華潤創業有限公司

China Resources Enterprise, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

FINANCIAL AND OPERATIONAL REVIEW 2005 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. The Company currently intends to continue to publish the quarterly financial and operational review in the future.

The financial and operational review for the 2005 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 30 September 2005.

FINANCIAL HIGHLIGHTS

	Three months ended 30 September		**Nine months ended 30 September**	
	2005	2004	**2005**	2004
	(Unaudited)	(Unaudited & Restated)	**(Unaudited)**	(Unaudited & Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**14,128,436**	12,389,030	**39,383,996**	35,029,664
Net profit attributable to shareholders of the Company	**605,151**	306,146	**1,867,511**	1,046,735
Basic earnings per share	**N/A**	N/A	**HK$0.86**	HK$0.50

	At 30 September 2005 (Unaudited) *HK$'000*	At 31 December 2004 (Unaudited & Restated) *HK$'000*
Equity attributable to shareholders of the Company	**18,017,425**	15,124,827
Minority interests	**4,792,121**	4,811,653
Total Equity	**22,809,546**	19,936,480
Consolidated net borrowings	**2,482,883**	4,980,613
Gearing ratio[2]	**10.9%**	25.0%
Current ratio	**1.11**	1.26
Net assets per share of the Company:		
Book value	**HK$8.12**	HK$7.12

ANALYSIS OF TURNOVER AND PROFIT

	Three months ended 30 September		Nine months ended 30 September	
	2005 (Unaudited)	2004 (Unaudited & Restated)	**2005 (Unaudited)**	2004 (Unaudited & Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover by Segment				
Core Businesses				
– Retail	**4,020,182**	3,472,812	**11,950,519**	10,346,293
– Beverage	**2,437,663**	1,783,662	**5,641,936**	4,082,696
– Food Processing and Distribution	**1,403,883**	1,468,112	**4,240,122**	4,160,282
– Textile	**1,105,907**	931,311	**3,164,528**	2,632,060
– Property	**76,815**	74,898	**223,838**	231,779
Subtotal	**9,044,450**	7,730,795	**25,220,943**	21,453,110
Other Businesses				
– Petroleum and Chemical Distribution	**5,146,031**	4,714,280	**14,334,011**	13,710,570
– Investments and Others	**–**	–	**–**	–
Subtotal	**5,146,031**	4,714,280	**14,334,011**	13,710,570
	14,190,481	12,445,075	**39,554,954**	35,163,680
Elimination of inter-segment transactions	**(62,045)**	(56,045)	**(170,958)**	(134,016)
Total	**14,128,436**	12,389,030	**39,383,996**	35,029,664

Net profit/(loss) attributable to shareholders of the company by segment				
Core Businesses				
– Retail	**1,966**	(4,367)	**106,899**	58,995
– Beverage	**130,392**	76,234	**190,284**	128,830
– Food Processing and Distribution	**87,856**	118,192	**334,623**	313,798
– Textile	**25,210**	(59,630)	**80,869**	(17,537)
– Property[3]	**145,682**	50,031	**574,906**	216,019
Subtotal	**391,106**	180,460	**1,287,581**	700,105
Other Businesses				
– Petroleum and Chemical Distribution	**168,488**	66,058	**470,520**	207,651
– Investments and Others	**109,053**	107,231	**277,296**	285,627
Subtotal	**277,541**	173,289	**747,816**	493,278
	668,647	353,749	**2,035,397**	1,193,383
Net corporate interest and expenses	**(63,496)**	(47,603)	**(167,886)**	(146,648)
Total	**605,151**	306,146	**1,867,511**	1,046,735

Notes:

1. The accounting policies used in the preparation of the financial and operational information for the period ended 30 September 2005 are consistent with those used in the interim financial statements for the six months ended 30 June 2005. Details of the accounting policies are set out in the 2005 Interim Report.

2. Gearing ratio represents the ratio of consolidated net borrowings to total equity.

3. The results of the Property division comprise a net-of-tax valuation surplus of approximately HK$0.3 billion in respect of the rental properties portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group's unaudited consolidated turnover for the third quarter and the first nine months of 2005 amounted to approximately HK$14,128.4 million and HK$39,384.0 million respectively, representing an increase of 14.0% and 12.4% over that of 2004. The Group's unaudited consolidated profit attributable to the Company's shareholders for the third quarter of 2005 amounted to HK$605.2 million, an increase of 97.7% from that of 2004; whilst that of the first nine months amounted to HK$1,867.5 million, an increase of 78.4% over the corresponding period of 2004. Excluding the gain in property revaluation which is considered the major effect of changes in accounting policies, the Group's consolidated profit attributable to the Company's shareholders for the third quarter and the first nine months of 2005 was HK$605.2 million and HK$1,541.7 million respectively, 97.7% and 47.3% higher than that in the same period of 2004.

Retail

The Group's retail division mainly comprises three business segments: (1) supermarket and logistics; (2) brand-fashion distribution in the Chinese Mainland and (3) other retail stores operation.

The Group's retail operation for the third quarter and the first nine months of 2005 reported a turnover of HK$4,020.2 million and HK$11,950.5 million respectively, representing an increase of 15.8% and 15.5% over the same period of 2004. Its attributable profit for the third quarter and the first nine months of 2005 amounted to HK$2.0 million and HK$106.9 million, compared to a loss of HK$4.4 million and a profit of HK$59.0 million for the corresponding periods of 2004.

The pace of expansion has remained robust in the Chinese Mainland since the beginning of the year. With an overall improvement in the living standard, especially in the urban and sub-urban cities, rising consumer spending coupled with strong capital investment helped China's economy grew by a sizzling 9.4% year-on-year in the third quarter of 2005 according to the National Bureau of Statistics. Fuelled by rising urbanization, increasing affluence and quickening pace of living, organized one-stop retail sales in the major cities of China continued to enjoy a moderate annual growth.

Satisfactory growth in export of goods and services and strong trade flows with the Chinese Mainland sustained in the third quarter of 2005 provided the growth momentum for the Hong Kong economy. Despite the average spending per inbound tourist showed signs of slowing growth in the current quarter, market sentiment has been positive on the local consumption front amid continued improvement in the employment rate and average household income. The retail industry in Hong Kong is anticipated to stage further growth moving forward.

Supermarket and Logistics

Turnover of the supermarket and logistics operation for the third quarter and the first nine months of 2005 was HK$3,514.2 million and HK$10,441.5 million respectively, representing an increase of 16.5% and 17.2% over the same period of 2004. Attributable loss for the third quarter and profit for the first nine months of 2005 amounted to HK$2.2 million and HK$57.6 million, compared to a loss of HK$2.3 million and a profit of HK$22.5 million for the corresponding periods of 2004.

The Group currently operates its supermarket business through three groups of subsidiaries, namely, 華潤萬家有限公司 China Resources Vanguard Co. Ltd. ("CR Vanguard"), 蘇果超市有限公司 Suguo Supermarket Co., Ltd ("Suguo") and China Resources Vanguard (Hong Kong) Company Limited. At the end of the first nine months of 2005, the Group operated a total of approximately 1,900 stores in Hong Kong and the Chinese Mainland, of which approximately 45% were self-operated while the rest were franchised stores. Major store formats are hypermarket, superstore, supermarket and convenience store. Turnover for the first nine months of 2005 contributed by different regions were 48.2% from Eastern China, 30.0% from Southern China, 16.3% from Hong Kong and 5.5% from Northern China. The increase in turnover for the third quarter as well as the first nine months of 2005 was mainly attributable to the sales contributed by rapid store openings, same store growth in general and increase in income from newly acquired franchised stores. Moreover, the increase in payments from suppliers, including incentives, store display and promotion income helped improve the operating result. During the first nine-month period, consolidated earnings before interest, tax, depreciation and amortization ("EBITDA") amounted to HK$443.0 million, representing an improvement of 37.6% over the same period of 2004. Attributable loss for the third quarter of 2005 was, however, not reduced as compared to that of 2004. This was mainly due to the full effect of the remaining 35% equity stake of CR Vanguard taken up since June 2005 upon completion of the acquisition by the end of May 2005.

The Group works continuously on its core competence to foster the supermarket chain competitiveness and has been closing down loss-making stores since last year. The current key development strategy is to enhance market penetration of target provinces in order to capitalize on the more sophisticated sales and distribution network, build up procurement capacity quickly and therefore achieve efficiency of scale. To sustain and combat in a highly competitive operating environment, efforts were made to constantly adjust the merchandise mix by introducing more fresh produces so as to better suit customers' preferences and local weather patterns while systematically scheduled store facelift, store reformat as well as revamp of store displays also greatly enhanced the corporate brand and the overall profitability.

The Eastern China operation reported an overall increase in turnover for the quarter under review and the first nine months by 26.7% and 30.4% respectively while net profit for the corresponding periods were also satisfactory. This was mainly attributed by Suguo which continued to perform well in the first nine months of 2005. Suguo achieved an overall same store growth of 11.3% with more than 50% market share in Nanjing. 5 hypermarkets, a new store format for Suguo, were opened in September 2005, of which 3 are in Nanjing and 2 outside. Coupled with the acquisition of 17 franchised stores outside Nanjing, Suguo has expanded its retail and distribution network in the neighborhood cities of Nanjing, broadened its market share and developed a more balanced portfolio of different store formats. However, the Group's superstores and supermarkets beyond the Nanjing base still faced intensive competition and therefore experienced a weaker same store growth.

In Southern China, continuous enrichment in the merchandise mix and store reformat was proven to be successful. Same store growth of hypermarkets and superstores reached 3.6% and 29.5% respectively. Net loss for the first nine months of 2005 was reduced as compared to the same period of 2004. However, profitability of some existing supermarkets was still not yet satisfactory. As part of the business development strategies, efforts in business promotion and conceptual design of new store formats, such as *Olé* are expected to capture more diversified customer groups that go for quality life spending. The *Olé* store opened in Shenzhen ***MIXc*** 萬象城 since December 2004 started to contribute in profitability with greater customer traffic brought from the central business district; while the performance of that in Dongguan was still in the process of fine-tuning and reformatting for more promising results.

The Northern China operation reported a turnover increase of 8.4%, mostly from newly opened stores. These included 2 superstores opened in Beijing, which is our preferred format for that district, and 3 supermarkets in Tianjin. Net loss, however, worsened, which was mainly due to the fact that certain existing stores in these major cities were facing head-on competition with foreign retail operators. New *Olé* stores reformatted from existing supermarkets are scheduled to open in the central business areas in the last quarter of 2005. This trade-up strategy will lead to greater price and brand differentiation.

The Hong Kong operation faced stronger competition from major local market players. To secure our margins, the Group cautiously monitored the concessions and did not follow blindly a variety of price wars initiated by other operators. Although the turnover managed to edge up in the first nine months of 2005, higher running costs, rental increases and store conversion costs resulted in a lower operating profit for the current period. With the solid revival of domestic consumption expenditure, sustainable retail sales growth and growing demand for quality warehouse space, the Hong Kong operation will benefit in the long term.

Following the complete opening of the mainland retail sector to foreign investors in December 2004, foreign and overall competition has sharpened and the operating environment has become more vigorous for all existing players. The strategic move of increasing the Group's equity stakes in CR Vanguard to 100% and Suguo to 85% helped centralize management functions, drive down administrative costs, develop a balanced mix of different store formats and strengthen our positioning in its supermarket and logistics operation. Moreover, substantive agreement was reached in September 2005 regarding the acquisition of 100% interest in 浙江慈客隆超市有限公司. This will extend our market presence in Ningbo, Eastern China. With the major assets acquisition currently underway regarding a supermarket chain in Tianjin, the Group's market share will be further strengthened in Northern China. This will facilitate our integration in the area.

In alignment with the current market trend, the Group will focus on the development of hypermarket and superstore through new store openings and moving into second tier cities. We will also emphasize convenience store in selected developed cities and carve out a better niche for supermarket.

Brand-fashion distribution
Turnover of the brand-fashion distribution segment for the third quarter and the first nine months of 2005 was HK$359.1 million and HK$1,005.2 million respectively, an increase of 21.8% and 24.3% over the same period of 2004. Attributable profit for the third quarter and the first nine months of 2005 amounted to HK$5.1 million and HK$24.0 million, compared to HK$0.5 million and HK$14.6 million for the corresponding periods of 2004.

As at the end of September 2005, the Group distributed 8 international brands through approximately 770 self-operated and franchised stores in designated cities throughout the Chinese Mainland.

With the opening of 32 self-operated and 86 franchised stores in the first nine months of 2005, a 30.0% turnover growth of the "Esprit" brand was recorded. Self-operated stores achieved a same store growth of 9.1%, while franchised stores also grew at a satisfactory rate. The brand's profitability recorded a 22.0% increase in the first nine months of 2005.

The Group will continue to strengthen its distribution network and improve operating cost efficiency to capitalize on the business opportunities that arise within the fast growing consumer market in the Chinese Mainland.

Other Retail Stores
Turnover of the other retail stores segment for the third quarter and the first nine months of 2005 was HK$146.8 million and HK$503.8 million respectively, representing a decrease of 8.3% and 19.6% from the same period in 2004. Attributable loss for the third quarter was HK$1.0 million, compared to a HK$2.5 million loss in the same period of 2004, while attributable profit for the first nine months of 2005 was HK$25.3 million, an increase of 15.4% over the corresponding period of 2004.

As at the end of September 2005, the Group's chain of retail stores in Hong Kong consisted of 5 Chinese Arts & Crafts 中藝 stores and 33 CR Care 華潤堂 stores.

Overall decline in turnover was primarily due to the successive closure of CRC Department Stores on Hennessy Road in May 2004 and in Whampoa in April 2005. Nonetheless, the Chinese Arts & Crafts 中藝 stores attained better gross margin through ongoing product mix enrichment, the official launch of its private label "天工閣", effective promotion, niche creation and sales mix management. CR Care 華潤堂 stores also performed well in the first nine months of 2005 with a same store growth of 3.4% on an improved gross margin.

Rising health awareness amongst local community has triggered keen competition in markets for health food and traditional Chinese medicine in recent years. CR Care華潤堂 stores strive continuously in developing its own brands such as cordyceps 蟲草, bird's nests 燕窩 for better market recognition, enriching product portfolio, promoting suppliers' relationship that facilitates exclusive dealings of value-for-money products.

Beverage
The beverage division reported a turnover for the third quarter and the first nine months of 2005 of HK$2,437.7 million and HK$5,641.9 million respectively, representing an increase of 36.7% and 38.2% over the same period in 2004. Attributable profit for the third quarter and the first nine months of 2005 was HK$130.4 million and HK$190.3 million respectively, an increase of 71.0% and 47.7% over the same period of 2004.

Sales volume of beer rose by 27.8% to approximately 3,289,000 kilolitres for the first nine months of 2005. The prolonged hot weather particularly experienced in Central and Eastern China continued to advance local beer consumption level during the third quarter, resulting in further growth in sales volume of these regions by 10.7% in the current quarter as compared to the second quarter of 2005. Overall organic growth of sales volume in existing breweries was 13.9% for the first nine months of 2005, with notable increases in Sichuan, Liaoning, Harbin, Hubei and Anhui.

For the current nine-month period, raw material costs rose by approximately 8.1% due to increased costs for packaging materials and power supply. This was, however, mitigated by the average net price rise of 7.8% through continued leverage to better product mix, resulting in a slightly higher overall gross margin in the first nine months of 2005.

There was substantial improvement in the two major newly acquired breweries in the third quarter of 2005. For the Jiangsu brewery, "SNOW" has been actively promoted together with the premium local brands and major cost savings measures have been implemented. For the Zhejiang brewery, sales volume increased by 23.4% in the current quarter over the same period of 2004. Accordingly, both breweries were profitable for the first nine months of this year.

Our national brand "SNOW", including Shenyang beer, continued to enjoy rising popularity. The sales volume for the nine-month period under review increased by 46.9%, to approximately 1,276,000 kilolitres, compared to about 869,000 kilolitres in the first nine months of 2004.

At the end of September 2005, the Group operated nearly 40 breweries. The development of our Dongguan brewery is progressing on schedule. Trial commissioning of its Phase 1 production facilities of 150,000 kilolitres will start by the beginning of 2006.

Beer consumption is expected to increase with a rising income level in the Chinese Mainland and the propensity to consume westernized everyday products, in particular for the younger generation. This will induce further business growth of the beverage division.

Food Processing and Distribution

Turnover for the third quarter and the first nine months of 2005 amounted to HK$1,403.9 million and HK$4,240.1 million respectively, representing a decrease of 4.4% and an increase of 1.9% over the same period of 2004. Attributable profit for the third quarter and the first nine months of 2005 amounted to HK$87.9 million and HK$334.6 million respectively. Excluding a gain of HK$59.4 million from the disposal of a 25.09% stake in the A-share listed associated company, 徐州維維食品飲料股份有限公司 Xuzhou VV Food & Beverage Co., Ltd in the first half of 2005 versus deemed disposal profits from successive share listings of two associated companies in 2004, attributable profit for the third quarter and the first nine months of 2005 would remain comparable to and be increased by 7.8% over the corresponding period of 2004.

Foodstuff distribution operation reported a satisfactory growth in profitability. In view of increasing concerns over food safety and quality in Hong Kong, the operation continued to dedicate considerable efforts in promoting the "Ng Fung" brand of high quality fresh meat and delivered promising results. Continuous efforts in enriching product mix together with expanding sales network with a broadened customer base for frozen meat business contributed to the improvement in profitability. Through a series of marketing and promotion campaigns to heighten brand awareness and new products development to cope with new trends and customer needs, grocery and other food business reported satisfactory growth in turnover.

The overall gross profit margin of marine fishing and aquatic products processing operation was, however, adversely affected by the record high fuel prices and the decrease in average selling prices caused by keen competition, resulting in a lower profit contribution. Regular on-site review of fishing fleet fuel utilization and staff training on cost saving measures were implemented to monitor closely the increasing production cost and to mitigate the impacts caused by rising oil prices. Operating environment is expected to be difficult in the remaining of the year under the prevailing high oil prices. However, the Group will continue its ongoing efforts in exploring more high quality fishing grounds, enhancing catching capability of its fishing fleet, improving sales network and selling more high-end fishes as well as aquatic products, which will altogether help improve profitability in the long run.

The Shenzhen operation, acquired in July 2004, reported steady profit contribution for the period under review. To better integrate with the wide-scoping distribution network of the Group's supermarket division, its competitive edge on pig sourcing, slaughtering and fresh meat production definitely provides excellent commercial leverage at low cost. This enables the Group to further expand its retail-led business at a faster pace. On the other hand, the construction of a meat processing centre in Shanghai is progressing as planned. Upon completion, the Group's pig slaughtering and meat product production capacity will be enhanced and distribution of branded food in the Chinese Mainland will be strengthened.

Textile

Turnover of the textile division for the third quarter and the first nine months of 2005 was HK$1,105.9 million and HK$3,164.5 million respectively, representing an increase of 18.7% and 20.2% over the same period of 2004. Attributable profit for the third quarter and the first nine months amounted to HK$25.2 million and HK$80.9 million, compared to attributable loss of HK$59.6 million and HK$17.5 million over the corresponding periods of 2004.

With the upsurge in world market demand upon the expiry of the global textile quotas effective 1 January 2005, China's textile products and garments recorded a respective 25.0% and 21.5% export growth for the first nine months of 2005. This benefited the textile division and helped its turnaround in the course of the year. Sustainable growth in sales volume of 34.0% in yarns, 18.8% in fabric and 39.0% in garments was recorded for the third quarter. The growth in turnover was also due to the acquisition of interests in two sizable textile companies in Shaanxi Province during the last quarter of 2004 and the two major factories relocated to the new economic development zones during the first half of 2004 were now in full operation. Better customer-focused sales management, enhancement of product mix, positioning for high-end products through technology upgrade also helped combat the general downward pressure on mainstream product prices and therefore improved the turnover level.

For the first nine months of 2005, the residual high cost cotton inventory brought forward from the last quarter of 2004 was largely consumed with production and products sold. There was also better operation efficiency with higher capacity utilization of the new batch of technologically advanced machinery. However, the profitiabiltiy of the textile division was tempered by higher direct labor costs and the general rate rise in utility costs.

The recent textile trade deal struck between the United States, the European Union and China generally restricted the growth rates of clothing and textile products in the range of 10% to 17% for the years 2006 to 2008. The operating environment for export sales is therefore anticipated to be challenging in the next few years. On the other hand, domestic demand for quality textile and garment products that comes with rising individual income level is expected to grow strongly. Hence, business opportunities could be capitalized by the Group in both domestic and export markets with its improved operational efficiency, better market positioning and more high-end branded products in the sales mix. This will lead to an improvement in the overall profit margin and better alignment in the process of industry consolidation.

Property

The property division, which comprises the rental property segments of retail, office and industrial premises, reported turnover for the third quarter and the first nine months of 2005 of HK$76.8 million and HK$223.8 million respectively, representing a corresponding increase of 2.6% and a decrease of 3.4% over the same period of 2004. Attributable profit for the third quarter and the first nine months of 2005 amounted to HK$145.7 million and HK$574.9 million respectively, an increase of 191.2% and 166.1% over the corresponding periods of last year.

Excluding a valuation surplus of approximately HK$0.3 billion in respect of the rental properties portfolio as at 30 September 2005 (2004: Not applicable), the disposal gains of certain properties, vacant period during the redevelopment of the retail property on Hennessy Road, Wanchai and other exceptional items of 2004, attributable profit of the division for the third quarter and the first nine months of 2005 remained comparable to the corresponding period of 2004.

Driven by the increase in retail sales, prime retail properties were in demand which in turn drove up the rental levels. Excluding the retail property on Hennessy Road, Wanchai, occupancy rates of rental properties were satisfactory with a general increase in effective rent per square feet upon tenancy renewal during the period under review.

In line with the Group's focus on retail properties, there has been ongoing divestment of non-retail properties. The division disposed office properties at Wanchai and Tsim Sha Tsui during the third quarter of 2005.

Renovation work of the retail property on Hennessy Road, Wanchai was largely completed by the end of September 2005 with certain floor areas at the ground and first floors newly let out. The multi-storey retail and gourmet complex is expected to bring a marked improvement in the earning potential and satisfactory occupancy rate from late 2005 onwards.

With the success of enhancing revenue and flow of shoppers through renovation and re-modeling of the retail properties at Mongkok and Tsuen Wan in Hong Kong, similar mall format has been adopted by a mall at Jiangmen in the Chinese Mainland which is expected to complete in early next year.

Petroleum and Chemical Distribution

Turnover for the third quarter and the first nine months of 2005 was HK$5,146.0 million and HK$14,334.0 million respectively, representing an increase of 9.2% and 4.5% over the corresponding periods of 2004. Attributable profit for the third quarter and the first nine months of 2005 amounted to HK$168.5 million and HK$470.5 million respectively. Excluding a gain from the disposal of the remaining 10.5% equity interest in a Qingdao joint venture, attributable profit for the third quarter and the first nine months of 2005 would have been increased by 155.1% and 86.1% over the corresponding periods of 2004.

In the first three quarters of 2005, international crude oil prices generally followed an upward trend but with considerable fluctuations. The international crude oil prices averaged at US$55.4 a barrel during the period under review, compared to US$39.1 a year ago. Despite the challenging operating environment, overall gross margin managed to edge up by about 1 percentage point over the same period in 2004.

Amid the volatile oil prices during the period under review, the petroleum operation reported continuous profitability improvement through prudent inventory control and effective hedging measures to mitigate the possible adverse impact brought by the oil price fluctuations.

The encouraging profit contributions from piped gas operations in Suzhou and Chengdu also added to the increase in profitability for the first nine months of 2005. Upon completion of natural gas conversion in Suzhou, a rapid growth in gas demand was witnessed and the Group has accelerated natural gas connections to commercial/industrial customers and residential households. With the establishment of a 50-50% joint venture in Wuxi, Jiangsu Province during the quarter under review, the Group is ready for further expansion of its piped gas business in the nearby cities as the natural gas market expands.

The Group anticipates fluctuations in oil prices to continue in the near term and will maintain a prudent approach to mitigate the impact on its business performance.

With an objective of becoming the largest consumer company in China, the Group has been restructuring and divesting its non-core businesses so as to shift its focus to the core consumer businesses. As part of such restructuring program, the Group has been assessing the feasibility of various alternatives for the petroleum and chemical distribution business, one of the remaining non-core businesses. The Group has appointed a financial advisor to advise the feasibility of various proposals, including but not limited to an introduction of a strategic investor for part of this business.

Investments and Others

Attributable profit for third quarter and first nine months of 2005 amounted to HK$109.1 million (Third quarter of 2004: HK$107.2 million) and HK$277.3 million respectively. (First nine months of 2004: HK$285.6 million).

Container Terminal

The Group has a 10% interest in HIT Investments Limited and Hutchison Ports Yantian Investments Limited. The Hong Kong and Yantian deepwater port operations continued to maintain a stable profit performance for the first nine months of 2005.

CAPITAL AND FUNDING

To maximize surplus cash for internal funding while enhancing liquidity and yield, the Group operates under a well-managed treasury function. As at 30 September 2005, the Group's consolidated cash and cash equivalents amounted to HK$5,564.5 million. The Group's borrowings as at 30 September 2005 were HK$8,047.4 million with HK$4,049.7 million repayable within 1 year, HK$3,935.7 million repayable after 1 year but within 5 years and HK$62.0 million repayable after 5 years. Committed borrowing facilities available to the Group were fully utilized as at 30 September 2005. Except for the US$230 million convertible guaranteed bonds, due for maturity in May 2006, all the borrowings were subject to floating rates.

On the basis of the Group's net borrowings relative to the shareholders' funds and minority interests, the Group's gearing was approximately at 10.9% (31 December 2004: 25.0%).

The Group's principal assets, liabilities, revenue and payments are denominated in US dollars, Hong Kong dollars and Renminbi. As at 30 September 2005, 22.5% of the Group's cash deposit balances was held in US dollars, 39.0% in Renminbi and 36.1% in Hong Kong dollars; whereas 39.3% of the Group's borrowings was denominated in US dollars and 19.9% in Renminbi with the remaining 40.5% in Hong Kong dollars. Moreover, to mitigate the foreign currency and interest rates exposure, the Group entered into certain forward contracts and interest rate swaps to hedge against part of its borrowings.

PLEDGE OF ASSETS
As at 30 September 2005, fixed assets with a net book value of HK$312.4 million (31 December 2004: HK$799.3 million) were pledged for total borrowings of HK$275.4 million (31 December 2004: pledged for total borrowings of HK$595.4 million).

CONTINGENT LIABILITIES
The Group did not have any material contingent liabilities as at 30 September 2005.

CAUTION STATEMENT
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 the nine months ended 30 September 2005 have not been reviewed by the auditors. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By order of the Board
CHEN SHULIN
Managing Director

Hong Kong, 21 November 2005

As at the date of this announcement, the executive directors of the Company are Mr. Song Lin (Chairman), Mr. Chen Shulin (Manager Director), Mr. Qiao Shibo (Deputy Managing Director), Mr. Yan Biao (Deputy Managing Director), Mr. Keung Chi Wang, Ralph (Deputy Managing Director), Mr. Lau Pak Shing, Mr. Wang Qun, and Mr. Kwong Man Him. The non-executive directors are Mr. Jiang Wei and Mr. Xie Shengxi. The independent non-executive directors are Dr. Chan Po Fan, Peter, Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric and Mr. Cheng Mo Chi, Moses.

"Please also refer to the published version of this announcement in The Standard."