
IMPORTANT

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華潤創業有限公司 China Resources Enterprise, Limited

(Incorporated in Hong Kong under the Companies Ordinance)

Directors:*Executive 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
WANG Qun
ZHONG Yi
KWONG Man Him

Non-executive Directors:

JIANG Wei
XIE Shengxi

Independent Non-executive Directors:

CHAN Po Fun, Peter
HOUANG Tai Ninh
LOO Wun Loong, John
LI Ka Cheung, Eric

Company Secretary:

LEE Yip Wah, Peter

Registered Office:

39th Floor,
China Resources Building,
26 Harbour Road,
Wanchai,
Hong Kong

Hong Kong, 17th April, 2003

To the shareholders,

Dear Sir or Madam,

PROPOSAL FOR GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 7th June, 2002, a general mandate was given to the directors of the Company (“Directors”) to exercise the powers of the Company to repurchase shares of HK\$1.00 each of the Company (“Shares”). Such mandate will lapse at the conclusion of the forthcoming annual general meeting to be held on 5th June, 2003 (“Annual General Meeting”). It is therefore proposed to seek your approval of an ordinary resolution to be proposed at the Annual General Meeting to give a fresh general mandate to the Directors to exercise the powers of the Company to repurchase Shares.

This is the explanatory statement, as required by the relevant rules set out in the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) to regulate the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange (“Share Repurchase Rules”), to provide requisite information to you when considering the proposed authorisation to authorise the Directors to exercise the powers of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing the ordinary resolution (“Ordinary Resolution”) referred to in item no. 5 of the notice of the Annual General Meeting of the Company dated 3rd April, 2003 (“Repurchase Proposal”).

This document also constitutes the memorandum as required under Section 49BA(3) of the Companies Ordinance.

1. SHARE CAPITAL

As at 14th April, 2003 (the latest practicable date prior to the printing of this document) (the “Latest Practicable Date”), the issued share capital of the Company comprised 2,080,405,215 Shares.

Subject to the passing of the Ordinary Resolution and on the basis that no further Shares will be issued or repurchased prior to the Extraordinary General Meeting, the Company would be allowed under the Repurchase Proposal to repurchase a maximum of 208,040,521 Shares representing not more than 10% of the issued share capital of the Company as at the Latest Practicable Date.

2. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Proposal is in the best interests of the Company and its shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders.

3. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and the Companies Ordinance of Hong Kong. The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the Company and/or the proceeds of a new issue of Shares made for the purpose of the repurchase to such an extent allowable under the Companies Ordinance.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31st December, 2002 in the event that the power to repurchase Shares pursuant to the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were as follows:

	Shares	
	Highest HK\$	Lowest HK\$
April 2002	7.60	7.10
May 2002	9.50	7.55
June 2002	10.00	8.65
July 2002	9.45	7.70
August 2002	8.90	7.65
September 2002	8.80	7.20
October 2002	8.25	6.85
November 2002	8.10	7.10
December 2002	7.55	6.90
January 2003	7.60	6.85
February 2003	7.30	6.85
March 2003	7.15	6.05

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Ordinary Resolution and in accordance with the Listing Rules and the applicable laws of Hong Kong.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Proposal if such is approved by the shareholders of the Company.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Proposal is approved by the shareholders of the Company.

6. CODE ON TAKEOVERS AND MERGERS

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Proposal, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Code on Takeovers and Mergers ("Takeover Code"). As a result, a shareholder or group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

As at the Latest Practicable Date, the following shareholders were interested in 5% or more of the issued share capital of the Company as disclosed to the Company:

Name	No. of shares held	% of Shareholding
China Resources (Holdings) Company Limited (“CRH”)	1,153,776,475	55.46%
China Resources National Corp. (“CRNC”) (<i>Note</i>)	1,153,776,475	55.46%

Note: CRNC is the holding company of CRH. Therefore, CRNC is taken to be interested in 1,153,776,475 Shares.

In the event that the Directors exercise in full the power to repurchase Shares under the Repurchase Proposal, then (if the present shareholdings remains the same) the attributable interests of CRNC and CRH in the Company would be increased to approximately 61.62% of the issued share capital of the Company respectively.

The Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchases made under the Repurchase Proposal. In the event that the Repurchase Proposal is exercise in full, the number of Shares held by the public would not fall below 25%.

7. SHARES REPURCHASE MADE BY THE COMPANY

The Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

Yours faithfully,
NING Gaoning
Chairman