



## China Resources Enterprise, Limited

### Press Release

Date : September 24, 1998

## CRE Announces 1998 Interim Result

The Directors of China Resources Enterprise, Limited ("the Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiary companies ("the Group") for the six months ended 30 June 1998 as follows:

		<b>Six months ended 30th June</b>	
	<i>Note</i>	<b>1998</b> <b>HK'000</b>	<b>1997</b> <b>HK'000</b>
Turnover		<b><u>3,233,626</u></b>	<b><u>2,797,771</u></b>
Operating profit		<b>1,106,641</b>	<b>1,027,475</b>
Exceptional items	<b>1</b>	<b><u>(45,342)</u></b>	<b>-</b>
Profit from ordinary activities		<b>1,061,299</b>	<b>1,027,475</b>
Share of results of associated companies		<b>317,304</b>	<b>231,385</b>
Profit before taxation		<b>1,378,603</b>	<b>1,258,860</b>
Taxation		<b><u>(168,851)</u></b>	<b><u>(205,600)</u></b>
Profit after taxation		<b>1,209,752</b>	<b>1,053,260</b>
Minority interests		<b><u>(301,259)</u></b>	<b><u>(439,277)</u></b>
Profit attributable to shareholders		<b><u>908,493</u></b>	<b><u>613,983</u></b>
Earnings per share			
Basic		<b><u>HK\$0.58</u></b>	<b><u>HK\$0.41</u></b>
Diluted		<b><u>HK\$0.58</u></b>	<b><u>HK\$0.40</u></b>
Interim dividend per share		<b><u>HK6.0 cents</u></b>	<b><u>HK 6.0 cents</u></b>

Notes:

1. Exceptional items

	<b>Six months ended 30<sup>th</sup> June,</b>	
	<b>1998</b>	<b>1997</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision for doubtful debt	<b>(515,557)</b>	-
Profit on deemed disposal of long term investment	<b>270,015</b>	-
	<b>(45,542)</b>	-

In March 1998, China Resources Beijing Land Limited ("Beijing Land"), the former subsidiary company of the Company, placed 249 million ordinary shares to professional and institutional investors. As a result, the Company's interest in Beijing Land was reduced from 53.1% to 44.2% and an exceptional profit of HK\$270,015,000 was recognised.

### INTERIM DIVIDEND

The Directors have declared an interim dividend for the year ending 31st December 1998 of HK6 cents per share (1997: HK6 cents) totalling HK\$93,183,000 (1997: HK\$90,340,000) to shareholders whose names appear on the register of members of the Company on 12th October 1998. The interim dividend will be payable on or about 2nd November 1998.

### FINANCIAL HIGHLIGHTS

	<b>1H1998</b>	<b>1H1997</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
Turnover	<b>3,233,626</b>	<b>2,797,771</b>	<b>15.6%</b>
Operating profit	<b>1,106,641</b>	<b>1,027,475</b>	<b>7.7%</b>
Share of Associated Companies	<b>317,304</b>	<b>231,385</b>	<b>37.1%</b>
Profit attributable to shareholders	<b>908,493</b>	<b>613,983</b>	<b>48.0%</b>
Earnings per share (HK\$)	<b>0.58</b>	<b>0.41</b>	<b>41.5%</b>
Interim Dividends per share(HK\$)	<b>0.06</b>	<b>0.06</b>	<b>-</b>
Consolidated net borrowings	<b>(1) 2,391,760</b>	<b>3,395,599</b>	
Gearing	<b>(1) 19.91%</b>	<b>25.61%</b>	

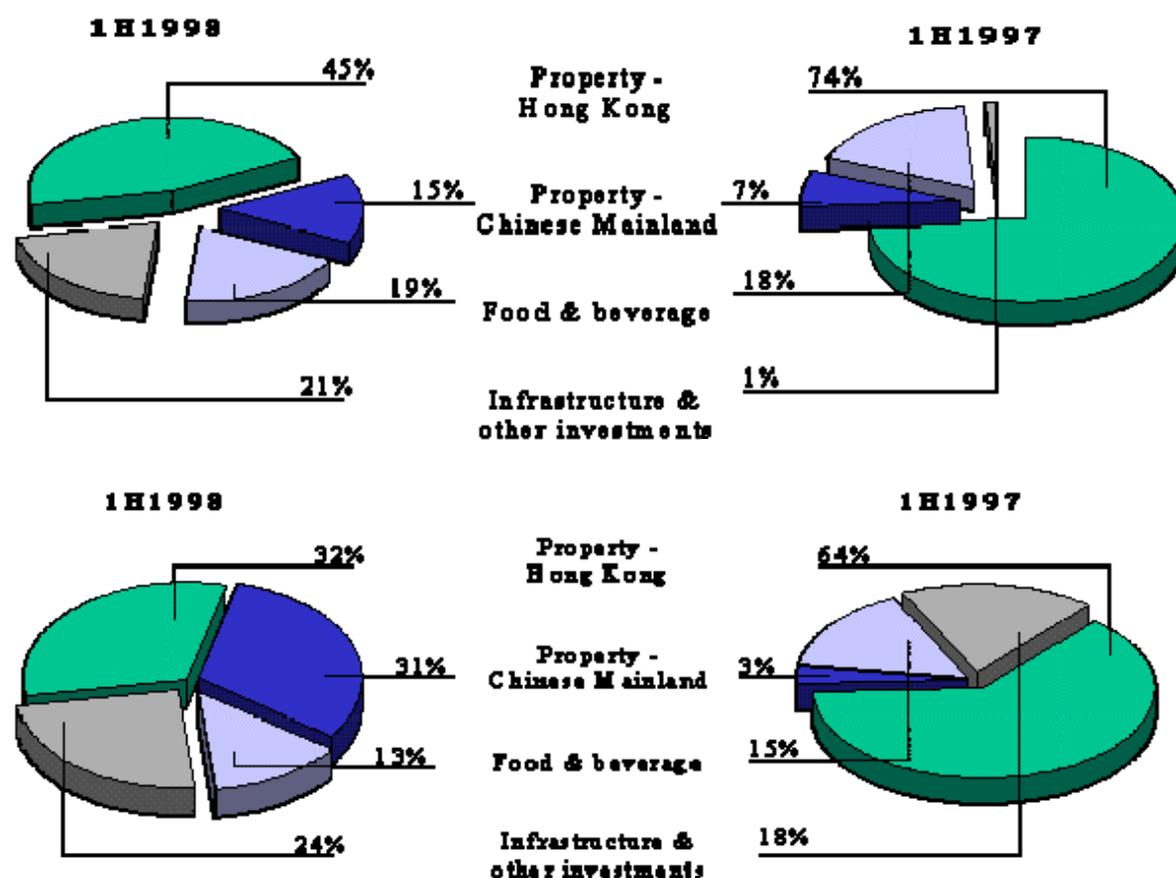
(1) 1997 figures are as at 31st December 1997, while 1H1998 figures are as at 30th June 1998.

### REVIEW OF OPERATIONS AND PROSPECTS

The Group's unaudited consolidated turnover and profit attributable to shareholders for the six months ended 30th June 1998 amounted to HK\$3,233.6 million and HK\$908.5million respectively, representing an increase of 15.6% and 48.0% over the

same period last year. Earnings per share of the Group amounted to HK\$0.58 compared with HK\$0.41 in the first half of 1997, an increase of 41.5%.

The Group's turnover and profit break down are as follow:



### 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. The first phase comprised approximately 790 units was pre-sold in May 1997. The project was completed on schedule and approximately 80% of the purchasers had completed the sale and purchase agreement with the developer of the project. The developer is currently taking remedial actions to deal with the uncompleted transactions.

#### *Property Investment*

The Group's investment properties in Hong Kong currently consisting of approximately 120,000 square feet of commercial floor area and over 200 car park space. Despite the down turn in the Hong Kong rental property market, the Group's investment properties continue to achieve an average occupancy rate of approximately 90%, generating a stable stream of recurrent income.

### Property - Chinese Mainland

The Group's investment in China properties is through its investment in China Resources Beijing Land Limited ("Beijing Land"). To strengthen its financial position, in March this year, Beijing Land issued 249,000,000 new shares to professional and institutional investors at a price of HK\$4.42 per share, raising a net proceed of approximately HK\$1.08 billion. As a result of the issuance, the Group's interest in the company was reduced from 53.1% to 44.2%.

It is the company's long term strategy to remain focused in the development of residential properties in Beijing. As announced by the Directors of Beijing Land on 4th September 1998, the consolidated net profit attributable to shareholders of Beijing Land for the first half of 1998 was HK\$80.0 million, representing an increase of 109.0% over the same period last year. In view of the strong financial position of Beijing Land and the quality of its land bank, Directors of the Group is confident of the future performance of this division.

## **Food and Beverage**

### *BEVERAGE DIVISION*

The beer and water sales volume for the first six months of this year was approximately 260,000 tones and 60,000 tonnes respectively, an increase of 45.0% and 40.4% compared with the same period of last year. Sales revenue of the division for the first six months of this year increased by approximately 30.0% while net profit of the division grew by 21.8%. The two newly acquired plants, located in the cities of Jilin and Chengdu, remained under the rationalisation and expansion process, therefore these operations had not contributed to the division's profit in the first six months of this year. Thus the division's net profit growth in the first half of this year was behind that of sales. The division's expansion plan is on schedule, and its annual beer production capacity is expected to reach 900,000 tons by the end of this year.

### *GODOWN AND COLD STORAGE*

Compared with the same period last year, turnover of this division remained flat, while operating profit increased by 4.7%. Improvement in operating profit was due mainly to cost reduction and improved operational efficiency. Overall the occupancy rate of the Group's cold storage and godown operations remained stable in the first half of this year at approximately 85% and 81% respectively. However, earnings growth is expected to slow in the second half of the year due to increase in competition.

### *NG FUNG HONG ("NFH")*

NFH continues to experience satisfactory growth in both turnover and net profit for the first half of this year. As announced by the directors of NFH on 11th September 1998, the consolidated profit attributable to shareholders of NFH for the first half of 1998 amounted to HK\$255.1 million, representing an increase of 25.7% 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.

## **Infrastructure and Other Investments**

### *HIT Investment Limited ("HIT")*

Despite adverse economic conditions in Hong Kong and the region, HIT, in which the Group has a 10% stake, reported satisfactory performance in the first half of this 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 infrastructure spending, demand for ready-mixed concrete in Hong Kong remained steady. Redland recorded satisfactory earnings growth in the first half of this year on the back of continued cost reduction and improved productivity.

#### *HKCB Bank Holding Company Limited*

On 2nd July 1998, the Group announced that it had entered into a conditional agreement with Lippo China Resources Limited ("LCR") to acquire its 50% shareholding interest in Lippo CRE (Financial Services) Limited ("Lippo CRE") for a consideration of HK\$1,179.8 million. The purchase consideration will be satisfied by a lump sum payment of HK\$589.9 million and unsecured interest-free loan notes with a face value of HK\$589.9 million. The acquisition is conditional on the Group obtaining approvals or consent from a number of regulatory authorities. At present certain conditions precedent of the conditional agreement, have not yet been fulfilled.

### **OUTLOOK**

In spite of continued financial turmoil in Asia, which has had an unprecedented adverse effect on the economies in the region, the Group reported a satisfactory result in the first half of this year. The Group has benefited from the actions taken in the past few years to diversify its core businesses into industries, which are more stable in nature. The Group's principal subsidiaries have, in general, achieved better than expected results in the first half of this year.

The second half of this year will be difficult and challenging. However, the Group is highly confident in the long-term economic prospects of Hong Kong and the Chinese Mainland. The Group is firmly committed to continue its long-term expansion strategy of expanding its existing core business areas. The Group will continue its prudent financial management approach during this volatile period. 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 will be upgraded or replaced.

As of to date, the Programme is now at the stage of impact study and remediation. The Group aims to achieve full compliance by the end of June 1999. Meanwhile, the Group is

also establishing a comprehensive contingency plan to meet possible risk that may arise during the transition.

The Group is utilising both internal and external resources to carry out the Programme. As the Group has been conducting the Programme in conjunction with its Information Technology System upgrade review, therefore the costs incurred to date have not been separately identified. However, the Group's estimate of the total costs to be incurred in respect of the Programme prior to year 2000 will be approximately HK\$15 million. The Group will expense all maintenance or modification costs as incurred, while the costs of new software and replacement of certain systems and equipments will be capitalized and amortized over the estimated useful life of the asset.

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*For announcement, please refer to  
"<http://irasia.com/listco/hk/chinaresources/interim>"*