

Press Release

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CR GAS ACQUIRES 25% EQUITY INTEREST IN CHONGQING GAS AND ACCELERATES ITS ASPIRATION TO BECOME ONE OF THE LARGEST PAN-CHINA CITY GAS OPERATORS

China Resources Gas Group Limited (“CR Gas” or the “Company”, together with its subsidiaries, the “Group”, stock code: 1193) entered into agreements (“Agreements”) with Chongqing Energy Investment Group (“Chongqing Energy”) on 23 December 2009 and 24 December 2009 to acquire 25 per cent equity interest in Chongqing Gas Group Corp Ltd (“Chongqing Gas”), one of the biggest city gas operators in the PRC, for approximately RMB1,162.8 million.

Pursuant to the Agreements, the Group will contribute cash to increase the registered capital of Chongqing Gas from approximately RMB912.1 million to approximately RMB1,216.1 million in return for a 25 per cent equity interest in the enlarged registered capital of Chongqing Gas. The cash consideration will be funded by the Company’s internal resources and bank financing.

As of 30 September 2009, the unaudited net asset value of Chongqing Gas was approximately RMB1,139.9 million. Chongqing Gas’s audited net profits for the year 2008 and unaudited net profits for the nine months ended 30 September 2009 were RMB118.5 million and RMB212.3 million, respectively.

Upon completion of the Group’s cash contribution, Chongqing Gas will be converted into a sino-foreign equity joint venture (“Joint Venture”), which will be owned by Chongqing Energy and the Group as to 75 per cent and 25 per cent, respectively. 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.

Chongqing Gas is principally engaged in city gas distribution business in Chongqing (a provincial-level administrative region, and the fourth direct administrative municipality after Beijing, Shanghai and Tianjin as well as the only direct administrative municipality in central-western China), the PRC. Chongqing Gas’s operations span over 22 out of 40 districts and counties in the direct administrative municipality, covering an area of 36,160 square kilometres with a population of 10.8 million. Pursuant to the planning and requirement of the government, the market coverage of Chongqing Gas will expand to all districts of the direct administrative municipality. With a customer base of 2.28 million and an annual gas sales volume of 1.6 billion cubic metres, Chongqing Gas is among the biggest city gas operators in the PRC.

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With Chongqing area rich in natural gas, being the largest direct administrative municipality in China, and possessing a population of 30 million, Chongqing Gas has an enormous potential for development. Pursuant to the planning and requirement of the government, the market coverage of Chongqing Gas will expand to all districts of the direct administrative municipality. Together with its expansion plan, Chongqing Gas's annual sales volume is expected to significantly increase in the near term.

"It has been the Group's intention to seek attractive business opportunities in the PRC to expand its core business of city gas distribution. Chongqing Gas is situated in gas rich Sichuan Province and has a broad customer base as well as gas distribution network. We believe the acquisition of Chongqing Gas will offer us significant immediate and future growth opportunity and will accelerate our aspiration to become one of the largest pan-China city gas operators in the PRC," said Mr Wang Chuandong, Managing Director of CR Gas.

Since January 2009, the Group has been steadily expanding its market coverage through strategic acquisitions, which provided it with immediate access to new markets and customer base. Through these acquisitions, the Group has now tapped into the downstream city gas distribution markets of 11 provinces and 28 cities including 6 provincial capitals and 1 direct administrative municipality.

About CR Gas

CR Gas is principally engaged in downstream city gas distribution business including piped natural or petroleum gas distribution, and operating CNG (compressed natural gas) filling stations. Its piped natural gas operations are strategically located in areas of China with rich reserves of natural gas and areas which are economically more developed and densely populated. CR Gas aspires to become a respected market leader in downstream city gas distribution business in China.

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