



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!*

* 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

*** 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
<i>Core businesses</i>										
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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Underlying Net Profit 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	35	(18%)	(202)	95%	+117%	734	40%	525	31%	+40%
Beer	(164)	82%	(55)	26%	-198%	943	51%	823	49%	+15%
Food	(48)	24%	47	(22%)	-202%	53	3%	259	15%	-80%
Beverage	(23)	12%	(2)	1%	+1050%	106	6%	86	5%	+23%
	(200)	100%	(212)	100%	+6%	1,836	100%	1,693	100%	+8%
Net corporate int. & expenses	(74)		(60)			(194)		(166)		
Underlying Net Profit	(274)		(272)		-1%	1,642		1,527		+8%
Adjustment										
Net gain on disposal of non-core investments and valuation surplus on investment properties	244		844		-71%	266		2,418		-88%
Earnings	(30)		572		-105%	1,908		3,945		-52%

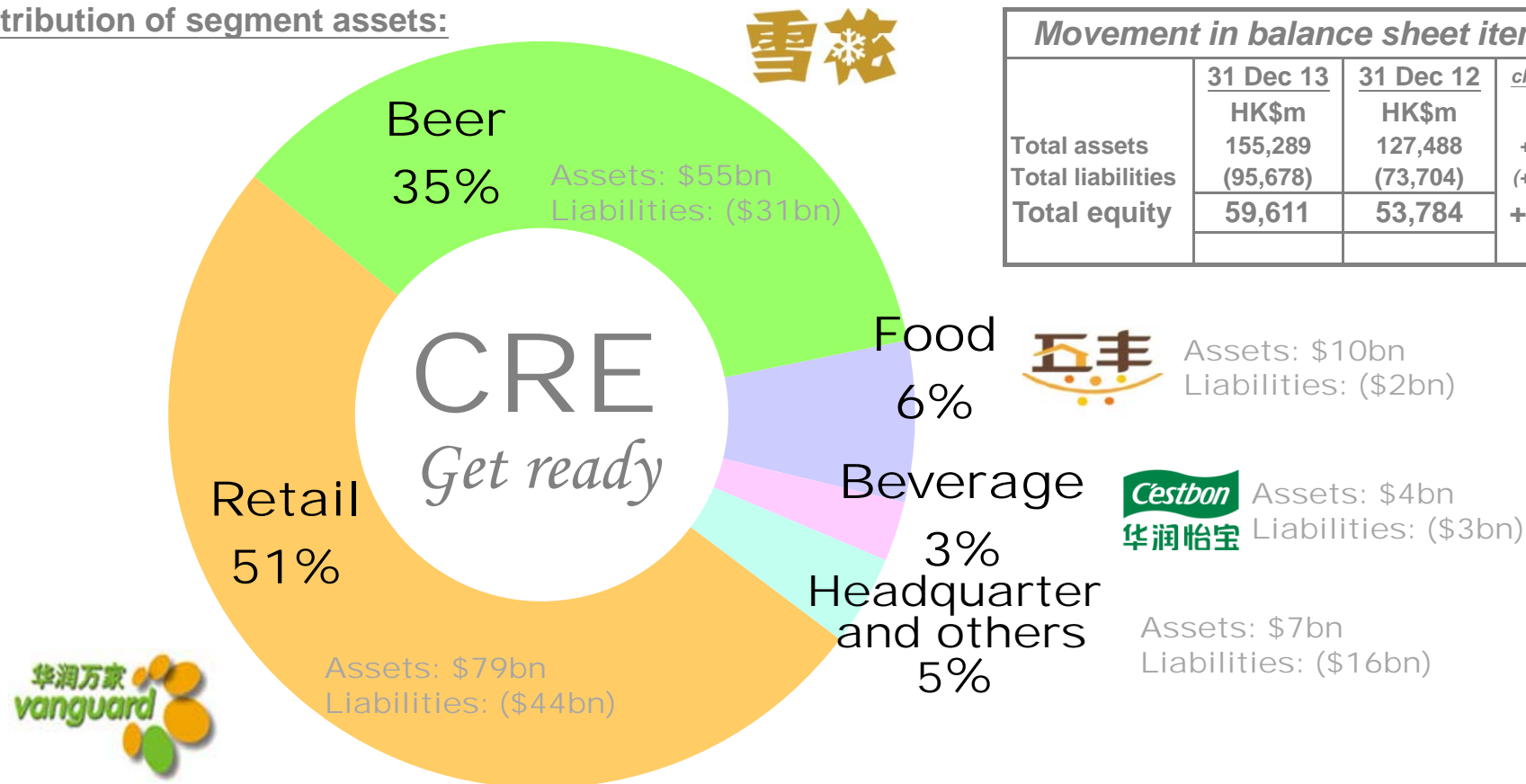


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Segment assets

- Unique with four consumer businesses complementing each other

Distribution of segment assets:



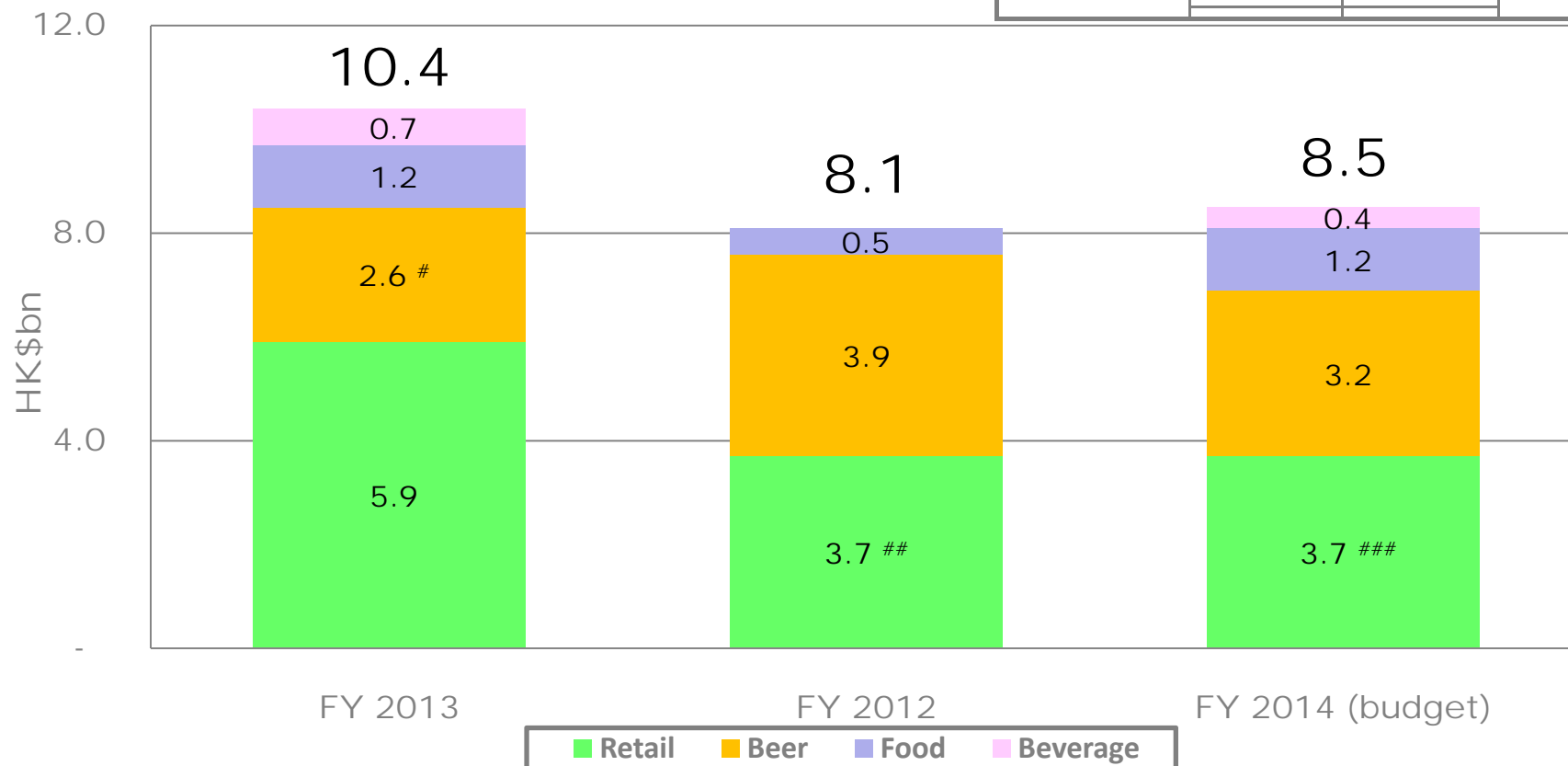
Movement in balance sheet items			
	31 Dec 13	31 Dec 12	change
	HK\$m	HK\$m	
Total assets	155,289	127,488	+22%
Total liabilities	(95,678)	(73,704)	(+30%)
Total equity	59,611	53,784	+11%

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CAPEX

■ Grasping opportunities through expansion

Change in operating cashflow			
	FY 2013	FY 2012	% change
	HK\$m	HK\$m	
Cash inflow	+10,780	+8,939	+21%



- # The CAPEX did not include Kingway acquisition of approximately \$6.1bn.
- ## The CAPEX did not include Hongkelong acquisition of approximately \$4.6bn.
- ### The budget did not include CAPEX from Tesco.

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	Q4 2013 HK\$m	Q4 2012 HK\$m	Change	FY 2013 HK\$m	FY 2012 HK\$m	Change
Turnover	23,347	20,439	+14%	95,174	83,506	+14%
Underlying EBITDA #	764	341	+124%	3,446	2,869	+20%
Underlying net profit #	35	(202)	+117%	734	525	+40%
Underlying EBITDA margin (%) #	3.3	1.7	+94%	3.6	3.4	+6%
Underlying net profit margin (%) #	0.1	(1.0)	+110%	0.8	0.6	+33%

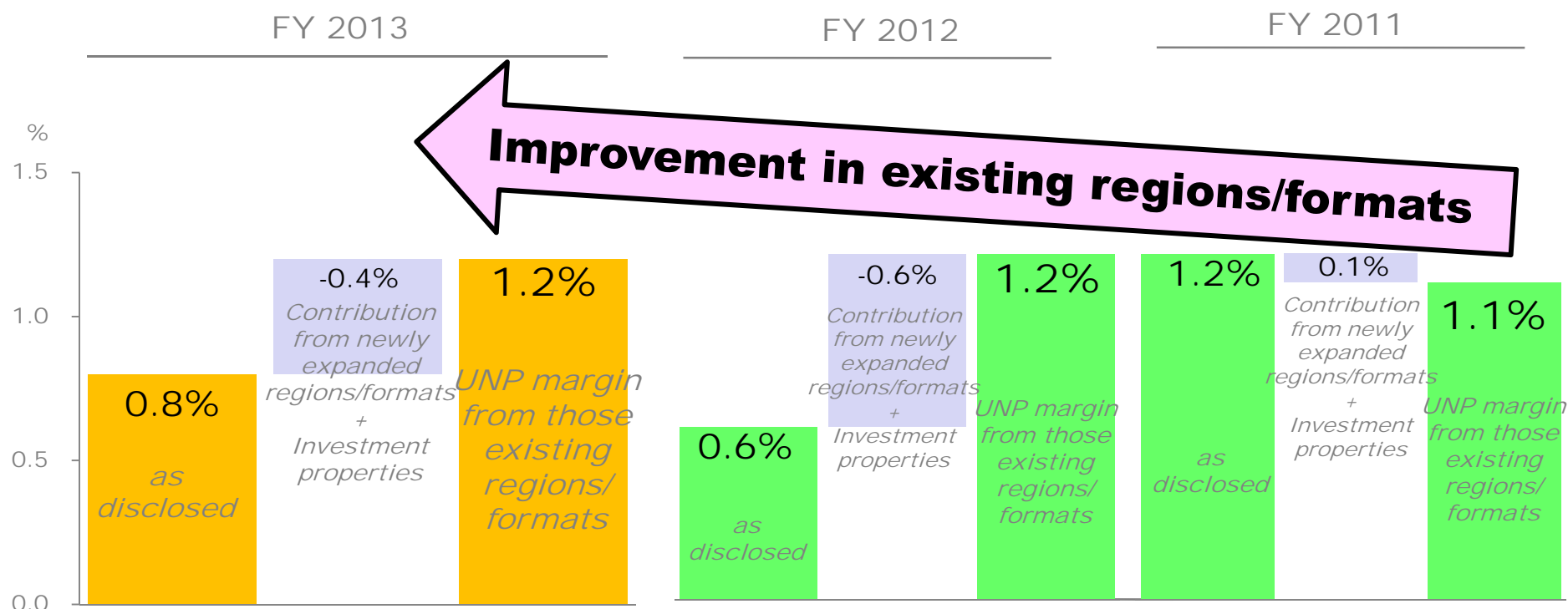
SSSG of retail business:



- 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

Northern areas

4 (4) [-] Inner Mongolia

4 (4) [-] Jilin

141 (8) [11] Beijing

8 (7) [1] Hebei

286 (23) [-28] Tianjin

36 (18) [7] Liaoning

Eastern areas

48 (9) [-] Shandong

1,866 (189) [5] Jiangsu

508 (60) [14] Anhui

43 (-) [6] Shanghai

152 (63) [19] Zhejiang

25 (24) [-4] Jiangxi

Southern areas

9 (1) [3] Fujian

810 (74) [118] Guangdong

394 (-) [-1] Hong Kong

8 (-) [-] Macau

Retail

- Growth through: Multi-format with regional leadership

Geographical distribution of retail network

Northern west areas

4 (4) [-] Ningxia

105 (43) [17] Shaanxi

6 (6) [-] Gansu

16 (13) [-7] Henan

1 (1) [-] Qinghai

53 (5) [8] Hubei

Southern areas

24 (-) [11] Sichuan

20 (9) [5] Chongqing

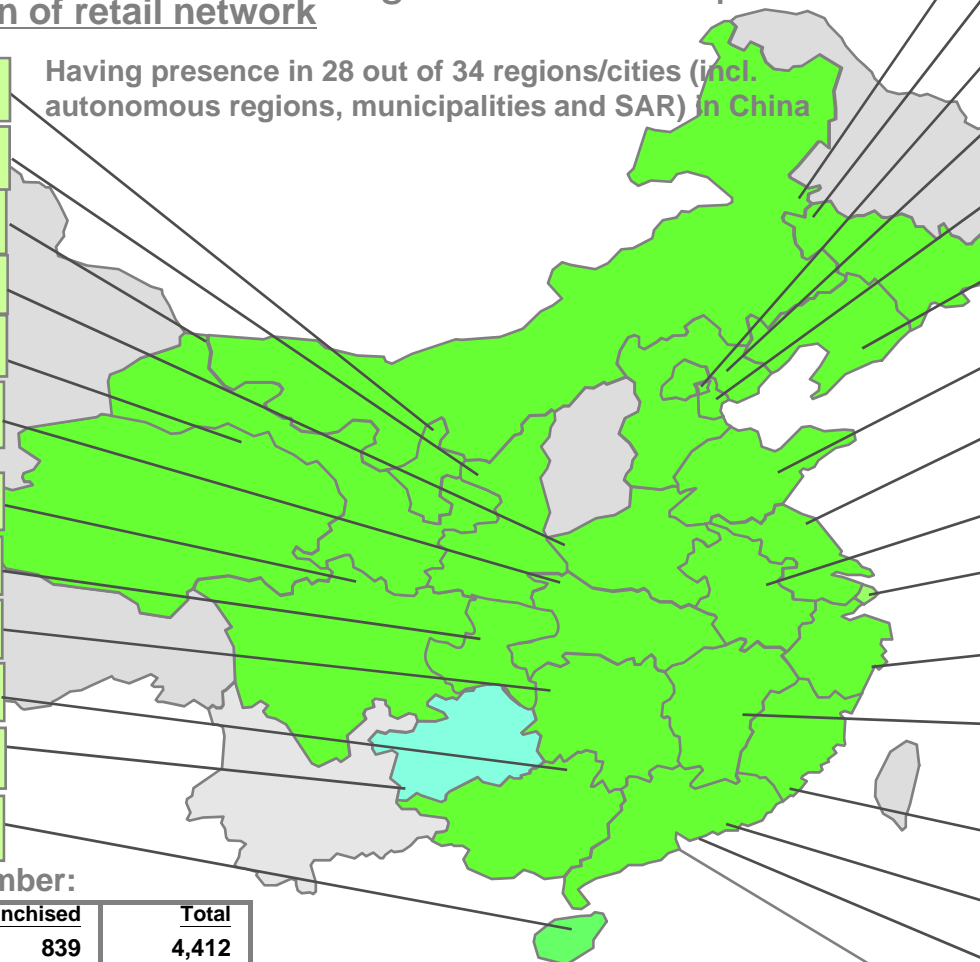
12 (6) [8] Hunan

9 (3) [2] Guangxi

1 (1) [1] Guizhou

2 (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
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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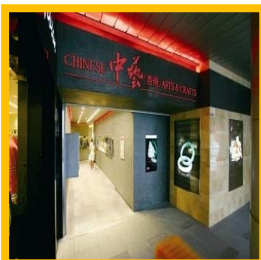
Retail

- 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):



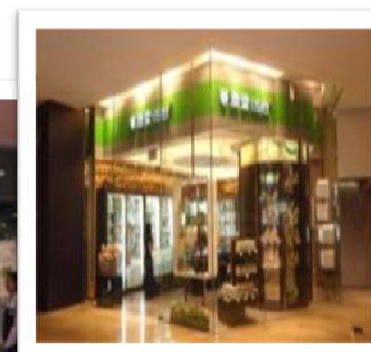
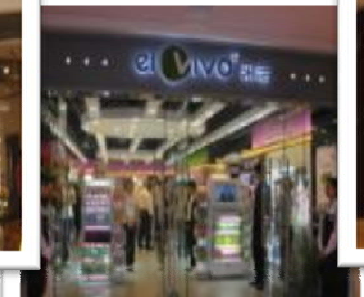
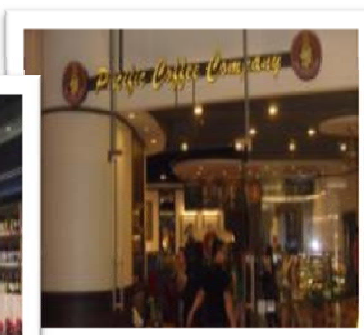
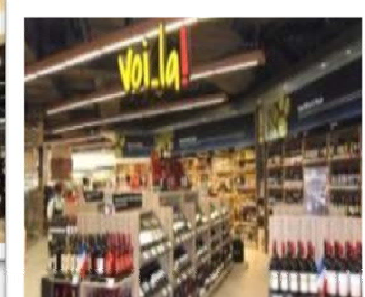
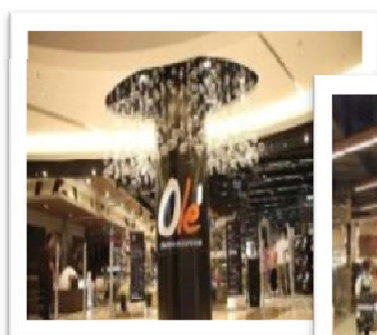
5 formats in Beijing

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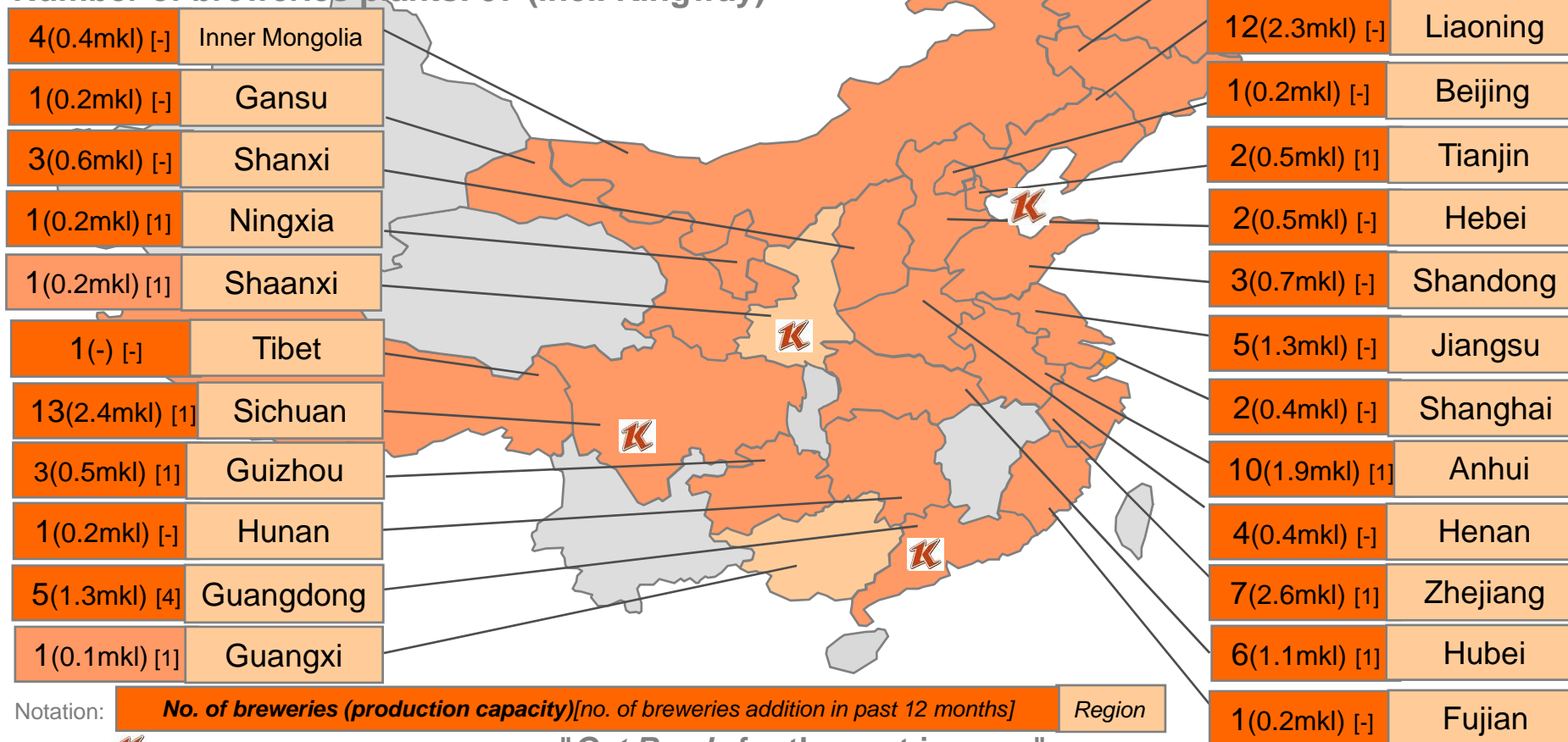
Beer (No.1 brand by volume in the world since 2008) 雪花

- 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)



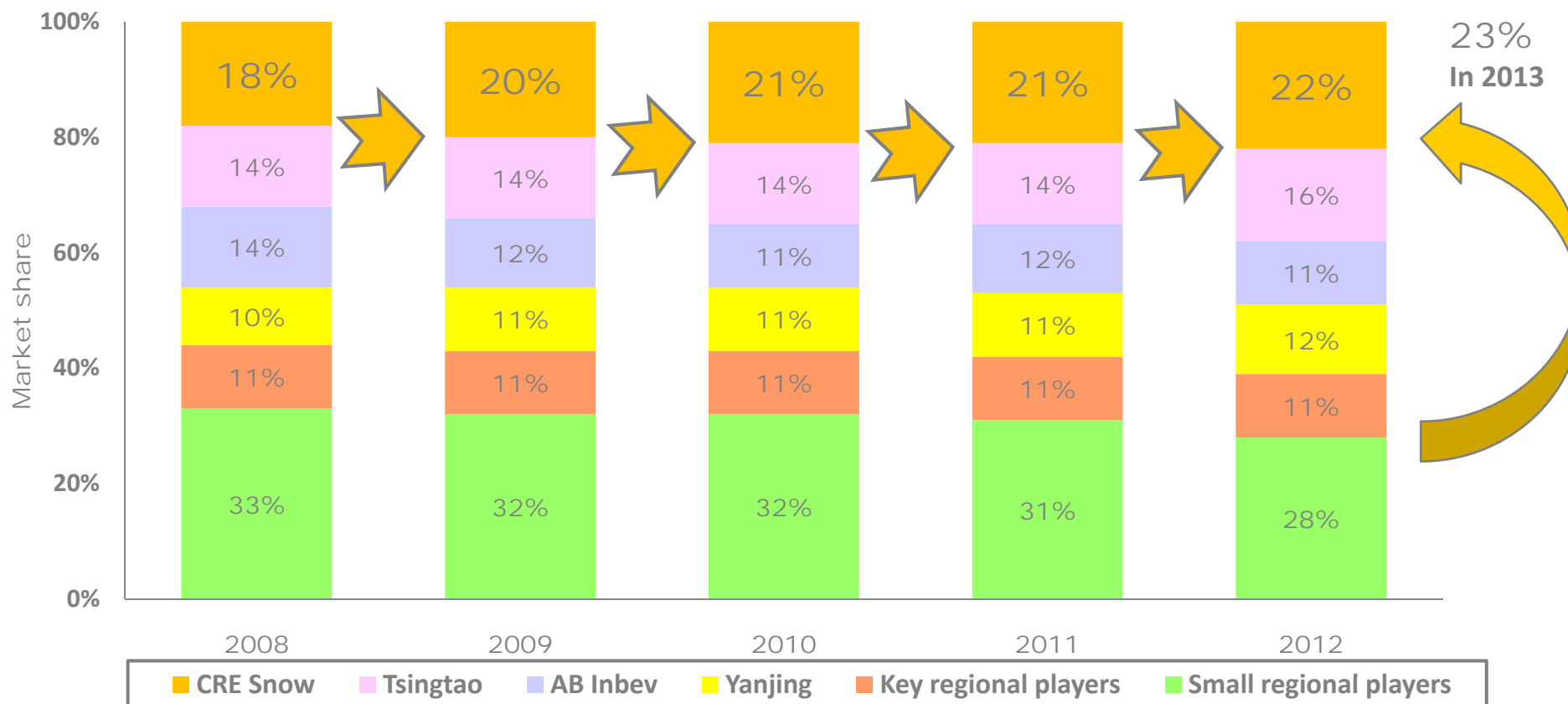
"Get Ready for the next journey"

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%.



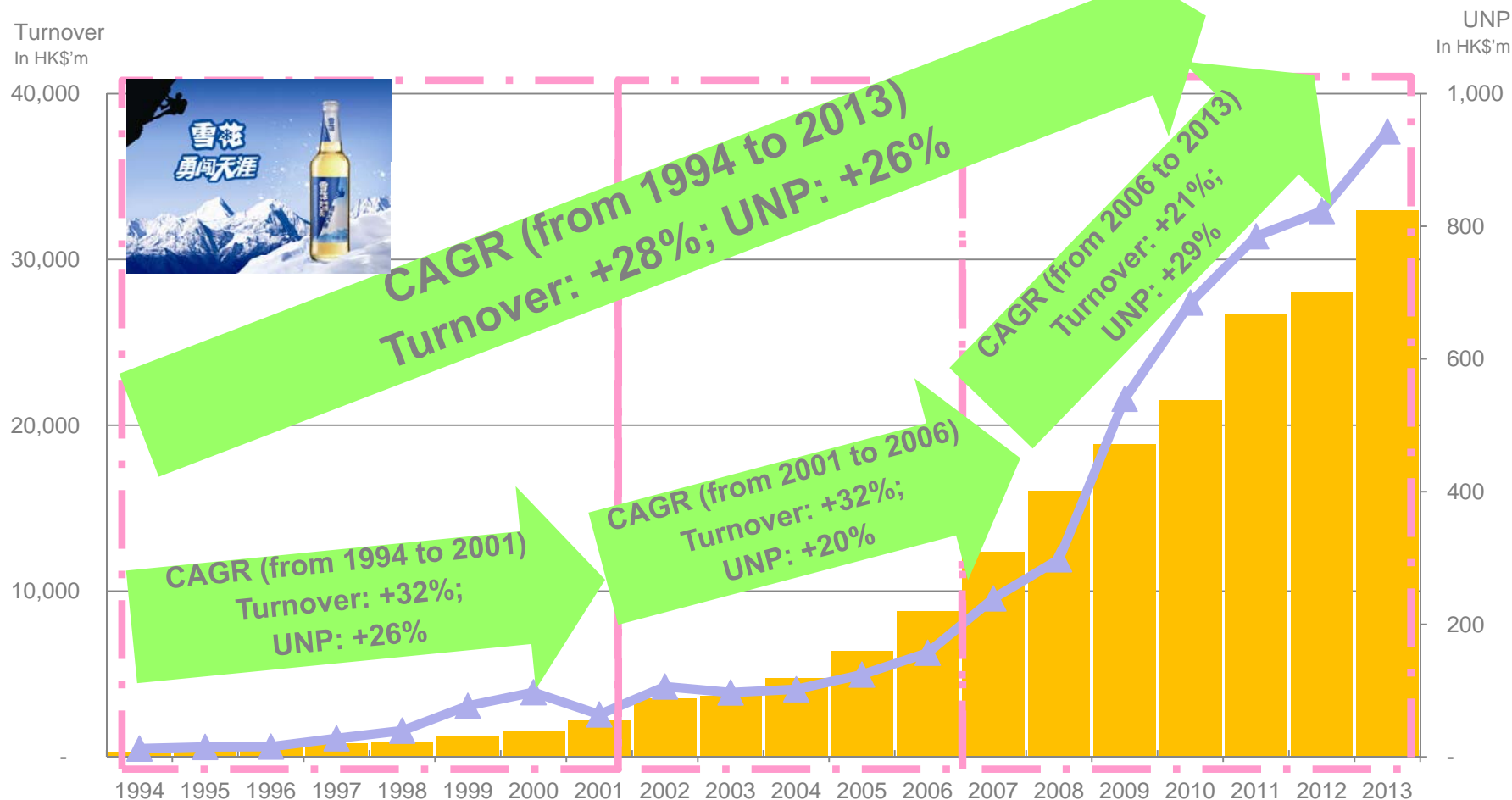
Source: State Statistical Bureau and CR Snow

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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



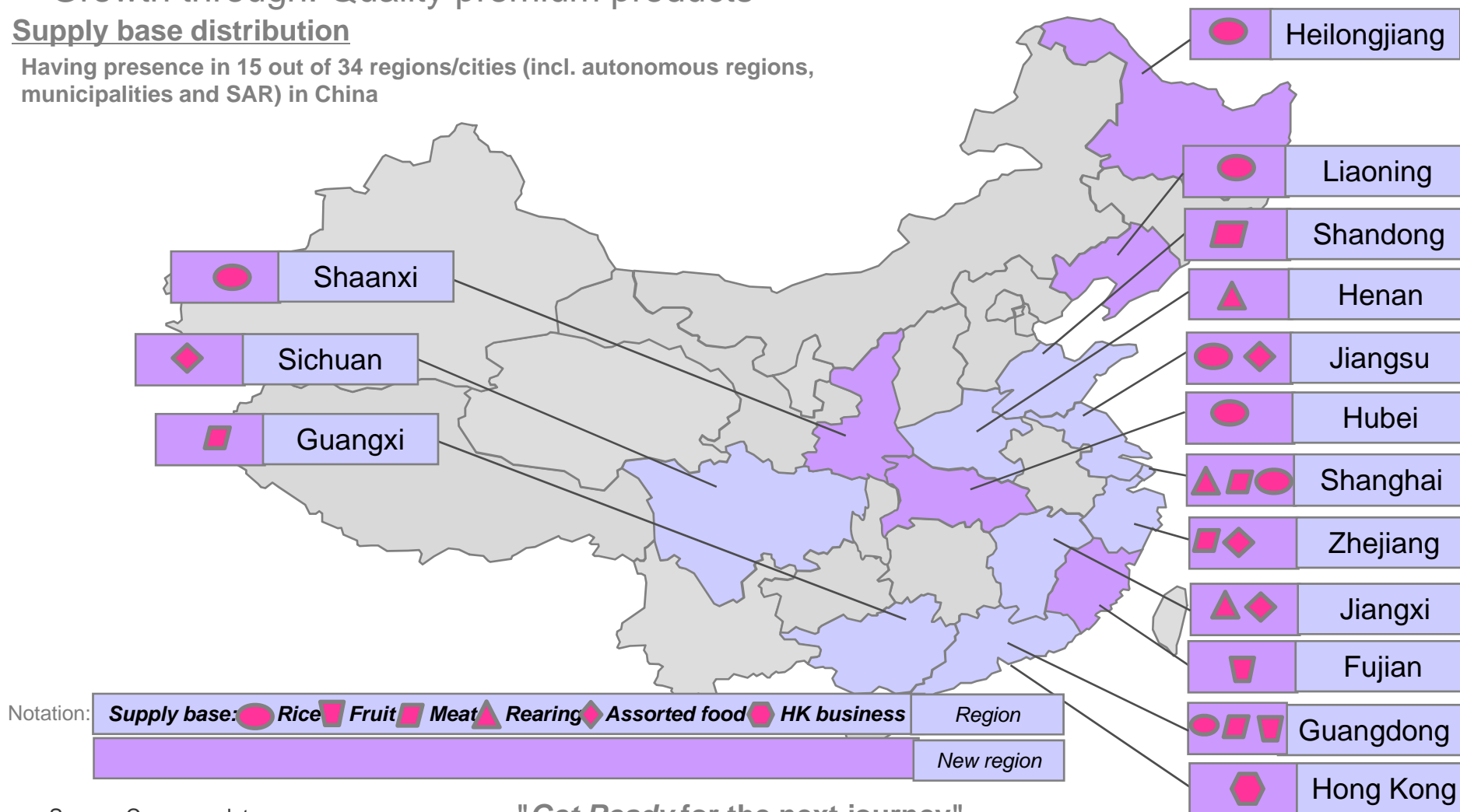
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Food

- 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



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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Beverage

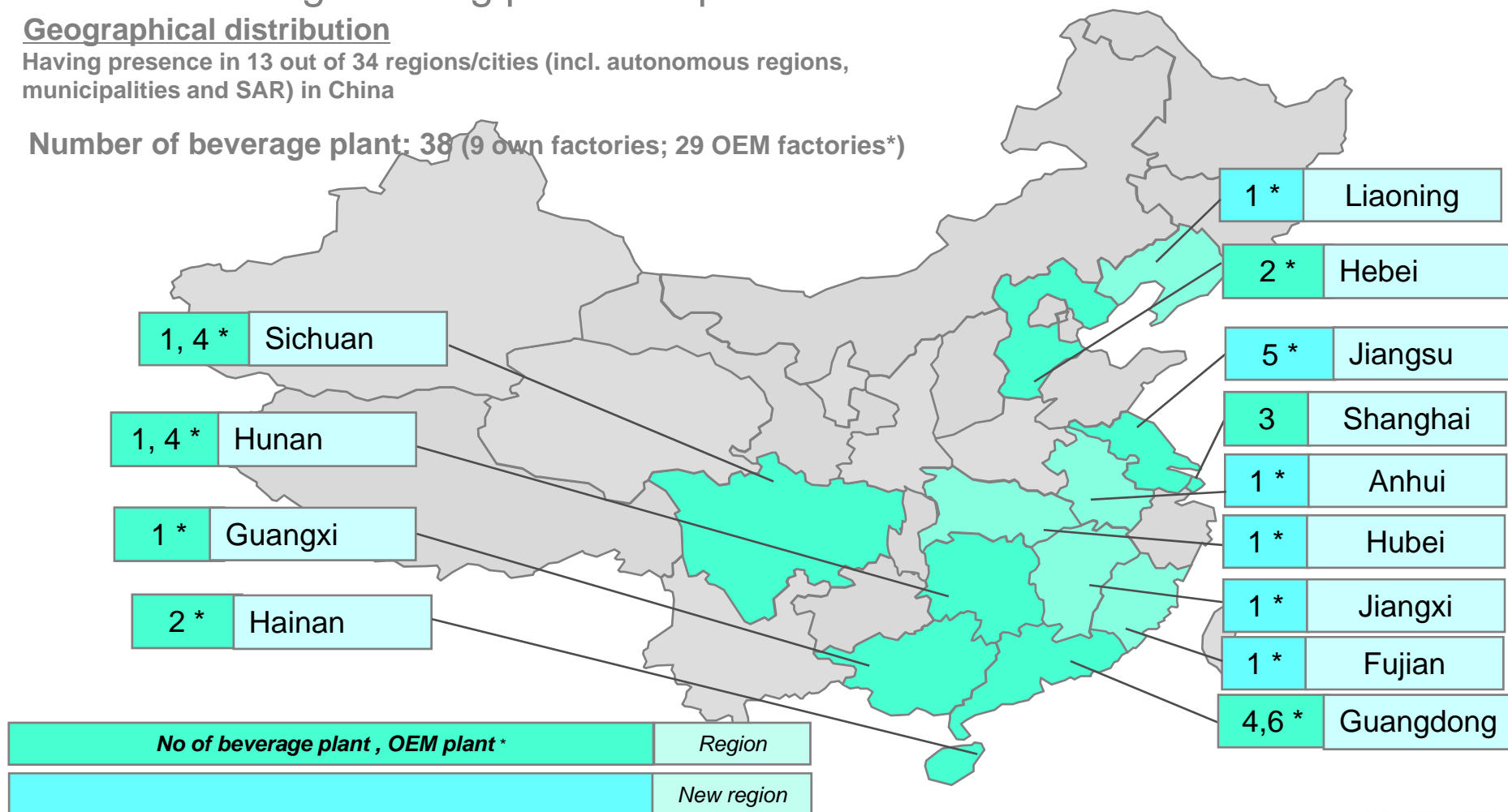


- Growth through: strong partnership with Kirin

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. Hypermarket	 	Over 6,000	app.78%	20%	563#	13	547#	13	571	13
II. Standard supermarket		500 – 800	app.11%	22%	1,370#	681	1,371#	681	1,301	748
III. Convenience stores		30 – 120	app.4%	23%	1,174	70	1,149	67	1,073	52
IV. Ole', blt	 	4,000	app.2%	more than 25%	40	-	36	-	31	-
V. Pacific Coffee		120	app.1%	more than 50%	328	37	308	33	264	26
VI. CAC and CR Care	 	various	app.2%	more than 30%	155	-	160	-	147	-
VII. Health and beauty stores		200	less than 1%	more than 30%	168	-	164	-	169	-
VIII. Wine cellar and others		200	app. 2%	Various	15	-	22	-	17	-
Total							3,813	801	3,757	794
							4,614		4,551	
								3,573		839
								4,412		

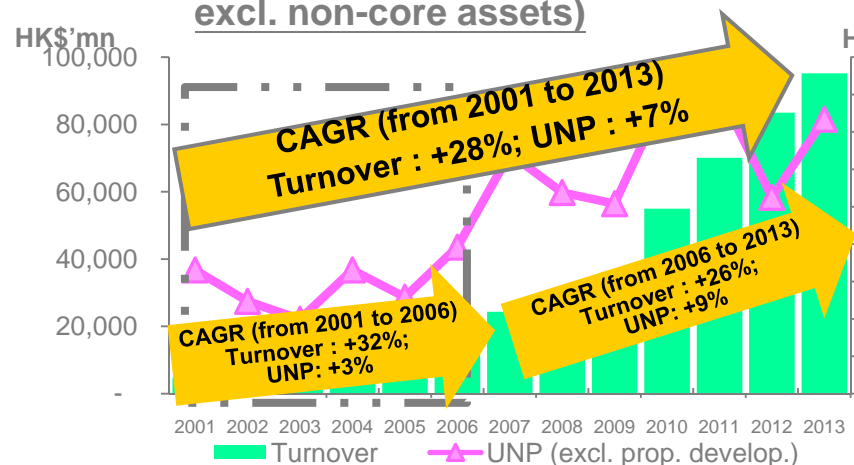
During the year, 46 hypermarkets have been reclassified as standard supermarkets.

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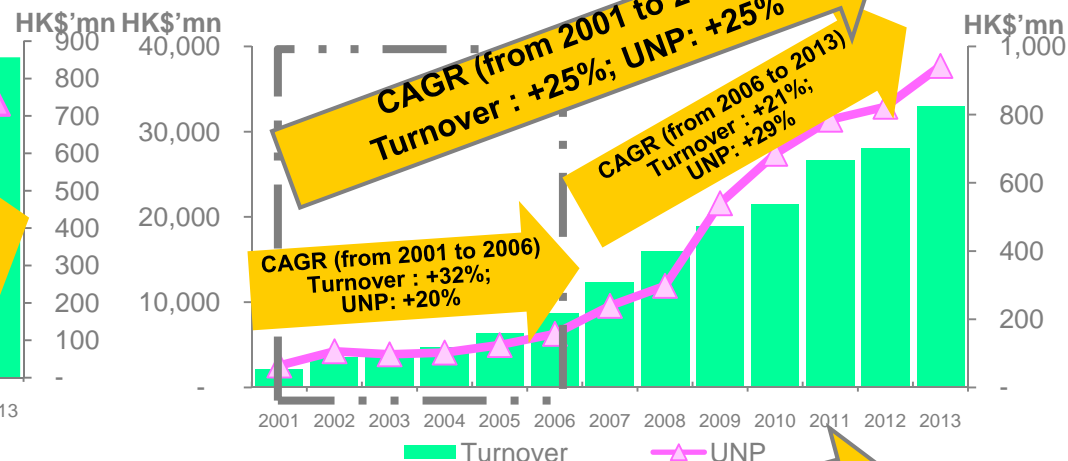
Appendix II – Historical track record of CRE

Strong growth momentum in each businesses

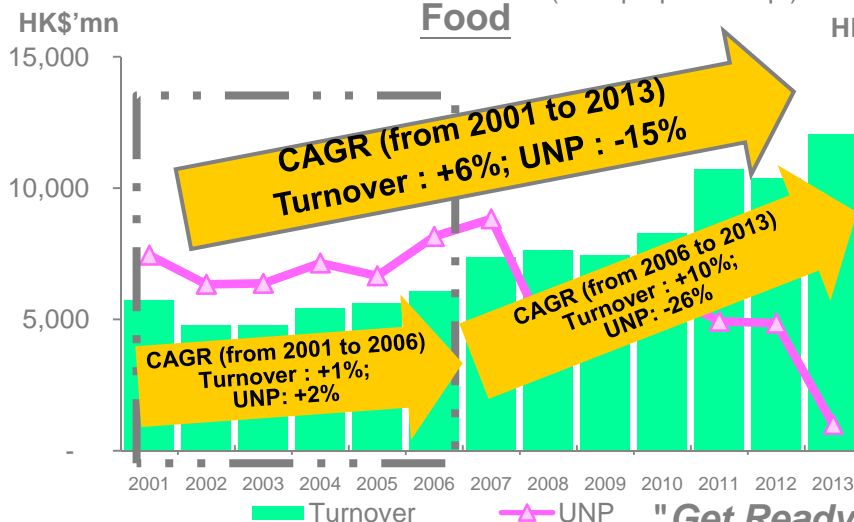
Retail (incl. investment property,
excl. non-core assets)



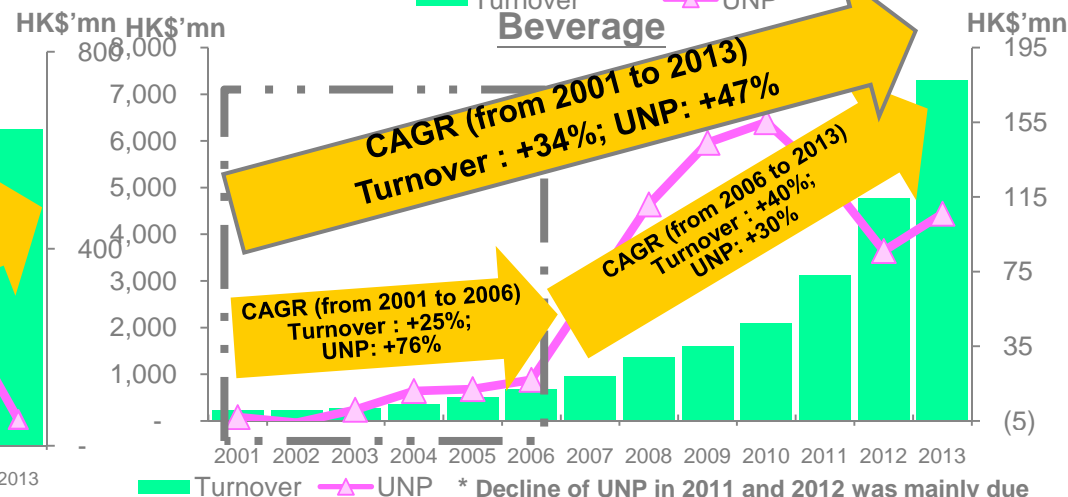
Beer



Food



Beverage

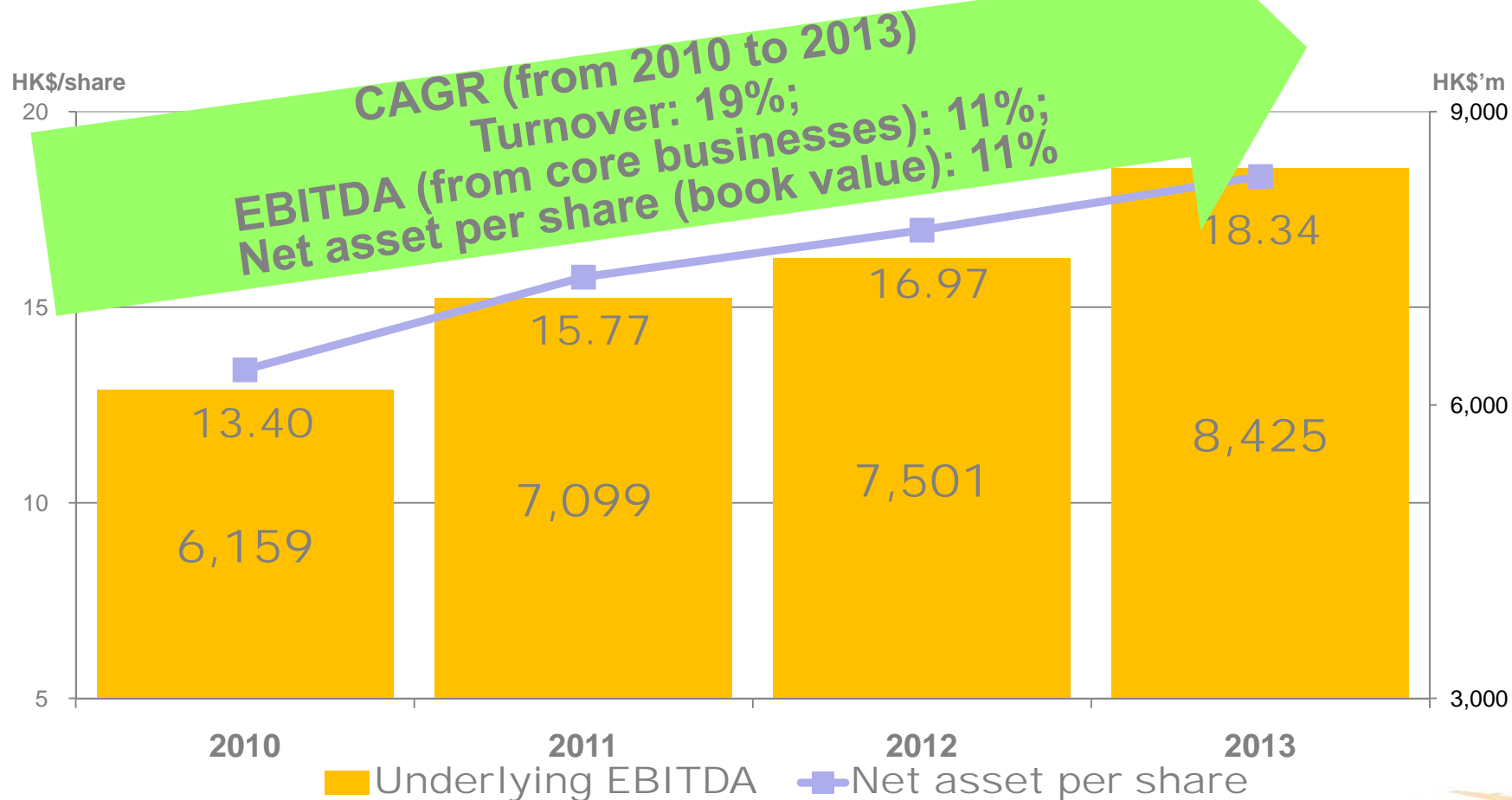


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* Decline of UNP in 2011 and 2012 was mainly due to 40% share to Kirin since August 2011.

Appendix III – Historical operating summary

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

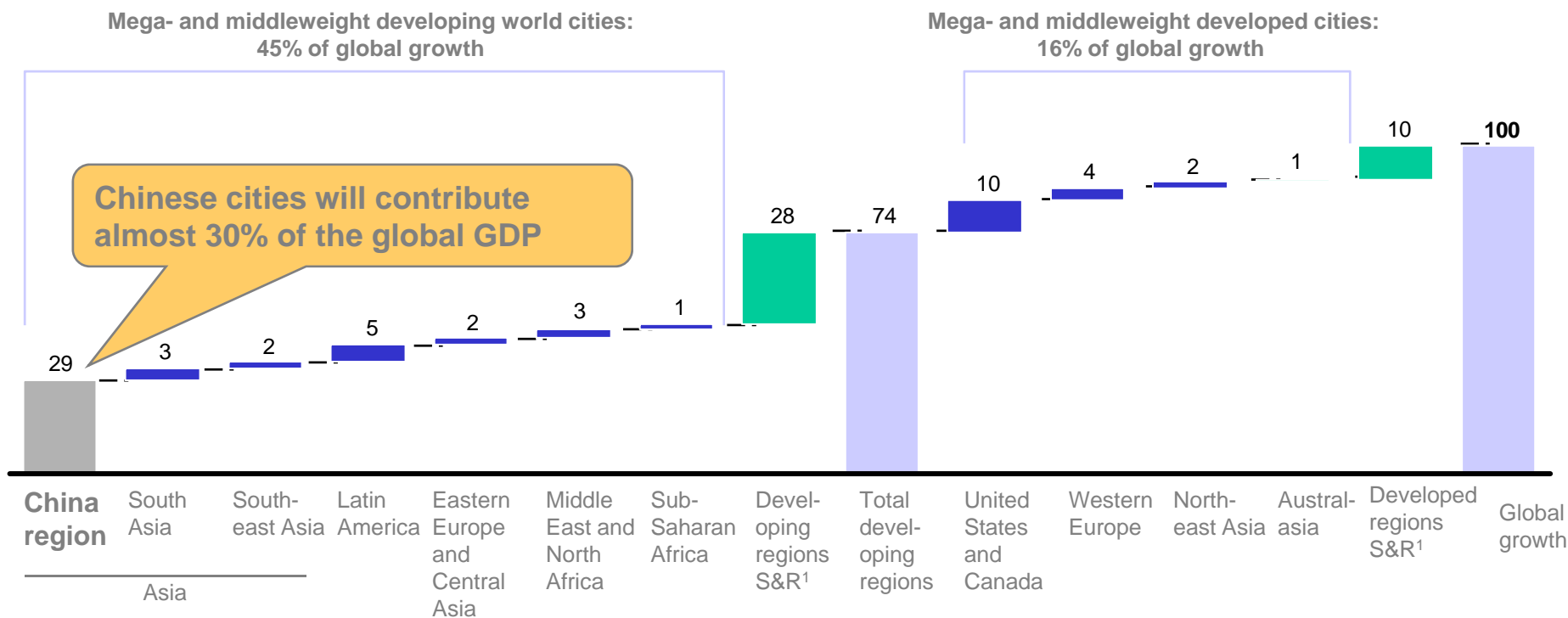


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Appendix IV – Strong growth in China

■ 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

■ 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

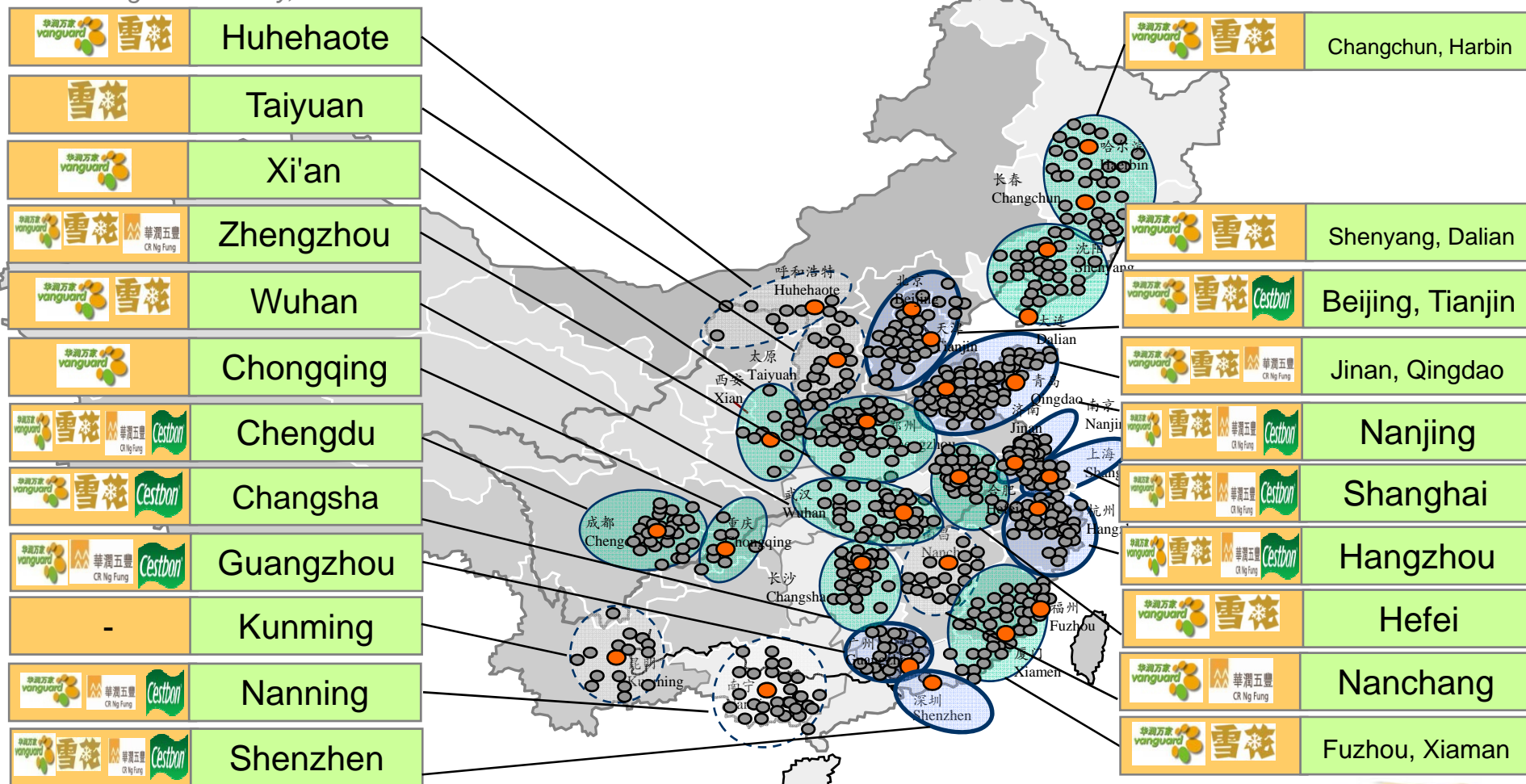
Cluster's hub city

Expected cluster size:

Small

Sizable

Mega

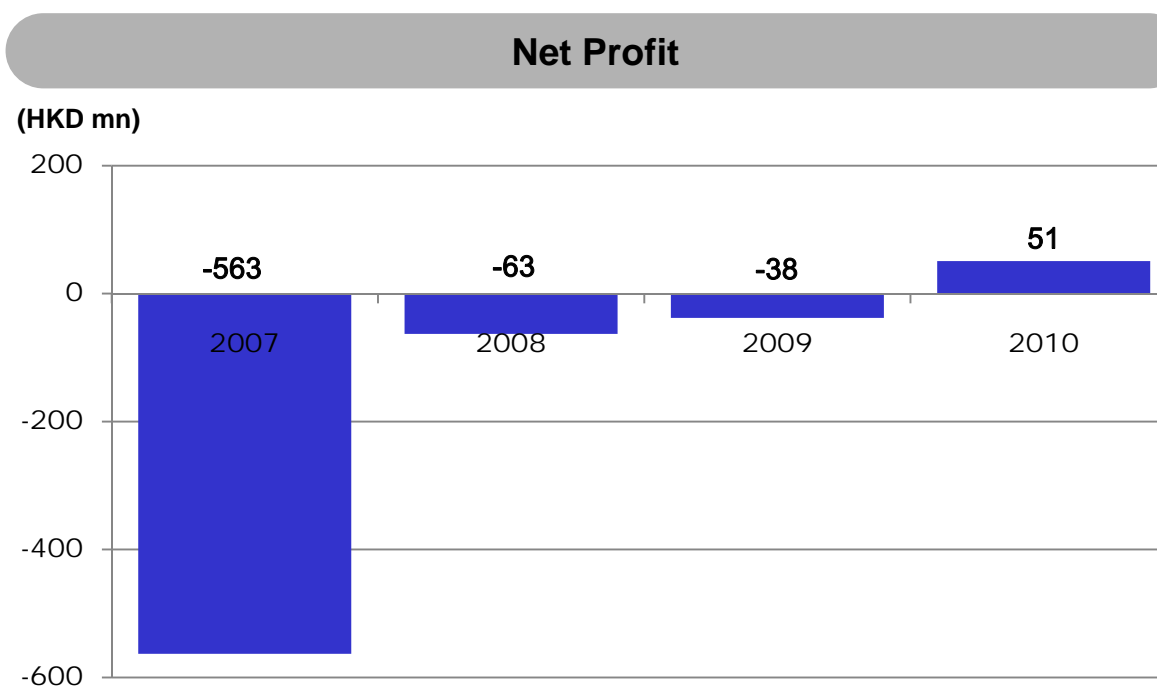


Source: McKinsey and Company data

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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:



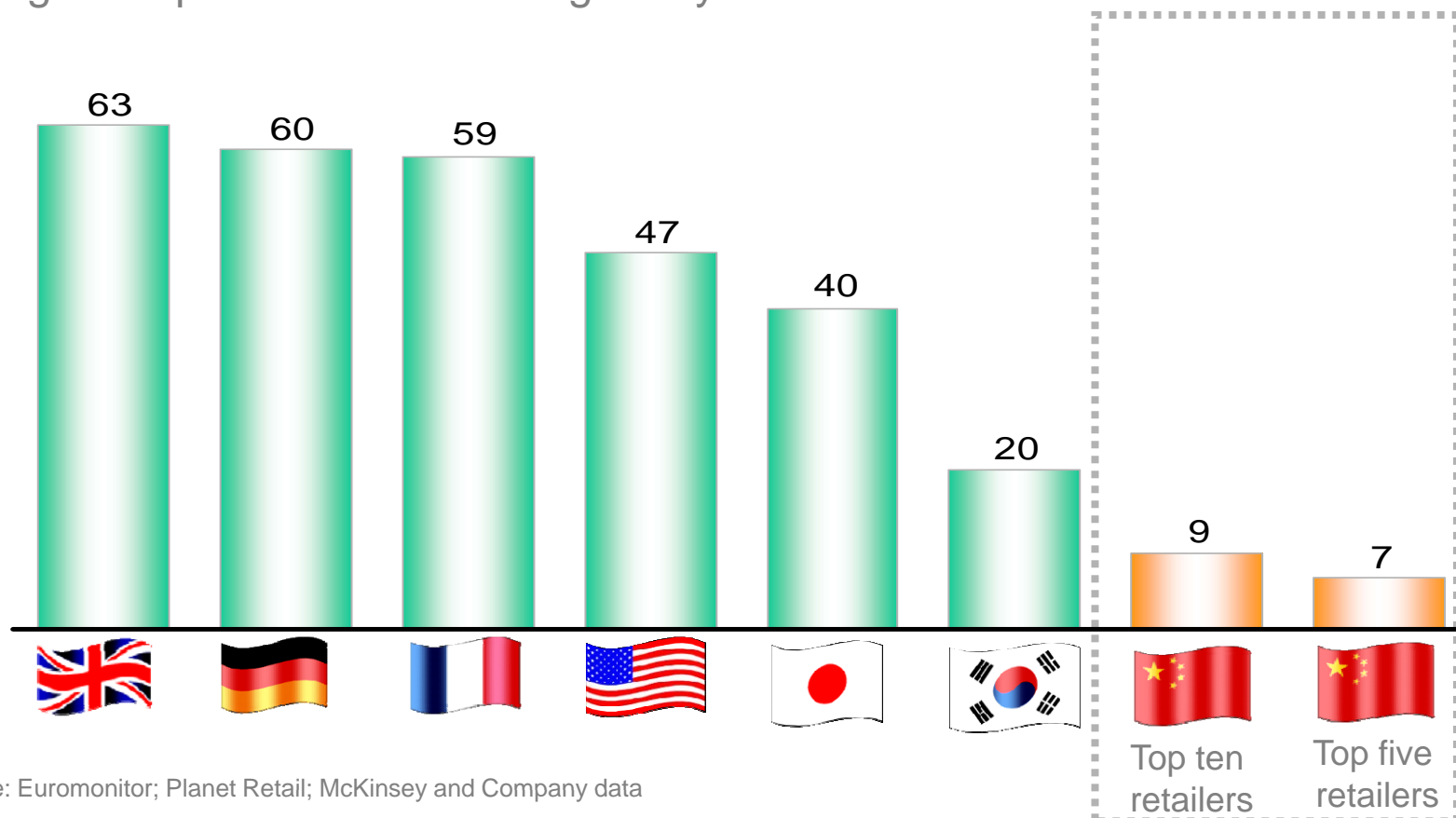
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Appendix VII – Market share of Retail business

Lower market concentration in China than other developed countries:

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



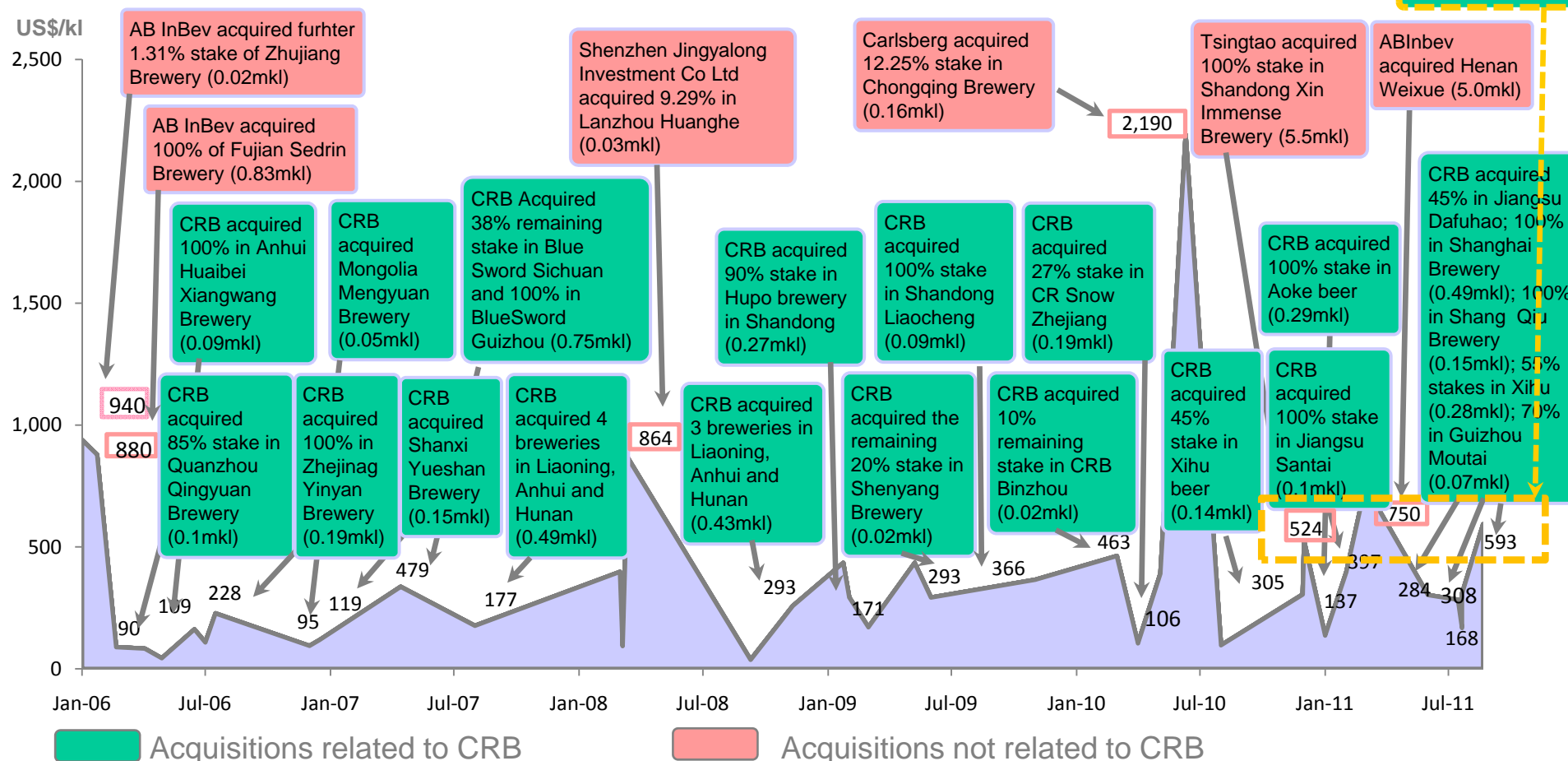
Source: Euromonitor; Planet Retail; McKinsey and Company data

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Appendix VIII – Historical major M&As in beer business



Strong bargaining power and lower acquisition cost on M&A



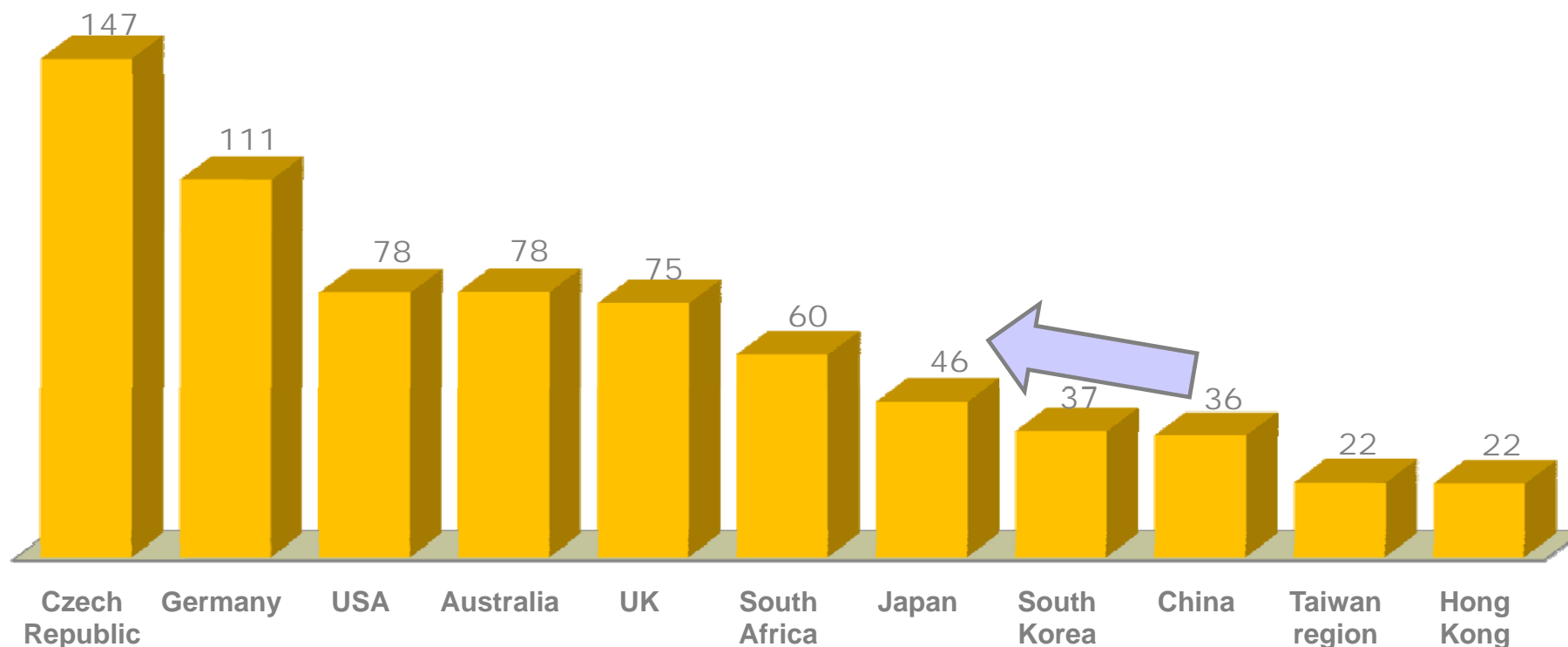
Source: Deutsche bank and Company data

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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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Please refer to our company website, www.cre.com.hk, for further details of awards received prior to 2009.

Better Life Together

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 <i>MerComm, Inc.</i>
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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 <i>Corporate Governance Asia</i>
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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 <i>Asiamoney</i>
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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 <i>Yazhou Zhoukan</i>
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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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Appendix X – CRE awards (Cont'd)

■ Highlights of accolades received

2011/2012/ 2013	Awarded as one of the companies receiving the commendation in Corporate Social Responsibility Award by <i>CAPITAL and Capital Weekly</i>
2011–2013	Ranked number 39 /46/37 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>
2012/2013	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>
2012/2013	Received Best IR Companies (Both Buy (2013) and Sell Side (2012/2013) – Consumer), Best CEO – Hong Jie (Sell Side – Consumer) in 2013, ranked second for Best CEO – Chen Lang (Sell Side – Consumer) in 2012, Best CFO – Frank Lai (Sell Side – Consumer), Best Investor Relations Professional – Mr. Vincent Tse (Both Buy and Sell Side – Consumer), ranked second for Best Investor Relations Professional – Mr. Kevin Leung (Sell Side – Consumer) in 2013 in The All-Asia Executive Team Survey by <i>Institutional Investor</i>
2012/2013	Awarded as Best in Sector – Consumer Goods & Services, Investor Relations by a Hong Kong Company (2012, 2013) and Investor Relations Officer (Hong Kong) (2012) by <i>IR Magazine</i>
2012	Ranked number 428 in Green Rankings – Global 500 List by <i>Newsweek</i>

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Appendix X – CRE awards (Cont'd)

■ Highlights of accolades received

2013	Mr. Frank Lai was selected as Asian Company Secretary of the Year by <i>Corporate Governance Asia</i>
2013	Received award as the Winner of Global Top Mid-Cap and ranked 19 th in Global Top 50 Gold in <i>IR Magazine</i>
2013	Received award for Outstanding Listed Company of the Year by <i>the Hong Kong Institute of Financial Analysts and Professional Commentators Limited</i>
2013	Ranked 93 th in Top 250 Global Retailers from <i>Deloitte and STORES Media</i>

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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.