CHINA RESOURCES ENTERPRISE, LTD.
華潤創業有限公司

Press Release

Date : September 18, 2001

CRE Announces 2001 Interim Result

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 30th June 2001 as follows:

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

INTERIM DIVIDEND

The Directors have declared an interim dividend for the year ending 31st December 2001 of HK8 cents per share (2000: HK6 cents).

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FINANCIAL HIGHLIGHTS

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

Notes:

1) *Comparative figures in 2000 have been restated to conform with the Group's accounting policy for the financial year ending 31st December 2001*

2) *Earnings per share have been calculated by dividing the profit attributable to shareholders by average number of shares in issue during each year*

3) *Gearing ratio represents the ratio of net borrowings to shareholders' funds and minority interests*

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ANALYSIS OF TURNOVER AND PROFIT

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

Profit attributable to shareholders by segment	1H2001 HK$'000	1H2000 HK$'000	
Property Development	102,463	111,719	-8.3%
Rental Properties	146,645	109,667	33.7%
Beverages	48,094	43,684	10.1%
Food Processing and Distribution[1]	220,662	194,881	13.2%
Building Materials	71,955	98,234	-26.8%
Petroleum and Chemicals Distribution	90,766	-	N/A
Retail	(6,086)	26,314	-123.1%
Investments & Others	224,721	240,951	-6.7%
Subtotal	899,220	825,450	8.9%
Net interest & corporate expenses	(111,385)	(60,000)	85.6%
Total	787,835	765,450	2.9%

Note:

1) *Excluding the results of CRC Supermarket operation, which has been reclassified under the Retail segment*

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REVIEW OF OPERATIONS

Property Development

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

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

Rental Properties

The rental properties segment reported turnover and net profit before corporate interest and expenses for the six months ended 30th June 2000 of HK$177.7 million and HK$146.6 million respectively, representing an increase of 28.8% and 33.7% over the same period of last year. The Group's rental properties in Hong Kong comprise godown and cold storage warehouse, retail, office and industrial properties.

The Group has a sizeable retail spaces of an estimated aggregate floor area of approximately 395,000 sq.ft., which are located in high-density commercial districts including Causeway Bay, Mongkok, Tsimshatsui and Tsuen Wan where sizeable retail spaces are limited. The scarcity of sizable retail floor spaces in prime commercial districts offers the Group with relatively stable rental income. The Group also owns a portfolio of approximately 750,000 sq.ft., of floor area designated for industrial, office or residential use. These properties achieve a good occupancy rate during the period under review, generating a stable stream of recurrent income for the company. The rental income generated from the retail, industrial and office properties amounted to approximately HK$95.4 million for the six months ended 30th June 2001, representing an increase of 51.0% over the same period last year.

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

BEVERAGE

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

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

FOOD PROCESSING AND DISTRIBUTION

The food processing and distribution segment's turnover and net profit before corporate interest and expenses for the six months ended 30th June 2001 amounting to HK$2,837.1 million and HK$220.7 million respectively, representing and an increase of 6.1% and 13.2% over the same period of last year.

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

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Turnover of processing business amounted to HK$663.8 million, representing an increase of 9.5% over that reported in the previous year. The marine fishing operation improved in current period, with turnover and earnings increased by 11.5% and 57.0% respectively, due primarily to effective cost control programmes and improved productivity.

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

Building Materials

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

Petroleum and Chemical Distribution

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

The petroleum operation consists of the purchasing of refined oil and LPG gas products from the world's major oil suppliers and selling and distributing such refined products, wholesale to agents and direct account customers including shipping companies, bus companies, airlines, and the Hong Kong government. The petroleum operation also distributes its refined oil and LPG gas products through its retail network in Hong Kong, which consists of five designated LPG gas stations and 12 petrol filling stations. The turnover of the petroleum operation was HK$4,838.3 million, up 4.6% compared with the first half of 2000. Adversely affected by the economic slowdown in Hong Kong and the oversupply of refined oil in the region, the turnover of both diesel oil and jet fuel, which together account for over 60% of the refined oil products turnover, declined by more than 10% compared to the same period last year. However, this was offset by the better than expected performance from the sale of fuel oil and LPG gas products, which recorded impressive growth rate of approximately 18% and 19% respectively in turnover. Operating profit for the petroleum operation amounted to HK$119.1 million, representing a decline of 29% when compared to last year, largely due to oversupply in regional markets and the fact

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that wholesale prices of oil products were reduced in view of keen competition, therefore profit margin were greatly reduced.

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

The Chemical operation specializes in marketing and distribution of petroleum by-products, rubber products, plastics, and organic and inorganic chemicals. This operation recorded a turnover growth of 6.6% to HK$311.2 million, as a result of continuous effort to boost sales. Despite the effort, due to global economic slow down and the drop in the international prices for petrochemicals products which led to a drop in the domestic prices for domestic chemical products, this operation recorded an operating loss of HK$10.2 million, as compared to an operating profit last year.

Retail

The Group's retail segment reported turnover and net loss before corporate interest and expenses for the six months ended 30th June 2001 of HK$1,885.7 million and HK$6.1 million respectively, representing and an increase of 13.9% and a decrease of 123.1% over the same period of last year.

Supermarket

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

"Brand-Fashion" Distribution

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

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distribution network of over 520 boutiques; specialize in the distribution of garment, apparel, fashion accessories and cosmetics.

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

Investments and Others

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

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

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

FINANCIAL REVIEW

Capital and Funding

The Group finances its operations principally by cash inflow from operating activities, equity capital and bank borrowings. In May 2001, the Group issued US$230,000,000 zero coupon convertible

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guaranteed bonds due in 2006. The proceeds of the bonds will be used primarily for general working purposes. Together with the bank loans, the Group's borrowing as at 30th June 2001 was HK$7.9 billion, and the maturity profile spread over a period of five years with HK$2.9 billion payable within 1 year, HK$5.0 billion within 2 to 5 years. The Group's consolidated cash amounted to HK$7.3 billion. Calculated on the basis of the Group's net borrowings over shareholders' funds and minority interest, the Group's net gearing ratio remained low at approximately 4.4%.

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

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

EMPLOYEES

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

RESTRUCTURING PLAN

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

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

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PROSPECTS

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

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For announcement, please refer to
"*http://www.irasia.com/listco/hk/chinaresources/***"**

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