

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



華潤創業有限公司
China Resources Enterprise, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

CONTINUING CONNECTED TRANSACTIONS

The Group has been, in its ordinary and usual course of business, leasing various premises which mainly comprise retail premises and offices from the CRH Group and its associates. As these leasing transactions will continue, the Framework Agreement has been entered into to govern these transactions for a period commencing from the date of the Framework Agreement to 31 December 2012.

As CRH is the intermediate holding company of the Company, CRH is a connected person of the Company under the Listing Rules. Accordingly, the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

The directors (including the independent non-executive directors) of the Company consider that the transactions to be carried out under the Framework Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Framework Agreement and the annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As the annual caps of the above-mentioned continuing connected transactions do not exceed the applicable percentage ratios of the Company of 5% as referred to in Chapter 14A of the Listing Rules, the continuing connected transactions are only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

BACKGROUND

The Group has been, in its ordinary and usual course of business, leasing various premises which mainly comprise retail premises and offices from the CRH Group and its associates. As these leasing transactions will continue, the Framework Agreement has been entered into to govern these transactions for a period commencing from the date of the Framework Agreement to 31 December 2012.

THE FRAMEWORK AGREEMENT

Date: 20 September 2010

Parties: The Company

CRH

Pursuant to the Framework Agreement entered into by the Company and CRH with a term commencing from the date of the Framework Agreement to 31 December 2012, it was agreed, inter alia, that any tenancy agreements to be granted by the CRH Group or its associates to a member of the Group should be on normal commercial terms. Each transaction should be either conducted at market price or at such other prices (if market price is unascertainable, or if the parties agree that market price cannot or should not be used for any special reasons) as the parties may agree fairly and reasonably in the circumstances as if they were independent third party. In addition, each transaction to be entered into will be documented in a separate written agreement with a duration not exceeding twenty years for premises mainly used for retail or its incidental purposes. For premises not used for retail or its incidental purposes, the duration of the written agreement should not exceed three years.

RELATIONSHIP BETWEEN CRH AND THE COMPANY

As CRH is the intermediate holding company of the Company, CRH is a connected person of the Company under the Listing Rules. Accordingly, the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

TC CAPITAL'S VIEW ON AND REASONS FOR THOSE TENANCY AGREEMENTS WITH A DURATION EXCEEDING THREE YEARS

As required by Rule 14A.35 of the Listing Rules, the period for non-exempt continuing connected transactions must not exceed three years, except in special circumstances which are limited to cases where the nature of the transaction requires the contract to be of a duration longer than three years.

To comply with the requirements of the Listing Rules, the Board has appointed TC Capital as the independent financial adviser to advise them in relation to the term of the Framework Agreement which stipulates that the tenancy agreements with a duration not exceeding twenty years for premises mainly used for retail or its incidental purposes will be entered into between the Group and the CRH Group and its associates.

TC Capital has discussed with a representative of the Company and was advised that the main reasons for such long term leases are as follows:

(i) the long duration of the tenancy agreements of retail premises will enable the Group to prevent the recurrence of expensive initial investment costs such as initial set up cost and interior decoration in the short term;

(ii) the business nature as a retail operator requires the Group to enter into the long term tenancy agreements to secure strategic and prime location in highly competitive retail industry. It is the Group's normal business practice to enter into long term tenancy agreements for retail premises given it will enhance customers' loyalty and maintain stable sales revenues for the Group. The Company confirms that a majority of the Group's tenancy agreements for retail premises are over 3 years; and

(iii) the long duration of the tenancy agreements of retail premises will insulate the Group from the fluctuation of the market rent.

In considering whether it is normal business practice for tenancy agreements of retail business to have a duration longer than three years, TC Capital has reviewed a number of comparable transactions involving the lease of properties by retail business operators (the "Comparable Transactions"). TC Capital noted that the leases under the Comparable Transactions typically have duration in excess of three years, with mostly for 10 to 20 years. Accordingly, TC Capital considers that the tenancy agreements with a duration not exceeding twenty years for premises mainly used for retail or its incidental purposes to be entered into under the Framework Agreement, fall within the range of the tenure of the Comparable Transactions.

In view of the above, TC Capital is of the view that for premises mainly used for retail or its incidental purposes, the tenancy agreements with a duration not exceeding twenty years to be entered into under the Framework Agreement, are in line with normal business practices for tenancy agreements of this type.

REASONS FOR THE TRANSACTIONS

The CRH Group is principally engaged in the businesses of retail, power, beverage, real estate, food, medicine, textiles, chemical products, gas and compressor. As members of the CRH Group and its associates own significant property investments including commercial, retail and industrial premises in the PRC and Hong Kong, the transactions contemplated under the Framework Agreement will enable the Group to secure a supply of the premises for its business.

The directors (including the independent non-executive directors) of the Company consider that the transactions to be carried out under the Framework Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms and the terms of the Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

It is noted that none of the directors of the Company has any material interest in the transactions.

The aggregate annual amounts charged by the CRH Group and its associates for the leasing transactions for the two years ended 31 December 2009 and for the seven months ended 31 July 2010 were approximately HK\$58.2 million, HK\$63.9 million and HK\$37.5 million respectively.

The payment terms of the transactions contemplated under the Framework Agreement will be set by the parties in accordance with market norms from time to time.

There are no prior transactions between the Group and the CRH Group and its associates which require aggregation under Rule 14A.25 of the Listing Rules.

PROPOSED ANNUAL CAPS

The proposed annual caps for the tenancy transactions between the CRH Group and its associates (as landlord) and the Group (as tenant) for the three years ending 31 December 2012 are HK\$125 million, HK\$235 million and HK\$283 million respectively.

The annual caps are determined by reference to (i) the historical value of the relevant transactions; (ii) the estimated increase in the leasing of the premises associated with the estimated expansion of the Group's retail and other operations in the PRC and Hong Kong from the date of the Framework Agreement to 31 December 2012; (iii) allowance provided for rentals of certain retail outlets where variable rentals based on certain percentages of sales made at the outlets will be charged; (iv) the possible appreciation of Renminbi and (v) the provision of buffer for possible further increases in businesses of the Group. The directors (including the independent non-executive directors) of the Company consider that the annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ABOUT THE COMPANY

The Company is a company listed on the Stock Exchange, with business emphasis on the consumer businesses in the PRC and Hong Kong. The Group's core activities are retail, beverage and food processing and distribution.

GENERAL

As the annual caps of the above-mentioned continuing connected transactions do not exceed the applicable percentage ratios of the Company of 5% as referred to in Chapter 14A of the Listing Rules, the continuing connected transactions are only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	China Resources Enterprise, Limited (stock code: 291), a company 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 intermediate holding company of the Company

"CRH Group"	CRH and its subsidiaries
"Framework Agreement"	the framework agreement dated 20 September 2010 entered into between the Company and CRH relating to tenancy agreements of the premises
"Group"	the Company and its subsidiaries
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	The People's Republic of China; for the purpose of this announcement, the PRC refers to the Chinese Mainland excluding Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TC Capital"	TC Capital Asia Limited, a licensed corporation under the SFO, to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser advising the term of the Framework Agreement

By Order of the Board
China Resources Enterprise, Limited
Lai Ni Hium
Executive Director
and Company Secretary

Hong Kong, 20 September 2010

As at the date of this announcement, the executive directors of the Company are Mr. Qiao Shibo (Chairman), Mr. Chen Lang (Managing Director), Mr. Wang Qun (Deputy Managing Director) and Mr. Lai Ni Hium (Deputy Managing Director). The Non-Executive Directors are Mr. Jiang Wei, Mr. Yan Biao, Mr. Li Fuzuo and Mr. Du Wenmin. The Independent Non-Executive Directors are Dr. Chan Po Fun, Peter, Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.