



## China Resources Enterprise, Limited

FOR PRESS RELEASE

April 22, 1998

### CRE Announces 1997 Annual Result

The Directors of China Resources Enterprise, Limited ("the Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31st December, 1997 are as follows:

	<b>1997</b> <i>HK\$'000</i>	<b>1996</b> <i>HK\$'000</i>
<b>Turnover</b>	<u>5,966,361</u>	<u>1,961,888</u>
<b>Operating profit</b>	<b>2,313,964</b>	555,664
<b>Exceptional item</b>	<u>—</u>	<u>203,549</u>
<b>Profit from ordinary activities</b>	<b>2,313,964</b>	759,213
<b>Share of results of associated companies</b>	<u>646,761</u>	<u>327,879</u>
<b>Profit before taxation</b>	<b>2,960,725</b>	1,087,092
<b>Taxation</b>	<u>(498,100)</u>	<u>(190,521)</u>
<b>Profit after taxation</b>	<b>2,462,625</b>	896,571
<b>Minority interests</b>	<u>(902,503)</u>	<u>(299,902)</u>
<b>Profit attributable to shareholders</b>	<b>1,560,122</b>	596,669
<b>Dividends</b>	<u>(310,709)</u>	<u>(160,060)</u>
<b>Profit for the year retained</b>	<u>1,249,413</u>	<u>436,609</u>
<b>Earnings per share</b>		
<b>Basic</b>	<u>HK\$1.03</u>	<u>HK\$0.49</u>
<b>Fully diluted</b>	<u>N/A</u>	<u>HK\$0.46</u>

FINAL RESULTS

The Group's consolidated turnover and profit attributable to shareholders for the year ended 31st December 1997 amounted to HK\$5,966,361,000 and HK\$1,560,122,000 respectively, representing an increase of 204% and 161 % over that of the previous year. Earnings per share of the company for 1997 is HK\$ 1.03 compared with HK\$ 0.49 in 1996, an increase of 110%.

## DIVIDENDS

The Directors have resolved to recommend a final dividend of HK\$ 0.14 per share for 1997 (1996: HK\$0.08). Together with the interim dividend of HK\$0.06 per share, the total distribution for 1997 will amount to HK\$ 0.20 per share, and represents an increase of 81.8% on the HK\$0.11 per share paid in respect of 1996.

## FINANCIAL SUMMARY

	<b>1997</b>	<b>1996</b>	<b>1995</b>
	<b>HK \$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Turnover</b>	<b>5,966,361</b>	<b>1,961,888</b>	<b>1,605,061</b>
<b>Profit attributable to shareholders</b>	<b>1,560,122</b>	<b>596,669</b>	<b>284,926</b>
<b>Dividends</b>	<b>310,709</b>	<b>160,060</b>	<b>91,414</b>
<b>Earnings per share</b>	<b>HK \$1.03</b>	<b>HK\$0.49</b>	<b>HK\$0.26</b>
<b>Dividends per share</b>	<b>HK \$0.20</b>	<b>HK\$0.11</b>	<b>HK\$0.08</b>
<b>Shareholders' funds</b>	<b>8,947,066</b>	<b>7,614,138</b>	<b>4,456,062</b>
<b>Minority interests</b>	<b>4,310,521</b>	<b>4,515,428</b>	<b>3,408,609</b>
<b>Shareholders' funds and minority interests</b>	<b>13,257,587</b>	<b>12,129,566</b>	<b>7,864,671</b>
<b>Consolidated net (borrowings)/cash</b>	<b>3,344,216</b>	<b>2,053,481</b>	<b>1,026,464</b>
<b>Gearing</b>	<b>25.2%</b>	<b>16.9%</b>	<b>13.1%</b>
<b>Net assets per share: book value</b>	<b>HK \$5.76</b>	<b>HK\$5.09</b>	<b>HK\$3.81</b>

Notes:

1. Gearing represents the ratio of net borrowings to shareholders' funds and minority interests.
2. Earnings per share have been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during each year.

## FINANCIAL SUMMARY (CONT.)

	1997 HK\$'000	1996 HK\$'000	1995 HK\$'000
<b>Profit attributable to shareholders by activity</b>			
Property - Hong Kong	796,549	57,683	53,830
Property - Chinese mainland <sup>(2)</sup>	198,291	344,248	107,401
Food & beverage	255,489	223,597	122,924
Infrastructure & other investments	481,596	1,895	11,422
Net corporate interest and other expenses	(131,713)	(30,754)	(10,671)
<b>Total</b>	<b>1,568,122</b>	<b>596,669</b>	<b>284,926</b>
<b>Turnover by activity</b>			
Property - Hong Kong	3,293,869	288,922	223,902
Property - Chinese mainland	1,871,864	738,987	754,306
Food & beverage	1,848,764	901,093	596,651
Infrastructure & other investments	562,664	32,886	30,202
<b>Total</b>	<b>5,968,361</b>	<b>1,961,888</b>	<b>1,605,061</b>

Note:

1. Profit attributable to the shareholders includes the results of the Company, its subsidiary companies and its proportionate share of associated companies, after eliminating minority interests.
2. The profit attributable to shareholders of the Property-Chinese mainland division in 1996 included an exceptional profit of approximately HK\$203 million on deemed disposal of long term investments as a result of floatation of a subsidiary company.
3. Comparative figures have been reclassified to conform with current year's presentation.

## REVIEW OF OPERATIONS AND PROSPECTS

### (1) Property - Hong Kong

#### *Property Development*

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. The first phase comprises approximately 790 units, had been pre-sold in May 1997 with overwhelming response from the market. The average selling price achieved from the sale of phase I was approximately HK\$6,900 per square foot. The construction progress of phase I was affected slightly by the rainy weather last year, however, the directors are confident that the units will be ready for hand-over to the buyers in mid 1998.

Following the recent downward adjustments in property prices, the Directors believe that given the strong underlying demand for residential property in Hong Kong, property prices should begin to stabilise. In addition, the opening of the new airport railway in the second half of 1998 should stimulate strong buying interest in property projects situated along the route of the new railway. Therefore the Group plans to launch the pre-sale of phase II of Villa Esplanada in the latter half of 1998.

As the Group has made property development business one of its core business areas, therefore it is considering replenishing its land bank in Hong Kong for future property development projects.

### ***Property Investment***

The Group's investment properties in Hong Kong currently consisting of approximately 120,000 square feet of commercial floor area and over 200 car park space. The Group's investment properties portfolio recorded improved rental levels during the year with most of its properties achieving an occupancy rate of over 90%, generating a strong stream of recurrent income.

### **(2) Property - Chinese Mainland**

The Group's investment in the Chinese property market is through its investment in China Resources Beijing Land Limited ("Beijing Land"). On 3rd April 1998 the Board of Directors of Beijing Land announced that the consolidated net profit attributable to shareholders of Beijing Land and its subsidiaries ("Beijing Land group") was HK\$293.6 million, an increase of 17.2% over that of the previous year.

As at 31st December 1997, the Beijing Land group had interests in 27 principal property development projects located in Beijing and owned a land bank of approximately 2.8 million square metres.

The government's recent housing reform policies, which support private home ownership at the expense of welfare-like housing entitlement, will strongly stimulate the demand for domestic residential housing. Beijing Land is in a very good position to capitalise on such development with its sizeable land bank and strong financial base. Beijing Land's financial position has been greatly strengthened through the issuance of US\$172.5 million convertible bonds and placement of 249,000,000 new shares at HK\$4.42 per share as announced in March 1998. After the placement the Group's effective interest in Beijing Land will be reduced from 53.0% to 44.2%.

### **(3) Food and Beverage**

#### ***Beverage division***

The sales volume of beer for 1997 was approximately 360,000 metric tonnes, an increase of 15% compared with the corresponding period of the previous year. Both Sales revenue and net profit of this division increased by approximately 22 % and 79% respectively, over the same period of the previous year. The overall increase in sales and

net profit could be attributable to two main reasons. Firstly, a new brand of beer- Keller was successfully launched in Dalian in 1997 with excellent market response. Secondly, the increase in equity interest in three joint ventures in Shenyang from 55% to 90% gave rise to higher profit contribution to the Group.

The Group will continue to invest in the Beverage division by way of acquisitions and internal expansion. During 1997, the Group established two new brewery joint ventures in the cities of Chengdu and Jilin. The Group is in the process of implementing its next phase of expansion plan for the Dalian, Chengdu and Jilin plants. Upon the completion of the expansion plan by the end of this year, the Group's total annual beer production capacity is expected to increase to approximately 900,000 metric tonnes.

### ***Godown and Cold storage***

Compared with the same period of the previous year, the turnover of this division increased by 1.9% while net profit declined by 2.0%. The Group's godown operation performed ahead of expectation, while the cold storage operation was adversely affected by increased in competition. The average occupancy rate of the Group's cold storage and godown operations for the year under review was approximately 83% and 87% respectively, compared to 87% and 76% of the previous year. The Directors expect that the godown and cold storage business will continue to be stable and generate strong cash flow for the Group.

### ***Ng Fung Hong ("NFH")***

As announced by the directors of NFH on 16th April 1998, the consolidated profit attributable to shareholders of NFH for 1997 amounted to HK\$453.7 million, representing an increase of 25% over the same period of the previous year. Although faced with a difficult market condition in Hong Kong in 1997, NFH through expansion of its operation both in Hong Kong and the Mainland achieved strong earnings growth. The Directors believe that NFH will continue to offer the Group with a high quality source of recurrent income.

## **(4) Infrastructure and Other Investments**

### ***HIT Investment Limited ("HIT")***

In December 1996, the Group acquired a 10% interest in HIT from its parent, China Resources (Holdings) Company Limited ("CRH"). This is the first year in which the contribution of the investment in HIT is reflected in the consolidated accounts of the Group, using the equity accounting basis. This was one of the main reasons for the significant rise in the share of profit of associated companies in 1997.

### ***Redland Concrete Limited ("Redland")***

The Group completed the acquisition of an 80% interest in Redland, from CRH in August 1997. Redland is principally engaged in the production, distribution and sale of ready-mixed concrete in Hong Kong. Redland is one of the major ready-mixed concrete producers in Hong Kong with a market share of approximately 16%. This operation has performed ahead of expectation in 1997 due primarily to an increase in the demand from the public sector projects; over 70% of Redland's orders come from the public sector.

### ***HKCB Bank Holding Company Limited***

The Group acquired from CRH a 50% stake in Hong Kong Chinese Bank, Limited ("HKCB Bank") in June 1997 and simultaneously entered into an agreement to reorganise the group structure of HKCB Bank Holding Company Limited ("HKCB Holding"). The acquisition and reorganisation was completed in September 1997. The Group currently has an effective interest of 30.3% in HKCB Holding. As announced by the directors of HKCB Holding on 20th April 1998, the consolidated profit attributable to shareholders of HKCB Holding for 1997 amounted to HK\$180.5 million, representing an increase of 23% over the same period of the previous year.

## **Outlook**

It has been the Group's strategy to achieve a balanced mix of investments in Hong Kong and the Chinese Mainland so as to strengthen its recurrent income base and achieve strong earnings growth. It was this strategy and the Group's prudent approach in financial management that has enabled it to successfully avoid any repercussions arising from the financial instability in Asia.

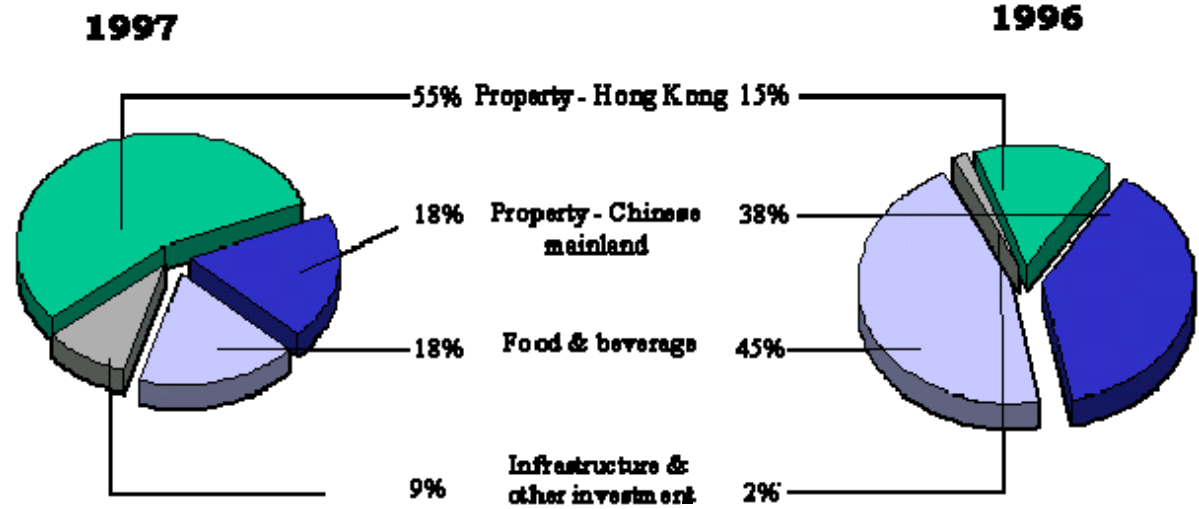
The Group is highly confident in the economic prospects of Hong Kong and the Chinese Mainland; its principal place of operation. Despite facing a challenging year in 1998, the Group is firmly committed to continuing its long-term strategy of expanding its existing core business areas. The Group will continue to focus on acquiring assets from within the parent company as a mean of accelerating its pace of expansion. At the same time, the Group will actively pursue investment opportunities from third parties so as to further improve its recurrent income base. With a healthy financial position and low gearing level, the Group has great flexibility in arranging for finances to fund its expansion projects. Therefore the Directors are confident that the Group's recurrent income base will be further strengthened and it should continue to achieve a satisfactory return for its shareholders.

Refer to Appendix for Turnover and Profit breakdown (Pie Chart)

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Appendix

## Total Turnover



## Profit Attributable to Shareholders

