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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in **China Resources Gas Group Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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*(formerly China Resources Logic Limited)*  
*(incorporated in Bermuda with limited liability)*  
**(Stock Code: 1193)**

**MAJOR AND CONNECTED TRANSACTION**  
**Disposal of Redland Concrete Group**

**Financial Adviser**



**Independent Financial Adviser**



**CIMB-GK Securities (HK) Limited**

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A notice convening a special general meeting of China Resources Gas Group Limited to be held at 11:00 a.m. on 31st December, 2008 at Rooms 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong is set out on pages 34 to 35 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not later than 48 hours before the time appointed for holding the 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 meeting or any adjournment thereof should you so desire.

12th December, 2008

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## DEFINITIONS

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*For the purpose of this circular, the following expressions have the following meanings:*

- “CR Gas” : China Resources Gas Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
- “CR Gas group” : CR Gas, its subsidiaries and its jointly-controlled entities;
- “Company” : China Resources Gas Group Limited (formerly China Resources Logic Limited), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
- “China Resources Holdings” : China Resources (Holdings) Company Limited, the controlling shareholder (as defined in the Listing Rules) of the Company holding approximately 74.94% of its issued share capital as at the Latest Practicable Date;
- “Group” : the Company and its subsidiaries;
- “Hong Kong” : the Hong Kong Special Administrative Region of the People’s Republic of China;
- “Latest Practicable Date” : 10th December, 2008, 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;
- “PRC” : The People’s Republic of China, but for the purposes of this circular, excluding Hong Kong, Macau and Taiwan;
- “Redland Concrete” : Redland Concrete Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Rich Team;
- “Redland Concrete group” : Redland Concrete and its subsidiaries;
- “Rich Team” : Rich Team Resources Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
- “SFO” : Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong;

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## DEFINITIONS

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- “Special General Meeting” : the special general meeting of the Company to be convened and held on 31st December, 2008 for the independent shareholders of the Company to consider and approve, if thought fit, the sale and purchase agreement for the disposal of Rich Team;
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited;
- “HK\$” : Hong Kong dollar(s), the lawful currency of Hong Kong; and
- “%” : per cent.

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## LETTER FROM THE BOARD

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

(formerly China Resources Logic Limited)  
(incorporated in Bermuda with limited liability)

(Stock Code: 1193)

*Executive Directors:*

Mr. Ma Guoan  
Mr. Wang Chuandong  
Mr. Ong Thiam Kin

*Non-executive Directors:*

Mr. Li Fuzuo  
Mr. Du Wenmin  
Mr. Wei Bin

*Independent Non-executive Directors:*

Mr. Wong Tak Shing  
Mr. Luk Chi Cheong  
Dr. Yang Chonghe, Howard

*Registered Office:*

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

*Principal Place of Business:*

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

12th December, 2008

*To the shareholders of the Company*

Dear Sir and Madam,

### **MAJOR AND CONNECTED TRANSACTION Disposal of Redland Concrete Group**

#### **INTRODUCTION**

The Company has, by an announcement dated 1st December, 2008, announced that the Company and China Resources Holdings have entered into a conditional sale and purchase agreement, pursuant to which the Company has agreed to dispose of and China Resources Holdings has agreed to acquire, the entire issued share capital of Rich Team, the holding company of Redland Concrete, together with a shareholder's loan due to the Company. The disposal constitutes a major transaction for the Company under the Listing Rules. Since China Resources Holdings is the controlling shareholder of the Company, holding approximately 74.94% of its issued share capital as at the Latest Practicable Date, such disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with further information relating to the disposal and give notice to shareholders of the Company of the Special General Meeting. This circular also contains the recommendation from the Company's independent financial adviser, CIMB-GK Securities (HK) Limited, to the independent board committee and the independent shareholders of the Company and the recommendation of the independent board committee which has been formed to advise the independent shareholders of the Company.

### THE SALE AND PURCHASE AGREEMENT

*Date:*

1st December, 2008

*Vendor:*

The Company

*Purchaser:*

China Resources Holdings or any of its subsidiaries nominated by it

*Assets to be disposed of:*

The entire issued share capital of Rich Team and a shareholder's loan due to the Company. Redland Concrete, the wholly-owned subsidiary of Rich Team, together with its subsidiaries is principally engaged in the production and sale of ready mixed concrete within Hong Kong. Rich Team is an investment holding company and has no significant assets except its interest in Redland Concrete group. The shareholder's loan due to the Company is non-interest bearing with face value amounting to approximately HK\$217.7 million as at 31st October, 2008, representing the cost of the acquisition of Redland Concrete by the Company in March 2008.

*Consideration*

The consideration for the disposal will be approximately HK\$293.8 million, being the aggregate of the face value of the shareholder's loan due to the Company and the unaudited consolidated net asset value of Rich Team as at 31st October, 2008. The consideration will be satisfied in cash upon completion and will be adjusted based on any profit or loss after taxation attributable to its shareholders between 1st November, 2008 and the date of completion. The consideration was determined after arm's length negotiations between the Company and China Resources Holdings with reference to the face value of the shareholder's loan plus the unaudited consolidated net asset value of Rich Team as at 31st October, 2008 aggregated to approximately HK\$293.8 million, subject to the adjustment as described above with reference to a completion account to be prepared by the Company upon completion. The directors of the Company, including the independent non-executive directors consider the terms of the disposal are fair and reasonable and on normal commercial terms, which are in the interests of the Company and its shareholders as a whole.

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## LETTER FROM THE BOARD

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### *Conditions precedent*

The disposal is subject to the satisfaction of, amongst other things, the passing of the necessary resolution by the independent shareholders of the Company at the Special General Meeting to approve the transaction contemplated under the sale and purchase agreement, and all approvals, consents and waivers required by any applicable law, rules, regulations or governmental, administrative or regulatory bodies necessary for the parties to consummate the disposal and the transactions contemplated or incidental to the sale and purchase agreement having been obtained. Unless otherwise agreed between the parties, completion shall take place within ten business days after all the conditions have been satisfied. If any of the conditions set out in the sale and purchase agreement is not fulfilled on or before 28th February, 2009 (or such later date as agreed between the parties), the transaction contemplated thereunder shall be terminated.

### INFORMATION ON RICH TEAM AND REDLAND CONCRETE

Rich Team is an investment holding company incorporated in the British Virgin Islands in October 2007. Redland Concrete was founded in 1986 and became wholly-owned by Rich Team in March 2008.

Redland Concrete is principally engaged in the production and sale of ready mixed concrete within Hong Kong. It also engages in the production and sale of mortars and shotcrete. Redland Concrete has two operating batching plants located in Yuen Long and Yau Tong; a third in Chai Wan is presently leased to an independent third party. In addition, Redland Concrete operates a testing laboratory through its subsidiary, Quality Control Consultants Limited, which is accredited by the Hong Kong Laboratories Accreditation Scheme, to conduct a wide range of tests on specified construction materials as well as to provide building inspection and structural investigation services.

The following is the financial performance of Redland Concrete based on its audited consolidated financial statements for the two years ended 31st December, 2007 and its unaudited consolidated management accounts for the six months ended 30th June, 2008:

	Year ended 31st December,		6 months ended
	2006	2007	30th June,
	<i>HK\$ million</i>	<i>HK\$ million</i>	2008
			<i>HK\$ million</i>
Turnover	265.2	366.8	188.4
Net profit before taxation	35.8	66.6	42.1
Net profit after taxation	28.7	54.5	34.5
Net assets value	276.1	228.6	263.0

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## LETTER FROM THE BOARD

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Redland Concrete was a subsidiary of China Resources Cement Holdings Limited, the listing of whose shares on the Main Board of the Stock Exchange was withdrawn on 26th July, 2006. Redland Concrete has a long record of supplying the Hong Kong market with ready mixed concrete and related products and services. The Company, through Rich Team, acquired Redland Concrete from China Resources Holdings for approximately \$217.7 million on 5th March, 2008 and the consideration was based on the unaudited consolidated net asset value of Redland Concrete as at 31st October, 2007. Such consolidated net asset value did not reflect the net deficit of approximately HK\$57.2 million based on the valuation of the properties held by Redland Concrete group as at 31st October, 2007. The deficit has been reduced to approximately HK\$30.1 million based on a more recent independent valuation as at 31st October, 2008.

### INFORMATION ON THE GROUP

The Company is an investment holding company which holds primarily interests in businesses engaged in gas distribution, and the production and sale of ready mixed concrete within Hong Kong. The Company has entered into a conditional sale and purchase agreement with an independent third party on 3rd November, 2008 to dispose of its non-core semiconductor operation in Tai Po, Hong Kong. Such disposal does not constitute a notifiable transaction for the Company under the Listing Rules. The Company will cease all of its concrete business after the disposal of Rich Team to China Resources Holdings. In October 2008, the Group expanded its activities into the distribution of gas in a number of cities in the PRC by means of acquisition of the CR Gas group and this now contributes the substantial proportion of the Group's business activities in terms of both revenue and gross assets employed. The CR Gas group is principally engaged in the distribution of natural gas and petroleum gas in the cities of Chengdu, Fuyang, Huaibei, Linhai, Suzhou and Wuxi in the PRC and operates compressed natural gas filling stations in Chengdu, Nanjing and Wuxi. The CR Gas group is also engaged in bottled liquefied petroleum gas distribution in the cities of Fuyang, Suzhou and Wuxi.

The principal business of China Resources Holdings is investment holding.

### REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

Although serious consideration had been given to the disposal of Redland Concrete at the same time as the acquisition of the CR Gas group, at the time of entering into the acquisition in August this year, it was the stated intention of the directors of the Company for the Group to maintain its interest in Redland Concrete as a non-core business. Although not related to the other businesses acquired by the Group, the Redland Concrete group generated strongly positive discretionary cashflows from its operations and was debt-free. It was expected to contribute to the overall profitability of the Group and to provide the resources not only to fund its own business but also a portion of the funds necessary for the expansion of the Group's newly acquired gas distribution businesses. Since that time economic prospects in Hong Kong have declined drastically and with it the availability of bank finance even to soundly structured, profitable companies with little or no debt such as those in the Group. Further, the medium term outlook for the construction industry in Hong Kong, on which the Redland Concrete group's fortunes depend, has worsened considerably. This is likely to have a detrimental impact on both its net discretionary cashflows and on its value as an investment.



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## LETTER FROM THE BOARD

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In view of these recent developments and the expected continuation of deterioration in trading and credit conditions which are likely to worsen further before any improvement can be anticipated, the directors of the Company have reassessed the sense of retaining Redland Concrete as part of the Group. In this regard, its decision has been made more compelling with the offer from China Resources Holdings in cash for Redland Concrete which values it at more or less its consolidated net asset value at the time of the completion of the transaction even though the immediate outlook is not encouraging for the private construction sector or for infrastructural spending. As Redland Concrete has experienced in the past, a decline in construction activity not only reduces sales volume, it also results in a marked decrease in trading margins as competition for available orders intensifies. In addition, the anticipated higher cost of cement and aggregates is expected to reduce gross margins in the coming years. These conditions are likely to have an adverse impact on its value as an investment and its contribution to the Group's cashflows and profits. In the longer term, while the directors of the Company are in no doubt that Redland Concrete will remain a viable business, its growth prospects are likely to be less than those of the gas distribution businesses in the PRC which have the potential of expanding nationally and, for this reason, they believe that greater resources should be directed toward the gas distribution businesses, rather than Redland Concrete which serves only the Hong Kong market for ready mixed concrete and related products and services.

As at 30th June, 2008, the CR Gas group had cash resources amounting to some HK\$828 million and borrowings of some HK\$209 million, so that the directors of the Company do not anticipate any difficulties in the funding of the CR Gas group's operations as they are presently constituted. However, it should be noted that these resources are at a subsidiary and jointly-controlled entity level and that most of the Company's principal subsidiaries are not wholly-owned so their cash resources are not necessarily available to the Company to fund new acquisitions. The directors consider that there are presently opportunities to expand the CR Gas group's gas distribution business to other cities in the PRC through acquisition. Given the prevailing conditions in the credit markets the funding of any prospective acquisition will have to depend to a greater degree on internal resources or loans from its parent company than was originally envisaged. For these reasons, the directors of the Company have decided to change their intentions regarding the Group's interest in Redland Concrete in order to concentrate the Group's resources on its principal business activity as they consider it to be in the interest of the Company and its shareholders generally to do so. Accordingly, the proceeds of the sale of the Company's interest in Redland Concrete will be used to fund a portion of the future development and expansion of the Group's gas distribution business in other cities in the PRC and for working capital to support its growth. In this regard it should be noted that, while a number of possible acquisitions have been identified, no definitive agreement has been reached on any prospective acquisition.

### FINANCIAL EFFECT OF THE DISPOSAL

After the completion of the disposal, Rich Team will cease to be a subsidiary of the Company. Since the consideration for the disposal was arrived at with reference to the face value of the shareholder's loan and the unaudited consolidated net asset value of Rich Team as at 31st October, 2008 subject to the adjustment as stated above, the Company does not expect to record any material gain or loss resulting from the disposal. There will not be any material change on the Company's assets and liabilities upon completion of the disposal.

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## LETTER FROM THE BOARD

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### IMPLICATIONS OF THE LISTING RULES

The disposal constitutes a major transaction for the Company under the Listing Rules. Since China Resources Holdings is the controlling shareholder of the Company, holding approximately 74.94% of its issued share capital as at the Latest Practicable Date, such disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As such, the disposal is subject to the approval of the independent shareholders of the Company at the Special General Meeting to be taken by way of poll. China Resources Holdings and its associates, who have material interests in the disposal contemplated under the agreement, shall abstain from voting on the ordinary resolution to be proposed at the Special General Meeting.

An independent board committee, consisting of all the independent non-executive directors of the Company, namely Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Dr. Yang Chonghe, Howard, has been established to consider the terms of the disposal and to provide recommendations to the independent shareholders of the Company in this regard.

### SPECIAL GENERAL MEETING

Set out on pages 34 to 35 of this circular is a notice convening the Special General Meeting to be held at Rooms 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on 31st December, 2008. The Special General Meeting will be held for the purpose of considering and, if thought fit, approving the sale and purchase agreement regarding the disposal of Rich Team. A form of proxy for use at the Special General Meeting is enclosed herewith. Whether or not you are able to attend the Special General Meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the Special General Meeting. Completion of the form of proxy will not preclude you from attending and voting at the Special General Meeting or any adjourned meeting should you so desire.

### RECOMMENDATION

The directors of the Company consider the terms in the sale and purchase agreement for the disposal of Rich Team are on normal commercial terms and that such terms are fair and reasonable and in the interests of the Company and its shareholders as a whole. Accordingly, the directors of the Company recommend the shareholders of the Company to vote in favour of the resolution to be proposed at the Special General Meeting.

Your attention is drawn to the letter from the independent board committee set out on page 10 and the letter from CIMB-GK Securities (HK) Limited set out on pages 11 to 20.

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**LETTER FROM THE BOARD**

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**ADDITIONAL INFORMATION**

Your attention is drawn to the information set out elsewhere in this circular and in the appendices to it.

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

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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

*(formerly China Resources Logic Limited)*  
*(Incorporated in Bermuda with limited liability)*  
**(Stock code : 1193)**

12th December, 2008

*To the independent shareholders of the Company*

Dear Sir and Madam,

**MAJOR AND CONNECTED TRANSACTION**  
**Disposal of Redland Concrete Group**

We have been appointed as members of the independent board committee of the Company to advise the independent shareholders of the Company in respect of the disposal of Rich Team, details of which are set out in the letter from the board in this circular dated 12th December, 2008 (the “Circular”) to the shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advice of CIMB-GK Securities (HK) Limited, the independent financial adviser appointed, in respect of the disposal as set out in the Circular. Having taken into account the advice of CIMB-GK Securities (HK) Limited, we consider that the transaction contemplated under the sale and purchase agreement is on normal commercial terms and is in the interests of the Company and its shareholders as a whole and the terms of the agreement are fair and reasonable so far as the Company and its independent shareholders are concerned. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the Special General Meeting to approve the proposed disposal.

Yours faithfully,  
Independent Board Committee

**LUK Chi Cheong**  
*Independent Non-executive Director*

**WONG Tak Shing**  
*Independent Non-executive Director*

**YANG Chonghe, Howard**  
*Independent Non-executive Director*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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**CIMB-GK Securities (HK) Limited**

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

12 December 2008

*To the independent board committee and  
the independent shareholders of China Resources Gas Group Limited*

Dear Sirs,

### **MAJOR AND CONNECTED TRANSACTION Disposal of Redland Concrete Group**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the conditional sale and purchase agreement (the "Agreement") to dispose of the entire issued share capital of Rich Team, the holding company of Redland Concrete, together with a shareholder's loan due to the Company for a cash consideration of approximately HK\$293.8 million subject to post completion adjustment (the "Disposal"). Details of the Disposal are contained in a circular to the shareholders of the Company dated 12 December 2008 (the "Circular"), 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.

China Resources Holdings, as the purchaser in the Disposal, was the controlling shareholder of the Company and held approximately 74.94% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, the entering into of the Agreement constitutes a connected transaction of the Company under the Listing Rules and the Disposal contemplated thereunder is subject to approval by the independent shareholders of the Company at the Special General Meeting, which vote shall be taken by poll. China Resources Holdings, together with its associates (as defined in the Listing Rules), shall abstain from voting at the Special General Meeting in relation to the resolution to be proposed to approve the Agreement and the Disposal contemplated thereunder.

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 of the Company, has been formed to advise the independent shareholders of the Company in relation to the Agreement and the Disposal.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR OPINION**

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and up to the date of the Special General Meeting. 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 or China Resources Holdings or Rich Team or Redland Concrete or any of their respective subsidiaries (as defined in the Listing Rules) or associates. We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the terms of the Agreement, we have considered the following principal factors and reasons:

#### **1. Background and reasons for the entering into of the Agreement**

##### *Our analysis*

We note from the latest published interim report of the Company for the six months ended 30 June 2008 (the “Interim Report”) that the Company has undertaken several corporate restructuring activities since the announcement of the Company’s acquisition of Redland Concrete in December 2007, including the acquisition of the CR Gas group as announced on 21 August 2008 and the disposal of its non-core semiconductor operation in Hong Kong as stated in the letter from the board of directors of the Company set out in the Circular (the “Letter from the Board”).

As stated in the Letter from the Board, the Group had considered seriously to dispose of Redland Concrete when the Group announced the acquisition of the CR Gas group in August 2008. The Company then finally decided to maintain its interest in Redland Concrete as a non-core business of the Group after taking into account factors including, among others, the long history of supplying ready mixed concrete and related products in Hong Kong possessed by Redland Concrete, the improvement in the local economy and the Group’s outlook for the local construction industry at that time, and the anticipated diversification effect to be brought to the Group by Redland Concrete that operates in the building material sector in Hong Kong which is not related to other businesses acquired by the Group.

As stated in the Letter from the Board, as at the Latest Practicable Date, Rich Team was an investment holding company and had no significant assets nor liabilities other than its interest in Redland Concrete group and a non-interest-bearing shareholder’s loan due to the Company with face

value of approximately HK\$217.7 million as at 31 October 2008, representing the cost of acquiring Redland Concrete in March 2008. Redland Concrete is principally engaged in the production and sale of ready mixed concrete within Hong Kong and also engages in the production and sale of mortars and shotcrete.

We have reviewed the audited consolidated financial statements of Redland Concrete for the two years ended 31 December 2007 and the unaudited consolidated management accounts of Redland Concrete for the six months ended 30 June 2008 (collectively referred to as the “Review Period”), details of which are set out as follows:

	<b>Year ended 31 December</b>		<b>Six months ended</b>
	<b>2006</b>	<b>2007</b>	<b>30 June 2008</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Turnover	265.2	366.8	188.4
Gross profit	112.4	154.3	72.0
Net profit before taxation	35.8	66.6	42.1
Net profit after taxation	28.7	54.5	34.5
<i>Gross profit margin</i>	<i>42.4%</i>	<i>42.1%</i>	<i>38.2%</i>
<i>Net profit margin</i>	<i>10.8%</i>	<i>14.9%</i>	<i>18.3%</i>
	<b>As at 31 December</b>		<b>As at</b>
	<b>2006</b>	<b>2007</b>	<b>30 June 2008</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Net assets	276.1	228.6	263.0

As illustrated in the table above, the financial performance of Redland Concrete remained strong during the Review Period with a steady gross profit margin of around 42% for the two years ended

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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However, the economic prospect of Hong Kong has deteriorated as a result of the recent global financial turmoil. Given the current local economic downturn, the management of the Company is of the view that the business environment of the construction industry, which largely affects the performance of Redland Concrete, has worsen, and the current outlook for the local construction industry is not as encouraging as compared with that of the end of 2007 and is expected to deteriorate in the medium term. The management of the Company is concerned that such discouraging situation in the local construction industry is likely to have a detrimental impact on both the net discretionary cash flows and the value of Redland Concrete as an investment of the Group. In view of the above, the management of the Company considers it prudent for the Company to reassess the benefits of retaining Redland Concrete as part of the Group.

We have reviewed information sourced from the public domains in respect of the local construction industry and note that the gross value of construction works performed by main contractors has revealed a trend of gradual decrease from 1997 to 2007. We also note that the private buildings with consent to commence work decreased dramatically to 2,600 square meters in October 2008, representing a decrease of approximately 77.6% as compared with that of September 2008 with an area of 11,600 square meters and a decrease of approximately 97.3% as compared with that of the same period in 2007 with an area of 97,100 square meters. The monthly average of private buildings with consent to commence work for the 12-month period commencing from November 2007 to October 2008 also decreased to 65,600 square meters, representing a decrease of 26.0% as compared with that of the 12-month period commencing from November 2006 to October 2007. Besides, the economic growth of Hong Kong declined noticeably to 4.2% in the second quarter of 2008 and it is expected that the local economy will slow down further due to the worsening global credit crisis. While the Hong Kong government has recently announced the speeding up of the progress of large-scale infrastructure projects in an attempt to stimulate the local economy, the effects of such actions are yet to be seen. Having considered the aforesaid statistics which signal a decline in construction activities in Hong Kong, we are of the view that the opinion of the management of the Company in respect of the prospects of the construction industry and the cement industry in Hong Kong is justifiable.

In respect of the newly acquired gas distribution business of the Group, we note from the circular of the Company dated 19 September 2008 (the "Acquisition Circular") that the CR Gas group, which operates a portfolio of city gas distribution business including natural or petroleum gas pipelines, compressed natural gas filling stations and bottled liquefied petroleum gas ("LPG") distribution in the PRC, recorded net profit margin of approximately 8.9%, 7.1%, 12.6% and 13.3% for each of the three years ended 31 December 2007 and the six months ended 30 June 2008.

We have reviewed information published by the National Bureau of Statistics of China in respect of the natural gas industry in the PRC and note that the annual consumption of each of natural gas and LPG for households in the PRC increased to 13.3 billion cubic meters and 16.08 million tons in 2007, representing a compound annual growth rate of approximately 22.6% and 7.2% as compared with that of 2000, respectively, and the consumption of natural gas accounted for 3.5% of the total energy consumption in 2007 in the PRC, which is well below the average consumption level of Asia and that of the world. We also note that there are several energy infrastructure projects to be commenced in the PRC soon in an attempt to stimulate the economy which has been hit by the global financial crisis, including the construction of the east section of the second west to east gas transmission pipeline



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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which will transmit natural gas from Ningxia to Shenzhen and Hong Kong. In this regard, the management of the Company is of the view that, as compared with the cement industry in Hong Kong which Redland Concrete is principally engaged in, the PRC gas distribution industry may have more development potential and shall provide more opportunities to the Group for the expansion of its gas distribution business in the future.

In addition, we note from the Acquisition Circular that, as at 30 June 2008, the CR Gas group had bank balances and cash amounting to approximately HK\$828 million. However, as stated in the Letter from the Board, such cash resources are at a subsidiary and jointly-controlled entity level and are not necessarily available to the Company to fund its new acquisitions as most of the Company's principal subsidiaries are not wholly-owned. Given the prevailing tight credit market, the management of the Company considers the Disposal could provide additional cash resources for the Company's expansion of its gas distribution business in the PRC and the working capital in relation thereto.

### *Our view*

Having considered the aforesaid, in particular (i) the uncertainties in the economy and the business environment of the cement industry in Hong Kong; (ii) the prospects of the natural gas industry in the PRC; and (iii) the cash resources available to the Group as a result of the Disposal for its expansion of the gas related business in the PRC, we concur with the view of the management of the Company that the Disposal provides an opportunity for the Company to realize its investment in the non-core business of Redland Concrete at a fair and reasonable consideration under the prevailing unfavourable economic environment (our analysis in respect of the fairness and reasonableness of the Consideration as defined below is set out below) and allows the Group to focus its resources on its gas distribution business, and thus is in the interests of the Group and the shareholders of the Company as a whole although the Disposal is not in the ordinary and usual course of business of the Group.

## **2. Major terms of the Agreement**

### *Our analysis*

#### **(I) Consideration**

The Agreement stipulates that the total consideration of the Disposal (the "Consideration") shall be approximately HK\$293.8 million, of which approximately HK\$217.7 million is ascribed to the shareholder's loan due to the Company by Rich Team which is non interest bearing and repayable on demand and represents the cost of acquiring Redland Concrete (the "Shareholder's Loan") and approximately HK\$76.1 million is ascribed to the consideration for the entire issued share capital of Rich Team, which, as stated in the Letter from the Board, is equivalent to the unaudited consolidated net asset value of Rich Team as at 31 October 2008. The Consideration shall be paid in cash in full upon completion.

As stated in the Letter from the Board, the Consideration was determined after arm's length negotiations between the Company and China Resources Holdings and is subject to the adjustment as stated in the section headed "Post completion adjustment on the Consideration" below.

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**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

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To assess the fairness and reasonableness of the Consideration for the Disposal, we have, on a best effort basis, conducted a search of companies listed on the main board of the Stock Exchange and principally engaged in the business which we consider represents a close comparison to that of the Redland Concrete group. However, based on our research, we are not able to identify a comparable company which is principally engaged in the cement business with its operations mainly in Hong Kong. As a result, we have expanded our research to include companies which are principally engaged in the cement business but have operations outside Hong Kong. Based on the above criteria, we have, to the best of our knowledge, identified seven Hong Kong listed comparable companies (the “Comparable Companies”) and compared their respective valuation multiples, including price earning ratio (“PER”) and price to book multiple (“P/B”), with the implied PER and the implied P/B under the Consideration. Details of the comparison are set out below:

Comparable Companies	Stock code	Principal business	Market capitalisation (HK\$ million) (Note 1)	PER (approximately times) (Note 2)	P/B (approximately times) (Note 2)
Anhui Conch Cement Co. Ltd. (“Anhui Conch”)	914	Production and sales of various high quality cement, and commodity clinker required for production of high-grade cement	54,881.6	19.71	2.11
Luks Group (Vietnam Holdings) Co., Ltd. (“Luks”)	366	Manufacture and sale of cement products, health care products, electronic products, plywood and wood products, property investment, and investment holdings	966.7	3.19	0.45
Shanghai Allied Cement Ltd.	1060	Distribution and manufacturing of cement, clinker and slag powders	196.9	Loss making	0.70
TCC International Holdings Ltd.	1136	Import and distribution of cement in Hong Kong, the manufacture and distribution of cement, clinker and slag powder in other areas of the PRC and the provision of cement handling services in the Philippines	2,078.1	Loss making	0.53
China Shanshui Cement Group Ltd. (“China Shanshui”)	691	Production of clinker and cement in China	4,132.5	17.37	0.87 <i>Note 3</i>

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**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

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<b>Comparable Companies</b>	<b>Stock code</b>	<b>Principal business</b>	<b>Market capitalisation (HK\$ million) (Note 1)</b>	<b>PER times (Note 2)</b>	<b>P/B times (Note 2)</b>
Asia Cement (China) Holdings Corporation (“Asia Cement”)	743	Excavation of principal raw materials, production, sale and distribution of clinker and different types of cement and RMC products through a well-established road and riverway transportation network to its principal markets	5,524.7	19.99	0.79
China National Building Material Co. Ltd. (“CNBM”)	3323	Production of cement, lightweight building materials, glass fiber, fiberglass reinforced plastics products and engineering services	12,963.8	12.66	1.47
Average				14.58	0.99
Consideration			293.8 (being the Consideration)	5.39 <i>Note 4</i>	1.00 <i>Note 4</i>

*Notes:*

1. Data regarding the market capitalization of the Comparable Companies are sourced from Bloomberg as at 1 December 2008, being the date of the Agreement;
2. Calculated based on the aforesaid market capitalization and the respective latest published annual/ interim reports of the Comparable Companies;
3. Calculated based on the aforesaid market capitalization of China Shanshui and equity attributable to equity holders of China Shanshui as at 30 June 2008 as stated in its interim report for the six months ended 30 June 2008 and adjusted for the net proceeds of the initial public offer of approximately HK\$1,948.3 million;
4. Calculated based on the Consideration, the audited consolidated profit of Redland Concrete for the year ended 31 December 2007 of approximately HK\$54.5 million and the unaudited consolidated net asset value of Redland Concrete as at 31 October 2008 of approximately HK\$293.8 million (taking into account the Shareholder’s Loan but before accounting for the property valuation deficit of approximately HK\$30.1 million which was based on an independent valuation as at 31 October 2008).

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As shown above, the PERs of the Comparable Companies range from approximately 3.19 times to approximately 19.99 times, with an average of approximately 14.58 times, and the P/Bs of the Comparable Companies range from approximately 0.45 times to approximately 2.11 times, with an average of approximately 0.99 times. We note that the implied PER under the Consideration of 5.39 times is lower than the average PER of the Comparable Companies while the implied P/B under the Consideration of 1.00 times is in line with the average P/B of the Comparable Companies.

Given the localized nature of the cement industry with producers serving the vicinity areas where the production plants are located, we believe that the prospects of a cement producer will very much depend on the size of the economy in which its plants are located. Against such background, we have reviewed the public information regarding the markets served by most of the Comparable Companies with relatively high PERs, namely Anhui Conch, China Shanshui, Asia Cement and CNBM (collectively referred to as the “High PER Comparables”). Based on our review, we understand that the High PER Comparables are leading cement producers in the PRC and/or regional suppliers. For example, Anhui Conch principally sells its products in East China including Jiangsu, Zhejiang, Shanghai and Fujian, Central China including Anhui, Jiangxi and Hunan, South China including Guangdong and Guangxi and overseas market. Asia Cement principally sells its products in Shanghai, Jiangxi, Hubei, Sichuan, Zhejiang, Anhui and Fujian. China Shanshui principally sells its products in Shandong, Liaoning, neighboring provinces and overseas markets. One of the subsidiaries of CNBM was listed as one of the 12 pivotal cement enterprises in the PRC by the National Development and Reform Commission in 2007. Having considered the size of the markets served by and the market position and scale of operations of the High PER Comparables, we consider it reasonable that their PERs are higher than those of other smaller or local players such as Redland Concrete which only operates in Hong Kong.

Among the Comparable Companies, we note that Luks operates its cement business in the Vietnam market. As compared to the China market in which the High PER Comparables operate, the Vietnam market is much smaller. As explained above, we believe the prospects of a cement producer will depend on the size of the economy in which it operates, we are of the view that, among all the Comparable Companies, Luks may be the closer comparable company to Redland Concrete. As compared with Luks, we note that both the implied PER and the implied P/B under the Consideration are higher than those of Luks.

Having considered the above, in particular the fact that Redland Concrete only operates in Hong Kong which represents a small market as compared to the China market, we consider that the Consideration is fair and reasonable so far as the Company and the independent shareholders of the Company are concerned and in the interests of the Group and the shareholders of the Company as a whole.

### ***(II) Post completion adjustment on the Consideration***

The Agreement stipulates that the Consideration shall be adjusted based on any profit or loss after tax and extraordinary items of Rich Team together with its subsidiaries (the “Rich Team Group”) for the period from 1 November 2008 to the date of completion (the “Adjustment Period”) which shall be determined based on a completion account to be prepared by the Company within 45 business days after the date of the completion.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Particularly, the Agreement stipulates that China Resources Holdings shall pay to the Company a sum equal to the aforesaid unaudited consolidated net profits of the Rich Team Group during the Adjustment Period (if any), or the Company shall pay to China Resources Holdings a sum equal to the aforesaid unaudited consolidated net loss of the Rich Team Group during the Adjustment Period (if any).

Having considered the above mentioned mechanism of adjustment on the Consideration in relation to the actual results of the Rich Team Group during the Adjustment Period, we concur with the view of the management of the Company that the terms of post completion adjustment on the Consideration are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

### *Our view*

Having considered the above, we are of the view that the major terms of the Agreement, namely the Consideration and the post completion adjustment on the Consideration, are fair and reasonable so far as the Company and the independent shareholders of the Company are concerned and in the interests of the Group and the shareholders of the Company as a whole.

### **3. Possible financial effects of the Disposal under the Agreement**

#### (i) Earnings

Upon completion of the Disposal, Rich Team will cease to be a subsidiary of the Company.

As stated in the Letter from the Board, as the Consideration, subject to adjustment, was determined with reference to the face value of the Shareholder's Loan and the unaudited consolidated net asset value of Rich Team as at 31 October 2008, we concur with the view of the management of the Company that it is not expected to record any material gain or loss resulting from the Disposal.

#### (ii) Net asset value

Given that the Consideration, subject to adjustment, represents the aggregate amount of the unaudited consolidated net asset value of Rich Team as at 31 October 2008 and the face value of the Shareholder's Loan, we concur with the view of the management of the Company that there should not be any material impact to the net asset value of the Group immediately following the completion of the Disposal.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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(iii) Working capital

Given the Consideration will be satisfied in full in cash, the Company expects an increase in cash of approximately HK\$293.8 million before deducting any legal and professional fees as a result of the Disposal. As set out in the Letter from the Board, the net proceeds from the Disposal will be used to fund a portion of the future development and expansion of the gas distribution business of the Group in the PRC and for general working capital to support the growth of the gas distribution business sector of the Group.

### RECOMMENDATION

Having considered the principal factors and reasons referred to in the above, we are of the opinion that the terms of the Disposal are on normal commercial terms, fair and reasonable so far as the Company and the independent shareholders of the Company are concerned and in the interests of the Group and the shareholders of the Company as a whole although the Disposal is not in the ordinary and usual course of business of the Group.

Therefore, we advise the independent board committee of the Company to recommend the independent shareholders of the Company to vote in favour of the ordinary resolution to be proposed at the Special General Meeting to approve the Agreement and the Disposal contemplated thereunder.

Yours faithfully,

For and on behalf of

**CIMB-GK Securities (HK) Limited**

**Alex Lau**

**Heidi Cheng**

*Director*

*Director*

*Head of Corporate Finance*

## STATEMENT OF INDEBTEDNESS

**Borrowings**

The borrowings of the Group as at 31st October, 2008 are as follows:

	<b>HK\$'000</b>
Unsecured bank and other borrowings	<u>144,724</u>
Bank and other borrowings repayable:	
On demand or within one year	107,066
More than two years, but not exceeding five years	31,049
Over five years	<u>6,609</u>
	<u>144,724</u>
<b>Pledged bank deposit</b>	<u>740</u>

Foreign currency amounts have been translated at the approximate exchange rate prevailing at the close of business on 31st October, 2008.

Save as disclosed above, the Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, loans acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31st October, 2008.

**WORKING CAPITAL**

Taking into account the financial resources of the Group, including internally generated funds and banking facilities available to the Group, the directors of the Company, after due and careful consideration, are of the opinion that the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

**FINANCIAL AND TRADING PROSPECT**

On 4th December, 2007, the Company entered into an agreement with China Resources Microelectronics Limited for the amalgamation of substantially all of the Group's semiconductor businesses under one listed vehicle, being China Resources Microelectronics Limited. The Company at the same time acquired Redland Concrete that is principally engaged in the production and sale of ready mixed concrete within Hong Kong.

In October 2008, the Group expanded its activities into the distribution of gas in a number of cities in the PRC by means of acquisition of the CR Gas group and this now contributes the substantial proportion of the Group's business activities in terms of both revenue and gross assets employed. The Company believes that the acquisition of CR Gas group will provide a solid platform for the Company to tap into the burgeoning city gas distribution business in the PRC thereby enhancing the long term return of its shareholders. Expansion into the city gas distribution business in China as its principal business activity is expected to provide the Group with stable cash flows and the opportunity to expand its distribution network nationally. The Company will endeavour to become one of the leading city gas distributors in China through further new project development, existing project expansion and acquisition of project companies.

The global financial crisis in 2008 is likely to have severe impact on the business environment around the world. Further, the medium term outlook for the construction industry in Hong Kong, on which the Redland Concrete group's fortunes depend, has worsened considerably. This is likely to have a detrimental impact on both its net discretionary cashflows and on its value as an investment. In view of these recent developments and the expected continuation of deterioration in trading and credit conditions which are likely to worsen further before any improvement can be anticipated, the directors of the Company have reassessed the sense of retaining Redland Concrete as part of the Group. In this regard, its decision has been made more compelling with the offer from China Resources Holdings in cash for Redland Concrete which values it at more or less its consolidated net asset value at the time of the completion of the transaction even though the immediate outlook is not encouraging for the private construction sector or for infrastructural spending. As Redland Concrete has experienced in the past, a decline in construction activity not only reduces sales volume, it also results in a marked decrease in trading margins as competition for available orders intensifies. For these reasons, the directors of the Company have decided to dispose of Redland Concrete in order to concentrate the Group's resources on its gas distribution business in China.



## 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 of the Company 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 not contained herein the omission of which would make any statement contained in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the directors and chief executive of the Company and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or 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 are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange:

### (a) Interests in issued ordinary shares and underlying shares of the Company

<b>Name of Director</b>	<b>Capacity</b>	<b>Long or short position</b>	<b>Number of shares</b>	<b>Aggregate percentage of interest<sup>1</sup></b>
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 approximate percentage of aggregate long position in ordinary shares of the Company to the total issued share capital of the Company as at the Latest Practicable Date.

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

Name of Director	Capacity	Long or short position	Number of shares	Number of share options <sup>1</sup>	Exercise price per share (HK\$)	Date of grant	Aggregate percentage of interest <sup>2</sup>
Mr. Wang Chuandong	Beneficial owner	Long position	—	100,000 <sup>3</sup>	9.72	13th January, 2004	0.0251%
	Beneficial owner	Long position	—	500,000 <sup>4</sup>	10.35	4th October, 2004	
Mr. Ong Thiam Kin	Beneficial owner	Long position	90,000	—	—	—	0.0038%
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 approximate 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 share options are exercisable during the period from 1st January, 2007 to 13th January, 2014.
4. The share options are exercisable within a period of 10 years from the date of grant.
5. In each case, HK\$1.00 is payable upon acceptance of the share options granted.

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

Name of Director	Capacity	Long or short position	Number of shares	Number of share options <sup>1</sup>	Exercise price per share (HK\$)	Date of grant	Aggregate percentage of interest <sup>2</sup>
Mr. Ma Guoan	Interest of spouse	Long position	20,000	—	—	—	0.0005%
Mr. Wang Chuandong	Beneficial owner	Long position	—	100,000 <sup>3</sup>	2.80	6th October, 2003	0.0024%
Mr. Ong Thiam Kin	Beneficial owner	Long position	100,000	—	—	—	0.0024%

<b>Name of Director</b>	<b>Capacity</b>	<b>Long or short position</b>	<b>Number of shares</b>	<b>Number of share options<sup>1</sup></b>	<b>Exercise price per share (HK\$)</b>	<b>Date of grant</b>	<b>Aggregate percentage</b>
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(d) **Interests in issued ordinary shares and underlying shares of China Resources Land Limited (“CR Land”), an associated corporation of the Company**

Name of Director	Capacity	Long or short position	Number of shares	Number of share options <sup>1</sup>	Exercise price per share (HK\$)	Date of grant	Aggregate percentage of interest <sup>2</sup>
Mr. Ong Thiam Kin	Beneficial owner	Long position	20,000	—	—	—	0.0004%
Mr. Li Fuzuo	Beneficial owner	Long position	750,000	250,000 <sup>3</sup>	1.23	1st June, 2005	0.0212%
Mr. Du Wenmin	Beneficial owner	Long position	790,000	250,000 <sup>3</sup>	1.23	1st June, 2005	0.0221%

*Notes:*

1. This refers to the number of underlying shares of CR Land covered by its share option scheme.
2. This represents the approximate percentage of aggregate long position in ordinary shares and underlying shares of CR Land to the total issued share capital of CR Land 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.

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

Name of Director	Capacity	Long or short position	Number of shares	Aggregate percentage of interest <sup>1</sup>
Mr. Ong Thiam Kin	Beneficial owner	Long position	7,031,767	0.1201%
Mr. Li Fuzuo	Beneficial owner	Long position	918,000	0.0157%
Mr. Du Wenmin	Beneficial owner	Long position	972,000	0.0166%
Mr. Wei Bin	Beneficial owner	Long position	216,000	0.0037%
Mr. Luk Chi Cheong	Beneficial owner	Long position	774,322	0.0132%

*Notes:*

1. This represents the approximate 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.

## 3. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the directors and chief executive of the Company are not aware that there was any party (other than a director or chief executive of the Company), who, as at the Latest Practicable Date had an interest or short position in the shares and underlying shares of the Company 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 was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote at general meeting of any other member of the Group:

Name of shareholder	Capacity	Number of shares	Approximate percentage of interest %
Gold Touch Enterprises Inc. ("Gold Touch")	Beneficial Owner	29,722,960 (Note 1)	2.10%
Waterside Holdings Limited ("Waterside")	Beneficial Owner	53,534,774 (Note 1)	3.78%
Splendid Time Investments Inc. ("Splendid Time")	Beneficial Owner	974,324,249 (Note 1)	68.89%
China Resources Holdings	Beneficial Owner	2,418,000 (Note 1)	0.17%
China Resources Holdings	Interest of Controlled Corporation	1,057,581,983 (Note 1)	74.77%
CRC Bluesky Limited ("CRC Bluesky")	Interest of Controlled Corporation	1,059,999,983 (Note 1)	74.94%
China Resources Co., Limited ("CRCL")	Interest of Controlled Corporation	1,059,999,983 (Note 1)	74.94%
China Resources National Corporation ("CRN")	Interest of Controlled Corporation	1,059,999,983 (Note 1)	74.94%
Credit Suisse Group	Interest of Controlled Corporation	133,182,000 (Note 2) (Long)	9.40%
		133,000,000 (Note 3) (Short)	9.40%
Morgan Stanley	Interest of Controlled Corporation	133,000,000 (Note 4) (Long)	9.40%
		133,000,000 (Note 5) (Short)	9.40%

Notes:

- (1) Gold Touch, Waterside and Splendid Time each directly holds 29,722,960 shares, 53,534,774 shares and 974,324,249 shares respectively in the Company. Gold Touch, Waterside and Splendid Time are wholly-owned subsidiaries of China

Resources Holdings, which is therefore deemed to be interested in 1,057,581,983 shares in the Company under Part XV of the SFO. In addition, China Resources Holdings directly holds 2,418,000 shares in the Company. 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 in the Company under Part XV of the SFO.

- (2) Credit Suisse Group is deemed to be interested in a total of 133,182,000 shares in the Company by virtue of the 133,000,000 shares in the Company held by Credit Suisse International and the 182,000 shares in the Company held by Credit Suisse Securities (Europe) Limited, both being indirect subsidiaries of Credit Suisse Group.
- (3) Credit Suisse Group is deemed to have a short position in 133,000,000 shares in the Company in which Credit Suisse International, its indirect subsidiary, has a short position.
- (4) Morgan Stanley is deemed to be interested in the 133,000,000 shares in the Company held by Morgan Stanley & Co. International plc., its indirect subsidiary.
- (5) Morgan Stanley is deemed to have a short position in 133,000,000 shares in the Company in which Morgan Stanley & Co. International plc., its indirect subsidiary, has a short position.

#### 4. PROCEDURE TO DEMAND A POLL

Pursuant to bye-law 78 of the Bye-Laws of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the Chairman of the meeting; or
- (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

## 5. SERVICE CONTRACTS

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

## 6. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the directors of the Company has any interest, direct or indirect, in any asset which since 31st December, 2007, 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 Latest Practicable Date, none of the directors of the Company was materially interested in any contract or arrangement which is significant in relation to the businesses of the Group.

## 7. NO MATERIAL CHANGES

Save as otherwise publicly disclosed by the Company, the directors of the Company are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2007, the date to which the latest published audited financial statements of the Group were made up.

## 8. EXPERT

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
CIMB-GK Securities (HK) Limited	a licensed corporation to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, CIMB-GK Securities (HK) Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group. As at the Latest Practicable Date, CIMB-GK Securities (HK) Limited did not have any interest, direct or indirect, in any asset which since 31st December, 2007, 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.

CIMB-GK Securities (HK) Limited 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 in this circular.

**9. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the directors of the Company or their respective associates (as defined in the Listing Rules) has an interest in a business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

**10. LITIGATION**

As at the Latest Practicable Date, 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 of the Company are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of the Group.

**11. GENERAL**

- (a) The company secretary of the Company is Mr LEE Yip Wah, Peter, who is a practicing solicitor in Hong Kong, a consultant of Messrs. Woo Kwan Lee & Lo, Solicitors and Notaries, and a China Appointed Attesting Officer.
- (b) The qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules 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.
- (c) 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 Rooms 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (d) Tricor Secretaries Limited, the Hong Kong branch share registrar and transfer office of the Company, is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) On 4th December, 2007, the Company, together with its listed subsidiary CSMC Technologies Corporation (now known as China Resources Microelectronics Limited ("CRM")), announced a restructuring proposal which resulted in the amalgamation of both companies' semiconductor businesses under CRM. The amalgamated group will have a broad spread of interests within the sector from its own IC design to open foundry operations for the group and outside customers. This is expected to provide for a greater stability of earnings and greater financial resources to fund expansion. The amalgamated group will also have greater flexibility in deploying its existing resources and discretionary cashflows.

Simultaneous to the disposal of the semiconductor business, the Group acquired from a subsidiary of China Resources Holdings the entire issued voting share capital of Redland Concrete for a cash consideration of approximately HK\$217.7 million.



Pursuant to an ordinary resolution passed at a special general meeting held on 13th February, 2008, the Company distributed all of its shares in its then subsidiary, CRM, by way of a dividend in specie on the basis of 180 shares in CRM for every 100 shares in the Company held. A total of 5,091,900,165 shares in CRM representing shareholders' equity of HK\$2,731,463,000 were distributed to the shareholders of the Company on 5th March, 2008.

As part of the restructuring, the share capital of the Company was reduced from HK\$600,000,000 divided into 6,000,000,000 shares of HK\$0.10 each to HK\$60,000,000 divided into 6,000,000,000 shares of HK\$0.01 each on 3rd March, 2008.

The share capital of the Company was consolidated on the basis of every ten shares in the issued and unissued share capital respectively of the Company of HK\$0.01 each for one share of HK\$0.10 on 7th March, 2008 and with immediate effect following the share consolidation, the authorised share capital of the Company was increased from HK\$60,000,000 to HK\$1,000,000,000 by creation of an addition 9,400,000,000 new shares of HK\$0.10 each.

After the Group restructuring, the authorised share capital of the Company was HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each, of which 282,883,342 shares had been issued and fully paid.

- (f) On 21st August, 2008, the Company announced an acquisition of CR Gas group from China Resources Holdings together with a rights issue in the proportion of four rights shares for every one shares held on record date at HK\$3.42 per rights share. The proceeds from the rights issue were being applied towards the payment of the consideration for the acquisition.

## 12. 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 China Resources Cooling Technology Co. Ltd. dated 21st June, 2007 and entered into between CRT (BVI) Limited, Gradison Limited and the Company;
- (b) an agreement for the sale and purchase of the semiconductor business of the Company dated 4th 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 China Resources Microelectronics Limited);
- (c) an agreement dated 4th December, 2007 for the sale and purchase of Redland Concrete entered into between China Resources Concrete Limited and the Company;

- (d) an agreement dated 21st August, 2008 for the sale and purchase of CR Gas group entered into between the Company and China Resources Holdings;
- (e) an underwriting agreement dated 21st August, 2008 entered into between the Company, Splendid Time Investments Inc. and China Resources Holdings in relation to the rights issue announced on the same date;
- (f) an agreement for the sale and purchase of the entire issued share capital of China Resources Semiconductor (International) Limited dated as of 3rd November, 2008 and entered into by, among others, China Resources Microelectronics (Holdings) Limited and Twin-Peaks International Group Limited; and
- (g) 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 1st December, 2008 and entered into between the Company and China Resources Holdings.

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.

### **13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at Rooms 1901-05, 19th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, the principal place of business of the Company, from the date of this circular up to and including the date of Special General Meeting (both dates inclusive):

- (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 letter from the independent board committee, the text of which is set out on page 10 of this circular;
- (d) the letter from CIMB-GK Securities (HK) Limited, the text of which is set out on pages 11 to 20 of this circular;
- (e) the written consent of CIMB-GK Securities (HK) Limited referred to in this appendix to this circular;
- (f) the annual reports of the Company for each of the financial years ended 31st December, 2006 and 31st December, 2007;

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- (g) the circular dated 16 January 2008 issued jointly by the Company and CSMC Technologies Corporation (now known as China Resources Microelectronics Limited) in respect of, among other things, the amalgamation of the semi-conductor interests of both companies and the acquisition of Redland Concrete; and
  - (h) the circular of the Company dated 19th September, 2008 in respect of the acquisition of CR Gas group and a rights issue.

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## NOTICE OF SPECIAL GENERAL MEETING

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

*(formerly China Resources Logic Limited)*  
*(incorporated in Bermuda with limited liability)*  
(Stock Code: 1193)

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting of China Resources Gas Group Limited (the “**Company**”) will be held at Rooms 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 31st December, 2008 at 11:00 a.m. for the purpose of considering and, if thought fit, with or without modification, passing the following resolution as ordinary resolution of the Company:

### ORDINARY RESOLUTION

“**THAT:**

- (a) the sale and purchase agreement dated 1st December 2008 entered into between the Company and China Resources (Holdings) Company Limited in respect of the sale and purchase of the entire issued share capital of, and the shareholder’s loan to, Rich Team Resources Limited for an aggregate consideration of HK\$293,781,959.74 (subject to adjustment) (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, confirmed and ratified; and the transactions contemplated under the Sale and Purchase Agreement, subject to the conditions set out thereunder, be and are hereby approved; and
- (b) any one director of the Company be and is hereby authorised with full power to do all things and sign or execute all documents on behalf of the Company which may in his opinion be necessary or desirable for the purpose of giving effect to the Sale and Purchase Agreement or any matters in relation thereto.”

By order of the board  
**LEE Yip Wah, Peter**  
*Secretary*

Hong Kong, 12th December, 2008

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## NOTICE OF SPECIAL GENERAL MEETING

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*Principal place of business*

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

*Registered Office*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*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 26/F., 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.