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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)

**PLACING OF EXISTING SHARES AND
SUBSCRIPTION FOR NEW SHARES**

AND

PROPOSAL TO REFRESH GENERAL MANDATE TO ISSUE SHARES

AND

RESUMPTION OF TRADING

Placing Agent

CREDIT SUISSE 

On 14 September 2010, the Vendor and the Company entered into the Placing and Subscription Agreement with the Placing Agent pursuant to which the Placing Agent has agreed to place (or failing which they themselves to purchase) 230,000,000 existing Shares at a price of HK\$10.75 per Share owned by the Vendor to not less than six independent placees. The Shares to be placed by the Placing Agent represent approximately 16.26% of the existing issued share capital of the Company of 1,414,440,710 Shares and approximately 13.99% of the Company's issued share capital as enlarged by the subscription and issue of 230,000,000 New Shares (see below). Pursuant to the Placing and Subscription Agreement, the Vendor has conditionally agreed to subscribe for 230,000,000 New Shares equivalent to the number of the Placing Shares.

The net proceeds from the Subscription are estimated to be approximately HK\$2,461 million, net of professional fees and out-of-pocket expenses. The Company intends to use the net proceeds from the Subscription principally for acquisition of more downstream city gas distribution businesses in the PRC.

Upon completion of the Placing and Subscription, the General Mandate will be substantially utilized. In the circumstances and in order to provide the Company with flexibility to fund future investments or project developments when opportunities are identified, the Directors propose to convene a SGM for the Shareholders to consider and if thought fit pass a resolution to approve refreshment of the General Mandate.

China Resources (Holdings) Company Limited, the Vendor and their respective associates shall abstain from voting in respect of the said proposed resolution to approve refreshment of the General Mandate. The Independent Board Committee has been constituted to consider the proposed refreshment of the General Mandate and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the said resolution. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the proposed refreshment of General Mandate and whether such proposal is in the interests of the Company and the Shareholders as a whole. A circular with details of the proposal to refresh the General Mandate, the notice convening the SGM, a proxy form and the recommendations of the Independent Board Committee and the independent financial adviser as to how to vote in respect of the proposal to refresh the General Mandate will be despatched to the Shareholders on or before 6 October 2010 in accordance with the Listing Rules.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 14 September 2010 pending the publication of this announcement. Application has been made for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 15 September 2010.

PLACING UNDER THE PLACING AND SUBSCRIPTION AGREEMENT DATED 14 SEPTEMBER 2010

Vendor

The Vendor, Splendid Time Investments Inc., was incorporated in the British Virgin Islands with limited liability and is a wholly owned subsidiary of China Resources (Holdings) Company Limited. China Resources (Holdings) Company Limited is a company incorporated in Hong Kong with limited liability which is indirectly controlled by China Resources National Corporation. As at the date of the Placing and Subscription Agreement, the Vendor beneficially owns 1,059,999,983 Shares, representing approximately 74.94% of the existing issued share capital of the Company (which comprises 1,414,440,710 Shares).

Placing Agent

Credit Suisse (Hong Kong) Limited is independent of and not connected with the Company and the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. Credit Suisse (Hong Kong) Limited is not acting in concert with the Vendor.

Total Number of Placing Shares

230,000,000 Shares, representing approximately 16.26% of the existing issued share capital of the Company of 1,414,440,710 Shares, and approximately 13.99% of the issued share capital of the Company as enlarged by the Subscription.

Placing Price

The Placing Price of HK\$10.75 per Share was arrived at after arm's length negotiations between the Company and the Placing Agent by reference to the market condition and the Share price of the Company.

The Placing Price represents:

- (i) a discount of approximately 5.20% to the closing price of HK\$11.34 per Share quoted on the Stock Exchange on 13 September 2010; and

- (ii) a discount of approximately 4.22% to the average closing price of approximately HK\$11.224 per Share as quoted on the Stock Exchange for the last five consecutive trading days of the Shares up to and including 13 September 2010.

The Placing Price net of commission is HK\$10.715 per Placing Share. The Company and the Placees will each bear their own share of the stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy in connection with the Placing. The Placing Price, net of commission and after deducting all professional fees and other out-of-pocket expenses incurred by the Vendor, which are ultimately to be borne by the Company, is estimated at approximately HK\$10.699 per Share.

Rights

The Placing Shares will be sold free from any lien, pledge, charge, mortgage, security, mortgage, security interest, adverse claim, encumbrance or third party right and rank pari passu in all respects with existing Shares. The placees, or the Placing Agents if they elect to take up any Placing Shares, will receive all dividends and distributions declared, made or paid on or after the date of the Placing and Subscription Agreement.

Independence of placees

The placees will not be connected persons of the Company and will be third parties independent of and not being parties acting in concert with the Company and the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. There will be six or more placees who will be (i) professional and institutional investors which term generally includes brokers, dealers and companies (including fund managers), whose ordinary business involves dealing in shares and other securities; and/or (ii) corporate entities which regularly invest in shares and other securities.

The Placing Agent is not a connected person of the Company under the Listing Rules for the purposes of this transaction.

Completion of the Placing

Completion of the Placing is expected to take place on or before 16 September 2010, or such other time or date as may be agreed by the Vendor and the Placing Agents.

Condition of the Placing

The Placing is unconditional.

Lock-up

The Vendor has undertaken to the Placing Agent that (with the exception of the sale of the Placing Shares pursuant to the Placing and Subscription Agreement) for a period of 90 days from the date of completion of the Placing it will not, and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the New Shares) or any interests therein beneficially owned or held by the Vendor or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of the Placing Agent.

The Company has undertaken to the Placing Agent, and the Vendor has undertaken to the Placing Agent to procure, that for a period of 90 days from the date of completion of the Placing except:

- (i) for the New Shares to be allotted and issued to the Vendor;
- (ii) pursuant to (a) the terms of any employee share option scheme of the Company or (b) any outstanding subscription warrants or (c) bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares of the Company in accordance with its articles of association or (d) conversion of outstanding convertible bonds; and
- (iii) for 186,654,223 new Shares to be allotted and issued to Powerfaith or its nominee as consideration for the sale of Mega Fair Limited to the Company, as announced in the announcement dated on the same day as the date of this announcement,

the Company will not:

- (A) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares;

(B) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (A) above; or

(C) announce any intention to enter into or effect any such transaction described in (A) or (B) above, without first obtaining the prior written consent of the Placing Agent.

SUBSCRIPTION UNDER THE PLACING AND SUBSCRIPTION AGREEMENT

Subscriber

The Vendor

Issuer

The Company

Number of New Shares

230,000,000 New Shares in aggregate, representing approximately 16.26% of the existing issued share capital of the Company and approximately 13.99% of the issued share capital of the Company as enlarged by the Subscription. The number of New Shares is equivalent to the number of the Placing Shares.

Subscription Price

The Subscription Price is to be equivalent to the Placing Price of HK\$10.75. The Company will be responsible for the professional fees and other out-of-pocket expenses incurred by the Vendor in relation to the Placing and the Subscription.

General Mandate to issue New Shares

The New Shares will be issued under the General Mandate granted to the Directors pursuant to a resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 31 May 2010, pursuant to which the Company has been authorized to allot, issue or otherwise deal with up to 282,884,542 new Shares, being 20% of the then issued share capital of the Company the date of passing such resolution. As of the date of this announcement, the Company has not issued any Shares pursuant to the General Mandate.

Ranking

The New Shares, when fully paid, will rank pari passu in all respects with the Shares of the Company in issue as at the date of issue of the New Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares.

Conditions

The Subscription by the Vendor of the New Shares is conditional upon:

- (i) completion of the Placing; and
- (ii) the granting of the listing of, and permission to deal in, such New Shares by the Listing Committee of the Stock Exchange (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the New Shares).

Completion of the Subscription

Completion of the Subscription shall take place on the second Business Day after the date upon which the last of the conditions to be satisfied shall have been so satisfied provided that it shall take place on a date no later than a date falling 14 days after the date of the Placing and Subscription Agreement or such other time and/or date as the Vendor and the Company may agree in writing. In the event that the conditions are not fulfilled within 14 days following the date of the Placing and Subscription Agreement being 28 September 2010 (or such later date as may be agreed between the Vendor and the Company), the obligations and liabilities of the Vendor and the Company under the Subscription shall be null and void and neither the Company nor the Vendor shall have any claim against the other for costs, damages, compensation or otherwise provided that the Company shall reimburse the Vendor any legal fees and out-of-pocket expenses which the Vendor shall be obliged to pay in connection with the Placing. If the Subscription is not completed within 14 days after the date of the Placing and Subscription Agreement, it will constitute a connected transaction of the Company and the Company has to comply with the requirements of the Listing Rules, including obtaining shareholders' approval from the independent shareholders of the Company. An appropriate announcement will be made by the Company in compliance with the Listing Rules on this accordingly.

EFFECT OF THE PLACING AND THE SUBSCRIPTION

The shareholdings of the Vendor, Directors, placees and other Shareholders of the Company before and after the Placing and the Subscription are summarized as follows:

	At present		Immediately after Completion of the Placing but before Subscription		Immediately after Completion of the Placing and Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Splendid Time Investments Inc. (Note 1)	1,059,999,983	74.94	829,999,983	58.68	1,059,999,983	64.46
Commotra Company Limited (Note 1)	2,000	—	2,000	—	2,000	—
Directors	244,000	0.02	244,000	0.02	244,000	0.01
Placees	N/A	N/A	230,000,000	16.26	230,000,000	13.99
			(Note 2)		(Note 2)	
Public	354,194,727	25.04	354,194,727	25.04	354,194,727	21.54
Sub-total of the shareholding of the public	354,194,727	25.04	584,194,727	41.30	584,194,727	35.53
Total	1,414,440,710	100.00	1,414,440,710	100.00	1,644,440,710	100.00

Notes:

1. Splendid Time Investments Inc. and Commotra Company Limited directly holds 1,059,999,983 and 2,000 Shares respectively in the Company and they are each a wholly-owned subsidiary of China Resources (Holdings) Company Limited. China Resources (Holdings) Company Limited is a wholly-owned subsidiary of CRC Bluesky Limited. CRC Bluesky Limited is a wholly-owned subsidiary of China Resources Co., Limited which in turn is 99.98% owned by China Resources National Corp.
2. The 230,000,000 Placing Shares will be placed by the Placing Agent to not less than six placees which are not connected person of the Company and are independent third parties. Pursuant to the terms of the Placing and Subscription Agreement, if the Placing Agent fails to place the Placing Shares to the placees, the Placing Agent has to purchase the Placing Shares not taken up by the placees. In case the Placing Agent has to purchase all the Placing Shares, the Placing Agent will be interested in approximately 16.26% of the existing issued share capital of the Company before completion of the Subscription and approximately 13.99% of the Company's issued share capital as enlarged by the Subscription.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is a limited liability company incorporated in Bermuda and the Shares have been listed on the Stock Exchange since 7 November 1994. The Company is an investment holding company which through its subsidiaries in the PRC, currently operates 32 city gas distribution projects in 11 provinces and one municipality in China including natural or petroleum gas pipelines, CNG filling stations and bottled LPG distribution.

The Directors (including the independent non-executive Directors) consider that the Placing and the Subscription will strengthen the capital base of the Company. The Company estimates that the net proceeds of the Subscription will amount to approximately HK\$2,461 million. The Company intends to use the net proceeds from the Subscription principally for acquisition of more downstream city gas distribution businesses in the PRC.

Save as disclosed in this announcement and except for the issue of 188,000 Shares upon the exercise on options granted under the Company's share option schemes, the Company has not undertaken any equity fund raising exercise over the period of twelve months prior to the date of this announcement.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Placing and the Subscription are fair and reasonable and believe that the Placing and the Subscription are in the best interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are further of the view that the lock up period for the Company as set out above is fair and reasonable on the grounds that: (i) the lock up period is only for 90 days which is in line with the market practice and as a result of the arm's length commercial negotiation between the Company, the Vendor and the Placing Agent; and (ii) it can ensure an orderly marketing of the Shares based on market practice.

PROPOSAL TO REFRESH GENERAL MANDATE

Upon completion of the Placing and Subscription, the General Mandate will be substantially utilized. In the circumstances and in order to provide the Company with flexibility to fund future investments or project developments when opportunities are identified, the Directors propose to convene a SGM for the Shareholders to consider and if thought fit pass a resolution to approve refreshment of the General Mandate.

China Resources (Holdings) Company Limited, the Vendor and their respective associates shall abstain from voting in respect of the said proposed resolution to approve refreshment of the general mandate. The Independent Board Committee has been constituted to consider the refreshment of the general mandate and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the said proposed resolution. Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian have been appointed by the board of Directors to serve as members of the Independent Board Committee. No member of the Independent Board Committee has any material interest in the said matter.

If the resolution approving the refreshment of the General Mandate is passed by the Shareholders at the SGM, such refreshed General Mandate will authorize the Directors to allot and issue securities up to 20% of the Shares then in issue on the date of the SGM. Based on 1,414,440,710 Shares in issue as at the date of this announcement, and assuming a total of 230,000,000 Shares and 186,654,223 Shares will have been issued pursuant to the Placing and Subscription Agreement and the asset injection referred to in the Company's announcement of even date and that no further Shares will be issued or repurchased prior to the date of the SGM, the Directors will be authorised to issue up to 366,218,986 Shares under the refreshed General Mandate.

Independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the refreshment of general mandate and whether such proposal is in the interests of the Company and the Shareholders as a whole.

A circular with details of the proposal to refresh the General Mandate, the notice convening the SGM, a proxy form and the recommendations of the Independent Board Committee and the independent financial adviser as to how to vote in respect of the proposal to refresh the general mandate will be sent to the Shareholders on or before 6 October 2010 in accordance with the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 14 September 2010 pending the publication of this announcement.

Application has been made for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 15 September 2010.

DEFINITIONS

“associates”	has the meaning ascribed to it under the Listing Rules
“Business Day”	any day (excluding a Saturday) on which banks are generally open for business in Hong Kong
“Company”	China Resources Gas Group Limited (華潤燃氣控股有限公司), a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange (Stock code: 1193)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted at the annual general meeting of the Company held on 31 May 2010 to the Directors to allot, issue and deal with Shares up to a limit of 20% of the issued share capital of the Company at the date of passing such resolution;
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company constituted to consider the proposed resolution to refresh the General Mandate and to make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolutions regarding the said resolution. Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian have been appointed by the board of Directors to serve as members of the Independent Board Committee
“Independent Shareholders”	Shareholders other than the controlling shareholders of the Company, namely China Resources (Holdings) Company Limited, the Vendor and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Shares”	the new Shares to be subscribed by the Vendor under the Placing and Subscription Agreement
“Placing”	the placing of the Placing Shares by Credit Suisse (Hong Kong) Limited on behalf of the Vendor pursuant to the Placing and Subscription Agreement
“Placing Agent”	Credit Suisse (Hong Kong) Limited
“Placing and Subscription Agreement”	the placing, underwriting and subscription agreement entered into on 14 September 2010 between the Vendor, the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$10.75 per Placing Share, of which such price includes any and all commission payable to the Placing Agent pursuant to the Placing and Subscription Agreement
“Placing Shares”	the 230,000,000 Shares currently owned by the Vendor and to be placed under the Placing
“Powerfaith”	Powerfaith Enterprises Limited, a company in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Resources (Holdings) Company Limited as at the date of this announcement
“PRC”	the People’s Republic of China
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the 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
“Subscription”	the subscription for the New Shares by the Vendor pursuant to the Placing and Subscription Agreement

“Subscription Price”	an amount equal to the Placing Price of HK\$10.75
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Splendid Time Investments Inc., a company incorporated in the British Virgin Islands with limited liability, holding approximately 74.94% of the issued share capital of the Company as at the date of the Placing and Subscription Agreement

By Order of the Board of Directors of
CHINA RESOURCES GAS GROUP LIMITED
Ma Guoan
Chairman

Hong Kong, 14 September 2010

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely, Mr. Ma Guoan, Mr. Wang Chuandong and Mr. Ong Thiam Kin, two non-executive directors, namely, Mr. Du Wenmin and Mr. Wei Bin and three independent non-executive Directors, namely, Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian.