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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)

CONTINUING CONNECTED TRANSACTIONS

The Board refers to the Company's announcement dated 19 October 2009 regarding the Company's continuing connected transactions for the purchase and supply of natural gas between certain members of the Group with Shanxi Gas.

From 26 May 2011 to 1 June 2011, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas has on its own entered into a Framework Agreement for the purchase and supply of natural gas with Shanxi Gas for a term of five years commencing on 1 January 2011.

Shanxi Gas is interested in 10%, 25% and 30% of the registered capital of Hongdong CR Gas, Yangquan CR Gas and Huozhou CR Gas respectively. Shanxi Energy, the parent company of Shanxi Gas, is also interested in 25% and 51% of the registered capital of Datong CR Gas and Shanxi Gas respectively. Hence, each of Shanxi Gas and Shanxi Energy is a connected person of the Company.

As the transactions involve the purchase of natural gas by the Group from Shanxi Gas, the transactions contemplated under the five Framework Agreements will have to be aggregated pursuant to Rule 14A.25. It is expected that one or more of the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the aggregate maximum annual consideration payable by the Group to Shanxi Gas under all the five Framework Agreements will exceed 5%, each of the five Framework Agreements and transactions contemplated therein are subject to reporting, announcement requirements and independent shareholders' approval under Rules 14A.45 to 14A.48 and annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules.

No Shareholder is required to abstain from voting if the Company were to convene a special general meeting for the approval of the Framework Agreements and transactions contemplated therein, and the Company intends to obtain a written approval from Splendid Time, which holds approximately 68.08% of the entire issued share capital of the Company, in respect of entering into each of the Framework Agreements and the transactions contemplated therein.

The Company will apply to the Stock Exchange for a waiver from strict compliance with the Listing Rules to hold a general meeting for the approval of the Company's independent shareholders for the Framework Agreements pursuant to Rule 14A.43 of the Listing Rules. Subject to the Stock Exchange's granting of the said waiver, the Framework Agreements and the transactions contemplated therein would have been approved by the written approval of Splendid Time in lieu of holding a general meeting of the Company.

As each of the Framework Agreements is for a duration of five years (exceeding the requirement under Rule 14A.35(1) of the Listing Rules that it must not be longer than three years), the Company will appoint an independent financial adviser to provide its view on why a longer period is required for each of the Framework Agreements and confirm that it is normal business practice for contracts of this type to be of such duration. In addition, the said independent financial adviser will also advise the Independent Board Committee and the independent shareholders of the Company on the fairness and reasonableness of the terms of the continuing connected transactions under each of the Framework Agreements and the relevant annual caps. These advice from the independent financial adviser will be included in the circular to be despatched in relation to these Framework Agreements.

A circular containing further details of, amongst others, (i) the continuing connected transactions with respect to the Framework Agreements; (ii) the recommendations of the Independent Board Committee in respect of the said continuing connected transactions; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the independent shareholders of the Company in respect of the said continuing connected transactions and the term of the Framework Agreements will be despatched to the Shareholders in due course and in any event not later than Friday, 8 July 2011, since additional time is required by the independent financial adviser to review the terms of all the five Framework Agreements and prepare its advice letter to the Independent Board Committee and the independent shareholders as to the fairness and reasonableness of each of these Framework Agreements and the transactions contemplated thereunder.

The Board refers to the Company's announcement dated 19 October 2009 regarding the Company's continuing connected transactions for the purchase and supply of natural gas between certain members of the Group with Shanxi Gas.

From 26 May 2011 to 1 June 2011, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas has on its own entered into a Framework Agreement for the purchase and supply of natural gas with Shanxi Gas.

FRAMEWORK AGREEMENTS DETAILS

(a) Date

Each of the Framework Agreements was executed between 26 May 2011 and 1 June 2011. As Shanxi Gas is a state-owned enterprise and the Framework Agreements concern five different cities, each of the relevant subsidiaries of the Group needed to liaise with the respective local state owned joint venture partners and/or governmental authorities for the finalization of these Framework Agreements, and therefore the Framework Agreements were executed on different dates. For the purpose of aggregation under Rule 14A.25, the Company considers it more meaningful to announce these transactions after receiving all the five duly executed Framework Agreements. Such entire process has taken some time and hence this announcement was made only after receipt of all the duly executed Framework Agreements.

(b) Parties

Purchaser under each of the Framework Agreements (as the case may be):

- (i) Yangquan CR Gas;
- (ii) Datong CR Gas;
- (iii) Hongdong CR Gas;
- (iv) Huozhou CR Gas; or
- (v) Yangqu CR Gas;

Supplier under each of the Framework Agreements

- (i) Shanxi Gas.

(c) Transaction Nature

Pursuant to each of the Framework Agreements, Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas, each a non-wholly owned subsidiary of the Company, will respectively commit to purchase and Shanxi Gas will respectively commit to supply an annual minimum volume of natural gas during the term of the agreement, which is five years commencing from 1 January 2011. Each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas (as the case may be) and Shanxi Gas is liable to the other for compensation if it fails to purchase or supply natural gas in the annual minimum volume as stipulated in the Framework Agreement to which it is a party, save and except where such failure to meet the annual minimum volume was due to any force majeure events or the default of the other party. Any compensation is to be calculated based on pre-agreed formulae provided in the respective Framework Agreement.

Each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas may, under the respective Framework Agreement, demand beyond the annual minimum volume of natural gas committed to be supplied by Shanxi Gas. Shanxi Gas agrees to use its reasonable endeavour (but without any obligation) to meet such additional demand at an increase in purchase price subject to the terms and conditions under the respective Framework Agreement. Under the Framework Agreement to which it is a party, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas has each committed to purchase a minimum volume of natural gas as set out in columns (II) to (VI) of Table A below for years 2011 to 2015 respectively:

Table A

(I)	(II) 2011 Minimum Volume (m ³)	(III) 2012 Minimum Volume (m ³)	(IV) 2013 Minimum Volume (m ³)	(V) 2014 Minimum Volume (m ³)	(VI) 2015 Minimum Volume (m ³)
Yangquan CR Gas	140,000,000	170,000,000	200,000,000	230,000,000	250,000,000
Datong CR Gas	159,500,000	167,900,000	181,000,000	295,400,000	347,000,000
Hongdong CR Gas	13,990,000	30,000,000	50,000,000	75,000,000	100,000,000
Huozhou CR Gas	12,130,000	20,730,000	29,450,000	33,030,000	33,490,000
Yangqu CR Gas	6,125,000	40,000,000	80,000,000	120,000,000	150,000,000

(d) Prices

The prices for the purchase and supply of natural gas under each of the Framework Agreements will be based on market price, subject to adjustment according to the prices prescribed by the PRC government, including the provincial price bureau. Based on the current market prices of natural gas in the relevant cities and counties, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas respectively agrees, under the Framework Agreement to which it is a party, to purchase and Shanxi Gas agrees to sell and supply natural gas to each companies respectively at the following prices for non-industrial purposes and industrial purposes, calculated by reference to price per m³, as set out in columns (II) and (III) of the Table B below:

Table B

(I)	(II) Price per m ³ For Non-industrial purposes (RMB)	(III) Price per m ³ For Industrial purposes (RMB)
Yangquan CR Gas	1.67 (equivalent to approximately HK\$2.02)	2.25 (equivalent to approximately HK\$2.73)
Datong CR Gas	1.68 (equivalent to approximately HK\$2.04)	2.26 (equivalent to approximately HK\$2.74)
Hongdong CR Gas	1.72 (equivalent to approximately HK\$2.08)	2.27 (equivalent to approximately HK\$2.75)
Huozhou CR Gas	1.72 (equivalent to approximately HK\$2.08)	2.27 (equivalent to approximately HK\$2.75)
Yangqu CR Gas	1.68 (equivalent to approximately HK\$2.04)	2.26 (equivalent to approximately HK\$2.74)

(e) Term

Each of the Framework Agreements shall be valid for a period from 1 January 2011 to 31 December 2015.

(f) Payment

Under the respective Framework Agreement, each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas has to settle the natural gas fee monthly in cash in advance based on monthly estimated volume of gas (being the proportionate volume of gas based on the annual minimum volume) to be consumed for the relevant month.

CONSIDERATION PURSUANT TO THE FRAMEWORK AGREEMENTS

The proposed price per m³ at which natural gas is to be sold and purchased pursuant to each of the Framework Agreements is determined on an arm's length basis between the Group and Shanxi Gas by reference to prevailing market price. The terms of the transactions pursuant to each of the Framework Agreements shall be no less favourable than those offered by independent third parties.

The Directors expect that, conditional upon the approval of the independent shareholders, the aggregate annual maximum consideration of purchases of natural gas by Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas in aggregate from Shanxi Gas pursuant to all the Framework Agreements will not exceed the following:

Table C

Year/Period	Annual Cap (RMB)	Annual Cap (approximate HK\$ equivalent)
1 January 2011 – 31 December, 2011	748,604,900	907,309,139
For the year ending 31 December, 2012	967,511,100	1,172,623,453
For the year ending 31 December, 2013	1,220,211,500	1,478,896,338
For the year ending 31 December, 2014	1,701,532,100	2,062,256,905
For the year ending 31 December, 2015	1,988,742,300	2,410,355,668

The estimates of the annual caps as shown in Table C above are the aggregate of the maximum consideration of purchases under each of the Framework Agreements, each of such maximum consideration under each Framework Agreement is based on the current market prices for industrial purposes as agreed between the parties under the respective Framework Agreement as set out in column (III) of Table B above and multiplying by the estimated volume of natural gas to be purchased during each relevant period as agreed under the respective Framework Agreement as set out in columns (II) to (VI) in the following Table D:

Table D

(I)	(II) 2011 Estimated Volume (m ³)	(III) 2012 Estimated Volume (m ³)	(IV) 2013 Estimated Volume (m ³)	(V) 2014 Estimated Volume (m ³)	(VI) 2015 Estimated Volume (m ³)
Yangquan CR Gas	140,000,000	170,000,000	200,000,000	230,000,000	250,000,000
Datong CR Gas	159,500,000	167,900,000	181,000,000	295,400,000	347,000,000
Hongdong CR Gas	13,990,000	30,000,000	50,000,000	75,000,000	100,000,000
Huozhou CR Gas	12,130,000	20,730,000	29,450,000	33,030,000	33,490,000
Yangqu CR Gas	6,125,000	40,000,000	80,000,000	120,000,000	150,000,000

Such annual caps are arrived at after taking into account the past consumption of natural gas, the existing scale and operations of each of the relevant members of the Group involved in these transactions, the anticipated growth and development of natural gas distribution business of the Group, the anticipated growth of the gas users as a result of the economic growth and anticipated increase in the population of the relevant areas in Yangquan city, Datong city, Hongdong county, Huozhou city and Yangqu county.

BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in downstream city gas distribution in the PRC. The Directors believe that the continuing connected transactions are consistent with the businesses and commercial objectives of the Group in exploring market opportunities for gas and gas related products and services in the PRC and that, by entering into the Framework Agreements, it will help Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas and Yangqu CR Gas in ensuring a steady and reliable supply of natural gas for its business and natural gas distribution in Yangquan city, Datong city, Hongdong county, Huozhou city and Yangqu county. Each of the Framework Agreements is for a term exceeding three years. The Company believes that this is normal in accordance with the business practice in the PRC and would provide further stability in the supply of natural gas from Shanxi Gas for the Group's continuous operations in the relevant cities and counties.

LISTING RULES IMPLICATIONS

Shanxi Gas is a limited liability company established in the PRC engaged in energy development, manufacturing and supply of natural gas in the PRC.

Shanxi Gas is interested in 10%, 25% and 30% of the registered capital of Hongdong CR Gas, Yangquan CR Gas and Huozhou CR Gas respectively. Shanxi Energy, the parent company of Shanxi Gas, is also interested in 25% and 51% of the registered capital of Datong CR Gas and Shanxi Gas respectively. Hence, each of Shanxi Gas and Shanxi Energy is a connected person of the Company.

As the transactions involve the purchase of natural gas by the Group from Shanxi Gas, the transactions contemplated under the five Framework Agreements will have to be aggregated pursuant to Rule 14A.25. It is expected that one or more of the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the annual aggregate maximum consideration payable by the Group under all the five Framework Agreements will exceed 5%, each of the five Framework Agreements and transactions contemplated therein are subject to reporting and announcement requirements and independent shareholders' approval under Rules 14A.45 to 14A.48 of the Listing Rules.

No Shareholder is required to abstain from voting if the Company were to convene a special general meeting for the approval of the Framework Agreements and transactions contemplated therein, and the Company intends to obtain a written approval from Splendid Time, which holds approximately 68.08% of the entire issued share capital of the Company, in respect of entering into each of the Framework Agreements and the transactions contemplated therein.

The Company will apply to the Stock Exchange for a waiver from strict compliance with the Listing Rules to hold a general meeting for the independent shareholders' approval for the Framework Agreements pursuant to Rule 14A.43 of the Listing Rules. Subject to the Stock Exchange's granting of the said waiver, the Framework Agreements and the transactions contemplated therein would have been approved by the written approval of Splendid Time in lieu of holding a general meeting of the Company.

Save as stated above and as disclosed in the Company's announcement dated 19 October 2009, the Group had no prior transaction with Shanxi Gas and its ultimate beneficial owners that require aggregation under Rule 14A.25 of the Listing Rules. It should be noted that as announced on 19 October 2009, the term of the Hongdong Contract and Huozhou Contract (as respectively defined therein) will only expire by 31 December 2011; however, the Group has renewed and varied the respective terms of the said agreements as set out in this announcement commencing from the date of the respective Framework Agreements to which Hongdong CR Gas or Huozhou CR Gas is a party (as the case may be).

GENERAL

The Directors, excluding independent non-executive Directors, consider that the continuing connected transactions under each of the Framework Agreements and the relevant annual caps set out above are and will be conducted in ordinary course of business of the Group, on normal commercial terms and are fair and reasonable and in the interest of the Company and its shareholders as a whole. None of the Directors has a material interest in any of the Framework Agreements and the transactions contemplated thereunder, and none of them had abstained from voting on the relevant board resolutions in this respect.

The Independent Board Committee will also consider the terms of each of the Framework Agreement and the terms of the said continuing connected transactions including the corresponding annual caps set out above. No member of the Independent Board Committee has any material interest in any of the Framework Agreements and the said continuing connected transactions.

As each of the Framework Agreements is for a duration of five years (exceeding the requirement under Rule 14A.35(1) of the Listing Rules that it must not be longer than three years), the Company will appoint an independent financial adviser to provide its view on why a longer period is required for each of the Framework Agreements and confirm that it is normal business practice for contracts of this type to be of such duration. In addition, the said independent financial adviser will also advise the Independent Board Committee and the independent shareholders of the Company on the fairness and reasonableness of the terms of the continuing connected transactions under each of the Framework Agreements and the relevant annual caps. These advice from the independent financial adviser will be included in the circular to be despatched in relation to these Framework Agreements.

A circular containing further details of, amongst others, (i) the continuing connected transactions under the Framework Agreements; (ii) the recommendations of the Independent Board Committee in respect of the said continuing connected transactions; and (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the independent shareholders of the Company in respect of the said continuing connected transactions will be despatched to the shareholders of the Company in due course and in any event not later than Friday, 8 July 2011, since additional time is required by the independent financial adviser to review the terms of all the five Framework Agreements and prepare its advice letter to the Independent Board Committee and the independent shareholders as to the fairness and reasonableness of each of these Framework Agreements and the transactions contemplated thereunder.

DEFINITIONS

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

- “China Resources Holdings” : China Resources (Holdings) Company Limited, the substantial and controlling shareholder of the Company, through its interest in its wholly-owned subsidiary, Splendid Time;
- “Company” : China Resources Gas Group Limited (華潤燃氣控股有限公司), a company incorporated in Bermuda limited with liability, the issued shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited;
- “Datong CR Gas” : 大同華潤燃氣有限公司 (translated as Datong China Resources Gas Co., Ltd.)*, a limited liability company established in the PRC which is a non wholly-owned subsidiary of the Company;
- “Framework Agreements” : the five separate framework agreements entered into by each of Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas, Huozhou CR Gas, Yangqu CR Gas as purchaser respectively with Shanxi Gas as supplier, which is more particularly described under the section “Framework Agreements Details” of this announcement, and each a “Framework Agreement”;
- “Group” : the Company and its subsidiaries;
- “Hongdong CR Gas” : 洪洞華潤恒富燃氣有限公司 (translated as Hongdong China Resources Hengfu Gas Co., Ltd.)*, a limited liability company established in the PRC and a non wholly-owned subsidiary of the Company;
- “Huozhou CR Gas” : 霍州華潤燃氣有限公司 (translated as Huozhou China Resources Gas Co., Ltd.)*, a limited liability company established in the PRC and a non wholly-owned subsidiary of the Company;
- “Independent Board Committee” : an independent board committee of the Company constituted to consider the terms of each of the Framework Agreements and the relevant annual caps as set out in the announcement. 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;
- “Listing Rules” : The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

- “Shanxi Energy” : 山西省國新能源發展集團有限公司 (translated as Shanxi Province National New Energy Development Group Limited)*, a limited liability company established in the PRC and is interested in 25% and 51% of the registered capital of Datong CR Gas and Shanxi Gas respectively;
- “Shanxi Gas” : 山西天然氣股份有限公司 (translated as Shanxi Natural Gas Limited)*, a limited liability company established in the PRC and is interested in 25%, 10% and 30% of the registered capital of Yangquan CR Gas, Hongdong CR Gas and Huozhou CR Gas respectively;
- “Splendid Time” : Splendid Time Investments Inc., a company incorporated in the British Virgin Islands with limited liability, which is the registered and beneficial holder of 1,246,654,206 shares of the Company, representing approximately 68.08% of the issued share capital of the Company, and a wholly-owned subsidiary of China Resources Holdings;
- “Yangqu CR Gas” : 陽曲華潤燃氣有限公司 (translated as Yangqu China Resources Gas Co., Limited)*, a limited liability company established in the PRC which is a non wholly-owned subsidiary of the Company;
- “Yangquan CR Gas” : 陽泉華潤燃氣有限公司 (translated as Yangquan China Resources Gas Co., Limited)*, a limited liability company established in the PRC which is a non wholly-owned subsidiary of the Company; and
- m³ : cubic meters.

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

Hong Kong, 7 June, 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.

For the purposes of this announcement, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB1.00 to HK\$1.212 for the purposes of illustration only. No representation is made that any amount in Hong Kong dollars or RMB could have been or could be converted at the above rate or at any other rates.

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