



China Resources Enterprise, Limited
Acquisition of a 39.25% Stake in Suguo

Beginning of a New Chapter in Retailing

September 26, 2002



Agenda

- Highlights of the Acquisition pp. 3
- Background of Suguo pp. 4 - 10
- Implications pp. 11 - 15
- Disclaimer pp. 16



Highlights of the Acquisition

- Acquired from Jiangsu Supply & Marketing General Cooperative and its associates half of their 78.5% stake in Suguo Supermarket Co, Ltd (Suguo)
- Total cash consideration for the 39.25% stake is RMB232m which will be funded by internal resources
- This represents 11.7x FY2001 earnings and 4.4x Suguo's book NAV as at 30 June 2002



Background of Suguo

- Suguo was established in July 1996 by Jiangsu Supply & Marketing General Cooperative
- After establishing a successful supermarket chain in Nanjing, Suguo started franchising its business outside Nanjing in April 1998
- In September 2000, it opened its first hypermarket store in Nanjing
- In November 2000, Jiangsu Supply & Marketing General Cooperative disposed a minority stake of 21.5% in Suguo to two mainland enterprises to increase its capital base
- In January 2001, Suguo leased a logistic center from its majority shareholder to serve its extensive retail network
- At the end of June 2002, it operated 4 hypermarket stores, 88 supermarket stores and 126 convenience stores in Nanjing and was also the franchisor of 502 Suguo supermarkets and convenience stores in Jiangsu, Anhui, Shandong and Henan provinces



Background of Suguo



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Background of Suguo

- Suguo is the largest supermarket chain operator in Jiangsu province with an estimated 50% market share in Nanjing city

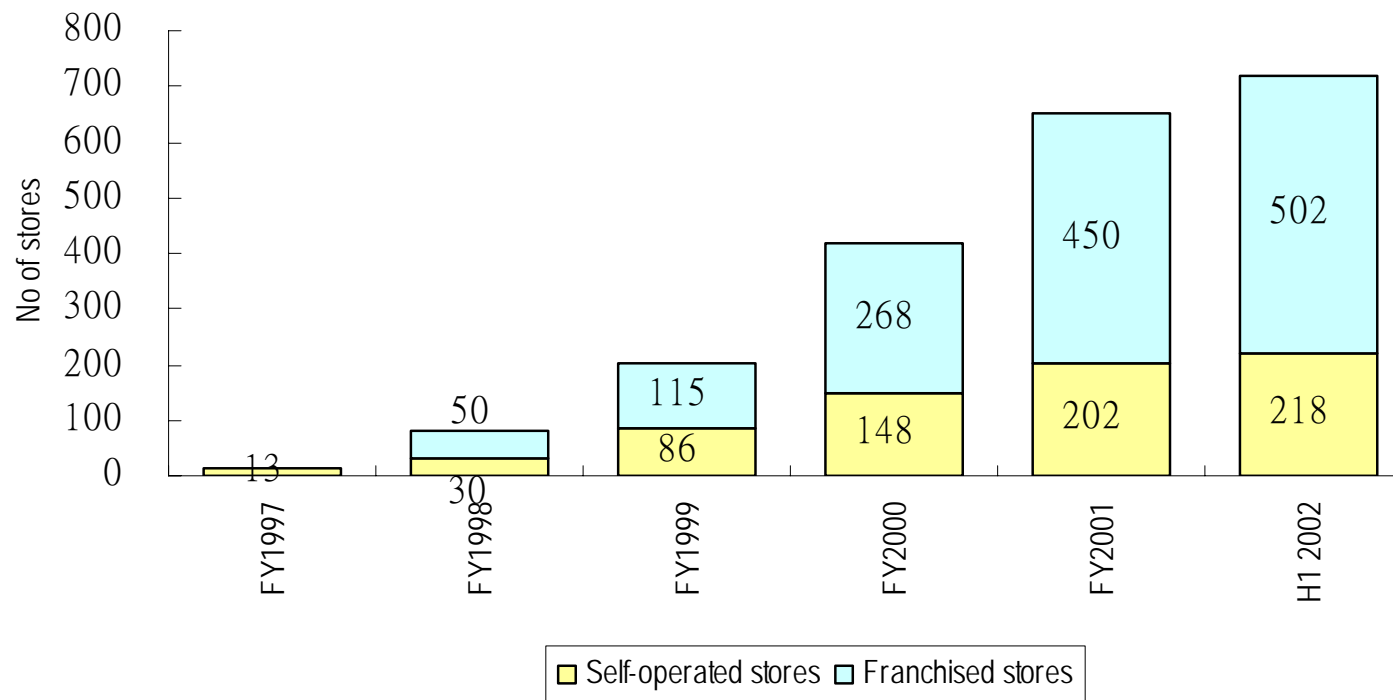


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Background of Suguo

Growth of the supermarket network



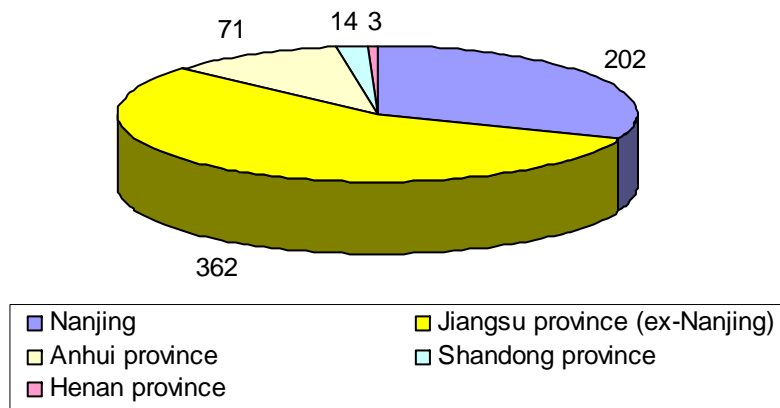
Source: Suguo marketing materials

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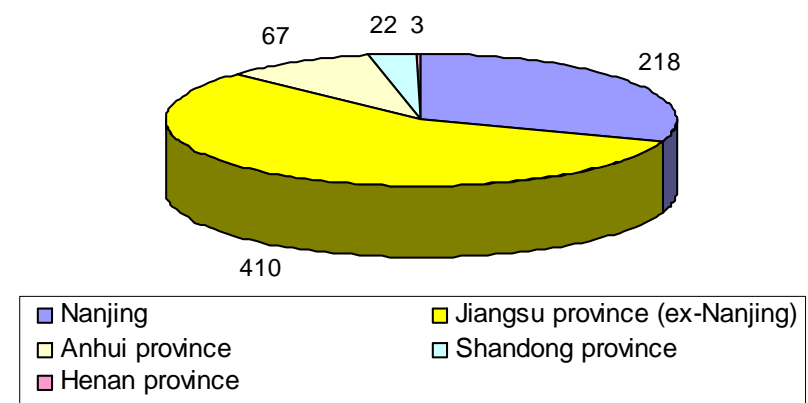


Background of Suguo

Breakdown of number of stores as at FY2001 - by province



Breakdown of number of stores as at H1 2002 - by province

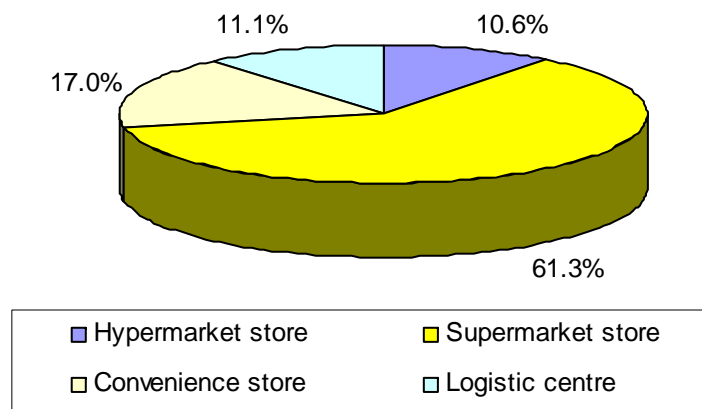


Source: Suguo management accounts

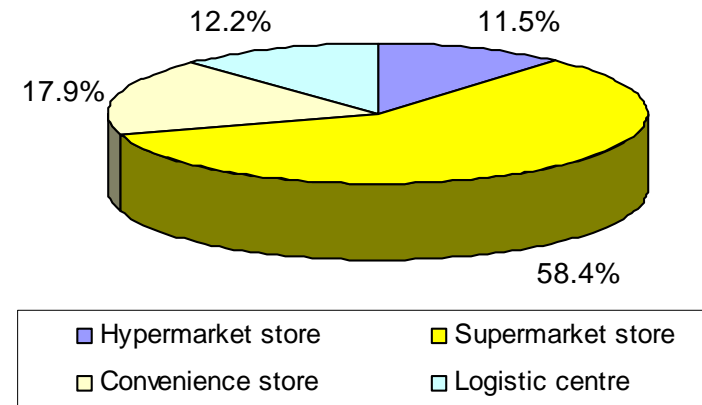


Background of Suguo

Breakdown of FY2001 turnover by format



Breakdown of H1 2002 turnover by format



Source: Suguo management accounts



Background of Suguo

Key financial data

Year end 31 Dec	H1 2002 RMBm	FY2001 RMBm
<i>P&L:</i>		
Turnover *	1,269.6	2,199.4
EBITDA	64.5	98.4
Depreciation and amortisation	25.8	34.9
EBIT	38.7	63.5
Net finance expenses	0.6	2.8
Pre-tax profit	38.1	60.7
Tax	12.5	10.1
Earnings	25.5	50.6
<i>Balance Sheet:</i>		
Net assets	135.2	109.7
Capital employed	135.2	109.7
Net cash/(debt)	67.3	(15.6)
<i>Profitability Ratio:</i>		
EBITDA margin (%)	5.08	4.47
EBIT margin (%)	3.04	2.89
Net margin (%)	2.01	2.30
ROE (%)	na	46.1
ROCE (%)	na	57.9

* After VAT and sales discount

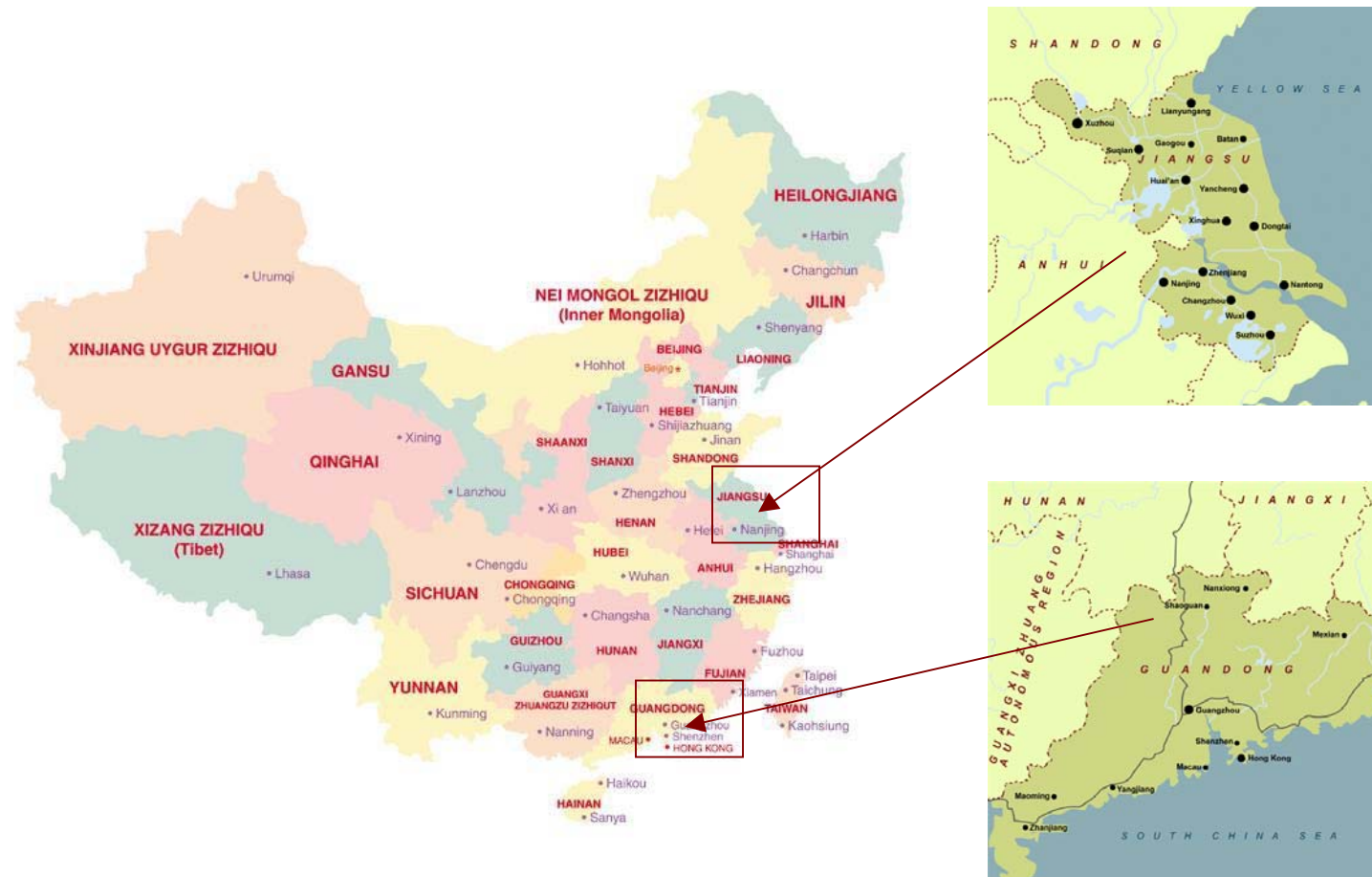
Source: Suguo FY2001 audited accounts (PRC accounting standards) and H1 2002 management accounts

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Implications

- This marks the beginning of a new chapter for our retailing business



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Implications

Economic statistics of the two provinces

	Jiangsu Province	Nanjing	Guangdong Province	Shenzhen
Population - 2000 (m)	74	5	86	4
GDP - 2001 (RMB bn)	951	115	1,056	191
GDP growth - 2001 (%)	+10.2	+11.2	+9.5	+13.2
GDP per capita 2001 (RMB)	12,925	20,671	13,612	42,323
Retail sales - 2001 (RMB bn)	287	47	452	61
Retail sales growth - 2001 (%)	+10.2	+11.0	+10.9	+13.2

Source: Statistical bureaux of respective governments



Implications

- The acquisition will add to our extensive supermarket network throughout Southern and Eastern China, the two core expansion regions in our retailing plan
- We now have dominant market position in Guangdong and Jiangsu, the two most affluent provinces in the country
- Suguo's leading market share in northern Jiangsu will complement our existing supermarket network in southern Jiangsu, creating an integrated supply chain for the province
- It demonstrates our ability to accomplish our projections in the retailing plan
- There will be a major leap in our national ranking among the chain stores
- This is not a notifiable transaction and our disclosure is voluntary



Implications

Profile of leading chain stores in China

Ranking FY2001	Retailer	FY2001 Turnover RMBm	Yoy % change	Ranking H1 2002	H1 2002 Turnover RMBm	Yoy % change
1	Shanghai Lianhua	14,063	+26	1	8,121	+7
2	Shanghai Hualian	8,504	+52	2	5,603	+55
3	Beijing Hualian	8,000	+60	6	4,084	+32
4	Shanghai Nong Gong Sang	7,475	+38	7	3,991	+5
5	San Lian (electrical goods)	7,026	+32	5	4,288	+19
6	Beijing Guo Mei (electrical goods)	6,150	+120	3	4,700	+80
7	Suguo Supermarket	5,282	+31	8	3,280	+27
8	Bai Sen (fast food)	5,205	+24	10	2,818	+38
9	Shanghai Jinjiang Metro	4,949	+32	9	2,890	+20
10	China Resources Vanguard	4,648	+35	12	2,710	na

Source: State Economic and Trade Commission

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Implications

- In terms of financial impact, the stake will be equity accounted
- The acquisition will be earnings and EPS enhancing on a proforma basis
- Potential savings via an expanded supply chain and more effective logistic management
- Little impact on our balance sheet strength



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