THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

DISCLOSEABLE AND CONNECTED TRANSACTION

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

PLATINUM Securities

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular and a letter from Platinum Securities Company Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 16 to 36 of this circular.

A notice convening the special general meeting of China Resources Gas Group Limited to be held at Room 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Tuesday, 16 October, 2012 at 4:00 p.m. is set out on pages 44 to 45 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular.

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

27 September 2012

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

"Acquisition"	:	the acquisition of the Sale Share by the Company from Powerfaith pursuant to the terms and conditions under the Sale and Purchase Agreement;
"Associates"	:	has the meaning ascribed to it in the Listing Rules;
"Board"	:	the board of Directors;
"Business Day"	:	a day (excluding a Saturday or Sunday) on which licensed banks in Hong Kong are generally open for business;
"BVI"	:	the British Virgin Islands;
"China Resources Holdings"	:	China Resources (Holdings) Company Limited, the substantial and controlling shareholder of the Company holding approximately 68.46% of its issued share capital as at the Latest Practicable Date, or, where the context requires, the relevant subsidiary;
"CNG"	:	compressed natural gas;
"Company"	:	China Resources Gas Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange;
"Completion"	:	the completion of the sale and purchase of the Sale Share;
"Completion Date"	:	the day on which Completion takes place in accordance with the provisions of the Sale and Purchase Agreement;
"Consideration"	:	HK$2,415 million;
"controlling shareholder"	:	shall have the meaning ascribed to that term in the Listing Rules;
"CRH (Projects)"	:	CRH (Projects) Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of China Resources Holdings;
"CR Petrochem"	:	China Resources Petrochem Gas Group Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor;
"Deed of Indemnity"	:	the deed of indemnity to be entered into among Powerfaith, the Company and CRH (Projects) on Completion in relation to the tax liabilities of the Target Group prior to Completion and other liabilities as specified therein;

"Director(s)"	:	the director(s) of the Company;
"Encumbrances"	:	rights of pre-emption, options, liens, claims, equities, charges, mortgages, pledges, third-party rights or interests of any nature;
"Enlarged Group"	:	the Group and the Target Group and for the purposes of the appendix to this circular, references to "Enlarged Group" shall be construed to include the Group and Target Group only;
"Group"	:	collectively, the Company and its subsidiaries;
"Hong Kong"	:	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	:	an independent board committee of the Company constituted to consider the terms of the Acquisition as contemplated under the Sale and Purchase Agreement, and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolution regarding the Acquisition as contemplated under the Sale and Purchase Agreement. Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian have been appointed by the Board to serve as members of the Independent Board Committee;
"Independent Shareholders"	:	Shareholders other than the controlling shareholder of the Company, namely China Resources Holdings and its Associates;
"Latest Practicable Date"	:	25 September 2012, being the latest practicable date before the printing of this circular for ascertaining certain information contained herein;
"Listing Rules"	:	the Rules Governing the Listing of Securities on the Stock Exchange;
"LNG"	:	liquefied natural gas;
"Parties"	:	the parties to the Sale and Purchase Agreement, namely, the Company, Powerfaith and CRH (Projects);
"Platinum" or "Independent Financial Adviser"	:	Platinum Securities Company Limited, a licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and Independent Shareholders in relation to the Acquisition as contemplated in the Sale and Purchase Agreement;

"Powerfaith" or "Vendor"	:	Powerfaith Enterprises Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of China Resources Holdings;
"PRC" or "China"	:	the People's Republic of China, but for the purposes of this circular only, excluding Hong Kong, Macau and Taiwan;
"Sale and Purchase Agreement"	:	the Sale and Purchase Agreement entered into among the Company, Powerfaith and CRH (Projects) dated 23 August 2012 in relation to the Acquisition;
"Sale Share"	:	one ordinary share of par value of HK$100.00 in the share capital of CR Petrochem, representing the entire issued share capital of CR Petrochem as at the Latest Practicable Date and such additional shares as may be issued by CR Petrochem to Powerfaith prior to Completion;
"SFO"	:	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
"SGM"	:	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve (among other things), if thought fit, the Acquisition as contemplated under the Sale and Purchase Agreement;
"Share(s)"	:	the ordinary share(s) of HK$0.10 each in the share capital of the Company which are listed and traded on the main board of the Stock Exchange;
"Shareholder(s)"	:	person(s) whose name(s) appear on the register of members of the Company as registered holder(s) of Share(s);
"Stock Exchange"	:	The Stock Exchange of Hong Kong Limited;
"subsidiary"	:	shall have the meaning ascribed to that term in the Listing Rules;
"substantial shareholder"	:	shall have the meaning ascribed to that term in the Listing Rules;
"Target Group"	:	collectively, CR Petrochem, its subsidiaries, jointly controlled entities and associated companies;
"HK$"	:	Hong Kong dollar(s), the lawful currency of Hong Kong;
"RMB"	:	Renminbi, the lawful currency of the PRC;
"%"	:	per cent.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

Executive Directors:
WANG Chuandong *(Chairman)*
SHI Shanbo *(General Manager)*
ONG Thiam Kin *(Chief Financial Officer and Company Secretary)*

Non-executive Directors
DU Wenmin
WEI Bin
HUANG Daoguo
CHEN Ying

Independent Non-executive Directors
WONG Tak Shing
LUK Chi Cheong
YU Jian

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Place of Business in Hong Kong:
Room 1901-05
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

27 September 2012

To the Shareholders

Dear Sir and Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

I. INTRODUCTION

The Company has, by the announcement dated 23 August 2012, announced that it has entered into the Sale and Purchase Agreement to conditionally agree to acquire the entire issued share capital of CR Petrochem, an indirect wholly-owned subsidiary of China Resources Holdings, for a consideration of HK$2,415 million.

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. Since China Resources Holdings is the controlling shareholder of the Company, holding approximately 68.46% of its issued share capital as at the Latest Practicable Date, and the Vendor is a wholly-owned subsidiary of China Resources Holdings, the Acquisition also constitutes a connected transaction of the Company under the Listing Rules. As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5%, the Acquisition and the Sale and Purchase Agreement is therefore subject to reporting, announcement and the approval of the Independent Shareholders at the SGM as required under Chapter 14A of the Listing Rules.

The purpose of this circular is:

(i) to provide Shareholders with further details of the Acquisition as contemplated under the Sale and Purchase Agreement;

(ii) to set out the recommendations of the Independent Board Committee to the Independent Shareholders on the Acquisition as contemplated under the Sale and Purchase Agreement;

(iii) to set out the recommendations of the Company's independent financial adviser, Platinum, to the Independent Board Committee and the Independent Shareholders; and

(iv) to give notice of the SGM.

II. THE ACQUISITION

A. THE SALE AND PURCHASE AGREEMENT

Date

23 August 2012

Parties to the Sale and Purchase Agreement

(i) the Company;

(ii) Powerfaith; and

(iii) CRH (Projects)

Sale Share

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

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

Condition Precedent

Completion of the Acquisition is subject to the satisfaction of the condition precedent that the Independent Shareholders having approved by way of poll at a duly convened SGM the transactions contemplated under the Sale and Purchase Agreement including but not limited to the Acquisition, and, to the extent applicable, the transactions arising out of the Sale and Purchase Agreement and in pursuance of the Sale Share (and for the avoidance of doubt, excluding, to the extent applicable, any continuing connected transactions (as defined in the Listing Rules) arising between the Company and Powerfaith or their respective Associates arising as a direct result of Completion which require approval of the Independent Shareholders and matters ancillary thereto).

The condition above shall not be waived in any event. As at the Latest Practicable Date, the condition above has not been fulfilled. If condition set out above is not fulfilled on or before 31 December 2012 (or such later date as agreed between the parties), the Sale and Purchase Agreement and the transactions contemplated thereunder shall be terminated. Completion shall take place on or before the second Business Day (or such other date as Powerfaith and the Company may agree) after the condition precedent set out in the Sale and Purchase Agreement has been fulfilled in accordance with the Sale and Purchase Agreement.

Consideration

The Consideration payable by the Company for the Acquisition is HK$2,415 million and shall be paid by the Company within six months from the Completion Date. The Company shall pay interest on the Consideration to the Vendor at a normal commercial or preferable rate to the Company from the date of Completion until the date of payment by the Company (both days inclusive). The interest rate payable by the Company on the Consideration is to be further agreed amongst the Parties and reference will be made to the interest rate to be charged on any new bank borrowings to be raised by the Company. Based on the current lending environment pertaining to the Group, the Company expects that the interest rate on the Consideration will be approximately 2% above the then prevailing HIBOR.

The Company will finance the payment of the Consideration by its internal resources and bank borrowings.

The Consideration, based on the original investment and interest costs to the Vendor, has been arrived at after arm's length negotiations between Powerfaith and the Company after taking into account various relevant factors including the strategic rationale behind the transactions contemplated, the nature of the relevant businesses, the historical financial information, combined net asset value and future prospects of the relevant industries including general economic trends and market growth and the prevailing commercial and business conditions in which CR Petrochem operates.

China Resources Holdings has originally acquired the Target Group since 2008 for a total consideration of approximately HK$2,339.5 million. The unaudited combined net asset value of the Target Group as at 31 July 2012 was approximately HK$1,350.3 million.

Deed of Indemnity

On Completion, the Company, the Vendor and CRH (Projects) will enter into the Deed of Indemnity. Subject to certain limitations as stated in the Deed of Indemnity, the Vendor undertakes to the Company to indemnify and keep indemnified the Company from and against any tax liabilities in relation to the business activities of the Target Group prior to Completion and, if applicable, other liabilities as specified in the Deed of Indemnity. CRH (Projects) undertakes to guarantee the due and punctual performance of the Vendor's obligation under the Deed of Indemnity.

B. REASONS FOR AND BENEFITS OF THE ACQUISITION

CR Petrochem has been the sole holding company of all the piped gas projects held by China Resources Holdings (other than those held by the Group) since 2008. Since the first acquisition of piped gas projects by the Company from China Resources Holdings in 2008, the Company has been transformed into one of the leading piped gas operators in the PRC. Since then, the Group has been active in seeking business opportunities to expand its core business of downstream city gas operation in the PRC. Its existing 80 city gas projects as at 30 June 2012 are strategically located in 16 provinces and two municipals in the PRC. The Acquisition is part of the on-going expansion strategy of the Group with the aim of becoming the market leader in the downstream city gas industry in the foreseeable future. The Company believes that it is now the prime time to acquire the remaining piped gas projects held by China Resources Holdings in order to better manage and utilize the financial and operational resources of all the piped gas projects to be held under the Group. With a portfolio of more than one hundred piped gas projects held and to be held by the Group after this acquisition, the Group believes that it will enter into another phase of its expansion plan which it can proceed with the acquisition on its own and will be able to benefit from the synergies of a sizeable piped gas portfolio. However, China Resources Holdings has indicated that it will remain committed to invest in piped gas projects in the event that the Company believes it is to its advantage if such project is to be initially invested by China Resources Holdings.

The Target Group operates 15 city gas projects, one midstream gas transmission pipeline project and 7 gas stations in 9 provinces in the PRC. The portfolio includes city gas distribution projects in provincial capitals in Fujian Province and Jiangxi Province, namely Fuzhou City and Nanchang City.

Fuzhou City, the capital of Fujian Province, is an important economic center of the Minjiang River Delta in the south eastern coastal region of China with modern sea, air and rail linkages. Covering an area of 12,177 square km, it comprises of 5 Central Districts, 6 Counties, 2 County-level Cities and 1 Economic Development Zone.

Fuzhou City has a population of 7.2 million in 2011. Its GDP for 2011 was RMB 373.5 billion with growth rate of 13%. Its per capita GDP of RMB 52,100 is more than 50% higher than the national average of RMB34,300.

The GDP of Fuzhou City is mainly driven by industry and coal is used as the primary source of energy to fuel these industrial activities. The estimated amount of coal consumed per annum is 9 million ton which is equivalent to 4 billion cubic meters of natural gas. The Directors are of the view that this offers a tremendous amount of room for natural gas to replace coal once more natural gas are available. CNOCC Gas & Power Group ("**CNOOC**"), a strategic partner of the Group for gas supply arrangement, has started supplying Liquefied Natural Gas (LNG) from its LNG terminal in Putian, Fujian Province in 2010. The initial capacity of this LNG terminal is 2.6 million metric ton per annum or equivalent to about 3.6 billion cubic meters of natural gas. There is a plan by CNOOC to double this LNG capacity in the near future. China National Petroleum Corporation ("**CNPC**"), a strategic partner of the Group for gas supply arrangement, has also started constructing the 30 billion cubic meters capacity West-East Phase 3 pipeline, bringing natural gas from Central Asia to the southern and eastern coastal regions of China. This pipeline is expected to reach Fujian Province by 2015.

The gas penetration rate of less than 5% in Fujian Province ranks among the lowest in China as natural gas only became available in Fujian Province recently, which offers a tremendous amount of room for growth for downstream city gas business. The current annual gas sales volume of Fuzhou project operated by the Target is about 200 million cubic meters, of which 82% are sold to industrial & commercial and CNG users. This gas sales volume is expected to increase very significantly by 2015 in tandem with the increase in upstream natural gas supply. The initial rapid increase is fuelled by the replacement of coal by natural gas and the increase will subsequently be sustained by the double digit economic growth and continuing urbanization of Fuzhou City. This will enable the Fuzhou project to rank among the Company's top 10 city gas projects by 2015 and contribute significantly to the Company's revenue and profit.

The Acquisition will also add to the Company's existing footprint in Fujian Province and create further cluster synergy with the Group's existing project in Xiamen in terms of LNG procurement, pipeline design & construction and management efficiency.

Nanchang City, the capital of Jiangxi Province, is an important logistics hub situated in the center of the Yangtze River Delta, Pearl River Delta and the south eastern Min/Fujian economic region. It has extensive rail, road and air infrastructures linking it to the entire China. Beijing-Kowloon Railway and Shanghai-Kunming Railway run through the city and it is also connected by the High-speed Railway to Shanghai, Hangzhou and Changsa. Beijing-Zhuhai, Shanghai-Kunming and Fuzhou-Lanzhou national trunk roads also connect Nanchang City to most of China.

Covering an area of 7,402 square km, it comprises of 5 Central Districts, 4 Counties, 2 County-level Cities and 2 National Level Economic Development Zones. Nanchang City has a population of 5.05 million in 2011 and its GDP for 2011 was RMB 268.9 billion with growth rate of 13%. Its per capita GDP of RMB53,200 is more than 50% higher than the national average of RMB34,300.

Like Fuzhou, the GDP of Nanchang City is also mainly driven by industry and coal is used as the primary source of energy to fuel these industrial activities. The estimated amount of coal consumed per annum is 4.2 million ton which is equivalent to 1.9 billion cubic meters of natural gas. China Petroleum & Chemical Corporation ("**Sinopec**"), another strategic partner of the Group for gas supply arrangement, started supplying natural gas to Nanchang city in 2010 via its Sichuan-East pipeline. The city will also receive gas supply in 2012 from CNPC's West-East Phase 2 pipeline, which brings natural gas from Central Asia to the eastern coastal regions of China.

The gas penetration rate of 5% in Jiangxi Province ranks among the lowest in China as natural gas only became available in Jiangxi Province recently, which offers a lot of scope for growth for downstream city gas business. The current annual gas sales volume of Nanchang project is about 130 million cubic meters of which industrial and commercial users accounts for 61%. This gas sales volume is expected to increase substantially by 2015 in tandem with the increase in natural gas supply. The initial rapid increase is fuelled by the replacement of coal by natural gas and the increase will subsequently be sustained by the continuing double digit economic growth of Nanchang City. As a provincial city gas project, it is expected that it will contribute significantly to the Company's revenue and profit by 2015.

The Acquisition will add to the Company's existing footprint in Jiangxi Province and create further cluster synergy with city gas projects in Jingdezhen and Yingtan in terms of centralized procurement, pipeline design & construction and management efficiency.

The above 16 projects (comprising 15 city gas projects and one midstream gas transmission pipeline project) to be acquired are relatively new to pipe natural gas, thus offers a tremendous room to grow at high rates in the near future. Their aggregate gas sales volume is expected to grow in tandem with the overall growth of gas supply in China which is projected at more than double to 260 billion cubic meters by 2015. In addition, cluster synergy with the Company's existing city gas projects will be further enhanced to fuel further operational scale and resulting economic efficiency.

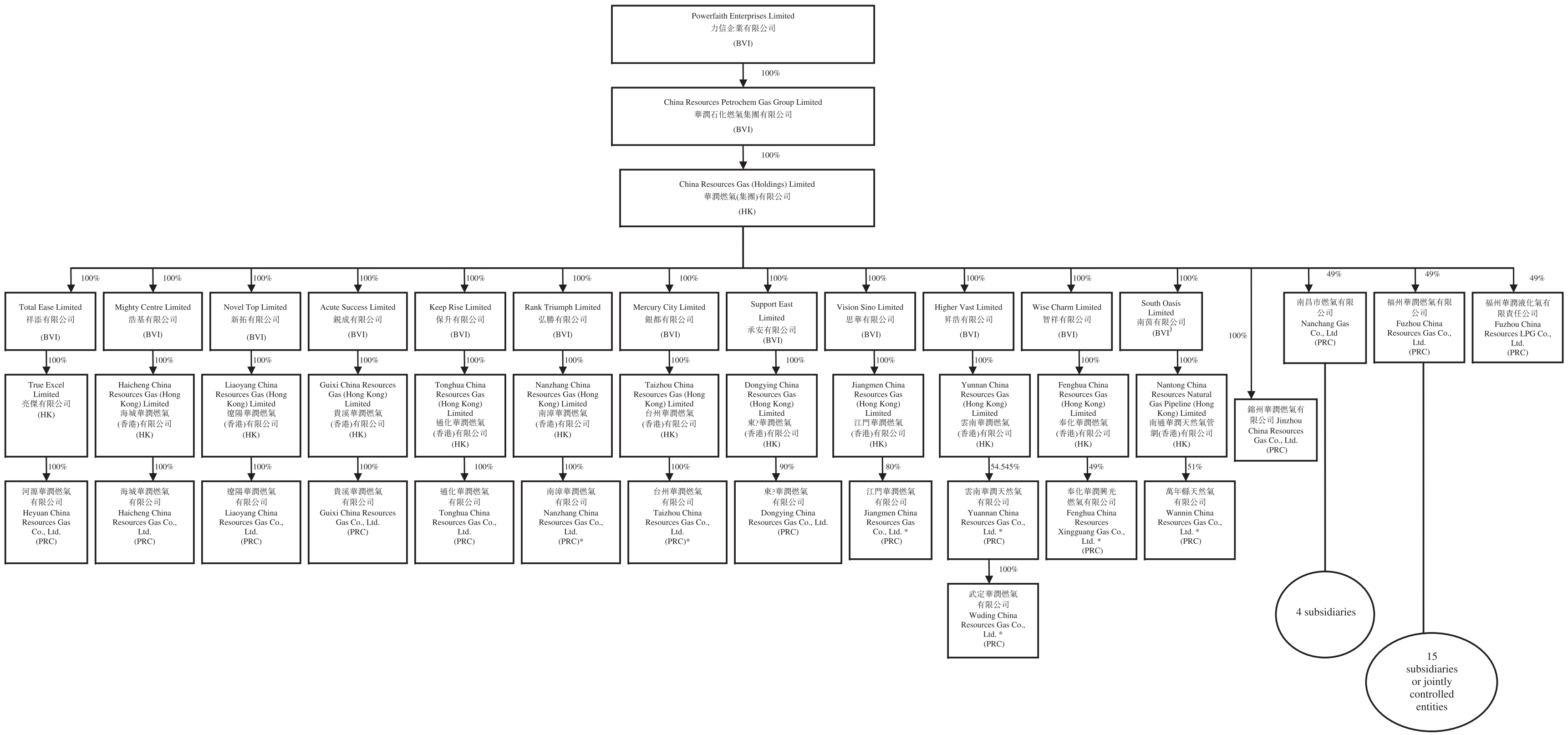
The Directors consider the Acquisition will enable the Group to further extend its coverage and footprint in the PRC. The Group has existing city gas operations in most of these provinces and has 10 regional offices set up in various strategic locations in the PRC. The projects of the Target Group will be efficiently integrated and managed by the relevant regional office depending on their geographical locations. As such, the Directors consider that the Acquisition creates synergy value with the Group's existing gas operation, thereby will broaden the Group's revenue base as well as enhance and sustain its earning capabilities.

The Directors (excluding the independent non-executive Directors whose opinion is set out on pages 14 to 15 to this circular) are of the view that the terms of the Acquisition as contemplated under the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. INFORMATION ON CR PETROCHEM

CR Petrochem, an indirectly wholly-owned subsidiary of China Resources Holdings, is an investment holding company of all its piped gas projects other than those already held by the Group. The Target Group currently operates a portfolio of city gas distribution businesses including natural gas pipelines, natural gas facilities repair and maintenance. Its natural gas distribution operations are strategically located in Fuzhou, Nanchang, Jiangmen, Dongying, Taizhou, Heyuan, Nanzhang, Guixi, Fenghua, Liaoyang, Haicheng, Tonghua, Yunnan, Jinzhou and Wannin.

The corporate structure of the members of the Target Group as at the date of this circular is depicted in chart as set out below:



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

Financial information of CR Petrochem

No audited account of CR Petrochem is available since CR Petrochem is not required to prepare the same in the place of its incorporation, the BVI. For the purposes of this circular, assuming the Target Group had been formed since 1 January 2010, the net profits (both before and after taxation and minority interests) as shown in the unaudited combined profit and loss accounts attributable to the Target Group for the two years ended 31 December 2011 and the seven months ended 31 July 2012 are as follows:-

	For the year ended 31 December 2010	For the year ended 31 December 2011	For the seven months ended 31 July 2012
	HK$ million	*HK$ million*	*HK$ million*
Unaudited combined profit before taxation and minority interests	5.5	49.9	40.6
Unaudited combined profit after taxation and minority interests	3.0	27.9	29.9

D. NATURE OF BUSINESSES OF THE COMPANY, POWERFAITH, CRH (PROJECTS)

The Company is a limited liability company incorporated in Bermuda and its shares have been listed on the Stock Exchange since 7 November 1994. The Group is principally engaged in downstream city gas distribution in the PRC. Its current operations cover 16 provinces and 80 cities including municipalities, provincial capitals and major cities such as Shanghai, Chongqing, Zhengzhou, Chengdu, Nanjing, Wuhan, Kunming, Jinan, Wuxi, Suzhou, Xiamen, etc.

Powerfaith is an indirectly wholly-owned subsidiary of China Resources Holdings and is an investment holding company with its sole investment in CR Petrochem.

CRH (Projects) is the immediate holding company of Powerfaith and its principal business is investment holding.

III. LISTING RULES IMPLICATIONS

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. Since China Resources Holdings is the controlling shareholder of the Company, holding approximately 68.46% of its issued share capital as at the Latest Practicable Date, and the Vendor is a wholly-owned subsidiary of China Resources Holdings, the Acquisition also constitutes a connected transaction of the Company under the Listing Rules. As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5%, the Acquisition and the Sale and Purchase Agreement are subject to reporting, announcement and the approval of the Independent Shareholders at the SGM as required under Chapter 14A of the Listing Rules.

IV. THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been constituted to consider the terms of the Acquisition as contemplated under the Sale and Purchase Agreement, and to advise and make recommendation to the Independent Shareholders as to how to vote at the SGM on the ordinary resolution regarding the Acquisition (including the terms of the Sale and Purchase Agreement). Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian have been appointed by the Board to serve as members of the Independent Board Committee. No member of the Independent Board Committee has any material interest in the Acquisition as contemplated under the Sale and Purchase Agreement. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular.

Platinum has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Acquisition (including the terms of the Sale and Purchase Agreement). A letter from Platinum is set out on pages 16 to 36 of this circular.

V. SGM

The SGM will be held on Tuesday, 16 October 2012 at 4:00 p.m. at Room 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, during which an ordinary resolution will be proposed to seek the Independent Shareholders' approval of the Acquisition as contemplated in the Sale and Purchase Agreement.

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

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

Voting by way of poll

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at a general meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the SGM pursuant to bye-law 78 of the bye-laws of the Company. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A notice convening the SGM is set out on pages 44 to 45 of this circular. The ordinary resolution in respect of the Acquisition (as contemplated in the Sale and Purchase Agreement) will be proposed at the SGM.

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

VI. RECOMMENDATION

The Directors (excluding the independent non-executive Directors whose opinion is set out on pages 14 to 15 to this circular) consider that the terms of the Acquisition (as contemplated in the Sale and Purchase Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

Your attention is drawn to the recommendation of the Independent Board Committee as set out on pages 14 to 15 to this circular and the letter from Platinum as set out on pages 16 to 36.

VII. ADDITIONAL INFORMTION

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

Yours faithfully,
For and on behalf of
China Resources Gas Group Limited
Wang Chuandong
Chairman

華潤燃氣控股有限公司
China Resources Gas Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 1193)

Independent Board Committee:
Mr. Wong Tak Shing
Mr. Luk Chi Cheong
Ms. Yu Jian

27 September 2012

To the Independent Shareholders

Dear Sir and Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular (the "Circular") dated 27 September 2012 issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisition as contemplated under the Sale and Purchase Agreement, details of which are described in the letter from the Board as set out in the Circular.

We also draw your attention to the advice of Platinum, the independent financial adviser appointed in respect of the Acquisition as contemplated under the Sale and Purchase Agreement as set out on pages 16 to 36 of the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the Sale and Purchase Agreement and the basis upon which its terms have been determined as described in the letter from the Board as set out in the Circular. We have also considered the key factors taken into account by Platinum in arriving at its opinion regarding the terms of the Acquisition as contemplated under the Sale and Purchase Agreement as set out in the letter from Platinum in the Circular, which we urge you to read carefully.

Having taken into account, amongst other things, the advice of Platinum, the independent financial adviser to the Company, we consider that the terms of the Acquisition as contemplated under the Sale and Purchase Agreement as described in the letter from the Board as set out in the Circular are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

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

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

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.

PLATINUM Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong
Telephone (852) 2841 7000
Facsimile (852) 2522 2700
Website www.platinum-asia.com

27 September 2012

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to the announcement of the Company dated 23 August 2012. On 27 September 2012, the Company dispatched a circular (the "Circular") in relation to the Acquisition. Details of the Acquisition are contained in the letter from the Board in the Circular and the appendices to the Circular, which you should read carefully.

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition as contemplated under the Sale and Purchase Agreement are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

We are independent from, and are not connected with the Company or any other party to the Acquisition or any of their respective associates, connected persons or parties acting in concert with any of them and accordingly, are considered eligible to give independent advice to the Independent Board Committee.

We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee in relation to the Acquisition. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Acquisition or any of their respective associates, connected persons or parties acting in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things: (i) the Announcements; (ii) the Sale and Purchase Agreement; and (iii) the interim report of the Company for the six months ended 30 June 2012 (the "2012 Interim Report"). We have also discussed with the management of the Company regarding their plans and business prospects of the Group.

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information and all facts as set out in the Circular and of the information and representations provided to us by the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Company and/or the Directors which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Acquisition.

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian, has been established to advise the Independent Shareholders in respect of the terms of the Acquisition as contemplated under the Sale and Purchase Agreement. We, Platinum Securities Company Limited, have been appointed to advise the Independent Board Committee in this regard.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Background of the Acquisition

The Company has, by the announcement dated 23 August 2012, announced that it has entered into the Sale and Purchase Agreement to conditionally agree to acquire the entire issued share capital of CR Petrochem, an indirect wholly-owned subsidiary of China Resources Holdings, for a consideration of HK$2,415 million.

2. Overview of the natural gas industry in China

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

A trend towards domestic production and energy diversification to enhance the national energy security and control of carbon emissions to enhance environment protection has appeared frequently in the Chinese central government's policies and statements in the last few years. According to China's 12th Five-Year Plan (2011-2015), China will cut carbon emissions per unit of gross domestic product ("GDP") by approximately 17% between 2011 and 2015 through the closure of several energy-intensive enterprises and the increase of the share of natural gas in its energy consumption mix, given that natural gas is more environmental friendly as compared to coal and oil.

According to the BP Statistical Review of World Energy June 2012, world natural gas consumption grew by approximately 2.2% year on year to approximately 3,222.9 billion cubic meters in 2011. The relatively low growth rate was mainly due to the largest decline on record in Europe of approximately 9.9% year on year, driven by a weak economy, high gas prices, warm weather and continued growth in renewable power generation. However, the momentum of natural gas consumption in China in 2011 was still strong with an increase of approximately 21.5% year on year to approximately 130.7 billion cubic meters, ranking the highest growth among all countries and regions in the world. Comparing to natural gas consumption of approximately 27.4 billion cubic meters in 2001, the consumption in 2011 represented a compound annual growth rate (the "CAGR") of approximately 16.9%.

Natural gas consumption only accounted for approximately 4.5% of China's total primary energy consumption in 2011, which is lower than that of the Asia Pacific region of approximately 11.1% and much lower than the world's consumption level of approximately 23.7%. Nevertheless, China's natural gas consumption level has increased steadily during the last five years from approximately 3.3% in 2007 to approximately 4.5% in 2011.

According to Medium-Term Gas Market Report 2012 published by International Energy Agency recently, China remains the fastest growing market as its gas consumption will double from approximately 130.7 billion cubic meters in 2011 to 273 billion cubic meters in 2017, translating into an annual growth rate of approximately 13% per year. Gas demand increases in all sectors except for use by fertilizer producers.

In addition, China's strong demand in global natural gas market is further evidenced by its major role in global LNG pipeline projects under construction. Currently there are only three multinational pipeline projects under construction: the second part of the Nord Stream pipeline between Russia and Germany, the Central Asia Gas Pipeline between several Caspian countries and China, as well as the Myanmar to China pipeline.

China's natural gas market enjoyed rapid growth in the last decade, and we expect the momentum will continue due to the support from the central government, strong demand and comparatively low penetration level.

3. **Reasons for and benefits of the Acquisition**

3.1 ***Information of the Group***

The Group is principally engaged in the sale and distribution of gas fuel and related products and gas connection operation in the PRC. The Group has been actively acquiring downstream city gas projects both from China Resources Holdings and other third parties in the PRC in recent years.

During 2008, the Group acquired from China Resources Holdings the entire issued share capital of China Resources Gas Limited ("CR Gas") for a consideration of approximately HK$3.8 billion funded by a four for one right issue. CR Gas, through its subsidiaries in the PRC, operates 7 city gas distribution businesses including natural gas pipelines and Compressed Natural Gas ("CNG") filling stations.

The Group continued to expand via organic and acquisition growth, and additional 20, 21 and 25 city gas projects were added during 2009, 2010 and 2011 respectively. A further 7 city gas projects were acquired by the Group during the six months period to 30 June 2012.

As a result of the rapid expansion, the Group operates 80 city gas projects in 16 provinces and two municipals in the PRC with annualized gross gas sales volume of approximately 8.3 billion cubic meters and approximately 11.4 million residential customers as at 30 June 2012.

3.2 ***Information of CR Petrochem***

According to the letter from the Board in the Circular, CR Petrochem, an indirectly wholly-owned subsidiary of China Resources Holdings, is an investment holding company of all its piped gas projects other than those already held by the Group. The Target Group currently operates a portfolio of city gas distribution businesses including natural gas pipelines, natural gas facilities repair and maintenance. Its natural gas distribution operations are strategically located in Fuzhou, Nanchang, Jiangmen, Dongying, Taizhou, Heyuan, Nanzhang, Guixi, Fenghua, Liaoyang, Haicheng, Tonghua, Yunnan, Jinzhou and Wannin.

No audited accounts of CR Petrochem are available since CR Petrochem is not required to prepare the same in the place of its incorporation, the BVI. For the purposes of this Circular, assuming the Target Group had been formed since 1 January 2010, the net profits (both before and after taxation and minority interests) as shown in the unaudited combined profit and loss accounts attributable to the Target Group for the two years ended 31 December 2011 and the seven months ended 31 July 2012 are shown in Table 1 below.

Table 1: Financial information of CR Petrochem

	For the year ended 31 December 2010	For the year ended 31 December 2011	For the seven months ended 31 July 2012
	HK$ million	*HK$ million*	*HK$ million*
Unaudited combined profit before taxation and minority interests	5.5	49.9	40.6
Unaudited combined profit after taxation and minority interests	3.0	27.9	29.9

Source: the Circular

The unaudited combined net asset value of the Target Group as at 31 July 2012 was approximately HK$1,350.3 million.

We understand from the management of the Company that both Fuzhou and Nanchang projects are in early development stage. The Group has capital expenditure plans for full development of both Fuzhou and Nanchang projects which last for more than thirty years.

We note that the unaudited combined profit after taxation and minority interest of CR Petrochem increased significantly by more than eight times from approximately HK$3.0 million for the year ended 31 December 2010 to approximately HK$27.9 million for the year ended 31 December 2011. We also note that the unaudited combined profit after taxation and minority interests for the seven months ended 31 July 2012 was approximately HK$29.9 million, which is already higher than that for the year ended 31 December 2011.

As discussed with the management of the Company, we understand that approximately 47.6% and 40.8% of total connected households of the Target Group and approximately 50.8% and 33.7% of total gas sales volume of the Target Group were attributable to the Fuzhou and Nanchang projects respectively in the first half of 2012. None of the other projects in the Target Group accounts for more than 10% of the total connected households or total gas sales volume of the Target Group. As such, we consider that Fuzhou and Nanchang projects are the two major projects of the Target Group.

3.3 ***Prospect of Fuzhou project***

A. *Strong economic performance*

As stated in the letter from the Board in the Circular, Fuzhou City, the capital of Fujian Province, is an important economic center of the Minjiang River Delta in the south eastern coastal region of China with modern sea, air and rail linkages. Covering an area of 12,177 square km, it comprises of 5 Central Districts, 6 Counties, 2 County-level Cities and 1 Economic Development Zone. Fuzhou City has a population of approximately 7.2 million in 2011. Its GDP for 2011 was approximately RMB373.5 billion with growth rate of 13%. Its per capita GDP of RMB 52,100 is more than 50% higher than the national average of RMB34,300.

Table 2: Fuzhou GDP and GDP per capita

	2007	**2008**	**2009**	**2010**	**2011**	**CAGR (2007-2011)**
Fuzhou GDP (*RMB billion*)	197	228	252	307	373	17.3%
Fuzhou GDP per capita (*RMB*)	29,318	33,615	36,851	43,121 *(Note 1)*	52,144	15.5%

Source: Fuzhou Statistics Bureau official website (http://tjj.fuzhou.gov.cn/)

Note:

1. Calculated by dividing the GDP in 2010 by permanent population (常住人口) disclosed in the 2010 Fuzhou Sixth National Population Census.

As illustrated in Table 2, GDP in Fuzhou increased rapidly at a CAGR of approximately 17.3% from 2007 to 2011, higher than the national GDP CAGR of approximately 15.4%. GDP per capita in Fuzhou also increased rapidly at a CAGR of approximately 15.5% respectively from 2007 to 2011, higher than the national GDP per capita growth of approximately 9.0%.

Based on the above, we consider that the high GDP per capita in Fuzhou as compared to the national average and its continuing rapid GDP growth will lead to a strong demand for natural gas.

B. *Strong demand in residential, commercial and industrial sector*

The demand in city gas projects normally can be divided into three major categories: residential, commercial, and industrial.

Residential usage of natural gas is driven by households growth coupled with the replacement of coke oven gas (the "COG") by natural gas. We note that the annual commodity residential property completion area reached approximately 5.89 million square meters in 2011, which was approximately 43.0% higher than the annual commodity residential property completion area of approximately 4.12 million square meters in 2007. In addition, the completion area of public housing in Fuzhou reached approximately 1.53 million square meters in Fuzhou in 2011, which indicates another strong potential in the residential demand of natural gas.

Although the recent slow down in commodity residential property market may result in lower growth in new connection households and collection of connection fees, we consider the residential usage is still positive given Fuzhou's prime position in Fujian, and the local government's dedication to develop public housing and replace COG with natural gas.

Commercial usage of natural gas is mainly driven by hotels, hospitals and schools etc. Currently a large portion of hotels, hospitals and schools in Fuzhou are still using COG. According to Fuzhou City Environment Plan (2001-2020), the local government of Fuzhou is promoting clean energy in downtown area where a lot of hotels, hospitals and schools are situated there. As such, we consider that there is a growth potential in natural gas market from commercial usage.

For industrial usage, as stated in the letter from the Board in the Circular, the GDP of Fuzhou City is mainly driven by industry and coal is used as the primary source of energy to fuel these industrial activities. The estimated amount of coal consumed per annum is 9 million tons which is equivalent to 4 billion cubic meters of natural gas. As such, we consider that this offers a room for natural gas to replace coal once more natural gas is available.

C. *Low gas penetration rate*

As stated in the letter from the Board in the Circular, the gas penetration rate of less than 5% in Fujian Province ranks among the lowest in China as natural gas only became available in Fujian Province recently, which offers a tremendous amount of room for growth for downstream city gas business. The current annual gas sales volume of Fuzhou project operated by the Target Group is about 200 million cubic meters, of which 82% are sold to industrial & commercial and CNG users. This gas sales volume is expected to increase very significantly by 2015 in tandem with the increase in upstream natural gas supply. The initial rapid increase is fuelled by the replacement of coal by natural gas and the increase will subsequently be sustained by the double digit economic growth and continuing urbanization of Fuzhou City. This will enable the Fuzhou project to rank among the Company's top 10 city gas projects by 2015 and contribute significantly to the Company's revenue and profit.

Based on the above, we consider that the Fuzhou gas project will benefit from the existing low gas penetration rate in Fujian Province.

D. *Outstanding performance of Xiamen project*

We note that the Group's Xiamen project, which was acquired from China Resources Holdings in 2010, saw significant increase in gas sales volume from approximately 137.8 million cubic meters in 2010 to approximately 232.2 million cubic meters in 2011, representing a year on year growth of approximately 68.5%. As such, given the similar geographic position and economic condition of

Fuzhou and Xiamen, we consider that Fuzhou project has a good prospect and will contribute significantly to the Company's revenue and profit once it reaches a more mature stage.

Given (i) the higher than national average GDP per capita and continuing rapid GDP growth; (ii) strong demand of natural gas in residential, commercial and industrial sectors in future; (iii) the low gas penetration rate in Fujian Province; and (iv) the outstanding performance of Xiamen project, we are of the view that the Group will benefit from the good prospect of Fuzhou project.

3.4 ***Prospect of Nanchang project***

A. *Strong economic performance*

As stated in the letter from the Board in the Circular, Nanchang City, the capital of Jiangxi Province, has a population of approximately 5.05 million in 2011 and its GDP for 2011 was approximately RMB 268.9 billion with growth rate of approximately 13%. Its per capita GDP of approximately RMB 53,200 is more than 50% higher than the national average of RMB34,300. Like Fuzhou, the GDP of Nanchang City is also mainly driven by industry and coal is used as the primary source of energy to fuel these industrial activities. The estimated amount of coal consumed per annum is 4.2 million tons which is equivalent to 1.9 billion cubic meters of natural gas.

Table 3: Nanchang GDP and GDP per capita

	2007	**2008**	**2009**	**2010**	**2011**	**CAGR (2007-2011)**
Nanchang GDP (*RMB billion*)	139	166	184	221	269	17.9%
Nanchang GDP per capita (*RMB*)	30,464	36,105	39,669	47,174	53,023	14.9%

Source: Nanchang Statistics Bureau official website (www.nctj.gov.cn)

As illustrated in Table 3, GDP in Nanchang increased rapidly at a CAGR of approximately 17.9% from 2007 to 2011, higher than the national GDP CAGR of approximately 15.4%. GDP per capita in Nanchang also increased rapidly at a CAGR of approximately 14.9% from 2007 to 2011, higher than the national GDP per capita growth of approximately 9.0%.

Based on the above, we consider that the high GDP per capita in Nanchang as compared to the national average and its continuing rapid GDP growth will lead to a strong demand for natural gas.

B. *Low gas penetration rate*

As stated in the letter from the Board in the Circular, the gas penetration rate of approximately 5% in Jiangxi Province ranks among the lowest in China as natural gas only became available in Jiangxi Province recently, which offers a lot of scope for growth for downstream city gas business. The current annual gas sales volume of Nanchang project is about 130 million cubic meters of which industrial and commercial users accounts for approximately 61%. This gas sales volume is expected to increase substantially by 2015 in tandem with the increase in natural gas supply. The initial rapid increase is fuelled by the replacement of coal by natural gas and the increase will subsequently be sustained by the continuing double digit economic growth of Nanchang City. As a provincial city gas project, it is expected that it will contribute significantly to the Company's revenue and profit by 2015.

Based on the above, we consider that the Nanchang gas project will benefit from the existing low gas penetration rate in Jiangxi Province.

C. *Favorable policies by both the central and local governments*

We note that China is promoting the Rise of Central China policy, in which Jiangxi province forms part of Central China. Based on the city's large energy consumption with low penetration of natural gas and large development potential with support from central government, we consider that Nanchang, being the capital of Jiangxi province, will see significant demand of natural gas.

We also note that the local government of Nanchang started Natural Gas Connect to All Households Project (天然氣戶戶通工程) in 2009 which covers residential, commercial and industrial sectors in Nanchang. The project will have an annual capacity of approximately 800 million cubic meters based on total investment of approximately RMB1.85 billion by 2020. It is estimated that total consumption of natural gas will reach 400 million cubic meters by 2015. As such, we consider that the natural gas industry in Nanchang also has a good prospect, and the Nanchang project will contribute significantly to the Company's revenue and profit once it reaches a more mature stage.

Given (i) the higher than national average GDP per capita and continuing rapid GDP growth; (ii) the low gas penetration rate in Jiangxi Province; and (iii) the strong demand of natural gas in residential, commercial and industrial sectors in future due to favorable policies from both the central and local governments, we are of the view that the Group will benefit from the good prospect of Nanchang project.

3.5 ***Prospect of other projects***

Other than Fuzhou and Nanchang projects as mentioned above, we also note that the Target Group has projects located in Guangdong, Shandong, Zhejiang, Hubei, Liaoning, Jilin and Yunnan (the "Other Project Provinces").

Table 4: Summary of the Other Project Provinces

Province	**GDP CAGR (2007-2011)**	**Natural gas penetration rate in 2010**	**Number of existing projects held by the Company as at 30 June 2012**
Guangdong	13.5%	8.8%	5
Shandong	15.1%	15.1%	12
Zhejiang	14.3%	10.2%	5
Hubei	21.0%	12.2%	7
Liaoning	18.9%	18.2%	9
Jilin	18.8%	10.6%	0
Yunnan	16.7%	0.8%	5

Source: Company data, respective statistics bureaux of Guangdong, Shandong, Zhejiang, Hubei, Liaoning, Jilin and Yunnan, and National Bureau of Statistics of China

As illustrated in Table 4, the GDP growth of majority of the Other Project Provinces were higher or close to the national average of approximately 15.4% from 2007 to 2011. We consider that the high GDP growth in these provinces will lead to a strong demand for natural gas.

In addition, the existing natural gas penetration rates of the Other Project Provinces were relatively low as compared to the targeted gas penetration rate by the PRC government. According to the National Urban Gas Development during the 12th Five-Year Plan (全國城鎮燃氣發展十二五規劃) issued by the Ministry of Housing and Urban-Rural Development, by the end of the 12th Five-Year Plan, the gas penetration rate would be expected to reach approximately 94% or above in cities, and approximately 65% or above in counties and small towns in China. We also note that natural gas supply would be targeted to reach approximately 120 billion cubic meters, representing approximately 67.4% of the total targeted gas supply of approximately 178 billion cubic meters.

Given that (i) the GDP growth in majority of the Other Project Provinces were either higher than or close to the national average from 2007 to 2011; and (ii) the relatively low natural gas penetration rates of the Other Project Provinces as compared to the targeted gas penetration rate set by the PRC government where natural gas would be the main source of total targeted gas supply, we are of the view that the Group will benefit from the good prospects in the Other Project Provinces.

Furthermore, we note that the Group holds at least five projects in each of the Other Project Provinces as at 30 June 2012 apart from Jilin, we consider that the acquisition of the other projects will increase the Group's footprint in these provinces and create synergy value to the Group's existing gas operation and thereby broadens the Group's revenue base as well as enhance its earning capabilities.

3.6 ***Reasons for the Acquisition***

As stated in the letter from the Board in the Circular, CR Petrochem has been the sole holding company of all the piped gas projects held by China Resources Holdings (other than those held by the Group) since 2008. Since the first acquisition of piped gas projects by the Company from China Resources Holdings in 2008, the Group has been transformed into one of the leading piped gas operators in the PRC. Since then, the Group has been active in seeking business opportunities to expand its core business of downstream city gas operation in the PRC.

The Acquisition is part of the on-going expansion strategy of the Group with the aim of becoming the market leader in the downstream city gas industry in the foreseeable future.

The Target Group operates 15 city gas projects, one midstream gas transmission pipeline project and 7 gas stations in 9 provinces in the PRC. The portfolio includes city gas distribution projects in provincial capitals in Fujian Province and Jiangxi Province, namely Fuzhou City and Nanchang City.

The above 16 projects (comprising 15 city gas projects and one midstream gas transmission pipeline project) to be acquired are relatively new to pipe natural gas, thus offers a tremendous room to grow at high rates in the near future. Their aggregate gas sales volume is expected to grow in tandem with the overall growth of gas supply in China which is projected at more than double to 260 billion cubic meters by 2015. In addition, cluster synergy with the Company's existing city gas projects will be further enhanced to fuel further operational scale and resulting economic efficiency.

The Directors consider the Acquisition will enable the Group to further extend its coverage and footprint in the PRC. The Group has existing city gas operations in most of these provinces and has 10 regional offices set up in various strategic locations in the PRC. The projects of the Target Group will be efficiently integrated and managed by the relevant regional office depending on their geographical locations. As such, the Directors consider that the Acquisition creates synergy value with the Group's existing gas operation, thereby will broaden the Group's revenue base as well as enhance and sustain its earning capabilities.

We also understand from the management of the Company that the Acquisition would be the final batch of acquisition of piped gas projects as the Company would acquire all the remaining piped gas projects held by China Resources Holdings through the Acquisition, although China Resources Holdings has indicated that it will remain committed to invest in piped gas projects in the event that the Company believes it is to its advantage if such project is to be initially invested by China Resources Holdings. The Acquisition would help the Company to better manage and utilize the financial and operational resources of all the piped gas projects to be held under the Group by leveraging on its enlarged project portfolio and focusing more on organic growth.

Based on the Company's rapid expansion history as mentioned in Section 3.1 above, we are of the view that the Acquisition is part of the on-going expansion strategy of the Group with the aim of becoming the market leader in the downstream city gas industry in the foreseeable future.

3.7 ***Prime time for the Acquisition***

As stated in the letter from the Board in the Circular, the Company believes that it is now the prime time to acquire the remaining piped gas projects held by China Resources Holdings in order to better manage and utilize the financial and operational resources of all the piped gas projects to be held under the Group. With a portfolio of more than one hundred piped gas projects held and to be held by the Group after this acquisition, the Group believes that it will enter into another phase of its expansion plan of which it can proceed with the acquisition on its own and will be able to benefit from the synergies of a sizeable piped gas portfolio.

We understand from the management of the Company that most of the city gas project targets are controlled by the government and such projects normally involve a complicated and tedious restructuring process after acquisition. These projects will usually be acquired by China Resources Holdings first and subsequently by the Group after the completion of restructuring exercise and the projects start to make profits.

We also understand that the restructuring exercise regarding the 16 projects of the Target Group has been completed where the Target Group has started marking profits since 2010 as discussed in Section 3.2 above. Having taken into account the synergy effect and the Company's expansion plan, we are of the view that it is the prime time for the Acquisition.

In light of that:

(i) the good prospects of Fuzhou and Nanchang projects which are two major projects of CR Petrochem;

(ii) the good prospects of the other projects;

(iii) the acquisition of the other projects will create synergy value to the Group's existing operation and thereby broaden the Group's revenue base as well as enhance its earning capabilities;

(iv) the strong future profit growth of CR Petrochem;

(v) the Acquisition is part of the on-going expansion strategy of the Group; and

(vi) it is the prime time for the Company to acquire the remaining piped gas projects held by China Resources Holdings,

we are of the view that the Acquisition is in line with the Group's strategy.

4. **Principal terms of the Sale and Purchase Agreement**

Date

23 August 2012

Parties to the Sale and Purchase Agreement

(i) the Company;

(ii) Powerfaith; and

(iii) CRH (Projects)

Sale Share

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

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

Condition Precedent

Completion of the Acquisition is subject to the satisfaction of the condition precedent that the Independent Shareholders approve by way of poll at a duly convened SGM the transactions contemplated under the Sale and Purchase Agreement including but not limited to the Acquisition, and, to the extent applicable, the transactions arising out of the Sale and Purchase Agreement and in pursuance of the Sale Share (and for the avoidance of doubt, excluding, to the extent applicable, any continuing connected transactions (as defined in the Listing Rules) arising between the Company and Powerfaith or their respective Associates arising as a direct result of Completion which require approval of the Independent Shareholders and matters ancillary thereto).

The condition above shall not be waived in any event. As at the Latest Practicable Date, the condition above has not been fulfilled. If condition set out above is not fulfilled on or before 31 December 2012 (or such later date as agreed between the parties), the Sale and Purchase Agreement and the transactions contemplated thereunder shall be terminated. Completion shall take place on or before the second Business Day (or such other date as Powerfaith and the Company may agree) after the condition precedent set out in the Sale and Purchase Agreement has been fulfilled in accordance with the Sale and Purchase Agreement.

Deed of Indemnity

On Completion, the Company, the Vendor and CRH (Projects) will enter into the Deed of Indemnity. Subject to certain limitations as stated in the Deed of Indemnity, the Vendor undertakes to the Company to indemnify and keep indemnified the Company from and against any tax liabilities in relation to the business activities of the Target Group prior to Completion and, if applicable, other liabilities as specified in the Deed of Indemnity. CRH (Projects) undertakes to guarantee the due and punctual performance of the Vendor's obligation under the Deed of Indemnity.

5. **Basis of determining the Consideration**

As stated in the letter from the Board in the Circular, the Consideration payable by the Company for the Acquisition is HK$2,415 million and shall be paid by the Company within six months from the Completion Date. The Company shall pay interest on the Consideration to the Vendor at a normal commercial or preferable rate to the Company from the date of Completion until the date of payment by the Company (both days inclusive). The interest rate payable by the Company on the Consideration is to be further agreed amongst the Parties and reference will be made to the interest rate to be charged on any new bank borrowings to be raised by the Company. Based on the current lending environment pertaining to the Group, the Company expects that the interest rate on the Consideration will be approximately 2% above the then prevailing HIBOR.

The Company will finance the payment of the Consideration by its internal resources and bank borrowings.

The Consideration, based on the original investment and interest costs to the Vendor, has been arrived at after arm's length negotiations between Powerfaith and the Company after taking into account various relevant factors including the strategic rationale behind the transactions contemplated, the nature of the relevant businesses, the historical financial information, combined net asset value and future prospects of the relevant industries including general economic trends and market growth and the prevailing commercial and business conditions in which CR Petrochem operates.

5.1 ***Original investment and interest costs to the Vendor***

We understand from the management of the Company that the Consideration is mainly based on the original investment and interest costs to the Vendor. As stated in the letter from the Board in the Circular, China Resources Holdings has originally acquired the Target Group since 2008 for a total consideration of approximately HK$2,339.5 million.

Based on the above, we consider that it is commercially reasonable for China Resources Holdings to exit its investment by receiving its investment and related interest cost incurred in acquiring the Target Group.

5.2 ***Comparable Companies***

In order to assess the fairness and reasonableness of the Consideration, we have attempted to identify comparable companies (the "Comparable Companies") that (i) are currently listed on the Stock Exchange of Hong Kong; (ii) have more than 50% of revenue generated from downstream gas business in the PRC, including sale and distribution of gas fuel and related products and gas connection operation; and (iii) have market capitalization of more than HK$1,000 million.

The Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavors, in our research through public information.

In our assessment, we have considered price-to-earnings ratio (the "P/E") and price-to-net assets value (the "P/NAV"), which are commonly used to assess the financial valuation of a company principally engaged in downstream gas business. Set out below in Table 5 is the comparison of the P/E and P/NAV implied by the Consideration with the Comparable Companies.

Table 5: Comparable Companies

Company Name	**Stock code**	**Market capitalization**	**P/E ratio**	**P/NAV ratio**
		HK$ million	*Times*	*Times*
		(Note 1)	*(Note 2)*	*(Note 3)*
Kunlun Energy Company Limited	135	108,440	19.33	3.56
Beijing Enterprises Holdings Limited	392	58,812	13.89	1.56
ENN Energy Holdings Limited	2688	34,056	22.05	3.92
China Gas Holdings Limited	384	19,081	20.00	1.94
Towngas China Company Limited	1083	14,245	20.10	1.48
China Suntien Green Energy Corporation Limited	956	4,728	8.54	0.74
China Oil And Gas Group Limited	603	4,171	19.96	1.51
Tianjin Jinran Public Utilities Company Limited	1265	2,465	21.99	1.43
China Tian Lun Gas Holdings Limited	1600	2,045	20.05	2.69
Maximum			**22.05**	**3.92**
Minimum			**8.54**	**0.74**
Simple average			**18.44**	**2.09**
The Consideration			**86.56** ***(Note 4)***	**1.79** ***(Note 5)***

Source: www.hkexnews.hk, Bloomberg and annual reports of the Comparable Companies.

Notes:

1. Market capitalizations of the Comparable Companies are sourced from Bloomberg on the Latest Practicable Date.

2. P/E of the Comparable Company is calculated by dividing the market capitalization by the Comparable Company's net profit attributable to the shareholders for the most recent financial year, based on exchange rate of HK$1/RMB0.8112.

3. P/NAV of the Comparable Company is calculated by dividing the market capitalization by the Comparable Company's equity attributable to shareholders as disclosed in its annual report for the most recent financial year, based on exchange rate of HK$1/RMB0.8112.

4. The P/E of the Consideration is calculated by dividing the Consideration by the unaudited combined profit and loss accounts attributable to the Target Group for the year ended 31 December 2011.

5. The P/NAV of the Consideration is calculated by dividing the Consideration by the unaudited combined net asset value of the Target Group as at 31 July 2012.

As illustrated in Table 5, the P/E of the Comparable Companies ranged from approximately 8.54 times to approximately 22.05 times, with an average of approximately 18.44 times (the "Market P/E Range"). We note that the P/E of the Consideration is much higher than the Market P/E Range.

However, as mentioned in Section 3.2, 3.3 and 3.4 above, Nanchang and Fuzhou projects, are both in the early development stage and have good prospects of future growth. In addition, the unaudited combined profit after taxation and minority interests increased significantly in the year ended 31 December 2011 and also in the seven months ended 31 July 2012 which shows strong profit growth potentials in future. As such, we consider that the P/E of the Consideration does not necessarily reflect the value of the Target Group.

In addition, the P/NAV of the Comparable Companies ranged from approximately 0.74 times to approximately 3.92 times, with an average of approximately 2.09 times (the "Market P/NAV Range I"). We note that the P/NAV of the Consideration of approximately 1.79 times is within the Market P/NAV Range I and lower than the average of Market P/NAV Range I. Given the early stage of the major projects in the Target Group, we consider that the P/NAV ratio would better reflect the value of the Target Group.

5.3 **Comparable Transactions**

We have also attempted to identify comparable transactions (the "Comparable Transactions") that (i) are acquisitions of downstream gas projects in the PRC by companies listed on the Stock Exchange of Hong Kong; and (ii) took place in the last two years immediately before the Latest Practicable Date.

The Comparable Transactions have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavors, in our research through public information.

In our assessment, we have also considered P/E and P/NAV as mentioned above are commonly used to assess the financial valuation in respect of the acquisition of downstream gas business. Set out below in Table 6 is the comparison of the P/E and P/NAV implied by the Consideration with the Comparable Transactions.

Table 6: Comparable Transactions

Company name	**Stock code**	**Announcement date**	**P/E ratio** *Times (Note 1)*	**P/NAV ratio** *Times (Note2)*
Kunlun Energy Company Limited	135	31 Dec 2010	12.58	2.78
China Gas Holdings Limited	384	10 Mar 2011	4.65	5.89
China Resources Gas Group Limited	1193	16 Mar 2011	11.29	2.18
China Tian Lun Gas Holdings Limited	1600	21 Apr 2011	860.79	7.19
China Tian Lun Gas Holdings Limited	1600	29 Jun 2011	55.47	0.99
China Oil And Gas Group Limited	603	30 Jun 2011	n.a. *(Note 3)*	2.99
China Resources Gas Group Limited	1193	22 Jul 2011	25.64	2.18
China Tian Lun Gas Holdings Limited	1600	28 Jul 2011	24.27	4.70
Beijing Enterprises Holdings Limited	392	23 Sep 2011	21.15	1.88
China Resources Gas Group Limited	1193	19 Oct 2011	7.36 *(Note 4)*	1.35 *(Note 4)*
Kunlun Energy Company Limited	135	21 Nov 2011	27.19	2.04 *(Note 5)*
China Resources Gas Group Limited	1193	16 May 2012	18.08	0.90
China Gas Holdings Limited	384	27 Jul 2012	6.77	1.15
Max (after elimination of outlier)			**55.47**	**5.89**
Min (after elimination of outlier)			**4.65**	**0.90**
Average (after elimination of outlier)			**19.49**	**2.42**
The Consideration			**86.56**	**1.79**

Source: www.hkexnews.hk, Bloomberg and the respective announcements of the Comparable Transactions.

Notes:

1. P/E of the Comparable Transaction is calculated by dividing its consideration by the net profit for the latest financial year prior to the announcement of the target proportional to the stake acquired in the Comparable Transaction.

2. P/NAV of the Comparable Transaction is calculated by dividing its consideration by the latest net asset value of the target disclosed in the respective announcement proportional to the stake acquired in the Comparable Transaction.

3. The target in the acquisition by China Oil And Gas Group Limited announced on 30 June 2011 has an audited net loss after tax for the year ended 31 December 2010.

4. The Company offered both cash and share consideration to the shareholders of Zhengzhou China Resources Gas Co., Ltd. Our calculation is based on the P/E and P/NAV implied by the cash consideration as it is directly comparable to the Consideration.

5. Based on the valuation of the net asset value underlying the 100% equity interest of Binhai New Energy of RMB205,947,100 as at 30 April 2011 as disclosed in the announcement made by Kunlun Energy Company Limited on 21 November 2011.

As mentioned in Section 5.2 above, P/E ratio is not representative for the value of the Target Group. As such, we will focus on P/NAV ratio when comparing the Consideration to the Comparable Transactions.

As illustrated in Table 6, we note that the acquisition by China Tian Lun Gas Holdings Limited announced on 21 April 2011 has a P/E of approximately 860.79 times and a P/NAV of approximately 7.19 times, which is abnormal as compared to the other Comparable Transactions and is not representative in our analysis. As such, we consider that this transaction is the outlier to the other Comparable Transactions and we have eliminated this transaction from our analysis accordingly.

By excluding the above transaction, we note that the P/NAV of the Comparable Transactions ranged from approximately 0.90 times to approximately 5.89 times, with an average of approximately 2.42 times (the "Market P/NAV Range II"). The P/NAV of the Consideration of approximately 1.79 times is within the Market P/NAV Range II and lower than the average of the Market P/NAV Range II.

In light of that:

(i) it is commercially reasonable for China Resources Holdings to exit its investment by receiving its investment and related interest cost incurred in acquiring the Target Group;

(ii) the P/E of the Consideration does not necessarily reflect the value of the Target Group;

(iii) the P/NAV of the Consideration is within the Market P/NAV Range I and is lower than the average of the Market P/NAV Range I; and

(iv) the P/NAV of the Consideration is within the Market P/NAV Range II and is lower than the average of the Market P/NAV Range II;

we are of the view that, the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

5.4 **Consideration settlement**

As stated in the letter from the Board in the Circular, we note that the Consideration shall be paid by the Company within six months from the Completion Date and the Company shall pay interest on the Consideration to the Vendor at a normal commercial or preferable rate to the Company which is expected to be approximately 2% above the then prevailing HIBOR from the date of Completion until the date of payment by the Company (both days inclusive). We understand from the management of the Company that the 2% above the then prevailing HIBOR is on normal commercial terms with reference to the interest rates indicated by banks on the Company's recent refinancing negotiation of its existing bank loans.

We also understand from the management of the Company that they have considered both cash and share alternatives for the Consideration settlement. Given that (i) the Group had strong cash and bank balances of approximately HK$14,324 million as at 30 June 2012; and (ii) issuing new shares to settle the Consideration would dilute the shareholding of the existing Shareholders, the management of the Company is of the view that using cash for the Consideration settlement is more preferable.

Given (i) the settlement period of six months is commercially favorable to the Company as the Company can better manage its working capital; (ii) the interest to be paid is on normal commercial terms with reference to the interests rates indicated by banks on the Company's recent refinancing negotiation of its existing bank loans; and (iii) using cash for settlement of the Consideration is more preferable as compared to issuing new shares, we are of the view that the Consideration settlement is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

6. Possible financial effects of the Acquisition

6.1 *Net asset value*

We note that the net asset value of the Target Group is approximately HK$1,065 million lower than the Consideration. We understand from the management of the Company that the difference will be booked as merger reserve in the balance sheet of the Group in accordance with the accounting guideline issued by Hong Kong Institute of Certified Public Accountants.

As such, we consider that the Acquisition will not have any impact on the net asset value attributable to the Shareholders of the Group.

Although the Consideration is at a premium to the net asset value of the Target Group, the P/NAV implied by the Consideration of approximately 1.79 times is lower than both the average of Market P/NAV Range I of approximately 2.09 times and the average of the Market P/NAV Range II of approximately 2.42 times in our Comparable Companies and Comparable Transactions analysis as mentioned in Section 5.2 and 5.3 above respectively. In addition, the Acquisition will not have any impact on the net asset value attributable to the Shareholders of the Group. As such, we consider that the Consideration is fair and reasonable.

6.2 *Earnings*

Upon Completion, the Target Group will become non-wholly owned subsidiaries or jointly controlled entities of the Group and the future results of the Target Group will be consolidated into the Group's consolidated financial statements after the Completion. Based on the historical financial performance of the Target Group, it is expected that the Acquisition will contribute to both the revenue and earnings of the Group.

Based on the above and also the good prospect in both China's natural gas market and major projects of the Target Group, we consider that the Acquisition will have a future potential positive impact to the revenue and earnings of the Group.

6.3 ***Cash and Working capital***

As discussed in the 2012 Interim Report, the Group had cash and bank balances of approximately HK$14,324 million as at 30 June 2012. As stated in the letter from the Board in the Circular, the Group intends to finance the payment of the Consideration of HK$2,415 million by its internal resources and bank borrowings. We also note that the Consideration shall be paid by the Company within six months from the Completion Date.

Based on the above, although the Acquisition may decrease the Group's cash and bank balances, given the Group's strong cash position and the favorable settlement terms offered by China Resources Holdings, we consider that the Acquisition will not have a material impact on the cash position and working capital of the Group following Completion.

In light of:

(i) no financial impact on the net asset value attributable to the Shareholders of the Group;

(ii) the future potential positive impact to the revenue and earning of the Group; and

(iii) no material impact on the cash position and the working capital of the Group,

we are of the view that, on the balance, the Acquisition will have an overall positive financial effect on the Group and is in the interests of the Company and its Shareholders as a whole.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, taken into account the following in arriving at our opinion:

(i) although the Acquisition is not in the ordinary course of the Company, it is in line with the Group's strategy;

(ii) the Consideration and the terms of the Consideration settlement are fair and reasonable; and

(iii) the Acquisition will have an overall positive financial effect on the Group.

Having considered the above, we are of the view that the Acquisition as contemplated under the Sale and Purchase Agreement is on normal commercial terms, was entered into in line with the business strategy of the Group, is fair and reasonable, and is in the interests of the Company and its Shareholders as a whole.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Ian Ramsay
Director and Head of Corporate Finance

Lenny Li
Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS

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

i *Interests in the Shares and underlying Shares of the Company*

Name	Capacity	Long or short position	Number of Shares	Approximate percentage of interest[1]
Mr. Wang Chuandong	Beneficial owner	Long position	330,000	0.016%
Mr. Shi Shanbo	Beneficial owner	Long position	50,000	0.0024%
Mr. Ong Thiam Kin	Beneficial owner	Long position	100,000	0.0048%
Mr. Du Wenmin	Beneficial owner	Long position	54,000	0.0026%
Mr. Wong Tak Shing	Beneficial owner	Long position	80,000	0.0039%

Notes:

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

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

Name	Capacity	Long or short position	Number of shares	Number of share options outstanding as at the Latest Practicable Date[1]	Exercise price per share HK$	Date of grant	Aggregate percentage of interest [2]
Mr. Wang Chuandong	Beneficial Owner	Long position	300,000	300,000[3]	10.35	04/10/2004	0.0250%
Mr. Du Wenmin	Beneficial Owner	Long position	100,000	—	—	—	0.0042%

Notes:

1. This refers to the number of underlying shares of CRE covered by its share option schemes.

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

3. The exercisable period during which the share options may be exercised is from 4 October 2004 to 3 October 2014.

4. In each case, HK$1.00 is payable upon acceptance of the share options granted.

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

Name	Capacity	Long or short position	Number of shares	Number of share options outstanding as at the Latest Practicable Date[1]	Exercise price per share HK$	Date of grant	Aggregate percentage of interest[2]
Mr. Wang Chuandong	Beneficial owner	Long position	—	101,800[3]	2.75	06/10/2003	0.0021%
Mr. Du Wenmin	Beneficial owner	Long position	480,240	—	—	—	0.0100%
Mr. Shi Shanbo	Beneficial owner	Long position	500,000	—	—	—	0.0105%

Notes:

1. This refers to the number of underlying shares of CRP covered by its share option scheme.

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

3. The share options are exercisable in 5 tranches, from 6 October, 2004, 2005, 2006, 2007 and 2008 to 5 October 2013.

4. In each case, HK$1.00 is payable upon acceptance of the share options granted.

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

Name	Capacity	Long or short position	Number of shares	Number of share options outstanding as at the Latest Practicable Date	Exercise price per share HK$	Date of grant	Aggregate percentage of interest[1]
Mr. Shi Shanbo	Beneficial owner	Long position	140,000	—	—	—	0.0024%
Mr. Du Wenmin	Beneficial owner	Long position	1,040,000	—	—	—	0.0179%
Mr. Chen Ying	Beneficial owner	Long position	500,000	—	—	—	0.0085%

Notes:

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

v. *Interests in issued ordinary shares and underlying shares of China Resources Cement Holdings Limited ("CR Cement"), an associated corporation of the Company*

Name	Capacity	Long or short position	Number of shares	Number of share options	Exercise price per share HK$	Date of grant	Aggregate percentage of interest [1]
Mr. Shi Shanbo	Beneficial Owner	Long position	280,000	—	—	—	0.0043%
Mr. Ong Thiam Kin	Beneficial Owner	Long position	300,000	—	—	—	0.0046%
Mr. Chen Ying	Beneficial Owner	Long position	230,000	—	—	—	0.0035%

Notes:

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

vi. *Interests in issued ordinary shares and underlying shares of CRH (Microelectronics) Limited ("CRM"), an associated corporation of the Company*

Name	Capacity	Long or short position	Number of shares	Number of share options	Exercise price per share HK$	Date of grant	Aggregate percentage of interest [1]
Mr. Luk Chi Cheong	Beneficial Owner	Long position	1,000,000	—	—	—	0.0049%

Notes:

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

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

3. SUBSTANTIAL SHAREHOLDERS

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

Name of shareholder	**Capacity**	**Nature of interest**	**Number of Shares**	**Percentage of the aggregate long position in Shares to the issued share capital of the Company as at the Latest Practicable Date**
CRH (Gas) Limited ("CRH (Gas)") *(note 1)*	Beneficial owner	Beneficial interest	1,407,828,991	68.21%
China Resources Holdings[1]	Controlled company's interest	Corporate interest	1,412,968,991	68.46%
CRC Bluesky Limited ("CRC Bluesky")[1]	Controlled company's interest	Corporate interest	1,412,968,991	68.46%
China Resources Co., Limited ("CRCL")[1]	Controlled company's interest	Corporate interest	1,412,968,991	68.46%
China Resources National Corp. ("CRNC") (note 1)	Controlled company's interest	Corporate interest	1,412,968,991	68.46%

Note:

1. CRH (Gas) Limited and Commotra Company Limited are directly interested in 1,407,828,991 and 5,140,000 Shares respectively and both companies are wholly-owned subsidiaries of China Resources Holdings. China Resources Holdings is therefore deemed to be interested in 1,412,968,991 Shares under Part XV of the SFO. China Resources Holdings is a wholly-owned subsidiary of CRC Bluesky. CRC Bluesky is a wholly-owned subsidiary of CRCL which in turn is wholly owned by CRNC. CRC Bluesky, CRCL and CRNC are all therefore deemed to be interested in 1,412,968,991 Shares under Part XV of the SFO.

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

4. SERVICE CONTRACTS

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

5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors has any interest, direct or indirect, in any assets which since 31 December 2011, the date to which the latest published audited consolidated accounts of the Group were made up, have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

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

6. QUALIFICATION AND CONSENT OF EXPERT

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

Platinum 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 it appears.

As at the Latest Practicable Date, Platinum was not interested in any Share or share in any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, Platinum did not have any direct or indirect interests in any assets which have since 31 December 2011 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change, actual or potential, in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited consolidated accounts of the Group were made up.

8. COMPETING INTEREST

As at the date of this circular, none of the Directors and their respective Associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

a. Letter from the Independent Board Committee as set out on pages 14 to 15 of this circular;

b. the letter from Platinum, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 16 to 36 of this circular;

c. the Sale and Purchase Agreement; and

d. this circular.

华潤燃氣控股有限公司
China Resources Gas Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 1193)

NOTICE IS HEREBY GIVEN that a special general meeting of China Resources Gas Group Limited (the "**Company**") will be held at Room 1901-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Tuesday, 16 October 2012 at 4:00 p.m. to consider and, if thought fit, pass (with or without amendments) the following resolution:

ORDINARY RESOLUTION

1. "**THAT:-**

a) the conditional sale and purchase agreement dated 23 August 2012 entered into between (i) Powerfaith Enterprises Limited ("**Powerfaith**"), a wholly-owned subsidiary of China Resources (Holdings) Company Limited ("**China Resources Holdings**"), as the vendor; (ii) the Company as purchaser; and (iii) CRH (Projects) Limited, a wholly-owned subsidiary of China Resources Holdings as guarantor of all obligations and liabilities of Powerfaith to the Company under the agreement, in relation to the sale and purchase of the entire issued share capital of China Resources Petrochem Gas Group Limited, an indirectly wholly-owned subsidiary of China Resources Holdings, at a consideration of HK$2,415 million (the "**Sale and Purchase Agreement**", a copy of which has been produced at the meeting marked "**A**" and signed by the chairman of the meeting for identification purpose), be and is hereby approved, and THAT all the transactions contemplated under the Sale and Purchase Agreement be and are hereby approved; and

b) the Directors be and are hereby authorised to sign, execute, perfect and deliver all such documents and deeds, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and completion of the Sale and Purchase Agreement and all other transactions contemplated under or incidental to the Sale and Purchase Agreement and all other matters incidental thereto or in connection therewith and to agree to the variation and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the acquisition and are in the best interests of the Company."

By order of the Board
Wang Chuandong
Chairman

Hong Kong, 27 September 2012

Principal Place of Business in Hong Kong:
Room 1901-05
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer or attorney authorised to sign the same.

3. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarised copy of such power of attorney or authority, must be lodged at the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).

5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

As at the date of this notice, the directors of the Company are Mr. Wang Chuandong, Mr. Shi Shanbo and Mr. Ong Thiam Kin, being Executive Directors; Mr. Du Wenmin, Mr. Wei Bin, Mr. Huang Daoguo and Mr. Chen Ying, being Non-executive Directors; and Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms. Yu Jian, being Independent Non-executive Directors.