

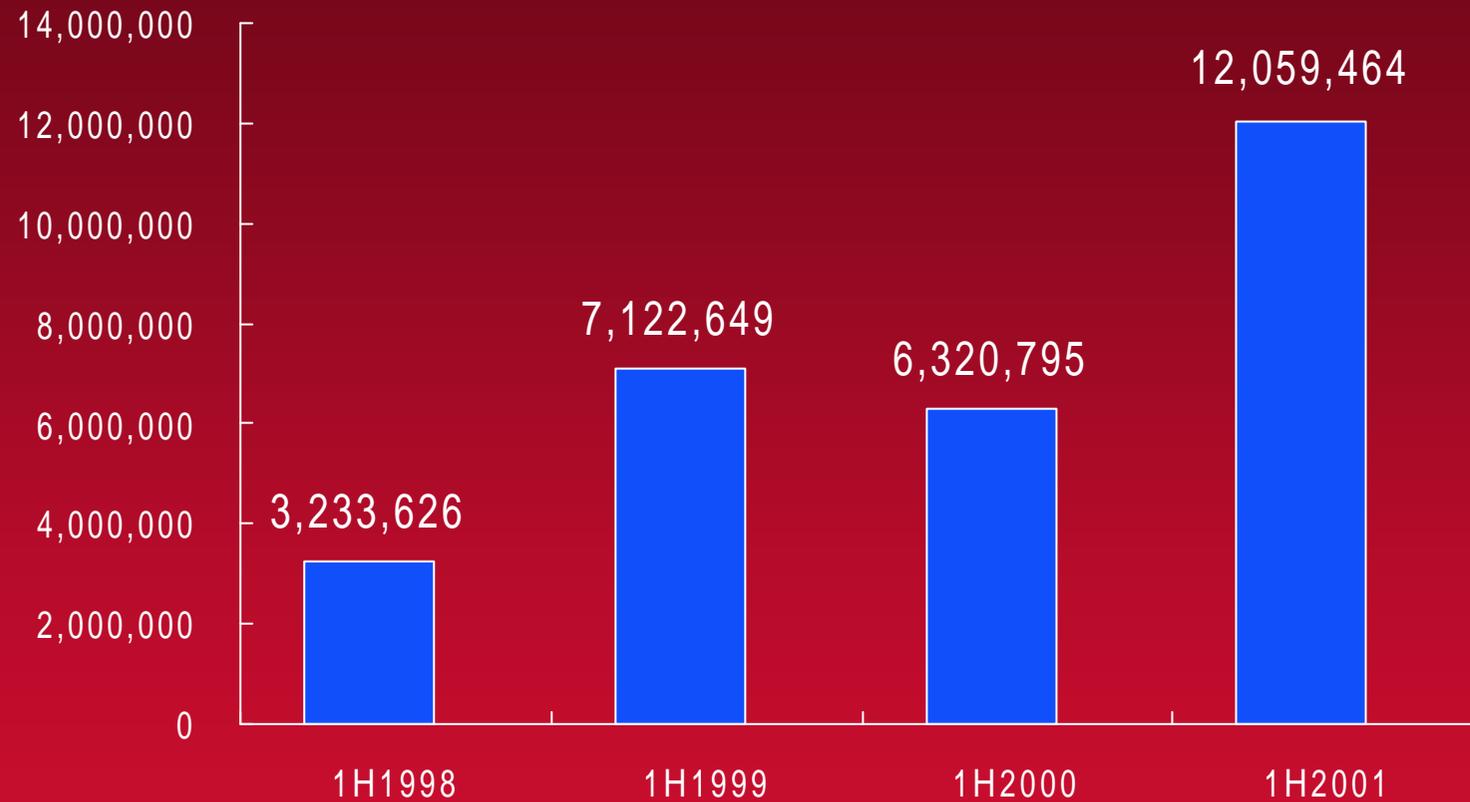
**China Resources Enterprise,
Limited**

***2001 Interim Result
Announcement***

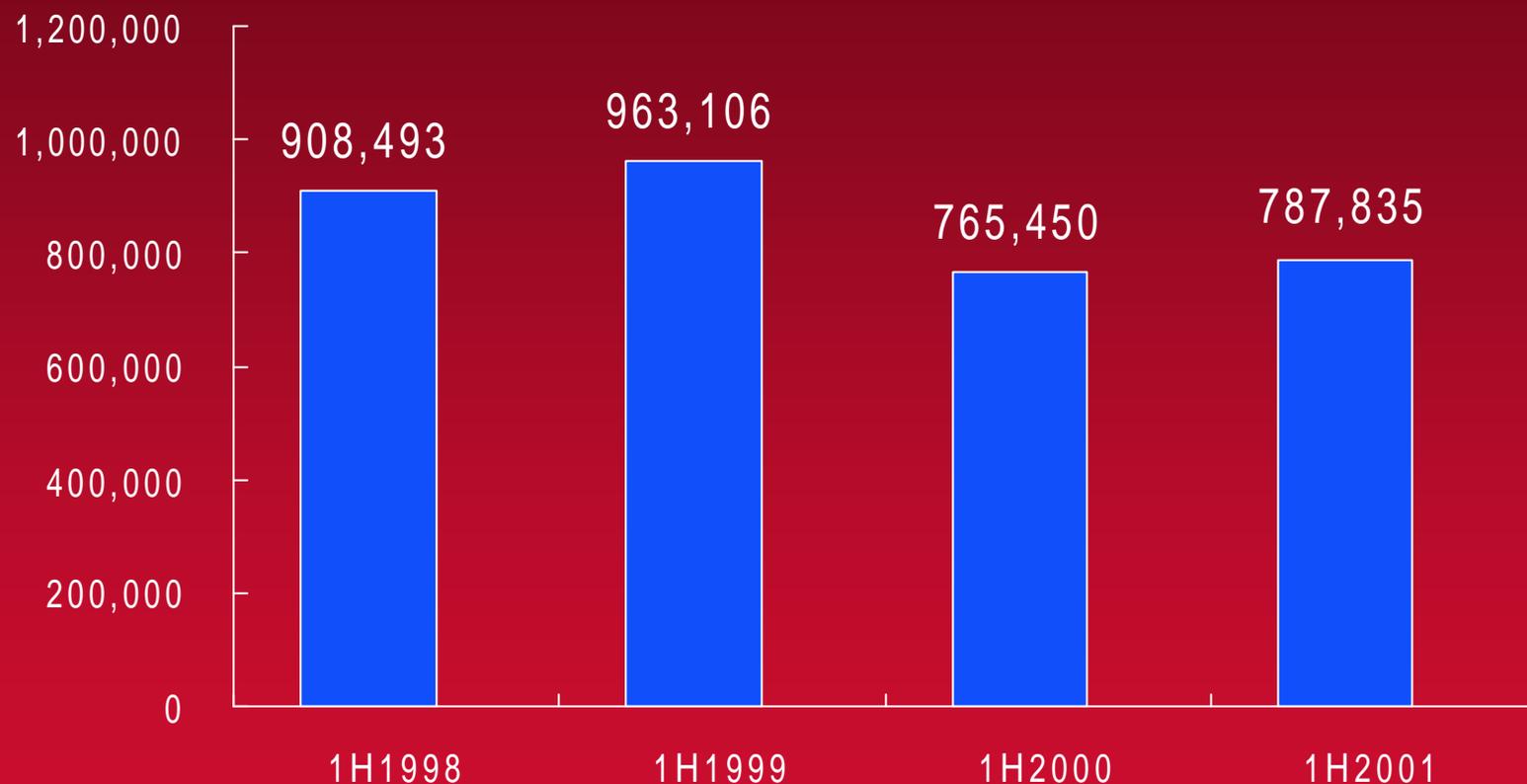


China Resources Enterprise, Limited

Total Turnover (HK\$' 000)



Profit Attributable to Shareholders (HK\$' 000)



Profit and Loss Statement

	1H2001 (unaudited) HK\$' 000	1H2000 (unaudited) HK\$' 000	
Turnover	12,059,464	6,320,794	90.8%
Cost of sales	<u>-9,841,622</u>	<u>-4,567,305</u>	115.5%
Gross Profit	2,217,842	1,753,489	26.5%
Other revenue	289,630	391,644	-26.0%
Selling and distribution expenses	-863,210	-610,061	41.5%
General and administrative expenses	<u>-593,393</u>	<u>-458,391</u>	29.5%
Profit from operations	1,050,869	1,076,681	-2.4%
Finance costs	-223,172	-175,632	27.1%
Share of results of associates	247,167	320,903	-23.0%
Profit before taxation	<u>1,074,864</u>	<u>1,221,952</u>	-12.0%
Taxation	-123,214	-120,615	2.2%
Profit after taxation	951,650	1,101,337	-13.6%
Minority interests	<u>-163,815</u>	<u>-335,887</u>	-51.2%
Profit attributable to shareholders	<u>787,835</u>	<u>765,450</u>	2.9%



Balance Sheet

	30th June 2001 HK\$'000	31st December 2000 HK\$'000 (Restated)
Non-current assets		
Fixed assets	10,314,710	9,890,833
Intangible assets	633,718	164,990
Interests in associates	3,128,010	3,296,923
Other investments	85,332	81,682
Prepayments	399,600	410,400
	<u>14,561,370</u>	<u>13,844,828</u>
Current assets		
Stocks	2,079,779	1,751,233
Trade and other receivables	2,196,692	2,262,002
Taxation recoverable	15,315	34,857
Stakeholder accounts	343,381	512,754
Pledged bank deposits	51,750	142,100
Cash and bank balances	6,880,021	6,853,916
	<u>11,566,938</u>	<u>11,556,862</u>
Current liabilities		
Trade and other payables	(3,846,071)	(4,974,287)
Short term loans	(2,913,477)	(1,971,758)
Taxation payable	(105,663)	(65,778)
	<u>(6,865,211)</u>	<u>(7,011,823)</u>
Net current assets	<u>4,701,727</u>	<u>4,545,039</u>
Total asset less current liabilities	19,263,097	18,389,867
Non-current liabilities		
Long term liabilities	(4,986,649)	(4,706,605)
Deferred taxation	(36,651)	(34,655)
	<u>14,239,797</u>	<u>13,648,607</u>
Minority Interests	(2,784,490)	(2,889,160)
	<u>11,455,307</u>	<u>10,759,447</u>
Capital and Reserves		
Share capital	2,013,800	1,988,785
Reserves	9,441,507	8,770,662
	<u>11,455,307</u>	<u>10,759,447</u>



Financial Highlights

	1H2001 HK\$'000	1H2000 HK\$'000	
Turnover	12,059,464	6,320,794	90.8%
Operating profit	1,050,869	1,076,681	-2.4%
Share of Associated Companies	247,167	320,903	-23.0%
Profit attributable to shareholders	787,835	765,450	2.9%
Shareholders' funds ¹	11,455,307	10,759,447	6.5%
Minority interests	2,784,490	2,889,160	-3.6%
Consolidated net borrowings	624,974	Net Cash	N/A
Earnings per share (HK\$) ²	0.39	0.39	0.0%
Interim Dividends per share (HK\$)	0.08	0.06	33.3%
Gearing ³	4.39%	Net Cash	N/A
Net assets per share: book value (HK\$)	5.69	5.41	5.2%



Financial Analysis - Turnover

Turnover by segment	1H2001 HK\$'000	1H2000 HK\$'000	
Property Development	498,266	482,806	3.2%
Rental Properties	228,955	180,660	26.7%
Beverages	1,130,956	864,629	30.8%
Food Processing and Distribution	2,854,054	2,688,838	6.1%
Building Materials	336,930	417,908	-19.4%
Petroleum and Chemicals Distribution	5,149,517	-	N/A
Retail	1,893,776	1,655,109	14.4%
Investments & Others	43,322	89,561	-51.6%
Sub-total	12,135,776	6,379,511	90.2%
Elimination of inter-company transactions	(76,312)	(58,717)	30.0%
Total	12,059,464	6,320,794	90.8%



Financial Analysis - Profit

Profit attributable to shareholders by segment	1H2001 HK\$'000	1H2000 HK\$'000	
Property Development	102,463	111,719	-8.3%
Rental Properties ¹	146,645	109,667	33.7%
Beverages	48,094	43,684	10.1%
Food Processing and Distribution ²	220,662	194,881	13.2%
Building Materials	71,955	98,234	-26.8%
Petroleum and Chemicals Distribution	90,766	-	N/A
Retail	(6,086)	26,314	-123.1%
Investments & Others	224,721	240,951	-6.7%
Subtotal	899,220	825,450	8.9%
Net interest & corporate expenses	(111,386)	(60,000)	85.6%
Total	787,834	765,450	2.9%



Property Development

- Profit declined due to the absence of profit contribution from Beijing Land
- Approximately 97.7% of Villa Esplanada Phase III has been sold
- The construction work of phase III was completed and the units are being handed over to the purchasers in the second half of this year



Rental properties

- Retail spaces of approximately 395,000 sq.ft., which are located in prime commercial districts. Average occupancy rate over 90%
- Approximately 750,000 sq.ft., of floor area designated for industrial, office or residential use
- Godown and cold storage space total approximately 1,550,000 sq.ft . Improvement in occupancy with Godown and cold storage occupancy rate reaching 74% and 88%



Beverage

- Beer and purified water sales volume reached approximately 660,000 tonnes and 105,000 tonnes respectively, representing an increase of approximately 32% and 27%
- Acquired four additional breweries
- Newly acquired breweries are currently being rationalized and integrated into the existing structure, and are expected to commence contributing to profit next year



Beverage (cont.)

Location	Province	Production Capacity (Ton)
Shenyang	Liaoning	550,000
Dalian	Liaoning	325,000
Anshan	Liaoning	150,000
Mianyang	Sichuan	200,000
Leshan	Sichuan	50,000
Jilin	Jilin	250,000
Tianjin	Tianjin	150,000
Bengbu	Anhui	250,000
Harbin	Heilongjiang	180,000
		<u>2,105,000</u>



Food Processing and Distribution

- Livestock business recorded minor growth in turnover, however, profit declined slightly as a result of price reduction early in the year
- frozen foods business recorded growth in both turnover and profit, result of expanding sales network and increasing the variety of frozen food products
- The marine fishing operation improved due primarily to effective cost control programs and improved productivity



Building Materials

- Turnover and net profit decreased 19.4% and 26.8%
- Due to a general business downturn in the construction industry led by reduction in government-subsidized housing and slowdown in the construction of infrastructure projects
- Implemented further cost reduction programs and distribute new construction material products



Petroleum and Chemical Distribution

- Turnover of both diesel oil and jet fuel, which together account for over 60% of the refined oil products turnover, declined by more than 10%
- Sale of fuel oil and LPG gas products, which recorded impressive growth rates of approximately 18% and 19% respectively in turnover
- Overall turnover of the petroleum operation up 4.6%



Petroleum and Chemical Distribution (cont.)

- Operating profit for the petroleum operation amounted to HK\$119.1 million, representing a decline of 29% when compared to last year, largely due to oversupply in regional markets and the fact that wholesale prices of oil products were reduced in view of keen competition, therefore profit margin were greatly reduced
- Chemical operation turnover growth of 6.6%. due to global economic slow down and the drop in the international prices for petrochemicals products which led to a drop in the domestic prices for domestic chemical products, recorded operating loss of HK\$10.2 million



Retail

- Supermarket operation recorded a turnover growth of 23.1%, in line with the increase in the number of new outlets for the period under review. However, profit declined substantially due to weak consumption demand in Hong Kong, and increased refurbishment costs
- “Brand-Fashion” distribution business in PRC reported steady performance with turnover and net profit growth of 69.7% and 10.5% respectively



Retail (cont.)

- Hong Kong department stores recorded decline in sales and an operating loss due to weak consumer demand



Investments & Other

- HIT, in which the Group has a 10% stake, reported steady results
- As a result of having no exceptional gains this year, net profit contribution from HKCB Holding to the Group amounted to HK\$43.0 million as compared to HK\$92.3 million for the same period last year, representing a decrease of 53.4%



Financial Review

- Consolidated borrowing approximately HK\$7.9 billion, with HK\$2.9 billion payable within 1 year and HK\$5.0 billion within 2 to 5 years
- The Group's consolidated cash amounted to HK\$7.3 billion
- Net gearing ratio remained low at approximately 4.4%

