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## IMPORTANT

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Resources Enterprise, Limited, you should immediately hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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# CHINA RESOURCES ENTERPRISE, LIMITED

*(incorporated in Hong Kong under the Companies Ordinance)*

## CONNECTED TRANSACTION

### ACQUISITION OF EQUITY INTERESTS IN CHINA VANGUARD SUPER DEPARTMENT CO., LTD.

**Independent Financial Adviser to the Independent Board Committee**



DBS ASIA CAPITAL LIMITED

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A letter from the Independent Board Committee dated 24th June, 2002 containing its recommendations in respect of the Acquisition and the possible exercise of the Option is set out on page 9 of this circular. A letter from DBS Asia, the independent financial adviser, containing its advice to the Independent Board Committee is set out on pages 10 to 14 of this circular.

A notice convening an extraordinary general meeting of China Resources Enterprise, Limited to be held at Room 3908, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 10th July, 2002 at 10:00 a.m. is set out on pages 26 to 27 of this circular. A form of proxy is also enclosed. Whether or not you are able to attend and vote at the extraordinary general meeting, you are requested to complete the enclosed proxy form and return it to the Company at Room 3908, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the extraordinary general meeting or any adjourned meetings should you so wish.

24th June, 2002

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context requires otherwise:*

“Acquisition”	the acquisition of the 65 per cent equity interests in Vanguard as provided under the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 3rd June, 2002 entered into between the Company and the Vendors in relation to the Acquisition
“Approval Authority”	in relation to any matter, all the relevant PRC approval authorities whose consents and approvals are required under the relevant PRC laws and regulations
“Board”	the board of Directors
“China Resources Holdings”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company
“Company”	China Resources Enterprise, Limited
“Completion Date”	the date falling on the 10th business day after the satisfaction of all Conditions and delivery to the Company of certain completion documents as specified under the Acquisition Agreement
“Conditions”	the conditions precedent for the completion of the Acquisition Agreement
“CRNC”	中國華潤總公司 (China Resources National Corporation), a state-owned enterprise established in the PRC
“DBS Asia”	DBS Asia Capital Limited, an investment adviser and securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), appointed by the Company to advise the Independent Board Committee in connection with the Acquisition and the possible exercise of the Option
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Room 3908, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, at 10:00 a.m. on Wednesday on 10th July, 2002 for the purposes of approving the Acquisition and the possible exercise of the Option, a notice of which is set out on page 26 to 27 of this circular
“Group”	the Company and its subsidiaries
“Historical Cost”	the weighted average costs of investments of the Vendors in the Remaining Interests, currently at RMB200,400,000 (equivalent to approximately HK\$188,376,000), together with any additional future capital contributions as may be subsequently provided by CRNC or its subsidiaries (as holder of the Remaining Interests) to Vanguard

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the board of directors comprising the two independent non-executive directors namely, Dr. Chan Po Fun, Peter and Mr. Houang Tai Ninh
“Independent Shareholders”	being those Shareholders other than China Resources Holdings and its associates as defined under the Listing Rules
“Latest Practicable Date”	17th June, 2002, being the latest practicable date for ascertaining certain information in this document
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Option”	the call option(s) of the Company to acquire from CRNC any part of the Remaining Interests as provided under the Option Agreement
“Option Agreement”	the Option Agreement dated 3rd June, 2002 entered into between the Company and CRNC
“Option Interests”	any part of the Remaining Interests in respect of which an Option is exercised
“PRC”	People’s Republic of China
“Remaining Interests”	the remaining equity interests (currently 35 per cent) in Vanguard held by CRNC or any of its subsidiaries from time to time
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$1.00 (each) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vanguard”	萬佳百貨股份有限公司 (China Vanguard Super Department Co., Ltd.), proposed to be renamed as 華潤萬佳有限公司 (China Resources Vanguard Co., Ltd.)
“Vendors”	CRNC and Zhong Run
“Zhong Run”	中潤國內貿易公司, a wholly-owned subsidiary of CRNC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

*Note:* For the purpose of illustration only, the translation of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$0.94. Such translation should not be considered as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.



# CHINA RESOURCES ENTERPRISE, LIMITED

*(incorporated in Hong Kong under the Companies Ordinance)*

*Directors:*

Ning Gaoning (*Chairman*)  
Song Lin (*Deputy Chairman and Managing Director*)  
Chen Shulin (*Deputy Managing Director*)  
Qiao Shibo (*Deputy Managing Director*)  
Yan Biao (*Deputy Managing Director*)  
Keung Chi Wang, Ralph (*Deputy Managing Director*)  
Lau Pak Shing  
Chan Wai Mo  
Wang Qun  
Zhong Yi  
Kwong Man Him  
Jiang Wei\*  
Xie Shengxi\*  
Chan Po Fun, Peter<sup>+</sup>  
Houang Tai Ninh<sup>+</sup>  
Loo Wun Loong, John<sup>+</sup>

\* *non-executive directors*

<sup>+</sup> *independent non-executive directors*

*Registered Office  
and Head Office:*  
Room 3908  
China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

24th June, 2002

*To the Shareholders*

Dear Sir or Madam,

## CONNECTED TRANSACTION

### ACQUISITION OF EQUITY INTERESTS IN VANGUARD

#### INTRODUCTION

The Board has announced that on 3rd June, 2002, the Company entered into the Acquisition Agreement with CRNC and Zhong Run in relation to the acquisition of 65 per cent equity interests in Vanguard, for the consideration of RMB372,000,000 (equivalent to approximately HK\$349,680,000).

The Company also entered into the Option Agreement on the same date with CRNC whereby the Company is granted the Option to acquire from CRNC at the attributable Historical Cost (on one or more occasions) all or part of the Remaining Interests, as and when PRC regulatory environment and/or the Approval Authority so permits.

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## LETTER FROM THE BOARD

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As Zhong Run is a wholly-owned subsidiary of CRNC, and CRNC is the holding company of China Resources Holdings, the controlling Shareholder interested in approximately 55.6 per cent of the Company's issued share capital, both CRNC and Zhong Run are connected persons of the Company. Accordingly, the Acquisition constitutes, and the possible exercise of the Option will constitute, connected transactions of the Company under the Listing Rules requiring Independent Shareholders' approval at the EGM. China Resources Holdings and its associates will abstain from voting at the EGM for approving the Acquisition and the possible exercise of the Option. Following completion of the Acquisition, CRNC will retain 35 per cent equity interests in Vanguard. The Independent Board Committee, comprising Dr. Chan Po Fun, Peter and Mr. Houang Tai Ninh, has been formed to give recommendation to the Independent Shareholders in respect of the Acquisition and the possible exercise of the Option. Another independent non-executive Director, Mr. Loo Wun Loong, John was not in Hong Kong during the preparation of this circular and would not be a member of the Independent Board Committee. DBS Asia has been appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

The purpose of this circular is to give you further information relating to the Acquisition and the Option, to set out the recommendation of the Independent Board Committee in respect of the Acquisition and the possible exercise of the Option, the letter of advice from DBS Asia, and to seek your approval at the EGM of the ordinary resolutions referred to herein.

### THE ACQUISITION AGREEMENT DATED 3RD JUNE, 2002

Vendors:	(1) CRNC  (2) Zhong Run
Purchaser:	the Company or any of its wholly-owned subsidiaries as nominated by the Company
Asset to be acquired:	65 per cent of the equity interests in Vanguard
Consideration:	RMB372,000,000 (equivalent to approximately HK\$349,680,000)

The consideration has been arrived at after arm's length negotiations between the Vendors and the Company and is calculated by reference to price earnings multiple and represents approximately 65 per cent of the total cost of investments of the Vendors in their acquisition of Vanguard through various acquisitions over a period from August 2001 to May 2002. Based on the consolidated net profits of Vanguard for the year ended 31st December, 2001, the consideration represents a historic price earnings multiple of about 12.36 times.

The Directors consider that the Acquisition Agreement has been entered into in the ordinary course of business and on normal commercial terms which are fair and reasonable as far as the Shareholders are concerned.

The consideration for the Acquisition shall be satisfied in cash (funded through internal resources) in the following manner:

- 50 per cent of the consideration, being RMB186,000,000 (equivalent to approximately HK\$174,840,000), shall be payable on Completion Date; and

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## LETTER FROM THE BOARD

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- balance of the consideration, being RMB186,000,000 (equivalent to approximately HK\$174,840,000), shall be payable within 10 business days of the issue of the new business licence of Vanguard evidencing the completion of the transfer of the 65 per cent equity interests to the Company or its nominee.

Conditions: The Acquisition Agreement is conditional upon, among other things, the following:

- (1) the passing of a resolution at an extraordinary general meeting of the Company approving the Acquisition Agreement by the Independent Shareholders; and
- (2) the approvals issued by the Approval Authority in respect of the Acquisition.

Long-stop date: The Acquisition Agreement provides that should, among other things, the satisfaction of all Conditions, not occur on or before 31st December, 2002, the Acquisition Agreement shall terminate.

### **THE OPTION AGREEMENT DATED 3RD JUNE, 2002**

Grantor: CRNC

Holder: the Company

Subject matter of the Option: call option(s) to acquire all or any part of the Remaining Interests at any time after PRC laws and regulations or any Approval Authority permits the Company or any of its wholly-owned subsidiaries to own more than 65 per cent interests in Vanguard. The Option is exercisable either by the Company or any of its wholly-owned subsidiaries nominated by the Company and can be exercisable in stages, but shall not be exercisable after 31st December, 2003. After 31st December, 2003, the Company has a first right of refusal should CRNC decide to sell all or any part of the Remaining Interests to any third party (other than CRNC's subsidiaries).

Consideration for grant of Option: the Company's entering into the Acquisition Agreement

Conditions to exercise of Option: the exercise of the Option is conditional upon, among other things, the passing of a resolution at an extraordinary general meeting of the Company approving the Option Agreement and the possible exercise of the Option by the Independent Shareholders.

Consideration on each exercise of the Option: that part of the Historical Cost as attributable to the Option Interests. Based on the current value of the Historical Cost of RMB200,400,000 (equivalent to approximately HK\$188,376,000) as at the Latest Practicable Date and assuming the Option is exercised in full at the Latest Practicable Date, the consideration for such exercise shall amount to RMB200,400,000 (equivalent to approximately HK\$188,376,000).

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## LETTER FROM THE BOARD

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The Directors consider that the Option Agreement has been entered into in the ordinary course of business and on normal commercial terms which are fair and reasonable as far as the Shareholders are concerned.

On exercise of the Option, the Company shall comply with any additional requirements under the Listing Rules then in force and shall make further announcement(s) thereof.

The consolidated audited net tangible assets of Vanguard as at 31st December, 2001 amounted to approximately RMB333.3 million (equivalent to approximately HK\$313.3 million). The consolidated audited net profits before and after taxation and extraordinary items in respect of the two financial years ended 31st December, 2001 of Vanguard are as follows:

	Year ended 31st December,	
	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>
Consolidated audited net profits before taxation and extraordinary items	<b>55,572</b> <b>(equivalent to approximately HK\$52.2 million)</b>	38,382 (equivalent to approximately HK\$36.1 million)
Consolidated audited net profits after taxation and extraordinary items	<b>46,304</b> <b>(equivalent to approximately HK\$43.5 million)</b>	32,033 (equivalent to approximately HK\$30.1 million)

### INFORMATION ON VANGUARD

Vanguard is principally engaged in the operation of hypermarket stores in the Guangdong province.

Vanguard opened its first store in Shenzhen in 1991 and has already established a chain of nine hypermarket stores in Shenzhen, Zhongshan, Zhuhai and Guangzhou. In 2001, it achieved top sales amongst major retail enterprises in the Guangdong province according to statistics compiled by 廣東省連鎖經營協會 (Guangdong Retail Chain Association).

Each Vanguard store has a total floor area on leased premises of between 8,000 and 23,000 sq.m. and carries over 60,000 categories of products. In 2001, food products account for approximately 30 per cent of its turnover. Each Vanguard store also sells pharmaceutical, grooming, fast food and other various products and services.

Vanguard was originally established as a limited liability company in the PRC in 1991 and was converted into a joint stock limited company in 1994. CRNC and Zhong Run have since August 2001 entered into various acquisition agreements with the then respective shareholders of Vanguard for the acquisition of 100 per cent of Vanguard. After completion of the Acquisition, Vanguard will be converted into a Chinese foreign equity joint venture company held as to 35 per cent by CRNC and 65 per cent by the Company (or a wholly-owned subsidiary of the Company).

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## LETTER FROM THE BOARD

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### REASONS FOR THE ACQUISITION AND THE OPTION

In anticipation of China's accession to the World Trade Organisation and the strong domestic consumption growth, retail sales in China are expected to increase over the next several years. In particular, chain store retail sales will experience higher growth given the increased popularity of chain stores over traditional retail stores.

The Acquisition will provide the Group with an opportunity to strengthen its position as one of the market leaders in the chain store retail markets in the Guangdong province. Following the Acquisition, Vanguard, together with the existing supermarket chain of the Group, will become the top retailer in the Guangdong province in terms of sales. The Acquisition will therefore facilitate the Company's plan to transform itself into a leading retail-led distributor in China.

With its regional market focus and technical know-how and on the Group's diversified business interests across China, Vanguard will be expanding further into other areas outside the city of Shenzhen.

The combined sales of Vanguard and the supermarket operations of the Group will also enable the Group to centralize its sourcing and logistics arrangements and hence reduce relevant operating costs and enhance overall efficiency.

Under current PRC laws and regulations, the Company or any of its wholly-owned subsidiaries is prevented from taking a majority equity interest in domestic retail businesses in the PRC. While the Directors expect that approval(s) from the Approval Authority in respect of the acquisition by the Company (or any of its wholly-owned subsidiaries) of 65 per cent equity interests in Vanguard will be obtained, it is uncertain as to when the Company will be permitted to acquire a greater equity interest in Vanguard. As the Company is committed to participating fully in the PRC domestic retail businesses, the Option will enable the Company to acquire a greater equity interest in Vanguard as and when PRC laws and regulations so permits.

### INFORMATION ON THE COMPANY

The Company is a listed company on the Stock Exchange, with business emphasis on the distribution business in Hong Kong and the Chinese Mainland. The Company and its subsidiaries are principally engaged in property investment, distribution of food and beverages, petroleum and chemicals, textiles products as well as operating one of the largest retail chains in both Hong Kong and the Chinese Mainland.

### GENERAL

As Zhong Run is a wholly-owned subsidiary of CRNC, and CRNC is the holding company of China Resources Holdings, the controlling shareholder of the Company interested in approximately 55.6 per cent of the Company's issued share capital, both CRNC and Zhong Run are connected persons of the Company. Accordingly, the Acquisition constitutes, and the possible exercise of the Option will constitute, connected transactions of the Company under the Listing Rules requiring Independent Shareholders' approval at the EGM. China Resources Holdings and its associates will abstain from voting in the EGM for approving the Acquisition and the possible exercise of the Option.

### EGM

Notice of the EGM is set out on pages 26 to 27 of this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete the enclosed proxy form and return it to the Company at Room 3908, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong as soon as possible and in

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## LETTER FROM THE BOARD

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any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM or any adjourned meetings should you so wish.

### RECOMMENDATION

After taking into account the reasons for the Acquisition and the possible exercise of the Option, the relevant terms of the Acquisition Agreement and the Option Agreement and the opinion of DBS Asia, the Independent Board Committee considers that the Acquisition and the possible exercise of the Option are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition and the possible exercise of the Option.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter of advice from DBS Asia, and the information set out in the appendix to this circular.

By Order of the Board  
**China Resources Enterprise, Limited**  
**Ning Gaoning**  
*Chairman*



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

24th June, 2002

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION**

**ACQUISITION OF EQUITY INTERESTS IN VANGUARD**

We refer to the circular (the “Circular”) dated 24th June, 2002 issued by the Company to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

The Independent Board Committee has been appointed to make recommendation to the Independent Shareholders in respect of the Acquisition and the possible exercise of the Option. In addition, DBS Asia has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the same.

Your attention is drawn to the letter from the Board set out on pages 3 to 8 of the Circular, which sets out information relating to, and the reasons for, the Acquisition and the possible exercise of the Option.

As your independent Directors, we have discussed with the management of the Company the reasons for the Acquisition and the Option and the basis upon which its terms have been determined. We have also considered the principal factors taken into account by DBS Asia in arriving at its opinion regarding the Acquisition and the possible exercise of the Option as set out in its letter on pages 10 to 14 of the Circular. We concur with the views of DBS Asia that the Acquisition and the possible exercise of the Option are in the interests of the Company and the Independent Shareholders, and the terms thereof are fair and reasonable. Therefore, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Acquisition Agreement, the Option Agreement and the possible exercise of the Option as set out on pages 26 to 27 of the Circular.

As at the Latest Practicable Date, Dr. Chan Po Fun, Peter was beneficially interested in 506,000 Shares, representing approximately 0.024 per cent of the issued share capital of the Company, and Dr. Chan Po Fun, Peter has indicated that he will vote in favour of the aforesaid resolutions. The other members of the Independent Board Committee do not hold any Shares.

Yours faithfully,

**Chan Po Fun, Peter**

**Houang Tai Ninh**

*Independent Board Committee*

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# LETTER FROM DBS ASIA

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*Set out below is the text of the letter of advice from DBS Asia to the Independent Board Committee in relation to the Acquisition and the Option prepared for inclusion in this circular.*



**DBS ASIA CAPITAL LIMITED**

16th Floor Man Yee Building, 68 Dex Voeux Road Central, Central, Hong Kong

24th June, 2002

*The Independent Board Committee*  
**China Resources Enterprise, Limited**

Dear Sirs,

## **CONNECTED TRANSACTION**

### **ACQUISITION OF EQUITY INTERESTS IN VANGUARD**

We refer to our engagement as the independent financial adviser to the independent board committee in relation to the Acquisition and the possible exercise of the Option, details of which are contained in the circular dated 24th June, 2002 (the “Circular”) to the independent shareholders, of which this letter forms part. Expressions used herein shall have the same meanings as defined in the Circular.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular. We have assumed that information contained and representations made or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent in-depth investigation into the businesses and affairs of the Company or Vanguard or any of their respective subsidiaries or associates.

### **PRINCIPAL FACTORS CONSIDERED**

In arriving at our opinion in respect of the Acquisition and the possible exercise of the Option, we have considered the following principal factors and reasons:

#### **The Acquisition**

##### *Reasons*

The Group is principally engaged in property investment, distribution of food and beverages, petroleum and chemicals, textile products as well as operating one of the largest retail chains in both Hong Kong and the Chinese Mainland with the business emphasis placed on the distribution business in Hong Kong and the Chinese Mainland.

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## LETTER FROM DBS ASIA

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We note that Vanguard was established in 1991 and that it has established a chain of nine hypermarket stores in the Guangdong province and has achieved top sales amongst major retail enterprises in the Guangdong province. With this established retail network and track record we consider that Vanguard will be able to strengthen the retail and distribution business of the Group in the Chinese Mainland. Furthermore, in anticipation of China's accession into World Trade Organisation and with the robust domestic consumption growth in China, we concur with the views of the Directors that the retail sales in the Chinese Mainland will continue to remain prosperous in the future.

Having regard to (i) the fact that the principal business of Vanguard is in line with the strategic business focus of the Group on retailing and distribution sectors; (ii) Vanguard's existing distribution network and its market position in the Guangdong province; (iii) Vanguard's financial performance for the two financial years ended 31st December, 2001; and (iv) the potential benefits to be gained from the Acquisition for the Group's expansion and fortification of its retail and distribution network in the Chinese Mainland, improvement in operational efficiency as well as to the improvement in the Group's bulk purchase bargaining power when dealings with its suppliers, we consider the Acquisition is in the interests of the Company and the Shareholders as a whole.

### *Consideration*

The consideration for the Acquisition of RMB372 million (equivalent to approximately HK\$349.7 million) (the "Consideration") has been arrived at after arm's length negotiations between the parties thereto with reference to a historic price/earnings ratio ("PER") of approximately 12.36 times Vanguard's consolidated net profits for the year ended 31st December, 2001 of approximately RMB46.3 million (equivalent to approximately HK\$43.5 million). Based on the consolidated net asset value of Vanguard as at 31st December, 2001 of approximately RMB333.3 million (equivalent to approximately HK\$313.3 million), the Consideration represents a premium of approximately 46.6 per cent (RMB155.4 million (equivalent to approximately HK\$146 million)) to Vanguard's net asset value as at that date.

Given the fact that Vanguard is engaged in the retail distribution business and generating a recurrent stream of cashflow, we consider the reference to the PER as the basis of consideration, in comparison to the reference between the Consideration and Vanguard's net asset value, to be a common valuation benchmark and is reasonable and appropriate.

In assessing the fairness and reasonableness of the Consideration, we have made reference to comparables in Hong Kong whose principal business is similar to those of Vanguard. We have identified Jusco Stores (Hong Kong) Co., Ltd ("Jusco") as a similar comparable despite the fact that Jusco is not strictly a hypermarket store operator and that the market size, environment and economic conditions between Hong Kong and the Chinese Mainland are different. We note that as at the date of the Acquisition Agreement, albeit Jusco operates in Hong Kong, which is a relatively mature market, shares of Jusco are traded at a historic PER of approximately 15.0 times its latest published audited financial information for the year ended 28th February, 2002. Given this PER comparison, despite the differences between Jusco and Vanguard and the fact that Vanguard is an unlisted company, we consider the Consideration to be fair and reasonable in this regard.

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## LETTER FROM DBS ASIA

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Since there is only one listed comparable noted in Hong Kong, for further reference, we have also made reference to the PER of those comparable companies whose shares are respectively listed in the stock markets in Chinese Mainland (being the principal market of Vanguard), the United States (given the relevant size of its retail market) and France (being the home base of one of the leading hypermarket operators, Carrefour S.A.) (together the “Country Comparables”) whose principal business are similar to those of Vanguard:

Country Comparables	Range of historic PER (times) (Note 1)		
	High	Low	Average
The Chinese Mainland	127.3	44.5	64.1
The United States (Note 2)	42.5	12.3	28.2
France (Note 3)	29.4	9.1	19.9
<b>Vanguard</b>			<b>12.36</b>

Notes:

1. Based on the latest published audited financial information for 2001 and the respective closing price of shares of the Country Comparables as at 4th June, 2002.
2. Of these comparables, shares in Wal-Mart, which has operations in China, were traded at a historic PER of approximately 35.7 times.
3. Of these comparables, shares in Carrefour S.A., which has operations in China, were traded at a historic PER of approximately 29.4 times.

The historic PER of Vanguard implied under the Consideration is below the historic PER of Jusco and falls within the range of implied historic PER of the Country Comparables as well as is comparable to the average PER of the Country Comparables.

Having regard to the above PER analysis on Jusco and the Country Comparables, we consider the Consideration to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### The Option

The Company will become the controlling shareholder of Vanguard upon completion of the Acquisition and that CRNC still retain the Remaining Interests. The Option is exercisable either by the Company or any of its wholly-owned subsidiaries nominated by the Company and can be exercisable in stages, but shall not be exercisable after 31st December, 2003. We consider that the Option would enable the Company to acquire the entire equity interests in Vanguard as and when the Company considers fit and when the PRC laws and regulations so permit. We note that the consideration for the grant of the Option is the Company entering into the Acquisition Agreement. Given the reasons for entering into the Acquisition Agreement as stated above, the Company have not incurred additional cost for holding the Option and given the rights of acquiring the Remaining Interests underlying the Option, we consider that the Option is in the interests of the Company and the Independent Shareholders.

The consideration for exercising the Option would be the attributable Historical Cost of the Option Interests. The Historical Cost is equivalent to the sum of the weighted average costs of investments made by the Vendors in Vanguard as at the date of the Option Agreement of RMB200.4 million (equivalent to approximately HK\$188.4 million) together with any additional future capital

contributions as may be subsequently provided by CRNC or its subsidiaries to Vanguard. We consider the use of this cost of investment approach in this case to be a conservative approach in determining the consideration for the exercise of the Option and is in the interests of the Company and the Independent Shareholders as the exercise price does not reflect Vanguard's earnings ability and growth potential for the period commencing from the date of the Acquisition Agreement and up to 31st December, 2003. Since the Company will become the controlling shareholder of Vanguard upon completion of the Acquisition, it is in a position to determine the capital expenditure requirements for Vanguard and the proportional capital contributions required from CRNC.

When assessing from an earnings perspective, assuming no additional capital expenditures were incurred prior to the exercise of the Option, the consideration for the Remaining Interests would be equivalent to the attributable interests in Vanguard based on the same valuation as implied under the Acquisition as at the date of Option Agreement, which translates into a historic PER of approximately 12.36 times Vanguard's consolidated net profit for the year ended 31st December, 2001. In addition, based on Vanguard's historic results for the year ended 31st December, 2001, the rate of return on the weighted average capital (being the quotient of net profit and the shareholder's fund) amounted to approximately 18 per cent, which is equivalent to a historic earnings multiple of approximately 5.6 times. Assuming this historic rate of return on capital remains unchanged following the completion of the Acquisition, the dollar-for-dollar consideration payable for any additional capital contributions being made by CRNC would translate into an earnings multiple of approximately 5.6 times, which compares favourably with the PER of the Country Comparables.

Given the above analyses, we regard the consideration for the exercise of the Option to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Having taken into account (i) the Company's controlling stake in Vanguard upon completion of the Acquisition; (ii) the fact that it is the strategic business focus and commitment of the Company to actively participating in the Chinese Mainland domestic retail businesses; (iii) the terms of the Option whereby it is exercisable at the full discretion of the Company and can be exercisable in stages and that the Company's entitlement to a first right of refusal of acquiring the Remaining Interests even after the expiry date of the Option (31st December, 2003); and (iv) the basis for the exercise of the Option as explained above, we consider that the possible exercise of the Option is fair and reasonable and is in the interests of the Company and the Independent Shareholders.

### **Pro forma financial effects**

#### *Earnings*

For the year ended 31st December, 2001, the audited consolidated profit attributable to shareholders of the Company amounted to approximately HK\$1,205 million. Based on the consolidated results of Vanguard for the year ended 31st December, 2001, assuming that the Acquisition was completed as at 1st January, 2001 and adjusted for the interest income (net of tax) that would have gained on the Consideration bearing an interest rate of 1.9 per cent throughout the year and the estimated annual goodwill amount (as explained below) the pro forma consolidated net profit of the Group upon completion of the Acquisition would have amounted to approximately HK\$1,220 million (after adjusted for the annual goodwill amount as explained below). Based on the number of Shares as at the Latest Practicable Date, the pro forma adjusted earnings per Share would have increased from approximately HK\$0.581 to HK\$0.589 as a result of the Acquisition.

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## LETTER FROM DBS ASIA

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Upon completion of the Acquisition, a goodwill amount of approximately RMB155.4 million (equivalent to approximately HK\$146 million) would arise and we understand that such goodwill will be amortized on a straight-line basis over a period of not exceeding 20 years. Assuming a 20-year straight-line amortization policy, this gives rise to an estimated annual goodwill amount of approximately HK\$7.3 million. Despite this annual goodwill amount, when taking into account the overall earnings enhancement effect underlying the Acquisition, we concur with the views of the Directors that the Acquisition would have a positive effect on the earnings base of the Group.

### *Net assets*

As at 31st December, 2001, the Group has an audited consolidated net asset value of approximately HK\$11,987 million. Assuming that the Acquisition was completed as at 31st December, 2001, the adjusted consolidated net asset value of the Group would have remained substantially the same upon completion of the Acquisition.

### *Working capital*

When taking into account the Group's cash and bank balances as at 31st December, 2001 of approximately HK\$5,884 million whereby the Consideration accounts for approximately 6 per cent of such cash and bank balances and having discussed with the Directors as to the future capital expenditure plans of the Group, we consider that the working capital position of the Group would not be materially adversely affected as a result of the Acquisition.

## RECOMMENDATION

Having considered the principal factors and reasons referred to above, we consider that the Acquisition and the possible exercise of the Option is in the interests of the Company and the Independent Shareholders and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition and the possible exercise of the Option.

Yours faithfully,  
For and on behalf of  
**DBS ASIA CAPITAL LIMITED**  
**Alex Lau**                      **Flavia Hung**  
*Director*                              *Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, Dr. Chan Po Fun, Peter was personally beneficially interested in 506,000 Shares and held 70,000 Shares as judicial trustee. Mr. Song Lin is deemed to have interest in 200,000 Shares by virtue of his wife's interest in these Shares.

As at the Latest Practicable Date, the following Directors had interests in respect of options granted under the share option scheme of the Company and its associated corporation:

- (a) Options granted under the share option scheme of the Company to subscribe for Shares, all of which are exercisable during the period of 10 years from date of grant unless otherwise specified in the grant

Name of directors	Date of grant	Exercise price (HK\$)	Number of share options outstanding
Ning Gaoning	11th May, 1996	3.856	3,300,000
	20th June, 2000	7.190	3,300,000
	7th February, 2002	7.170	1,200,000
Song Lin	20th June, 2000	7.190	200,000 (N)
	7th February, 2002	7.170	2,000,000
Chen Shulin	21st November, 2000	7.080	1,186,000
	7th February, 2002	7.170	1,326,000
Qiao Shibo	7th February, 2002	7.170	1,800,000
Yan Biao	11th May, 1996	3.856	1,700,000
	20th June, 2000	7.190	3,000,000
	7th February, 2002	7.170	1,000,000
Keung Chi Wang, Ralph	20th June, 2000	7.190	1,400,000
	7th February, 2002	7.170	500,000
Lau Pak Shing	20th June, 2000	7.190	1,000,000
	7th February, 2002	7.170	500,000
Chan Wai Mo	20th June, 2000	7.190	800,000
	7th February, 2002	7.170	300,000

*Note:* By virtue of section 31 of the SDI Ordinance, Mr. Song Lin is deemed to be interested in the share option for 200,000 Shares granted by the Company to his wife.

Name of directors	Date of grant	Exercise price (HK\$)	Number of share options outstanding
Wang Qun	11th May, 1996	3.856	40,000
	20th June, 2000	7.190	400,000
	7th February, 2002	7.170	400,000
Zhong Yi	11th May, 1996	3.856	80,000
	20th June, 2000	7.190	1,500,000
Kwong Man Him	7th February, 2002	7.170	2,000,000
Jiang Wei	8th March, 2002	7.500	600,000
Xie Shengxi	8th March, 2002	7.500	380,000

- (b) Options granted under the share option scheme of an associated corporation, China Resources Land Limited

Name of directors	Date of grant <i>(Note)</i>	Exercise price (HK\$)	Number of share options outstanding
Ning Gaoning	27th June, 1997	4.592	2,500,000
	20th July, 2000	0.990	2,500,000
Yan Biao	27th June, 1997	4.592	2,300,000
	20th July, 2000	0.990	2,400,000
Keung Chi Wang, Ralph	27th June, 1997	4.592	2,000,000
	20th July, 2000	0.990	1,300,000
Zhong Yi	20th July, 2000	0.990	2,000,000
Jiang Wei	4th March, 2002	1.590	720,000
Xie Shengxi	4th March, 2002	1.590	460,000

*Note:* Except for share options granted by China Resources Land Limited on 4th March, 2002 which are exercisable within a period of 10 years from the date of grant, all other share options are exercisable from the date of grant to 27th May, 2007.

- (c) Options granted under the share option scheme of an associated corporation, China Resources Logic Limited, all of which are exercisable for a period of 10 years from the date of grant

<b>Name of directors</b>	<b>Date of grant</b>	<b>Exercise price (HK\$)</b>	<b>Number of share options outstanding</b>
Ning Gaoning	22nd May, 2002	0.920	1,000,000
Song Lin	21st September, 2000	0.590	8,000,000
Yan Biao	4th December, 2001	0.790	6,000,000
Jiang Wei	9th April, 2002	0.820	720,000
Xie Shengxi	9th April, 2002	0.820	450,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests in the share capital, or options over the share capital, of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules (including interests which they are deemed or taken to have under section 31 of or Part 1 of the Schedule of the SDI Ordinance) or which are required, pursuant to section 29 of the SDI Ordinance, to be entered the register referred to therein.

As at the Latest Practicable Date, none of the Directors or DBS Asia had any direct or indirect interest in any assets which, since 31st December, 2001, being the date to which the latest audited consolidated financial statements of the Group have been made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors has any existing or proposed service contract with the Company or any member of the Group not determinable by the employer within one year without compensation other than statutory compensation.

There are no contracts or arrangement subsisting as at the date of this circular, in which any of the Directors is materially interested directly or indirectly and which is significant in relation to the business of the Company or any member of the Group.

## 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons were, directly or indirectly, interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of interested party	Number of Shares registered in the name of or attributable to the interested party	Percentage of shareholding (per cent)
CRNC	1,153,776,475	55.64
China Resources Holdings	1,153,776,475	55.64

*Note:* China Resources Holdings is the immediate holding company of the Company, CRNC is the holding company of China Resources Holdings. Therefore both CRNC and China Resources Holdings are deemed to have the same interests in the share capital of the Company by virtue of section 8 of the SDI Ordinance.

Members of the Group (Note)	Name of substantial shareholders (Note)	Percentage of shareholding (per cent)
China Resources Breweries Limited (formerly CRE Beverage Limited)	South African Breweries International (Asia) Limited	49
長春華潤啤酒有限公司 (China Resources (Chang Chun) Brewery Co., Ltd.)	長春威士龍啤酒有限公司 (Chang Chun Wei Shi Long Brewery Co., Ltd.)	15
鞍山華潤啤酒有限公司 (China Resources (Anshan) Brewery Co., Ltd.)	鞍山啤酒廠 (Anshan Pi Jiu Chang)	10
華潤藍劍(廣安)啤酒有限責任公司 (China Resources Blue Sword (Guang An) Brewery Co., Limited)	四川藍劍(集團)有限責任公司 (Si Chuan Lan Jian (Ji Tuan) You Xian Ze Ren Gong Si)	38
華潤藍劍(樂山)啤酒有限責任公司 (China Resources Blue Sword (Le Shan) Brewery Co., Ltd.)	四川藍劍(集團)有限責任公司 (Si Chuan Lan Jian (Ji Tuan) You Xian Ze Ren Gong Si)	38
華潤藍劍(成都)啤酒有限責任公司 (China Resources Blue Sword (Chengdu) Brewery Co., Ltd.)	四川藍劍(集團)有限責任公司 (Si Chuan Lan Jian (Ji Tuan) You Xian Ze Ren Gong Si)	38
華潤藍劍(達州)啤酒有限公司 (China Resources Blue Sword (Dazhou) Brewery Co., Ltd.)	四川藍劍(集團)有限責任公司 (Si Chuan Lan Jian (Ji Tuan) You Xian Ze Ren Gong Si)	38

*Note:* The Chinese names of members of the Group of the substantial shareholders of the Group's members are translated into English, if applicable.

<b>Members of the Group</b> (Note)	<b>Name of substantial shareholders</b> (Note)	<b>Percentage of shareholding</b> (per cent)
華潤藍劍（邛崃）啤酒有限責任公司 (China Resources Blue Sword (Qionglai) Brewery Co., Ltd.)	四川藍劍（集團）有限責任公司 (Si Chuan Lan Jian (Ji Tuan) You Xian Ze Ren Gong Si)	38
華潤藍劍（綿竹）啤酒有限責任公司 (China Resources Blue Sword (Mianzhu) Brewery Co., Ltd.)	四川藍劍（集團）有限責任公司 (Si Chuan Lan Jian (Ji Tuan) You Xian Ze Ren Gong Si)	38
華潤藍劍（綿陽）啤酒有限責任公司 (China Resources Blue Sword (Mianyang) Brewery Co., Ltd.)	四川藍劍（集團）有限責任公司 (Si Chuan Lan Jian (Ji Tuan) You Xian Ze Ren Gong Si)	38
華潤藍劍（南充）啤酒有限公司 (China Resources Blue Sword (Nanchong) Brewery Co., Ltd.)	四川藍劍（集團）有限責任公司 (Si Chuan Lan Jian (Ji Tuan) You Xian Ze Ren Gong Si)	38
華潤藍劍（內江）啤酒有限責任公司 (China Resources Blue Sword (Neijiang) Brewery Co., Ltd.)	四川藍劍（集團）有限責任公司 (Si Chuan Lan Jian (Ji Tuan) You Xian Ze Ren Gong Si)	38
華潤藍劍（什邡）啤酒有限責任公司 (China Resources Blue Sword (Shifang) Brewery Co., Ltd.)	四川藍劍（集團）有限責任公司 (Si Chuan Lan Jian (Ji Tuan) You Xian Ze Ren Gong Si)	38
華潤藍劍（自貢）啤酒有限責任公司 (China Resources Blue Sword (Zigong) Brewery Co., Ltd.)	四川藍劍（集團）有限責任公司 (Si Chuan Lan Jian (Ji Tuan) You Xian Ze Ren Gong Si)	38
大連華潤棒極島啤酒有限公司 (China Resources (Dalian) Bangchuidao Brewery Co., Ltd.)	大連棒極島啤酒股份有限公司 (Dalian Bangchuidao Pi Jiu Gu Fen You Xian Gong Si)	20
吉林華潤啤酒有限公司 (China Resources (Jilin) Brewery Co., Ltd.)	吉林松源食品醫葯工業公司 (Jilin Song Yuan Shi Pin Yi Yao Gong Ye Gong Si)	10
哈爾濱華潤啤酒有限公司 (Harbin Hua Run Pi Jiu You Xian Gong Si)	黑龍江新三星集團股份有限公司 (Heilongjian Xin San Xing Ji Tuan Gu Fen You Xian Gong Si)	30
遼陽華潤美月啤酒有限公司 (China Resources (Liaoyang) Meiyue Brewery Co., Ltd.)	遼陽美月啤酒股份有限公司 (Liaoyang Meiyue Pi Jiu Gu Fen You Xian Gong Si)	40

Note: The Chinese names of members of the Group of the substantial shareholders of the Group's members are translated into English, if applicable.

<b>Members of the Group</b> <i>(Note)</i>	<b>Name of substantial shareholders</b> <i>(Note)</i>	<b>Percentage of shareholding</b> <i>(per cent)</i>
瀋陽華潤啤酒有限公司 (China Resources (Shenyang) Brewery Co., Ltd.)	瀋陽市釀酒廠 (Shenyang Shi Niang Jiu Chang)	10
四川華潤藍劍啤酒有限責任公司 (China Resources (Si Chuan) Blue Sword Breweries Co., Ltd.)	四川藍劍（集團）有限責任公司 (Si Chuan Lan Jian (Ji Tuan) You Xian Ze Ren Gong Si)	38
瀋陽華潤雪花啤酒有限公司 (China Resources (Shenyang) Snowflake Brewery Co., Ltd.)	瀋陽啤酒廠 (Shenyang Pi Jiu Chang)	10
瀋陽華潤創業釀酒有限公司 (Shenyang Huarunchuangye Beer Co., Ltd.)	瀋陽望花啤酒廠 (Shenyang Wang Hua Pi Jiu Chang)	20
瀋陽盛陽啤酒有限公司 (Shenyang Shengyang Beer Co., Ltd.)	瀋陽啤酒廠 (Shenyang Pi Jiu Chang)	10
瀋陽雪花啤酒有限公司 (Shenyang Snowflake Beer Co., Ltd.)	瀋陽啤酒廠 (Shenyang Pi Jiu Chang)	10
武漢華潤啤酒有限公司 (China Resources (Wuhan) Breweries Company Limited)	武漢東西湖啤酒（集團）股份有限公司東啤廠 (Wuhan Dong Xi Hu Pi Jiu (Ji Tuan) Gu Fen You Xian Gong Si Dong Pi Chang)	40
武漢華潤東西湖啤酒有限公司 (China Resources (Wuhan) Dongxihu Breweries Company Limited)	武漢東西湖啤酒（集團）股份有限公司東啤新廠 (Wuhan Dong Xi Hu Pi Jiu (Ji Tuan) Gu Fen You Xian Gong Si Dong Pi Xin Chang)	40
武漢華潤行吟閣啤酒有限公司 (China Resources (Wuhan) Xing Yin Ge Breweries Company Limited)	武漢東西湖啤酒（集團）股份有限公司東啤二廠 (Wuhan Dong Xi Hu Pi Jiu (Ji Tuan) Gu Fen You Xian Gong Si Dong Pi Er Chang)	40
Senica International Limited	Cheung Kong Investment Company Limited Crownmax Limited	22.5 22.5
大連華潤油脂化學有限公司 (China Resources (Dalian) Oil & Fat Chemical Co., Ltd.)	大連油脂化學廠 (Dalian You Zhi Hua Xue Chang)	10

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<b>Members of the Group</b> (Note)	<b>Name of substantial shareholders</b> (Note)	<b>Percentage of shareholding</b> (per cent)
博興華潤油脂化學有限公司 (China Resources (Boxing) Oleochemicals Co., Ltd)	博興縣蓮源化工有限公司 (Bo Xing Xian Lian Yuan Hua Gong You Xian Gong Si)	15
上海華潤保潔用品有限公司 (Shang Hai Hua Run Bao Jie Yong Pin You Xian Gong Si)	上海張江實業總公司 (Shang Hai Zhang Jiang Shi Ye Zong Gong Si)	10
Tactical Solutions Incorporated	Esprit China Distribution Limited	49
Upmarket Enterprises Limited	Splendid Approach Group Limited	45
南京華潤東方投資管理有限責任公司 (Nanjing China Resources Dong Fang Tou Zi Guan Li You Xian Ze Ren Gong Si)	南京東方商城有限責任公司 (Nanjiang Dong Fang Shang Cheng You Xian Ze Ren Gong Si)	10
南京華潤石油氣有限公司 (Nan Jing Hua Run Shi You Qi You Xian Gong Si)	南京公用控股(集團)有限公司 (Nan Jing Gong Yong Kong Gu (Ji Tuan) You Xian Gong Si)	25
	南京中北(集團)股份有限公司 (Nan Jing Zhong Bei (Ji Tuan) Gu Fen You Xian Gong Si)	14
	南京市公共交通總公司 (Nan Jing Shi Gong Gong Jiao Tong Zong Gong Si)	10
常熟華潤石油化工有限公司 (Changshu Huarun Petroleum & Chemicals Co., Ltd.)	常熟市沿江經濟開發集團 (Changshu Shi Yan Jiang Jing Ji Kai Fa Ji Tuan)	10
珠海經濟特區機動車器材供應 有限公司 (Zhuhai Jing Ji Te Qu Ji Dong Che Qi Cai Gong Ying You Xian Gong Si)	廣東省拱北汽車運輸有限責任公司 (Guangdong Sheng Gong Bei Qi Che Yun Chu You Xian Ze Run Gong Si)	20
深圳市蛇口船舶燃料運輸 供應有限公司 (Shenzhen Shi She Kou Chuan Bo Run Liao Yun Shu Gong Ying You Xian Gong Si)	深圳市中貿源實業發展有限公司 (Shenzhen Shi Zhong Mao Yuan Shi Ye You Xian Fa Zhan Gong Si)	20

Note: The Chinese names of members of the Group of the substantial shareholders of the Group's members are translated into English, if applicable.

<b>Members of the Group</b> <i>(Note)</i>	<b>Name of substantial shareholders</b> <i>(Note)</i>	<b>Percentage of shareholding</b> <i>(per cent)</i>
深圳華潤特種油劑有限公司 (Shenzhen Hua Run Te Zhong You Ji You Xian Gong Si)	深圳市維比工業軟件有限公司 (Shenzhen Shi Wei Bi Gong Ye Ruan Jian You Xian Gong Si)	30
中山市華虹石化有限公司 (Zhongshan Shi Hua Hong Shi Hua You Xian Gong Si)	中山市長虹石油貿易有限公司 (Zhongshan Shi Chang Hong Shi You Mao Yi You Xian Gong Si)	30
東莞華潤石油化工有限公司 (Dongguan China Resources Petroleum & Chemicals Co., Ltd.)	廣東省東莞市石油公司 (Guangdong Sheng Dong Guan Shi Shi You Gong Si)	49
Run Sun (Hong Kong) Company Limited	撫順遠航蠟制品實業公司 (Fushun Yuanhang Paraffin Products Industrial Co.)	45
北京京港潤豐有限公司 (Beijing Jing Gang Ren Feng Co., Ltd.)	中糧酒飲料食品進出口公司 (Zhong Liang Jiu Yin Liao Shi Pin Jin Chu Kou Gong Si) 北京市糧油食品進出口公司 (Beijing Shi Liang You Shi Pin Jin Chu Kou Gong Si)	10
China International Fisheries Corp.	CNFC International Fisheries Corp.	49
China International Fisheries Hong Kong Limited	Lau Yu Chuen	49
Chinese Wine Trading Company Limited	Au Yeung Yik Fung	10
Chung Kong Luen Livestock Company Limited	China Live Pigs Trading Limited Hong Kong Live Pigs Trading Limited Jointforce Trading Company Limited	15.59 15.59 17.82
杭州五豐嘉興冷食有限公司 (Hangzhou NF Jiaxing Refrigerated Food Co., Ltd.)	杭州冷氣製品廠 (Hangzhou Refrigerated Food Factory)	40
杭州五豐冷食有限公司 (Hangzhou NF Refrigerated Food Co., Ltd.)	杭州冷氣製品廠 (Hangzhou Refrigerated Food Factory)	40

*Note:* The Chinese names of members of the Group of the substantial shareholders of the Group's members are translated into English, if applicable.

<b>Members of the Group</b> <i>(Note)</i>	<b>Name of substantial shareholders</b> <i>(Note)</i>	<b>Percentage of shareholding</b> <i>(per cent)</i>
Hubei Ng Fung Meat & Food Products Co., Ltd.	湖北省公安縣肉聯廠 (Hubei Sheng Gong An Xian Rou Lian Chang)	49
湖州五豐冷食有限公司 (Huzhou NF Refrigerated Food Co., Ltd.)	杭州冷氣製品廠 (Hangzhou Refrigerated Food Factory)	40
江西五豐食品有限公司 (Jiangxi Ng Fung Foodstuffs Co., Ltd.)	會昌縣精製米食公司 (Hui Chang County Refined Rice Products Company)	42
江西立新食品有限公司 (Jiangxi New Creation Food Co., Ltd.)	江西省糧油食品進出口公司 (Jiangxi Cereals, Oils & Foodstuff Import & Export Corp.)	49
江西五豐畜牧科技有限公司 (Jiangxi Wu Feng Science & Technology of Livestock Raising Co., Ltd.)	江西省糧油食品進出口公司 (Jiangxi Cereals, Oils & Foodstuff Import & Export Corp.)	49
江西五豐牧業有限公司 (Jiangxi Wufeng Stock-Raising Co., Ltd.)	江西省糧油食品進出口公司 (Jiangxi Cereals, Oils & Foodstuff Import & Export Corp.)	49
Kowloon Live Cattle Trading Limited	Ip Moon Tong Keensky Company Limited	20 20
Lian You Enterprise Company, Limited	Sichuan Cereals, Oils & Foodstuff Import & Export Corporation	49
Man Luen Hong Motor Company Limited	Ceroilfood Shenzhen Cereals, Oils & Foodstuff Import & Export Co.	20
Ng Fung Slaughterhouse (Hong Kong) Company Limited	Richgold Enterprises Limited	30
廣東華潤超級市場有限公司 (Guangdong China Resources Supermarket Co., Ltd)	中山市城鄉消費合作社 (Zhong Shan Shi Cheng Xiang Xiao Fei He Zuo She)	15

*Note:* The Chinese names of members of the Group of the substantial shareholders of the Group's members are translated into English, if applicable.

<b>Members of the Group</b> (Note)	<b>Name of substantial shareholders</b> (Note)	<b>Percentage of shareholding</b> (per cent)
上海華潤超級市場有限公司 (Shanghai China Resources Supermarket Co. Ltd.) (in voluntary winding up)	上海豫園 (集團) 有限公司 (Shanghai Yu Yuan (Ji Tuan) You Xian Gong Si)	40
上海五豐畜禽食品有限公司 (Shanghai Ng Fung Livestock, Poultry & Foodstuff Co., Ltd.)	上海市食品進出口公司 (Shanghai Foodstuff Import & Export Corp.)	49
山東華潤厚木尼龍有限公司 (Shandong CRC Atsugi Nylon Co., Ltd.)	日本厚木株式會社 (Ri Ben Hau Mu Zhu Shi Hui She)	40
通州華潤印染有限公司 (Tongzhou CRC Printing & Dyeing Co., Ltd.)	江蘇八一印染織造集團有限公司 (Jiangsu Ba Yi Printing & Dyeing Textiles Group Co., Ltd)	11.61
Yantai China Resources Wooden Products Co., Ltd.	煙台市聚氨酯製品工業公司 (Yantai Shi Ju An Zhi Zhi Pin Gong Ye Gong Si)	45

Save as disclosed above, no other person is recorded in the register as having an interest in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

#### 4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material change in the financial position or trading prospects of the Group since 31st December, 2001, the date to which the latest audited financial statements of the Group were made up.

#### 5. CONSENT AND EXPERT

DBS Asia has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

DBS Asia is not beneficially interested in the share capital of any member of the Group nor does it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

*Note:* The Chinese names of members of the Group of the substantial shareholders of the Group's members are translated into English, if applicable.

**6. MISCELLANEOUS**

The secretary of the Company is Lee Yip Wah, Peter, who is a practising solicitor.

The share registrars of the Company are Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong.

The English text of this circular and form of proxy shall prevail over the Chinese text.

**7. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 10th July, 2002:

- (a) the Acquisition Agreement;
- (b) the agreement dated 3rd June, 2002 between the Company and CRNC relating to the granting of first right of refusal to the Company (or its wholly owned subsidiaries) on other existing, or new investment opportunities in PRC retail business of CRNC and its subsidiaries;
- (c) the Option Agreement;
- (d) the letter from DBS Asia as set out in this circular;
- (e) the written consent from DBS Asia referred to in paragraph 5 of this appendix; and
- (f) the letter of recommendation from the Independent Board Committee to the Independent Shareholders as set out in this circular.



## CHINA RESOURCES ENTERPRISE, LIMITED

*(incorporated in Hong Kong under the Companies Ordinance)*

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of the Company will be held at Room 3908, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 10th July, 2002 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

**“THAT:**

- (1) a conditional acquisition agreement dated 3rd June, 2002 (“Acquisition Agreement”) and made between China Resources National Corporation (“CRNC”) and 中潤國內貿易公司 (“Zhong Run”) and the Company (a copy of which marked “A” is produced to the meeting and signed by the Chairman for the purpose of identification) relating to the acquisition by the Company (or its wholly owned subsidiary) of an aggregate of 65 per cent equity of China Vanguard Super Department Store Co., Ltd from CRNC and Zhong Run at a consideration of RMB372,000,000 and the transactions contemplated therein be and are hereby approved and the directors of the Company (or any one of them) be and are hereby authorized on behalf of the Company to sign seal execute perfect and deliver all such documents and to implement and take all steps and do any other and all acts and things as may be necessary or desirable or expedient for the purpose of, or in connection with, the implementation of the Acquisition Agreement, including without limitation, the exercise or enforcement of, directly or indirectly, any of the Company’s rights under the Acquisition Agreement and to make and agree such variations in the terms of the Acquisition Agreement as they may in their discretion consider to be desirable and in the interests of the Company;
- (2) conditional on resolution No. (1) being approved by the shareholders at general meeting, the conditional option agreement dated 3rd June, 2002 (“Option Agreement) and made between CRNC and the Company (a copy of which marked “B” is produced to the meeting and signed by the Chairman for the purpose of identification) relating to the grant of a call option by CRNC to the Company for it (or its wholly owned subsidiary) to acquire all or any part of the remaining equity interests of Vanguard held by CRNC or any of its subsidiaries from time to time (the “Option”) and the transactions contemplated therein be and are hereby approved and the directors by a resolution of the independent directors of the Company, be hereby authorised to exercise on one or more occasions the Option in accordance with the terms the Option Agreement and that any director of the Company be and is hereby authorized on behalf of the Company to sign seal execute perfect and deliver all such documents and to implement and take all steps and do any other and all acts and things as may be necessary or desirable or expedient

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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for the purpose of, or in connection with, the exercise of the Option and the implementation of the Agreement, including without limitation, the exercise or enforcement of, directly or indirectly, any of the Company's rights under the Option Agreement".

By order of the board  
**Lee Yip Wah, Peter**  
*Company Secretary*

Hong Kong, 24th June, 2002

**Notes:**

1. Every member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with any power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the registered office of the Company at Room 3908, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting.