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華潤燃氣控股有限公司
China Resources Gas Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

CONTINUING CONNECTED TRANSACTIONS

Independent Financial Adviser



CIMB Securities (HK) Limited

A letter from the Independent Board Committee is set out on pages 15 to 16 of this circular. A letter from CIMB Securities (HK) Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 23 of this circular.

6 November 2009

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

- “Associates” : The meaning ascribed to it in the Listing Rules;
- “Board” : the board of Directors;
- “CIMB” : CIMB Securities (HK) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Contracts;
- “China Resources Holdings” : China Resources (Holdings) Company Limited, the substantial and controlling shareholder (as defined in the Listing Rules) of the Company holding approximately 74.94% of its issued share capital or, where the context requires, the relevant subsidiary or subsidiaries thereof;
- “Company” : China Resources Gas Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
- “Contracts” : means collectively, the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract;
- “Datong CR Gas” : 大同華潤燃氣有限公司 (translated as Datong China Resources Gas Co., Ltd.)*, a limited liability company established in the PRC which is a non wholly-owned subsidiary of the Company;
- “Datong Contract” : the framework contract dated 18 March 2008 and entered into between Datong CR Gas and Shanxi Gas, which is more particularly described under the section “Datong Contract Details” of this circular;
- “Director(s)” : the director(s) of the Company;
- “Group” : the Company and its subsidiaries;
- “Hongdong CR Gas” : 洪洞華潤恒富燃氣有限公司 (translated as Hongdong China Resources Hengfu Gas Co., Ltd.)*, a limited liability company established in the PRC and a non wholly-owned subsidiary of the Company;
- “Hongdong Contract” : the framework contract dated 19 October 2009 and entered into between Hongdong CR Gas and Shanxi Gas, which is more particularly described under the section “Hongdong Contract Details” of this circular;

DEFINITIONS

“HK\$”	:	Hong Kong dollar, the lawful currency of Hong Kong
“Huozhou CR Gas”	:	霍州華潤燃氣有限公司 (translated as Huozhou China Resources Gas Co., Ltd.)*, a limited liability company established in the PRC and a non wholly-owned subsidiary of the Company;
“Huozhou Contract”	:	the framework contract dated 19 October 2009 and entered into between Huozhou CR Gas and Shanxi Gas, which is more particularly described under the section “Huozhou Contract Details” of this circular;
“Independent Board Committee”	:	an independent board committee of the Company constituted to consider the terms of the Yangquan Contract, Datong Contract, Hondong Contract and Huozhou Contract and the corresponding annual caps as set out in the circular. Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Dr. Yang Chonghe, Howard 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 and its Associates;
“Latest Practicable Date”	:	4 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange;
“RMB”	:	Renminbi, the lawful currency of the PRC
“Shanxi Energy”	:	山西省國新能源發展集團有限公司 (translated as Shanxi Province National New Energy Development Group Limited)*, a limited liability company established in the PRC interested and is interested in 25% and 51% of the registered capital of Datong CR Gas and Shanxi Gas respectively;
“Shanxi Gas”	:	山西天然氣股份有限公司 (translated as Shanxi Natural Gas Limited)*, a limited liability company established in the PRC interested and is interested in 25%, 10% and 30% of the registered capital of Yangquan CR Gas, Hongdong CR Gas and Huozhou CR Gas respectively;

DEFINITIONS

“Shanxi Group”	:	Shanxi Energy and one of its subsidiary, Shanxi Gas collectively;
“Share(s)”	:	The ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	:	person(s) whose name(s) appear on the register of members as registered holder(s) of Share(s);
“Splendid Time”	:	Splendid Time Investments Inc., a company incorporated in the British Virgin Islands with limited liability, which is the registered and beneficial holder of approximately 74.94% of the issued share capital of the Company and a wholly-owned subsidiary of China Resources Holdings;
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	:	shall have the meaning ascribed to that term in the Listing Rules;
“Yangquan CR Gas”	:	陽泉華潤燃氣有限公司 (translated as Yangquan China Resources Gas Limited)*, a limited liability company established in the PRC which is a non wholly-owned subsidiary of the Company;
“Yangquan Contract”	:	the framework contract dated 10 May 2008 and entered into between Yangquan CR Gas and Shanxi Gas, which is more particularly described under the section “Yangquan Contract Details” of this circular;
“m ³ ”	:	cubic meters; and
“%”	:	per cent.

For the purposes of this circular, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB1.00 to HK\$1.13459, for the purposes of illustration only. No representation is made that any amount in Hong Kong dollars or RMB could have been or could be converted at the above rate or at any other rates.

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

LETTER FROM THE BOARD



華潤燃氣控股有限公司 China Resources Gas Group Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1193)

Executive Directors:

MA Guoan (*Chairman*)

WANG Chuandong (*Managing Director*)

ONG Thiam Kin (*Chief Financial Officer*)

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Non-executive Directors:

LI Fuzuo

DU Wenmin

WEI Bin

Principal Place of Business in Hong Kong:

Room 1901-05

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

Independent Non-executive Directors:

WONG Tak Shing

LUK Chi Cheong

YANG Chonghe, Howard

6 November 2009

To the Shareholders

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

The Company has, by an announcement dated 19 October 2009, announced inter alia, that Yangquan CR Gas and Datong CR Gas will continue with transactions for the purchase and supply of natural gas with Shanxi Gas respectively, which will constitute continuing connected transactions of the Company.

Shanxi Gas is interested in 25% of the registered capital of Yangquan CR Gas and hence a substantial shareholder of Yangquan CR Gas. Shanxi Energy is also interested in 25% and 51% of the registered capital of Datong CR Gas and Shanxi Gas respectively. Shanxi Group is an existing connected person of the Company as Shanxi Gas is also interested in 10% and 30% of the registered capital of Hongdong CR Gas and Huozhou CR Gas (please refer below). Accordingly, the Yangquan Contract and Datong Contract will constitute continuing connected transactions of the Company under

LETTER FROM THE BOARD

the Listing Rules. In addition, apart from the Yangquan Contract and Datong Contract, the Group has entered into similar purchase and supply of natural gas transactions with Shanxi Gas on 19 October 2009, and these transactions, namely transactions under Hongdong Contract and Huozhou Contract will be aggregated with the Yangquan Contract and Datong Contract pursuant to Rule 14A.25 of the Listing Rules. Both Hongdong CR Gas and Huozhou CR Gas are non-wholly owned subsidiaries of the Company and Shanxi Gas is interested in 10% and 30% of the registered capital of Hongdong CR Gas and Huozhou CR Gas, and hence a substantial shareholder of each Hongdong CR Gas and Huozhou CR Gas respectively.

The purpose of this circular is:

- (i) to provide Shareholders with further details of the continuing connected transactions under the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract;
- (ii) to set out the recommendations of the Independent Board Committee to the Independent Shareholders on the continuing connected transactions under the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract; and
- (iii) to set out the recommendations of the Company's independent financial adviser, CIMB, to the Independent Board Committee and the Independent Shareholders.

II. THE CONTRACTS

A. Yangquan Contract Details

(a) *Date*

10 May 2008

(b) *Parties*

- (i) Yangquan CR Gas; and
- (ii) Shanxi Gas.

(c) *Transaction Nature*

Pursuant to the Yangquan Contract, Yangquan CR Gas will commit to purchase and Shanxi Gas will commit to supply an annual minimum volume of natural gas. Each of the parties is liable to the other for compensation if it fails to purchase or supply natural gas in the annual minimum volume save and except where such failure to meet the annual minimum volume was due to any force majeure events or the default of the other party. Any compensation is to be calculated based on pre-agreed formulae provided in the Yangquan Contract.

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Yangquan CR Gas may demand beyond the annual minimum volume of natural gas committed to be supplied by Shanxi Gas. Shanxi Gas agrees to use its reasonable endeavour (but not obliged) to meet such a demand at an increase in purchase price subject to the terms and conditions under the Yangquan Contract. Under the Yangquan Contract, Yangquan CR Gas has committed to purchase a minimum volume of 16,800,000 m³, 66,500,000 m³ and 114,000,000 m³ of natural gas for year 2008, 2009 and 2010 respectively.

(d) **Prices**

Subject to the price adjustment according to the price prescribed by the provincial price bureau, Yangquan CR Gas agrees to purchase and Shanxi Gas agrees to sell and supply natural gas at the agreed price of:

- (i) RMB1.49 per m³ (equivalent to approximately HK\$1.69) for non-industrial purposes; and
- (ii) RMB1.89 per m³ (equivalent to approximately HK\$2.14) for industrial purpose.

(e) **Term**

From 10 May 2008 to 31 December 2010.

(f) **Payment**

Yangquan CR Gas has to settle the natural gas fee monthly in advance based on monthly estimated volume of gas (being the proportionate volume of gas based on the annual minimum volume) to be consumed for the relevant month.

B. Datong Contract Details

(a) **Date**

18 March 2008

(b) **Parties**

- (i) Datong CR Gas; and
- (ii) Shanxi Gas.

(c) **Transaction Nature**

Pursuant to the Datong Contract, Datong CR Gas will commit to purchase and Shanxi Gas will commit to supply an annual minimum volume of natural gas. Each of the parties is liable to the other

LETTER FROM THE BOARD

for compensation if it fails to purchase or supply natural gas in the annual minimum volume save and except where such failure to meet the annual minimum volume was due to any force majeure events or the default of the other party. Any compensation is to be calculated based on pre-agreed formulae provided in the Datong Contract.

Datong CR Gas may demand beyond the annual minimum volume of natural gas committed to be supplied by Shanxi Gas. Shanxi Gas agrees to use its reasonable endeavour (but not obliged) to meet such a demand at an increase in purchase price subject to the terms and conditions under the Datong Contract. Under the Datong Contract, Datong CR Gas has committed to purchase a minimum volume of 46,820,000 m³, 101,670,000 m³ and 128,730,000 m³ of natural gas for year 2008, 2009 and 2010 respectively.

(d) *Prices*

Subject to the price adjustment according to the price prescribed by the provincial price bureau, Datong CR Gas agrees to purchase and Shanxi Gas agrees to sell and supply natural gas at the agreed price of:

- (i) RMB1.50 per m³ (equivalent to approximately HK\$1.70) for non-industrial purposes; and
- (ii) RMB1.90 per m³ (equivalent to approximately HK\$2.16) for industrial purpose.

(e) *Term*

From 18 March 2008 to 31 December 2010.

(f) *Payment*

Datong CR Gas has to settle the natural gas fee monthly in advance based on monthly estimated volume of gas (being the proportionate volume of gas based on the annual minimum volume) to be consumed for the relevant month.

C. **Hongdong Contract Details**

(a) *Date*

19 October 2009

(b) *Parties*

- (i) Hongdong CR Gas; and
- (ii) Shanxi Gas.

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(c) *Transaction Nature*

Pursuant to the Hongdong Contract, Hongdong CR Gas will commit to purchase and Shanxi Gas will commit to supply an annual minimum volume of natural gas. Each of the parties is liable to the other for compensation if it fails to purchase or supply natural gas in the annual minimum volume save and except where such failure to meet the annual minimum volume was due to any force majeure events or the default of the other party. Any compensation is to be calculated based on pre-agreed formulae provided in the Hongdong Contract.

Hongdong CR Gas may demand beyond the annual minimum volume of natural gas committed to be supplied by Shanxi Gas. Shanxi Gas agrees to use its reasonable endeavour (but not obliged) to meet such a demand at an increase in purchase price subject to the terms and conditions under the Hongdong Contract. Under the Hongdong Contract, Hongdong CR Gas has committed to purchase a minimum volume of 650,000 m³, 5,430,000 m³ and 13,680,000 m³ of natural gas for year 2009, 2010 and 2011 respectively.

(d) *Prices*

Subject to the price adjustment according to the price prescribed by the provincial price bureau, Hongdong CR Gas agrees to purchase and Shanxi Gas agrees to sell and supply natural gas at the agreed price of:

- (i) RMB1.54 per m³ (equivalent to approximately HK\$1.75) for non-industrial purposes; and
- (ii) RMB1.94 per m³ (equivalent to approximately HK\$2.20) for industrial purpose.

(e) *Term*

From 30 June 2009 to 31 December 2011.

(f) *Payment*

Hongdong CR Gas has to settle the natural gas fee monthly in advance based on monthly estimated volume of gas (being the proportionate volume of gas based on the annual minimum volume) to be consumed for the relevant month.

D. **Huozhou Contract Details**

(a) *Date*

19 October 2009

LETTER FROM THE BOARD

(b) **Parties**

(i) Huozhou CR Gas; and

(ii) Shanxi Gas.

(c) **Transaction Nature**

Pursuant to the Huozhou Contract, Huozhou CR Gas will commit to purchase and Shanxi Gas will commit to supply an annual minimum volume of natural gas. Each of the parties is liable to the other for compensation if it fails to purchase or supply natural gas in the annual minimum volume save and except where such failure to meet the annual minimum volume was due to any force majeure events or the default of the other party. Any compensation is to be calculated based on pre-agreed formulae provided in the Huozhou Contract.

Huozhou CR Gas may demand beyond the annual minimum volume of natural gas committed to be supplied by Shanxi Gas. Shanxi Gas agrees to use its reasonable endeavour (but not obliged) to meet such a demand at an increase in purchase price subject to the terms and conditions under the Huozhou Contract. Under the Huozhou Contract, Huozhou CR Gas has committed to purchase a minimum volume of 2,460,000 m³, 7,790,000 m³ and 19,100,000 m³ of natural gas for year 2009, 2010 and 2011 respectively.

(d) **Prices**

Subject to the price adjustment according to the price prescribed by the provincial price bureau, Huozhou CR Gas agrees to purchase and Shanxi Gas agrees to sell and supply natural gas at the agreed price of:

(i) RMB1.54 per m³ (equivalent to approximately HK\$1.75) for non-industrial purposes; and

(ii) RMB1.94 per m³ (equivalent to approximately HK\$2.20) for industrial purpose.

(e) **Term**

From 5 August 2009 to 31 December 2011.

(f) **Payment**

Huozhou CR Gas has to settle the natural gas fee monthly in advance based on monthly estimated volume of gas (being the proportionate volume of gas based on the annual minimum volume) to be consumed for the relevant month.

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III. CONSIDERATION PURSUANT TO THE CONTRACTS

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

The Directors expect that the aggregate annual amount of purchases of natural gas by Yangquan CR Gas and Datong CR Gas, and in aggregation with Hongdong CR Gas and Huozhou CR Gas respectively from Shanxi Gas, pursuant to the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract will not exceed the following as of 19 October 2009:

Year/Period	Annual Cap (RMB)	Annual Cap (approximate HK\$ equivalent)
19 October 2009 - 31 December 2009	117,917,700	133,788,243
For the year ending 31 December 2010	508,852,200	577,338,618
For the year ending 31 December 2011	66,154,000	75,057,667

The estimates of purchases under the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract are based on estimated volume of natural gas to be purchased during each relevant period, that is:

- (a) 30,000,000 m³ for the period from 19 October 2009 to 31 December 2009 and 114,000,000 m³ for the financial year ending 31 December 2010 and multiplying such estimated quantities by the agreed price of RMB1.89 per m³ of natural gas under the Yangquan Contract;
- (b) 29,075,000 m³ for the period from 19 October 2009 to 31 December 2009 and 140,500,000 m³ for the financial year ending 31 December 2010 and multiplying such estimated quantities by the agreed price of RMB1.90 per m³ of natural gas under the Datong Contract;
- (c) 350,000 m³ for the period from 19 October 2009 to 31 December 2009, 5,430,000 m³ and 15,000,000 m³ for the two financial years ending 31 December 2011 and multiplying such estimated quantities by the agreed price of RMB1.94 per m³ of natural gas under the Hongdong Contract; and
- (d) 2,730,000 m³ for the period from 19 October 2009 to 31 December 2009, 8,200,000 m³ and 19,100,000 m³ for the two financial years ending 31 December 2011 and multiplying such estimated quantities by the agreed price of RMB1.94 per m³ of natural gas under the Huozhou Contract.

LETTER FROM THE BOARD

Such annual caps are arrived at after taking into account the past consumption of the natural gas, the existing scale and operation of the Group, the anticipated growth and development of natural gas distribution business of the Group, the anticipated growth of the gas users as a result of the expansion of gas pipeline network of the Group by connecting gas pipelines to newly developed areas in Yangquan city, Datong city, Hongdong county and Huozhou city and the anticipated increase in the population of the these areas.

IV. BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors believe that the continuing connected transactions are consistent with the businesses and commercial objectives of the Group in exploring market opportunities for gas and gas related products and services in the PRC and that, by entering into the Yangquan, Datong, Hongdong and Huozhou Contracts, it will help Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas and Huozhou CR Gas in ensuring a steady and reliable supply of natural gas for its business and natural gas distribution in Yangquan city, Datong city, Hongdong county and Huozhou city, all of Shanxi Province of the PRC.

V. INFORMATION ON THE GROUP

Information on the Company

The Company is an investment holding company which is principally engaged in city gas distribution business including piped natural or petroleum gas distribution and operating CNG (compressed natural gas) filling stations in the PRC.

Information on Yangquan CR Gas

Yangquan CR Gas is a non wholly-owned subsidiary of the Company and is principally engaged in the gas distribution operations in the PRC.

Information on Datong CR Gas

Datong CR Gas is a non wholly-owned subsidiary of the Company and is principally engaged in the gas distribution operations in the PRC.

Information on Hongdong CR Gas

Hongdong CR Gas is a non wholly-owned subsidiary of the Company and is principally engaged in the gas distribution operations in the PRC.

Information on Huozhou CR Gas

Huozhou CR Gas is a non wholly-owned subsidiary of the Company and is principally engaged in the gas distribution operations in the PRC.

LETTER FROM THE BOARD

VI. INFORMATION ON THE COUNTERPARTIES

Information on Shanxi Energy

Shanxi Energy is a state owned enterprise established in the PRC interested and is interested in 25% and 51% of the registered capital of Datong CR Gas and Shanxi Gas respectively. Shanxi Energy is principally engaged in energy development, manufacturing and supply of natural gas in the PRC.

Information on Shanxi Gas

Shanxi Gas is a limited liability company established in the PRC interested and is interested in 25%, 10% and 30% of the registered capital of Yangquan CR Gas, Hongdong CR Gas and Huozhou CR Gas respectively. Shanxi Gas is principally engaged in energy development, manufacturing and supply of natural gas in the PRC, and it is ultimately beneficially owned by Shanxi Energy at 51%.

VII. LISTING RULES IMPLICATIONS

Shanxi Gas is interested in 25% of the registered capital of Yangquan CR Gas and hence a substantial shareholder of Yangquan CR Gas. Shanxi Energy is also interested in 25% and 51% of the registered capital of Datong CR Gas and Shanxi Gas respectively. Shanxi Group is an existing connected person of the Company as Shanxi Gas is also interested in 10% and 30% of the registered capital of Hongdong CR Gas and Huozhou CR Gas (please refer below). Accordingly, the Yangquan Contract and Datong Contract will constitute continuing connected transactions of the Company under the Listing Rules. In addition, apart from the Yangquan Contract and Datong Contract, the Group has entered into similar purchase and supply of natural gas transactions with Shanxi Gas on 19 October 2009, and these transactions, namely transactions under Hongdong Contract and Huozhou Contract will be aggregated with the Yangquan Contract and Datong Contract pursuant to Rule 14A.25 of the Listing Rules. Both Hongdong CR Gas and Huozhou CR Gas are non-wholly owned subsidiaries of the Company and Shanxi Gas is interested in 10% and 30% of the registered capital of Hongdong CR Gas and Huozhou CR Gas, and hence a substantial shareholder of each Hongdong CR Gas and Huozhou CR Gas respectively.

It is expected that one or more of the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the annual consideration payable by the Group under the Yangquan Contract and Datong Contract (and in aggregation with Hongdong Contract and Huozhou Contract pursuant to Rule 14A.25 of the Listing Rules) will exceed 2.5%, the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract and transactions contemplated therein are subject

LETTER FROM THE BOARD

to reporting and announcement requirements and Independent Shareholders' approval under Rules 14A.45 to 14A.48 of the Listing Rules. No Shareholder is required to abstain from voting if the Company were to convene a SGM for the approval of the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract and transactions contemplated therein, and the Company has obtained a written approval from Splendid Time, which holds approximately 74.94% of the entire issued share capital of the Company as at the Latest Practicable Date, in respect of the entering into of the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract and the transactions contemplated therein.

In this regard, the Company has applied to the Stock Exchange and was granted a waiver from strict compliance with the Listing Rules to hold a general meeting for the Independent Shareholders' approval for the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract pursuant to Rule 14A.43 of the Listing Rules subject to the following conditions:

- (1) no shareholder of the Company is required to abstain from voting if the Company were to convene a shareholders' meeting to approve the connected transactions; and
- (2) written independent shareholders' approval has been obtained from Splendid Time Investments Inc., which holds more than 50% in nominal value of the shares of the Company giving the right to attend and vote at the shareholders' meeting.

Since the Company has met the above conditions, the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract and the continuing connected transactions arising therefrom have been approved by the written approval of Splendid Time in lieu of holding a general meeting of the Company.

Save as stated above, the Group had no prior transaction with Shanxi Group and their ultimate beneficial owners that requires aggregation under Rule 14A.25 of the Listing Rules.

VIII. RECOMMENDATION

The Directors, including independent non-executive Directors, consider that the continuing connected transactions under the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract and the corresponding annual caps set out above are and will be conducted in ordinary course of business of the Group, on normal commercial terms and are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Your attention is drawn to the recommendation of the Independent Board Committee as set out on pages 15 to 16 of this circular; and the letter from CIMB as set out on pages 17 to 23 containing its advice and recommendation to the Independent Board Committee and Independent Shareholders regarding the continuing connected transactions.

LETTER FROM THE BOARD

IX. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the Appendix to this circular.

Your faithfully,
For and on behalf of
China Resources Gas Group Limited
Ma Guoan
Chairman

LETTER FROM INDEPENDENT BOARD COMMITTEE



華潤燃氣控股有限公司 China Resources Gas Group Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1193)

Independent Board Committee:

Mr. Wong Tak Shing

Mr. Luk Chi Cheong

Dr. Yang Chonghe, Howard

6 November 2009

To the Independent Shareholders

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTION

We refer to the circular (the “Circular”) dated 6 November 2009 issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the continuing connected transactions under the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract, details of which are described in the letter from the Board as set out in the Circular.

We also draw your attention to the advice of CIMB, the independent financial adviser appointed in respect of the continuing connected transactions under the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract as set out on pages 17 to 23 to the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the continuing connected transactions under the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract including the corresponding annual caps as described in the letter from the Board as set out in the Circular. We have also considered the key factors taken into account by CIMB in arriving at its opinion regarding the continuing connected transactions under the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract as set out in the letter from CIMB as set out in the Circular, which we urge you to read carefully.

LETTER FROM INDEPENDENT BOARD COMMITTEE

Having taken into account, amongst other things, the advice of CIMB, the independent financial adviser to the Company, we consider that the continuing connected transactions including the corresponding annual caps as described in the letter from the Board as set out in the Circular are fair and reasonable and the continuing connected transactions contemplated under the terms of the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract are in the interests of the Company and its Shareholders as a whole. In this regard, we understand that the continuing connected transactions arising from the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract have been approved by the written approval of Splendid Time Investments Inc., being the controlling shareholder of approximately 74.94% of the issued share capital of the Company, in lieu of holding a general meeting of the Company. Nonetheless, if a general meeting were to be convened, we recommend the Independent Shareholders to vote in favour of the resolutions to approve the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract.

Yours faithfully,
Independent Board Committee
Mr. Wong Tak Shing
Mr. Luk Chi Cheong
Dr. Yang Chonghe, Howard
Independent Non-Executive Directors

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Set out below is the letter of advice from CIMB to the Independent Board Committee and Independent Shareholders prepared for inclusion in this circular.



CIMB Securities (HK) Limited

25/F., Central Tower
28 Queen's Road Central
Hong Kong

6 November 2009

*To the Independent Board Committee and
the Independent Shareholders of China Resources Gas Group Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions (the "Continuing Connected Transactions") contemplated under the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract (together the "Contracts"), summary terms of which are contained in a circular (the "Circular") to the Shareholders dated 6 November 2009, of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

An Independent Board Committee comprising Mr. Wong Tak Shing, Mr. Luk Chi Cheong, and Dr. Yang Chonghe, Howard, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders of the Company in relation to the Continuing Connected Transactions. As no Shareholder is required to abstain from voting if the Company were to convene a SGM for the approval of the Contracts and transactions contemplated therein, and the Company has obtained a written approval from Splendid Time, which holds approximately 74.94% of the entire issued share capital of the Company as at the Latest Practicable Date, in respect of the entering into of the Contracts and the transactions contemplated therein, the Stock Exchange has granted a waiver pursuant to Rule 14A.43 of the Listing Rules, and no Shareholders' meeting of the Company will be required to be convened for the Contracts.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and senior management of the Company. The directors of the Company have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the representations made by the Directors as contained

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or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the Target Group (as defined below) or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

Background and rationale

On 8 September 2009, the Company announced the acquisition (“Acquisition”) of Top Steed, its subsidiaries and jointly-controlled entities or associated companies (together, the “Target Group”). As a result of the Acquisition and upon completion of the acquisition (“Completion”), two of the companies from the Target Group, namely, Yangquan CR Gas and Datong CR Gas will continue with transactions for the purchase and supply of natural gas with Shanxi Gas from the date of Completion and therefore entered into the Yangyuan Contract and Datong Contract on 19 October 2009. Shanxi Gas is interested in 25% of the registered capital of Yangquan CR Gas and hence a substantial shareholder of Yangquan CR Gas. Shanxi Energy is also interested in 25% and 51% of the registered capital of Datong CR Gas and Shanxi Gas respectively. Shanxi Group is an existing connected person of the Company as Shanxi Gas is also interested in 10% and 30% of the registered capital of Hongdong CR Gas and Huozhou CR Gas. Accordingly, the Yangquan Contract and Datong Contract will upon Completion, constitute continuing connected transactions of the Company under the Listing Rules.

Apart from the Yangquan Contract and Datong Contract, the Group has had existing similar purchase and supply of natural gas transactions with Shanxi Gas on 19 October 2009, and these transactions, namely transactions under Hongdong Contract and Huozhou Contract will be aggregated with the Yangquan Contract and Datong Contract pursuant to Rule 14A.25 of the Listing Rules. Both Hongdong CR Gas and Huozhou CR Gas are non-wholly owned subsidiaries of the Company and Shanxi Gas is interested in 10% and 30% of the registered capital of Hongdong CR Gas and Huozhou CR Gas, and hence a substantial shareholder of each Hongdong CR Gas and Huozhou CR Gas respectively.

Shanxi Gas is engaged in the manufacturing and supply of natural gas in the PRC. Further to our discussion with the management of the Company, Shanxi Gas is the only natural gas provider in the Shanxi Province. Pursuant to the Contracts, Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas and Huozhou CR Gas will commit to purchase and Shanxi Gas will commit to supply an annual minimum volume of natural gas to them, respectively. Each of the parties is liable to the other for

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compensation if it fails to purchase or supply natural gas in the annual minimum volume save and except where such failure to meet the annual minimum volume was due to any force majeure events or the default of the other party. Any compensation is to be calculated based on pre-agreed formulae provided in the Contracts.

The Directors believe that the Continuing Connected Transactions are essential to the pipe gas distribution business of the Group and that, by entering into the Contracts, it will help Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas and Huozhou CR Gas in ensuring a steady and reliable supply of natural gas for its business and natural gas distribution in Yangquan city, Datong city, Hongdong county and Huozhou city, all of Shanxi Province of the PRC.

Given the fact that the Continuing Connected Transactions (i) are within the usual and ordinary course of business of the Group; (ii) will ensure a stable supply of natural gas to Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas and Huozhou CR Gas for which Shanxi Gas is the only natural gas provider in the Shanxi Province; and (iii) will be conducted on normal commercial terms, we consider that the Continuing Connected Transactions as contemplated under the Contracts are in the interests of the Company and the Shareholders as a whole.

Basis of determination

The principal terms of the Contracts are summarized as follows:

	Yangquan Contract	Datong Contract	Hongdong Contract	Huozhou Contract
Date of Contract:	10 May 2008	18 March 2008	19 October 2009	19 October 2009
Date of expiry:	31 December 2010	31 December 2010	31 December 2011	31 December 2011
Pricing (Subject to the adjustment according to the price prescribed by the province price bureau):				
<i>Non-industrial (RMB)</i>	1.49	1.50	1.54	1.54
<i>Industrial (RMB)</i>	1.89	1.90	1.94	1.94
Committed minimum purchase volume (m³):				
<i>For the year ended 31 December 2008</i>	16,800,000	46,820,000	N/A	N/A
<i>For the year ending 31 December 2009</i>	66,500,000	101,670,000	650,000	2,460,000
<i>For the year ending 31 December 2010</i>	114,000,000	128,730,000	5,430,000	7,790,000
<i>For the year ending 31 December 2011</i>	N/A	N/A	13,680,000	19,100,000
Payment term:	Monthly in advance, based on monthly estimated volume of gas (being the proportionate volume of gas based on the annual minimum volume) to be consumed for the relevant month.			

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Price:

We note that the proposed price per m³ at which natural gas is to be sold and purchased pursuant to the Contracts are determined on an arm's length basis based on the price prescribed by the Shanxi Province Price Bureau. We have reviewed the notice issued by the Shanxi Province Price Bureau to Shanxi Gas on the prescribed selling price of the natural gas and noted that the prices under the Contracts are consistent with the prices prescribed by the Shanxi Province Price Bureau.

Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas and Huozhou CR Gas may demand beyond the annual minimum volume of natural gas committed to be supplied by Shanxi Gas. Shanxi Gas agrees to use its reasonable endeavour (but not obliged) to meet such a demand at a fixed percentage increase in purchase price. We have reviewed gas supply contracts entered into by the Group with other independent natural gas providers in other provinces and noted that committed minimum purchase volume is a commercial term common in a natural gas supply contract and any demand beyond such committed minimum purchase volume can be subject to price re-negotiation. As such, we consider that the provision to increase the purchase price in the circumstance that the Group demand beyond the annual minimum volume of natural gas in the Contracts with Shanxi Gas is a normal commercial term.

Committed minimum purchase volume:

We note that the committed minimum purchase volume in the Contacts have been arrived at after taking into account the past consumption of the natural gas, the existing scale and operation of the Group, the anticipated growth and development of natural gas distribution business of the Group, the anticipated growth of the gas users as a result of the expansion of gas pipeline network of the Group by connecting gas pipelines to newly developed areas in Yangquan city, Datong city, Hongdong county and Huozhou city and the anticipated increase in the population of the these areas.

We have reviewed the computation and have also discussed with management of the Company in relation to the determination of such committed minimum purchase volume. We note that the substantial increase in committed minimum purchase volume for Yangquan CR Gas, Hongdong CR Gas and Huozhou CR Gas over the years was primary due to the fact that Yangquan CR Gas just commenced operation in 2007 and Hongdong CR Gas and Huozhou CR Gas just commenced operation in 2009. As a result, the Company expected that the demand for natural gas is expected to substantially increase after the initial start up period. The increase in committed minimum purchase volume for Datong CR Gas, Yangquan CR Gas, Hongdong CR Gas and Huozhou CR Gas is also attributable to the increase in the anticipated growth of the gas users as a result of the expansion of gas pipeline network of the Group by connecting gas pipelines to Yangquan city, Datong city, Hongdong county and Huozhou city. We further noted from the Contracts that if Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas and Huozhou CR Gas fails to meet their yearly take obligation, it must pay for the shortfall within 7 days from the beginning of the next year. However, the shortfall between the actual natural gas consumption and the committed minimum purchase volume during a year can be utilized during a period of three years from the relevant year of occurrence of shortfall.

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As advised by the management of the Company, it is a common market practice for a natural gas supply contract to be subject to a committed minimum purchase and supply volume as it would be beneficial for both parties to have a stable supply and demand of natural gas during the contract period. As Shanxi Gas is the only natural gas provider in the Shanxi Province, the Company considered that the committed minimum purchase volume can ensure a steady and reliable supply of natural gas to Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas and Huozhou CR Gas and therefore is beneficial to the Group. We have also reviewed contracts entered into by the Group with other independent natural gas provider in other provinces and noted that committed minimum purchase and supply volume is a normal commercial term in a natural gas supply contract. In addition, based on our review of these contracts with independent natural gas providers, we note no unusual terms in the Contracts.

Views

Having taking into account, i) the proposed price per m³ at which natural gas is to be sold and purchased pursuant to the Contracts are determined based on the price prescribed by the Shanxi Province Price Bureau; and ii) the committed minimum purchase volume in the Contacts have been arrived at after taking into account the past consumption of the natural gas, the existing scale and operation of the Group, the anticipated growth and development of natural gas distribution business of the Group, the anticipated growth of the gas users as a result of the expansion of gas pipeline network of the Group, we consider that the terms of the Continuing Connected Transactions as aforesaid are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

The annual caps

The Directors expect that the aggregate annual amount of purchases of natural gas by Yangquan CR Gas and Datong CR Gas, and in aggregation with Hongdong CR Gas and Huozhou CR Gas respectively from Shanxi Gas, pursuant to the Contracts will not exceed the following:-

Year/Period	Annual Cap (RMB)	Annual Cap (approximate HK\$ equivalent)
19 October 2009 - 31 December 2009	117,917,700	133,788,243
For the year ending 31 December 2010	508,852,200	577,338,618
For the year ending 31 December 2011	66,154,000	75,057,667

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The estimates of purchases under each Contracts are summarised as follows:

Year/ Period	Yangquan Contract		Datong Contract		Hongdong Contract		Huozhou Contract		Aggregate annual cap (RMB)
	Volume m ³	RMB	Volume m ³	RMB	Volume m ³	RMB	Volume m ³	RMB	RMB
For the period from 19 October 2009 to 31 December 2009	30,000,000	56,700,000	29,075,000	55,242,500	350,000	679,000	2,730,000	5,296,200	117,917,700
For the year ending 31 December 2010	114,000,000	215,460,000	140,500,000	266,950,000	5,430,000	10,534,200	8,200,000	15,908,000	508,852,200
For the year ending 31 December 2011	N/A		N/A		15,000,000	29,100,000	19,100,000	37,054,000	66,154,000

We note that the annual caps have been determined by the Directors primary based on the committed minimum purchase volume times the agreed price per m³ pursuant to the Contracts, with a slight buffer on the possible increase in demand in volume of natural gas.

The continued economic growth and the rapid industrialisation and urbanisation in China has spiked the demand for energy in China. Natural gas is considered a cleaner but relatively new conventional energy source compared to coal and crude oil. The PRC government has been supportive of the development of natural gas. The percentage of energy consumption from natural gas in the PRC is very low compared to international levels. We note that according to BP Statistical Review of World Energy June 2009, for 2008, natural gas only accounted for 3.63% of China's total primary energy consumption, which is lower than the Asia Pacific region's consumption of 10.97% and far lower than the world's consumption of 24.14%. Under the PRC's 11th Five-year Plan (2006-10), the Energy Development Plan forecasts that the proportion of natural gas in total primary energy consumption will increase by 2.5% within five years, and up to 5.3% by 2010. The PRC government has, in addition, promulgated various policies and guidelines to encourage and rationalise the usage of natural gas. For example, in July 2008, the National Development and Reform Commission issued a natural gas usage policy (天然氣利用政策) for this purpose. The policy specifically states that municipal residential and commercial users shall have preferential access to natural gas.

Given such favourable economic outlook of the PRC natural gas industry, the historical purchase amount of the natural gas by Yangquan CR Gas, Datong CR Gas, Hongdong CR Gas and Huozhou CR Gas, the anticipated growth of the gas users as a result of the Group's business plan to continue expand the gas pipeline network of the Group by connecting gas pipelines to newly developed areas in Yangquan city, Datong city, Hongdong county and Huozhou city and that Yangquan CR Gas just commenced operation in 2007 and Hongdong CR Gas and Huozhou CR Gas just commenced operation in 2009 and these companies are still in the early stage of business development, we consider that it is reasonable to expect demand for natural gas to increase substantially in the future and the cap amount are computed on such basis.

Views

Given the above, we are of the view that the annual caps for the Continuing Connected Transactions are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned. However, as the annual caps for the period from 19 October 2009 to 31

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. MORTGAGES AND CHARGES OF THE COMPANY

As at the Latest Practicable Date, property, plant and equipment and a bank deposit of HK\$102,148,000 and HK\$740,000 was pledged to banks for a bank facility and a guarantee for utility usage, respectively.

3. TOTAL AMOUNT OF ANY CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS OF DIRECTORS

- a. As at the Latest Practicable Date, the interests and the short positions (within the meaning of the SFO) of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

i Interest in the Shares and underlying Shares of the Company

Name	Capacity	Long or short position	Number of Shares	Number of share options	Approximate percentage of interest¹
Mr. Li Fuzuo	Beneficial owner	Long position	51,000	—	0.0036%
Mr. Du Wenmin	Beneficial owner	Long position	54,000	—	0.0038%
Mr. Wong Tak Shing	Beneficial owner	Long position	40,000	—	0.0028%

Note:

1. This represents the percentage of aggregate long position in ordinary shares and underlying shares of the Company to the total issued share capital of the Company as at the Latest Practicable Date.

ii. **Interest in the issued ordinary shares and underlying shares of China Resources Enterprise, Limited (“CRE”), an associated corporation of the Company**

Name	Capacity	Long or short position	Number of shares	Number of share options ¹	Exercise price per share HK\$	Date of grant	Aggregate percentage of interest ²
Mr. Wang Chuandong	Beneficial owner	long position	300,000	300,000 ³	10.350	04/10/2004	0.0251%
Mr. Du Wenmin	Beneficial owner	long position	100,000	—	—	—	0.0042%

Notes:

1. This refers to the number of underlying shares of CRE covered by its share option schemes.
2. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CRE to the total issued share capital of CRE as at the Latest Practicable Date
3. The exercisable period during which the share options may be exercised is from 4th October 2004 to 3rd October 2014.
4. In each case, HK\$1.00 is payable upon acceptance of the share options granted.

iii. **Interest in the issued ordinary shares and underlying shares of China Resources Power Holdings Company Limited (“CRP”), an associated corporation of the Company**

Name	Capacity	Long or short position	Number of shares	Number of share options ¹	Exercise price per share HK\$	Date of grant	Aggregate percentage of interest ²
Mr. Ma Guoan	Interest of spouse	long position	22,000	—	—	—	0.0005%
Mr. Wang Chuandong	Beneficial owner	long position	—	101,800 ³	2.750	06/10/2003	0.0022%
Mr. Li Fuzuo	Beneficial owner	long position	741,780	61,080 ⁴	3.919	18/03/2005	0.0172%
Mr. Du Wenmin	Beneficial owner	long position	297,000	183,240 ⁵	2.750	12/11/2003	0.0103%
Mr. Wei Bin	Beneficial owner	long position	121,000	—	—	—	0.0026%

Notes:

1. This refers to the number of underlying shares of CRP covered by its share option scheme.
2. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CRP to the total issued share capital of CRP as at the Latest Practicable Date.

3. The share options are exercisable in 5 tranches of 20% each, from 6th October, 2004, 2005, 2006, 2007 and 2008 to 5th October, 2013.
4. The share options are exercisable from 18th March, 2010 to 17th March, 2015
5. The share options are exercisable in 2 tranches, from 6th October, 2007 and 2008 to 5th October, 2013.
6. In each case, HK\$1.00 is payable upon acceptance of the share options granted.

iv. **Interest in the issued ordinary shares and underlying shares of China Resources Land Limited (“CRL”), an associated corporation of the Company**

Name	Capacity	Long or short position	Number of shares	Number of share options ¹	Exercise price per share HK\$	Date of grant	Aggregate percentage of interest ²
Mr. Li Fuzuo	Beneficial owner	long position	1,000,000	—	—	—	0.0199%
Mr. Du Wenmin	Beneficial owner	long position	790,000	250,000 ³	1.230	01/06/2005	0.0207%

Notes:

1. This refers to the number of underlying shares of CRL covered by its equity incentive plan or share option scheme.
2. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CRL to the total issued share capital of CRL as at the Latest Practicable Date.
3. The share options are exercisable in 2 tranches, from 1st June, 2008 and 2009 to 31st May, 2015.
4. In each case, HK\$1.00 is payable upon acceptance of the share options granted.

v. **Interest in the issued ordinary shares and underlying shares of China Resources Microelectronics Limited (“CRM”), an associated corporation of the Company**

Name	Capacity	Long or short position	Number of shares	Number of share options	Exercise price per share HK\$	Date of grant	Aggregate percentage of interest ¹
Mr. Ong Thiam Kin, Ken	Beneficial owner	long position	1,971,767	—	—	—	0.0224%
Mr. Li Fuzuo	Beneficial owner	long position	918,000	—	—	—	0.0104%
Mr. Du Wenmin	Beneficial owner	long position	1,458,000	—	—	—	0.0166%
Mr. Wei Bin	Beneficial owner	long position	324,000	—	—	—	0.0037%
Mr. Luk Chi Cheong	Beneficial owner	long position	1,165,912	—	—	—	0.0133%

Note:

1. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CRM to the total issued share capital of CRM as at the Latest Practicable Date.

vi. **Interest in the issued ordinary shares and underlying shares of China Resources Cement Holdings Limited (“CR Cement”), an associated corporation of the Company**

Name	Capacity	Long or short position	Number of shares	Number of share options ¹	Exercise price per share HK\$	Date of grant	Aggregate percentage of interest ¹
Mr. Ong Thiam Kin, Ken	Beneficial owner	long position	100,000	—	—	—	0.0015%

Note:

1. This represents the percentage of aggregate long position in ordinary shares of CR Cement to the total issued share capital of CR Cement as at the Latest Practicable Date.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

- b. As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2008 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.
- c. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.
- d. None of the Directors has any service contracts with the Company or any of its subsidiaries which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Capacity	Nature of interest	Number of Shares	Percentage of the aggregate long position in Shares to the issued share capital of the Company as at the Latest Practicable Date
Splendid Time ¹	Beneficial owner	Beneficial interest	1,059,999,983	74.94%
China Resources Holdings ¹	Controlled company's interest	Corporate interest	1,059,999,983	74.94%
CRC Bluesky Limited ("CRC Bluesky") ¹	Controlled company's interest	Corporate interest	1,059,999,983	74.94%
China Resources Co., Limited ("CRCL") ¹	Controlled company's interest	Corporate interest	1,059,999,983	74.94%
China Resources National Corp. ("CRN")	Controlled company's interest	Corporate interest	1,059,999,983	74.94%

Note:

1. Splendid Time directly holds 1,059,999,983 Shares in the Company and is a wholly-owned subsidiary of China Resources Holdings, which is therefore deemed to interested in 1,059,999,983 Shares of the Company under Part

XV of the SFO. China Resources Holdings is a wholly-owned subsidiary of CRC Bluesky. CRC Bluesky is a wholly-owned subsidiary of CRCL which in turn is 99.98% owned by CRN. CRC Bluesky, CRCL and CRN are all therefore deemed to be interested in 1,059,999,983 Shares of the Company under Part XV of the SFO.

- (a) Save as aforesaid, as at the Latest Practicable Date, no other person had any interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO.

- (b) Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than a Director or chief executive of the Company) who has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group (including any options in respect of such capital), or who were recorded in the register required to be kept by the Company under section 336 of the SFO.

6. SERVICE CONTRACTS

As at the date of this circular, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' INTERESTS IN CONTRACTS

As at the date of this circular, none of the Directors has any interest, direct or indirect, in any asset which since 31st December 2008, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the date of this circular, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the businesses of the Group.

8. QUALIFICATIONS AND CONSENTS OF EXPERTS

CIMB, the independent financial adviser, is a corporation licensed to carry on types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO.

CIMB has given and has not withdrawn its written consent to the issue of this circular with copies of its letter, reports and opinion in this circular and the references to its name included in the form and context in which they respectively appear.

As at the Latest Practicable Date, CIMB was not interested in any Share or share in any member of the Group, nor does it have any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

As at the Latest Practicable Date, none of the aforesaid experts had any direct or indirect interests in any assets which have since 31 December 2008 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited consolidated accounts of the Group have been made up.

10. COMPETING INTEREST

As at the date of this circular, none of the Directors and their respective Associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his Associates were appointed to represent the interests of the Company and/or the Group.

11. LITIGATION

Neither the Company nor any member of the Group is engaged in any litigation or arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of the Group.

12. GENERAL

The company secretary of the Company is Mr. ONG Thiam Kin, who is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and members of the national accounting bodies of Singapore and Malaysia.

The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the principal place of business of the Company is situated at Room 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company's Hong Kong branch share registrar is Tricor Secretaries Limited, which is situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

13. MATERIAL CONTRACTS

The following are the material contracts, not being contracts entered into in the ordinary course of business of the Group, which have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) an agreement for the sale and purchase of the semiconductor business of the Company dated 4 December 2007 and entered into among the Company, China Resources Microelectronics (Holdings) Limited, China Resources Semiconductor (International) Limited and CSMC Technologies Corporation (presently known as CRM);
- (b) an agreement for the sale and purchase of Redland Concrete Limited dated 4 December 2007 and entered into between China Resources Concrete Limited and the Company;
- (c) a share purchase agreement dated 21 August 2008 entered into between the Company and China Resources Holdings in relation to the acquisition of the entire issued share capital of China Resources Gas Limited;
- (d) an underwriting agreement dated 21 August 2008 entered into between the Company, Splendid Time Investments Inc. (as the underwriter) and China Resources Holdings in relation to the rights issue announced on the same date;
- (e) an agreement for the sale and purchase of the entire issued share capital of China Resources Semiconductor (International) Limited dated 3 November 2008 and entered into by among other, China Resources Microelectronics (Holdings) Limited and Twin-Peaks International Group Limited;
- (f) an agreement for the sale and purchase of the entire issued share capital of, and the shareholder's loan owed by Rich Team Resources Limited dated 1 December 2008 and entered into between the Company and China Resources Holdings; and
- (g) an agreement for the sale and purchase of the entire issued share capital of Top Steed Limited dated 8 September 2009 and entered into between the Company, Powerfaith Enterprises Limited and China Resources (Gas) Holdings Limited.

Save as disclosed above, none of the members of the Group has entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular that are or may be material.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the head office of the Company at Room 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong from the date of this circular up to 14 days thereafter, i.e. 20 November 2009:

- a. the Memorandum of Association and Bye-laws of the Company;
- b. the Material Contracts referred to in the paragraph headed “Material Contracts” of this appendix;
- c. the Yangquan Contract, Datong Contract, Hongdong Contract and Huozhou Contract;
- d. Letter from the Independent Board Committee as set out on pages 15 to 16 of this circular;
- e. the letter from CIMB to the Independent Board Committee and the Independent Shareholders as set out on pages 17 to 23 of this circular;
- f. the written consents referred to in the section headed “Qualifications and Consents of Experts” in this appendix; and
- g. this circular.