

China Resources Enterprise, Limited
Financial and operational review
Q3 2011

Strong Sustainable Growth

17 November 2011



Various activities to improve transparency

- 1-day reverse roadshow – Guangdong and Shenzhen (tier-1 cities)
 - 3-days reverse roadshow - Sichuan and Chongqing (tier-2 cities)
 - Roadshows and conferences in:
 - Europe
 - Tokyo
 - Australia
 - Korea
 - Beijing
- 



“Strong Sustainable Growth”

Results Summary

- **Strong sustainable growth without placement**

	Q3 2011	Q3 2010	change	Sep ytd 2011	Sep ytd 2010	change
	HK\$m	HK\$m		HK\$m	HK\$m	
Turnover	30,795	24,447	+26%	84,025	66,427	+26%
Earnings*	863	1,058	-18%	2,432	5,301	-54%
Underlying net profit of core businesses**	682	807	-15%	1,889	1,828	+3%
EPS (HK¢) – Basic				101	221	-54%
– Core businesses				101	105	-4%
EBITDA – Core businesses				7,154	6,667	+7%
ROE (%) – Core businesses***				6.8	8.3	-18%
Net cash				7,648	6,513	+17%

* Ytd earnings grew by 5% when the gain on disposal of non-core business in Sep ytd 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

*** ROE was mainly affected by the partial disposal (40%) of interests in beverage business to Kirin in 2011 and disposal of Esprit in 2010.

“Strong Sustainable Growth”

“Strong Sustainable Growth”

Other businesses

Underlying net profit - total	682	807	-15%	1,889	1,850	+2%
-------------------------------	-----	-----	------	-------	-------	-----

Investment property revaluation	175	216	-19%	537	626	-14%
Gain on disposal of non-core business	-	-	-	-	2,979	N/A
Fair value adjustment on investment	-	-	-	-	(214)	N/A
Partial disposal of A-share investment	6	35	-83%	6	60	-90%
	<u>181</u>	<u>251</u>	<u>-28%</u>	<u>543</u>	<u>3,451</u>	<u>-84%</u>

* Interest income was more than interest expense.

“Strong Sustainable Growth”

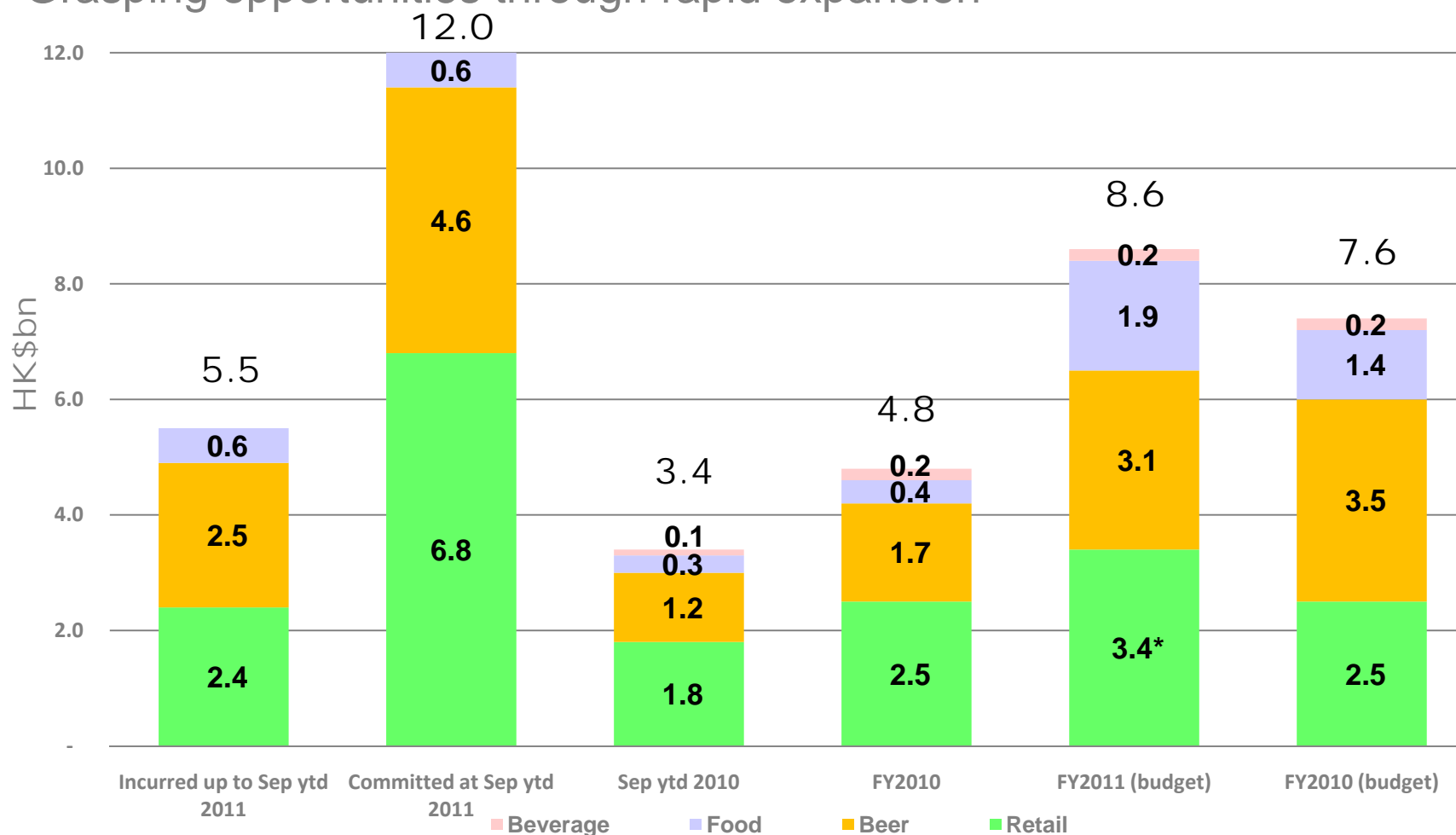
- ### Distribution of segment assets:



6

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”

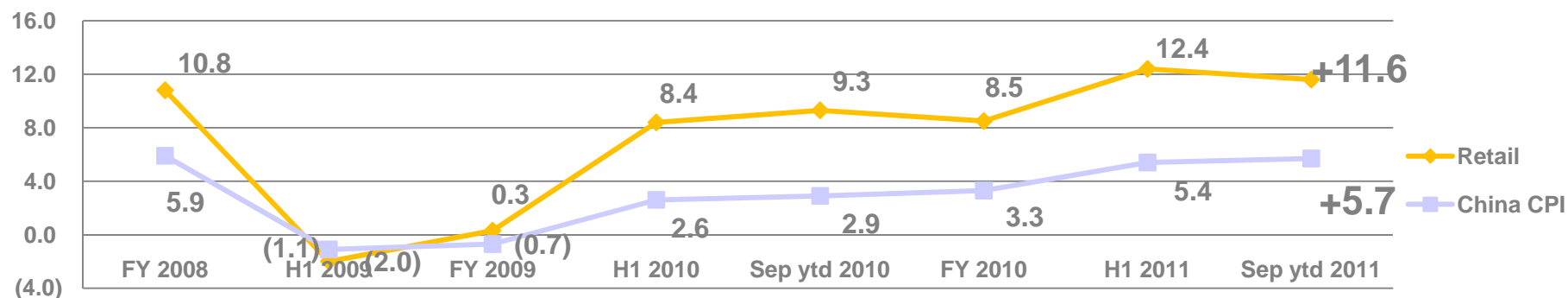
Retail

- Growth through: Multi-format with regional leadership

	Q3 2011 HK\$m	Q3 2010 HK\$m	change	Sep ytd 2011 HK\$m	Sep ytd 2010 HK\$m	change
Turnover	17,669	13,916	+27%	52,036	40,808	+28%
EBITDA #	553	587	-6%	2,302	2,004	+15%
Underlying net profit #	57	168	-66%	731	714	+2%
EBITDA margin (%) #	3.1	4.2	-26%	4.4	4.9	-10%
Underlying net profit margin (%) #	0.3	1.2	-75%	1.4	1.7	-18%

The profitability was mainly affected by the absorption of higher input costs during the period.

SSSG of retail business:



excluded the revaluation of investment property

“Strong Sustainable Growth”

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

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

Northern areas

2 (2) [2]	Inner Mongolia
3 (3) [2]	Ningxia
40 (34) [3]	Shaanxi
5 (5) [-]	Gansu
1 (1) [-]	Qinghai
17 (8) [-]	Henan
43 (10) [43]	Hubei

Southern areas

4 (1) [4]	Chongqing
3 (2) [3]	Hunan

Movement in retail shop number:

	Self-operated	Franchised	Total
30 Sep 10	2,165	966	3,131
Opening	763	112	875
Closing	(133)	(219)	(352)
Acquired	155	-	155
30 Sep 11	2,950	859	3,809*

*Of which, 8 stores are located in Singapore and Malaysia.

“Strong Sustainable Growth”

Northern areas

4 (4) [1]	Jilin
15 (12) [5]	Liaoning
110 (24) [37]	Beijing
303 (22) [31]	Tianjin
6 (6) [-]	Hebei

Eastern areas

30 (2) [18]	Shandong
1,766 (194) [165]	Jiangsu
16 - [14]	Shanghai
408 (43) [96]	Anhui
102 (67) [27]	Zhejiang

Southern areas

557 (63) [144]	Guangdong
360 - [74]	Hong Kong
4 - [4]	Macau
2 (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”

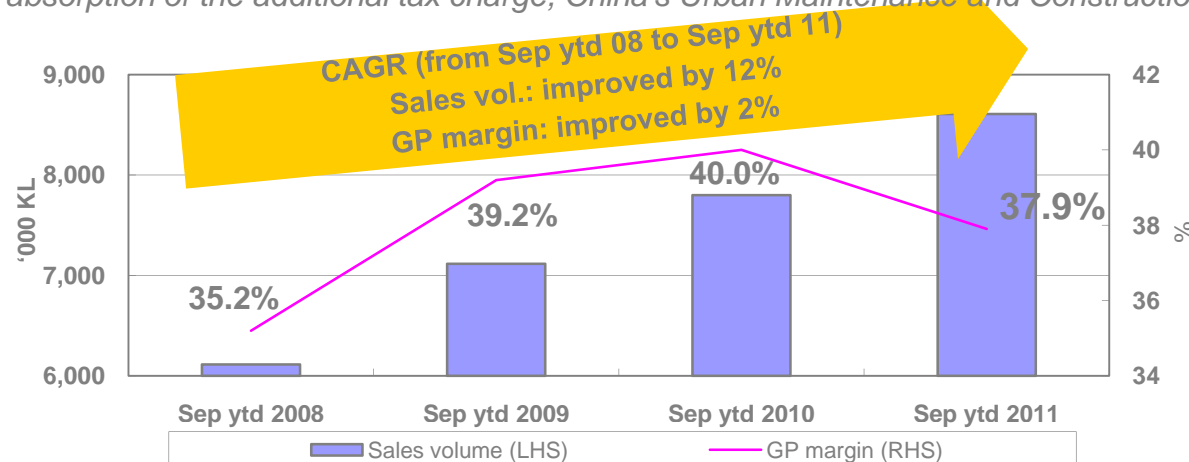
Beer (No.1 brand by volume in the world since 2008)



- Growth through: Solidifying market leader position

	Q3 2011 HK\$m	Q3 2010 HK\$m	change	Sep ytd 2011 HK\$m	Sep ytd 2010 HK\$m	change
Sales volume (million KL)	3.56	3.41	+4%	8.61	7.80	+10%
Turnover	9,274	7,773	+19%	22,104	17,816	+24%
EBITDA	1,718	1,693	+1%	3,427	3,028	+13%
Earnings (after 49% share to SABMiller)	534	526	+2%	863	784	+10%
EBITDA margin (%)	18.5	21.8	-15%	15.5	17.0	-9%
Net margin (%) (after MI)	5.8	6.8	-15%	3.9	4.4	-11%

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”



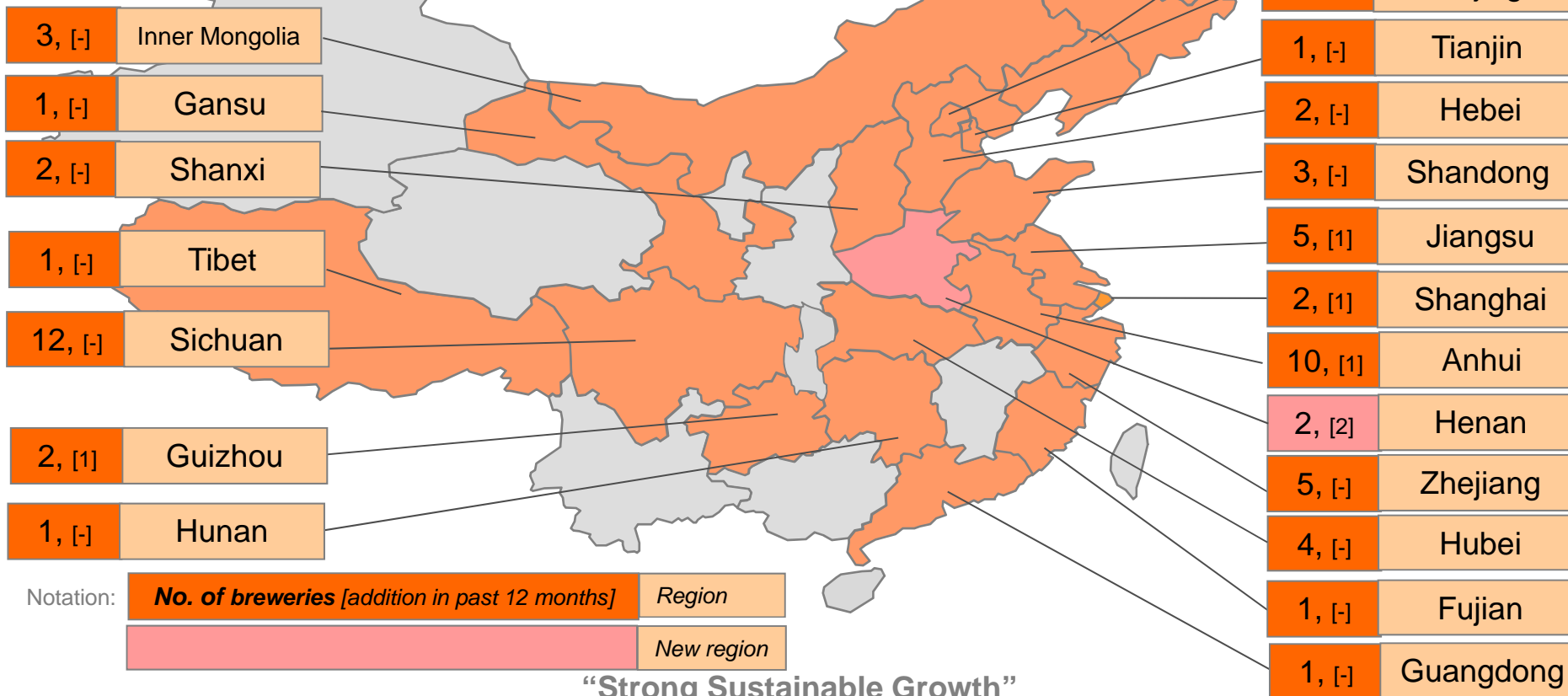
Beer (No.1 brand by volume in the world since 2008)

- Growth through: Solidifying market leader position

Geographical distribution of the breweries

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

Number of breweries plants: 80

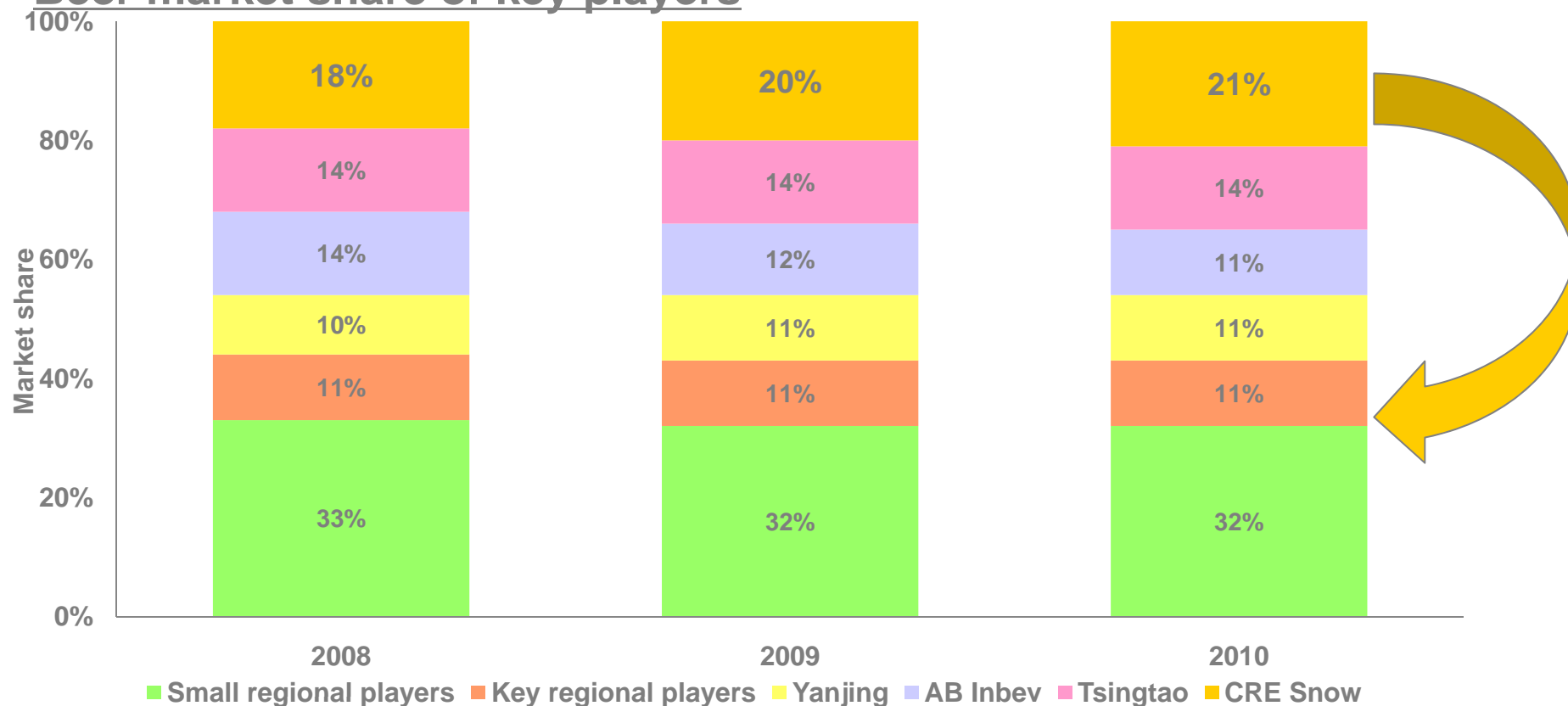


“Strong Sustainable Growth”

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”

Food



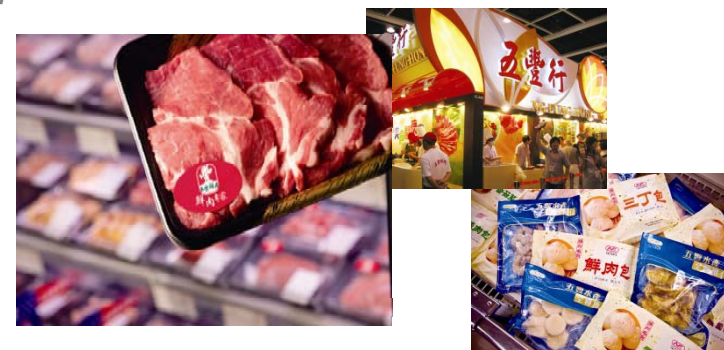
■ Growth through: Quality premium products

	Q3 2011 HK\$m	Q3 2010 HK\$m	change	Sep ytd 2011 HK\$m	Sep ytd 2010 HK\$m	change
Turnover	2,883	2,121	+36%	7,738	5,997	+29%
Underlying EBITDA	155	151	+3%	548	613	-11%
Underlying net profit	52	51	+2%	239	265	-10%
Underlying EBITDA margin (%)	5.4	7.1	-24%	7.1	10.2	-30%
Underlying net profit margin (%)	1.8	2.4	-25%	3.1	4.4	-30%

The 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

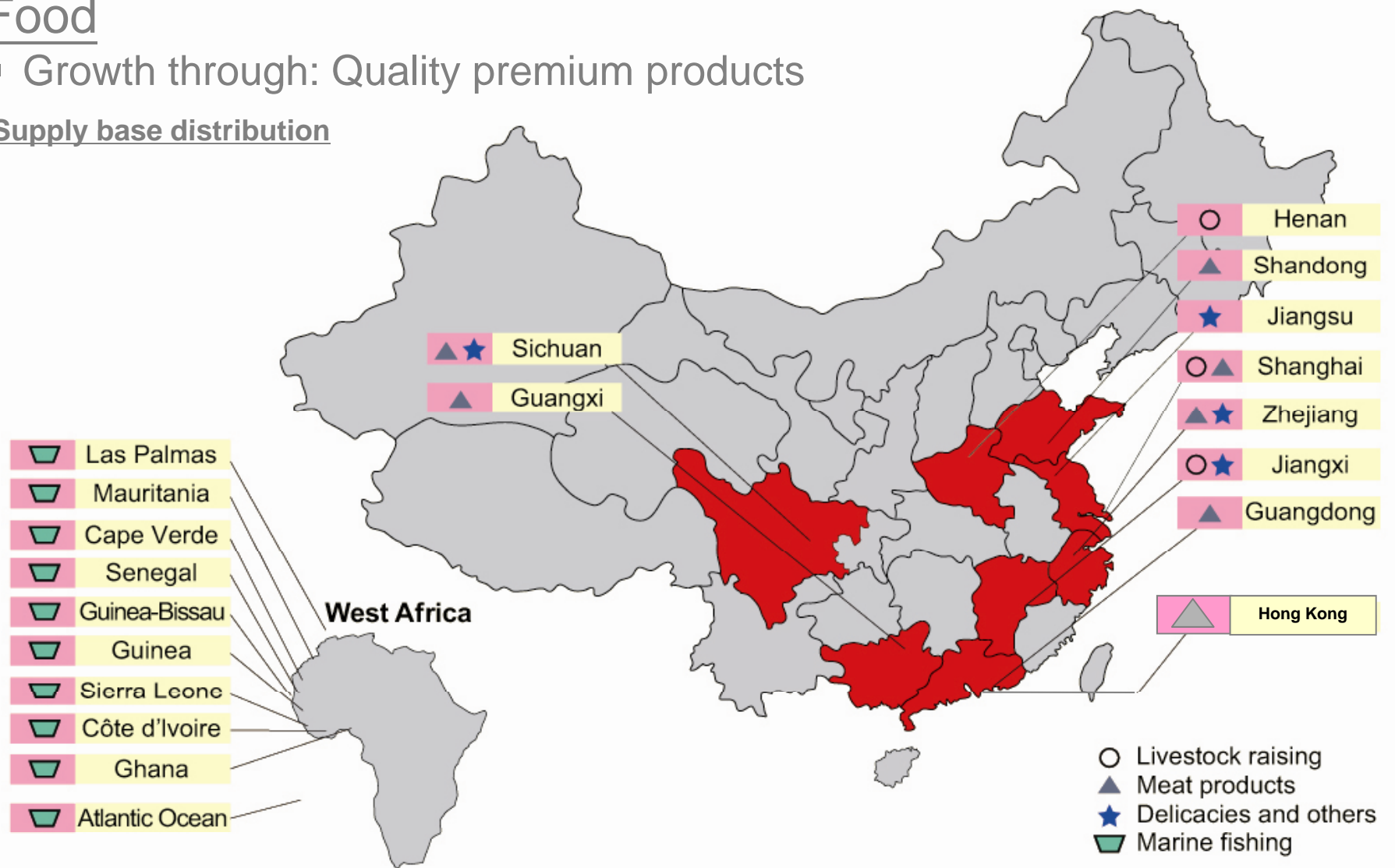


“Strong Sustainable Growth”

Food

- Growth through: Quality premium products

Supply base distribution



Source: Company data

“Strong Sustainable Growth”

Beverage



- Growth through: strong partnership with Kirin

	Q3 2011 HK\$m	Q3 2010 HK\$m	change	Sep ytd 2011 HK\$m	Sep ytd 2010 HK\$m	change
Sales volume (million KL)	0.88	0.72	+22%	2.10	1.59	+32%
Turnover	1,096	754	+45%	2,462	1,650	+49%
EBITDA	119	111	+7%	216	194	+11%
Earnings (after 40% share to Kirin since Aug 2011)	62	84	-26%	120	137	-12%
EBITDA margin (%)	10.9	14.7	-26%	8.8	11.8	-25%
Net margin (%) (after MI)	5.7	11.1	-49%	4.9	8.3	-41%

Improvement in turnover was mainly supported by the increase in sales volume. Profitability was affected by the surge in raw material cost and initial loss of the JV.



- 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”

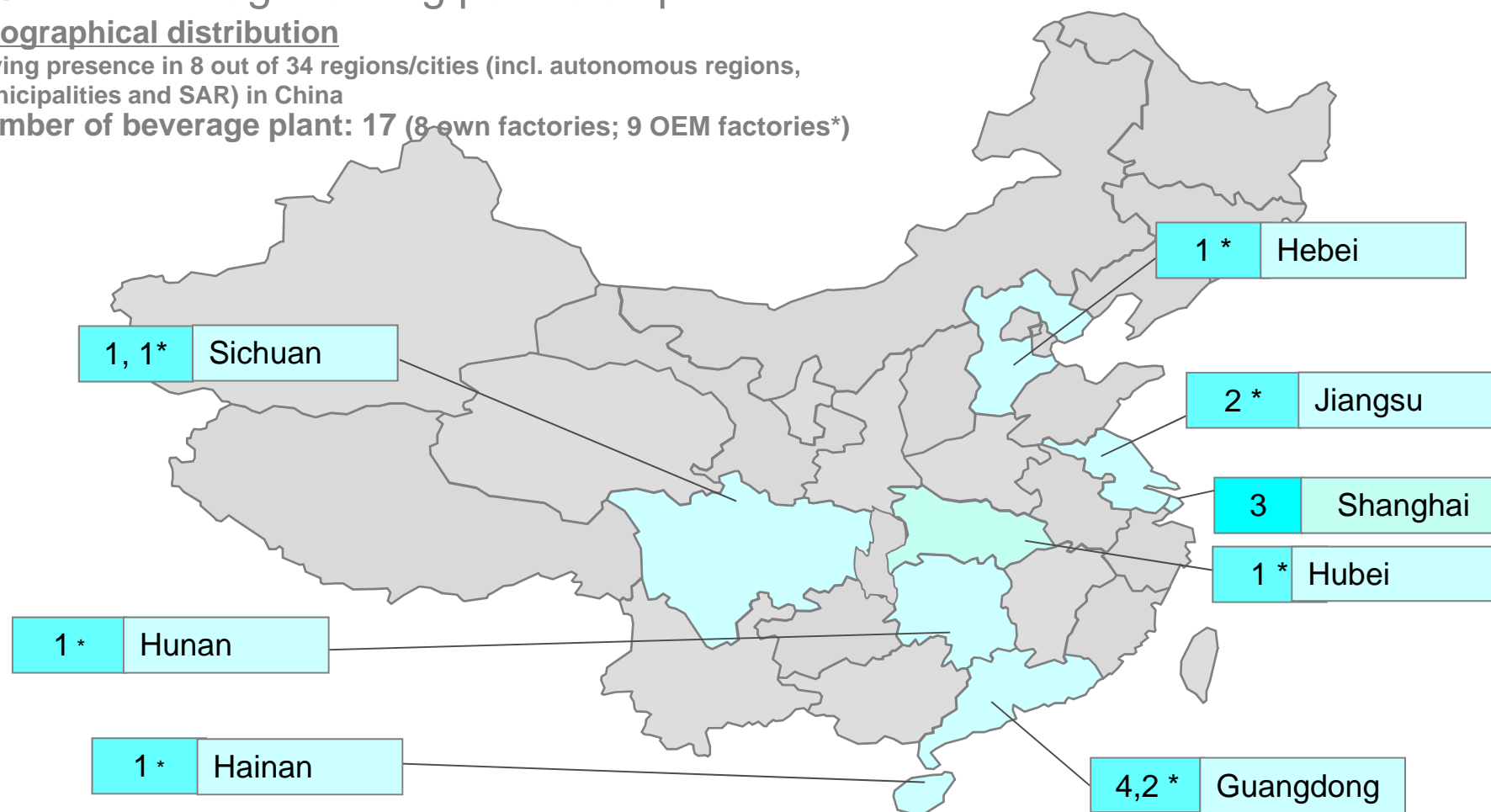
Beverage

- Growth through: strong partnership with Kirin

Geographical distribution








Having presence 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*)



“Strong Sustainable Growth”

Appendix I – Details of Retail formats

			30 Sep 11				31 Dec 10		30 Sep 10	
<u>Format</u>	<u>Major brands</u>	<u>Average areas (sq.m)</u>	<u>% of turnover</u>	<u>App. Average GP margin</u>	<u>Self-operated</u>	<u>Franchised</u>	<u>Self-operated</u>	<u>Franchised</u>	<u>Self-operated</u>	<u>Franchised</u>
I. Hypermarket		over 5,000	app.80%	19%	480	25	451	25	427	25
II. Standard supermarket		500 - 800	app.11%	21%	1,139	784	1,004	828	964	919
III. Convenience stores		30 - 120	app.4%	21%	844	38	623	27	583	22
IV. Ole', blt		4,000	app.1%	more than 25%	26	-	19	-	17	-
V. Pacific coffee		120	app.1%	more than 50%	127	12	100	9	91	-
VI. CAC and CR Care		various	app.2%	more than 30%	138	-	96	-	81	-
VII. Wine cellar, Health and beauty stores and others		200	app.1%	more than 25%	196	-	7	-	2	-
Total							2,950	859	2,300	889
							3,809		3,189	
							3,189		3,131	

“Strong Sustainable Growth”

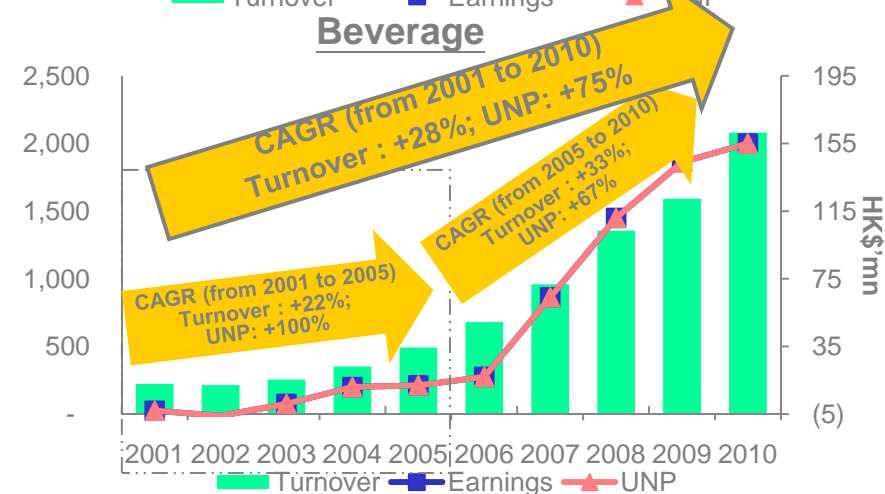
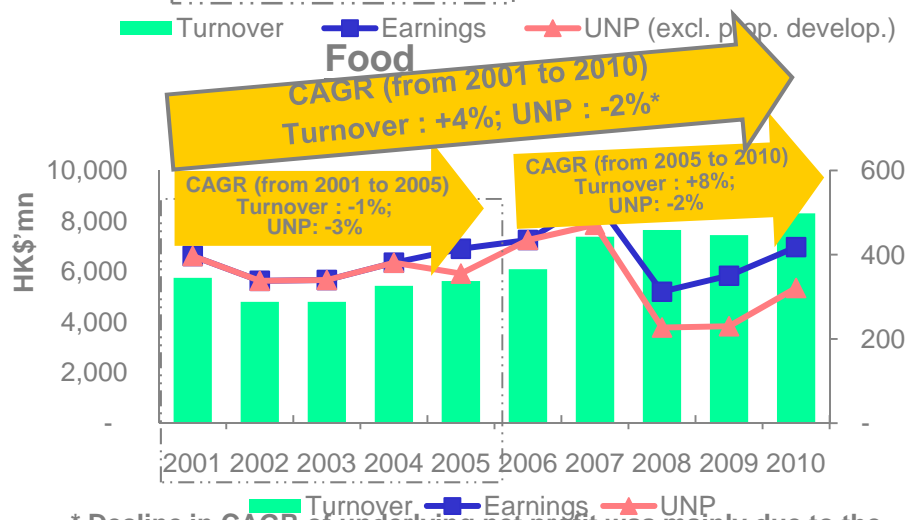
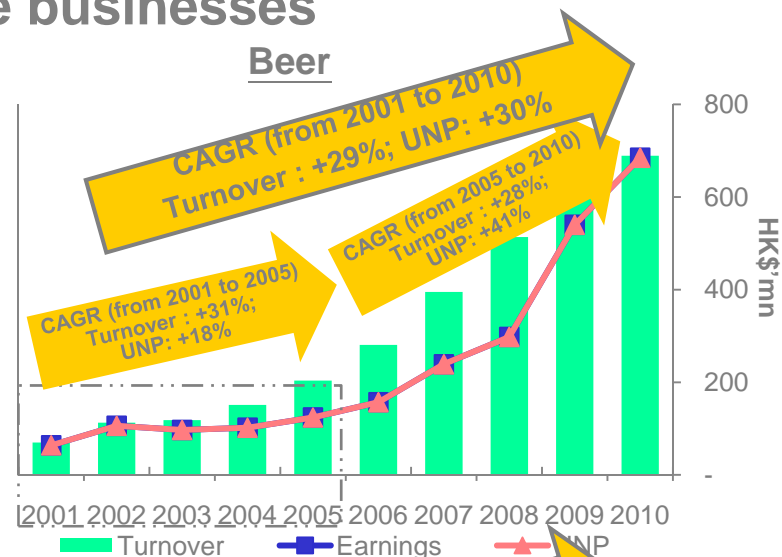
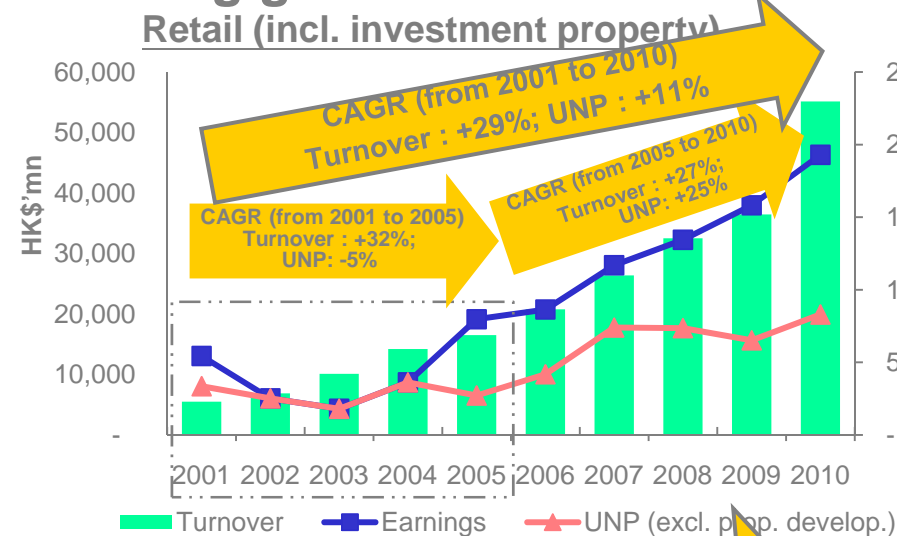
Appendix II - Summary of recent major investments

<i>Summary of major investments (up to now)</i>		
	<u>Asset acquired</u>	<u>HK\$bn (app.)</u>
Retail		
- Acquisition of Jiangxi Hongkelong Department Store	21 hypermarkets	4.4
- Co-operation of a property project in Harbin with CR Land	commercial space in the property	1.1
- Acquisition of "Sanjiu" drug retail chain	152 stores	0.1
Beer		
- Acquisition of 49% stake in Jiangsu Dafuhao Breweries and 100% stake in Shanghai Asia Pacific Brewery	Attributable capacity of 490,000kl	1.0
- Acquisition of remaining 55% stake in Hangzhou Xihu Beer and remaining 25% stake in Huzhou Brewery	Attributable capacity of 280,000kl	0.4
- Formation of JV in Guizhou Moutai Beer (70% stake)	Attributable capacity of 70,000kl	0.3
Beverage		
- Formation of JV with Kirin (60% stake; app. \$3bn will be injected to JV from Kirin)	3 factories will be injected; R&D capabilities	(1.8)
	Total	5.5

“Strong Sustainable Growth”

Appendix III – Historical track record of CRE

Strong growth momentum in each of core businesses



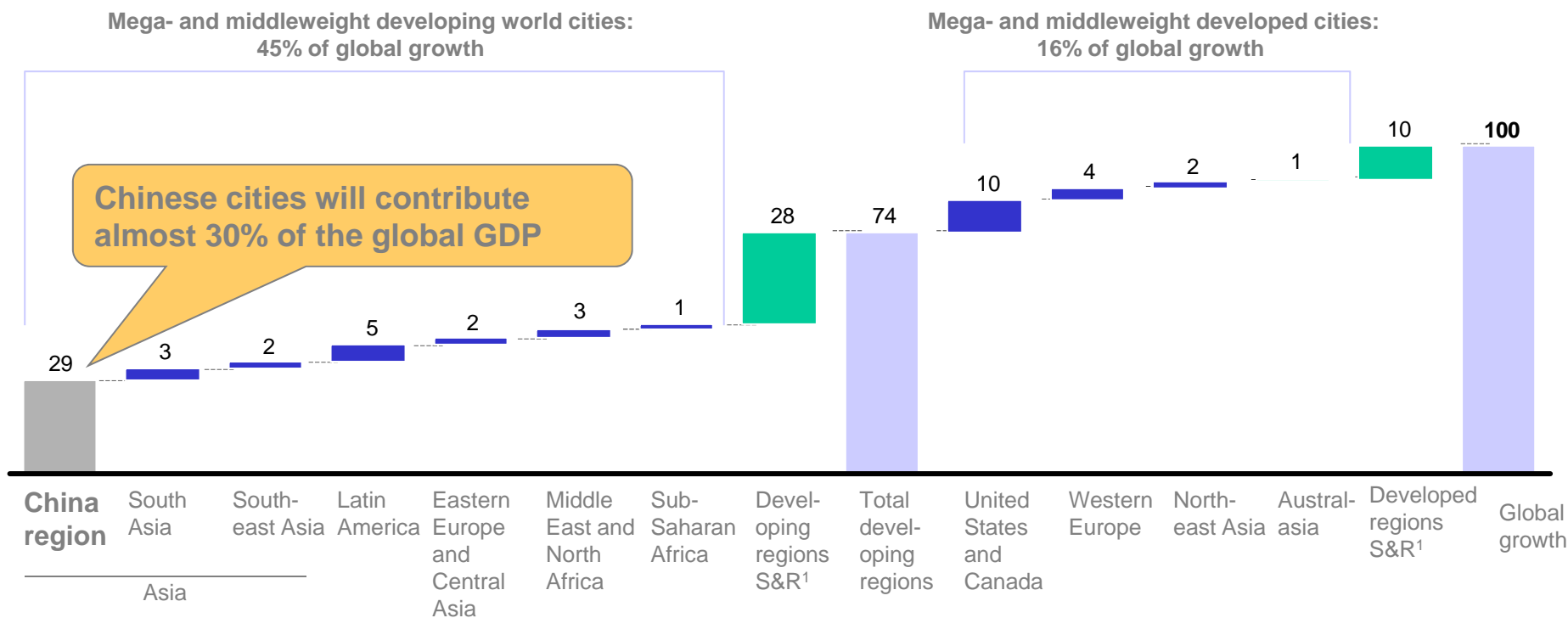
* Decline in CAGR of underlying net profit was mainly due to the open of HK live hogs market

Strong Sustainable Growth

Appendix IV – 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.



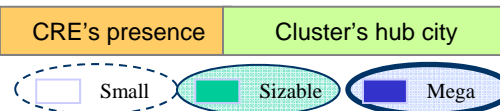
1 S&R = small cities and rural areas.

Source: McKinsey

“Strong Sustainable Growth”

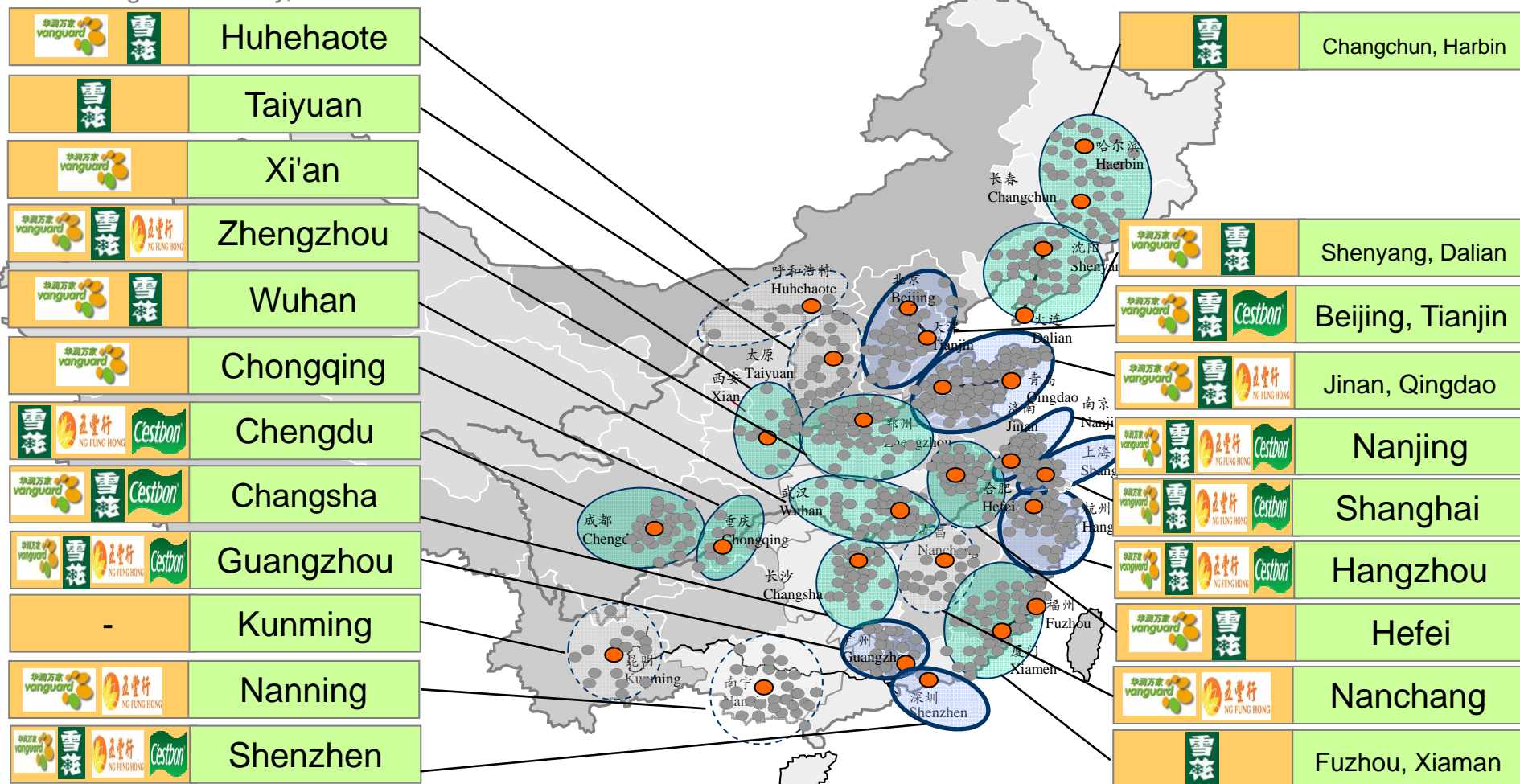
Appendix V – Better position for CRE

Notation:
Expected cluster size:



■ 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.



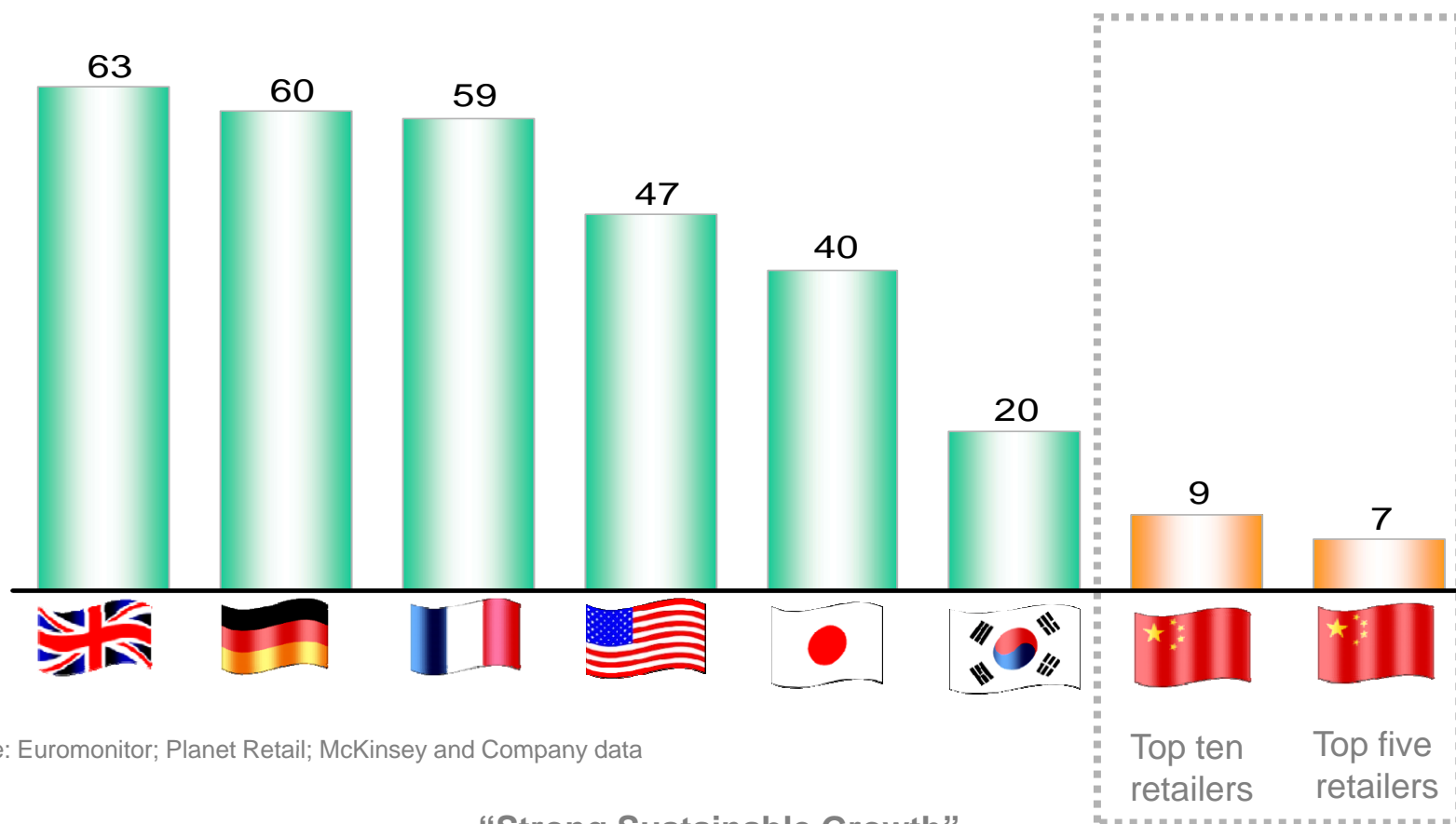
Source: McKinsey and Company data

“Strong Sustainable Growth”

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:

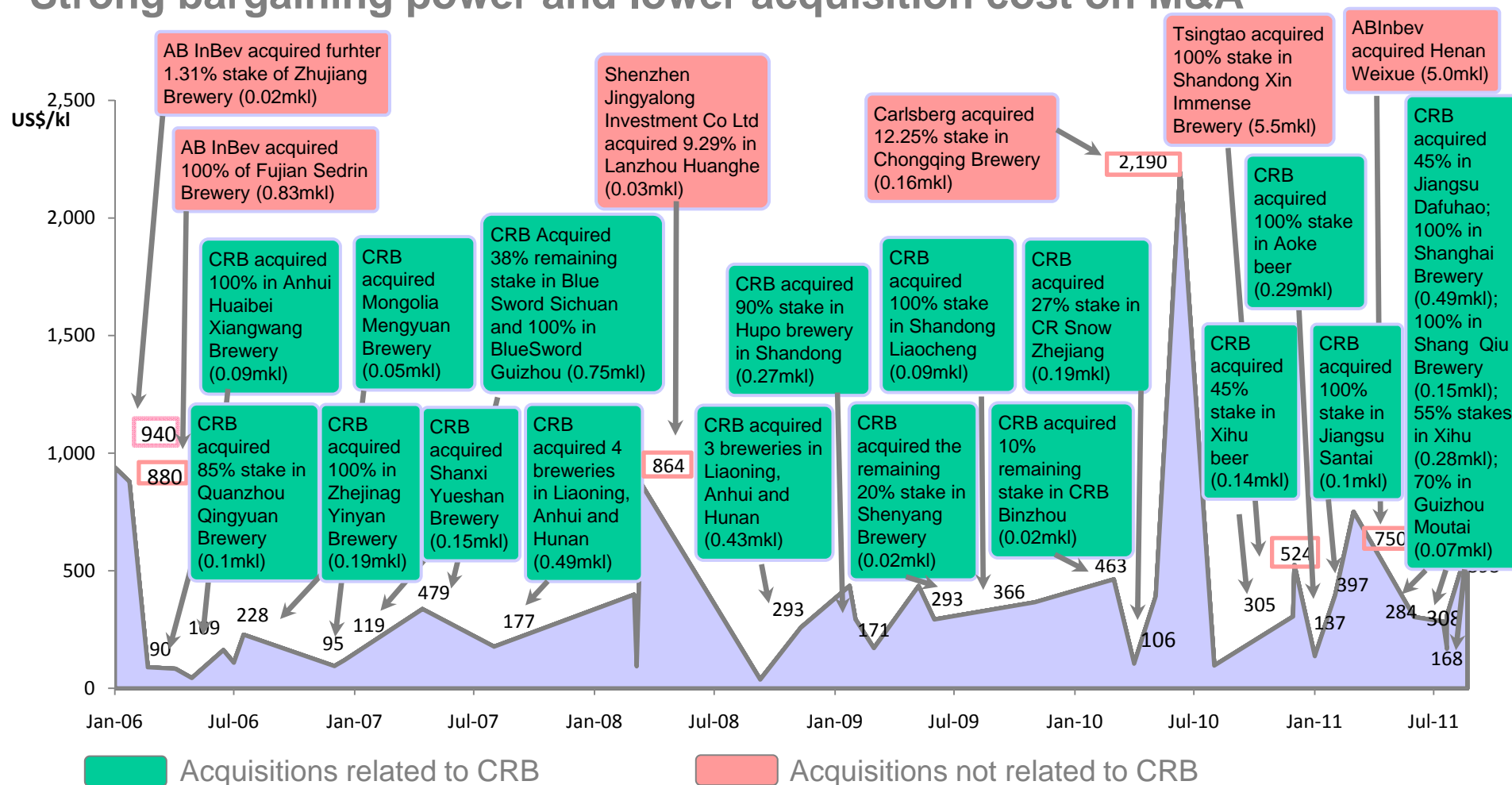


Source: Euromonitor; Planet Retail; McKinsey and Company data

“Strong Sustainable Growth”

Appendix VII – Historical major M&As in beer business

Strong bargaining power and lower acquisition cost on M&A

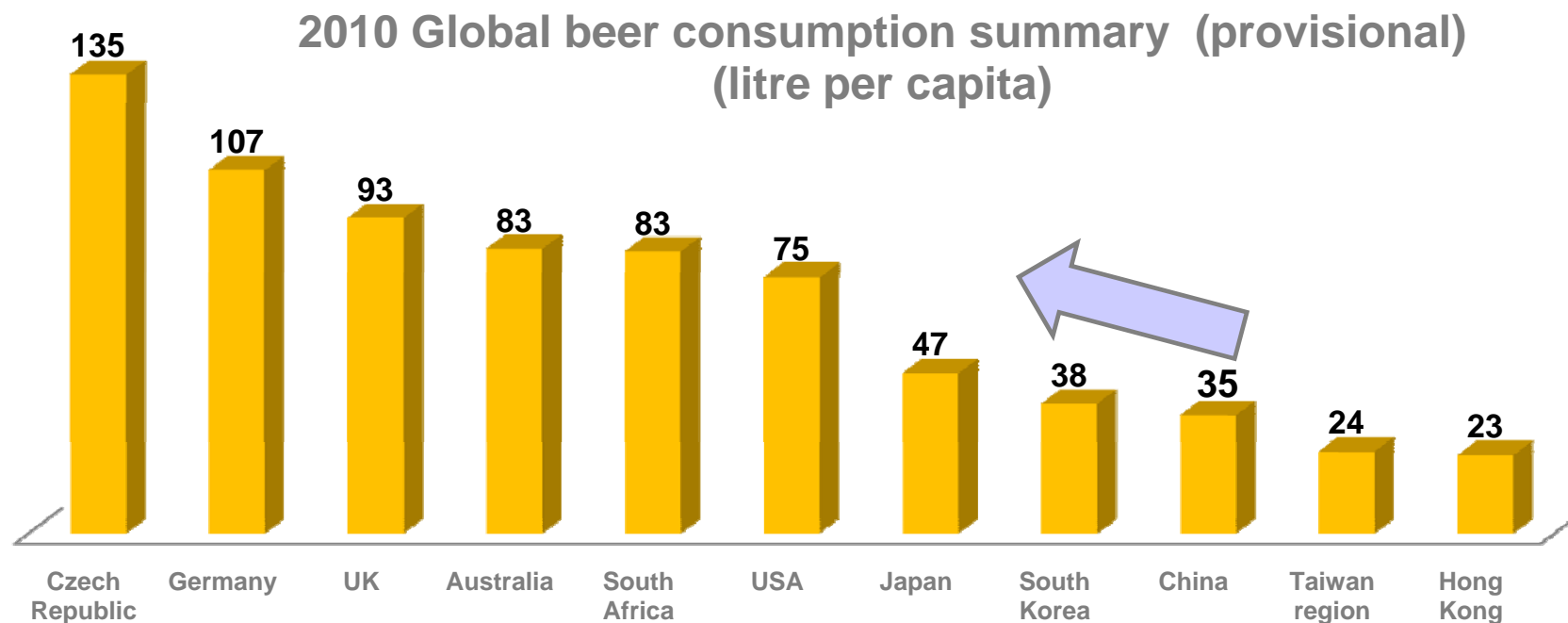


Source: Deutsche bank and Company data

“Strong Sustainable Growth”

Appendix VIII – Global beer consumption summary

Beer consumption per capita in China increased from 16 litres in 1998 to 35 litres in 2010 (provisional).



Source: Canadian

“Strong Sustainable Growth”



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>
------	---

26

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>
------	---

2010	Selected as one of the 17 companies receiving "Global Chinese Business 1000 – Outstanding Performance Award" by <i>Yazhou Zhoukan</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 *Corporate Governance Asia*

2011	Received "The Largest Captialization Company Award" in Mainland Enterprises Listed in Hong Kong Ranking 2010 by <i>Yazhou Zhoukan</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

28

Disclaimer

Data and information contained in this presentation is provided for informational purposes only. Neither China Resources Enterprise, Limited nor any of its subsidiaries shall be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

This presentation and subsequent discussion may contain forward-looking statements that are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of China Resources Enterprise, Limited about its business and the industry and markets in which it operates. These forward-looking statements include, without limitation, statements relating to revenues, earnings and stock performance. The words “believe”, “intend”, “expect”, “anticipate”, “project”, “estimate”, “predict” and similar expressions are also intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, development outcomes, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, project delay, project approval, cost estimates and other risks, which are beyond the control of China Resources Enterprise, Limited and are difficult to predict. Consequently, actual results could differ materially from those expressed or forecasted in the forward-looking statements.

“Strong Sustainable Growth”