

**For Immediate Release  
Press Release**

**China Resources Enterprise Announced Unaudited Quarterly Review For Q3 2005**

[Hong Kong, 21 November, 2005] China Resources Enterprise, Limited (HKEx: 0291) ('The Company' or together with its subsidiaries, 'The Group') today announced its unaudited financial and operational review for the third quarter and the nine months ended 30 September, 2005. Consolidated turnover for the third quarter and the nine months ended 30 September, 2005 amounted to approximately HK\$14.1 billion and HK\$39.4 billion respectively, representing an increase of 14% and 12% over the same period of last year. Profit attributable to Company's shareholders for the third quarter of 2005 rose 98% to HK\$605 million whereas that for the nine months ended 30 September, 2005 rose 78% to HK\$1,868 million. Excluding the effect of revaluation of investment properties, underlying net profit for the third quarter and the first nine months of 2005 was 98% and 47% higher than that in the same period of 2004. All operations under management showed improvement in profitability during the nine-month period under review.

The pace of expansion for the Group's retail division in the mainland remained robust and the market in Hong Kong has shown continued improvement in consumer sentiment. Earnings of the retail business for the third quarter and the first nine months of 2005 amounted to HK\$2 million and HK\$107 million, compared with a HK\$4 million loss and HK\$59 million profit for the same period of 2004. The three operations, including supermarket, brand-fashion distribution and retail stores in Hong Kong, reported profit growth of 156%, 64% and 15% respectively for the nine months ended 30 September, 2005.

Earnings of the beverage business for the third quarter and the first nine months of 2005 was HK\$130 million and HK\$190 million respectively, reflecting a year-on-year increase of 71% and 48%. Sales volume of beer rose by 28% to approximately 3.29 million kilolitres for the first nine months of 2005, of which organic sales volume growth was 14%. Our "SNOW" beer continued to enjoy rising popularity, with a 47% increase in sales volume for the nine-month period under review to approximately 1.28 million kilolitres, representing 39% of total volume sold. Substantial improvements were achieved at the two major newly acquired breweries in Jiangsu and Zhejiang in the third quarter and both reported cumulative profit for the first three quarters of this year.

Food distribution business reported respective earnings of HK\$88 million and HK\$335 million for the third quarter and the first nine months of 2005. Recurring profit for the third quarter and the first nine months of 2005 remained comparable to and increased by 8% over the corresponding period of 2004. The



improvement in gross margin helped offset the drop in demand for livestock during the third quarter as a result of the outbreak of the pig-borne disease in certain mainland provinces.

Textile business continued its recovery with earnings contribution for the third quarter and the first nine months amounted to HK\$25 million and HK\$81 million, compared to attributable loss of HK\$60 million and HK\$18 million over the corresponding period of 2004 respectively. There was sustainable growth in sales volume for the third quarter of 34% in yarns, 19% in fabric and 39% in garments.

With effective hedging measures and encouraging profit contributions from the piped gas projects, earnings of the petroleum business for the third quarter and the first nine months of 2005 amounted to HK\$168 million and HK\$471 million respectively. Excluding the gain from the disposal of our remaining stake in Qingdao Qirun Petrochemical Co., Ltd., year-on-year growth in earnings would have been 155% and 86% respectively. Overall gross margin increased by about 1 percentage point over the same period in 2004.

With an objective of becoming the largest consumer company in China, the Group has been restructuring and divesting its non-core businesses so as to shift its focus to the core consumer businesses. As part of such restructuring program, the Group has been assessing the feasibility of various alternatives for the petroleum and chemical distribution business, one of the remaining non-core businesses. The Group has appointed a financial advisor to advise the feasibility of various proposals, including but not limited to an introduction of a strategic investor for part of this business.

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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 also one of the constituent stocks of the Hang Seng Index in Hong Kong and Hang Seng London Reference Index. The Group focuses on the consumer businesses in both Hong Kong and the Chinese Mainland, with core activities being retail, beverage, food processing and distribution, textile and property.

For further information, please contact:

Mr. Francis Kwong  
Executive Director  
China Resources Enterprise, Limited  
Tel: +852 2829 9816  
Fax: +852 2598 8453  
Email: [francis.kwong@cre.com.hk](mailto:francis.kwong@cre.com.hk)

Full details of our Quarterly Review will be posted on The Standard and Hong Kong Economic Journal on 22 November, 2005 and the corporate web site at [www.cre.com.hk](http://www.cre.com.hk). Information can also be accessed via [www.irasia.com](http://www.irasia.com).

## FINANCIAL HIGHLIGHTS

|   | Three months ended<br>30 September |                                   | Nine months ended<br>30 September |                                   |
|---|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|   | 2005<br>(Unaudited)                | 2004<br>(Unaudited &<br>Restated) | 2005<br>(Unaudited)               | 2004<br>(Unaudited &<br>Restated) |
|   | HK\$'000                           | HK\$'000                          | HK\$'000                          | HK\$'000                          |
| Turnover  | <b>14,128,436</b>                  | 12,389,030                        | <b>39,383,996</b>                 | 35,029,664                        |
| Net profit attributable to shareholders<br>of the Company | <b>605,151</b>                     | 306,146                           | <b>1,867,511</b>                  | 1,046,735                         |
| Basic earnings per share                                  | <b>N/A</b>                         | N/A                               | <b>HK\$0.86</b>                   | HK\$0.50                          |

|  | At 30 September 2005<br>(Unaudited) | At 31 December 2004<br>(Unaudited &<br>Restated) |
|--|-------------------------------------|--|
|  | HK\$'000                            | HK\$'000   |
| Equity attributable to shareholders of the Company | <b>18,017,425</b>                   | 15,124,827                                       |
| Minority interests                                 | <b>4,792,121</b>                    | 4,811,653  |
| <b>Total Equity</b>                                | <b>22,809,546</b>                   | 19,936,480                                       |
| Consolidated net borrowings                        | <b>2,482,883</b>                    | <b>4,980,613</b>                                 |
| Gearing ratio <sup>2</sup>                         | <b>10.89%</b>                       | <b>25.00%</b>                                    |
| Current ratio                                      | <b>1.11</b>                         | <b>1.26</b>                                      |
| Net assets per share of the Company:<br>Book value | <b>HK\$8.12</b>                     | <b>HK\$7.12</b>                                  |

### Notes:

- The accounting policies used in the preparation of the financial and operational review for the period ended 30 September 2005 are consistent with those used in the interim financial statements for the six months ended 30 June 2005. Details of the accounting policies are set out in the 2005 Interim Report.
- Gearing ratio represents the ratio of consolidated net borrowings to total equity.

## ANALYSIS OF TURNOVER AND PROFIT

|   | Three months ended<br>30 September |   | Nine months ended<br>30 September |   |
|---|------------------------------------|---|-----------------------------------|---|
|   | 2005<br>(Unaudited)<br>HK\$'000    | 2004<br>(Unaudited<br>& Restated)<br>HK\$'000 | 2005<br>(Unaudited)<br>HK\$'000   | 2004<br>(Unaudited<br>& Restated)<br>HK\$'000 |
| <b>Turnover by Segment</b>                |                                    |   |                                   |   |
| <b>Core Businesses</b>                    |                                    |   |                                   |   |
| - Retail                                  | 4,020,182                          | 3,472,812                                     | 11,950,519                        | 10,346,293                                    |
| - Beverage                                | 2,437,663                          | 1,783,662                                     | 5,641,936                         | 4,082,696                                     |
| - Food Processing and Distribution        | 1,403,883                          | 1,468,112                                     | 4,240,122                         | 4,160,282                                     |
| - Textile                                 | 1,105,907                          | 931,311                                       | 3,164,528                         | 2,632,060                                     |
| - Property                                | 76,815                             | 74,898  | 223,838                           | 231,779                                       |
| <b>Subtotal</b>                           | <b>9,044,450</b>                   | <b>7,730,795</b>                              | <b>25,220,943</b>                 | <b>21,453,110</b>                             |
| <b>Other Businesses</b>                   |                                    |   |                                   |   |
| - Petroleum and Chemical Distribution     | 5,146,031                          | 4,714,280                                     | 14,334,011                        | 13,710,570                                    |
| - Investments and Others                  | -                                  | -   | -                                 | -   |
| <b>Subtotal</b>                           | <b>5,146,031</b>                   | <b>4,714,280</b>                              | <b>14,334,011</b>                 | <b>13,710,570</b>                             |
|   | <b>14,190,481</b>                  | <b>12,445,075</b>                             | <b>39,554,954</b>                 | <b>35,163,680</b>                             |
| Elimination of inter-segment transactions | (62,045)                           | (56,045)                                      | (170,958)                         | (134,016)                                     |
| <b>Total</b>                              | <b>14,128,436</b>                  | <b>12,389,030</b>                             | <b>39,383,996</b>                 | <b>35,029,664</b>                             |

### Net profit/(loss) attributable to shareholders of the company by segment

|                                       |                |                |                  |                  |
|---------------------------------------|----------------|----------------|------------------|------------------|
| <b>Core Businesses</b>                |                |                |                  |                  |
| - Retail                              | 1,966          | (4,367)        | 106,899          | 58,995           |
| - Beverage                            | 130,392        | 76,234         | 190,284          | 128,830          |
| - Food Processing and Distribution    | 87,856         | 118,192        | 334,623          | 313,798          |
| - Textile                             | 25,210         | (59,630)       | 80,869           | (17,537)         |
| - Property <sup>3</sup>               | 145,682        | 50,031         | 574,906          | 216,019          |
| <b>Subtotal</b>                       | <b>391,106</b> | <b>180,460</b> | <b>1,287,581</b> | <b>700,105</b>   |
| <b>Other Businesses</b>               |                |                |                  |                  |
| - Petroleum and Chemical Distribution | 168,488        | 66,058         | 470,520          | 207,651          |
| - Investments and Others              | 109,053        | 107,231        | 277,296          | 285,627          |
| <b>Subtotal</b>                       | <b>277,541</b> | <b>173,289</b> | <b>747,816</b>   | <b>493,278</b>   |
|                                       | <b>668,647</b> | <b>353,749</b> | <b>2,035,397</b> | <b>1,193,383</b> |
| Net corporate interest and expenses   | (63,496)       | (47,603)       | (167,886)        | (146,648)        |
| <b>Total</b>                          | <b>605,151</b> | <b>306,146</b> | <b>1,867,511</b> | <b>1,046,735</b> |

#### Notes:

- The results of the Property division comprise a net-of-tax valuation surplus of approximately HK\$0.3 billion in respect of the rental properties portfolio.