



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

股份代號 Stock Code: 00291

BRAVING 迎接挑戰 CHALLENGES

Financial and operational review

Q1 2013

16 May 2013

Results Summary

	Q1 2013 HK\$m	Q1 2012 HK\$m	Change
Turnover	36,153	33,348	+8%
EBITDA	1,812	2,613	-31%
Underlying EBITDA*	1,812	1,844	-2%
Earnings	512	1,327	-61%
Underlying net profit*	512	560	-9%
EPS (HK¢) – Basic	21	55	-62%
ROE (%) (based on earnings)	1.2	3.4	-65%
ROE (%) (based on underlying net profit*)	1.2	1.5	-20%
Net cash	4,643	831	+459%

* EBITDA/Earnings from core businesses excluding the after-tax effect of asset revaluation and major disposal of non-core assets/investments



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Turnover Breakdown - by Divisions

	Q1 2013 HK\$m	Prop	Q1 2012 HK\$m	Prop	change
<i>Core businesses</i>					
Retail	25,923	71%	24,150	72%	+7%
Beer	6,548	18%	5,778	17%	+13%
Food	2,433	7%	2,580	8%	-6%
Beverage	1,453	4%	929	3%	+56%
	36,357	100%	33,437	100%	+9%
Less: inter-co transactions	(204)		(89)		
Turnover – total	36,153		33,348		+8%



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Underlying Net Profit Breakdown - by Divisions

	Q1 2013 HK\$m	Prop	Q1 2012 HK\$m	Prop	change
<i>Core businesses</i>					
Retail	525	93%	560	95%	-6%
Beer	(23)	(4%)	(33)	(6%)	+30%
Food	57	10%	57	10%	-
Beverage	8	1%	6	1%	+33%
	567	100%	590	100%	-4%
Net corporate int. & expenses	(55)		(30)		
Underlying Net Profit	512		560		-9%
<i>Adjustment</i>					
Net valuation surplus on investment properties	-		767		-100%
Earnings	512		1,327		-61%

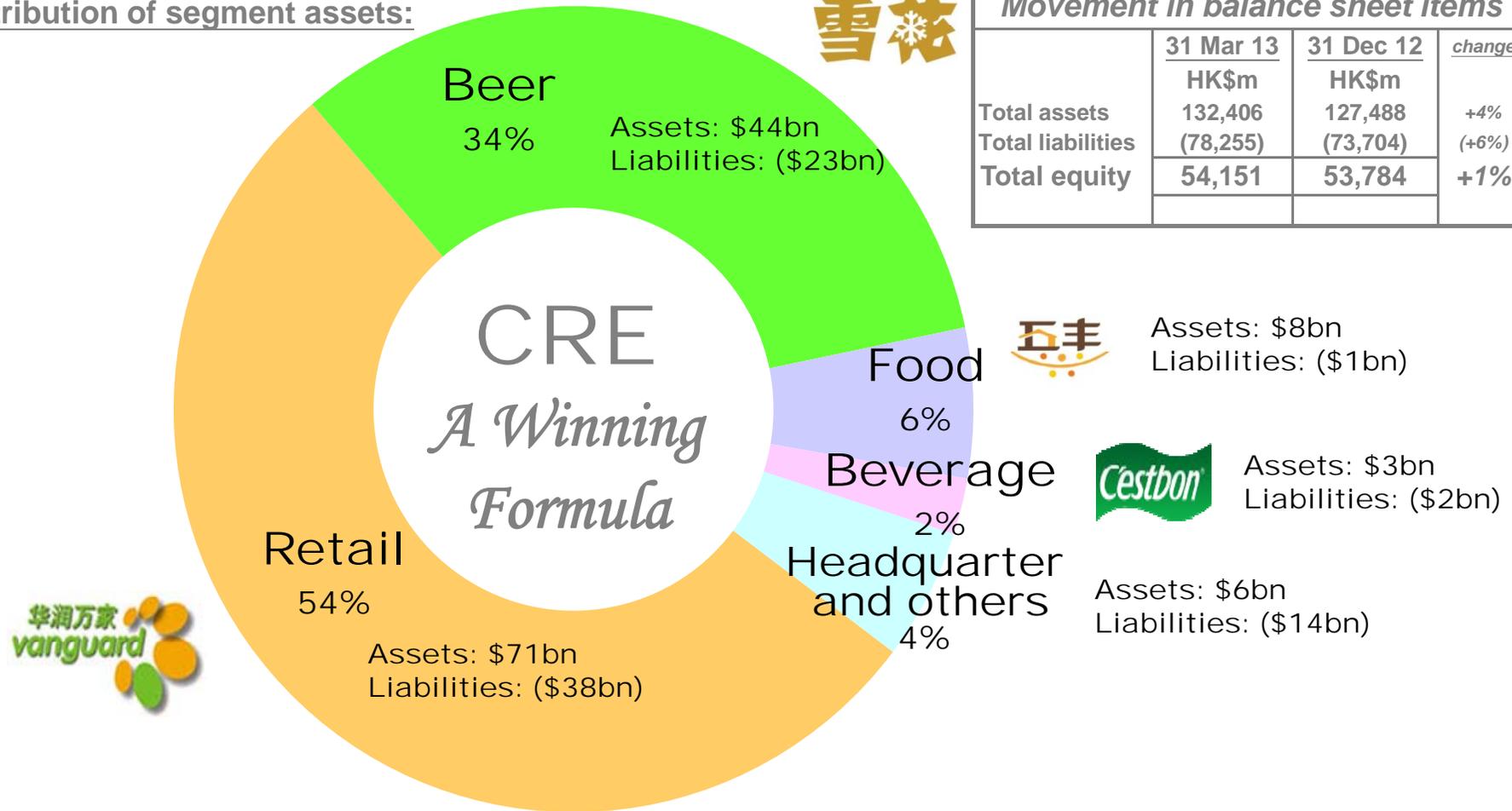


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Segment assets

- Unique with four consumer businesses complementing each other

Distribution of segment assets:



	31 Mar 13	31 Dec 12	change
	HK\$m	HK\$m	
Total assets	132,406	127,488	+4%
Total liabilities	(78,255)	(73,704)	(+6%)
Total equity	54,151	53,784	+1%

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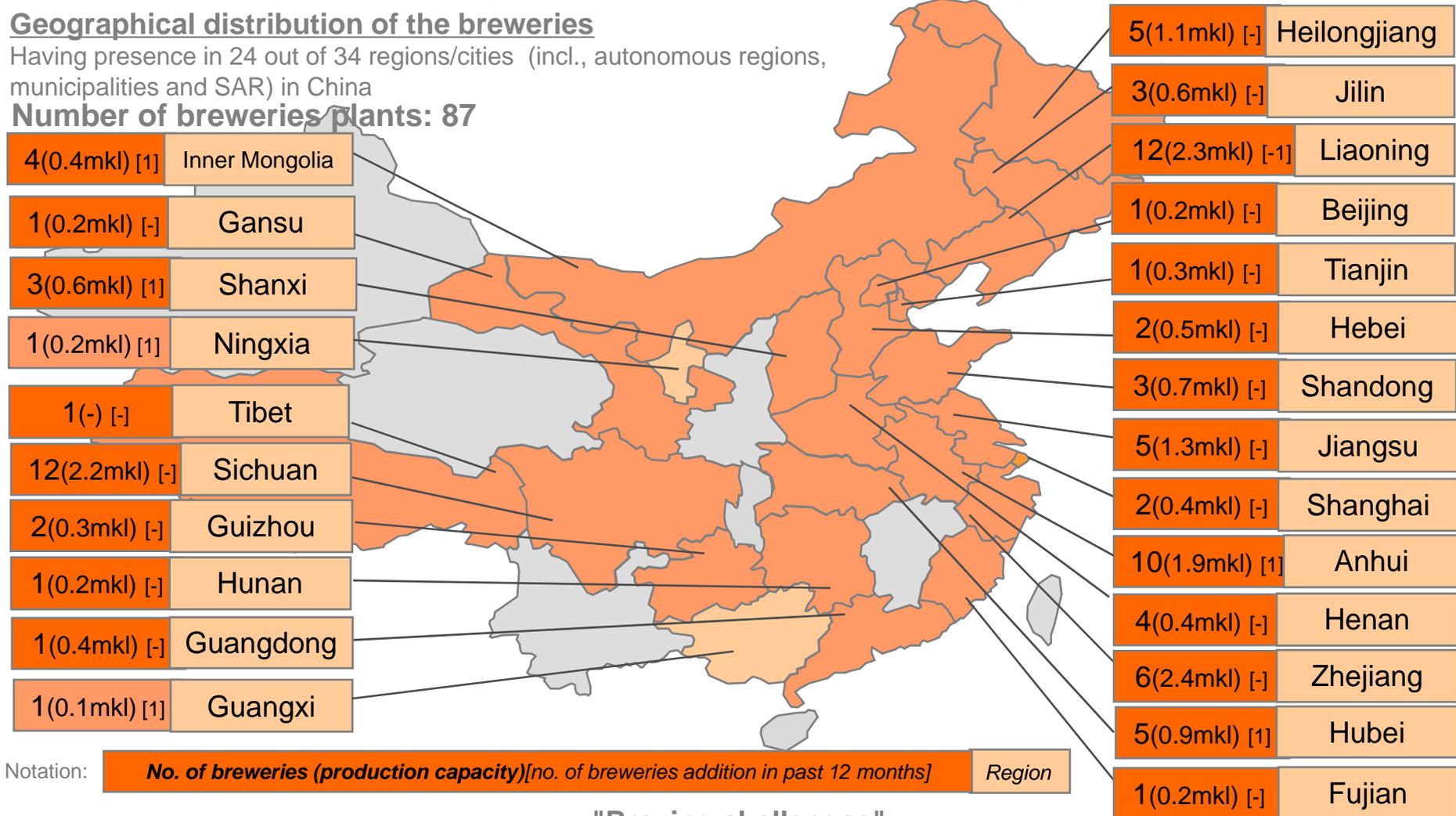
Beer (No.1 brand by volume in the world since 2008) 雪花

- Growth through: Solidifying market leader position and upgrade of product mix

Geographical distribution of the breweries

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

Number of breweries/plants: 87



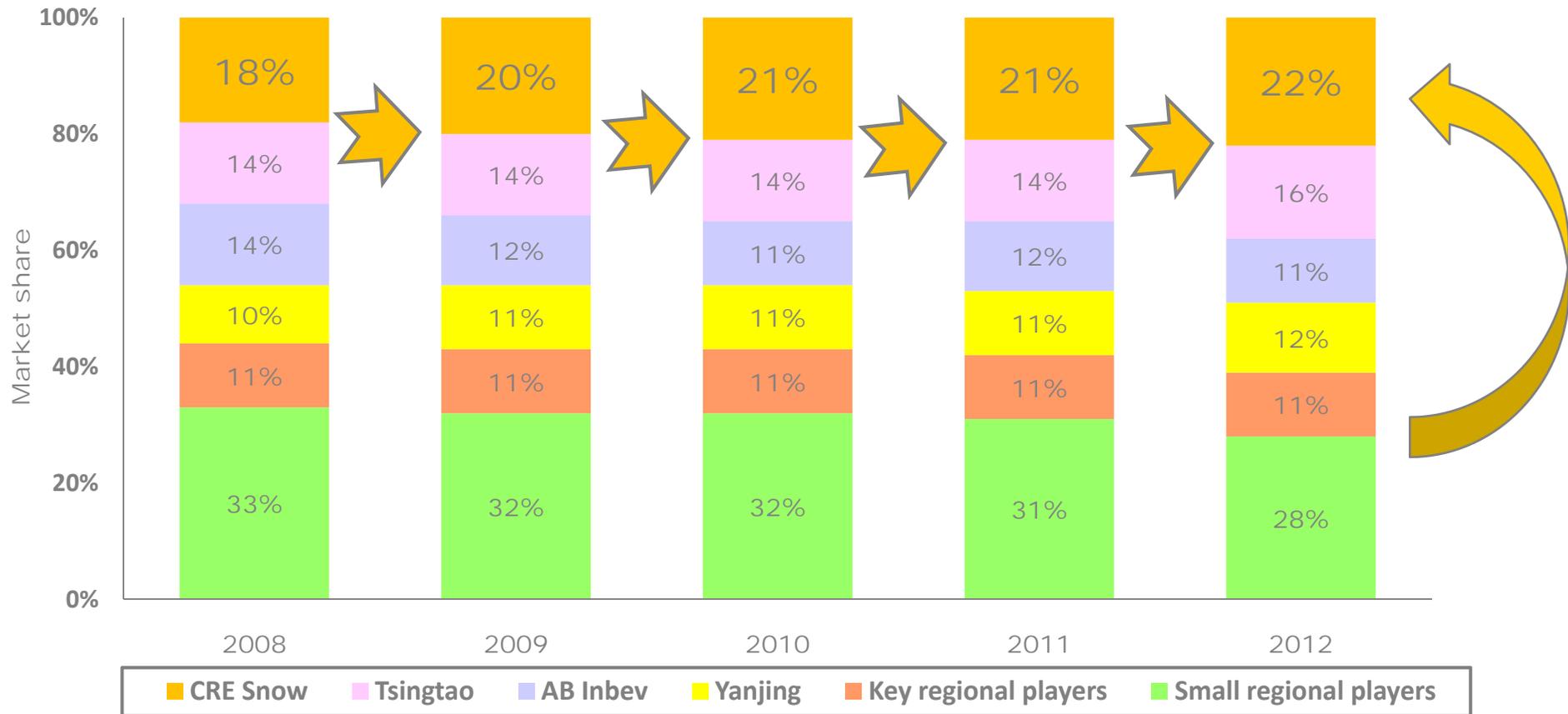
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Beer (No.1 brand by volume in the world since 2008) 雪花

- Growth through: Solidifying market leader position and upgrade of product mix

Distribution of China beer market share:

Total market share of top 4 players was 61% in 2012, of which Snow has 22%.



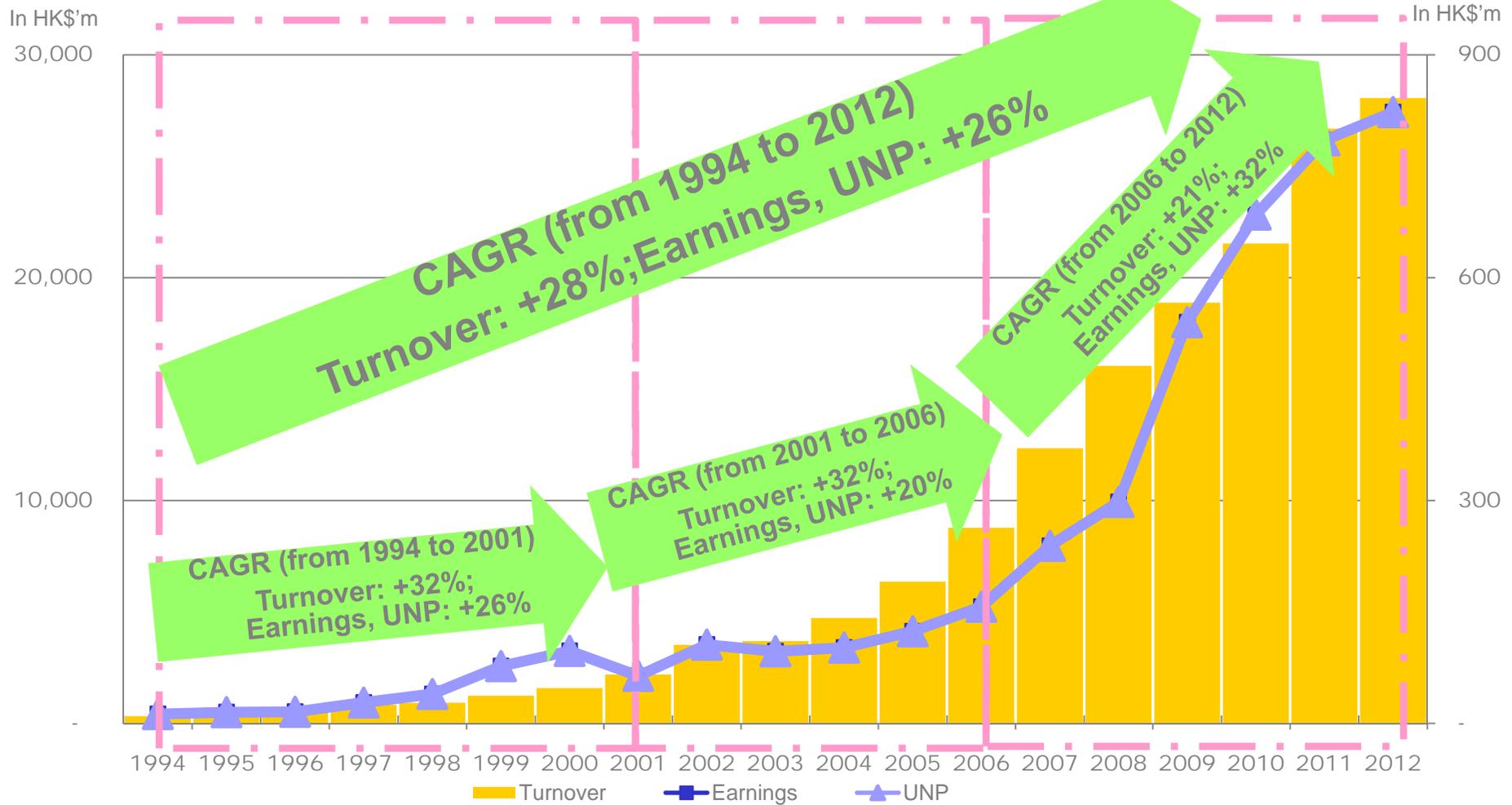
Source: State Statistical Bureau and CR Snow

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



- Strong robust growth in both turnover and profitability



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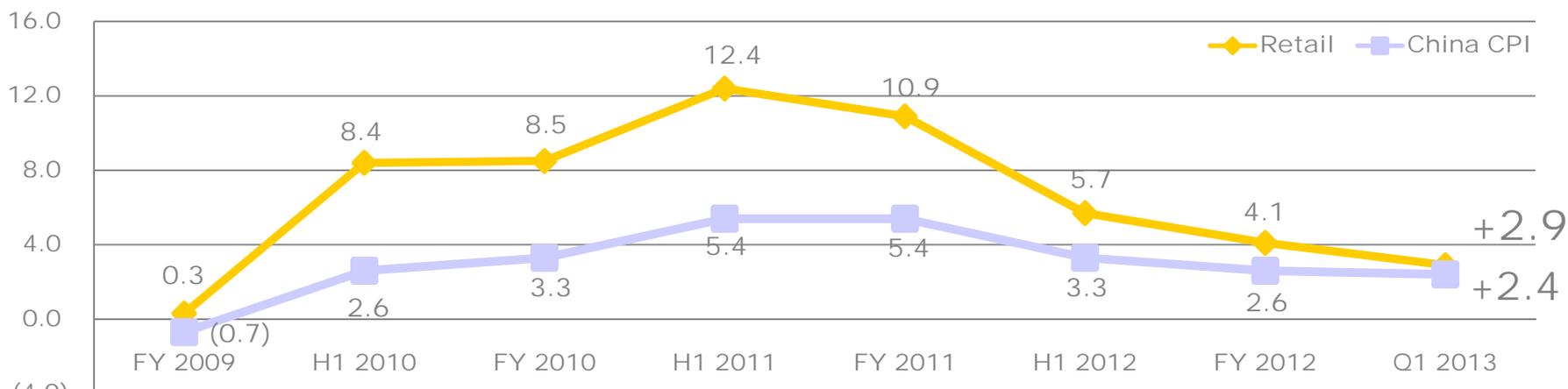


- Growth through: Multi-format with regional leadership

	Q1 2013 HK\$m	Q1 2012 HK\$m	Change
Turnover	25,923	24,150	+7%
Underlying EBITDA #	1,224	1,299	-6%
Underlying net profit #	525	560	-6%
Underlying EBITDA margin (%) #	4.7	5.4	-13%
Underlying net profit margin (%) #	2.0	2.3	-13%

The profitability was mainly affected by the slowdown of China economy and initial expansion in new regions/business.

SSSG of retail business:



excluded the revaluation of investment property

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Notation:

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

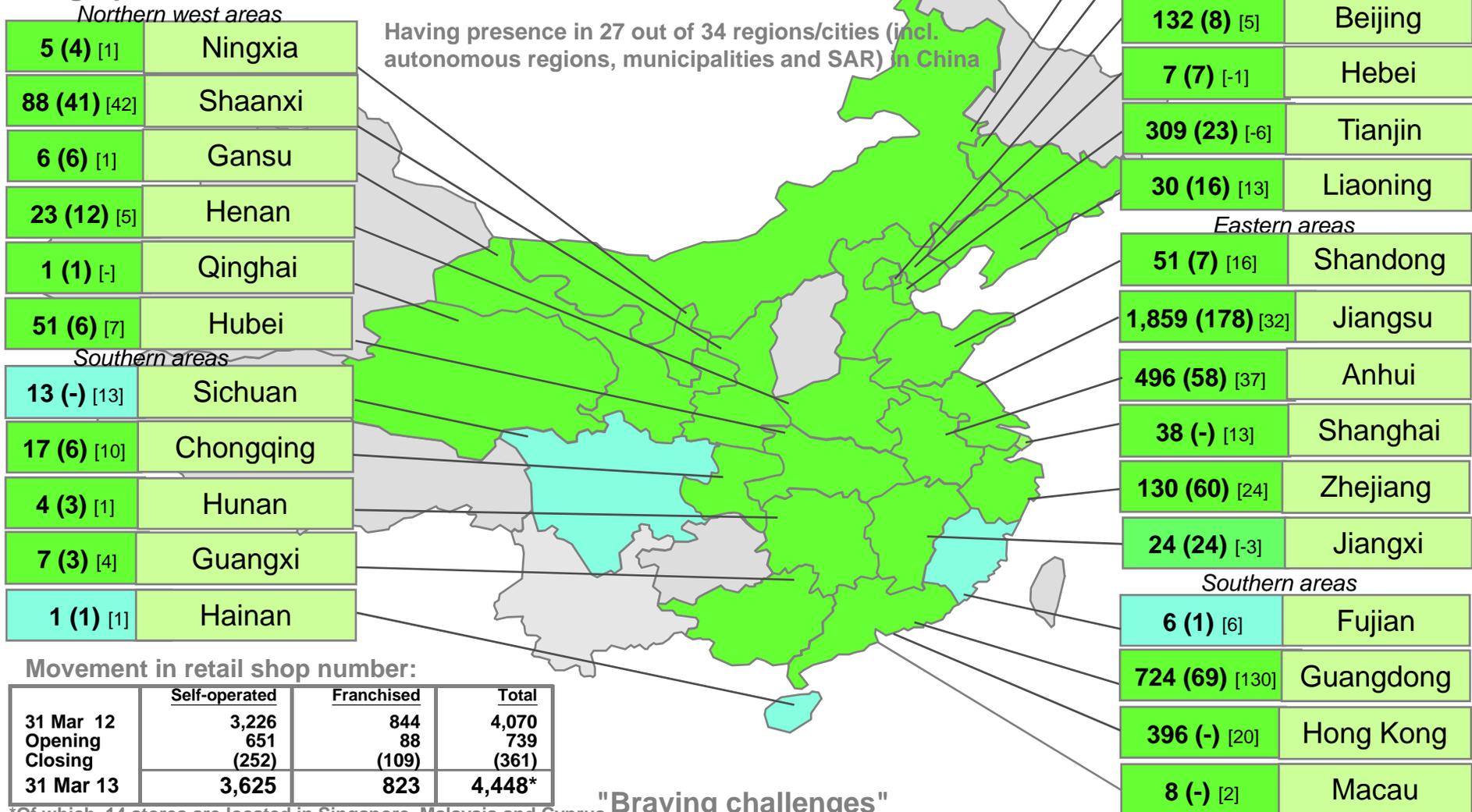
Region

New region

Retail

- Growth through: Multi-format with regional leadership

Geographical distribution of retail network



Movement in retail shop number:

	Self-operated	Franchised	Total
31 Mar 12	3,226	844	4,070
Opening	651	88	739
Closing	(252)	(109)	(361)
31 Mar 13	3,625	823	4,448*

*Of which, 14 stores are located in Singapore, Malaysia and Cyprus.

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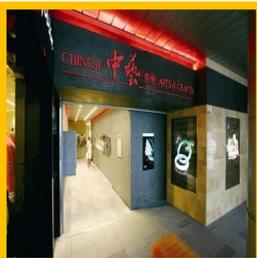
Retail

- Growth through: Multi-format with regional leadership

Business model

Winning market share by

- Multiple-format store approach
- Multiple distribution centres (more than 14 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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Food



- Growth through: Quality premium products

	Q1 2013 HK\$m	Q1 2012 HK\$m	change
Turnover	2,433	2,580	-6%
EBITDA	142	152	-7%
Net profit	57	57	-
EBITDA margin (%)	5.8	5.9	-2%
Net profit margin (%)	2.3	2.2	+5%

The profitability was steady during reorganization of the business.

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 products offered to customers



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- Growth through: Quality premium products
- Supply base distribution



Source: Company data

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Beverage



- Growth through: strong partnership with Kirin

	Q1 2013 HK\$m	Q1 2012 HK\$m	Change
Sales volume (million KL)	0.97	0.68	+43%
Turnover	1,453	929	+56%
EBITDA	42	36	+17%
Earnings (#)	14	11	+27%
EBITDA margin (%)	2.9	3.9	-26%
Net margin (%) (#)	1.0	1.2	-17%

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



(#) Profit attributable to CRE was 60% share of the above earnings since August 2011.

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Beverage

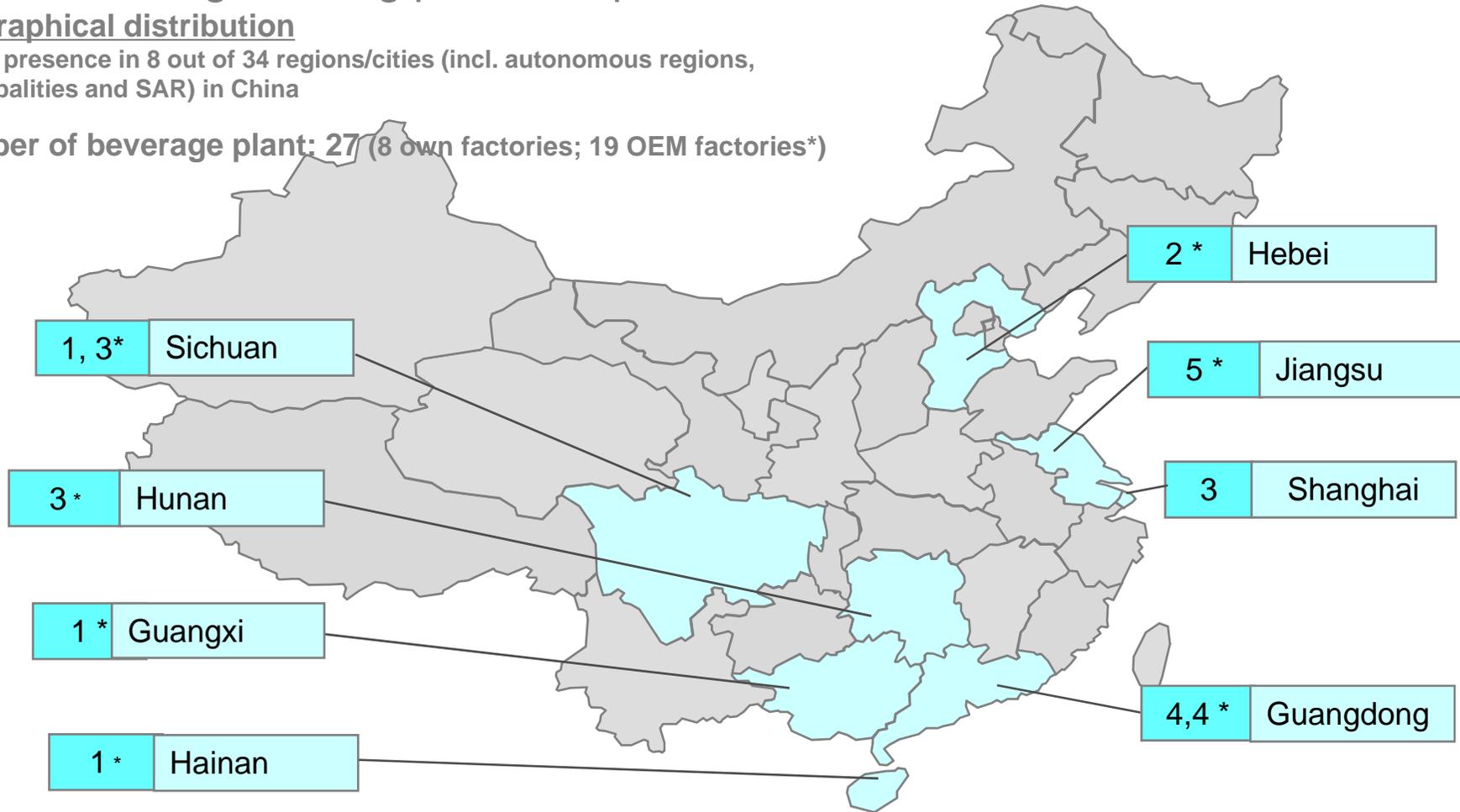


- Growth through: strong partnership with Kirin

Geographical distribution

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

Number of beverage plant: 27 (8 own factories; 19 OEM factories*)



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Appendix I – Details of Retail formats

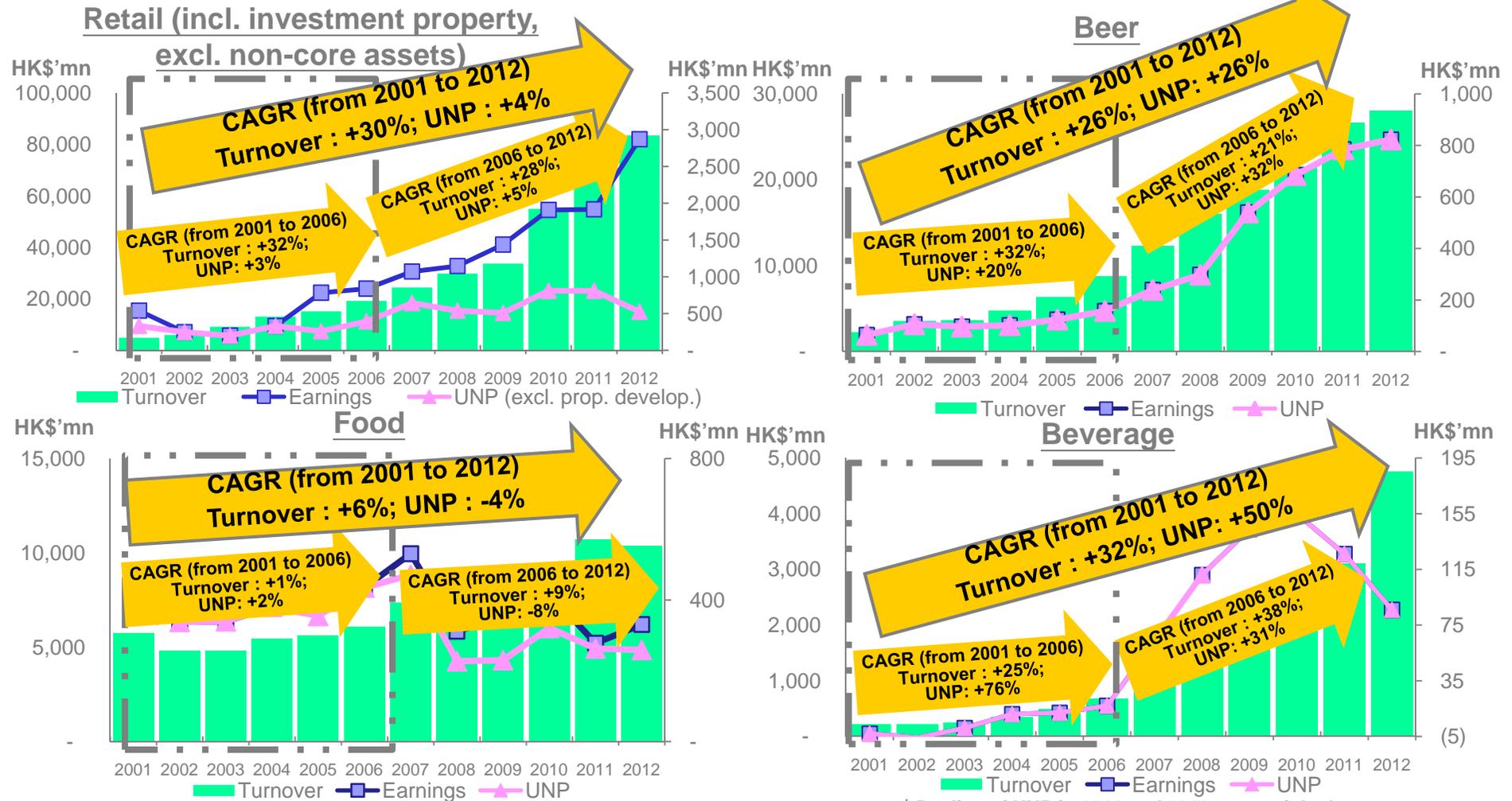
Format	Major brands	Average areas (sq.m)	31 Mar 13				31 Dec 12		31 Mar 12	
			% of turnover	App. Average GP margin	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised
<i>I. Hypermarket</i>		Over 6,000	app.72%	20%	529#	13	571	13	534	16
<i>II. Standard supermarket</i>		500 – 800	app.10%	21%	1,361#	727	1,301	748	1,206	768
<i>III. Convenience stores</i>		30 – 120	App.3%	21%	1,102	56	1,073	52	954	43
<i>IV. Ole', blt</i>		4,000	app.2%	more than 25%	31	-	31	-	27	-
<i>V. Pacific Coffee</i>		120	app.1%	more than 50%	273	27	264	26	164	17
<i>VI. CAC and CR Ca.</i>		various	app.2%	more than 30%	148	-	147	-	133	-
<i>VII. Health and beauty stores</i>		200	-	more than 30%	162	-	169	-	179	-
<i>VIII. Wine cellar and others</i>		200	app. 10%	Various	19	-	17	-	29	-
Total					3,625	823	3,573	839	3,226	844
					4,448		4,412		4,070	

During the period, 46 hypermarkets have been reclassified as standard supermarkets.

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Appendix II – Historical track record of CRE

▪ Strong growth momentum in each businesses

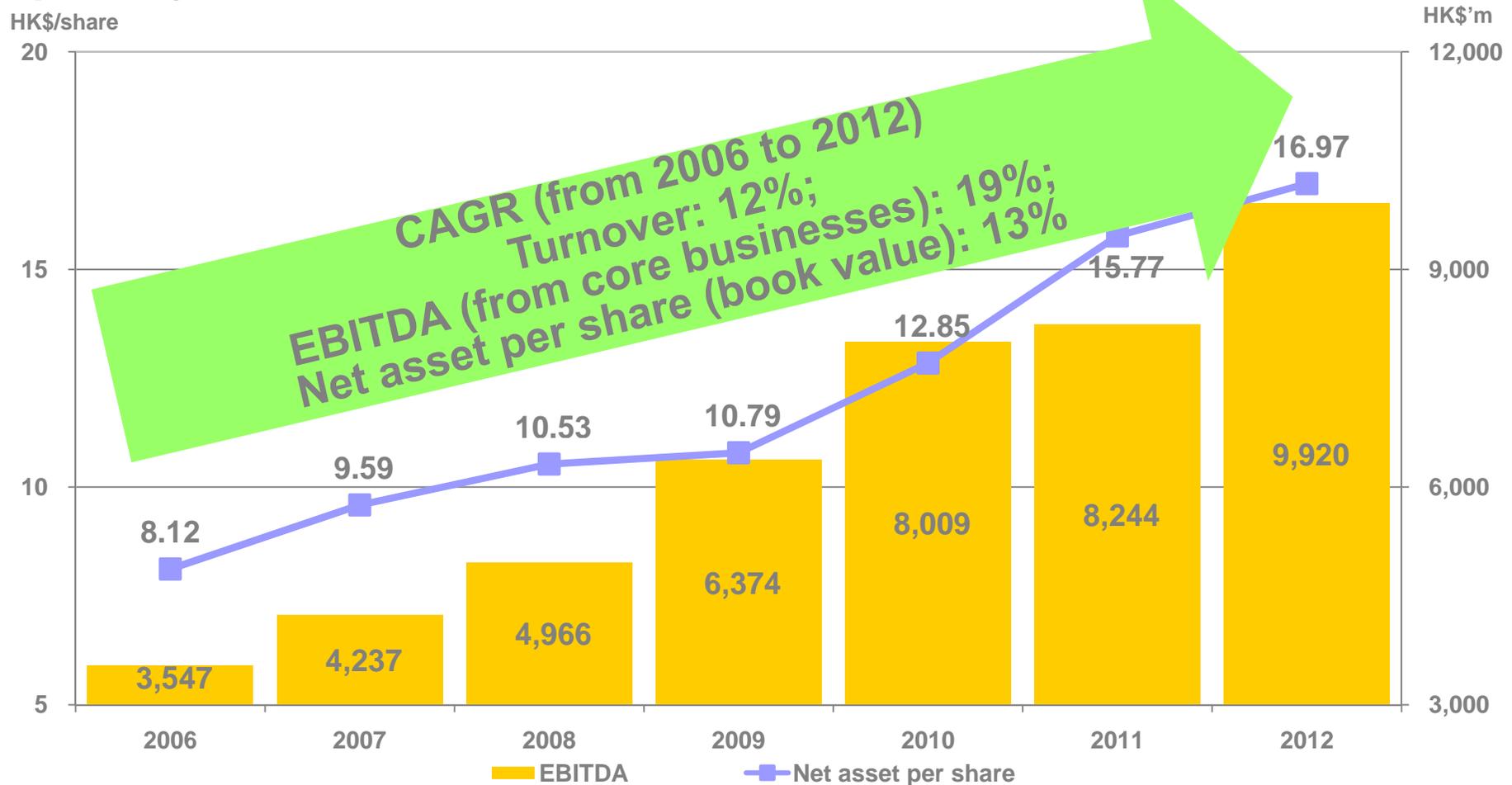


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* Decline of UNP in 2011 and 2012 was mainly due to 40% share to Kirin since August 2011.

Appendix III – Historical operating summary

- Increasing market share and net asset without share dilution in past 7 years

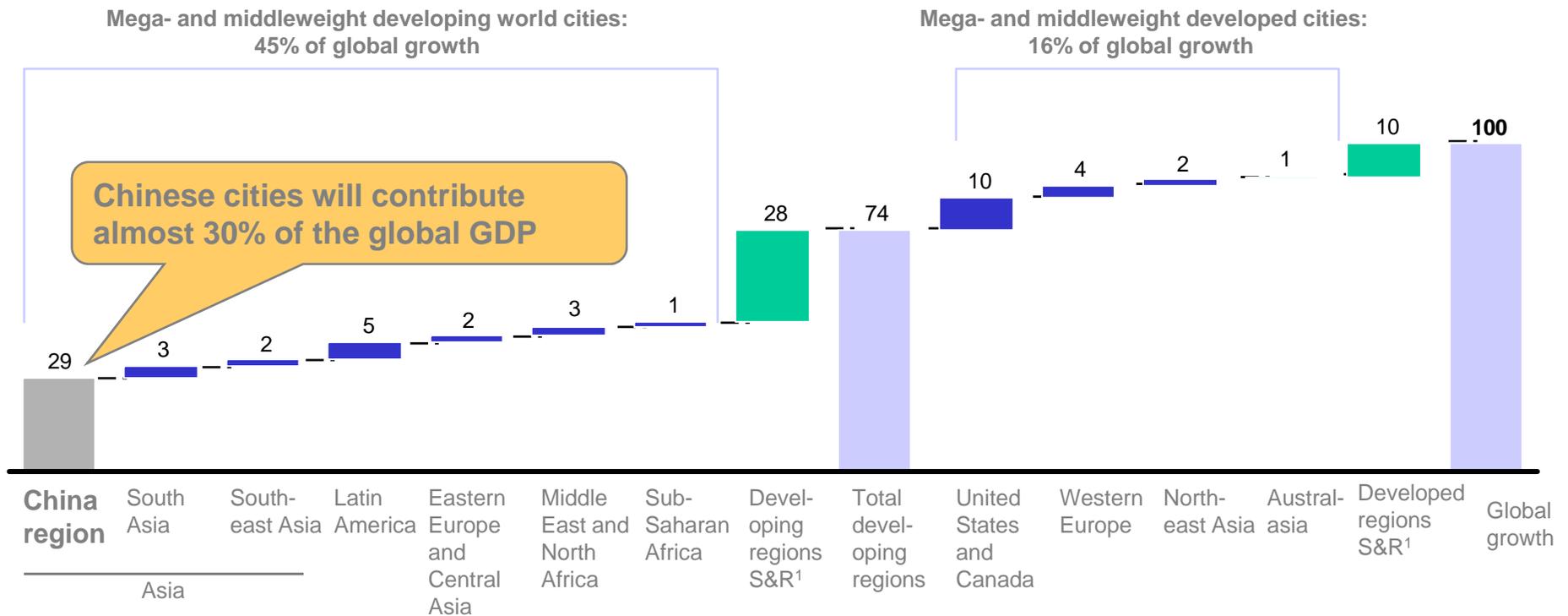


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Appendix IV – Strong growth in China

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.



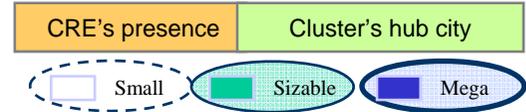
1 S&R = small cities and rural areas.

Source: McKinsey

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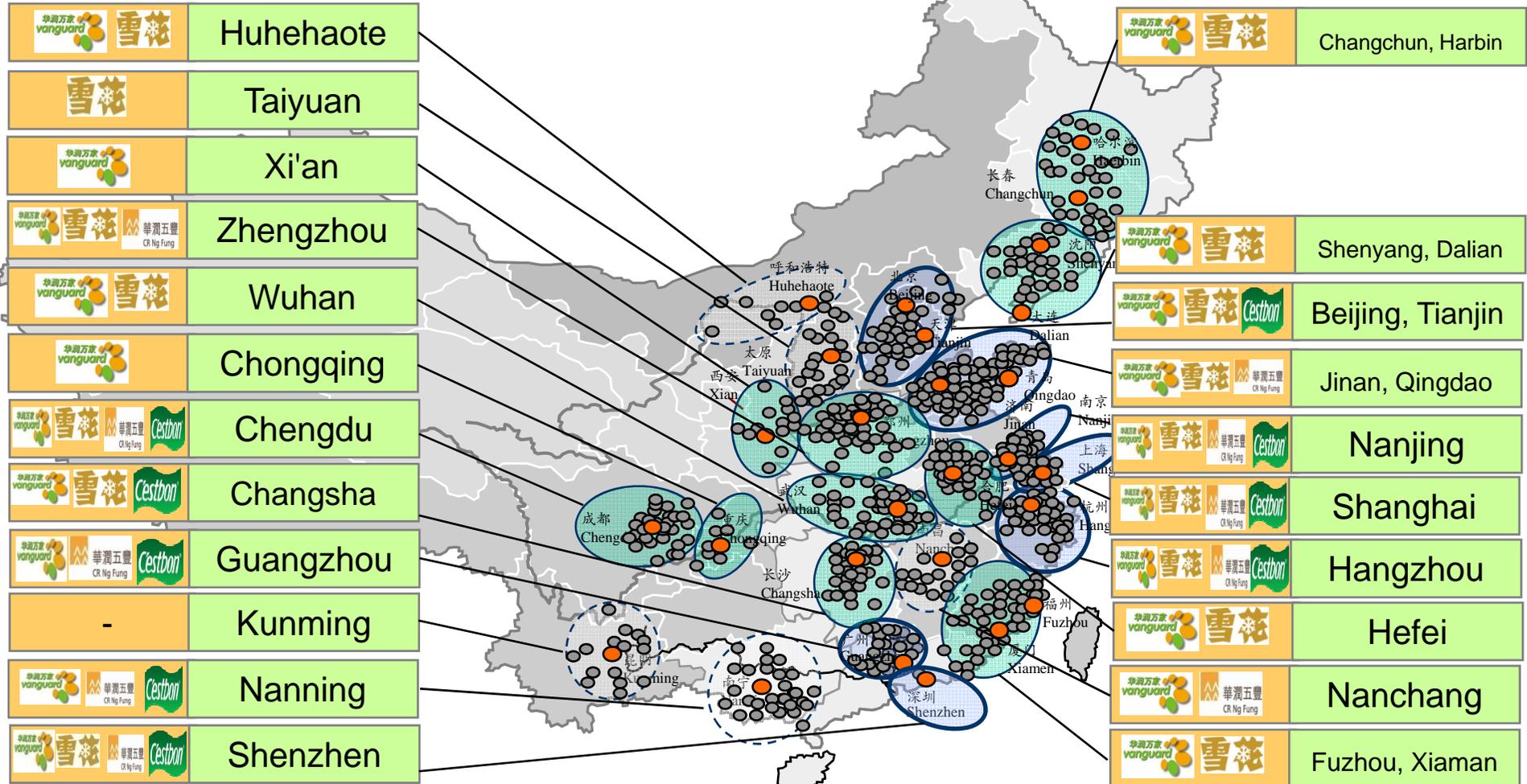
Appendix V – Better position for CRE

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.



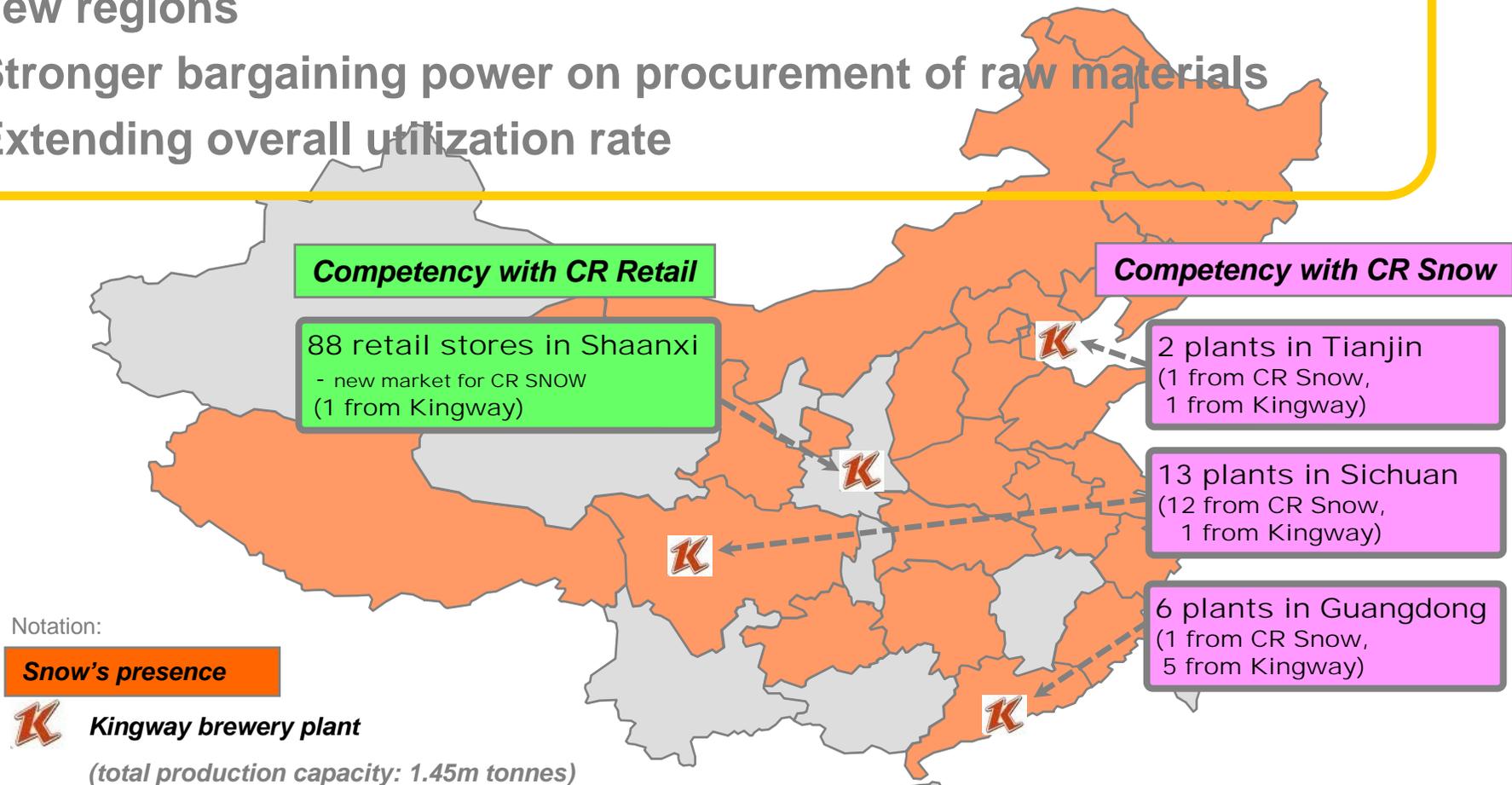
Source: McKinsey and Company data

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Appendix VI – Synergy with acquisition of Kingway

- More complement geographical footprint in both existing and new regions
- Stronger bargaining power on procurement of raw materials
- Extending overall utilization rate

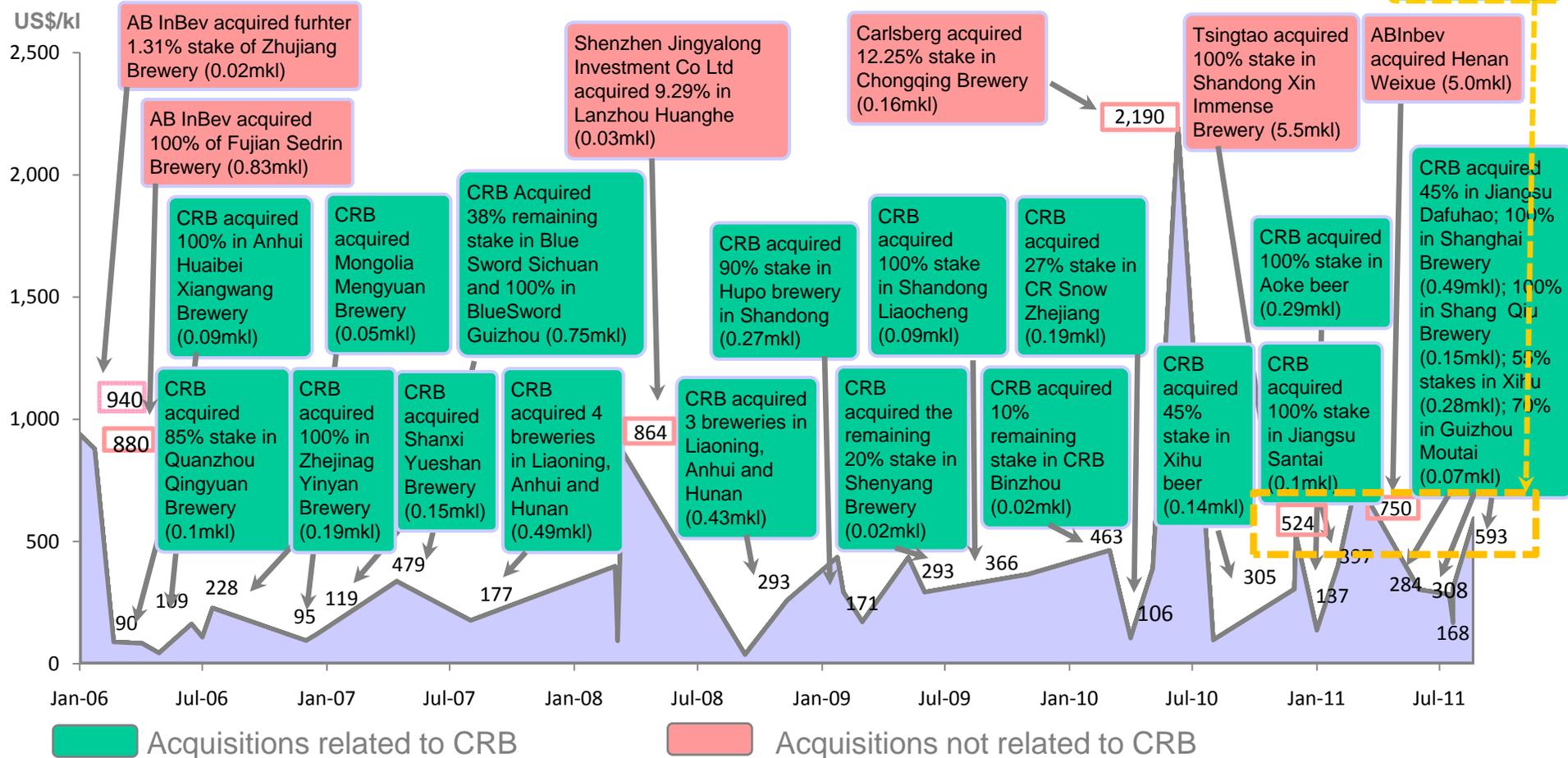


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Appendix VII – Historical major M&As in beer business

Strong bargaining power and lower acquisition cost on M&A



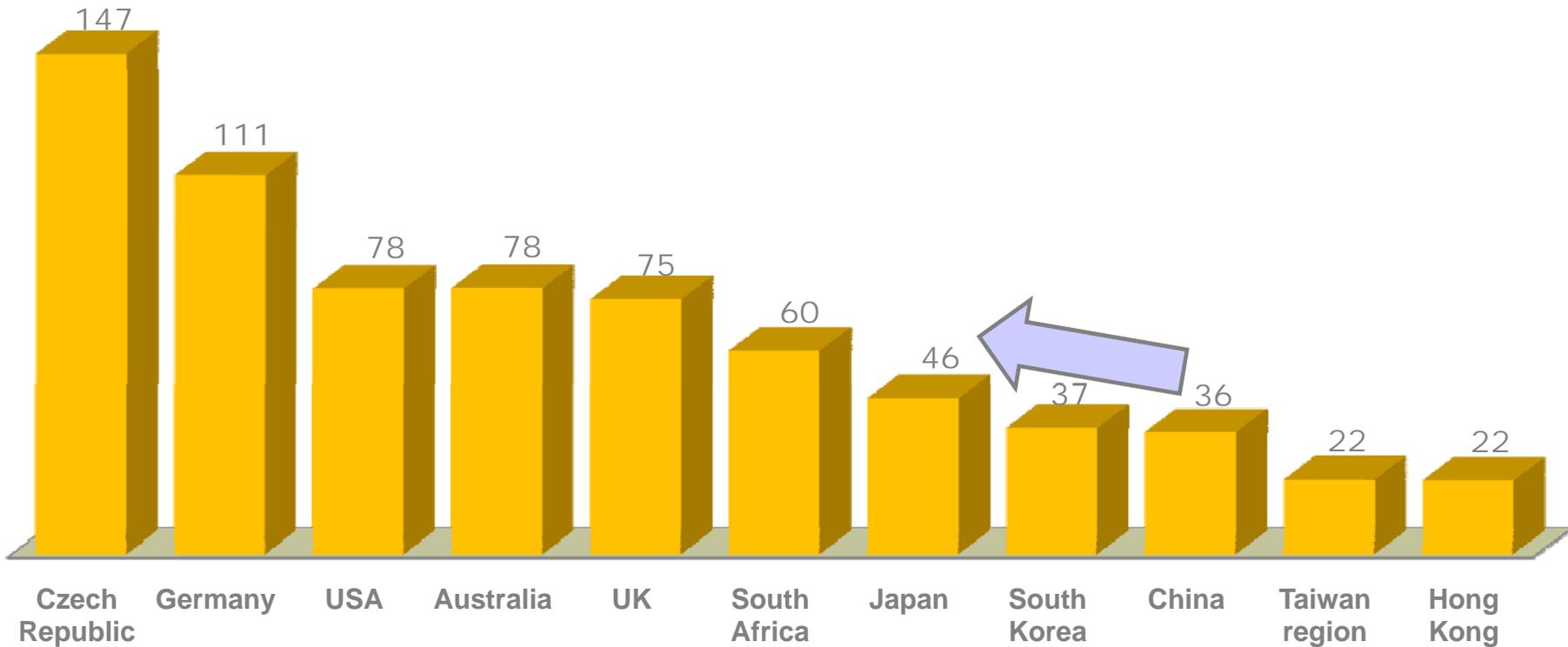
Source: Deutsche bank and Company data

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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)).



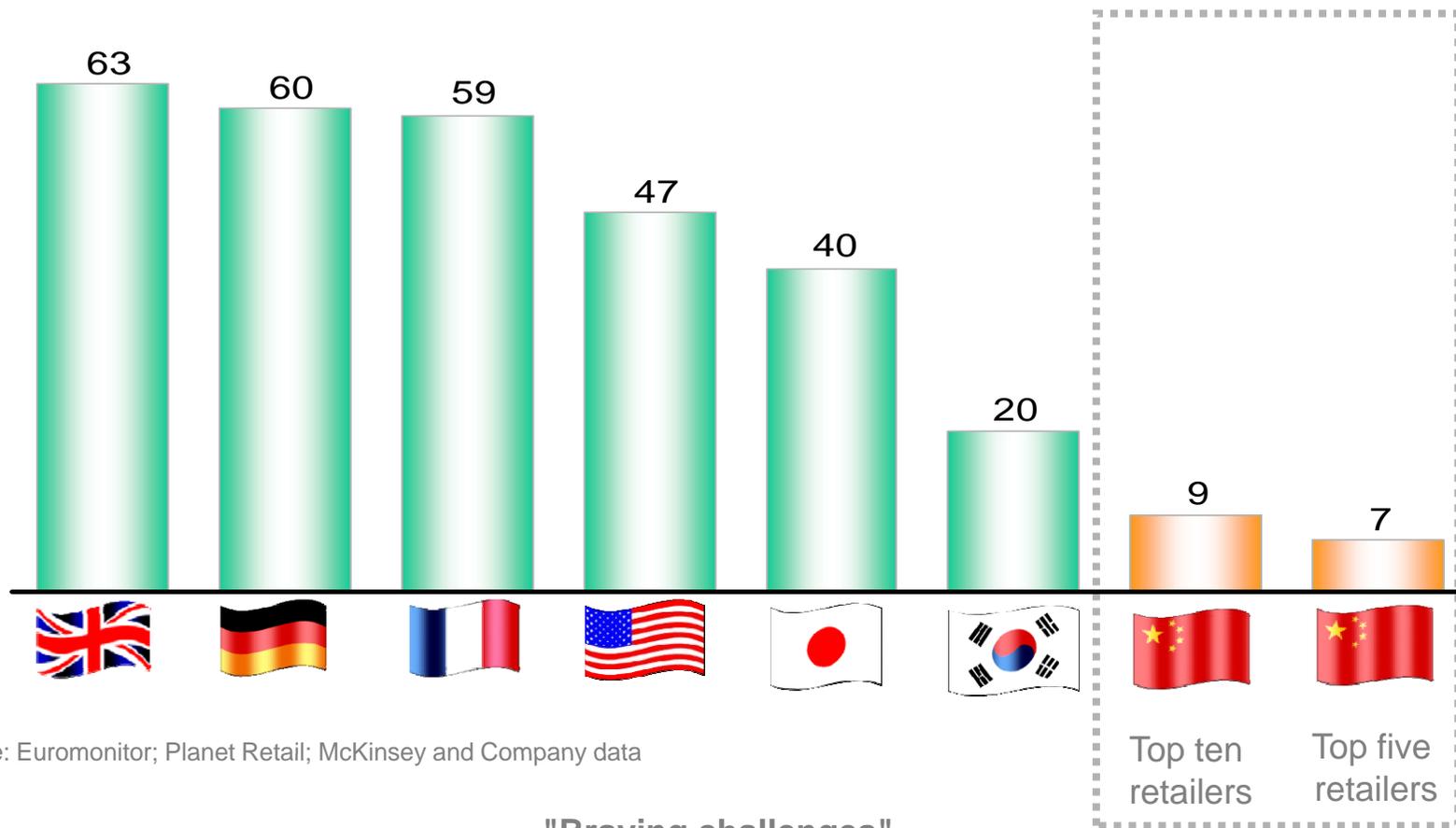
Source: Plato logic

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Appendix IX – 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 X – 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
2005-2012	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>
2009/ 2010/2012	Selected as one of the companies receiving "The Platinum (2009/2010)/Gold (2012) 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>
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>

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

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Appendix X – 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.*
- 2010/2013 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, best environmental responsibility (2010, 2013) and Asia’s Best Corporate Social Responsibility (2013) by *Corporate Governance Asia*
- 2011 Received the Best Management Team Award in Golden Bauhinia Award by *Ta Kung Pao*
- 2010/2012 Received Overall Best companies in Asia for Corporate Governance, best awards in Asia region (ex-Japan) for disclosure and transparency, responsibilities of management and the board of directors, shareholders' rights and equitable treatment , Best for Investor Relations (2012) and best 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 (2010) by *Asiamoney*
- 2011-2013 Ranked number 981/861/800 in Global 2000 from *Forbes*
- 2011 Received "The Largest Captialization Company Award" in Mainland Enterprises Listed in Hong Kong Ranking 2010 by *Yazhou Zhoukan*
- 2010-2013 Selected as one of the companies receiving "Global Chinese Business 1000 – Outstanding Performance Award" by *Yazhou Zhoukan*

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Appendix X – CRE awards (Cont'd)

■ Highlights of accolades received

- | | |
|-----------|--|
| 2011/2012 | Awarded as one of the companies receiving the commendation in Corporate Social Responsibility Award by <i>CAPITAL and Capital Weekly</i> |
| 2011/2012 | Ranked number 39 /46 in <i>Fortune China 500</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> |
| 2012/2013 | Received Outstanding Corporate Social Responsibility Award by <i>The Mirror Monthly Magazine</i> |
| 2012 | Awarded as Class of 2012 - The Best of Asia (China) in Corporate Governance Asia Recognition Awards 2012 by <i>Corporate Governance Asia</i> |
| 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 <i>Institutional Investor</i> |
| 2012 | Awarded as Best in Sector – Consumer Goods & Services, Investor Relations by a Hong Kong Company and Investor Relations Officer (Hong Kong) by <i>IR Magazine</i> |
| 2012 | Ranked number 428 in Green Rankings – Global 500 List by <i>Newsweek</i> |

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