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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in China Resources Gas Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank manager, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
INVOLVING ISSUE OF CONSIDERATION SHARES**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



CIMB
CIMB Securities (HK) Limited

A letter from the Board is set out on pages 6 to 17 of this circular. A letter from the Independent Board Committee is set out on pages 18 to 19 of this circular and a letter from CIMB, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 20 to 30 of this circular.

A notice convening the special general meeting of China Resources Gas Group Limited to be held at Room 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 31 August, 2011 at 4:15 p.m. is set out on pages 38 to 39 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular.

Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch registrar, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event by no later than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

12 August 2011

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company from Powerfaith pursuant to the terms and conditions under the Sale and Purchase Agreement;
“Associates”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (excluding a Saturday or Sunday) on which licensed banks in Hong Kong are generally open for business;
“BVI”	the British Virgin Islands;
“China Resources Holdings”	China Resources (Holdings) Company Limited, the substantial and controlling shareholder of the Company holding approximately 68.28% of its issued share capital as at the Latest Practicable Date, or, where the context requires, the relevant subsidiary;
“CIMB” or “Independent Financial Adviser”	CIMB Securities (HK) Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and Independent Shareholders in respect of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement;
“CNG”	compressed natural gas;
“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;
“Completion”	the completion of the sale and purchase of the Sale Shares;

DEFINITIONS

“Completion Date”	the day on which Completion takes place in accordance with the provisions of the Sale and Purchase Agreement;
“Consideration”	HK\$1,710 million;
“Consideration Shares”	161,174,785 new Shares, representing approximately 8.8% of the existing issued share capital of the Company as at the Latest Practicable Date and expected to represent approximately 8.09% of the enlarged issued share capital of the Company on Completion and having a total cash value equivalent to the Consideration based on a value of HK\$10.6096 per Share;
“controlling shareholder”	shall have the meaning ascribed to that term in the Listing Rules;
“CR Gas Holdings”	China Resources Gas (Holdings) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China Resources Holdings;
“CR Gas Holdings Group”	collectively, CR Gas Holdings and its subsidiaries;
“Deed of Indemnity”	the deed of indemnity to be entered into among Powerfaith, the Company and CR Gas Holdings on Completion in relation to the tax liabilities of the Target Group prior to Completion and other liabilities as specified therein;
“Director(s)”	the director(s) of the Company;
“Encumbrances”	rights of pre-emption, options, liens, claims, equities, charges, mortgages, pledges, third-party rights or interests of any nature;
“Enlarged Group”	the Group and the Target Group and for the purposes of the appendix to this circular, references to “Enlarged Group” shall be construed to include the Group, Wang Gao and its subsidiaries only;
“Group”	collectively, the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

DEFINITIONS

“Independent Board Committee”	an independent board committee of the Company constituted to consider the terms of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement, and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolution regarding the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement. Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian have been appointed by the Board to serve as members of the Independent Board Committee;
“Independent Shareholders”	Shareholders other than the controlling shareholder of the Company, namely China Resources Holdings and its Associates and any Shareholder who has a material interest in the Acquisition and the allotment and issue of the Consideration Shares;
“Latest Practicable Date”	9 August 2011, being the latest practicable date before the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LNG”	liquefied natural gas;
“Parties”	the parties to the Sale and Purchase Agreement, namely, the Company, Powerfaith and CR Gas Holdings;
“Powerfaith” or “Vendor”	Powerfaith Enterprises Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of China Resources Holdings;
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular only, excluding Hong Kong, Macau and Taiwan;
“Sale and Purchase Agreement”	the Sale and Purchase Agreement entered into among the Company, Powerfaith and CR Gas Holdings dated 22 July 2011 in relation to the Acquisition;

DEFINITIONS

“Sale Shares”	three ordinary shares of par value of US\$1.00 each in the share capital of Wang Gao, representing the entire issued share capital of Wang Gao as at the Latest Practicable Date and such additional shares as may be issued by Wang Gao to Powerfaith prior to Completion;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve (among other things), if thought fit, the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement;
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company which are listed and traded on the main board of the Stock Exchange;
“Shareholder(s)”	person(s) whose name(s) appear on the register of members of the Company as registered holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	shall have the meaning ascribed to that term in the Listing Rules;
“substantial shareholder”	shall have the meaning ascribed to that term in the Listing Rules;
“Target Group”	collectively, Wang Gao and its subsidiaries;
“Trading Day”	the day on which the Shares are traded on the Stock Exchange;
“Wang Gao”	Wang Gao Limited, a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of the Vendor;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;

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“US\$” the United States dollars, the lawful currency of the United States of America; 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\$1.2116, 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. All amounts in US\$ have been translated in HK\$ at a rate of US\$1 = HK\$7.8 in this circular for illustration purpose 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
and Company Secretary*)

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Non-executive Directors:

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
YU Jian

12 August 2011

To the Shareholders

Dear Sir and Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES

I. INTRODUCTION

The Company has, by the announcement dated 22 July 2011, announced that it has entered into the Sale and Purchase Agreement to conditionally agree to acquire the entire issued share capital of Wang Gao, an indirect wholly-owned subsidiary of China Resources Holdings, for a consideration of HK\$1,710 million.

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. Since China Resources Holdings is the controlling shareholder of the Company, holding approximately 68.28% of its issued share capital as at the Latest Practicable Date and the Vendor is a wholly-owned subsidiary of China Resources Holdings, the Acquisition also constitutes a connected transaction of the Company under the Listing Rules. As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect Acquisition exceed 5%, the Acquisition, the Sale and Purchase Agreement and the allotment

LETTER FROM THE BOARD

and issue of the Consideration Shares to Powerfaith or its nominee are therefore subject to reporting, announcement and the approval of the Independent Shareholders at the SGM as required under Chapter 14A of the Listing Rules.

The purpose of this circular is:

- (i) to provide Shareholders with further details of the Acquisition; and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement;
- (ii) to set out the recommendations of the Independent Board Committee to the Independent Shareholders on the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement;
- (iii) to set out the recommendations of the Company's independent financial adviser, CIMB, to the Independent Board Committee and the Independent Shareholders; and
- (iv) to give notice of the SGM.

II. THE ACQUISITION

A. THE SALE AND PURCHASE AGREEMENT

Date

22 July 2011

Parties to the Sale and Purchase Agreement

- (i) the Company;
- (ii) Powerfaith; and
- (iii) CR Gas Holdings.

Sale Shares

Subject to the terms and conditions of the Sale and Purchase Agreement, Powerfaith shall sell as legal and beneficial owner and the Company shall purchase the Sale Shares with effect from Completion free from all Encumbrances and together with all rights and title to and interests in the Sale Shares (including the right to receive all dividends and distributions declared, made or paid on or after the Completion Date).

In consideration of the Company entering into the Sale and Purchase Agreement, CR Gas Holdings unconditionally and irrevocably guarantees as a primary obligor, the due and punctual performance by Powerfaith of all its obligations and punctual discharge by Powerfaith of all its liabilities to the Company under the Sale and Purchase Agreement.

LETTER FROM THE BOARD

Conditions Precedent

Completion of the Acquisition is subject to the satisfaction of the following conditions precedent:

- (i) the Independent Shareholders having approved by way of poll at a duly convened SGM, the transactions contemplated under the Sale and Purchase Agreement including but not limited to the Acquisition, the allotment and issue of the Consideration Shares to Powerfaith (or its nominee(s) as it may direct), and, to the extent applicable, the transactions arising out of the Sale and Purchase Agreement and in pursuance of the Sale Shares (and for the avoidance of doubt, excluding, to the extent applicable, any continuing connected transactions (as defined in the Listing Rules) arising between the Company and Powerfaith or their respective Associates arising as a direct result of Completion which require approval of the Independent Shareholders and matters ancillary thereto); and
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares to be allotted and issued to Powerfaith (or its nominee(s) as it may direct) thereunder, either unconditionally or subject only to conditions to which Powerfaith and the Company have no reasonable objection.

The conditions above shall not be waived in any event. As at the Latest Practicable Date, none of the conditions above has been fulfilled. If conditions set out above are not fulfilled on or before 30 September 2011 (or such later date as agreed between the parties), the Sale and Purchase Agreement and the transactions contemplated thereunder shall be terminated. Completion shall take place on or before the second Business Day (or such other date as Powerfaith and the Company may agree) after the conditions precedent set out in the Sale and Purchase Agreement have been fulfilled.

Consideration

The Consideration payable by the Company for the Acquisition is HK\$1,710 million. The Consideration shall be satisfied in full by the allotment and issue on the Completion Date of the Consideration Shares at an issue price of HK\$10.6096 per Consideration Share, which was determined by and equal to an approximate 5% discount of the average closing price of the Shares for the 15 Trading Days of HK\$11.1680 up to and including 21 July 2011, being the last Trading Day immediately preceding the date of the Sale and Purchase Agreement, to Powerfaith (or its nominee(s) as it may direct) credited as fully paid up, ranking pari passu in all respects with all the then issued Shares and free from all Encumbrances and together with all rights attached or accruing thereto on or after the Completion Date.

LETTER FROM THE BOARD

The Consideration, including the issue price per Consideration Share, has been arrived at after arm's length negotiations between Powerfaith and the Company after taking into account various relevant factors including the strategic rationale behind the transactions contemplated, the nature of the relevant businesses, the historical financial information, combined net asset value and future prospects of the relevant industries including general economic trends and market growth and the prevailing commercial and business conditions in which Wang Gao operates and the recent market prices of the Share.

The investment cost (including accrued finance cost) of the Target Group to the China Resources Holdings group was approximately HK\$928 million. The net asset value of Wang Gao, assuming the Target Group had been formed as at 30 June 2011, as shown in the unaudited combined balance sheet attributable to the Target Group as at 30 June, 2011 was approximately HK\$785 million. While the Board noted that the Consideration was at a premium to the investment costs of the Target Group to China Resources Holdings and the net asset value of Wang Gao as at 30 June 2011, the Board also noted that the underlying businesses operated by the Target Group is revenue-generating in nature. As disclosed in the preceding paragraph, the Company has taken into account various relevant factors including the future prospects of the relevant industries and the Consideration was arrived at after arm's length negotiation with the Vendor. The Directors (excluding the independent non executive Directors whose opinion has been set out on pages 18 to 19 of this circular) are of the view that the terms of the Acquisition as contemplated under the Sale and Purchase Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As it is not practically feasible to determine an appropriate profit figure based on the previous experience, after arm's length negotiations between the Vendor and the Company, it is agreed that no profit guarantee will be given by the Vendor in respect of the Target Group for the year ending 31 December, 2011. The actual combined profits after taxation of the target companies previously acquired by the Group from China Resources Holdings and the CR Gas Holdings Group as disclosed in the announcements of the Company dated 21 August 2008, 8 September 2009 and 13 September 2010 respectively were higher than the amounts guaranteed by China Resources Holdings, or as the case may be, the CR Gas Holdings Group in a range of 10% to 40%. The Directors (excluding the independent non-executive Directors whose opinion has been set out on pages 18 to 19 of this circular) are of the view that the current arrangement of the absence of the profit guarantee is on an arm's length basis, and fair and reasonable after taking into account of the terms contemplated under the Sale and Purchase Agreement as a whole.

LETTER FROM THE BOARD

Consideration Shares

On Completion, the Consideration Shares, having a total cash value of HK\$1,710 million, will be allotted and issued to Powerfaith (or its nominee(s) as it may direct). The Consideration Shares will be issued at HK\$10.6096 per Consideration Share, which represents:

- (a) a premium of approximately 2.8% to HK\$10.32, being the closing price of the Shares as at the Latest Practicable Date, as quoted on the Stock Exchange;
- (b) a discount of approximately 6.1% from HK\$11.30, being the closing price of the Shares on 21 July 2011, the last Trading Day on which the Shares were traded on the Stock Exchange immediately preceding the date of the Sale and Purchase Agreement;
- (c) a discount of approximately 5.9% from HK\$11.27, being the average closing price of the Shares for the last 10 Trading Days prior to the date of the Sale and Purchase Agreement;
- (d) a discount of approximately 2.8% from HK\$10.92, being the average closing price of the Shares for the last 30 Trading Days prior to the date of the Sale and Purchase Agreement; and
- (e) a premium of approximately 242.3% to the audited consolidated net asset value per Share of the Company as at 31 December 2010 of HK\$3.10 per Share.

Given that the Acquisition constitutes a connected transaction of the Company of which Independent Shareholders' approval is required, specific approval of the Independent Shareholders will be sought for the allotment and issue of the Consideration Shares. An application will be made to the Listing Committee of the Stock Exchange for the granting of listing of and permission to deal in the Consideration Shares.

LETTER FROM THE BOARD

The following table sets out the simplified shareholding of the Company as at the Latest Practicable Date and immediately upon Completion:

Shareholders	No. of Shares as at the Latest Practicable Date	Shareholding percentage as at the Latest Practicable Date	No. of Shares immediately upon Completion <i>(Note 1)</i>	Shareholding percentage immediately upon Completion <i>(Note 2)</i>
China Resources Holdings <i>(Note 3)</i>	1,250,186,206	68.28%	1,411,360,991	70.84%
The Directors <i>(Note 4)</i>	334,000	0.02%	334,000	0.02%
Public	580,574,727	31.70%	580,574,727	29.14%
Total	<u>1,831,094,933</u>	<u>100.00%</u>	<u>1,992,269,718</u>	<u>100.00%</u>

Notes:

- (1) Assuming there is no acquisition and/or disposal of Shares and assuming there is no exercise of share options from the Latest Practicable Date up to the date of Completion.
- (2) As at the Latest Practicable Date, a total of 188,000 share options are outstanding. Assuming full exercise of such options on or before the date of Completion, China Resources Holdings, the Directors and the public will hold approximately 70.83%, 0.02% and 29.15% of the then enlarged issued share capital of the Company on Completion. Other than the said options, there are no outstanding securities issued by the Company as at the Latest Practicable Date which are convertible into Shares.
- (3) The interest of China Resources Holdings in the Company represents its indirect interest held through CRH (Gas) Limited (formerly known as “Splendid Time Investments Inc.”) and Commotra Company Limited. China Resources Holdings is a wholly-owned subsidiary of CRC Bluesky Limited. CRC Bluesky Limited is a wholly owned subsidiary of China Resources Co., Limited which in turn is wholly owned by China Resources National Corporation.
- (4) The Directors comprise Mr. Wang Chuandong, Mr. Ong Thiam Kin, Mr. Du Wenmin and Mr. Wong Tak Shing. Such Directors who are also Shareholders will be entitled to vote at the SGM on the basis that neither any of them nor any of their respective Associates is a party to the Sale and Purchase Agreement or any other transactions subject to approval of the Independent Shareholders at the SGM.

Deed of Indemnity

On Completion, the Company, Powerfaith and CR Gas Holdings will enter into the Deed of Indemnity. Subject to certain limitations as stated in the Deed of Indemnity, Powerfaith undertakes to the Company to indemnify and keep indemnified the Company from and against any tax liabilities in relation to the business activities of the Target Group prior to Completion and other liabilities as specified in the Deed of Indemnity. CR Gas Holdings undertakes to guarantee the due and punctual performance of Powerfaith’s obligation under the Deed of Indemnity.

LETTER FROM THE BOARD

B. REASONS FOR AND BENEFITS OF THE ACQUISITION

As mentioned in the Company's annual report for the year ended 31 December 2010, construction of the second phase of the "West to East Gas Transmission" pipelines and the "Sichuan to East" pipelines from the gas-rich Central Asia and Sichuan Province to coastal regions of the PRC as well as construction of LNG terminals in coastal cities are actively in progress. The Board believes that the PRC government will place significant emphasis on the rapid development of natural gas industry under the 12th Five Year Plan to achieve its carbon emission commitment made during the 2010 Copenhagen Conference. All these will greatly boost the availability of natural gas in China and will continue to offer significant opportunity for future growth in the downstream gas industry in China. It is the Company's strategy to ride on these favourable industry fundamentals to scale new heights via organic and acquisition growths. The Board believes that the Acquisition is a step forward in furtherance of the said strategy by further expanding its market share in the down stream gas industry and strengthening its customer and earning base into different regions in China. Upon Completion, the Board believes that the Company, being one of the leading pan-China gas distributors, will be strategically positioned to take up new opportunities and to capture growth opportunity in the gas industry in China.

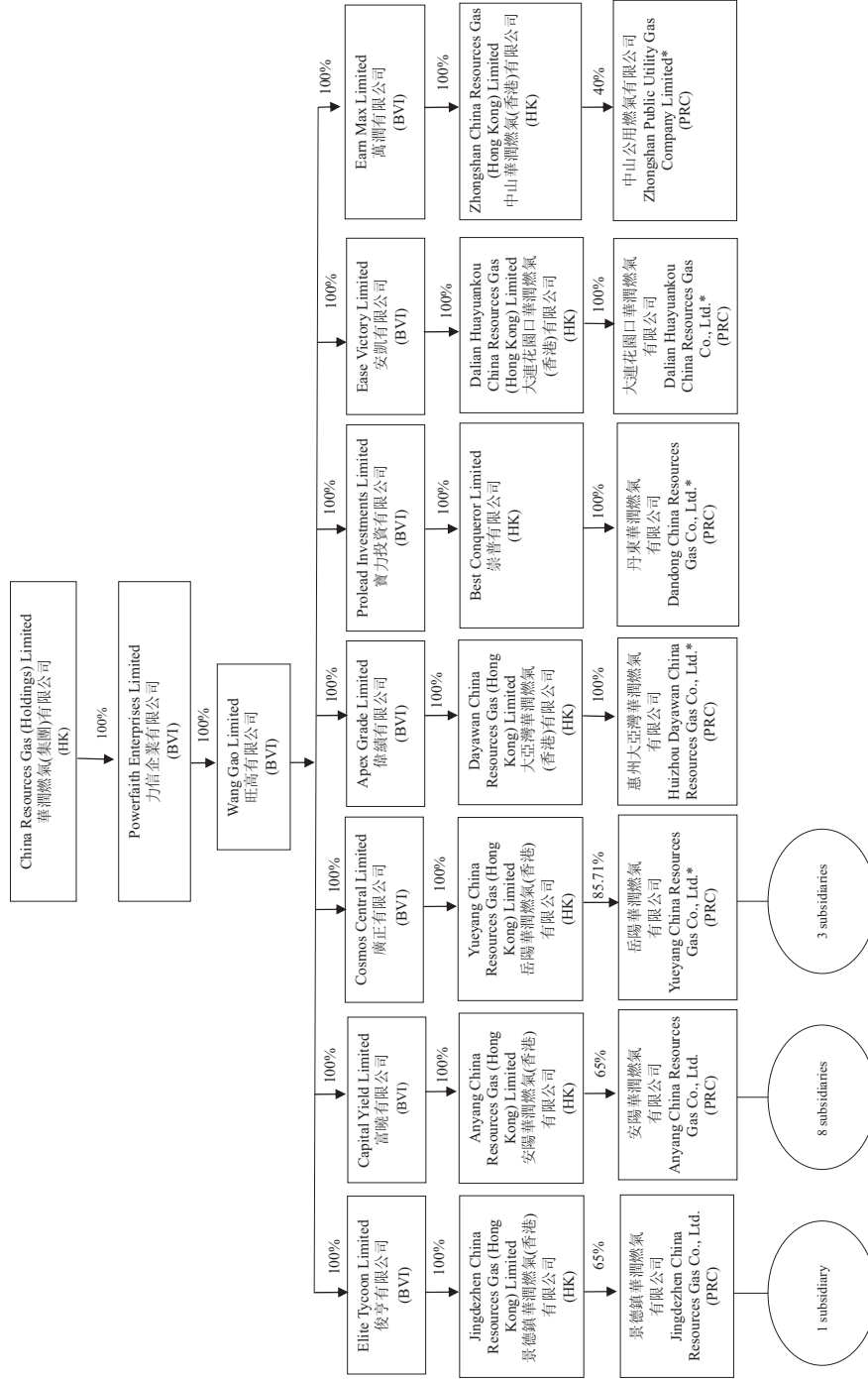
The Directors (excluding the independent non-executive Directors whose opinion is set out on pages 18 to 19 to this circular) consider that the terms of the Acquisition, the Sale and Purchase Agreement and the allotment and issue of the Consideration Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. INFORMATION ON WANG GAO

Wang Gao, a wholly-owned subsidiary of China Resources Holdings, is a holding company. The Target Group currently operates a portfolio of city gas distribution businesses including piped natural gas distribution, CNG filling stations operation, repair and maintenance of natural gas pipelines and natural gas facilities. Its natural gas distribution operations are located in the cities of Yueyang, Zhongshan, Jingdezhen, Anyang, Huizhou Dayawan, Dandong and Dailian Huayuankou.

LETTER FROM THE BOARD

The corporate structure of the members of the Target Group as at the Latest Practicable Date is depicted in the following chart:



* The English names of these PRC incorporated companies are only English translation of the corresponding official Chinese names and are provided for identification purposes only.

LETTER FROM THE BOARD

Financial information of Wang Gao

No audited account of Wang Gao is available since Wang Gao is not required to prepare the same in the place of its incorporation in the BVI. For the purposes of this circular, assuming the Target Group had been formed since 1 January 2009, the net profits (both before and after taxation and minority interest) of Wang Gao as shown in the unaudited combined profit and loss accounts attributable to the Target Group for the two years ended 31 December 2010 and the six months ended 30 June 2011 are as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2011
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Unaudited combined profit before taxation and minority interests	69.9	110.6	66.9
Unaudited combined profit after taxation and minority interests	37.5	66.7	40.2

D. NATURE OF BUSINESSES OF THE COMPANY, POWERFAITH, CR GAS HOLDINGS AND CHINA RESOURCES HOLDINGS

The Company is a limited liability company incorporated in Bermuda and its shares have been listed on the Stock Exchange since 7 November 1994. The Company is an investment holding company which through its subsidiaries in the PRC, currently operates 55 city gas distribution projects in 15 provinces and one municipality in China including natural or petroleum gas pipelines and CNG filling stations.

Powerfaith is a wholly-owned subsidiary of China Resources Holdings and is an investment holding company with investments in gas projects in various parts of China, including investments in the Target Group.

China Resources Holdings is the substantial and controlling shareholder of the Company and its principal business is investment holding. CR Gas Holdings is a wholly-owned subsidiary of China Resources Holdings and its principal business is investment holding.

III. LISTING RULES IMPLICATIONS

THE ACQUISITION

The Acquisition, whether on its own or in aggregate with the previous transaction as announced by the Company on 13 September 2010 involving the same contracting parties, constitutes a discloseable transaction of the Company under the Listing Rules. Since China Resources Holdings is the controlling shareholder of the Company, holding approximately

LETTER FROM THE BOARD

68.28% of its issued share capital as at the Latest Practicable Date and the Vendor is a wholly-owned subsidiary of China Resources Holdings, the Acquisition also constitutes a connected transaction of the Company under the Listing Rules. As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5%, the Acquisition, the Sale and Purchase Agreement and the issue of Consideration Shares to Powerfaith are subject to reporting, announcement and the approval of the Independent Shareholders at the SGM as required under Chapter 14A of the Listing Rules.

IV. THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been constituted to consider the terms of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement, and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolution regarding the Acquisition (including the terms of the Sale and Purchase Agreement and the allotment and issue of the Consideration Shares). Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian have been appointed by the Board to serve as members of the Independent Board Committee. No member of the Independent Board Committee has any material interest in the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement. A letter from the Independent Board Committee is set out on pages 18 to 19 of this circular.

CIMB has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Acquisition (including the terms of the Sale and Purchase Agreement and the allotment and issue of the Consideration Shares). A letter from CIMB is set out on pages 20 to 30 of this circular.

V. SGM

The SGM will be held on Wednesday, 31 August 2011 at 4:15 p.m. at Room 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, during which an ordinary resolution will be proposed to seek the Independent Shareholders' approval of, amongst other things, the Acquisition and the allotment and issue of the Consideration Shares as contemplated in the Sale and Purchase Agreement.

China Resources Holdings, being the controlling shareholder of the Company and its Associates will abstain from voting in respect of the proposed resolution to approve the Acquisition and the allotment and issue of the Consideration Shares as contemplated in the Sale and Purchase Agreement.

LETTER FROM THE BOARD

None of the Directors has any material interest in the Acquisition and the allotment and issue of the Consideration Shares as contemplated in the Sale and Purchase Agreement and none of them will be required to abstain from voting in favour of the relevant proposed resolution.

Voting by way of poll

Pursuant to rule 13.39(4) of the Listing Rules, all votes of the Shareholders at a general meeting must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote at the SGM pursuant to bye-law 78 of the bye-laws of the Company and the Company will announce the results of the poll in the manner prescribed under rule 13.39(5) of the Listing Rules.

A notice convening the SGM is set out on pages 38 to 39 of this circular. The ordinary resolution in respect of the Acquisition and the allotment and issue of the Consideration Shares (as contemplated in the Sale and Purchase Agreement) will be proposed at the SGM.

A form of proxy for use by the Shareholders at the SGM is enclosed. Shareholders are advised to read the notice and to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event, not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the meeting if they so wish.

VI. RECOMMENDATION

The Directors (excluding the independent non-executive Directors whose opinion is set out on pages 18 to 19 to this circular) consider that the terms of the Acquisition and the allotment and issue of the Consideration Shares (as contemplated in the Sale and Purchase Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

Your attention is drawn to the recommendation of the Independent Board Committee as set out on pages 18 to 19 to this circular and the letter from CIMB as set out on pages 20 to 30.

LETTER FROM THE BOARD

VII. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

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



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

Ms. Yu Jian

12 August 2011

To the Independent Shareholders

Dear Sir and Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
INVOLVING ISSUE OF CONSIDERATION SHARES**

We refer to the circular (the “Circular”) dated 12 August 2011 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 advise the Independent Shareholders in respect of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement, 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 Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement, as set out on pages 20 to 30 to the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the Sale and Purchase Agreement, and the allotment and issue of the Consideration Shares and the basis upon which its terms have been determined 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 terms of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement as set out in the letter from CIMB in the Circular, which we urge you to read carefully.

LETTER FROM THE 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 terms of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement as described in the letter from the Board as set out in the Circular are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement.

Yours faithfully,
Independent Board Committee
Mr. Wong Tak Shing
Mr. Luk Chi Cheong
Ms. Yu Jian
Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the allotment and issue of the Consideration Shares as contemplated in the Sale and Purchase Agreement.



CIMB

CIMB Securities (HK) Limited

Units 7706-08, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

12 August 2011

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

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement, details of which are contained in a circular of the Company (the “Circular”) to the Shareholders dated 12 August 2011, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Since China Resources Holdings is the controlling shareholder (as defined in the Listing Rules) of the Company, holding approximately 68.28% of its issued share capital as at the Latest Practicable Date, and the Vendor is a wholly-owned subsidiary of China Resources Holdings, the Acquisition constitutes a connected transaction of the Company under the Listing Rules. As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5%, the Acquisition, the Sale and Purchase Agreement and the allotment and issue of the Consideration Shares to the Vendor are subject to reporting, announcement and the approval of the Independent Shareholders at the SGM as required under Chapter 14A of the Listing Rules. The Acquisition also constitutes a discloseable transaction of the Company under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

China Resources Holdings, being the controlling shareholder of the Company, and its Associates, will abstain from voting in respect of the proposed resolution to approve the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement at the SGM.

None of the Directors has any material interest in the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement and none of them will be required to abstain from voting in favour of the relevant proposed resolution.

An Independent Board Committee, comprising Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement.

BASIS OF OUR OPINION

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 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 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 or any of their respective subsidiaries or Associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Sale and Purchase Agreement and the Acquisition and the allotment and issue of the Consideration Shares as contemplated thereunder, we have considered the following principal factors and reasons:

A. Background and Rationale

1. Background

On 22 July 2011, the Company, Powerfaith and CR Gas Holdings have entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares representing the entire issued share capital of Wang Gao, an indirectly wholly-owned subsidiary of China Resources Holdings, for the Consideration of HK\$1,710,000,000.

2. Reasons for and benefits of the Acquisition

The Group is principally engaged in operating 55 city gas distribution projects in 15 provinces and one municipality in China including natural or petroleum gas pipelines and CNG filling stations.

The Target Group, through its subsidiaries in the PRC, operates a portfolio of city gas distribution businesses including piped natural gas distribution, CNG filling stations operation, repair and maintenance of natural gas pipelines and natural gas facilities.

As mentioned in the Company's annual report for the year ended 31 December 2010, construction of the second and third phases of the "West to East Gas Transmission" pipelines and the "Sichuan to East" pipelines from the gas-rich Central Asia and Sichuan Province to coastal regions of the PRC as well as construction of LNG terminals in coastal cities are actively in progress. We note that the Company had acquired China Resources Gas Limited, Top Steed Limited and Mega Fair Limited from its controlling shareholder or its Associates (as the case may be) with the intention to expand into the city gas distribution business in China and capture the increase in demand for natural gas in China, details of which are set out in the Company's announcements dated 21 August 2008, 8 September 2009 and 13 September 2010 respectively. As stated in the letter from the Board of the Circular (the "Letter from the Board"), the Board believes that the PRC government will place significant emphasis on the rapid development of natural gas industry under the 12th Five-Year Plan to achieve its carbon emission commitment made during the 2010 Copenhagen Conference. All these will greatly boost the availability of natural gas in China and will continue to offer significant opportunity for future growth in the downstream gas industry in China. It is the Company's strategy to ride on these favourable industry fundamentals to scale new heights via organic and acquisition growth. The Board believes that the Acquisition is a step forward in furtherance of the said strategy by further expanding its market share in the downstream gas industry and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

strengthening its customer and earning base in the regions which the Target Group operates in China. Upon Completion, the Board believes that the Company, being one of the leading pan-China gas distributors, will be strategically positioned to take up new opportunities and to capture growth opportunity in the gas industry in China.

Given the above, we consider that the Acquisition is in line with the Company's strategy to become China's leading gas distribution company and hence is in the interests of the Company and the Shareholders as a whole.

B. Overview of the Natural Gas Industry

Natural gas is typically used for power generation, as a feedstock for manufacturing chemicals and fertilisers, and directly for residential and commercial heating and other industrial purposes. City gas distribution companies distribute natural gas through their pipelines to residential, commercial and industrial end-users.

According to BP Statistical Review of World Energy June 2011, the consumption of natural gas only accounted for approximately 4.0% of China's total primary energy consumption in 2010, which is lower than that of Asia Pacific region of approximately 11.2% and far lower than the world's consumption level of approximately 23.8%. Given the above, China's penetration level of natural gas is comparatively low and it is expected that there would be room for growth in the natural gas market in China.

The continued economic growth and the rapid industrialisation and urbanisation in China have spiked the demand for energy in China. In order to reduce reliance on polluting energy sources such as coal and crude oil, on 26 November 2009, China officially announced a target for limiting greenhouse gas emissions, i.e. to cut carbon dioxide emissions per unit of gross domestic product ("GDP") by 40-45% by 2020 from the 2005 level. Natural gas, as a kind of clean and highly efficient energy, is considered to be a substitute for more polluting coal and fuel oil usage and suited to become a prime energy source for densely-populated cities.

According to the BP Statistical Review of World Energy June 2011, the consumption of natural gas in the PRC in 2010 increased to 109 billion cubic metres from 89.5 billion cubic metres in 2009, represented an increase of approximately 21.8%. Comparing to the consumption of natural gas of 24.5 billion cubic metres in 2000, the consumption in 2010 represented a compound annual growth rate of approximately 16.1%.

PRC's 12th Five-Year Plan, for the period 2011-2015, maps a path for the use of cleaner energy sources to mitigate the effects of rapidly rising energy demand. According to a report issued by International Energy Agency, the PRC's 12th Five-Year Plan has strong implications for natural gas use, targeting an 8.3% share in the primary energy mix in 2015. This is a major upward shift from a 4.0% share in 2010. Based on the growth in consumption of natural gas as indicated above, it is believed that there is significant room for further increase in the utilization of natural gas in China.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

C. Information in Relation to the Target Group

As stated in the Letter from the Board, the Target Group currently operates a portfolio of city gas distribution businesses including piped natural gas distribution, CNG filling stations operation, repair and maintenance of natural gas pipelines and natural gas facilities. Its natural gas distribution operations are located in the cities of Yueyang, Zhongshan, Jingdezhen, Anyang, Huizhou Dayawan, Dandong and Dalian Huayankou.

No audited accounts of Wang Gao is available since Wang Gao is not required to prepare the same in the place of its incorporation in the BVI. Assuming the Target Group had been formed since 1 January 2009, the net profits (both before and after taxation and minority interests) of Wang Gao attributable to the Target Group for the two years ended 31 December 2010 and the six months ended 30 June 2011 as shown in the unaudited combined profit and loss accounts are set out as below:

	For the year ended 31 December 2009 <i>HK\$ million</i>	For the year ended 31 December 2010 ("FY2010") <i>HK\$ million</i>	For six months ended 30 June 2011 <i>HK\$ million</i>
Unaudited combined profit before taxation and minority interests	69.9	110.6	66.9
Unaudited combined profit after taxation and minority interests	37.5	66.7	40.2

As stated in the Letter from the Board, assuming the Target Group had been formed as at 30 June 2011, the unaudited combined net asset value of Wang Gao attributable to the Target Group as at 30 June 2011 was approximately HK\$785 million.

D. Major Terms of the Sale and Purchase Agreement

(i) Consideration

The Consideration payable by the Company for the Acquisition is HK\$1,710,000,000, which (including the issue price per Consideration Share (the "Issue Price")), as stated in the Letter from the Board, was arrived at after arm's length negotiations between Powerfaith and the Company after taking into account various relevant factors including the strategic rationale behind the transactions contemplated, the nature of the relevant businesses, the historical financial information, combined net asset value and future prospects of the relevant industries including general economic trends and market growth and the prevailing commercial and business conditions in which Wang Gao operates and the recent market prices of the Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness of the Consideration, we have, to our best efforts, conducted a search of companies listed on the Main Board of the Stock Exchange with over 50% revenue attributable from the city gas distribution business and a market capitalisation over HK\$1,000 million. We identified ten comparable companies (the “Comparable Companies”). The following table sets out the comparison between the price-to-earnings ratio (“PER”) and price-to-book ratio (“PBR”) as implied under the Consideration and those of the Comparable Companies.

Name of Comparable Companies	Stock code	Market capitalisation (HK\$ million) (Note 1)	PER (times) (Note 1)	PBR (times) (Note 1)
The Hong Kong and China Gas Co. Ltd.	3	145,528	26.08	3.88
Beijing Enterprises Holdings Ltd.	392	44,650	16.92	1.30
Kunlun Energy Company Ltd.	135	65,988	27.17	4.08
ENN Energy Holdings Ltd.	2688	28,722	23.46	3.94
China Resources Gas Group Ltd.	1193	21,131	22.73	3.72
Towngas China Co. Ltd.	1083	10,555	21.80	1.23
China Oil And Gas Group Ltd.	603	3,565	21.47	1.47
China Suntien Green Energy Corporation Ltd. – H shares	956	7,286 (Note 5)	15.04	1.25
China Tian Lun Gas Holdings Ltd.	1600	1,449	12.07	2.25
Zhengzhou China Resources Gas Co. Ltd. – H shares (“ZZ CR Gas”)	3928	1,614 (Note 6)	6.53	1.36
Minimum			6.53	1.23
Maximum			27.17	4.08
Average			19.33	2.45
Average (excluding ZZ CR Gas) (Note 7)			20.75	2.57
Acquisition		1,710 (Note 2)	25.64 (Note 3)	2.18 (Note 4)

Source: Bloomberg and the Comparable Companies’ announcements

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Data regarding the market capitalisations, PERs and PBRs of the Comparable Companies are sourced from Bloomberg as at 22 July 2011, being the date on which the Company, CR Gas Holdings and the Vendor entered into the Sale and Purchase Agreement.
2. Being the Consideration under the Sale and Purchase Agreement.
3. Calculated based on the Consideration and the unaudited combined profit after taxation and minority interests of the Target Group for FY2010 of approximately HK\$66.7 million, assuming the Target Group had been formed since 1 January 2009.
4. Calculated based on the Consideration and the unaudited combined net asset value of the Target Group of approximately HK\$785 million as at 30 June 2011, assuming the Target Group had been formed as at 30 June 2011.
5. Calculated based on the aggregate issued shares of 3,238,435,000 shares, of which 1,362,279,000 shares are H shares and 1,876,156,000 shares are domestic shares and the closing price of the H shares as at 22 July 2011.
6. Calculated based on the aggregate issued shares of 125,150,000 shares, of which 55,066,000 shares are H shares and 70,084,000 shares are domestic shares and the closing price of the H shares as at 22 July 2011.
7. ZZ CR Gas is excluded as an outlier considering its exceptionally low PER as compared with the other Comparable Companies.

As noted from the table above, PER as implied under the Consideration is within the range of PERs and higher than the average PER of the Comparable Companies (excluding ZZ CR Gas), and PBR as implied under the Consideration is within the range of PBRs and lower than the average PBR of the Comparable Companies (excluding ZZ CR Gas). We note that the PER sourced from Bloomberg is based on the Comparable Companies' earnings per share for the rolling 12-month period while the PER as implied under the Consideration is based on the unaudited combined profit after taxation and minority interests of the Target Group for the historical 12 months in 2010. Moreover, we note that the unaudited combined profit after taxation and minority interests of the Target Group for the six months ended 30 June 2011 is higher than that for the FY2010 on a pro-rata basis by approximately 20.5%.

As advised by the Company, the Board has considered other financing methods for satisfaction of the Consideration under the Acquisition. However, as the issue of Consideration Shares to settle the Consideration (i) helps the Group to preserve its cash resources; (ii) does not result in an increase in the financial gearing of the Company; and (iii) enlarges the capital base of the Company, all of which would improve the Company's overall financial position, the Directors consider that payment by way of issue of the Consideration Shares is the most appropriate method.

Given the above, in particular, (i) the unaudited combined profit after taxation and minority interests of the Target Group for the six months ended 30 June 2011 is higher than that for the FY2010 on a pro-rata basis by approximately 20.5%; and (ii) the fact that the Acquisition is in line with the Company's strategy to become China's leading gas distribution company, we are of the view that the Consideration and the issue of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consideration Shares to fully satisfy the Consideration are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

(ii) Issue Price of the Consideration Shares

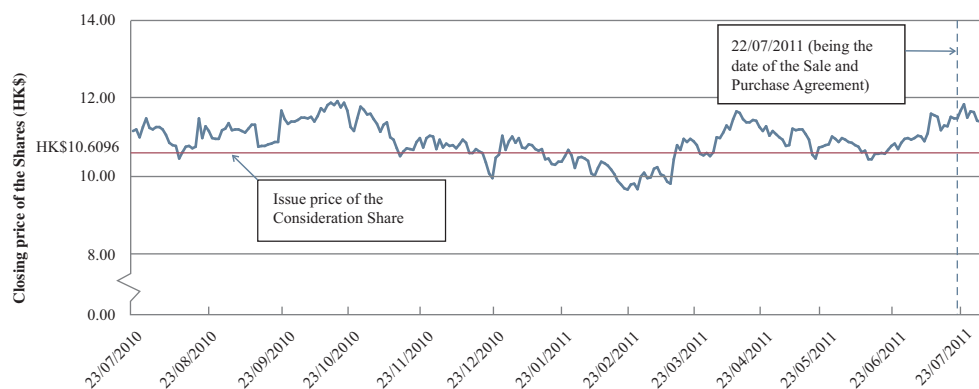
The Consideration shall be satisfied in full by the allotment and issue to the Vendor (or its nominee(s) as it may direct) of 161,174,785 Consideration Shares on the Completion Date at the Issue Price of HK\$10.6096 per Share, which, as stated in the Letter from the Board, was determined by and equal to an approximately 5% discount of the average closing price of the Shares for the 15 Trading Days of HK\$11.1680 up to and including 21 July 2011, being the last Trading Day immediately preceding the date of the Sale and Purchase Agreement.

The Issue Price of HK\$10.6096 per Share represents:

- a premium of approximately 2.8% to HK\$10.32, being the closing price of the Shares as at the Latest Practicable Date, as quoted on the Stock Exchange;
- a discount of approximately 6.1% to HK\$11.30, being the closing price of the Shares on 21 July 2011, the last Trading Day immediately preceding the date of the Sale and Purchase Agreement;
- a discount of approximately 5.9% to HK\$11.27, being the average closing price of the Shares for the last 10 Trading Days immediately preceding the date of the Sale and Purchase Agreement;
- a discount of approximately 2.8% to HK\$10.92, being the average closing price of the Shares for the last 30 Trading Days immediately preceding the date of the Sale and Purchase Agreement; and
- a premium of approximately 242.3% over the audited consolidated net asset value per Share as at 31 December 2010 of HK\$3.10 per Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following chart illustrates the closing prices of the Shares for the period from 23 July 2010 (being the date 12 months prior to and including the date of the Sale and Purchase Agreement) up to and including the Latest Practicable Date (the “Share Price Review Period”):



Source: Bloomberg

In general, the Shares were traded within a narrow range of HK\$9.69 per Share to HK\$11.94 per Share, with an average of approximately HK\$10.9312 per Share during the Share Price Review Period.

For comparison purposes, we have also reviewed recent share placements of companies listed on the Main Board of the Stock Exchange (excluding those in suspension in trading) from 1 June 2011 up to and including the Latest Practicable Date. We note that the discounts of the Issue Price to the closing Share price on the last Trading Day immediately preceding the date of the Sale and Purchase Agreement and to the average closing Share price for the last 10 Trading Days immediately preceding the date of the Sale and Purchase Agreement are comparable to those of the share placements under review.

Given the above, in particular that (i) the discounts of the Issue Price to the closing Share price on the last Trading Day immediately preceding the date of the Sale and Purchase Agreement and to the average closing Share price for the last 10 Trading Days immediately preceding the date of the Sale and Purchase Agreement are comparable to those of the share placements under review; and (ii) the Issue Price represents a premium to the audited consolidated net asset value per Share as at 31 December 2010, we consider the Issue Price to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Our view

Having considered the above, we are of the view that the major terms of the Sale and Purchase Agreement, in particular the Consideration and the Issue Price, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

E. Effect on Shareholding Interests of the Shareholders

Based on the issued share capital of the Company of 1,831,094,933 Shares as at the Latest Practicable Date, the Consideration Shares represents approximately 8.80% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 8.09% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

We note from the Letter from the Board that the interest of the public Shareholders will be slightly diluted upon Completion from approximately 31.70% to approximately 29.14%, assuming no change in the share capital of the Company from the Latest Practicable Date up to the date of Completion.

Having considered that (i) the Acquisition is a step forward in further expanding the Company's market share in the downstream gas industry and strengthening its customer and earning base in different regions of the PRC; (ii) the Company will be strategically positioned to take up new opportunities and to capture growth opportunity in the gas industry in China following the Acquisition; (iii) the Consideration and the Issue Price are fair and reasonable as elaborated above; and (iv) the Consideration will be satisfied by the issue of Consideration Shares and without any financial requirement to raise the necessary funding for the Acquisition, we consider that the shareholding dilution effect arising from the issue of the Consideration Shares to be acceptable.

F. Possible Financial Effects of the Acquisition

1. Earnings

Upon Completion, Wang Gao will become a wholly-owned subsidiary of the Company and, accordingly, the financial results of the Target Group will be consolidated into the financial statements of the Company. Based on the historical financial performance of the Target Group set out in section C above, it is expected that the Acquisition will contribute to both the revenue and earnings of the Group.

2. Net asset value

Given that the Consideration will be entirely satisfied by the issue of Consideration Shares and assuming the Issue Price of HK\$10.6096 is the fair value of the Consideration Share at the date of Completion, the net asset value of the Group is expected to be increased by HK\$1,710,000,000 upon Completion. However, Shareholders should note that the financial impact on the net asset value of the Group upon Completion is subject to the fair value of the Consideration Shares at the date of Completion.

3. Working capital

As the Consideration will be satisfied by the allotment and issue of the Consideration Shares, the Acquisition would not have any immediate material impact on the working capital of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons referred to the above, in particular that:

- the Acquisition is a step forward in further expanding the Company's market share in the downstream gas industry and strengthening its customer and earnings base in different regions of the PRC;
- the Consideration represents a PER within the range of PERs of the Comparable Companies;
- the Issue Price is fair and reasonable; and
- the issue of the Consideration Shares to fully settle the Consideration not only helps to preserve the Group's cash resources but also enhances the capital base of the Company,

we consider that the entering into of the Sale and Purchase Agreement and the allotment and issue of the Consideration Shares are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and the terms thereof are of normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend, and ourselves to recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement.

Yours faithfully,

For and on behalf of

CIMB Securities (HK) Limited

Alex Lau

Head

Corporate Finance

Heidi Cheng

Deputy Head

Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

- (a) As at the Latest Practicable Date, the interests and the short positions (within the meaning of Part XV of the SFO) of the Directors and the chief executive 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 were 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) *Interests in the Shares and underlying Shares of the Company*

Name	Capacity	Long or short position	Number of Shares	Approximate percentage of interest ¹
Mr. Wang Chuandong	Beneficial owner	Long position	100,000	0.0055%
Mr. Ong Thiam Kin	Beneficial owner	Long position	100,000	0.0055%
Mr. Du Wenmin	Beneficial owner	Long position	54,000	0.0029%
Mr. Wong Tak Shing	Beneficial owner	Long position	80,000	0.0044%

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) *Interests 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 outstanding as at the Latest Practicable Date 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	10.35	04/10/2004	0.0250%
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 4 October 2004 to 3 October 2014.
4. In each case, HK\$1.00 is payable upon acceptance of the share options granted.

(iii) *Interests 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 outstanding as at the Latest Practicable Date 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	2.75	06/10/2003	0.0022%
Mr. Du Wenmin	Beneficial owner	Long position	297,000	183,240 ⁴	2.75	12/11/2003	0.0102%

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

(iv) *Interests 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 outstanding as at the Latest Practicable Date ¹	Exercise price per share HK\$	Date of grant	Aggregate percentage of interest ²
Mr. Du Wenmin	Beneficial owner	Long position	790,000	250,000 ³	1.23	01/06/2005	0.0193%

Notes:

1. This refers to the number of underlying shares of CRL covered by its 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 1 June 2008 and 2009 to 31 May 2015.
4. In each case, HK\$1.00 is payable upon acceptance of the share options granted.

(v) *Interests 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 ¹	Exercise price per share HK\$	Date of grant	Aggregate percentage of interest ²
Mr. Du Wenmin	Beneficial owner	Long position	1,458,000	-	-	-	0.0166%
Mr. Luk Chi Cheong	Beneficial owner	Long position	1,165,912	-	-	-	0.0133%

Notes:

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

(vi) *Interests in 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	Exercise price per share HK\$	Date of grant	Aggregate percentage of interest ¹
Mr. Ma Guoan	Beneficial owner	Long position	20,000	-	-	-	0.0003%
Mr. Ma Guoan	Interest of spouse	Long position	20,000	-	-	-	0.0003%
Mr. Ong Thiam Kin	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 above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV 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 were 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.

3. SUBSTANTIAL SHAREHOLDERS

So far as is 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, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall 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 Enlarged 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
CRH (Gas) Limited (formerly known as “Splendid Time Investments Inc.”) ¹	Beneficial owner	Beneficial interest	1,407,828,991	76.88%
China Resources Holdings ¹	Controlled company’s interest	Corporate interest	1,411,360,991	77.08%
CRC Bluesky Limited (“CRC Bluesky”) ¹	Controlled company’s interest	Corporate interest	1,411,360,991	77.08%
China Resources Co., Limited (“CRCL”) ¹	Controlled company’s interest	Corporate interest	1,411,360,991	77.08%
China Resources National Corporation (“CRNC”)	Controlled company’s interest	Corporate interest	1,411,360,991	77.08%

Note:

1. CRH (Gas) Limited and Commotra Company Limited directly are interested in 1,407,828,991 and 3,532,000 Shares respectively and both companies are wholly-owned subsidiaries of China Resources Holdings. China Resources Holdings is therefore deemed to be interested in 1,411,360,991 Shares 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 wholly owned by CRNC. CRC Bluesky, CRCL and CRNC are all therefore deemed to be interested in 1,411,360,991 Shares under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange 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 Enlarged 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.

4. SERVICE CONTRACTS

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

5. DIRECTORS' INTERESTS IN ASSETS' CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors has any interest, direct or indirect, in any assets which since 31 December 2010, the date to which the latest published audited consolidated accounts of the Group were made up, have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

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

6. QUALIFICATION AND CONSENT OF EXPERT

CIMB, the independent financial adviser, is a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 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 the inclusion of its letter as set out in this circular and references to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, CIMB was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, CIMB did not have any direct or indirect interests in any assets which have been, since 31 December 2010 (being the date to which the latest published audited accounts of the Company were made up), 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.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change, actual or potential, in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Group were made up.

8. 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 Enlarged Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be 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 and including the date of the SGM:

- (a) Letter from the Independent Board Committee as set out on pages 18 to 19 of this circular;
- (b) the letter from CIMB, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 20 to 30 of this circular;
- (c) the Sale and Purchase Agreement; and
- (d) this circular.

NOTICE OF SGM



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

(Incorporated in Bermuda with limited liability)

(Stock code: 1193)

NOTICE IS HEREBY GIVEN that a special general meeting of China Resources Gas Group Limited (the “**Company**”) will be held at Room 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 31 August 2011 at 4:15 p.m. to consider and, if thought fit, pass (with or without amendments) the following resolution:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the conditional sale and purchase agreement dated 22 July 2011 entered into between (i) Powerfaith Enterprises Limited (“**Powerfaith**”), a wholly-owned subsidiary of China Resources (Holdings) Company Limited (“**China Resources Holdings**”) as the vendor; (ii) the Company as purchaser; and (iii) China Resources Gas (Holdings) Limited, a wholly-owned subsidiary of China Resources Holdings as guarantor of all obligations and liabilities of Powerfaith to the Company under the agreement, in relation to the sale and purchase of the entire issued share capital of Wang Gao Limited, an indirectly wholly-owned subsidiary of China Resources Holdings, at a consideration of HK\$1,710 million (the “**Sale and Purchase Agreement**”, a copy of which has been produced at the meeting marked “A” and signed by the chairman of the meeting for identification purpose), be and is hereby approved, and **THAT** all the transactions contemplated under the Sale and Purchase Agreement be and are hereby approved (including but not limited to the allotment and issue to Powerfaith (or its nominee(s) as it may direct) of 161,174,785 ordinary shares of HK\$0.10 each in the share capital of the Company at the issue price of HK\$10.6096 each credited as fully paid up and ranking pari passu with the existing issued shares of the Company (“**Consideration Shares**”) pursuant to the Sale and Purchase Agreement); and
- (b) the Directors be and are hereby authorised to sign, execute, perfect and deliver all such documents and deeds, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and completion of the Sale and Purchase Agreement, the allotment and issue of the Consideration Shares to Powerfaith (or its nominee(s) as it may direct), all other transactions contemplated under or incidental to the Sale and Purchase Agreement

NOTICE OF SGM

and all other matters incidental thereto or in connection therewith and to agree to the variation and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Acquisition and are in the best interests of the Company.”

By order of the Board
MA Guoan
Chairman

Hong Kong, 12 August 2011

Principal Place of Business in Hong Kong:

Room 1901-05
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer or attorney authorised to sign the same.
3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarised copy of such power of attorney or authority, must be lodged at the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.