

For Immediate Release

Press Release

China Resources Enterprise Announced Unaudited Quarterly Review For Q1 2005

[Hong Kong, 31 May, 2005] China Resources Enterprise, Limited (HKEx Stock Code: 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, 2005 (or 'The first quarter'). For the period under review, the Group's unaudited consolidated turnover and profit attributable to shareholders amounted to approximately HK\$12,131 million and HK\$660 million respectively, representing an increase of 11% and 106% over the same quarter of 2004. Excluding the gain in property revaluation and its related deferred tax effects which are considered the most significant effects of the changes in accounting policies, the Group's unaudited consolidated profit attributable to shareholders for the quarter was HK\$451 million, 41% higher than the same quarter of 2004.

The retail business continued to show improvement in profitability with earnings increase of 78% to HK\$90 million. The three operations, namely supermarket, retail stores in Hong Kong and brand fashion distribution, reported earnings growth of 97%, 26% and 196% respectively over the first quarter of 2004. In particular, the supermarket operation contributed earnings of HK\$55 million and EBITDA amounted to HK\$207 million, a 43% jump. An overall same store growth of 4.3% was recorded. Coupled with a 24% increase in payments from suppliers, readjustment of merchandise, store renovation and various cost savings helped improve the operating result.

The brewery business retained its fast growth momentum. Beer sales volume increased by 20% to 619,000 kilolitres, of which organic growth was 7.5%. Average selling price rose by 10% and gross margin per kilolitre was relatively stable despite the increase in raw material costs. Sales volume of "SNOW" rose 31% to 244,000 kilolitres, representing 39% of the total volume sold. As first quarter of a year is typically a low season and the newly acquired breweries are mainly in Eastern China where seasonality is especially strong, the brewery business reported HK\$36 million loss, compared to a loss of HK\$15 million over the same quarter of 2004. However, excluding the operating losses of the newly acquired breweries, the existing breweries recorded a 42% reduction in losses.

Earnings of the food processing and distribution business increased by 9% with steady growth in profitability at the foodstuff distribution operation. Through effective negotiation with suppliers, the operation ensured a stable supply of livestock to Hong Kong amidst soaring prices of livestock from the Chinese Mainland. The textile division recovered from the difficult environment in the second half of last year and reported earnings of HK\$16 million. Sales volume of yarns and fabrics increased by 38% and



32% respectively in the first quarter.

Boosted by the HK\$84 million gain from the disposal of the remaining 10.5% equity interest in Qingdao Qirun Petrochemical Co., Ltd., earnings of the petroleum and chemical distribution business surged 146%. Excluding this disposal gain, its recurring earnings would still have increased by 48% to HK\$126 million. This was mainly contributed by the improved performance of its chemical operation, petrol stations in Hong Kong and the Chinese Mainland as well as piped gas operation in Suzhou.

The Company's Chairman, Mr. Song Lin, remarked, "This is a good start in 2005 driven by robust growth in various businesses, particularly the retail. Our efforts in disposing the non-core businesses will continue to unleash the value of our assets and we look forward to a promising and rewarding year."

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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 has a well-diversified portfolio of businesses in both Hong Kong and the Chinese Mainland with principal activities being retail, beverage, food processing and distribution, textile and petroleum distribution.

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Full details of our Quarterly Review will be posted on the Hong Kong Economic Journal and The Standard on 1 June, 2005 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	
	2005 (Unaudited) HK\$'000	2004 (Unaudited & Restated) ¹ HK\$'000
Turnover	12,130,503	10,920,244
Net profit attributable to shareholders	660,080	319,916
Basic earnings per share (HK\$)	HK\$0.31	HK\$0.15

	At 31 March 2005 (Unaudited) HK\$'000	At 1 January 2005 (Unaudited & Adjusted) HK\$'000
Shareholders' funds	15,991,651	15,197,850
Minority interests	4,810,900	4,811,653
Consolidated net borrowings	4,427,156	4,923,203
Gearing ratio ²	21.28%	24.60%
Current ratio	1.25	1.26
Net assets per share: Book value	HK\$7.48	HK\$7.16

Note:

1. To conform with the Group's accounting policies for the year ending 31 December, 2005, prior year adjustments have been made to restate the 2004 comparative figure.
2. Gearing ratio represents the ratio of consolidated net borrowings to shareholders' fund and minority interests.

China Resources Enterprise, Limited

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ANALYSIS OF TURNOVER AND PROFIT

	Three months ended	
	2005 (Unaudited) HK\$'000	2004 Unaudited & Restated)) HK\$'000
Turnover by segment		
Petroleum and Chemical Distribution	4,348,566	4,250,659
Retail	4,321,233	3,722,612
Food Processing and Distribution	1,351,968	1,277,115
Beverage	1,101,829	837,358
Textile	990,453	793,429
Property	72,211	78,180
Investments and Others	-	-
Subtotal	12,186,260	10,959,353
Elimination of inter-segment transactions	(55,757)	(39,109)
Total	12,130,503	10,920,244
Net profit/ (loss) attributable to shareholders by segment		
Petroleum and Chemical Distribution	210,225	85,391
Retail	89,607	50,407
Food Processing and Distribution	98,709	90,210
Beverage	(35,672)	(15,492)
Textile	16,419	22,062
Property	252,824	55,497
Investments and Others	76,445	78,182
Subtotal	708,557	366,257
Net corporate interest and expenses	(48,477)	(46,341)
Total	660,080	319,916