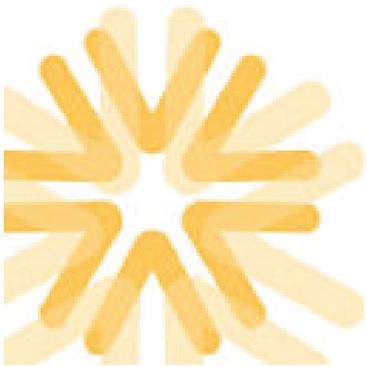


China Resources Enterprise, Limited
Global Roadshow 2004

Paving for Continuous Growth

April 2004





Agenda

Part I - Growing Presence in a Booming Market

- CRE's Results Highlights and Strategies pp.4 – pp.10

Part II - Supermarket: From Organization to Optimization

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Part I - Growing Presence in a Booming Market

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Our Unique Retail-led Distribution Model

Supply chain operations



Private labels
&
OEM

Supply chain management

Less agency involvement
More control over value-added stream
Scale and barriers to entry

Cost savings
Expanded distribution network
Customer feedback

First party logistics

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Retail operations



Efficiency enhancement
via centralized functions



FY2003 Results Highlights

- Turnover grew by 20% to a record HK\$34.7bn driven by the retailing and petroleum businesses
- Earnings grew 4% to HK\$1,455m despite the SARS impact
- Final dividend of HK14¢ proposed, bringing the full year dividend to HK24¢, a 9% growth from last year
- Payout ratio was 34% excluding the special interim dividend of shares in CR Cement distributed in July 2003
- Retail business was profitable in Q4 2003 and contributed HK\$13m earnings



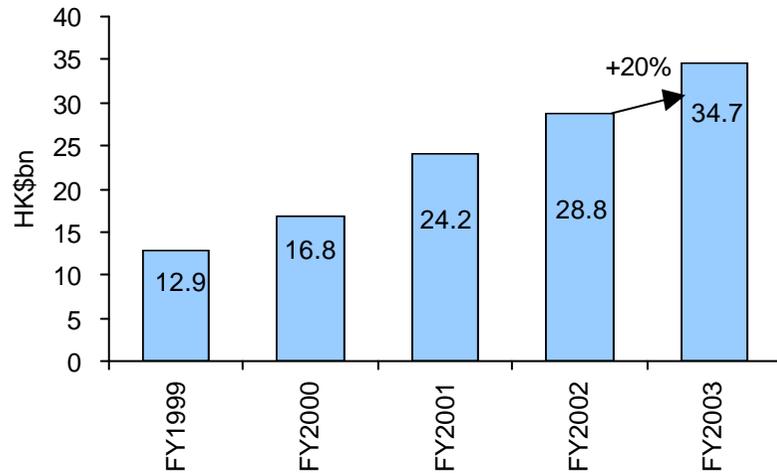
FY2003 Results Highlights

- There was continuous improvement at the supermarket division with losses reduced consecutively for the last two quarters
- Earnings contribution from petroleum and property businesses increased by 48% and 83% respectively
- With a 9% earnings growth, brewery business staged a major recovery in the second half; whilst food distribution and textile businesses were stable

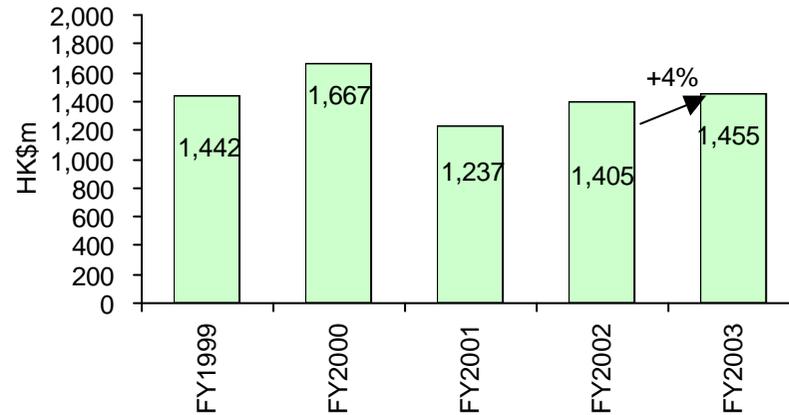


Five Year Trends

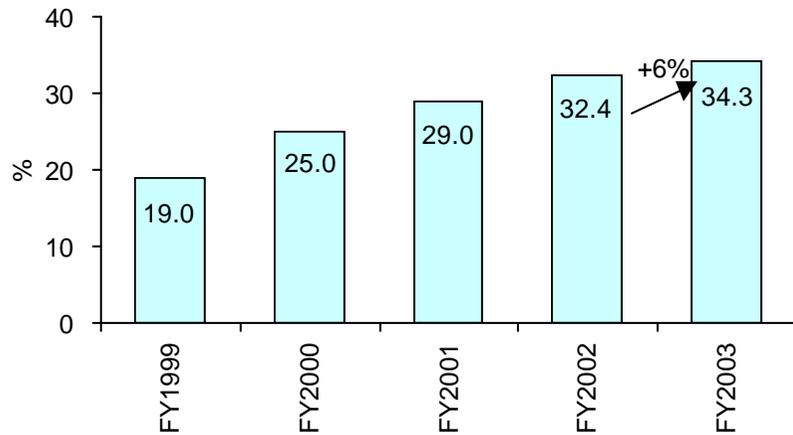
Turnover



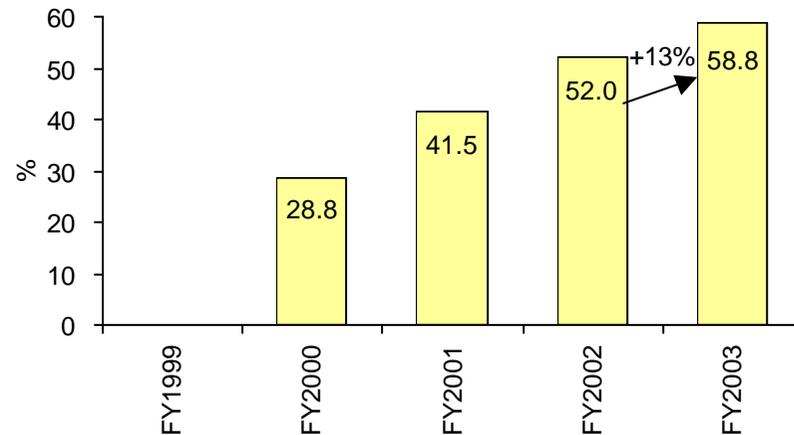
Earnings



Basic dividend payout ratio



Proportion of assets in mainland China



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Market Presence of Our Businesses

	Measuring parameter	Market position
Supermarket	Turnover of CR Vanguard and Suguo on a proforma basis amounted to HK\$10.0bn, or RMB10.6bn, in FY2003 (including HK\$2.1bn from Hong Kong operation)	The second largest local operator in China after Lianhua Supermarket (turnover RMB9.3bn for 2003) and the third largest in Hong Kong after PARKnSHOP and Wellcome
Brewery	Sales volume of 2.53m kl in FY2003 of which 26% was Snow, our national brand	The second largest brewer in China after Tsingtao Brewery (sales volume of 3.26m kl in 2003 of which 33% was branded "Tsingtao Beer")



Market Presence of Our Businesses

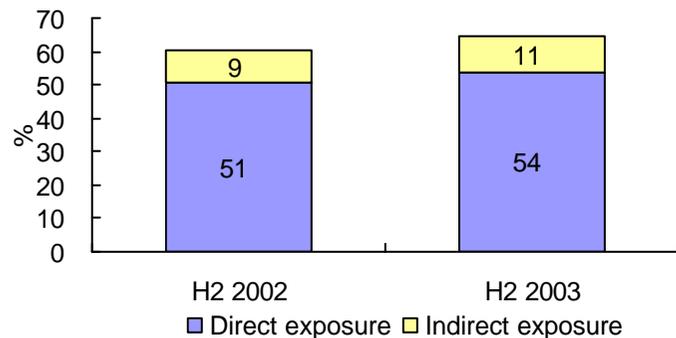
	Measuring parameter	Market position
Food	Distributed 1.8m heads of pig and cattle from China into Hong Kong in FY2003	Largest livestock distributor importing from China into Hong Kong
Textile	Total capacity of about 830,000 spindles, 13,000 looms, 6 printing and dyeing lines	One of the five largest textile and garment companies in China
Petroleum	Storage capacity of 370,000 cubic meters	Largest wholesaler of oil in Hong Kong



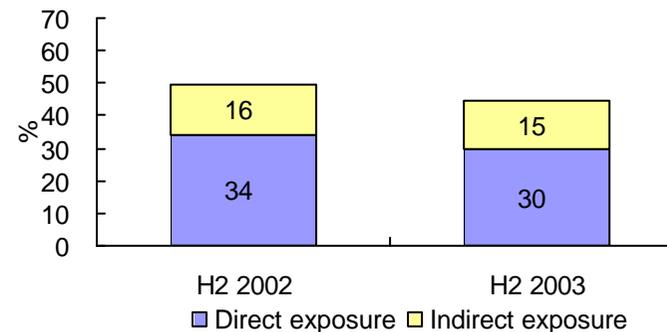
Rising Exposure to the Mainland and HK Consumer Market

- About two-thirds of our turnover and half of our earnings are now consumer-related
- Direct exposure via our retail, beverage and food divisions and indirect exposure through some of the businesses of our textile, property and petroleum divisions

Proportion of consumer-related turnover



Proportion of consumer-related earnings



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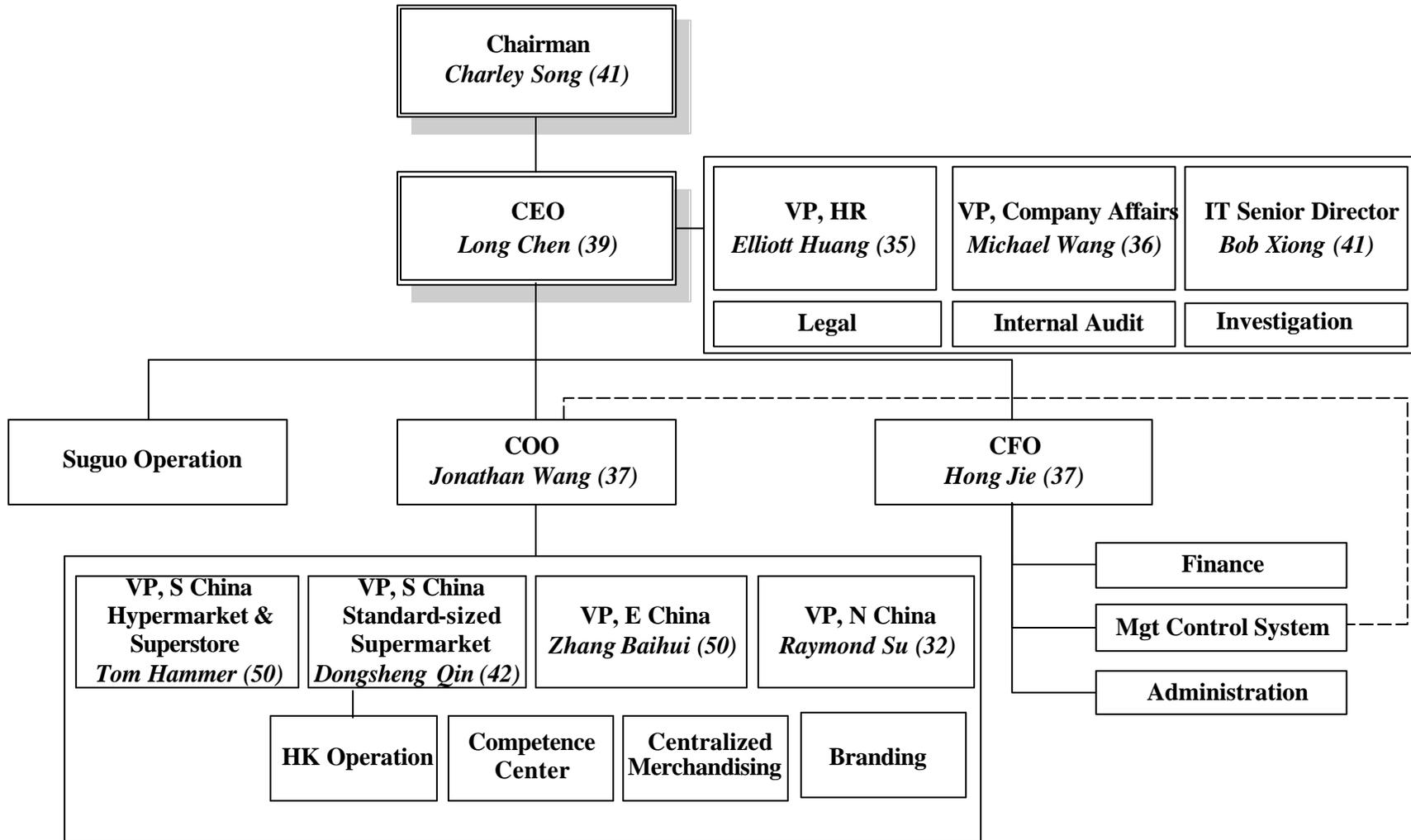
Part II – Supermarket: From Organization to Optimization

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Organizational Structure

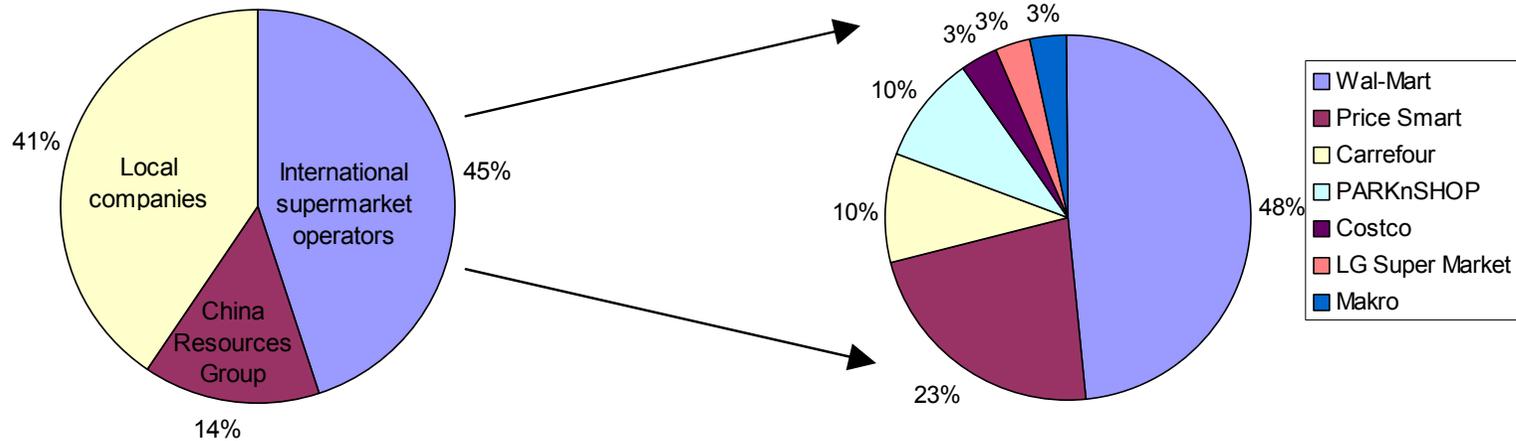


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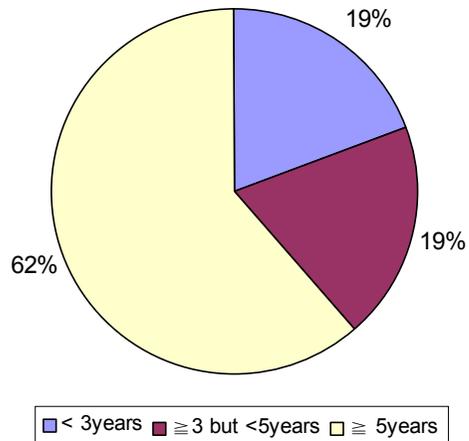


Organizational Structure

Breakdown of middle and senior management by previous working experience



Experience of the team who worked with international supermarket operators previously



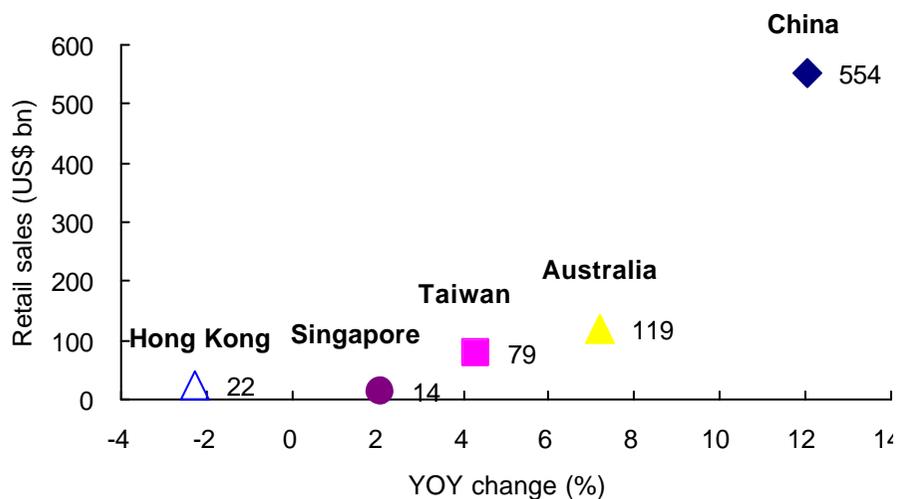
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Competitive Analysis

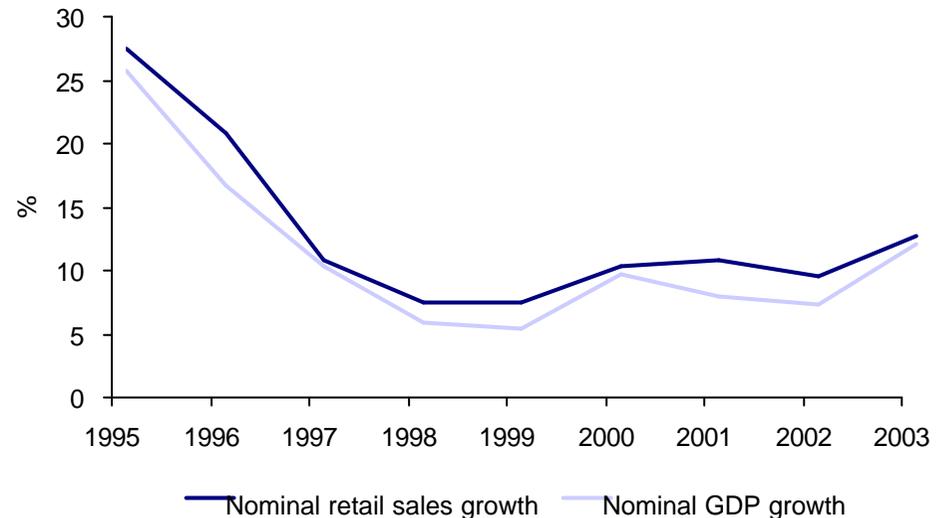
- China is among the most important retail markets in Asia with sales increasing by 10% on average for the last five years and faster than GDP growth

Retail sales of Asia-Pacific region in 2003



Source: CEIC

Mainland retail sales growing faster than its GDP growth



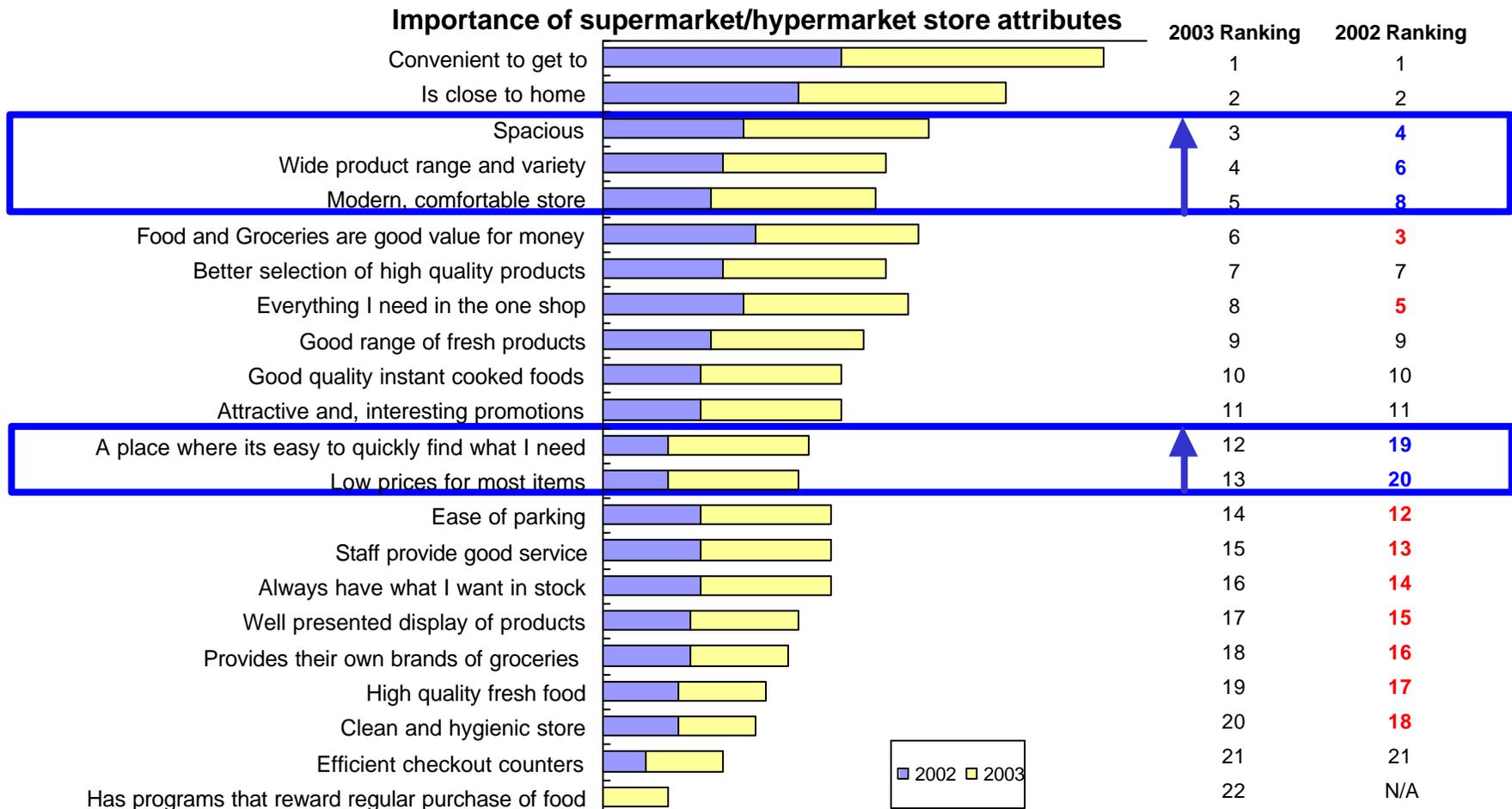
Source: National Bureau of Statistics of China

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Competitive Analysis

- Changing consumer demand is driving the transformation of the mainland retail market



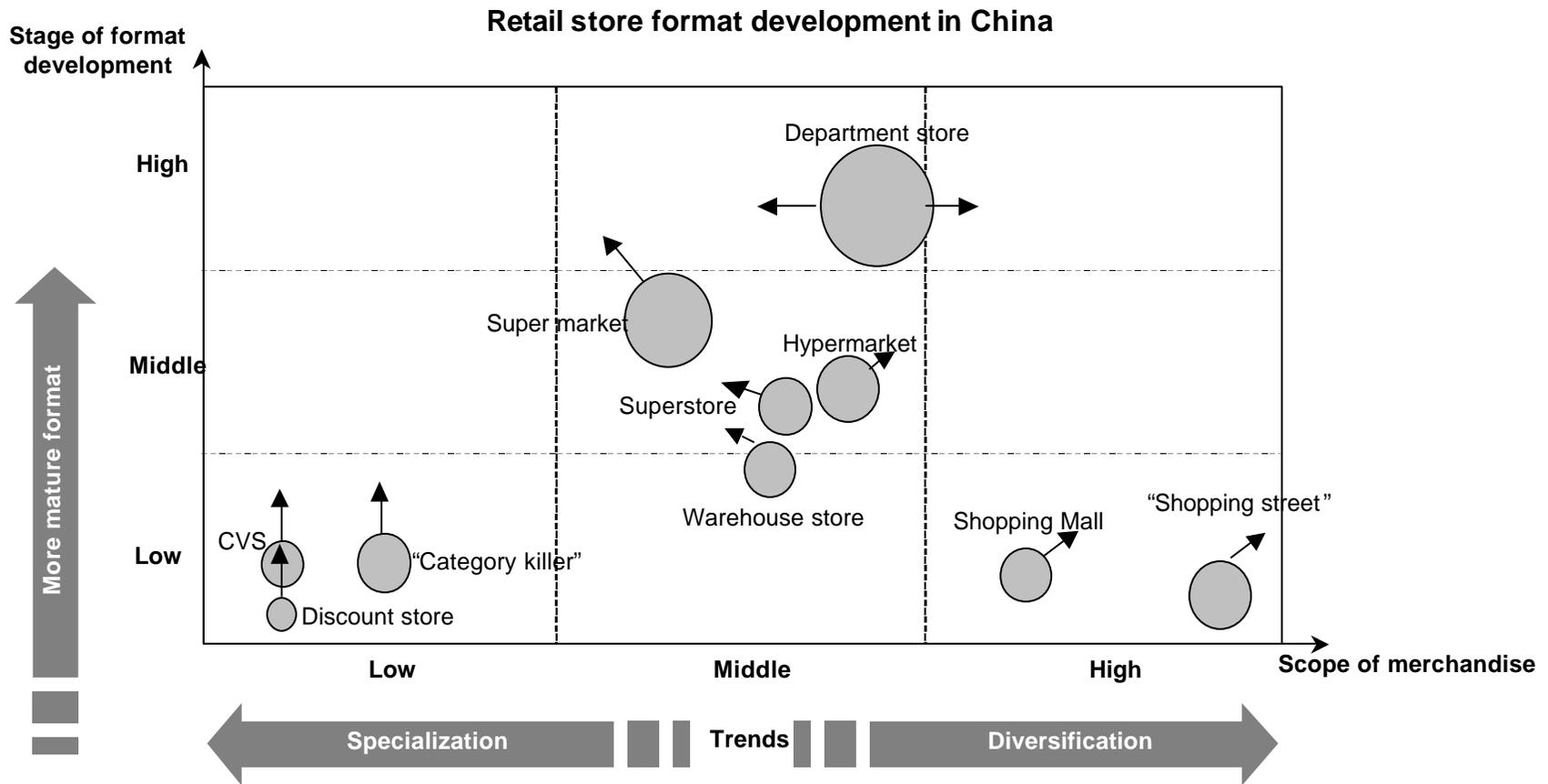
Source: AC Nielsen

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Competitive Analysis

- Re-positioning and innovation of store format is one of the key factors of success



○ Size of circle implies the current scale of the market

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Competitive Analysis

3. Implication for supply chain

- Customer orientation - retailer and supplier should focus on satisfying customer needs jointly
- Collaboration - the only way forward, win the market only through collaboration
- Winning with winners - both sides should cautiously select partners to optimize the whole supply chain



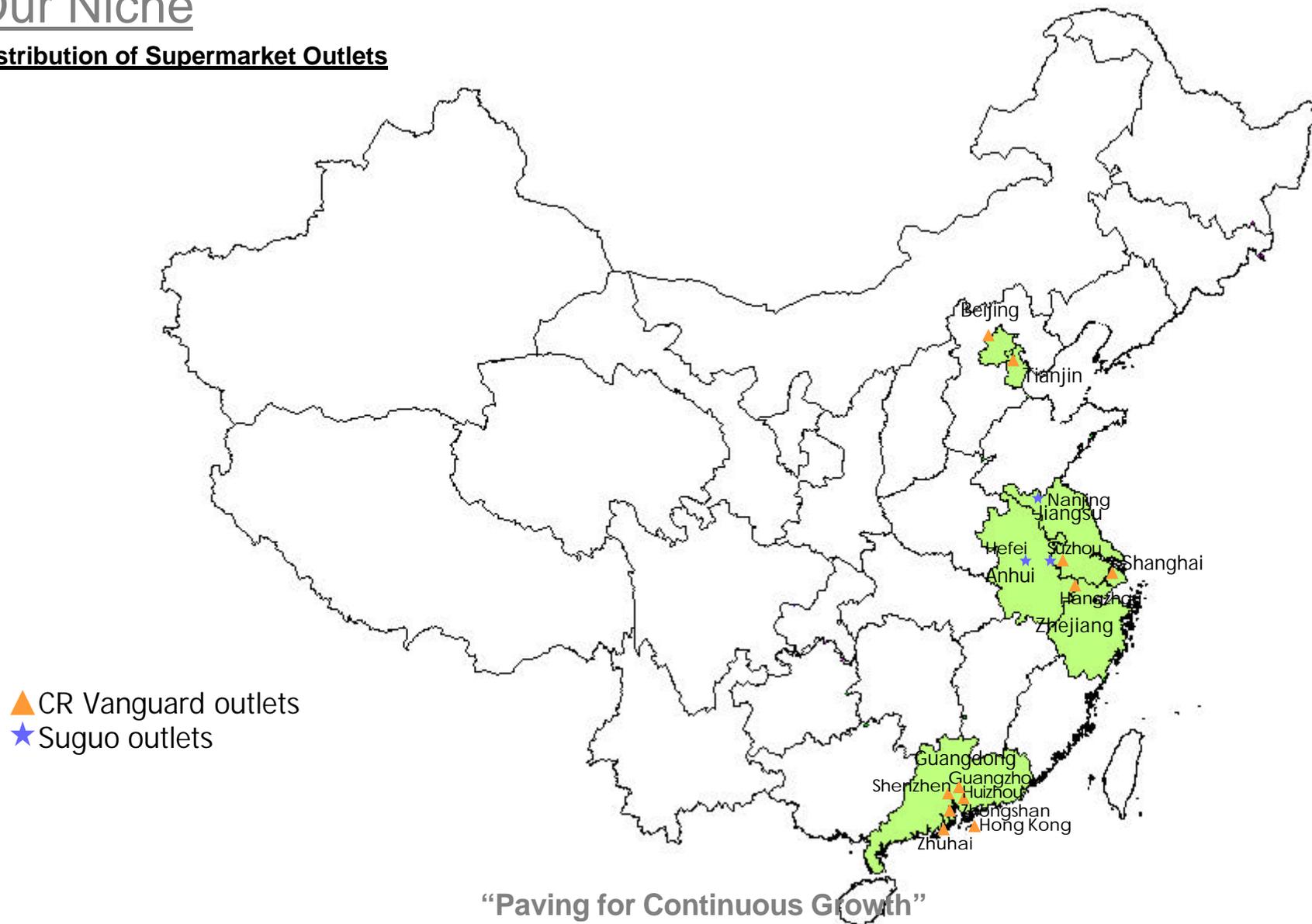
Our Niche

- Strong brand presence – CR Vanguard and Suguo are the largest supermarket operators in Southern China and Eastern China (excluding Shanghai)
- A good team at all levels - plenty of retailing expertise, middle and senior management has both local and international exposure
- District dominance – about 20% market share in Guangdong Province and Jiangsu Province securing an efficient supply chain (map overleaf)
- Store format – three formats, namely hypermarket, superstore, standard supermarket, targeting different districts and cities; we will keep on improving our competence and responding to customer needs swiftly
- Unique corporate model – CRE's retail-led distribution model will ensure better returns of both the retail business and the supply chain-related businesses over the long term



Our Niche

Distribution of Supermarket Outlets

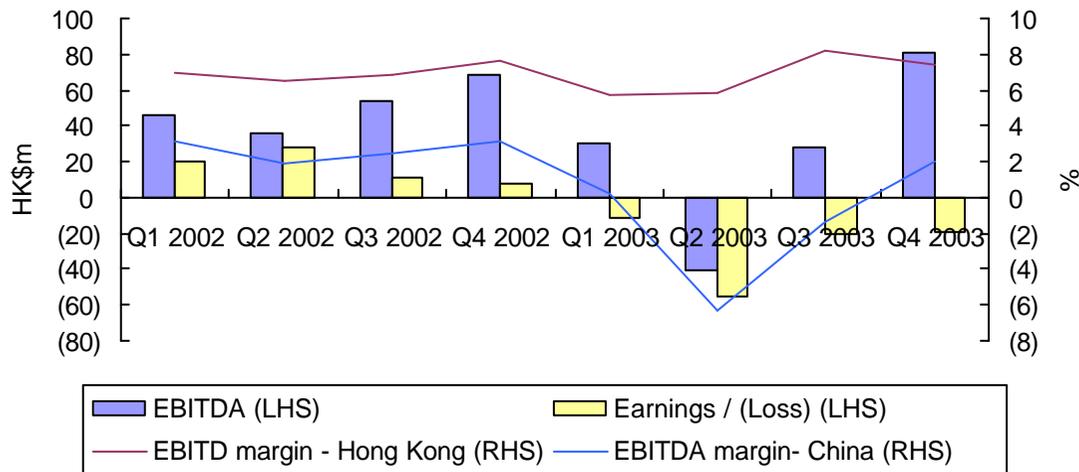


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Operational Turnaround

- To restore profitability, we have taken the following actions: -
 - Scaling back the store opening plan
 - Reducing the investment cost per store
 - Trimming the cost base especially in the areas of labour and rental
 - Boosting the margin via the establishment of a formal supplier rebate system
 - Improving our store format via model stores and re-branding the whole business



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Operational Turnaround

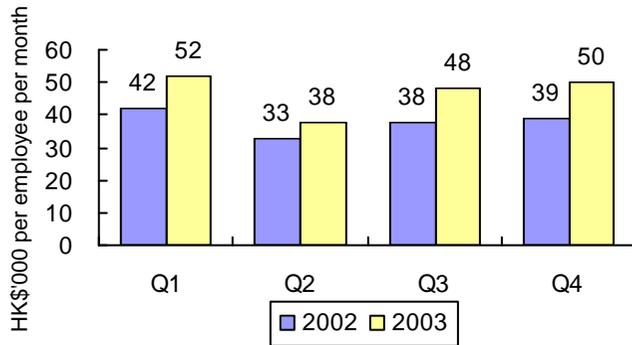
- Overall 72% turnover growth with 113% and 11% increases in mainland China and Hong Kong respectively
- Efforts to improve profitability have started to show effects with quarterly losses reduced from HK\$55m in Q2 2003 to HK\$21m in Q3 2003 and HK\$20m in Q4 2003
- A record quarterly EBITDA for the past two years of HK\$81m was achieved in Q4 2003, returning a positive EBITDA of HK\$98m for the full year, and there were positive EBITDA margins in both Hong Kong and mainland operations in Q4 2003 of 7.4% and 2.0% respectively
- Suguo became a subsidiary in October 2003 after raising our stake from 39.25% to 49.25% and it reported turnover of HK\$3,063m, up 25% from FY2002, and contributed earnings after goodwill amortisation of HK\$7m



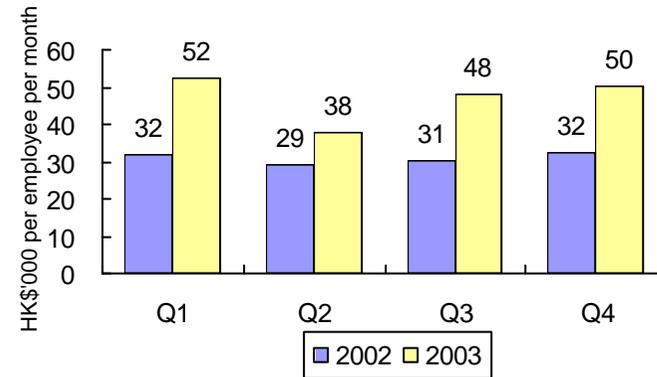
Operational Turnaround

Sales per employee for same stores

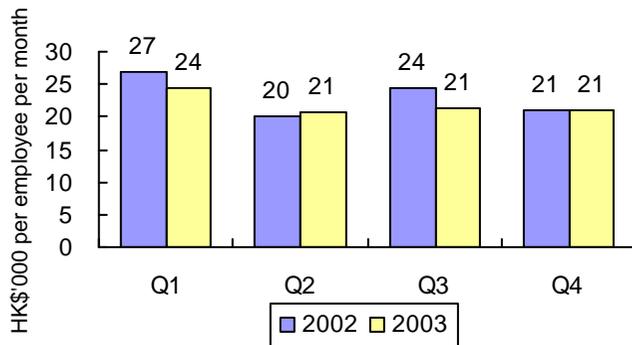
Hypermarket - China



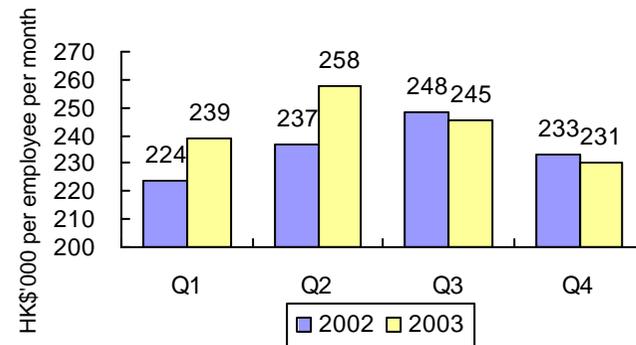
Superstore - China



Standard supermarket - China



Standard supermarket - Hong Kong



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2004 Action Plan - Store Operations Optimization

1. Re-aligned in-store personnel

Leading to an improvement of sales per person and per square metre, a labour cost reduction and an improvement of inventory days

2. Store merchandising initiatives

- Launch a loyalty card program in selected stores
- Launch a company wide “customer excellence” program
- Launch specific “DM” for cosmetics and fashion book to complement current bi-monthly “DM” and drive “Trade up” business



2004 Action Plan - Merchandise Optimization

2. Private label

- Established an independent “private label buying and product development team”
- Develop 200 private label products in grocery, sundries, HBA, apparel and domestics sales target of approximately RMB100m (partial year) plus synergies with CRE’s supply chain operations



2004 Action Plan - Logistics Optimization

- Launch initiatives to improve the supply chain
- Increase supplier throughput in Pinghu Distribution Centre to a Q4 target of 40,000 cases per day
- Launch public storage (vendor stock) program starting in Q2

Target an increase of logistics fees of 1.25% by Q4, incremental income for public storage, an improvement of store in-stock and lower on-hand store inventory days



2004 Action Plan - Growth and Expansion Strategy

1. New store opening plan

- It will be adjusted to primarily the Eastern region
- This year operating focus is on store optimization and format development
- A new format test of Residential Shopping Mall (life style format)
- Further test store of enhanced superstore format
- Further format adjustment and test stores
- We will prepare for expansion assessment and accelerated new store openings in 2005



2004 Action Plan - Growth and Expansion Strategy

2. Residential Shopping Mall

- Developing “life style” concept shopping mall connecting independent tenants of other businesses with Vanguard operation, the anchor store

Resulting in “trade up” of current business, which will improve shopping value for the customers and multiple income streams from operating business and property management business



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