



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

股份代號 Stock Code: 00291

# **BRAVING** 迎難而上 **CHALLENGES**

**Financial and operational review**

**FY 2012**

**21 March 2013**



## Turnover Breakdown - by Divisions

	Q4	Prop	Q4	Prop	change	FY 2012	Prop	FY 2011	Prop	change
	2012		2011							
	HK\$m		HK\$m			HK\$m		HK\$m		
<i><b>Core businesses</b></i>										
Retail	20,439	73%	18,052	69%	+13%	83,506	66%	70,088	63%	+19%
Beer	4,278	15%	4,585	17%	-7%	28,064	22%	26,689	24%	+5%
Food	2,629	9%	2,968	11%	-11%	10,379	8%	10,706	10%	-3%
Beverage	858	3%	650	3%	+32%	4,766	4%	3,112	3%	+53%
	28,204	100%	26,255	100%	+7%	126,715	100%	110,595	100%	+15%
Less: inter-co transactions	(136)		(116)			(479)		(431)		
<b>Turnover – total</b>	<b>28,068</b>		<b>26,139</b>		<b>+7%</b>	<b>126,236</b>		<b>110,164</b>		<b>+15%</b>



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## Underlying Net Profit Breakdown - by Divisions

	Q4 2012	Prop	Q4 2011 (restated)	Prop	change	FY 2012	Prop	FY 2011 (restated)	Prop	change
	HK\$m		HK\$m			HK\$m		HK\$m		
<b>Core businesses</b>										
Retail	(202)	95%	77	265%	-362%	525	31%	808	41%	-35%
Beer	(55)	26%	(78)	(269%)	+29%	823	49%	785	40%	+5%
Food	47	(22%)	24	83%	+96%	259	15%	263	13%	-2%
Beverage	(2)	1%	6	21%	-133%	86	5%	126	6%	-32%
	(212)	100%	29	100%	-831%	1,693	100%	1,982	100%	-15%
Net corporate int. & expenses	(60)		(29)			(166)		(93)		
<b>Underlying Net Profit</b>	<b>(272)</b>		<b>-</b>		<b>-100%</b>	<b>1,527</b>		<b>1,889</b>		<b>-19%</b>
<b>Adjustment</b>										
Net gain on disposal of non-core investments and valuation surplus on investment properties	844		478		+77%	2,418		1,124		+155%
<b>Earnings</b>	<b>572</b>		<b>478</b>		<b>+20%</b>	<b>3,945</b>		<b>3,013</b>		<b>+31%</b>

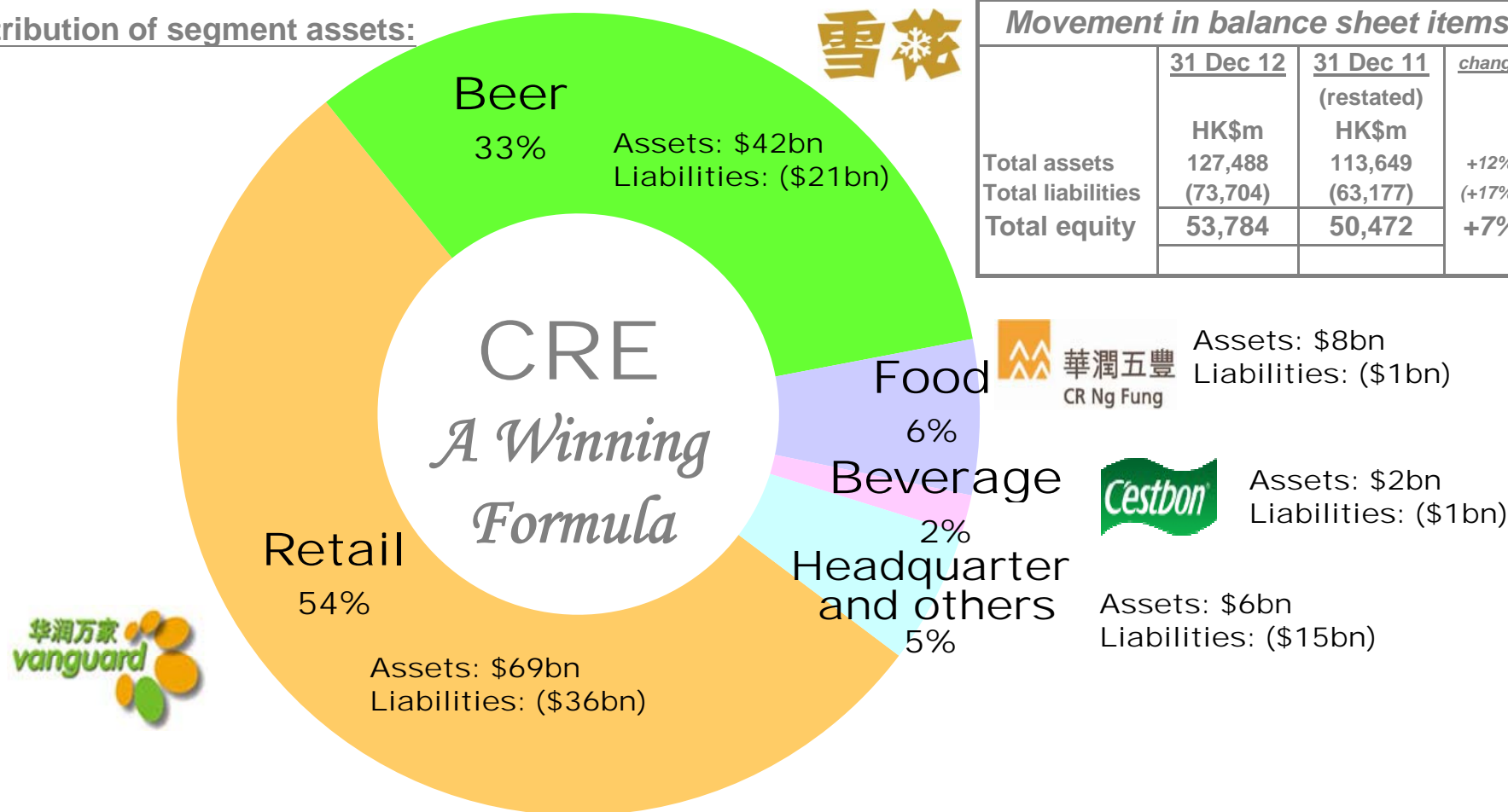


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## Segment assets

- Unique with four consumer businesses complementing each other

### Distribution of segment assets:



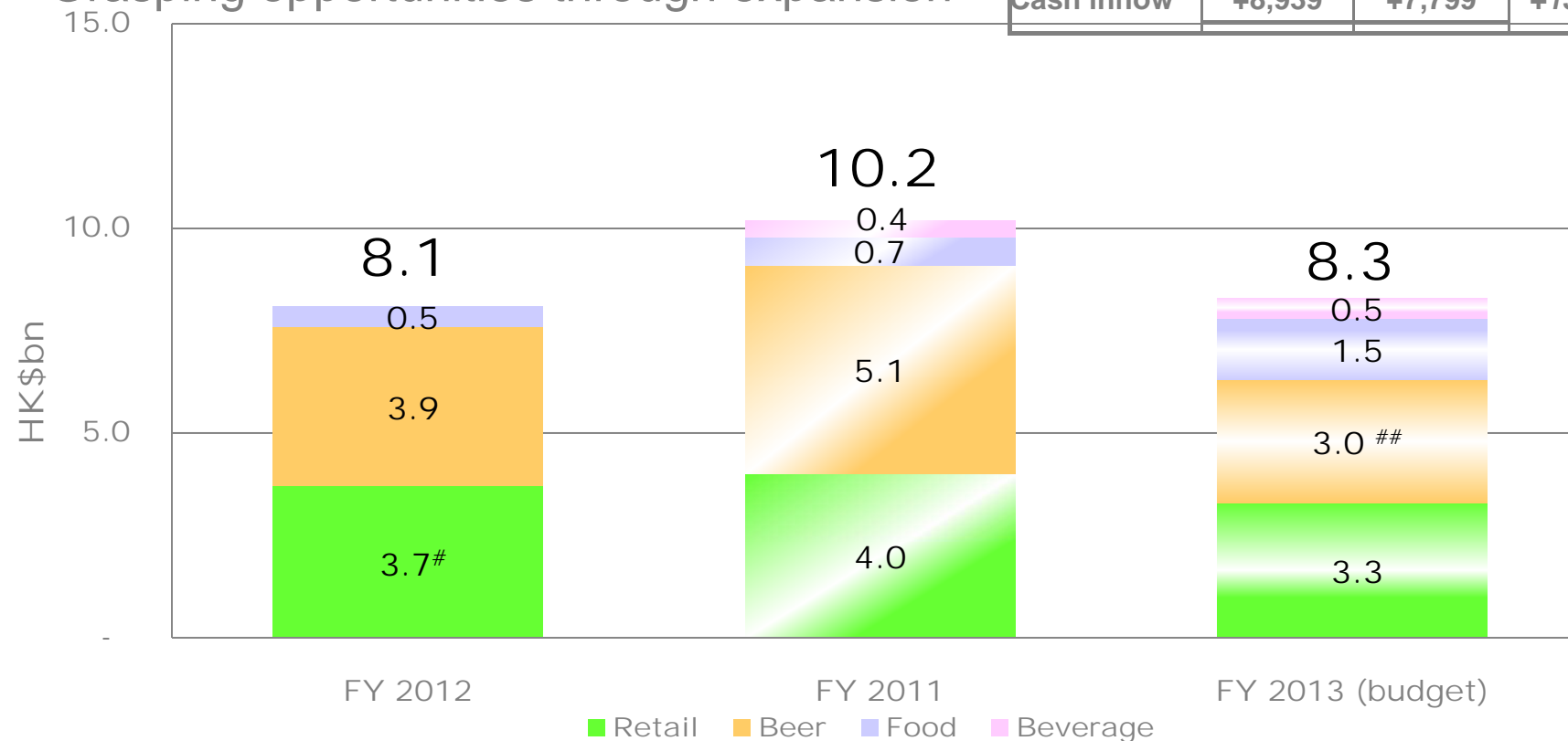
Movement in balance sheet items			
	31 Dec 12	31 Dec 11 (restated)	change
	HK\$m	HK\$m	
Total assets	127,488	113,649	+12%
Total liabilities	(73,704)	(63,177)	(+17%)
Total equity	53,784	50,472	+7%

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## CAPEX

### ■ Grasping opportunities through expansion

Change in operating cashflow			
	FY 2012	FY 2011	% change
	HK\$m	HK\$m	
Cash inflow	+8,939	+7,799	+15%



**# The CAPEX did not include Hongkelong acquisition of approximately \$4.6bn announced in 2011.**

**## The budget CAPEX of beer in FY2013 does not include CAPEX on acquisition of Kingway (approximately \$6.8bn).**

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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

	Q4 2012 HK\$m	Q4 2011 HK\$m	change	FY 2012 HK\$m	FY 2011 HK\$m	change
Sales volume (million KL)	1.58	1.63	-3%	10.64	10.24	+4%
Turnover	4,278	4,585	-7%	28,064	26,689	+5%
EBITDA	223	70	+219%	3,824	3,497	+9%
Earnings (#)	(108)	(151)	+28%	1,614	1,542	+5%
EBITDA margin (%)	5.2	1.5	+247%	13.6	13.1	+4%
Net margin (%) (#)	(2.5)	(3.3)	+24%	5.8	5.8	-

The performance was mainly affected by cold weather in certain of our strong regions and surge of raw material costs.



Mainstream

Approximate retail selling price: RMB3



Mid-end

RMB5



Premium

RMB8 to 9

(#) 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)

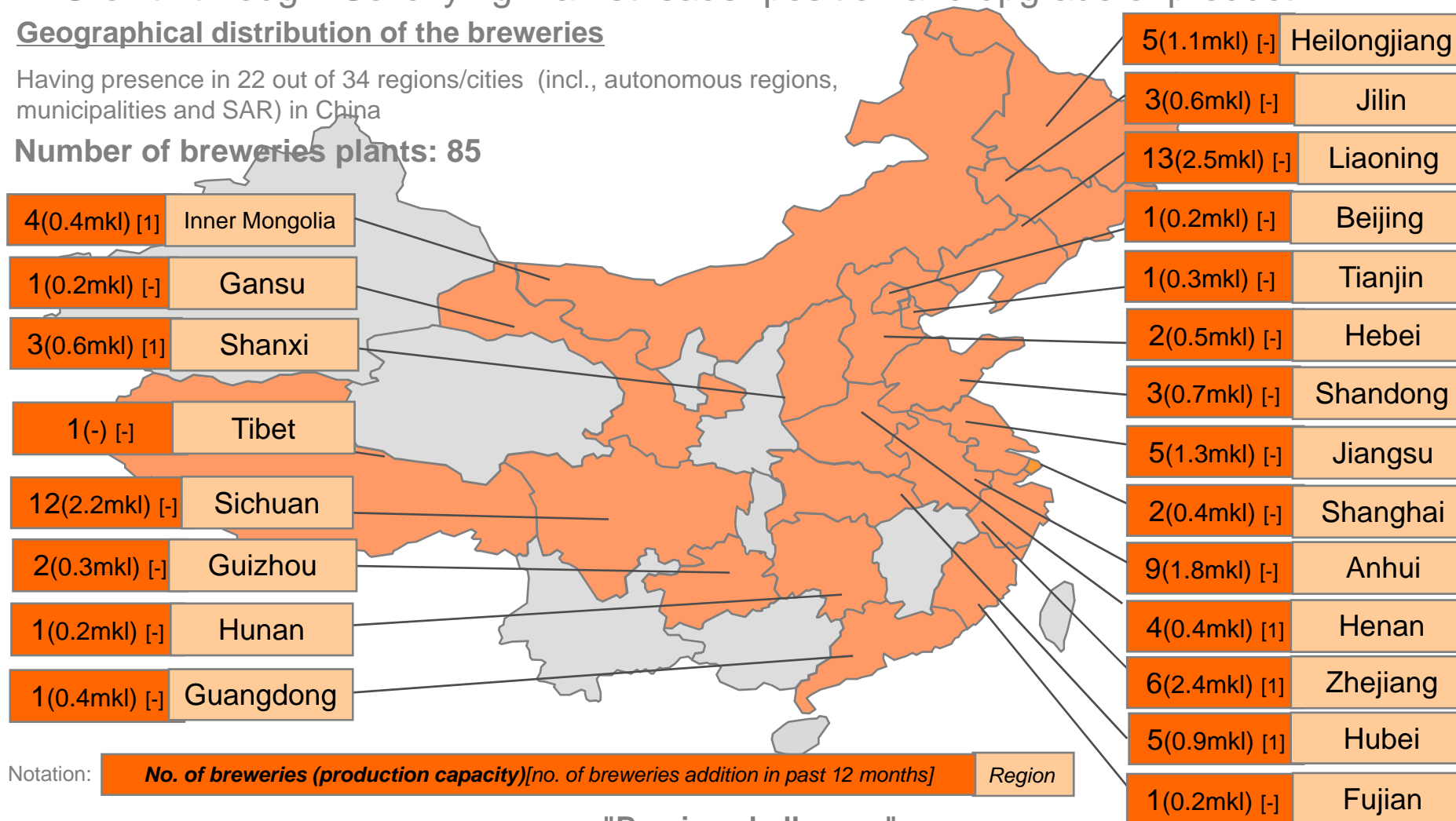


- Growth through: Solidifying market leader position and upgrade of product mix

## 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: 85**



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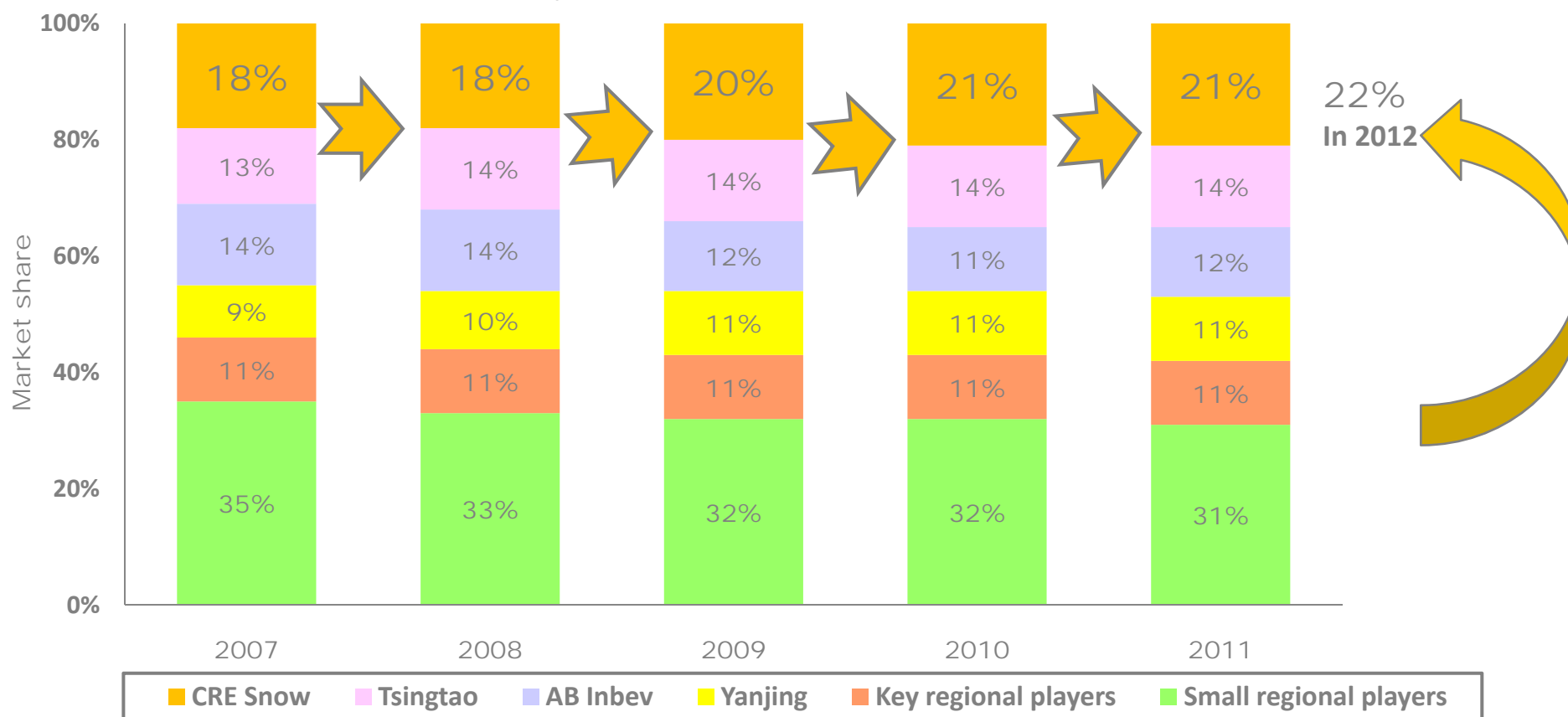
## Beer (*No.1 brand by volume in the world since 2008*)



- 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 58% in 2011, of which Snow has 21%.



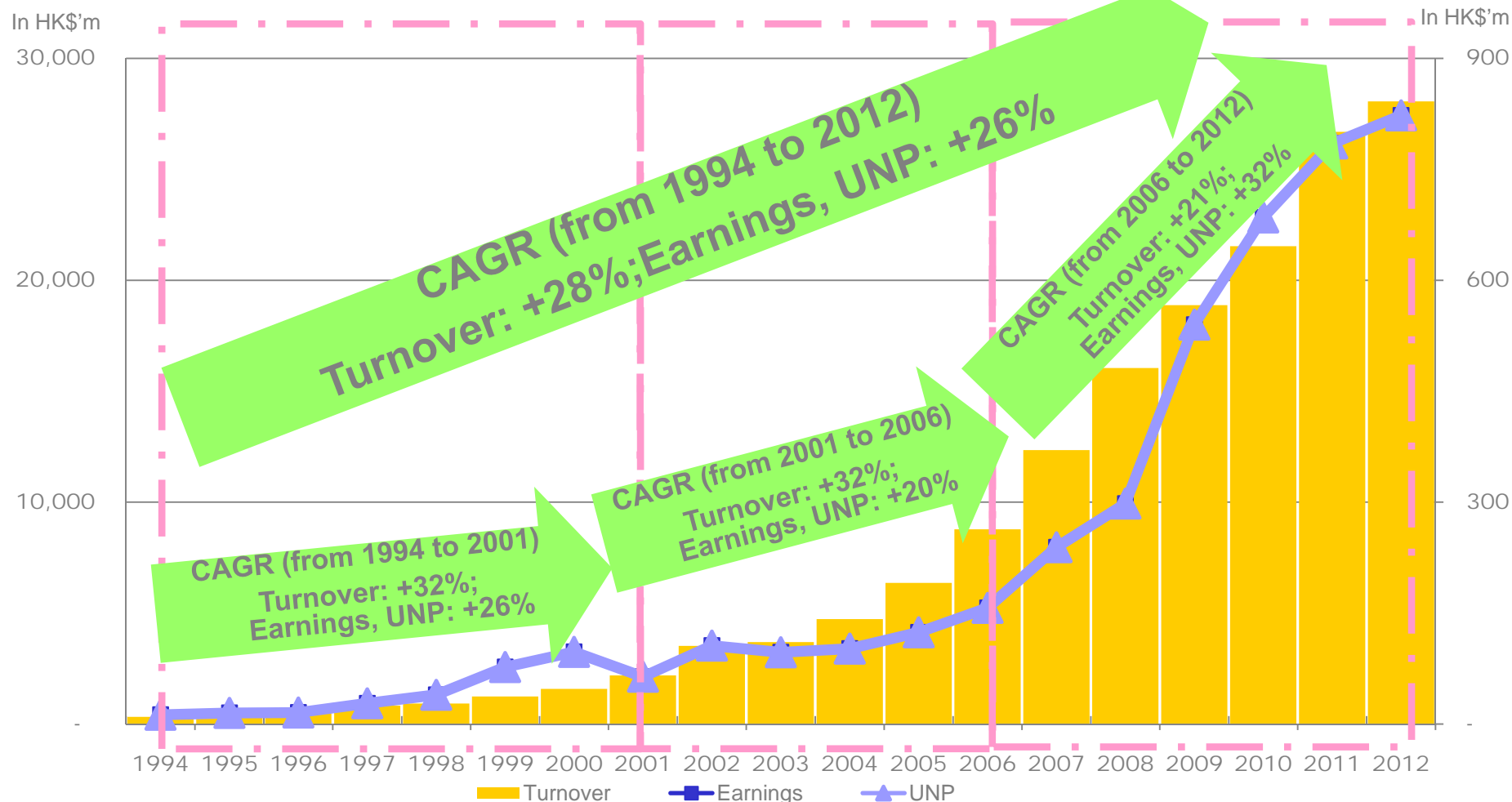
Source: State Statistical Bureau and CR Snow

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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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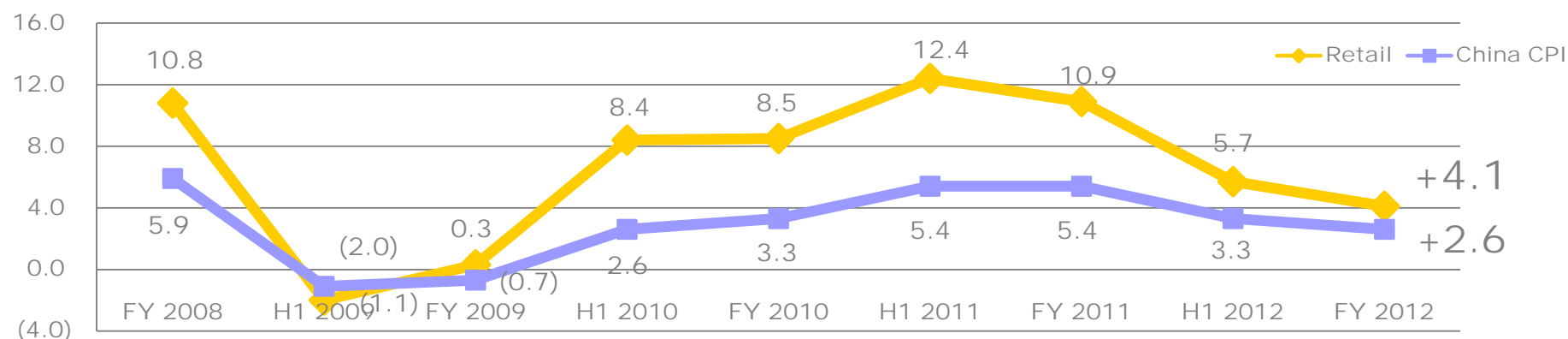
## Retail

- Growth through: Multi-format with regional leadership

	Q4 2012 HK\$m	Q4 2011 HK\$m (restated)	Change	FY 2012 HK\$m	FY 2011 HK\$m (restated)	change
Turnover	20,439	18,052	+13%	83,506	70,088	+19%
Underlying EBITDA #	341	529	-36%	2,869	2,831	+1%
Underlying net profit #	(202)	77	-362%	525	808	-35%
Underlying EBITDA margin (%) #	1.7	2.9	-41%	3.4	4.0	-15%
Underlying net profit margin (%) #	(1.0)	0.4	-350%	0.6	1.2	-50%

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

### SSSG of retail business:



# excluded the revaluation of investment property

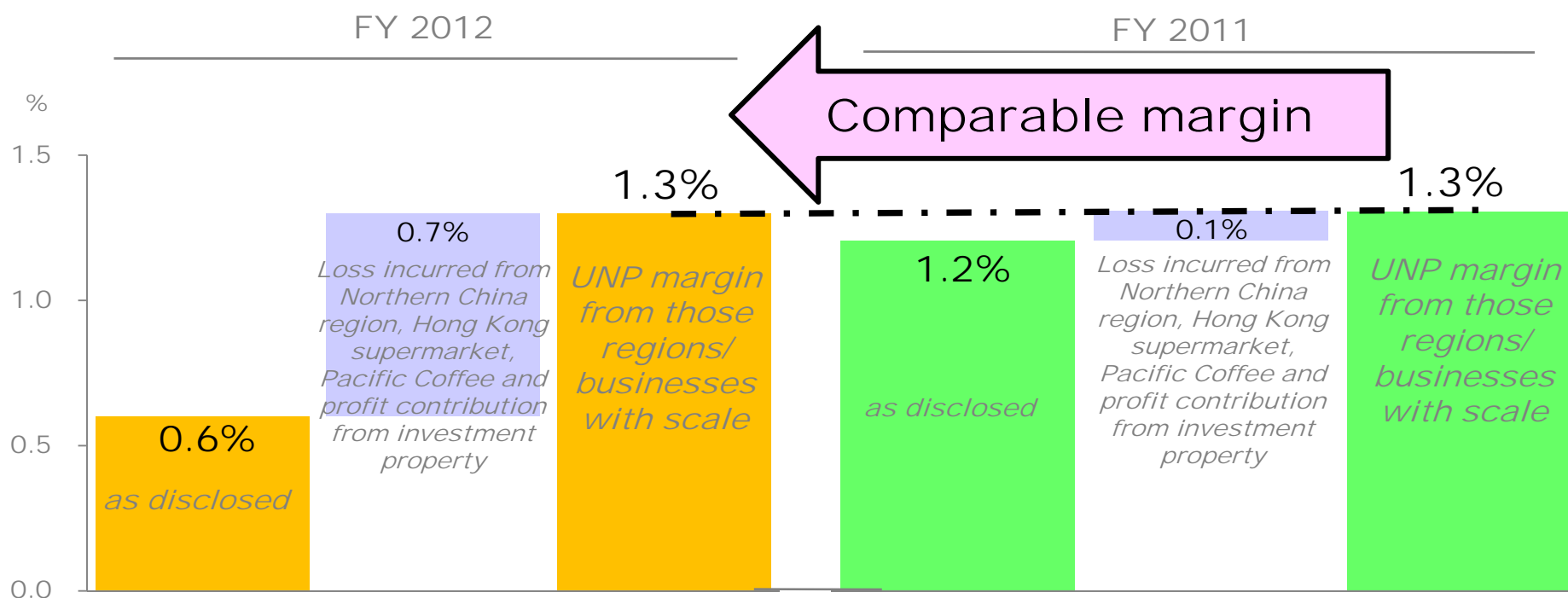
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## Retail

- Growth through: Multi-format with regional leadership

### Reconciliation of underlying net profit margin

### **Comparable UNP margin for those regions/business with scale**



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Notation:

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

Region

New region

Northern areas

**4 (4)** [2] Inner Mongolia

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

**130 (19)** [3] Beijing

**7 (7)** [1] Hebei

**314 (22)** [-] Tianjin

**29 (16)** [13] Liaoning

Eastern areas

**48 (6)** [13] Shandong

**1,861 (212)** [55] Jiangsu

**494 (63)** [49] Anhui

**37 (-)** [13] Shanghai

**133 (60)** [31] Zhejiang

**29 (24)** [29] Jiangxi

Southern areas

**6 (1)** [6] Fujian

**692 (67)** [119] Guangdong

**395 (-)** [28] Hong Kong

**8 (-)** [3] Macau

**1 (1)** [1]

Hainan

Having presence in 27 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China

Northern west areas

**4 (4)** [1] Ningxia

**88 (41)** [46] Shaanxi

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

**23 (12)** [6] Henan

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

**45 (4)** [3] Hubei

Southern areas

**13 (-)** [13] Sichuan

**15 (4)** [9] Chongqing

**4 (3)** [1] Hunan

**7 (3)** [4] Guangxi

Movement in retail shop number:

	Self-operated	Franchised	Total
31 Dec 11	3,114	853	3,967
Opening	660	85	745
Closing	(225)	(99)	(324)
Acquired	24	-	24
31 Dec 12	3,573	839	4,412*

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

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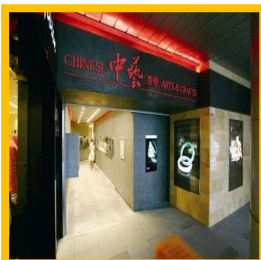
## Retail

- Growth through: Multi-format with regional leadership

### Business model

#### *Winning market share by*

- Multiple-format store approach
- Multiple distribution centres (more than 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):



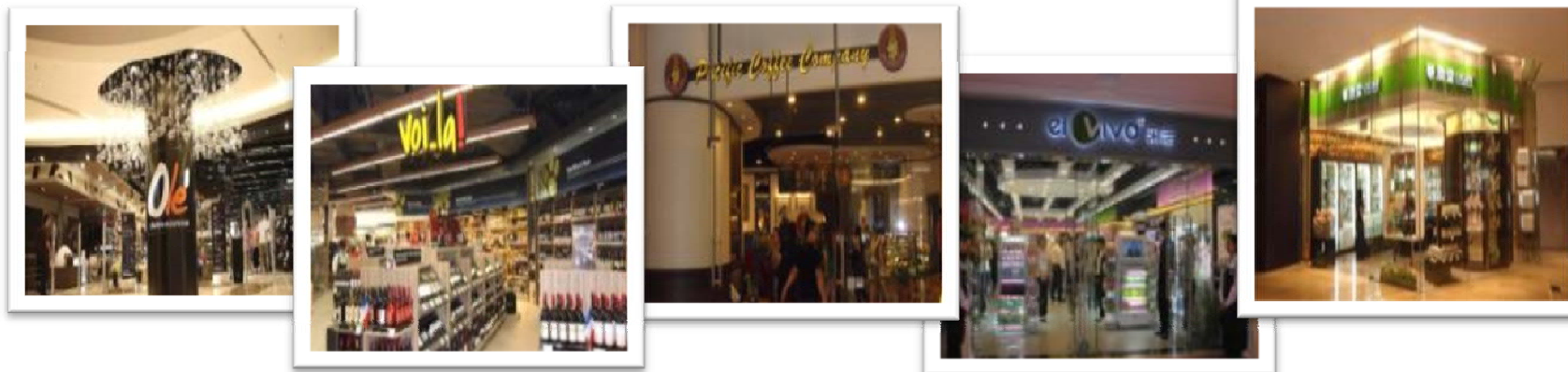
5 formats in Beijing

Galleria (CR Land):



### In a city

5 formats in Nanjing:



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■ Growth through: Quality premium products

	Q4 2012 HK\$m	Q4 2011 HK\$m (restated)	change	FY 2012 HK\$m	FY 2011 HK\$m (restated)	change
Turnover	2,629	2,968	-11%	10,379	10,706	-3%
Underlying EBITDA	138	91	+52%	662	639	+4%
Underlying net profit	47	24	+96%	259	263	-2%
Underlying EBITDA margin (%)	5.2	3.1	+68%	6.4	6.0	+7%
Underlying net profit margin (%)	1.8	0.8	+125%	2.5	2.5	-

*The profitability in Q4 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 products offered to customers

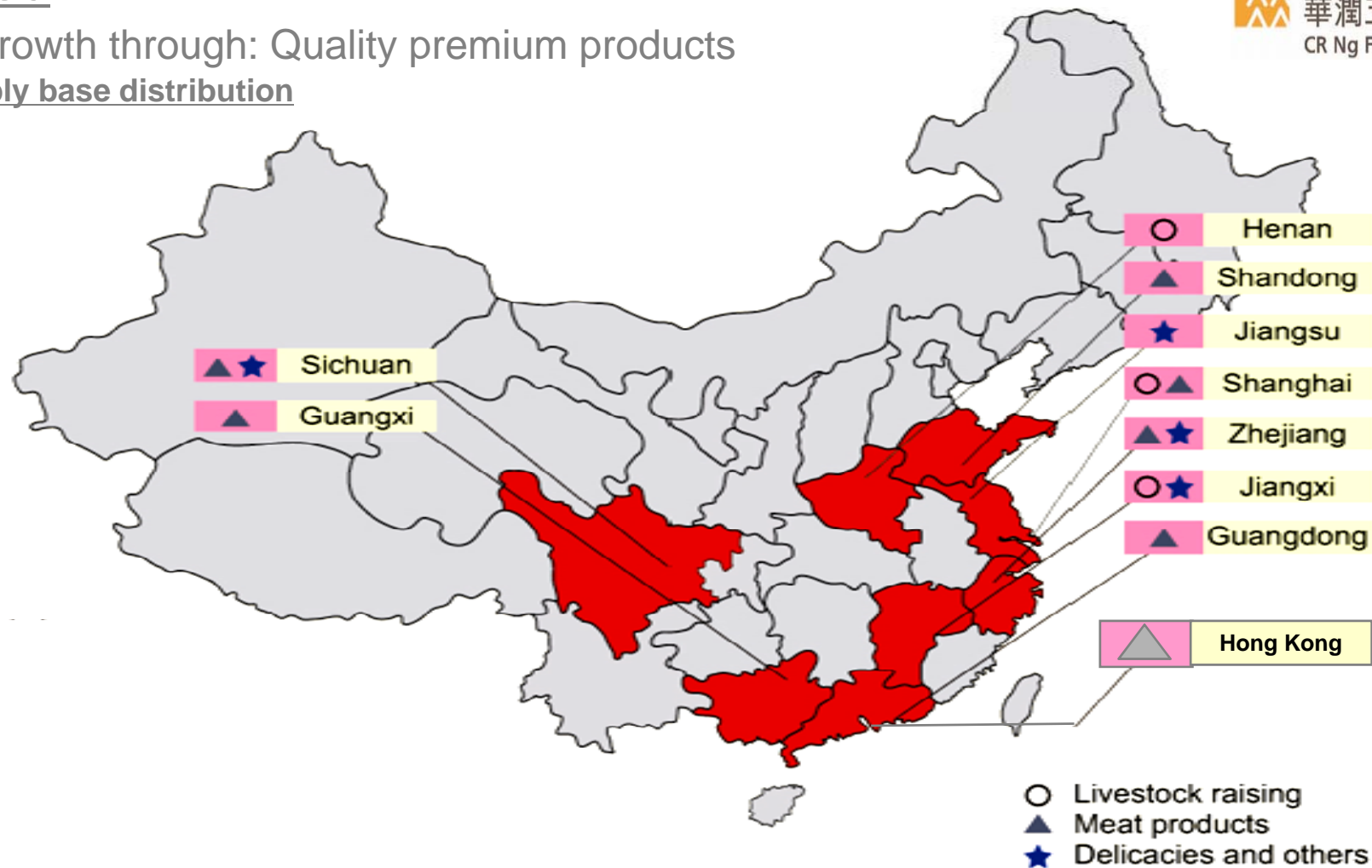


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## Food

- Growth through: Quality premium products
- Supply base distribution



Source: Company data

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## Beverage



- Growth through: strong partnership with Kirin

	Q4 2012 HK\$m	Q4 2011 HK\$m	change	FY 2012 HK\$m	FY 2011 HK\$m	change
Sales volume (million KL)	0.65	0.54	+20%	3.51	2.64	+33%
Turnover	858	650	+32%	4,766	3,112	+53%
EBITDA	10	27	-63%	263	243	+8%
Earnings (#)	(2)	4	-150%	144	138	+4%
EBITDA margin (%)	1.2	4.2	-71%	5.5	7.8	-29%
Net margin (%) (#)	(0.2)	0.8	-125%	3.0	4.4	-32%

Improvement in turnover was mainly supported by the increase in sales volume. Profitability was mainly affected by the promotion expenses on Kirin products.



**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



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

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## Beverage

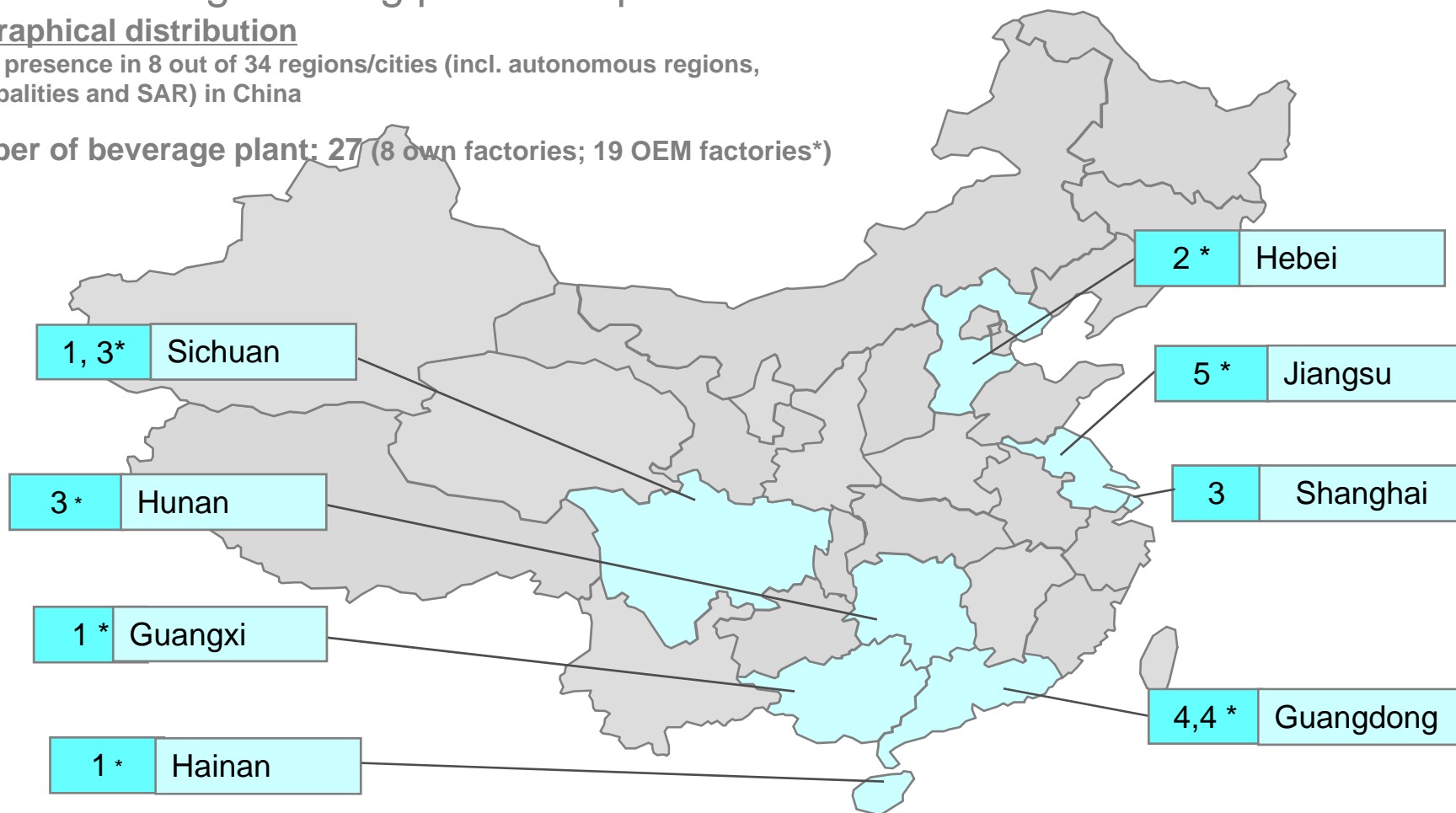


- Growth through: strong partnership with Kirin

### 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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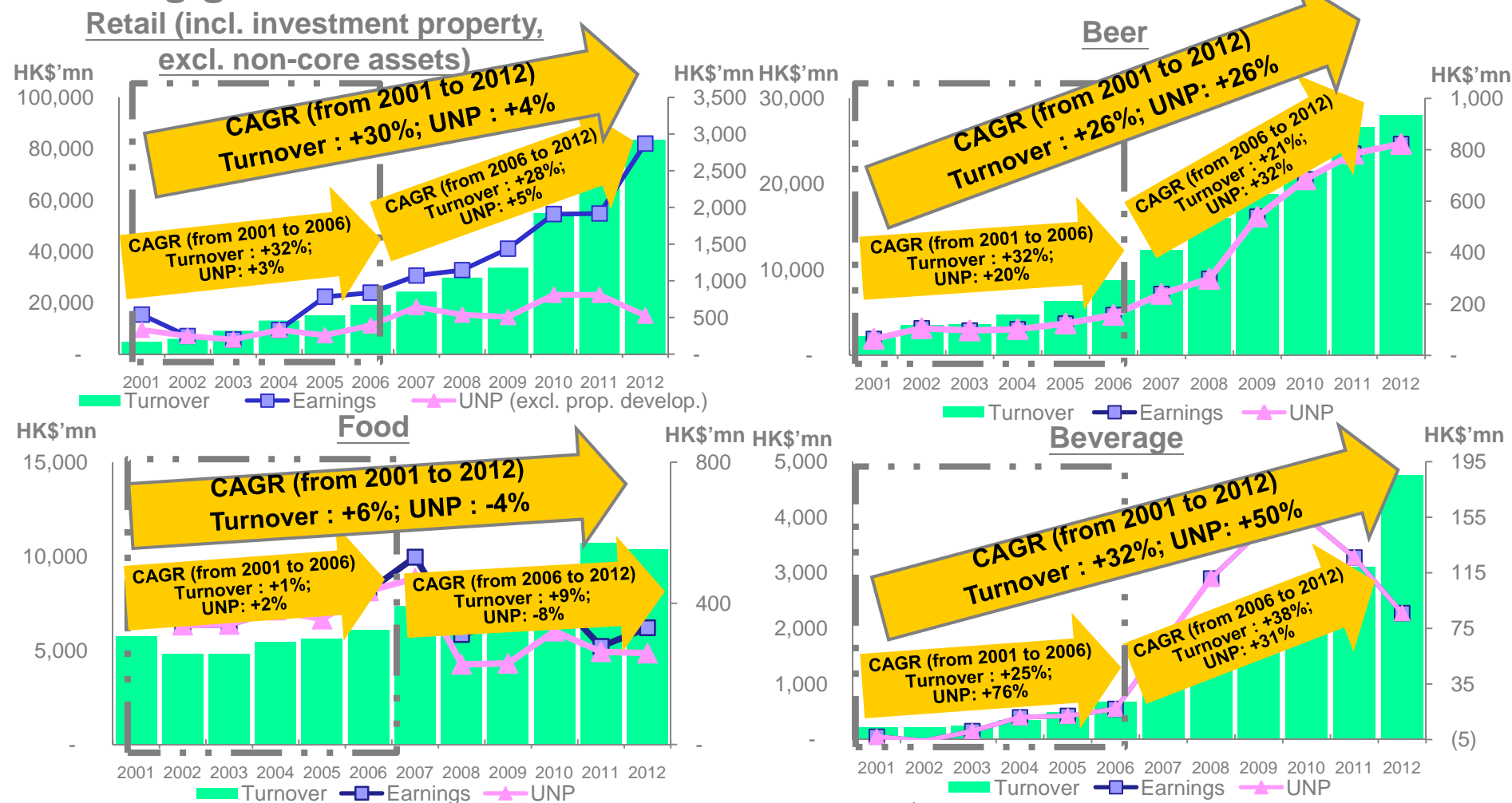
## Appendix I – Details of Retail formats

Format	Major brands	Average areas (sq.m)	31 Dec 12				30 Sep 12		31 Dec 11	
			% of turnover	App. Average GP margin	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised
<b>I. Hypermarket</b>	 	over 5,000	app.78%	19%	571	13	554	16	493	16
<b>II. Standard supermarket</b>		500 - 800	app.11%	21%	1,301	748	1,278	747	1,177	782
<b>III. Convenience stores</b>		30 - 120	app.4%	22%	1,073	52	1,040	47	925	39
<b>IV. Ole', blt</b>	 	4,000	app.2%	more than 25%	31	-	30	-	27	-
<b>V. Pacific Coffee</b>		120	app.1%	more than 50%	264	26	231	25	158	16
<b>VI. CAC and CR Care</b>	 	various	app.2%	more than 30%	147	-	149	-	129	-
<b>VII. Health and beauty stores</b>		200	app.1%	more than 30%	169	-	170	-	176	-
<b>VIII. Wine cellar and others</b>		200	app. 1%	Various	17	-	15	-	29	-
<b>Total</b>							<b>3,573</b>	<b>839</b>	<b>3,467</b>	<b>835</b>
							<b>4,412</b>	<b>4,302</b>	<b>3,967</b>	

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## Appendix II – Historical track record of CRE

### Strong growth momentum in each businesses

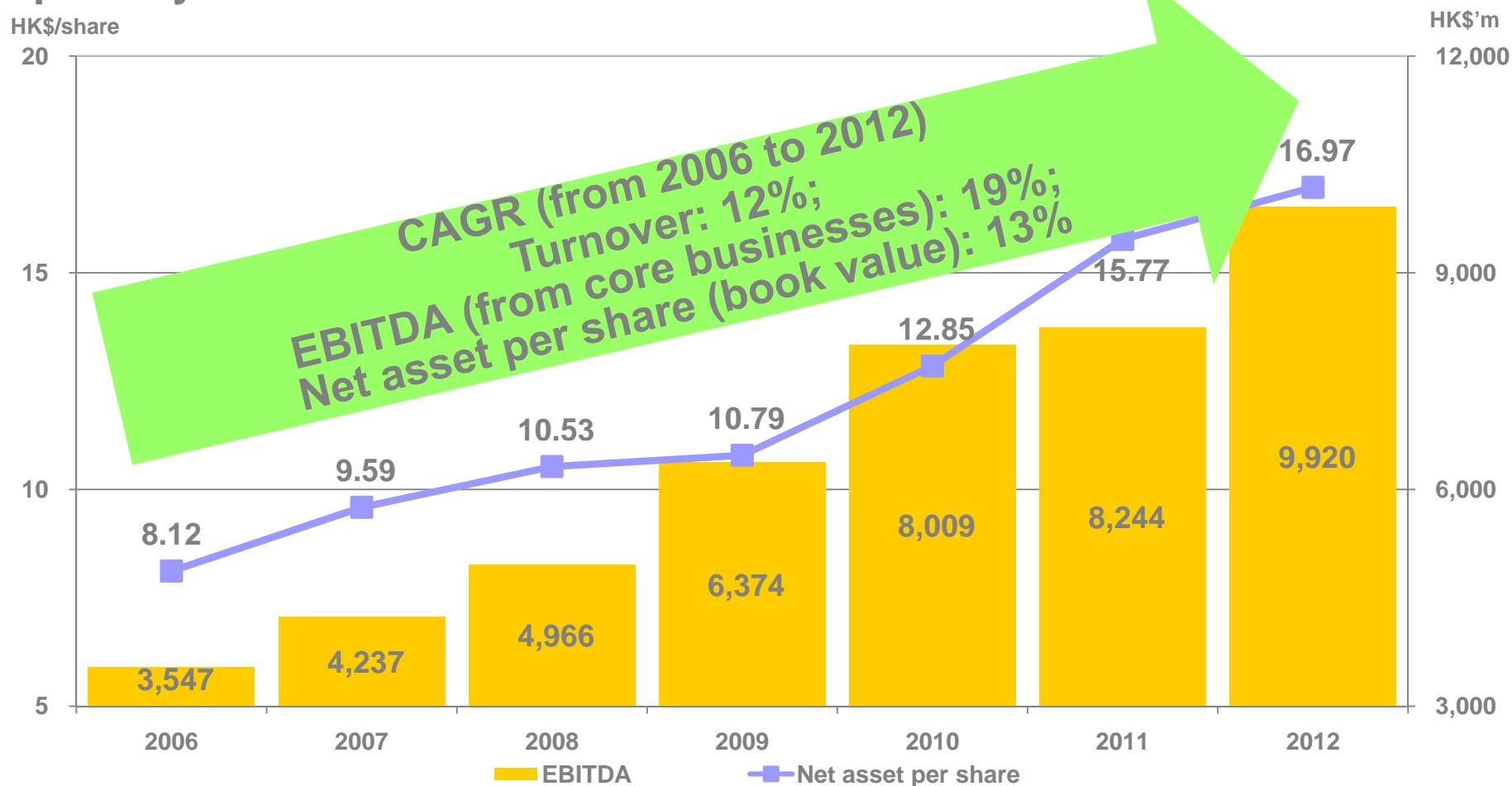


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\* Decline of UNP in 2011 and 2012 was mainly due to 40% share to Kirin since August 2011.

## Appendix III – Historical operating summary

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

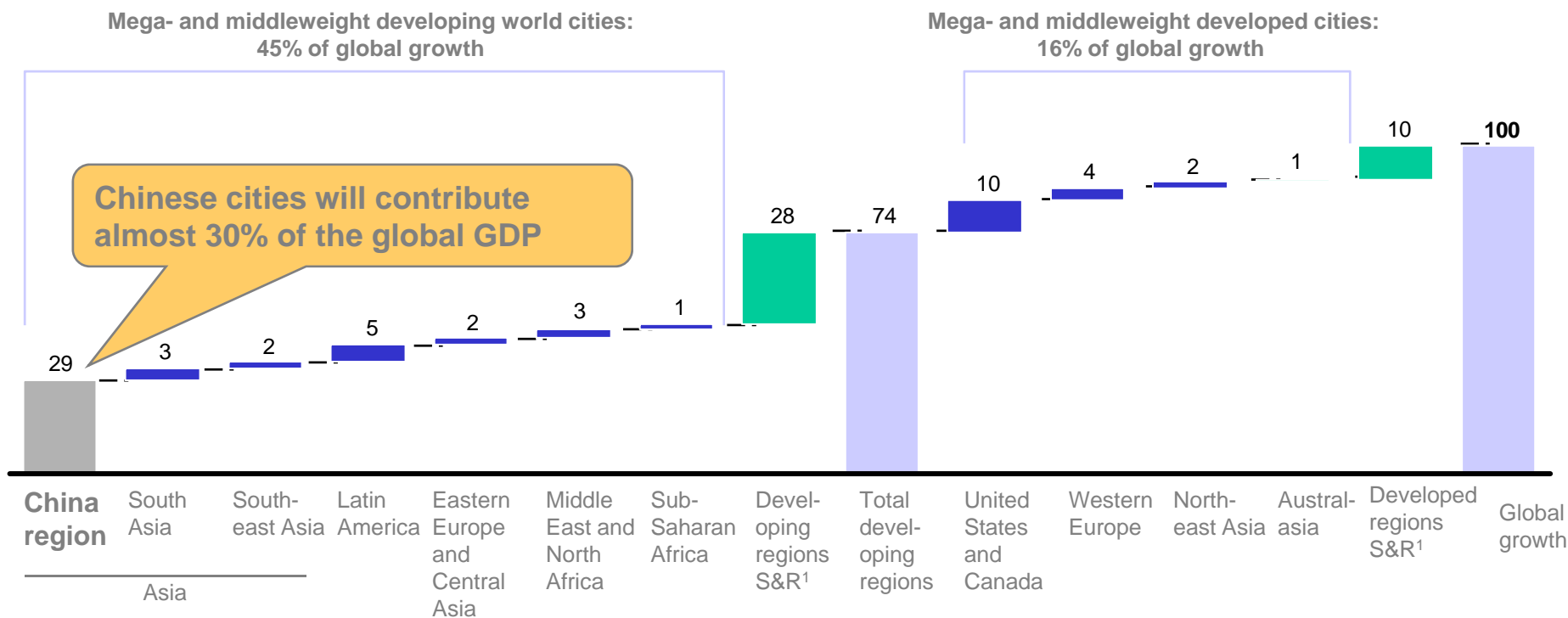


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## Appendix IV – Strong growth in China

### ■ 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.



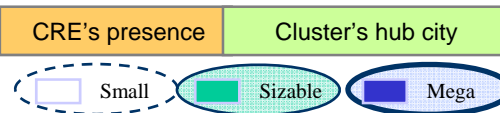
Source: McKinsey

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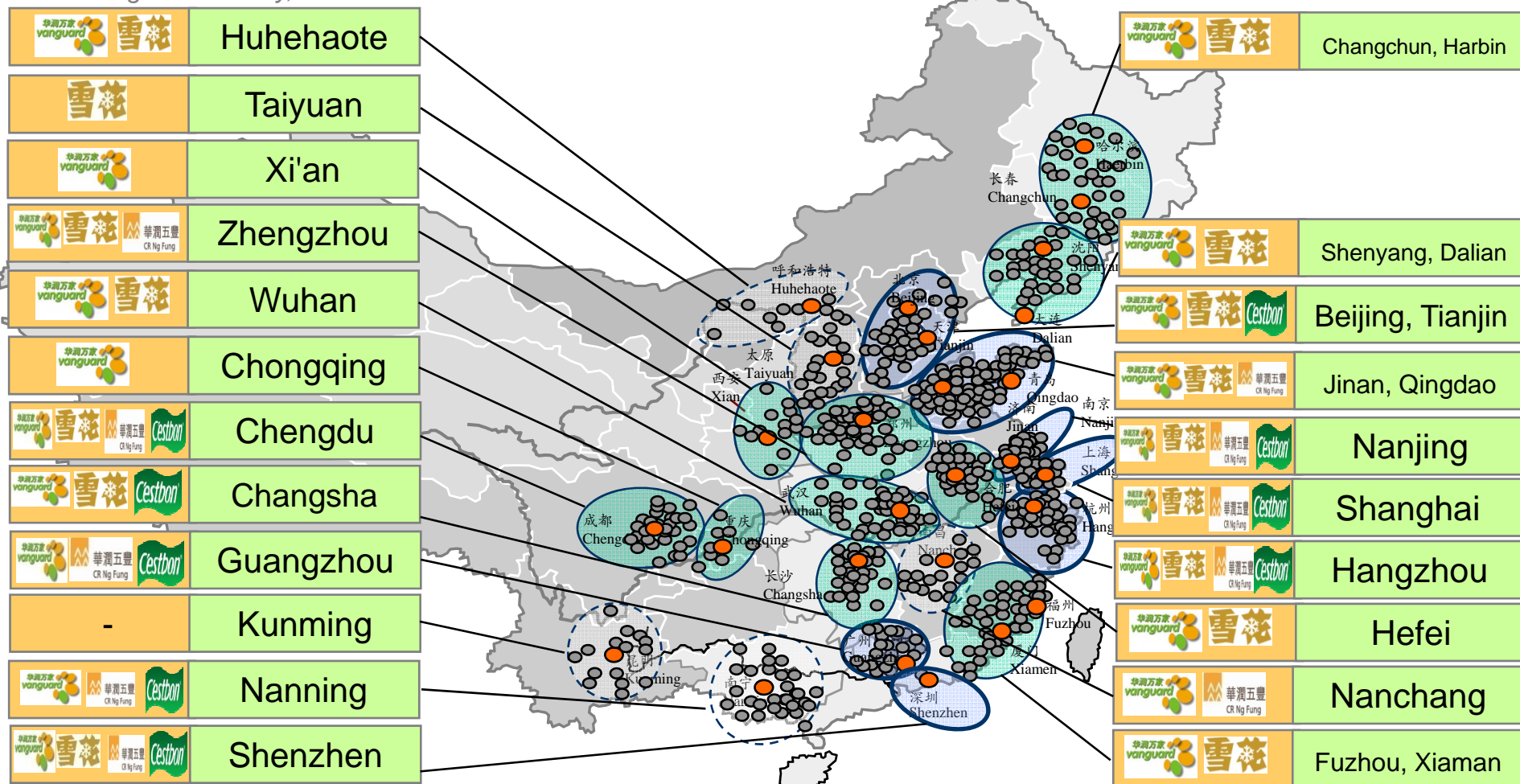
## Appendix V – Better position for CRE

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.



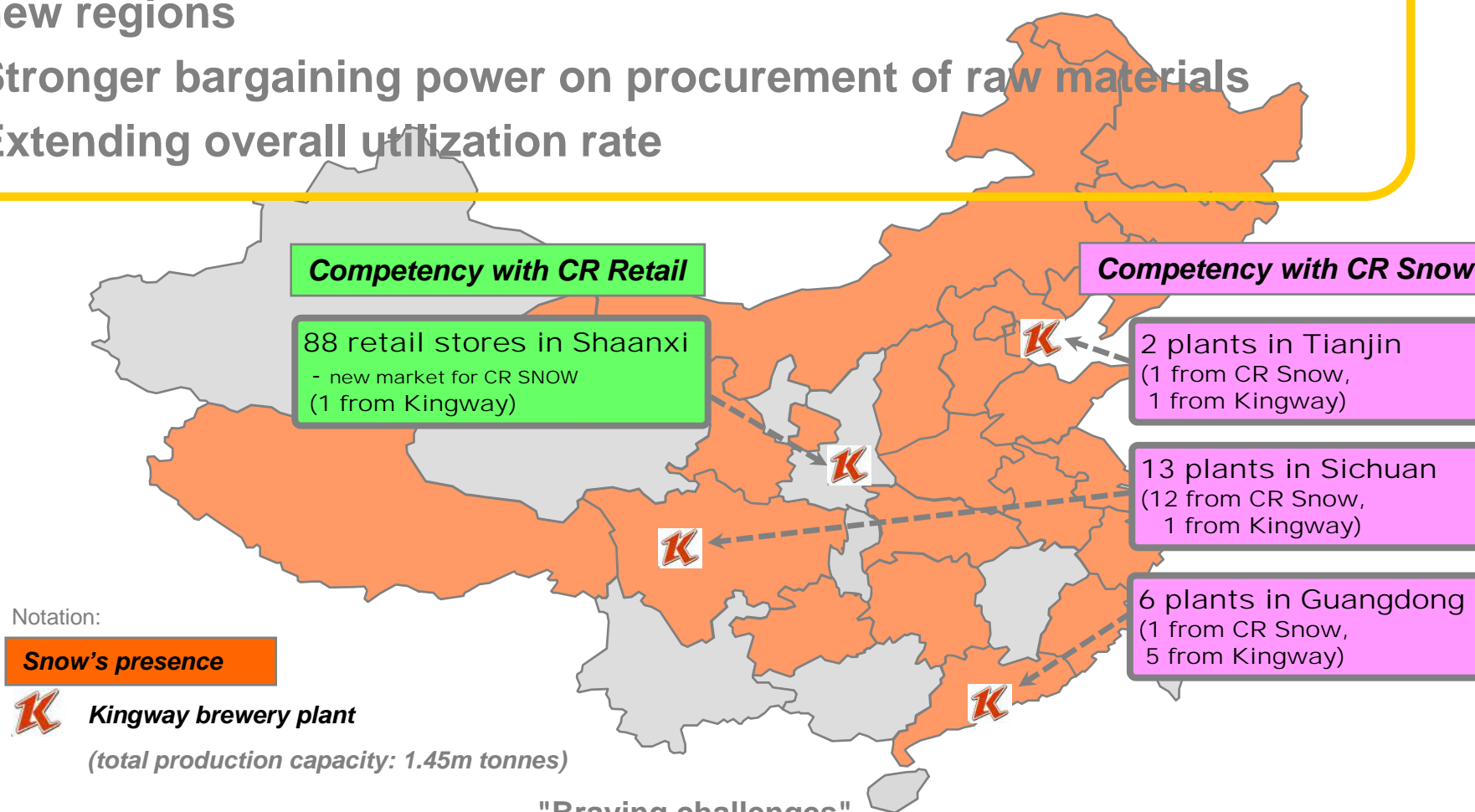
Source: McKinsey and Company data

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## Appendix VI – Synergy with acquisition of Kingway

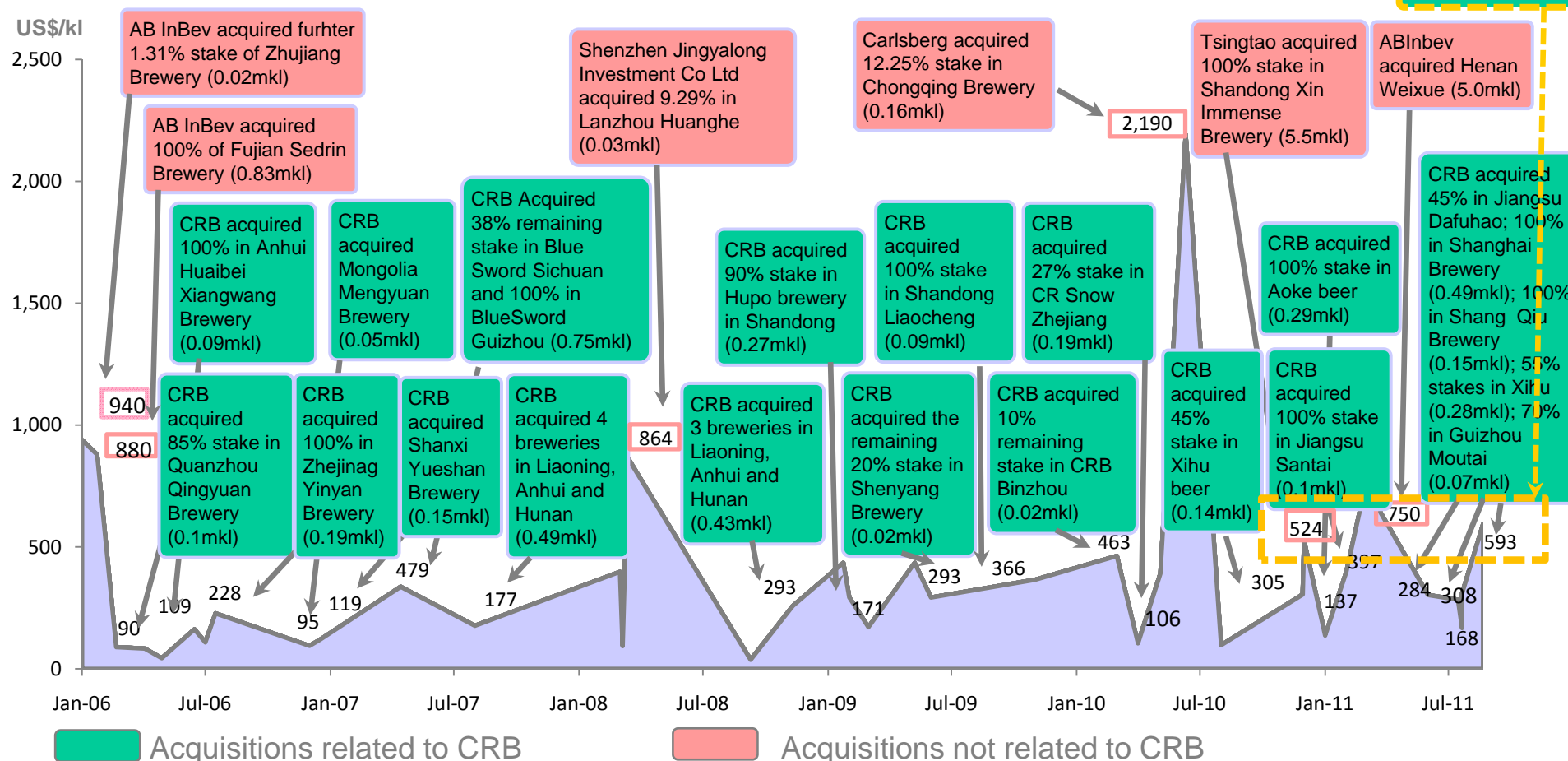
- More complement geographical footprint in both existing and new regions
- Stronger bargaining power on procurement of raw materials
- Extending overall utilization rate



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



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



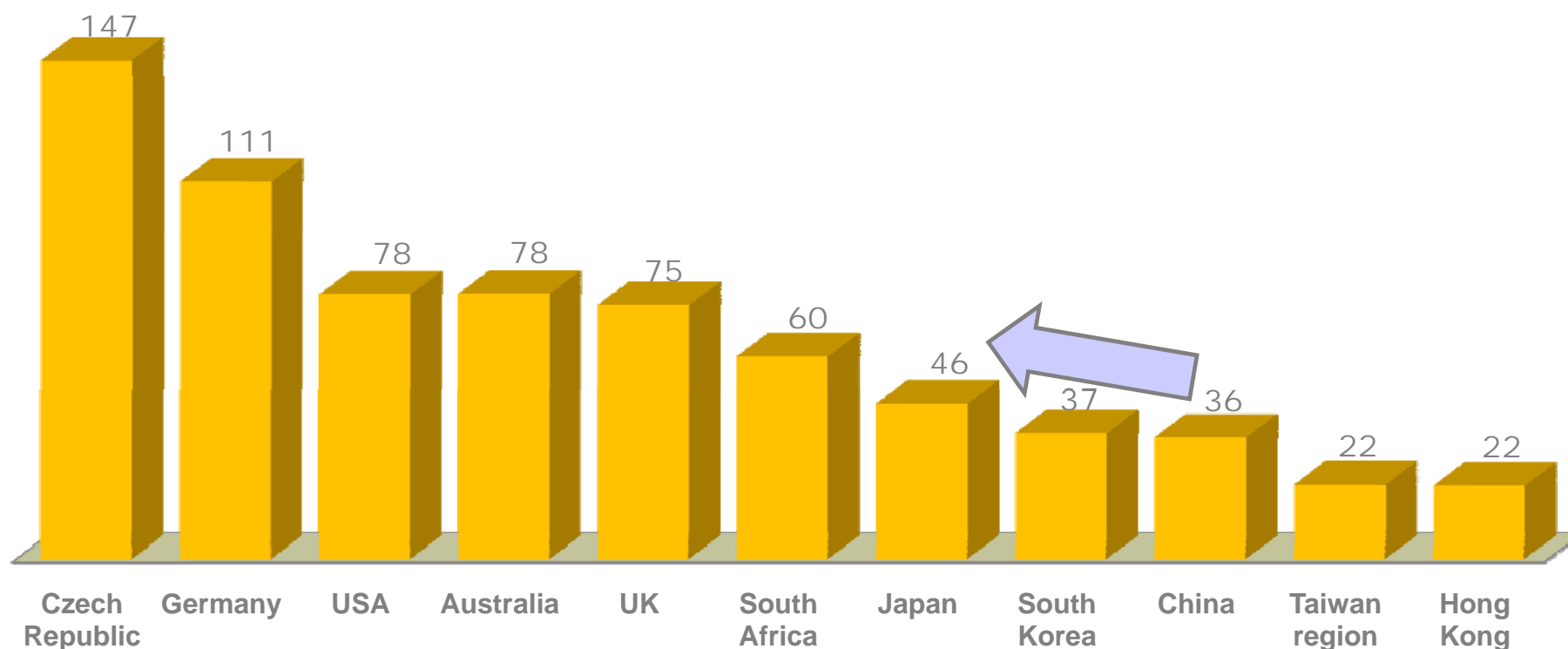
Source: Deutsche bank and Company data

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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)).**



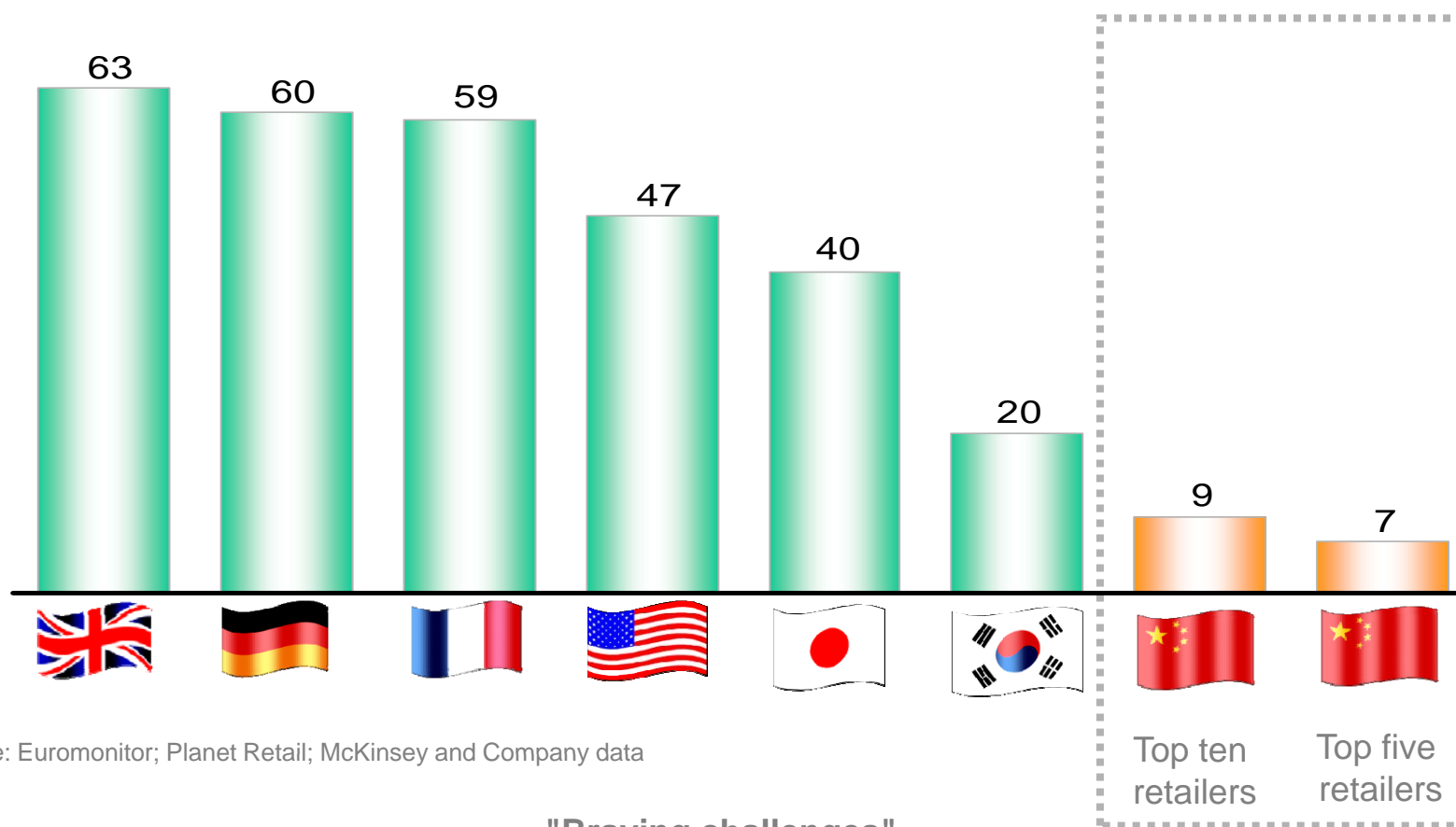
Source: Plato logic

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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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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 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.*

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 *Hong Kong Institute of Directors*

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*

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*

2011/2012 Ranked number 981/861 in Global 2000 from *Forbes*

2011 Received "The Largest Capitalization Company Award" in Mainland Enterprises Listed in Hong Kong Ranking 2010 by *Yazhou Zhoukan*

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## Appendix X – CRE awards (Cont'd)

### ■ Highlights of accolades received

2010–2012	Selected as one of the companies receiving "Global Chinese Business 1000 – Outstanding Performance Award" 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 <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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