

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

(1) ENTERING INTO THE LEASING FRAMEWORK AGREEMENT; AND (2) ENTERING INTO THE CONSTRUCTION FRAMEWORK AGREEMENT

(1) Leasing Framework Agreement

The Group (as tenant) 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 landlord). Moreover, the Group (as landlord) intends to lease some of its premises or any portion thereof (which may include retail premises and offices) to the CRH Group and its associates (as tenant) for the latter to carrying out their respective business activities in future. To the best knowledge and information of the directors of the Company, the major tenant from the CRH Group and its associates leasing premises from the Group will be CR Bank Group, which intends to set up automatic teller machines and banking facilities at the supermarkets or grocery stores of the Group. As such, the Leasing Framework Agreement has been entered into to govern these transactions for a period commencing from 1 January 2013 to 31 December 2015.

As CRH is the intermediate holding company of the Company, CRH is a connected person of the Company under the Listing Rules. Accordingly, the Leasing 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 Leasing Framework Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms the Leasing Framework Agreement (including the aggregate annual caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As each of the applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules in respect of each of the aggregate annual caps under the Leasing Framework Agreement, on an annual basis, is more than 0.1% but less than 5%, the continuing connected transactions under the Leasing Framework Agreement are only

subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

(2) Construction Framework Agreement

The Group has been, in its ordinary and usual course of business, granting construction, incidental design and construction management contracts, to CR Construction Group and its associates. As these construction transactions will continue, the Construction Framework Agreement has been entered into to govern these transactions for a period commencing from 1 January 2013 to 31 December 2015.

As CR Construction is a non-wholly owned subsidiary of CRNC which in turn is the ultimate holding company of the Company, CR Construction is an associate of a connected person of the Company under the Listing Rules. Accordingly, the Construction 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 Construction Framework Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms the Construction Framework Agreement (including the annual caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As each of the applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules in respect of each of the annual caps under the Construction Framework Agreement, on an annual basis, is more than 0.1% but less than 5%, the continuing connected transactions under the Construction Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

(1) LEASING FRAMEWORK AGREEMENT

Background

The Group (as tenant) 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 landlord) in the past few years. For details of similar leasing transactions, references are made to the announcement of the Company dated 20 September 2010. Moreover, the Group (as landlord) intends to lease some of its premises or any portion thereof (which may include retail premises and offices) to the CRH Group and its associates (as tenant) for the latter to carrying out their respective business activities in future. To the best knowledge and information of the directors of the Company, the major tenant from the CRH Group and its associates leasing premises from the Group will be CR Bank Group (principally engaged in banking business in the PRC), which intends to set up automatic teller machines and banking facilities at the supermarkets or grocery stores of the Group. As such, the Leasing Framework Agreement has been entered into to govern these transactions for a period commencing from 1 January 2013 to 31 December 2015.

The Leasing Framework Agreement

Date: 21 December 2012

Parties: The Company
CRH

Pursuant to the Leasing Framework Agreement entered into by the Company and CRH with a term commencing from 1 January 2013 to 31 December 2015, it was agreed, inter alia, that (i) the Group may lease various premises from CRH Group and its associates, and conversely, CRH Group and its associates may lease various premises from the Group; (ii) any tenancy agreements to be entered into between the CRH Group or its associates (no matter as landlord or tenant) and a member of the Group (no matter as landlord or tenant) should be on normal commercial terms; and (iii) 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 parties. In addition, each transaction to be entered into will be documented in a separate written agreement. For leasing of premises mainly used for retail or its incidental purposes between the Group (no matter as landlord or tenant) and CRH Group or its associates (no matter as landlord or tenant), the duration of the relevant lease(s) should not exceed twenty years. For leasing of premises not used for retail or its incidental purposes between the Group (no matter as landlord or tenant) and CRH Group or its associates (no matter as landlord or tenant), the duration of the relevant leases 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 Leasing 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 the agreement of continuing connected transactions not falling under Rule 14A.33 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 in relation to the term of the Leasing Framework Agreement which stipulates that there may be some tenancy agreements with a duration not exceeding twenty years if the relevant premises are leased between the Group (no matter as landlord or tenant) and CRH Group or its associates (no matter as landlord or tenant) for retail or its incidental purposes.

TC Capital has discussed with representatives of the Company and been advised that the main reasons for such long-term leases are as follows:

The Group as the tenant

(i) in the past decade, property prices have increased significantly in the PRC, particularly among prime retail locations, as the country experiences a boom in economic growth. This growth in economy and consequently the property prices, would mean that longer duration of the tenancy agreements of retail premises will not only effectively maintain rental expenses at a relatively steady level, but also significantly reduce the Group's exposure to the fluctuations of real estate rental market;

(ii) 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. As the premises occupied by the businesses of the Group are normally large in terms of space, the amount incurred for initial set up and renovation could be significant. Therefore, by minimizing the requirement to move and relocate to new retail spaces, the Group could save significant cost associated with setting up and renovation; and

(iii) 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. Maintaining presence in prime location is also a key strategy of the Group as it provides a boost to the Group's image.

The Group as the landlord

(i) the long duration of the tenancy agreements of retail premises will enable the Group to secure steady income from unused premises (or any portion thereof) for a relative long period of time;

(ii) to the best knowledge and information of the directors of the Company, the major tenant from the CRH Group and its associates leasing premises from the Group will be CR Bank Group, which intends to set up automatic teller machines and banking facilities at the supermarkets or grocery stores of the Group. Setting up these banking facilities usually involves a material input of resources from CR Bank Group, including but not limited to building the relevant telecommunications systems and security infrastructure, which the CR Bank Group would only commit if a longer tenancy period is available. Furthermore, having the convenience of banking facilities at supermarkets complement to the shoppers' activities is able to draw additional customers to the supermarkets of the Group; and

(iii) to a certain extent, the long duration of the tenancy agreements of retail premises will insulate the Group from the fluctuation of the market rental rates.

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 large retail stores 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 ten to twenty 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 Leasing 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 Leasing Framework Agreement, are in line with normal business practices for tenancy agreements of this type.

Reasons for entering into the Leasing Framework Agreement

The CRH Group is principally engaged in the businesses of consumer goods, power, real estate, cement, gas, medicine and finance, as well as other operations including healthcare, microelectronics, textiles, chemical products, compressors and overseas real estate. 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 leasing transactions in which the Group is a tenant contemplated under the Leasing Framework Agreement will enable the Group to secure a supply of the suitable premises for its business.

Other than leasing premises for its operations, the Group also owns some premises. However, due to the ever-changing business needs of the Group, some of the Group's own premises (or any portion thereof) may not be suitable for the Group's businesses. Instead of leaving such precious land resources being unused, the Group intends to lease such premises or any portion thereof to the CRH Group for the latter to carry out its business activities. From the Group's perspective, the leasing transactions in which the Group is a landlord contemplated under the Leasing Framework Agreement will better utilize the existing resources of the Group to generate revenue.

The payment terms of the transactions contemplated under the Leasing Framework Agreement will be set by the parties in accordance with market norms from time to time. The directors (including the independent non-executive directors) of the Company consider that the transactions to be carried out under the Leasing Framework Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Leasing Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The aggregate annual amounts charged by the CRH Group and its associates (as landlord) for the leasing transactions entered into with the Group (as tenant) for the two years ended 31 December 2011 and for the nine months ended 30 September 2012 were approximately HK\$68.4 million, HK\$69.7 million and HK\$54.6 million, respectively. The actual amounts of annual charges incurred for these historical periods are less than the estimated annual caps as announced on 20 September 2010, mainly because the proposed shops expansion plan of the Group's retail arm has not been implemented in full due to the relatively uncertain macro-economic environment in the PRC during recent years. Given there are various signs indicating that the Chinese economy is gradually improving at the moment, the Company is cautiously optimistic about the expansion plan of the Group and will set the proposed annual caps for the next three years at a higher level.

Proposed annual caps

The proposed annual caps for the leasing transactions under the Leasing Framework Agreement between the CRH Group and its associates (as landlord) and the Group (as tenant) for the three years ending 31 December 2015 are HK\$250.0 million, HK\$300.0 million and HK\$300.0 million, respectively.

The proposed annual caps for the leasing transactions under the Leasing Framework Agreement between the Group (as landlord) and the CRH Group or its associates (as tenant) for the three years ending 31 December 2015 are HK\$4.0 million, HK\$9.5 million and HK\$18.0 million, respectively.

Hence, the aggregate proposed annual caps (after adding the above two separate annual caps) under the Leasing Framework Agreement for the three years ending 31 December 2015 are HK\$254.0 million, HK\$309.5 million and HK\$318.0 million, respectively.

The proposed annual caps for the leasing transactions under the Leasing Framework Agreement between the Group (as tenant) and the CRH Group and its associates (as landlord) are determined, after arm's length negotiations between the parties, by reference to (i) the historical values and current market rate of similar 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 1 January 2013 to 31 December 2015; (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 proposed annual caps for the leasing transactions under the Leasing Framework Agreement between the Group (as landlord) and the CRH Group and its associates (as tenant) are determined, after arm's length negotiations between the parties, by reference to (i) the current market rate of similar transactions; (ii) the estimated increase in the leasing of the premises associated with the estimated expansion of the business activities of CRH Group and its associates from 1 January 2013 to 31 December 2015; (iii) the possible appreciation of Renminbi and (iv) the provision of buffer for possible further increases in business activities of CRH Group and its associates.

The directors (including the independent non-executive directors) of the Company consider that the proposed annual caps contemplated under the Leasing Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

General

As each of the applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules in respect of each of the aggregate annual caps under the Leasing Framework Agreement, on an annual basis, is more than 0.1% but less than 5%, the continuing connected transactions under the Leasing Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

It is noted that none of the directors of the Company has any material interest in the Leasing Framework Agreement, and none of them abstained from voting on the relevant board

resolutions approving the Leasing Framework Agreement and the transactions contemplated thereunder.

(2) CONSTRUCTION FRAMEWORK AGREEMENT

Background

The Group has been, in its ordinary and usual course of business, granting construction, incidental design and construction management contracts, to CR Construction Group and its associates in the past few years. For details of similar construction transactions, references are made to the announcements of the Company dated 6 July 2010 and 1 August 2011. As these construction transactions will continue, the Construction Framework Agreement has been entered into to govern these transactions for a period commencing from 1 January 2013 to 31 December 2015.

The Construction Framework Agreement

Date: 21 December 2012

Parties: The Company
CR Construction

Pursuant to the Construction Framework Agreement entered into by the Company and CR Construction with a term commencing from 1 January 2013 to 31 December 2015, it was agreed, inter alia, that any construction, incidental design and construction management services to be provided by CR Construction 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 parties. In addition, each transaction to be entered into will be documented in a separate written agreement with a duration not exceeding three years.

Relationship between CR Construction and the Company

As CR Construction is a non-wholly owned subsidiary of CRNC which in turn is the ultimate holding company of the Company, CR Construction is an associate of a connected person of the Company under the Listing Rules. Accordingly, the Construction Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

Reasons for entering into the Construction Framework Agreement

The Group is principally engaged in retail, beer, food and beverage businesses. CR Construction is principally engaged in the provision of various construction services and sales of construction materials. The transactions contemplated under the Construction Framework Agreement will enable the Group to have a sizeable construction service provider. The payment terms and the credit terms of the transactions contemplated under the Construction Framework Agreement will be set by the parties in accordance with market norms from time to time. The directors (including the independent non-executive directors) of the Company

consider that the transactions to be carried out under the Construction Framework Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms and the terms of the Construction Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The charges of provision of construction, incidental design and construction management services by CR Construction and its associates to the Group for the two years ended 31 December 2011 and for the nine months ended 30 September 2012 were approximately HK\$3.2 million, HK\$397.5 million and HK\$29.7 million, respectively. The actual amounts of annual charges incurred for these historical periods are less than the estimated annual caps as announced on 6 July 2010 and revised on 1 August 2012, mainly because the proposed shops expansion plan of the Group's retail arm has not been implemented in full due to the relatively uncertain macro-economic environment in the PRC. Given there are various signs indicating that the Chinese economy is gradually improving at the moment, the Company is cautiously optimistic about the expansion plan of the Group and will set the proposed annual caps for the next three years at a higher level.

Proposed annual caps

The proposed annual caps for the charges of the provision of construction, incidental design and construction management services by CR Construction and its associates to the Group for the three years ending 31 December 2015 are HK\$450.0 million, HK\$800.0 million and HK\$550.0 million, respectively.

The proposed annual caps are determined, after arm's length negotiations between the parties, by reference to (i) the historical values of the relevant transactions; (ii) the estimated construction, incidental design and construction management services in connection with the estimated increase in the purchase of properties associated with the estimated business expansion of the Group from 1 January 2013 to 31 December 2015; (iii) the possible appreciation of Renminbi; (iv) the fluctuation in prices of the construction, incidental design and construction management services; and (v) the provision of buffer for possible further increases in businesses. For the year ending 31 December 2014, the proposed annual cap is higher because the year 2014 is expected to be the peak period of the construction works of two active projects being undertaken by the Group. The directors (including the independent non-executive directors) of the Company consider that the proposed annual caps contemplated under the Construction Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

General

As each of the applicable percentage ratios (other than the profits ratio) set out in Rule 14.07 of the Listing Rules in respect of each of the annual caps under the Construction Framework Agreement, on an annual basis, is more than 0.1% but less than 5%, the continuing connected transactions under the Construction Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

It is noted that none of the directors of the Company has any material interest in the Construction Framework Agreement, and none of them abstained from voting on the relevant

board resolutions approving the Construction Framework Agreement and the transactions contemplated thereunder.

INFORMATION ABOUT THE COMPANY

The Company is a company listed on the Main Board of the Stock Exchange with business emphasis on consumer businesses in the PRC and Hong Kong. The core businesses are namely retail, beer, food and beverage.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Company”	means China Resources Enterprise, Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 291);
“connected person”	has the meaning ascribed to it in the Listing Rules;
“CRH”	means China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the intermediate holding company of the Company;
“CRH Group”	means CRH and its subsidiaries (but excluding the Group and its associates);
“CR Bank”	means 珠海華潤銀行股份有限公司 (China Resources Bank of Zhuhai Co., Ltd.*), a company established in the PRC with limited liability, a non-wholly-owned subsidiary of CRNC and an associate of CRH;
“CR Bank Group”	means CR Bank and its subsidiaries;
“CR Construction”	means 華潤建築有限公司 (China Resources Construction Corp.*), a company established in the PRC with limited liability and a non-wholly-owned subsidiary of CRNC;
“CR Construction Group”	means CR Construction and its subsidiaries
“CRNC”	means 中國華潤總公司 (China Resources National Corporation*), a state-owned enterprise established in the PRC and the ultimate holding company of the Company;
“Construction Framework Agreement”	means the construction framework agreement dated 21 December 2012 entered into between the Company and CR Construction in relation to the provision of construction, incidental design and construction management services by CR Construction and its associates to the Group;

“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Leasing Framework Agreement”	means the leasing framework agreement dated 21 December 2012 entered into between the Company and CRH in relation to leasing of the premises between the Group on one hand and the CRH Group and its associates on the other hand;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	means the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“TC Capital”	means TC Capital Asia Limited, a licensed corporation under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), to carry out types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the independent financial adviser advising the terms of the Leasing Framework Agreement.

** for identification purposes only*

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

Hong Kong, 21 December 2012

As at the date of this announcement, the Executive Directors of the Company are Mr. Chen Lang (Chairman), Mr. Hong Jie (Chief Executive Officer), Mr. Liu Hongji (Vice Chairman) and Mr. Lai Ni Hium, Frank (Chief Financial Officer). The Non-executive Directors are Mr. Du Wenmin, Mr. Yan Biao, Mr. Wei Bin, Mr. Huang Daoguo and Mr. Chen Ying. The Independent Non-executive Directors are Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.