

**For Immediate Release**

**Press Release**

**China Resources Enterprise Announces Unaudited Quarterly Review for Q3 2008**

[Hong Kong, 19 November 2008] China Resources Enterprise, Limited (HKEx: 00291) ('The Company' or together with its subsidiaries, 'The Group') today announced its unaudited financial and operational review for the third quarter and the nine months ended 30 September 2008. Profit attributable to the Company's shareholders from the continuing operations (that is, excluding the petroleum and related products distribution business which was completely divested at the end of June 2007) for the third quarter and the first nine months of 2008 amounted to HK\$671 million and HK\$2,159 million respectively, representing a corresponding decrease of 12% and increase of 12% over the same periods of last year. Excluding the after-tax effect of revaluation of investment properties and major disposals, underlying net profit from the continuing operations would have decreased by 12% for the third quarter of 2008 and increased by 4% for the first nine months of 2008. Turnover of the continuing operations for the third quarter and the first nine months of 2008 both increased by 29%, to HK\$18,335 million and HK\$50,141 million respectively.

Retail business recorded pleasing performance with earnings contribution amounted to HK\$124 million for the third quarter under review, bringing the total earnings for the first nine months of the year to HK\$506 million, a 27% increase. Supermarket operation reported earnings of HK\$324 million for the first nine months of 2008, representing an increase of 18%. There was an overall same store growth of 14% during the nine-month period under review, boosted by the 15% increase of the mainland supermarket business. Other retail operations, including brand-fashion distribution and retail stores in Hong Kong recorded earnings growth of 59% and 15% respectively for the first nine months of the year.

Brewery business improved from the first half of the year upon gradual recovery from the impact of the Sichuan earthquake. Earnings for the third quarter and the first nine months of 2008 were HK\$301 million and HK\$447 million respectively, reflecting corresponding increases of 21% and 22%. Sales volume of beer rose by 5% to approximately 6.1 million kiloliters for the first nine months of 2008. With an encouraging growth of 20% to approximately 5.1 million kiloliters for the first nine months of 2008, "SNOW" has consolidated its position as the single largest beer brand on the mainland and one of the leading brands in the world. Earnings contribution of purified water operation increased by 83% to HK\$86 million for the first nine months of 2008, driven by its 23% sales volume growth and the increase in share of profit contribution after raising our shareholding from 51% to 100% in May last year. Using "C'estbon" as its sole brand, it has a leading position in Guangdong with sales volume of 1.05 million kiloliters during the first nine months of 2008.

Earnings contribution from food business amounted to HK\$25 million for the third quarter, bringing the total earnings for the first nine months of 2008 to HK\$265 million, representing a decline of 30%. Intensified

**China Resources Enterprise, Limited**



competition in the Hong Kong live pig market, particularly in the third quarter, considerably affected the livestock distribution business during the periods under review. However, the surge in profit contribution from the mainland meat processing projects had mitigated the effect, reflecting the growing demand for meat products on the mainland. The “Ng Fung” brand of high quality food, including fresh meat and general food items, also achieved satisfactory growth.

Against the tough market conditions, textile business reported earnings of HK\$24 million and HK\$90 million for the third quarter and the first nine months of 2008 respectively. The demand for nylon and high-end yarn products maintained moderate growth and the earnings contribution from the garment manufacturing business also increased. However, high production costs and global economic slowdown has impacted the mainland textile industry as well as our spinning and weaving operation, resulting in an overall 19% earnings drop at our textile business during the nine-month period under review.

Excluding the effect from property revaluation and change in local tax rate, underlying net profit of our investment property portfolio, which predominantly consists of retail properties, increased by 25% for the first nine months of 2008.

The Group’s financial position remains strong with a gearing ratio of 10% at the end of 30 September 2008.

Managing Director of the Company, Mr. Mark Chen, said, “With our groundwork laid in the first half of the year underpinned by an expanding mainland consumer market, we achieved solid performance for the first nine months of the year. Although the economic environment is expected to get tougher in the near term, there are still growth opportunities on the mainland. We will keep enhancing our operational efficiency, paving the platform for growth when the market turns.”

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#### **About China Resources Enterprise, Limited**

China Resources Enterprise, Limited is listed on the Hong Kong Stock Exchange and is one of the constituent stocks of the Hang Seng Index in Hong Kong. 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 Quarterly Review for Q3 2008 have been posted on the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and the corporate website at [www.cre.com.hk](http://www.cre.com.hk).



## FINANCIAL HIGHLIGHTS

	Three months ended 30 September		Nine months ended 30 September	
	2008 (Unaudited) HK\$ million	2007 (Unaudited) HK\$ million	2008 (Unaudited) HK\$ million	2007 (Unaudited) HK\$ million
Turnover				
– continuing operations	18,335	14,234	50,141	38,777
– discontinued operation <sup>1</sup>	-	-	-	10,610
	<b>18,335</b>	<b>14,234</b>	<b>50,141</b>	<b>49,387</b>
Profit attributable to shareholders of the Company				
– continuing operations	671	765	2,159	1,926
– discontinued operation <sup>1</sup>	-	-	-	2,576
	<b>671</b>	<b>765</b>	<b>2,159</b>	<b>4,502</b>
Basic earnings per share <sup>2</sup>				
– continuing operations			HK\$0.90	HK\$0.81
– discontinued operation <sup>1</sup>			-	HK\$1.09
			<b>HK\$0.90</b>	<b>HK\$1.90</b>
			At 30 September 2008 (Unaudited) HK\$ million	At 31 December 2007 (Audited) HK\$ million
Equity attributable to shareholders of the Company			25,113	22,871
Minority interests			9,513	7,293
Total equity			<b>34,626</b>	30,164
Consolidated net borrowings			3,616	4,004
Gearing ratio <sup>3</sup>			10.4%	13.3%
Net assets per share (book value):			HK\$10.51	HK\$9.59

### Notes:

- The Company completed the disposal of its petroleum and related products distribution operation at the end of June 2007. This operation is presented as discontinued operation according to the Hong Kong Financial Reporting Standard 5.
- Diluted earnings per share for the nine months ended 30 September 2008 and 2007 are HK\$0.90 and HK\$1.88 respectively. The 2007 amount includes diluted earnings per share for the discontinued operation of HK\$1.08.
- Gearing ratio represents the ratio of consolidated net borrowings to total equity.



## ANALYSIS OF TURNOVER AND PROFIT

	Three months ended 30 September			Nine months ended 30 September		
	2008 (Unaudited) HK\$ million	2007 (Unaudited) HK\$ million	Increased/ (Decreased) %	2008 (Unaudited) HK\$ million	2007 (Unaudited) HK\$ million	Increased/ (Decreased) %
<b>Turnover by segment</b>						
<b>Core Businesses</b>						
- Retail	8,876	6,493	36.7%	26,206	18,930	38.4%
- Beverage	6,230	4,595	35.6%	14,404	10,878	32.4%
- Food Processing and Distribution	1,981	1,919	3.2%	5,802	5,360	8.2%
- Textile	1,226	1,208	1.5%	3,687	3,526	4.6%
- Investment Property	120	94	27.7%	325	277	17.3%
<b>Subtotal</b>	<b>18,433</b>	<b>14,309</b>	<b>28.8%</b>	<b>50,424</b>	<b>38,971</b>	<b>29.4%</b>
<b>Other Businesses</b>						
- Investments and Others	-	-	-	-	-	-
	18,433	14,309	28.8%	50,424	38,971	29.4%
Elimination of inter-segment transactions	(98)	(75)	30.7%	(283)	(194)	45.9%
<b>Total from continuing operations</b>	<b>18,335</b>	<b>14,234</b>	<b>28.8%</b>	<b>50,141</b>	<b>38,777</b>	<b>29.3%</b>
<b>Discontinued operation</b>						
- Petroleum and Related Products Distribution	-	-	-	-	10,610	(100.0%)
<b>Total</b>	<b>18,335</b>	<b>14,234</b>	<b>28.8%</b>	<b>50,141</b>	<b>49,387</b>	<b>1.5%</b>



## ANALYSIS OF TURNOVER AND PROFIT (CONTINUED)

	Three months ended 30 September			Nine months ended 30 September		
	2008 (Unaudited) HK\$ million	2007 (Unaudited) HK\$ million	Increased/ (Decreased) %	2008 (Unaudited) HK\$ million	2007 (Unaudited) HK\$ million	Increased/ (Decreased) %
<b>Profit attributable to shareholders ("PAS") by segment</b>						
<b>Core Businesses</b>						
- Retail	124	127	(2.4%)	506	400	26.5%
- Beverage	301	248	21.4%	447	366	22.1%
- Food Processing and Distribution	25	157	(84.1%)	265	381	(30.4%)
- Textile	24	42	(42.9%)	90	111	(18.9%)
- Investment Property	134	99	35.4%	700	485	44.3%
<b>Subtotal</b>	<b>608</b>	<b>673</b>	<b>(9.7%)</b>	<b>2,008</b>	<b>1,743</b>	<b>15.2%</b>
<b>Other Businesses</b>						
- Investments and Others	115	127	(9.4%)	305	325	(6.2%)
	723	800	(9.6%)	2,313	2,068	11.8%
Net corporate interest and expenses	(52)	(35)	48.6%	(154)	(142)	8.5%
<b>Total from continuing operations</b>	<b>671</b>	<b>765</b>	<b>(12.3%)</b>	<b>2,159</b>	<b>1,926</b>	<b>12.1%</b>
<b>Discontinued operation</b>						
- Petroleum and Related Products Distribution	-	-	-	-	2,576	(100.0%)
<b>Total</b>	<b>671</b>	<b>765</b>	<b>(12.3%)</b>	<b>2,159</b>	<b>4,502</b>	<b>(52.0%)</b>



## ANALYSIS OF TURNOVER AND PROFIT (CONTINUED)

	Three months ended 30 September			Nine months ended 30 September		
	2008 (Unaudited) HK\$ million	2007 (Unaudited) HK\$ million	Increased/ (Decreased) %	2008 (Unaudited) HK\$ million	2007 (Unaudited) HK\$ million	Increased/ (Decreased) %
<b>PAS excluding the effect of investment property revaluation and major disposal of non-core assets/investments by segment</b>						
<b>Core Businesses</b>						
- Retail <sup>a</sup>	125	121	3.3%	503	384	31.0%
- Beverage	301	248	21.4%	447	366	22.1%
- Food Processing and Distribution <sup>b</sup>	25	143	(82.5%)	181	367	(50.7%)
- Textile <sup>c</sup>	24	31	(22.6%)	87	97	(10.3%)
- Investment Property <sup>d</sup>	73	58	25.9%	264	170	55.3%
<b>Subtotal</b>	<b>548</b>	<b>601</b>	<b>(8.8%)</b>	<b>1,482</b>	<b>1,384</b>	<b>7.1%</b>
<b>Other Businesses</b>						
- Investments and Others	115	127	(9.4%)	305	325	(6.2%)
Net corporate interest and expenses	(52)	(35)	48.6%	(154)	(142)	8.5%
<b>Total from continuing operations</b>	<b>611</b>	<b>693</b>	<b>(11.8%)</b>	<b>1,633</b>	<b>1,567</b>	<b>4.2%</b>
<b>Discontinued operation</b>						
- Petroleum and Related Products Distribution	-	-	-	-	183	(100.0%)
<b>Total</b>	<b>611</b>	<b>693</b>	<b>(11.8%)</b>	<b>1,633</b>	<b>1,750</b>	<b>(6.7%)</b>

### Notes:

For the nine months ended 30 September 2008,

- Net valuation surplus of approximately HK\$3 million (2007: HK\$16 million) arising mainly from industrial building held by Retail division has been excluded from its results.
- Net gain on disposal of associated companies amounting to approximately HK\$84 million (2007: HK\$14 million) has been excluded from the results of Food Processing and Distribution division.
- Net valuation surplus amounting to approximately HK\$3 million (2007: HK\$5 million) arising mainly from industrial building held by Textiles division has been excluded from its results. 2007 results also excluded a gain on disposal of an associate amounting to approximately HK\$9 million.
- Net valuation surplus of approximately HK\$436 million (2007: HK\$315 million) has been excluded from the results of the Investment Property division.