

China Resources Enterprise, Limited
Final Results 2007

Forge Ahead on Consumer-led Growth



31 March 2008



Agenda

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Final Results 2007

Opening Note / Results Highlights

Mark Chen

Managing Director

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Results Highlights

- Earnings grew by 79% to HK\$4,961m and earnings per share rose by 76% 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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Financial Summary

Francis Kwong

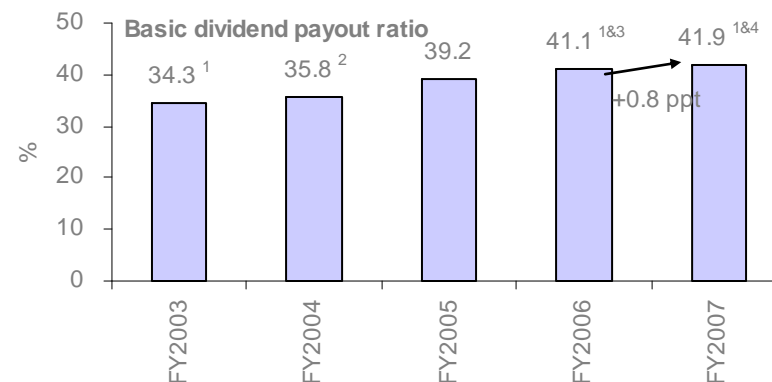
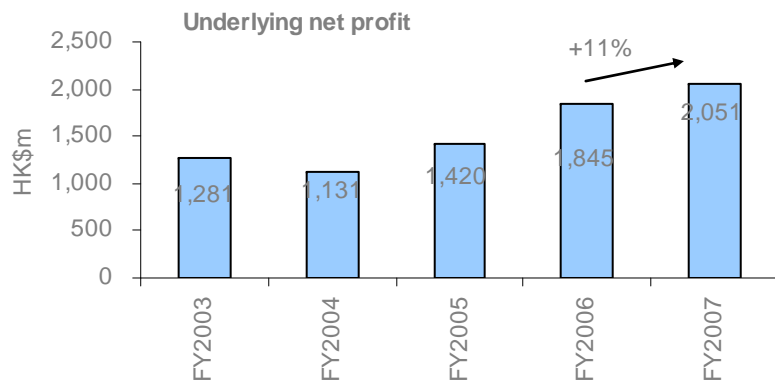
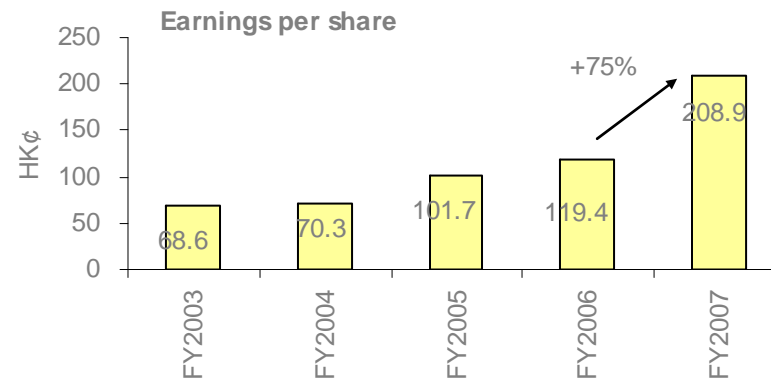
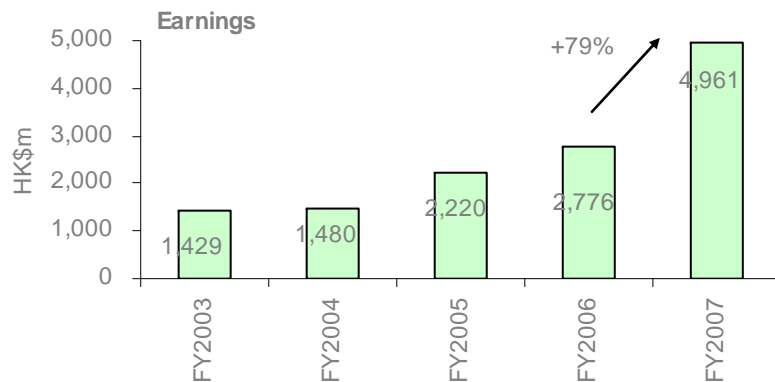
Deputy Managing Director

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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 2003 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.

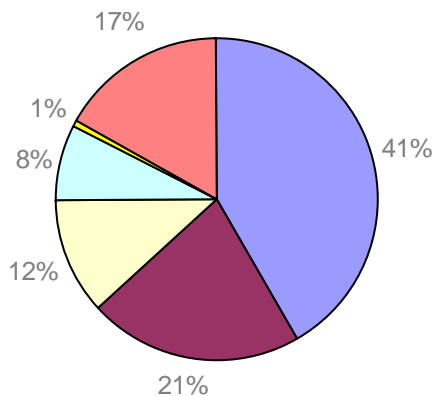
(4) Calculation is based on profit attributable to shareholders less the disposal gain of the petroleum distribution business in Hong Kong.

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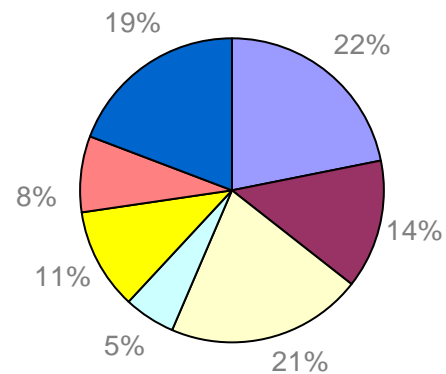


Contribution of Individual Divisions in FY2007

Turnover



Underlying Net Profit



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Turnover Breakdown - by Divisions

Year end 31 Dec	FY2007 HK\$m	Prop (%)	FY2006 HK\$m	Prop (%)	% change
<i>Core businesses</i>					
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
<i>Other businesses</i>					
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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Earnings Breakdown - by Divisions

Year end 31 Dec	FY2007 HK\$m	Prop (%)	FY2006 HK\$m	Prop (%)	% change
<i>Core businesses</i>					
Retail	521	10	217	7	+140
Beverage	303	6	174	6	+74
Food processing and distribution	531	10	435	15	+22
Textile	144	3	61	2	+136
Investment property	648	13	647	22	+0
	2,147	42	1,534	52	+40
<i>Other businesses</i>					
Petroleum (discontinued)	2,582	50	1,002	34	
Investment & others	429	8	421	14	+2
	5,158	100	2,957	100	+74
Net corporate interest & expenses	(197)		(181)		+9
Earnings	4,961		2,776		+79
Earnings from continuing businesses	2,379	48	1,774	64	+34

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Underlying Net Profit Breakdown - by Divisions

Year end 31 Dec	FY2007 HK\$m	Prop (%)	FY2006 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	500	22	203	10	+146
Beverage	303	14	174	9	+74
Food processing and distribution	471	21	435	21	+8
Textile	122	5	59	3	+107
Investment property	240	11	215	11	+12
	1,636	73	1,086	54	+51
<u>Other businesses</u>					
Petroleum (discontinued)	183	8	519	26	
Investment & others	429	19	421	21	+2
	2,248	100	2,026	100	+11
Net corporate interest & expenses	(197)		(181)		+9
Underlying net profit	2,051		1,845		+11
Underlying net profit from continuing businesses	1,868	91	1,326	72	+41

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EBITDA Breakdown - by Divisions

Year end 31 Dec	FY2007 HK\$m	Prop (%)	FY2006 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	1,536	19	1,044	18	+47
Beverage	1,514	19	1,306	23	+16
Food processing and distribution	841	10	703	12	+20
Textile	461	6	346	6	+33
Investment property	836	10	783	14	+7
	5,188	64	4,182	73	+24
<u>Other businesses</u>					
Petroleum (discontinued)	2,677	33	1,273	22	
Investment, overheads & others	250	3	253	4	-1
EBITDA	8,115	100	5,708	100	+42
EBITDA from continuing businesses	5,438	67	4,435	78	+23

Note: EBITDAs above include associates' profits

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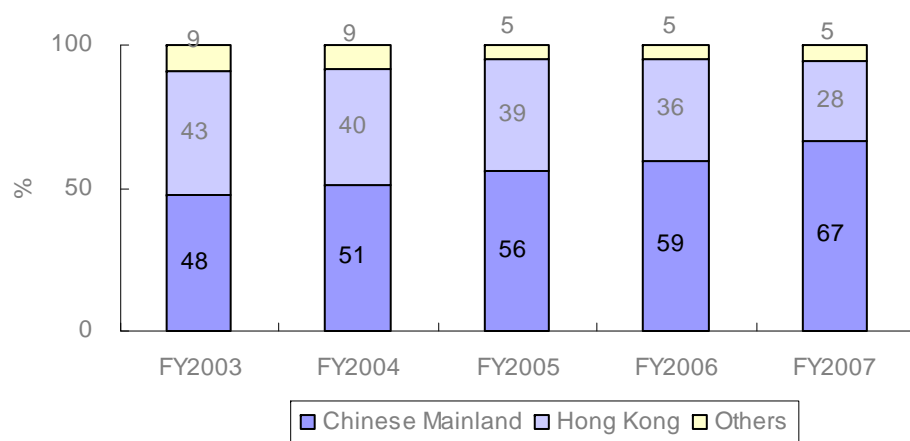




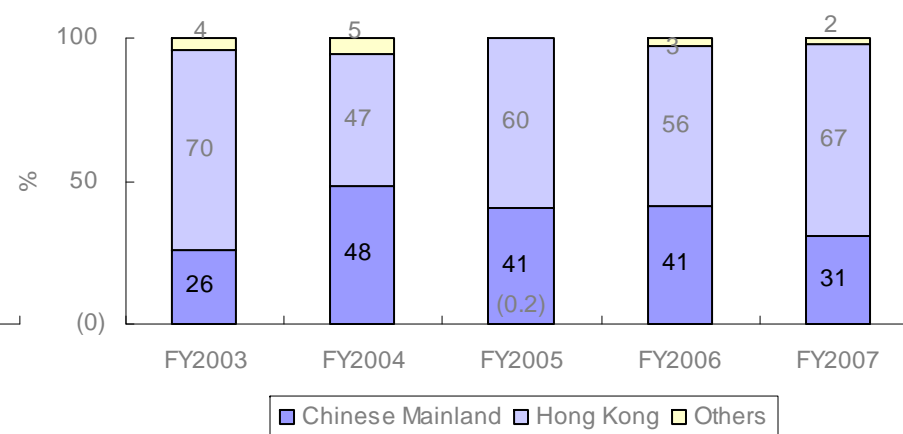
Geographical Breakdown of Turnover and Profit

- The proportion of turnover from mainland China rose to 67% whilst that of profit before tax dropped to 31% due to the distortion by the disposal gain of the petroleum distribution business in Hong Kong and the revaluation gain of investment properties

Turnover



Profit before tax



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Operating Environment

Market in 2007

Mainland China

(nominal GDP growth 17.0%)

- Retail - retail sales grew 16.8% to RMB8.9tn
- Brewery - production volume grew 13.8% to 39.3m kl
- Textile - production of cotton yarns and fabrics increased by 15.9% and 15.1%

Hong Kong

(nominal GDP growth of 9.3%)

- Retail - retail sales surged 12.8% of which
 - supermarket sales increased by 5.9%
 - department store sales increased by 12.7%
 - Chinese drugs and herbs sales up 20.0%
- Food - locally produced and imported live pigs and cattle amounted to about 1.81m heads

CRE's business in 2007

- turnover of supermarkets up 31.6%
- turnover of brand fashion distribution up 30.7%
- brewery sales volume up 30.7% to 6.94m kl
- production of cotton yarns increased by 13.4% and fabrics decreased by 13.2% respectively*

- turnover of supermarkets was flat
- turnover of Chinese Arts & Crafts up 14.5%
- turnover of CR Care up 19.3%

- distributed 1.52m 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, resulting in 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

- Strong balance sheet with a net debt to equity ratio of 18%
- With the proceeds from non-core asset disposals, we have fastened our investment in the core businesses and capex amounted to HK\$10bn in FY2007, mostly incurred in beverage and retail

Year end 31 Dec	FY2007 HK\$m	FY2006 HK\$m	% change
<u>P&L</u>			
Earnings	4,961	2,776	+79
Finance costs	503	454	+11
Interest income	291	273	+7
Effective tax rate (%) *	23.2	20.4	+2.8ppt
<u>Balance sheet</u>			
Total debt	12,447	8,837	+41
Net cash/(debt)	(4,004)	(1,781)	+125
Shareholders' equity	22,871	19,141	+19
Minority interests	7,293	5,824	+25

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Key Financial Data

Balance sheet (Cont'd)

Invested capital **	42,611	33,802	+26
Book NAV per share (HK\$)	9.59	8.12	+18
Gearing ratio (%)	13.3	7.1	+6.2ppt
Net debt to equity ratio (%)	17.5	9.3	+8.2ppt

Cashflow

EBITDA adj for associates' dividends ***	7,829	5,581	+40
Capex	9,932	3,940	+152
Proceeds from major disposals	4,118	2,854	+44

Profitability ratios

ROE (%)	21.7	14.5	+7.2ppt
CFROI (%) ****	18.4	16.5	+1.9ppt

* Adjusted for petroleum disposal gain

** 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

- Encouraging profit growth among all retail divisions with net margin expansion

Retail business turnover and earnings breakdown

Year end 31 Dec	FY2007 HK\$m	FY2006 HK\$m	% <i>change</i>
Turnover			
- Supermarket	23,188	18,187	+27
- Brand-fashion	2,029	1,553	+31
- Other retail stores	791	678	+17
	26,008	20,418	+27
Earnings			
- Supermarket	363	152	+139
- Brand-fashion	98	26	+277
- Other retail stores	60	39	+54
	521	217	+140

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Retail

1. Supermarket

- Turnover grew 27% to HK\$23.2bn driven by self-operated store openings and same store growth
- Overall same store growth in constant currency terms of 9.5%, bolstered by the 10.2% increase of the mainland operation
- Earnings contribution increased by 139% to HK\$363m, with improved performance led by mainland China, while EBITDA was up 36% to HK\$1,051m
- Strong same store growth, stable gross margin and economies of scale accounted for the profit growth
- Suguo's earnings contribution after option expenses amounted to HK\$150m, compared with HK\$99m in FY2006
- We operated about 2,389 stores in mainland China and Hong Kong at the end of December 2007, of which 1,217 were self-operated and the rest franchised

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Retail

Supermarket turnover, EBITDA and earnings breakdown

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

- Accelerating overall same store growth led by mainland operation

Same store growth trend (constant currency)

	FY2007 %	FY2006 %	FY2005 %	FY2004 %	FY2003 %
Overall supermarket	+9.5	+5.7	+3.6	+3.7	+0.1
China	+10.2	+6.7	+4.8	+5.9	+0.7
Hong Kong	+2.2	-0.9	-3.2	-5.0	-1.6

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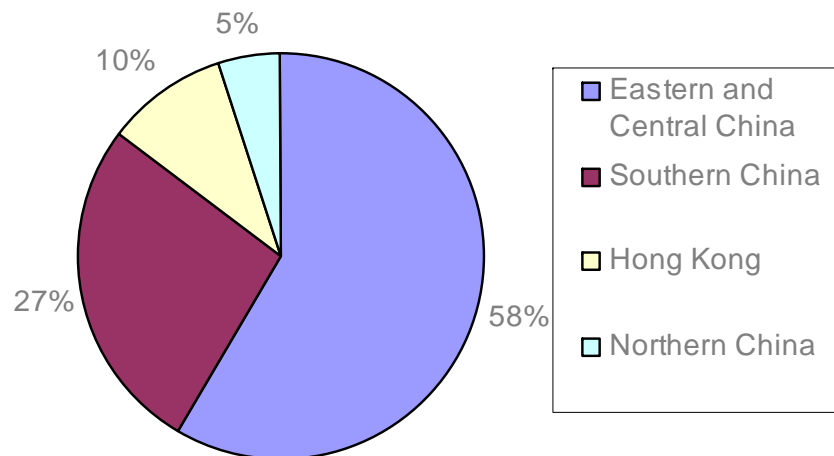


Retail

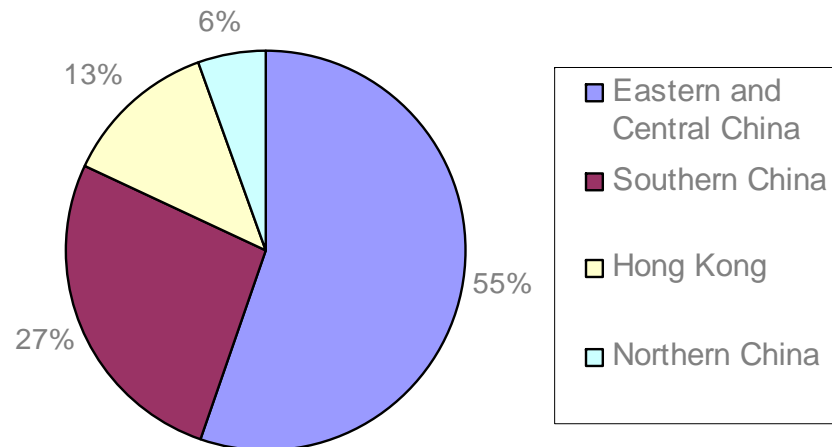
- Approximately, 58% of the turnover was from Eastern and Central China, 27% from Southern China, 10% from Hong Kong and the rest from Northern China

Turnover breakdown by geographical district

FY2007



FY2006



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Retail

2. Brand-fashion and Other Retail Stores

- Brand-fashion in China reported a 2.8 times increase in net profit to HK\$98m and number of international brands further reduced
- Esprit jv delivered turnover growth of 39% on a 15.2% same store growth
- Other retail stores contributed earnings of HK\$60m, a strong growth of 54%
- Strong same store growth of CAC and CR Care stores of 7.1% and 22.8% respectively was the major contributor to the overall improvement
- At the end of December 2007, we operated 5 CAC stores and 41 CR Care stores

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Retail

Brand-fashion business in the Chinese Mainland

	31-Dec-07		30-Jun-07		31-Dec-06	
No of self-operated stores						
No of franchised stores						
Esprit / Red Earth / Salon	268	579	244	510	223	509
ck Calvin Klein	10	14	10	5	10	1
ATMA	5	0	9	0	14	2
	283	593	263	515	247	512
Total	876		778		759	

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Beverage

- Both beer and water operations recorded strong turnover and earnings growth with net margin improvement

Breakdown of beverage turnover and earnings

Year end 31 Dec	FY2007 HK\$m	FY2006 HK\$m	% change
Turnover			
- beer	12,345	8,775	+41
- water	959	681	+41
	13,304	9,455	+41
Attributable earnings to CRE			
- beer	239	152	+57
- water	64	22	+191
	303	174	+74

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Beverage

1. Beer Operation

- Turnover growth of 41% with beer sales volume increasing by 31%, of which 19% was organic, to 6.94m kl
- This represented a market share of about 17.6% by sales volume, 2.2 ppt higher than that of FY2006, consolidating our position as the largest brewer on the mainland
- Attributable net profit increased by 57% to HK\$239m stemming from the improvement in the existing breweries and the additional contribution from the acquired 38% stake in the Sichuan operation
- Beer's average selling price increased by 7.6% (constant currency 1.7%) to about HK\$1,780 per kl and gross margin was steady
- Strong earnings performance at Sichuan, Liaoning, Zhejiang, Anhui and Hubei breweries
- Sales volume of our national brand, SNOW, surged by 69% to about 5.12m kl, representing 74% of the total volume sold

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Beverage

1. Beer Operation (con't)

- Annual production capacity increased from 7.6m kl at the end of FY2006 to 10.2m kl at the end of FY2007
- In FY2007, eleven breweries were added including Mengyuan (40,000 kl), Yueshan (164,000 kl), Shengli (128,000 kl), Xichang (151,000 kl), Batehan (135,000 kl), Guizhou (106,000 kl), Huludao (127,000 kl), Yalujiang (114,000 kl), Wanpi (82,000 kl), Xinghua (75,000 kl) and Lanzhou (200,000 kl)
- Xichang and Lanzhou are greenfield breweries and a few more greenfield plants are under construction including Beijing and Nanjing (400,000 kl and 360,000 kl respectively)

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Beverage

- Strong earnings growth at the existing breweries with considerable margin improvement

Performance of existing and new brewery operations

Year end 31 Dec	FY2007 HK\$m	FY2006 HK\$m	% <i>change</i>
Turnover			
- Existing breweries (incl inter-co transactions)	10,966	8,560	+28
- New breweries	1,379	215	+541
	12,345	8,775	+41
Attributable earnings to CR Snow			
- Existing breweries (incl overheads & others)	602	361	+67
- New breweries	(107)	(49)	+118
	495	312	+59
Net margin			
- Existing breweries	5.5	4.2	+1.3ppt
- New breweries	(7.8)	(22.8)	+15.0ppt
	4.0	3.6	+0.5ppt

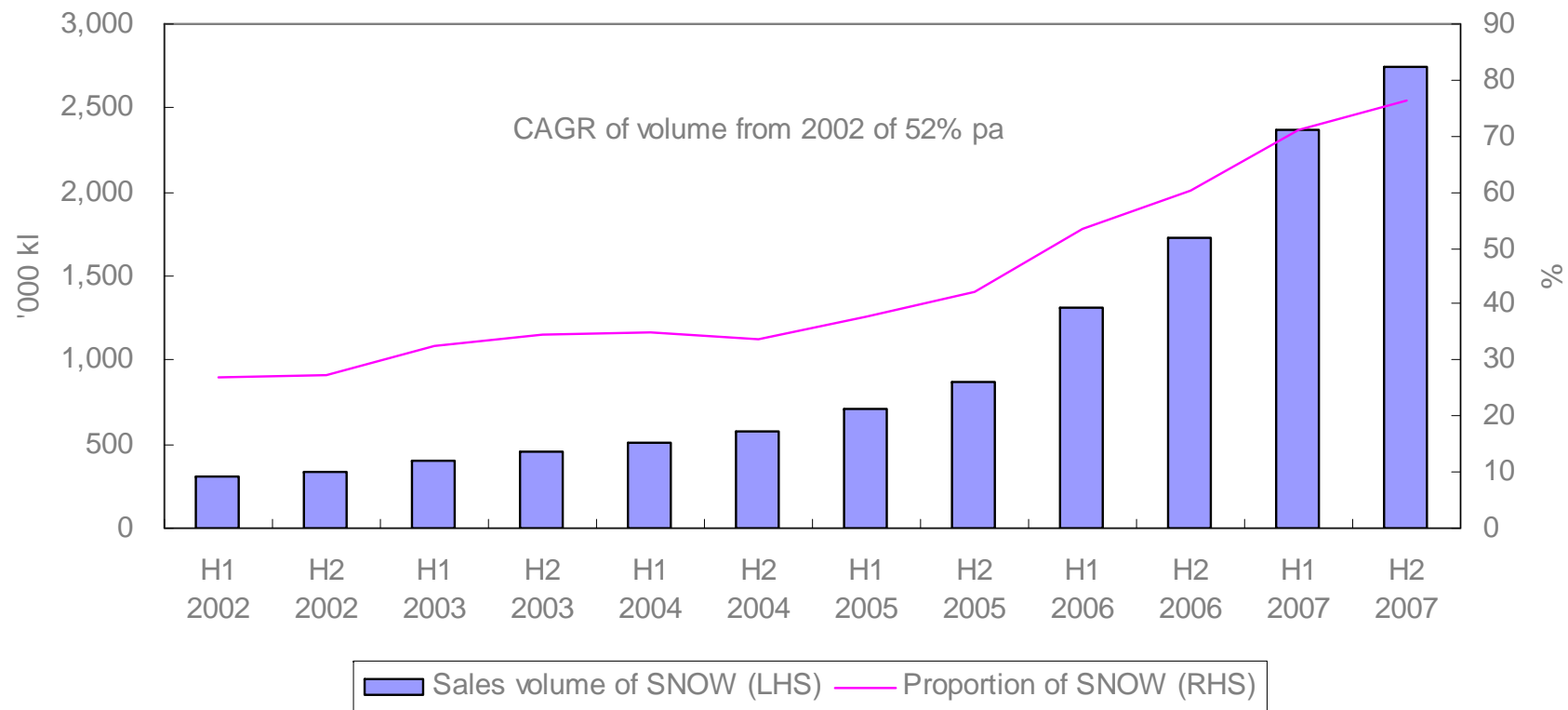
Note: New breweries are defined as those owned since FY2006

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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	Districts	No. of breweries	FY2007 '000 k liter	FY2006 '000 k liter	% change
<i>I) Breweries owned prior to FY2006</i>						
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
<i>II) Breweries owned since FY2006</i>						
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
Jinzhong (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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Beverage

2. Purified Water Operation

- The purified water operation became 100% owned in May 2007 after buying a 49% stake from our jv partner, SABMiller
- Branded Céstbon, our main market is Guangdong though started to expand into other districts including Sichuan, Nanjing and Beijing
- Turnover growth of 41% with sales volume increasing by 31% to 1.07m kl
- Approximately 57% was bottle water and the balance 43% barrel water
- Attributable net profit increased by 191% to HK\$64m owing to operational improvements and initial contribution from the acquired minority interest

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Food Processing and Distribution

- Turnover grew by 21% and earnings increased by 22% to HK\$531m
- Excluding the HK\$60m profit from the disposal of shares in two A-share minority interests, underlying net profit would have increased by 8%
- Despite the shortage of livestock and price volatility, foodstuff distribution reported a steady operating profit boosted by higher contribution from the frozen and assorted food distribution.
- Opening of the live pigs imports market in Hong Kong has increased competition but we will embrace the challenge with quality assurance
- Profitability of food processing was lifted by marine fishing which had a notable recovery
- Slaughtering volume in Hong Kong dropped, resulting in a decline in operating profit
- The three meat processing projects in Shenzhen, Shanghai and Hangzhou contributed combined turnover of HK\$990m and operating profit of HK\$61m with overall increase in slaughtering volume

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Textile

- The business reported a strong recovery with a 6% rise in turnover and a 136% jump in earnings to HK\$144m
- Sales volume of cotton yarns increased by 12% to 64,478 tonnes but that of fabrics decreased by 13% to 185m meters as some of the lower end products were exited
- The spinning and weaving division recorded an 88% increase in earnings due to higher contributions from MAKO yarns and nylon products as well as the absence of the one-off charges, like the worker compensation of last year
- Earnings contribution from the garment division increased by 19% attributable to effective cost reduction as sales volume only increased by 2%
- Overall gross margin improved by 0.7 ppt

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Textile

Turnover and earnings breakdown of the textile business

Year end 31 Dec	FY2007 HK\$m	FY2006 HK\$m	% change
Turnover			
- Spinning and weaving	3,866	3,471	+11
- Garment	1,019	1,060	-4
- Others and inter-co transactions	(172)	(78)	+121
	4,713	4,453	+6
Earnings			
- Spinning and weaving	47	25	+88
- Garment	44	37	+19
- Others and inter-co transactions	53	(1)	na
	144	61	+136

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Investment Property

- Turnover of rental properties increased by 8% to HK\$372m on the back of a 1.4% increase in average retail rent and the initial contribution from JD Mall
- The revaluation of investment properties under Investment Property division resulted in a net gain of HK\$408m

Investment property business turnover and earnings breakdown

Year end 31 Dec	FY2007 HK\$m	FY2006 HK\$m	% change
Turnover			
- Rental properties	372	345	+8
- Others	2	5	-60
	375	349	+7
Earnings			
- Rental properties (incl disposal gains)	239	227	+5
- Net revaluation gain on rental properties	408	419	-3
- Others	1	2	-50
	648	647	+0

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Investment Property

- Average occupancy rate of our retail properties decreased from 98% to 88% as JD Mall was only completed during the year
- The shopping mall at Jiangmen contributed HK\$11m gross rental income
- There was no property disposal gain compared to HK\$13m last year

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

Year end 31 Dec	Type	-----Occupancy rates % -----	
		FY2007	FY2006
Argyle Centre	Ret	100	99
Hennessy Road	Ret	96	95
Lok Sing	Ret	100	100
Nan Fung	Ret	96	94
Silvercord	Ret	100	100
Star House	Ret	100	98
JD Mall	Ret	30	0
Jiangmen (PRC)	Ret	72	71

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Other Businesses

1. Petroleum and Related Products Distribution (Discontinued)

- As a non-core business, the disposal of this division was completed on 29 June 2007 and a gain of HK\$2,399m was booked
- No more contribution was recorded after H1 2007

2. Investment and Others

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

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Prospects

Mark Chen

Managing Director

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Prospects

- 2007 was one of CRE's best years ever in terms of value creation and underlying profit growth driven by the core businesses
- With the divestment of the petroleum business, our revenue now comprises purely the core businesses
- Same store growth of 9.5% for supermarket is the highest in recent years and margins improved further, resulting in remarkable profit growth
- Outstanding achievements of our beverage business, SNOW is now one of the leading brands in the world
- Respectable performance of our food business, amidst rising cost and tight supply, reflects our efforts in building the "Ng Fung" brand
- Textile business has been re-positioned to concentrate on products with better competitiveness and margins
- Consumption's share of GDP remains low for China, presenting excellent opportunities for our consumer businesses

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Appendix I - Calculation of Underlying Net Profit

Year end 31 Dec	FY2007 HK\$m	FY2006 HK\$m
Earnings	4,961	2,776
<i>Adjustments</i>		
Disposal of petroleum distribution business in Hong Kong	2,399	
Disposal of piped gas and petrochemical businesses		482
Disposal of shares in Hunan New Wellful	50	
Disposal of shares in Fortune Ng Fung Food (Hebei)	10	
Disposal of an associated textile company	10	
Investment property revaluation *	441	436
Property disposals		13
	<hr/> 2,910	<hr/> 931
Underlying net profit	2,051	1,845

* Of which HK\$408m in FY2007 and HK\$419m in FY2006 is under Investment Property division

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Appendix II - Supermarket network - CR Vanguard

No of self-operated stores	31-Dec-07		30-Jun-07		31-Dec-06	
No of franchised stores						
<i>I) Convenience stores</i>						
- Guangdong Province	8					
<i>II) Standard supermarkets</i>						
- Hong Kong	98		96		98	
- Beijing + Tianjin	129		118		92	
- Jiangsu Province	121	4	112	4	109	4
- Zhejiang Province						52
- Guangdong Province	151	63	134	60	122	54
	499	67	460	64	421	110
<i>III) Superstores</i>						
- Beijing + Tianjin					23	
- Jiangsu Province	8		9		17	
- Zhejiang Province	38	44	37	52	27	
- Guangdong Province	10		11		15	
	56	44	57	52	82	
<i>IV) Hypermarkets</i>						
- Tianjin	2		2			
- Jiangsu Province	2		1			
- Zhejiang Province	5		3			
- Guangdong Province	29		25		18	
	38		31		18	
<i>V) Olé</i>						
- Beijing	7		5		4	
- Guangdong Province	1		1		2	
	8		6		6	
Overall	609	111	554	116	527	110
	720		670		637	

Note: There was a reclassification of store format at the beginning of 2007

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Appendix III - Supermarket network - Suguo

No of self-operated stores	31-Dec-07		30-Jun-07		31-Dec-06	
No of franchised stores						
<i>I) Convenience stores</i>						
- Jiangsu Province	314	8	284	2	268	
- Anhui Province	44		39		30	
	358	8	323	2	298	
<i>II) Standard supermarkets</i>						
- Jiangsu Province	90	884	84	793	75	842
- Anhui Province	16	139	16	126	12	130
- Shandong Province		20		22		27
- Henan + Hebei + Hubei Province		10		10		10
	106	1,053	100	951	87	1,009
<i>III) Superstores</i>						
- Jiangsu Province	90		91		84	
- Anhui Province	16		16		14	
	106		107		98	
<i>IV) Hypermarkets</i>						
- Jiangsu Province	29		21		15	
- Anhui Province	7		5		3	
- Shandong Province	2		1		0	
	38		27		18	
Overall	608	1,061	557	953	501	1,009
	1,669		1,510		1,510	
Total of Vanguard + Suguo						
- Hong Kong	98	0	96	0	98	0
- China	1,119	1,172	1,015	1,069	930	1,119
	2,389		2,180		2,147	

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