



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

股份代號 Stock Code: 00291

# **BRAVING**迎接挑戰 **CHALLENGES**

**Financial and operational review**

**H1 2013**

**21 August 2013**

\* 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

## "Braving challenges"

## Turnover Breakdown - by Divisions

	Q2	Prop	Q2	Prop	change	H1 2013	Prop	H1 2012	Prop	change
	2013		2012							
	HK\$m		HK\$m			HK\$m		HK\$m		
<i><b>Core businesses</b></i>										
Retail	21,984	61%	17,975	59%	+22%	47,907	66%	42,125	66%	+14%
Beer	9,530	27%	8,855	29%	+8%	16,078	22%	14,633	23%	+10%
Food	2,571	7%	2,534	8%	+1%	5,004	7%	5,114	8%	-2%
Beverage	1,922	5%	1,360	4%	+41%	3,375	5%	2,289	3%	+47%
	36,007	100%	30,724	100%	+17%	72,364	100%	64,161	100%	+13%
Less: inter-co transactions	(303)		(113)			(507)		(202)		
<b>Turnover – total</b>	<b>35,704</b>		<b>30,611</b>		<b>+17%</b>	<b>71,857</b>		<b>63,959</b>		<b>+12%</b>



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## Underlying Net Profit Breakdown - by Divisions

	Q2 2013 HK\$m	Prop	Q2 2012 HK\$m	Prop	change	H1 2013 HK\$m	Prop	H1 2012 HK\$m	Prop	change
<b>Core businesses</b>										
Retail	99	19%	90	15%	+10%	624	57%	650	54%	-4%
Beer	381	72%	408	67%	-7%	358	33%	375	31%	-5%
Food	14	3%	87	14%	-84%	71	6%	144	12%	-51%
Beverage	31	6%	24	4%	+29%	39	4%	30	3%	+30%
	525	100%	609	100%	-14%	1,092	100%	1,199	100%	-9%
Net corporate int. & expenses	(32)		(38)			(87)		(68)		
<b>Underlying Net Profit</b>	<b>493</b>		<b>571</b>		<b>-14%</b>	<b>1,005</b>		<b>1,131</b>		<b>-11%</b>
<b>Adjustment</b>										
Net gain on disposal of non-core investments and valuation surplus on investment properties	13		337		-96%	13		1,104		-99%
<b>Earnings</b>	<b>506</b>		<b>908</b>		<b>-44%</b>	<b>1,018</b>		<b>2,235</b>		<b>-54%</b>

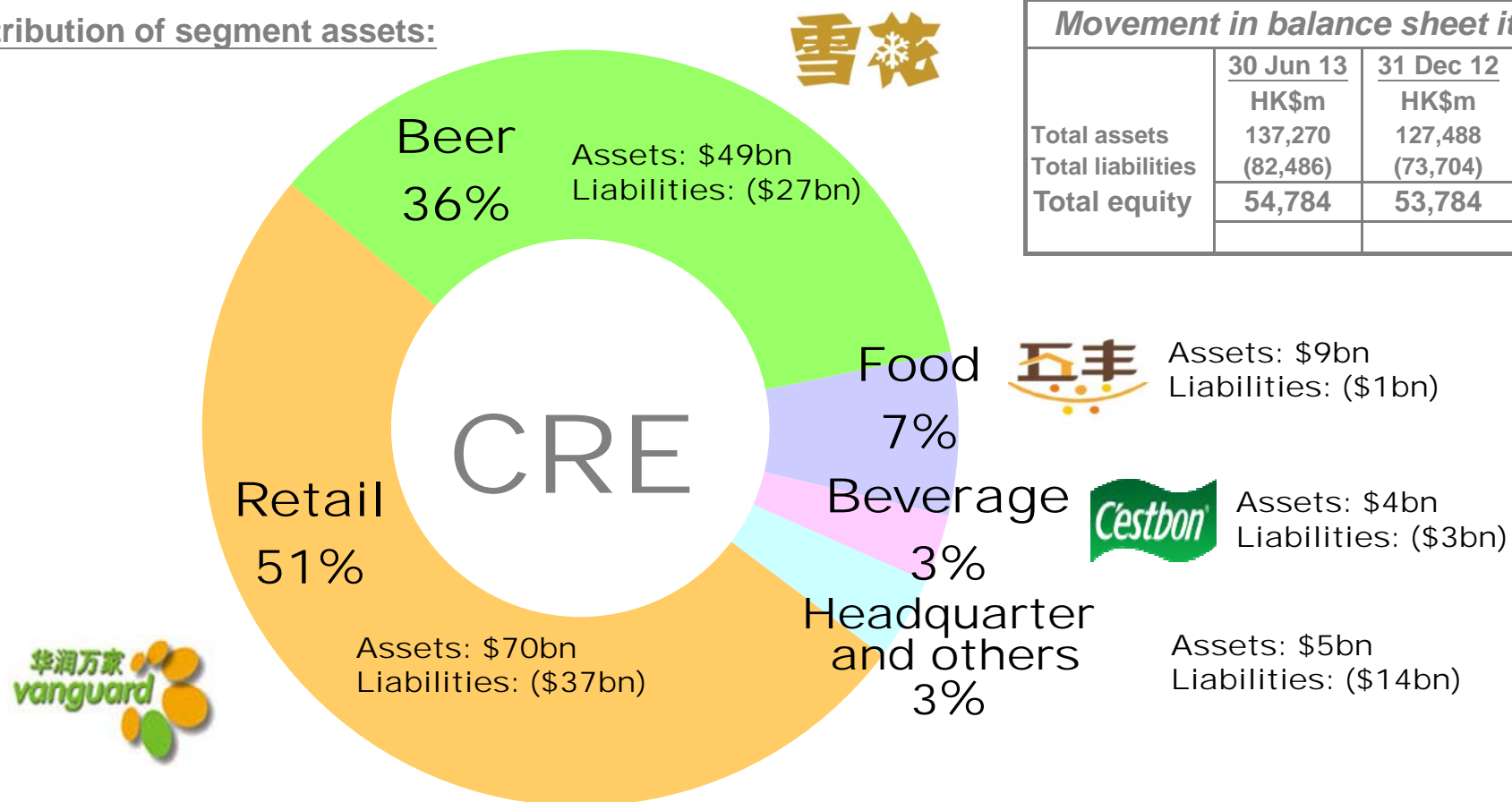


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## Segment assets

- Unique with four consumer businesses complementing each other

### Distribution of segment assets:



### *Movement in balance sheet items*

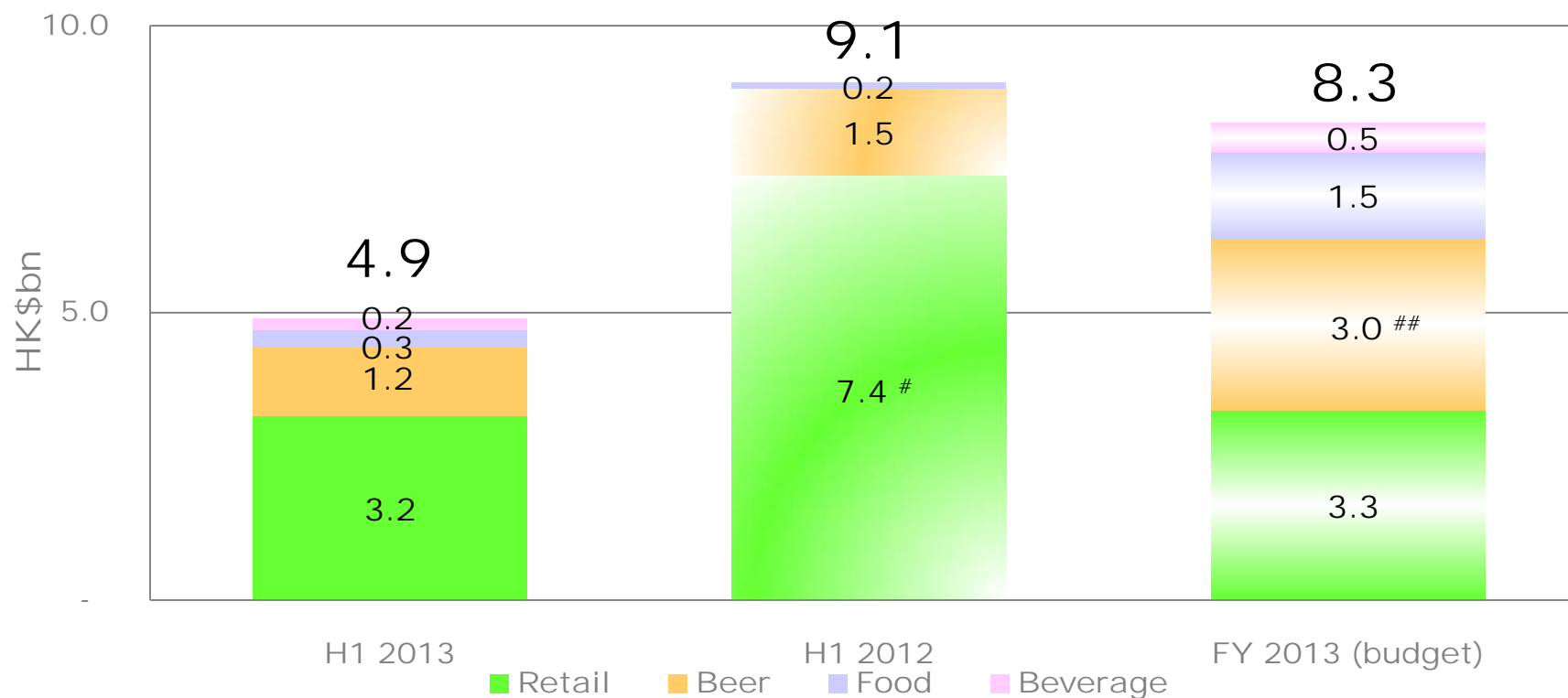
	30 Jun 13	31 Dec 12	change
	HK\$m	HK\$m	
Total assets	137,270	127,488	+8%
Total liabilities	(82,486)	(73,704)	(+12%)
Total equity	54,784	53,784	+2%

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## CAPEX

- Grasping opportunities through expansion

Change in operating cashflow			
	H1 2013 HK\$m	H1 2012 HK\$m	% change
Cash inflow	+8,925	+6,322	+41%



# The CAPEX included 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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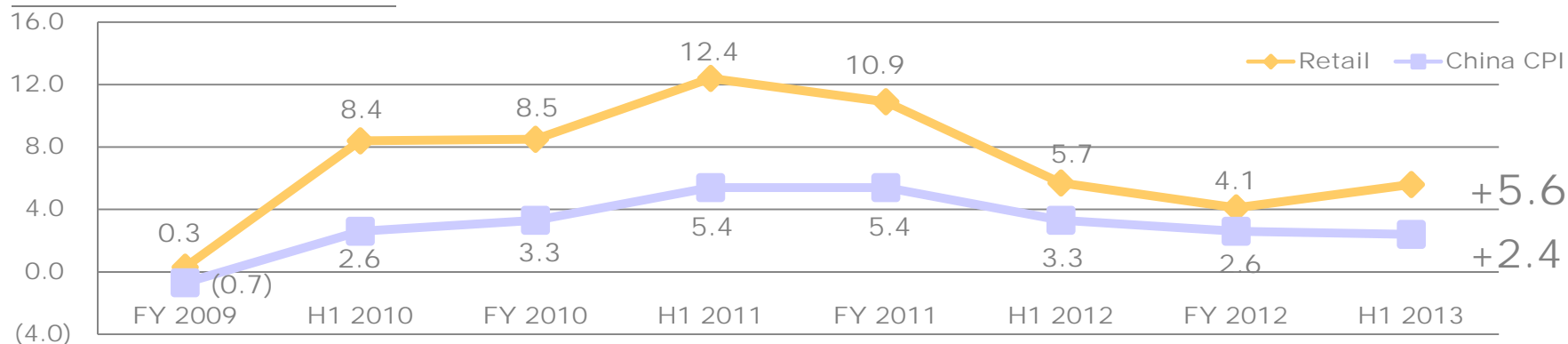
## Retail

- Growth through: Multi-format with regional leadership

	Q2 2013 HK\$m	Q2 2012 HK\$m	Change	H1 2013 HK\$m	H1 2012 HK\$m	change
Turnover	21,984	17,975	+22%	47,907	42,125	+14%
Underlying EBITDA #	725	622	+17%	1,949	1,921	+1%
Underlying net profit #	99	90	+10%	624	650	-4%
Underlying EBITDA margin (%) #	3.3	3.5	-6%	4.1	4.6	-11%
Underlying net profit margin (%) #	0.5	0.5	-	1.3	1.5	-13%

Profitability was mainly affected by the slowdown of China economy and initial expansion in new regions/business.

### SSSG of retail business:



# excluded the revaluation of investment property and disposal of non-core assets

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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

**135 (8)** [13] Beijing

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

**309 (23)** [-16] Tianjin

**32 (17)** [14] Liaoning

*Eastern areas*

**51 (7)** [12] Shandong

**1,866 (178)** [20] Jiangsu

**490 (57)** [19] Anhui

**39 (-)** [12] Shanghai

**133 (60)** [25] Zhejiang

**24 (24)** [-3] Jiangxi

*Southern areas*

**6 (1)** [3] Fujian

**762 (71)** [143] Guangdong

**390 (-)** [6] Hong Kong

**8 (-)** [1] Macau

## Retail

- Growth through: Multi-format with regional leadership

### Geographical distribution of retail network

*Northern west areas*

**5 (4)** [1] Ningxia

**87 (41)** [31] Shaanxi

**6 (6)** [-] Gansu

**24 (13)** [4] Henan

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

**51 (6)** [5] Hubei

*Southern areas*

**16 (-)** [13] Sichuan

**15 (5)** [8] Chongqing

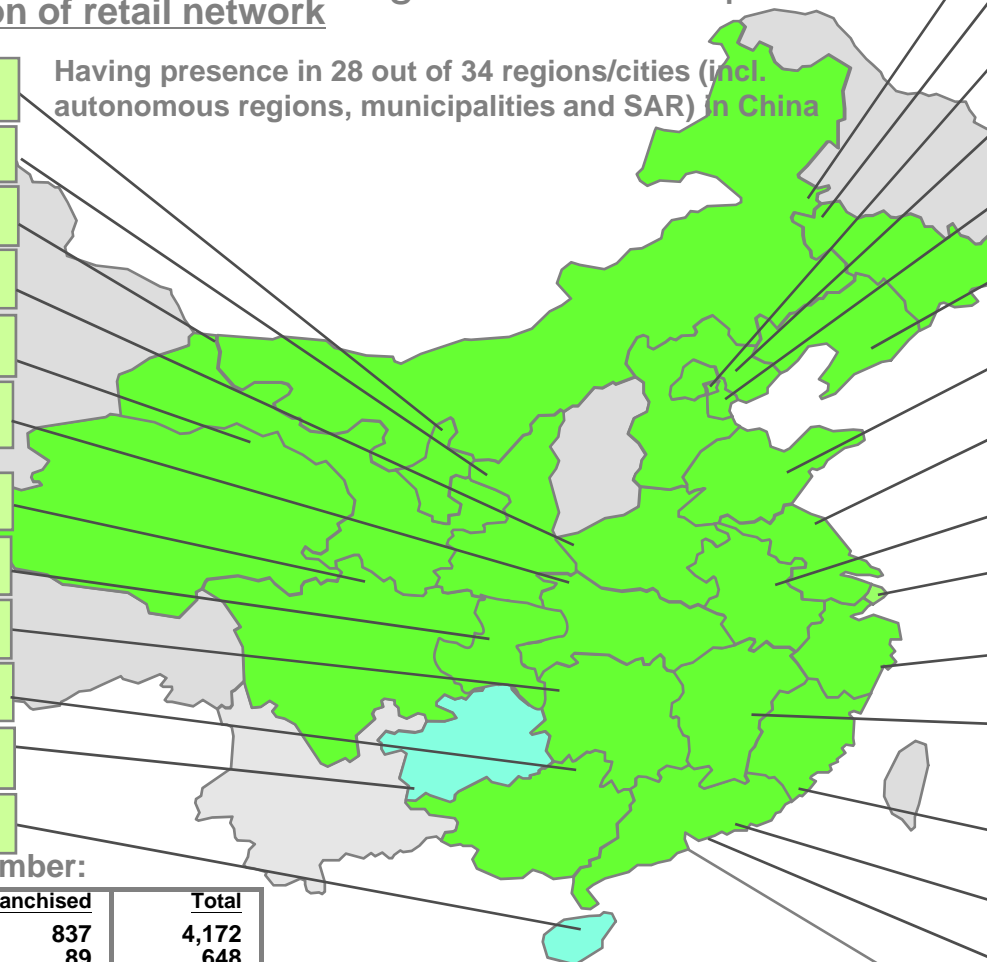
**7 (4)** [4] Hunan

**6 (3)** [3] Guangxi

**1 (1)** [1] Guizhou

**1 (1)** [1] Hainan

Having presence in 28 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China



### Movement in retail shop number:

	Self-operated	Franchised	Total
30 Jun 12	3,335	837	4,172
Opening	559	89	648
Closing	(212)	(114)	(326)
30 Jun 13	3,682	812	4,494*

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

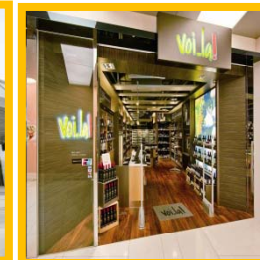
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- ## Business model

## 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):



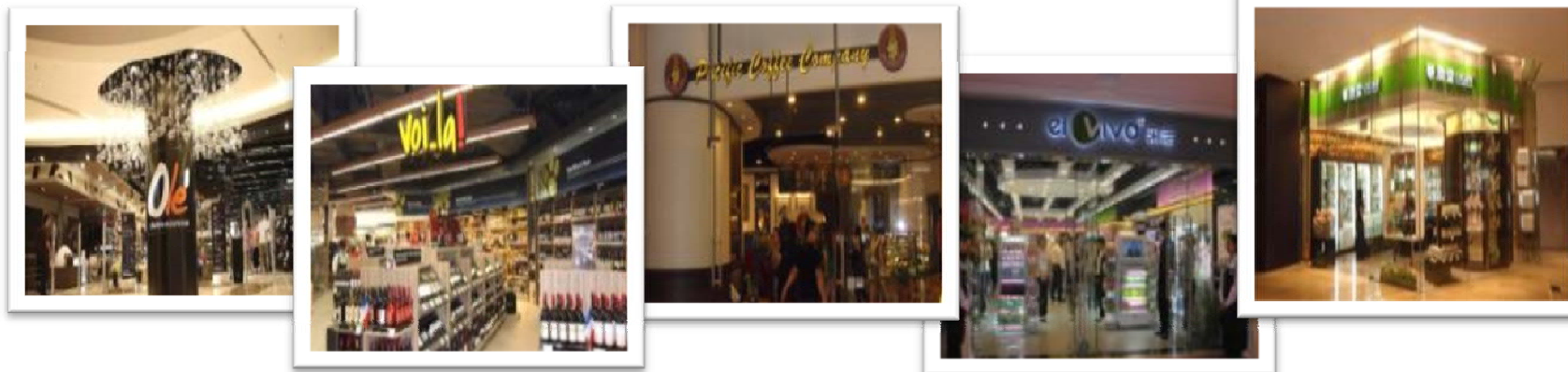
5 formats in Beijing

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

	Q2 2013 HK\$m	Q2 2012 HK\$m	change	H1 2013 HK\$m	H1 2012 HK\$m	change
Sales volume (million KL)	3.46	3.39	+2%	5.76	5.37	+7%
Turnover	9,530	8,855	+8%	16,078	14,633	+10%
EBITDA	1,492	1,383	+8%	1,928	1,761	+9%
Earnings (#)	747	800	-7%	702	735	-4%
EBITDA margin (%)	15.7	15.6	+1%	12.0	12.0	-
Net margin (%) (#)	7.8	9.0	-13%	4.4	5.0	-12%

The performance was mainly affected by rainy weather in certain of our strong regions and establishment of new breweries.



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

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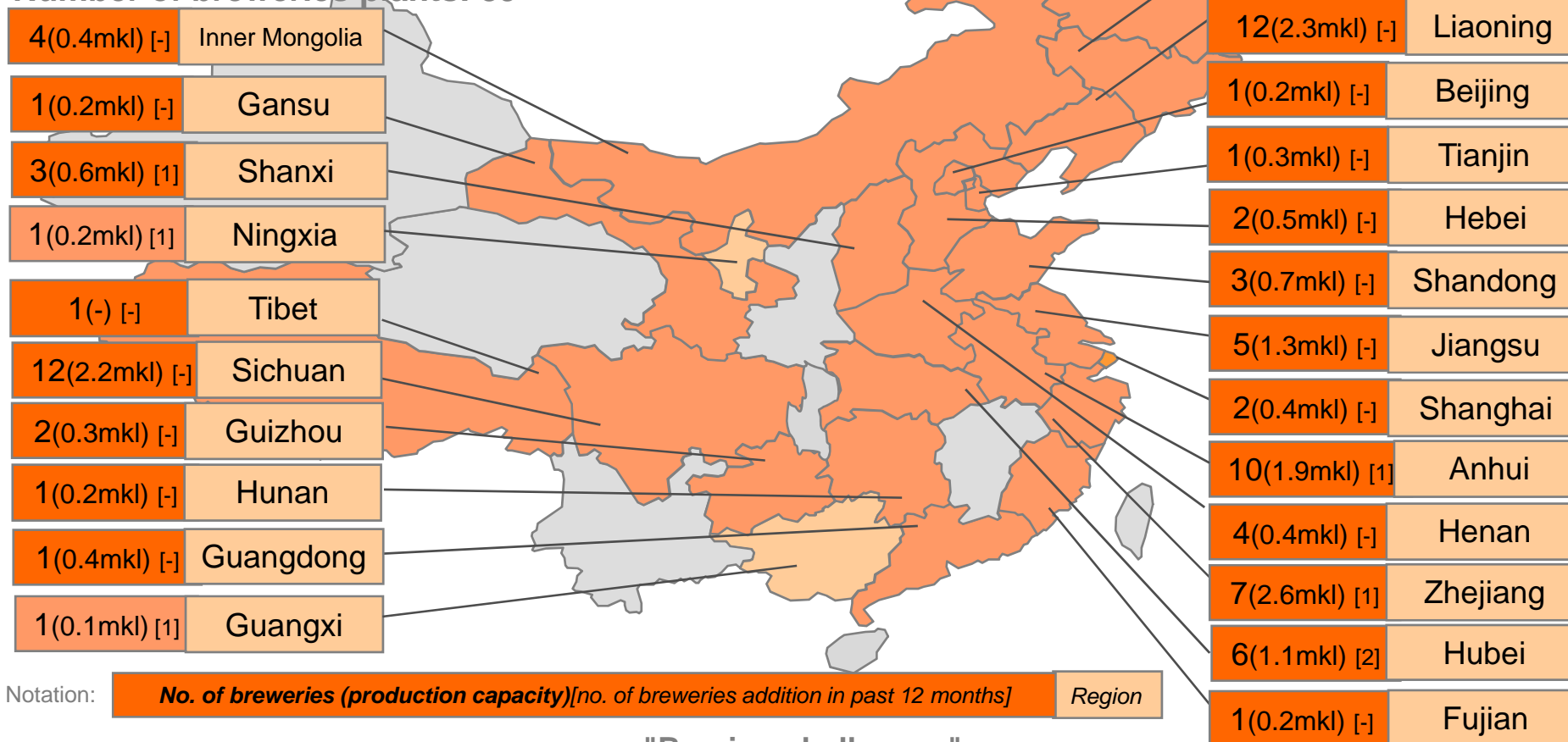
# Beer (No.1 brand by volume in the world since 2008) 雪花

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

## Geographical distribution of the breweries

Having presence in 24 out of 34 regions/cities (incl., autonomous regions, municipalities and SAR) in China

**Number of breweries/plants: 89**



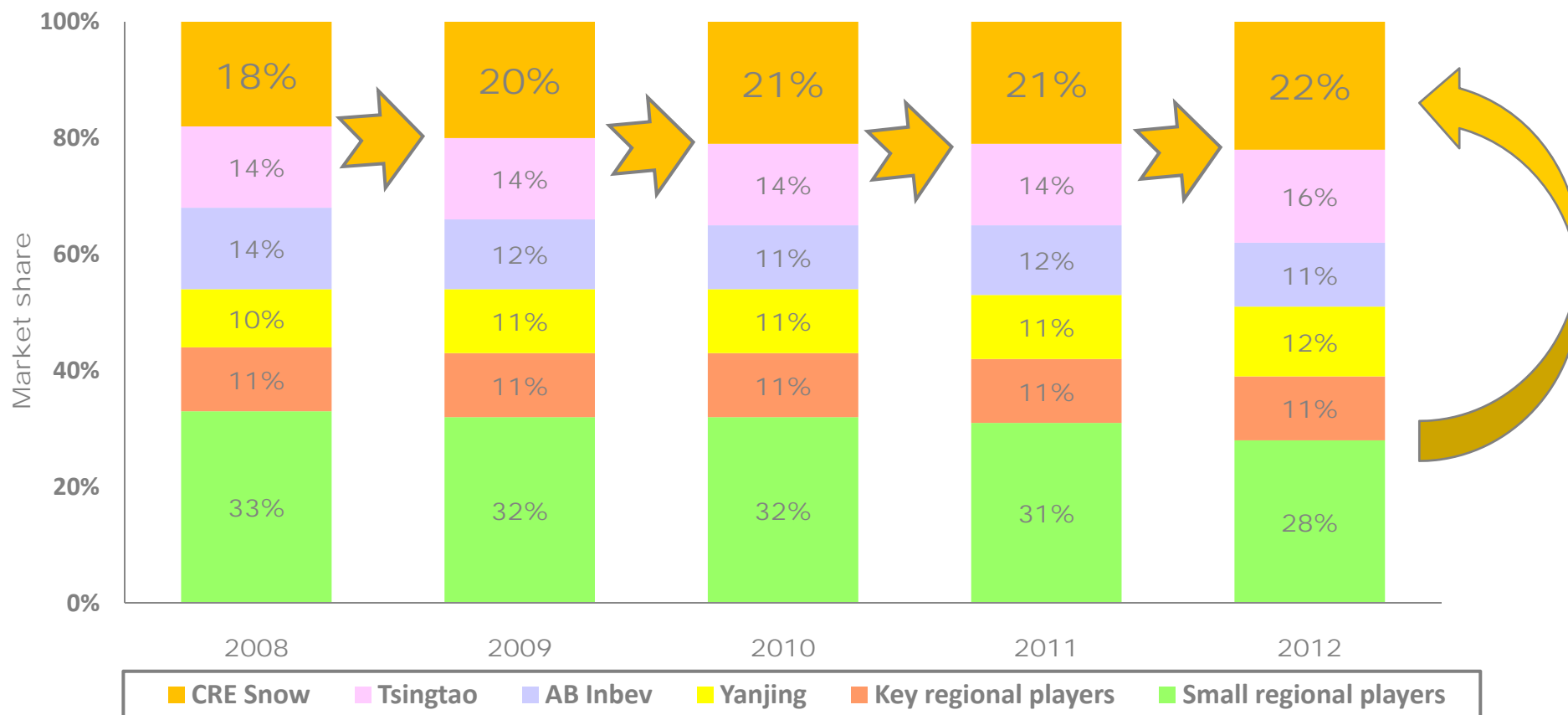
"Braving challenges"

## 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

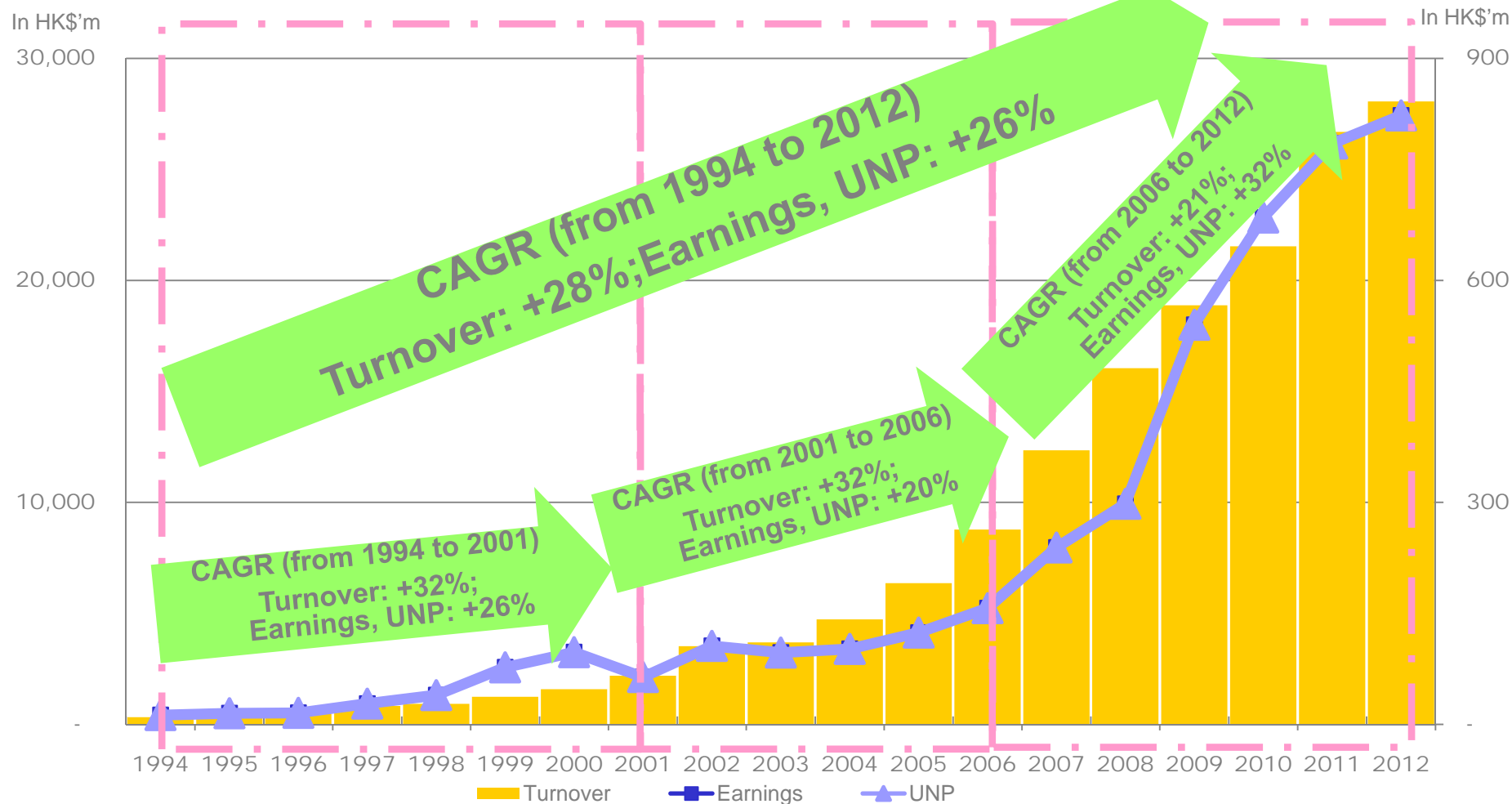
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# Beer (*No.1 brand by volume in the world since 2008*)



- Strong robust growth in both turnover and profitability



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■ Growth through: Quality premium products

	Q2 2013 HK\$m	Q2 2012 HK\$m	change	H1 2013 HK\$m	H1 2012 HK\$m	change
Turnover	2,571	2,534	+1%	5,004	5,114	-2%
Underlying EBITDA	109	206	-47%	251	358	-30%
Underlying net profit	14	87	-84%	71	144	-51%
Underlying EBITDA margin (%)	4.2	8.1	-48%	5.0	7.0	-29%
Underlying net profit margin (%)	0.5	3.4	-85%	1.4	2.8	-50%

*The profitability was mainly affected by initial set-up cost 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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## Food



- Growth through: Quality premium products
- Supply base distribution



Source: Company data

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## Beverage



- Growth through: strong partnership with Kirin

	Q2 2013 HK\$m	Q2 2012 HK\$m	change	H1 2013 HK\$m	H1 2012 HK\$m	change
Sales volume (million KL)	1.30	1.01	+29%	2.27	1.69	+34%
Turnover	1,922	1,360	+41%	3,375	2,289	+47%
EBITDA	92	70	+31%	134	106	+26%
Earnings (#)	51	37	+38%	65	48	+35%
EBITDA margin (%)	4.8	5.1	-6%	4.0	4.6	-13%
Net margin (%) (#)	2.7	2.7	-	1.9	2.1	-10%

Improvement in turnover was mainly driven by higher sales volume. Profitability was mainly affected by the promotion expenses.



- 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

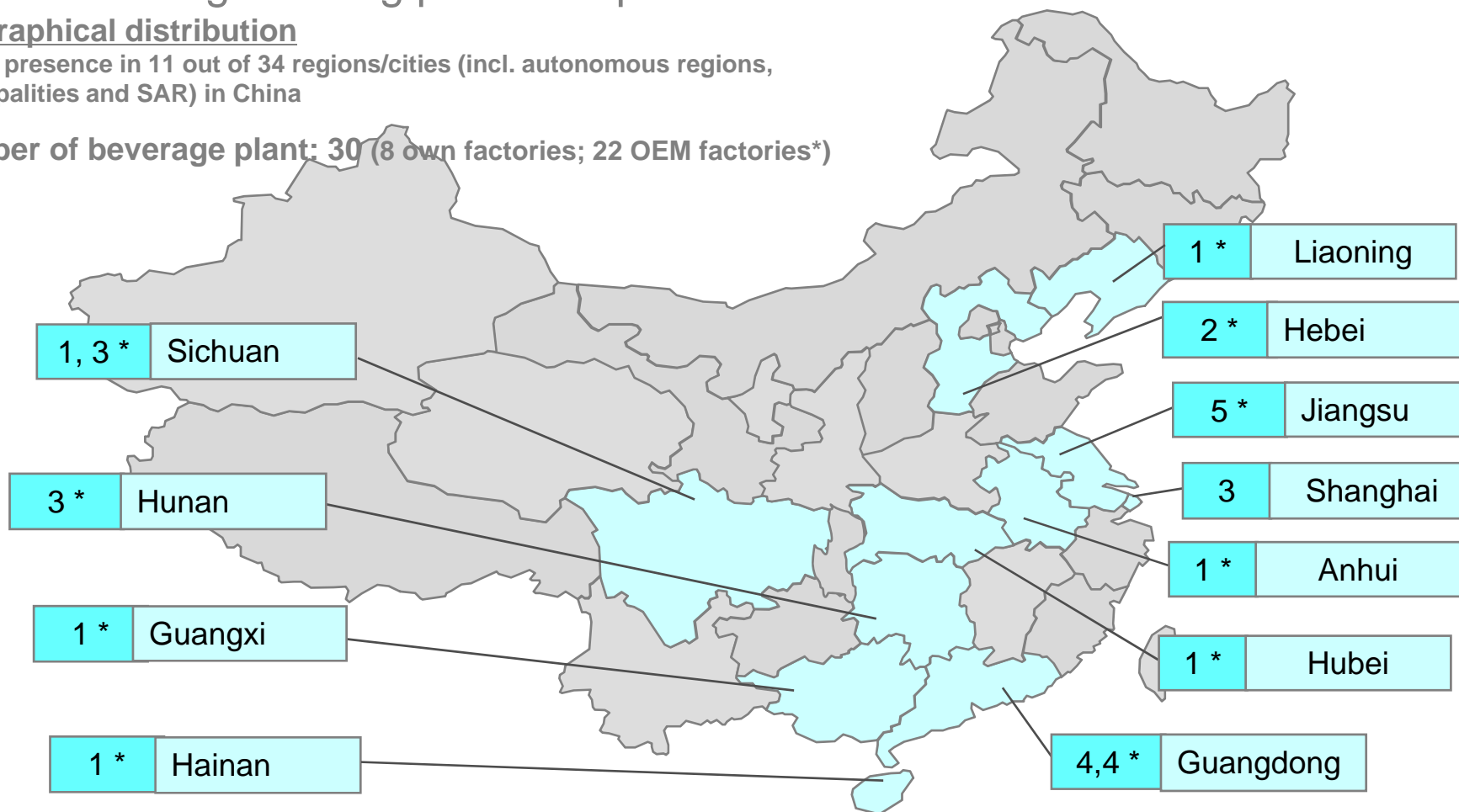


- Growth through: strong partnership with Kirin

## Geographical distribution











Having presence in 11 out of 34 regions/cities (incl. autonomous regions, municipalities and SAR) in China

Number of beverage plant: 30 (8 own factories; 22 OEM factories\*)



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## Appendix I – Details of Retail formats

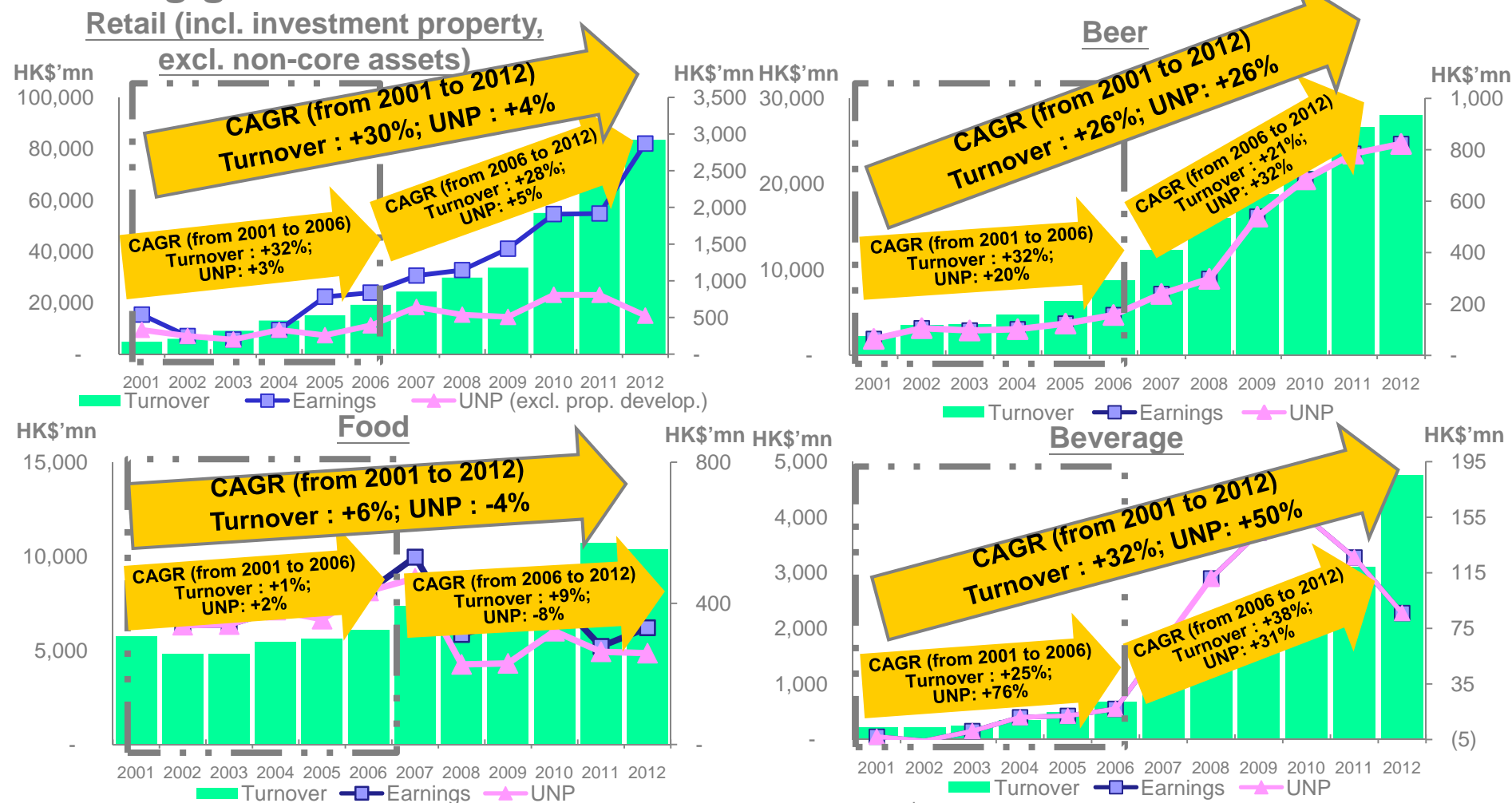
Format	Major brands	Average areas (sq.m)	30 Jun 13				31 Mar 13		31 Dec 12		30 Jun 12	
			% of turnover	App. Average GP margin	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised	Self-operated	Franchised
<b>I. Hypermarket</b>	 	Over 6,000	app.77%	19%	533#	13	529#	13	571	13	541	16
<b>II. Standard supermarket</b>		500 – 800	app.11%	21%	1,362#	708	1,361#	727	1,301	748	1,233	754
<b>III. Convenience stores</b>		30 – 120	app.4%	22%	1,126	61	1,102	56	1,073	52	1,007	44
<b>IV. Ole', blt</b>	 	4,000	app.2%	more than 25%	31	-	31	-	31	-	29	-
<b>V. Pacific Coffee</b>		120	app.1%	more than 50%	293	30	273	27	264	26	192	23
<b>VI. CAC and CR Care</b>		various	app.2%	more than 30%	152	-	148	-	147	-	139	-
<b>VII. Health and beauty stores</b>		200	app.1%	more than 30%	165	-	162	-	169	-	181	-
<b>VIII. Wine cellar and others</b>		200	app. 2%	Various	20	-	19	-	17	-	13	-
<b>Total</b>					<b>3,682</b>	<b>812</b>	<b>3,625</b>	<b>823</b>	<b>3,573</b>	<b>839</b>	<b>3,335</b>	<b>837</b>
					<b>4,494</b>		<b>4,448</b>		<b>4,412</b>		<b>4,172</b>	

# During the period, 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

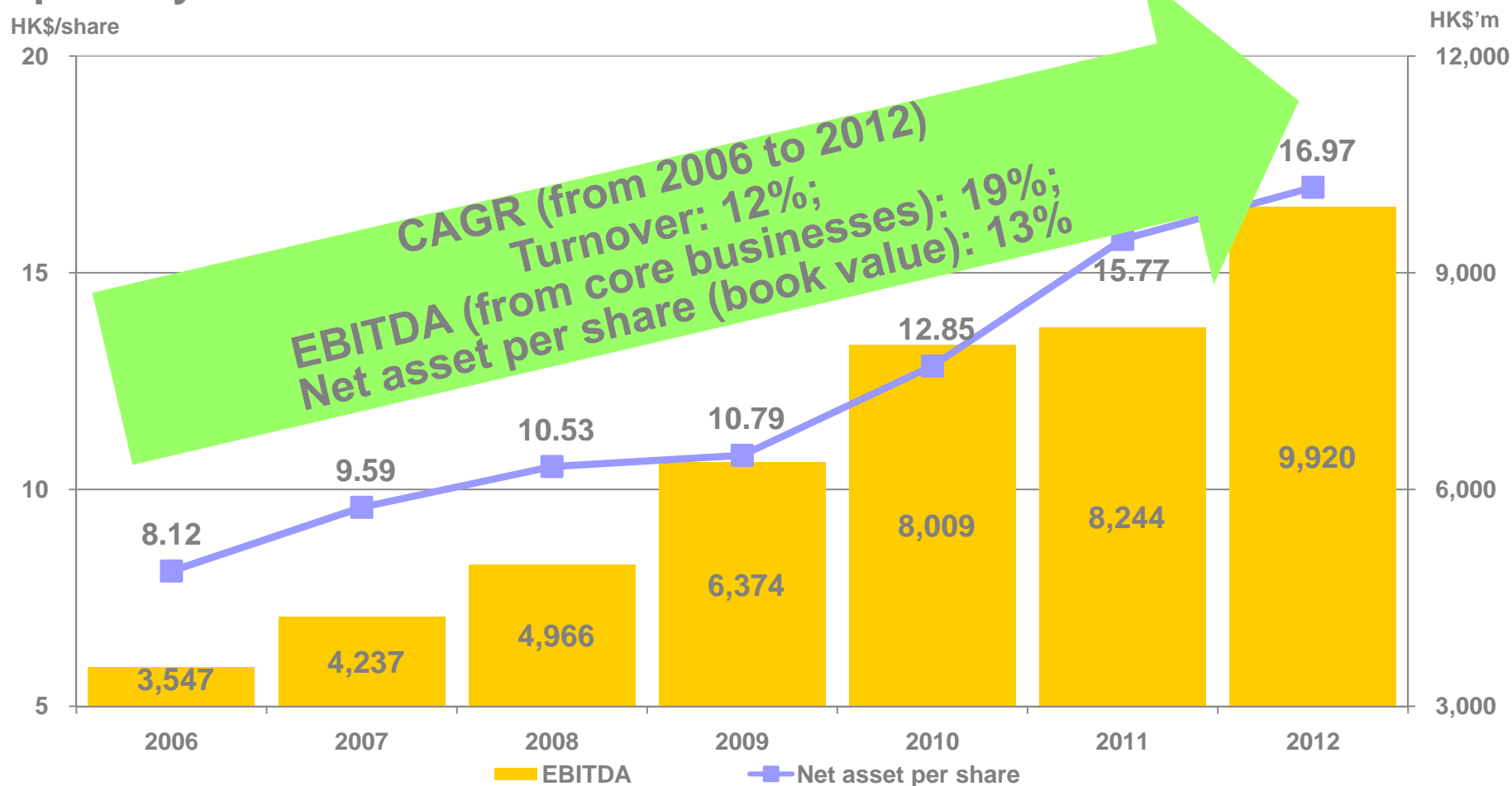


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\* Decline of UNP in 2011 and 2012 was mainly due to 40% share to Kirin since August 2011.

## Appendix III – Historical operating summary

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

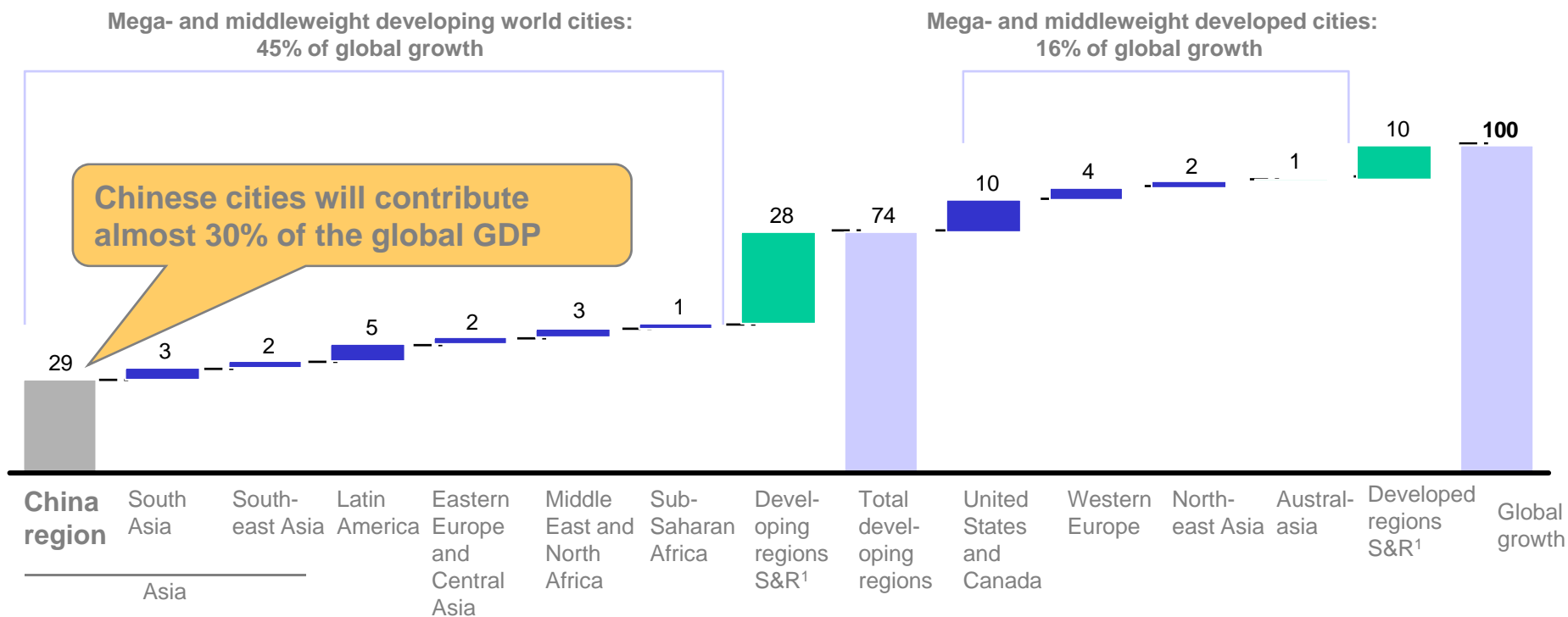


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## Appendix IV – Strong growth in China

### ■ 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.



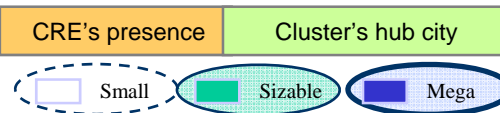
1 S&R = small cities and rural areas.

Source: McKinsey

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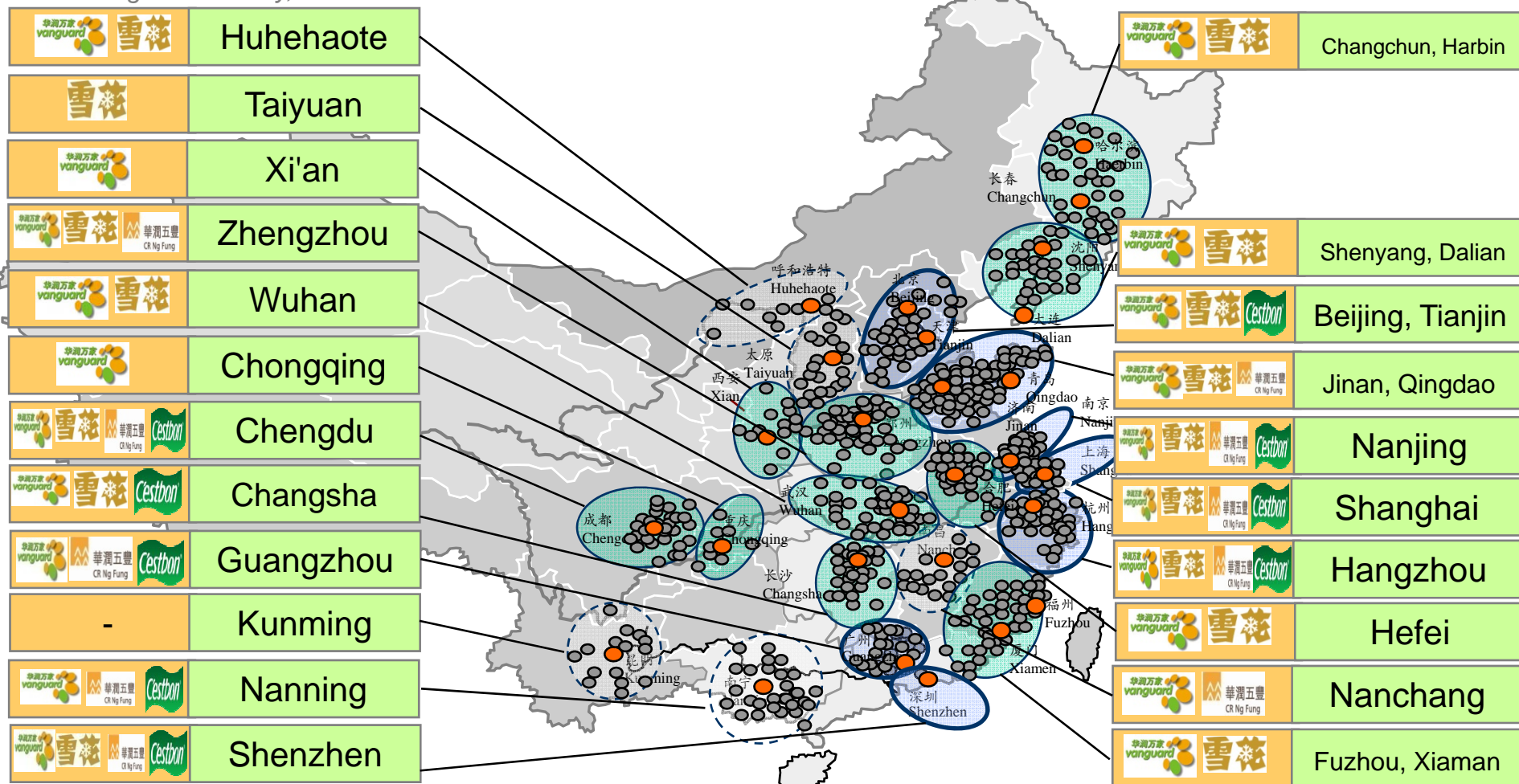
## Appendix V – Better position for CRE

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.



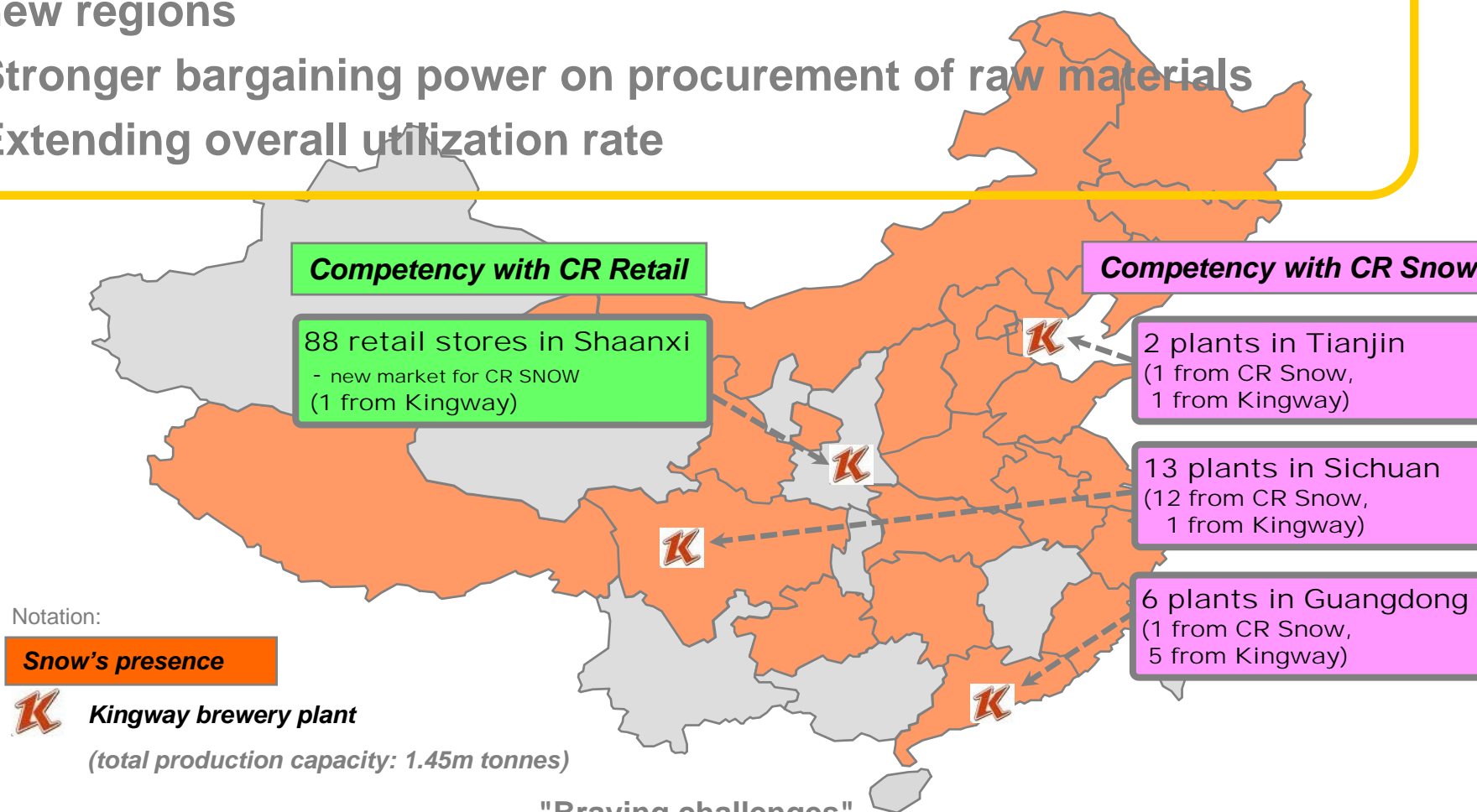
Source: McKinsey and Company data

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## Appendix VI – 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

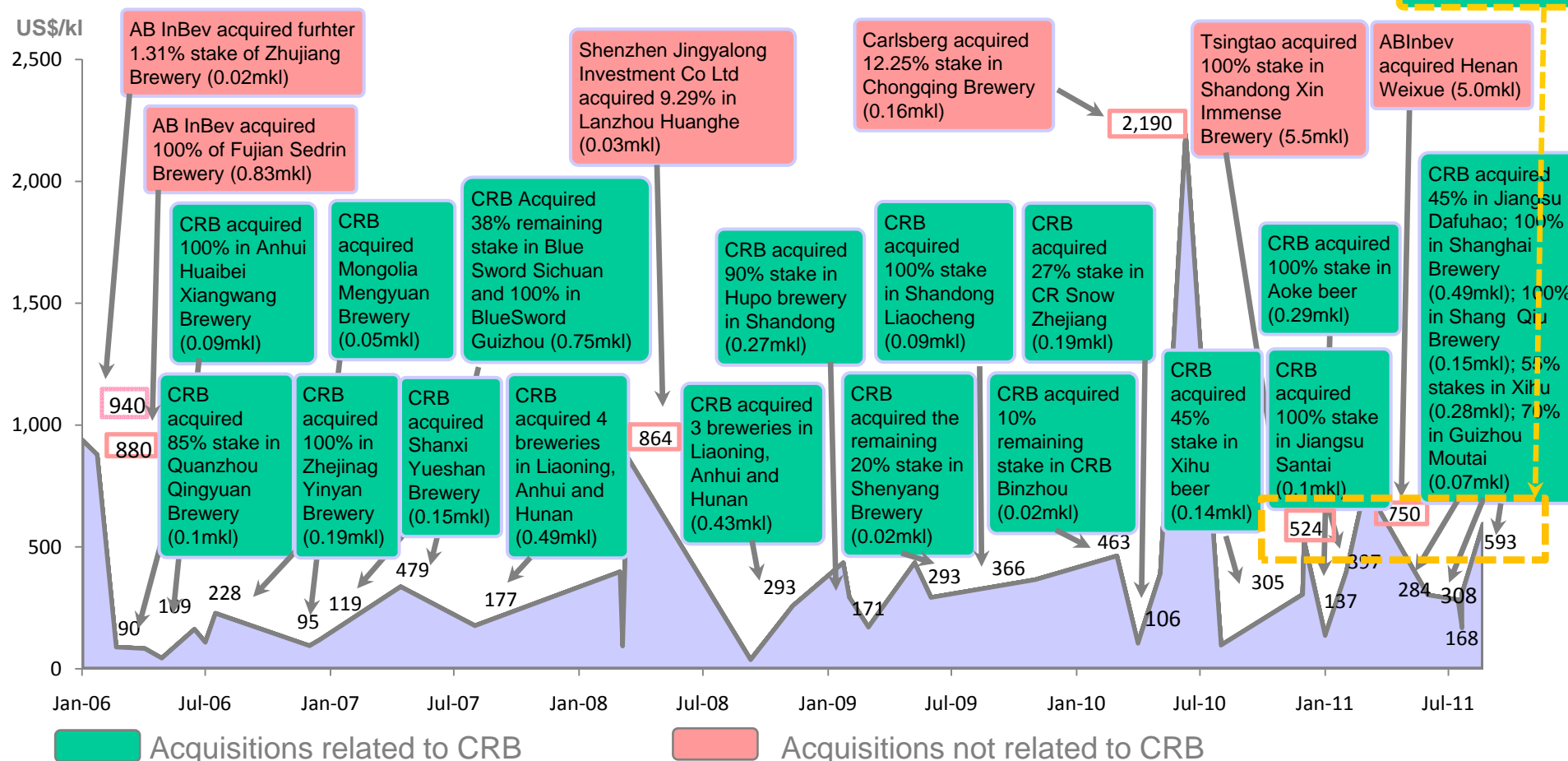




# Appendix VII – Historical major M&As in beer business



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



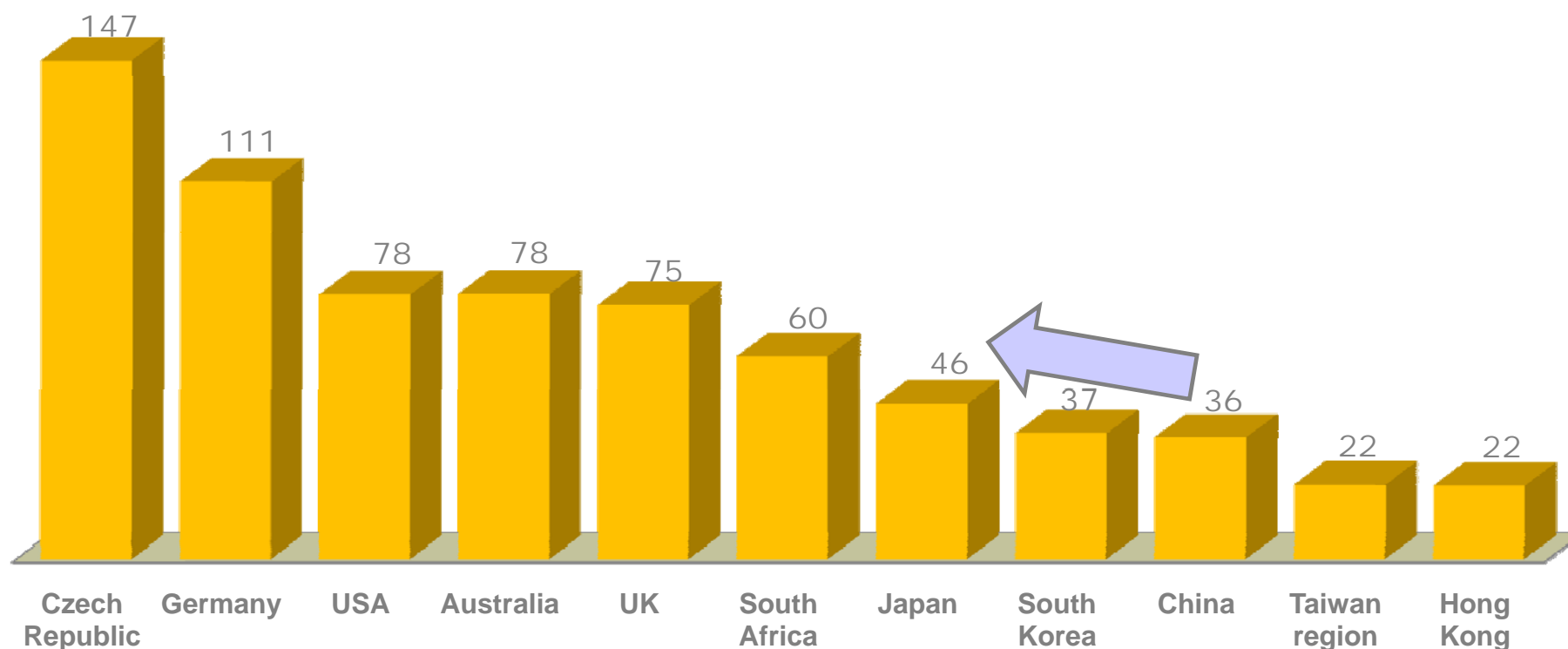
Source: Deutsche bank and Company data

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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)).**



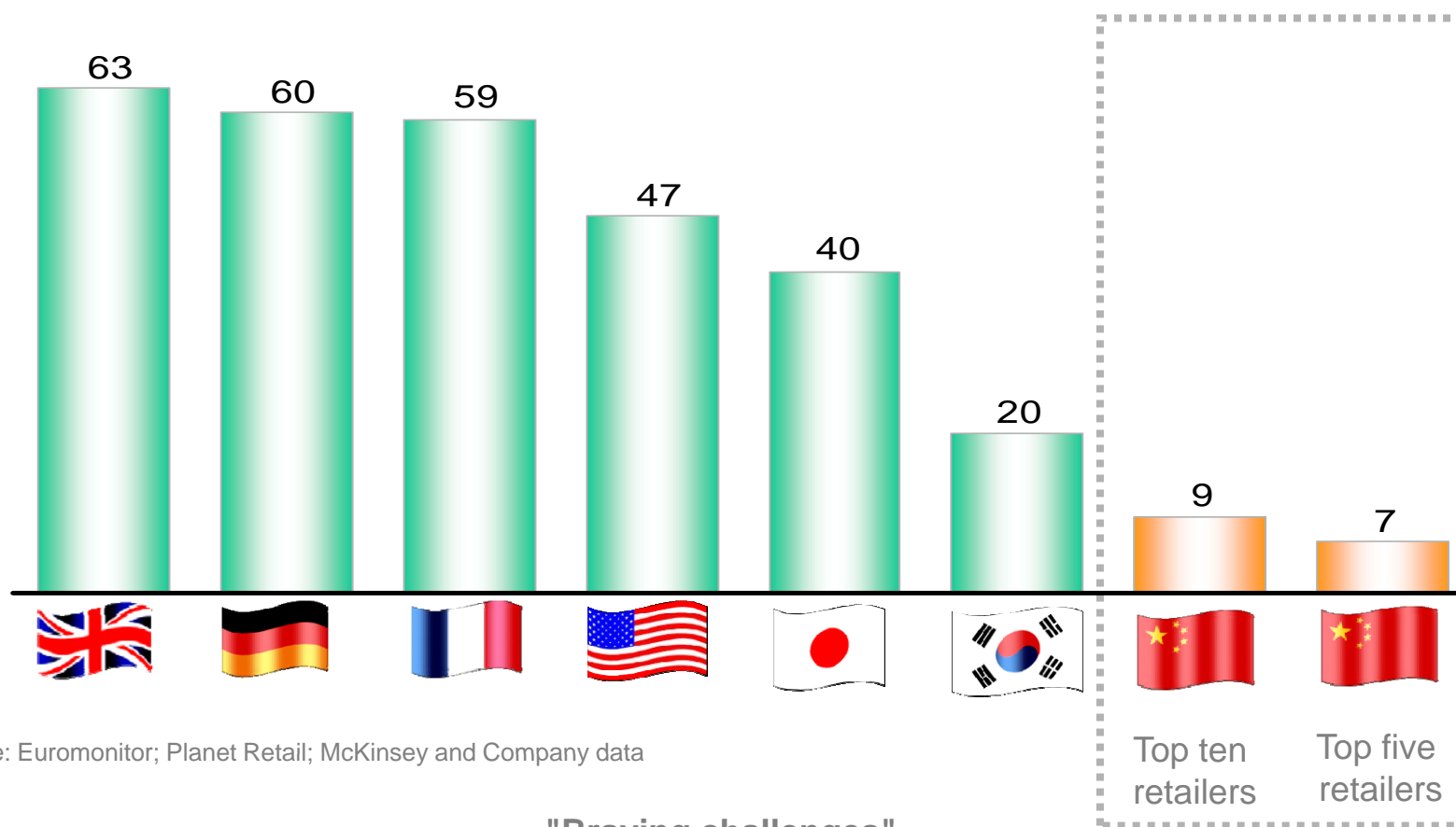
Source: Plato logic

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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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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 <i>MerComm, Inc.</i>
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2011	Received the Best Management Team Award in Golden Bauhinia Award by <i>Ta Kung Pao</i>
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2011-2013      Ranked number 981/861/800 in Global 2000 from *Forbes*

2010-2013	Selected as one of the companies receiving "Global Chinese Business 1000 – Outstanding Performance Award" by <i>Yazhou Zhoukan</i>
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2011/2012/ 2013	Awarded as one of the companies receiving the commendation in Corporate Social Responsibility Award by <i>CAPITAL and Capital Weekly</i>
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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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2012/2013	Awarded as Class of 2012/2013 - The Best of Asia (China) and Asian Corporate Director (China) – Mr. Chen Lang in 2013 in Corporate Governance Asia Recognition Awards by <i>Corporate Governance Asia</i>
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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>
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