

CHINA RESOURCES ENTERPRISE, LIMITED

Annual Report 1998

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誠信

敬業

務實

創新

# 公司簡介

## Corporate Profile

**華**潤創業有限公司（「華創」），是華潤（集團）有限公司（「華潤」）的主要附屬上市公司。華潤其發展歷史可追溯至一九四八年，當時華潤是中國各大進出口公司在香港的總代理。

華創在一九九二年乃是一間小型的上市地產公司。短短數年間，華創已發展成為一間業務多元化的企業集團。華創現有的核心業務分為四大類，包括：物業發展及投資、食品及飲品、基建、銀行及財務服務。華創是香港恆生指數成份股，總資產值達三十億美金。在香港和中國內地僱員逾萬人。

華創的經營宗旨是，作為中介橋樑，促進中西工商管理技巧的交流，並為海外商家開闢投資中國之道，共享二十一世紀繁榮興旺的中國大市場。憑藉公司雄厚的財力後盾及銳意進取的管理層，華創展望人類下一世紀及更長遠未來，可謂任重道遠，卻也蘊藏了無窮的機遇。

**C**hina Resources Enterprise, Limited (“CRE”) is the principal listed subsidiary of China Resources (Holdings) Company Limited, who traces its origins back to 1948 when it began operation as a general agent in Hong Kong for all import and export corporations in mainland China.

CRE first made its mark as a small Hong Kong listed Property Company in 1992. CRE has grown rapidly over the years, and established itself as a well diversified conglomerate in Hong Kong. CRE's present core business can be broadly categorised into four main areas: Property Development and Investment, Food and Beverage, Infrastructure and Financial Services. CRE is a Hang Seng constituent stock with total assets of some US\$3 billion. The company employs staff of more than 10,000 in Hong Kong and China.

The cornerstone of the company's philosophy is to act as a bridge facilitating exchanges of business management skills and providing overseas investors with the channel to gain investment exposure to China, a country which the company believes will offer enormous growth potential in the twenty-first century. With a solid financial backing and a management commitment to growth, CRE can look forward to the challenges and opportunities of the new millenium and beyond.

“誠信 敬業 務實 創新”是華潤集團成功經驗的總結，代表了華潤集團員工的精神風貌和企業的追求目標。封面書法“華潤”由董事長谷永江先生提筆。

*“Honesty, Dedication, Pragmatism, Innovation” are the four qualities underpin the success of the China Resources Group. They represent the spirit and culture of our staff in which in turn enables us to meet our goals and objectives. Cover calligraphy titled “China Resources” was written by the Chairman, Mr. Gu Yongjiang.*

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# 公司資料

## Corporate Information

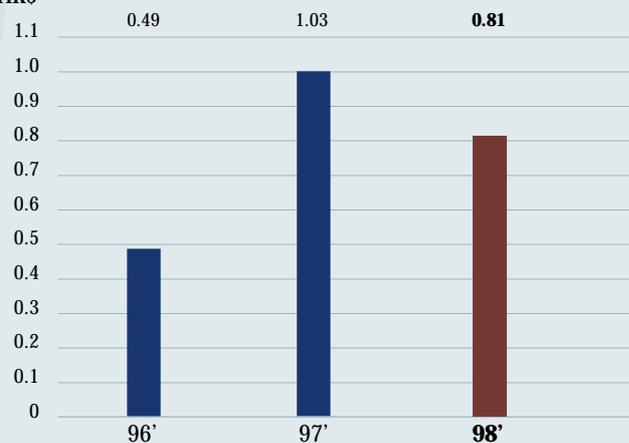
主席 谷永江	Chairman Gu Yongjiang
董事總經理 寧高寧	Managing Director Ning Gaoning
董事副總經理 黃鉄鷹	Deputy Managing Director Huang Tieying
執行董事 陳樹林 姜智宏 劉百成 閻 颺	Executive Directors Chen Shulin Keung Chi Wang, Ralph Lau Pak Shing Yan Biao
非執行董事 蔣 偉 陳普芬 黃大寧 盧雲龍	Non-Executive Directors Jiang Wei Chan Po Fun, Peter Houang Tai Ninh Loo Wun Loong, John
公司秘書 李業華	Company Secretary Lee Yip Wah, Peter
核數師 德勤·關黃陳方會計師行	Auditors Deloitte Touche Tohmatsu
股份過戶登記處 標準證券登記有限公司 香港中環干諾道中 111 號 永安中心 5 樓	Share Registrars Standard Registrars Limited 5/F Wing On Centre 111 Connaught Road Central, Hong Kong
註冊辦事處 香港灣仔港灣道 26 號 華潤大廈 3908 室	Registered Office Room 3908, China Resources Building 26 Harbour Road, Wanchai Hong Kong

# 財務概要

## Financial Highlights

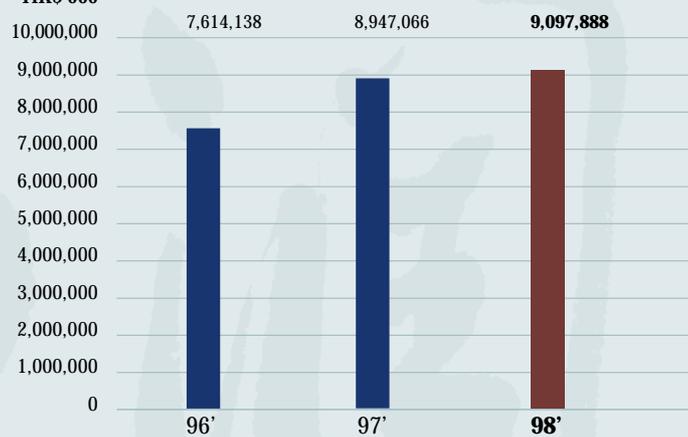
每股盈利  
Earnings per share

港幣元  
HK\$



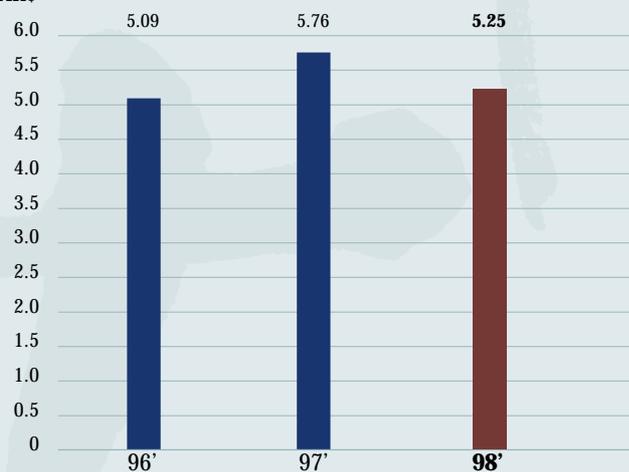
股東權益  
Shareholders' funds

港幣千元  
HK\$'000



每股資產淨值：賬面值  
Net assets per share: book value

港幣元  
HK\$



		一九九八年 港幣千元 1998 HK\$ '000	一九九七年 港幣千元 1997 HK\$ '000	一九九六年 港幣千元 1996 HK\$ '000
營業額	Turnover	5,475,100	5,966,361	1,961,888
股東應佔溢利	Profit attributable to shareholders	1,268,428	1,560,122	596,669
股息	Dividends	249,177	310,709	160,060
每股盈利	Earnings per share	HK\$0.81	HK\$1.03	HK\$0.49
每股股息	Dividends per share	HK\$0.15	HK\$0.20	HK\$0.11
股東權益	Shareholders' funds	9,097,888	8,947,066	7,614,138
少數股東權益	Minority interests	4,357,571	4,310,521	4,515,428
股東權益及 少數股東權益	Shareholders' funds and minority interests	13,455,459	13,257,587	12,129,566
綜合借款淨額	Consolidated net borrowings	1,488,923	3,395,599	2,053,481
負債比率	Gearing	11.1%	25.6%	16.9%
每股資產淨值： 賬面值	Net assets per share: book value	HK\$5.25	HK\$5.76	HK\$5.09

## 附註：

- 1). 負債比率指借款淨額與股東權益及少數股東權益之比例。
- 2). 每股盈利乃將股東應佔溢利除以每年已發行股份之加權平均數計算。

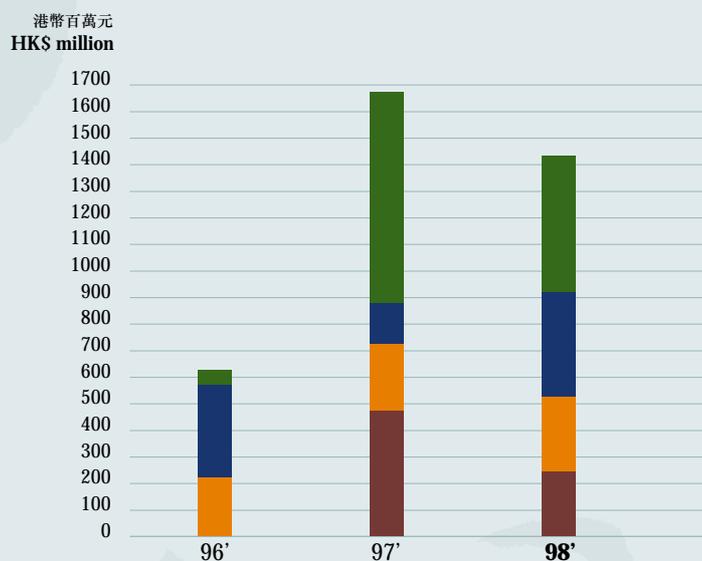
## Notes:

- 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.

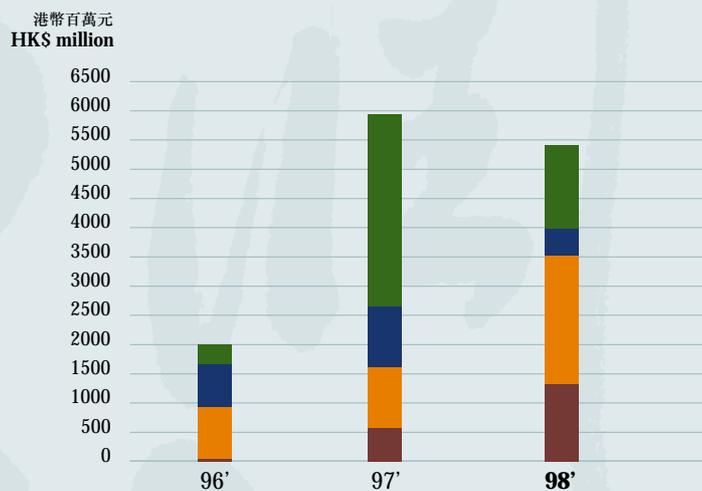
## 溢利及營業額分析表

### Analysis of Profit and Turnover

各項業務之股東應佔溢利 (扣除企業財務及費用前)  
 Profit attributable to shareholders by activity  
 (before net corporate interest and expenses)



各項業務之營業額  
 Turnover by activity



地產－香港  
 Property-Hong Kong

地產－中國內地  
 Property-Chinese mainland

食品及飲品  
 Food & beverage

基建和其他投資  
 Infrastructure & other investments

		一九九八年 港幣千元 1998 HK\$ '000	一九九七年 港幣千元 1997 HK\$ '000	一九九六年 港幣千元 1996 HK\$ '000
<b>各項業務之 股東應佔溢利</b>	<b>Profit attributable to shareholders by activity</b>			
地產－香港	Property-Hong Kong	510,708	796,549	57,683
地產－中國內地	Property-Chinese mainland	398,829	158,291	344,248
食品及飲品	Food & beverage	282,865	255,489	223,597
基建和其他投資	Infrastructure & other investments	242,159	481,506	1,895
<b>合計</b>	<b>Subtotal</b>	<b>1,434,561</b>	1,691,835	627,423
企業財務及 其他費用	Net corporate interest & expenses	(166,133)	(131,713)	(30,754)
<b>總額</b>	<b>Total</b>	<b>1,268,428</b>	1,560,122	596,669
<b>各項業務之 營業額</b>	<b>Turnover by activity</b>			
地產－香港	Property-Hong Kong	1,508,514	3,283,069	288,922
地產－中國內地	Property-Chinese mainland	481,255	1,071,864	738,987
食品及飲品	Food & beverage	2,185,350	1,048,764	901,093
基建和其他投資	Infrastructure & other investments	1,299,981	562,664	32,886
<b>總額</b>	<b>Total</b>	<b>5,475,100</b>	5,966,361	1,961,888

附註：

- 1). 股東應佔溢利包括本公司，其附屬公司及其所佔聯營公司之業績扣除少數股東權益。
- 2). 1998年來自中國地產業務之股東應佔溢利包括了因華潤北京置地有限公司在一九九八年三月配售新股而視作出售長期投資所得之特殊溢利。其金額約為港幣270,000,000元。

Notes:

- 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). Profit attributable to shareholders contributed by the Property - Chinese Mainland in 1998 included an exceptional profit of approximately HK\$270 million on deemed disposal of long term investment as a result of the issuance of new shares by China Resources Beijing Land Limited in March 1998.



後排左起

閻廳，姜智宏，陳樹林，劉百成

**Back row from left to right:**

***Yan Biao, Ralph Keung Chi Wang, Chen Shulin, Lau Pak Shing***

前排左起

黃鈺鷹，谷永江，寧高寧

**Front row from left to right:**

***Huang Tiying, Gu Yongjiang, Ning Gaoning***

# 主席致辭

## Chairman's Statement

### 末期業績

截至一九九八年十二月三十一日止年度，本集團之綜合營業額及股東應佔溢利分別達港幣5,475,100,000元及港幣1,268,400,000元，較去年同期減少8.2%及18.7%。每股盈利為港幣0.81元，而於一九九七年則為港幣1.03元。

### 股息

董事局議決建議向在一九九九年六月十一日名列本公司股東名冊之股東於一九九九年七月二日或該日前後派付一九九八年之末期股息每股港幣9仙（一九九七年：港幣14仙），連同每股港幣6仙之中期股息，一九九八年之總分派將達每股港幣15仙。

### 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 an 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.

業務回顧及展望

REVIEW OF OPERATIONS AND PROSPECTS

## 地產－香港

### Property – Hong Kong



香港物業發展及投資業務錄得未計公司利息及費用前純利港幣510,700,000元，較上年度下降36%。

#### 物業發展

本集團現正參與發展一項位於香港名為灝景灣之項目，其為本集團擁有55%應佔權益之住宅項目。本集團為此發展項目之牽頭項目經理，負責統管此項目之規劃、設計、施工及市場推廣工作。該項目包括10幢綜合式住宅大廈，總建築面積約2,250,000平方呎。

該項目共分三期。第一期之建築面積約733,000平方呎，由約790個單位組成。所有單位均已於一九九七年五月預售並如期落成，其中約有80%買家已完成買賣協議。其餘20%並未完成買賣協議之買家所



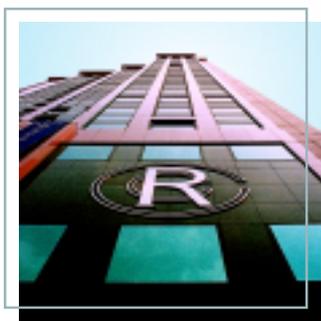
灝景灣－青衣  
Villa Esplanada – Tsing Yi

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. 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.



華創大廈  
CRE Building

涉及單位乃予重新推出市場，並已於一九九八年十一月售清。有關未完成買賣協議之單位約達港幣 147,000,000 元之特殊撥備已於一九九八年提撥。

灝景灣第二期之建築面積約 742,000 平方呎，由約 830 個單位組成。其中約 80% 已作預售，所得利潤將於一九九九年入賬。

### 投資物業

本集團之香港投資物業目前包括約 120,000 平方呎之商用樓面面積及逾 200 個車位。儘管香港租務物業市場環境欠佳，本集團投資物業持續取得約 80% 之平均出租率，為集團帶來穩定之經常收入。

The second phase of Villa Esplanada comprises 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 consist 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.

業務回顧及展望

REVIEW OF OPERATIONS AND PROSPECTS

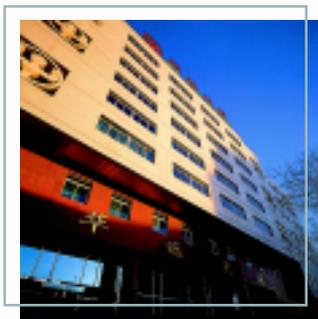
## 地產－中國內地

### Property – Chinese Mainland



**本**集團於中國內地之物業發展業務錄得未計公司利息及費用前純利港幣 398,800,000 元，較上年度同期增長 152%。

本集團於中國物業市場之投資乃透過其於華潤北京置地有限公司（「北京置地」）之投資進行。北京置地之董事局於一九九九年四月十二日公佈，北京置地截至一九九八年十二月三十一日止年度之股東應佔綜合純利約為港幣 303,900,000 元，較上年度同期上升約 4%。為加強其財政狀況，於一九九八年三月，北京置地按每股作價港幣 4.42 元向專業及機構投資者配售 249,000,000 股新股，所得款項淨額約港幣 10.7 億元。經上述配售後，本集團於北京置地之權益由 53% 減至 44%，並產生視作出售所得特殊收益約港幣 270,000,000 元。鑑於北京置地具有雄厚之財政實力及優質土地儲備，本集團董事局對其日後表現極具信心。



華遠大廈－北京  
Huayuan Building – Beijing

**T**he Group's property business in the Chinese Mainland reported net profit before corporate interest and 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 of the previous year. To strengthen its financial position, in March 1998, Beijing Land issued 249,000,000 new shares to professional and institutional investors at a price of HK\$4.42 per share, raising net proceeds 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.



華威大廈 — 北京  
Huawei Centre – Beijing



建功西里小區 — 北京  
Jianguoxili Minor District



京通新城 — 北京  
Jingtong New Town – Beijing

業務回顧及展望

REVIEW OF OPERATIONS AND PROSPECTS

## 食品與飲品業務

### Food and Beverage



**本**集團食品及飲品業務錄得未計公司利息及費用前純利港幣 282,900,000 元，較上年度同期增長 11%。

#### 飲品業務

啤酒及淨化水銷量於一九九八年分別約為 570,000 公噸及 135,000 公噸，較去年同期上升 58% 及 34%。本年度此業務銷售收入及純利兩者分別較去年同期增長 35% 及 26%。位於吉林市及成都市之兩個新購置廠房於回顧財政年度內大部份時間均正在進行整頓及擴建，故此等營運尚未為飲品業務帶來溢利貢獻，飲品業務本年度之純利增長亦因而落後於銷售額增長。廠房擴建計劃如期進行，其年產量現達致 900,000 公噸。本集團現擬於下年度繼續透過內部擴建及收購新廠房擴大飲品業務之產量及市場佔有率。



雪花啤酒 — 沈陽  
Snowflake Beer - Shenyang

**T**he 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.

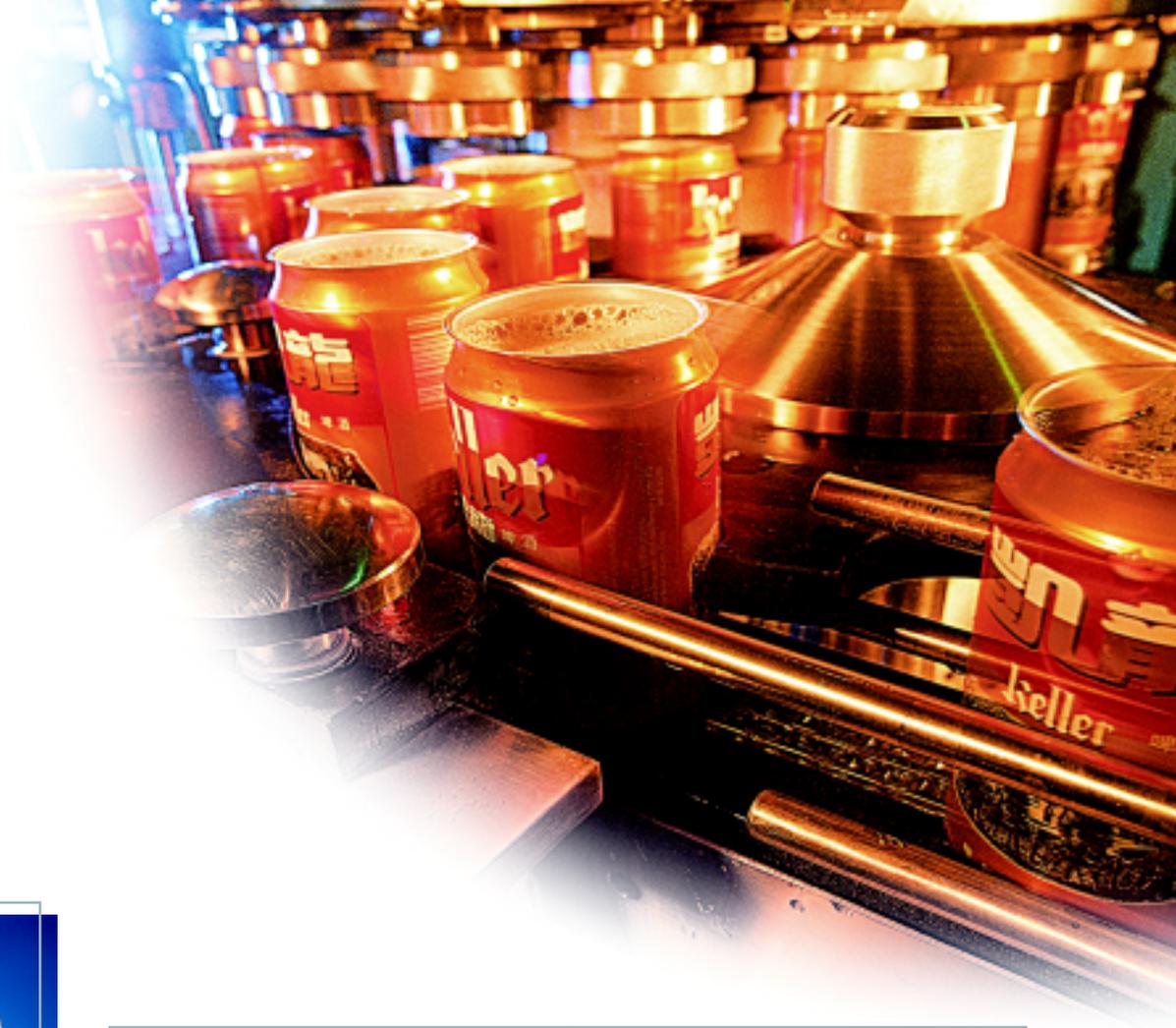
#### Beverage Division

The beer and purified water sales volume for 1998 was approximately 570,000 tonnes and 135,000 tonnes respectively, an increase of 58% and 34% compared with the same period of the previous year. Sales revenue of the division in 1998 increased by 35% while net profit grew by 26%. The two newly acquired plants, located in the cities of Jilin and Chengdu, remained under the rationalisation 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 tonnes. 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

凱龍啤酒 — 大連  
Keller Beer – Dalian



沙田冷倉  
Shatin Cold Storage



五豐行  
Ng Fung Hong

### 貨倉及冷倉

相較去年同期，此業務之營業額下降6%，而純利則下降8%。本集團貨倉及冷倉業務之佔用率分別約為84%及83%。此業務營業額及純利下降主要因市場競爭劇化導致冷倉業務租金費用下降所致。基於市場競爭持續劇化，加上香港經濟衰退，預計來年亦未能恢復盈利增長。

### 五豐行有限公司（「五豐行」）

本集團致力建立更優質經常性收入基礎之其中一項策略為於一九九八年十月自華潤（集團）有限公司之全資附屬公司五豐行（控股）有限公司額外購入五豐行29.1%股權。本集團目前持有五豐行約54%實際權益。按五豐行董事於一九九九年四月十六日所公佈，五豐行於一九九八年之綜合營業額及股東應佔溢利分別達港幣6,921,600,000元及港幣525,100,000元，較去年同期上升9%及16%。本集團正在尋求機會於五豐行之現有業務與本集團之現有食品及飲品業務間取得協同效益。

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.

業務回顧及展望

REVIEW OF OPERATIONS AND PROSPECTS

## 基建和其他投資

### Infrastructure and Other Investments



**基**建和其他投資業務錄得未計公司利息及費用前純利港幣 242,200,000 元，較上年度同期減少 49%。

#### HIT Investments Limited (「HIT」)

儘管香港及亞洲區內經濟環境欠佳，惟本集團擁有 10% 股權之 HIT 於一九九八年吞吐量僅略為收縮，主要因為一名主要客戶轉而加入另一船運聯盟所致。

#### 中港混凝土有限公司 (「中港」)

中港主要於香港從事生產、分銷及銷售預港幣千元

拌混凝土生產商之一，市場佔有率約 14%。在成本持續削減及生產力提高下，中港於一九九八年錄得滿意的盈利增長。鑑於港府持續致力增加公屋供應及基建開支，董事局預期來年香港對預拌混凝土之整體需求仍然穩定。



香港國際貨櫃碼頭  
Hongkong International Terminals

The infrastructure and other investments business 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

### 香港華人銀行集團有限公司 (「華人銀行集團」)

如華人銀行集團董事於一九九九年三月十九日所公佈，該公司於截至一九九八年十二月三十一日止年度錄得未計撥備前經營溢利港幣 358,300,000 元。基於華人銀行集團董事決定採取審慎步驟就其呆壞賬及其投資物業市值下調作出撥備，該公司於一九九八年錄得綜合虧損港幣 646,400,000 元。迎接眼前的挑戰，華人銀行集團將繼續致力於提高效率及風險管理。綜觀該公司之綜合資本充足比率現達 23%，流動資金比率則維持於 60%，其財政狀況仍然極其雄厚。該公司現正處於有利位置適時掌握漸現之良機，待香港經濟復甦之際滿足市場需求。

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.

中港混凝土  
Redland Concrete



香港華人銀行  
The Hongkong Chinese Bank



業務回顧及展望

REVIEW OF OPERATIONS AND PROSPECTS

展望

Prospects



**儘**管香港經濟經歷前所未有之嚴重衰退，惟本集團採取策略將核心業務拓寬至性質上較為穩定之行業，使本集團得以於一九九八年錄得滿意的業績。本集團審慎之理財方法亦使其可成功避免因亞洲金融不穩而產生之任何不利影響。

本集團繼續其擴展現行核心業務範圍長期策略之決心堅定不移，並維持其審慎之理財方法。本集團亦將更着重於進一步提升其管理人員之質素，並就此制訂各類特為強化及擴闊其僱員技能而設之培訓計劃。

一九九九年對本集團而言仍為艱巨而充滿挑戰之一年。然而，憑藉穩健之財政狀況、均衡之業務組合以及爭取成功之決心，董事局深信本集團可繼續為其股東帶來理想回報。

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.

### 致謝

藉此機會，本人謹代表董事局向本集團全體員工於過往一年為支持本集團渡過經濟衰退時期而作之不懈努力致深切之謝意。



承董事局命  
主席  
谷永江

香港，一九九九年四月二十三日

### Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere thanks to all employees whom have worked very hard in the past year to help bring the Group through the economic downturn.

By Order of the Board  
**Gu Yongjiang**  
Chairman

Hong Kong, 23rd April 1999

## 執行董事之個人資料

### Biographical Details of Executive Directors



#### 谷永江先生

現年五十九歲，從一九九八年八月三十一日開始任職華潤創業有限公司董事會主席。彼亦為華潤(集團)有限公司之董事長。谷先生畢業於北京對外貿易學院外貿經濟系，於一九九六年出任華潤集團董事長之前曾擔任中國對外貿易經濟合作部(「外經貿部」)副部長達六年之久。谷先生自一九八八年起加入中國外經貿部。



#### 寧高寧先生

現年四十歲，於一九九零年獲委任為執行董事并于一九九二年獲任為董事總經理。彼亦為華潤(集團)有限公司之副董事長兼總經理和華潤北京置地有限公司之主席。寧先生持有中國山東大學經濟學文學士學位及美國匹茲堡大學工商管理學碩士學位，主修財務。彼並為五豐行有限公司、HIT Investments Limited及香港華人銀行集團有限公司之董事。



#### 黃鈇鷹先生

現年四十三歲，於一九九四年獲委任為執行董事，并于一九九八年三月十九日獲委任為董事副總經理，彼之主要責任為主管本集團於中國之投資。黃先生持有北京中國人民大學經濟學碩士學位及美國舊金山大學工商管理學碩士學位，主修市場學。彼亦為華潤北京置地有限公司、五豐行有限公司之執行董事及勵致國際集團有限公司之主席。

#### Mr. Gu Yongjiang

Aged 59, was appointed the Chairman of China Resources Enterprise, Limited on 31st August 1998. He is also the Chairman of China Resources (Holdings) Company Limited. Mr. Gu graduated from the Foreign Trade and Economics Department of the Beijing Institute of Foreign Trade in China. Prior to his appointment as the Chairman of China Resources (Holdings) Company Limited in 1996, Mr. Gu was a Vice-Minister of the Ministry of Foreign Trade and Economic Cooperation ("MOFTEC") of The People's Republic of China for six years. Mr. Gu has been working in MOFTEC since 1988.

#### Mr. Ning Gaoning

Aged 40, has been an Executive Director since 1990 and the Managing Director since 1992. Mr. Ning is also the Vice Chairman and President of China Resources (Holdings) Company Limited, as well as the Chairman of China Resources Beijing Land Limited. Mr. Ning has a Bachelor of Arts degree in economics from the Shandong University in China and a Master of Business Administration degree in finance from the University of Pittsburgh in the United States of America. Mr. Ning is also a Director of Ng Fung Hong Limited, HIT Investments Limited and The Hong Kong Chinese Bank Holding Company Limited.

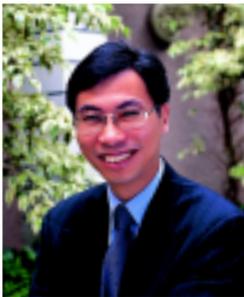
#### Mr. Huang Tieying

Aged 43, has been an Executive Director since 1994 and was appointed Deputy Managing Director on 19th March 1998. He is principally responsible for overseeing the Group's investments in China. Mr. Huang has a Master of Economics degree from the People's University of China in Beijing and a Master of Business Administration degree in marketing from the University of San Francisco in the United States of America. He is also an Executive Director of China Resources Beijing Land Limited, Ng Fung Hong Limited, and Chairman of Logic International Holdings Limited.



#### 陳樹林先生

現年四十五歲，於一九九八年十二月獲委任為執行董事。彼並為五豐行有限公司（「五豐行」）之董事長兼總經理及華潤（集團）有限公司之董事。陳先生負責五豐行整體業務發展及策略性規劃。彼持有北京外國語學院學士學位及新西蘭維多利亞大學工商管理碩士學位。彼於加入五豐行前，曾任外經貿部官員，主管中國與北美洲、大洋洲的雙邊貿易政策。彼於策略部署、業務發展及投資策劃方面擁有非常豐富的經驗。



#### 姜智宏先生

現年四十三歲，於一九九六年獲委任為財務董事。彼並為華潤北京置地有限公司及五豐行有限公司之執行董事。姜先生畢業於香港理工學院，為特許會計師公會之資深會員及香港會計師公會之會員。彼具有逾十五年核數、會計及企業融資工作方面之經驗。姜先生亦任 HIT Investments Limited 及香港華人銀行集團有限公司之董事。



#### 劉百成先生

現年四十九歲，於一九九七年獲委任為執行董事。彼並為華潤北京置地有限公司及中港混凝土有限公司之執行董事。劉先生畢業於香港浸會學院（現名為香港浸會大學），為特許會計師公會之資深會員及香港會計師公會之會員。彼主要負責本集團之香港地產業務及冷倉、貨倉業務。



#### 閻廳先生

現年三十七歲，於一九九四年獲委任為執行董事，彼亦為華潤北京置地有限公司之執行董事。閻先生持有中國北京大學法律學士學位及美國舊金山大學工商管理學碩士學位。彼並為勵致國際集團有限公司及五豐行有限公司之董事。

#### Mr. Chen Shulin

Aged 45, has been an Executive Director since December 1998. He is also the Managing Director of Ng Fung Hong Limited ("Ng Fung Hong"), and a Director of China Resources (Holdings) Company Limited. Mr. Chen is responsible for the overall business and strategic planning of Ng Fung Hong. He obtained a bachelor degree from Beijing Foreign Languages Institute and a Master degree in Business Administration from Victoria University, New Zealand. Prior to joining Ng Fung Hong, he worked as a senior official in MOFTEC responsible for bilateral trade policy between the PRC, North America and Australasia. He has substantial experience in strategic planning, business development and investment.

#### Mr. Keung Chi Wang, Ralph

Aged 43, has been appointed as Group Finance Director since 1996. Mr. Keung is also an Executive Director of China Resources Beijing Land Limited and Ng Fung Hong Limited. Mr. Keung graduated from the Hong Kong Polytechnic and is a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Society of Accountants. He has over 15 years of experience in auditing, accounting and corporate finance. He is also a Director of HIT Investments Limited and The Hongkong Chinese Bank Holding Company Limited.

#### Mr. Lau Pak Shing

Aged 49, has been an Executive Director since 1997. He is also an Executive Director of China Resources Beijing Land Limited and Redland Concrete Limited. Mr. Lau graduated from the Hong Kong Baptist College (now known as Hong Kong Baptist University) and is a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Society of Accountants. He is in charge of the Group's Hong Kong Property, and cold storage and warehouse businesses.

#### Mr. Yan Biao

Aged 37, has been an Executive Director since 1994. Mr. Yan is also an Executive Director of China Resources Beijing Land Limited. Mr. Yan has a Bachelor of Law degree from the Beijing University in China and a Master of Business Administration degree from the University of San Francisco in the United States of America. He is also a Director of Logic International Holdings Limited and Ng Fung Hong Limited.

# 非執行董事及高層管理人員之個人資料

## Biographical Details of Non-Executive Directors and Senior Management

### 非執行董事

#### Non-Executive Director

##### 蔣偉先生

現年三十六歲。於一九九五年獲委任為董事。蔣先生持有中國北京對外經濟貿易大學對外貿易學士及國際業務與財務碩士學位。彼於一九八八年加入華潤(集團)有限公司，現擔任其財務部門之副總經理。

##### Mr. Jiang Wei

Aged 36, has been a Director since 1995. Mr. Jiang has a Bachelor's degree in International Trade and a Master degree in International Business and Finance, both from the University of International Business and Economics in Beijing, China. He joined China Resources (Holdings) Co., Ltd. in 1988 and is currently the Deputy General Manager of its Finance Department.

### 獨立董事

#### Independent Directors

##### 陳普芬博士

現年七十七歲，於一九七三年獲委任為董事。彼為香港執業會計師及註冊買賣董事。他是離岸石油科技博士、中國法律博士；又是石油工程師及海底科技協會榮譽院士。

##### Dr. Chan Po Fun, Peter

Aged 77, has been a Director since 1973. He is a practicing Certified Public Accountant in Hong Kong and a registered dealing director. He has a doctorate in Offshore Petroleum Technology and a doctorate in Modern Chinese Law and is an honorary fellow member of the society for Underwater Technology.

##### 黃大寧先生

現年四十五歲，於一九八八年獲委任為董事。彼並為科康投資有限公司之董事。彼於英國北斯塔弗德什爾理工學院取得商業學士學位。

##### Mr. Houang Tai Ninh

Aged 45, has been a Director since 1988. He is also a Director of Forcon Investments Limited. He obtained a Bachelor of Business Studies degree from the Polytechnic of North Staffordshire in the United Kingdom.

##### 盧雲龍先生

現年五十八歲，於一九八八年獲委任為董事。彼並為鶴記企業有限公司之主席。彼為土木工程師學會會員及香港工程師學會會員，具有逾三十年建築業工作經驗。

##### Mr. Loo Wun Loong, John

Aged 58, has been a Director since 1988. He is also the Chairman of Ngo Kee Enterprises Limited. Mr. Loo is a member of the Institute of Civil Engineers and the Hong Kong Institution of Engineers. He has over 30 years's working experience in the construction industry.

### 高層管理人員

#### Senior Management

##### 曾偉民先生

現年五十七歲，為沙田冷倉有限公司之總經理。曾先生持有管理學文憑，在加入公司之前，曾任多間大型冷倉行政要職。曾先生具有逾二十年之冷倉管理工作經驗。彼主要負責制定本公司冷倉業務之整體發展略。

##### Mr. Tsang Wai Man

Aged 57, is the Managing Director of Sha Tin Cold Storage Company Limited. Mr. Tsang holds the qualification of corporate management. Before joining the company, Mr. Tsang held key management positions in a number of large cold storage companies in Hong Kong. He has over 20 years of experience in cold storage warehouse management. Mr. Tsang is principally responsible for formulating business development strategy for the cold storage operation.

##### 陳紹祥先生

現年四十九歲，為中港混凝土有限公司(「中港」)之執行董事。彼主要負責中港之整體企業政策及日常業務。陳先生具有逾二十年之經營混凝土業務之經驗。他曾工作於某國際英資建築材料集團超過十三年，在香港出任多個行政要職，並負責管理多個主要部門。陳先生並為廣東省政協委員。

##### Mr. Chan Siu Cheung, Howard

Aged 49, is an Executive Director of Redland Concrete Limited ("Redland"). Mr. Chan is principally responsible for formulating the overall corporate policy and business strategy, as well as managing the daily operation of Redland. Mr. Chan has over 20 years experience in the ready mixed concrete industry. Mr. Chan was with a reputable British building material company for over 13 years. During this period, he held several senior executive positions in this company in Hong Kong. Mr. Chan is a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference.

### 任志強先生

現年四十八歲，任華潤北京置地有限公司（「北京置地」）的董事總經理，任先生亦為北京置地之主要附屬公司北京華遠房地產股份有限公司（「北京華遠」）之主席，全面負責北京華遠之整體管理及策略規劃。任先生畢業於中國海軍后勤學院，為中國合資格之建築師，擁有逾十五年的企業發展經驗及十一年的物業發展及管理經驗。

### Mr. Ren Zhiqiang

Aged 48, is the Managing Director of China Resources Beijing Land Limited ("Beijing Land"). Mr. Ren is also the Chairman of Beijing Huayuan Property Company Limited ("Beijing Huayuan"), the principal subsidiary of Beijing Land. He is responsible for the overall management and strategic planning of Beijing Huayuan. Mr. Ren graduated from the Navy Logistics College in China and holds the qualification of construction engineer. He has 11 years of experience in property development and management.

### 王群先生

現年四十二歲，為華潤創業啤酒有限公司之執行董事。王先生持有北京中國人民大學金融學學士學位，曾任職於中國國家經濟委員會和招商局蛇口工業區。王先生自1994年加入本集團後，在啤酒行業積累了豐富經驗。

### Mr. Wang Qun

Aged 42, is an Executive Director of CRE Beverage Limited. He has a Bachelor of Finance degree from the People's University of China in Beijing. Mr. Wang has previously worked in the China National Economic Committee and held key management position in a large conglomerate company based in Shenzhen, China. Mr. Wang accumulated experience in the brewery industry after joining the Group in 1994.

### 張廣齡先生

現年三十四歲，為百適企業有限公司之總經理。持有中國黑龍江商學院工程學學士學位及美國舊金山大學之工商管理碩士學位。張先生具有逾十年之貨倉及冷倉管理經驗。

### Mr. Zhang Guangling

Aged 34, is the Managing Director of Pak Sik Enterprises Limited. Mr Zhang obtained a Bachelor of Civil Engineering degree from Hei Long Jiang Institute of Commerce in China and a Master of Business Administration degree from the University of San Francisco in the United States of America. He has over ten years of experience in godown and cold storage management.

### 盧海安先生

現年三十二歲。一九九七年六月加入本集團為項目部總經理。盧先生持有澳洲墨爾本皇家理工大學商業學文學士學位。彼並擁有特許會計師資格。盧先生具有核數、會計及企業財務管理方面之經驗。

### Mr. An Lu

Aged 32, joined the Group in June 1997, as a General Manager of the Group's Project Division. Mr. Lu has a Bachelor of Commerce degree from the Royal Melbourne Institute of Technology in Australia and is a qualified Chartered Accountant. Mr. Lu has accumulated experience in auditing, accounting and financial planning.

### 關博文先生

現年四十歲，現任本公司地產部高級經理。關先生持有倫敦格林尼治大學之測量學士學位和香港城市大學之公司管理學深造文憑，並具逾十年物業發展之工作經驗。彼亦為香港註冊專業測量師、註冊認可人士及英國特許秘書及行政人員會士。

### Mr. Kwan Pok Man, Daniel

Aged 40, is the Senior Manager of the Group's Hong Kong Property Division. Mr. Kwan holds a Bachelor degree in Surveying from the University of Greenwich in London and a Post-Graduate Diploma in Corporate Administration from the City University of Hong Kong. Mr. Kwan has over ten years of experience in property development and construction. He is a Registered Professional Surveyor, an Authorized Person and an associate member of The Institute of Chartered Secretaries and Administrators.

## Report of the Directors

The directors have pleasure in submitting to shareholders their report and financial statements for the year ended 31st December 1998.

### Principal Activities

The principal activity of the Company is property investment and investment holding, and the activities of its principal subsidiaries and associated companies are shown on pages 72 to 76. The turnover and contribution to profit before taxation of the principal activities of the Group are as follows:

	Turnover		Profit Before Taxation	
	1998	1997	1998	1997
	HK\$'000			
By Activity				
Property	1,989,769	4,354,933	1,514,383	2,220,100
Food & beverages	2,185,350	1,048,764	450,938	343,479
Infrastructure & other investments	1,299,981	562,664	350,223	548,603
	5,475,100	5,966,361	2,315,544	3,112,182
Net corporate interest & expenses	-	-	(197,376)	(151,457)
	5,475,100	5,966,361	2,118,168	2,960,725
By Geographical Analysis				
Hong Kong	3,452,602	4,031,593	1,577,924	2,369,266
Chinese Mainland	1,947,451	1,934,768	517,336	591,459
Overseas	75,047	-	22,908	-
	5,475,100	5,966,361	2,118,168	2,960,725

### Group Profit

The consolidated profit and loss account is set out on page 35 and shows the Group profit for the year ended 31st December 1998.

### Dividends

An interim dividend of HK6 cents per share was paid to shareholders on 2nd November 1998 and the directors recommend the declaration of a final dividend of HK9 cents per share payable on 2nd July 1999 to all persons registered as holders of ordinary shares on 11th June 1999.

### Fixed Assets

Movements in fixed assets during the year are set out in note 13 to the financial statements.

**Properties**

A schedule of the principal properties of the Group is set out on pages 77 to 78.

**Share Capital**

Movements in share capital during the year are set out in note 17 to the financial statements.

**Share Option Scheme**

Details of the Group's share option scheme are set out in note 17(d) to the financial statements.

**Reserves**

Movements in reserves of the Company and the Group during the year are set out in note 18 to the financial statements.

**Charitable Donations**

Donations by the Group during the year amounted to HK\$2,000 (1997 : HK\$2,000).

**Directors**

The directors who held office during the year and up to the date of this report are as follows:

**Chairman**

Mr. Gu Yongjiang (Appointed on 31st August 1998)

Madam Zhu Youlan (Retired on 31st August 1998)

**Managing Director**

Mr. Ning Gaoning

**Directors**

Mr. Huang Tieying

(Deputy Managing Director)

Mr. Chen Shulin

(Executive Director, appointed on 7th December 1998)

Mr. Keung Chi Wang, Ralph

(Executive Director)

Mr. Lau Pak Shing

(Executive Director)

Mr. Yan Biao

(Executive Director)

Mr. Jiang Wei

(Non-executive Director)

Dr. Chan Po Fun, Peter

(Independent non-executive Director)

Mr. Houang Tai Ninh

(Independent non-executive Director)

Mr. Loo Wun Loong, John

(Independent non-executive Director)

In accordance with Article 110 of the Company's Articles of Association, Mr. Keung Chi Wang, Ralph, Mr. Jiang Wei and Dr. Chan Po Fun, Peter retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

In accordance with Article 115 of the Company's Articles of Association, Mr. Gu Yongjiang and Mr. Chen Shulin retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

### **Biographical Details of Directors and Senior Management**

Biographical details of directors and senior management are set out on pages 20 to 23.

### **Arrangements to Purchase Shares or Debentures**

As at 31st December 1998, the following directors had interests in respect of options granted under the existing share option scheme of the Company and its associated corporations:

(1) Options granted under the Company's share option scheme:

<b>Name</b>	<b>Date of grant</b>	<b>Exercise price HK\$</b>	<b>Number of share options outstanding at 01.01.1998</b>	<b>Number of share options exercised</b>	<b>Number of share options outstanding at 31.12.1998</b>
Ning Gaoning	11/05/1996	3.856	3,300,000	-	3,300,000
	17/11/1997	14.300	1,200,000	-	1,200,000
Huang Tieying	11/05/1996	3.856	2,000,000	-	2,000,000
	17/11/1997	14.300	1,000,000	-	1,000,000
Yan Biao	11/05/1996	3.856	1,700,000	-	1,700,000
	17/11/1997	14.300	1,000,000	-	1,000,000
Keung Chi Wang, Ralph	11/05/1996	3.856	800,000	400,000	400,000
	17/11/1997	14.300	500,000	-	500,000
Lau Pak Shing	11/05/1996	3.856	200,000	-	200,000
	17/11/1997	14.300	500,000	-	500,000

(2) Options granted under the share option scheme of a subsidiary, Ng Fung Hong Limited:

Name	Date of grant	Exercise price HK\$	Number of share options outstanding at 01.01.1998	Number of share options exercised	Number of share options outstanding at 31.12.1998
Chen Shulin	10/12/1996	4.800	1,000,000	-	1,000,000
	02/01/1997	5.280	2,000,000	-	2,000,000

(3) Options granted under the share option scheme of an associated company, China Resources Beijing Land Limited:

Name	Date of grant	Exercise price HK\$	Number of share options outstanding at 01.01.1998	Number of share options exercised	Number of share options outstanding at 31.12.1998
Ning Gaoning	27/06/1997	4.592	2,500,000	-	2,500,000
Huang Tieying	27/06/1997	4.592	2,400,000	-	2,400,000
Yan Biao	27/06/1997	4.592	2,300,000	-	2,300,000
Keung Chi Wang, Ralph	27/06/1997	4.592	2,000,000	-	2,000,000

Save as disclosed above, at no time during the year was the Company, its subsidiaries, its holding company or its fellow subsidiaries a party to any arrangements to enable the directors or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of Company or any other body corporate.

#### **Directors' and Chief Executives' Interests in Securities**

As at 31st December 1998, Dr. Chan Po Fun, Peter was personally beneficially interested in 506,000 shares and held 162,000 shares as trustee, together representing approximately 0.04% of the existing issued share capital of the Company; and Mr. Lau Pak Shing held personally 100,000 shares representing less than 0.01% of the existing issued share capital of the Company.

Apart from the foregoing, none of the directors, chief executives and their associates had any beneficial or non-beneficial interest in the share capital of the Company or its subsidiaries which is required to be recorded in the Register of Directors' Interests pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

### Directors' Service Contracts

None of the directors has a service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

### Directors' Interest in Contracts

No contracts of significance to which the Company, its subsidiaries, its holding company or its fellow subsidiaries were a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

### Directors' Remuneration

	<b>HK\$'000</b>
Fees	530
Basic salaries and allowances	8,442
Provident fund contributions	753
Bonus paid	3,072
Benefit from share options exercised	1,398
	14,195
Less: Director fees waived	(50)
	14,145

The total emoluments of all directors were within the following bands:

<b>HK\$</b>	<b>No. of directors</b>
Nil -1,000,000	7
1,000,001 - 1,500,000	-
1,500,001 - 2,000,000	1
2,000,001 - 2,500,000	1
2,500,001 - 3,000,000	1
3,000,001 - 3,500,000	2

Madam Zhu Youlan and Mr. Gu Yongjiang waived their entitlement to the directors' fees in the amount of HK\$50,000 (1997: Nil). The directors' fees paid to independent non-executive directors included above amounted to HK\$150,000 (1997: HK\$150,000).

### Other Senior Management's Remuneration

The above analysis of directors' emoluments includes two individuals whose remuneration were among the five highest in the Group. Details of the remuneration paid to the other three highest paid individuals are:

	<b>HK\$'000</b>
Basic salaries and allowances	2,954
Provident fund contributions	340
Bonus paid	24,607
	27,901

The total emoluments of the other three highest paid individuals were within the following bands:

<b>HK\$</b>	<b>No. of persons</b>
6,000,001 - 6,500,000	1
8,500,001 - 9,000,000	1
13,000,001 - 13,500,000	1

### Substantial Shareholders

At 31st December 1998, the following declaration of interest by shareholders holding 10% or more of the issued share capital of the Company has been recorded in the Register of Interests pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance :

	<b>No. of ordinary shares</b>
China Resources (Holdings) Company Limited ("CRH")	987,419,002
Teck Soon Hong, Limited*	179,000,000

\* Teck Soon Hong, Limited (formerly known as Ng Fung - Teck Soon (Holdings) Limited) is a subsidiary of CRH and its interests in the ordinary shares of the Company is duplicated in the interests of CRH.

Apart from the foregoing, no person had registered any interest in the issued share capital of the Company which is required to be recorded in the Register of Interests pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

## **Connected Transactions**

1. On 7th October, 1998, the Company entered into an agreement to acquire 298,914,000 shares in Ng Fung Hong Limited (“NFH”) from a fellow subsidiary. Details of this transaction are set out in note 25A of the financial statements.
2. During the year certain subsidiaries, namely Redland Concrete Limited, Pak Sik Enterprises Limited, Sha Tin Cold Storage Limited and Ng Fung Hong Limited group conducted certain transactions with related parties. Independent non-executive directors of the Company have reviewed the transactions and confirmed that:
  - (a) the transactions have been entered into in the ordinary and usual course of business of the Group;
  - (b) the transactions have been entered into on normal commercial terms, and on arm’s length basis, and where applicable, in accordance with the terms of the agreements governing such transactions or, where there is no such agreement, on terms no less favourable than terms available to or from independent third parties;
  - (c) the transactions have been entered into on terms that are fair and reasonable so far as shareholders of the Company are concerned; and
  - (d) the aggregate value of the respective transactions do not exceed the respective maximum amounts as specified by The Stock Exchange of Hong Kong Limited.

Details of these transactions are summarised in note 25B of the financial statements.

## **Subsidiaries**

Particulars regarding the subsidiaries are set out on pages 72 to 76.

## **Purchase, Sale or Redemption of Listed Securities**

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

### **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 ("Programme") is reported regularly to a group committee chaired by a main Board Director.

The objective of the Group's Programme is to ensure smooth transition of all computer systems, facilities and business interactions through and after the year 2000. The Group's Programme 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 31st December 1998, the Group has completed over 70% of the procedures in relation to the Programme. The Programme 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 is in the process of formulating contingency procedures where applicable.

The Group is utilising both internal and external resources to carry out the Programme. As the Group has been conducting the Programme in conjunction with its information technology system upgrade review, therefore the cost incurred to date have not been separately identified. However, the Group's estimate of the total costs to be incurred in respect of the Programme 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 Programme 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 capitalised and amortised over the estimated useful life of the asset.

**Code of Best Practice**

The Company has complied throughout the year with Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that non-executive directors have no set term of office but retire from office on a rotational basis.

**Major Customers and Suppliers**

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the turnover attributable to the Group's five largest customers combined was less than 30% of the Group's total value of purchases and total turnover.

**Five Year Financial Summary**

A summary of the Group's result and its assets and liabilities for the past five financial years is set out on page 79.

**Auditors**

Messrs. Deloitte Touche Tohmatsu will retire at the end of the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Gu Yongjiang**

*Chairman*

Hong Kong, 23rd April 1999

# **Report of the Auditors**

## **Certified Public Accountants**

26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## **TO THE SHAREHOLDERS OF CHINA RESOURCES ENTERPRISE, LIMITED**

*(Incorporated in Hong Kong with limited liability)*

We have audited the financial statements on pages 35 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **Respective responsibilities of directors and auditors**

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## **Opinion**

In our opinion, the financial statements give a true and fair view, in all material respects, of the state of affairs of the Company and of the Group as at 31st December 1998 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

**DELOITTE TOUCHE TOHMATSU**  
*Certified Public Accountants*

Hong Kong, 23rd April 1999

## Consolidated Profit and Loss Account

For the year ended 31st December 1998

	Note	1998 HK\$'000	1997 HK\$'000
<b>Turnover</b>	3	5,475,100	5,966,361
Operating profit	4	1,553,721	2,313,964
Exceptional items	7	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	8	(289,016)	(498,100)
Profit after taxation		1,829,152	2,462,625
Minority interests		(560,724)	(902,503)
<b>Profit attributable to shareholders</b>	9	1,268,428	1,560,122
Dividends	10	(249,177)	(310,709)
<b>Profit for the year retained</b>	11	1,019,251	1,249,413
<b>Earnings per share</b>			
<b>Basic</b>	12	HK\$0.81	HK\$1.03
<b>Diluted</b>		HK\$0.80	HK\$1.01

# Consolidated Balance Sheet

at 31st December 1998

	Note	1998 HK\$'000	1997 HK\$'000
Fixed assets	13	4,227,054	2,719,314
Intangible assets	14	140,788	123,093
Long term investments	15	7,949,318	7,784,138
Net current assets	16	6,046,931	7,537,171
<b>Employment of capital</b>		<b>18,364,091</b>	<b>18,163,716</b>
<b>FINANCED BY:</b>			
Share capital	17	1,732,548	1,552,761
Reserves	18	7,365,340	7,394,305
<b>Shareholders' funds</b>		<b>9,097,888</b>	<b>8,947,066</b>
Minority interests		4,357,571	4,310,521
Long term liabilities	19	4,891,821	4,836,233
Deferred taxation	20	16,811	69,896
<b>Capital employed</b>		<b>18,364,091</b>	<b>18,163,716</b>

**Gu Yongjiang**  
*Director*

**Chan Po Fun**  
*Director*

## Balance Sheet

at 31st December 1998

	Note	1998 HK\$'000	1997 HK\$'000
Fixed assets	13	83,412	130,500
Long term investments	15	12,064,997	9,187,245
Net current (liabilities)/assets	16	(302,136)	79,283
<b>Employment of capital</b>		<b>11,846,273</b>	<b>9,397,028</b>
<b>FINANCED BY:</b>			
Share capital	17	1,732,548	1,552,761
Reserves	18	7,052,475	5,909,267
<b>Shareholders' funds</b>		<b>8,785,023</b>	<b>7,462,028</b>
Long term liabilities	19	3,061,250	1,935,000
<b>Capital employed</b>		<b>11,846,273</b>	<b>9,397,028</b>

**Gu Yongjiang**  
*Director*

**Chan Po Fun**  
*Director*

## Consolidated Cash Flow Statement

for the year ended 31st December 1998

	Note	1998 HK\$'000	1997 HK\$'000
<b>Net cash inflow from operating activities</b>	21A	1,483,969	2,110,634
<b>Returns on investments and servicing of finance</b>			
Dividends received from short term and other investments		2,432	16,669
Dividends received from associated companies		229,237	158,814
Dividends paid		(310,635)	(212,986)
Dividends paid to minority shareholders		(16,000)	(114,203)
Interest on finance lease paid		(3,273)	-
Interest received		248,581	329,503
Interest paid		(300,264)	(389,540)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(149,922)	(211,743)
<b>Taxation</b>			
Hong Kong profits tax paid		(92,912)	(29,906)
Chinese Mainland income tax paid		(25,018)	(103,685)
<b>Tax paid</b>		(117,930)	(133,591)
<b>Investing activities</b>			
Purchase of fixed assets		(552,459)	(448,097)
Purchase of intangible assets		(17,620)	(2,002)
Disposal of shareholdings in subsidiaries	21B	(774,129)	-
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	21C	1,262,734	(518,003)
Purchase of additional interests in subsidiaries		-	(92,070)
Purchase of and advance to associated companies		(555,876)	(1,297,346)
Purchase of other investments		(12,038)	-
Purchase of short term investments		-	(251,381)
Proceeds from disposal of long term investments		-	20,959
Proceeds from disposal of properties and other fixed assets		2,729	24,248
<b>Net cash outflow from investing activities</b>		(646,659)	(2,563,692)

for the year ended 31st December 1998

	Note	1998 HK\$'000	1997 HK\$'000
<b>Net cash inflow/(outflow) before financing</b>		<u>569,458</u>	<u>(798,392)</u>
<b>Financing</b>			
Issue of ordinary share capital less expenses		2,590	21,717
Proceeds from bank and other borrowings		2,797,901	3,326,611
Repayment of loans		(1,726,258)	(2,034,261)
Minority interests		<u>307,948</u>	<u>(712,476)</u>
<b>Net cash inflow from financing</b>	21D	<u>1,382,181</u>	<u>601,591</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		1,951,639	(196,801)
<b>Effect of foreign exchange rate adjustments</b>		8,364	-
<b>Cash and cash equivalents at 1st January</b>		<u>2,161,633</u>	<u>2,358,434</u>
<b>Cash and cash equivalents at 31st December</b>		<u>4,121,636</u>	<u>2,161,633</u>
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and bank balances		4,123,474	2,432,533
Short term bank loans and overdrafts		<u>(1,838)</u>	<u>(270,900)</u>
		4,121,636	2,161,633

# Notes to the Financial Statements

## 1 Major Events

- A** In March 1998, China Resources Beijing Land Limited (“Beijing Land”) placed 249 million new shares to professional and institutional investors at a price of HK\$4.42 per share. Consequently, the Company’s effective holding in Beijing Land was diluted from 53% to 44% and therefore Beijing Land is no longer a subsidiary of the Company. The consolidated results of the Group for the year ended 31st December 1998 incorporate the results of Beijing Land as a subsidiary for the period up to the completion date of the placement and as an associated company thereafter.
- B** As detailed in note 25A, the Group entered into an agreement to acquire approximately 29% interest in the share capital of Ng Fung Hong Limited (“NFH”) in October 1998. Upon the completion of the acquisition, the Company’s interest in NFH was increased to approximately 54% and therefore NFH became a subsidiary of the Company. The consolidated results of the Group for the year ended 31st December 1998 incorporate the results of NFH as an associated company for the period up to the completion date of the acquisition and as a subsidiary thereafter.

## 2 Principal Accounting Policies

### **A Basis of consolidation**

The consolidated financial statements of the Group include the financial statements for the year ended 31st December 1998 of the Company and of all its direct and indirect subsidiaries and also incorporate the Group’s interests in associated companies on the basis set out in note 2C below. Results of subsidiaries and associated companies acquired or disposed of during the year are included as from their effective dates of acquisition to 31st December 1998 or up to the dates of disposal as the case may be. Goodwill arising on consolidation is eliminated against reserves in the year in which it arises.

**B Investments in subsidiaries**

In the Company's balance sheet, investments in subsidiaries are carried at cost less provision for permanent diminution in value where appropriate.

**C Associated companies**

Associated companies are those companies, not being subsidiaries, in which the Group has a substantial long term interest and over which the Group is in a position to exercise significant influence. Results of the associated companies are incorporated in the accounts to the extent of the Group's share of the post-acquisition results calculated from their accounts made up to 31st December 1998. In the consolidated balance sheet, investments in associated companies represent the Group's share of net assets and the premium paid on the acquisition of the interests in the associated companies less provision for permanent diminution in value. In the Company's balance sheet, investments in associated companies are stated at cost less provision for permanent diminution in value.

**D Other investments**

Other investments are long term investments in companies which are not subsidiaries or associated companies. Other investments are stated at cost less provision for any permanent diminution in value where appropriate. Results of these companies are included in the accounts to the extent of dividends received or receivable.

**E Fixed assets and depreciation**

Fixed assets other than investment properties are stated at cost less depreciation.

Depreciation of fixed assets is provided to write off the cost of the assets using the straight line method over their estimated useful lives. The estimated useful lives are as follows:

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Land	Over the unexpired term of lease
Buildings and godowns	20 to 50 years
Leasehold improvements	3 to 10 years or over the unexpired term of lease, whichever is shorter
Vessels	5 to 15 years
Cold storage facilities	10 years
Plant and machinery	5 to 20 years
Furniture and equipment	3 to 10 years
Motor vehicles	3 to 8 years

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**F Investment properties**

Investment properties are interests in land and buildings in respect of which construction work has been completed and which are held for their investment potential, any rental income being negotiated at arm's length. Such properties are included in fixed assets at their open market value on the basis of an annual professional valuation.

The valuations are carried out at intervals of not more than three years by independent valuers and in each of the intervening years, valuations are undertaken by professionally qualified executives of the Group. Changes in the value of investment properties are dealt with as movements in the property valuation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged. Upon sale of a revalued investment property, the revaluation surplus is transferred to the profit and loss account.

**G Leased assets**

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased whereby an amount equivalent to cost is recorded as a fixed asset and as long term liability. Depreciation is provided in accordance with the Group's depreciation policy. Payments to the lessor are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account. All other leases are accounted for as operating leases and the rental payable and receivable under operating leases are accounted for on a straight line basis over the periods of the respective leases.

## **H Intangible assets**

Intangible assets are stated at cost less amortisation. Amortisation is provided using the straight line method over the following periods :

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Brand names	30 years
Pre-operating expenses	5 years
Deferred expenses	10-15 years

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## **I Stock of properties**

Stock of properties includes properties under development for sale and properties held for sale.

Properties under development comprise the land cost together with development expenditure, which includes construction costs, capitalised interest and ancillary borrowing costs, plus attributable profits taken to date, less progress payments received and foreseeable losses.

Profit on pre-sale of properties under development is recognised over the course of the development. On this basis, profit recognised on properties pre-sold during an accounting period is calculated by reference to the proportion of development costs incurred up to the accounting date to total estimated development costs to completion, with due allowance for contingencies.

## **J Other stocks**

Other stocks which comprise raw materials, consumables and packing materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method. Cost of work-in-progress and finished goods comprises direct materials, direct labour and an appropriate proportion of production overheads. Net realisable value is determined as the estimated net selling price less all further costs of production and the related costs of marketing, selling and distribution.

**K Short term investments**

Short term investments comprising marketable securities and deposits in investment accounts are stated at the lower of cost and net realisable value. Net realisable value is determined based on quoted market price.

**L Recognition of revenue**

Income from pre-sale of properties under development prior to completion of the development is recognised over the period from execution of the respective sale and purchase agreements to the completion of development by reference to the proportion of development costs incurred up to the accounting date to total estimated development costs to completion.

Other sales are recognised upon delivery of goods and provision of services; and interest income is recognised in the profit and loss account as it accrues.

**M Borrowing costs**

Borrowing costs are accounted for on the accrual basis and charged to the profit and loss account in the year incurred, except for costs related to funding of fixed assets and properties under development which are capitalised as part of the cost of that asset up to the date when substantially all the activities necessary to prepare the asset for its intended use or sale are completed.

**N Deferred taxation**

Deferred taxation is accounted for using the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or asset is expected to be payable or receivable in the foreseeable future.

### **O Foreign exchange**

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the determination of operating profit.

The accounts of overseas subsidiaries and associated companies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as movements in reserves.

### **3. Turnover**

	<b>1998</b> <b>HK\$'000</b>	<b>1997</b> <b>HK\$'000</b>
<hr/>		
Turnover represents sales by the Company and its subsidiaries to outside customers and comprises revenue from:		
Properties:		
Sales of properties	1,942,796	4,282,233
Rental income	45,742	49,040
	<hr/>	<hr/>
	1,988,538	4,331,273
Sales of other goods	3,245,787	1,392,210
Rendering of other services	221,313	212,140
Other revenue	19,462	30,738
	<hr/>	<hr/>
	5,475,100	5,966,361
	<hr/>	

#### 4 Operating profit

	1998 HK\$'000	1997 HK\$'000
<b>Operating profit is arrived at after charging:</b>		
Interest on finance leases	3,273	-
Interest on bank loans and other loans		
Wholly repayable within five years	347,331	398,595
Not wholly repayable within five years	13,087	10,305
	363,691	408,900
Less: Amounts capitalised	(40,143)	(119,276)
	323,548	289,624
Cost of sale/pre-sale of completed properties/properties under development	844,822	2,146,311
Cost of other stocks sold	2,348,439	1,014,478
Auditors' remuneration	3,502	4,071
Amortisation of intangible assets	9,340	6,752
Depreciation		
- Owned assets	167,986	96,302
- Assets held under finance leases	9,130	-
Operating leases charges	67,256	5,939
<b>And after crediting:</b>		
Gross rental income	45,742	42,361
Less: Related out-goings	(3,619)	(1,593)
Net rental income	42,123	40,768
Dividends from other investments		
Listed	307	533
Unlisted	2,125	16,136
Interest income	315,307	264,884

## 5. Directors' emoluments

	<b>1998</b> <b>HK\$'000</b>	<b>1997</b> <b>HK\$'000</b>
The emoluments of the directors of the Company are as follows:		
Fees	480	500
Other emoluments	13,665	78,427
	<u>14,145</u>	<u>78,927</u>

## 6. Staff provident fund

	<b>1998</b> <b>HK\$'000</b>	<b>1997</b> <b>HK\$'000</b>
Gross contribution to staff provident fund	6,933	2,975
Forfeited contributions utilised	(169)	-
	<u>6,764</u>	<u>2,975</u>

The Group operates a defined contribution retirement scheme which is available to all Hong Kong employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount of contributions is based on a specified percentage of the basic salary of employees and any forfeited contributions in respect of unvested benefits of staff leavers are used to reduce the Group's contributions.

## 7. Exceptional items

	<b>1998</b> <b>HK\$'000</b>	<b>1997</b> <b>HK\$'000</b>
Provision for doubtful debt	(146,970)	-
Profit on deemed disposal of a subsidiary	270,015	-
	<u>123,045</u>	<u>-</u>

In March 1998, China Resources Beijing Land Limited ("Beijing Land"), a former subsidiary of the

Company, placed 249 million ordinary shares to professional and institutional investors. As a result, the Company's interest in Beijing Land was reduced from 53% to 44% and an exceptional profit of HK\$270,015,000 was recognised.

## 8. Taxation

	<b>1998</b> <b>HK\$'000</b>	<b>1997</b> <b>HK\$'000</b>
<b>Current taxation</b>		
<b>Hong Kong</b>		
Company and subsidiaries	169,735	264,593
Associated companies	64,086	76,372
<b>Chinese Mainland</b>		
Subsidiaries	34,354	137,687
Associated companies	21,610	1,214
<b>Overseas</b>		
Subsidiaries	141	-
	289,926	479,866
<b>Deferred taxation</b>		
<b>Hong Kong</b>		
Company and subsidiaries	31	-
Associated companies	55	-
<b>Chinese Mainland</b>		
Subsidiaries	(996)	21,773
Associated companies	-	(3,539)
	289,016	498,100

Hong Kong profits tax is calculated at 16% (1997: 16.5%) on the estimated assessable profits for the year. Chinese Mainland income tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the Group in the Chinese Mainland. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Deferred taxation assets/(liabilities) for the year have not been provided in respect of the following:

	<b>1998</b> <b>HK\$'000</b>	<b>1997</b> <b>HK\$'000</b>
Arising from accelerated depreciation allowances	682	(689)
Arising from unrelieved tax losses	2,325	14,110
Arising from other timing differences	(320)	897

#### 9. Profit attributable to shareholders

Of the profit attributable to shareholders, HK\$444,683,000 (1997: HK\$89,972,000) is dealt with in the accounts of the Company.

#### 10. Dividends

	<b>1998</b> <b>HK\$'000</b>	<b>1997</b> <b>HK\$'000</b>
Additional final dividend paid for the previous year as a result of:		
conversion of bonds	15	56
exercise of share options	25	320
Interim dividend paid of HK\$0.06 (1997: HK\$0.06) per share	93,208	92,946
Proposed final dividend of HK\$0.09 (1997: HK\$0.14) per share	155,929	217,387
	<u>249,177</u>	<u>310,709</u>

#### 11. Profit for the year retained

	<b>1998</b> <b>HK\$'000</b>	<b>1997</b> <b>HK\$'000</b>
Profit for the year retained by:		
Company and subsidiaries	1,114,023	836,542
Associated companies	(94,772)	412,871
	<u>1,019,251</u>	<u>1,249,413</u>

## 12. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	1998 HK\$'000	1997 HK\$'000
<b>Earnings</b>		
Net profit attributable to shareholders for the purpose of basic earnings per share	1,268,428	1,560,122
Interest saving on exercise of convertible bonds	-	12
Effect due to dilutive potential ordinary shares of a subsidiary/ associated company	(2,375)	(2,860)
Net profit attributable to shareholders for the purpose of diluted earnings per share	1,266,053	1,557,274
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,575,192,665	1,518,444,401
Effect of dilutive potential ordinary shares:		
- Share options	7,951,529	13,777,616
- Convertible bonds	11,929	3,816,620
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,583,156,123	1,536,038,637

The adoption of the revised Statement of Standard Accounting Practice No.5 "Earnings per share" issued by the Hong Kong Society of Accountants has resulted in some modifications to the basis of calculation of diluted earnings per share and to the disclosures presented for diluted earnings per share. Amounts presented for the prior year have been restated to reflect the requirements of the revised standard.

### 13. Fixed assets

	Investment properties	Other properties	Plant and machinery HK\$'000	Other fixed assets	Total
<b>The Group</b>					
Cost or valuation					
At 1st January 1998	659,000	1,239,498	906,360	345,048	3,149,906
Relating to subsidiaries acquired	-	799,267	269,646	916,978	1,985,891
Relating to subsidiaries disposed of	-	(104,661)	(185,558)	(22,542)	(312,761)
Additions	-	65,974	72,276	414,209	552,459
Disposals	-	(1,453)	(31,170)	(7,935)	(40,558)
Exchange difference	-	3,909	5,774	1,951	11,634
Transfers	9,484	55,903	312,298	(377,685)	-
Revaluation deficit	(199,456)	-	-	-	(199,456)
Adjustment on revaluation	(1,328)	-	-	-	(1,328)
At 31st December 1998	467,700	2,058,437	1,349,626	1,270,024	5,145,787
Accumulated depreciation					
At 1st January 1998	-	91,058	238,748	100,786	430,592
Relating to subsidiaries acquired	-	86,740	80,780	205,314	372,834
Relating to subsidiaries disposed of	-	(4,961)	(23,150)	(9,307)	(37,418)
Charge for the year	-	40,430	94,520	42,166	177,116
Written back on disposals	-	(1,514)	(17,805)	(5,703)	(25,022)
Exchange difference	-	447	1,381	131	1,959
Transfers	1,328	(1,328)	-	-	-
Adjustment on revaluation	(1,328)	-	-	-	(1,328)
At 31st December 1998	-	210,872	374,474	333,387	918,733
Net book value					
At 31st December 1998	467,700	1,847,565	975,152	936,637	4,227,054
At 31st December 1997	659,000	1,148,440	667,612	244,262	2,719,314
Representing assets stated:					
At cost	-	2,058,437	1,349,626	1,270,024	4,678,087
At 1998 professional valuation	467,700	-	-	-	467,700
	467,700	2,058,437	1,349,626	1,270,024	5,145,787

	Investment properties	Other properties	Other fixed assets	Total
	HK\$'000			
<b>The Company</b>				
Cost or valuation				
At 1st January 1998	118,000	1,823	15,364	135,187
Additions	-	-	606	606
Disposals	-	-	(12)	(12)
Revaluation deficit	(44,000)	-	-	(44,000)
At 31st December 1998	74,000	1,823	15,958	91,781
Accumulated depreciation				
At 1st January 1998	-	81	4,606	4,687
Charge for the year	-	41	3,642	3,683
Written back on disposals	-	-	(1)	(1)
At 31st December 1998	-	122	8,247	8,369
Net book value				
At 31st December 1998	74,000	1,701	7,711	83,412
At 31st December 1997	118,000	1,742	10,758	130,500
Representing assets stated:				
At cost	-	1,823	15,958	17,781
At 1998 professional valuation	74,000	-	-	74,000
	74,000	1,823	15,958	91,781

	<b>1998</b> <b>HK\$'000</b>	<b>1997</b> <b>HK\$'000</b>
Net book value of investment and other properties comprises :		
<b>The Group</b>		
<b>Hong Kong</b>		
Properties held on long lease	649,174	518,729
Properties held on medium-term lease	888,265	862,126
<b>Chinese Mainland</b>		
Properties held on long lease	18,772	73,290
Properties held on medium-term lease	594,206	353,295
Properties held on short lease	87,867	-
<b>Overseas</b>		
Properties held on short lease	76,981	-
	<b>2,315,265</b>	<b>1,807,440</b>
<b>The Company</b>		
<b>Hong Kong</b>		
Properties held on medium-term lease	74,000	118,000
<b>Chinese Mainland</b>		
Properties held on medium-term lease	1,701	1,742
	<b>75,701</b>	<b>119,742</b>

- (a) The investment properties have been revalued as at 31st December 1998 by C.Y. Leung & Company Limited, independent professional valuers, on an open market value basis.
- (b) The net book value of fixed assets held under finance leases of the Group at 31st December 1998 amounted to approximately HK\$67,633,000 (1997: Nil).
- (c) Other fixed assets mainly comprised vessels, leasehold improvements, furniture and equipment, motor vehicles and construction in progress.

## 14 Intangible assets

	<b>Brand names</b>	<b>Pre-operating expenses</b>	<b>Deferred expenses</b>	<b>Total</b>
	<b>HK\$'000</b>			
<b>The Group</b>				
At 1st January 1998	90,790	27,119	5,184	123,093
Additions	3,966	9,814	3,840	17,620
Amortised for the year	(4,920)	(3,126)	(1,294)	(9,340)
Relating to subsidiaries acquired	32,007	902	-	32,909
Relating to subsidiaries disposed of	-	(22,336)	(2,193)	(24,529)
Exchange difference	976	28	31	1,035
At 31st December 1998	122,819	12,401	5,568	140,788

## 15. Long term investments

	1998 HK\$'000	1997 HK\$'000
<b>The Group</b>		
Associated companies		
Listed		
Share of net assets, other than goodwill	1,806,959	422,534
Net premium on acquisition	18,695	538,147
	<u>1,825,654</u>	<u>960,681</u>
Unlisted		
Share of net assets, other than goodwill	2,515,845	3,424,793
Net premium on acquisition	3,233,248	3,073,512
	<u>5,749,093</u>	<u>6,498,305</u>
Amount due from associated companies	356,227	341,374
Amount due to associated companies	(4,221)	(84,233)
	<u>6,101,099</u>	<u>6,755,446</u>
Other investments		
Unlisted shares in Hong Kong	15,702	1,330
Unlisted shares in Chinese Mainland	6,863	61,701
Bonds in Hong Kong	-	4,980
	<u>22,565</u>	<u>68,011</u>
	<u>7,949,318</u>	<u>7,784,138</u>
Market value of listed associated companies	<u>1,512,911</u>	<u>2,260,185</u>
Market value of other listed investments	-	4,100

	1998 HK\$'000	1997 HK\$'000
<b>The Company</b>		
Subsidiaries		
Unlisted shares	4,404,011	4,404,021
Amount due from subsidiaries	6,315,539	4,178,049
Amount due to subsidiaries	(769,934)	(1,196,809)
	9,949,616	7,385,261
Associated companies		
Unlisted shares	1,882,337	1,842,689
Listed shares in Hong Kong	210,877	-
Amount due from/(to) associated companies	22,167	(40,705)
	2,115,381	1,801,984
	12,064,997	9,187,245
Market value of listed investments	157,780	-

Particulars of the principal subsidiaries and associated companies are set out on pages 72 to 76.

## 16. Net current assets / (liabilities)

	The Group		The Company	
	1998	1997	1998	1997
	HK\$'000			
<b>Current assets</b>				
Stock of properties	3,391,226	5,216,409	4,500	4,500
Other stocks	728,707	223,786	-	-
Short term investments	1,940	279,621	-	-
Debtors, deposits and prepayments	1,163,665	1,886,862	23,448	13,317
Tax recoverable	1,226	2,208	-	-
Stakeholder accounts	7,560	286,257	-	-
Cash and bank balances	4,123,474	2,432,533	470,853	613,302
	<u>9,417,798</u>	<u>10,327,676</u>	<u>498,801</u>	<u>631,119</u>
<b>Current liabilities</b>				
Creditors and accruals	1,974,152	810,387	59,462	19,824
Proposed dividends	155,929	217,387	155,929	217,387
Taxation	412,881	480,238	4,296	39,388
Amount due to ultimate holding company	99,769	4,337	-	4,337
Short term loans	728,136	1,278,156	581,250	270,900
	<u>3,370,867</u>	<u>2,790,505</u>	<u>800,937</u>	<u>551,836</u>
	<u>6,046,931</u>	<u>7,537,171</u>	<u>(302,136)</u>	<u>79,283</u>
<b>(a) Stock of properties comprise:</b>				
Properties under development for sale	3,386,726	8,423,890	-	-
Properties held for resettlement	-	260,932	-	-
Properties held for sale	4,500	159,866	4,500	4,500
	<u>3,391,226</u>	<u>8,844,688</u>	<u>4,500</u>	<u>4,500</u>
Forward sales deposits and progress payments received	-	(3,628,279)	-	-
	<u>3,391,226</u>	<u>5,216,409</u>	<u>4,500</u>	<u>4,500</u>

	1998	The Group 1997	1998	The Company 1997
	HK\$'000			
(b) Other stocks comprise:				
Raw materials	149,788	133,095	-	-
Consumables and packing materials	148,762	52,190	-	-
Work-in-progress	48,164	19,372	-	-
Finished goods	381,993	19,129	-	-
	<u>728,707</u>	<u>223,786</u>	-	-
(c) Short term investments comprise:				
Listed shares in Hong Kong	-	9,161	-	-
Listed shares outside Hong Kong	-	2,476	-	-
Unlisted shares outside Hong Kong	1,504	6,957	-	-
Treasury bills outside Hong Kong	436	261,027	-	-
	<u>1,940</u>	<u>279,621</u>	-	-
Market value of listed shares	-	11,637	-	-
(d) Short term loans comprise:				
Current portion of long term liabilities comprise:				
Bank loans	586,250	44,155	581,250	-
Obligations under finance leases	15,967	-	-	-
	<u>602,217</u>	<u>44,155</u>	<u>581,250</u>	-
Short term bank loans and overdrafts	125,919	1,206,577	-	270,900
Other loans	-	27,424	-	-
	<u>728,136</u>	<u>1,278,156</u>	<u>581,250</u>	<u>270,900</u>

## 17. Share capital

	Number of shares '000	1998 Nominal value HK\$'000	Number of shares '000	1997 Nominal value HK\$'000
Authorised				
Ordinary shares of HK\$1 each	3,000,000	3,000,000	2,000,000	2,000,000
Issued and fully paid				
At 1st January	1,552,761	1,552,761	1,495,798	1,495,798
Placement of shares	179,000	179,000	42,868	42,868
Conversion of bonds	103	103	7,485	7,485
Exercise of share options	684	684	6,610	6,610
At 31st December	1,732,548	1,732,548	1,552,761	1,552,761

- (a) Pursuant to an ordinary resolution passed in the Extraordinary General Meeting on 16th November 1998, the authorised share capital of the Company was increased from HK\$2,000,000,000 to HK\$3,000,000,000 by the creation of 1,000,000,000 new shares of HK\$1.00 each, ranking pari passu with the existing shares of the Company.
- (b) Pursuant to the Share Sale and Purchase Agreement dated 7th October 1998, the Company issued 179,000,000 new shares to a fellow subsidiary at the price of HK\$6.528 per share as part of the consideration paid for the acquisition of 298,914,000 shares in Ng Fung Hong Limited.

- (c) During the year, convertible bonds with nominal value of US\$50,000 (1997: US\$3,610,000) were converted into ordinary shares of the Company at the conversion price of HK\$3.73 per share. Accordingly, 103,665 ordinary shares (1997: 7,484,695) were issued.
- (d) Pursuant to the Company's Share Option Scheme, the directors of the Company were authorised to grant at a price of HK\$1 per grant which are exercisable from the date of grant or such other dates as in accordance with the terms of the grant to 16th September 2002. Details of the movement of the share options were summarised as follows:

<b>Date of grant</b>	<b>Exercise price HK\$</b>	<b>Number of share options at 01.01.1998</b>	<b>Number of share options granted during the year</b>	<b>Number of share options exercised during the year</b>	<b>Number of share options at 31.12.1998</b>
11/05/1996	3.856	13,440,000	-	684,000	12,756,000
17/11/1997	14.300	8,000,000	-	-	8,000,000
07/12/1998	8.980	-	4,910,000	-	4,910,000
<b>Total</b>		<b>21,440,000</b>	<b>4,910,000</b>	<b>684,000</b>	<b>25,666,000</b>

## 18. Reserves

	Share premium	General reserve	Capital reserve	Property valuation reserve HK\$'000	Exchange reserve	Retained profits	Total
<b>The Group</b>							
At 1st January 1998	5,712,236	51,453	-	355,576	1,983	1,273,057	7,394,305
Premium on shares issued	991,736	-	-	-	-	-	991,736
Share issue expenses	(34)	-	-	-	-	-	(34)
Exchange rate adjustments	-	-	-	-	17,772	-	17,772
Revaluation deficit	-	-	-	(199,456)	-	-	(199,456)
Share of reserves of associated companies	-	-	-	(16,722)	1,003	-	(15,719)
Goodwill written off	-	-	(1,832,329)	-	-	-	(1,832,329)
Release due to disposal of subsidiaries	-	-	(1,315)	(8,307)	(564)	-	(10,186)
Profit for the year retained	-	-	-	-	-	1,019,251	1,019,251
Transfer	-	6,228	-	-	-	(6,228)	-
At 31st December 1998	6,703,938	57,681	(1,833,644)	131,091	20,194	2,286,080	7,365,340
Including retained reserves of associated companies	-	57,255	2,390	11,012	10,336	551,417	632,410
<b>The Company</b>							
At 1st January 1998	5,712,236	-	-	112,471	-	84,560	5,909,267
Premium on shares issued	991,736	-	-	-	-	-	991,736
Share issue expenses	(34)	-	-	-	-	-	(34)
Revaluation deficit	-	-	-	(44,000)	-	-	(44,000)
Profit for the year retained	-	-	-	-	-	195,506	195,506
At 31st December 1998	6,703,938	-	-	68,471	-	280,066	7,052,475

- (a) General reserve is part of shareholders' funds and comprises statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve of certain subsidiaries and associated companies in the Chinese mainland.
- (b) Reserves of the Company available for distribution to shareholders amounted to HK\$280,066,000 (1997: HK\$84,560,000).

## 19. Long term liabilities

	The Group		The Company	
	1998	1997	1998	1997
	HK\$'000			
Bank loans repayable within 5 years	3,954,500	2,028,017	3,642,500	1,935,000
Bank loans not wholly repayable within 5 years	130,000	101,000	-	-
Other loans repayable within 5 years	1,356,250	2,751,371	-	-
Obligation under finance leases not wholly repayable within 5 years	53,288	-	-	-
	5,494,038	4,880,388	3,642,500	1,935,000
Current portion included in current liabilities	(602,217)	(44,155)	(581,250)	-
	4,891,821	4,836,233	3,061,250	1,935,000

The loans are repayable as follows:

Bank loans				
After 1 year, but within 2 years	930,000	585,500	930,000	580,500
After 2 years, but within 5 years	2,477,250	1,406,679	2,131,250	1,354,500
After 5 years	91,000	101,000	-	-
Other loans				
After 1 year, but within 2 years	10,444	7,799	-	-
After 2 years, but within 5 years	1,383,127	2,735,255	-	-
	4,891,821	4,836,233	3,061,250	1,935,000

- (a) The above bank loan facilities include a loan of HK\$130,000,000 (1997: HK\$135,000,000) secured by land and buildings with aggregate net book value of HK\$200,802,000 (1997: HK\$204,942,000).
- (b) Under the terms of the agreements of the Group's bank loans repayable within 5 years, China Resources (Holdings) Company Limited, the ultimate holding company, is required to remain as a beneficiary owner of at least 35% of the voting shares of the Company and/or remain as a single largest shareholder (whether directly or indirectly through its subsidiaries) of the Company.

## 20. Deferred taxation

	1998 HK\$'000	1997 HK\$'000
The movements in deferred taxation mainly arising from accelerated depreciation allowances are as follows:		
At 1st January	69,896	38,588
Net balance relating to subsidiaries (disposed of)/acquired	(52,120)	9,535
Provision for the year	(965)	21,773
At 31st December	16,811	69,896
The potential tax assets/(liabilities) which have not been provided for in the accounts are as follows:		
Arising from accelerated depreciation allowances	(2,199)	(2,881)
Arising from unrelieved tax losses	24,459	22,134
Arising from other timing differences	560	880

Provision for deferred taxation in respect of surpluses arising on revaluation of investment properties is not required because such surpluses do not constitute a timing difference for deferred tax purposes and realisation of the surpluses would not give rise to any tax liability.

## 21. Notes to the consolidated cash flow statement

	<b>1998</b>	<b>1997</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>A Reconciliation of profit from ordinary activities to net cash inflow from operating activities</b>		
Profit from ordinary activities	1,676,766	2,313,964
Profit on deemed disposal of a subsidiary	(270,015)	-
(Profit)/loss from disposal of long term investments	(214)	1,114
Dividend income	(2,432)	(16,669)
Interest income	(315,307)	(264,884)
Interest expenses	323,548	289,624
Loss on disposal of fixed assets	12,807	1,184
Amortisation of intangible assets	9,340	6,752
Depreciation	177,116	96,302
Changes in stock of properties	(684,748)	950,875
Changes in other stocks	(6,843)	18,471
Changes in short term investments	270,026	14,816
Changes in debtors, deposits and prepayments	(321,033)	(1,102,240)
Changes in stakeholder accounts	278,697	(286,257)
Changes in creditors and accruals	340,179	87,261
Changes in amount due to ultimate holding company	(4,337)	(2,179)
Effect of foreign exchange rate adjustments	419	2,500
Net cash inflow from operating activities	<u>1,483,969</u>	<u>2,110,634</u>

	1998 HK\$'000	1997 HK\$'000
<b>B Disposal of shareholdings in subsidiaries</b>		
Net assets disposed of		
Fixed assets	275,343	-
Intangible assets	24,529	-
Interest in associated companies	800,026	-
Amount due from associated companies	168,754	-
Other investments	67,533	-
Stock of properties	2,557,683	-
Other stocks	28,955	-
Short term investments	7,655	-
Debtors, deposits and prepayments	1,750,382	-
Cash and bank balances	774,129	-
Creditors and accruals	(376,384)	-
Taxation	(167,694)	-
Short term loans	(1,048,058)	-
Long term loans	(1,351,039)	-
Deferred taxation	(59,745)	-
Minority interests	(2,234,268)	-
Reserves released	(10,186)	-
Profit on disposal of shareholdings in subsidiaries	270,015	-
	1,477,630	-
Interest retained		
Interest in associated companies	1,477,630	-
Analysis of the outflow of cash and cash equivalents in respect of disposal of shareholdings in subsidiaries		
Cash and bank balances	(774,129)	-

The subsidiaries which the Group disposed of during the year contributed HK\$130,813,000 to the Group's net operating cash flows, received HK\$1,716,000 in respect of net returns on investments and servicing of finance, paid HK\$17,831,000 in respect of taxation, utilised HK\$1,175,000 for investing activities and received HK\$5,812,000 in respect of financing activities.

	<b>1998</b> <b>HK\$'000</b>	<b>1997</b> <b>HK\$'000</b>
<b>C Acquisition of subsidiaries</b>		
Net assets acquired		
Fixed assets	1,613,057	213,968
Interest in associated companies	63,126	22,210
Intangible assets	32,909	-
Other investments	9,438	-
Property under development held for sale	-	68,004
Other stocks	527,033	11,774
Tax recoverable	563	-
Debtors, deposits and prepayments	727,319	327,970
Cash and bank balances	2,120,114	38,218
Creditors and accruals	(1,199,602)	(177,072)
Taxation	(15,582)	(28,700)
Amount due to ultimate holding company	(99,769)	-
Short term loans	(49,872)	(17,634)
Long term loans	(1,041,614)	(147,850)
Deferred taxation	(7,625)	(9,535)
Minority interests	(1,424,386)	(34,580)
Goodwill	1,713,887	665,448
Less: Interest in respect of the company previously acquired	(943,104)	-
	<u>2,025,892</u>	<u>932,221</u>
Satisfied by		
Cash	857,380	556,221
Shares allotted	1,168,512	376,000
	<u>2,025,892</u>	<u>932,221</u>
Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries' undertakings		
Cash consideration	(857,380)	(556,221)
Cash and bank balances acquired	2,120,114	38,218
	<u>1,262,734</u>	<u>(518,003)</u>

The subsidiaries acquired during the year contributed HK\$216,917,000 to the Group's net operating cash flows, received HK\$12,047,000 in respect of the net returns on investments and servicing of finance, utilised HK\$661,510,000 and HK\$419,110,000 for investing and financing activities respectively.

	Bank and other loans	Minority interests HK\$'000	Share capital and premium
<b>D Analysis of changes in financing during the year</b>			
At 1st January 1998	5,843,489	4,310,521	7,264,997
Net cash inflow from financing	1,071,643	307,948	2,590
Disposal of shareholdings in subsidiaries	(2,399,097)	(2,236,003)	-
Acquisition of subsidiaries	1,091,486	1,424,386	1,168,512
Conversion of bonds	(3,870)	-	387
Minority interests' share of profits	-	560,724	-
Dividends paid to minority shareholders	-	(16,000)	-
Exchange adjustments	10,985	5,995	-
At 31st December 1998	5,618,119	4,357,571	8,436,486

## 22. Capital commitments

	The Group 1998	1997	The Company 1998	1997
	HK\$'000			
Contracted but not provided for				
Expenditure in respect of properties under development	291,000	962,317	-	-
Capital contribution in investee companies	24,887	454,563	-	-
Others	73,479	1,314	-	-
	389,366	1,418,194	-	-
Authorised but not contracted for				
Expenditure in respect of properties under development	1,200,000	1,654,084	-	-
Purchase and construction of fixed assets	147,297	-	-	-
	1,736,663	3,072,278	-	-

### 23. Contingent liabilities

	The Group		The Company	
	1998	1997	1998	1997
	HK\$'000			
Guarantees in respect of banks and other loans provided to				
Subsidiaries	-	-	1,356,250	1,354,500
Associated companies	90,000	139,500	90,000	-
Other companies	-	73,470	-	-
	90,000	212,970	1,446,250	1,354,500

### 24. Operating lease commitments

	The Group		The Company	
	1998	1997	1998	1997
	HK\$'000			
Amounts payable within one year for leases of land and buildings:				
Expiring in the first year	21,633	5,760	-	-
Expiring in the second to fifth years inclusive	97,469	26,344	3,636	3,636
Expiring after the fifth year	19,763	2,301	-	-
	138,865	34,405	3,636	3,636
Amounts payable within one year for leases of vessels:				
Expiring in the first year	736	-	-	-
Expiring in the second to fifth years inclusive	1,023	-	-	-
	1,759	-	-	-
	140,624	34,405	3,636	3,636

## 25. Connected transactions

- A On 7th October 1998, the Company entered into an agreement to acquire 298,914,000 shares in Ng Fung Hong Limited (“NFH”) from Ng Fung Hong (Holdings) Limited. The vendor is a wholly owned subsidiary of China Resources (Holdings) Company Limited (“CRH”), the controlling shareholder of the Company. Total consideration for the acquisition amounts to about HK\$1,676 million (equivalent to about HK\$5.607 per share in NFH). About HK\$507.5 million was paid in cash and the remaining balance of about HK\$1,168.5 million was satisfied by the consideration issue of 179,000,000 new shares of HK\$1.00 of the Company at an issue price of HK\$6.528 per share.

Before the aforesaid acquisition, the Group held 260 million shares in NFH or about 25% of its issued share capital. Following the completion of the acquisition on 17th November 1998, the Group holds about 558.9 million shares in NFH or about 54% of its issued share capital.

B During the year the Group conducted certain transactions with related parties on normal commercial terms. Details of these transactions are summarised as follows:

	<b>1998</b>	<b>1997</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Redland (note 1)</b>		
Transactions with companies of which certain connected Persons are directors and controlling shareholders:		
- Purchase of raw materials	242,350	118,852
- Usage of transportation service	10,315	6,227
- Lease of concrete batching sites	5,008	2,086
Sales of concrete to a fellow subsidiary	25,875	30,916
<b>PS &amp; STCS (note 2)</b>		
Provision for godown and storage services to		
- NFH group (prior to becoming a subsidiary of the Group)	11,605	13,932
- Fellow subsidiaries	2,996	3,695
<b>NFH Group</b>		
Sales of foodstuffs to		
- CNFC (note 3)	8,256	-
- CR Supermarket (note 4)	2,569	-
Purchases of foodstuffs from		
- Designated suppliers (note 5)		
- Quota products	82,122	-
- Non-quota products	2,582	-
- Fellow subsidiaries	738	-
- CNFC	230	-
Net purchases of fishing supplies, equipment and vessels to CNFC	1,451	-
Operating lease payments and air-conditioning charges to fellow subsidiaries	1,595	-
Advertising expenses paid to fellow subsidiaries	77	-
Wages paid to CNFC	11,108	-
Balance of loan advanced to CR Supermarket (note 6)	137,338	-
<b>Harvest Fair (note 7)</b>		
Receiving of construction services from a fellow subsidiary	769,586	761,116

*Notes:*

1. Redland Concrete Limited (“Redland”) is a non-wholly owned subsidiary of the Company.
2. Pak Sik Enterprises Limited and Sha Tin Cold Storage Limited (“PS & STCS”) are wholly owned subsidiaries of the Company.
3. CNFC International Fisheries Corp (“CNFC”) is a 49% minority shareholder of China International Fisheries Corp., a subsidiary of NFH.
4. China Resources Supermarket (Hong Kong) Company Limited (“CR Supermarket”), a non-wholly owned subsidiary of NFH, is a company in which China Resources (Holdings) Company Limited (“CRH”), the ultimate holding company of the Group, has a substantial interest.
5. Designated suppliers are suppliers designated by The Ministry of Foreign Trade and Economic Co-operation who are substantial shareholders of non-wholly owned joint venture subsidiaries of the Company.
6. The unsecured loan to CR Supermarket was made by all shareholders in proportion to their equity interests in CR Supermarket for working capital, bears interest at the rates of 3% to 7% per annum and is repayable on demand.
7. Harvest Fair Investment Limited (“Harvest Fair”) is a non-wholly owned subsidiary of the Company.

**26 Ultimate holding company**

The directors regard the ultimate holding company to be China Resources (Holdings) Company Limited, a company incorporated in Hong Kong.

**27 Approval of financial statements**

The financial statements set out on pages 35 to 76 were approved by the Board of Directors on 23rd April 1999.

## Principal Subsidiary and Associated Companies

Subsidiary and associated companies	Issued and fully paid share capital	attributable to the Group	Percentage of capital		Principal activities
			held by the Company	held by subsidiaries	
<b>Property - Hong Kong</b>					
<b>Incorporated in Hong Kong</b>					
Harvest Fair Investment Limited	2 ordinary shares of HK\$1 each	55	-	100	Property development
Harvest Fair Finance Limited	2 ordinary shares of HK\$1 each	55	-	100	Property financing
Redland Consultants Limited	2 ordinary shares of HK\$1 each	100	100	-	Property investment
<b>Property - Chinese Mainland</b>					
<b>Incorporated in Cayman Islands</b>					
*China Resources Beijing Land Limited (operating principally in Chinese Mainland)	1,496,459,428 ordinary shares of HK\$0.1 each	44	-	44	Investment holding
<b>Food and Beverage</b>					
<b>Incorporated in Hong Kong</b>					
Sha Tin Cold Storage Company Limited	100 ordinary shares of HK\$1 each	100	100	-	Provision of cold storage services
Pak Sik Enterprises Limited	2 ordinary shares of HK\$1 each	100	100	-	Operation of godown business

Subsidiary and associated companies	Issued and fully paid share capital	attributable to the Group	Percentage of capital		Principal activities
			held by the Company	held by subsidiaries	
Ng Fung Hong Limited	1,037,396,000 ordinary shares of HK\$0.1 each	53.9	-	53.9	Distribution of fresh, live and frozen foodstuff
China Resources Supermarket (Hong Kong) Company Limited (formerly known as China Resources Purchasing Limited) Company	HK\$90,000,000	32.3	-	60	Supermarket operations, investment holding and wholesale of merchandise
Ng Fung Frozen Meats & Aquatic Products Co., Limited	HK\$5,000,000	50.7	-	94	Trading of frozen meats and aquatic products
<b>Incorporated in Chinese Mainland</b>					
China Resources (Shenyang) Snowflake Brewery Company Limited	US\$21,514,531	45.9	-	90	Manufacturing of beer products
China Resources (Shenyang) Brewery Company Limited	RMB116,240,000	45.9	-	90	Manufacturing of beer products
China Resources (Mianyang) Brewery Company Limited	RMB100,000,000	45.9	-	90	Manufacturing of beer products

Subsidiary and associated companies	Issued and fully paid share capital	Percentage of capital			Principal activities
		attributable to the Group	held by the Company	held by subsidiaries	
China Resources (Jilin) Brewery Company Limited	US\$11,600,000	45.9	-	90	Manufacturing of beer products
China Resources (Jilin) Food Company Limited	US\$11,600,000	45.9	-	90	Manufacturing of beer products
Shenyang Snowflake Beer Company Limited	US\$21,514,531	45.9	-	90	Manufacturing of beer products
Shenyang Sheng Yang Beer Company Limited	US\$13,603,127	45.9	-	90	Manufacturing of beer products
China Resources (Dalian) Brewery Company Limited	US\$9,600,000	51	-	100	Manufacturing of beer products
Shenzhen C'estbon Food And Drink Company Limited	RMB12,000,000	34.3	-	67.3	Manufacturing of purified water
* Xuzhou VV Food & Beverage Limited	US\$23,000,000	19.4	-	36	Production of soya milk
<b>Incorporated in British Virgin Islands</b>					
CRE Beverage Limited	42,500,000 ordinary shares of US\$1 each	51	51	-	Investment holding

Subsidiary and associated companies	Issued and fully paid share capital	attributable to the Group	Percentage of capital		Principal activities
			held by the Company	held by subsidiaries	
<b>Incorporated in Cayman Islands</b>					
China International Fisheries Corp.	US\$60,864	27.5	-	51	Investment holding
<b>Infrastructure and Other Investments</b>					
<b>Incorporated in Hong Kong</b>					
Redland Concrete Limited	10 ordinary shares of HK\$1 each	80	-	100	Manufacturing of building materials
<b>Incorporated in Chinese Mainland</b>					
China Resources (Dalian) Oil & Fat Chemical Company Limited	RMB94,708,782	90	-	90	Manufacturing of chemical products
* Shandong China Resources Boxin Oil & Fat Chemical Co., Ltd.	RMB98,370,000	49.5	-	49.5	Manufacturing of chemical products
* China Resources (Shenyang) Sanyo Compressor	US\$25,060,000	25.5	25.5	-	Manufacturing of compressors

Subsidiary and associated companies	Issued and fully paid share capital	Percentage of capital			Principal activities
		attributable to the Group	held by the Company	held by subsidiaries	
<b>Incorporated in British Virgin Islands</b>					
#*HIT Investments Limited (operating principally in Hong Kong)	200 ordinary "A" shares of US\$1 each	10	-	10	Investment in container terminal operations
Tactical Solutions Incorporated	100 ordinary shares of US\$1 each	51	-	51	Investment holding
<b>Incorporated in Cayman Islands</b>					
* Lippo CRE Financial Services Limited	50,000 ordinary shares of US\$1 each	50	50	-	Investment holding
<b>Incorporated in Bermuda</b>					
* Logic International Holdings Limited (operating principally in Hong Kong)	587,182,261 ordinary shares of HK\$0.1 each	40.6	-	40.6	Office furniture distributor and manufacturer

*Notes:*

1. The Directors are of the opinion that a complete list of the particulars of all subsidiaries and associated companies will be of excessive length and therefore the above list contains only the particulars of the subsidiaries and associated companies which materially affect the results or assets of the Group.
  2. Unless otherwise stated, the principal country of operation of each company is the same as its place of incorporation.
- \* Associated Company
- # Significant influence is exercised through the participation of regular board meeting of the associated company.

## Schedule of Principal Properties

As 31st December 1998

Location	Group's interest	Floor area (sq.m.)	Type	Lease term
<b>A Properties held for investment</b>				
<b>Hong Kong</b>				
Car park on G/F, 1/F and 2/F of CRE Centre 889 Cheung Sha Wan Road, Kowloon NKIL 5540	100%	2,771	CP	Medium Lease
Car park P1-P103, L1-L7, L9-15, L17-L20, L23-L35, Riley House Nos. 74-90 Lei Muk Road, Kwai Chung New Territories Lot No. 937 DD450	100%	9,700	CP	Medium Lease
CRE Building 303 Hennessy Road Wanchai, Hong Kong IL6524 R.P. & IL7004-7008 R.P.	100%	7,451	C/O	Long Lease
8 Commercial Tower 24/F & Room 3001-11 8 Sun Yip Street, Chai Wan, Hong Kong Lot No. 144	100%	2,631	C/O	Medium Lease

<b>Location</b>	<b>Group's interest</b>	<b>Approx. site area (sq.m.)</b>	<b>Floor area (sq.m.)</b>	<b>Type</b>	<b>State of completion</b>	<b>Estimate date of completion</b>
<b>B Properties under development</b>						
<b>Hong Kong</b>						
Villa Esplanada Nga Ying Chau Tsing Yi Town, New Territories TYTL 129						
Phase II	55%	6,400	64,981	R/C	Superstructure in progress	April 1999
Phase III	55%	11,200	80,023	R/C	Substructure completed	July 2001

*Note:* C=Commercial R=Residential CP=Car Park O=Office

## Five-Year Financial Summary

	1994 HK\$'000	1995 HK\$'000	1996 HK\$'000	1997 HK\$'000	1998 HK\$'000
<b>Consolidated profit and loss account</b>					
Turnover	845,627	1,605,061	1,961,888	5,966,361	5,475,100
Profit attributable to shareholders	185,132	284,926	596,669	1,560,122	1,268,428
Dividends	(63,600)	(91,414)	(160,060)	(310,709)	(249,177)
Profit for the year retained	121,532	193,512	436,609	1,249,413	1,019,251
<b>Consolidated balance sheet</b>					
Fixed assets	4,610,213	1,955,797	2,323,260	2,719,314	4,227,054
Intangible assets	73,665	93,768	127,843	123,093	140,788
Long term investments	443,490	1,687,364	5,826,738	7,784,138	7,949,318
Net current assets	1,779,996	5,915,368	7,066,635	7,537,171	6,046,931
Employment of capital	6,907,364	9,652,297	15,344,476	18,163,716	18,364,091
Share capital	1,060,000	1,170,237	1,495,798	1,552,761	1,732,548
Reserves	2,334,056	3,285,825	6,118,340	7,394,305	7,365,340
Shareholders' funds	3,394,056	4,456,062	7,614,138	8,947,066	9,097,888
Minority interests	2,969,553	3,408,609	4,515,428	4,310,521	4,357,571
Long term liabilities	543,755	1,774,163	3,176,322	4,836,233	4,891,821
Deferred taxation	-	13,463	38,588	69,896	16,811
Capital employed	6,907,364	9,652,297	15,344,476	18,163,716	18,364,091
Basic earnings per share	HK\$0.17	HK\$0.26	HK\$0.49	HK\$1.03	HK\$0.81
Dividends per share	HK\$0.06	HK\$0.08	HK\$0.11	HK\$0.20	HK\$0.15

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Thursday, 17th June, 1999 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 1998.
2. To declare a final dividend.
3. To re-elect Directors and to fix the remuneration of Directors.
4. To re-appoint Auditors and authorise the Directors to fix their remuneration.

By Order of the Board  
**LEE Yip Wah, Peter**  
*Secretary*

Hong Kong, 23rd April, 1999

### Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the registered office of the Company at Room 3908, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
3. The register of members of the Company will be closed from Friday, 11th June, 1999 to Thursday, 17th June, 1999, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Thursday, 10th June, 1999.



