



CHINA RESOURCES ENTERPRISE, LIMITED
(incorporated in Hong Kong under the Companies Ordinance)

Connected Transaction

The directors of China Resources Enterprise, Limited (the “Company” and, together with its subsidiaries, the “Group”) announce that on 21st December, 2001, the Company, through a wholly subsidiary, entered into a sale and purchase agreement with 北方國際集團天津金星進出口有限公司 (Bei Fang Guo Ji Ji Tuan Tian Jin Jin Xing Jin Chu Kou You Xian Gong Si) in relation to the acquisition by the Company of 45% equity interest in Tianjin China Resources Supermarket Co., Ltd. for a consideration of HK\$22.95 million. Tianjin China Resources Supermarket Co., Ltd. is principally engaged in the operation of supermarkets under the name of “CRC Shop” in Tianjin, China. Upon completion of the agreement Tianjin China Resources Supermarket Co., Ltd. will become a wholly owned subsidiary of the Company.

北方國際集團天津金星進出口有限公司 (Bei Fang Guo Ji Ji Tuan Tian Jin Jin Xing Jin Chu Kou You Xian Gong Si) is a substantial shareholder, interested in 45% equity interest in Tianjin China Resources Supermarket Co., Ltd. Under the Listing Rules, the acquisition constitutes a connected transaction for the Company. According to Rule 14.25(1) of the Listing Rules, no shareholders’ approval is required for the acquisition and details of the acquisition will be included in the next annual report of the Company.

SALE AND PURCHASE AGREEMENT DATED 21ST DECEMBER, 2001

Vendor: 北方國際集團天津金星進出口有限公司 (Bei Fang Guo Ji Ji Tuan Tian Jin Jin Xing Jin Chu Kou You Xian Gong Si), a controlling shareholder holding 45% equity interest in Tianjin Supermarket (as defined below), a 55% subsidiary of the Company before the acquisition

Purchaser: 華潤超級市場有限公司 (Huarun Chao Ji Shi Chang You Xian Gong Si), a wholly owned subsidiary of the Company

Assets to be acquired

45% equity interest in Tianjin China Resources Supermarket Co., Ltd. (“Tianjin Supermarket”). Prior to this transaction, the Company, through its wholly owned subsidiary, is beneficially interested in 55% equity interest of Tianjin Supermarket, also treated as subsidiary of the Company. Upon completion of the agreement, Tianjin Supermarket will become a wholly owned subsidiary of the Company.

Consideration

The consideration of HK\$22.95 million has been arrived at after arm’s length negotiations between the parties with reference to market value of similar companies and businesses. Based on the historical profit attributable to shareholders of Tianjin Supermarket for the financial year ended 31st December, 2000 of about HK\$1.17 million, the consideration payable represents historic price earnings multiple of approximately 43.6 times. However, based on unaudited pro forma combined accounts for the six month period ended 30th June, 2001 of about HK\$2.13 million, the consideration implies a prospective price earnings multiple of about 16.6 times. The directors (including the independent non-executive directors) of the Company consider that the consideration is fair and reasonable as far as shareholders of the Company are concerned.

The consideration will be satisfied by the internal resources of the Company and be payable in the following manner:

- 1. As to HK\$10.0 million in cash payable within three business days after the date of the agreement;
- 2. As to HK\$10.0 million in cash payable within ten business days after the date of the agreement; and
- 3. As to HK\$2.95 million in cash payable within 20 business days after the completion of registration with applicable government departments regarding the transfer.

There is no condition precedent for the completion of the sale and purchase agreement.

Information on Tianjin Supermarket

Tianjin Supermarket was established in 1996 for the purpose of operating supermarkets in the locality of Tianjin, China. Tianjin Supermarket has developed into one of the leading supermarket operators in Tianjin with over 50 outlets operating under the name of “CRC Shop”. The following table summarises the operating performance and net tangible asset value of Tianjin Supermarket, based on the audited accounts as prepared by the PRC accountants, for the two financial years ended 31st December, 2000 and the unaudited pro forma combined accounts for the six months ended 30th June, 2001.

| | Year ended 31st December | | Six months ended |
|--------------------------|--------------------------|--------------|------------------|
| | 1999 | 2000 | 30th June 2001 |
| | Audited | Audited | Unaudited |
| | HK\$ million | HK\$ million | HK\$ million |
| Turnover | 79.0 | 107.1 | 72.39 |
| Profit before tax | 0.99 | 1.35 | 2.13 |
| Profit after tax | 0.99 | 1.17 | 2.13 |
| Net tangible asset value | 29.5 | 30.6 | 32.8 |

Reasons for the acquisition

It is the Group’s long-term strategy to aggressively expand its retail distribution operation in Mainland China. The directors consider that the Group, by controlling 100% of Tianjin Supermarket , would be able to carry out its business expansion in Tianjin more speedily and operational efficiency will be further enhanced as a result of greater cooperation with the Group’s supermarket operation in the nearby region. The directors believe that the acquisition is in line with the Group’s strategy and in the best interest of the Group.

GENERAL

As the Vendor is an existing substantial shareholder of the Company’s subsidiary, the agreement constitutes a connected transaction for the Company under the Listing Rules. As the consideration and value of the acquisition falls within the limit specified in rule 14.25(1) of the Listing Rules, no shareholders’ approval is required for the acquisition. Details of the acquisition will be included in the next published annual reports and accounts of the Company.

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