



China Resources Enterprise, Limited

Press Release

Date : October 7, 1998

CRE INCREASED ITS STAKE IN NG FUNG HONG

(Hong Kong - 7th October 1998) China Resources Enterprise, Limited ("CRE") is pleased to announce that the Company has conditionally agreed to acquire from Ng Fung Hong (Holdings) Limited ("NFHH"), which is a wholly owned subsidiary of China Resources (Holdings) Co. Ltd. its 29.1% stake in Ng Fung Hong Limited ("NFH") for a total consideration of HK\$1,676 million.

PURCHASE CONSIDERATION

CRE will acquire from NFHH 298,914,000 shares in NFH for HK\$5.607 per share, representing a discount of about 11% to the closing price of HK\$6.30 per share in NFH as quoted on the Stock Exchange of Hong Kong on 5th October 1998.

The purchase consideration of HK\$1,676 million will be satisfied by a cash consideration of approximately HK\$507.5 million while the remaining HK\$1,168.5 million will be satisfied by the issuance of 179,000,000 new CRE shares at HK\$6.528 per share, representing a 4% discount to the closing price of HK\$6.80 per share as quoted on the Stock Exchange of Hong Kong on 5th October 1998. After the issuance of 179,000,000 new shares in CRE to CRH, CRH's stake in the Company will increase from about 52% to about 57%.

REASONS FOR ACQUISITION

As part of the Company's long-term strategy of expanding its existing core business areas, CRE has entered into an agreement to acquire an additional 29% stake in NFH. CRE became a substantial shareholder of NFH in 1995 when NFH was listed on the Stock Exchange. Since then the investment in NFH has made a positive and significant contribution to profit and cash flow in the form of dividends paid to CRE.

After the acquisition, CRE's stake in NFH will increase from the current 25.3% to 54.4%. NFH will become a subsidiary of the Company. As the principal business of NFH of food distribution is considered to be less adversely affected by the Asian financial turmoil and asset deflation in Hong Kong, therefore the board of CRE believes that this acquisition will not only strengthen the Company's recurrent income base but also improve the quality of its earnings in the future.

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Press Enquiry : Mr. An Lu (2829 9816)

For announcement, please refer to

"<http://irasia.com/listco/hk/chinaresources/press/index.htm>"