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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 FLEMMING LIMITED

The Board is pleased to announce that on 16 March 2011, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares representing the entire issued share capital of the Target Company for the Consideration of RMB352,950,000, subject to adjustment as defined in the subsection headed “Consideration Adjustment” under the section headed “Sale and Purchase Agreement” of this announcement.

The Target Group is principally engaged in, among other things, the construction, infrastructure design and operation of city gas pipelines, gas facilities repair and maintenance, technical support, gas selling and distribution, construction of natural gas station, production of liquefied natural gas, the provision of related equipments, apparatus and other ancillary services principally in Shandong Province and Zhejiang Province in the PRC.

As certain of the applicable percentage ratios in respect of the Acquisition and the entering into of the Sale and Purchase Agreement under Rule 14.07 of the Listing Rules exceed 5% and are less than 25%, the Acquisition and the entering into of the Sale and Purchase Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

(A) BACKGROUND

On 16 March 2011, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares representing the entire issued share capital of the Target Company for the Consideration of RMB352,950,000 subject to adjustment as defined in the subsection headed “Consideration Adjustment” under the section headed “The Sale and Purchase Agreement” of this announcement.

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(B) THE SALE AND PURCHASE AGREEMENT

Date

16 March 2011

Parties

- (1) Vendors: Wing Mou
Winfield
- (2) Purchaser: Thousand Victory, a wholly-owned subsidiary of the Company
- (3) Guarantors: Hsing Nien Tsu, being the ultimate controlling shareholder of Wing Mou
Wong Mei Lin, being the ultimate controlling shareholder of Winfield

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Wing Mou and Winfield and their respective ultimate beneficial owners are Independent Third Parties.

Sale Shares

Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendors shall sell as legal and beneficial owners and the Purchaser shall purchase the Sale Shares with effect from Completion free from all encumbrances and together with all rights and title to and interests in the Sale Shares (including the right to receive all dividends and distributions declared, made or paid on or after the Completion Date).

Upon Completion, the Company will own 100% equity interests in the Target Company through the Purchaser. The financial results of the Target Group will be consolidated into the Group's accounts.

The Parties contemplate that the Target Company would, after Completion, transfer all the Target PRC Group Members to other members of the Group.

Deed of Tax Indemnity

The Vendors will enter into the Deed of Tax Indemnity in favour of the Purchaser. Subject to certain limitations as stated in the Deed of Tax Indemnity, the Vendors undertake to the Purchaser to indemnify and keep indemnified the Purchaser from and against certain tax liabilities of the Target Group prior to Completion.

Guarantee

In consideration of the Purchaser entering into the Sale and Purchase Agreement, the Guarantors will execute the Guarantee in favour of the Purchaser, pursuant to which the Guarantors unconditionally and irrevocably, jointly and severally, and subject to limitations

set out in the Guarantee, guarantee the liabilities of the Vendors in connection with any undisclosed liabilities of the Target Company and undertake to indemnify and keep indemnified the Purchaser from and against any losses arising therefrom.

Consideration and adjustments thereto

The Consideration is RMB352,950,000, which will be settled by the Purchaser in cash in 3 installments as follows:

- (a) the First Payment shall be payable by the Purchaser to the Vendors within 15 days upon fulfillment or waiver of the Conditions Precedent;
- (b) the Second Payment (subject to any adjustments referred to below), shall be payable by the Purchaser to the Vendors on the 15th Business Day after the fulfillment or waiver of certain requirements stipulated in the Sale and Purchase Agreement, including but not limited to the preparation and delivery of Completion Accounts of the Target Group to the Purchaser; and
- (c) the Final Payment (subject to adjustment for any liabilities of the Vendors for any undisclosed liabilities of the Target Group or breach of warranties), shall be payable by the Purchaser to the Vendors on the third anniversary of the Completion Date.

The Consideration will be adjusted in accordance with the terms of the Sale and Purchase Agreement, among others, in the following manner:

- (a) The Consideration will be increased or reduced by the Adjusted Amount if the total combined net asset value of the Target Group based on the Completion Accounts is higher or lower than the total net asset value of the Target Group based on the 2009 Proforma Accounts in accordance with the following formula:

$$\text{Adjusted Amount} = \text{Completion NAV} - 2009 \text{ NAV}$$

“Completion NAV” means the total audited combined net asset value of the Target Group based on the Completion Accounts

“2009 NAV” means the total combined net asset value of the Target Group based on the 2009 Proforma Accounts

In the event that the Adjusted Amount is positive, the Second Payment shall be increased by the same amount; if the Adjusted Amount is negative, the Second Payment shall be adjusted downward by the same amount.

- (b) It is the Group’s intention to undergo further restructuring of the Target Group after Completion. In the event that such restructuring is not completed in its entirety as contemplated by the Sale and Purchase Agreement, for so long as the Sale and Purchase Agreement has not been terminated according to the terms thereof, the Consideration shall be reduced by the amount of consideration for the Target PRC Group Member concerned to be calculated in accordance with the formula agreed between the Parties.

The Consideration is payable in HK\$ adopting the medium of the exchange rates published by the State Administration for Foreign Exchange on the date of payment attributable to the Sale Shares.

The Consideration will be funded by internal resources of the Group.

Pre-Completion Reorganisation

As one of the Conditions Precedent to Completion, the Vendors have undertaken to procure completion of the Pre-Completion Reorganisation in accordance with the terms stipulated under the Sale and Purchase Agreement. The Pre-Completion Reorganisation involves capitalisation of the Shareholder's Loans and the transfer of certain excluded assets out of the Target Group.

The Vendors have undertaken to take all steps and to obtain all necessary consents and approvals as may be required to consummate the Pre-Completion Reorganisation.

Conditions Precedent

Completion of the Acquisition and the First Payment is conditional upon the fulfilment (or waiver) of certain Conditions Precedent including but without limitation:

- (i) the representations and warranties given by the Vendors under the Sale and Purchase Agreement remaining true and accurate and not misleading from the date of the Sale and Purchase Agreement up to Completion;
- (ii) the Pre-Completion Reorganisation being effected and consummated in all respects in accordance with the applicable laws of Hong Kong and the PRC; and
- (iii) the Purchaser having obtained the audited accounts of the Target PRC Group Member for the financial period ended 31 December 2009.

The Vendors shall use their best endeavours to ensure fulfilment of all the Conditions Precedent (unless otherwise waived by the Purchaser) on or before 31 March 2011 (or such later date as agreed by the Purchaser in writing), failing which the Purchaser shall be entitled to terminate the Sale and Purchase Agreement at its sole discretion. The Vendors shall be liable to pay compensation in an amount of HK\$2 million if the Vendors fail to use their best endeavours to fulfil the Conditions Precedent.

Completion

Completion will take place on the second Business Day after all the Conditions Precedent have been fulfilled (or waived by the Purchaser) in accordance with the Sale and Purchase Agreement or such other date as the Parties may agree.

Termination of the Sale and Purchase Agreement

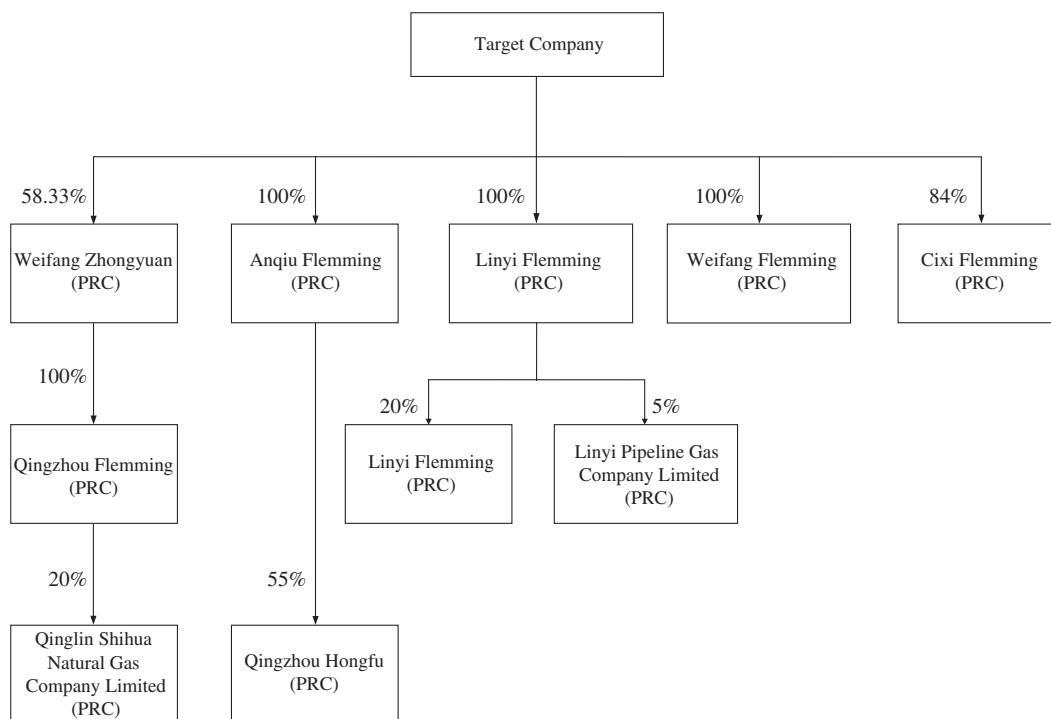
The Sale and Purchase Agreement is subject to termination after Completion at the election of the Vendors by written notice if:

- (a) the post-Completion restructuring of the Target Group does not complete in its entirety as contemplated by the Sale and Purchase Agreement where the total net asset value of the Target PRC Group Member concerned as at the Completion Date is less than the agreed threshold specified in the Sale and Purchase Agreement, and the Purchaser requests the Vendors to buy back the relevant Target PRC Group Member;
- (b) the post-Completion restructuring of the Target Group does not complete in its entirety as contemplated by the Sale and Purchase Agreement where the total net asset value of the relevant Target PRC Group Member concerned as at the Completion Date exceeds the agreed threshold specified in the Sale and Purchase Agreement; or
- (c) non-satisfaction of any specific condition for the Second Payment (to the extent not waived).

Thereupon, the Parties shall take all necessary actions to unwind the transactions under the Sale and Purchase Agreement, including the transfer of all the Sale Shares back to the Vendors, and subject thereto, the Parties shall have no further obligations to each other.

(C) INFORMATION ON THE TARGET GROUP

The following diagram illustrates the shareholding structure of the Target Group upon completion of the Pre-Completion Reorganisation:



The Target Company is a company incorporated in Hong Kong in 1989 and has a total issued and paid up capital of HK\$2,000,000 as at the date of the Sale and Purchase Agreement which is owned as to 50% by Wing Mou and 50% by Winfield.

The Target Group is principally engaged in, among other things, the construction, infrastructure design and operation of city gas pipelines, gas facilities repair and maintenance, technical support, gas selling and distribution, construction of natural gas station, production of liquefied natural gas, the provision of related equipments, apparatus and other ancillary services principally in Shandong Province and Zhejiang Province in the PRC.

(D) FINANCIAL INFORMATION ON THE TARGET GROUP

Set out below are certain unaudited financial information of the Target Group for each of the two financial years ended 31 December 2010:

	For the year ended 31 December 2009 <i>RMB</i>	For the year ended 31 December 2010 <i>RMB</i>
Net profits before tax and extraordinary items (<i>Note</i>)	31,843,034	42,696,683
Net profits after tax and extraordinary items (<i>Note</i>)	28,744,045	31,264,739

Note: Assuming the Pre-Completion Reorganisation had completed as of 1 January 2009

As at 31 December 2010, the unaudited combined net asset value of the Target Group is RMB162,252,185 on the assumption that the Pre-Completion Reorganisation had completed as of 1 January 2009.

Upon completion of the Acquisition, the Target Company and its subsidiaries will become indirect subsidiaries of the Company and their results will be consolidated into the Group's financial results.

(E) BASIS OF DETERMINATION OF THE CONSIDERATION

The Consideration was determined after arm's length negotiations between the Parties on normal commercial terms with reference to (i) the 2009 Proforma Accounts, (ii) the due diligence review of the Target Group and (iii) the future prospects and potential for earning growth of the Target Group.

(F) REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been active in seeking business opportunities to expand its core business of gas operation in the PRC. 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. The Acquisition provides the Group with a platform to expand its local market in Shandong Province and Zhejiang Province.

The Target Group has already completed the construction of the pipeline systems in the relevant areas and the business is in full operation. Accordingly, the Directors consider the Acquisition will enable the Group to expand its existing business operations in Shandong Province and Zhejiang Province and enhance the earning abilities of the Group.

A number of liquefied natural gas receiving terminals are being developed in the Eastern and North-eastern coastal regions of the PRC which will boost gas supplies of these areas. Shandong Province and Zhejiang Province thus have huge development potential and are key locations where the Group aims to target as to achieve accelerated business growth in the coming years. Through the Acquisition, the Group, with secured natural gas resources, will become a major gas operator in the area. As such, the Directors consider that the Acquisition provides an excellent opportunity for the Company to expand its business operations in Shandong Province and Zhejiang Province, create synergy value with the Group's existing gas operation in these provinces and to broaden the Group's revenue base.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition and the terms of the Sale and Purchase Agreement, including the Consideration, are based on normal commercial terms which are fair and reasonable, negotiated on an arm's length basis between the Parties, in the interests of the Company and the Shareholders as a whole.

(G) LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios in respect of the Acquisition and the entering into of the Sale and Purchase Agreement under Rule 14.07 of the Listing Rules exceed 5% and are less than 25%, the Acquisition and the entering into of the Sale and Purchase Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

(H) 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 piped natural or petroleum gas and operating compressed natural gas filling stations in the PRC. Its current operations cover provincial capitals and major cities such as Chengdu, Nanjing, Wuhan, Kunming, Jinan, Wuxi, Suzhou, Xiamen, Qidong, Gucheng, Ningbo, Tengzhou, Shifang, Kunshan, Jining and Suining.

The Purchaser is a limited liability company incorporated in the BVI and is principally engaged in investment holding. As at the date of this announcement, the Purchaser is a wholly-owned subsidiary of the Company.

(I) DEFINITIONS

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

“2009 Proforma Accounts”	the unaudited proforma accounts of the Target Group for the period from 1 January 2009 to 31 December 2009, and assuming the Pre-Completion Reorganisation had been completed on 1 January 2009;
“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement;
“Anqiu Flemming”	安丘富茂燃氣有限公司 (Anqiu Flemming Gas Company Limited*), a company incorporated in the PRC with limited liability, which is a 100% owned subsidiary of Target Company;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours;
“BVI”	British Virgin Islands;
“Cixi Flemming”	慈溪富茂管道燃氣有限公司 (Cixi Flemming Pipeline Gas Company Limited*), a company incorporated in the PRC with limited liability, which is a 84% owned subsidiary of the Target 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;
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the provisions of the Sale and Purchase Agreement;
“Completion Accounts”	the audited combined financial statements of the Target Group for the period from 1 January 2010 up to the Completion Date (comprising the audited combined profit and loss accounts of the Target Group for the period from 1 January 2010 up to the Completion Date and the audited combined balance sheet of the Target Group as at the Completion Date) assuming the Pre-Completion Reorganisation had been completed as of 1 January 2010, to be prepared in accordance with the terms and conditions under the Sale and Purchase Agreement;

“Completion Date”	the day on which Completion takes place in accordance with the terms of the Sale and Purchase Agreement;
“Conditions Precedent”	the conditions precedent to Completion stipulated in the Sale and Purchase Agreement;
“Consideration”	the aggregate consideration of RMB352,950,000 million payable by the Purchaser to the Vendors for the Sale Shares under the Sale and Purchase Agreement, subject to Consideration Adjustments;
“Consideration Adjustments”	the adjustments to the Consideration stipulated by the Sale and Purchase Agreement, the particulars of which are set out in the subsection headed “Consideration Adjustments” under the section headed “The Sale and Purchase Agreement” in this announcement;
“Deed of Tax Indemnity”	the deed of tax indemnity to be entered into between the Vendors and the Purchaser on Completion in relation to the tax liabilities of the Target Group prior to Completion and other liabilities as specified therein;
“Directors”	the directors of the Company;
“Final Payment”	RMB52,500,000, being 15% of the Consideration;
“First Payment”	RMB176,475,000, being 50% of the Consideration;
“Group”	the Company and its subsidiaries (as defined in the Companies Ordinance, Chapter 32 of the Laws of Hong Kong);
“Guarantee”	the deed of guarantee to be entered into between the Guarantors and the Purchaser on Completion, the particulars of which are set out in the subsection headed “Guarantee” under the section headed “The Sale and Purchase Agreement” in this announcement;
“Guarantors”	Hsing Nien Tsu and Wong Mei Lin being the guarantors of certain obligations of the Vendors arising out of the Acquisition;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Parties”	third parties who are independent of the Company and its connected persons;
“Linyi Flemming”	臨沂富茂管道燃氣有限公司 (Linyi Flemming Pipeline Gas Company Limited*), a company incorporated in the PRC with limited liability, which is a 100% owned subsidiary of the Target Company;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	the Purchaser, the Vendors and the Guarantors, being the parties to the Sale and Purchase Agreement, 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 Subsidiaries”	Anqiu Flemming, Cixi Flemming, Linyi Flemming, Qingzhou Flemming, Qingzhou Hongfu, Weifang Flemming and Weifang Zhongyuan;
“Pre-Completion Reorganisation”	the proposed reorganisation of the Target Group as one of the Conditions Precedent stipulated in the Sale and Purchase Agreement, including capitalization of the Shareholders’ Loans and the transfer of certain excluded assets out of the Target Group;
“Purchaser” or “Thousand Victory”	Thousand Victory Investments Limited (千凱投資有限公司), a company incorporated in the BVI with limited liability and a wholly owned subsidiary of the Company;
“Qingzhou Flemming”	青州市富茂燃氣有限公司 (Qingzhou Flemming Gas Company Limited*), a company incorporated in the PRC with limited liability, which is a 100% owned subsidiary of Weifang Zhongyuan;
“Qingzhou Hongfu”	青州市宏富燃氣有限公司 (Qingzhou Hongfu Gas Company Limited*), a company incorporated in the PRC with limited liability, which is a 55% owned subsidiary of Anqiu Flemming;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 16 March 2011 entered into between the Purchaser, the Vendors and the Guarantors in respect of the sale and purchase of the Sale Shares;

“Sale Shares”	2,000,000 ordinary shares of HK\$1.00 each, representing the entire issued share capital of the Target Company, which have been issued and are fully paid and registered in the name of and beneficially owned by the Vendors and such other shares to be issued from time to time as a result of the capitalisation of the Shareholder’s Loans to the Target Company prior to Completion;
“Second Payment”	RMB123,975,000, being 35% of the Consideration;
“Shareholder’s Loans”	the shareholder’s loans of approximately HK\$20,850,975 and approximately HK\$20,850,975 owing by the Target Company to Wing Mou and Winfield, respectively, as at the date of this announcement and will be capitalized into the Capitalised Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary” and “holding company”	shall have the respective meanings assigned to those expressions by section 2 of the Companies Ordinance (Cap.32 of the Laws of Hong Kong), save that any reference therein to a company shall be deemed to include a reference to a body corporate incorporated or established outside Hong Kong or under any other ordinances of the Laws of Hong Kong and to any unincorporated body of persons;
“Target Company”	Flemming Limited (富茂石油工程有限公司), a company incorporated in Hong Kong with limited liability and as at the date of the Sale and Purchase Agreement, has a total issued capital of HK\$2,000,000 divided into 2,000,000 ordinary shares of HK\$1.00 each, and is owned as to 50% by Wing Mou and 50% by Winfield;
“Target Group”	the Target Company, its jointly-controlled entities and the PRC Subsidiaries after completion of the Pre-Completion Reorganisation;
“Target PRC Group Member”	any subsidiary of the Target Company at Completion that is incorporated in the PRC; and the term “Target PRC Group Members” shall be construed accordingly;
“Vendors”	Wing Mou and Winfield;
“Weifang Flemming”	濰坊富茂管道天然氣有限公司 (Weifang Flemming Pipeline Natural Gas Company Limited*), a company incorporated in the PRC with limited liability, which is a 100% owned subsidiary of the Target Company;

“Weifang Zhongyuan”	濰坊中原富茂燃氣有限公司 (Weifang Zhongyuan Flemming Natural Gas Company Limited*), a company incorporated in the PRC with limited liability, which is a 58.33% owned subsidiary of the Target Company;
“Winfield”	Winfield Petrochemical Limited (永富石油化工有限公司), a company incorporated in Hong Kong with limited liability;
“Wing Mou”	Wing Mou Oil Company Limited (永茂石油有限公司), a company incorporated in Hong Kong with limited liability;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

By Order of the Board
China Resources Gas Group Limited
MA Guoan
Chairman

Hong Kong, 16 March 2011

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. 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\$1.18, 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.

* For identification only.