

China Resources Enterprise, Limited
Interim Results 2007

A Year of Transformation

5 September 2007





Agenda

- Opening Note / Results Highlights pp.3 – pp.4
- Financial Summary pp.5 – pp.13
- Business Review pp.14 – pp.34
- Prospects pp.35 – pp.36
- Appendices pp.37 – pp.39
- Disclaimer pp.40

“A Year of Transformation”





Interim Results 2007

Opening Note / Results Highlights

Mark Chen

Managing Director

“A Year of Transformation”





Results Highlights

- Record interim results with earnings rising by 195% to HK\$3,737m and turnover reaching HK\$35.2bn, an increase of 11%
- The disposal of non-core petroleum distribution operation in Hong Kong generated a gain of HK\$2,393m
- Underlying net profit was up 17% to HK\$1,057m driven by the 32% profit growth of the core businesses
- Interim dividend of HK15¢ declared, an increase of 7%
- Earnings contribution from retail business increased by 86% to HK\$273m with robust growth in all divisions
- Beverage business reported a 55% earnings growth to HK\$118m with beer sales volume up 37%
- Earnings of food business increased by 5% to HK\$224m despite escalating meat prices on the mainland
- Textile business recovered and earnings were up 68% to HK\$69m due to the strong garment exports and product mix enhancement

“A Year of Transformation”



Interim Results 2007

Financial Summary

Francis Kwong
Deputy Managing Director

“A Year of Transformation”





Results Summary

Year end 31 Dec	H1 2007 HK\$m	H1 2006 HK\$m	% change
Turnover	35,153	31,581	+11
Earnings	3,737	1,266	+195
Underlying net profit *	1,057	900	+17
EPS (HK¢)	157.8	54.8	+188
DPS (HK¢)	15.0	14.0	+7
Interim dividend payout ratio - basic (%) **	26.5	25.8	+0.7ppt

* Earnings excluding the after-tax effect of investment property revaluation and major disposals, which led to aggregate gains of HK\$2,680m and HK\$366m in H1 2007 and H1 2006 respectively

** In calculating the basic dividend ratio for H1 2007, we have deducted HK\$2,393m, being the gain from the disposal of the petroleum distribution operation in Hong Kong, from the H1 2007 earnings of HK\$3,737m as a special dividend of HK60¢ was paid in August 2007

“A Year of Transformation”



Turnover Breakdown - by Divisions

Year end 31 Dec	H1 2007 HK\$m	Prop (%)	H1 2006 HK\$m	Prop (%)	% <i>change</i>
<u>Core businesses</u>					
Retail	12,437	35	9,910	31	+25
Beverage	6,283	18	4,345	14	+45
Food processing and distribution	3,441	10	2,889	9	+19
Textile	2,318	7	2,126	7	+9
Investment property	183	1	171	1	+7
<u>Other businesses</u>					
Petroleum and related products	10,610	30	12,252	39	-13
	35,272	100	31,693	100	+11
Less: inter-co transactions	(119)		(112)		+6
Turnover	35,153		31,581		+11
Turnover from core businesses	24,662	70	19,441	61	+27

“A Year of Transformation”





Earnings Breakdown - by Divisions

Year end 31 Dec	H1 2007 HK\$m	Prop (%)	H1 2006 HK\$m	Prop (%)	% <i>change</i>
<u>Core businesses</u>					
Retail	273	7	147	11	+86
Beverage	118	3	76	6	+55
Food processing and distribution	224	6	214	16	+5
Textile	69	2	41	3	+68
Investment property	386	10	480	35	-20
<u>Other businesses</u>					
Petroleum and related products	2,576	67	217	16	+1,087
Investment & others	198	5	191	14	+4
	3,844	100	1,366	100	+181
Net corporate interest & expenses	(107)		(100)		+7
Earnings	3,737		1,266		+195
Earnings from core businesses	1,070	28	958	70	+12

“A Year of Transformation”



Underlying Net Profit Breakdown - by Divisions

Year end 31 Dec	H1 2007 HK\$m	Prop (%)	H1 2006 HK\$m	Prop (%)	% <i>change</i>
<u>Core businesses</u>					
Retail	263	23	147	15	+79
Beverage	118	10	76	8	+55
Food processing and distribution	224	19	214	21	+5
Textile	66	6	41	4	+61
Investment property	112	10	114	11	-2
<u>Other businesses</u>					
Petroleum and related products	183	16	217	22	-16
Investment & others	198	17	191	19	+4
	1,164	100	1,000	100	+16
Net corporate interest & expenses	(107)		(100)		+7
Underlying net profit	1,057		900		+17
Underlying net profit from core businesses	783	67	592	59	+32

“A Year of Transformation”



EBITDA Breakdown - by Divisions

Year end 31 Dec	H1 2007 HK\$m	Prop (%)	H1 2006 HK\$m	Prop (%)	% <i>change</i>
<i>Core businesses</i>					
Retail	711	13	570	21	+25
Beverage	689	13	593	22	+16
Food processing and distribution	372	7	350	13	+6
Textile	217	4	188	7	+15
Investment property	509	10	573	21	-11
<i>Other businesses</i>					
Petroleum and related products	2,670	51	368	13	+626
Investment, overheads & others	106	2	112	4	-5
EBITDA	5,274	100	2,753	100	+92
EBITDA from core businesses	2,498	47	2,273	83	+10

Note: EBITDAs above include associates' profits

“A Year of Transformation”

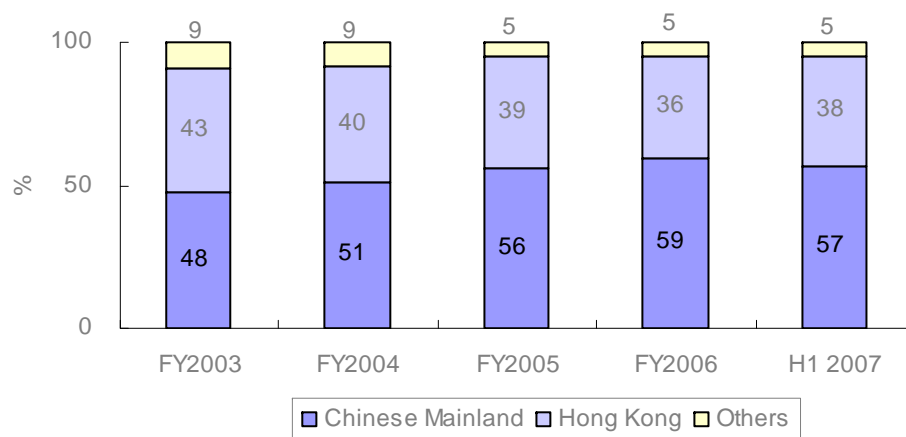




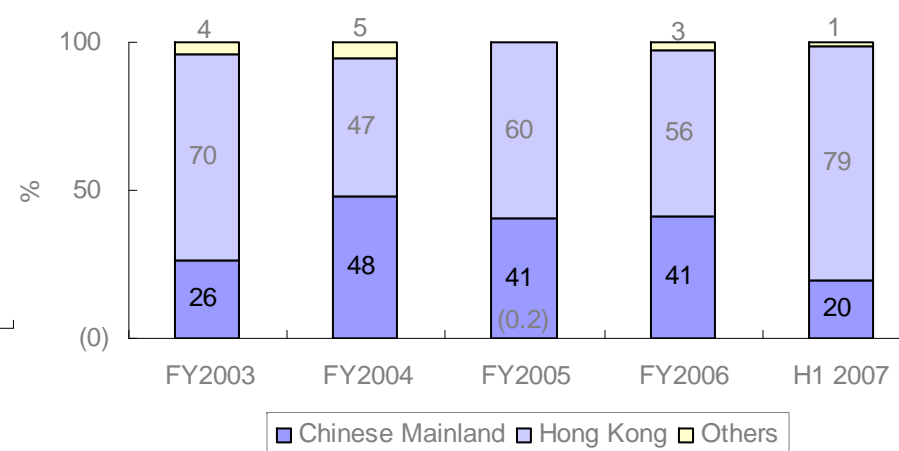
Geographical Breakdown of Turnover and Profit

- The proportion of turnover from mainland China rose to 57% whilst that of profit before tax dropped to 20% 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



“A Year of Transformation”



Key Financial Data

- Strong balance sheet with a low net debt to equity ratio of 3% before the special dividend payment of HK\$1.4bn in August
- With the proceeds from non-core asset disposals, we have fastened our investment in the core businesses and capex amounted to HK\$6.2bn in H1 2007, mostly incurred in beverage and retail

Year End 31 Dec	H1 2007 HK\$m	H1 2006 HK\$m	% <i>change</i>	FY2006 HK\$m
<u>P&L</u>				
Earnings	3,737	1,266	+195	2,776
Finance costs	236	248	-5	454
Interest income	140	135	+4	273
Effective tax rate (%) *	22.0	20.7	+1.3ppt	17.7
<u>Balance sheet</u>				
Total debt	10,795	7,835	+38	8,837
Net cash/(debt)	(652)	(1,976)	-67	(1,781)
Shareholders' equity	22,764	19,843	+15	19,141
Minority interests	6,556	4,988	+31	5,824

“A Year of Transformation”



Key Financial Data

Year End 31 Dec	H1 2007 HK\$m	H1 2006 HK\$m	% <i>change</i>	FY2006 HK\$m
Balance sheet (Cont'd)				
Invested capital **	40,115	32,665	+23	33,802
Book NAV per share (HK\$)	9.58	8.51	+11	8.12
Gearing ratio (%)	2.2	8.0	-5.8ppt	7.1
Net debt to equity ratio (%)	2.9	10.0	-7.1ppt	9.3
Cashflow				
EBITDA adj for associates' dividends ***	5,113	2,606	+96	5,581
Capex	6,187	1,523	+306	3,592

* Adjusted for petroleum disposal gain

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

*** Excluding associates' profits and adding back their dividends

“A Year of Transformation”



Interim Results 2007

Business Review

Francis Kwong
Deputy Managing Director

“A Year of Transformation”





Retail

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

Retail business turnover and earnings breakdown

Year end 31 Dec	H1 2007 HK\$m	H1 2006 HK\$m	% <i>change</i>
Turnover			
- Supermarket	11,183	8,860	+26
- Brand-fashion	876	727	+20
- Other retail stores	378	323	+17
	12,437	9,910	+25
Earnings			
- Supermarket	201	119	+69
- Brand-fashion	48	13	+269
- Other retail stores	24	15	+60
	273	147	+86

“A Year of Transformation”



Retail

1. Supermarket

- Turnover grew 26% to HK\$11.2bn driven by self-operated store openings and same store growth
- Overall same store growth in constant currency terms of 8.2%, bolstered by the 9.0% increase of the mainland operation
- Earnings contribution increased by 69% to HK\$201m, with improved performance mainly in mainland China, while EBITDA was up 20% to HK\$525m
- Strong same store growth, stable gross margin and economies of scale accounted for the profit growth
- Suguo's earnings contribution after goodwill and option expenses amounted to HK\$81m, compared with HK\$53m in H1 2006
- We operated about 2,180 stores in mainland China and Hong Kong at the end of June 2007, of which 1,111 were self-operated and the rest franchised

“A Year of Transformation”



Retail

Supermarket turnover, EBITDA and earnings breakdown

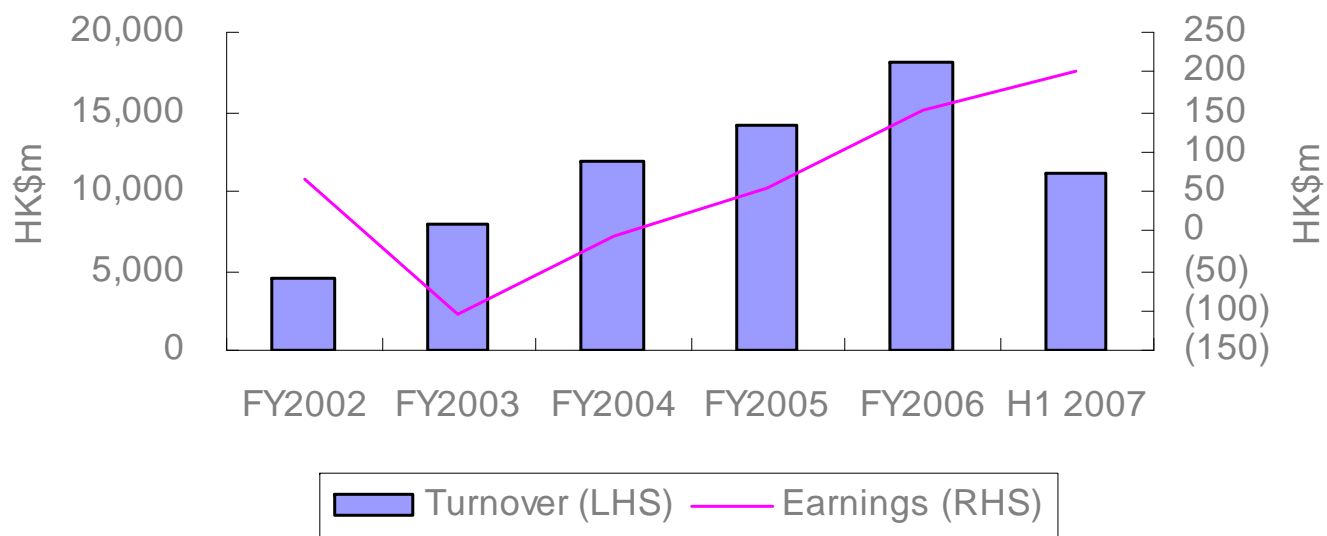
Year End 31 Dec	H1 2007 HK\$m	H1 2006 HK\$m	% change
Turnover			
- HK	1,101	1,173	-6
- China	10,082	7,687	+31
	11,183	8,860	+26
EBITDA			
- HK	108	105	+3
- China	418	335	+25
- option expenses	(1)	(4)	-75
	525	436	+20
Earnings			
- HK	65	61	+7
- China	136	61	+123
- option expenses	(1)	(4)	-75
	201	119	+69
EBITDA margin (%)			
- overall	4.7	4.9	-0.2ppt
- HK	9.8	8.9	+0.9ppt
- China	4.1	4.4	-0.3ppt
Net margin (%)			
- overall	1.8	1.3	+0.5ppt
- HK	5.9	5.2	+0.7ppt
- China	1.4	0.8	+0.6ppt

“A Year of Transformation”



Retail

Operational Turnaround of Supermarket



“A Year of Transformation”

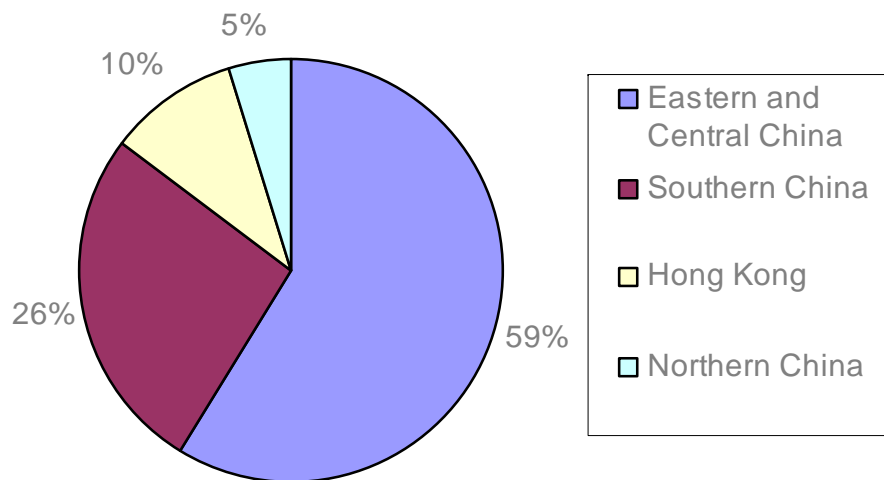


Retail

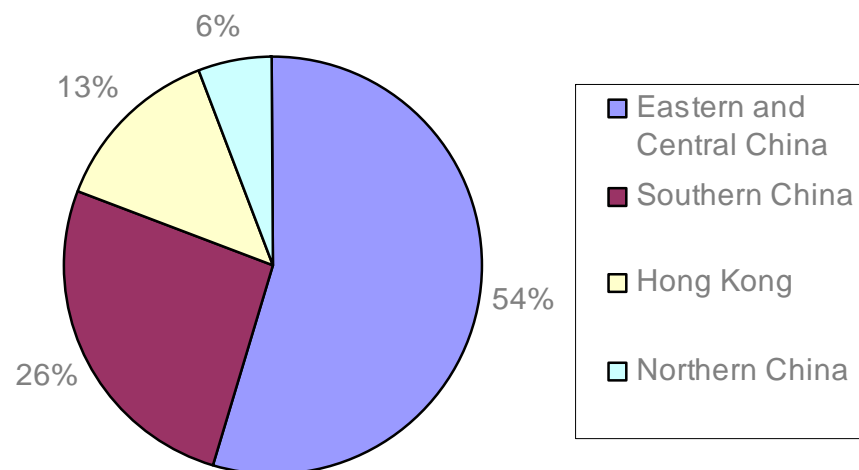
- Approximately, 59% of the turnover was from Eastern and Central China, 26% from Southern China, 10% from Hong Kong and the rest from Northern China

Turnover breakdown by geographical district

H1 2007



H1 2006



“A Year of Transformation”



Retail

2. Brand-fashion and Other Retail Stores

- Brand-fashion in China reported a 2.7x increase in net profit to HK\$48m and number of international brands reduced to six as part of our continuous brand portfolio review
- Strong performance at Esprit with turnover growth of 35% and attributable earnings growth of 39%
- Other retail stores contributed earnings of HK\$24m, a strong growth of 60%
- Strong same store growth of CAC and CR Care stores was the major contributor to the overall improvement
- At the end of June 2007, we operated 5 CAC stores, 2 super-sized and 36 standard-sized CR Care stores

“A Year of Transformation”





Retail

Brand-fashion business in the Chinese Mainland

No of self-operated stores	30-Jun-07		31-Dec-06		30-Jun-06	
No of franchised stores						
Alfred Dunhill *	0	0	0	0	0	0
ck Calvin Klein	10	5	10	1	8	
Esprit / Red Earth / Salon	244	510	223	509	212	476
Kenzo	1	0	1	0	10	0
Pal Zileri	2	0	4	3	9	3
ATMA	9	0	14	2	7	2
Smalto	1	0	1	3	2	3
<u>Terminated brands:</u>						
CK Jeans	0	0	0	0	2	0
Givenchy	0	0	0	0	0	0
Polo	0	0	3	0	3	0
	267	515	256	518	253	484
Total	782		774		737	

* Converted into an equity jv in 2006

“A Year of Transformation”



Beverage

- Turnover growth of 45% with beer sales volume increasing by 37%, of which 24% was organic, to 3.34m kl
- This represented a market share of about 17.8% by sales volume, 2.9 ppt higher than that of H1 2006, consolidating our position as the largest brewer on the mainland
- Attributable net profit increased by 55% to HK\$118m driven by 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 6% (constant currency 2%) to about HK\$1,750 per kl and gross margin was steady
- Strong earnings performance at Sichuan, Liaoning, Anhui and Jiangsu breweries
- Sales volume of our national brand, SNOW, surged by 82% to about 2.38m kl, representing 71% of the total volume sold

“A Year of Transformation”





Beverage

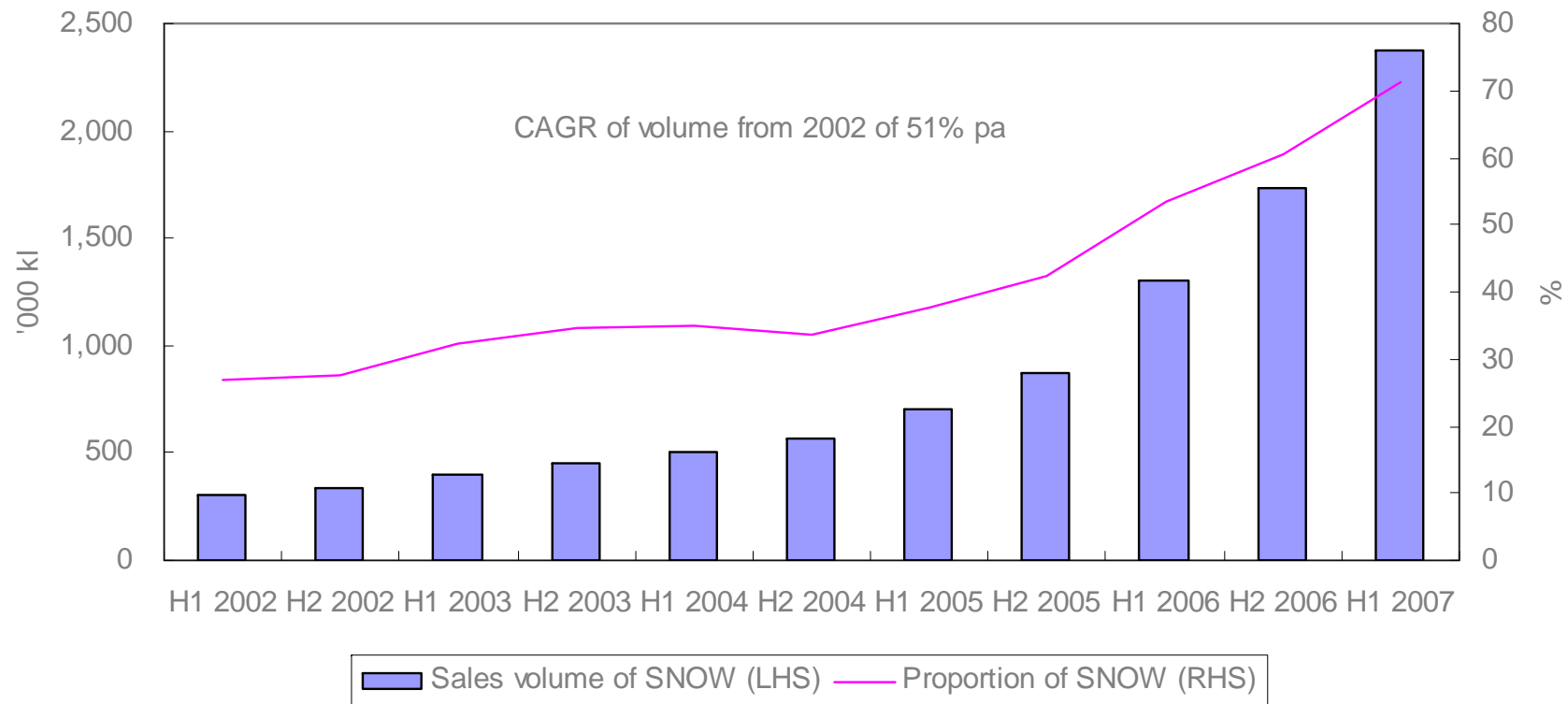
- Annual production capacity increased from 7.6m kl at the end of FY2006 to 9.1m kl at the end of June 2007
- In H1 2007, seven new breweries were added including Mengyuan (40,000 kl), Yueshan (164,000 kl), Shengli (128,000 kl), Xichang (151,000 kl), Batehan (135,000 kl), Guizhou (106,000 kl) and Huludao (127,000 kl)
- Greenfield plants are also planned for Lanzhou and Nanjing (200,000 kl and 360,000 kl respectively)

“A Year of Transformation”



Beverage

Sales volume of SNOW brand and its significance



“A Year of Transformation”



Beverage

Sales volume by brewery

Year end 31 Dec

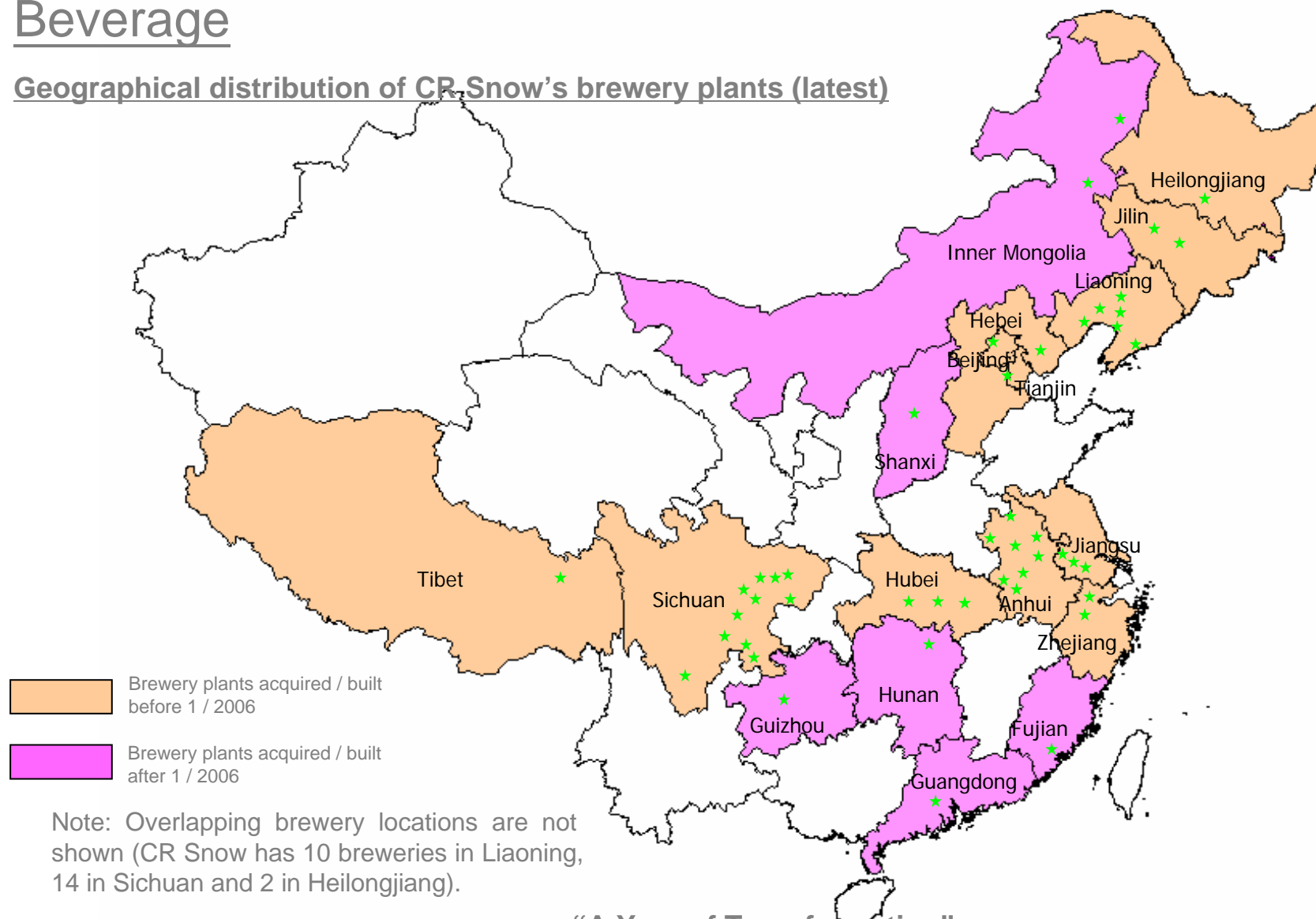
Province	Area	No of breweries	H1 2007 '000 k litre	H1 2006 '000 k litre	% change
<i>I) Breweries owned prior to FY2006</i>					
Liaoning	North East	8	599	476	+26
Sichuan	South West	13	679	571	+19
Anhui	Central	5	439	343	+28
Heilongjiang / Jilin / Changchun	North East	3	396	353	+12
Beijing / Tianjin / Hebei	North	3	194	208	-7
Hubei	Central	4	239	197	+21
Zhejiang	East	1	198	156	+27
Jiangsu	East	3	231	150	+54
Tibet / Qinghai	West	1	24	22	+7
Guangdong	South	1	53	19	+183
<i>II) Breweries owned since FY2006</i>					
Quanzhou (Qingyuan)	Fujian	1	19	0	+10,468
Xiling (relocation) / Haiyan (Yinyan)	Zhejiang	2	107	27	+288
Heilongjiang (greenfield)	Heilongjiang	1	59		na
Huaibei (Xiangwang) / Chuzhou (Shengli)	Anhui	2	58		na
Ulanhot (Mengyuan) / Morin Dawa (Batehan)	Inner Mongolia	2	35		na
Jinzhong (Yueshan)	Shanxi	1	20		na
Xichang (greenfield)	Sichuan	1	1		na
Guizhou (Blue Sword)	Guizhou	1	24		
Huludao (Juhua)	Liaoning	1	4		
Less: inter-co transactions and others			(42)	(79)	
Existing breweries (incl sales in other districts)		54	3,336	2,442	+37
			3,149	2,542	+24

“A Year of Transformation”



Beverage

Geographical distribution of CR Snow's brewery plants (latest)



“A Year of Transformation”



Food Processing and Distribution

Turnover breakdown of Ng Fung Hong

Year end 31 Dec	H1 2007 HK\$m	H1 2006 HK\$m	% change
Foodstuff distribution	2,054	1,818	+13
Food processing and stock raising	910	737	+23
Abattoir operation, transportation and others	549	396	+39
Inter-co transactions	(73)	(62)	+18
	3,441	2,889	+19

Operating profit breakdown of Ng Fung Hong

Year end 31 Dec	H1 2007 HK\$m	H1 2006 HK\$m	% change
Foodstuff distribution	212	196	+8
Food processing and stock raising	33	15	+120
Abattoir operation, transportation and others	53	65	-18
	298	275	+8

“A Year of Transformation”



Textile

- The business reported a strong recovery with a 9% rise in turnover and a 68% jump in earnings to HK\$69m
- Sales volume of cotton yarns increased by 9% to 31,884 tonnes and fabrics decreased by 15% to 93m meters and their average selling prices increased by 5% and 6% respectively after technology upgrade
- The spinning and weaving division recorded a 40% increase in earnings due to the absence of the one-off charges, like the worker compensation of last year, and an improved dyeing operation
- Earnings contribution from the garment division increased by 29% with a 37% increase in sales volume
- Overall gross margin was 0.5 ppt higher than that of H1 2006

“A Year of Transformation”





Textile

Turnover and earnings breakdown of the textile business

Year end 31 Dec	H1 2007 HK\$m	H1 2006 HK\$m	% change
Turnover			
- Spinning and weaving	1,902	1,716	+11
- Garment	523	439	+19
- Others and inter-co transactions	(107)	(29)	+269
	2,318	2,126	+9
Earnings			
- Spinning and weaving	35	25	+40
- Garment	22	17	+29
- Others and inter-co transactions	12	(1)	na
	69	41	+68

“A Year of Transformation”



Investment Property

- Gross rental income increased by 8% to HK\$182m on the back of a 2.0% increase in average retail rent
- The revaluation of investment properties under Investment Property division resulted in a net gain of HK\$274m

Investment property business turnover and earnings breakdown

Year end 31 Dec	H1 2007 HK\$m	H1 2006 HK\$m	% change
Turnover			
- Rental properties	182	168	+8
- Others	1	3	-67
	183	171	+7
Earnings			
- Rental properties	111	124	-10
- Net revaluation gain on rental properties	274	355	-23
- Others	1	1	0
	386	480	-20

“A Year of Transformation”



Investment Property

- Average occupancy rate of our retail properties decreased from 98% to 87% as JD Mall at Jordan was only completed in Q1 2007
- There was no property disposal gain compared to HK\$11m in H1 2006
- The shopping mall at Jiangmen contributed HK\$5m gross rental income in H1 2007

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

Year end 31 Dec	Type	-----Occupancy rates %-----	
		H1 2007	H1 2006
Argyle Centre	Ret	100	99
Hennessy Road	Ret	98	93
Lok Sing	Ret	100	100
Nan Fung	Ret	95	94
Silvercord	Ret	100	100
Star House	Ret	100	100
JD Mall	Ret	17	<i>na</i>
Jiangmen (PRC)	Ret	79	48

“A Year of Transformation”



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\$2,393m was booked
- During H1 2007, underlying net profit decreased by 16% to HK\$183m due to the loss of contribution from the piped gas and chemical distribution operations which were disposed of in November 2006
- Petroleum wholesaling reported satisfactory growth in profitability and the petrol stations in Hong Kong also improved

2. Investment and Others

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

“A Year of Transformation”





Interim Results 2007

Prospects

Mark Chen

Managing Director

“A Year of Transformation”





Appendix I - Calculation of Underlying Net Profit

Year end 31 Dec	H1 2007 HK\$m	H1 2006 HK\$m
Earnings	3,737	1,266
<i>Adjustments</i>		
Disposal of petroleum distribution business	2,393	
Investment property revaluation *	287	355
Property disposals		11
	<hr/>	<hr/>
	2,680	366
Underlying net profit	1,057	900

* Of which HK\$274m in H1 2007 and HK\$355m in H1 2006 is under Investment Property division

“A Year of Transformation”



Appendix II - Supermarket network - CR Vanguard

No of self-operated stores	30-Jun-07		31-Dec-06		30-Jun-06	
No of franchised stores						
<i>I) Standard supermarkets</i>						
- Hong Kong	96		98		99	
- Beijing + Tianjin	118		92		92	
- Jiangsu Province	112	4	109	4	107	5
- Zhejiang Province				52		52
- Guangdong Province	134	60	122	54	114	48
	460	64	421	110	412	105
<i>II) Superstores</i>						
- Beijing + Tianjin			23		23	
- Jiangsu Province	9		17		8	
- Zhejiang Province	37	52	27		25	
- Guangdong Province	11		15		14	
	57	52	82		70	
<i>III) Hypermarkets</i>						
- Tianjin	2					
- Jiangsu Province	1					
- Zhejiang Province	3					
- Guangdong Province	25		18		18	
	31		18		18	
<i>IV) Olé</i>						
- Beijing	5		4		4	
- Guangdong Province	1		2		2	
	6		6		6	
Overall	554	116	527	110	506	105
	670		637		611	

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

“A Year of Transformation”



Appendix III - Supermarket network - Suguo

No of self-operated stores	30-Jun-07		31-Dec-06		30-Jun-06	
No of franchised stores						
<i>I) Convenience stores</i>						
- Jiangsu Province	284	2	268		251	
- Anhui Province	39		30		7	
	323	2	298		258	
<i>II) Standard supermarkets</i>						
- Jiangsu Province	84	793	75	842	69	862
- Anhui Province	16	126	12	130	8	207
- Shandong Province		22		27		40
- Henan + Hebei + Hubei Province		10		10		16
	100	951	87	1,009	77	1,125
<i>III) Superstores</i>						
- Jiangsu Province	91		84		83	
- Anhui Province	16		14		13	
	107		98		96	
<i>IV) Hypermarkets</i>						
- Jiangsu Province	21		15		12	
- Anhui Province	5		3		3	
- Shandong Province	1		0		0	
	27		18		15	
Overall	557	953	501	1,009	446	1,125
	1,510		1,510		1,571	
Total of Vanguard + Suguo						
- Hong Kong	96	0	98	0	99	0
- China	1,015	1,069	930	1,119	853	1,230
	2,180		2,147		2,182	

“A Year of Transformation”



Disclaimer

Data and information contained in this presentation is provided for informational purposes only. Neither China Resources Enterprise, Limited nor any of its subsidiaries shall be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

This presentation and subsequent discussion may contain forward-looking statements that are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of China Resources Enterprise, Limited about its business and the industry and markets in which it operates. These forward-looking statements include, without limitation, statements relating to revenues, earnings and stock performance. The words “believe”, “intend”, “expect”, “anticipate”, “project”, “estimate”, “predict” and similar expressions are also intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, development outcomes, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, project delay, project approval, cost estimates and other risks, which are beyond the control of China Resources Enterprise, Limited and are difficult to predict. Consequently, actual results could differ materially from those expressed or forecasted in the forward-looking statements.

“A Year of Transformation”