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China Resources Enterprise, Limited

(incorporated in Hong Kong under the Companies Ordinance)

Discloseable and connected transaction requiring shareholder approval

Acquisition of 298,914,000 shares in Ng Fung Hong Limited

Summary

China Resources Enterprises, Limited ("China Resources Enterprise") has agreed to acquire 298,914,000 shares in Ng Fung Hong Limited from Ng Fung Hong (Holdings) Limited. The vendor is a wholly owned subsidiary of China Resources (Holdings) Company Limited, the controlling shareholder of China Resources Enterprise. The purchase price was agreed after arm's length negotiations.

The directors of China Resources Enterprise believe the acquisition is fair and reasonable in light of the current market value of the shares in Ng Fung Hong Limited and its future prospects of profitability. Total consideration for the acquisition amounts to about HK\$1,676 million. About HK\$507.5 million will be paid in cash and the remaining balance of about HK\$1,168.5 million to be satisfied by the consideration share issue of 179 million new shares of China Resources Enterprise to be issued at the price of HK\$6.528 per share.

The acquisition is a discloseable and connected transaction under the Listing Rules and must be approved by independent shareholders of China Resources Enterprise in general meeting.

An independent committee of the board of China Resources Enterprise has been set up to advise shareholders about the acquisition of shares in Ng Fung Hong Limited. An independent financial adviser will be appointed to advise the committee. A circular with details of the acquisition, a letter from the independent financial adviser and the notice of the extraordinary general meeting will be sent to China Resources Enterprise shareholders soon.

Agreement dated 7th October, 1998

Parties:

Vendor: Ng Fung Hong (Holdings) Limited, which is a wholly owned subsidiary of China Resources (Holdings) Company Limited, the controlling shareholder of China Resources Enterprise.

Purchaser: China Resources Enterprise. The principal businesses of China Resources Enterprise and its subsidiary and associated companies are property development and investment in China and Hong Kong, infrastructure, food and beverage, banking and financial services.

Shares to be purchased

298,914,000 shares in Ng Fung Hong Limited, representing about 29.1% of its issued share capital, which are all the shares in Ng Fung Hong Limited beneficially owned by China Resources (Holdings) Company Limited through Ng Fung Hong (Holdings) Limited.

The shares in Ng Fung Hong Limited will be purchased together with all rights attached to them, except the interim dividend of HK\$0.03 per share declared by Ng Fung Hong Limited on 11th September, 1998. Presently China Resources Enterprise is holding 260 million shares in Ng Fung Hong Limited or 25.3% of its issued share capital. Following the completion of the acquisition, China Resources Enterprise will hold about 558.9 million shares in Ng Fung Hong Limited or about 54.4% of its issued share capital.

Purchase price

HK\$1,676,010,798, equivalent to about HK\$5.607 per share in Ng Fung Hong Limited.

HK\$507,498,798 will be paid in cash on completion of the agreement, the remaining HK\$1,168,512,000 will be satisfied by the consideration issue of 179,000,000 new shares of HK\$1.00 each in the capital of China Resources Enterprise at the issue price of HK\$6.528 per share.

China Resources Enterprise will finance the cash consideration by its internal resources.

The purchase price was arrived at after arm's length negotiation and has taken into consideration the current market price of shares in Ng Fung Hong Limited and the future prospects of profitability of Ng Fung Hong Limited, see "Reasons for the acquisition" below.

The purchase price of HK\$5.607 per share in Ng Fung Hong Limited represents a discount of 11% to closing price of HK\$6.30 per share in Ng Fung Hong Limited as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5th October, 1998, the last trading day before the agreement was made, or a discount of about 7.6% to the average closing price of HK\$6.07 per

share in Ng Fung Hong Limited as quoted on the Stock Exchange for the ten trading days prior to this announcement.

The purchase price of HK\$5.607 per share in Ng Fung Hong Limited is equivalent to a historic price earnings multiple of about 12.6 times based on the earnings per share of HK\$0.446 of Ng Fung Hong Limited for the year ended 31st December, 1997.

The directors of China Resources Enterprise consider the terms of the acquisition to be fair and reasonable as far as shareholders of China Resources Enterprise are concerned.

Consideration share issue

Number of shares to be issued

179,000,000 new shares in China Resources Enterprise, representing about 11.5% and 10.3% respectively of the existing and enlarged issued share capital of China Resources Enterprise.

Issue price

HK\$6.528 per share. The issue price represents a discount of 4% to the closing price of HK\$6.80 per share in China Resources Enterprise as quoted on the Stock Exchange on 5th October, 1998, the last trading day before the agreement was made, or a discount of about 2.2% to the average closing price of HK\$6.675 per share in China Resources Enterprise as quoted on the Stock Exchange for the ten trading days prior to this announcement. The issue price is equivalent to a historic price earnings multiple of about 6.3 times based on the earnings per share of HK\$1.03 of China Resources Enterprise for the year ended 31st December, 1997.

Rights of the consideration shares

The consideration shares, if issued, will rank pari passu in all respects with the existing issued shares in China Resources Enterprise, save for the right to receive the interim dividend of HK\$0.06 per share declared by China Resources Enterprise on 24th September, 1998.

Presently China Resources (Holdings) Company Limited is beneficially interested in about 808.4 million shares in China Resources Enterprise or about 52.1% of its issued share capital.

Immediately after the completion of the agreement and the issue of the consideration shares, China Resources (Holdings) Company Limited will be beneficially interested in about 987.4 million shares in China Resources Enterprise, or about 57.0% of its enlarged issued share capital.

Conditions of the agreement

The agreement is conditional upon, amongst other things, the following conditions precedent being fulfilled or if permitted, waived by the parties by 31st December, 1998.

1. the approval by shareholders of China Resources Enterprise, other than China Resources (Holdings) Company Limited and its associates, by passing an ordinary resolution at a general meeting to be convened and held to approve the purchase of shares in Ng Fung Hong Limited;
2. the Stock Exchange granting the listing of, and permission to deal in the 179,000,000 consideration shares to be issued by China Resources Enterprise; and,
3. the confirmation by the Securities & Futures Commission that China Resources Enterprise and parties acting in concert with it is not required to make a general offer for the issued shares in Ng Fung Hong Limited.

Expected date of completion

Within seven business days after the satisfaction of all conditions precedent, or such later date as agreed between China Resources Enterprise and the vendor.

Information about Ng Fung Hong Limited

Ng Fung Hong Limited and its subsidiaries are principally engaged in the distribution of major fresh, live and frozen foodstuffs imported from mainland China and its shares are listed on the Stock Exchange.

The audited consolidated turnover of Ng Fung Hong Limited for the year ended 31st December, 1996 and 1997 were respectively about HK\$4,498 million and HK\$6,360 million.

The audited consolidated profits before taxation of Ng Fung Hong Limited for the same periods were respectively about HK\$438 million and HK\$607 million.

The audited consolidated profits after taxation and minority interests but before extraordinary items for the same periods were respectively about HK\$363 million and HK\$454 million.

Audited shareholders funds of Ng Fung Hong Limited were about HK\$1,232 million on 31st December, 1997.

Reasons for the acquisition

China Resources Enterprise became a substantial shareholder of Ng Fung Hong Limited in October, 1995 when Ng Fung Hong Limited was listed on the Stock Exchange. Since then the investment in Ng Fung Hong Limited has made a positive and significant contribution to the profit

and cash flow in the form of dividends paid to China Resources Enterprise. The board of directors of China Resources Enterprise considers the increase in the investment in Ng Fung Hong Limited, which will become a subsidiary of China Resources Enterprise after the completion of the acquisition, will strengthen the earnings base of China Resources Enterprise.

The principal business of Ng Fung Hong Limited of food distribution is considered to be less adversely affected by the Asian financial turmoil and the asset deflation in Hong Kong. The board of directors of China Resources Enterprise believes the further acquisition of shares in Ng Fung Hong Limited will not only increase the amount but also improve the quality of China Resources Enterprise's earnings in the future.

General

Anglo Chinese Corporate Finance, Limited has been appointed to advise China Resources Enterprise in relation to the acquisition.

An independent committee of the board of directors of China Resources Enterprise has been formed to consider the proposed acquisition and make a recommendation to the independent shareholders of China Resources Enterprise. An independent financial adviser will be appointed to advise the independent board committee.

China Resources Enterprise will send a circular to its shareholders as soon as practicable. The circular will contain further details of the acquisition, the letter of advice from the independent financial adviser, the recommendation of the independent board committee and a notice of extraordinary general meeting convened to approve the acquisition.

At the request of China Resources Enterprise, trading in its shares on the Stock Exchange was suspended from 2:30 p.m. on Wednesday, 7th October, 1998. China Resources Enterprise has applied to the Stock Exchange for dealings to resume from 10:00 a.m. on Thursday, 8th October, 1998.

By order of the board of

China Resources Enterprise, Limited

Lee Yip Wah, Peter

Secretary

Hong Kong, 7th October, 1998

All the directors of China Resources Enterprise jointly and severally 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, the opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.