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

(Incorporated in Hong Kong with limited liability)
(Stock Code: 291)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

- Continuing operations reported turnover and earnings of HK$31.8 billion and HK$1,488 million respectively, representing an increase of 30% and 28% over the same period of last year
- Underlying net profit from continuing operations was up 17% to HK$1,022 million driven by the 19% growth of profit contributed by core businesses
- Interim dividend of HK$0.15 per share

FINANCIAL HIGHLIGHTS

For the six months ended 30 June	**2008 (Unaudited) *HK$ million***	2007 (Unaudited) *HK$ million*
Turnover		
– continuing operations	**31,806**	24,543
– discontinued operation[1]	**-**	10,610
	31,806	35,153
Profit attributable to shareholders of the Company		
– continuing operations	**1,488**	1,161
– discontinued operation[1]	**-**	2,576
	1,488	3,737
Basic earnings per share[2]		
– continuing operations	**HK$0.62**	HK$0.49
– discontinued operation[1]	**-**	HK$1.09
	HK$0.62	HK$1.58
Interim dividend per share	**HK$0.15**	HK$0.15
	At 30 June 2008 (Unaudited) *HK$ million*	At 31 December 2007 (Audited) *HK$ million*
Equity attributable to shareholders of the Company	**24,708**	22,871
Minority interests	**9,123**	7,293
Total equity	**33,831**	30,164
Consolidated net borrowings	**4,782**	4,004
Gearing ratio[3]	**14.1%**	13.3%
Net assets per share (book value):	**HK$10.35**	HK$9.59

Notes:

1. The Company completed the disposal of its petroleum and related products distribution operation at the end of June 2007. This operation is presented as discontinued operation according to the Hong Kong Financial Reporting Standard 5. A special dividend of HK$0.60 per share was paid in August 2007 as a result of the disposal.
2. Diluted earnings per share for the six months ended 30 June 2008 and 2007 are HK$0.62 and HK$1.56 respectively. The 2007 amount includes diluted earnings per share for the discontinued operation of HK$1.08.
3. Gearing ratio represents the ratio of consolidated net borrowings to total equity.

ANALYSIS OF TURNOVER AND PROFIT

	Turnover		Profit Attributable to Shareholders ("PAS")		PAS excluding the effect of investment property revaluation and major disposal of non-core assets/investments (Note 1)	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007	**2008**	2007
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Core Businesses						
- Retail	**17,330**	12,437	**382**	273	**378**	263
- Beverage	**8,174**	6,283	**146**	118	**146**	118
- Food Processing and Distribution	**3,821**	3,441	**240**	224	**156**	224
- Textile	**2,461**	2,318	**66**	69	**63**	66
- Investment Property	**205**	183	**566**	386	**191**	112
Subtotal	**31,991**	24,662	**1,400**	1,070	**934**	783
Other Businesses						
- Investments and Others	–	–	**190**	198	**190**	198
	31,991	24,662	**1,590**	1,268	**1,124**	981
Elimination of inter-segment transactions	**(185)**	(119)	–	–	–	–
Net corporate interest and expenses	–	–	**(102)**	(107)	**(102)**	(107)
Total for continuing operations	**31,806**	24,543	**1,488**	1,161	**1,022**	874
Discontinued operation[2]						
- Petroleum and Related Products Distribution	–	10,610	–	2,576	–	183
Total	**31,806**	35,153	**1,488**	3,737	**1,022**	1,057

Notes:

1. For the analysis of PAS excluding the effect of investment property revaluation and major disposal of non-core assets/investments, the effect of the following transactions have been excluded in PAS of the respective division:

   a. Net valuation surplus of approximately HK$4 million (2007: HK$10 million) arising mainly from industrial building held by the Retail division has been excluded from its results.

   b. Net gain on disposal of associates amounting to approximately HK$84 million (2007: Nil) has been excluded from the results of the Food Processing and Distribution division.

   c. Net valuation surplus of approximately HK$3 million (2007: HK$3 million) arising mainly from industrial building held by the Textile division has been excluded from its results.

   d. Net valuation surplus of approximately HK$375 million (2007: HK$274 million) has been excluded from the results of the Investment Property division.

2. The disposal of the Group's 100% equity interest in Petroleum and Related Products Distribution business was completed at the end of June 2007.

CHAIRMAN'S STATEMENT

HALF-YEAR RESULTS

The Group completed the disposal of its entire equity interest in the non-core petroleum and related products distribution business at the end of June 2007. There was no contribution from this discontinued operation during the period under review thus the analysis below represents only the continuing operations of the Group.

The Group's unaudited consolidated turnover and profit attributable to the Company's shareholders contributed by the continuing operations for the six months ended 30 June 2008 amounted to approximately HK$31,806 million and HK$1,488 million respectively, representing an increase of 30% and 28% over the same period of last year. Basic earnings per share from the continuing operations were HK$0.62 compared to HK$0.49 for the same period of 2007. Excluding the after-tax effect of revaluation of investment properties and major disposals, which led to aggregate gains of HK$466 million in the first half of 2008 and HK$287 million in the first half of 2007, the Group's underlying unaudited consolidated profit attributable to the Company's shareholders contributed by the continuing operations would have increased by 17% for the first six months of 2008 driven by the overall 19% growth of the core consumer-related businesses.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.15 per share for the six months ended 30 June 2008 (2007: HK$0.15 per share) payable on or around 15 October 2008 to shareholders whose names appear on the Register of Members of the Company on 2 October 2008.

PROSPECTS

The first half of 2008 was full of challenges. In the Chinese Mainland, in addition to the devastating earthquake in Sichuan Province in May, there were severe snowstorms in the beginning of the year followed by heavy floods before the summer, causing disruptions to some provinces. Globally, there were progressive economic slowdown, uncertainty in the financial markets' stability and rising inflation. Despite such odds, the Group, with a balanced business portfolio in the consumer sector and extensive geographical coverage, achieved solid results during the period. Opportunities are still abound in the fast growing mainland consumer market.

As a result of our trade up strategy of improving merchandise mix and layout, and spurred by food price inflation, our supermarket operation's same store growth increased further to 15.9% during the period under review from 9.5% in the whole 2007. This was the main driving force behind the surge in profitability. Through sound inventory and supply chain management, the impact of input cost increase had been mitigated. Looking forward, household income growth and urbanization will continue to underpin modern chain store sales in the Chinese Mainland. We are committed to offering the best value to customers, store format innovation and product mix enrichment so as to differentiate ourselves from the competition. To foster co-operation relationship with major suppliers for mutual benefits, more contracts are signed on a nationwide basis. Quality and efficiency will remain our priority in new store opening and geographical expansion whilst implementing strict cost control measures to ensure consistent and strong growth for the long term.

Among the Group's core businesses, our brewery operation suffered most from the massive earthquake which struck Sichuan Province. Despite limited asset losses, it has curbed consumer spending in Sichuan and some neighboring areas. As Sichuan is one of our major beer markets, coupling with the adverse weather prevailing in the first half of the year, overall sales volume growth of our brewery operation this year has slowed down from last year, in parallel with the general market trend. To compensate for increasing raw materials and financing costs, there has been a significant increase in our beer price this year, boosting return in the long run. Concurrently, our efforts in branding and coverage are continued. As part of the national branding campaign, "SNOW" has rolled out a new packaging, highlighting the Chinese culture of the brand. We have also strengthened our presence in Beijing upon the recent completion of our new brewery in the city.

Leveraging on our leading position in Guangdong, the Group's purified water operation has launched a new marketing program to raise its "C'estbon 怡寶" brand awareness nationally. We have further strengthened our distribution network and management system. As the mainland packaged water market is still very fragmented, we are pursuing prudent expansion both within and outside our Guangdong home base.

Our food business has already firmly established a platform for future expansion in the major mainland cities. There was a surge in profit contribution from the mainland meat processing projects during the period, indicating the rising demand for quality food products as well as the higher efficiency of our distribution network. In Hong Kong, there has been intense competition for market share since the opening of the live pig imports from the Chinese Mainland in July last year. We have reacted to the altered market condition by tightening cost control, further developing "Ng Fung" premium brand image and tying up the upstream segment. In July 2008, a joint venture was set up with the largest intensive pig farming corporation in Henan Province, securing a stable and reliable source of high quality livestock for supply to the Hong Kong market and our operation in the mainland. After years of development, our food business has mapped out a clear development strategy with meat, assorted foodstuff and seafood distribution as the three core divisions.

Amidst the difficult operating environment imposed by Renminbi appreciation, higher operational costs and weakened overseas demand, the mainland textile market is undergoing adjustment and integration, eliminating small and less competitive enterprises. Expansion of production capacity is slowing down and operating losses are becoming more common, especially in the lower end market. Against such tough market condition, the Group's textile business has established its niche through technology upgrade in high-end yarn and nylon products, giving us better competitiveness and margins. We are also targeting denim casual wears, which have relatively stable demand, for garment export.

The Group has made good strategic and operational progress during the first half, despite the challenging economic and trading environment. The mainland economy has sustained a relatively fast pace of growth, with robust domestic demand cushioning external downturn. To navigate the global economic uncertainties, in addition to cost control, we will further intensify our control in risk management, cash management and fixed asset investment. We will continue to play our strengths in developing market dominance and responding to the consumer changes. The satisfactory results in the first half-year underpinned by our strong financial position will provide a firm base for the year and future development.

INTERNAL CONTROL

The Board recognizes that it is their overall responsibility to establish and maintain sound systems in risk management, internal control and governance to ensure the effective and efficient accomplishment of corporate goals and objectives, safeguard the Group's assets and shareholders' interest as well as ensure the reliability of financial and corporate reporting. The Group adopts the control frameworks outlined by both the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the United States and the Hong Kong Institute of Certified Public Accountants as our standards in establishing control systems and the best practice among our group companies. Our internal control system consists of five key elements, namely the existence of an effective control environment, risk management, communication and information system, cost effective control process and proper monitoring mechanism.

The Board conducts regular reviews of the Group's internal control system through periodic monitoring of the internal audit department's activities. The Audit Committee oversees the reliability of financial reporting and the works of auditors, both internal and external. For the six months ended 30 June 2008, the Board has reviewed and is satisfied with the effectiveness of the Group's internal control and risk management systems currently in place.

CORPORATE GOVERNANCE

The Board believes that maintaining a sound and effective corporate governance framework is critical to earning and maintaining the trust of our key stakeholders and ultimately the sustainable development of the Group. We constantly strive to improve and build on the Company's strong corporate governance practices, and such efforts continued to be recognized during the period under review. The Company was selected as one of the recipients of the "Recognition Awards 2008 – Asia's Best Companies for Corporate Governance" by Corporate Governance Asia, and was also rated one of the companies with the best corporate governance and best investor relations in China by FinanceAsia.

The Group prides itself on the way it manages investor relations. We take a tripartite approach to connect our operational management and senior management with the investment community to promote constructive dialogue. For the first six months of 2008, the Company had around 140 meetings with over 400 fund managers and analysts to discuss the Group's latest developments, plans and strategies. As in previous years, we also conducted an annual global roadshow during the period through which senior management of the headquarters together with the operational management met with institutional investors in Europe, the United States and Asia. To further enhance transparency of our businesses, we organized a day trip for journalists for the first time to visit our brewery plant in Dongguan and our supermarket operation in Shenzhen. A total of 16 journalists participated in this event with favorable response. We will continue to maintain high standards of corporate governance.

SOCIAL RESPONSIBILITY

Social responsibility is embedded in the way we operate our business. It is our objective to promote business activities that bring simultaneous economic, social and environmental benefits.

After the massive earthquake in Sichuan Province, the Group quickly mustered the relief efforts. Apart from cash donation, the Group also provided basic necessities and other useful items to aid emergency relief and conducted fundraising activities among its employees and customers. As a result, approximately HK$28 million was raised, of which approximately HK$16 million was contributed by the Group. As part of the post-earthquake reconstruction effort, our beer operation in partnership with the Ministry of Civil Affairs have developed an SOS hope village in Wolong, providing 300 mobile homes for people affected by the earthquake in the area. Our purified water operation also donated tent school libraries for the children after the earthquake.

Besides disaster relief, the Group is concerned with community investment. During the period under review, our purified water operation launched a charitable program called "1+1 中華強", giving out one free bottle of water for every used book or sports item donated. It advocates the notion of sharing makes a stronger nation, while at the same time aims at raising public awareness of the physical and mental health of children living in remote villages. A total of 19 libraries and six classrooms for physical education have been built since its launch in April. The beer operation has sponsored a five-year program organized by the Institute of Architectural History and Conservation of Tsinghua University to foster the inheritance and development of traditional Chinese culture and to enhance the public appreciation of the ancient Chinese architecture.

We are also actively engaged in a concerted effort to improve our environmental performance. Our textile operation has adopted new technologies to increase the rate of water recycling, while the beer operation has upgraded its wastewater treatment equipment and gas emission control system. Our retail operation has ongoing efforts to reduce the use of plastic bags, packaging materials and energy consumption, seeking to promote greener shopping habits. Eco-trucks, which meet the Euro IV emission standard, have also been introduced to our logistic fleet in Hong Kong. We will further explore the many ways that we can develop and implement efforts to aid in protection of the environment.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all of our shareholders and business associates, for their continuing support and confidence in the Group; and to our staff for their seamless efforts and dedication in striving towards excellence.

I also wish to express our deepest condolences to the families of our staff who have lost their lives in the Sichuan earthquake and extend our best wishes to the injured for a full and speedy recovery.

SONG LIN
Chairman

Hong Kong, 3 September 2008

2008 INTERIM RESULTS

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 2008 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCCOUNT

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	***HK$ million***	*HK$ million*
Continuing operations			
Turnover	*4*	**31,806**	24,543
Cost of sales		**(24,027)**	(18,572)
Gross profit		**7,779**	5,971
Other income	*5*	**1,056**	737
Selling and distribution expenses		**(5,037)**	(3,856)
General and administrative expenses		**(1,430)**	(1,021)
Finance costs	*6*	**(295)**	(213)
Share of net results of associates		**173**	162
Profit before taxation		**2,246**	1,780
Taxation	*7*	**(505)**	(352)
Profit for the period from continuing operations	*8*	**1,741**	1,428
Discontinued operation			
Profit for the period from discontinued operation	*9*	**-**	2,576
Profit for the period		**1,741**	4,004
Attributable to:			
Shareholders of the Company		**1,488**	3,737
Minority interests		**253**	267
		1,741	4,004
Earnings per share	*11*		
From continuing and discontinued operations			
Basic		**HK$0.62**	HK$1.58
Diluted		**HK$0.62**	HK$1.56
From continuing operations			
Basic		**HK$0.62**	HK$0.49
Diluted		**HK$0.62**	HK$0.48

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2008 (Unaudited) HK$ million	At 31 December 2007 (Audited) HK$ million
Non-current assets			
Fixed assets			
- Investment properties		**7,644**	7,299
- Interests in leasehold land held for own use under operating leases		**2,784**	2,488
- Other property, plant and equipment		**23,052**	20,089
Goodwill		**6,371**	6,133
Other intangible assets		**79**	81
Interests in associates		**1,804**	1,447
Available for sale investments		**47**	46
Prepayments		**208**	205
Deferred taxation assets		**136**	119
		42,125	37,907
Current assets			
Stocks		**11,093**	9,080
Trade and other receivables	*12*	**6,129**	5,241
Taxation recoverable		**17**	20
Pledged bank deposits		**39**	38
Cash and bank balances		**9,498**	8,405
		26,776	22,784
Current liabilities			
Trade and other payables	*13*	**(18,868)**	(16,565)
Derivative financial instruments		**(3)**	(4)
Short term loans		**(5,427)**	(4,944)
Taxation payable		**(368)**	(268)
		(24,666)	(21,781)
Net current assets		**2,110**	1,003
Total assets less current liabilities		**44,235**	38,910
Non-current liabilities			
Long term loan		**(8,892)**	(7,503)
Deferred taxation liabilities		**(1,358)**	(1,243)
Other non-current liabilities		**(154)**	-
		33,831	30,164
Capital and reserves			
Share capital		**2,388**	2,385
Reserves		**22,320**	20,486
Equity attributable to shareholders of the Company		**24,708**	22,871
Minority interests		**9,123**	7,293
Total equity		**33,831**	30,164

Notes:

1. **Independent review**

The interim results for the half-year ended 30 June 2008 are unaudited and have been reviewed by the Company's Audit Committee.

2. **Basis of preparation**

The interim results announcement has been presented in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited .

A full set of unaudited condensed consolidated interim financial statements ("interim financial information") which has been prepared in accordance with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" will be published as soon as practicable.

3. **Principal accounting policies**

The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2007.

In the current period, the Group has applied the new interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2008. The adoption of these new interpretations has had no material effect on the results or financial positions of the Group for the current and prior accounting periods. Accordingly, no prior period adjustments are required.

The Group has not early applied the new or revised standards and interpretation that have been issued by the HKICPA but are not yet effective. The directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the results and financial positions of the Group.

4. Turnover and segment information

Primary reporting format – business segments

	Retail *HK$ million*	Beverage *HK$ million*	Food Processing and Distribution *HK$ million*	Textile *HK$ million*	Investment Property *HK$ million*	Investments and Others *HK$ million*	Elimination *HK$ million*	Continuing Operations Total *HK$ million*	Petroleum and Related Products Distribution (Discontinued Operation) *HK$ million*	Total *HK$ million*
For the six months ended 30 June 2008										
TURNOVER										
External sales	17,276	8,143	3,737	2,461	189	-	-	31,806	-	31,806
Inter-segment sales*	54	31	84	-	16	-	(185)	-	-	-
Total	17,330	8,174	3,821	2,461	205	-	(185)	31,806	-	31,806
Segment result	699	535	319	143	623	-		2,319	-	2,319
Unallocated corporate expenses								(52)	-	(52)
Interest income								101	-	101
Finance costs								(295)	-	(295)
Share of net results of associates	-	-	14	(1)	-	160		173	-	173
Taxation								(505)	-	(505)
Profit for the period								1,741	-	1,741
For the six months ended 30 June 2007										
TURNOVER										
External sales	12,410	6,271	3,376	2,318	168	-	-	24,543	10,610	35,153
Inter-segment sales*	27	12	65	-	15	-	(119)	-	-	-
Total	12,437	6,283	3,441	2,318	183	-	(119)	24,543	10,610	35,153
Segment result	442	388	300	126	506	(6)		1,756	251	2,007
Unallocated corporate expenses								(52)	-	(52)
Interest income								127	13	140
Profit on disposal of discontinued operation	-	-	-	-	-	-		-	2,393	2,393
Finance costs								(213)	(23)	(236)
Share of net results of associates	-	-	-	-	-	162		162	-	162
Taxation								(352)	(58)	(410)
Profit for the period								1,428	2,576	4,004

** Inter-segment sales were charged at prevailing market rates.*

5. Other income

	Six months ended 30 June	
	2008	2007
	HK$ million	*HK$ million*
Other income includes the following:		
Continuing operations		
Dividends from unlisted available for sale investments	**2**	2
Interest income	**101**	127
Valuation gain on investment properties	**457**	381
Profit on disposal of interests in associates	**95**	1
Discontinued operation		
Dividends from unlisted available for sale investments	**-**	1
Interest income	**-**	13

6. Finance costs

	Six months ended 30 June	
	2008	2007
	HK$ million	*HK$ million*
Continuing operations		
Interest on bank loans and other loans wholly repayable within five years	**276**	214
Interest on other loans not wholly repayable within five years	**-**	2
Financing charges (net of exchange gain)	**19**	(3)
	295	213
Discontinued operation		
Interest on bank loans and other loans wholly repayable within five years	**-**	18
Financing charges	**-**	5
	-	23
	295	236

7. Taxation

	Six months ended 30 June	
	2008	2007
	HK$ million	*HK$ million*
Continuing operations		
Current taxation		
Hong Kong	**66**	67
Chinese Mainland	**347**	216
	413	283
Deferred taxation		
Hong Kong		
- Current year	**81**	62
- Change in tax rate	**(58)**	-
Chinese Mainland	**69**	7
	505	352
Discontinued operation		
Current taxation		
Hong Kong	**-**	58
Overseas	**-**	2
	-	60
Deferred taxation		
Hong Kong	**-**	(2)
	-	58
	505	410

Hong Kong Profit Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the period. In June 2008, the Hong Kong government enacted a change in the profits tax rate from 17.5% to 16.5% commencing the fiscal year 2008/2009.

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 in the Chinese Mainland. The Law of the People’s Republic of China (the “PRC”) on Enterprise Income Tax (the “New Law”) and Implementation Regulations of the New Law has changed the tax rate of those PRC subsidiaries to 25% from 1 January 2008 with certain transitional arrangement.

8. Profit for the period

	Six months ended 30 June	
	2008	2007
	HK$ million	*HK$ million*
Profit for the period has been arrived at after charging / (crediting):		
Continuing operations		
Depreciation		
- Owned assets	**979**	731
Amortisation of intangible assets		
(included in general and administrative expenses)	**5**	7
Cost of goods sold	**23,847**	18,378
(Gain) / loss on disposal of fixed assets	**(3)**	3

9. Discontinued operation

The Company completed the disposal of its petroleum and related products distribution business at the end of June 2007 to an independent third party.

The results of the discontinued operation included in the condensed consolidated profit and loss account for the six months ended 30 June 2007 are set out below:

	Six months ended 30 June 2007 *HK$ million*
Profit for the period from discontinued operation	
Revenue	10,750
Expenses	(10,509)
Profit before taxation	241
Taxation	(58)
Profit after taxation	183
Profit on disposal of discontinued operation	2,393
Profit for the period attributable to shareholders of the Company	2,576
Net assets of discontinued operation disposed of	1,600

10. Dividends

A special dividend of HK$0.60 per ordinary share was paid in August 2007 as a result of the disposal of the discontinued operation (note 9).

At the board meeting held on 31 March 2008, the directors proposed a final dividend of HK$0.30 per ordinary share for the year ended 31 December 2007. Such proposal was subsequently approved by shareholders on 29 May 2008. The 2007 final dividend paid was approximately HK$716 million (2006: HK$617 million).

At the board meeting held on 3 September 2008, the directors declared an interim dividend of HK$0.15 per ordinary share (2007: Interim dividend of HK$0.15 per ordinary share). Based on the latest number of shares in issue at the date of this announcement, the aggregate amount of the dividend is estimated to be HK$358 million (2007: HK$357 million).

11. Earnings per share

	Six months ended 30 June	
	2008	2007
	HK$ million	*HK$ million*
For continuing and discontinued operations		
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings		
Profit attributable to shareholders of the Company for the purpose of calculating basic earnings per share and diluted earnings per share	**1,488**	3,737

	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,386,705,582**	2,368,421,976
Effect of dilutive potential ordinary shares:		
- Share options	**12,674,607**	24,121,589
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,399,380,189**	2,392,543,565

	Six months ended 30 June	
	2008	2007
	HK$ million	*HK$ million*
For continuing operations		
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings		
Profit attributable to shareholders of the Company for the purpose of calculating basic earnings per share and diluted earnings per share	**1,488**	3,737
Less:		
Profit attributable to shareholders of the Company from discontinued operations	**-**	(2,576)
Profit attributable to shareholders of the Company for the purpose of calculating basic earnings per share and diluted earnings per share from continuing operations	**1,488**	1,161

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

For discontinued operation

For the period ended 30 June 2007, basic earnings per share for the discontinued operation is HK$1.09 per share and diluted earnings per share for the discontinued operation is HK$1.08 per share, based on the profit attributable to shareholders of the Company from the discontinued operation of HK$2,576 million and the denominators detailed above for the both basic and diluted earnings per share.

12. Trade and other receivables

Included in trade and other receivables are trade receivables and their aging analysis is as follows:

	At 30 June 2008 *HK$ million*	At 31 December 2007 *HK$ million*
0 – 30 days	**1,198**	1,000
31 – 60 days	**378**	207
61 – 90 days	**155**	108
> 90 days	**255**	196
	1,986	1,511

The Group normally trades with its customers under the following credit terms:

a) cash upon delivery; and

b) open credit within 60 days

13. Trade and other payables

Included in trade and other payables are trade payables and their aging analysis is as follows:

	At 30 June 2008 *HK$ million*	At 31 December 2007 *HK$ million*
0 – 30 days	**4,465**	3,962
31 – 60 days	**1,535**	1,655
61 – 90 days	**603**	536
> 90 days	**789**	748
	7,392	6,901

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Retail

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

During the first half of 2008, the Group's retail division achieved a remarkable growth in operating result, mainly contributed by the improvement in operational efficiency and encouraging organic growth. In addition, the robust economic growth of the Chinese Mainland has led to rising domestic consumption demand stimulating the retail market. Turnover and attributable profit for the period under review amounted to HK$17,330 million and HK$382 million respectively, representing an increase of 39.3% and 39.9% over the same period of 2007.

The Chinese Mainland economy was strong in the first half of 2008 with a 10.4% growth in GDP. Urban household income increased rapidly, and a year-on-year 21.4% growth in total retail sales of consumer goods was recorded. In addition, the consumer price index increased by 7.9%, mainly due to a substantial increase in food prices. The Group's consumer businesses have thus benefited as a whole.

Hong Kong maintained its steady growth despite rising concerns of a global economic downturn. Notwithstanding the inflationary pressure, the fundamentals of the Hong Kong economy remained sound. Overall consumption expenditure showed steady growth in first half of 2008.

Supermarket and Logistics

The supermarket and logistics operation reported turnover and attributable profit for the first half of 2008 of HK$15,640 million and HK$260 million respectively, representing an increase of 39.9% and 29.4% over the same period of 2007.

As at the end of June 2008, the Group operated a total of approximately 2,500 stores in the Chinese Mainland and Hong Kong, of which approximately 53.5% were self-operated and the rest were franchised stores. The supermarkets are mainly operated under the brands of "華潤萬家 Vanguard", "華潤蘇果 China Resources Suguo" and "蘇果 Suguo". Major store formats are hypermarket, superstore, supermarket and convenience store. Since the end of 2007, several convenience stores under the brand "Vango" have been opened in Shenzhen and Hong Kong. In terms of geographical contribution, Eastern and Central China, Southern China, Hong Kong and Northern China respectively accounted for 61.7%, 26.0%, 7.8% and 4.5% of the operation's turnover for the period under review.

The increase in turnover for the period under review was due to remarkable same store growth and new store openings. Stock turnover has improved via enhancement of product mix, category and assortment management to cater for customer preferences as well as store and supply chain management, which in turn led to a notable increase in turnover. Overall same store growth for the period under review was 15.9%; in particular a 16.5% increase was achieved for the Chinese Mainland. In terms of geographical segment, Eastern and Central China, Southern China, Hong

Kong and Northern China respectively recorded same store growth of 15.5%, 18.7%, 6.8% and 16.0%.

Alongside the principal strategy of district dominance and adoption of a multi-format approach, the Group achieved economies of scale in operation and improvement in operational efficiency. Coupled with better price negotiation with suppliers and stringent cost controls, higher profitability was recorded. The consolidated earnings before interest, tax, depreciation and amortization ("EBITDA") for the first half of 2008 amounted to HK$784 million, representing a 49.3% growth over the same period of 2007. The EBITDA of the Chinese Mainland and Hong Kong operations were HK$644 million and HK$140 million respectively. Operating performance of superstores in Ningbo and Shaoxing has improved significantly.

In order to raise market presence in the regions, the Group will continue to enhance business relationship with suppliers, rationalize internal resources to further improve operational efficiency, open new stores in target districts and explore acquisition opportunities.

Brand-fashion Distribution

The brand-fashion distribution segment reported turnover and attributable profit for the first half of 2008 of HK$1,260 million and HK$82 million respectively, representing a corresponding increase of 43.8% and 70.8% over the same period of 2007.

For the period under review, the "Esprit" brand reported remarkable growth in both turnover and attributable profit through active expansion of sales floor area and product promotions. As at the end of June 2008, the "Esprit" brand distribution network expanded to over 970 self-operated and franchised stores in the Chinese Mainland. A flagship store was opened in Shanghai in January 2008 to promote wider brand influence. Both self-operated stores and franchised stores achieved satisfactory results with the former recording a same store growth of 20.0% for the period under review. The reduced loss as a result of ceasing certain other brands of the brand-fashion business had partly contributed to the overall profitability improvement.

Other Retail Stores

The other retail stores segment reported turnover and attributable profit for the first half of 2008 of HK$430 million and HK$40 million respectively, representing a corresponding increase of 13.8% and 66.7% over the same period of 2007. As at the end of June 2008, the Group's chain of retail stores mainly consisted of 5 Chinese Arts & Crafts 中藝 stores in Hong Kong and 46 CR Care 華潤堂 stores in Hong Kong and the Chinese Mainland.

Buoyant consumer sentiment has enhanced consumers' appreciation of the premium perceived value and quality products. With rising recognition of the Chinese Arts & Crafts 中藝 brand and revamped store display, the increase in sales of jade jewelry as well as arts and craft products continued to support the growth in turnover and profitability of the Chinese Arts & Crafts 中藝 operation for the first half of 2008 with an overall same store growth of 19.7%. To explore a different market segment, specialty jewelry stores "djs" were opened targeting the younger generation market.

Rising health awareness amongst the local community has increased the market demand for traditional Chinese medicine and health food. The increase in sales of certain premium products and margin improvement through effective stock management helped reduce the cost pressure from escalating store rentals and labor costs, and contributed to satisfactory growth in turnover and profitability of the CR Care 華潤堂 operation for the first half of 2008 with an overall same store growth of 15.4%.

Beverage

The beverage division reported turnover and attributable profit for the first half of 2008 of HK$8,174 million and HK$146million respectively, representing a corresponding increase of 30.1% and 23.7% over the same period in 2007.

Beer

The beer operation reported turnover of HK$7,590 million for the first half of 2008, representing an increase of 29.8% over the same period of 2007. Attributable profit was HK$105 million, representing an increase of 1.0% from the corresponding period in 2007. The sales volume of beer for the first half year rose by 4.6% to approximately 3,490,000 kiloliters. However, organic sales volume declined 2.2% year-on-year, mainly affected by the recent earthquake in Sichuan, bad weather, selling price increases and the lower-than-expected consumption growth in the industry. Nevertheless, the operation recorded a better-than-market turnover growth in certain key regions. Further, the sales volume of our national brand “SNOW” grew 21.7% for the first half of 2008 to 2,894,000 kiloliters, which amounted to 82.9% of the total sales volume.

To cope with continuous pressure from rising costs of malt and hops, the Group implemented effective stock management measures and optimized production techniques to keep raw material costs under control. Selling prices were also adjusted to relieve cost pressure of the operation which in turn leading to higher gross profit margin. Together with the enhancement in product mix, the adverse effect caused by the decline in organic sales volume was compensated. In addition, certain new breweries in Inner Mongolia, Liaoning and Hunan achieved encouraging results shortly after the Group’s acquisition and helped improve the overall profitability. However, certain breweries suffered stock loss and asset damages of various degrees in the Sichuan earthquake in May and an impairment provision of approximately HK$40 million was recorded that partly reduced the Group’s net profit for the period under review. Based on the Group’s assessment, the impact on the Group's production capacity in Sichuan is minimal.

As at the end of June 2008, the Group operated approximately 60 breweries in the Chinese Mainland with an annual production capacity of approximately 11 million kiloliters, including a production capacity of 0.4 million kiloliters from the greenfield brewery in Beijing which has already commenced production since April 2008.

The Group continues to expand its production capacity through acquisition, investments in greenfield breweries and capacity upgrade of existing breweries to further capture the rapid economic development and the fast growing beer market in the Chinese Mainland. A new packaging for “SNOW” has been rolled out, highlighting the Chinese culture of the brand. To further boost sales volume of different regions, the Group continues to explore and intensify the regional distribution network to cater for appropriate sales mix to meet customer preferences.

As one of the largest brewers in the Chinese Mainland, the Group will strengthen its geographical coverage, increase production capacity and enhance operational efficiency so as to capitalize on the growing market demand for beer.

Purified Water

The purified water operation, with “C’estbon 怡寶” as its sole brand, reported turnover and attributable profit for the first half of 2008 of HK$584 million and HK$41 million respectively, representing an increase of 33.6% and 192.9% over the same period of 2007. The sales volume of purified water for the period under review rose 21.5% to approximately 609,000 kiloliters.

To capture the growth of the packaged water market in the Chinese Mainland, the Group increased its production volume and launched a promotional campaign to raise its brand awareness nationally, contributing to the increase in both turnover and attributable profit of the operation for the first half of 2008. The increase in the Group’s equity interest in the purified water operation from 51% to 100% in May 2007 also partially explained the increase in attributable profit for the period under review.

Capitalizing on the favorable market demand opportunity, the new factory in Jiangmen was fully completed during the period under review. Together with two other existing factories in Guangdong and another one in Sichuan, the Group’s production capacity of purified water has been substantially enlarged.

Looking forward, to strengthen its competitive advantage, the Group will be prudently expanding into new markets, undertaking merger and acquisition and upgrading its production capacity to maintain its growth in market share.

Food Processing and Distribution

The food processing and distribution division reported turnover and attributable profit for the first half of 2008 of HK$3,821 million and HK$240 million respectively, representing a corresponding increase of 11.0% and 7.1% over the same period of 2007. Excluding the disposal gain on strategic investments in the year, attributable profit of the division for the first half of 2008 would have decreased by 30.4%, mainly affected by the performance of the livestock distribution business.

The supply of mainland livestock was temporarily affected by transportation difficulties during the snowstorms wrecking certain regions of the Chinese Mainland early this year. Together with the appreciation of Renminbi, pig import prices continued to rise during the period under review. In addition, rising competition in the Hong Kong live pig market reduced both sales quantity and gross margin. On the other hand, through securing supply and marketing of new products, promotion of “Ng Fung” brand recognition as well as expansion in the mainland market, there was satisfactory growth in both turnover and attributable profit in frozen food, aquatic products and other assorted foodstuff distribution for the period under review.

Leveraging on its competitive edge in sourcing, slaughtering and fresh meat production, the division accelerated its investments in the mainland meat processing business targeting the major cities. The Shenzhen and Shanghai operations reported satisfactory growth for the period under review. The newly acquired Hangzhou and Sichuan meat processing operations had initial profit contribution in the first half of the year. Other businesses in the Chinese Mainland, including the Hangzhou NF Refrigerated Food (杭州五豐冷食) and Yangzhou NF Fuchun (揚州五豐富春) operations, also reported satisfactory growth in profitability for the period under review.

In July 2008, the Group entered into an agreement with 河南糧油食品進出口集團有限責任公司 (Henan Cereals, Oils & Foodstuffs Imp. & Exp. Group Corporation, Ltd.) to set up a new joint venture company in Henan Province. This will favorably strengthen the operation in livestock supply to Hong Kong, while at the same time taking us one step further to becoming a leading vertically integrated meat supplier in the Chinese Mainland. The Group will continue to capture investment opportunities in the meat processing and branded food distribution in the Chinese Mainland in the foreseeable future.

The marine fishing and aquatic products processing operation reported notable growth in turnover for the period under review, mainly contributed by the increase in sales volume and selling price. However, overall gross margin of the operation was adversely affected by the record high fuel prices for the period under review. Apart from strategies to enter new profitable markets, regular on-site review of fishing fleet fuel utilization and cost saving measures were implemented to closely monitor the increasing production costs in order to weather the impact of rising oil prices.

Textile

Turnover and attributable profit of the textile division for the first half of 2008 were HK$2,461 million and HK$66 million respectively, representing an increase of 6.2% and decrease of 4.3% over the same period of 2007. During the period under review, exchange gains arising from foreign currency loans mitigated the impact of rising cost which led to a decline in the operating profit of the division. Attributable profit excluding the after-tax effect of revaluation of investment properties decreased by 4.5% for the first half of 2008.

Owing to rising production cost including labor, direct materials and utilities, and the higher borrowing cost under the tight monetary policy in the Chinese Mainland, operating cost of the division increased. But there were difficulties in raising selling prices correspondingly due to keen market competition. The pressure on profitability was partially offset by the higher contribution from the export sales of nylon products and high-end yarn, which still enjoyed strong demand.

Moving forward, high labor costs and more stringent requirements for environmental protection will continue to impact the textile industry in the Chinese Mainland. The increase in VAT rebate on export of textile products to 13% effective from August 2008 will relieve cost pressure to the division to a certain extent. To enhance our competence under the increasingly competitive operating environment, the division's focus on technology upgrade and product mix rationalization by increasing the proportion of quality high-end products will remain unchanged.

Investment Property

The investment property division, which mainly comprises retail property rental segment, reported turnover for the first half of 2008 of HK$205 million, representing an increase of 12.0% over the same period in 2007. Profit attributable to shareholders for the first half in 2008 amounted to HK$566 million. Excluding the after-tax revaluation surplus of approximately

HK$375 million (First half of 2007: approximately HK$274 million) and the decrease in deferred tax liabilities of approximately HK$52 million resulted from the reduction in the Hong Kong profits tax rate, profit attributable to shareholders of the division for the first half of 2008 would have increased by 24.1%.

The satisfactory rental increase was mainly attributable to the retail portfolio. The increase in local and tourist spending sustained an upward trend for retail sales, driving up retail rentals during the period under review. The retail portfolio continued to be nearly fully let during the period.

Moving forward, despite the difficult conditions in the financial market, the demand for prime retail space will remain stable. The introduction of an international fashion brand retailer into the Group's Silvercord property commencing from 2009 will further boost the rental income of our retail properties.

Over the years, through enhancement measures adopted in managing the shopping mall operation in the Chinese Mainland, part of its space for our supermarket use, both shopping malls at Jiangmen and Kaiping recorded satisfactory occupancy rates.

Investments and Others

Attributable profit for first half of 2008 amounted to HK$190 million (First half of 2007: HK$198 million).

Container Terminal

The Group has a 10% interest in HIT Investments Limited and Hutchison Ports Yantian Investments Limited. The Hong Kong and Yantian deepwater port operations continued to maintain a stable profit performance for the period under review.

FINANCIAL REVIEW

Capital and Funding

As at 30 June 2008, the Group's consolidated cash and bank balance amounted to HK$9,537 million. The Group's borrowings as at 30 June 2008 were HK$14,319 million with HK$5,427 million repayable within 1 year, HK$8,888 million repayable after 1 year but within 5 years and HK$4 million repayable after 5 years. Committed borrowing facilities available to the Group but not drawn as at 30 June 2008 amounted to approximately HK$1,906 million. On 1 April 2008, a subsidiary under our beer operation, together with 10 banks, signed a 5-year term syndicated loan facility of HK$1,800 million, interest bearing at 0.57% p.a. over HIBOR.

On the basis of the Group's net borrowings relative to the shareholders' funds and minority interests, the Group's gearing was approximately at 14.1% as at 30 June 2008 (31 December 2007: 13.3%).

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 30 June 2008, 24.9% of the Group's cash deposit balances was held in Hong Kong dollars, 69.5% in Renminbi and 5.0% in US dollars; whereas 56.2% of the Group's borrowings was denominated in Hong Kong dollars and 34.3% in Renminbi with 5.2% in US dollars. To mitigate the interest rate exposure, the Group entered into certain interest rate swaps to hedge against part of its borrowings.

Pledge of Assets

As at 30 June 2008, assets with a carrying value of HK$249 million (31 December 2007: HK$248 million) were pledged for total borrowings of HK$252 million (31 December 2007: HK$272 million).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2008.

Employees

As at 30 June 2008, the Group, excluding its associated companies has a staff size around 135,000, amongst which more than 95% being employed in the Chinese Mainland, whilst the rest mainly in Hong Kong and overseas. Remuneration packages are assessed in accordance to the nature of job duties, individual performance and market trends with built-in merit components, paid in the form of cash bonuses.

CORPORATE GOVERNANCE

The Company recognises that the development and maintenance of a good and solid framework of corporate governance suitable to the needs of the Group requires commitment and continuous vigilance. The Directors firmly believe that sensible corporate governance practice is essential to vigorous but steady growth of the Group.

The Company has implemented its own corporate governance standards and objectives since November 2003. On 8 April 2005, the Board approved the Company's "Corporate Governance Practice Manual" ("Corporate Governance Manual") which incorporates almost all of the Code Provisions and some of the Recommended Best Practices set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Listing Rules. The Corporate Governance Manual can be downloaded from our website and copies are available on request to the Company Secretary.

Throughout the interim period, the Company has complied with the Code Provisions set out in the CG Code, save and except that the Non-Executive Directors were not appointed for a fixed term; and the Chairman, Mr. Song Lin, did not attend the annual general meeting of the Company held on 29 May 2008.

The Board does not believe in any arbitrary term of office. The current arrangement will give the Company sufficient flexibility to organize the composition of the Board to serve the needs of the Group. Further, the Articles of Association of the Company requires that one-third of the Directors (including Executive and Non-Executive Directors) shall retire each year and every director shall be subject to retirement by rotation at least once every three years. The Directors to retire each year shall be those appointed by the Board during the year and those who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

Due to important business appointments overseas, Mr. Song Lin was not in Hong Kong on 29 May 2008 and therefore could not attend the annual general meeting of the Company held on that day. The Managing Director and either the chairman or at least one member of the audit committee, compensation committee and nomination committee attended the annual general meeting to ensure effective communication with shareholders of the Company.

On 8 April 2005, the Company adopted its own Code of Ethics and Securities Transactions ("Code of Ethics"), which applied to the Directors and other specified individuals including the Group's senior management and persons who were privy to price sensitive information of the Group. To further improve the effectiveness in the actual application of the Code of Ethics, the Company has since fine tuned the Code of Ethics on 6 April 2006 and 4 April 2007 ("New Code of Ethics"). Both the Code of Ethics and the New Code of Ethics are on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company is not aware of any non-compliance with the standards set out in the Code of Ethics, the New Code of Ethics and the Model Code by any Director throughout the interim period.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

CLOSURE OF REGISTER

The Register of Members will be closed from 2 October 2008 (Thursday) to 8 October 2008 (Wednesday), both days inclusive. In order to be eligible for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30p.m. on 30 September 2008.

By order of the Board
CHEN SHULIN
Managing Director

Hong Kong, 3 September 2008

As at the date of this announcement, the executive directors of the Company are Mr. Song Lin (Chairman), Mr. Chen Shulin (Managing Director), Mr. Wang Qun (Deputy Managing Director), Mr. Lau Pak Shing (Deputy Managing Director) and Mr. Kwong Man Him (Deputy Managing Director). The non-executive directors are Mr. Yan Biao, Mr. Jiang Wei, Mr. Wang Shuaiting, Mr. Li Fuzuo and Mr. Du Wenmin. The independent non-executive directors are Dr. Chan Po Fun, Peter, Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, The Hon. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.