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Joint Venture Contract”	a joint venture contract dated 9 January, 2009 entered into between the Parties and other shareholders (one being a corporate shareholder and the other an individual) in relation to the proposed establishment of the sino-foreign equity joint venture;
“Kileen Holdings”	means Kileen Holdings Limited (祺力控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	Kileen Holdings and the Transferor, being parties to the Equity Transfer Agreement and the Supplemental Agreement and also being parties, among others, to the Joint Venture Contract and the Articles of Association, and the word “Party” shall be construed accordingly;

“PRC”	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 Company”	means 武漢通寶燃氣發展有限公司 (translated as Wuhan Tongbao Gas Development Co. Ltd.)*, a limited liability company established in the PRC, which will be converted to a sino-foreign equity joint venture in the PRC upon completion of the Proposed Acquisition and the approval of the Joint Venture Contract and the Articles of Association by the relevant PRC governmental authorities;
“Proposed Acquisition”	the proposed acquisition of 51% interest in the PRC Company pursuant to the Equity Transfer Agreement, as supplemented by the Supplemental Agreement, subject to the approval of the relevant PRC authorities;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement dated 9 January, 2009 entered into between the Transferor and Kileen Holdings supplementing the terms of the Equity Transfer Agreement;
“Transferor”	means an individual named Mr. Zhong Shun Nian (仲順年).

By the order of the Board of
China Resources Gas Group Limited
Ong Thiam Kin
Executive Director

Hong Kong, 9 January, 2009

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 Dr. Yang Chonghe, Howard, 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\$1.1346, 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.*