

China Resources Enterprise, Limited

(Incorporated in Hong Kong under the Companies Ordinance)

1996 Final Results

The audited consolidated results of China Resources Enterprise, Limited ("the Company" and together with its subsidiary companies "the Group") for the year ended 31st December 1996 are as follows:

	<i>Note</i>	1996 HK\$'000	1995 HK\$'000
Turnover		<u>1,961,888</u>	<u>1,605,061</u>
Operating profit		555,664	639,258
Exceptional item	1	<u>203,549</u>	<u>-</u>
Profit from ordinary activities		759,213	639,258
Share of results of associated companies		<u>327,879</u>	<u>99,924</u>
Profit before taxation		1,087,092	739,182
Taxation	2	<u>(190,521)</u>	<u>(171,243)</u>
Profit after taxation		896,571	567,939
Minority interests		<u>(299,902)</u>	<u>(263,013)</u>
Profit attributable to shareholders		596,669	284,926
Dividends	3	<u>(160,060)</u>	<u>(91,414)</u>
Profit for the year retained		<u>436,609</u>	<u>193,512</u>

Earnings per share	4		
Basic		<u>HK\$0.49</u>	<u>HK\$0.26</u>
Fully diluted		<u>HK\$0.46</u>	<u>N/A</u>

Notes:

- 1 The exceptional item represents profit on deemed disposal of long term investments as a result of flotation of a subsidiary company.

2	Taxation	1996	1995
		HK\$'000	HK\$'000
	Current taxation		
	Hong Kong		
	Company and subsidiary companies	20,654	21,013
	Associated companies	15,423	4,309
	Overseas		
	Subsidiary companies	62,016	117,124
	Associated companies	67,308	15,334
		<u>165,401</u>	<u>157,780</u>
	Deferred taxation		
	Overseas		
	Subsidiary companies	25,120	13,463
		<u>190,521</u>	<u>171,243</u>

Hong Kong profits tax is calculated at 16.5% (1995: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at tax rates applicable in countries in which the Group is assessable for tax.

3	Dividends	1996	1995
		HK\$'000	HK\$'000
	Additional final dividend paid for 1995 as a result of conversion of bonds	3,162	-
	Interim dividend paid of HK\$0.03 (1995: HK\$0.02) per share	37,234	21,200
	Proposed final dividend of HK\$0.08 (1995: HK\$0.06) per share	119,664	70,214
		<u>160,060</u>	<u>91,414</u>

4 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$596,669,000 (1995: HK\$284,926,000) and on the weighted average number of 1,214,643,413 shares (1995: 1,081,141,361 shares) in issue during the year.

The calculation of fully diluted earnings per share is based on the adjusted profit of HK\$602,338,000 after adding back interest net of tax on the 3% convertible bonds issued on 23rd November 1995 and assuming that the net proceeds of subscription on the outstanding options had been placed on the Hong Kong dollar fixed deposits from the date of issue to 31st December 1996 with a leading bank, earning interest net of tax of 5.01% per annum, and on the adjusted weighted average number of 1,318,379,175 shares that would have been issued during the year. No figure for fully diluted earnings per share is shown for 1995 as the dilution is not material.

CHAIRMAN'S STATEMENT

Following the good performance in 1995, I am pleased to report that 1996 was a year of solid achievement to the Group. In addition to the successful spin-off of China Resources Beijing Land Limited, another marked achievement was the completion of the acquisition of a 10 per cent. equity interest in the container terminal business operation under HIT Investments Limited. These notable successes reflect the wider vision of the Group to maintain healthy growth and further diversification at the same time.

Results

The Group's consolidated turnover and profit attributable to shareholders for the year ended 31st December 1996 amounted to HK\$1,962 million and HK\$597 million respectively, representing an increase of 22% and 109% over that of the previous year. Earnings per share of the Company for 1996 is HK\$0.49, compared with HK\$0.26 in 1995.

Dividends

In light of the outstanding performance of the Group, the Directors have resolved to recommend a final dividend of HK\$0.08 per share for 1996 (1995: HK\$0.06) payable on or about 3rd July, 1997 to shareholders whose names appear on the Register of Members of the Company on 12th June 1997. Together with the interim dividend of HK\$0.03 per share, the total distribution for 1996 will amount to HK\$0.11 per share, an increase of 37.5 per cent. over the total dividends of HK\$0.08 per share for 1995.

Review of Operations and Prospects

Godown and Cold Storage Division

Healthy growth was recorded in the Godown and Cold Storage division during the year. Revenue and the net contribution for this division increased by 15% and 29% respectively compared with the previous year. In addition to a stable performance in godown business, high occupancy rates and increased fee rates of the cold storage business were the main contributing factors to the outstanding results of the division.

Beer Division

The operation of beer division is under the control of a joint venture company, CRE Beverage Limited ("CREB") of which the Company has a 51 per cent. equity interest. CREB experienced steady growth in 1996 with the net contribution to the Group increased by 16% over that of 1995. With the aim to quicken the pace of growth, a series of acquisitions was completed during the year. Following the completion of the acquisition of a brewery in Dalian and a brewery in Shenyang, CREB increased its equity interest in each of the three Sino-foreign joint ventures in Shenyang, China namely China Resources (Shenyang) Snowflake Brewery Co. Ltd.; Shenyang Snowflake Beer Co. Ltd. and Shenyang Shengyang Beer Co., Ltd. from 55% to 90% in 1996. Upon completion of certain expansion programmes, the total beer production capacity of the division will be increased to approximately 450,000 metric tonnes per annum. In a move to diversify into the beverage industry, CREB acquired a 67.25% interest in a purified water manufacturing factory in Shenzhen, China.

Property - Hong Kong Division

Investment Properties

The Group's rental properties portfolio comprises CRE Building, a commercial building located at Wanchai, certain units in 8 Commercial Tower at Chai Wan and some car parking spaces both in CRE Centre and Riley House. Gross rental income of the Group for the year under review amounted to approximately HK\$32 million.

Development Projects

CRE Centre, 889 Cheung Sha Wan. The development of the building was completed in December 1995. With the exception of the car parking spaces which is retained as investment property, approximately 98% of the units of the building has been sold.

Villa Esplanada, Tsing Yi Town Lot 129, Nga Ying Chau. The Company has a 55 per cent. attributable interest in the development project, Villa Esplanada which is near the planned Tsing Yi MTR/Airport Express Railway station and close to the proposed North Lantau Expressway to Hong Kong's new airport. The development comprises a 10-block residential complex with approximately 2,250,000 square feet of gross floor area upon completion and is currently divided

into three phases with an estimated development cost of HK\$2.8 billion. The Group plans to launch the first phase of the Villa Esplanada in the second quarter of 1997. Phase two and three of the project are set to be finished at the end of 1998 and 1999 respectively.

Being located in the hub of the Airport Core Programme and with the transport link of the Tsing Ma Bridge, Cheung Ching Tunnel and Rambler Channel Bridge, Villa Explanada shall enjoy unprecedented traffic convenience. The Directors are confident that Villa Esplanada will be an attractive residential estate. Beside this development project, the Group is currently considering the possibility of replenishing its land bank in Hong Kong.

Property - China Division

In November 1996, the shares of China Resources Beijing Land Limited ("Beijing Land") of which the Group held a 53.1 per cent. interest were successfully listed on The Stock Exchange of Hong Kong Limited. On 2nd April, 1997 the Board of Directors of Beijing Land announced that the Beijing Land group's consolidated net profit attributable to shareholders was HK\$250 million in 1996, 38% over that of last year.

As at 31st December 1996, Beijing Land had interests in 17 principal property development projects and in properties held for investment and for its own use, and a land bank with attributable gross floor area, exclusive of resettlement accommodation, of approximately 0.8 million square metres, owned or developable within the Xicheng District of Beijing, being one of four districts comprising the central area of Beijing, and approximately 1.3 million square metres in other areas in Beijing.

The business focus will still concentrate on the development of local residential properties. For the sake of long term development, Beijing Land intends to increase the land bank by acquiring approximately one million square metres of quality land through administrative allocation, transfer of property development rights and transfer of land use rights. Hence, a range of financing options including equity and non-equity related bonds, syndicated loans and project financing are under consideration.

Investments

The principal long term investments of the Group include equity interests in Ng Fung Hong Limited ("NFH") and Hong Kong International Terminal Limited ("HIT").

Ng Fung Hong Limited

In October 1995, the Group acquired a 26 per cent. shareholding interest in NFH which is a company listed on the Stock Exchange of Hong Kong Limited and has a dominant position in the supply and distribution of livestock in Hong Kong. 1996 was the first year in which a full year

contribution of the investment in NFH was reflected in the consolidated accounts of the Group. As announced by the Directors of NFH on 18th April, 1997, the consolidated net profit attributable to shareholders in 1996 amounted to HK\$363 million, representing an increase of 20 per cent. over that of last year.

Container Terminal Business

In December 1996, the Group purchased a 10 per cent stake in HIT from its parent China Resources (Holdings) Company Limited. The HIT group is the world's largest privately-owned container terminal operator in terms of throughput. The Group envisages that its interest in HIT group will provide strong recurring earnings and cash flows to the Group.

Outlook

The business diversification both in Hong Kong and the PRC forms part of a long term strategy of the Group. Apart from expanding the existing businesses, the Company will also focus on identifying other potential industries for future investment so as to diversify its earnings base. Continued asset injections from its parent company will be one of the major channels to quicken the pace of expansion.

With confidence in Hong Kong's ability to maintain its economic position after the handover, it is believed that the Group will be able to report a further improvement in its performance in the coming years.

On behalf of the Board of Directors, may I take this opportunity to express gratitude to the Group's management and staff for their dedication.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiary companies purchased, sold or redeemed any of the Company's issued shares during the year.

By Order of the Board

Zhu Youlan

Chairman

Hong Kong, 21st April 1997