

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



華潤燃氣控股有限公司
China Resources Gas Group Limited

(formerly China Resources Logic Limited)

(incorporated in Bermuda with limited liability)

(Stock Code: 1193)

MAJOR AND CONNECTED TRANSACTION

Financial Adviser

Anglo Chinese Corporate Finance, Limited



The board of directors of the Company is pleased to announce that after trading hours on 1st December, 2008, the Company and China Resources Holdings have entered into a conditional sale and purchase agreement, pursuant to which the Company has agreed to dispose of and China Resources Holdings has agreed to acquire, the entire issued share capital of Rich Team, the holding company of Redland Concrete, together with a shareholder's loan due to the Company for a cash consideration which will be the face value of such loan plus the unaudited consolidated net asset value of Rich Team as at 31st October, 2008 aggregated to approximately HK\$293.8 million. The consideration will be adjusted based on any profit or loss after taxation attributable to its shareholders between 1st November, 2008 and the date of completion.

The disposal constitutes a major transaction for the Company under the Listing Rules. Since China Resources Holdings is the controlling shareholder of the Company, holding approximately 74.94% of its issued share capital as at the date hereof, such disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As such, the disposal is subject to the approval of the independent shareholders of the Company at the Special General Meeting taken by way of poll.

An independent board committee, consisting of all the independent non-executive directors of the Company, namely Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Dr. Yang Chonghe, Howard, has been established to consider the terms of the disposal and to provide recommendations to the independent shareholders of the Company in this regard. An independent financial adviser will be appointed to advise the independent board committee and the independent shareholders of the Company on the fairness and reasonableness of the disposal.

The Special General Meeting will be convened and held for the independent shareholders of the Company to consider and, if thought fit, to approve the sale and purchase agreement and the transactions contemplated thereunder. A circular containing, amongst other things, further information on the disposal, financial information relating to the Group, a letter of recommendations from the independent board committee, a letter of advice from the independent financial adviser and a notice convening the Special General Meeting will be despatched to the shareholders as soon as practicable. China Resources Holdings and its associates, with the meaning ascribed under the Listing Rules, shall abstain from voting at the Special General Meeting.

The board of directors of the Company is pleased to announce that after trading hours on 1st December, 2008, the Company and China Resources Holdings have entered into a conditional sale and purchase agreement, pursuant to which the Company has agreed to dispose of and China Resources Holdings has agreed to acquire, the entire issued share capital of Rich Team, the holding company of Redland Concrete, together with a shareholder's loan due to the Company for a cash consideration which will be the face value of such loan plus the unaudited consolidated net asset value of Rich Team as at 31st October, 2008 aggregated to approximately HK\$293.8 million, subject to adjustment.

THE SALE AND PURCHASE AGREEMENT

Date

1st December, 2008

Vendor:

The Company

Purchaser

China Resources Holdings or any of its subsidiaries nominated by it

Assets to be disposed of:

The entire issued share capital of Rich Team and a shareholder's loan due to the Company. Redland Concrete, the wholly-owned subsidiary of Rich Team, together with its subsidiaries is principally engaged in the production and sale of ready mixed concrete within Hong Kong. Rich Team is an investment holding company and has no significant assets except its interest in Redland Concrete group. The shareholder's loan due to the Company is non-interest bearing with face value amounted to approximately HK\$217.7 million as at 31st October, 2008, representing the cost of the acquisition of Redland Concrete by the Company in March 2008.

Consideration

The consideration for the disposal will be approximately HK\$293.8 million, being the aggregate of the face value of the shareholder's loan due to the Company and the unaudited consolidated net asset value of Rich Team as at 31st October, 2008. The consideration will be satisfied in cash upon completion and will be adjusted based on any profit or loss after taxation attributable to its shareholders between 1st November, 2008 and the date of completion. The consideration was determined after arm's length negotiations between the Company and China Resources Holdings with reference to the face value of the shareholder's loan plus the unaudited consolidated net asset value of Rich Team aggregated to approximately HK\$293.8 million as at 31st October, 2008, subject to the adjustment as described above with reference to a completion account to be prepared by the Company upon completion. The directors of the Company, excluding the independent non-executive directors whose views will be provided after taking into account the opinion and advice from the independent financial adviser, consider the terms of the disposal are fair and reasonable and on normal commercial terms, which are in the interests of the Company and its shareholders as a whole.

Conditions precedent

The disposal is subject to the satisfaction of, amongst other things, the passing of the necessary resolution by the independent shareholders of the Company at the Special General Meeting to approve the transaction contemplated under the sale and purchase agreement; and all approvals, consents and waivers required by any applicable law, rules, regulations or governmental, administrative or regulatory bodies necessary for the parties to consummate the disposal and the transactions contemplated or incidental to the sale and purchase agreement having been obtained. Unless otherwise agreed between the parties, completion shall take place within ten business days after all the conditions have been satisfied. If any of the conditions set out in the sale and purchase agreement is not fulfilled on or before 28th February, 2009 (or such later date as agreed between the parties), the transaction contemplated thereunder shall be terminated.

INFORMATION OF RICH TEAM AND REDLAND CONCRETE

Rich Team is an investment holding company incorporated in the British Virgin Islands in October 2007. Redland Concrete was founded in 1986 and became wholly-owned by Rich Team in March 2008.

Redland Concrete is principally engaged in the production and sale of ready mixed concrete within Hong Kong. It also engages in the production and sale of mortars and shotcrete. Redland Concrete has two operating batching plants located at Yuen Long and Yau Tong; a third in Chai Wan is presently leased to an independent third party. In addition, Redland Concrete operates a testing laboratory, through its subsidiary, Quality Control Consultants Limited, which is accredited by the Hong Kong Laboratories Accreditation Scheme to conduct a wide range of tests on specified construction materials as well as to provide building inspection and structural investigation services.

The following is the financial performance of Redland Concrete based on its audited consolidated financial statements for the two years ended 31st December, 2007 and unaudited consolidated management account for the six months ended 30th June, 2008:

| | Year ended 31st December, | | 6 months ended |
|----------------------------|---------------------------|---------------------|---------------------|
| | 2006 | 2007 | 30th June, 2008 |
| | <i>HK\$ million</i> | <i>HK\$ million</i> | <i>HK\$ million</i> |
| Turnover | 265.2 | 366.8 | 188.4 |
| Net profit before taxation | 35.8 | 66.6 | 42.1 |
| Net profit after taxation | 28.7 | 54.5 | 34.5 |
| Net assets value | 276.1 | 228.5 | 263.0 |

Redland Concrete was a subsidiary of China Resources Cement Holdings Limited, the listing of whose shares on the Main Board of the Stock Exchange was withdrawn on 26th July, 2006. Redland Concrete has a long record of supplying the Hong Kong market with ready mixed concrete and related products and services. The Company, through Rich Team, acquired Redland Concrete from China Resources Holdings at approximately \$217.7 million on 5th March, 2008 and the consideration was based on the unaudited consolidated net asset value of Redland Concrete as at 31st October, 2007. Such consolidated net asset value did not reflect the net deficit of approximately HK\$57.2 million based on the valuation of the properties held by Redland Concrete group as at 31st October, 2007. The deficit has been reduced to approximately HK\$30.1 million based on a more recent independent valuation as at 31st October, 2008.

INFORMATION OF THE GROUP

The Company is an investment holding company which holds primarily interests in businesses engaged in gas distribution, and the production and sale of ready mixed concrete within Hong Kong. The Company has entered into a conditional sale and purchase agreement with an independent third party on 3rd November, 2008 to dispose of its non-core semiconductor operation in Tai Po, Hong Kong. Such disposal does not constitute a notifiable transaction under the Listing Rules. The Company will cease all its concrete business after the disposal of Rich Team to China Resources Holdings. In October 2008, the Group expanded its activities into the distribution of gas in a number of cities in the PRC by means of acquisition of the CR Gas group and this now contributes the substantial proportion of the Group's business activities in terms of both revenue and gross assets employed. The CR Gas group is principally engaged in the distribution of natural gas and petroleum gas in the cities of Chengdu, Fuyang, Huaibei, Linhai, Suzhou and Wuxi in the PRC and operates compressed natural gas filling stations in Chengdu, Nanjing and Wuxi. The CR Gas group is also engaged in bottled liquefied petroleum gas distribution in cities of Fuyang, Suzhou and Wuxi.

The principal business of China Resources Holdings is investment holding.

REASONS OF THE DISPOSAL AND USE OF PROCEEDS

Although serious consideration had been given to the disposal of Redland Concrete at the same time as the acquisition of the CR Gas group, at the time of entering into the acquisition in August this year, it was the stated intention of the directors for the Group to maintain its interest in Redland Concrete as a non-core business. Although not related to the other businesses acquired by the Group, the Redland Concrete group generated strongly positive discretionary cashflows from its operations and was debt-free. It was expected to contribute to the overall profitability of the Group and to provide the resources not only to fund its own business but also a portion of the funds necessary for the expansion of the Group's newly acquired gas distribution businesses. Since that time economic prospects in Hong Kong have declined drastically and with it the availability of bank finance even to soundly structured, profitable companies with little or no debt such as those in the Group. Further, the medium term outlook for the construction industry in Hong Kong, on which the Redland Concrete group's fortunes depend, has worsened considerably. This is likely to have a detrimental impact on both its net discretionary cashflows and on its value as an investment.

In view of these recent developments and the expected continuation of deterioration in trading and credit conditions which are likely to worsen further before any improvement can be anticipated, the directors of the Company have reassessed the sense of retaining Redland Concrete as part of the Group. In this regard, its decision has been made more compelling with the offer from China Resources Holdings in cash for Redland Concrete which values it at more or less its consolidated net asset value at the time of the completion of the transaction even though the immediate outlook is not encouraging for the private construction sector or for infrastructural spending. As Redland Concrete has experienced in the past, a decline in construction activity not only reduces volume sales, it also results in a marked decrease in trading margins as competition for available orders intensifies. In addition, the anticipated higher cost of cement and aggregates is expected to reduce gross margins in the coming years. These conditions are likely to have an adverse impact on its value as an investment and its contribution to the Group's cashflows and profits. In the longer term, while the directors are in no doubt that Redland Concrete will remain a viable business, its growth prospects are likely to be less than those of the gas distribution businesses in the PRC which have the potential of expanding nationally and, for this reason, they believe that greater resources should be directed toward the gas distribution businesses, rather than Redland Concrete which serves only the Hong Kong market for ready mixed concrete and related products and services.

As at 30th June, 2008, the CR Gas group had cash resources amounting to some HK\$828 million and borrowings of some HK\$209 million, so that the directors do not anticipate any difficulties in the funding of the CR Gas group's operations as they are presently constituted. However, it should be noted that these resources are at a subsidiary and jointly controlled entity level and that most of the Company's principal subsidiaries are not wholly-owned so their cash resources are not necessarily available to the Company to fund new acquisitions. The directors consider that there are presently opportunities to expand the CR Gas group's gas distribution business to other cities in the PRC through acquisition. Given the prevailing conditions in the credit markets the funding of any prospective acquisition will have to depend to a greater degree on internal resources or loans from its parent company than was originally envisaged. For these reasons, the directors of the Company have decided to change their intentions regarding the Group's interest in Redland Concrete in order to concentrate the Group's resources on its principal business activity as they consider it to be in interest of the Company and its shareholders generally to do so. Accordingly, the proceeds of the sale of the Company's interest in Redland Concrete will be used to fund a portion of the future development and expansion of the Group's gas distribution business in other cities in the PRC and for working capital to support its growth. In this regard it should be noted that, while a number of possible acquisitions have been identified, no definitive agreement has been reached on any prospective acquisition.

The views of the independent non-executive directors of the Company will be disclosed in the circular to be despatched to the shareholders of the Company which will also include the letter of advice from the independent financial adviser to the independent board committee.

FINANCIAL EFFECT OF THE DISPOSAL

After the completion of the disposal, Rich Team will cease to be a subsidiary of the Company. Since the consideration for the disposal was arrived at with reference to the face value of the shareholder's loan and the unaudited consolidated net asset value of Rich Team as at 31st October, 2008 subject to the adjustment as stated above, the Company does not expect to record any material gain or loss resulting from the disposal.

IMPLICATIONS OF THE LISTING RULES

The disposal constitutes a major transaction for the Company under the Listing Rules. Since China Resources Holdings is the controlling shareholder of the Company, holding approximately 74.94% of its issued share capital as at the date hereof, such disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As such, the disposal is subject to the approval of the independent shareholders of the Company at the Special General Meeting taken by way of poll.

GENERAL

An independent board committee, consisting of all the independent non-executive directors, namely Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Dr. Yang Chonghe, Howard, has been established to consider the terms of the disposal and to provide recommendations to the independent shareholders of the Company in this regard. An independent financial adviser will be appointed to advise the independent board committee and the independent shareholders of the Company on the fairness and reasonableness of the disposal.

The Special General Meeting will be convened and held for the independent shareholders of the Company to consider and, if thought fit, to approve the sale and purchase agreement and the transactions contemplated thereunder. A circular containing, amongst other things, further information on the disposal, financial information relating to the Group, a letter of recommendations from the independent board committee, a letter of advice from the independent financial adviser and a notice convening the Special General Meeting will be despatched to the shareholders as soon as practicable. China Resources Holdings and its associates, as defined in the Listing Rules, shall abstain from voting at the Special General Meeting.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the meanings set out below:

- “CR Gas” : China Resources Gas Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company;
- “CR Gas group” : CR Gas, its subsidiaries and its jointly-controlled entities;
- “Company” : China Resources Gas Group Limited (formerly China Resources Logic Limited), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
- “China Resources Holdings” : China Resources (Holdings) Company Limited, the substantial and controlling shareholder (as defined in the Listing Rules) of the Company holding approximately 74.94% of its issued share capital as at the date of this announcement;
- “Group” : the Company and its subsidiaries;
- “Hong Kong” : the Hong Kong Special Administrative Region of the People’s Republic of China;
- “Listing Rules” : the Rules Governing the Listing of Securities on the Stock Exchange;
- “PRC” : The People’s Republic of China, but for the purposes of this announcement, excluding Hong Kong, Macau and Taiwan;
- “Redland Concrete” : Redland Concrete Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Rich Team;
- “Redland Concrete group” : Redland Concrete and its subsidiaries;
- “Rich Team” : Rich Team Resources Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;

- “Special General Meeting” : the special general meeting of the Company to be convened and held for the independent shareholders of the Company to consider and approve (among other things), if thought fit, the sale and purchase agreement;
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited;
- “HK\$” : Hong Kong dollar(s), the lawful currency of Hong Kong; and
- “%” : per cent.

By order of the Board of
China Resources Gas Group Limited
Ma Guoan
Chairman

Hong Kong, 1st December, 2008

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.