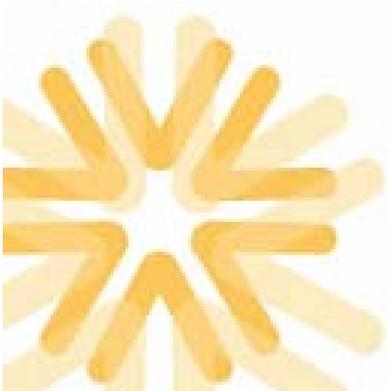


China Resources Enterprise, Limited  
Global Roadshow 2008

**Reinvesting and Extending Our Leadership**

April 2008





## Agenda

### Part I – Forge Ahead on Consumer-led Growth

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## Part I – Forge Ahead on Consumer-led Growth

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## Reinvesting and Extending Our Leadership

- In 2007, we fully completed the divestment of the petroleum business upon selling the residual petroleum distribution operation in Hong Kong for HK\$4.0bn
- We have reinvested the net disposal proceeds, after paying a special dividend of HK\$1.4bn, together with the operating cashflow of HK\$5.1bn into the core businesses
- The HK\$9.9bn capex of last year was 1.5 times higher than that of 2006
- Our turnover now comprises purely the fast growing core consumer businesses
- With a clear corporate structure, our future prospects are more transparent to investors

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## FY2007 Results Highlights

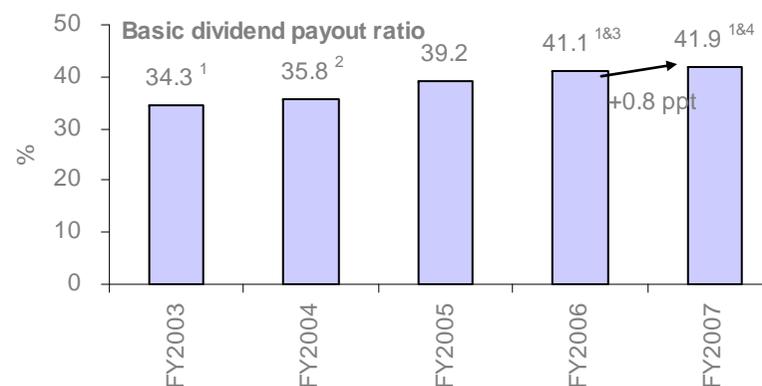
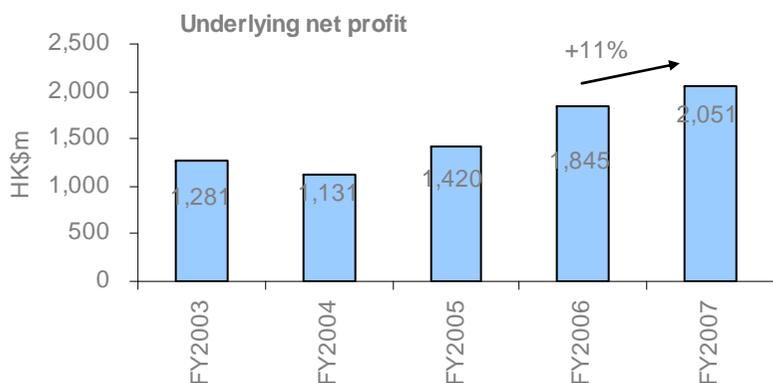
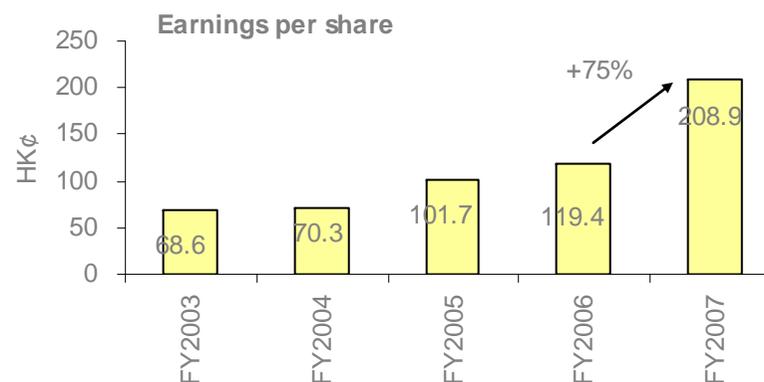
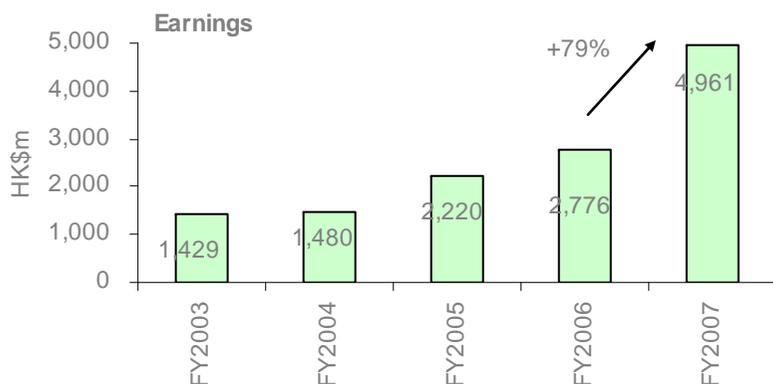
- Earnings grew by 79% to HK\$4,961m and earnings per share rose by 75% to HK\$2.09, both are new highs
- Excluding the discontinued petroleum business, turnover grew by 28% to HK\$51.5bn
- Underlying net profit was up 11% to HK\$2,051m driven by the 41% profit growth of the continuing businesses, with profitability improvement shown in each of them
- Final dividend of HK\$0.30 per share proposed, bringing the full year basic dividend to HK\$0.45 per share, a 13% increase from last year
- Earnings contribution from retail business soared by 140% to HK\$521m with robust growth in all divisions
- Beverage business reported a 74% earnings growth to HK\$303m and beer sales volume surged by 31% to 6.9m kl
- Earnings of food and textile businesses went up by 22% and 136% respectively

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## Five-year Trend

- All of them are on an upward trend and reaching high levels



- Notes: (1) The chart has excluded the distribution of special dividends of one share in China Resources Cement Holdings Limited for every ten shares of the Company in specie, HK\$1 per share in cash in 2006 and HK\$0.6 per share in cash in 2007.  
(2) Calculation is based on profit attributable to shareholders as reported in the annual report of 2004. Taken into account of prior year adjustments with the profit attributable to shareholders of 2004 restated, the payout ratio shall be restated to 38.8%.  
(3) Calculation is based on profit attributable to shareholders less the disposal gain of the piped gas and chemical distribution businesses.  
(4) Calculation is based on profit attributable to shareholders less the disposal gain of the petroleum distribution business in Hong Kong.

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## Turnover Breakdown - by Divisions

Year end 31 Dec	FY2007 HK\$m	Prop (%)	FY2006 HK\$m	Prop (%)	% change
<b><u>Core businesses</u></b>					
Retail	26,008	41	20,418	31	+27
Beverage	13,304	21	9,455	14	+41
Food processing and distribution	7,381	12	6,092	9	+21
Textile	4,713	8	4,453	7	+6
Investment property	375	1	349	1	+7
	51,781	83	40,767	62	+27
<b><u>Other businesses</u></b>					
Petroleum (discontinued)	10,610	17	25,100	38	
	62,391	100	65,867	100	-5
Less: inter-co transactions	(268)		(430)		-38
Turnover	62,123		65,437		-5
Turnover from continuing businesses	51,513	83	40,337	62	+28

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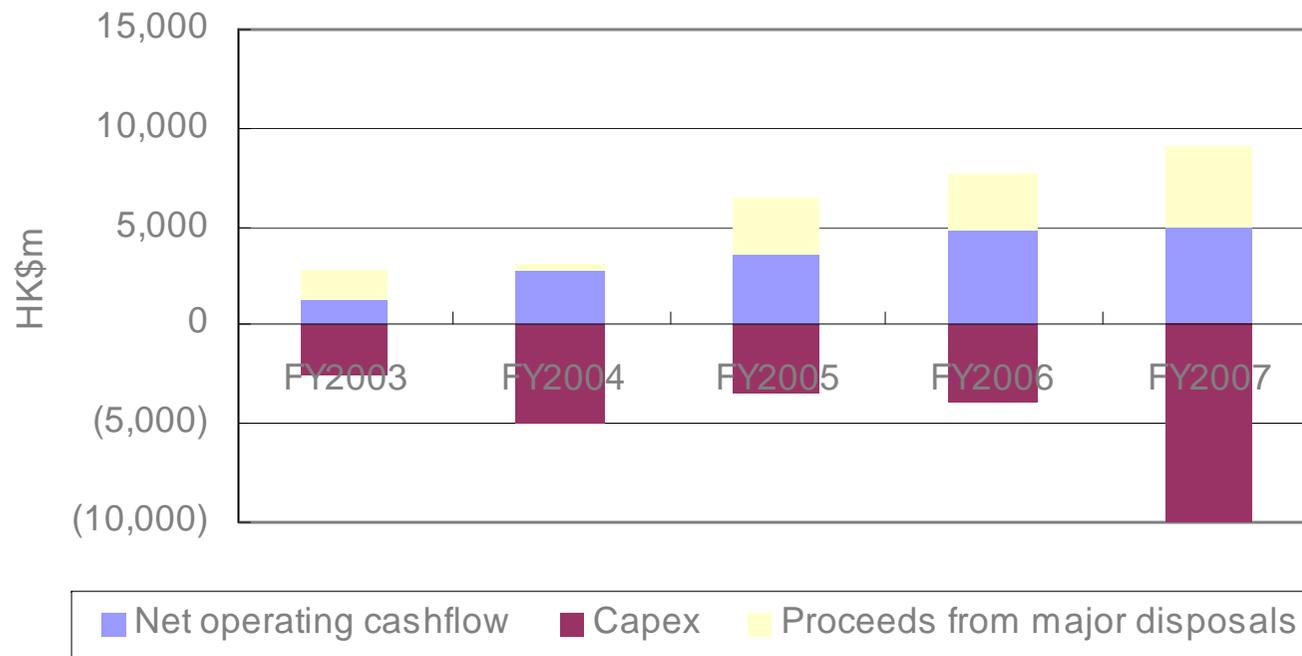




## Reinvestment into Core Businesses

- The non-core asset disposal proceeds together with operating cashflow have been reinvested into the core businesses

### Financing of capex



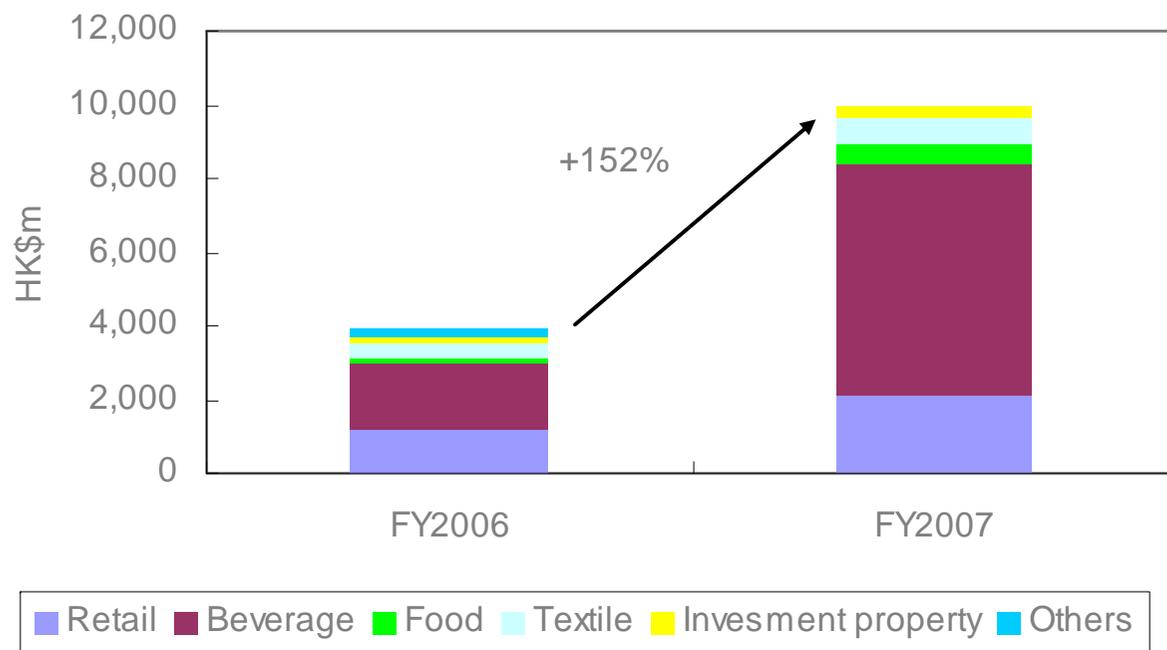
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## Breakdown of Capex

- For the past two years, capex was mainly invested into retail and beverage businesses but in future more will be incurred in food business

### Breakdown of capex by business



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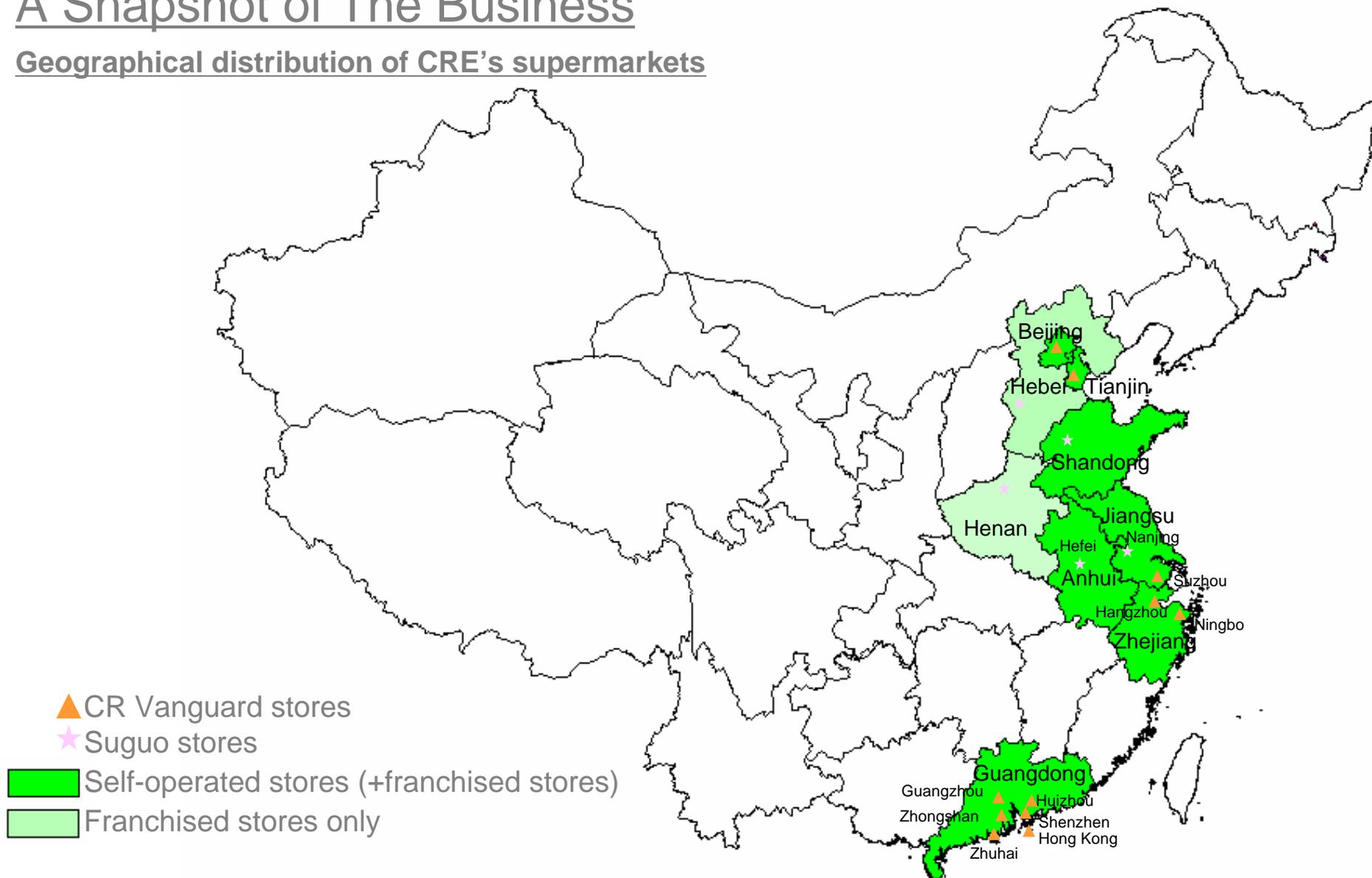
## Part II – Supermarket: Driving Efficiency on Expanded Scale

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# A Snapshot of The Business

## Geographical distribution of CRE's supermarkets



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# A Snapshot of The Business

## Supermarket competition by region

Wal-mart	2
Carrefour	4
Lianhua	0
RT-Mart	0
Wumart	0
CRE	0
GDP per capita	7K~14K

**North-western**

Wal-mart	15
Carrefour	20
Lianhua	17
RT-Mart	13
Wumart	57
CRE	4
GDP per capita	15K~57K

**Northern**

Wal-mart	13
Carrefour	14
Lianhua	10
RT-Mart	12
Wumart	0
CRE	0
GDP per capita	17K~25K

**North-eastern**

Wal-mart	12
Carrefour	24
Lianhua	100
RT-Mart	42
Wumart	13
CRE	119
GDP per capita	33K~65K

**Eastern**

Wal-mart	13
Carrefour	13
Lianhua	0
RT-Mart	5
Wumart	0
CRE	16
GDP per capita	11K~15K

**South-western**

Wal-mart	14
Carrefour	13
Lianhua	3
RT-Mart	0
Wumart	0
CRE	0
GDP per capita	7K~14K

**Central**

**Southern**

Wal-mart	31
Carrefour	21
Lianhua	4
RT-Mart	12
Wumart	0
CRE	39
GDP per capita	11K~80K

**Remarks:** The stores included here are all stores with floor space of 4,000 sm or above. The data above are based on the latest available information.

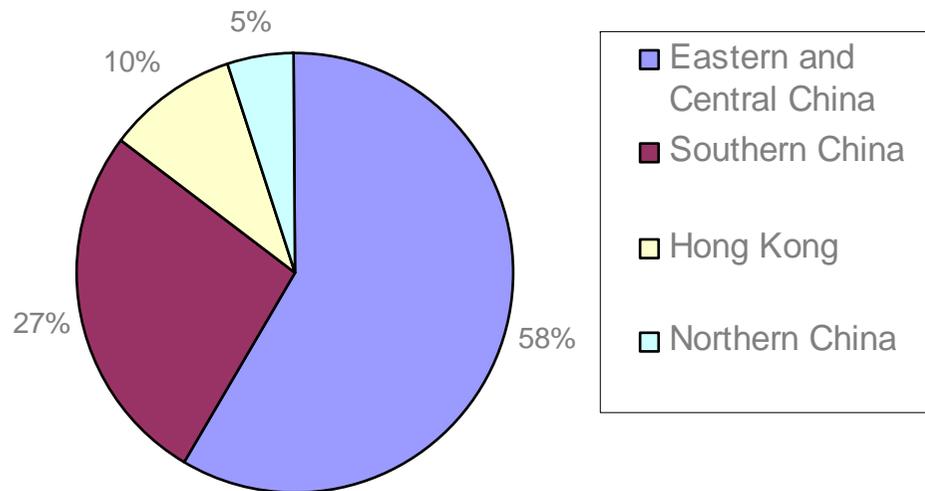
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# A Snapshot of The Business

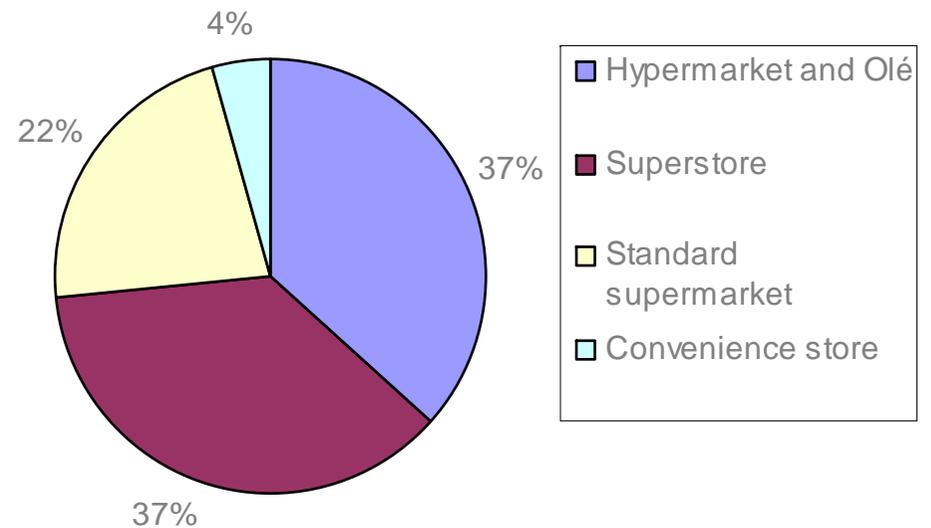
## Turnover breakdown by geographical district

FY2007



## Turnover breakdown by store format

FY2007



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# Improving Operating Performance

## Supermarket turnover, EBITDA and earnings breakdown

Year end 31 Dec	FY2007 HK\$m	FY2006 HK\$m	% change
<b>Turnover</b>			
- HK	2,270	2,290	-1
- China	20,918	15,897	+32
	23,188	18,187	+27
<b>EBITDA</b>			
- HK	266	200	+33
- China	787	581	+35
- option expenses	(2)	(8)	-75
	1,051	773	+36
<b>Earnings</b>			
- HK	173	106	+63
- China	192	54	+256
- option expenses	(2)	(8)	-75
	363	152	+139
<b>EBITDA margin (%)</b>			
- overall	4.5	4.3	+0.2ppt
- HK	11.7	8.7	+3.0ppt
- China	3.8	3.7	+0.1ppt
<b>Net margin (%)</b>			
- overall	1.6	0.8	+0.8ppt
- HK	7.6	4.7	+2.9ppt
- China	0.9	0.3	+0.6ppt

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## Strategy Execution

To further improve profitability: -

- Build up district dominance through new store opening and acquisition
- Differentiate from competition
- Reduce operating costs
- Strengthen the supply chain
- Continue to enhance competence in store format

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## Strategy Execution

- We are the largest operator in Guangdong Province
- Walmart acquired a 35% stake in Trust-Mart

### Market Presence in Guangdong Province

Ranking	Supermarket chain	Gross turnover 2007 RMBbn	Market share top 10 %
1	CR Vanguard	6.6	16
2	A.Best	6.5	15
3	Carrefour	5.0	12
4	Ren Ren Le	4.2	10
5	Walmart	4.2	10

Note: The above data are based on our rough in-house estimates

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## Peer Comparison

- Profitability is catching up, reflecting our efforts to drive efficiency on expanded scale

### Peer comparison using FY2006 operational data

	Lianhua	Wumart	Jingkelong	CRE	CRE
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<i><u>Performance:</u></i>	<i><u>FY2006</u></i>	<i><u>FY2006</u></i>	<i><u>FY2006</u></i>	<i><u>FY2006</u></i>	<i><u>FY2007</u></i>
Turnover	17,693	5,553	4,574	18,187	23,188
Gross margin (%)	20.3	15.5	15.4	18.8	18.9
Salary/turnover (%)	5.8	2.9	4.3	5.7	5.6
Rent/turnover (%)	4.4	2.6	1.1	4.6	4.4
EBITDA	813	401	284	773	1,051
EBITDA margin (%)	4.6	7.2	6.2	4.3	4.5
Earnings	236	207	97	152	363
Net margin (%)	1.3	3.7	2.1	0.8	1.6
ROE (%)	11.5	11.2	10.1	2.6	4.6
ROCE (%)	9.7	14.7	11.1	4.8	6.0

Note: Adjustments were made for the difference in accounting standards between different companies.

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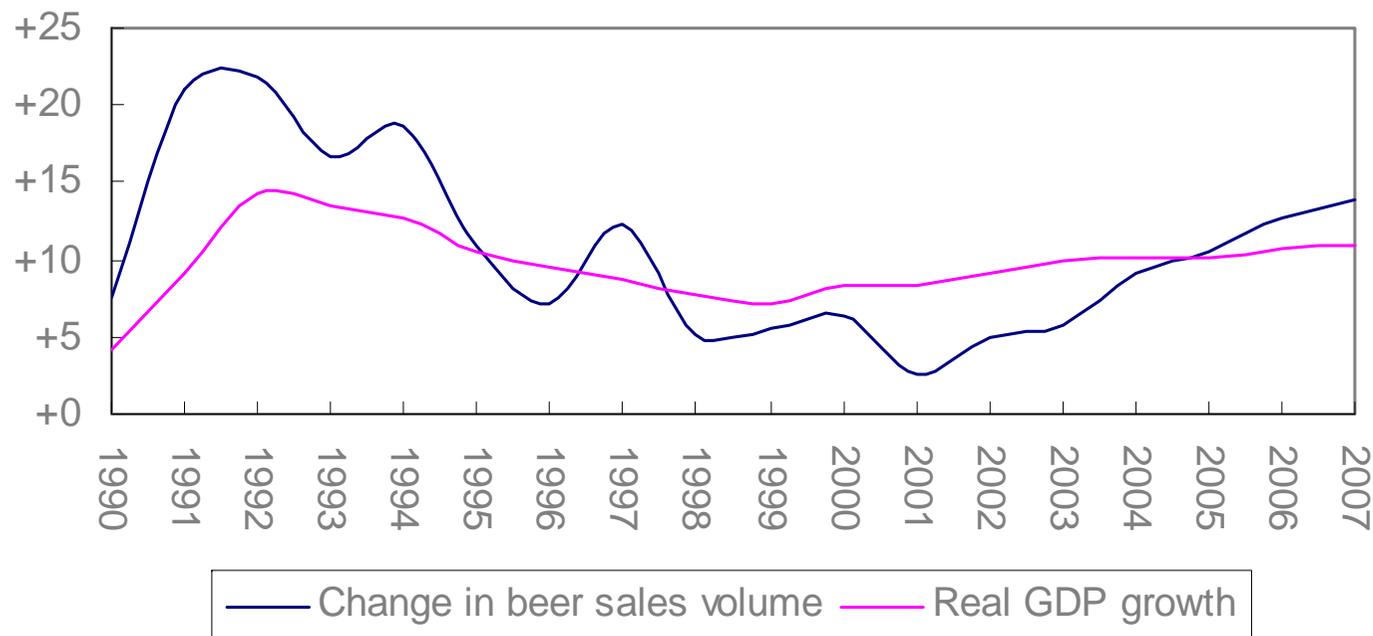




## The Market Opportunities

- Like other countries, there is a strong correlation in mainland China between beer consumption and economic growth

### Relationship between beer consumption and economic growth in mainland China



Source: State Statistical Bureau, China Beer Industry Association

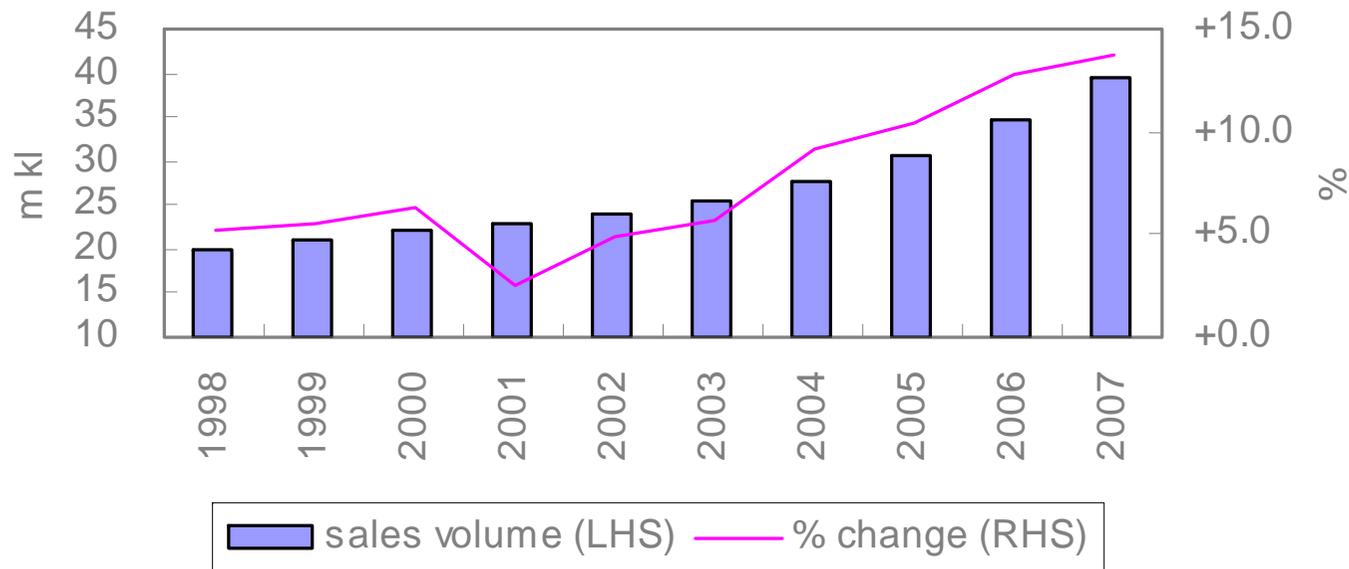
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## The Market Opportunities

- But the growth for the past five years has been spectacular in the range of 6%-14%
- This is due to rise in household income, beer consumption pattern, urbanization, health consciousness and marketing efforts of major brewers

### Growth of the mainland beer market



Source: State Statistical Bureau, China Beer Industry Association

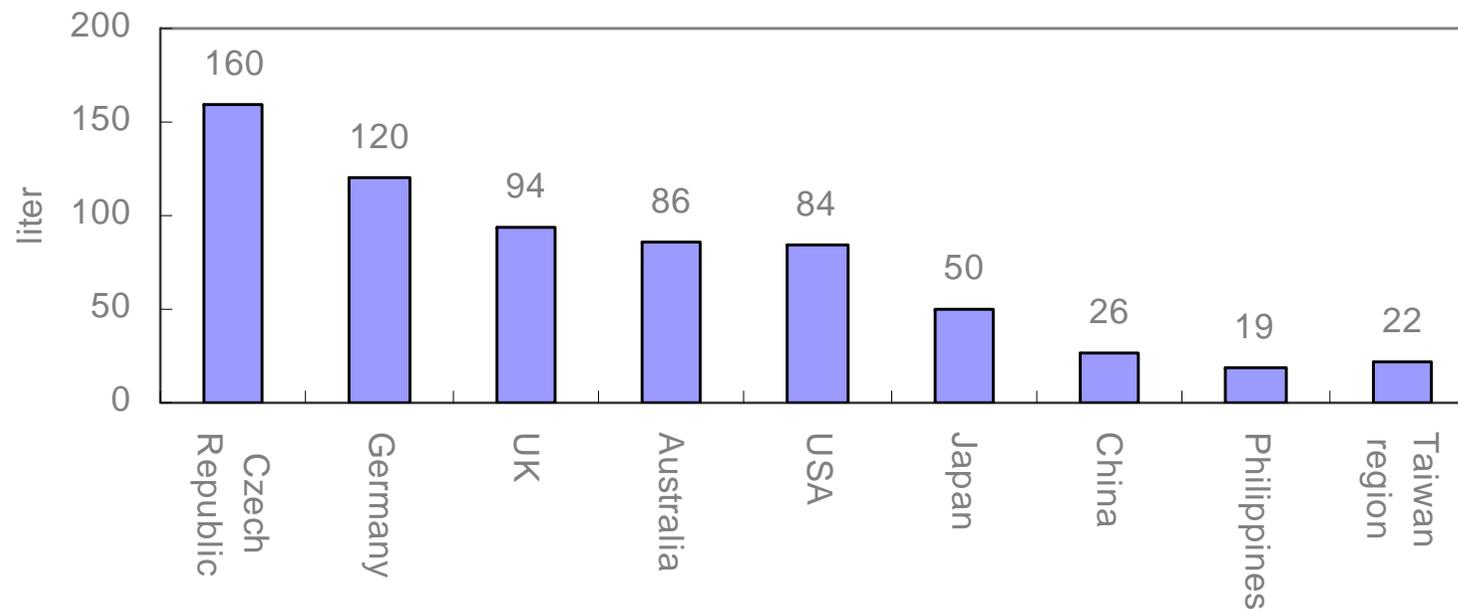
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## The Market Opportunities

- Mainland beer consumption per capita is still low versus other countries but has doubled from 15 liters in 1997 to 30 liters in 2007

### Per capita beer consumption in 2006



Source: Plato Logic

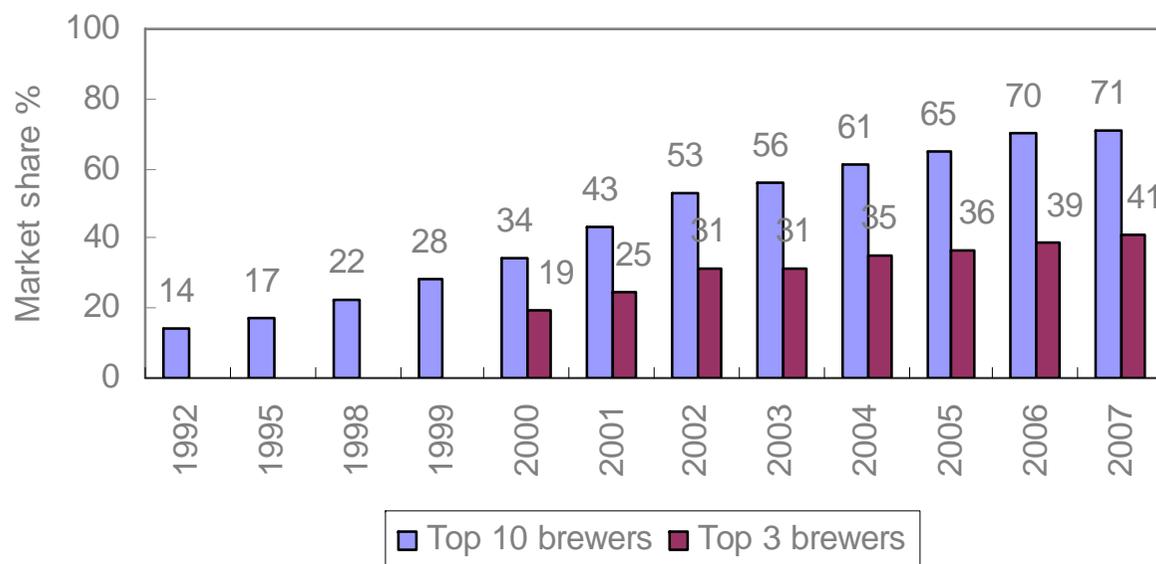
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## The Market Opportunities

- Market consolidation is taking effect with the top 10 accounting for about 71% of the market last year, compared with 14% in 1992
- Market share of the top three has increased from 19% in 2000 to around 41% in 2007

### Market share of the top 10 brewers in China



Note: 2007 figures are estimates based on the actual first nine months data

Source: Annual Reports, China Statistical Yearbook, CR Snow

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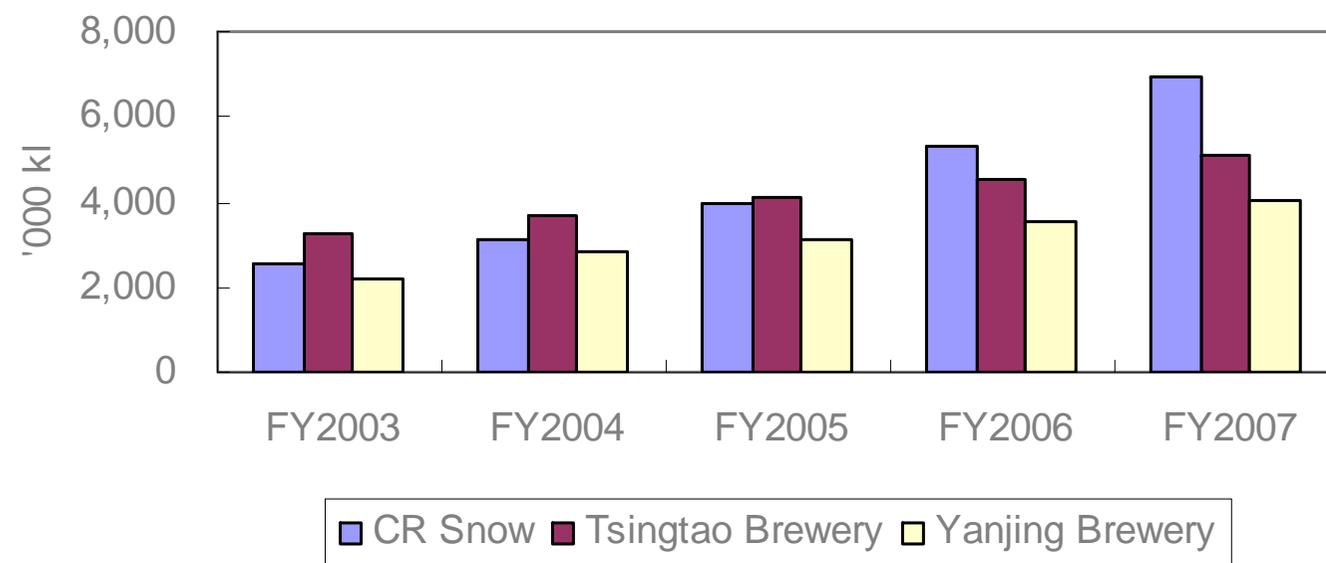




## A Momentous 2007

- And the momentum is accelerating

### Rapid growth of CR Snow



Source: CR Snow, Annual Reports and JP Morgan

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## A Momentous 2007

- SNOW is well poised to become the largest brand in the world - Bud Light and Budweiser are two different brands with sales volume of 5.11m kl and 4.44m kl respectively in 2007

### Top 10 global brands in terms of sales volume for 2006

Ranking	Brand	Owner	Volume '000 kl	Share %
1	Budweiser (incl Bud Light)	A-B	9,054	5.4
	<b>SNOW (2007)</b>	<b>CR Snow</b>	<b>5,120</b>	
2	Skol	InBev	3,285	2.0
3	Corona	Grupo Modelo	3,184	1.9
4	<b>SNOW (2006)</b>	<b>CR Snow</b>	<b>3,037</b>	1.8
5	Brahma	InBev	2,501	1.5
6	Heinken	Heinken	2,475	1.5
7	Coors	Molson Coors	2,360	1.4
8	Miller Lite	SABMiller	2,169	1.3
9	Asahi Super Dry	Asahi	1,756	1.1
10	Tsingtao	Tsingtao	1,630	1.0
	<b>Top 10</b>		<b>31,452</b>	<b>18.8</b>
	Others		135,629	81.2
	<b>World Volumes</b>		<b>167,081</b>	<b>100.0</b>



Source: Canadean, annual reports

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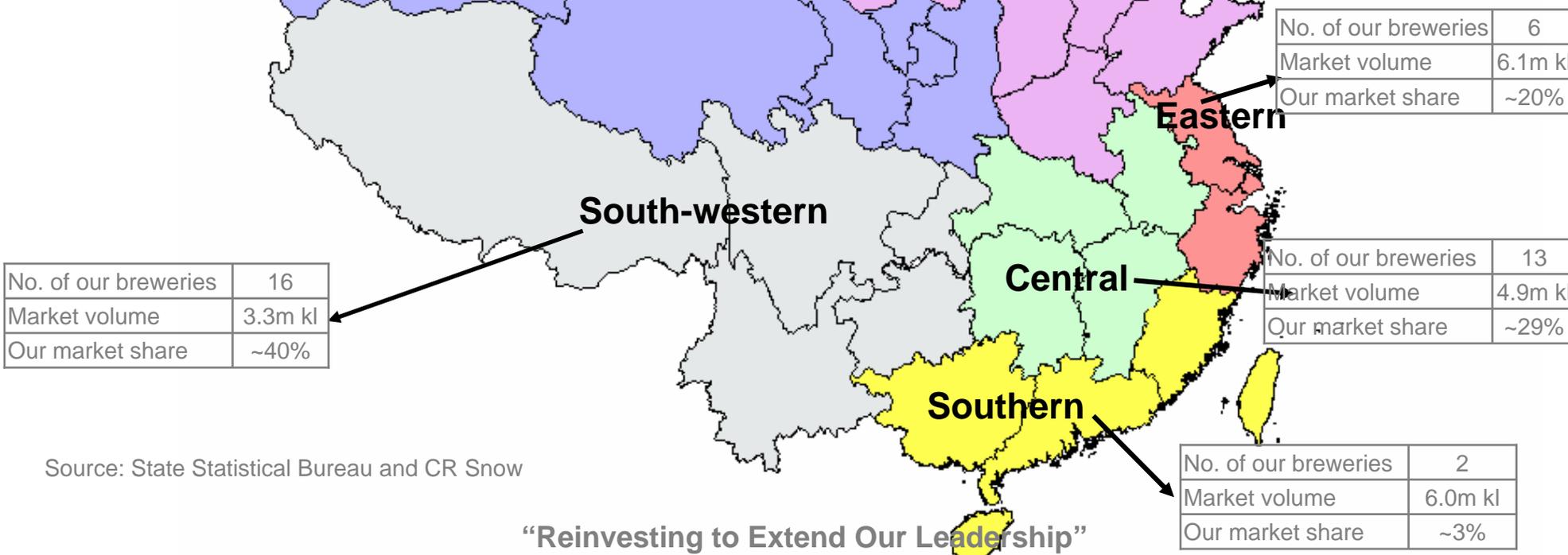
# A Three-pronged Approach for Expansion

## Nationwide market share of CR Snow by region

No. of our breweries	1
Market volume	1.7m kl
Our market share	<1%

No. of our breweries	6
Market volume	12.1m kl
Our market share	~5%

No. of our breweries	14
Market volume	5.2m kl
Our market share	~43%



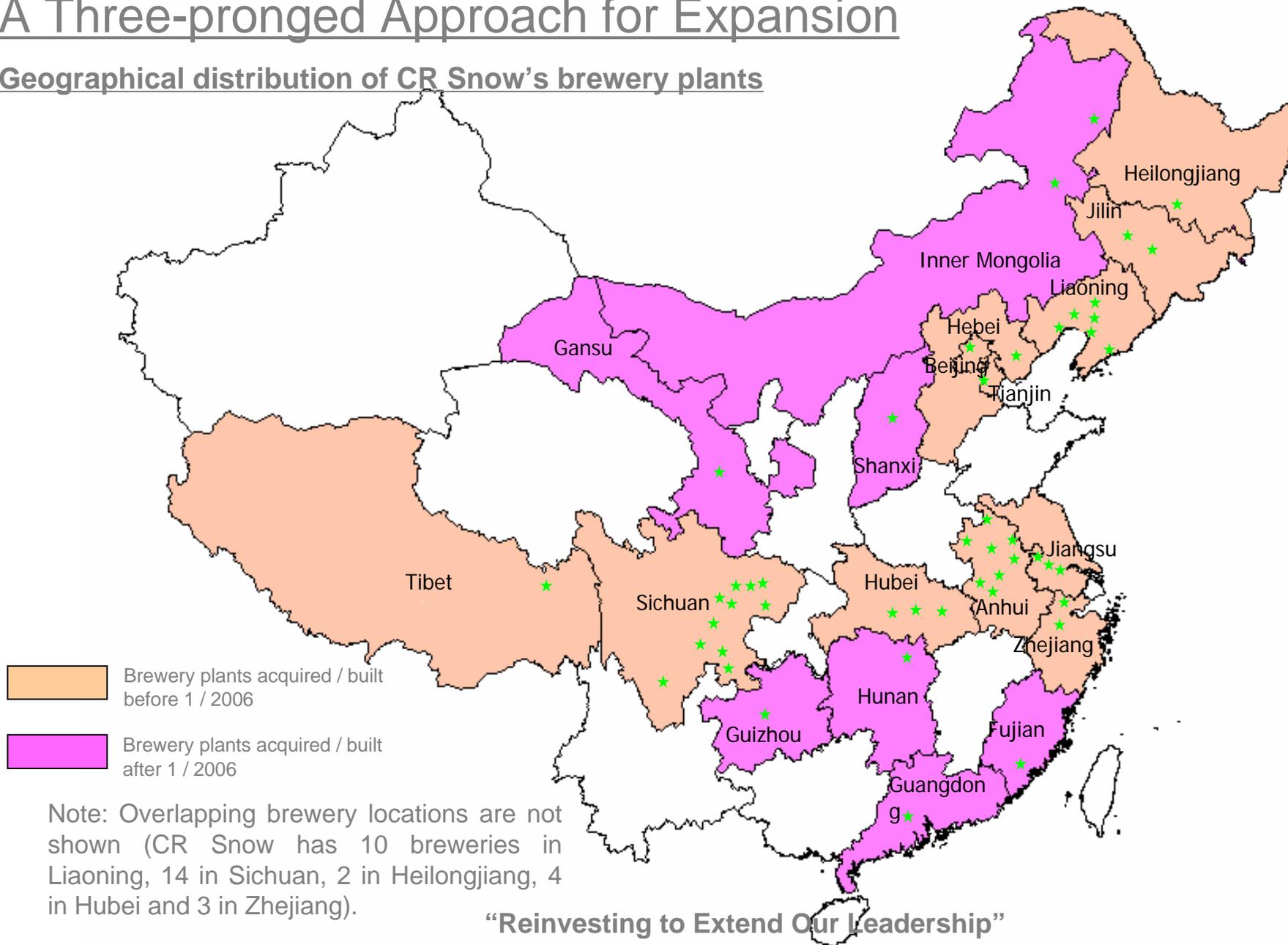
Source: State Statistical Bureau and CR Snow

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# A Three-pronged Approach for Expansion

## Geographical distribution of CR Snow's brewery plants

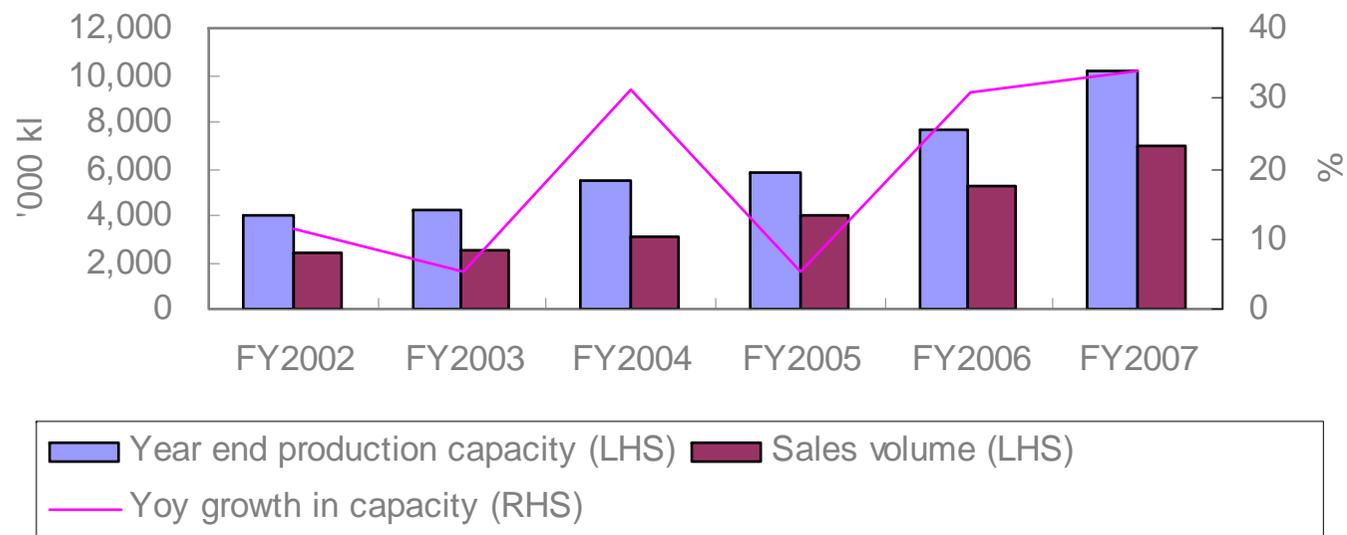




## A Three-pronged Approach for Expansion

- We have started to spread our brewery network along the coastal line and Yangtze River into the neighboring areas
- Our sales efforts in the tier-1 cities will also be stepped up
- A three-pronged approach has been adopted to grow production capacity through acquisition, greenfield investment and capacity upgrade

### Expansion in production capacity matched by growth in sales volume



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## Peer Comparison

- Acquisition of the Blue Sword minorities has boosted profitability
- Although net margin increased, return ratios dropped in 2007 due to higher gearing and capital injection for expansion

### Peer comparison using FY2006 operational data

	Tsingtao	Yanjing	Kingway	CR Snow	CR Snow
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<u>Performance:</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2006</u>	<u>FY2006</u>	<u>FY2007</u>
Beer sales volume (kl)	4,540,000	4,020,000	636,272	5,305,445	6,935,084
Beer production capacity (kl)	na	na	na	7,612,000	10,201,000
Turnover	11,390	7,636	1,408	9,455	12,686
EBIT	617	660	131	753	832
EBIT margin (%)	5.4	8.6	9.3	8.0	6.6
Earnings	437	421	110	347	508
Net margin (%)	3.8	5.5	7.8	3.7	4.0
ROE (%)	8.5	7.4	5.7	4.9	4.6
ROCE (%)	9.8	7.1	4.9	8.0	5.0

Note: Adjustments were made for the difference in accounting standards between different companies.

Tsingtao's earnings included RMB37m of land disposal profit.

CR Snow's data include water operation upto May 2007.

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## Part IV – Food: China Operations Gain in Strength

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## More A Driver than A Cash Cow

- Private labels accounted for about 38% of last year's turnover

### Major private labels

#### Private label

Ng Fung / COF

CNFC / Golden Ocean / Silver Ocean / Blue Ocean

#### Products

Fresh meat, rice, rice noodles, fruits, wine, eggs, frozen food, canned food and preserved meat

Fish and aquatic products

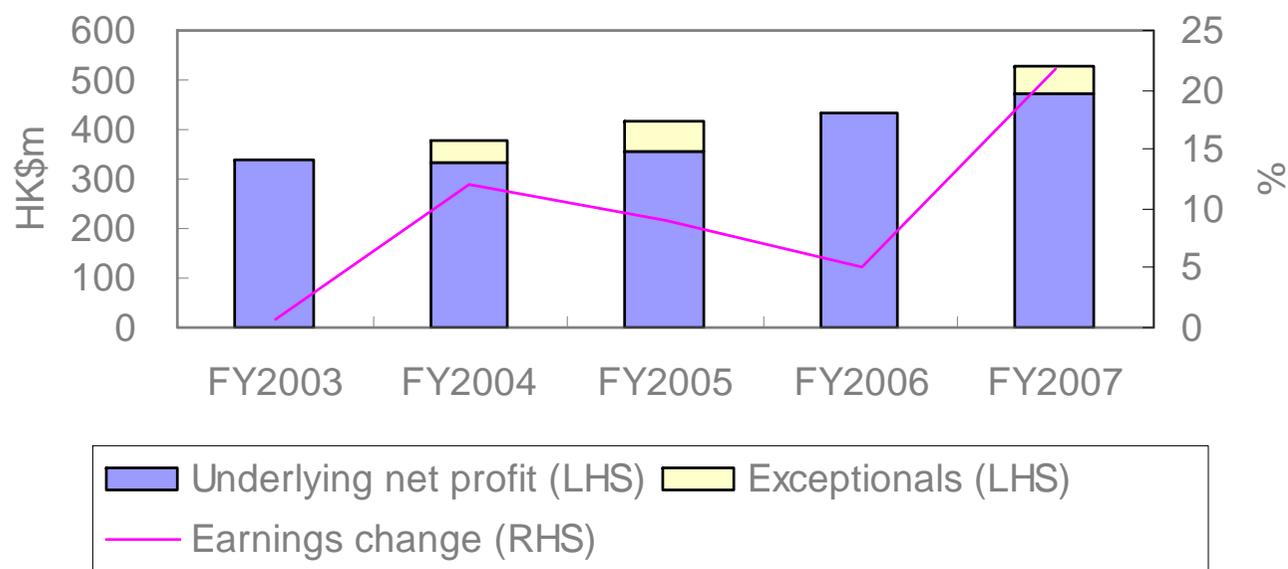
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## More A Driver than A Cash Cow

- 22% earnings growth in FY2007 with 8% underlying growth despite the increased competition, cost pressure and supply shortage in livestock distribution
- This was the highest in recent years boosted by the profit from the disposal of shares in two mainland listed minority interests

### Earnings and underlying net profit



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# More A Driver than A Cash Cow

## Turnover breakdown

Year end 31 Dec	FY2007 HK\$m	FY2006 HK\$m	% change
Foodstuff distribution	4,987	4,285	+16
Abattoir and meat processing	1,173	757	+55
Marine fishing and aquatic products processing	1,378	1,187	+16
Inter-co transactions	(158)	(137)	na
	7,381	6,092	+21

## Operating profit breakdown

Year end 31 Dec	FY2007 HK\$m	FY2006 HK\$m	% change
Foodstuff distribution	444	454	-2
Abattoir and meat processing	100	93	+7
Marine fishing and aquatic products processing	27	20	+34
	571	567	+1

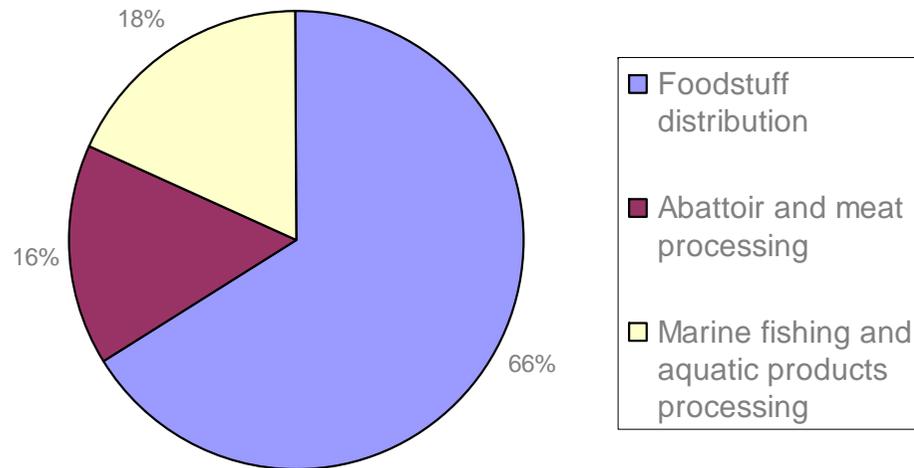
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# More A Driver than A Cash Cow

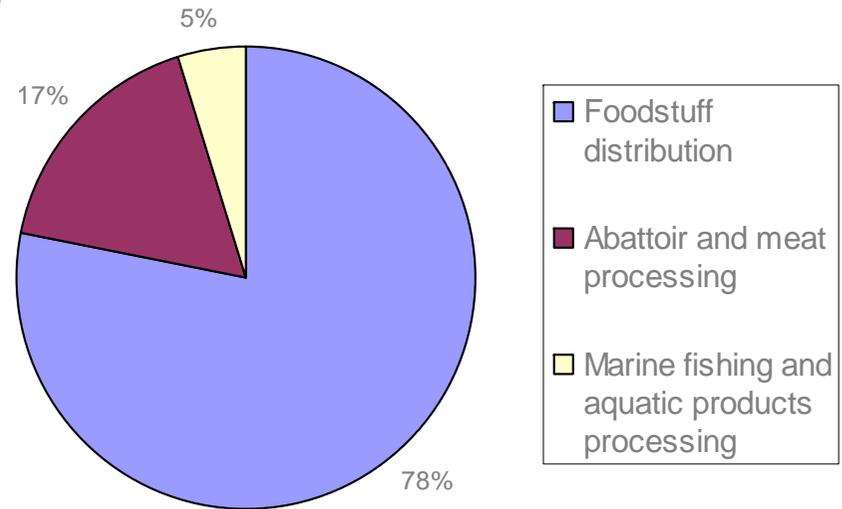
Turnover breakdown by division

FY2007



Operating profit breakdown by division

FY2007



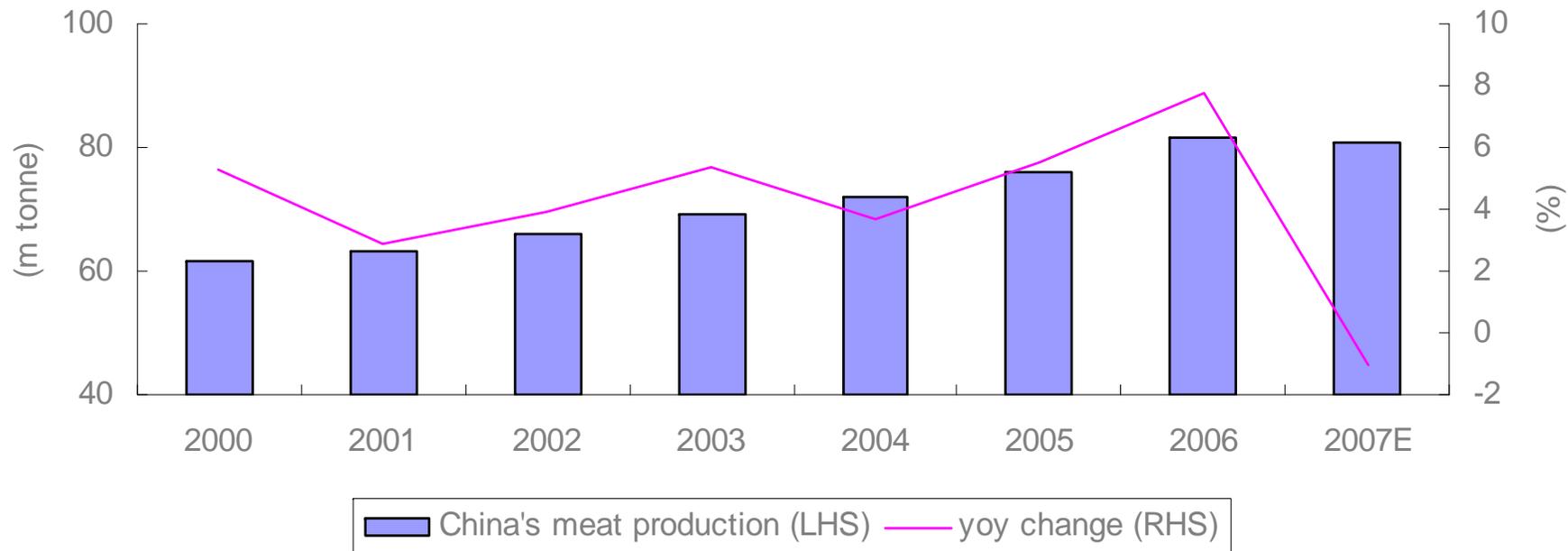
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## China Meat Market Overview

- China consumed about 81m tonnes of meat in 2007, 1% decline from 2006 as there was a supply shortage
- Nevertheless, its meat consumption is still the highest in the world, accounting for about 29% of the global consumption

### Meat consumption in China



Source: USDA, FAO

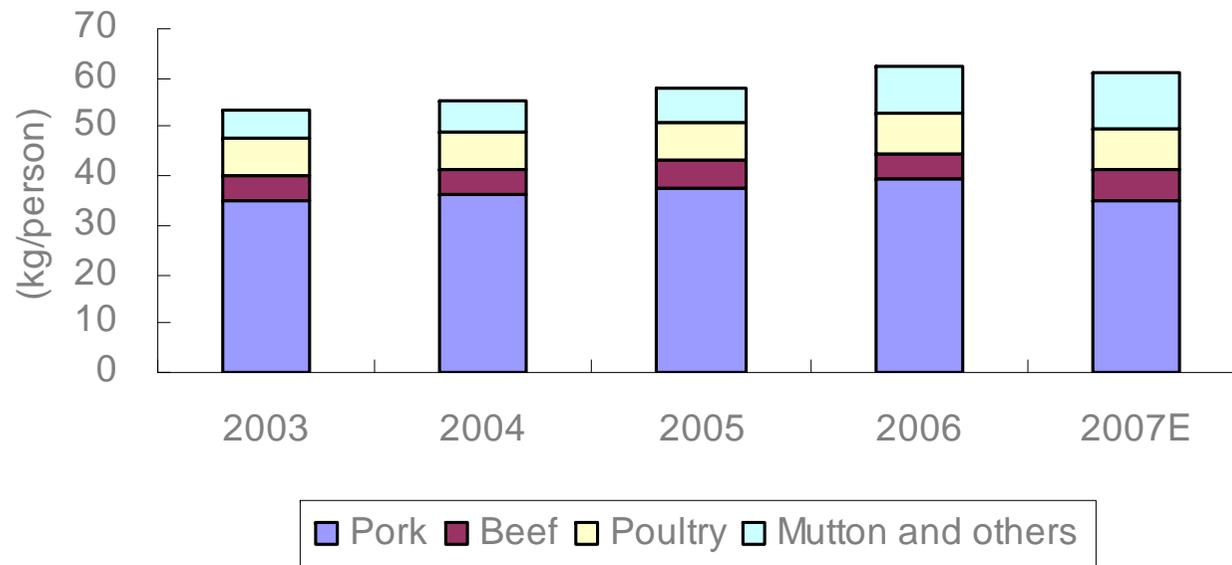
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## China Meat Market Overview

- Pork accounts for about 65% of the total meat consumption in China

### Meat consumption per capita of China



Source: FAO, USDA and China Statistical Year Book

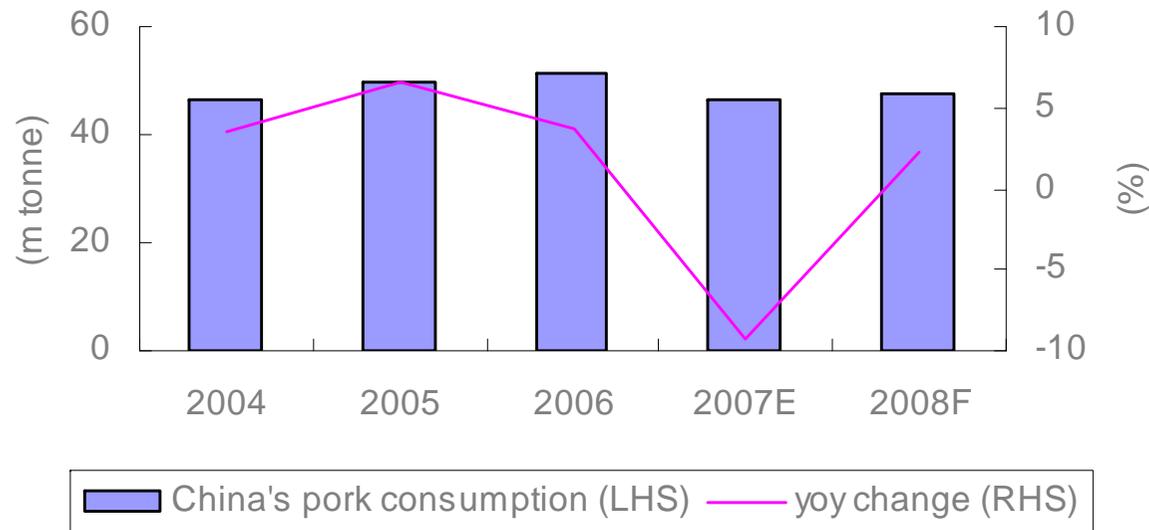
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## China Meat Market Overview

- Meat consumption per capita in China is low on an international scale
- Improving living standards in China will boost pork consumption and close the gap with more developed countries

### Pork consumption in China



Source: FAO

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# Rising Contribution from Mainland Investments

## Contribution of the mainland meat processing projects

	Turnover HK\$m	Operating profit HK\$m	Attr earnings to CRE HK\$m
<b><u>FY2007</u></b>			
Shenzhen (70% stake)	324	37	61*
Shanghai (51% stake)	545	14	6
Hangzhou (65% stake) **	120	10	6
	990	61	73
<b><u>FY2006</u></b>			
Shenzhen (70% stake)	263	31	16
Shanghai (51% stake)	286	1	0
Hangzhou (65% stake) **			
	548	32	16
% change in FY2007	+81	+91	+356
% of food business in FY2007	13	11	14

\* Including a provision write-back

\*\* Two months' contribution

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## Rising Contribution from Mainland Investments

We will strengthen our mainland platform via: -

- Continue to invest in the abattoirs in the major cities
- Enter the processed meat business to extend the value chain
- Develop an extensive distribution network from wholesaling to retailing
- “Ng Fung” (五豐) brand will be further developed on the mainland taking advantage of its premium image established in Hong Kong

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# Peer Comparison

- Comparable profitability but we are mainly in fresh meat and capital cities

## Peer comparison using FY2006 operational data

	Yurun HK\$m	Shuanghui HK\$m	People's Food HK\$m	CRE HK\$m	CRE HK\$m
<u>Performance:</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2007</u>	<u>FY2006</u>	<u>FY2007</u>
Raw meat / processed meat (%)	72:28	41:59	58:42	>95% raw	>95% raw
Key pork products	raw: chilled, frozen processed: HTMP, LTMP	raw: chilled, frozen processed: HTMP, LTMP	raw: chilled, frozen processed: HTMP, LTMP	raw: fresh, chilled	raw: fresh, chilled
Slaughtering capacity (m heads)	10	15	na	7	7
Slaughtering volume (m heads)	7	5	na	3	3
Meat processing capacity (m tonnes)	0.2	2	na	negl	negl
Geographical focus	north-eastern, eastern, south- western	eastern, central, western	north-eastern, eastern, southern	tier-one cities	tier-one cities
Turnover	4,605	22,432	9,100	6,092	7,381
Gross margin (%)	15.4	8.6	7.9	18.5	16.2
EBITDA	517	1,083	876	703	841
EBITDA margin (%)	11.2	4.8	9.6	11.5	11.4
Earnings	477	577	504	435	530
Net margin (%)	10.4	2.6	5.5	7.1	7.2
ROE (%)	19.4	25.8	11.2	24.4	21.6
ROCE (%)	18.8	32.0	13.9	18.9	17.5

Note: Adjustments were made for the difference in accounting standards between different companies. Some data were from Goldman Sachs

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## Appendix I – Definition of Our Supermarket Format (cont'd)

<u>Suguo</u>	<u>Hypermarket</u>	<u>Superstore</u>	<u>Standard supermarket</u>	<u>Convenience store</u>
Size	7,300-18,000 sm	av 4,000 sm	av 500 sm	av 100 sm
Assortment	20,000 SKU	7,200 SKU	5,200 SKU	3,200 SKU
Product mix	50% food, 50% non food	55% food, 45% non food	53% food, 47% non food	65% food, 35% non food
Location of stores	Jiangsu, Anhui	Jiangsu, Anhui	Jiangsu, Anhui	Jiangsu, Anhui
Penetration	Properous commercial districts	Residential districts	Main roads and city outskirts	Scattered in the Nanjing city
Strategies	One-stop shopping	One-stop shopping for residents in small districts	Fill the gap of superstore and convenience store	Provide convenience with its extensive coverage

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## Appendix II – Location of Our Supermarkets

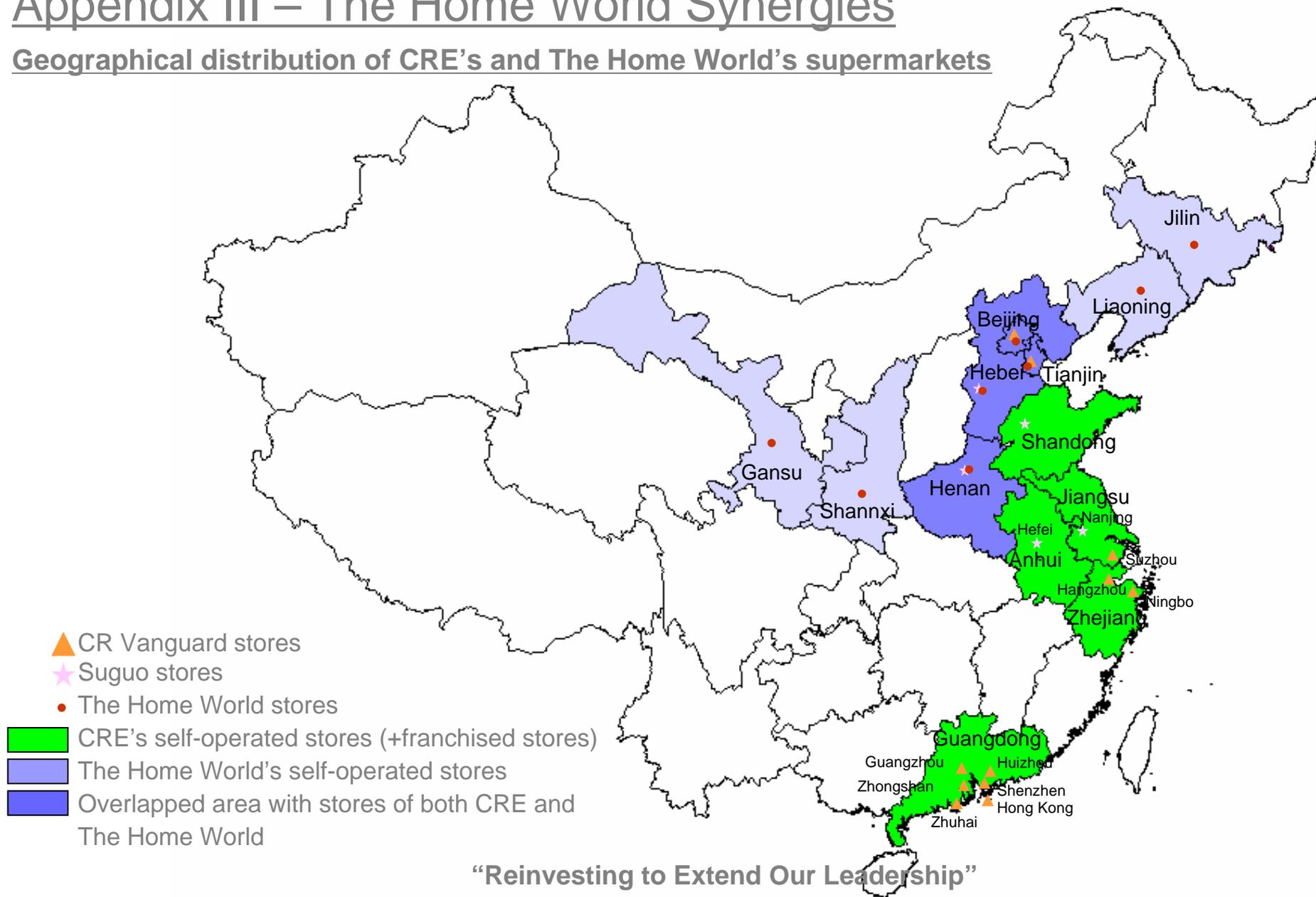
No of stores	31-Dec-07		30-Jun-07		31-Dec-06	
	Self	Franchised	Self	Franchised	Self	Franchised
<b>I) Hypermarkets / Olé</b>						
- Southern China	30		26		20	
- Eastern China	36		25		15	
- Central China	7		5		3	
- Northern China	11		8		4	
	84		64		42	
<b>II) Superstores</b>						
- Southern China	10		11		15	
- Eastern China	136	44	137	52	128	
- Central China	16		16		14	
- Northern China					23	
	162	44	164	52	180	
<b>III) Standard supermarkets</b>						
- Hong Kong	98		96		98	
- Southern China	151	63	134	60	122	54
- Eastern China	211	888	196	797	184	898
- Central China	16	149	16	136	12	140
- Northern China	129	20	118	22	92	27
	605	1,120	560	1,015	508	1,119
<b>IV) Convenience stores</b>						
- Southern China	8					
- Eastern China	314	8	284	2	268	
- Central China	44		39		30	
	366	8	323	2	298	
<b>Overall</b>						
- Hong Kong	98		96		98	
- China	1,119	1,172	1,015	1,069	930	1,119
	<b>2,389</b>		<b>2,180</b>		<b>2,147</b>	

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# Appendix III – The Home World Synergies

## Geographical distribution of CRE's and The Home World's supermarkets





## Appendix IV – Sales Volume by Brewery

Year end 31 Dec	Province	Districts	No. of breweries	FY2007 '000 k liter	FY2006 '000 k liter	% change
<b><i>I) Breweries owned prior to FY2006</i></b>						
Liaoning		North East	8	1,235	1,029	+20
Sichuan		South West	13	1,201	1,175	+2
Anhui		Central	5	772	672	+15
Heilongjiang / Jilin / Changchun		North East	3	788	754	+4
Beijing / Tianjin / Hebei		North	3	443	336	+32
Hubei		Central	4	508	438	+16
Zhejiang		East	1	462	356	+30
Jiangsu		East	3	493	328	+50
Tibet / Qinghai		West	1	47	42	+12
Guangdong		South	1	148	59	+151
<b><i>II) Breweries owned since FY2006</i></b>						
Quanzhou (Qingyuan)	Fujian	South East	1	50	15	+241
Xiling (relocation) / Haiyan (Yinyan)	Zhejiang	East	2	252	141	+79
Heilongjiang (greenfield)	Heilongjiang	North	1	141		na
Huaibei (Xiangwang) / Chuzhou (Shengli) / Wuhe (Wanpi)	Anhui	Central	3	130	16	+696
Ulanhot (Mengyuan) / Morin Dawa (Batehan)	Inner Mongolia	North	2	100		na
Jinzhou (Yueshan)	Shanxi	North	1	50		na
Xichang (greenfield)	Sichuan	South West	1	47		na
Guizhou (Blue Sword)	Guizhou	South West	1	50		
Huludao (Juhua) / Dandong (Yalujiang)	Liaoning	North East	2	75		
Yueyang (Xinghua)	Hunan	Central	1	20		
Lanzhou	Gansu	North West	1	2		
Less: inter-co transactions and others				(78)	(56)	
			58	6,935	5,305	+31
Existing breweries (incl sales in other districts)				6,271	5,289	+19

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## Appendix V – SNOW’s Packaging (selective)



New



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