

CHINA RESOURCES ENTERPRISE, LTD.

FOR PRESS RELEASE
(HONG KONG - APRIL 23, 1999)

CRE Announced 1998 net profit attributable to shareholders of approx. HK\$1.3 billion

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, 1998 are as follows:

	1998 HK\$'000	1997 HK\$'000
Turnover	5,475,100	5,966,361
Operating profit	1,553,721	2,313,964
Exceptional item	123,045	-
Profit from ordinary activities	1,676,766	2,313,964
Share of results of associated companies	441,402	646,761
Profit before taxation	2,118,168	2,960,725
Taxation	(289,116)	(498,100)
Profit after taxation	1,829,152	2,462,625
Minority interests	(560,724)	(902,503)
Profit attributable to shareholders	1,268,428	1,560,122
Dividends	(249,177)	(310,709)
Profit for the year retained	1,019,251	1,249,413
Earnings per share		
Basic	HK\$0.81	HK\$1.03
Fully diluted	HK\$0.80	HK\$1.01

FINAL RESULTS

The Group's consolidated turnover and profit attributable to shareholders for the year ended 31st December 1998 amounted to HK\$5,475.1 million and HK\$1,268.4 million respectively, representing a decrease of 8.2% and 18.7% over that of the previous year. Earnings per share were HK\$0.81 compared with HK\$1.03 in 1997.

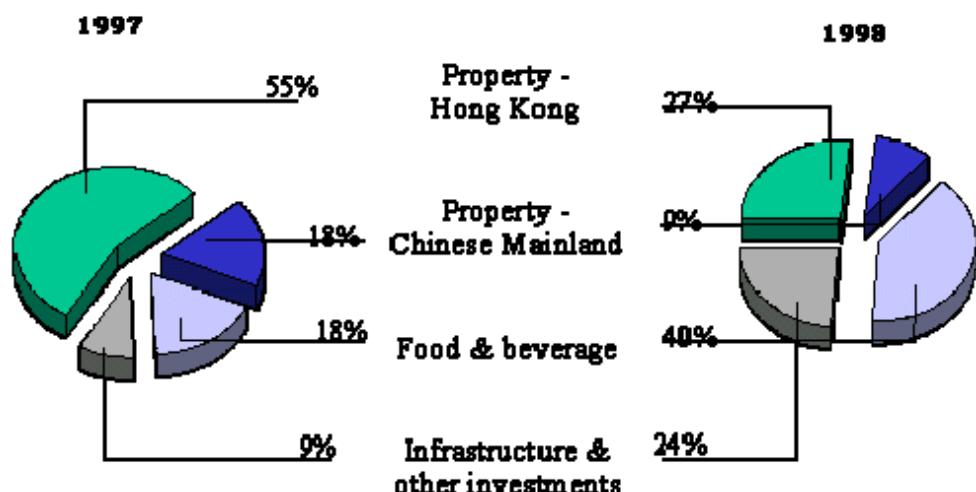
DIVIDENDS

The Directors have resolved to recommend a final dividend of HK\$0.09 per share for 1998 (1997: HK\$0.14) payable on or about 2nd July 1999 to shareholders whose names appear on the Register of Members of the Company on 11th June, 1999. Together with the interim dividend of HK\$0.06 per share, the total distribution for 1998 will amount to HK\$0.15 per share.

FINANCIAL SUMMARY

	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Turnover	5,475,100	3,966,361	1,961,888
Profit attributable to shareholders	1,268,428	1,560,122	596,669
Dividends	249,177	310,709	160,060
Earnings per share	HK\$0.81	HK\$1.03	HK\$0.49
Dividends per share	HK\$0.15	HK\$0.20	HK\$0.11
Shareholders' funds	9,097,888	8,947,066	7,614,138
Minority interests	4,357,571	4,310,521	4,515,428
Shareholders' funds and minority interests	13,455,459	13,257,587	12,129,566
Consolidated net borrowings	1,480,755	3,395,599	2,053,481
Gearing	11.00%	25.6%	16.9%
Net assets per share: book value	HK\$5.25	HK\$5.76	HK\$5.09
	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Turnover by activity			
Property - Hong Kong	1,508,514	3,283,069	289,922
Property - Chinese mainland	481,255	1,071,864	738,987
Food & beverage	2,185,350	1,048,764	901,093
Infrastructure & other investments	1,299,981	562,664	32,886
Total	5,475,100	3,966,361	1,961,888

Total Turnover

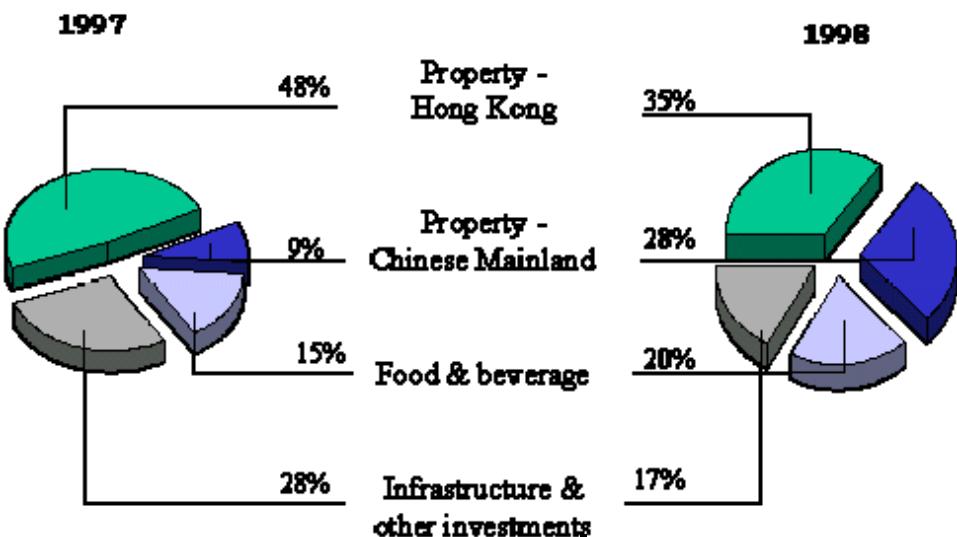


	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
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Profit attributable to shareholders by activity

	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Property - Hong Kong	510,708	796,549	57,683
Property - Chinese mainland	398,829	158,291	344,248
Food & beverage	282,865	255,489	223,597
Infrastructure & other investments	242,159	481,506	1,895
Subtotal	1,434,561	1,691,835	627,423
Net corporate interest & expense	(166,133)	(131,713)	(30,754)
Total	1,268,428	1,560,122	596,669

Profit Attributable to Shareholders



REVIEW OF OPERATIONS

(1) Property - Hong Kong

The Hong Kong property development and investment business reported net profit before corporate interest and expenses of HK\$510.7 million, 36% below the previous year.

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 Group is the lead project manager responsible for the overall control of the planning, design, implementation and marketing of the development project. 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 a gross floor area of approximately 733,000 square feet, or approximately 790 units. All units were pre-sold in May 1997. The project was completed on schedule and approximately 80% of the purchasers completed the sale and purchase agreement with the developer of the project. The units belonging to the remaining 20% of the purchasers who have not completed the sale and purchase agreement were re-launched and fully sold in November 1998. An exceptional provision in respect of the default units amounted to approximately HK\$147 million was made in 1998.

The second phase of Villa Esplanada, comprising a gross floor area of approximately 742,000 square feet, or approximately 830 units. Approximately 80% of the second phase have been pre-sold and its profit will be booked in 1999.

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 parking spaces. Despite the down turn in the Hong Kong rental property market, the Group's investment

properties continue to achieve an average occupancy rate of approximately 80%, generating a stable stream of recurrent income.

(2) Property - Chinese Mainland

The Group's property business in the Chinese Mainland reported net profit before corporate expenses of HK\$[398.8] million, an increase of 152% over the same period of the previous year. The Group's investment in China properties is through its investment in China Resources Beijing Land Limited ("Beijing Land"). As announced by the Directors of Beijing Land on 12th April 1999, the consolidated net profit attributable to shareholders of Beijing Land for the year ended 31st December 1998 amounted to approximately HK\$303.9 million, representing an increase of about 4% over the same period last year. To strengthen its financial position, in March 1998 this year, Beijing Land issued 249,000,000 new shares to professional and institutional investors at a price of HK\$4.42 per share, raising a net proceed of approximately HK\$1.07 billion. As a result of the issuance, the Group's interest in Beijing Land was reduced from 53% to 44%, and an exceptional gain on deemed disposal amounting to approximately HK\$270 million was generated. In view of the strong financial position of Beijing Land and the quality of its land bank, the directors of the Group are confident of its future performance.

(3) Food and Beverage

The Group's food and beverage business reported net profit before corporate interest and expenses of HK\$282.9 million, an increase of 11% over the same period of the previous year.

Beverage division

The beer and purified water sales volume for 1998 was approximately 570,000 tones and 135,000 tones respectively, an increase of 58% and 34% compared with the same period of the previous year. Sales revenue for this year increased by 35% while net profit of the division grew by 26%. The two newly acquired plants, located in the cities of Jilin and Chengdu, remained under the rationalization and expansion process for most of the financial year under review, therefore these operations did not contribute to the division's profit. Thus the division's net profit growth for the year was behind that of sales. The division's expansion plan was on schedule, and its annual production capacity has now reached 900,000 tons. The division intends to continue expanding its production capacity and market share in the coming year through internal expansion and acquisition of new plants.

Godown and Cold storage

Compared with the same period last year, turnover of this division fell by 6%, while net profit decreased by 8%. The occupancy rate of the Group's godown and cold storage operations was approximately 84% and 83% respectively. The decline in turnover and net profit of this division was mainly attributable to the fall in rental charges for the cold storage operation as a result of increased market competition. Earnings growth is not expected to show signs of recovery in the coming year due to continue increase in market competition and a recessionary economy in Hong Kong.

Ng Fung Hong Limited ("NFH")

As part of the Group's effort to improve the quality of its recurrent income base, the Group acquired an additional 29.1% stake in NFH from Ng Fung Hong (Holdings) Limited, a wholly-own subsidiary of China Resources (Holdings) Co., Ltd. in October 1998. The Group currently has an effective interest of approximately 54% in NFH. As

announced by the directors of NFH on 16th April 1999, the consolidated turnover and profit attributable to shareholders of NFH for 1998 amounted to HK\$6,921.6 million and HK\$525.1 million respectively, an increase of 9 % and 16% over the same period last year. The Group is currently exploring opportunities of generating synergy between NFH's current businesses and the Group's existing food and beverage business.

(4) Infrastructure and Other Investments

The infrastructure and other investments division reported net profit before corporate interest and expenses of HK\$242.2 million, a decrease of 49% over the same period of the previous year.

HIT Investments Limited ("HIT")

Despite adverse economic conditions in Hong Kong and the region, HIT, in which the Group has a 10% stake, experienced only modest contraction in throughput in 1998, which was mainly attributable to the departure of a major customer that joined another shipping alliance.

Redland Concrete Limited ("Redland")

Redland is principally engaged in the production, distribution and sale of ready-mixed concrete in Hong Kong. The directors believe Redland is one of the major ready-mixed concrete producers in Hong Kong with a market share of approximately 14%. Redland recorded satisfactory earnings growth in 1998 on the back of continued cost reduction and improved productivity. In view of the government's continued effort to increase the supply of public housing and infrastructure spending, the directors expect that the overall demand for ready-mixed concrete in Hong Kong will remain steady in the coming year.

HKCB Bank Holding Company Limited ("HKCB Holding")

As announced by the directors of HKCB Holding on 19th March 1999, the company achieved an operating profit before provisions of HK\$358.3 million for the year ended 31st December 1998. As the directors of HKCB Holding decided to take a prudent approach in making provisions for its bad and doubtful debts and due to the decline in market values of its investment properties, the company recorded a consolidated loss of HK\$646.4 million in 1998. To cope with the challenges ahead, HKCB Holding will continue to focus on efficiency enhancement and risk management. The company's financial position remains extremely strong, with its consolidated capital adequacy ratio currently stands at 23% and liquidity ratio maintains at 60%. The company is in a good position to capture emerging opportunities and accommodating market demands when the Hong Kong economy recovers.

PROSPECTS

The strategy of diversifying its core businesses into industries, which are more stable in nature, had enabled the Group to report a satisfactory result for 1998, despite the Hong Kong economy going through an unprecedented and severe recession. The Group's prudent approach in financial management has also enabled it to successfully avoid any repercussions arising from the financial instability in Asia. The Group is firmly committed to continuing its long-term expansion strategy of expanding its existing core business areas, and maintaining its prudent approach to financial management. In addition, the Group will be placing more emphasis on further improving the quality of its management through the development of various training programs, which aims specifically at strengthening and broadening the skills of its employees.

1999 shall remain a difficult and challenging year for the Group. However, with a healthy financial position, balance-mix of businesses and the determination to succeed, the Directors are confident that the Group will continue to report satisfactory result to its shareholders.

YEAR 2000 COMPLIANCE

The Group adopts the Year 2000 conformity requirements (PD2000-1:1998, "A Definition of Year 2000") issued by the British Standards Institution ("BSI") as its definition of Year 2000 compliance. Year 2000 Steering committees have been formed in all the key business units that are significant to the Group in term of assets, cash flow or profits and progress on the Year 2000 compliance programme ("Program") is reported regularly to a group committee chaired by a main Board Director.

The objective of the Group's Program is to ensure smooth transition of all computer systems, facilities and business interactions through and after the year 2000. The Group's Program covers the phases of awareness, inventory checking, impact study and problem identification, remediation, testing, and implementation.

Critical suppliers, vendors and service providers are being asked to confirm that their products and services are Year 2000 compliant. Non-compliant systems will be upgraded or replaced if the non-compliance compromises the operation of the business.

As at the end of 31st December 1998, the Group has completed over 70% of the procedures in relation to the Program. The Program is now at the stage of remediation and testing. The Group aims to achieve compliance by June 1999. Meanwhile, the Group is assessing the potential impact that internally or externally Year 2000 induced failures might have on its operations, and are in the process of formulating contingency procedures where applicable.

The Group is utilizing both internal and external resources to carry out the Program. As the Group has been conducting the Program in conjunction with its information technology system upgrade review, therefore the costs incurred to date have not been separately identified. However, the Group's estimate of the total costs to be incurred in respect of the Program prior to year 2000 will be approximately HK\$15 million. As at the end of 1998, the Group estimated that the total expenditure in respect of the program was approximately HK\$10 million. The Group will expend all maintenance or modification costs as incurred, while the costs of new software and replacement of certain systems and equipment will be capitalized and amortized over the estimated useful life of the asset.

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