



# CHINA RESOURCES ENTERPRISE, LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

## Connected Transaction

On 8th November, 2000, the Company entered into an Agreement with Cooling in relation to the respective disposal by the Company of its entire interests in Shenyang Sanyo and Shenyang Shengrun. Upon completion of the Agreement, the Company will have effectively disposed of its entire interests in Shenyang Sanyo and Shenyang Shengrun to Cooling at an aggregate consideration of US\$33,386,150. The performance of Cooling's obligations under the Agreement shall be guaranteed by CRH.

Cooling, is a wholly owned subsidiary of CRH which in turn is the immediate holding company and a substantial shareholder of the Company under the Listing Rules. Therefore, the Agreement constitutes a connected transaction for the Company under the Listing Rules. However, as consideration and value of the Disposal fall within Rule 14.25 (1) of the Listing Rules, shareholder approval of the Company is not required for the Disposal. Details of the Disposal required under the Listing Rules will be included in the next published annual report and accounts of the Company.

### THE AGREEMENT

**Date:** 8th November, 2000  
**Seller:** the Company  
**Purchaser:** Cooling  
**Guarantor:** CRH

#### Asset to be disposed

25.5% equity in each of Shenyang Sanyo and Shenyang Shengrun. Upon Completion, the Company shall cease to have any interest in Shenyang Sanyo and Shenyang Shengrun. Both Shenyang Sanyo and Shenyang Shengrun manufacture and sell air-conditioner compressors.

#### Conditions Precedent

Completion of the Disposal is conditional upon, inter alia, all waivers, consents and approvals required to give the Purchaser or its nominee(s) free and clear title to 25.5% equity in each of Shenyang Sanyo and Shenyang Shengrun, being fulfilled or waived by the Purchaser.

Completion of the Disposal shall take place within 45 days upon satisfaction of all conditions precedent. In the event that all of the conditions precedent of the Agreement shall not have been fulfilled or waived by 28th February, 2001 or any other date as the parties may agree in writing, the Agreement shall cease to have any effect and none of the parties shall have any rights or liabilities under the Agreement.

#### Consideration and Payment Terms

The Consideration of US\$33,386,150 (approximately HK\$260,411,970) for the Disposal shall be payable in the following manner:

- (a) US\$6,430,896 (approximately HK\$50,160,989) as down payment;
- (b) the issue and allotment by Cooling to the Company the Consideration Shares within 30 days upon satisfaction or waiver of all conditions precedent of the Agreement;
- (c) the redemption by Cooling of the Consideration Shares at US\$26,955,254 (approximately HK\$210,250,981) within 45 days of the satisfaction or waiver of all conditions precedent of the Agreement.

Effectively, the Company disposed of its 25.5% equity in Shenyang Sanyo and Shenyang Shengrun to Cooling, at an aggregate consideration of US\$33,386,150.

The Consideration was agreed after arm's length negotiations between the Company and Cooling on normal commercial terms. The Directors (including the independent non-executive directors) consider the terms of the Disposal to be fair and reasonable and of commercial benefit to the Company

#### CRH as Guarantor

CRH agrees to guarantee to the Company, the performance by Cooling under the Agreement.

#### Reason for Disposal

The Directors would like to refer to the announcement made by CRH on 19th June, 2000 on its proposed restructuring plan to, inter alia, transform the Company into a premier distribution company. As the business of Shenyang Sanyo and Shenyang Shengrun falls outside the intended scope of business of the Company and in view of the reasonable terms of the Disposal, the Company agreed to divest its interests in Shenyang Sanyo and Shenyang Shengrun. Taking into consideration the size of the Disposal, the Directors do not expect that upon Completion, there will be material impact to the consolidated profit and loss statements and consolidated balance sheet of the Company for the financial year ending 31st December, 2000.

### USE OF PROCEEDS

The Company has no designated use for the proceeds of the Disposal.

### GENERAL

As Cooling is a wholly owned subsidiary of CRH, the immediate holding company and a substantial shareholder of the Company, the Agreement constitutes a connected transaction for the Company under the Listing Rules. As the consideration and value of the Disposal falls within Rule 14.25(1) of the Listing Rules, no shareholder approval is required for the Disposal. Details of the Disposal required under the Listing Rules will be included in the next published annual reports and accounts of the Company.

### DEFINITION

“Agreement”	the conditional agreement dated 8th November 2000 entered into by the Company, Cooling and CRH
“CRH”	China Resources (Holdings) Company Limited
“Completion”	completion of the Agreement
“the Company”	China Resources Enterprise, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed in the Stock Exchange
“Consideration”	US\$33,386,150 (approximately HK\$260,411,970)
“Consideration Shares”	the issue and allotment by Cooling to the Company 40 ordinary shares of Cooling credited as fully paid up pursuant to the Agreement
“Cooling”	China Resources Cooling Technology Co., Ltd, a company incorporated in the British Virgin Islands and is wholly owned by CRH
“Directors”	the directors of the Company
“Disposal”	the transfer of 25.5% equity in each of Shenyang Sanyo and Shenyang Shengrun by the Company to Cooling pursuant to the Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Shenyang Sanyo”	China Resources (Shenyang) Sanyo Compressor, Ltd, a company established in PRC, of which the Company holds 25.5% equity and as at the date hereof, the remaining equity are being held by CRH (as to 38.25%) and independent third parties (as to 36.25%)
“Shenyang Shengrun”	Shenyang Shengrun Sanyo Compressor Co., Ltd, a company established in the PRC, of which the Company holds 25.5% equity and as at the date hereof, the remaining equity are being held by CRH (as to 38.25%) and independent third parties (as to 36.25%)
“PRC”	the People's Republic of China
“Rmb”	Renminbi
“US\$”	U. S. Dollars

Exchange rate used in this announcement is HK\$7.8 to US\$1.00

By Order of the Board  
**China Resources Enterprise, Limited**  
**Lee Yip Wah, Peter**  
*Company Secretary*

Hong Kong, 8th November, 2000