

China Resources Enterprise, Limited
Financial and operational review
Q1 2010

Focus for Success

24 May 2010



Results Highlights

Focus for Success - Stronger growth exceeds earnings gap from asset swap transactions and disposal of Esprit China business

Three core businesses:

- Retail
- Beverage
- Food processing and distribution

Overall

- Turnover rose by 25% to HK\$21,514m. Earnings and EBITDA increased by 794% and 289% to HK\$3,727m and HK\$5,409m respectively. Further, underlying net profit boosted 41% to HK\$517m.



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Results Highlights (Cont'd)

Retail

- Turnover increased by 52% to HK\$14,891m. Total retail earnings rose by 112% to HK\$597m mainly due to revaluation of investment properties, contribution of stores acquired and better performance from existing stores. EBITDA also increased by 72% to HK\$1,110m

Beverage

- Turnover and earnings reported 13% and 53% growth to HK\$4,460m and HK\$26m respectively. Sales volume of beer was up 10% to approximately 1.7m kl. EBITDA rose by 45% to HK\$508m.

Food processing and distribution

- Turnover of food business improved by 5% to HK\$1,823m, earnings remained at HK\$116m. EBITDA increased by 3% to HK\$229m.

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Results Summary

- Stronger growth exceeds earnings gap from asset swap transactions and disposal of Esprit China business

	Q12010 HK\$m	Q12009 HK\$m	change
Turnover	21,514	17,173	+25%
Earnings	3,727	417	+794%
Underlying net profit*	517	366	+41%
EPS (HK¢)	156	17	+818%
EBITDA	5,409	1,392	+289%
ROE (%)	12.6	1.6	+688%
Net gearing ratio (%)	5.2	(16.3)	+132%

* Earnings excluding the after-tax effect of investment property revaluation and major disposals of non-core assets/investments which led to aggregate gains of HK\$3,210m and HK\$51m in Q1 2010 and Q1 2009 respectively (Appendix I)

Net gearing ratio = (bank debts – cash)/total equity

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Turnover Breakdown - by Divisions

	Q1 2010 HK\$m	Prop	Q1 2009 HK\$m	Prop	change
<i>Core businesses</i>					
Retail	14,891	70%	9,820	64%	+52%
Beverage	4,460	21%	3,930	25%	+13%
Food processing and distribution	1,823	9%	1,742	11%	+5%
	21,174	100%	15,492	100%	+37%
Less: inter-co transactions	(70)		(59)		-19%
Turnover – continuing operations	21,104		15,433		+37%
<i>Discontinued operations</i>					
Retail (Brand-fashion distribution)	410		748		-45%
Textile	-		992		-100%
	410		1,740		-76%
Turnover - total	21,514		17,173		+25%

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Earnings Breakdown - by Divisions

	Q1 2010 HK\$m	Prop	Q1 2009 HK\$m	Prop	change
<u>Core businesses</u>					
Retail	597	81%	281	68%	+112%
Beverage	26	3%	17	4%	+53%
Food processing and distribution	116	16%	116	28%	-
	739	100%	414	100%	+79%
Net corporate interest & expenses	(23)		(34)		+32%
	716		380		+88%
<u>Other businesses</u>					
Investment & others	-		62		-100%
Earnings – continuing operations	716		442		+62%
<u>Discontinued operations</u>					
Retail (Brand-fashion distribution)	3,011		49		+6045%
Gain on disposal (Appendix I)	2,985		-		n/a
Earnings from operation	26		49		-47%
Textile	-		(74)		+100%
	3,011		(25)		+12144%
Earnings – total	3,727		417		+794%

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Underlying Net Profit Breakdown - by Divisions

	Q1 2010 HK\$m	Prop	Q1 2009 HK\$m	Prop	change
<u>Core businesses</u>					
Retail	398	77%	270	74%	+47%
Beverage	26	5%	17	5%	+53%
Food processing and distribution	90	18%	76	21%	+18%
	514	100%	363	100%	+42%
Net corporate interest & expenses	(23)		(34)		+32%
	491		329		+49%
<u>Other businesses</u>					
Investment & others	-		62		-100%
Underlying net profit – continuing operations	491		391		+26%
<u>Discontinued operations</u>					
Retail (Brand-fashion distribution)	26		49		-47%
Textile	-		(74)		+100%
	26		(25)		+204%
Underlying net profit * - total	517		366		+41%

* Earnings excluding the after-tax effect of investment property revaluation and major disposals of non-core assets/investments which led to aggregate gains of HK\$3,210m and HK\$51m in Q1 2010 and Q1 2009 respectively (Appendix I)

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EBITDA Breakdown - by Divisions

	Q1 2010 HK\$m	Prop	Q1 2009 HK\$m	Prop	change
<u>Core businesses</u>					
Retail	1,110	60%	647	53%	+72%
Beverage	508	28%	350	29%	+45%
Food processing and distribution	229	12%	222	18%	+3%
	1,847	100%	1,219	100%	+52%
<u>Other businesses</u>					
Investment & others	(19)		32		-159%
EBITDA – continuing operations	1,828		1,251		+46%
<u>Discontinued operations</u>					
Retail (Brand-fashion distribution)	3,581		132		+2613%
Textile	-		9		-100%
	3,581		141		+2440%
EBITDA - total	5,409		1,392		+289%

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Retail

- Well-positioned national footprint and multi-format

Turnover, EBITDA and earnings breakdown

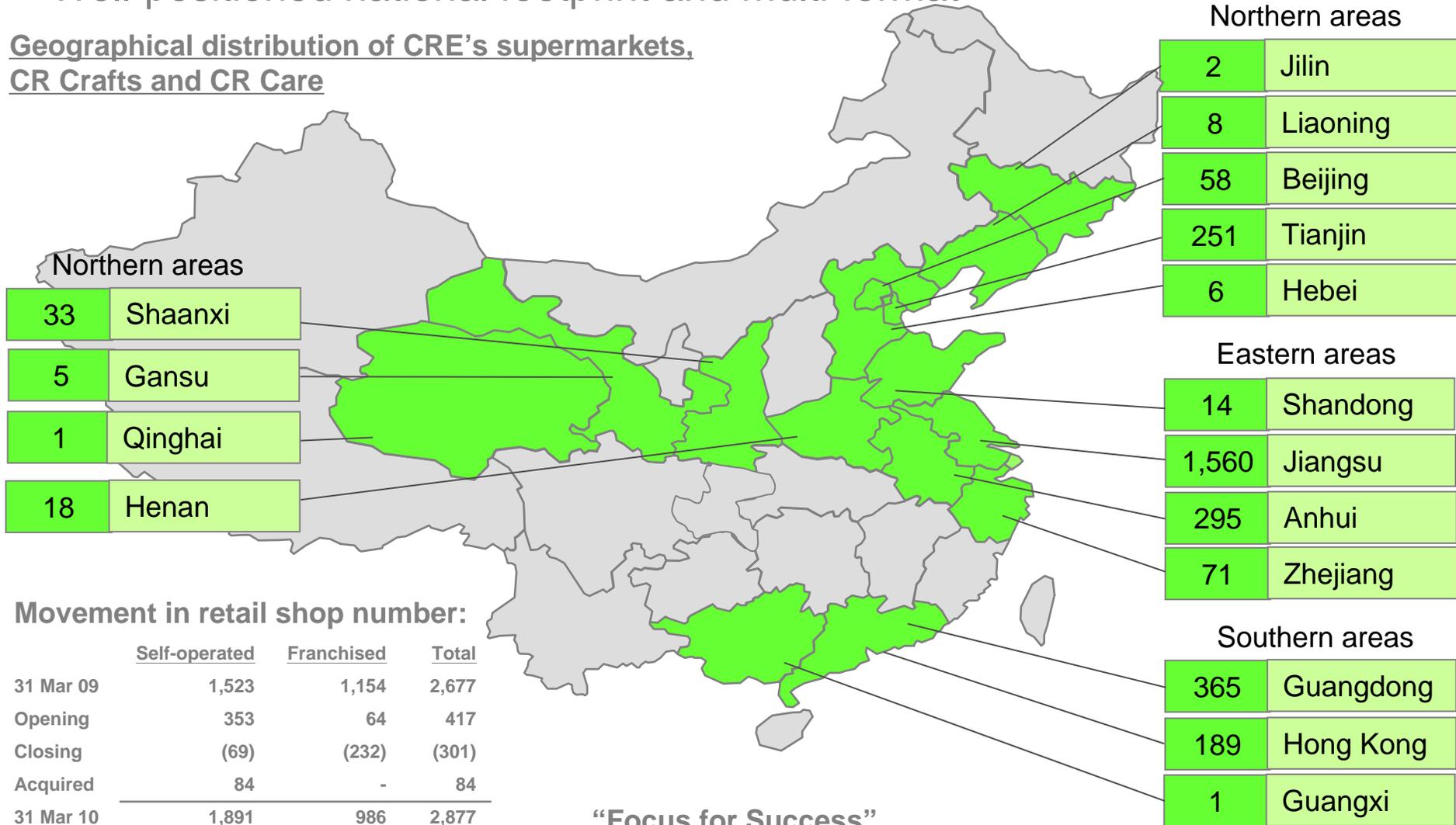
	Q1 2010 HK\$m	Prop	Q1 2009 HK\$m	Prop	change
Turnover					
- HK	983	7%	879	9%	+12%
- China	13,908	93%	8,941	91%	+56%
	14,891	100%	9,820	100%	+52%
EBITDA					
- HK	454	41%	180	28%	+152%
- China	656	59%	467	72%	+40%
	1,110	100%	647	100%	+72%
Earnings					
- HK	362	61%	125	44%	+190%
- China	235	39%	156	56%	+51%
	597	100%	281	100%	+112%
EBITDA margin (%)					
- overall	7.5		6.6		+14%
- HK	46.2		20.5		+125%
- China	4.7		5.2		-10%
Net margin (%)					
- overall	4.0		2.9		+38%
- HK	36.9		14.2		+160%
- China	1.7		1.7		-

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Retail

- Well-positioned national footprint and multi-format

Geographical distribution of CRE's supermarkets, CR Crafts and CR Care



Movement in retail shop number:

	Self-operated	Franchised	Total
31 Mar 09	1,523	1,154	2,677
Opening	353	64	417
Closing	(69)	(232)	(301)
Acquired	84	-	84
31 Mar 10	1,891	986	2,877

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Retail

- Well-positioned national footprint and multi-format

Same stores sales growth in recovery

Same store sales growth trend (constant currency)

	Q1 2010 %	FY2009 %	FY2008 %	FY2007 %
Overall retail	+8.2	+0.3	+10.8	+9.5
China	+8.1	+0.8	+11.2	+10.2
Hong Kong	+9.1	-5.5	+5.7	+2.2

China CPI: Q1 2010: +2.2%; Q1 2009 -0.6%

Hong Kong CPI: Q1 2010: +1.9%; Q1 2009: +1.7%

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Retail

- Well-positioned national footprint and multi-format

Business model

Winning market share by

- Multiple-format store approach
- Multiple distribution centres (10 D.C.s)
- Trade-up strategy
- Innovative in format
- Regional focus



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Beverage

- Strong momentum as market leader

Turnover and earnings breakdown

	Q1 2010 HK\$m	Prop	Q1 2009 HK\$m	Prop	change
Turnover					
- beer	4,080	91%	3,640	93%	+12%
- non-alcoholic beverage	380	9%	290	7%	+31%
	4,460	100%	3,930	100%	+13%
Attributable earnings to CRE					
- beer	19	73%	(4)	-24%	+575%
- non-alcoholic beverage	7	27%	21	124%	-66%
	26	100%	17	100%	+53%

The decline in earnings of non-alcoholic beverage operation in Q1 2010 was mainly arising from expenses incurred for new product – "O Pa"



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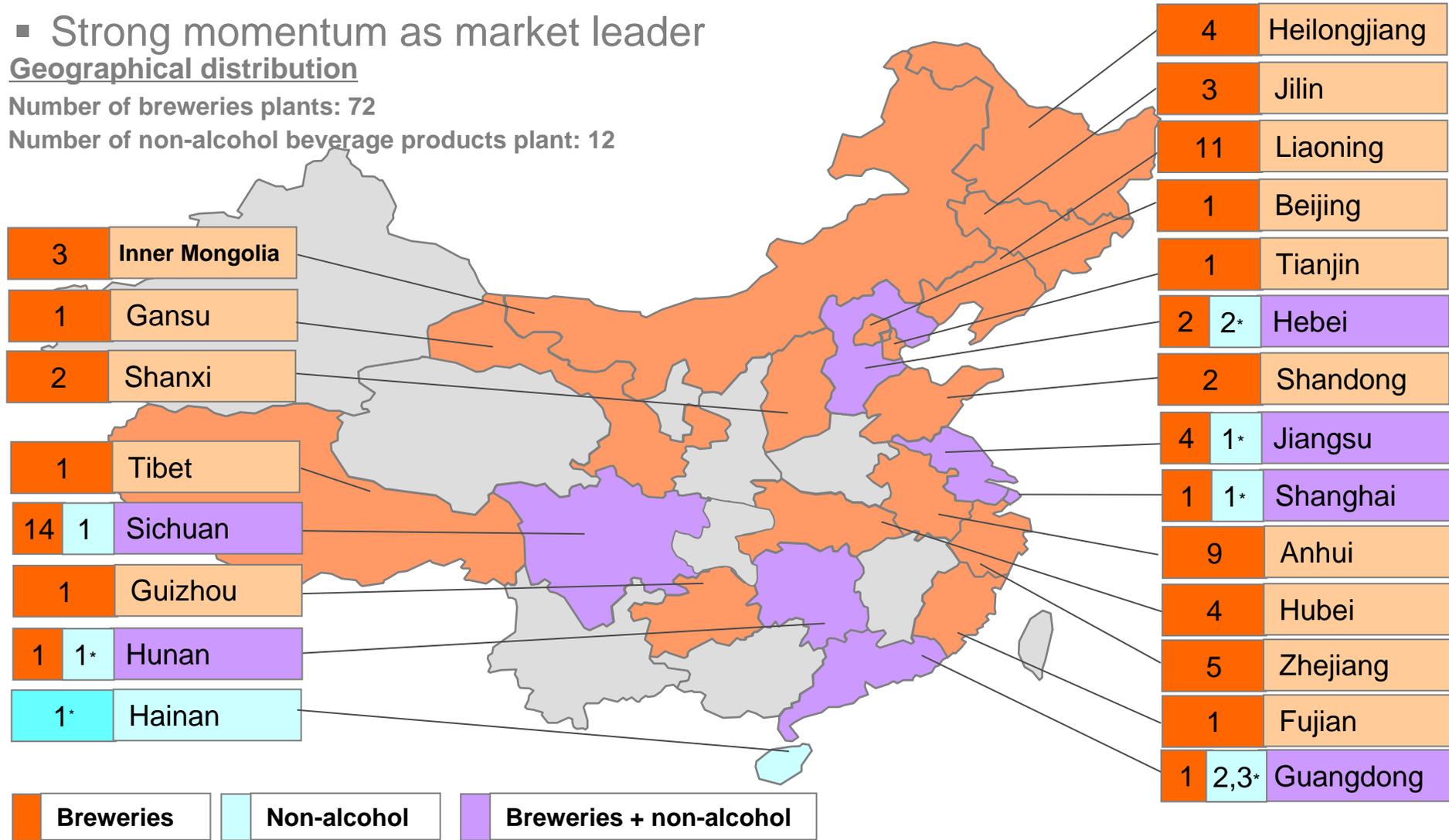
Beverage

Strong momentum as market leader

Geographical distribution

Number of breweries plants: 72

Number of non-alcohol beverage products plant: 12



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Beer

- Strong momentum as market leader

Performance of existing and new brewery operations

	Q1 2010 HK\$m	Prop	Q1 2009 HK\$m	Prop	change
Turnover					
- Existing breweries	3,787	93%	3,614	99%	+5%
- New breweries (Note)	293	7%	26	1%	+1027%
	4,080	100%	3,640	100%	+12%
Attributable earnings to CR Snow					
- Existing breweries (incl overheads and others)	120	316%	(1)	14%	+12100%
- New breweries (Note)	(82)	(216%)	(6)	86%	-1267%
	38	100%	(7)	100%	+643%
Net margin					
- Existing breweries	3.2		-		
- New breweries (Note)	(28.0)		(23.1)		
	0.9		(0.2)		

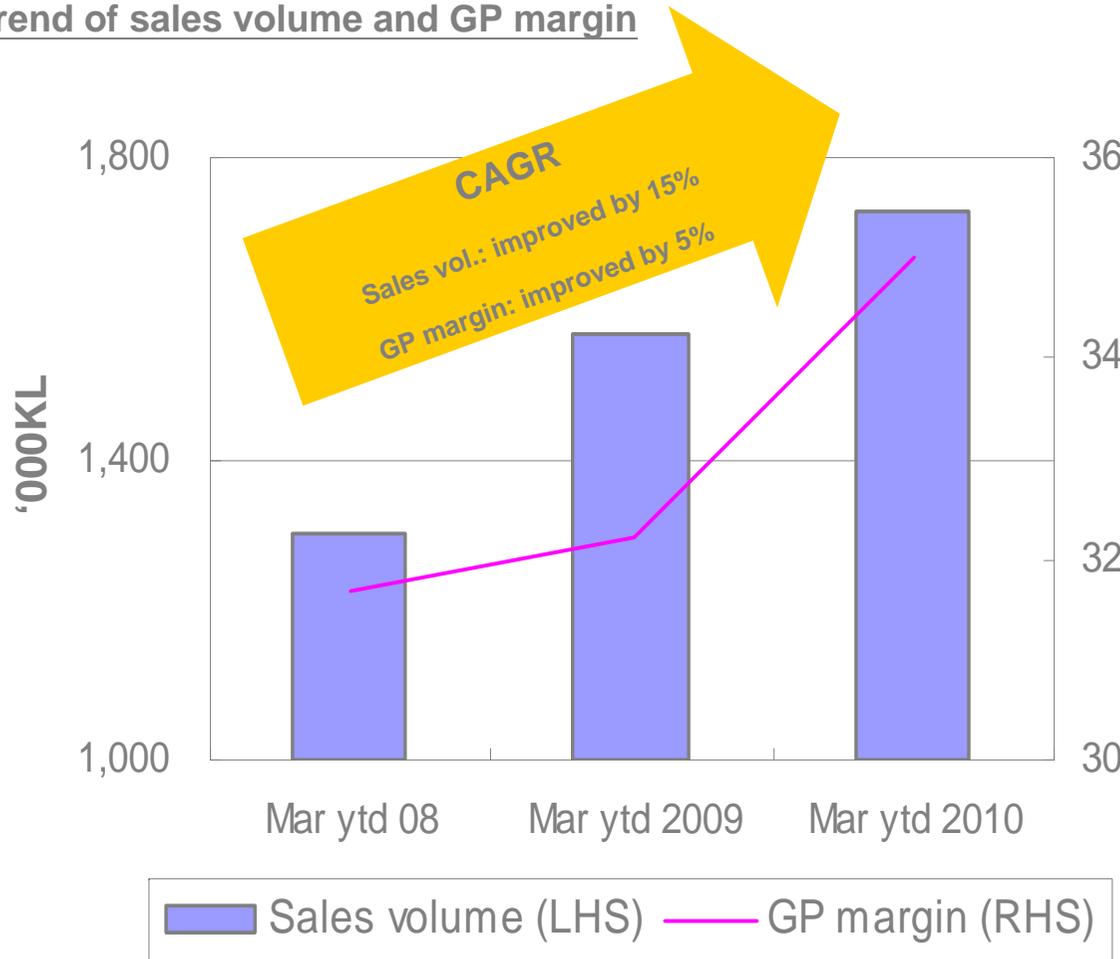
Note: New breweries are those owned after 1 January 2009
Q1 2010: 12 new breweries; Q1 2009: 2 new breweries

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Beer (No.1 brand by volume in the world)

- Strong momentum as market leader

Trend of sales volume and GP margin



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Beer (No.1 brand by volume in the world)

- Total market share of top 4 players contributed 57% in 2009, of which Snow has 20%

Beer market share of key players

	<u>Company</u>	<u>Market share</u>	
		2009	2008
National players	CRE Snow	20%	18%
	Tsingtao Brew ery	14%	14%
	Anheuser-Busch Inbev	12%	14%
	Yanjing Brew ery	11%	10%
	Sub-total		57%
Key regional players	Jin Xing Brew ery	4%	4%
	Pearl Brew ery	3%	3%
	Chongqing Brew ery	2%	2%
	Kingw ay Brew ery	2%	2%
	Sub-total		11%
Small regional players		32%	33%
Total		100%	100%

Source: State Statistical Bureau and CR Snow

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Food Processing and Distribution

- Competitive advantage on wide sourcing and distribution network

Turnover

	Q1 2010 HK\$m	Prop	Q1 2009 HK\$m	Prop	change
Meat (mainly meat processing, distribution and abattoir operation)	1,039	57%	981	56%	+6%
Assorted food (mainly ice-cream and frozen food)	497	27%	454	26%	+9%
Marine fishing and aquatic products processing	287	16%	307	18%	-7%
	1,823	100%	1,742	100%	+5%

Earnings

	Q1 2010 HK\$m	Prop	Q1 2009 HK\$m	Prop	change
Meat (mainly meat processing, distribution and abattoir operation)	46	40%	28	24%	+64%
Assorted food (mainly ice-cream and frozen food)	23	20%	15	13%	+53%
Marine fishing and aquatic products processing	16	14%	31	27%	-48%
Others	31	26%	42	36%	-26%
	116	100%	116	100%	-

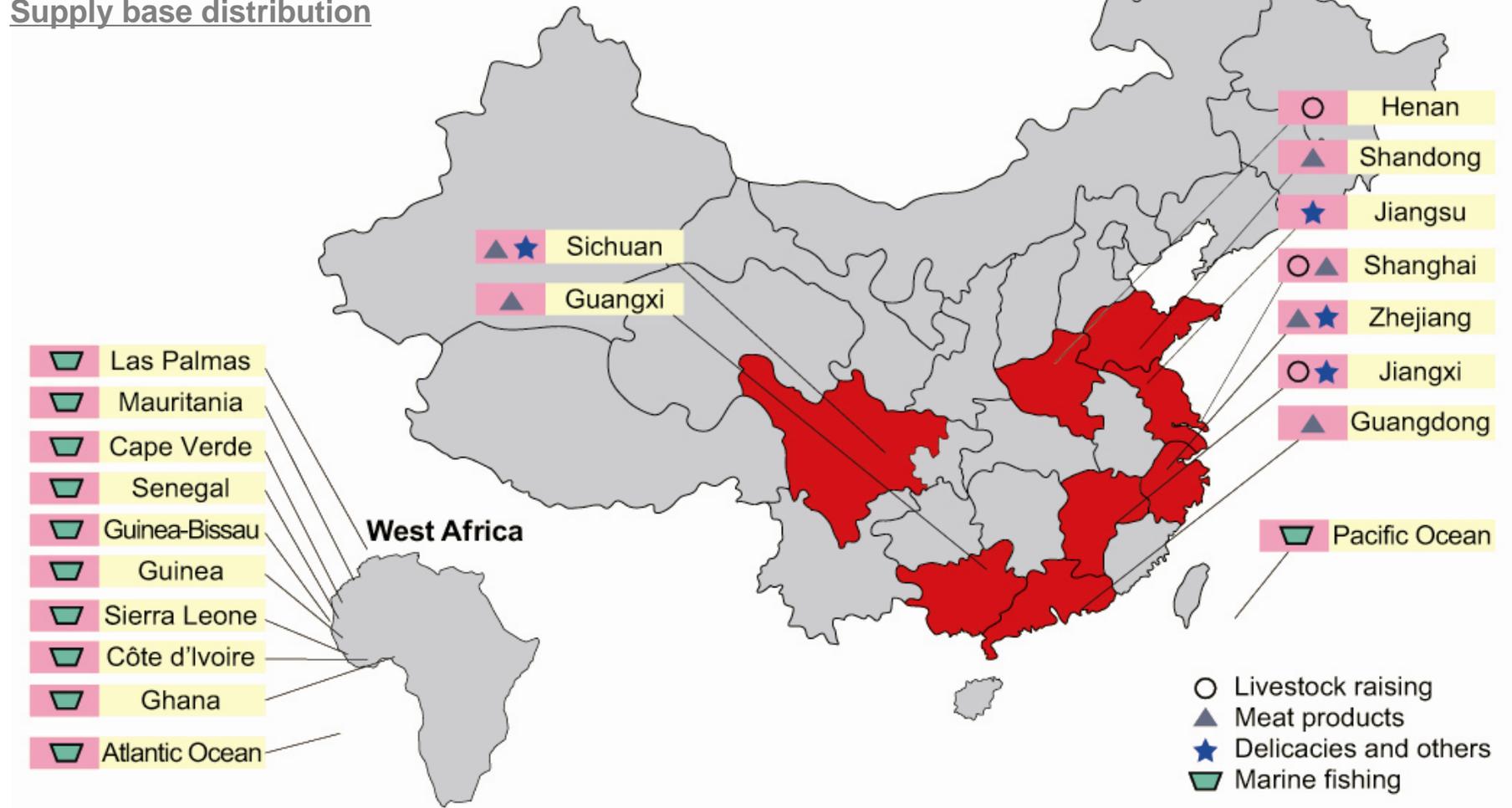
* Exceptional items included partial disposal of A shares and property revaluation in 2010 amounting to HK\$26m (Q1 2009: HK\$40m)

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Food Processing and Distribution

- Competitive advantage on wide sourcing and distribution network

Supply base distribution



Source: Company data

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Food Processing and Distribution

- Competitive advantage on wide sourcing and distribution network

Business Model

- One of the leading integrated food suppliers in China
- Increasing focus on China
- High food safety standard on pig supply
- A variety of food supplies, including marine fishing in West Africa
- Product differentiation



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Appendix I - Calculation of Underlying Net Profit

	Q1 2010 HK\$m	Q1 2009 HK\$m	<i>change</i>
Earnings	3,727	417	+794%
<i>Adjustments</i>			
Partial disposal of shares in Hunan New Wellful	9	21	-57%
Partial disposal of shares in Fortune Ng Fung Food (Hebei)	16	19	-16%
Investment property revaluation	200	11	+1718%
Gain on disposal of non-core business – brand fashion distribution	2,985	-	n/a
	<u>3,210</u>	<u>51</u>	+6194%
Underlying net profit - total	517	366	+41%

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Appendix II – CRE award

■ Highlights of accolades received

Since 2002	Produced quarterly financial and operational review on a voluntary basis. First conglomerate company among the constituent stocks in the Hang Seng Index to initiate such a move
2004-2005	Ranked the first among conglomerates on a Corporate Governance poll conducted by <i>Euromoney</i>
2005-2009	Named one of the outstanding enterprises among blue-chip companies in Hong Kong by <i>Economic Digest</i>
2005-2009	Rated one of the companies with the best corporate governance in China by <i>FinanceAsia</i>
2006	Honored as an Awardee in the Board Category in the "Directors Of the Year Awards" by Hong Kong Institute of Directors
2006-2009	Selected as one of the recipients of the "Recognition Awards - Asia's Best Companies for Corporate Governance" by <i>Corporate Governance Asia</i>
2008	Rated one of the Leaders in the "CSR Survey of HSI Constituent Companies" by <i>Oxfam Hong Kong</i>
2009	Ranked the second largest retail organization for China in Retail Asia-Pacific Top 500 Awards by <i>Retail Asia Publishing</i>

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