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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

Driven by acquisition and organic growths, CR Gas recorded significant improvements in interim results with an increase of 86% in turnover to HK\$2.75 billion and registered 75% increase in net profit attributable to equity shareholders to HK\$305 million.

	1st Half 2010 HK\$'000	1st Half 2009 HK\$'000 (Restated)	Increase (%)
Turnover	2,747,186	1,479,942	86%
Profit attributable to equity shareholders	304,592	174,468	75%

The board of directors (the "Board") of China Resources Gas Group Limited (the "Company" or "CR Gas") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months period ended 30 June 2010 with comparative figures for 2009 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	NOTES	Six months ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited and restated)
Turnover	3	2,747,186	1,479,942
Cost of sales		(1,905,501)	(1,028,335)
Gross profit		841,685	451,607
Other income		101,458	51,599
Selling and distribution expenses		(184,088)	(105,530)
Administrative expenses		(244,042)	(132,205)
Finance costs		(36,829)	(13,566)
Share of results of associates		2,927	2,570
Profit before taxation		481,111	254,475
Taxation	4	(116,511)	(46,283)
Profit for the period	5	364,600	208,192
Other comprehensive income			
Exchange differences arising on translation of foreign operations		54,108	(3,536)
Fair value loss on available-for-sale investments		(545)	-
Share of other comprehensive income of associates		213	63
Other comprehensive income (expense) for the period		53,776	(3,473)
Total comprehensive income for the period		418,376	204,719
Profit for the period attributable to:			
Owners of the Company		304,592	174,468
Non-controlling interests		60,008	33,724
		364,600	208,192
Total comprehensive income for the period attributable to:			
Owners of the Company		352,756	171,410
Non-controlling interests		65,620	33,309
		418,376	204,719
		HK\$	HK\$
Earnings per share	7		
- Basic		0.23	0.13
- Diluted		0.23	0.13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010

		At 30	At 31
		June 2010	December 2009
		HK\$'000	HK\$'000
	NOTES	(unaudited)	(audited and restated)
Non-current assets			
Property, plant and equipment	8	4,192,785	3,140,802
Prepaid lease payments		206,260	171,588
Investment properties		11,245	11,358
Interests in associates		31,238	17,732
Available-for-sale investments		39,251	18,545
Goodwill		629,158	207,141
Exclusive operating rights		623,910	632,061
Deferred tax assets		57,073	49,614
Deposit for acquisition of property, plant and equipment and prepaid lease payments		45,627	44,273
Deposits for investments		1,257,597	1,321,423
		7,094,144	5,614,537
Current assets			
Inventories		311,970	132,644
Trade and other receivables	9	650,626	565,521
Amounts due from customers for contract work		285,702	243,075
Prepaid lease payments		12,166	11,389
Amounts due from fellow subsidiaries		89	5,011
Pledged bank deposits		10,839	19,262
Bank balances and cash		2,975,187	2,226,689
		4,246,579	3,203,591

		At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (audited and restated)
	NOTE		
Current liabilities			
Trade and other payables	10	1,783,472	1,641,329
Amounts due to customers for contract work		1,152,098	711,091
Amounts due to fellow subsidiaries		28,553	22,646
Government grants		1,034	1,022
Bank and other borrowings		171,058	1,039,653
Taxation payable		53,602	58,689
		<u>3,189,817</u>	<u>3,474,430</u>
Net current assets (liabilities)		<u>1,056,762</u>	<u>(270,839)</u>
		<u>8,150,906</u>	<u>5,343,698</u>
Capital and reserves			
Share capital		141,442	141,442
Reserves		1,197,298	904,993
Equity attributable to owners of the Company		<u>1,338,740</u>	<u>1,046,435</u>
Non-controlling interests		794,747	669,649
		<u>2,133,487</u>	<u>1,716,084</u>
Non-current liabilities			
Government grants		15,599	13,349
Bank and other borrowings		4,054,508	1,691,800
Other long-term liabilities		96,329	86,122
Amount due to a fellow subsidiary		1,600,000	1,600,000
Deferred tax liabilities		250,983	236,343
		<u>6,017,419</u>	<u>3,627,614</u>
		<u>8,150,906</u>	<u>5,343,698</u>

Notes:

1. BASIS OF PREPARATION

As part of the group reorganisation (the “Group Reorganisation”), on 19 October 2009, the Company acquired 100% equity interests in Top Steed Limited (“Top Steed”) for a cash consideration of HK\$1,600,000,000. Details of the Group Reorganisation are set out in the Company’s circular dated 2 October 2009.

The Group and Top Steed and its subsidiaries (“Top Steed Group”) are ultimately controlled by China Resources National Corp. before and after the Group Reorganisation, and that control is not transitory. Hence, the acquisition has been accounted for in the consolidated financial statements for the year ended 31 December 2009 as combination of entities under common control by applying the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting under Common Control Combination” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Accordingly, the comparative figures presented in the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows of the Group in respect of for the six months ended 30 June 2009 have been restated to include the results of operations, changes in equity and cash flows of the Top Steed Group as if the current group structure upon the completion of the Group Reorganisation had been in existence throughout the six months ended 30 June 2009, or since their respective dates of incorporation or establishment where this is a shorter period.

Apart from the aforesaid business combination of entities under common control, the Group has retrospectively adjusted the provisional fair values of the assets and liabilities of a subsidiary and a jointly controlled entity acquired during the six months ended 30 June 2009 to reflect the fair value adjustments made upon completion of the purchase accounting during the current interim period. Adjustments have been made retrospectively to property, plant and equipment, deferred tax liabilities, non-controlling interests, goodwill and discount on acquisition.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain types of financial instruments, which are measured at fair value.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the HKICPA. Except as described below, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009.

HKFRS 3 (Revised 2008) “Business Combinations” and HKAS 27 (Revised 2008) “Consolidated and Separate Financial Statements”

The Group applies HKFRS 3 (Revised) prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) in relation to the accounting for the Group’s changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period to which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions to which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

Amendment to HKAS 17 “Leases”

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The application of the amendment to HKAS 17 has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The application of the other new and revised HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

The Group has identified two operating segments - sale and distribution of gas fuel and related products and gas connection. The Group’s chief operating decision maker uses such operating segment information to make strategic decisions.

The activities of these divisions are as follows:

Sale and distribution of gas fuel and related products - sale of liquefied petroleum gas and natural gas for residential, commercial and industrial use

Gas connection - construction contracts for gas connection to the Group's pipelines

Information regarding the above segments is reported below.

The following is an analysis of the Group's revenue and results by operating segments for the periods under review:

	Sale and distribution of gas fuel and related products HK\$'000	Gas connection HK\$'000	Consolidated HK\$'000
<u>Six months ended 30 June 2010</u>			
Turnover			
External sales	<u>2,212,772</u>	<u>534,414</u>	<u>2,747,186</u>
Result			
Segment results	<u>308,507</u>	<u>249,616</u>	558,123
Unallocated income			101,458
Unallocated expenses			(141,641)
Finance costs			<u>(36,829)</u>
Profit before taxation			481,111
Taxation			<u>(116,511)</u>
Profit for the period			<u>364,600</u>
<u>Six months ended 30 June 2009 (restated)</u>			
Turnover			
External sales	<u>1,178,918</u>	<u>301,024</u>	<u>1,479,942</u>
Result			
Segment results	<u>161,196</u>	<u>135,961</u>	297,157
Unallocated income			51,599
Unallocated expenses			(80,715)
Finance costs			<u>(13,566)</u>
Profit before taxation			254,475
Taxation			<u>(46,283)</u>
Profit for the period			<u>208,192</u>

The following is an analysis of the Group's assets by operating segments:

	At 30 June 2010 HK\$'000	At 31 December 2009 HK\$'000 (restated)
Sale and distribution of gas fuel and related products	4,244,040	3,488,631
Gas connection	1,345,629	739,616
	5,589,669	4,228,247
Unallocated corporate assets	5,751,054	4,589,881
	11,340,723	8,818,128

4. TAXATION

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000 (restated)
Current tax		
PRC Enterprise Income Tax	109,935	48,629
Underprovision in prior year	-	3,322
	109,935	51,951
Deferred taxation	6,576	(5,668)
	116,511	46,283

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the six months ended 30 June 2010 and 2009. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and subsidiaries operating in Hong Kong had no assessable profits for both periods.

Profits tax arising in the PRC is calculated based on the applicable tax rates on assessable profits.

Certain subsidiaries operating in the PRC are exempted from income tax applicable in the PRC for two years starting from the first profit making year after utilisation of the tax losses brought forward and were granted a 50% relief for the following three years.

Certain subsidiaries and jointly controlled entities operating in the Western China have been granted tax concessions by the local tax bureau and are subject to PRC Enterprise Income Tax at concessionary rate of 15% until 31 December 2010.

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2009 No. 1, only the profits earned by foreign-investment enterprises prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to the Enterprise Income Tax at 5% or 10% and withheld by the PRC entities, pursuant to Articles 3 and 27 of the New Law and Article 91 of its Detailed Implementation Rules. At 30 June 2010, a deferred tax liability of HK\$15,000,000 has been recognised in respect of the undistributed profits.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
		(restated)
<hr/>		
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	94,847	71,439
Amortisation of exclusive operating rights (included in administrative expenses)	12,300	11,596
Release from prepaid land lease payments	2,995	2,257
Loss (gain) on disposal of property, plant and equipment	189	(1,517)
Interest income on bank deposits	(14,868)	(13,446)
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6. DIVIDENDS

In respect of the current interim period, the directors declared an interim dividend of 2.00 HK cents per share (2009: 2.00 HK cents per share) that will be paid to shareholders whose names appear in the register of members of the Company on 24 September 2010. This dividend was declared and approved after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

During the six months ended 30 June 2010, a dividend of 4.50 HK cents per share (2009: 4.00 HK cents per share), totalling HK\$60,499,000 (after eliminating HK\$3,150,000 paid for shares held by the share award scheme) (2009: HK\$56,577,000), was paid by the Company to its shareholders as the final dividend for the year ended 31 December 2009 (2009: 31 December 2008).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000 (restated)
<hr/>		
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>304,592</u>	<u>174,468</u>
	2010	2009 (restated)
Number of shares:		
Weighted average number of shares in issue less shares held for share award scheme for the purposes of basic earnings per share	<u>1,344,420,910</u>	1,382,527,822
Effect of dilutive potential shares in respect of share options	<u>50,982</u>	-
Weighted average number of shares in issue less shares held for share award scheme for the purposes of diluted earnings per share	<u>1,344,471,892</u>	<u>1,382,527,822</u>

The computation of diluted earnings per share for the six months ended 30 June 2009 does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares for that period.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group spent HK\$44,196,000 (2009: HK\$117,080,000) on machinery and equipment and HK\$295,023,000 (2009: HK\$148,243,000) on construction in progress. Property, plant and equipment of carrying value of HK\$648,605,000 (2009: HK\$915,532,000) were acquired from the acquisition of jointly controlled entities (2009: acquisition of a subsidiary and jointly controlled entities).

9. TRADE AND OTHER RECEIVABLES

The Group generally allows credit periods ranging from 30 to 90 days to its trade customers, which may be extended to 180 days for selected customers depending on the trade volume and settlement terms. The aged analysis of trade receivables, including notes receivable, net of allowance for doubtful debts, is presented based on the invoice date at the end of the reporting period as follows:

	At 30 June 2010 HK\$'000	At 31 December 2009 HK\$'000
0 - 90 days	150,903	95,308
91 - 180 days	11,981	7,221
Over 180 days	12,418	7,349
	<u>175,302</u>	<u>109,878</u>

10. TRADE AND OTHER PAYABLES

The aged analysis of trade payables is presented based on the invoice date at the end of the reporting period as follows:

	At 30 June 2010 HK\$'000	At 31 December 2009 HK\$'000
0 - 90 days	277,793	332,075
91 - 180 days	63,569	23,466
Over 180 days	102,140	90,605
	<u>443,502</u>	<u>446,146</u>

The average credit period on purchases of goods ranges from 7 to 180 days.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 June 2010 are unaudited and have been reviewed by the Company's auditor and the Company's Audit Committee. The auditor's report on review of interim financial information is contained in the interim report to be dispatched to shareholders.

RESULTS

For the period ended 30 June 2010, the Group recorded turnover and profit attributable to the Company's equity holders of HK\$2,747 million and HK\$305 million, an increase of 86% and 75% respectively over the previous corresponding period.

INTERIM DIVIDEND

The directors have resolved to declare the payment of an interim dividend of HK\$0.02 per share for the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$0.02 per share), payable on 8 October 2010 to shareholders on the register of members of the Company on 24 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 September 2010 to 24 September 2010, both days inclusive. In order to qualify for the proposed interim dividend payment, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 17 September 2010.

BUSINESS REVIEW AND PROSPECTS

The total revenue of city gas operation comprises of recurring gas sales and one-time gas connection fee which respectively accounts for 81% and 19% of the revenue for the period ended 30 June 2010 (2009: 80% and 20% respectively).

The turnover of the city gas distribution operation for the period ended 30 June 2010 amounted to HK\$2,747 million, an increase of 86% over that of the previous corresponding period. The significant increase was mainly due to both acquisition and organic growths which resulted in the increase in gas sales volume by 198% from 780 million m³ to 2,325 million m³ (164 million m³ due to organic growth and 1,381 million m³ due to acquisition growth) and the increase in connection fee income by 77% from HK\$301 million to HK\$534 million (HK\$108 million due to organic growth and HK\$125 million due to acquisition growth). The increases in gas sales and connection fee income were in turn driven by the following factors:

- (1) 110% increase in the daily installed capacity for commercial & industrial ("C&I") customers from 7.2 million m³ to 15.1 million m³. C&I customers accounted for 66% and 79% of the total gas sales volume and total gas sales revenue respectively for the period ended 30 June 2010.
- (2) 178% increase in the number of connected households from 2.3 million to 6.4 million.

The continued economic growth and the rapid industrialization and urbanisation of China have spiked the demand for energy in the PRC. The PRC government has been very supportive of the development of the natural gas industry and has promulgated various policies and guidelines to encourage and rationalize the usage of natural gas. The "West to East Gas Transmission" pipelines were constructed to bring natural gas from the Xinjiang Autonomous Region to the coastal regions of the PRC. Construction of the second phase of the "West to East Gas Transmission" pipelines and the "Sichuan to East" pipelines from the gas-rich Central Asia and Sichuan province to coastal regions of the PRC as well as construction of LNG terminals in coastal cities are actively in progress. All these offer significant opportunity for future growth in the natural gas industry in China. The Company will ride on these favourable industry fundamentals and its strong and experienced management team to scale new heights via organic and acquisition growths.

The National Development and Reform Commission, as one of the measures to increase the supply of natural gas, announced an upward revision of gas wellhead price by RMB0.23 per m³ with effect from 1 June 2010. The price increase has mostly been passed through to end users, particularly the non-residential users. The overall impact of the price reform to the entire downstream city gas distribution industry is positive as it will stimulate the increase in gas supply from both local and imported sources in the immediate future.

Similar to 2009, the Group is in discussion with its controlling shareholder, China Resources (Holdings) Company Limited (“CRH”) about possible acquisition of certain city gas distribution projects in the second half of 2010. Of all these projects held by CRH, the Group contemplates to acquire about 9 city gas distribution projects. These projects are located in various provinces of China including cities such as Xiamen, Jining, Kunshan, Ningbo, etc with annualized gas sales volume of about 500 million m³ and are expected to make significant contribution to the city gas distribution businesses portfolio of the Group upon acquisition. Details of such acquisition (including but not limited to consideration and timing of the proposed acquisition) are still in discussion with CRH and thus have not been finalized and accordingly, no definitive time table has been set by both parties.

9 projects expected to be acquired from CRH in 2H 2010

	Province	Year of Founding	% Owned	Type of Gas	Population (MM)	Connected Households	Installed Capacity (m ³ /day)	1H 2010 Total Gas Sales Volume					No. of Gas Stations
								Total ('000 m ³)	Residential (%)	Non-residential (%)	Gas Stations (%)	Bottled (%)	
Xiamen	Fujian	2007	49.0	Piped natural and/or other gas, bottled LPG, LPG stations	1.8	276,138	457,000	50,611	16.1	39.8	10.8	33.3	2
Jining	Shandong	2007	51.0	Piped natural gas, CNG station	8.3	170,623	110,750	39,910	19.8	74.8	5.4	-	1
Suining	Sichuan	1993	50.0	Piped natural gas, CNG stations	3.9	131,962	58,000	39,083	50.5	25.9	23.6	-	4
Tengzhou	Shandong	2008	70.0	Piped natural and/or other gas, CNG stations	1.7	71,453	150,000	30,263	12.6	79.1	8.3	-	2
Shifang	Sichuan	2008	51.0	Piped natural gas, CNG stations	0.4	33,147	90,000	29,884	16.8	66.8	16.4	-	2
Kunshan	Jiangsu	2001	49.9	Piped natural gas	0.7	73,927	451,000	18,508	38.4	61.6	-	-	-
Qidong	Jiangsu	2007	100.0	Piped natural and/or other gas, bottled LPG	1.1	41,146	80,000	6,286	37.3	62.7	-	-	-
Gucheng	Hubei	2004	100.0	Piped natural gas	0.6	394	13,000	2,268	0.5	99.5	-	-	-
Hangzhou-wan	Zhejiang	2009	100.0	Piped natural gas	5.7	-	32,280	602	-	100.0	-	-	-
Total 9 projects					24.2	798,790	1,442,030	217,415	24.9	56.2	11.2	7.7	11

On 28 June 2010, the Group entered into an important co-operation agreement with Tianjin Gas Group Company Limited, a PRC State-owned enterprise, to establish a sino-foreign equity joint venture enterprise principally for the supply and provision of piped natural gas in Tianjin, the PRC. The Group is expected to hold a 49% interest in the proposed joint venture with an estimated investment of between RMB2 billion and RMB2.5 billion. The transaction is expected to complete towards the end of 2010 or early 2011.

On 28 June 2010, the Group’s controlling shareholders, CRH, entered into a strategic collaboration agreement with China National Petroleum Corporation (“CNPC”) to collaborate in various oil and gas related fields. With respect to natural gas, CNPC will make it a priority to supply gas to CRH’s city gas projects, to optimize and rationalize city gas markets entry strategy. CNPC also welcomes CRH’s equity participation in the construction of natural gas infrastructure facilities such as long distance natural gas primary pipelines, secondary pipelines, regional pipelines and LNG receiving terminals of CNPC in China.

The Group will gain more support and advantages in securing gas supply and city gas project acquisitions. The collaboration is of great significance in maintaining the Group's leadership in city gas distribution business in the PRC.

The Group also continues to enhance its operational efficiencies and constantly seeks improvements in areas such as customer service, project tendering, safety standards, gas leakages control, etc. The ongoing organic enhancement of existing city gas distribution operations and the external acquisition of new city businesses will continue to deliver stable cash flow as well as excellent growth opportunity for the enhancement of the Company's shareholders' value in the foreseeable future.

Leveraging on the above mentioned factors, the Group will continue to grow rapidly via organic and acquisition growths and aspires to become the PRC leading city gas distribution company in the foreseeable future.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Acquisition of 25% equity interest in Chongqing

On 23 December 2009 and 24 December 2009, CR Gas Investment, a wholly-owned subsidiary of the Company, entered into master agreements and a supplemental agreement respectively, with Chongqing Energy Investment Group* (重慶市能源投資集團公司) ("Chongqing Energy") whereby CR Gas Investment agreed to contribute cash of approximately RMB1,162.8 million to Chongqing Gas Group Corp Ltd.* (重慶燃氣(集團)有限責任公司) ("Chongqing Gas") to increase its registered capital in return for a 25% equity interest in Chongqing Gas. The cash consideration of approximately RMB1,162.8 million for the 25% equity interest in the enlarged registered capital of Chongqing Gas was determined after arm's length negotiation with reference to (i) the track record and potential development of Chongqing Gas in the city gas distribution business in Chongqing; and (ii) the appraised net asset value of Chongqing Gas of RMB2,877.1 million as at 30 September 2009, based on the independent valuation performed by an independent valuer in the PRC. Chongqing Gas is a limited company incorporated in the PRC wholly-owned by Chongqing Energy and is principally engaged in city gas distribution business in Chongqing, the PRC.

The aforesaid transaction was completed in early 2010 upon obtaining all the necessary approvals from the relevant PRC authorities and Chongqing Gas was converted into a sinoforeign equity joint venture owned by Chongqing Energy and CR Gas Investment as to 75% and 25% respectively.

Establishment of a joint venture company in Jiangning District, Nanjing

On 9 April 2010, the Company, through China Resources Gas Limited, its wholly-owned subsidiary, entered into a sino-foreign equity joint venture arrangement with 南京市江寧區煤氣(集團)公司 (translated as Nanjing City Jiangning District Gas (Group) Company Limited) (the "PRC Party") pursuant to the joint venture contract and the articles of association in relation to the establishment of the joint venture company namely Nanjing Jiangning China Resources Gas Co., Ltd. (南京江寧華潤燃氣有限公司) ("Jiangning CR Gas"), which became a jointly controlled entity of the Company upon establishment. Jiangning CR Gas is principally engaged in, among other things, the investment, construction and operation of the city piped gas facilities as well as the supply and sale of gas in Jiangning District, Nanjing City of the PRC.

The aggregate cash contribution of RMB600 million was contributed by China Resources Gas Limited to Jiangning CR Gas for a 49% stake in Jiangning CR Gas.

** Name translated for reference purposes.*

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period ended 30 June 2010.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company has adopted the mandatory provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules after it came into effect in January 2005. In line with the mandatory provisions of the Code, the Company has adopted a Corporate Governance Handbook (the "Handbook") in December 2005 and subsequently updated in 2008, 2009 and 2010 respectively. All the mandatory provisions under the Code have been adopted and reflected in the Handbook. The Company has throughout the period complied with the mandatory provisions of the Code.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

INTERIM REPORT

The 2010 Interim Report will be dispatched to shareholders and published on the Stock Exchange's designated website (www.hkexnews.hk) and the Company's website (www.crgas.com.hk) in due course.

On behalf of the Board
CHINA RESOURCES GAS GROUP LIMITED
MA Guoan
Chairman

Hong Kong, 23 August 2010

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. Du Wenmin and Mr. Wei Bin, being Non-executive Directors; and Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian, being Independent Non-executive Directors.