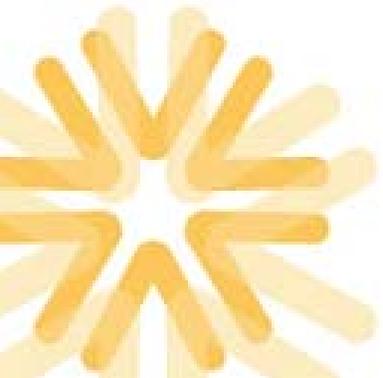


China Resources Enterprise, Limited
ABN Greater China Conference 2005

Power of Brands

7 September 2005





Agenda

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Part I – Our Brand Portfolio

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Our Brand Portfolio

- CRE has four core businesses including retail, food, brewery and textile
- Our objective is to become the largest consumer company in China
- We place heavy emphasis on brand development and currently have a portfolio of about 30 major brands
- Most of them are in the retail, brewery and food businesses
- In particular, Suguo, our supermarket arm in Eastern China, was valued by World Brand Laboratory at RMB1,036m earlier this year
- Other valuable brands include "Snow", "Vanguard", "Chinese Arts & Crafts", "Ng Fung" etc
- Our supermarket business has developed some popular private labels like "Premium Plus" and "簡約組合"
- "CRC" petrol stations and "新之城" shopping malls are also well established brand names

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Our Brand Portfolio



蓝剑啤酒



华丹啤酒



新三星啤酒



中华啤酒

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Our Brand Portfolio

华润万家



Premium Plus

VICTOR
&
Victoria



苏果

Royal Elegance

Global Explorer

CHINESE 中藝 ARTS & CRAFTS

SG

华润苏果
CHINA RESOURCES SUGUO

Ole'

HOME
ESSENTIALS

FLYING
COW

KIDS
GEAR

ATMA

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Our Brand Portfolio



NG FUNG BRAND
五豐行榮譽出品



LEONARDO[®]
di Gasun

Good Morning 新 安早君祝[®]
96



華潤油站



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Part II – Brewery: Branding Strategies Key to Success

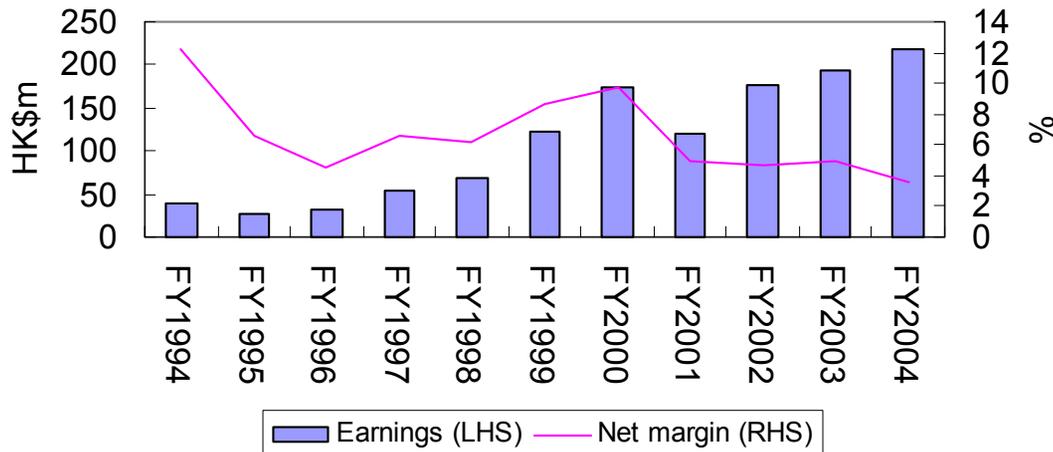
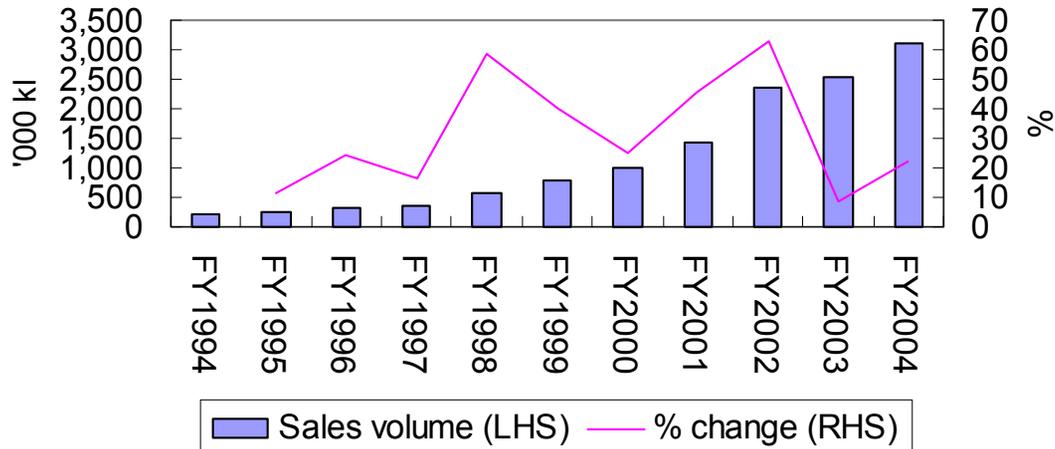
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Background of CR Snow

- A 51/49 joint venture between CRE and SABMiller formed in 1994 with CRE responsible for day-to-day management

Sales and earnings trend of CR Snow since 1994



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Background of CR Snow

- Largest in China in terms of production capacity and the second largest in terms of sales volume but the gap with Tsingtao has been narrowing

Sales volume by brewery

Year end 31 Dec	Province	Area	No of breweries	FY2004 '000 k litre	FY2003 '000 k litre	% change
<i>I) Breweries acquired prior to FY2003</i>						
Shenyang	Liaoning	North East	3	417	419	-0
Dalian	Liaoning	North East	2	184	165	+11
Jilin	Jilin	North East	1	216	220	-2
Tianjin		North	1	135	115	+17
Anshan	Liaoning	North East	1	86	84	+3
Anhui	Anhui	Central	2	244	235	+4
Sun Sings	Heilongjiang	North East	1	268	172	+56
Liaoyang Meiyue	Liaoning	North East	1	22	24	-5
Blue Sword	Sichuan	South West	12	789	712	+11
Changchun Snow Leopard	Jilin	North East	1	76	73	+5
Wuhan Dongxihu	Hubei	Central	2	295	259	+14
Panjin	Liaoning	North East	1	46	33	+41
<i>II) Breweries acquired since FY2003</i>						
Beijing		North	1	57	21	+171
Shuining (part of Blue Sword)	Sichuan	South West	1	12		
Qianjing	Zhejiang	East	1	177		
Longjin	Anhui	Central	2	80		
Jiangsu	Jiangsu	East	3	32		
Qamdo	Tibet	West	1			
			37	3,134	2,532	+24
Existing breweries				2,793	2,512	+11
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Background of CR Snow

- In FY2004, CR Snow's earnings grew by 15% to about HK\$221m attributable to rise in sales volume, higher sales of premium beer and initial contributions from the newly acquired Qianjiang and Longjin
- Turnover soared 29% with beer sales volume increasing 24%, of which 11% was organic, to 3.13m kl, representing a market share of 11%
- Average selling price rose by 3.4% to about HK\$1,500 per kl and gross margin was relatively stable despite the increase in raw material costs
- Annual production capacity amounted to about 5.52m kl at the end of December 2004, up 35% from FY2003
- Excluding the breweries acquired from FY2003 onwards, utilisation rate was about 67% as there is strong seasonality factor
- There were 4 unprofitable breweries and the acquisition of Lion Nathan's breweries was completed in October and ran initial loss of HK\$20m was recorded in Q4 2004, a low season

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Branding Strategies

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

Tier	Brand	Future development
National brand	Snow (雪花)	Extensive investment to develop the brand for the long term
District brands	Sun Sings (新三星), Löwen (黑獅), Singo (行吟閣), Zhonghua (中華), Shengquan (聖泉), Haden (華丹), Leedo (麗都), Bluesword (藍劍), Taihushui (太湖水)	Steady investment to ensure stable growth but the number of brands may be reduced
Fighter brands	Tianjin (天津), YaTai (亞太), ChuTan (楚天)	No additional investment, gradually phasing out

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Branding Strategies

CR Snow's top 10 brands in 2004

			Sales volume '000 k litres	Proportion of total volume sold %
Snow	(雪花)	incl Shenyang (瀋陽)	1,074	34
Bluesword	(藍劍)		383	12
Singo	(行吟閣)		265	8
Sun Sings	(新三星)		218	7
Haden	(華丹)		182	6
Zhonghua	(中華)		132	4
Shengquan	(聖泉)		100	3
Green leaf	(綠葉)		80	3
Löwen	(黑獅)		72	2
Greensword	(綠劍)		63	2
				82
Shenyang	(瀋陽)		177	6

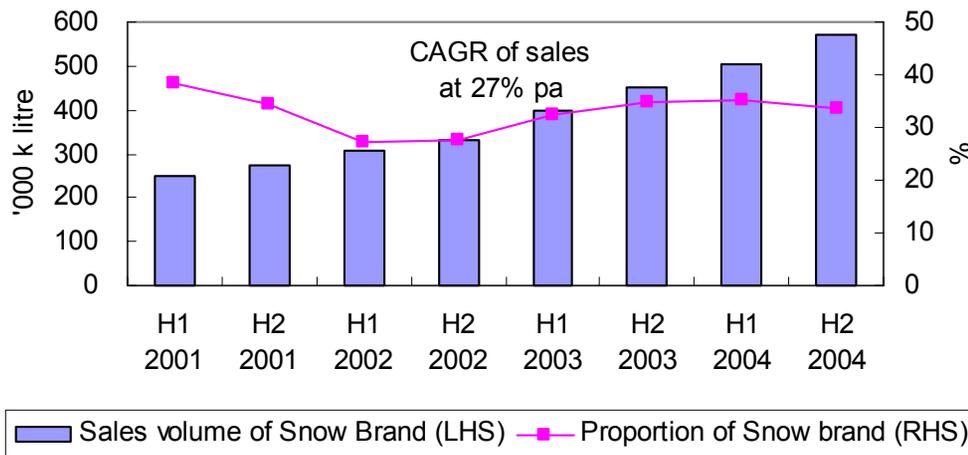
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Branding Strategies

- The national branding programme for Snow was only launched in early 2002 but its CAGR has been averaged at 27% for four years
- Approximately 1,074,000 kl of Snow was sold in FY2004, representing 34% of the total volume
- About two-thirds of Snow were sold outside Liaoning, its home, and 13% in districts where we do not have brewery, reflecting its rapid penetration

Sales volume of Snow brand (including Shenyang sub-brand) and its significance



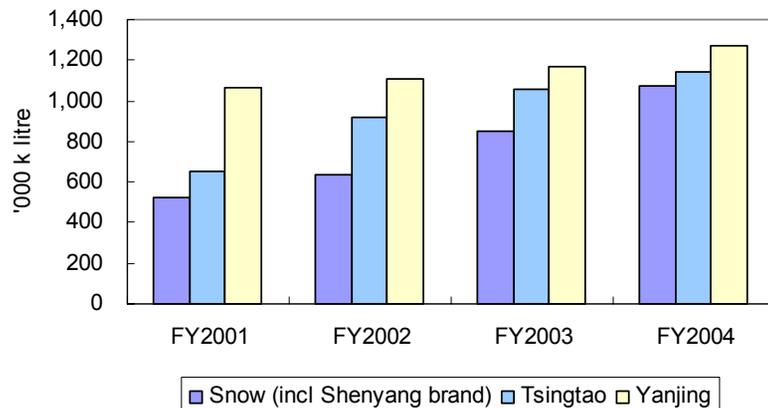
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Branding Strategies

- Strictly speaking, there is no real national brand in mainland China whereas three brands, Tsingtao, Yanjing and Snow, have sales volume of more than 1m kl with extensive geographical coverage and are well poised to become national brands
- Sales volume of Snow increased 27% last year compared with an estimated 12% of Tsingtao brand and 9% of Yanjing brand
- Its CAGR of 27% between FY2001 and FY2004 was higher than the 22% of Tsingtao brand and 6% of Yanjing brand

Sales growth of leading national beer brands



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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 2.5 -15 per bottle) but the focus is on the mainstream to middle end
- Market positioning - association with life's progression
- Sentimental attachment - satisfaction, achievements, happiness, spirits associated with the memorable growth story of the new generation (暢享成長)



Branding Strategies

- Snow has five tiers in terms of wholesale pricing

Segmentation of Snow

Grade	Wholesale price (incl VAT)
High End	RMB 6,406 – 12,500/kl
Mid End	RMB 4,219 – 6,405/kl
Mainstream High End	RMB 2,813 – 4,218/kl
Mainstream	RMB 1,953 – 2,812/kl
Mainstream Low End	RMB 1,641 – 1,952/kl

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Branding Strategies

- Snow has high brand value given its large sales volume and fast growth

Brand value of national brands

National Brand	FY2003 sales volume '000 kl	yoy chg %	FY2004 sales volume '000 kl	yoy chg %	Brand value (1) RMB bn	Brand value (2) RMB bn	Market cap of the listed company RMB bn *
Tsingtao	1,060	+15	1,170	+11	20.0	11.2	11.4
Yanjing	1,164	+5	1,270	+9	10.2	10.2	7.0
Snow (incl Shenyang brand)	849	+33	1,074	+27	n/a	n/a	n/a

Noted: Brand value (1) is from World Brand Laboratory for the top 500 brands in China released in August 2005

Brand value (2) is from Beijing Brand Appraisal Company (北京名牌資產評估有限公司) released in December 2004

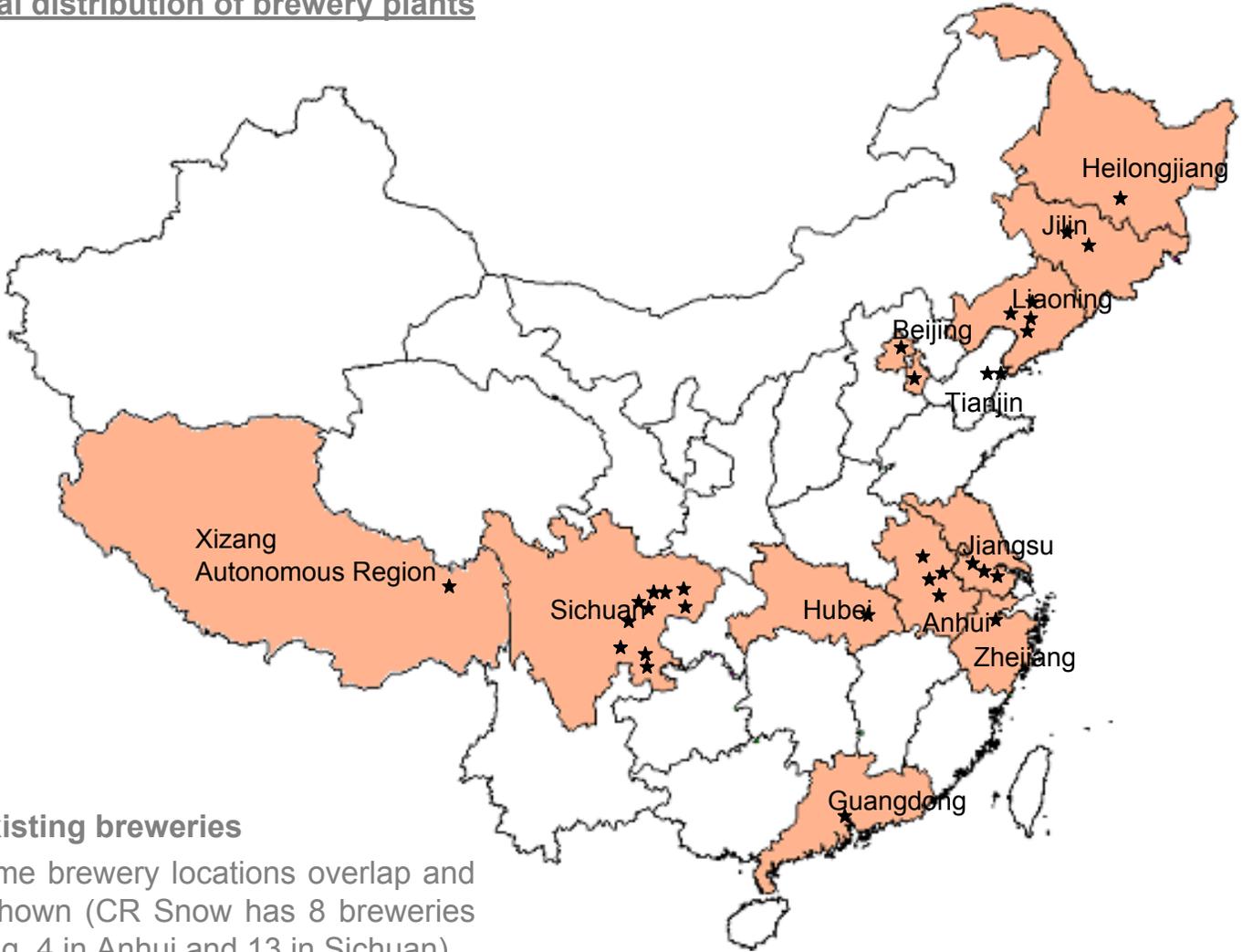
* At 19 August 2005

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Distribution Network

Geographical distribution of brewery plants



CRE's existing breweries

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

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Distribution Network

- We aim for district dominance

Market Share For Key Regions

Province	Cities / Regions	2004 CR Snow sales ('000 kl)	2004 market sales ('000 kl)	2004 CR Snow market share (%)
Anhui	Hefei	89	109	82
	Hefei City Area	67	71	95
	Entire Province	294	1,250	24
Heilongjiang	Harbin	178		
	Harbin City Area	120	279	43
	Entire Province	271	1,600	17
Hubei	Wuhan	178	200	89
	Entire Province	293	1,230	24
Jilin	Changchun	114	150	76
	Changchun City Area	75		
	Jilin	85	110	77
	Jilin City Area	49		
	Entire Province	293	780	38
Liaoning	Dalian	156	228	68
	Dalian City Area	128	180	71
	Shenyang	290	371	78
	Shenyang City Area	262	300	87
	Entire Province	724	1,660	44
Sichuan	Chengdu	234	260	90
	Chengdu City Area	152	170	89
	Mianyang	50	60	83
	Mianyang City Area	22	23	96
	Entire Province	676	980	69
Tianjin	Tianjin	148	370	40
	Tianjin City Area	135	175	77
	Entire Province	283	370	40

Source: CR Snow

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A New Phase with Profitability Focus

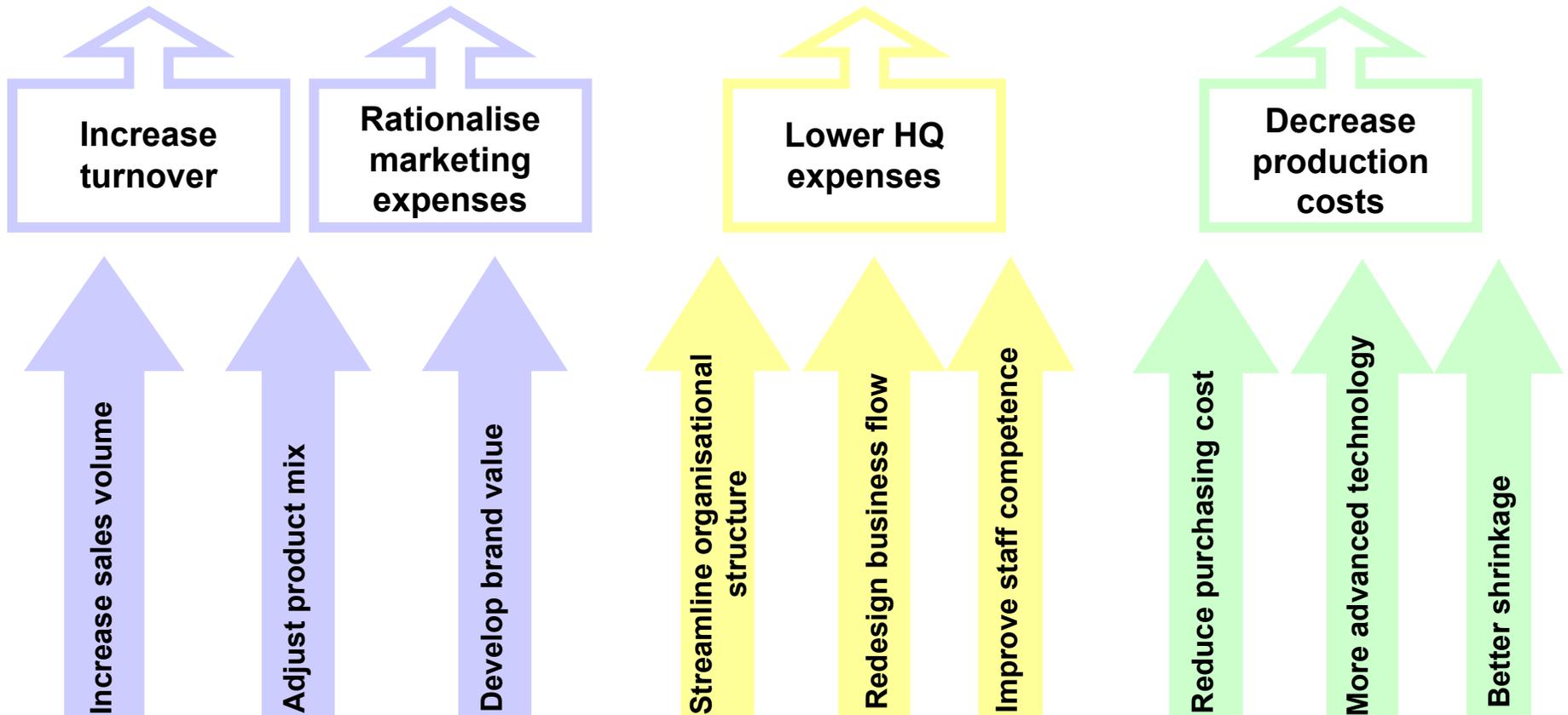
- Looking ahead for the next five years, we believe the mainland beer market will have the following features:
 - Market consolidation will continue and the top three brewers will account for about half of the market
 - Competition will become more rational with a gradual improvement in profitability
 - Brand marketing will be more emphasized
 - There will be one or two real national brands emerged
 - More international brands will enter the market but mid-stream beer will see the highest volume growth
- CR Snow has positioned itself for the next phase of growth with a fast growing national brand targeting the mid-stream, a well articulated national distribution network and dominant market presence in the key districts

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A New Phase with Profitability Focus

- We will focus on ROE and are going to implement the following measures to improve profitability

Increase ROE to match global peers



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Appendix

Turnover Breakdown – by Divisions

Year End 31 Dec	FY2004 HK\$m	Prop (%)	FY2003 HK\$m	Prop (%)	% change
Petroleum and chemicals	18,681	40	12,565	36	+49
Retail	13,898	29	9,827	28	+41
Food processing and distribution	5,434	12	4,801	14	+13
Beverage	5,079	11	3,950	11	+29
Textile	3,851	8	3,202	9	+20
Property	307	1	280	1	+10
Investment & others *		0	180	1	-100
	47,250	100	34,806	100	+36
Less: inter-co transactions	(172)		(151)		+14
Turnover	47,078		34,655		+36

* The turnover contribution in FY2003 was from the concrete business which was restructured and distributed as dividend in specie in July 2003.

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Appendix

Earnings Breakdown – by Divisions

Year End 31 Dec	FY2004 HK\$m	Prop (%)	FY2003 HK\$m	Prop (%)	% change
Petroleum and chemicals *	525	30	424	27	+24
Retail	83	5	(99)	(6)	n/a
Food processing and distribution	396	23	340	22	+17
Beverage	113	6	98	6	+15
Textile	7	0	166	11	-96
Property	311	18	279	18	+12
Investment & others	320	18	368	23	-13
	1,754	100	1,576	100	+11
Net Corporate interest & expenses	(151)		(120)		+26
Earnings	1,603		1,455		+10
Earnings ex-asset disposal profit *	1,363		1,270		+7

* In FY2004, there was a HK\$240m profit from the disposal of a 30% stake in Qingdao Qirun which operates some oil storage facilities in Qingdao. In FY2003, there was a net gain of HK\$185m from the disposal of our interest in the aviation fuel facilities held through a jointly controlled entity.

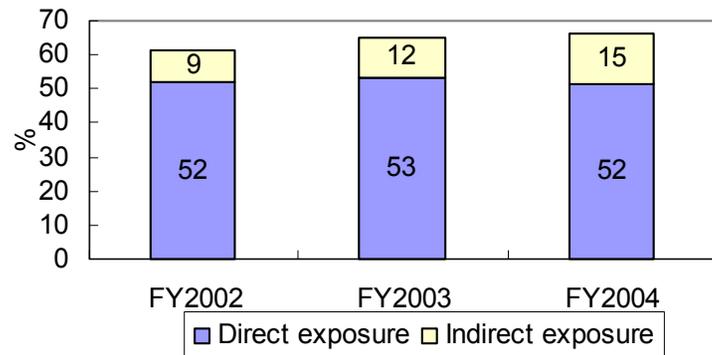
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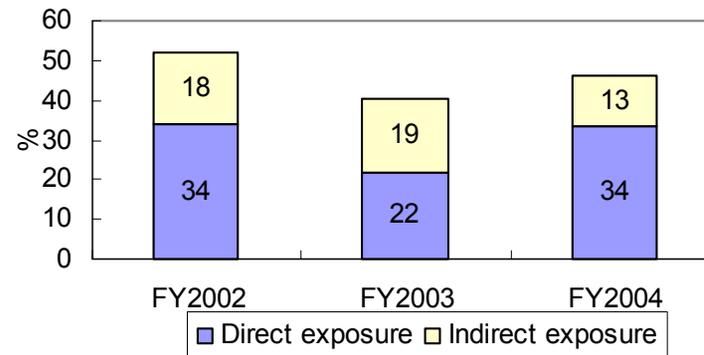
Appendix

- 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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