

For Immediate Release

Press Release

- **Turnover grew by 21% to HK\$65.4 billion and earnings rose by 25% to HK\$2,776 million, both are new highs**
- **Underlying net profit was up 30% to HK\$1,845 million with strong organic growth across most of our operations**
- **Final dividend of HK\$0.26 proposed, bringing the full year dividend to HK\$1.4, a 2.7 times increase from last year**

China Resources Enterprise Announced Final Results for 2006

Parallel Efforts with a Common Goal

[Hong Kong, 4 April 2007] China Resources Enterprise, Limited (HKEx: 0291) ('The Company' or together with its subsidiaries, 'The Group') announced its final results for the twelve months ended 31 December 2006 today. Consolidated turnover was up 21% to another new high of HK\$65.4 billion. Profit attributable to the Company's shareholders rose 25% to a record HK\$2,776 million. Excluding the net-of-tax effect of investment property revaluation and major disposals, which led to aggregate gains of HK\$931 million, underlying net profit increased by 30% with strong organic growth across most of our operations. Earnings per share grew 17% to HK\$1.19. The Board of Directors proposed a final dividend of HK\$0.26 per share. Together with the interim dividend of HK\$0.14 per share and the special dividend of HK\$1 per share paid in December 2006 following the disposal of the piped gas and chemical distribution businesses, the full year cash dividend will be HK\$1.4 per share. This represents a 268% increase over 2005. The basic dividend payout ratio edged up to 41.1% from 39.2% in 2005.

Retail business reported overall encouraging profitability improvement. Earnings soared 103% to HK\$217 million on a 26% turnover growth fuelled by the strong performance of the supermarket operation, which posted a 181% increase in attributable profit to HK\$152 million. EBITDA of the supermarket operation also grew 34% to HK\$773 million. Strong same store growth of 8%, stable gross margin and lower expense ratio accounted for the profit growth. We operated over 2,100 supermarket stores in mainland China and Hong Kong at the end of December 2006, of which about 48% were self-operated and the rest franchised.

Beverage business continued its growth momentum in 2006 with a 28% increase in earnings to HK\$174 million. Turnover was up 38% with beer sales volume reaching 5.3 million kiloliters, turning the Group into the largest brewer on the mainland. Our national beer brand "SNOW" delivered superior achievement during the year; sales volume surged 92% to 3.0 million kiloliters, further consolidating its position as the single



largest brand on the mainland. It accounted for 57% of the total beer sales volume. Successful brand positioning and marketing strategies coupled with market consolidation were the contributory factors.

Food processing and distribution business reported a 23% growth in underlying net profit driven by foodstuff distribution and marine fishing divisions. Our efforts to promote “Ng Fung” brand as high quality fresh meat have gained wide recognition from local consumers amidst growing concerns over food safety. Marine fishing turned around amidst high fuel price due to increase in sales volume, improved aquatic products mix and various cost saving measures. Our mainland meat processing projects in Shenzhen and Shanghai also performed well; and we have developed a competent supply chain from pig sourcing, slaughtering, meat production to retailing in these two cities.

Confronted by a challenging operating environment which was partly due to the restrictive quotas imposed on mainland textile products, our textile business reported a 25% drop in earnings to HK\$61 million. However, there is robust market demand for our high-end products in particular the MAKO yarns following implementation of our technology upgrade program.

Turnover of our investment property portfolio increased by 17% to HK\$349 million, mainly because of a 6% increase in average retail rent and the initial contribution from the newly renovated property on the Hennessy Road. The petroleum and related products distribution business reported a 26% increase in recurring earnings to HK\$519 million attributable to the improvement of profitability in the mainland piped gas and chemical distribution businesses. On 14 March 2007, we entered into a framework agreement to dispose of our petroleum distribution business in Hong Kong.

Managing Director of the Company, Mr. Mark Chen, said, “2006 was a remarkable year for our core consumer businesses with encouraging profit increase in our retail business and a major leap in the market position of our brewery business. Underlying net profit growth of our food business was also the strongest in recent years. We will press ahead with our business strategies to capitalize on the huge growth potential in the mainland consumer market.”

Chairman, Mr. Song Lin, also said, “Many records and milestones were realized in 2006, and we gained significant strides towards our objective of becoming the largest consumer company in China. Our parallel efforts to expand core consumer businesses and divest non-core assets have a common goal – to improve shareholder return. We are committed to delivering excellence through concerted efforts of a team of talent.”

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About China Resources Enterprise, Limited

China Resources Enterprise, Limited is listed on the Hong Kong Stock Exchange and is also traded on SEAQ International of the London Stock Exchange. It is one of the constituent stocks of the Hang Seng Index in Hong Kong. The Group focuses on the consumer businesses in both the Chinese Mainland and Hong Kong, with core activities being retail, beverage, food processing and distribution, textile and property investment.

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Full details of our Final Results 2006 will be posted on The Standard, Hong Kong Economic Journal and Wen Wei Po on 10 April 2007 and the corporate web site at www.cre.com.hk.



FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2006 HK\$ million	2005 (Restated) ³ HK\$ million
Turnover	65,437	53,891
Profit attributable to shareholders of the Company	2,776	2,220
Basic earnings per share ¹ (HK\$)	\$1.19	\$1.02
Dividend per share (HK\$)		
Interim	\$0.14	\$0.13
Final	\$0.26	\$0.25
	\$0.40	\$0.38
- Special interim	\$1.00	-
	At 31 December 2006 HK\$ million	At 31 December 2005 (Restated)³ HK\$ million
Equity attributable to shareholders of the Company	19,141	18,196
Minority interests	5,824	4,747
Total equity	24,965	22,943
Consolidated net borrowings	1,781	3,283
Gearing ratio ²	7.1%	14.3%
Current ratio	1.08	1.12
Net assets per share: book value (HK\$)	\$8.12	\$8.15

Notes:

1. Basic earnings per share have been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the year.
2. Gearing ratio represents the ratio of consolidated net borrowings to total equity.
3. The Group has changed its accounting policy on jointly controlled entities to proportionate consolidation for the financial period commencing from 1 January 2006. The new accounting policy has been applied retrospectively and certain 2005 comparative figures are restated accordingly. However, the change in accounting policy would not have any impact on the consolidated net assets as at 31 December 2005 and the consolidated net profit for the year ended 31 December 2005.



ANALYSIS OF TURNOVER AND PROFIT

For the year ended 31 December

	2006 HK\$ million	2005 (Restated) ³ HK\$ million
Turnover by segment		
Core Businesses		
- Retail	20,418	16,202
- Beverage	9,455	6,855
- Food Processing and Distribution	6,092	5,624
- Textile	4,453	4,291
- Investment Property	349	299
Subtotal	<u>40,767</u>	<u>33,271</u>
Other Businesses		
- Petroleum and Related Products Distribution	25,100	20,847
- Investments and Others	-	-
Subtotal	<u>25,100</u>	<u>20,847</u>
	65,867	54,118
Elimination of inter-segment transactions	(430)	(227)
Total	<u>65,437</u>	<u>53,891</u>
Profit attributable to shareholders by segment		
Core Businesses		
- Retail	217	107
- Beverage	174	136
- Food Processing and Distribution	435	414
- Textile	61	81
- Investment Property	647	690
Subtotal	<u>1,534</u>	<u>1,428</u>
Other Businesses		
- Petroleum and Related Products Distribution	1,002	624
- Investments and Others	421	356
Subtotal	<u>1,423</u>	<u>980</u>
	2,957	2,408
Net corporate interest and expenses	(181)	(188)
Total	<u>2,776</u>	<u>2,220</u>



ANALYSIS OF PROFIT ATTRIBUTABLE TO SHAREHOLDERS EXCLUDING THE EFFECT OF INVESTMENT PROPERTY REVALUATION AND MAJOR DISPOSAL OF NON-CORE ASSETS / INVESTMENTS

	For the year ended 31 December	
	2006 HK\$ million	2005 (Restated) ³ HK\$ million
Core Businesses		
- Retail	203	90
- Beverage	174	136
- Food Processing and Distribution ⁴	435	355
- Textile	59	78
- Investment Property ⁵	215	182
Subtotal	<u>1,086</u>	<u>841</u>
Other Businesses		
- Petroleum and Related Products Distribution ⁶	519	411
- Investments and Others	421	356
Subtotal	<u>940</u>	<u>767</u>
	2,026	1,608
Net corporate interest and expenses	<u>(181)</u>	<u>(188)</u>
Total	<u>1,845</u>	<u>1,420</u>

Note:

- Net gain on disposal of an associated company amounting to approximately HK\$59 million has been excluded in the 2005 results of the Food Processing and Distribution division.
- Net valuation surplus and disposal gains of certain non-core investment properties with an aggregate amount of HK\$432 million (2005: HK\$508 million) have been excluded in the results of the Investment Property division.
- Net gain on disposal of an investment and net valuation surplus with an aggregate amount of HK\$483 million (2005: HK\$213 million) have been excluded in the results of the Petroleum and Related Products Distribution division.