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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, company secretary, professional accountant or other professional advisers.

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

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

(0 0 0 0 0 0 0 0 0 0)
(Stock Code: 1193)

CONTINUING CONNECTED TRANSACTIONS

PROPOSALS TO PROVIDE GREATER FLEXIBILITY IN INTRA-GROUP LENDING BETWEEN MEMBERS OF THE CHINA RESOURCES GROUP

Financial Adviser



Independent financial adviser to the independent shareholders
and the independent board committee



CIMB Securities (HK) Limited

A notice convening the special general meeting of the Company to be held at Room 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 22nd December, 2010 at 10:00 a.m. is set out on page 34 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of 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 adjourned meeting should you so wish.

6th December, 2010

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DEFINITIONS

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| “Board” | the board of directors of the Company |
| “China Resources Group” | CRC, CRH and their respective subsidiary companies |
| “China Resources Group listed company (or companies)” | any company (or companies) in the China Resources Group, which is (or are) listed on the Main Board of the Stock Exchange, other than 鄭州燃氣股份有限公司 (Zhengzhou Gas Company Limited*) |
| “China Resources Group unlisted companies” | CR Gas Holdings, CR Medications, CR Textile, CR Chemical and Fab2 |
| “Company” | China Resources Gas Group Limited, an indirect subsidiary of CRH, incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “CRC” | China Resources Co., Limited, a joint stock limited liability company incorporated in the PRC, which is the holding company of CRH and the banking and trust activities in which the China Resources Group has an interest |
| “CRE” | China Resources Enterprise, Limited, an indirect subsidiary of CRH, incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “CRH” | China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the holding company of the China Resources Group in Hong Kong, holding all the China Resources Group’s material interests apart from its banking and trust activities |
| “CR Cement” | China Resources Cement Holdings Limited, an indirect subsidiary of CRH, incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “CR Chemical” | China Resources Chemicals Holdings Limited, an unlisted company wholly owned by CRH that together with its subsidiaries are primarily engaged in manufacturing and trading of chemical products in the PRC, as well as investment, development and management of chemical packaging material plants |

DEFINITIONS

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| “CR Gas Holdings” | China Resources Gas (Holdings) Limited, an unlisted company wholly owned by CRH that together with its subsidiaries are primarily engaged in investment, distribution and operation of city gas and related services in the PRC with focuses on piped natural and petroleum gas distribution, as well as compressed natural gas filling stations |
| “CR Land” | China Resources Land Limited, an indirect subsidiary of CRH, incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “CR Medications” | China Resources Medications Group Limited, an unlisted company wholly owned by CRH that together with its subsidiaries are primarily engaged in medication research, production and distribution in the PRC with a wide range of products including Chinese medicine and herbs, synthetic medicine, biological medicine, natural and organic medicine, health products, pharmaceutical intermediates, medical equipment and pharmaceutical equipment |
| “CR Micro” | China Resources Microelectronics Limited, an indirect subsidiary of CRH, incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “CR Power” | China Resources Power Holdings Company Limited, an indirect subsidiary of CRH, incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “CR Textile” | China Resources Textiles (Holdings) Company Limited, an unlisted company wholly owned by CRH that together with its subsidiaries are primarily engaged in spinning and weaving, garment manufacturing and nylon production in the PRC with major business segments namely MAKO yarns, other yarns and fabrics, garments, nylon and dyeing |
| “CR Trust” | 華潤深國投信託有限公司 (China Resources SZITIC Trust Co., Ltd.*), in which CRC controls 51% of its registered capital |
| “Fab2” | CSMC Asia Limited, an unlisted joint venture owned as to 81% and 19% by CRH and CR Micro respectively, that together with its subsidiaries are primarily engaged in 8-inch wafer fabrication |

DEFINITIONS

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| “Group” | the Company and its subsidiaries |
| “HIBOR” | the Hong Kong Inter-Bank Offered Rate |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Hong Kong and United States Dollar Master Loan Agreement” | the Master Loan Agreement and Guarantee for advances in Hong Kong Dollar and United States Dollar entered into by CRH, the China Resources Group listed and unlisted companies on 22nd November, 2010 |
| “independent shareholders” | shareholders of the Company other than CRH and its associates, as defined in the Listing Rules |
| “Latest Practicable Date” | 2nd December, 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “LIBOR” | the London Inter-Bank Offered Rate |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Macau” | the Macau Special Administrative Region of the People’s Republic of China |
| “Master Lending Agreements” | the Hong Kong and United States Dollar Master Loan Agreement and the RMB Master Loan Agreement |
| “PBOC” | People’s Bank of China |
| “PRC” | The People’s Republic of China excluding Hong Kong, Macau and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “RMB Master Loan Agreement” | the Master Loan Agreement and Guarantee for advances in RMB entered into by CRC and the China Resources Group listed companies on 22nd November, 2010 |
| “SGM” | a special general meeting of the Company to be held for the purpose of approving the Master Lending Agreements and the corresponding annual caps |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |

LETTER FROM THE BOARD



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

(*m m*)

(Stock Code: 1193)

Mr. Ma Guoan (*m*)

Mr. Wang Chuandong ()

Mr. Ong Thiam Kin (*F*
m)

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

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Mr. Du Wenmin

Mr. Wei Bin

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

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Mr. Wong Tak Shing

Mr. Luk Chi Cheong

Ms. Yu Jian

6th December, 2010

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Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the joint announcement of the China Resources Group listed companies dated 22nd November, 2010 in relation to, among other things, a proposal, if fully implemented, will give the Company greater flexibility in the management of its surplus cash resources by enabling it to lend a portion of its surplus cash resources and those of its subsidiaries on a short-term basis to other China Resources Group companies through the operation of the Master Lending Agreements. The transactions contemplated under the Master Lending Agreements constitute non-exempted continuing connected transactions under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, further information regarding the continuing connected transactions and to set out the advice from CIMB Securities (HK) Limited to the independent board committee and the independent shareholders of the Company in respect of the Master Lending Agreements and the relevant annual caps thereto, the recommendation from the independent board committee of the Company and to give the notice of SGM.

LETTER FROM THE BOARD

THE MASTER LENDING AGREEMENTS

The Hong Kong and United States Dollar Master Loan Agreement

| | |
|------------------------------------|--|
| Parties: | CRH, the China Resources Group listed and unlisted companies. |
| Date of agreement: | 22nd November, 2010. |
| Date of commencement of agreement: | 1st January, 2011. |
| Term of the agreement: | Three years ending 31st December, 2013, unless extended for a further period. |
| Lenders: | The China Resources Group listed companies and any subsidiary of any of such companies which has become a party to the Hong Kong and United States Dollar Master Loan Agreement by acceding to its terms, but excluding any entity which is incorporated in the PRC. |
| Borrowers: | CRH and the China Resources Group listed and unlisted companies and any subsidiary of any of them, permitted to borrow in either Hong Kong dollar or United States dollar, which has become a party to the Hong Kong and United States Dollar Master Loan Agreement by acceding to its terms, but excluding any entity which is incorporated in the PRC. |
| Guarantor(s): | CRH and, in the case of an advance to a subsidiary of a China Resources Group listed company, that company's listed holding company. |
| Aggregate amounts to be advanced: | The maximum aggregate amount outstanding lent by a China Resources Group listed company and its subsidiaries under the Master Lending Agreements is not permitted to exceed the amounts set out under the section below headed "Annual caps under the Master Lending Agreements". |
| Repayment date: | The repayment date for an advance made under this agreement shall be no later than six months after the date of advance. |

LETTER FROM THE BOARD

Interest rate in respect of Hong Kong dollar advances:

The rate per annum as determined by the lender being the aggregate of (i) the relevant HIBOR for such a Hong Kong dollar advance; and (ii) a margin (which must not be a negative number). The interest rate shall not be less than the higher of (i) the rate at which CRH or a corporate borrower of similar standing is able to borrow in such currency and such amount from a bank or a financial institution for the relevant period and (ii) the deposit rate which the lender could have obtained from a bank or a financial institution for such relevant amount and period.

Interest rate in respect of United States dollar advances:

The rate per annum as determined by the lender being the aggregate of (i) the relevant LIBOR for such a United States dollar advance; and (ii) a margin (which must not be a negative number). The interest rate shall not be less than the higher of (i) the rate at which CRH or a corporate borrower of similar standing is able to borrow in such currency and such amount from a bank or a financial institution for the relevant period and (ii) the deposit rate which the lender could have obtained from a bank or a financial institution for such relevant amount and period.

Guarantee:

All advances will be unconditionally and irrevocably guaranteed by the guarantor(s).

Early repayment:

Both the lender and the borrower may by giving ten business days' written notice require the repayment or prepayment of the advance, as the case may be, together with accrued interest.

Basis of lending:

All advances under this agreement will be made at the sole discretion of the lender. No security over the assets of the borrower will be provided. All advances will become immediately repayable on demand upon the occurrence of an acceleration event which includes non-payment by the borrower; breaches of the agreement by the borrower which have not been rectified in the specified period; cross-default in a material amount; the enforcement of security; insolvency; dissolution; repudiation; CRH ceasing directly or indirectly to be the single largest shareholder of the relevant borrower; or on the occurrence of a material adverse change as stated in the Hong Kong and United States Dollar Master Loan Agreement in respect of the relevant borrower.

LETTER FROM THE BOARD

RMB Master Loan Agreement

| | |
|------------------------------------|--|
| Parties: | CRC and the China Resources Group listed companies. |
| Date of agreement: | 22nd November, 2010. |
| Date of commencement of agreement: | 1st January, 2011. |
| Term of agreement: | Three years ending 31st December, 2013, unless extended for a further period. |
| Entrustment agents: | A commercial bank or financial institution in the PRC permitted to enter into entrusted loan agreements, including Zhuhai Commercial Bank and CR Trust. |
| Lenders: | Any PRC incorporated subsidiary of a China Resources Group listed company, which has become a party to the RMB Master Loan Agreement by acceding to its terms. |
| Borrowers: | CRC and any PRC incorporated subsidiary of a China Resources Group listed or unlisted company which has become a party to the RMB Master Loan Agreement by acceding to its terms, but excluding Zhuhai Commercial Bank and CR Trust. |
| Guarantor: | CRC. |
| Aggregate amounts to be advanced: | The maximum aggregate amount outstanding lent by a China Resources Group listed company and its subsidiaries under the Master Lending Agreements is not permitted to exceed the amounts set out under the section below headed "Annual caps under the Master Lending Agreements". |
| Repayment date: | The repayment date for an advance made under this agreement shall be no later than six months after the date of advance. |
| Interest rate: | The rate per annum as determined by the lender being the relevant lending rate as permitted by the PBOC from time to time. The interest rate shall be no less than 95% of the rate at which CRC or a corporate borrower of similar standing is able to borrow in RMB such amount from a bank or a financial institution for the relevant period and shall not be less than the deposit rate which the lender could have obtained from a bank or a financial institution for such relevant amount and period. |

LETTER FROM THE BOARD

- Entrustment agent fees: All fees charged by the entrustment agent to the lender will be reimbursed by the relevant borrower.
- Guarantee: All advances will be unconditionally and irrevocably guaranteed by the guarantor.
- Best endeavours: If CRC makes a payment to a lender or an entrustment agent in connection with the RMB Master Loan Agreement due to a breach by a borrower, which is a subsidiary of a China Resources Group listed company, such China Resources Group listed company will use its best endeavours to procure that the borrower shall have sufficient funds to, and does, promptly reimburse CRC. This may include such listed company making payments by way of gift or capital contribution or shareholder loan to the borrower (to the extent permitted by PRC law).
- Basis of lending: Advances will take the form of an entrusted loan. Under an entrusted loan arrangement, the lender deposits the amount to be advanced to the entrustment agent which in turn pays the amount to be advanced to the borrower, for which the entrustment agent charges a facilitation commission. The lending risk is assumed by the lender which receives the interest paid by the borrower, less the deduction of agency fee. Subject to the entrusted loan agreement to be entered into between the lender, borrower and entrustment agent, all advances will become immediately repayable on demand with terms similar to those as stated in the Hong Kong and United States Dollar Master Loan Agreement and so as the early repayment by giving ten business days' written notice stated therein.

Annual caps under the Master Lending Agreements

The annual caps for the maximum aggregate amount which can be lent at any time from the Group have been determined by the Company after assessing the maximum amount of exposure at any time which it is prepared to assume under the Master Lending Agreements in the context of the Company's estimated temporarily surplus cash resources.

LETTER FROM THE BOARD

The annual caps for the second and third financial years have been increased by HK\$100 million from the previous year to reflect the underlying growth in the Group in the subsequent two years. The annual caps for the Group for the initial term of the Master Lending Agreements and a comparison of the cap with its gross cash and bank balances and with its size using the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are as follows:

| Annual cap for the year ending 31st December, | | | Consolidated | Highest |
|--|---------------|---------------|------------------------|--------------------------|
| 2011 | 2012 | 2013 | cash and bank | percentage ratio, |
| balances as at | | | 30th June, 2010 | excluding the |
| profit ratio | | | H \$ m | % |
| <i>H \$ m</i> | <i>H \$ m</i> | <i>H \$ m</i> | <i>H \$ m</i> | <i>%</i> |
| 300.0 | 400.0 | 500.0 | 2,975.0 | 13.3% |

Restrictions on lending by the Company

The Company has entered into loan agreements with external financial institutions under which it is restricted from lending to any company outside of the Group. The respective caps stated above therefore cannot be utilised by the Company without prior consent from its external financial institutions. For as long as such restrictions remain in place, the Company will be precluded from lending under the Master Lending Agreements.

Financial condition of the guarantors

All advances to China Resources Group listed and unlisted companies will be guaranteed by either CRC or CRH, depending on the currency of the advance. Both guarantors are regarded as borrowers of undoubted standing in their own markets. CRC is a bond issuer in the PRC and its principal long term credit rating is AAA according to an independent rating agency, China Lianhe Rating Co., Ltd.. The summary of consolidated financial positions of CRC and CRH are as follows:

| | CRH | | CRC | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | Audited | Audited | Audited | Audited |
| | <i>H \$</i> | <i>H \$</i> | | |
| Total assets | 396.1 | 296.4 | 362.2 | 274.8 |
| Cash and bank balances | 54.9 | 27.0 | 52.2 | 26.2 |
| Net asset value | 167.1 | 136.9 | 135.3 | 111.1 |
| Net attributable profit | 9.8 | 6.7 | 6.3 | 4.8 |
| Cash flow from operation | 30.0 | 4.3 | 27.9 | 6.3 |

Listing Rules implications of the Master Lending Agreements

For the Company, the Master Lending Agreements constitute non-exempt continuing connected transactions of a scale which requires the prior approval of independent shareholders voting by poll

LETTER FROM THE BOARD

at the SGM. No directors of the Company have a material interest in the subject proposals that will be required to abstain from voting at the Board's meeting. The implementation of the Master Lending Agreements is conditional upon such approval but not inter-conditional on the approval of other China Resources Group listed companies. The Listing Rules also require that the arrangements under the Master Lending Agreements be subject to annual review by the independent non-executive directors of the Company and the Company's auditors.

REASONS FOR, AND BENEFITS OF THE PROPOSALS

The Company has its own treasury operation responsible for arranging for the financing of its businesses and deploying its liquid resources. This basis of operation is intended to continue. The proposals, if they are implemented in full, will give the Group greater flexibility in the management of its surplus cash resources by enabling it to lend a portion of its surplus cash resources and those of its subsidiaries to other China Resources Group companies, including CRC and CRH, through the operation of the Master Lending Agreements. Any advance will only be used by the borrower as short-term working capital, which is not a substitution for fulfilling the capital expenditure or long term financing.

The guiding principles behind the proposals are to:

- enable the Company to achieve a return on the Group's temporarily surplus cash resources of no less than the cost of borrowing of CRH or a corporate borrower of similar standing in respect of Hong Kong and United States dollar advances and, in the case of RMB advances, a return which is no less than a rate marginally lower than the cost of borrowing of CRC or a corporate borrower of similar standing from a bank or financial institution. Generally these rates are substantially higher than the deposit rates available to the Company;
- permit the Group to borrow at a rate lower than it is likely to be able to obtain itself from banks and financial institutions;
- give priority to the operational at needs of the Group under these proposals. The initiative to lend to another China Resources Group company will be entirely at the discretion of the Company and there will be no obligation to lend under these arrangements;
- limit the amounts that can be lent under these arrangements so that they are well within the capacity of the Company and the guarantor, and reflect the scale of the temporarily surplus liquidity that is expected to be available from time to time to be lent under these arrangements;
- ensure that the assets of the Group are not placed at any significant risk as to the repayment of principal and the payment of interest. In addition to the guarantee of the China Resources Group listed company in respect of Hong Kong and United States dollars advances to any of its subsidiaries, all advances, other than advances made directly to CRC or CRH, will be guaranteed irrevocably and unconditionally by either CRC or CRH, depending on the currency of the advance. Both CRC and CRH are regarded as borrowers of undoubted standing in their own

LETTER FROM THE BOARD

markets. CRC is a bond issuer in the PRC and its principal long term credit rating is AAA according to an independent rating agency, China Lianhe Rating Co., Ltd.. In the event that the latest rating of CRC is reduced or placed on watch with negative implications, further advances under the Master Lending Agreements will be suspended;

- continue to manage the Company's treasury operation on a prudent basis as it has in the past. These treasury operations do not invest in the bonds or shares of independent third party issuers and, apart from conventional hedging and swaps, do not invest or trade in derivatives;
- ensure that it is a transparent process. Full information on all advances made during the period concerned, including the borrower, its immediate holding company, guarantor, amount, duration and interest rate, will be disclosed in the Company's interim and final reports;
- apply only to temporarily surplus cash resources. It is designed to enhance returns on temporarily surplus liquidity and is not a new usage for the cash resources of the Group. Dividend policy, dividend distributions and the deployment of liquidity for long-term investment and the expansion of the business will not be affected by these arrangements;
- confine advances for only short-term working capital purposes only so they will not be used as a substitute for long-term or permanent financing. The maximum duration of any advance will be six months, and no security over the assets of the borrower will be provided. All advances will be made on the basis that they are repayable on either the lender or borrower giving ten business day's notice; and
- avoid any foreign exchange risk.

CHARACTERISTIC OF THE PROPOSALS

The Master Lending Agreements are designed to give the China Resources Group listed companies a greater flexibility in the management of their respective short term surplus cash resources. Unlike the centralised treasury arrangement commonly adopted by many Chinese conglomerates where the surplus cash resources of listed subsidiaries are deposited with a finance company owned by the holding company, which earns the margin between the prescribed deposit and lending rates in the PRC, the proposed arrangement under the Master Lending Agreements will allow the China Resources Group listed companies continue to operate their own treasury departments and will be able to lend a portion of their idle cash resources directly to fellow subsidiaries and thereby retaining the margin for themselves without bearing any significant credit risk.

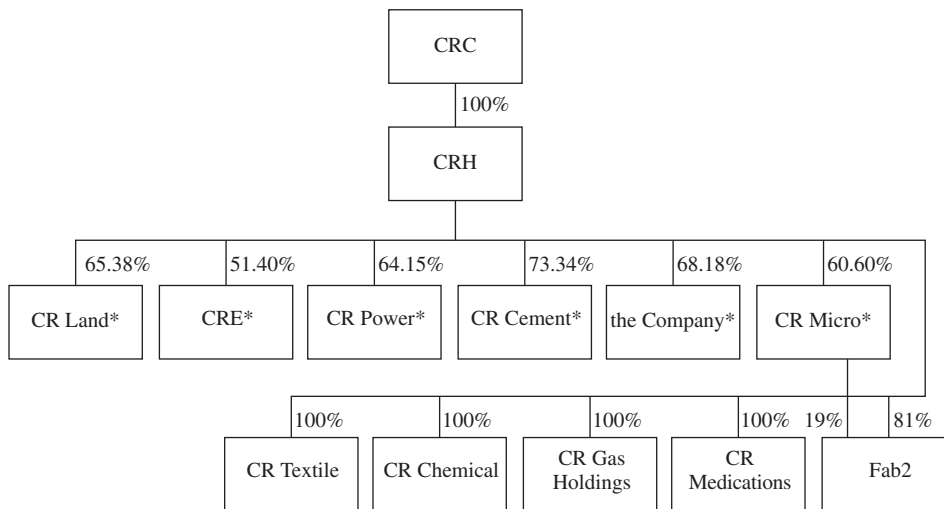
Save for the enhancement of returns on temporarily surplus liquidity, there is no change to the manner in which the existing treasury operation will operate or the usage of cash resources of the China Resources Group listed companies. In the case of a centralised treasury function commonly adopted by other Chinese conglomerates, the finance company owned by the holding company controls the surplus cash resources of the listed subsidiaries, whereas under the Master Lending Agreements, each China Resources Group listed company can decide whether to lend to its fellow subsidiaries and if such advances are made, they will be disclosed on a semi-annual basis in order to enhance the transparency of this intra-group lending.

INFORMATION ON THE PARTIES

Simplified group structure

By virtue of CRC being the controlling shareholder of the China Resources Group listed and unlisted companies, they are connected persons to each of the China Resources Group listed companies as defined under the Listing Rules.

The following is a simplified chart showing the existing ownership and structure of CRC, CRH, the China Resources Group listed and unlisted companies as at the Latest Practicable Date:



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The Company

The Company is an investment holding company which through its subsidiaries in the PRC, operates city gas distribution projects in China including natural or petroleum gas pipelines, CNG filling stations and bottled LPG distribution.

CRC

CRC, a borrower and guarantor under the RMB Master Loan Agreement, is the holding company of CRH. Its audited consolidated net asset value as at 31st December, 2009 amounted to some RMB 135 billion with total assets over RMB 362 billion. CRC is a bond issuer in the PRC with a principal long

LETTER FROM THE BOARD

CRH

CRH, a borrower and guarantor under the Hong Kong and United States Dollar Master Loan Agreement, is a conglomerate in Hong Kong and the PRC that is principally engaged in seven core businesses, namely consumer products, power, real estate, pharmaceuticals, cement, gas and financial services, as well as other operations including microelectronics, textiles, chemical products and compressors. Its audited consolidated total equity including non-controlling interests as at 31st December, 2009 amounted to some HK\$167 billion with total assets over HK\$396 billion.

CR Land

The principal business activity of CR Land is property investment, development and management in the PRC.

CRE

CRE is a company with business emphasis on consumer businesses in China and Hong Kong. The core businesses of CRE are, namely retail, beer, beverage and food processing and distribution.

CR Power

CR Power, through its subsidiaries, is principally engaged in the investment, development, operation and management of power plants and investment and operation of coal mines in the PRC.

CR Cement

CR Cement and its subsidiaries are engaged in the production, distribution and sale of cement, clinker and concrete in Hong Kong and the PRC.

CR Micro

CR Micro, through its subsidiaries, is principally engaged in integrated circuit (“IC”) open foundry operations as well as IC design, discrete devices and IC testing and packaging. Its operations are located primarily in Wuxi, Shenzhen, Shanghai, Beijing and Hong Kong.

SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT

The SGM will be convened at Room 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 22nd December, 2010 at 10:00 a.m.. A notice convening the SGM at which resolutions will be proposed to the independent shareholders to consider, and if thought fit, to approve the Master Lending Agreements and proposed annual caps is set out in page 34 of this circular. In accordance with the requirements of the Listing Rules, the votes to be taken at the SGM shall be conducted by poll. CRH, holding approximately 68.18% of the Company’s issued share capital as at the Latest Practicable Date, and its associates are required to abstain from voting at the meeting.

LETTER FROM THE BOARD

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy to 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 later than 48 hours before the time appointed for the holding of 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 adjourned meeting should you so wish.

RECOMMENDATION

The directors of the Company, including the independent non-executive directors, consider that the continuing connected transactions under the Master Lending Agreements and the proposed annual caps are fair and reasonable, on normal commercial term and in the interests of the Company and its shareholders as whole.

FURTHER INFORMATION

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

Yours faithfully

By the order of the board of
China Resources Gas Group Limited
Ma Guoan
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華潤燃氣控股有限公司
China Resources Gas Gr

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



CIMB Securities (HK) Limited

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

6 December 2010

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Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our engagement as the independent financial adviser to an independent board committee of the Company constituted to consider the terms of the Master Lending Agreements and to advise and make recommendations to the independent shareholders as to how to vote at the SGM on the ordinary resolutions regarding the Master Lending Agreements (“Independent Board Committee”) and the independent shareholders in relation to the transactions contemplated under the Master Lending Agreements, details of which are contained in a circular (the “Circular”) to the Shareholders dated 6 December 2010, of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

An Independent Board Committee comprising Mr. Wong Tak Shing, Mr. Luk Chi Cheong, and Ms. Yu Jian, being all the independent non-executive Directors, has been formed to advise the independent shareholders of the Company in relation to the transactions contemplated under the Master Lending Agreements. Any vote of the independent shareholders at the SGM shall be taken by poll. CRH and its associates will abstain from voting in relation to the resolutions to be proposed to approve transactions contemplated under the Master Lending Agreements.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 China Resources Group or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion on the transactions contemplated under the Master Lending Agreements (the “Continuing Connected Transactions”), we have considered the following principal factors and reasons:

Background and rationale

The Group is principally engaged in the operation of city gas distribution projects in the PRC including natural or petroleum gas pipelines, CNG filling stations and bottled LPG distribution. On 22 November 2010, the Company entered into 1) the RMB Master Loan Agreement; and 2) the Hong Kong and United States Dollar Master Loan Agreement.

Pursuant to the RMB Master Loan Agreement, the Group agrees to lend a portion of its surplus cash resources on a short-term basis to CRC and any PRC incorporated subsidiary of a China Resources Group listed or unlisted company which has become a party to the RMB Master Loan Agreement by acceding to its terms, but excluding Zhuhai Commercial Bank and CR Trust. The Group may also borrow money from any PRC incorporated subsidiary of a China Resources Group listed company, which has become a party to the RMB Master Loan Agreement by acceding to its terms.

Pursuant to the Hong Kong and United States Dollar Master Loan Agreement, the Group agrees to lend a portion of its surplus cash resources on a short-term basis to CRH, and the China Resources Group listed and unlisted companies and any subsidiary of any of them, permitted to borrow in either Hong Kong dollar or United States dollar, which has become a party to the Hong Kong and United States Dollar Master Loan Agreement by acceding to its terms, but excluding any entity which is incorporated in the PRC. The Group may also borrow money from the China Resources Group listed companies and any subsidiary of any of such companies which has become a party to the Hong Kong and United States Dollar Master Loan Agreement by acceding to its terms, but excluding any entity which is incorporated in the PRC.

As all advances under the Master Lending Agreements represent financial assistance to be provided by connected persons where no security over the assets of the borrowers will be granted and on normal commercial terms or better, they are exempted continuing connected transactions under Rule 14A.65(4) of the Listing Rules for borrowers which are either China Resources Group listed companies or subsidiaries of such companies. However, all the lending arrangements contemplated under the Master Lending Agreements constitute non-exempt Continuing Connected Transactions which requires Independent Shareholders’ approval.

We note that the main purpose for the Company to enter into the Master Lending Agreements are 1) to enable the Group to achieve a return on its temporarily surplus cash resources no less than the cost of borrowing of CRH or a corporate borrower of similar standing in respect of Hong Kong and United

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States dollar advances and, in the case of RMB advances, a return which is no less than a rate marginally lower than the cost of borrowing of CRC or a corporate borrower of similar standing from a bank or financial institution. Generally these rates are substantially higher than the deposit rates available to the Group; and 2) permit the Group to borrow at a rate lower than it is likely to be able to obtain from banks and financial institutions. The lending arrangement applies only to temporarily surplus cash resources of the Group. It is designed to enhance returns on temporarily surplus liquidity and is not a new usage for the cash resources of the Group. As advised by the Company, dividend policy, dividend distributions and the deployment of liquidity for long-term investment and the expansion of the business of the Group will not be affected by these arrangements.

We note that as at 30 June 2010 and 31 December 2009, the Group had cash and bank balance of HK\$2,975.1 million and HK\$2,226.7 million respectively. Based on information provided by the Company, we also note that the deposit rate of the Group is lower than the cost of borrowing of both CRC and CRH.

We have discussed with management of the Group and note that the Group has its own treasury function in PRC and HK and the finance department will review the overall free cash flow position from time to time and will communicate with the Group's CFO if there are any surplus liquidity that can be deployed for intra-group advance as contemplated under the Master Lending Agreements. The Group's CFO will decide whether it is appropriate to lend out the surplus cash, and if so, negotiate the terms, amount and duration with the fellow borrower, after taken into account the latest cost of borrowing of CRC or CRH, interest rate return from bank deposits of similar term and amount being available to the Group and to review the management account of the borrower where necessary. All advances require approval by the Group's CFO and CEO. The relevant company in HK or PRC shall keep track of all intra-group advances under the Master Lending Agreements and report to the finance department of the Group on a monthly basis, who will consolidate all cash advances to make sure it is within the caps.

In addition, since the Group's transformation to a city gas distributor in 2008, the Group continues to grow organically and through acquisitions. As at 30 June 2010, the Company operates 32 city gas projects in 11 provinces in China and one municipality with annualised gas sales volume of some 5 billion m³. As at 30 June 2010, the Group has net bank and other borrowings of HK\$1,250.4 million, which was substantially higher than the balance of HK\$504.8 million as at 31 December 2009. As discussed with the management of the Company, it is highly likely that the Group will be the borrower, rather than the lender, under the Master Lending Agreements as the entire Group's city gas business is still at growing stage and more acquisitions of city gas projects are expected over the next few years. The Directors consider that it is in the interests of the Company to be able to borrow at the cost of borrowing of CRC or CRH, which is lower than the rate the Group is likely to obtain from banks and financial institutions.

Having taken into account the above factors, we concur with the Directors that the entering into of the Master Lending Agreements will provide the Group with greater flexibility in the management of its surplus cash resources and enable the Group to obtain a return similar to the cost of borrowing of CRC or CRH which is substantially higher than the deposit rate available to the Group from a bank or a

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financial institution. Together with the internal control procedure as described above in place, the lending by the group as contemplated under the Master Lending Agreements should not affect the Group's business and operation, we consider that it is in the interests of the Company and the independent shareholders to enter into the Master Lending Agreements.

Basis of determination

I) RMB Master Loan Agreement

Principal terms of the RMB Master Loan Agreement

The interest rate per annum shall be determined by the lender being the relevant lending rate as permitted by the PBOC from time to time. The interest rate shall be no less than 95% of the rate at which CRC or a corporate borrower of similar standing is able to borrow in RMB such amount from a bank or a financial institution for the relevant period and shall not be less than the deposit rate which the Group could have obtained from a bank or a financial institution for such relevant amount and period.

All advances will be unconditionally and irrevocably guaranteed by CRC. The repayment date for an advance made under this agreement shall be no later than six months after the date of advance. Advances will take the form of an entrusted loan. Under an entrusted loan arrangement, the lender deposits the amount to be advanced to the entrustment agent which in turn pays the amount to be advanced to the borrower, for which the entrustment agent charges a facilitation commission. The lending risk is assumed by the lender which receives the interest paid by the borrower, less the deduction of agency fee. The entrustment agent will be a commercial bank or financial institution in the PRC permitted to enter entrusted loan agreements, including Zhuhai Commercial Bank and CR Trust. All fees charged by the entrustment agent to the lender will be reimbursed by the relevant borrower.

CRC guarantee

Pursuant to the RMB Master Loan Agreement, the Group may provide funding to CRC and any PRC incorporated subsidiary of a China Resources Group listed or unlisted company (excluding Zhuhai Commercial Bank and CR Trust). As all advances will be unconditionally and irrevocably guaranteed by CRC, the arrangement contemplated under the RMB Master Loan Agreement can be deemed as the Group providing funding to CRC. The summary of the consolidated financial position of CRC are as follows:

| | CRC | |
|--------------------------|---------------------|---------------------|
| | 2009 Audited | 2008 Audited |
| Total assets | 362.2 | 274.8 |
| Cash and bank balances | 52.2 | 26.2 |
| Net asset value | 135.3 | 111.1 |
| Net attributable profit | 6.3 | 4.8 |
| Cash flow from operation | 27.9 | 6.3 |

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CRC is a bond issuer in the PRC and its principal long term credit rating is AAA according to an independent rating agency, China Lianhe Rating Co., Ltd. China Lianhe Rating Co., Ltd is a joint venture between state-owned Lianhe Credit Information Service Co., Ltd and Fitch Ratings. It is officially recognised as a qualified rating agency by multiple regulatory authorities including PBOC, National Development and Reform Commission and China Insurance Regulatory Commission. We have reviewed the independent credit rating report dated 9 June 2010 (“Credit Report”) prepared by China Lianhe Rating Co. Ltd and note that based on various factors, including CRC’s brand name, business scale and operations, the strong earnings ability of the its principal operations, CRC direct and indirect fund raising ability, CRC’s historical cash balance, operating cash inflow, EBITDA and certain financial ratios such as EBITDA to interest ratio and total debt to EBITDA ratio, the overall repayment ability of CRC was strong. We have reviewed the audited financial statements of CRC for the year ended 31 December 2009 and have re-calculated the gearing ratio of CRC with the addition of the aggregated cap amount of HK\$10.2 billion for FY2011 as liability to CRC, which represents the potential maximum amount to be guaranteed by CRC under the RMB Master Loan Agreement and note that the gearing ratio will only be adversely affected by less than 3%. Therefore, the financial condition of CRC will not materially deteriorate as a result of the RMB Master Loan Agreement. We also note that in the event the latest rating of CRC is reduced or placed on watch with negative implications, further advances under the RMB Master Loan Agreement will be suspended. This provides further assurance for the Group as a lender for the entire tenure of the RMB Master Lending Agreement that intra-group lending will only continue if CRC maintains its AAA credit rating.

Interest rate

The interest rate for the RMB Master Loan Agreement is at least 95% of CRC’s cost of funding. CRC’s cost of funding is a rate not less than the PBOC prescribed rate less 10% and is a commercial rate determined by the lenders after assessing the credit standing of CRC. We note that the RMB lending will be conducted in a form of entrusted loan, the interest rate of which is not restricted by the PBOC prescribed rate towards commercial banks. According to the requirement of PBOC, the lowest interest rate a commercial bank can offer to a lender in the PRC is 10% below the PBOC prescribed rate from time to time. As the interest rate for RMB Master Loan Agreement of at least 95% of CRC’s cost of funding can cover the cost of entrustment agent and such discount is within the maximum discount allowed by the PBOC, we consider such rate acceptable and is of normal commercial terms.

II) Hong Kong and United States Dollar Master Loan Agreement

Principal terms of the Hong Kong and United States Dollar Master Loan Agreement

In respect of Hong Kong dollar advances, the interest rate per annum shall be determined by the lender being the aggregate of (i) the relevant HIBOR for such a Hong Kong dollar advance; and (ii) a margin (which must not be a negative number). The interest rate shall not be less than the higher of (i) the rate at which CRH or a corporate borrower of similar standing is able to borrow in such currency and such amount from a bank or a financial institution for the relevant period and (ii) the deposit rate which the Group could have obtained from a bank or a financial institution for such relevant amount and period.

In respect of United States dollar advances, the interest rate per annum shall be determined by the

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and United States Dollar Master Loan Agreement will also be suspended. This provides further assurance for the Group as a lender for the entire tenure of the Hong Kong and United States Dollar Master Lending Agreement that intra-group lending will only continue if CRC maintains its AAA credit rating.

Interest rate

The interest rate for the Hong Kong and United States Dollar Master Loan Agreement will be similar to CRH's cost of funding, which is HIBOR plus a margin for HK dollar lending and LIBOR plus a margin for US dollar lending. As CRH's cost of funding is a commercial rate determined by the lenders after assessing the credit standing of CRH, the lending rates under the Hong Kong and United States Dollar Master Loan Agreement are on normal commercial terms.

III) Internal control measures by the Group

We further note that the initiative to lend to another China Resources Group company will be entirely at the discretion of the Group and there will be no obligation to lend under the Master Lending Agreements. As stated in the section headed background and rationale above, the Group has its own internal control procedures to consider and ensure there is surplus cash for intra-group lending.

In addition, the current arrangement also confine advances for only short-term working capital purposes only so they will not be used as a substitute for long-term or permanent financing. The maximum duration of any advance will be six months and no security over the assets of the borrower will be provided. All advances will be made on the basis that they are repayable on either the Group or borrower giving ten business day's notice.

IV) Restrictions on lending by the Company

The Group has entered into loan agreements with external financial institutions under which it is restricted from lending to any company outside of its own listed group of companies. For as long as such restrictions remain in place, the Group will be precluded from lending under the Master Lending Agreements unless prior consent from the financial institutions can be obtained. We have reviewed these loan agreements and note that these loan agreements will expire from 2012 to 2015. Therefore, such restrictions from external financial institutions will remain in place for the three years ending 31 December 2013.

Despite the above provision in the Master Lending Agreements, the Group may still be subject to certain counter party risk in the event that CRC or CRH fails to fulfill their obligations under the Master Lending Agreements. As China Resources Group is one of HK and PRC's leading conglomerates principally engaged in consumer products, power, real estate, pharmaceuticals, cement, gas and financial services, together with the continued support by China Resources Group to the Group throughout the years, we consider that such counter party risks arising as a result of entering into the Master Lending Agreements to be acceptable.

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Having considered the above, we concur with the view of the Directors that it is in the benefit of the Group to increase return to its Shareholders by entering into the Master Lending Agreements and to provide funding based on a rate that is similar to CRC and CRH's cost of borrowing is fair and reasonable so far as the Company and the Shareholders are concerned.

The annual caps under the Master Lending Agreements

Set out below are the proposed annual caps under the Master Lending Agreements (the "Proposed Annual Caps") for the maximum aggregate amount which can be lent at any time from the Company and its subsidiaries for the three years ending 31 December 2013:

| | Annual cap for the year ending 31 December | | | Consolidated |
|----------------------------------|--|-----------|-----------|----------------|
| | 2011 | 2012 | 2013 | cash and bank |
| | (H \$ m) | (H \$ m) | (H \$ m) | balances as at |
| | | | | 30 June 2010 |
| | | | | (H \$ m) |
| Master Lending Agreements | 300 | 400 | 500 | 2,975 |

We noted that in determining the Proposed Annual Caps for each of the three years ending 31 December 2013, the Board has considered the following factors:

- the maximum amount of exposure at any time which the Group is prepared to assume under the Master Lending Agreements in the context of its estimated temporarily surplus cash resources;
- the Proposed Annual Caps for the second and third financial years have been increased by HK\$100 million from the previous year to reflect the underlying growth of the Group in the subsequent two years ending 31 December 2013; and
- a comparison of Proposed Annual Caps with the Group's gross cash and bank balances and with the size of Group using the highest applicable percentage ratios as defined under Rule 14.07 of the Listing Rules.

In assessing the fairness and reasonableness of the Proposed Annual Caps under the Master Lending Agreements, we have reviewed and discussed with the management of the Company on the bases considered in the determination of the Proposed Annual Caps, and note that:

- (i) the Proposed Annual Cap for the year ending 31 December 2011 represents only approximately 10.1% and 13.5% of the cash and bank balances of the Group as at 30 June 2010 and 31 December 2009 respectively;
- (ii) the Proposed Annual Caps was determined by the Group with reference to the cashflow forecast of the Group for the period up to 31 December 2013;

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- (iii) for the purposes of estimating the Proposed Annual Caps for the years ending 31 December 2012 and 2013, the increase of HK\$100 million from the previous year represents an increase of approximately 33% and 25% for the second and third financial years respectively, which reflects the anticipated growth of the Group over the corresponding period. Since the change in the core business of the Group to city gas distribution business in 2008, its revenue has exhibited high growth rates. The Group's revenue increased by 48.4% for the year ended 31 December 2009, and 85.6% for the six months ended 30 June 2010 over the previous corresponding period.

Based on the various factors described above, we regard the Proposed Annual Caps to be fair and reasonable so far as the Company and the independent shareholders are concerned. However, as the Proposed Annual Caps relate to future events and are based on assumptions which may or may not remain valid for the entire period up to 31 December 2013, consequently, we express no opinion as to how closely the actual amounts lent by the Group to the China Resources Group listed companies under the Master Lending Agreements corresponds with the Proposed Annual Caps.

Requirements by the Listing Rules regarding the Continuing Connected Transactions

As required by the Listing Rules, for each financial year of the Company over the term of the Master Lending Agreements, the transactions contemplated thereunder shall be subject to the annual review by the independent non-executive Directors and the Company's auditors as required by Rules 14A.37 and 14A.38 of the Listing Rules, respectively. In particular, each year, the independent non-executive Directors must confirm that the Continuing Connected Transactions have been entered into:

- in the ordinary and usual course of business of the Group;
- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, each year, the Company's auditors must provide a letter to the Board confirming that the Continuing Connected Transactions:

- have received the approval of the Board;
- are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
- have been entered into in accordance with the relevant agreements governing the transactions; and
- have not exceeded the caps disclosed in the previous announcement(s).

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In addition, to ensure that it is a transparent process, full information on all advances made during the period concerned, including the borrower, its immediate holding company, guarantor, amount, duration and interest rate, will be voluntarily disclosed in the Company's interim and annual reports.

Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the Continuing Connected Transactions will be conducted on terms pursuant to the Master Lending Agreements.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, despite the entering of the Master Lending Agreement is not in the ordinary course of business of the Company, we consider that the entering into of the Master Lending Agreements is in the interests of the Company and the Shareholders as a whole, the terms thereof are of normal commercial terms and fair and reasonable so far as the Company and the independent shareholders are concerned, and the basis for determining the Proposed Annual Caps are fair and reasonable so far the Company and the independent shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and ourselves to recommend, the independent shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Master Lending Agreements and the Proposed Annual Caps.

Yours faithfully,

For and on behalf of

CIMB Securities (HK) Limited

Alex Lau

Mabel Lam

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1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company 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 Company. The directors of the Company, 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. INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions, if any, of each director and chief executive of the Company in any shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 the directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

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

| Name of director | Capacity | Long position/ Short position | Number of shares | Number of Share options ¹ | Aggregate percentage of interest ² |
|------------------|------------------|----------------------------------|---------------------|--|---|
| Wang Chuandong | Beneficial owner | Long position | 100,000 | — | 0.0055% |
| Ong Thiam Kin | Beneficial owner | Long position | 100,000 | — | 0.0055% |
| Du Wenmin | Beneficial owner | Long position | 54,000 | — | 0.0029% |
| Wong Tak Shing | Beneficial owner | Long position | 80,000 | — | 0.0044% |

1. This refers to the number of underlying shares of the Company covered by its share option scheme as at the Latest Practicable Date.

2. 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.

(b) Interests in issued ordinary shares and underlying shares of associated corporations

As at the Latest Practicable Date, certain directors had interests in the issued ordinary shares and underlying shares covered by options granted under the share option schemes of associated corporations (within the meaning of the SFO) of the Company, such options being unlisted physically settled equity derivatives:

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| Name of director | Capacity | Long position/ Short position | Number of shares | Number of Share options ¹ | Exercise price per share <i>H</i> \$ | Date of grant | Aggregate percentage of interest ² |
|------------------|------------------|----------------------------------|------------------|--------------------------------------|---|---------------|---|
| Wang Chuandong | Beneficial owner | Long position | 300,000 | 300,000 ³ | 10.35 | 04/10/2004 | 0.0250% |
| Du Wenmin | Beneficial owner | Long position | 100,000 | — | — | — | 0.0042% |

1. This refers to the number of underlying shares of CRE covered by its share option schemes as at the Latest Practicable Date.
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.

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| Name of director | Capacity | Long position/ Short position | Number of shares | Number of Share options ¹ | Exercise price per share <i>H</i> \$ | Date of grant | Aggregate percentage of interest ² |
|------------------|--------------------|----------------------------------|------------------|--------------------------------------|---|---------------|---|
| Ma Guoan | Interest of Spouse | Long position | 22,000 | — | — | — | 0.0005% |
| Wang Chuandong | Beneficial owner | Long position | — | 101,800 ³ | 2.75 | 06/10/2003 | 0.0022% |
| Ong Thiam Kin | Beneficial owner | Long position | 50,000 | — | — | — | 0.0011% |
| Du Wenmin | Beneficial owner | Long position | 297,000 | 183,240 ⁴ | 2.75 | 12/11/2003 | 0.0102% |

1. This refers to the number of underlying shares of CR Power covered by its share option scheme as at the Latest Practicable Date.
2. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CR Power to the total issued share capital of CR Power as at the Latest Practicable Date.
3. The share options are exercisable in 5 tranches, from 6th October, 2004, 2005, 2006, 2007 and 2008 to 5th October, 2013.
4. The share options are exercisable in 2 tranches, from 6th October, 2007 and 2008 to 5th October, 2013.
5. In each case, HK\$1.00 is payable upon acceptance of the share options granted.

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| Name of director | Capacity | Long position/ Short position | Number of shares | Number of Share options¹ | Exercise price per share <i>H \$</i> | Date of grant | Aggregate percentage of interest² |
|-------------------------|------------------|--|-----------------------------|--|---|--------------------------|---|
| Du Wenmin | Beneficial owner | Long position | 790,000 | 250,000 ³ | 1.23 | 01/06/2005 | 0.0193% |

1. This refers to the number of underlying shares of CR Land covered by its share option scheme as at the Latest Practicable Date.
2. This represents the 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 to 31st May, 2015, and 1st June, 2009 to 31st May, 2015.
4. In each case, HK\$1.00 is payable upon acceptance of the share options granted.

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| Name of director | Capacity | Long position/ Short position | Number of shares | Number of Share options ¹ | Exercise price per share H \$ | Date of grant | Aggregate percentage of interest ² |
|------------------|------------------|----------------------------------|------------------|--------------------------------------|----------------------------------|---------------|---|
| Du Wenmin | Beneficial owner | Long position | 1,458,000 | — | — | — | 0.0166% |
| Luk Chi Cheong | Beneficial owner | Long position | 1,165,912 | — | — | — | 0.0133% |

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

Save as disclosed above, as at Latest Practicable Date, none of the directors or chief executives of the Company had any beneficial interest (including interests or short positions) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the directors or the chief executives were taken or deemed to have taken under such provisions of the SFO), or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

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

| Name of shareholders | Capacity | Nature of interest | No. of Shares held | Aggregate long position in Shares to the issued share capital of the Company as at the Latest Practicable Date |
|--|-------------------------------|---------------------|--------------------|--|
| Splendid Time Investment Inc. ('Splendid Time') ¹ | Beneficial owner | Beneficial interest | 1,246,654,206 | 68.08% |
| CRH ¹ | Controlled company's interest | Corporate interest | 1,248,386,206 | 68.18% |
| CRC Bluesky Limited ("CRC Bluesky") ¹ | Controlled company's interest | Corporate interest | 1,248,386,206 | 68.18% |
| CRC ¹ | Controlled company's interest | Corporate interest | 1,248,386,206 | 68.18% |
| China Resources National Corporation ('CRN') ¹ | Controlled company's interest | Corporate interest | 1,248,386,206 | 68.18% |

- Splendid Time and Commotra Company Limited directly holds 1,246,654,206 and 1,732,000 Shares in the Company respectively and both companies are wholly-owned subsidiaries of CRH. CRH is therefore deemed to be interested in 1,248,386,206 Shares of the Company under Part XV of the SFO. CRH is a wholly-owned subsidiary of CRC Bluesky. CRC Bluesky is a wholly-owned subsidiary of CRC which in turn is 100% owned by CRN. CRC Bluesky, CRC and CRN are all therefore deemed to be interested in 1,248,386,206 Shares of the Company under Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the directors of the Company had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the directors of the Company had any interest, direct or indirect, in any assets which have been, since 31st December, 2009, being the date to which the latest published audited consolidated financial statements of the Group 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.

None of the directors of the Company was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the directors of the Company are aware of, none of the directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or, any other conflicts of interest within the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Board confirmed that there was no material adverse change in the financial or trading position of the Group since 31st December, 2009, being the date to which the latest published audited consolidated accounts of the Group were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

| Name | Qualifications |
|------------------------------|---|
| CIMB Securities (HK) Limited | A corporation licensed under the SFO 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 |

CIMB Securities (HK) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it appears as at the Latest Practicable Date.

As at the Latest Practicable Date, CIMB Securities (HK) Limited did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The letter of advice given by CIMB Securities (HK) Limited is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, CIMB Securities (HK) Limited did not have any direct or indirect interests in any assets which had been since 31st December, 2009, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, any members of the Group.

9. MISCELLANEOUS

The English texts of this circular shall prevail over their respective Chinese texts in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office of the Company at Room 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the SGM:

- (a) the Hong Kong and United States Dollar Master Loan Agreement;
- (b) the RMB Master Loan Agreement;
- (c) the letter from the independent board committee, the text of which is set out on page 16 in this circular;
- (d) the letter of advice from CIMB Securities (HK) Limited to the independent board committee and the independent shareholders of the Company, the text of which is set out on pages 17 to 26 in this circular; and
- (e) the written consent referred to in the section headed “Expert and consent” of this appendix.



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