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**華潤創業有限公司**

**China Resources Enterprise, Limited**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 291)

**CONNECTED TRANSACTIONS  
ACQUISITION OF A PROPERTY HOLDING COMPANY  
FOR HYPERMARKET OPERATION IN HEFEI, ANHUI PROVINCE AND  
THE RELATED FINANCIAL ASSISTANCE**

The directors of China Resources Enterprise, Limited announced that on 22 February 2010, CRV Guangzhou, a wholly-owned subsidiary of the Group, entered into an agreement with the Seller for the acquisition of the entire equity interest in the Target Company for a total consideration of RMB179,800,000 (approximately HK\$204,972,000) which includes the assumption of certain designated liabilities of the Target Company. The consideration will be satisfied in cash. On the aforementioned date, CRV Guangzhou and CR Supermarket, a wholly-owned subsidiary of the Group, simultaneously entered into a loan agreement with the Seller and the Guarantor pursuant to which CR Supermarket has agreed to provide a loan in the principal amount of US\$5,600,000 (approximately HK\$43,680,000) for the sole purpose of financing the capital injection of the unpaid portion of the registered capital of the Target Company to be made by the Seller. The Guarantor will assume joint responsibility to guarantee the repayment obligations of the Seller under the Loan Agreement. The principal asset of the Target Company is the Property which will be developed by the Group for the operation of a hypermarket.

The Seller, the Guarantor and the Target Company are all associates of CRC and as such are connected persons of the Company. Therefore, the Acquisition, the assumption of debts of the Target Company by CRV Guangzhou and the provision of the Loan constitute connected transactions of the Company under the Listing Rules. When aggregated with the Previous Transactions, each of the applicable percentage ratios under Rule 14.07 of the Listing Rules is less than 2.5%, and thus the transactions contemplated under the Equity Transfer Agreement and the Loan Agreement are only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules.

**THE EQUITY TRANSFER AGREEMENT**

Date: 22 February 2010

Vendor:	The Seller
Purchaser:	CRV Guangzhou
Asset to be acquired:	100% equity interest in the Target Company
Consideration:	<p>RMB179,800,000 (approximately HK\$204,972,000), which will be satisfied in cash. On the basis that the Seller has completed the capital injection of about RMB37,324,000 of the Target Company, being the unpaid portion of the registered capital of the Target Company, the consideration consists of about RMB141,139,000 as consideration for the equity transfer and about RMB38,661,000 for the assumption of certain designated liabilities of the Target Company by CRV Guangzhou, which include certain debts owing to some associates of CRC. The consideration for the equity transfer of about RMB141,139,000 should be paid in four installment as follows:</p> <ul style="list-style-type: none"> <li>(i) about RMB15,572,000 shall be payable within ten business days after the signing of the Equity Transfer Agreement;</li> <li>(ii) about RMB19,712,000 shall be payable within ten business days after the capital injection of the Target Company by the Seller has been completed and the Equity Transfer Agreement has been approved by the relevant governmental authority;</li> <li>(iii) about RMB49,399,000 shall be payable within ten business days after the following conditions, among other things, have been met: <ul style="list-style-type: none"> <li>- the relevant government authorities have approved CRV Guangzhou (or its designated affiliate) to develop the Property and agreed to extend the development period of the Property by the Target Company in a reasonable length of period; and</li> <li>- the change of business registration licence of the Target Company to reflect that CRV Guangzhou is the sole shareholder of the Target Company; and</li> </ul> </li> <li>(iv) about RMB56,456,000 shall be payable on the date when both parties have confirmed in writing that CRV Guangzhou has taken possession of all the relevant properties and documents of the Target Company from the Seller, unless both parties agree otherwise.</li> </ul>
Long-stop date:	In the event all the necessary approvals for the equity transfer cannot be obtained within eight months from the date of the Equity Transfer Agreement, CRV Guangzhou or the Seller is entitled to terminate such agreement. Within ten business days of such termination, the Seller shall return all the monies received by it or the Target Company from CRV Guangzhou together with interest accrued thereon to CRV Guangzhou.

## THE LOAN AGREEMENT

Date: 22 February 2010

Parties: (i) CR Supermarket, as lender;  
(ii) The Seller, as borrower;  
(iii) SZITIC (H.K.) Commercial Property Company Limited, as guarantor to assume joint responsibility to guarantee the repayment obligations of the Loan by the Seller; and  
(iv) CRV Guangzhou.

Details of the Loan: CR Supermarket will provide a loan in the principal amount of US\$5,600,000 (approximately HK\$43,680,000) to the Seller for the sole purpose of financing the capital injection of about RMB37,324,000, being the unpaid portion of the registered capital of the Target Company to be made by the Seller.

Repayment: The Seller has agreed to repay the Loan in full to CR Supermarket within 15 business days after CRV Guangzhou has made the third installment payment to the Seller in relation to the Acquisition as set out in the section headed “The Equity Transfer Agreement” in this announcement. If the Seller fails to repay the Loan in full within the foregoing deadline, CRV Guangzhou is entitled to withhold payment of the final installment being 40% of the consideration for the equity transfer until the Seller repays the Loan in full.

If the Seller is unable to complete the above-mentioned capital injection in accordance with the PRC rules and regulations, it should repay the Loan in full to CR Supermarket within ten business days after such result has been confirmed by the relevant government authorities. Further, if the capital injection cannot be completed, under any circumstances, the Seller should repay the Loan in full to CR Supermarket within 90 days after CR Supermarket has advanced the Loan to the Seller.

If the equity transfer under the Equity Transfer Agreement cannot be completed for whatever reasons after the capital injection has been made, the Seller should repay the Loan in full to CR Supermarket within ten business days after such result has been confirmed.

Compensation for breach of contract: If the Seller applies the proceeds from the Loan for any purpose other than that stipulated in the Loan Agreement or fails to repay the Loan in accordance with the terms of the Loan Agreement, CR Supermarket is entitled to demand immediate repayment of the Loan and to receive a compensation from the Seller calculated on a daily basis at 0.1% on the principal unpaid amount of the Loan. In addition, if the Seller deliberately fails to complete the entire capital injection of the Target

Company within eight months from the date of the Loan Agreement, it should pay RMB5,000,000 to each of CR Supermarket and CRV Guangzhou.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company was established in Hefei, Anhui Province in the PRC in 2005 with an operation term of 50 years. Its scope of business is property development. The principal asset of the Target Company is the Property with a site area of about 27,400 square meters, and part of the basement construction work of the Property has been completed.

Based on the audited financial statements of the Target Company prepared under generally accepted accounting principles in the PRC:

- (1) the net asset value of the Target Company as at 31 December 2008 amounted to approximately RMB80,586,000 (approximately HK\$91,868,000);
- (2) the net loss of the Target Company before and after taxation and extraordinary items for the year ended 31 December 2007 both amounted to approximately RMB1,670,000 (approximately HK\$1,904,000); and
- (3) the net loss of the Target Company before and after taxation and extraordinary items for the year ended 31 December 2008 both amounted to approximately RMB3,738,000 (approximately HK\$4,261,000).

Based on the unaudited management accounts of the Target Company prepared under generally accepted accounting principles in the PRC, the net loss of the Target Company before and after taxation and extraordinary items for the year ended 31 December 2009 both amounted to approximately RMB2,864,000 (approximately HK\$3,265,000).

## **REASONS FOR THE ACQUISITION AND THE PROVISION OF THE LOAN**

One of the three core consumer businesses of the Group is the operation of supermarket business in the Chinese Mainland and Hong Kong. At present, the Group has 34 stores in Hefei and only one of them is a hypermarket. After the Acquisition, CRV Guangzhou intends to construct a four-storey building on the site for the operation of a hypermarket. The Acquisition will strengthen the Group's market position in Hefei in particular the hypermarket segment and increase its competitiveness against other hypermarket operators in the city. In order to obtain approval from the relevant governmental authorities for the Equity Transfer Agreement, the Seller must first complete the capital injection of the unpaid portion of the registered capital of the Target Company. The Loan will be provided by the Group purely for financing such capital injection by the Seller in order to make the Acquisition effective under the PRC rules and regulations.

## **BASIS OF CONSIDERATION**

The total consideration of about RMB179,800,000 (approximately HK\$204,972,000) has been arrived at after taking into account of the unaudited net asset value of the Target Company of about RMB78,291,000 (approximately HK\$89,252,000) as at 31 October 2009 as adjusted by CRV Guangzhou, the amount of debts of the Target Company to be assumed by CRV Guangzhou, the capital injection of about RMB37,324,000 (approximately HK\$42,549,000) of the Target Company to be made by the Seller prior to completion of the Acquisition and the market value of the Property of RMB264,700,000 (approximately HK\$301,758,000) as at 25 November 2009 as appraised by an independent valuer. The Directors (including the independent non-executive Directors) consider the terms of the Equity Transfer Agreement and the Loan Agreement, which were reached based on arm's length negotiations, to be on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ABOUT THE COMPANY**

The Company is listed on the Main Board of the Stock Exchange, with business emphasis on consumer businesses in the Chinese Mainland and Hong Kong. The Group's core activities are retail, beverage, food processing and distribution and property investments.

## **GENERAL**

The Seller, the Guarantor and the Target Company are all associates of CRC and as such are connected persons of the Company. Therefore, the Acquisition, the assumption of debts of the Target Company by CRV Guangzhou and the provision of the Loan by the Group constitute connected transactions of the Company under the Listing Rules. When aggregated with the Previous Transactions, each of the applicable percentage ratios under Rule 14.07 of the Listing Rules is less than 2.5%, and thus the transactions contemplated under the Equity Transfer Agreement and the Loan Agreement are only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules.

## **DEFINITIONS**

“associate”	has the meaning ascribed thereto under the Listing Rules
“Acquisition”	the acquisition of the entire equity interest in the Target Company by CRV Guangzhou
“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
“CR Supermarket”	China Resources Supermarket (BVI) Company Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“CRV Guangzhou”	華潤萬家生活超市(廣州)有限公司 (China Resources

	Vanguard (Guangzhou) Superstore Co., Ltd.), a company incorporated in the PRC and a wholly-owned subsidiary of the Group
“CRC”	China Resources Co., Limited, a company incorporated in the PRC and is an intermediate holding company of the Company interested in about 51.4% of the Company’s issued share capital
“Directors”	directors of the Company
“Equity Transfer Agreement”	an equity transfer agreement dated 22 February 2010 entered into between CRV Guangzhou and the Seller relating to the Acquisition, details of which are set out in the section headed “The Equity Transfer Agreement” of this announcement
“Group”	the Company and its subsidiaries
“Guarantor”	SZITIC (H.K.) Commercial Property Company Limited, a company incorporated in Hong Kong which indirectly holds a 35% equity interest in the Target Company, and its nature of business is trading
“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
“Listing Rules”	Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Loan”	a loan in the principal amount of US\$5,600,000 to be lent by CR Supermarket to the Seller for the sole purpose of financing the capital injection of the unpaid portion of the registered capital of the Target Company to be made by the Seller
“Loan Agreement”	a loan agreement dated 22 February 2010 entered into among CR Supermarket, CRV Guangzhou, the Seller and the Guarantor relating to the Loan, details of which are set out in the section headed “The Loan Agreement” of this announcement
“PRC” or “Chinese Mainland”	People’s Republic of China
“Previous Transactions”	the acquisition of the entire equity interest of a property holding company in Hunan Province together with the provision of funds to such company by the Group which constituted connected transactions of the Company and were announced by the Company on 19 October 2009
“Property”	a parcel of commercial land together with the construction work in progress located at Changfeng Road West, Luyang District, Hefei City, Anhui Province in the PRC

“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Expert Cosmos Limited, a company established in Hong Kong and its nature of business is investment holding
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	合肥深國投商用置業有限公司 (Hefei Shen Guo Tou Commercial Property Co., Ltd.*), a company established in the PRC
“US\$”	the lawful currency of the United States of America

*Note: The figures in RMB are converted into HK\$ at the rate of RMB1:HK\$1.14 throughout this announcement for illustration purposes only. The figures in US\$ are converted into HK\$ at the rate of US\$1:HK\$7.8 throughout this announcement for illustration purposes only.*

*\* Names translated for reference purpose only in this announcement*

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

Perth, Australia, 22 February 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), Mr. Lau Pak Shing (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.*