

管理層討論與分析

MANAGEMENT DISCUSSION AND ANALYSIS

業務回顧

零售

本集團的零售業務主要由以下三類業務模式組成：(1) 超級市場及物流業務；(2) 在中國內地的品牌時尚產品經銷業務；及(3) 其他零售店業務。

國際金融危機導致經濟增長放緩，進而壓抑了消費者的開支。為了帶動客流和存貨周轉，本集團推出各類減價促銷活動，然而削弱了零售業務的盈利能力。不過，營業額的增長奠下了基礎，以迎接復蘇。二零零九年上半年，本集團零售業務的營業額及應佔溢利分別為港幣18,986,000,000元及港幣276,000,000元，較二零零八年同期分別增加9.6%及減少27.7%。

儘管短期內全球經濟下滑可能持續，但隨著中央政府推出一系列刺激內需及維持經濟增長的政策，內地整體經濟已出現觸底回穩的跡象。預期下半年內地零售行業將逐漸復蘇。

受制於全球需求疲弱，香港對外商品貿易貨值顯著下跌。失業率持續上升，削弱了消費意慾，加上受甲型流感H1N1影響，更是打擊了消費市場。鑑於香港經營環境的前景暗淡，預期本港零售行業短期內難有改善，但近期股票及地產市場的急劇回升可能刺激香港零售行業有較預期快的復蘇。

超級市場及物流

超級市場及物流業務於二零零九年上半年的營業額及應佔溢利分別為港幣17,317,000,000元及港幣224,000,000元，較二零零八年同期分別增加10.7%及減少13.8%。

於二零零九年六月底，本集團在中國內地及香港共經營約2,700間店舖，其中約57.4%是直接經營，其餘則為特許經營。店舖業態大致分為大型超市、標準超市以及便利店，並主要以「華潤萬家vanguard」、「華潤蘇果CHINA RESOURCES SUGUO」、「蘇果SUGUO」、「Vango」及「Olé」等多個品牌經營。回顧期內以區域劃分的營業額貢獻，華東佔63.2%，華南佔25.8%，香港佔6.6%，而華北則佔4.4%。

Review of Operations

Retail

The Group's retail division mainly comprises three business segments: (1) supermarket and logistics; (2) brand-fashion distribution in the Chinese Mainland; and (3) other retail stores operation.

Slowdown in economic growth caused by the global financial crisis curbed consumer spending. Various types of discounts and promotional activities were introduced to drive customer flow and stock turnover yet the profitability of the retail division was undermined. However, the increase in turnover has laid a foundation for recovery. Turnover and attributable profit of the Group's retail division for the first half of 2009 amounted to HK\$18,986 million and HK\$276 million respectively, representing a corresponding increase of 9.6% and a decrease of 27.7% over the same period of 2008.

Although global economic downturn may continue in the short run, the overall mainland economy has already shown emerging signs of bottoming out and stabilisation following the implementation of a series of measures by the central government to stimulate domestic demand and sustain economic growth. The mainland retail industry is expected to recover gradually in the second half of the year.

With weakening global demand, Hong Kong's external merchandise trading value decreased significantly. Continuous rise in unemployment rate, dampened consumer sentiment and the impact from H1N1 Influenza A altogether hit the retail market. Although Hong Kong's retail industry is not expected to recover in the short run with a gloomy outlook for its operating environment, the recent upsurge in the stock and property markets may stimulate a sooner than expected recovery.

Supermarket and Logistics

Turnover and attributable profit of the supermarket and logistics operation for the first half of 2009 amounted to HK\$17,317 million and HK\$224 million respectively, representing a corresponding increase of 10.7% and a decrease of 13.8% over the same period of 2008.

As at the end of June 2009, the Group operated a total of about 2,700 stores in the Chinese Mainland and Hong Kong, of which approximately 57.4% were self-operated and the rest were franchised stores. Major store formats are hypermarket, supermarket and convenience store, mainly operated under the brands of "華潤萬家 vanguard", "華潤蘇果 CHINA RESOURCES SUGUO", "蘇果 SUGUO", "Vango" and "Olé". In terms of geographical contribution, Eastern China, Southern China, Hong Kong and Northern China respectively accounted for 63.2%, 25.8%, 6.6% and 4.4% of the operation's turnover for the period under review.

業務回顧(續)

零售(續)

超級市場及物流(續)

基於全球經濟仍然放緩，導致需求疲弱，中國內地二零零九年上半年的國內生產總值按年增長7.1%，較去年同期的10.4%增長有所下降。上半年的國內社會消費品零售總額按年增長15%，去年同期則增長21.4%。上半年居民消費價格分類指數下降了1.1%，當中食品類價格指數尤其下降了0.3%，對以銷售食品為主的超市行業的影響較為明顯。

經濟下滑和失業情況壓抑了消費意慾，對減價促銷的預期使居民消費行為日趨審慎，加上食品類價格下跌，令回顧期內的整體同店銷售按年下降2.0%。為應對經營環境的轉變，本集團致力提升資訊科技系統和供應鏈系統等基礎經營管理標準，藉此加快存貨周轉，降低缺貨率，改善食品安全，及積極引進新品。本年第二季度的整體同店銷售額已恢復正增長。本集團將因地制宜調整商品組合和經營模式以滿足當地消費者的需求變化，並進一步改進服務質素，以提高內涵增長。

受惠於通過多業態門店組合快速提高目標市場份額，從而獲得市場領導地位，本集團已逐步形成區域性的門店網路和經營規模的綜合優勢，提升了品牌形象，達至規模經濟效益。雖然面對經濟下滑和競爭加劇的挑戰，本集團不但發揮規模優勢，加強與供應商的協商與合作以拓展盈利來源，而且透過嚴格控制成本，提升了本業務的盈利能力。儘管新開門店的虧損侵蝕了部分盈利，拖累了本業務的整體表現，但二零零九年上半年的未計利息、稅項、折舊及攤銷前綜合盈利達港幣843,000,000元，相比二零零八年同期增長7.5%。

在中國內地經濟增長放緩，消費信心受挫的情況下，零售業面臨巨大挑戰，但同時也為本集團的穩步擴張提供了機遇。本集團將更致力提升營運效率，加強與供應商的夥伴關係，整合內部資源以發揮規模經濟效應，鞏固並提高在目標地區的市場佔有率。

Review of Operations (continued)

Retail (continued)

Supermarket and Logistics (continued)

The persistence of global economic slowdown led to sluggish market demand. GDP of the Chinese Mainland grew 7.1% year-on-year in the first half of 2009, down from 10.4% in the same period last year. Total retail sales of consumer goods for the first half of the year increased by 15% year-on-year, compared with 21.4% in the same period last year. The 1.1% drop in consumer price index with a 0.3% decrease in food prices in particular, in the first half of the year significantly affected supermarket businesses which primarily focus on sales of food.

Economic downturn and unemployment suppressed consumer sentiment. In addition to cautious consumer spending originating from general expectations on discounts and promotional activities, the decrease in food prices resulted in a year-on-year drop of 2.0% in our overall same store sales for the period under review. To adapt to the changing operating environment, the Group endeavoured to improve fundamental operation management standards like upgrading information technology and supply chain system which in turn speeded up stock turnover, lowered stock-out rate, improved food safety and facilitated the introduction of new products. Positive overall same store sales growth already resumed in the second quarter of the year. To foster organic growth, the Group will carry out tactical adjustments of its product mix and operational mode based on region-specific needs to cater for changes in consumer demand as well as further improving service quality.

Benefiting from the adoption of a multi-format store approach to swiftly increase its share in target markets so as to achieve market dominance, the Group has gradually built up its competitive advantage with an extensive local store network and business scale, boosting its image of brands and attaining economies of scale in operation. Although the economic downturn and intensified market competition, the Group capitalised not only on its competitive advantage on scale of operation to enhance price negotiation and cooperation with suppliers for profit streams diversification but also on stringent cost controls in order to improve profitability of the operation. Despite the losses from new stores lowered the operating profit to a certain extent and in turn affected the overall performance of the operation, the consolidated earnings before interest, tax, depreciation and amortization for the first half of 2009 amounted to HK\$843 million, representing a growth of 7.5% over the same period of 2008.

Slowdown in the Chinese Mainland's economic growth and tumbling consumer confidence have posed immense challenges to the retail industry but at the same time offered opportunities for steady expansion to the Group. The Group will further concentrate its efforts on improving operational efficiency, strengthening business alliance with suppliers, consolidating internal resources to maximize economies of scale, as well as reinforcing and raising its market share in target regions.

業務回顧(續)

零售(續)

品牌時尚產品經銷

品牌時尚產品經銷業務於二零零九年上半年的營業額及應佔溢利分別為港幣1,336,000,000元及港幣57,000,000元，較二零零八年同期分別增加6.0%及減少30.5%。

於二零零九年六月底，中國內地的「Esprit」和「Red Earth」品牌經銷網絡已超過1,100間直營店及特許經營店。內地出口貿易大幅下滑，部分出口服裝因而轉為內銷，服裝零售商為了消化庫存爭相降價促銷，這些都加劇了市場競爭，而衣著類消費價格更下降2.4%。在此經營環境下，本業務上半年直營店同店銷售額下降8.2%，特許經營店亦減少訂貨。此外，存貨上升導致存貨撥備增加。為帶動客流及刺激消費，各大商場相繼進行大力度的促銷活動，進一步推低了毛利率，嚴重影響了本業務於回顧期內的盈利能力。

由於時尚服裝需求下降，時尚服裝零售行業的競爭將更趨激烈，預期本業務短期內仍將面臨嚴峻挑戰。本集團將通過合理安排採購計劃，加快存貨周轉，進一步提升服務質素，以提高本業務的盈利能力。

其他零售店

其他零售店業務於二零零九年上半年的營業額為港幣333,000,000元，較二零零八年同期減少22.6%。本業務於回顧期內的應佔虧損為港幣5,000,000元，二零零八年同期則錄得應佔溢利港幣40,000,000元。於二零零九年六月底，本集團的連鎖零售店主要包括4間在香港經營的中藝，以及44間在香港及中國內地經營的華潤堂。

Review of Operations (continued)

Retail (continued)

Brand-fashion Distribution

Turnover and attributable profit of the brand-fashion distribution segment for the first half of 2009 were HK\$1,336 million and HK\$57 million respectively, representing a corresponding increase of 6.0% and a decrease of 30.5% over the same period of 2008.

As at the end of June 2009, the “Esprit” and “Red Earth” brand distribution network expanded to over 1,100 self-operated and franchised stores in the Chinese Mainland. A partial shift of garment exports to domestic market as a result of the significant contraction in the Chinese Mainland’s exports, coupled with various discounts and promotions launched by garment retailers to digest inventory, intensified market competition. Notably, there was a 2.4% drop in clothing prices for the first half of 2009. In the midst of this operating environment, same store sales of self-operated stores declined 8.2% and franchised stores reduced their orders in the first half of the year. An increase in inventory level also led to higher inventory provision. Launching of aggressive promotional activities by shopping malls to drive customer flow and stimulate consumer spending further squeezed our gross margin, thus significantly affecting profitability of the operation for the period under review.

As falling demand for fashion apparels will bring more fierce competition for the fashion retail sector, it is expected that the operation will continue to face tough challenges ahead in the short run. The Group will formulate measures to optimize the procurement process and expedite stock turnover, as well as further enhancing our service quality to improve the overall profitability of the operation.

Other Retail Stores

Turnover of the other retail stores segment for the first half of 2009 amounted to HK\$333 million, representing a decrease of 22.6% over the same period of 2008. Attributable loss for the period under review amounted to HK\$5 million, compared to an attributable profit of HK\$40 million for the corresponding period in 2008. As at the end of June 2009, the Group’s chain of retail stores mainly consisted of 4 Chinese Arts & Crafts 中藝 stores in Hong Kong and 44 CR Care 華潤堂 stores in Hong Kong and the Chinese Mainland.

業務回顧(續)

零售(續)

其他零售店(續)

受國際金融危機影響，二零零九年上半年的香港居民消費仍然審慎，加上受到甲型流感H1N1影響，遊客明顯減少，導致以銷售高質素及高價值商品為主的中藝業務之營業額於回顧期內錄得明顯跌幅；然而，二零零九年第二季度營業額的跌幅已較第一季度收窄。為了進一步改善盈利能力，本集團檢討了轄下各門店的經營狀況，並於回顧期內關閉了一間表現未如理想的門店，因關店而產生的損失進一步影響本業務的經營業績。

同樣地，華潤堂業務亦受到全球經濟下滑的影響，導致其高價值商品需求減少而令營業額下降。頻繁的促銷活動更進一步拖低了毛利率，加上持續高企的租金成本，導致回顧期內經營業績錄得虧損。為提高營運效率，本集團積極檢討店鋪的狀況，並於回顧期內當租約結束時關閉了三間店鋪。

展望未來，香港零售市場氣氛將仍然低迷，管理層相信預期復蘇的時間將落後於中國內地最少六個月。為了克服目前經濟不景的難關，本集團將採取靈活的定價策略、優化商品組合以符合消費者需求。

飲品

飲品業務於二零零九年上半年的營業額及應佔溢利分別錄得港幣10,216,000,000元及港幣341,000,000元，較二零零八年同期分別增加25.0%及133.6%。

啤酒業務

啤酒業務於二零零九年上半年的營業額為港幣9,474,000,000元，較二零零八年同期增加24.8%。應佔溢利則為港幣257,000,000元，較二零零八年同期增加144.8%。二零零九年上半年啤酒銷量上升20.0%至約4,187,000千升。

Review of Operations (continued)

Retail (continued)

Other Retail Stores (continued)

Following the global financial crisis, Hong Kong consumers remained cautious on spending in the first half of 2009. This phenomenon coupled with a notable decline in the number of tourists attributed to the outbreak of H1N1 Influenza A caused a marked decrease in turnover for the period under review of Chinese Arts and Crafts 中藝, which focuses on sales of high quality and premium products. The decrease in the second quarter in 2009, however, narrowed down compared to that of the first quarter. To further improve its profitability, operating performance reviews had been conducted and one non-performing store was closed during the period under review. The losses on store closure further impacted the operating results of the operation.

In a similar way, global economic downturn has affected the operation of CR Care 華潤堂. Lower demand for high-value products led to a decrease in its turnover. Frequent promotional activities further squeezed the gross profit margin. These factors, together with escalating store rentals, caused the operation to record an operating loss for the period under review. Proactive review of the stores was conducted to enhance operational efficiency and three stores were closed when their leases ended during the period under review.

Looking ahead, retail market sentiment in Hong Kong will remain weak and the management believes its recovery is expected to lag behind that in the Chinese Mainland for a minimum of 6 months. The Group will implement flexible pricing strategies and product mix enhancement to cater for customer preferences so as to overcome the impact of the economic slowdown.

Beverage

The beverage division reported turnover and attributable profit for the first half of 2009 of HK\$10,216 million and HK\$341 million respectively, representing increases of 25.0% and 133.6% over the same period of 2008.

Beer Operation

The beer operation reported turnover of HK\$9,474 million for the first half of 2009, representing an increase of 24.8% over the same period of 2008. Attributable profit was HK\$257 million, representing an increase of 144.8% over the same period in 2008. Sales volume for the first half of 2009 rose by 20.0% to approximately 4,187,000 kiloliters.

業務回顧(續)

飲品(續)

啤酒業務(續)

回顧期內，本集團的內涵銷量顯著增長12.1%，其中浙江省、安徽省及四川省的銷量增幅尤為明顯。此增長主要受惠於啤酒需求因天氣回暖而增加，加上本集團持續在品牌及銷售推廣的工作上投放之資源漸見成效所致。此外，二零零八年同期的啤酒銷量受到惡劣天氣及四川省地震的嚴重影響，以致同比銷量基數較低。除了內涵增長外，新收購的五間啤酒廠以及一間新建啤酒廠所作出的貢獻，在回顧期內進一步推動啤酒銷量的整體增長。透過不斷努力整合品牌，我們行銷全國的「雪花」啤酒在二零零九年上半年的銷量上升23.6%至3,578,000千升，佔總銷量的85.5%。

主要基於原材料成本下降，回顧期內啤酒業務的整體毛利率有所提升。另外，本集團為迎合要求漸高的消費者口味而致力優化產品組合，令高檔啤酒銷售比重增加。

於二零零九年六月底，本集團在中國內地經營超過65間啤酒廠，年產能約13,600,000千升，當中包括來自浙江省新建啤酒廠的年產能約400,000千升及來自已收購之啤酒業務資產的年產能合共約800,000千升。為進一步強化市場地位、擴大地域覆蓋、提升營運效率及優化產品結構，本集團已完成收購五間啤酒廠之與啤酒業務有關的資產，即為安慶天柱啤酒有限責任公司、遼寧松林啤酒集團有限公司、浙江洛克啤酒有限公司、山東琥珀啤酒廠及裕騰集團伊春啤酒有限公司。

為了把握當前的機遇，本集團將會謹慎地尋求及評估投資商機，以實現本集團的整合策略，同時亦注重營運效率的提升。

Review of Operations (continued)

Beverage (continued)

Beer Operation (continued)

For the period under review, the Group reported remarkable growth in organic sales volume of 12.1% with notable increases in Zhejiang Province, Anhui Province and Sichuan Province. Such growth was mainly driven by greater demand for beer in warmer weather, effective ongoing branding as well as sales and promotion efforts. Furthermore, sales volume in the same period of 2008 was severely affected by bad weather and the earthquake in Sichuan Province, leading to a relatively low base for comparison. Apart from organic growth, the overall growth of sales volume was further supported by the contribution of five newly acquired breweries and a newly built brewery during the period under review. With the continuous efforts on brand integration, the sales volume of our national brand “SNOW” grew by 23.6% to 3,578,000 kiloliters in the first half of 2009, which accounted for 85.5% of the total sales volume.

Overall gross profit margin rose during the period under review which was mainly attributable to the decline in material costs. Another reason is the optimization of product mix to cater for the higher demand of consumer taste, leading to a higher proportion of premium beer sales.

As at the end of June 2009, the Group operated over 65 breweries in the Chinese Mainland with an annual production capacity of approximately 13.6 million kiloliters, including the production capacity of approximately 0.4 million kiloliters from a newly built brewery in Zhejiang Province and a total of approximately 0.8 million kiloliters from the acquisition of brewing assets. In order to strengthen our market position, widen geographical coverage, enhance operational efficiency and optimize product structure, the Group completed the acquisition of the respective brewing assets in five breweries, namely 安慶天柱啤酒有限責任公司 (Anqing Tianzhu Beer Company Limited), 遼寧松林啤酒集團有限公司 (Liaoning Songlin Brewery Group Company Limited), 浙江洛克啤酒有限公司 (Zhejiang Luck Beer Company Limited), 山東琥珀啤酒廠 (Shandong Hupo Brewery) and 裕騰集團伊春啤酒有限公司 (Yuteng Group Yichun Beer Company Limited).

In order to capitalize on the opportunities prevailing at the moment, the Group will cautiously seek and evaluate investment opportunities to implement our consolidation strategy, while emphasizing enhancement in operational efficiency.

業務回顧(續)

飲品(續)

純淨水業務

以「C'estbon 怡寶」作為獨有品牌的純淨水業務，於二零零九年上半年的營業額及應佔溢利分別為港幣742,000,000元及港幣84,000,000元，較二零零八年同期分別增加27.1%及104.9%。回顧期內的銷量上升20.9%至約736,000千升。

本集團致力優化現有市場的分銷渠道，並擴充新市場的銷售網絡，加上提高品牌知名度的市場推廣計劃奏效，使純淨水業務於二零零九年上半年的銷量及營業額均取得良好的增長。此外，隨著國際原油價格自去年高位回落令有關塑膠包裝原料的生產成本下降，亦使本業務的應佔溢利於回顧期內大幅增長。

包裝水的需求隨著內地消費者的健康意識日漸提高而上升，本集團將繼續尋找合適併購機遇及擴充產能，並審慎地開拓新市場，優化分銷環節，以降低生產成本，從而進一步增加全國性的市場佔有率。

食品加工及經銷

食品加工及經銷業務於二零零九年上半年的營業額及應佔溢利分別為港幣3,505,000,000元及港幣211,000,000元，較二零零八年同期分別減少8.3%及12.1%。剔除二零零八年及二零零九年上半年減持策略性投資的若干股權收益後，應佔溢利較二零零八年同期應減少7.1%，主要是香港活畜經銷業務表現欠佳所致。

透過與內地活畜養殖業務的協同效應來穩定活豬供應，回顧期內本業務於本港活豬銷售市場的佔有率已經回穩。然而，因本港活豬銷售市場自二零零七年七月開放後競爭日趨劇烈，令毛利率減少，導致盈利能力下降。此外，本港經濟下滑和失業率上升影響了消費意慾，凍肉經銷業務於回顧期內的營業額和應佔溢利較去年同期有所下跌。

Review of Operations (continued)

Beverage (continued)

Purified Water Operation

The purified water operation, with "C'estbon 怡寶" as its sole brand, reported turnover and attributable profit for the first half of 2009 of HK\$742 million and HK\$84 million respectively, representing increases of 27.1% and 104.9% over the same period of 2008. Sales volume for the period under review rose by 20.9% to approximately 736,000 kiloliters.

Enhanced distribution channels in existing markets, expansion of sales networks in new ones as well as effective launch of promotional campaign to raise brand awareness contributed to encouraging growth in both sales volume and turnover for the first half of 2009. In addition, production costs in respect of plastic packing materials dropped following a considerable fall in the crude oil price from last year's high. Therefore, attributable profit of the operation increased substantially for the period under review.

In view of increasing demand for packaged water driven by rising health consciousness among mainland consumers, the Group will continue to look for acquisition opportunities and upgrade production capacity. The Group will also prudently expand into new markets and streamline distribution process to lower production costs so as to further augment its national market share.

Food Processing and Distribution

The food processing and distribution division reported turnover and attributable profit for the first half of 2009 of HK\$3,505 million and HK\$211 million respectively, representing decreases of 8.3% and 12.1% over the same period of 2008. Excluding the gains from reducing certain equity interests in strategic investments in the first half of 2008 and 2009, attributable profit would decrease by 7.1% as compared to the corresponding period in 2008, mainly attributed to the weak performance of the Hong Kong livestock distribution business.

For the period under review, our market share in the Hong Kong live pig market stabilized through the synergy with the mainland livestock raising business to allow a stable supply of live pigs. However, intensified market competition subsequent to the opening of the Hong Kong live pig market since July 2007 caused a decrease in gross margin, thus resulting in lower profitability. In addition, consumer sentiment was affected by the economic downturn and rising unemployment rate in Hong Kong. Accordingly, both turnover and attributable profit of the frozen food distribution business for the period under review declined as compared with the corresponding period in last year.

業務回顧(續)

食品加工及經銷(續)

今年四月份，香港政府公佈上水屠房營運服務和管理新合約的國際公開招標結果，本集團成功就上水屠房未來最長十年的營運管理權續約。在新的運營期內，本集團將通過進一步創新提升管理水準，繼續完善其香港鮮肉市場的食品安全體系建設，發揮與活畜相關業務之協同效應以提升價值。針對今年較早前在全球爆發的甲型流感H1N1疫情，本業務已制定了相應措施，務求減低疫情對業務可能構成之影響。

在香港市場穩定發展的基礎上，中國內地市場將成為本業務增長的重點領域。中國內地肉食加工、品牌食品加工及分銷業務在我們的積極拓展下於回顧期內錄得令人鼓舞的經營業績增長。內地之活豬屠宰量、肉食加工業務和綜合食品業務的營業額均錄得滿意的增幅。於中國內地的投資步伐加快增強了業務間的協同效應，提升了活畜養殖、屠宰、肉食加工、冷藏、物流及分銷業務上的競爭優勢。與此同時，內地活畜養殖業務亦對香港活畜供應及國內肉類加工業務提供強而有力的支援。

遠洋捕撈及水產品加工業務通過拓展非洲和中國內地市場、改善產品結構，使銷售量有所上升。此外，受惠於燃料價格下調及調配不同區域間的船舶資源、增加資源分享和改善效能等措施，經營成本得以舒緩，令整體毛利改善，因此於回顧期內錄得滿意的溢利貢獻。

未來本集團將繼續完善其安全食品的供應鏈體系，並透過內涵式發展和收購兼併，使本集團成為集食品研發、生產加工及批發零售於一體的優秀安全食品供應商。

Review of Operations (continued)

Food Processing and Distribution (continued)

The Hong Kong government announced the result of an international open tender for operating and managing the abattoir in Sheung Shui in April this year, and the Group successfully renewed the contract right to operate and manage the abattoir for a maximum of another ten years. During the new operation period, the Group will continue to improve the food safety system of its Hong Kong fresh meat market through further innovation and enhancement of management quality as well as generating the synergy with its livestock-related businesses for value creation. In view of the global outbreak of H1N1 Influenza A earlier this year, the division has formulated measures to minimize the possible impact on its business.

The Chinese Mainland's market will become a key area of our growth on the back of a stable development of the Hong Kong market. Our active expansion in meat processing, branded food processing and distribution businesses in the Chinese Mainland delivered encouraging growth in operating results during the period under review. Satisfactory growth was recorded in the mainland slaughtering volume of live pigs as well as turnover of meat processing and assorted foodstuff business. The accelerated pace of investments in the Chinese Mainland has strengthened the synergy among different operations and enhanced the Group's competitive edge in livestock raising, slaughtering, meat processing, cold storage, logistics and sales distribution. At the same time, livestock raising business in the Chinese Mainland also provided strong support to the division's livestock supply to Hong Kong and mainland meat processing business.

Expansion in the markets of Africa and the Chinese Mainland as well as enhancement of product mix helped raise the sales volume of the marine fishing and aquatic products processing operation. In addition, benefiting from the drop in fuel prices and measures like rearranging shipping resources in different districts, promoting resource sharing and enhancing efficiency that eased operating costs pressure, overall gross profit improved, resulting in satisfactory profit contribution for the period under review.

In the future, the Group will continue to improve its supply chain of safe food and capitalize on organic expansion and acquisition so as to become an outstanding safe food supplier with integrated research and development, processing, wholesaling and retailing.

業務回顧(續)

投資物業

投資物業業務主要包括零售店舖的物業租務。本業務於二零零九年上半年的營業額為港幣266,000,000元，較二零零八年同期增加29.8%。二零零九上半年的應佔溢利為港幣321,000,000元。剔除約港幣125,000,000元的稅後估值盈餘(二零零八年上半年：約港幣375,000,000元)及於二零零八年上半年因香港利得稅率下調而減少之遞延稅項負債約港幣52,000,000元後，本業務於二零零九年上半年的應佔溢利較二零零八年同期應增加41.0%。

受惠於尖沙嘴新港中心物業的新租約，本業務於回顧期內的租金收入顯著上升。其他零售物業之租金及出租率也錄得輕微增長。

展望未來，香港零售市場受到金融危機的影響將逐步減輕，加上優質零售舖位供應有限，將有助舒緩其對核心購物區零售租金的衝擊。本業務將不時檢討旗下零售物業翻新工程的潛力，以提升租金收入。

紡織

紡織業務於二零零九年上半年的營業額為港幣2,211,000,000元，較二零零八年同期減少10.2%。回顧期內的應佔虧損為港幣67,000,000元，二零零八年同期則錄得應佔溢利港幣66,000,000元。

隨著全球經濟下滑，紡織品出口持續萎縮。根據中國海關統計的數據，今年上半年紡織品及服裝出口金額按年下降10.9%。為應對出口持續放緩的不利市況，本業務於回顧期內不但調整產品結構以開拓內銷市場，而且採取降價促銷政策以爭取市場份額，令本年第二季度的整體銷售量止跌回升，減緩回顧期內整體營業額的跌幅。不過，本集團為已計劃關閉的一間印染廠作出計提損失撥備，此為令本業務於回顧期內錄得經營虧損的主要原因。

展望下半年本業務的經營環境仍充滿挑戰和不明朗，本集團將繼續加強成本控制措施、積極拓展新市場以增加銷售及更致力研發新技術和新產品，以持續優化產品組合，從而提升本業務長遠的盈利能力。

Review of Operations (continued)

Investment Property

The investment property division, which mainly comprises retail property rental segment, reported turnover of HK\$266 million for the first half of 2009, representing an increase of 29.8% over the same period of 2008. Attributable profit for the first half of 2009 amounted to HK\$321 million. Excluding the after-tax revaluation surplus of approximately HK\$125 million (First half of 2008: approximately HK\$375 million) and the decrease in deferred tax liabilities of approximately HK\$52 million resulted from the reduction in the Hong Kong profits tax rate in the first half of 2008, attributable profit of the division for the first half of 2009 would increase by 41.0% over the same period of 2008.

Benefiting from new tenancy agreements of the Group's Silvercord property in Tsimshatsui, the division recorded considerable growth in rental income for the period under review. Other retail properties also recorded slight increases in rental and occupancy rates.

Looking forward, the impact on retail market sentiment in Hong Kong caused by the financial crisis will be lessened. The limited supply of prime retail space should also help lessen its impact on the retail rental level of core shopping districts. The division will review its retail properties for renovation potential from time to time with a view to enhancing rental income.

Textile

Turnover of the textile division for the first half of 2009 was HK\$2,211 million, representing a decrease of 10.2% over the same period of 2008. Attributable loss for the period under review amounted to HK\$67 million, compared to an attributable profit of HK\$66 million for the same period of 2008.

Exports of textile products continued to contract because of the global economic downturn. According to the statistics of the China Customs, the year-on-year decrease in the value of exports of textile products and garment was 10.9% in the first half of the year. To address the continual slump in exports, the division not only adjusted its product mix to explore domestic market, but also adopted discounted sales strategy to gain market share during the period under review. Thus, overall sales volume rebounded in the second quarter of the year, easing the decrease in overall turnover for the period under review. However, a provision for the planned closure of a dyeing factory mainly contributed to the operating loss of the division for the period under review.

The operating environment of the division is still full of challenges and uncertainties for the second half of the year. The Group will continue to tighten its cost control measures, actively explore new markets to increase sales and devote more efforts to the research and development of new technology and new products for constant product mix enrichment in order to boost profitability of the operation in the long run.

業務回顧(續)

投資及其他業務

本業務於二零零九年上半年的應佔溢利為港幣151,000,000元(二零零八年上半年:港幣190,000,000元)。

貨櫃碼頭

本集團擁有HIT Investments Limited和Hutchison Ports Yantian Investments Limited的10%權益。於回顧期內,香港及鹽田深水港業務的表現受到內地出口下滑的不利影響。

財務回顧

資金及融資

於二零零九年六月三十日,本集團的綜合現金及銀行結存達港幣9,349,000,000元。本集團於二零零九年六月三十日的借貸為港幣13,785,000,000元,其中港幣4,732,000,000元須於一年內償還,港幣9,050,000,000元須於一年後但五年內償還,另港幣3,000,000元則須於五年後償還。

於二零零九年六月三十日,按借貸淨額比對股東資金及少數股東權益計算,本集團的負債比率約為12.5%(二零零八年十二月三十一日:18.7%)。

本集團的主要資產、負債、收益及付款均以港幣、人民幣及美元結算。於二零零九年六月三十日,本集團現金存款結餘分別有18.1%以港幣、69.1%以人民幣及11.7%以美元持有。本集團借貸中68.8%及25.1%分別以港幣及人民幣結算,6.1%則以美元為單位。

資產抵押

於二零零九年六月三十日,本集團已抵押賬面淨值為港幣697,000,000元(二零零八年十二月三十一日:港幣289,000,000元)的資產,以獲取銀行借貸及應付票據。

或然負債

於二零零九年六月三十日,本集團並無任何重大或然負債。

Review of Operations (continued)

Investments and Others

Attributable profit for first half of 2009 amounted to HK\$151 million (First half of 2008: HK\$190 million).

Container Terminal

The Group has a 10% interest in HIT Investments Limited and Hutchison Ports Yantian Investments Limited. Performance of the Hong Kong and Yantian deepwater port operations was adversely affected by the declining exports from the Chinese Mainland during the period under review.

Financial Review

Capital and Funding

As at 30 June 2009, the Group's consolidated cash and bank balance amounted to HK\$9,349 million. The Group's borrowings as at 30 June 2009 were HK\$13,785 million with HK\$4,732 million repayable within 1 year, HK\$9,050 million repayable after 1 year but within 5 years and HK\$3 million repayable after 5 years.

On the basis of the Group's net borrowings relative to the shareholders' funds and minority interests, the Group's gearing was approximately at 12.5% as at 30 June 2009 (31 December 2008: 18.7%).

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 30 June 2009, 18.1% of the Group's cash deposit balances was held in Hong Kong dollars, 69.1% in Renminbi and 11.7% in US dollars; whereas 68.8% of the Group's borrowings was denominated in Hong Kong dollars and 25.1% in Renminbi and 6.1% in US dollars.

Pledge of Assets

As at 30 June 2009, assets with a carrying value of HK\$697 million (31 December 2008: HK\$289 million) were pledged for bank borrowings and notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2009.

財務回顧(續)

僱員

於二零零九年六月三十日，除聯營公司以外，本集團聘用約149,000人，其中逾95%在中國內地僱用，其餘的主要駐守香港及海外。本集團僱員的薪酬按其工作性質、個別表現及市場趨勢釐定，並輔以各種以現金支付之獎勵。

承董事會命
董事總經理
陳朗

香港，二零零九年九月三日

Financial Review (continued)

Employees

As at 30 June 2009, the Group, excluding its associated companies had a staff size around 149,000, amongst which more than 95% being employed in the Chinese Mainland, whilst the rest mainly in Hong Kong and overseas. Remuneration packages are assessed in accordance to the nature of job duties, individual performance and market trends with built-in merit components, paid in the form of cash bonuses.

By order of the Board
CHEN LANG
Managing Director

Hong Kong, 3 September 2009