

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 all your shares in China Resources Enterprise, Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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華潤創業有限公司

China Resources Enterprise, Limited

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 291)

**PROPOSALS FOR
REFRESHMENT OF SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME
AND
AMENDMENTS TO THE SHARE OPTION SCHEME**

The notice convening the extraordinary general meeting of China Resources Enterprise, Limited to be held at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Friday, 20th August, 2004 at 11:00 a.m. is set out on pages 9 to 10 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting. Completion of the proxy form and its return will not preclude you from attending and voting at the extraordinary general meeting if you so wish.

Hong Kong, 5th August, 2004

DEFINITIONS

In this document, the following expressions have the following meanings unless the context requires otherwise:

“CRNC”	China Resources National Corporation, a corporation established in the People’s Republic of China and the controlling shareholder of the Company
“China Resources Group”	CRNC and its subsidiaries, including the Group
“Companies Ordinance”	the Companies Ordinance (Cap 32 of the Laws of Hong Kong)
“Company”	China Resources Enterprise, Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Friday, 20th August, 2004 at 11:00 a.m., notice of which is set out on pages 9 to 10 of this circular
“Existing Scheme”	the existing share option scheme adopted by the Company on 31st January, 2002
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar
“Latest Practicable Date”	31st July, 2004, being the latest practicable date prior to the printing of this document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Old Scheme”	the old share option scheme previously adopted by the Company which was terminated on 31st January, 2002
“Scheme Amendment Proposal”	the proposal to amend the Existing Scheme as described in the Letter from the Deputy Chairman in this circular under the heading “Amendments to the Existing Scheme” and the Appendix

DEFINITIONS

“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon the exercise of all options to be granted under the Existing Scheme and any other share option scheme(s) of the Company, being 10% of the Shares in issue as at the date of the relevant resolution passed at a general meeting of the Company approving the scheme mandate limit
“Scheme Mandate Limit Refreshment Proposal”	the proposal to refresh the Scheme Mandate Limit under the Existing Scheme as described in the Letter from the Deputy Chairman in this circular under the heading “Refreshment of Scheme Mandate Limit under the Existing Scheme”
“Share(s)”	share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of a company, whether incorporated in Hong Kong or elsewhere
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

LETTER FROM THE DEPUTY CHAIRMAN



華潤創業有限公司

China Resources Enterprise, Limited

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 291)

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

Registered Office:

39th Floor

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

Non-executive Directors:

JIANG Wei

XIE Shengxi

Independent Non-executive Directors:

CHAN Po Fun, Peter

HOUANG Tai Ninh

LI Ka Cheung, Eric

Company Secretary:

LEE Yip Wah, Peter

Hong Kong, 5th August, 2004

To the Shareholders

Dear Sir or Madam,

**SCHEME MANDATE LIMIT REFRESHMENT PROPOSAL
AND SCHEME AMENDMENT PROPOSAL**

INTRODUCTION

The purpose of this circular is to provide you with information on the Scheme Mandate Limit Refreshment Proposal and the Scheme Amendment Proposal, all for your consideration and, if thought fit, approval at the EGM to be held on 20th August, 2004.

LETTER FROM THE DEPUTY CHAIRMAN

REFRESHMENT OF SCHEME MANDATE LIMIT UNDER THE EXISTING SCHEME

The Existing Scheme was approved and adopted by the Shareholders in general meeting on 31st January, 2002. The purpose of the Existing Scheme is to enable the Company to provide participants of the Existing Scheme with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole.

The existing Scheme Mandate Limit under the Existing Scheme is 207,217,821 Shares, being 10% of the Shares of the Company in issue as at the date of adoption of the Existing Scheme on 31st January, 2002. As at the Latest Practicable Date, the Company has granted options carrying rights to subscribe for 225,888,000 Shares, of which 20,523,000 Shares have been issued pursuant to the exercise of such options, and of which options carrying rights to subscribe for 21,454,000 Shares have lapsed; options carrying rights to subscribe for 183,911,000 Shares remain outstanding and yet to be exercised. Under the Old Scheme, options carrying rights to subscribe for 16,920,000 Shares remain outstanding and yet to be exercised. Apart from the Existing Scheme, the Company has no other share option scheme in issue as at the Latest Practicable Date. The issue of the share options by the Company complies with the existing Scheme Mandate Limit at all material times.

Pursuant to paragraph 8.3 of the Existing Scheme, the Company may seek approval from the Shareholders in general meeting to refresh the Scheme Mandate Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Existing Scheme and other share option schemes of the Company under the Scheme Mandate Limit as “refreshed” must not exceed 10% of the Shares in issue as at the date of the approval of the Scheme Mandate Limit as “refreshed”. In this connection, options previously granted under the Existing Scheme, the Old Scheme and other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the relevant share option scheme or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as “refreshed”.

The limit on the number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Existing Scheme, the Old Scheme and any other schemes of the Company (adopted by the Company in general meeting from time to time) must not exceed 30% of the relevant class of securities of the Company in issue from time to time.

On the basis of 2,104,491,215 Shares in issue as at the Latest Practicable Date and assuming that no Shares are issued or purchased by the Company prior to the EGM, the Scheme Mandate Limit may be “refreshed” to enable grant of further share options to subscribe up to 210,449,121 Shares, representing 10% of the Shares in issue as at the date of the EGM.

Given the depletion of the existing Scheme Mandate Limit, the Directors consider that the refreshment of the Scheme Mandate Limit will be in the interests of the Company as the Existing Scheme can continue to serve its purpose of providing incentives to the participants to work towards enhancing the value of the Company and the Shares.

LETTER FROM THE DEPUTY CHAIRMAN

The refreshment of the Scheme Mandate Limit is conditional upon:

1. the passing of an ordinary resolution by the Shareholders to approve the Scheme Mandate Limit Proposal at the EGM; and
2. the Stock Exchange granting the listing of, and the permission to deal in, such number of Shares representing 10% of the Shares in issue as at the date of the EGM, which may fall to be issued pursuant to the exercise of the options granted under the “refreshed” Scheme Mandate Limit.

Application will be made to the Stock Exchange for the listing of and the permission to deal in the Shares to be issued pursuant to the exercise of options granted under the “refreshed” Scheme Mandate Limit.

AMENDMENTS TO THE EXISTING SCHEME

The Company adopted the Existing Scheme on 31st January, 2002. The Directors propose to amend the Existing Scheme for the purpose of expanding the scope of participants of the Existing Scheme and to clarify the operation of the Existing Scheme in relation to transfers of employment of certain participants of the Existing Scheme. The amended terms of the Existing Scheme comply with the relevant requirements of Chapter 17 of the Listing Rules and these amendments will not affect the rights of the existing optionholders.

Details of the proposed amendments to the Existing Scheme are set out in the Appendix to this circular. A copy of the Existing Scheme, as amended by the Scheme Amendment Proposal as described in this circular, is available for inspection at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours up to and including the date of the EGM and will also be available for inspection at the EGM.

EGM

The notice convening the EGM, which contains ordinary resolutions to approve the Scheme Mandate Limit Refreshment Proposal and the Scheme Amendment Proposal is set out on pages 9 to 10 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and delivery of the form of proxy will not prevent you from attending and voting at the meeting if you so wish.

LETTER FROM THE DEPUTY CHAIRMAN

At the EGM, resolutions to approve the Scheme Mandate Limit Refreshment Proposal and the Scheme Amendment Proposal shall be decided by poll. A poll can be demanded (before or on the declaration of the result of the show of hands) by (a) the chairman; or (b) not less than five Shareholders present in person or by proxy and having the right to vote at the meeting; or (c) a Shareholder or Shareholders present in person or by proxy representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or (d) a Shareholder or Shareholders present in person or by proxy holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right. On a poll, every Shareholder, present in person, by proxy or by authorized representative shall have one vote for every Share held by him. On a poll, a Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way.

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Scheme Mandate Limit Refreshment Proposal and the Scheme Amendment Proposal. The Directors collectively and individually accept full responsibility for the accuracy of such 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.

RECOMMENDATION

The Directors believe that the Scheme Mandate Limit Refreshment Proposal and the Scheme Amendment Proposal are all in the best interest of the Company and the Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of such resolutions to be proposed at the EGM.

Yours faithfully,
SONG Lin
Deputy Chairman

This appendix sets out the proposed amendments to the Existing Scheme.

1. PARTICIPANTS

Under the Existing Scheme, the term “Participants” is defined to include, among others, employees of Substantial Shareholder of the Company. It is proposed that the scope of “Participants” be extended to include employees of subsidiaries of Substantial Shareholder(s) of the Company. At times, the assistance provided by certain employees of subsidiaries of Substantial Shareholder(s) of the Company in achieving specific task performed at the request of the Company may have a positive impact to the operations, financial goals and well being of the Company. In appreciation of and as encouragement for such contribution and continuous services, the Company decides to grant options to subscribe for Shares of the Company to such employees. The amendment is in line with the purpose of the Existing Scheme which is to promote additional commitment and dedication to the objectives of the Company by the Participants by providing them with an opportunity to acquire proprietary interests in the Company and to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole.

To reflect such change, it is proposed that the definition of “Participants” under the Existing Scheme be amended to read as follows:–

“Participants”

any executive or non-executive directors of the Group (or persons proposed to be appointed as such), any discretionary object of a discretionary trust established by any employee, executive or non-executive director of the Group, any executives and employees of consultant(s), professional and other adviser(s) to the Group (or persons proposed to be appointed as such), Chief Executive, Substantial Shareholder of the Company, Associated Companies of the Group, Associates of Director, Chief Executive and Substantial Shareholder of the Company, and employees of Substantial Shareholder *and where a Substantial Shareholder is a company, employees of subsidiaries of a Substantial Shareholder;*

2. LAPSE OF OPTIONS

The China Resources Group encourages employment transfers so that working experience and expertise gained by employees in Hong Kong and Mainland, China in different areas and industries may be shared amongst its group members, thereby benefiting the China Resources Group as a whole. The Directors believe that such intra group employment transfers ought to be encouraged and that share options granted to participants of the Existing Scheme who are employees of the China Resources Group should not lapse as a result of intra group employment transfers. Accordingly, the effect of the proposed

amendments is to ensure that any share options granted to a participant shall not lapse in respect of any employment transfers (i) among the Company, its subsidiaries and associated companies; and (ii) among CRNC, its subsidiaries, the Company and the Company's subsidiaries and associated companies. To reflect such clarification, it is proposed that amendments be made to sub-paragraph 7(g) of the Existing Scheme to the effect that paragraph 7 shall provide that an option shall lapse automatically (to the extent not already exercised) on the earliest of, among other events:-

- “(g) subject to paragraph 6.3(a), the date the Grantee, if an employee of a Relevant Company, ceases to be an employee of any Relevant Company by any other reason”

Related amendments shall also be made to include new definitions of “controlling shareholder”, “CRNC” and “CRNC Group” and to amend the definition of “Relevant Company” to read as follows:-

“controlling shareholder”	shall have the same meaning ascribed to it under the Listing Rules;
“CRNC”	China Resources National Corporation, a corporation established in the People's Republic of China and the controlling shareholder of the Company;
“CRNC Group”	CRNC and its subsidiaries, including China Resources (Holdings) Company Limited and its subsidiaries but excluding the Group, and “member of the CRNC Group” shall be construed accordingly;
“Relevant Company”	the Company, the relevant Subsidiary or Associated Company of the Group, <i>and where CRNC remains as the controlling shareholder of the Company, member of the CRNC Group;</i>

Other than the above, certain other minor drafting changes which do not relate to the matters set out in rule 17.03 of the Listing Rules as would require prior approval of Shareholders in general meeting will be made to the Existing Scheme.

NOTICE OF EXTRAORDINARY GENERAL MEETING



華潤創業有限公司

China Resources Enterprise, Limited

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 291)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Friday, 20th August, 2004 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without modifications, as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** the existing scheme mandate limit in respect of the granting of options to subscribe for shares (the “Shares”) in China Resources Enterprise, Limited (the “Company”) under the share option scheme adopted by the Company on 31st January, 2002 (the “Share Option Scheme”) be refreshed and renewed provided that the total number of Shares which may be allotted and issued pursuant to the grant or exercise of the options under the Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme, the old share option scheme of the Company terminated on 31st January, 2002 and other share option schemes of the Company) shall not exceed 10% of the Shares of the Company in issue as at the date of passing of this resolution (the “Refreshed Limit”) and subject to the Stock Exchange granting the listing of and permission to deal in such number of Shares to be issued pursuant to the exercise of the options granted under the refreshed scheme mandate limit and compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Directors of the Company be and are hereby authorized to grant options under the Share Option Scheme up to the refreshed limit and to exercise all the powers of the Company to allot, issue and deal with the Shares pursuant to the exercise of such options.”
2. **“THAT** the proposed amendments to the share option scheme of China Resources Enterprise, Limited (the “Company”) adopted on 31st January, 2002 (“Share Option Scheme”) referred to in the circular to shareholders of the Company dated 5th August, 2004 (“Circular”) and included in the amended Share Option Scheme, a copy of which is available for inspection as set out in the Circular and produced to this meeting and for the purpose of identification initialled by the Chairman, be approved, subject to such modifications of the relevant amendments to the Share Option Scheme as the Directors of the

NOTICE OF EXTRAORDINARY GENERAL MEETING

Company may consider necessary to take into account the requirements of the relevant regulatory authorities, including without limitation, The Stock Exchange of Hong Kong Limited, and that the Directors be authorised to do all such acts and things as may be necessary to carry such amendments and modifications (if any) into effect.”

By Order of the Board
LEE Yip Wah, Peter
Secretary

Hong Kong, 5th August, 2004

Notes:

1. Any member entitled to attend and vote at the 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. 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 thereof, must be lodged with the registered office of the Company at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
3. With regard to item no. 1 set out in this notice, details of the proposal to refresh the scheme mandate limit under the share option scheme adopted by the Company on 31st January, 2002 (“Share Option Scheme”) is set out in the Company’s circular to its shareholders dated 5th August, 2004 (“Circular”) to be despatched on or about 5th August, 2004.
4. With regard to item no. 2 set out in this notice, the proposed amendments to the Share Option Scheme relate to:–
 - (i) an expansion of the scope of “Participants” under the Share Option Scheme to include employees of subsidiaries of substantial shareholder(s) of the Company; and
 - (ii) The effect of the proposed amendments is to ensure that any share options granted to a participant shall not lapse in respect of any employment transfers (i) among the Company, its subsidiaries and associated companies; and (ii) among CRNC, its subsidiaries, the Company and the Company’s subsidiaries and associated companies.

Details of the proposed amendments to the Share Option Scheme is set out in the Circular.

5. The Circular can be viewed and downloaded from the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk.



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Form of proxy for use at the extraordinary general meeting, or any adjournment thereof, of China Resources Enterprise, Limited (the "company") to be convened at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 20th August, 2004 at 11:00 a.m..

I/We¹ _____ of _____
_____ being the registered holder(s) of² _____ shares
of HK\$1.00 each in the capital of the company, HEREBY APPOINT³ _____
of _____
or failing him, the chairman of the meeting as my/our proxy to act for me/us at the extraordinary general meeting of the company to be held at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 20th August, 2004 at 11:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing two ordinary resolutions, with or without modifications, as set out in the notice convening the said meeting and at such meeting, or at any adjournment thereof, to vote on my/our behalf in respect of the said ordinary resolutions as hereunder indicated or, if no such indication is given, as my/our proxy thinks fit.⁴

	For ⁴	Against ⁴
Ordinary resolution 1 to refresh the scheme mandate limit under the share option scheme of the Company		
Ordinary resolution 2 to amend the share option scheme of the Company		

Dated this _____ day of _____ 2004

Signature⁵ _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**. The names of all joint holders should be stated.
2. Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the company registered in your name(s).
3. Please insert the name and address of the proxy desired. **IF NO NAME IS INSERTED, THE CHAIRMAN OF THE MEETING WILL ACT AS YOUR PROXY.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR THE RESOLUTION, TICK "✓" IN THE RELEVANT BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE RESOLUTION, TICK "✓" IN THE RELEVANT BOX MARKED "AGAINST".** Failure to complete the boxes will entitle your proxy to cast his vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than those referred to in the notice convening the meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
6. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the company in respect of such share shall alone be entitled to vote in respect thereof.
7. To be valid, the form of proxy, together with the 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 returned to the company's registered office at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the extraordinary general meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.
8. The proxy need not be a member of the company but must attend the meeting in person to represent you.
9. Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting if you so wish.
10. **ANY ALTERATIONS MADE IN THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.**