

For Immediate Release

Press Release

**PROPOSAL OF INTRA-GROUP LENDING ENHANCES FLEXIBILITY IN CASH
MANAGEMENT AND IS IN THE INTERESTS OF SHAREHOLDERS**

Reference is made to the joint announcement made by CR Listcos dated 22 November 2010 and their respective circular dated 6 December 2010.

The proposal of intra-group lending recently suggested by the CR Listcos aims at:

- enabling them to lend a portion of their surplus cash resources on a short-term basis to other China Resources Group companies, at their own discretion without any influence from the controlling shareholder, and at the same time enhance their returns on temporarily surplus liquidity without changing their dividend policy, dividend distributions or deployment of liquidity for long-term investment and expansion plans; and
- setting lending limits well within their respective capacity, establishing a transparent process where they will disclose the full information on all advances in its interim and final results and be subject to the approval from the independent shareholders.

In view of the forthcoming CR Listcos shareholder meetings, we would like to reiterate the advantages of our proposal.

Centralised treasury arrangement are commonly adopted by many Chinese conglomerates where the surplus cash resources of listed subsidiaries are deposited with a finance company owned by the controlling shareholder, which earns the margin between the prescribed deposit and lending rates in the PRC while the controlling shareholder will allocate the deposits received among the companies within the group.

The arrangement proposed by CR Listcos is a fine-tuned treasury operation which is more beneficial to stakeholders in terms of return and transparency. The proposal will enable CR Listcos continue to operate their own treasury. The advance received by the borrowers within China Resources Group should strictly be applied towards short term working capital; the lender can demand repayment by serving 10-day's notice; and all transaction details between CR Listcos will be disclosed on a semi-annual basis. None of these elements are available in those centralised treasury arrangement.

(Hong Kong, 19 December 2010) The boards of six China Resources Group listed companies, including **China Resources Land Limited (1109.hk)**, **China Resources Enterprise, Limited (291.hk)**, **China Resources Power Holdings Company Limited (836.hk)**, **China Resources Cement Holdings Limited (1313.hk)**, **China Resources**

Gas Group Limited (1193.hk) and China Resources Microelectronics Limited (597.hk) (together “CR Listcos”) have recently announced a proposal of intra-group lending and CR Listcos will hold shareholders meetings to consider the proposal starting from 22 December 2010.

The proposal is designed to enable the lender to obtain a return similar to the cost of borrowing of China Resources (Holdings) Company Limited (“CRH”), the holding company of China Resources Group in Hong Kong, or China Resources Co., Limited (“CRC”), the holding company of CRH incorporated in China. Generally these rates are substantially higher than the deposit rate available to CR Listcos.

Centralised treasury arrangement are commonly adopted by many Chinese conglomerates where the surplus cash resources of listed companies are deposited with a finance company owned by the controlling shareholder (a “Group Finance Company”), which earns the margin between the prescribed deposit and lending rates in the PRC and the controlling shareholder can then allocate the deposits among its group companies.

The arrangement proposed by CR Listcos is a fine-tuned treasury operation which is more beneficial to stakeholders in terms of return and transparency. In view of the forthcoming shareholder meetings of CR Listco, we would like to reiterate the advantages of our proposal.

It is an advantage that CR Listcos’ treasury operation is not a Group Finance Company. Group Finance Companies are regulated by CBRC but that regulation is limited principally to its capital structure, prescribing deposit and lending rates of interest and the parties from which it can accept deposits and to which it can lend. Lending is not a transparent process and there is no restriction on the amount, duration or purpose of lending. The proposal from CR Listcos has a number of advantages over a Group Finance Company, in particular the lower risks assumed and materially higher returns. CR Listcos generally are far better capitalised than a Group Finance Company. Lending within China Resources Group has restrictions on amount, duration or purpose of lending, which are not necessarily the case with a Group Finance Company.

The proposal is effectively an independent treasury operation on a prudent basis. The proposal is designed to enhance returns on temporarily surplus liquidity and is not a new usage for the cash resources of CR Listcos. Dividend policy, dividend distributions and the deployment of liquidity for long-term investment and the expansion of the business will not be affected. Each CR Listco operates the treasury at their own discretion without any influence from the controlling shareholder and provide mutual benefits for both the lenders and borrowers.

There will be no appreciable increase in the concentration of risk. The amount of loans is capped at a prudent level and loan exposures are to borrowers in completely different business sectors.

The proposal will not impact on the credit rating of CR Listcos or the China Resources Group. The China Resources Group has earned a reputation over more than 60 years of fair dealing with all its stakeholders and of prudent and honest financial management. CRH and CRC are regarded as borrowers of excellent and indisputable credit rating and the proposal will not change this. The limit for the proposed intra-group lending is set well within the capacity of each CR Listco and is unlikely to change their credit standing.

We do not think that better returns, on a risk adjusted basis, can be earned from the purchase of financial products in the open market. Transaction costs and credit assessments are likely to mitigate any advantage of entering credit transactions with third parties, if any are available given the effective right of on-demand payment under the Master Lending Agreements.

Overall, particularly in the light of the standing and performance of the China Resources Group over many years, we believe that the proposal is in the interests of the companies and shareholders.

About CRH

CRH is a conglomerate in Hong Kong and the PRC that is principally engaged in seven core businesses, namely consumer products, power, real estate, pharmaceuticals, cement, gas and financial services, as well as other operations including microelectronics, textiles, chemical products and compressors.

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