

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



CHINA RESOURCES ENTERPRISE, LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

Discloseable and Connected Transaction

Acquisition of the oil distribution operation of the China Resources group
in part exchange for the interests of China Resources Enterprise, Limited
in China Resources Beijing Land Limited and Logic International Holdings Limited

Acquisition Agreement

The Directors are pleased to announce that on 12th October 2000, the Company has entered into the Acquisition Agreement with CRH in relation to the acquisition by the Company of CRH's entire effective interest in CRPIL and Worldbest, both are wholly owned subsidiary of CRH, for a consideration of approximately HK\$2,144.0 million. The sole asset of CRPIL and Worldbest is the oil distribution operation which is principally engaged in (i) the transportation, storage, marketing, import and export of petroleum products, (ii) distribution of chemicals in Hong Kong and the Chinese Mainland; (iii) distribution of LPG gas in Hong Kong and the Chinese Mainland; and (iv) the ownership and operation of three oil tankers, one LPG gas tanker and 13 small to medium size vessels, which are employed exclusively by the oil distribution operation.

Debt Purchase Agreement

Concurrently, CREF, a wholly owned subsidiary of the Company, also entered into the Debt Purchase Agreement in relation to the acquisition by CRE of CRH's entire interests, rights and titles in the Debt at face value for a consideration of HK\$505.0 million.

Payment Terms

The total consideration payable under the Acquisition Agreement and the Debt Purchase Agreement will be satisfied by (i) the Company's entire interest in Finetex, the sole asset of which is 661,500,000 ordinary shares in CRBL representing approximately 44.2% of CRBL's current issued share capital; (ii) the Company's entire interest in Waterside, the sole asset of which is 825,347,743 ordinary shares in Logic representing approximately 54.7% of Logic's current issued share capital; and (iii) a lump sum cash payment of HK\$796.0 million in cash. The cash payment will be funded by the Group's internal resources.

Independent Shareholders' approval

As CRH is the controlling shareholder of the Company holding approximately 55.4% equity interest, the Acquisition constitutes a connected transaction in the Company, CRH and its Associates will abstain from voting in the EGM for approving the Acquisition.

A circular containing, inter alia, further details of the Agreements, the advice from the independent board committee of the Company and the independent financial adviser will be dispatched to the Shareholders as soon as possible.

Advisers

Anglo Chinese Corporate Finance, Limited is advising CRE on this transaction and Vickers Ballas Capital Limited has been retained to advise the independent board of directors of CRE.

Suspension and Resumption of Trade

At the request of the Company, trading in the Company's shares was suspended on 13th October 2000 at 10:00 a.m. Application has been made to the Stock Exchange for the resumption of trading of the Company's shares on 16th October 2000 effective from 10:00 a.m.

THE AGREEMENTS DATED 12TH OCTOBER 2000

Acquisition Agreement

Vendor : CRH

Purchaser : the Company

Debt Purchase Agreement

Vendor : CRH

Purchaser : CREF, a wholly owned subsidiary of the Company

Assets To Be Acquired

Under the Acquisition Agreements, CRH shall sell or procure the sale to the Company or its nominee:

--- the entire issued share capital of CRPIL, which effectively controls 100% interest in CRPG group;

--- the entire issued share capital of Worldbest, the holding company of three oil tankers; and

--- all the rights, benefits, titles and interests of CRH in the Debt.

Consideration

The total consideration of HK\$2,649.0 million has been arrived at after arm's length negotiations between the parties thereto. The consideration is determined with reference to the combined pro-forma net profits of CRPIL and Worldbest as at 31st December 1999 of approximately HK\$319.0 million and the shareholding interests in CRBL and Logic forming part of the consideration, being valued at their book value in CRE's consolidated accounts. The historic price earnings multiple of this Acquisition would be approximately 8.3 time. However, if the shareholding interests in CRBL and Logic forming part of the consideration, are valued at their current Market Value, the effective price earnings multiple of this Acquisition would be approximately 7.5 times. The Directors consider that the terms of the Agreements are fair and reasonable and that the Acquisition is in the best interest of the Company.

The consideration for the Acquisition shall be satisfied in the following manner:

--- the transfer to CRH from CRE of the entire issued share capital of Finetex, the sole asset of which is 661,500,000 shares in CRBL representing 44.2% of CRBL's issued share capital;

--- the transfer to CRH from CRE of the entire issued share capital of Waterside, the sole asset of which is 825,347,743 shares in Logic representing 54.7% of Logic's issued share capital; and

--- a lump sum cash payment of HK\$796.0 million which will be funded by the Group's internal resources.

Conditions

The Acquisition Agreement is conditional upon, inter alia, the following:

--- the passing of a resolution at the EGM approving the Acquisition by the independent shareholders, being those shareholders of CRE other than CRH and its Associates, as defined in the Listing Rules; and

--- the receipt of a confirmation by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission that neither China Resources (Holdings) Company Limited nor any member of its group is required to make a general offer for all the shares in the company under rule 26 of the Hong Kong Code on Takeovers and Mergers.

The Debt Purchase Agreement is conditional upon, inter alia, the following:

--- the passing of a resolution at the EGM approving the Acquisition by the independent shareholders, being those shareholders of CRE other than CRH and its Associates, as defined in the Listing Rules.

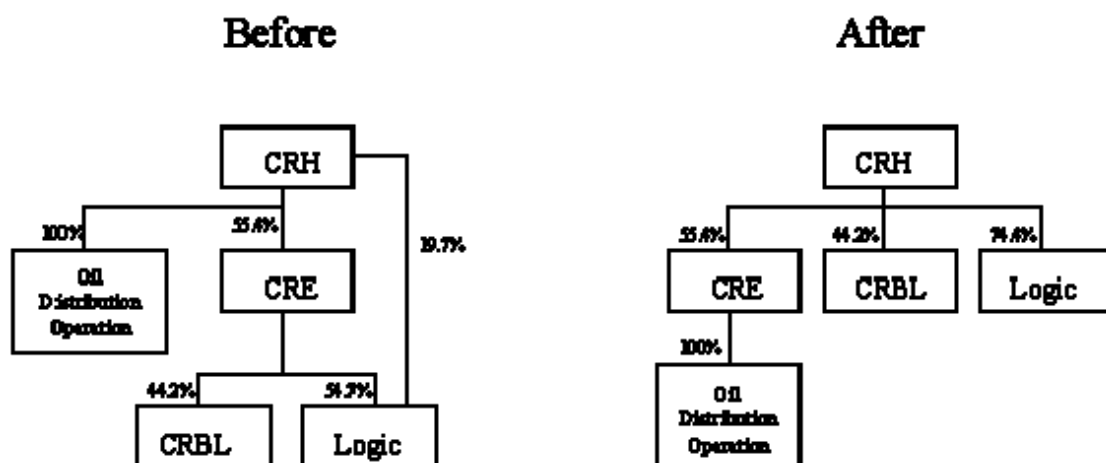
Competition

For so long as CRH remains the largest shareholder of CRE, it has undertaken that it will not compete in the People's Republic of China (of which Hong Kong forms part), either alone or jointly with others in, inter alia, the sale, trading, marketing and distribution of oil and petroleum products, petrochemical products and the operation of petrol and gas filling stations.

Completion

Completion of the Agreements shall take place within fourteen business days after the date when the last of the conditions precedent set out in the respective Agreements have been fulfilled.

The shareholding structure of the Company before and after the completion of this transaction is as follow:



Upon completion of this Acquisition, CRE will not hold any shares in CRBL and Logic.

Information on the Acquisition

The oil distribution business to be acquired by the Group is engaged principally in:

- the transportation, storage, and marketing of petroleum products to both the wholesale and retail markets;
- the distribution of chemicals in Hong Kong and the Chinese Mainland;
- the distribution of LPG gas in Hong Kong and the Chinese Mainland; and
- the ownership and operation of three oil tankers, one gas tanker and 13 small to medium size vessels, which are employed exclusively by the oil distribution operation.

Commencing operation in 1973, the oil distribution operation has grown rapidly over the years to become one of the dominant oil suppliers in the Hong Kong market. The Company markets a wide range of refined products, including gas oil, fuel oil, kerosene, jet fuel, gasoline and lubricants, through an extensive network of sales personnel and independent distributors and a broad wholesale and retail distribution system. The marketing network consists of over 100 wholesale distribution agents, who accounted for approximately 80% of the wholesale business. The retail network comprises 12 petrol filling stations and 3 LPG gas filling stations. The directors estimate that oil distribution operation has a market share of approximately 25-30% of the Hong Kong oil market. The Group is currently exploring with various parties on investment opportunities in operating petrol stations in the Chinese Mainland.

CRPC sourced majority of its stock from Singapore. The group's suppliers include many of the world's major oil companies. CRPC's customers can be broadly categorized into direct accounts and dealers. CRPC's main direct account customers include shipping companies, bus companies, airlines, and the Hong Kong government. Direct sales accounts for approximately 20% of CRPC's total oil sales. The remaining 80% are sold through an extensive network of over 100 distribution agents, whose customers include hotels, restaurants, factories, fishing boats and industrial operations in Hong Kong.

The following table summarizes the oil distribution operation's results based on the combined pro forma accounts of the companies comprising the oil distribution group.

	Year ended 31st December 1998 HK\$ million	Year ended 31st December 1999 HK\$ million	Six months ended 30th June 2000 HK\$ million
Turnover	7,891.3	8,799.1	4,918.0
Profit before taxation	298.4	362.0	181.5
Profit after taxation	258.9	319.0	159.0

Information on Finetex

Finetex, a wholly and beneficially owned subsidiary of the Company, is a company incorporate in the British Virgin Island with limited liability, the sole asset of which is 661,500,000 shares in CRBL representing 44.2% of CRBL's issued share capital. CRBL is a company incorporate in the Cayman Islands with limited liability, and the shares of which has been listed on the Stock Exchange since November 1996. Since 1994, CRBL has been the major shareholder of Beijing Huayuan Property Co., Ltd. ("Beijing Huayuan"), one of the three largest property developers in Beijing. Beijing Huayuan is classified by the Ministry of Construction as a class I comprehensive land development company and its main business focus is in the development of residential property in the Chinese Mainland. Since the introduction of the Housing Reform policies by the Chinese government, the buyer profile of Beijing Huayuan's properties has changed from being mainly institutional buyers to individuals. Beijing Huayuan currently has interests in 24 principal property development projects and owns a land bank of approximately 2.5 million square meters. The following table summarizes the results of CRBL for the period as stated.

	Year ended 31st December 1998 HK\$ million	Year ended 31st December 1999 HK\$ million	Six months ended 30th June 2000 HK\$ million
--	---	---	---

Turnover	865.7	443.9	571.7
Profit before taxation	409.7	161.7	59.8
Profit after taxation			
and minority interest	303.9	153.6	40.9

Information on Waterside

Waterside, a wholly and beneficially owned subsidiary of the Company, is a company incorporated in the British Virgin Island with limited liability, the sole asset of which is 825,347,743 shares in Logic representing 54.7% of Logic's issued share capital.

Logic is a company incorporate in Bermuda with limited liability, and the shares of which has been listed on the Stock Exchange since November 1994. Logic is principally engaged in the business of manufacturing, importing, marketing and distribution of office and household furniture products to customers in Hong Kong and the Chinese Mainland. Logic has been engaged in its principal businesses since being listed, and has been incurring losses since the financial year ended 31st March 1996. Logic intend that it will continue its existing business without redeployment of the fixed assets of the company but will also actively study various business opportunities of further diversifying into other businesses. The following table summarizes the results of Logic for the period as stated.

	Year ended 31st March 1999 HK\$ million	Year ended 31st March 2000 HK\$ million
Turnover	203.0	161.0
Profit/(Loss) before taxation	(114.1)	(159.4)
Profit/(Loss) after taxation		
and minority interest	(109.2)	(159.2)

Reasons for Acquisition

The directors would like to refer to the announcement by CRH made on 19th June 2000 by CRH on its proposed restructuring plan. Under the plan, CRH intends to transform its principal listed subsidiary, CRE, into a premier distribution company in Asia of consumer and industrial products. CRE's mission will be to facilitate international trade between China and the rest of the world by combining CRH long established expertise in distribution with advance information and internet technology. The CRE group's objective is to:

- provide a distribution channel for Chinese products to a world market;
- assist international products establish their presence in the Chinese Mainland; and

--- establish a comprehensive and efficient distribution network in the Chinese Mainland to facilitate domestic trade.

The Acquisition represents a first major step in CRH's restructuring plan for CRE. The Company will be acquiring a major oil distribution operation in Hong Kong and will divest itself of businesses, which fall outside the future intended business focus.

Through this Acquisition, CRE's distribution capability will be substantially strengthened. Given that the earnings and cash flows from the oil distribution operation greatly exceed the combined profits of CRBL and Logic attributable to CRE, the Directors of CRE anticipate that the Acquisition will greatly enhance the earnings and cash flow stream of the Group.

CONNECTED TRANSACTIONS

Subsisting Agreements

Rental of Office space and Staff Quarters

CRPIL Group has entered into a tenancy agreement with a member of the CRH Group for the leasing of office spaces in Hong Kong for an aggregate floor space of approximately 18,000 sq.ft., which are in connection with the normal and ordinary course of business of the CRPIL Group. Furthermore, the CRPIL Group also licenses from members of the CRH Group various residential units as staff quarters.

Oil Depots

China Resources Petroleum Company Limited, a wholly owned subsidiary of CRPIL, has entered into tank storage agreements with CRH and its subsidiaries for the usage of storage capacity at its Tsing Yi and Chai Wan oil depots. As the oil depots are crucial to ensure the stability of the operation of CRPG, therefore CRPG has entered into 21-year tenor agreements, commencing 1st January 2000, for an annual aggregate storage fee of HK\$141.6 million.

Concurrently, CRH and its subsidiaries have entered into facility management agreements with CRPG, a wholly owned subsidiary of CRPIL, in respect of the provision of certain services at the Tsing Yi and Chaiwan oil depot. The management agreements also have a 21-year tenor and the annual aggregate management fee of approximately HK\$20.0 million to be payable by CRH to CRPG.

The Directors are in the course of ascertaining and verifying the actual consideration payable under each type of connected transaction mentioned herein. Based on preliminary information, the Directors believe that upon completion the aggregate annual payments to be made by the CRPIL Group under these connected transactions to CRH would not exceed 3% of the net asset value of the Group. Further details of these connected transactions together with the actual consideration will be disclosed in the circular to be issued by the Company incidental to the Acquisition.

GENERAL

CRE is being advised by the Anglo Chinese Corporate Finance, Limited in connection with this transaction.

CRH is the controlling shareholder of the Company holding approximately 55.4% interest. Accordingly, the Acquisition constitutes a connected transaction to the Company. CRH and its Associates will abstain from voting in the EGM to approve the Acquisition.

An independent board committee comprising independent non-executive directors of the Company has been appointed, to advise the Independent Shareholders in respect of the Acquisition. Vickers Ballas Capital Limited has been appointed as financial adviser to advise the independent board committee in respect of the same. These appointments shall be subject to the confirmation of the Stock Exchange. A circular containing, inter alia, further details of the Acquisition, the advice from the independent board committee of the Company and the independent financial adviser to the independent board committee, will be dispatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADE

At the request of the Company, trading in the Company's shares was suspended on 13th October 2000 at 10:00 a.m. Application has been made to the Stock Exchange for the resumption of trading of the Company's shares on 16th October 2000 effective from 10:00 a.m.

DEFINITIONS

"Acquisition"	the acquisition by the Company of the entire interest in CRPIL and Worldbest, and the Debt pursuant to the Acquisition Agreement and the Debt Purchase Agreement
"Acquisition Agreement"	a conditional agreement dated 12th October 2000 made between CRH and the Company in relation to the acquisition of the entire interest in CRPIL and Worldbest
"Agreements"	the Acquisition Agreement and the Debt Purchase Agreement
"Associates"	as defined under the Listing Rules
"Consideration"	the aggregate consideration for the Acquisition to be paid the Group
"Company"	China Resources Enterprise, Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Stock Exchange
"Completion"	Completion of the Acquisition Agreement and Debt

	Purchase Agreement
"CRBL"	China Resources Beijing Land, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Stock Exchange
"CREF"	CRE Finance (Hong Kong) Limited, a wholly owned subsidiary of the Company
"CRH"	China Resources (Holdings) Company Limited, the controlling shareholder on the Company
"CRPG"	China Resources Petrochemicals (Group) Company Limited, a company incorporated in Hong Kong with limited liability, a wholly owned subsidiary of CRH
"CRPIL"	China Resources Petrochemicals Investments Limited, a company incorporated in British Virgin Island with limited liability, a wholly owned subsidiary of CRH
"CRPIL Group"	CRPIL and its subsidiaries
"Debt"	the interest free principal sum of HK\$505million repayable on demand by CRPG
"Debt Purchase Agreement"	a conditional agreement date 12th October 2000 made between CRH and CREF in relation to the purchase of the Debt
"Directors"	directors of the Company
"EGM"	Extraordinary General Meeting of the Company for the approval of, inter alia, the Agreements
"Finetex"	Finetex International Limited, a company incorporate in the British Virgin Island with limited liability, and is wholly and beneficially owned by CRE
"Group"	the Company and its subsidiaries
"Logic"	Logic International Holdings Limited, a company incorporated in Bermuda with limited liability, and the shares of which are listed on the Stock Exchange
"Market Value"	being the value of CRBL and Logic based on the closing

price as quoted on the Stock Exchange at the date of signing of the Agreements of HK\$1.61 and HK\$0.66 respectively

"SFC"	Securities Futures Commission
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Waterside"	Waterside Holdings Limited, a company incorporated in the British Virgin Island with limited liability, and is wholly and beneficially owned by CRE
"Worldbest"	Worldbest Resources Limited, a company incorporated in British Virgin Island with limited liability, a wholly owned subsidiary of CRH

By order of the board of

China Resources Enterprise, Limited

Lee Yip Wah, Peter

Company Secretary

Hong Kong 13th October 2000

The directors of the company collectively and individually accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed herein have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.