China Resources Enterprise, Limited

Press Release

Date : September 17, 1999

CRE Announces 1999 Interim Result

The Directors of China Resources Enterprise, Limited ("the Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 30 June 1999 as follows:

		Six months ended 30th June	
	Note	1999	1998
		HK'000	*HK'000*
Turnover		7,122,649	3,233,626
Operating profit		1,614,269	1,106,641
Exceptional items		-	(45,342)
Profit from operating activities		1,614,269	1,061,299
Share of results of associated companies		247,721	317,304
Profit before taxation		1,861,990	1,378,603
Taxation		(199,288)	(168,851)
Profit after taxation		1,662,702	1,209,752
Minority interests		(699,596)	(301,259)
Profit attributable to shareholders		963,106	908,493
Earnings per share			
Basic		HK$0.56	HK$0.58
Diluted		HK$0.55	HK$0.58
Interim dividend per share		HK$0.06	HK$0.06

INTERIM DIVIDEND

The Directors have declared an interim dividend for the year ending 31st December 1999 of HK6 cents per share (1998: HK6 cents).

FINANCIAL HIGHLIGHTS

		1H1999 HK$'000	1H1998 HK$'000	
Turnover		7,122,649	3,233,626	120.3%
Operating profit		1,614,269	1,106,641	45.9%
Share of Associated Companies		247,721	317,304	-21.9%
Profit attributable to shareholders		963,106	908,493	6.0%
Earnings per share (HK$)		0.56	0.58	
Interim Dividends per share(HK$)		0.06	0.06	-
Consolidated net borrowings	(1)	Net Cash	1,488,923	
Gearing	(1)	Net Cash	11.10%	

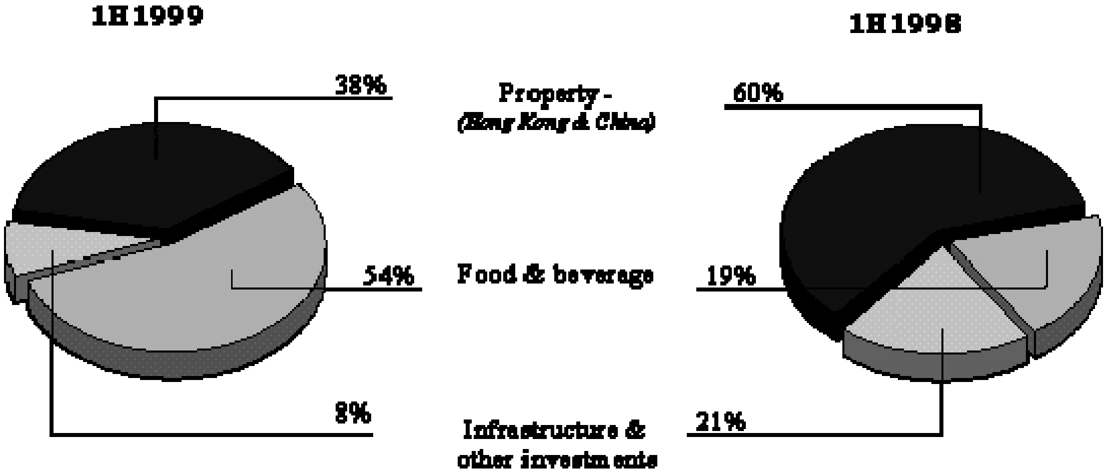
(1) 1998 figures are as at 31st December 1998, while 1H1999 figures are as at 30th June 1999.

REVIEW OF OPERATIONS AND PROSPECTS

The Group's unaudited consolidated turnover and profit attributable to shareholders for the six months ended 30th June 1999 amounted to HK$ 7,122.6 million and HK$ 963.1million respectively, representing an increase of 120.3% and 6.0% over the same period last year. Earnings per share of the Group, on a weighted average basis, amounted to HK$0.56 compared with HK$0.58 in the first half of 1998.

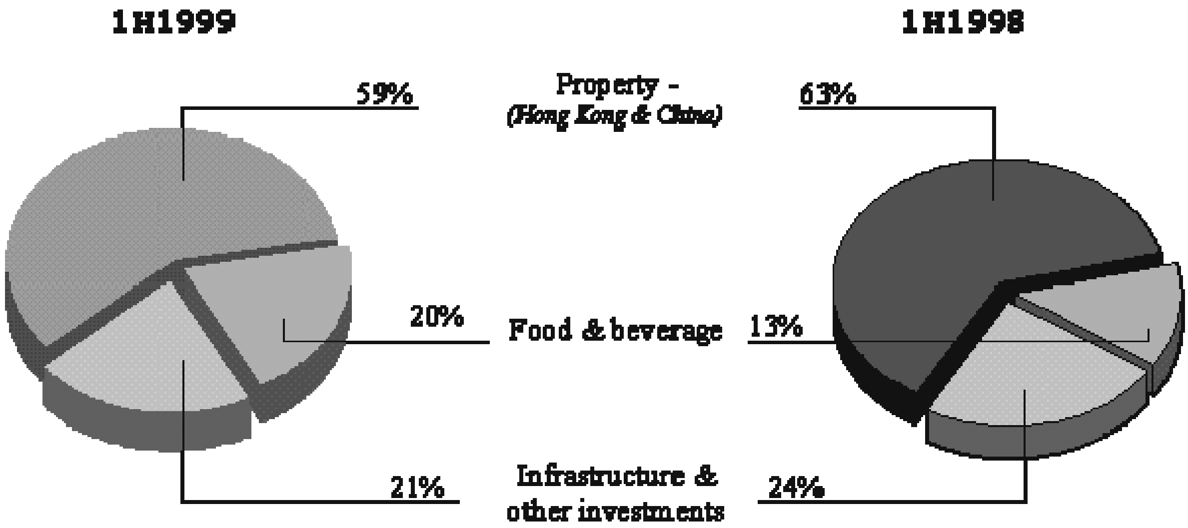
	1H1999 HK$'000	1H1998 HK$'000	
Turnover by activity			
Property - Hong Kong & China	2,685,086	1,943,207	38.2%
Food & beverage	3,861,329	621,894	520.9%
Infrastructure & other investments	576,234	668,525	-13.8%
Total	7,122,649	3,233,626	120.3%

Total Turnover



	1H1999 HK$'000	1H1998 HK$'000	
Profit attributable to shareholders by activity			
Property - Hong Kong & China	636,468	622,378	2.3%
Food & beverage	206,172	132,895	55.1%
Infrastructure & other investments	223,202	235,651	-5.3%
Subtotal	1,065,842	990,924	7.6%
Net interest & corporate expenses	-102,736	-82,431	24.6%
Total	963,106	908,493	6.0%

Financial Analysis - Profit



Property - Hong Kong

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 gross floor area of approximately 2.25 million square feet.

The project is divided into three phases. Phase I was pre-sold in 1997 and completed in 1998. Sale of the Phase II, which comprises a gross floor area of approximately 742,000 square feet, or approximately 830 units, commenced in early 1999. Over 90% of Phase II have been sold to-date. The construction work of Phase II has been completed on schedule and the units were handed over to the purchasers commencing August 1999. The construction work of phase III will commence before the end of October 1999 and is expected to complete on or before the end of 2001.

Property Investment

The Group's investment properties in Hong Kong currently consisting of approximately 120,000 square feet of commercial floor area and over 500 car park space. The down turn in the Hong Kong rental property market has affected the Group's investment properties, which achieved an average occupancy rate of approximately 78% in the first half of this year, compared to 90% in the same period of last year. There are signs that the occupancy rate of the Group's rental properties is stabilising and further deterioration from current level is not expected.

Property - Chinese Mainland

The Group's investment in China properties is through its investment in China Resources Beijing Land Limited ("Beijing Land"). Similar to prior years, this division has a relatively small contribution in the first half of the year. As announced by the Directors of Beijing Land on 10th September 1999, the consolidated net profit attributable to shareholders of

Beijing Land for the six months ended 30th June 1999 was HK$84.1 million, representing an increase of 5% over the same period last year.

Food and Beverage

BEVERAGE DIVISION

The beer and purified water sales volume for the first six months of this year was approximately 360,000 tonnes and 65,000 tonnes respectively, representing an increase of approximately 38.5% and 8.3% compared with the corresponding period of last year.

Sales revenue of the division for the first six months of this year increased by approximately 31.4% while net profit of the division grew by 107.0%. The remarkable growth in earnings was due to strong volume and market share growth, and implementation of cost saving programmes. The division's expansion plan is on schedule, with the recent acquisition of a brewery in Tianjin, the division's annual brewing capacity has reached 950,000 tonnes.

GODOWN AND COLD STORAGE

As a result of the Hong Kong economy being sluggish and continued increase in market competition in the first six months of this year, turnover of this division fell by 24.0%, while operating profit decreased by 38.0% when compared with the same period last year. Overall the average occupancy rate of the Group's cold storage and godown operations fell in the first half of this year to 70% and 75% respectively compared to 85% and 81%. The rental charges of the cold storage operation have been reduced by an average of 15% in the first half of this year. The division's performance has since stabilised, however, it is not expected to recover in the near term.

NG FUNG HONG ("NFH")

Despite the prevailing market conditions, NFH continues to report satisfactory growth in earnings for the first six months of this year. As announced by the directors of NFH on 17th September 1999, the consolidated profit attributable to shareholders of NFH for the first half of 1999 amounted to HK$266.2 million, representing an increase of 4.4 % over the same period last year. The Directors believe that NFH will continue to provide the Group with a high quality source of recurrent income, as well as opportunities for future co-operation between NFH and the Group's food and beverage businesses.

Infrastructure and Other Investments

HIT Investment Limited ("HIT)

HIT, in which the Group has a 10% stake, reported marginally lower earnings than the comparable period last year.

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%. In view of the government's continued effort to increase the supply of public housing and the commencement of some major infrastructure projects such the Tsueng Kwan O railway project, the demand for ready mixed concrete this year remained steady. Redland continued to record satisfactory earnings growth in the first six month of this year on the back of continued cost reduction and improved productivity.

HKCB Bank Holding Company Limited ("HKCB Holding")

As announced by the directors of HKCB on 4th August 1999, the consolidated profit attributable to shareholders of HKCB for the first half of 1999 amounted to approximately HK$15.4 million, representing a decrease of 85.7 % over the same period last year. However, the return to profitability by the HKCB Holding marked a significant improvement compared to the operating loss reported by HKCB Holding in the second half of 1998.

OUTLOOK

The Hong Kong economy is showing signs of a steady recovery with improved sentiment in the property sector, stable interest rate movements and rising tourist arrivals. Although the second half of this year will remain challenging, the Group is highly confident that the economy of Hong Kong will be back on the growing track shortly. The Directors believes that continued economic reforms in the Chinese Mainland will also present the Group with good investment opportunities. With strong financial resources, the Group stands ready to seize any investment opportunities, which can enhance its earnings quality and provide recurring profit growth to its existing core businesses.

The Group remains firmly committed to continue its long-term expansion strategy of expanding its existing core business areas and developing a retail and distribution operation covering both Hong Kong and the Chinese Mainland. The Group will also continue to place more emphasis on improving the quality of its management. With a healthy financial position and balance-mixed of businesses, the Directors are confident that the Group will continue to achieve a satisfactory return for its shareholders.

YEAR 2000 COMPLIANCE

The Group adopts the Year 2000 conformity requirements issued by the British Standards Institution 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.

Suppliers, vendors and service providers are being asked to confirm that their products and services are Year 2000 compliant. Non-compliant systems has been upgraded or replaced.

As at 31st August 1999, all key business units of the Group had completed modification, remediation, testing and implementation of all the business critical systems in accordance with the guidelines set forth in the Programme. The Group recognises that despite all the steps taken to mitigate the material adverse effects of the Year 2000 issue, there can be no absolute assurance that the Group's Programme will be successful. There remain risks that the failure of the systems or equipment or services used by third parties and on which they are dependant may adversely affect their operations, which can in turn affect the Group's operations. Therefore, contingency plans have been established at all key business units within the Group to manage the risk of failure and to minimise the potential impact of any disruptions arising from the Year 2000 issue.

The Group believes that it has taken steps necessary to provide assurance that the Year 2000 issue will not have any material adverse effect on its business operation. The Group will continue to review and adapt its existing operational procedures to ensure that they take into account any Year 2000 issues, which may arise, on or before 1st January 2000.

The Group's estimate of the total costs incurred to date in respect of the Programme is approximately HK$14 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.

-End -

Press Enquiry : Mr. An Lu (2829 9816)

For announcement, please refer to
http://www.irasia.com/listco/hk/chinaresources/interim/index.htm