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**CHINA RESOURCES
ENTERPRISE, LIMITED**

五豐行有限公司
NG FUNG HONG LIMITED

(incorporated in Hong Kong under the Companies Ordinance)

CONNECTED TRANSACTION

The directors of NFH and CRE announce that NFH has entered into an agreement on 23 October, 2000 and a supplemental agreement on 24 October, 2000 to dispose of its 13.9% equity interest in NFFC to Fu Cheng for a cash consideration of RMB38 million (approximately HK\$35.5 million). NFFC is principally engaged in cattle raising, abattoir operation and meat processing in the PRC. NFFC is currently a 49.9% owned subsidiary of NFH. Upon Completion, NFH's interest in NFFC will be reduced to 36% and NFFC will cease to be a subsidiary of NFH.

As Fu Cheng is a substantial shareholder of NFFC, the Disposal constitutes a connected transaction for NFH for the purpose of the Listing Rules. Pursuant to Rule 14.26(1) of the Listing Rules, shareholders' approval of NFH for the Disposal in an extraordinary general meeting is required. CRE, the major shareholder of NFH holding approximately 53.5% issued share capital of NFH, is entitled to vote on the shareholders' resolution of NFH to approve the Disposal and has confirmed such approval in writing. In this connection, NFH will apply to the Stock Exchange for granting a waiver from strict compliance with the requirement to seek shareholders' approval at an extraordinary general meeting. A circular containing details of the Disposal, the advice from the independent board committee of NFH and an independent financial adviser will be despatched by NFH to its shareholders for information as soon as practicable.

NFH is a subsidiary of CRE, therefore the Disposal also constitutes a connected transaction of CRE under the Listing Rules. However, as the consideration and value of the Disposal are less than the higher of HK\$10 million or 3% of the book value of the audited net tangible asset of CRE as at 31 December 1999 as stipulated in Rule 14.25(1) of the Listing Rules, shareholders' approval from CRE for the Disposal is not required. Details of the Disposal will be included in the next published annual report and accounts of CRE.

THE AGREEMENTS

Vendor : NFH, a 53.5% owned subsidiary of CRE

Purchaser : Fu Cheng, holding 42.1% equity interest in NFFC before Completion

Assets to be disposed

13.9% equity interest in the registered capital of approximately RMB168.6 million of NFFC. NFFC is currently owned as to 49.9% by NFH, 42.1% by Fu Cheng and 8.0% by IM Cereals. NFFC is treated as a subsidiary of NFH as NFH is able to exercise more than 50% control over the board of directors of NFFC. Upon Completion, NFH's interest in NFFC will be reduced to 36% and NFH will not be able to exercise significant control in NFFC's board of the directors. As such, NFFC will cease to be a subsidiary of NFH and become an associated company of NFH.

Consideration

The cash consideration of RMB38 million (approximately HK\$35.5 million) was arrived at after arm's length negotiations among the parties thereto and on normal commercial terms. The Consideration has been determined with reference to NFFC's business performance in recent years and NFH's attributable interest in the unaudited net asset value of NFFC of RMB190.6 million (approximately HK\$178.1 million) as at 30 June 2000. The Consideration represents a price to earning ratio of approximately 28.8 times to NFFC's audited net profit for the year ended 31 December 1999 and a premium of approximately 43.5% to NFFC's unaudited net asset value as at 30 June 2000 respectively. On this basis, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and the terms of the Agreements are on normal commercial terms and are in the interests of NFH and CRE and their shareholders as a whole.

Payment terms

The Consideration will be payable as follows:

- RMB10 million (approximately HK\$9.3 million) within 3 days after signing of the agreement entered by NFH and Fu Cheng dated 23 October 2000 in respect of the Disposal;
- RMB9 million (approximately HK\$8.4 million) within 3 days after obtaining the necessary approvals in respect of the Disposal from the relevant PRC authorities; and
- RMB19 million (approximately HK\$17.8 million) within 12 months after obtaining the necessary approvals in respect of the Disposal from the relevant PRC authorities.

Condition

Completion is conditional upon the following:

- obtaining all necessary approvals in respect of the Disposal from the relevant PRC authorities within 60 days after signing of the agreement entered by NFH and Fu Cheng dated 23 October 2000 in respect of the Disposal; and
- obtaining the shareholders' approval of NFH in respect of the Disposal.

INFORMATION ON NFFC

NFFC is a company established in the PRC on 18 March 1998 and is principally engaged in cattle raising, abattoir operation and meat processing in the PRC. Since its establishment, NFFC has been owned as to 49.9% by NFH, 42.1% by Fu Cheng and 8.0% by IM Cereals respectively. Currently, the board of the directors of NFFC consists of nine directors of which five directors are nominated by NFH. Upon Completion, two of the directors nominated by NFH in NFFC's board of directors will resign in accordance with the Agreements.

Save for their interests in NFFC, both Fu Cheng and IM Cereals and their beneficial owners are independent of any of the directors, chief executive, substantial shareholders of NFH and CRE or any of their respective subsidiaries or their respective associates.

Based on NFFC's audited financial statements prepared in accordance with the PRC accounting standards, the audited net profits of NFFC for the two years ended 31 December 1998 and 1999 were approximately RMB22.0 million (approximately HK\$20.6 million) and approximately RMB9.5 million (approximately HK\$8.9 million) respectively. For the six months ended 30 June 2000, the unaudited net profit of NFFC was approximately RMB4.0 million (approximately HK\$3.7 million). NFFC was not subject to profits tax in the PRC for such periods.

The unaudited net asset value of NFFC amounted to RMB190.6 million (approximately HK\$178.1 million) as at 30 June 2000.

REASONS FOR THE DISPOSAL

NFH Group is principally engaged in the distribution of fresh, live and frozen foodstuffs, production and trading of processed food and beverages, abattoir operation, foodstuffs transportation, marine fishing and processing of aquatic products and supermarket operation.

NFH Group has adopted a strategy of expanding its food distribution operation in the Chinese Mainland. The Directors consider that the Disposal represents a good opportunity to NFH Group to realise parts of its investment in NFFC and to re-deploy the proceeds from the Disposal for the

development and expansion of its food distribution operation. The Directors also consider that, upon Completion, the Group will continue to hold the remaining interest of 36% in NFFC for the strategic purpose.

The Directors intend to utilise the proceeds from the Disposal as working capital of NFH Group. The NFH Group has no specific use of the proceeds at this stage.

GENERAL

As Fu Cheng is a substantial shareholder of NFFC, the Disposal constitutes a connected transaction for NFH for the purpose of the Listing Rules. Pursuant to Rule 14.26(1) of the Listing Rules, shareholders' approval of NFH for the Disposal in an extraordinary general meeting is required. CRE, the major shareholder of NFH holding approximately 53.5% issued share capital of NFH, is entitled to vote on the shareholders' resolution of NFH to approve the Disposal and has confirmed such approval in writing. In this connection, NFH will apply to the Stock Exchange for granting a waiver from strict compliance with the requirement to seek shareholders' approval at an extraordinary general meeting. A circular containing details of the Disposal, the advice from the independent board committee of NFH and an independent financial adviser of NFH will be despatched by NFH to its shareholders for information as soon as practicable.

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DEFINITIONS

"Agreements"	the agreement dated 23 October 2000 and the supplemental agreement dated 24 October 2000 which were entered into by NFH and Fu Cheng
"associate(s)"	the meanings ascribed to it by the Listing Rules
"Completion"	completion of the Disposal pursuant to the terms of the Agreements
"Consideration"	the consideration for the Disposal of RMB38 million (approximately HK\$35.5 million)
"CRE"	China Resources Enterprise, Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed in the Stock

	Exchange
"Directors"	the directors of NFH and CRE
"Disposal"	the disposal of 13.9% equity interest in NFFC by NFH to Fu Cheng pursuant to the Agreements
"Fu Cheng"	河北三河福成養牛集團總公司 , a company established in the PRC, holding 42.1% equity interest in NFFC before the Completion
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IM Cereals"	內蒙古自治區糧油食品進出口公司 , a company established in the PRC, holding 8.0% equity interest in NFFC before the Completion
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"NFFC"	三河五豐福成食品有限公司 , Ng Fung Fortune Food Company Limited, a company established in the PRC, is owned as to 49.9% by NFH, 42.1% by Fu Cheng and 8.0% by IM Cereals respectively before Completion
"NFH"	Ng Fung Hong Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed in the Stock Exchange
"NFH Group"	NFH and its subsidiaries
"PRC"	the People's Republic of China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK\$"	Hong Kong dollars
"RMB"	Renminbi

Exchange rate used in this announcement is HK\$1=RMB1.07.

By Order of the Board

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China Resources Enterprise, Limited

Lee Yip Wah, Peter

Company Secretary

Ng Fung Hong Limited

Terence Hon

Company Secretary

Hong Kong, 24 October 2000

Please also refer to the published version of this announcement in the South China Morning Post and Hong Kong Economic Times.