



CHINA RESOURCES ENTERPRISE, LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

1999 ANNUAL RESULT ANNOUNCEMENT

RESULTS

The Directors of China Resources Enterprise, Limited ("the Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31st December, 1999 as follows:

	Note	1999 HK\$ ' 000	1998 HK\$ ' 000
Turnover		12,902,299	5,475,100
		=====	=====
Operating profit		2,101,319	1,676,766
Share of results of associates		490,493	441,402
		-----	-----
Profit before taxation		2,591,812	2,118,168
Taxation	1	(275,706)	(289,016)
		-----	-----
Profit after taxation		2,316,106	1,829,152
Minority interests		(873,267)	(560,724)
		-----	-----
Profit attributable to shareholders		1,442,839	1,268,428
Dividends	2	(290,863)	(249,177)
		-----	-----
Profit for the year retained		1,151,976	1,019,251
		=====	=====
Earnings per share	3		
Basic		HK\$0.79	HK\$0.81
		=====	=====
Diluted		HK\$0.79	HK\$0.80
		=====	=====

Notes:

1. Taxation

	1999	1998
	HK\$ '000	HK\$ '000
Current taxation		
Hong Kong		
Company and subsidiaries	181,355	169,735
Associates	44,492	64,086
Chinese mainland		
Subsidiaries	27,767	34,354
Associates	15,768	21,610
Overseas		
Subsidiaries	5,350	141
	-----	-----
	274,732	289,926

Deferred taxation

Hong Kong		
Company and subsidiaries	974	31
Associates	--	55
Chinese mainland		
Subsidiaries	--	(996)
	-----	-----
	275,706	289,016
	=====	=====

Hong Kong profits tax is calculated at 16% (1998: 16%) 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.

2. Dividends

	1999	1998
	HK\$ '000	HK\$ '000
Additional final dividend paid for the previous year as a result of:		
conversion of bonds	--	15
exercise of share options	84	25

Interim dividend paid of HK\$0.06		
(1998:HK\$0.06) per share	112,243	93,208
Proposed final dividend of HK\$0.09		
(1998:HK\$0.09) per share	178,536	155,929
	-----	-----
	290,863	249,177
	=====	=====

3. Earnings per share

1999	1998
HK\$ '000	HK\$ '000

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

Earnings

Net profit attributable to shareholders		
for the purpose of basic earnings per share	1,442,839	1,268,428
Effect due to dilutive potential ordinary		
shares of a subsidiary	(2,236)	(2,375)
	-----	-----
Net profit attributable to shareholders for		
the purpose of diluted earnings per share	1,440,603	1,266,053
	=====	=====

1999	1998
------	------

Number of shares

Weighted average number of ordinary shares for		
the purposes of basic earnings per share	1,817,388,934	1,575,192,665
Effect of dilutive potential ordinary shares:		
-- Share options	8,866,148	7,951,529
-- Convertible bonds	--	11,929
	-----	-----
Weighted average number of ordinary shares for		
the purpose of diluted earnings per share	1,826,255,082	1,583,156,123
	=====	=====

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

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

The Group's Programme had incurred approximately HK\$15 million. The Group will expend all maintenance or modification costs as incurred, while the costs of new software and replacement of certain systems and equipment will be capitalized and amortized over the estimated useful life of the asset.

CHAIRMAN'S STATEMENT

Final Results

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

Dividends

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

Review of Operations

Property -- Hong Kong

Despite a rather weak Hong Kong property market in 1999, the sales launch of Villa Esplanada Phase II was a great success, providing the Group with a steady stream of profit for the year. The Hong Kong property development and investment business reported net profit before corporate interest and expenses of HK\$589.0 million, 15.3% above the previous year.

Property Development

The Group is currently involved in one development project in Hong Kong, namely, Villa Esplanada. This is a residential project which the Group has a 55% attributable interest. The project comprises a 10-block residential complex with a total floor area of approximately 2.3 million square feet.

The project is divided into three phases. Phase I was pre-sold in 1997 and completed in 1998. Phase II, which comprised a floor area of approximately 740,000 square feet, or approximately 830 units, had been sold in 1999. The construction work of Phase II was

completed on schedule and the units were handed over to the purchasers in the same year. Thus profit attributable from Phase II were booked in 1999. The construction work of Phase III, which comprises floor area of approximately 850,000 square feet, or approximately 1,200 units, is expected to complete on or before the end of 2001. Presale consent of Phase III has been obtained from the Legal Advisory and Conveyancing Office of the Lands Department and sales will be launched shortly when market conditions permit.

Property Investment

Following the acquisition of China Resources Retail (Group) Company Limited during 1999, the Group's investment property portfolio in Hong Kong increased substantially, dominated by its sizeable retail spaces of an estimated aggregate floor area of approximately 500,000 sq.ft., which are located in high-density commercial districts including Causeway Bay, Mongkok, Tsimshatsui and Tsuen Wan where sizeable retail spaces are limited. The scarcity of sizable retail floor spaces in prime commercial districts offers the Group with great potential in redevelopment or renovation of these premises into new shopping arcades, generating a higher rental income to the Company. The Group also owns a portfolio of approximately 700,000 sq.ft., of floor area designated for industrial, office or residential use. These properties achieve a good occupancy rate during the year under review, generating a stable stream of recurrent income for the company.

Property -- Chinese Mainland

The Group's investment in China properties is through its investment in China Resources Beijing Land Limited ("Beijing Land"). As announced by the Directors of Beijing Land on 10th April, 2000, the consolidated net profit attributable to shareholders of Beijing Land for the year ended 31st December, 1999 amounted to approximately HK\$153.6 million, representing a decrease of 49.5% over the same period last year.

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

Food and Beverage

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

Beverage division

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

Godown and Cold storage

Compared with the same period last year, turnover of this division fell by 20.3%, while net profit decreased by 38.1%. The occupancy rate of the Group's godown and cold storage operations fell from 84% and 83% in previous year to 79% and 71% respectively for the year under review. The decline in turnover and net profit of this division was partly attributable to reduction in rental charges for the cold storage operation and partly due to fall in occupancy rates as a result of weak consumer demand in Hong Kong. In view of the recovery in the Hong Kong consumer market, gradual improvement in the performance of this division is expected.

Ng Fung Hong Limited ("NFH")

As announced by the directors of NFH on 26th April, 2000, the consolidated turnover and profit attributable to shareholders of NFH for 1999 amounted to HK\$6,664.0 million and HK\$549.7 million respectively, a decrease of 3.7% and an increase of 4.7% respectively over the same period last year. The Group is currently exploring opportunities of generating synergy between NFH's current businesses and the Group's existing food and beverage business.

Infrastructure and Other Investments

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

HIT Investments Limited ("HIT")

HIT, in which the Group has a 10% stake, reported satisfactory performance in 1999. HIT's Kwaichung operation experienced throughput growth of 7%, reflecting an encouraging recovery in the volume of trade in the second half of the year. Construction of the second phase at the Yantian facility was completed during the year, more than

doubling its annual throughput capacity to approximately 2 million TEUs. Rapid take up of this capacity contributed to throughput growth of over 50%.

Redland Concrete Limited ("Redland")

Redland is principally engaged in the production, distribution and sale of ready-mixed concrete in Hong Kong. The Directors believe Redland is one of the major ready-mixed concrete producers in Hong Kong with a market share of approximately 14%. Despite a drop in volume due to weaker demand for ready-mixed concrete in Hong Kong, Redland reported satisfactory performance in 1999 on the back of continued cost reduction and improved productivity. In view of the government's 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 2nd March, 2000, the company achieved an operating profit before provisions of HK\$343.5 million, representing an increase of 3.6% over the previous year. HKCB Holding's loan provision for 1999 had reduced substantially from HK\$796.6 million to HK\$291.1 million. The consolidated profit of HKCB Holding for the year ended 31st December, 1999 amounted to HK\$40.4 million, representing a marked improvement over a corresponding loss of HK\$646.4 million in 1998. The company's financial position remains extremely strong, with its consolidated capital adequacy ratio currently stands at 29.2%. The Company will maintain its cautious posture in terms of credit exposures and risk management. It will also step up the pace of rationalizing and strengthening its service and product offerings to position the company to take advantage of the anticipated industry consolidation.

Prospects

The Group's carefully planned strategy in the last financial year had yielded fruitful return with profit attributable to shareholders, growing in double digit. Continued prudent approach to financial management has resulted in the Group currently having a large pool of liquid assets, which will provide it with great flexibility in taking advantage of expanding its core businesses when opportunities arise.

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

During the year, as part of its expansion strategy in the retail and distribution business, the Group has committed a lot of resources, including the engagement of a leading consultancy company, in studying the possibility of engaging in business to business e-commerce both in Hong Kong and the Chinese Mainland. The Group's current strategy

is to increase the efficiency and competitiveness of its trading and distribution business through the application of Internet technology. The Group is also responsible for the overall co-ordination of the e-commerce initiatives of the parent company's as well as the Group's subsidiaries and putting them into operation under an innovative business model. The Group will continue to examine the opportunities of leveraging on its parent company's large trading business volume, extensive business network and resources to capture the tremendous potential of business to business e-commerce, particularly in the Chinese Mainland.

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

Appreciation

On behalf of the Board of Directors, I would also like to take this opportunity to express my sincere thanks to all the Group's employees for their continuous support and dedicated services.

By Order of the Board

Ning Gaoning

Chairman

Hong Kong, 26th April, 2000