

China Resources Enterprise, Limited Financial and operational review Interim results 2010

Enhanced Growth Platform

26 August 2010





Results Highlights

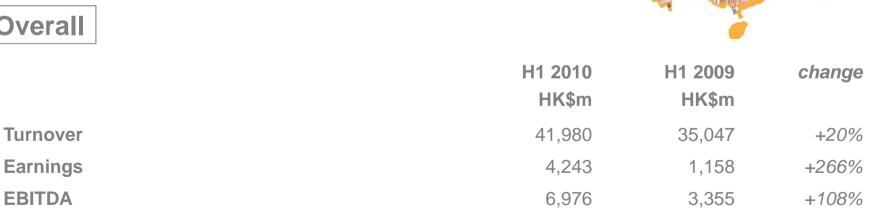
Enhanced Growth Platform

- Overall growth from core businesses

Core businesses:

- Retail
- Beer
- Beverage
- Food processing and distribution

Overall







EBITDA

EBITDA

Results Highlights (Cont'd)

Retail	H1 2010 HK\$m	H1 2009 HK\$m	change
Turnover	26,892	17,972	+50%
Earnings (Note)	955	540	+77%

1,913

1,335

1,242

1,223

+54%

+9%

Note: Earnings growth was mainly due to contribution from stores acquired, better performance from existing stores and properties revaluation.

Deer	H1 2010 HK\$m	H1 2009 HK\$m	change
Turnover (Note)	10,043	9,474	+6%
Earnings	258	257	-

Note: Sales volume increased by 5% to approximately 4.4m kl.



Results Highlights (Cont'd)

Beverage

	H1 2010 HK\$m	H1 2009 HK\$m	change
Turnover	896	742	+21%
Earnings (Note)	53	84	-37%
EBITDA (Note)	83	122	-32%

Note: Earnings and EBITDA declined because of the launch of new product, O Pa.

Food processing and distribution

	H1 2010 HK\$m	H1 2009 HK\$m	change
Turnover (Note)	3,876	3,505	+11%
Earnings (Note)	240	211	+14%
EBITDA	493	407	+21%

Note: Increase in turnover and earnings were mainly due to better performance in meat business.



Results Summary

Enhanced growth platform

	H1 2010	H1 2009	change
	HK\$m	HK\$m	
Turnover	41,980	35,047	+20%
Earnings	4,243	1,158	+266%
Underlying net profit*	1,043	966	+8%
EPS (HK¢)	177	48	+269%
DPS (HK¢)	14	14	-
EBITDA	6,976	3,355	+108%
ROE (%)	14.5	4.5	+222%
Net gearing ratio (%)	8.4	(12.5)	-167%
	net cash		

^{*} Earnings excluding the after-tax effect of asset revaluation and major disposals of non-core assets/investments which led to aggregate gains of HK\$3,200m and HK\$192m in H1 2010 and H1 2009 respectively (Appendix I)

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



Turnover Breakdown - by Divisions

	H1 2010 HK\$m	Prop	H1 2009 HK\$m	Prop	change
Core businesses					
Retail	26,892	65%	17,972	57%	+50%
Beer	10,043	24%	9,474	30%	+6%
Beverage	896	2%	742	2%	+21%
Food processing and distribution	3,876	9%	3,505	11%	+11%
	41,707	100%	31,693	100%	+32%
Less: inter-co transactions	(137)		(120)		+14%
Turnover – continuing operations	41,570		31,573		+32%
Discontinued operations					
Retail (Brand-fashion distribution)	410		1,263		-68%
Textile	-		2,211		-100%
	410		3,474		-88%
Turnover - total	41,980		35,047		+20%



Earnings Breakdown - by Divisions

<u> Larringo Broakaowir k</u>	H1 2010	Prop	H1 2009	Prop	change
	HK\$m		HK\$m		
Core businesses					
Retail	955	63%	540	49%	+77%
Beer	258	17%	257	24%	-
Beverage	53	4%	84	8%	-37%
Food processing and distribution	240	16%	211	19%	+14%
	1,506	100%	1,092	100%	+38%
Net corporate interest & expenses	(50)		(75)		-33%
	1,456		1,017		+43%
Other businesses					
Investment & others	(214)		151		-242%
Earnings – continuing operations	1,242		1,168		+6%
Discontinued operations					
Retail (Brand-fashion distribution)	3,001		57		+5165%
Gain on disposal (Appendix I)	2,979		-		n/a
Earnings from operation	22		57		-61%
Textile			(67)		-100%
	3,001		(10)		-30110%
Earnings – total	4,243 "Enhanced Growth	Platform	, 1,158		+266%



Underlying Net Profit Breakdown - by Divisions

	H1 2010	Prop	H1 2009	Prop	change
	HK\$m		HK\$m		
Core businesses					
Retail	546	51%	415	46%	+32%
Beer	258	24%	257	29%	-
Beverage	53	5%	84	9%	-37%
Food processing and distribution	214	20%	145	16%	+48%
	1,071	100%	901	100%	+19%
Net corporate interest & expenses	(50)		(75)		-33%
	1,021		826		+24%
Other businesses					
Investment & others			151		-100%
Underlying net profit – continuing operations	1,021		977		+5%
Discontinued operations					
Retail (Brand-fashion distribution)	22		57		-61%
Textile	-		(68)		-100%
	22	-	(11)		-300%
Underlying net profit * - total	1,043		966		+8%

^{*} Earnings excluding the after-tax effect of asset revaluation and major disposals of non-core assets/investments which led to aggregate gains of HK\$3,200m and HK\$192m in H1 2010 and H1 2009 respectively (Appendix I)

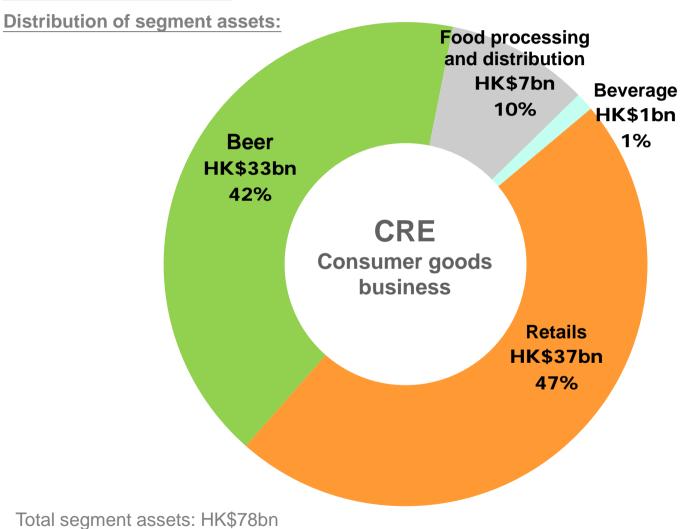


EBITDA Breakdown - by Divisions

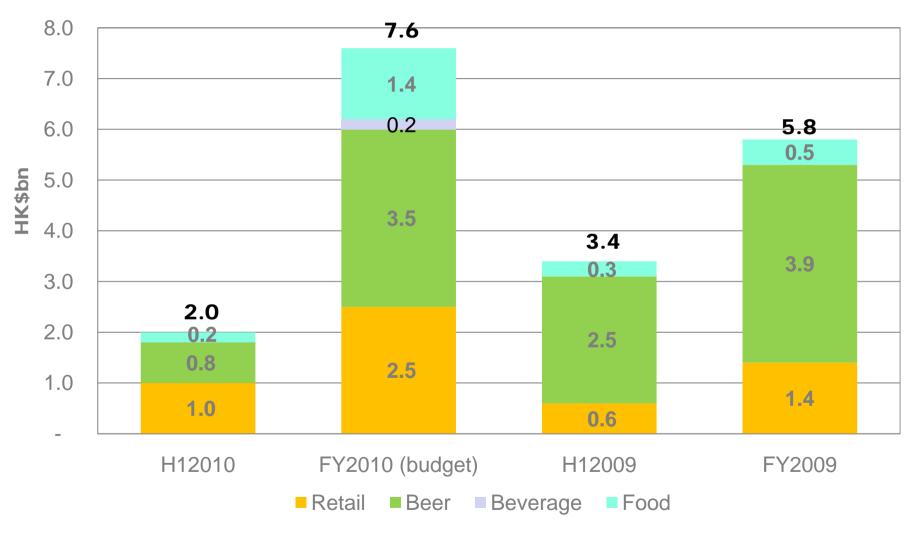
	H1 2010 HK\$m	Prop	H1 2009 HK\$m	Prop	change
Core businesses					
Retail	1,913	50%	1,242	41%	+54%
Beer	1,335	35%	1,223	41%	+9%
Beverage	83	2%	122	4%	-32%
Food processing and distribution	493	13%	407	14%	+21%
	3,824	100%	2,994	100%	+28%
Other businesses					
Investment & others	(259)	_	80		-424%
EBITDA – continuing operations	3,565		3,074		+16%
Discontinued operations					
Retail (Brand-fashion distribution)	3,411		175		+1849%
Textile	-		106		-100%
	3,411	-	281		+1114%
EBITDA - total	6,976		3,355		+108%



Segment assets





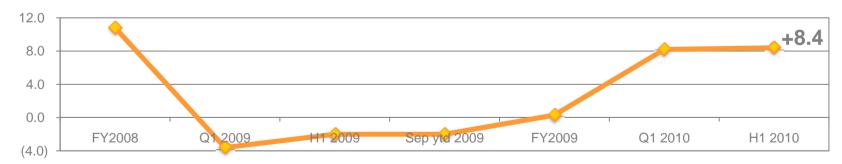




National expansion strategy with regional leadership and multi-format synergy

Retail performance	H1 2010 HK\$m	H1 2009 HK\$m	change
Turnover EBITDA Earnings	26,892 1,913 955	17,972 1,242 540	+50% +54% +77%
EBITDA margin (%)	7.1	6.9	+3%
Net margin (%)	3.6	3.0	+20%

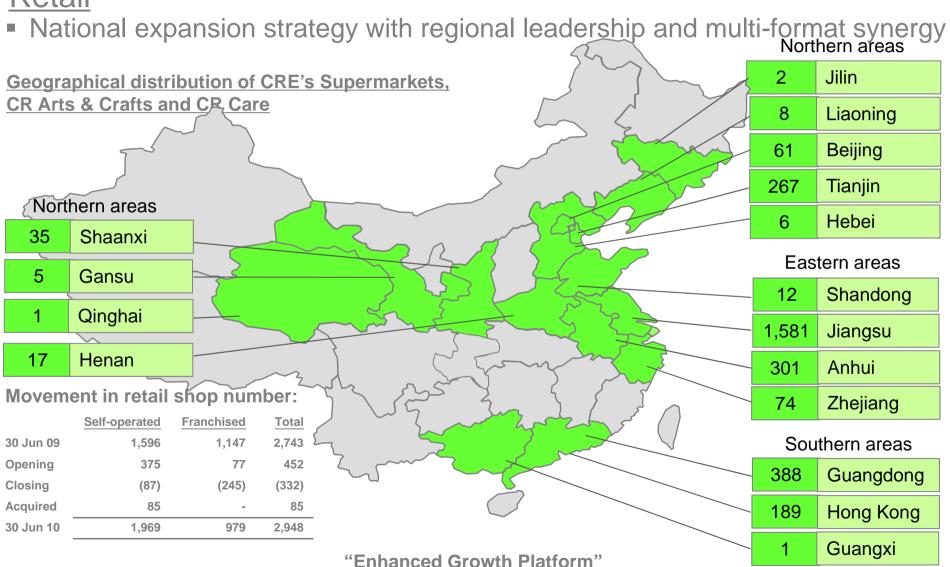
SSSG of retail business:



China CPI: H1 2010: +2.6%; H1 2009 -1.1%



Retail





National expansion strategy with regional leadership and multi-format synergy

Certain valuable products in Chinese Arts and Crafts:





"Enhanced Growth Platform"



Retail

National expansion strategy with regional leadership and multi-format synergy

Business model

Winning market share by

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











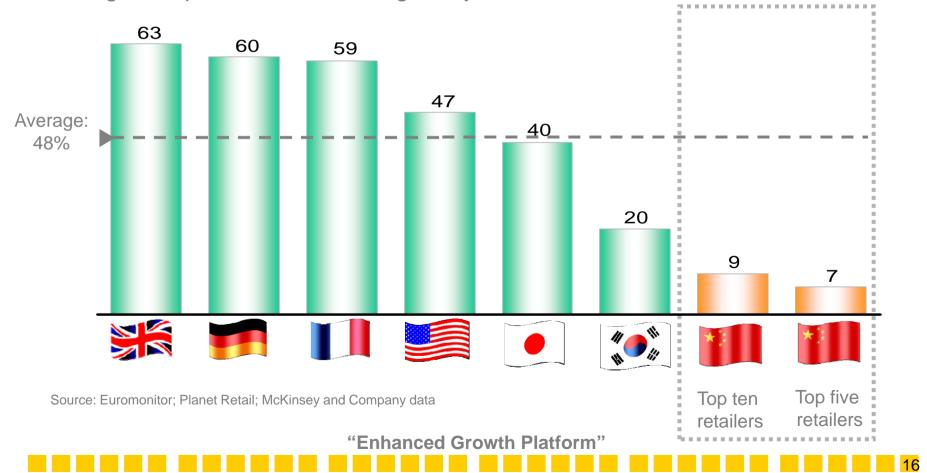






National expansion strategy with regional leadership and multi-format synergy
 Lower market concentration in China than other developed countries:

Percentage of top 5 retailers to total grocery retail market share in the state:





 National expansion strategy with regional leadership and multi-format synergy

Initiate mergers and acquisitions

- New growth engine

CRE

as retail market leader in China

Establish core competence

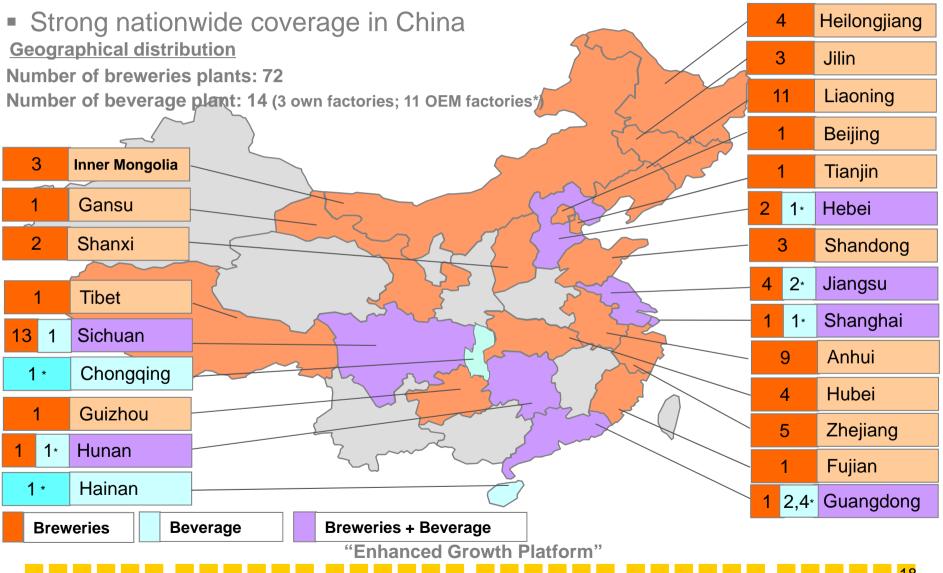
Outstanding operation to sustain long term growth

Continue to promote format innovation

- match market preference



Beer and Beverage





Beer

Strong momentum as market leader

Performance of existing and new brewery operations



HK\$m







HK\$m



Prop





change

Т	Ш	r	n	0	V	e	r

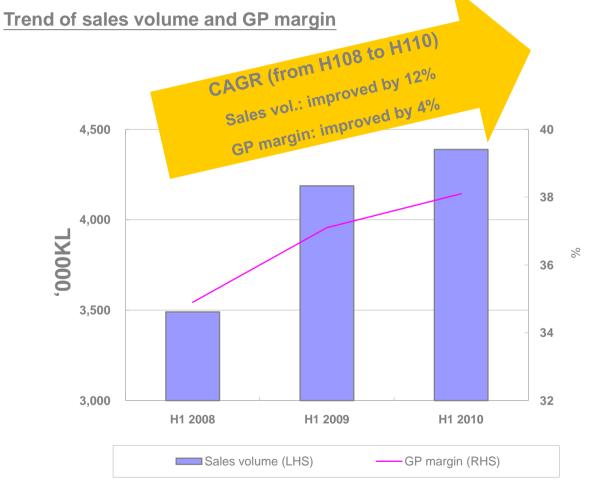
Turnover					
- Existing breweries	9,113	91%	9,333	99%	-2%
- New breweries (Note)	930	9%	141	1%	+560%
	10,043	100%	9,474	100%	+6%
Attributable earnings to CR Snow					
- Existing breweries (incl. overheads and others)	593	117%	541	107%	+10%
- New breweries (Note)	(87)	(17%)	(37)	(7%)	+135%
	506	100%	504	100%	-
Attributable earnings to CRE	258		257		-
Net margin					
- Existing breweries	6.5		5.8		+12%
- New breweries (Note)	(9.4)		(26.2)		-64%
	5.0		5.3		-6%

Note: New breweries are those owned after 1 January 2009 H1 2010: 13 new breweries; H1 2009: 7 new breweries



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

Strong momentum as market leader



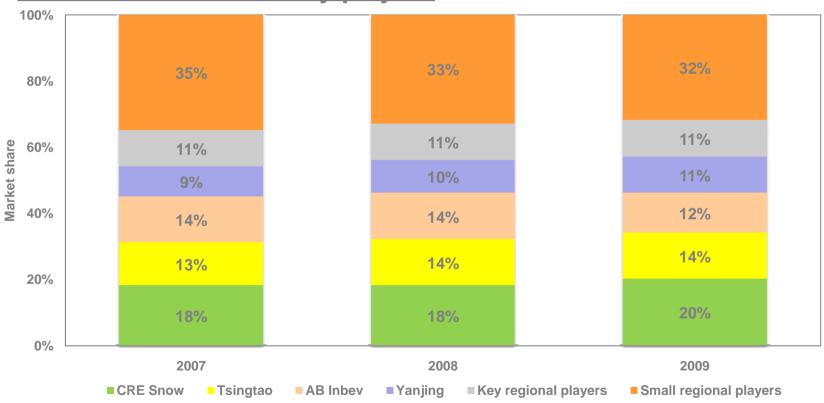




Beer (No.1 brand by volume in the world)

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

Beer market share of key players



Source: State Statistical Bureau and CR Snow



Large growth potential for nationwide expansion

Turnover and earnings breakdown

Turnover and earnings breakdown	H1 2010 HK\$m	H1 2009 HK\$m	change
Turnover	896	742	+21%
Attributable earnings	53	84	-37%
Net margin	5.9%	11.3%	-48%

The decline in earnings in H1 2010 was mainly arising from expenses incurred for new product – "O Pa".















Food Processing and Distribution

Competitive advantage on wide sourcing and distribution network

<u>Turnover</u>	H1 2010 HK\$m	Prop	H1 2009 HK\$m	Prop	change
Meat (mainly meat processing, distribution and abattoir operation)	2,134	55%	1,879	54%	+14%
Assorted food (mainly ice-cream and frozen food)	1,030	27%	936	27%	+10%
Marine fishing and aquatic products processing	712	18%	690	19%	+3%
	3,876	100%	3,505	100%	+11%
Earnings	114 0040	D	114 0000	D	a la a mara
	H1 2010 HK\$m	Prop	H1 2009 HK\$m	Prop	change
Meat (mainly meat processing, distribution and abattoir operation)		56%		30%	+113%
	HK\$m		HK\$m		
abattoir operation) Assorted food (mainly ice-cream and frozen	HK\$m 134	56%	HK\$m 63	30%	+113%
abattoir operation) Assorted food (mainly ice-cream and frozen food	134 44	56%	HK\$m 63 30	30% 14%	+113% +47%

^{*} Others mainly included exceptional items, such as partial disposal of A shares and property revaluation in H12010 amounting HK\$26m (H1 2009: HK\$66m)



Food Processing and Distribution Competitive advantage on wide sourcing and distribution net **Supply base distribution** Henan Shandong Jiangsu Sichuan Shanghai Guangxi Zhejiang Las Palmas 0 Jiangxi Mauritania Guangdong Cape Verde Senegal Guinea-Bissau West Africa Pacific Ocean Guinea Sierra Leone Côte d'Ivoire Livestock raising Ghana Meat products Delicacies and others Atlantic Ocean Marine fishing "Enhanced Growth Platform" Source: Company data



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
- A variety of food supplies, including marine fishing in West Africa
- Product differentiation







Appendix I - Calculation of Underlying Net Profit

	H1 2010 HK\$m	H1 2009 HK\$m	change
Earnings	4,243	1,158	+266%
Adjustments			
Gain on disposal of non-core business – brand fashion distribution	(2,979)	-	n/a
Investment property revaluation	(410)	(126)	+225%
Partial disposal of A share investment in food business	(25)	(66)	-62%
Fair value adjustment on option for HIT	214		n/a
	(3,200)	(192)	+1567%
Underlying net profit - total	1,043	966	+8%



Appendix II - Supermarket network

No of self-operated stores		30 Ju	n 10	31 D	ec 09	30 J	un 09
No of franchised stores							
	Average areas						
I) Convenience stores	30 - 120 sq.m	544	23	512	19	482	18
II) Standard supermarkets	500 - 800 sq.m	916	931	870	1,036	767	1,099
III) Hypermarkets	over 5,000 sq.m	426	25	380	25	286	30
IV) Olé, BLT	4,000 sq.m	13	-	10	-	13	-
V) Wine cellar		2	-	-	-	-	-
Overall		1,901	979	1,772	1,080	1,548	1,147
		2,88	80	2,8	352	2,	695



Appendix III - Future in China

■ China is now refining scale of urbanization, over the next 20 years...

How much will China urban population increase against today?	It is expected to increase by 350million, surpassing the total population of the US
How many cities in China will have population above 1million?	It is expected more than 200 cities will have population above 1million. Currently, only 35 European cities have this kind of scale
How many new skyscrapers will be built?	More than 50,000 skycrapers will be built, which is equal to building 10 New York cities
How many new large scale railway transportation systems will be built?	170 new large scale railway systems will be built. Now, only 70 systems were built in Europe
In 2025, approximate 2/3 of the population will live in cities in China	it is equivalent to 1billion people

Source: data from Population statistics; China urbanization model; McKinsey and Company data



Appendix IV - 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 FinanceAsia
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 Corporate Governance Asia
2008	Rated one of the Leaders in the "CSR Survey of HSI Constituent Companies" by Oxfam Hong Kong
2009	Ranked the second largest retail organization for China in Retail Asia-Pacific Top 500 Awards by <i>Retail Asia Publishing</i>



Appendix IV – CRE award (Cont'd)

Highlights of accolades received

2009	Received 6 best awards for overall corporate governance, disclosure and transparency, responsibilities of management and the board of directors, shareholders' rights and equitable treatment, investor relations and investor relations officer in Hong Kong region and 4 awards in Asia region by <i>Asiamoney</i>
2009	Selected as Most progress in investors relations and Best investor relations for a corporate transaction in IR Magazine Hong Kong and Taiwan Awards 2009 by IR Magazine
2009	Named one of top ten companies among 146 listed companies in Hong Kong in "The HKIoD Corporate Governance Score-card 2009" by Hong Kong Institute of Directors
2009	Selected as 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" by <i>The Asset</i>



Appendix IV – CRE award (Cont'd)

Highlights of accolades received

2010	Received the Caring Company Logo 2009/2010 from Caring Company Scheme organized by The Hong Kong Council of Social Service
2010	Ranked number 857 in Global 2000 from Forbes
2010	Selected as one of the 10 Chinese companies receiving Asia's Best Companies for Corporate Governance 2010 and Mr. Chen Lang was selected as one of the 3 winners in China of 1 st Asian Corporate Director Recognition Awards 2010 from Corporate Governance Asia
2010	Received "CAPITAL Outstanding China enterprise Award – Consumer Goods" in The 5 th CAPITAL Outstanding China Enterprise Awards from CAPITAL



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