



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

FOR PRESS RELEASE

(Hong Kong – April 26, 2000)

**CRE Announce 1999 Final 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 31<sup>st</sup> December, 1999 are as follows:

	<i>Note</i>	<b>1999</b> <b>HK\$'000</b>	1998 HK\$'000
Turnover		<u>12,902,299</u>	<u>5,475,100</u>
Operating profit		2,101,319	1,676,766
Share of results of associates		<u>490,493</u>	<u>441,402</u>
Profit before taxation		2,591,812	2,118,168
Taxation		<u>(275,706)</u>	<u>(289,016)</u>
Profit after taxation		2,316,106	1,829,152
Minority interests		<u>(873,267)</u>	<u>(560,724)</u>
<b>Profit attributable to shareholders</b>		<b>1,442,839</b>	1,268,428
Dividends		<u>(290,863)</u>	<u>(249,177)</u>
<b>Profit for the year retained</b>		<b><u>1,151,976</u></b>	<u>1,019,251</u>
<b>Earnings per share</b>			
<b>Basic</b>		<b><u>HK\$0.79</u></b>	HK\$0.81
<b>Fully diluted</b>		<b><u>HK\$0.79</u></b>	HK\$0.80

## FINAL RESULTS

The Group's consolidated turnover and profit attributable to shareholders for the year ended 31st December 1999 amounted to HK\$12,902 million and HK\$1,443 million respectively, representing an increase of 135.7% and 13.8% over that of the previous year. Earnings per share were HK\$0.79 compared with HK\$0.81 in 1998.

## DIVIDENDS

The Directors have resolved to recommend a final dividend of HK\$0.09 per share for 1999 (1998: HK\$0.09 ) payable on or about 3<sup>rd</sup> July 2000 to shareholders whose names appear on the Register of Members of the Company on 13<sup>th</sup> June 2000. Together with the interim dividend of HK\$0.06 per share, the total distribution for 1999 will amount to HK\$0.15 per share.

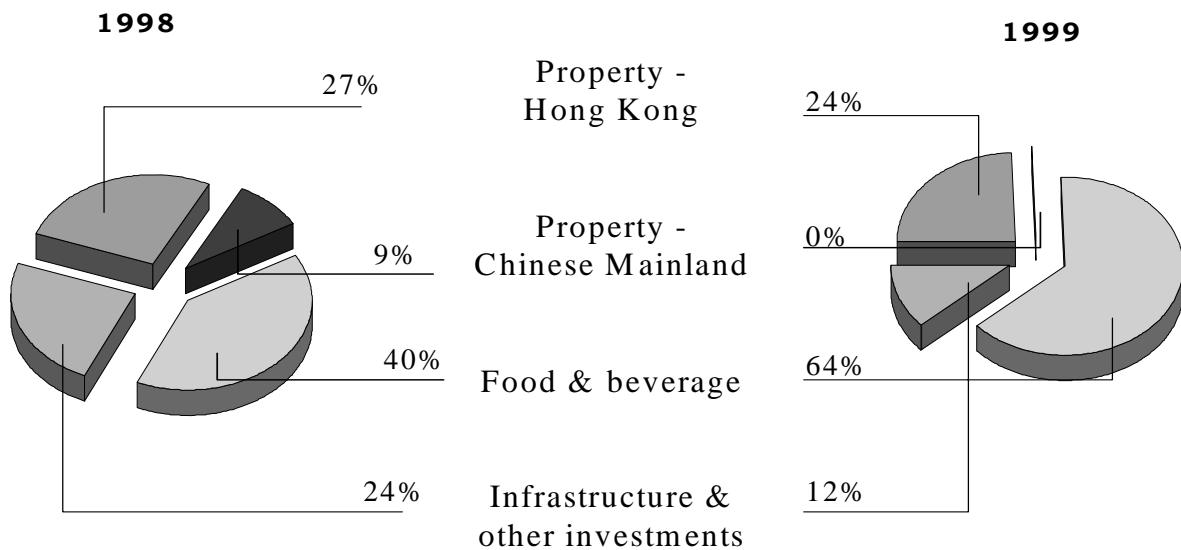
## FINANCIAL SUMMARY

	<b>1999</b>	1998	1997
	<b>HK\$'000</b>	HK\$'000	HK\$'000
Turnover	<b>12,902,299</b>	5,475,100	5,966,361
Profit attributable to shareholders	<b>1,442,839</b>	1,268,428	1,560,122
Dividends	<b>290,863</b>	249,177	310,709
Earnings per share	<b>HK\$0.79</b>	HK\$0.81	HK\$1.03
Dividends per share	<b>HK\$0.15</b>	HK\$0.15	HK\$0.20
Shareholders' funds	<b>14,044,117</b>	9,097,888	8,947,066
Minority interests	<b>3,905,492</b>	4,357,571	4,310,521
Shareholders' funds and minority interests	<b>17,949,609</b>	13,455,459	13,257,587
Consolidated net borrowings	<b>Net Cash</b>	1,488,923	3,395,599
Gearing	<b>Net Cash</b>	11.1%	25.6%
Net assets per share: book value	<b>HK\$7.08</b>	HK\$5.25	HK\$5.76

## FINANCIAL SUMMARY (CONT.)

	<b>1999</b>	1998	1997
	<b>HK\$'000</b>	HK\$'000	HK\$'000
<b>Turnover by activity</b>			
Property - Hong Kong	<b>3,154,069</b>	1,508,514	3,283,069
Property - Chinese mainland	-	481,255	1,071,864
Food & beverage	<b>8,252,910</b>	2,185,350	1,048,764
Infrastructure & other investments	<b>1,495,320</b>	1,299,981	562,664
<b>Total</b>	<b>12,902,299</b>	5,475,100	5,966,361

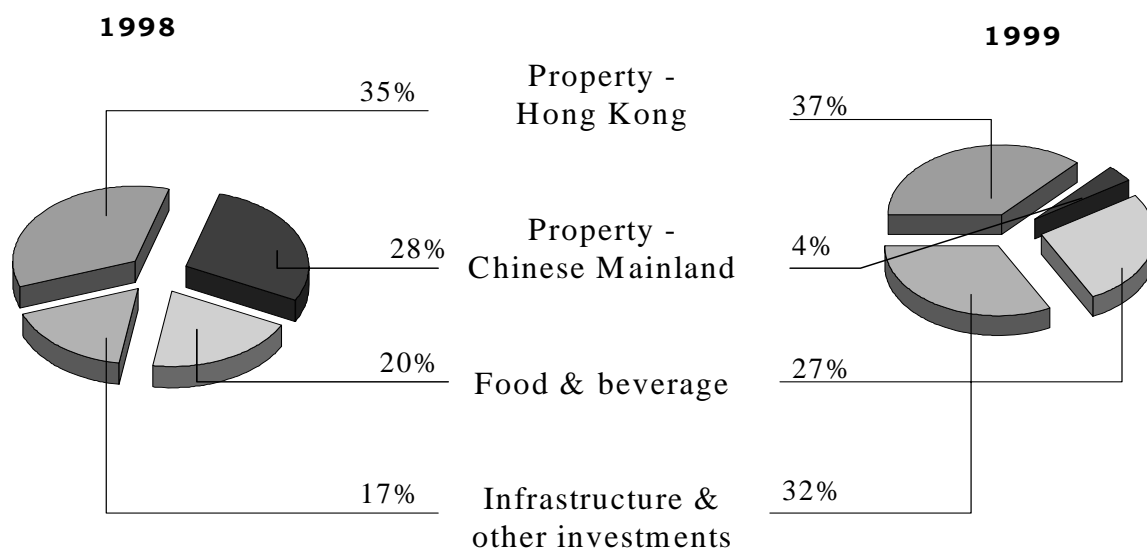
### **Total Turnover**



## FINANCIAL SUMMARY (CONT.)

	<b>1999</b> HK\$'000	1998 HK\$'000	1997 HK\$'000
<b>Profit attributable to shareholders by activity</b>			
Property - Hong Kong	<b>589,005</b>	510,708	796,549
Property - Chinese mainland	<b>63,342</b>	398,829	158,291
Food & beverage	<b>433,317</b>	282,865	255,489
Infrastructure & other investments	<b>520,511</b>	242,159	481,506
Subtotal	<b>1,606,175</b>	1,434,561	1,691,835
Net corporate interest & expense	<b>(163,336)</b>	(166,133)	(131,713)
Total	<b>1,442,839</b>	1,268,428	1,560,122

## **Profit Attributable to Shareholders**



## **REVIEW OF OPERATIONS**

### **Property – Hong Kong**

Despite a rather weak Hong Kong property market in 1999, The sales launch of Villa Esplanada Phase II was a great success, providing the Group with a steady stream of profit for the year. The Hong Kong property development and investment business reported net profit before corporate interest and expenses of HK\$589.0 million, 15.3% above 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 project comprises a 10-block residential complex with a total floor area of approximately 2.3 million square feet.

The project is divided into three phases. Phase I was pre-sold in 1997 and completed in 1998. Phase II, which comprised floor area of approximately 740,000 square feet, or approximately 830 units, had been sold in 1999. The construction work of Phase II was completed on schedule and the units were handed over to the purchasers in the same year. Thus profit attributable from Phase II were booked in 1999. The construction work of Phase III, which comprises floor area of approximately 850,000 square feet, or approximately 1,200 units is expected to complete on or before the end of 2001. Presale consent of Phase III has been obtained from the Legal Advisory and Conveyancing Office of the Lands Department and Sales will be launched shortly when market conditions permit.

### **Property Investment**

Following the acquisition of China Resources Retail (Group) Company Limited during 1999, the Group's investment property portfolio in Hong Kong increased substantially, dominated by its sizeable retail spaces of an estimated aggregate floor area of approximately 500,000 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 great potential in redevelopment or renovation of these premises into new shopping arcades, generating a higher rental income to the Company. The Group also owns a portfolio of approximately 700,000 sq.ft., of floor area designated for industrial, office or residential use. These properties achieve a good occupancy rate during the year under review, generating a stable stream of recurrent income for the company.

### ***Property – Chinese Mainland***

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 10th April 2000, the consolidated net profit attributable to shareholders of Beijing Land for the year ended 31st December 1999 amounted to approximately HK\$153.6 million, representing a decrease of 49.5% over the same period last year.

The decline in turnover and profit was attributable to the delay in the introduction and implementation of the housing policies in Beijing and senior management at Beijing Land took longer than expected in adjusting its marketing strategy to cater for the fundamental change in the Beijing property market which is now dominated by individual buyers rather than institutional buyers. To improve its future prospects, Beijing Land has diversified its investment risk by investing in a well-known Shenzhen listed property company - China Vanke Co., Ltd., and has expanded its senior management team to include new experienced executives who can react quickly to the rapid changes in the Beijing property market. In view of the recent actions taken by Beijing Land and its strong financial position, the Directors of the Group are confident of the long-term prospects of Beijing Land.

## **Food and Beverage**

The Group's food and beverage business reported net profit before corporate interest and expenses of HK\$433.3 million, an increase of 53.2% over the same period of the previous year.

### ***Beverage division***

The beer and purified water sales volume for 1999 was approximately 800,000 tones and 140,000 tones respectively, an increase of 41.8% and 3.7% compared with the same period of the previous year. Sales revenue for this year increased by 27.1% while net profit of the division grew by 79.0%. The remarkable growth in earnings was due to strong volume and market share growth and implementation of cost saving programmes. As part of its strategy of expanding production capacity and market share through internal expansion and acquisition of new plants, during the year the division had acquired two additional breweries both located in the North East of China, bringing the division's current production capacity to approximately 1.2 million tons per annum.

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

Compared with the same period last year, turnover of this division fell by 25.4%, while net profit decreased by 38.1%. The occupancy rate of the Group's godown and cold storage operations fell from 84% and 83% in previous year to 79% and 71% respectively for the year under review. The decline in turnover and net profit of this division was partly attributable to reduction in rental charges for the cold storage operation and partly due to fall in occupancy rates as a result of weak consumer demand in Hong Kong. In view of the recovery in the Hong Kong consumer market, gradual improvement in the performance of this division is expected.

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

As announced by the directors of NFH on 26<sup>th</sup> April 2000, the consolidated turnover and profit attributable to shareholders of NFH for 1999 amounted to HK\$6,664.0 million and HK\$549.7 million respectively, a decrease of 3.7 % and an increase 4.7% 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.

## **Infrastructure and Other Investments**

The infrastructure and other investments division reported net profit before corporate interest and expenses of HK\$520.5 million, an increase of 114.9% over the same period of the previous year.

### ***HIT Investments Limited ("HIT")***

HIT, in which the Group has a 10% stake, reported satisfactory performance in 1999. HIT's Kwaichung operation experienced throughput growth of 7%, reflecting an encouraging recovery in the volume of trade in the second half of the year. Construction of the second phase at the Yantian facility was completed during the year, more than doubling its annual throughput capacity to approximately 2 million TEUs. Rapid take up of this capacity contributed to throughput growth of over 50%.

### ***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%. Despite a drop in volume due to weaker demand for ready-mixed concrete in Hong Kong, Redland reported satisfactory performance in 1999 on the back of continued cost reduction and improved productivity. In view of the government's 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 2nd March 2000, the company achieved an operating profit before provisions of HK\$343.5 million, representing an increase of 3.6% over the previous year. HKCB Holding's loan provision for 1999 had reduced substantially from HK\$796.6 million to HK\$291.1 million. The consolidated profit of HKCB Holding for the year ended 31<sup>st</sup> December 1999 amounted to HK\$40.4 million, representing a marked improvement over a corresponding loss of HK\$646.4 million in 1998. The company's financial position remains extremely strong, with its consolidated capital adequacy ratio currently stands at 29.2%. The Company will maintain its cautious posture in terms of credit exposures and risk management. It will also step up the pace of rationalizing and strengthening its service and product offerings to position the company to take advantage of the anticipated industry consolidation.

## **Prospects**

The Group's carefully planned strategy in the last financial year had yielded fruitful return with profit attributable to shareholders, without exceptional items, growing in double digit. Continued prudent approach to financial management has resulted in the Group currently having a large pool of liquid assets, which will provide it with great flexibility in taking advantage of expanding its core businesses when opportunities arise.

The Group remains firmly committed to continuing its long-term strategy of expanding its existing core business areas with a focus in the expansion of its retail and distribution business. With strong financial resources, the Group stands ready to seize any investment opportunities in the retail and distribution business in the Chinese Mainland, which it believes offer an enormous growth potential.

During the year, as part of its expansion strategy in the retail and distribution business, the Group has committed a lot of resources, including the engagement of a leading consultancy company, in studying the possibility of engaging in business to business e-commerce both in Hong Kong and the Chinese Mainland. The Group's current strategy is to increase the efficiency and competitiveness of its trading and distribution business through the application of Internet technology. The Group is also responsible for the overall co-ordination of the e-commerce initiatives of the parent company's as well as the Group's subsidiaries and putting them into operation under an innovative business model. The Group will continue to examine the opportunities of leveraging on its parent company's large trading business volume, extensive business network and resources to capture the tremendous potential of business to business e-commerce, particularly in the Chinese Mainland.

With a healthy financial position and a dedicated management team, the Directors are confident that the Group will continue to achieve a satisfactory return for its shareholders.

## **YEAR 2000 COMPLIANCE**

The Group has stated its definition and approach to Year 2000 problem and reported the status in our 1998 annual report, 1998 and 1999 interim report.

The Group has not experienced any Year 2000 compliance problems and its operation proceeded smoothly through the millennium changeover period. The Group will continue to monitor and review its existing operational procedures throughout this year to ensure that all Year 2000 related issues have been properly dealt with.

The Group's Programme had incurred approximately HK\$15 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.

Press Enquiry: An Lu (Tel: 2829 9816)

*For official wording please refer to announcement posted on, <http://www.cre.com.hk> or [www.irasia.com/listco/hk/chinaresources/annual](http://www.irasia.com/listco/hk/chinaresources/annual)*

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