



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

$$[(\text{shopping cart} + \text{beer glass} + \text{cat face} + \text{H}_2\text{O}) \times \text{heart}^n]$$

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Financial and operational review

Interim results 2012

17 August 2012

	Q2 2012	Q2 2011	change	H1 2012	H1 2011 (restated)	change
	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%

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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>Core businesses</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%
	30,724	100%	26,668	100%	+15%	64,161	100%	53,418	100%	+20%
Less: inter-co transactions	(113)		(109)			(202)		(188)		
Turnover – total	30,611		26,559		+15%	63,959		53,230		+20%



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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
<u>Core businesses</u>										
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%
	609	100%	572	100%	+6%	1,199	100%	1,248	100%	-4%
Net corporate int. & expenses	(38)		(25)			(68)		(41)		
Total – Core businesses	571		547		+4%	1,131		1,207		-6%
<u>Adjustment</u>										
Net gain on disposal of non-core investments and valuation surplus on investment properties	337		233		+45%	1,104		430		+157%
Earnings	908		780		+16%	2,235		1,637		+37%

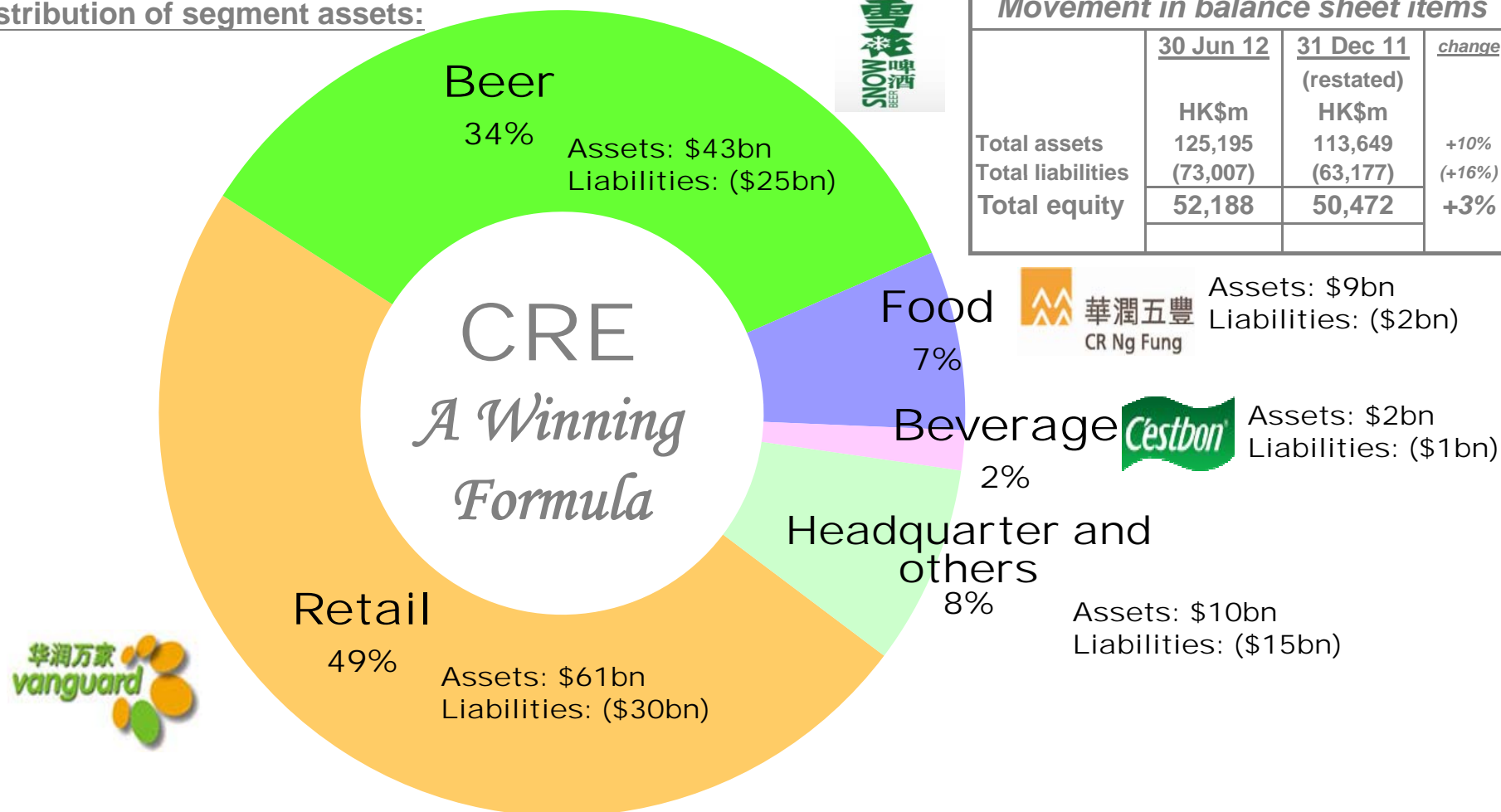


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Segment assets

- Unique with four consumer businesses complementing each other

Distribution of segment assets:

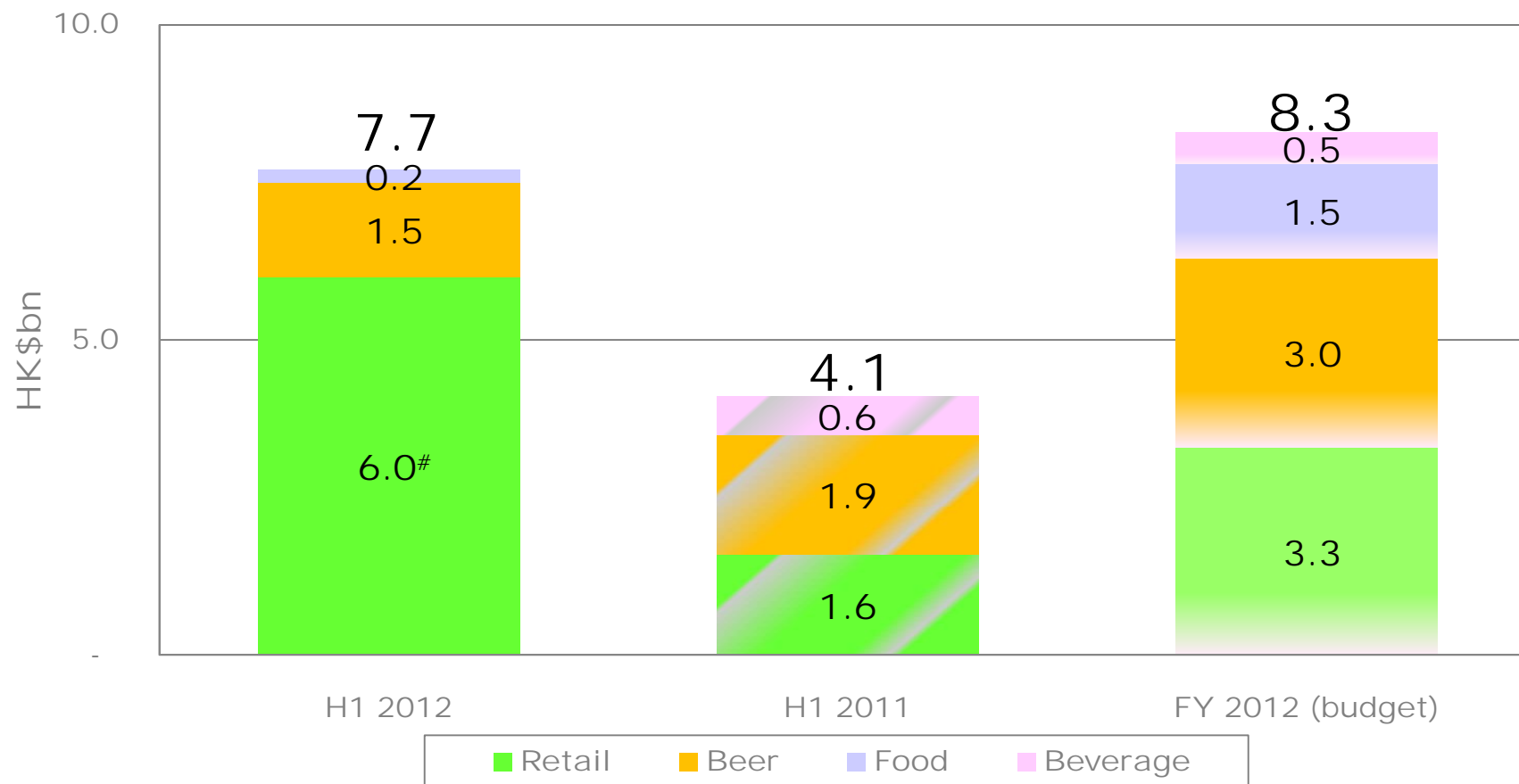


Movement in balance sheet items			
	30 Jun 12	31 Dec 11 (restated)	change
	HK\$m	HK\$m	
Total assets	125,195	113,649	+10%
Total liabilities	(73,007)	(63,177)	(+16%)
Total equity	52,188	50,472	+3%

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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

	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

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Premium

RMB8 to 9

>25%

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

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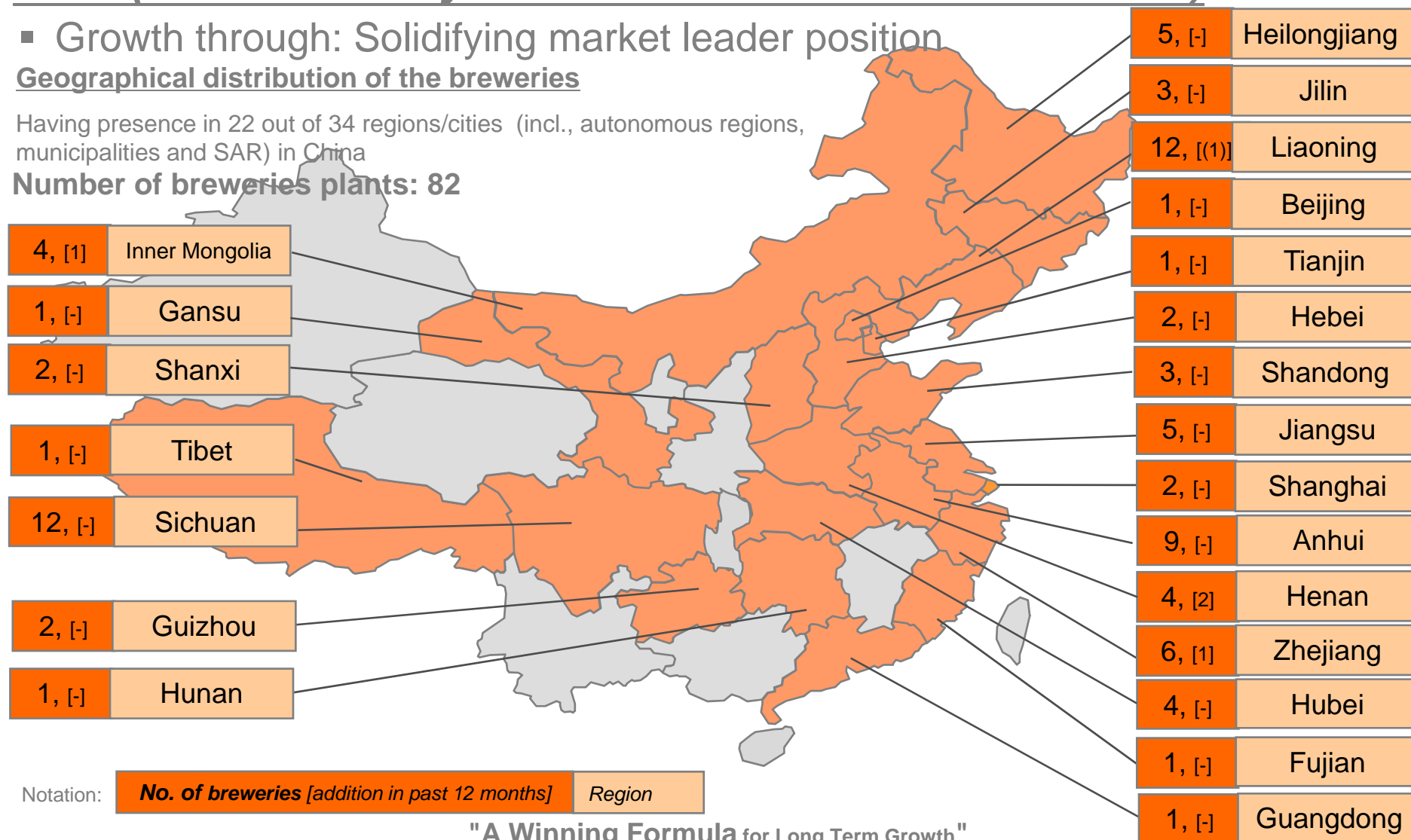
Beer (No.1 brand by volume in the world since 2008)

- 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



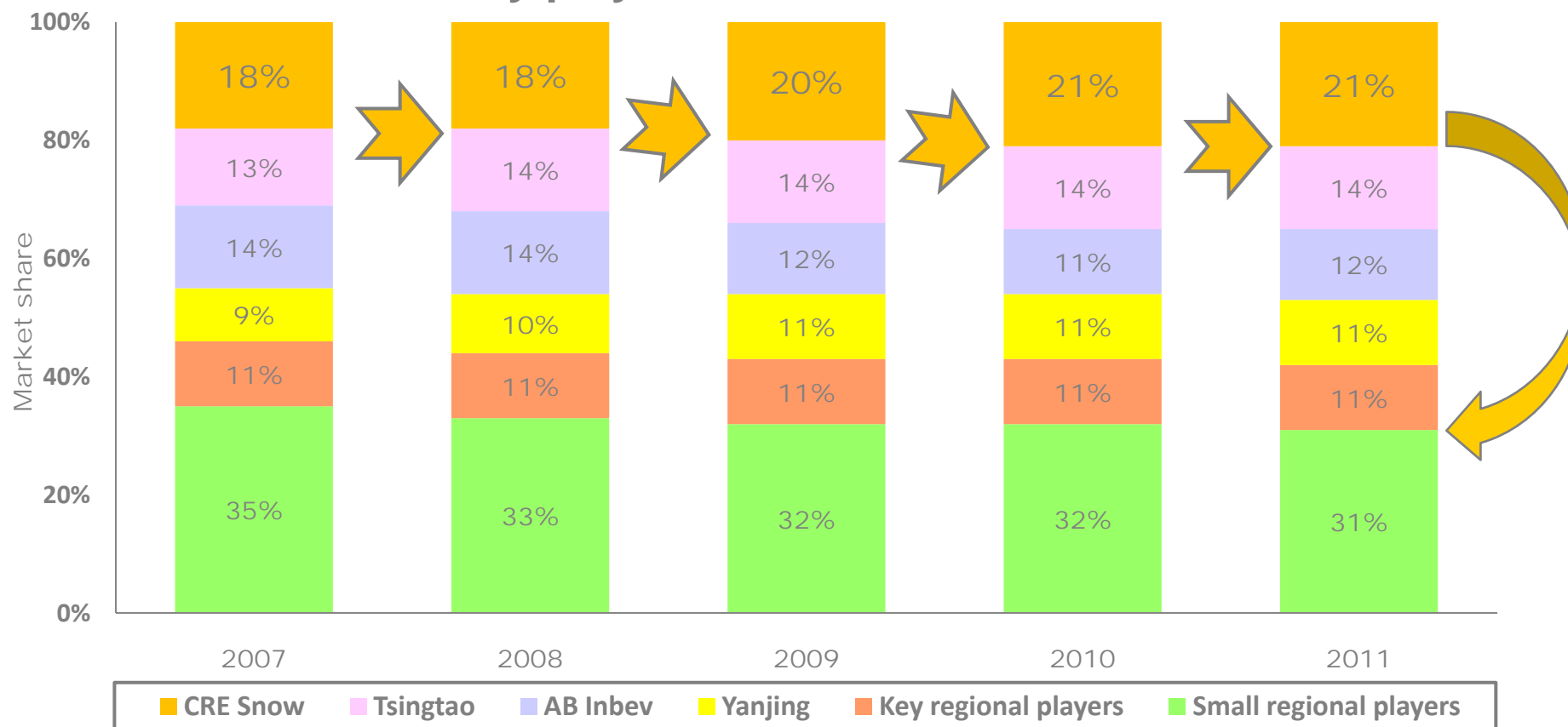
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Beer (No.1 brand by volume in the world since 2008)



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

Beer market share of key players



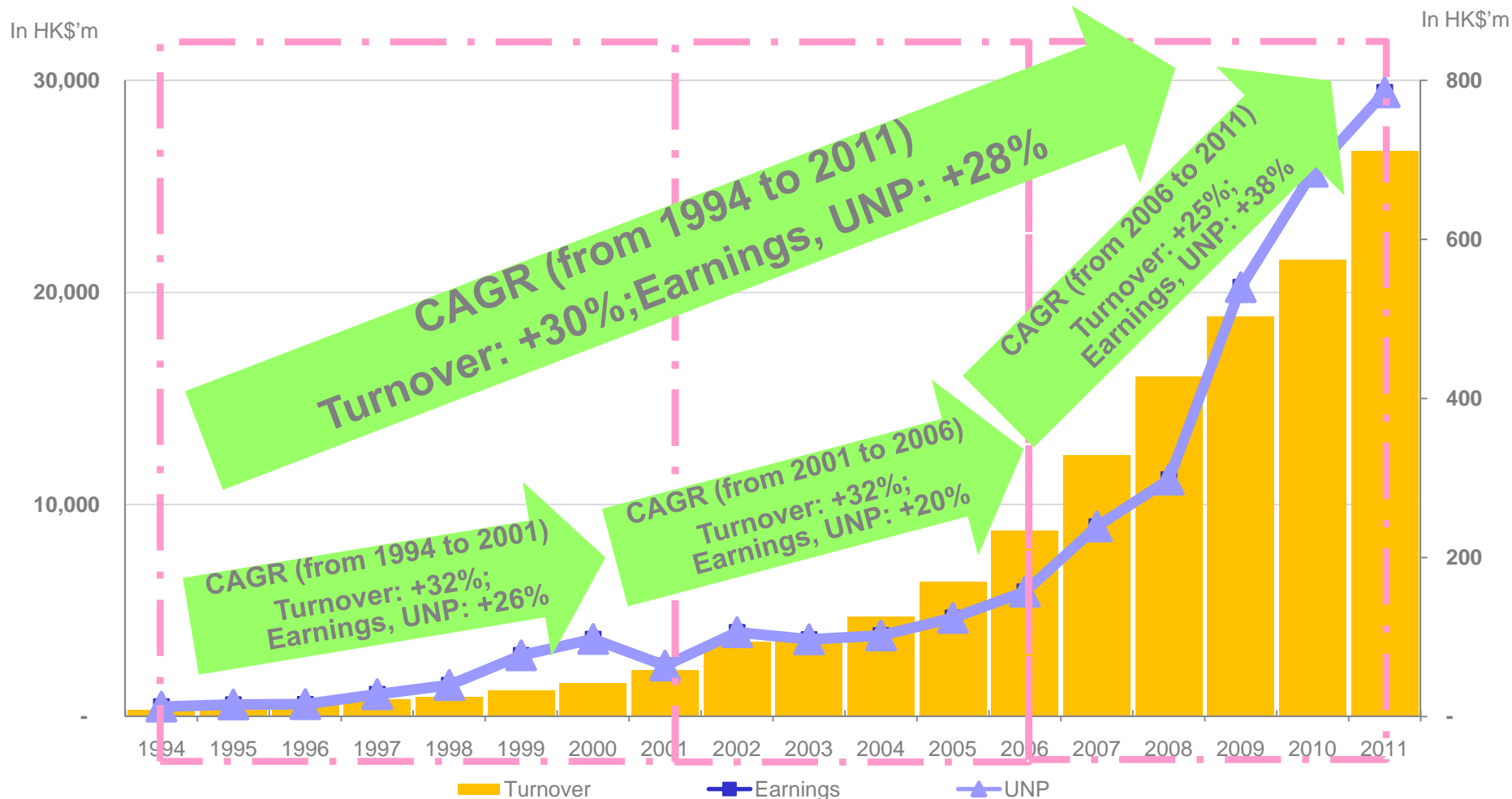
Source: State Statistical Bureau and CR Snow

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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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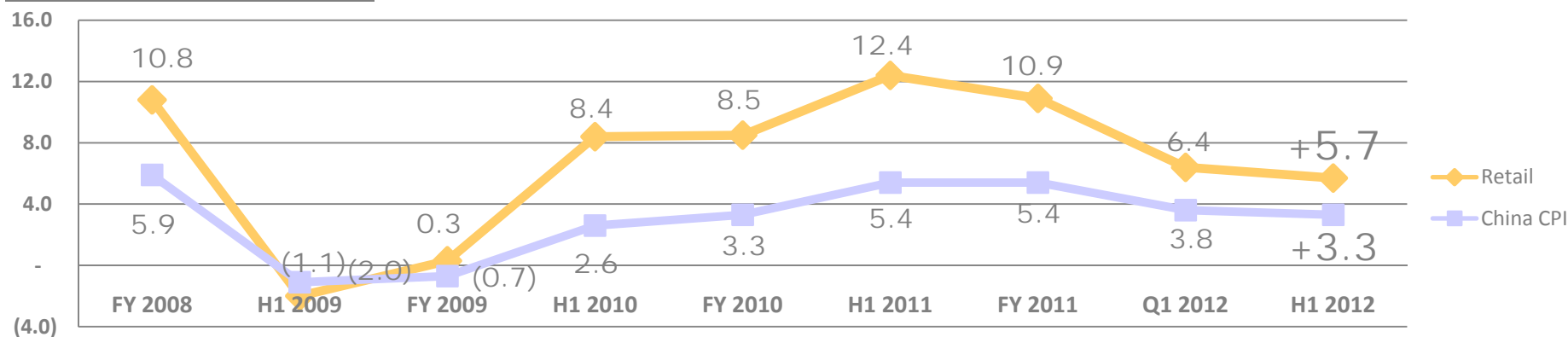
Retail

- 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:



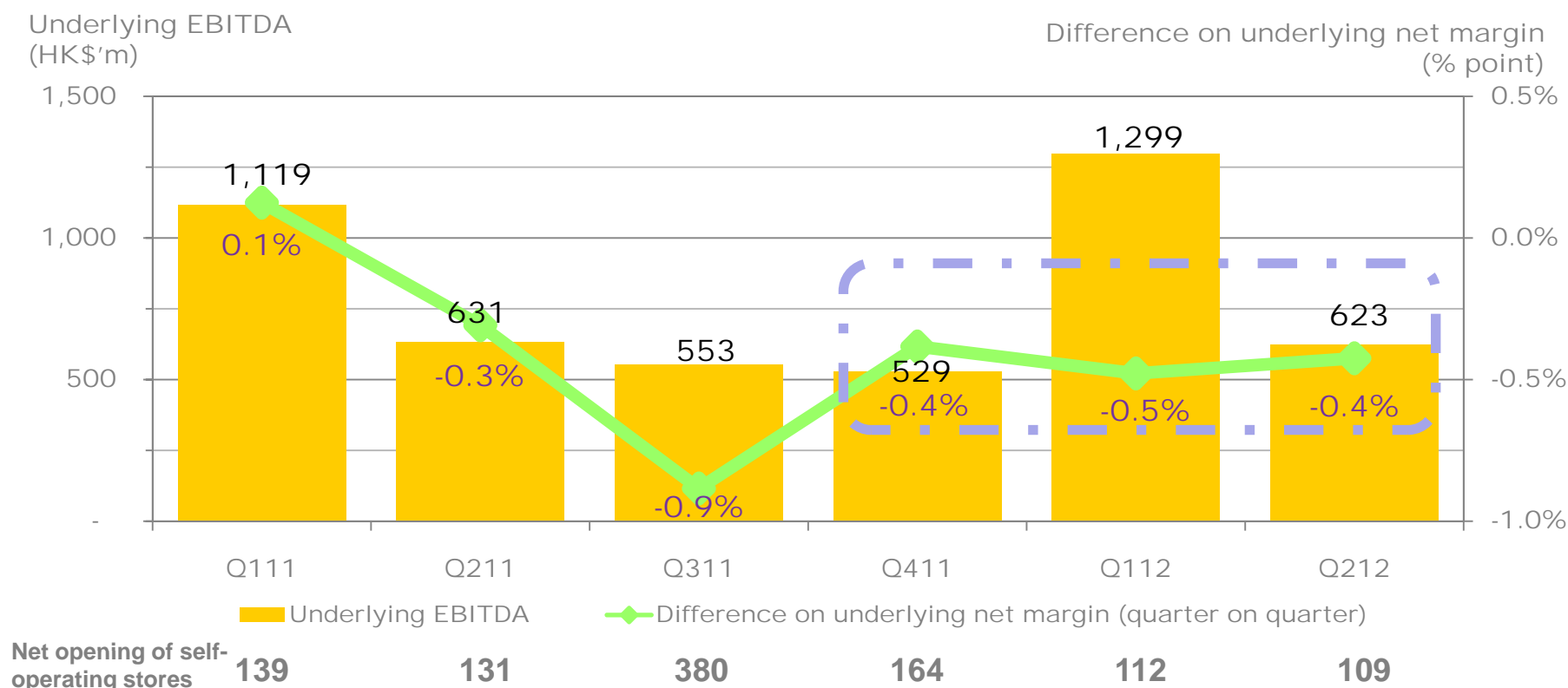
excluded the revaluation of investment property

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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)



Net opening of self-operating stores

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Notation:

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

Region

New region

Northern areas

4 (4) [-] Jilin

122 (22) [24] Beijing

8 (8) [2] Hebei

325 (22) [33] Tianjin

18 (13) [4] Liaoning

Eastern areas

39 (4) [28] Shandong

1,846 (211) [219] Jiangsu

471 (57) [116] Anhui

27 (-) [19] Shanghai

108 (61) [35] Zhejiang

27 (22) [27] Jiangxi

3 (-) [3] Fujian

Southern areas

619 (62) [110] Guangdong

384 (-) [42] Hong Kong

7 (-) [3] Macau

3 (3) [1] Guangxi

Retail

- Growth through: Multi-format with regional leadership

Geographical distribution of retail network

Northern areas

2 (2) [-] Inner Mongolia

4 (4) [2] Ningxia

56 (39) [19] Shaanxi

6 (6) [1] Gansu

1 (1) [-] Qinghai

20 (10) [3] Henan

46 (3) [39] Hubei

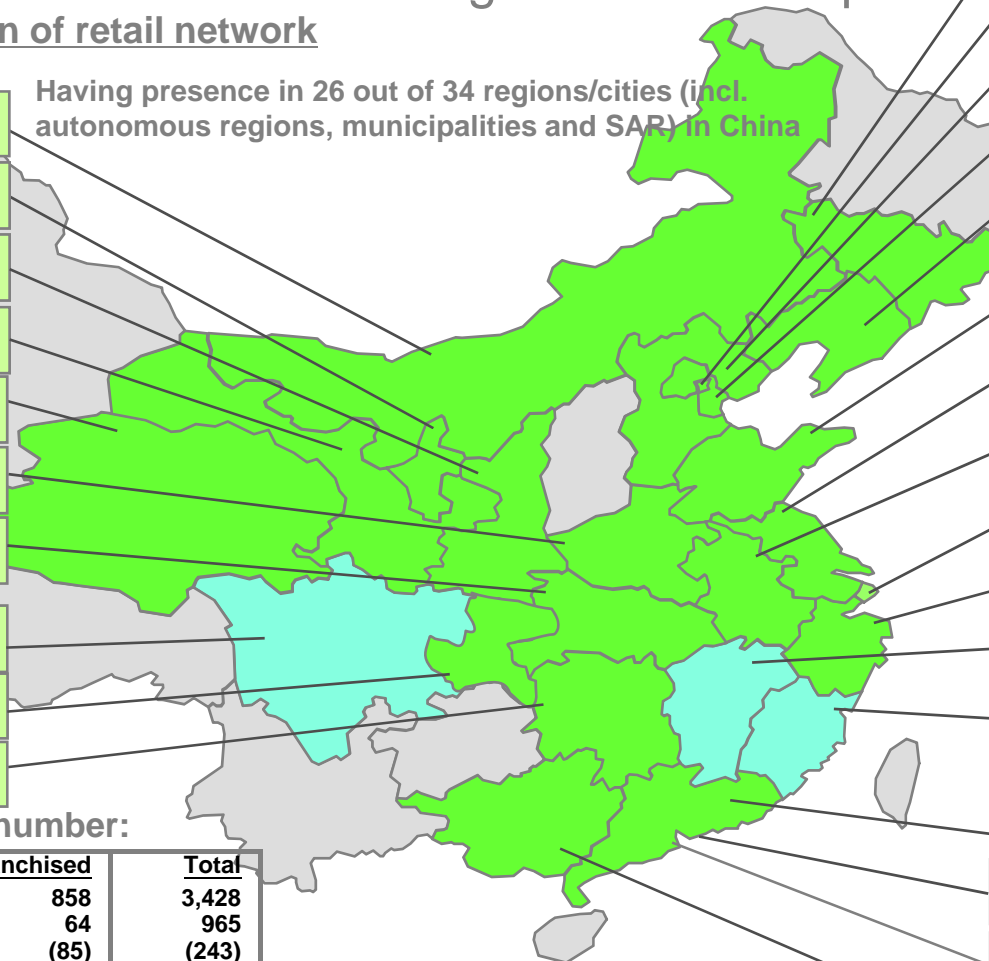
Southern areas

3 (-) [3] Sichuan

7 (1) [5] Chongqing

3 (2) [-] 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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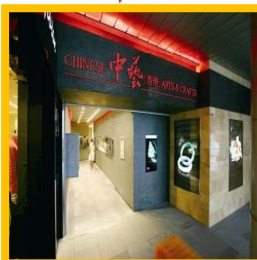
Retail

- 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):



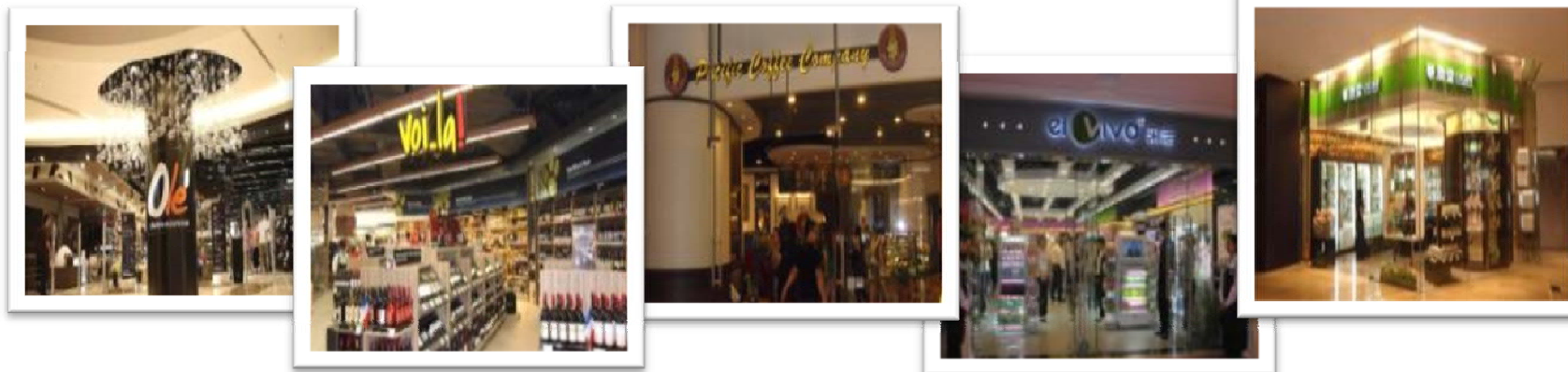
5 formats in Beijing

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

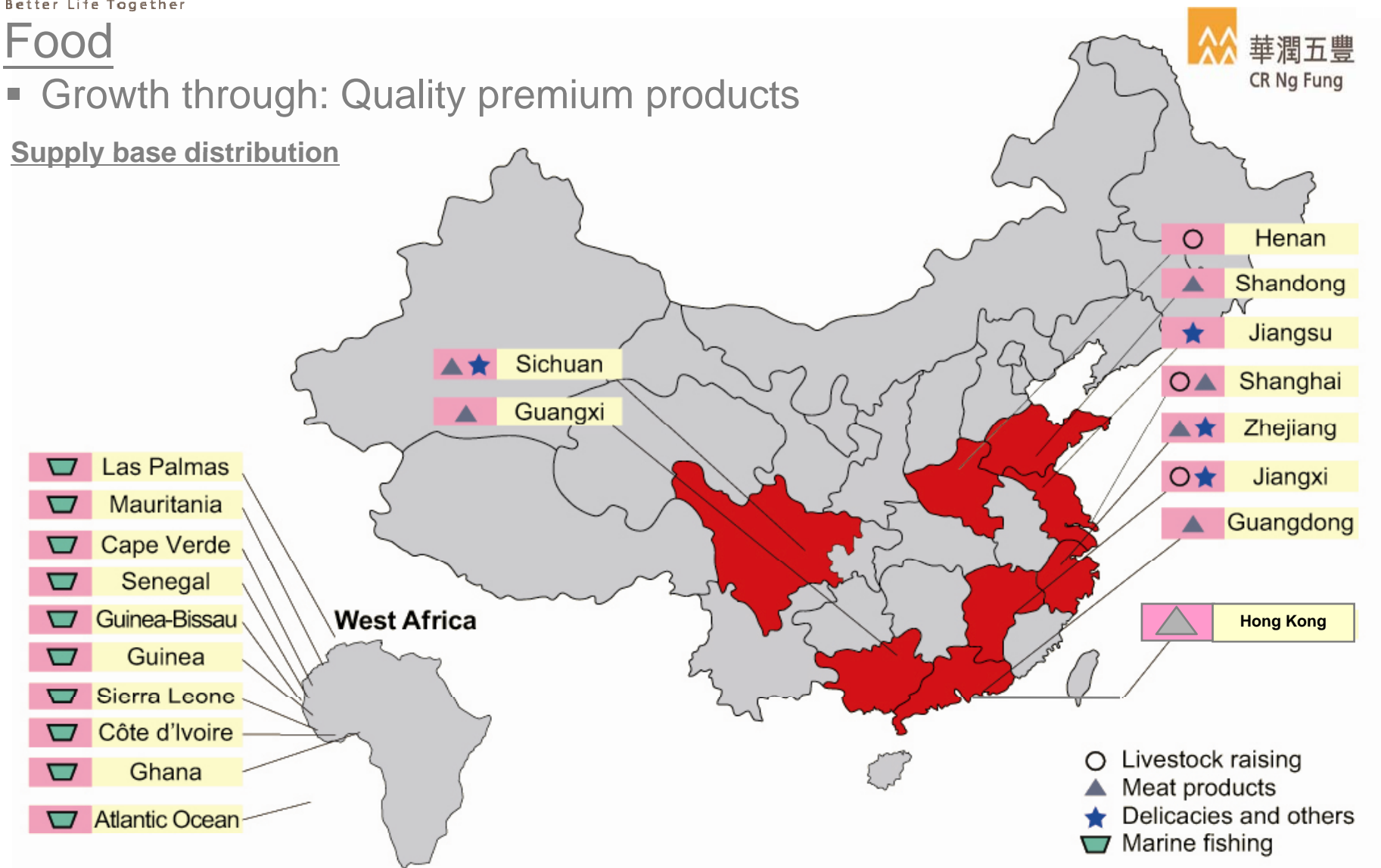


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Food

- 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.



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

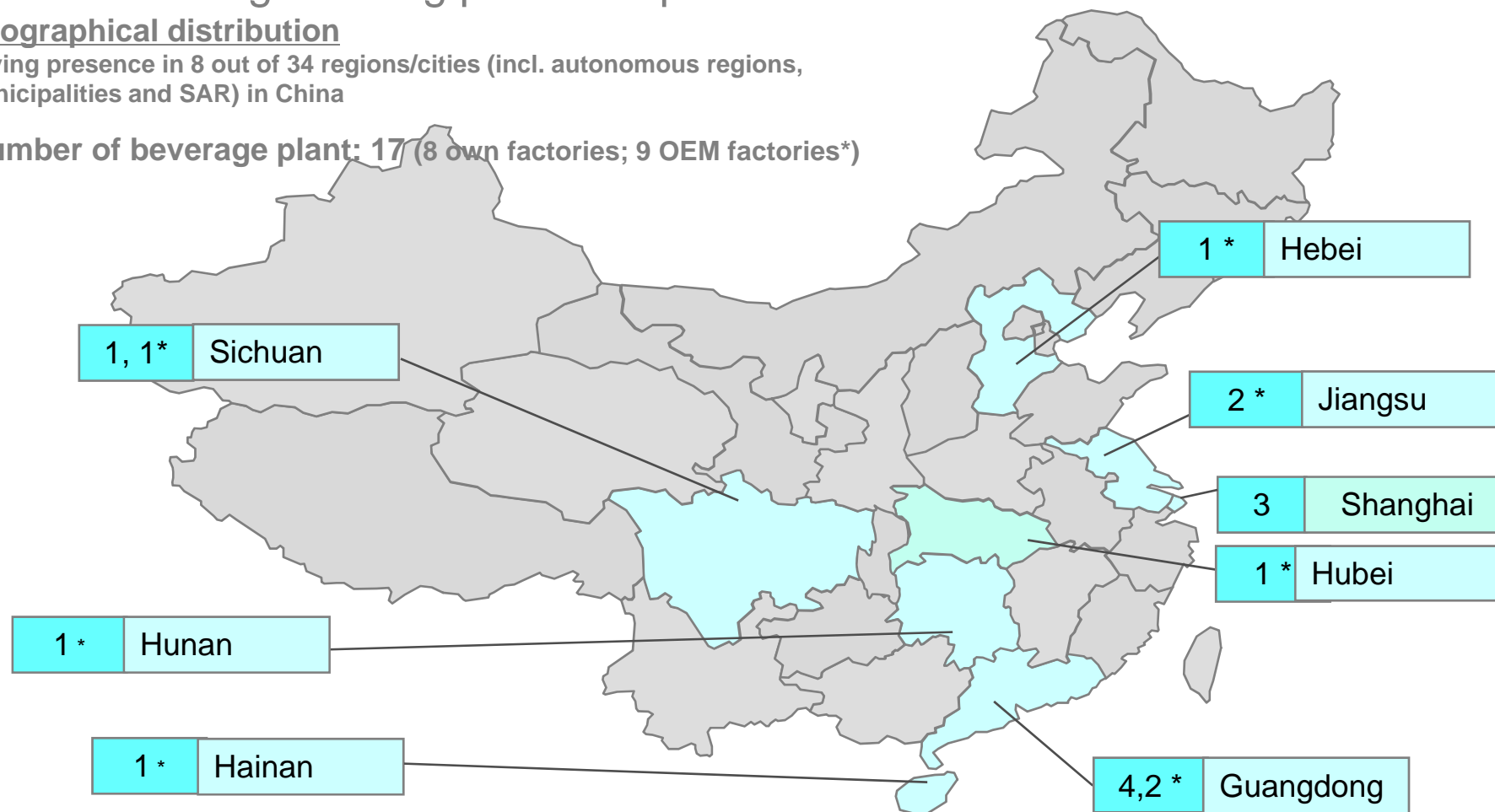


- Growth through: strong partnership with Kirin

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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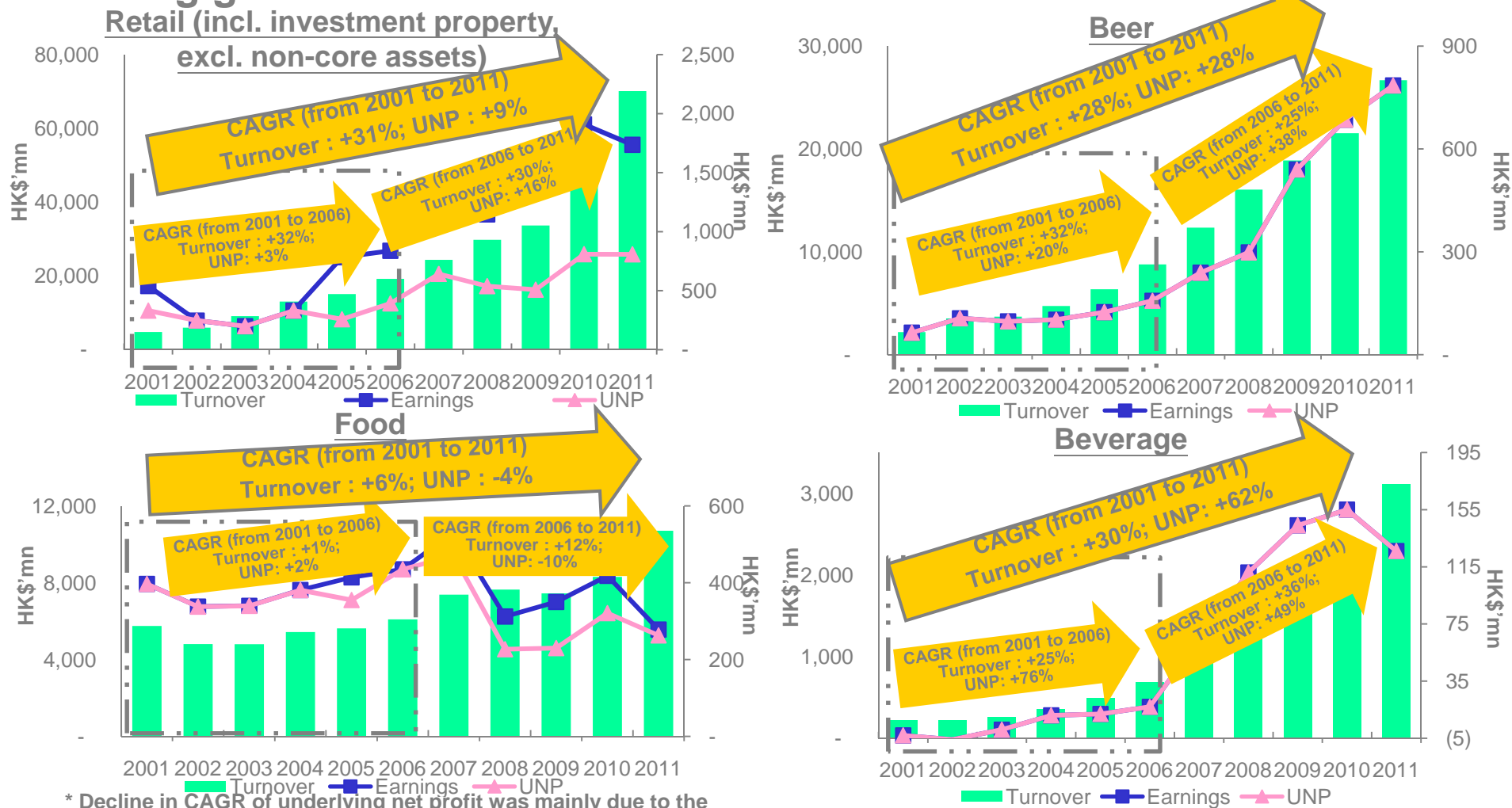
Appendix I – Details of Retail formats

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

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Appendix II – Historical track record of CRE

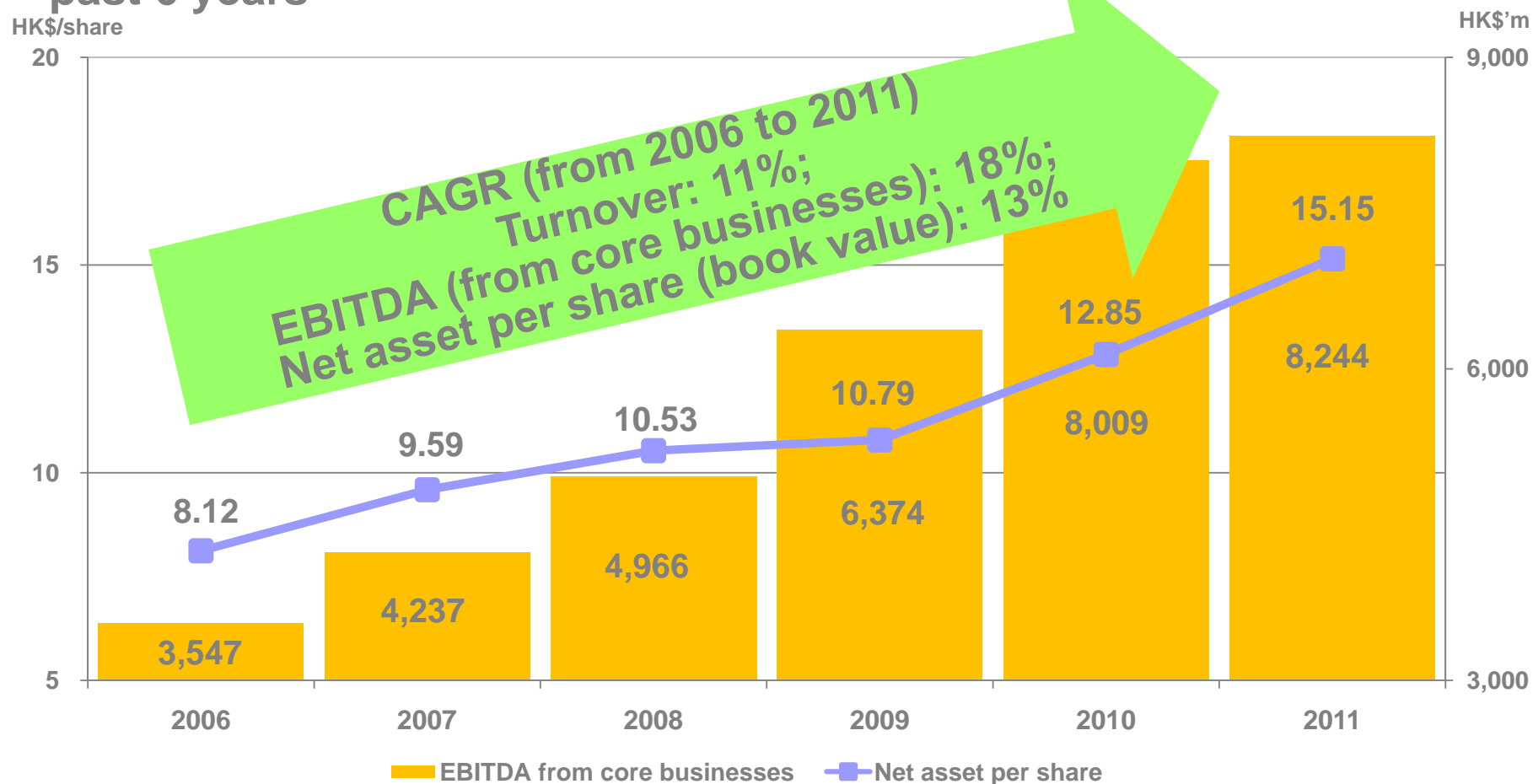
Strong growth momentum in each of core businesses



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Appendix III – Historical operating summary

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

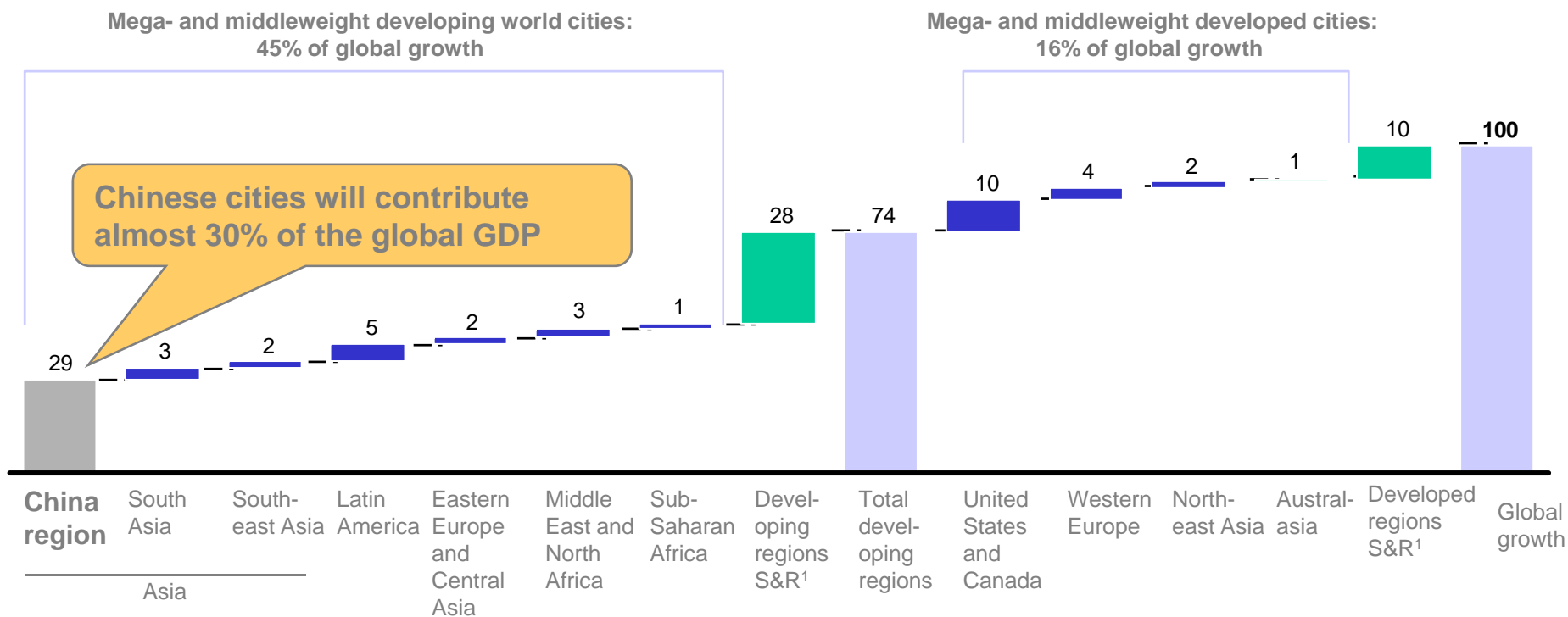


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Appendix IV – Strong growth in China

■ 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.



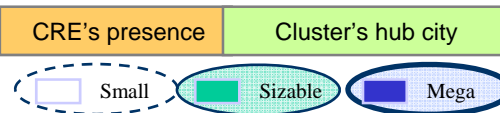
1 S&R = small cities and rural areas.

Source: McKinsey

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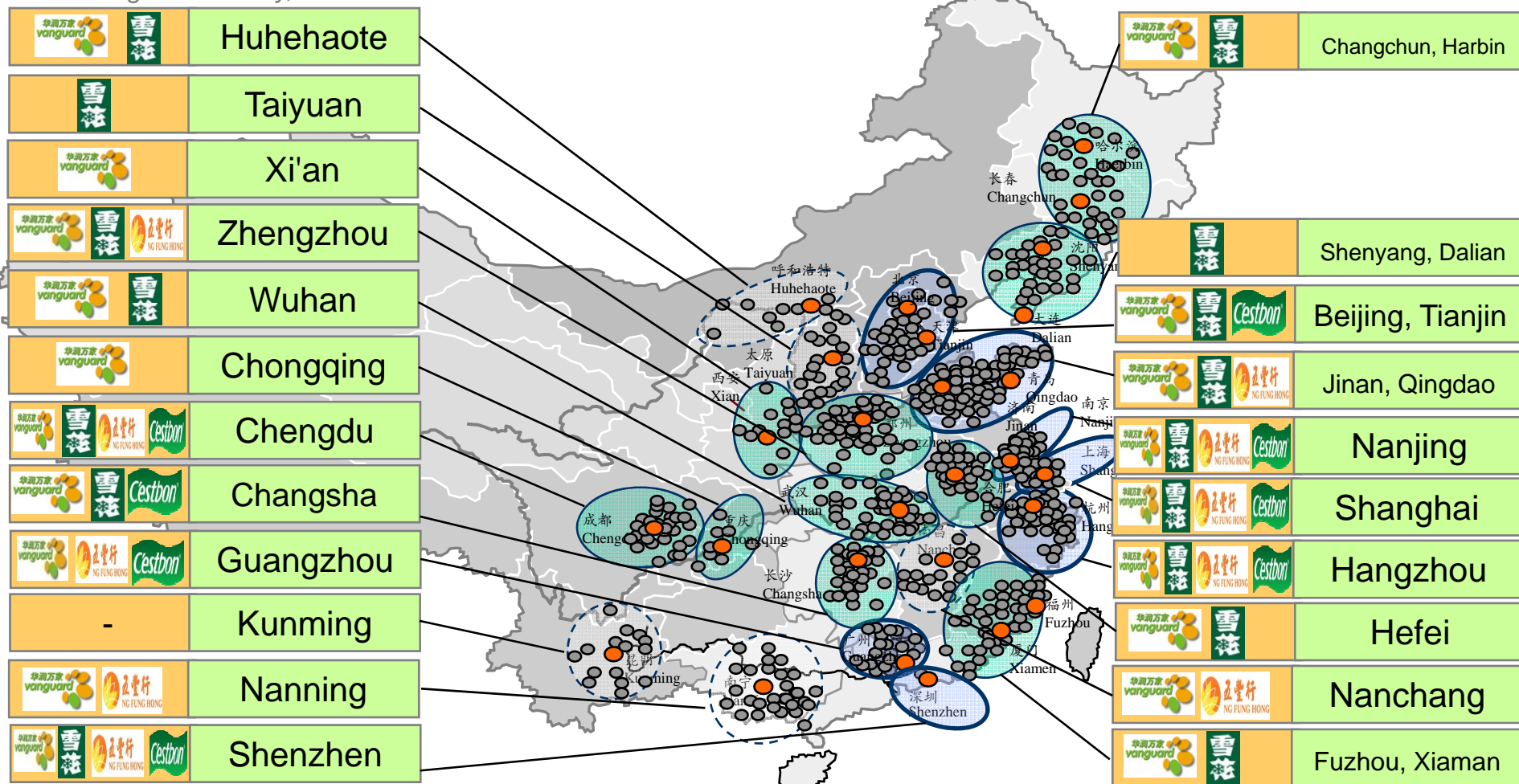
Appendix V – Better position for CRE

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.



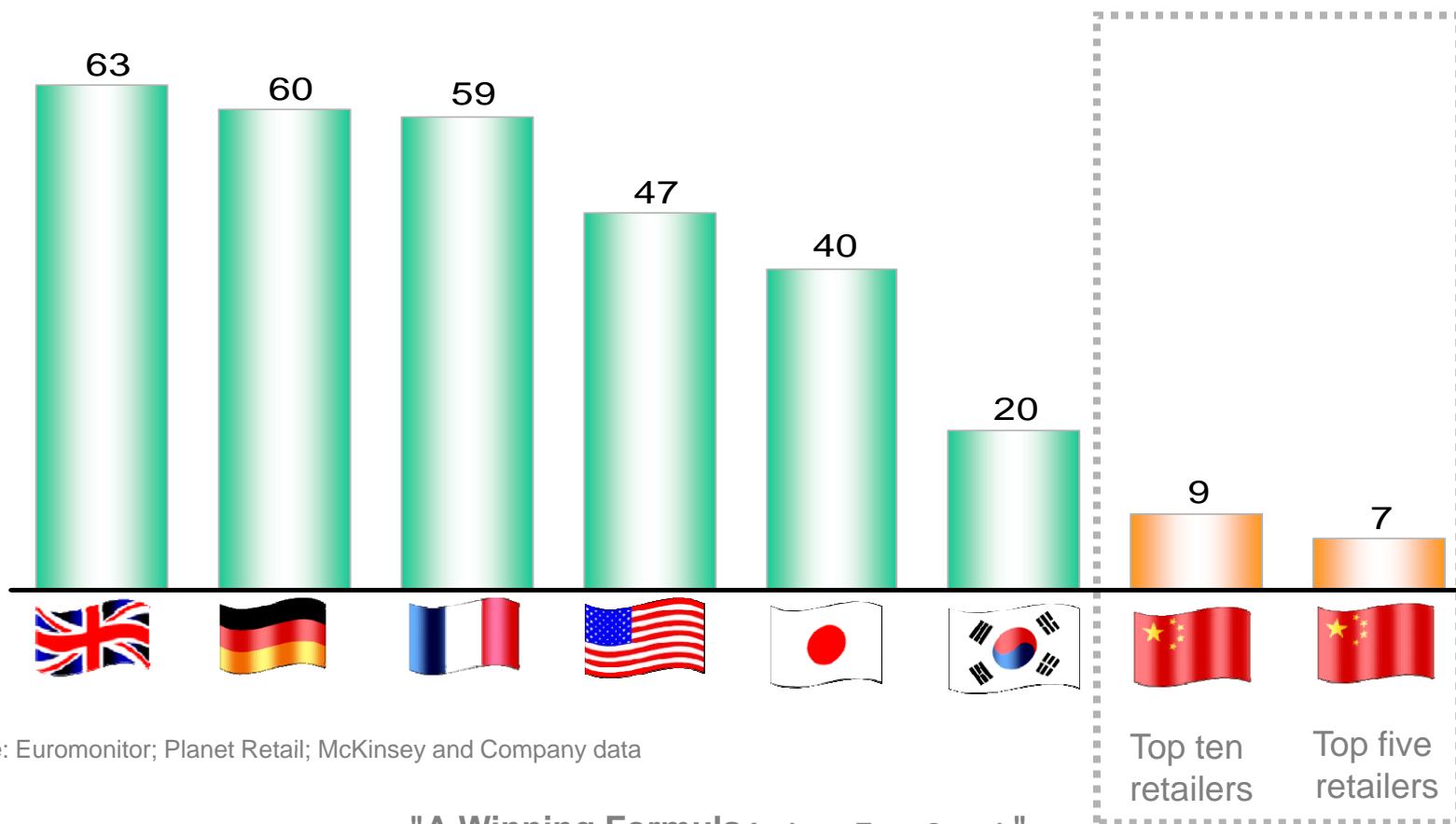
Source: McKinsey and Company data

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Appendix VI – Market share of Retail business

Lower market concentration in China than other developed countries:

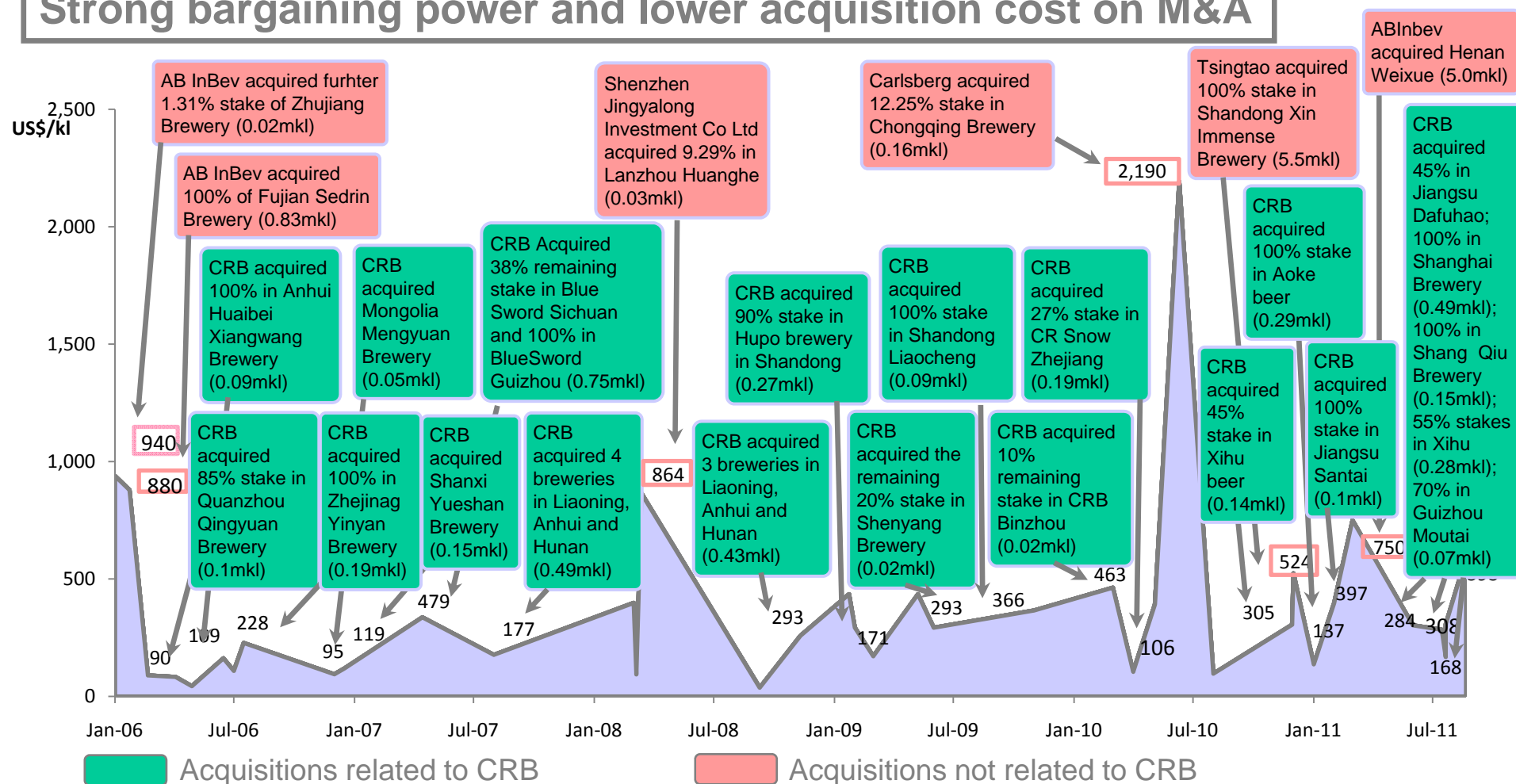
Percentage of top 5 retailers to total grocery retail market share in the state:



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Appendix VII – Historical major M&As in beer business

Strong bargaining power and lower acquisition cost on M&A

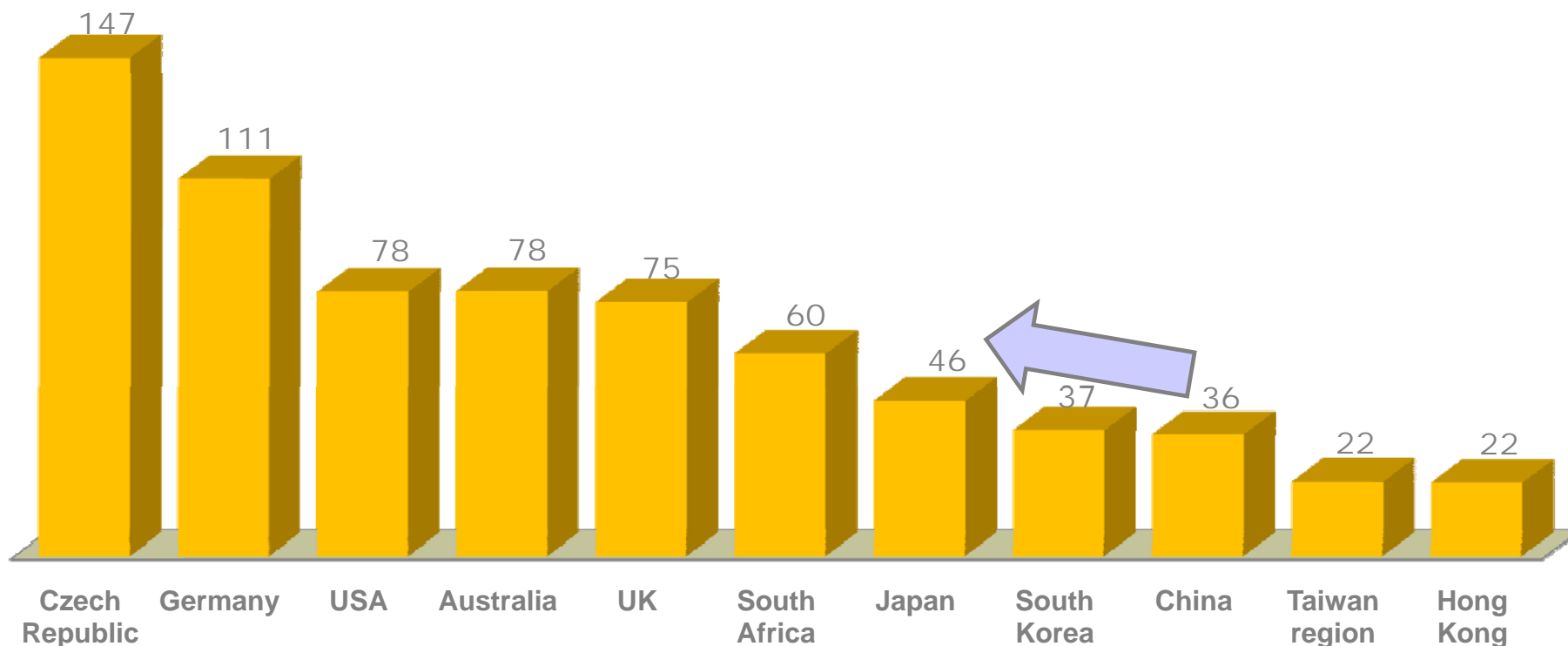


Source: Deutsche bank and Company data

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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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- Highlights of accolades received



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

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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>
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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>
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2010	Selected as one of the 13 listed companies receiving "The Excellence of Listed Enterprise Awards 2010" by <i>Capital Weekly</i>
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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 <i>Asiamoney</i>
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2011 Ranked number 981 in Global 2000 from Forbes

2010–2011	Selected as one of the companies receiving "Global Chinese Business 1000 – Outstanding Performance Award" by <i>Yazhou Zhoukan</i>
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2011	Received "The Largest Captialization Company Award" in Mainland Enterprises Listed in Hong Kong Ranking 2010 by <i>Yazhou Zhoukan</i>
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 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
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>

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