

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

The Board is pleased to announce that on 23 August 2012, the Company, Powerfaith and CRH (Projects) 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 Share representing the entire issued share capital of CR Petrochem for the Consideration of HK\$2,415 million.

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 68.46% of its issued share capital as at the date of this announcement and the Vendor is an indirectly wholly-owned subsidiary of China Resources Holdings, the Acquisition also constitutes a connected transaction of the Company under the Listing Rules. As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5%, the Acquisition and the Sale and Purchase Agreement 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 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 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 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.

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 as contemplated under the Sale and Purchase Agreement.

A circular containing, among other things, further information on the Acquisition of the Target Group, 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 13 September 2012 in accordance with the Listing Rules.

The Board is pleased to announce its proposed acquisition of CR Petrochem from Powerfaith, an indirectly wholly-owned subsidiary of China Resources Holdings.

BACKGROUND

The Acquisition

On 23 August 2012, the Company entered into the Sale and Purchase Agreement to agree conditionally to acquire the entire issued share capital of CR Petrochem, 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 strategically located in Fuzhou, Nanchang, Jiangmen, Dongying, Taizhou, Heyuan, Nanzhang, Guixi, Fenghua, Liaoyang, Haicheng, Tonghua, Yunnan, Jinzhou and Wannin.

THE SALE AND PURCHASE AGREEMENT

Date

23 August 2012

Parties

- (1) the Company;
- (2) Powerfaith; and
- (3) CRH (Projects)

Sale Share

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 Share with effect from Completion free from all Encumbrances and together with all rights and title to and interests in the Sale Share (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, CRH (Projects), the immediate holding company of Powerfaith, 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.

Condition Precedent

Completion of the Acquisition is subject to the satisfaction of the condition precedent that the Independent Shareholders having approved by way of poll at a duly convened general meeting of the Company, the transactions contemplated under the Sale and Purchase Agreement including but not limited to the Acquisition and, to the extent applicable, the transactions out of the Sale and Purchase Agreement and in pursuance of the Sale Share (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).

The condition above shall not be waived in any event. If the condition set out in the Sale and Purchase Agreement is not fulfilled on or before 31 December 2012 (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 condition precedent set out in the Sale and Purchase Agreement has been fulfilled.

Consideration

The Consideration payable by the Company for the Acquisition is HK\$2,415 million and shall be paid by the Company within six months from the Completion Date. The Company shall pay interest on the Consideration to the Vendor at a normal commercial or preferable rate to the Company from the date of Completion until the date of payment by the Company (both days inclusive).

The Company will finance the payment of the Consideration by its internal resources and bank borrowings.

The Consideration, based on the original investment and interest costs to the Vendor, 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 CR Petrochem operates.

China Resources Holdings has originally acquired the Target Group since 2008 for a total consideration of approximately HK\$2,339.5 million. The unaudited combined net asset value of the Target Group as at 31 July 2012 was approximately HK\$1,350.3 million.

Deed of Indemnity

On Completion, the Company, the Vendor and CRH (Projects) 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. CRH (Projects) 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

CR Petrochem has been the sole holding company of all the piped gas projects held by China Resources Holdings (other than those held by the Group) since 2008. Since the first acquisition of piped gas projects by the Company from China Resources Holdings in 2008, the Company has been transformed into one of the leading piped gas operators in the PRC. Since then, the Group has been active in seeking business opportunities to expand its core business of downstream city gas operation in the PRC. Its existing 80 city gas projects as at 30 June 2012 are strategically located in

16 provinces and two municipals in the PRC. The Acquisition is part of the on-going expansion strategy of the Group with the aim of becoming the market leader in the downstream city gas industry in the foreseeable future. The Company believes that it is now the prime time to acquire the remaining piped gas projects held by China Resources Holdings in order to better manage and utilize the financial and operational resources of all the piped gas projects to be held under the Group. With a portfolio of more than one hundred piped gas projects held and to be held by the Group after this acquisition, the Group believes that it will enter into another phase of its expansion plan which it can proceed with the acquisition on its own and will be able to benefit from the synergies of a sizeable piped gas portfolio. However, China Resources Holdings has indicated that it will remain committed to invest in piped gas projects in the event that the Company believes it is to its advantage if such project is to be initially invested by China Resources Holdings.

The Target Group operates 15 city gas projects, one midstream gas transmission pipeline project and 7 gas stations in 9 provinces in the PRC. The portfolio includes city gas distribution projects in provincial capitals in Fujian Province and Jiangxi Province, namely Fuzhou City and Nanchang City.

Fuzhou City, the capital of Fujian Province, is an important economic center of the Minjiang River Delta in the south eastern coastal region of China with modern sea, air and rail linkages. Covering an area of 12,177 square km, it comprises of 5 Central Districts, 6 Counties, 2 County-level Cities and 1 Economic Development Zone. Fuzhou City has a population of 7.2 million in 2011 with growth rate of 11.4%. Its GDP for 2011 was RMB 373.5 billion with growth rate of 13%. Its per capita GDP of RMB 52,100 is more than 50% higher than the national average of RMB34,300.

The GDP of Fuzhou City is mainly driven by industry and coal is used as the primary source of energy to fuel these industrial activities. The estimated amount of coal consumed per annum is 9 million ton which is equivalent to 4 billion cubic meter of natural gas. The Directors are of the view that this offers a tremendous amount of room for natural gas to replace coal once more natural gas are available. CNOOC Gas & Power Group (“CNOOC”), a strategic partner of the Group for gas supply arrangement, has started supplying Liquefied Natural Gas (LNG) from its LNG terminal in Putian, Fujian Province in 2010. The initial capacity of this LNG terminal is 2.6 million metric ton per annum or equivalent to about 3.6 billion cubic meter of natural gas. There is a plan by CNOOC to double this LNG capacity in the near future. China National Petroleum Corporation (“CNPC”), a strategic partner of the Group for gas supply arrangement, has also started constructing the 30 billion cubic meter capacity West-East Phase 3 pipeline, bringing natural gas from Central Asia to the southern and eastern coastal regions of China. This pipeline is expected to reach Fujian Province by 2015.

The gas penetration rate of less than 5% in Fujian Province ranks among the lowest in China as natural gas only became available in Fujian Province recently, which offers a tremendous amount of room for growth for downstream city gas business. The current annual gas sales volume of Fuzhou project operated by the Target is about 200 million cubic meter, of which 82% are sold to industrial & commercial and CNG users. This gas sales volume is expected to increase very significantly by 2015 in tandem with the increase in upstream natural gas supply. The initial rapid increase is fueled by the replacement of coal by natural gas and the increase will subsequently be sustained by the double digit economic growth and continuing urbanization of Fuzhou City. This will enable the Fuzhou project to rank among the Company's top 10 city gas projects by 2015 and contribute significantly to the Company's revenue and profit.

The acquisition will also add to the Company's existing footprint in Fujian Province and create further cluster synergy with the Group's existing project in Xiamen in terms of LNG procurement, pipeline design & construction and management efficiency.

Nanchang City, the capital of Jiangxi Province, is an important logistics hub situated in the center of the Yangtze River Delta, Pearl River Delta and the south eastern Min/Fujian economic region. It has extensive rail, road and air infrastructures linking it to the entire China. Beijing-Kowloon Railway and Shanghai-Kunming Railway run through the city and it is also connected by the High-speed Railway to Shanghai, Hangzhou and Chongqing. Beijing-Zhuhai, Shanghai-Kunming and Fuzhou-Lanzhou national trunk roads also connect Nanchang City to most of China.

Covering an area of 7,402 square km, it comprises of 5 Central Districts, 4 Counties, 2 County-level Cities and 2 National Level Economic Development Zones. Nanchang City has a population of 5.05 million in 2011 and its GDP for 2011 was RMB 268.9 billion with growth rate of 13%. Its per capita GDP of RMB 53,200 is more than 50% higher than the national average of RMB34,300.

Like Fuzhou, the GDP of Nanchang City is also mainly driven by industry and coal is used as the primary source of energy to fuel these industrial activities. The estimated amount of coal consumed per annum is 4.2 million ton which is equivalent to 1.9 billion cubic meter of natural gas. China Petroleum & Chemical Corporation ("**Sinopec**"), another strategic partner of the Group for gas supply arrangement, started supplying natural gas to Nanchang city in 2010 via its Sichuan-East pipeline. The city will also receive gas supply in 2012 from CNPC's West-East Phase 2 pipeline, which brings natural gas from Central Asia to the eastern coastal regions of China.

The gas penetration rate of 5% in Jiangxi Province ranks among the lowest in China as natural gas only became available in Jiangxi Province recently, which offers a lot of scope for growth for downstream city gas business. The current annual gas sales volume of Nanchang project is about 130 million cubic meter of which industrial and commercial users accounts for 61%. This gas sales volume is expected to increase substantially by 2015 in tandem with the increase in natural gas supply. The initial rapid increase is fueled by the replacement of coal by natural gas and the increase will subsequently be sustained by the continuing double digit economic growth of Nanchang City. As a provincial city gas project, it is expected that it will contribute significantly to the Company's revenue and profit by 2015.

The acquisition will add to the Company's existing footprint in Jiangxi Province and create further cluster synergy with city gas projects in Jingdezhen and Yingtian in terms of centralized procurement, pipeline design & construction and management efficiency.

The above 16 projects (comprising 15 city gas projects and one midstream gas transmission pipeline project) to be acquired are relatively new to pipe natural gas, thus offers a tremendous room to grow at high rates in the near future. Their aggregate gas sales volume is expected to grow in tandem with the overall growth of gas supply in China which is projected at more than double to 260 billion cubic meter by 2015. In addition, cluster synergy with the Company's existing city gas projects will be further enhanced to fuel further operational scale and resulting economic efficiency.

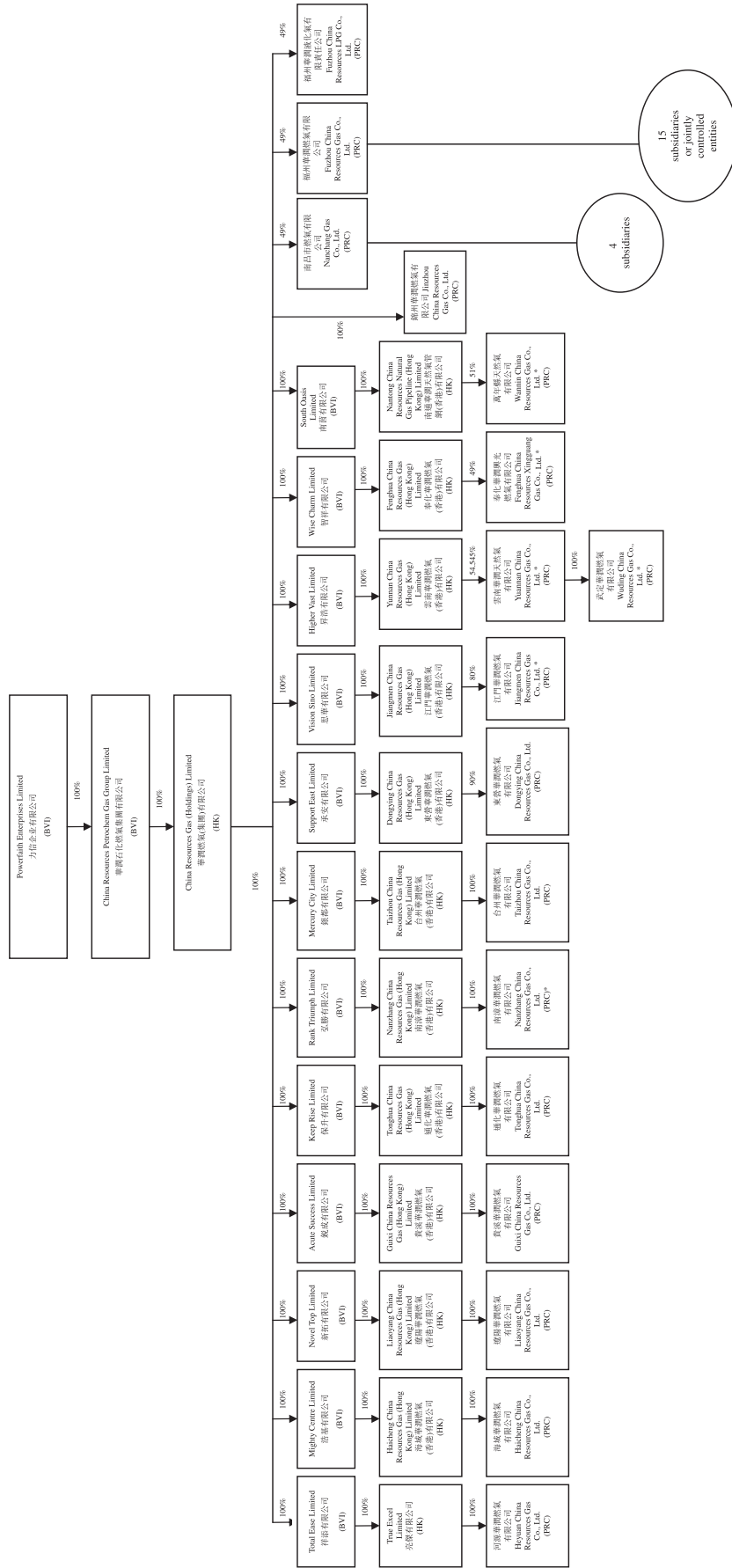
The Directors consider the Acquisition will enable the Group to further extend its coverage and footprint in the PRC. The Group has existing city gas operations in most of these provinces and has 10 regional offices set up in various strategic locations in the PRC. The projects of the Target Group will be efficiently integrated and managed by the relevant regional office depending on their geographical locations. As such, the Directors consider that the Acquisition creates synergy value with the Group's existing gas operation, thereby will broaden the Group's revenue base as well as enhance and sustain its earning capabilities.

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 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 CR PETROCHEM

CR Petrochem, an indirectly wholly-owned subsidiary of China Resources Holdings, is an investment holding company of all its piped gas projects other than those already held by the Group. 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 strategically located in Fuzhou, Nanchang, Jiangmen, Dongying, Taizhou, Heyuan, Nanzhang, Guixi, Fenghua, Liaoyang, Haicheng, Tonghua, Yunnan, Jinzhou and Wannin.

The corporate structure of the members of the Target Group as at the date of the Sale and Purchase Agreement is depicted in 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 purpose only.

Financial information of CR Petrochem

No audited account of CR Petrochem is available since CR Petrochem is not required to prepare the same in the place of its incorporation, the BVI. For the purposes of this announcement, assuming the Target Group had been formed since 1 January 2010, the net profits (both before and after taxation and minority interests) as shown in the unaudited combined profit and loss accounts attributable to the Target Group for the two years ended 31 December 2011 and the seven months ended 31 July 2012 are as follows:-

	For the year ended 31 December 2010	For the year ended 31 December 2011	For the seven months ended 31 July 2012
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Unaudited combined profit before taxation and minority interests	5.5	49.9	40.6
Unaudited combined profit after taxation and minority interests	3.0	27.9	29.9

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 68.46% of its issued share capital as at the date of this announcement and the Vendor is an indirectly wholly-owned subsidiary of China Resources Holdings, the Acquisition also constitutes a connected transaction of the Company under the Listing Rules. As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5%, the Acquisition and the Sale and Purchase Agreement 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 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 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.

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 as contemplated under the Sale and Purchase Agreement.

NATURE OF BUSINESS OF COMPANY, POWERFAITH AND CRH (PROJECTS)

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 Group is principally engaged in downstream city gas distribution in the PRC. Its current operations cover 16 provinces and 80 cities including municipalities, provincial capitals and major cities such as Shanghai, Chongqing, Zhengzhou, Chengdu, Nanjing, Wuhan, Kunming, Jinan, Wuxi, Suzhou, Xiamen, etc.

Powerfaith is an indirectly wholly-owned subsidiary of China Resources Holdings and is an investment holding company with its sole investment in CR Petrochem.

CRH (Projects) is the immediate holding company of Powerfaith 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 as contemplated under the Sale and Purchase Agreement; (ii) the recommendations of the Independent Board Committee in respect of the Acquisition 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 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 13 September 2012.
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 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 as contemplated under the Sale and Purchase Agreement other than as Shareholders of the Company will abstain from voting in respect of the proposed resolutions 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 Share 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 68.46% of its issued share capital as at the date of this announcement or, where the context requires, the relevant subsidiary or subsidiaries thereof;
“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 Share;
“Completion Date”	the day on which Completion takes place in accordance with the provisions of the Sale and Purchase Agreement
“Consideration”	HK\$2,415 million;
“CRH (Projects) “	CRH (Projects) Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of China Resources Holdings;

“CR Petrochem”	China Resources Petrochem Gas Group Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor;
“Deed of Indemnity”	the deed of indemnity to be entered into among the Vendor, the Company and CRH (Projects) 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 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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	the parties to the Sale and Purchase Agreement, namely, the Company, Powerfaith and CRH (Projects);

“Powerfaith” / “Vendor”	Powerfaith Enterprises Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of CRH (Projects);
“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 CRH (Projects) dated 23 August 2012 in relation to the Acquisition;
“Sale Share”	one ordinary share of HK\$100.00 in the share capital of CR Petrochem, representing the entire issued share capital of CR Petrochem as at the date of this announcement and such additional share as may be issued by CR Petrochem 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 as contemplated under the Sale and Purchase Agreement on or around 28 September 2012;
“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, CR Petrochem, its subsidiaries, jointly controlled entities and associated companies;

“%” per cent.

By Order of the Board
China Resources Gas Group Limited
Wang Chuandong
Chairman

Hong Kong, 23 August 2012

Mr. Wang Chuandong, Mr. Shi Shanbo and Mr. Ong Thiam Kin, being Executive Directors; Mr. Du Wenmin, Mr. Wei Bin, Mr. Huang Daoguo and Mr. Chen Ying, being Non-executive Directors; and Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian, being Independent Non-executive Directors.