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 2011

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 2011 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 2011.

FINANCIAL HIGHLIGHTS

	Three months ended 30 September		Nine months ended 30 September	
	2011	2010	**2011**	2010
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
Turnover				
− continuing operations	**30,795**	24,447	**84,025**	66,017
− discontinued operation[1]	**-**	-	**-**	410
	30,795	24,447	**84,025**	66,427
Profit attributable to shareholders of the Company				
− continuing operations	**863**	1,058	**2,432**	2,300
− discontinued operation[1]	**-**	-	**-**	3,001
	863	1,058	**2,432**	5,301
Basic earnings per share[2]				
− continuing operations			**HK$ 1.01**	HK$ 0.96
− discontinued operation[1]			**-**	HK$ 1.25
			HK$ 1.01	HK$ 2.21

	At 30 September 2011	At 31 December 2010
	(Unaudited)	(Audited)
	HK$ million	*HK$ million*
Equity attributable to shareholders of the Company	**35,822**	30,819
Non-controlling interests	**12,653**	10,470
Total equity	**48,475**	41,289
Consolidated net borrowings	**-**	-
Gearing ratio[3]	**Net Cash**	Net Cash
Net assets per share (book value):	**HK$14.93**	HK$12.85

Notes:

1. 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 nine months ended 30 September 2011 and 2010 are HK$1.01and HK$2.21 respectively. Diluted earnings per share of the discontinued operations for the nine months ended 30 September 2010 is HK$1.25.
3. Gearing ratio represents the ratio of consolidated net borrowings to total equity.

ANALYSIS OF TURNOVER AND PROFIT

Turnover by segment	Three months ended 30 September **2011** **(Unaudited)** ***HK$ million***	2010 (Unaudited) *HK$ million*	Increased/ (Decreased) %	Nine months ended 30 September **2011** **(Unaudited)** ***HK$ million***	2010 (Unaudited) *HK$ million*	Increased/ (Decreased) %
Core Businesses						
- Retail	**17,669**	13,916	**27.0%**	**52,036**	40,808	**27.5%**
- Beer	**9,274**	7,773	**19.3%**	**22,104**	17,816	**24.1%**
- Food	**2,883**	2,121	**35.9%**	**7,738**	5,997	**29.0%**
- Beverage	**1,096**	754	**45.4%**	**2,462**	1,650	**49.2%**
	30,922	24,564	**25.9%**	**84,340**	66,271	**27.3%**
Elimination of inter-segment transactions	**(127)**	(117)	**8.5%**	**(315)**	(254)	**24.0%**
Total from core businesses	**30,795**	24,447	**26.0%**	**84,025**	66,017	**27.3%**
Other businesses						
Investments and Others	**–**	–	**–**	**–**	–	**–**
Discontinued operations						
- Brand-fashion Distribution	**–**	–	**–**	**–**	410	**(100.0%)**
Total from other businesses	**–**	–	**–**	**–**	410	**(100.0%)**
Total	**30,795**	**24,447**	**26.0%**	**84,025**	66,427	**26.5%**

ANALYSIS OF TURNOVER AND PROFIT (CONTINUED)

Profit attributable to shareholders ("PAS") by segment	Three months ended 30 September			Nine months ended 30 September		
	2011	2010	Increased/	**2011**	2010	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
Core Businesses						
- Retail	**231**	383	**(39.7%)**	**1,261**	1,338	**(5.8%)**
- Beer	**534**	526	**1.5%**	**863**	784	**10.1%**
- Food	**59**	87	**(32.2%)**	**252**	327	**(22.9%)**
- Beverage	**62**	84	**(26.2%)**	**120**	137	**(12.4%)**
	886	1,080	**(18.0%)**	**2,496**	2,586	**(3.5%)**
Net corporate interest and expenses	**(23)**	(22)	**4.5%**	**(64)**	(72)	**(11.1%)**
Total from core businesses	**863**	1,058	**(18.4%)**	**2,432**	2,514	**(3.3%)**
Other businesses						
Investments and Others	**–**	–	**–**	**–**	(214)	**(100.0%)**
Discontinued operations						
- Brand-fashion Distribution	**–**	–	**–**	**–**	3,001	**(100.0%)**
Total from other businesses	**–**	–	**–**	**–**	2,787	**(100.0%)**
Total	**863**	1,058	**(18.4%)**	**2,432**	5,301	**(54.1%)**

ANALYSIS OF TURNOVER AND PROFIT (CONTINUED)

PAS excluding the effect of asset revaluation and major disposal of non-core assets/investments by segment	Three months ended 30 September			Nine months ended 30 September		
	2011	2010	Increased/	**2011**	2010	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
Core Businesses						
- Retail[a]	**57**	168	**(66.1%)**	**731**	714	**2.4%**
- Beer	**534**	526	**1.5%**	**863**	784	**10.1%**
- Food[b]	**52**	51	**2.0%**	**239**	265	**(9.8%)**
- Beverage	**62**	84	**(26.2%)**	**120**	137	**(12.4%)**
	705	829	**(15.0%)**	**1,953**	1,900	**2.8%**
Net corporate interest and expenses	**(23)**	(22)	**4.5%**	**(64)**	(72)	**(11.1%)**
Total from core businesses	**682**	807	**(15.5%)**	**1,889**	1,828	**3.3%**
Other businesses						
Investments and Others[c]	**–**	–	**–**	**–**	–	**–**
Discontinued operations[d]						
- Brand-fashion Distribution	**–**	–	**–**	**–**	22	**(100.0%)**
Total from other businesses	**–**	–	**–**	**–**	22	**(100.0%)**
Total	**682**	807	**(15.5%)**	**1,889**	1,850	**2.1%**

Notes:

For the nine months ended 30 September 2011,

a. Net valuation surplus on investment properties of approximately HK$530 million (2010: HK$624 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$13 million (2010: HK$62 million) have been excluded from the results of the Food division.

c. Valuation deficit on financial assets at fair value through profit or loss of approximately HK$214 million has been excluded from the 2010 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. The attributable impact of urban maintenance and construction tax and education surcharges applicable on foreign-invested enterprises effective from December 2010 was approximately HK$381 million for the nine months ended 30 September 2011.

PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the quarterly financial information are consistent with those used in the annual financial statements for the year ended 31 December 2010 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 2011.

The adoption of these 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 standards and amendments that have been issued by the HKICPA but are not yet effective. The Group has already commenced an assessment of the impact of these new standards and amendments but is not yet in a position to state whether these new standards and amendments would have a material impact on its results of operations and financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first nine months of 2011, our strategy of building our core consumer businesses, namely retail, beer, food and beverage, have continued to deliver sound results. Through new acquisitions and organic growth, we have further expanded our business and are moving steadily towards our goal of becoming the largest consumer goods company in China.

The Group's unaudited consolidated turnover for the third quarter and the first nine months of 2011 amounted to approximately HK$30,795 million and HK$84,025 million, representing corresponding increases of 26.0% and 26.5% year-on-year. The unaudited consolidated profit attributable to the Company's shareholders for the third quarter and the first nine months of 2011 amounted to approximately HK$863 million and HK$2,432 million, respectively, representing decreases of 18.4% and 54.1%, respectively over the same period last year. Excluding the after-tax effect of asset revaluation and major disposals, the Group's underlying unaudited consolidated profit attributable to the Company's shareholders contributed by the core businesses for the third quarter and the first nine months of 2011 would have decreased by 15.5% and increased by 3.3%, respectively. With the Urban Maintenance and Construction Tax and Education Surcharges imposed on foreign enterprises since end of last year, the increase in labour costs and the acceleration of retail network expansion in new regions, which have put greater pressure on costs, the Group's results during the quarter under review has been affected.

The uncertainties surrounding the global economy have affected consumer sentiment in China, which in turn has put pressure on the Group's consumer goods business in the near term. Over the next 12 months, we will strive to minimize the impact of higher costs with the implementation of stringent cost control measures while enhancing our economies of scale. Boosting domestic consumption and reforming its economic growth structure are held as key priorities of China's "12th Five-Year Plan". As a consumer goods company, we are more resilient to global economic fluctuation when compared to other industries. We are optimistic about the long-term development of China's retail market. Looking ahead, we will try to enhance profitability further through organic growth. At the same time, we will also continue to seek out investment opportunities in a prudent manner so as to further expand our business and move closer to our goal of becoming the largest consumer goods company in China.

Retail

The Group's retail division achieved turnover of HK$17,669 million in the third quarter of 2011, representing an increase of 27.0% over the same period last year. The turnover for the first nine months amounted to HK$52,036 million, an increase by 27.5% year-on-year. Attributable profit for the third quarter decreased by 39.7% to HK$231 million, and that for the nine-month period decreased by 5.8% year-on-year to HK$ 1,261 million. Excluding net revaluation surplus, the division's attributable profit for the third quarter and first nine months of 2011 would have decreased by 66.1% and increased 2.4%, respectively.

The Group's retail division mainly comprises supermarkets, "中藝 Chinese Arts & Crafts" stores,"華潤堂 CR Care" stores, "采活 VivoPlus" health and beauty stores and "Pacific Coffee" shops. As at the end of September 2011, the Group operated over 3,800 stores in China, of which approximately 77% were self-operated while the rest were franchised.

The slowdown in the property and stock markets has recently caused a contraction of wealth effect. At the same time, consumption sentiment was affected by the high level of Consumer Price Index (CPI) in China and the substantial increase in food prices. Benefiting from the rising prices of consumer goods during the period under review, our retail division achieved same store sales growth of 11.6% year-on-year. Dedicated to providing the best to its customers, the Group will continue to optimize its product mix so as to suit the personal demands and consumption habits of local customers. It will also systematically renovate its stores and improve store layout so as to refresh store image and enhance the customers' shopping experience as well as organize effective marketing and promotional campaigns to boost customers flow.

Since the beginning of this year, the increases in the minimum wage levels in different regions have added pressure on the labor-intensive retail business. Furthermore, the Urban Maintenance and Construction Tax and Education Surcharges imposed on foreign enterprises affected the Group's operating costs in its retail business as well as short-term operating profit. The Group will strive to achieve effective cost control and enhance operating efficiency through various initiatives such as improving operational flow and its management system, leveraging its economies of scale, establishing direct sourcing bases between farmers and supermarkets and minimizing stock wastage.

To further enhance its market share, the Group's supermarkets and specialty stores have extended their footprints into various new markets. However, it takes time for the new shops to accommodate the consumption habits of local customers. Moreover, due to fierce competition with local retail operators, some of the Group's new stores did not contribute profit yet at initial stage. In order to accelerate the improvement of operational performance in the new markets, the Group will continue to speed up the built-up of its network in those regions, review its product mix and operational strategy, optimize supply chain management, reinforce the recruitment and training of talent, and uphold high standards of management and operational efficiency.

China's "12th Five-Year Plan" places great strategic importance on boosting domestic consumption and transforming the structure of China's economic growth. This will generate a long-term impetus to China's retail industry. On the other hand, rising personal incomes and the increased threshold for personal income tax have boosted consumer spending, which in turn stimulate the sales of daily consumer goods such as fresh food products. The Group's retail division will continue to pursue a national expansion strategy that emphasizes regional leadership and synergy on a multi-format business platform so as to strengthen its leading position in China's major regional markets.

Beer

The Group's beer division recorded turnover of HK$9,274 million for the third quarter of 2011, representing an increase of 19.3% over the corresponding period last year. Turnover for the first nine months of the year increased by 24.1% year-on-year to HK$22,104 million. Attributable profit increased by 1.5% year-on-year to HK$534 million for the third quarter, and 10.1% year-on-year to HK$863 million for the first three quarters of the year.

During the period under review, a high number of rainy and cloudy days and higher-than-normal levels of rainfall were recorded in the Yangtze River Delta, a region where some of the Group's leading markets are located. Moreover, the third quarter was the peak season for beer, the Group's beer business was thus affected, which in turn hindered overall sales volume growth as compared to the corresponding period last year. In the first nine months of 2011, the Group's beer sales volume increased by 10% to approximately 8,607,000 kiloliters. The division continued to step up its efforts in promoting the "雪花 Snow" brand so as to enhance its reputation and market influence. As a result, the sales volume of the Group's national "雪花 Snow" brand increased by 9% to approximately 7,699,000 kiloliters, accounting for about 90% of the Group's total beer sales volume in the first nine months of 2011.

With an increasing concentration of China's beer industry, the competition remains keen as usual. Together with the rising cost of primary and secondary raw materials, higher labor costs and the country's additional tax charges of Urban Maintenance and Construction Tax and Education Surcharges imposed on foreign enterprises since end of last year, operating costs have risen. Leveraging its economies of scale, the Group further enhanced its production and energy efficiency so as to relieve cost pressures. To satisfy customer demand for better quality products, the division made a concerted effort to lift sales of premium beers and to enhance its product mix, which in turn improved average selling prices and profitability.

The Group continued to expand its production capacity by building and acquiring new breweries as well as expanding its existing breweries to strengthen its leading position in China's beer market. During the third quarter, the beer division has made several investments, including acquisition of 100% equity stake in Shanghai Asia Pacific Brewery Company Ltd. and 49% equity stake in Jiangsu Dafuhao Breweries Co., Ltd. The Division also acquired the remaining 55% equity stake in Hangzhou Xihu Beer Asahi Co., Ltd. and the remaining 25% equity stake in Zhejiang Xihu Beer Asahi Co., Ltd., which subsequently became the wholly owned subsidiaries of the division. Besides, the division also formed a joint venture with China Kweichow Moutai Distillery Co. Ltd., in which the division owns a 70% equity stake. As at the end of September 2011, the Group operated about 80 breweries in China with an aggregate annual production capacity of over 15,000,000 kiloliters.

Looking ahead, the Group will continue to promote the "雪花 Snow" brand through marketing the "The Great Expedition" ("勇闖天涯") series in order to strengthen the brand's reputation and customer loyalty. The Group will strengthen its cooperation with suppliers and reinforce its centralized purchasing system in order to stabilize raw material costs. These will further enhance its sales network to solidify its leading position in key markets. At the same time, the Group will continue to seek and evaluate investment opportunities in a prudent manner while pursuing organic growth in order to achieve higher market share and solidify its leading market position.

Food

The food division reported a turnover of HK$2,883 million for the third quarter of 2011, representing an increase of 35.9% year-on-year. Turnover for the first nine months was HK$7,738 million, increased by 29.0% from the corresponding period last year. The division's attributable profit for the third quarter of 2011 decreased by 32.2% to HK$59 million compared with the same period in the previous year, while that for the first nine months decreased by 22.9% year-on-year to HK$252 million. Excluding net revaluation surplus and the after-tax profits from the reduction of certain equity interests in strategic investments, the division's attributable profit would have increased by 2.0% year-on-year in the third quarter of 2011 and decreased by 9.8% for the first nine months in 2011 respectively.

During the period under review, the cost of live pigs remained high due to various factors such as rising pig feed prices and breeding cycles. The rising costs of live pig procurement, raw materials and labor, as well as lower consumer demand for pork arising from higher pork prices, created a challenging business environment for China's meat industry, thereby affecting the operation's profitability. By enhancing the construction of an integrated quality supply system that from livestock raising, slaughtering, meat processing, cold storage and trading to points of sale, the Group maintained its competitive edge in the meat business. During the period under review, the Group completed the acquisition of its meat business in Jiaxing, thereby further bolstering our meat business in the Yangtze River Delta region and benefitting our long-term strategic development.

The Group maintained its market leadership in terms of market share in the Hong Kong live pig market through synergy with its livestock raising business in China, ensuring a steady supply of live pigs to Hong Kong during the period under review. Meanwhile, as prices of live pigs imported from China continued to rise, the operating profit of the Hong Kong livestock distribution operation was affected.

The assorted foodstuff operation recorded a satisfactory growth in operating result during the period under review due to the active promotion of the "五豐 Ng Fung" brand, as well as product marketing. The Group made significant inroads into markets outside Zhejiang such as Jiangsu and Anhui, and enhanced its market share and brand reputation in Jiangsu by launching various brand promotion events in Yangzhou and Hangzhou. Furthermore, the Group stepped up its effort in marketing and brand promotion during the period under review, hence lifting the sales volume and profitability in the peak season.

The operating profit of the marine fishing and aquatic products processing operation was affected by the rising price of diesel. The operation continued to extend its value chain in order to expand its high-end aquatic products distribution market in China. Leveraging its trading platform for aquatic products in Hangzhou and Shanghai, the division has expanded its deep-sea aquatic product business in China under the "五豐 Ng Fung" brand and boosted its brand reputation in the market.

Looking ahead, China remains a key market for the division's growth. In addition to enhancing operational efficiency, the Group will review its development strategy and seek to strengthen and expand its business in China through acquisitions.

Beverage

The beverage division reported a turnover of HK$1,096 million for the third quarter of 2011, representing an increase of 45.4% over the corresponding period last year. Turnover for the first nine months increased by 49.2% year-on-year to HK$2,462 million. Attributable profit was decreased by 26.2% year-on-year to HK$62 million for the third quarter, and that for the first nine months was decreased by 12.4% year-on-year to HK$120 million. The decrease in attributable profits was resulted from the establishment of a joint venture company with Kirin Holdings Company, Limited in mid-August 2011, which diluted the contribution of the beverage division to the Group's profits.

With its flagship purified water brand "怡寶 C'estbon", the division recorded total sales volume of approximately 881,000 kiloliters for the third quarter of 2011, representing an increase of about 23% year-on-year. Total sales volume in the first nine months rose by about 32% to 2,096,000 kiloliters compared with the same period last year. During the period under review, the plasticizer contamination incident created an opportunity for the bottled water industry to grow its sales volume. In addition, the Group's strategy of focusing more resources on developing target markets had paid off in Guangdong, Hunan, Sichuan and Jiangsu where its business had shown gradual improvement, giving the Group an edge over its competitors. The division has further penetrated into neighboring markets such as Guangxi, Fujian, Jiangxi, Shanghai and Chongqing. In addition, the division has modified and consolidated the distribution channel of its mineral water brand "加林山 Jialinshan" in Zhuhai to optimize the profit distribution in its value chain, and enhanced its production facilities to sustain sales volume growth. As a result, the division achieved a remarkable growth both in terms of turnover and total sales volume, and alleviated the pressure from rising raw materials and labour costs.

In a move designed to further enhance the brand awareness of "怡寶 C'estbon", the division also entered into a strategic cooperation agreement with the Chinese National Table Tennis Team during the period under review, in which "怡寶 C'estbon" was made the exclusive official drinking water for the team.

The beverage market in China is developing rapidly and continues to show huge growth potential, paving the way for the sustained growth of the division. The division is expected to leverage its extensive distribution capabilities and strong presence in China, as well as Kirin's extensive product portfolio, operational and technical expertise, and excellent product development capabilities. The Group is confident that its cooperation with Kirin will make the division as a powerful contender in the non-alcoholic beverage market in China.

FINANCIAL REVIEW

Pledge of Assets

As at 30 September 2011, assets with a carrying value of HK$449 million (31 December 2010: HK$234 million) were pledged for notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 September 2011.

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 2011 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
QIAO SHIBO
Chairman

Hong Kong, 17 November, 2011

As at the date of this announcement, the Executive Directors of the Company are Mr. Qiao Shibo (Chairman), Mr. Chen Lang (Chief Executive Officer) and Mr. Lai Ni Hium, Frank (Chief Financial Officer). The Non-executive Directors are Mr. Yan Biao, Mr. Wei Bin, Mr. Du Wenmin, Mr. Shi Shanbo and Dr. Zhang Haipeng. The Independent Non-executive Directors are Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.