華潤創業有限公司

# China Resources Enterprise, Limited

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 291)**

# FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

- **Record turnover of HK$47.1 billion, 36% higher from 2003**
- **Profit attributable to shareholders grew by 10% to HK$1.603 billion**
- **Final dividend of HK16¢ per share recommended, bringing the full year cash dividend to HK27¢ per share, a 13% increase from last year**

**Financial Highlights**

| | 2004 HK$'000 | 2003 HK$'000 |
|---|---|---|
| Turnover | **47,078,103** | 34,655,172 |
| Profit from operations | **2,112,172** | 1,536,904 |
| Share of results of associates | **495,290** | 484,686 |
| Profit attributable to shareholders | **1,603,249** | 1,455,177 |
| Earnings per share | **HK$0.76** | HK$0.70 |
| Dividend per share | | |
| — interim | **HK$0.11** | HK$0.10 |
| — final | **HK$0.16** | HK$0.14 |
| | **HK$0.27** | HK$0.24 |

| | At 31 December 2004 HK$'000 | At 31 December 2003 HK$'000 |
|---|---|---|
| Shareholders' funds | **15,781,568** | 13,442,534 |
| Minority interests | **4,811,653** | 3,858,801 |
| Consolidated net borrowings | **4,980,613** | 2,856,490 |
| Gearing ratio | **24.19%** | 16.51% |
| Current ratio | **1.26** | 1.29 |
| Net assets per share: | | |
| Book value | **HK$7.43** | HK$6.43 |

| | Turnover | | Profit Attributable to Shareholders | |
|---|---|---|---|---|
| | **2004 HK$'000** | 2003 HK$'000 | **2004 HK$'000** | 2003 HK$'000 |
| **Analysis of Turnover and Profit** | | | | |
| Petroleum and Chemical Distribution | **18,680,861** | 12,565,348 | **524,520** | 424,068 |
| Retail | **13,898,114** | 9,827,128 | **82,980** | (98,763) |
| Food Processing and Distribution | **5,433,955** | 4,801,464 | **396,162** | 339,906 |
| Beverage | **5,079,388** | 3,950,167 | **112,956** | 98,162 |
| Textile | **3,851,037** | 3,201,798 | **6,530** | 165,891 |
| Property | **306,997** | 279,876 | **311,474** | 278,686 |
| Investments and Others | **—** | 180,069 | **319,806** | 367,587 |
| **Subtotal** | **47,250,352** | 34,805,850 | **1,754,428** | 1,575,537 |
| Elimination of inter-segment transactions | **(172,249)** | (150,678) | **—** | — |
| Net corporate interest and expenses | **—** | — | **(151,179)** | (120,360) |
| **Total** | **47,078,103** | 34,655,172 | **1,603,249** | 1,455,177 |

## CHAIRMAN'S STATEMENT

### FINAL RESULTS

Against a broadly steady operating environment, the Group reported solid performance in 2004. Consolidated turnover for the year ended 31 December 2004 rose 35.8% over 2003 to a record HK$47,078.1million. Profit attributable to shareholders was HK$1,603.2million, 10.2% higher than in the previous year. Earnings per share, on a weighted average basis, was HK$0.76 compared to HK$0.70 in 2003.

### DIVIDENDS

The Board recommends a final dividend of HK$0.16 per share for 2004 (2003: HK$0.14 per share) payable on or about 17 June 2005 to shareholders whose names appear on the Register of Members of the Company on 30 May 2005. Together with the interim dividend of HK$0.11 per share, the total distribution for 2004 will amount to HK$0.27 per share (2003: HK$0.24 per share). This represents 13% growth over 2003, excluding the payment of a special interim dividend of shares in China Resources Cement Holdings Limited by way of a distribution in specie in July 2003.

### CLOSURE OF REGISTER

The Register of Members will be closed from 30 May 2005 to 2 June 2005, both days inclusive. In order to be eligible for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Standard Registrars Limited of Ground floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on 27 May 2005.

### STRATEGY IMPLEMENTATION

#### Corporate strategy

To lead corporate development and to capitalize on the booming consumer market in the Chinese Mainland, the Group is adopting a unique retail-led distribution model. Over the past several years, the Group has been restructuring its non-core businesses so as to shift its focus to the core consumer businesses. In 2003, the Group successfully reorganized the concrete business and distributed the interest to our shareholders in the form of a dividend in specie. We also sold our interest in the aviation fuel facility at the Hong Kong International Airport held through a jointly controlled entity. In 2004, our equity interest in Qingdao Qirun Petrochemical Co., Ltd, which owns and operates some oil storage facilities in Qingdao, was also disposed.

At the same time, the Group has been investing in the core consumer businesses. For the year ended 31 December 2004, the Group incurred HK$4,989 million on capital expenditure, a double from 2003, with a majority on retail, beverage and food businesses. By allocating more resources to the core businesses and divesting from the non-core businesses, this will derive higher value for our shareholders.

The Group has accelerated its investments in the Chinese Mainland as planned. For the year under review, about 51.1% of turnover and 44.7% of profit before tax was from the mainland, compared with 47.5% and 25.8% respectively in the year ended 31 December 2003.

On the other hand, satisfactory progress has been made in the implementation of the retail-led distribution strategy, though it is still at an early stage. The Group's food, beverage and textile operations have started to form part of the supply chain for our supermarket business. In particular, the food operation, which has a long history of supplying fresh meat, vegetables, rice and other food products to our supermarkets in Hong Kong, is their largest supplier. Our Chinese medicine store chain, CR Care, has also started to operate its counters in our supermarket stores.

#### Business strategy

The Group has put a heavy emphasis on branding and last year was particularly momentous. In July 2004, our brewery operation started a new advertising campaign on "Snow" targeting the new generation. "Snow" is being marketed as the brand associating with "life's progression" and, hence, linking with the joy and achievements as one grows up. With this sentimental attachment, it is expected to further differentiate the brand positioning of "Snow". In addition, in October 2004 the beer investment holding company, China Resources Breweries Ltd., was renamed as China Resources Snow Breweries Ltd. to create an integrated identification of the national brand "Snow" with the company name.

The supermarket operation has also embarked on a re-branding exercise since the beginning of this year for the supermarkets in Hong Kong with a new logo design consistent with that adopted in the Chinese Mainland. Coupled with internal renovation and increase in fresh food proportion, the customer base is expected to become broader. In the Chinese Mainland, two private labels, "Premium Plus" and "簡約組合" were introduced in the second half of last year, mainly in the hypermarkets and superstores in the southern region. At the end of last year, there were about 62 SKUs in these two private labels mainly in paper products, cleansing products, laundry and other health and beauty care products. The initial sales results were encouraging.

The supermarket operation has an ongoing re-modeling exercise so as to improve the core competence of its store formats. Last year, strenuous efforts were put in modeling superstore, and the new superstores opened in southern and northern China reported very satisfactory performance. This year, the Group will test a new format called Olé, which is a higher-end lifestyle concept specialty store targeting the upscale consumers. Merchandise will be fashionable, value-oriented and concentrate on apparel, household and food. There will also be a higher proportion of private labels.

Apart from branding, other business strategies have also been implemented at different levels. Our supermarket operation is consolidating its shareholdings in the non-wholly owned subsidiaries to develop a more efficient supply chain and enable further cost savings. Taking advantage of the tightening measures to slow down the mainland economy, the supermarket operation is also prudently purchasing some existing store properties as their rental and capital value are expected to rise steadily in the long term. In addition, our food distribution business has entered the Chinese Mainland meat market with a target on the major cities. The technology upgrade program of our textile business will enhance our operational efficiency and increase the proportion of high end products, boosting the overall margins. Our petroleum and chemical distribution business, though falls outside the core business model, is also looking for growth opportunities in the piped gas market.

### OPERATING ENVIRONMENT

The Group operates in a competitive yet fast growing environment. Retail sales in the Chinese Mainland grew 13.3% in 2004 to about RMB5,400 billion and market consolidation had accelerated. The top 30 retailers constituted approximately 7.1% of the total retail sales, compared with 5.7% in 2003. Among the total sales of RMB385 billion generated by the top 30 retailers, supermarket operators represented around 53%, reflecting the continued rapid development of this modern format of shopping. Based on the 2004 Ranking of 30 Largest PRC Retail Chain Enterprises (二零零四年全國前三十家商業連鎖企業) compiled by the Ministry of Commerce of the PRC, the Group's supermarket operation ranked second among the local supermarket operators in turnover.

Total production volume of the mainland brewery market also increased by about 15% last year to 28.8 million kilolitres. This is the largest increase in the past ten years. In 2004, the top three players accounted for approximately 33% of the market, compared with about 19% in 2000. The Group's brewery operation enjoyed a market share of about 11% last year.

In 2004, the production of cotton yarns and fabrics in the Chinese Mainland increased by 18% and 22% respectively over the previous year. Our yarns and fabrics production increased by 34% and 0.6% respectively over the same period. Technology upgrade and product mix adjustment have caused some disruption in the production of fabrics in Shandong province.

There has been a stable growth in the mainland meat industry, with an average annual increase of approximately 6% in consumption. Pork consumption per capita in China is still very low on international scale. Improving living standards and rising household income in China will boost pork consumption and narrow the gap with more developed countries.

The Hong Kong economy continued to improve last year following a recovery towards the end of 2003. Retail sales increased by 10.8% alongside strong consumer confidence and buoyant tourism. Supermarket sales and department store sales increased by 3.0% and 12.3% respectively in 2004 over the previous year. For livestock consumption, locally produced and imported live pigs and cattle amounted to about 2,248,000 heads and 47,700 heads respectively in 2004. This represents respective growth of 4% and 5% over 2003.

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# China Resources Enterprise, Limited

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## CORPORATE GOVERNANCE

The Group strongly believes that good corporate governance practices together with fair disclosure is essential to enhance its accountability to shareholders. It has been one of the Group's corporate objectives to maintain a good and solid corporate governance framework.

In November 2004, the Hong Kong Stock Exchange published the conclusions on the exposure of draft Code on Corporate Governance Practices and Corporate Governance Report. The Code on Corporate Governance Practices ("CG Code") will become effective for accounting periods commencing on or after 1 January 2005 (save for the internal control section which will be implemented for accounting periods commencing 1 July 2005). As part of the Group's determination to enhance its corporate governance standard, the Board has, on its own initiative, compiled the Group's first corporate governance report on its corporate governance practices for 2004 with reference to the CG Code for inclusion in this annual report. The voluntary inclusion of the corporate governance report serves as an example of the Group's continuous commitment to enhance its transparency.

Since November 2002, the Group has been voluntarily producing quarterly financial and operational review. We are the first conglomerate company among the constituent stocks in the Hang Seng Index to initiate such a move, well before the Hong Kong Stock Exchange making it a recommended best practice for main board issuers. During 2004, the definitions of connected transactions and parties were amended under the revised listing rules. To ensure that managers of the Group have an in-depth understanding of the new rules, disclosure requirements and the impact on inter-company transactions, an intensive workshop was organized in September last year.

The Group's continuous effort to improve its corporate governance standard has been recognised by the investment community. In 2004, the Group was rated one of the "Best Managed Companies" in China by FinanceAsia Magazine in its April issue. On a Corporate Governance poll conducted by Euromoney Magazine in September 2004, the Group ranked the first among conglomerates and the sixth among companies in the emerging markets. In addition, the Group was named one of most committed companies to strengthening internal controls and risk management at a "Best Managed Companies" poll organized by Asiamoney Magazine in its December 2004/January 2005 issue. The Group was also placed in the first quartile according to the Hong Kong Institute of Directors Corporate Governance Scorecard based on five major criteria of best corporate governance practice.

The Group will continue to review the adequacy and effectiveness of its corporate governance practices from time to time, with reference to the prevailing regulatory requirements and international standards.

## INTERNAL CONTROL

The Group's internal controls system plays a key role in the management of risks that are significant to the fulfillment of business objectives. The Group's internal controls system has been designed to safeguarding shareholders' investments, protecting the Group's assets and assuring against material financial misstatements. The Board has the overall responsibility for maintaining an adequate system of internal controls and conducting regular review of its effectiveness through the Audit Committee.

Based on the assessment for the twelve months ended 31 December 2004, the Board has reviewed and is satisfied with the effectiveness of Group's risk management function and internal controls system. The Board is satisfied that the internal controls system is designed to provide reasonable assurance that business risks attributable to the Group are identified and monitored, assets are safeguarded against unauthorized use or disposition, proper accounting records are maintained and financial statements are adequate and appropriate under the current environment.

## SOCIAL RESPONSIBILITY

In addition to its responsibility to its shareholders, the Group believes that it also bears social responsibility for the wider community. Last year, we participated in a number of sponsorships and charity events, including a charity sales campaign (愛心傳城義賣大行動), jointly held with the Agency for Volunteer Service, where over ten thousand packs of staples were given out to the elderly and the under-privileged. The Group also aided the UNICEF in their Tsunami relief efforts in early January 2005. Moreover, to promote and facilitate scholars in the field of Chinese management research, the Group was the main sponsor at the International Association for Chinese Management Research Inaugural Conference in June 2004. At the same time, we also shared our management experience as a leading conglomerate with the Hong Kong Society of Financial Analysts and at a seminar of the EMBA programme by the Chinese University of Hong Kong.

## INVESTOR RELATIONS

The Group recognizes the importance of the views and perception of its investors and the market as a whole. In April 2004, the Group, with the participation of our supermarket management, completed a global non-deal roadshow to meet investors in Europe, the United States and Asia. During 2004, top management along with senior management of different business units met with around 400 fund managers and 145 analysts via one-on-one meetings, visits to our operations as well as conferences arranged by financial institutions.

While investors were able to keep a good track of our business development, we also found the experience rewarding. The Group's commitment in maintaining an open dialogue with investors was recognized by the FinanceAsia Magazine in its April 2004 issue in which our executive director responsible for IR was also rated the Best IR Representative for China.

## PROSPECTS

The change in chairmanship last year is an internal appointment and will further the Group's determination to become a leading consumer company in the region. Now, we have the same dedicated management team with even larger commitment to succeed. Mr. Chen Shulin, the Group's new Managing Director, has been with the Group for many years, and I am confident that he will continue to strengthen our position and lead the Group for further growth.

Restrictions on foreign investment in retailing were removed on 11 December 2004 and competition is expected to step up. Supermarket operators will be repositioned to distinguish themselves from the competition. For our supermarket operation, there was a major improvement in profitability last year following the introduction of various measures to optimize and rationalize the business. The target this year is to further boost competitiveness through format re-modeling, development of private labels and operational efficiency enhancement. Together with the favorable market environment in Hong Kong and a revived brand-fashion distribution business in the Chinese Mainland after terminating distribution of some low profitability brands, the Group is optimistic that its retail business would continue to show improvement.

The mainland beer market has grown rapidly over the last two decades and now the benefits of market consolidation are gradually being realized. The Group entered the beer market early and has built up leading market share in many of its operating districts. The Group will continue to strengthen its existing presence in the North Eastern, Northern, South Western, Central and Eastern region of the Chinese Mainland. Expansion into the Southern region will be cautious by constructing a new brewery in Dongguan, which will be operational in early 2006. The growth of "Snow", our national brand for beer, has been encouraging, being one of the fastest growing brands in the mainland. Rising raw material costs is potentially a challenge but the impact should be mitigated by the increase in beer prices, which already started last year.

Our food processing and distribution operation will continue to exploit the opportunities in the Chinese Mainland meat market following the investment in the two meat processing projects in Shanghai and Shenzhen. China's consumption of livestock is expected to continue rising. In recent years, public awareness of food safety has become more acute and slaughtering in registered slaughterhouses designated by the government has been promulgated, further opening opportunities for our food division. With the efficiency improvement under our technology upgrade program and more stable cotton prices, the Group is positive about the long term prospects of the textile operation. The petroleum and chemical distribution business performed well last year amidst volatile world oil prices. Sound hedging and inventory control practices will remain to be emphasized.

Despite the macroeconomic policies to slow down the economy, which so far have been effective in easing the inflationary pressure and addressing market imbalances, Chinese Mainland's economic growth remains strong and vibrant. With rising incomes and changing lifestyle, its consumer market is in the infancy of development with plentiful opportunities. In Hong Kong, the economy has demonstrated a solid upturn since mid-2003 resulting from the recovery of the property market and an upsurge of consumer spending. Though economic growth is forecast to decline this year, steady job creation and further trade benefits from the second phase of Closer Economic Partnership Arrangement (CEPA II) are expected to sustain an upward growth trend.

Our core businesses, including supermarket, brewery, food and textile, are now among the leading players in the respective markets with deep industry expertise. The Group will continue to explore opportunities to expand and improve its profitability. With our established market presence, unique business model and strong financial position, the Group is poised for further growth.

## APPRECIATION

On behalf of the Board of Directors, I would like to thank all our staff for their commitment and hard work throughout last year. Apart from that, I believe much of the thanks should go to Mr. Ning Gaoning, our former Chairman, who has made a lot of valuable contributions to the Group.

**SONG LIN**
*Chairman*

Hong Kong, 8 April 2005

# 2004 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 31 December 2004 as follows:

| | Notes | 2004 HK$'000 | 2003 HK$'000 |
|---|---|---|---|
| Turnover | | **47,078,103** | 34,655,172 |
| Cost of sales | | **(39,317,104)** | (28,120,003) |
| Gross profit | | **7,760,999** | 6,535,169 |
| Other revenue | 3 | **903,229** | 358,929 |
| Selling and distribution expenses | | **(4,443,639)** | (3,642,407) |
| General and administrative expenses | | **(2,108,417)** | (1,714,787) |
| Profit from operations | 4 | **2,112,172** | 1,536,904 |
| Finance costs | 5 | **(295,464)** | (225,461) |
| Share of results of a jointly controlled entity | | **741** | 184,938 |
| Share of results of associates | | **495,290** | 484,686 |
| Profit before taxation | | **2,312,739** | 1,981,067 |
| Taxation | 6 | **(370,544)** | (254,997) |
| Profit after taxation | | **1,942,195** | 1,726,070 |
| Minority interests | | **(338,946)** | (270,893) |
| Profit attributable to shareholders | | **1,603,249** | 1,455,177 |
| Earnings per share | 8 | | |
| Basic | | **HK$0.76** | HK$0.70 |
| Diluted | | **HK$0.74** | HK$0.69 |

*Notes:*

1. **Basis of Preparation**

The financial statements for the year ended 31 December 2004 have been prepared in accordance with accounting principles generally accepted in Hong Kong.

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group is in the process of making an assessment of the impact of these new HKFRSs and has so far identified that the adoption of HKAS 40 will have significant effects as set out below:

HKAS 40 requires surpluses and deficits arising on the revaluation of investment properties to be reflected in the consolidated profit and loss account for the year rather than in the Group's property valuation reserve. The new HKFRSs also require deferred taxation to be calculated on these surpluses and deficits.

For the year ended 31 December 2004, the adoption of this treatment would have resulted in an increase in the Group's reported profit attributable to shareholders by approximately HK$0.8 billion representing a transfer from property valuation reserve to the consolidated profit and loss account during the year, net of deferred tax thereon.

The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

2. **Segment information**

Segment information is presented in respect of the Group's primary business segment and secondary geographical segment in accordance with the Group's internal financial reporting.

**Business segments**

| | Petroleum and Chemical Distribution HK$000 | Retail HK$000 | Food Processing and Distribution HK$000 | Beverage HK$000 | Textile HK$000 | Property HK$000 | Investments and Others HK$000 | Elimination HK$000 | Total HK$000 |
|---|---|---|---|---|---|---|---|---|---|
| **For the year ended 31 December 2004** | | | | | | | | | |
| **REVENUE** | | | | | | | | | |
| External sales | 18,680,861 | 13,849,316 | 5,352,494 | 5,070,535 | 3,851,037 | 273,860 | — | — | 47,078,103 |
| Inter-segment sales | — | 48,798 | 81,461 | 8,853 | — | 33,137 | — | (172,249) | — |
| | 18,680,861 | 13,898,114 | 5,433,955 | 5,079,388 | 3,851,037 | 306,997 | — | (172,249) | 47,078,103 |
| Other revenue | 300,191 | 111,849 | 123,891 | 48,945 | 227,835 | 12,089 | 403 | — | 825,203 |
| | 18,981,052 | 14,009,963 | 5,557,846 | 5,128,333 | 4,078,872 | 319,086 | 403 | (172,249) | 47,903,306 |
| **Segment result** | 615,851 | 207,680 | 488,793 | 426,458 | 83,310 | 299,739 | (19,932) | — | 2,101,899 |
| Unallocated corporate expenses | | | | | | | | | (67,753) |
| Interest income | | | | | | | | | 78,026 |
| Profit from operations | | | | | | | | | 2,112,172 |
| Finance costs | | | | | | | | | (295,464) |
| Share of results of a jointly controlled entity | 741 | — | — | — | — | — | — | — | 741 |
| Share of net results of associates | 7,731 | (4) | 42,609 | — | 2,604 | — | 309,008 | — | 361,948 |
| Taxation | | | | | | | | | (237,202) |
| **Profit after taxation** | | | | | | | | | 1,942,195 |

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2. **Segment information (continued)**

**Business segments (continued)**

| | Petroleum and Chemical Distribution HK$000 | Retail HK$000 | Food Processing and Distribution HK$000 | Beverage HK$000 | Textile HK$000 | Property HK$000 | Investments and Others HK$000 | Elimination HK$000 | Total HK$000 |
|---|---|---|---|---|---|---|---|---|---|
| **For the year ended 31 December 2003** | | | | | | | | | |
| **REVENUE** | | | | | | | | | |
| External sales | 12,565,348 | 9,778,516 | 4,744,654 | 3,950,167 | 3,201,798 | 234,620 | 180,069 | — | 34,655,172 |
| Inter-segment sales | — | 48,612 | 56,810 | — | — | 45,256 | — | (150,678) | — |
| | 12,565,348 | 9,827,128 | 4,801,464 | 3,950,167 | 3,201,798 | 279,876 | 180,069 | (150,678) | 34,655,172 |
| Other revenue | 25,040 | 85,369 | 48,499 | 58,711 | 66,552 | 5,186 | 811 | — | 290,168 |
| | 12,590,388 | 9,912,497 | 4,849,963 | 4,008,878 | 3,268,350 | 285,062 | 180,880 | (150,678) | 34,945,340 |
| **Segment Result** | 282,344 | (75,690) | 426,549 | 400,723 | 216,029 | 282,562 | 4,578 | — | 1,537,095 |
| Unallocated corporate expenses | | | | | | | | | (68,952) |
| Interest income | | | | | | | | | 68,761 |
| Profit from operations | | | | | | | | | 1,536,904 |
| Finance costs | | | | | | | | | (225,461) |
| Share of results of a jointly controlled entity | 184,938 | — | — | — | — | — | — | — | 184,938 |
| Share of net results of associates | 9,930 | 2,658 | 45,431 | — | 11,038 | — | 338,239 | — | 407,296 |
| Taxation | | | | | | | | | (177,607) |
| **Profit after taxation** | | | | | | | | | 1,726,070 |

**Geographical segments**

| | Turnover HK$'000 (2004) | Other revenue HK$'000 (2004) | 2004 Total HK$'000 | Turnover HK$'000 (2003) | Other revenue HK$'000 (2003) | 2003 Total HK$'000 |
|---|---|---|---|---|---|---|
| Hong Kong | **18,991,778** | **134,477** | **19,126,255** | 15,037,007 | 114,705 | 15,151,712 |
| Chinese Mainland | **24,036,614** | **673,394** | **24,710,008** | 16,463,349 | 168,713 | 16,632,062 |
| Overseas | **4,049,711** | **17,332** | **4,067,043** | 3,154,816 | 6,750 | 3,161,566 |
| | **47,078,103** | **825,203** | **47,903,306** | 34,655,172 | 290,168 | 34,945,340 |

3. **Other revenue**

| | 2004 HK$'000 | 2003 HK$'000 |
|---|---|---|
| Other revenue includes the following: | | |
| Dividend from unlisted other investments | **4,357** | 8,507 |
| Interest income | **78,026** | 68,761 |
| Profit on disposal of associates | **326,181** | 1,220 |
| Profit on disposal of fixed assets | **164,516** | 20,137 |
| Negative goodwill recognized | **14,067** | 13,079 |
| Surplus on revaluation of investment properties | **41,668** | 11,573 |

4. **Profit from operations**

| | 2004 HK$'000 | 2003 HK$'000 |
|---|---|---|
| Profit from operations has been arrived at after charging: | | |
| Depreciation | | |
| — Owned assets | **1,136,610** | 973,630 |
| — Assets held under finance leases | **5,040** | 5,045 |
| Amortisation of intangible assets | | |
| — Goodwill (included in general and administrative expenses) | **116,424** | 87,257 |
| — Intangible assets other than goodwill | **13,434** | 10,642 |

5. **Finance Costs**

| | 2004 HK$'000 | 2003 HK$'000 |
|---|---|---|
| Interest on finance leases | **1,644** | 2,379 |
| Interest on bank loans and other loans wholly repayable within five years | **260,175** | 205,182 |
| Interest on other loans not wholly repayable within five years | **6,113** | 6,599 |
| Financing charges | **27,532** | 12,063 |
| | **295,464** | 226,223 |
| Less: Amounts capitalised | **—** | (762) |
| | **295,464** | 225,461 |

6. **Taxation**

| | Current taxation HK$'000 | Deferred taxation HK$'000 | 2004 Total HK$'000 | 2003 Total HK$'000 |
|---|---|---|---|---|
| **Hong Kong** | | | | |
| Company and subsidiaries | **141,084** | **(61,282)** | **79,802** | 100,479 |
| Associates | **128,431** | **—** | **128,431** | 55,741 |
| **Chinese Mainland** | | | | |
| Subsidiaries | **187,143** | **(31,115)** | **156,028** | 67,743 |
| Associates | **4,911** | **—** | **4,911** | 21,649 |
| **Overseas** | | | | |
| Subsidiaries | **1,372** | **—** | **1,372** | 9,385 |
| | **462,941** | **(92,397)** | **370,544** | 254,997 |

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) 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 subsidiaries and associates in the Chinese Mainland. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

7. **Dividends**

| | 2004 HK$'000 | 2003 HK$'000 |
|---|---|---|
| Additional final dividend paid for the previous year as a result of exercise of share options | **233** | — |
| Special dividend in specie of shares of a subsidiary | **—** | 1,050,502 |
| 2004 interim dividend paid of HK$0.11 (2003: HK$0.10) per ordinary share | **231,822** | 208,297 |
| 2004 proposed final dividend of HK$0.16 (2003: HK$0.14) per ordinary share | **342,173** | 294,242 |
| | **574,228** | 1,553,041 |

At the meeting held on 8 April 2005 the directors proposed final dividend of HK$0.16 (2003: HK$0.14) per ordinary share. This proposed dividend, which is calculated on the Company's number of ordinary shares as at the date of the board meeting, is not recognised as a liability in these financial statements. The total dividends paid by the Company, including the final dividend for the year 2003, amounting to HK$526,297,000 (2003 : HK$1,529,252,000) are reflected in the current year financial statements.

8. **Earnings per share**

| | 2004 HK$'000 | 2003 HK$'000 |
|---|---|---|
| The calculation of the basic and diluted earnings per share is based on the following data: | | |
| **Earnings** | | |
| Profit attributable to shareholders for the purpose of calculating basic earnings per share | **1,603,249** | 1,455,177 |
| Interest saving on exercise of convertible bonds | **73,066** | 70,484 |
| Profit attributable to shareholders for the purpose of calculating diluted earnings per share | **1,676,315** | 1,525,661 |

| | 2004 | 2003 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **2,104,438,057** | 2,082,171,453 |
| Effect of dilutive potential ordinary shares: | | |
| — Share options | **39,769,143** | 12,896,662 |
| — Convertible bonds | **119,595,400** | 119,595,400 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | **2,263,802,600** | 2,214,663,515 |

**PUBLICATION OF FURTHER INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

A detailed results announcement containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in force prior to 31 March 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under the transitional arrangement, will be published on the website of the Stock Exchange in due course.

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF OPERATIONS

### Petroleum and Chemical Distribution

Turnover of the petroleum and chemical distribution division for 2004 was HK$18,680.9 million, an increase of 48.7% over 2003. Attributable profit of the division for 2004 rose by 23.7% to HK$524.5 million. Excluding a gain of HK$240.5 million from the disposal of its 30% interest in Qingdao Qirun Petrochemical Co., Ltd. ("Qingdao Qirun"), an associated company of the Group in 2004 and the sharing of a gain from the disposal of our interest in the aviation fuel facility at the Hong Kong International Airport in 2003, attributable profit for 2004 would have increased by 18.8% over 2003.

The international oil prices surged considerably during the year and have been hovering around USD55 a barrel by mid October. Although prices were slightly adjusted in the last quarter of the year, oil prices remained at relatively high level as compared to 2003, which also translated to unprecedented high prices of petroleum and chemical products. Despite the severely difficult operating environment during the year, the overall gross margins could still be maintained.

Turnover growth was boosted by both volume increase and surge in oil prices. The sales volume increase was attributable to the aviation fuel supply contracts secured in early 2004. The growth in sales volume helped compensate the decline in gross margin caused by the escalation of world oil prices. The chemical operation, benefited from a less competitive domestic environment in the Chinese Mainland and a 9.1% sales volume growth in the third quarter of the year, resulted in substantial improvement in net profit for 2004. The piped gas operation in Suzhou also reported satisfactory net profit contribution for the year.

The division implemented its plan to divest its non-core investment assets in order to re-channel the resources to capture investment opportunities in piped gas industry, which proved to have great potential for growth in the Chinese Mainland. In October 2004, the successful acquisition of a 36% stake in Chengdu City Gas Co. Ltd further consolidated the Group's market presence in the piped gas industry in the Chinese Mainland. This favourably positions the Group for stronger growth potential in the long run. In November 2004, the Group entered into an agreement to dispose of 30% equity interest in its 40.5% owned associated company, Qingdao Qirun, which owns and operates some oil storage facilities in Qingdao, at a consideration of RMB355.56 million. The remaining 10.5% equity in Qingdao Qirun was also subsequently disposed in Jan 2005 at a consideration of RMB124.4 million.

With our experience in the Suzhou and Chengdu piped gas investments, and in anticipation of the growing demand for petroleum and chemical products that come from the continuous economic growth in the Mainland market, the Group will prudently look for business expansion opportunities in gas fuel and other downstream chemical products in the Chinese Mainland, while sustaining margins within our target levels.

### Retail

The Group's retail division mainly comprises three business segments: (1) supermarket and logistics; (2) brand-fashion distribution in the Chinese Mainland and (3) other retail stores operation.

For 2004, our retail division reported an encouraging improvement in both turnover and profitability. Turnover of the Group's retail division was HK$13,898.1 million, a 41.4% increase over 2003. Attributable profit was HK$83.0 million, against a loss of HK$98.8 million in 2003.

Despite the macro-economic control measures, China's GDP grew 9.5% in 2004. On the back of improvement over living standard, especially in the urban and sub-urban regions, favourable demographics and strong domestic demand will continue to drive robust growth in the retail industry.

Economic recovery in Hong Kong greatly improved the retail market environment in 2004. Flourishing tourism driven by the Individual Travel Scheme continues to benefit the retail sector. It is anticipated that the economy will continue to revive as tourism will be fuelled by the opening of a theme park on the Lantau Island in the third quarter of 2005.

*Supermarket and Logistics*

Turnover of the supermarket and logistics operation for 2004 was HK$11,941.5 million, an increase of 51.5% over last year. Attributable profit for 2004 was HK$23.7 million, recovered from a loss of HK$106.5 million in 2003.

The Group currently operates its supermarket business through three groups of subsidiaries, namely, 華潤萬家有限公司 China Resources Vanguard Co. Ltd., 蘇果超市有限公司 Suguo Supermarket Co., Ltd ("Suguo") and China Resources Vanguard (Hong Kong) Company Limited (formerly known as China Resources Supermarket (Hong Kong) Company Limited). By the end of 2004, the Group operated a total of approximately 1,800 stores in Hong Kong and the Chinese Mainland, of which 45% are self-operated while the rest are franchised stores.

The substantial increase in turnover for the year ended 31 December 2004 was mainly attributable to the consolidation of turnover of Suguo, the recovery of hypermarket sales from the outbreak of SARS in 2003, together with the sales contributed by the newly opened stores and the logistics operations.

For 2004, the supermarket and logistics business reduced its net loss with consolidated earnings before interest, tax, depreciation and amortization ("EBITDA") amounted to HK$402.4 million, a significant improvement by 310.0% over 2003.

2004 saw a substantial improvement of the Chinese Mainland operation. Moreover, the 25.1% increase in payments from suppliers, including incentives, store display and promotion income helped improve the operating result.

The Northern China operation reported a turnover increase of 11.8% while net loss reduced by 59.9% for 2004 as a result of stringent cost controls in place and increase in payments from suppliers through better price negotiation.

# 華潤創業有限公司
# China Resources Enterprise, Limited

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 291)**

The Eastern China operation, including Suguo, was particularly well performed in 2004. An encouraging same store growth of 13.5% on average was recorded. Benefited from competitive pricing strategies, optimal merchandise composition, broad variety of consumer products adapted to local preferences, coupled with the increase in scale of operation, the Eastern China operation reported a satisfactory growth in both turnover and net profit for the year.

In the Southern China, the efforts made in restructuring merchandise composition and closing of inefficient stores improved the operating result, with net loss reduced by 25.3% in 2004. As part of the business development strategies, there was expenditure incurred during the last quarter of 2004 for business promotions and new conceptual design of store formats, such as LifeStyle, which is expected to generate new income streams from more diversified customer groups in future.

The Hong Kong operation reported a 12.6% increase in turnover and substantial improvement in net profit of 120.4% for 2004. With the economic rebound in Hong Kong, there was growing demand for warehouse space, which therefore benefited our logistics business for 2004.

In order to centralize the management functions, reduce administrative expenses, promote management by store format and strengthen its position with its suppliers of the supermarket and logistics operation, the Group entered into an agreement with its parent companies for the acquisition of the remaining 35% interest in CR Vanguard and an additional 11.5% equity interest in Suguo in December 2004. Total consideration amounted to HK$660.3 million, which is to be satisfied by the issue of 57,971,905 new shares of the Company. With the approval of the Ministry of Commerce of the People's Republic of China in March 2005, CR Vanguard will become the wholly owned subsidiary of the Group and Suguo will be 85% owned upon completion of the acquisition.

The expanded geographical spread and the associated cost benefits will allow the Group to substantially benefit from centralised procurement, improve productivity of the supply and logistics chain as well as synergies among multiple store formats. All these will further improve the overall profitability and strengthen our market leadership in the most affluent regions in the Chinese Mainland.

*Brand-fashion distribution*

Turnover of the brand-fashion distribution segment for 2004 rose by 13.0% to HK$1,140.7 million. Attributable profit of the segment for 2004 amounted to HK$31.0 million, as compared to a net loss of HK$18.9 million in 2003.

By the end of December 2004, the Group distributed 10 international brands through approximately 700 self-operated and franchised stores at designated cities in the Chinese Mainland.

The sales improvement for the year was mainly driven by the increase in sales of "Esprit" brand, which was attributable to the turnover growth from the wholesale business, effective marketing promotion as well as the increase in number of self-operated stores.

As the "CK Jeans" business has evolved to a more developed stage in 2004, operation focus was primarily on the management of franchised stores and marked improvement in its brand performance was recorded this year. The turnover of franchised stores increased by 92.8% with operating costs and capital expenditure substantially reduced. Turnover contribution from the "Dunhill" brand for the year was also satisfactory due to a notable increase of 84.9% in the franchise business.

The Group will continue to strengthen its distribution network, improve operating cost efficiency and enhance the overall profitability of its portfolio of brands to capitalize on the expansion opportunities that may arise from the rapid economic growth of the Chinese Mainland.

*Other retail stores*

Turnover of other retail stores segment for 2004 was HK$816.0 million, a decrease of 13.0% over last year. Attributable profit of the segment for 2004 was HK$28.3 million, representing an increase of 5.8% over last year.

By the end of December 2004, the Group's other retail chain stores in Hong Kong consisted of 5 Chinese Arts & Crafts Stores 中藝, 1 CRC Department Stores 華潤百貨 and 31 CR Care Stores 華潤堂.

Overall decline in turnover was primarily due to the successive closure of stores in Mongkok and Hennessy Road respectively in 2003 and 2004. Improvement in overall operating margins due to local economic recovery and product mix enhancement helped improve the profitability of the segment. Strenuous efforts in brand promotion and sales mix management sustained margin growth of Chinese Arts & Crafts Stores 中藝 operations during the year.

The closure of stores in Mongkok and Hennessy Road respectively in 2003 and 2004 and increased operating expenses due to opening of new stores have collectively brought down the profitability of CR Care Stores 華潤堂 operation in 2004.

With the continued improvement in local consumption expenditure and the rising number of inbound visitors to Hong Kong, retail sales growth prospects are encouraging. The anticipated completion of the theme park on the Lantau Island in the third quarter of 2005 will further boost the overall retail sales.

**Food Processing and Distribution**

The food processing and distribution division reported turnover and attributable profit for 2004 of HK$5,434.0 million and HK$396.2 million respectively, a respective increase of 13.2% and 16.6% over 2003. The increase in attributable profit was mainly due to the recognition of deemed disposal profits from the dilution of our interests in two associated companies, Hunan New Wellfull Co., Ltd. and Fortune Ng Fung Food (Hebei) Co., Ltd. upon the successful listing of their shares on the Shanghai Stock Exchange in June and July 2004 respectively.

Increasing demand for branded food owing to rising health awareness of Hong Kong citizens, effective promotion of high quality fresh meat under the 五豐 brand name, coupled with a broadened customer base and product mix for frozen food distribution contributed to the sales volume growth of the foodstuff distribution operation. Through effective negotiation with suppliers, the operation has ensured stable supply of livestock to Hong Kong throughout the year. As a result, the foodstuff distribution operation sustained satisfactory profit contribution despite soaring prices of livestock from the Chinese Mainland that led to a decline in the margins.

Despite the high fuel costs due to the surging oil prices during the year, marine fishing and aquatic products processing operation reported an increase in net profit growth of 20.1% for the year. Continuous efforts in exploring more high quality fishing grounds, enhancing catching capability of the fishing fleet, improvement of sales network and selling more high-end fishes as well as aquatic products proved to be effective in improving profitability.

Backed by its track record and the competitive advantage of food distribution in Hong Kong, the Group has stepped up its investments in the Chinese Mainland meat market as planned. The acquisition of a 70% interest in Shenzhen General Food Corporation, a vertically integrated enterprise of livestock-raising, slaughtering, meat products processing and poultry wholesaling, was completed in July 2004. The construction of a meat processing centre in Shanghai is progressing on schedule. The Group will utilise its investments in the Shenzhen and Shanghai projects to enter branded food distribution in the Chinese Mainland, through appropriate food product enrichment together with integrated distribution networks and brand building.

**Beverage**

The beverage division reported a turnover and attributable profit for 2004 of HK$5,079.4 million and HK$113.0 million respectively, representing a corresponding increase of 28.6% and 15.1% over 2003.

The increase in turnover and profitability of the operation was mainly driven by the growth in sales volume of beer by 23.8% to approximately 3.1 million kilolitres, of which the organic growth in the sales volume of beer from existing breweries, amounted to 11.2%.

In 2004, raw material costs rose significantly particularly during the second half of the year. This was already lower than the market average price changes as the Group management secured steady barley supplies at negotiated fixed prices by switching purchases from direct import to term contracts with a major Chinese Mainland supplier. The higher energy costs and the newly implemented truck loading restrictions effective since June 2004 also led to an increase in production and delivery costs. However, with a net price rise of 3.4% on average and changes in product mix during the year, the overall gross margin per kilolitre can still be sustained.

Persistent efforts in promoting our national brand "Snow" improved the sales volume for the year by 37%, approximately 897,000 kilolitres, compared with approximately 654,000 kilolitres in 2003.

The newly acquired breweries in Zhejiang, Anhui, which span our significant market presence across the Central and Eastern China respectively, reported satisfactory net profit contribution for 2004. The acquisition of the Chinese brewery interests of Lion Nathan Limited was completed in October 2004. This strategic move will consolidate the Group's market presence in Eastern and Central China and strengthen the national distribution network of "Snow" through potential synergies in marketing, procurement and logistics. The Group also concluded in December 2004 the acquisition of a small brewery in Qamdo, Tibet.

By the end of 2004, the Group operated a total of 37 breweries with an annual production capacity of approximately 5.5 million kilolitres.

Beer consumption is expected to rise with the increase in individuals' income levels in China, which is expected to drive further growth of the beverage division. Apart from acquisition, the Group will continue to emphasize on operational excellence, brand development and expansion of market coverage in the Chinese Mainland.

**Textile**

Turnover of the textile division for 2004 was HK$3,851.0 million, representing an increase of 20.3% over 2003. Attributable profit for 2004 was HK$6.5 million, compared to an attributable profit of HK$165.9 million in 2003.

The increase in turnover was mainly due to the acquisition of interests in two sizable textile companies, namely, 80% equity interest in 咸陽華潤紡織有限公司 Xianyang China Resources Textiles Co., Ltd. and 100% equity interest in 陝西華潤印染有限公司 Shanxi China Resources Printing & Dyeing Co., Ltd. in the last quarter and a general increase in product selling prices during 2004.

Aligned with the market demand, there was a gradual change in product sales mix to the higher margin yarn. However, the fluctuations of cotton price, which was exceptionally high in the first half, but substantially decreased in the second half of the year, greatly affected the operating results as a whole. With the high cotton costs in the inventory, the gross profit margin was lowered. The decrease in profitability was partially offset by a gain arising from the factory relocation during 2004.

Exacerbated by the higher transportation and storage costs, depreciation charges associated with the implementation of a technology upgrade program, one-off severance payments as a result of changes in work practices from four to three shifts introduced under a productivity improvement initiative, the overall operating profit of 2004 was lower. However, the labour cost is anticipated to reduce as a result of shift pattern changes and will improve the overall operating result in the coming future.

With an anticipated increase in supply, cotton prices are expected to remain at reasonable levels. The Group is confident that enhanced production efficiency and product quality resulted from the technology upgrade will improve its competitiveness. With China now being one of the major garment exporting countries in the world, the Group is cautiously optimistic regarding the removal of the global textile quota starting from 1 January 2005.

**Property**

The property division, which mainly comprise the rental property segments of retail, office and industrial premises, reported a turnover and attributable profit for 2004 of HK$307.0 million and HK$311.5 million respectively, representing a corresponding increase of 9.7% and 11.8% over 2003.

The improvement of the local economic fundamentals continued to boost the retail property market sentiment during 2004. An overall increase of 13.5% in rental income of retail properties in 2004 was mainly driven by the rental increase from Argyle Centre upon renovation completed in September 2003; a general rental rise in 2004 upon tenancy renewal; and recovery of rental concessions granted during SARS in 2003. Average occupancy rate of industrial premises also remained high at 90.0%. The Group's investment properties continued to generate stable rental income streams.

The buoyant market sentiment also benefited the Group's portfolio value of investment properties which gave rise to a HK$995.0 million revaluation surplus, of which a write-back of provision of approximately HK$41.0 million was made to the profit and loss account for 2004.

The renovation of the Group's retail property at Hennessy Road, Wanchai, which was previously occupied by a CRC Department Store 華潤百貨, commenced in early June 2004 and is expected to complete in the second half of 2005. This will enhance the earning potential of the retail property.

Looking ahead, owing to the limited supply of retail properties, particularly in the traditional shopping districts, the investment property values in prime locations can be maintained. This will also help secure the Group's average rental in the retail sector at satisfactory levels.

The Group will continue to leverage on the existing resources and expertise to facilitate the retail-led supermarket business growth. Non-core investment assets in the industrial and office sectors are in consideration for divesture and proceeds will be applied to new business opportunities in selected markets of the Chinese Mainland that offer stable returns with manageable risks.

**Investments and Others**

Attributable profit for 2004 amounted to HK$319.8 million. (2003: HK$367.6 million).

*Container Terminal*

The Group has a 10% interest in HIT Investments Limited. In Hong Kong, Hongkong International Terminals reported growth of 18% in throughput and 4% in EBIT, compared to that of last year. Yantian port reported throughput growth of 19% and EBIT growth of 20%, reflecting new capacity from Phase III's four berths which were completed in September 2004.

**CAPITAL AND FUNDING**

To maximize surplus cash for internal funding while enhancing liquidity and yield, the Group operates under a centralized system of treasury management. As at 31 December 2004, the Group's consolidated cash and cash equivalents amounted to HK$4,798.6 million. The Group's borrowings as at 31 December 2004 were HK$9,779.2 million with HK$2,982.0 million repayable within 1 year, HK$6,704.2 million repayable within 2 to 5 years and HK$93.0 million repayable after 5 years. Committed borrowing facilities available to the Group were fully utilized as at 31 December 2004. Except for the US$230 million convertible guaranteed bonds, due for maturity in May 2006, all the borrowings are subject to floating rates.

On the basis of the Group's net borrowings relative to the shareholders' funds and minority interests, the Group's gearing was approximately at 24.2% (2003: 16.5%). The increase in gearing was largely attributable to capital investments during the year.

The Group's principal assets, liabilities, revenue and payments are denominated in US dollars, Hong Kong dollars and Renminbi. As at 31 December 2004, 40% of the Group's cash deposit balances was held in US dollars, 28% in Renminbi and 30% in Hong Kong dollars; whereas 36% of the Group's borrowings was denominated in US dollars and 30% in Renminbi with the remainder in Hong Kong dollars. Moreover, to mitigate the foreign currency and interest rates exposure, the Group entered into certain forward contracts and interest rate swaps to hedge against part of its borrowings.

**CAPITAL EXPENDITURE**

The Group spent HK$4,989.1 million on capital expenditure during the year 2004. Additions to fixed assets amounted to HK$2,461.2 million. The Group incurred HK$2,527.9 million for new acquisitions in food, textile and beverage, as part of our retail-led distribution strategy. Capital expenditure was primarily financed by internally generated funds from operations and bank borrowings.

**PLEDGE OF ASSETS**

As at 31 December 2004, fixed assets with net book value of HK$799.3 million (2003: HK$357.8 million) were pledged for short-term loans in the sum of HK$523.2 million (2003: pledged for short term loans of HK$256.7 million) and long term loans in the sum of HK$72.2 million (2003: pledged for long term loans of HK$56.4 million)

**CONTINGENT LIABILITIES**

The Group does not have any material contingent liabilities as at 31 December 2004.

**EMPLOYEES**

As at 31 December 2004, the Group excluding its associated companies, employed approximately 84,000 people, of which approximately 97% were employed in the Chinese Mainland, with the remaining predominantly in Hong Kong. The Group's employees are remunerated according to the nature of job, individual performance and market trends with various incentive schemes to attract, retain and motivate good employees. In particular, share option has been used as a longer term incentive to align interests of employees to those of shareholders.

By order of the Board
**CHEN SHULIN**
*Managing Director*

Hong Kong, 8 April 2005

*As at the date of this announcement, the executive directors of the Company are Mr. Song Lin (Chairman), Mr. Chen Shulin (Managing Director), Mr. Qiao Shibo (Deputy Managing Director), Mr. Yan Biao (Deputy Managing Director), Mr. Keung Chi Wang, Ralph (Deputy Managing Director), Mr. Lau Pak Shing, Mr. Wang Qun, Mr. Zhong Yi and Mr. Kwong Man Him. The non-executive directors are Mr. Jiang Wei and Mr. Xie Shengxi. The independent non-executive directors are Dr. Chan Po Fun, Peter, Mr. Houang Tai Ninh and Mr. Li Ka Cheung, Eric.*