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

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華潤勵致有限公司
China Resources Logic Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

ONGOING CONNECTED TRANSACTIONS

**Independent financial adviser to the Independent Board Committee
and independent Shareholders**

CIMB

CIMB-GK Securities (HK) Limited

A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee containing its recommendation to the independent Shareholders in respect of the Ongoing Connected Transactions is set out on page 10 of this circular. A letter from CIMB-GK, the independent financial adviser, containing its advice to the Independent Board Committee and independent Shareholders in respect of the Ongoing Connected Transactions is set out on pages 11 to 14 of this circular.

30th September, 2005

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DEFINITIONS

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

“associate”	shall have the meaning ascribed to it under the Listing Rules
“Board”	The board of Directors
“China Resources Sanyo”	China Resources (Shenyang) Sanyo Compressor Co., Ltd. (沈陽華潤三洋壓縮機有限公司), a non-wholly owned subsidiary of the Company and a joint venture incorporated in the PRC and beneficially owned as to 63.75% by the Company, 34.25% by Sanyo Electric and 2% by Toyota Tsusho
“CIMB-GK”	CIMB-GK Securities (HK) Limited, a licensed Corporation for types 1 (Dealing in Securities), 4 (Advising on Securities) and 6 (Advising on Corporate Finance) regulated activities under the SFO appointed as the independent financial adviser to the Independent Board Committee
“Company”	China Resources Logic Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong
“Dalian Sanyo”	Dalian Sanyo Air Conditioner Co., Ltd. (大連三洋空調機有限公司), in which Sanyo Electric owns a beneficial interest of 55%, and is therefore an associate of Sanyo Electric
“Dalian Sanyo Cold-Chain”	Dalian Sanyo Cold-Chain Co., Ltd. (大連三洋冷鏈有限公司), in which Sanyo Electric owns a beneficial interest of 55%, and is therefore an associate of Sanyo Electric
“Dalian Sanyo Compressor”	Dalian Sanyo Compressor Co., Ltd. (大連三洋壓縮機有限公司), in which Sanyo Electric owns a beneficial interest of 55%, and is therefore an associate of Sanyo Electric
“Directors”	The directors of the Company
“Gold Touch”	Gold Touch Enterprises Inc., a company incorporated in the British Virgin Islands

DEFINITIONS

“Group”	The Company and its subsidiaries
“Guangdong Sanyo”	Guangdong Sanyo Air Conditioner Co., Ltd. (廣東三洋空調機有限公司), which is a wholly owned subsidiary of Sanyo Electric, and is therefore an associate of Sanyo Electric
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	An independent committee of the Board, comprising independent non-executive directors, which has been appointed by the Board to advise independent Shareholders on the Ongoing Connected Transactions
“Latest Practicable Date”	22nd September, 2005 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
“Ongoing Connected Transactions”	The ongoing connected transactions pursuant to the Sales Agreements
“percentage ratios”	The percentage ratios referred to in Rule 14.07 of the Listing Rules
“PRC”	The People’s Republic of China
“Sales Agreements”	Collectively Sales Agreement 1, Sales Agreement 2, Sales Agreement 3, Sales Agreement 4 and Sales Agreement 5, each of which is more particularly described under “Sales Agreements” in section 2(a) of this circular
“Sanyo Electric”	Sanyo Electric Co., Ltd. (三洋電機株式會社), a company incorporated in Japan with limited liability and beneficially interested in 34.25% of the equity interests in both China Resources Sanyo and Shengrun Sanyo
“Sanyo’s Associates”	Collectively Guangdong Sanyo, Shenyang Sanyo Air Conditioning, Dalian Sanyo Cold-Chain, Dalian Sanyo Compressor and Dalian Sanyo

DEFINITIONS

“SFO”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“SGM”	Special general meeting of the Company
“Shareholders”	The shareholder(s) of the Company
“Shengrun Sanyo”	Shenyang Shengrun Sanyo Compressor Co., Ltd. (沈陽盛潤三洋壓縮機有限公司), a non-wholly owned subsidiary of the Company and a joint venture incorporated in the PRC and beneficially owned as to 63.75% by the Company, 34.25% by Sanyo Electric and 2% by Toyota Tsusho
“Shenyang Sanyo Air Conditioning”	Shenyang Sanyo Air Conditioning Co., Ltd. (沈陽三洋空調有限公司), in which Sanyo Electric owns a beneficial interest of 55%, and is therefore an associate of Sanyo Electric
“Splendid”	Splendid Time Investments Inc., a company incorporated in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Toyota Tsusho”	Toyota Tsusho Corporation (豐田通商株式會社), a company incorporated in Japan and is interested in 2% of the equity interests in both China Resources Sanyo and Shengrun Sanyo; and save as aforesaid, it is not connected with the Group and its connected person and is not a connected person of the Company as defined under the Listing Rules
“Waterside”	Waterside Holdings Limited, a company incorporated in the British Virgin Islands



華潤勵致有限公司 China Resources Logic Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

Board of Directors:

SONG Lin (*Chairman*)

ZHU Jinkun

(Deputy Chairman and Chief Executive Officer)

ONG Thiam Kin

WANG Guoping

YU Yu

YU Min

CHEN Lang *

WONG Tak Shing **

LUK Chi Cheong **

KO Ping Keung **

* *Non-executive Director*

** *Independent Non-executive Director*

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

*Head office and principal place
of business:*

Room 4003-06

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

30th September, 2005

To Shareholders

Dear Sir or Madam,

ONGOING CONNECTED TRANSACTIONS

1. INTRODUCTION

The Company has, by an announcement dated 9th September, 2005, announced that China Resources Sanyo, a non-wholly owned subsidiary of the Company, has entered into Sales Agreements with each of Sanyo's Associates for the sale of its compressor products to each of them for a period from 1st January, 2005 to 31st December, 2007. Sanyo Electric is a substantial shareholder of both China Resources Sanyo and Shengrun Sanyo and is therefore a connected person of the Company. The sales of compressor products by China Resources Sanyo to each of Sanyo's Associates constitute ongoing connected transactions of the Company.

The purposes of this circular are to provide you with further information relating to the Ongoing Connected Transactions pursuant to the Sales Agreements, which includes (a) the recommendation and opinion of the Independent Board Committee and (b) the recommendation of CIMB-GK (in the form of a letter) setting out its recommendation to the Independent Board Committee and independent Shareholders.

LETTER FROM THE BOARD

2. ONGOING CONNECTED TRANSACTIONS

(a) Sales Agreements

The date of each of Sales Agreement 1, Sales Agreement 2, Sales Agreement 3, Sales Agreement 4 and Sales Agreement 5 is 20th December, 2004.

Under Sales Agreement 1, China Resources Sanyo will sell compressor products to Guangdong Sanyo.

Under Sales Agreement 2, China Resources Sanyo will sell compressor products to Shenyang Sanyo Air Conditioning.

Under Sales Agreement 3, China Resources Sanyo will sell compressor products to Dalian Sanyo Cold-Chain.

Under Sales Agreement 4, China Resources Sanyo will sell compressor products to Dalian Sanyo Compressor.

Under Sales Agreement 5, China Resources Sanyo will sell compressor products to Dalian Sanyo.

For each of Sales Agreement 1, Sales Agreement 2, Sales Agreement 3, Sales Agreement 4 and Sales Agreement 5, the duration of the sales is for a period from 1st January, 2005 to 31st December, 2007. Each of the Sales Agreements is subject to the approval of independent Shareholders.

(b) Reference to Announcement dated 5th January, 2004

Reference is made to the Company's announcement dated 5th January, 2004 in which certain ongoing connected transactions were described therein. One of these ongoing connected transactions is the sales of compressor products by China Resources Sanyo to Guangdong Sanyo and Shenyang Sanyo Air Conditioning. There were no written agreements among the parties for such sales. In respect of such sales, the Company has obtained Stock Exchange's waiver from announcement requirement contained in the old Rule 14.25(1) of the Listing Rules on certain conditions, one of which was that the annual transaction amount in respect of such sales would not exceed the higher of HK\$10,000,000 or 3% of the book value of the net tangible assets of the Group (the "Old Annual Cap").

To comply with the requirements of the current Listing Rules, which takes effect on 31st March, 2004, China Resources Sanyo therefore entered into Sales Agreement 1 and Sales Agreement 2 with Guangdong Sanyo and Shenyang Sanyo Air Conditioning respectively. It has taken China Resources Sanyo considerable time to conclude Sales Agreement 1 and Sales Agreement 2 with Guangdong Sanyo and Shenyang Sanyo Air Conditioning. The time taken was much longer than expected and beyond the control of China Resources Sanyo owing to the fact that

LETTER FROM THE BOARD

such written agreement requirement is a deviation from past practice for each of Sanyo's Associates concerned and various coordination and communication among China Resources Sanyo, each of the Sanyo's Associates concerned and relevant divisions of Sanyo Electric are needed. However, owing to exigence of business, China Resources Sanyo has to sell compressor products to both Guangdong Sanyo and Shenyang Sanyo Air Conditioning, negotiated at arms-length and on normal commercial terms for each and every transaction, even before Sales Agreement 1 and Sales Agreement 2 were entered into. Sales Agreement 1 and Sales Agreement 2 were entered into on or about 15th August, 2005 and 12th April, 2005 respectively. Despite this, Sales Agreement 1 and Sales Agreement 2 are dated 20th December, 2004 to reflect that sales have taken place from 1st January, 2005 and upon consent by the parties to them.

The transaction amount in aggregate in respect of sales to Guangdong Sanyo and Shenyang Sanyo Air Conditioning neither exceeded the Old Annual Cap nor 2.5% of the relevant percentage ratios in year 2004. If the Company were to rely on the Old Annual Cap, as of to date (i.e. from 1st January, 2005 onwards), the transaction amount in aggregate for such sales have already exceeded the Old Annual Cap in July, 2005. The transaction amount in aggregate in respect of such sales for the period from 1st January, 2005 to 31st July, 2005 was HK\$107,515,652 and the amount in excess of the Old Annual Cap as at end of July is HK\$46,803,000. The Directors expect that the annual transaction amount in aggregate will exceed 2.5% of the relevant percentage ratios (that is, other than the profit ratio and equity ratio) in years 2005 to 2007 in respect of Sales Agreement 1 and Sales Agreement 2.

Similarly, it has taken China Resources Sanyo considerable time to conclude Sales Agreement 3, Sales Agreement 4 and Sales Agreement 5. The time taken was much longer than expected and beyond the control of China Resources Sanyo owing to the same reasons as stated above. Again, owing to exigence of business, China Resources Sanyo has been selling compressor products to Dalian Sanyo Cold-Chain, Dalian Sanyo Compressor and Dalian Sanyo, negotiated at arms-length and on normal commercial terms for each and every transaction, since 1st January, 2005. Sales Agreement 3, Sales Agreement 4 and Sales Agreement 5 were entered into on or about 28th July, 2005, 12th August, 2005 and 21st June, 2005 respectively. Despite this, Sales Agreement 3, Sales Agreement 4 and Sales Agreement 5 are dated 20th December, 2004 to reflect that sales have taken place from 1st January, 2005 and upon consent by the parties to them. The transaction amount in aggregate in respect of sales to all five of Sanyo's Associates for the period from 1st January, 2005 to 30th June, 2005 have exceeded 2.5% of the relevant percentage ratios under the current Listing Rules.

Since China Resources Sanyo has to negotiate with each of Sanyo's Associates in respect of the each of the Sales Agreements, the time taken is considerable. Therefore, each of the Sales Agreements has only been recently concluded, one by one. Further, since the nature of the transactions between China Resources Sanyo and each of Sanyo's Associates is the same, the Board considers it appropriate to make an announcement in respect of the Sales Agreements after they have all been entered into. As such, an announcement dated 9th September, 2005 was made.

LETTER FROM THE BOARD

(c) Consideration pursuant to the Sales Agreements

The prices at which air-conditioner compressor products were sold or are to be sold to each of Sanyo's Associates pursuant to each of the Sales Agreements are at prevailing market price and are or will be no more favourable than those selling prices quoted to other independent third parties.

The annual amount of sales in aggregate to Guangdong Sanyo and Shenyang Sanyo Air Conditioning for years 2002, 2003 and 2004 were HK\$14,389,000, HK\$14,859,000, and HK\$20,311,000 respectively. The transaction amount in aggregate in respect of sales to all five of Sanyo's Associates for the period from 1st January, 2005 to 30th June, 2005 was HK\$101,784,967. The Directors expect that the aggregate of the annual amount of sales of air-conditioner compressor products by China Resources Sanyo to Sanyo's Associates pursuant to the Sales Agreements will not exceed HK\$265,000,000 for each year from 2005 to 2007 (the "Proposed Annual Cap"). This annual amount has reflected the facts that in addition to the types of compressor products previously sold, new compressor products like direct current inverter type compressor products will also be sold. Further, compressor products will be sold to five, instead of two, of Sanyo's Associates. This contributed to the substantial increase in the expected annual amount of sales in aggregate. The estimate of sales under each of the Sales Agreements is based on the estimated quantities times the estimated unit selling prices for the years from 2005 to 2007. It duly takes into account China Resources Sanyo's production capacity, the intention of each of Sanyo's Associates, the prevailing market price of air-conditioner compressor products as well as its trend in the coming years.

(d) Connections between the parties

Sanyo Electric is a substantial shareholder of both China Resources Sanyo and Shengrun Sanyo, each of the latter being a non-wholly owned subsidiary of the Company. Sanyo Electric is therefore a connected person of the Company. Since each of Guangdong Sanyo, Shenyang Sanyo Air Conditioning, Dalian Sanyo Cold-Chain, Dalian Sanyo Compressor and Dalian Sanyo is an associate of Sanyo Electric, the ongoing transactions pursuant to each of the Sales Agreements constitute ongoing connected transactions of the Company. The annual transaction amount in aggregate in respect of the Sales Agreements exceeds 2.5% of the relevant percentage ratios (that is, other than the profit ratio and equity ratio) under Rule 14A.34 of the Listing Rules. Therefore, the Ongoing Connected Transactions are subject to the reporting requirements set out in Rules 14A.45 and 14A.46, the annual review requirements of Rules 14A.37 to 14A.41 and the approval of independent Shareholders under Rule 14A.17 of the Listing Rules.

(e) Benefits of the Ongoing Connected Transactions

The Directors believe that, by entering into each of the Sales Agreements, it would strengthen the customer base and provide steady income for the Group's air-conditioner compressor business.

LETTER FROM THE BOARD

The Directors, including independent non-executive Directors (who have taken into account the advice of CIMB-GK), consider that all the Ongoing Connected Transactions were negotiated on an arm's length basis and each of the Sales Agreements are on normal commercial terms and are fair and reasonable and in the best interests of the Company and Shareholders as a whole.

3. WAIVER SOUGHT

Gold Touch, Waterside, and Splendid beneficially owns approximately 11.14%, 20.07%, and 41.59% respectively of the issued share capital of the Company as at the Latest Practicable Date. Each of Gold Touch, Waterside and Splendid are wholly owned by CRH, which is therefore deemed to own approximately 72.80% of the issued share capital of the Company as at the Latest Practicable Date. In addition, CRH directly owns approximately 0.18% of the issued share capital of the Company. Each of Gold Touch, Waterside, Splendid and CRH has given to the Company their written Shareholders' approval for the Ongoing Connected Transactions. Each of Gold Touch, Waterside and Splendid and CRH does not have any direct interests in the Ongoing Connected Transactions and does not have any interests which is different from that of other Shareholders of the Company.

Other than being a substantial shareholder of China Resources Sanyo and Shengrun Sanyo, Sanyo Electric has no connection with the Group. None of Sanyo Electric or Sanyo's Associates or any of their respective associates have any interests in the shares of the Company.

Since the passing of any resolution in respect of the Ongoing Connected Transactions will be a foregone conclusion and no Shareholders are required to abstain from voting, the expense of holding a SGM would become an unnecessary one. As such, the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for a waiver from the requirement under the Listing Rules for the Company to hold a SGM to seek independent Shareholders' approval in respect of the Ongoing Connected Transactions.

4. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains its recommendation to the independent Shareholders concerning the Ongoing Connected Transactions; and (ii) the letter from CIMB-GK set out in this circular which contains its recommendation to the Independent Board Committee and independent Shareholders in relation to the Ongoing Connected Transactions and the principal factors and reasons considered by CIMB-GK in arriving at its recommendations.

The Independent Board Committee, having taken into account the advice of CIMB-GK, considers that the Ongoing Connected Transactions and the Proposed Annual Cap are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board, including members of the Independent Board Committee, unanimously recommend that the independent Shareholders vote in favour of the Ongoing Connected Transactions as if a Shareholders' meeting were required to be held.

LETTER FROM THE BOARD

5. ADDITIONAL INFORMATION

The Group is engaged in the semiconductor, air-conditioner compressor and office furniture businesses. China Resources Sanyo is engaged in the manufacture of air-conditioner compressor products. Each of Sanyo's Associates is engaged in the manufacture of air-conditioners. Sanyo Electric is engaged in the business of production of electronic products and home electrical appliances.

Your attention is also drawn to the additional information set out in the Appendix.

The Stock Exchange reserves the right to take appropriate action against the Company and/or its Directors for the failure to announce and obtain independent Shareholders' approval in respect of the Sales Agreements on time and for exceeding the Old Annual Cap.

Yours faithfully,
On behalf of the Board
CHINA RESOURCES LOGIC LIMITED
SONG Lin
Chairman



華潤勵致有限公司
China Resources Logic Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

30th September, 2005

To the independent Shareholders of the Company

Dear Sir or Madam,

ONGOING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the independent Shareholders in respect of the Ongoing Connected Transactions, details of which are set out in the letter from the Board in this circular dated 30th September, 2005 (the “Circular”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in this Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advice of CIMB-GK, the independent financial adviser appointed, in respect of the Ongoing Connected Transactions as set out in the letter from CIMB-GK in the Circular.

Having taken into account the advice of CIMB-GK, we consider that the Ongoing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group. We are also of the view that the Ongoing Connected Transactions and the Proposed Annual Cap are fair and reasonable and in the interests of the Company and its Shareholders as a whole. We therefore recommend that you vote in favour of the Ongoing Connected Transactions (including the Proposed Annual Cap) as if a Shareholders’ meeting were required to be held.

Yours faithfully,
Independent Board Committee

WONG Tak Shing
Independent
Non-executive Director

LUK Chi Cheong
Independent
Non-executive Director

KO Ping Keung
Independent
Non-executive Director

CIMB-GK Securities (HK) Limited

CIMB

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

30 September 2005

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

Dear Sirs,

ONGOING CONNECTED TRANSACTIONS

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Ongoing Connected Transactions and the annual caps relating thereto, details of which are contained in a circular (the "Circular") to the Shareholders dated 30 September 2005, of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

An independent board committee comprising Messrs. Wong Tak Shing, Luk Chi Cheong and Ko Ping Keung, being the independent non-executive Directors, has been formed to advise the independent Shareholders in relation to the Ongoing Connected Transactions and the annual caps relating thereto. The Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for a waiver from the requirement under the Listing Rules for the Company to hold a SGM to seek independent Shareholders' approval in respect of the Ongoing Connected Transactions and the annual caps relating thereto.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and senior management of the Company. The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the Directors' representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

LETTER FROM CIMB-GK

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Ongoing Connected Transactions and the annual caps relating thereto, we have considered the following principal factors and reasons:

Background and rationale

The Group is principally engaged in the semiconductor, air-conditioner compressor and office furniture businesses. We note that China Resources Sanyo has been selling compressor products to both Guangdong Sanyo and Shengyang Sanyo Air Conditioning prior to the entering into of the Sales Agreement 1 and the Sales Agreement 2 whilst sales of compressor products to each Dalian Sanyo Cold-Chain, Dalian Sanyo Compressor and Dalian Sanyo by China Resources Sanyo have commenced since 1 January 2005.

We note that the Ongoing Connected Transactions are to be conducted in the ordinary and usual course of business of China Resources Sanyo and on normal commercial terms. We also note that the prices at which air-conditioner compressor products were sold or are to be sold to each of Sanyo's Associates pursuant to each of the Sales Agreements has been and will continue to be determined at arm's length between China Resources Sanyo and each of Sanyo's Associates with reference to the prevailing market price and are or will be no more favourable than those selling prices quoted to other independent third parties.

Given the above, in particular the fact that the nature of the Ongoing Connected Transactions falls within the principal business and operations of China Resources Sanyo, we concur with the views of the Directors and consider that the entering into of each of the Sales Agreements would strengthen the customer base of the Group and provide a steady stream of sales to the Group's air-conditioner compressor business, and thus is in the interests of the Company and the Shareholders as a whole.

Basis of determination

Pursuant to each of the Sales Agreements, the air-conditioner compressor products were sold or are to be sold by China Resources Sanyo to each of Sanyo's Associates at the prevailing market price and are or will be no more favourable than those selling prices quoted to other independent third parties. Notwithstanding the

LETTER FROM CIMB-GK

Sales Agreements, we have been confirmed by the Company that China Resources Sanyo also sells air-conditioner compressor products to other independent third parties in the PRC domestic market. We have obtained from the Company sample invoices issued by China Resources Sanyo to other independent customers and Sanyo's Associates and noted that the selling prices of products to Sanyo's Associates are no more favourable than those charged by China Resources Sanyo to other independent customers. This illustrates the fact that the Group is able to supply air compressor products to Sanyo's Associates at prevailing market prices and on terms no more favourable than those charged by the Group to other independent third parties. Hence, it is reasonable to believe that the Group is able to conduct the Ongoing Connected Transactions in accordance with the terms of the Sales Agreements.

Having considered the above, we consider that the basis of determination of the terms of the Ongoing Connected Transactions is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Proposed annual cap

The Directors are of the view that the annual amount of the Ongoing Connected Transactions for each of three years ending 31 December 2007 shall not exceed HK\$265 million (collectively, hereinafter referred to as the "Proposed Cap Amount"). The historical transaction amounts of the Ongoing Connected Transactions (which covered Sales Agreement 1 and Sales Agreement 2 only) for the three years ended 31 December 2004 were approximately HK\$14,389,000, HK\$14,859,000 and HK\$20,311,000 respectively. For the six months ended 30 June 2005, the transaction amount in aggregate in respect of the Ongoing Connected Transactions under the Sales Agreements amounted to approximately HK\$101,784,967.

We note that the Directors have made reference to the following factors in determining the Proposed Cap Amount:

- (i) the increase in product variety to cover new compressor products like direct current inverter type compressor products;
- (ii) the increase in number of purchasers involved under the Sales Agreements (from two Sanyo's Associates to five Sanyo's Associates);
- (iii) the associated estimated unit selling price for the three years ending 31 December 2007;
- (iv) the production capacity of China Resources Sanyo;
- (v) the estimated quantities of air-conditioner compressor products to be sold to Sanyo's Associates based on their indicative demand; and
- (vi) the prevailing market price of air-conditioner compressor products as well as its trend in coming years.

LETTER FROM CIMB-GK

We have reviewed the projected transaction amounts of the Ongoing Connected Transactions for the three years ending 31 December 2007 respectively provided by the Company and the underlying bases (including the estimated sales quantities and the estimated unit selling prices) for the anticipated growth in sales to Sanyo's Associates for the three years ending 31 December 2007. We have also discussed with the management of the Company on the principal assumptions and bases underlying the above factors considered in the determination of the Proposed Cap Amount, including (i) the increased in the number of Sanyo's Associates; (ii) the increase in the variety of compressor products covered under the Sale Agreements; and (iii) the latest amount of sales made to Sanyo's Associates for air-conditioner compressor products. We regard that those assumptions, bases and factors to be fair and reasonable.

Having considered the above and in particular the fact that (i) the Ongoing Connected Transactions are of revenue nature, which is beneficial to China Resources Sanyo and hence the Company; (ii) the Proposed Cap Amount reflects not only the anticipated growth in sales from Sanyo's Associates in 2005 but also accounted for such anticipated growth in sales for the two years ending 31 December 2006 and 2007 respectively; and (iii) the Ongoing Connected Transactions will continue to be conducted in the ordinary course of business of the Group and on an arm's length basis, we consider that the Proposed Cap Amount is fair and reasonable so far as the Company and the independent Shareholders are concerned.

However, the Shareholders should note that as the Proposed Cap Amount relate to future events and is based on assumptions which may not remain valid for the entire period up to 31 December 2007, and they do not represent forecasts of turnover to be generated from the Ongoing Connected Transactions. Consequently, we express no opinion as to how closely the actual turnover to be generated under the Ongoing Connected Transactions corresponds with the Proposed Cap Amount.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we consider that the Ongoing Connected Transactions are in the interests of the Company and the Shareholders as a whole and the terms thereof as well as the Proposed Cap Amount are fair and reasonable so far as the Company and the independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the independent Shareholders to vote in favour of the ordinary resolution if the Company were to convene the SGM to approve the Ongoing Connected Transactions and the Proposed Cap Amount.

Yours faithfully,

For and on behalf of

CIMB-GK Securities (HK) Limited

Alex Lau

Flavia Hung

Executive Vice President

Senior Vice President

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

(a) Interests in the Company

Name of Director	Capacity	Long or short position	Number of shares	Number of share options ¹	Aggregate percentage of interest ²
Mr. Song Lin	Beneficial Owner	Long position	3,600,000	8,900,000	0.47
Mr. Zhu Jinkun	Beneficial Owner	Long position	2,370,000	6,100,000	0.32
	Interest of Spouse	Long position	160,000	–	
Mr. Ong Thiam Kin	Beneficial Owner	Long position	1,100,000	4,500,000	0.21
Mr. Wang Guoping	Beneficial Owner	Long position	1,108,000	3,000,000	0.15
Mr. Yu Yu	Beneficial Owner	Long position	100,000	4,000,000	0.16
	Interest of Spouse	Long position	60,000	–	
Mr. Yu Min	Beneficial Owner	Long position	1,180,000	1,060,000	0.08
Mr. Chen Lang	Beneficial Owner	Long position	1,500,000	6,000,000	0.30
	Interest of Spouse	Long position	500,000	–	
Mr. Luk Chi Cheong	Beneficial Owner	Long position	–	900,000	0.03
Mr. Wong Tak Shing	Beneficial Owner	Long position	–	500,000	0.02
Mr. Ko Ping Keung	Beneficial Owner	Long position	–	900,000	0.03

Notes:

1. This refers to the number of underlying shares of the Company covered by the share options granted under the share option schemes of the Company, such options being unlisted physically settled equity derivatives, particulars of which as required to be disclosed under Rule 17.07(1) of the Listing Rules are set out in Note 3 below.
2. This represents the percentage of aggregate long position in shares and underlying shares to the total issued share capital of the Company as at the Latest Practicable Date.
3. Particulars of share options referred to in Note 1 above:

Name of Director	Date of grant	Exercise Price per share (HK\$)	Number of share options		
			Outstanding as at 1st January, 2005	Exercised during the period	Outstanding as at the Latest Practicable Date
Mr. Song Lin	21/09/2000 ¹	0.590	6,900,000	–	6,900,000
	13/01/2004 ¹²	0.906	2,000,000	–	2,000,000
Mr. Zhu Jinkun	25/04/2001 ³	0.547	1,000,000	–	1,000,000
	02/10/2002 ⁹	0.570	800,000	–	800,000
	09/04/2003 ¹¹	0.479	2,800,000	–	2,800,000
	13/01/2004 ¹²	0.906	1,500,000	–	1,500,000
Mr. Ong Thiam Kin	25/04/2001 ³	0.547	2,000,000	–	2,000,000
	02/10/2002 ⁹	0.570	1,000,000	–	1,000,000
	09/04/2003 ¹¹	0.479	500,000	–	500,000
	13/01/2004 ¹³	0.906	1,000,000	–	1,000,000
Mr. Wang Guoping	09/04/2003 ¹¹	0.479	3,000,000	1,000,000	2,000,000
	13/01/2004 ¹³	0.906	1,000,000	–	1,000,000
Mr. Yu Yu	04/12/2001 ⁵	0.790	1,500,000	–	1,500,000
	02/10/2002 ⁹	0.570	1,000,000	–	1,000,000
	09/04/2003 ¹¹	0.479	500,000	–	500,000
	13/01/2004 ¹³	0.906	1,000,000	–	1,000,000
Mr. Yu Min	21/09/2000 ²	0.590	1,000,000	1,000,000	–
	22/05/2002 ⁷	0.920	500,000	–	500,000
	09/04/2003 ¹¹	0.479	200,000	140,000	60,000
	13/01/2004 ¹³	0.906	500,000	–	500,000
Mr. Chen Lang	04/12/2001 ⁴	0.790	6,000,000	–	6,000,000
Mr. Luk Chi Cheong	22/05/2002 ⁶	0.920	300,000	–	300,000
	02/10/2002 ⁸	0.570	200,000	–	200,000
	09/04/2003 ¹⁰	0.479	200,000	–	200,000
	13/01/2004 ¹²	0.906	200,000	–	200,000
Mr. Wong Tak Shing	22/05/2002 ⁶	0.920	300,000	–	300,000
	13/01/2004 ¹²	0.906	200,000	–	200,000
Mr. Ko Ping Keung	22/05/2002 ⁶	0.920	500,000	–	500,000
	09/04/2003 ¹⁰	0.479	200,000	–	200,000
	13/01/2004 ¹²	0.906	200,000	–	200,000

Notes:

1. The period during which the options may be exercised is from 21st September, 2000 to 20th September, 2010.
2. The exercisable period is divided into 3 tranches exercisable during the periods from 21st September, 2001, 2002 and 2003 to 20th September, 2010.
3. The exercisable period is divided into 3 tranches exercisable during the periods from 25th April, 2002, 2003 and 2004 to 24th April, 2011.
4. The exercisable period during which the options may be exercised is from 4th December, 2001 to 3rd December, 2011.
5. The exercisable period is divided into 3 tranches exercisable during the periods from 3rd December, 2002, 2003 and 2004 to 3rd December, 2011.
6. The exercisable period during which the options may be exercised is from 22nd May, 2002 to 21st May, 2012.
7. The exercisable period is divided into 3 tranches exercisable during the periods from 22nd May, 2003, 2004 and 2005 to 21st May, 2012.
8. The exercisable period during which the options may be exercised is from 2nd October, 2002 to 1st October, 2012.
9. The exercisable period is divided into 3 tranches exercisable during the periods from 2nd October, 2003, 2004 and 2005 to 1st October, 2012.
10. The exercisable period during which the options may be exercised is from 9th April, 2003 to 8th April, 2013.
11. The exercisable period is divided into 3 tranches exercisable during the periods from 9th April, 2004, 2005 and 2006 to 8th April, 2013.
12. The exercisable period during which the options may be exercised is from 13th January, 2004 to 12th January, 2014.
13. The exercisable period is divided into 3 tranches exercisable during the periods from 13th January, 2005, 2006 and 2007 to 12th January, 2014.

(b) Interests in China Resources Enterprise, Limited (“CRE”), an associated corporation of the Company

Name of Director	Capacity	Long or short position	Number of shares	Number of share options ¹	Aggregate percentage of interest ²
Mr. Song Lin	Beneficial Owner	Long position	–	4,500,000	0.22
	Interest of Spouse	Long position	200,000	200,000	
Mr. Zhu Jinkun	Interest of Spouse	Long position	50,000	450,000	0.02
Mr. Chen Lang	Beneficial Owner	Long position	–	2,300,000	0.10

Notes:

1. This refers to the number of underlying shares of CRE covered by the share options granted under the share option schemes of CRE, such options being unlisted physically settled equity derivatives, particulars of which as required to be disclosed under Rule 17.07(1) of the Listing Rules are set out in Note 3 below.
2. This represents the percentage of aggregate long position in shares and underlying shares to the total issued share capital of CRE as at the Latest Practicable Date.
3. Particulars of share options referred to in Note 1 above:

Name of Director	Date of grant	Exercise Price per share (HK\$)	Number of share options		
			Outstanding as at 1st January, 2005	Exercised during the period	Outstanding as at the Latest Practicable Date
Mr. Song Lin	07/02/2002 ¹	7.17	2,000,000	–	2,000,000
	14/01/2004 ¹	9.72	2,500,000	–	2,500,000
	20/06/2000 ¹	7.19	200,000 ⁵	–	200,000 ⁵
Mr. Zhu Jinkun	19/04/2002 ²	7.40	150,000 ⁵	150,000	–
	14/01/2004 ³	9.72	150,000 ⁵	–	150,000 ⁵
	04/10/2004 ¹	10.35	300,000 ⁵	–	300,000 ⁵
Mr. Chen Lang	14/04/2003 ⁴	6.29	1,500,000	–	1,500,000
	25/05/2004 ¹	9.15	800,000	–	800,000

Notes:

1. The share options are exercisable within a period of 10 years from the date of grant of the relevant options.
2. The share options are exercisable in 3 tranches, from 19th April, 2002 and from 1st January, 2003 and 2004 to 18th April, 2012.
3. The share options are exercisable in 4 tranches, from 14th January, 2004 and from 1st January, 2005, 2006 and 2007 to 13th January, 2014.
4. The share options are exercisable in 4 tranches, from 14th April, 2003 and from 1st January, 2004, 2005 and 2006 to 13th April, 2013.
5. The directors concerned were deemed to be interested in the underlying shares through the interests of their respective spouses.

(c) Interests in China Resources Power Holdings Company Limited (“CRP”), an associated corporation of the Company

Name of Director	Capacity	Long or short position	Number of shares	Number of share options ¹	Aggregate percentage of interest ²
Mr. Song Lin	Beneficial Owner	Long position	–	2,900,000	0.08
Mr. Zhu Jinkun	Beneficial Owner	Long position	–	500,000	0.01
Mr. Ong Thiam Kin	Beneficial Owner	Long position	–	250,000	0.01
Mr. Wang Guoping	Beneficial Owner	Long position	–	450,000	0.01
Mr. Yu Yu	Beneficial Owner	Long position	–	250,000	0.01
Mr. Chen Lang	Beneficial Owner	Long position	–	500,000	0.03
	Interest of Spouse	Long position	200,000	400,000	

Notes:

1. This refers to the number of underlying shares of CRP covered by the share options granted under the share option scheme of CRP, such options being unlisted physically settled equity derivatives, particulars of which as required to be disclosed under Rule 17.07(1) of the Listing Rules are set out in Note 3 below.
2. This represents the percentage of aggregate long position in shares and underlying shares to the total issued share capital of CRP as at the Latest Practicable Date.
3. Particulars of share options referred to in Note 1 above:

Name of Director	Date of grant	Exercise Price per share (HK\$)	Number of share options		
			Outstanding as at 1st January, 2005	Granted during the period	Outstanding as at the Latest Practicable Date
Mr. Song Lin	12/11/2003 ¹	2.80	2,000,000	–	2,000,000
	18/03/2005 ²	3.99	–	900,000	900,000
Mr. Zhu Jinkun	12/11/2003 ¹	2.80	500,000	–	500,000
Mr. Ong Thiam Kin	12/11/2003 ¹	2.80	250,000	–	250,000
Mr. Wang Guoping	12/11/2003 ¹	2.80	450,000	–	450,000
Mr. Yu Yu	12/11/2003 ¹	2.80	250,000	–	250,000
Mr. Chen Lang	12/11/2003 ¹	2.80	500,000	–	500,000
	12/11/2003 ¹	2.80	400,000 ³	–	400,000 ³

Notes:

1. The options are exercisable in 5 tranches, from 6th October, 2004, 2005, 2006, 2007 and 2008 to 5th October, 2013.
2. The options are exercisable in 5 tranches, from 18th March, 2006, 2007, 2008, 2009 and 2010 to 17th March, 2015.
3. Mr. Chen Lang was deemed to be interested in 400,000 underlying shares through the interests of his spouse.

(d) Interests in China Resources Land Limited (“CRL”), an associated corporation of the Company

Name of Director	Capacity	Long or short position	Number of shares	Number of share options ¹	Aggregate
					percentage of interest ²
Mr. Song Lin	Beneficial Owner	Long position	–	900,000	0.06

Notes:

1. This refers to the number of underlying shares of CRL covered by the share options granted under the share option scheme of CRL, such options being unlisted physically settled equity derivatives, particulars of which as required to be disclosed under Rule 17.07(1) of the Listing Rules are set out in Note 3 below.
2. This represents the percentage of aggregate long position in shares and underlying shares to the total issued share capital of CRL as at the Latest Practicable Date.

3. Particulars of share options referred to in Note 1 above:

Name of Director	Date of grant	Exercise Price per share (HK\$)	Number of share options		
			Outstanding as at 1st January, 2005	Granted during the period	Outstanding as at the Latest Practicable Date
Mr. Song Lin	01/06/2005 ¹	1.23	–	900,000	900,000

Notes:

- The options are exercisable within a period of 10 years from the date of grant of the relevant options.

3. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors and chief executive of the Company are not aware that there was any party (other than a Director or chief executive of the Company), who, as at the Latest Practicable Date had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote at general meeting of any other member of the Group:

(a) of the Company

Name of Shareholder	Capacity	Number of Shares	Percentage of aggregate long position in shares to the issued share capital of the Company
Gold Touch Enterprises Inc. ("Gold Touch")	Beneficial Owner	297,229,604	11.14
Waterside Holdings Limited ("Waterside")	Beneficial Owner	535,347,743	20.07
Splendid Time Investments Inc. ("Splendid")	Beneficial Owner	1,109,688,810	41.59
China Resources (Holdings) Company Limited ("CRH")	Beneficial Owner	4,836,000	0.18
China Resources (Holdings) Company Limited ("CRH")	Interest of Controlled Corporation	1,942,266,157	72.80
CRC Bluesky Limited ("CRC Bluesky")	Interest of Controlled Corporation	1,947,102,157	72.98
China Resources Co., Limited ("CRCL")	Interest of Controlled Corporation	1,947,102,157	72.98
China Resources National Corp. ("CRN")	Interest of Controlled Corporation	1,947,102,157	72.98

Gold Touch, Waterside and Splendid each directly holds 297,229,604 shares, 535,347,743 shares and 1,109,688,810 shares respectively in the Company as at the Latest Practicable Date. Gold Touch, Waterside and Splendid are wholly owned subsidiaries of CRH, which is therefore deemed to own 1,942,266,157 shares of the Company as at the Latest Practicable Date. In addition, CRH directly owns 4,836,000 shares in the Company. CRH is a wholly owned subsidiary of CRC Bluesky. CRC Bluesky is a wholly owned subsidiary of CRCL, which in turn is 99.98% owned by CRN. CRN is deemed to have interest in 1,947,102,157 shares.

The following Directors namely, Mr. Song Lin and Mr. Zhu Jinkun are directors of Waterside. The following Directors namely, Mr. Song Lin, Mr. Zhu Jinkun and Mr. Chen Lang are directors of CRH and Mr. Song Lin are also directors of CRCL and CRN.

(b) of other members of the Group

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons were, directly or indirectly, interested in 10% or more of the share capital carrying rights to vote at general meetings of the following members of the Group:

Members of the Group	Name of substantial Shareholder	Percentage of shareholding (%)
China Resources Sanyo	Sanyo Electric	34.25
Shengrun Sanyo	Sanyo Electric	34.25

4. PROCEDURE TO DEMAND A POLL

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

- (i) by the Chairman of the meeting; or
- (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

- (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

5. SERVICE CONTRACTS

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

6. DIRECTORS INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors has any interest, direct or indirect, in any asset which since 31st December, 2004, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

7. NO MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2004, the date to which the latest published audited financial statements of the Group were make up.

8. EXPERT

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

Name	Qualification
CIMB-GK	a licensed Corporation for types 1 (Dealing in Securities), 4 (Advising on Securities), and 6 (Advising on Corporate Finance) regulated activities under the SFO

As at the Latest Practicable Date, CIMB-GK does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group. As at the Latest Practicable Date, CIMB-GK does not have any interest, direct or indirect, in any asset which since 31st December, 2004, the date to which the latest published audited financial

statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

CIMB-GK has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out in this circular and references to its name in the form and context in which they appear in this circular.

9. COMPETING BUSINESS

None of the Directors and his respective associates has an interest in a business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's businesses.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at Rooms 4003-06, 40/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, the principal place of business of the Company, from the date of this circular up to and including 14th October, 2005:

- (a) each of the Sales Agreements;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 10 of this circular;
- (c) the letter from CIMB-GK, the text of which is set out on pages 11 to 14 of this circular; and
- (d) the written consent of CIMB-GK referred to in the Appendix to this circular.