

**For Immediate Release**

**Press Release**

- **Turnover grew by 25% to HK\$31.6 billion and earnings amounted to HK\$1,265 million, up 0.2%**
- **Excluding the after-tax effect of revaluation of investment properties and major disposals, underlying net profit was up 16% to HK\$899 million**
- **Interim dividend of HK14¢ declared, an 8% increase**

**China Resources Enterprise Announced Interim Results for 2006  
“Quantum Leap of Our Core Businesses”**

[Hong Kong, 6 September 2006] 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, 2006 today. Consolidated turnover rose 25% to HK\$31.6 billion. Profit attributable to the Company's shareholders amounted to HK\$1,265 million, an increase of 0.2%. Excluding the after-tax effect of revaluation of investment properties and major disposals, which led to aggregate gains of HK\$367 million in the first half of 2006 and HK\$484 million in the first half of 2005, underlying net profit was up 16% to HK\$899 million. Consumer-related businesses, including retail, beverage and food, contributed to the strong underlying profit growth. Earnings per share were HK55¢ compared to HK59¢ in the same period of 2005. The Board of Directors declared an interim dividend of HK14¢ per share, an 8% increase from last year.

Retail business reported overall encouraging profitability improvement. Earnings soared 40% to HK\$147 million led by supermarket operation. During the period under review, the supermarket operation registered same store growth of 7.5%, including the 8.9% increase of the mainland business. Coupled with stable gross margin, lower expense ratio and contributions from acquisitions, its earnings contribution doubled to HK\$119 million. EBITDA amounted to HK\$436 million, up 34%.

Beverage business continued its rapid growth and earnings contribution rose by 26% to HK\$75 million. Beer sales volume increased by 31%, of which 28% was organic, to 2.44 million kiloliters and market share grew to 15% from 13% in the prior period. Our national brand, SNOW reported an 85% sales volume growth, the highest increase since its national branding program was launched, and for the first time, it accounted for more than half of our beer sales.

Food processing and distribution business reported a 14% underlying net profit growth to HK\$214 million driven by the foodstuff distribution division. Against the favorable economic environment in Hong Kong and active promotion of "Ng Fung" brand as high quality fresh meat, operating profit of foodstuff distribution rose by 16% on an expanded margin. The two meat processing projects in Shenzhen and Shanghai performed well and have developed a competent supply chain from pig sourcing, slaughtering, meat production to retailing.



Turnover of the Group's investment property portfolio, which comprises mainly retail properties, increased by 17% to HK\$171 million attributable to a 5% increase in average retail rent and the initial contribution from the newly renovated property on Hennessy Road. There was a recovery in the recurring profit of petroleum and related products distribution business in the second quarter of this year as the chemical distribution business rebounded and the LPG filling stations operation in Hong Kong improved after adjusting the price-fixing mechanism. Its underlying net profit of HK\$217 million was comparable to that of last year.

Against the upsurge in textile exports last year before the imposition of the safeguard measures, the operating environment of our textile business was challenging, resulting in a 26% decline in earnings contribution to HK\$41 million. However, there is a strong demand for our high-end yarn products, MAKO, after the technology upgrade.

Managing Director of the Company, Mr. Mark Chen, said, "The results reflected the strength of our recurring income. New highs were set by our core businesses including profitability of our supermarket operation, our beverage business' share in the mainland beer market, SNOW's volume growth and the significance of our mainland meat processing business."

Chairman, Mr. Song Lin, also said, "Our performance in the first half validated our strategic direction and demonstrated our ability to achieve our stated goals in a competitive market. Our core consumer businesses are making swift progress in a favorable market environment and they will provide a solid platform for our sustainable development."

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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 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 Interim Results 2006 will be posted on The Standard, Hong Kong Economic Journal and Wen Wei Po on 7 September, 2006 and the corporate web site at [www.cre.com.hk](http://www.cre.com.hk).

## FINANCIAL HIGHLIGHTS

	<b>For the six months ended 30 June</b>	
	<b>2006 (Unaudited) HK\$'000</b>	<b>2005 (Unaudited and restated)<sup>1</sup> HK\$'000</b>
Turnover	31,580,722	25,356,360
Profit from operations	1,974,766	1,790,788
Share of net results of associates	151,139	170,474
Profit attributable to shareholders of the Company	1,265,493	1,262,360
Basic earnings per share	HK\$0.55	HK\$0.59
Interim dividend per share	HK\$0.14	HK\$0.13
	<b>At 30 June 2006 (Unaudited) HK\$'000</b>	<b>At 31 December 2005 (Unaudited and restated)<sup>1</sup> HK\$'000</b>
Equity attributable to shareholders of the Company	19,842,526	18,196,448
Minority interests	4,987,924	4,746,888
<b>Total equity</b>	<b>24,830,450</b>	<b>22,943,336</b>
Consolidated net borrowings	1,975,519	3,282,079
Gearing ratio <sup>2</sup>	8.0%	14.3%
Current ratio	1.23	1.12
Net assets per share: Book value	HK\$8.51	HK\$8.15

### Note:

- The Group has changed its accounting policy on jointly controlled entities to proportionate accounting 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 six months ended 30 June 2005.
- Gearing ratio represents the ratio of consolidated net borrowings to total equity.



## ANALYSIS OF TURNOVER AND PROFIT

For the six months ended 30 June

	2006 (Unaudited) HK\$'000	2005 (Unaudited and restated) <sup>1</sup> HK\$'000
<b>Turnover by segment</b>		
<b>Core Businesses</b>		
- Retail	9,910,020	7,930,337
- Beverage	4,344,621	3,204,273
- Food Processing and Distribution	2,888,705	2,836,239
- Textile	2,126,244	2,058,621
- Investment Property	171,285	147,023
Subtotal	<u>19,440,875</u>	<u>16,176,493</u>
<b>Other Businesses</b>		
- Petroleum and Related Products Distribution	12,251,666	9,288,780
- Investments and Others	-	-
Subtotal	<u>12,251,666</u>	<u>9,288,780</u>
	31,692,541	25,465,273
Elimination of inter-segment transactions	(111,819)	(108,913)
Total	<u>31,580,722</u>	<u>25,356,360</u>
<b>Profit attributable to shareholders by segment</b>		
<b>Core Businesses</b>		
- Retail	147,326	104,933
- Beverage	75,412	59,892
- Food Processing and Distribution	213,654	246,767
- Textile	40,990	55,659
- Investment Property	480,210	429,224
Subtotal	<u>957,592</u>	<u>896,475</u>
<b>Other Businesses</b>		
- Petroleum and Related Products Distribution	216,796	302,032
- Investments and Others	191,526	168,243
Subtotal	<u>408,322</u>	<u>470,275</u>
	1,365,914	1,366,750
Net corporate interest and expenses	(100,421)	(104,390)
Total	<u>1,265,493</u>	<u>1,262,360</u>

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

For the six months ended 30 June

	2006 (Unaudited) HK\$'000	2005 (Unaudited and restated) <sup>1</sup> HK\$'000
<b>Profit attributable to shareholders excluding the effect of investment property revaluation and major disposal of non-core assets / investments by segment</b>		
<b>Core Businesses</b>		
- Retail	147,326	104,933
- Beverage	75,412	59,892
- Food Processing and Distribution <sup>3</sup>	213,654	187,337
- Textile	40,734	54,618
- Investment Property <sup>4</sup>	113,897	90,277
Subtotal	<u>591,023</u>	<u>497,057</u>
<b>Other Businesses</b>		
- Petroleum and Related Products Distribution <sup>5</sup>	216,796	217,030
- Investments and Others	191,526	168,243
Subtotal	<u>408,322</u>	<u>385,273</u>
	999,345	882,330
Net corporate interest and expenses	<u>(100,421)</u>	<u>(104,390)</u>
Total	<u>898,924</u>	<u>777,940</u>

### Note:

- A gain on disposal of an associated company amounting to approximately HK\$59 million has been excluded in 2005 results.
- Net-of-tax valuation surplus and disposal gains of certain non-core investment properties with an aggregate amount of HK\$366 million (2005: HK\$339 million) have been excluded.
- A gain on disposal of an investment amounting to HK\$85 million has been excluded in 2005 results.