

China Resources Enterprise, Limited

Financial and operational review

Interim results 2011

Strong Sustainable Growth

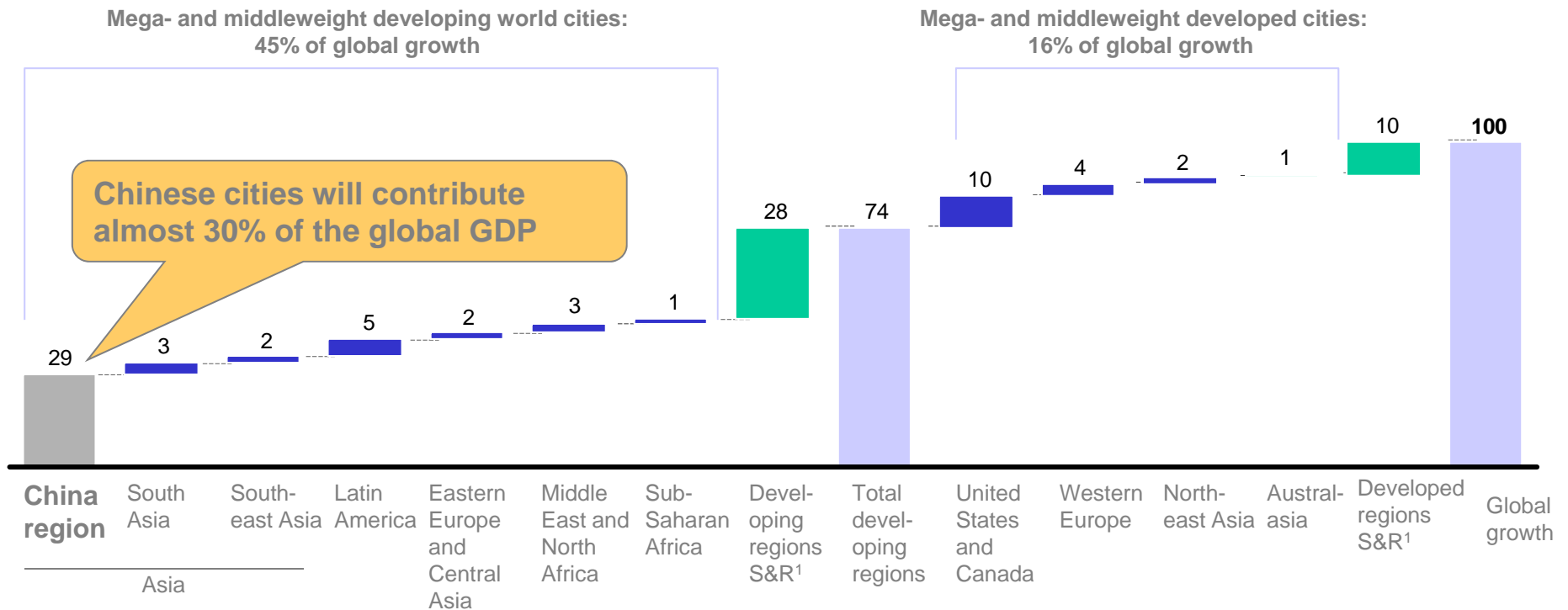
25 August 2011



“Strong Sustainable Growth”

■ Strong growth in China

According to McKinsey, top 225 cities of China will contribute app. 30% of global GDP growth in the next 10-15 years.



Source: McKinsey

■ Better positioning to capture strong growth in China

According to McKinsey, more than 90% of China's urban GDP in 2015 will come from 22 clusters.

Notation:
Expected cluster size:

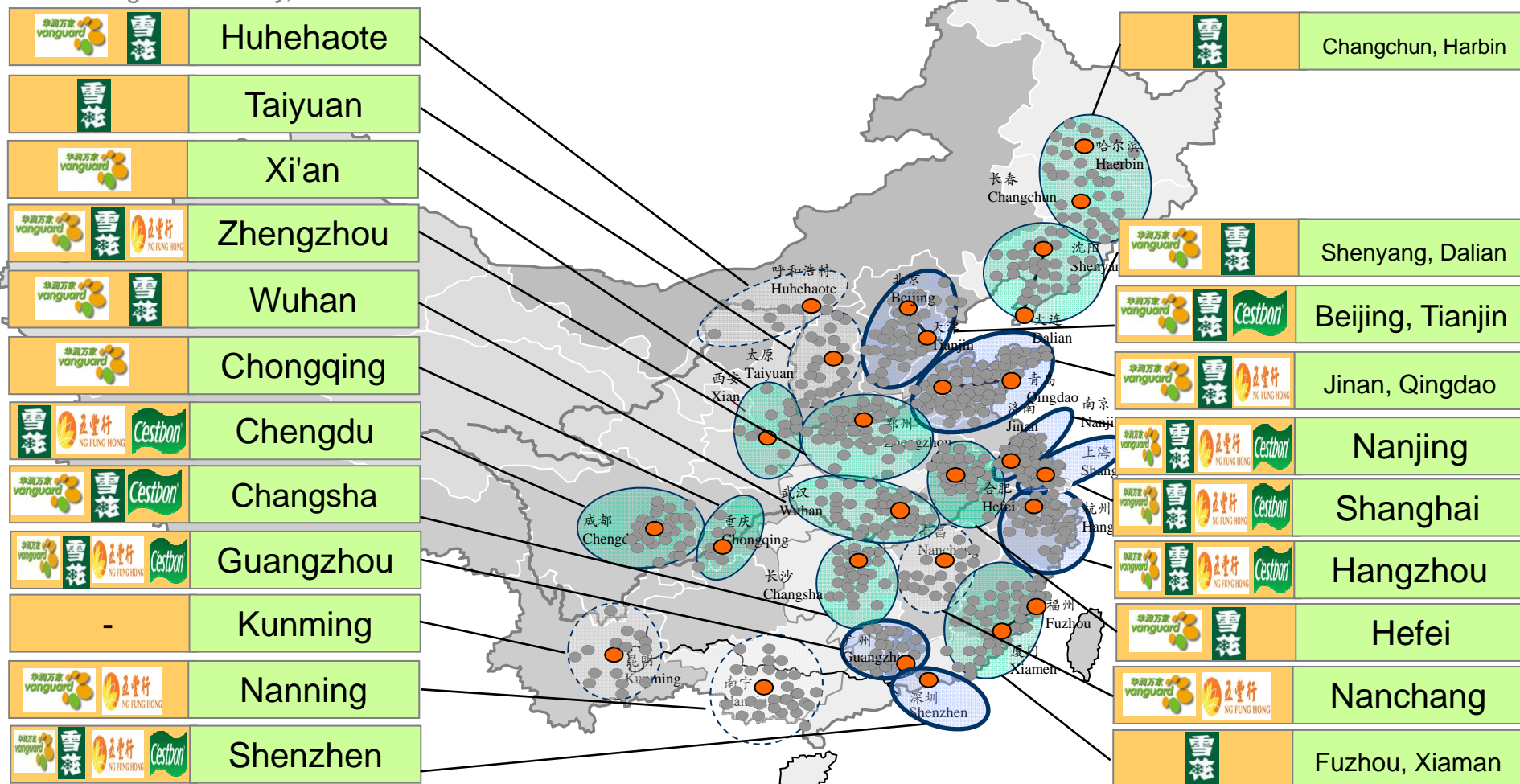
CRE's presence

Cluster's hub city

Small

Sizable

Mega



Source: McKinsey and Company data

“Strong Sustainable Growth”

Results Summary

- **Strong Sustainable Growth**

| | Q2 2011 | Q2 2010 | change | H1 2011 | H1 2010 | change |
|--|---------|---------|--------|---------|---------|--------|
| | HK\$m | HK\$m | | HK\$m | HK\$m | |
| Turnover | 26,559 | 20,466 | +30% | 53,230 | 41,980 | +27% |
| Earnings* | 743 | 516 | +44% | 1,569 | 4,243 | -63% |
| Underlying net profit of core businesses** | 547 | 530 | +3% | 1,207 | 1,021 | +18% |
| EPS (HK¢) – Basic | | | | 65 | 177 | -63% |
| – Core businesses | | | | 65 | 52 | +25% |
| DPS (HK¢) | | | | 15 | 14 | +7% |
| EBITDA – Core businesses | | | | 4,390 | 3,824 | +15% |
| ROE (%) – Core businesses*** | | | | 4.9 | 5.0 | -2% |
| Net cash | | | | 3,087 | 3,277 | -6% |

* Earnings grew by 24% when the gain on disposal of non-core business in H1 2010 (\$2,979m) was excluded.

** Earnings from core businesses excluding the after-tax effect of asset revaluation and major disposal of non-core assets/investments and after accounted for net corporate interest & expenses

*** Decline in ROE was mainly due to lower revaluation gain of investment properties in H1 2011.
ROE of core businesses based on underlying net profit was 3.8% (H1 10: 3.5%)

“Strong Sustainable Growth”

“Strong Sustainable Growth”

Underlying Net Profit Breakdown - by Divisions

| | H1 2011 HK\$m | Prop | H1 2010 HK\$m | Prop | change |
|--|------------------|------|------------------|------|-------------|
| <u>Core businesses</u> | | | | | |
| Retail | 674 | 54% | 546 | 51% | +23% |
| Beer | 329 | 26% | 258 | 24% | +28% |
| Food | 187 | 15% | 214 | 20% | -13% |
| Beverage | 58 | 5% | 53 | 5% | +9% |
| | 1,248 | 100% | 1,071 | 100% | +17% |
| Net corporate interest & expenses* | (41) | | (50) | | |
| Total – Core businesses | 1,207 | | 1,021 | | +18% |
| <u>Other businesses</u> | | | | | |
| Discontinued operation (Brand-fashion distribution - Esprit) | - | | 22 | | -100% |
| Underlying net profit - total | 1,207 | | 1,043 | | +16% |
| <u>Adjustment</u> | | | | | |
| Investment property revaluation | 362 | | 410 | | -12% |
| Gain on disposal of non-core business | - | | 2,979 | | -100% |
| Fair value adjustment on investment and others | - | | (214) | | -100% |
| Partial disposal of A-share investment in food business | - | | 25 | | -100% |
| | 362 | | 3,200 | | -88% |
| Earnings | 1,569 | | 4,243 | | -63% |

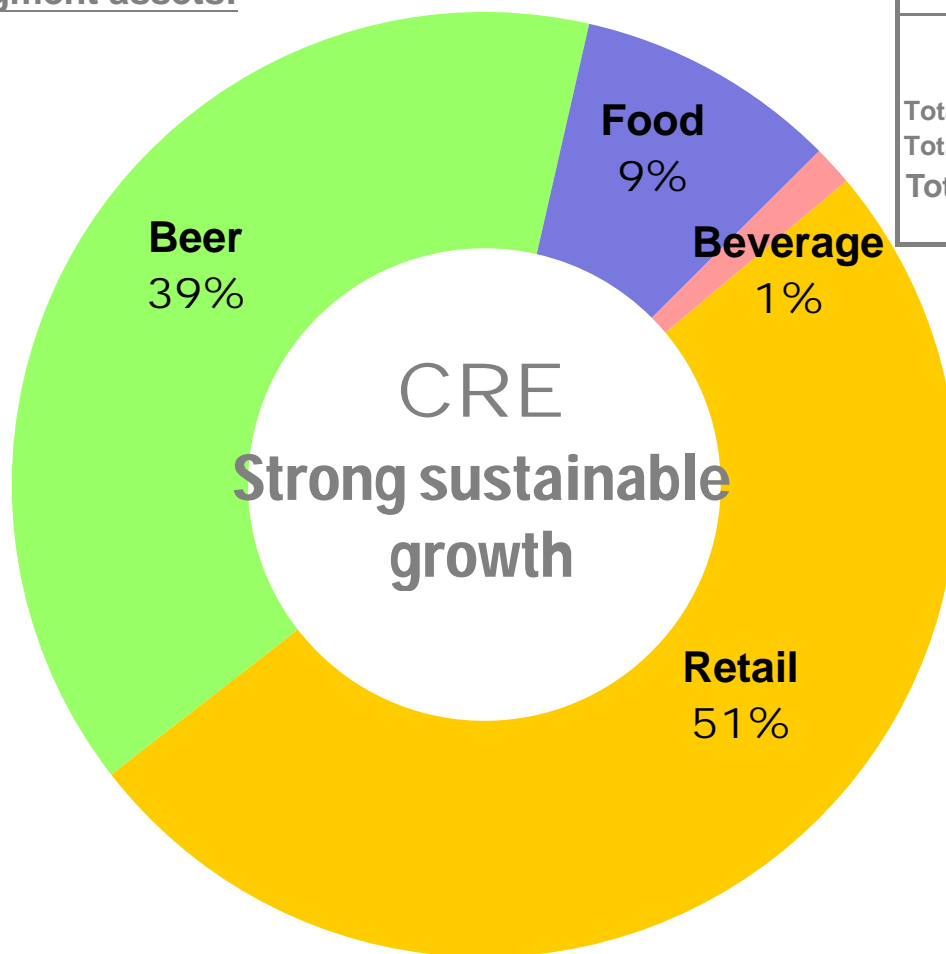
* Interest income was more than interest expense.

“Strong Sustainable Growth”

Segment assets

- Unique with four consumer businesses complementing each other

Distribution of segment assets:



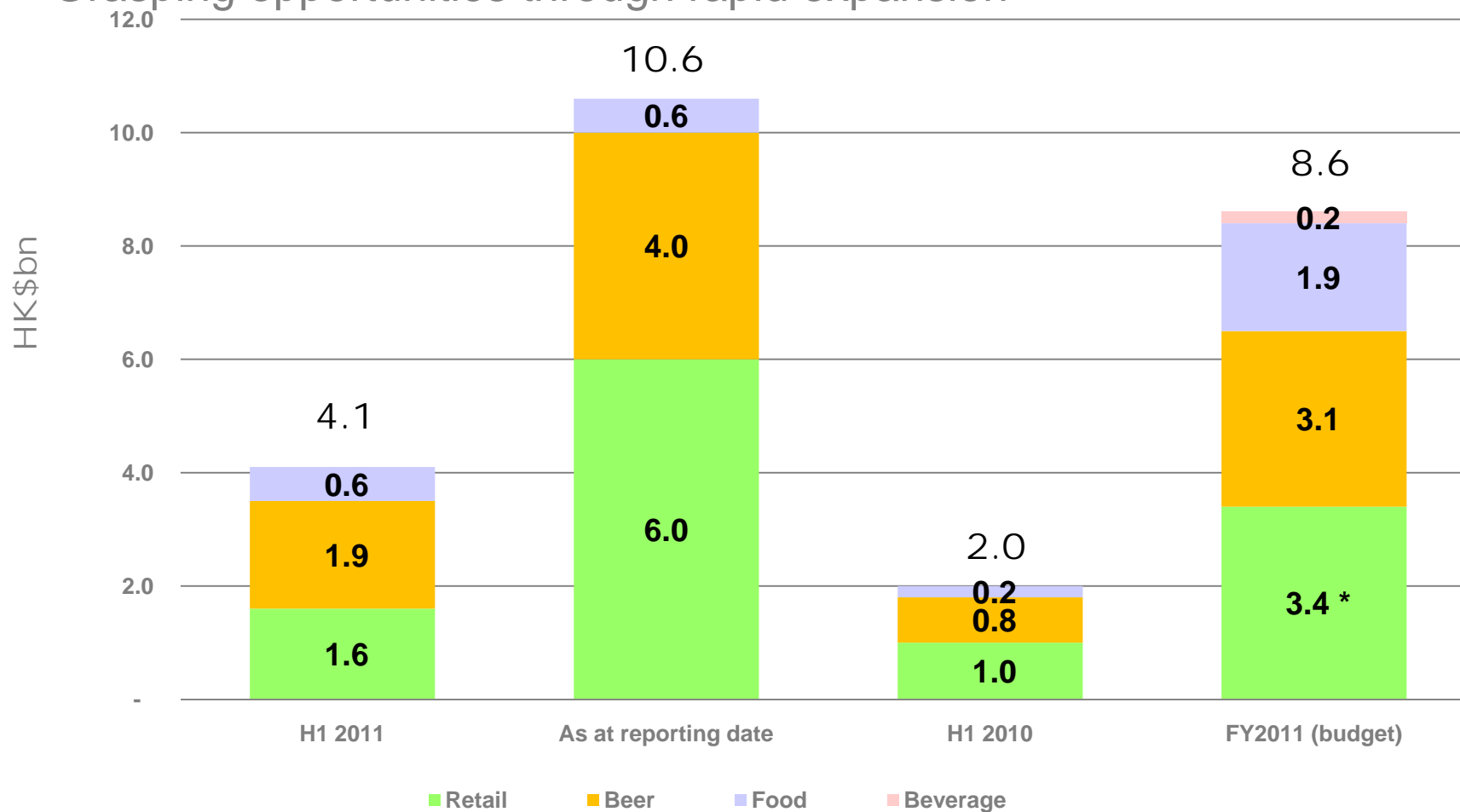
Movement in balance sheet items

| | 30 Jun 11 | 31 Dec 10 | change |
|-------------------|-----------|-----------|--------|
| | HK\$m | HK\$m | |
| Total assets | 98,174 | 89,402 | 10% |
| Total liabilities | (54,941) | (48,113) | -14% |
| Total equity | 43,233 | 41,289 | 5% |

“Strong Sustainable Growth”

CAPEX

- Grasping opportunities through rapid expansion



* The CAPEX amount excluded the acquisition of Hongkelong of HK\$4.4bn announced in early August 2011.

“Strong Sustainable Growth”

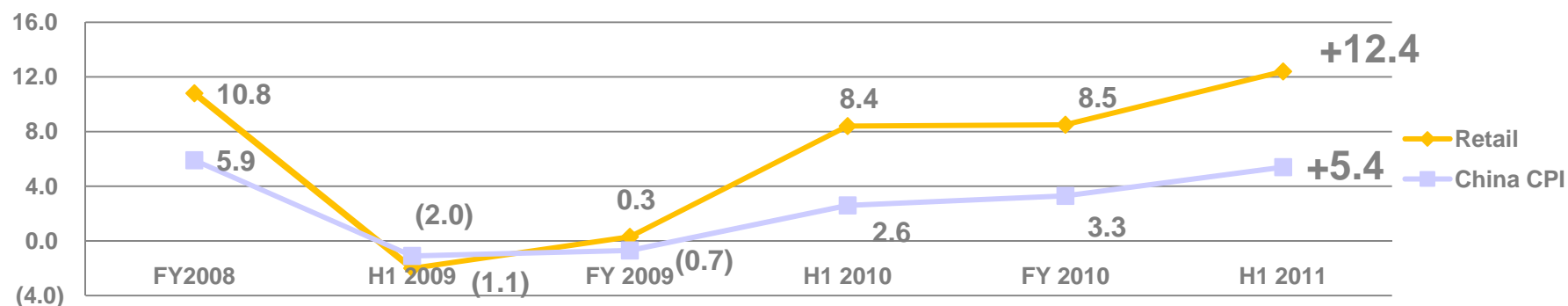
Retail

- Growth through: Multi-format with regional leadership

| | Q2 2011 HK\$m | Q2 2010 HK\$m | change | H1 2011 HK\$m | H1 2010 HK\$m | change |
|--|------------------|------------------|--------|------------------|------------------|--------|
| Turnover | 15,348 | 12,001 | +28% | 34,367 | 26,892 | +28% |
| EBITDA (excl. revaluation of investment properties) | 632 | 547 | +16% | 1,749 | 1,417 | +23% |
| Underlying net profit (excl. revaluation of investment properties) | 142 | 148 | -4% | 674 | 546 | +23% |
| EBITDA margin (%) (excl. revaluation of investment properties) | 4.1 | 4.6 | -11% | 5.1 | 5.3 | -4% |
| Underlying net profit margin (%) | 0.9 | 1.2 | -25% | 2.0 | 2.0 | - |

Driven by higher SSSG and network expansion, underlying net profit margin was maintained after absorption of higher input costs during the period.

SSSG of retail business:



“Strong Sustainable Growth”

Retail

Notation:

Retail shop no., [addition in past 12 months]

Region

New region

■ Growth through: Multi-format with regional leadership

Geographical distribution of retail network

Having presence 23 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China

Northern areas

| | |
|---------|----------------|
| 2, [2] | Inner Mongolia |
| 2, [2] | Ningxia |
| 37, [2] | Shaanxi |
| 5, [-] | Gansu |
| 1, [-] | Qinghai |
| 17, [-] | Henan |
| 7, [7] | Hubei |

Southern areas

| | |
|--------|-----------|
| 2, [2] | Chongqing |
| 3, [3] | Hunan |

Movement in retail shop number:

| | Self-operated | Franchised | Total |
|-----------|---------------|------------|--------|
| 30 Jun 10 | 1, 969 | 979 | 2,948 |
| Opening | 706 | 85 | 791 |
| Closing | (105) | (206) | (311) |
| 30 Jun 11 | 2,570 | 858 | 3,428* |

*Of which, 7 stores are located in Singapore and Malaysia.

“Strong Sustainable Growth”

Northern areas

| | |
|-----------|----------|
| 4, [2] | Jilin |
| 14, [6] | Liaoning |
| 98, [37] | Beijing |
| 292, [25] | Tianjin |
| 6, [-] | Hebei |

Eastern areas

| | |
|-------------|----------|
| 11, [-1] | Shandong |
| 1,627, [46] | Jiangsu |
| 8, [8] | Shanghai |
| 355, [54] | Anhui |
| 73, [-1] | Zhejiang |

Southern areas

| | |
|------------|-----------|
| 509, [122] | Guangdong |
| 342, [152] | Hong Kong |
| 4, [4] | Macau |
| 2, [1] | Guangxi |

Retail

- Growth through: Multi-format with regional leadership

Business model

Winning market share by

- Multiple-format store approach
- Multiple distribution centres (more than 12 D.C.)
- Trade-up strategy
- Innovative in format
- Regional focus



“Strong Sustainable Growth”

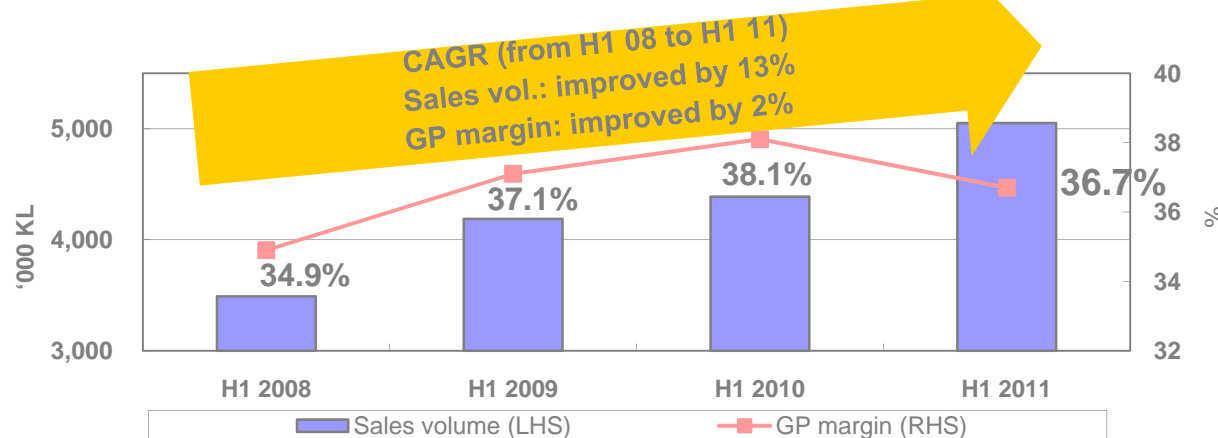
Beer (No.1 brand by volume in the world since 2008)



- Growth through: Solidifying market leader position

| | Q2 2011 HK\$m | Q2 2010 HK\$m | change | H1 2011 HK\$m | H1 2010 HK\$m | change |
|---|------------------|------------------|--------|------------------|------------------|--------|
| Sales volume (million KL) | 3.14 | 2.66 | +18% | 5.05 | 4.39 | +15% |
| Turnover | 7,928 | 5,963 | +33% | 12,830 | 10,043 | +28% |
| EBITDA | 1,229 | 841 | +46% | 1,709 | 1,335 | +28% |
| Earnings (after 49% share to SABMiller) | 309 | 239 | +29% | 329 | 258 | +28% |
| EBITDA margin (%) | 15.5 | 14.1 | +10% | 13.3 | 13.3 | - |
| Net margin (%) (after MI) | 3.9 | 4.0 | -3% | 2.6 | 2.6 | - |

Driven by increase in sales volume and rise in average selling price, the turnover and profitability have been improved amid the absorption of the additional tax charge, China's Urban Maintenance and Construction Tax and Education Surcharges.



Mainstream -----> Premium

Approximate selling price:

RMB3 RMB5 RMB8

“Strong Sustainable Growth”

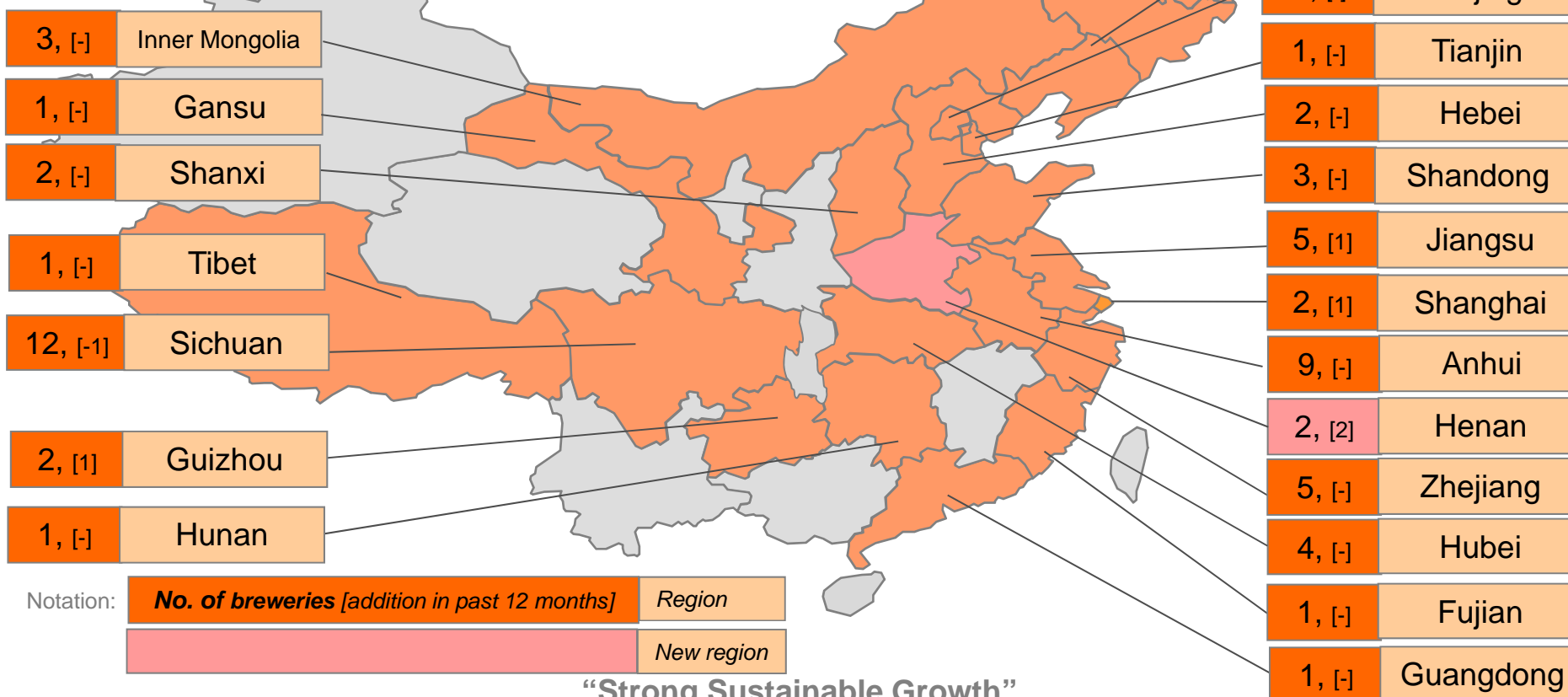
Beer (No.1 brand by volume in the world since 2008)

- Growth through: Solidifying market leader position

Geographical distribution of the breweries

Having presence 21 out of 34 regions/cities (incl, autonomous regions, municipalities and SAR) in China

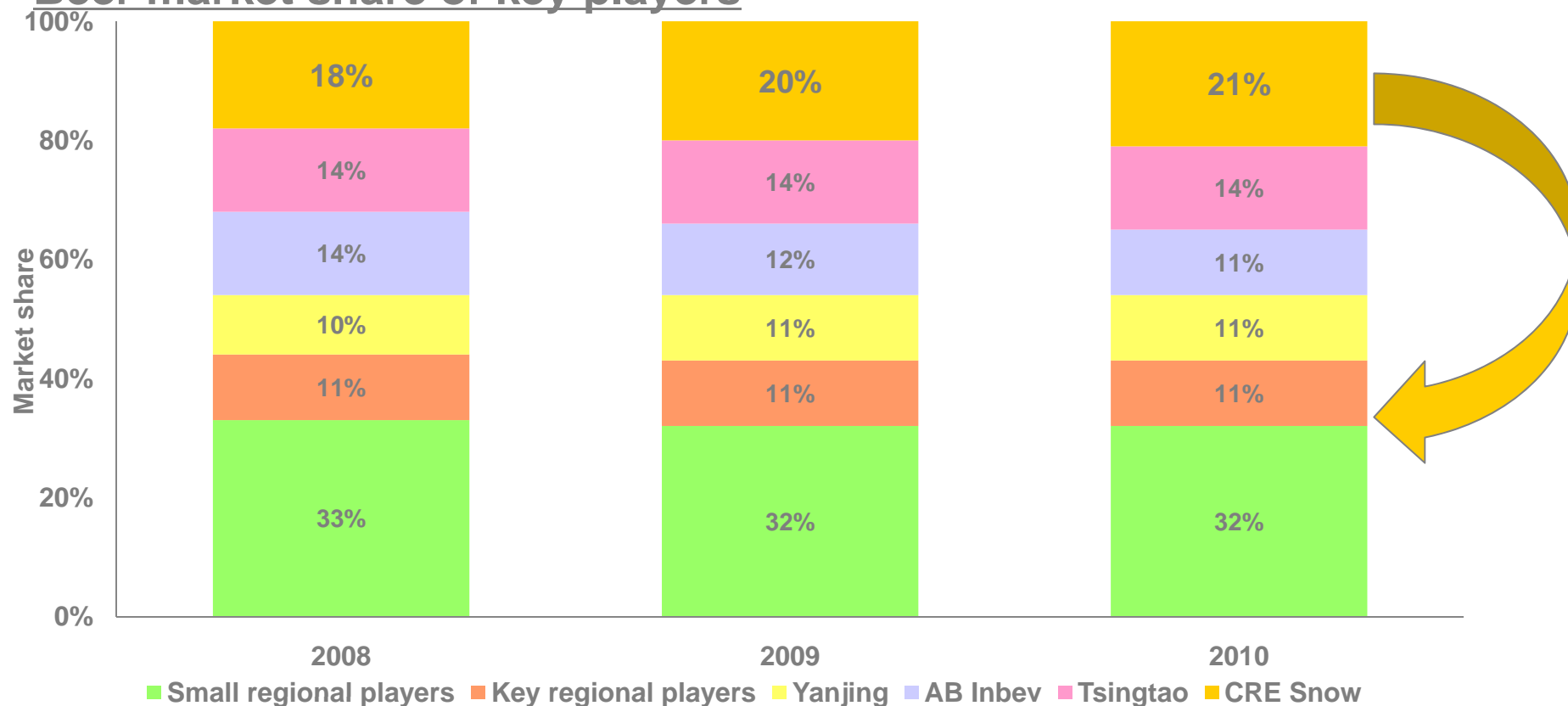
Number of breweries plants: 79



Beer (No.1 brand by volume in the world since 2008)

- Total market share of top 4 players was 57% in 2010, of which Snow has 21%

Beer market share of key players



Source: State Statistical Bureau and CR Snow

“Strong Sustainable Growth”

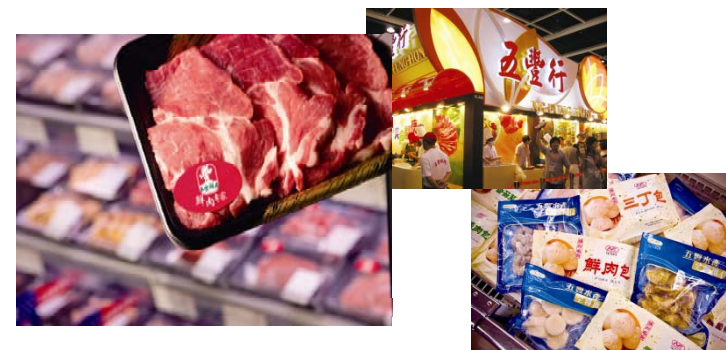
■ Growth through: Quality premium products

| | Q2 2011 HK\$m | Q2 2010 HK\$m | change | H1 2011 HK\$m | H1 2010 HK\$m | change |
|----------------------------------|------------------|------------------|--------|------------------|------------------|--------|
| Turnover | 2,593 | 2,053 | +26% | 4,855 | 3,876 | +25% |
| Underlying EBITDA | 173 | 262 | -34% | 393 | 462 | -15% |
| Underlying net profit | 73 | 124 | -41% | 187 | 214 | -13% |
| Underlying EBITDA margin (%) | 6.7 | 12.8 | -48% | 8.1 | 11.9 | -32% |
| Underlying net profit margin (%) | 2.8 | 6.0 | -53% | 3.9 | 5.5 | -29% |

The decline in EBITDA and underlying net profit was mainly affected by higher input costs and lower consumers demands of meat.

Business Model

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

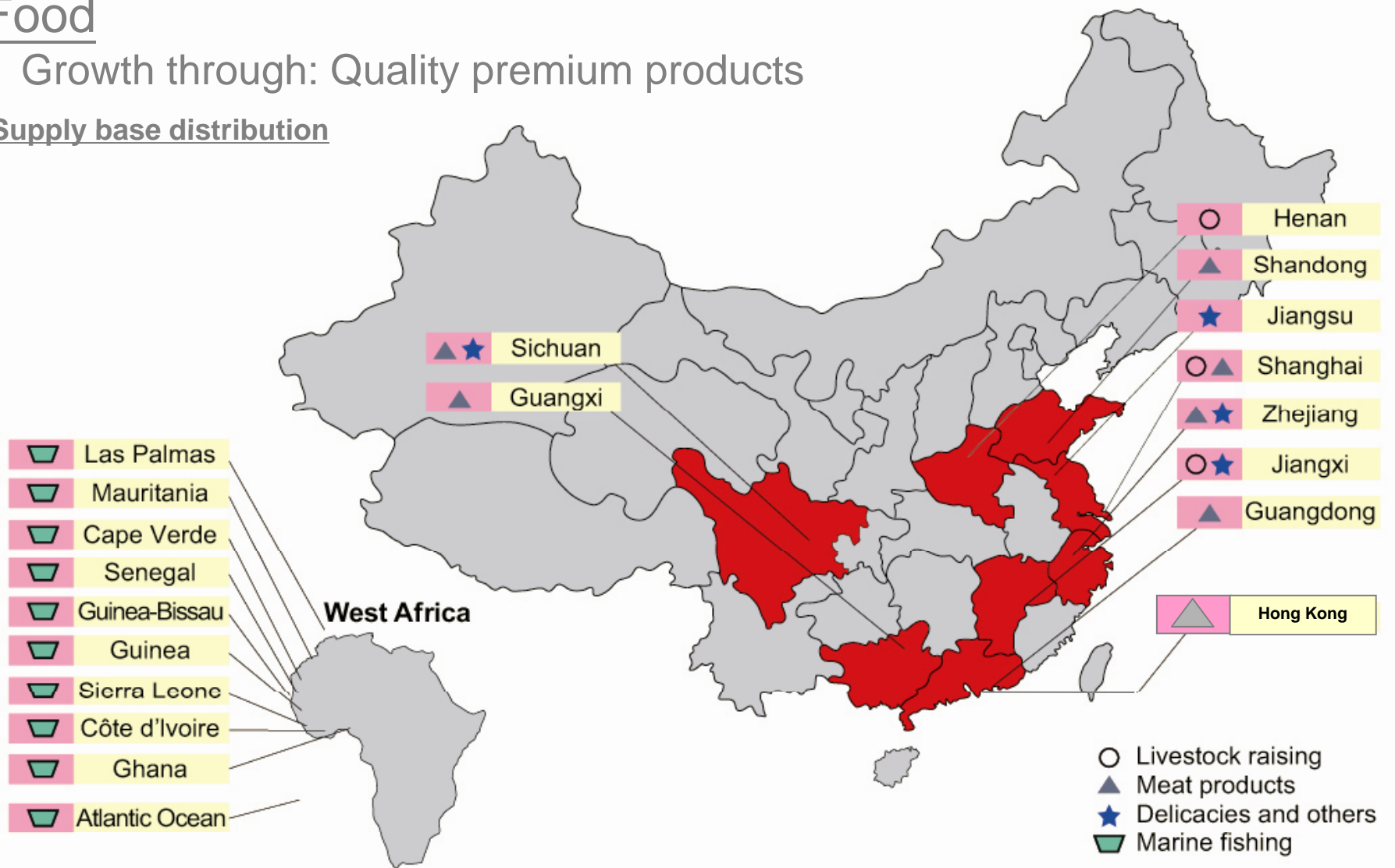


“Strong Sustainable Growth”

Food

- Growth through: Quality premium products

Supply base distribution



Source: Company data

“Strong Sustainable Growth”

Beverage



■ Growth through: strong partnership with Kirin

| | Q2 2011 HK\$m | Q2 2010 HK\$m | change | H1 2011 HK\$m | H1 2010 HK\$m | change |
|---------------------------|------------------|------------------|--------|------------------|------------------|--------|
| Sales volume (million KL) | 0.69 | 0.49 | +40% | 1.21 | 0.87 | +40% |
| Turnover | 799 | 516 | +55% | 1,366 | 896 | +52% |
| EBITDA | 76 | 69 | +10% | 97 | 83 | +17% |
| Earnings | 48 | 46 | +4% | 58 | 53 | +9% |
| EBITDA margin (%) | 9.5 | 13.4 | -29% | 7.1 | 9.3 | -24% |
| Net margin (%) | 6.0 | 8.9 | -33% | 4.2 | 5.9 | -29% |

Improvement in turnover was mainly supported by the increase in sales volume. Profitability was affected by the surge in raw material cost.



- wide distribution network
- rich experience in China retails
- successful co-operation with foreign players
- competitive advantage with other CR group companies



KIRIN

- strong R&D capability
- rich experience in beverage business
- a variety of products sold
- high technology on manufacture of beverage products

“Strong Sustainable Growth”

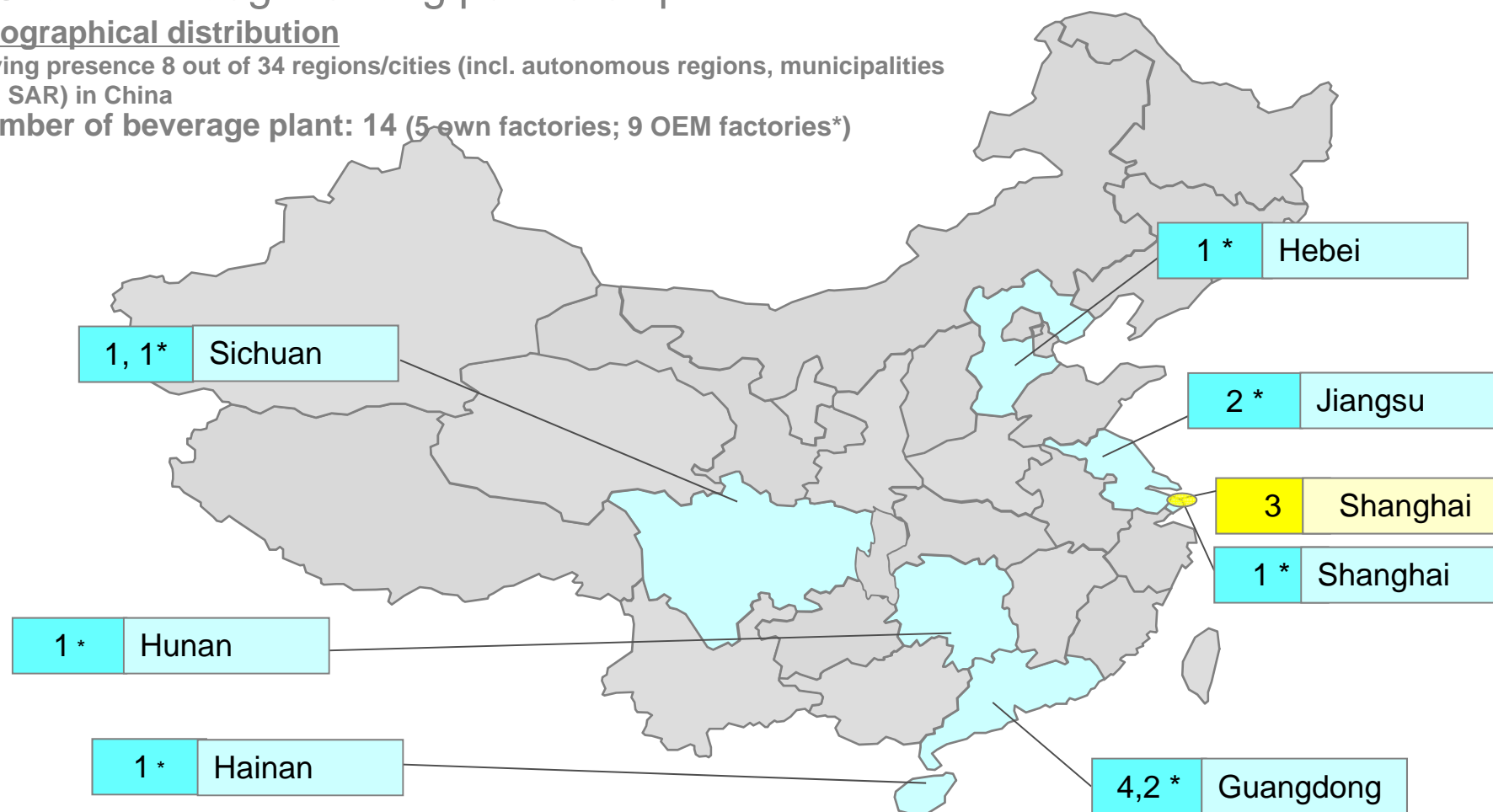
Beverage

- Growth through: strong partnership with Kirin

Geographical distribution

Having presence 8 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China













Number of beverage plant: 14 (5 own factories; 9 OEM factories*)



● Beverage plants to be injected upon formation of 60:40 joint venture with Kirin Holdings.

“Strong Sustainable Growth”

Appendix I – Details of Retail formats

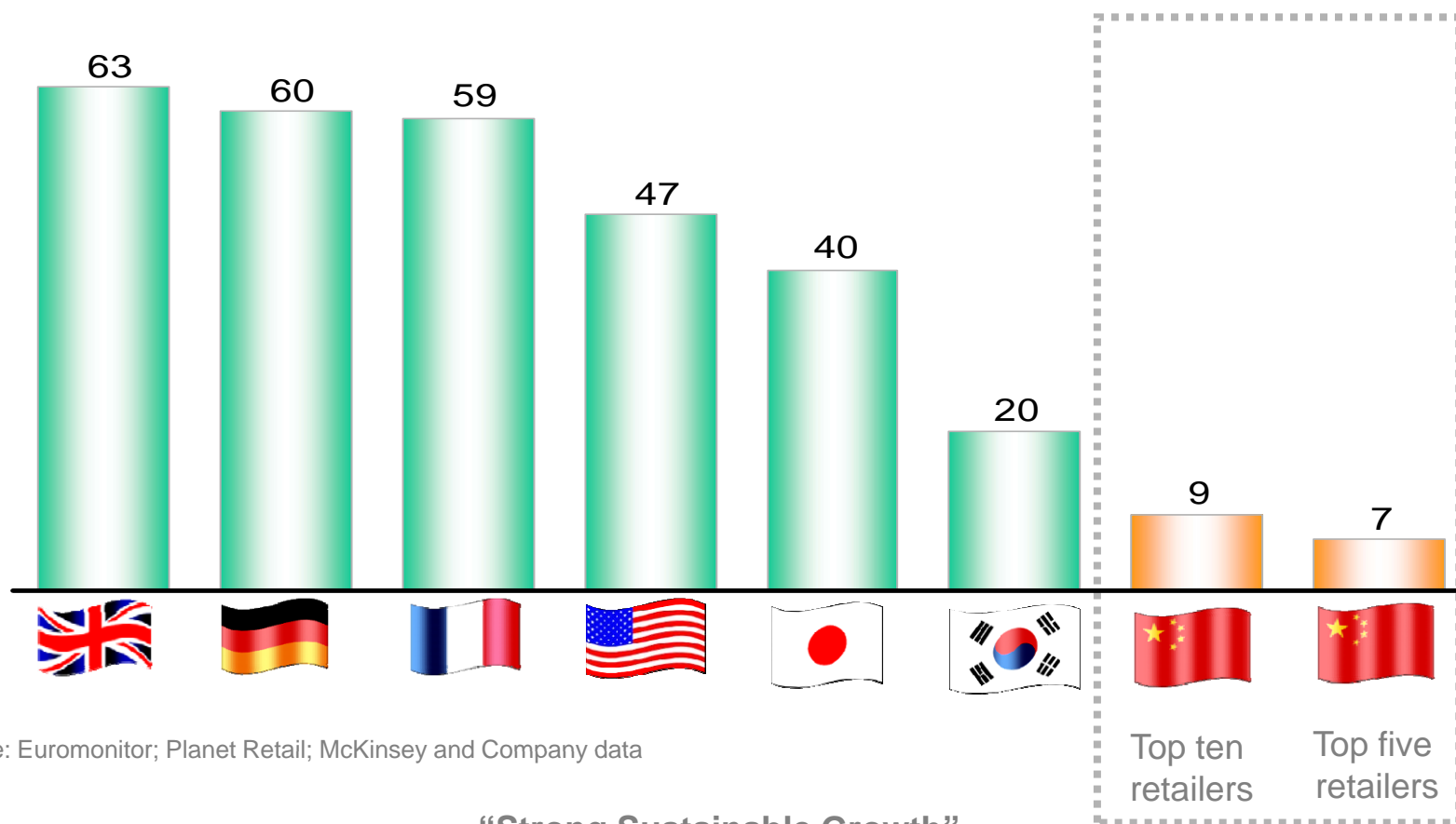
| Format | Major brands | Average areas (sq.m) | 30 Jun 11 | | | | 31 Dec 10 | | 30 Jun 10 | |
|--|---|----------------------|---------------|------------------------|---------------|------------|---------------|------------|---------------|------------|
| | | | % of turnover | App. Average GP margin | Self-operated | Franchised | Self-operated | Franchised | Self-operated | Franchised |
| I. Hypermarket |    | over 5,000 | app.80% | 19% | 470 | 25 | 451 | 25 | 426 | 25 |
| II. Standard supermarket |  | 500 - 800 | app.12% | 21% | 1,088 | 790 | 1,004 | 828 | 916 | 931 |
| III. Convenience stores |  | 30 - 120 | app.3% | 20% | 730 | 32 | 623 | 27 | 544 | 23 |
| IV. Ole', blt |   | 4,000 | app.1% | more than 25% | 23 | - | 19 | - | 13 | - |
| V. Pacific coffee |  | 120 | app.1% | more than 50% | 111 | 11 | 100 | 9 | - | - |
| VI. CAC and CR Care |   | various | app.2% | more than 45% | 121 | - | 96 | - | 68 | - |
| VII. Wine cellar, Health and beauty stores and others |   | 200 | app.1% | more than 25% | 27 | - | 7 | - | 2 | - |
| Total | | | | | | | 2,300 | 889 | 1,969 | 979 |
| | | | | | | | 3,189 | | 2,948 | |

“Strong Sustainable Growth”

Appendix II – Market share of Retail business

Lower market concentration in China than other developed countries:

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

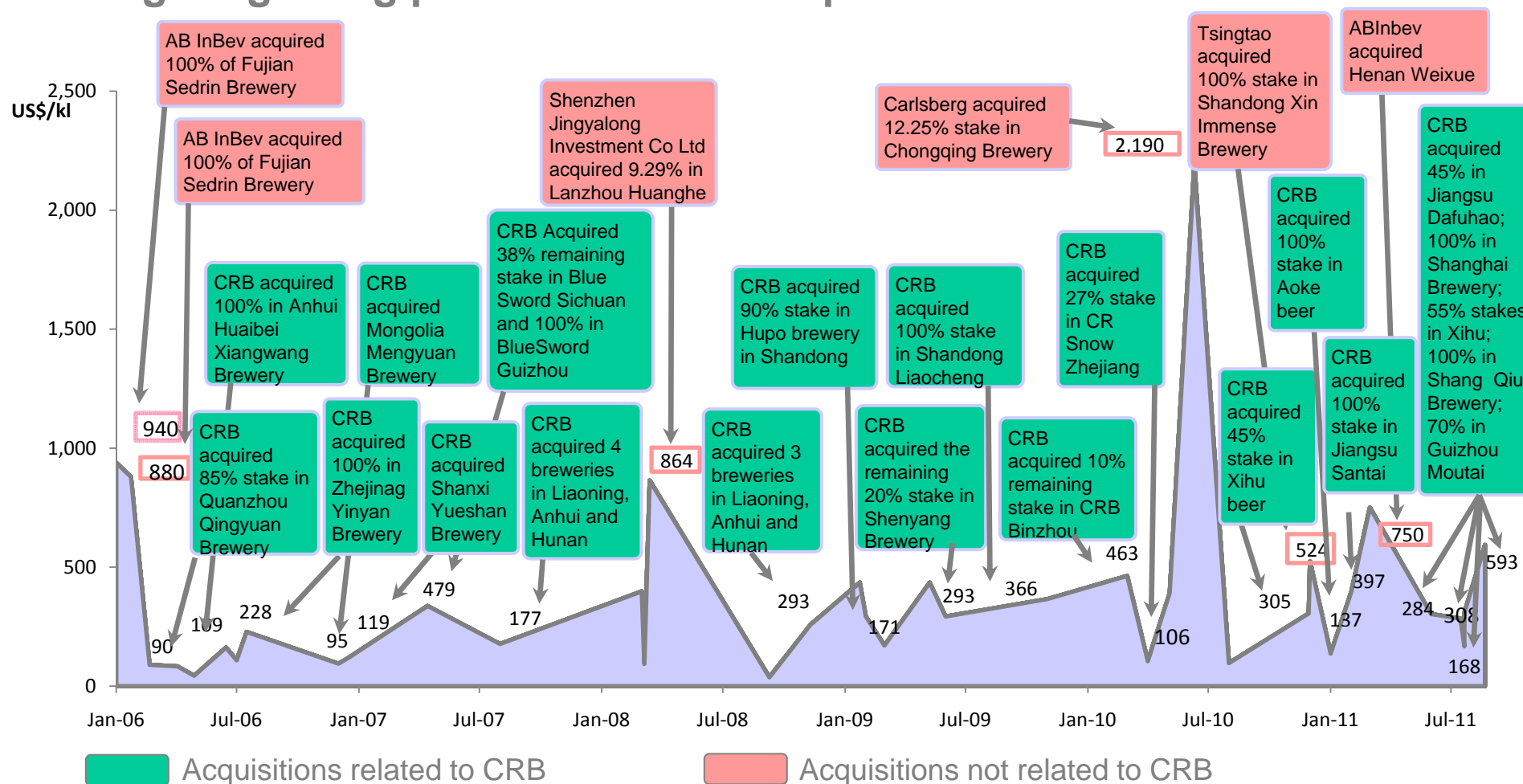


Source: Euromonitor; Planet Retail; McKinsey and Company data

“Strong Sustainable Growth”

Appendix III – Historical major M&As in beer business

Strong bargaining power and lower acquisition cost on M&A

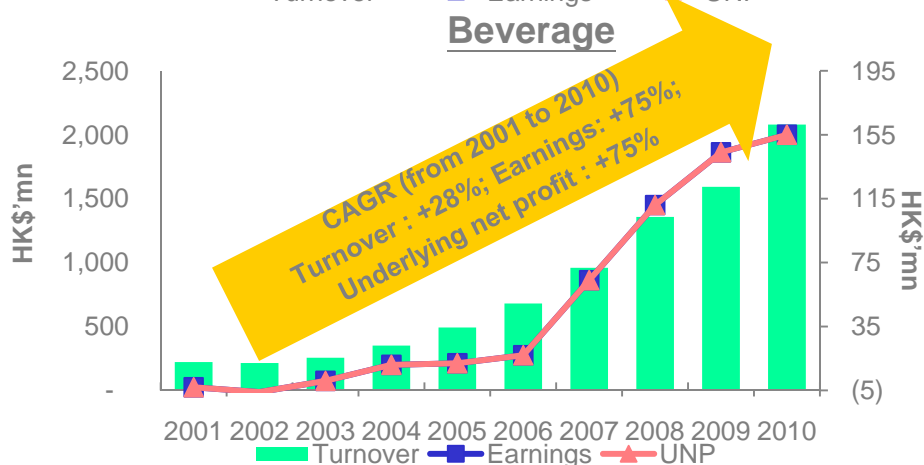
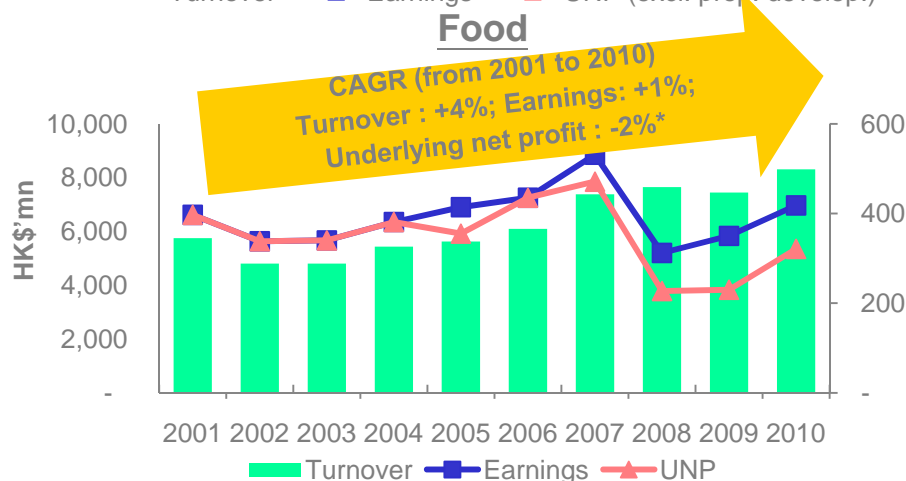
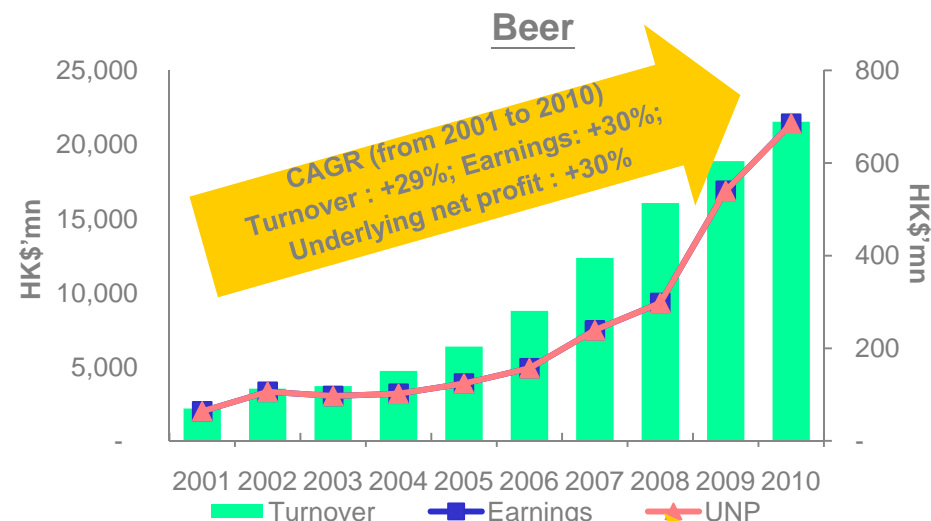
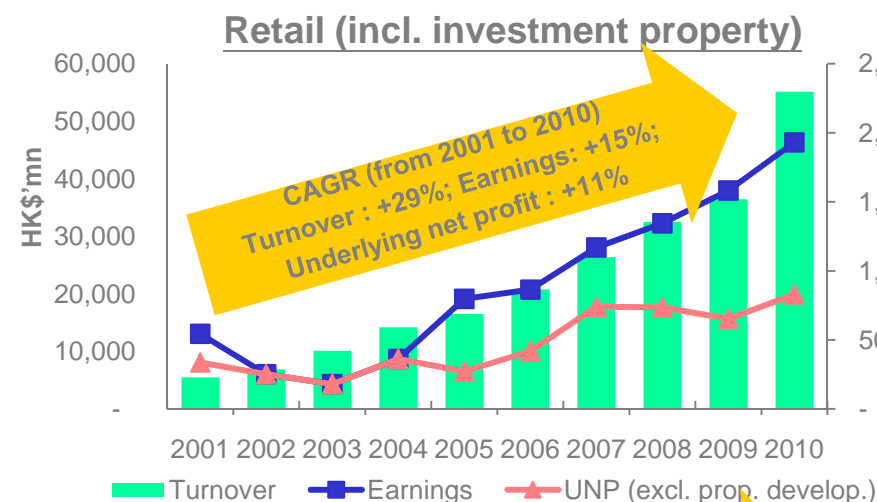


Source: Deutsche bank and Company data

“Strong Sustainable Growth”

Appendix IV – Historical track record of CRE

▪ Strong growth momentum in each of core businesses



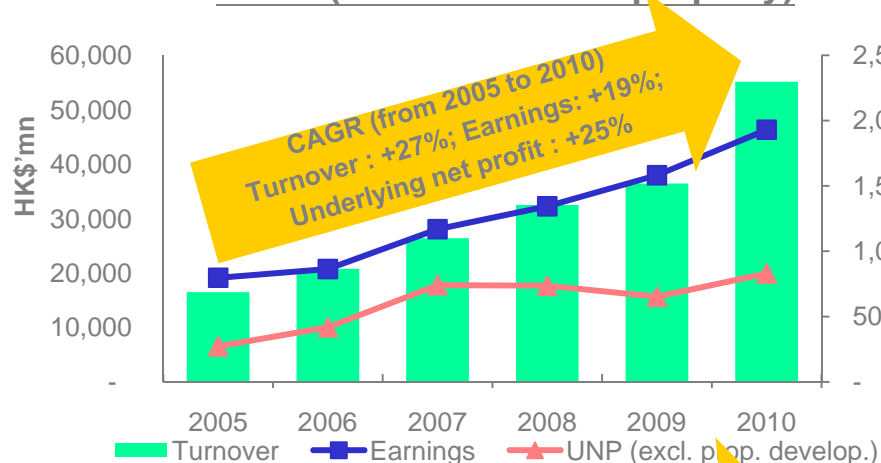
* Decline in CAGR of underlying net profit was mainly due to the open of HK live hogs market

“Strong Sustainable Growth”

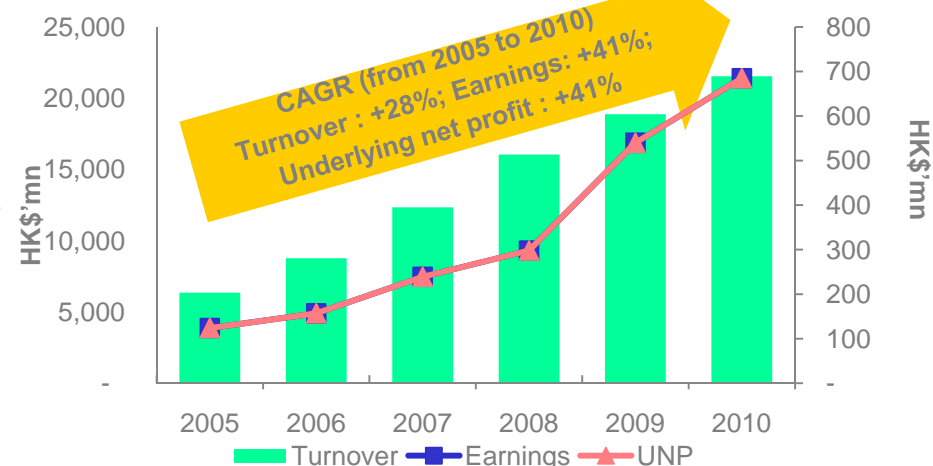
Appendix IV – Historical track record of CRE (Cont'd)

Strong growth momentum in each of core businesses

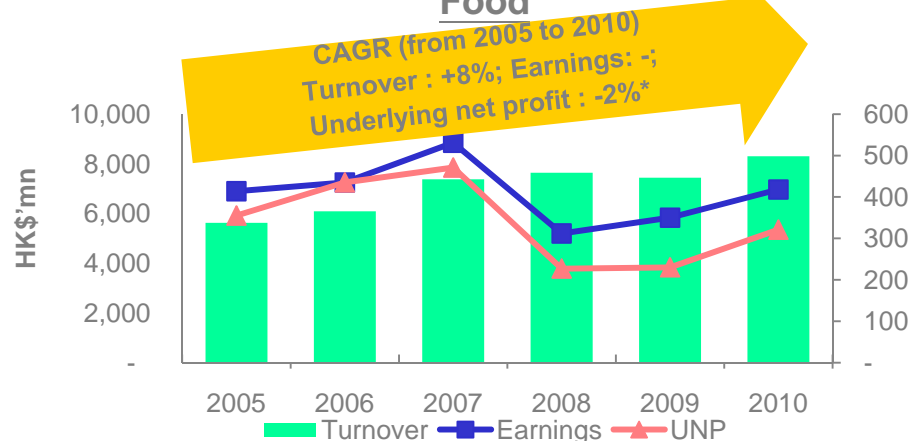
Retail (incl. investment property)



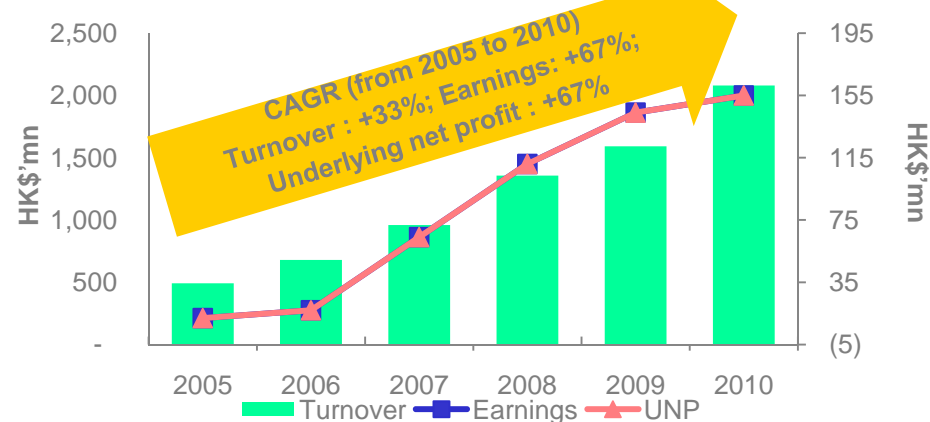
Beer



Food



Beverage



* Decline in CAGR of underlying net profit was mainly due to the open of HK live hogs market

“Enhanced Growth Platform”



| | |
|-----------|---|
| 2005-2010 | Named one of the outstanding enterprises among blue-chip companies in Hong Kong by <i>Economic Digest</i> |
|-----------|---|

| | |
|-----------|--|
| 2006-2010 | Selected as one of the recipients of the "Recognition Awards - Asia's Best Companies for Corporate Governance" by <i>Corporate Governance Asia</i> |
|-----------|--|

| | |
|------|--|
| 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 | Named one of top ten companies among 146 listed companies in Hong Kong in "The HKIoD Corporate Governance Score-card 2009" by <i>Hong Kong Institute of Directors</i> |
|------|---|

25

| | |
|------------|---|
| 2009 -2010 | Selected as one of the 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> |
|------------|---|

| | |
|-------------|--|
| 2010 – 2011 | Mr. Chen Lang was selected as one of winners in China of Asian Corporate Director Recognition Awards by <i>Corporate Governance Asia</i> |
|-------------|--|

| | |
|------|--|
| 2010 | Received silver award for cover photo/design in the category of food distributors, processors & wholesalers in International Annual Report Competition Awards from MerComm, Inc. |
|------|--|

| | |
|------|---|
| 2010 | Selected as one of the 13 listed companies receiving "The Excellence of Listed Enterprise Awards 2010" by <i>Capital Weekly</i> |
|------|---|

Appendix V – CRE award (Cont'd)

■ Highlights of accolades received

| | |
|------|---|
| 2010 | Selected as one of the 17 companies receiving "Global Chinese Business 1000 – Outstanding Performance Award" by <i>Yazhou Zhoukan</i> |
| 2010 | Received Overall Best companies in Asia for Corporate Governance, 3 best awards in Asia region (ex-Japan) for disclosure and transparency, responsibilities of management and the board of directors, shareholders' rights and equitable treatment and 6 awards in Hong Kong region 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 by <i>Asiamoney</i> |
| 2010 | Awarded as Asia's best CEO (Investor Relations) – Mr. Chen Lang, Asia's best CFO (Investor Relations) – Mr. Frank Lai, Best Investor relations professional – Mr. Vincent Tse, Best investor relations and best environmental responsibility by <i>Corporate Governance Asia</i> |
| 2011 | Ranked number 981 in Global 2000 from Forbes |
| 2011 | Received "The Largest Capitalization Company Award" in Mainland Enterprises Listed in Hong Kong Ranking 2010 by <i>Yazhou Zhoukan</i> |
| 2011 | Awarded as one of the 21 companies receiving the commendation in Corporate Social Responsibility Award 2011 by <i>CAPITAL and Capital Weekly</i> |
| 2011 | Awarded as one of the top 11 Chinese companies receiving the commendation in Asia's Best Companies for Corporate Governance 2011 by Corporate Governance Asia |
| 2011 | Ranked number 39 in Fortune China 500 |

“Strong Sustainable Growth”

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