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CHINA RESOURCES ENTERPRISE, LTD.

(Incorporated in Hong Kong under the Companies Ordinance)

CONNECTED TRANSACTION

The Directors announce that on 28 June 1999, Harvest Fair, a 55% indirectly owned subsidiary of the Company, has awarded the Contract to CRCC, a 99.6% owned subsidiary of CRH, for the construction work of the third phase of the Project.

As CRH is the controlling shareholder of the Company interested in approximately 57% of the issued share capital of Company, the Contract constitutes a connected transaction for the Company under the Listing Rules.

A circular containing, inter alia, information on the Contract, a letter from the independent financial adviser and a notice convening an extraordinary general meeting of the Company will be despatched to the Shareholders as soon as practicable.

Parties to the Contract dated 28 June 1999

Developer: Harvest Fair, a 55% indirectly owned subsidiary of the Company. The remaining interest is indirectly held in equal share by Cheung Kong (Holdings) Limited and Sun Hung Kai Properties Limited.

Contractor: CRCC, a 99.6% owned subsidiary of CRH, the remaining interest in CRCC is held by independent third parties

The Contract

The Contract includes the main construction work for the third phase of the Project, for a total contract sum of approximately \$1,048 million, which will be funded by internal resources. The main construction work to be performed under the Contract principally include the following:

- the construction of a 2-storey car park podium, 4 blocks of 40-storey high residential towers and a foot bridge connecting the Project to the Tsing Yi Station; and
- soft and hard landscaping and all associated external works in the promenade.

The main construction works of the third phase is expected to commence before the end of October 1999, and to be completed around the third quarter of 2001. Payment under the Contract will be made according to stages of completion of the construction works.

A total of three tenderers were invited by Harvest Fair by way of a private invitation to tender for the main construction works of the third phase of the Project. The Contract was awarded based on (i) the result of a selective tendering in which CRCC submitted the lowest tender bid for the construction works; and (ii) upon the professional advice from Wong & Ouyang (HK) Ltd., the architect to the Project who is an independent third party to CRCC. The other tenderers are independent third parties and not connected to CRH and its associates, or the Company.

Reasons for the award of the Contract

As announced in September 1996 and November 1997, CRCC was awarded various construction works for the first and second phases of the Project. The Directors consider that it would be beneficial to the Company to award the Contract to CRCC as it is the existing contractor for the second phase of the Project. The Directors are satisfied that CRCC has relevant experience of, and exposure to, similarly scaled private housing projects and its work done in the Project. The Directors also consider that it is advantageous in having similar personnel for the third phase main construction works such that potential dispute between contractors of different phases could be eliminated; and can also capitalise on the established working relationship between the working parties of the Project for a continuous and smooth progress of the Project.

Conditions

The granting of the Contract is conditional upon the passing of an ordinary resolution to be passed at an extraordinary general meeting by the Independent Shareholders approving the award of the Contract.

CRH and its associates (as defined in the Listing Rules) will abstain from voting in respect of the aforesaid resolution to be proposed at such meeting.

General

As CRH is the controlling shareholder of the Company interested in approximately 57% of the issued share capital of Company, the Contract constitutes a connected transaction for the Company under the Listing Rules.

An independent board committee comprising independent non-executive directors of the Company has been appointed, Subject to the Confirmation of The Stock Exchange of Hong Kong Limited, to advise the Independent Shareholders in respect of the award of the Contract. Vickers Ballas Capital Limited has been appointed as financial adviser to advise the independent board committee in respect of the same. A circular containing, inter alia, a letter from the independent financial adviser, information on the Contract and a notice convening an extraordinary general meeting of the Company will be despatched to the Shareholders as soon as practicable.

Definitions

"Company"	China Resources Enterprise, Limited
"Contract"	the construction contract relating to the third phase main construction works of the Project
"CRCC"	China Resources Construction Company Limited, formerly known as T.S. Wong Co., Ltd., the existing contractor for the main construction works of the second phase of the Project. CRCC adopted its present name in December 1998.
"CRH"	China Resources (Holdings) Company Limited, the controlling shareholder of the Company, holding approximately 57% interest
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Harvest Fair"	Harvest Fair Investment Limited, a 55% indirectly owned subsidiary of the Company
"Independent Shareholders"	shareholders of the Company, other than CRH and its associates (as defined in the Listing Rules)
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Project"	the residential development project on Tsing Yi Town Lot 129, Nga Ying Chau, Tsing Yi, known as Villa Esplanada
"\$"	Hong Kong dollars

By Order of the Board
Lee Yip Wah, Peter
Company Secretary

Hong Kong, 28 June 1999