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

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

FINANCIAL AND OPERATIONAL REVIEW THIRD QUARTER 2009

This announcement is made by China Resources Enterprise, Limited ("the Company") on a voluntary basis in pursuit of a higher standard of corporate governance and in promoting the Company's transparency. The Company currently intends to continue to publish the quarterly financial and operational review in the future.

The financial and operational review for the third quarter 2009 was not audited and was prepared in accordance with accounting principles generally accepted in Hong Kong.

The directors of the Company are pleased to present the following unaudited financial and operational information for the third quarter and the nine months ended 30 September 2009.

FINANCIAL HIGHLIGHTS

	Three months ended 30 September		Nine months ended 30 September	
	2009	2008	**2009**	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
Turnover	**19,764**	18,335	**54,811**	50,141
Profit attributable to shareholders of the Company	**1,043**	671	**2,201**	2,159
Basic earnings per share[1]	**N/A**	N/A	**HK$0.92**	HK$0.90

	At 30 September 2009	At 31 December 2008
	(Unaudited)	(Audited)
	HK$ million	*HK$ million*
Equity attributable to shareholders of the Company	**26,772**	25,159
Minority interests	**9,960**	9,339
Total equity	**36,732**	34,498
Consolidated net borrowings	**2,198**	6,463
Gearing ratio[2]	**6.0%**	18.7%
Net assets per share (book value):	**HK$11.20**	HK$10.53

Notes:

1. Diluted earnings per share for the nine months ended 30 September 2009 and 2008 are HK$0.92 and HK$0.90 respectively.
2. Gearing ratio represents the ratio of consolidated net borrowings to total equity.

ANALYSIS OF TURNOVER AND PROFIT

	Three months ended 30 September			Nine months ended 30 September		
	2009	2008	Increased/	**2009**	2008	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
Turnover by segment						
Core Businesses						
- Retail	**9,391**	8,876	**5.8%**	**28,377**	26,206	**8.3%**
- Beverage	**7,049**	6,230	**13.1%**	**17,265**	14,404	**19.9%**
- Food Processing and Distribution	**1,957**	1,981	**(1.2%)**	**5,462**	5,802	**(5.9%)**
- Investment Property	**141**	120	**17.5%**	**407**	325	**25.2%**
Subtotal	**18,538**	17,207	**7.7%**	**51,511**	46,737	**10.2%**
Other Businesses						
- Textile	**1,298**	1,226	**5.9%**	**3,509**	3,687	**(4.8%)**
- Investments and Others	**–**	–	**–**	**–**	–	**–**
Subtotal	**1,298**	1,226	**5.9%**	**3,509**	3,687	**(4.8%)**
	19,836	18,433	**7.6%**	**55,020**	50,424	**9.1%**
Elimination of inter-segment transactions	**(72)**	(98)	**(26.5%)**	**(209)**	(283)	**(26.1%)**
Total	**19,764**	18,335	**7.8%**	**54,811**	50,141	**9.3%**

ANALYSIS OF TURNOVER AND PROFIT (CONTINUED)

	Three months ended 30 September			Nine months ended 30 September		
	2009	2008	Increased/	**2009**	2008	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
Profit attributable to shareholders ("PAS") by segment						
Core Businesses						
- Retail	**63**	124	**(49.2%)**	**339**	506	**(33.0%)**
- Beverage	**462**	301	**53.5%**	**803**	447	**79.6%**
- Food Processing and Distribution	**88**	25	**252.0%**	**299**	265	**12.8%**
- Investment Property	**389**	134	**190.3%**	**710**	700	**1.4%**
Subtotal	**1,002**	584	**71.6%**	**2,151**	1,918	**12.1%**
Other Businesses						
- Textile	**(18)**	24	**(175.0%)**	**(85)**	90	**(194.4%)**
- Investments and Others	**88**	115	**(23.5%)**	**239**	305	**(21.6%)**
Subtotal	**70**	139	**(49.6%)**	**154**	395	**(61.0%)**
	1,072	723	**48.3%**	**2,305**	2,313	**(0.3%)**
Net corporate interest and expenses	**(29)**	(52)	**(44.2%)**	**(104)**	(154)	**(32.5%)**
Total	**1,043**	671	**55.4%**	**2,201**	2,159	**1.9%**

ANALYSIS OF TURNOVER AND PROFIT (CONTINUED)

	Three months ended 30 September			Nine months ended 30 September		
	2009	2008	Increased/	**2009**	2008	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
PAS excluding the effect of investment property revaluation and major disposal of non-core assets/investments by segment						
Core Businesses						
- Retail[a]	**49**	125	**(60.8%)**	**325**	503	**(35.4%)**
- Beverage	**462**	301	**53.5%**	**803**	447	**79.6%**
- Food Processing and Distribution[b]	**39**	25	**56.0%**	**184**	181	**1.7%**
- Investment Property[c]	**89**	73	**21.9%**	**285**	264	**8.0%**
Subtotal	**639**	524	**21.9%**	**1,597**	1,395	**14.5%**
Other Businesses						
- Textile[d]	**(20)**	24	**(183.3%)**	**(88)**	87	**(201.1%)**
- Investments and Others	**88**	115	**(23.5%)**	**239**	305	**(21.6%)**
Subtotal	**68**	139	**(51.1%)**	**151**	392	**(61.5%)**
	707	663	**6.6%**	**1,748**	1,787	**(2.2%)**
Net corporate interest and expenses	**(29)**	(52)	**(44.2%)**	**(104)**	(154)	**(32.5%)**
Total	**678**	611	**11.0%**	**1,644**	1,633	**0.7%**

Notes:

For the nine months ended 30 September 2009,

a. Net valuation surplus of approximately HK$14 million (2008: HK$3 million) arising mainly from industrial building held by Retail division has been excluded from its results.

b. Net gain on disposal of non-core investments and valuation surplus with an aggregate amount of approximately HK$115 million (2008: HK$84 million) have been excluded from the results of the Food Processing and Distribution division.

c. Net valuation surplus of approximately HK$425 million (2008: HK$436 million) has been excluded from the results of the Investment Property division.

d. Net valuation surplus amounting to approximately HK$3 million (2008: HK$3 million) arising mainly from industrial building held by Textiles division has been excluded from its results.

PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the management account are consistent with those used in the annual financial statements for the year ended 31 December 2008 except for the adoption of certain new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2009.

The adoption of these new standards, amendments and 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, amendments and interpretations that have been issued by the HKICPA but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and financial positions of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group's unaudited consolidated turnover for the third quarter and the first nine months of 2009 amounted to HK$19,764 million and HK$54,811 million respectively, representing increases of 7.8% and 9.3% over the same periods of 2008. The Group's unaudited consolidated profit attributable to the Company's shareholders for the third quarter and the first nine months of 2009 amounted to HK$1,043 million and HK$2,201 million respectively, representing corresponding increases of 55.4% and 1.9% over the same periods of last year. Excluding the after-tax effect of revaluation of investment properties and major disposals, the Group's underlying unaudited consolidated profit attributable to the Company's shareholders would have increased by 11.0% and 0.7% for the third quarter and the first nine months of 2009 respectively.

Retail

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

During the quarter under review, economic growth and consumer spending continued to be impacted by the global financial crisis. Turnover of the retail division for the third quarter of 2009 was up 5.8% to HK$9,391 million year-on-year while that for the first nine months was up 8.3% to HK$28,377 million from a year earlier. Attributable profit for the third quarter of 2009 was down 49.2% to HK$63 million while that for the first nine months was down 33.0% to HK$339 million.

The Chinese Mainland recorded GDP growth of 7.7% year-on-year for the first nine months of 2009, down from 9.9% a year earlier. Growth in total retail sales of consumer goods in the Chinese Mainland slowed to 15.1% for the first nine months of 2009 from 22.0% for the corresponding period in the previous year. The global economy is yet to fully recover from the financial crisis and the Chinese Mainland is yet to show signs of marked improvement in exports. Economic growth of the Chinese Mainland will continue to be primarily driven by domestic demand led by investments.

On a positive note, latest economic data showed that the economy of the Chinese Mainland has stabilized and bottomed out, supporting a healthy development of the retail industry. GDP growth in the first nine months of the year was up 0.6 percentage point from the first half of the year while the consumer price index was down 1.1% year-on-year, extending declines of the previous two quarters although the pace of decline was slower in the third quarter.

In Hong Kong, high unemployment rates persisted while personal consumption remained weak. The operating environment of Hong Kong's retail industry is expected to continue to be challenging. Still, the wealth effect that resulted from the recent rallies in the stock market and rising property prices has improved consumer sentiment.

Although profit margin of the retail division for the third quarter of 2009 remained under pressure, a trend that began in the first half of the year and a consequence of promotional activities to drive customer flow and stock turnover, the increase in turnover has positioned the Group well for a gradual recovery in the retail market. With the solid foundation of its retail businesses across the Chinese Mainland, the Group believes that it is well positioned to benefit from the opportunities coming along with the recovery in the economy.

Supermarket and Logistics

Turnover of the supermarket and logistics operation for the third quarter of 2009 was up 7.0% year-on-year to HK$8,567 million while that for the first nine months was up 9.5% to HK$25,884 million over the corresponding periods in the previous year. Attributable profit for the third quarter was down 64.1% to HK$23 million year-on-year while that for the first nine months was down 23.8% to HK$247 million from a year earlier.

As at the end of September 2009, the Group operated a total of approximately 2,700 stores in the Chinese Mainland and Hong Kong, of which approximately 60.3% were self-operated and the rest were franchised stores. They are mainly hypermarkets, supermarkets and convenience stores operated under the brands of "華潤萬家 vanguard", "華潤蘇果 CHINA RESOURCES SUGUO", "蘇果 SUGUO", "Vango" and "Olé". The markets in Eastern China, Southern China, Hong Kong and Northern China respectively accounted for 62.8%, 26.0%, 6.7% and 4.5% of the operation's turnover for the first nine months of 2009.

Against the backdrop of a subdued consumer market, intensifying competition and falling consumer prices, particularly in the categories of meat and edible oil, overall same store sales for the first nine months of 2009 was down 2.0% year-on-year. The negative growth was also attributable to the short intervals between some key festivals (New Year's Day and Chinese New Year, Mid-Autumn Festival and the National Day) which had diluted the consumer's purchasing power. Consolidated earnings before interest, tax, depreciation and amortization ("EBITDA") for the first nine months of 2009 amounted to HK$1,141 million, representing a 4.3% increase over the same period of 2008.

We have made constant efforts to improve the profitability of this operation through expanding procurement channels and forming strategic cooperation with suppliers to lower purchase costs and diversify profit streams. To help the business adapt to the changing operating environment, the Group strives to improve the operation and management of its information technology system and inventory system.

The Group will continue to take advantage of its multi-format store strategy to quickly increase its share in target markets so as to achieve market leadership and attain economies of scale. To this end, the Group entered into an asset swap agreement (the "Asset Swap Agreement") with our parent company, China Resources (Holdings) Company Limited (as detailed in the Company's announcement dated 29 October 2009) to, inter alia, acquire a hypermarket chain of 75 stores, the Home World Group. The acquisition of the Home World Group will expand considerably the Group's retail operation as the scale of the Home World Group measured by turnover represents approximately 25% of the Group's turnover in its retail division based on their respective unaudited financial statements for the six months ended 30 June 2009. The hypermarket store format carries more diverse merchandise than the supermarket format thereby attracting a wider range of customers. While the Group has a multi-store format strategy, it believes that the hypermarket format is well-suited for entering new markets as a scalable way to build customer flow and establish cost-effective regional distribution and supplier networks. It will also complement the Group's geographical coverage in northern areas of the Chinese Mainland.

Brand-fashion Distribution

The brand-fashion distribution operation reported turnover for the third quarter and the first nine months of 2009 of HK$641 million and HK$1,977 million respectively, representing a decrease of 5.0% and an increase of 2.2% year-on-year. Attributable profit was down 26.4% year-on-year to HK$39 million for the third quarter while that for the first nine months was down 28.9% to HK$96 million.

As at the end of September 2009, the "Esprit" and "Red Earth" brand distribution network expanded to over 1,120 self-operated and franchised stores in the Chinese Mainland. In view of a slowdown in exports, garment manufacturers have shifted the destination of some of their products from overseas to domestic markets. It led to intense competition as retailers cut prices to reduce inventory. In the first nine months of 2009, prices of clothing in the Chinese Mainland were down 2.3%. Amid this operating environment, same store sales of self-operated stores declined 9.4% in the nine-month period under review. Franchised stores were also cautious about placing orders as they sought to better manage their inventory levels. Furthermore, discounts offered to wholesalers by the Group to help increase their competitiveness and aggressive promotional activities launched by shopping malls to stimulate customer spending further reduced our gross margin while provision for inventory increased in the first nine months of 2009.

The Group aims to improve the performance of the business with a number of initiatives. They include rationalizing procurement plans and launching flexible marketing activities to boost sales and speed up stock turnover. Communications with brand franchisee will be enhanced to improve product quality and better meet consumers' demand.

Other Retail Stores

The other retail stores operation reported turnover of HK$183 million for the third quarter and HK$516 million for the first nine months of 2009, representing decreases of 7.1% and 17.7% year-on-year respectively. Attributable profit for the third quarter of 2009 was down 85.7% to HK$1 million year-on-year. The operation reported attributable loss of HK$4 million for the first nine months of 2009 compared to attributable profit of HK$47 million for the corresponding period in the previous year. As at the end of September 2009, the Group's other retail store chain had 4 Chinese Arts & Crafts 中藝 stores in Hong Kong and 46 CR Care 華潤堂 stores in Hong Kong and the Chinese Mainland.

Turnover of Chinese Arts & Crafts 中藝 stores, which focus on sales of high quality and premium products, dropped significantly year-on-year during the third quarter of 2009 as consumer confidence in Hong Kong remained fragile and the number of tourists declined following the global financial crisis. However, the retail sector in Hong Kong has shown signs of recovery in the quarter under review. Chinese Arts & Crafts 中藝 performed better in the third quarter of 2009 than in the previous two quarters, recording the highest quarterly profit. Despite a dampened demand for high value merchandise such as Cordyceps, and the pressure on gross margin as a result of frequent promotional activities, CR Care 華潤堂 managed to improve its performance in the quarter. On the whole, the operation recorded a small profit for the third quarter of 2009.

Looking ahead, the operating environment of Hong Kong's retail industry will remain challenging. The Group will therefore adopt flexible pricing strategies and optimize its product mix to cater for customer preferences.

Beverage

The beverage division reported turnover of HK$7,049 million and HK$17,265 million for the third quarter and the first nine months of 2009 respectively, representing increases of 13.1% and 19.9% respectively over the corresponding periods in the previous year. Attributable profit was HK$462 million and HK$803 million for the third quarter and the first nine months of 2009 respectively, representing increases of 53.5% and 79.6% respectively over the same periods of 2008.

Beer

The beer operation posted turnover of HK$6,476 million for the third quarter of 2009, up 12.0% year-on-year, and turnover of HK$15,950 million for the first nine months, up 19.3% from a year earlier. Attributable profit was up 57.8% year-on-year to HK$404 million for the third quarter, while that for the first nine months of 2009 was up 83.1% to HK$661 million from the previous year.

Sales volume of beer was up 11.6% year-on-year to approximately 2,928,000 kiloliters for the third quarter and up 16.4% year-on-year to approximately 7,115,000 kiloliters for the first nine months of 2009. Sales volume of our national brand "SNOW" was up 20.3% to 6,134,000 kiloliters for the first nine months of 2009, accounting for 86.2% of total sales volume. The increase in overall sales volume was mainly attributable to greater demand for beer in warmer weather during the first nine months under review as well as increased capacity totaling 800,000 kiloliters at five newly acquired breweries, and three newly built breweries in Zhejiang Province, Jilin Province and Inner Mongolia Autonomous Region.

An enhancement in product mix to meet customers' demand for higher quality beer resulted in greater sales of premium beer in the overall mix. Additionally, overall gross profit margin improved during the nine-month period under review thanks to a decline in raw material costs.

As at the end of September 2009, the Group operated about 70 breweries in the Chinese Mainland with an annual production capacity of approximately 14,000,000 kiloliters. The Group will endeavor to prudently identify and evaluate investment opportunities to increase production capacity and operational efficiency through acquisition, greenfield investment and expansion of existing plants.

Purified Water

The purified water operation, with "C'estbon 怡寶" as its sole brand, reported turnover of HK$573 million for the third quarter of 2009, up 27.3% year-on-year, and turnover of HK$1,315 million for the first nine months, up 27.2% from a year earlier. Attributable profit was up 28.9% year-on-year to HK$ 58 million for the third quarter while that for the first nine months of 2009 was up 65.1% to HK$142 million from the same period of last year. Sales volume of purified water was up 28.7% year-on-year to approximately 565,000 kiloliters for the third quarter while that for the first nine months of 2009 was up 24.1% to approximately 1,301,000 kiloliters.

An enhancement in coverage, expansion in sales networks in new markets and satisfactory market reception to our new promotional campaigns together contributed to the significant increases in sales volume during the periods under review. The Group also benefited from lower production costs in respect of plastic packaging materials following the decline in crude oil prices in the nine months under review. On the other hand, major promotional campaigns were launched in the lead up to several key sport events in the coming 12 months, thus incurring extra promotional expenses in the quarter.

The Group will further increase its market share nationally through appropriate and timely sales and marketing strategies to build and improve brand image and consumer awareness of its products. The Group will prudently expand into new markets and upgrade its production capacity to keep growing its market share.

Food Processing and Distribution

The food processing and distribution division reported turnover of HK$1,957 million for the third quarter, down 1.2% year-on-year, and turnover of HK$5,462 million for the first nine months of 2009, down 5.9% from the corresponding period of last year. Attributable profit for the third quarter rose 252.0% to HK$88 million year-on-year, while that for the first nine months of 2009 rose 12.8% to HK$299 million from the corresponding period in the previous year. Excluding the gains from the reduction in certain equity interests in strategic investments, attributable profit would have increased 56.0% and 1.7% for the third quarter and for the first nine months of 2009 respectively.

Thanks to the synergy of the Group's livestock distribution business in Hong Kong and the livestock raising business in the Chinese Mainland, the supplies of live pigs have become more stable. In the nine-month period under review, the Group's market share of Hong Kong's live pig market remained stable. Operating results for the third quarter recorded modest improvement on a low base in the same period of the previous year following the opening up of Hong Kong's live pig market since mid-2007 which led to intensifying competition and consequently hurt the profitability of the Group's operation. However, turnover and attributable profit of the frozen food distribution business in Hong Kong for the first nine months of 2009 declined year-on-year as a result of weakened consumer sentiment and rising unemployment in Hong Kong. With the successful renewal of our contract right to operate and manage an abattoir in Sheung Shui for a maximum of another ten years, the Group will continue to make improvements to its food safety system in Hong Kong's fresh meat market, while taking advantage of the synergy of its livestock-related businesses for further value enhancement.

The Chinese Mainland is a key market for growth of the division. With continued efforts in business development, the Group achieved satisfactory growth in both turnover and operating results of the meat processing, branded food processing and distribution businesses in the Chinese Mainland. The Group has sped up its investment activities in the Chinese Mainland, thereby strengthening the synergy of its businesses and enhancing the competitiveness of its businesses in livestock raising, slaughtering, meat processing, cold storage, logistics and sales distribution. At the same time, the livestock raising business in the Chinese Mainland has provided strong support to the livestock supplies business in Hong Kong and the meat processing business in the Chinese Mainland.

The marine fishing and aquatic products processing operation achieved higher sales volume following our expansion to the Chinese Mainland market. Overall gross profit margin also improved on lower operating costs thanks to lower fuel prices and the Group's initiatives to increase operational efficiency such as better deployment of shipping resources in different regions.

The Group will keep improving its supply chain of safe food and will leverage both organic expansion and acquisition in a bid to become a leading integrated safe food supplier with capabilities in research and development, processing, wholesaling and retailing.

Investment Property

The investment property division, which mainly comprises retail property rental segment, reported turnover of HK$141 million for the third quarter, up 17.5% year-on-year, while that for the first nine months of 2009 was up 25.2% to HK$407 million from the previous year.

Attributable profit was HK$389 million for the third quarter and HK$710 million for the first nine months of 2009. Excluding an after-tax effect of revaluation surplus of investment properties of approximately HK$425 million (First nine months of 2008: approximately HK$436 million) and a decrease in deferred tax liabilities of approximately HK$52 million resulting from a reduction in Hong Kong profits tax rate in the first nine months of 2008, attributable profit of the division for the first nine months of 2009 would have increased 34.4% year-on-year.

Benefiting from new tenancy agreements of Silvercord property in Tsimshatsui, rental income of the division increased considerably in the first nine months of 2009. Other retail properties also recorded slight increases in rental and occupancy rates.

Looking ahead, we expect Hong Kong's retail market to emerge slowly from the shadow of the global financial crisis. The limited supplies of prime retail space should help offset the financial crisis-induced downward pressure on rentals in key shopping areas. The division will from time to time evaluate the renovation potential of its retail properties with a view to increasing its rental income.

Textile

Turnover of the textile division was up 5.9% year-on-year to HK$1,298 million for the third quarter, while that for the first nine months of 2009 was down 4.8% to HK$3,509 million from a year earlier. The division recorded attributable losses of HK$18 million and HK$85 million for the third quarter and the first nine months of 2009 respectively, compared to attributable profits of HK$24 million and HK$90 million for the corresponding periods in the previous year.

As a recovery in the global economy was still underway, demand for China's textile products in overseas markets remained subdued. According to figures released by the General Administration of Customs of the People's Republic of China, the exports value of textile products and garments fell 11.2% year-on-year in the first nine months of 2009. However, the impact caused by falling exports has been partially offset by domestic demand.

During the first nine months of 2009, the Group not only adjusted its product mix but also adopted flexible pricing strategies to better meet the demand in the domestic market. Turnover of the division rebounded in the third quarter of 2009, which helped lessen the decline in overall turnover for the nine-month period under review. However, the operation recorded an operating loss for the nine-month period under review primarily as a result of a provision for the closing down of a dyeing factory and other assets impairment.

The operating environment of the division remains challenging and it is not expected to show much improvement in the near future. In order to focus on the core consumer businesses, the Group agreed to, inter alia, transfer the entire textile division to our parent company under the Asset Swap Agreement.

Investments and Others

Attributable profit for the third quarter and for the first nine months of 2009 amounted to HK$88 million (Third quarter of 2008: HK$115 million) and HK$239 million (First nine months of 2008: HK$305 million), respectively.

Container Terminal

The Group has a 10% stake in each of HIT Investments Limited and Hutchison Ports Yantian Investments Limited. The Group agreed to, inter alia, to transfer its entire stake in the container terminal business to our parent company under the Asset Swap Agreement.

Recent Development

On 29 October 2009, we entered into the Asset Swap Agreement with our parent company, China Resources (Holdings) Company Limited (as detailed in the Company's announcement dated 29 October 2009), which involves a series of transactions including the transfer of our entire textile division and the minority interests in two container terminal operations to our parent company plus the payment of a cash consideration of HK$30 million, in exchange for a hypermarket chain operating in northern, north-western, north-eastern and central China and a brewery in Shandong Province from our parent company. The proposal, if implemented, will expand our supermarket and brewery businesses and simultaneously streamline our existing operations through the disposals of non-core textile division and minority investments in container terminal operations. This proposed group reorganisation represents a further step in our strategy to be a market leader in the core consumer businesses, namely retail, beverage, food processing and distribution and is intended to strengthen our focus on the rapidly growing consumer market in the Chinese Mainland.

The proposed transactions are subject to independent shareholders' approval at an extraordinary general meeting of the Company to be held on 27 November 2009 and the shareholder circular containing details of the transactions was dispatched on 12 November 2009.

FINANCIAL REVIEW

Capital and Funding

As at 30 September 2009, the Group's consolidated cash and bank balance amounted to HK$10,347 million. The Group's borrowings as at 30 September 2009 were HK$12,545 million with HK$4,176 million repayable within 1 year, HK$8,366 million repayable after 1 year but within 5 years and HK$3 million repayable after 5 years.

On the basis of the Group's net borrowings relative to the shareholders' funds and minority interests, the Group's gearing was approximately at 6.0% as at 30 September 2009 (31 December 2008: 18.7%).

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 30 September 2009, 17.2% of the Group's cash deposit balances was held in Hong Kong dollars, 71.2% in Renminbi and 10.3% in US dollars; whereas 73.5% of the Group's borrowings was denominated in Hong Kong dollars and 19.7% in Renminbi with 6.7% in US dollars.

Pledge of Assets

As at 30 September 2009, assets with a carrying value of HK$1,228 million (31 December 2008: HK$289 million) were pledged for bank borrowings and notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 September 2009.

CAUTION STATEMENT

The Board wishes to remind investors that the above financial data are based on the Company's internal records and management accounts. The above financial data for the third quarter and the nine months ended 30 September 2009 have not been reviewed or audited by the auditors. Shareholders of the Company and potential investors should exercise caution when dealing in shares of the Company.

By order of the Board
CHEN LANG
Managing Director

Hong Kong, 19 November 2009

As at the date of this announcement, the Executive Directors of the Company are Mr. Qiao Shibo (Chairman), Mr. Chen Lang (Managing Director), Mr. Wang Qun (Deputy Managing Director), Mr. Lau Pak Shing (Deputy Managing Director) and Mr. Lai Ni Hium (Deputy Managing Director). The Non-Executive Directors are Mr. Jiang Wei, Mr. Yan Biao, 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, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.