

China Resources Enterprise, Limited
CSFB 2004 China Food & Beverage Conference

Together We Create Value

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F&B as Part of Our Retail-led Model

- Approximately 22% of turnover and 30% of earnings in H1 2004 was F&B related, excluding our supermarket business
- The brewery business is carried out by our joint venture company with SABMiller in which CRE has a 51% stake
- With a sales volume of 1.23m k litres in H1 2004, we are the second largest brewer on the mainland
- Ng Fung Hong, our wholly-owned subsidiary, is the largest distributor of fresh, live and frozen foodstuffs in Hong Kong and it has recently entered the mainland fresh meat market
- Our F&B businesses form part of the supply chain for our supermarket business under the retail-led distribution model
- We have rising exposure in the mainland and Hong Kong consumer market under this unique model and the majority of our turnover and earnings are now consumer-related, poising well for value creation

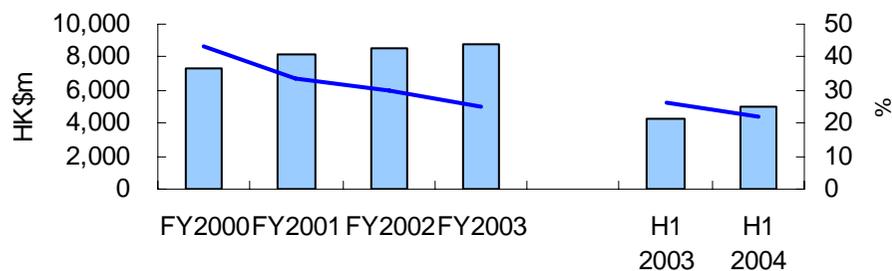
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F&B as Part of Our Retail-led Model

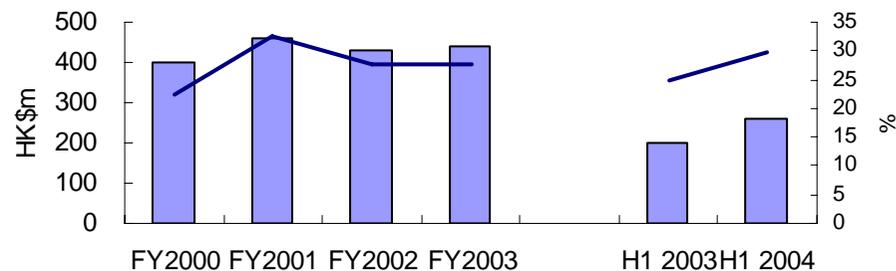
- F&B earnings increased by 30% in H1 2004 on a 17% turnover growth

F&B in turnover



■ F&B turnover (RHS) — Proportion of F&B turnover (RHS)

F&B in earnings



■ F&B earnings (RHS) — Proportion of F&B earnings (RHS)

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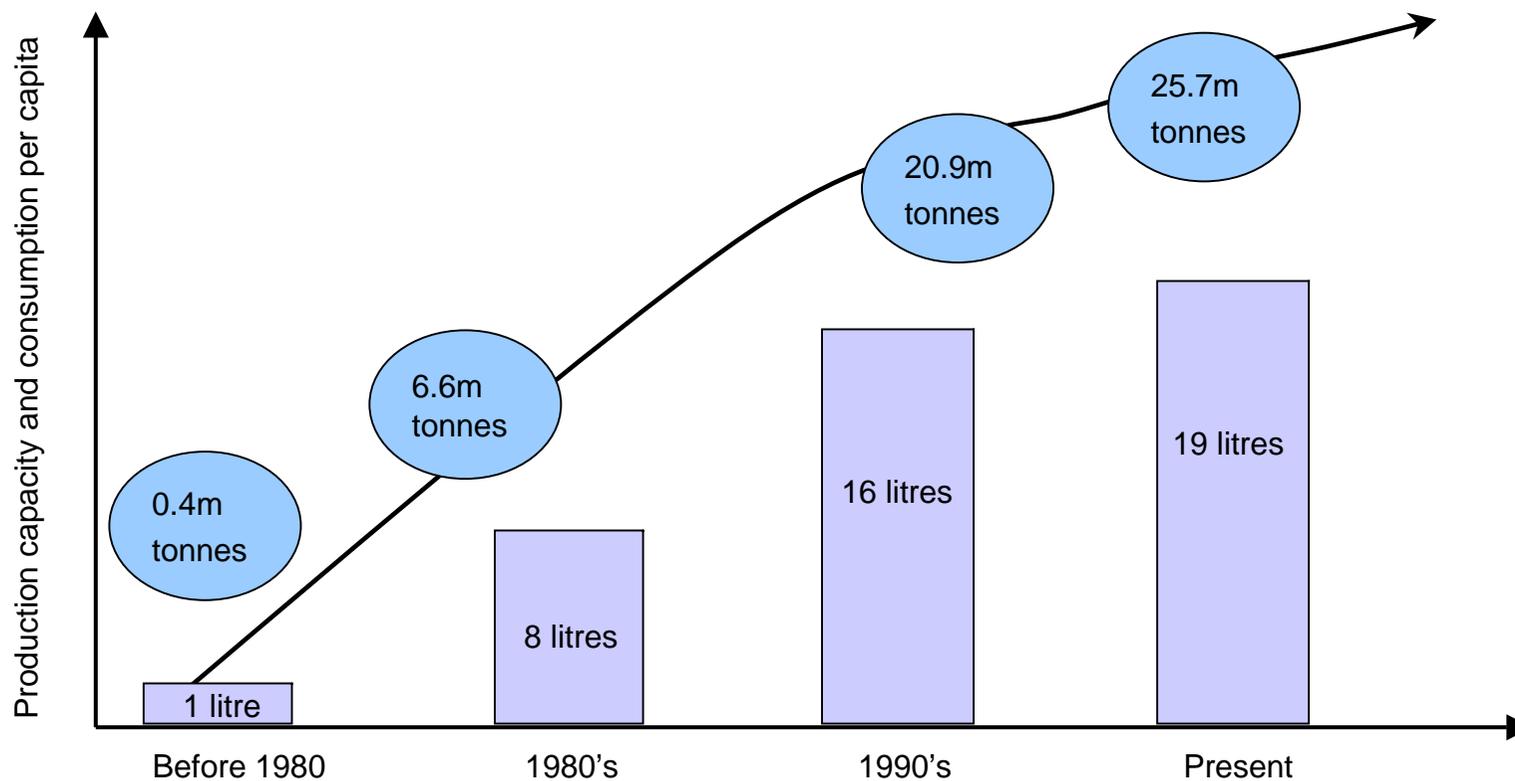




Brewery's Expansion and Branding Strategies

- The beer market has been growing rapidly over the last two decades as beer itself is gaining popularity

Beer market environment



Source: China Statistical Yearbook, China Light Industries Statistical Yearbook

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Brewery's Expansion and Branding Strategies

- Profit of our brewery business surged 126% in H1 2004 to HK\$57m attributable to rise in sales volume, higher sales of premium beer, lower interest expenses and initial profit contributions from newly acquired breweries
- Turnover growth of 20% in H1 2004 with beer sales volume increasing 17% to 1.44m k litres, of which 11% was organic growth
- Three major acquisitions since the beginning of this year to add 1.3m k litres in production capacity
- Current production capacity about 5.6m k litres, probably the highest in mainland China
- Upon completion of the greenfield brewery at Dongguan, coverage will extend to the North Eastern, Northern, South Western, Central, Eastern and Southern region of the mainland

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Brewery's Expansion and Branding Strategies

Sales volume by brewery

Year end 31 Dec	Province	Area	No of breweries	H1 2004 '000 k litre	H1 2003 '000 k litre	% change
<i>I) Breweries acquired prior to FY2003</i>						
Shenyang	Liaoning	North East	3	208	205	+2
Dalian	Liaoning	North East	2	86	80	+6
Jilin	Jilin	North East	1	109	110	-1
Tianjin		North	1	59	54	+10
Anshan	Liaoning	North East	1	42	43	-2
Anhui	Anhui	Central	2	124	130	-4
New Three Star	Heilongjiang	North East	1	117	82	+43
Liaoyang Meiyue	Liaoning	North East	1	11	12	-2
Blue Sword	Sichuan	South West	12	397	339	+17
Changchun Snow Leopard	Jilin	North East	1	43	39	+10
Wuhan Dongxihu	Hubei	Central	2	135	109	+23
Panjin	Liaoning	North East	1	17	17	+5
<i>II) Breweries acquired since FY2003</i>						
Beijing		North	1	31	10	+213
Shuining (part of Blue Sword)	Sichuan	South West	1	3		
Qianjiang	Zhejiang	East	1	33		
Longjin	Anhui	Central	2	22		
Less: inter-co transactions and others				(0)		
			33	1,439	1,229	+17
Existing breweries				1,355	1,219	+11

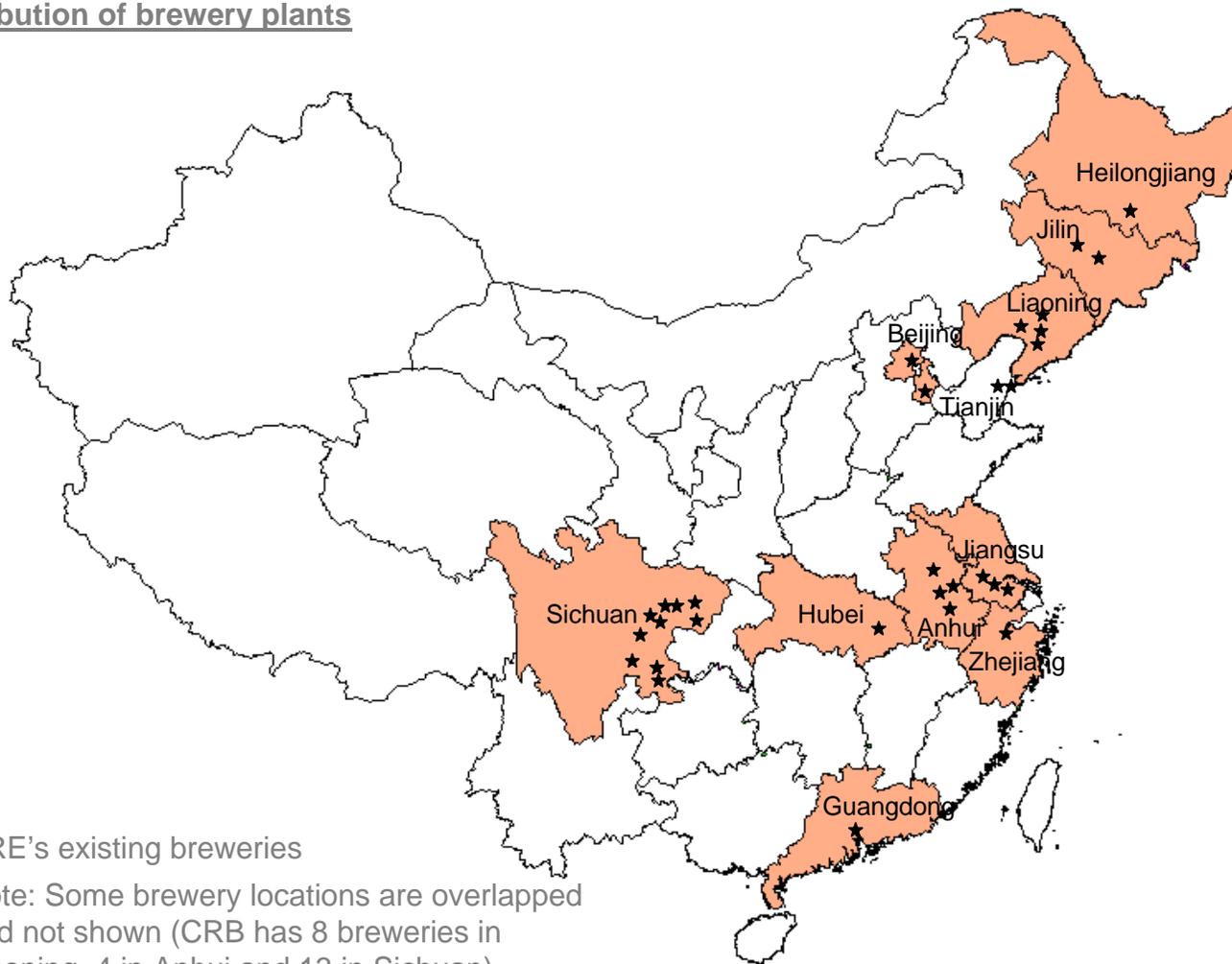
Data as of 30 June, 2004

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Brewery's Expansion and Branding Strategies

Distribution of brewery plants



★ CRE's existing breweries

Note: Some brewery locations are overlapped and not shown (CRB has 8 breweries in Liaoning, 4 in Anhui and 13 in Sichuan)

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Brewery's Expansion and Branding Strategies

Major breweries acquired this year

Month	Brewery	Stake %	Province	Production capacity k litres	Sales volume in FY2003 k litres
June	Zhejiang Qianpi	70	Zhejiang	480,000	240,000
June	Anhui Longjin	90	Anhui	280,000	140,000
October	Chinese brewing interests of Lion Nathan	approx 100	Jiangsu	516,000	219,000 *
				<hr/>	
				1,276,000	599,000

* For the year ending 30 September 2004

Note: The above acquisitions have excluded the greenfield brewery to be built in Dongguan which has an ultimate production capacity of 300,000 k litres

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Brewery's Expansion and Branding Strategies

- A three-tier strategy for national, district and local brands

Tier	Brand	Future development
National brand	Snow (雪花)	Extensive investment to develop the brand for the long term
District brands	New3star (新三星), Haden (華丹), Löwen (黑獅), Leedo (麗都), Singo (行吟閣), Bluesword (藍劍) etc	Steady investment to ensure stable growth but the number of brands may be reduced
Local brands	Anshan (鞍山), Dalian (大連), Shengquan (聖泉), Tianjin (天津), ChuTan (楚天) etc	No additional investment, gradually phased out

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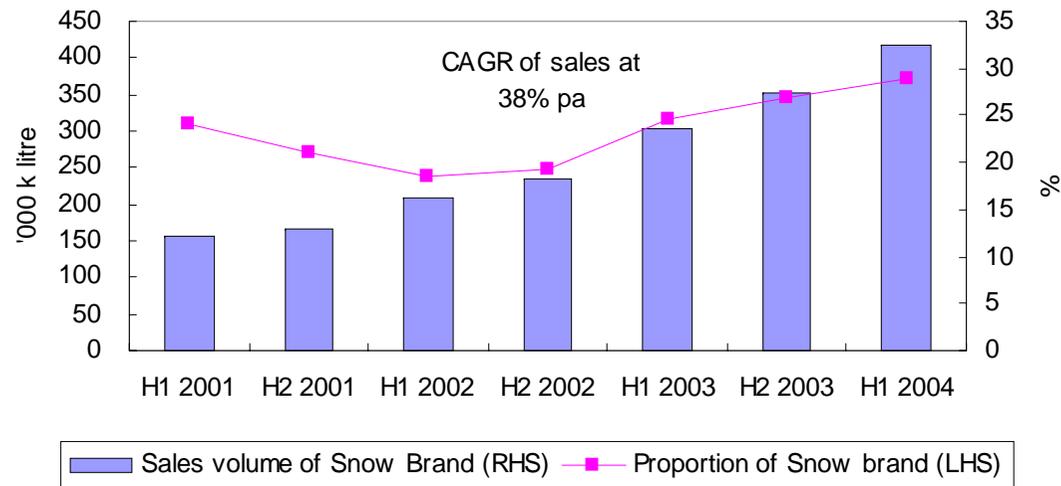




Brewery's Expansion and Branding Strategies

- Sales volume of our national brand, Snow, increased by 38% to about 416,000 k litres, representing 29% of the total volume sold
- About two-thirds of Snow were sold outside Liaoning province and 15% in districts where we do not have brewery, representing its rapid penetration

Sales volume of Snow brand and its significance



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Brewery's Expansion and Branding Strategies

- Market positioning of Snow
 - Target customers - aged 25 to 35, the new generation just grown up
 - Pricing - mainstream to top end in five tiers (with a retail price range of approximately RMB 3-15 per bottle) but the focus is on the middle to upper end
 - Market positioning - association with life's progression
 - Sentimental attachment - satisfaction, achievements, happiness, spirits associated the memorable growth story of the new generation (暢享成長)

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Food's Mainland China Strategies

- Ng Fung Hong's turnover and earnings grew by 14% and 16% respectively to HK\$2,692m and HK\$203m in H1 2004
- The Hong Kong livestock distribution market is mature and Ng Fung Hong has a dominant presence
- To fuel further growth, it has entered the mainland fresh meat market
- The 51%-owned modern meat processing centre in Shanghai is under construction and is expected to be operational in early 2005, whilst the acquisition of a 70% interest in Shenzhen General Food Corporation was completed in Q3 2004

Operating profit breakdown for Ng Fung Hong

Year end 31 Dec	H1 2004 HK\$m	H1 2003 HK\$m	% change
Foodstuff distribution	136	141	-4
Food processing and stock raising	55	30	+81
Abattoir operation, transportation and others	60	52	+16
	251	223	+13

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Food's Mainland China Strategies

1. Shanghai project

Nature	:	Build a modern meat processing centre and carry out distribution activities in Shanghai
Shareholding	:	Ng Fung Hong - 51% Shanghai New Asia (Group) Co – 49%
Total investment	:	RMB360m
Registered capital	:	RMB190m
Bank borrowing	:	RMB170m
Joint venture period	:	50 years
Location	:	Shanghai Jiading Zhujiqiao Industrial Park (上海市嘉定區朱家橋工業園區)
Slaughtering capacity	:	3m pigs
Production commencement	:	early 2005

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Food's Mainland China Strategies

2. Shenzhen project

Company acquired	:	Shenzhen General Food Corporation (深圳市食品總公司)
Business	:	a vertically integrated food enterprise which also operates two of the three designated slaughterhouses in Shenzhen city
Shareholding	:	Ng Fung Hong - 70% Shenzhen Commerce & Trade Investment Holdings Co – 30%
Total investment	:	RMB380m (based on appraised net asset value)
Slaughtering capacity	:	1.5m pigs
Completion	:	Q3 2004

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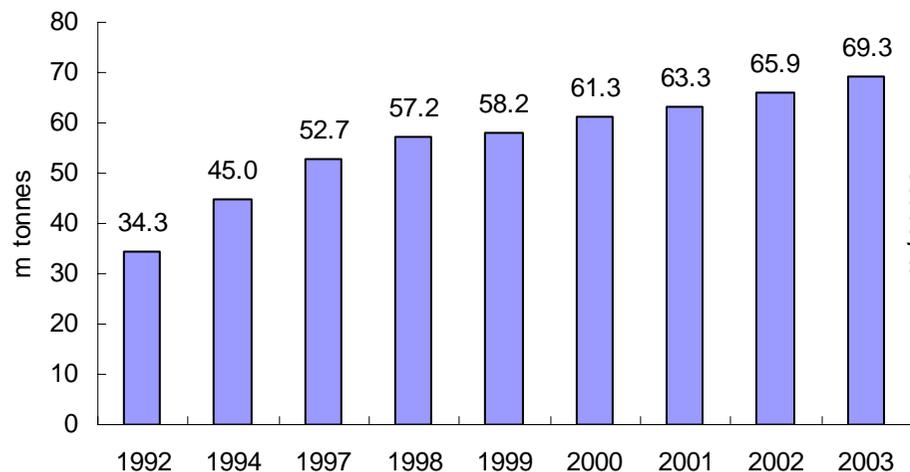




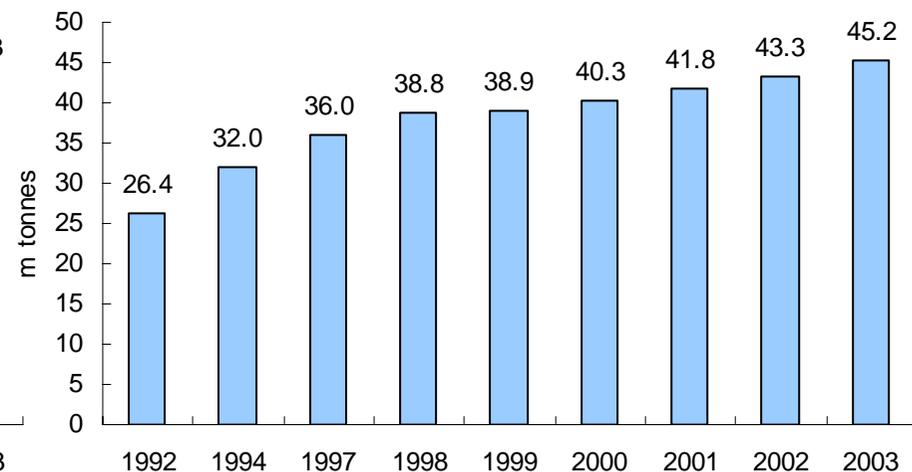
Food's Mainland China Strategies

- After an impressive growth in production between 1992 and 1999, the meat industry currently enjoys a steady growth rate of 3%-5% with minor changes in product mix

China meat production



China pork production



Source: Ministry of Agriculture, PRC

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Food's Mainland China Strategies

- Ng Fung Hong will replicate its success in Hong Kong's food processing market on the mainland with an objective to become a leading vertically integrated meat supplier in the mainland
- It will capture the opportunities in abattoir and meat processing business from the recent change in government policy promulgating hygienic meat processing
- Ng Fung Hong will establish a vertically integrated fresh meat and meat products supply chain from farming, slaughtering, cutting, processing, wholesaling to retailing
- Target areas for expansion will overlap with those of our retailing business - Pearl River Delta (Guangdong), Yangtze River Delta (Jiangsu, Zhejiang and Shanghai) and two major cities (Beijing and Tianjin) to maximize synergies

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Food's Mainland China Strategies

- “Ng Fung” (五豐) brand will be further developed on the mainland as a recognition for high quality safe meat for a modern community
- As the most popular daily food, consumption for pork and processed pork products is growing steadily in China
- The size of the fresh pork market in China is expected to reach RMB178bn (wholesale price) by 2008 from RMB120bn in 2002
- Shanghai and Shenzhen will be the first entry points for the abattoir and meat processing business in China
- Thereafter, Ng Fung Hong will enter other major cities successively, providing growth momentum

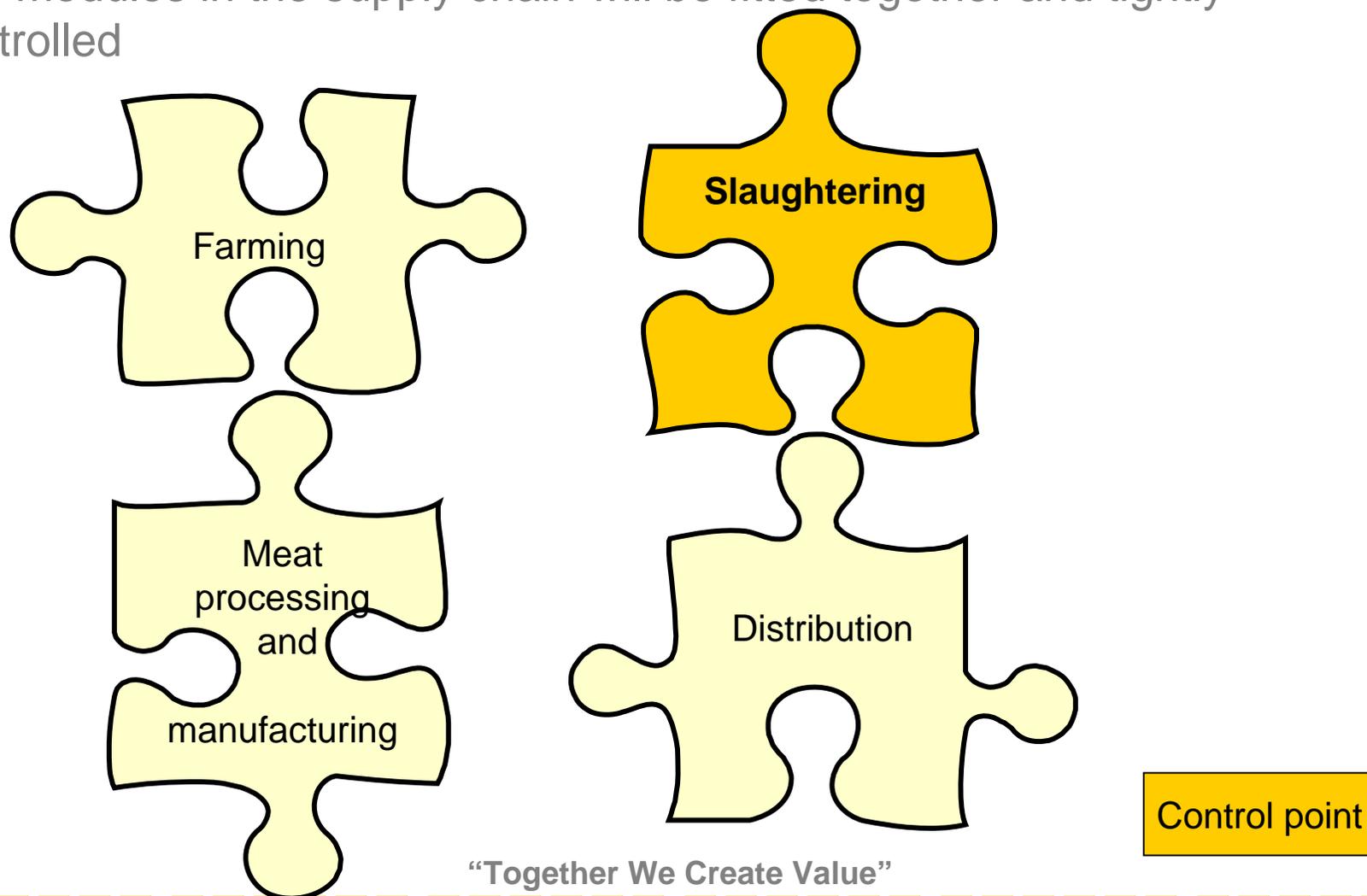
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Food's Mainland China Strategies

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





Appendix – Turnover Breakdown by Division

Year end 31 Dec	H1 2004 HK\$m	Prop (%)	H1 2003 HK\$m	Prop (%)	% change
Petroleum and chemicals	8,996	40	5,978	37	+50
Retail	6,873	30	4,304	26	+60
Food processing and distribution	2,692	12	2,357	14	+14
Beverage	2,299	10	1,909	12	+20
Textile	1,701	7	1,411	9	+21
Property	157	1	143	1	+10
Investment & others		0	168	1	-100
	<u>22,719</u>	<u>100</u>	<u>16,269</u>	<u>100</u>	<u>+40</u>
Less: inter-co transactions	(78)		(79)		-1
Turnover	<u>22,641</u>		<u>16,190</u>		<u>+40</u>

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Appendix – Earnings Breakdown by Division

Year end 31 Dec	H1 2004 HK\$m	Prop (%)	H1 2003 HK\$m	Prop (%)	% change
Petroleum and chemicals *	148	17	286	35	-48
Retail	79	9	(89)	(11)	na
Food processing and distribution	203	23	175	22	+16
Beverage	57	6	25	3	+126
Textile	46	5	82	10	-44
Property	167	19	166	20	+1
Investment & others	178	20	168	21	+6
	879	100	813	100	+8
Net corporate interest & expenses	(77)		(63)		+21
Earnings	802		750		+7
Earnings ex-asset disposal profit *	802		607		+32

* There was a HK\$143m profit from the disposal of our interest in the aviation fuel facility at the airport in H1 2003 under the petroleum and chemicals business. Excluding this disposal profit, earnings contribution of this division would have increased by 4%.

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