

For Immediate Release

Press Release

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

A proposal has been jointly announced by the listed companies of the China Resources Group which will:

- enable 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;
- enhance their returns on temporarily surplus liquidity by achieving lending interest rates which are significantly higher than deposit interest rates without changing their dividend policy, dividend distributions or long term investment and expansion plans;
- permit them to borrow at a rate comparable with that obtained by the holding companies of China Resources Group, which is likely to be lower than the rates that they can command on their own;
- result in CRH and its parent company, CRC, guaranteeing all intra-group lending at no charges so as to facilitate the proposal;
- set lending limits well within their respective capacity and be subject to the approval from the independent shareholders; and
- be a transparent process where they will disclose the full information on all advances in its interim and final results.

Unlike the centralised treasury arrangement commonly adopted by many Chinese conglomerates where the surplus cash resources of listed subsidiaries is deposited with a finance company owned by the holding company, which earns the margin between the prescribed deposit and lending rates in the PRC, the proposed arrangement will allow China Resources Group listed companies continue to operate their own treasury departments and will be able to lend a portion of their idle cash resources directly to fellow subsidiaries and thereby retaining the margin for themselves without bearing any unforeseen credit risks. China Resources Enterprise, Limited is more likely to enjoy the benefit from such margin given its level of surplus liquidity and cash generation cycle differs from other China Resources Group listed companies, in particular of seasonal increases in liquidity prior to major festivals and holidays where CRE experiences large periodic cash inflow through its customers' purchases of vouchers and gift tokens. However, other listed companies of China Resources Group are also given the same opportunity to enjoy the benefit of the margin based on their respective level of surplus liquidity from time to time.

(Hong Kong, 22nd November, 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”), announce proposals which, if implemented in full, will give each CR Listco greater flexibility in the management of its surplus cash resources by enabling it to lend a portion of its surplus cash resources and those of its subsidiaries on a short-term basis to other China Resources Group companies.

The proposals are 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 a corporate borrower of similar standing from a bank or a financial institution in respect of Hong Kong and United States dollar advances and, in the case of RMB advances, a return which is marginally lower than the cost of borrowing of China Resources Co., Limited (“CRC”), the holding company of CRH incorporated in China, or a corporate borrower of similar standing from a bank or a financial institution. Generally these rates are substantially higher than the deposit rate available to CR Listcos.

The guiding principle behind the proposals is to permit companies with cash resources to be able to achieve a lender’s rather than a depositor’s return by lending to other China Resources Group companies and for those companies to borrow at a rate comparable with that obtained by either CRC or CRH or a corporate borrower of similar standing. This rate is likely to be lower than that which China Resources Group companies are able to obtain themselves from commercial banks and financial institutions. CR Group Listcos will continue to manage their treasury operation on a prudent basis as it has in the past. 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. The proposals are also designed to safeguard such advances by CR Group Listcos and their subsidiaries so that they do not assume any significant risk with respect to the default of payment of interest and the repayment of principal. All advances will be repayable on either the borrower or lender giving ten business days’ notice; will not be permitted to be advanced for a period of more than six months; and will be guaranteed unconditionally and irrevocably by either CRC or CRH, or corresponding CR Listco in case the borrower is a subsidiary of a listed China Resources Group company. No security over the assets of the borrower will be provided for such intra-group borrowing and there will be no obligation for a China Resources Group listed company or any of its subsidiaries to lend if it chooses not to do so. Each CR Listco will give priority to its operational needs over the cash resources and the initiative to lend to other China Resources Group companies will be entirely at the discretion of the lender. There are restrictions on how much is permitted to be lent in aggregate by any CR Listcos, subject to independent shareholders approval, so that the limits are well within the capacity of the lender and the guarantor.

The intra-group lending is guaranteed by CRC and CRH, both are creditors with undoubted standing in Hong Kong and China. CRC is a bond issuer in the PRC with credit rating AAA and its total assets were over RMB 362 billion as at 31st December, 2009 while CRH’s total assets were over HK\$396 billion as at 31st December, 2009. Compared with the aggregate lending limits of CR Listcos of some HK\$10 billion for the year ending 31st December, 2011, the exposure of such intra-group lending is immaterial to the size of CRH and CRC. The credit rating of CRC is AAA and should its rating be reduced or placed on watch with negative implications, no further advance will be made.

These arrangements have been designed to benefit both the lender and the borrower by enabling the lender to make advances at a commercial rate of interest and to enable the borrower to borrow at a rate equivalent to that of its holding company without exposing the lender to any significant risk. It is anticipated that China Resources Enterprise, Limited (“CRE”) will be the largest lender under these arrangement given its cash generation cycle and capital investment requirement differs from other CR Listcos. CRE experiences large periodic cash inflows from its retailing business through its customers’ purchases of vouchers and gift tokens before major festivals and holiday. The aim to obtain a materially higher return on these seasonal increases in temporarily liquidity has prompted CRE, in particular, to promote the proposals. However, other listed companies of China Resources Group are also given the same opportunity to enjoy the benefit of the margin based on their respective level of surplus liquidity from time to time.

It is also proposed that each CR Listcos and its subsidiaries will be able to use the services provided by two financial institutions owned by CRC in China, namely Zhuhai City Commercial Bank Co., Ltd. (“Zhuhai Commercial Bank”) and China Resources SZITIC Trust Co., Ltd. (“CR Trust”). Such services include conventional commercial banking services, investment and asset management, trust management, capital market activities and financial advice. With Zhuhai Commercial Bank planning to expand its branch network to other major cities in China, it is expected CR Listcos will place deposits with Zhuhai Commercial Bank but only up to a maximum aggregate amount at any one time as determine by relevant CR Listcos. Such deposit limits are relatively small and is lower than the threshold under the Listing Rules that requires shareholders approval. CR Listcos will also pay service fees or commission to Zhuhai Commercial Bank and CR Trust but again such fees are relatively immaterial and are lower than the threshold under the Listing Rules that requires shareholders approval.

The intra-group lending arrangement will constitute non-exempted continuing connected transaction for each CR Listco subject to the approval of independent shareholders of respective CR Listco.

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.

For further information, please contact:

*Mr. Michael Fok
Anglo Chinese Corporate Finance, Limited
(financial adviser of China Resources Group)
Tel: 2845-4400
Fax: 2845-1162
Email: mfok@anglochinesegroup.com*