China Resources Enterprise, Limited

華潤創業有限公司

(Incorporated in Hong Kong with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

- Turnover of HK$16.2 billion, a 25.2% increase from last year
- Turnover contribution from the Chinese Mainland operations exceeded that of Hong Kong for the first time
- Profit attributable to shareholders increased by 3.3% to HK$749.7 million
- Interim dividend of HK10¢ per share, an 11% increase as compared to that of last year

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2003 (Unaudited) HK$'000	2002 (Unaudited and restated)[1] HK$'000
Turnover	**16,190,163**	12,933,223
Profit from operations	**651,381**	930,328
Share of results of associates	**228,498**	208,601
Profit attributable to shareholders	**749,733**	725,462
Earnings per share	**HK$0.36**	HK$0.35
Interim dividend per share	**HK$0.10**	HK$0.09

	At 30 June 2003 (Unaudited) HK$'000	At 31 December 2002 (Restated)[1] HK$'000
Shareholders' funds	**13,424,718**	12,945,721
Minority interests	**3,431,760**	3,290,057
Consolidated net borrowings	**1,479,747**	1,482,909
Gearing	**8.78%**	9.13%
Current ratio	**1.38**	1.29
Net assets per share: book value	**HK$6.45**	HK$6.22

Notes:

1. The comparatives have been restated to conform with the current period presentation in light of the change in accounting policy for deferred taxation.

ANALYSIS OF TURNOVER AND PROFIT

	Six months ended 30 June			
	Turnover		Profit Attributable to Shareholders	
	2003 (Unaudited) HK$'000	2002 (Unaudited and restated)[1] HK$'000	2003 (Unaudited) HK$'000	2002 (Unaudited and restated)[1] HK$'000
Petroleum and Chemical Distribution	**5,978,428**	4,557,996	**285,507**	182,018
Retail	**4,303,594**	2,725,851	**(88,818)**	61,494
Food Processing and Distribution	**2,357,389**	2,388,627	**175,461**	172,274
Beverage	**1,908,632**	1,845,602	**25,253**	38,484
Textiles	**1,410,521**	999,517	**82,274**	47,167
Property[2]	**142,627**	214,690	**165,931**	97,071
Investments and Others	**167,877**	272,646	**167,581**	190,776
Subtotal	**16,269,068**	13,004,929	**813,189**	789,284
Elimination of inter-segment transactions	**(78,905)**	(71,706)	**—**	—
Net corporate interest and expenses	**—**	—	**(63,456)**	(63,822)
Total	**16,190,163**	12,933,223	**749,733**	725,462

2. Due to change in use of certain properties from fixed assets to investment properties, it resulted in a decrease in deferred tax liabilities.

CHAIRMAN'S STATEMENT

RESULTS

The Group's unaudited consolidated turnover and profit attributable to shareholders for the six months ended 30 June 2003 amounted to HK$16,190.2 million and HK$749.7 million respectively, representing an increase of 25.2% and 3.3% over that of last year respectively. Earnings per share of the Group, on a weighted average basis, was HK$0.36 compared to HK$0.35 in 2002.

DIVIDENDS

The Board resolved to declare an interim dividend of HK$0.10 per share for 2003 (2002: HK$0.09 per share) payable on or about 3 November 2003 to shareholders whose names appear on the Register of Members of the Company on 6 October 2003. Such interim dividend of 2003 is additional to a special interim dividend effected by way of a distribution in specie of shares in China Resources Cement Holdings Limited (CR Cement) to shareholders whose name appeared on the Register of Members of the Company on 15 July 2003. The interim dividend of 2002 as mentioned above is in addition to a special dividend of HK$0.25 per share paid on 8 February 2002 for the disposal of the Group's investment in banking business.

PROSPECTS

The Group has a unique retail-led distribution model and our businesses are increasingly geared towards the consumer markets of the Chinese Mainland and Hong Kong. Over the past few years, we have restructured our business portfolio to reduce the reliance on property development and focus on distribution businesses. This year, the Group has started to restructure its non-core businesses. We have successfully reorganized our building materials business and distributed the interest to our shareholders in the form of a dividend in specie. The new company, CR Cement, was listed on The Stock Exchange of Hong Kong Limited by way of introduction on 29 July 2003. To increase the core competence of our retailing businesses, the Group acquired our parent company's logistics business in July. It will be integrated with the Group's existing logistic operation with a focus on FMCG distribution to meet our own logistics demand in the long term. In February, the Group announced the acquisition of a 51% stake in 華潤錦華股份有限公司 China Resources Jinhua Co., Ltd., a precedent for a foreign company to take a controlling stake in a Chinese Mainland listed company. The transaction was completed in July. This is an important milestone for our textile business to achieve a leading position in the Chinese Mainland textile industry.

The Group has accelerated its investments in the Chinese Mainland as planned. In particular, our food processing and distribution business has entered the mainland meat market and a joint venture to construct a modern meat processing center in Shanghai was signed in March. For the period under review, the proportion of the Group's revenue from the Chinese Mainland has for the first time exceeded that of Hong Kong.

The sudden outbreak of severe acute respiratory syndrome, or SARS, has considerably affected the Group's operations in Hong Kong and certain regions of the Chinese Mainland. The situation has improved after SARS had been under containment, and the Group is recovering from its impact. The Closer Economic Partnership Arrangement, or commonly known as CEPA, enhanced cooperation between Hong Kong and Guangdong as well as the influx of mainland tourists following the relaxation of individual travelers from five mainland cities will stimulate the local economy. At the same time, Chinese Mainland's economy remains robust and there is a continued increase in consumer purchasing power. With a strong balance sheet and steady cashflow, the Group is well-positioned to capitalize on the tremendous investment opportunities ahead. Coupled with our efforts to improve operational efficiency, we are very confident about the future prospects of the Group.

CORPORATE GOVERNANCE

Over the last few months, the Group has continued to work on different aspects of corporate governance to ensure that shareholders are rest assured of the best practice in the Group's internal control, accounting disciplines and ethical behavior. To realize the initiatives, members of the Board met on average once a month to participate in key decision-making process of the Group. While independent views for certain major Board decisions are becoming increasingly important nowadays, average attendance of the Group's independent non-executive directors in meetings for such decisions was over 90% in the first half of the year, showing that the Group's major decisions went through balanced yet independent perspectives and that active participation is made by a team of professionals from diversified background.

Excellent corporate governance also means ensuring shareholders' and especially minority shareholders' rights and benefits. The Group has chosen to divest its building material business, a non-core business then, by way of a distribution in specie to its shareholders. By paying shareholders a special interim dividend in specie of the shares in CR Cement, all shareholders were given an equal right and flexibility to participate in the success and future development of the building materials business.

INVESTOR RELATIONS

The Group's long-time efforts in promoting investor relations have been both rewarding and appreciated. In a survey conducted in June by the Institutional Investor Research Group, one of the world's most respected financial publications, the Group was named the "Best Company IR" and the "Most Improved IR" among conglomerates in Asia by the Buy-side and the "Most Improved IR" among companies in Hong Kong, the "Most Improved IR" among conglomerates in Asia by the Sell-side. The Group will continue to improve communication and transparency to its investors.

SOCIAL RESPONSIBILITY

SARS has separated many families but many more found themselves closer ever than before. As part of the corporate culture, "dedicated to people and improving people's lives", the Group has made a record donation to different charities like The Red Cross Society of China in the Chinese Mainland and Hong Kong in aiding the society to fight against and prevent from the resurgence of SARS. The Group pledged to look into different areas in contributing to better quality of life for the customers, shareholders and employees.

EMPLOYEES

As at 30 June 2003, the Group, excluding its associated companies, employs approximately 66,000 people, of which approximately 63,000 are employed in the Chinese Mainland, with the remaining predominantly in Hong Kong. The Group's employees are remunerated according to the nature of job, individual performance and market trends with built-in merit components, paid in the form of cash bonuses and share options.

APPRECIATION

On behalf of the Board of Directors, I would like to express our appreciation towards Mr. John Loo Wun Loong, who has resigned as the Company's independent non-executive director in June, for his invaluable contribution to the Board over the last ten years. Nonetheless, we acknowledge our gratitude to our employees for their commitment and hard work during the period.

By order of the Board
Ning Gaoning
Chairman

Hong Kong, 10 September 2003

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Petroleum and Chemical Distribution

For the six months ended 30 June 2003, the operation reported a turnover of HK$5,978.4 million, up by 31.2% compared to the same period last year and a net profit before corporate interest and expenses of HK$285.5 million, up by 56.9% over that of last year. The increase was mainly due to the sharing of a gain from the disposal of our interest, held through a jointly controlled entity, in the aviation fuel facility at the Hong Kong International Airport and partly offset by a decline in profit contributions from our filling stations operation in Hong Kong.

The surge in overall turnover for the period under review was the resultant effect of fluctuating international crude oil prices, spurred by the US/Iraq war and uncertainty over oil supply by OPEC. Despite the SARS outbreak, the operation still achieved a moderate growth in the overall sales volume for the first half of 2003.

The refined oil distribution managed to maintain its profit margins for aviation kerosene and diesel oil during the first half of 2003, when world oil prices were extremely volatile. Despite cancellation of airline flights during the period of SARS outbreak, aviation kerosene still maintained a sales volume growth due to strong performance in the first quarter of 2003, and supply contracts secured from more airlines. For the period under review, fuel oil distribution reported satisfactory sales performance, due to expansion in the PRC market. LPG distribution in Hong Kong and LPG exports to PRC both reported stable sales growth. Petrochemicals distribution business maintained a decent growth in turnover, in particular for the Chinese Mainland market, for the period under review.

For the first half of 2003, petrol and LPG stations in Hong Kong reported an increase of 4.3% in sales volume over last year. Earnings contribution fell by HK$24.3 million due to the high LPG cost and a mismatch in the price-fixing mechanism. In volume terms, LPG sold at the stations rose by 11.1%.

To capitalize on the strong demand of piped gas in the Chinese Mainland, the Group entered into a joint venture agreement with the local government of Suzhou municipal in August 2003 to distribute and supply piped gas for Suzhou New District 蘇州新區. The new venture, of which the Group has a 70% interest in its share capital of US$15 million, will invest a total of about US$24 million for the construction of the piping network. The Group will keep on exploring the investment opportunities in the Chinese Mainland.

Barring any unforeseeable circumstances, the Group anticipates that the world oil prices will stabilize over the rest of 2003. Following the lifting of the travel advice by the World Health Organisation in May 2003, demand for aviation fuel has gradually restored to normal level. The Group will continue to take prudent measures to enhance its future performance of its petroleum and chemical distribution operation.

Retail

Turnover for the six months ended 30 June 2003 was HK$4,303.6 million, an increase of 57.9% compared with the same period of last year. The retail segment reported a net loss before corporate interest and expenses of HK$88.8 million for the first half of 2003 as compared to a net profit of HK$61.5 million last year.

Supermarket

For the six months ended 30 June 2003, the operation reported a turnover of HK$3,390.7 million, an increase of 93.4% over the same period last year and a net loss before corporate interest and expenses of HK$66.1 million for the first half of 2003 compared to a net profit of HK$47.6 million for that of last year. The under-performance was owing to the adverse impact of SARS on hypermarkets, and high cost structure following rapid expansion in last year. The results before interest, taxation, depreciation and amortization ("EBITDA") was in a loss of HK$10.3 million for the period under review.

The substantial increase in turnover was attributable to the increase in number of stores as well as the acquisition of a 65% equity interest in 華潤萬佳有限公司 China Resources Vanguard Co., Ltd. in July 2002. The SARS outbreak was a blow to the hypermarkets in Guangdong as reflected by their 8% same-store decline during the second quarter of 2003. For the first half of 2003, upfront store opening expenses of one-off nature in connection with the opening of 17 stores, including 1 hypermarket, totaled HK$11.0 million.

The Group is progressing well in its endeavors to establish a national brand for the Chinese Mainland operations in the second half of this year through a re-branding program, along with its plans to revamp the store formats to capture the market growth. In a bid to ensure our resources are efficiently utilized and our store formats are replicable, the Group rolled back some shop opening plans for 2003. The cost saving program initiated lately to reduce salaries and rentals begins to produce some desirable results. A new supplier rebate system has been introduced to categorize suppliers according to their sales and encourage volume discount, resulting in a much improved supplier relationship. Consistent with the Group's business strategy to become a leading distribution and retail group with sufficient logistic support, the Group acquired an established logistics business from its controlling shareholder in July 2003. The Group's supermarket operations will benefit most from this acquisition. The newly acquired logistic business will form part of the supermarket operations.

While the SARS outbreak adversely affected sales of the hypermarkets in the Chinese Mainland, the effect was mitigated by the stimulated sales for the operations in Hong Kong as people purchased more food from supermarkets for consuming at home rather than dining out. Supermarkets in Hong Kong that were given a facelift under the redecoration program in 2002, reported improved performance.

At end of June 2003, the Group operated a total of 461 stores in Hong Kong and the Chinese Mainland as compared to 454 at the end of last year. The number includes self-operated stores as well as some stores in the Chinese Mainland under the franchise arrangements. During the first half of 2003, 17 stores were opened and 10 stores were either closed or terminated franchise.

Share of associate's profit from Suguo Supermarket Co., Ltd. 蘇果超市有限公司, in which the Group acquired a 39.25% equity interest in September 2002, totaled HK$5.1 million for the period under review.

The Group's objective this year is to strengthen the management team and improve fundamentals of merchandising, operational and logistics, and we are confident and remain committed to this operation.

Brand-fashion distribution

Turnover for the six months ended 30 June 2003 was HK$446.8 million, an increase of 11.9% compared with the same period of last year. The operation reported a net loss before corporate interest and expenses of HK$16.5 million for the first half of 2003 as compared to a net profit of HK$6.5 million of last year. The results for the period under review was clouded by the SARS crisis and big discounts offered for the stock clearance of certain brands. EBITDA for the first half of 2003 fell by 24.9% to HK$45.3 million as compared to HK$60.3 million last year. For the period under review, most of the established brands reported decent same-store-growth.

The increase in turnover for the period under review was due primarily to the continuing store expansion and effective advertising. As of 30 June 2003, the Group distributed 18 international brands through 715 self-operated and franchised boutiques at designated cities in the Chinese Mainland, compared with 761 boutiques at the end of last year.

The Group anticipates that retail sales for high fashion in major cities will gradually return to normal following winning the fight against the SARS. Meanwhile, the Group will continue to focus on individual brand profitability.

Hong Kong Retail

For the six months ended 30 June 2003, the operation reported a turnover of HK$466.1 million, down by 18.7% over the same period of last year and a net loss before corporate interest and expenses of HK$6.2 million, compared to a profit of HK$7.4 million of last year. The lackluster performance was attributable to the sluggish economy, outbreak of SARS in March this year and also the closure of two CRC Department Stores 華潤百貨 in 2002. Partly stimulated by the effects of SARS, CR Care stores 華潤堂 reported increase in sales for medicine and drugs and decent profit growth for the period under review. SARS impacted the performance of Chinese Arts & Craft Stores 中藝 and CRC Department Stores 華潤百貨 in varying proportions, due to drop in tourists and customer visits. At end of June 2003, the Group operated 2 CRC Department Stores 華潤百貨, 5 Chinese Arts & Craft Stores 中藝, 2 super-sized and 20 smaller-sized CR Care Stores 華潤堂. During the period under review, the Group has taken active steps to mitigate the SARS impacts, including cost cutting measures for marketing expenses and staffing.

Food Processing and Distribution

For the six months ended 30 June 2003, the operation reported a turnover of HK$2,357.4 million, a decrease of 1.3% and a net profit before corporate interest and expenses of HK$175.5 million, an increase of 1.8%, compared with the same period last year.

Turnover of livestock distribution grew steadily by 2.7% for the first half of 2003, compared with that of last year, compensating for the decline in sales of frozen meat following the uplift of export quota. The better than expected performance was attributable to active promotion on high quality fresh meat under the "Ng Fung" brand name. However, the performance of foodstuffs distribution was affected by the gloomy outlook of restaurant and catering industry, due to the outbreak of SARS and weak consumer sentiments in Hong Kong.

The marine fishing and aquatic products processing operation recorded a surge in the operating profit by 88.6%, over that of last year for first half of 2003. These encouraging results were the direct benefits from efforts taken in exploring more fishing ground and enhancing catching capability of fishing fleet which resulted in growth of 16.9% in total catches, and improvement in quality of catches.

The ice-cream business under the food production and processing operation experienced satisfactory performance, due to efforts made in broadening the customer base and enhancing the market penetration through marketing and promotional campaigns and diversifying product range, leading to an 18.8% increase in turnover when compared to last year.

To cope with the challenges ahead, the Group will accelerate its business growth, through prudent marketing strategy, diversified promotional campaigns, rollout of new products and new investment opportunities in the Mainland meat market. In March 2003, the Group has set up its first joint venture to construct a modern meat-processing operation in Shanghai.

Beverage

For the six months ended 30 June 2003, the beverage operation reported a turnover of HK$1,908.6 million, an increase of 3.4% over last year and a net profit before corporate interest and expenses of HK$25.3 million, down by 34.3% compared to that of last year. The profit performance for the period under review was affected by the SARS incidence, reduced profitability in Jilin and Dalian, as well as initial loss of the newly acquired brewery in Beijing.

The sales volume of beer for the first half of 2003 totaled 1,228,678 kilolitres, an increase of 8.8% compared to the same period last year, aided by the addition of the new breweries at Wuhan and Panjin acquired in 2002 and at Beijing acquired in 2003, and stable growth for the Sichuan Blue Sword, consolidating our market position as the second largest brewer in the Mainland. Sales volume of our national brand, "SNOW 雪花", increased by 45% from first half of 2002 to 302,000 kilolitres, representing 25% of the total volume sold, reflecting its growing penetration following the implementation of our brand development strategy in the whole country. Organic sales volume growth of beer was 5.4% with strong earnings performance at Sichuan, Anhui and Shenyang, and the loss at Harbin was substantially reduced. Average selling prices decreased by 6% due to promotional activities but gross margin was in line with last year.

As of June 2003, total number of breweries was 29 with a combined annual production capacity of approximately 4.1 million kilolitres. The sales volume of purified water for the first half of 2003 amounted to 165,271 kilolitres, up by 34.4% over last year.

To facilitate national brand developments and brewery management, further acquisitions of part of the minority stakes from certain JV partners were made in August and September 2003.

Textile

For the six months ended 30 June 2003, the textile operation reported a turnover of HK$1,410.5 million as compared to HK$999.5 million for the same period last year and a net profit before corporate interest and expenses of HK$82.3 million as compared to HK$47.2 million of last year.

The satisfactory performance for the first half of 2003 was due primarily to acquisition growth and also the cotton price hike, which led to substantial increase in the selling prices for yarn and fabrics. Effective control over cotton purchased cost contributed also to the higher-than-expected profit. Overall net margin was about 5.8% compared with 4.7% for the first half of 2002. Despite the SARS effect, garment exports performed well as most orders were secured prior to February 2003.

Since the beginning of this year, the Group acquired three other textile plants, including one in Jiangsu and two in Shaanxi. Our 12 textile plants, equipped with 960,000 spindles, 14,600 looms and 13 printing & dyeing lines, are capable of an annual production of 100,000 tonnes of yarns, 260 million metres of grey fabrics and 130 million metres of finished fabrics. In July 2003, the Group completed the acquisition of a 51% equity interest in China Resources Jinhua Co. Ltd., a Shenzhen-listed company with textile production operation in Sichuan. Such acquisition is expected to reinforce the textile's performance in the second half of 2003.

The Group is making progress with its technology upgrade program to replace the old machines with advanced models. In a bid to enhance profitability, the Group will monitor the price movements closely for the cotton and garment quota. Over time, the Group aspires to become a leader in the market place, manufacturing and trading textile products under its own brand.

Property

For the six months ended 30 June 2003, the Group's property segment reported a turnover of HK$142.6 million, a decrease of 33.6% over last year and a net profit before corporate interest and expenses of HK$165.9 million, up by 70.9% compared to last year.

Property development

The Group's Hong Kong property development, which comprises its 55% interest in the Villa Esplanada project, recorded a turnover for the period under review of HK$5.0 million (2002: HK$66.1 million) and a net profit before corporate interest and expenses of HK$22.1 million (2002: HK$9.9 million). The developments have been completed with all residential units substantially sold in prior years. At the end of June 2003, only 2 residential units remained unsold. Of the 500 car parks, 212 have been sold and 256 were leased as at the end of June 2003.

Rental Properties

Rental properties include office, retail and industrial premises. For the six months ended 30 June 2003, the operation reported a turnover of HK$137.6 million, a decrease of 7.4% over last year and a net profit before corporate interest and expenses of HK$143.8 million, up by 64.9% compared to last year. The rental shortfall was due to the renovation work at Argyle Centre and rental concessions made to some SARS-affected tenants.

Despite the weak economy in Hong Kong, average occupancy rates of office premises improved slightly while that of retail premises remained high during the period under review. The Group's retail property at Argyle Centre, previously occupied by a CRC Department Store 華潤百貨, has been converted into a trendy mall, with more than 70% successfully leased so far at satisfactory rates. Due to change in use of the property from fixed assets for own use to investment property, it resulted in an increase in deferred tax credit.

Investments and Others

For the six months ended 30 June 2003, the Group's other investments reported a turnover of HK$167.9 million (2002: HK$272.6 million) and a net profit before corporate interest and expenses of HK$167.5 million (2002: HK$190.8 million).

Container Terminal

The Group has a 10% interest in HIT Investments Limited. In Hong Kong, the operations reported throughput in line with last year and earnings before interest and tax (EBIT) declined 5%. The Yantian port operations reported throughput growth of 30% and EBIT growth of 38%.

Building Materials

For the six months ended 30 June 2003, the operation reported a turnover of HK$167.9 million, a decrease of 23.2% over the same period last year and a net profit before corporate interest and expenses of HK$9.1 million as compared to last year of HK$36.6 million. Subsequent to the balance sheet date as of 30 June 2003, the Company has successfully spun off its building materials operations by way of a distribution in specie to the shareholders.

CAPITAL AND FUNDING

The Group centralizes surplus fund and funding requirements for all its operations to achieve better treasury operational control and average cost of funds. As at 30 June 2003, the Group's consolidated cash and cash equivalent amounted to HK$4,315 million. The Group's borrowings as at 30 June 2003 were HK$5,795 million with HK$1,970 million payable within 1 year, HK$3,825 million within 2 to 5 years. Committed borrowing facilities available to the Group, but not drawn as at 30 June 2003, amounted to HK$1,500 million. All the borrowings are subject to floating rates except for the US$230 million convertible guaranteed bonds, which are subject to fixed interest rate.

Calculated on the basis of the Group's net borrowings over shareholders' funds and minority interests, the Group's net gearing ratio remained low at approximately 8.8%. Together with the available banking facilities, the Group has adequate financial resources to finance its operations and to cope with its investment plans in the foreseeable future.

The Group's principal assets, liabilities, revenue and payments are denominated in US dollars, Hong Kong dollars and Renminbi. The Group expects that the risk exposures to foreign exchange rate fluctuations are minimal. As of 30 June 2003, 52% of the Group's cash deposit balances was held in Hong Kong dollars, 26% in Renminbi and 22% in US dollars. 36% of the Group's borrowings were denominated in US dollars and 36% in Renminbi with the remainder in Hong Kong dollars.

PLEDGE OF ASSETS

At the balance sheet date of 30 June 2003, the Group has pledged its fixed assets with a net asset value of HK$571.9 million (December 2002: HK$466.4 million) to secure short-term loans in sum of HK$359.5 million (December 2002: HK$370.6 million).

CONTINGENT LIABILITIES

The Group does not have any material contingent liabilities as at 30 June 2003.

華潤創業有限公司
China Resources Enterprise, Limited
(Incorporated in Hong Kong with limited liability)

SUMMARY OF RESULTS

The Directors of China Resources Enterprise, Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003 as follows:

	Notes	Six months ended 30 June 2003 (Unaudited) HK$'000	2002 (Unaudited and restated) HK$'000
Turnover	2	**16,190,163**	12,933,223
Cost of sales		**(13,168,155)**	(10,274,753)
Gross profit		**3,022,008**	2,658,470
Other revenue		**145,134**	227,537
Selling and distribution expenses		**(1,734,989)**	(1,210,822)
General and administrative expenses		**(780,772)**	(744,857)
Profit from operations	3	**651,381**	930,328
Finance costs	4	**(128,552)**	(171,046)
Share of results of a jointly controlled entity		**143,177**	—
Share of results of associates		**228,498**	208,601
Profit before taxation		**894,504**	967,883
Taxation	5	**(70,202)**	(145,334)
Profit after taxation		**824,302**	822,549
Minority interests		**(74,569)**	(97,087)
Profit attributable to shareholders		**749,733**	725,462
Earnings per share	7		
Basic		**HK$0.36**	HK$0.35
Diluted		**HK$0.36**	HK$0.35

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements have been prepared on a basis consistent with the principal accounting policies adopted in the 2002 annual financial statements except for the followings:

(A) *Deferred Taxation*

As a result of the adoption of the Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 12 "Income taxes" (revised), which became effective for accounting periods commencing on or after 1 January 2003, the accounting policy for deferred taxation has been changed.

The principal effect of the implementation of SSAP No. 12 (revised) is in relation to deferred taxation. According to the SSAP No. 12 (revised), deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with limited exception. Deferred taxation is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

In prior years, deferred taxation was accounted for using the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset was expected to be crystallised in the foreseeable future. The effect of this change in accounting policy on the consolidated profit and loss account for the six months ended 30 June 2002 and the consolidated balance sheet as at 31 December 2002 is set out in note 5.

(B) *Jointly Controlled Entity*

The Group's interest in a jointly controlled entity represents the investment in a limited partnership which was previously shown as an other investment measured at cost. Effect of the reclassification of the investment in the limited partnership is not material and accordingly no prior year adjustment is made.

2. Segment information

Primary reporting format — business segments (Notes)

	Petroleum and Chemical Distribution HK$'000	Retail HK$'000	Food Processing and Distribution HK$'000	Beverage HK$'000	Textiles HK$'000	Property HK$'000	Investments and Others HK$'000	Elimination HK$'000	Total HK$'000
Six months ended 30 June 2003									
REVENUE									
External Sales	5,978,428	4,279,328	2,338,091	1,908,632	1,410,521	107,286	167,877	—	16,190,163
Inter-segment sales	—	24,266	19,298	—	—	35,341	—	(78,905)	—
	5,978,428	4,303,594	2,357,389	1,908,632	1,410,521	142,627	167,877	(78,905)	16,190,163
Other revenue	7,075	32,345	28,759	8,563	29,812	3,746	763	—	111,063
	5,985,503	4,335,939	2,386,148	1,917,195	1,440,333	146,373	168,640	(78,905)	16,301,226
Result									
Segment result	166,733	(112,324)	216,613	132,254	100,823	137,643	6,387	—	648,129
Unallocated corporate expenses									(30,819)
Interest income									34,071
Profit from operations									651,381
Finance costs									(128,552)
Share of net results of a jointly controlled entity	143,177	—	—	—	—	—	—	—	143,177
Share of net results of associates	3,980	5,079	22,809	—	4,342	—	152,163	—	188,373
Taxation									(30,077)
Profit after taxation									824,302
Six months ended 30 June 2002									
REVENUE									
External Sales	4,557,996	2,724,967	2,372,444	1,845,602	999,517	160,051	272,646	—	12,933,223
Inter-segment sales	—	884	16,183	—	—	54,639	—	(71,706)	—
	4,557,996	2,725,851	2,388,627	1,845,602	999,517	214,690	272,646	(71,706)	12,933,223
Other revenue	9,895	34,964	25,928	9,063	21,036	1,058	47,115	—	149,059
	4,567,891	2,760,815	2,414,555	1,854,665	1,020,553	215,748	319,761	(71,706)	13,082,282
Result									
Segment result	207,118	89,666	200,779	152,008	55,634	136,913	38,647	—	880,765
Unallocated corporate expenses									(28,915)
Interest income									78,478
Profit from operations									930,328
Finance costs									(171,046)
Share of net results of associates	3,516	—	24,571	—	5,068	—	146,818	—	179,973
Taxation									(116,706)
Profit after taxation									822,549

Notes:

1. The comparatives have been restated to conform with the current period presentation in light of the change in accounting policy for deferred taxation.
2. The logistic business has been reclassified under Retail segment from Property segment.

Secondary reporting format — geographical segments

	Hong Kong HK$'000	Chinese Mainland HK$'000	Other Countries HK$'000	Total HK$'000
Six months ended 30 June 2003				
Segment revenue				
Turnover	7,017,823	7,967,268	1,205,072	16,190,163
Other revenue	67,144	37,920	5,999	111,063
	7,084,967	8,005,188	1,211,071	16,301,226
Six months ended 30 June 2002 (Restated)				
Segment revenue				
Turnover	6,878,650	5,159,245	895,328	12,933,223
Other revenue	110,958	36,470	1,631	149,059
	6,989,608	5,195,715	896,959	13,082,282

3. Profit from operations

	Six months ended 30 June 2003 HK$'000	2002 (Restated) HK$'000
Profit from operations has been arrived at after charging:		
Depreciation		
— Owned assets	**469,732**	369,912
— Assets held under finance leases	**2,524**	2,663
Amortisation of intangible assets (included in general and administrative expenses)		
— Goodwill	**39,077**	30,005
— Intangible assets other than goodwill	**5,149**	6,167
And after crediting:		
Dividend from other unlisted investments	**2,054**	2,087

4. Finance costs

	2003	2002
Interest on finance leases	**1,162**	1,196
Interest on bank loans and other loans wholly repayable within five years	**107,089**	157,146
Interest on other loans not wholly repayable within five years	**3,290**	—
Financing charges	**17,011**	12,704
	128,552	171,046

5. Taxation

	2003	2002
Current taxation		
Hong Kong		
Company and subsidiaries	**80,783**	74,352
Associates	**22,596**	21,238
Chinese Mainland		
Subsidiaries	**19,843**	35,466
Associates	**14,009**	8,228
Overseas		
Subsidiaries	**41**	—
	137,272	139,284
Deferred taxation		
Hong Kong		
Subsidiaries	**(43,884)**	(3,648)
Associates	**3,520**	(838)
Chinese Mainland		
Subsidiaries	**(26,706)**	10,536
	70,202	145,334

Hong Kong Profits Tax is calculated at 17.5% (2002: 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 subsidiaries and associates in the Chinese Mainland. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

The change in accounting policy in accordance with the SSAP No.12 (revised) to account for deferred taxation has been applied retrospectively and the comparative amounts previously reported have been restated accordingly. The adjustments to the consolidated balance sheet at 31 December 2002 are as follows:

	HK$'000
Decrease in purchased goodwill	(46,498)
Decrease in associates	(37,888)
Increase in deferred taxation assets	89,001
Increase in deferred taxation liabilities	(318,826)
Increase in minority interests	(26,801)
Decrease in reserves	(341,012)

The profit attributable to shareholders for the six months ended 30 June 2002 has been increased by HK$5,392,000.

6. Dividends

	Six months ended 30 June 2003 HK$'000	2002 HK$'000
2002 special interim dividend, paid, of HK$0.25 per ordinary share	**—**	518,142
2002 final dividend, payable, of HK$0.13 (2001: HK$0.10) per ordinary share *(Note a)*	**270,453**	207,353
	270,453	725,495

Notes:

(a) At the meeting held on 3 April 2003, the Directors proposed a final dividend of HK$0.13 per ordinary share for the year ended 31 December 2002. Such proposal was subsequently approved by shareholders on 5 June 2003.

(b) On 15 July 2003, a special interim dividend by way of a distribution in specie of one share in China Resources Cement Holdings Limited for every 10 shares of the Company was declared.

(c) On 10 September 2003 the Directors declared an interim dividend of HK$0.10 per ordinary share (September 2002: Interim dividend of HK$0.09 per ordinary share). The aggregate amount of HK$208,120,000 (2002: HK$187,218,000) were calculated based on the number of shares in issue at the date of the report.

7. Earnings per share

	Six months ended 30 June 2003 HK$'000	2002 (Restated) HK$'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	**749,733**	725,462
Interest saving on exercise of convertible bonds	**34,352**	—
Profit attributable to shareholders for the purpose of calculating diluted earnings per share	**784,085**	725,462

	2003	2002
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,080,405,215**	2,063,501,624
Effect of dilutive potential ordinary shares:		
— convertible bonds/ share options	**119,595,400**	12,158,950
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,200,000,615**	2,075,660,574

CLOSURE OF REGISTER

The Register of Members will be closed from 6 October 2003 to 10 October 2003, both days inclusive. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Standard Registrars Limited of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on 3 October 2003.

PUBLICATION OF FURTHER INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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 "Stock Exchange") will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 10 September 2003