

**For Immediate Release**

**Press Release**

**China Resources Enterprise Announced Unaudited Quarterly Review For Q3 2004**

[Hong Kong, 18 November, 2004] China Resources Enterprise, Limited (HKEx Stock Code: 0291) together with its subsidiaries (collectively 'The Group') today announces its unaudited financial and operational review for the third quarter and the nine months ended 30 September, 2004. The Group's unaudited consolidated turnover for the third quarter and nine months ended 30 September, 2004 amounted to HK\$12,389.0 million and HK\$35,029.7 million respectively, both representing an increase of 39.9% over the same period of last year. The Group's unaudited consolidated net profit attributable to shareholders for the third quarter of 2004 fell 9.4% to HK\$337.0 million whereas that for the nine months ended 30 September, 2004 rose 1.5% to HK\$1,139.0 million. With the exception of the textile business, all the other major businesses reported an improvement in profitability in the third quarter of 2004. Excluding the sharing of a gain of HK\$143 million from the disposal of our interest in the aviation fuel facility at the Hong Kong International Airport in 2003, the Group's unaudited consolidated profit attributable to shareholders would have increased by 16.4% for the first three quarters of 2004.

The retail business continued its growth momentum with earnings reaching HK\$82.1 million in the first three quarters, as compared with a net loss of HK\$111.5 million for the same period of 2003. In particular, the supermarket division demonstrated sustainable improvement with net earnings of HK\$5.3 million and HK\$45.6 million respectively for the third quarter and nine months ended 30 September, 2004, as compared to respective net loss of HK\$20.7 million and HK\$86.8 million for the corresponding period in 2003. Strong profit recovery was driven by effective pricing strategy, optimized composition of merchandises, growing contribution from Suguo as well as substantial increase in suppliers' rebate.

The beverage business recorded earnings growth of 12.7% and 42.8% for the third quarter and nine months ended 30 September, 2004 over the corresponding period of last year. Strong organic growth, helped by the increase in average selling price and aggressive promotion as well as satisfactory contribution from newly acquired breweries were attributable to the substantial growth in earnings. In the first three quarters of the year, the operation recorded a 21.3% sales volume growth of beer to approximately 2.6 million kilolitres. Sales volume of "Snow" rose 35% to approximately 727,000 kilolitres over the same period of last year. To create an integrated identification of the national brand "Snow" with the company name, the Group has renamed its beer investment holding company, China Resources Breweries Ltd., as China Resources Snow Breweries Ltd.

**China Resources Enterprise, Limited**

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The food processing and distribution business reported earnings growth of 23.5% and 18.7% for the third quarter and nine months ended 30 September, 2004 over the same period of 2003. The demand for branded food with better quality is rising alongside the increasing health awareness of Hong Kong citizen. There were also gains from a deemed disposal of our diluted interests in the associated companies, Hunan New Ng Fung Co., Ltd. and Hebei Fortune Ng Fung Food Co., Ltd. upon successful listing of the two companies on Shanghai Stock Exchange.

Despite the 11.0% increase in turnover, the textile operation reported a net loss of HK\$12.0 million for the first three quarters, compared with a net profit of HK\$127.9 million for the same period of 2003. The decrease in cotton prices had accelerated in the third quarter of 2004, resulting in a reduction in selling prices compared to the previous quarter. Compounded by the high cotton costs in the inventory, relocation of two textile factories to new sites, relatively high depreciation charges associated with the commencement of the technology upgrade program and the severance payments related to the change of the production system from four shifts to three shifts to increase labour efficiency, margins were lowered.

Last, the petroleum & chemical distribution business reported a 13.5% rise in earnings in the third quarter to HK\$69.4 million, driven by the increase in sales volume of oil products and the strong earnings performance of the chemical operation. Subsequent to the period under review, the Group has entered into an agreement to dispose of 30% equity in its 40.5% owned associated company, Qingdao Qirun Petrochemical Co., Ltd, at the consideration of RMB355.56 million as part of the Group's plan to dispose some non-strategic investments within the operation.

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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. It is a conglomerate with emphasis on the distribution business in Hong Kong and the Chinese Mainland. The principal activities of the Group are retail, beverage, food processing and distribution, textile as well as petroleum and chemical distribution.



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For details of our Quarterly Review, please refer to the Hong Kong Economic Journal and The Standard on 19 November, 2004 or the corporate web site at [www.cre.com.hk](http://www.cre.com.hk). Information can also be accessed via [www.irasia.com/listco/hk/chinaresources](http://www.irasia.com/listco/hk/chinaresources).



## FINANCIAL HIGHLIGHTS

	Three months ended 30 September		Nine months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (unaudited) HK\$'000
Turnover	<b>12,389,030</b>	8,857,780	<b>35,029,664</b>	25,047,943
Profit before taxation	<b>577,246</b>	599,745	<b>1,696,788</b>	1,494,249
Net profit attributable to shareholders	<b>337,025</b>	372,017	<b>1,139,000</b>	1,121,750
Basic earnings per share	<b>N/A</b>	N/A	<b>HK\$0.54</b>	HK\$0.54

	At 30 September 2004 (Unaudited) HK\$'000	At 31 December 2003 (Audited) HK\$'000
Shareholders' funds	<b>14,190,020</b>	13,442,534
Minority interests	<b>4,883,819</b>	3,858,801
Consolidated net borrowings	<b>2,656,189</b>	2,856,490
Gearing ratio <sup>1</sup>	<b>13.93%</b>	16.51%
Current ratio	<b>1.37</b>	1.29
Net assets per share:		
Book value	<b>HK\$ 6.73</b>	HK\$6.43

Note:

1. Gearing ratio represents the ratio of consolidated net borrowings to shareholders' fund and minority interests.



## ANALYSIS OF TURNOVER AND PROFIT

	Three months ended 30 September		Nine months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
<b>Turnover by segment</b>				
Petroleum and Chemical Distribution	4,714,280	2,962,119	13,710,570	8,940,547
Retail	3,472,812	2,276,434	10,346,293	6,580,028
Food Processing and Distribution	1,468,112	1,235,281	4,160,282	3,592,670
Beverage	1,783,662	1,375,906	4,082,696	3,284,538
Textile	931,311	960,243	2,632,060	2,370,764
Property	74,898	62,535	231,779	205,162
Investments and Others	-	12,193	-	180,070
Subtotal	12,445,075	8,884,711	35,163,680	25,153,779
Elimination of inter-segment transactions	(56,045)	(26,931)	(134,016)	(105,836)
Total	12,389,030	8,857,780	35,029,664	25,047,943

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

Petroleum and Chemical Distribution <sup>1</sup>	69,420	61,146	217,739	346,653
Retail	3,326	(22,677)	82,072	(111,495)
Food Processing and Distribution	122,107	98,879	325,542	274,340
Beverage	78,449	69,635	135,478	94,888
Textile	(57,779)	45,616	(11,984)	127,890
Property	50,484	29,787	217,375	195,718
Investments and Others	107,231	115,124	285,626	282,705
Subtotal	373,238	397,510	1,251,848	1,210,699
Net corporate interest and expenses	(36,213)	(25,493)	(112,848)	(88,949)
Total	337,025	372,017	1,139,000	1,121,750

Note:

1. Excluding the sharing of disposal gain of HK\$143 million in 2003, net profit of petroleum and chemical distribution increased by 6.9% over the same period in 2003.