



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

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

$\times 291$

$=$  

**Financial and operational review**

**Final Results 2011**

21 March 2012

- **Winning formula for long-term growth**

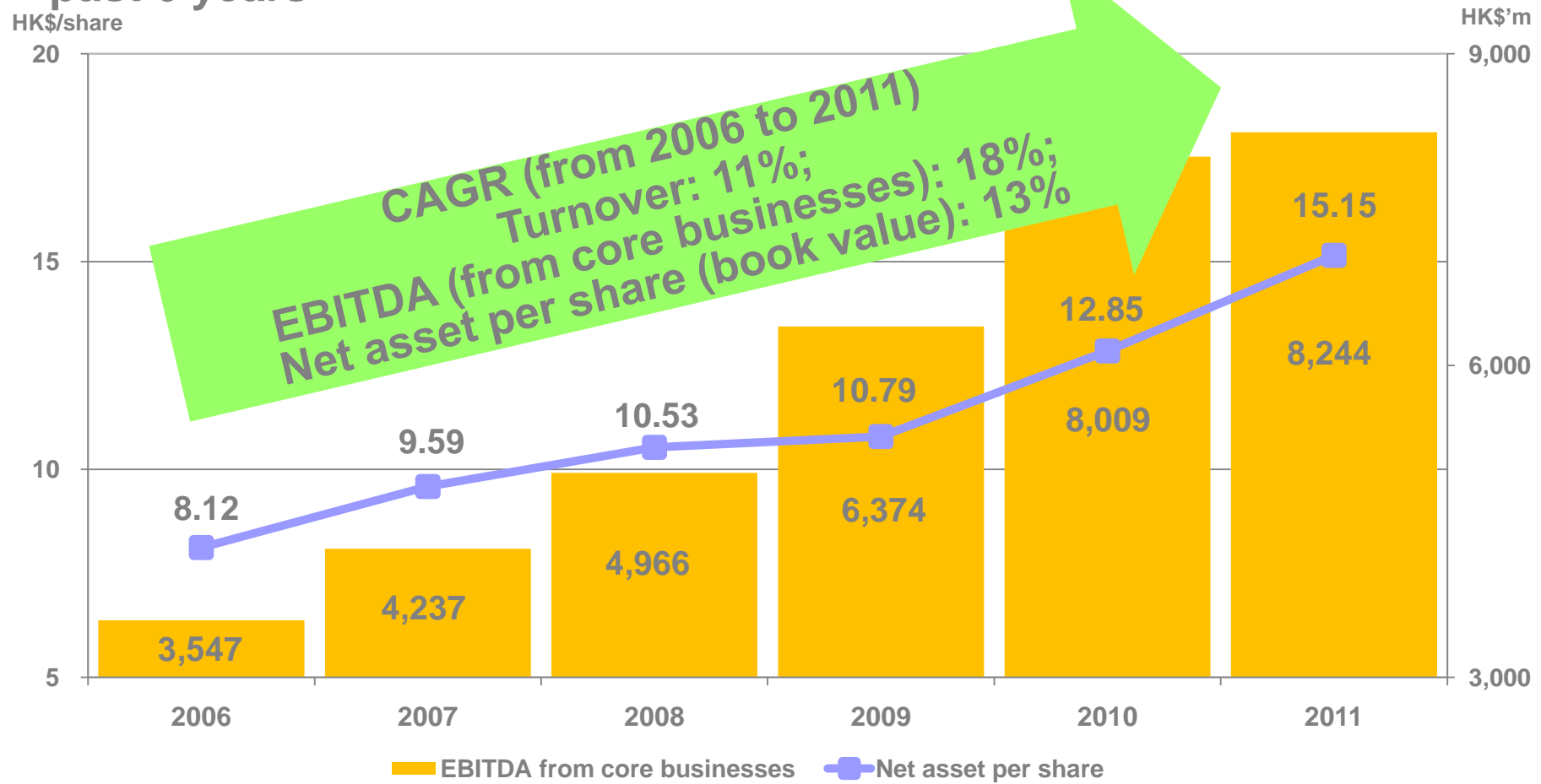
\* Full-year earnings grew by 5% when the gain on disposal of Esprit business in Sep ytd 2010 (\$2,979m) was excluded.

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

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# Results Summary

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



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# Turnover Breakdown - by Divisions

	Q4 2011 HK\$m	Prop	Q4 2010 HK\$m	Prop	Change	FY 2011 HK\$m	Prop	FY 2010 HK\$m	Prop	change
<b><u>Core businesses</u></b>										
Retail	18,052	69%	14,332	69%	+26%	70,088	63%	55,140	63%	+27%
Beer	4,585	17%	3,719	18%	+23%	26,689	24%	21,535	25%	+24%
Food	2,968	11%	2,309	11%	+29%	10,706	10%	8,306	10%	+29%
Beverage	650	3%	430	2%	+51%	3,112	3%	2,080	2%	+50%
	26,255	100%	20,790	100%	+26%	110,595	100%	87,061	100%	+27%
Less: inter-co transactions	(116)		(79)			(431)		(333)		
<b>Core businesses – total</b>	<b>26,139</b>		<b>20,711</b>		<b>+26%</b>	<b>110,164</b>		<b>86,728</b>		<b>+27%</b>
<b><u>Other businesses</u></b>										
Discontinued operation (Brand-fashion distribution - Esprit)	-		-		-	-		410		N/A
<b>Turnover – total</b>	<b>26,139</b>		<b>20,711</b>		<b>+26%</b>	<b>110,164</b>		<b>87,138</b>		<b>+26%</b>

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# Underlying Net Profit Breakdown - by Divisions

	Q4 2011 HK\$m	Prop	Q4 2010 HK\$m	Prop	change	FY 2011 HK\$m	Prop	FY 2010 HK\$m	Prop	change
<b><u>Core businesses</u></b>										
Retail	77	265%	116	127%	-34%	808	59%	830	42%	-3%
Beer	(78)	(269%)	(99)	(109%)	+21%	785	27%	685	34%	+15%
Food	24	83%	56	6%	-57%	263	10%	321	16%	-18%
Beverage	6	21%	18	10%	-67%	126	4%	155	8%	-19%
	29	100%	91	100%	-68%	1,982	100%	1,991	100%	-
Net corporate int. & expenses*	(29)		(25)			(93)		(97)		
<b>Total – Core businesses</b>	<b>-</b>		<b>66</b>		<b>-68%</b>	<b>1,889</b>		<b>1,894</b>		<b>-</b>
<b><u>Other businesses</u></b>										
Investment & others	-		1		N/A	-		1		N/A
Discontinued operation (Brand-fashion distribution - Esprit)	-		-		-	-		22		N/A
<b>Underlying net profit - total</b>	<b>-</b>		<b>67</b>		<b>N/A</b>	<b>1,889</b>		<b>1,917</b>		<b>-1%</b>
<b><u>Adjustment</u></b>										
Investment property revaluation	400		477		-16%	937		1,103		-15%
Gain on disposal of non-core business	-		-		-	-		2,979		N/A
Fair value adjustment on investment	-		(205)		N/A	-		(419)		N/A
Partial disposal of A-share investment	-		34		N/A	6		94		-94%
	400		306		+31%	943		3,757		-75%
<b>Earnings - total</b>	<b>400</b>		<b>373</b>		<b>-18%</b>	<b>2,832</b>		<b>5,674</b>		<b>-50%</b>

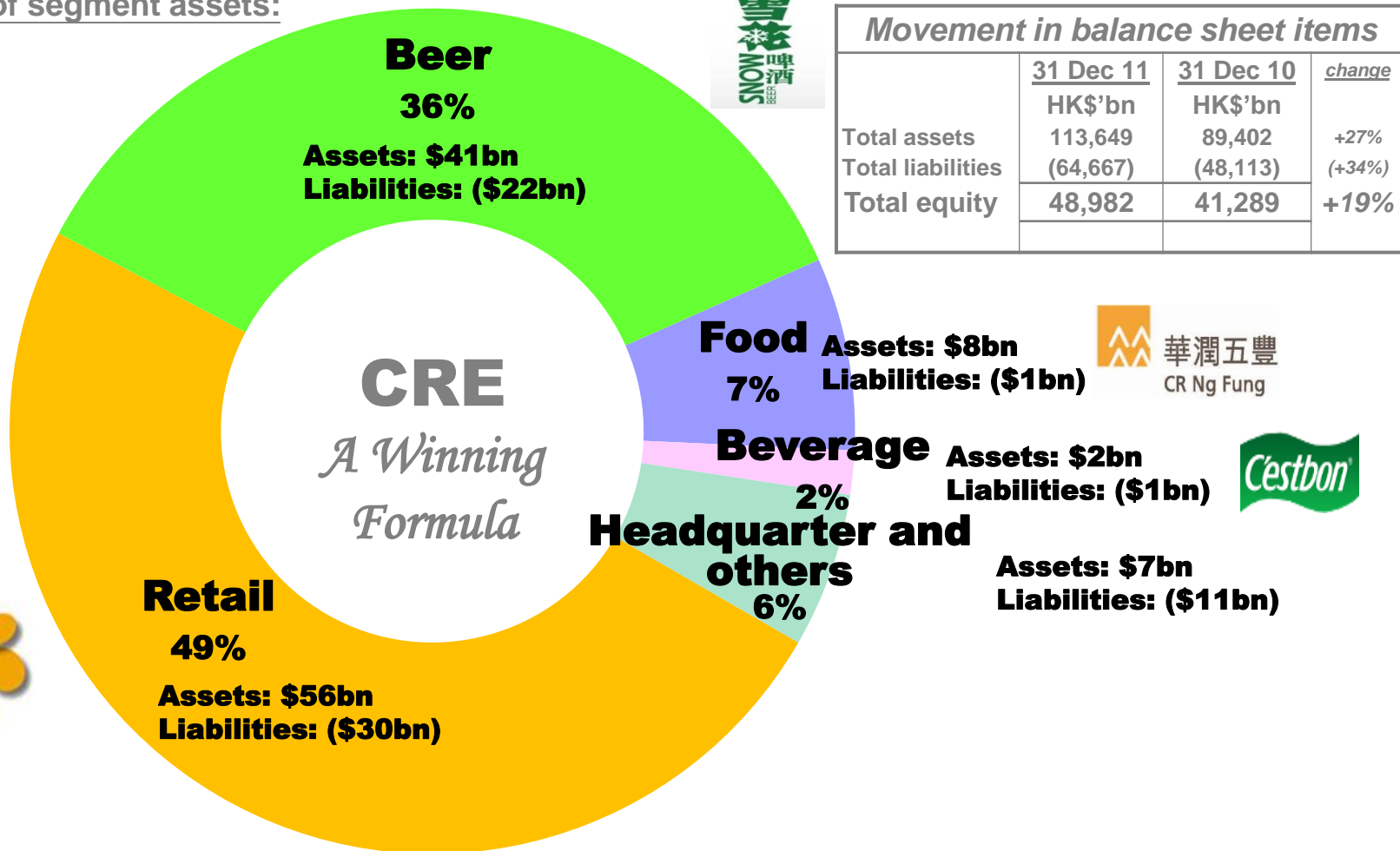
\* Interest income exceeded interest expense.

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# Segment assets

- Unique with four consumer businesses complementing each other

## Distribution of segment assets:

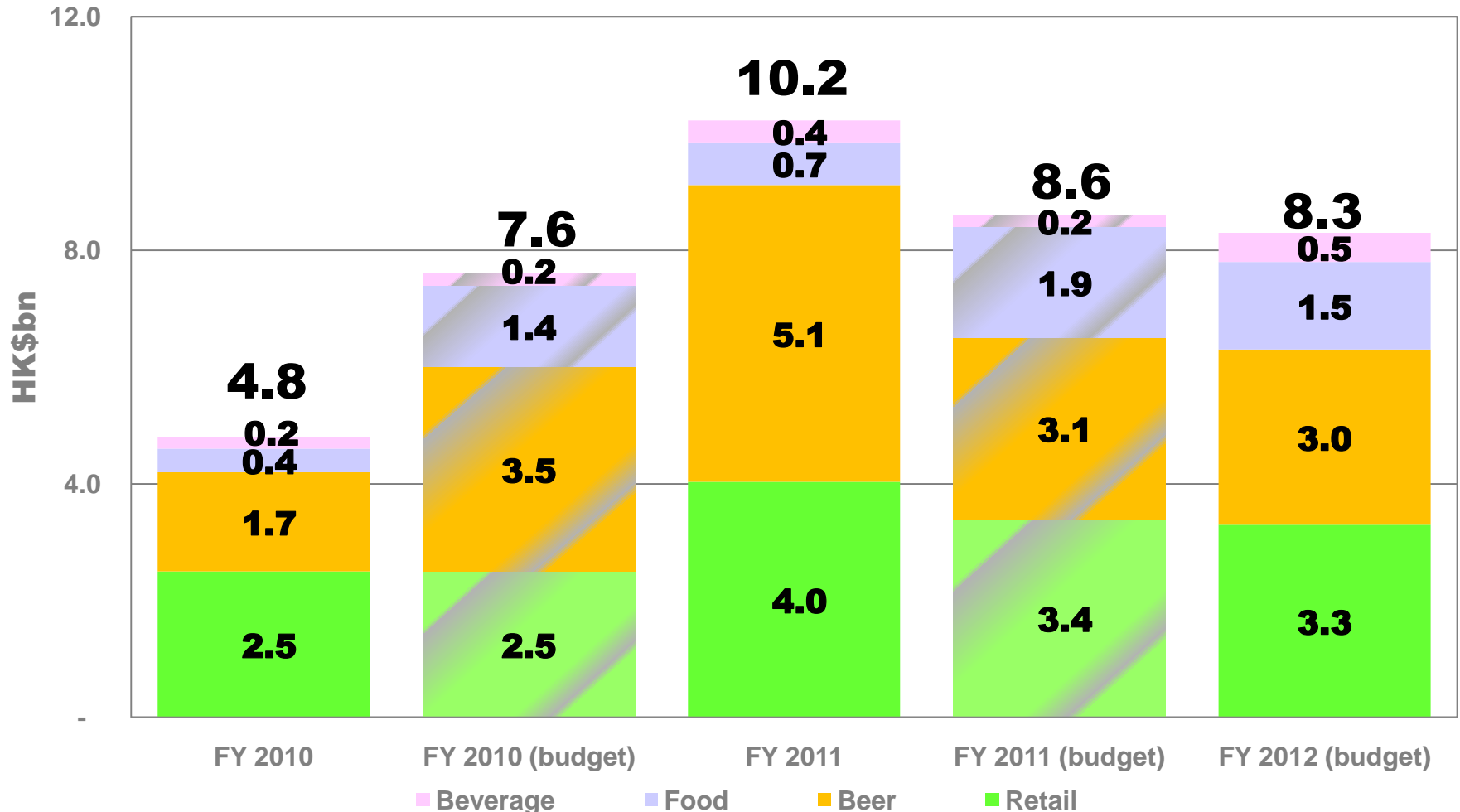


Movement in balance sheet items			
	31 Dec 11	31 Dec 10	change
	HK\$'bn	HK\$'bn	
Total assets	113,649	89,402	+27%
Total liabilities	(64,667)	(48,113)	(+34%)
Total equity	48,982	41,289	+19%

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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

	Q4 2011 HK\$m	Q4 2010 HK\$m	change	FY 2011 HK\$m	FY 2010 HK\$m	change
Sales volume (million KL)	1.63	1.48	+10%	10.24	9.28	+10%
Turnover	4,585	3,719	+23%	26,689	21,535	+24%
EBITDA	70	113	-38%	3,497	3,141	+11%
Earnings (after 49% share to SABMiller)	(78)	(99)	+21%	785	685	+15%
EBITDA margin (%)	1.5	3.0	-50%	13.1	14.6	-10%
Net margin (%) (after MI)	(1.7)	(2.7)	+37%	2.9	3.2	-9%

The profitability was mainly affected by the absorption of raw material pressure and the additional tax charge, China's Urban Maintenance and Construction Tax and Education Surcharges ("CCT").



Mainstream



Mid-end



Premium

Approximate retail selling price: RMB3

RMB5

RMB8

Sales volume contribution: >70%

<-----

21%

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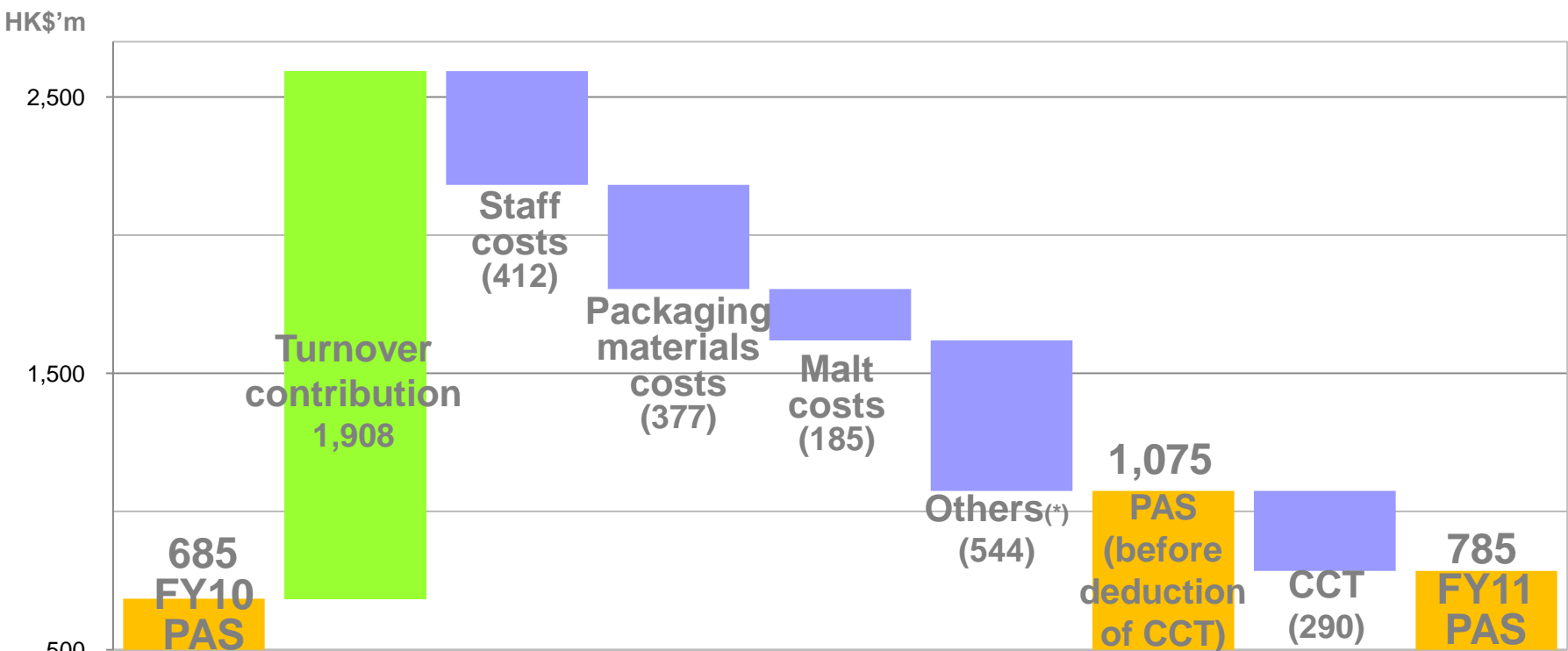


# Beer (*No.1 brand by volume in the world since 2008*)

- Growth through: Solidifying market leader position

*Profitability was improved after the absorption of CCT through the **change of product mix** and **effective cost management**.*

## Reconciliation of underlying net profit (after 49% to SABMiller) of beer business



(\*) Others included consumption tax, promotion and advertising expenses, depreciation and amortization and others.

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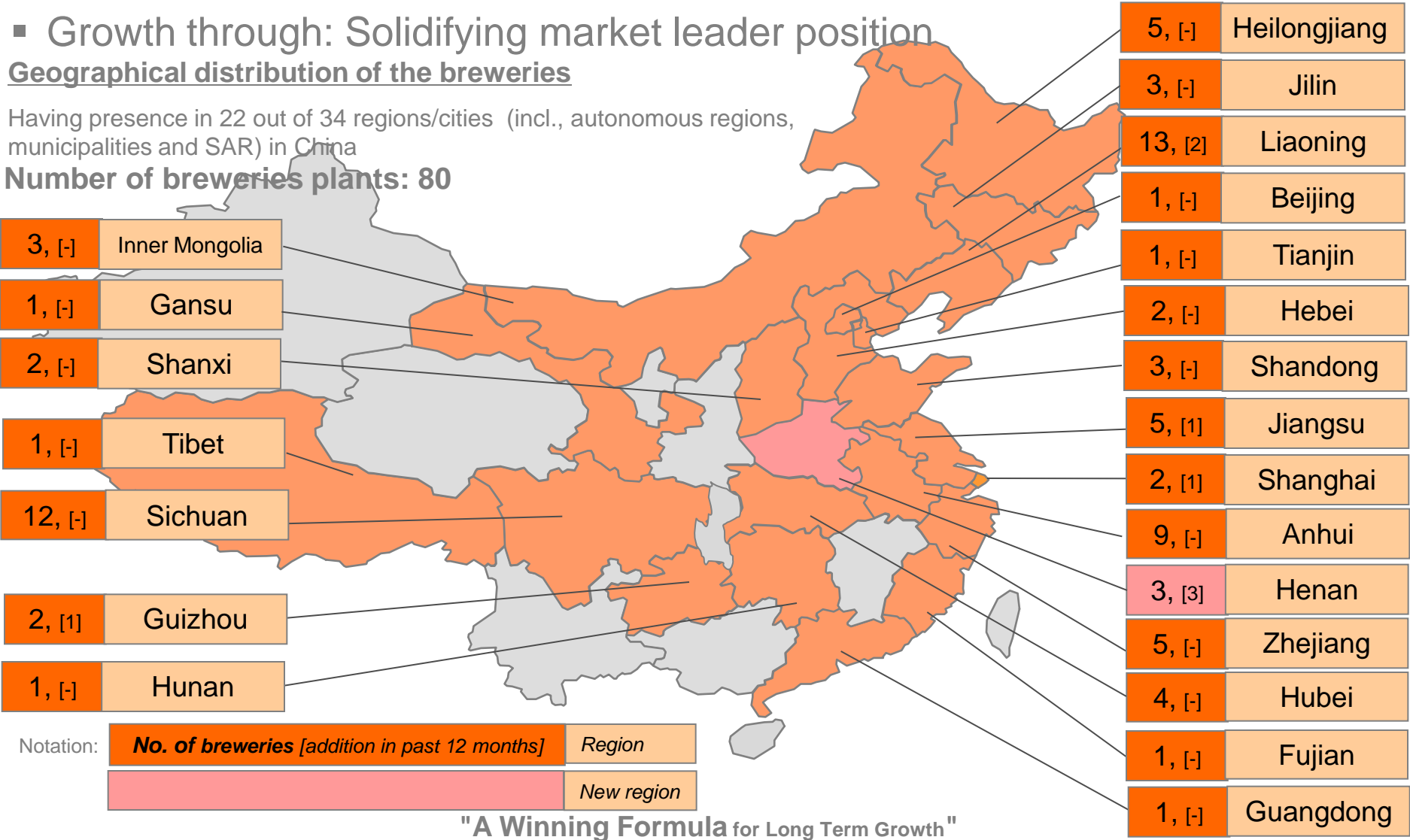
# Beer (No.1 brand by volume in the world since 2008)

■ 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: 80



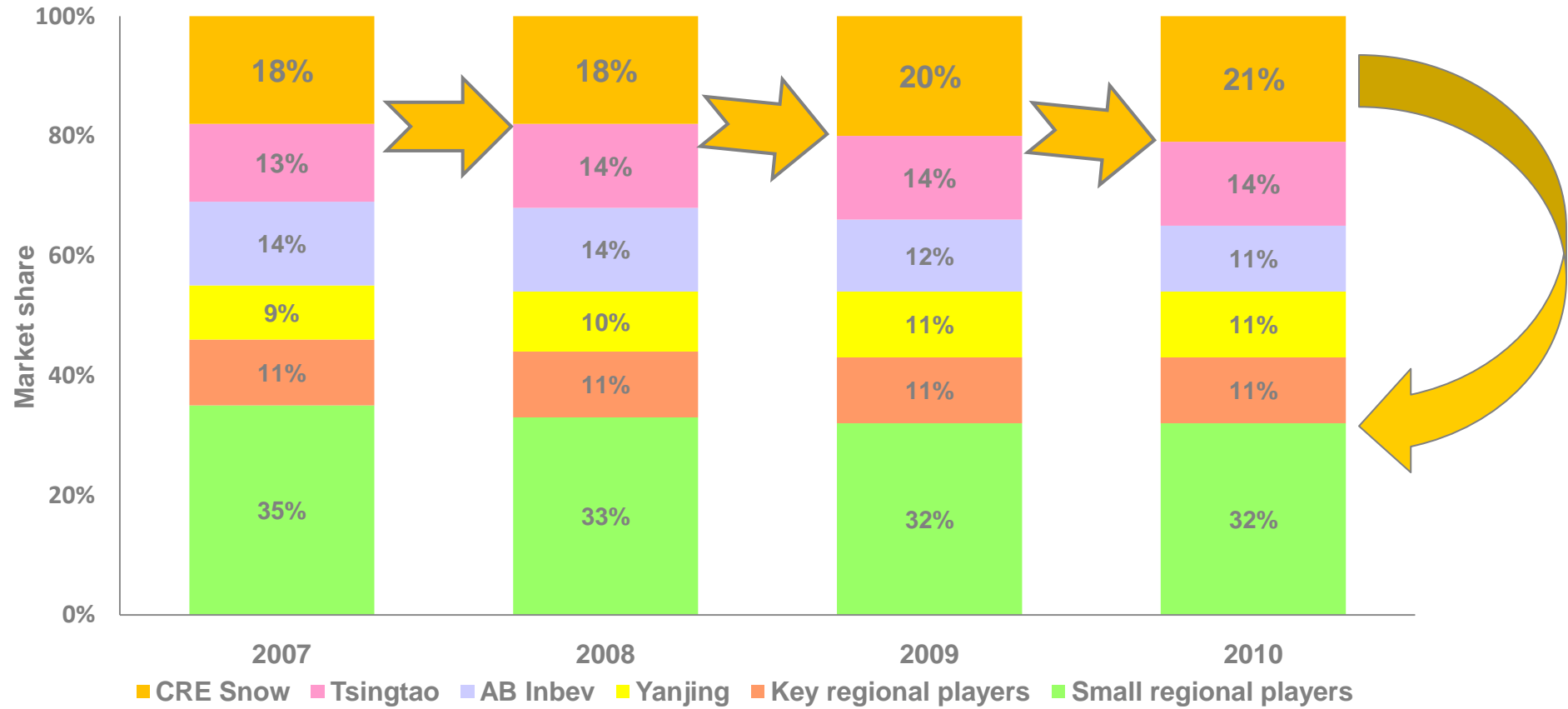
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# Beer (*No.1 brand by volume in the world since 2008*)

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

## Beer market share of key players

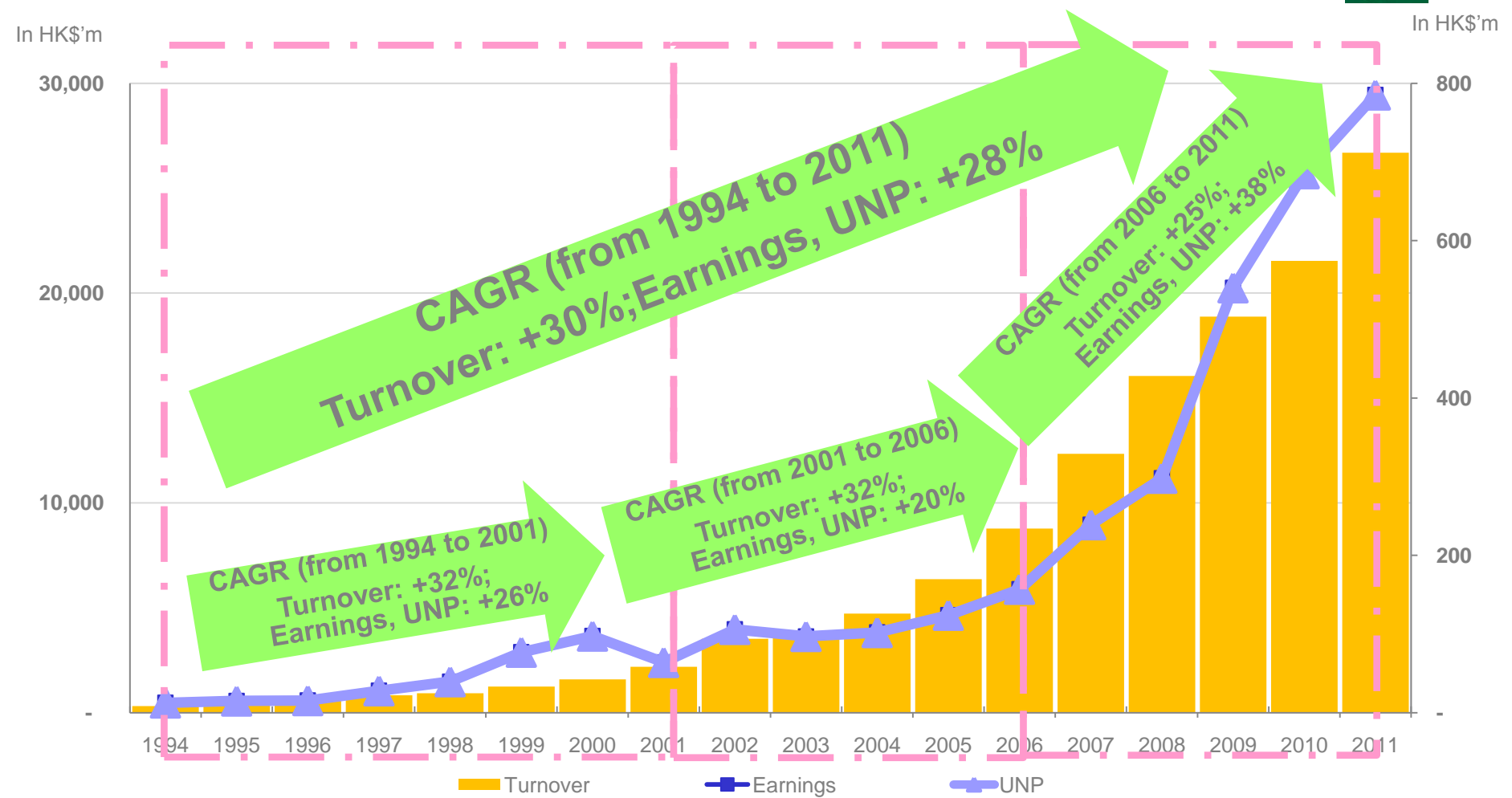


Source: State Statistical Bureau and CR Snow "A Winning Formula for Long Term Growth"



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

- Strong robust growth in both turnover and profitability



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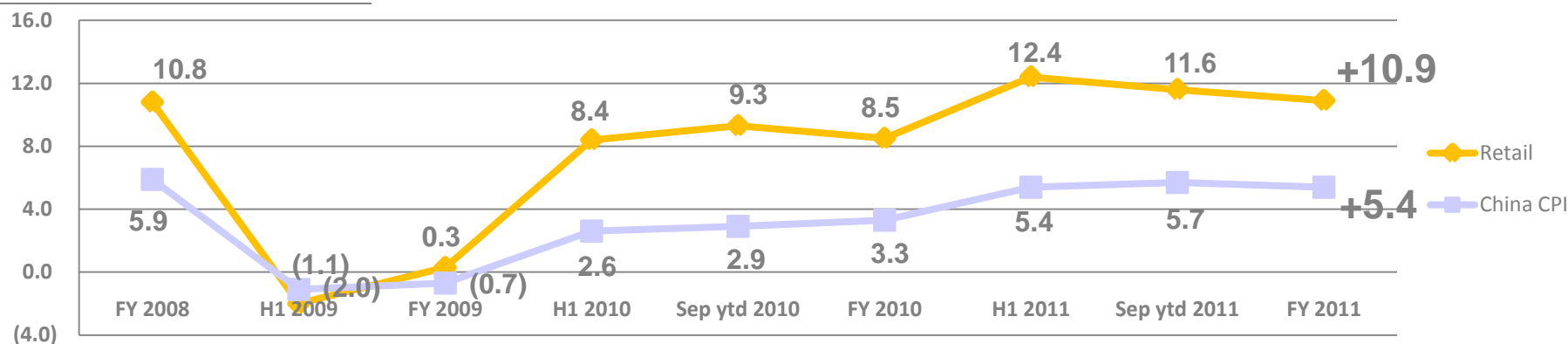
# Retail

## ■ Growth through: Multi-format with regional leadership

	Q4 2011 HK\$m	Q4 2010 HK\$m	change	FY 2011 HK\$m	FY 2010 HK\$m	change
Turnover	18,052	14,332	+26%	70,088	55,140	+27%
Underlying EBITDA #	529	538	-2%	2,831	2,543	+11%
Underlying net profit #	77	116	-34%	808	830	-3%
Underlying EBITDA margin (%) #	2.9	3.8	-24%	4.0	4.6	-13%
Underlying net profit margin (%) #	0.4	0.8	-50%	1.2	1.5	-20%

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

### SSSG of retail business:



# excluded the revaluation of investment property

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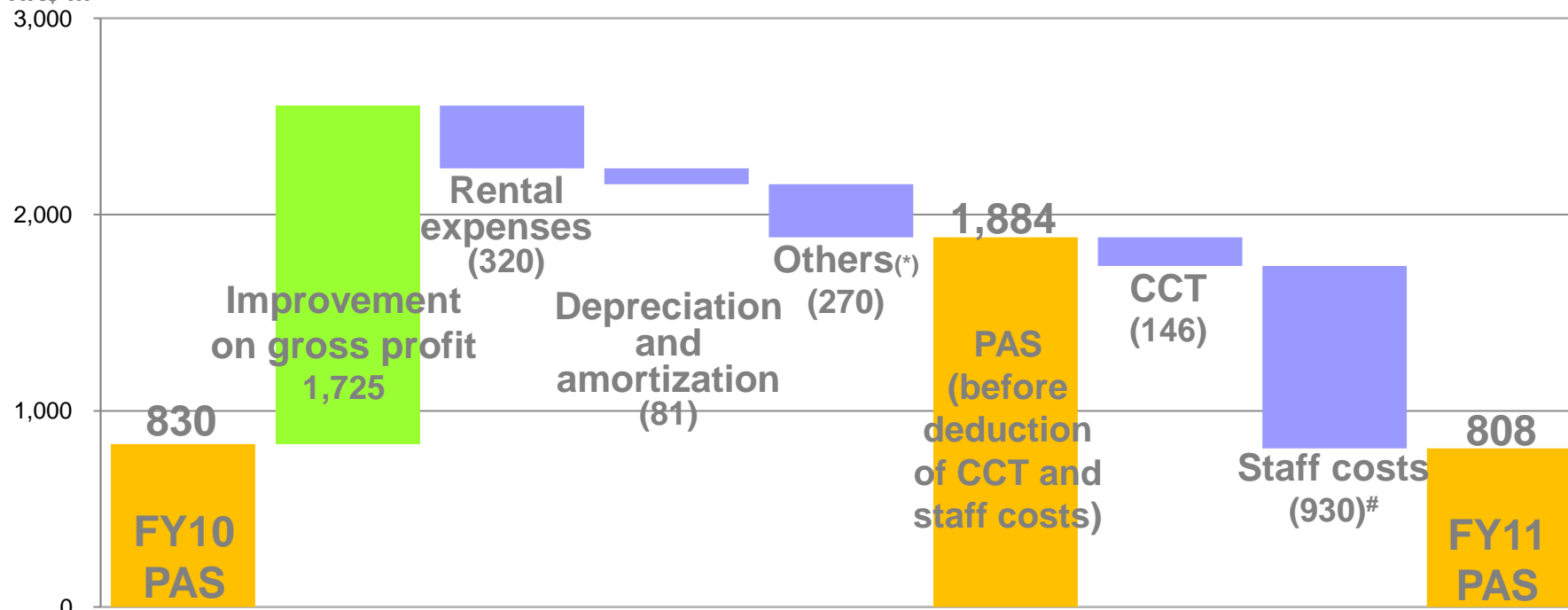
## Retail

- Growth through: Multi-format with regional leadership

*Profitability was maintained with the absorption of the pressure on **staff costs** and **China's Urban Maintenance and Construction Tax and Education Surcharges ("CCT")** which was beneficial for long-term growth.*

Reconciliation of underlying net profit of retail business (excl. revaluation of investment properties)

HK\$'m



# Staff costs increased by more than 45% during the year.

(\*) Others included promotion and advertising expenses, utilities expenses and others.

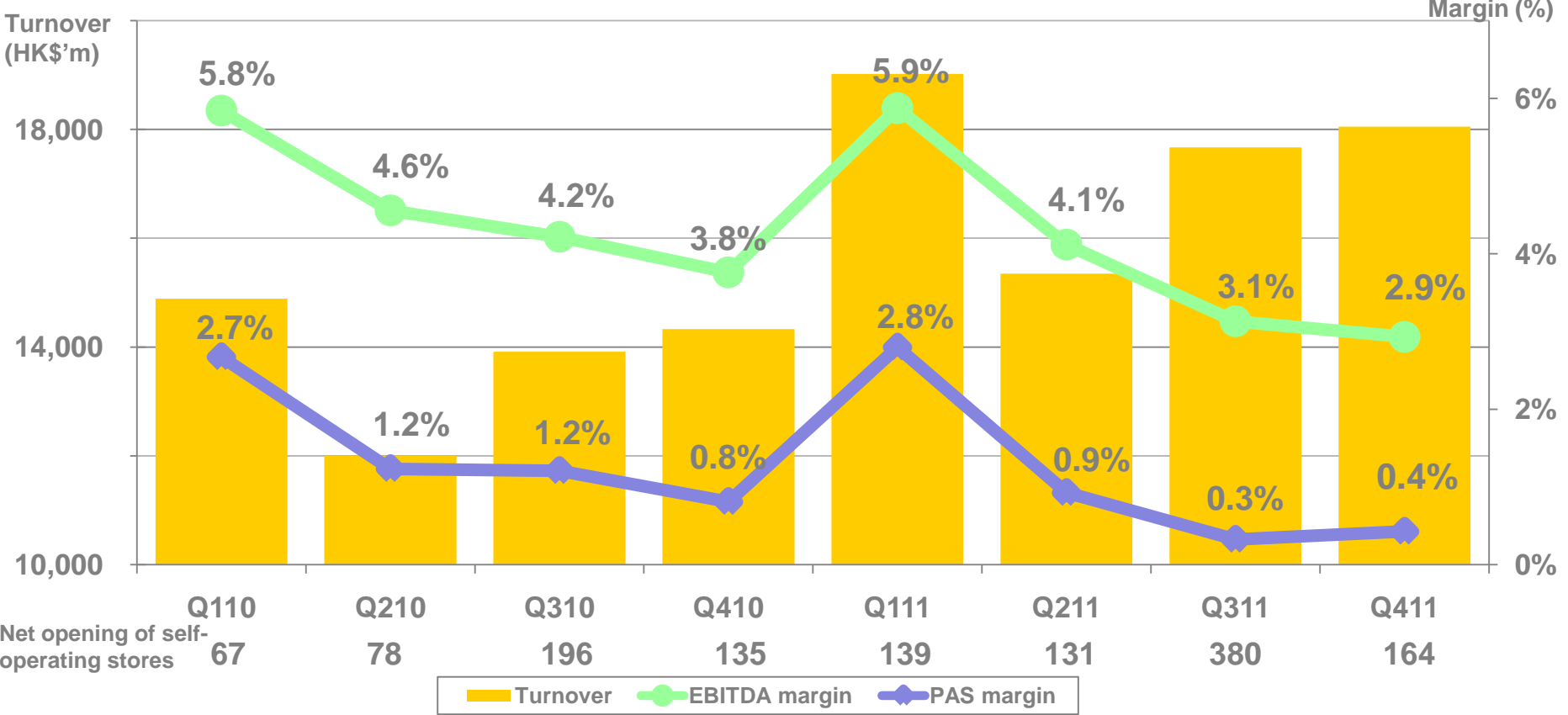
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# Retail

■ Growth through: Multi-format with regional leadership

Margin in Q411 was at *comparable level* with Q311.

Margin trend analysis on retail (excl. revaluation of investment properties)



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# 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) [-]	Inner Mongolia
3 (3) [2]	Ningxia
42 (35) [6]	Shaanxi
6 (6) [1]	Gansu
1 (1) [-]	Qinghai
17 (8) [-]	Henan
48 (2) [47]	Hubei

### Southern areas

6 (1) [6]	Chongqing
3 (2) [3]	Hunan

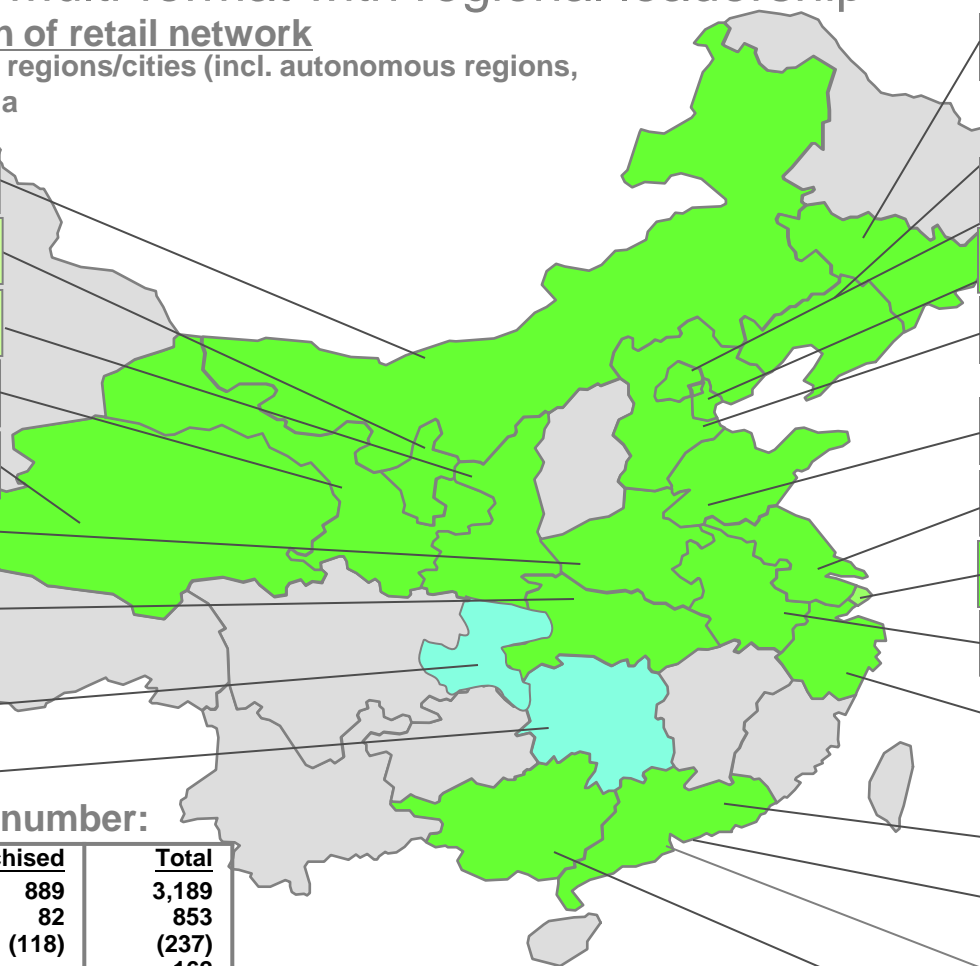
### Movement in retail shop number:

	Self-operated	Franchised	Total
31 Dec 10	2,300	889	3,189
Opening	771	82	853
Closing	(119)	(118)	(237)
Acquired	162	-	162
31 Dec 11	3,114	853	3,967*

\*Of which, 10 stores are located in Singapore and Malaysia.

Notation:

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



### Northern areas

4 (4) [-]	Jilin
16 (12) [6]	Liaoning
127 (24) [48]	Beijing
314 (21) [33]	Tianjin
8 (8) [2]	Hebei

### Eastern areas

35 (3) [23]	Shandong
1,806 (204) [248]	Jiangsu
24 (-) [18]	Shanghai
445 (51) [107]	Anhui
102 (44) [24]	Zhejiang

### Southern areas

573 (59) [136]	Guangdong
367 (-) [60]	Hong Kong
5 (-) [2]	Macau
3 (3) [2]	Guangxi

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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

	Q4 2011 HK\$m	Q4 2010 HK\$m	change	FY 2011 HK\$m	FY 2010 HK\$m	change
Turnover	2,968	2,309	+29%	10,706	8,306	+29%
Underlying EBITDA	91	158	-43%	639	771	-17%
Underlying net profit	24	56	-57%	263	321	-18%
Underlying EBITDA margin (%)	3.1	6.8	-54%	6.0	9.3	-35%
Underlying net profit margin (%)	0.8	2.4	-67%	2.5	3.9	-36%

*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



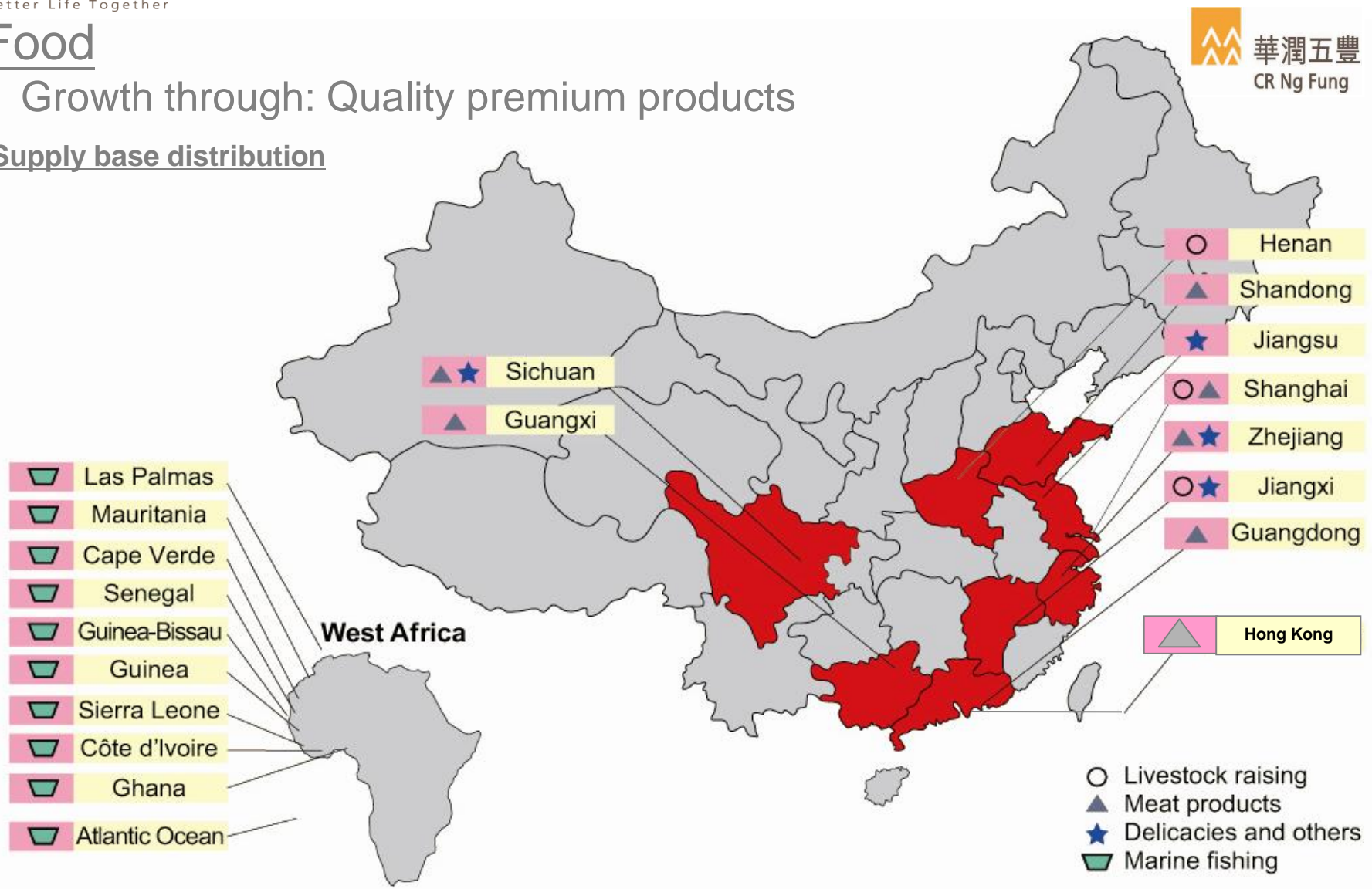
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# Food

■ Growth through: Quality premium products

## Supply base distribution



Source: Company data

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# Beverage



## ■ Growth through: strong partnership with Kirin

	Q4 2011 HK\$m	Q4 2010 HK\$m	change	FY 2011 HK\$m	FY 2010 HK\$m	change
Sales volume (million KL)	0.54	0.37	+46%	2.64	1.96	+35%
Turnover	650	430	+51%	3,112	2,080	+50%
EBITDA	27	35	-23%	243	229	+6%
Earnings (after 40% share to Kirin since Aug 2011)	6	18	-67%	126	155	-19%
EBITDA margin (%)	4.2	8.1	-48%	7.8	11.0	-29%
Net margin (%) (after MI)	0.9	4.2	-79%	4.0	7.5	-47%

Improvement in turnover was mainly supported by the increase in sales volume. Profitability was affected by the surge in raw material cost.



- 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



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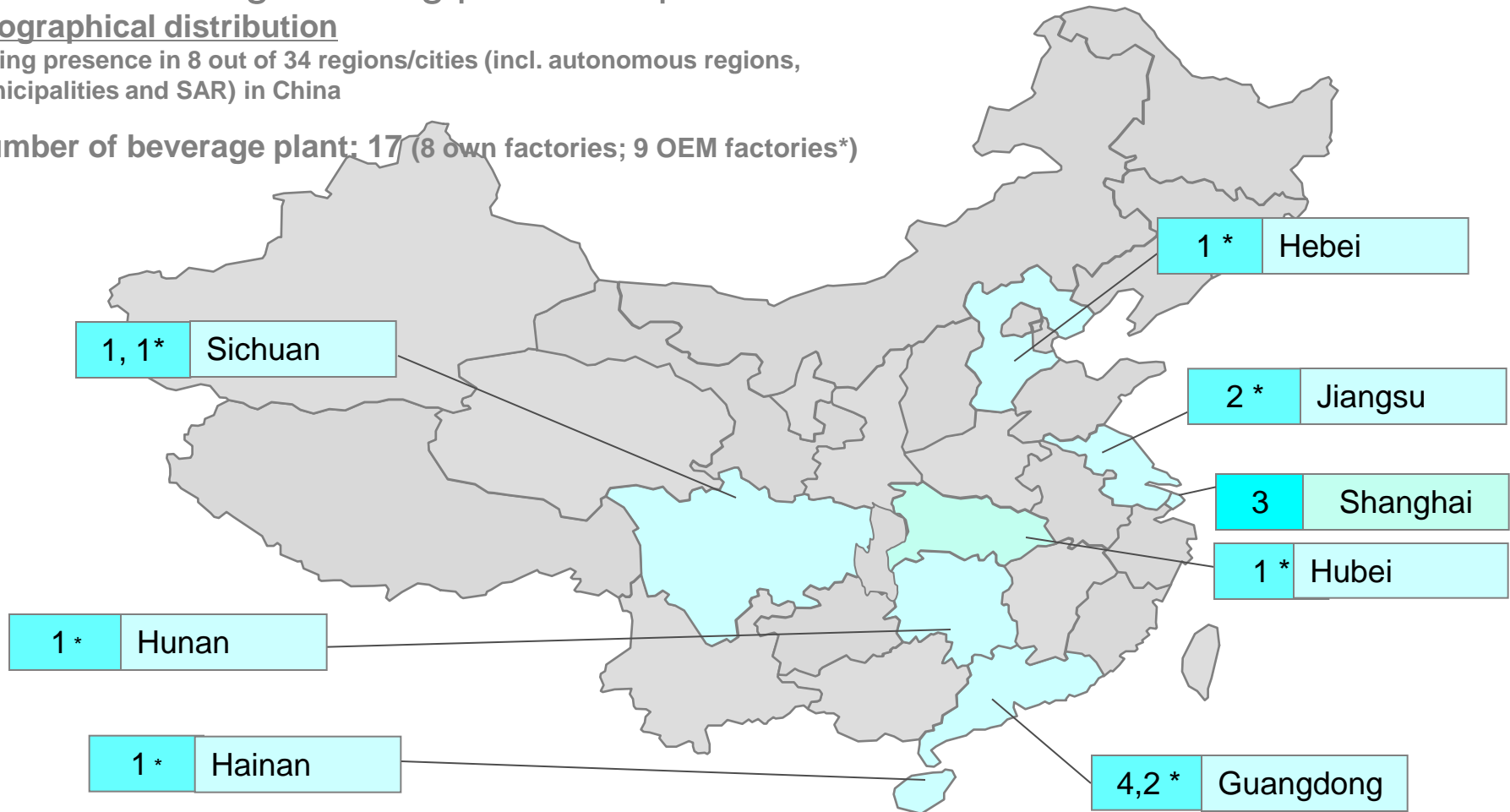
# Beverage

- 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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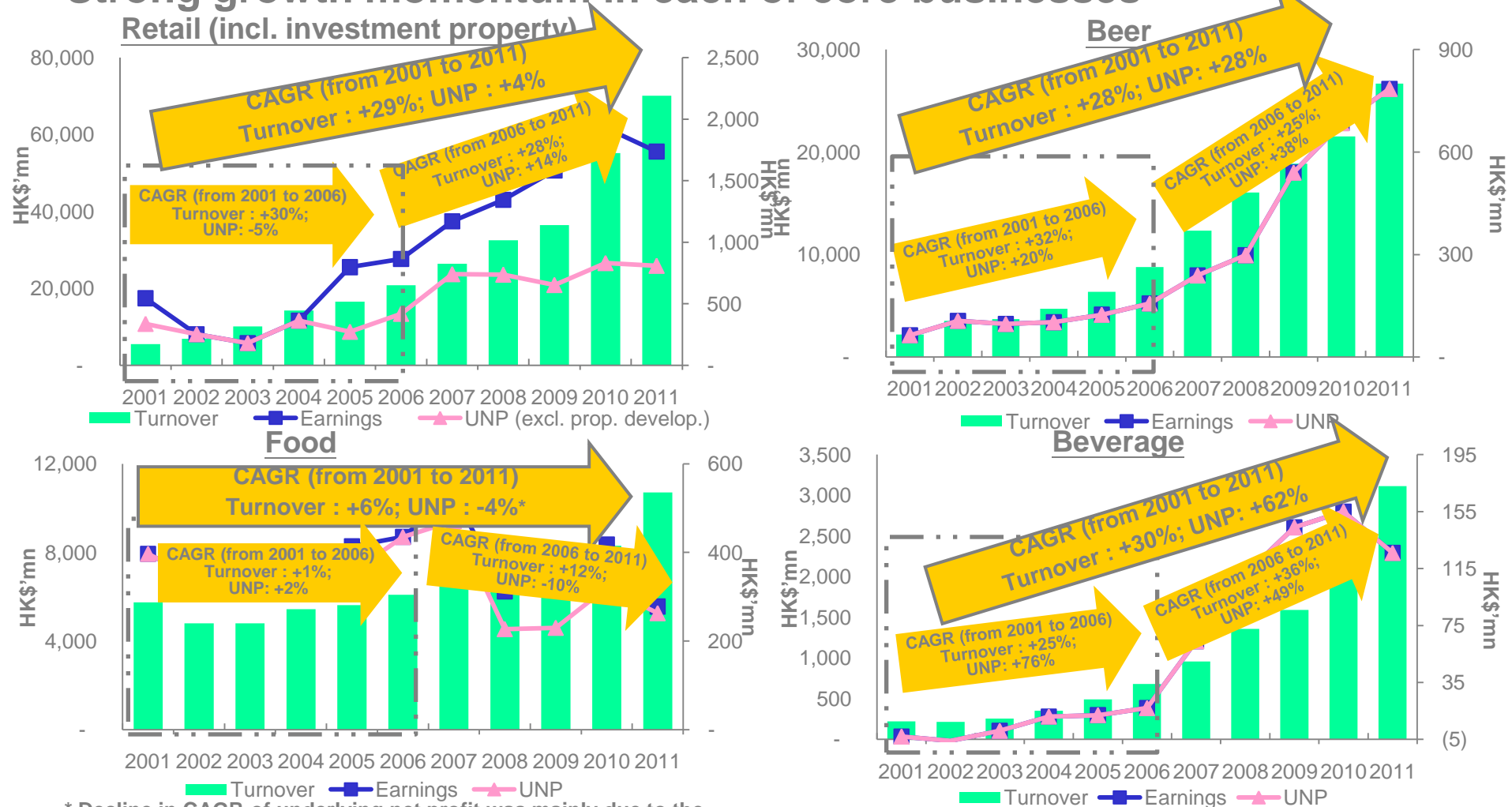
# Appendix I – Details of Retail formats

Format	Major brands	Average areas (sq.m)	31 Dec 11				31 Dec 10	
			% of turnover	App. Average GP margin	Self-operated	Franchised	Self-operated	Franchised
I. Hypermarket	 	over 5,000	app.78%	19%	493	16	451	25
II. Standard supermarket		500 - 800	app.11%	22%	1,177	782	1,004	828
III. Convenience stores		30 - 120	app.4%	21%	925	39	623	27
IV. Ole', blt	 	4,000	app.2%	more than 25%	27	-	19	-
V. Pacific coffee		120	app.1%	more than 50%	158	16	100	9
VI. CAC and CR Care	  	various	app.2%	more than 30%	129	-	96	-
VII. Health and beauty stores		200	Less than 1%	more than 30%	176	-	5	-
VII. Wine cellar and others		200	app.2%	Various	29	-	2	-
Total					3,114	853	2,300	889
					3,967		3,189	

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## Appendix II – Historical track record of CRE

### ■ Strong growth momentum in each of core businesses



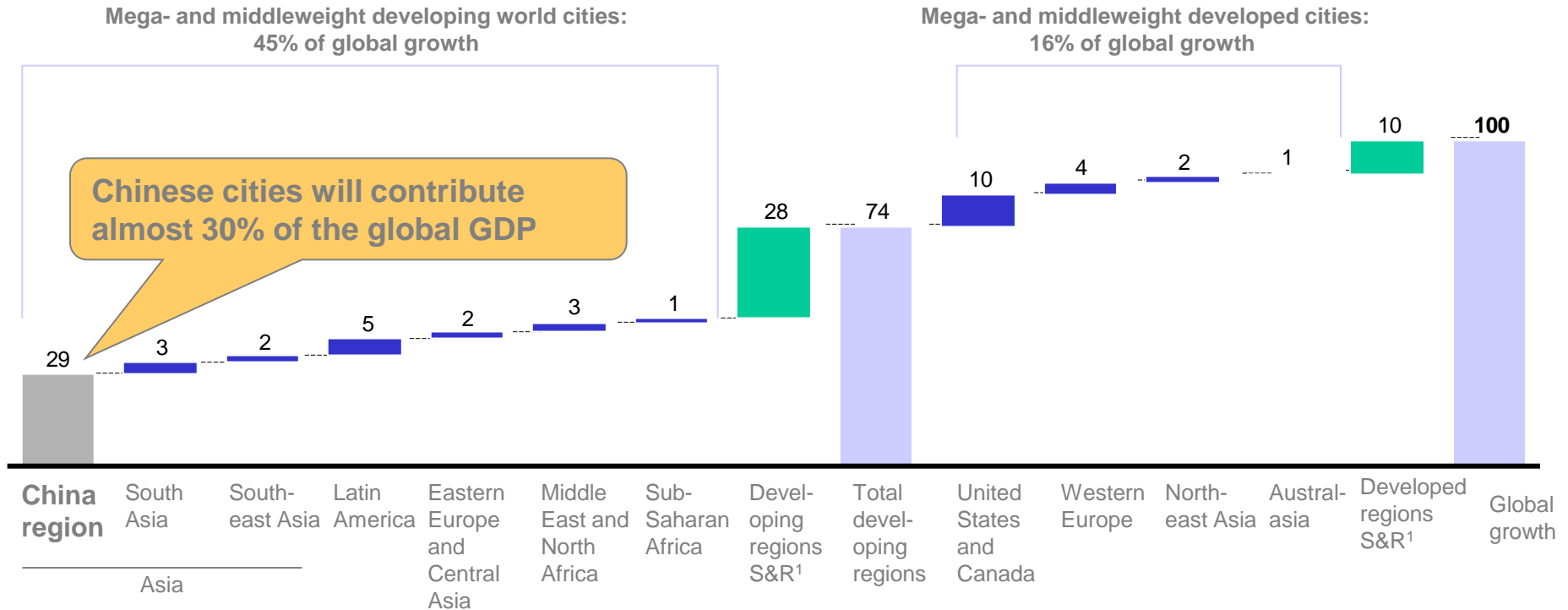
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## Appendix III – Strong growth in China

### 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 IV – Better position for CRE

## ■ Better positioning to capture strong growth in China

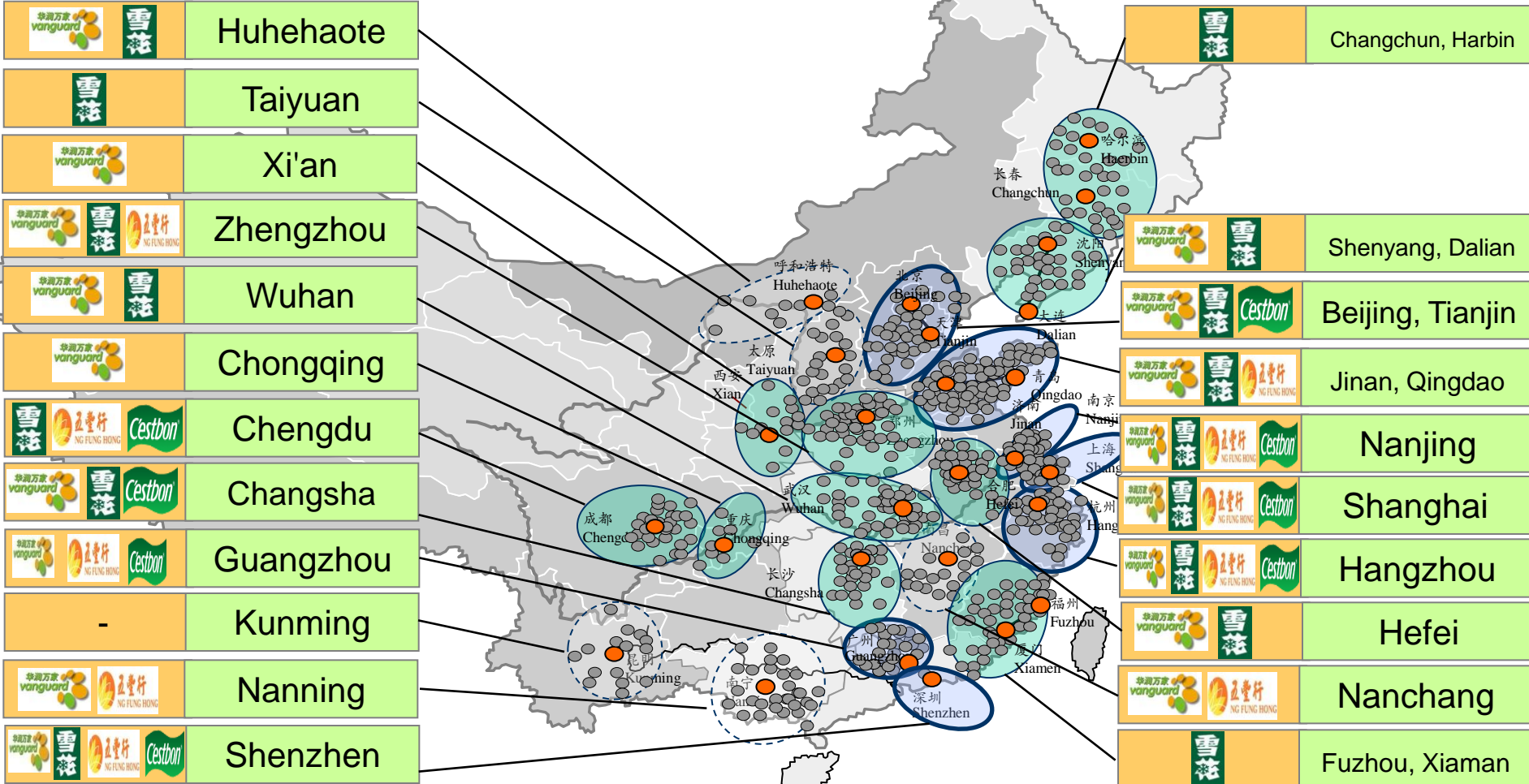
According to McKinsey, *more than 90% of China's urban GDP in 2015 will come from 22 clusters.*

Notation:

CRE's presence

Cluster's hub city

Expected cluster size:



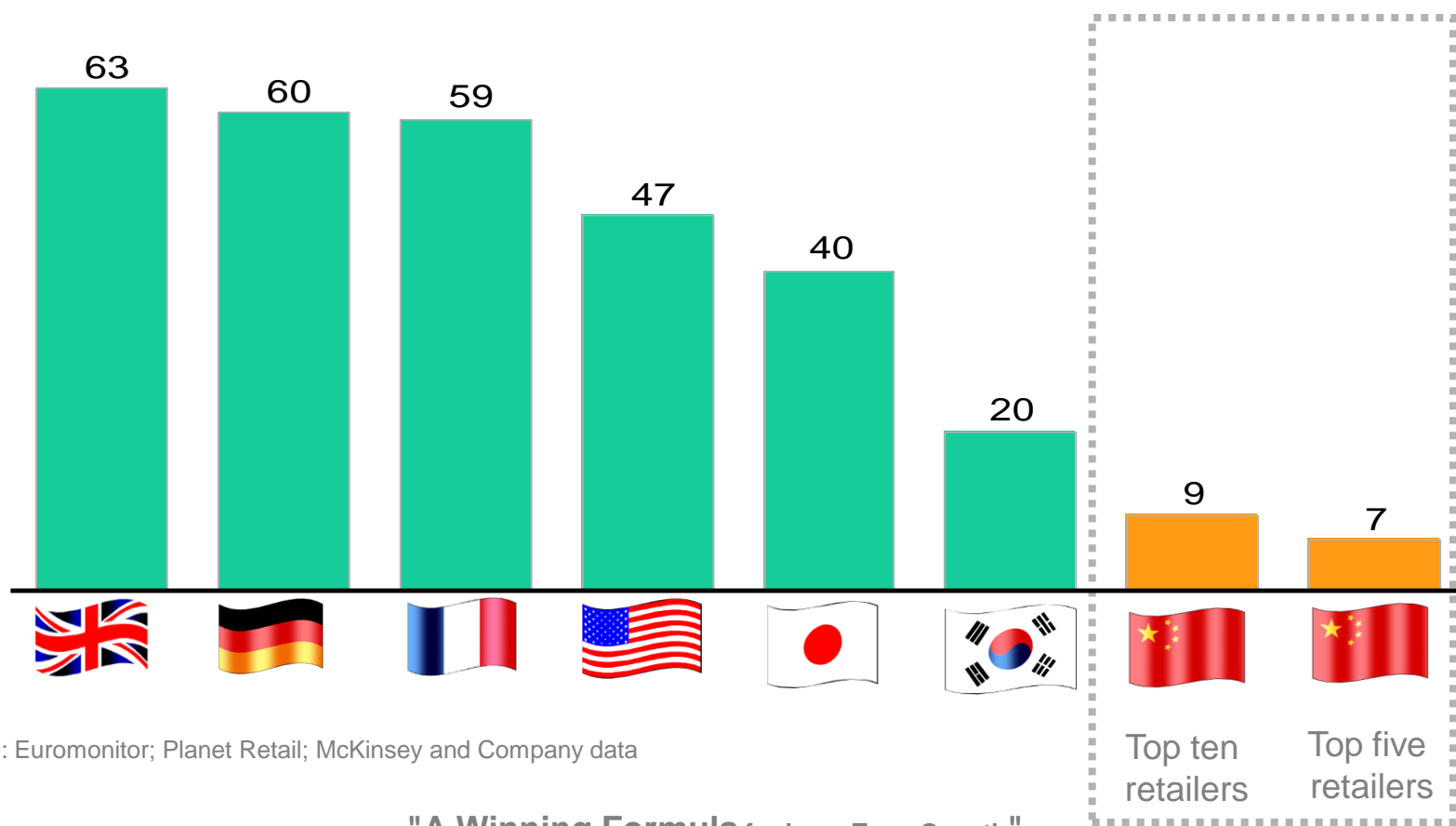
Source: McKinsey and Company data

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## Appendix V – 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:

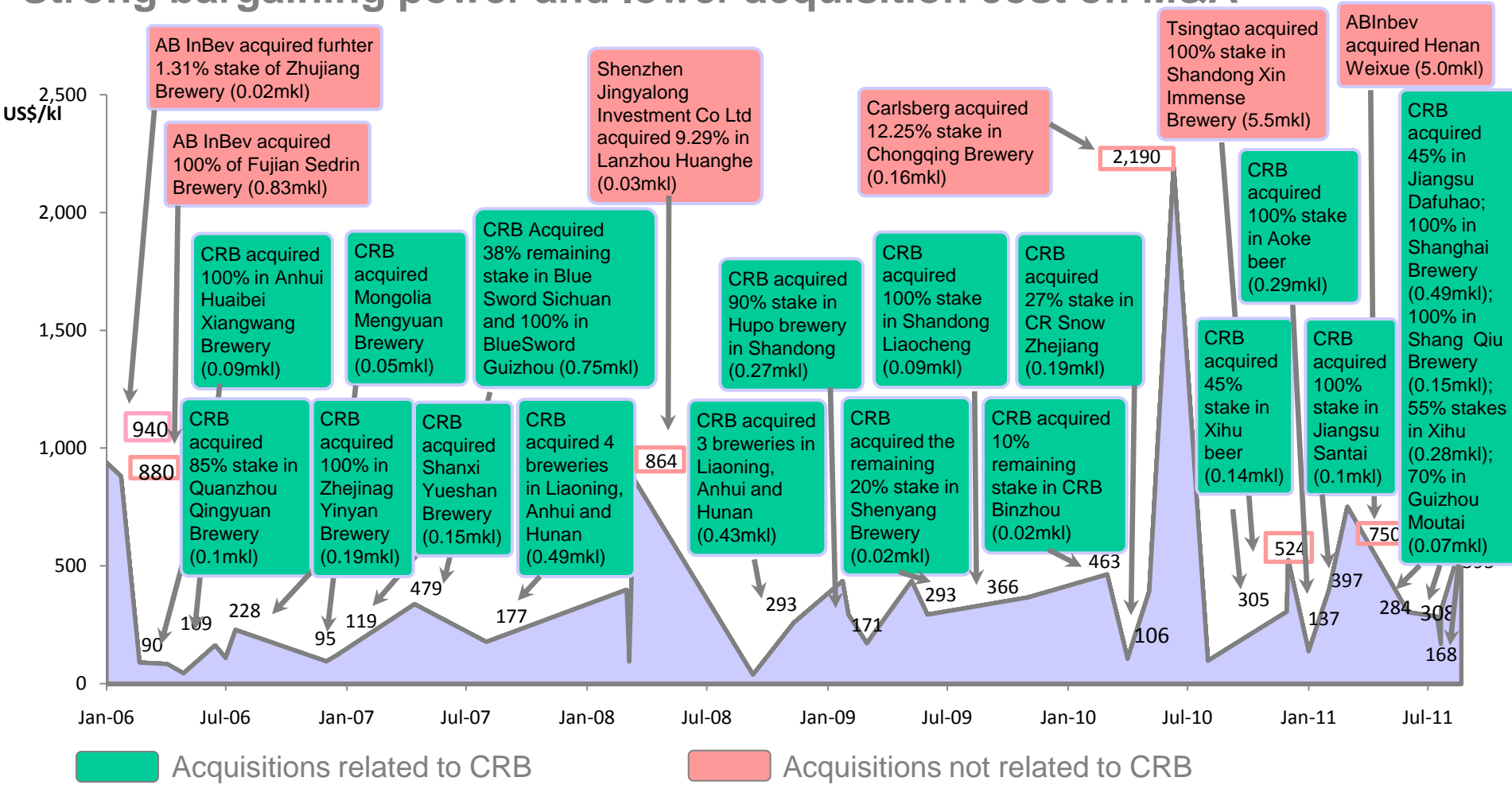


Source: Euromonitor; Planet Retail; McKinsey and Company data

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

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

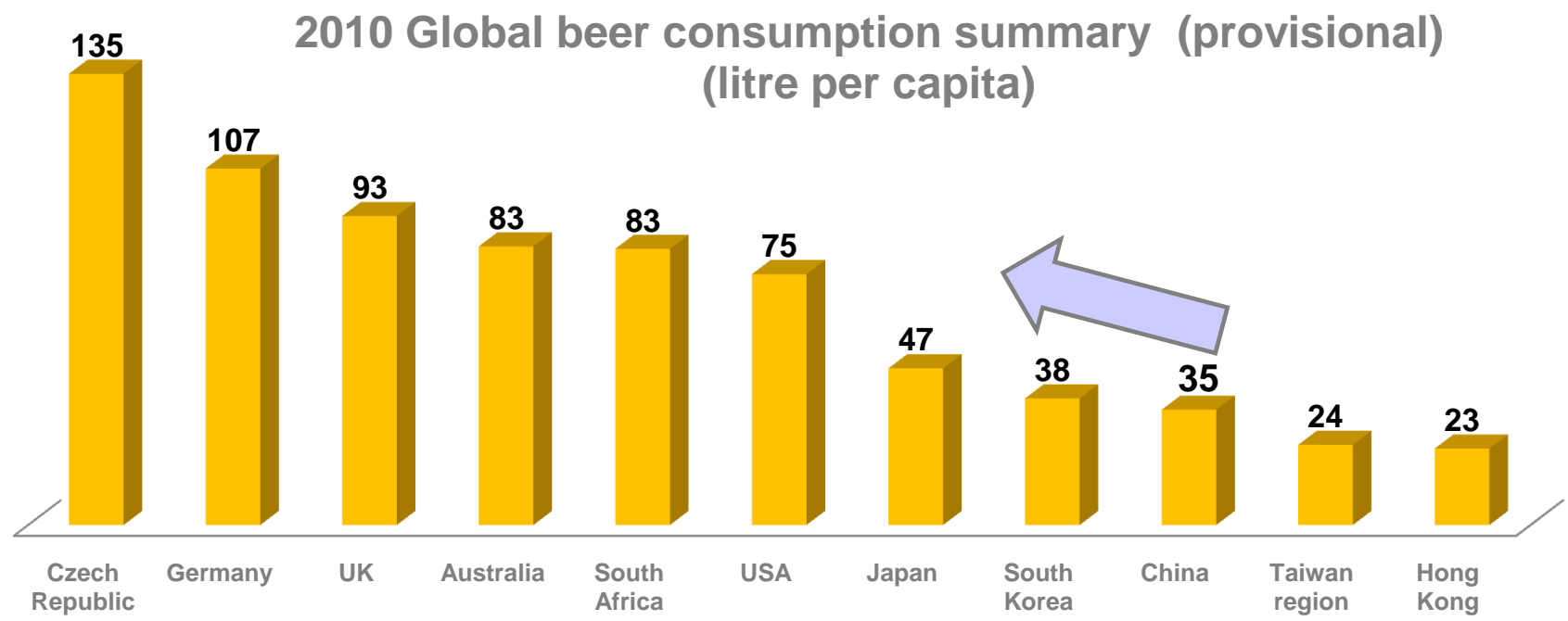


Source: Deutsche bank and Company data

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# Appendix VII – Global beer consumption summary

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



Source: Canadian

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## Appendix VIII – 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>
2005-2009	Rated one of the companies with the best corporate governance in China by <i>FinanceAsia</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>
2009	Received 6 best awards 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 in Hong Kong region and 4 awards in Asia region by <i>Asiamoney</i>
2009	Selected as Most progress in investors relations and Best investor relations for a corporate transaction in IR Magazine Hong Kong and Taiwan Awards 2009 by <i>IR Magazine</i>
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>

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## Appendix VIII – CRE awards (Cont'd)

### ■ Highlights of accolades received

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	Received the Caring Company Logo 2009/2010 from Caring Company Scheme organized by <i>The Hong Kong Council of Social Service</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>
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>
2010–2011	Selected as one of the companies receiving "Global Chinese Business 1000 – Outstanding Performance Award" by <i>Yazhou Zhoukan</i>

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## Appendix VIII – CRE awards (Cont'd)

### ■ Highlights of accolades received

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>
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>
2011	Ranked number 981 in Global 2000 from Forbes
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>

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