

For Immediate Release

Press Release

China Resources Enterprise Announced Unaudited Quarterly Review for Q1 2006

[Hong Kong, 25 May, 2006] China Resources Enterprise, Limited (HKEx: 0291) ('The Company' or together with its subsidiaries, 'The Group') today announced its unaudited quarterly financial and operational review for the three months ended 31 March, 2006. For the period under review, the Group's unaudited consolidated turnover and profit attributable to Company's shareholders amounted to approximately HK\$15,377 million and HK\$674 million respectively, representing an increase of 26% and 2% over the same quarter of 2005. Excluding a gain of HK\$84 million from the disposal of 10.5% stake in a Qingdao joint venture in the first quarter of 2005, profit attributable to Company's shareholders for the first quarter of 2006 would have increased by 17%. Core businesses registered a 32% profit growth to HK\$556 million with each of them showing overall profitability improvement.

There was an encouraging profit growth in the retail business. Earnings increased by 42% to HK\$127 million on a 26% rise in turnover. The supermarket operation spearheaded the performance with profit surging 84% to HK\$101 million attributable to strong same store growth, lower operating expenses ratio, stable gross margin and contributions from acquisitions. It registered overall same store growth of 5.6% driven by the 6.8% increase of the mainland supermarket business. EBITDA amounted to HK\$270m, up 29%. At the end of March 2006, including franchised stores, it operated more than 2,100 supermarket stores in the mainland and Hong Kong.

The beverage business continued its rapid growth with a 37% rise in turnover. Sales volume of beer increased by 31% to approximately 814,000 kiloliters, of which organic growth was 28%, expanding its share in the mainland market further. "SNOW" consolidated its position as the single largest beer brand in mainland China with a 72% increase in sales volume to approximately 420,000 kiloliters. For the first time since becoming our national brand, "SNOW" accounted for more than half of the total sales volume. The first quarter of a year is typically a low season for the beverage business. The improved gross margin and stable operating expenses ratio helped reduce net loss to HK\$29 million from HK\$36 million, paving solid platform for the peak beer sale seasons in the second and third quarters.

Earnings of the food business increased by 2% to HK\$101 million with steady growth in profitability at the foodstuff distribution operation, compensating for the adverse impact of higher fuel price on the marine fishing operation. The "Ng Fung" brand of high quality fresh meat continued to be highly recognized in light of growing concerns over food safety and quality.

The textile business reported earnings of HK\$18m, up 8% driven by a higher contribution from the spinning and weaving operation. The technology upgrade program has enhanced product mix towards higher end yarns and fabrics.

There was a 34% increase in earnings from the investment property business, which comprises retail investment properties predominantly. Excluding the net gains from revaluation of investment properties of HK\$283 million in the first quarter of 2006 and HK\$207 million in the same quarter of 2005, earnings of the division would have increased by 26%. Gross rental income grew 20% during the period.

The petroleum business contributed HK\$80 million earnings, a 62% drop from the high base in the first quarter of 2005 which was boosted by the sharp oil price appreciation and the HK\$84 million gain from the disposal of a 10.5% stake in a Qingdao joint venture. There was satisfactory profit contribution from the piped-gas projects in Suzhou and Chengdu.

Managing Director of the Company, Mr. Mark Chen, said, "The results represent a good start for the full year underlined by robust growth in the core businesses, with standout performances at retail and beverage. We are on track to reach our goal of becoming the largest consumer company in China."

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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 investment.

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Full details of our Quarterly Review will be posted on The Standard and Hong Kong Economic Journal on 26 May, 2006 and the corporate web site at www.cre.com.hk. Information can also be accessed via www.irasia.com.

FINANCIAL HIGHLIGHTS

	Three months ended 31 March	
	2006 (Unaudited) HK\$'000	2005 (Unaudited and restated)¹ HK\$'000
Turnover	15,377,108	12,159,496
Profit attributable to shareholders of the Company	674,037	660,080
Basic earnings per share	HK\$0.29	HK\$0.31
Diluted earnings per share	HK\$0.29	HK\$0.30
	At 31 March 2006 (Unaudited) HK\$'000	At 31 December 2005 (Unaudited and restated)¹ HK\$'000
Equity attributable to shareholders of the Company	19,738,881	18,196,448
Minority interests	4,844,530	4,746,888
Total Equity	24,583,411	22,943,336
Consolidated net borrowings	2,430,994	3,282,079
Gearing ratio ²	9.9%	14.3%
Current ratio	1.16	1.12
Net assets per share of the Company: Book value	HK\$8.51	HK\$8.15

Notes:

- 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 comparatives are restated accordingly. The change in accounting policy would not have an impact on the consolidated net assets as at 31 December 2005 and the consolidated net profit for the period ended 31 March 2005.
- Gearing ratio represents the ratio of consolidated net borrowings to total equity.

ANALYSIS OF TURNOVER AND PROFIT

	Three months ended 31 March	
	2006 (Unaudited) HK\$'000	2005 (Unaudited and restated) ¹ HK\$'000
Turnover by Segment		
Core Businesses		
- Retail	5,449,145	4,321,233
- Beverage	1,511,765	1,101,829
- Food Processing and Distribution	1,407,979	1,351,968
- Textile	1,020,017	990,453
- Investment Property	83,519	72,211
Sub-total	9,472,425	7,837,694
Other Businesses		
- Petroleum and Related Products Distribution	5,959,822	4,377,559
- Investments and Others	-	-
Sub-total	5,959,822	4,377,559
	15,432,247	12,215,253
Elimination of inter-segment transactions	(55,139)	(55,757)
Total	15,377,108	12,159,496

	Three months ended 31 March	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Profit/(loss) attributable to shareholders of the company by segment		
Core Businesses		
- Retail	126,930	89,607
- Beverage	(28,797)	(35,672)
- Food Processing and Distribution	100,524	98,709
- Textile	17,723	16,419
- Investment Property	339,559	252,824
Sub-total	555,939	421,887
Other Businesses		
- Petroleum and Related Products Distribution	79,911	210,225
- Investments and Others	88,387	76,445
Sub-total	168,298	286,670
	724,237	708,557
Net corporate interest and expenses	(50,200)	(48,477)
Total	674,037	660,080