



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

### Summary of Q1 2007 Results





## Turnover Breakdown - by Divisions

Year end 31 Dec	Q1 2007 HK\$m	Prop (%)	Q1 2006 HK\$m	Prop (%)	% change
<b><i>Core businesses</i></b>					
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
<b><i>Other businesses</i></b>					
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
<b><u>Core businesses</u></b>					
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
<b><u>Other businesses</u></b>					
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
<b><u>Core businesses</u></b>					
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
<b><u>Other businesses</u></b>					
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
<b>Turnover</b>			
- 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
<b>Earnings</b>			
- 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
<b>Turnover</b>			
- HK	559	585	-4
- China	5,769	4,273	+35
	6,328	4,857	+30
<b>EBITDA</b>			
- HK	44	49	-11
- China	276	222	+24
- option expenses	(1)	(2)	-74
	319	270	+18
<b>Earnings</b>			
- HK	25	27	-7
- China	105	76	+38
- option expenses	(1)	(2)	-74
	130	101	+28
<b>EBITDA margin (%)</b>			
- 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

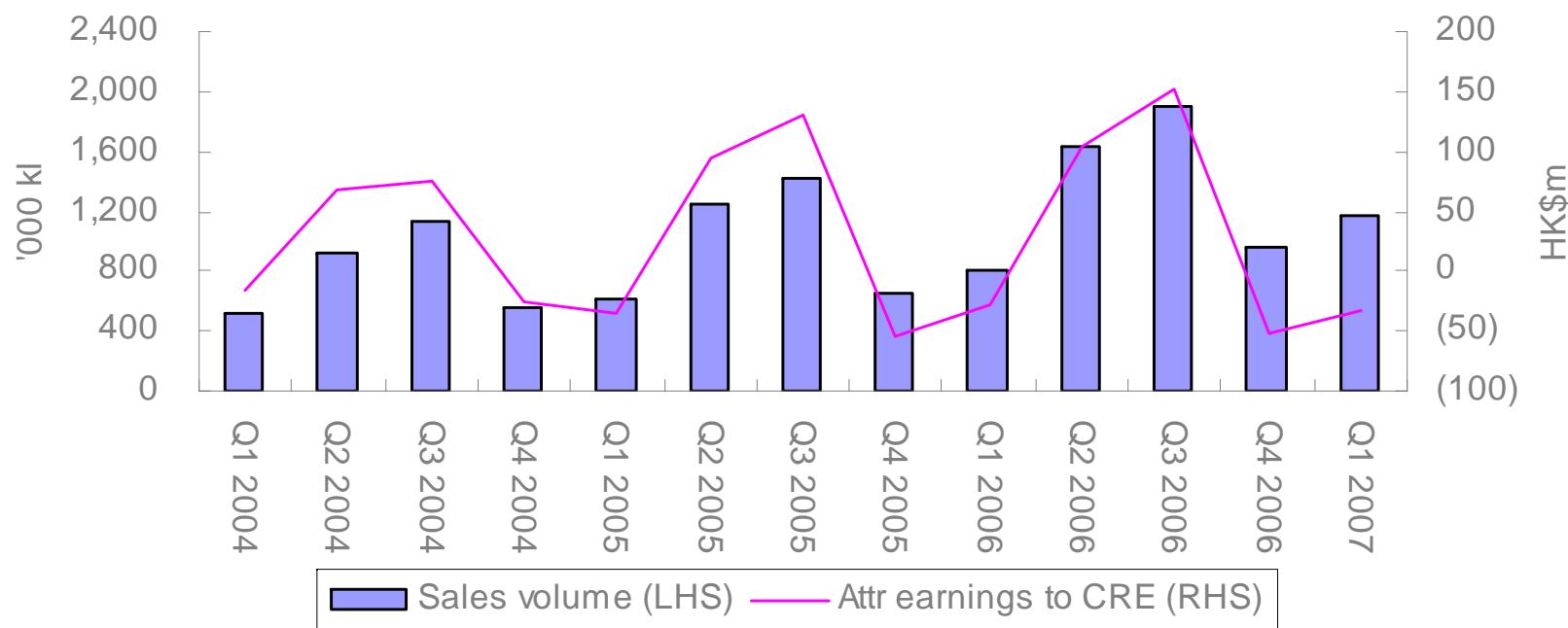
### Summary of Q1 2007 Results





## 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
<b>Earnings</b>	740	674
<b><u>Adjustments</u></b>		
Investment property revaluation *	243	283
	243	283
<b>Underlying net profit</b>	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





## Disclaimer

Data and information contained in this presentation is provided for informational purposes only. Neither China Resources Enterprise, Limited nor any of its subsidiaries shall be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

This presentation and subsequent discussion may contain forward-looking statements that are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of China Resources Enterprise, Limited about its business and the industry and markets in which it operates. These forward-looking statements include, without limitation, statements relating to revenues, earnings and stock performance. The words "believe", "intend", "expect", "anticipate", "project", "estimate", "predict" and similar expressions are also intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, development outcomes, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, project delay, project approval, cost estimates and other risks, which are beyond the control of China Resources Enterprise, Limited and are difficult to predict. Consequently, actual results could differ materially from those expressed or forecasted in the forward-looking statements.

## Summary of Q1 2007 Results

