



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

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

X 291

= 

**Financial and operational review**

**Interim results 2012**

17 August 2012



## Results Summary

### ▪ Winning formula for long-term growth

	Q2 2012	Q2 2011	<i>change</i>	H1 2012	H1 2011 (restated)	<i>change</i>
	HK\$m	HK\$m		HK\$m	HK\$m	
Turnover	30,611	26,559	+15%	63,959	53,230	+20%
EBITDA	2,591	2,327	+11%	5,204	4,340	+20%
Earnings	908	780	+16%	2,235	1,637	+37%
Underlying net profit of core businesses*	571	547	+4%	1,131	1,207	-6%
EPS (HK¢) - Basic				93	68	+37%
DPS (HK¢)				15	15	-
ROE (%)				5.7	4.9	+16%
Net cash				2,413	3,087	-22%

\* 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

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## Turnover Breakdown - by Divisions

	Q2 2012 HK\$m	Prop	Q2 2011 HK\$m	Prop	change	H1 2012 HK\$m	Prop	H1 2011 HK\$m	Prop	change
<i><b>Core businesses</b></i>										
Retail	17,975	59%	15,348	57%	+17%	42,125	66%	34,367	64%	+23%
Beer	8,855	29%	7,928	30%	+12%	14,633	23%	12,830	24%	+14%
Food	2,534	8%	2,593	10%	-2%	5,114	8%	4,855	9%	+5%
Beverage	1,360	4%	799	3%	+70%	2,289	3%	1,366	3%	+68%
	<b>30,724</b>	100%	<b>26,668</b>	100%	<b>+15%</b>	<b>64,161</b>	100%	<b>53,418</b>	100%	<b>+20%</b>
Less: inter-co transactions	(113)		(109)			(202)		(188)		
<b>Turnover – total</b>	<b>30,611</b>		<b>26,559</b>		<b>+15%</b>	<b>63,959</b>		<b>53,230</b>		<b>+20%</b>



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## Underlying Net Profit Breakdown - by Divisions

	Q2 2012 HK\$m	Prop	Q2 2011 HK\$m	Prop	change	H1 2012 HK\$m	Prop	H1 2011 (restated) HK\$m	Prop	change
<b><i>Core businesses</i></b>										
Retail	90	15%	142	25%	-37%	650	54%	674	54%	-4%
Beer	408	67%	309	54%	+32%	375	31%	329	26%	+14%
Food	87	14%	73	13%	+19%	144	12%	187	15%	-23%
Beverage	24	4%	48	8%	-50%	30	3%	58	5%	-48%
	<b>609</b>	100%	<b>572</b>	100%	<b>+6%</b>	<b>1,199</b>	100%	<b>1,248</b>	100%	<b>-4%</b>
Net corporate int. & expenses	(38)		(25)			(68)		(41)		
<b>Total – Core businesses</b>	<b>571</b>		<b>547</b>		<b>+4%</b>	<b>1,131</b>		<b>1,207</b>		<b>-6%</b>
<b><i>Adjustment</i></b>										
Net gain on disposal of non-core investments and valuation surplus on investment properties	337		233		+45%	1,104		430		+157%
<b>Earnings</b>	<b>908</b>		<b>780</b>		<b>+16%</b>	<b>2,235</b>		<b>1,637</b>		<b>+37%</b>

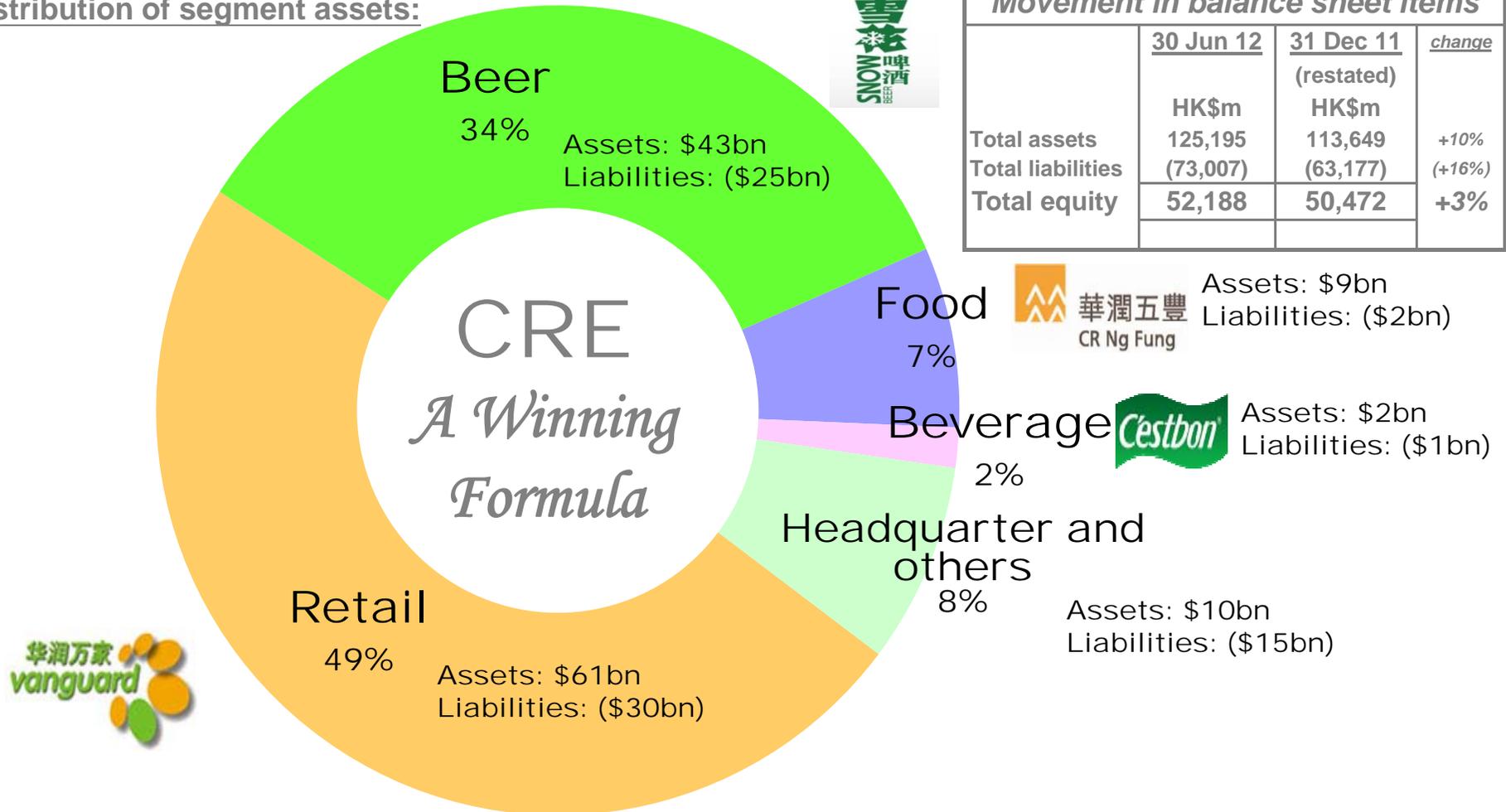


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# Segment assets

- Unique with four consumer businesses complementing each other

Distribution of segment assets:



	30 Jun 12	31 Dec 11 (restated)	change
Total assets	HK\$m 125,195	HK\$m 113,649	+10%
Total liabilities	(73,007)	(63,177)	(+16%)
Total equity	52,188	50,472	+3%

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



- Growth through: Solidifying market leader position

	Q2 2012 HK\$m	Q2 2011 HK\$m	change	H1 2012 HK\$m	H1 2011 HK\$m	change
Sales volume (million KL)	3.39	3.14	+8%	5.37	5.05	+6%
Turnover	8,855	7,928	+12%	14,633	12,830	+14%
EBITDA	1,383	1,229	+13%	1,761	1,709	+3%
Earnings (#)	810	622	+30%	738	658	+12%
EBITDA margin (%)	15.6	15.5	+1%	12.0	13.3	-10%
Net margin (%) (#)	9.1	7.8	+17%	5.0	5.0	-

*Driven by the increase in turnover, the profitability was improved during the period.*



**Mainstream**

Approximate retail selling price: RMB3

Sales volume contribution: app.65%



**Mid-end**

RMB5



**Premium**

RMB8 to 9



>25%

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

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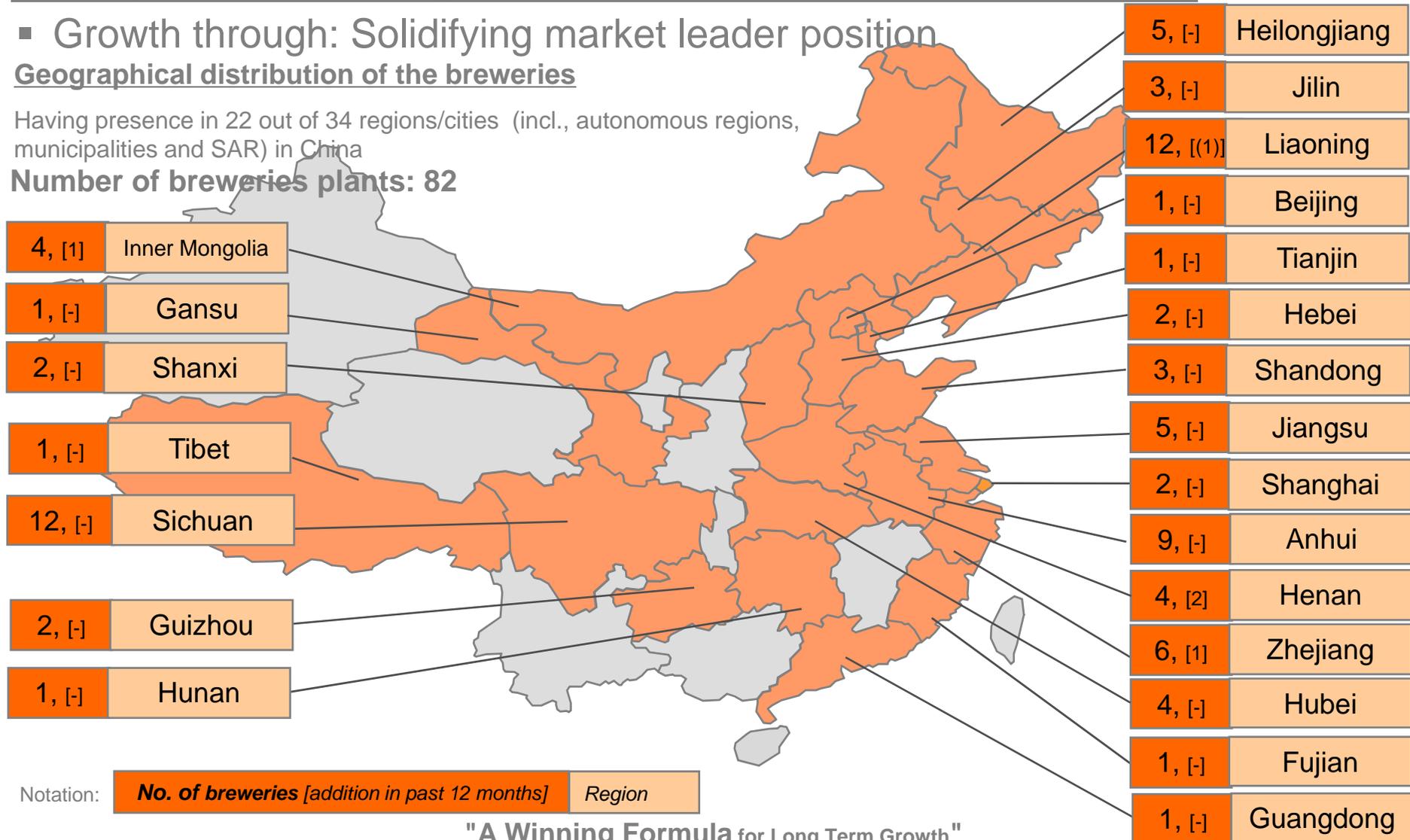
# Beer (No.1 brand by volume in the world since 2008)

- 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: 82**



Notation:

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

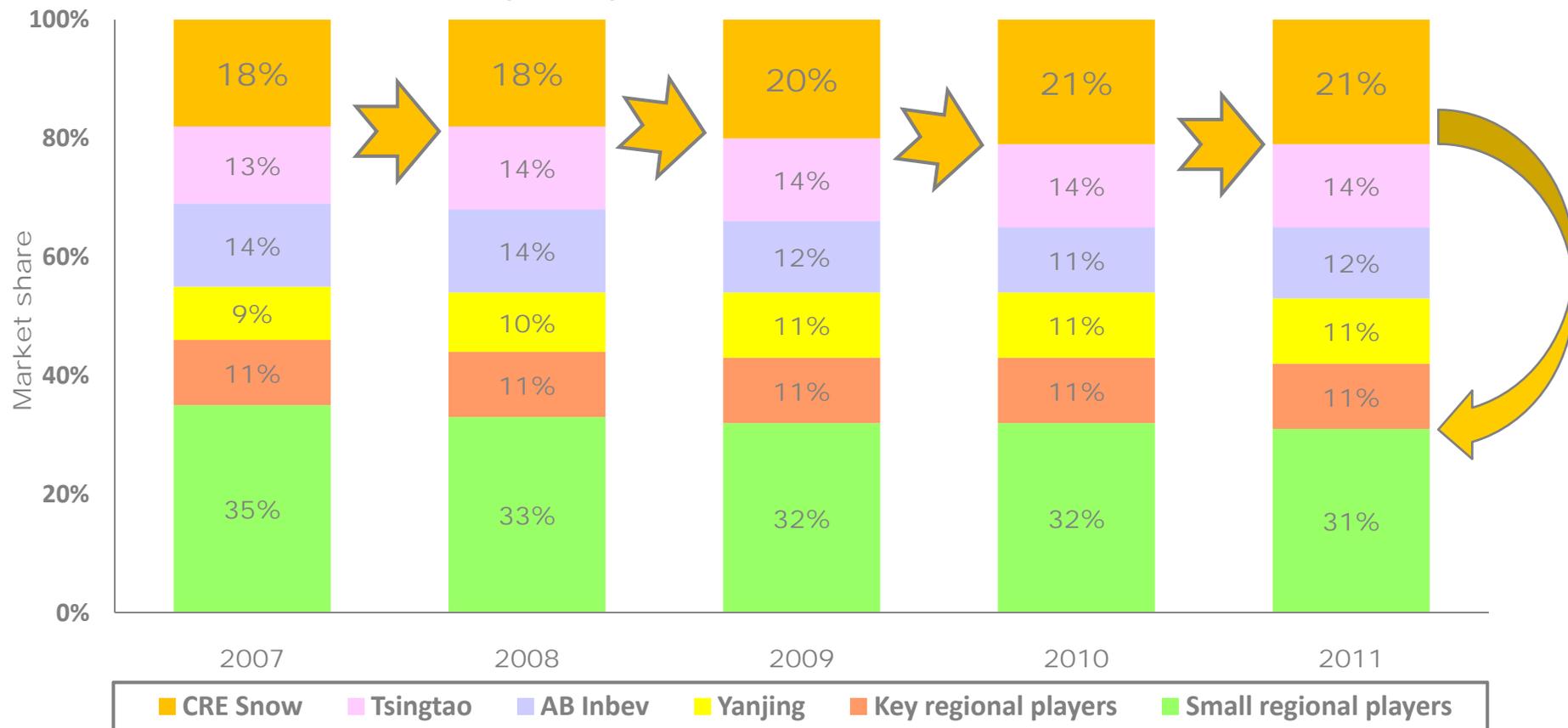
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## Beer (No.1 brand by volume in the world since 2008)



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

### Beer market share of key players

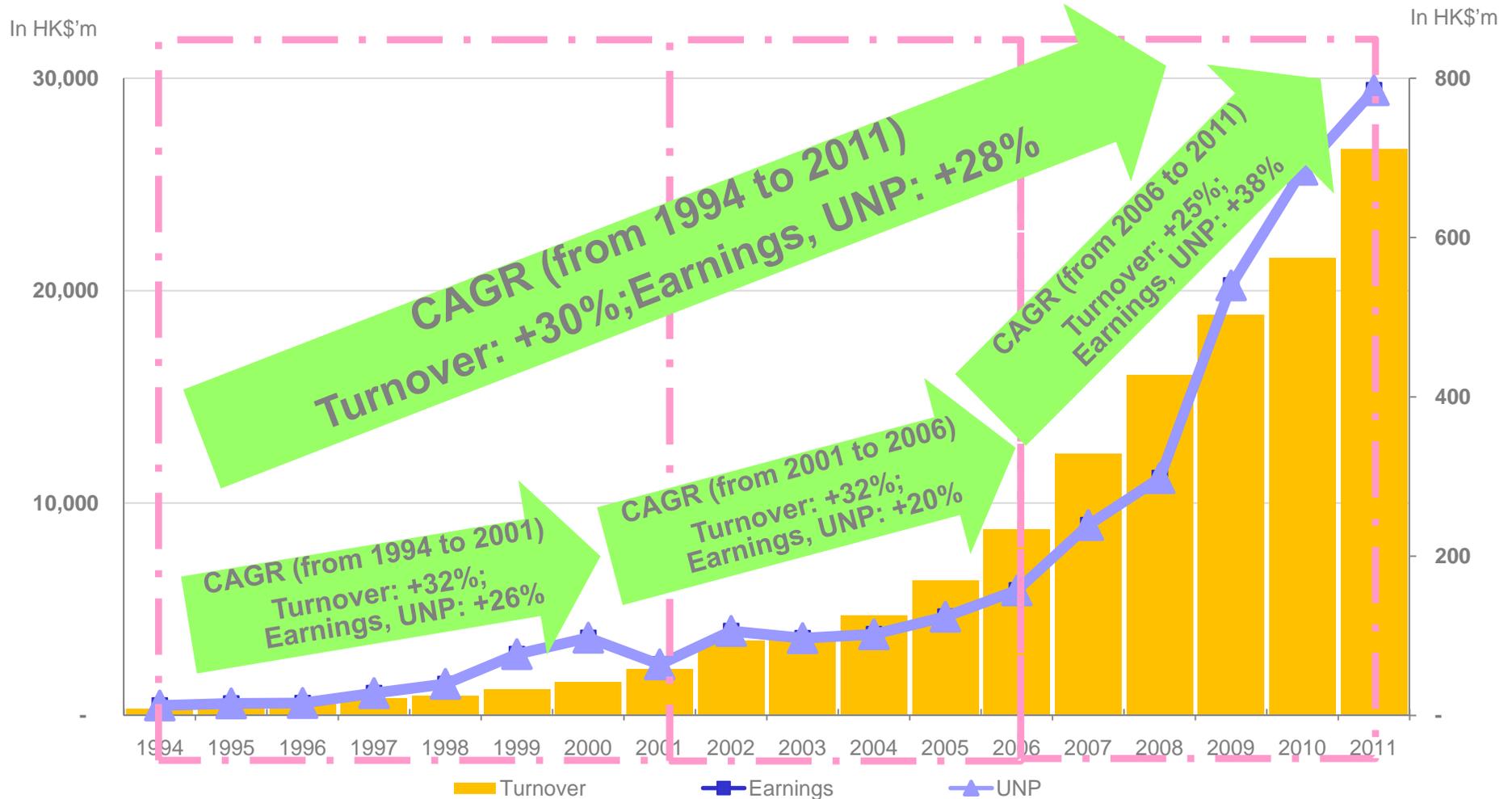


Source: State Statistical Bureau and CR Snow "A Winning Formula for Long Term Growth"

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



- Strong robust growth in both turnover and profitability



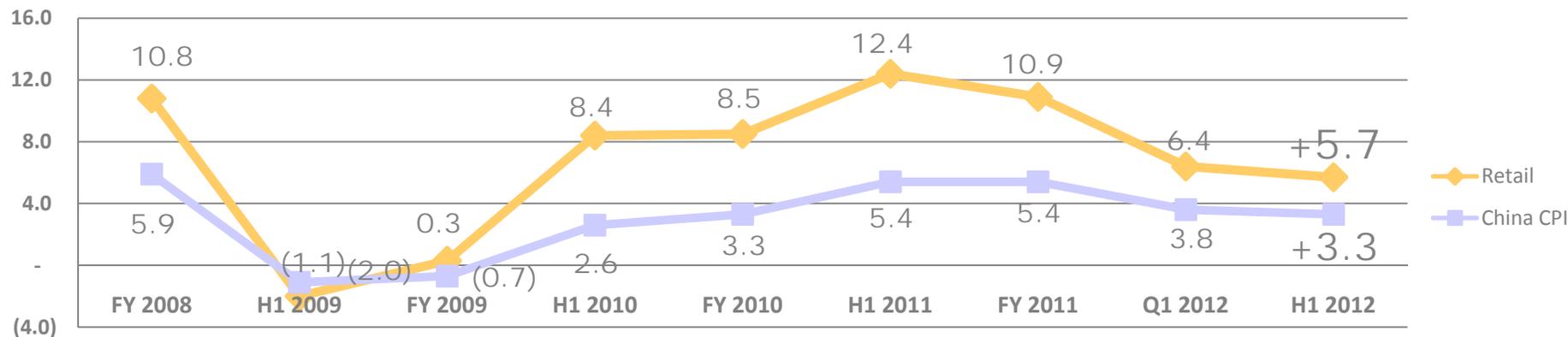
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■ Growth through: Multi-format with regional leadership

	Q2 2012 HK\$m	Q2 2011 HK\$m	change	H1 2012 HK\$m	H1 2011 HK\$m	change
Turnover	17,975	15,348	+17%	42,125	34,367	+23%
Underlying EBITDA #	623	631	-1%	1,922	1,750	+10%
Underlying net profit #	90	142	-37%	650	674	-4%
Underlying EBITDA margin (%) #	3.5	4.1	-15%	4.6	5.1	-10%
Underlying net profit margin (%) #	0.5	0.9	-44%	1.5	2.0	-25%

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:**



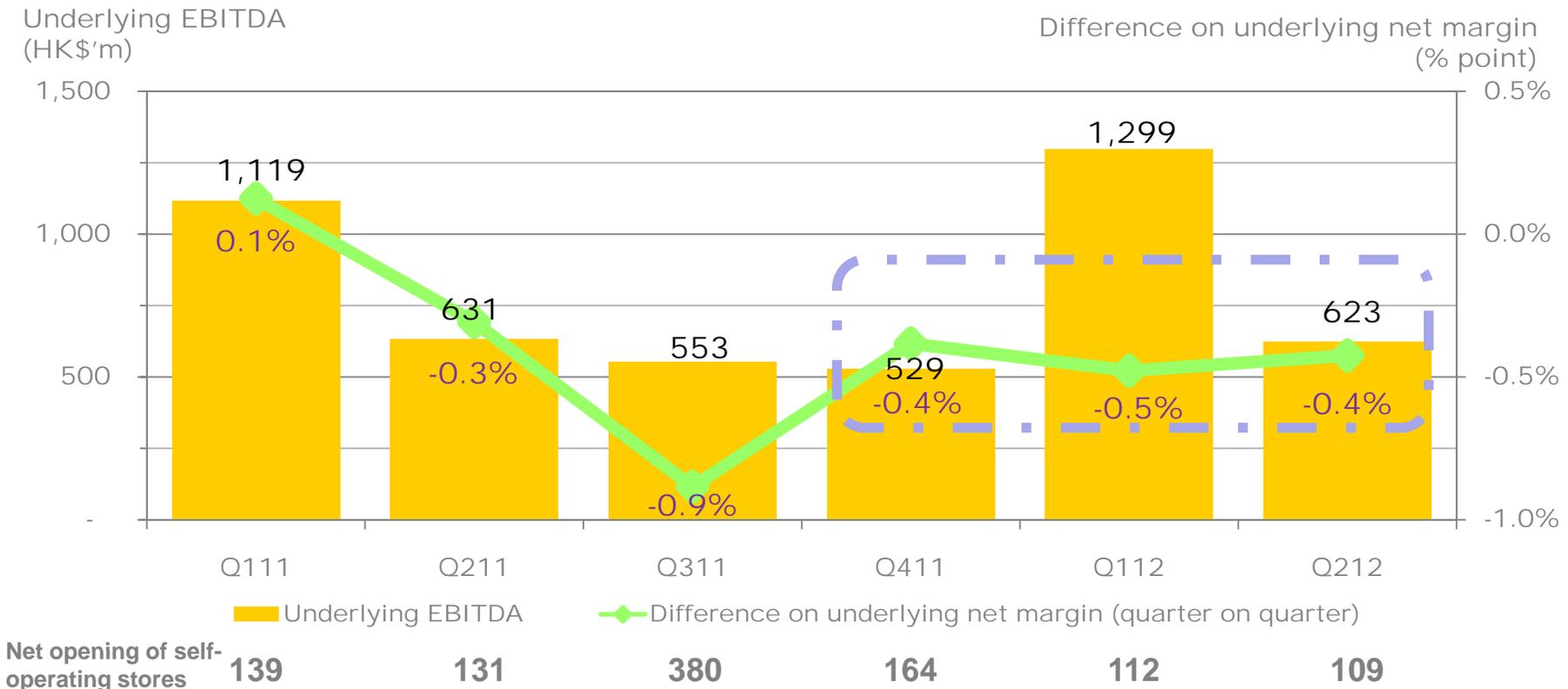
# excluded the revaluation of investment property

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- Growth through: Multi-format with regional leadership

*As compared with Q211, we maintained **comparable level of underlying EBITDA** in Q212 after absorption of salaries increment under the slowdown of China CPI growth.*

**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

Northern areas

<b>4 (4)</b> [-]	Jilin
<b>122 (22)</b> [24]	Beijing
<b>8 (8)</b> [2]	Hebei
<b>325 (22)</b> [33]	Tianjin
<b>18 (13)</b> [4]	Liaoning

Eastern areas

<b>39 (4)</b> [28]	Shandong
<b>1,846 (211)</b> [219]	Jiangsu
<b>471 (57)</b> [116]	Anhui
<b>27 (-)</b> [19]	Shanghai
<b>108 (61)</b> [35]	Zhejiang
<b>27 (22)</b> [27]	Jiangxi
<b>3 (-)</b> [3]	Fujian

Southern areas

<b>619 (62)</b> [110]	Guangdong
<b>384 (-)</b> [42]	Hong Kong
<b>7 (-)</b> [3]	Macau
<b>3 (3)</b> [1]	Guangxi

# Retail

- Growth through: Multi-format with regional leadership
- Geographical distribution of retail network

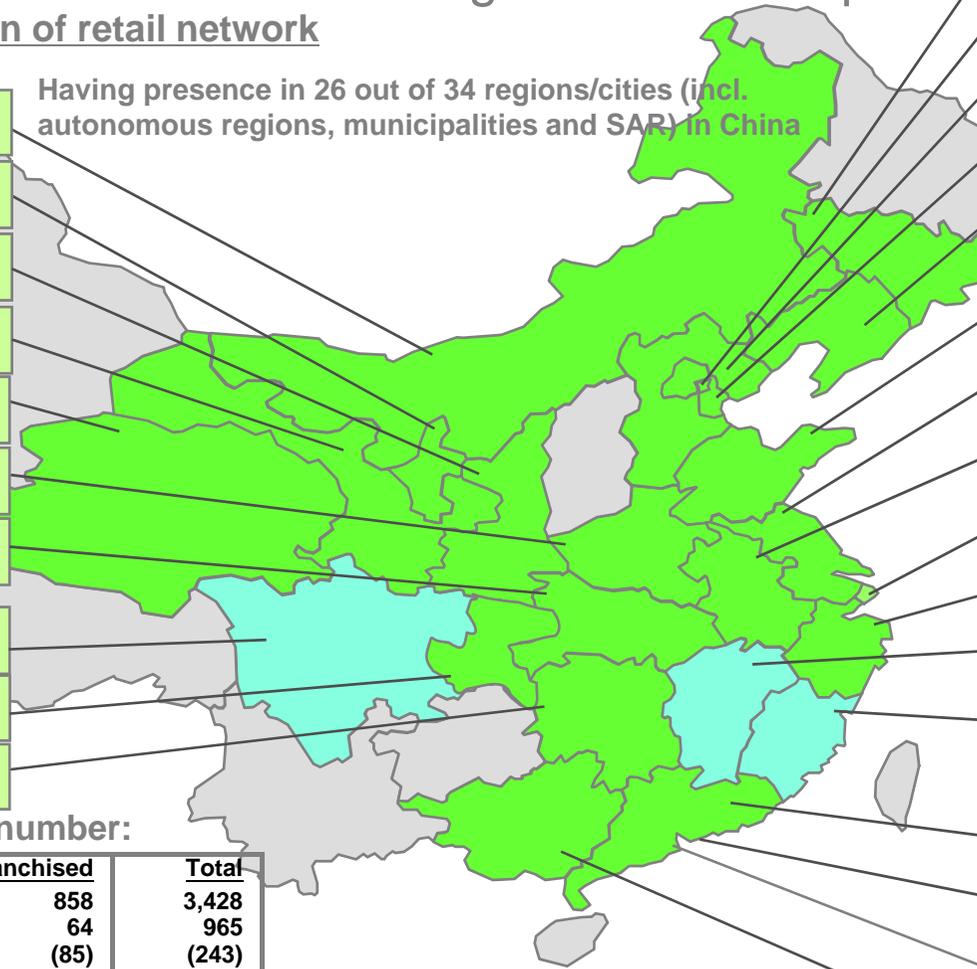
Northern areas

<b>2 (2)</b> [-]	Inner Mongolia
<b>4 (4)</b> [2]	Ningxia
<b>56 (39)</b> [19]	Shaanxi
<b>6 (6)</b> [1]	Gansu
<b>1 (1)</b> [-]	Qinghai
<b>20 (10)</b> [3]	Henan
<b>46 (3)</b> [39]	Hubei

Southern areas

<b>3 (-)</b> [3]	Sichuan
<b>7 (1)</b> [5]	Chongqing
<b>3 (2)</b> [-]	Hunan

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



Movement in retail shop number:

	Self-operated	Franchised	Total
30 Jun 11	2,570	858	3,428
Opening	901	64	965
Closing	(158)	(85)	(243)
Acquired	22	-	22
30 Jun 12	3,335	837	4,172*

\*Of which, 13 stores are located in Singapore and Malaysia.

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# 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):



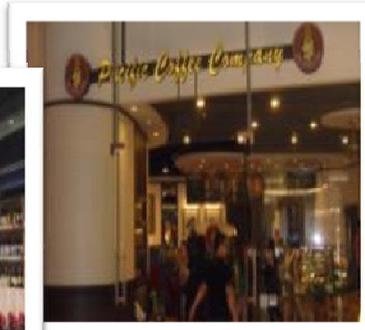
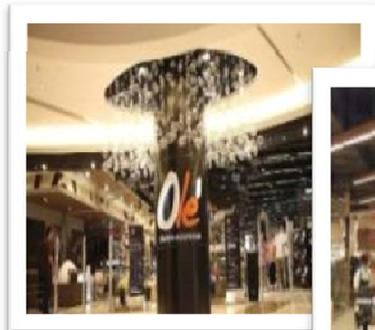
5 formats in Beijing

Galleria (CR Land):



## In a city

5 formats in Nanjing:



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■ Growth through: Quality premium products

	Q2 2012 HK\$m	Q2 2011 HK\$m	change	H1 2012 HK\$m	H1 2011 HK\$m	change
Turnover	2,534	2,593	-2%	5,114	4,855	+5%
Underlying EBITDA	206	176	+17%	358	393	-9%
Underlying net profit	87	73	+19%	144	187	-23%
Underlying EBITDA margin (%)	8.1	6.8	+19%	7.0	8.1	-14%
Underlying net profit margin (%)	3.4	2.8	+21%	2.8	3.9	-28%

The profitability in Q2 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

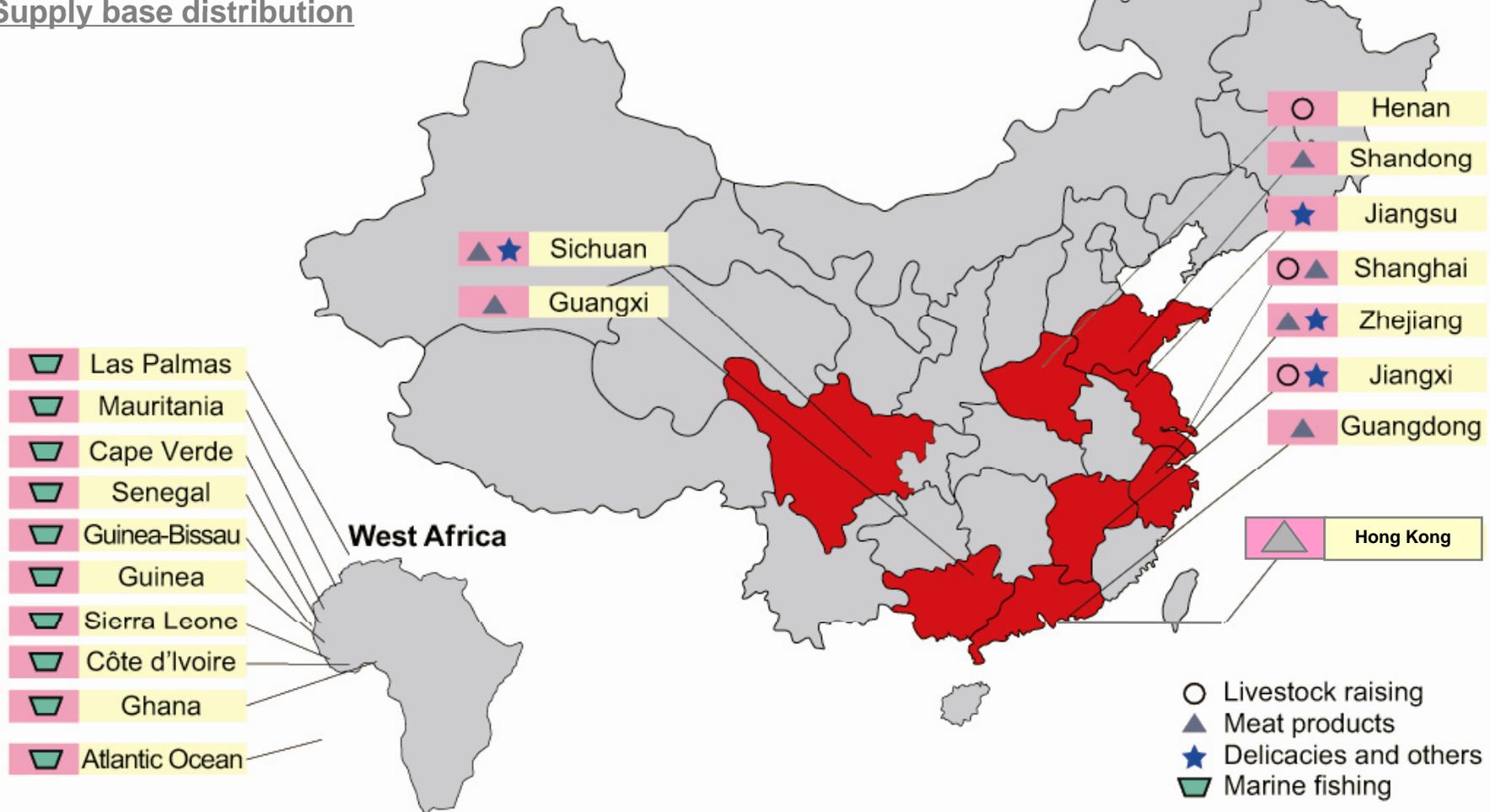


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# Food

- Growth through: Quality premium products

## Supply base distribution



Source: Company data

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# Beverage



■ Growth through: strong partnership with Kirin

	Q2 2012 HK\$m	Q2 2011 HK\$m	change	H1 2012 HK\$m	H1 2011 HK\$m	change
Sales volume (million KL)	1.01	0.69	+46%	1.69	1.21	+39%
Turnover	1,360	799	+70%	2,289	1,366	+68%
EBITDA	70	76	-8%	106	97	+9%
Earnings (after 40% share to Kirin since Aug 2011)	24	48	-50%	30	58	-48%
EBITDA margin (%)	5.1	9.5	-46%	4.6	7.1	-35%
Net margin (%) (after MI)	1.8	6.0	-70%	1.3	4.2	-69%

*Improvement in turnover was mainly supported by the increase in sales volume. Profitability was mainly affected by the initial start-up expenses on merger of operation with Kirin.*



- 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

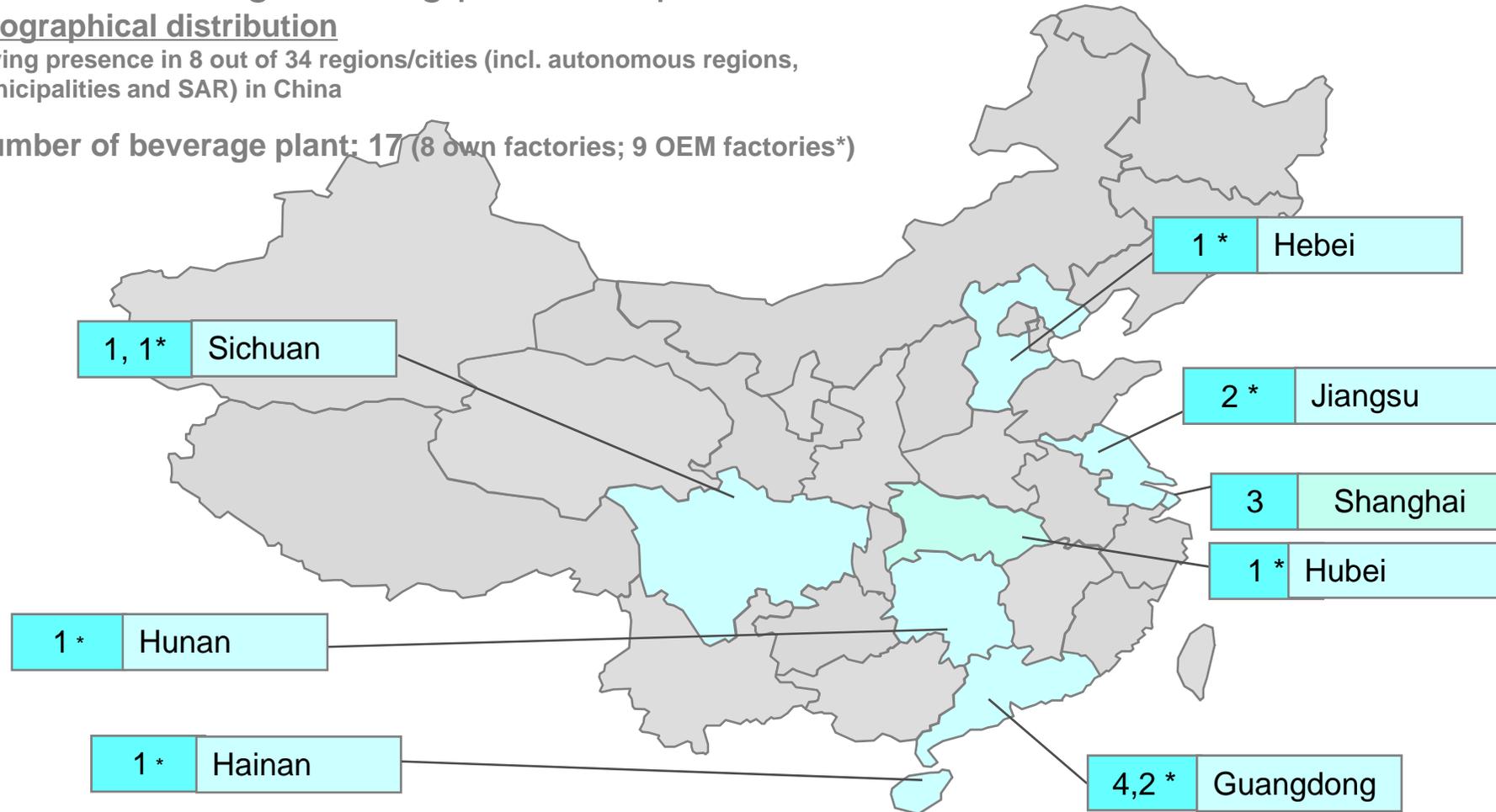


- Growth through: strong partnership with Kirin

## 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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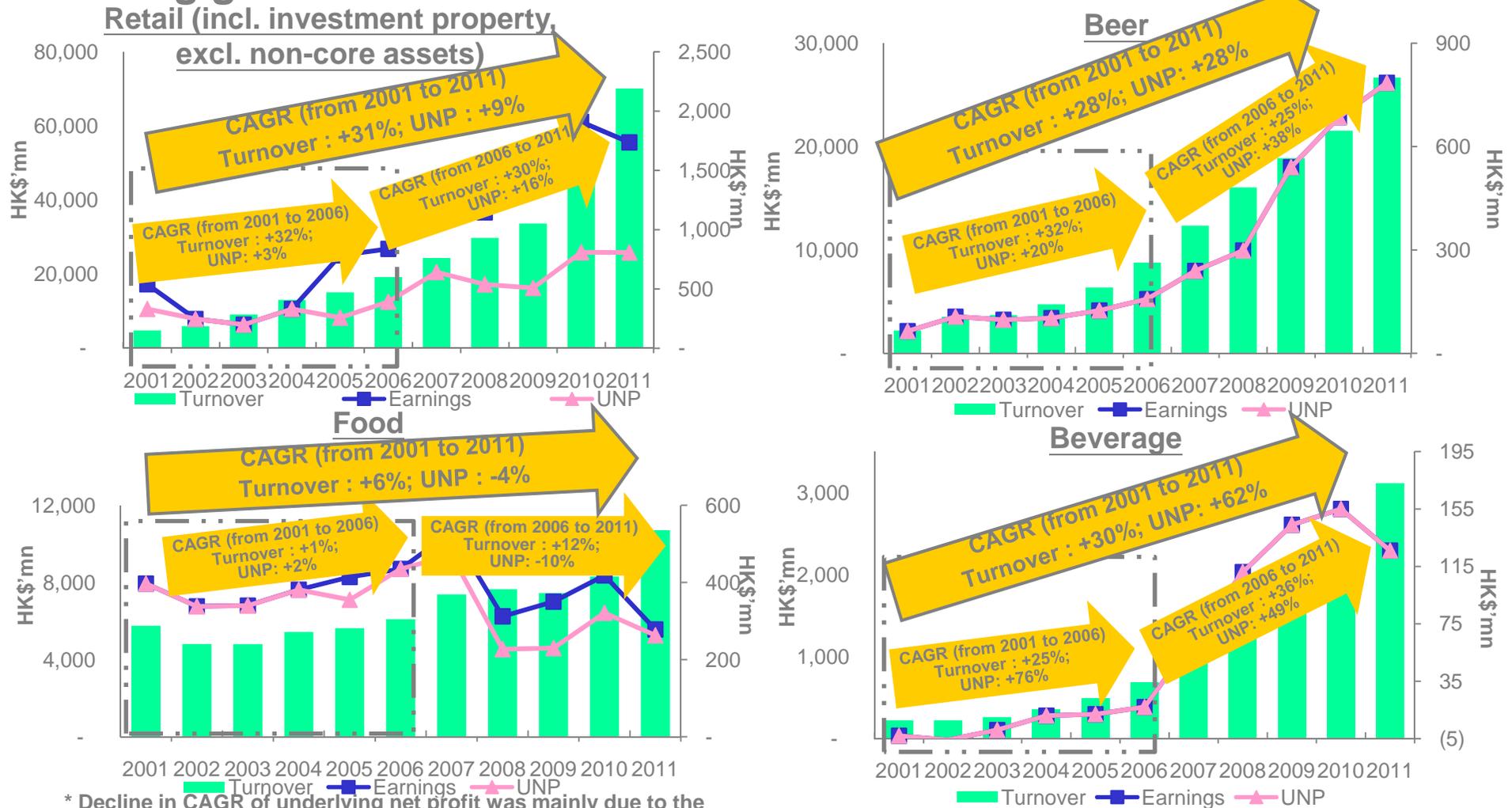
# Appendix I – Details of Retail formats

Format	Major brands	Average areas (sq.m)	30 Jun 12				31 Mar 12		31 Dec 11		30 Jun 11	
			% of turnover	App. Average GP margin	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised
<b>I. Hypermarket</b>		over 5,000	app.79%	19%	541	16	534	16	493	16	470	25
<b>II. Standard supermarket</b>		500 - 800	app.10%	21%	1,233	754	1,206	768	1,177	782	1,088	790
<b>III. Convenience stores</b>		30 - 120	app.4%	21%	1,007	44	954	43	925	39	730	32
<b>IV. Ole', blt</b>		4,000	app.2%	more than 25%	29	-	27	-	27	-	23	-
<b>V. Pacific coffee</b>		120	app.1%	more than 50%	192	23	164	17	158	16	111	11
<b>VI. CAC and CR Care</b>		various	app.2%	more than 30%	139	-	133	-	129	-	121	-
<b>VII. Health and beauty stores</b>		200	app.1%	more than 30%	181	-	179	-	176	-	11	-
<b>VIII. Wine cellar and others</b>		200	app. 1%	Various	13	-	29	-	29	-	16	-
<b>Total</b>					<b>3,335</b>	<b>837</b>	<b>3,226</b>	<b>844</b>	<b>3,114</b>	<b>853</b>	<b>2,570</b>	<b>858</b>
					<b>4,172</b>		<b>4,070</b>		<b>3,967</b>		<b>3,428</b>	

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## Appendix II – Historical track record of CRE

### Strong growth momentum in each of core businesses



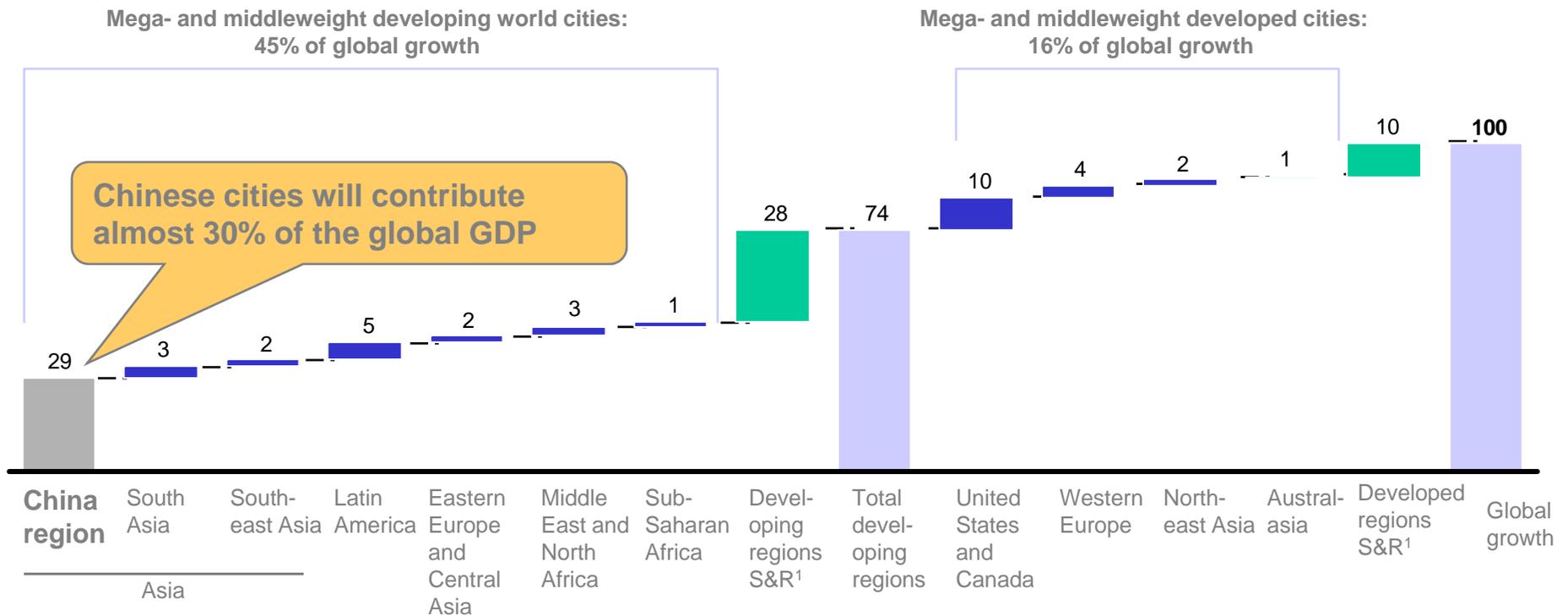
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## Appendix IV – Strong growth in China

### 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.



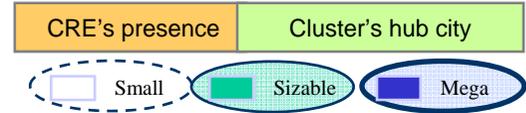
1 S&R = small cities and rural areas.

Source: McKinsey

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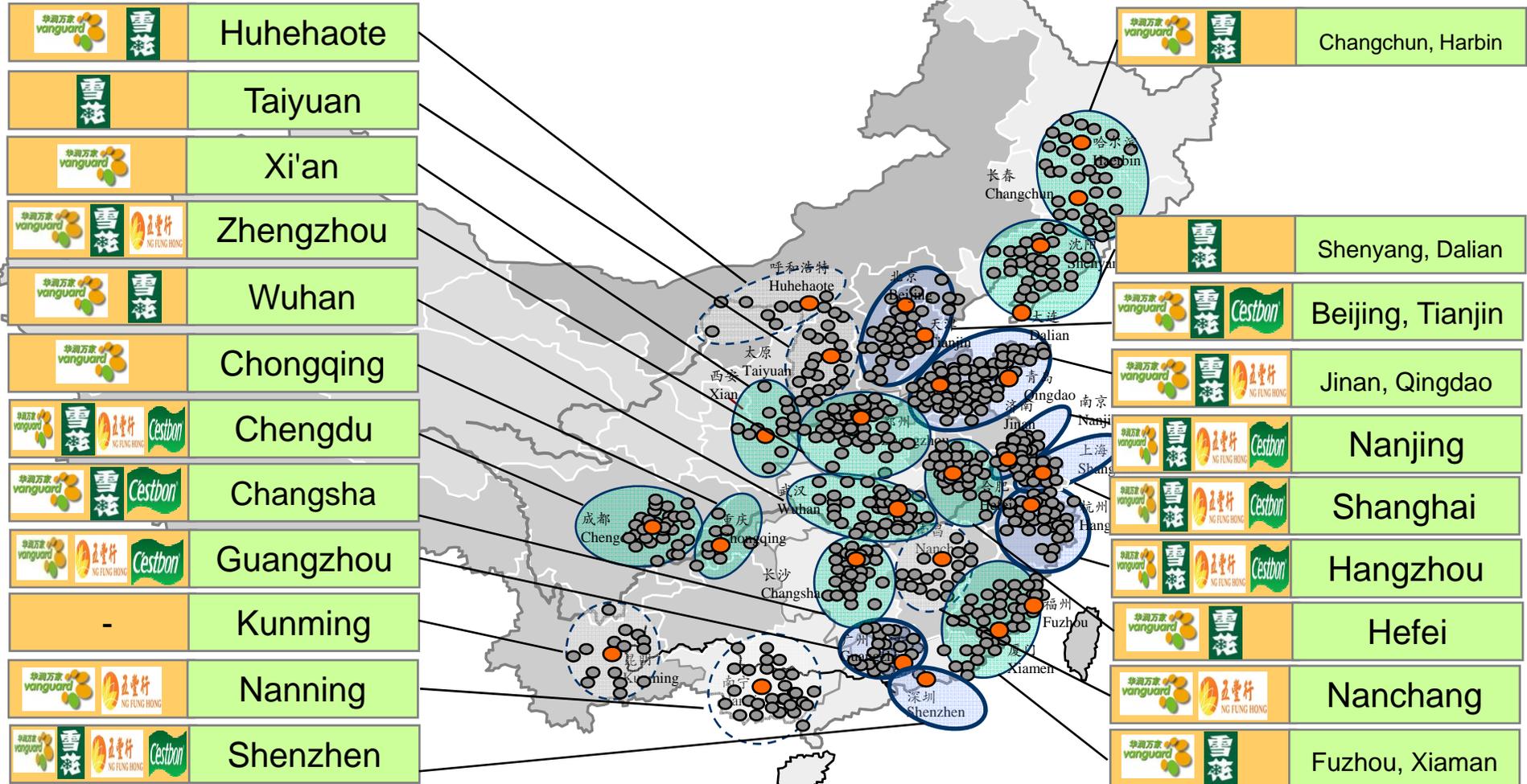
# Appendix V – Better position for CRE

Notation:  
Expected cluster size:



## ■ 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.



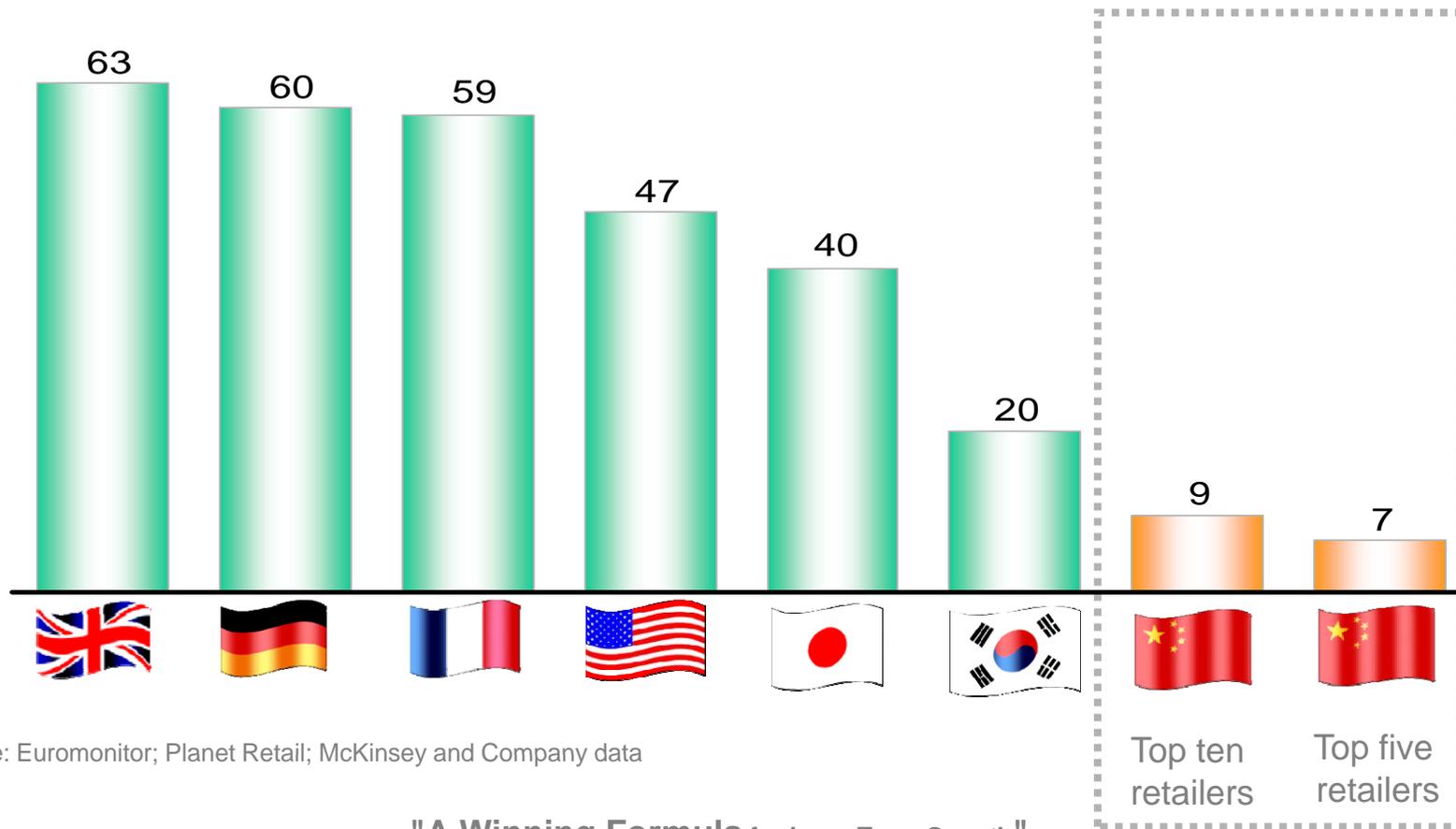
Source: McKinsey and Company data

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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:

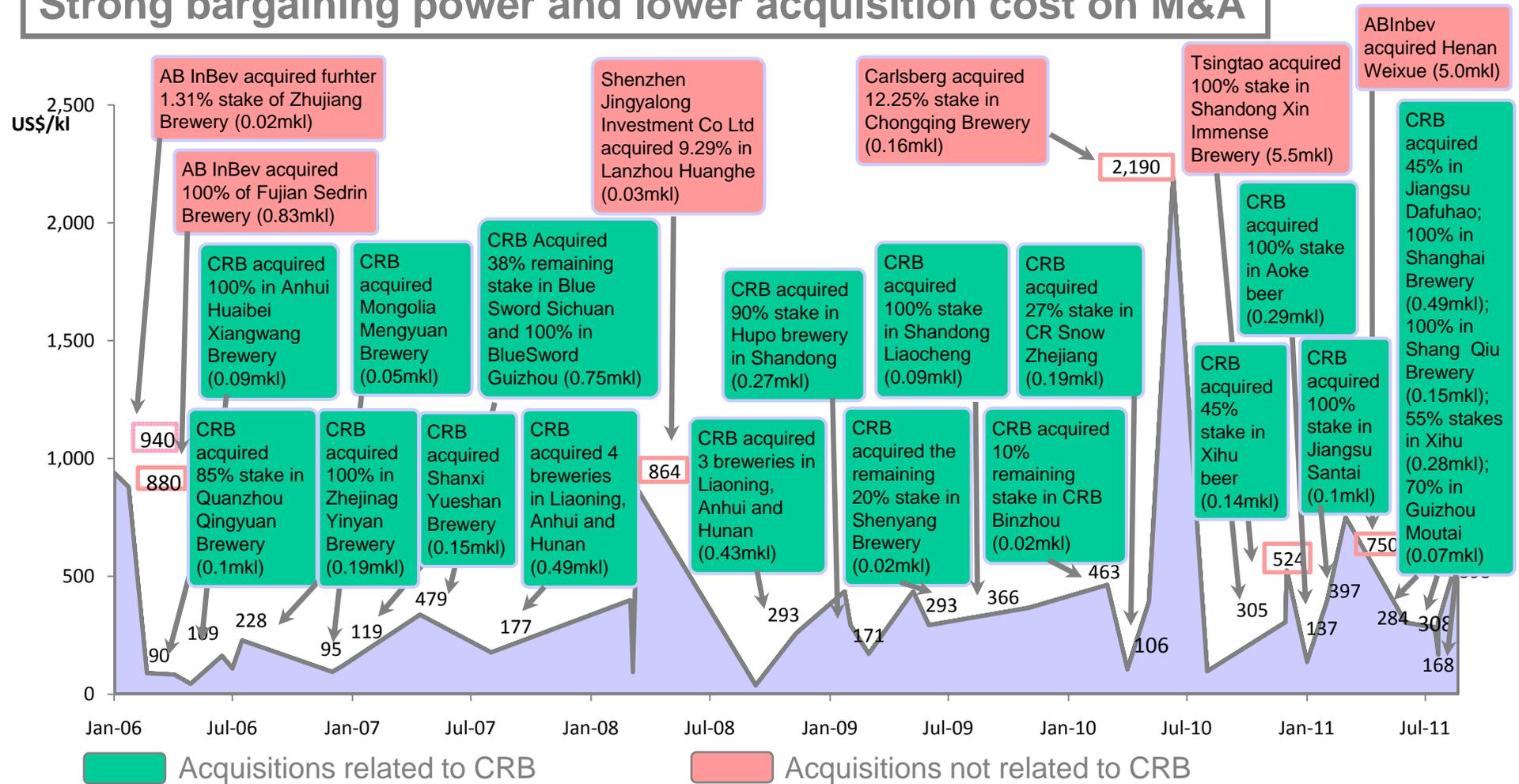


Source: Euromonitor; Planet Retail; McKinsey and Company data

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# Appendix VII – Historical major M&As in beer business

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

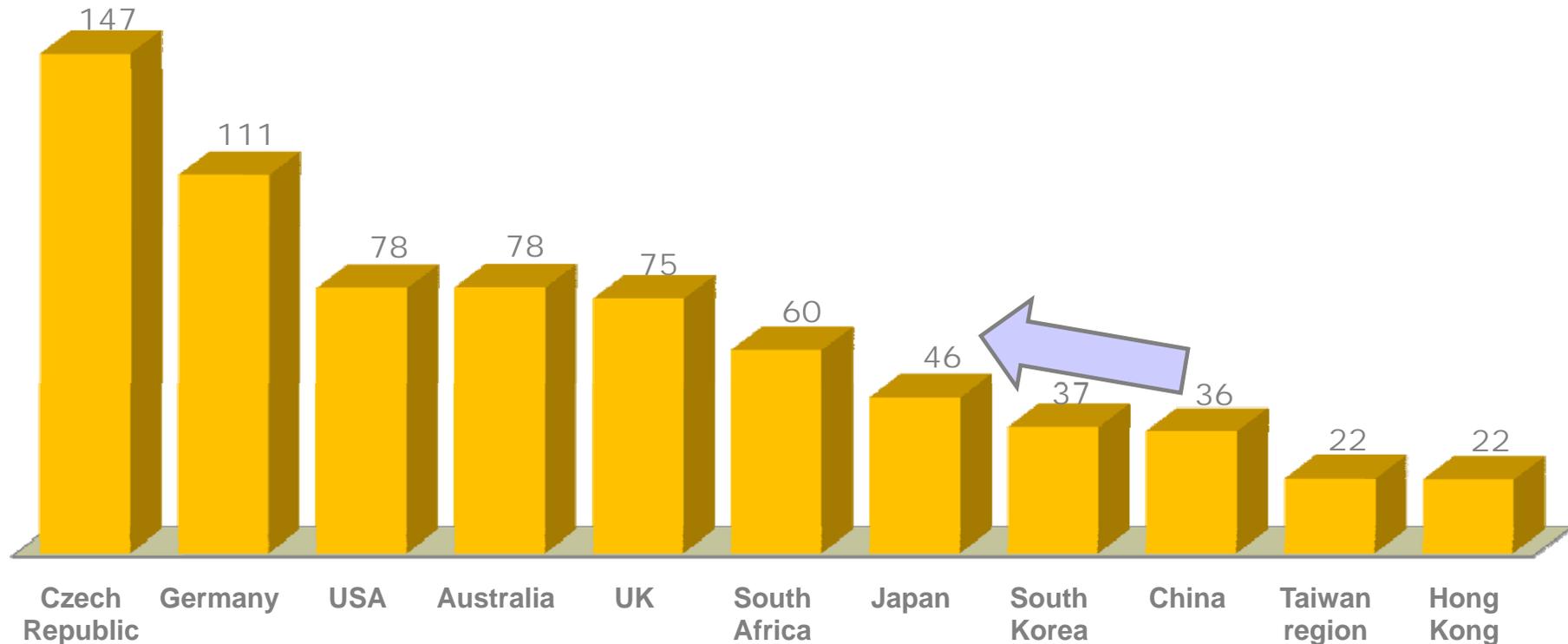


Source: Deutsche bank and Company data

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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>
2009-2011	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](http://www.cre.com.hk), for further details of awards received prior to 2009.

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