



CHINA RESOURCES ENTERPRISE, LIMITED

(incorporated in Hong Kong under the Companies Ordinance)

Connected transactions of Ng Fung Hong Limited

The directors of China Resources Enterprise, Limited ("China Resources Enterprise, and together with its subsidiaries, the "China Resources Enterprise Group") announce certain transactions entered into by Ng Fung Hong Limited and its subsidiaries (the "Ng Fung Hong Group") which constitute connected transactions for China Resources Enterprise under Chapter 14 of the Listing Rules. These connected transactions are expected to occur on a regular and continual basis in the ordinary course of business of the China Resources Enterprise Group. China Resources Enterprise has made an application to the Stock Exchange for granting a waiver from the relevant disclosure requirements.

The directors of China Resources Enterprise announce that since Ng Fung Hong Limited became a 54.2% owned subsidiary of China Resources Enterprise on 18th November, 1998 following an acquisition of 29.1% shareholding interest in Ng Fung Hong Limited, it came to the attention of China Resources Enterprise that certain ongoing connected transactions of the Ng Fung Hong Group have also become connected transactions for China Resources Enterprise under the Listing Rules.

The directors of China Resources Enterprise have been informed that Ng Fung Hong Limited, in various occasions since its listing on the Stock Exchange in October, 1995, had sought and obtained waivers from the shareholders' approval and disclosure requirements under the Listing Rules in respect of all of these transactions. The waivers had been granted on the basis that these transactions were and will be entered into by the Ng Fung Hong Group in its ordinary and usual course of business and conducted on arm's length basis and normal commercial, fair and reasonable terms. Details of the above transactions were also disclosed to the public in the prospectus, circulars, press announcements and annual reports of Ng Fung Hong Limited.

The following is a summary of such transactions occurred in the year ended 31st December, 1997 (being the latest practicable cut-off date for ascertaining audited figures of these transactions), based on the information extracted from the annual reports of Ng Fung Hong Limited.

Waiver granted to Ng Fung Hong Limited on 26th October, 1995

Nature of transaction	Connected parties	Value of transactions (as percentage of net tangible assets of about HK\$8,824.0 million of China Resources Enterprise as at 31st December, 1997)	Maximum value permitted under the waiver granted to Ng Fung Hong Limited, if any
Sale of liquor and foodstuffs such as rich noodle	Associates (within the meanings of the Listing Rules) of China Resources (Holdings) Company Limited, the controlling shareholder of China Resources Enterprise	HK\$0.2 million (0.002%)	—
Operating lease payments for office premises and use of car parking facilities, air-conditioning charges and other expenses for the use of group services	Associates of China Resources (Holdings) Company Limited.	HK\$6.8 million (0.08%)	HK\$10 million
Trading of non-foodstuffs	Associates of China Resources (Holdings) Company Limited	— (Note 1)	—

Waiver granted to Ng Fung Hong Limited on 13th February, 1997

Nature of transaction	Connected parties	Value of transactions (as percentage of net tangible assets of about HK\$8,824.0 million of China Resources Enterprise as at 31st December, 1997)	Maximum value permitted under the waiver granted to Ng Fung Hong Limited, if any
Purchase of supermarket merchandise such as tea bags, salted vegetable and honey	Associates of China Resources (Holdings) Company Limited	HK\$4.0 million (0.05%)	HK\$6 million
Operating lease payments and other expenses	Associates of China Resources (Holdings) Company Limited	HK\$5.1 million (0.06%)	HK\$10 million
Purchase of petrochemical products	Associates of China Resources (Holdings) Company Limited	— (Note 1)	HK\$60 million

Waiver granted to Ng Fung Hong Limited on 2nd June, 1997

Nature of transaction	Connected parties	Value of transactions (as percentage of net tangible assets of about HK\$8,824.0 million of China Resources Enterprise as at 31st December, 1997)	Maximum value permitted under the waiver granted to Ng Fung Hong Limited, if any
Sale of fish catches	CNFC International Fisheries Corp., a substantial shareholder of Ng Fung Hong Limited's 51% owned subsidiary, China International Fisheries Corp.	HK\$110.5 million (1.3%)	40% of the annual total sales of China International Fisheries Corp.
Purchase of fish catches	CNFC International Fisheries Corp.	HK\$4.9 million (0.06%)	US\$4 million, equivalent to about HK\$31 million
Purchase of fishing items, equipment and vessels	CNFC International Fisheries Corp.	HK\$20.6 million (0.23%)	US\$25 million, equivalent to about HK\$193.8 million
Sale of ship stores, fishing supplies, spare parts and bunker oil (Note 2)	CNFC International Fisheries Corp.	HK\$13.1 million (0.15%)	—
Payment of wages, staff accommodation and office premises	CNFC International Fisheries Corp.	HK\$109.9 million (1.2%)	US\$28.2 million, equivalent to about HK\$218.6 million

Note 1: No transaction of this category was recorded in the year ended 31st December, 1997. However, these transactions may be conducted in the future.

Note 2: According to Ng Fung Hong Limited, this item will be netted off from the purchase of fishing items, equipment and vessels from CNFC International Fisheries Corp. in the annual accounts of Ng Fung Hong Limited for the year ended 31st December, 1998. Accordingly, the net amount of such purchases for the year ended 31st December, 1997 would be restated to be about HK\$7.4 million, representing about 0.08% of the net tangible assets of China Resources Enterprise as at 31st December, 1997.

The Stock Exchange has informed China Resources Enterprise that the disclosure made by Ng Fung Hong Limited cannot be deemed to have been made by China Resources Enterprise through its subsidiary, Ng Fung Hong Limited and China Resources Enterprise cannot avail itself of the provisions under the waivers granted to Ng Fung Hong Limited. Therefore these transactions should be subject to the relevant disclosure and if applicable, shareholders' approval requirement under the Listing Rules.

Having considered the opinion of the directors of Ng Fung Hong Limited and the circumstances and terms of these transactions, the directors of China Resources Enterprise, including its independent directors, consider that these transactions have been entered into on normal commercial terms and in the ordinary and usual course of business of the China Resources Enterprise Group, and are fair and reasonable as far as shareholders of China Resources Enterprise are concerned. As the aggregate value of the connected transactions under each of the abovementioned waiver granted to Ng Fung Hong Limited in the future is expected to be less than 3% of the net tangible asset value of China Resources Enterprise, China Resources Enterprise has made an application to the Stock Exchange for a waiver from making disclosure about these transactions on each occasion when they arise, on the basis that:

- the aggregate value of the connected transactions under each of the abovementioned waiver granted to Ng Fung Hong Limited in each financial year shall remain less than HK\$10 million or 3% of the net tangible asset value of China Resources Enterprise (as disclosed in the latest published audited accounts or consolidated accounts, as appropriate), whichever is greater;
- summary details of these transactions in each financial year as set out in Rule 14.25(1)(A) to (D) of the Listing Rules including the parties and connected relationship, brief description and aggregate consideration will be disclosed in the annual report of China Resources Enterprise for that year;
- the independent non-executive directors of China Resources Enterprise shall review such transactions annually and confirm in the annual report of China Resources Enterprise of the relevant year that:
 - the transactions have been entered into by the China Resources Enterprise Group in the ordinary and usual course of its business;
 - the transactions have been entered into on normal commercial terms, and on arm's length basis, and where applicable, in accordance with the terms of the agreements governing such transactions or, where there is not such agreement, on terms no less favourable than terms available to or from independent third parties;
 - the transactions have been entered into on terms that are fair and reasonable so far as shareholders of China Resources Enterprise are concerned; and,
 - the limit set out in (1) above has not been exceeded;
 and,
- the auditors of China Resources Enterprise shall review annually the transactions and confirm to the directors of China Resources Enterprise in writing, copies of which shall be provided to the Stock Exchange, that:
 - the transactions have been approved by the board of China Resources Enterprise;
 - the transactions have been entered into in accordance with the pricing policies of the China Resources Enterprise Group, or the terms of the agreements governing such transactions or, where there is no such agreement, on terms that are no less favourable than terms available to or from independent third parties; and,
 - the limit set out in (1) above has not been exceeded.

In addition, Ng Fung Hong Limited and China Resources (Holdings) Company Limited had advanced shareholders' loans to a subsidiary of Ng Fung Hong Limited, China Resources Supermarket (Hong Kong) Company Limited (formerly known as "China Resources Purchasing Company Limited") for working capital purpose in proportion to their equity interests in China Resources Supermarket (Hong Kong) Company Limited (60% and 40% respectively). As at 31st December, 1997 the shareholder's loan advanced by Ng Fung Hong Limited to China Resources Supermarket (Hong Kong) Company Limited amounted to about HK\$96.2 million. The shareholder's loan is repayable on demand and bears interest at rates of 3% to 7% during the year ended 31st December, 1997. According to the requirement of Rule 14.25(2)(b) of the Listing Rules, summary details of the shareholder's loan will be included in the next published annual report and accounts of China Resources Enterprise.

By order of the board of
China Resources Enterprise, Limited
Lee Yip Wah, Peter
Secretary