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

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 291)

## CONTINUING CONNECTED TRANSACTIONS

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

Financial Adviser

ANGLO CHINESE 英高  
CORPORATE FINANCE, LIMITED

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



PLATINUM  
Securities

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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 22nd December, 2010 at 9:00 a.m. is set out on pages 33 to 34 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 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
“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
“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
“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

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## DEFINITIONS

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“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 Micro”	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
“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
“Fab2”	CSMC Asia Limited, an unlisted joint venture owned as to 81% and 19% by CRH and CR Micro respectively, that together with its subsidiaries are primarily engaged in 8-inch wafer fabrication

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## DEFINITIONS

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“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 and for the purpose of this circular 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)
“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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# 華潤創業有限公司 China Resources Enterprise, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

*Executive directors:*

Mr. Qiao Shibo (*Chairman*)  
Mr. Chen Lang (*Chief Executive Officer*)  
Mr. Lai Ni Hium (*Chief Financial Officer  
and Company Secretary*)

*Registered office:*

39/F, China Resources Building  
26 Harbour Road,  
Wanchai,  
Hong Kong

*Non-executive directors:*

Mr. Yan Biao  
Mr. Du Wenmin  
Mr. Shi Shanbo  
Mr. Wei Bin  
Dr. Zhang Haipeng

*Independent non-executive directors:*

Dr. Chan Po Fun, Peter  
Mr. Houang Tai Ninh  
Dr. Li Ka Cheung, Eric  
Dr. Cheng Mo Chi  
Mr. Bernard Charnwut Chan  
Mr. Siu Kwing Chue, Gordon

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 Platinum Securities Company 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. It is anticipated that the Company will be the largest lender under these arrangements. With its focus on the business of fast-moving consumer goods, the Company's cash generation cycle and capital investment requirement differs from the other China Resources Group listed companies which are more capital intensive. Further given the proportion of its business represented by retailing, the Company also experiences large periodic cash inflows through its customers' purchases of vouchers and gift tokens in advance of major festivals and holidays. The aim of obtaining a materially higher interest rate on these seasonal increases in its liquidity has prompted the Company, in particular, to promote the proposals.

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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 approximately 10% 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>
<b>30th June, 2010</b>			<b>balances as at</b>	<b>excluding the</b>
<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<b>30th June, 2010</b>	<b>profit ratio</b>
<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>%</i>
6,000.0	6,600.0	7,200.0	14,342.0	11.2%

### 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

### 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.

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## LETTER FROM THE BOARD

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### 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 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;
- 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;

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## LETTER FROM THE BOARD

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- 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 final 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.

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**

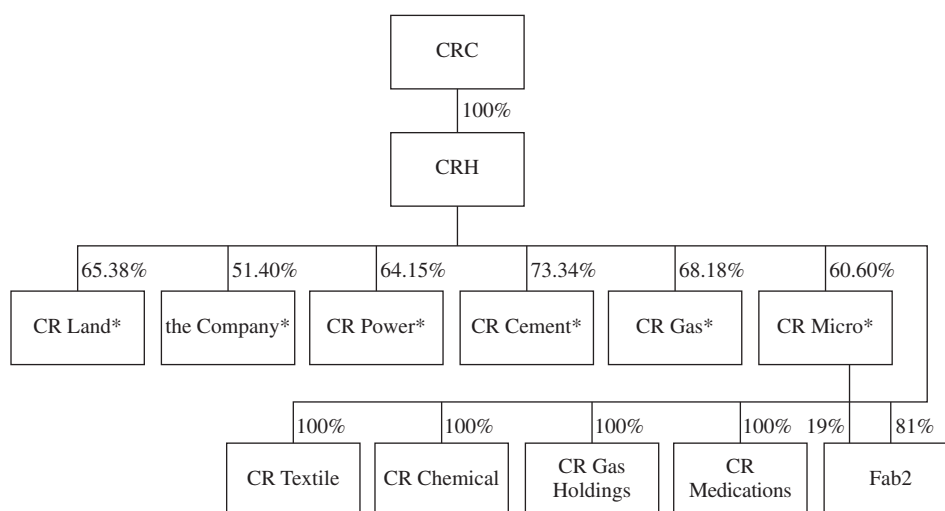
By virtue of CRC being the controlling shareholder of the China Resources Group listed and unlisted companies, they are connected persons to each of the China Resources Group listed companies as defined under the Listing Rules.

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## LETTER FROM THE BOARD

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



\* company listed on the Stock Exchange

### The Company

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

### 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.

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## LETTER FROM THE BOARD

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### **CR Land**

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

### **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.

### **CR Micro**

CR Micro, 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.

## **EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT**

The EGM will be convened at 4/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 22nd December, 2010 at 9:00 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 pages 33 to 34 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 51.40% 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 registered office at 39th Floor, 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.

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## LETTER FROM THE BOARD

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### 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 corresponding 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 Enterprise, Limited**  
**LAI Ni Hium**  
*Executive Director,*  
*Chief Financial Officer and Company Secretary*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

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, Platinum Securities Company 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 4 to 14 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 16 to 24 of the Circular which contains the advice from Platinum Securities Company 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 of  
**China Resources Enterprise, Limited**

**Dr. Chan Po Fun, Peter**

**Mr. Houang Tai Ninh**

**Dr. Li Ka Cheung, Eric**

**Dr. Cheng Mo Chi**

**Mr. Bernard Charnwut Chan**

**Mr. Siu Kwing Chue, Gordon**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice from the independent financial adviser to the independent board committee and the independent shareholders of the Company for the purpose of incorporation into this circular.*



**PLATINUM** Securities Company Limited

22/F Standard Chartered Bank Building  
4 Des Voeux Road Central  
Hong Kong

Telephone (852) 2841 7000  
Facsimile (852) 2522 2700  
Website [www.platinum-asia.com](http://www.platinum-asia.com)

6 December 2010

*To the independent board committee and the independent shareholders of the Company*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

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

#### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the independent board committee of the Company (the “Independent Board Committee”) and the independent shareholders of the Company (the “Independent Shareholders”) in relation to the non-exempt continuing connected transactions contemplated under the Master Lending Agreements (the “Transactions”). Details of the Transactions are contained in the letter from the Board as set out in the circular of the Company dated 6 December 2010 (the “Circular”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the independent financial adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Company and the shareholders of the Company (the “Shareholders”) as a whole and as to whether the Independent Shareholders should vote in favour of the Transactions at the EGM.

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things: annual reports of the Group for the financial years ended 31 December 2006 to 2009 and interim report of the Group for the six months ended 30 June 2010.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Company and/or the directors of the Company (the “Directors”) which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Transactions.

The Independent Board Committee, comprising 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, has been established to advise the Independent Shareholders in relation to the Transactions.

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

Based on our discussion with the management of the Company, we understand that for some time before the proposal of the Transactions, the Board has been considering different ways to optimise the investment return on the Group’s surplus cash. The Directors are of the view that the Transactions present a good opportunity for the Group to achieve this purpose and are in line with the Group’s long-term strategy to enhance its surplus cash management.

#### **1. Background of the Transactions**

On 22 November 2010, the Company jointly announced with other China Resources Group listed companies the proposal to enter into the Master Lending Agreements, which will enable each China Resources Group listed company, including the Company, 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. Please refer to pages 5 to 8 of the Circular for detailed terms of the Master Lending Agreements.

#### **2. Reasons for and benefits of the Transactions**

We believe that the Transactions would bring a number of benefits to the Group as follows.

- (1) As a potential lender under the Transactions, the Group could earn the relevant lending rates on its surplus cash, which we understand from the management of the Company, are higher than the deposit rates it would otherwise have earned from depositing the surplus cash with banks. The Transactions only provide a framework arrangement for the China Resources Group companies to borrow from each other rather than imposing a compulsory obligation on them to borrow, and any lending decision under the Transactions is at the sole discretion of the lender. If there are

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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other investment opportunities available to the Group that have the potential of earning an even higher return, the Group is free to pursue such investment opportunities as it has the sole discretion to decide whether to lend or not. Furthermore, we note that the loans under the Transactions are only short-term loans with a maximum tenure of six months and the Group can demand an early repayment of any outstanding loans it has advanced to other China Resources Group companies by giving ten business days' written notice.

- (2) Conversely, as a potential borrower under the Transactions, the Transactions could offer an additional financial option to the Group when capital is required, thereby increasing its financial flexibility.
- (3) The Transactions can potentially improve the earnings of the Group because the Group may lend out its surplus cash to other China Resources Group companies at a rate higher than it may earn on deposits, and it may potentially borrow at a lower rate from other China Resources Group companies rather than from other financing sources.

Although the core businesses of the Group are retail, beer, beverage and food processing and distribution, given that the Transactions would bring the above benefits to the Group, we are of the view that even though the Transactions are not in the ordinary and usual course of business of the Group, they are nevertheless in the interests of the Shareholders and the Company as a whole.

### **3. Basis of consideration**

#### *Hong Kong and United States dollar advances*

Under the Hong Kong and United States Dollar Master Loan Agreement, interest rates for Hong Kong and United States dollar advances will be either HIBOR or LIBOR (as the case may be) that corresponds to the term of the loan plus a margin that must not be negative and the interest rates shall not be less than the higher of the applicable rate at which CRH or a corporate borrower of similar standing is able to borrow and the deposit rate which the lender could have obtained.

In assessing the basis of consideration under the Hong Kong and United States Dollar Master Loan Agreement, we have assessed what the Group would have charged if it were to lend to other independent third parties rather than to other China Resources Group companies. We believe that the interest rates which other independent third parties are commonly paying for Hong Kong dollar and United States dollar loans would be a useful reference for what the Group could have charged, given that the Group currently has not lent to other independent third parties. From our observations, we note that it is common for companies in Hong Kong to borrow at either HIBOR or LIBOR (as the case may be) plus a margin, which varies from company to company depending on a number of factors, including its default risk, credit rating, gearing ratio and loan purpose etc. By way of example, Table 1 below shows the interest rates of bank loans which some of the Hong Kong listed companies from various industries are paying or have paid as reported in their latest annual reports.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Table 1: Interest rates for other Hong Kong listed companies**

<b>Company</b>	<b>Interest rates</b>
<i>Hong Kong dollar loans</i>	
Air China Limited	HIBOR plus 0.45% to 0.85%
Shui On Land Limited	HIBOR plus 2% to 4.5%
I.T Limited	HIBOR plus 1.3% to 1.6%
<i>United States dollar loans</i>	
Shui On Land Limited	LIBOR plus 0% to 2.5%
United Company RUSAL Plc	LIBOR plus 7%
Wynn Macau, Limited	LIBOR plus 1.75%

*Sources: Latest annual reports of the respective companies.*

Given that it is common for banks to charge interest rates based on the relevant HIBOR or LIBOR (as the case may be), we believe that it is fair and reasonable for the Group to charge other China Resources Group companies on this basis. As discussed above, the margins which banks would charge different companies would vary depending on a number of factors including the its default risk, credit rating, gearing ratio and loan purpose etc. Since CRH is the guarantor for the Hong Kong and United States Dollar Master Loan Agreement, we are of the view that it is reasonable to determine the interest rate with reference to the rate at which CRH or a corporate borrower of similar standing is able to borrow.

As a potential borrower under the Hong Kong and United States Dollar Master Loan Agreement, although the Group normally borrows at a rate that reflects its own credit rating rather than that of CRH, given that the Transactions only provide a framework in which the Group can borrow from other China Resources Group companies rather than being actual loans, the Group is free to compare whether the Transactions or other financing sources offer more favourable lending rates. Therefore, although the margin applicable to CRH may differ from that applicable to the Group from time to time, which means that the Group may or may not be able to borrow at a lower interest rate through the Transactions as compared to its other financing sources, the Group can compare the interest rates first before borrowing. Based on our discussion with the management of the Company, we understand that in line with normal business practice, the Group has always tried to minimise borrowing costs by comparing the interest rates offered by different financing sources before taking out a loan and that it will continue to do so in the future. Therefore, we are of the view that the basis of consideration of the Hong Kong and United States Dollar Master Loan Agreement to the Group as a borrower is fair and reasonable.

### ***RMB advances***

Under the RMB Master Loan Agreement, interest rates for RMB loans will be the relevant lending rate as permitted by the PBOC which shall not be less than 95% of the rate at which CRC or a corporate borrower of similar standing is able to borrow in RMB in such amount from a bank or a financial

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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institution for the relevant period and shall not be less than the deposit rate at which the lender could have obtained from a bank or a financial institution for such relevant amount and period. We understand that direct lending between corporations is not permitted under PRC regulations and therefore, any lending under the RMB Master Loan Agreement would be effected through an entrusted loan facility offered by a bank, the cost of which will be borne by the borrower.

As a potential lender under the RMB Master Loan Agreement, we note that lending rates are regulated in the PRC and all bank lending must be based on the interest rates set by the PBOC applicable to the borrower in accordance with its credit rating. Although the PBOC regulated rates do not apply to loans between non-bank institutions through entrusted loan arrangements, we believe that the interest rates offered by banks would represent the market interest rates and would therefore be a reasonable benchmark to determine the interest rates under the Transactions. Hence, assuming the Group is to lend RMB to other independent third parties in the PRC, if it were to charge market rates, the interest rates are likely to be based on the PBOC regulated rates. Therefore, we are of the view that it is fair and reasonable for interest rates under the RMB Master Loan Agreement to be based on the relevant lending rate as permitted by the PBOC. Since CRC is the guarantor for the RMB Master Loan Agreement, we are of the view that it is reasonable to use interest rates that are applicable to CRC or a corporate borrower of similar standing as a basis.

As a potential borrower under the RMB Master Loan Agreement, as with the Hong Kong and United States Dollar Master Loan Agreement, the Group is free to compare whether the Transactions or other financing sources offer more favourable lending rates. Therefore, we are of the view that the basis of consideration of the RMB Master Loan Agreement to the Group as a borrower is fair and reasonable.

#### **4. Other terms of the Transactions**

##### *Guarantee*

All advances will be guaranteed unconditionally and irrevocably by at least either CRC or CRH, depending on the currency of the advance and in the case of a Hong Kong dollar or United States dollar advance to a subsidiary of a China Resources Group listed company, the advance will also be guaranteed by that company's listed holding company. We note that it is common for bank loans to require guarantees. In addition, as a potential lender under the Transactions, the guarantees would give more protection to the Group's interest. Where the Company's subsidiary is a borrower under the Transactions and the Company would need to provide guarantee, we understand from the management of the Company that this is in line with the Company's current practice whereby the Company has provided guarantees to loans taken out by its subsidiaries in the past, if it is requested by the lender. Therefore, we are of the view that it is fair and reasonable for the Transactions to provide for guarantees.

##### *Early repayment*

Under the Transactions, all advances under the Master Lending Agreements will be repayable on either the borrower or lender giving ten business days' written notice. Based on our discussion with the management of the Company, we understand that under the Group's existing bank loan facilities, the lenders have no right to demand the Company for early repayment unless the Company is in default or the advances are made under the uncommitted general banking facility within 12 months.

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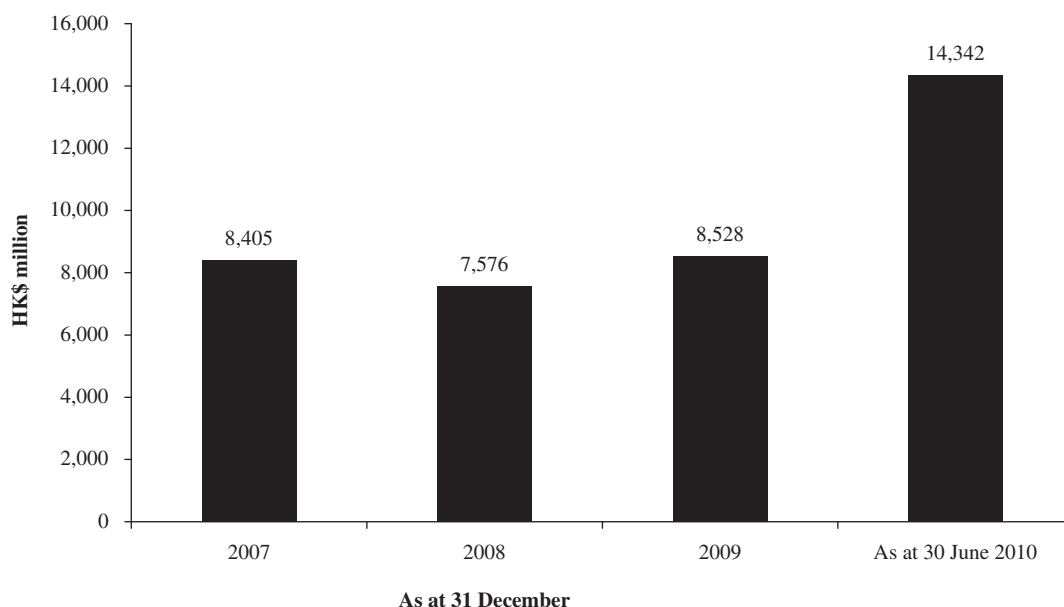
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As a potential lender under the Transactions, the early repayment clause enables the Group to call back its lending when it needs capital, thereby increasing the financial flexibility of the Group. As CRH or CRC (as the case may be) will act as the guarantor on all lending under the Transactions and in view of CRC's AAA credit rating based on information provided by the China Central Depository & Clearing Company Limited, a PRC Government body, we believe that the chances of the borrower defaulting are likely to be quite low.

As a potential borrower under the Transactions, this clause may add uncertainty to the Group's financing because any loans it has borrowed under the Transactions may need to be repaid upon a short notice. However, we note that the Group is in a strong net cash position, with net cash (excluding pledged bank deposits) of approximately HK\$2,874 million as at 30 June 2010, which is almost 40% of the maximum amount that the Group could borrow during the term of the Transactions (i.e. the highest annual cap during the term of the Transactions, which is HK\$7,200 million for the year ending 31 December 2013). We have also analysed the cash position of the Company in Table 2 below.

**Table 2: Consolidated cash and bank balances (excluding pledged bank deposits) of the Group**



Sources: *Financial statements of the Group.*

As illustrated in Table 2 above, the amount of consolidated cash and bank balances (excluding pledged bank deposits) of the Group as at 31 December 2007, 2008 and 2009 ranged from approximately HK\$7,576 million to approximately HK\$8,528 million, with an average of approximately HK\$8,170 million. The cash position of the Group further improved in the first half of 2010 and increased to approximately HK\$14,342 million as at 30 June 2010, which is significantly higher than the average. Therefore, we believe that the Group is in a strong cash position to repay such loans should they be called.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, we note that the Group stands in a strong position to borrow from other means. Based on information provided by the Company, we understand that the Group has more than 10 lenders for Hong Kong dollar and United States dollar loans; and at least 6 lenders for RMB loans.

Furthermore, we note that approximately 50% of the Group's turnover was generated from its retail business segment, which is typically a business with strong cash flow. We note that except for the financial year ended 31 December 2008, the Group had had a positive net cash inflow for the last 5 financial years to 31 December 2009. Based on our discussion with the management of the Company, we also understand that the Group's treasurer would regularly monitor the cash balance of the Group. Furthermore, in addition to an annual review of the annual caps under the Transactions by the Independent Board Committee and auditors of the Company as required under the Listing Rules, the Company will also voluntarily disclose details of any intra-group lending with other China Resources Group companies in its interim and annual reports to improve the transparency of the Transactions. In light of the above, we believe that the Group should be in a strong position to meet the early repayment clause should its loans be called and such early repayment is unlikely to have a significant negative impact on the liquidity of the Group. As such, although the Group does not normally have such early repayment clause in its existing bank loans, we are of the view that this clause is acceptable.

### 5. The annual caps

We set out below a comparison of the annual caps for the Transactions against the cash position of the Group.

**Table 3: Annual caps analysis**

	<b>For the year ending 31 December</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Annual cap	6,000	6,600	7,200
Annual cap as a percentage of the average consolidated cash and bank balances (excluding pledged bank deposits) of the Group for the last three financial years ended 31 December 2009	73%	81%	88%
Annual cap as a percentage of the consolidated cash and bank balances (excluding pledged bank deposits) of the Group as at 30 June 2010	42%	46%	50%
Consolidated cash and bank balances (excluding pledged bank deposits) of the Group as at 30 June 2010 if the entire annual cap amount has been lent out by the Group	8,342	7,742	7,142

*Sources: Letter from the Board in the Circular and financial statements of the Group.*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the table above, the annual caps of the Transactions represent around 73% to 88% of the Group's 3-year average consolidated cash and bank balances (excluding pledged bank deposits) and approximately 42% to 50% of the consolidated cash and bank balances (excluding pledged bank deposits) of the Group as at 30 June 2010. As at 30 June 2010, the Group has consolidated cash and bank balances (excluding pledged bank deposits) of approximately HK\$14,342 million and net cash (excluding pledged bank deposits) of approximately HK\$2,874 million.

Based on our discussion with the management of the Company, we understand that the estimated amount of working capital that the Group may require for the coming years will be approximately HK\$3,500 million. Even after deducting the entire annual caps, the Group would still have approximately HK\$8,342 million to HK\$7,142 million of cash, which is substantially higher than the amount of working capital needed. Therefore, we are of the view that any lending under the Transactions is unlikely to have a negative impact on the liquidity of the Group as it has ample financial resources to meet its working capital needs. To the contrary, the Transactions provide an additional financing option to fund short-term capital needs.

We note that the annual caps have an annual increase of approximately 9% to 10% throughout the term of the Transactions. As a potential lender under the Transactions, we have assessed whether the Group has the ability to support the increase in potential lending having regard to its own business growth by using historical revenue growth as a reference. In this regard, we note that turnover of the Group from continuing operations increased by approximately 27% and 12% in the financial years ended 31 December 2008 and 2009, respectively. In the six months ended 30 June 2010, it rose further by approximately 32% on a year-on-year basis. As the business growth of the Group is substantially higher than the annual increases in the annual caps, we are of the view that the Group is likely to have the financial capacity to sustain such increases in potential lending. As discussed earlier in the section headed "Reasons for and benefits of the Transactions", if the Group has other uses for its surplus cash, it is free to pursue such other opportunities as it is not under any obligation to lend and all advances under the Transactions are only short-term in nature, with an early repayment clause by giving ten business days' written notice. Therefore, we are of the view that the increases in the annual caps are fair and reasonable.

### RECOMMENDATION

Having considered the above, we are of the view that:

1. the Transactions would provide a framework which enables the Group to achieve its long-term strategy of optimising its investment return on surplus cash;
2. although the Transactions are not in the ordinary and usual course of business of the Group, they would nevertheless offer a number of benefits to the Group both as a lender and borrower under the Transactions, which include potentially improving its earnings and increasing its financial flexibility;
3. as a potential lender under the Transactions, the basis of lending rates which the Group can charge is fair and reasonable; whilst as a potential borrower under the Transactions, as the Group is not under any obligation to borrow from other China Resources Group companies, it can freely compare whether it is more favourable to borrow under the Transactions as compared to other financial sources before any borrowing is made;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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4. the guarantee provided under the Transactions would protect the Group's interest as a lender; whilst it is fair and reasonable for the Company to act as the guarantor for its subsidiaries for any borrowing under the Transactions as the Company had also given guarantee to the loans of its subsidiaries in the past, which is a common term in loan agreements;
5. the early repayment clause is to the Group's advantage as a potential lender under the Transactions; although the Group's existing loans do not contain such clause, we believe that the Group, should it be a borrower from other China Resources Group companies, is in a strong position to meet any early repayment given that it is in a strong cash position with net cash, should be able to borrow from other means relatively easily and is engaged in a high cash flow business; and
6. the annual caps for the Transactions are fair and reasonable given that any lending under the Transactions is unlikely to have a negative impact on the liquidity of the Group as it has ample financial resources to meet its working capital needs; whilst any borrowing under the Transactions would provide an additional financing option to the Group to fund its short term capital needs.

As such, we are of the opinion that the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and the annual caps for the Transactions are fair and reasonable.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Transactions to be proposed at the EGM.

Yours faithfully,  
For and on behalf of

**Platinum Securities Company Limited**

**Ian Ramsay**

*Director and Head of Corporate Finance*

**Lenny Li**

*Director of Corporate Finance*

## 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

As at the Latest Practicable Date, the interests and short positions, if any, of each director and chief executive of the Company in any shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were 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 interests and short positions which the directors and chief executives of the Company were taken or deemed to have 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 Companies were as follows:

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

Name of director	Long position/ Short position	Number of shares	Number of underlying shares <sup>1</sup>	Aggregate percentage of interest <sup>3</sup> (%)
Qiao Shibo	Long position	1,120,000	—	0.05
Chen Lang	Long position	500,000	—	0.02
Lai Ni Hium	Long position	110,000	—	0.01
Yan Biao	Long position	500,000	—	0.02
Du Wenmin	Long position	100,000	—	0.01
Chan Po Fun, Peter	Long position	336,000	200,000 <sup>2</sup>	0.03
	Long position	170,000 <sup>4</sup>	—	—
Houang Tai Ninh	Long position	—	200,000 <sup>2</sup>	0.01
Li Ka Cheung, Eric	Long position	—	200,000 <sup>2</sup>	0.01

*Notes:*

- This refers to underlying shares of the Company covered by share options granted, such options being unlisted physically settled equity derivatives

2. Options are exercisable from 2nd June, 2004 to 1st June, 2014. Consideration for the grant is HK\$1.00.
3. This represents the percentage of the aggregate long positions in shares and underlying shares of the Company to the total issued share capital of the Company as at the Latest Practicable Date.
4. Such interest is held by a company of which Dr. Chan Po Fun, Peter is interested in 88.25% of its issued share capital.
5. Save as otherwise specified under note 4, interests disclosed hereunder are being held by each director of the Company in his capacity as beneficial owner.

**(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, CR Land:*

Name of director	Long position/ Short position	Number of shares	Number of share options outstanding <sup>1</sup>	Exercise price (HK\$)	Date of grant	Aggregate percentage of interest <sup>3</sup> (%)
Qiao Shibo	Long position	700,000	—	—	—	0.01
Lai Ni Hium	Long position	10,000	—	—	—	0.01
Yan Biao	Long position	1,992,000	—	—	—	0.04
Du Wenmin	Long position	790,000	250,000	1.230	01/06/2005 <sup>2</sup>	0.02
Shi Shanbo	Long position	140,000	—	—	—	0.01

*Notes:*

1. The number of share options refers to the number of underlying shares of CR Land covered by the share options.
2. Options are vested in four tranches and exercisable over a period from 1st June, 2006, 2007, 2008 and 2009, respectively to 31st May, 2015. Consideration for the grant is HK\$1.00.
3. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Land to the total issued share capital of CR Land as at the Latest Practicable Date.
4. All interests disclosed above are being held by each director of the Company in his capacity as beneficial owner.

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

Name of director	Long position/ Short position	Number of shares	Number of share options outstanding <sup>1</sup>	Exercise price (HK\$)	Date of grant	Aggregate percentage of interest <sup>2</sup> (%)
Qiao Shibo	Long position	400,000	—	—	—	0.02
Lai Ni Hium	Long position	10,000	—	—	—	0.01
Du Wenmin	Long position	54,000	—	—	—	0.01
Shi Shanbo	Long position	50,000	—	—	—	0.01

*Notes:*

1. The number of share options refers to the number of underlying shares of CR Gas covered by the share options.
2. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Gas to the total issued share capital of CR Gas as the Latest Practicable Date.
3. All interests disclosed above are being held by each director of the Company in his capacity as beneficial owner.

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

Name of director	Long position/ Short position	Number of shares	Number of share options outstanding <sup>1</sup>	Exercise price (HK\$)	Date of grant	Aggregate percentage of interest <sup>6</sup> (%)
Qiao Shibo	Long position	888,000 <sup>7</sup>	122,160	2.750	12/11/2003 <sup>2</sup>	0.03
	Long position	—	203,600	3.919	18/03/2005 <sup>3</sup>	—
Chen Lang	Long position	305,400 <sup>8</sup>	152,700 <sup>8</sup>	4.641	18/11/2005 <sup>4</sup>	0.01
	Long position	—	203,600 <sup>8</sup>	6.924	05/09/2006 <sup>5</sup>	—
Lai Ni Hium	Long position	10,000	—	—	—	0.01
Yan Biao	Long position	—	244,320	2.750	12/11/2003 <sup>2</sup>	0.01
	Long position	—	325,760	3.919	18/03/2005 <sup>3</sup>	—
Du Wenmin	Long position	297,000	183,240	2.750	12/11/2003 <sup>2</sup>	0.01
Shi Shanbo	Long position	500,000	—	—	—	0.01

*Notes:*

1. The number of share options refers to the number of underlying shares of CR Power covered by the share options.
2. Options are vested in five tranches of 20% each on each anniversary of the date of grant commencing from the first anniversary of the date of grant. All options expire on 6th October, 2013. Consideration for each of the grants mentioned above is HK\$1.00.
3. Options are vested in five tranches of 20% each on each anniversary of the date of grant commencing from the first anniversary of the date of grant. All options expire on 18th March, 2015. Consideration for each of the grants mentioned above is HK\$1.00.
4. Options are vested in five tranches of 20% each on each anniversary of the date of grant commencing from the first anniversary of the date of grant. All options expire on 18th November, 2015. Consideration for each of the grants mentioned above is HK\$1.00.
5. Options are vested in five tranches of 20% each on each anniversary of the date of grant commencing from the first anniversary of the date of grant. All options expire on 5th September, 2016. Consideration for each of the grants mentioned above is HK\$1.00.
6. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Power to the total issued share capital of CR Power as at the Latest Practicable Date.
7. Mr. Qiao Shibo was deemed to be interested in 30,000 shares through interests of his spouse.
8. Mr. Chen Lang was deemed to be interested in 305,400 shares and 356,300 underlying shares through interests of his spouse.
9. Save as otherwise specified under notes 7 and 8, all interests disclosed above are being held by each director of the Company in his capacity as beneficial owner.

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

Name of director	Long position/ Short position	Number of shares	Number of share options outstanding <sup>1</sup>	Exercise price (HK\$)	Date of grant	Aggregate percentage of interest <sup>2</sup> (%)
Lai Ni Hium	Long position	14,650,605	—	—	—	0.17
Du Wenmin	Long position	1,458,000	—	—	—	0.02

*Notes:*

1. The number of share options refers to the number of underlying shares of CR Micro covered by the share options.
2. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Micro to the total issued share capital of CR Micro as at the Latest Practicable Date.
3. All interests disclosed above are being held by each director of the Company in his capacity as beneficial owner.

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

Name of director	Long position/ Short position	Number of shares	Number of share options outstanding <sup>1</sup>	Exercise price (HK\$)	Date of grant	Aggregate percentage of interest <sup>2</sup> (%)
Lai Ni Hium	Long position	40,000	—	—	—	0.01
Shi Shanbo	Long position	280,000	—	—	—	0.01

*Notes:*

- 1 The number of share options refers to the number of underlying shares of CR Cement covered by the share options.
- 2 This represents the percentage of the aggregate long positions in shares and underlying shares of CR Cement to the total issued share capital of CR Cement as at the Latest Practicable Date.
- 3 All interests disclosed above are being held by each director of the Company in his capacity as beneficial owner.

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

So far as was known to any director or chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of interested party	Long position/ Short position	Number of shares in which the interested party is deemed to have interests	Percentage of shareholding <sup>3</sup> (%)
China Resources National Corporation ('CRNC') <sup>1</sup>	Long position	1,232,764,380	51.40
CRC <sup>1</sup>	Long position	1,232,764,380	51.40
CRC Bluesky Limited <sup>1</sup>	Long position	1,232,764,380	51.40
CRH <sup>1</sup>	Long position	1,232,764,380	51.40
Globe Fame Investments Limited ('Globe Fame') <sup>1</sup>	Long position	1,232,764,380	51.40
J.P. Morgan Chase & Co. <sup>2</sup>	Long position	143,304,138	5.98
	Short position	37,400	0.002

Notes:

- Globe Fame, a wholly-owned subsidiary of CRH, held the shares in the capacity of beneficial owner. CRH is a 100% subsidiary of CRC Bluesky Limited, which is in turn owned as to 100% by CRC, which is in turn held as to 100% by CRNC. So, CRH, CRC Bluesky Limited, CRC and CRNC are deemed to have corporate interest in the shares.
- According to the information disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, these shares were held by J.P. Morgan Chase & Co. and corporations controlled directly or indirectly as to 100% by it in the respective following capacity:

Capacity	Number of shares	
	Long position	Short position
Beneficial owner	2,548,145	37,400
Investment manager	67,584,000	—
Approved lending agent	73,171,993	—

- This represents the percentage of the aggregate long positions in the shares of the Company to the total issued share capital of the Company as at the Latest Practicable Date.



Save as disclosed above, as at the Latest Practicable Date, none of the directors of the Company was a director or an employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### **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 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>
Platinum Securities Company Limited	A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Platinum Securities Company 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, Platinum Securities Company 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 Platinum Securities Company Limited is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Platinum Securities Company 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 registered office of the Company at 39/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 15 in this circular;
- (d) the letter of advice from Platinum Securities Company Limited to the independent board committee and the independent shareholders of the Company, the text of which is set out on pages 16 to 24 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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**華潤創業有限公司**  
**China Resources Enterprise, Limited**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 291)

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“EGM”) of China Resources Enterprise, Limited (the “Company”) will be held at 4/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 22nd December, 2010 at 9:00 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) 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 Enterprise, Limited**  
**LAI Ni Hium**

*Executive Director,*  
*Chief Financial Officer and Company Secretary*

Hong Kong, 6th December, 2010

*Registered office:*

39/F, China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

*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

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## NOTICE OF EGM

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notarially certified copy of such power or authority, at the registered office of the Company at 39th Floor, 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.