

China Resources Enterprise, Limited

**Financial and Operational Review**

**Q1 2008**

22 May 2008





## Q1 2008 Review Highlights

- Earnings and underlying net profit amounted to HK\$639m and HK\$516m respectively
- Excluding the divested petroleum business, earnings and underlying profit rose by 3% and 37% respectively
- Core consumer businesses reported a 45% underlying net profit growth driven by retail, beverage and investment properties
- Turnover amounted to HK\$15.9bn, representing an increase of 32% among the continuing businesses
- Earnings contribution from retail business soared by 60% to HK\$268m with robust same store growth and margin expansion in all divisions
- Beverage business reported a smaller loss of HK\$19m with turnover growth of 36% in beer and 53% in water, paving solid platform for the imminent peak seasons
- Earnings contribution from food business rose by 44% but that of textile business fell by 13%

Summary of Q1 2008 Results



## Results Summary

Year end 31 Dec	Q1 2008 HK\$m	Q1 2007 HK\$m	% change
Turnover - total	15,870	17,453	-9
- continuing businesses	15,870	12,037	+32
Earnings - total	639	740	-14
- continuing businesses	639	621	+3
Underlying net profit * - total	516	497	+4
- continuing businesses	516	378	+37
EPS (HK¢) - total	27	31	-13
- continuing businesses	27	26	+4

\* Earnings excluding the after-tax effect of investment property revaluation and major disposals, which led to aggregate gains of HK\$123m and HK\$243m in Q1 2008 and Q1 2007 respectively



## Turnover Breakdown - by Divisions

Year end 31 Dec	Q1 2008 HK\$m	Prop (%)	Q1 2007 HK\$m	Prop (%)	% <i>change</i>
<b><u>Core businesses</u></b>					
Retail	9,577	60	6,995	40	+37
Beverage	3,160	20	2,300	13	+37
Food processing and distribution	1,929	12	1,641	9	+18
Textile	1,191	7	1,070	6	+11
Investment property	103	1	90	1	+14
	15,960	100	12,096	69	+32
<b><u>Other businesses</u></b>					
Petroleum (discontinued)		0	5,416	31	
	15,960	100	17,512	100	-9
Less: inter-co transactions	(90)		(59)		+53
Turnover	15,870		17,453		-9
Turnover from continuing businesses	15,870	100	12,037	69	+32

### Summary of Q1 2008 Results



## Earnings Breakdown - by Divisions

Year end 31 Dec	Q1 2008 HK\$m	Prop (%)	Q1 2007 HK\$m	Prop (%)	% change
<b><u>Core businesses</u></b>					
Retail	268	39	168	22	+60
Beverage	(19)	(3)	(32)	(4)	-41
Food processing and distribution	156	23	108	14	+44
Textile	28	4	32	4	-13
Investment property	168	24	296	38	-43
	601	87	572	73	+5
<b><u>Other businesses</u></b>					
Petroleum (discontinued)		0	119	15	
Investment & others	90	13	88	11	+2
	691	100	779	100	-11
Net corporate interest & expenses	(52)		(39)		+33
Earnings	639		740		-14
Earnings from continuing businesses	639	100	621	84	+3

### Summary of Q1 2008 Results



## Underlying Net Profit Breakdown - by Divisions

Year end 31 Dec	Q1 2008 HK\$m	Prop (%)	Q1 2007 HK\$m	Prop (%)	% change
<b><i>Core businesses</i></b>					
Retail	265	47	168	31	+58
Beverage	(19)	(3)	(32)	(6)	-41
Food processing and distribution	83	15	108	20	-23
Textile	28	5	30	6	-7
Investment property	121	21	55	10	+120
	478	84	329	61	+45
<b><i>Other businesses</i></b>					
Petroleum (discontinued)		0	119	22	
Investment & others	90	16	88	16	+2
	568	100	536	100	+6
Net corporate interest & expenses	(52)		(39)		+33
Underlying net profit	516		497		+4
Underlying net profit from continuing businesses	516	100	378	76	+37

### Summary of Q1 2008 Results



## Retail

- Encouraging profit growth among all retail divisions with net margin expansion

### Retail business turnover and earnings breakdown

Year end 31 Dec	Q1 2008 HK\$m	Q1 2007 HK\$m	% change
<b>Turnover</b>			
- Supermarket	8,627	6,328	+36
- Brand-fashion	712	478	+49
- Other retail stores	238	189	+26
	9,577	6,995	+37
<b>Earnings</b>			
- Supermarket	187	130	+44
- Brand-fashion	53	23	+130
- Other retail stores	28	15	+87
	268	168	+60

### Summary of Q1 2008 Results



# Retail

## Supermarket turnover, EBITDA and earnings breakdown

Year end 31 Dec	Q1 2008 HK\$m	Q1 2007 HK\$m	% change
<b>Turnover</b>			
- HK	605	559	+8
- China	8,022	5,769	+39
	8,627	6,328	+36
<b>EBITDA</b>			
- HK	71	44	+61
- China	378	276	+37
- option expenses	(0)	(1)	-100
	449	319	+41
<b>Earnings</b>			
- HK	52	25	+108
- China	135	106	+27
- option expenses	(0)	(1)	-100
	187	130	+44
<b>EBITDA margin (%)</b>			
- overall	5.2	5.0	+0.2ppt
- HK	11.7	7.9	+3.8ppt
- China	4.7	4.8	-0.1ppt
<b>Net margin (%)</b>			
- overall	2.2	2.1	+0.1ppt
- HK	8.6	4.5	+4.1ppt
- China	1.7	1.8	-0.1ppt

### Summary of Q1 2008 Results





## Retail

- Exhilarating same store growth led by mainland operation

### Same store growth trend (constant currency)

	Q1 2008 %	FY2007 %	FY2006 %	FY2005 %	FY2004 %	FY2003 %
Overall supermarket	+17.4	+9.5	+5.7	+3.6	+3.7	+0.1
China	+18.2	+10.2	+6.7	+4.8	+5.9	+0.7
Hong Kong	+5.2	+2.2	-0.9	-3.2	-5.0	-1.6

### Summary of Q1 2008 Results



## Beverage

- A solid platform for higher profitability during the peak seasons

### Breakdown of beverage turnover and earnings

Year end 31 Dec	Q1 2008 HK\$m	Q1 2007 HK\$m	% change
<b>Turnover</b>			
- beer	2,890	2,124	+36
- water	270	176	+53
	3,160	2,300	+37
<b>Attributable earnings to CRE</b>			
- beer	(32)	(35)	-9
- water	13	3	+333
	(19)	(32)	-41



## Beverage

- Existing breweries continued to show improvements

### Performance of existing and new brewery operations

Year end 31 Dec	Q1 2008 HK\$m	Q1 2007 HK\$m	% change
<b>Turnover</b>			
- Existing breweries (incl inter-co transactions)	2,660	2,099	+27
- New breweries	231	25	+824
	2,890	2,124	+36
<b>Attributable earnings to CR Snow</b>			
- Existing breweries (incl overheads and others)	(38)	(69)	-45
- New breweries	(25)	1	-2,600
	(62)	(69)	-10
<b>Net margin</b>			
- Existing breweries	(1.4)	(3.3)	+1.9ppt
- New breweries	(10.6)	3.7	-14.3ppt
	(2.2)	(3.2)	+1.0ppt

Note: New breweries are defined as those owned since FY2007

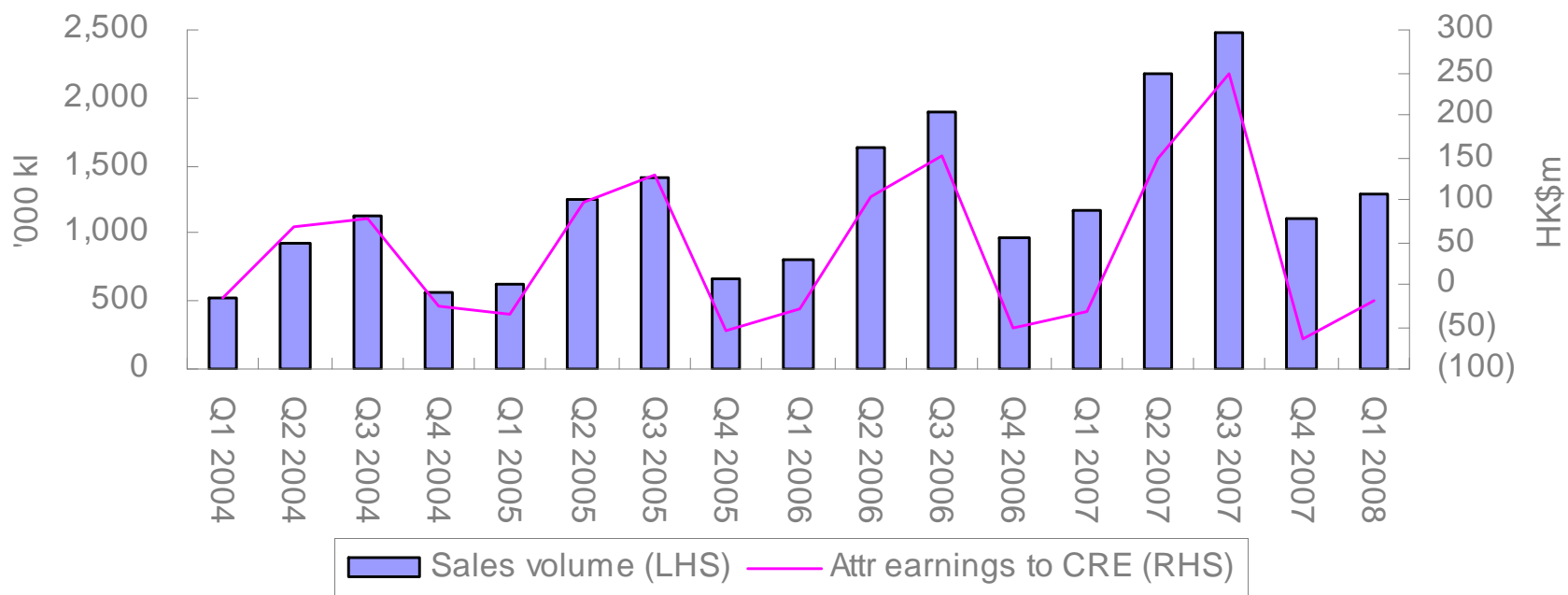
### Summary of Q1 2008 Results





# Beverage

## Seasonality of sales volume and profitability



## Summary of Q1 2008 Results



## Food Processing and Distribution

### Turnover breakdown of Ng Fung Hong

Year end 31 Dec	Q1 2008 HK\$m	Q1 2007 HK\$m	% change
Foodstuff distribution	913	996	-8
Food processing and stock raising	535	404	+32
Abattoir operation, transportation and others	524	279	+88
Inter-co transactions	(42)	(38)	+11
	1,929	1,641	+18

### Operating profit breakdown of Ng Fung Hong

Year end 31 Dec	Q1 2008 HK\$m	Q1 2007 HK\$m	% change
Foodstuff distribution	67	105	-36
Food processing and stock raising	(5)	10	na
Abattoir operation, transportation and others	53	27	+96
	115	142	-19

### Summary of Q1 2008 Results



## Appendix - Calculation of Underlying Net Profit

Year end 31 Dec	Q1 2008 HK\$m	Q1 2007 HK\$m
Earnings	639	740
<b>Adjustments</b>		
Disposal of shares in Hunan New Wellful	21	
Disposal of shares in Fortune Ng Fung Food (Hebei)	52	
Investment property revaluation *	50	243
	<hr/> 123	<hr/> 243
<b>Underlying net profit</b>	516	497

\* Of which HK\$47m in Q1 2008 and HK\$241m in Q1 2007 is under Investment Property division

### Summary of Q1 2008 Results



