



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**

**Q1 2012**

16 May 2012



## Results Summary

### ▪ Winning formula for long-term growth

	Q1 2012	Q1 2011 (restated)	change
	HK\$m	HK\$m	
Turnover	33,348	26,671	+25%
Earnings	1,327	857	+55%
Underlying net profit	560	660	-15%
EPS (HK¢) – Basic	55	36	+53%
EBITDA	2,613	2,013	+30%
ROE (%)	3.4	2.6	+31%
Net cash	831	2,864	-71%



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## Turnover Breakdown - by Divisions

	Q1 2012 HK\$m	Prop	Q1 2011 HK\$m	Prop	change
<b><u>Core businesses</u></b>					
Retail	24,150	72%	19,019	71%	+27%
Beer	5,778	17%	4,902	19%	+18%
Food	2,580	8%	2,262	8%	+14%
Beverage	929	3%	567	2%	+64%
	<b>33,437</b>	<b>100%</b>	<b>26,750</b>	<b>100%</b>	<b>+25%</b>
Less: inter-co transactions	(89)		(79)		
<b>Turnover – total</b>	<b>33,348</b>		<b>26,671</b>		<b>+25%</b>



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## Underlying Net Profit Breakdown - by Divisions

	Q1 2012	Prop	Q1 2011	Prop	change
	HK\$m		(restated) HK\$m		
<b><u>Core businesses</u></b>					
Retail	560	95%	532	79%	+5%
Beer	(33)	(6%)	20	3%	-265%
Food	57	10%	114	17%	-50%
Beverage	6	1%	10	1%	-40%
	590	100%	676	100%	-13%
Net corporate int. & expenses*	(30)		(16)		
<b>Total – Core businesses</b>	<b>560</b>		<b>660</b>		<b>-15%</b>
<b><u>Adjustment</u></b>					
Investment property revaluation	767		197		+289%
<b>Earnings - total</b>	<b>1,327</b>		<b>857</b>		<b>+55%</b>



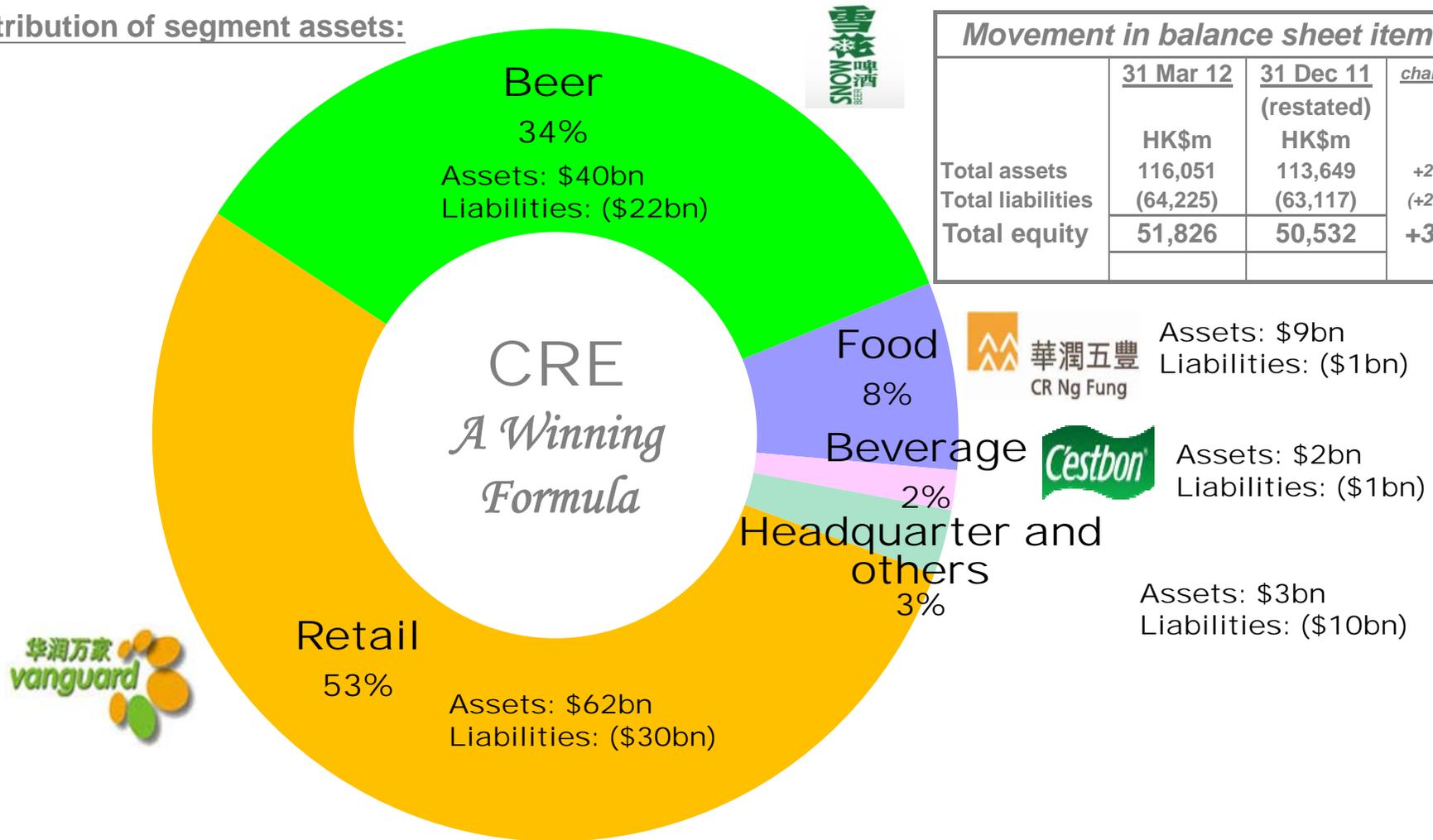
\* Interest income exceeded interest expense.

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# Segment assets

- Unique with four consumer businesses complementing each other

Distribution of segment assets:

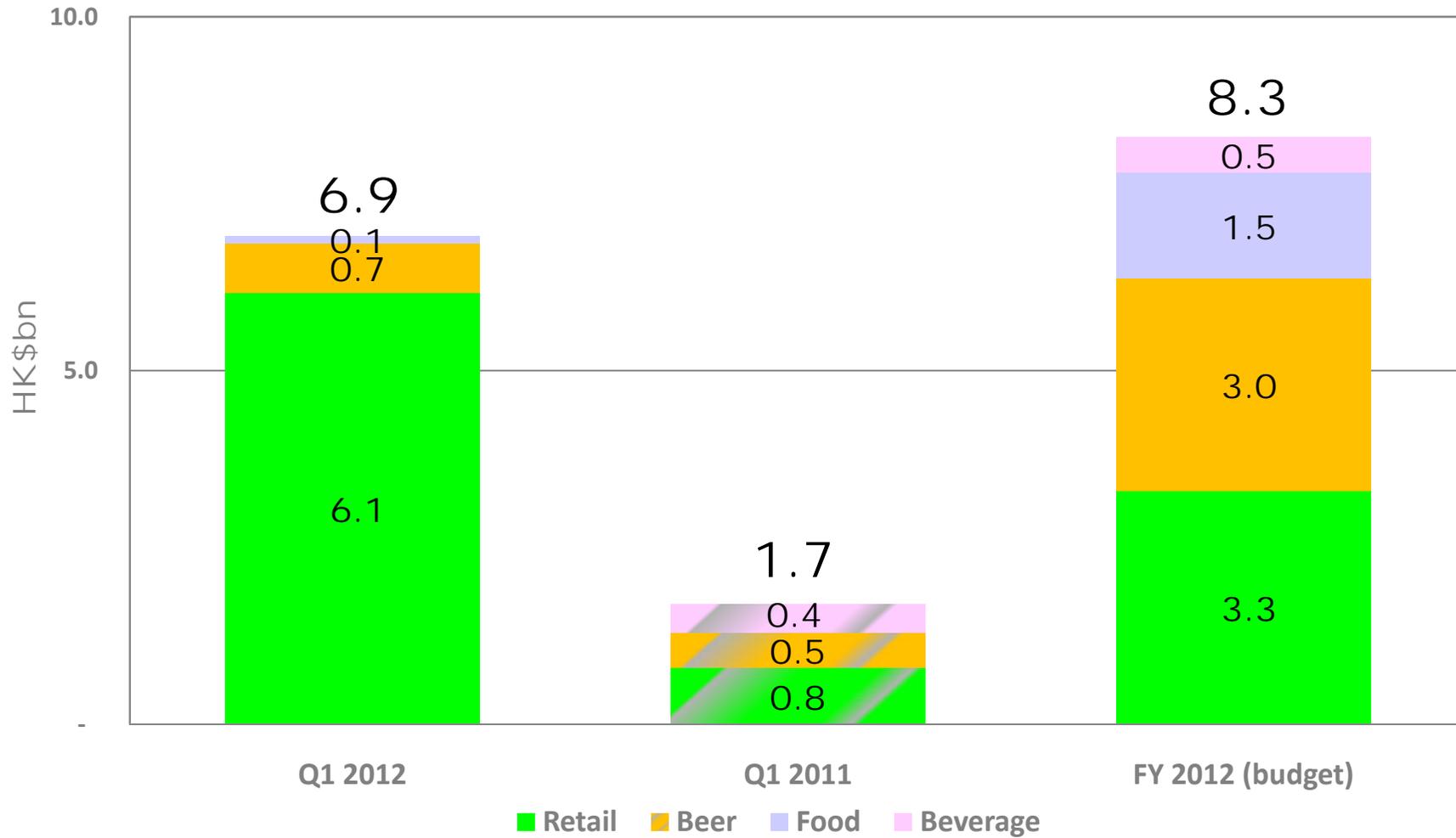


	<u>31 Mar 12</u>	<u>31 Dec 11</u> (restated)	<i>change</i>
	HK\$m	HK\$m	
Total assets	116,051	113,649	+2%
Total liabilities	(64,225)	(63,117)	(+2%)
Total equity	51,826	50,532	+3%

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# CAPEX

- Grasping opportunities through rapid expansion



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



- Growth through: Solidifying market leader position

	Q1 2012 HK\$m	Q1 2011 HK\$m	change
Sales volume (million KL)	1.98	1.91	+4%
Turnover	5,778	4,902	+18%
EBITDA	378	480	-21%
Earnings (after 49% share to SABMiller)	(33)	20	-265%
EBITDA margin (%)	6.5	9.8	-34%
Net margin (%) (after MI)	(0.6)	0.4	-250%

The profitability was mainly affected by unfavorable weather condition in Yantze and other regions as well as absorption of operating costs pressure.



Mainstream

Approximate retail selling price: RMB3

Sales volume contribution: >65%



Mid-end

RMB5



Premium

RMB8



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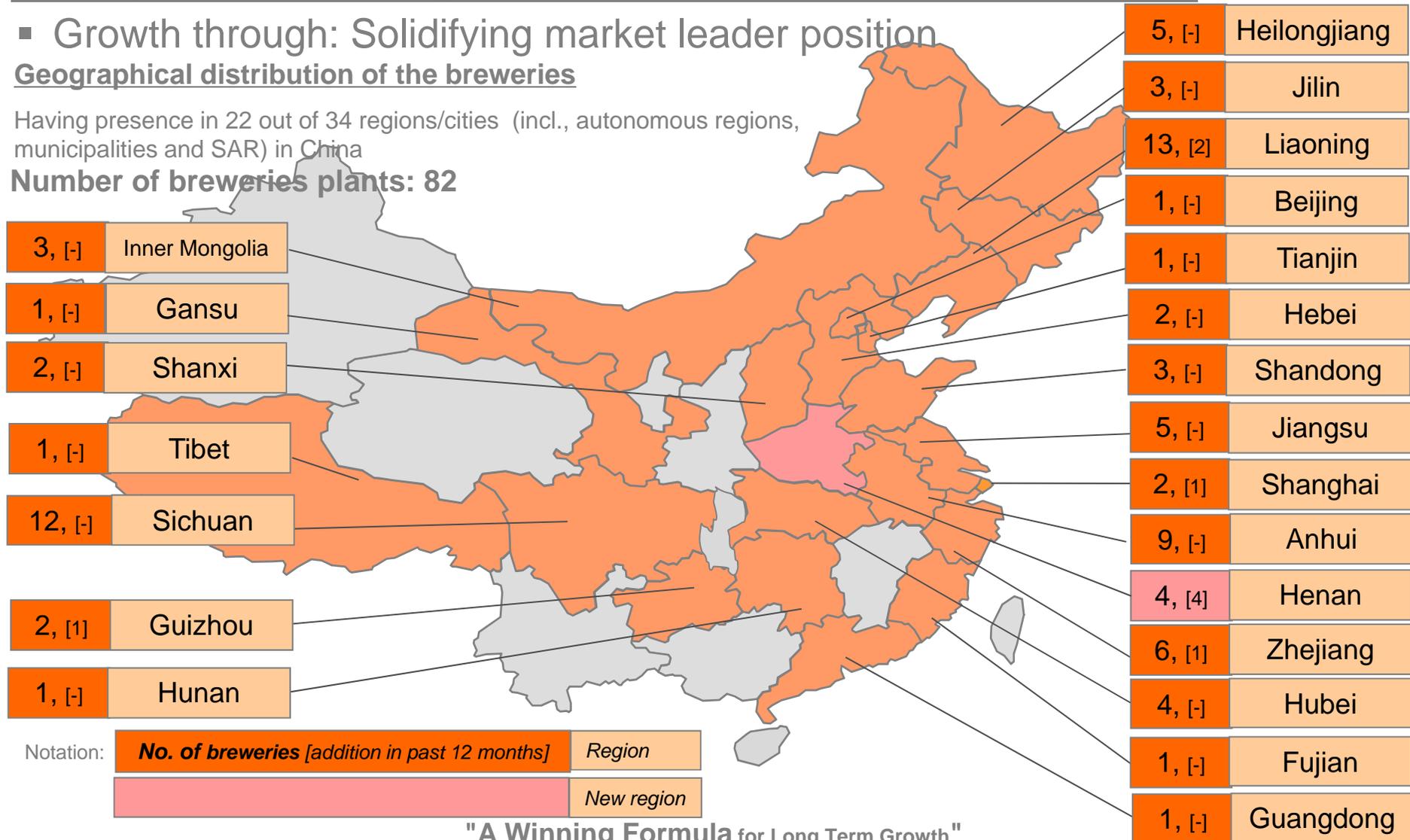
# Beer (No.1 brand by volume in the world since 2008)

- 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**



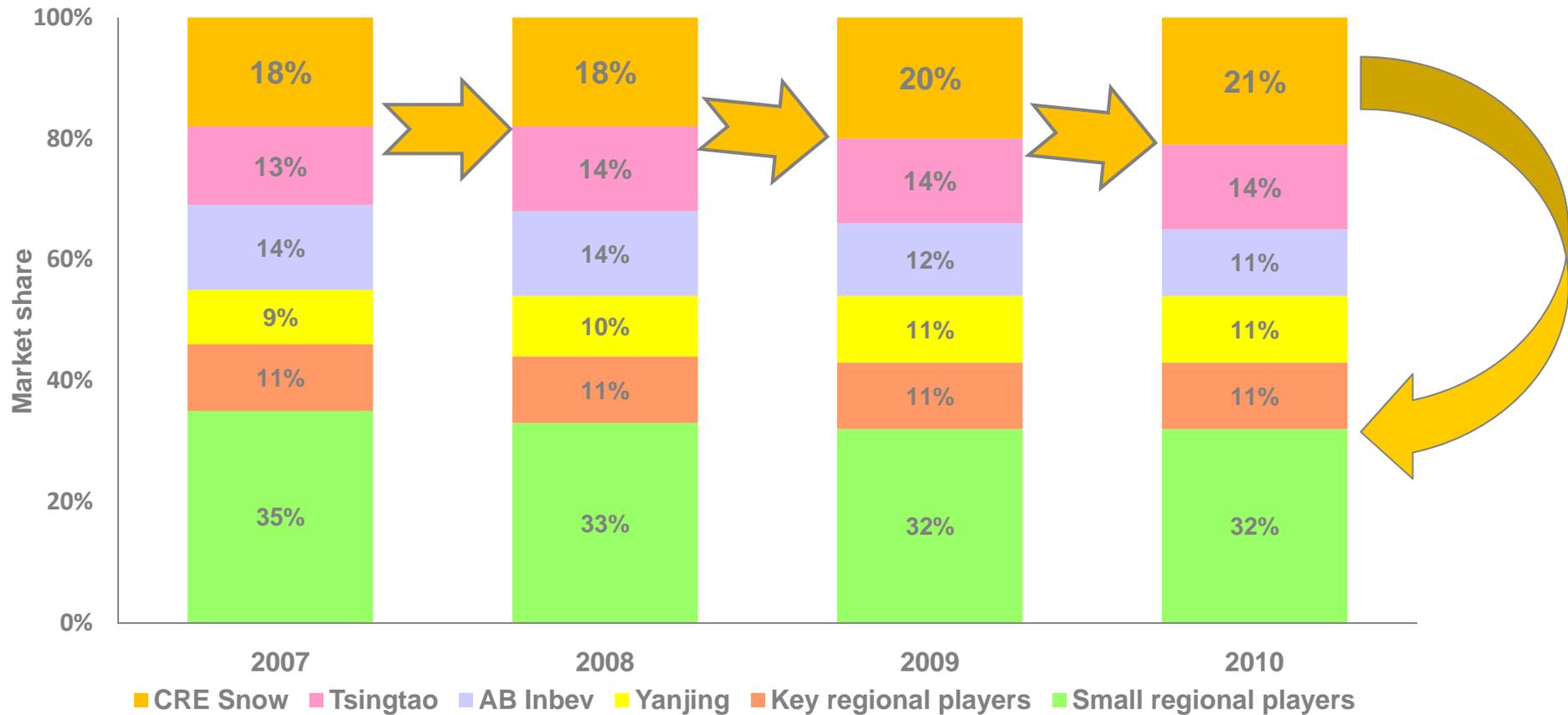
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## Beer (No.1 brand by volume in the world since 2008)



- Total market share of top 4 players was 57% in 2010, of which Snow has 21%

### Beer market share of key players

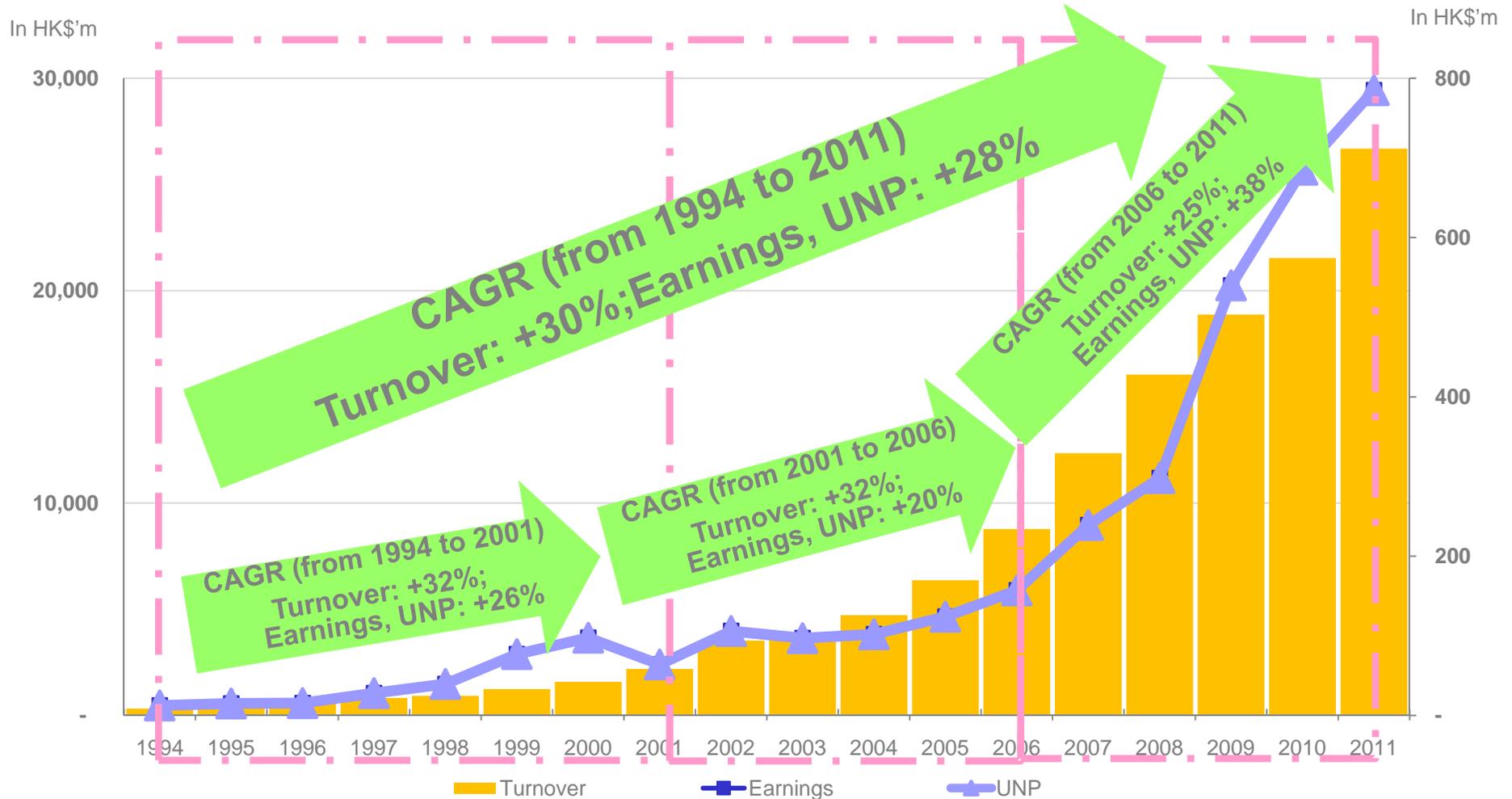


Source: State Statistical Bureau and CR Snow "A Winning Formula for Long Term Growth"

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



- Strong robust growth in both turnover and profitability



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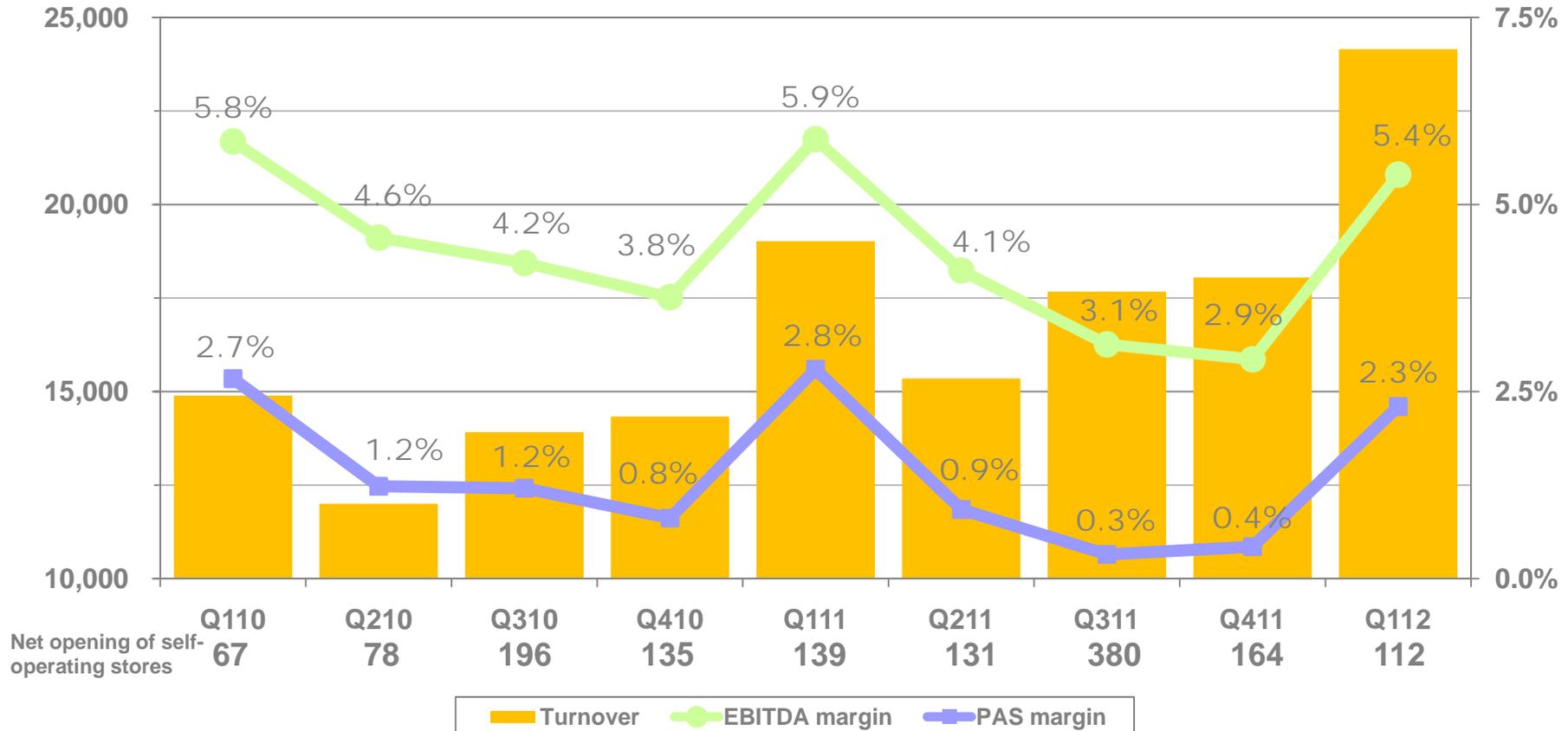


# Retail

- Growth through: Multi-format with regional leadership

*Margin in Q112 was still under pressure.*

Margin 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

Having presence in 24 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China

*Northern areas*

**2 (2) [-]** Inner Mongolia

**4 (4) [2]** Ningxia

**46 (36) [11]** Shaanxi

**6 (6) [1]** Gansu

**1 (1) [-]** Qinghai

**18 (9) [1]** Henan

**44 (3) [39]** Hubei

*Southern areas*

**7 (1) [5]** Chongqing

**3 (2) [3]** Hunan

*Northern areas*

**4 (4) [-]** Jilin

**17 (13) [7]** Liaoning

**127 (22) [37]** Beijing

**315 (22) [27]** Tianjin

**8 (8) [2]** Hebei

*Eastern areas*

**35 (3) [24]** Shandong

**1,827 (212) [239]** Jiangsu

**25 (-) [17]** Shanghai

**459 (57) [104]** Anhui

**106 (45) [27]** Zhejiang

**27 (22) [27]** Jiangxi

*Southern areas*

**594 (59) [108]** Guangdong

**376 (-) [49]** Hong Kong

**6 (-) [3]** Macau

**3 (3) [1]** Guangxi

### Movement in retail shop number:

	Self-operated	Franchised	Total
31 Mar 11	2,439	893	3,332
Opening	887	71	958
Closing	(122)	(120)	(242)
Acquired	22	-	22
31 Mar 12	3,226	844	4,070*

\*Of which, 10 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

	Q1 2012 HK\$m	Q1 2011 HK\$m	change
Turnover	2,580	2,262	+14%
Underlying EBITDA	152	217	-30%
Underlying net profit	57	114	-50%
Underlying EBITDA margin (%)	5.9	9.6	-39%
Underlying net profit margin (%)	2.2	5.0	-56%

*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

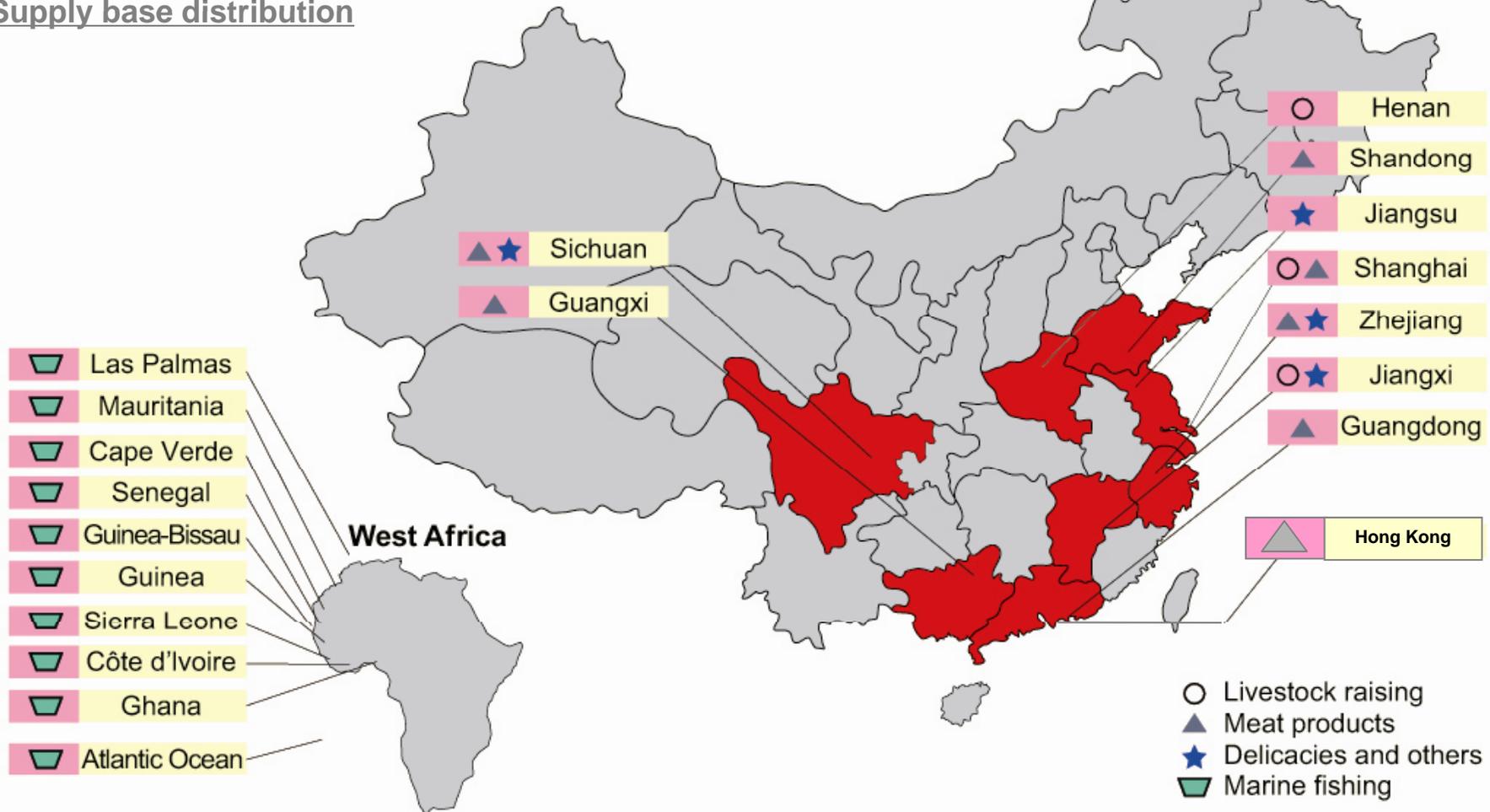


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# Food

- Growth through: Quality premium products

## Supply base distribution



Source: Company data

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# Beverage



- Growth through: strong partnership with Kirin

	Q1 2012 HK\$m	Q1 2011 HK\$m	change
Sales volume (million KL)	0.68	0.52	+31%
Turnover	929	567	+64%
EBITDA	36	21	+71%
Earnings (after 40% share to Kirin since Aug 2011)	6	10	-40%
EBITDA margin (%)	3.9	3.7	+5%
Net margin (%) (after MI)	0.6	1.8	-67%

*Improvement in turnover was mainly supported by the increase in sales volume. Profitability was mainly affected by the surge in raw material cost and initial start up expenses and the merging of operation from the formation of JV 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 sold
- high technology on manufacture of beverage products



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# Beverage

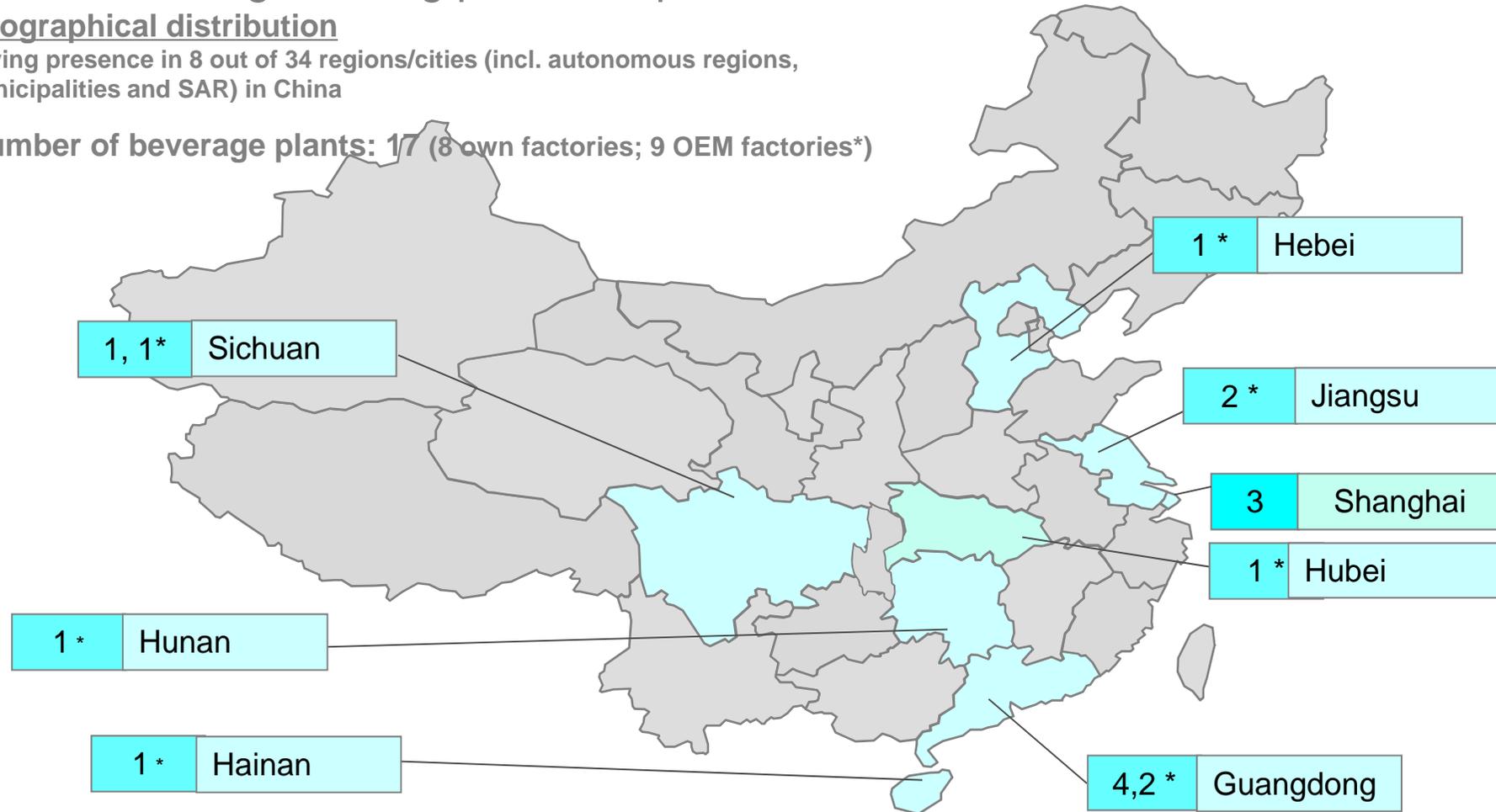


- Growth through: strong partnership with Kirin

## Geographical distribution

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

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



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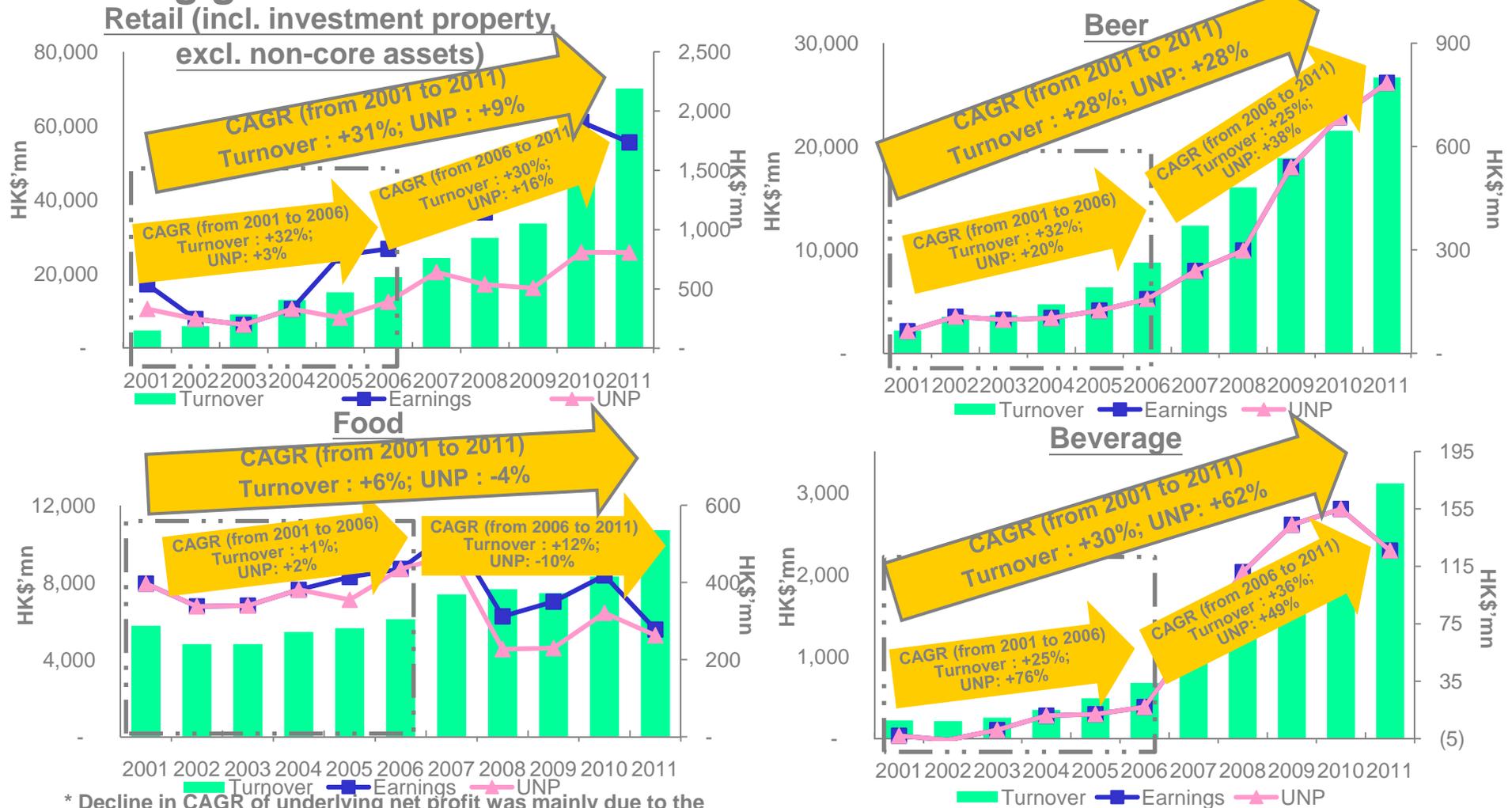
# Appendix I – Details of Retail formats

Format	Major brands	Average areas (sq.m)	31 Mar 12				31 Dec 11		31 Mar 11	
			% of turnover	App. Average GP margin	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised
I. Hypermarket		over 5,000	app.81%	19%	534	16	493	16	457	25
II. Standard supermarket		500 - 800	app.10%	21%	1,206	768	1,177	782	1,064	829
III. Convenience stores		30 - 120	app.3%	21%	954	43	925	39	663	30
IV. Ole', blt		4,000	app.2%	more than 25%	27	-	27	-	22	-
V. Pacific coffee		120	less than 1%	more than 50%	164	17	158	16	101	9
VI. CAC and CR Care		various	app.2%	more than 30%	133	-	129	-	101	-
VII. Health and beauty stores		200	app.1%	more than 30%	179	-	176	-	5	-
VIII. Wine cellar and others		200	less than 2%	Various	29	-	29	-	18	-
Total					3,226	844	3,114	853	2,431	893
					4,070		3,967		3,324	

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## Appendix II – Historical track record of CRE

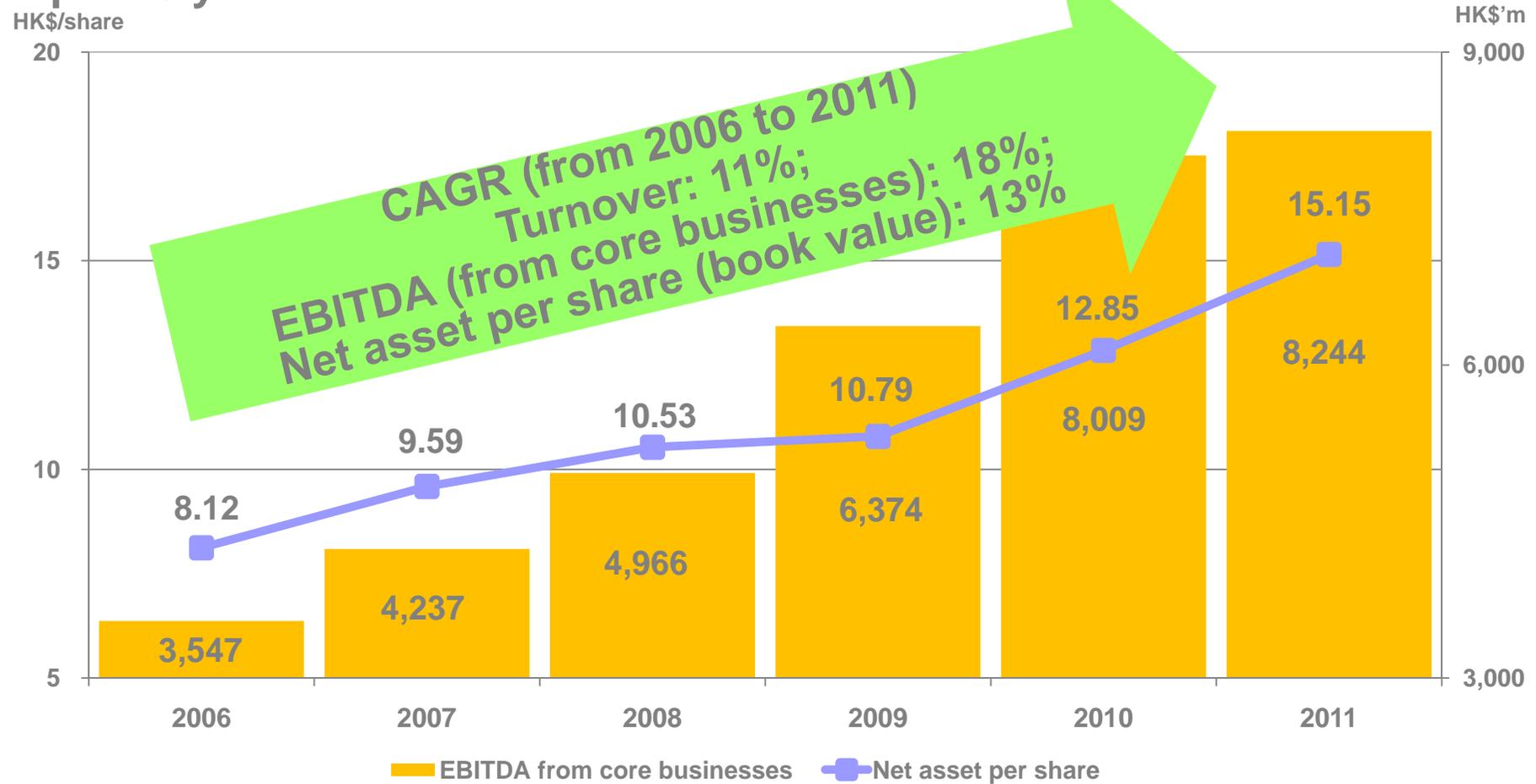
### Strong growth momentum in each of core businesses



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## Appendix III – Historical operating summary

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

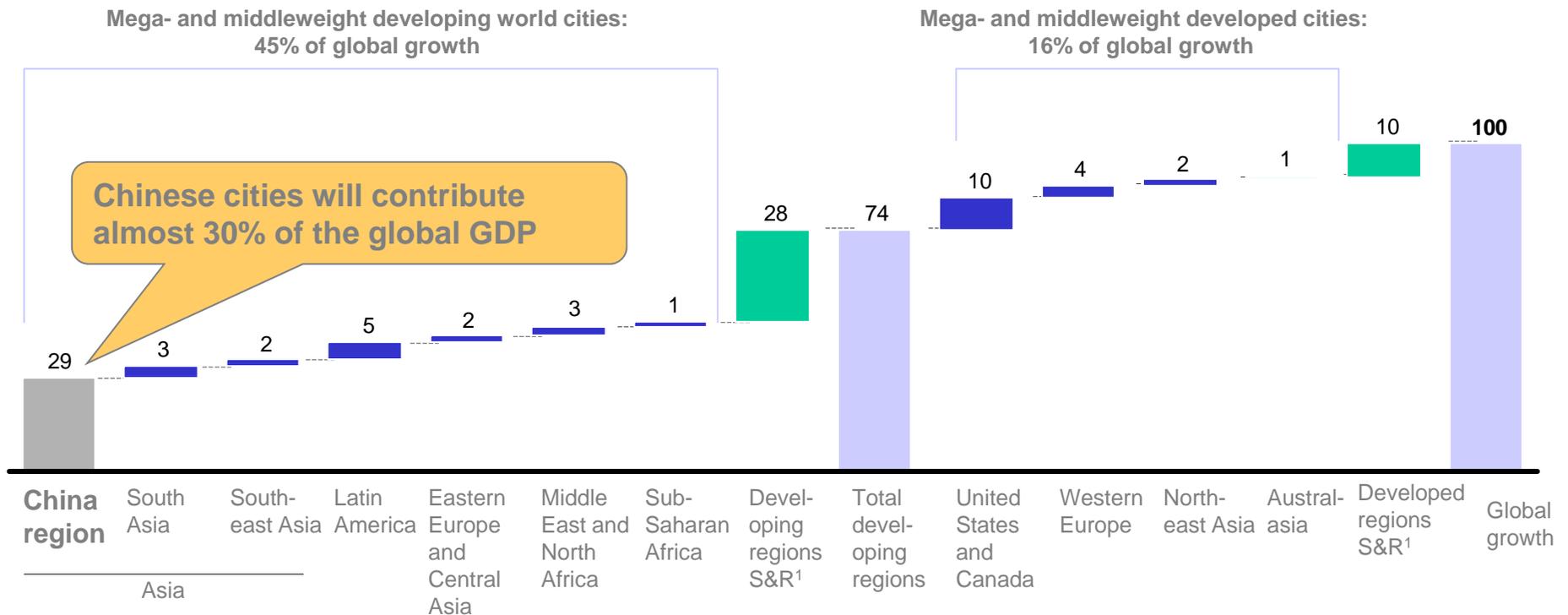


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## Appendix IV – Strong growth in China

### ■ 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.



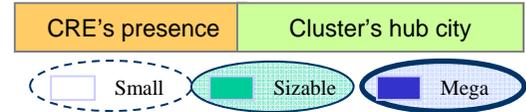
1 S&R = small cities and rural areas.

Source: McKinsey

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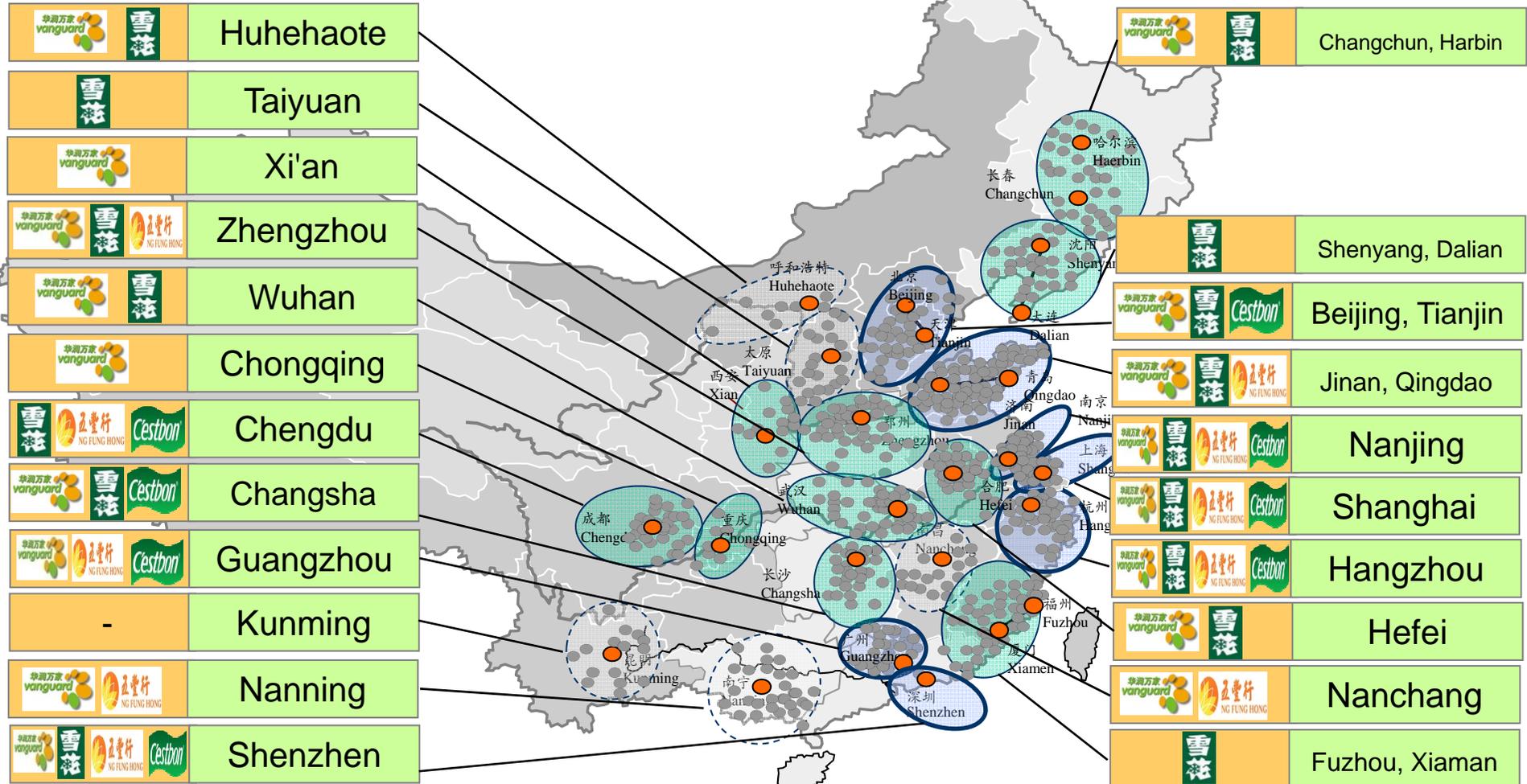
# Appendix V – Better position for CRE

Notation:  
Expected cluster size:



## ■ 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.



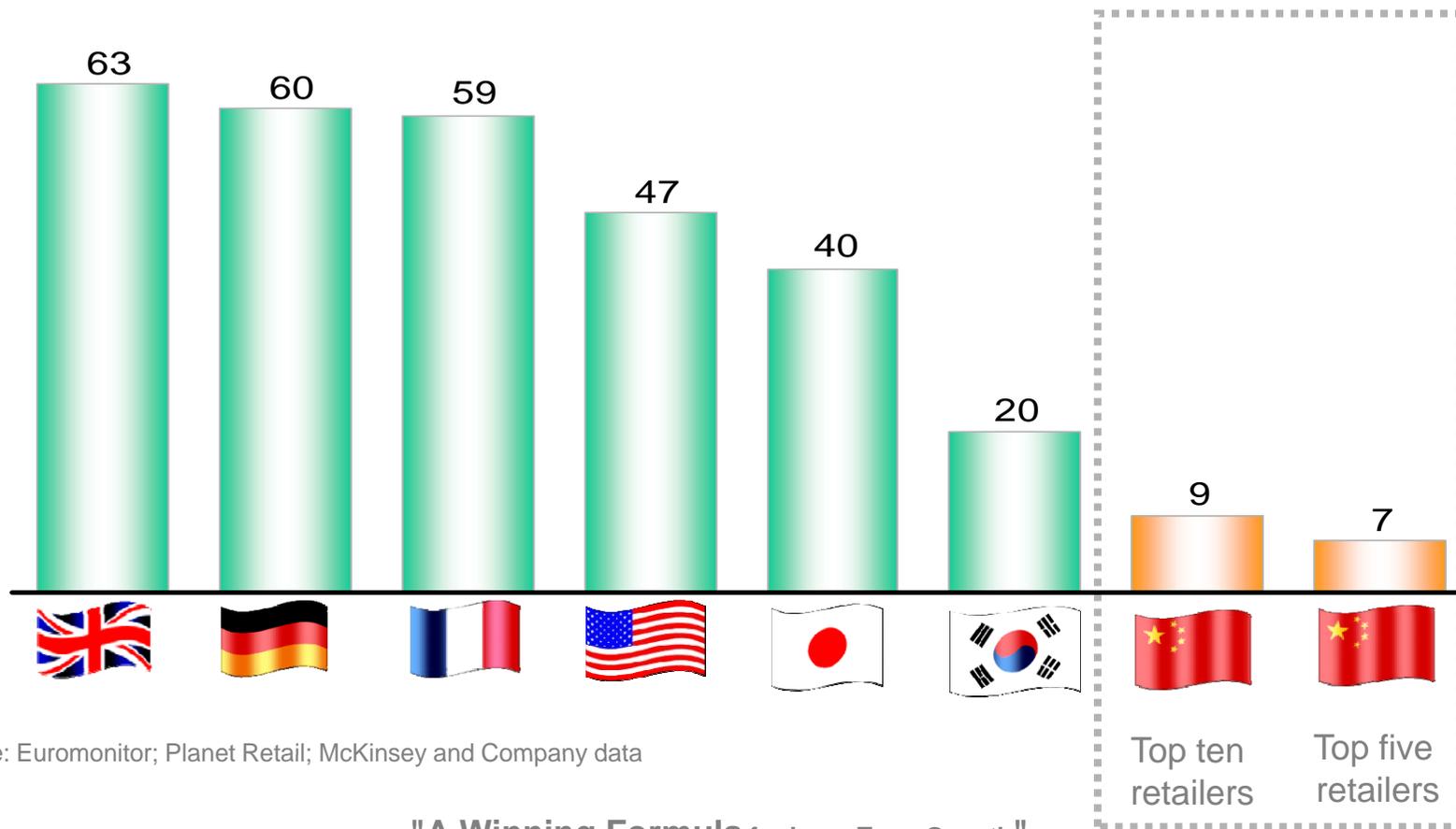
Source: McKinsey and Company data

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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:

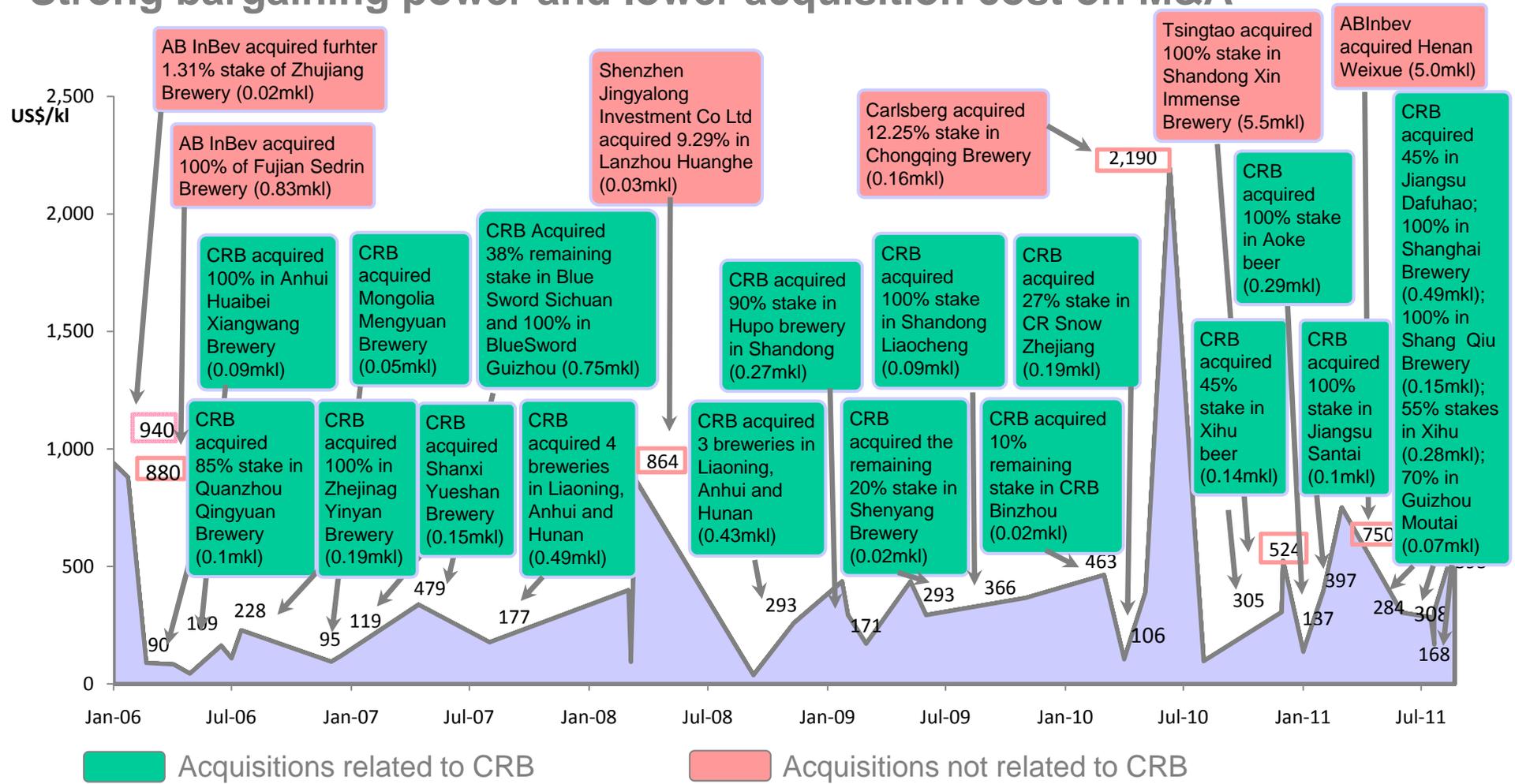


Source: Euromonitor; Planet Retail; McKinsey and Company data

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

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

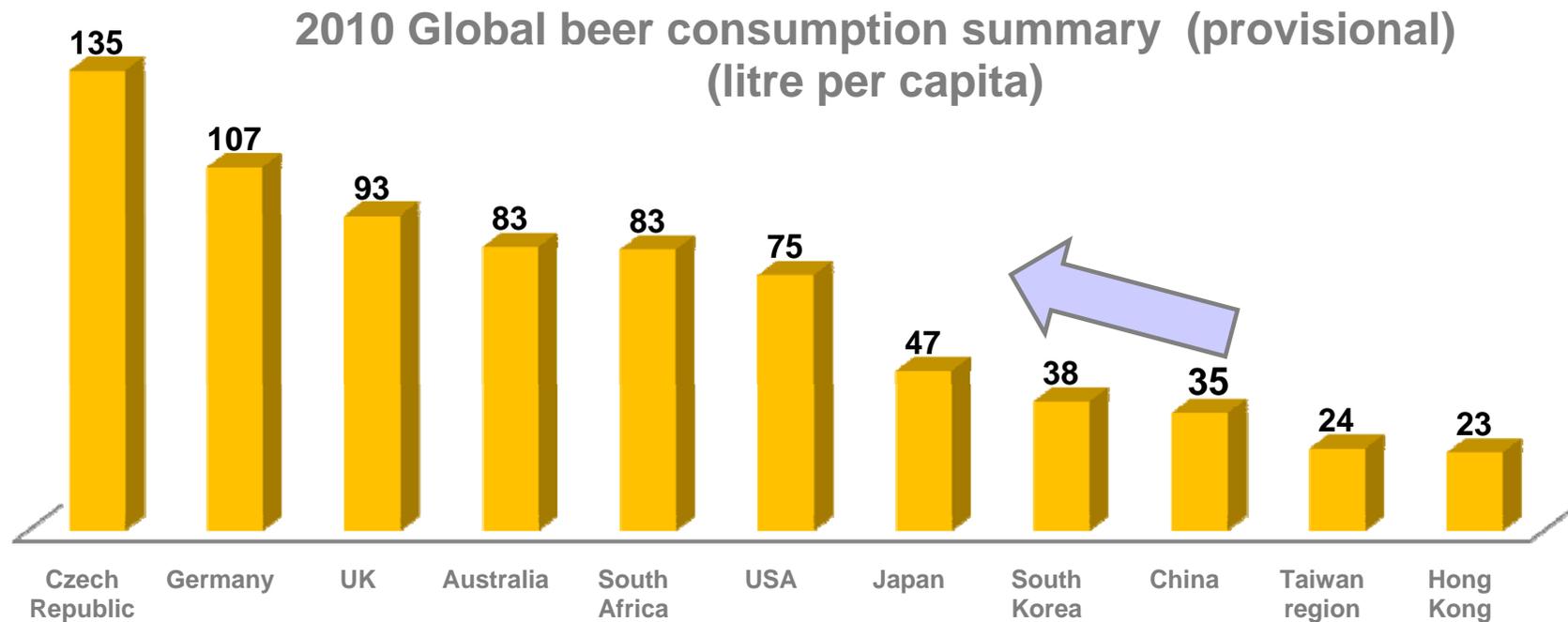


Source: Deutsche bank and Company data

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## Appendix VIII – Global beer consumption summary

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



Source: Canadean

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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- 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- 2011	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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## Appendix IX – CRE awards (Cont'd)

### ■ Highlights of accolades received

- |            |   |
|------------|---|
| 2010- 2011 | Received awards for cover photo/design in the categories of food distributors, processors & wholesalers, manufacturing & Distributing and Multi-Industry – Products & Services in International Annual Report Competition Awards from <i>MerComm, Inc.</i>  |
| 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 <i>Hong Kong Institute of Directors</i>   |
| 2010       | Selected as one of the 13 listed companies receiving "The Excellence of Listed Enterprise Awards 2010" by <i>Capital Weekly</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 <i>Corporate Governance Asia</i>  |
| 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 <i>Asiamoney</i> |
| 2011       | Ranked number 981 in Global 2000 from Forbes  |

## 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 <i>Yazhou Zhoukan</i>
2011	Received "The Largest Capitalization Company Award" in Mainland Enterprises Listed in Hong Kong Ranking 2010 by <i>Yazhou Zhoukan</i>
2011	Awarded as one of the 21 companies receiving the commendation in Corporate Social Responsibility Award 2011 by <i>CAPITAL and Capital Weekly</i>
2011	Ranked number 39 in Fortune China 500
2011	Received the Best Management Team Award in Golden Bauhinia Award by <i>Ta Kung Pao</i>
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 <i>Asiamoney</i>
2012	Received Outstanding Corporate Social Responsibility Award by <i>The Mirror Monthly Magazine</i>
2012	Ranked number 861 in Global 2000 from Forbes

