



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

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

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%



"A Winning Formula for Long Term Growth"

## Turnover Breakdown - by Divisions

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



## "A Winning Formula for Long Term Growth"

## Underlying Net Profit Breakdown - by Divisions

	Q1 2012	Prop	Q1 2011 (restated)	Prop	change
	HK\$m		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>



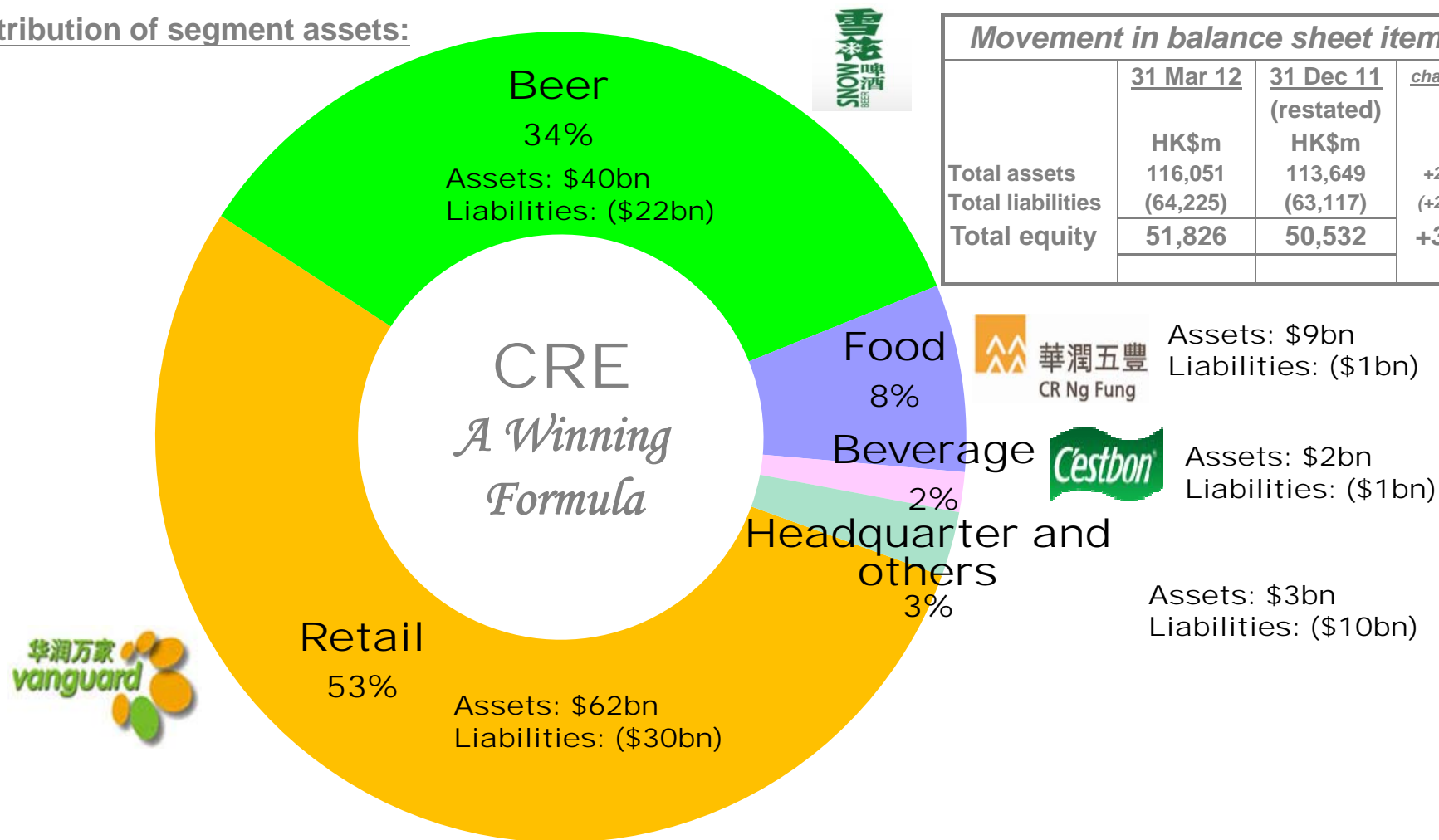
\* Interest income exceeded interest expense.

"A Winning Formula for Long Term Growth"

## Segment assets

- Unique with four consumer businesses complementing each other

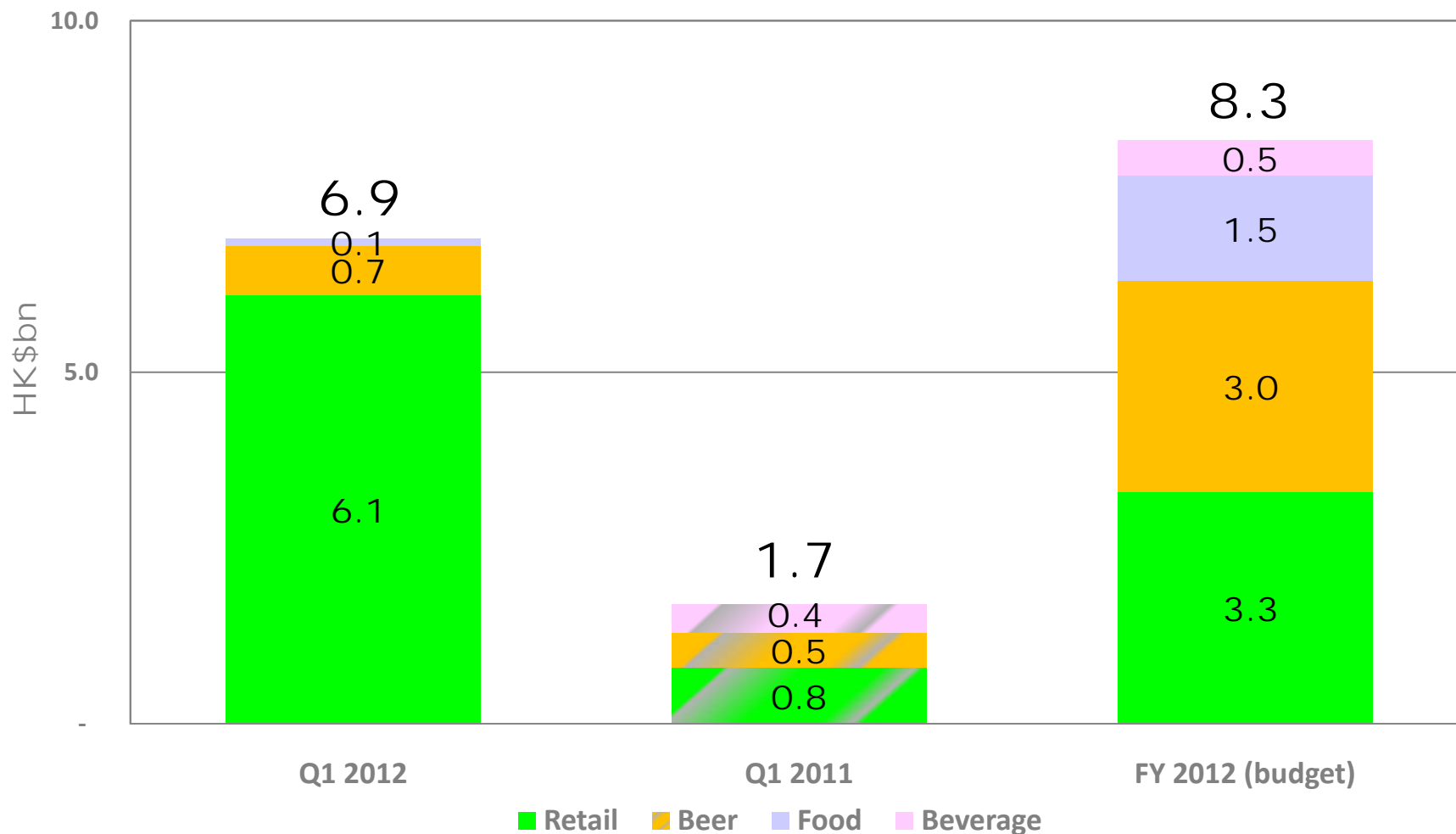
### Distribution of segment assets:



"A Winning Formula for Long Term Growth"

## CAPEX

- Grasping opportunities through rapid expansion



"A Winning Formula for Long Term Growth"

## 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

----->

>30%

**"A Winning Formula for Long Term Growth"**



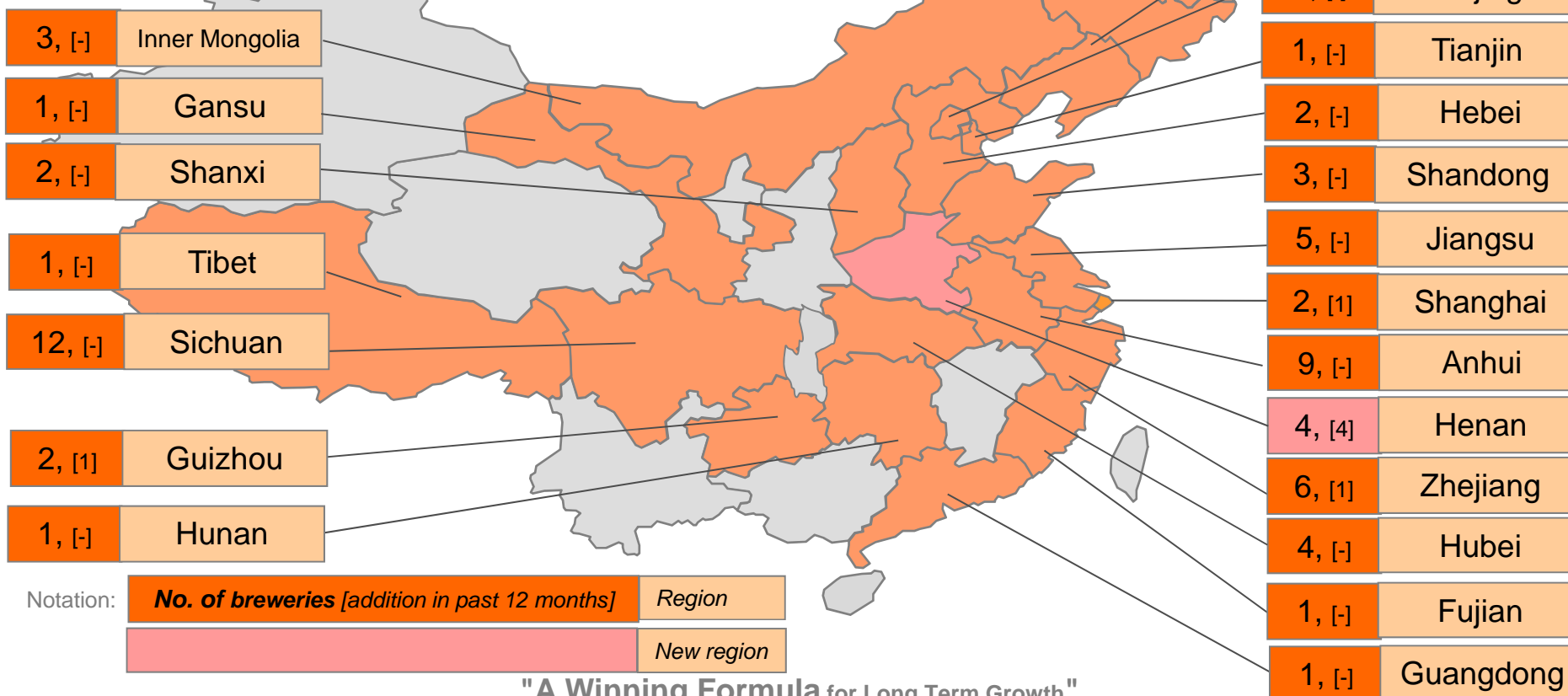
## Beer (No.1 brand by volume in the world since 2008)

- 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**



"A Winning Formula for Long Term Growth"

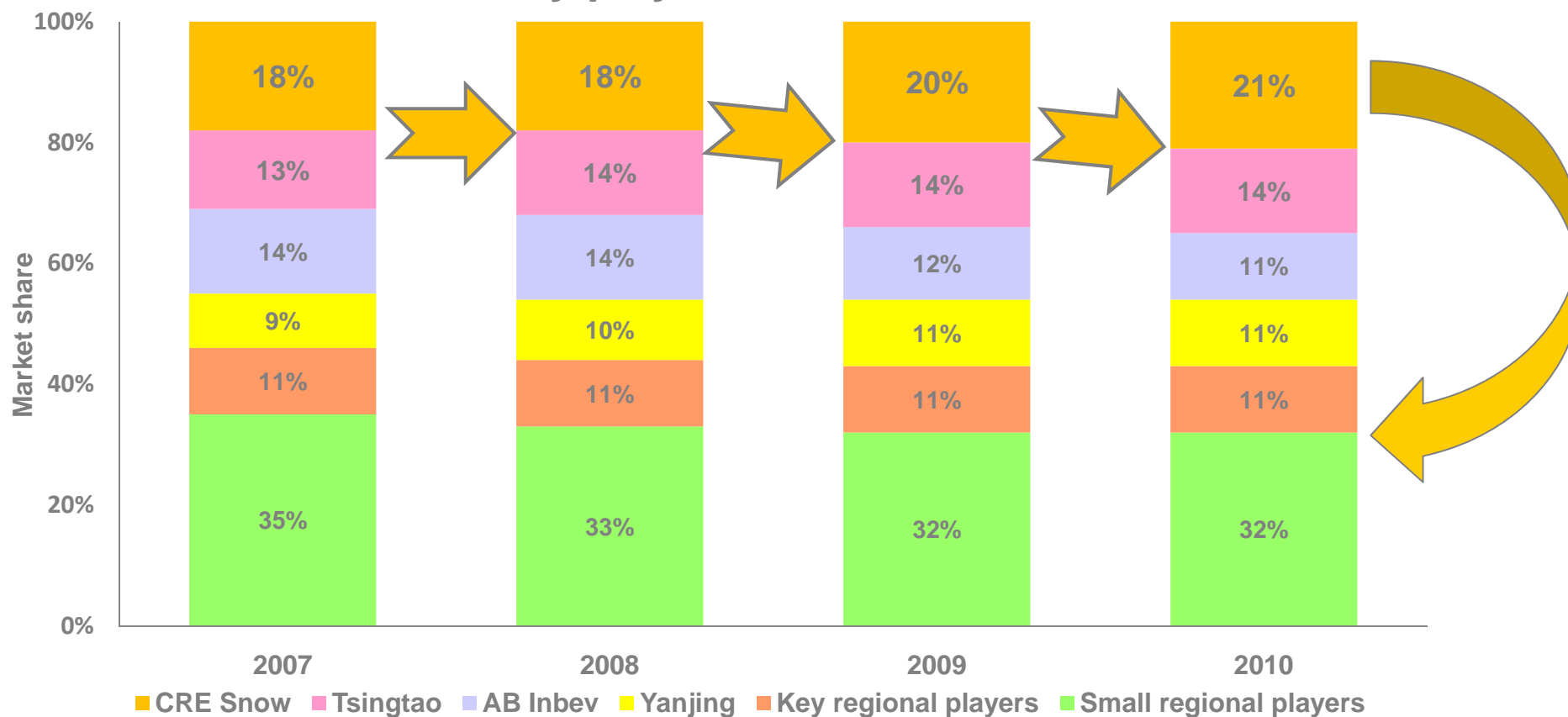


## Beer (*No.1 brand by volume in the world since 2008*)



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

### Beer market share of key players



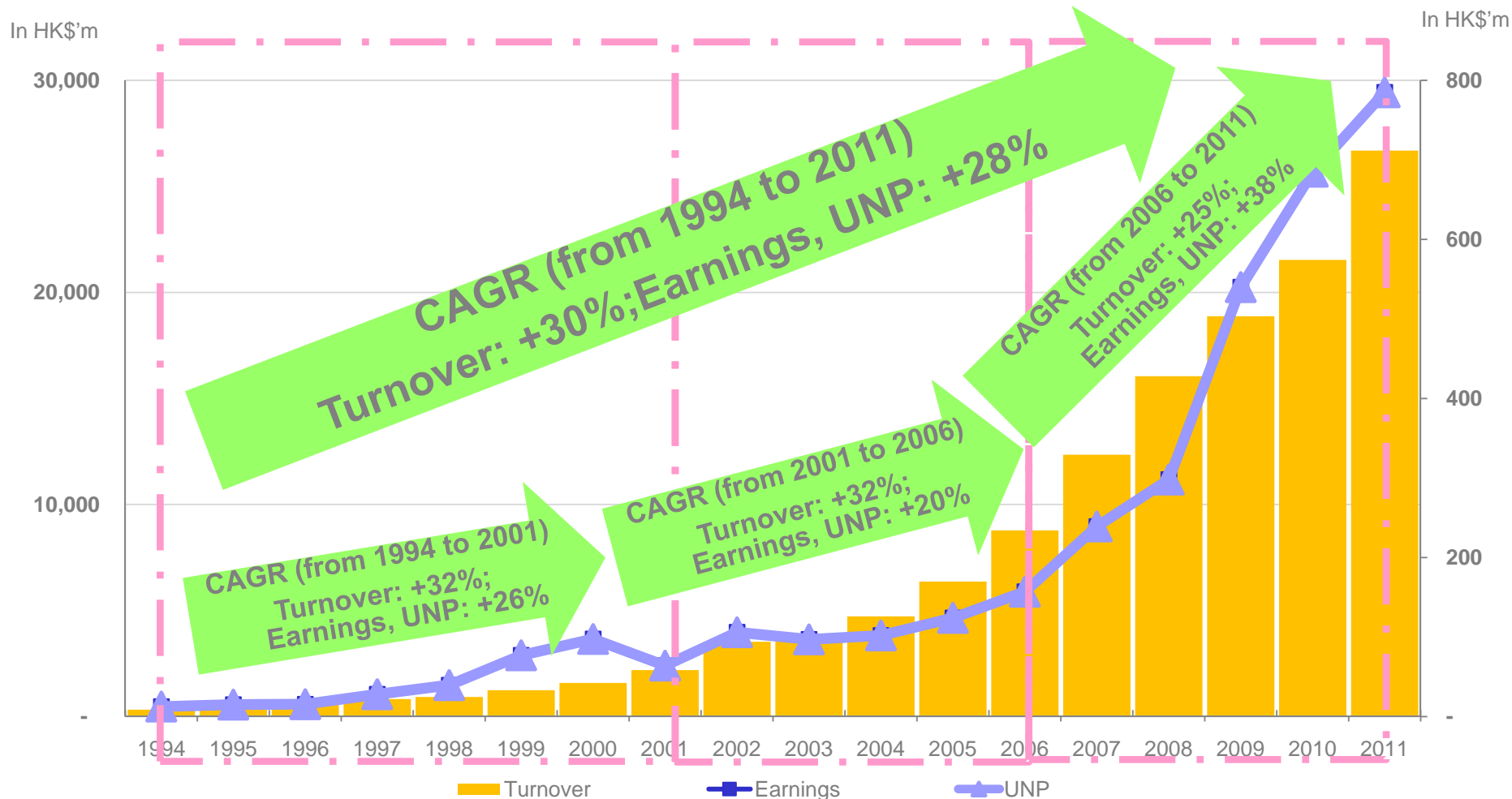
Source: State Statistical Bureau and CR Snow

**"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



"A Winning Formula for Long Term Growth"

## Retail

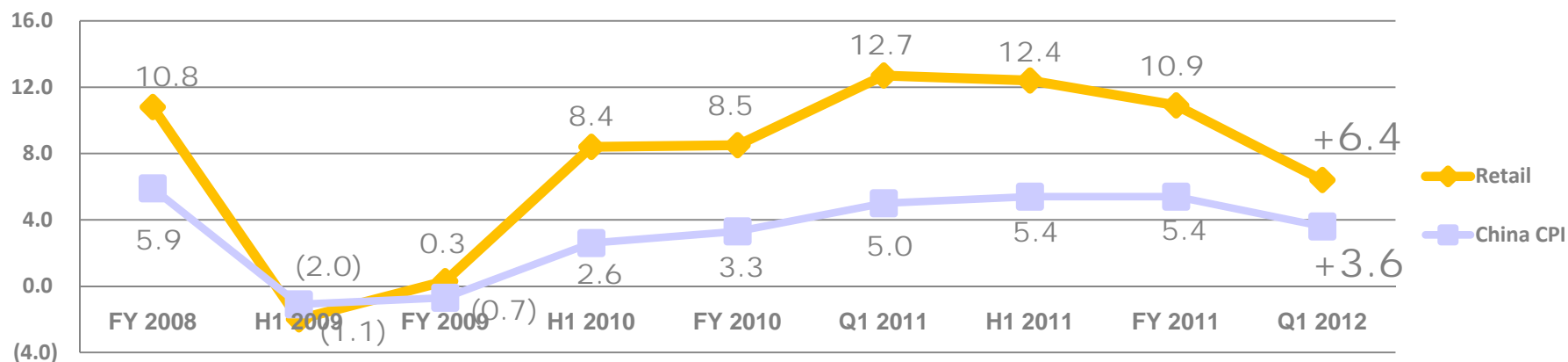


- Growth through: Multi-format with regional leadership

	Q1 2012 HK\$m	Q1 2011 HK\$m	change
Turnover	24,150	19,019	+27%
Underlying EBITDA #	1,299	1,117	+16%
Underlying net profit #	560	532	+5%
Underlying EBITDA margin (%) #	5.4	5.9	-8%
Underlying net profit margin (%) #	2.3	2.8	-18%

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

### SSSG of retail business:



# excluded the revaluation of investment property

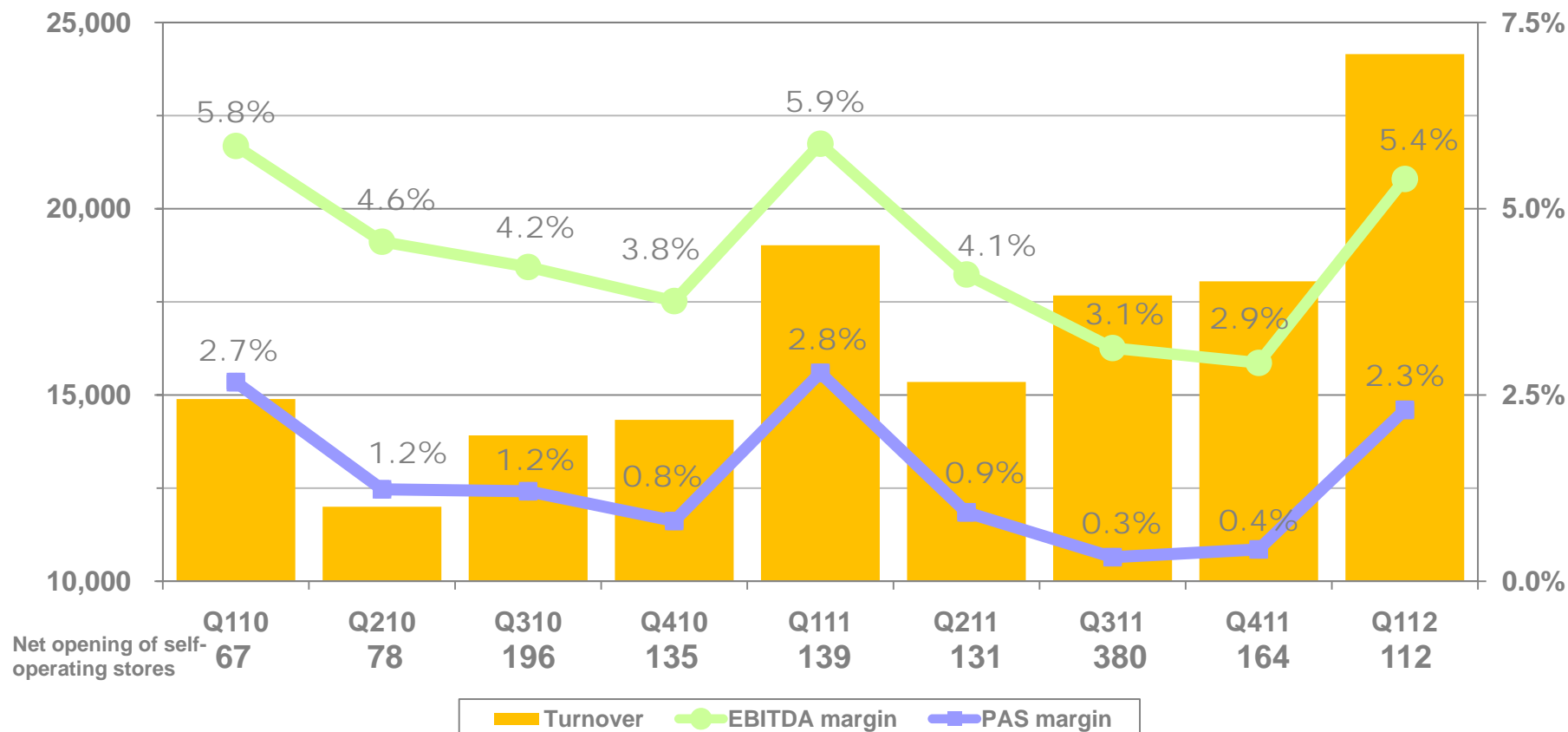
"A Winning Formula for Long Term Growth"

## 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)



"A Winning Formula for Long Term Growth"

## 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

#### 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.

Notation:

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

Region

New region

##### 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

### "A Winning Formula for Long Term Growth"

## 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



"A Winning Formula for Long Term Growth"



## Retail



- Growth through: Multi-format with regional leadership

### In a shopping mall

6 formats in Guangzhou

Taikoo Hui (Swire properties):



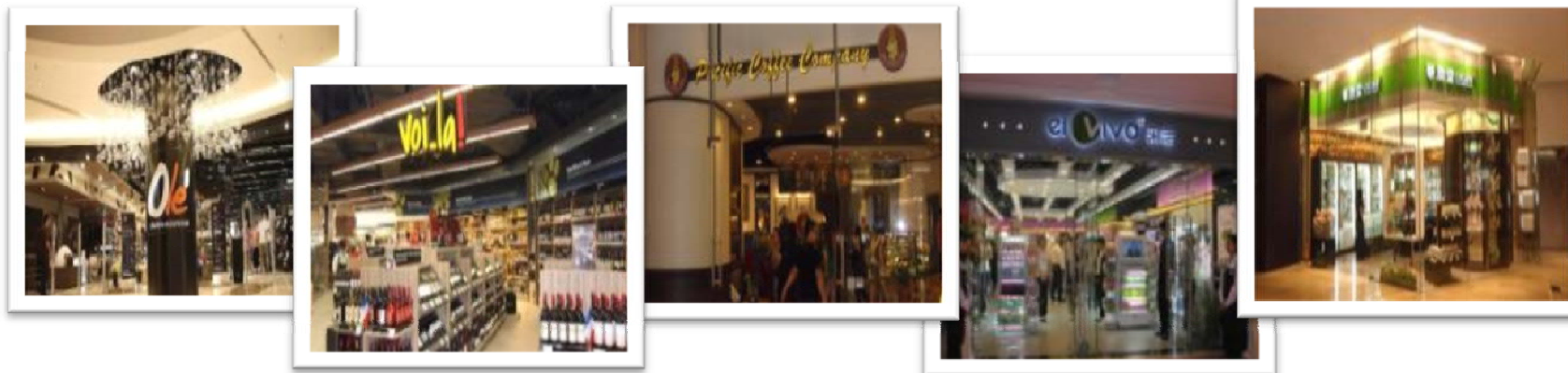
5 formats in Beijing

Galleria (CR Land):



### In a city

5 formats in Nanjing:



"A Winning Formula for Long Term Growth"

■ 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



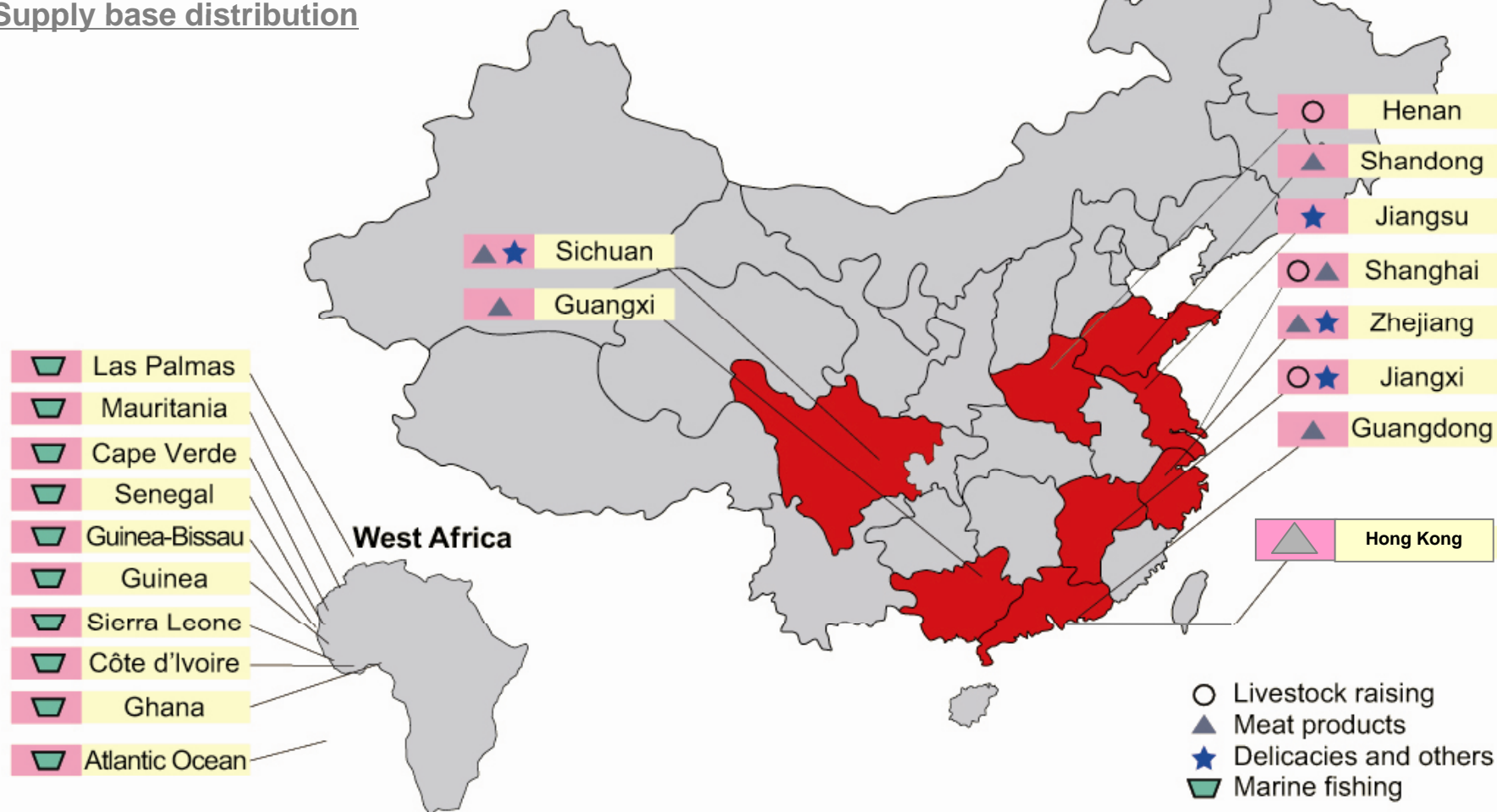
"A Winning Formula for Long Term Growth"



## Food

- Growth through: Quality premium products

### Supply base distribution



Source: Company data

"A Winning Formula for Long Term Growth"

## 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



**KIRIN**

- strong R&D capability
- rich experience in beverage business
- a variety of products sold
- high technology on manufacture of beverage products



"A Winning Formula for Long Term Growth"

## Beverage

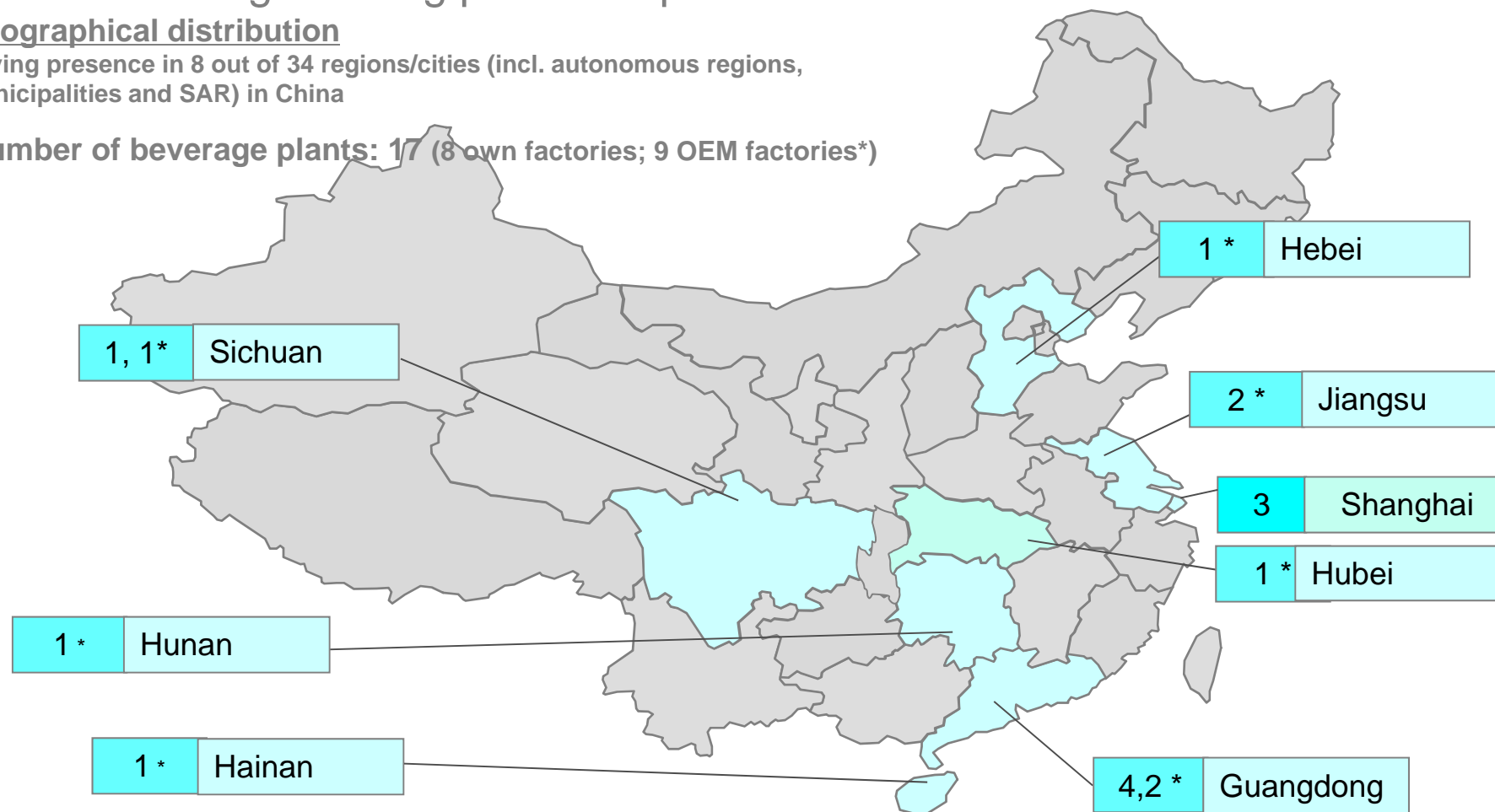


- Growth through: strong partnership with Kirin

### 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\*)



"A Winning Formula for Long Term Growth"

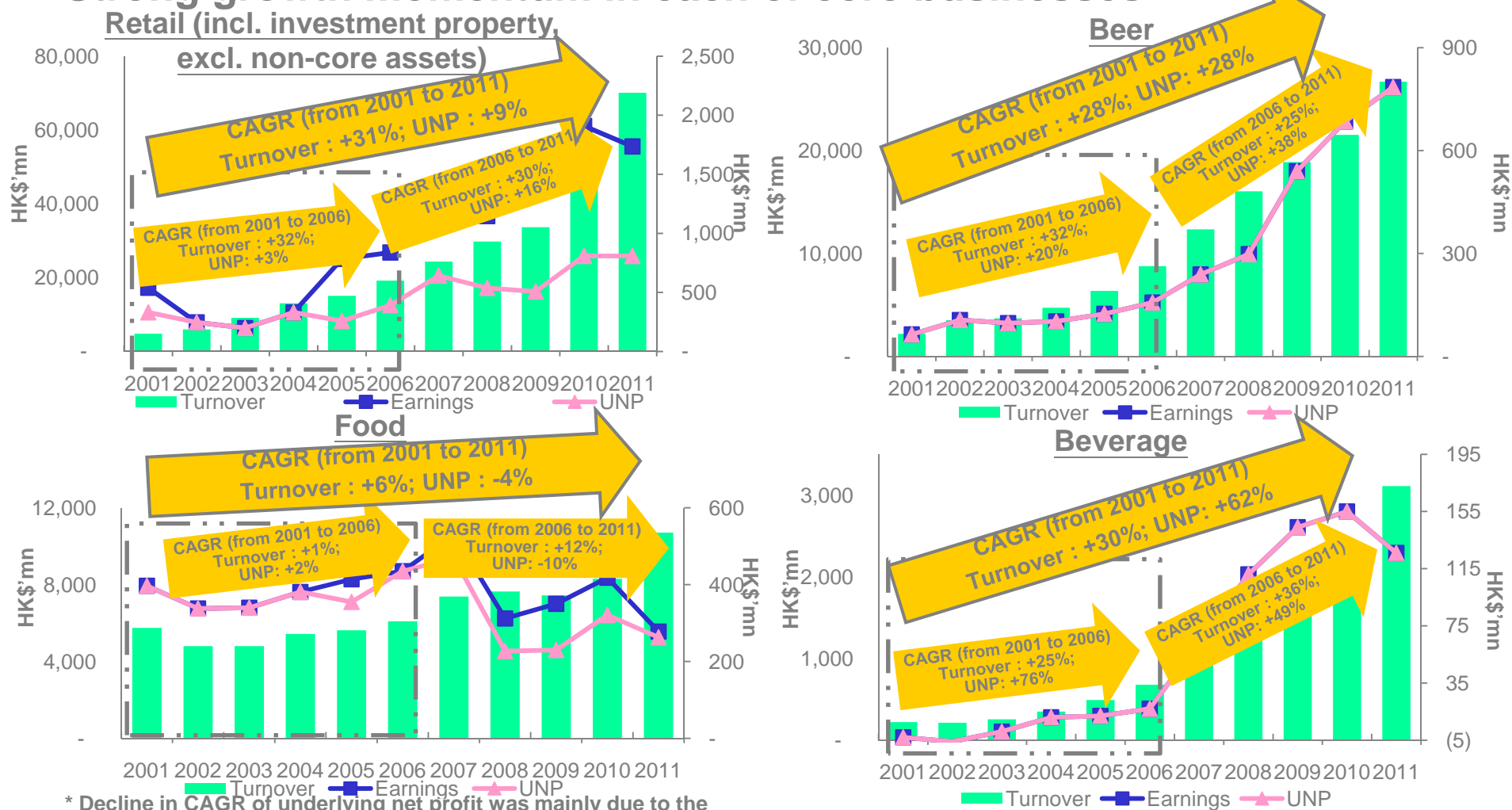
## Appendix I – Details of Retail formats

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

"A Winning Formula for Long Term Growth"

## Appendix II – Historical track record of CRE

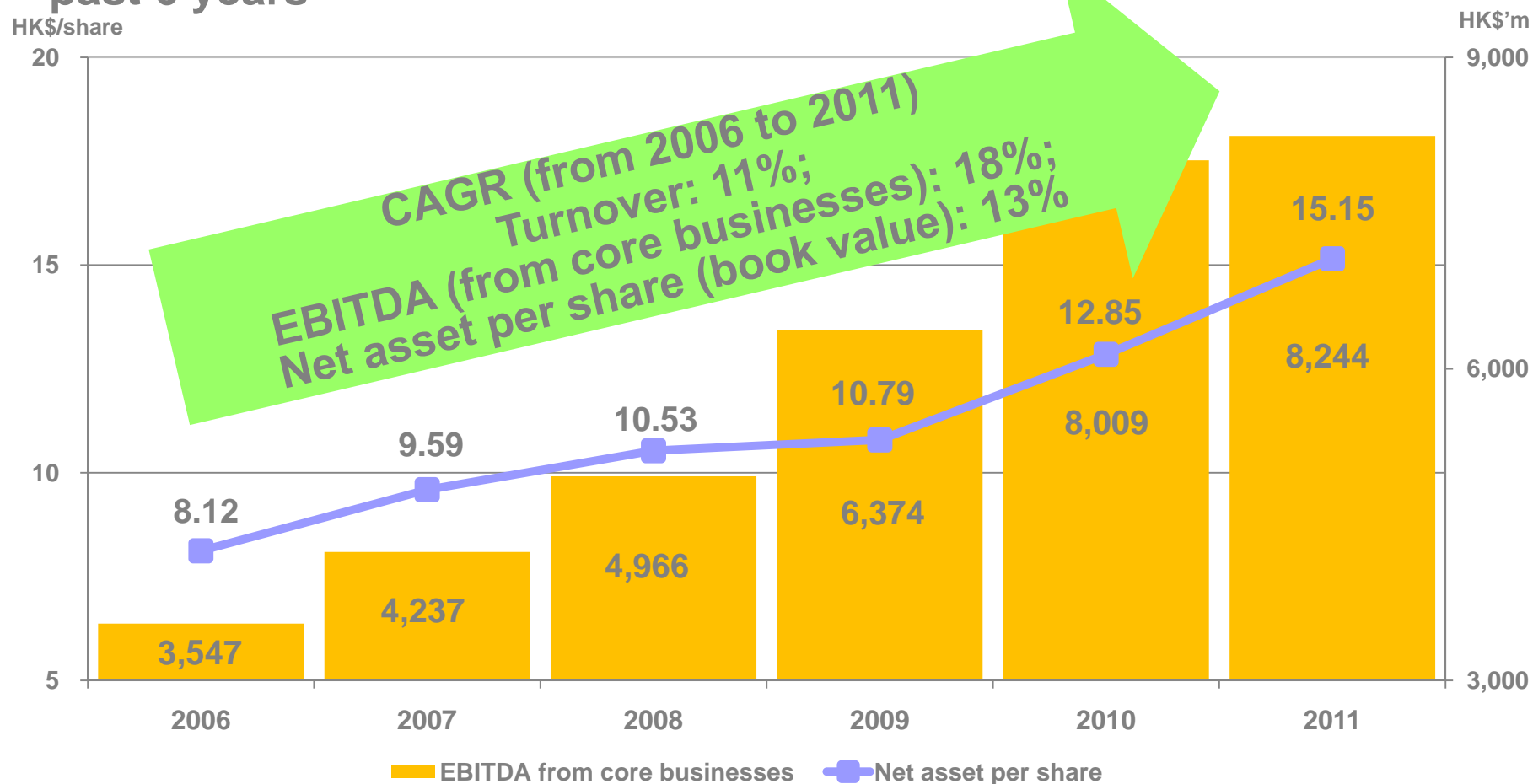
### Strong growth momentum in each of core businesses



"A Winning Formula for Long Term Growth"

## Appendix III – Historical operating summary

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

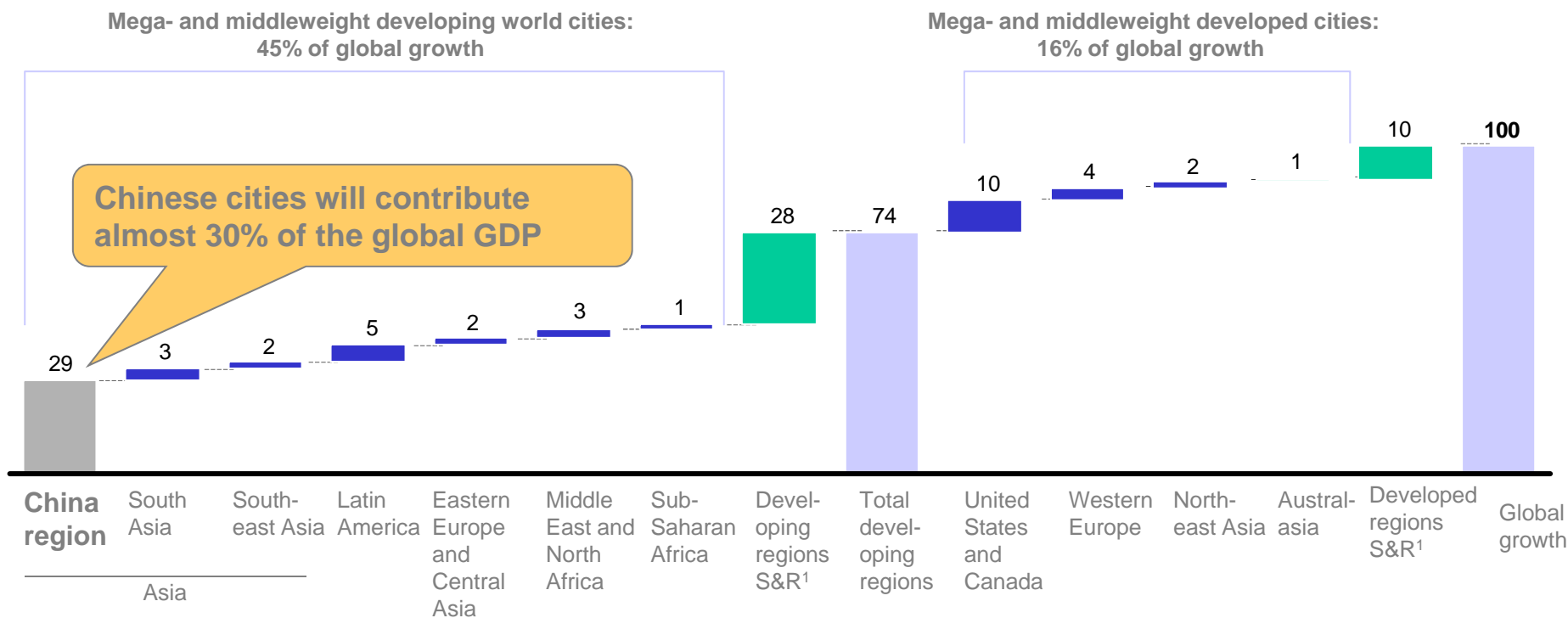


"A Winning Formula for Long Term Growth"

## 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.



Source: McKinsey

"A Winning Formula for Long Term Growth"



## Appendix V – Better position for CRE

Notation:  
Expected cluster size:

CRE's presence

Cluster's hub city

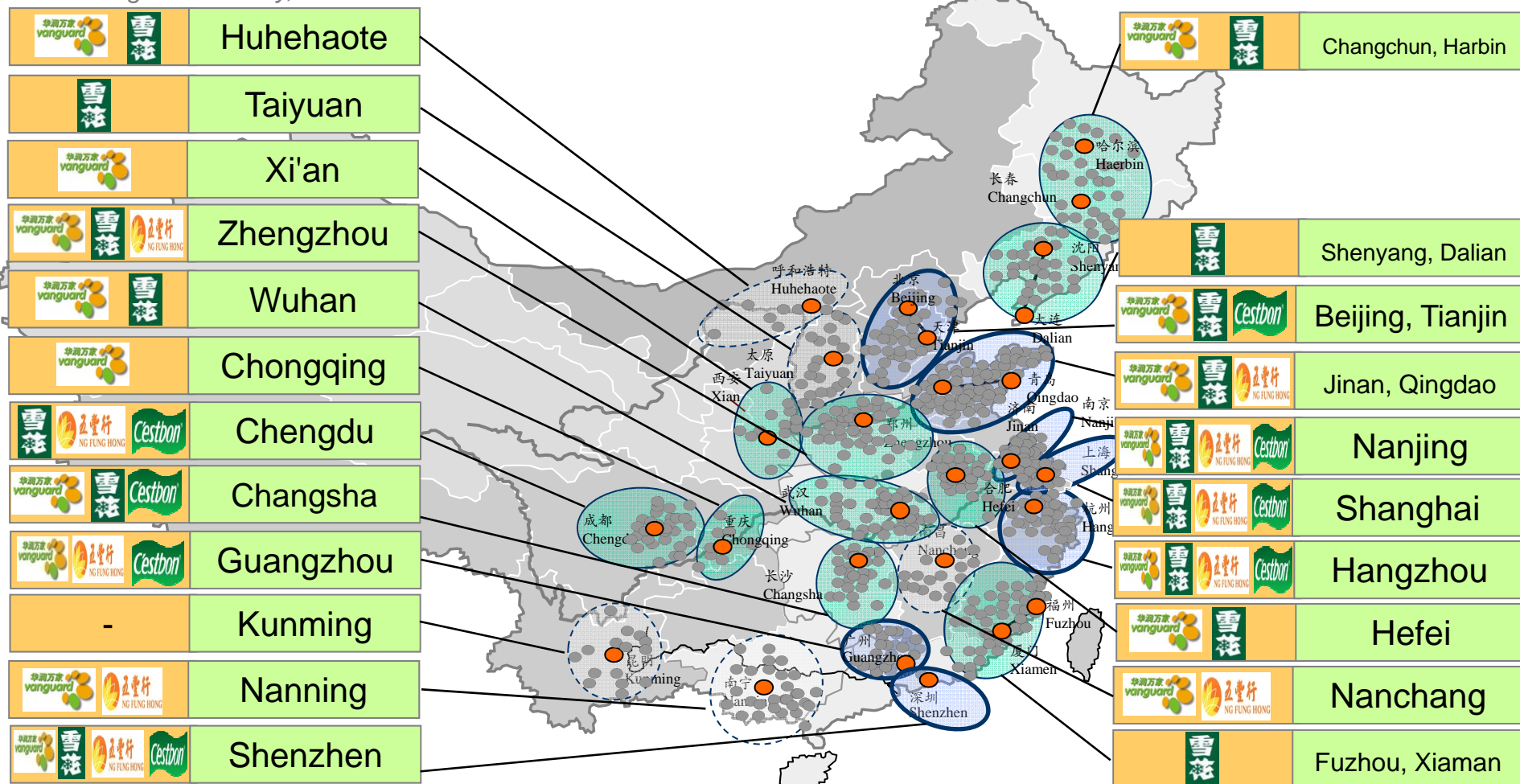
Small

Sizable

Mega

### ■ 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

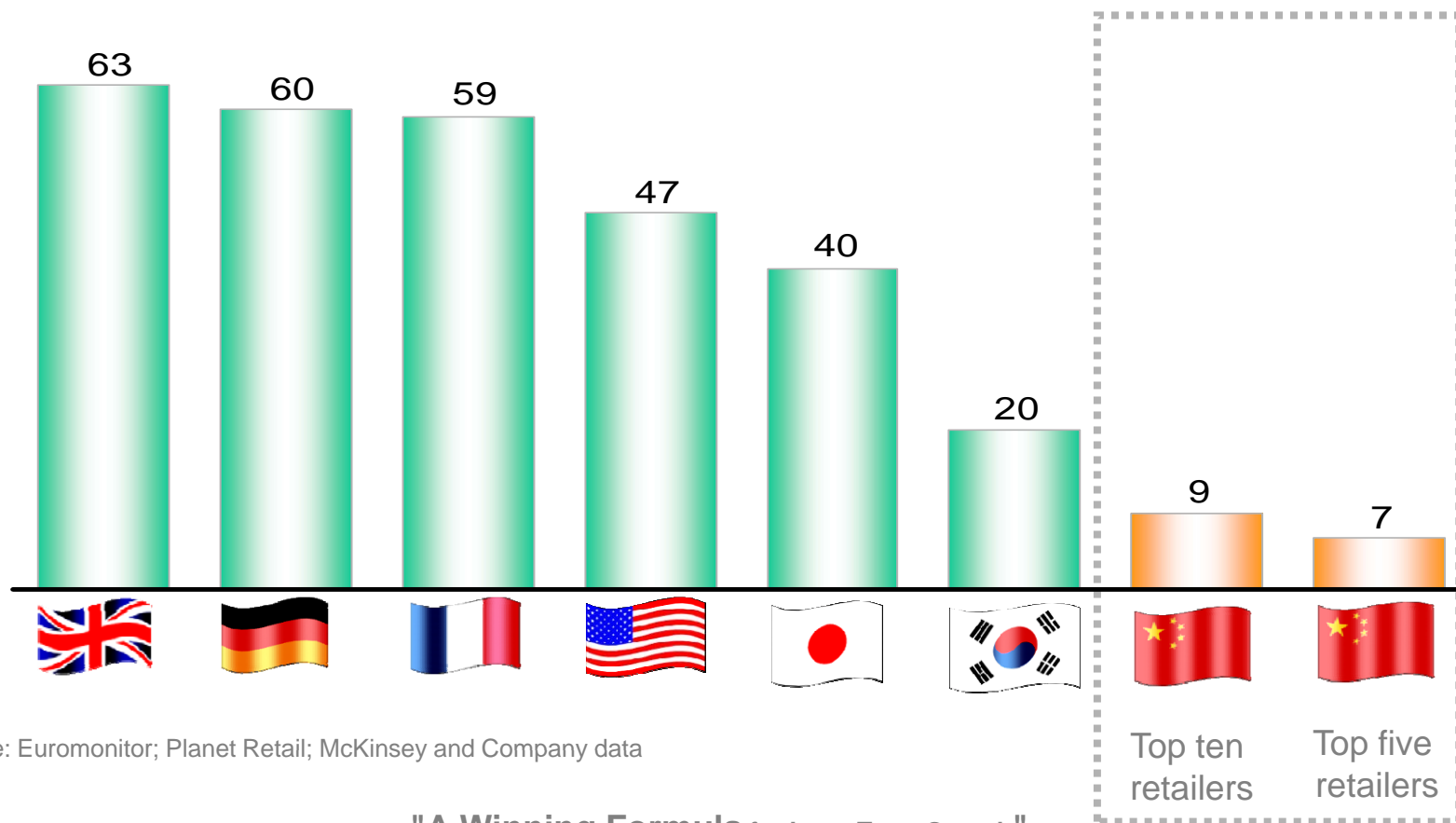
"A Winning Formula for Long Term Growth"



## 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:

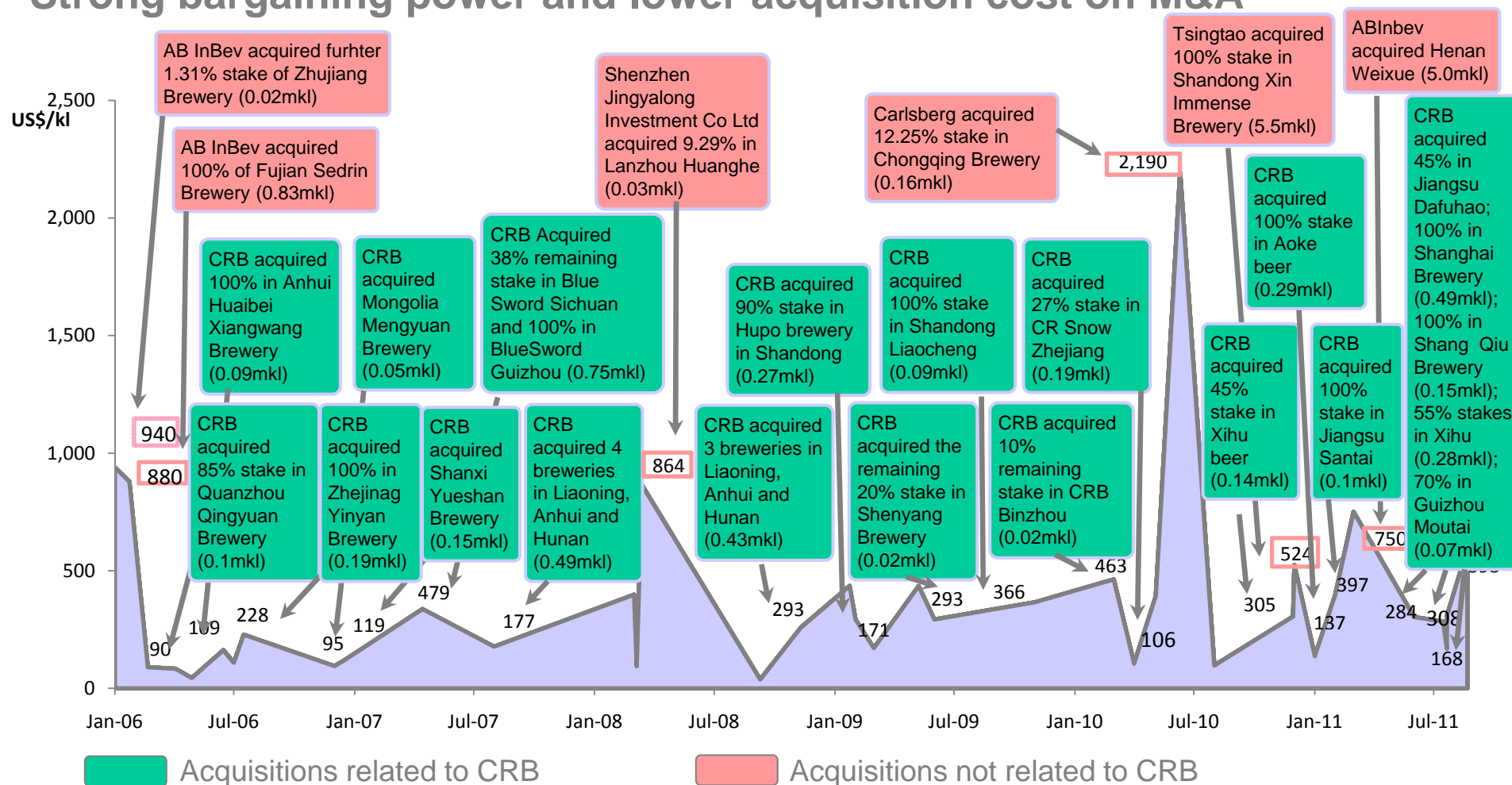


Source: Euromonitor; Planet Retail; McKinsey and Company data

"A Winning Formula for Long Term Growth"

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

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

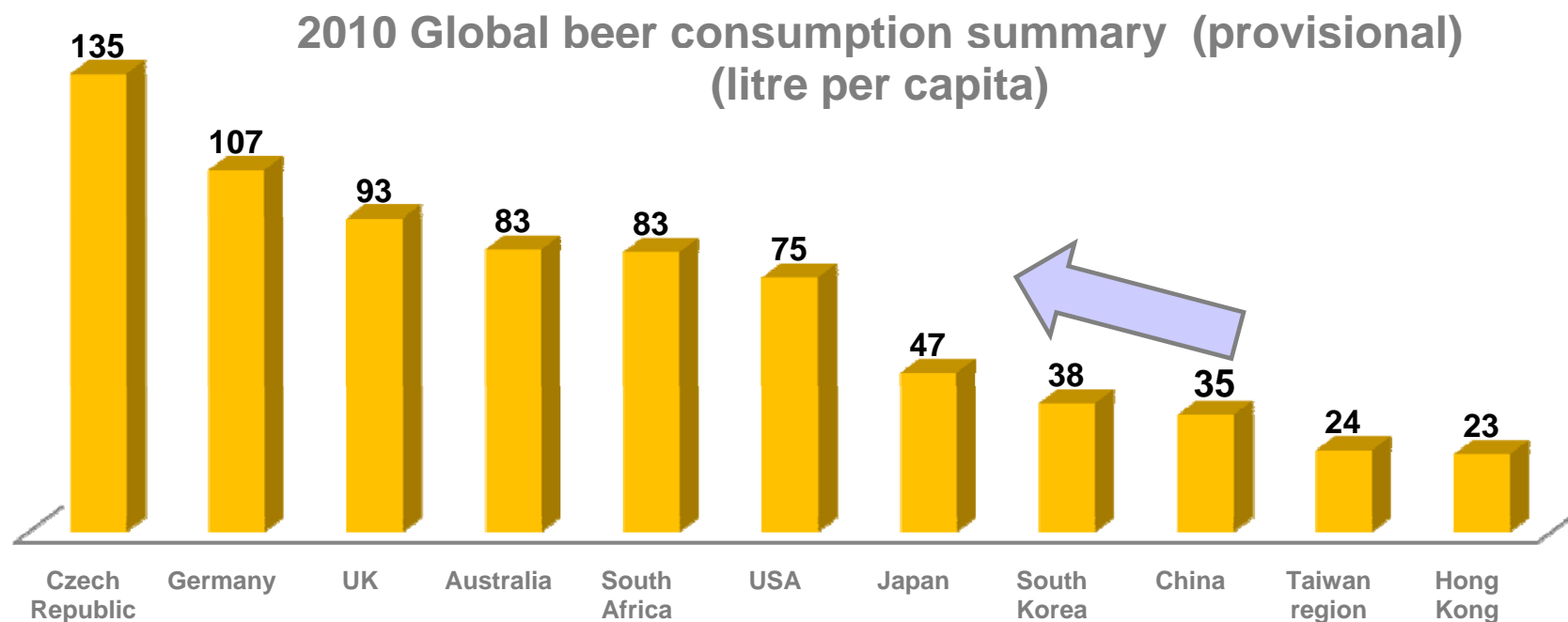


Source: Deutsche bank and Company data

"A Winning Formula for Long Term Growth"

## 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: Canadian

"A Winning Formula for Long Term Growth"

Please refer to our company website, [www.cre.com.hk](http://www.cre.com.hk), for further details of awards received prior to 2009.

28

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>
------------	--

2010	Selected as one of the 13 listed companies receiving "The Excellence of Listed Enterprise Awards 2010" by <i>Capital Weekly</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>
------	---

## "A Winning Formula for Long Term Growth"

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

## Disclaimer

Data and information contained in this presentation is provided for informational purposes only. Neither China Resources Enterprise, Limited nor any of its subsidiaries shall be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

This presentation and subsequent discussion may contain forward-looking statements that are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of China Resources Enterprise, Limited about its business and the industry and markets in which it operates. These forward-looking statements include, without limitation, statements relating to revenues, earnings and stock performance. The words “believe”, “intend”, “expect”, “anticipate”, “project”, “estimate”, “predict” and similar expressions are also intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, development outcomes, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, project delay, project approval, cost estimates and other risks, which are beyond the control of China Resources Enterprise, Limited and are difficult to predict. Consequently, actual results could differ materially from those expressed or forecasted in the forward-looking statements.

**"A Winning Formula for Long Term Growth"**