

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%



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 (%)	% change
Core businesses					
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
Other businesses					
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



Earnings Breakdown - by Divisions

Year end 31 Dec	Q1 2008 HK\$m	Prop (%)	Q1 2007 HK\$m	Prop (%)	% change
Core businesses					
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
Other businesses					
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

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Underlying Net Profit Breakdown - by Divisions

Year end 31 Dec	Q1 2008	Prop	Q1 2007	Prop	% change
	HK\$m	(%)	HK\$m	(%)	
Core businesses					
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
Other businesses					
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	540	400	070	70	07
continuing businesses	516	100	378	76	+37



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
Turnover			
- Supermarket	8,627	6,328	+36
- Brand-fashion	712	478	+49
- Other retail stores	238	189	+26
	9,577	6,995	+37
Earnings			
- Supermarket	187	130	+44
- Brand-fashion	53	23	+130
- Other retail stores	28	15	+87
	268	168	+60



Retail

Supermarket turnover, EBITDA and earnings breakdown

Year end 31 Dec	Q1 2008 HK\$m	Q1 2007 HK\$m	% change
Turnover			
- HK	605	559	+8
- China	8,022	5,769	+39
	8,627	6,328	+36
EBITDA			
- HK	71	44	+61
- China	378	276	+37
 option expenses 	(0)	(1)	-100
	449	319	+41
Earnings	50	0.5	400
- HK	52	25	+108
- China	135	106	+27
- option expenses	(0)	(1) 130	-100 +44
EBITDA margin (%)	107	130	T44
- overall	5.2	5.0	+0.2ppt
- HK	11.7	7.9	+3.8ppt
- China	4.7	4.8	-0.1ppt
Net margin (%)		0.4	0.4
- overall	2.2	2.1	+0.1ppt
- HK - China	8.6	4.5	+4.1ppt
- Gnina	Summary of Q1 2008 R	esults 1.8	-0.1ppt
	. 		



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



Beverage

A solid platform for higher profitability during the peak seasons

Breakdown of beverage turnover and earnings

Year end 31 Dec	Q1 2008	Q1 2007	% change
	HK\$m	HK\$m	
Turnover			
- beer	2,890	2,124	+36
- water	270	176	+53
	3,160	2,300	+37
Attributable earnings to CRE			
- 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

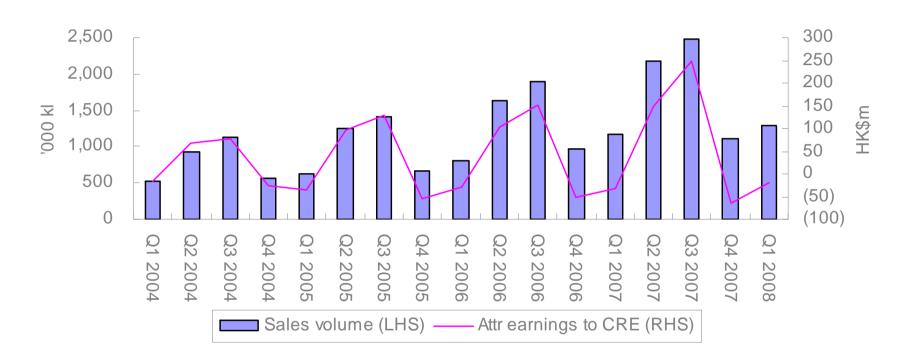
Year end 31 Dec	Q1 2008	Q1 2007	% change
	HK\$m	HK\$m	
Turnover			
- Existing breweries (incl inter-co transactions)	2,660	2,099	+27
- New breweries	231	25	+824
	2,890	2,124	+36
Attributable earnings to CR Snow			
- Existing breweries (incl overheads and others)	(38)	(69)	-45
- New breweries	(25)	1	-2,600
	(62)	(69)	-10
Net margin			
- 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



Beverage

Seasonality of sales volume and profitability





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



Appendix - Calculation of Underlying Net Profit

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

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



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