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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
INVOLVING ISSUE OF CONSIDERATION SHARES**

The Board is pleased to announce that on 22 July 2011, the Company, Powerfaith and CR Gas Holdings have entered into the Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares representing the entire issued share capital of Wang Gao for the Consideration of HK\$1,710,000,000.

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. Since China Resources Holdings is the controlling shareholder (as defined in the Listing Rules) of the Company, holding approximately 68.28% of its issued share capital as at the date of this announcement and the Vendor is a wholly-owned subsidiary of China Resources Holdings, the Acquisition also constitutes a connected transaction of the Company under the Listing Rules. As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5%, the Acquisition, the Sale and Purchase Agreement and the allotment and issue of the Consideration Shares to the Vendor are subject to reporting, announcement and the approval of the Independent Shareholders at the SGM as required under Chapter 14A of the Listing Rules.

China Resources Holdings, its Associates and any Shareholder who has a material interest in the Acquisition and the allotment and issue of the Consideration Shares other than as Shareholders of the Company will abstain from voting in respect of the proposed resolution to approve these matters. Further details on the matters to be voted on by the Independent 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 Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolution regarding the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement and matters ancillary thereto. Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian have been appointed by the Board to serve as members of the Independent Board Committee. No member of the Independent Board Committee has any material interest in the Acquisition and the allotment and issue of the Consideration Shares.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement.

A circular containing, among other things, further information on the Acquisition of the Target Group, the allotment and issue of the Consideration Shares, the advice of the independent financial adviser, the recommendation of the Independent Board Committee, the notice convening the SGM and a proxy form will be dispatched to the Shareholders on or before 12 August 2011 in accordance with the Listing Rules.

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

## **BACKGROUND**

### **The Acquisition**

On 22 July, 2011, the Company entered into the Sale and Purchase Agreement to agree conditionally to acquire the entire issued share capital of Wang Gao, an indirectly wholly-owned subsidiary of China Resources Holdings.

The Target Group currently operates a portfolio of city gas distribution businesses including natural gas pipelines, natural gas facilities repair and maintenance. Its natural gas distribution operations are located in the cities of Yueyang, Zhongshan, Jingdezhen, Anyang, Huizhou Dayawan, Dandong and Dalian Huayuankou.

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

22 July, 2011

### **Parties**

- (1) the Company;
- (2) Powerfaith; and
- (3) CR Gas Holdings.

## Sale Shares

Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendor shall sell as legal and beneficial owner and the Company shall purchase the Sale Shares with effect from Completion free from all Encumbrances and together with all rights and title to and interests in the Sale Shares (including the right to receive all dividends and distributions declared, made or paid on or after the Completion Date).

In consideration of the Company entering into the Sale and 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 Sale and Purchase Agreement.

## Conditions Precedent

Completion of the Acquisition is subject to the satisfaction of the following conditions precedent:

- (i) the Independent Shareholders having approved by way of poll at a duly convened SGM, the transactions contemplated under the Sale and Purchase Agreement including but not limited to the Acquisition, the allotment and issue of the Consideration Shares to the Vendor (or its nominee(s) as it may direct), and, to the extent applicable, the transactions arising out of the Sale and Purchase Agreement and in pursuance of the Sale Shares (and for the avoidance of doubt, excluding, to the extent applicable, any continuing connected transactions (as defined in the Listing Rules) arising between the Company and the Vendor or their respective Associates arising as a direct result of Completion which require approval of the Independent Shareholders and matters ancillary thereto); and
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares to be allotted and issued to the Vendor (or its nominee(s) as it may direct) thereunder, either unconditionally or subject only to conditions to which the Vendor and the Company have no reasonable objection.

The conditions above shall not be waived in any event. If any of the conditions set out in the Sale and Purchase Agreement is not fulfilled on or before 30 September, 2011 (the “**Long Stop Date**”) (or such later date as agreed between the Parties), the Sale and Purchase Agreement and the transactions contemplated thereunder 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 Sale and Purchase Agreement have been fulfilled.

## Consideration

The Consideration payable by the Company for the Acquisition is HK\$1,710,000,000.

The Consideration shall be satisfied in full by the allotment and issue on the Completion Date of the Consideration Shares at the issue price of HK\$10.6096 per Consideration Share, which is determined by and equal to an approximate 5% discount of the average closing price of the Shares for the 15 trading days of HK\$11.1680 up to and including 21 July 2011, being the last trading day immediately preceding the date of the Sale and Purchase Agreement. The Consideration Shares shall be allotted and issued to the Vendor (or its nominee(s) as it may direct) credited as fully paid up, ranking pari passu in all respects with all the then issued Shares and free from all Encumbrances and together with all rights attached or accruing thereto on or after the Completion Date.

The issue price for the Consideration Shares of HK\$10.6096 per Share represents:

- (a) a discount of approximately 6.1% from HK\$11.30, being the closing price of the Shares on 21 July 2011, the last day on which the Shares are traded on the Stock Exchange (“**Trading Day**”) immediately preceding the date of the Sale and Purchase Agreement;
- (b) a discount of approximately 5.9% from HK\$11.27, being the average closing price of the Shares for the last 10 Trading Days prior to the date of the Sale and Purchase Agreement;
- (c) a discount of approximately 2.8% from HK\$10.92, being the average closing price of the Shares for the last 30 Trading Days prior to the date of the Sale and Purchase Agreement; and
- (d) a premium of approximately 242.3% to the audited consolidated net asset value per Share of the Company as at 31 December 2010 of HK\$3.10 per Share.

The following table sets out the simplified shareholding of the Company as at the date of this announcement and immediately upon Completion:

Shareholders	No. of Shares as at the date of this announcement	Shareholding percentage as at the date of this announcement	No. of Shares immediately upon Completion (Note 1)	Shareholding percentage immediately upon Completion (Note 2)
China Resources Holdings (Note 3)	1,250,186,206	68.28%	1,411,360,991	70.84%
The Directors (Note 4)	334,000	0.02%	334,000	0.02%
Public	<u>580,574,727</u>	<u>31.70%</u>	<u>580,574,727</u>	<u>29.14%</u>
Total	<u><u>1,831,094,933</u></u>	<u><u>100%</u></u>	<u><u>1,992,269,718</u></u>	<u><u>100%</u></u>

Notes:

- (1) Assuming there is no acquisition and/or disposal of Shares and assuming there is no exercise of share options from the date of this announcement up to the date of Completion.

- (2) As of the date of this announcement, a total of 188,000 share options are outstanding. Assuming full exercise of such options on or before the date of Completion, China Resources Holdings, the Directors and the public will hold approximately 70.83%, 0.02% and 29.15% of the then enlarged issued share capital of the Company on Completion. Other than the said options, there are no outstanding securities issued by the Company as of the date of this announcement which are convertible into Shares.
- (3) The interest of China Resources Holdings in the Company represents its indirect interest held through CRH (Gas) Limited (formerly known as “Splendid Time Investments Inc.”) and Commotra Company Limited. China Resources Holdings 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 wholly owned by China Resources National Corporation.
- (4) The Directors comprise Mr. Wang Chuandong, Mr. Ong Thiam Kin, Mr. Du Wenmin and Mr. Wong Tak Shing. Such Directors who are also Shareholders will be entitled to vote at the SGM on the basis that none of them or any of their respective Associates is a party to the Sale and Purchase Agreement or any other transactions subject to approval of the Independent Shareholders at the SGM.

The Consideration, including the issue price per Consideration Share, 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 Wang Gao operates and the recent market prices of the Share.

The investment cost (including accrued finance cost) of the Target Group to the China Resources Holdings group was approximately HK\$928 million. The net asset value of Wang Gao, assuming the Target Group had been formed as at 30 June 2011, as shown in the unaudited combined balance sheet attributable to the Target Group as at 30 June, 2011 was approximately HK\$785 million.

As it is not practically feasible to determine an appropriate profit figure based on the previous experience, after arm’s length negotiations between the Vendor and the Company, it is agreed that no profit guarantee will be given by the Vendor in respect of the Target Group for the year ending 31 December, 2011. The actual combined profits after taxation of the target companies previously acquired by the Group from China Resources Holdings and the CR Gas Holdings Group as disclosed in the announcements of the Company dated 21 August 2008, 8 September 2009 and 13 September 2010 respectively were higher than the amounts guaranteed by China Resources Holdings, or as the case may be, the CR Gas Holdings Group in a range of 10% to 40%. The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the independent financial adviser) are of the view that the current arrangement of the absence of the profit guarantee is on an arm’s length basis, and fair and reasonable after taking into account of the terms contemplated under the Sale and Purchase Agreement as a whole.

## **Consideration Shares**

On Completion, the Consideration Shares, having a total cash value of HK\$1,710 million, will be issued at the issue price of HK\$10.6096 per Consideration Share.

Specific approval of the Independent Shareholders will be sought for the allotment and issue of the Consideration Shares. An application will be made to the Listing Committee of the Stock Exchange for the granting of listing of and permission to deal in the Consideration Shares.

## **Deed of Indemnity**

On Completion, the Company, the Vendor and CR Gas Holdings will enter into the Deed of Indemnity. Subject to certain limitations as stated in the Deed of Indemnity, the Vendor undertakes to the Company to indemnify and keep indemnified the Company from and against any tax liabilities in relation to the business activities of the Target Group prior to Completion and other liabilities as specified in the Deed of Indemnity. CR Gas Holdings undertakes to guarantee the due and punctual performance of the Vendor's obligation under the Deed of Indemnity.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

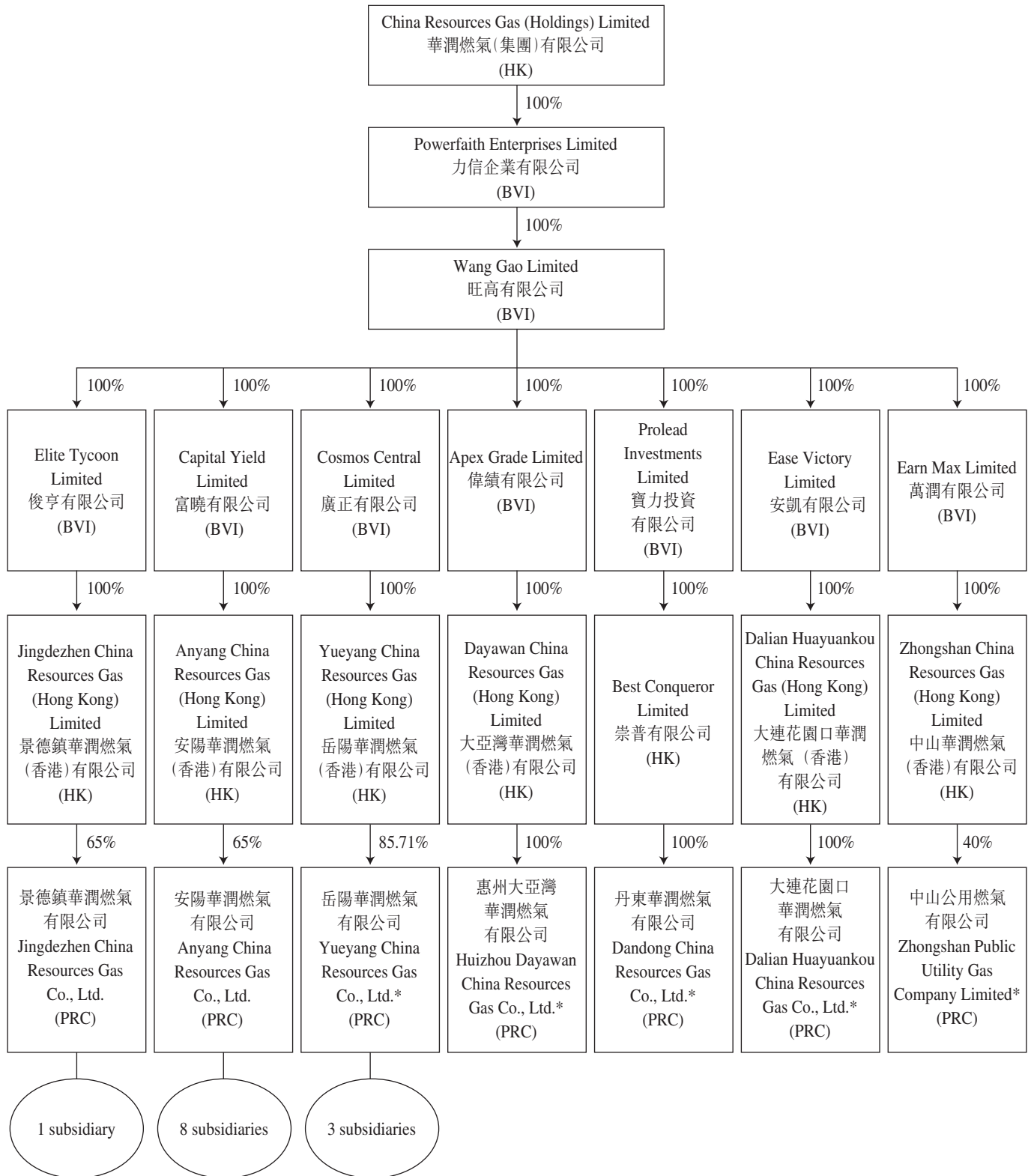
As mentioned in the Company's annual report for the year ended 31 December 2010, construction of the second phase of the "West to East Gas Transmission" pipelines and the "Sichuan to East" pipelines from the gas-rich Central Asia and Sichuan Province to coastal regions of the PRC as well as construction of LNG terminals in coastal cities are actively in progress. The Board believes that the PRC government will place significant emphasis on the rapid development of natural gas industry under the 12th Five Year Plan to achieve its carbon emission commitment made during the 2010 Copenhagen Conference. All these will greatly boost the availability of natural gas in China and will continue to offer significant opportunity for future growth in the downstream gas industry in China. It is the Company's strategy to ride on these favourable industry fundamentals to scale new heights via organic and acquisition growths. The Board believes that the Acquisition is a step forward in furtherance of the said strategy by 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) are of the view that the terms of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF WANG GAO**

Wang Gao, a wholly-owned subsidiary of China Resources Holdings, is an investment holding company. The Target Group currently operates a portfolio of city gas distribution businesses including piped natural gas distribution, CNG filling stations operation, repair and maintenance of natural gas pipelines and natural gas facilities. Its natural gas distribution operations are located in the cities of Yueyang, Zhongshan, Jingdezhen, Anyang, Huizhou Dayawan, Dandong and Dalian Huayuankou.

The corporate structure of the members of the Target Group as at the date of the Sale and Purchase Agreement is depicted in the chart as set out below:



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

## Financial information of Wang Gao

No audited account of Wang Gao is available since Wang Gao is not required to prepare the same in the place of its incorporation in the BVI. For the purposes of this announcement, assuming the Target Group had been formed since 1 January 2009, the net profits (both before and after taxation and minority interests) of Wang Gao as shown in the unaudited combined profit and loss accounts attributable to the Target Group for the two years ended 31 December, 2010 and the six months ended 30 June, 2011 are as follows:–

	<b>For the year ended 31 December, 2009</b> <i>HK\$ million</i>	<b>For the year ended 31 December, 2010</b> <i>HK\$ million</i>	<b>For the six months ended 30 June, 2011</b> <i>HK\$ million</i>
Unaudited combined profit before taxation and minority interests	69.9	110.6	66.9
Unaudited combined profit after taxation and minority interests	37.5	66.7	40.2

## IMPLICATIONS OF THE LISTING RULES

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. Since China Resources Holdings is the controlling shareholder (as defined in the Listing Rules) of the Company, holding approximately 68.28% of its issued share capital as at the date of this announcement and the Vendor is a wholly-owned subsidiary of China Resources Holdings, the Acquisition also constitutes a connected transaction of the Company under the Listing Rules. As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5%, the Acquisition, the Sale and Purchase Agreement and the issue of Consideration Shares to the Vendor are subject to reporting, announcement and the approval of the Independent Shareholders at the SGM as required under Chapter 14A of the Listing Rules.

The Independent Board Committee has been constituted to consider the terms of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolution regarding the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement and matters ancillary thereto. Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian have been appointed by the Board to serve as members of the Independent Board Committee. No member of the Independent Board Committee has any material interest in the Acquisition and the allotment and issue of the Consideration Shares.



An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement.

## **NATURE OF BUSINESS OF THE COMPANY, POWERFAITH, CR GAS HOLDINGS AND CHINA RESOURCES HOLDINGS**

The Company is a limited liability company incorporated in Bermuda and its 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 55 city gas distribution projects in 15 provinces and one municipality in China including natural or petroleum gas pipelines and CNG filling stations.

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.

China Resources Holdings is the substantial and controlling shareholder of the Company and its principal business is investment holding. CR Gas Holdings is a wholly-owned subsidiary of China Resources Holdings and its principal business is investment holding.

## **GENERAL**

1. A circular containing further details of, amongst other things, (i) the Acquisition of the Target Group and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement; (ii) the recommendations of the Independent Board Committee in respect of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement; (iii) a letter of advice from the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement; and (iv) a notice convening the SGM and a proxy form will be dispatched to the Shareholders on or before 12 August 2011.
2. A SGM will be convened at which an ordinary resolution will be proposed to seek the Independent Shareholders' approval of, amongst other things, the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement.
3. China Resources Holdings, its Associates and any Shareholder who has a material interest in the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement other than as Shareholders of the Company will abstain from voting in respect of the proposed resolution to approve the above matters.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company pursuant to the Sale and Purchase Agreement;
“Associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Director(s);
“Business Day”	a day (excluding a Saturday or Sunday) on which banks in Hong Kong are generally open for business;
“BVI”	the British Virgin Islands;
“China Resources Holdings”	China Resources (Holdings) Company Limited, the substantial and controlling shareholder (as defined in the Listing Rules) of the Company holding approximately 68.28% of its issued share capital as at the date of this announcement or, where the context requires, the relevant subsidiary;
“CNG”	compressed natural gas;
“Company”	China Resources Gas Group Limited, a company incorporated in Bermuda, the Shares of which are listed on the main board of the Stock Exchange;
“Completion”	completion of the sale and purchase of the Sale Shares;
“Completion Date”	the day on which Completion takes place in accordance with the provisions of the Sale and Purchase Agreement;
“Consideration”	HK\$1,710,000,000;
“Consideration Shares”	161,174,785 new Shares having a total cash value equivalent to the Consideration based on an issue price of HK\$10.6096 per Consideration Share;
“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;
“CR Gas Holdings Group”	collectively, CR Gas Holdings and its subsidiaries;
“Deed of Indemnity”	the deed of indemnity to be entered into among the Vendor, the Company and CR Gas Holdings on Completion in relation to the tax liabilities of the Target Group prior to Completion and other liabilities as specified therein;

“Director(s)”	the director(s) of the Company;
“Encumbrances”	rights of pre-emption, options, liens, claims, equities, charges, mortgages, pledges, third-party rights or interests of any nature;
“Group”	collectively, the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Company constituted to consider the terms of the Acquisition, the Sale and Purchase Agreement, the allotment and issue of the Consideration Shares and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolution regarding the Acquisition. Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian have been appointed by the Board to serve as members of the Independent Board Committee;
“Independent Shareholders”	Shareholders other than the controlling shareholders of the Company, namely China Resources Holdings, its Associates and any Shareholder who has a material interest in the Acquisition and the allotment and issue of the Consideration Shares;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LNG”	liquefied natural gas;
“Wang Gao”	Wang Gao Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor;
“Parties”	the parties to the Sale and Purchase Agreement, namely, the Company, Powerfaith and CR Gas Holdings;
“Powerfaith”/ “Vendor”	Powerfaith Enterprises Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of China Resources Holdings;
“PRC”/ “China”	the People’s Republic of China, but for the purposes of this announcement only, excluding Hong Kong, Macau and Taiwan;
“Sale and Purchase Agreement”	the Sale and Purchase Agreement entered into among the Company, Powerfaith and CR Gas Holdings dated 22 July, 2011 in relation to the Acquisition;
“Sale Shares”	three ordinary shares of US\$1.00 each in the share capital of Wang Gao, representing the entire issued share capital of Wang Gao as at the date of this announcement and such additional share as may be issued by Wang Gao to the Vendor prior to Completion;

“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 and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement on or around 31 August, 2011;
“Shareholder(s)”	person(s) whose name(s) appear on the register of members as registered holder(s) of Share(s);
“Shares”	the shares of HK\$0.10 each in the share capital of the Company which are listed and traded on the main board of the Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary” and “holding company”	shall have the respective meanings assigned to those expressions by section 2 of the Companies Ordinance (Cap.32 of the Laws of Hong Kong), save that any reference therein to a company shall be deemed to include a reference to a body corporate incorporated or established outside Hong Kong or under any other ordinances of the Laws of Hong Kong and to any unincorporated body of persons;
“Target Group”	collectively, Wang Gao and its subsidiaries;
“US\$”	the United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

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

Hong Kong, 22 July, 2011

*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.*