

# China Resources Enterprise, Limited

## Financial and operational review

### Enhanced Growth Platform

24 March 2011



华润万家  
vanguard



雪花啤酒  
SNOW MONKS  
BEER



五豐行  
NG FUNG HONG



怡寶  
C'estbon

# Results Summary

## Enhanced Growth Platform

	Q4 2010 HK\$m	Q4 2009 HK\$m	change	FY2010 HK\$m	FY2009 HK\$m	change
Turnover	20,711	16,818	+23%	87,138	71,629	+22%
EBITDA	1,217	1,480	-18%	11,003	7,399	+49%
Underlying net profit of core businesses*	66	16	+313%	1,894	1,414	+34%
EPS (HK¢)						
- overall				237	122	+94%
DPS - basic (HK¢)				52	49	+6%
- final				38	35	+9%
- interim				14	14	-
Dividend payout ratio (%)**				46	42	+10%
ROE (%)				18.4	11.3	+63%
Net gearing ratio (%)				(4.8) net cash	9.4	-151%

\* Earnings of core businesses excluding the after-tax effect of asset revaluation and major disposals of non-core assets/investments, but including net corporate interest and expenses

\*\* Dividend payout ratio is calculated based on earnings from continuing operations

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

“Enhanced Growth Platform”

# Turnover Breakdown - by Divisions

	FY2010 HK\$m	Prop	FY2009 HK\$m	Prop	change
<b><u>Core businesses</u></b>					
Retail	55,140	63%	36,455	57%	+51%
Beer	21,535	25%	18,878	29%	+14%
Food	8,306	10%	7,443	12%	+12%
Beverage	2,080	2%	1,592	2%	+31%
	87,061	100%	64,368	100%	+35%
Less: inter-co transactions	(333)		(237)		-41%
<b>Total – Core businesses</b>	<b>86,728</b>		<b>64,131</b>		<b>+35%</b>
<b><u>Other businesses</u></b>					
Retail (Brand-fashion distribution)	410		2,611		-84%
Textile	-		4,887		-100%
<b>Total – Other businesses</b>	<b>410</b>		<b>7,498</b>		<b>-95%</b>
<b>Turnover – total</b>	<b>87,138</b>		<b>71,629</b>		<b>+22%</b>

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# Earnings Breakdown - by Divisions

	FY 2010 HK\$m	Prop	FY 2009 HK\$m	Prop	change
<b><u>Core businesses</u></b>					
Retail	1,930	61%	1,582	60%	+22%
Beer	685	21%	540	21%	+27%
Food	418	13%	350	13%	+19%
Beverage	155	5%	144	6%	+8%
	3,188	100%	2,616	100%	+22%
Net corporate interest & expenses	(97)		(152)		-36%
<b>Total – Core businesses</b>	<b>3,091</b>		<b>2,464</b>		<b>+25%</b>
<b><u>Other businesses</u></b>					
Investment & others	(418)		321		-230%
Discontinued operations					
– Brand-fashion distribution	3,001		138		+2075%
– Textile	-		(10)		+100%
<b>Total – Other businesses</b>	<b>2,583</b>		<b>449</b>		<b>+475%</b>
<b>Earnings – total</b>	<b>5,674</b>		<b>2,913</b>		<b>+95%</b>

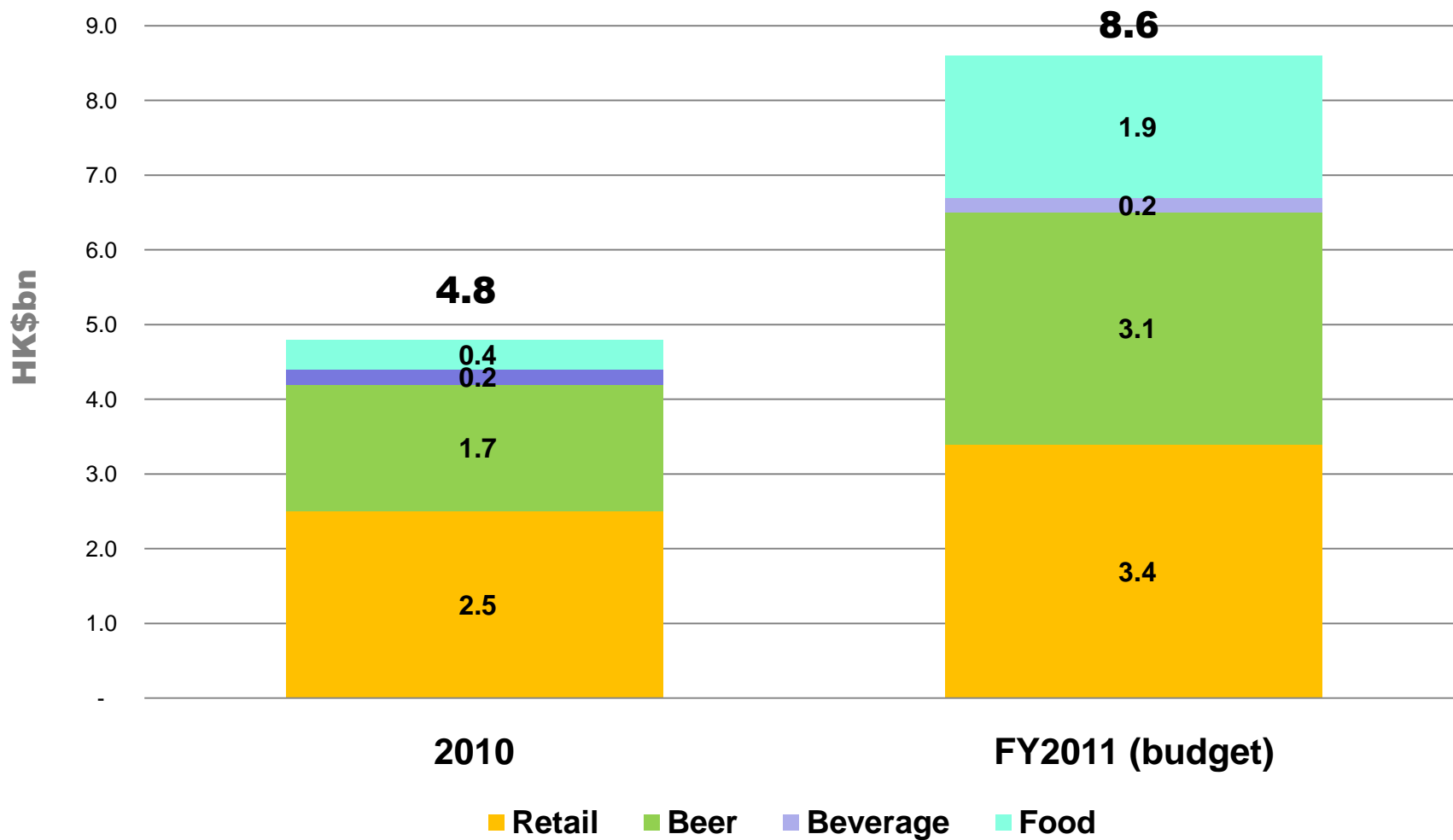
“Enhanced Growth Platform”

# Underlying Net Profit Breakdown - by Divisions

	FY 2010 HK\$m	Prop	FY 2009 HK\$m	Prop	change
<b><u>Core businesses</u></b>					
Retail	830	42%	652	42%	+27%
Beer	685	34%	540	34%	+27%
Food	321	16%	230	15%	+40%
Beverage	155	8%	144	9%	+8%
	1,991	100%	1,566	100%	+27%
Net corporate interest & expenses	(97)		(152)		+36%
<b>Total – Core businesses</b>	<b>1,894</b>		<b>1,414</b>		<b>+34%</b>
<b><u>Other businesses</u></b>					
Investment & others	1		321		-100%
Discontinued operations					
– Brand-fashion distribution	22		138		-84%
– Textile	-		(13)		+100%
<b>Total – Other businesses</b>	<b>23</b>		<b>446</b>		<b>-95%</b>
<b>Underlying net profit * - total</b>	<b>1,917</b>		<b>1,860</b>		<b>+3%</b>

\* Earnings excluding the after-tax effect of asset revaluation and major disposal of non-core assets/investments

**“Enhanced Growth Platform”**



“Enhanced Growth Platform”

## Distribution of segment assets:



Total segment assets: HK\$85bn

## “Enhanced Growth Platform”

# Retail

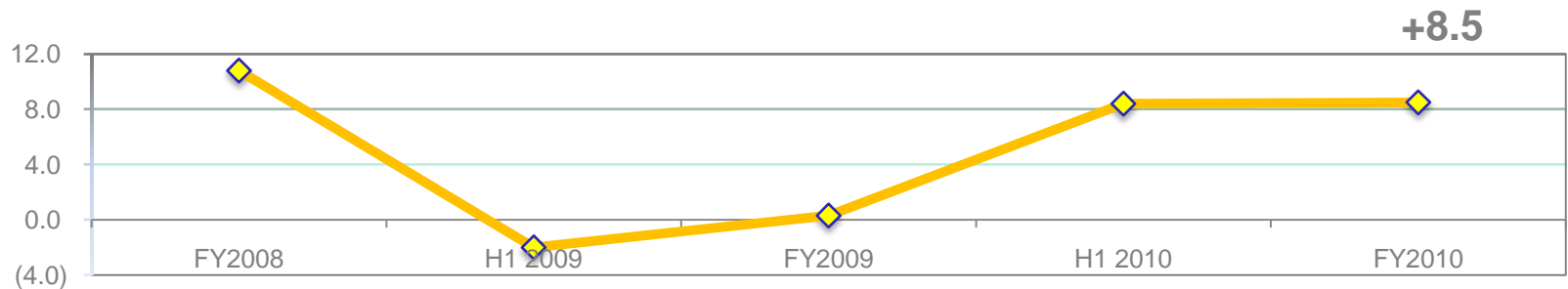
- Quality expansion platform: Multi-format with regional leadership

## Retail performance

	Q4 2010 HK\$m	Q4 2009 HK\$m	change	FY 2010 HK\$m	FY 2009 HK\$m	change
Turnover	14,332	9,565	+50%	55,140	36,455	+51%
EBITDA	1,113	1,097	+1%	3,873	3,122	+24%
Earnings	592	628	-6%	1,930	1,582	+22%
Underlying net profit	116	137	-15%	830	652	+27%
EBITDA margin (%)	7.8	11.5	-32%	7.0	8.6	-19%
Net margin (%)	4.1	6.6	-38%	3.5	4.3	-19%
Underlying net profit margin (%)	0.8	1.4	-43%	1.5	1.8	-17%

The decline in ratio in Q4 and full year were mainly due to restructuring of "Homeworld" and Hong Kong operations.

## SSSG of retail business:



China CPI: FY 2010: +3.3%; FY 2009 -0.7%

## "Enhanced Growth Platform"

# Retail

Quality expansion platform: Multi-format with regional leadership

## Geographical distribution of CRE's retail network

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

### Northern areas

2	Inner Mongolia
1	Ningxia
36	Shaanxi
5	Gansu
1	Qinghai
17	Henan
1	Hubei

### Northern areas

4	Jilin
10	Liaoning
79	Beijing
281	Tianjin
6	Hebei

### Eastern areas

12	Shandong
1,557	Jiangsu
6	Shanghai
338	Anhui
79	Zhejiang

### Southern areas

437	Guangdong
307	Hong Kong
3	Macau
1	Guangxi

### Movement in retail shop number:

	Self-operated	Franchised	Total
31 Dec 09	1, 824	1,080	2,904
Opening	454	79	533
Closing	(78)	(279)	(357)
Addition from Pacific Coffee	100	9	109*
31 Dec 10	2,300	889	3,189

\*Of which, 6 stores are located in Singapore and Malaysia.

### "Enhanced Growth Platform"

## Retail

- Quality expansion platform: Multi-format with regional leadership

## Business model

### Winning market share by

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



**SG 苏果**

**Fun²  
欢乐颂**

**Ole'**



**blt**  
betterlifetogether

CHINESE **中艺** ARTS & CRAFTS

**voila!**

**華潤堂  
CRCare**

**VnGO**

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## Retail

- Quality expansion platform: Multi-format with regional leadership

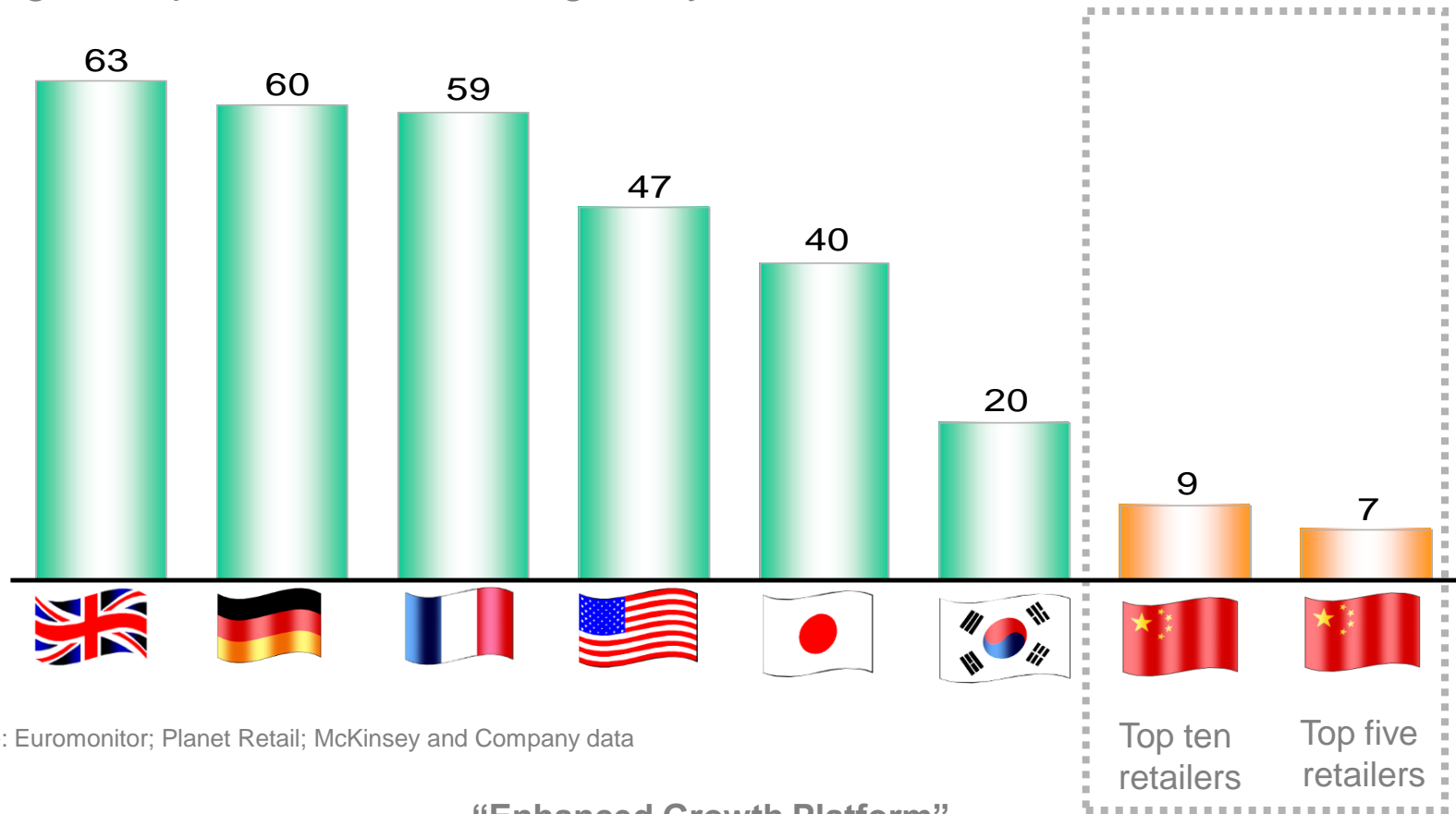


“Enhanced Growth Platform”

# Retail

- Quality expansion platform: Multi-format with regional leadership
- 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

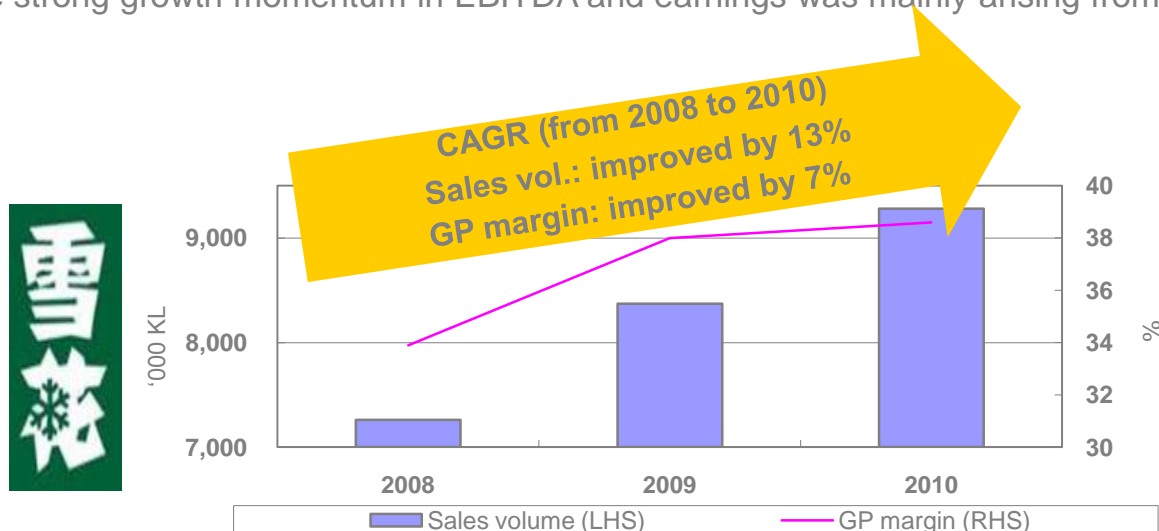
“Enhanced Growth Platform”

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

- Quality expansion platform: Market leader position

	Q4 2010 HK\$m	Q4 2009 HK\$m	change	FY 2010 HK\$m	FY 2009 HK\$m	change
Sales volume (million KL)	1.48	1.25	+18%	9.28	8.37	+11%
Turnover	3,719	2,928	+27%	21,535	18,878	+14%
EBITDA	113	(47)	+340%	3,141	2,447	+28%
Earnings	(99)	(121)	+18%	685	540	+27%
EBITDA margin (%)	3.0	(1.6)	+288%	14.6	13.0	+12%
Net margin (%) (after MI)	(2.7)	(4.1)	+34%	3.2	2.9	+10%

The strong growth momentum in EBITDA and earnings was mainly arising from the increase of sales volume.



**“Enhanced Growth Platform”**



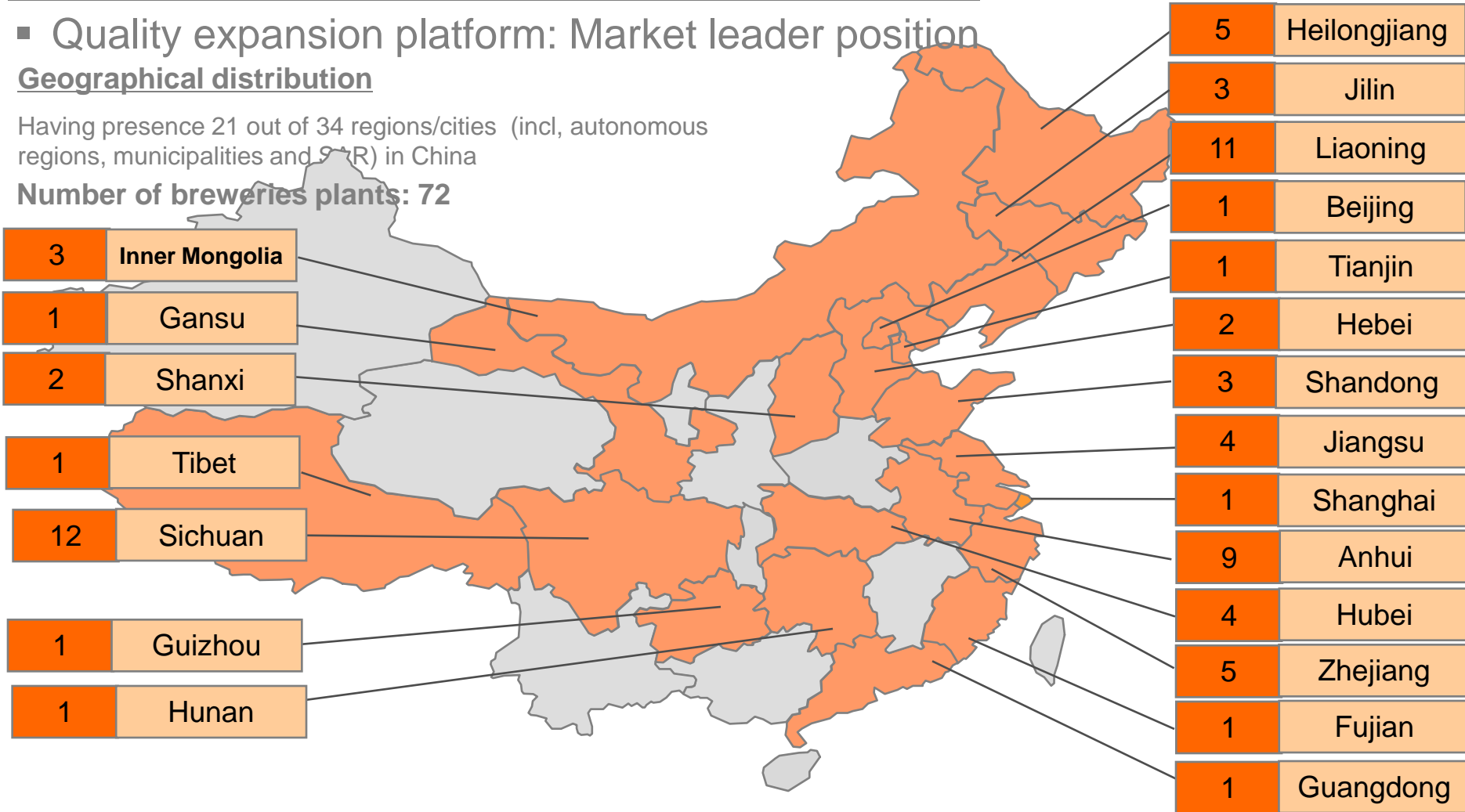
# Beer (No.1 brand by volume in the world)

- Quality expansion platform: Market leader position

## Geographical distribution

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

**Number of breweries plants: 72**

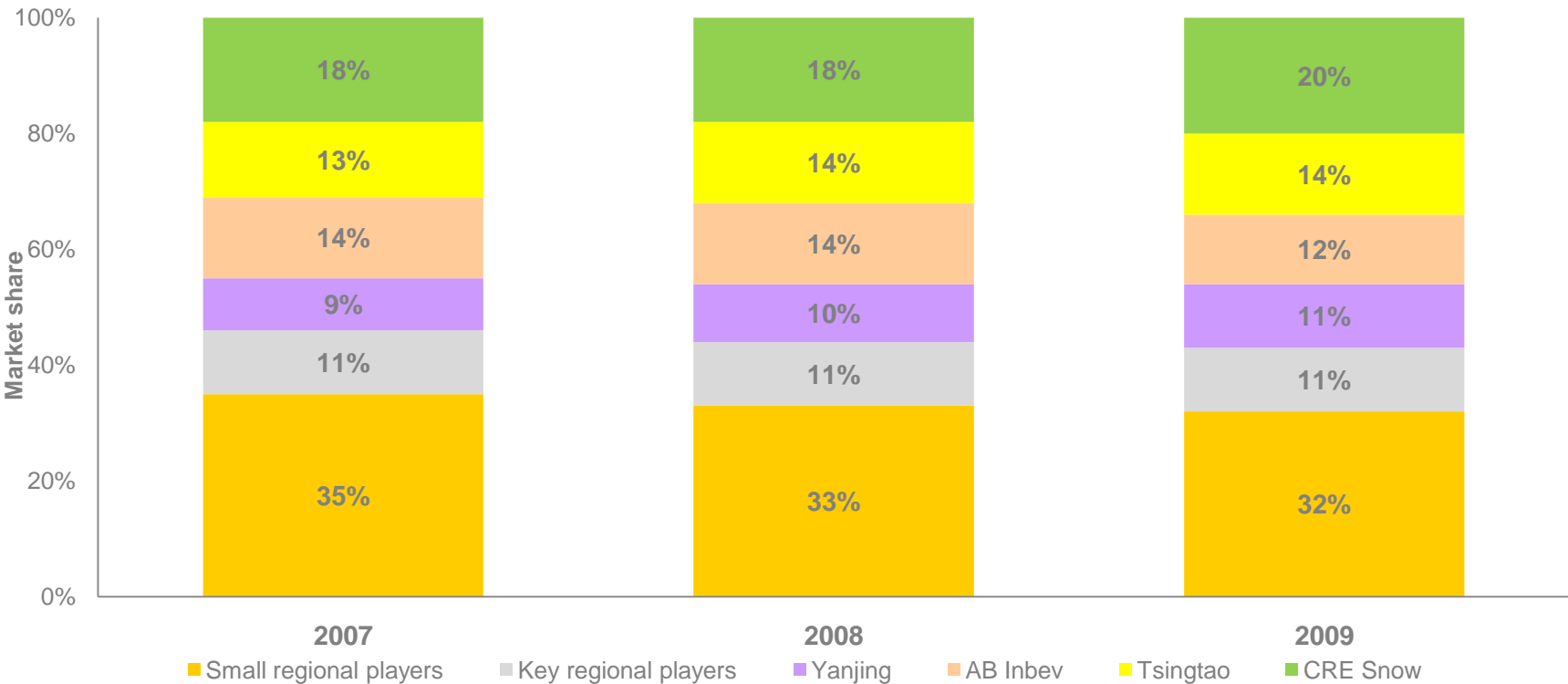


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# Beer (No.1 brand by volume in the world)

- 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

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## Food

### ■ Quality expansion platform: premium products

	Q4 2010 HK\$m	Q4 2009 HK\$m	change	FY 2010 HK\$m	FY 2009 HK\$m	change
<b>Turnover</b>	2,309	1,981	+17%	8,306	7,443	+12%
<b>EBITDA</b>	197	122	+61%	882	707	+25%
<b>Earnings</b>	91	51	+78%	418	350	+19%
<b>Underlying net profit</b>	56	46	+22%	321	230	+40%
<b>EBITDA margin (%)</b>	8.5	6.2	+37%	10.6	9.5	+12%
<b>Net margin (%)</b>	3.9	2.6	+50%	5.0	4.7	+6%
<b>Underlying net profit margin (%)</b>	2.4	2.3	+4%	3.9	3.1	+26%

The increase in EBITDA and earnings was mainly arising from better performance of meat businesses (both China and Hong Kong).

### 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

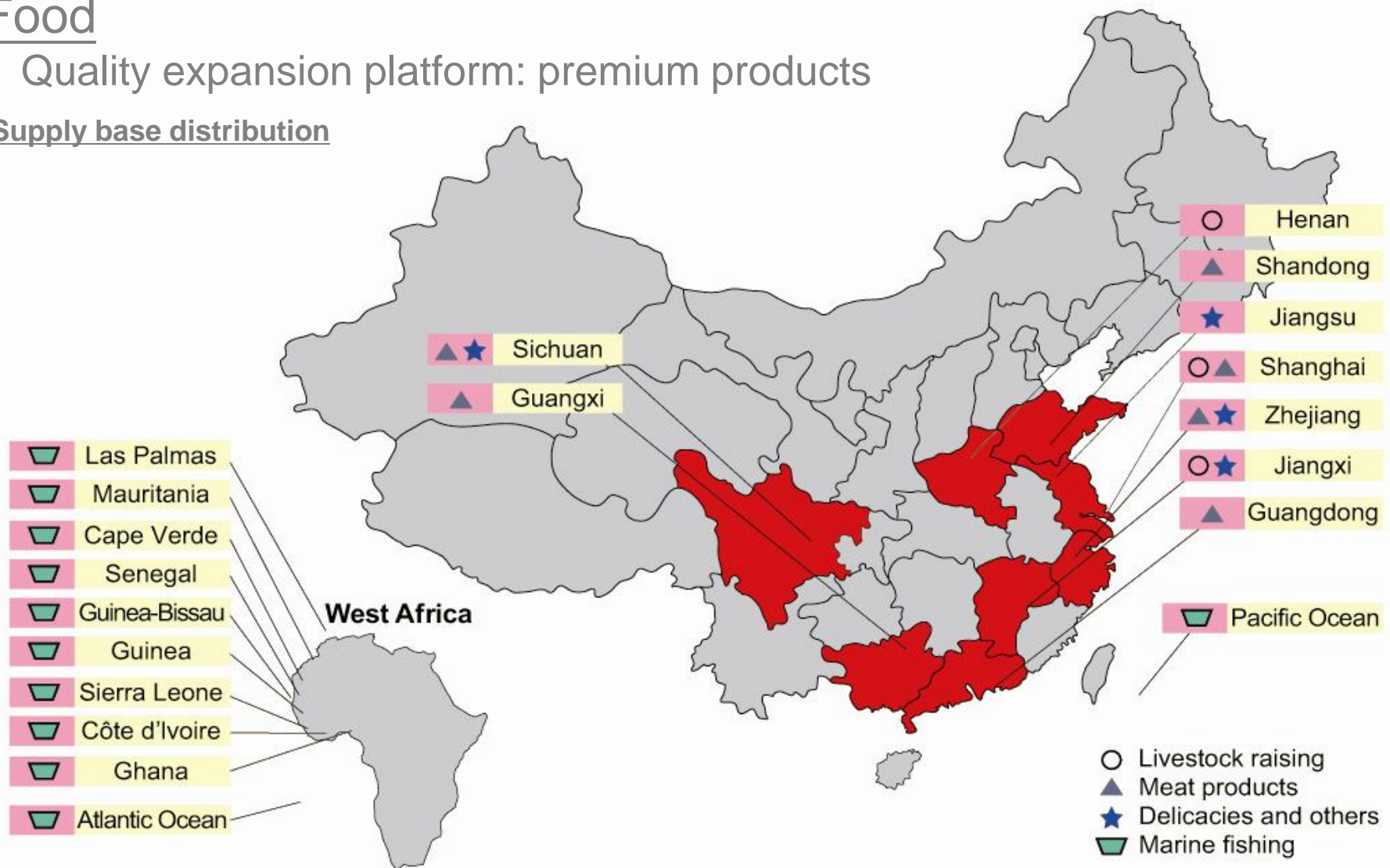


“Enhanced Growth Platform”

# Food

■ Quality expansion platform: premium products

## Supply base distribution



Source: Company data

“Enhanced Growth Platform”

# Beverage

## ■ Quality expansion platform: untapped potential



	Q4 2010 HK\$m	Q4 2009 HK\$m	change	FY 2010 HK\$m	FY 2009 HK\$m	change
Sales volume (million KL)	0.38	0.29	+31%	1.96	1.59	+23%
Turnover	430	277	+55%	2,080	1,592	+31%
EBITDA	35	(3)	+1267%	229	213	+7%
Earnings	18	2	+800%	155	144	+8%
EBITDA margin (%)	8.1	-1.1	+836%	11.0	13.3	-17%
Net margin (%)	4.2	0.7	+500%	7.5	9.0	-17%

The decline in EBITDA margin and net margin was mainly due to the launch of new products during the year.



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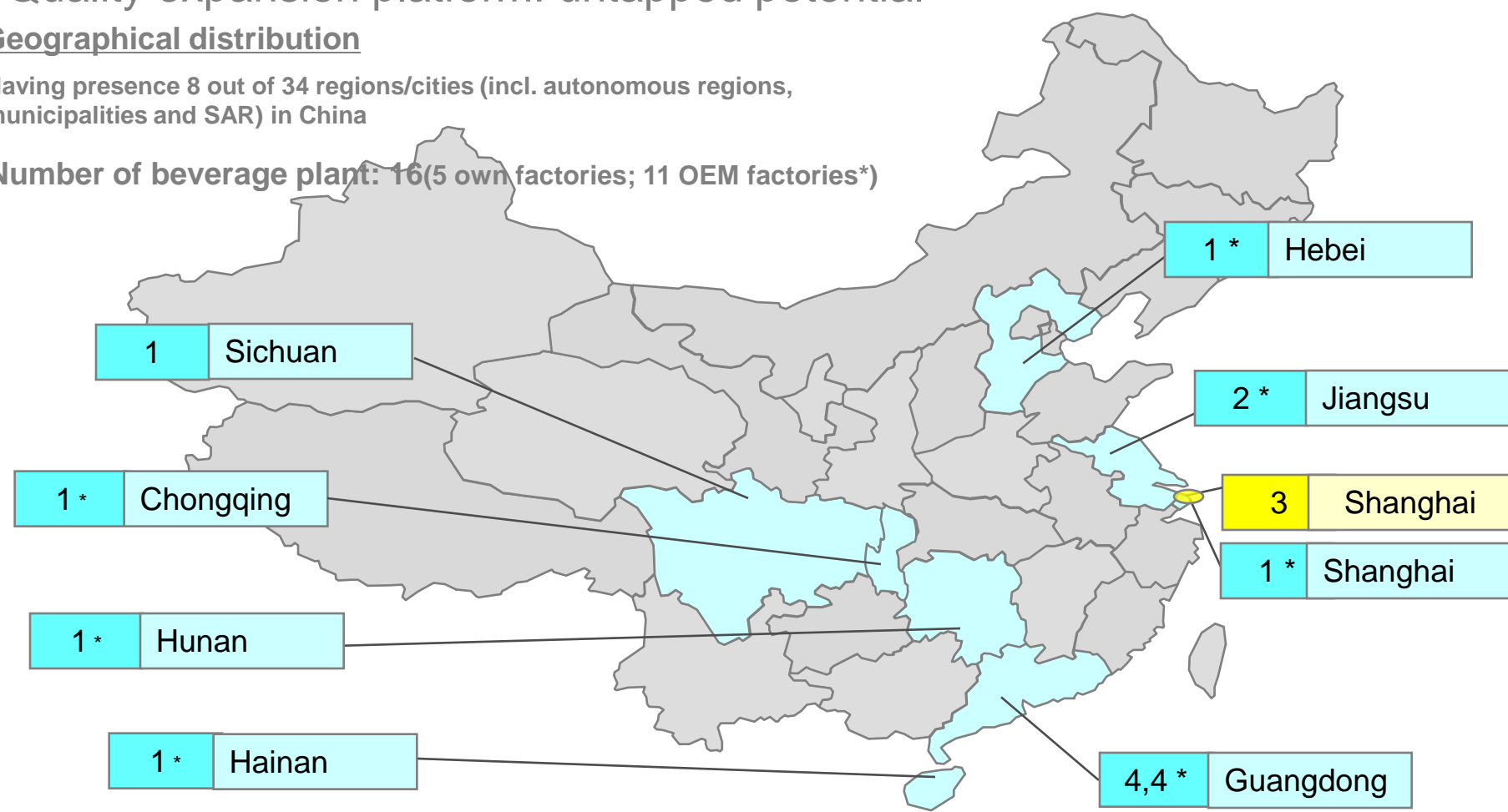
# Beverage

## Quality expansion platform: untapped potential

### Geographical distribution

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

Number of beverage plant: 16(5 own factories; 11 OEM factories\*)

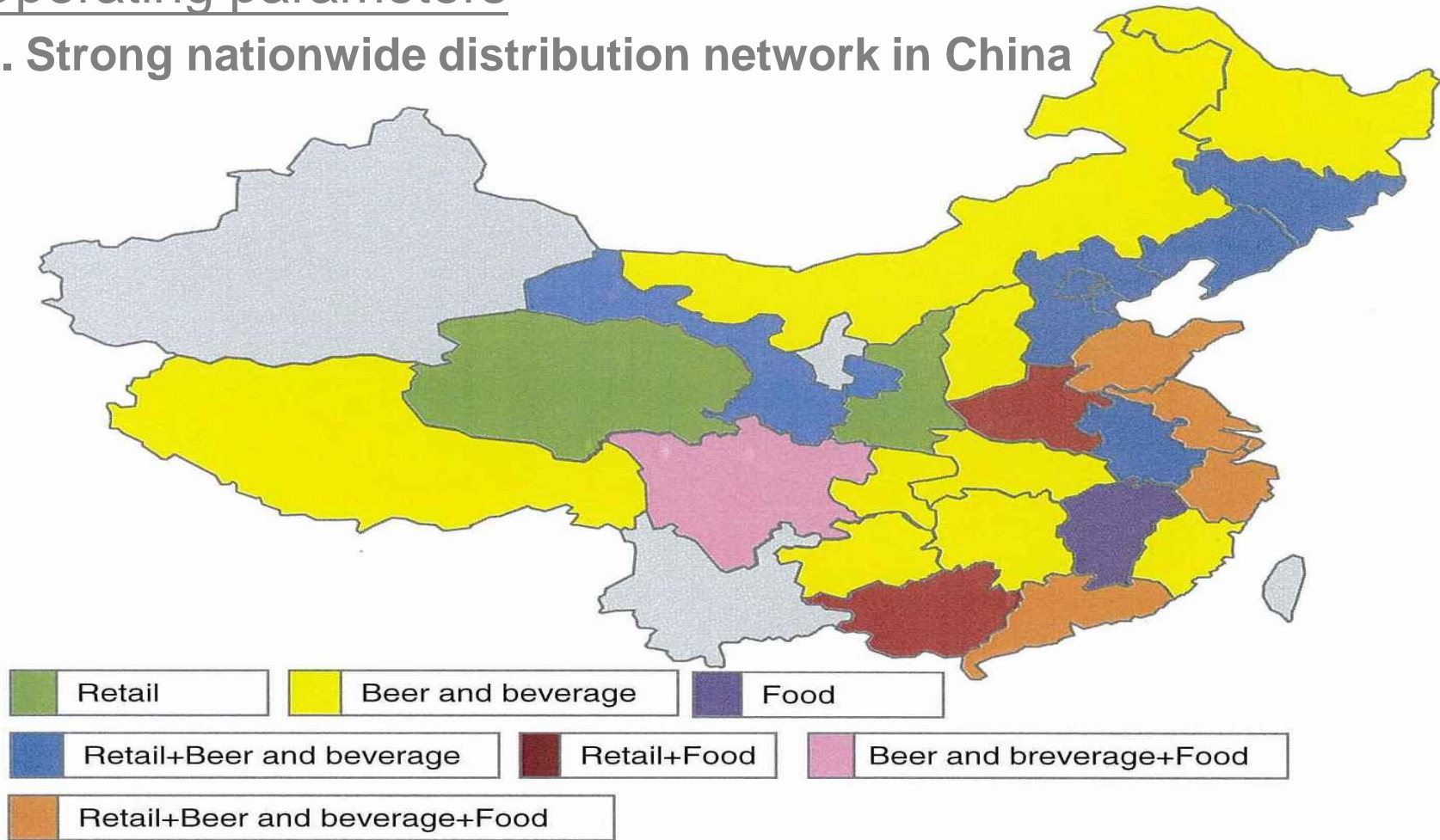


● Beverage plants to be injected upon formation of 60:40 joint venture with Kirin Holdings.

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# Operating parameters

## 1. Strong nationwide distribution network in China

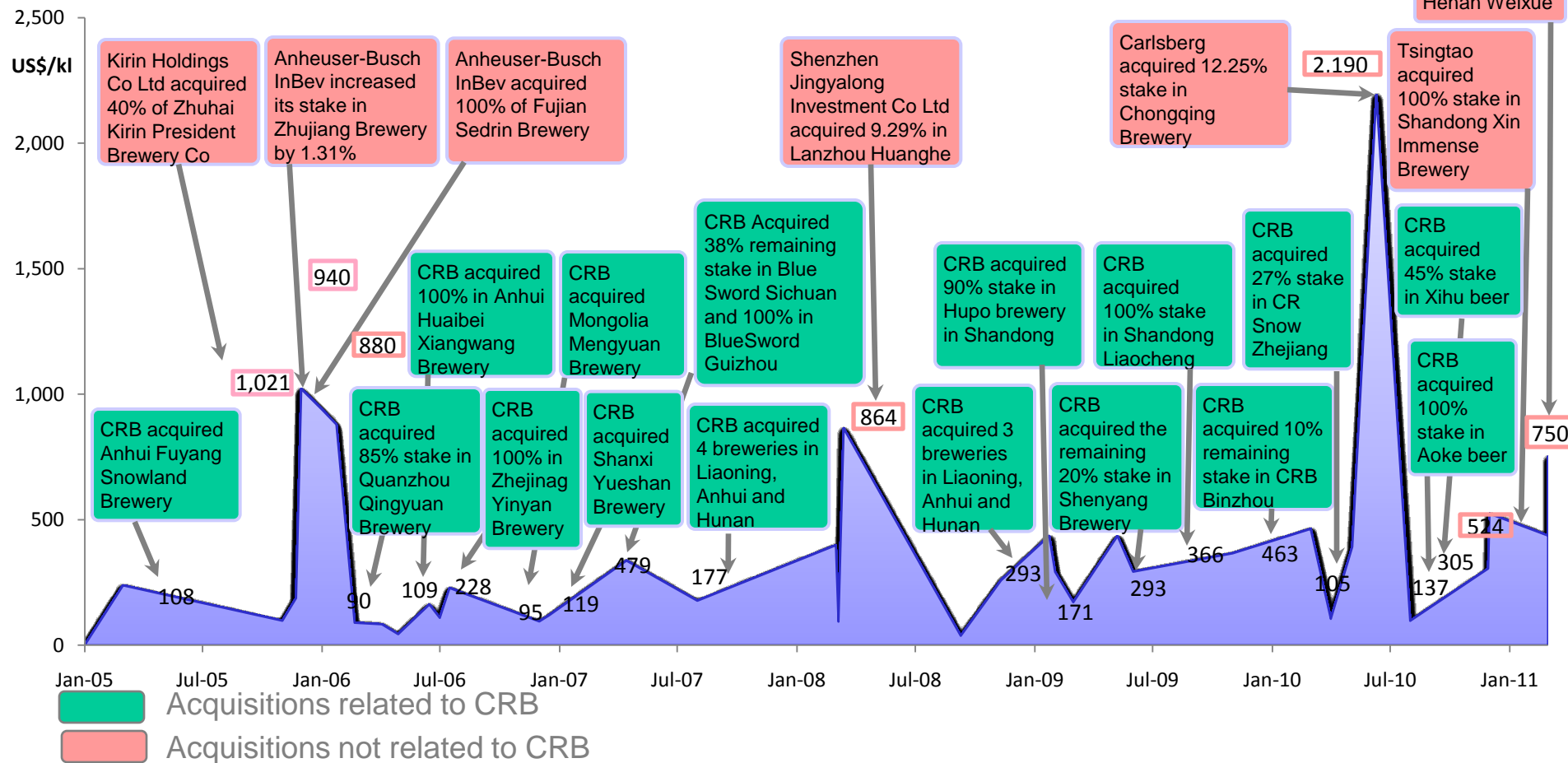


\* Out of 34 regions (including autonomous regions, municipalities and SARs), our distribution network covers 29 regions.

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# Operating parameters

## 2. Strong bargaining power and lower acquisition cost on M&A



Source: Deutsche bank and Company data

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## Appendix I - Calculation of Underlying Net Profit

	2010	2009	change
	HK\$m	HK\$m	
Earnings	5,674	2,913	+95%
<b><u>Adjustments</u></b>			
Gain on disposal of non-core business – brand fashion distribution	(2,979)	-	n/a
Investment property revaluation	(1,103)	(933)	-18%
Partial disposal of A-share investments in food business	(94)	(120)	+22%
Fair value adjustment on Investment & others	419	-	n/a
	<u>(3,757)</u>	<u>(1,053)</u>	-257%
Underlying net profit - total	1,917	1,860	+3%

# Appendix II – Retail network

No of self-operated stores (Self-Op)		31 Dec 10				31 Dec 09	
No of franchised stores (Fran)		% of self-operated stores	% of supermarket turnover	Self-operated	Franchised	Self-operated	Franchised
Average areas							
I) Hypermarkets	over 5,000 sq.m	app.20%	over 80%	451	25	380	25
II) Standard supermarkets	500 - 800 sq.m	app. 45%	over 10%	1,004	828	870	1,036
III) Olé, BLT	4,000 sq.m	app. 1%	app. 1%	19	-	10	-
IV) Convenience stores	30 - 120 sq.m	app.30%	app. 3%	623	27	512	19
V) Pacific Coffee				100	9	-	-
VI) CAC and CR care				96	-	52	-
VII) Wine cellar and Health and personal care				7	-	-	-
Overall				2,300	889	1,824	1,080
				3,189		2,904	

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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
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>
2006-2009	Selected as one of the recipients of the "Recognition Awards - Asia's Best Companies for Corporate Governance" by <i>Corporate Governance Asia</i>
2009	Ranked the second largest retail organization for China in Retail Asia-Pacific Top 500 Awards by <i>Retail Asia Publishing</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	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 <i>IR Magazine</i>

## Appendix III – CRE award (Cont'd)

### ■ Highlights of accolades received

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>
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	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 <sup>st</sup> Asian Corporate Director Recognition Awards 2010 from Corporate Governance Asia
2010	Received "CAPITAL Outstanding China Enterprise Award-Consumer Goods" in The 5 <sup>th</sup> CAPITAL Outstanding China Enterprise Awards from CAPITAL
2010	Ranked number 2 in China (top retailer silver award) in Retail Asia Pacific Top 500 Awards from Retail Asia

## Appendix III – CRE award (Cont'd)

### ■ Highlights of accolades received

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	Honored as one of the Awardees in the Board Category for "Listed Companies (SEHK-Hang Seng Index Constituents)" in the "Directors Of The Year Awards 2010" by the Hong Kong Institute of Directors
2010	Selected as one of the 6 blue chip companies receiving "Hong Kong Outstanding Enterprises Parade 2010" by <i>Economic Digest</i>
2010	Selected as one of the 13 listed companies receiving "The Excellence of Listed Enterprise Awards 2010" by <i>Capital Weekly</i>
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>

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**“Enhanced Growth Platform”**