

China Resources Enterprise, Limited

Financial and Operational Review

Q1 2007

23 May 2007





Q1 2007 Results Highlights

- Turnover grew by 14% to HK\$17.5bn and earnings rose by 10% to HK\$740m
- Underlying net profit was up 27% to HK\$497m with strong organic growth across most of our operations
- Earnings contribution from retail business increased by 32% to HK\$168m underpinned by solid growth of the supermarket
- Beverage business reported sales volume growth of 43% paving solid platform for the peak beer sale seasons
- Earnings of food business increased by 7% to HK\$108m with growth in profitability at foodstuff distribution and marine fishing operations
- Textile business delivered improved results and earnings were up 78% to HK\$32m through product mix enhancement
- Petroleum business recorded a 49% profit growth to HK\$119m whilst investment property business had stable profit contribution



Turnover Breakdown - by Divisions

Year end 31 Dec	Q1 2007 HK\$m	Prop (%)	Q1 2006 HK\$m	Prop (%)	% change
<u>Core businesses</u>					
Retail	6,995	40	5,449	35	+28
Beverage	2,300	13	1,512	10	+52
Food processing and distribution	1,641	9	1,408	9	+17
Textile	1,070	6	1,020	7	+5
Investment property	90	1	83	1	+8
<u>Other businesses</u>					
Petroleum and related products	5,416	31	5,960	39	-9
	17,512	100	15,432	100	+13
Less: inter-co transactions	(59)		(55)		+7
Turnover	17,453		15,377		+14
Turnover from core businesses	12,096	69	9,472	61	+28

Summary of Q1 2007 Results



Earnings Breakdown - by Divisions

Year end 31 Dec	Q1 2007 HK\$m	Prop (%)	Q1 2006 HK\$m	Prop (%)	% change
<i>Core businesses</i>					
Retail	168	22	127	18	+32
Beverage	(32)	(4)	(29)	(4)	+10
Food processing and distribution	108	14	101	14	+7
Textile	32	4	18	2	+78
Investment property	296	38	339	47	-13
<i>Other businesses</i>					
Petroleum and related products	119	15	80	11	+49
Investment & others	88	11	88	12	-0
	779	100	724	100	+8
Net corporate interest & expenses	(39)		(50)		-22
Earnings	740		674		+10
Earnings from core businesses	572	73	556	77	+3

Summary of Q1 2007 Results



Underlying Net Profit Breakdown - by Divisions

Year end 31 Dec	Q1 2007 HK\$m	Prop (%)	Q1 2006 HK\$m	Prop (%)	% change
<i>Core businesses</i>					
Retail	168	31	127	29	+32
Beverage	(32)	(6)	(29)	(7)	+10
Food processing and distribution	108	20	101	23	+7
Textile	30	6	18	4	+67
Investment property	55	10	56	13	-2
<i>Other businesses</i>					
Petroleum and related products	119	22	80	18	+49
Investment & others	88	16	88	20	+0
	536	100	441	100	+21
Net corporate interest & expenses	(39)		(50)		-22
Underlying net profit	497		391		+27
Underlying net profit from core businesses	329	61	273	62	+21

Summary of Q1 2007 Results





Retail

- Encouraging improvement in profitability led by the supermarket operation

Retail business turnover and earnings breakdown

Year end 31 Dec	Q1 2007 HK\$m	Q1 2006 HK\$m	% change
Turnover			
- Supermarket	6,328	4,857	+30
- Retail stores in HK	189	174	+9
- Brand-fashion in China	478	418	+14
	6,995	5,449	+28
Earnings			
- Supermarket	130	101	+28
- Retail stores in HK	15	14	+7
- Brand-fashion in China	23	11	+109
	168	127	+32

Summary of Q1 2007 Results



Retail

Supermarket turnover, EBITDA and earnings breakdown

Year end 31 Dec	Q1 2007 HK\$m	Q1 2006 HK\$m	% change
Turnover			
- HK	559	585	-4
- China	5,769	4,273	+35
	6,328	4,857	+30
EBITDA			
- HK	44	49	-11
- China	276	222	+24
- option expenses	(1)	(2)	-74
	319	270	+18
Earnings			
- HK	25	27	-7
- China	105	76	+38
- option expenses	(1)	(2)	-74
	130	101	+28
EBITDA margin (%)			
- overall	5.0	5.6	-0.6ppt
- HK	7.8	8.4	-0.6ppt
- China	4.8	5.2	-0.4ppt

Summary of Q1 2007 Results





Retail

- High same store growth in China underpins overall improvement

Same store growth trend

	Q1 2007	FY2006	FY2005	FY2004	FY2003
	%	%	%	%	%
China (in HK\$)	+14.4	+9.6	+5.9	+5.9	+0.7
- CR Vanguard	+16.3	+9.2	+3.0	+0.9	-4.0
- Suguo	+12.3	+10.1	+10.0	+14.6	+7.8
Hong Kong (in HK\$)	+0.4	-0.9	-3.2	-5.0	-1.6
Overall supermarket (in HK\$)	+13.0	+8.2	+4.4	+3.7	+0.1
China (in constant currency)	+8.7	+6.7	+4.8	+5.9	+0.7
Overall supermarket (in constant currency)	+7.9	+5.6	+3.6	+3.7	+0.1

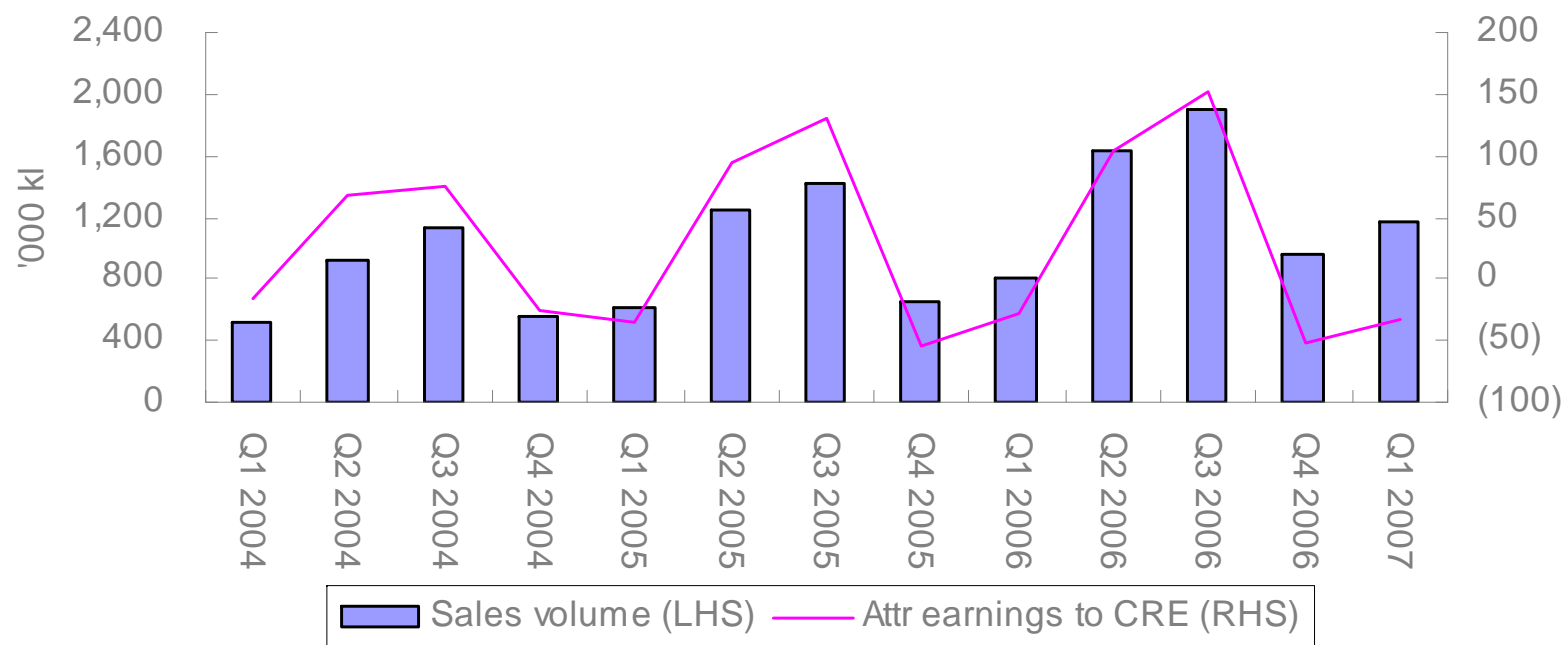
Summary of Q1 2007 Results





Beverage

Seasonality of sales volume and profitability



Summary of Q1 2007 Results



Appendix I - Calculation of Underlying Net Profit

Year end 31 Dec	Q1 2007 HK\$m	Q1 2006 HK\$m
Earnings	740	674
<i><u>Adjustments</u></i>		
Investment property revaluation *	243	283
	<hr/> 243	<hr/> 283
Underlying net profit	497	391

* Of which HK\$241m in Q1 2007 and HK\$283m in Q1 2006 is under Investment Property division

Summary of Q1 2007 Results



