

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



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## 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

- |   | FY2009<br>HK\$m | FY2008<br>HK\$m | change |
|---|-----------------|-----------------|--------|
| 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%   |

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

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## Underlying Net Profit Breakdown - by Divisions

	FY2009 HK\$m	Prop	FY2008 HK\$m	Prop	change
<b><u>Core businesses</u></b>					
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%
	1,566	100%	1,372	100%	+14%
Net corporate interest & expenses	(152)		(213)		+29%
	1,414		1,159		+22%
<b><u>Other businesses</u></b>					
Investment & others	321		396		-19%
Underlying net profit – continuing operations	1,735		1,555		+12%
<b><u>Discontinued operations</u></b>					
Retail (Brand-fashion distribution)	138		198		-30%
Textile	(13)		40		-133%
	125		238		-47%
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
<b><u>Core businesses</u></b>					
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%
<b><u>Other businesses</u></b>					
Investment & others	179		240		-25%
EBITDA – continuing operations	6,668		5,303		+26%
<b><u>Discontinued operations</u></b>					
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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A pie chart illustrating the percentage distribution of various business segments. The segments are as follows:

Segment	Percentage
Beverage	40%
Retails	36%
Investment property	12%
Food processing and distribution	9%
Discontinued operations	2%
Investment and others	1%

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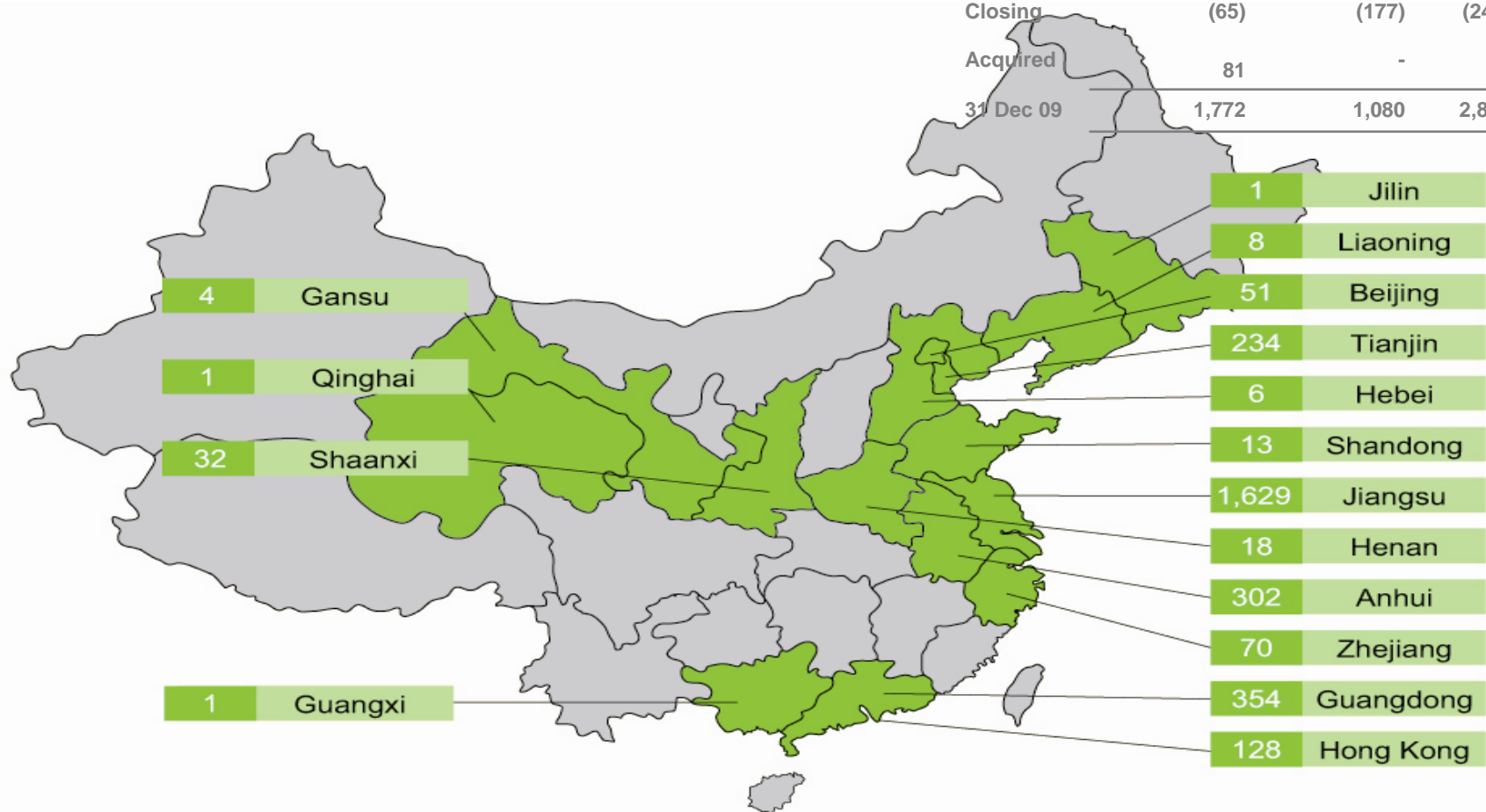
## Retail business turnover and earnings breakdown

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

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## 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
<b>Turnover</b>					
- HK	2,325	7%	2,422	8%	-4%
- China	32,693	93%	28,717	92%	+14%
	35,018	100%	31,139	100%	+12%
<b>EBITDA</b>					
- HK	222	15%	241	18%	-8%
- China	1,289	85%	1,133	82%	+14%
	1,511	100%	1,374	100%	+10%
<b>Earnings</b>					
- HK	107	38%	153	44%	-30%
- China	174	62%	198	56%	-12%
	281	100%	351	100%	-20%
<b>EBITDA margin (%)</b>					
- overall	4.3		4.4		-2%
- HK	9.5		9.9		-4%
- China	3.9		3.9		-
<b>Net margin (%)</b>					
- 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	change
<b>Turnover</b>					
- beer	18,878	92%	16,048	92%	+18%
- purified water	1,592	8%	1,357	8%	+17%
	20,470	100%	17,405	100%	+18%
<b>Attributable earnings to CRE</b>					
- beer	540	79%	298	73%	+81%
- purified water	144	21%	111	27%	+30%
	684	100%	409	100%	+67%

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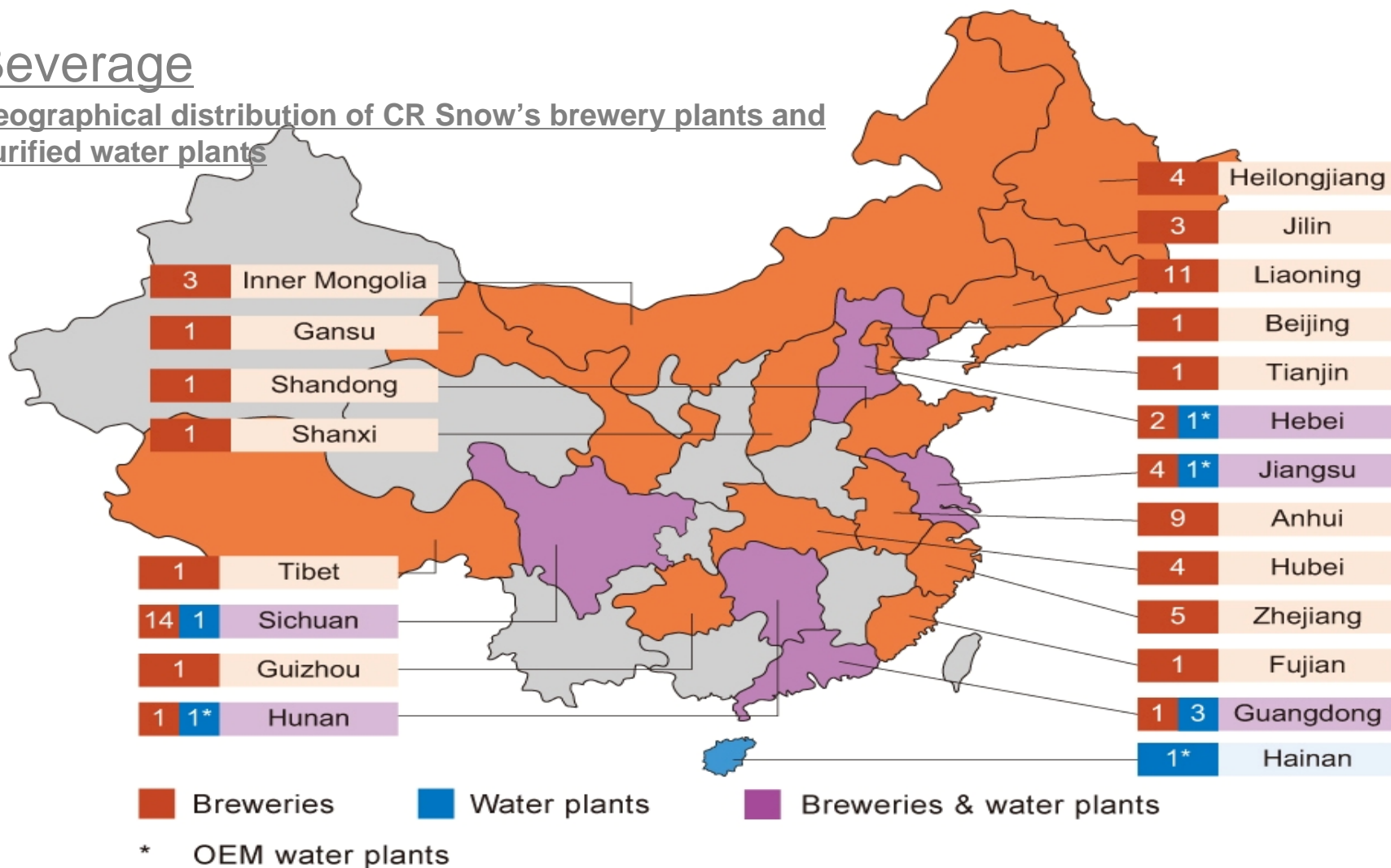
## Performance of existing and new brewery operations

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

19

## Beverage

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



Total number of breweries: 69

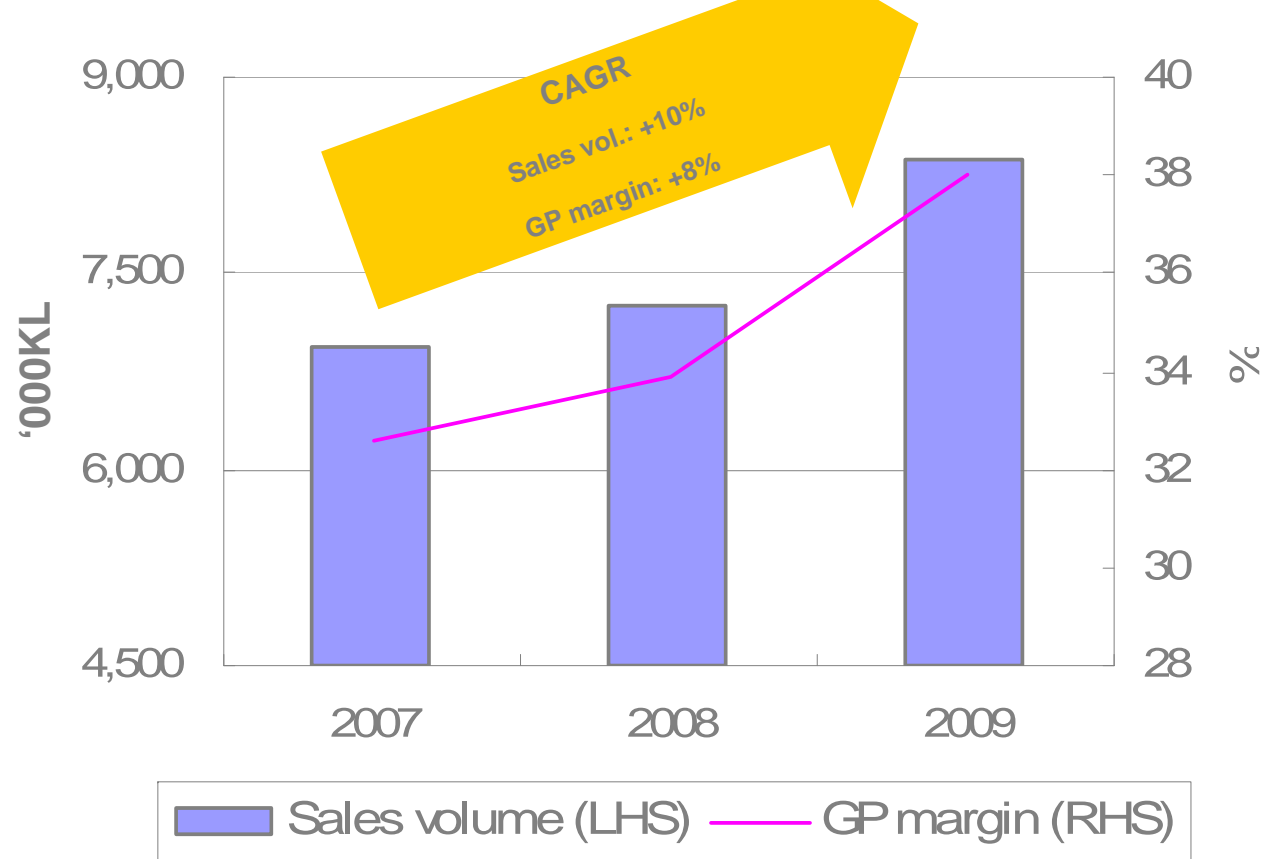
Total number of water plants: 8

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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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- ## Turnover

## Earnings

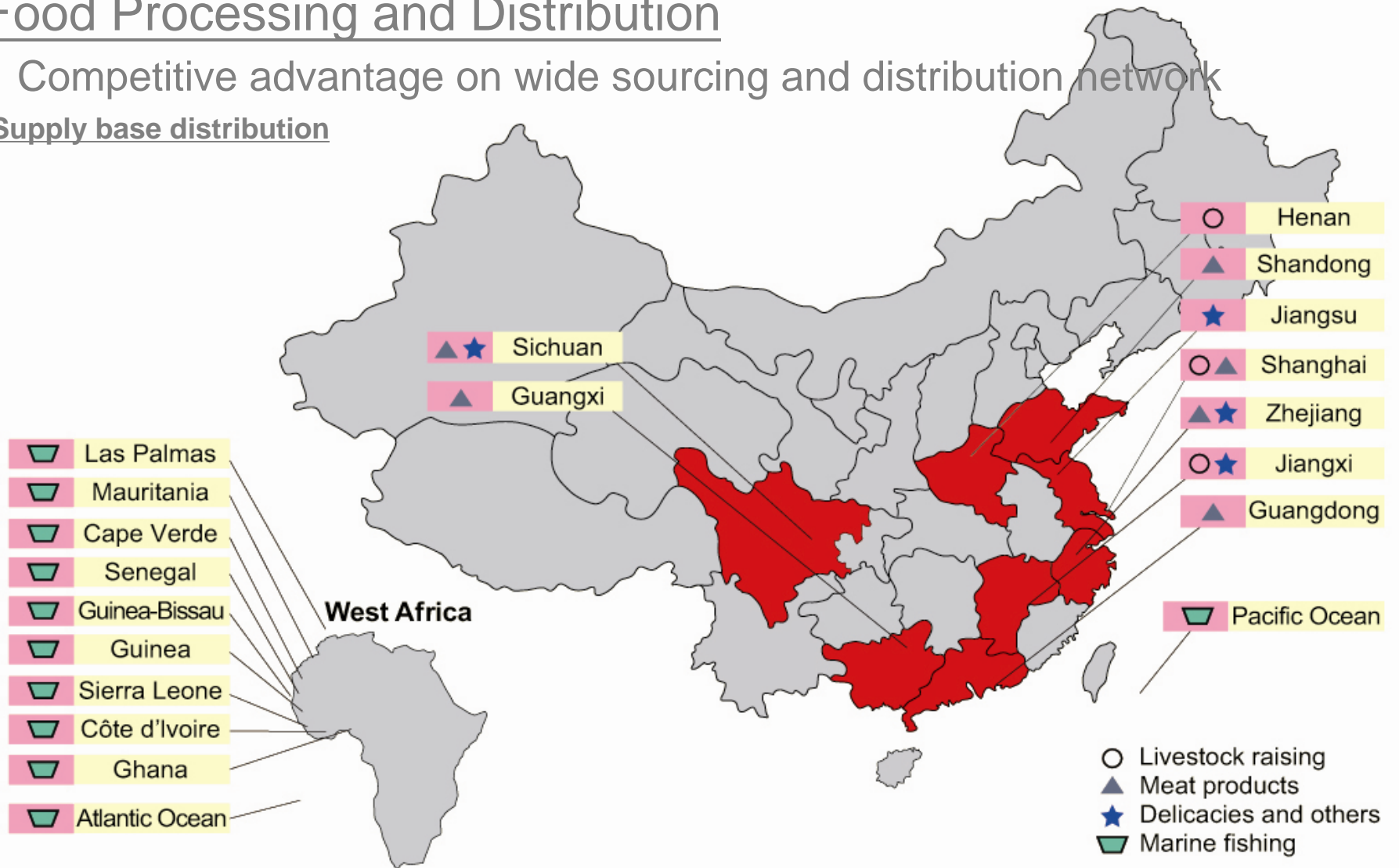
\* Included partial disposal of A shares in 2009 amounting to HK\$120m (2008: HK\$85m)

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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
<u>Adjustments</u>			
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
	<hr/> 1,053	<hr/> 529	+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) Convenience stores	30 - 120 sq.m	512	19	482	18	455	20
II) Standard supermarkets	500 - 800 sq.m	869	1,036	767	1,099	698	1,137
III) Superstores	4,000 – 6,000 sq.m	175	25	177	30	173	30
IV) Hypermarkets	over 8,000 sq.m	125	-	109	-	98	-
III) Olé	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		128	-	117	-	109	-
- Hong Kong		1,563	1,080	1,431	1,147	1,328	1,187
- China		2,771		2,695		2,624	

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## Appendix II - Supermarket network – Northern areas (Homeworld)

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

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

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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

2005-2009	Named one of the outstanding enterprises among blue-chip companies in Hong Kong by <i>Economic Digest</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*

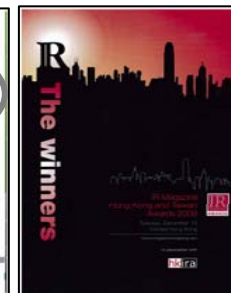
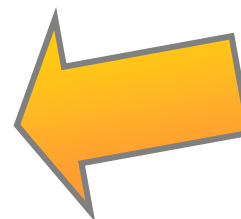
- Most progress in investor relations
- Best investor relations for a corporate transaction in IR Magazine Hong Kong and Taiwan Awards 2009

*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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