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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)

ANNOUNCEMENT

PROPOSED ESTABLISHMENT OF A JOINT VENTURE COMPANY

On 22 January, 2009, the Company, through Kileen Holdings, entered into a proposed sino-foreign equity joint venture arrangement with the PRC Party pursuant to the Joint Venture Contract and the Articles of Association in relation to the proposed establishment of the Joint Venture Company (subject to the approval of the relevant PRC authorities), which will become a subsidiary of the Company upon establishment. It is proposed that the Joint Venture Company will principally engage in, among other things, the manufacturing and sale of gas and provision of other gas-related goods and services in Kunming, Yunnan Province of the PRC, subject to the approval of the relevant PRC authorities.

This announcement is made by the Company voluntarily.

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The Board announces that on 22 January, 2009, the Company, through Kileen Holdings, and the PRC Party entered into the Joint Venture Contract and the Articles of Association in relation to the proposed establishment of the Joint Venture Company, subject to the approval of the relevant PRC authorities.

THE JOINT VENTURE CONTRACT DATED 22 JANUARY, 2009

The Parties

- (a) Kileen Holdings; and
- (b) the PRC Party.

Proposed Business Scope of the Joint Venture Company

Includes, among other things, the manufacturing and sale of gas and provision of other gas-related goods and services in the area of the Xincheng (District) of Kunming City (昆明市新城(區)), Yunnan Province of the PRC, subject to the approval of the relevant PRC authorities.

Proposed total investment

RMB300 million (equivalent to approximately HK\$340.77 million).

Proposed registered capital

RMB200 million (equivalent to approximately HK\$227.18 million) of which:

- (a) 64% (being RMB128 million, equivalent to approximately HK\$145.40 million) will be contributed in cash by Kileen Holdings; and
- (b) 36% (being RMB72 million, equivalent to approximately HK\$81.78 million) will be contributed by the PRC Party by way of the transfer to the Joint Venture Company its ownership interests in the Contribution Assets and such amount of cash representing the monetary difference between the agreed capital contribution of the PRC Party of RMB72 million and the appraised value of the Contribution Assets as confirmed by the relevant state-owned asset administration department (please see below for further details), subject to valuation by a valuer to be agreed between the Parties. It is expected that the appraised value of the Contribution Assets will be less than RMB72 million.

Kileen Holdings, in contributing cash to the Joint Venture Company in return for a 64% stake in the Joint Venture Company, shall, prior to the expiration of three months from the Date of Issue, have made total cash contributions of not less than half of its capital contribution (being RMB 64 million, equivalent to approximately HK\$72.70 million) to the Joint Venture Company. The remaining portion of its capital contribution (being RMB 64 million, equivalent to approximately HK\$72.70 million) shall be payable within one year from the Date of Issue.

The PRC Party, in contributing the Contribution Assets and cash to the Joint Venture Company in return for a 36% stake in the Joint Venture Company, shall, within 60 days from the date of signing of the Joint Venture Contract, have completed or procured the completion of all procedures required for a valuation of the Contribution Assets. Furthermore, within 30 days from the Date of Issue, the PRC Party shall, among other things, have completed all procedures required for transferring its ownership interests in the Contribution Assets to the Joint Venture Company.

The capital contributions of the Parties are subject to the verification to be conducted by an accounting firm registered in the PRC and, in addition, the contribution by the PRC Party of the Contribution Assets are subject to the valuation by a PRC registered asset appraisal firm to be agreed between the Parties.

The cash capital contribution of Kileen Holdings will be funded by internal resources of the Company and bank borrowings to be arranged by the Company.

Save for the proposed capital contribution under the Joint Venture Contract referred to above, neither Kileen Holdings nor the PRC Party have committed to other contributions or made commitments of a capital nature for the Joint Venture Company. The Parties agree that any shortfall between the proposed total investment amount and the proposed initial paid-up registered capital of the Joint Venture Company shall be raised through financing by the Joint Venture Company or other means as agreed between the Parties.

Board of Directors and general management

The board of directors of the Joint Venture Company will comprise five directors. Kileen Holdings is entitled to nominate three directors (including the chairman) and the PRC Party is entitled to nominate two directors. The general manager of the Joint Venture Company, to be nominated by the chairman and to be appointed by the board of directors of the Joint Venture Company, will be principally responsible for overseeing the daily operation of the Joint Venture Company and executing the decisions of the board of directors of the Joint Venture Company.

Term of operation

30 years from the Date of Issue. The Parties shall decide on whether to extend the term of operation of the Joint Venture Company at least three years prior to the expiry of the term. Should the Parties agree on an extension, the Parties shall, at least 180 days 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.

Sharing of profits or losses

Any profits or losses of the Joint Venture Company will be distributed to or shared between Kileen Holdings and the PRC Party in proportion to their respective equity interests in the Joint Venture Company.

INFORMATION ON THE PRC PARTY

The PRC Party is principally engaged in, among other things, the development, sale and supply of coal gas related products and the provision of gas-related goods and services.

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

GENERAL

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

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

The Board believes that the Joint Venture Contract and the Articles of Association were entered into after arm's length negotiations between the Parties and are fair and reasonable and based on normal commercial terms. The Directors consider it to be in the interest of the shareholders of the Company as a whole to establish, through Kileen Holdings, the Joint Venture Company as such transaction will assist the Group to further explore market opportunities for gas and gas-related products and services and to expand its market presence in Kunming, the provincial capital of Yunnan Province of the PRC, particularly, in the area of the Xincheng (District) of Kunming City (昆明市新城(區)) which is an area currently under development and which the Board believes possesses the potential for the market development of gas and gas-related products. The Company intends to use this Joint Venture Company as a base to expand the Group's business into the south-western region of the PRC.

DEFINITIONS

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

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| “Articles of Association” | an articles of association dated 22 January, 2009 entered into between Kileen Holdings and the PRC Party in relation to the establishment and operation of the Joint Venture Company; |
| “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; |

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| “Contribution Assets” | certain operating assets such as gas pipelines and related equipment owned by the PRC Party in the PRC, subject to the approval of the relevant PRC authorities; |
| “Date of Issue” | the date of issue of the business licence of the Joint Venture Company by the relevant PRC government authority; |
| “Directors” | means the directors of the 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; |
| “Joint Venture Company” | means the joint venture company to be incorporated in the PRC and proposed to be named as “Kunming China Resources Gas Co. Ltd (昆明華潤燃氣有限公司)”, which equity capital will be owned as to 64% by Kileen Holdings and 36% by the PRC Party; |
| “Joint Venture Contract” | a joint venture contract dated 22 January, 2009 entered into between Kileen Holdings and the PRC Party in relation to the proposed establishment of the Joint Venture Company; |
| “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 PRC Party, the parties to the Joint Venture Contract, 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 Party” | means 昆明煤氣（集團）控股有限公司 (translated as Kunming Gas Group Company Limited)*, a wholly state-owned limited liability company established in the PRC; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

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

Hong Kong, 22 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\$1.1359, 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.*