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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
PROPOSED ACQUISITION OF 6% INTEREST IN A PRC COMPANY

On 28 August, 2009, CR Gas (China), a wholly-owned subsidiary of the Company, entered into an Equity Transfer Agreement with the Transferor to acquire 6% interest in the PRC Company. The consideration for the Proposed Acquisition (subject to the approval of the relevant PRC authorities) is RMB27 million (equivalent to approximately HK\$30.64 million).

The PRC Company is currently 45% indirectly owned by CRH, which in turn, is a controlling shareholder of the Company. Following completion of the Proposed Acquisition, the PRC Company will become an equity joint venture between CRH and the Company on the one hand, holding an aggregate of 51% equity interests in the PRC Company and the remaining 49% interests will be held by the two other existing shareholders of the PRC Company. As a result, the Proposed Acquisition, upon its completion, will constitute a connected transaction between CRH and the Company in forming of a joint venture entity, i.e. the PRC Company together with the other remaining shareholders of the PRC Company.

As at the date of this announcement, the Proposed Acquisition, upon its completion, will be subject to reporting and announcement requirements pursuant to Rule 14A.32 of the Listing Rules as the applicable percentage ratios are more than 0.1% but less than 2.5% for the Company.

The Board announces that on 28 August, 2009, CR Gas (China) and the Transferor entered into the Equity Transfer Agreement, in relation to the Proposed Acquisition, subject to the approval of the relevant PRC authorities.

The PRC Company is currently 45% indirectly owned by CRH, which in turn, is a controlling shareholder of the Company. Following completion of the Proposed Acquisition, the PRC Company will become an equity joint venture between CRH and the Company on the one hand; holding an aggregate of 51% equity interests in the PRC Company and the remaining 49% interests will be held by the two other existing shareholders of the PRC Company. As a result, the Proposed Acquisition, upon its completion, will constitute a connected transaction between CRH and the Company in forming of a joint venture entity, i.e. the PRC Company together with the other remaining shareholders of the PRC Company.

THE EQUITY TRANSFER AGREEMENT DATED 28 AUGUST, 2009

The Parties

- (a) CR Gas (China); and
- (b) the Transferor.

Consideration

Pursuant to the Equity Transfer Agreement, CR Gas (China) has agreed to acquire 6% interest in the PRC Company at a consideration of RMB27 million (equivalent to approximately HK\$30.64 million) (the “**Consideration**”) from the Transferor.

Under the co-ordination of CRH, the Consideration has been determined after arm’s length negotiations between the Parties with reference to, among other business factors, the audited net asset value of approximately RMB284.39 million (equivalent to approximately HK\$322.69 million) of the PRC Company as at 31 December, 2008, and the appraised net asset value of approximately RMB350.89 million (equivalent to approximately HK\$398.14 million) of the PRC Company as at 31 December, 2008. The Consideration is also arrived at based on the common understanding among all existing shareholders of the PRC Company that CRH group as a whole will hold 51% interest in the PRC Company post completion taking into account that CRH’s (through its wholly-owned subsidiary) waiver of its pre-emptive rights as an existing shareholder of the PRC Company and its agreement to the Company’s Proposed Acquisition.

Appropriation of Profits

The Parties agreed that despite the Proposed Acquisition, the Transferor is entitled to any appropriation of profit declared and payable by the PRC Company as of 31 December 2009 in respect of the 6% interest to be transferred to CR Gas (China); and CR Gas (China) is entitled to any and all appropriation of profit declared and payable by the PRC Company for the period commencing from 1 January 2010 in proportion to its shareholding percentage. During negotiation stage, the Company understands from the Transferor that it is undergoing certain internal reorganisation exercise and as the PRC Company is a state-owned entity, the restructuring exercise may consume a lengthy period of time to complete. In consideration of the Transferor agreeing to enter into the Equity Transfer Agreement with CR Gas (China), the Company agreed to the Transferor’s request for time allowance to complete its internal reorganisation and after lengthy discussions, and in considering that the Proposed Acquisition will allow the Company and CRH (through its wholly-owned subsidiary) in procuring a combined controlling stake of 51% in the PRC Company, the Parties have further reached a commercial decision with regards to the distribution and appropriation of profits arrangement with the PRC Company as stated above.

Completion

Subject to receipt of all approvals from the relevant PRC authorities, the Parties agree to submit all relevant documents for the Proposed Acquisition to the SAIC within 15 days after 18 January 2010 for the registration of transfers with the SAIC. The Transferor has undertaken, among others, to deliver all the approvals to be obtained from the relevant PRC authorities to the CR Gas (China) by completion.

Completion of the Proposed Acquisition shall take place upon CR Gas (China) being duly registered as the holder of 6% interest in the PRC Company.

Payment terms

Pursuant to the Equity Transfer Agreement, the Consideration shall be paid to the Transferor by CR Gas (China) in one lump sum payment prior to 28 August, 2009. The Company has assessed the risks associated when deciding in making full payment by 28 August, 2009 before completion of the Proposed Acquisition. Such payment is to provide further incentives to the Transferor to enter into the

Equity Transfer Agreement with CR Gas (China). As mentioned earlier, the Transferor has undertaken, among others, to deliver all the approvals to be obtained from the relevant PRC authorities by completion and in addition, if the Proposed Acquisition fails to complete due to the approvals not being obtained from the relevant PRC authorities of PRC, CR Gas (China) shall have the sole discretion to claim for full refund of Consideration from the Transferor.

Source of funding

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

INFORMATION ON THE PRC COMPANY

The PRC Company was incorporated on 7 September 2006 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		
	Capital amount		Approximate percentage of holding	Capital amount		Approximate percentage of holding
	<i>RMB million</i>	<i>HK\$ million</i>		<i>RMB million</i>	<i>HK\$ million</i>	
CR Gas (China)	Nil	Nil	Nil	9.0	10.2	6%
A wholly owned subsidiary of CRH	67.5	76.6	45%	67.5	76.6	45%
Transferor	9.0	10.2	6%	Nil	Nil	Nil
Other Shareholders	73.5	83.4	49%	73.5	83.4	49%
Total	150.0	170.2	100%	150.0	170.2	100%

Financial information

The audited consolidated net profit as set out in the audited consolidated accounts of the PRC Company for the year ended 31 December 2007 and 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 million</i>	<i>HK\$ million</i>	<i>RMB million</i>	<i>HK\$ million</i>
Profit before taxation and extraordinary items	55.2	62.6	74.5	84.5
Net profit after taxation and extraordinary items	66.0	74.9	79.2	89.9

CONNECTED TRANSACTION

The PRC Company is currently 45% indirectly owned by CRH, which in turn, is a controlling shareholder of the Company. Following completion of the Proposed Acquisition, the PRC Company will become an equity joint venture between CRH and the Company on the one hand, holding an aggregate of 51% equity interests in the PRC Company and the remaining 49% interests will be held by the two other existing shareholders of the PRC Company. As a result, the Proposed Acquisition, upon its completion, will constitute a connected transaction between CRH and the Company in forming of a joint venture entity, i.e. the PRC Company together with the other remaining shareholders of the PRC Company.

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GENERAL

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

The Transferor is a state-owned enterprise governed by Zhenjiang city in the PRC which is principally engaged in the investment and operating of state-owned assets and properties of Zhenjiang city.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Transferor and its 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.

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. Upon completion of the Proposed Acquisition, the Company and CRH, together, will be in control of the PRC Company. The Directors believe that the Proposed Acquisition is consistent with the Group's expansion strategy and the Proposed Acquisition will further enhance the overall business performance of the Group.

The Board believes that the Equity Transfer Agreement and the Proposed Acquisition were entered into after arm's length negotiations between the Parties. In weighing the associated risks based on the terms of agreement as reflected in the announcement with the potential reward of the Proposed Acquisition, the Company is of the view that the potential reward outweighs the risks due to various factors including (1) the Company, together with CRH (through its wholly-owned subsidiary) will have a combined controlling stake of 51% in the PRC Company upon completion of the Proposed Acquisition; (2) the Proposed Acquisition is in line with the Company's expansion and business strategy; (3) the Transferor's credibility being a state-owned enterprise; and (4) the Company's entitlement of full refund of Consideration should the Proposed Acquisition fails to complete, the Directors consider the Proposed Acquisition to be 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.

“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;
“CR Gas (China)”	means China Resources Gas (China) Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company;
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability;
“Directors”	means the directors of the Company;
“Equity Transfer Agreement”	the equity transfer agreement dated 28 August, 2009 entered into between the Transferor as transferor and CR Gas (China) as transferee in relation to the proposed transfer of 6% in the PRC Company;
“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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	CR Gas (China) and the Transferor, being parties to the Equity Transfer Agreement;
“PRC Company”	means 鎮江華潤燃氣有限公司 (translated as Zhenjiang China Resources Gas Co. Ltd.)*, a limited liability company established in the PRC;
“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;
“Proposed Acquisition”	the proposed acquisition of 6% interest in the PRC Company pursuant to the Equity Transfer Agreement, subject to the approval of the relevant PRC authorities;
“RMB”	Renminbi, the lawful currency of the PRC;
“SAIC”	State Administration for Industry and Commerce of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and

“Transferor”

means 鎮江市國有資產投資經營公司 (translated as Zhenjiang State Owned Assets Investment and Operating Company)*, a limited liability company established in the PRC

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

Hong Kong, 28 August, 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\$1.13464, 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.*