

**For Immediate Release
Press Release**

- **Turnover rose by 12% to HK\$25.3 billion, led by the retail and beverage businesses**
- **Earnings grew by 70% to HK\$1,262 million with all operations under management showing improvement in profitability**
- **Excluding the after-tax effect of revaluation of investment properties, which led to a HK\$326m gain, underlying net profit was up 26%**
- **Interim dividend of HK13¢ declared, an 18% increase**

**China Resources Enterprise Announced Interim Results for 2005
“Flourishing Business in its Evolving Form”**

[Hong Kong, 8 September, 2005] China Resources Enterprise, Limited (HKEx: 0291) (‘The Company’ or together with its subsidiaries, ‘The Group’) announced its interim results for the six months ended 30 June, 2005 today. Consolidated turnover reached HK\$25.3 billion, led by the retail and beverage businesses, representing an increase of 12% from last year. Profit attributable to Company’s shareholders grew by 70% to HK\$1,262 million with all operations under management showing improvement in profitability. Excluding the after-tax effect of revaluation of investment properties, which led to a HK\$326 million gain, underlying net profit was up 26%. Earnings per share rose by 66% to HK59¢. The Board of Directors declared an interim dividend of HK13¢ per share, an 18% increase from the same period in 2004.

During the period, earnings contribution from retail business surged 66% to HK\$105 million. The three retail operations, including supermarket, retail stores in Hong Kong and brand fashion distribution, reported profit growth of 141%, 7% and 34% respectively. For the supermarket business, steady gross margin, reduced operational expenses, improved sales after store renovation and higher contributions from Suguo accounted for the profit escalation.

Earnings in beverage business rose by 14% with beer sales volume increasing 30% to 1.87 million kilolitres. Overall average selling price rose and overall gross margin was steady. Organic sales volume growth was 13%, beating the 3% market growth during the period. Sales volume of our national brand, SNOW, surged by 40% to about 706,000 kilolitres, comprising 38% of the total volume sold. Its annual production capacity amounted to about 5.8 million kilolitres at the end of June 2005.

Food distribution business reported a 26% profit growth, boosted by the HK\$59 million gain through disposing our 25.09% stake in Xuzhou VV Food & Beverage. With prices for mainland livestock stabilized, operating margin of foodstuff distribution rebounded.



Textile business recovered with a 32% increase in earnings. There was strong growth in sales volume, including 36% for cotton yarns, 37% for fabrics and 25% for garment. We have re-aligned the 12 textile and dyeing plants to enhance production efficiency, that each of them can specialize in a particular product segment.

Petroleum business reported a 54% recurring profit growth driven by improved wholesaling and petrol station margins as well as piped gas projects. In addition, the residual 10.5% stake in Qingdao Qirun was sold, recording a HK\$84m profit.

Mr. Song Lin, Chairman of the Company, said, "We have been making several necessary reforms for our businesses in the past years to enhance their long term competitiveness. By remodeling the store format of our supermarkets in China, focusing on individual fashion brand profitability and repositioning the department store business in Hong Kong, our retail division demonstrated significant turnaround. Similarly, the branding exercise for SNOW, the technology upgrade program for textile and the investment in piped gas projects for petroleum all created new drivers for them. Without these strategies in place years before, we would not have been able to enjoy the flourishing results today."

* * *

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

Full details of our Interim Results 2005 will be posted on The Standard and Hong Kong Economic Journal on 9 September, 2005 and the corporate web site at www.cre.com.hk. Information can also be accessed via www.irasia.com.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited and Restated) ¹ HK\$'000
Turnover	25,255,560	22,640,634
Profit from operations	1,773,572	979,509
Share of net results of associates	170,474	195,348
Net profit attributable to shareholders of the Company	1,262,360	740,589
Basic earnings per share	HK\$ 0.59	HK\$0.35
Interim dividend per share	HK\$0.13	HK\$0.11
	At 30 June 2005 (Unaudited) HK\$'000	At 31 December 2004 (Unaudited & Restated) ¹ HK\$'000
Equity attributable to shareholders of the Company	17,122,259	15,144,827
Minority interests	4,557,447	4,811,653
Consolidated net borrowings	3,883,111	4,980,613
Gearing ratio ¹	17.91%	24.96%
Current ratio	1.11	1.26
Net assets per share of the Company: Book value	HK\$7.78	HK\$7.13

Note:

- Gearing ratio represents the ratio of consolidated net borrowings to equity attributable to shareholders of the Company and minority interests.

ANALYSIS OF TURNOVER AND PROFIT

For the six months ended 30 June

	2005 (Unaudited) HK\$'000	2004 (Unaudited & Restated) HK\$'000
Turnover by segment		
Core Business		
- Retail	7,930,337	6,873,481
- Beverage	3,204,273	2,299,034
- Food Processing and Distribution	2,836,239	2,692,170
- Textile	2,058,621	1,700,749
- Property	147,023	156,881
Subtotal	<u>16,176,493</u>	<u>13,722,315</u>
Other Business		
- Petroleum and Chemical Distribution	9,187,980	8,996,290
- Investments and Others	-	-
Subtotal	<u>9,187,980</u>	<u>8,996,290</u>
	25,364,473	22,718,605
Elimination of inter-segment transactions	(108,913)	(77,971)
Total	<u><u>25,255,560</u></u>	<u><u>22,640,634</u></u>
Net profit attributable to shareholders by segment		
Core Business		
- Retail	104,933	63,362
- Beverage	59,892	52,596
- Food Processing and Distribution	246,767	195,606
- Textile	55,659	42,093
- Property ²	429,224	165,988
Subtotal	<u>896,475</u>	<u>519,645</u>
Other Business		
- Petroleum and Chemical Distribution	302,032	141,593
- Investments and Others	168,243	178,396
Subtotal	<u>470,275</u>	<u>319,989</u>
	1,366,750	839,634
Net corporate interest and expenses	(104,390)	(99,045)
Total	<u><u>1,262,360</u></u>	<u><u>740,589</u></u>

Note:

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