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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF THE ENTIRE INTEREST IN CHINA RESOURCES  
PETROCHEMS HOLDINGS LIMITED  
AND  
POSSIBLE SPECIAL DIVIDEND**

The directors of China Resources Enterprise, Limited announced that on October 18, 2006, Prepara Limited, a wholly owned subsidiary of the Company entered into the Agreement with CRPGC, a wholly owned subsidiary of CRH, for the disposal of its 100% equity interest in CRPH for a consideration of HK\$2,780 million which will be satisfied by cash. Prior to the Completion, CRPH is a wholly owned subsidiary of the Group and the holding company of all the Company's piped gas businesses, chemicals distribution businesses and other petroleum related businesses in Chinese Mainland.

The proceeds from the Disposal will be used by the Group for the payment of a special dividend with the remaining being used for general working capital. In view of the relative low gearing of the Group, it is intended that a special dividend of HK\$1 per share in the Company will be declared by the Company shortly after the Completion. Details of the special dividend arrangement will be announced by the Company upon the Completion.

**Shareholders and potential investors should be aware that payment of a special dividend by the Company is subject to the condition of the Disposal being fulfilled. Accordingly, they are advised to exercise caution when dealing in the shares in the Company.**

The Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As CRH is the controlling shareholder of the Company and each of the applicable percentage ratios under rule 14.07 of the Listing Rules is above 2.5%, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and requires independent shareholders' approval at an extraordinary general meeting of the Company.

An independent board committee of the Company has been formed to give recommendation to the independent shareholders in respect of the Disposal. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal. A circular containing, among other things, details of the Disposal, advice of the independent financial adviser, recommendation of the independent board committee and notice convening an extraordinary general meeting to approve the Disposal will be sent to shareholders of the Company in accordance with the Listing Rules.

**THE AGREEMENT DATED OCTOBER 18, 2006**

Vendor:	Prepara
Purchaser:	CRPGC
Assets to be disposed:	100% equity interest in CRPH. The Company currently owns 100% equity interest in CRPH. Following Completion, the Company will cease to have any interest in CRPH.
Consideration:	HK\$2,780 million
Payment arrangement:	The consideration for the Disposal shall be satisfied in cash, payable on the Completion Date.
Condition:	Completion is subject to the passing of a resolution by the Company's Independent Shareholders at the EGM.
Completion:	Subject to the terms of the Agreement and the fulfillment of the condition precedent thereunder, the Completion will take place within five business days after the satisfaction of the Condition.
Long Stop Date:	The Agreement provides that should, among other things, the satisfaction of the Condition not occur on or before December 31, 2006 (or such other date as may be agreed by the parties), the Agreement shall terminate.
Guarantee:	The obligations of Prepara under the Agreement is guaranteed by the Company.

## INFORMATION ON CRPH

CRPH, a wholly owned subsidiary of the Company, was formed by the Group as part of the restructuring of the entire petroleum and related products distribution division of the Group under which all the piped gas businesses, chemicals distribution businesses and other investments of the division in Chinese Mainland are held by CRPH. Therefore, the CRPH Group is principally engaged in the following businesses:

- Piped gas investments in Chinese Mainland;
- Chemicals trading and distribution businesses principally in Chinese Mainland;
- Sale and distribution of lubricant oil in Chinese Mainland;
- Other petroleum related businesses in Chinese Mainland.

After completion of the Disposal, the remaining business of the petroleum and related products distribution division of the Group primarily comprises of the petroleum and related products distribution business in Hong Kong.

As it is not a statutory requirement for CRPH to prepare audited consolidated accounts under the accounting principles generally accepted in Hong Kong and based on the individual companies comprising the CRPH Group, the unaudited consolidated net profits before taxation, extraordinary items and minority interests and the net profits attributable to the assets which are subject of the Disposal in respect of the two financial years ended December 31, 2005 and six months ended June 30, 2006 prepared in accordance with the accounting principles generally accepted in Hong Kong are as follows:

HK\$ million	Year ended December 31,		Six months ended
	2004	2005	June 30,
	(unaudited)	(unaudited)	2006
			(unaudited)
Net profit before taxation, extraordinary items and minority interests			
Continuing operations	113.3	85.7	119.2
Discontinued operation <sup>(1)</sup>	2.8	124.9	(1.2)
	<u>116.1</u>	<u>210.6</u>	<u>118.0</u>
Net profit attributable to shareholders			
Continuing operations	86.1	58.8	91.4
Discontinued operation <sup>(1)</sup>	2.4	79.3	(2.2)
	<u>88.5</u>	<u>138.1</u>	<u>89.2</u>

Note (1): the net profit related to the operations of the petrol stations in Chinese Mainland and the before and after tax gains on disposals of 17 petrol stations in Chinese Mainland in 2005 of HK\$104.0 million and HK\$58.2 million respectively.

The breakdown of the unaudited consolidated net profits for the continuing operations attributable to the assets which are subject of the Disposal in respect of the two financial years ended December 31, 2005 and six months ended June 30, 2006 are as follows:

HK\$ million	Year ended December 31,		Six months ended
	2004	2005	June 30,
	(unaudited)	(unaudited)	2006
			(unaudited)
Piped gas businesses	17.9	33.2	44.5
Chemicals distribution businesses	67.8	34.3	45.1
Lubricant oil businesses	–	1.3	3.5
Other petroleum related businesses and corporate expense	0.4	(10.0)	(1.7)
Total	<u>86.1</u>	<u>58.8</u>	<u>91.4</u>

The unaudited consolidated net asset of CRPH which are subject to the Disposal as of June 30, 2006 was approximately HK\$1,553.6 million. However, adjusting for the Capitalisation of Shareholders' Loans, the unaudited adjusted consolidated net asset of the assets which are subject to the Disposal as at June 30, 2006 was approximately HK\$2,253.6 million.

## BASIS OF CONSIDERATION

The consideration of HK\$2,780 million has been arrived at after arm's length negotiations between CRH and the Company after taking into account various relevant factors including the appropriate valuation methods according to nature of relevant businesses with reference to unaudited consolidated net profit and net asset value, market valuations and future prospects, and the prevailing commercial and business conditions in which CRPH operates. Notwithstanding the aggregate consideration for the Disposal, the Board considers the following breakdown of the consideration for the Disposal in analysing the overall consideration:

HK\$ million	Consideration
Piped gas businesses	2,100
Chemicals trading businesses	470
Lubricant oil businesses	20
Other petroleum related businesses	190
Total	<u>2,780</u>

The directors of the Company (excluding the independent non-executive directors whose opinion will be subject to the advice of the independent financial adviser) consider the terms of the Agreement, which were reached based on arm's length negotiations, to be on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **REASONS FOR THE DISPOSAL**

With an objective of becoming the largest consumer company in China, the Group has been restructuring its non-core businesses so as to shift its focus to the core consumer business and to divest the non-core businesses. As part of such restructuring program, the Group has decided to gradually divest its petroleum and related products distribution business which was acquired by the Group in 2000.

Prior to the Completion, the accounts of CRPH will continue to be consolidated in the accounts of the Group. Based on the unaudited adjusted consolidated net asset value of CRPH adjusting for the Capitalisation of Shareholders' loans of approximately HK\$2,253.6 million as at June 30, 2006, the Company would recognise a gain on the Disposal of approximately HK\$526.4 million in the consolidated accounts. It should be noted that the ultimate gain on disposal of CRPH will depend on the consolidated net asset value of CRPH at the completion of the Disposal. The proceeds from the Disposal will be used by the Group for the payment of a special dividend with the remaining being used for general working capital. In view of the relative low gearing of the Group, it is intended that a special dividend of HK\$1 per share in the Company will be declared by the Company shortly after the Completion. Details of the special dividend arrangement will be announced by the Company upon the Completion.

**Shareholders and potential investors should be aware that payment of a special dividend by the Company is subject to the condition of the Disposal being fulfilled. Accordingly, they are advised to exercise caution when dealing in the shares in the Company.**

As for the remaining business of the petroleum and related products distribution division of the Group, the Group has been assessing the feasibility of various alternatives and in discussions with potential investors which may lead to partial or complete disposal of such business but no agreement has been reached and no timetable has been set.

## **INFORMATION ABOUT THE COMPANY**

The Company is a company listed on the Hong Kong Stock Exchange, with business emphasis on the consumer business in Chinese Mainland and Hong Kong. The Group's core activities are retail, beverage, food processing and distribution, textile and property investments. It also has businesses in petroleum and related products distribution as well as other investments.

## **GENERAL**

The Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As CRH is the controlling shareholder of the Company and each of the applicable percentage ratios under rule 14.07 of the Listing Rules is above 2.5%, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and requires independent shareholders' approval at an extraordinary general meeting of the Company.

An independent board committee of the Company has been formed to give recommendation to the independent shareholders in respect of the Disposal. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal.

A circular containing, among other things, details of the Disposal, advice of the independent financial adviser, recommendation of the independent board committee and notice convening an extraordinary general meeting to approve the Disposal will be sent to shareholders of the Company in accordance with the Listing Rules.

## **DEFINITIONS**

"Agreement"	A sale and purchase agreement dated October 18, 2006 relating to the Disposal
"Board"	the board of directors of the Company
"Capitalisation of Shareholders' Loans"	In anticipation of the Disposal, shareholders' loans made by the Company to CRPH of HK\$250 million and HK\$450 million were capitalized by the Company on July 27, 2006 and September 30, 2006, respectively
"Company"	China Resources Enterprise, Limited (Stock Code: 291), a company incorporated in Hong Kong and listed on the Stock Exchange
"Completion"	Completion of the Agreement being within five business day after the satisfaction of the Condition unless otherwise agreed
"Completion Date"	Date of completion of the Agreement
"Condition"	The condition precedent for the Completion
"CRH"	China Resources (Holdings) Company Limited, the immediate holding company of the Company interested in about 52.4% of the Company's issued share capital, a company incorporated in Hong Kong with limited liability, and an investment holding company of its subsidiaries.
"CRPGC"	China Resources Petrochems Gas Group Limited, a company incorporated in the British Virgin Islands, and a wholly owned subsidiary of CRH
"CRPH"	China Resources Petrochems Holdings Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Group
"CRPH Group"	CRPH and its subsidiaries
"Disposal"	disposal of a 100% equity interest in CRPH by the Company to CRPGC

“EGM”	An extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Agreement and the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board of the Company established for the purpose of advising the Independent Shareholders of the Company in connection with the Disposal
“Independent Shareholders”	The shareholder(s) of the Company other than CRH and its associates, as defined in the Listing Rules, who are required to abstain from voting at the EGM under the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Preparis”	Preparis Limited, a company incorporated in the British Virgin Islands, and a wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, October 18, 2006

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

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