



China Resources Enterprise, Limited

November 2000



Table of Contents

- ❖ China Resources Enterprise
- ❖ China Resources Holdings
- ❖ Restructuring Proposal
- ❖ CRE' s New Role & proposed business structure
- ❖ CRE' s Action Plan for the next two years
- ❖ Management Track Records
- ❖ Conclusion



A. China Resources Enterprise

- Established in 1992
- Principal listed subsidiary of CRH in Hong Kong
- A leading Red Chip company with over US\$ 3 billion in total assets
- Strong knowledge of PRC and western business practices
- Prudent financial management



A. Company's Philosophy

- Act as a bridge facilitating oversea investments in China
- Build and add value to businesses in order to create shareholder value
- To establish premier reputation for conducting business in China



A. The Evolution

Property

Conglomerate

Distribution

- Company has evolved from being a property company into a conglomerate
- During this process CRE was able to build up its recurring income base and balance sheet
- This has paved the way for CRE to carry out larger restructuring plan which will result in better future prospect for CRE



A. Evolution Process (1)

- 1973
- Listed in HK under the name "Winland Investment Ltd."
 - Engaged principally in leasing factory premises
- 1992
- CRH became controlling shareholder with 51%
 - Renamed "China Resources Enterprise, Limited"
 - Diversified into warehouse and cold storage business



A. Evolution (2)

- 1993
- Teamed up with Cheung Kong and Sun Hung Kai to carry out a residential development in Tsingyi (Villa Esplanada)
 - Acquired the first brewery in China - Shenyang Snowflake
- 1994
- Acquired one of the largest residential property development company in Beijing, China
- 1995
- Acquired 26% stake in the largest food distribution company in Hong Kong



A. Evolution (3)

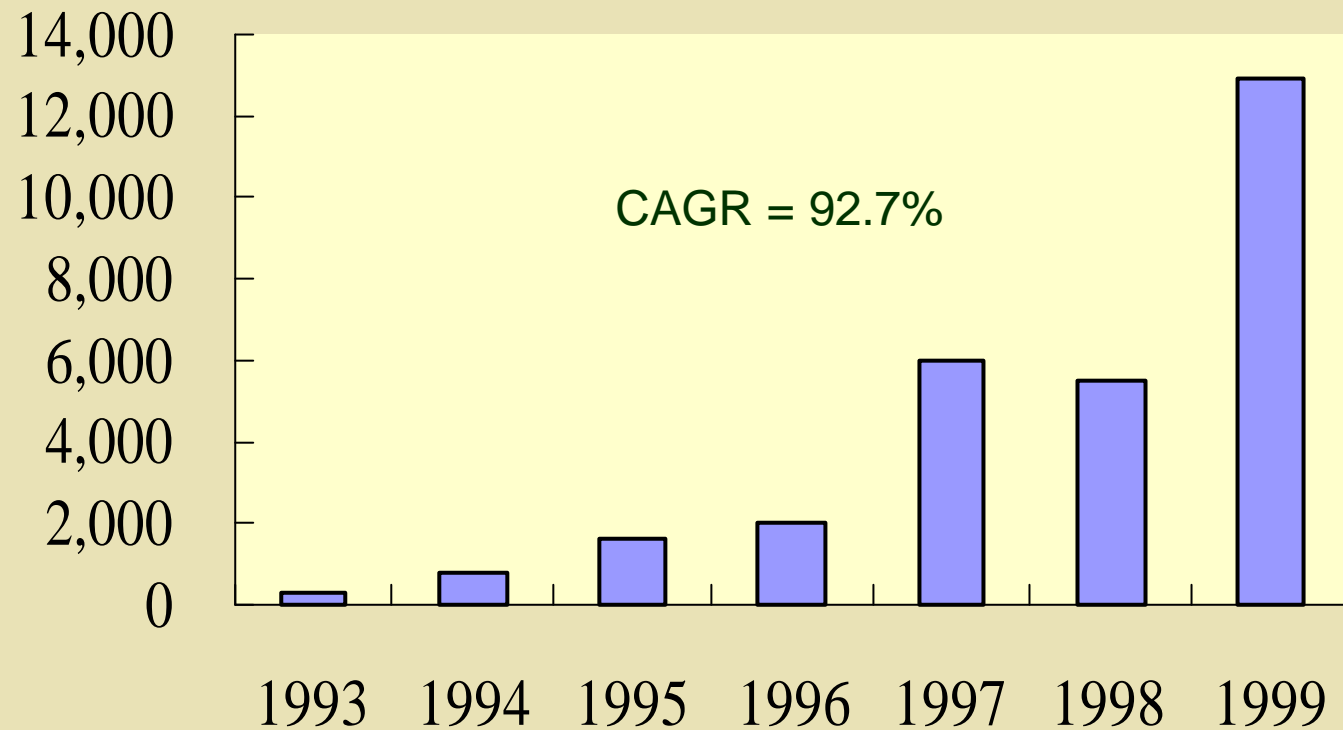
- 1996
- Acquired 10% stake in container terminal business
 - Listed China Resources Beijing Land
- 1997
- Acquired 80% in the third largest ready mix concrete producer in Hong Kong
 - Acquired 30% stake in HKCB Bank Holding
- 1998
- Rising stake in food distribution company from 26% to 54%
 - Set up the largest retail chain of boutiques and cosmetic stores in China



A. Evolution (4)

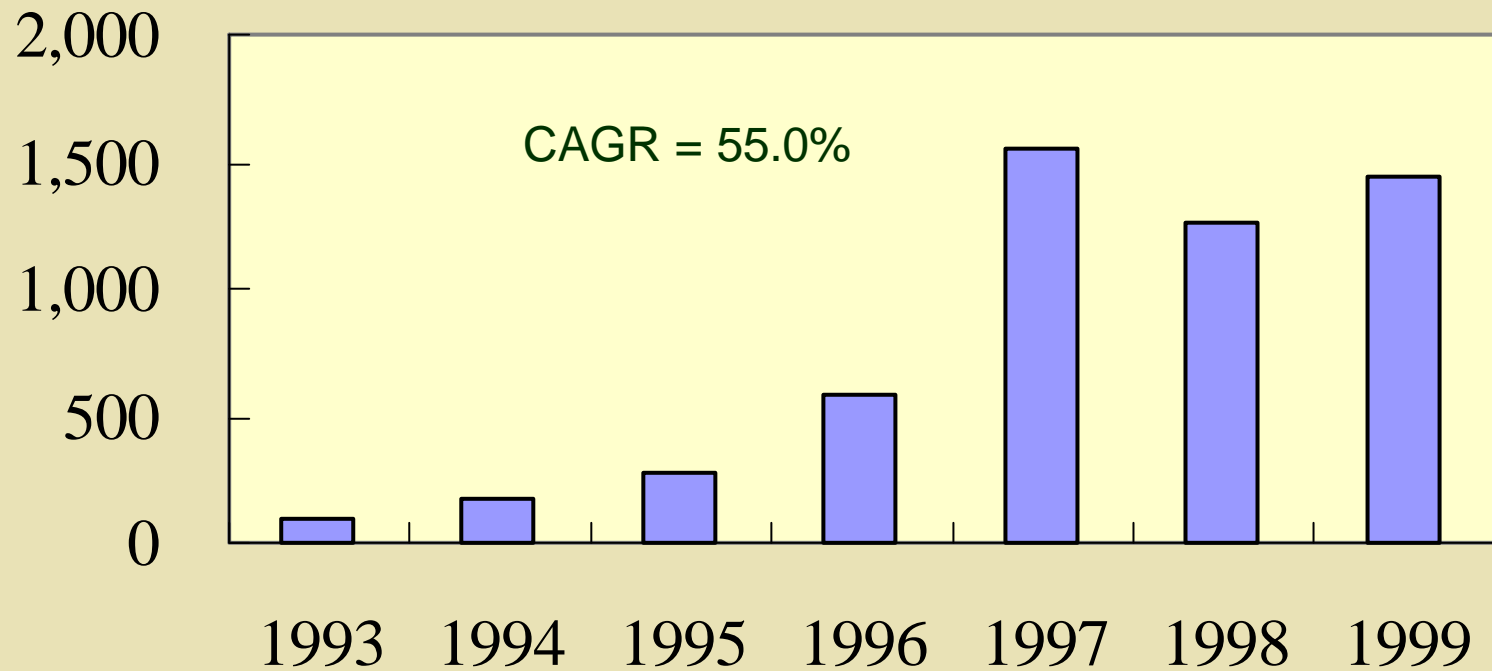
- 1999 ■ Acquired 100% of the largest retail operation in Hong Kong comprising department stores, art and craft shops and medicine stores
- 2000 ■ Proposed acquisition of the largest oil distribution operation which is principally engaged in the distribution of oil, chemical and LPG gas products in Hong Kong and China

A. Turnover (HK\$million)

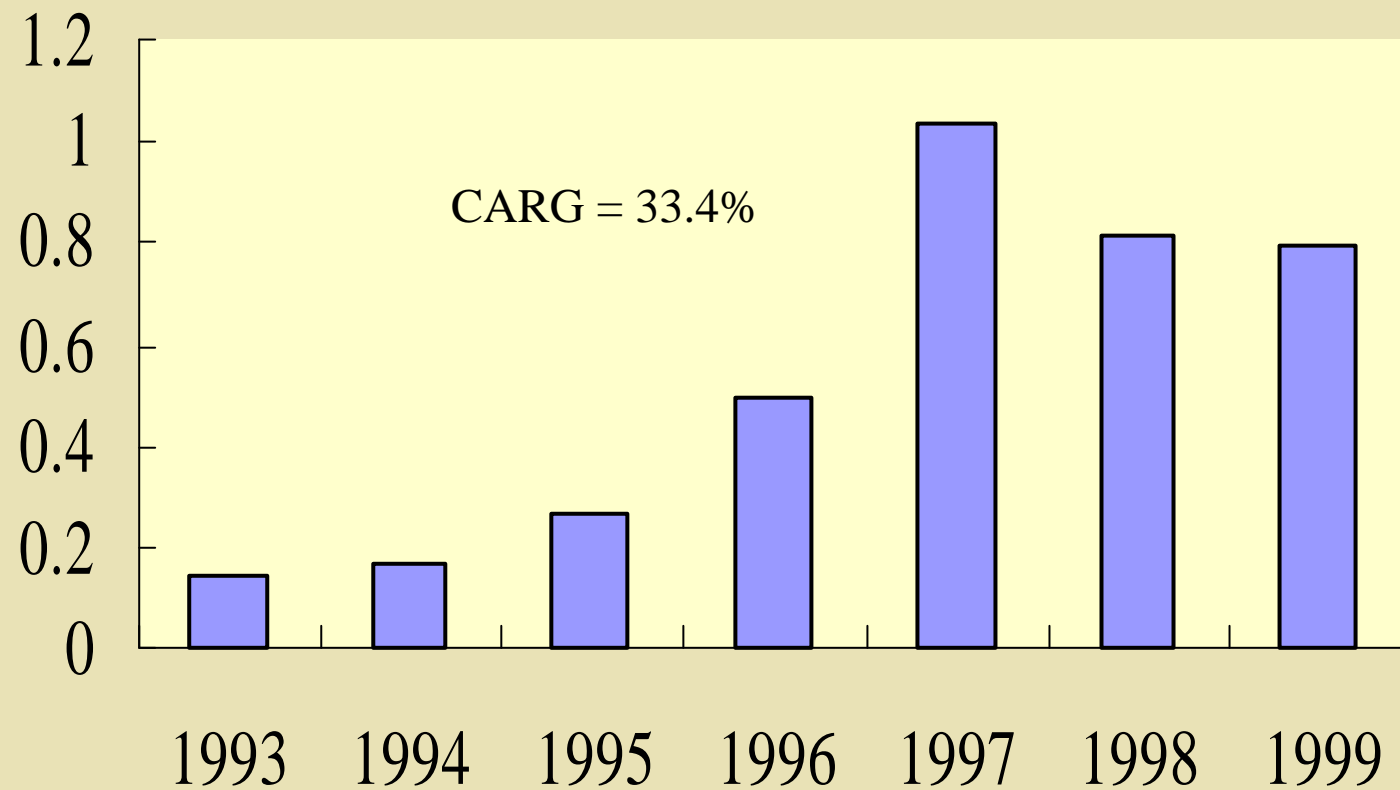




A. Profit attributable to shareholders (HK\$million)



A. Earnings Per Share (HK\$)





A. Value Creation

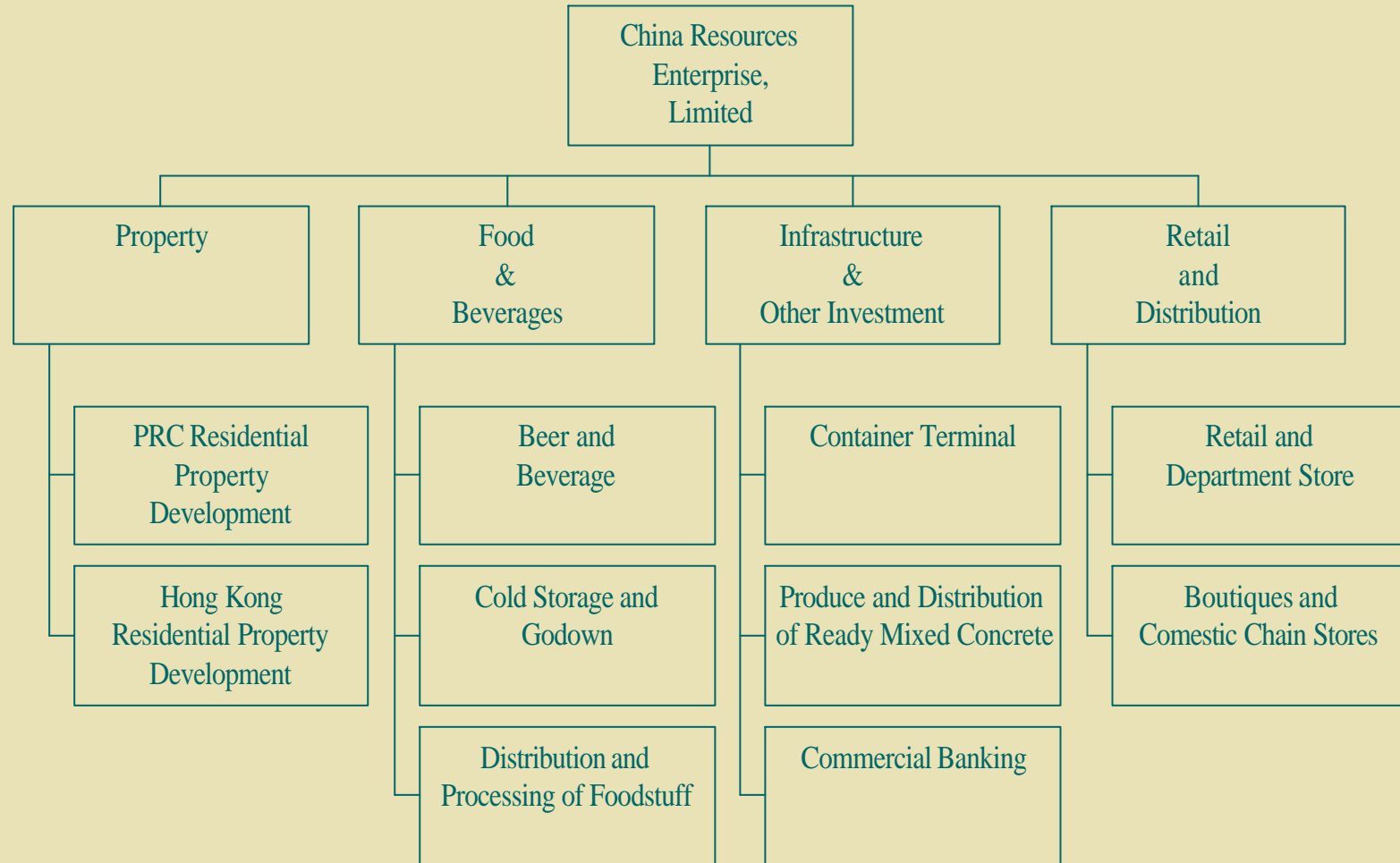
- Profit from cold storage and warehouse business acquired increased by more than five folds
- Build one of the largest brewery operations in China with an annual capacity of 1.2 million metric tonnes
- Create one of the largest property development company in Beijing
- Operate one of the largest retail chain in Hong Kong with 9 department stores and 14 drug stores
- Established the biggest retail chain in China with over 300 supermarket outlets and 250 boutiques



A. Illustration : Beverage Division

<u>Location</u>	<u>Year Acquired</u>	<u>Previous Prod. Capacity (ton)</u>	<u>Current Prod. Capacity (ton)</u>
Shenyang Snowflake	1993	250,000	450,000
Dalian Keller	1995	40,000	200,000
Mianyang Yatai	1997	60,000	150,000
Jilin Huadan	1998	120,000	250,000
Tianjin Largo	1999	75,000	150,000
Anshan	2000	75,000	75,000
Wanghua	2000	50,000	50,000

A. CRE Current Business Structure



Recent Development

“ CRH Announced its intention to restructure the business structure of its listed subsidiaries in June 2000 ”



China Resources (Holdings) Co. Ltd.



B. China Resources Holdings

- Under direct supervision of the central government
- Established in Hong Kong since 1948 as a general agent for various national foreign trade corporations from the PRC
- One of the biggest and oldest distribution companies in Hong Kong with an annual turnover of US\$5 billion (HK\$40 billion)



C. Why Restructure Now?

- WTO offers enormous growth potential
- Listed companies are ready to handle major restructuring which will enhance their shareholder values



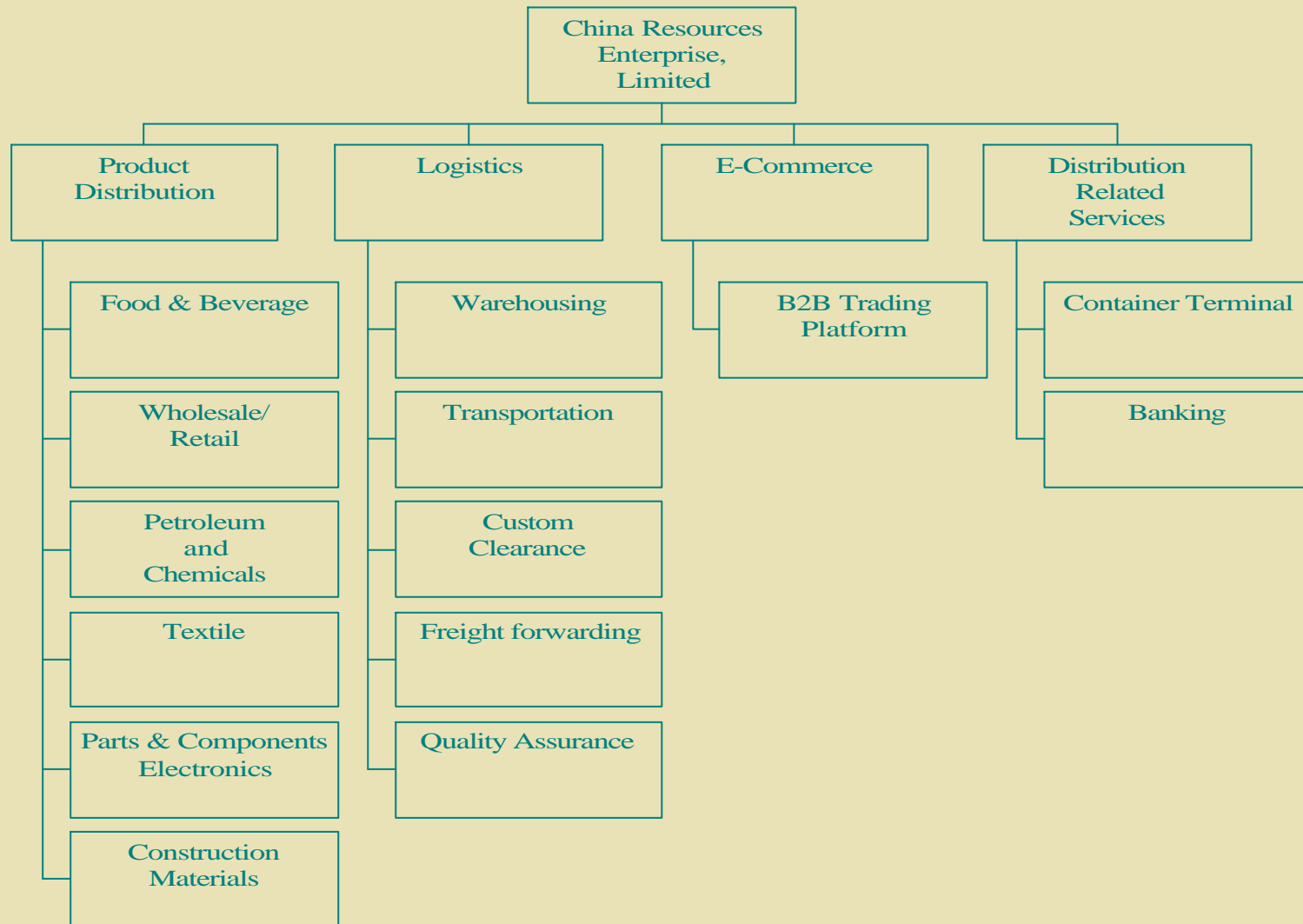
C. Objectives for restructuring

- Streamline management structure for efficiency and better allocation of resources
- Companies are more focus and can generate greater synergy due to the leverage effect
- Increase overall competitive strengths and guarantee future earnings growth

D. CRE's New Role

“To transform from a conglomerate to a premier distribution company of consumer and industrial products”

D. CRE Proposed Business Structure






D. Advantages of Restructuring to CRE

- More focus, therefore increasing in efficiency and better allocation of resources
- Increase in competitiveness due to leverage effect because able provide a complete service for trade
- Earnings growth prospect significantly better as China market present enormous opportunities



D. Advantages of Restructuring to CRE (cont.)

- Increase shareholder value through creation of scarcity value due to a lack of pure China Distribution play listed on Hong Kong Stock Exchange

A collection of military medals and a pair of glasses are arranged on a wooden surface. The medals include a red ribbon with a circular emblem, a blue ribbon with a circular emblem, and two silver Maltese crosses with central medallions. A pair of gold-rimmed glasses with thin temples is placed in the foreground. A circular compass is visible in the bottom left corner. The background is a light-colored, textured surface.

“ What competitive edge does China Resources have in the distribution business?”



D. China Resources Competitive Advantages

- Over 50 years of trading experience with strong industry expertise and specialized skills
- Annual trading volume of US\$5 billion, giving strong bargaining power
- Strong brand name in China
- Strong China Government connection
- Extensive business network in China Extensive logistic network in China with representative offices in major port and cargo handling cities
- Owns warehouses, fleets of vehicles, and vessels



E. CRE's Action Plan for the next 2 years

- Upon completion of Villa Esplanada, CRE will cease to engage in Hong Kong property development business
- CRH shall transfer all distribution and logistic related businesses into CRE
- CRE shall focus on improving its distribution capability through E-commerce and expansion of existing distribution channel



E. CRE's Action Plan for the next 2 **years (Cont.)**

- partner with world leading distribution and logistic companies to expand market presence both domestically and internationally
- consider acquisition of domestic distribution and logistic companies to strengthen its market position in China
- improve ERP systems to achieve optimal efficiency and offer value added services to its customers

E. Partnership with Major Corporations



ESPRIT



HIT






F. Management Strength

- Management recognizes that “adding - value” to its new investments is absolutely critical
- Set good business management practices
- Management adopts a pre-emptive approach with careful corporate strategic planning
- Continue to focus on improving management quality



F. Management Strength

- The most consistent team of management with proven track records
- Consistent in business strategy

A collection of medals and a compass on a wooden surface. The medals include a red ribbon medal with a circular emblem, a blue ribbon medal with a circular emblem, and a silver star-shaped medal with a central emblem. A pair of glasses is also visible. A compass is located in the bottom left corner.

“ ..The Group remains firmly committed to continuing its long-term strategy of expanding its existing core business areas with a focus in the expansion of its retail and distribution business ..”

1999 Annual Report

“ ..The Directors are considering efficacious means to position itself as Asia’s leading distribution company to capture the business opportunities presented by China’s accession to the WTO ..”

2000 Interim Report



F. Latest Announcement

- As part of the first major step in the whole restructuring plan, CRE announce the Acquisition of oil distribution operation from CRH
- CRE is conducting studies on possible acquisition of other distribution and logistic related businesses



F. Execution Risks

- Transactions are subject to shareholders approval, therefore pricing must be seem fair and reasonable, and in the interest of the minority shareholder



Conclusion.



China Resources Enterprise, Limited

November 2000