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華潤創業有限公司

China Resources Enterprise, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

CONNECTED TRANSACTION

The directors of China Resources Enterprise, Limited announced that, CR Textiles Investment, a wholly-owned subsidiary of the Group, entered into an acquisition agreement with Shandong Lu Xin on 9th September, 2004 for the acquisition of the remaining 25% equity interest in CRC Nylon, a 75% subsidiary of the Group, for a consideration of US\$3,600,400 (equivalent to approximately about HK\$28.1 million). Following the Acquisition, CRC Nylon will become a wholly-owned subsidiary of the Group.

As Shandong Lu Xin is a substantial shareholder of CRC Nylon, and therefore a connected person of the Company, the Acquisition constitutes a connected transaction of the Company under the Listing Rules. As each of the relevant percentage ratio as defined in Rule 14A.10 of the Listing Rules is less than 2.5%, the Acquisition is therefore only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement under the Listing Rules.

THE AGREEMENT DATED 9TH SEPTEMBER, 2004

Vendor: Shandong Lu Xin, a company incorporated in the PRC and engaged in textile, machinery and communication equipment businesses

Purchaser: CR Textiles Investment, an investment holding company established by CR Textiles in the PRC

Asset to be acquired: All of the 25% equity interest in CRC Nylon currently held by Shandong Lu Xin

Presently the Group beneficially owns 75% equity interest in CRC Nylon through a 23% interest held by CR Textiles Investment and a 52% interest held by CR Jinhua. Following the completion of the Acquisition, CRC Nylon will be wholly-owned by the Group.

Consideration: US\$3,600,400 (equivalent to approximately about HK\$28.1 million)

The consideration has been arrived at after arm's length negotiations between the vendor and the purchaser who has also taken into account, among others, trading multiples of comparable companies in Hong Kong and the PRC and the audited consolidated net asset value of CRC Nylon as at 31st December, 2003 and the potential future tax incentives available to CRC Nylon.

Based on the audited consolidated net profits of CRC Nylon (prepared in accordance with the PRC accounting standards) for the year ended 31st December, 2003 of approximately RMB10.9 million (equivalent to approximately HK\$10.3 million), the purchase price represents a price earnings multiple of about 10.9 times the attributable consolidated net profits of CRC Nylon for the year ended 31st December, 2003.

Based on the audited consolidated net asset value of CRC Nylon (prepared in accordance with the PRC accounting standards) as at 31st December, 2003 attributable to the interest to be acquired of approximately RMB31.1 million (equivalent to approximately HK\$29.3 million), the consideration represents a discount of approximately 4.1% to such attributable consolidated net asset value of CRC Nylon as at 31st December, 2003.

Based on the registered capital of CRC Nylon of approximately RMB77.2 million (equivalent to approximately HK\$72.8 million), the original investment costs of the 25% equity interest to be disposed by Shandong Lu Xin pursuant to the Agreement represents approximately RMB19.3 million (equivalent to approximately HK\$18.2 million).

Based on the business prospects of CRC Nylon, the trading multiples of comparable companies in the textile industry in Hong Kong and the PRC, potential future tax incentives available to CRC Nylon after the Acquisition, the directors of the Company (including the independent non-executive directors) consider that the Agreement was entered into in the ordinary course of business and on normal commercial terms which are fair and reasonable and in the interest of shareholders of the Company as a whole (including independent shareholders of the Company).

Payment arrangements: The consideration for the Acquisition shall be satisfied in cash (funded through internal resources of the Group) and shall be payable within 3 business days of completion of the change in business registration procedures for the issue of a new business license for CRC Nylon.

Others: The Agreement is conditional upon the relevant approval of the government authorities in the PRC in respect of the Acquisition. There is no long-stop date by which such approval has to be obtained as the directors of the Company do not anticipate any difficulty in obtaining such approval.

INFORMATION ABOUT CRC NYLON

Established in 1988, CRC Nylon, a primary subsidiary of CR Jinhua, is principally engaged in the manufacturing and distribution of nylon number 6 micro-filament and other nylon products.

Based on the audited accounts prepared in accordance with the PRC accounting standards, the audited consolidated net asset value of CRC Nylon as at 31st December 2003 was approximately RMB124.2 million (equivalent to approximately HK\$117.2 million). The audited consolidated net profit before and after taxation and extraordinary items (prepared in accordance with the PRC accounting standards) for the year ended 31st December, 2003 and the audited consolidated net profit before and after taxation and extraordinary items (prepared in accordance with the PRC accounting standards) for the year ended 31st December, 2002 of CRC Nylon were as follows:

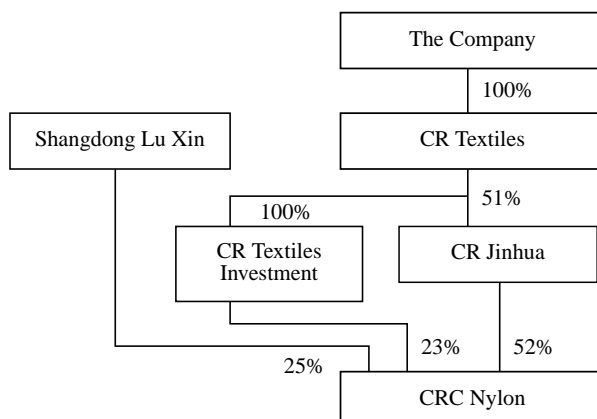
	Year ended 31st December (RMB'000)	
	2003 (audited)	2002 (audited)
Net profit before taxation, extraordinary items and minority interests	17.1 million (equivalent to approximately HK\$16.1 million)	18.1 million (equivalent to approximately HK\$17.0 million)
Net profit after taxation, extraordinary items and minority interests	10.9 million (equivalent to approximately HK\$10.3 million)	13.7 million (equivalent to approximately HK\$12.9 million)

REASONS FOR THE ACQUISITION

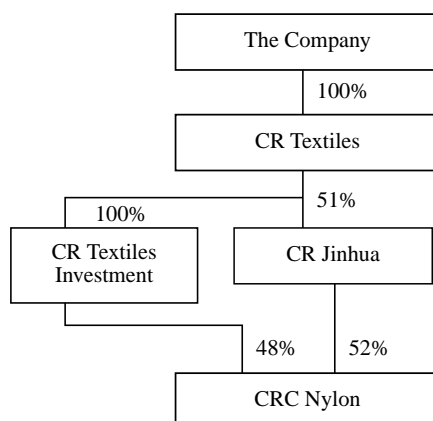
As part of its overall strategy to simplify the group structure, the Acquisition will facilitate the CR Textiles Group's plan to consolidate its interests in the non wholly-owned subsidiaries within the CR Textiles Group and will further enable the CR Textiles Group to centralize the management and operations of CRC Nylon with other members of the CR Textiles Group. This, coupled with more efficient sharing

of resources and technical know-how, will reduce operational and production costs of the CR Textiles Group and ultimately enhance the performance of CR Textiles Group. Set out below is a diagram illustrating the shareholding structure of CRC Nylon before and after the Acquisition:

Shareholding structure of CRC Nylon before the Acquisition



Shareholding structure of CRC Nylon after the Acquisition



Note: including direct or indirect interest

Following the Acquisition, the interest of CR Textiles Investment in CRC Nylon will be increased from the current 23% to 48%. The management of CR Textiles expects that CRC Nylon will then be entitled to certain tax incentives under the PRC laws which are available to Chinese-foreign joint venture companies with a foreign interest of 25% or more.

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 Group has a well-diversified portfolio of businesses in both Hong Kong and the Chinese Mainland, including retail, beverage, food processing and distribution, textile, petroleum and chemical distribution, property and other investments.

GENERAL

As Shandong Lu Xin is a substantial shareholder of CRC Nylon, Shandong Lu Xin is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under the Listing Rules. As each of the relevant percentage ratio as defined in Rule 14A.10 of the Listing Rules is less than 2.5%, the Acquisition is therefore only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement under the Listing Rules.

DEFINITIONS

"Acquisition"	An acquisition of a 25% equity interest in CRC Nylon as provided under the Agreement
"Agreement"	An acquisition agreement dated 9th September, 2004 as referred to in this announcement
"Company"	China Resources Enterprise, Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited
"CRC Nylon"	煙臺華潤錦綸有限公司 (Yantai CRC Nylon Company Ltd.), a company incorporated in the PRC and a 75% subsidiary of the Group held through CR Textiles Investment as to 23% and through CR Jinhua as to 52%

“CR Jinhua”	華潤錦華股份有限公司 (China Resources Jinhua Co., Ltd), an approximate 51% subsidiary of the Group, a company incorporated in PRC and listed on the Shenzhen Stock Exchange of the PRC
“CR Textiles”	China Resources Light Industries and Textiles (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Group
“CR Textiles Investment”	華潤輕紡投資發展有限公司 (China Resources Light Industries and Textiles Investment & Development Company Limited), a company incorporated in the PRC and a wholly-owned subsidiary of the Group
“CR Textiles Group”	CR Textiles and its subsidiaries
“Group”	Company and its subsidiaries
“PRC”	People’s Republic of China
“Shandong Lu Xin”	山東魯信國際經濟股份有限公司 (Shandong Lu Xin International Economic Co., Ltd.), a company incorporated in the PRC, which holds 25% of the registered capital of CRC Nylon
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region
“RMB”	the lawful currency of the PRC
“US\$”	the lawful currency of the United States of America

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

Hong Kong, 9th September, 2004

As at the date of this announcement, the executive directors of the Company are Mr. Ning Gaoning (Chairman), Mr Song Lin (Deputy Chairman and Managing Director), Mr Chen Shulin (Deputy Managing Director); Mr Qiao Shibo (Deputy Managing Director); Mr Yan Biao (Deputy Managing Director), Mr Keung Chi Wang, Ralph (Deputy Managing Director), Mr Lau Pak Shing, Mr Wang Qun, Mr Zhong Yi and Mr Kwong Man Him. The non-executive directors are Mr Jiang Wei and Mr Xie Shengxi. The independent non-executive directors are Dr Chan Po Fun, Peter, Mr Houang Tai Ninh and Dr Li Ka Cheung, Eric.

“Please also refer to the published version of this announcement in The Standard.”