

*For immediate release*



## **China Resources Logic Proposes to Acquire PRC City Gas Distribution Business for Total Consideration of Approximately HK\$3.8 Billion**

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### **Establishing City Gas Distribution Flagship of China Resources Holdings**

**August 21, 2008, Hong Kong** — **China Resources (Holdings) Company Limited** (“CR Holdings” or the “Group”) and **China Resources Logic Limited** (“CR Logic” or the “Company”, HKSE: 1193) today jointly announced that, through the proposed acquisition of China Resources Gas Limited (“CR Gas”) from CR Holdings, CR Logic is transforming into the city gas distribution flagship of CR Holdings.

CR Logic has entered into a share purchase agreement with its controlling shareholder, CR Holdings, to conditionally agree to acquire CR Gas for a consideration of HK\$3,814.8 million. Upon the completion of the proposed acquisition, CR Logic will become the city gas distribution flagship of CR Holdings, gaining access to the booming natural gas industry in China and establishing a strong platform to become a leader in the sector.

In recent years, the PRC government has been supportive of the development of natural gas resources in order to reduce reliance on polluting energy sources such as coal and crude oil. The construction of “West to East Gas Transmission” pipelines and formulation of natural gas usage policy have further facilitated the usage of natural gas in China. According to BP Statistical Review of World Energy June 2008, for 2007, natural gas only accounted for 2.71% of China’s total primary energy consumption, which is far below Asia’s average consumption of 9.96% and the international average of 23.05%. The low penetration rate of natural gas in the PRC represents a significant opportunity for future growth.

CR Gas currently operates a portfolio of city gas distribution businesses including natural or petroleum gas pipelines, CNG filling stations and bottled LPG distribution in seven cities, namely Chengdu, Fuyang, Huaibei, Linhai, Nanjing, Suzhou and Wuxi. CR Gas enjoys a favourable revenue and customer mix, which ensures stable cash flow and profitable growth prospects. The revenue from gas sales and distribution accounted for approximately 84.6% of total revenue and connection fees for the remaining 15.4% for the six months ended June 30, 2008. Over 73.4% of the revenue from gas sales and distribution was generated from commercial, industrial and other non-residential customers.

Apart from the gas projects involved in this acquisition, CR Holdings operates 22 other city gas distribution projects in Eastern, Southern, Central and South-western China.

Mr. Song Lin, Chairman of CR Holdings, said, "The Group is very supportive of the Company's intention to participate in the natural gas industry in China. The acquisition marks the starting point in positioning CR Logic as the city gas distribution flagship of CR Holdings. We believe the proposed acquisition is beneficial to both CR Holdings and CR Logic."

Mr. Ken Ong, Executive Director and Chief Financial Officer of CR Logic, said, "The gas distribution business delivers a stable and recurring cash flow as well as high growth potential. This strategic acquisition allows the Company to expand into the promising city gas distribution business in the PRC and demonstrates the Company's commitment to further accelerating its business expansion in a prudent manner and enhancing long-term return to shareholders."

Pursuant to the share purchase agreement, CR Holdings has guaranteed that the audited consolidated net profit after taxation attributable to shareholders of CR Gas for the year ending December 31, 2008 will not be less than HK\$250 million.

To reflect this strategic business initiative and to demonstrate its strong commitment to developing its city gas distribution business, the Company will change its name from "China Resources Logic Limited (華潤勵致有限公司)" to "China Resources Gas Group Limited (華潤燃氣控股有限公司)".

The proposed acquisition will be financed by a way of rights issue which will be underwritten by Splendid Time Investments Inc., a wholly owned subsidiary of CR Holdings. The Company plans to issue 1,131,533,368 rights shares at the subscription price of HK\$3.42 per rights share on the basis of four rights shares for every one existing share held at the close of business on the record date. The subscription price represents a discount of approximately 14.5% and 29.9% to the closing price on the last trading day and the average closing price for last five consecutive trading days respectively and a premium of approximately 216.7% to the audited net asset value of the Company as at December 31, 2007 of HK\$1.08 per share. A sum of approximately HK\$3,869.8 million (including all costs and expenses) is proposed to be raised through the rights issue.

Mr. Ong concludes, "The operations of CR Gas are strategically located in areas with rich reserves of natural gas and areas which are economically more developed and densely populated. Given the relatively low penetration rate of natural gas in China comparing with other developed countries and its environmentally-friendly nature, we believe there is enormous growth potential. With the support from CR Holdings, the strong brand name of "China Resources" as well as the well-established operations of CR Gas, we are confident that we are on the right track to become a leading city gas distribution operator in China."

The unaudited consolidated profit attributable to shareholders of CR Gas for the year ended December 31, 2007 was HK\$193.6 million, representing a year-on-year growth of 104%. For the six months ended June 30, 2008, the unaudited consolidated profit attributable to shareholders of CR Gas reached HK\$128.1 million.

Morgan Stanley and Credit Suisse are the financial advisers of the Company.

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## Financial Highlights of CR Gas:

	Year ended December 31				Six months ended June 30	
	2006 (unaudited)		2007 (unaudited)		2008 (unaudited)	
	HK\$ million	%	HK\$ million	%	HK\$ million	%
<b>Sales and distribution of gas fuel</b>	930.6*	86.6	1,384.0	86.8	817.3	84.6
- non-residential customers	716.4	66.7	1,120.6	70.3	600.4	62.1
- residential customers	214.2	19.9	263.4	16.5	216.9	22.5
<b>Connection fees</b>	143.7	13.4	210.8	13.2	149.2	15.4
- non-residential customers	29.9	2.8	63.4	4.0	38.8	4.0
- residential customers	113.8	10.6	147.4	9.2	110.4	11.4
<b>Total revenue</b>	1,074.3*	100.0	1,594.8	100.0	966.5	100.0
<b>Consolidated profit attributable to shareholders</b>	94.8		193.6		128.1	

*\*excludes amounts from turnover of sales and distribution of gas fuel of approximately HK\$248.2 million contributed by a previous subsidiary which has been subsequently disposed of.*

### About CR Holdings and CR Logic

China Resources (Holdings) Company Limited engages in a diversified portfolio of businesses that spreads across China, including retail, power, breweries, real estate, food, medicine, textiles, chemical products, gas, compressors, etc. As at the year ended of 2007, CR Holdings had total assets around HK\$225 billion and turnover totaling over HK\$106 billion. China Resources Logic Limited, mainly engaged in the ready mix concrete business in Hong Kong, is a subsidiary of CR Holdings.

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