



華潤創業有限公司
China Resources Enterprise, Limited

股份代號 Stock Code: 00291

A Winning Formula

for Long Term Growth

$$[(\text{Shopping Cart} + \text{Beer} + \text{Piggy Bank} + \text{H}_2\text{O}) \times \text{Heart}^n]$$

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Financial and operational review

Q3 2012

21 November 2012



Results Summary

▪ Winning formula for long-term growth

	Q3 2012	Q3 2011 (restated)**	<i>change</i>	Sep ytd 2012	Sep ytd 2011 (restated)**	<i>change</i>
	HK\$m	HK\$m		HK\$m	HK\$m	
Turnover	34,209	30,795	+11%	98,168	84,025	+17%
EBITDA	3,212	2,737	+17%	8,416	7,077	+19%
Earnings	1,138	898	+27%	3,373	2,535	+33%
Underlying net profit*	668	682	-2%	1,799	1,889	-5%
ROE (%)				8.5	6.8	+25%
Net cash				5,246	7,648	-31%

* 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

** Upon adoption of HKAS12 (Amendments), the Group applied the change of accounting policy on deferred taxation related to investment properties retrospectively and certain 2011 comparatives are restated accordingly. Earnings for Q3 2011 and Sep ytd 2011 have been increased by approximately HK\$35m and HK\$103m, respectively.

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Turnover Breakdown - by Divisions

	Q3 2012 HK\$m	Prop	Q3 2011 HK\$m	Prop	change	Sep ytd 2012 HK\$m	Prop	Sep ytd 2011 HK\$m	Prop	change
Core businesses										
Retail	20,942	61%	17,669	57%	+19%	63,067	64%	52,036	62%	+21%
Beer	9,153	26%	9,274	30%	-1%	23,786	24%	22,104	26%	+8%
Food	2,636	8%	2,883	9%	-9%	7,750	8%	7,738	9%	-
Beverage	1,619	5%	1,096	4%	+48%	3,908	4%	2,462	3%	+59%
	34,350	100%	30,922	100%	+11%	98,511	100%	84,340	100%	+17%
Less: inter-co transactions	(141)		(127)			(343)		(315)		
Turnover – total	34,209		30,795		+11%	98,168		84,025		+17%



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Underlying Net Profit Breakdown - by Divisions

	Q3 2012 HK\$m	Prop	Q3 2011 (restated) HK\$m	Prop	change	Q3 ytd 2012 HK\$m	Prop	Q3 ytd 2011 (restated) HK\$m	Prop	change
Core businesses										
Retail	77	11%	57	8%	+35%	727	38%	731	38%	-1%
Beer	503	71%	534	76%	-6%	878	46%	863	44%	+2%
Food	68	10%	52	7%	+31%	212	11%	239	12%	-11%
Beverage	58	8%	62	9%	-6%	88	5%	120	6%	-27%
	706	100%	705	100%	-	1,905	100%	1,953	100%	-2%
Net corporate int. & expenses	(38)		(23)			(106)		(64)		
Underlying Net Profit	668		682		-2%	1,799		1,889		-5%

Adjustment

Net gain on disposal of non-core investments and valuation surplus on investment properties

	470		216		+118%	1,574		646		+144%
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Earnings	1,138		898		+27%	3,373		2,535		+33%
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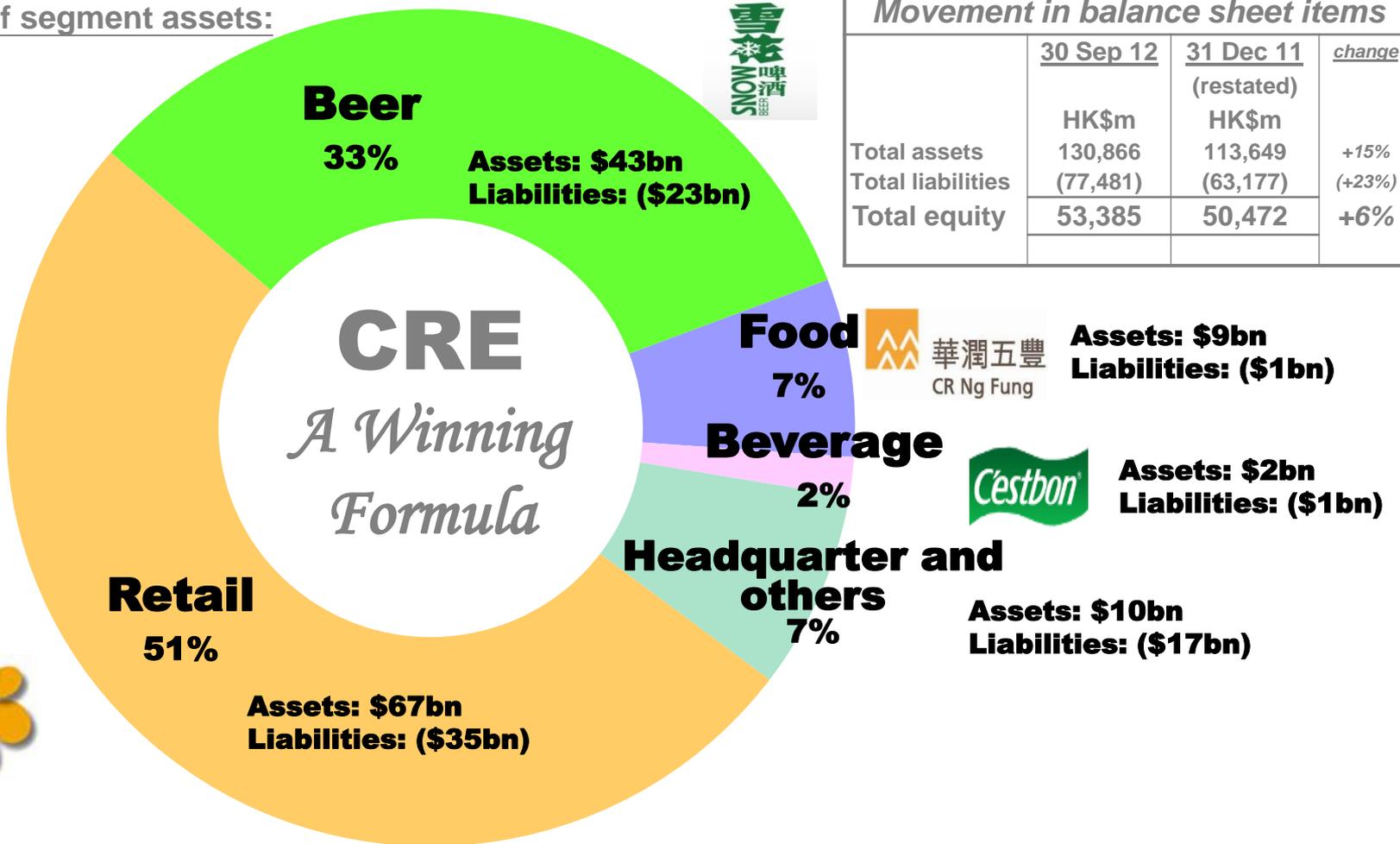


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Segment assets

- Unique with four consumer businesses complementing each other

Distribution of segment assets:

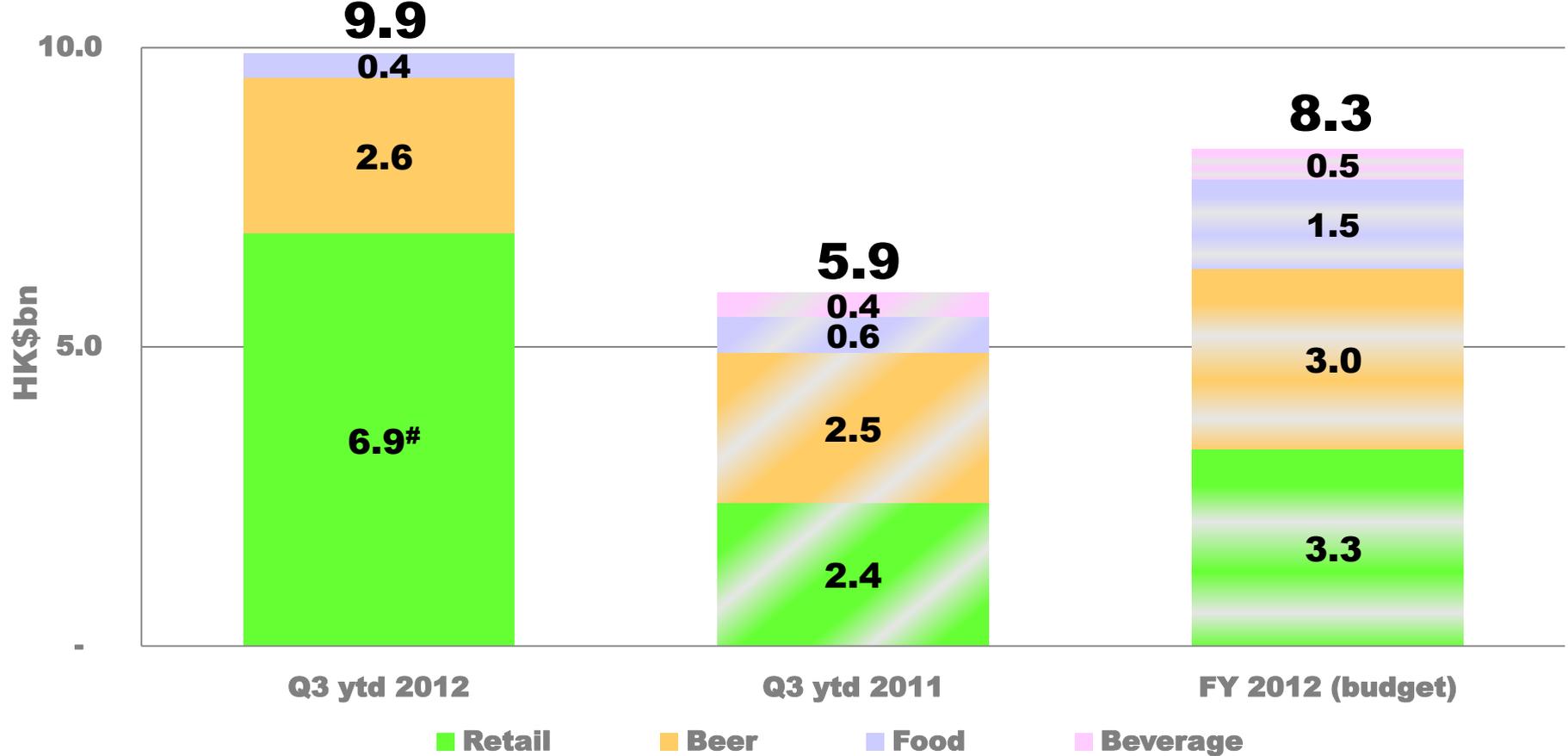


	30 Sep 12	31 Dec 11 (restated)	change
	HK\$m	HK\$m	
Total assets	130,866	113,649	+15%
Total liabilities	(77,481)	(63,177)	(+23%)
Total equity	53,385	50,472	+6%

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CAPEX

- Grasping opportunities through expansion



The CAPEX incurred in relation to Hongkelong acquisition announced in 2011 was approximately \$4.6bn.

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

- Growth through: Solidifying market leader position

	Q3 2012 HK\$m	Q3 2011 HK\$m	change	Q3 ytd 2012 HK\$m	Q3 ytd 2011 HK\$m	change
Sales volume (million KL)	3.69	3.56	+4%	9.06	8.61	+5%
Turnover	9,153	9,274	-1%	23,786	22,104	+8%
EBITDA	1,840	1,718	+7%	3,601	3,427	+5%
Earnings (#)	987	1,048	-6%	1,722	1,693	+2%
EBITDA margin (%)	20.1	18.5	+9%	15.1	15.5	-3%
Net margin (%) (#)	10.8	11.3	-4%	7.2	7.7	-6%

The performance during the period was mainly affected by frequent rainy weather in certain of our strong regions.



Mainstream

Approximate retail selling price: RMB3



Mid-end

RMB5



Premium

RMB8 to 9

(#) Profit attributable to CRE was 51% share of the above earnings.

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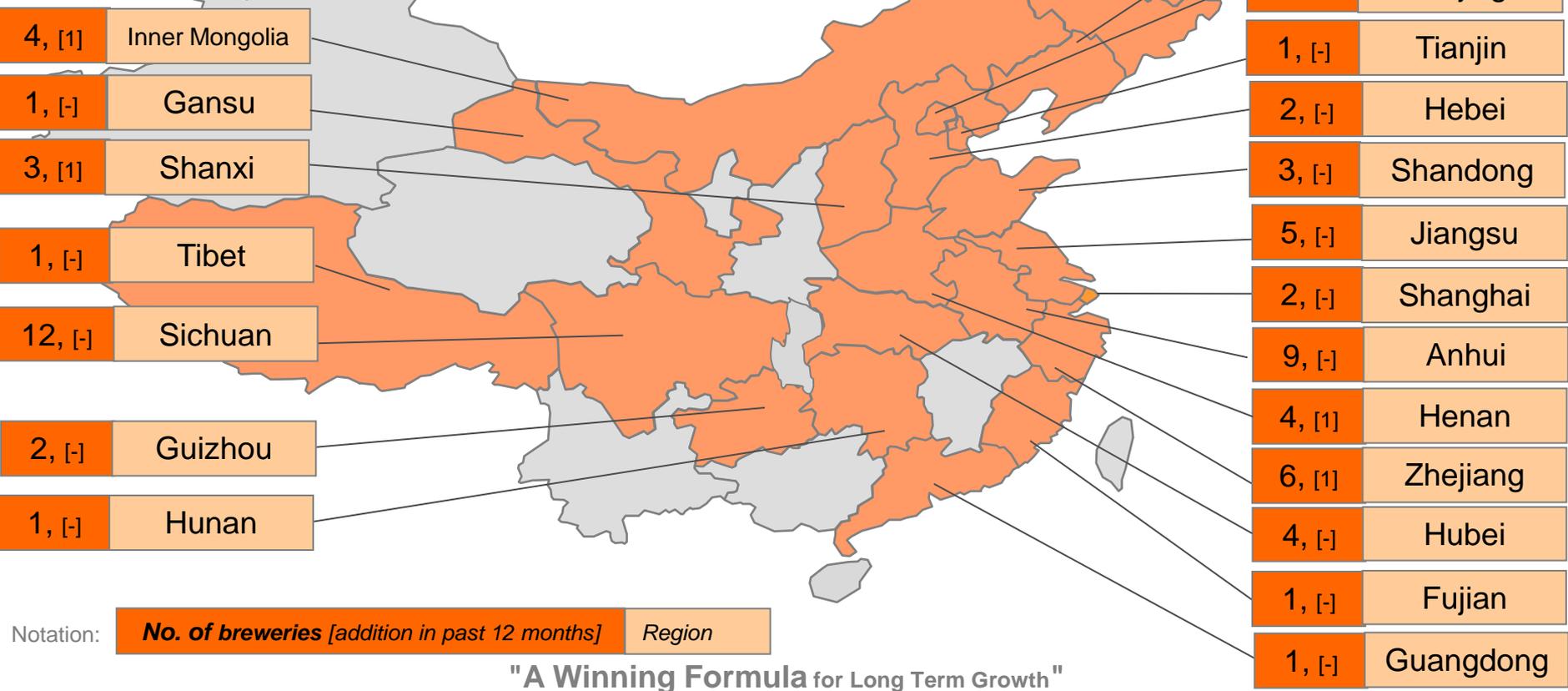
Beer (No.1 brand by volume in the world since 2008)

■ Growth through: Solidifying market leader position

Geographical distribution of the breweries

Having presence in 22 out of 34 regions/cities (incl., autonomous regions, municipalities and SAR) in China

Number of breweries plants: 83



Notation: **No. of breweries** [addition in past 12 months] **Region**

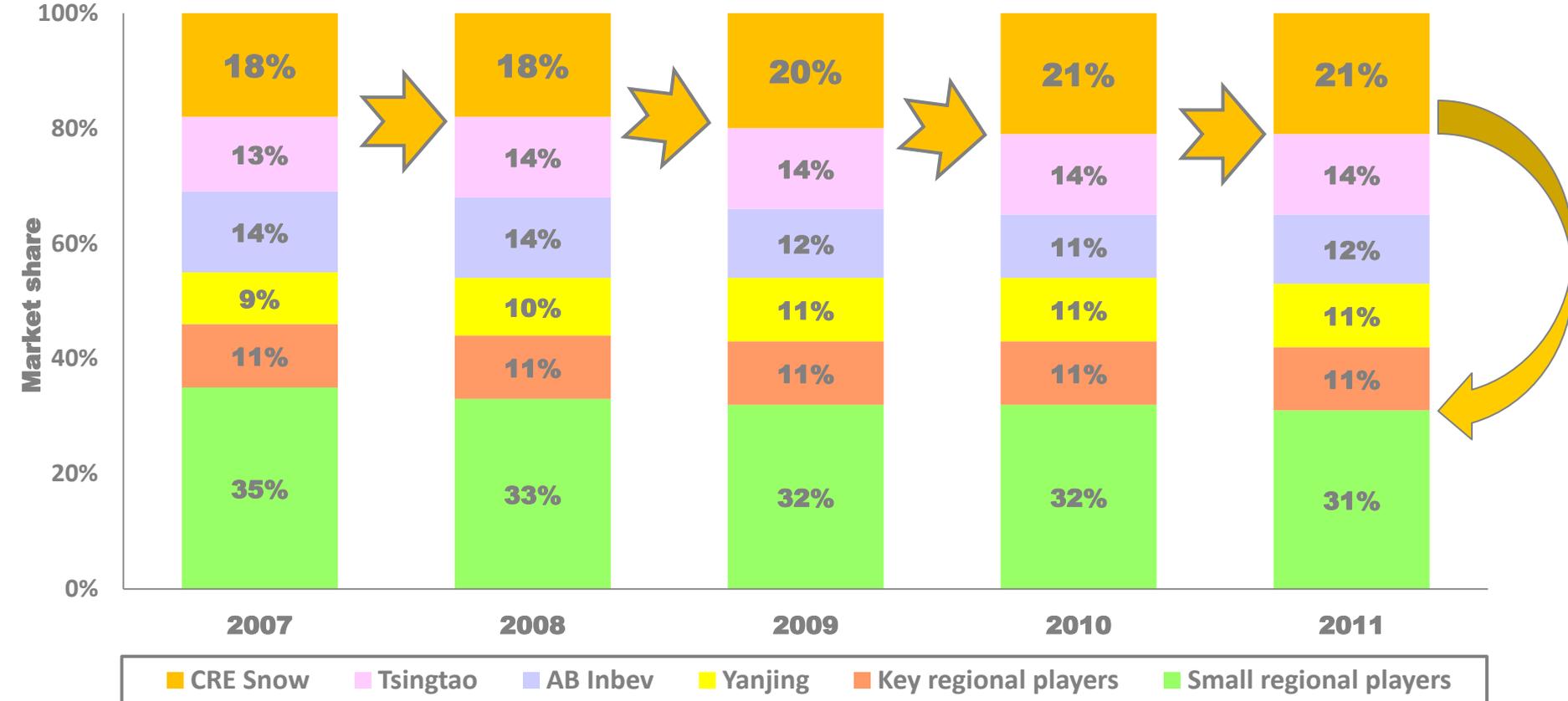
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Beer (No.1 brand by volume in the world since 2008)

- Total market share of top 4 players was 58% in 2011, of which Snow has 21%.

Beer market share of key players

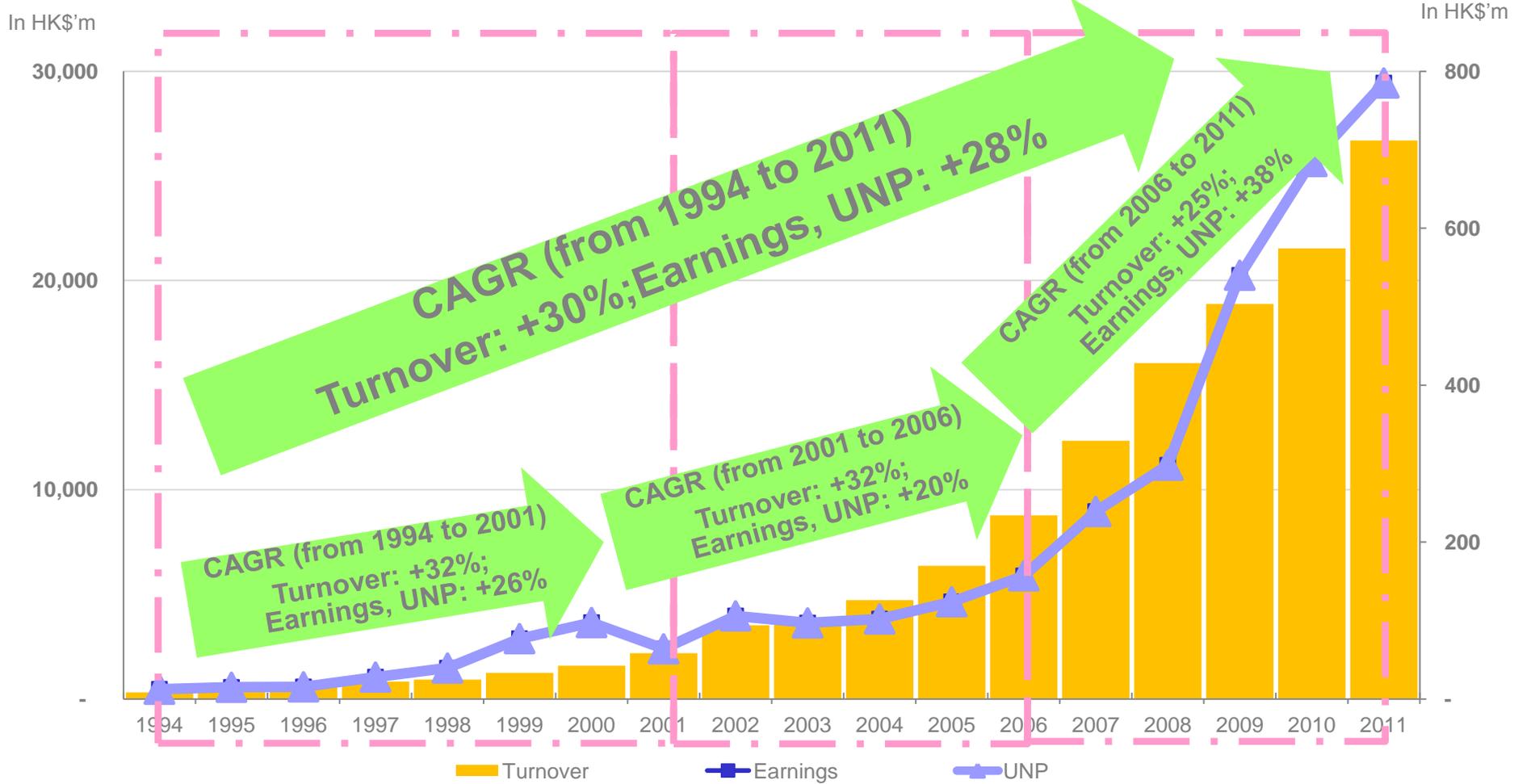


Source: State Statistical Bureau and CR Snow "A Winning Formula for Long Term Growth"



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

- Strong robust growth in both turnover and profitability



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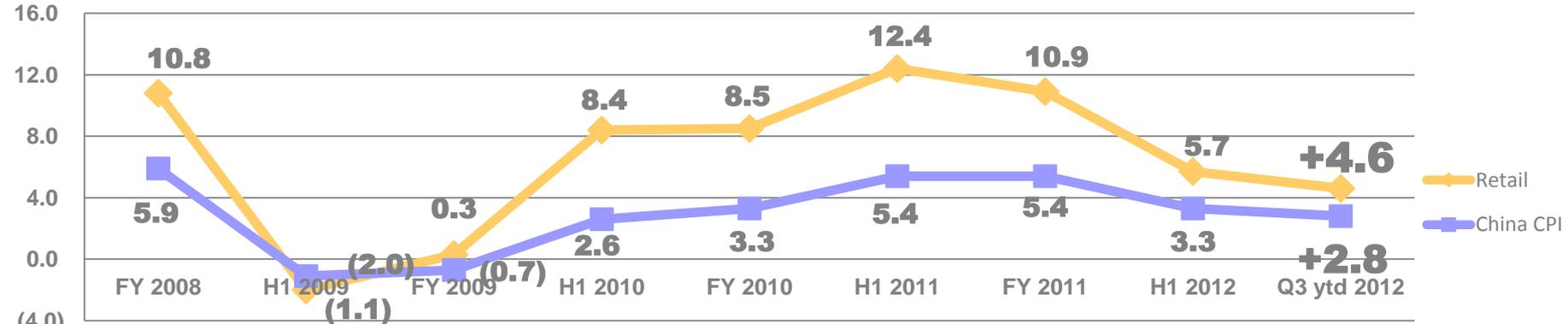
Retail

■ Growth through: Multi-format with regional leadership

	Q3 2012 HK\$m	Q3 2011 HK\$m (restated)	change	Q3 ytd 2012 HK\$m	Q3 ytd 2011 HK\$m (restated)	change
Turnover	20,942	17,669	+19%	63,067	52,036	+21%
Underlying EBITDA #	606	553	+10%	2,528	2,302	+10%
Underlying net profit #	77	57	+35%	727	731	-1%
Underlying EBITDA margin (%) #	2.9	3.1	-6%	4.0	4.4	-9%
Underlying net profit margin (%) #	0.4	0.3	+33%	1.2	1.4	-14%

The profitability was mainly affected by the absorption of higher input costs and slowdown of China CPI growth during the period.

SSSG of retail business:



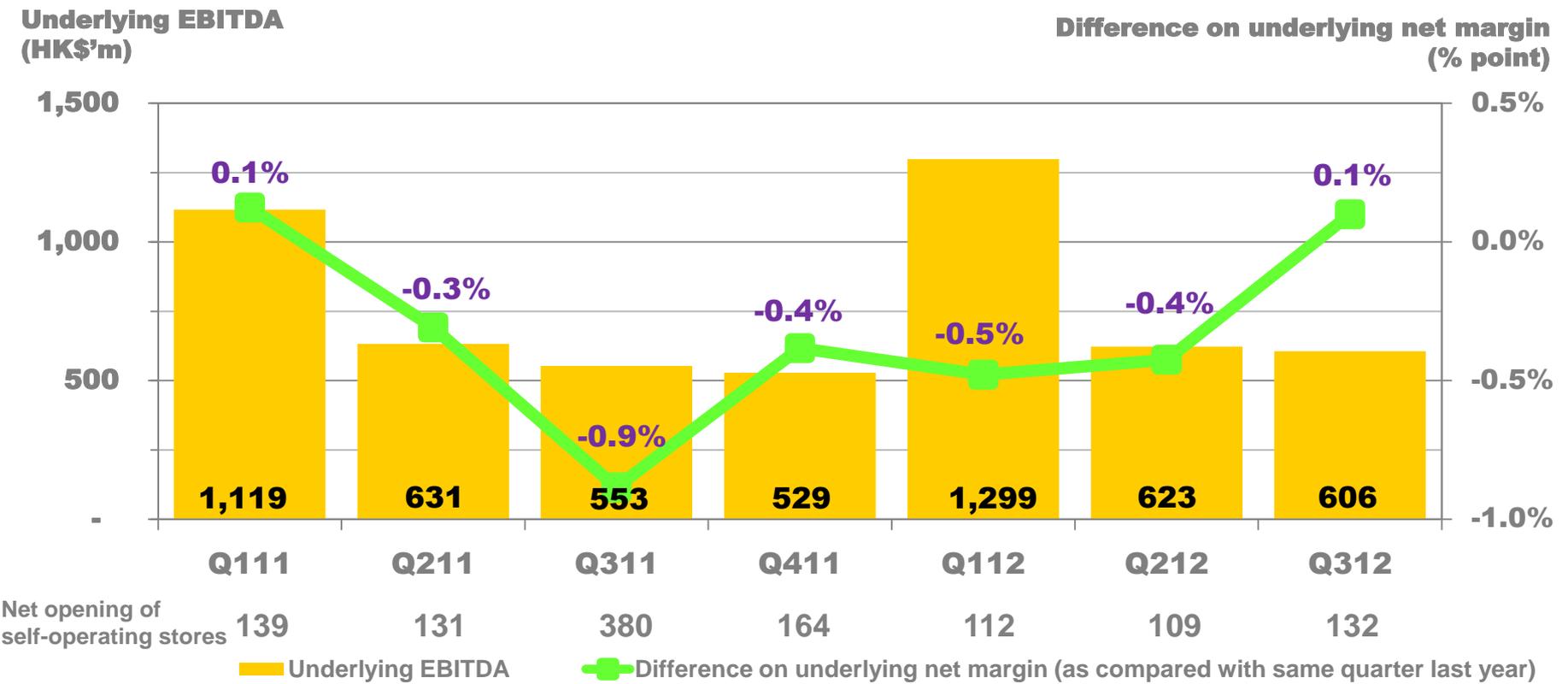
excluded the revaluation of investment property

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Retail

- Growth through: Multi-format with regional leadership

Trend analysis on retail (excl. revaluation of investment properties)



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Notation:

Retail shop no. (no. of hypermarket) [addition in past 12 months]

Region

New region

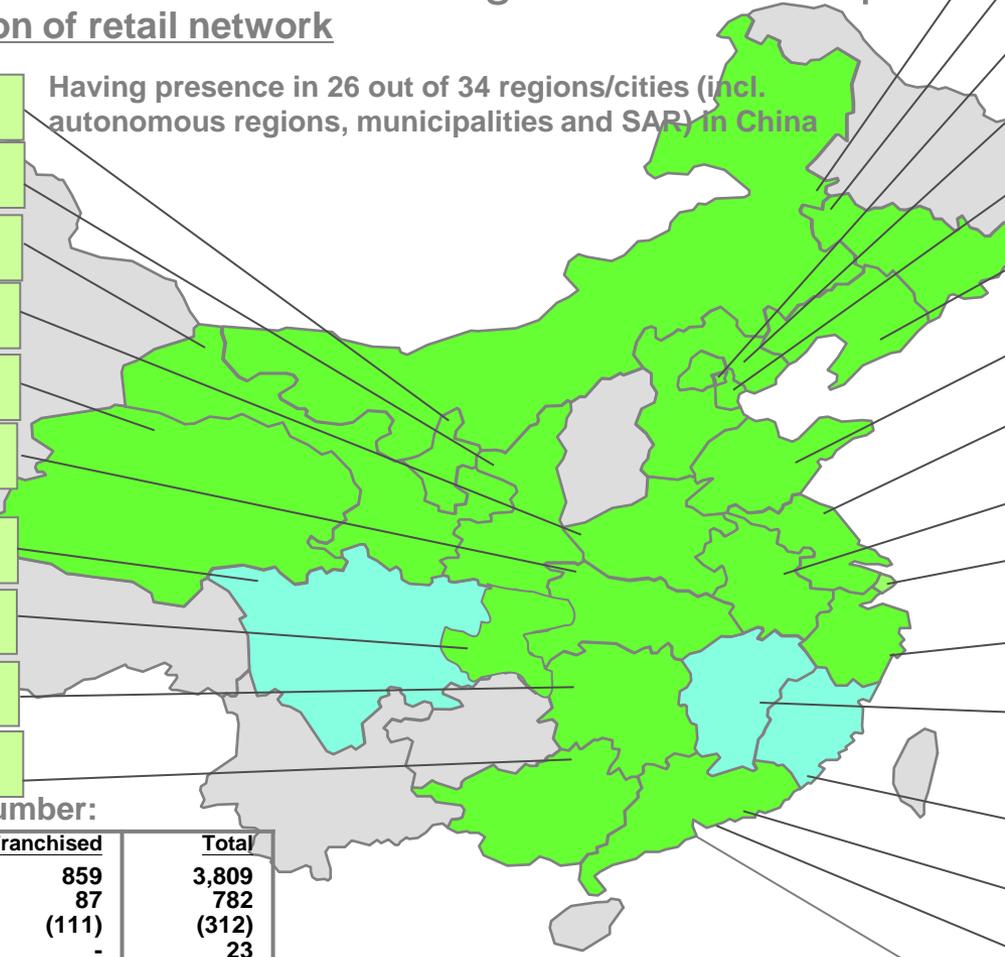
Retail

■ Growth through: Multi-format with regional leadership

Geographical distribution of retail network

Northern areas	
4 (4) [1]	Ningxia
73 (40) [33]	Shaanxi
6 (6) [1]	Gansu
20 (10) [3]	Henan
1 (1) [-]	Qinghai
44 (3) [1]	Hubei
Southern areas	
6 (-) [6]	Sichuan
10 (1) [6]	Chongqing
6 (3) [3]	Hunan
7 (3) [5]	Guangxi

Having presence in 26 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China



Northern areas	
3 (3) [1]	Inner Mongolia
4 (4) [-]	Jilin
129 (20) [19]	Beijing
8 (8) [2]	Hebei
321 (22) [18]	Tianjin
29 (16) [14]	Liaoning
Eastern areas	
47 (6) [17]	Shandong
1,861 (211) [95]	Jiangsu
486 (59) [78]	Anhui
30 (-) [14]	Shanghai
110 (62) [8]	Zhejiang
28 (23) [28]	Jiangxi
Southern areas	
4 (1) [4]	Fujian
651 (64) [94]	Guangdong
393 (-) [33]	Hong Kong
7 (-) [3]	Macau

Movement in retail shop number:

	Self-operated	Franchised	Total
30 Sep 11	2,950	859	3,809
Opening	695	87	782
Closing	(201)	(111)	(312)
Acquired	23	-	23
30 Sep 12	3,467	835	4,302*

*Of which, 14 stores are located in Singapore, Malaysia and Cyprus. **A Winning Formula for Long Term Growth"**

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



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Retail

- Growth through: Multi-format with regional leadership

In a shopping mall

6 formats in Guangzhou

Taikoo Hui (Swire properties):



5 formats in Beijing

Galleria (CR Land):



In a city

5 formats in Nanjing:



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■ Growth through: Quality premium products

	Q3 2012 HK\$m	Q3 2011 HK\$m (restated)	change	Q3 ytd 2012 HK\$m	Q3 ytd 2011 HK\$m (restated)	change
Turnover	2,636	2,883	-9%	7,750	7,738	-
Underlying EBITDA	166	155	+7%	524	548	-4%
Underlying net profit	68	52	+31%	212	239	-11%
Underlying EBITDA margin (%)	6.3	5.4	+17%	6.8	7.1	-4%
Underlying net profit margin (%)	2.6	1.8	+44%	2.7	3.1	-13%

The profitability in Q3 2012 was mainly improved by lower input costs during the period.

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

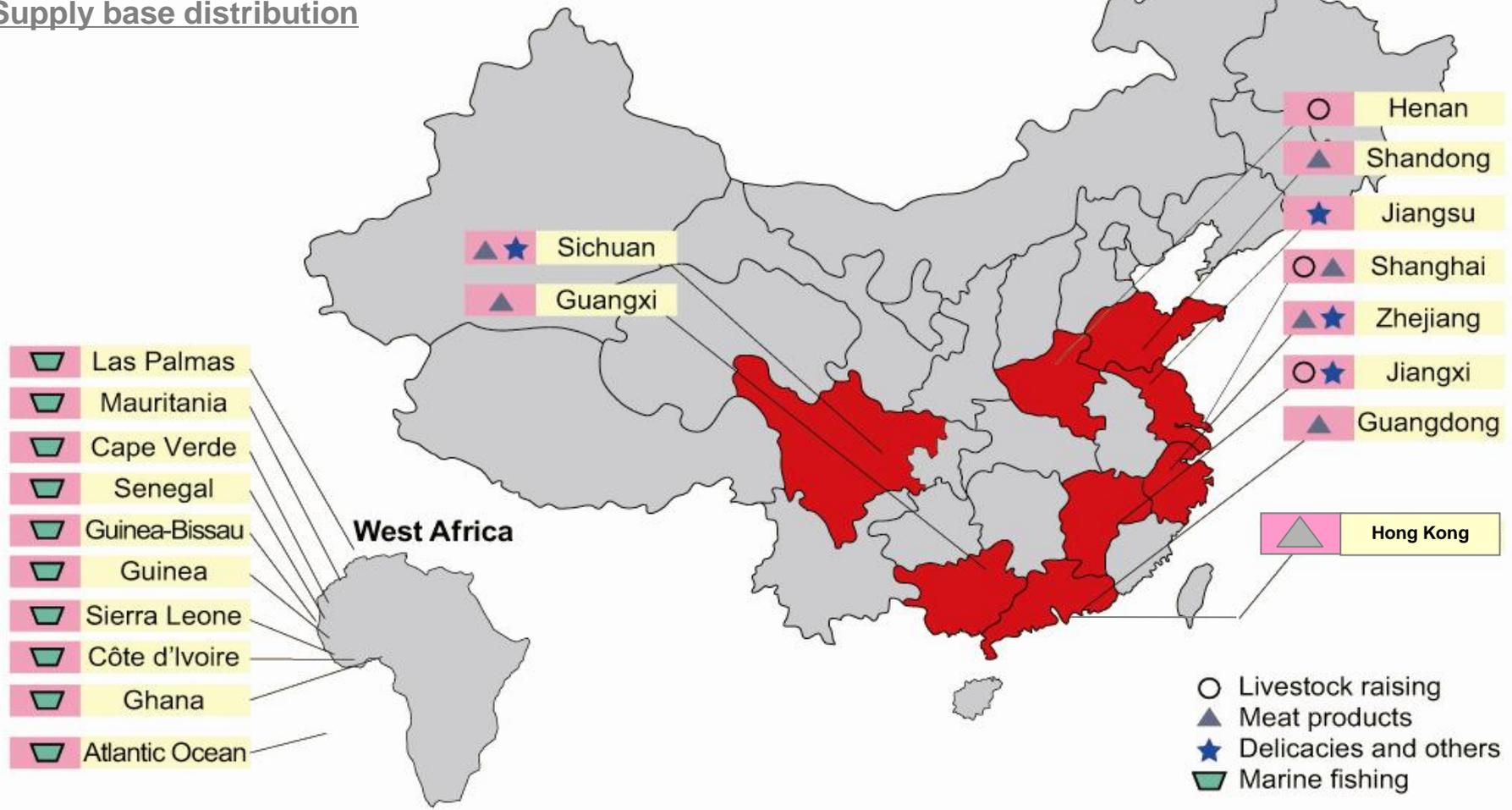


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Food

■ Growth through: Quality premium products

Supply base distribution



Source: Company data

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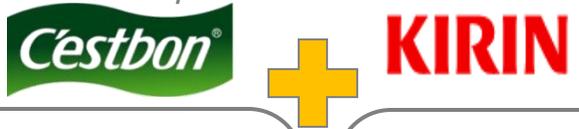
Beverage



■ Growth through: strong partnership with Kirin

	Q3 2012 HK\$m	Q3 2011 HK\$m	change	Q3 ytd 2012 HK\$m	Q3 ytd 2011 HK\$m	change
Sales volume (million KL)	1.17	0.88	+33%	2.86	2.10	+36%
Turnover	1,619	1,096	+48%	3,908	2,462	+59%
EBITDA	147	119	+24%	253	216	+17%
Earnings (after 40% share to Kirin since Aug 2011)	58	62	-6%	88	120	-27%
EBITDA margin (%)	9.1	10.9	-17%	6.5	8.8	-26%
Net margin (%) (after MI)	3.6	5.7	-37%	2.3	4.9	-53%

Improvement in turnover was mainly supported by the increase in sales volume. Profitability was mainly affected by the promotion expenses on Kirin products.



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

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



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Beverage

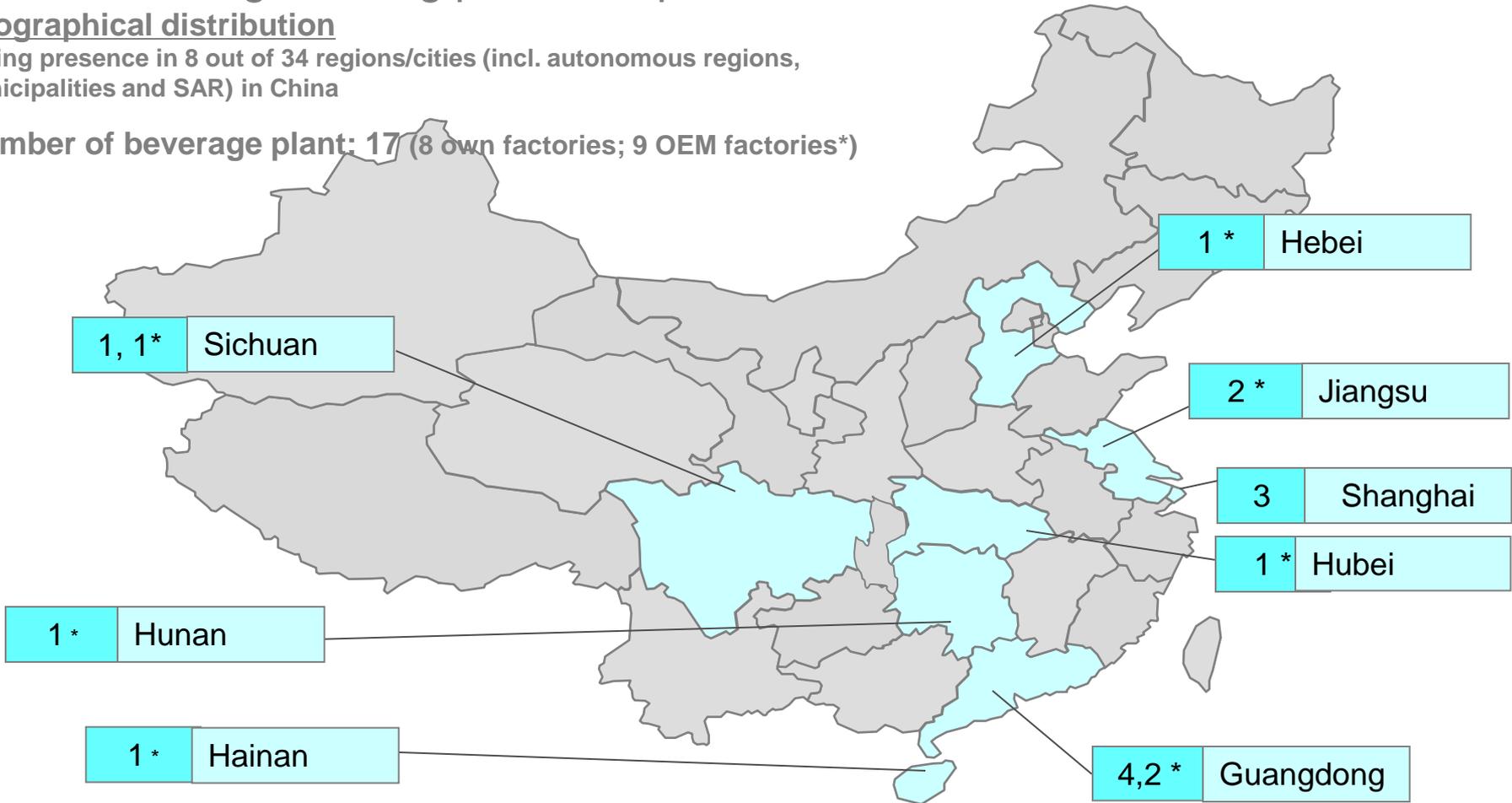


■ Growth through: strong partnership with Kirin

Geographical distribution

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

Number of beverage plant: 17 (8 own factories; 9 OEM factories*)



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Appendix I – Details of Retail formats

Format	Major brands	Average areas (sq.m)	30 Sep 12				30 Jun 12		31 Dec 11		30 Sep 11	
			% of turnover	App. Average GP margin	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised
<i>I. Hypermarket</i>		over 5,000	app.79%	19%	554	16	541	16	493	16	480	25
<i>II. Standard supermarket</i>		500 - 800	app.10%	21%	1,278	747	1,233	754	1,177	782	1,139	784
<i>III. Convenience stores</i>		30 - 120	app.4%	22%	1,040	47	1,007	44	925	39	844	38
<i>IV. Ole', blt</i>		4,000	app.2%	more than 25%	30	-	29	-	27	-	26	-
<i>V. Pacific Coffee</i>		120	app.1%	more than 50%	231	25	192	23	158	16	127	12
<i>VI. CAC and CR Care</i>		various	app.2%	more than 30%	149	-	139	-	129	-	138	-
<i>VII. Health and beauty stores</i>		200	app.1%	more than 30%	170	-	181	-	176	-	168	-
<i>VIII. Wine cellar and others</i>		200	app. 1%	Various	15	-	13	-	29	-	28	-
Total					3,467	835	3,335	837	3,114	853	2,950	859
					4,302		4,172		3,967		3,809	

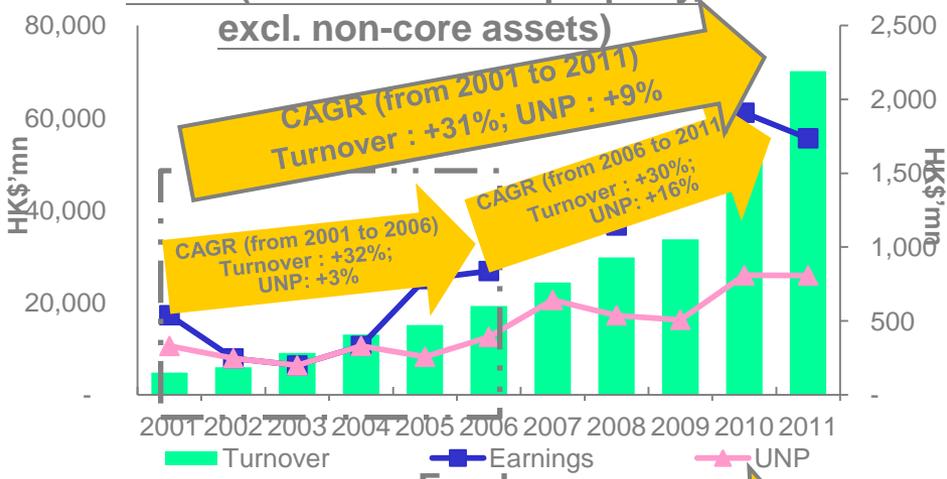
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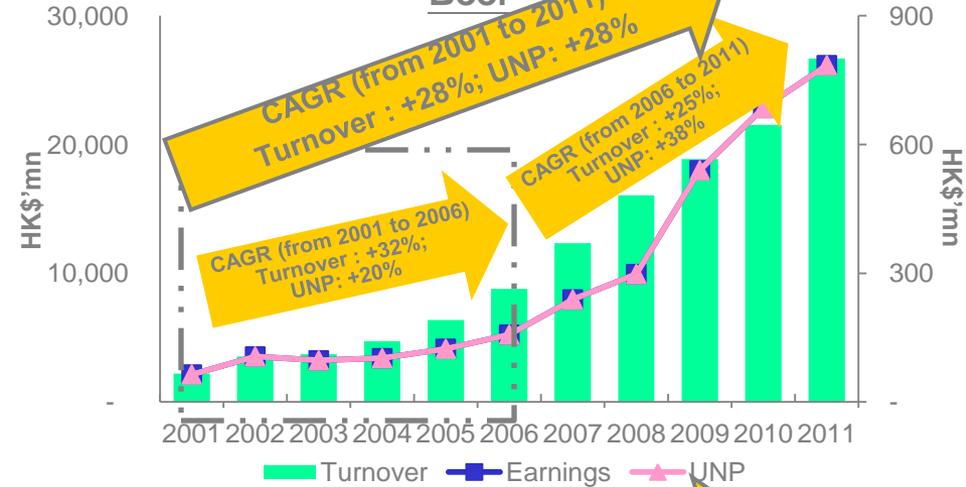
Appendix II – Historical track record of CRE

Strong growth momentum in each of core businesses

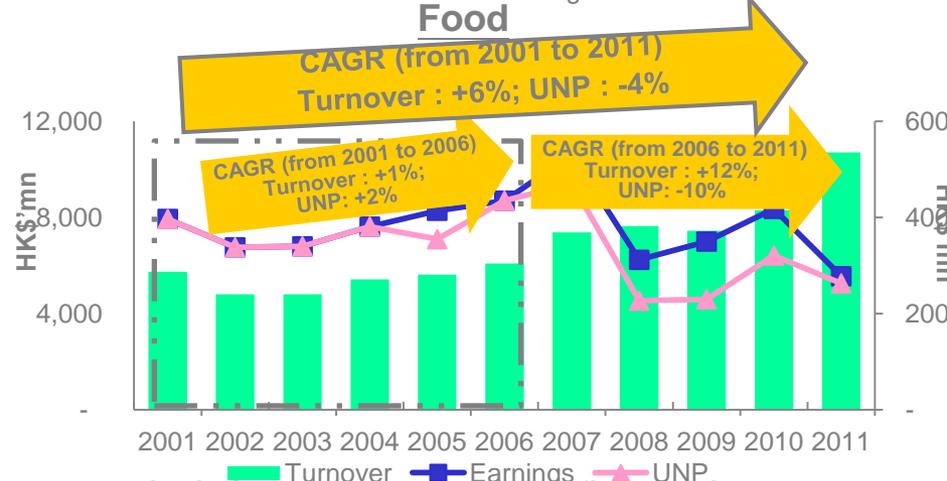
Retail (incl. investment property, excl. non-core assets)



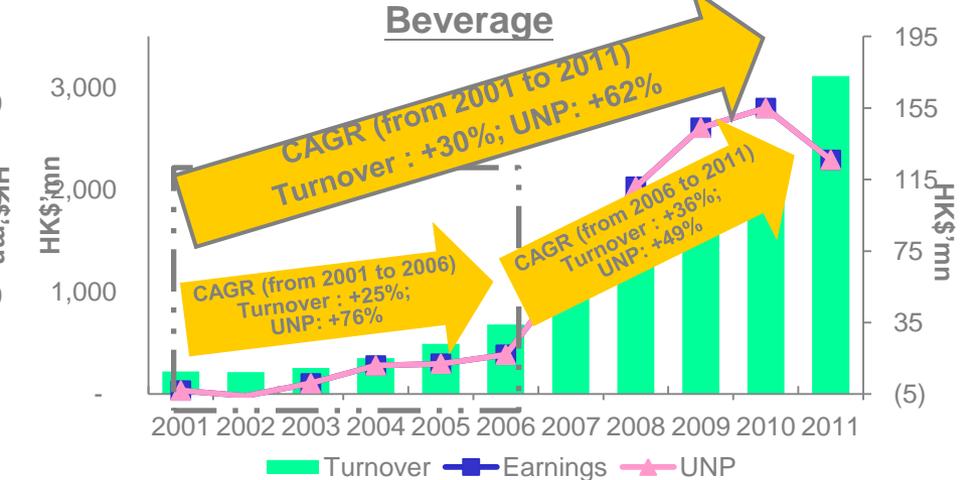
Beer



Food



Beverage

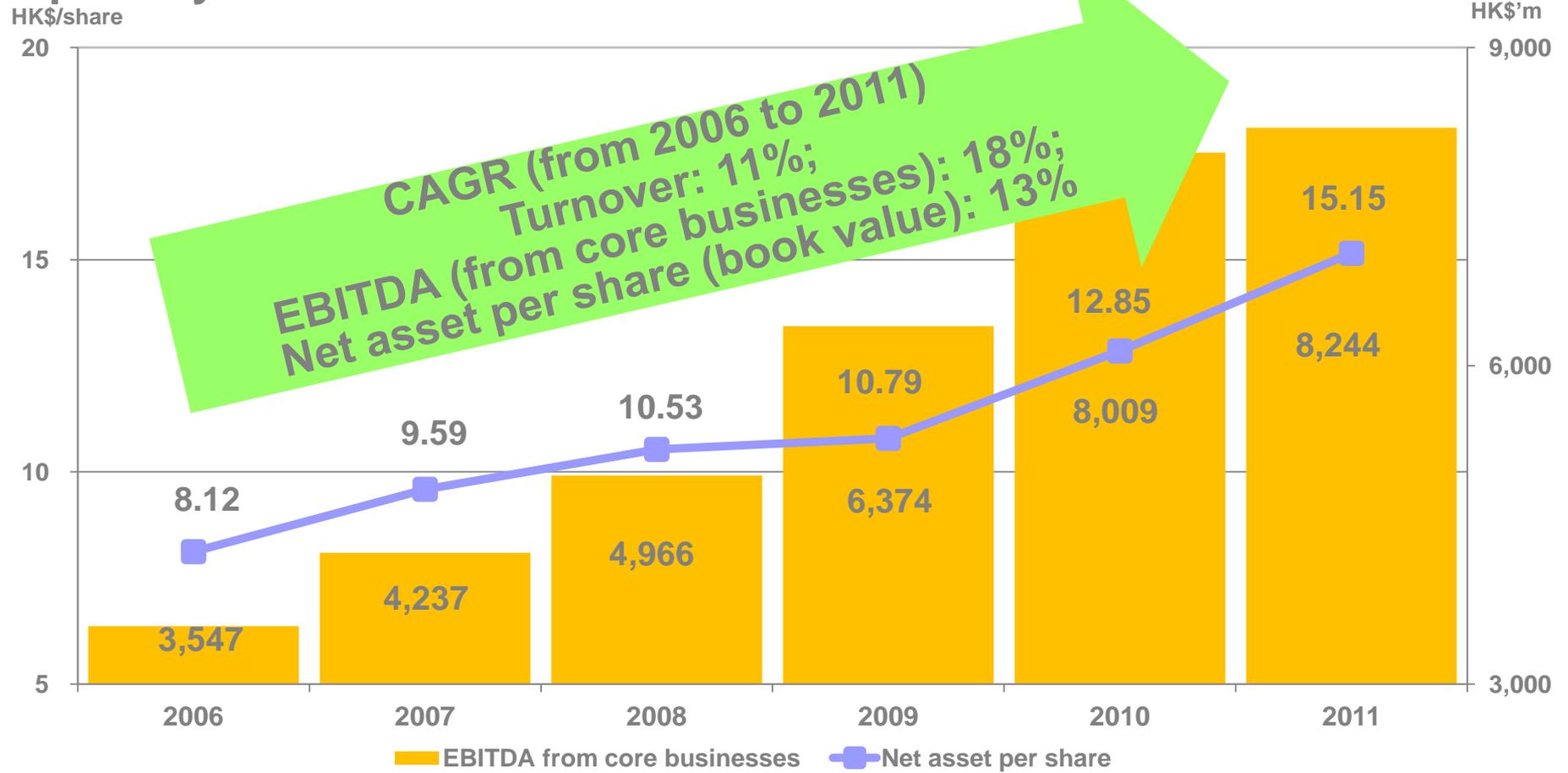


* Decline in CAGR of underlying net profit was mainly due to the open of HK live hogs market

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Appendix III – Historical operating summary

- Increasing market share and net asset without share dilution in past 6 years

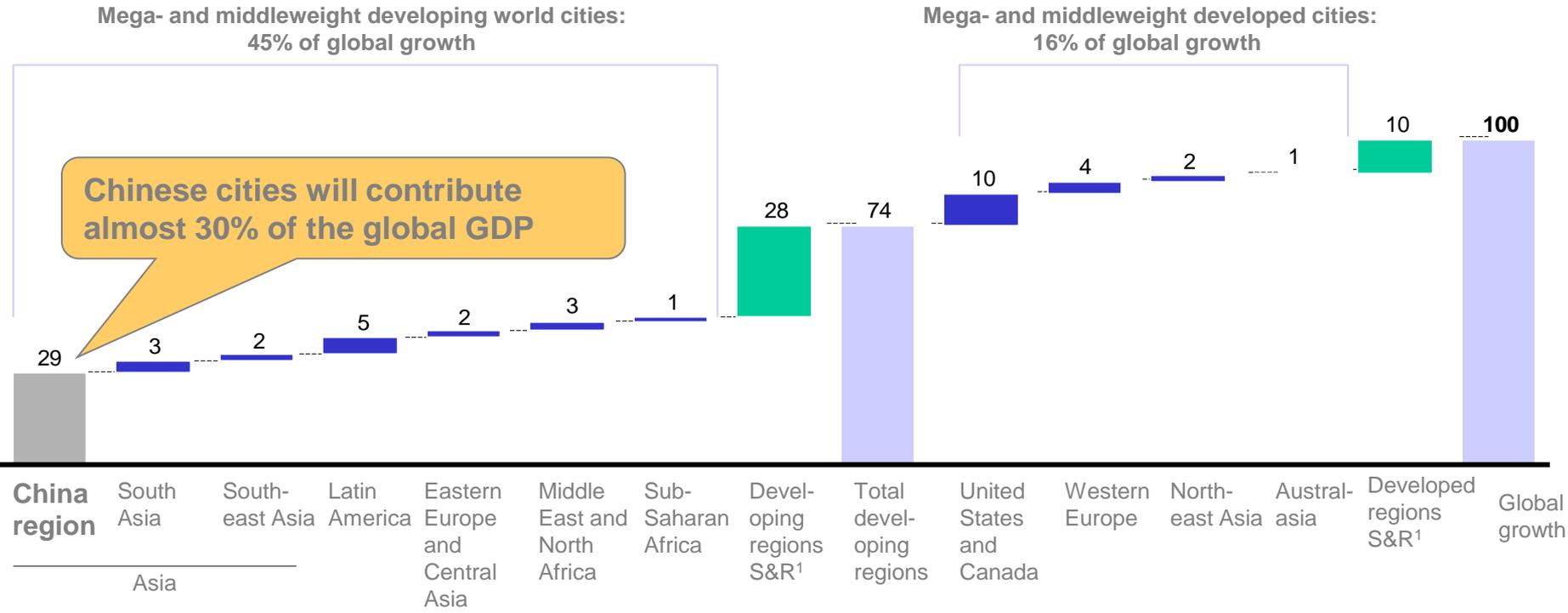


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Appendix IV – Strong growth in China

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.



1 S&R = small cities and rural areas.

Source: McKinsey

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Appendix V – Better position for CRE

Notation:

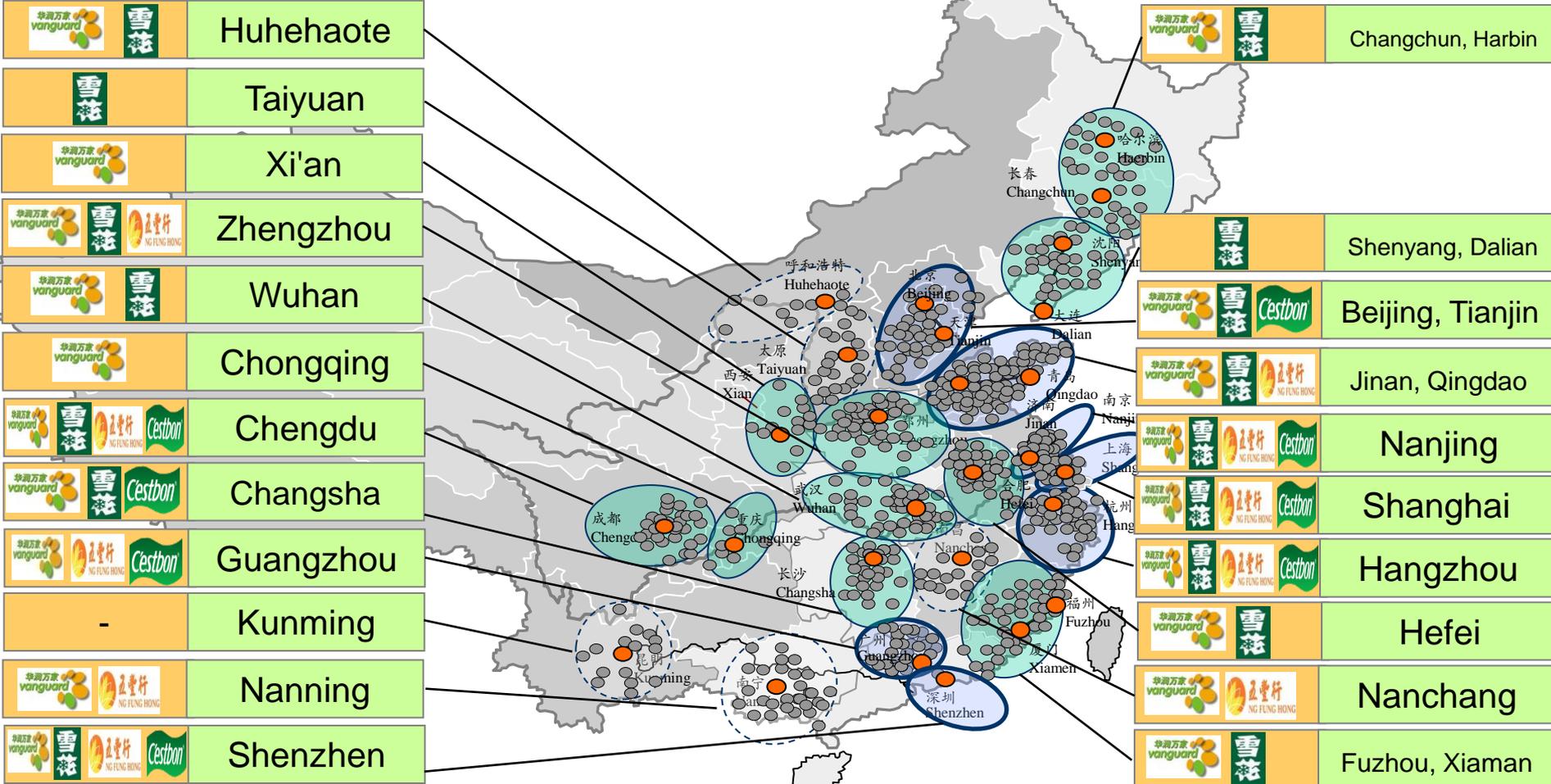
Expected cluster size:

- Small (dashed blue circle)
- Sizable (solid teal circle)
- Mega (solid blue circle)

CRE's presence (orange box) Cluster's hub city (green box)

■ 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.



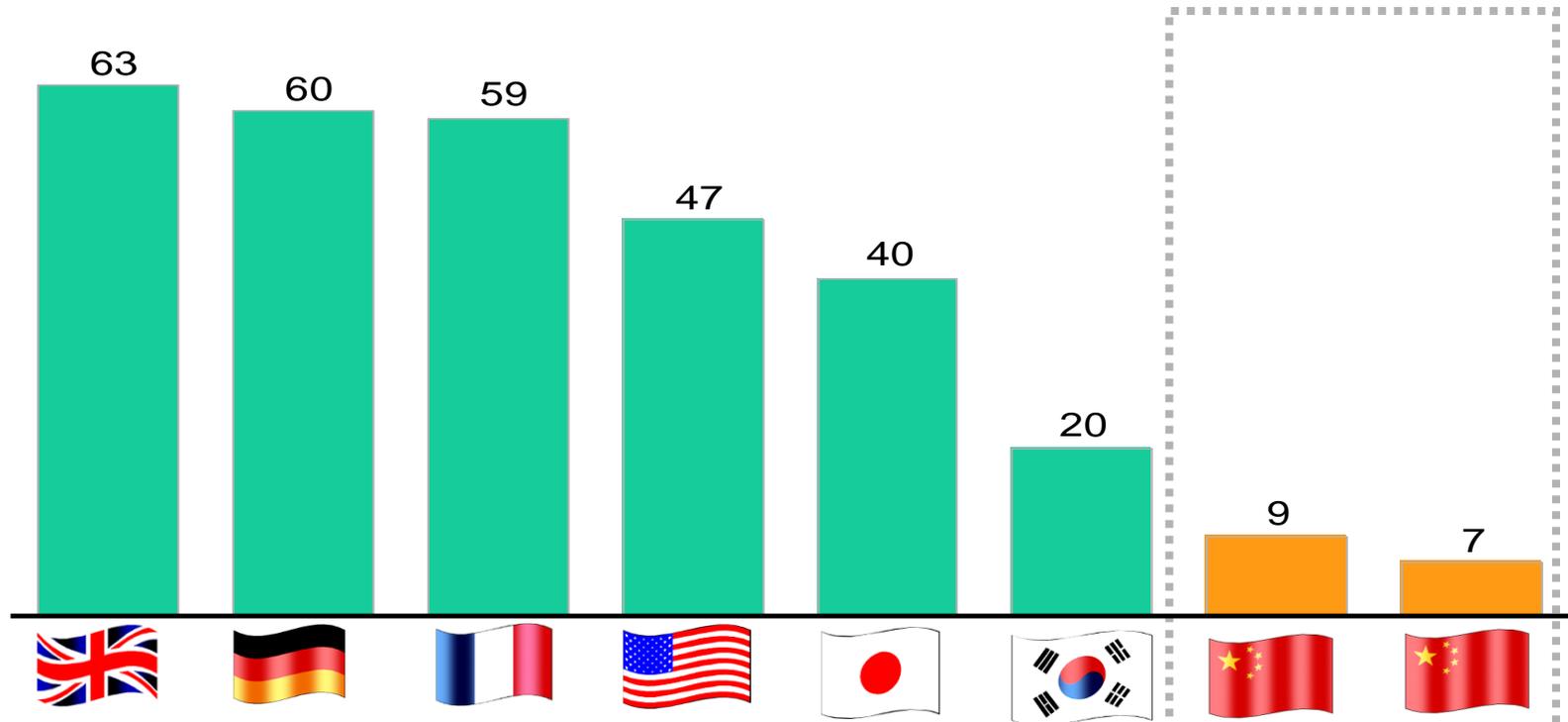
Source: McKinsey and Company data

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Appendix VI – 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:



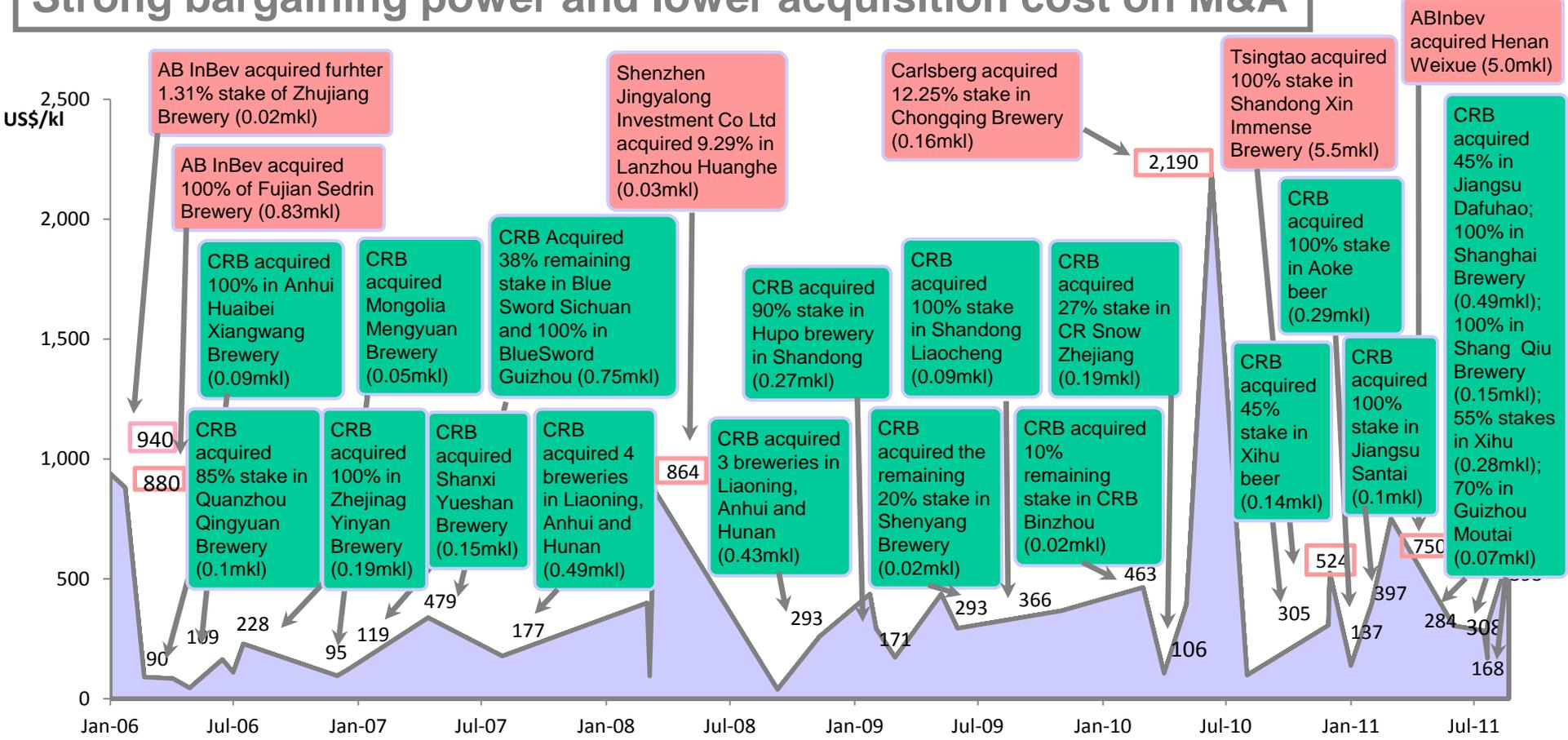
Source: Euromonitor; Planet Retail; McKinsey and Company data

Top ten retailers
Top five retailers

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Appendix VII – Historical major M&As in beer business

Strong bargaining power and lower acquisition cost on M&A



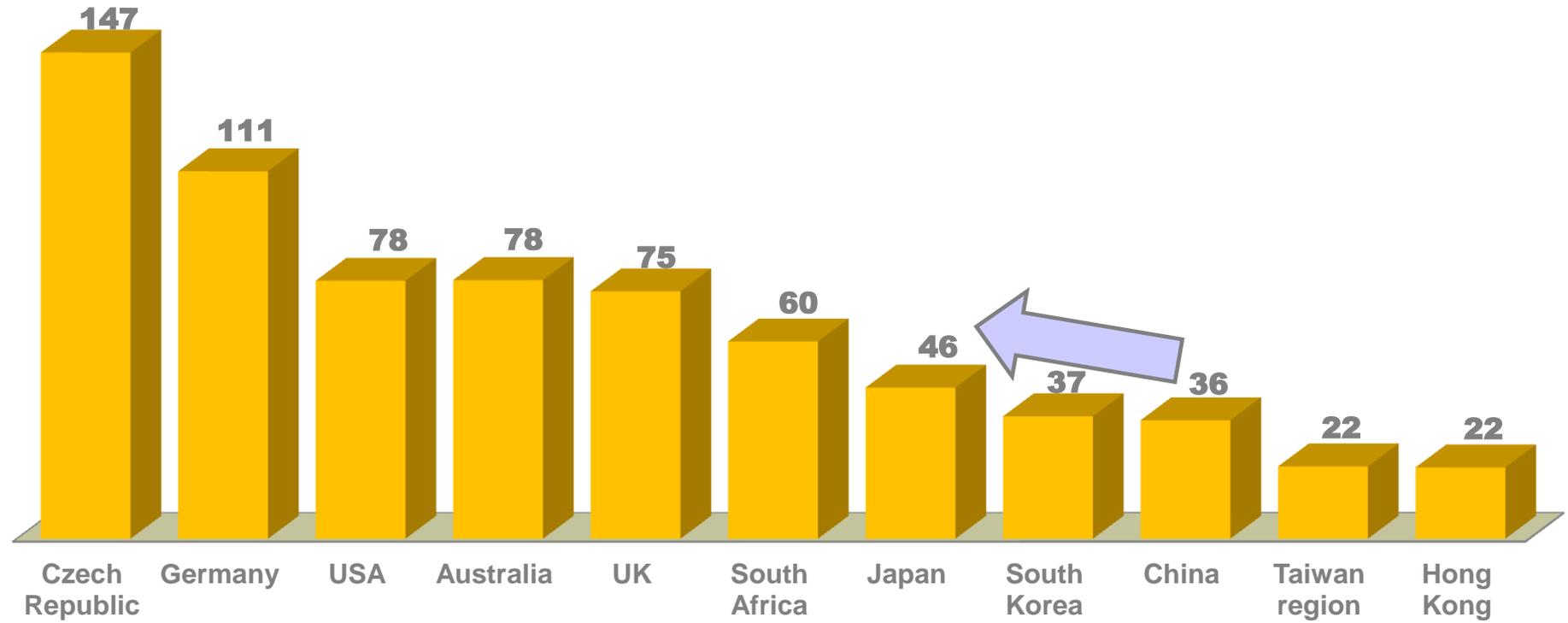
 Acquisitions related to CRB
 Acquisitions not related to CRB

Source: Deutsche bank and Company data

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Appendix VIII – Global beer consumption summary

Beer consumption per capita in China increased double in past 10 years (from 18 litres in 2001 to 36 litres in 2011 (provisional)).



Source: Plato logic

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Appendix IX – CRE awards



■ 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
2005-2011	Named one of the outstanding enterprises among blue-chip companies in Hong Kong by <i>Economic Digest</i>
2006-2011	Selected as one of the recipients of the "Recognition Awards - Asia's Best Companies for Corporate Governance" by <i>Corporate Governance Asia</i>
2009-2012	Ranked one of the top three retail organization for China in Retail Asia-Pacific Top 500 Awards by <i>Retail Asia Publishing</i>
2010	Received the Caring Company Logo 2009/2010 from Caring Company Scheme organized by <i>The Hong Kong Council of Social Service</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- 2012	Mr. Chen Lang was selected as one of winners in China of Asian Corporate Director Recognition Awards by <i>Corporate Governance Asia</i>
2010- 2012	Received "CAPITAL Outstanding China Enterprise Award-Consumer Goods" in The CAPITAL Outstanding China Enterprise Awards from <i>CAPITAL</i>

Please refer to our company website, www.cre.com.hk, for further details of awards received prior to 2009.

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Appendix IX – CRE awards (Cont'd)

■ Highlights of accolades received

2010- 2012 Received awards for cover photo/design in the categories of food distributors, processors & wholesalers, manufacturing & Distributing, Food & Consumer Packaged Goods and Multi-Industry – Products & Services in International Annual Report Competition Awards from *MerComm, Inc.*

2006/2010 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 *Hong Kong Institute of Directors*

2010 Selected as one of the 13 listed companies receiving "The Excellence of Listed Enterprise Awards 2010" by *Capital Weekly*

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 *Corporate Governance Asia*

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 *Asiamoney*

2011/2012 Ranked number 981/861 in Global 2000 from *Forbes*

2011 Received the Best Management Team Award in Golden Bauhinia Award by *Ta Kung Pao*
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Appendix IX – CRE awards (Cont'd)

■ Highlights of accolades received

- 2010–2011 Selected as one of the companies receiving "Global Chinese Business 1000 – Outstanding Performance Award" by *Yazhou Zhoukan*
- 2011 Received "The Largest Capitalization Company Award" in Mainland Enterprises Listed in Hong Kong Ranking 2010 by *Yazhou Zhoukan*
- 2011/2012 Awarded as one of the companies receiving the commendation in Corporate Social Responsibility Award by *CAPITAL and Capital Weekly*
- 2011/2012 Ranked number 39 /46 in *Fortune China 500*
- 2011 Received 2 best awards for investor relations and investor relations officer and 4 awards of ranked second in Best for overall for corporate governance, disclosure and transparency, responsibilities of management and the board of directors and shareholders' rights and equitable treatment in Hong Kong region by *Asiamoney*
- 2012 Received Outstanding Corporate Social Responsibility Award by *The Mirror Monthly Magazine*
- 2012 Awarded as Class of 2012 - The Best of Asia (China) in Corporate Governance Asia Recognition Awards 2012 by *Corporate Governance Asia*
- 2012 Received Best IR Companies (Sell Side – Consumer), Best CFO – Frank Lai (Sell Side – Consumer), Best Investor Relations Professional – Mr. Vincent Tse (Both Buy and Sell Side – Consumer) and ranked second for Best CEO – Chen Lang (Sell Side – Consumer) in The All-Asia Executive Team Survey 2012 by *Institutional Investor*
- 2012 Ranked number 428 in Green Rankings – Global 500 List by *Newsweek*

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