



# CHINA RESOURCES ENTERPRISE, LIMITED

(incorporated in Hong Kong under the Companies Ordinance)

## ISSUE OF US\$200,000,000 CONVERTIBLE GUARANTEED BONDS DUE 2006

BY

### Hebe Haven Inc.

(incorporated with limited liability under the laws of the Cayman Islands)

#### SUMMARY

The Directors of China Resources Enterprise, Limited (the “Company”) announce that the Company today entered into a subscription agreement whereby Morgan Stanley & Co. International Limited (“MSI”) has agreed to procure subscribers, who are institutional investors (being independent third parties), or subscribe for an initial aggregate principal amount of US\$200,000,000 (approximately HK\$1,560 million) convertible guaranteed bonds (the “Bonds”) to be issued by a wholly-owned subsidiary of the Company, Hebe Haven Inc.. The Bonds are convertible into shares of HK\$1.00 each of, and guaranteed by, the Company.

In addition, MSI has been granted an option to require the Issuer to issue up to a further US\$30,000,000 (approximately HK\$234 million) of aggregate principal amount of the Bonds. Further announcement shall be made by the Company upon the exercise of the option by MSI.

Assuming full conversion of the Bonds (including the Bonds which may be issued upon the exercise of the option), the Company will issue approximately 119,600,000 new shares, representing approximately 5.95 per cent. of the existing issued share capital of the Company and approximately 5.62 per cent. of the enlarged issued share capital of the Company. Subject to certain conditions, the subscription agreement is expected to be completed, and the Bonds issued, on or about 31st May, 2001.

At the request of the Company, trading in its Shares on the Hong Kong Stock Exchange was suspended from 10:00 a.m. on Thursday, 10th May, 2001 pending the release of this announcement. Application has been made by the Company for the resumption of trading of the Shares and it is expected that trading will resume at 10:00 a.m. on Friday, 11th May, 2001.

All Hong Kong dollar equivalents shown in this announcement is calculated with an exchange rate of HK\$7.7997=US\$1.00

#### INTRODUCTION

The Directors of the Company announce that the Company today entered into a subscription agreement (the “Agreement”) whereby MSI has agreed to procure subscribers, who are institutional investors (being independent third parties) or subscribe for an initial aggregate principal amount of US\$200,000,000 (approximately HK\$1,560 million) Bonds to be issued by a wholly-owned subsidiary of the Company, Hebe Haven Inc. (the “Issuer”). The Bonds are convertible into shares of HK\$1.00 each of, and guaranteed by, the Company. In addition, MSI has been granted an option to require the Issuer to issue up to a further US\$30,000,000 (approximately HK\$234 million) of aggregate principal amount of the Bonds. Further announcement shall be made by the Company upon the exercise of the option by MSI.

New shares of HK\$1.00 each of the Company (the “Shares”) will be issuable upon conversion of the Bonds and will rank *pari passu* in all respects with existing Shares and will be issued pursuant to, and covered by, the general mandate given to the Directors by resolution of the shareholders of the Company passed at the Annual General Meeting of the Company held on 19th June 2000. Application will be made to the Hong Kong Stock Exchange Limited (“the Stock Exchange”) for the listing of and permission to deal in the Shares to be issued on conversion of the Bonds.

#### USE OF PROCEEDS

The net proceeds from the issue of the Bonds, expected to amount to approximately US\$195,000,000 (approximately HK\$1,521 million) before deducting expenses (or, if an additional US\$30,000,000 aggregate principal amount of Bonds are issued, approximately US\$224,250,000 (approximately HK\$1,749 million) before deducting expenses), will be used primarily as general working capital to discharge the Company’s obligations.

#### PRINCIPAL TERMS OF THE BONDS AND THE ISSUE

The principal terms of the Bonds and the basis on which the Bonds will be issued may be summarised as follows:

Issue:	US\$200,000,000 (approximately HK\$1,560 million) aggregate principal amount of convertible guaranteed bonds due 2006, convertible into Shares at the option of the holders of the Bonds. The Bonds will be in registered form in the denomination of US\$1,000 each or integral multiples thereof and constituted by a trust deed to be entered into by the Issuer and the Company with The Bank of New York as trustee. The Bonds will be issued at par.
	In addition, MSI are entitled at any time on or about 3rd July, 2001 to require the Issuer to issue up to a further US\$30,000,000 (approximately HK\$234 million) of aggregate principal amount of the Bonds.
Conversion Period:	From on or after 11th July, 2001 up to on or about 17th May, 2006.
Conversion Price:	HK\$15.00 per Share, representing a premium of approximately 18.1 per cent. to the closing price of HK\$12.70 per share as quoted on the Stock Exchange on 9th May 2001, with a fixed rate of exchange on conversion of HK\$7.7997=US\$1.00. The Conversion Price will be subject to adjustment for, <i>inter alia</i> , subdivision or consolidation of shares, bonus issues, rights issues and other dilution events. Shares issued on conversion will rank <i>pari passu</i> in all respects with the Shares then in issue on the relevant conversion date.
Final Redemption:	Unless previously purchased and cancelled, converted or redeemed in certain circumstances, each Bond will be redeemed at 121.78 per cent. of its principal amount on or about 31st May, 2006 (the “Maturity Date”).
Redemption at the Option of the Issuer:	On or at any time after 1st June, 2004 and prior to the Maturity Date, the Issuer may redeem all, but not some, of the Bonds, subject to giving not less than 30 nor more than 60 days’ advance notice, at their principal amount plus a premium. No such redemption may be made unless, <i>inter alia</i> , (i) the closing price of the Shares on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) shall have been at least 130 per cent. of the Conversion Price in effect on the last day of a period of 30 consecutive calendar days, or (ii) at least 90 per cent. in principal amount of the Bonds have already been converted, redeemed or purchased and cancelled.
Negative Pledge:	The Issuer and the Company will each give a negative pledge in relation to its Relevant Debt. “Relevant Debt” means subject to certain exceptions any present or future indebtedness, in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being quoted or dealt in on any stock exchange or other similar regulated securities market.
Conditions:	The completion of the Agreement is conditional upon the fulfilment of various conditions, including the Hong Kong Stock Exchange having granted the listing of and permission to deal in the Shares to be issued on conversion of the Bonds. The Agreement may be terminated in certain circumstances, in particular, events constituting <i>force majeure</i> , for example, civil commotion, acts of war which makes it impracticable to market the Bonds.

#### EFFECT ON THE SHARE CAPITAL

Assuming full conversion of the Bonds (including full conversion of the additional Bonds which may be issued pursuant to the exercise of the option by MSI) at the Conversion Price, the Company will issue approximately 119,600,000 new Shares, representing approximately 5.95 per cent. of the existing issued share capital of the Company and approximately 5.62 per cent. of the enlarged issued share capital of the Company.

Subject to the foregoing, the Agreement is expected to be completed, and the Bonds issued, on or about 31st May, 2001.

The company will undertake to the Stock Exchange that it will ensure that the substantial shareholder and directors of the Company and their respective associates (as defined in Chapter 1 of the Rules governing the listing of securities) will not subscribe for any of the convertible bonds at the issue of such securities, and that, after the issue of the Bonds, the Company will disclose to the Stock Exchange any dealings by any substantial shareholder and directors of the Company and their respective associates (as defined in Chapter 1 of the Rules governing the listing of securities) of the Company from time to time in the Bonds immediately upon the Company becoming aware of such dealings.

#### SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in its Shares on the Stock Exchange was suspended from 10:00 a.m. on Thursday, 10th May, 2001 pending the release of this announcement. Application has been made by the Company for the resumption of trading of the Shares and it is expected that trading will resume at 10:00 a.m. on Friday, 11th May, 2001.

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

Hong Kong, 10th May, 2001

*This announcement is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer and will contain detailed information about the company and management, as well as financial statements. “United States” means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.*