CHINA RESOURCES ENTERPRISE, LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

2001 INTERIM RESULTS

The directors have pleasure in presenting the Group's unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2001 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30th June, 2001 HK$'000	2000 HK$'000
Turnover	1	**12,059,464**	6,320,794
Cost of sales		**(9,841,622)**	(4,567,305)
Gross Profit		**2,217,842**	1,753,489
Other revenue		**289,630**	391,644
Selling and distribution expenses		**(863,210)**	(610,061)
General and administrative expenses		**(593,393)**	(458,391)
Profit from operations		**1,050,869**	1,076,681
Finance costs	2	**(223,172)**	(175,632)
Share of results of associates		**247,167**	320,903
Profit before taxation	3	**1,074,864**	1,221,952
Taxation	4	**(123,214)**	(120,615)
Profit after taxation		**951,650**	1,101,337
Minority interests		**(163,815)**	(335,887)
Profit attributable to shareholders		**787,835**	765,450
Interim dividend		**161,104**	119,194
Interim dividend per share		**HK$0.08**	HK$0.06
Earnings per share	5		
Basic		**HK$0.39**	HK$0.39
Diluted		**HK$0.39**	HK$0.38

Notes:

1. **Segment information**

Business Segments

	Property Development HK$'000	Rental Properties HK$'000	Beverage HK$'000	Food Processing and Distribution HK$'000	Petroleum & Chemical Distribution HK$'000	Building Materials HK$'000	Retail HK$'000	Investments and Others HK$'000	Elimination HK$'000	Total HK$'000
Six months ended 30th June, 2001										
Segment revenue										
Turnover										
External sales	498,266	177,705	1,130,956	2,837,112	5,149,517	336,930	1,885,656	43,322	—	12,059,464
Inter-segment sales	—	51,250	—	16,942	—	—	8,120	—	(76,312)	—
	498,266	228,955	1,130,956	2,854,054	5,149,517	336,930	1,893,776	43,322	(76,312)	12,059,464
Other revenue	425	1,811	12,919	21,600	26,226	2,045	5,565	4,005	—	74,596
	498,691	230,766	1,143,875	2,875,654	5,175,743	338,975	1,899,341	47,327	(76,312)	12,134,060
Segment results	179,847	155,303	123,235	232,717	98,477	85,791	8,230	(22,504)	—	861,096
Unallocated corporate expenses										(25,261)
Interest income										155,949
Interest expenses										(223,172)
Profit on disposal of investments										59,085
Share of net profits of associates	—	—	—	20,749	6,265	3,978	1,432	188,009	—	220,433
Taxation										(96,480)
										951,650
Six months ended 30th June, 2000										
Segment revenue										
Turnover										
External sales	482,806	137,954	864,629	2,672,827	—	417,908	1,655,109	89,561	—	6,320,794
Inter-segment sales	—	42,706	—	16,011	—	—	—	—	(58,717)	—
	482,806	180,660	864,629	2,688,838	—	417,908	1,655,109	89,561	(58,717)	6,320,794
Other revenue	305	5,151	78	23,024	—	7,178	7,380	6,160	—	49,276
	483,111	185,811	864,707	2,711,862	—	425,086	1,662,489	95,721	(58,717)	6,370,070
Segment results	161,760	118,365	104,162	200,864	—	113,896	52,134	(2,032)	—	749,149
Unallocated corporate expenses										(14,836)
Interest income										170,163
Interest expenses										(175,632)
Profit on disposal of investments										172,205
Share of net profits of associates	18,096	—	—	18,337	—	1,839	949	245,472	—	284,693
Taxation										(84,405)
										1,101,337

Geographical Segments

	Hong Kong HK$'000	Chinese Mainland HK$'000	Other Countries HK$'000	Total HK$'000
Six months ended 30th June, 2001				
Segment revenue				
Turnover	7,789,469	3,733,837	536,158	12,059,464
Other revenue	54,953	19,033	610	74,596
	7,844,422	3,752,870	536,768	12,134,060
Six months ended 30th June, 2000				
Segment revenue				
Turnover	4,332,947	1,682,990	304,857	6,320,794
Other revenue	25,558	23,622	96	49,276
	4,358,505	1,706,612	304,953	6,370,070

2. **Finance costs**

	Six months ended 30th June, 2001 HK$'000	2000 HK$'000
Interest on finance leases	**2,175**	2,648
Interest on bank loans and other loans wholly repayable within five years	**214,742**	162,325
Financing charges	**6,255**	10,659
	223,172	175,632

3. **Profit before taxation**

	Six months ended 30th June, 2001 HK$'000	2000 HK$'000
Profit before taxation has been arrived at after charging/(crediting):		
Dividend from unlisted other investments	**(597)**	(973)
Depreciation		
— Owned assets	**256,293**	177,968
— Assets held under finance leases	**3,467**	3,454
Amortisation of intangible assets	**20,159**	4,612
Loss on disposal of land & buildings	**418**	201
The analysis of profit before taxation by geographical location is set out below:		
Hong Kong	**816,078**	877,824
Chinese Mainland	**231,517**	341,105
Other countries	**27,269**	3,023
	1,074,864	1,221,952

4. **Taxation**

	Six months ended 30th June, 2001 HK$'000	2000 HK$'000
Current taxation		
Hong Kong		
Company and subsidiaries	**78,686**	69,310
Associates	**22,871**	24,384
Chinese Mainland		
Subsidiaries	**15,798**	15,095
Associates	**3,863**	11,826
	121,218	120,615
Deferred taxation		
Hong Kong		
Subsidiaries	**1,996**	—
	123,214	120,615

Hong Kong Profits Tax is calculated at 16% (2000: 16%) on the estimated assessable profits for the period. Chinese Mainland income tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the Group in the Chinese Mainland.

5. **Earnings per share**

	Six months ended 30th June, 2001 HK$'000	2000 HK$'000
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings		
Profit attributable to shareholders for the purpose of calculating basic earnings per share	**787,835**	765,450
Effect due to dilutive potential ordinary shares of a subsidiary	**—**	(559)
Profit attributable to shareholders for the purpose of calculating diluted earnings per share	**787,835**	764,891

	Six months ended 30th June, 2001	2000
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**2,005,183,625**	1,984,328,623
Effect of dilutive potential ordinary shares in respect of share options	**22,561,378**	8,490,147
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,027,745,003**	1,992,818,770

PUBLICATION OF FURTHER INFORMATION

All information required by paragraphs 46(1) to 46(6) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Exchange") will be published on the Exchange's websites in due course.

CHAIRMAN'S STATEMENT

RESULTS

The Group's unaudited consolidated turnover and profit attributable to shareholders for the six months ended 30th June, 2001 amounted to approximately HK$12,059.5 million and HK$787.8 million respectively, representing an increase of 90.8% and 2.9% over the same period last year. Earnings per share of the Group, on a weighted average basis, amounted to HK$0.39 compared with HK$0.39 in the first half of 2000.

INTERIM DIVIDEND

The Directors have declared an interim dividend for the year ending 31st December, 2001 of HK8 cents per share (2000: HK6 cents) totalling HK$161,104,000 (2000: HK$119,194,000) to shareholders whose names appear on the register of members of the Company on 15th October, 2001. The interim dividend will be payable on or about 1st November, 2001.

REVIEW OF OPERATIONS

Property Development

The Hong Kong property development segment's turnover and net profit before corporate interest and expenses for the six months ended 30th June, 2001 amounted to HK$498.3 million and HK$102.5 million respectively, representing an increase of 3.2% and a decrease of 8.3% over the same period of last year. The decline is attributable mainly to the absence of profit contribution from China Resources Beijing Land Limited, which was disposed by the Group to China Resources (Holdings) Company Limited as part of its restructuring plan in November 2000.

The net profit before corporate interest and expenses generated from the Villa Esplanada project amounted to HK$102.5 million, representing a 9.4% increase over the same period of last year. The Group is currently involved in one development project in Hong Kong, namely, Villa Esplanada. This is a residential project which the Group has a 55% attributable interest. The project comprises a 10-block residential complex with a total gross floor area of approximately 2.25 million square feet. The project is divided into three phases. Phase I and II had already been sold. Approximately 97.7% of Phase III, which comprises a gross floor area of approximately 850,000 square feet, or approximately 1,200 units, has already been sold to-date. 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

The rental properties segment reported turnover and net profit before corporate interest and expenses for the six months ended 30th June, 2001 of HK$229.0 million and HK$146.6 million respectively, representing an increase of 26.7% and 33.7% over the same period of last year. The Group's rental properties in Hong Kong comprise godown and cold storage warehouses, retail, office and industrial properties.

The Group has a sizeable retail spaces of an estimated aggregate floor area of approximately 395,000 square feet, which are located in high-density commercial districts including Causeway Bay, Mongkok, Tsimshatsui and Tsuen Wan where sizeable retail spaces are limited. The scarcity of sizable retail floor spaces in prime commercial districts offers the Group with relatively stable rental income. The Group also owns a portfolio of approximately 750,000 square feet, of floor area designated for industrial, office or residential use. These properties achieve a good occupancy rate during the period under review, generating a stable stream of recurrent income for the company. The rental income from the retail, industrial and office properties amounted to approximately HK$95.4 million for the six months ended 30th June, 2001, representing an increase of 51% over the same period last year.

The Group is also one of the major godown and cold storage operators in Hong Kong with a total floor area of approximately 1,550,000 square feet. Despite continued keen market competition and a sluggish Hong Kong economy, in the first six months of this year, the Group's godown and cold storage operation continued to report improving performance with both turnover and net profit growing at 10.1% and 12.5% to HK$82.3 million and HK$30.2 million respectively, when compared with the same period last year. As a result of being successful in tendering for new business in the second half of last year, the overall the average occupancy rate of the Group's cold storage and godown operations has improved from last year's 69% and 74% respectively to 85% and 88% for the same period this year.

Beverage

The Group's beverage segment's reported turnover and net profit before corporate interest and expenses for the six months ended 30th June, 2001 amounting to HK$1,131.0 million and HK$48.1 million respectively, representing an increase of 30.8% and 10.1% over the same period of last year.

The Group's beverage segment continued to report strong performance with both beer and purified water sales volume for the first six months reaching approximately 660,000 tonnes and 105,000 tonnes respectively, representing an increase of approximately 32% and 27% compared with the same period of last year. During the period under review, the segment acquired four additional breweries, namely the Bangchuidao and Liaoyang brewery in Liaoning province; New Three Star Brewery in Heilongjiang province; and Leshan brewery in Sichuan province. These newly acquired breweries are currently being rationalized and integrated into the existing structure, and are expected to commence contributing to profit next year. Therefore, this segment's net profit growth for the period under review was behind that of sales. The recent acquisitions have increased the beverage segment's total number of breweries to 14, with a combined annual production capacity of approximately 2,100,000 tonnes.

Food Processing and Distribution

The food processing and distribution segment's turnover and net profit before corporate interest and expenses for the six months ended 30th June, 2001 amounting to HK$2,854.1 million and HK$220.7 million respectively, representing an increase of 6.1% and 13.2% over the same period of last year.

During the period under review, foodstuffs distribution and stock raising operation registered a 5.9% increase in turnover as compared with that of last year, amounting to HK$2,043.0 million. However, profit before interest and taxation of this operation recorded a slight decline in earnings. The turnover of the livestock business recorded minor growth, however, profit declined slightly as a result of price reduction early in the year. This was partly offset by improved performance, in both turnover and profit, recorded by the frozen foods business as a result of expanding sales network and increasing the variety of frozen food products. In an effort to improve the profit margin of its livestock distribution business, the Group will continue to focus on expanding the operation which provide cut and packed fresh meat products directly to leading supermarket chains, hotels and restaurants in Hong Kong.

Turnover of processing business amounted to HK$663.8 million, representing an increase of 9.5% over that reported in the previous year. The marine fishing operation improved in current period, with turnover and earnings increased by 11.5% and 37.0% respectively, due primarily to effective cost control programmes and improved productivity.

The abattoir operation recorded increase in both slaughtering volume and revenues. The Group will continue to comply fully with international slaughtering standards, and implement effective strategies on cost controls at the same time.

Building Materials

The Group's building materials segment, which is principally engaged in the manufacturing and distribution of ready mixed concrete, reported turnover and net profit before corporate interest and expenses for the six months ended 30th June, 2001 of HK$336.9 million and HK$72.0 million respectively, representing a decrease of 19.4% and 26.8% over the same period of last year. The decline during the period under review was primarily due to a general business downturn in the construction industry led by reduction in government-subsidised housing and slowdown in the construction of infrastructure projects. In response to the challenging market conditions of the construction material industry, the Group has implemented further cost reduction programmes and leveraging on its existing distribution network to distribute new construction materials from overseas, which are cheaper and more environmentally friendly.

Petroleum and Chemical Distribution

The Group's petroleum and chemical distribution segment, reported turnover and net profit before corporate interest and expenses for the six months ended 30th June, 2001 of HK$5,149.5 million and HK$90.8 million respectively. This segment is principally engaged in the marketing and distribution of petroleum and LPG gas products in Hong Kong and the marketing and distribution of chemicals products in Hong Kong and Chinese Mainland.

The petroleum operation consists of the purchasing of refined oil and LPG gas products from the world's major oil suppliers and selling and distributing such refined products, wholesale to agents and direct account customers including shipping companies, bus companies, airlines, and the Hong Kong government. The petroleum operation also distributes its refined oil and LPG gas products through its retail network in Hong Kong, which consists of five designated LPG gas stations and 12 petrol filling stations. The turnover of the petroleum operation was HK$4,838.3 million, up 4.6% compared with the first half of 2000. Adversely affected by the economic slowdown in Hong Kong and the oversupply of refined oil in the region, the 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% compared to the same period last year. However, this was offset by the better than expected performance from the sale of fuel oil and LPG gas products, which recorded impressive growth rate of approximately 18% and 19% respectively in turnover. 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.

In view of the weak demand for refined oil products expected for the coming year, the Group will speed up its expansion in the LPG gas filling stations and distribution business. Two new designated LPG gas stations are currently under construction. The Group plans to convert more of its petrol filling stations into LPG gas stations and to bid for more new LPG gas licences as the Hong Kong government makes such licences available in the future.

The Chemical operation specialises in marketing and distribution of petroleum by-products, rubber products, plastics, and organic and inorganic chemicals. This operation recorded a turnover growth of 6.6% to HK$311.2 million, as a result of continuous effort to boost sales. Despite the effort, 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, this operation recorded an operating loss of HK$10.2 million, as compared to an operating profit last year.

Retail

The Group's retail segment reported turnover and net loss before corporate interest and expenses for the six months ended 30th June, 2001 of HK$1,893.8 million and HK$6.1 million respectively, representing and an increase of 14.4% and a decrease of 123.1% over the same period of last year.

Supermarket

The supermarket operation recorded a turnover growth of 23.1% to HK$1,064.2 million, in line with the increase in the number of new outlets for the period under review. However, profit before interest and taxation declined substantially due to weak consumption demand in Hong Kong. The cost of refurbishment of existing stores, coupled with a weak consumer market in Hong Kong resulted in earnings being greatly reduced. This was partly offset by the strong growth recorded by the Chinese Mainland operation in both turnover and profit. The Group currently operates a chain totalling 333 supermarket outlets in both Hong Kong and the Chinese Mainland. For the period under review, the focus has been expanding its operation in the Chinese Mainland, bringing the total number of supermarket outlets from 206, for the same period last year, to 265 for the period to-date. The geographical location of the outlets in the Chinese Mainland are as follow: 52 in Tianjin, 89 in Suzhou, 19 in Beijing, 104 in Shenzhen and 1 in Xuzhou. Apart from refurbishing existing stores, the Group has also added two new stores in Hong Kong, bringing the total number of outlets in Hong Kong to 68.

"Brand-Fashion" Distribution

The "Brand-Fashion" distribution business in the Chinese Mainland reported steady performance in the first six months of this year, recorded a turnover and net profit growth of 69.7% and 10.5% respectively when compared to the same period of last year. During the period under review, this division has signed agreements with distributors of "Brand-Fashion" companies to distribute their products in the Mainland. In Chinese Mainland, the Group is fast becoming a dominant retail distributor with an extensive distribution network of over 520 boutiques; specialize in the distribution of garment, apparel, fashion accessories and cosmetics.

Hong Kong Retail

The Group is currently one of the largest retail distributors in Hong Kong, owning a chain of 10 department stores operating under the name of CRC Department Store and Chinese Arts & Crafts stores, all located in the prime business/shopping districts of Hong Kong. Weaker consumer demand in Hong Kong has led to a decline in sales and this division reporting an operating loss.

Investments and Others

The investments and others segment reported turnover and net profit before corporate interest and expenses for the six months ended 30th June, 2001 of HK$43.3 million and HK$224.7 million respectively, representing a decrease of 51.6% and 6.7% over the same period of last year. The decline was due mainly to the decrease in profit contribution from HKCB Bank Holding Company Limited ("HKCB Holding").

Container Terminal

HIT Investment Limited, in which the Group has a 10% stake, reported steady results. The Hong Kong Terminals and Yantian deepwater port operations, which together serve the Shezhen and Southern China manufacturing basin, were adversely affected by reduced export and import activity. Combined throughput and earnings before interest and tax remained in line with the comparable prior year. In Hong Kong, Hongkong International Terminals and COSCO-HIT reported a 7% decline in combined throughput and a 9% decline in earnings before interest and tax compared to the same period last year which was offset by Yantian Terminal's growth in throughput.

Banking

As announced by the directors of HKCB Holding on 15th August, 2001, the consolidated profit attributable to shareholders of HKCB Holding for the first half of 2001 amounted to approximately HK$123.2 million. The 2001 interim profit included no significant non-recurring items, whereas the corresponding 2000 figure included total non-recurring gains of approximately HK$215 million which arose from the disposal of HKCB Holding's investment in a former associate insurance company, and the revaluation of listed shares in the Hong Kong Stock Exchanges and Clearing Limited previously held. As a result, net profit contribution for the six months ended 30th June, 2001 from HKCB Holding to the Group amounted to HK$43.0 million as compared HK$92.3 million for the same period last year, representing a decrease of 53.4%.

FINANCIAL REVIEW

Capital and Funding

The Group finances its operations principally by cash inflow from operating activities, equity capital and bank borrowings. In May 2001, the Group issued US$230,000,000 zero coupon convertible guaranteed bonds due in 2006. The proceeds of the bonds will be used primarily for general working purposes. Together with the bank loans, the Group's borrowing as at 30th June, 2001 was HK$7.9 billion, and the maturity profile spread over a period of five years with HK$2.9 billion payable within 1 year, HK$5.0 billion within 2 to 5 years. The Group's consolidated cash amounted to HK$7.3 billion. Calculated on the basis of the Group's net borrowings over shareholders' funds and minority interest, the Group's net gearing ratio remained low at approximately 4.4%.

The Group has a substantial portion of its assets and liabilities denominated in Hong Kong dollars, U.S. dollars and Renminbi. The Group is exposed to foreign currency exchange rate risk primarily with respect to the Group's U.S. dollar denominated borrowings.

With the exception of the US$230 million zero coupon convertible guaranteed bond, the Group's borrowing are mainly in the form of syndicated loan and floating rate notes, which are principally unsecured loan at floating rates. At 30th June, 2001, the Group had no material exposure to foreign exchange contracts, interest or currency swap or other financial derivatives.

EMPLOYEES

As at 30th June, 2001, excluding associated companies, the Group employs approximately 30,000 people, of which approximately 23,000 are employed in the Chinese Mainland, with the remaining predominantly in Hong Kong. The Group's employees are remunerated according to the nature of the job and market trends with built-in merit components, paid in the form of bonuses, to reward individual performance. The Group's share option scheme remains the same as those described in the Annual Report for the year ended 31st December, 2000.

RESTRUCTURING PLAN

Following the announcement by China Resources (Holdings) Company Limited in June 2000, which states clearly its intention to transform the Group into a leading distribution company, the restructuring plan has progressed smoothly with two successful transactions being completed. The Group's commitment towards carrying out this restructuring plan remains unchanged.

As previously announced, the Group is currently conducting studies into the viability of acquiring various distribution and logistic related businesses. With respect to recent market rumours in relation to possible disposal by the Group of its interest in HKCB Holding, as previously announced, the Group intends to continue divesting from its non-distribution related businesses. In this regard, discussions are being held by the Company with interested parties. However, no agreements have been reached so far, and the Group has received no legally binding offer in this connection.

PROSPECTS

The interim results of the Group has been characterised by the economic slow-down in Hong Kong, which was in turn affected by the downturn in the global economy. As there is yet any sign of a recovery in the Hong Kong economy, the Group expects that some of its operations in Hong Kong, such as the building materials and retail operations, will inevitably continue to be adversely affected. However, the Group is fortunate that it also possesses certain core businesses, such as the food distribution operation, which are more resilient in nature at the time of economic slow-down. The Group has also built up strong and competitive businesses in the Chinese Mainland, which are well positioned to benefit from the continuing strong performance of the Mainland economy. China's impending accession into the World Trade Organization is expected to generate business opportunities for the Group, as there will be a substantial rise in China's trading volume with the world and related services sectors. The Directors are currently considering efficacious means to leverage on its strong financial position to capture the tremendous business opportunities in the Chinese Mainland. Although the Group will not be immune to the global economic downturn, the Directors are confident that the Group will continue to report satisfactory results to its shareholders.

APPRECIATION

On behalf of the Board of Directors, I would also like to take this opportunity to express my sincere thanks to all the Group's employees for their continuous support and dedicated services.

By order of the Board
Ning Gaoning
Chairman

Hong Kong 18th September, 2001