

China Resources Enterprise, Limited
CL Conference

Solid Foundation For Tomorrow

20 May 2003





Agenda

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- FY2002 Results Highlights pp. 5 – pp. 7
- Updates of Our Main Businesses pp. 8 – pp.16
- Prospects pp.17– pp.18
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Major Moves Since the Last CL Conference

- May-2002 Acquired the remaining minority interests in nine textile companies for approximately RMB68m
- Jul-2002 Acquired a 65% stake in CR Vanguard for about RMB372m
- Sep-2002 Acquired a 39.25% stake in Suguo Supermarket for about RMB232m

Undertook a corporate branding campaign to promote and enhance our brand identity

Announced a HK\$700m technology upgrade programme for the textile division
- Nov-2002 Announced voluntarily our first quarterly financial and operational review

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Major Moves Since the Last CL Conference

- Nov-2002 Acquired the remaining minority interests in its brewery at Shenyang for RMB140m
- Feb-2003 Announced the acquisition of a 51% stake in CR Jinhua for approximately RMB164m
- Mar-2003 Appointed Eric Li as independent non-executive director

Announced proposal to reorganise our concrete business for a separate listing

Set up a JV to construct a modern meat processing centre in Shanghai, our first foray into the mainland meat market
- Apr-2003 Commenced a re-branding programme for our supermarket business

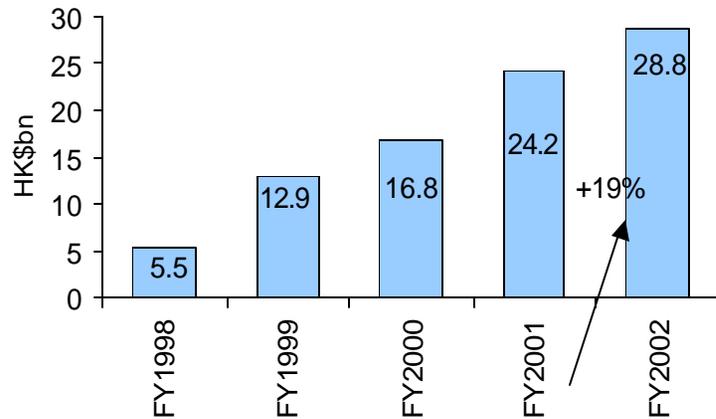
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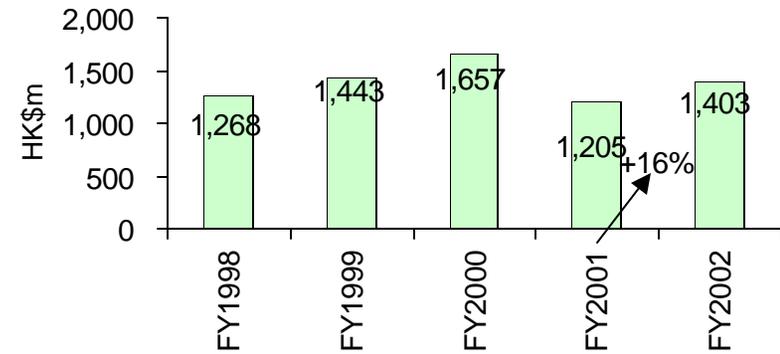


FY2002 Results Highlights

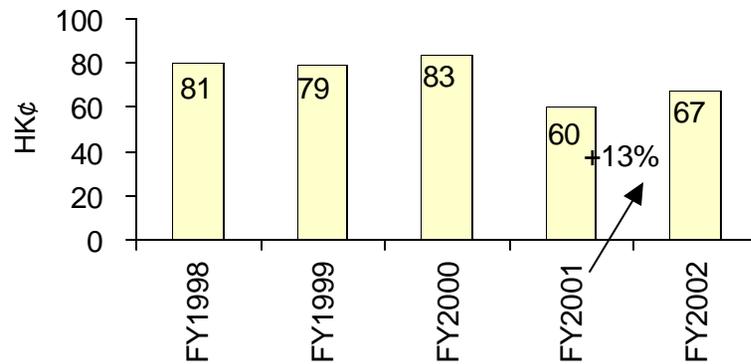
Turnover



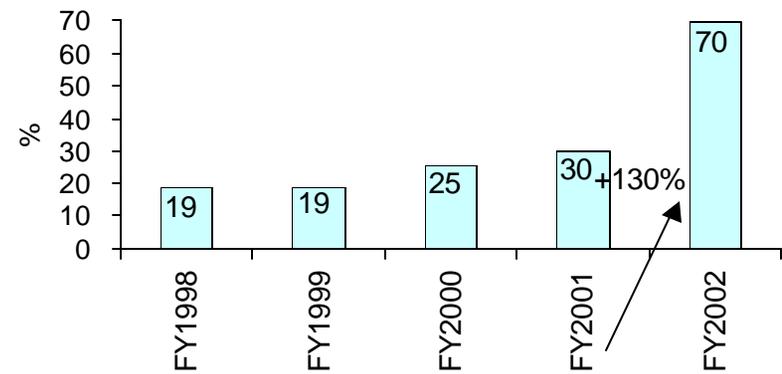
Earnings



EPS



Dividend payout ratio

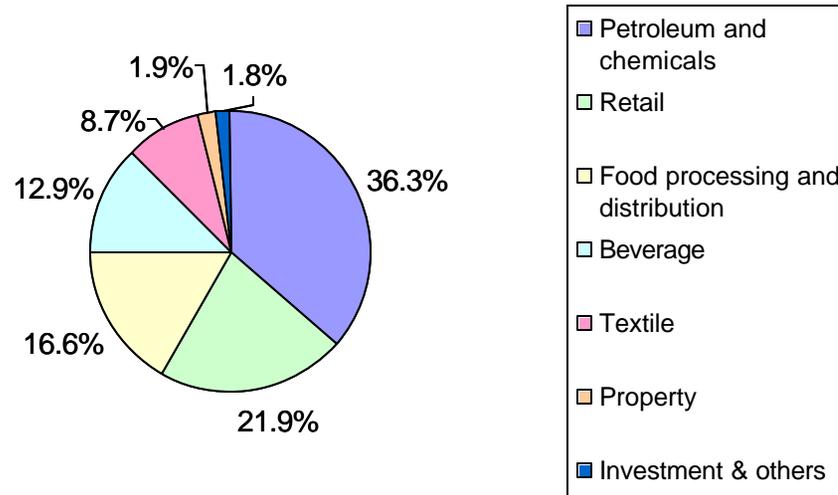


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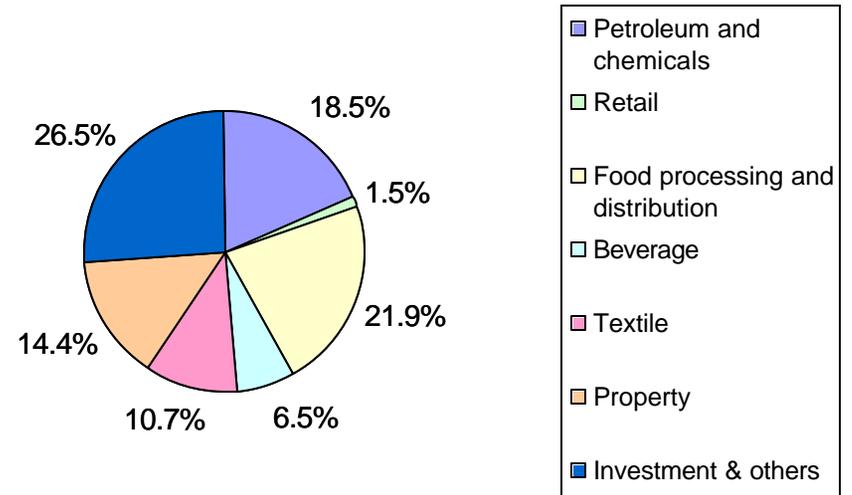


FY2002 Results Highlights

Turnover



Earnings



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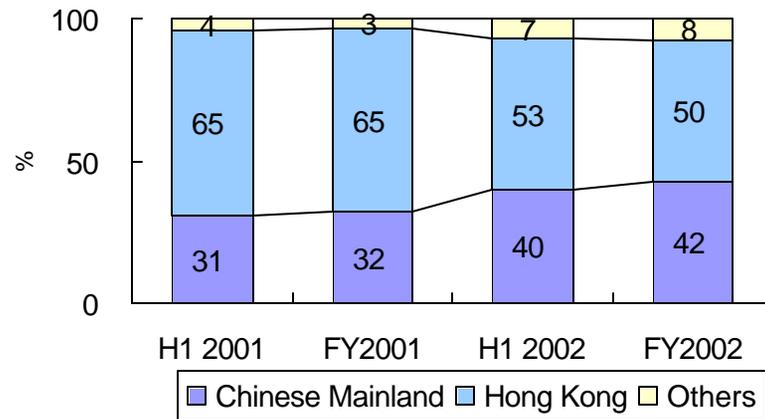




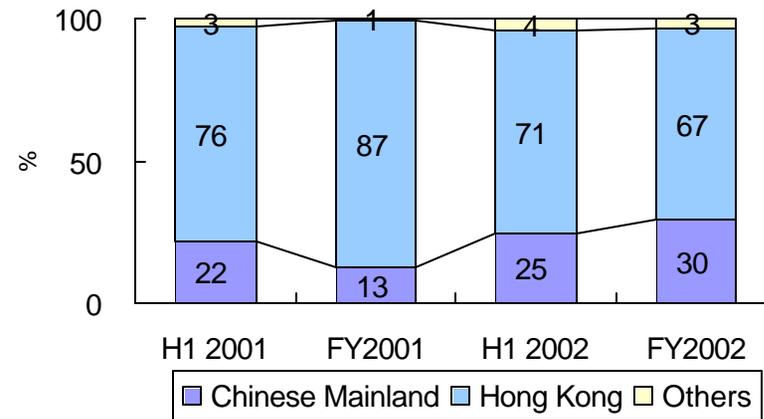
FY2002 Results Highlights

- The proportion of turnover and profit before tax from mainland China increased to 42% and 30% respectively in FY2002, compared with 32% and 13% in FY2001

Turnover



Profit before tax



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Updates of Our Main Businesses

i) Supermarket – Jobs to be accomplished in 2003 & 2004

Year end 31 Dec	FY2002 HK\$m	FY2001 HK\$m	% change
Turnover			
- HK	1,634	1,568	+4
- China	2,752	655	+320
	4,386	2,223	+97
EBITDA			
- HK	36	39	-8
- China	91	26	+245
	127	65	+95
Earnings			
- HK	1	(6)	-119
- China	(7)	9	-175
- adjustment (goodwill w/o)	(4)	0	na
	(10)	3	-429
EBITDA margin			
- overall	2.9	2.9	-1
- HK	2.2	2.5	-12
- China	3.3	4.0	-18

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Updates of Our Main Businesses

i) Supermarket – Jobs to be accomplished in 2003 & 2004

- Develop a national brand and standardise store formats
 - model stores
 - marketing strategy mix
- Improve store pre-opening management
 - project management tools
 - quality-orientation
- Reduce indirect costs
 - wages and rentals
 - integration of offices in Shenzhen

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Updates of Our Main Businesses

i) Supermarket – Jobs to be accomplished in 2003 & 2004

- Enhance store efficiency
 - productivity
 - re-ordering process
 - space management
- Optimize supply chain
 - bar-coding system and category definition
 - assortment / price / supplier optimization
 - logistics efficiency

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Updates of Our Main Businesses

i) Supermarket – Jobs to be accomplished in 2003 & 2004

- Maximise benefits from focused expansion strategy
 - superstore development in second and third tier cities of Eastern China
 - further consolidation in Southern China using the mature format
 - strategic entrance into Northern China with superstore format
- Establish a competence centre
 - a concept development for consistent innovation
 - product mix of each store format
 - private labels
 - supply chain development

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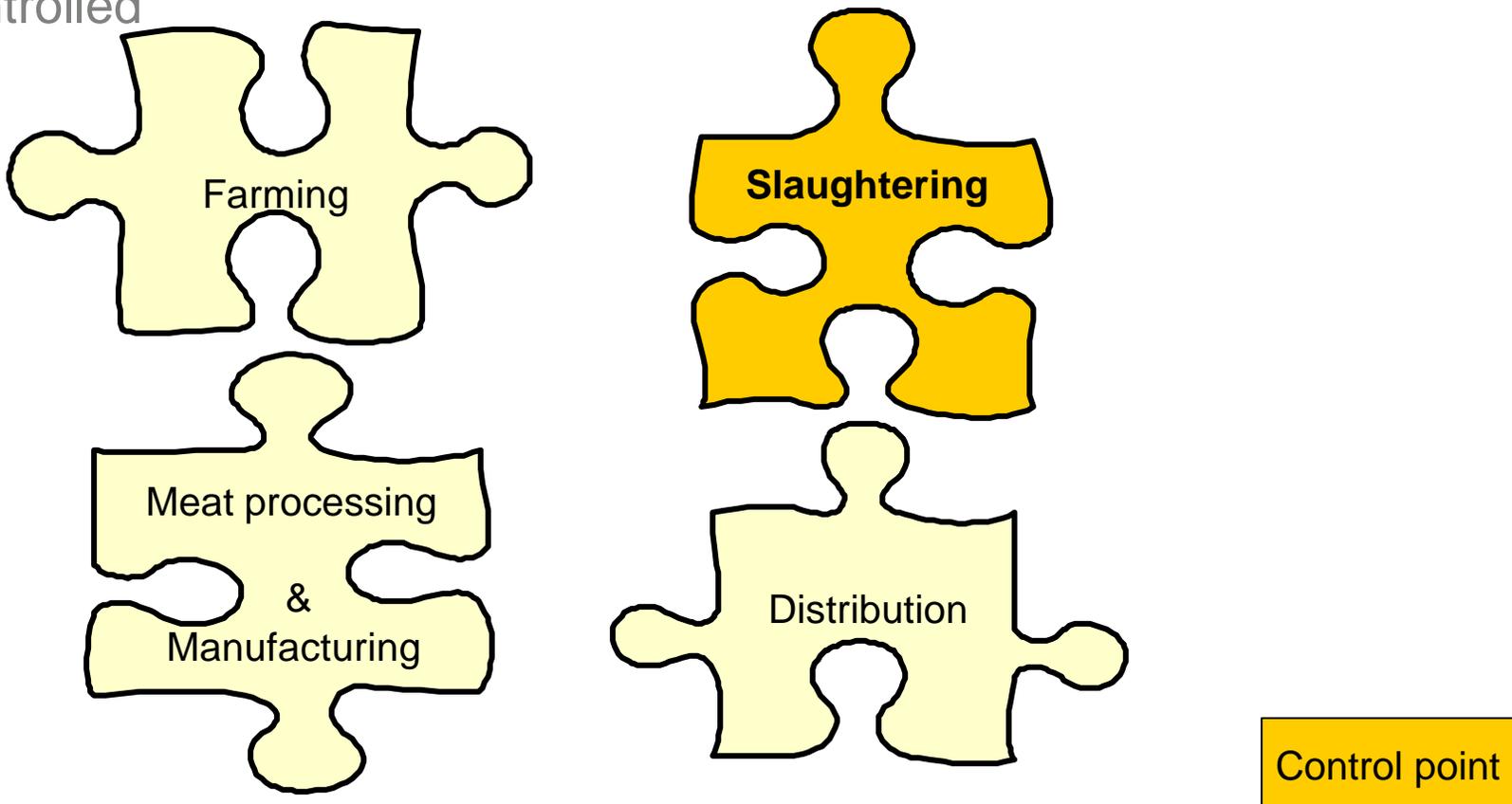




Updates of Our Main Businesses

ii) Ng Fung Hong – Mainland strategy

- The modules in the supply chain will be fitted together and tightly controlled



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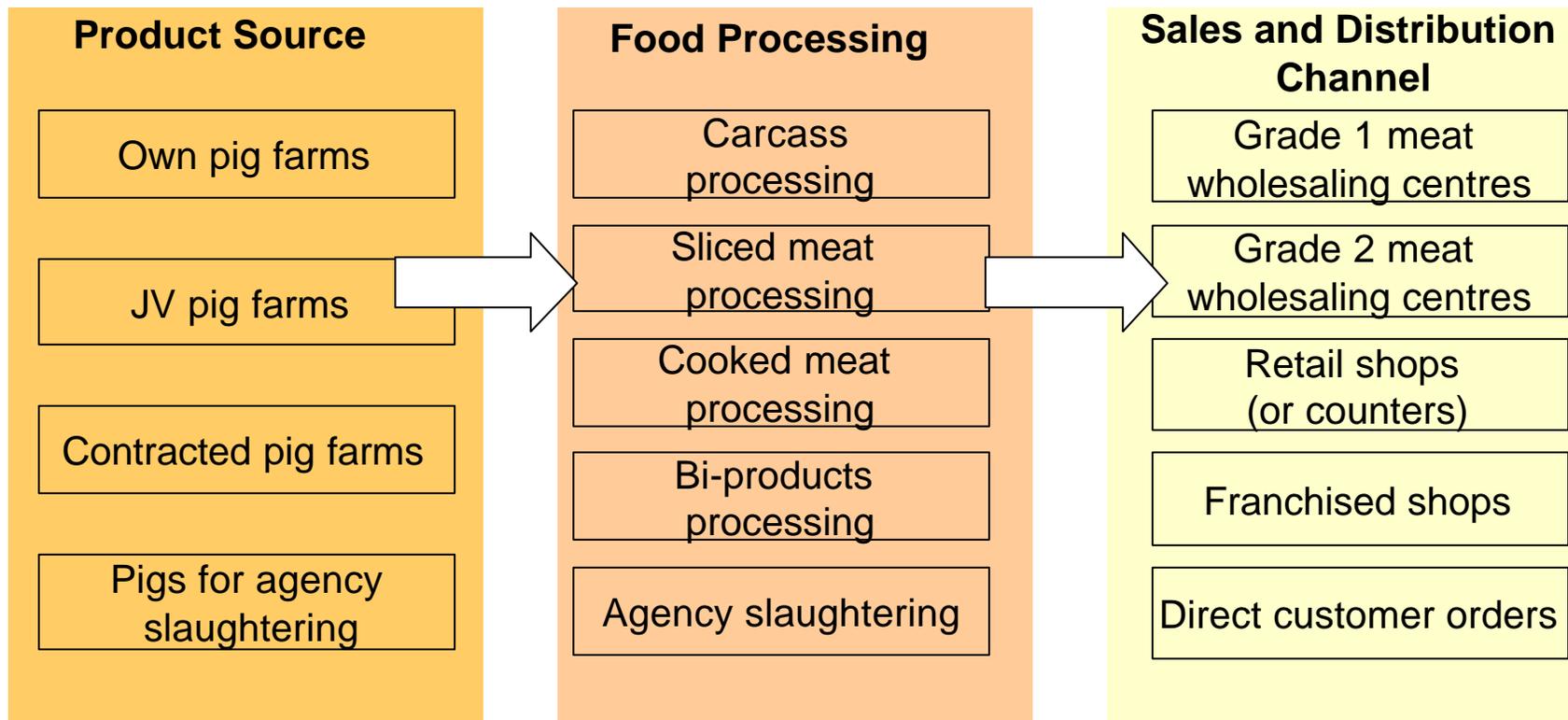
Control point



Updates of Our Main Businesses

ii) Ng Fung Hong – Mainland strategy

- There are various integrated functions in each module – a vertical integrated meat products supply chain



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Updates of Our Main Businesses

iii) Brewery – Further market consolidation

Year end 31 Dec	Province	Area	No of breweries	FY2002 '000 k litre	FY2001 '000 k litre	% change
<u>Existing breweries (acquired prior to FY2001)</u>						
Shenyang	Liaoning	North East	3	404	410	-2
Dalian	Liaoning	North East	1	146	180	-19
Jilin	Jilin	North East	1	213	202	+5
Tianjin	na	Central	1	105	100	+6
Anshan	Liaoning	North East	1	84	66	+27
Anhui	Anhui	Central	3	204	190	+7
<u>Breweries acquired in FY2001</u>						
New Three Star	Heilongjiang	North East	1	146	103	+42
Dalian Bang Chui Dao	Liaoning	North East	1	53	19	+181
Liaoyang Meiyue	Liaoning	North East	1	26	22	+17
Blue Sword (incl Mianyang and Leshan)	Sichuan	South West	12	667	143	+368
Changchun Snow Leopard	Jilin	North East	1	68	9	+616
<u>Breweries acquired in FY2002</u>						
Wuhan Dongxihu	Hubei	Central	1	228		na
Panjin	Liaoning	North East	1			na
			28	2,344	1,444	+62
Existing breweries (adj for Mianyang and Leshan)				1,322	1,257	+5

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Updates of Our Main Businesses

iv) Textile – Technology upgrade

- There are two main reasons for technology upgrade:
 - To enhance efficiency
 - To increase the proportion of higher end products
- Old machines will be replaced with advanced ones for greater productivity and higher quality products, and the entire programme will cost approximately HK\$700m with the majority spent during 2003
- The difference in gross margin between lower end products and upper end products could be as much as 10% in absolute terms

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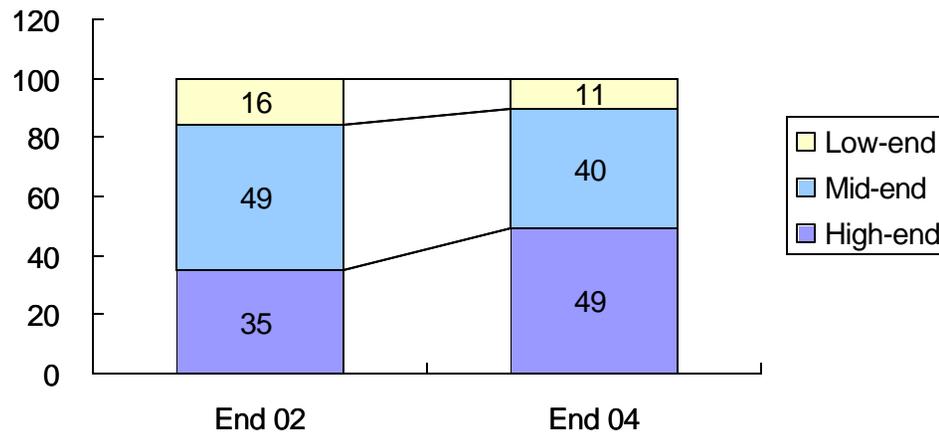


Updates of Our Main Businesses

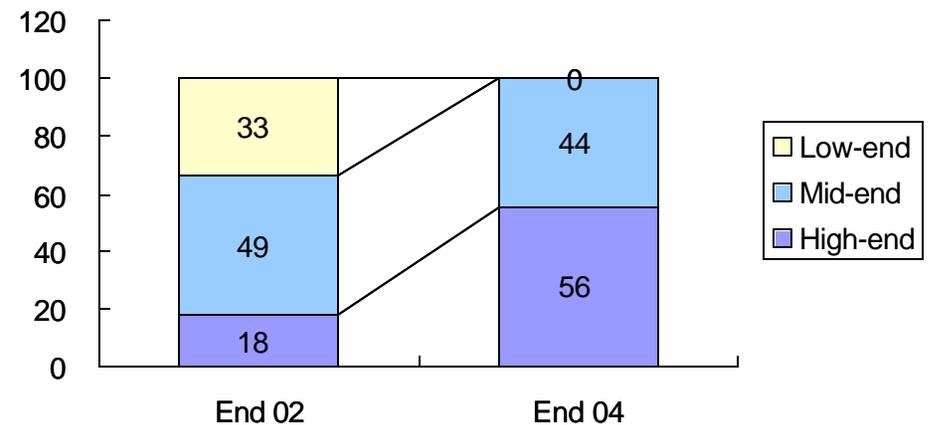
iv) Textile – Technology upgrade

- Proportion of high end yarns and fabrics will be increased from 35% to 49% and 18% to 56% respectively upon completion

Yarns quality breakdown percentage



Fabrics quality breakdown percentage



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Prospects

- We have been laying solid foundation for our future, including group restructuring to reduce reliance on property development and focus on distribution businesses and fastening the pace of our investment in the mainland
- Last year, we formulated strategies for our retail, food, textile and logistics businesses together with professional firms
- This year, we have started to further streamline our business via non-core asset disposal
- The initial results of our restructuring exercise are gradually paid off and we are on schedule to achieve our retail-led distribution plan
- Turnover from the mainland will likely first exceed Hong Kong this year driven by mainland retailing businesses

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Prospects

- Our supply chain-related operations, including food, brewery and textile, are well positioned to seek growth opportunities in the mainland
- We have initially targeted fresh food and garment products for exploring retail supply chain opportunities
- Further improvement on corporate governance will be sought following our efforts made last year which included the release of quarterly financial and operational review
- We are aiming for achieving leadership positions in our core businesses over the medium to long term

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Questions & Answers

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