



華潤創業有限公司

China Resources Enterprise, Limited



Financial and operational review

FY 2013

Investor presentation

20 March 2014

整裝待發!

Get Ready
for the next Journey!

Results Summary

	Q4 2013 HK\$m	Q4 2012 HK\$m	change	FY 2013 HK\$m	FY 2012 HK\$m	change	
Turnover	33,973	28,068	+21%	146,413	126,236	+16%	
EBITDA - Basic	1,143	1,504	-24%	8,705	9,920	-12%	**
EBITDA - Underlying*	892	671	+33%	8,425	7,501	+12%	
Earnings	(30)	572	-105%	1,908	3,945	-52%	**
Underlying net profit*	(274)	(272)	-1%	1,642	1,527	+8%	
EPS (HK¢) – Basic				79	164	-52%	
DPS (HK¢) – Basic				27	30	-10%	
– final				14	15	-7%	
– interim				13	15	-13%	
Dividend payout ratio (%)***				40	47	-15%	
ROE (%) (based on earnings)				4.3	9.7	-56%	
ROE (%) (based on underlying net profit) *				3.8	4.0	-5%	
Net (borrowings)/cash				(1,167)	(1,330)	+12%	

* EBITDA/Earnings from core businesses excluding the after-tax effect of asset revaluation and major disposal of non-core assets/investments and after accounted for net corporate interest & expenses

** Significant decline on EBITDA and earnings was mainly due to less revaluation of investment properties in FY 2013.

*** Dividend payout ratio is calculated based on total dividend divided by underlying net profit.

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Turnover Breakdown - by Divisions

	Q4 2013 HK\$m	Prop	Q4 2012 HK\$m	Prop	change	FY 2013 HK\$m	Prop	FY 2012 HK\$m	Prop	change
Core businesses										
Retail	23,347	68%	20,439	73%	+14%	95,174	65%	83,506	66%	+14%
Beer	5,584	16%	4,278	15%	+31%	32,994	22%	28,064	22%	+18%
Food	3,894	12%	2,629	9%	+48%	12,069	8%	10,379	8%	+16%
Beverage	1,436	4%	858	3%	+67%	7,305	5%	4,766	4%	+53%
	34,261	100%	28,204	100%	+21%	147,542	100%	126,715	100%	+16%
Less: inter-co transactions	(288)		(136)			(1,129)		(479)		
Turnover – total	33,973		28,068		+21%	146,413		126,236		+16%

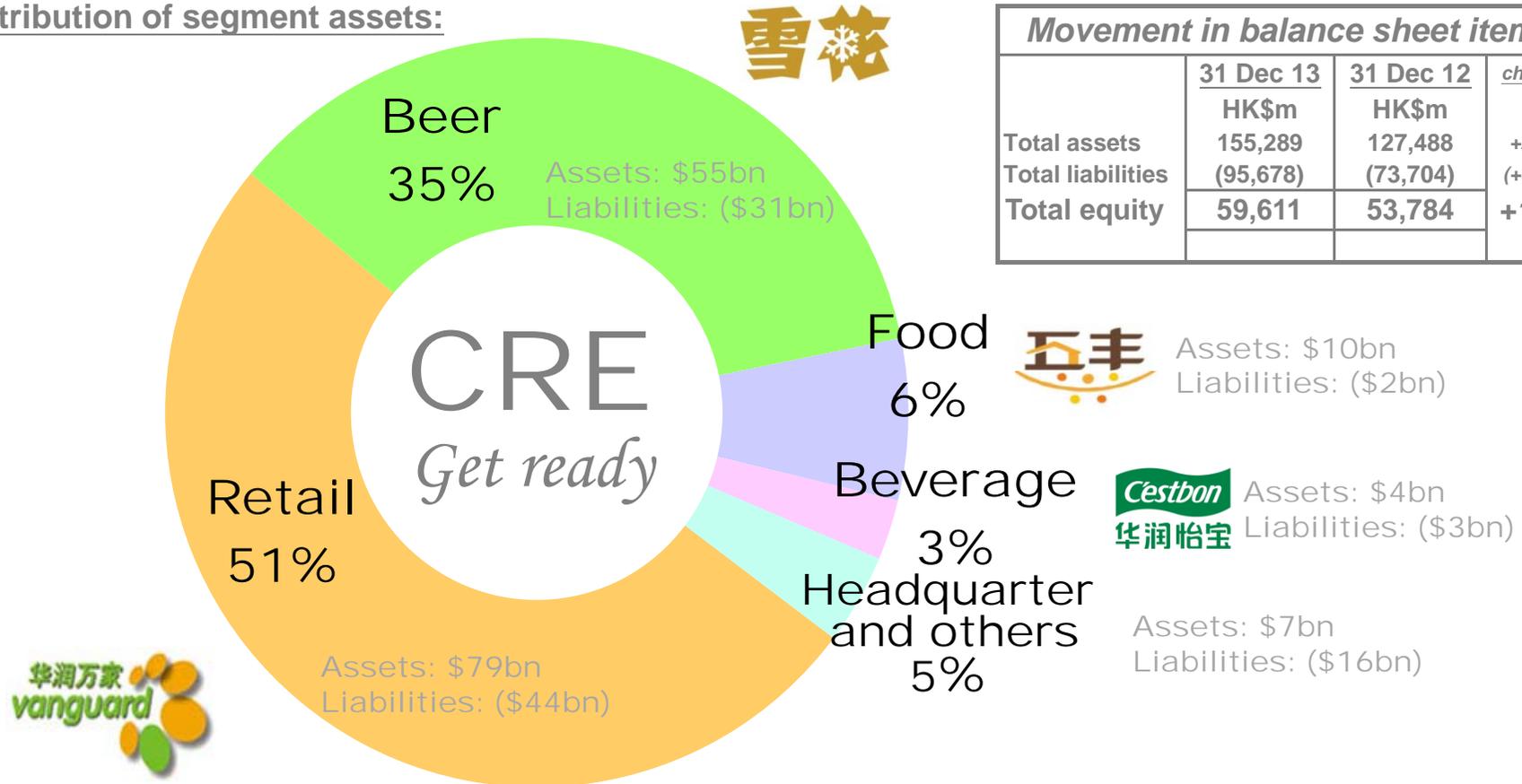


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Segment assets

- Unique with four consumer businesses complementing each other

Distribution of segment assets:



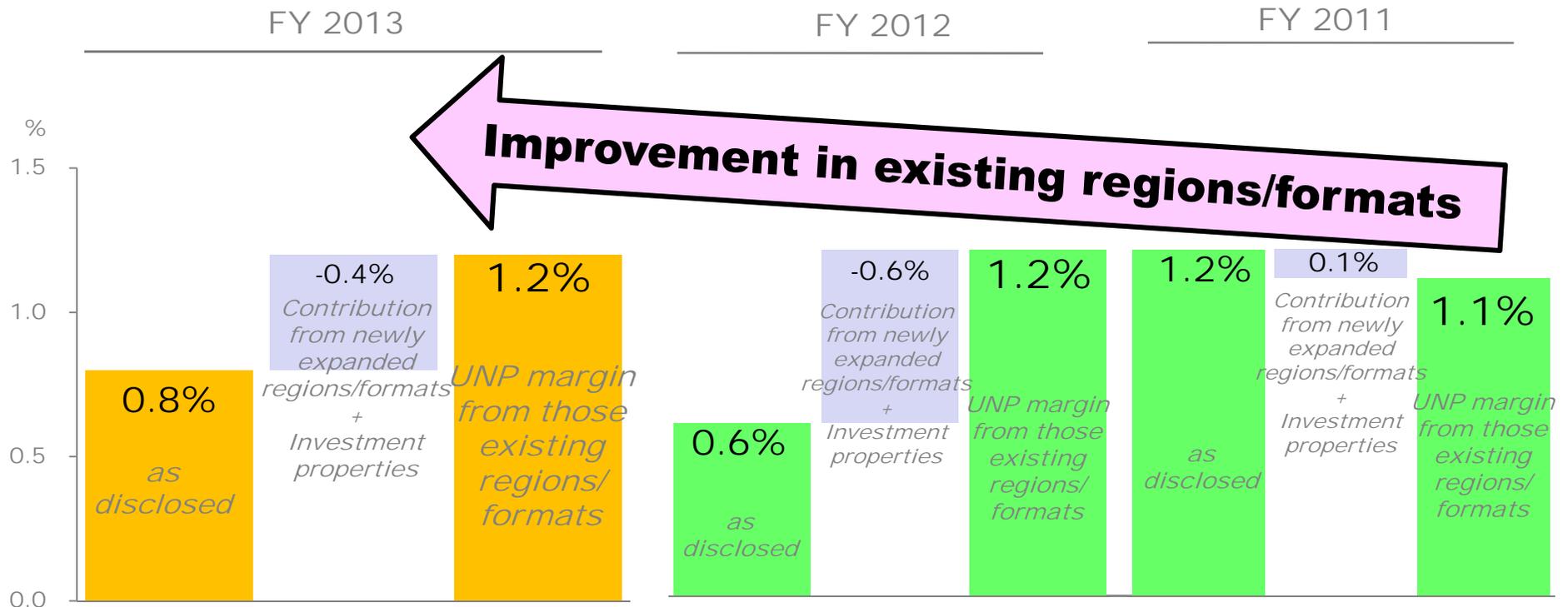
	31 Dec 13	31 Dec 12	change
	HK\$m	HK\$m	
Total assets	155,289	127,488	+22%
Total liabilities	(95,678)	(73,704)	(+30%)
Total equity	59,611	53,784	+11%

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- Growth through: Multi-format with regional leadership

Reconciliation of underlying net profit margin

Improvement on UNP margin from existing regions/formats



Newly expanded regions/formats included Northern China regions, health and beauty stores and Pacific coffee.

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Notation:

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

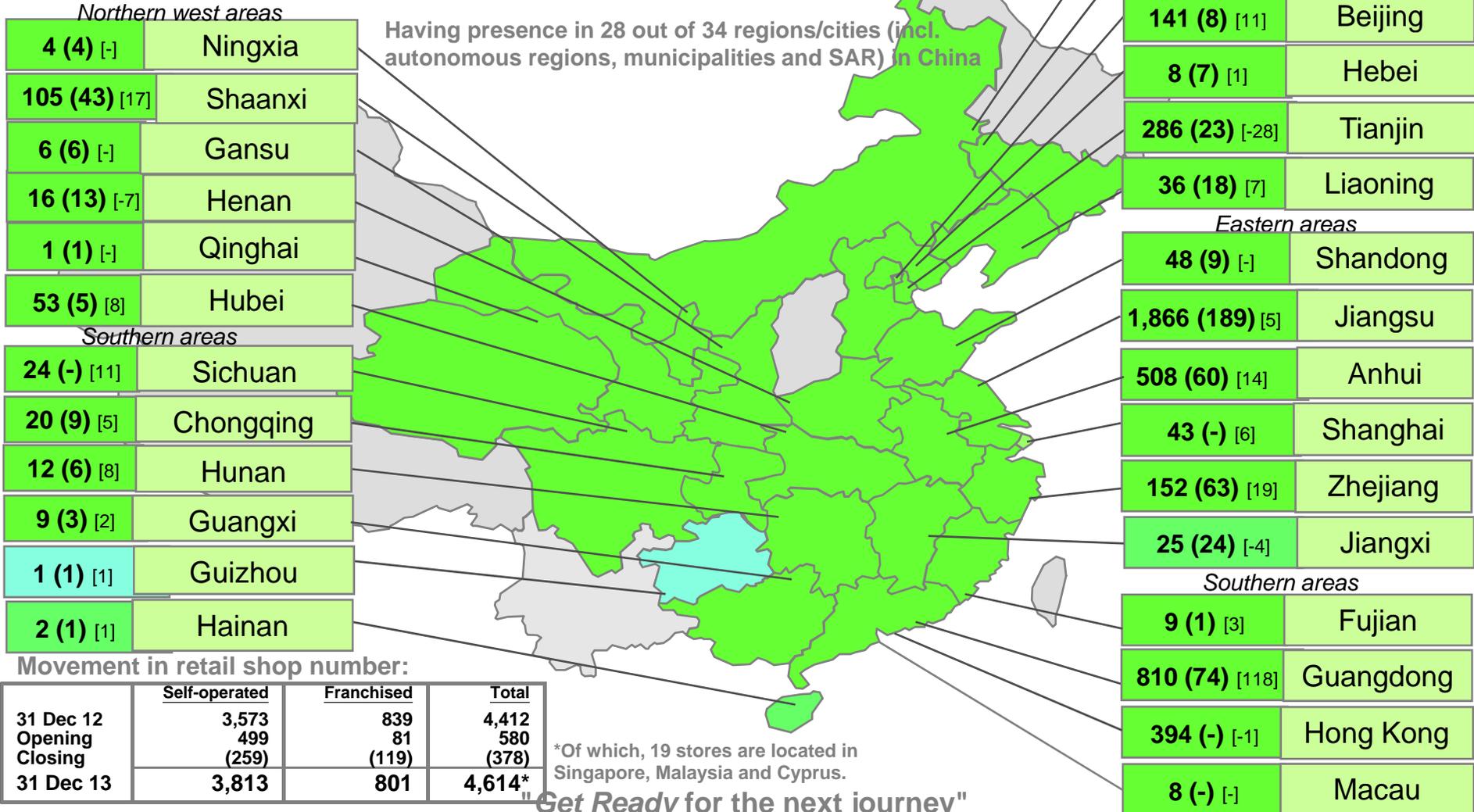
Region

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 Dec 12	3,573	839	4,412
Opening	499	81	580
Closing	(259)	(119)	(378)
31 Dec 13	3,813	801	4,614*

*Of which, 19 stores are located in Singapore, Malaysia and Cyprus.

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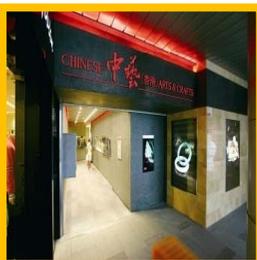
Retail

- 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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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 2013 HK\$m	Q4 2012 HK\$m	change	FY 2013 HK\$m	FY 2012 HK\$m	change
Sales volume (million KL)	1.89	1.58	+20%	11.72	10.64	+10%
Turnover	5,584	4,278	+31%	32,994	28,064	+18%
EBITDA	197	223	-12%	4,415	3,824	+15%
Earnings (#)	(321)	(108)	-197%	1,850	1,614	+15%
EBITDA margin (%)	3.5	5.2	-33%	13.4	13.6	-1%
Net margin (%) (#)	(5.7)	(2.5)	-128%	5.6	5.8	-3%

Performance in Q4 2013 was mainly affected by the integration of Kingway.



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

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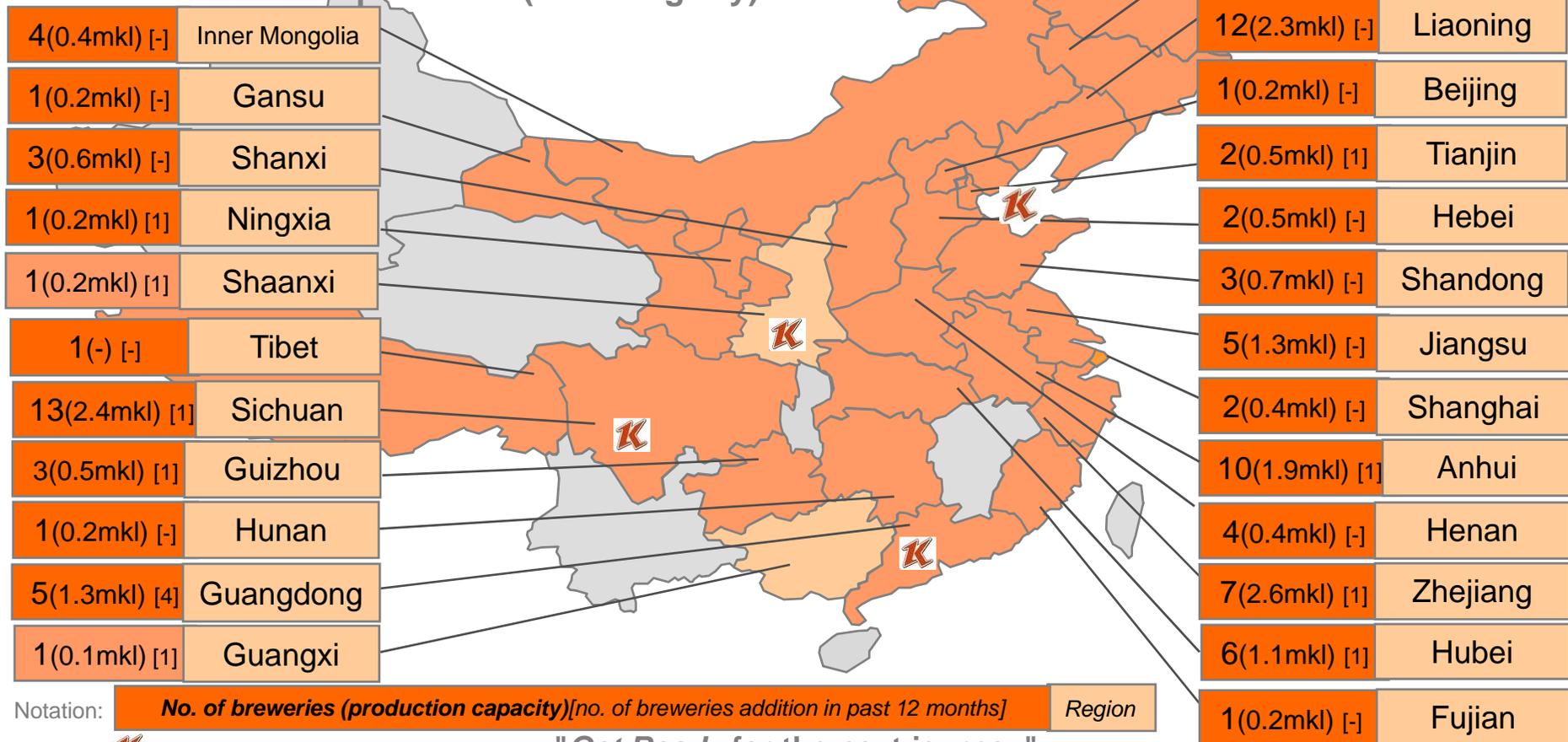
Beer (No.1 brand by volume in the world since 2008) 雪花

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

Geographical distribution of the breweries

Having presence in 25 out of 34 regions/cities (incl., autonomous regions, municipalities and SAR) in China

Number of breweries plants: 97 (incl. Kingway)



Notation: **No. of breweries (production capacity)**[no. of breweries addition in past 12 months] **Region**

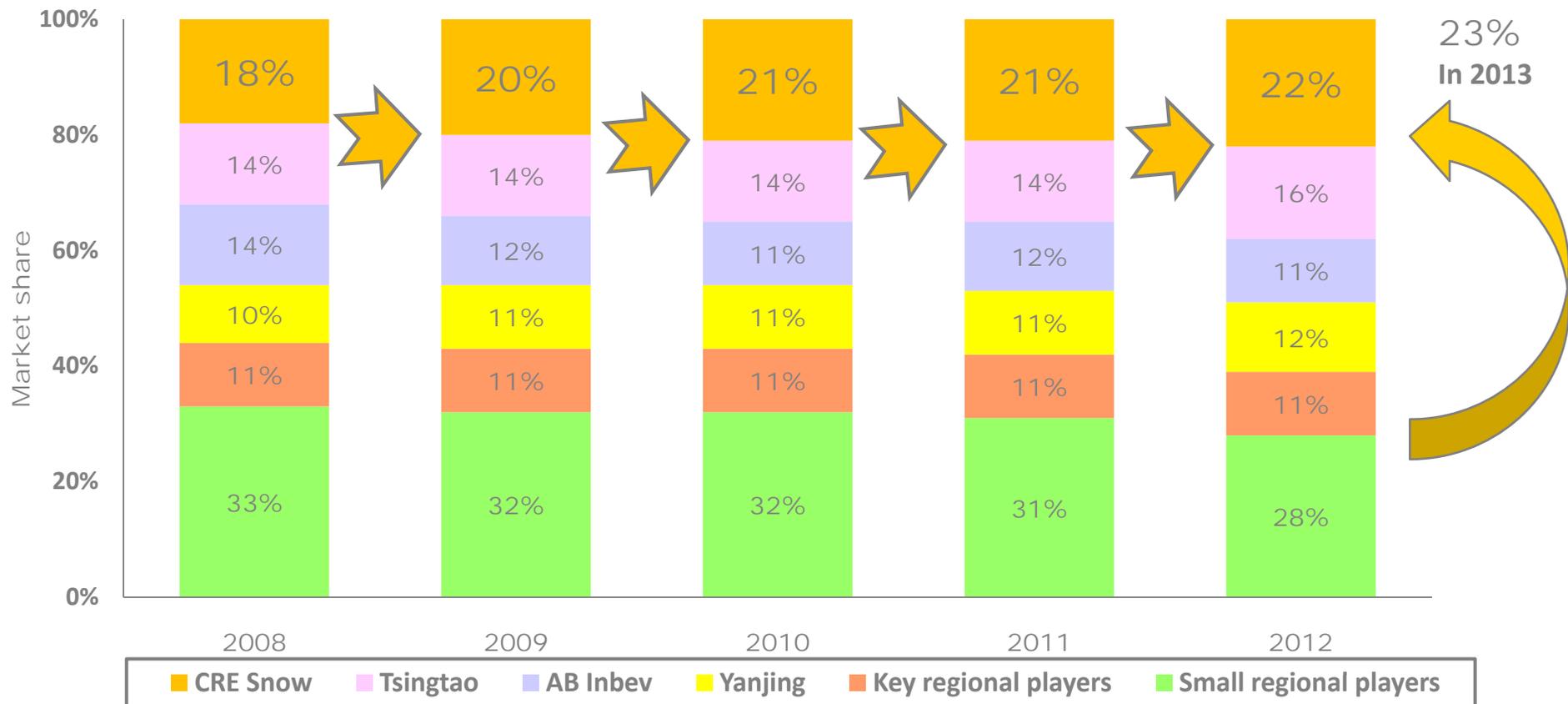
K Incl. Kingway brewery plants "Get Ready for the next journey"

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%.



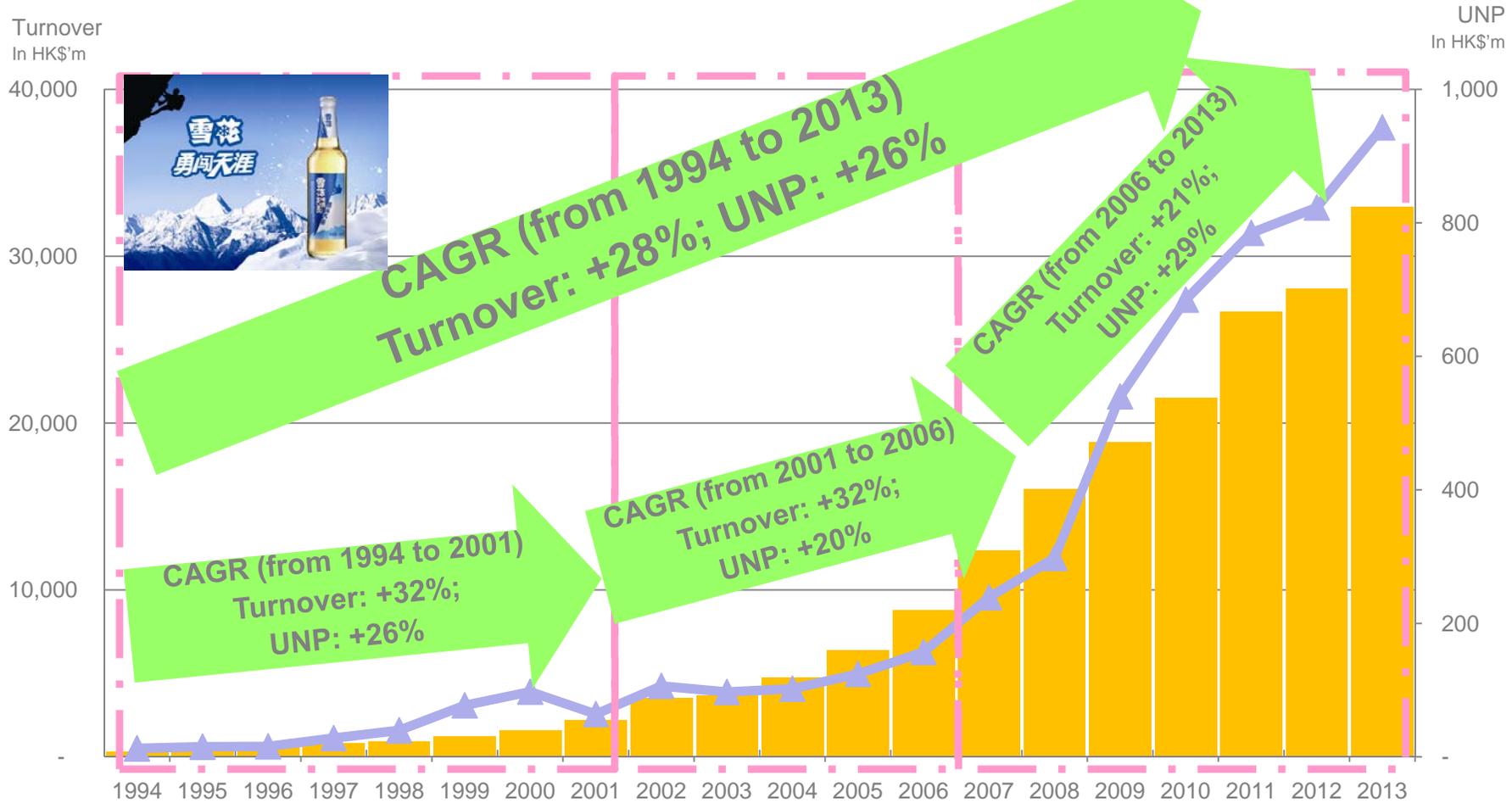
Source: State Statistical Bureau and CR Snow

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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: Quality premium products

	Q4 2013 HK\$m	Q4 2012 HK\$m	change	FY 2013 HK\$m	FY 2012 HK\$m	change
Turnover	3,894	2,629	+48%	12,069	10,379	+16%
Underlying EBITDA	24	138	-83%	409	662	-38%
Underlying net profit	(48)	47	-202%	53	259	-80%
Underlying EBITDA margin (%)	0.6	5.2	-88%	3.4	6.4	-47%
Underlying net profit margin (%)	(1.2)	1.8	-167%	0.4	2.5	-84%

Profitability was mainly affected by initial investment of the new businesses.

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



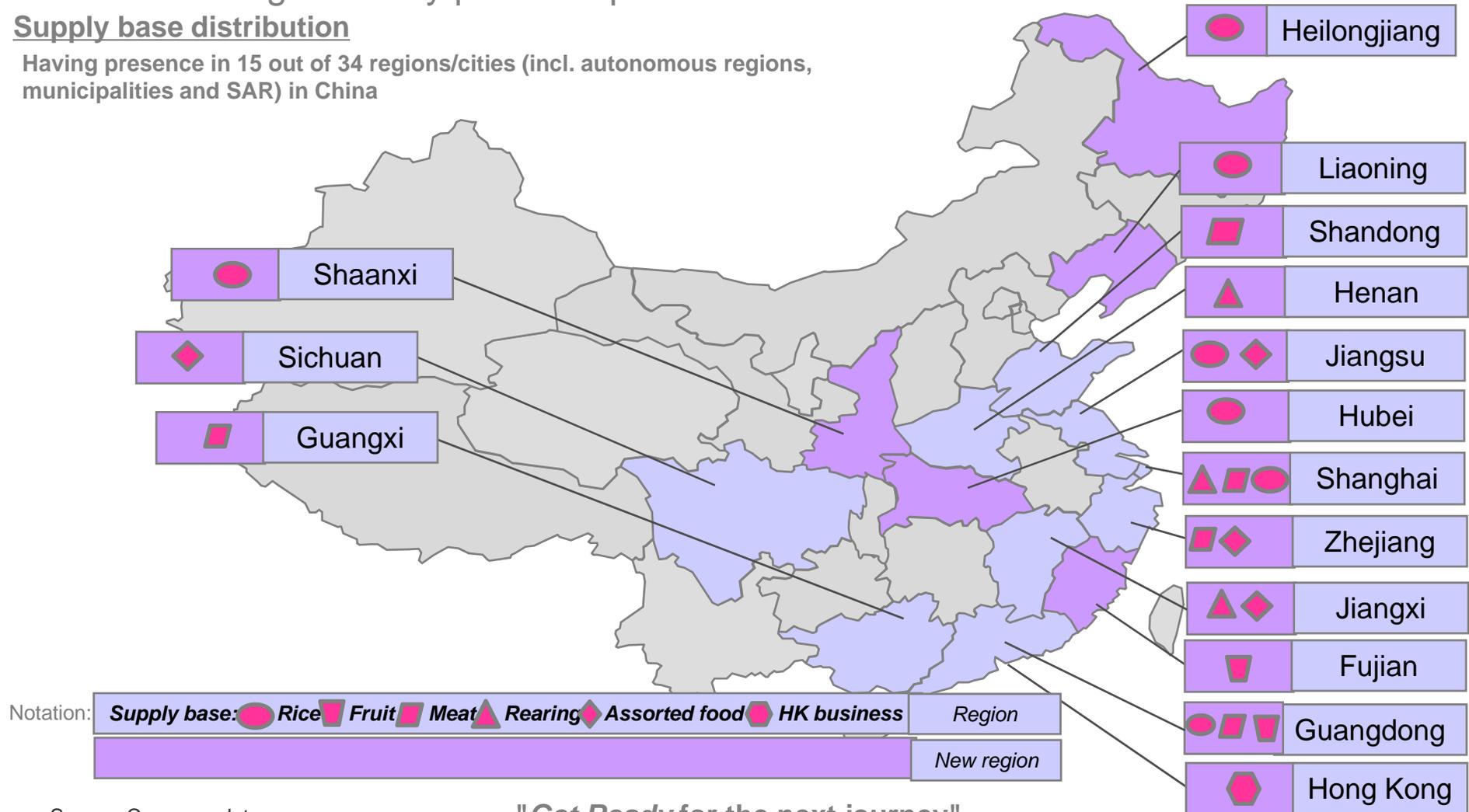
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▪ Growth through: Quality premium products

Supply base distribution

Having presence in 15 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China



Notation: **Supply base:** Rice Fruit Meat Rearing Assorted food HK business Region New region

Source: Company data

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Beverage



- Growth through: strong partnership with Kirin

	Q4 2013 HK\$m	Q4 2012 HK\$m	change	FY 2013 HK\$m	FY 2012 HK\$m	change
Sales volume (million KL)	0.97	0.65	+49%	4.93	3.51	+41%
Turnover	1,436	858	+67%	7,305	4,766	+53%
EBITDA	(28)	10	-380%	324	263	+23%
Earnings (#)	(39)	(2)	-1850%	178	144	+24%
EBITDA margin (%)	(1.9)	1.2	-258%	4.4	5.5	-20%
Net margin (%) (#)	(2.7)	(0.2)	-1450%	2.4	3.0	-20%

Improvement in turnover and profitability were mainly driven by higher sales volume.



- 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.

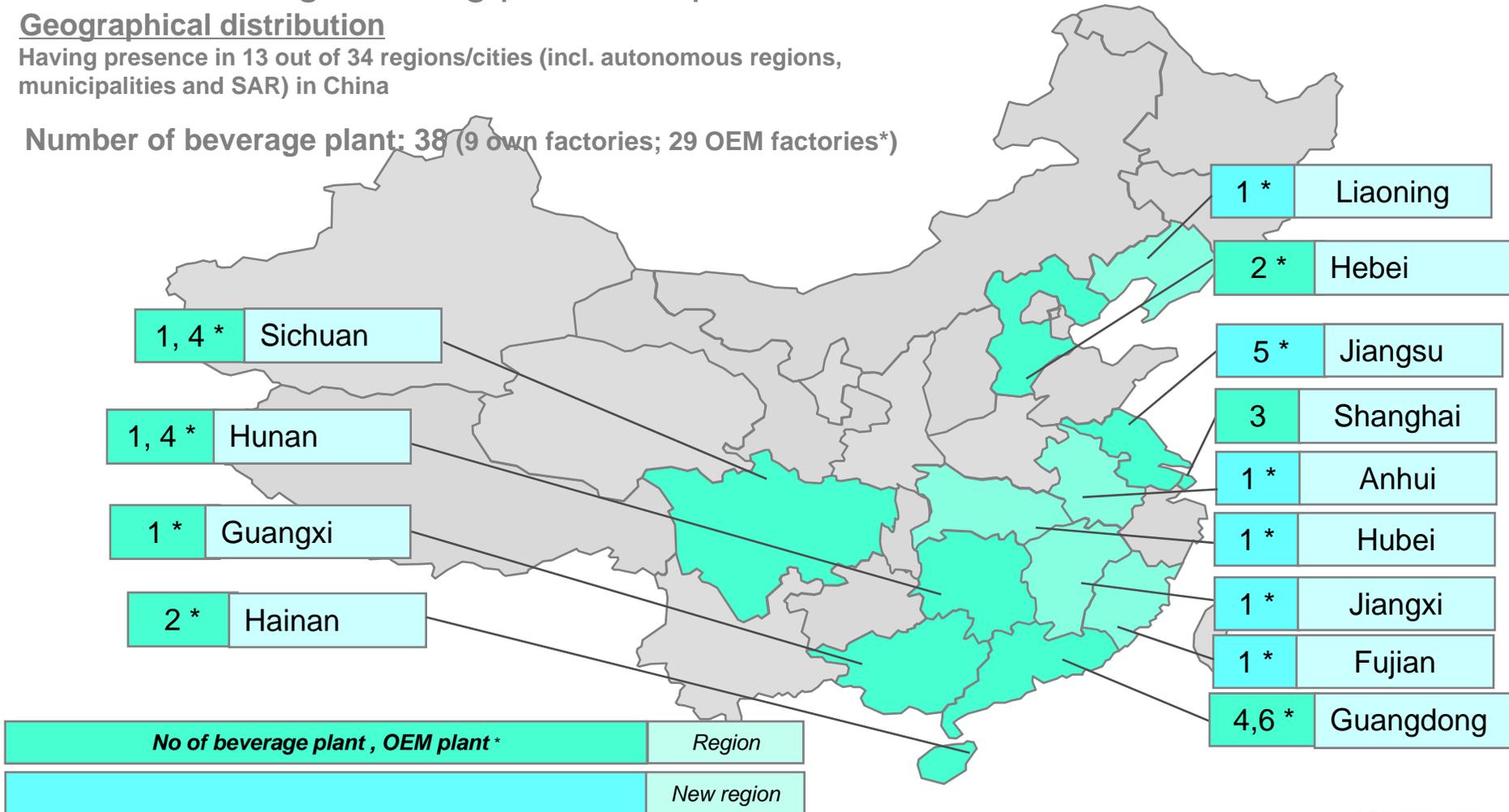
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■ Growth through: strong partnership with Kirin

Geographical distribution

Having presence in 13 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China

Number of beverage plant: 38 (9 own factories; 29 OEM factories*)



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Appendix I – Details of Retail formats

Format	Major brands	Average areas (sq.m)	31 Dec 13				30 Sep 13		31 Dec 12	
			% of turnover	App. Average GP margin	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised
<i>I. Hypermarket</i>		Over 6,000	app.78%	20%	563#	13	547#	13	571	13
<i>II. Standard supermarket</i>		500 – 800	app.11%	22%	1,370#	681	1,371#	681	1,301	748
<i>III. Convenience stores</i>		30 – 120	app.4%	23%	1,174	70	1,149	67	1,073	52
<i>IV. Ole', blt</i>		4,000	app.2%	more than 25%	40	-	36	-	31	-
<i>V. Pacific Coffee</i>		120	app.1%	more than 50%	328	37	308	33	264	26
<i>VI. CAC and CR Care</i>		various	app.2%	more than 30%	155	-	160	-	147	-
<i>VII. Health and beauty stores</i>		200	less than 1%	more than 30%	168	-	164	-	169	-
<i>VIII. Wine cellar and others</i>		200	app. 2%	Various	15	-	22	-	17	-
Total					3,813	801	3,757	794	3,573	839
					4,614		4,551		4,412	

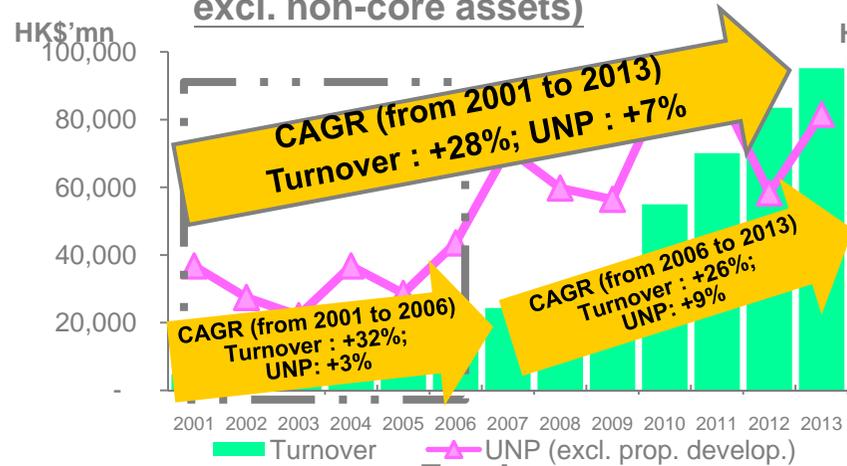
During the year, 46 hypermarkets have been reclassified as standard supermarkets.

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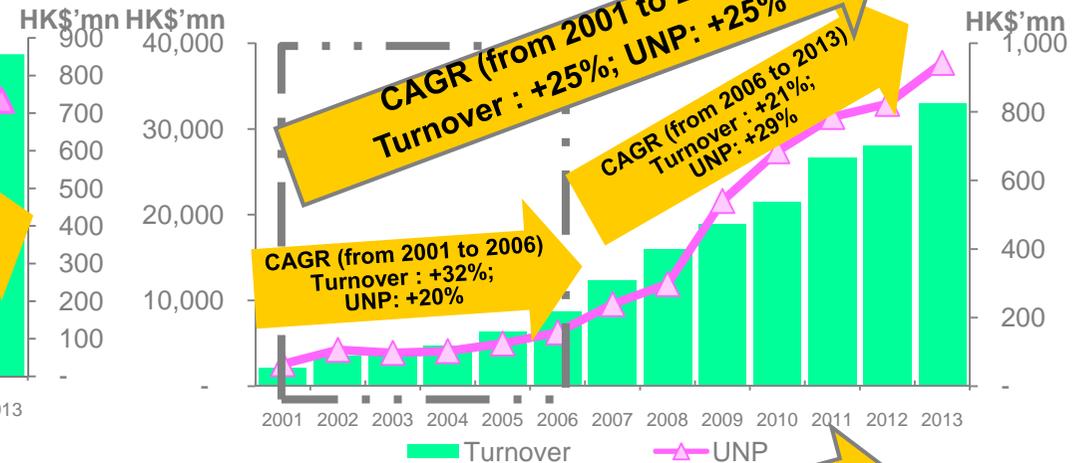
Appendix II – Historical track record of CRE

Strong growth momentum in each businesses

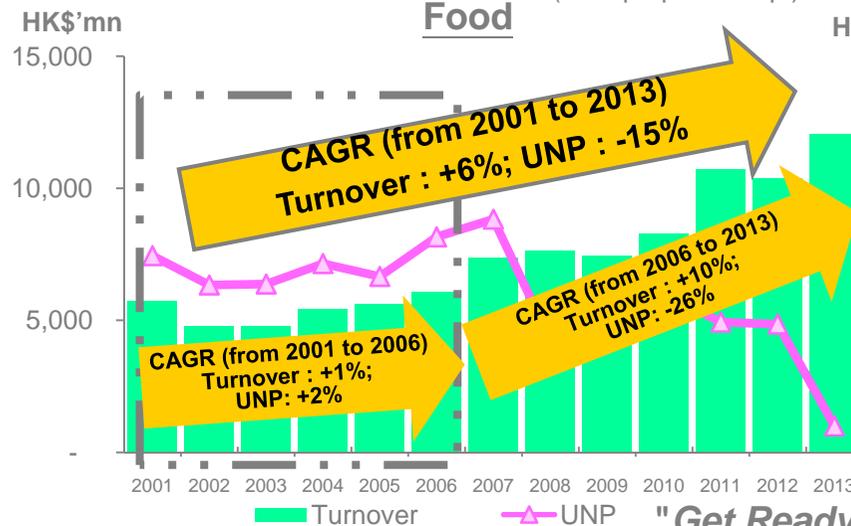
Retail (incl. investment property, excl. non-core assets)



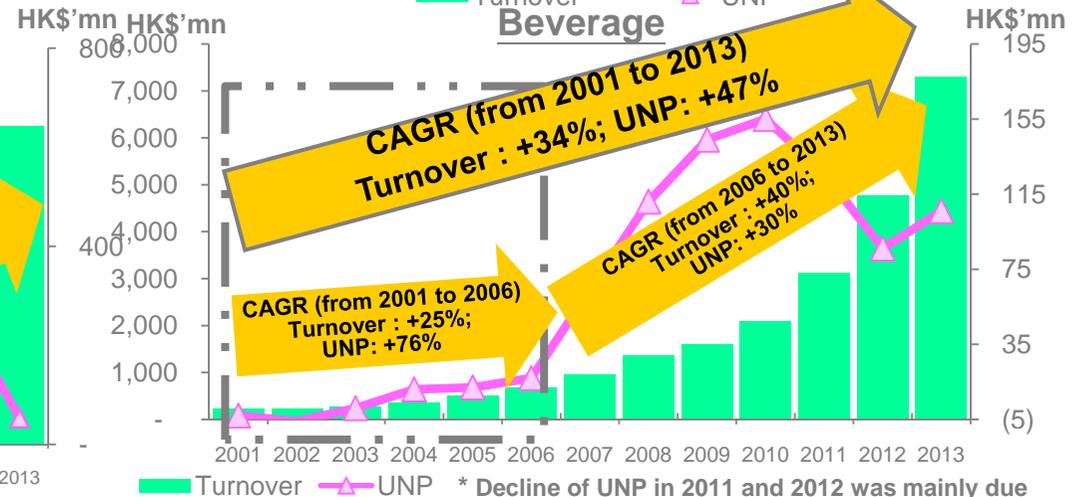
Beer



Food



Beverage

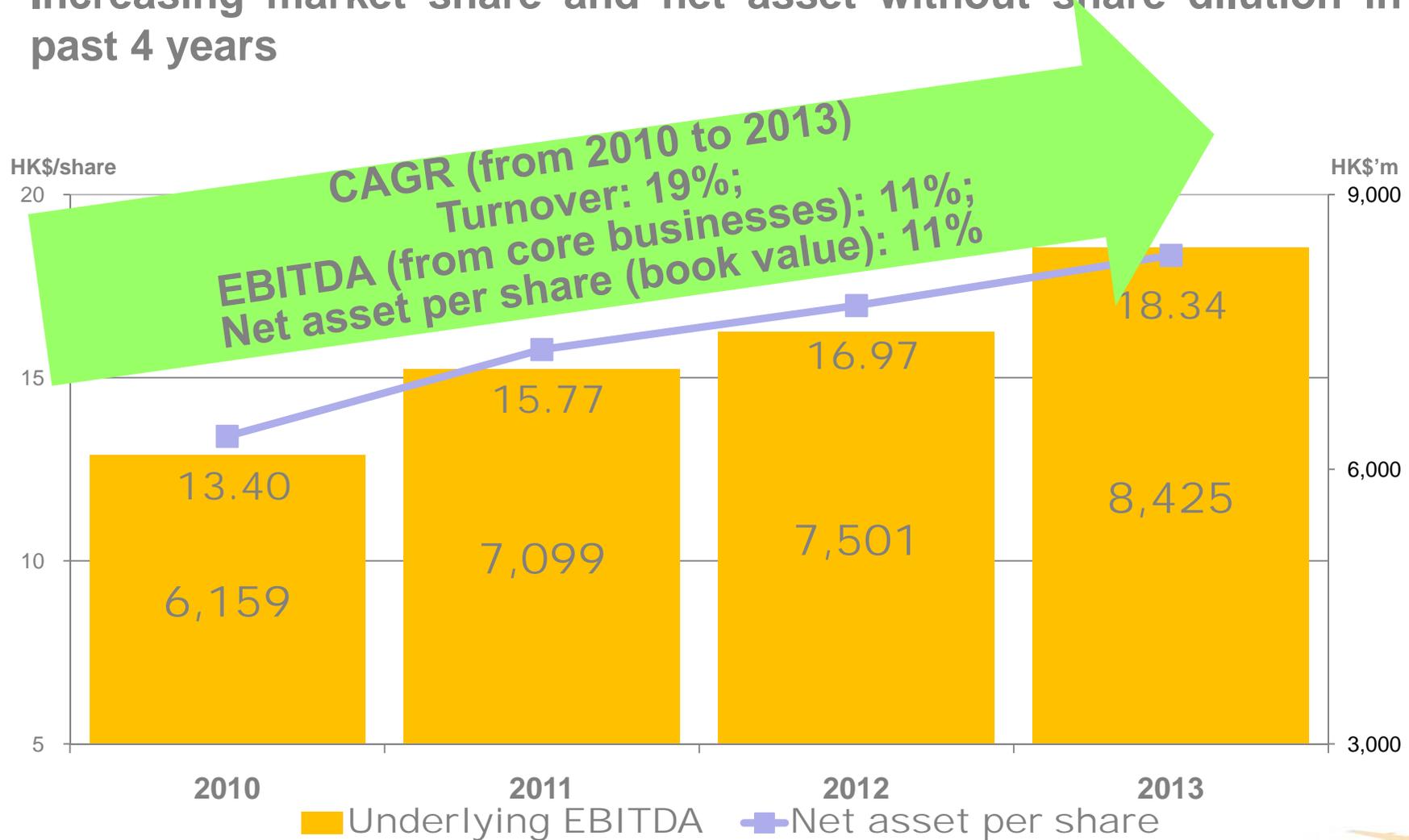


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* Decline of UNP in 2011 and 2012 was mainly due to 40% share to Kirin since August 2011.

Appendix III – Historical operating summary

- Increasing market share and net asset without share dilution in past 4 years

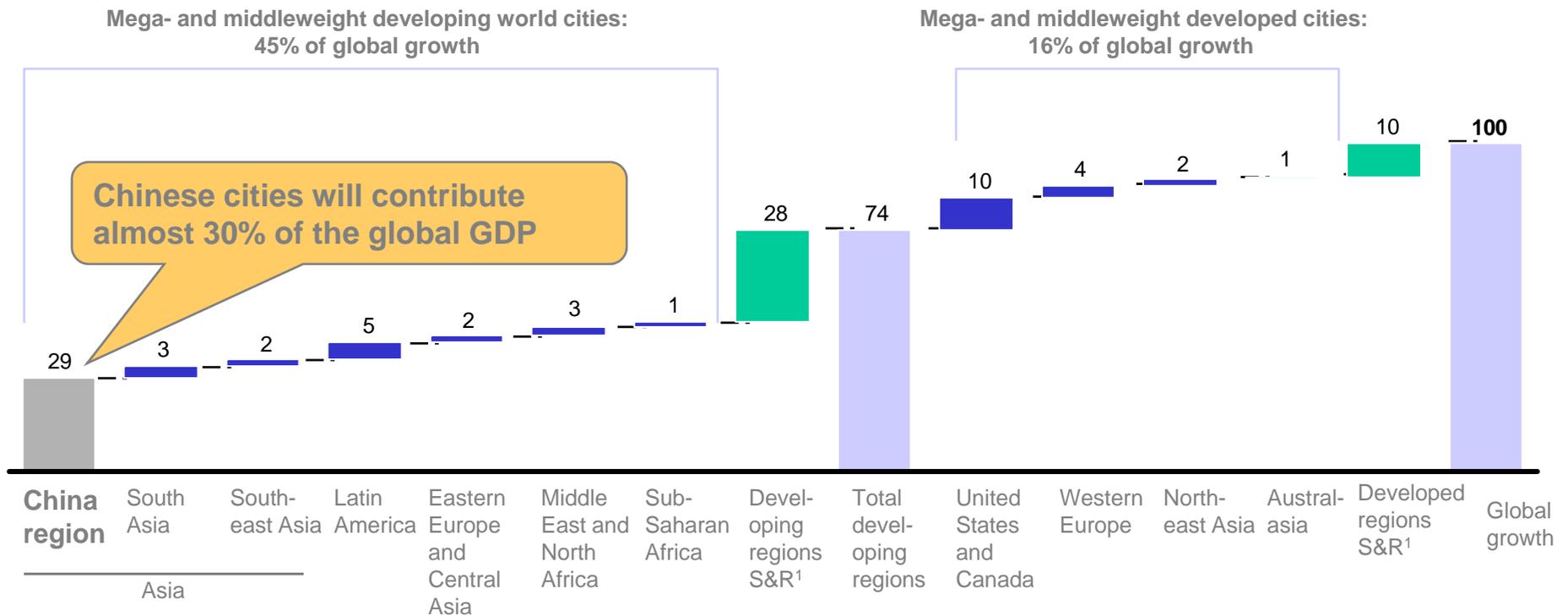


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Appendix IV – Strong growth in China

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.

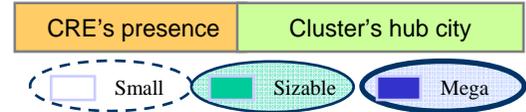
Source: McKinsey

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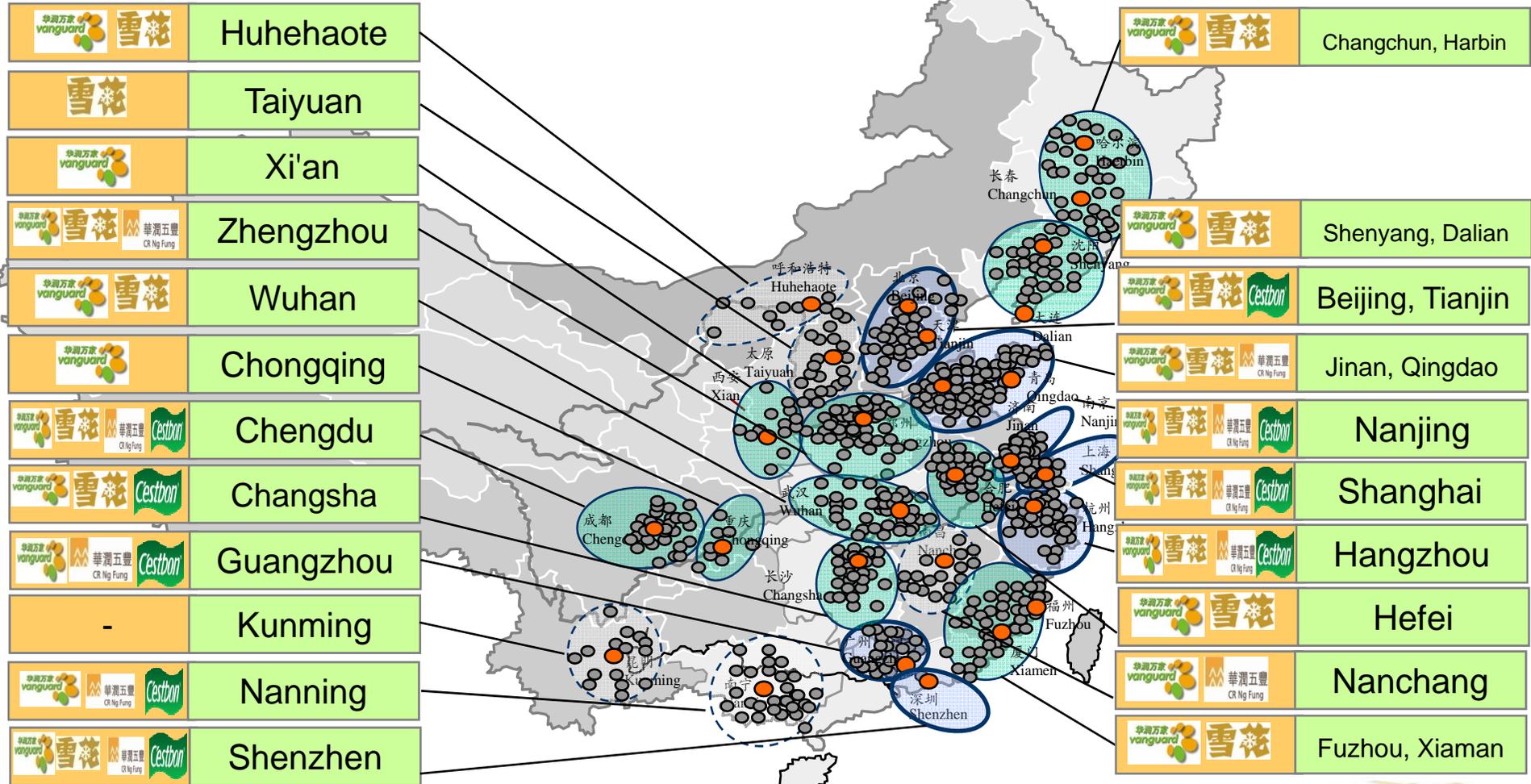
Appendix V – Better position for CRE

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.



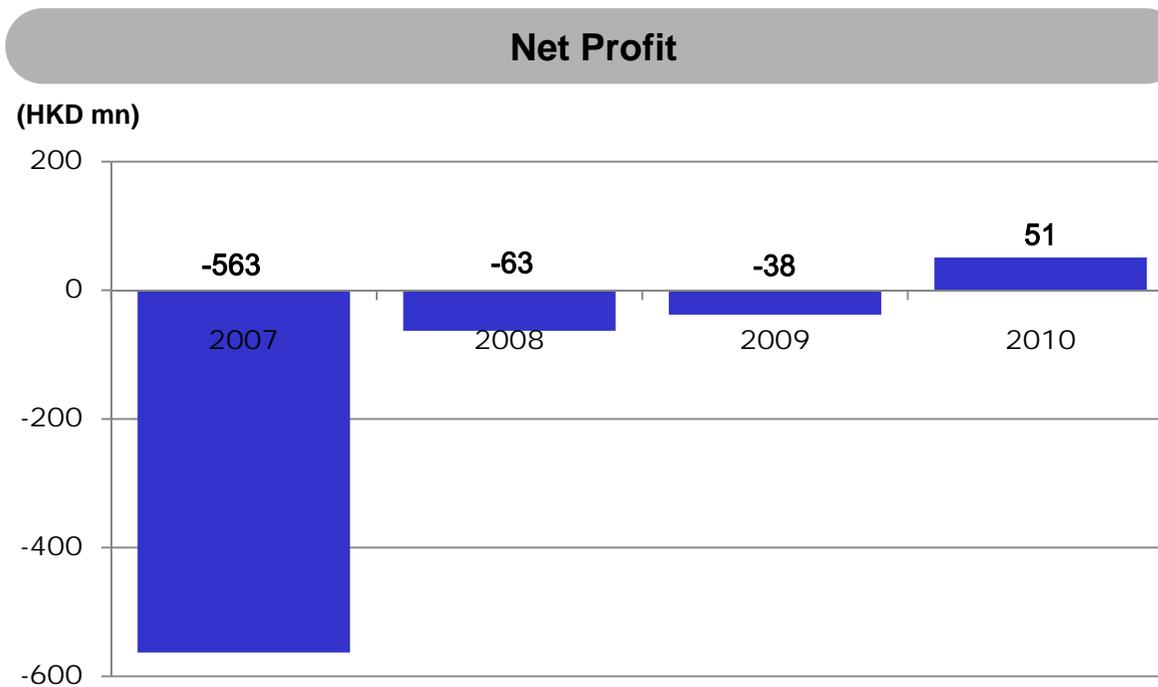
Source: McKinsey and Company data

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Appendix VI – Experience in Homeworld's turnaround



Management with experience and abilities to turnaround of loss-making acquisition in retail business:



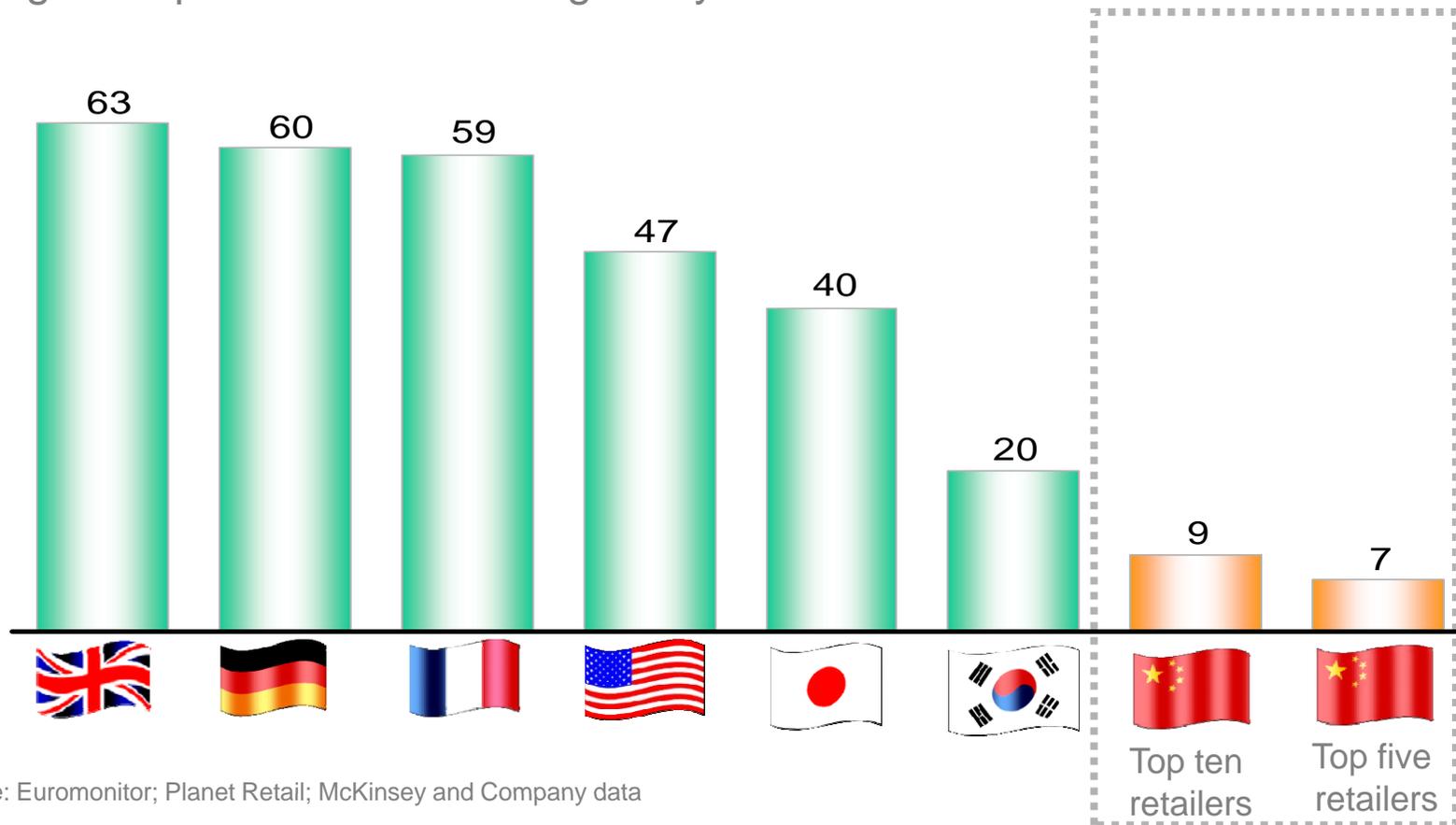
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Appendix VII – Market share of Retail business

Lower market concentration in China than other developed countries:

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



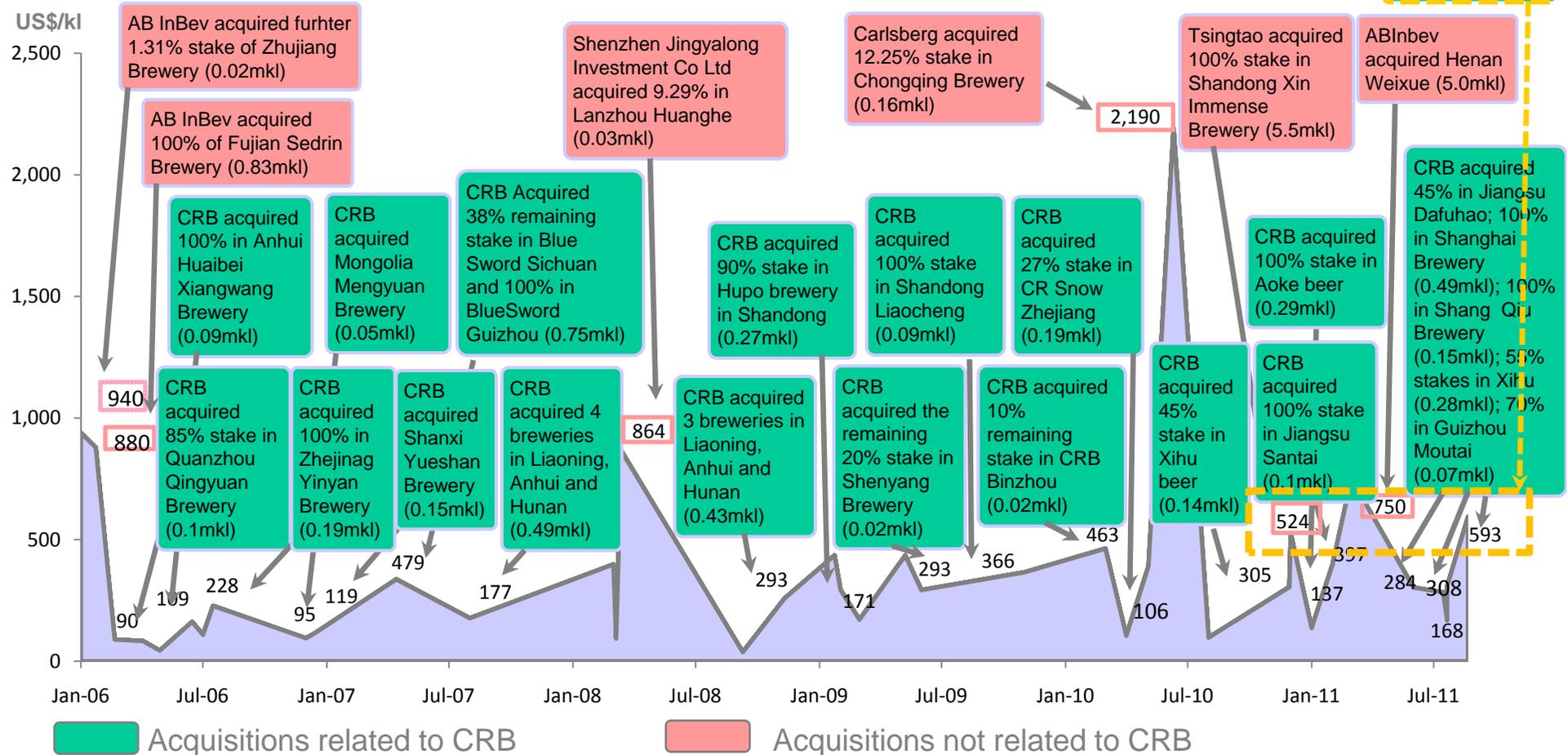
Source: Euromonitor; Planet Retail; McKinsey and Company data

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Appendix VIII – Historical major M&As in beer business

Strong bargaining power and lower acquisition cost on M&A



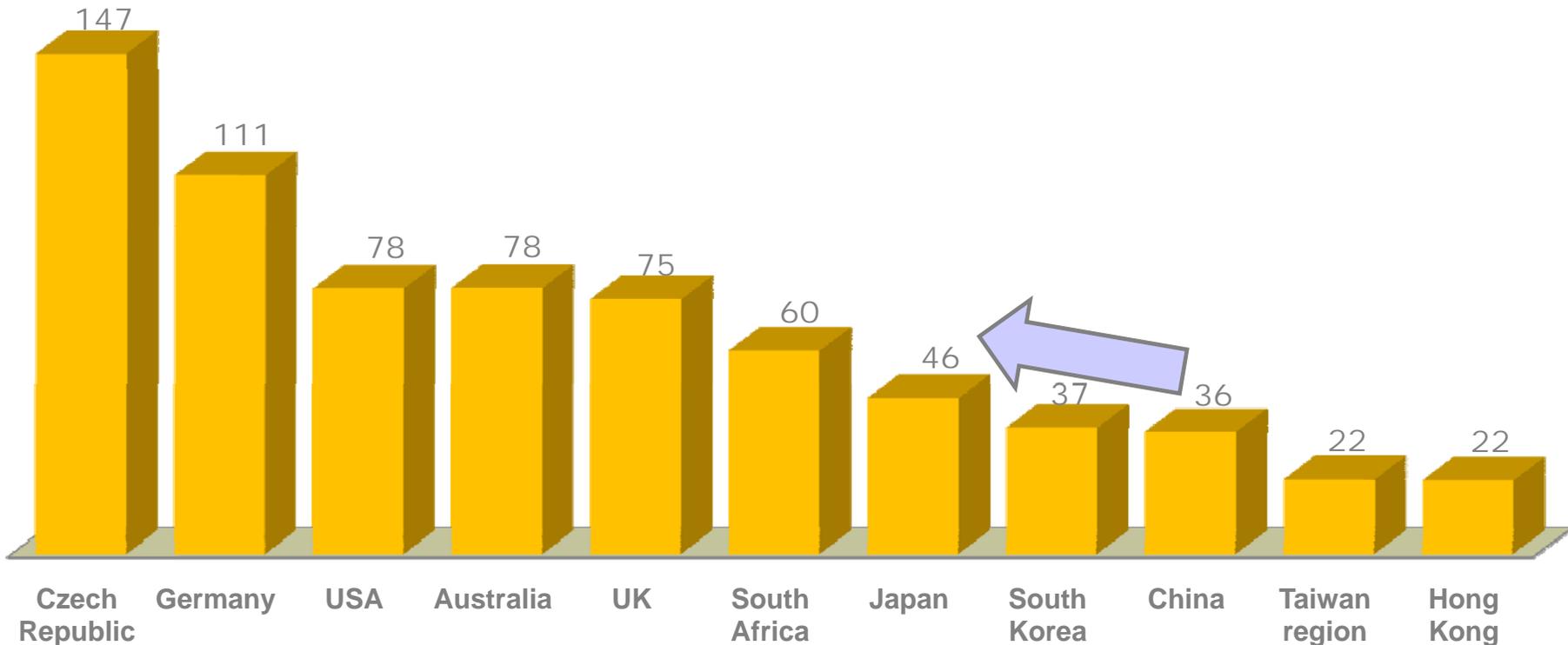
Source: Deutsche bank and Company data

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Appendix IX – 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 X – CRE awards (Cont'd)

■ Highlights of accolades received

2010-2013 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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