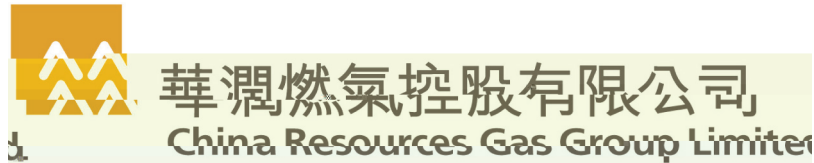


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*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 1193)**

## **DISCLOSEABLE TRANSACTION**

### **ACQUISITION OF 25% EQUITY INTEREST IN A CITY GAS DISTRIBUTION COMPANY IN CHONGQING**

#### **RESUMPTION OF TRADING**

**Financial adviser**



The Board is pleased to announce that CR Gas Investment, a wholly-owned subsidiary of CR Gas, entered into master agreements on 23 December 2009 and a supplement agreement on 24 December 2009 with Chongqing Energy whereby CR Gas Investment will contribute cash of approximately RMB1,162.8 million, equivalent to approximately HK\$1,321.4 million, to Chongqing Gas to increase its registered capital in return for a 25% equity interest in Chongqing Gas. Chongqing Gas is a limited company incorporated in the PRC wholly-owned by Chongqing Energy and is principally engaged in city gas distribution business in Chongqing, the PRC. Pursuant to the Agreements, upon completion of the cash contribution, Chongqing Gas will be converted into a sino-foreign equity joint venture which will be owned by Chongqing Energy and CR Gas Investment as to 75% and 25% respectively.

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Agreements are greater than 5% but less than 25%, the entering into the Agreements constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

At the request of CR Gas, trading in the shares of CR Gas on the Stock Exchange was suspended with effect from 9:30 a.m. on 23 December 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 28 December 2009.

## **ACQUISITION OF 25% EQUITY INTEREST IN A CITY GAS DISTRIBUTION COMPANY IN CHONGQING**

The Board is pleased to announce that CR Gas Investment, a wholly-owned subsidiary of CR Gas, entered into master agreements on 23 December 2009 and a supplement agreement on 24 December 2009 with Chongqing Energy whereby CR Gas Investment will contribute cash of approximately RMB1,162.8 million, equivalent to approximately HK\$1,321.4 million, to Chongqing Gas to increase its registered capital in return for a 25% equity interest in Chongqing Gas. Chongqing Gas is a limited company incorporated in the PRC wholly-owned by Chongqing Energy and is principally engaged in city gas distribution business in Chongqing, the PRC. Pursuant to the Agreements, upon completion of the cash contribution, Chongqing Gas will be converted into a sino-foreign equity joint venture, which will be owned by Chongqing Energy and CR Gas Investment as to 75% and 25% respectively.

### **Date**

23 December 2009 for master agreements and 24 December 2009 for a supplemental agreement

### **Parties**

- (1) Chongqing Energy; and
- (2) CR Gas Investment

Chongqing Energy is a state-owned enterprise beneficially owned by Chongqing SASAC. Its principal business is infrastructure investment in the energy sector in Chongqing.

Chongqing Gas was incorporated in the PRC on 24 April 1995 with a business licence issued by Chongqing Administration for Industry and Commerce. The total registered and paid-up capital of Chongqing Gas is approximately RMB912.1 million as at the date of this announcement and upon completion of the cash contribution by CR Gas Investment pursuant to the Agreements, it will be increased by approximately RMB304.0 million to approximately RMB1,216.1 million.

Chongqing Gas will be held as to 75% by Chongqing Energy and as to 25% by CR Gas Investment upon completion of the transaction contemplated under the Agreements. CR Gas will contribute the cash in US dollars equivalent to approximately RMB1,162.8 million by 31 December 2009, using its internal resources and bank financing.

The cash contribution of approximately RMB1,162.8 million for the 25% equity interest in the enlarged registered capital of Chongqing Gas was determined after arm's length negotiation with reference to (i) the track record and potential development of Chongqing Gas in the city gas distribution business in Chongqing; and (ii) the appraised net asset value of Chongqing Gas of approximately RMB2,877.1 million as at 30 September 2009, based on the independent valuation performed by an independent valuer in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Chongqing Gas, Chongqing Energy and its ultimate beneficial owner(s) are third parties independent of the Company.

### **Conditions of the Agreements**

Completion of the Agreements is subject to, among others, the following conditions precedent:

- relevant PRC regulatory approvals for the acquisition of Chongqing Gas by CR Gas Investment and subsequent conversion of Chongqing Gas into a sino-foreign equity joint venture; and
- timely receipt of US dollars equivalent to approximately RMB1,162.8 million by Chongqing Gas in its foreign currency account approved by the local branch of the State Administration of Foreign Exchange.

### **OTHER MAJOR TERMS OF THE AGREEMENTS**

#### **Purpose and scope of business**

Chongqing Gas has a large customer base, employs a high standard of technology and has built up a capable management team. The purpose of forming the Joint Venture is to introduce the operational practices and international management experience of CR Gas Group which can complement the strengths of Chongqing Gas so as to promote the development of its business in Chongqing, and to enhance shareholders' returns.

It is proposed that the Joint Venture will be engaged principally in piped gas business in Chongqing distributing natural gas and compressed natural gas, and related business such as, the design and sale of gas pipes and heating equipment, and transportation and storage in association with gas distribution.

### **Profit sharing**

Chongqing Energy and CR Gas Investment shall share the profits of the Joint Venture in proportion to their equity interest therein.

### **Board representation of the Joint Venture**

The board of directors of the Joint Venture shall comprise eight directors. CR Gas Investment is entitled to nominate two directors, Chongqing Energy is entitled to nominate five directors and one director is the representative of Chongqing Gas's employees. The chairman of the board will be appointed by Chongqing Energy and the vice chairman will be appointed by CR Gas Investment.

### **Duration of the Joint Venture**

It is expected that the term of the Joint Venture will be 30 years from the date of issuance of business license.

### **Restrictions on transfer**

The Agreements provide that no sale or transfer, in whole or in part, in equity interest of the Joint Venture can be made without the consent of all shareholders and the unanimous approval of the board of the Joint Venture. Any sale or transfer of shares in the Joint Venture shall be subject to the right of first refusal contained in the Agreements.

### **Non-competition**

The Agreements provide that, other than those subsidiaries of Chongqing Energy which already operates gas related businesses prior to the date of the Agreements, neither Chongqing Energy, CR Gas Investment nor their associates, including but not limited to their respective holding company, subsidiaries, controlling shareholder, subsidiaries of its holding company and controlling shareholder, shall carry on, engage or invest in any business engaged in city gas distribution, compressed natural gas or gas pipelines in the areas which the Joint Venture will be operating.

## **FINANCIAL INFORMATION OF CHONGQING GAS**

As of 30 September 2009, the unaudited net asset value of Chongqing Gas was approximately RMB1,139.9 million. The net profits of Chongqing Gas for the two financial years immediately preceding the transaction contemplated under the Agreements and the nine months period ended 30 September 2009 are as follows:

<b>RMB million</b>	<b>For nine months ended 30 September 2009 <i>Unaudited</i></b>	<b>For the year ended 31 December 2008 <i>Audited</i></b>	<b>For the year ended 31 December 2007 <i>Audited</i></b>
Revenue	2,234.8	2,618.2	2,031.7
Profit before tax	257.0	145.8	130.1
Profit after tax and extraordinary items	212.3	118.5	107.8

## **REASONS FOR, AND BENEFITS, OF THE AGREEMENTS**

CR Gas Group has been seeking attractive business opportunities in the PRC to expand its core business of city gas distribution. Its piped natural gas operations are strategically located in the areas of the PRC with rich reserves of natural gas and areas which are economically more developed and densely populated. Chongqing fits the above investment criteria as it is situated in gas rich Sichuan Province and is one of the largest cities in China in terms of population. Chongqing is clearly another key location which the Group aims to target so as to achieve accelerated business growth in the coming years.

Chongqing Gas, with a customer base of 2.28 million and an annual gas sales volume of 1.6 billion cubic metres, is among the biggest city gas operators in the PRC. Through an acquisition of 25% equity interest in Chongqing Gas, it is believed the acquisition will benefit CR Gas Group immediately and in the long term, given the large customer base and gas distribution infrastructure of Chongqing Gas, and will offer significant growth opportunity in the future. The acquisition will accelerate CR Gas Group's aspiration to become one of the largest pan-China city gas operators in the PRC.

The terms of the Agreements were negotiated on an arm's length basis between the parties concerned and were determined on normal commercial terms. The Directors consider that the terms of the Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Agreements are greater than 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## GENERAL INFORMATION

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 services in the PRC. Its current 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.

At the request of CR Gas given the signing ceremony of the Agreements was scheduled during the trading hours on 23 December 2009 which is considered to be price sensitive in nature, trading in the shares of CR Gas on the Stock Exchange was suspended with effect from 9:30 a.m. on 23 December 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 28 December 2009.

## DEFINITIONS

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

“%”	per cent
“Agreements”	master agreements dated 23 December 2009, together with a supplemental agreement dated 24 December 2009, entered into between CR Gas Investment and Chongqing Energy for the increase in registered capital of Chongqing Gas and the conversion into a sino-foreign equity joint venture
“Board”	the board of Directors
“Chongqing Energy”	重慶市能源投資集團公司 (Chongqing Energy Investment Group*), a state-owned enterprise incorporated in Chongqing, PRC
“Chongqing Gas”	重慶燃氣(集團)有限責任公司 (Chongqing Gas Group Corp Ltd*), a wholly-owned subsidiary of Chongqing Energy and is proposed to be converted into a sino-foreign equity joint venture pursuant to the Agreements
“controlling shareholders”	has the meaning ascribed to it in the Listing Rules
“CR Gas” or the “Company”	China Resources Gas Group Limited (華潤燃氣控股有限公司), 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 (華潤燃氣(中國)投資有限公司), a wholly-owned subsidiary of CR Gas
“Directors”	the directors of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture”	the sino-foreign equity joint venture to be converted from Chongqing Gas pursuant to the Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US”	the United States of America

*Note: The figures in RMB are converted into HK\$ at the rate of RMB0.88:HK\$1.00 throughout this announcement for illustration purpose only.*

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

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

Hong Kong, 24 December 2009

*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.*