



CHINA RESOURCES (HOLDINGS) CO. LTD.

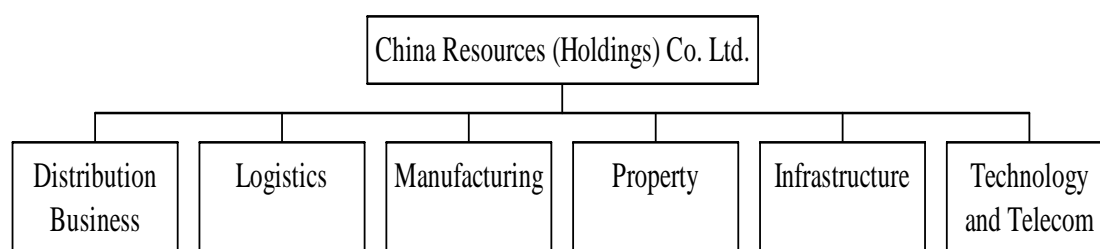
“Changing Economy, Solid Strategy”

Announcement of the Company’s Proposed Restructuring Plan

In the past few years, China Resources (Holdings) Co. Ltd (“CRH”) has spent substantial efforts to improve its management systems and business mix; the value of the assets and profits of the Group are at their historical high, thereby enabling it to withstand and overcome the onslaught of the Asian economic crisis. In order to equip CRH in light of the changing economy and technology; the Company intends to further restructure its current business structure. The Board of CRH wishes to announce that it intends to realign its businesses into four major categories: Distribution, Property, Technology and Strategic Investments. The Company also intends to make use of its listed vehicles to carry out these businesses.

1. Introduction

CRH traces its origin back to 1948 when it began as a general agent in Hong Kong for all import/export corporations in China. The Company has been an important bridge for facilitating trade between China and the world. Today, CRH is one the biggest and oldest distribution companies in Hong Kong with annual turnover of US\$5 billion. With the opening up of the China economy in the late 1970s, CRH grew from a position of strength. The Group diversified its business mix through a series of strategic acquisitions and investments. The Company’s current business structure is as follow:



2. Reasons for the Restructure

China’s succession into the World Trade Organization (“WTO”) is expected to generate a substantial rise in China’s trading volume with the world. The Company believes this is a golden opportunity for it to leverage on its existing business connection and network, develop a unique trading model to capture a large share of the newly increased trading business. The Company believes that the China’s entry into the WTO offers it enormous growth potential.

New technology and a fast changing economy also presented the Company with first mover advantage in the application of Internet technology to increase the efficiency and competitiveness of its distribution business in China.

3. Main Objectives of the Restructure

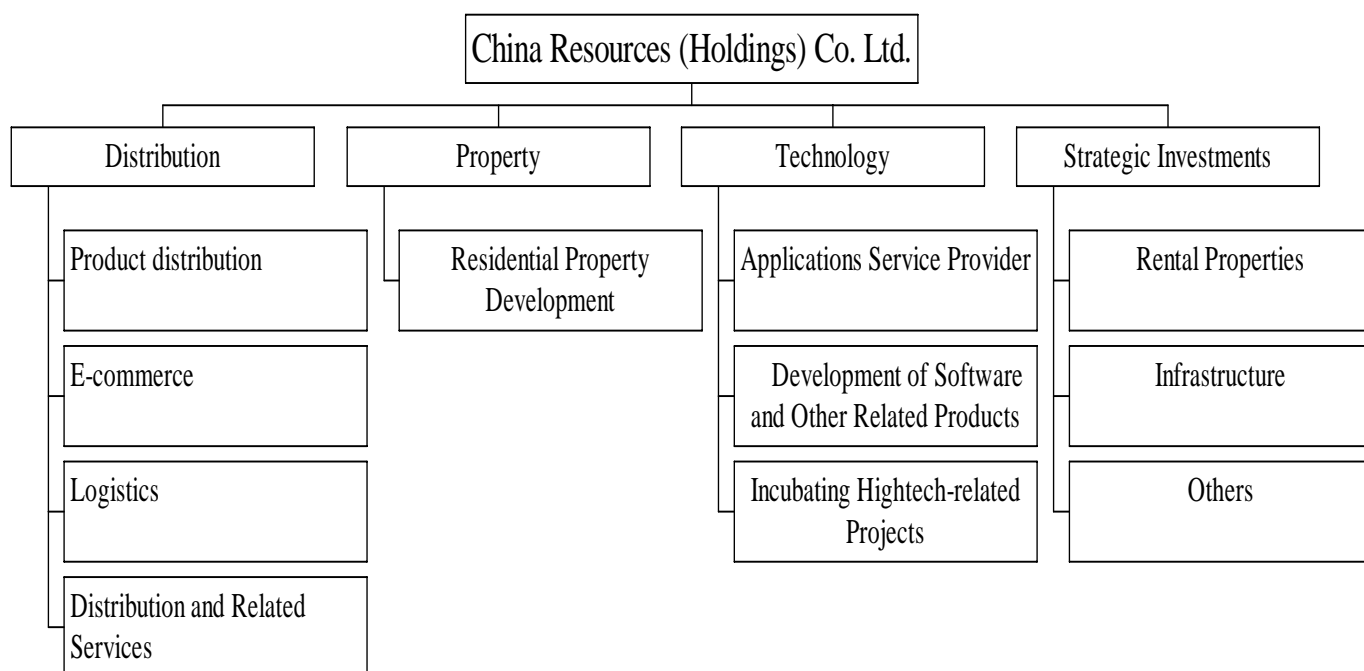
The main objectives for the restructure is to streamline the Company’s current business structure in order to achieve management efficiency and ensure better allocation of future resources. The business nature of the major subsidiaries of the Company shall be more focus and thus better leverage of the Group’s existing business infrastructure to generate greater synergy. The Company, together with its subsidiaries, will also be able to pursue a collective strategy to enhance its overall competitive strength and ensuring future earnings growth.

4. Guiding Principles for the Restructure

There are three guiding principles to the Company’s proposed restructuring plan. Firstly, the Company wishes to establish, through its subsidiary, as a premier distribution company in Asia. Secondly, the Company wishes to transfer all businesses with strong growth potentials to the listed companies, to further strengthen these companies’ market positions. Thirdly, to allow its listed companies to take full advantage of the Company’s existing business connection, network and expertise to further expand their market share and dominance in participating markets.

5. Proposed New Business Structure

Upon completion of the proposed restructuring plan, the Company’s business structure shall be as follow:



Distribution

CRH intends to transform its principal listed subsidiary, China Resources Enterprise, Limited (“CRE”) into a premier distribution company in Asia. CRE’s mission is to facilitate international trade between China and the world via a unique operating model, which combines both the application of internet technology and CRH’s industry expertise and specialized skills in distribution. The main objectives to this unique operating model are:

- (a) provide a distribution channel for Chinese products to reach international market;
- (b) assist international products to establish their market presence in China; and
- (c) establish a comprehensive and efficient distribution network in China to facilitate domestic trade.

To transform CRE into a leading distribution company, CRH intends to transfer all distribution and logistic related businesses, including but not limited to the petroleum distribution operation, into CRE. The distribution business can be grouped broadly into three categories: (a) distribution of consumer and industrial products; (b) E-commerce with a focus on the Business to Business segment; (c) providing value added logistic services.

CRH shall assist CRE in improving its distribution capability through E-commerce and expansion of existing distribution channel. CRH would seek world-leading distribution and logistic companies to partner with CRE in order to expand CRE’s market presence both domestically and internationally.

Property

CRH currently participates in property development business in Hong Kong and China through CRE and China Resources Beijing Land Limited (“Beijing Land”) respectively. It is CRH’s intention to focus principally on China residential property development in the future. Therefore, upon the completion of the Tsing Yi property development project, Villa Esplanada, CRE shall cease to engage in property development business in Hong Kong. CRH intends to conduct its future residential property development business solely through Beijing Land. CRH intends to transform Beijing Land into one of the largest property companies in China, with a focus on residential property development, through internal expansion and acquisition.

Technology

CRH intends to participate in the high-tech industry via its investment in Logic International Holdings Limited (“Logic”). To boost Logic’s exposure in the high-tech industry, CRH is currently considering injecting its high-tech ventures, including but

not limited to an electronic component manufacturing operation, into the Company. CRH is also seeking high caliber personnel with expertise in the high-tech industry to join Logic at both the senior management and board level. CRH is proposing to make changes to the composition of Logic's board of directors.

Strategic Investments and Incubating Projects

CRH shall continue to make strategic investments in industries, which are crucial to the overall development of the Company's major business divisions. CRH will also consider making investments in certain new start-up projects, which offers strong growth potentials and are in line with the Company's overall business strategy.

CRH estimates it will take 2 to 3 years to complete the above business transformation.

6. Conclusion

Upon the successful implementation of the Company's proposed restructuring plan, CRH's competitive strengths and market position will be greatly enhanced. The Company's operating efficiency will further improve; enabling CRH to offer better value added services to its customers. For its listed companies, the business nature of each company will be more focus and thus these companies can have a more concentrated effort to expand market shares and establishes a strong market dominance in their specialized industry.