

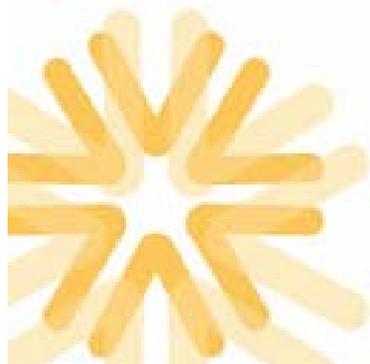
China Resources Enterprise, Limited

Financial and business review

Final Results 2009

Focus for Success

25 March 2010



Focus for Success

- Profitability
- Three core businesses:
 - Retail
 - Beverage
 - Food processing and distribution



“Focus for Success”

Results Highlights

- Turnover rose by 11% to HK\$71,629m. Earnings and EBITDA increased by 26% and 19% to HK\$2,913m and HK\$7,399m respectively. Further, underlying net profit of core businesses boosted 22% to HK\$1,414m.

Retail

- Turnover increased by 12% to HK\$35,939m. Total retail earnings reduced by 24% to HK\$296m mainly due to higher depreciation and tax expenses for ongoing expansion. EBITDA increased by 7% to HK\$1,544m

Beverage

- Turnover and earnings reported 18% and 67% improvement to HK\$20,470m and HK\$684m respectively. Sales volume of beer was up 15% to approximately 8.4m kl. EBITDA rose by 24% to HK\$2,660m.

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Results Highlights (Cont'd)

Food processing and distribution

- Turnover of food business slightly declined by 3% to HK\$7,443m, earnings increased by 12% to HK\$350m mainly due to better performance of marine fishing and core China food processing business. EBITDA increased by 13% to HK\$707m.

Investment property

- Excluding the effect of property revaluation of HK\$912m, underlying net profit of investment properties increased by 10% to HK\$374m which was mainly attributable to rental income of new tenancy agreements. EBITDA increased by 83% to 1,578m.

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Results Highlights (Cont'd)

Discontinued operations

- In order to focus on core businesses, the following transactions were conducted:
 - Asset swap transactions with the parent company to dispose textiles and HIT businesses in return for a hypermarket chain and a Shandong brewery which will both contribute in 2010.
 - Brand fashion distribution in retail business is also disposed at HK\$3.88bn. The transaction will be completed by the end of 2010.

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Results Summary

- Solid performance under difficult environment

	FY2009 HK\$m	FY2008 HK\$m	<i>change</i>
Turnover	71,629	64,628	+11%
Earnings	2,913	2,322	+26%
Underlying net profit of core businesses*	1,414	1,159	+22%
EPS (HK¢)	122	97	+26%
DPS - basic (HK¢)	49	40	+23%
- final	35	25	+40%
- interim	14	15	-7%
Dividend payout ratio (%)	40	41	-2%
EBITDA	7,399	6,239	+19%
ROE (%)	11.3	9.2	+23%
Net gearing ratio (%)	9.4	18.7	-50%

* 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\$1,053m and HK\$529m in 2009 and 2008 respectively (Appendix I)

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

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Turnover Breakdown - by Divisions

	FY2009 HK\$m	Prop	FY2008 HK\$m	Prop	change
<u>Core businesses</u>					
Retail	35,939	56%	32,072	56%	+12%
Beverage	20,470	32%	17,405	30%	+18%
Food processing and distribution	7,443	11%	7,645	13%	-3%
Investment property	550	1%	434	1%	+27%
	64,402	100%	57,556	100%	+12%
Less: inter-co transactions	(271)		(336)		-19%
Turnover – continuing operations	64,131		57,220		+12%
<u>Discontinued operations</u>					
Retail (Brand-fashion distribution)	2,611		2,579		+1%
Textile	4,887		4,829		+1%
	7,498		7,408		+1%
Turnover - total	71,629		64,628		+11%

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Earnings Breakdown - by Divisions

	FY2009 HK\$m	Prop	FY2008 HK\$m	Prop	change
<u>Core businesses</u>					
Retail	296	11%	392	21%	-24%
Beverage	684	26%	409	22%	+67%
Food processing and distribution	350	14%	312	17%	+12%
Investment property	1,286	49%	754	40%	+71%
	<u>2,616</u>	<u>100%</u>	<u>1,867</u>	<u>100%</u>	<u>+40%</u>
Net corporate interest & expenses	(152)		(213)		-29%
	<u>2,464</u>		<u>1,654</u>		<u>+49%</u>
<u>Other businesses</u>					
Investment & others	321		396		-19%
Earnings – continuing operations	<u>2,785</u>		<u>2,050</u>		<u>+36%</u>
<u>Discontinued operations</u>					
Retail (Brand-fashion distribution)	138		198		-30%
Textile	(10)		74		-114%
	<u>128</u>		<u>272</u>		<u>-53%</u>
Earnings – total	2,913		2,322		+26%

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Underlying Net Profit Breakdown - by Divisions

	FY2009 HK\$m	Prop	FY2008 HK\$m	Prop	change
<u>Core businesses</u>					
Retail	278	18%	397	29%	-30%
Beverage	684	44%	409	30%	+67%
Food processing and distribution	230	15%	227	16%	+1%
Investment property	374	23%	339	25%	+10%
	<u>1,566</u>	<u>100%</u>	<u>1,372</u>	<u>100%</u>	<u>+14%</u>
Net corporate interest & expenses	<u>(152)</u>		<u>(213)</u>		<u>+29%</u>
	1,414		1,159		+22%
<u>Other businesses</u>					
Investment & others	<u>321</u>		<u>396</u>		<u>-19%</u>
Underlying net profit – continuing operations	1,735		1,555		+12%
<u>Discontinued operations</u>					
Retail (Brand-fashion distribution)	138		198		-30%
Textile	(13)		40		-133%
	<u>125</u>		<u>238</u>		<u>-47%</u>
Underlying net profit * - total	1,860		1,793		+4%

* 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\$1,053m and HK\$529m in 2009 and 2008 respectively (Appendix I)

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EBITDA Breakdown - by Divisions

	FY2009 HK\$m	Prop	FY2008 HK\$m	Prop	change
<u>Core businesses</u>					
Retail	1,544	24%	1,438	29%	+7%
Beverage	2,660	41%	2,141	42%	+24%
Food processing and distribution	707	11%	624	12%	+13%
Investment property	1,578	24%	860	17%	+83%
	6,489	100%	5,063	100%	+28%
<u>Other businesses</u>					
Investment & others	179		240		-25%
EBITDA – continuing operations	6,668		5,303		+26%
<u>Discontinued operations</u>					
Retail (Brand-fashion distribution)	384		496		-23%
Textile	347		440		-21%
	731		936		-22%
EBITDA - total	7,399		6,239		+19%

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Retail business turnover and earnings breakdown

	FY2009 HK\$m	Prop	FY2008 HK\$m	Prop	<i>change</i>
Turnover					
- Supermarket	35,018	97%	31,139	97%	+12%
- Other retail stores	921	3%	933	3%	-1%
	35,939	100%	32,072	100%	+12%
Earnings					
- Supermarket	281	95%	351	90%	-20%
- Other retail stores	15	5%	41	10%	-63%
	296	100%	392	100%	-24%

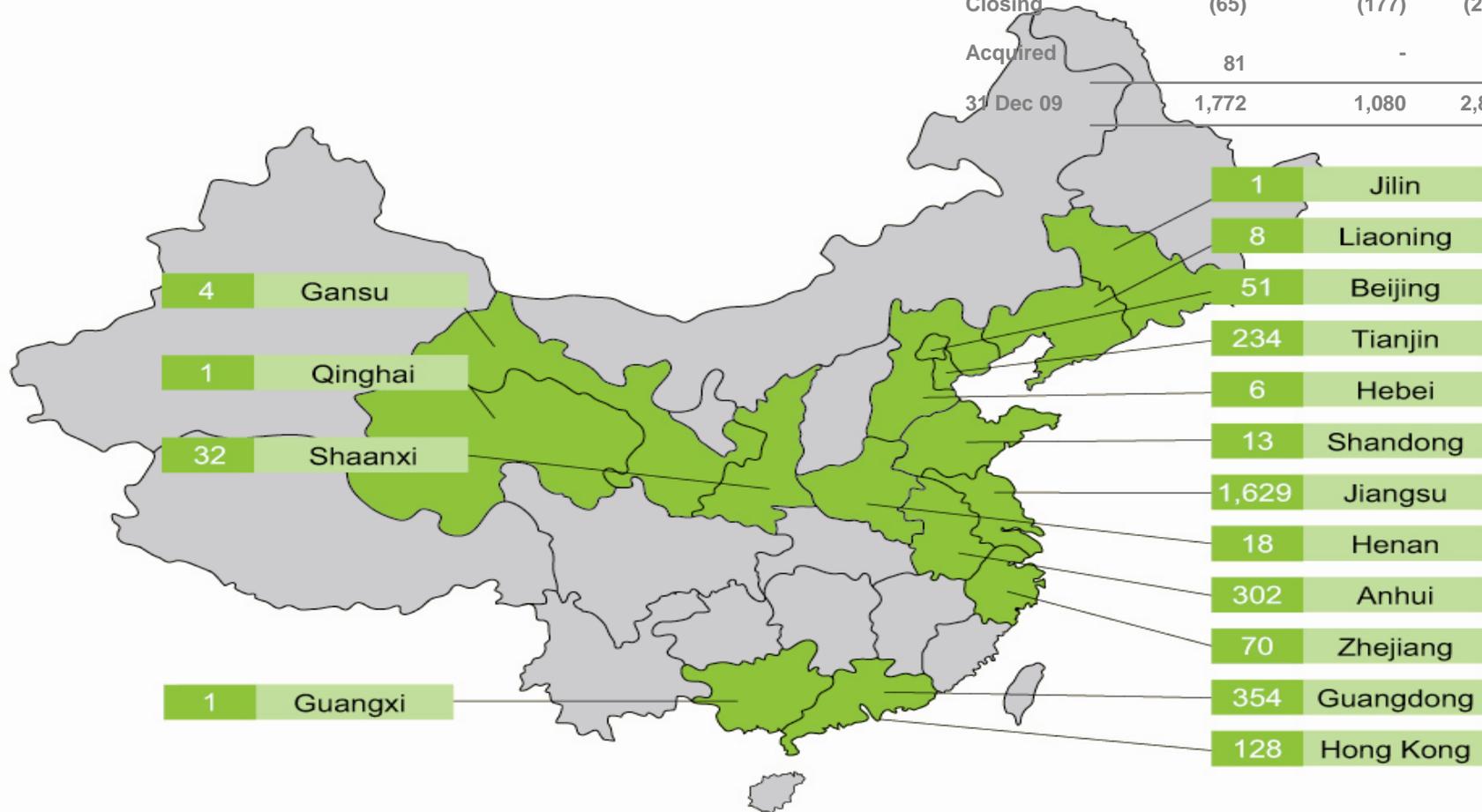
“Focus for Success”

Retail

- Well-positioned national footprint
- Geographical distribution of CRE's supermarkets

Movement in shop number:

	Self-operated	Franchised	Total
31 Dec 08	1,437	1,187	2,624
Opening	319	70	389
Closing	(65)	(177)	(242)
Acquired	81	-	81
31 Dec 09	1,772	1,080	2,852



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Retail

- Well-positioned national footprint

Supermarket turnover, EBITDA and earnings breakdown

	FY2009 HK\$m	Prop	FY2008 HK\$m	Prop	change
Turnover					
- HK	2,325	7%	2,422	8%	-4%
- China	32,693	93%	28,717	92%	+14%
	35,018	100%	31,139	100%	+12%
EBITDA					
- HK	222	15%	241	18%	-8%
- China	1,289	85%	1,133	82%	+14%
	1,511	100%	1,374	100%	+10%
Earnings					
- HK	107	38%	153	44%	-30%
- China	174	62%	198	56%	-12%
	281	100%	351	100%	-20%
EBITDA margin (%)					
- overall	4.3		4.4		-2%
- HK	9.5		9.9		-4%
- China	3.9		3.9		-
Net margin (%)					
- overall	0.8		1.1		-27%
- HK	4.6		6.3		-27%
- China	0.5		0.7		-29%

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Retail

- Well-positioned national footprint

Same stores sales in 2009 benefited from operating environment recovery in Q4 2009

Same store sales growth trend (constant currency)

	FY2009 %	FY2008 %	FY2007 %
Overall supermarket	+0.3	+10.8	+9.5
China	+0.8	+11.2	+10.2
Hong Kong	-5.5	+5.7	+2.2

China CPI: 2009: -0.7%; 2008 +5.9%

Hong Kong CPI: 2009: +0.5%; 2008: +4.3%

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Retail

- Well-positioned national footprint

Supermarket business model

Winning market share by

- Regional focus
- Multiple-format store approach
- Multiple distribution centres (10 D.C.s)
- Trade-up strategy
- Acquisitions of Homeworld



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Beverage

- Substantial improvement

Breakdown of beverage turnover and earnings

	FY2009 HK\$m	Prop	FY2008 HK\$m	Prop	<i>change</i>
Turnover					
- beer	18,878	92%	16,048	92%	+18%
- purified water	1,592	8%	1,357	8%	+17%
	20,470	100%	17,405	100%	+18%
Attributable earnings to CRE					
- beer	540	79%	298	73%	+81%
- purified water	144	21%	111	27%	+30%
	684	100%	409	100%	+67%

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Beverage

■ Substantial improvement

Performance of existing and new brewery operations

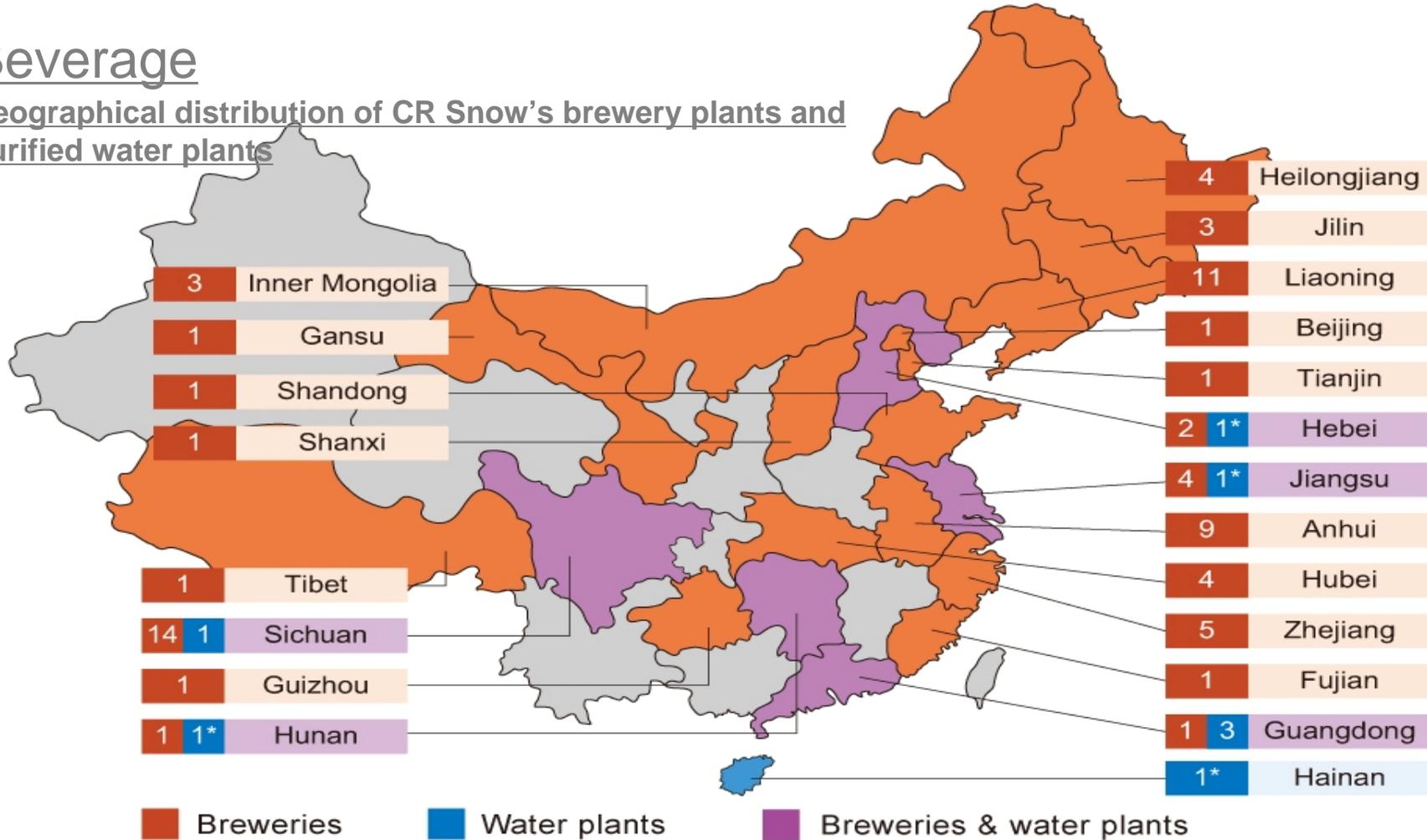
	FY2009 HK\$m	Prop	FY2008 HK\$m	Prop	change
Turnover					
- Existing breweries	17,045	90%	15,551	97%	+10%
- New breweries (Note)	1,833	10%	497	3%	+269%
	18,878	100%	16,048	100%	+18%
Attributable earnings to CR Snow					
- Existing breweries (incl overheads and others)	1,202	114%	745	127%	+61%
- New breweries (Note)	(143)	(14%)	(159)	(27%)	+10%
	1,059	100%	586	100%	+81%
Net margin					
- Existing breweries	7.1		4.8		
- New breweries (Note)	(7.8)		(32.0)		
	5.6		3.7		

Note: New breweries are those owned after 1 January 2008
FY2009: 13 new breweries; FY2008: 4 new breweries

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Beverage

Geographical distribution of CR Snow's brewery plants and Purified water plants



* OEM water plants

Total number of breweries: 69

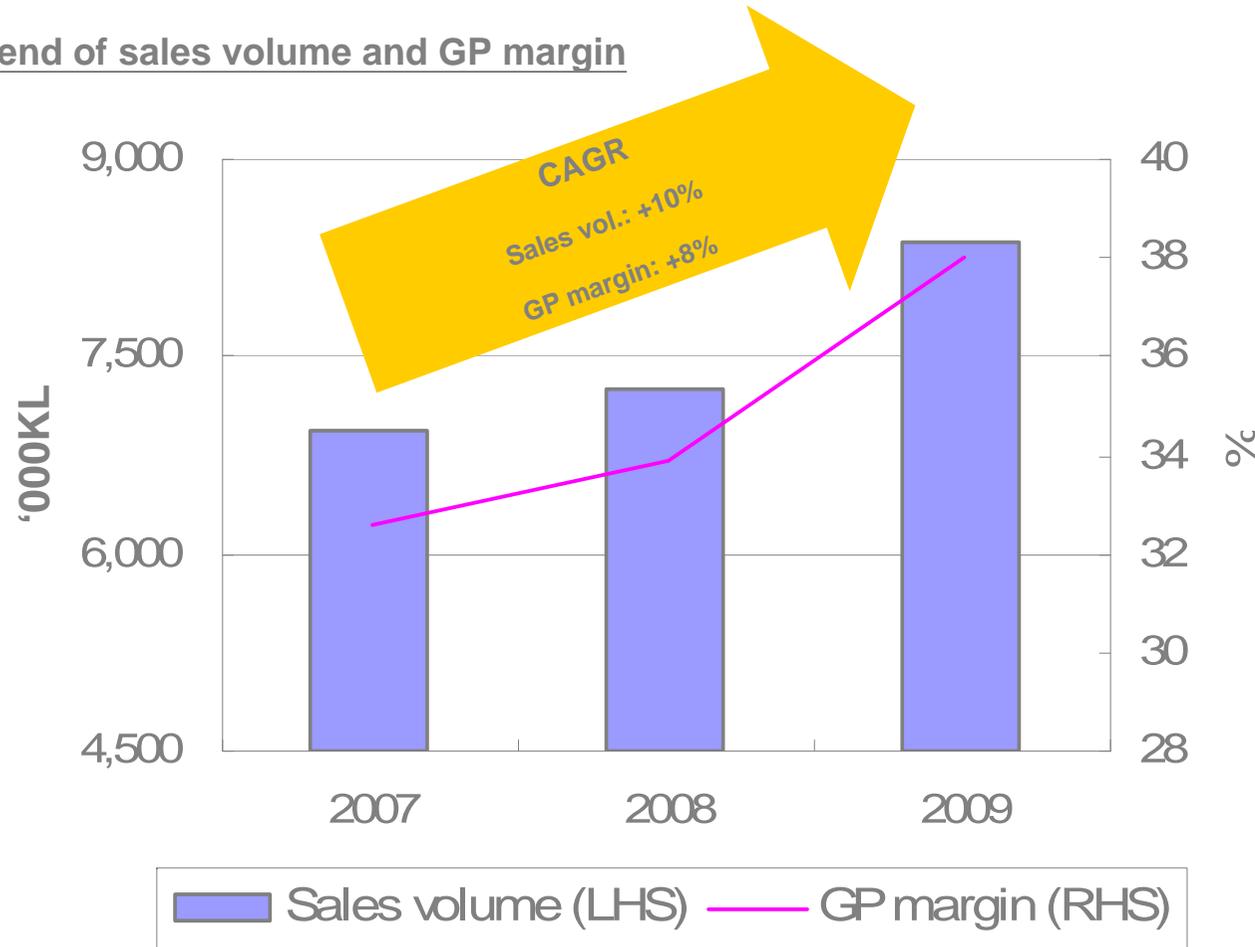
Total number of water plants: 8

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

- Substantial improvement

Trend of sales volume and GP margin



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Food Processing and Distribution

- Competitive advantage on wide sourcing and distribution network

Turnover

	FY2009 HK\$m	Prop	FY2008 HK\$m	Prop	change
Foodstuff distribution (mainly in Hong Kong)	2,874	39%	3,246	42%	-11%
Marine fishing	1,414	19%	1,607	21%	-12%
Food processing in China	2,766	37%	2,423	32%	+14%
Hong Kong abattoir operation and others	389	5%	369	5%	+5%
	7,443	100%	7,645	100%	-3%

Earnings

	FY2009 HK\$m	Prop	FY2008 HK\$m	Prop	change
Foodstuff distribution (mainly in Hong Kong)	34	10%	74	24%	-54%
Marine fishing	53	15%	(10)	(3%)	+630%
Food processing in China	82	23%	97	31%	-15%
Hong Kong abattoir operation and others*	181	52%	151	48%	+20%
	350	100%	312	100%	+12%

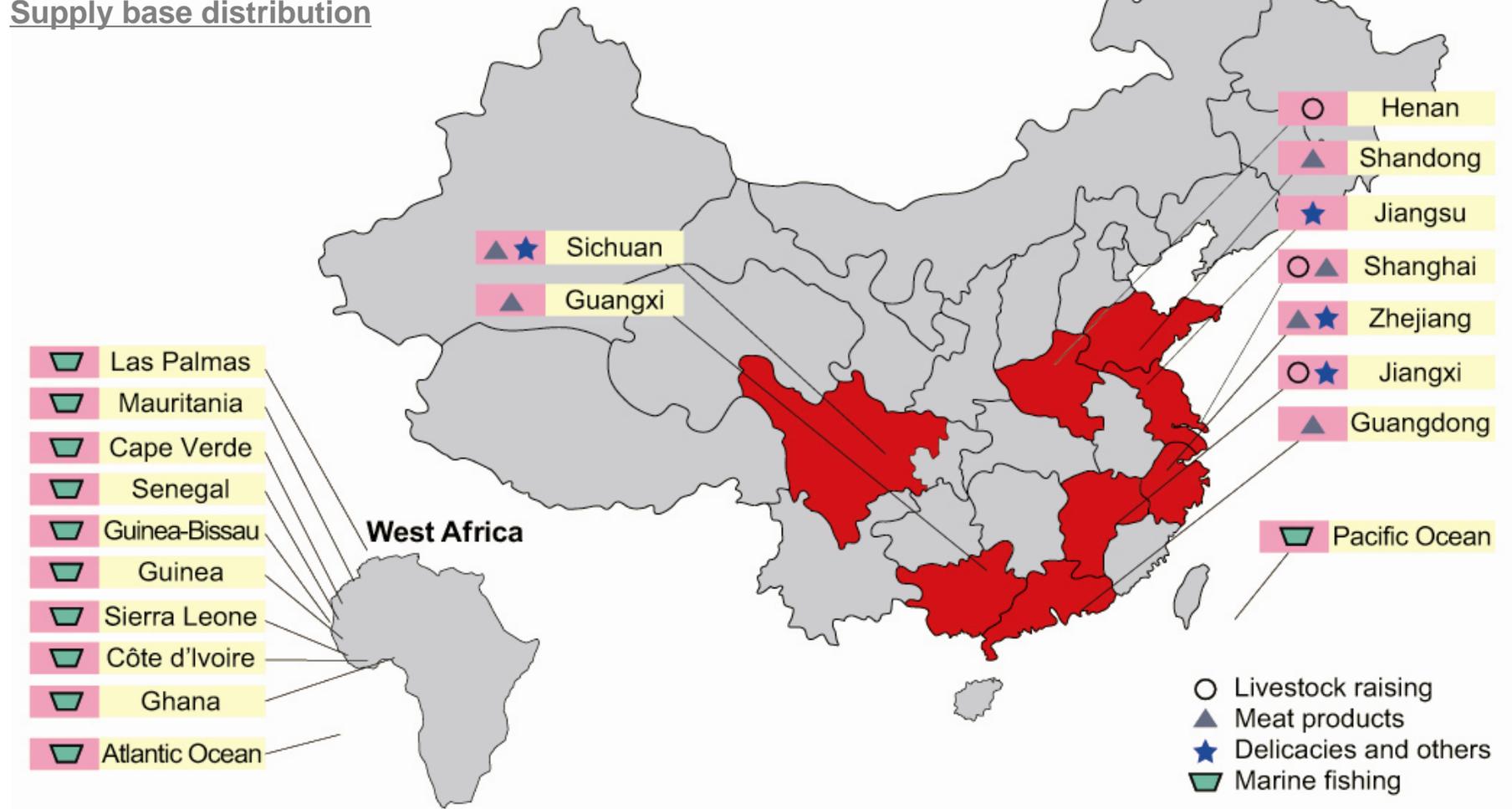
* Included partial disposal of A shares in 2009 amounting to HK\$120m (2008: HK\$85m)

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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

Food 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
- Expanding self-owned brand's presence in China which constituted 48% of total turnover



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Appendix I - Calculation of Underlying Net Profit

	FY2009 HK\$m	FY2008 HK\$m	<i>change</i>
Earnings	2,913	2,322	+25
<i>Adjustments</i>			
Partial disposal of shares in Hunan New Wellful	48	28	+71
Partial disposal of shares in Fortune Ng Fung Food (Hebei)	72	57	+26
Disposal of non-core textile investments	-	35	-100
Investment property revaluation	933	409	+128
	<u>1,053</u>	<u>529</u>	+99
Underlying net profit - total	1,860	1,793	+4

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Appendix II - Supermarket network

No of self-operated stores		31-Dec-09		30-Jun-09		31-Dec-08	
No of franchised stores							
Average areas							
<i>I) Convenience stores</i>	30 - 120 sq.m	512	19	482	18	455	20
<i>II) Standard supermarkets</i>	500 - 800 sq.m	869	1,036	767	1,099	698	1,137
<i>III) Superstores</i>	4,000 – 6,000 sq.m	175	25	177	30	173	30
<i>IV) Hypermarkets</i>	over 8,000 sq.m	125	-	109	-	98	-
<i>III) Olé</i>	4,000 sq.m	10	-	13	-	13	-
Overall		1,691	1,080	1,548	1,147	1,437	1,187
		2,771		2,695		2,624	
Total of Supermarkets							
- Hong Kong		128	-	117	-	109	-
- China		1,563	1,080	1,431	1,147	1,328	1,187
		2,771		2,695		2,624	

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Appendix II - Supermarket network – Northern areas (Homeworld)

	31-Dec-09		30-Jun-09		31-Dec-08	
No of self-operated stores						
No of franchised stores						
<i>II) Standard supermarkets</i>	1	-	N/I	N/I	N/I	N/I
<i>IV) Hypermarkets</i>	80	-	N/I	N/I	N/I	N/I
Overall	81	-	N/I	N/I	N/I	N/I
	81		N/I		N/I	
Total of Supermarkets + Northern areas						
- Hong Kong	128	-	117	-	109	-
- China	1,644	1,080	1,431	1,147	1,328	1,187
	2,852		2,695		2,624	

N/I: the shops in northern areas were still not acquired and included in CRE

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Appendix III – 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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Appendix III – CRE award (Cont'd)

- Recent awards received

from Asiamoney

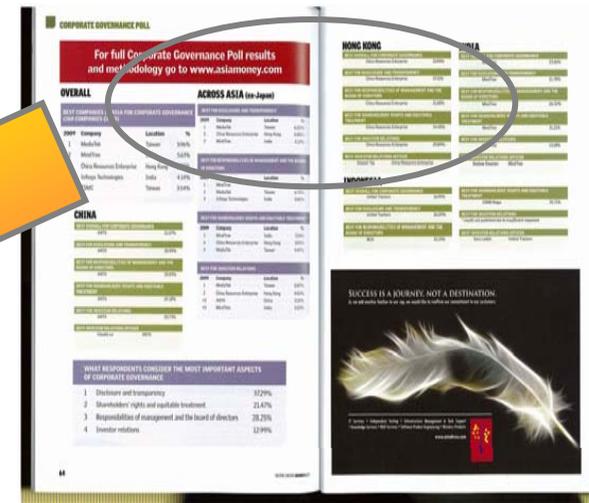
- Hong Kong

- Best overall for corporate governance
- Best for disclosure and transparency
- Best for responsibilities of management and the board of directors
- Best for shareholders' rights and equitable treatment
- Best for investor relations
- Best investor relations officer – Vincent Tse

- Asia (ex-Japan)

- #3 in overall best companies in Asia for corporate governance
- #2 in best for disclosure and transparency
- #2 in best for shareholders' rights and equitable treatment
- #2 in best for investor relations

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Appendix III – CRE award (Cont'd)

■ Recent awards received (Cont'd)

from IR Magazine

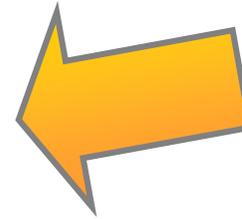
- Most progress in investor relations
- Best investor relations for a corporate transaction in IR Magazine Hong Kong and Taiwan Awards 2009

from Hong Kong Institute of Directors

- One of top ten companies among 146 listed companies in Hong Kong in "The HKIoD Corporate Governance Score-card 2009"

from The Asset

- One of the 20 companies receiving "The Platinum Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations"



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