

(Incorporated in Hong Kong with Limited Liabilities)

Financial and Operational Review 2002 Third Quarter

This announcement is made by China Resources Enterprise, Limited ("the Company") on a voluntary basis in pursuit of a higher standard of corporate governance and in promoting the Company's transparency and pursuant to the disclosure requirement under paragraph 2(2) of the Listing Agreement entered into between the Company and the Stock Exchange. The Company currently intends to continue to publish the quarterly financial and operational review in the future.

The financial and operational review for the 2002 third quarter was not audited and was prepared in accordance with accounting principles generally accepted in Hong Kong.

The directors of the Company are pleased to present the following unaudited financial and operational information for the third quarter and nine months ended 30th September 2002.

FINANCIAL HIGHLIGHTS ANALYSIS OF TURNOVER AND PROFIT Three months ended Nine months ended Three months ended Nine months ended **30th September** 30th September 2002 2001 2002 2001 30th September 30th September (Unaudited) (Unaudited) (Unaudited) (Unaudited) 2002 2001 2002 2001 HK\$'000 HK\$'000 HK\$'000 HK\$'000 (Unaudited) (Unaudited) (Unaudited) (Unaudited) Turnover by segment HK\$'000 HK\$'000 HK\$'000 HK\$'000 Petroleum and Chemical Distribution 2,637,196 2,711,750 7,195,192 7,861,267 1,675,332 Retail 1,016,713 4,313,130 2,910,489 7,788,794 6,715,608 20,722,017 18,775,072 Turnover Food Processing and Distribution 1,179,691 3,568,318 1,494,832 4,348,886 1,302,075 747,913 3,147,677 1,878,869 531,089 Beverage Profit from operations 612,306 1,456,255 1,663,175 1,785,719 Textile 786,202 130,815 97,861 339,416 345,028 Share of results of associates 126,966 580,192 429,709 1,307,413 **Property** Profit attributable to shareholders 369,718 441,463 1,089,787 1,229,298 Investments and Others 123,067 190,784 395,713 571,036 Earnings per share (HK\$) N/AN/A 0.53 0.61 Subtotal 7,830,529 6,742,184 20,835,458 18,877,960 (113,441)(102,888)Elimination of inter-segment transactions (41,735)(26,576)At At 30th September 31st December 7,788,794 6,715,608 20,722,017 18,775,072 2001 (Unaudited) (Audited) Profit attributable to shareholders by HK\$'000 HK\$'000 segment Petroleum and Chemical Distribution 56,865 79,203 238,037 169,969 21,005 4,216 831 (5,255)Shareholders' funds 12,977,672 11,987,385 257,198 Food Processing and Distribution* 85,585 90,278 310,940 109,142 2,867,842 Minority interests 3,439,006 Beverage 67,536 32,965 81,059 54,846 98,077 **Textile** 351,904 Consolidated net borrowings 1,684,944 Property 26,336 161,813 167,221 410,921 Net gearing² 2.14% 11.34% Investments and Others 106,637 122,098 295,232 418,774 154% 160% Current ratio 402,021 1,185,912 Subtotal 487,188 1,386,408 Net assets per share: book value (HK\$) 6.24 5.95 Net corporate interest and expenses (32,303)(45,725)(96,125)(157,110)Total 369,718 441,463 1,089,787 1,229,298 Notes: Following the privatisation, surplus cash of Ng Fung Hong Limited ("NFH") in the amount of HK\$1,300 million was paid out to the Earnings per share have been calculated by dividing the profit attributable to shareholders by weighted average number of shares in holding company by way of dividend in 2001. The payout in question has led to substantial reduction of interest income accrued to NFH

REVIEW OF OPERATION

issue during the period

The Group's unaudited consolidated turnover for the third quarter and nine months ended 30th September 2002 was HK\$7,789 million and HK\$20,722 million respectively, an increase of 16.0% and 10.4% compared to the same period of 2001. The Group's unaudited consolidated profit attributable to shareholders for the third quarter and nine months ended 30th September 2002 was HK\$370 million and HK\$1,090 million respectively, representing a decrease of 16.3% and 11.3%

Net gearing represents the ratio of net borrowings to shareholders' funds and minority interests

Excluding the gain of HK\$59 million from the disposal of a 25.5% stake in China Resources (Shenyang) Sanyo Compressor Co. Ltd. in January 2001, net profit for business and some operational improvements have helped compensate substantially the reduction in the property development profits.

Petroleum and Chemical Distribution

Turnover for the third quarter and nine months ended 30th September 2002 was HK\$2,637 million and HK\$7,195 million respectively, a decrease of 2.7% and 8.5% compared with the same period of last year. Net profit before corporate interest and expenses for the third quarter and nine months ended 30th September 2002 was HK\$57 million and HK\$238 million respectively, a decrease of 28.2% and an increase of 40.0% over the same period of 2001.

The decline in profit for the third quarter was largely attributable to lower demand for diesel oil and decline in contribution from LPG stations caused by volatility in oil prices, offset partially by increase in demand for liquefied chemical.

For the nine months ended 30th September 2002, turnover for the petroleum operation amounted to HK\$5,525 million, representing a decrease of 10.1% over the same period of last year. Despite the decrease in overall sales volume of 7.4% and downward pressure to selling prices for the petroleum due to fluctuating world crude oil prices and intense competition, the operation has managed to enhance its gross margins for most products through effective cost control. Performance for the gas operation in Hong Kong has been stable for the period under review.

Petrol and LPG stations in Hong Kong have experienced an increase of 29.1% in sales volume for the first nine months of 2002. Sales volume for LPG sold at own stations soared by over 42.9% over last year due to the increasing number of LPG operated vehicles as a result of the introduction of environmental friendly LPG taxis by the Government of the Hong Kong Special Administration Region ("Hong Kong Government") and an addition of 2 new LPG stations. While the cost of LPG went up substantially recently, the retail selling price pre-set by the Hong Kong Government every six months has created a time lag in adjusting the price due to cost change. As a result, the operation reported a reduction in operating profit for the LPG sold at the filling stations in the third quarter and further reduction in operating profit in the fourth quarter is anticipated.

The chemical operation enjoyed a good performance due to strong demand in the Chinese Mainland and improved sales and distribution network. For the nine months to September 2002, the operation reported a turnover of HK\$713 million, up 37.2% against the same period of last year and an operating profit of HK\$33 million, as

For the fourth quarter of 2002, the Group anticipates the fluctuation of the world crude oil prices to widen with a possible impact to its business performance. The Group will be watching closely the trend of the oil prices, which has fallen from USD\$30 a barrel in September 2002, and will take prudent measure to mitigate its

Retail

Turnover for the third quarter and nine months ended 30th September 2002 was HK\$1,675 million and HK\$4,313 million respectively, an increase of 64.8% and 48.2% compared with the same period of last year. The retail segment continued to improve with a net profit before corporate interest and expenses of HK\$4 million in the third quarter and a profit of HK\$21 million for the nine months ended 30th September 2002.

Turnover for the third quarter and nine months ended 30th September 2002 was HK\$1,238 million and HK\$2,903 million, an increase of 110.7% and 74.9 compared with the same period of last year. The operation reported a net loss of HK\$0.4 million for the third quarter (2001: net loss of HK\$1.4 million) and a near break-even for the nine months ended 30th September 2002 (2001: net loss of HK\$0.4 million). The results included goodwill amortization of HK\$1.3 million for two months for the acquisition of a 65% equity interest in China Resources Vanguard Supermarket Company Limited ("China Resources Vanguard") (previously China Vanguard Supermarket Company Limited ("China Resources Vanguard")) Department Co., Ltd.) by the Group in July 2002. The Supermarket operation reported an increase in earnings before interest, tax, depreciation and amortisation ("EBITDA") from HK\$15 million in the third quarter 2001 to HK\$31 million in the third quarter of 2002. EBITDA of supermarket operation for the first nine months

The strong growth in the turnover was mainly due to store expansion including the acquisition of China Resources Vanguard in July 2002. As goodwill gesture to the consumer public, the supermarket operation in Hong Kong has offered a 12% discount for the elderly in September 2002 for a period not less than 16 weeks and embarked on a 2-year program to renovate its existing stores. As of 30th September 2002, number of self-operated and franchised stores in Hong Kong and the Chinese Mainland was 450. Number of stores in the Chinese Mainland grew from 288 to 376. Based on the retailing growth for the Chinese Mainland, the Group has reasons to be optimistic for growth to sustain for its supermarket operations for the remainder of 2002.

In September 2002, the Group has entered into an agreement to acquire a 39.25% equity interest in Suguo Supermarket Co. Ltd. 蘇果超市有限公司 for a consideration of RMB232 million (HK\$217 million). The acquisition, which is expected to complete before the end of 2002, will further establish the Group's leading position for its retail operations in Chinese Mainland.

Brand-fashion distribution

Turnover for the third quarter and nine months ended 30th September 2002 was HK\$231 million and HK\$631 million respectively, an increase of 28.9% and 29.6% compared with the same period of last year. Net profit before corporate interest and expenses for the third quarter and nine months ended 30th September 2002 was HK\$10 million (2001: net loss HK\$7 million) and HK\$16 million (2001: net profit HK\$4 million) respectively

The strong growth in the turnover was mainly due to the store expansion for the period under review. As of September 2002, the Group has acquired a total of 19 brands for designated cities. Substantial startup costs incurred in prior years for brand development began to be paid off. At the end of 30th September 2002, the Group had 748 self-operated and franchised boutiques, compared with about 560 boutiques at the end of 30th September 2001.

The Group will continue its drive to expand through opening new shops and growing the distribution network with a view to improve profit. From time to time, the Group will realign its brand development strategies such that shops that offer little or no profit will be considered for closure while brands with limited development

Hong Kong Retail

Turnover for the third quarter and nine months ended 30th Sentember 2002 was HK\$206 million and HK\$779 million respectively, a decrease of 17.6% and an increase of 2% compared with the same period of last year. The operation reported a net loss of HK\$3 million for the third quarter (2001: net profit HK\$9 million) and a net profit of HK\$5 million for the nine months ended 30th September 2002 (2001: net loss HK\$9 million). The decline in turnover for the third quarter was due largely to the closure of a store at Central District in March 2002

As of September, the Group operates a chain of 9 department stores under the household name of CRC Department Store and Chinese Arts & Craft Stores ("CAC Stores") located in the prime business and shopping districts of Hong Kong. The Group has 12 stores as of end of September 2002 operated under the brand name "CRC Medichall" with business focus on "Health" and "Professional Service", offering a wide selection of top quality Chinese herbal medication, medicine and health food on one-stop for the convenience of consumers. During the period under review, the CAC stores at Wanchai and Tsimshatsui have been refurbished with a new look. Despite the weak local economy, the Group's retail stores managed to maintain a moderate 2.0% turnover growth to HK\$779 million in the first nine months of 2002 over the same period last year, due to effective marketing campaigns, satisfactory closure and renovation sales. Through prudent management, the Group is cautiously optimistic of a stable performance for its Hong Kong operation for the rest of 2002.

Food Processing and Distribution

Turnover for the third quarter and nine months ended 30th September 2002 was HK\$1,180 million and HK\$3,568 million respectively, a decrease of 21.1% and 17.9% compared with the same period of last year. Net profit before corporate interest and expenses for the third quarter and nine months ended 30th September 2002 was HK\$86 million and HK\$257 million respectively. Following the privatisation, surplus cash of Ng Fung Hong Limited ("NFH") in the amount of HK\$1,300 million was paid out to the holding company by way of dividend in 2001. The payout in question has led to substantial reduction of interest income accrued to NFH with an impact to its net profit. Excluding the net interest expenses/income, net profit was in effect down by 1.3% and 2.6% for the third quarter and nine months ended 30th September 2002 respectively. Effective cost control helped sustain profit for the period under review. The decline in turnover was largely due to lifting of frozen meat export quota in January 2002.

Operating profit for the food distribution for the first nine months of 2002 was 12.7% below that of last year. The decline was distorted by the exceptionally high Operating profit for the food distribution for the first nine months of 2002 was 12.7% below that of last year. The decline was distorted by the exceptionally high demand for live pigs, triggered by the outbreak of bird flu and suspension of chilled meat from Thailand during the same period of 2001. For the first nine months of 2002, the grocery and other food products within the food distribution operation reported an increase of 14.1% in turnover and 12.0% in operating profit over last year, due to efforts taken by the Group to develop and launch new products, strengthen its sales force and increase the number of new customers. Through prudent marketing strategy and increased direct sourcing of foreign and Chinese Mainland meat products, the Group has improved the gross profit margin of frozen meats substantially by 5.5 percentage points.

The ice-cream business under the food production and processing operation enjoyed satisfactory performance, due to dedicated efforts in sales network expansion and products variety enrichment. For the first nine months of 2002, turnover of ice-cream business rose 20.3% and its operating profit jumped 10.8% compared to that of last year. However, due to keen competition from South American prawn suppliers to European market, declining consumption in Japanese market and weakening global economy, operating profit for the food production and processing operation for the nine months to September 2002 fell by 25.4% when compared that of last

with an impact to its net profit. Excluding the net interest expenses/income, net profit was in effect down by 1.3% and 2.6% for the third

quarter and nine months ended 30th September 2002 respectively.

For the first nine months of 2002, abattoir and other operation reported an 11.1% increase in operating profit over that of last year, due to enhanced efficiency and effective cost control despite a slight decline in slaughtering volume and revenue.

Turnover for the third quarter and nine months ended 30th September 2002 was HK\$1,302 million and HK\$3,148 million respectively, an increase of 74.1% and 67.5% compared with the same period of last year. Net profit before corporate interest and expenses for the third quarter and nine months ended 30th September 2002 was HK\$68 million and HK\$109 million respectively, an increase of 104.9% and 34.6% compared with the same period of last year

The strong growth for the third quarter and the first nine months was largely attributable to the Group's plan to expand its beer market presence in the Chinese Mainland through acquisition of breweries including the Sichuan Blue Sword in late 2001 and a brewery in Wuhan in April 2002. Substantial efforts and costs were put in to promote the national brands.

Sales volume for beer and purified water for the first nine months of 2002 amounted to 1,975,826 kilolitres and 215,868 kilolitres respectively, showing an increase of 75.5% and an increase of 20.2% over the same period last year. An organic growth of about 7.5% in the sales volume for beer was recorded for the first nine months of 2002. As of September 2002, total number of breweries was 27 with a combined annual production capacity of 3,700,000 kilolitres. Integration of the new breweries into the existing operation will help boost the brewery segment's synergy through rationalization of resources

The textile business was acquired in January 2002. The textile business was established in the late 1950s and is now one of the leading players in the textile industry engaging in the manufacturing and distribution of textiles and garments in the Chinese Mainland. The acquired group has a comparatively intact channel for import and export trade and strong bases of supply that help ensure an efficient and effective network for sales and purchases, with customers around the world. With a view to streamline the management, the Group also acquired the minority equity stake for the subsidiaries under the textile factory operation at Shandong in May 2002. Turnover for the third quarter and the eight months ended 30th September 2002 was HK\$786 million and HK\$1,786 million respectively. Net profit before corporate interest and expenses for the third quarter and eight months ended 30th September 2002 was HK\$55 million and HK\$98 million respectively

Performance for the third quarter showed improvement over the last two quarters due to the beginning of the traditional peak season for garment shipments to meet the festive orders placed for Christmas and Thanksgiving Day and increase in number of new customers. The west coast port lockout incident in U.S. in September 2002 has caused insignificant effect to the garment exports business.

Turnover for the third quarter and nine months ended 30th September 2002 was HK\$127 million (2001: HK\$580 million) and HK\$430 million (2001: HK\$1,307 million) respectively. Net profit before corporate interest and expenses for the third quarter and nine months ended 30th September 2002 was HK\$26 million (2001: HK\$161 million) and HK\$167 million (2001: HK\$411 million) respectively. The decline in turnover and profit compared to 2001 was mainly due to reduction in property development business consistent with the Group's strategy to focus on its retail-led distribution businesses.

The Group's Hong Kong property development segment, which comprises its 55% interest in the Villa Esplanada project, recorded a turnover of HK\$69 million (2001: HK\$948 million) and a net profit before corporate interest and expenses of HK\$11 million (2001: HK\$182 million) for the first nine months of 2002. The developments have been completed with all residential units substantially sold in prior years. At end September 2002, only 3 residential units were left unsold. Of the 500 car parks, 208 have been sold and 210 leased as at end of September 2002.

Rental Properties

The Group's rental properties segment, which comprises godown, cold storage warehouse, retail stores, office and industrial premises, reported a turnover of HK\$361 million (2001: HK\$359 million) and a net profit before corporate interest and expenses of HK\$156 million (2001: HK\$229 million) for first nine months of 2002. A provision of HK\$40 million was made in the third quarter to reflect the decline in value for the investment properties.

The Group's retail properties, which are situated in the prime districts in Hong Kong including Causeway Bay, Mongkok, Tsimshatsui and Tsuen Wan, have a total floor area of approximately 398,000 square feet. As of September 2002, most retail properties were fully leased. The Group's rental properties held for industrial, office and residential use, has a total floor area of approximately 954,000 square feet. All these properties, together with the retail properties, have contributed a total rental income of HK\$224 million for the period under review. The Group anticipates that the weak local economy will persist with an impact to the rental market.

The Group is one of the major godown and cold storage operators in Hong Kong with a total floor area of 1,550,000 square feet, operating at its own properties. Due to the weak economy, occupancy rates for godown and cold storage operations fell from last year's 93% and 86% to this year's 88% and 84% respectively. Despite the growing competition and low demands, the operation still reported a stable performance in turnover of HK\$137 million (2001: HK\$128 million) and net profit of HK\$41 million (2001: HK\$46 million) for first nine months of 2002, following actions to expand its service scope.

Turnover for the third quarter and nine months ended 30th September 2002 was HK\$123 million (2001: HK\$191 million) and HK\$396 million (2001: HK\$571 million) respectively. Net profit for the third quarter and nine months ended 30th September 2002 was HK\$107 million (2001: HK\$122 million) and HK\$295 million (2001: HK\$419 million) respectively. Excluding the asset disposal income of HK\$59 million in last year, profit for the first nine months of 2002 fell by 17.9%.

HIT Investments Limited, in which the Group has 10% interest, reported satisfactory results in throughput and earnings. Strong United States and European trade

have contributed to growing container volumes moving through the Hong Kong and Yantian ports with throughputs growth particularly strong for the latter

Turnover for the third quarter and nine months ended 30th September 2002 was HK\$86 million and HK\$305 million respectively, a decrease of 45.5% and 38.4% over the same period of last year. Net profit for the third quarter and nine months ended 30th September 2002 was HK\$13 million and HK\$48 million respectively, a decrease of 63.6% and 55.1% over the same period of last year.

Demand for construction materials continues low amidst severe competition. The property market downturn triggered by the weak economy has led to slowdown of private developments and government projects. Downward pressure on concrete selling prices is expected to stay in the ensuing quarter. In a bid to maintain the profit margin, the Group has taken active steps to control the materials costs and to trim down overhead. The Group is considering plans to expand its operations into the

Capital and Funding

The Group finances its operations principally by cash generated from internal operations, equity capital and bank borrowings. After fully repaid the Floating Rate Notes of US\$175 million in April 2002 and partially settled the HK\$2.9 billion syndicated loan, the Group's borrowings as at 30th September 2002 was HK\$5,788 million with HK\$1,452 million payable within 1 year. The Group's consolidated cash amounted to HK\$5,437 million. Calculated on the basis of the Group's net rowings over shareholders' funds and minority interests, the Group's net gearing ratio remained low at approximately 2.14%.

The Group has a substantial portion of its assets denominated in Hong Kong dollars, U.S. dollars and Renminbi. As of 30th September 2002, the Group has 43% of its borrowings denominated in Hong Kong dollars, 34% in U.S. dollars and 23% in Renminbi. As of 30th September 2002, the Group had no material exposure to foreign exchange contracts, interest or currency swap or other financial derivatives.

In October, the Group has sealed a HK\$3 billion dual-currency syndicated loan facility. The rate has been set at 39 basis points over the London inter-bank offered Group's existing loans and general corporate funding.

The Board wishes to remind investors that the above financial data is based on the Company's internal records and management accounts. The above financial data

for the third quarter and nine months ended 30th September 2002 have not been reviewed or audited by the auditors

By Order of the Board Lee Yip Wah, Peter Company Secretar

Hong Kong, 18th November 2002