For Immediate Release

Press Release

China Resources Enterprise Announces Annual Results for 2014 "Overcoming Short-term Headwinds for Sustainable Growth"

- **Consolidated turnover for the year under review increased by 15.3% to HK$168,864 million.**
- **Excluding after-tax effect of asset revaluation, underlying consolidated loss attributable to the Company's shareholders would be HK$794 million. It was mainly attributable to the stagnant growth in the Chinese retail market, intensified competition from e-commerce, and the financial impact arisen from the initial stage of the joint venture with Tesco in the Group's retail division.**
- **An injection of HK$4,325 million in aggregate is required to be contributed from Tesco to the joint venture for funding the Group's restructuring cost.**
- **Turnover of retail division increased by 15.1% year-on-year to HK$109,500 million, and attributable loss of HK$873 million. As part of the integration progress, total provision of approximately HK$800 million was made for the closure of certain less efficient stores and stores with poor prospects.**
- **Turnover of beer division amounted to HK$34,482 million, an increase of 4.5% year-on-year, and attributable profit of HK$761 million.**
- **Food division, undergoing a transition with nationwide expansion of its rice business, reported turnover of HK$16,486 million, an increase of 36.6% year-on-year, and attributable profit of HK$13 million.**
- **Beverage division recorded robust growth with turnover and attributable profit up substantially by 35.4% and 123.6%, respectively.**
- **The Board recommended a final dividend of HK$0.16 per share, bringing the total dividend for 2014 to HK$0.27 per share.**

[Hong Kong, 20 March 2015] **China Resources Enterprise, Limited** (HKEx: 00291) (the "Company", together with its subsidiaries, the "Group") today announced its audited final results for the year ended 31 December 2014. The Group's consolidated turnover increased by 15.3% year-on-year to HK$168,864 million. Consolidated attributable loss to shareholders recorded HK$161 million for 2014 compared to consolidated attributable profit of HK$1,908 million for 2013. Excluding the after-tax effect of asset revaluation, the Group's underlying consolidated loss attributable to the Company's shareholders was HK$794 million compared to underlying consolidated attributable profit of HK$1,642 million for 2013. The Board recommended a final dividend of HK$0.16 per share. Together with the interim dividend of HK$0.11 per share, the total dividend for 2014 will amount to HK$0.27 per share.

Mr. Hong Jie, Chief Executive Officer of the Company, said, "Faced with slower economic growth and challenges from the transformation in the retailing business model, the Group will focus on the development strategy of improving internal efficiency. Our partnership with Tesco PLC ("Tesco") unleashed significant operational synergies by integrating the parties' respective strengths and talent resources, along with local expertise and global best practices. Looking ahead, our top priority is to strive to improve operational efficiency and reduce losses in the retail segment through various means. The division will focus on deepening its business reforms to become more customer-oriented and applying digital technology to capture opportunities arising from the transformation in the retailing business model, which will in turn support growth and improve profitability. We are confident that the Group is on the right track in its business transformation and is making strides to becoming a world renowned retail and consumer goods company."

The Group's ***retail division*** reported turnover of HK$109,500 million in 2014, representing an increase of 15.1% year-on-year, and recorded attributable loss of HK$873 million compared to attributable profit of HK$1,000 million for 2013. Excluding after-tax revaluation surplus and the disposal of non-core assets, the division's attributable loss for 2014 was HK$1,359 million compared to attributable profit of HK$734 million for 2013. The decrease in attributable profit was mainly due to the stagnant growth in the Chinese retail market and the financial impact arising from the initial stage of the formation of the Group's joint venture (the "Joint Venture") with Tesco. In addition, the central government's continuous anti-corruption policy, intensified competition from e-commerce, the decline in sales of high-end products and stored-value cards, as well as the provision for the closure of certain less efficient stores and stores with poor prospects amounting to approximately HK$800 million also negatively impacted the Group's earnings in 2014. Nevertheless, Tesco is required to inject a sum of HK$4,325 million in aggregate for funding the Group's restructuring cost. The Group takes the view that the Joint Venture will assist in the long-term development of the Group's retail division.

During the year under review, the integration of Tesco's management system in northern and southern China, respectively, was successfully completed. Meanwhile, the Group continued to optimize its store network and product mix. Various cost control initiatives such as optimizing its labour structure and hiring system, and downsizing its less efficient stores were implemented. As at the end of 2014, the Group operated over 4,800 stores in China, of which approximately 85% were self-operated while the rest were franchised. Same store sales declined by 2.6% year-on-year.

Beer division reported turnover and attributable profit of HK$34,482 million and HK$761 million in 2014, respectively, representing an increase of 4.5% and a decline of 19.3% year-on-year, respectively. During the year under review, the overall beer market was sluggish as a result of the slower growth of the macro economy and adverse weather in the middle and lower reaches of the Yangtze River in the third quarter of 2014. On the other hand, with the successful integration of Kingway beer, the division's beer sales volume increased 1% year-on-year to 11,842,000 kiloliters, of which the Group's national "雪花 Snow" brand accounted for approximately 90% of the Group's

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total beer sales volume. As at the end of 2014, the Group operated more than 95 breweries in China with an aggregate annual production capacity of over 20,000,000 kiloliters.

In view of the intensified market competition, the division ramped up investment in its promotions and marketing activities. By leveraging its centralized procurement and economies of scale, the division further enhanced its production efficiency and product mix in order to raise the average selling prices of its products so as to ease cost pressure.

Food division reported turnover and attributable profit of HK$16,486 million and HK$13 million respectively, representing an increase of 36.6% and a decrease of 75.5% year-on-year. Excluding the disposal of non-core assets, the division's attributable loss amounted to HK$134 million in 2014, compared to attributable profit of HK$53 million in 2013. The slide in the division's profitability was mainly due to the high initial investment and marketing expenses incurred from the expansion of its rice business.

For the Group's meat operation in China, the division achieved substantial growth in turnover and profitability improvement year-on-year through vigorous expansion of its first-tier meat wholesale business and carved meat business, as well as an increase in the number of specialized meat retail stores in various cities.

By means of acquisitions and organic expansion into new markets, the division's rice business began to establish a nationwide presence and achieved rapid sales growth year-on-year. Through adjusting its management structure, the division continued to improve the reputation of "五豐 Ng Fung" branded rice products and enhanced its market share, leading to a steady improvement in profitability.

Beverage division reported turnover and attributable profit of HK$9,891 million and HK$237 million in 2014, respectively, representing substantial increases of 35.4% and 123.6%, respectively, as compared to 2013. The division's total sales volume increased by 33% year-on-year to approximately 6,556,000 kiloliters in 2014, thanks to the remarkable growth in the sales volume of "怡寶 C'estbon" purified water.

During the year under review, the division reinforced its competitive edge by focusing on its core markets in Guangdong, Hunan, and Sichuan provinces and expanded its sales network in adjacent regions. By means of advertisements in different media, as well as offline promotional campaigns, the division propelled the brand reputation and awareness of the "怡寶 C'estbon" brand. In addition, the division focused on certain key cities to boost synergistic investments in sales channels for beverage products with those of packaged water products.

Mr. Chen Lang, Chairman of the Company, concluded, "Our proven track records for successful joint venture with respected international businesses have given us further confidence in our capability to leverage advanced technology and superb experience from our Joint Venture with Tesco, which in turn will benefit our long-term development and further strengthen our competitive advantage on retail operation. On the other hand, we believe that improving asset return is vital for our long-term development. Looking ahead, we will not only focus on enhancing profitability, but will also try to release more value from the operation and generate the best returns to all stakeholders."

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About China Resources Enterprise, Limited

China Resources Enterprise, Limited is listed on the Hong Kong Stock Exchange and is one of the constituent stocks of the Hang Seng Index in Hong Kong. The Group focuses on the consumer goods businesses, including retail, beer, food and beverage in China.

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Full details of our 2014 annual results have been posted on the designated website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the corporate website at www.cre.com.hk.