

管理層討論與分析

Management Discussion and Analysis

業務回顧

零售

本集團的零售業務主要由以下三類業務模式組成：(1)超級市場及物流；(2)在中國內地的品牌時尚產品經銷業務及(3)其他零售店業務。

二零零五年上半年，本集團零售業務錄得營業額及應佔溢利分別為港幣7,930,300,000元及港幣104,900,000元，較二零零四年同期分別增加15.4%及65.6%。

中國內地自年初起一直維持強勁增長步伐，居民整體生活水平尤其是經濟發達城市及週邊鄉鎮均有改善，帶動當地需求暢旺，推動零售業持續增長。隨着城市化進程加快，居民收入增加及生活節奏加快，中國主要城市每年對一站式零售購物模式的需求穩步增加。

於二零零五年第二季，中國內地貨品與服務的出口增長令人滿意，貿易活動頻繁，為香港經濟帶來持續增長勢頭。內地旅客人數不斷增加。本地消費情況方面，市場氣氛因就業率及平均家庭收入不斷改善而持續向好。隨著位於大嶼山的主題公園於二零零五年第三季開幕推行的連串購物推廣活動，定能進一步刺激香港零售業發展。

超級市場及物流

二零零五年上半年超級市場及物流業務的營業額為港幣6,927,300,000元，期內應佔溢利為港幣59,700,000元，較二零零四年同期分別增加17.5%及140.9%。

本集團現時透過三家附屬集團公司經營超市業務，包括華潤萬家有限公司、蘇果超市有限公司（「蘇果」）及華潤萬家（香港）有限公司。截至二零零五年上半年止，本集團在香港及中國內地經營合共約1,900間店舖，當中約44%是直接經營，其餘則為特許經營。店舖業態大致分為大型超市、綜合超市、標準超市以及便利店。二零零五年上半年營業額來自不同區域，其中華東佔48.1%、華南佔30.1%、香港佔16.4%及華北佔5.4%。二零零五年上半年營業額增長主要來自新開店舖的銷售。此外，源自供應商之款項，包括通道費收入和進貨返利收入增加28.2%，推動營運業績改善。回顧期間，未計利息、稅項、折舊及攤銷前綜合盈利（「EBITDA」）為港幣332,700,000元，較二零零四年同期改善33.6%。

REVIEW OF OPERATIONS

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.

For the first half of 2005, the Group's retail operation reported a turnover of HK\$7,930.3 million and attributable profit of HK\$104.9 million, representing an increase of 15.4% and 65.6% over the same period of 2004.

While the pace of expansion has remained robust in the Chinese Mainland since the beginning of the year, favorable conditions for domestic spending with an overall improvement in the living standard, especially in the urban and sub-urban cities, resulted in strong domestic demand and sustainable growth in the retail industry. Fuelled by rising urbanization, increasing affluence and a quickening pace of living, organized one-stop retail sales in those 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 in the second quarter of 2005 sustained the growth momentum for the Hong Kong economy. Continued rise in inbound tourists was recorded. On the local consumption front, market sentiment has been positive amid continued improvement in the employment rate and average household income. The retail industry in Hong Kong will be further boosted with the launch of a series of shopping promotional campaigns that run together with the opening of a theme park at the Lantau Island in the third quarter of 2005.

Supermarket and Logistics

Turnover of the supermarket and logistics operation for the first half of 2005 was HK\$6,927.3 million, attributable profit for the period amounted to HK\$59.7 million, resulting in an increase of 17.5% and 140.9% respectively over the same period 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., 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 half of 2005, the Group operated a total of approximately 1,900 stores in Hong Kong and the Chinese Mainland, of which approximately 44% were self-operated while the rest were franchised stores. The main types of store formats are hypermarkets, superstores, supermarkets and convenience stores. Turnover for the first half of 2005 contributed by different regions were 48.1% from Eastern China, 30.1% from Southern China, 16.4% from Hong Kong and 5.4% from Northern China. The increase in turnover for the first half of 2005 was mainly attributable to the sales contributed by the newly opened stores. Moreover, the 28.2% increase in payments from suppliers, including incentives, store display and promotion income helped improve the operating result. During the period, consolidated earnings before interest, tax, depreciation and amortization ("EBITDA") amounted to HK\$332.7 million, representing an improvement of 33.6% over the same period of 2004.

本集團持續加強其核心實力，以提升其超市連鎖店的競爭優勢，並自去年起逐步結束處於長期虧損的店舖。為於競爭異常熾熱的經營環境內力爭上游，本集團不斷致力透過引入更多新鮮農產品，重新調整商品組合，另增加自有品牌商品的銷售比例，以更切合顧客喜好及本地氣候變化，同時有系統地分批翻新舖面、革新業態及改善店內陳列，大大提升公司品牌及整體盈利能力。

華東地區業務於回顧期內的營業額錄得32.3%顯著增幅。期間純利也大幅上升，此乃主要來自蘇果的出色業績，其在南京地區佔有50%以上市場份額，蘇果整體錄得9.9%同店增長。然而，其在南京以外的超市業務面對劇烈競爭，因此於二零零五年上半年錄得相對低的同店銷售。

於華南地區，本集團持續豐富商品組合及進行店舖革新的成效顯著。大型超市和綜合超市同店增長分別達2.1%和26.8%。二零零五年上半年之虧損淨額較二零零四年同期有所減少。透過有步驟的店面革新，現有超市的盈利能力預期會獲得改善。作為業務發展策略其中一環，本集團致力就*Olé*及便利店等新店舖模式進行業務推廣及概念設計，預期將吸引更多廣泛組別追求優質產品的客戶群。最近，*Olé*於二零零五年四月在東莞開設分店，以測試有關策略推行，現仍有待取得佳績。

華北地區業務營業額增加6.6%，此乃源自新開設店舖。然而，虧損淨額有所增加，主要由於部分位於大城市的現有店舖面對多家環球零售營辦商的劇烈競爭。預期投放新資源作市場規劃及採購新鮮農產品，將有助本集團加快擴充步伐及改善店舖盈利能力。

香港業務面對本地市場主要對手的激烈競爭。為取得更高利潤，本集團審慎考慮減價決定，不會盲目跟從其他同業所發起向客戶提供大量折扣貨品之割價戰。透過共同營辦新鮮食品攤，營業額於二零零五年上半年得以逐步回升。然而，所產生的額外經營成本、租金上漲及店舖轉型成本導致本期間錄得較低經營溢利。隨著本地個人消費開支出現實質增長，加上零售銷售增加令優質倉庫需求仍然殷切，香港業務將大大得益。

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. To sustain and combat in a highly competitive operating environment, efforts were made to constantly adjust the merchandise mix by introducing more fresh produce, increasing the sales proportion of private label merchandise so as to better suit customer preferences, local weather patterns while systematically scheduled store facelift, store reformat, revamp of store displays greatly enhanced the corporate brand and the overall profitability.

The Eastern China operation reported an overall growth in turnover for the half year under review by 32.3%. Net profit for the first half year also improved. This was mainly attributed by Suguo which performed well during the period, an overall 9.9% same store growth was recorded with over 50% market share in Nanjing. However, the Group's superstores and supermarkets outside Nanjing faced intensive competition and therefore experienced a decrease in same store growth for the first half of 2005.

In Southern China, continuous enrichment in the merchandise mix and store reformat proved to be successful. Same store growth of hypermarkets and superstores reached 2.1% and 26.8% respectively. Net loss for the first half year of 2005 reduced as compared to the same period in 2004. However, profitability of those existing supermarkets was yet to improve through scheduled store facelift. As part of the business development strategies, efforts put in business promotions and conceptual design of new store formats, such as *Olé* and Convenience Stores, are expected to capture more diversified customer groups that go for quality life spending. The *Olé* store recently opened in Dongguan in April 2005 served as a test of the strategy implemented and was still in the process of tuning for optimal results.

The Northern China operation reported a turnover increase of 6.6%, contributed by newly opened stores. Net loss was however worsen, which was mainly due to the fact that some existing stores in major cities faced head-on competition with global retail operators. Resources newly injected for market planning and procurement of fresh produce are expected to better position the Group in speeding up its pace of expansion and improving store profitability.

The Hong Kong operation faced tough competition with major local market players. To secure the margins, the Group cautiously tightened the concessions and did not follow straight the price wars initiated by the other operators that presented a wide variety of sales discount offered to customers. Through jointly-operated fresh food stalls, the turnover managed to edge up in the first half of 2005. However, additional running costs incurred, rental increases and store conversion costs resulted in a lower operating profit for the current period. With the solid revival of local private consumption expenditure and sustained retail sales growth that drove the demand for quality warehouse space, the Hong Kong operation will be benefited.

繼中國零售業於二零零四年十二月全面開放予外商投資者後，對所有現有業內公司而言，源自外商及整體競爭隨即加劇，經營環境日益艱困。於實施增加股權的策略後，華潤萬家現成為本集團全資附屬公司，而蘇果則為本集團擁有85%權益的附屬公司，有助集中管理、節省行政成本，進一步融匯不同店舖模式，以及加強本集團於超市及物流業的地位。此外，覆蓋範圍擴大及相關成本效益將令本集團藉各大地區集中採購、精簡經銷網絡及不同店舖模式的協同效益而大受裨益。

為配合目前市場趨勢，本集團將透過開設新店舖及進佔二級城市來集中發展大型超市和綜合超市，以及於更多已成熟的城市開設便利店；而發展較為成熟的超市，則需要進一步發揮優勢，以爭取更優越地位。

品牌時尚產品經銷

二零零五年上半年品牌時尚產品經銷業務的營業額為港幣646,100,000元，較二零零四年同期增長25.8%。應佔溢利為港幣18,900,000元，較二零零四年上半年增加34.1%。

於二零零五年六月底，本集團在中國內地指定城市透過約770間自營及特許經營店，經銷9個國際知名服裝品牌。

透過於二零零五年上半年新開設的25家自營店及59家特許經營店，「Esprit」錄得30.4%營業額增長。該品牌自營店同店增長達11.9%，其邊際利潤保持穩定。品牌盈利於本年上半年度增加19.9%。

本集團將持續加強其經銷網絡，改善經營成本效益及增強其品牌組合的整體盈利能力，以抓緊中國內地消費市場急速增長所產生的龐大商機。

其他零售店

二零零五年上半年其他零售店業務營業額為港幣356,900,000元，較二零零四年同期下跌23.5%。上半年應佔溢利為港幣26,300,000元，較二零零四年同期增長7.4%。

於二零零五年六月底，本集團在香港經營的連鎖零售店包括5間中藝及約30間華潤堂。

Following China's full opening of the retail sector to foreign investors in December 2004, foreign and overall competition sharpens and the operating environment is getting tougher for all existing players. The strategic move of increase in the sector equity stakes such that CR Vanguard now becomes a wholly owned subsidiary of the Group and Suguo is 85% owned, helped to centralize management functions, drive down administrative costs, further develop an integrated mix of different store formats and strengthen the Group's positioning in its supermarket and logistics operation. Moreover, the expanded geographical spread and the associated cost benefits will allow the Group to substantially benefit from centralized procurement by major districts, streamlined distribution network and synergies among different store formats.

Aligned with the current market trend, the Group will focus on the development of hypermarkets and superstores through new store openings and move into the second tier cities, convenience stores in more developed cities whereas supermarkets, a relatively mature format, need to carve out a better niche.

Brand-fashion distribution

Turnover of the brand-fashion distribution segment for the first half of 2005 was HK\$646.1 million, an increase of 25.8% over the same period in 2004. Attributable profit amounted to HK\$18.9 million, an increase of 34.1% over the first half of 2004.

As at the end of June 2005, the Group distributed 9 international brands through approximately 770 self-operated and franchised stores in designated cities throughout the Chinese Mainland.

With the opening of 25 self-operated and 59 franchised stores in the first half of 2005, a 30.4% turnover growth of the "Esprit" brand was recorded. Self-operated stores achieved a same store growth of 11.9% with steady gross margin. The brand profitability recorded a 19.9% increase in the current half year.

The Group will continue to strengthen its distribution network, improve operating cost efficiency and the overall profitability of its brand portfolio 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 first half of 2005 was HK\$356.9 million, representing a decrease of 23.5% from the same period in 2004. Attributable profit for the half year was HK\$26.3 million, representing an increase of 7.4% over the same period in 2004.

As at the end of June 2005, the Group's chain of retail stores in Hong Kong consisted of 5 Chinese Arts & Crafts Stores 中藝 and about 30 CR Care Stores 華潤堂.

營業額整體下降主要由於分別位於軒尼詩道及黃埔的店舖相繼於二零零四年五月及二零零五年四月結業所致。整體溢利有所改善，主要歸因於中藝業務透過持續豐富產品組合、發展及推廣自有品牌「天工閣」、開創商機以及銷售組合管理而錄得較高利潤。二零零五年上半年度錄得同店增長4.4%，溢利亦大幅增加47.4%。

隨著香港市民的保健意識逐漸提高，保健食品及中藥業務的競爭近年漸趨激烈，華潤堂不斷開發自有品牌及豐富產品組合，並促進與供應商的關係，從而獨家引入多項超值產品，種種因素令二零零五年上半年的溢利有較大的改善。預期隨著內部開發品牌逐漸獲市場認同，加上收緊銷售折扣，整體經營業績亦將見進一步改善。

憑藉本地私人消費開支顯著復甦及訪港旅客人數日增，零售市場的銷售增長仍有空間。

飲品

二零零五年上半年飲品業務錄得營業額及應佔溢利分別為港幣3,204,300,000元及港幣59,900,000元，較二零零四年同期增長39.4%及13.9%。

啤酒銷量增長30.1%至約1,871,000千升。華中和華東地區之炎熱天氣提早，令該地區啤酒銷量大幅增加，大大提升本年度第二季之當地啤酒銷售。於二零零五年上半年，現有啤酒廠的整體銷量內涵增長12.7%，尤以四川、哈爾濱、湖北及安徽的銷量增長最為顯著。此乃歸功於不斷拓展新市場及增加市場份額。然而，儘管二零零五年上半年的銷量增加，少數地區面對當地其他品牌異常激烈競爭，以致平均售價下調，因而影響該等地區之盈利。

於回顧期間，原材料成本增加約10%。包裝原料及能源供應成本偏高亦為生產成本增加之主要原因。然而，有賴二零零五年上半年產品組合不斷提升，平均淨售價增加7.3%，使整體的每千升毛利仍可維持。

Overall decline in turnover was primarily due to the successive closure of CRC Department Stores on Hennessy Road in May 2004 and at Whampoa in April 2005. Improvement in the overall profitability was mainly attributable to the higher margin attained by the Chinese Arts & Crafts Stores 中藝 operations, through ongoing product mix enrichment, development of the private label “天工閣”，brand promotion, niche creation and sales mix management. A same store growth of 4.4% and a significant increase of 47.4% in profitability for the first half of 2005 was reported.

With a growing health awareness amongst the general public in Hong Kong, competition in health food and Chinese medicine businesses intensified in the recent years. CR Care Stores 華潤堂's continual efforts in developing its own brands, enriching product portfolio, promoting suppliers' relationship that facilitated exclusive dealings of value-for-money products collectively improved the profitability in the first half of 2005. It is anticipated that with the gradual market recognition of the self-developed brands and tightening of sales discounts, the overall operating results will be further improved.

With a sound recovery of local private consumption expenditure and the rising number of visiting tourists in Hong Kong, prospects of growth in retail sales are encouraging.

Beverage

The beverage division reported a turnover of HK\$3,204.3 million for the first half of 2005, representing an increase of 39.4% over the same period in 2004. Attributable profit was HK\$59.9 million, an increase of 13.9% over the same period of 2004.

Sales volume of beer grew by 30.1% to approximately 1,871,000 kilolitres. The early hot weather particularly experienced in Central and Eastern China greatly raised the local beer consumption volume during the second quarter of the year which largely increased beer sales in the area. Overall organic growth of sales volume from existing breweries was 12.7% for the first half of 2005, with notable volume growth in Sichuan, Harbin, Hubei and Anhui. This was achieved through new market entries and increase in market share. However, in a few regions, despite the fact that a sales volume growth was recorded in the first half of 2005, average price deflation was experienced due to keen competitive behavior of other local brands which eventually affected the bottom line of these areas.

For the period under review, raw material costs rose by approximately 10%. Increased costs for packaging materials and power supply were also major production cost drivers. However, with a net average price rise of 7.3% through continued leverage to better product mix in the first half year of 2005, the overall gross profit margin per kilolitre could still be sustained.

新購入兩家啤酒廠的溢利水準在預期之內，二零零五年七月份業績更令人鼓舞，預期本年下半年業績將會顯著改善。江蘇啤酒廠將會大力推廣「SNOW」以及其原有的高檔品牌，以爭取盡量擴大區域市場份額。預計該啤酒廠二零零五年全年業績會接近收支平衡。就浙江啤酒廠而言，因銷量較去年增加17.1%，二零零五年七月份盈利能力較去年同期上升，因此其虧損淨額於年底將會明顯減少。透過整合現有分銷網絡、改善營運效率及提高品牌滲透率，本集團預期將會對成本及市場推廣產生重大協同效益，以提升整體收益及經營利潤。

本集團全國性品牌「SNOW」（包括Shenyang啤酒）的市場策略亦見成果，回顧期內銷量大大提高40.1%至約706,000千升，而二零零四年上半年則約504,000千升。

策略收購啤酒廠繼續鞏固本集團於華中和華東之市場地位，並透過市場推廣、採購與物流各方面之協同效益加強「SNOW」的全國經銷網絡。本集團近期收購安徽省西北部最大啤酒廠阜陽市雪地啤酒有限公司的資產，可進一步將其市場據點由該省中部擴展至西北部。

截至二零零五年六月底，本集團經營超過30家啤酒廠。本集團在東莞的啤酒項目正在按計劃建設中，其第一期150,000千升生產設備預計於二零零六年年初開始進行試驗投產。

隨著國內收入水準迅速飆升及特別是較年青一代傾向崇尚西式日用產品，啤酒需求預期將有所增加，進一步帶動飲品業務增長。除收購外，本集團將繼續致力注重營運的高效率、品牌忠誠度及知名度，並整頓中國內地經銷網絡及擴大市場覆蓋範圍。

食品加工及經銷

二零零五年上半年的營業額及應佔溢利分別為港幣2,836,200,000元及港幣246,800,000元，較二零零四年同期分別增長5.3%及26.2%。

配合本集團出售非核心資產，以集中發展其零售帶動分銷的策略，本業務已將其全資附屬公司五豐食品（中國）有限公司全部已發行股本出售。該公司持有A股上市聯營公司徐州維維食品飲料股份有限公司25.09%股權。因此，本年度上半年確認港幣59,400,000元收益。

The profitability of two major newly acquired breweries was within expectation, but encouraging improvements in July 2005 indicated better operating results for the second half of 2005. For the Jiangsu brewery, "SNOW" will be actively promoted together with its own premium local brand to maximize regional market share. The brewery could be close to breakeven for the year 2005. For the Zhejiang brewery, profitability of July 2005 is improving with a 17.1% year-on-year increase in sales volume. Its net loss will be substantially reduced by the end of the year. Through better rationalization with existing distribution network, improved operational efficiency and deepened brand penetration, the Group expects substantial cost and marketing synergies for enhancement in the overall revenue level and operating margins.

Marketing strategies of our national brand "SNOW", including Shenyang beer, also delivered satisfactory results. The sales volume for the period under review increased by 40.1%, to approximately 706,000 kilolitres, compared to about 504,000 kilolitres in the first half of 2004.

Strategic acquisition of breweries continues to consolidate the Group's market presence in Eastern and Central China and strengthen the national distribution network of "SNOW" through prospective synergies in marketing, procurement and logistics. The recent asset acquisition of 阜陽市雪地啤酒有限公司 Fuyang City Snowland Brewery Co., Ltd., the largest brewery in the north-western region of Anhui Province, will further extend its market presence from the central to the north-west of the Province.

By the end of June 2005, the Group will be operating over 30 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 rise with the boosting income levels in China and the propensity to consume westernized everyday products, in particular for the younger generation. This will induce further business growth of the beverage division. Apart from acquisition, the Group will continue to strive on operational excellence, brand allegiance and recognition, together with rational distribution network and extensive market coverage in the Chinese Mainland.

Food Processing and Distribution

Turnover and attributable profit for the first half of 2005 amounted to HK\$2,836.2 million and HK\$246.8 million respectively, representing an increase of 5.3% and 26.2% over the same period of 2004.

In line with the Group's divestment strategy regarding non-core assets so as to focus on its retail-led distribution businesses, the division disposed of the entire issued share capital of its wholly-owned subsidiary, Giant Harvest Limited, which holds 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. As a result, a gain of HK\$59.4 million was recognized during the first half of the year.

食品經銷業務的溢利錄得理想增長。鑑於香港消費者對食品安全及品質的關注日增，本業務繼續致力推廣「五豐」品牌優質鮮肉的成績令人鼓舞。透過與供應商的有效磋商，確保本業務可獲穩定活畜供應香港市場。二零零五年上半年的毛利率得以維持。此外，凍肉及急凍食品業務持續致力豐富產品組合，加上建基於經擴闊的客戶基礎上擴大銷售網絡，均令溢利貢獻有所改善。

然而，燃料價格屢創新高以及競爭激烈導致遠洋捕撈及水產品加工業務的平均售價下降，該業務整體邊際毛利因而受到負面影響，以致溢利貢獻有所減少。本業務推行定期油價通報制度、捕撈船隊燃料耗用報告以及有關成本減省措施的員工培訓，以密切監察及減輕油價上升產生的生產成本上漲情況及其影響。在現行油價不斷上漲下，預期下半年營商環境仍然困難。儘管如此，本集團將繼續努力不懈，開闢更多優質魚場、提高船隊捕撈能力、改善銷售網絡及銷售更多高檔魚類與水產品，可望長遠改善盈利能力。

於二零零四年七月收購的深圳業務於回顧期內錄得穩定溢利貢獻。在有效結合本集團超市業務之廣闊分銷網絡，和於活豬飼養、屠宰及鮮肉生產方面的競爭優勢，可以發揮業務協同的低成本效益。此舉有助本集團進一步快速擴闊其以零售帶動分銷的業務。此外，上海肉類加工中心的興建正如期進行。落成時，本集團活豬屠宰及肉類產品生產力將得以提升，且加強其於中國內地的品牌食品經銷。

鑑於中國內地家庭收入及生活水準普遍改善，消費者對食物安全、質素及營養的關注日增，當地市場的品牌食品經銷蘊含強大的增長潛力。預期中國市場品牌鮮豬肉於可見將來的需求定將急速增長，故本集團計劃就於國內經銷品牌食品與其超市業務及若干其他國際著名零售連鎖店營運商建立更緊密業務聯繫。

紡織

二零零五年上半年紡織業務的營業額為港幣2,058,600,000元，較二零零四年同期增長21.0%。期內應佔溢利為港幣55,700,000元，較二零零四年上半年增加32.2%。

Foodstuff distribution operation reported a satisfactory growth in profitability. In view of the consumers' increasing concerns over food safety and quality in Hong Kong, the operation continues its considerable efforts in promoting the "Ng Fung" brand of high quality fresh meat with promising results. Stable supply of livestock to Hong Kong is ensured through effective negotiations with suppliers. Gross margin was maintained for the first half of 2005. In addition, continuous efforts in enriching product mix together with expanding sales network with a broadened customer base for frozen meat and frozen food business also contributed to the improvement in profitability.

The overall gross profit margin of marine fishing and aquatic products processing operation was, however, adversely affected by the record high fuel prices and decrease in average selling prices due to keen competition, resulting in a lower profit contribution. Regular on-site fuel costs reporting, fishing fleet fuel utilization reporting 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 second half of the year under the prevailing oil price surge. However, the Group will continue its ongoing efforts in exploring more high quality fishing grounds, enhancing catching capability of the 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.

In light of the consumers' increasing concerns over food safety, quality and nutrition in the Chinese Mainland, driven by a general improvement in household income and living standard, substantial growth potential for distribution of branded food in the local market emerged. With high expectation of rapid growth in branded fresh pork consumption in the China market in the foreseeable future, the Group plans to develop closer business links with our supermarket division as well as some other internationally-recognized retail chain operators for branded food distribution throughout China.

Textile

Turnover of the textile division for the first half of 2005 was HK\$2,058.6 million, representing an increase of 21.0% over the same period of 2004. Attributable profit for the period amounted to HK\$55.7 million, representing an increase of 32.2% from the first half of 2004.

紡織業務營業額增長主要由於二零零四年最後一季收購陝西省兩間具規模的紡織廠權益，以及兩家於二零零四年上半年搬遷至新經濟開發區之主要紡織廠現已全面投產。全球紡織品出口配額自二零零五年一月一日取消後，全球市場需求飆升，中國紡織產品及成衣於二零零五年上半年分別錄得23.0%及19.3%出口增長，紡織業務因而受惠，本年度上半年之業績已見好轉。於回顧期間，紗線、布料及成衣分別錄得36.1%、37.4%及24.7%之強勁銷售量增長。儘管銷售價格受到整體下調壓力，但更佳的以客戶為重點的銷售管理提高總收益水平，為本集團增添更多新客戶並提升現有客戶之交易量。

由於二零零四年最後一季結轉的高價棉花庫存於期內大量耗用及其相關成品陸續售出，第二季整體邊際利潤較二零零五年第一季上升3.2個百分點。然而，因受產量增加帶動直接勞工成本增加、技術提升而引入新一批機器已全面投產以致折舊費用上升，以及水電收費上調等因素的影響，二零零五年上半年度紡織業務經營溢利增長有所減少。

有鑑於中國與美國／歐盟的貿易爭議與保護措施令紡織業現時蒙受不明朗因素影響，加上二零零五年度若干紡織類別之配額快將耗盡，出口銷售的經營環境預期於二零零五年下半年將面對重重挑戰。預期本地對優質紡織品及成衣產品之需求將隨著個人收入水平增加而強勁增長。因此，本集團可透過經營效益的提升、更理想之市場定位及就銷售組合引進更多高檔品牌產品，從而抓緊本地及出口市場的商機。此舉將可改善整體邊際利潤及於業內整頓期中作好準備。

物業

物業業務包括零售店舖、辦公室和工業單位的收租物業，於二零零五年首六個月錄得營業額及應佔溢利分別為港幣147,000,000元及港幣429,200,000元，較二零零四年同期分別減少6.3%及增加158.6%。

剔除對租賃物業組合於二零零五年六月三十日之估值所產生的稅後盈餘約港幣300,000,000元（二零零四年：不適用），以及早前由華潤百貨佔用之灣仔軒尼詩道零售物業用途自二零零四年六月起改變，導致遞延稅項增加，本業務二零零五年上半年應佔溢利與二零零四年同期基本持平。

The growth in turnover of the operation was mainly 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. 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 23.0% and 19.3% export growth in the first half of 2005. This benefited the textile division and helped its turnaround in the first half of the current year. A strong growth in sales volume of 36.1% in yarns, 37.4% in fabric and 24.7% in garments was recorded for the period under review. Despite the general downward pressure on prices, better customer focused sales management boosted the total revenue level with an expanded customer base and business volume growth of existing customers.

The residual high cost cotton inventory brought forward from the last quarter of 2004 was substantially consumed with production and products sold during the period. The overall gross profit margin for the second quarter improved by 3.2% points over the first quarter of 2005. The encouraging operating profit growth of the textile division was however tempered by higher direct labor costs incurred with increase in the production volume, greater depreciation charge as the new batch of machinery from technology upgrade was fully put to use and the general rate rise in utility costs during the first half of 2005.

Uncertainties that currently plague the textile industry as the trade disputes and safeguard measures continue between China and the United States/European Union, the fact that quotas for some textile categories are rapidly approaching their full utilization for the year 2005, the operating environment for export sales is anticipated to be challenging in the second half of 2005. Domestic demand for quality textile and garment products that comes with rising individual income levels is expected to grow strongly. Hence, there are business opportunities in both the domestic and export markets to be capitalized by the Group with its enhanced operating efficiency, better market positioning and more high-end branded products in sales mix. This will lead to an improvement in the overall profit margin and well equip itself in the process of the industry consolidation.

Property

The property division, which comprises the rental property segments of retail, office and industrial premises, reported a turnover and attributable profit for the first six months of 2005 of HK\$147.0 million and HK\$429.2 million respectively, representing a corresponding decrease of 6.3% and an increase of 158.6% over the same period in 2004.

Excluding a net-of-tax valuation surplus of approximately HK\$0.3 billion in respect of the rental properties portfolio as at 30 June 2005 (2004: Not applicable) and an increase in deferred tax credit due to the change in use of the retail property on Hennessy Road, Wanchai, previously occupied by a CRC Department Store 華潤百貨 since June 2004, attributable profit of the division for the first half of 2005 remained at relatively the same level as that of 2004.

於二零零五年上半年，本地消費及到訪旅客日增的支持下，本地零售物業市場仍有上揚空間。在零售銷售額增加帶動下，優質零售物業的需求增加，因而推高租金水平。

由於灣仔軒尼詩道及尖沙咀新港中心零售物業於裝修期間暫停出租，源自租賃物業組合的收入較二零零四年同期輕微減少。除此因素，二零零五年上半年租賃物業（灣仔軒尼詩道零售物業除外）的出租率維持與去年相若水平，期內續租時的租金普遍上調。

灣仔軒尼詩道零售物業的翻新工程預期大部分將於本年度下半年完工。該匯集零售及美食的多層綜合大廈預期於竣工時將可明顯改善盈利潛力。

為配合本集團以零售物業為主的策略，本集團繼續出售非零售物業。本業務於二零零五年上半年出售若干位於尖沙咀及銅鑼灣的辦公室及住宅物業。此外，本集團亦於二零零五年四月簽訂臨時協議，出售位於灣仔的辦公室物業－華創大廈。

有鑑於本集團透過裝修及重新設計位於旺角及荃灣的零售物業，以更能迎合潮流，成功地提升收益及顧客人流的往績，位於江門市的購物商場將採用類似模式發展，改建工程現處於初步階段。

本集團將繼續減持工業及辦公室類別的非核心投資物業，並將專注零售投資物業，以重新調配資源用於發掘中國內地零售業務之投資機會。

石油及化學品經銷

二零零五年上半年之營業額及應佔溢利分別為港幣9,188,000,000元及港幣302,000,000元，較二零零四年同期分別增長2.1%及113.3%。

剔除出售本集團於青島齊潤石油化工有限公司餘下10.5%股本權益投資之收益港幣84,200,000元，回顧期內的應佔溢利較二零零四年實際增長53.8%。二零零五年第二季石油及油站業務表現有所改善，保證本業務錄得盈利增長。蘇州管道燃氣業務和新收購的成都市燃氣有限責任公司36%股權的理想溢利貢獻，均帶動二零零五年上半年的盈利較去年有所增加。

During the first half of 2005, local retail property market remained buoyant on the back of increased local consumption and tourist arrivals. Driven by the increase in retail sales, prime retail properties were in demand which in turn drove up rental levels.

Income from rental properties portfolio was slightly lower than in the same period of 2004 mainly due to the temporary suspension for letting regarding the retail properties on Hennessy Road, Wanchai and Silvercord Centre, Tsim Sha Tsui during the renovation. Apart from that, occupancy rates of the rental properties (excluding the retail properties on Hennessy Road, Wanchai) remained relatively comparable to that of last year with a general rent rise upon tenancy renewal during the first half of 2005.

Renovation work of the retail property on Hennessy Road, Wanchai is expected to be substantially completed in the second half of the year. The multi-storey retail and gourmet complex is expected to bring a marked improvement in the earning potential upon completion.

With the Group's focus now on retail properties, divestment in non-retail properties is the way going forward. Certain office and residential properties at Tsim Sha Tsui and Causeway Bay were disposed during the first half of 2005. In addition, a preliminary agreement was also signed in April 2005 for the sale of CRE Building, an office property at Wanchai.

With the success of enhancing revenue and flow of shoppers through renovation and re-modeling of the retail properties at Mongkok and Tsuen Wan, similar mall format is adopted by a mall in Jiangmen which is currently at its initial stage of development.

The Group is continuing its divesture assessment on non-core investment assets in the industrial and office sectors so as to focus on retail property investment and to re-channel the resources to explore the investment opportunities in retail sector in the Chinese Mainland.

Petroleum and Chemical Distribution

Turnover and attributable profit for the first half of 2005 amounted to HK\$9,188.0 million and HK\$302.0 million respectively, representing an increase of 2.1% and 113.3% over the corresponding period in 2004.

Excluding a gain of HK\$84.2 million from the disposal of the remaining 10.5% equity interest in Qingdao Qirun Petrochemical Co., Ltd., an investment of the Group, attributable profit for the period under review increased by 53.8% over that of 2004. Improved performance of petroleum operation and filling station operation for the second quarter of 2005 assured the growth in profitability of the division. The encouraging profit contributions from piped gas operations in Suzhou as well as the newly acquired 36% stake in Chengdu City Gas Co., Ltd. also added to the increase in profitability for the first half of 2005 as compared to that of last year.

除四月底至五月間曾經微下調外，國際原油價格普遍持續升勢，於二零零五年上半年更錄得新高。於回顧期內，國際原油價格平均每桶為51.6美元，相對一年前則為36.7美元。因此，石油及化工品價格仍然高企，超逾二零零四年達前所未有的高水平。儘管回顧期內經營環境充滿挑戰，與二零零四年同期相比，整體毛利率仍錄得逾0.8個百分點之可觀增長。

石油業務自全球主要石油供應商採購成品油，再銷售給批發商及終端零售客戶。面對回顧期內油價波動之嚴峻考驗，石油業務的盈利仍能顯著改善，特別是以航空煤油經銷方面。此乃由於本集團審慎控制存貨及採取有效對沖措施，以減輕油價波動對業務的影響。

石油及燃氣業務透過位於香港的19個氣油及石油氣加油站以及位於中國內地的22個汽油加油站經銷成品油及石油氣產品。於香港及中國內地的油站業務均錄得顯著盈利增長。於香港，石油氣的銷售額及毛利分別增加23.6%及86.6%，主要由於本集團油站內石油氣售價具競爭優勢，加上根據現行與香港政府之管制定價安排下的參考零售價較為理想所致。於中國內地，油站業務銷售量因華南地區的成品油，特別是柴油的供應普遍緊張而減少16.7%。

蘇州之管道燃氣業務於二零零五年上半年帶來理想溢利貢獻，較去年大幅增加100.8%，足證其發展前景樂觀。蘇州之管道天然氣網絡營運包括興建主幹線及分支網絡、為家居接駁天然氣管道，以及向工商用戶供應管道燃氣。隨著成功收購成都城市燃氣有限責任公司36%股權，並於二零零五年三月開始貢獻溢利，本集團已於華東及西部地區建立兩大戰略區域，有利於本集團強勢的長遠發展。於二零零五年四月，本集團與無錫市政府合組合營公司無錫華潤燃氣有限公司，雙方各自佔股50%，以進一步投入管道燃氣業務。

化工品業務專門負責石油化工產品的市場推廣及經銷，於本年度上半年錄得穩健溢利增長。本集團致力推行銷售組合管理的方針已見成效，業務的毛利持續錄得增長。

Apart from the slight downward adjustments occurred during late April to May, international crude oil prices generally followed an upward trend and soared to record high levels during the first half of 2005. The international crude oil prices averaged US\$51.6 a barrel during the period under review, compared to US\$36.7 a year ago. Consequently, the petroleum and chemical product prices remained at unprecedented high levels as compared to 2004. Despite the challenging operating environment during the period under review, overall gross margin achieved a considerable growth of above 0.8% points over the same period in 2004.

The petroleum operation of the division trades refined oil purchased from the world's major oil suppliers to wholesale agents and retail end-customers. Amid challenging oil price fluctuations during the period under review, the petroleum operation has shown good improvement in profitability, in particular from the distribution of aviation fuel. This was achieved through prudent inventory control and effective hedging measures to mitigate volatile oil prices to the business.

The petroleum and gas operation distributes refined oil and LPG products through 19 petrol and LPG stations in Hong Kong and 22 petrol stations in the Chinese Mainland. Filling station operations in Hong Kong and the Chinese Mainland both reported notable improvements in profitability. In Hong Kong, sales volume and gross profit of LPG sales increased by 23.6% and 86.6% respectively, mainly attributable to competitive pricing of LPG sales at the Group's filling stations as well as the more favorable reference retail prices under the prevailing regulated pricing arrangement with the Hong Kong Government. In the Chinese Mainland, sales volume of filling station operation reduced by 16.7% due to the general tight supply of refined oil especially diesel in the Southern Chinese Mainland.

The piped gas operation in Suzhou proved to be promising with satisfactory profit contribution, which substantially increased by 100.8% in the first half of 2005 over last year. The operation in the piped natural gas network in Suzhou includes the construction of the main trunk and sub-branch networks, the connection of natural gas pipelines to individual households, and the supply of piped gas to industrial and commercial users. With the successful acquisition of 36% stake in Chengdu City Gas Co., Ltd. that started contributing profits since March 2005, the Group has established two strategic arms in the Eastern and Western regions of the Chinese Mainland, favorably positioned the Group for stronger growth potential in the long run. In April 2005, the Group also paired up with the Wuxi Municipal Government to start a 50-50% joint venture in Wuxi China Resources Gas Co. Ltd. (無錫華潤燃氣有限公司) for further pursuance in the piped gas business.

The chemical operation, which specializes in marketing and distribution of petrochemical products, reported steady growth in profitability during the first half of the year. Continuous efforts in sales mix management has proved to be effective in upholding comparable growth in gross profit of the operation.

憑藉於蘇州及成都管道燃氣投資方面累積的經驗，本集團將審慎物色於中國內地市場管道燃氣業擴充業務之機遇。本集團預期，油價於短期內仍將波動不定，故將繼續採取審慎措施，減輕油價上漲對其業務表現的影響。

投資及其他業務

本業務於二零零五年上半年的應佔溢利為港幣168,200,000元（二零零四年上半年：港幣178,400,000元）。

貨櫃碼頭

本集團擁有 HIT Investments Limited 和 Hutchison Ports Yantian Investments Limited 的10%權益。於回顧年度上半年，香港及鹽田深水港業務的溢利表現維持穩定。

資金及融資

本集團對剩餘資金進行良好的資金管理，務求盡量集中資金應付內部需求，同時增加流動資金及收益率。於二零零五年六月三十日，本集團的綜合現金及現金等值達港幣5,819,800,000元。本集團於二零零五年六月三十日的借貸為港幣9,702,900,000元，其中港幣4,981,500,000元須於一年內償還，港幣4,665,100,000元須於一年後但五年內償還，以及港幣56,300,000元則須於五年後償還。於二零零五年六月三十日，本集團已全數動用借貸備用額。除於二零零六年五月到期的230,000,000美元可換股擔保債券外，所有借貸均以浮動息率計算。

以本集團借貸淨額比對股東資金及少數股東權益計算的負債比率約17.9%（二零零四年十二月三十一日：25.0%）。

本集團的主要資產、負債、收益及付款均以美元、港元及人民幣結算。於二零零五年六月三十日，本集團的現金存款餘額中29.5%、33.4%及34.6%分別以美元、人民幣及港幣持有。本集團借貸中35.6%及24.7%分別以美元及人民幣結算，其餘下的39.7%則以港幣為單位。此外，為減低匯兌及利率波動的風險，本集團已訂立若干遠期合約及利率調期合約，以對沖部分借貸風險。

二零零五年七月份人民幣匯率調整產生即時的資產增值，其增值金額及產生之匯兌收益分別約佔本集團於二零零五年六月三十日淨資產和本集團股東應佔利潤的0.8%和1.1%，此對本集團的業務影響輕微。

With the experience in the Suzhou and Chengdu piped gas investments, the Group will prudently look for business expansion in piped gas industry in the Chinese Mainland market. The Group anticipates fluctuation of the oil prices to continue in near term and will continue to take prudent measures to mitigate the effects to its business performance.

Investments and Others

Attributable profit for first half of 2005 amounted to HK\$168.2 million. (First half of 2004: HK\$178.4 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 half year under review.

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 June 2005, the Group's consolidated cash and cash equivalents amounted to HK\$5,819.8 million. The Group's borrowings as at 30 June 2005 were HK\$9,702.9 million with HK\$4,981.5 million repayable within 1 year, HK\$4,665.1 million repayable after 1 year but within 5 years and HK\$56.3 million repayable after 5 years. Committed borrowing facilities available to the Group were fully utilized as at 30 June 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 17.9% (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 June 2005, 29.5% of the Group's cash deposit balances was held in US dollars, 33.4% in Renminbi and 34.6% in Hong Kong dollars; whereas 35.6% of the Group's borrowings was denominated in US dollars and 24.7% in Renminbi with the remaining 39.7% 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.

The recent Renminbi revaluation in July 2005 resulted in an immediate net asset appreciation, which is approximately 0.8% of the Group's net worth as at 30 June 2005, together with an exchange gain of about 1.1% of the attributable profit to the Company's shareholders. There is no significant impact anticipated on the Group's businesses as a whole.

資本開支

本集團於截至二零零五年六月三十日止期間的資本開支約為港幣2,140,200,000元，其中港幣1,297,800,000元用作添置固定資產，其餘港幣842,400,000元用於飲品及超市業務的收購，作為零售帶動分銷戰略的一部分。資本開支主要以源自經營業務的內部資源及銀行借貸支付。

資產抵押

於二零零五年六月三十日，本集團已抵押賬面淨值為港幣310,300,000元（二零零四年十二月三十一日：港幣799,300,000元）的固定資產，以獲取短期貸款港幣280,600,000元（二零零四年十二月三十一日：已就短期貸款抵押港幣523,200,000元）以及長期貸款港幣15,800,000元（二零零四年十二月三十一日：已就長期貸款抵押港幣72,200,000元）。

或然負債

於二零零五年六月三十日，本集團並無任何重大或然負債。

僱員

於二零零五年六月三十日，本集團除聯營公司以外聘用約83,000人，其中約95%在中國內地聘用，其餘的主要駐守香港。本集團僱員的薪酬按其工作性質、個別表現及市場趨勢釐定，並以現金花紅和購股權作為獎勵形式。

承董事局命
董事總經理
陳樹林

香港，二零零五年九月八日

CAPITAL EXPENDITURE

During the period ended 30 June 2005, the Group spent approximately HK\$2,140.2 million on capital expenditure. Additions of fixed assets amounted to HK\$1,297.8 million, while the remaining HK\$842.4 million were incurred for new acquisitions in beverage and additional interests in supermarkets, as part of our retail-led distribution strategy. Capital expenditure was primarily financed by internally generated funds from operations and bank borrowings.

PLEDGE OF ASSETS

As at 30 June 2005, fixed assets with a net book value of HK\$310.3 million (31 December 2004: HK\$799.3 million) were pledged for short-term loans in the sum of HK\$280.6 million (31 December 2004: pledged for short term loans of HK\$523.2 million) and long term loans in the sum of HK\$15.8 million (31 December 2004: pledged for long term loans of HK\$72.2 million).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2005.

EMPLOYEES

As at 30 June 2005, the Group, excluding its associated companies, had a staff size of around 83,000, of which approximately 95% were employed in the Chinese Mainland, whilst the rest are mainly from Hong Kong. Remuneration packages are assessed in accordance to the nature of job duties, individual performance and market trends with incentives paid in form of cash bonus and share option.

By order of the Board
CHEN SHULIN
Managing Director

Hong Kong, 8 September 2005