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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 2010

- Consolidated earnings increased by 266.4% year-on-year to about HK$4,243 million, including a net gain of approximately HK$3 billion from the disposal of the brand-fashion distribution business
- Turnover and earnings from the core businesses rose by 31.7% and 37.9% respectively
- Retail division delivered a strong performance with turnover and earnings surging by 49.6% and 76.9% year-on-year respectively on expanded operation and enhanced profitability
- The Board of Directors declared an interim dividend of HK$0.14 per share

FINANCIAL HIGHLIGHTS

For the six months ended 30 June	**2010 (Unaudited)** *HK$ million*	2009 (Unaudited) *HK$ million*
Turnover		
– continuing operations	**41,570**	31,573
– discontinued operations[1]	**410**	3,474
	41,980	35,047
Profit attributable to shareholders of the Company		
– continuing operations	**1,242**	1,168
– discontinued operations[1]	**3,001**	(10)
	4,243	1,158
Basic earnings per share[2]		
– continuing operations	**HK$0.52**	HK$0.49
– discontinued operations[1]	**HK$1.25**	HK$(0.01)
	HK$1.77	HK$0.48
Interim dividend per share	**HK$0.14**	HK$0.14
	At 30 June 2010 (Unaudited) *HK$ million*	At 31 December 2009 (Audited) *HK$ million*
Equity attributable to shareholders of the Company	**29,270**	25,847
Non-controlling interests	**9,649**	9,597
Total equity	**38,919**	35,444
Consolidated net borrowings	**-**	3,340
Gearing ratio[3]	**Net cash**	9.4%
Net assets per share (book value):	**HK$12.21**	HK$10.79

Notes:

1. Pursuant to the group reorganisation in 2009, textile and brand-fashion distribution businesses are presented as discontinued operation according to the Hong Kong Financial Reporting Standard 5. The Group disposed of its brand-fashion distribution business interest in February 2010 with a net gain of approximately HK$3 billion.
2. Diluted earnings per share for the six months ended 30 June 2010 and 2009 are HK$1.77 and HK$0.48 respectively. Diluted earnings/(loss) per share of the discontinued operations for the six months ended 30 June 2010 and 2009 are HK$1.25 and HK$(0.01) respectively.
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 asset 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	
	2010	2009	**2010**	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Core Businesses						
- Retail	**26,892**	17,972	**955**	540	**546**	415
- Beer	**10,043**	9,474	**258**	257	**258**	257
- Beverage	**896**	742	**53**	84	**53**	84
- Food Processing and Distribution	**3,876**	3,505	**240**	211	**214**	145
Subtotal	**41,707**	31,693	**1,506**	1,092	**1,071**	901
Other Businesses						
- Investments and Others	–	–	**(214)**	151	**–**	151
	41,707	31,693	**1,292**	1,243	**1,071**	1,052
Elimination of inter-segment transactions	**(137)**	(120)	**–**	–	**–**	–
Net corporate interest and expenses	–	–	**(50)**	(75)	**(50)**	(75)
Total from continuing operations	**41,570**	31,573	**1,242**	1,168	**1,021**	977
Discontinued operations						
- Brand-fashion Distribution	**410**	1,263	**3,001**	57	**22**	57
- Textile	**–**	2,211	**–**	(67)	**–**	(68)
Total from discontinued operations	**410**	3,474	**3,001**	(10)	**22**	(11)
Total	**41,980**	35,047	**4,243**	1,158	**1,043**	966

Notes:

1. For the analysis of PAS excluding the effect of asset 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 on investment properties of approximately HK$409 million (2009: HK$125 million) has been excluded from the results of Retail division.

   b. Net gain on disposal of non-core investments and valuation surplus on investment properties with an aggregate amount of approximately HK$26 million (2009: HK$66 million) have been excluded from the results of the Food Processing and Distribution division.

   c. Valuation deficit on financial assets at fair value through profit or loss of approximately HK$214 million has been excluded from the results of Investment and Others division.

   d. The Group disposed of its brand-fashion distribution business interest in February 2010 with a net gain of approximately HK$3 billion.

   e. Net valuation surplus of approximately HK$1 million arising mainly from industrial building held by the Textile division has been excluded from its 2009 results.

CHAIRMAN'S STATEMENT

HALF-YEAR RESULTS

Following the sale of its entire interest in a brand-fashion distribution business in the Chinese Mainland, the Group focuses on its core consumer goods businesses. For the six months ended 30 June 2010, the Group's unaudited consolidated profit attributable to the Company's shareholders increased by 266.4% year-on-year to approximately HK$4,243 million, including a net gain of approximately HK$3 billion from the disposal of the brand-fashion distribution business.

The core businesses of the Group include retail, beer, beverage, and food processing and distribution. The businesses form one of the largest consumer goods networks in the Chinese Mainland, which has tremendous value not fully realized. The unaudited turnover and profit attributable to the Company's shareholders from the core businesses rose by 31.7% and 37.9% year-on-year respectively to approximately HK$41,570 million and HK$1,506 million. Excluding the after-tax effect of asset revaluation and major disposals, the Group's underlying unaudited profit attributable to the Company's shareholders from the core businesses would have increased by 18.9% year-on-year for the first six months of 2010.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.14 per share for the six months ended 30 June 2010 (2009: HK$0.14 per share) payable on or around 15 October 2010 to shareholders whose names appear on the Register of Members of the Company on 4 October 2010.

PROSPECTS

In the first half of 2010, the Chinese economy recovered steadily thanks to the continued macroeconomic stimulus policies by the central government. Thus, consumer sentiment continued to pick up, helping the overall retail market.

The Group's core businesses, namely retail, beer, beverage, and food processing and distribution, have formed a solid consumer goods business foundation. The Group is actively seeking acquisition and cooperation opportunities to facilitate the growth of all its businesses.

To support its rapid business expansion, the Group has taken various measures including promoting system automation of its operations and further enhancing staff efficiency. The Group has also endeavored to strengthen the fund utilization management of different businesses and enhance profitability through cost control, risk and cash management.

During the period under review, the improving Chinese economy and a moderate inflationary environment were favorable for the growth of the Group's retail division. Our over 2,900-store retail network is one of the most comprehensive in China in both formats and regional coverage. To capture the opportunities brought by the recovering economy, we have adopted the "trade up" strategy to maximize the benefits. We are pursuing a national expansion strategy that features regional dominance and synergy on a multi-format business platform so as to reinforce the leading position of our supermarket operation. Our strategy in store format innovation also boosted its competitiveness. Moreover, the Group will promote synergies amongst different formats of the supermarket and other retail operations in order to achieve greater cost-effectiveness in rental arrangements. During the period under review, the Group acquired an 80%

interest in Pacific Coffee (Holdings) Limited ("Pacific Coffee"). "Pacific Coffee" will not only provide us with a new revenue stream with higher margin and large growth potential, but also help to further enhance store format differentiation of our supermarket operation. In addition, our customers will be able to enjoy a more sophisticated lifestyle experience while shopping at our retail stores.

More-than-normal rainfall and cooler weather in the second quarter affected the sales volume of the Group's beer division to a certain extent. The Group will continue to optimize its distribution management and increase promotion. Therefore, the Group is prudently optimistic towards the full-year performance of its beer division. Through its continuous efforts in promoting the "雪花 Snow" brand, the Group is confident in enhancing its sales volume in the Chinese Mainland. As the beer consumption per capita in the Chinese Mainland is relatively low compared to Japan and other developed countries in Europe, there is still huge growth potential in the mainland beer market. The Group will continue to seize the opportunities and expedite the execution of its consolidation strategy to enhance its market share and overall profit.

For the beverage division, the Group continues to develop its nationwide distribution network and enrich its product mix. During the period under review, its key operation in Guangdong Province maintained a relatively higher turnover growth rate while the turnover in other new markets outpaced industry growth rates. In response to its long-term development strategy, the division invested more resources in expanding new markets and launching new products during the period under review. In April 2010, the Group rolled out its fruit-flavored nutritional drink, "零帕 0 PA". Besides continuing to strengthen its leading position in Guangdong Province, the Group will dedicate its efforts to exploring other new markets to gain more market coverage.

The business scale and profitability of the Group's food processing and distribution division are expected to further increase in the second half of the year riding on its active market expansion and overall consumption growth. The Group will accelerate its study of meat business acquisition opportunities to further enhance its geographical distribution in the key regions. It will also build up its competitive edge in differentiation by promoting replication of the business model of slaughtering, cold storage, trading and branded product distribution in regional core cities. By further increasing the pace of its expansion including acquisitions in Eastern and Northern China, the Group's frozen food and ice-cream business aims at becoming a leader in the industry. The marine fishing and aquatic products processing operation will leverage the extensive retail network of both Ng Fung Hong and the Group to enhance the reputation of "五豐 Ng Fung" brand in the aquatic product market.

The Chinese economy keeps growing at a robust pace after the global financial crisis last year. The central government continues to implement stimulus policies to drive domestic demand and family consumption, contributing to the fast and steady economic growth of China. The Group is committed itself to operating and expanding its retail network that successfully differentiates itself from its peers in China. With the continued expansion and deepening of China's consumer market, the Group is well positioned to demonstrate the competitive edge and maximize the value of its retail network, generating more earnings contribution in future.

APPRECIATION

On behalf of the Board of Directors, I would like to express our sincere appreciation to Mr. Lau Pak Shing for his valuable contribution during his office as Executive Director and Deputy Managing Director of the Group.

The Group has successfully completed its transformation into a company with a distinct consumer focus, which will help its rapid development for the years to come. We would not have been able to achieve this without the support of our shareholders as well as our valued customers, suppliers and business associates. The dedication and hard work of our staff are also essential to our achievements. I take this opportunity to thank them all and look forward to their continuous support.

QIAO SHIBO
Chairman

Hong Kong, 26 August 2010

2010 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 2010 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCCOUNT

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$ million***	*HK$ million*
Continuing operations			
Turnover	*4*	**41,570**	31,573
Cost of sales		**(30,929)**	(23,356)
Gross profit		**10,641**	8,217
Other income	*5*	**1,111**	599
Selling and distribution expenses		**(7,345)**	(5,225)
General and administrative expenses		**(2,059)**	(1,628)
Finance costs	*6*	**(84)**	(132)
Share of net results of associates		**24**	145
Profit before taxation		**2,288**	1,976
Taxation	*7*	**(661)**	(436)
Profit for the period from continuing operation	*8*	**1,627**	1,540
Discontinued operations	*9*		
Profit for the period from discontinued operations		**3,022**	48
		4,649	1,588
Attributable to:			
Shareholders of the Company		**4,243**	1,158
Non-controlling interests		**406**	430
		4,649	1,588
Earnings per share	*11*		
From continuing and discontinued operations			
Basic		**HK$1.77**	HK$0.48
Diluted		**HK$1.77**	HK$0.48
From continuing operations			
Basic		**HK$0.52**	HK$0.49
Diluted		**HK$0.52**	HK$0.49

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$ million	*HK$ million*
Profit for the period	**4,649**	1,588
Other comprehensive income/(expense):		
Exchange differences on translating foreign operations	**330**	(29)
Fair value adjustment on available for sale investments	**(89)**	25
Fair value adjustment on derivative financial instruments	**(21)**	(8)
Surplus on revaluation of properties	**-**	13
Reclassification adjustments:		
– release of exchange differences upon disposal of subsidiaries/associates	**(44)**	(3)
– release of valuation reserve upon disposal of available for sale investments	**(10)**	(32)
Income tax relating to fair value adjustment on available for sale investments	**(3)**	-
Other comprehensive income/(expense) for the period, net of tax	**163**	(34)
Total comprehensive income for the period	**4,812**	1,554
Attributable to:		
Shareholders of the Company	**4,314**	1,101
Non-controlling interests	**498**	453
	4,812	1,554

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**At 30 June 2010 (Unaudited)** ***HK$ million***	At 31 December 2009 (Audited) *HK$ million*
Non-current assets			
Fixed assets			
- Investment properties		**9,065**	8,699
- Interests in leasehold land held for own use under operating leases		**4,686**	4,278
- Other property, plant and equipment		**25,679**	25,181
Goodwill		**9,309**	9,225
Other intangible assets		**86**	95
Interests in associates		**404**	395
Available for sale investments		**53**	142
Financial assets a fair value through profit or loss		**205**	419
Derivative financial instruments		**-**	10
Prepayments		**259**	261
Deferred taxation assets		**370**	333
		50,116	49,038
Current assets			
Stocks		**12,059**	11,133
Trade and other receivables	*12*	**5,953**	5,212
Available for sale investments		**-**	13
Derivative financial instruments		**-**	1
Taxation recoverable		**37**	37
Pledged bank deposits		**396**	275
Cash and bank balances		**14,342**	8,528
		32,787	25,199
Assets classified as held for sale		**-**	1,230
		32,787	26,429
Current liabilities			
Trade and other payables	*13*	**(29,582)**	(25,121)
Derivative financial instruments		**(10)**	-
Short term loans		**(3,891)**	(3,324)
Taxation payable		**(766)**	(329)
		(34,249)	(28,774)
Liabilities associated with assets classified as held for sale		**-**	(544)
		(34,249)	(29,318)
Net current liabilities		**(1,462)**	(2,889)
Total assets less current liabilities		**48,654**	46,149
Non-current liabilities			
Long term loans		**(7,577)**	(8,819)
Deferred taxation liabilities		**(1,824)**	(1,624)
Derivative financial instruments		**(27)**	(26)
Other non-current liabilities		**(307)**	(236)
		38,919	35,444

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	At 30 June 2010 (Unaudited)	At 31 December 2009 (Audited)
	HK$ million	*HK$ million*
Capital and reserves		
Share capital	**2,397**	2,396
Reserves	**26,873**	23,451
Equity attributable to shareholders of the Company	**29,270**	25,847
Non-controlling interests	**9,649**	9,597
Total equity	**38,919**	35,444

Notes:

1. Independent review

The interim results for the half-year ended 30 June 2010 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 2009 except for the adoption of certain revised 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 2010.

The adoption of HKAS 27 (Revised) has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries. In prior years, in the absence of specific requirements in Hong Kong Financial Reporting Standards, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under HKAS 27 (Revised), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss. Accordingly, the difference between consideration paid for purchase of additional interests in subsidiaries and the carrying amount of the share of net assets acquired of HK$67 million was charged to the retained profits during the six months ended 30 June 2010.

When control of subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost, with the gain or loss arising recognised in consolidated profit and loss account.

The adoption of other revised 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 Group's results of operations and financial positions.

4. Turnover and segment information

Operating segments

	Retail *HK$ million*	Beer *HK$ million*	Beverage *HK$ million*	Food Processing and Distribution *HK$ million*	Investments and Others *HK$ million*	Elimination *HK$ million*	Continuing Operations Total *HK$ million*	Discontinued Operations (Note 9) *HK$ million*	Total *HK$ million*
For the six months ended 30 June 2010									
Turnover									
External sales	26,856	10,036	884	3,794	-	-	41,570	410	41,980
Inter-segment sales*	36	7	12	82	-	(137)	-	-	-
Total	26,892	10,043	896	3,876	-	(137)	41,570	410	41,980
Segment result	1,360	754	70	396	(214)		2,366	57	2,423
Unallocated corporate expenses							(46)	-	(46)
Interest income							52	1	53
Profit on disposal of discontinued operation							-	3,347	3,347
Finance costs							(84)	(3)	(87)
Profit before taxation							2,288	3,402	5,690
Taxation							(661)	(380)	(1,041)
Profit for the period							1,627	3,022	4,649
For the six months ended 30 June 2009									
Turnover									
External sales	17,938	9,446	730	3,459	-	-	31,573	3,474	35,047
Inter-segment sales*	34	28	12	46	-	(120)	-	-	-
Total	17,972	9,474	742	3,505	-	(120)	31,573	3,474	35,047
Segment result	808	738	110	327	134		2,117	116	2,233
Unallocated corporate expenses							(54)	-	(54)
Interest income							45	4	49
Finance costs							(132)	(37)	(169)
Profit before taxation							1,976	83	2,059
Taxation							(436)	(35)	(471)
Profit for the period							1,540	48	1,588

Note: Segment result represents earnings before interest income, finance costs and taxation.
* Inter-segment sales were charged at prevailing market rates.

5. Other income

	Six months ended 30 June	
	2010	2009
	HK$ million	*HK$ million*
Other income includes the following:		
Continuing operations		
Interest income	**52**	45
Valuation gain on investment properties	**497**	151
Profit on disposal of associates	**19**	35
Profit on disposal of available for sale investments	**10**	40
Profit on disposal of fixed assets	**182**	-
Discontinued operations		
Dividends from unlisted available for sale investments	**-**	1
Interest income	**1**	4
Valuation gain on investment properties	**-**	1

6. Finance costs

	Six months ended 30 June	
	2010	2009
	HK$ million	*HK$ million*
Continuing operations		
Interest on bank loans and other loans wholly repayable within five years	**65**	132
Financing charges	**21**	14
	86	146
Less: Amount capitalised in cost of qualifying assets	**(2)**	(14)
	84	132
Discontinued operations		
Interest on bank loans and other loans wholly repayable within five years	**1**	31
Financing charges	**2**	6
	3	37
	87	169

7. Taxation

	Six months ended 30 June	
	2010	2009
	HK$ million	*HK$ million*
Continuing operations		
Current taxation		
Hong Kong	**77**	52
Chinese Mainland	**427**	355
	504	407
Deferred taxation		
Hong Kong	**77**	28
Chinese Mainland	**80**	1
	661	436
Discontinued operations		
Current taxation		
Hong Kong	**-**	3
Chinese Mainland	**382**	51
	382	54
Deferred taxation		
Chinese Mainland	**(2)**	(19)
	380	35
	1,041	471

Hong Kong Profit Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the period.

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. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

8. Profit for the period

	Six months ended 30 June	
	2010	2009
	HK$ million	*HK$ million*
Profit for the period has been arrived at after charging:		
Continuing operations		
Depreciation		
- Owned assets	**1,238**	1,002
Amortisation of other intangible assets (included in general and administrative expenses)	**5**	9
Cost of goods sold	**30,754**	23,231
Loss on disposal of fixed assets	**-**	14
Valuation deficit on financial assets at fair value through profit and loss	**214**	-
Discontinued operations		
Depreciation		
- Owned assets	**8**	165
Cost of goods sold	**190**	2,622
Loss on disposal of fixed assets	**-**	3

9. Discontinued operations

The Group disposed of its brand-fashion distribution business interest in February 2010 at a cash consideration of HK$3,880 million.

In order to focus on the core consumer business, the Group transferred its textile business at the end of December 2009 to its parent company under an asset swap agreement. Details of the transactions were disclosed in the circular dated 12 November 2009.

The results of the discontinued operations included in the condensed consolidated profit and loss account are set out below:

	Six months ended 30 June	
	2010	2009
	HK$ million	*HK$ million*
Profit for the period from discontinued operations		
Revenue	**414**	3,528
Expenses	**(359)**	(3,444)
Share of losses of associates	**-**	(1)
Profit before taxation	**55**	83
Taxation	**(12)**	(35)
Profit after taxation	**43**	48
Net profit on disposal of discontinued operation	**2,979**	-
	3,022	48
Profit/(loss) for the year attributable to:		
Shareholders of the Company	**3,001**	(10)
Non-controlling interests	**21**	58
	3,022	48
Net assets of discontinued operations disposed of	**374**	-

10. Dividends

At the board meeting held on 25 March 2010, the directors proposed a final dividend of HK$0.35 per ordinary share for the year ended 31 December 2009. Such proposal was subsequently approved by shareholders on 28 May 2010. The 2009 final dividend paid was approximately HK$839 million (2008: HK$597 million).

At the board meeting held on 26 August 2010, the directors declared an interim dividend of HK$0.14 per ordinary share (2009: interim dividend of HK$0.14 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$336 million (2009: HK$335 million).

11. Earnings per share

	Six months ended 30 June	
	2010	2009
	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 purposes of calculating basic and diluted earnings per share	**4,243**	1,158

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,396,579,413**	2,388,772,010
Effect of dilutive potential ordinary shares:		
- Share options	**6,456,664**	3,931,306
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,403,036,077**	2,392,703,316

11. Earnings per share (continued)

	Six months ended 30 June	
	2010	2009
	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 purposes of calculating basic and diluted earnings per share	**4,243**	1,158
Less:		
(Profit)/loss attributable to shareholders of the Company from discontinued operations	**(3,001)**	10
Profit attributable to shareholders of the Company for the purposes of calculating basic and diluted earnings per share from continuing operations	**1,242**	1,168

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

For discontinued operations
Basic earnings per share and diluted earnings per share for the discontinued operations are HK$1.25 per share (2009: loss of HK$0.01 per share) and HK$1.25 per share (2009: loss of HK$0.01 per share), respectively, based on the profit attributable to shareholders of the Company from the discontinued operations of HK$3,001 million (2009: loss of HK$10 million) and the denominators detailed above for 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 2010	At 31 December 2009
	HK$ million	*HK$ million*
0 – 30 days	**773**	563
31 – 60 days	**189**	180
61 – 90 days	**101**	87
> 90 days	**279**	177
	1,342	1,007

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 2010	At 31 December 2009
	HK$ million	*HK$ million*
0 – 30 days	**6,663**	6,416
31 – 60 days	**2,681**	2,128
61 – 90 days	**1,332**	793
> 90 days	**1,563**	995
	12,239	10,332

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Retail

The Group's retail division recorded a turnover of HK$26,892 million and an attributable profit of HK$955 million for the first half of 2010 respectively, representing corresponding increases of 49.6% and 76.9% over the same period of 2009. Excluding an after-tax revaluation surplus of approximately HK$409 million (First half of 2009: HK$125 million), the attributable profit of the division in the first half of 2010 would have increased by 31.6% over the same period of last year.

The Group's retail division mainly consists of supermarkets, "中藝 Chinese Arts & Crafts" and "華潤堂 CR Care". As at the end of June 2010, the Group operated over 2,900 stores in China, of which approximately 66.8% was self-operated and the rest were franchised stores. The store formats principally include hypermarkets, supermarkets, convenience stores and specialty stores, operating under the brands mainly comprising "華潤萬家 Vanguard", "華潤蘇果 China Resources Suguo", "蘇果 Suguo", "Vango", "Olé", "Voi_la!", "中藝 Chinese Arts & Crafts" and "華潤堂 CR Care".

During the period under review, the central government continued to implement stimulus policies to drive domestic demand against a backdrop of a gradual recovery of the global economy. There were improvements in both the macroeconomic environment and consumer spending in the Chinese Mainland. Economic indicators such as the consumer price index and producer price index were steadily trending up. A moderate inflationary environment in the market also lent support to steady growth in the domestic retail sector.

In Hong Kong, a gradual fall in the unemployment rate from last year's high levels and a rebound in consumer spending led to continued improvement in the retail industy. The wealth effect created by higher property prices in Hong Kong in the first half of 2010 and strong spending by mainland visitors have also helped lift consumer sentiment.

The Group's acquisition of a hypermarket chain from its parent company, China Resources (Holdings) Company Limited, has enlarged the scale of the Group's supermarket operation by extending its geographical coverage in the northern and central regions of the Chinese Mainland, resulting in a remarkable increase in its turnover. Benefitting from opportunities brought by the improving economy and rising food prices in the Chinese Mainland, same store sales of the Group's retail division increased by 8.4% year-on-year in the period under review.

The Group completed the national standardization of category management and put in place unified supplier policies and supplier management workflow during the review period. A national procurement office has also been set up to drive the nationwide integration of supply chain and procurement. The Group has also established direct trading bases between fruits farmers and supermarkets in different regions such as Zhejiang, Ningxia and Sichuan. Through direct purchases, the Group provided customers with low-priced quality goods, thereby further strengthening the Group's competitiveness. Excluding a revaluation surplus of approximately HK$496 million (First half of 2009: HK$150 million), earnings before interest, tax, depreciation and amortization of the Group's retail division for the first half of 2010 amounted to HK$1,417 million, representing a year-on-year increase of 29.8%. In addition to the contribution from a hypermarket chain acquired from the parent company, satisfactory growth in same store sales and an increase in gross margin were the drivers of higher operating profit.

During the period under review, the Group opened two “Voi_la!” wine cellars in Hong Kong, offering a wide range of wines from different countries and regions. The wine cellars have not only helped the Group explore a new market in Hong Kong but also laid a solid foundation for the future development of this business. With its competitive edge, dedication to corporate social responsibility and well-planned service packages, the Group has won the tender for providing retail services of snacks and drinks to the Guangzhou 2010 Asian Games for audience in dozens of venues including those for the opening and closing ceremonies.

Looking ahead, the Group will pursue a national expansion strategy that features regional leadership and synergy on a multi-format business platform. To solidify its leading positions in key regional markets, the Group will strengthen the professionalization of central management and the standardization of stores management in various regions. The Group will also continue to enhance management efficiency by propelling regional integration, and push ahead with the integration of its national supply chain as well as the optimization of its product mix and supplier system. To increase the categories of merchandise offered to customers, the Group will facilitate the establishment of a category management centre. Special projects with different suppliers will be launched to optimize the supply chain management. Within three years, the Group will implement a project to set up 100 food safety model shops, 100 environmental friendly and energy saving model shops, and 100 direct trading bases between farmers and supermarkets.

The Group will further reinforce the cooperation among its various business operations. Leveraging its strong retail base in China, the Group will speed up the development of stores of various formats such as “華潤堂 CR Care”, “中藝 Chinese Arts and Crafts” and “Olé” in the Chinese Mainland. The Group aims at enhancing their competitive edge through unlocking multi-format synergies and through innovation. These steps will enable the Group to realize its goal in the development of its retail business.

On 29 June 2010, the Group entered into a sale and purchase agreement in relation to the acquisition of an 80% interest in Pacific Coffee (Holdings) Limited (“Pacific Coffee”) for a cash consideration of HK$330 million. “Pacific Coffee” is a leading coffeehouse chain in Hong Kong and has established a strong brand in the market. Supported by the Group’s extensive retail network, the acquisition will unleash synergies and benefit the development of the Group’s retail business by driving customer traffic and revenue, and helping create a more sophisticated lifestyle experience for customers through co-location. The coffeehouse chain will also be able to take advantage of the Group’s sourcing and logistical capabilities, managerial strength in the retail business as well as securing more cost efficient rental arrangements for store expansion in China. Therefore, the Group believes “Pacific Coffee” to be a new revenue stream with large growth potential.

Beer

For the first half of 2010, the beer division reported a turnover of HK$10,043 million, representing an increase of 6.0% year-on-year, and an attributable profit of HK$258 million, comparable to the same period of last year.

The sales volume of beer for the first half of 2010 rose by 4.8% to approximately 4,388,000 kiloliters due to contribution from newly built and acquired breweries. The growth of the Group’s overall beer volume was lower than the same period in 2009 mainly due to heavy rain and cool weather in Southern China in the second quarter, especially in the Yangtze River Basin where some of the Group’s key markets are located. In the first half of 2010, the sales volume of our national brand “雪花 Snow” rose by 10.3% to approximately 3,947,000 kiloliters, accounting for 90% of the total sales volume. As the largest brewer by volume in the Chinese Mainland, the Group had a market share of approximately 20% as at the end of 2009.

Through product upgrade and product mix optimization, the Group boosted the proportion of sales of mid- and high-end beer so as to augment the average selling price of its beer products. Increased selling prices, coupled with lower raw material costs, contributed to an increase in gross margin during the period under review. However, the slowdown in beer volume growth due to unfavorable weather conditions in the second quarter and an increase in marketing and promotional activities during the period of the World Cup have exerted pressure on operating profit.

As at the end of June 2010, the Group operated over 70 breweries in the Chinese Mainland with an annual production capacity of over 14 million kiloliters. The newly built and acquired breweries in Shanxi, Shanghai and Shandong with an aggregate annual production capacity of approximately 870,000 kiloliters commenced operation during the period under review.

The Group will continue to strongly promote the brand “雪花 Snow” in order to strengthen the brand reputation and consumer loyalty towards the brand. In order to increase the brand’s geographical coverage, the Group will further strengthen its distribution network to expand its market share in key markets. Besides, the Group will prudently seek and evaluate new investment opportunities to optimize operational efficiency while pursuing its consolidation strategy.

Beverage

The beverage division reported a turnover of HK$896 million and an attributable profit of HK$53 million for the first half of 2010, representing an increase of 20.8% and a decrease of 36.9% year-on-year.

The beverage division, with “怡寶 C'estbon” purified water as its key operation, recorded total sales volume of approximately 868,000 kiloliters in the first half of 2010, representing an increase of 17.9% year-on-year. During the period under review, the operation successfully entered new markets such as Jiangxi, Yunnan, Guizhou and Henan, gradually expanding its sales network and market coverage. The operation achieved strong sales volume growth in Hunan through wide distribution and refined marketing strategies. Improved distribution channels in Sichuan encouraged distributors to play a more proactive role to promote sales, driving sales growth and profit contribution in South-Western regions. Strategic expansion in Jiangsu, Guangxi, Fujian and Tianjin progressed smoothly and paved the way for the operation to build a nationwide distribution network.

The Group rolled out its fruit-flavored nutritional drink, “零帕 0 PA”, in April 2010 in order to optimize its product mix and increase sources of revenue and profit. For the period under review, “零帕 0 PA” entered various markets such as Guangdong, Sichuan, Jiangsu, Hunan, Shanghai and Beijing, and gained consumer recognition in these regions after establishing its distribution network and fundamental coverage. Profit contribution from the operation, however, declined in the period under review due to increased advertising and promotional expenses for the launch of the new product.

In view of the increasingly health-conscious consumers in the Chinese Mainland, the business will continue to study new products in a bid to optimize its product mix. It will strive to further increase its market share and competiveness through achieving organic growth, seeking acquisitions opportunities and developing new markets.

Food Processing and Distribution

The food processing and distribution division reported a turnover of HK$3,876 million for the first half of 2010, representing an increase of 10.6% year-on-year. Its attributable profit amounted to HK$240 million during the period under review. Excluding the gains from reducing certain equity interests in strategic investments, the division's attributable profit for the first half of the year would have increased by 47.6% year-on-year.

During the period under review, profit contribution from the meat business in the Chinese Mainland further increased thanks to strong brand recognition of our premium meat and our effective supply chain management. The Group accelerated acquisitions of meat businesses in the Chinese Mainland and completed an acquisition in Nanning in the period under review to expand its mainland meat business and to increase profit contribution from this division. The Nanning project will speed up the process of building a safe food supply system that encompasses livestock raising, slaughtering, meat processing, cold storage, trading and points of sales. In addition to achieving profit growth, the division's branded meat products have enjoyed growing brand reputation. The division's Shanghai operation has been the preferred fresh pork supplier to the site of the Expo 2010 Shanghai China after being chosen as the exclusive fresh pork supplier to the sporting events at Shanghai for the Beijing 2008 Olympic Games.

During the period under review, the Hong Kong livestock distribution operation achieved growth in sales volume, turnover and profit with higher gross margin through modifying its operational strategy, strengthening coordination in the areas of supply, logistics and sales, and creating synergy with its mainland livestock supply base to ensure a steady supply of live pigs to Hong Kong at stable prices. For the slaughtering business in Hong Kong, the Group has continued to ensure a safe, stable and balanced supply of fresh meat by enhancing operation management. As a result, the business recorded a steady increase in both the slaughtering volume and turnover.

Moreover, the assorted foodstuff operation recorded notable growth in operating results due to its dedication to building the "五豐 Ng Fung" brand. Sales volume and profitability of the frozen food and ice-cream business both increased during the period under review. In addition to strengthening the existing market in Zhejiang, the business expanded the market to the areas around Jiangsu. It started a new frozen food and ice-cream project in Yangzhou, Jiangsu with an annual production capacity of 32,000 tons so as to enhance its market share and brand awareness in Jiangsu. The Sichuan pepper oil business, which was acquired at the beginning of this year, attained encouraging results for the period under review.

Leveraging the Group's strong sales network in the Chinese Mainland, the marine fishing and aquatic products processing operation has expanded its mainland deep-sea aquatic product business, boosting the reputation of the aquatic products of "五豐 Ng Fung" brand in the mainland market.

Looking forward, the Chinese Mainland remains a key market for the division's growth. The Group will continue to carry out and replicate the "Vegetable Basket" project in core regional cities. It has dedicated itself to becoming a leading integrated safe food supplier with capabilities in research and development, processing, storage, logistics, wholesaling and retailing, and international trading. The Group plans to strengthen its mainland business through acquisitions.

FINANCIAL REVIEW

Capital and Funding

As at 30 June 2010, the Group's consolidated cash and bank balance amounted to HK$14,738 million. The Group's borrowings as at 30 June 2010 were HK$11,468 million with HK$3,891 million repayable within 1 year, HK$7,573 million repayable after 1 year but within 5 years and HK$4 million repayable after 5 years.

The Group was at a net cash position as at 30 June 2010. On the basis of the Group's net borrowings relative to the shareholders' funds and non-controlling interests, the Group's gearing was approximately at 9.4% as at 31 December 2009.

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 30 June 2010, 34.1% of the Group's cash deposit balances was held in Hong Kong dollars, 59.1% in Renminbi and 6.1% in US dollars; whereas 91.3% of the Group's borrowings was denominated in Hong Kong dollars and 3.0% in Renminbi and 5.6% in US dollars. To mitigate the interest rate exposure, the Group entered into certain interest rate swaps to hedge part of its borrowings.

Pledge of Assets

As at 30 June 2010, assets with a carrying value of HK$396 million (31 December 2009: HK$275 million) were pledged for notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2010.

Employees

As at 30 June 2010, the Group, excluding its associated companies, had a staff size of around 156,000, amongst which about 96% were employed in the Chinese Mainland, whilst the rest were mainly in Hong Kong and overseas. Remuneration packages are assessed in accordance with 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, which has been revised on 31 March 2009, 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 all the Non-Executive Directors were not appointed for a fixed term.

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.

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, 4 April 2007 and 31 March 2009 ("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 2010.

CLOSURE OF REGISTER

The Register of Members will be closed from 4 October 2010 (Monday) to 8 October 2010 (Friday), 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 4:30 p.m. on 30 September 2010 (Thursday).

By order of the Board

CHEN LANG

Managing Director

Hong Kong, 26 August 2010

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) 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.