



華潤創業有限公司
China Resources Enterprise, Limited
(incorporated in Hong Kong under Companies Ordinance)

CONNECTED TRANSACTION

The directors of China Resources Enterprise, Limited announced that on 28th March, 2003, CIFIC, a 51 per cent. indirectly owned subsidiary of the Company, entered into the Agreement with Paul & Sam for the sale of all its 51 per cent. equity interest in CIFHK. On completion, CIFIC has received the consideration of HK\$18,000,000 payable for the 51 per cent. equity interest in CIFHK and the Shareholder’s Loan has been repaid.

As Paul & Sam is a wholly owned subsidiary of a substantial shareholder of CIFIC, the Agreement constitutes a connected transaction under the Listing Rules. As the total consideration or value for the Realisation represents less than 3 per cent. of the book value of the net tangible assets of the Company as shown in the latest published unaudited consolidated interim accounts of the Company as at 30th September, 2002, details of the Agreement will be disclosed in the 2003 annual report and the accounts of the Company pursuant to Rule 14.25(1) of the Listing Rules.

THE AGREEMENT DATED 28TH MARCH, 2003

Vendor: CIFIC
Purchaser: Paul & Sam
Asset to be realised: all of the 51 per cent. equity interest in CIFHK currently held by CIFIC
Consideration: HK\$18,000,000
Other Conditions: Paul & Sam’s covenant to arrange for the repayment of the Shareholder’s Loan upon completion of the Agreement

CIFHK has, since December 1999, been owned as to 51 per cent. by CIFIC and 49 per cent. by an independent third party not connected to a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them under the definition of the Listing Rules. CIFIC is in turn owned as to 51 per cent. indirectly by the Company and 49 per cent. by CNFC, the sole beneficial owner of Paul & Sam.

Completion has taken place immediately on signing of the Agreement. CIFIC has received the consideration of HK\$18,000,000 payable for the 51 per cent. equity interest in CIFHK, and the Shareholder’s Loan has been repaid. Upon completion of the Agreement, CIFIC ceases to have any interests in CIFHK.

The terms and conditions for the Realization have been arrived at after arm’s length negotiations between Paul & Sam and CIFIC. The consideration for the Realisation is determined by reference to the unaudited net asset value of CIFHK as at 31st December, 2002 and the future prospects of CIFHK. The unaudited net asset value of CIFHK as at 31st December, 2002 is approximately HK\$24.8 million. Not taking into account of the related corporate expenses and interests, the Group would realise a gain of approximately HK\$5.4 million from the realisation of the Group’s 51 per cent. equity interests in CIFHK.

The unaudited net loss or profit before and after taxation and extraordinary items in respect of the two financial years ended 31st December, 2002 of CIFHK are as follows:

	Year ended 31st December,	
	2002	2001
	(HK\$’000)	(HK\$’000)
Net profit (loss) before taxation and extraordinary items	(24,372)	1,917
Net profit (loss) after taxation and extraordinary items	(24,295)	1,611

INFORMATION ON CIFHK

CIFHK is principally engaged in the sales and distribution of fish, shrimps and processed seafood in Hong Kong.

REASONS FOR THE REALISATION

Due to the economic downturn in Hong Kong, the business of CIFHK has been deteriorating in the past year. As such the Group decided to enter into the Agreement to dispose of its investment in CIFHK. After the Realisation, CIFIC will concentrate its resources on the marine fishing operations in West Africa and to develop the sales and distribution of fish, shrimps and processed seafood in other more prosperous markets such as China, Europe and Japan. The proceeds from the Realisation will be used by the Group as general working capital.

The directors of the Company (including the independent non-executive directors) consider that the Agreement is on normal commercial terms and is entered into in the ordinary course of business of the Company, and such terms are fair and reasonable as far as the shareholders (including independent shareholders) of the Company are concerned.

INFORMATION ABOUT THE COMPANY

The Company is a listed company on the Hong Kong Stock Exchange, with business emphasis on the distribution business in Hong Kong and the Chinese Mainland. The principal activities of the Group are retail, beverage, food processing and distribution, textile, and petroleum distribution.

GENERAL

CNFC is a substantial shareholder of CIFIC (but otherwise not connected to the Company), holding 49 per cent. equity interest in CIFIC which is in turn a subsidiary of the Company. Accordingly CNFC is a connected person of the Company and the Agreement constitutes a connected transaction under the Listing Rules. As the total consideration or value for the Realisation represents less than 3 per cent. of the book value of the net tangible assets of the Company as shown in the latest published unaudited consolidated interim accounts of the Company as at 30th September, 2002, details of the Agreement will be disclosed in the 2003 annual report and the accounts of the Company pursuant to Rule 14.25(1) of the Listing Rules.

DEFINITIONS

“Agreement”	The agreement dated 28th March, 2003 as referred to in this announcement
“CIFIC”	China International Fisheries Corporation, a company incorporated in the Cayman Islands and is owned as to 51 per cent. indirectly by the Company and 49 per cent. by CNFC
“CIFHK”	China International Fisheries Hong Kong Limited, a company incorporated in the British Virgin Islands and was owned as to 51 per cent. by CIFIC and 49 per cent. by an independent third party
“CNFC”	中水遠洋漁業有限公司 (CNFC International Fisheries Corporation Limited), a company incorporated in The People Republic of China and owns 49 per cent. of CIFIC
“Company”	China Resources Enterprise, Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited
“Group”	Company and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Paul & Sam”	Paul & Sam Company Limited, a company incorporated in Hong Kong and is a wholly owned subsidiary of CNFC
“Realisation”	The sale by CIFIC of its 51 per cent. equity interest in CIFHK referred to in this announcement
“Shareholder’s Loan”	The shareholder’s loan of HK\$28,660,000 which was owed to CIFIC by CIFHK as at the date hereof

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