

China Resources Enterprise, Limited

Financial and Operational Review

Q1 2009

22 May 2009





Q1 2009 Review Highlights

- Earnings and underlying net profit amounted to HK\$417m and HK\$366m, representing decreases of 35% and 29% respectively
- The underlying results were stronger for beverage and supermarket businesses, though the export-related businesses were hit hard
- Earnings contribution from retail business fell by 13% to HK\$232m, mainly dragged by the high-end stores in Hong Kong
- Beverage business reported earnings of HK\$17m against a loss of HK\$19m in Q1 2008 with sales volume of beer and purified water rising by 21% and 7% respectively
- Underlying net profit of food business decreased by 8% with a turnaround in the marine fishing division
- Textile business is operating in a tough environment and reported a loss of HK\$74m including a HK\$51m provision for a dyeing factory
- Excluding the effect of property revaluation and change in local profits rate in 2008, underlying net profit of investment properties jumped 26%

Summary of Q1 2009 Results



Results Summary

Year end 31 Dec	Q1 2009 HK\$m	Q1 2008 HK\$m	% change
Turnover	17,173	15,870	+8
Earnings	417	639	-35
Underlying net profit *	366	516	-29
EPS (HK¢)	17	27	-37

* Earnings excluding the after-tax effect of investment property revaluation and major disposals of non core assets/investments which led to aggregate gains of HK\$51m and HK\$123m in Q1 2009 and Q1 2008 respectively



Turnover Breakdown - by Divisions

Year end 31 Dec	Q1 2009 HK\$m	Prop (%)	Q1 2008 HK\$m	Prop (%)	% <i>change</i>
<u>Core businesses</u>					
Retail	10,447	61	9,577	60	+9
Beverage	3,930	23	3,160	20	+24
Food processing and distribution	1,742	10	1,929	12	-10
Textile	992	6	1,191	7	-17
Investment property	129	1	103	1	+25
	17,240	100	15,960	100	+8
<u>Other businesses</u>					
Investment & others					
	17,240	100	15,960	100	+8
Less: inter-co transactions	(67)		(90)		-26
Turnover - total	17,173		15,870		+8

Summary of Q1 2009 Results



Earnings Breakdown - by Divisions

Year end 31 Dec	Q1 2009 HK\$m	Prop (%)	Q1 2008 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	232	51	268	39	-13
Beverage	17	4	(19)	(3)	na
Food processing and distribution	116	26	156	23	-26
Textile	(74)	(16)	28	4	na
Investment property	98	22	168	24	-42
	389	86	601	87	-35
<u>Other businesses</u>					
Investment & others	62	14	90	13	-31
	451	100	691	100	-35
Net corporate interest & expenses	(34)		(52)		-35
Earnings - total	417		639		-35

Summary of Q1 2009 Results



Underlying Net Profit Breakdown - by Divisions

Year end 31 Dec	Q1 2009 HK\$m	Prop (%)	Q1 2008 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	232	58	265	47	-12
Beverage	17	4	(19)	(3)	na
Food processing and distribution	76	19	83	15	-8
Textile	(74)	(18)	28	5	na
Investment property	87	22	121	21	-28
	338	84	478	84	-29
<u>Other businesses</u>					
Investment & others	62	16	90	16	-31
	400	100	568	100	-30
Net corporate interest & expenses	(34)		(52)		-35
Underlying net profit - total	366		516		-29

Summary of Q1 2009 Results



Retail

- Total earnings dropped 13% to HK\$232m on a 9% rise in turnover, with stable performance at supermarket
- Supermarket accounted for 80% of total earnings

Retail business turnover and earnings breakdown

Year end 31 Dec	Q1 2009 HK\$m	Q1 2008 HK\$m	% change
Turnover			
- Supermarket	9,477	8,627	+10
- Brand-fashion	790	712	+11
- Other retail stores	180	238	-24
	10,447	9,577	+9
Earnings			
- Supermarket	185	187	-1
- Brand-fashion	49	53	-8
- Other retail stores	(2)	28	na
	232	268	-13

Summary of Q1 2009 Results



Retail

Supermarket turnover, EBITDA and earnings breakdown

Year end 31 Dec	Q1 2009 HK\$m	Q1 2008 HK\$m	% change
Turnover			
- HK	570	605	-6
- China	8,907	8,022	+11
	9,477	8,627	+10
EBITDA			
- HK	51	71	-28
- China	469	378	+24
- option expenses	0	(0)	na
	520	449	+16
Earnings			
- HK	27	52	-48
- China	158	135	+17
- option expenses	0	(0)	na
	185	187	-1
EBITDA margin (%)			
- overall	5.5	5.2	+0.3ppt
- HK	8.9	11.7	-2.8ppt
- China	5.3	4.7	+0.6ppt
Net margin (%)			
- overall	1.9	2.2	-0.3ppt
- HK	4.7	8.6	-3.9ppt
- China	1.8	1.7	+0.1ppt

Summary of Q1 2009 Results



Retail

- Same store growth for Q1 2009 was affected by the global financial crisis and the high base of last year

Same store growth trend (constant currency)

	Q1 2009 %	FY2008 %	FY2007 %	FY2006 %	FY2005 %
Overall supermarket	-3.6	+10.8	+9.5	+5.7	+3.6
China	-3.7	+11.2	+10.2	+6.7	+4.8
Hong Kong	-2.3	+5.7	+2.2	-0.9	-3.2
Real growth * - China	-3.1	+5.3	+5.4	+5.2	+3.0
- Hong Kong	-4.0	+1.4	+0.2	-2.9	-4.2

* Same store growth minus inflation rate

Summary of Q1 2009 Results





Beverage

- Both beer and water operations recorded strong turnover growth and profitability improvement

Breakdown of beverage turnover and earnings

Year end 31 Dec	Q1 2009 HK\$m	Q1 2008 HK\$m	% change
Turnover			
- Beer	3,640	2,890	+26
- Water	290	270	+7
	3,930	3,160	+24
Attributable earnings to CRE			
- Beer	(4)	(32)	-88
- Water	21	13	+62
	17	(19)	na



Beverage

- Existing breweries had a positive contribution to earnings

Performance of existing and new brewery operations

Year end 31 Dec	Q1 2009 HK\$m	Q1 2008 HK\$m	% change
Turnover			
- Existing breweries (incl inter-co transactions)	3,364	2,837	+19
- New breweries	276	53	+421
	3,640	2,890	+26
Attributable earnings to CR Snow			
- Existing breweries (incl overheads and others)	43	(38)	na
- New breweries	(50)	(25)	+100
	(7)	(62)	-89
Net margin			
- Existing breweries	1.3	(1.3)	+2.6ppt
- New breweries	(18.1)	(47.2)	+29.1ppt
	(0.2)	(2.1)	+1.9ppt

Note: New breweries are those owned after 1 January 2008

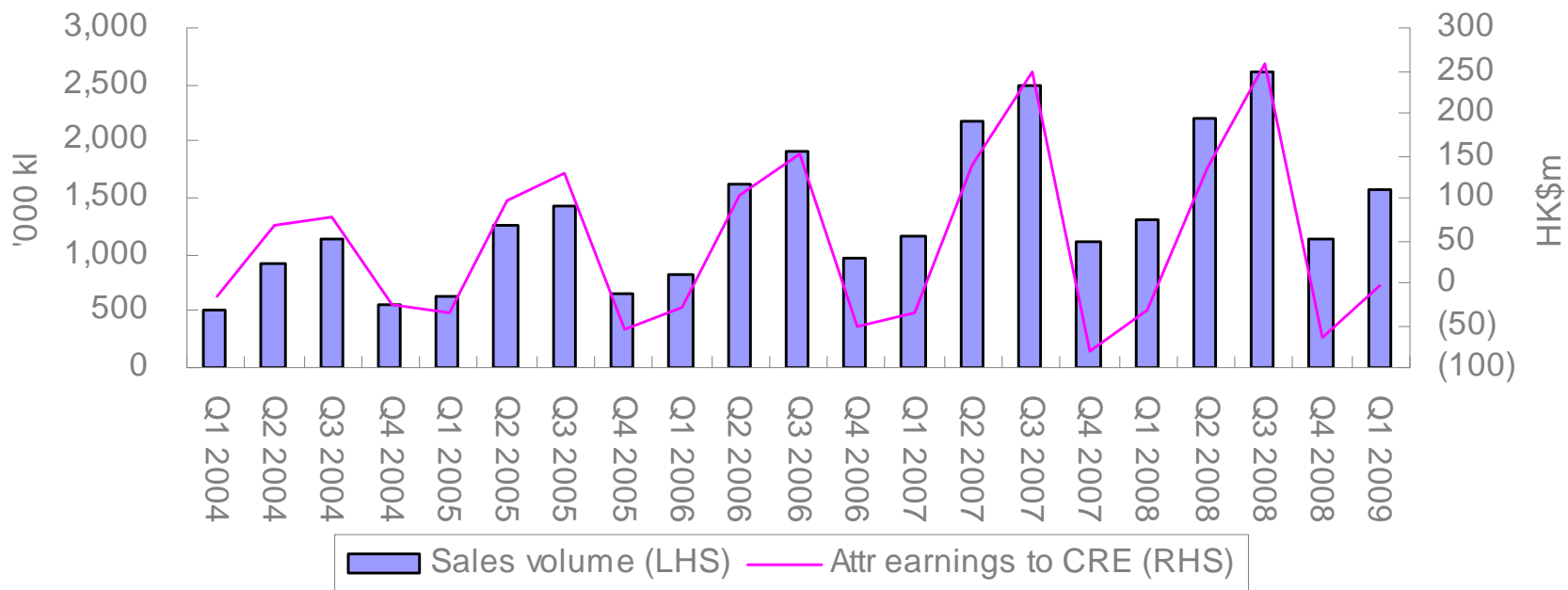
Summary of Q1 2009 Results





Beverage

Seasonality of beer sales volume and profitability



Note: from 2007 onwards, have excluded the purified water from earnings contribution

Summary of Q1 2009 Results



Food Processing and Distribution

Turnover breakdown of Ng Fung Hong

Year end 31 Dec	Q1 2009 HK\$m	Q1 2008 HK\$m	% change
Foodstuff distribution	680	913	-26
Food processing and stock raising	505	535	-6
Abattoir operation, transportation and others	619	524	+18
Inter-co transactions	(62)	(42)	+48
	1,742	1,929	-10

Operating profit breakdown of Ng Fung Hong

Year end 31 Dec	Q1 2009 HK\$m	Q1 2008 HK\$m	% change
Foodstuff distribution	16	67	-76
Food processing and stock raising	65	(5)	na
Abattoir operation, transportation and others	46	53	-13
	127	115	+10

Summary of Q1 2009 Results



Textile

Turnover and earnings breakdown of the textile business

Year end 31 Dec	Q1 2009 HK\$m	Q1 2008 HK\$m	% change
Turnover			
- Spinning and weaving	849	985	-14
- Garment	155	225	-31
- Others and inter-co transactions	(12)	(20)	-40
	992	1,191	-17
Earnings			
- Spinning and weaving	(79)	8	na
- Garment	7	12	-42
- Others and inter-co transactions	(2)	8	na
	(74)	28	na



Appendix I - Calculation of Underlying Net Profit

Year end 31 Dec	Q1 2009 HK\$m	Q1 2008 HK\$m
Earnings	417	639
<i>Adjustments</i>		
Disposal of shares in Hunan New Wellful	21	21
Disposal of shares in Fortune Ng Fung Food (Hebei)	19	52
Investment property revaluation *	11	50
	<hr/> 51	<hr/> 123
Underlying net profit - total	366	516

* Of which HK\$11m and HK\$47m revaluation gain in Q1 2009 and Q1 2008 respectively is under Investment Property division

Summary of Q1 2009 Results





Appendix II – Underlying Net Profit of Retail and Beverage

Year end 31 Dec	Q1 2009 HK\$m	Q1 2008 HK\$m	% change
Underlying net profit			
- Supermarket	185	184	+1
- Brand-fashion	49	53	-8
- Other retail stores	(2)	28	na
	<hr/> 232	<hr/> 265	-12
Underlying net profit			
- Beer	(4)	(32)	-88
- Water	21	13	+62
	<hr/> 17	<hr/> (19)	na

