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*(Incorporated in Bermuda with limited liability)
(Stock Code: 1193)*



ZHENGZHOU GAS COMPANY LIMITED*
鄭州燃氣股份有限公司

*(a joint stock limited company incorporated in the
People's Republic of China)
(Stock Code: 3928)*

MAJOR TRANSACTIONS

JOINT ANNOUNCEMENT

**POTENTIAL COOPERATION BETWEEN
CHINA RESOURCES GAS GROUP LIMITED AND
THE CONTROLLING SHAREHOLDER OF ZHENGZHOU GAS COMPANY LIMITED
INVOLVING THE FORMATION OF A JOINT VENTURE, ACQUISITION OF ASSETS
BY THE JOINT VENTURE FOR ITS PIPED GAS BUSINESS AND
ACQUISITION OF CONTROLLING INTEREST
IN ZHENGZHOU GAS COMPANY LIMITED AND A SPECIAL DEAL**

**POSSIBLE MANDATORY CONDITIONAL CASH OFFER BY
ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF
CHINA RESOURCES GAS (CHINA) INVESTMENT LIMITED TO ACQUIRE
ALL THE H SHARES IN ZHENGZHOU GAS COMPANY LIMITED
AND**

**POSSIBLE MANDATORY CONDITIONAL CASH OFFER BY
CHINA RESOURCES GAS (CHINA) INVESTMENT LIMITED TO ACQUIRE
ALL THE DOMESTIC SHARES IN ZHENGZHOU GAS COMPANY LIMITED**

RESUMPTION OF TRADING

Financial adviser to China Resources Gas Group Limited

Potential cooperation between CR Gas and Zhengzhou SASAC

On 25 November 2009, CR Gas Investment and Zhengzhou SASAC entered into various agreements which relate to the formation of the Joint Venture between CR Gas Investment and Zhengzhou SASAC, increase in its registered capital; and the acquisitions by the Joint Venture of 54,041,510 Domestic Shares which represent 43.18% of the total issued share capital of Zhengzhou Gas and Other Assets from Zhengzhou SASAC. Upon completion of these arrangements, the piped gas business currently conducted or supervised by Zhengzhou SASAC or its subsidiaries and associated companies, including Zhengzhou Gas, Nanyang Zhengran and Zhengzhou Gas Design will be effectively transferred to the Joint Venture.

The Joint Venture, when it is successfully formed and following the increase in its registered capital to RMB950 million, will be held as to 80% by CR Gas Investment and as to 20% by Zhengzhou SASAC where CR Gas Investment will contribute RMB760 million in cash and Zhengzhou SASAC will contribute RMB190 million in assets. If the conditions to which the formation of the Joint Venture and the completion of the acquisition of Sale Shares are subject have been fulfilled, the Joint Venture will acquire the Sale Shares from Zhengzhou SASAC and CR Gas Investment will be responsible for the compensation payable to the staff of Zhengzhou Gas and Zhengzhou GGCL upon Completion, for a total consideration of approximately RMB456.7 million. This will lead to a change in control of Zhengzhou Gas under the Takeovers Code and therefore a mandatory general offer will be made to the shareholders of Zhengzhou Gas.

Pursuant to the agreements between Zhengzhou SASAC and CR Gas Investment, the Joint Venture will acquire the Other Assets which principally comprise of buildings and equipment from Zhengzhou SASAC that will be used by the Joint Venture for conducting its piped gas business for a total consideration of approximately RMB13.4 million. The Joint Venture and Zhengzhou SASAC also intend to enter into a lease agreement pursuant to which Zhengzhou SASAC will grant the Joint Venture the right to use a parcel of land for a term of 30 years at an annual leasing fee of approximately RMB1.3 million. The formation of the Joint Venture for acquiring the Sale Shares and the Other Assets, together with the Offers, constitute major transactions of CR Gas under the Listing Rules.

Possible mandatory conditional cash offer and special deal

CR Gas Investment will make the Offers under the Takeovers Code upon completion of the acquisition of the Sale Shares by the Joint Venture from Zhengzhou SASAC or Zhengzhou GGCL. The price of the Offers to be made by CR Gas Investment to the shareholders of Zhengzhou Gas are RMB8.45 per Domestic Share and the Hong Kong dollar equivalent of RMB8.45 per H Share. Based on the current exchange rate of RMB0.88 to HK\$1, this is equivalent to approximately HK\$9.60.

Upon completion of the acquisition of the Sale Shares by the Joint Venture, there will be 16,042,490 Domestic Shares and 55,066,000 H Shares subject to the Offers and based on an offer price of RMB8.45 per Domestic Share and estimated offer price of approximately HK\$9.60 per H Share using the current exchange rate, the Offers are valued at approximately HK\$682.7 million.

The contribution of assets by Zhengzhou SASAC for the formation of the Joint Venture, the acquisition of the Other Assets and the leasing of a parcel of land by the Joint Venture from Zhengzhou SASAC will constitute a special deal under Rule 25 of the Takeovers Code, and require the consent of the Executive. An application will be made to the Executive for the consent. Such consent, if granted, will be subject to the independent financial adviser of Zhengzhou Gas publicly stating that in its opinion the respective terms of the Special Deal are fair and reasonable and the

Special Deal is approved by the independent shareholders of Zhengzhou Gas.

General

Under Rule 8.2 of the Takeovers Code, an offer document containing, among other things, details of the Offers, together with the relevant forms of acceptance and transfer, should be despatched to the shareholders of Zhengzhou Gas as soon as practicable, but in any event within 21 days of the date of this announcement or such later date as the Executive may approve. Pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the Executive's consent is required if the making of an offer is subject to the prior fulfillment of a pre-condition and the pre-condition cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code. Application will be made by CR Gas Investment for the Executive's consent under Rule 8.2 of the Takeovers Code if the Completion does not take place within 21 days of the date of this announcement to extend the deadline for the despatch of the offer document to within 7 days of Completion. Further announcement will be made as and when appropriate.

Subject to the Completion, it is intended that the offer document and the offeree board circular will be combined into a composite offer document containing, among other things, details of the Offers including the expected timetable, the recommendation from the independent board committee of Zhengzhou Gas and the advice from the independent financial adviser to the independent board committee of Zhengzhou Gas in respect of the Offers, will be despatched to the shareholders of Zhengzhou Gas.

An extraordinary general meeting of Zhengzhou Gas will be convened to consider and approve the Special Deal. A circular containing particulars of the Special Deal, the recommendation from the independent board committee of Zhengzhou Gas and the advice from the independent financial adviser to the independent board committee of Zhengzhou Gas in respect of the Special Deal, and a notice of extraordinary general meeting will be despatched to the shareholders of Zhengzhou Gas as soon as practicable.

A circular for the major transactions will be despatched to the shareholders of CR Gas in accordance with the relevant requirements of the Listing Rules as soon as practicable.

CR Gas and Zhengzhou Gas will comply with all applicable rules of the Takeovers Code, including publishing further announcements relating to the details of the potential cooperation, the Special Deal and the Offers as and when necessary and appropriate.

Resumption of trading

At the request of Zhengzhou Gas, trading in H Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 27 October 2009 pending the publication of this announcement. Application has been made for the resumption of trading in H Shares on the Stock Exchange from 9:30 a.m. on 26 November 2009.

At the request of CR Gas, trading in the shares of CR Gas on the Stock Exchange was suspended with effect from 9:48 a.m. on 27 October 2009 pending the publication of this announcement. Application has been made for the resumption of trading in the shares of CR Gas on the Stock Exchange from 9:30 a.m. on 26 November 2009.

THE OFFERS WILL ONLY BE MADE IF THE ACQUISITION OF THE SALE SHARES BY THE JOINT VENTURE TAKES PLACE. COMPLETION IS SUBJECT TO THE FULFILMENT OF THE PRE-CONDITIONS AS SET OUT IN THIS ANNOUNCEMENT. THEREFORE, THE OFFERS MAY OR MAY NOT BE MADE AND SHAREHOLDERS AND, OR, POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES OF CR GAS AND ZHENGZHOU GAS.

INTRODUCTION

Reference is made to the announcement of CRGH dated 21 July 2009 and the announcements of Zhengzhou Gas dated 9 October 2009, 10 September 2009, 11 August 2009, 6 August 2009 and 9 July 2009, respectively, all relating to the potential cooperation between CRGH and Zhengzhou SASAC and, or, Zhengzhou GGCL, the controlling shareholder of Zhengzhou Gas.

Reference is also made to the respective announcements of CR Gas and Zhengzhou Gas both dated 6 November 2009, in which it was disclosed that CR Gas Investment, a wholly-owned subsidiary of CR Gas, had taken the place of CRGH in the negotiation of the potential cooperation with Zhengzhou SASAC and, or, Zhengzhou GGCL.

The respective boards of directors of CR Gas and Zhengzhou Gas would like to update the shareholders of both companies about the potential cooperation between CR Gas and Zhengzhou SASAC. On 25 November 2009, CR Gas Investment and Zhengzhou SASAC entered into various agreements which relate to the formation of the Joint Venture between CR Gas Investment and Zhengzhou SASAC, increase in its registered capital; and the acquisitions by the Joint Venture of the Sale Shares which represent 43.18% of the total issued share capital of Zhengzhou Gas and the Other Assets from Zhengzhou SASAC. The Joint Venture, when it is successfully formed and following the increase in its registered capital, will be held as to 80% by CR Gas Investment and as to 20% by Zhengzhou SASAC. The Joint Venture and Zhengzhou SASAC also intend to enter into a lease agreement pursuant to which Zhengzhou SASAC will grant the Joint Venture the right to use a parcel of land for a term of 30 years at an annual leasing fee of approximately RMB1.3 million.

If the conditions to which the formation of the Joint Venture and the completion of the acquisitions of Sale Shares are subject have been fulfilled, the Joint Venture will acquire the Sale Shares from Zhengzhou SASAC. This will lead to a change in control of Zhengzhou Gas under the Takeovers Code and therefore a mandatory general offer will be made to the shareholders of Zhengzhou Gas, subject to the terms and conditions as further described below. The contribution of assets by Zhengzhou SASAC for the formation of the Joint Venture, the acquisition of the Other Assets and the leasing of a parcel of land by the Joint Venture will constitute a special deal under Rule 25 of the Takeovers Code, and require the consent of the Executive. An application will be made to the Executive for the consent. Such consent, if granted, will be subject to the independent financial adviser of Zhengzhou Gas publicly states that in its opinion the respective terms of the Special Deal are fair and reasonable and the Special Deal is approved by the independent shareholders of Zhengzhou Gas. The formation of the Joint Venture for acquiring the Sale Shares and the Other Assets, together with the Offers, constitute major transactions of CR Gas under the Listing Rules.

THE POTENTIAL COOPERATION BETWEEN CR GAS AND ZHENGZHOU SASAC

CR Gas Investment and Zhengzhou SASAC entered into various agreements on 25 November 2009 under which the parties have agreed the following:

- the establishment by CR Gas Investment and Zhengzhou SASAC of the Joint Venture to which CR Gas Investment will contribute RMB490 million in cash and Zhengzhou SASAC will contribute RMB190 million through the injection of assets relating to the piped gas business including land use rights, machinery and equity interests in two PRC companies;
- the contribution by CR Gas Investment to the Joint Venture of a further RMB270 million in cash after obtaining the relevant approvals for the increase in the registered capital of the Joint Venture;
- the acquisition by the Joint Venture from Zhengzhou SASAC of the Sale Shares and CR Gas Investment to bear the compensation for the staff of Zhengzhou Gas and Zhengzhou GGCL for a total consideration of approximately RMB456.7 million; and
- the acquisition by the Joint Venture of the Other Assets, comprising principally buildings and equipment for its piped gas operation, from Zhengzhou SASAC for a total consideration of approximately RMB13.4 million.

Upon completion of all of the above arrangements, the piped gas business currently conducted or supervised by Zhengzhou SASAC or its subsidiaries and associated companies, including Zhengzhou Gas, Nanyang Zhengran and Zhengzhou Gas Design will be effectively transferred to the Joint Venture.

To the best knowledge, information and belief of the directors of CR Gas, having made all reasonable inquiries, Zhengzhou SASAC is not a connected person of CR Gas as at the date of this announcement.

The formation of the Joint Venture and the increase in its registered capital

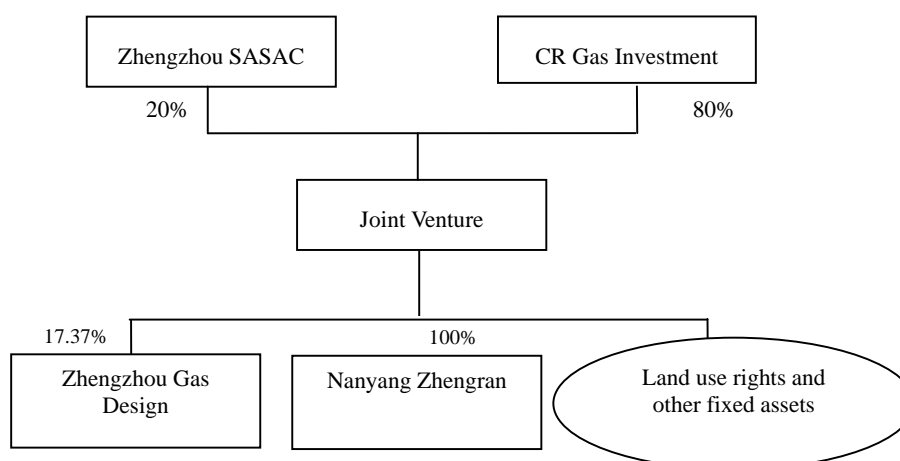
CR Gas Investment and Zhengzhou SASAC will form the Joint Venture in the PRC with an initial registered capital of RMB680 million. Out of such initial registered capital, CR Gas Investment will make a cash contribution of RMB490 million in equivalent foreign currency within six months of the effective date of the agreement for the establishment of the Joint Venture, while Zhengzhou SASAC will contribute RMB190 million through the injection of assets based on their appraised values as set out in the table below:

| <u>Assets to be injected by Zhengzhou SASAC into the Joint Venture</u> | <u>Appraised value</u> <i>(RMB million)</i> |
|-------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| Investments including 100% equity interest in Nanyang Zhengran and 17.37% equity interest in Zhengzhou Gas Design | 43.6 |
| Fixed assets including structures, miscellaneous properties and machinery | 51.3 |
| Land use rights and other | 95.1 |
| Total | 190.0 |

The appraised values of assets to be injected into the Joint Venture from Zhengzhou SASAC as at 30 June 2009 have been determined based on the independent valuation performed by an independent valuer in the PRC using asset-based approach. The final valuation is also required to be approved by the State-owned asset administration authorities and contribution will be made by Zhengzhou SASAC after all relevant approvals are obtained.

The formation of the Joint Venture and the contribution of assets by Zhengzhou SASAC will be subject to the approvals from MOFCOM and NDRC in respect of the establishment of the Joint Venture, and that from the Municipal Government of Zhengzhou City, Zhengzhou SASAC and Henan Provincial SASAC in respect of the contribution of assets by Zhengzhou SASAC; and the consent from the Executive on the Special Deal.

Pursuant to the agreement governing the increase in the registered capital of the Joint Venture, CR Gas Investment will make a further cash contribution to the Joint Venture in the amount of RMB270 million in its equivalent in foreign currency within 30 days of obtaining all the requisite approvals for the increase of registered capital from RMB680 million to RMB950 million. The Joint Venture will then be effectively held as to approximately 20% by Zhengzhou SASAC and 80% by CR Gas Investment, thereby being constituted as a non-wholly owned subsidiary of CR Gas. CR Gas Group intends to use its internal resources and bank borrowings to contribute RMB760 million in cash for the formation of Joint Venture and increase in its registered capital. The ownership structure of the Joint Venture immediately after the increase in registered capital will be as follows:



The proposed name of the Joint Venture is Zhengzhou China Resources Gas Co., Ltd () and it is proposed that the Joint Venture, with the assets being injected by Zhengzhou SASAC and through its equity interests in Zhengzhou Gas as further described below, will be principally engaged in the manufacture and sale of gas, including natural gas, liquefied petroleum gas and coal gas, bottled liquefied gas; gas filling for vehicles; the design and construction of gas projects; the manufacture, sale and repair of gas equipment and related apparatus; the maintenance of gas facilities; the development and use of gas products; and other businesses involving gas related materials and services.

The board of directors of the Joint Venture will comprise of five directors, one of whom will be appointed by Zhengzhou SASAC and four of whom will be appointed by CR Gas Investment. The chairman of the board will be nominated by CR Gas Investment.

Acquisition of the Sale Shares by the Joint Venture and the Offers to the shareholders of Zhengzhou Gas

The Joint Venture will acquire the Sale Shares from Zhengzhou SASAC for a consideration of approximately RMB421.7 million and CR Gas Investment will be responsible for the compensation payable to the staff of Zhengzhou GGCL and Zhengzhou Gas upon Completion, for a total consideration of RMB456.7 million, equivalent to approximately RMB8.45 per Domestic Share including the staff compensation of RMB35 million. Such consideration is determined after arm's length negotiation with reference to, among others, the net assets value of Zhengzhou Gas, its future prospects and the staff compensation if Zhengzhou Gas were changed from a state-owned enterprise to a foreign owned enterprise upon Completion. Zhengzhou Gas will become an associate of CR Gas immediately after the Completion. The Sale Shares are currently held under Zhengzhou GGCL and it is the intention of Zhengzhou GGCL to transfer such shares to Zhengzhou SASAC to facilitate the acquisition by the Joint Venture. An application will be made to the SFC to waive the general offer obligation as required under the Takeovers Code for the transfer of the Sale Shares held by Zhengzhou GGCL to Zhengzhou SASAC. If such waiver is not granted, Zhengzhou SASAC will procure Zhengzhou GGCL to transfer the Sale Shares to the Joint Venture upon Completion.

The acquisition of the Sale Shares by the Joint Venture from Zhengzhou SASAC is subject to the approvals of, among others, MOFCOM, NDRC, Henan Provincial SASAC and SASAC of the State Council and payment will be made within 10 business days after obtaining of the requisite approvals. It is the intention of CR Gas Investment and Zhengzhou SASAC that the completion of the transfer of the Sale Shares will take place within 3 months from the establishment of the Joint Venture, or such longer time as the parties may agree. Within 30 days from the payment of the consideration of the Sale Shares, registration of the Sale Shares in the name of the Joint Venture at the China Securities Depository and Clearing Corporation Limited and filing with the Henan Provincial Administration for Industry and Commerce will be made. The acquisition of the Sale Shares by the Joint Venture will lead to a change in control of Zhengzhou Gas under the Takeovers Code. In accordance with Rule 26.1 of the Takeovers Code, if such acquisition is completed, the Joint Venture and parties acting in concert with it will be required to make the Offers for all the outstanding Zhengzhou Shares other than those already owned or agreed to be acquired by the Joint Venture and parties acting in concert with it. CR Gas Investment will be the offeror for the Offers.

Offer price

CR Gas Investment will make the Offers under the Takeovers Code upon Completion. The price of the Offers to be made by CR Gas Investment to the shareholders of Zhengzhou Gas are RMB8.45 per Domestic Share and the Hong Kong dollar equivalent of RMB8.45 per H Share. Based on the current exchange rate of RMB0.88 to HK\$1, this is equivalent to approximately HK\$9.60.

Pre-conditions for the Offers

The Offers for Zhengzhou Shares will only be made if the following pre-conditions are fulfilled:

- regulatory approvals or consents as described above for the formation of the Joint Venture being obtained;
- regulatory approvals, clearance or consents as described above for the acquisition and transfer of the Sale Shares by the Joint Venture being obtained; and
- the Executive granting a consent under Rule 25 of the Takeovers Code in respect of the Special Deal, and any conditions attaching to such consent being fulfilled.

Subject to the fulfilment of the above pre-conditions, the Completion shall take place within 10 business days, or such later date as CR Gas Investment and Zhengzhou SASAC may agree in writing, after fulfilment of all the above pre-conditions.

In addition, as required by Rule 26.2 of the Takeovers Code, the Offers, if they are made, will be conditional only upon CR Gas Investment having received acceptances in respect of voting rights acquired or agreed to be acquired before or during the Offers which will result in CR Gas Investment or any person acting in concert with it holding more than 50% of the voting rights attaching to Zhengzhou Shares.

Value of the Offers and financial resources sufficiency

As at the date of this announcement, there are 70,084,000 Domestic Shares and 55,066,000 H Shares in issue. Zhengzhou Gas does not have any outstanding share options, warrants, derivatives or other convertible securities. Upon completion of the acquisition of the Sale Shares by the Joint Venture, there will be 16,042,490 Domestic Shares and 55,066,000 H Shares subject to the Offers and based on an offer price of RMB8.45 per Domestic Share and estimated offer price of approximately HK\$9.60 per H Share using the current exchange rate, the Offers are valued at approximately HK\$682.7 million. Anglo Chinese Corporate Finance, Limited, the financial adviser of CR Gas, is satisfied that sufficient financial resources are available to CR Gas Investment to fulfill the obligation under the Offers and it will make an offer on behalf of CR Gas Investment for all the H Shares other than those owned or agreed to be acquired by CR Gas Investment or its concerted parties. CR Gas Investment will make an offer for all the Domestic Shares, other than those owned or agreed to be acquired by it or its concerted parties

Comparison of value

Based on the Hong Kong dollar equivalent offer price of approximately HK\$9.60 per H Share using the current exchange rate, it represents:

- (a) a discount of approximately 44.12% to the closing price of HK\$17.18 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 42.86% to the average closing price of HK\$16.80 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 41.61% to the average closing price of HK\$16.44 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 7.51% to the closing price of HK\$10.38 per H Share as quoted on the Stock Exchange on 6 July 2009, being the last trading day prior to the announcement of potential cooperation with CRGH on 9 July 2009;
- (e) a premium of approximately 1.91% over the average closing price of HK\$9.42 per H Share as quoted on the Stock Exchange for the last 10 trading days up to and including 6 July 2009;
- (f) a premium of approximately 0.52% over the average closing price of HK\$9.55 per H Share as quoted on the Stock Exchange for the last 30 trading days up to and including 6 July 2009; and

- (g) a premium of approximately 34.27% over the unaudited consolidated net asset value of approximately RMB6.29 or equivalent to approximately HK\$7.15 per H Share as at 30 June 2009, being the latest published net asset value of Zhengzhou Gas prior to the date of this announcement.

Shareholding structure

The table below sets out the shareholding structure of Zhengzhou Gas as at the date of this announcement, upon completion of the acquisition of the Sale Shares by the Joint Venture from Zhengzhou SASAC and immediately following the completion of the Offers assuming all shareholders of Zhengzhou Gas accepted such Offers:

| | As at the date of this announcement | | On completion of acquisition of the Sale Shares by the Joint Venture from Zhengzhou SASAC | | Immediately following the close of the Offers assuming full acceptances from the shareholders of Zhengzhou Gas | |
|-----------------------------------------------------|-------------------------------------|---------------------------|-------------------------------------------------------------------------------------------|---------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------|
| Shareholders | Number of shares | % of issued share capital | Number of shares | % of issued share capital | Number of shares | % of issued share capital |
| <u>Domestic Shares</u> | | | | | | |
| Zhengzhou GGCL | 54,041,510 | 43.18 | - | - | - | - |
| Joint Venture and parties acting in concert with it | - | - | 54,041,510 | 43.18 | 70,084,000 | 56 |
| Other Shareholders | 16,042,490 | 12.82 | 16,042,490 | 12.82 | - | - |
| <u>H Shares</u> | | | | | | |
| Joint Venture and parties acting in concert with it | - | - | - | - | 55,066,000 | 44 |
| Public Shareholders | 55,066,000 | 44 | 55,066,000 | 44 | - | - |
| Total number of Zhengzhou Shares | | | | | | |

Other information regarding the Offers

The highest and lowest closing prices of the H Shares quoted on the Stock Exchange during the six-month period preceding the Last Trading Day were HK\$17.52 per H Share on 19 October 2009 and HK\$9.01 per H Share on 25 June 2009.

By accepting the Offers, if made, shareholders of Zhengzhou Gas will sell their Zhengzhou Shares to CR Gas Investment free from all encumbrances and together with all rights attaching to the Zhengzhou Shares, including the rights to receive all dividends and other distributions declared. The making of the Offers for Domestic Shares or H Shares to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Shareholders with registered addresses in jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions. Payment in cash in respect of acceptances of the Offers will be made as soon as practicable but in any event within 10 days of the later of the date on which the Offers become, or declared, unconditional and the relevant documents of title are received by CR Gas Investment to render each such acceptance complete and valid.

No Hong Kong stamp duty will arise on acceptance for the offer of the Domestic Share. Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the H Shares or consideration payable by CR Gas Investment in respect of the relevant acceptances for the offer of H Share, whichever is higher, will be deducted from the amount payable to the relevant shareholder of Zhengzhou Gas on acceptance of the offer for H Share.

Save for the proposed acquisition of the Sale Shares by the Joint Venture, none of CR Gas, CR Gas Investment nor parties acting in concert with any of them has dealt in Zhengzhou Shares, outstanding options, derivatives, warrants or other securities convertible into Zhengzhou Shares in the six-month period prior to and as at the date of this announcement. CR Gas, CR Gas Investment and parties acting in concert with any of them have not entered into any arrangements or contracts in relation to the outstanding derivatives in respect of securities in Zhengzhou Gas nor have any of them borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Zhengzhou Gas. As at the date of this announcement, CR Gas, CR Gas Investment and parties acting in concert with any of them do not hold, own or control any Zhengzhou Shares, outstanding options, derivatives, warrants or other securities convertible into Zhengzhou Shares.

As at the date of this announcement, there is no arrangement whether by way of option, indemnity or otherwise in relation to the shares of CR Gas, CR Gas Investment or Zhengzhou Gas which might be material to the Offers. There is no agreement or arrangement to which CR Gas Investment as the offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Offers. As at the date of this announcement, none of CR Gas Investment or parties acting in concert with it has received any irrevocable commitment to accept the Offers.

It is the current intention of CR Gas and CR Gas Investment to maintain the listing of H Shares on the Stock Exchange after the close of the Offers and appropriate steps will be taken to ensure that there will be at least the minimum prescribed percentage of H Shares held by the public as required by the Listing Rules. Zhengzhou SASAC, CR Gas and CR Gas Investment do not intend to, through their interests in the Joint Venture, procure any change to the existing composition of the board of directors of Zhengzhou Gas for the time being, nor do they have any agreement, arrangement, understanding, negotiation or intention to dispose of or downsize the existing business of Zhengzhou Gas upon Completion. Further announcement will be made by Zhengzhou Gas in compliance with the requirements of the Listing Rules whenever there are changes in the composition of its board of directors.

WARNING:

THE OFFERS WILL ONLY BE MADE IF THE ACQUISITION OF THE SALE SHARES BY THE JOINT VENTURE TAKES PLACE. COMPLETION IS SUBJECT TO THE FULFILMENT OF THE PRE-CONDITIONS AS SET OUT IN THIS ANNOUNCEMENT. THEREFORE, THE OFFERS MAY OR MAY NOT BE MADE AND SHAREHOLDERS AND, OR, POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES OF CR GAS AND ZHENGZHOU GAS.

Acquisition of the Other Assets from Zhengzhou SASAC by the Joint Venture and leasing of a parcel of land by the Joint Venture from Zhengzhou SASAC

The Joint Venture also intends to acquire the Other Assets from Zhengzhou SASAC for a total consideration of approximately RMB13.4 million. The Other Assets principally comprise of buildings and equipment that will be used by the Joint Venture for conducting its piped gas business and the consideration has been determined after arm's length negotiation with reference to the appraised values as at 30 June 2009 based on the independent valuation performed by an independent valuer in the PRC using asset-based approach as set out in the table below:

| | <u>Appraised value</u> (RMB million) |
|---------------------------------------------------------------------------|-----------------------------------------|
| Inventory and others | 0.1 |
| Fixed assets including structures, miscellaneous properties and equipment | 22.2 |
| Less: Assumption of payables to creditors and staff | (8.9) |
| Total | <u>13.4</u> |

No profit or loss is directly attributable to the Other Assets and there is no material change in the appraised value compared to the unaudited book value of the Other Assets as at 31 October 2009. The acquisition of the Other Assets by the Joint Venture from Zhengzhou SASAC is subject to, among others, the approvals of Henan Provincial SASAC, Zhengzhou SASAC, the Executive's consent on the Special Deal and the consents of the creditors of Zhengzhou SASAC for the assumption of payables. The final valuation of the Other Assets is also required to be approved by the State-owned asset administration authorities and the consideration will be paid by the Joint Venture within 10 business days after the establishment of the Joint Venture and obtaining of the requisite approvals relating to the transfer of the Other Assets and completion of the transfer of the Sale Shares to the Joint Venture.

Upon full implementation of the potential cooperation between CR Gas and Zhengzhou SASAC, it is agreed that the Joint Venture and Zhengzhou SASAC shall also enter into a lease agreement pursuant to which Zhengzhou SASAC will grant the Joint Venture the right to use a parcel of land with restricted usage of conducting its piped gas business in the PRC. The proposed term of lease will be 30 years with leasing fee payable by the Joint Venture of approximately RMB1.3 million per annum, subject to terms and conditions in the lease agreement which will be entered separately upon or after the Completion. The proposed lease agreement, if entered, will constitute a continuing connected transaction for CR Gas and CR Gas will comply with the relevant reporting, announcement and approval requirements under the Listing Rules as and when appropriate.

Special Deal

The contribution of assets by Zhengzhou SASAC for the formation of the Joint Venture, the acquisition of the Other Assets and the leasing of a parcel of land by the Joint Venture from Zhengzhou SASAC, may constitute favourable conditions not extended to all shareholders of Zhengzhou Gas during the period where the Offers have commenced. These transactions together constitute a special deal under Rule 25 of the Takeovers Code and require the consent of the Executive. An application will be made to the Executive for the consent. Such consent, if granted, will be subject to the independent financial adviser of Zhengzhou Gas publicly states that in its opinion the respective terms of the Special Deal are fair and reasonable and the Special Deal is approved by the independent shareholders of Zhengzhou Gas by way of poll at an extraordinary general meeting. Shareholders including Zhengzhou SASAC, Zhengzhou GGCL and their respective associates and parties acting in concert with any of them, and any shareholders of Zhengzhou Gas who are involved in or interested in the potential cooperation with CR Gas Group, shall abstain from voting on the proposed resolution in respect of the Special Deal at the extraordinary general meeting.

INFORMATION ON THE RELEVANT PARTIES

CR Gas Group and CR Gas Investment

CR Gas is a limited liability company incorporated in Bermuda and its shares have been listed on the Stock Exchange since 7 November 1994. CR Gas Group is principally engaged in the sale and distribution of gas fuel and related products and gas connection operation in the PRC. Its piped natural gas operations are strategically located in areas of the PRC with rich reserves of natural gas and areas which are economically more developed and densely populated. Its operation covers provincial capitals and major cities such as Chengdu, Nanjing, Wuhan, Kunming, Jinan, Wuxi and Suzhou. CR Gas Investment is an investment holding company incorporated in Hong Kong and is a wholly owned subsidiary of CR Gas.

TC 3.5b

Zhengzhou SASAC

Zhengzhou SASAC is a governmental authority responsible for the administration of state assets owned or contributed by authorities, institutions and state-owned enterprises in Zhengzhou.

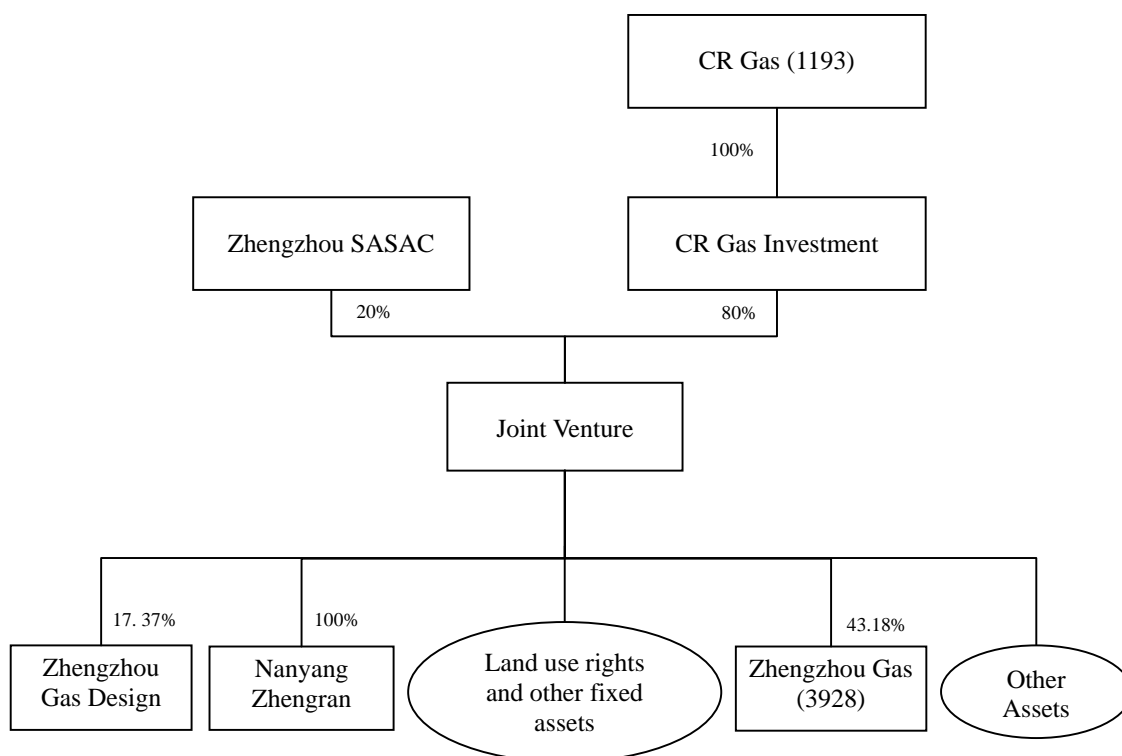
Zhengzhou Gas

Zhengzhou Gas is a joint stock limited company established in the PRC whose H Shares are listed on the Stock Exchange. Zhengzhou Gas Group is principally engaged in the sale of natural gas, pressure control equipment and gas appliances, the construction of gas pipelines and the provision of gas pipelines renovation services. Set out below is the key financial information of Zhengzhou Gas based on its published financial statements:

| | Year ended 31 December 2007 (RMB million) (audited) | 2008 (RMB million) (audited) | Six months ended 30 June 2009 (RMB million) (unaudited) |
|----------------------------|--------------------------------------------------------------|------------------------------------|------------------------------------------------------------------|
| Turnover | 862.2 | 1,028.8 | 615.4 |
| Net profit before taxation | 196.4 | 203.7 | 153.9 |
| Net profit after taxation | 129.7 | 152.2 | 115.9 |
| Net assets value | 664.1 | 784.9 | 787.6 |

REASONS AND BENEFITS OF THE POTENTIAL COOPERATION

On 21 August 2008, CR Gas announced the acquisition of its first city gas distribution business in the PRC with the intention to expand rapidly into this sector and to capture the increase in domestic demand for natural gas. The said acquisition has provided stable cash flows as well as a platform with growth potential for CR Gas Group. Since then CR Gas Group has been actively seeking investment opportunities to increase the return from its investment portfolio, enhance the market coverage and further explore market opportunities for gas and gas-related products and services in the PRC. Leveraging the market coverage of CR Gas and Zhengzhou Gas in the gas industry in the PRC, the directors of CR Gas believe that the potential cooperation through establishment of the Joint Venture with Zhengzhou SASAC is a step forward in further expanding its market share into downstream gas industry and strengthening its customer and earning base into different regions in the PRC, particularly in Henan Province. The ownership structure of the Joint Venture upon full implementation of the potential cooperation between CR Gas and Zhengzhou SASAC is as below:



The board of directors of CR Gas believes that CR Gas Group being one of the leading gas distributors in the PRC, through the potential cooperation with Zhengzhou SASAC to expand the geographic coverage and products segment, will strategically place CR Gas Group as well as Zhengzhou Gas Group in a better position to take up new opportunities and growth potential in the gas industry in the PRC. The directors of CR Gas consider that the terms and conditions of the proposed cooperation are fair and reasonable, on normal commercial terms and are in the interest of CR Gas and its shareholders as a whole.

LISTING RULES IMPLICATIONS FOR CR GAS

The formation of the Joint Venture for acquiring 43.18% equity interest of Zhengzhou Gas and the Other Assets, together with the Offers, constitute major transactions of CR Gas under the Listing Rules and are subject to reporting, announcement and approval of the shareholders of CR Gas under the Listing Rules. CR Gas has obtained a written approval from its controlling shareholder, Splendid Time Investment Inc., a wholly-owned subsidiary of CR Holdings held approximately 74.9% of the shares of CR Gas as at the date of this announcement, for entering into agreements with Zhengzhou SASAC in relation to the potential cooperation. A circular regarding the major transactions will be despatched to the shareholders of CR Gas in accordance with the relevant requirements of the Listing Rules as soon as practicable.

GENERAL

In connection with the Offers and the Special Deal and in accordance with the Takeovers Code, Zhengzhou Gas will form an independent board committee to make a recommendation in this regards. Zhengzhou Gas will appoint an independent financial adviser to consider the terms of the Offers and the Special Deal and will make a further announcement regarding such appointment in accordance with the Takeovers Code. An extraordinary general meeting of Zhengzhou Gas will be convened to consider and approve the Special Deal. A circular containing particular of the Special Deal, the recommendation from the independent board committee of Zhengzhou Gas and the advice from the independent financial adviser to the independent board committee of Zhengzhou Gas in respect of the Special Deal, and a notice of extraordinary general meeting will be despatched to the shareholders of Zhengzhou Gas as soon as practicable.

Under Rule 8.2 of the Takeovers Code, an offer document containing, among other things, details of the Offers, together with the relevant forms of acceptance and transfer, should be despatched to the shareholders of Zhengzhou Gas as soon as practicable, but in any event within 21 days of the date of this announcement or such later date as the Executive may approve. Pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the Executive's consent is required if the making of an offer is subject to the prior fulfillment of a pre-condition and the pre-condition cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code. Application will be made by CR Gas Investment for the Executive's consent under Rule 8.2 of the Takeovers Code if the Completion does not take place within 21 days of the date of this announcement to extend the deadline for the despatch of the offer document to within 7 days of Completion. Further announcement will be made as and when appropriate.

Subject to the Completion, it is intended that the offer document and the offeree board circular will be combined into a composite offer document containing, among other things, details of the Offers including the expected timetable, the recommendation from the independent board committee of Zhengzhou Gas and the advice from the independent financial adviser to the independent board committee of Zhengzhou Gas in respect of the Offers, will be despatched to the shareholders of Zhengzhou Gas.

CR Gas and Zhengzhou Gas will comply with all applicable rules of the Takeovers Code, including publishing further announcements relating to the details of the potential cooperation, the Special Deal and the Offers as and when necessary and appropriate.

DEALING DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, CR Gas and Zhengzhou Gas hereby remind their respective associates and parties acting in concert with them to disclose their dealings in any securities of the Zhengzhou Gas. For this purpose, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibility of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million. This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediates are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediates will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

RESUMPTION OF TRADING

At the request of Zhengzhou Gas, trading in H Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 27 October 2009 pending the publication of this announcement. Application has been made for the resumption of trading in H Shares on the Stock Exchange from 9:30 a.m. on 26 November 2009.

At the request of CR Gas, trading in the shares of CR Gas on the Stock Exchange was suspended with effect from 9:48 a.m. on 27 October 2009 pending the publication of this announcement. Application has been made for the resumption of trading in the shares of CR Gas on the Stock Exchange from 9:30 a.m. on 26 November 2009.

DEFINITIONS

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

| | |
|----------------------------|------------------------------------------------------|
| “%” | per cent |
| “acting in concert” | has the meaning ascribed to it in the Takeovers Code |
| “associate” | has the meaning ascribed to it in the Takeovers Code |
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules |
| “controlling shareholders” | has the meaning ascribed to it in the Listing Rules |

| | |
|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Completion” | completion of the acquisition by the Joint Venture of the Sale Shares from Zhengzhou SASAC |
| “CR Gas” | China Resources Gas Group Limited (), a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange (Stock code: 1193) |
| “CR Gas Group” | CR Gas and its subsidiaries |
| “CR Gas Investment” | China Resources Gas (China) Investment Limited (), a subsidiary of CR Gas and the offeror of the Offers |
| “CRGH” | China Resources Gas (Holdings) Limited (), a non-listed wholly-owned subsidiary of CR Holdings |
| “CR Holdings” | China Resources (Holdings) Company Limited (), the parent company of CR Gas and CRGH. CR Holdings is a company incorporated in Hong Kong and its ultimate holding company is (China Resources National Corp.*), a company established in the PRC |
| “Domestic Share(s)” | ordinary non-listed shares in the share capital of the Zhengzhou Gas, with a nominal value of RMB1.00 each, which are subscribed for in RMB |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |
| “H Share(s)” | overseas listed foreign invested shares with a nominal value of RMB 1.00 each in the share capital of Zhengzhou Gas, which are traded on the Stock Exchange in HK\$ |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Joint Venture” | a joint venture company to be established as a limited liability company in the PRC by CR Gas Investment and Zhengzhou SASAC |
| “Last Trading Day” | 23 October 2009, being the last trading day of the H Shares on the Stock Exchange prior to the suspension of trading of the H Shares with effect from 9:30 a.m. on 27 October 2009 |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

| | |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “MOFCOM” | the Ministry of Commerce |
| “Nanyang Zhengran” | Nanyang Zhengran Natural Gas Co., Ltd. (), a company established in the PRC, which is currently a wholly-owned subsidiary of Zhengzhou GGCL |
| “NDRC” | National Development and Reform Commission |
| “Offers” | possible mandatory cash offers by CR Gas Investment, or its representative, for all the Domestic Shares and H Shares other than those owned or agreed to be acquired by CR Gas Investment and its concert parties |
| “Other Assets” | certain assets and liabilities to be transferred from Zhengzhou SASAC to the Joint Venture, for a total consideration of approximately RMB13.4 million |
| “PRC” | the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale Shares” | 54,041,510 Domestic Shares which represent approximately 43.18% of the total issued share capital of Zhengzhou Gas as at the date of this announcement |
| “SASAC” | State-owned Asset Supervision and Administration Commission of the State Council |
| “SFC” | the Securities and Futures Commission |
| “Special Deal” | the contribution of assets by Zhengzhou SASAC for the formation of the Joint Venture, the acquisition of the Other Assets and the leasing of a parcel of land by the Joint Venture from Zhengzhou SASAC |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time |
| “Zhengzhou Gas” | Zhengzhou Gas Company Limited* (), a joint stock limited company incorporated in the PRC whose H Shares are listed on the Stock Exchange (Stock code: 3928) |
| “Zhengzhou Gas Design” | Zhengzhou City Zhengran Gas Design Development Co., Ltd. (), a company incorporated in the PRC and is 17.37% owned by Zhengzhou GGCL |
| “Zhengzhou Gas Group” | Zhengzhou Gas and its subsidiaries |

| | |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Zhengzhou GGCL” | Zhengzhou Gas Group Co. Ltd., (), (formerly Zhengzhou Municipal Gas Company Limited () which changed to its present name in December 2000), a State-owned company incorporated in the PRC with limited liability |
| “Zhengzhou SASAC” | the State-owned Assets Supervision and Administration Commission of Zhengzhou Municipality () |
| “Zhengzhou Shares” | Domestic Shares and H Shares |

Note: The figures in RMB are converted into HK\$ at the rate of RMB0.88:HK\$1 throughout this announcement for illustration purpose only.

** Name translated for reference purposes only in this announcement*

Hong Kong, 25 November 2009

By Order of the Board of Directors of
China Resources Gas Group Limited
ONG Thiam Kin
Executive Director and Company Secretary

By Order of the Board of Directors of
Zhengzhou Gas Company Limited*
YAN Guoqi
Chairman

As at the date of this announcement, the board of directors of CR Gas comprises three executive directors, namely, Mr. Ma Guoan, Mr. Wang Chuandong and Mr. Ong Thiam Kin, three non-executive directors, namely, Mr. Li Fuzuo, Mr. Du Wenmin and Mr. Wei Bin and three independent non-executive Directors, namely, Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Dr. Yang Chonghe, Howard. The board of directors of CR Gas Investment comprises four directors, namely Mr. Wang Chuandong, Mr. Ong Thiam Kin, Mr. Wang Yan and Mr. Huang Weizhong. The members of the board of directors of CR Gas and CR Gas Investment jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to Zhengzhou Gas Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this announcement (other than those expressed by Zhengzhou Gas Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

As at the date of this announcement, the board of directors of Zhengzhou Gas comprises three executive directors, namely Mr. Yan Guoqi, Mr. Li Jinlu and Mr. Li Hongwei, four non-executive directors, namely Mr. Song Jinhui, Mr. Zhang Wushan, Mr. Ding Ping and Mr. Liu Jianwen and four independent non-executive directors, namely Mr. Yu Jingsong, Mr. Zhang Jianqing, Ms. Wang Xiuli and Mr. Wong Ping. The members of the board of directors of Zhengzhou Gas jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to CR Gas Group and its associates) and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this announcement (other than those expressed by CR Gas Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.