

CHINA RESOURCES ENTERPRISE, LIMITED

(incorporated in Hong Kong under the Companies Ordinance)



五豐行有限公司

NG FUNG HONG LIMITED

(incorporated in Hong Kong under the Companies Ordinance)

Joint announcement relating to a voluntary conditional offer by Anglo Chinese Corporate Finance, Limited on behalf of Best-Growth Resources Limited, a wholly owned subsidiary of China Resources Enterprise, Limited to acquire all the issued shares in Ng Fung Hong Limited including those shares presently owned by a subsidiary of China Resources Enterprise, Limited and a proposed voluntary withdrawal of listing of the shares in Ng Fung Hong Limited from The Stock Exchange of Hong Kong Limited

Discloseable transaction for China Resources Enterprise, Limited

China Resources Enterprise announces that Anglo Chinese Corporate Finance, Limited on behalf of, Best-Growth Resources Limited, a wholly owned subsidiary of China Resources Enterprise, will make a voluntary conditional offer to acquire all the issued shares in Ng Fung Hong. Under the Offer, shareholders of Ng Fung Hong will be offered:		
for every 6 shares of HK\$0.10 each of Ng Fung Hong	HK\$29.40 in cash, being HK\$4.90 in cash for each share held; or at the election of the assenting shareholder, HK\$19.44 in cash and 1 new share in China Resources Enterprise, and in the same proportion for any greater or lesser number of shares in Ng Fung Hong, except that no fraction of a share in China Resources Enterprise will be issued
Based on the closing price of the shares in China Resources Enterprise of HK\$9.05 per share as quoted on the Stock Exchange on 17th November, 2000, being the last trading day before the date of this announcement, the cash and share consideration alternative under the Offer values each share in Ng Fung Hong at approximately HK\$4.75. If a shareholder of Ng Fung Hong accepts the cash alternative under the Offer, China Resources Enterprise shall pay HK\$4.90 for every share in Ng Fung Hong.		
Presently a subsidiary of China Resources Enterprise holds 558,914,000 shares in Ng Fung Hong, representing approximately 53.4% of its issued shares capital and this subsidiary has undertaken irrevocably to China Resources Enterprise that it will not sell any shares, will assent its shares to the offer and will elect the cash only consideration.		
Anglo Chinese Corporate Finance, Limited is satisfied that sufficient resources are available to China Resources Enterprise for full acceptance of the Offer. China Resources Enterprise intends to finance the cash portion of the consideration payable under the Offer from its own internal resources.		
The Offer is conditional upon:		
— acceptances being received for not less than 90% of the shares in Ng Fung Hong (including shares of Ng Fung Hong acquired during the period of the Offer or such lesser number as China Resources Enterprise may decide, provided the level of acceptances and shares acquired during the period of the Offer exceeds 55%;		
— the passing by the shareholders of Ng Fung Hong, other than China Resources Enterprise and its Associates, the Directors and chief executive of Ng Fung Hong or any their respective Associates, of a resolution approving the withdrawal of listing of the shares in Ng Fung Hong from the Stock Exchange by a majority in number representing three-fourths in value of the shareholders present and voting on such resolution. If the shareholders' approval is not obtained, the Offeror will decide whether to proceed with the Offer;		
— in respect of the cash and share alternative only, the grant by the Listing Committee of the Stock Exchange of a listing of, and permission to deal in, the shares in China Resources Enterprise to be issued under the cash and share alternative;		
— the confirmation of the Stock Exchange, if required, of the withdrawal of listing; and		
— all other authorisations, confirmations, consents, waivers and approvals as China Resources Enterprise may consider necessary or desirable for itself and its shareholders in connection with or arising from the implementation of the Offer being obtained in terms and in form satisfactory to China Resources Enterprise.		
As the Offer is subject to the satisfaction of the conditions stated above and consequently may not become unconditional in all respects, shareholders in Ng Fung Hong and China Resources Enterprise, and investors generally should exercise caution in dealing in the shares in Ng Fung Hong and China Resources Enterprise.		
If the 90% acceptance level is not achieved, but the 55% acceptance level is achieved, and the Offeror elects to waive this condition and the independent shareholders of Ng Fung Hong resolve to withdraw the listing of the shares in Ng Fung Hong from the Stock Exchange, shareholders of Ng Fung Hong who have elected not to accept the Offer would be left holding shares in an unlisted company, in which circumstances the market for shares in Ng Fung Hong may be illiquid. Further announcements will be made as and when appropriate.		
If the Offeror does not seek a withdrawal of listing of the shares in Ng Fung Hong, the Stock Exchange has stated that, for so long as the shares in Ng Fung Hong remain listed on the Stock Exchange, it will closely monitor the trading in the shares in Ng Fung Hong if less than 25% of the shares in Ng Fung Hong are held by the public. The Directors of Ng Fung Hong are aware of the possibility of Ng Fung Hong's public float falling below 25% immediately after completion of the Offer and will address this issue accordingly. The Stock Exchange will also closely monitor all future acquisitions or disposals of assets by Ng Fung Hong. The Stock Exchange has the discretion to require Ng Fung Hong to issue a circular to its shareholders irrespective of the size of the proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of Ng Fung Hong. The Stock Exchange also has the power to aggregate a series of transactions and any such transaction may result in Ng Fung Hong being treated as if it were a new listing applicant. If the Stock Exchange believes that:		
(a) a false market exists or may exist in the shares in Ng Fung Hong; or		
(b) there are too few shares in Ng Fung Hong in public hands to maintain an orderly market,		
it will consider exercising its discretion to suspend trading in the shares in Ng Fung Hong.		
The Composite Offer Document shall be despatched as soon as practicable after the date of this announcement and further details on procedure of acceptance of the Offer and the settlement shall be described in the Composite Offer Document.		
An appropriate offer has been made for the outstanding options to subscribe for shares granted to certain employees of Ng Fung Hong or its subsidiaries under its share option scheme. Details of the offer for outstanding options shall be set out in the Composite Offer Document. Other than these options, there are no other securities outstanding, which are convertible into shares in Ng Fung Hong.		
An independent committee of the Board has been formed to advise the shareholders of Ng Fung Hong, who have not given undertakings in respect of their shares (if any) to China Resources Enterprise. An independent financial adviser will be retained to advise the independent committee of the Board.		
The Offer is a discloseable transaction for China Resources Enterprise under the Listing Rules.		
Trading in the shares in China Resources Enterprise and Ng Fung Hong on the Stock Exchange were suspended with effect from 10:00 a.m. on 20th November, 2000 at the request of respectively China Resources Enterprise and Ng Fung Hong. Respective applications have been made to the Stock Exchange for the resumption of the trading in the shares in China Resources Enterprise and Ng Fung Hong with effect from 10:00 a.m. on 21st November, 2000.		

INTRODUCTION

Subsequent to the announcement of China Resources Holdings in June 2000 on its proposed business restructure, the CRE group is currently undergoing a restructuring with the objective of it becoming a premier distribution company in Asia of consumer and industrial products by combining the long established expertise in international trade and distribution of the China Resources group with advanced technology and modern management methods. The recent acquisition of the China Resources group's oil distribution operation by China Resources Enterprise and its disposals of interests in furniture and property development and investment in the PRC and compressor manufacturing as announced on 13th October, 2000 and 8th November, 2000 respectively, represented major initial steps in the restructuring of China Resources Enterprise.

The offer for the shares in Ng Fung Hong represents a further step in the restructuring. The objective of the offer is to acquire all the outstanding shares in Ng Fung Hong. This will facilitate the integration of Ng Fung Hong into the CRE group and is expected to lead to operational efficiencies in a number of operations of the CRE group and, in particular, its warehouse and supermarket retailing operations. It will also enable the CRE group to utilise its resources more effectively as the cashflows and profits generated by Ng Fung Hong will be available for the CRE group which is not the case with Ng Fung Hong remaining a separately listed, non-wholly owned subsidiary. Through the offer, the CRE group's distribution capability in China will be substantially strengthened, which will assist the CRE group in achieving its objective of establishing a national retailing and distribution network in China.

For the shareholders of Ng Fung Hong, the Offer enables them to realise their investment for cash at an attractive premium to the prevailing market price and, if they elect to receive the cash and share alternative, to remain invested indirectly in Ng Fung Hong through a shareholding in China Resources Enterprise and to benefit from the expected improvement in the performance of China Resources Enterprise through the improvements in the operational efficiencies of the CRE group, which is expected to follow from the acquisition of the entire issued share capital of Ng Fung Hong.

THE OFFER

Anglo Chinese Corporate Finance, Limited will make an Offer on behalf of Best-Growth Resources Limited, a wholly owned subsidiary of China Resources Enterprise, for all the issued shares in Ng Fung Hong on the following basis:

for every 6 shares of HK\$0.10 each in Ng Fung Hong	HK\$29.40 in cash, being HK\$4.90 in cash for each share held; or at the election of the assenting shareholder, HK\$19.44 in cash and 1 new share in China Resources Enterprise, and in the same proportion for any greater or lesser number of shares of Ng Fung Hong, except that no fraction of a share in China Resources Enterprise will be issued
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Based on the closing price of the shares in China Resources Enterprise of HK\$9.05 per share as quoted on the Stock Exchange on 17th November, 2000, being the last trading day before the date of this announcement, the cash and share consideration alternative under the Offer values each share in Ng Fung Hong at approximately HK\$4.75. If a shareholder of Ng Fung Hong accepts the cash alternative under the Offer, China Resources Enterprise shall pay HK\$4.90 for every share in Ng Fung Hong.

On the basis that all shareholders of Ng Fung Hong accepts the cash and share alternative, the maximum number of new shares in China Resources Enterprise to be issued, under the general mandate granted to the directors of China Resources Enterprise at the general meeting held on 19th June, 2000, shall amount to approximately 81,220,667 shares, representing approximately 3.9% of the enlarged share capital. On the basis the maximum number of shares in China Resources Enterprise are issued under the Offer, the shareholding of China Resources Holdings in the issued share capital of China Resources Enterprise will decline from approximately 55% to 53%.

Shares in Ng Fung Hong acquired under the Offer and under the compulsory acquisition provisions of the Companies Ordinance, will be acquired free from all liens, charges and encumbrances and together with all rights attaching thereto as at 20th November, 2000, including the right to receive all dividends and distributions declared, paid or made on or after 20th November, 2000.

Seller's ad valorem stamp duty arising in connection with acceptance of the offer amounting to HK\$1.125 for every HK\$1,000 or part thereof of the consideration payable in respect of the relevant acceptance by shareholders will be deducted from the consideration payable in terms of the offer.

COMPARISONS OF VALUE

The cash offer price per Ng Fung Hong share under the cash alternative and cash and share alternative respectively represents:

- a premium of approximately 34% or 30% as the case may be over the last traded price of HK\$3.65 as quoted on the Stock Exchange on 17th November, 2000, being the last day on which the shares in Ng Fung Hong were traded prior to this announcement when the shares in Ng Fung Hong were suspended at Ng Fung Hong's request with effect from 10:00 a.m. on Monday, 20th November, 2000;
- a premium of approximately 42% or 38% as the case may be over the weighted average price of HK\$3.44 per Ng Fung Hong share, being the weighted average price of the shares in Ng Fung Hong as quoted on the Stock Exchange for the thirty trading days immediately prior to and including 17th November, 2000;
- a premium of approximately 163% or 155% as the case may be over the net asset value per share in Ng Fung Hong of HK\$1.86 based on information contained in its latest audited consolidated financial statements for the year ended 31st December, 1999;
- an earnings multiple of approximately 9.4 times or 9.1 times as the case may be, based on the audited consolidated after tax earnings of Ng Fung Hong of approximately HK\$0.52 per share for the year ended 31st December, 1999.

HIGHEST AND LOWEST PRICES

During the six months preceding the date of this announcement, the highest closing price of shares in Ng Fung Hong as quoted on the Stock Exchange was HK\$4.90 on 4th August, 2000 and the lowest closing price of shares in Ng Fung Hong as quoted on the Stock Exchange was HK\$3.15 on 19th October, 2000.

TOTAL CONSIDERATION

On the basis of the cash only Offer price, the Offer values the entire issued share capital of Ng Fung Hong at approximately HK\$5,127 million.

In addition, Ng Fung Hong has granted options exercisable into shares in Ng Fung Hong to certain of its employees under Ng Fung Hong's share option scheme. An appropriate offer has been made to all holders of options, details of which shall be set out in the Composite Offer Document.

Anglo Chinese Corporate Finance, Limited is satisfied that sufficient resources are available to China Resources Enterprise for full acceptance of the Offer. China Resources Enterprise intends to finance the cash portion of the consideration payable under the Offer from its own internal resources.

CONDITIONS OF THE OFFER

The offer is conditional upon:

- acceptances being received for not less than 90% of the shares in Ng Fung Hong (including shares in Ng Fung Hong acquired during the period of the Offer by Associates of the offeror from the date of the Composite Offer Document) or such lesser number as China Resources Enterprise may decide, provided the level of acceptances and shares acquired during the period of the Offer exceeds 55%;

- the passing by the shareholders of Ng Fung Hong, other than China Resources Enterprise and its Associates, the Directors and chief executive of Ng Fung Hong or any of their respective Associates, of a resolution approving the withdrawal of listing of the shares in Ng Fung Hong from the Stock Exchange by a majority in number representing three-fourths in value of the shareholders present and voting on such resolution;
- in respect of the cash and share alternative only, the grant by the Listing Committee of the Stock Exchange of a listing of, and permission to deal in, the shares in China Resources Enterprise to be issued under the cash and share alternative;
- the confirmation of the Stock Exchange, if required, of the withdrawal of listing; and
- all other authorisations, confirmations, consents, waivers and approvals as the China Resources Enterprise may consider necessary or desirable for itself and its shareholders in connection with or arising from the implementation of the offer being obtained in terms and in form satisfactory to China Resources Enterprise.

If the Offer becomes unconditional, it is intended that the cash and share alternative will be open for acceptance for 14 days after the date the Offer is declared unconditional.

If the 90% acceptance level is achieved and the Offer becomes unconditional, it is intended that the Offeror will avail itself of the compulsory purchase provisions of the Companies Ordinance and application will be made for the withdrawal of the listing of the shares in Ng Fung Hong from the Stock Exchange.

COMPULSORY ACQUISITION

If acceptances are received (together with shares in Ng Fung Hong acquired during the period of the Offer) for 90% or more of the shares in Ng Fung Hong, China Resources Enterprise will avail itself of the compulsory purchase provisions under section 168 and the Ninth Schedule of the Companies Ordinance to acquire the outstanding shares in Ng Fung Hong not owned by it.

PROPOSED VOLUNTARY WITHDRAWAL OF LISTING

As mentioned above, it is a condition of the Offer that the approval by the independent shareholders of Ng Fung Hong be obtained for a voluntary withdrawal of listing of the Ng Fung Hong shares on the Stock Exchange.

Pursuant to Rule 6 of the Listing Rules, if Ng Fung Hong has no such alternative listing, Ng Fung Hong may not voluntarily withdraw its listing on the Stock Exchange without the permission of the Stock Exchange unless:

- the listed company has obtained the prior approval of its shareholders at a duly convened meeting of shareholders at which the Directors, chief executives and any controlling shareholders or their respective Associates, as defined in the Listing Rules, do not vote and, at the shareholders' meeting, a majority in number representing three-fourths in value of the shareholders present and voting either in person or by proxy at the meeting vote in favour; and
- the shareholders are offered a reasonable cash alternative or other reasonable alternative.

No application will be made for the withdrawal of the listing of Ng Fung Hong shares on the Stock Exchange until the Offer becomes or is declared unconditional. An announcement will be made if the offer becomes unconditional.

If the 90% acceptance level is not achieved, but the 55% acceptance level is achieved, and the Offeror elects to waive this condition and the independent shareholders of Ng Fung Hong resolve to withdraw the listing of the shares in Ng Fung Hong from the Stock Exchange, shareholders of Ng Fung Hong who have elected not to accept the Offer would be left holding shares in an unlisted company, in which circumstances the market for shares in Ng Fung Hong may be illiquid. Further announcements will be made as and when appropriate.

If the Offeror does not seek a withdrawal of listing of the shares in Ng Fung Hong, the Stock Exchange has stated that, for so long as the shares in Ng Fung Hong remain listed on the Stock Exchange, it will closely monitor the trading in the shares in Ng Fung Hong if less than 25% of the shares in Ng Fung Hong are held by the public. The Directors of Ng Fung Hong are aware of the possibility of Ng Fung Hong's public float falling below 25% immediately after completion of the Offer and will address this issue accordingly. The Stock Exchange will also closely monitor all future acquisitions or disposals of assets by Ng Fung Hong. The Stock Exchange has the discretion to require Ng Fung Hong to issue a circular to its shareholders irrespective of the size of the proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of Ng Fung Hong. The Stock Exchange also has the power to aggregate a series of transactions and any such transaction may result in Ng Fung Hong being treated as if it were a new listing applicant. If the Stock Exchange believes that:

- (a) a false market exists or may exist in the shares in Ng Fung Hong; or
 - (b) there are too few shares in Ng Fung Hong in public hands to maintain an orderly market,
- it will consider exercising its discretion to suspend trading in the shares in Ng Fung Hong.

INFORMATION ON CHINA RESOURCES ENTERPRISE

China Resources Enterprise is the principal listed subsidiary of China Resources Holdings and is a company incorporated in Hong Kong with limited liability under the Companies Ordinance. The CRE group is currently engaged in a wide range of businesses including property investment and development, food and beverages, retail distribution, infrastructure and other investments. However, subsequent to the announcement by China Resources Holdings concerning its business restructure in June 2000, the CRE group is currently undergoing a restructuring with the objective of it becoming a premier distribution company in Asia of consumer and industrial products. As part of the restructuring plan, the CRE group has recently completed the acquisition of the oil distribution operation from its parent company. The CRE group will continue to conduct studies into the viability of acquiring various distribution and logistic businesses either from CRH, in particular the construction materials and textile products distribution operations, or third parties.

The shares in China Resources Enterprise are a constituent of the Hang Seng Index and based on the closing price of the shares in China Resources Enterprise as quoted on the Stock Exchange on 20th November, 2000, China Resources Enterprise is capitalised at approximately HK\$17,978 million.

Summarised below are the results of China Resources Enterprise for the two years ended 31st December, 1998 and 1999 based on its audited consolidated financial statements and for the six months ended 30th June, 2000 based on its unaudited management accounts:

	Year ended 31st December,		Six months ended 30th June, 2000
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000
Turnover	5,475,100	12,902,299	6,320,794
Profit before taxation	2,118,168	2,591,812	1,221,952
Profit attributable to Shareholders	1,268,428	1,442,839	765,450
Earnings per Share			
— Basic	HK\$0.81	HK\$0.79	HK\$0.39
— Fully diluted	HK\$0.80	HK\$0.79	HK\$0.38
Dividends per share	HK\$0.15	HK\$0.15	HK\$0.06

INFORMATION ON NG FUNG HONG

The Ng Fung Hong group is engaged principally in the distribution of livestock, primarily live pigs, the distribution of fresh, live and frozen foodstuffs, the production and trading of processed food and beverages, the operation of abattoirs and supermarket retailing.

Summarised below are the consolidated results of Ng Fung Hong for the two years ended 31st December, 1998 and 31st December, 1999 based on its audited consolidated financial statements and for the six months and 30th June, 2000 based on its unaudited management accounts:

	Year ended 31st December,		Six months ended 30th June, 2000
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000
Turnover	6,921,635	6,663,962	3,531,859
Profit before taxation	705,966	688,689	458,242
Profit attributable to Shareholders	525,089	549,730	378,668
Earnings share			
— Basic	HK\$0.51	HK\$0.53	HK\$0.36
— Fully diluted	HK\$0.50	HK\$0.52	HK\$0.36
Dividends per share	HK\$0.14	HK\$0.18	HK\$0.06

GENERAL

The Directors of Ng Fung Hong have formed an independent committee of the Board to advise shareholders who have not given any undertakings to China Resources Enterprise in respect of their shareholdings. Such shareholders are advised not to take any action in connection with the Offer until they have received the advice from the independent committee of the Board. An independent financial adviser will be appointed to advise the independent committee of the Board.

A Composite Offer Document will be despatched respectively to the shareholders of Ng Fung Hong and China Resources Enterprise as soon as practicable.

Trading in the shares in China Resources Enterprise and Ng Fung Hong on the Stock Exchange were suspended with effect from 10:00 a.m. on Monday, 20th November, 2000 at the request of respectively China Resources Enterprise and Ng Fung Hong. Respective applications have been made to the Stock Exchange for the resumption of trading in the shares in China Resources Enterprise and Ng Fung Hong with effect from 10:00 a.m. on Tuesday, 21st November, 2000.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the respective meanings set out opposite them:

“Associates”	has the meaning ascribed thereto in the Listing Rules or in the context of ascertaining whether the conditions of the offer have been satisfied, has the meaning ascribed by section 168 of the Companies Ordinance (Chapter 32) of the laws of Hong Kong
“Board”	the Board of Directors of Ng Fung Hong
“CRE group”	China Resources Enterprise and its subsidiaries
“China Resources Enterprise”	China Resources Enterprise, Limited whose shares are listed on the Stock Exchange
“China Resources group”	China Resources Holdings and its subsidiaries
“China Resources Holdings”	China Resources (Holdings) Company Limited
“Composite Offer Document”	the Offer Document to be issued by the Offeror and Ng Fung Hong under the Takeover Code and shall include the forms of acceptance and transfer in respect of the Offer
“Directors”	Directors of Ng Fung Hong
“HK\$”	Hong Kong Dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Ng Fung Hong”	Ng Fung Hong Limited whose shares are listed on the Stock Exchange and is an approximately 53.4% owned subsidiary of China Resources Enterprise
“Offer”	the voluntary conditional Offer to be made by the Offeror for all the issued shares of Ng Fung Hong on the terms and conditions to be set out in this announcement and further details of which will be set out in the Composite Offer Document
“Offeror”	a limited liability company and a wholly owned subsidiary of China Resources Enterprise
“PRC”	the People's Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	Code on Takeover and Mergers

By order of the board China Resources Enterprise, Limited Lee Yip Wah, Peter Company Secretary	By order of the board Ng Fung Hong Limited Terence Hon Company Secretary
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Hong Kong 20th November, 2000

All the Directors of China Resources Enterprise, except Mr. Wang Qun and Mr. Loo Wan Loong, John who are out of Hong Kong and could not be contacted, jointly and severally accept full responsibility for the accuracy of the information, other than those relating to Ng Fung Hong, contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts, other than those relating to Ng Fung Hong, not contained in this announcement, the omission of which would make any statement in this announcement misleading.

All the Directors of Ng Fung Hong, except Ms. Guo Jingqin who is out of Hong Kong and could not be contacted, jointly and severally accept full responsibility for the accuracy of the information, other than those relating to China Resources Enterprise, contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts, other than those relating to China Resources Enterprise, not contained in this announcement, the omission of which would make any such statement in this announcement misleading.