

China Resources Enterprise, Limited
Final Results 2006

Parallel Efforts with a Common Goal

4 April 2007





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Final Results 2006

Opening Note / Results Highlights

Charley Song

Chairman

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Results Highlights

- Turnover grew by 21% to HK\$65.4bn and earnings rose by 25% to HK\$2,776m, both are new highs
- Underlying net profit was up 30% to HK\$1,845m with strong organic growth across most of our operations
- Final dividend of HK\$0.26 proposed, bringing the full year dividend to HK\$1.4, a 2.7 times increase from last year
- Earnings contribution from retail business soared 103% to HK\$217m underpinned by supermarket division
- Beverage business reported a 28% earnings growth with beer sales volume of 5.3m kl, the highest for a single brewer on the mainland
- Underlying profits of food and investment property businesses rose by 23% and 18% respectively
- Petroleum business recorded a 26% underlying profit growth and a total disposal gain of HK\$482m

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Financial Summary

Francis Kwong

Deputy Managing Director

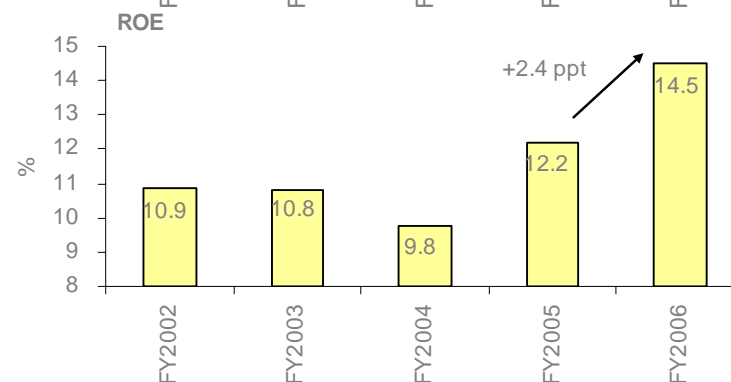
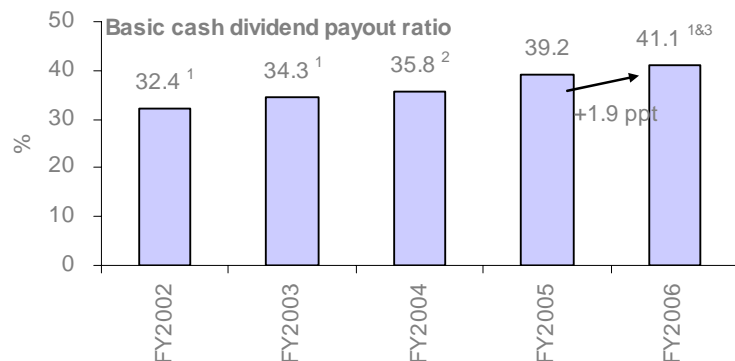
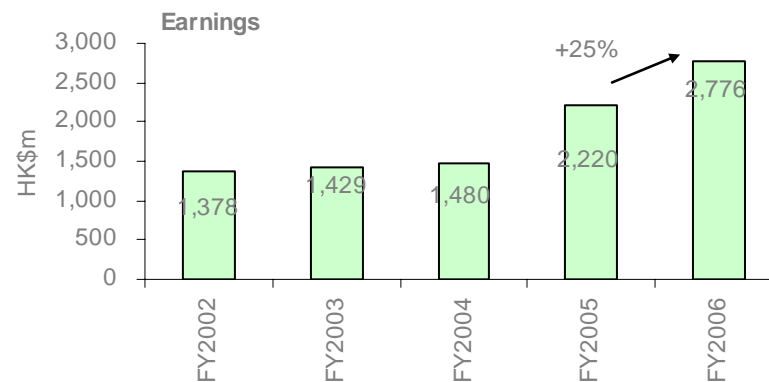
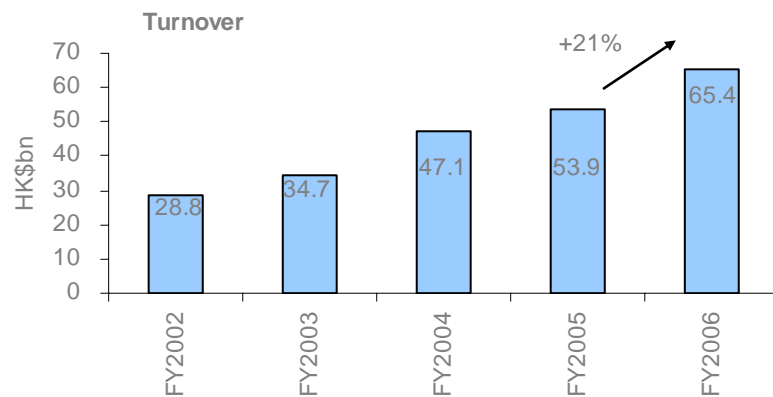
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Five-year Trend

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



Note 1: The chart has excluded the distribution of special dividends of HK\$0.25 per share in cash in 2002, one share in China Resources Cement Holdings Limited for every ten shares of the Company in 2003 in specie and HK\$1 per share in cash in 2006.

Note 2: Considering prior year adjustments with the profit attributable to shareholders of 2004 restated, the payout ratio shall be restated to 38.8%.

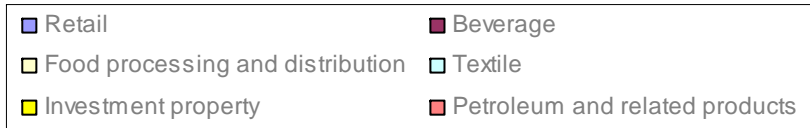
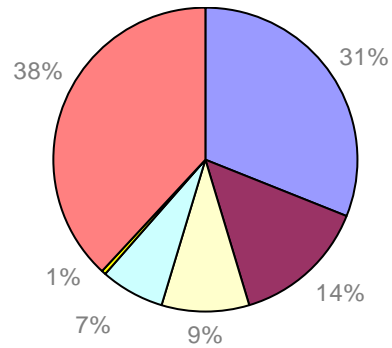
Note 3: Calculation is based on profit attributable to shareholders less the disposal gain of the piped gas and chemical distribution businesses.

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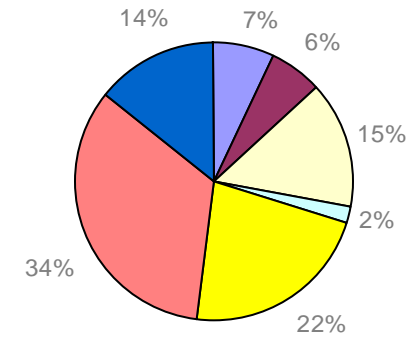


Contribution of Individual Divisions in FY2006

Turnover



Earnings



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Turnover Breakdown - by Divisions

Year end 31 Dec	FY2006 HK\$m	Prop (%)	FY2005 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	20,418	31	16,202	30	+26
Beverage	9,455	14	6,855	13	+38
Food processing and distribution	6,092	9	5,624	10	+8
Textile	4,453	7	4,291	8	+4
Investment property	349	1	299	0	+17
<u>Other businesses</u>					
Petroleum and related products	25,100	38	20,847	39	+20
	65,867	100	54,118	100	+22
Less: inter-co transactions	(430)		(227)		+89
Turnover	65,437		53,891		+21
Turnover from core businesses	40,767	62	33,271	61	+23

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Earnings Breakdown – by Divisions

Year end 31 Dec	FY2006 HK\$m	Prop (%)	FY2005 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	217	7	107	4	+103
Beverage	174	6	136	6	+28
Food processing and distribution	435	15	414	17	+5
Textile	61	2	81	3	-25
Investment property	647	22	690	29	-6
<u>Other businesses</u>					
Petroleum and related products	1,002	34	624	26	+61
Investment & others	421	14	356	15	+18
	2,957	100	2,408	100	+23
Net corporate interest & expenses	(181)		(188)		-4
Earnings	2,776		2,220		+25
Earnings from core businesses	1,534	52	1,428	59	+7

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Underlying Net Profit Breakdown– by Divisions

Year end 31 Dec	FY2006 HK\$m	Prop (%)	FY2005 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	203	10	90	6	+126
Beverage	174	8	136	8	+28
Food processing and distribution	435	21	355	22	+23
Textile	59	3	78	5	-24
Investment property	215	11	182	11	+18
<u>Other businesses</u>					
Petroleum and related products	519	26	411	26	+26
Investment & others	421	21	356	22	+18
	2,026	100	1,608	100	+26
Net corporate interest & expenses	(181)		(188)		-4
Underlying net profit	1,845		1,420		+30
Underlying net profit from core businesses	1,086	54	841	52	+29

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EBITDA Breakdown - by Divisions

Year end 31 Dec	FY2006 HK\$m	Prop (%)	FY2005 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	1,044	18	756	16	+38
Beverage	1,306	23	1,056	22	+24
Food processing and distribution	703	12	630	13	+12
Textile	346	6	343	7	+1
Investment property	783	14	815	17	-4
<u>Other businesses</u>					
Petroleum and related products	1,273	22	961	20	+32
Investment, overheads & others	253	4	279	6	-9
EBITDA	5,708	100	4,840	100	+18
EBITDA from core businesses	4,182	73	3,600	74	+16

Note: EBITDAs above include associates' profits

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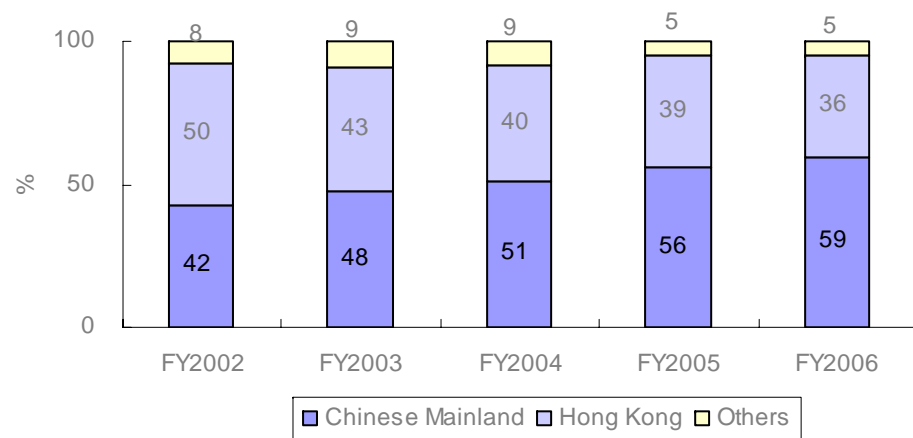




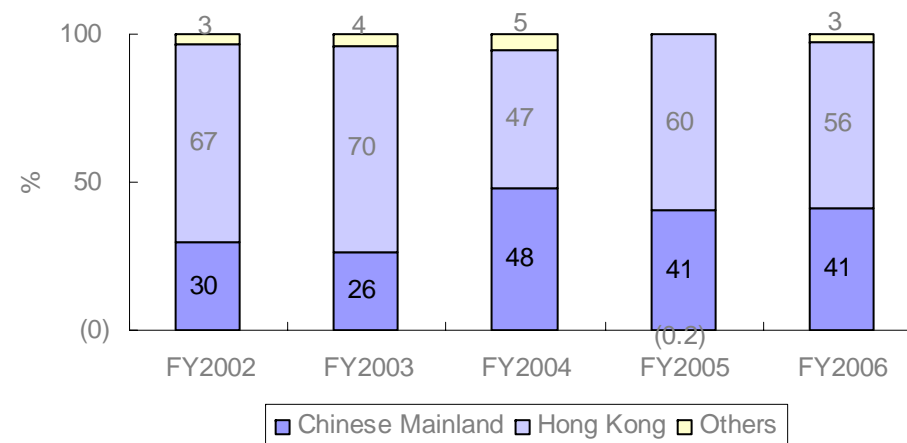
Geographical Breakdown of Turnover and Profit

- The proportion of turnover from mainland China rose to 59% whilst that of profit before tax was steady at 41%

Turnover



Profit before tax



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Operating Environment

Market in 2006

Mainland China

(nominal GDP growth 13.9%)

- Retail - retail sales grew 13.7% to RMB7.6tn
- Brewery - production volume grew 14.7% to 35.2m kl
- Textile - production of cotton yarns and fabrics increased by 21.9% and 19.8%

Hong Kong

(nominal GDP growth of 6.5%)

- Retail - retail sales surged 7.3% of which
 - supermarket sales increased by 4.2%
 - department store sales increased by 8.1%
 - Chinese drugs and herbs sales up 3.6%
- Food - locally produced and imported live pigs and cattle amounted to about 2.0m heads

CRE's business in 2006

- turnover of supermarkets up 28.7%
- turnover of brand fashion distribution up 11.1%
- brewery sales volume up 34.4% to 5.31m kl
- production of cotton yarns and fabrics decreased by 1.8% and 6.9% respectively*
- turnover of supermarkets up 0.9%
- turnover of Chinese Arts & Crafts up 4.9%
- turnover of CR Care down up 1.9%
- distributed 1.6m heads of pig and cattle from mainland China into Hong Kong

* We replaced volume based low end machinery with high end ones focusing on quality. This caused a slower volume growth than the overall market

Source: Census & Statistics Dept., HK SAR Government, National Bureau of Statistics of China

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Key Financial Data

- A strong balance sheet with net debt to equity remains low at 9%
- Capex amounted to about HK\$3.6bn and the majority was incurred in the retail and beverage businesses

Year end 31 Dec	FY2006 HK\$m	FY2005 HK\$m	% change
<u>P&L</u>			
Earnings	2,776	2,220	+25
Finance costs	454	440	+3
Interest income	273	173	+58
Effective tax rate (%)	17.7	19.8	-2.1ppt
<u>Balance sheet (Cont'd)</u>			
Total debt	8,837	10,209	-13
Net cash/(debt)	(1,781)	(3,283)	-46
Shareholders' equity	19,141	18,196	+5
Minority interests	5,824	4,747	+23

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Key Financial Data

Balance sheet (Cont'd)

Invested capital *	33,802	33,152	+2
Book NAV per share (HK\$)	8.12	8.15	-0
Gearing ratio (%)	7.1	14.3	-7.2ppt
Net debt to equity ratio (%)	9.3	18.0	-8.7ppt

Cashflow

EBITDA adj for associates' dividends **	5,581	4,702	+19
Capex	3,592	3,487	+3
Proceeds from major disposals	2,854	1,433	+99

Profitability ratios

ROE (%)	14.5	12.2	+2.3ppt
CFROI (%) ***	16.5	14.2	+2.3ppt

* Defined as "shareholders' equity + minority interests + total debt"

** Excluding associates' profits and adding back their dividends

*** Defined as "Adj EBITDA / Invested capital"

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Business Review

Francis Kwong

Deputy Managing Director

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Retail

- Overall encouraging improvement in profitability led by the supermarket operation

Retail business turnover and earnings breakdown

Year end 31 Dec	FY2006 HK\$m	FY2005 HK\$m	% <i>change</i>
Turnover			
- Supermarket	18,187	14,132	+29
- Retail stores in HK	678	672	+1
- Brand-fashion in China	1,553	1,398	+11
	20,418	16,202	+26
Earnings			
- Supermarket	152	54	+181
- Retail stores in HK	39	39	-1
- Brand-fashion in China	26	14	+86
	217	107	+102

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Retail

1. Supermarket

- Total turnover grew 29% to HK\$18.2bn driven by store openings, same store growth and acquisitions
- Overall same store growth of 8.2%, bolstered by the 9.6% increase of the mainland operation
- Earnings contribution increased by 1.8 times to HK\$152m, with improved performance mainly in mainland China, while EBITDA was up 34% to HK\$773m
- Strong same store growth, stable gross margin and lower operating expense ratio accounted for the profit growth
- Suguo's earnings contribution after goodwill and option expenses amounted to HK\$99m, compared with HK\$68m in FY2005
- Newly acquired operators, Cikelong and Yuetan, contributed 5.8% of turnover and 6.5 ppt turnover growth in FY2006

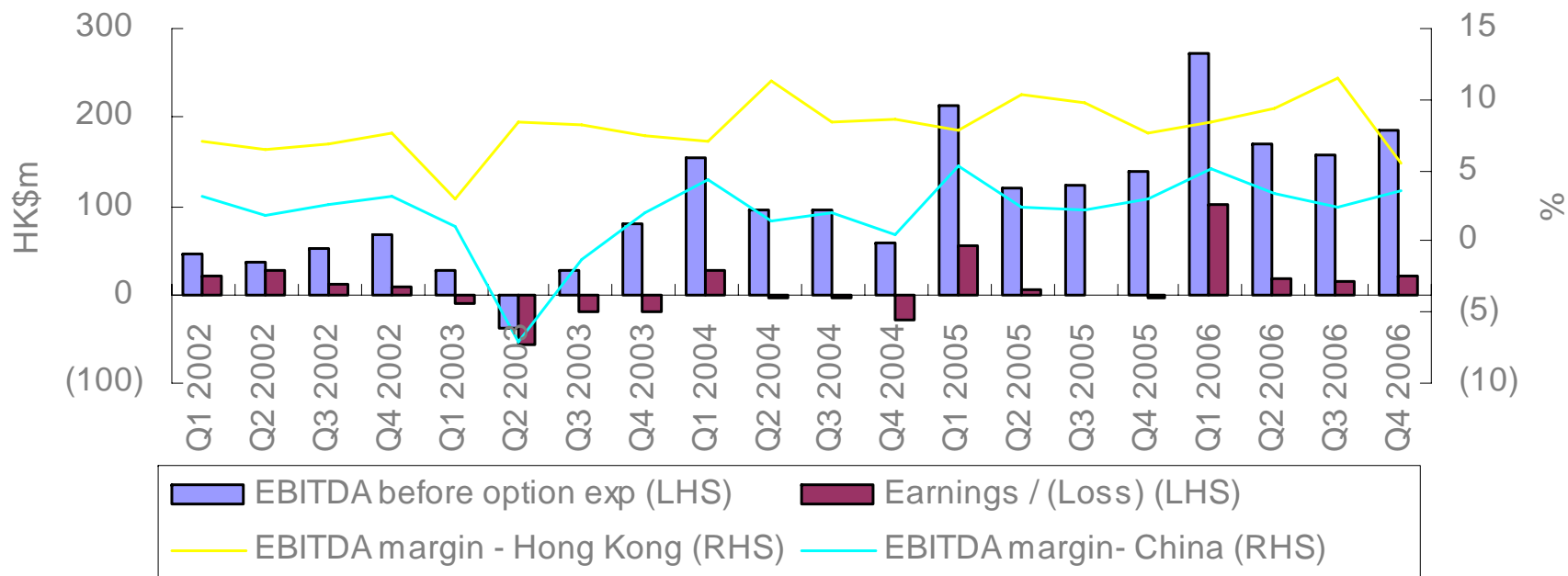
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Retail

Continuous Improvement



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Retail

Supermarket turnover, EBITDA and earnings breakdown

Year end 31 Dec	FY2006 HK\$m	FY2005 HK\$m	% change
Turnover			
- HK	2,290	2,270	+1
- China	15,897	11,862	+34
	18,187	14,132	+29
EBITDA			
- HK	200	202	-1
- China	581	394	+47
- option expenses	(8)	(20)	-61
	773	576	+34
Earnings			
- HK	107	110	-3
- China	54	(36)	na
- option expenses	(8)	(20)	-61
	152	54	+181
EBITDA margin (%)			
- overall	4.3	4.1	+0.2ppt
- HK	8.7	8.9	-0.2ppt
- China	3.7	3.3	+0.3ppt

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Retail

2. Retail stores in Hong Kong and brand-fashion in China

- Hong Kong retail business contributed earnings of HK\$39m, comparable to 2005, with significant improvement in H2 2006
- The re-opening of two CAC stores in June and August contributed to the profitability improvement
- At the end of FY2006, we operated 5 CAC stores, 3 super-sized and 34 standard-sized CR Care stores
- Brand-fashion in China reported an 84% increase in net profit to HK\$26m but number of international brands had fallen further to seven as a result of our continuous brand portfolio review
- Strong performance at Esprit with turnover growth of 34% and attributable earnings growth of 50% at the jv

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Retail

Brand-fashion business in the Chinese Mainland

	31-Dec-06		30-Jun-06		31-Dec-05	
No of self-operated stores						
No of franchised stores						
Alfred Dunhill *	0	0	0	0	29	10
ck Calvin Klein	10	1	8		1	
Esprit / Red Earth / Salon	223	509	212	476	200	461
Kenzo	1	0	10	0	11	1
Pal Zileri	4	3	9	3	7	2
Polo	3	0	3	0	3	0
ATMA	14	2	7	2	7	0
Smalto	1	3	2	3	2	2
<u>Terminated brands:</u>						
CK Jeans	0	0	2	0	6	23
Givenchy	0	0	0	0	8	0
	256	518	253	484	274	499
Total	774		737		773	

* Converted into an equity jv in 2006

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Beverage

- Turnover growth of 38% with beer sales volume increasing 34%, of which 29% was organic, to 5.3m kl
- This represented a market share of about 15.1% by sales volume, 2.2 ppt higher than that of FY2005, making us the largest brewer on the mainland
- Attributable net profit increased by 28% to HK\$174m with considerable investment on distribution channels and national branding
- Beer's average selling price increased by 2.6% to about HK\$1,654 per kl and gross margin was slightly higher
- Strong earnings performance at Liaoning and Sichuan breweries whilst Dalian and Anhui breweries also showed significant improvements
- Sales volume of our national brand, SNOW, surged by 92% to about 3.0m kl, representing 57% of the total volume sold
- Annual production capacity increased from 5.8m kl at the end of FY2005 to 7.6m kl at the end of FY2006

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Beverage

- In FY2006, nine new breweries were added including Qinhuangdao (68,000 kl), Quanzhou (130,000 kl), Tianmen (66,000 kl), Changzhou (150,000 kl), Xiling (220,000 kl), Dongguan (156,000 kl), Huaibei Xiangwang (120,000 kl), Yinyan (186,000 kl), Harbin (230,000 kl)
- The greenfield brewery in Harbin, Heilongjiang commenced trial operation earlier this year
- Our brewery network has expanded significantly into new districts including Guangdong, Fujian, Inner Mongolia, Shanxi and Guizhou

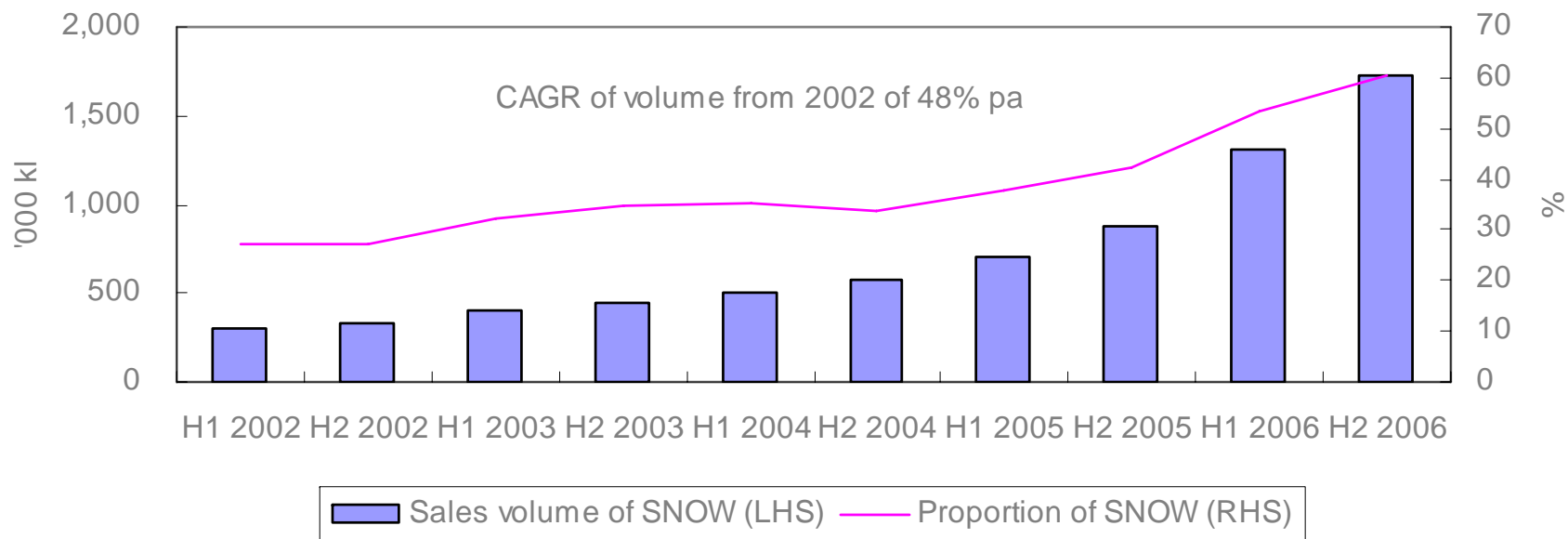
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Beverage

Sales volume of SNOW brand and its significance



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Beverage

Sales volume by brewery

Year end 31 Dec	Province	Area	No of breweries	FY2006 '000 k liter	FY2005 '000 k liter	% change
<i>I) Breweries owned prior to FY2005</i>						
Shenyang	Liaoning	North East	3	502	448	+12
Dalian	Liaoning	North East	2	254	214	+19
Anshan / Liaoyang / Panjin	Liaoning	North East	3	271	191	+41
Harbin	Heilongjiang	North East	1	356	326	+9
Jilin / Changchun	Jilin	North East	2	387	304	+27
Tianjin		North	1	179	145	+24
Beijing		North	1	126	79	+60
Blue Sword	Sichuan	South West	13	1,170	908	+29
Wuhan Dongxihu	Hubei	Central	2	381	341	+12
Anhui	Anhui	Central	4	550	421	+31
Qianjiang	Zhejiang	East	1	356	290	+23
Jiangsu	Jiangsu	East	2	291	206	+41
Qamdo	Tibet	West	1	20	15	+36
<i>II) Breweries owned since FY2005</i>						
Wuhan Yichang (part of Dongxihu)	Hubei	Central	1	36	14	+149
Fuyang	Anhui	Central	1	122	72	+70
Qinhuangdao	Hebei	North	1	23		na
Quanzhou	Fujian	South East	1	15		na
Tianmen	Hubei	Central	1	21		na
Changzhou (relocated)	Jiangsu	East	1	37		na
Xiling (relocated)	Zhejiang	East	1	92		na
Dongguan (greenfield)	Guangdong	South	1	57		na
Huaibei Xiangwang	Anhui	Central	1	16		na
Yinyan	Zhejiang	East	1	48		na
Harbin	Heilongjiang	North East	1			na
Less: inter-co transactions and others				(5)	(26)	
			47	5,305	3,948	+34
Existing breweries (incl sales in other districts)				5,073	3,947	+29

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Food Processing and Distribution

- Turnover grew by 8% and earnings increased by 5% to HK\$435m as distorted by the HK\$59m disposal gain of 2005
- Excluding that, underlying net profit would have increased by 23% driven by foodstuff distribution and marine fishing divisions
- With the favorable economic environment in Hong Kong and active promotion of "Ng Fung" brand, operating margin of foodstuff distribution improved by 1.9 ppt and operating profit rose by 20%
- Marine fishing turned around due to increase in sales volume, improved aquatic products mix and various cost saving measures
- Although local slaughtering volume fell slightly, operating profit of the abattoir division rose on the higher contribution from the mainland operation
- The two meat processing projects in Shenzhen and Shanghai contributed combined turnover of HK\$549m and operating profit of HK\$32m

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Food Processing and Distribution

Turnover breakdown of Ng Fung Hong

Year end 31 Dec	FY2006 HK\$m	FY2005 HK\$m	% change
Foodstuff distribution	3,733	3,739	-0
Food processing and stock raising	1,585	1,415	+12
Abattoir operation, transportation and others	911	592	+54
Inter-co transactions	(137)	(123)	na
	6,092	5,624	+8

Operating profit breakdown of Ng Fung Hong

Year end 31 Dec	FY2006 HK\$m	FY2005 HK\$m	% change
Foodstuff distribution	402	333	+20
Food processing and stock raising	41	(15)	na
Abattoir operation, transportation and others	127	123	+4
	570	441	+29

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Textile

- Turnover rose by 4% but earnings fell 25% to HK\$61m as the operating environment remained challenging
- Sales volume of cotton yarns decreased by 8% to 57,837 tonnes and fabrics decreased by 9% to 213m meters but the profit performance for our high-end yarn products, MAKO, was strong
- Technology upgrade contributed to respective increases of 16% and 8% in the average selling prices of yarns and fabrics
- The spinning and weaving division recorded a 58% drop in earnings as compounded by the expiry of some tax incentives, a redundancy compensation and a weak dyeing business
- Earnings contribution from the garment division increased by 6% despite a 10% reduction in sales volume

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Textile

Turnover and earnings breakdown of the textile business

Year end 31 Dec	FY2006 HK\$m	FY2005 HK\$m	% change
Turnover			
- Spinning and weaving	3,445	3,428	+0
- Garment	1,060	1,158	-8
- Others and inter-co transactions	(52)	(295)	-82
	4,453	4,291	+4
Earnings			
- Spinning and weaving	25	59	-58
- Garment	37	35	+6
- Others and inter-co transactions	(1)	(13)	-91
	61	81	-25

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Investment Property

- Gross rental income increased by 19% to HK\$345m on the back of a 6.3% increase in average retail rent and the initial contribution from the newly renovated property on Hennessy Road
- The revaluation of investment properties under Investment Property division resulted in a net gain of HK\$419m

Investment property business turnover and earnings breakdown

Year end 31 Dec	FY2006 HK\$m	FY2005 HK\$m	% change
Turnover			
- Rental properties	345	290	+19
- Others	4	9	-49
	349	299	+17
Earnings			
- Rental properties	227	295	-23
- Net revaluation gain on rental properties	419	395	+6
- Others	1	0	na
	647	690	-6

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Investment Property

- With the Hennessy Road property being leased out, average occupancy rate of our retail properties improved from 85% to 98%
- The disposal of strata-titled properties generated a net profit of HK\$13m, compared with HK\$113m last year
- The two mainland shopping malls at Jiangmen and Xinhui will bring in new revenue streams

Occupancy rates of the major rental properties (av for the year)

Year end 31 Dec	Type	-----Occupancy rates % -----	
		FY2006	FY2005
Argyle Centre	Ret	99	99
Hennessy Road	Ret	95	14
Lok Sing	Ret	100	100
Nan Fung	Ret	94	94
Silvercord	Ret	100	93
Star House	Ret	98	75

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Other Businesses

Turnover breakdown of petroleum and related products distribution

Year end 31 Dec	FY2006 HK\$m	FY2005 HK\$m	% change
Petroleum			
- Diesel	5,301	3,883	+37
- Fuel oil & ocean vessels	9,678	7,697	+26
- Jet fuel	5,348	3,913	+37
- Others	409	601	-32
LPG and piped gas	1,755	1,375	+28
Chemicals	1,905	1,761	+8
Petrol stations			
- HK	1,017	874	+16
- Mainland China	160	1,038	-85
Inter-co transactions and others	(472)	(296)	+60
Total	25,100	20,847	+20

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Other Businesses

2. Investment and others

- Hong Kong and Yantian deepwater port operations reported stable profit performance

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Final Results 2006

Prospects

Mark Chen

Managing Director

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Prospects

- 2006 was a remarkable year for our core consumer businesses with encouraging profit increase in our retail business and a major leap in the market position of our brewery business
- Underlying net profit growth of our food business was also the strongest in recent years
- Looking ahead into 2007 and beyond, our focus is on the execution of our plan to build the group into the largest consumer company in China, while divestment of the non-core assets will also continue as reflected by intended disposal of our petroleum distribution business in Hong Kong
- These parallel efforts have a common goal – to improve shareholder return
- As the mainland consumer market is huge and growing fast, we are excited about the opportunities in the years ahead

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Appendix I - Calculation of Underlying Net Profit

Year end 31 Dec	FY2006 HK\$m	FY2005 HK\$m
Earnings	2,776	2,220
<i>Adjustments</i>		
Disposal of piped gas and petrochemical businesses	482	
Disposal of a 51% stake in CR Dongguan Petrochem		65
Disposal of the residual 10.5% stake in Qingdao Qirun		85
Disposal of the 17 petrol stations in Guangdong *		75
Disposal of a 25.09% stake in Xuzhou VV Food & Beverage		59
Investment property revaluation **	436	403
Property disposals	13	113
	<hr/> 931	<hr/> 800
Underlying net profit	1,845	1,420

* Of which HK\$58m in FY2005 is under Protroleum division

** Of which HK\$419m in FY2006 and HK\$395m in FY2005 is under Investment Property division

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Appendix II - Supermarket network - CR Vanguard

No of self-operated stores	31-Dec-06		30-Jun-06		31-Dec-05	
No of franchised stores						
I) Standard supermarkets						
- Hong Kong	98		99		98	
- Beijing	7		8		10	
- Tianjin	86		84		87	
- Jiangsu + Zhejiang Province	109	56	107	57	107	57
- Guangdong Province	122	54	114	48	114	46
	422	110	412	105	416	103
II) Superstores						
- Beijing	18		18		17	
- Tianjin	5		5		5	
- Jiangsu Province	8		8		8	
- Zhejiang Province	36		25		22	
- Guangdong Province	15		14		13	
	82		70		65	
III) Hypermarkets						
- Guangdong Province	18		18		18	
	18		18		18	
IV) Olé						
- Beijing	4		4		4	
- Guangdong Province	2		2		2	
	6		6		6	
Overall						
- Hong Kong	98	0	99	0	98	0
- China	430	110	407	105	407	103
	638		611		608	

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Appendix III - Supermarket network - Suguo

No of self-operated stores	31-Dec-06		30-Jun-06		31-Dec-05	
No of franchised stores						
<i>I) Convenience stores</i>						
- Jiangsu Province	268		251		243	
- Anhui Province	30		7		9	
	298		258		252	
<i>II) Standard supermarkets</i>						
- Jiangsu Province	75	842	69	862	67	810
- Anhui Province	12	130	8	207	6	203
- Shandong Province		27		40		39
- Henan Province		7		11		11
- Hebei Province		2		3		2
- Hubei Province		1		2		2
	87	1,009	77	1,125	73	1,067
<i>III) Superstores</i>						
- Jiangsu Province	84		83		81	
- Anhui Province	14		13		13	
	98		96		94	
<i>IV) Hypermarkets</i>						
- Jiangsu Province	15		12		9	
- Anhui Province	3		3			
	18		15		9	
Overall in China	501	1,009	446	1,125	428	1,067
	1,510		1,571		1,495	
Total - Vanguard + Suguo						
- Hong Kong	98	0	99	0	98	0
- China	931	1,119	853	1,230	835	1,170
	2,148		2,182		2,103	

“Parallel Efforts with a Common Goal”



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“Parallel Efforts with a Common Goal”