

China Resources Enterprise, Limited  
Interim Results 2009

**Focus and Opportunities**

3 September 2009



## Agenda

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- Financial Summary pp.7 – pp.14
- Business Review and Prospects pp.15 – pp.35
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## Interim Results 2009

### Results Highlights

Long Chen

Managing Director

“Focus and Opportunities”

## Focus and opportunities

- Profitability
- Three core businesses:
  - Retail
  - Beverage
  - Food processing and distribution
- Asset rationalization
- Potential acquisitions

## Results Highlights (Compared with H1 2008)

- Although earnings reduced by 22% to HK\$1,158m, underlying profit only reduced by 5% to HK\$966m
- Interim dividend at HK\$0.14 per share, decreased by HK\$0.01 per share

### Retail

- Supermarket earnings in Chinese Mainland maintained growth of 4% to HK\$169m. Total retail earnings reduced by 28% to HK\$276m. It was mainly dragged down by Hong Kong supermarket which declined by 43% to HK\$55m, brand fashion declined by 31% to HK\$57m and Hong Kong retail declined from HK\$40m profit to HK\$5m loss

### Beverage

- The underlying results were stronger for beverage which reported a 134% profit improvement to HK\$341m. Sales volume of beer and purified water were up 20% to approximately 4,187,000 kl and 21% to approximately 736,000 kl respectively

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# Interim Results 2009

## Financial Summary

Frank Lai

Chief Financial Officer

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## Turnover Breakdown - by Divisions

	H1 2009 HK\$m	Prop	H1 2008 HK\$m	Prop	change
<b><u>Core businesses</u></b>					
Retail	18,986	54%	17,330	54%	+10%
Beverage	10,216	29%	8,174	25%	+25%
Food processing and distribution	3,505	10%	3,821	12%	-8%
Investment property	266	1%	205	1%	+30%
	32,973	94%	29,530	92%	
<b><u>Other businesses</u></b>					
Textile	2,211	6%	2,461	8%	-10%
	35,184	100%	31,991	100%	+10%
Less: inter-co transactions	(137)		(185)		-26%
Turnover - total	35,047		31,806		+10%

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## Earnings Breakdown - by Divisions

	H1 2009 HK\$m	Prop	H1 2008 HK\$m	Prop	change
<b><u>Core businesses</u></b>					
Retail	276	22%	382	24%	-28%
Beverage	341	28%	146	9%	+134%
Food processing and distribution	211	17%	240	15%	-12%
Investment property	321	26%	566	36%	-43%
	1,149	93%	1,334	84%	-14%
<b><u>Other businesses</u></b>					
Textile	(67)	(5%)	66	4%	na
Investment & others	151	12%	190	12%	-21%
	1,233	100%	1,590	100%	-22%
Net corporate interest & expenses	(75)		(102)		-26%
<b>Earnings - total</b>	<b>1,158</b>		<b>1,488</b>		<b>-22%</b>

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## Underlying Net Profit Breakdown - by Divisions

	H1 2009 HK\$m	Prop	H1 2008 HK\$m	Prop	change
<b><u>Core businesses</u></b>					
Retail	276	26%	378	33%	-27%
Beverage	341	33%	146	13%	+134%
Food processing and distribution	145	14%	156	14%	-7%
Investment property	196	19%	191	17%	+3%
	958	92%	871	77%	+10%
<b><u>Other businesses</u></b>					
Textile	(68)	(7%)	63	6%	na
Investment & others	151	15%	190	17%	-21%
	1,041	100%	1,124	100%	-7%
Net corporate interest & expenses	(75)		(102)		-26%
<b>Underlying net profit * - total</b>	<b>966</b>		<b>1,022</b>		<b>-5%</b>

\* 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\$192m and HK\$466m in H1 2009 and H1 2008 respectively

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## EBITDA Breakdown - by Divisions

	H1 2009 HK\$m	Prop	H1 2008 HK\$m	Prop	change
<b><u>Core businesses</u></b>					
Retail	1,020	30%	1,090	31%	-6%
Beverage	1,345	39%	920	27%	+46%
Food processing and distribution	407	12%	412	12%	-1%
Investment property	397	12%	629	18%	-37%
	3,169	93%	3,051	88%	+4%
<b><u>Other businesses</u></b>					
Textile	106	3%	263	8%	-60%
Investment & others	134	4%	161	4%	-17%
	3,409	100%	3,475	100%	-2%
Net corporate interest & expenses	(54)		(51)		+6%
<b>EBITDA * - total</b>	<b>3,355</b>		<b>3,424</b>		<b>-2%</b>

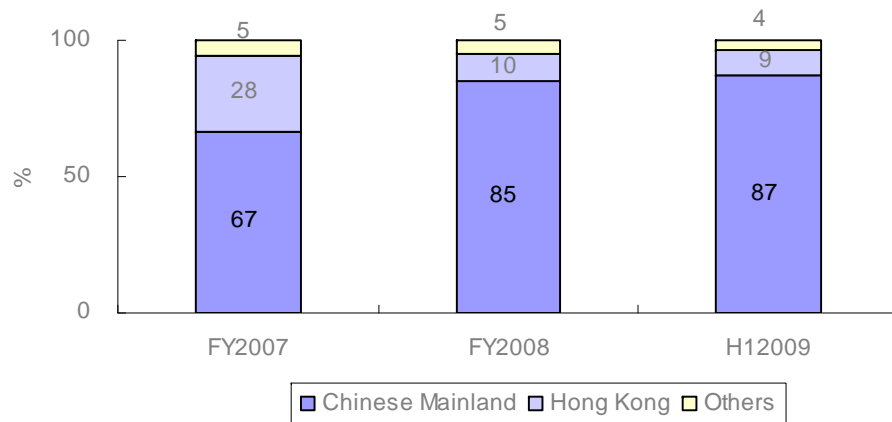
\* EBITDAs above are 100% interests and include associates' profits

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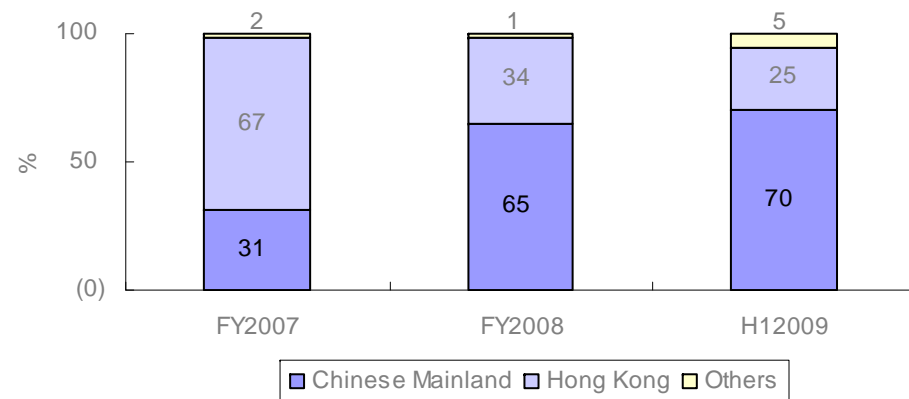
## Geographical Breakdown of Turnover and Profit

- The proportion of turnover and earnings before tax and minority interests from Chinese Mainland rose to 87% and 70% respectively

Turnover



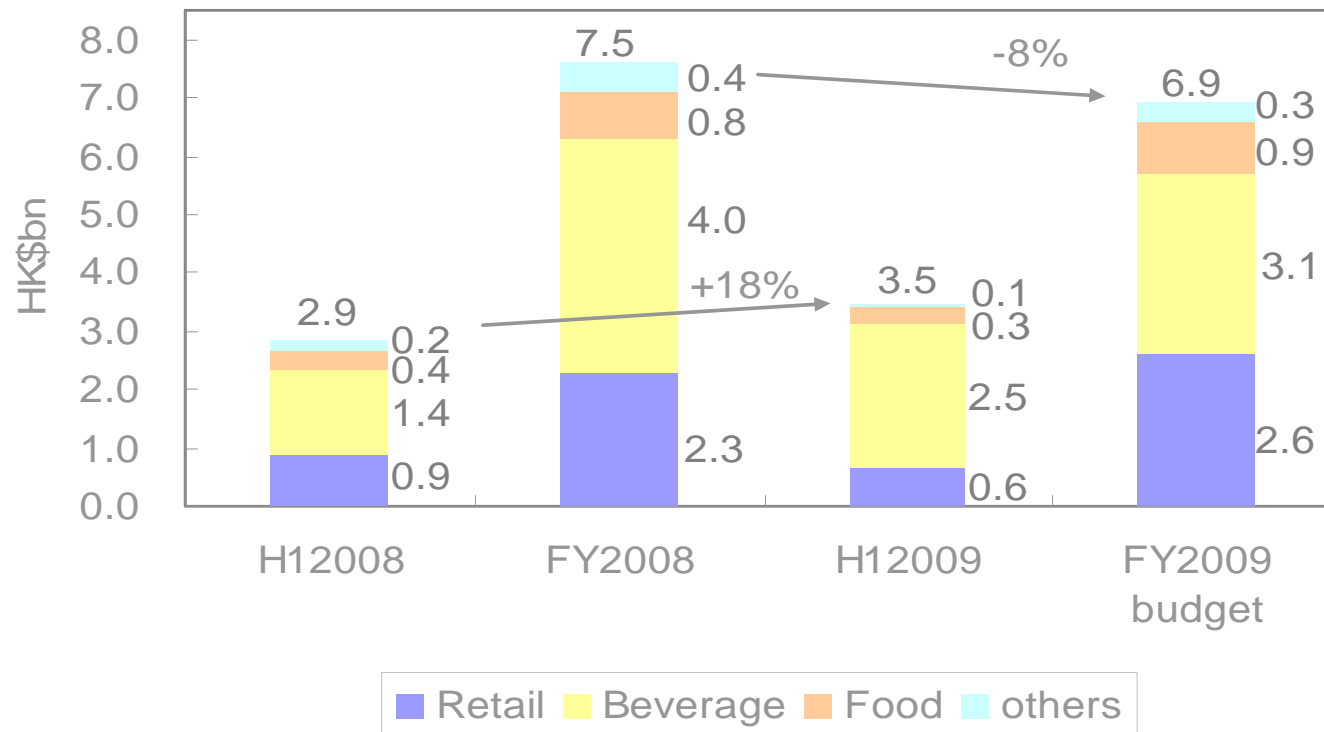
Earnings before tax and minority interests



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## Breakdown of Capex

- CRE is a growth company, Capex will increase when economy recovers



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# Business Review and Prospects

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## Retail

- Majority of earnings were from supermarket

### Retail business turnover and earnings breakdown

	H1 2009 HK\$m	Prop	H1 2008 HK\$m	Prop	<i>change</i>
<b>Turnover</b>					
- Supermarket	17,317	91%	15,640	91%	+11%
- Brand-fashion	1,336	7%	1,260	7%	+6%
- Other retail stores	333	2%	430	2%	-23%
	18,986	100%	17,330	100%	+10%
<b>Earnings</b>					
- Supermarket	224	81%	260	68%	-14%
- Brand-fashion	57	21%	82	21%	-31%
- Other retail stores	(5)	(2%)	40	11%	<i>na</i>
	276	100%	382	100%	-28%

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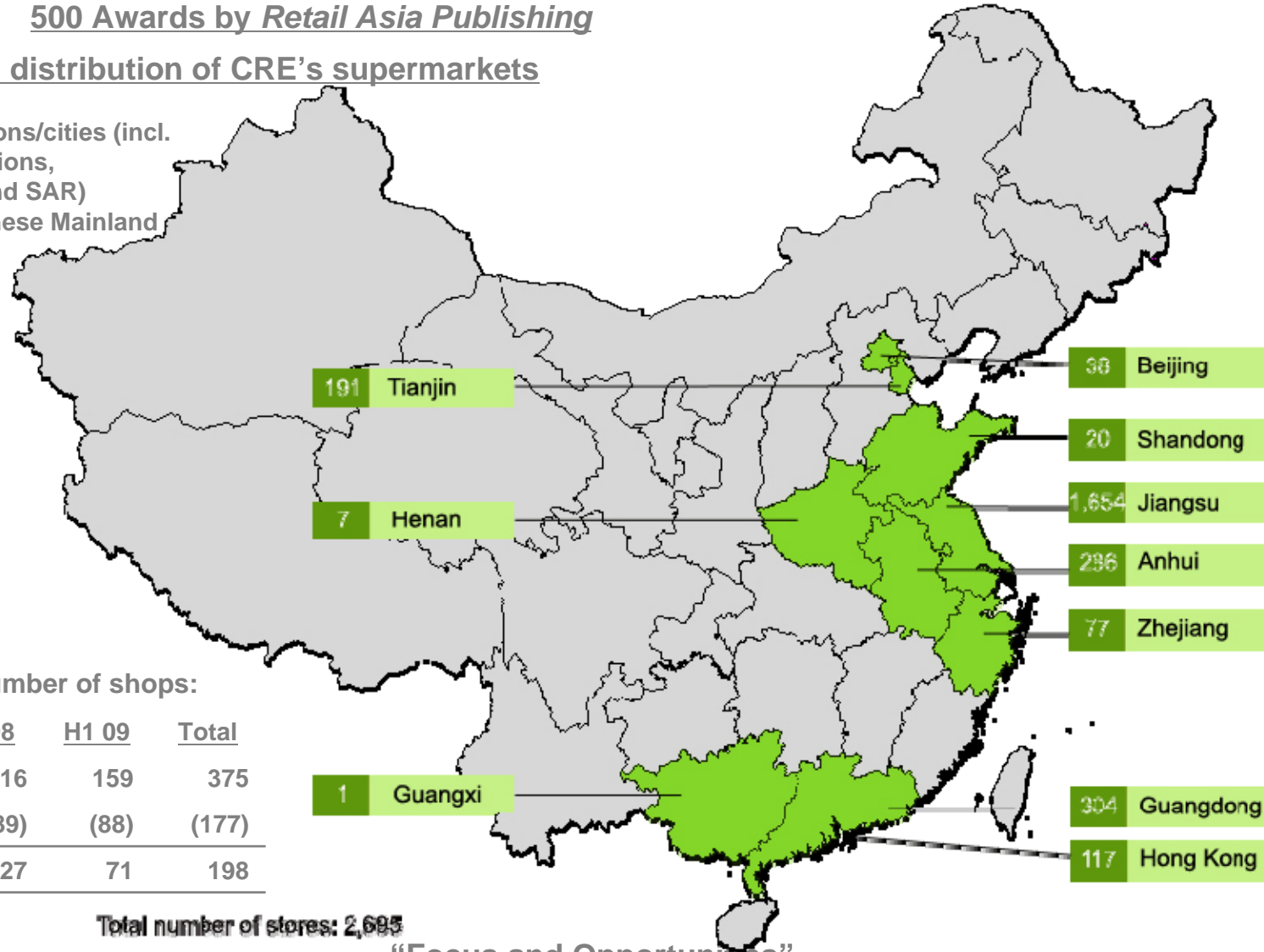




Ranked the second largest retail organization for China in Retail Asia-Pacific Top 500 Awards by *Retail Asia Publishing*

**Geographical distribution of CRE's supermarkets**

10 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) presence in Chinese Mainland



**Movement in number of shops:**

	<u>H2 08</u>	<u>H1 09</u>	<u>Total</u>
Opening	216	159	375
Closing	(89)	(88)	(177)
<b>Net</b>	<b>127</b>	<b>71</b>	<b>198</b>

**Total number of stores: 2,695**

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# Retail

## Supermarket turnover, EBITDA and earnings breakdown

	H1 2009 HK\$m	Prop	H1 2008 HK\$m	Prop	change
<b>Turnover</b>					
- HK	1,135	7%	1,211	8%	-6%
- China	16,182	93%	14,429	92%	+12%
	17,317	100%	15,640	100%	+11%
<b>EBITDA</b>					
- HK	104	12%	140	18%	-26%
- China	739	88%	644	82%	+15%
	843	100%	784	100%	+8%
<b>Earnings</b>					
- HK	55	25%	97	37%	-43%
- China	169	75%	163	63%	+4%
	224	100%	260	100%	-14%
<b>EBITDA margin (%)</b>					
- overall	4.9		5.0		-2%
- HK	9.2		11.6		-21%
- China	4.6		4.5		+2%
<b>Net margin (%)</b>					
- overall	1.3		1.7		-24%
- HK	4.9		8.0		-39%
- China	1.0		1.1		-9%

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## Retail

- H1 2009 decline in same store sales was due to negative CPI (-1.1%), downturn in economy and the high base of last year

### Same store sales growth trend (constant currency)

	H1 2009 %	FY2008 %	FY2007 %
Overall supermarket	-2.0	+10.8	+9.5
China	-1.9	+11.2	+10.2
Hong Kong	-3.9	+5.7	+2.2

China CPI: H1 2009: -1.1%; H1 2008 +7.9%

Hong Kong CPI: H1 2009: +0.8%; H1 2008: +5.1%

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## Retail

### Supermarket business model

#### *Winning market share by*

- Regional focus
- Multiple-format store approach
- Multiple distribution centres
- Trade-up strategy
- Growth by self-operated stores and same store sales growth
- Acquisitions

## Beverage

- Triple digit net profit growth

### Breakdown of beverage turnover and earnings

	H1 2009 HK\$m	Prop	H1 2008 HK\$m	Prop	<i>change</i>
<b>Turnover</b>					
- beer	9,474	93%	7,590	93%	+25%
- purified water	742	7%	584	7%	+27%
	10,216	100%	8,174	100%	+25%
<b>Attributable earnings to CRE</b>					
- beer	257	75%	105	72%	+145%
- purified water	84	25%	41	28%	+105%
	341	100%	146	100%	+134%

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## Beverage

### 1. Beer Operation

- Robust sales volume growth of 20%
- ASP increased by 1% in constant currency to RMB1,994/kl
- Production cost/kl decreased by 2% in constant currency
- Net interest expenses reduced by HK\$39m at JV level
- Attributable net profit increased by 145% to HK\$257m
- Production capacity increased by 16% to 13.6mkl

### 2. Purified Water Operation

- Sales volume increased by 21%
- ASP was steady at about RMB888/kl
- 62% was bottle water and the balance barrel water

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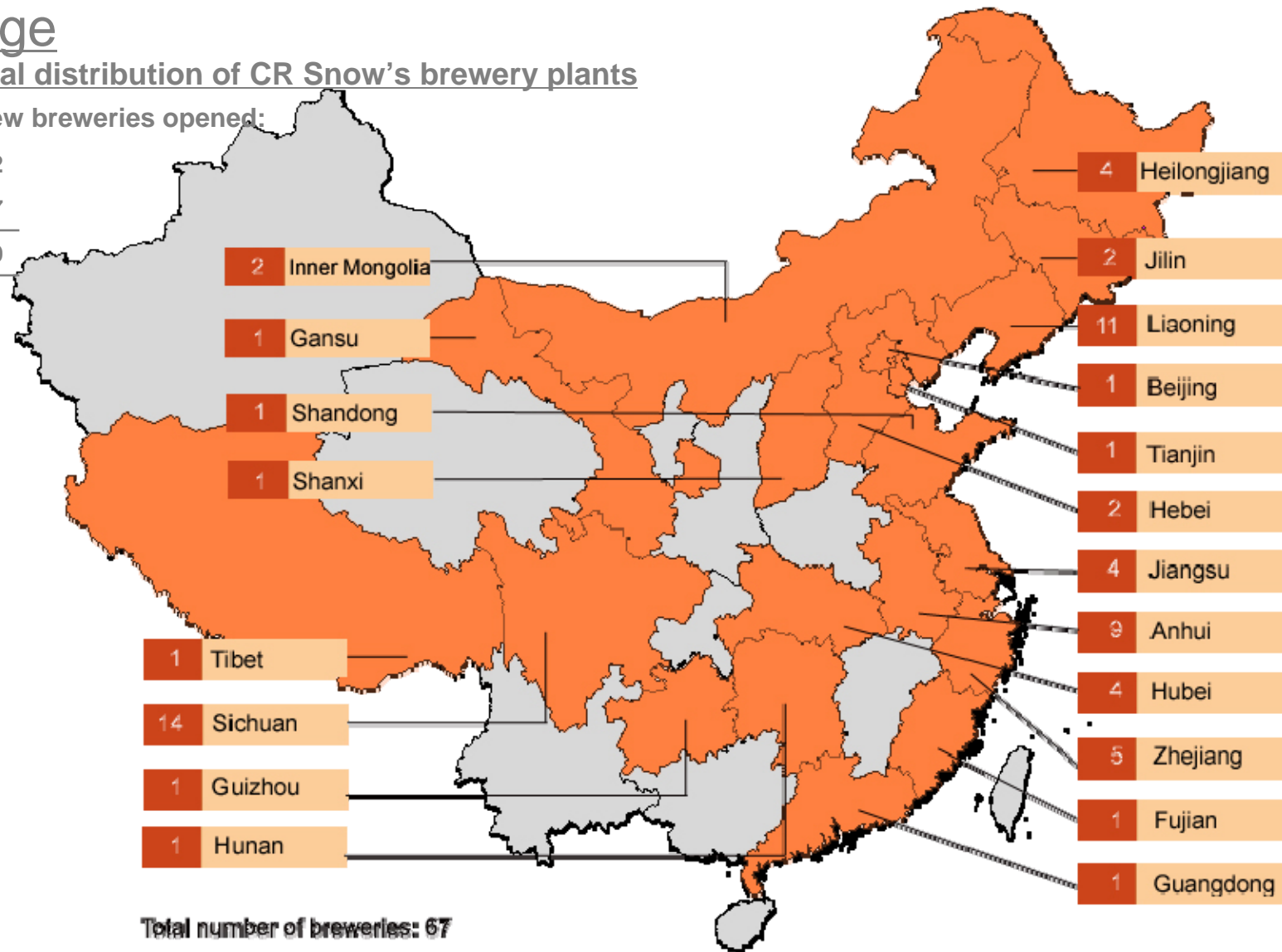


# Beverage

## Geographical distribution of CR Snow's brewery plants

Number of new breweries opened:

H2 08	2
H1 09	7
<b>Total</b>	<b>9</b>

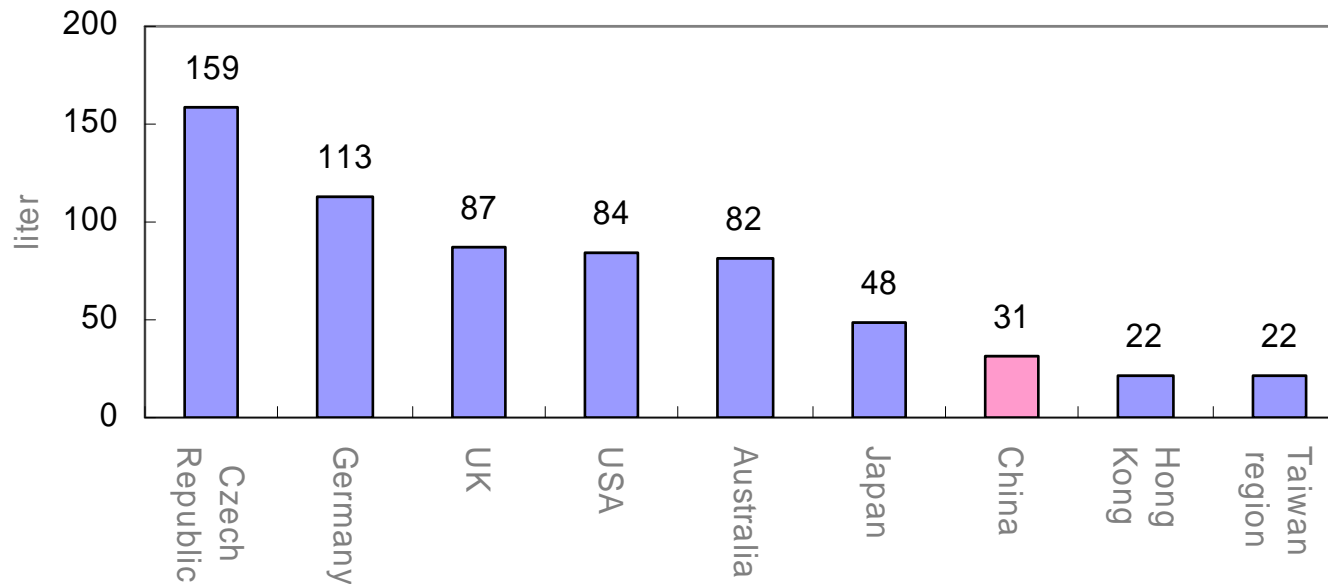


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## Beverage

- Mainland beer consumption per capita is still low versus other countries but has doubled from 16 liters in 1998 to 31 liters (estimate) in 2008

### Per capita beer consumption in FY 2008



Source: estimated by Plato Logic

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## Beverage

- Total market share of the top 3 has increased from 19% in 2000 to approximately 46% in 2008

### Beer market share of key players

	Company	Market share (2008)	Market share (2007)
National Players	CRE SNOW	46%	18%
	Anheuser-Busch Inbev		14%
	TsingTao Brewery		14%
	Yanjing Brewery		10%
	<b>Subtotal</b>		<b>56%</b>
Key regional players	Jin Xing Brewery	4%	n.a.
	Pearl Brewery	3%	n.a.
	Chongqing Brewery	2%	n.a.
	Kingway Brewery	2%	n.a.
	<b>Subtotal</b>	<b>11%</b>	<b>n.a.</b>
<b>Small regional players</b>		<b>33%</b>	<b>n.a.</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>

Source: State Statistical Bureau and CR Snow

Note: The market share of Anheuser-Busch and InBev in 2007 have been grouped together. Excluding that, the market share was approximately 40%

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## Food Processing and Distribution

- Earnings decreased by 12% to HK\$211m
- Ex A share disposal, underlying net profit decreased by 7% to HK\$145m
- HK live pig market only deteriorated in H2 2008 and hence high comparison base in H1 2009. Foodstuff distribution earnings decreased by 73% to HK\$21m
- Lower fuel prices and better resource utilization caused marine fishing turnaround. Earnings of HK\$43m was recorded against HK\$6m loss in H1 2008
- Slaughtering volume of Shenzhen, Shanghai, Hangzhou and Shandong projects recorded growth of 64% to 905,000 heads

## Food Processing and Distribution

### Turnover

	H1 2009 HK\$m	Prop	H1 2008 HK\$m	Prop	change
Foodstuff distribution	1,350	39%	1,734	46%	-22%
Marine fishing	693	20%	773	20%	-10%
Food processing	1,309	37%	1,160	30%	+13%
Abattoir operation, transportation and others	354	10%	236	6%	+50%
Inter-co transactions	(201)	(6%)	(82)	(2%)	+145%
	3,505	100%	3,821	100%	-8%

### Earnings

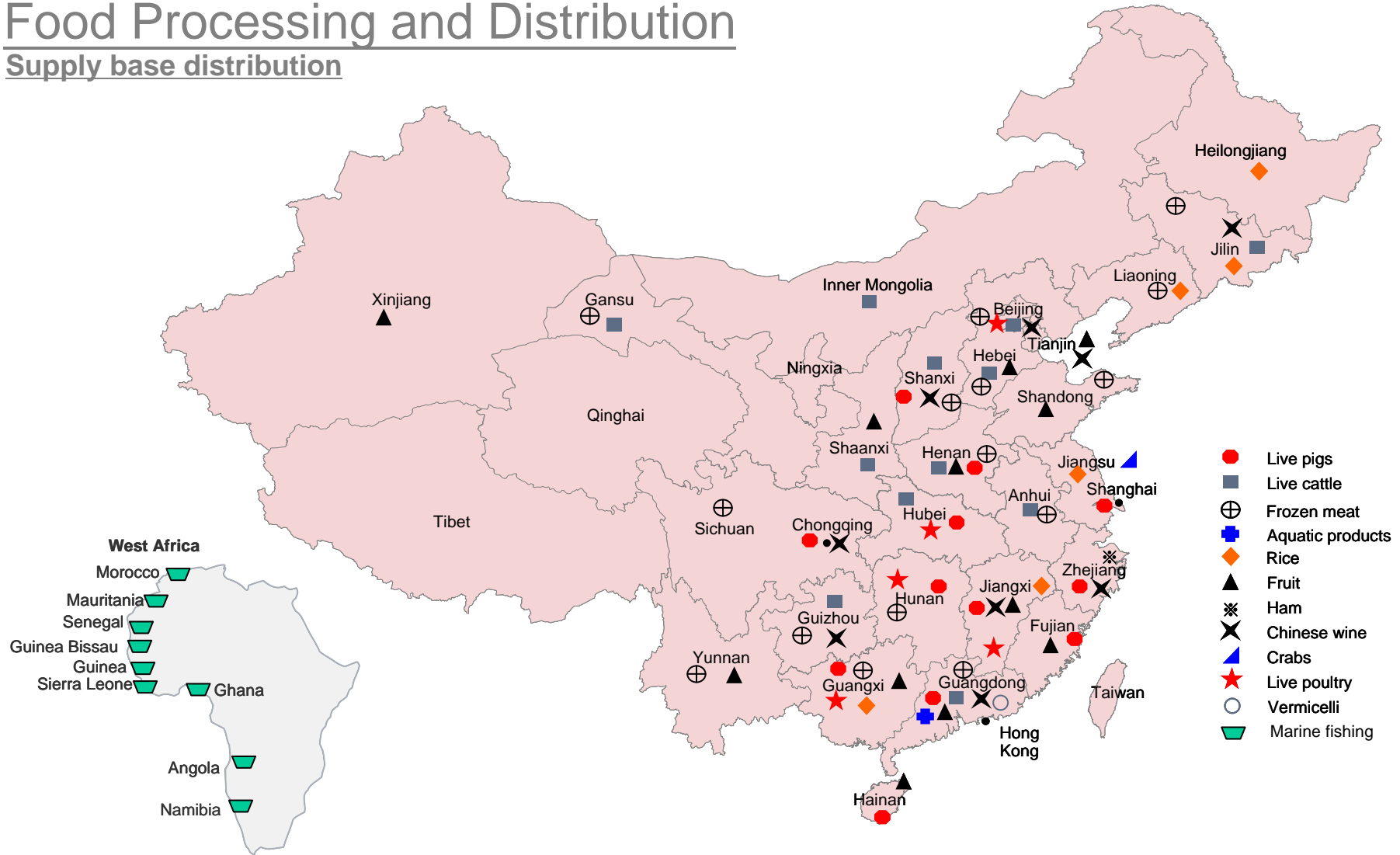
	H1 2009 HK\$m	Prop	H1 2008 HK\$m	Prop	change
Foodstuff distribution	21	10%	77	32%	-73%
Marine fishing	43	20%	(6)	(3%)	na
Food processing	46	22%	52	22%	-12%
Abattoir operation, transportation and others*	101	48%	117	49%	-14%
	211	100%	240	100%	-12%

\* Included partial disposal of A shares in H1 2009 amounting to HK\$66m (H1 2008: HK\$84m)

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# Food Processing and Distribution

## Supply base distribution



Source: Company data, Nomura Research

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## Food Processing and Distribution

### Food Business Model

- Development strategy with meat, assorted foodstuffs and seafood
- To become the most prestigious integrated food supplier in China
- Expanding “Ng Fung” brand’s presence in China
- Private labels accounted for 47% of H1 2009 turnover
- Meat processing centres in Hong Kong, Shanghai, Shenzhen, Hangzhou and Shandong
- Abattoir investment in major China cities will continue
- Marine fishing division is based in West Africa with 130 vessels which operates in the Atlantic Ocean and target markets like Europe, Japan and Africa. Tuna, squid, prawn and other aquatic products are main catches
- In H1 2009, 41%, 43% and 16% of turnover were from Hong Kong, mainland China and overseas respectively

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## Investment Property

- Excluding revaluation surplus of HK\$125m in H1 2009 (HK\$375m in H1 2008) and HK\$52m decrease in deferred tax in H1 2008, underlying net profit increased by 41%
- Average occupancy rate of Hong Kong properties was high at 94%

### Investment property business turnover and earnings breakdown

	H1 2009 HK\$m	Prop	H1 2008 HK\$m	Prop	<i>change</i>
<b>Turnover</b>					
- Rental properties	264	99%	201	98%	+31%
- Others	2	1%	4	2%	-50%
	266	100%	205	100%	+30%
<b>Earnings</b>					
- Rental properties (incl disposal gains)	195	61%	190	34%	+3%
- Net revaluation gain on rental properties	125	39%	375	66%	-67%
- Others	1	-	1	-	-
	321	100%	566	100%	-43%

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# Textile

## Turnover and earnings breakdown of the textile business

	H1 2009 HK\$m	Prop	H1 2008 HK\$m	Prop	<i>change</i>
<b>Turnover</b>					
- Spinning and weaving	1,884	85%	2,062	84%	-9%
- Garment	349	16%	451	18%	-23%
- Others and inter-co transactions	(22)	(1%)	(52)	-2%	-58%
	2,211	100%	2,461	100%	-10%
<b>Earnings</b>					
- Spinning and weaving*	(84)	125%	11	17%	<i>na</i>
- Garment	15	(22%)	25	38%	-40%
- Others and inter-co transactions	2	(3%)	30	45%	-93%
	(67)	100%	66	100%	<i>na</i>

\* Included provision of HK\$51m dyeing factory provision in H1 2009

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## Other Businesses

### Investment and Others

- Due to weak export environment, investment and others (mainly Hong Kong and Yantian deepwater port operations) recorded a profit decline of 21% to HK\$151m



## Appendix I - Calculation of Underlying Net Profit

	H1 2009 HK\$m	H1 2008 HK\$m	<i>change</i>
Earnings	1,158	1,488	-22%
<b><u>Adjustments</u></b>			
Partial disposal of shares in Hunan New Wellful	(35)	(27)	+30%
Partial disposal of shares in Fortune Ng Fung Food (Hebei)	(31)	(57)	-46%
Investment property revaluation *	(126)	(382)	-67%
	<u>(192)</u>	<u>(466)</u>	-59%
<b>Underlying net profit - total</b>	966	1,022	-5%

\* Of which HK\$125m and HK\$375m revaluation gain in H1 2009 and H1 2008 respectively is under Investment Property division

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## Appendix II - Supermarket network - CR Vanguard

	Average areas	30-Jun-09		31-Dec-08		30-Jun-08	
		Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised
<b>I) Convenience stores</b>	40 – 80 sq.m						
- Hong Kong		17		11		6	
- Guangdong Province		21		18		14	
		38		29		20	
<b>II) Standard supermarkets</b>	500 sq.m						
- Hong Kong		99		97		97	
- Beijing + Tianjin		217		190		147	
- Jiangsu Province		148	4	124	4	121	4
- Guangdong Province		177	62	163	62	159	62
- Guangxi Province			1		1		1
		641	67	574	67	524	67
<b>III) Superstores</b>	4,000 – 6,000 sq.m						
- Beijing + Tianjin		8		8		8	
- Jiangsu Province		36	30	37	30	39	44
- Zhejiang Province		10		10		10	
- Guangdong Province		54	30	55	30	57	44
<b>IV) Hypermarkets</b>	16,000 sq.m						
- Tianjin		2		2		2	
- Jiangsu Province		2		3		2	
- Zhejiang Province		11		9		6	
- Guangdong Province		32		31		30	
		47		45		40	
<b>V) Olé</b>	5,000 sq.m						
- Hong Kong		1		1			
- Beijing		10		10		7	
- Guangdong Province		2		2		1	
		13		13		8	
<b>Overall</b>		793	97	716	97	649	111
		890		813		760	

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## Appendix III - Supermarket network - Suguo

	Average areas	30-Jun-09		31-Dec-08		30-Jun-08	
		Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised
<b>I) Convenience stores</b>	100 sq.m						
- Jiangsu Province		356	18	349	20	334	15
- Anhui Province		88		77		69	
		444	18	426	20	403	15
<b>II) Standard supermarkets</b>	500 sq.m						
- Jiangsu Province		99	866	98	892	94	865
- Anhui Province		27	141	26	152	24	144
- Shandong Province			18		18		17
- Henan + Hebei Provinces			7		8		9
		126	1,032	124	1,070	118	1,035
<b>III) Superstores</b>	4,000 sq.m						
- Jiangsu Province		106		101		99	
- Anhui Province		17		17		17	
		123		118		116	
<b>IV) Hypermarkets</b>	7,300-18,000 sq.m						
- Jiangsu Province		47		41		39	
- Anhui Province		13		10		9	
- Shandong Province		2		2		2	
		62		53		50	
<b>Overall</b>		755	1,050	721	1,090	687	1,050
		<b>1,805</b>		<b>1,811</b>		<b>1,737</b>	

### Total of Vanguard + Suguo

- Hong Kong	117	0	109	0	103	0
- China	1,431	1,147	1,328	1,187	1,233	1,161
	<b>2,695</b>		<b>2,624</b>		<b>2,497</b>	

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## Appendix IV – Brand-fashion distribution in mainland China

	30-Jun-09		30-Mar-09		30-Jun-08	
	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised
Esprit / Red Earth / Salon	345	767	344	750	306	670
ck Calvin Klein	13	23	14	26	11	19
	358	790	358	776	317	689
<b>Total</b>	<b>1,148</b>		<b>1,134</b>		<b>1,006</b>	

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## Appendix V – Historic background of China Resources (Holdings) Co., Ltd. (“CRH”)

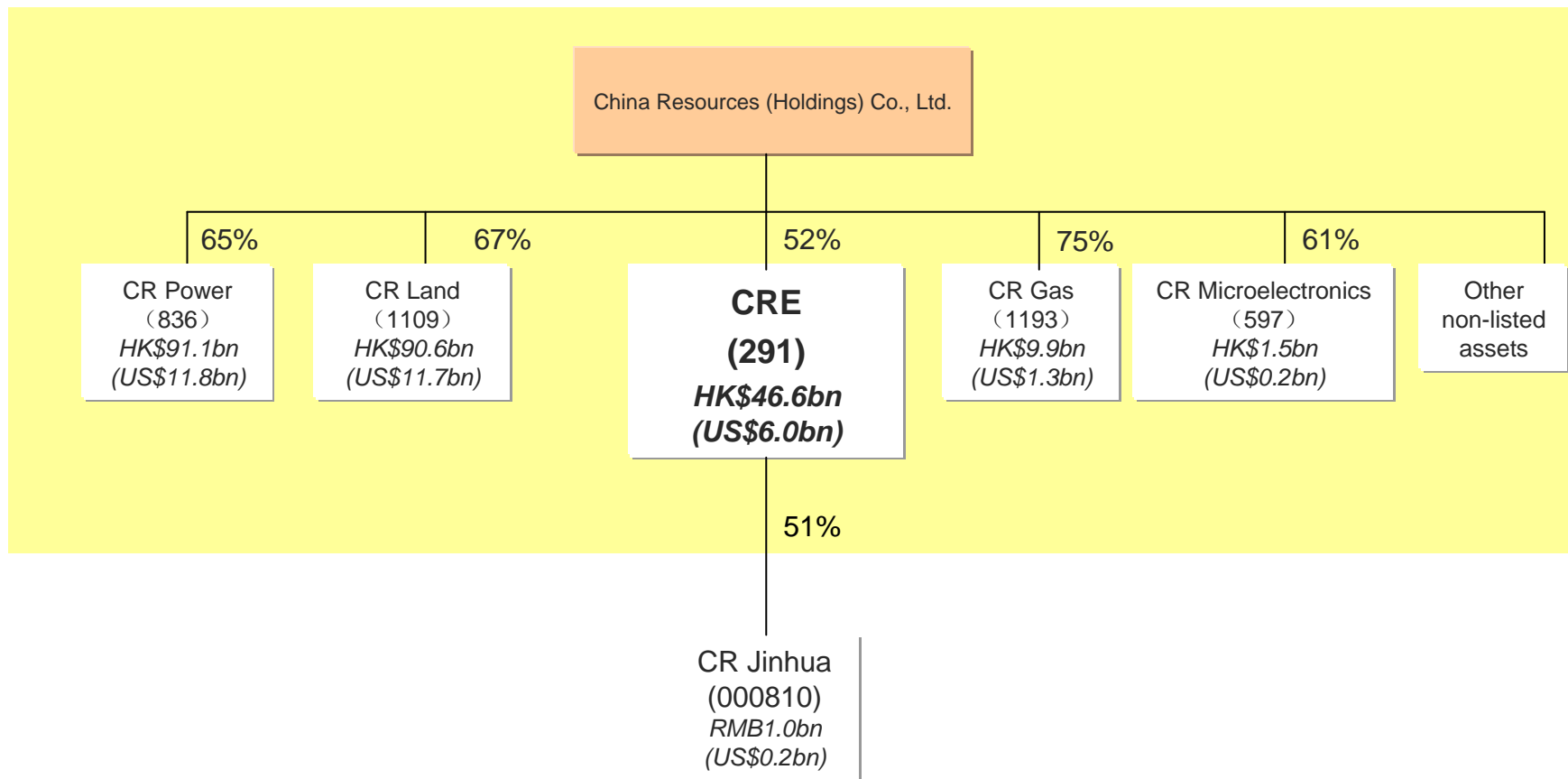
<b>Year</b>	<b>Event</b>
1938	Liow & Company was formed as a trading entity in Hong Kong
1948	Liow & Company was renamed China Resources Company
1952	Chinese government appointed CR Company its general import and export agent in HK under the Chinese Ministry of Trade
1983	China Resources (Holdings) Co., Ltd. was incorporated
1986	A holding company was established in Beijing which was later renamed China Resources National Corp
1999	China Resources (Holdings) Co., Ltd. was placed under the direct supervision of the central government and China Resources National Corp became its ultimate parent company
2003	As part of the reform of state-owned enterprises initiated by the central government, China Resources Co., Limited was established with the approval from the State Council
2005	SASAC* confirmed the 3 major areas of business for China Resources Holdings as the manufacture and distribution of daily consumer goods, properties and related industries and infrastructure and public utilities.
2009	The “China Resources Charity Foundation” was established.

\*State-owned Assets Supervision and Administration Commission

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## Appendix VI – Corporate structure of CRH



Total market capitalization as at 25 August 2009: HK\$240.9bn  
(US\$31.1bn)

Exchange rate: US\$1: HK\$7.75; US\$1: RMB6.83

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## Appendix VII – CRE management

Group	QIAO Shibo (Chairman)	Joined CRH in 1992; re-appointed as Executive Director of the Group on 6 March 2009 and has been appointed as Chairman with effect from 30 Apr 2009
	Non-Executive Directors	JIANG Wei / YAN Biao / LI Fuzuo / DU Wenmin
	Independent Non-Executive Directors	CHAN Po Fun, Peter / HOUANG Tai Ninh / LI Ka Cheung, Eric / CHENG Mo Chi / Bernard Charnwut CHAN / SIU Kwing Chue, Gordon
	CHEN Lang (Managing Director)	Joined CRH in 1989; appointed as Executive Director and Managing Director of the Group on 16 Jan 2009; Previously, he was Vice Chairman and CEO of China Resources Vanguard Company Limited; Chairman of Suguo Supermarket Company limited, and holds various directorships in the subsidiaries of the Group in the retail division
	WANG Qun (Deputy Managing Director)	Joined the Group in January 1994; has been an Executive Director of the Group since January 2000 and was appointed Deputy Managing Director in March 2006. He is also an Executive Director of China Resources Snow Breweries Limited and is responsible for the entire operation of the Group's beer operation
	LAU Pak Shing (Deputy Managing Director)	Joined the Group in January 1994; has been an Executive Director of the Group since April 1997 and was appointed Deputy Managing Director in March 2006. He is currently in charge of the Group's Hong Kong property division and logistics operation
	LAI Ni Hium (Deputy Managing Director, CFO)	Joined the Group in 2009; has been an Executive Director and Deputy Managing Director of the Group since June 2009 and Company Secretary since August 2009. He is a member of the Australian Society of Certified Practising Accountants
Retail	HONG Jie (Vice President)	Joined CRH in 1992; appointed as Vice President of the Group in September 2009. He became the Chief Financial Officer of China Resources Vanguard Company Limited ("CRVCL") in April 2003, the Chief Operating Officer of CRVCL during the period from June 2006 to May 2009, and the Chief Executive Officer of CRVCL in June 2009
Brewery (SNOW)	WANG Qun (Deputy Managing Director)	See above
Food	GUO Jinqing (Vice President)	Joined the Group in 1991; appointed as Vice President of the Group since February 2008 and is responsible for the entire operation of the Group's food processing and distribution operation
Others	BU Heads	LIU Hong Ji, Managing Director of purified water operation SHI Shan Bo, General Manager of textiles division

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## Appendix VIII – 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>
2005-2008	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>

“Focus and Opportunities”

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