



CHINA RESOURCES ENTERPRISE, LTD.
華潤創業有限公司

Press Release

CRE acquire 100% of the oil distribution operation of the China Resources group in part exchange for its interests in China Resources Beijing Land Limited and Logic International Holdings Limited

(Hong Kong – 15th October 2000) The Directors are pleased to announce that on 12th October 2000, the Company has entered into an agreement with CRH in relation to the acquisition of CRH's entire interest in the oil distribution operation which is principally engaged in (i) the transportation, storage, marketing, import and export of petroleum products, (ii) distribution of chemicals in Hong Kong and the Chinese Mainland; (iii) distribution of LPG gas in Hong Kong and the Chinese Mainland; and (iv) the ownership and operation of three oil tankers, one LPG gas tanker and 13 small to medium size vessels, which are employed exclusively by the oil distribution operation.

CONSIDERATION

The consideration from the acquisition shall be satisfied in the following manner:

- the transfer to CRH from CRE of the entire issued share capital of Finetex, the sole asset of which is 661,500,000 shares in CRBL representing 44.2% of CRBL's issued share capital;
 - the transfer to CRH from CRE of the entire issued share capital of Waterside, the sole asset of which is 825,347,743 shares in Logic representing 54.7% of Logic's issued share capital; and
- a lump sum cash payment of HK\$796.0 million which will be funded by the Group's internal resources.

The total consideration of HK\$2,649.0 million has been arrived at after arm's length negotiations between the parties thereto. The consideration is determined with reference to the net profits of the oil distribution operation as at 31st December 1999 of approximately HK\$319.0 million and the shareholding interests in CRBL and Logic forming part of the consideration, being valued at their **book value** in CRE's consolidated accounts. The historic price earnings multiple of this Acquisition would be approximately **8.3**. However, if the shareholding interests in CRBL and Logic forming part of the consideration, are valued at their current **market value**, the effective price earnings multiple of this Acquisition would be approximately **7.5** times. The Directors consider that the terms of the Agreements are fair and reasonable and that the Acquisition is in the best interest of the Company.



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REASONS FOR ACQUISITION

The directors would like to refer to the announcement by CRH made on 19th June 2000 by CRH on its proposed restructuring plan. Under the plan, CRH intends to transform its principal listed subsidiary, CRE, into a premier distribution company in Asia of consumer and industrial products. CRE's mission will be to facilitate international trade between China and the rest of the world by combining CRH long established expertise in distribution with advance information and internet technology. The CRE group's objective is to:

- provide a distribution channel for Chinese products to a world market;
- assist international products establish their presence in the Chinese Mainland; and
- establish a comprehensive and efficient distribution network in the Chinese Mainland to facilitate domestic trade.

This acquisition represents a first major step in CRH's restructuring plan for CRE. The Company will be acquiring a major oil distribution operation in Hong Kong and will divest itself of businesses, which fall outside the future intended business focus.

Through this Acquisition, CRE's distribution capability will be substantially strengthened. Given that the earnings and cash flows from the oil distribution operation greatly exceed the combined profits of CRBL and Logic attributable to CRE, the Directors of CRE anticipate that the Acquisition will greatly enhance the earnings and cash flow stream of the Group.

CONDITIONS

The Acquisition Agreement is conditional upon, inter alia, the following:

- the passing of a resolution at the Extraordinary General Meeting approving the Acquisition by the independent shareholders, being those shareholders of CRE other than CRH and its Associates, as defined in the Listing Rules; and
- the receipt of a confirmation by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission that neither CRH nor any member of its group is required to make a general offer for all the shares in the company under rule 26 of the Hong Kong Code on Takeovers and Mergers.

COMPETITION

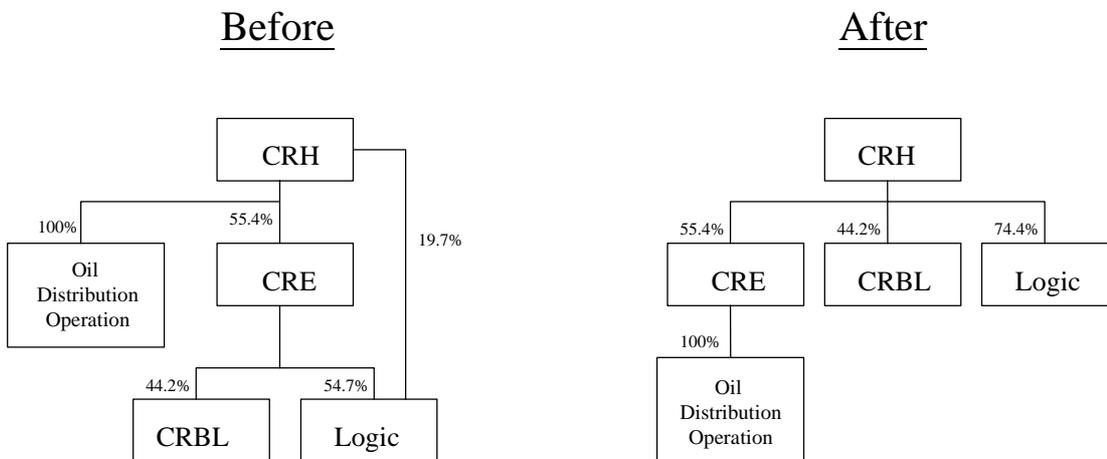
For so long as CRH remains the largest shareholder of CRE, it has undertaken that it will not compete in the People's Republic of China (of which Hong Kong forms part), either alone or jointly with others in, inter alia, the sale, trading, marketing and distribution of oil and petroleum products, petrochemical products and the operation of petrol and gas filling stations.



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GROUP STRUCTURE

The shareholding structure of CRE before and after the completion of this transaction is as follow:



INFORMATION ON THE ACQUISITION

The oil distribution business to be acquired by CRE is engaged principally in:

- the transportation, storage, and marketing of petroleum products to both the wholesale and retail markets;
- the distribution of chemicals in Hong Kong and the Chinese Mainland;
- the distribution of LPG gas in Hong Kong and the Chinese Mainland; and
- the ownership and operation of three oil tankers, one gas tanker and 13 small to medium size vessels, which are employed exclusively by the oil distribution operation.

Commencing operation in 1973, the oil distribution operation has grown rapidly over the years to become one of the dominant oil suppliers in the Hong Kong market. The group markets a wide range of refined products, including gas oil, fuel oil, kerosene, jet fuel, gasoline and lubricants, through an extensive network of sales personnel and independent distributors and a broad wholesale and retail distribution system. The marketing network consists of over 100 wholesale distribution agents, who accounted for approximately 80% of the wholesale business. The retail network comprises 12 petrol filling stations and 3 LPG gas filling stations. The directors estimate that oil distribution operation has a market share of approximately 25 - 30% of the Hong Kong oil market. The group is currently exploring with various parties on investment opportunities in operating petrol stations in the Chinese Mainland.



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The group sourced majority of its stock from Singapore. The group's suppliers include many of the world's major oil companies. Its customers can be broadly categorized into direct accounts and dealers. The group's main direct account customers include shipping companies, bus companies, airlines, and the Hong Kong government. Direct sales accounts for approximately 20% of its total oil sales. The remaining 80% are sold through an extensive network of over 100 distribution agents, whose customers include hotels, restaurants, factories, fishing boats and industrial operations in Hong Kong.

The following table summarizes the oil distribution operation's results for the period as stated.

	Year ended 31 December 1998 HK\$ million	Year ended 31 December 1999 HK\$ million	Six months ended 30 th June 2000 HK\$ million
Turnover	7,891.3	8,799.1	4,918.0
Profit before taxation	298.4	362.0	181.5
Profit after taxation	258.9	319.0	159.0

INFORMATION ON FINETEX

Finetex, a wholly and beneficially owned subsidiary of CRE, is a company incorporate in the British Virgin Island with limited liability, the sole asset of which is 661,500,000 shares in CRBL representing 44.2% of CRBL's issued share capital.

CRBL is a company incorporate in the Cayman Islands with limited liability, and the shares of which has been listed on the Stock Exchange since November 1996. Since 1994, CRBL has been the major shareholder of Beijing Huayuan Property Co., Ltd. ("Beijing Huayuan"), one of the three largest property developers in Beijing. Beijing Huayuan is classified by the Ministry of Construction as a class I comprehensive land development company and its main business focus is in the development of residential property in the Chinese Mainland. Since the introduction of the Housing Reform policies by the Chinese government, the buyer profile of Beijing Huayuan's properties has changed from being mainly institutional buyers to individuals. Beijing Huayuan currently has interests in 24 principal property development projects and owns a land bank of approximately 2.5 million square meters. The following table summarizes the results of CRBL for the period as stated.



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	Year ended 31 December 1998 HK\$ million	Year ended 31 December 1999 HK\$ million	Six months ended 30 th June 2000 HK\$ million
Turnover	865.7	443.9	571.7
Profit before taxation	409.7	161.7	59.8
Profit after taxation and MI	303.9	153.6	40.9

INFORMATION ON WATERSIDE

Waterside, a wholly and beneficially owned subsidiary of the CRE, is a company incorporated in the British Virgin Island with limited liability, the sole asset of which is 825,347,743 shares in Logic representing 54.7% of Logic's issued share capital.

Logic is a company incorporate in Bermuda with limited liability, and the shares of which has been listed on the Stock Exchange since November 1994. Logic is principally engaged in the business of manufacturing, importing, marketing and distribution of office and household furniture products to customers in Hong Kong and the Chinese Mainland. Logic has been engaged in its principal businesses since being listed, and has been incurring losses since the financial year ended 31st March 1996. Logic intend that it will continue its existing business without redeployment of the fixed assets of the company but will also actively study various business opportunities of further diversifying into other businesses. The following table summarizes the results of Logic for the period as stated.

	Year ended 31 March 1999 HK\$ million	Year ended 31 March 2000 HK\$ million
Turnover	203.0	161.0
Profit/(Loss) before taxation	(114.1)	(159.4)
Profit/(Loss) after taxation and MI	(109.2)	(159.2)

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For announcement, please refer to

"<http://www.irasia.com/listco/hk/chinaresources>"