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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)

**MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF TOP STEED LIMITED**

Financial Adviser to the Company



The Board is pleased to announce that on 8 September 2009, the Company has entered into the Share Purchase Agreement to conditionally agree to acquire the entire issued share capital of Top Steed, an indirect wholly-owned subsidiary of China Resources Holdings, for a consideration of HK\$1,600 million.

The Acquisition constitutes a major transaction of 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, the Acquisition also constitutes a connected transaction of the Company under the Listing Rules. As such, the Acquisition and the Share Purchase Agreement are therefore subject to the approval of the Independent Shareholders at the SGM.

The Board has previously on 27 March 2009 announced that an indirect wholly-owned subsidiary of the Company, Zaoyang CR Gas has entered into continuing connected transactions with Xiangfan CR Gas for the purchase and supply of natural gas. As Xiangfan CR Gas forms part of the Target Group, the aforementioned transactions with Zaoyang CR Gas will cease to be treated as continuing connected transactions upon Completion.

China Resources Holdings and any of its Associates and any Shareholder who has a material interest in the Acquisition other than as Shareholders of the Company will abstain from voting in respect of the proposed resolutions to approve these matters. Further details on the matters to be voted on by the Shareholders at the SGM are set out in the section headed "General" in this announcement.

The Independent Board Committee has been constituted to consider the terms of the Share Purchase Agreement and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolutions regarding the Acquisition. Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Dr. Yang Chonghe, Howard have been appointed by the Board to serve as members of the Independent Board Committee. No member of the Independent Board Committee (including Mr. Wong Tak Shing who is

currently interested in 40,000 Shares) has any material interest in the Acquisition.

Independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Acquisition contemplated under the Share Purchase Agreement.

A circular containing further details of, amongst other things, (i) the Acquisition; (ii) the recommendations of the Independent Board Committee in respect of the Acquisition; (iii) a letter of advice from the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; and (iv) a notice convening the SGM will be dispatched to the Shareholders as soon as practicable.

The Board is pleased to announce its proposed acquisition of Top Steed from Powerfaith, a wholly-owned subsidiary of China Resources Holdings.

A. BACKGROUND

On 8 September 2009, the Company entered into the Share Purchase Agreement to agree conditionally to acquire the entire issued share capital of Top Steed, an indirect wholly-owned subsidiary of China Resources Holdings.

The Target Group currently operates a portfolio city gas distribution businesses including natural or petroleum gas pipelines, CNG filling stations and bottled LPG distribution. Its natural gas distribution operations are strategically located in the cities of Zibo, Yangquan, Xiangfan, Zhenjiang, Yicheng, Qianjiang and Datong.

B. THE SHARE PURCHASE AGREEMENT

Date

8 September 2009

Parties to the Share Purchase Agreement

- (i) the Company
- (ii) Powerfaith; and
- (iii) CR Gas Holdings

Assets to be Acquired

Pursuant to the Share Purchase Agreement, the Company conditionally agreed to acquire, and Powerfaith conditionally agreed to sell the Sale Shares.

In consideration of the Company entering into the Share Purchase Agreement, CR Gas Holdings unconditionally and irrevocably guarantees as a primary obligor, the due and punctual performance by Powerfaith of all its obligations and punctual discharge by Powerfaith of all its liabilities to the Company under the Share Purchase Agreement.

Conditions precedent to completion of the Share Purchase Agreement

Completion of the Acquisition is subject to the satisfaction of, amongst other things, the following conditions precedent:

- (i) the approval of the Independent Shareholders in respect of the Acquisition and the Share Purchase Agreement at the SGM, excluding any continuing connected transactions of the Company arising as a result of completion of the Acquisition that require approval of the Independent Shareholders and matters ancillary thereto in compliance with the applicable Listing Rules requirements; and
- (ii) all necessary consents, approvals and authorisations required as a result of the transactions contemplated in the Share Purchase Agreement.

The condition set out in paragraph (i) above shall not be waived in any event. If any of the conditions set out in the Share Purchase Agreement is not fulfilled (or waived by the Company, where applicable) on or before 31 December 2009 (or such later date as agreed between the parties), the Share Purchase Agreement and the transactions contemplated there under shall be terminated. Completion shall take place on or before the second business day (or such other date as Powerfaith and the Company may agree) after the conditions precedent set out in the Share Purchase Agreement have been fulfilled in accordance with this Agreement.

Consideration

The consideration payable by the Company for the Acquisition is HK\$1,600 million. The consideration for the Acquisition under the Share Purchase Agreement has been arrived at after arm's length negotiations between Powerfaith and the Company after taking into account various relevant factors including the strategic rationale behind the transactions contemplated, the nature of the relevant businesses, the historical financial information, combined net asset value and future prospects of the relevant industries including general economic trends and market growth and the prevailing commercial and business conditions in which Top Steed operates.

China Resources Holdings had originally acquired the Target Group for a consideration of HK\$374 million during the period from 1 April 2007 to 25 June 2008. The unaudited consolidated net asset value of Top Steed as at 31 December 2008 and 30 June 2009 are HK\$356 million and HK\$675 million respectively.

Source of Funding

The consideration of HK\$1,600 million payable by the Company to Powerfaith for the Acquisition shall be satisfied in cash and payable within 12 months from the date of Completion. While such amount remains outstanding, interest will accrue at a normal commercial or preferable rate to the Company from the date of Completion until the date of payment of the consideration by the Company (both days inclusive). The Company is proposing that the consideration be funded by internal resources of the Company and other financings to be arranged by the Company.

Profit Guarantee

Pursuant to the Share Purchase Agreement, Powerfaith has guaranteed to the Company that the combined profit after taxation of members of the Target Group attributable to Top Steed for the financial year ending 31 December 2009 assuming the Pre-Acquisition Reorganisation had completed since 1 January 2009 will not be less than HK\$124 million. In the event that such combined profit after taxation is less than the guaranteed level or Top Steed has a combined loss after taxation for such period, Powerfaith will compensate the Company an amount equal to the difference between the guaranteed amount of HK\$124 million and the combined profit or loss after taxation of Top Steed for the period commencing from 1 January and ending 31 December 2009 multiplied by 13 and in any event, the compensation payable by Powerfaith to the Company will not exceed the difference between the consideration of the Acquisition and the combined net asset value of Top Steed as at 30 June 2009. As part of the commercial negotiation between Powerfaith and the Company, Powerfaith was willing to provide a profit guarantee for the year ending 31 December 2009 to the Company. As part of the calculation of compensation, a measurable and verifiable parameter needs to be used and it was concluded that the combined profit or loss after tax of Top Steed is the most appropriate parameter for the purposes of calculating compensation. 13 times is the implied multiple of the combined profit or loss after tax of Top Steed calculated using a total consideration of HK\$1,600 million.

In the event that the Company claims against Powerfaith pursuant to the above profit guarantee, a further announcement will be made by the Company. Details of the compensation (if any) will be included in the subsequent annual report of the Company which will also contain opinions from the independent non-executive Directors as to whether Powerfaith has fulfilled its obligation under the profit guarantee.

C. REASONS FOR AND BENEFITS OF THE ACQUISITION

On 21 August 2008, the Company announced its acquisition of China Resources Gas Group, with the intention to expand into the city gas distribution business in China and capturing the increase in demand for natural gas in China. The said acquisition has provided stable cash flows income as well as a platform for higher growth potential to the Company. Leveraging the Company's current presence in the gas industry in China and China Resources Holdings Group's strong presence and brand name in China, the Board believes that the Acquisition is a step forward in further expanding its market share in the down stream gas industry and strengthening its customer and earning base into different regions in China. Upon Completion, the Board believes that the Company, being one of the leading pan-China gas distributors, will be strategically positioned to take up new opportunities and to capture growth opportunity in the gas industry in China.

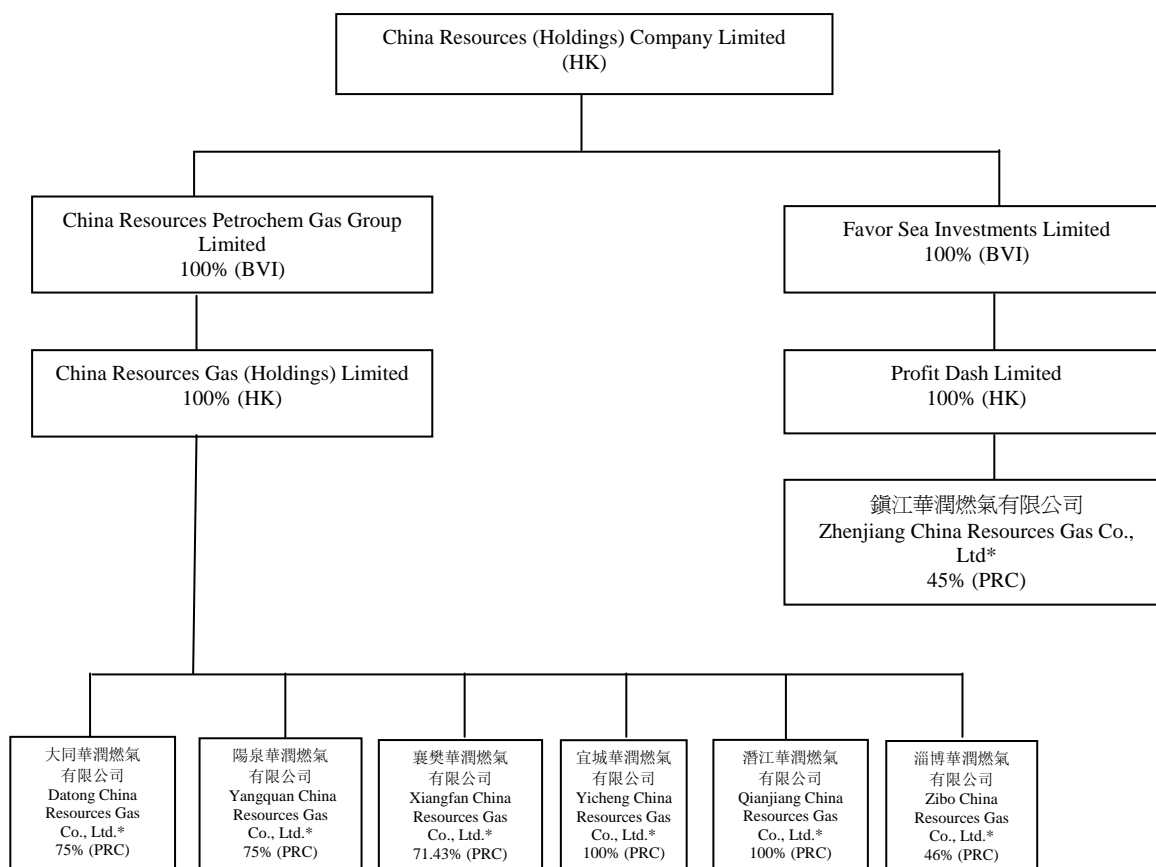
The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the independent financial adviser) consider that the terms and conditions of the Acquisition and the Share Purchase Agreement are fair and reasonable, on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

D. INFORMATION ON TOP STEED

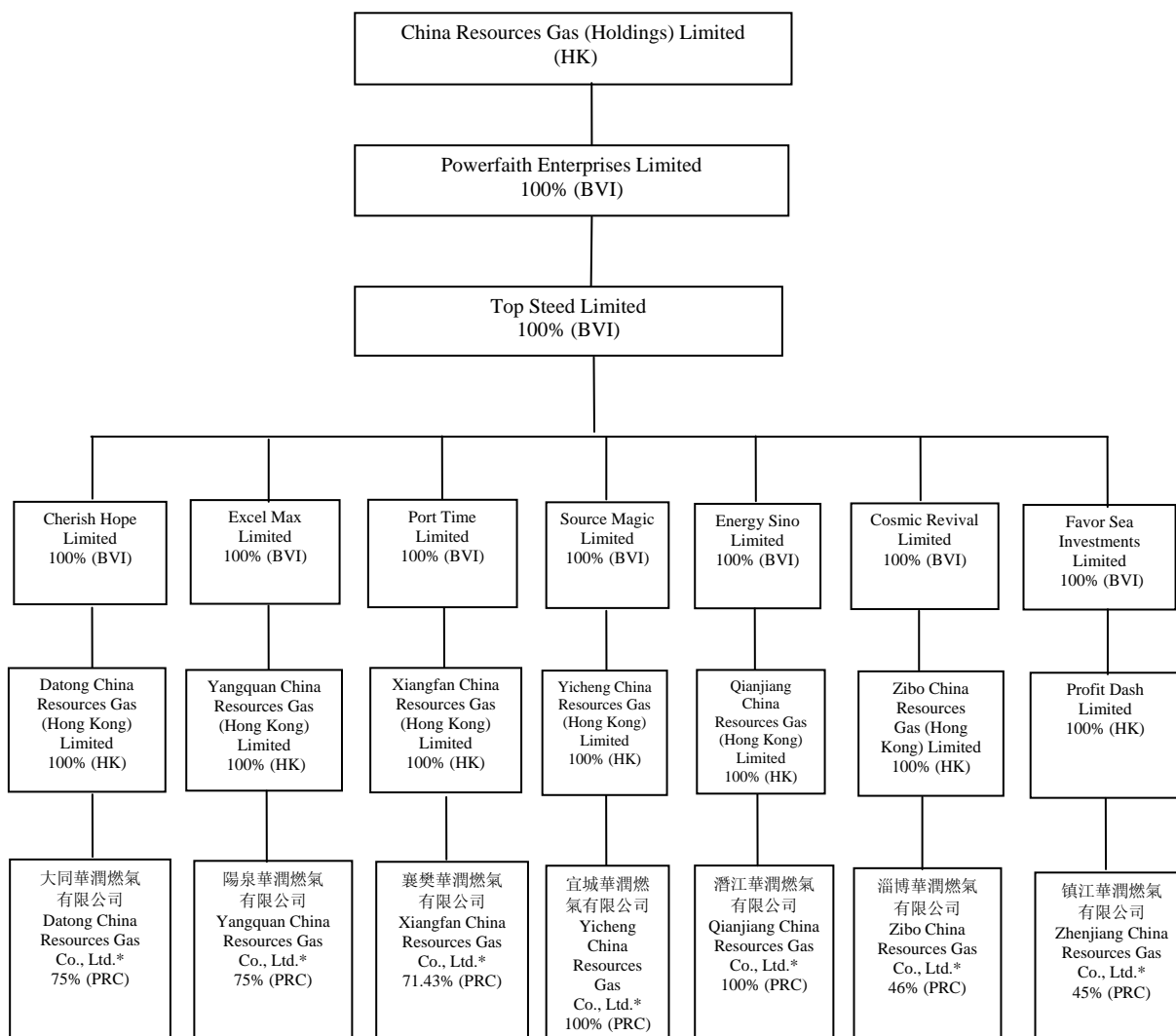
Top Steed, a wholly-owned subsidiary of China Resources Holdings, is a holding company. The Target Group currently operates a portfolio city gas distribution businesses including natural or petroleum gas pipelines, CNG filling stations and bottled LPG distribution. Its natural gas distribution operations are strategically located in the cities of Zibo, Yangquan, Xiangfan, Zhenjiang, Yicheng, Qianjiang and Datong.

The China Resources Holdings Group, in order to cater for the Acquisition, underwent the Pre-Acquisition Reorganisation pursuant to which Top Steed has acquired from the China Resources Holdings Group its entire interests in members of the Target Group. Pursuant to the Pre-Acquisition Reorganisation, China Resources Holdings formed various SPVs in Hong Kong and BVI to acquire seven target PRC companies in the gas distribution operations in the PRC to form the Target Group. Powerfaith is one of the directly wholly owned subsidiaries of CR Gas Holdings. The corporate charts before and after the Pre-Acquisition Reorganisation as set out below:-

The corporate chart before the Pre-Acquisition Reorganisation:-



The corporate chart after the Pre-Acquisition Reorganisation:-



* The English names of these PRC-incorporated companies are only English translations of the corresponding official Chinese names and are provided for identification purposes only.

Financial information of Top Steed

The unaudited financial information of Top Steed for the two years ended 31 December 2007 and 31 December 2008 and six months ended 30 June 2009 are as follows:-

	For the year ended 31 December 2007 <i>HK\$ million</i>	For the year ended 31 December 2008 <i>HK\$ million</i>	For six months ended 30 June 2009 <i>HK\$ million</i>
Consolidated profit before taxation and minority interests ¹	7	88	67
Consolidated profit after taxation and minority interests ¹	3	60	36
Combined profit before taxation and minority interests ²	30	134	93
Combined profit after taxation and minority interests ²	32	107	57
Total equity attributable to owners ¹	N/A	N/A	589 ³

Notes:

¹ As prepared in accordance with accounting principles generally accepted in Hong Kong and assuming the Pre-Acquisition Reorganisation had completed since 1 January 2007 excluding the figures of Zhenjiang CR Gas and Zibo China Resources Gas Co., Ltd for the respective periods in accordance with accounting principles generally accepted in Hong Kong, i.e. using merger accounting applicable for subsidiaries only (not applicable to jointly controlled enterprise).

² Assuming the Pre-Acquisition Reorganisation had completed since 1 January 2007 including Zhenjiang CR Gas and Zibo China Resources Gas Co., Ltd. though they were only acquired by the Company on 30 June 2009.

³ Before taking into consideration minority interests amounting to HK\$86 million

The following table sets forth the combined turnover of the Target Group from sale and distribution of gas fuel and gas pipeline connection to external customers for the periods indicated together with those products' respective percentage shares of the Target Group's turnover:

Category	Year ended 31 December		Six months ended			
	2007	2008	30 June		2009	
	HK\$ million	HK\$ million	HK\$ million		HK\$ million	
	(unaudited)	(unaudited)	(unaudited)		(unaudited)	
Sale and Distribution of Gas Fuel						
- residential customers	22	8%	111	16%	69	13%
- non-residential customers	200	70%	416	58%	370	72%
Sub-Total	222	78%	527	74%	439	85%
Connection Fees						
- residential customers	63	22%	147	21%	65	13%
- non-residential customers	-	-	38	5%	12	2%
Sub-Total	63	22%	185	26%	77	15%
Total	285	100%	712	100%	516	100%

Shareholders should note that the above financial information of Top Steed was unaudited and may be subject to change following the completion of the preparation of the audited financial statements of Top Steed. Shareholders should therefore exercise caution when considering the unaudited financial information contained in this announcement.

The Board has previously on 27 March 2009 announced that an indirect wholly-owned subsidiary of the Company, Zaoyang CR Gas has entered into continuing connected transactions with Xiangfan CR Gas for the purchase and supply of natural gas. As Xiangfan CR Gas forms part of the Target Group, the aforementioned transactions with Zaoyang CR Gas will cease to be treated as continuing connected transactions upon Completion.

On 28 August 2009, the Board announced the Proposed PRC Company Acquisition where the Company, through CR Gas (China), a wholly-owned subsidiary of the Company, agreed to acquire from an independent third party a 6% interest in Zhenjiang CR Gas which is currently indirectly owned by China Resources Holdings as to 45%. Zhenjiang CR Gas forms part of the Target Group which is subject to the Acquisition. As announced, the Proposed PRC Company Acquisition will, subject to receipt of all approvals from the relevant PRC authorities, be completed upon CR Gas (China) being duly registered as the holder of 6% interest in Zhenjiang CR Gas. The parties to the Proposed PRC Company Acquisition have agreed to submit all relevant documents for the Proposed PRC Company Acquisition to the PRC authority within 15 days after 18 January 2010. Upon completion of the Acquisition and the PRC Company Acquisition, Zhenjiang CR Gas will become a subsidiary of the Company held through Top Steed and CR Gas (China).

E. NATURE OF BUSINESS OF THE COMPANY, POWERFAITH AND CHINA RESOURCES HOLDINGS

Nature of the business of the Company

The Company is an investment holding company which is principally engaged in city gas distribution business including piped natural or petroleum gas distribution and operating CNG (compressed natural gas) filling stations in PRC. Its piped natural gas operations are strategically located in areas of China with rich reserves of natural gas and areas which are economically more developed and densely populated. Its operation covers provincial capitals and major cities such as Chengdu, Nanjing, Wuhan, Kunming, Jinan, Wuxi and Suzhou.

Nature of the business of Powerfaith

Powerfaith is a wholly-owned subsidiary of China Resources Holdings and is an investment holding company with investments in gas projects in various parts of China, including investments in the Target Group.

Nature of business of China Resources Holdings

China Resources Holdings is the substantial and controlling shareholder of the Company and its principal business is investment holding.

F. LISTING RULES IMPLICATIONS

The Acquisition constitutes a major acquisition of 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, the Acquisition also constitutes a connected transaction of the Company under the Listing Rules. As such, the Acquisition and the Share Purchase Agreement are therefore subject to the approval of the Independent Shareholders at the SGM.

The Independent Board Committee has been constituted to consider the terms of the Share Purchase Agreement and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolutions regarding the Acquisition. Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Dr. Yang Chonghe, Howard have been appointed by the Board to serve as members of the Independent Board Committee. No member of the Independent Board Committee (including Mr. Wong Tak Shing who is currently interested in 40,000 Shares) has any material interest in the Acquisition.

Independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Acquisition contemplated under the Share Purchase Agreement.

G. GENERAL

1. A circular containing further details of, amongst other things, (i) the Acquisition; (ii) the recommendations of the Independent Board Committee in respect of the Acquisition; (iii) a letter of advice from the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent

Shareholders in respect of the Acquisition; and (iv) a notice convening the SGM will be dispatched to the Shareholders as soon as practicable.

2. An SGM will be convened at which resolutions will be proposed to seek the Independent Shareholders' approval of, amongst other things, the Acquisition.
3. China Resources Holdings and any of its Associates and any Shareholder who has a material interest in the Acquisition other than as Shareholders of the Company will abstain from voting in respect of the proposed resolutions to approve these matters.

DEFINITIONS

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

“Acquisition”	:	the acquisition of the Sale Shares by the Company from Powerfaith pursuant to the terms and conditions under the Share Purchase Agreement;
“Associates”	:	the meaning ascribed to it in the Listing Rules;
“Board”	:	the board of Directors;
“BVI”	:	the British Virgin Islands;
“Completion”	:	the completion of the Acquisition;
“Company”	:	China Resources Gas Group Limited, a company incorporated in Bermuda with limited liability, 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;
“CR Gas Holdings”	:	China Resources Gas (Holdings) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China Resources Holdings;
“China Resources Gas”	:	China Resources Gas Limited, a company incorporated in the British Virgin Islands with limited liability, which was acquired by the Company on 30 October 2008 and a wholly-owned subsidiary of the Company;
“China Resources Gas Group”	:	China Resources Gas, its subsidiaries and its jointly-controlled entities;

“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 or, where the context requires, the relevant subsidiary or subsidiaries thereof;
“China Resources Holdings Group”	:	China Resources Holdings and its subsidiaries, excluding, for the purpose of this announcement, the China Resources Gas Group and the Target Group;
“CNG”	:	compressed natural gas;
“Director(s)”	:	the directors of the Company;
“Hong Kong”	:	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	:	an independent board committee of the Company constituted to consider the terms of the Share Purchase Agreement and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolutions regarding the Acquisition. Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Dr. Yang Chonghe, Howard have been appointed by the Board to serve as members of the Independent Board Committee;
“Independent Shareholders”	:	Shareholders other than the controlling shareholder of the Company, namely China Resources Holdings and its Associates;
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange;
“LPG”	:	liquefied petroleum gas;
“Macau”	:	Macau Special Administrative Region of the People’s Republic of China;
“Powerfaith”	:	Powerfaith Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Resources Holdings;
“PRC”	:	the People’s Republic of China, but for the purposes of this announcement only, excluding Hong Kong, Macau and Taiwan;

“Pre-Acquisition Reorganisation”	:	the reorganisation undertaken by the China Resources Holdings Group, under which Top Steed acquired from the China Resources Holdings Group its entire interests in members of the Target Group to form the Target Group;
“Proposed PRC Company Acquisition”	:	the proposed acquisition of 6% interest in Zhenjiang CR Gas by the Company (through its wholly-owned subsidiary, CR Gas (China)) as announced on 28 August 2009;
“Sale Shares”	:	2 ordinary shares of par value of US\$1.00 each, being the entire issued share capital of Top Steed as at the date of this announcement and such additional shares as may be issued by Top Steed to Powerfaith prior to Completion;
“Share Purchase Agreement”	:	the Share Purchase Agreement between the Company, Powerfaith and CR Gas Holdings dated 8 September 2009 in relation to the Acquisition;
“SGM”	:	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve (among other things), if thought fit, the Acquisition contemplated under the Share Purchase Agreement on or around Thursday, 8 October 2009;
“SPV(s)”	:	special purpose(s) vehicle(s);
“Share(s)”	:	the ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	:	person(s) whose name(s) appear on the register of members as registered holder(s) of Share(s);
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited;
“subsidiary”	:	shall have the meaning ascribed to that term in the Listing Rules;
“Target Group”	:	Top Steed, its subsidiaries and jointly-controlled entities or associated companies; and "members of the Target Group" shall be construed accordingly;
“Top Steed”	:	Top Steed Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of China Resources Holdings;

- “Xiangfan CR Gas” : 襄樊華潤燃氣有限公司 (translated as Xiangfan China Resources Gas Co., Ltd.)*, a limited liability company established in the PRC and before Completion, a non wholly-owned subsidiary of China Resources Holdings;
- “Zaoyang CR Gas” : 棗陽華潤燃氣有限公司 (translated as Zaoyang China Resources Gas Co., Ltd.)*, a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company;
- “Zhenjiang CR Gas” : 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 which is currently indirectly owned by China Resources Holdings as to 45%;
- “HK\$” : Hong Kong dollar(s), the lawful currency of Hong Kong; and
- “%” : per cent.

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

Hong Kong, 8 September 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.

* *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.*