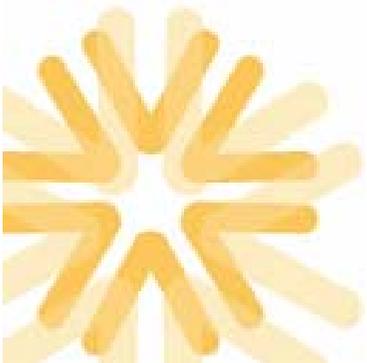


China Resources Enterprise, Limited

Financial and Operational Review

Q3 2008

19 November 2008





Q3 2008 Review Highlights

- For the first nine months of 2008, continuing operations reported turnover and earnings of HK\$50.1bn and HK\$2,159m respectively, representing increases of 29% and 12% over those of last year
- Underlying net profit from continuing operations was up 4% to HK\$1,633m driven by the 7% profit growth of the core businesses
- Earnings contribution from retail business rose by 27% to HK\$506m with growth in all divisions
- Beverage business reported a 22% earnings growth to HK\$447m with sales volume of beer and water rose by 5% and 23% respectively
- Earnings of food business went down by 30%, mainly due to continued deterioration of Hong Kong livestock distribution business
- Textile business recorded a 19% drop in earnings in a challenging market
- Excluding the effect of property revaluation and change in tax rate, underlying net profit of investment properties increased by 25%

Summary of Q3 2008 Results



Results Summary

- As the petroleum business was completely divested at the end of H1 2007 with no contribution during the period under review, the analysis below represents only the continuing operations

Year end 31 Dec	Sep ytd 2008 HK\$m	Sep ytd 2007 HK\$m	% change
Turnover - continuing operations	50,141	38,777	+29
Earnings - continuing operations	2,159	1,926	+12
Underlying net profit * - continuing operations	1,633	1,567	+4
EPS (HK¢) - continuing operations	90	81	+11

* Earnings excluding the after-tax effect of investment property revaluation and major disposals which led to aggregate gains of HK\$526m and HK\$359m (excl. HK\$2,393m from disposing petroleum business) in Sep ytd 2008 and Sep ytd 2007 respectively

Summary of Q3 2008 Results



Turnover Breakdown - by Divisions

Year end 31 Dec	Sep ytd 2008 HK\$m	Prop (%)	Sep ytd 2007 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	26,206	52	18,930	49	+38
Beverage	14,404	29	10,878	28	+32
Food processing and distribution	5,802	12	5,360	14	+8
Textile	3,687	7	3,526	9	+5
Investment property	325	1	277	1	+17
	50,424	100	38,971	100	+29
<u>Other businesses</u>					
Investment & others					
	50,424	100	38,971	100	+29
Less: inter-co transactions	(283)		(194)		+46
Turnover - continuing operations	50,141		38,777		+29
<u>Discontinued operation</u>					
Petroleum			10,610		
Turnover - total	50,141		49,387		+2

Summary of Q3 2008 Results



Earnings Breakdown - by Divisions

Year end 31 Dec	Sep ytd 2008 HK\$m	Prop (%)	Sep ytd 2007 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	506	22	400	19	+27
Beverage	447	19	366	18	+22
Food processing and distribution	265	11	381	18	-30
Textile	90	4	111	5	-19
Investment property	700	30	485	23	+44
	2,008	87	1,743	84	+15
<u>Other businesses</u>					
Investment & others	305	13	325	16	-6
	2,313	100	2,068	100	+12
Net corporate interest & expenses	(154)		(142)		+8
Earnings - continuing operations	2,159		1,926		+12
<u>Discontinued operation</u>					
Petroleum			2,576		
Earnings - total	2,159		4,502		-52

Summary of Q3 2008 Results



Underlying Net Profit Breakdown - by Divisions

Year end 31 Dec	Sep ytd 2008 HK\$m	Prop (%)	Sep ytd 2007 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	503	28	384	22	+31
Beverage	447	25	366	21	+22
Food processing and distribution	181	10	367	21	-51
Textile	87	5	97	6	-10
Investment property	264	15	170	10	+55
	1,482	83	1,384	81	+7
<u>Other businesses</u>					
Investment & others	305	17	325	19	-6
	1,787	100	1,709	100	+5
Net corporate interest & expenses	(154)		(142)		+8
Underlying net profit - continuing operations	1,633		1,567		+4
<u>Discontinued operation</u>					
Petroleum			183		
Underlying net profit - total	1,633		1,750		-7

Summary of Q3 2008 Results



Retail

- Total earnings rose by 27% to HK\$506m on a 38% rise in turnover, with profit growth among all divisions
- Supermarket accounted for 64% of total earnings

Retail business turnover and earnings breakdown

Year end 31 Dec	Sep ytd 2008 HK\$m	Sep ytd 2007 HK\$m	% <i>change</i>
Turnover			
- Supermarket	23,644	16,967	+39
- Brand-fashion	1,935	1,391	+39
- Other retail stores	627	572	+10
	26,206	18,930	+38
Earnings			
- Supermarket	324	274	+18
- Brand-fashion	135	85	+59
- Other retail stores	47	41	+15
	506	400	+27

Summary of Q3 2008 Results



Retail

Supermarket turnover, EBITDA and earnings breakdown

Year end 31 Dec	Sep ytd 2008 HK\$m	Sep ytd 2007 HK\$m	% change
Turnover			
- HK	1,851	1,684	+10
- China	21,794	15,283	+43
	23,645	16,967	+39
EBITDA			
- HK	202	173	+17
- China	892	626	+42
- option expenses	(0)	(2)	-100
	1,094	797	+37
Earnings			
- HK	135	112	+21
- China	189	164	+15
- option expenses	(0)	(2)	-100
	324	274	+18
EBITDA margin (%)			
- overall	4.6	4.7	-0.1ppt
- HK	10.9	10.3	+0.6ppt
- China	4.1	4.1	+0.0ppt
Net margin (%)			
- overall	1.4	1.6	-0.2ppt
- HK	7.3	6.7	+0.6ppt
- China	0.9	1.1	-0.2ppt

Summary of Q3 2008 Results



Retail

- Rising same store growth led by mainland operation

Same store growth trend (constant currency)

	Sep ytd 2008 %	FY2007 %	FY2006 %	FY2005 %	FY2004 %	FY2003 %
Overall supermarket	+13.9	+9.5	+5.7	+3.6	+3.7	+0.1
China	+14.5	+10.2	+6.7	+4.8	+5.9	+0.7
Hong Kong	+6.4	+2.2	-0.9	-3.2	-5.0	-1.6
Real growth * - China	+7.5	+5.4	+5.2	+3.0	+2.0	-0.5
- Hong Kong	+1.4	+0.2	-2.9	-4.2	-4.6	+1.0

* Same store growth minus inflation rate

Summary of Q3 2008 Results





Beverage

- Both beer and water operations recorded strong turnover growth with overall profit increase of 22%

Breakdown of beverage turnover and earnings

Year end 31 Dec	Sep ytd 2008 HK\$m	Sep ytd 2007 HK\$m	% change
Turnover			
- beer	13,370	10,128	+32
- water	1,034	750	+38
	14,404	10,878	+32
Attributable earnings to CRE			
- beer	361	319	+13
- water	86	47	+83
	447	366	+22



Beverage

- Existing breweries continued to show earnings improvements

Performance of existing and new brewery operations

Year end 31 Dec	Sep ytd 2008 HK\$m	Sep ytd 2007 HK\$m	% change
Turnover			
- Existing breweries (incl inter-co transactions)	12,151	9,818	+24
- New breweries	1,219	310	+293
	13,370	10,128	+32
Attributable earnings to CR Snow			
- Existing breweries (incl overheads and others)	783	659	+19
- New breweries	(71)	(6)	+1,083
	712	653	+9
Net margin			
- Existing breweries	6.4	6.7	-0.3ppt
- New breweries	(5.9)	(2.1)	-3.8ppt
	5.3	6.4	-1.1ppt

Note: New breweries are those owned after 1 January 2007

Summary of Q3 2008 Results





Textile

Turnover and earnings breakdown of the textile business

Year end 31 Dec	Sep ytd 2008 HK\$m	Sep ytd 2007 HK\$m	% change
Turnover			
- Spinning and weaving	3,069	2,842	+8
- Garment	692	818	-15
- Others and inter-co transactions	(74)	(134)	-45
	<hr/> 3,687	<hr/> 3,526	+5
Earnings			
- Spinning and weaving	16	51	-69
- Garment	38	31	+23
- Others and inter-co transactions	36	29	+24
	<hr/> 90	<hr/> 111	-19



Appendix I - Calculation of Underlying Net Profit

Year end 31 Dec	Sep ytd 2008 HK\$m	Sep ytd 2007 HK\$m
Earnings - continuing operations	2,159	1,926
<i>Adjustments</i>		
Disposal of shares in Hunan New Wellful	27	14
Disposal of shares in Fortune Ng Fung Food (Hebei)	57	
Disposal of an associated textile company		9
Investment property revaluation *	442	336
	<hr/> 526	<hr/> 359
Underlying net profit - continuing operations	1,633	1,567
Earnings - discontinued operation		2,576
<i>Adjustment</i>		
Disposal of petroleum distribution business in Hong Kong		2,393
Underlying net profit - total	1,633	1,750

* Of which HK\$436m in Sep ytd 2008 and HK\$315m in Sep ytd 2007 is under Investment Property division

Summary of Q3 2008 Results





Appendix II – Quarterly Performance

Turnover Breakdown – by Divisions

Year end 31 Dec	Q3 2008 HK\$m	Prop (%)	Q3 2007 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	8,876	48	6,493	45	+37
Beverage	6,230	34	4,595	32	+36
Food processing and distribution	1,981	11	1,919	13	+3
Textile	1,226	7	1,208	8	+1
Investment property	120	1	94	1	+28
	18,433	100	14,309	100	+29
<u>Other businesses</u>					
Investment & others					
	18,433	100	14,309	100	+29
Less: inter-co transactions	(98)		(75)		+31
Turnover – continuing operations	18,335		14,234		+29
<u>Discontinued operation</u>					
Petroleum			0		
Turnover - total	18,335		14,234		+29

Summary of Q3 2008 Results



Appendix II – Quarterly Performance

Earnings Breakdown – by Divisions

Year end 31 Dec	Q3 2008 HK\$m	Prop (%)	Q3 2007 HK\$m	Prop (%)	% change
<i>Core businesses</i>					
Retail	124	17	127	16	-2
Beverage	301	42	248	31	+21
Food processing and distribution	25	3	157	20	-84
Textile	24	3	42	5	-43
Investment property	134	19	99	12	+35
	608	84	673	84	-10
<i>Other businesses</i>					
Investment & others	115	16	127	16	-9
	723	100	800	100	-10
Net corporate interest & expenses	(52)		(35)		+49
Earnings – continuing operations	671		765		-12
<i>Discontinued operation</i>					
Petroleum			0		
Earnings - total	671		765		-12

Summary of Q3 2008 Results



Appendix II – Quarterly Performance

Underlying Net Profit Breakdown – by Divisions

Year end 31 Dec	Q3 2008 HK\$m	Prop (%)	Q3 2007 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	125	19	121	17	+3
Beverage	301	45	248	34	+21
Food processing and distribution	25	4	143	20	-83
Textile	24	4	31	4	-23
Investment property	73	11	58	8	+26
	548	83	601	83	-9
<u>Other businesses</u>					
Investment & others	115	17	127	17	-9
	663	100	728	100	-9
Net corporate interest & expenses	(52)		(35)		+49
Underlying net profit – continuing operations	611		693		-12
<u>Discontinued operation</u>					
Petroleum	0		0		
Underlying net profit - total	611		693		-12

Summary of Q3 2008 Results

