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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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**華潤微電子有限公司**

**China Resources Microelectronics Limited**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 597)

### **CONTINUING CONNECTED TRANSACTIONS**

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

**Financial Adviser**

**ANGLO CHINESE** 英  
CORPORATE FINANCE, LIMITED 高

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



**KGI Capital Asia Limited**

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A notice convening the extraordinary general meeting of the Company to be held at 4/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 28th December, 2010 at 11:00 a.m. is set out on page 38 of this circular.

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

6th December, 2010

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## DEFINITIONS

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

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

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## DEFINITIONS

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

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## DEFINITIONS

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“Fab2”	CSMC Asia Limited, an unlisted joint venture owned as to 81% and 19% by CRH and the Company respectively, that together with its subsidiaries are primarily engaged in 8-inch wafer fabrication and sales
“Group”	the Company and its subsidiaries
“HIBOR”	the Hong Kong Inter-Bank Offered Rate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong and United States Dollar Master Loan Agreement”	the Master Loan Agreement and Guarantee for advances in Hong Kong Dollar and United States Dollar entered into by CRH, the China Resources Group listed and unlisted companies on 22nd November, 2010
“independent shareholders”	shareholders of the Company other than CRH and its associates, as defined in the Listing Rules
“Latest Practicable Date”	2nd December, 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“LIBOR”	the London Inter-Bank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Master Lending Agreements”	the Hong Kong and United States Dollar Master Loan Agreement and the RMB Master Loan Agreement
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“RMB Master Loan Agreement”	the Master Loan Agreement and Guarantee for advances in RMB entered into by CRC and the China Resources Group listed companies on 22nd November, 2010
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhuhai Commercial Bank”	珠海市商業銀行股份有限公司 (Zhuhai City Commercial Bank Co., Ltd.*), a municipal bank headquartered in Zhuhai, in which CRC has a 75.33% interest

*Note:* The figures in RMB are converted into HK\$ at the rate of RMB0.86:HK\$1 throughout this circular for illustration purpose only.

*\* Name translated for identification only in this circular.*

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## LETTER FROM THE BOARD

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華潤微電子有限公司

China Resources Microelectronics Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 597)

*Executive directors:*

Mr. Wang Guoping (*Chairman*)

Mr. Elvis Deng Mao-song (*Chief Executive Officer*)

*Non-executive directors:*

Dr. Peter Chen Cheng-yu

Mr. Du Wenmin

Mr. Shi Shanbo

Mr. Wei Bin

Dr. Zhang Haipeng

*Independent non-executive director:*

Mrs. Oon Kum Loon

Mr. Ralph Sytze Ybema

Professor Ko Ping Keung

Mr. Luk Chi Cheong

Mr. Wong Tak Shing

*Registered Office:*

Scotia Centre, P.O. Box 2804GT

George Town, Grand Cayman

Cayman Islands

*Principal Place of Business:*

No.14 Liangxi Road

Wuxi, Jiangsu

214061

China

*Principal Place of Business  
in Hong Kong*

Room 4003-4005, 40/F

China Resources Building

26 Harbour Road

Wanchai, Hong Kong

6th December, 2010

*To the shareholders of the Company*

Dear Sir and Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

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

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## LETTER FROM THE BOARD

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

### THE MASTER LENDING AGREEMENTS

#### The Hong Kong and United States Dollar Master Loan Agreement

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



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## LETTER FROM THE BOARD

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Interest rate in respect of  
Hong Kong dollar advances:

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

Interest rate in respect of  
United States dollar advances:

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

Guarantee:

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

Early repayment:

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

Basis of lending:

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

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## LETTER FROM THE BOARD

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### **RMB Master Loan Agreement**

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

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## LETTER FROM THE BOARD

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

### **Annual caps under the Master Lending Agreements**

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

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## LETTER FROM THE BOARD

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The annual caps for the second and third financial years have been increased by HK\$50 million from the previous year to reflect the underlying growth in the Group in the subsequent two years. The annual caps for the Group for the initial term of the Master Lending Agreements and a comparison of the cap with its gross cash and bank balances and with its size using the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are as follows:

<b>Annual cap for the year ending 31st December,</b>			<b>Consolidated</b>	<b>Highest</b>
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>cash and bank</b>	<b>percentage ratio,</b>
<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<b>balances as at</b>	<b>excluding the</b>
			<b>30th June, 2010</b>	<b>profit ratio</b>
			<i>HK\$ million</i>	<b>%</b>
300.0	350.0	400.0	1,382.0	13.5%

### Restrictions on lending by the Company

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

### Financial condition of the guarantors

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

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

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## LETTER FROM THE BOARD

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### **Listing Rules implications of the Master Lending Agreements**

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

### **REASONS FOR, AND BENEFITS OF THE PROPOSALS**

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

The guiding principles behind the proposals are to:

- enable the Company to achieve a return on the Group's temporarily surplus cash resources of no less than the cost of borrowing of CRH or a corporate borrower of similar standing in respect of Hong Kong and United States dollar advances and, in the case of RMB advances, a return which is no less than a rate marginally lower than the cost of borrowing of CRC or a corporate borrower of similar standing from a bank or financial institution. Generally these rates are substantially higher than the deposit rates available to the Company;
- permit the Group to borrow at a rate lower than it is likely to be able to obtain itself from banks and financial institutions;
- give priority to the operational at needs of the Group under these proposals. The initiative to lend to another China Resources Group company will be entirely at the discretion of the Company and there will be no obligation to lend under these arrangements;
- limit the amounts that can be lent under these arrangements so that they are well within the capacity of the Company and the guarantor, and reflect the scale of the temporarily surplus liquidity that is expected to be available from time to time to be lent under these arrangements;

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## LETTER FROM THE BOARD

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- ensure that the assets of the Group are not placed at any significant risk as to the repayment of principal and the payment of interest. In addition to the guarantee of the China Resources Group listed company in respect of Hong Kong and United States dollars advances to any of its subsidiaries, all advances, other than advances made directly to CRC or CRH, will be guaranteed irrevocably and unconditionally by either CRC or CRH, depending on the currency of the advance. Both CRC and CRH are regarded as borrowers of undoubted standing in their own markets. CRC is a bond issuer in the PRC and its principal long term credit rating is AAA according to an independent rating agency, China Lianhe Rating Co., Ltd.. In the event that the latest rating of CRC is reduced or placed on watch with negative implications, further advances under the Master Lending Agreements will be suspended;
- continue to manage the Company's treasury operation on a prudent basis as it has in the past. These treasury operations do not invest in the bonds or shares of independent third party issuers and, apart from conventional hedging and swaps, do not invest or trade in derivatives;
- ensure that it is a transparent process. Full information on all advances made during the period concerned, including the borrower, its immediate holding company, guarantor, amount, duration and interest rate, will be disclosed in the Company's interim and annual reports;
- apply only to temporarily surplus cash resources. It is designed to enhance returns on temporarily surplus liquidity and is not a new usage for the cash resources of the Group. Dividend policy, dividend distributions and the deployment of liquidity for long-term investment and the expansion of the business will not be affected by these arrangements;
- confine advances for only short-term working capital purposes only so they will not be used as a substitute for long-term or permanent financing. The maximum duration of any advance will be six months, and no security over the assets of the borrower will be provided. All advances will be made on the basis that they are repayable on either the lender or borrower giving ten business day's notice; and
- avoid any foreign exchange risk.

### CHARACTERISTIC OF THE PROPOSALS

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

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## LETTER FROM THE BOARD

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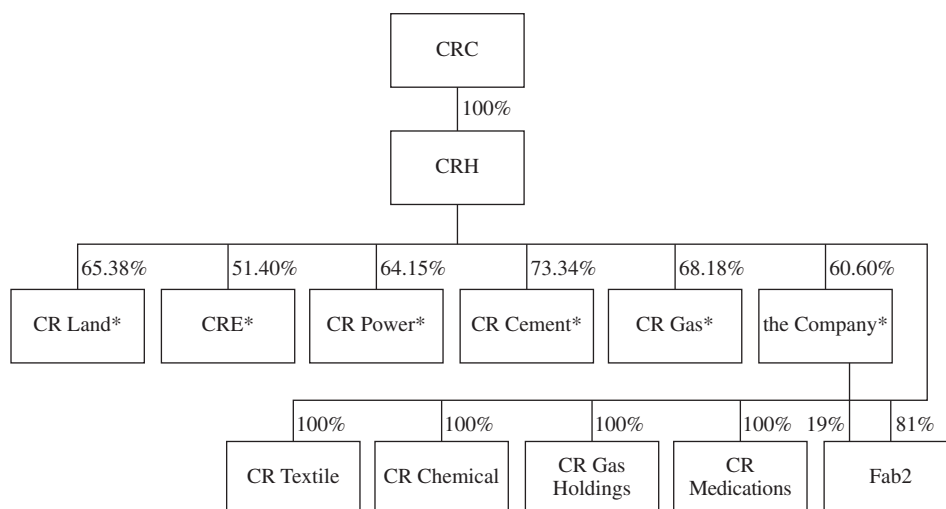
Save for the enhancement of returns on temporarily surplus liquidity, there is no change to the manner in which the existing treasury operation will operate or the usage of cash resources of the China Resources Group listed companies. In the case of a centralised treasury function commonly adopted by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

### INFORMATION ON THE PARTIES

#### Simplified group structure

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

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



\* company listed on the Stock Exchange

#### The Company

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

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## LETTER FROM THE BOARD

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### **CRC**

CRC, a borrower and guarantor under the RMB Master Loan Agreement, is the holding company of CRH. Its audited consolidated net asset value as at 31st December, 2009 amounted to some RMB 135 billion with total assets over RMB 362 billion. CRC is a bond issuer in the PRC with a principal long term credit rating of AAA according to China Lianhe Rating Co., Ltd.. Other than its interest in CRH, Zhuhai Commercial Bank and CR Trust, CRC also holds approximately 14.73% equity interest in China Vanke, being one of the largest property developers in the PRC, the shares of which are listed in Shenzhen Stock Exchange with a market capitalisation of some RMB91 billion as at the Latest Practicable Date.

### **CRH**

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

### **CR Land**

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

### **CRE**

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

### **CR Power**

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

### **CR Cement**

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

### **CR Gas**

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



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## LETTER FROM THE BOARD

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### EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

The EGM will be convened at 4/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 28th December, 2010 at 11:00 a.m.. A notice convening the EGM at which resolution will be proposed to the independent shareholders to consider, and if thought fit, to approve the Master Lending Agreements and proposed annual caps is set out on page 38 of this circular. In accordance with the requirements of the Listing Rules, the votes to be taken at the EGM shall be conducted by poll. CRH, holding approximately 60.60% of the Company's issued share capital as at the Latest Practicable Date, and its associates are required to abstain from voting at the meeting.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy to the Company's head office in Hong Kong, Room 4003-4005, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

### RECOMMENDATION

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

### FURTHER INFORMATION

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

Yours faithfully

By the order of the board of  
**China Resources Microelectronics Limited**  
**Wang Guoping**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**華潤微電子有限公司**

**China Resources Microelectronics Limited**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 597)

6th December, 2010

*To the independent shareholders of the Company*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 6th December, 2010 (“the Circular”) to the shareholders of the Company, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the independent shareholders of the Company in relation to the Master Lending Agreements and the proposed annual caps. In this connection, KGI Capital Asia Limited has been appointed as the independent financial adviser to advise on this matters.

Your attention is drawn to the “Letter from the Board” set out on pages 5 to 15 of the Circular which contains, inter alia, information about the terms of the Master Lending Agreements and the proposed annual caps, and the “Letter from the independent financial adviser” set out on pages 17 to 30 of the Circular which contains the advice from KGI Capital Asia Limited in respect of the Master Lending Agreements and the proposed annual caps together with the principal factors taken into consideration in arriving at such.

Having considered the terms of the Master Lending Agreements and having taken into account the principal factors and reasons considered by the independent financial adviser as stated in its letter of advice, we consider that the terms of the Master Lending Agreements and the proposed annual caps are on normal commercial terms, are fair and reasonable so far as the independent shareholders are concerned and are in the interest of the Company and its shareholders as a whole. We therefore recommend the independent shareholders to vote in favour of the resolution in relation to the Master Lending Agreements and the proposed annual caps.

Yours faithfully,  
For and on behalf of  
the independent board committee

**Mrs. Oon Kum Loon**

**Mr. Ralph Sytze Ybema**

**Professor Ko Ping Keung**

**Mr. Luk Chi Cheong**

**Mr. Wong Tak Shing**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of the letter of advice from KGI Capital Asia Limited, the independent financial adviser to the independent board committee and the independent shareholders of China Resources Microelectronics Limited, prepared for inclusion in this circular.*



**KGI Capital Asia Limited**

41/F, Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

Tel: 2878 6888

Fax: 2970 0080

6 December 2010

*To the independent board committee and the independent shareholders*  
China Resources Microelectronics Limited  
Room 4003-4005, 40/F  
China Resources Building  
26 Harbour Road  
Wanchai, Hong Kong

Dear Sirs or Madams,

### **CONTINUING CONNECTED TRANSACTIONS PROPOSALS TO PROVIDE GREATER FLEXIBILITY IN INTRA-GROUP LENDING BETWEEN MEMBERS OF THE CHINA RESOURCES GROUP**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the independent board committee (the “**Independent Board Committee**”) and the independent shareholders of the Company (the “**Independent Shareholders**”) in respect of the terms of the Master Lending Agreements and the proposed annual caps for the continuing connected transactions under the Master Lending Agreements for the Group for each of the three years ending 31 December 2013 (the “**Proposed Annual Cap(s)**”), particulars of which are set out in the “Letter from the Board” (the “**Letter**”) contained in the circular to the shareholders of the Company (the “**Shareholders**”) dated 6 December 2010 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

Reference is made to the joint announcement of the China Resources Group listed companies dated 22 November 2010 in relation to, among other things, a proposal, which if fully implemented, will give the Company greater flexibility in the management of its surplus cash resources by enabling it to lend a portion of its surplus cash resources and those of its subsidiaries on a short-term basis to other China Resources Group companies through the operation of the Master Lending Agreements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The transactions contemplated under the Master Lending Agreements constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and shall be subject to the reporting, announcement and the independent shareholders' approval requirements pursuant to the Listing Rules. In respect of the Company, the Master Lending Agreements are conditional upon the Independent Shareholders' approval but are not inter-conditional on the approval of other China Resources Group listed companies. The Listing Rules also require that the arrangements under the Master Lending Agreements be subject to annual review by the independent non-executive directors of the Company and its auditors.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all five independent non-executive directors, namely Mrs. Oon Kum Loon, Mr. Ralph Sytze Ybema, Professor Ko Ping Keung, Mr. Luk Chi Cheong and Mr. Wong Tak Shing, has been established to advise the Independent Shareholders as to whether the terms of the Master Lending Agreements and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

We, KGI Capital Asia Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Master Lending Agreements and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, financial information and facts supplied, and the opinions and representations expressed to us by the Company, the executive directors of the Company (the "**Executive Directors**") and management of the Company. We have also assumed that all such information, financial information, facts, statements of belief, opinion and intention and representation made to us by the Executive Directors or referred to in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company, the Executive Directors and management of the Company. We have been advised by the Executive Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statements of intention of the Company, the Executive Directors and management of the Company as set out in the Circular will be implemented. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company, the Executive Directors and management of the Company, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and shall continue to be true, complete and accurate at the date of the EGM.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company, the Executive Directors and management of the Company in connection with the Master Lending Agreements and the Proposed Annual Caps and discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the Master

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Lending Agreements and the Proposed Annual Caps. Relevant information and documents included, among other things, the annual report of the Company for the year ended 31 December 2009 (the “**2009 Annual Report**”), the Master Lending Agreements, the audited consolidated financial statements of CRC and CRH for the year ended 31 December 2009, the unaudited consolidated management accounts of CRC and CRH for the nine months ended 30 September 2010 and the basis of determination of the Proposed Annual Caps provided by the Company. We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion regarding the terms of the Master Lending Agreements. We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Executive Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of CRC, CRH, Zhuhai Commercial Bank, CR Trust, the China Resources Group listed and unlisted companies or their respective subsidiaries or associated companies. We have not studied, investigated nor verified the validity of all the legal aspects of, and procedural aspects for, the Master Lending Agreements.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. Our opinion does not in any manner address the Company’s own decision to proceed with the entering into the Master Lending Agreements and to determine the Proposed Annual Caps. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Master Lending Agreements and the Proposed Annual Caps, we have taken the following principal factors and reasons into consideration:

#### **Background of and reasons for entering into the Master Lending Agreements**

Reference is made to the joint announcement of the China Resources Group listed companies dated 22 November 2010 in relation to, among other things, a proposal, which if fully implemented, will give the Company greater flexibility in the management of its surplus cash resources by enabling it to lend a portion of its surplus cash resources and those of its subsidiaries on a short-term basis to other China Resources Group companies through the operation of the Master Lending Agreements. The proposal is designed to enable the Company to achieve a return on the Group’s temporary surplus cash resources of no less than the cost of borrowing of CRH or a corporate borrower of similar standing in respect of Hong Kong and United States dollar advances and, in the case of RMB advances, a return which is no less than a rate marginally lower than the cost of borrowing of CRC or a corporate borrower of similar standing from a bank or a financial institution. As stated in the Letter, generally these rates are substantially higher than the deposit rates available to the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Depending on the situation, the proposal may also permit the Group to borrow at a rate lower than it is likely to be able to obtain itself from banks and financial institutions.

As stated in the Letter, the initiative to lend to another China Resources Group company will be entirely at the discretion of the Company and there will be no obligation to lend under the proposal. Amounts that can be lent under the proposal are limited so that they are well within the capacity of the Company and the guarantor, and reflect the scale of the temporarily surplus liquidity that is expected to be available from time to time to be lent under the proposal.

The proposal is also designed to ensure that the assets of the Company are not placed at significant risk as to the repayment of principal and the payment of interest. In addition to the guarantee by the China Resources Group listed company in respect of Hong Kong dollar and United States dollar advances to any of its subsidiaries, all advances other than advances made directly to CRC or CRH will be guaranteed irrevocably and unconditionally by either CRC or CRH, depending on the currency of the advance. As stated in the Letter, both CRC and CRH are regarded as borrowers of undoubted standing in their own markets. CRC is a bond issuer in the PRC and its principal long term credit rating is AAA according to an independent rating agency, China Lianhe Rating Co., Ltd. In the event that the latest rating of CRC is reduced or placed on watch with negative implications, further advances under the RMB Master Loan Agreement will be suspended.

In addition to the above, other guiding principles of the proposal include:

- (i) to continue to manage the Group's treasury operation on a prudent basis, which does not invest in the bonds or shares of independent third party issuers and, apart from conventional hedging and swaps, and does not invest or trade in derivatives;
- (ii) to ensure that it is a transparent process. Full information on all advances made during the period concerned, including the borrower, its immediate holding company, guarantor, amount, duration and interest rate, will be disclosed in the Company's interim and annual reports;
- (iii) to apply only to temporary surplus cash resources. It is designed to enhance returns on temporary surplus liquidity and is not a new usage for the cash resources of the Group. Therefore, save for the enhancement of returns on temporary surplus liquidity, the Executive Directors confirm that there will be no change to the manner in which the existing treasury operation will operate or the usage of cash resources of the Group. In addition, as confirmed by the Executive Directors, the treasury centre of the Group will submit reports of intra-group lending to key financial executives of the Group on a regular basis and the internal audit department will include such reports in the regular connected transaction review scheme to perform a quarterly review in respect of the compliance and execution process. The results of such review will be reported to the Board and/or audit committee of the Company. Moreover, dividend policy, dividend distributions and the deployment of liquidity for long-term investment and the expansion of the business will not be affected by the proposal; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

The directors of the Company, other than the independent non-executive directors, consider that the continuing connected transactions under the Master Lending Agreements and the Proposal Annual Caps are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and the entering into the Master Lending Agreements is not in the ordinary and usual course of business of the Company.

### **Information on the China Resources Group**

By virtue of CRC being the controlling shareholder of the China Resources Group listed and unlisted companies, they are connected persons to each of the China Resources Group listed companies as defined under the Listing Rules. The Independent Shareholders are advised to refer to the simplified chart showing the ownership and structure of CRC, CRH, the China Resources Group listed and unlisted companies as at the Latest Practicable Date as set out in the section headed "Simplified group structure" in the Letter.

#### *The Company*

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

#### *CRC*

CRC, a borrower and guarantor under the RMB Master Loan Agreement, is the holding company of CRH. Its audited consolidated net asset value as at 31 December 2009 amounted to approximately RMB135.3 billion with total assets over RMB362 billion. CRC is a bond issuer in the PRC with a principal long term credit rating AAA according to China Lianhe Rating Co., Ltd., an independent rating agency in the PRC.

#### *CRH*

CRH, a borrower and guarantor under the Hong Kong and United States Dollar Master Loan Agreement, is a conglomerate in Hong Kong and the PRC that is principally engaged in seven core businesses, namely consumer products, power, real estate, pharmaceuticals, cement, gas and financial services, as well as other operations including microelectronics, textiles, chemical products and compressors. Its audited consolidated total equity including non-controlling interests as at 31 December 2009 amounted to approximately HK\$167.1 billion with total assets over HK\$396 billion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial position of CRH and CRC*

The summary of consolidated financial positions of CRC and CRH are as follows:

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

### *CR Land*

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

### *CRE*

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

### *CR Power*

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

### *CR Cement*

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

### *CR Gas*

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



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Major terms of the Master Lending Agreements

We have reviewed the Hong Kong and United States Dollar Master Loan Agreement and the RMB Master Loan Agreement provided by the Company and some of their major terms are summarized as follows:

#### *The Hong Kong and United States Dollar Master Loan Agreement*

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Interest rate in respect of Hong Kong dollar advances:

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

Interest rate in respect of United States dollar advances:

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

Early repayment:

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

Basis of lending:

All advances under the agreement will be made at the sole discretion of the lender. No security over the assets of the borrower will be provided.

All advances will become immediately repayable on demand upon the occurrence of an acceleration event which includes non-payment by the borrower, breaches of the agreement by the borrower which have not been rectified in the specified period, cross-default in a material amount, the enforcement of security, insolvency, dissolution, repudiation, CRH ceasing directly or indirectly to be the single largest shareholder of the relevant borrower or on the occurrence of a material adverse change as stated in the Hong Kong and United States Dollar Master Loan Agreement in respect of the relevant borrower.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The RMB Master Loan Agreement*

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Basis of lending:

Advances will take the form of an entrusted loan. Under an entrusted loan arrangement, the lender deposits the amount to be advanced to the entrustment agent which in turn pays the amount to be advanced to the borrower, for which the entrustment agent charges a facilitation commission. The lending risk is assumed by the lender which receives the interest paid by the borrower, less the deduction of agency fee. Subject to the entrusted loan agreement to be entered into between the lender, borrower and entrustment agent, all advances will become immediately repayable on demand with terms similar to those as stated in the Hong Kong and United States Dollar Master Loan Agreement and so as the early repayment by giving ten business days' written notice stated therein.

To assess the fairness and reasonableness of the terms of the Master Lending Agreements, we have considered the followings:

- (i) as confirmed by the Executive Directors, the interest rate per annum at which CRH is currently able to borrow in Hong Kong dollar or United States dollar for loan period of less than six months from a bank or financial institution is HIBOR (or LIBOR) plus a margin. The Executive Directors also confirm that the 3-month deposit rate per annum of Hong Kong dollar and United States dollar currently available to the Group is HIBOR (or LIBOR) plus a margin and such deposit rate is higher than the currently available borrowing interest rate for CRH of loan period of less than six months by approximately 0.8% (for Hong Kong dollar) and approximately 1% (for United States dollar) respectively. As the interest rate of advances in Hong Kong dollar or United States dollar under the Hong Kong and United States Dollar Master Loan Agreement will not be less than the higher of (i) the rate at which CRH or a corporate borrower of similar standing is able to borrow in such currency and such amount from a bank or a financial institution for the relevant period and; (ii) the deposit rate which the Company could have obtained from a bank or a financial institution for such relevant amount and period, we consider that under current market interest rates, the return that the Group is expected to earn as a lender under the Hong Kong and United States Dollar Master Loan Agreement shall not be less than the deposit rate it can otherwise earn by putting the surplus cash in a bank or financial institution as stated above. In addition, the Executive Directors confirm that the interest rate at which the Group is currently able to borrow in Hong Kong dollar or United States dollar is lower than the current deposit rate available to the Group as mentioned above and thus shall also be lower than the possible lending interest rate for advances to be made under the Hong Kong and United States Dollar Master Loan Agreement. According to the 2009 Annual Report, the average interest rate for the Hong Kong dollar revolving credit and term loan facilities of the Group of HK\$1.3 billion for the year ended 31 December 2009 was 1.39% per annum. Therefore, we consider that under the current market interest rates, the return that the Group is expected to earn as a lender under the Hong Kong and United States Dollar Master Loan Agreement shall also be higher than its cost of funds for Hong Kong dollar and United States dollar;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) in the case that any PRC incorporated subsidiary of the Company is a lender of RMB under the RMB Master Loan Agreement, the interest rate will be (i) determined by the lender being the relevant lending rate as permitted by the PBOC from time to time; (ii) no less than 95% of the rate at which CRC or a corporate borrower of similar standing is able to borrow in RMB such amount from a bank or a financial institution for the relevant period; and (iii) no less than the deposit rate which such PRC incorporated subsidiary of the Company could have obtained from a bank or a financial institution of such relevant amount and period. The Executive Directors confirm that according to the current regulations of the PRC, the lowest and highest permitted lending rate offered by banks or financial institutions in the PRC is 90% and 120% respectively of the benchmark lending rate published by the PBOC from time to time. As such benchmark lending rate published by the PBOC for loan period of six months or less than six months as at the Latest Practicable Date was 5.10% per annum, the permitted lending rate offered by banks or financial institutions in the PRC shall be in the range of 4.59% to 6.12% per annum. In addition, the Executive Directors confirm that the interest rate at which CRC is currently able to borrow in RMB for loan period of less than six months is about 4.59% per annum. Furthermore, the Executive Directors confirm that the 6-month RMB deposit rate currently available to the Group is 2.2% per annum. Therefore, based on the current regulations and the prevailing RMB benchmark lending rate as mentioned above and the aforesaid borrowing and deposit rates, we consider that the interest rate for advances to be made through entrustment agents under the RMB Master Loan Agreement shall be in the range of 4.59% to 6.12% per annum. As such, we consider that the interest rate that any PRC incorporated subsidiary of the Company is expected to earn as a lender under the RMB Master Loan Agreement shall be higher than the 6-month RMB deposit rate which the Group could otherwise earn by depositing its surplus cash in banks or financial institutions;
- (iii) we have discussed with the management of the Company and are advised that if and when the Group needs to seek extra funds in Hong Kong dollar or United States dollar, it will assess and compare the terms of the loan to be offered by external banks or financial institutions and those of the advances to be offered by other China Resources Group listed companies or their respective subsidiaries under the Hong Kong and United States Dollar Master Loan Agreement and choose the one which is in the best interests of the Group;
- (iv) as confirmed by the Executive Directors, the interest rate that the Group is currently able to obtain for RMB loan with period of less than six months from a bank or financial institution is around the lowest permitted lending rate offered by banks or financial institutions in the PRC at the Latest Practicable Date. Based on the current regulations, the prevailing RMB benchmark lending rate published by the PBOC and the borrowing and deposit rates as mentioned in (ii) above, the interest rate for advances to be made through entrustment agents under the RMB Master Loan Agreement shall not be less than 4.59% per annum as mentioned in (ii) above. The Executive Directors consider that it is unlikely that the Group would borrow from PRC incorporated subsidiaries of other China Resources Group listed companies under the RMB Master Loan Agreement if they could not offer a rate lower than what the Group is able to obtain from external banks or financial institutions. However, the Executive Directors consider that if the market conditions and situation change such that the Group is not able to obtain a favourable borrowing interest

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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rate from external banks or financial institutions, the Company will assess the terms of the advances to be offered by any PRC incorporated subsidiaries of other China Resources Group listed companies under the RMB Master Loan Agreement and choose the option which is in the best interests of the Company;

- (v) although no security over the assets of the borrower will be provided, in addition to the guarantee of the China Resources Group listed company in respect of Hong Kong dollar and United States dollar advances to be made to any of its subsidiaries, all advances to be made under the Master Lending Agreements, other than advances to be made directly to CRC or CRH, will be guaranteed irrevocably and unconditionally by either CRC or CRH, depending on the currency of the advance. We have reviewed the audited consolidated financial statements of CRC and CRH for the year ended 31 December 2009 and the unaudited management accounts of CRC and CRH for the nine months ended 30 September 2010 provided by the Company and we noted that each of the audited consolidated equity attributable to the shareholders of CRC and CRH as at 31 December 2009 was substantially greater than the Proposed Annual Caps for the Group for each of the three years ending 31 December 2013. In addition, CRC is a bond issuer in the PRC and its principal long term credit rating is AAA according to China Lianhe Rating Co., Ltd., an independent rating agency in the PRC. In view of the above, we consider that with either CRC or CRH being the guarantor of all advances to be made under the Master Lending Agreements (depending on the currency of the advance) other than the advances to be made directly to CRC or CRH, the credit risk to be assumed by the Group in making potential advances to other China Resources Group companies is relatively low;
- (vi) as stated in the Letter, priority will be given to the operational needs of the Group itself should it become a potential lender. The initiative to lend to another China Resources Group company will be entirely at the discretion of the Group and there will be no obligation to lend under the Master Lending Agreements; and
- (vii) as the maximum duration of any advance to be made under the Hong Kong and United States Dollar Master Loan Agreement or the RMB Master Loan Agreement will be six months and all advances will be made on the basis that they are repayable on either the lender or borrower giving ten business day's notice, we consider that the arrangement provides sufficient discretion and flexibility for the Group to make advances and cease doing so based on its own cash resources position and requirements.

Having considered the above, we are of the opinion that the terms of the Master Lending Agreements are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

### **The Proposed Annual Caps**

The Proposed Annual Cap for each of the three years ending 31 December 2013 is HK\$300 million, HK\$350 million and HK\$400 million respectively. As stated in the Letter, the Proposal Annual Caps have been determined by the Company after assessing the maximum amount of exposure at any time which it is prepared to assume under the Master Lending Agreements in the context of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Company's estimated temporary surplus cash resources. The proposed annual caps for 2012 and 2013 have been increased as compared to the respective previous year to reflect the underlying growth in the Group in the subsequent two years.

In order to consider the fairness and reasonableness of the Proposed Annual Caps, we have taken into consideration the following aspects:

- (i) we are provided by the Company the basis of determination of the Proposed Annual Caps. The Executive Directors confirm that the Group maintains a relatively conservative and healthy cash and bank balances and the possible lending under the Master Lending Agreements will not adversely affect the business operations as well as contingencies of the Group. The Executive Directors also confirm that at any time, the cash and bank balances will not be less than the estimated future cash outflow requirement in the coming months. We have obtained from the Company information about the cash and bank balances of the Group at each month end from January 2009 to October 2010. According to such information, we noted that the average monthly cash and bank balance of the Group during the period from January 2009 to October 2010 was more than HK\$1,000 million. As such, the Proposed Annual Cap for each of the three years ending 31 December 2013 of HK\$300 million, HK\$350 million and HK\$400 million represents not more than 30%, 35% and 40% of the average monthly cash and bank balances level of the Group for the period from January 2009 to October 2010 respectively; and
- (ii) the Executive Directors also estimate that the level of yearly surplus cash of the Group for 2011 to 2013 is around HK\$476 million, around HK\$491 million and around HK\$566 million respectively. We noted that the Proposed Annual Cap for each of the three years ending 31 December 2013 is less than and represents approximately 63.0%, 71.3% and 70.7% of the estimated level of yearly surplus cash of the Group for year 2011 to 2013 respectively. In addition, we noted that the proposed annual caps for 2012 and 2013 of HK\$350 million and HK\$400 million respectively represent increase of approximately 16.7% and approximately 14.3% as compared to the proposed annual cap for the respective previous year. Having considered that the level of surplus cash of the Group for 2011 to 2013 is estimated to be increasing annually, we are of the opinion that the increases in the proposed annual caps for 2012 and 2013 as mentioned above are acceptable.

Based on the above, we are of the view that the Proposed Annual Caps are reasonably determined.

Generally speaking, in our opinion, it is in the interests of the Group for the abovementioned Proposed Annual Caps to be as accommodating to the Group as possible (within reason). Provided that the terms of the Master Lending Agreements are fair and reasonable and the conduct of those transactions contemplated thereunder would be subject to annual review by the independent non-executive directors and the auditors of the Company as required under the Listing Rules, the Group would have flexibility in conducting its businesses if the Proposed Annual Caps are tailored to future business growth. In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management of the Group regarding the basis of the calculations. However, the Shareholders should note that the Proposed Annual Caps relate to future events and do not represent

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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a forecast of amounts to be transacted under the Master Lending Agreements nor as an assurance by the Group of its future income. Consequently, we express no opinion as to how closely the actual transaction amounts under the Master Lending Agreements will correspond with the Proposed Annual Caps as discussed above.

### **Restriction on lending by the Company**

The Company has entered into loan agreements with external financial institutions under which it is restricted from lending to any company outside of the Group. The Proposed Annual Caps stated above therefore cannot be utilised by the Group without prior consent from these external financial institutions. For as long as such restrictions remain in place, the Group will be precluded from lending under the Master Lending Agreements. As confirmed by the Executive Directors, no such consent as mentioned above has been obtained from these external financial institutions as at the Latest Practicable Date.

### **RECOMMENDATION**

Having considered the above principal factors and reasons, we, on an overall basis, consider that the terms of the Master Lending Agreements are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole although the entering into the Master Lending Agreements is not in the ordinary and usual course of business of the Company, and the Proposed Annual Caps are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Master Lending Agreements and the Proposed Annual Caps, which will be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**KGI Capital Asia Limited**

**Laurent Leung**  
*Director*

**Jimmy Chan**  
*Senior Vice President*



**1. RESPONSIBILITY STATEMENT**

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

**2. INTERESTS OF DIRECTORS**

Save as disclosed below, as at the Latest Practicable Date, none of the directors of the Company had any interest and/or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) was 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) was required, pursuant to section 352 of the SFO, to be entered in the register Referred to therein, or (iii) was required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules:

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

<b>Name of director</b>	<b>Capacity</b>	<b>Long position/ Short position</b>	<b>Number of shares</b>	<b>Percentage of the issued share capital of the Company</b>
Wang Guoping	Beneficial owner	Long	9,589,872	0.11%
Elvis Deng Mao-song	Beneficial owner	Long	6,797,812	0.08%
Peter Chen Cheng-yu	Beneficial owner	Long	39,623,200	0.45%
Du Wenmin	Beneficial owner	Long	1,458,000	0.02%
Ko Ping Keung	Beneficial owner	Long	458	0.00%
Luk Chi Cheong	Beneficial owner	Long	1,165,912	0.01%

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

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

*(i) Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, CRE*

Name of director	Capacity	Long position/ Short position	Number of issued ordinary shares	Percentage of the issued share capital of CRE
Du Wenmin	Beneficial owner	Long	100,000	0.004%

*(ii) Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, CR Land:*

Name of director	Capacity	Long position/ Short position	Number of issued ordinary shares	Percentage of the issued share capital of CR Land
Du Wenmin	Beneficial owner	Long	790,000	0.015%
Shi Shanbo	Beneficial owner	Long	140,000	0.003%

Name of director	Capacity	Number of share options	Exercise price per share (HK\$)	Date of grant	Percentage of the issued share capital of CR Land
Du Wenmin	Beneficial owner	250,000	1.23	01/06/2005 <sup>(1)</sup>	0.005%

*Notes:*

- The options granted on 1st June, 2005 are exercisable in four batches from 1st June, 2006, 2007, 2008 and 2009 to 31st May, 2015.
- In each case, HK\$1.00 was paid upon acceptance of the share options granted.

(iii) *Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, CR Power:*

Name of director	Capacity	Long position/ Short position	Number of issued ordinary shares	Percentage of the issued share capital of CR Power
Wang Guoping	Beneficial owner	Long	328,000	0.007%
Du Wenmin	Beneficial owner	Long	297,000	0.006%
Shi Shanbo	Beneficial owner	Long	500,000	0.011%

Name of director	Capacity	Number of share options	Exercise price per share (HK\$)	Date of grant	Percentage of the issued share capital of CR Power
Du Wenmin	Beneficial owner	183,240	2.750	12/11/2003 <sup>(1)</sup>	0.004%

*Notes:*

1. The options granted on 12th November, 2003 are exercisable in five batches from 6th October, 2004, 2005, 2006, 2007 and 2008 to 5th October, 2013.
2. In each case, HK\$1.00 was paid upon acceptance of the share options granted.

(iv) *Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, CR Gas:*

<b>Name of director</b>	<b>Capacity</b>	<b>Long position/ Short position</b>	<b>Number of issued ordinary shares</b>	<b>Percentage of the issued share capital of CR Gas</b>
Wang Guoping	Beneficial owner	Long	40,000	0.002%
Elvis Deng Mao-song	Beneficial owner	Long	8,000	0.000%
Du Wenmin	Beneficial owner	Long	54,000	0.003%
Shi Shanbo	Beneficial owner	Long	50,000	0.003%
Wong Tak Shing	Beneficial owner	Long	80,000	0.004%

(v) *Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, CR Cement:*

<b>Name of director</b>	<b>Capacity</b>	<b>Long position/ Short position</b>	<b>Number of issued ordinary shares</b>	<b>Percentage of the issued share capital of CR Cement</b>
Wang Guoping	Beneficial owner	Long	120,000	0.002%
Elvis Deng Mao-song	Beneficial owner	Long	50,000	0.001%
Shi Shanbo	Beneficial owner	Long	280,000	0.004%

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

### 3. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, the directors and the chief executive of the Company were not aware of any person (other than a director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who was, 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 other member of the Group:

#### (a) The Company:

Name of shareholders	Capacity	No. of Shares held	Long/short position	Approximate percentage of shareholding
China Resources National Corporation (note) (“CRNC”)	Interest of controlled companies	5,326,855,822	Long	60.60%
CRC (note)	Interest of controlled companies	5,326,855,822	Long	60.60%
CRC Bluesky Limited (note)	Interest of controlled companies	5,326,855,822	Long	60.60%
CRH (note)	Interest of controlled companies	5,326,855,822	Long	60.60%
Gold Touch Enterprises Inc. (note) (“Gold Touch”)	Beneficial owner	5,326,850,822	Long	60.60%

*Note:* Gold Touch and Commotra Company Limited directly held 5,326,850,822 Shares and 5,000 Shares as at the Latest Practicable Date respectively. Gold Touch and Commotra Company Limited are wholly owned subsidiaries of CRH. CRNC is a state owned enterprise which is the parent company of CRC, a company incorporated in the PRC, which in turn is the parent company of CRC Bluesky, a company incorporated in the British Virgin Islands, which is in turn the parent company of CRH, a company incorporated in Hong Kong. Each of CRNC, CRC, CRC Bluesky and CRH is deemed to be interested in 5,326,855,822 Shares.

#### (b) Other members of the Group:

	Name of substantial shareholder	Percentage of shareholding
Micro Assembly Technologies Limited	STATS ChipPAC Ltd.	25%

**4. DIRECTORS' SERVICE CONTRACTS**

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

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

As at the Latest Practicable Date, none of the directors of the Company had any interest, direct or indirect, in any assets which have been, since 31st December, 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

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

**6. COMPETING INTERESTS**

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

**7. MATERIAL ADVERSE CHANGE**

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

**8. EXPERT AND CONSENT**

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

<b>Name</b>	<b>Qualifications</b>
KGI Capital Asia Limited	a corporation licensed to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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

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

The letter of advice given by KGI Capital Asia Limited is given as of the date of this circular for incorporation herein.

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

## **9. MISCELLANEOUS**

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

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the head office of the Company at Room 4003-4005, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the Hong Kong and United States Dollar Master Loan Agreement;
- (b) the RMB Master Loan Agreement;
- (c) the letter from the independent board committee, the text of which is set out on page 16 in this circular;
- (d) the letter of advice from KGI Capital Asia Limited to the independent board committee and the independent shareholders of the Company, the text of which is set out on pages 17 to 30 in this circular; and
- (e) the written consent referred to in the section headed “Expert and consent” of this appendix.

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## NOTICE OF EGM

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**華潤微電子有限公司**

**China Resources Microelectronics Limited**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 597)

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of CHINA RESOURCES MICROELECTRONICS LIMITED (the “**Company**”) will be held at 4/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 28th December, 2010 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

“**THAT** the Master Lending Agreements (as defined in the circular of the Company dated 6th December, 2010 of which this notice forms part (the “**Circular**”)) and the annual caps for the maximum aggregate amount which can be lent at any time from the Company together with its subsidiaries under the Master Lending Agreements be and are hereby approved.”

Yours faithfully

By the order of the board of  
**China Resources Microelectronics Limited**  
**Wang Guoping**  
*Chairman*

China, 6th December, 2010

*Notes:*

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company.
2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the head office of the Company in Hong Kong at Room 4003-4005, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), any vote taken at a general meeting shall be taken by poll. The Company shall announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.