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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 2011

- Sustained growth momentum with unaudited consolidated turnover and earnings from the core businesses increased by 28.0% and 7.8% respectively to approximately HK$53,230 million and HK$1,569 million
- The Board of Directors recommended an interim dividend of HK$0.15 per share.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June	**2011 (Unaudited)** ***HK$ million***	2010 (Unaudited) *HK$ million*
Turnover		
– continuing operations	**53,230**	41,570
– discontinued operations[1]	**-**	410
	53,230	41,980
Profit attributable to shareholders of the Company		
– continuing operations	**1,569**	1,242
– discontinued operations[1]	**-**	3,001
	1,569	4,243
Basic earnings per share[2]		
– continuing operations	**HK$0.65**	HK$0.52
– discontinued operations[1]	**-**	HK$1.25
	HK$0.65	HK$1.77
Interim dividend per share	**HK$0.15**	HK$0.14
	At 30 June 2011 (Unaudited) ***HK$ million***	At 31 December 2010 (Audited) *HK$ million*
Equity attributable to shareholders of the Company	**31,949**	30,819
Non-controlling interests	**11,284**	10,470
Total equity	**43,233**	41,289
Consolidated net borrowings	**-**	-
Gearing ratio[3]	**Net cash**	Net cash
Net assets per share (book value):	**HK$13.32**	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 six months ended 30 June 2011 and 2010 are HK$0.65 and HK$1.77, respectively. Diluted earnings per share of the discontinued operations for the six months ended 30 June 2010 is HK$1.25.
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	
	2011	2010	**2011**	2010	**2011**	2010
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Core Businesses						
- Retail	**34,367**	26,892	**1,030**	955	**674**	546
- Beer	**12,830**	10,043	**329**	258	**329**	258
- Food	**4,855**	3,876	**193**	240	**187**	214
- Beverage	**1,366**	896	**58**	53	**58**	53
Subtotal	**53,418**	41,707	**1,610**	1,506	**1,248**	1,071
Elimination of inter-segment transactions	**(188)**	(137)	**–**	–	**–**	–
Net corporate interest and expenses	**–**	–	**(41)**	(50)	**(41)**	(50)
Total from core businesses (Note 2)	**53,230**	41,570	**1,569**	1,456	**1,207**	1,021
Other businesses						
Investments and Others	**–**	–	**–**	(214)	**–**	–
Discontinued operations						
- Brand-fashion Distribution	**–**	410	**–**	3,001	**–**	22
Total from other businesses	**–**	410	**–**	2,787	**–**	22
Total	**53,230**	41,980	**1,569**	4,243	**1,207**	1,043

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$356 million (2010: HK$409 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$6 million (2010: HK$26 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.

2. The attributable impact of urban maintenance and construction tax and education surcharges applicable on foreign-invested enterprises effective from December 2010 was approximately HK$226 million for the six months ended 30 June 2011.

CHAIRMAN’S STATEMENT

HALF-YEAR RESULTS

In the first half of 2011, our strategy of building our core consumer businesses, including retail, beer, food and beverage businesses, continued to deliver sound results and, through new acquisitions and organic growth, we were able to further expand our business and move steadily towards our goal of becoming the largest consumer goods company in China.

The Group’s unaudited consolidated profit attributable to the Company’s shareholders for the six months ended 30 June 2011 amounted to approximately HK$1,569 million, representing a decrease of 63.0% over the same period last year. The unaudited turnover and profit attributable to the Company’s shareholders from the core businesses rose by 28.0% and 7.8% respectively to approximately HK$53,230 million and HK$1,569 million. 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 would have increased by 18.2% for the six months ended 30 June 2011.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.15 per share for the six months ended 30 June 2011 (2010: HK$0.14 per share) payable on or around 17 October 2011 to shareholders whose names appear on the Register of Members of the Company on 3 October 2011.

STRATEGY IMPLEMENTATION

In the first half of 2011, China’s economy maintained its steady growth amid fluctuations in the global economy. Gross domestic production (GDP) grew by 9.6% year-on-year, and the moderate inflationary environment continued to benefit the Group’s operations in China.

Our retail division remained as the major contributor to the Group’s profits, accounting for 65.6% of the Group’s profit attributable to the Company’s shareholders for the period under review. With its extensive retail network comprising more than 3,400 stores, the Group strives to strengthen its market leading position by adhering to a national expansion strategy which features regional dominance and synergy on a multi-format business platform. In view of the rise in purchasing power and enhanced living standards, the Group has sought to enhance profitability and to expand its market share by adopting a “trade-up” strategy to offer more mid- to high-end products to consumers. The Group also continued to expand its retail network during the period under review. The Group’s “華潤萬家 Vanguard” and “Ole'” supermarkets extended their network into new markets in southern China, while “中藝 Chinese Arts & Crafts” , “華潤堂 CR Care” and “Pacific Coffee” also strengthened their presence in the region with the opening of new stores.

The Group has further propelled the development of its retail business through acquisitions. The Group has entered into an agreement in July 2011 to acquire the entire equity interest in a retail drug store chain operated under the “Sanjiu” brand. Sanjiu’s 152-store retail network will create synergy with the Group’s healthcare retail chains and will enhance our pharmaceutical product mix. Besides, the Group has also acquired a 100% stake in Jiangxi Hongkelong Department Store Investment Company Limited, a well-known retail chain with 21 hypermarkets in Jiangxi

Province. The acquisition gave the Group's retail business an immediate presence in Jiangxi Province and an advantageous market position in the region.

As of the end of June 2011, the Group operates more than 75 breweries in China with a market share that exceeds 20%. Our beer division continued to expand its presence in China and solidified its leading position in China's beer market through its successful acquisitions strategy, well-executed consolidation and sustained brand building efforts. In July 2011, the Group's beer division announced to acquire 49% equity stake in Jiangsu Dafuhao Breweries Co., Ltd and a 100% equity stake in Shanghai Asia Pacific Brewery Company Ltd. Both breweries have strong market positions in Jiangsu Province and Shanghai.

Our beer operation also entered into an agreement in August 2011 to acquire 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.. With their expertise in production, technology and sales, both breweries are big market players in Zhejiang Province. The cumulative impact of our recent transactions across China has boosted our confidence in the prospects of this growing market.

Building on our integrated quality supply system from livestock raising to points of sales, the food division remained as our long term profit contributor. Thanks to the active promotion of the "五豐 Ng Fung" brand and our marketing efforts, the branded meat products in China continued to make strong progress in market expansion. The Group also completed the acquisition of its meat business in Jiaxing during the period under review.

With the Group's dedicated efforts in developing its nationwide distribution network and in optimizing its product mix, our beverage division strengthened its growth momentum in the first half of 2011. The Group has further strengthened the profile of its "怡寶 C'estbon" brand, and the co-operation with Kirin Holdings Company Limited. We also stepped up the development of our beverage business in Guangdong, Hunan, Sichuan and Jiangsu, and further penetrated into neighboring markets.

PROSPECTS

Looking ahead into the second half of 2011, we are keeping a close eye on the development of the global economy and its impact on China. We are optimistic about the consumer market in China. The central government's "12th Five-year Plan" has made growth of domestic consumption as top priority, implying that the central government regards boosting domestic consumption to be an important engine in driving economic growth. Capitalizing on this favorable environment and leveraging its own economies of scale, the Group will continue to take steps to expand its presence and to penetrate deeper into China's consumer market.

In addition to the continued implementation of its national expansion strategy to strengthen its lead in regional markets, the retail division will extend its multi-format business model to more regions of China. The Group will also step up its efforts in market expansion and brand promotion for its beer, food and beverage businesses in order to expand its market share.

While pursuing organic growth to enhance profitability, the Group will continue to actively seek and evaluate investment opportunities in order to further expand its businesses, thereby strengthening the leading positions of its core businesses of retail, beer, food and beverage.

APPRECIATION

Our performance provides further proof of the Group's successful transformation into a company with a distinct focus on consumers. On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, customers and business associates for their support, as well as to the management and our staff for their hard work and their dedication to the Company.

QIAO SHIBO
Chairman

Hong Kong, 25 August 2011

2011 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 2011 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCCOUNT

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$ million***	*HK$ million*
Continuing operations			
Turnover	*4*	**53,230**	41,570
Cost of sales		**(39,986)**	(30,929)
Gross profit		**13,244**	10,641
Other income	*5*	**1,040**	1,111
Selling and distribution expenses		**(9,037)**	(7,345)
General and administrative expenses		**(2,199)**	(2,059)
Finance costs	*6*	**(87)**	(84)
Share of net results of associates		**(14)**	24
Profit before taxation		**2,947**	2,288
Taxation	*7*	**(913)**	(661)
Profit for the period from continuing operation	*8*	**2,034**	1,627
Discontinued operations	*9*		
Profit for the period from discontinued operations		**-**	3,022
Profit for the period		**2,034**	4,649
Attributable to:			
Shareholders of the Company		**1,569**	4,243
Non-controlling interests		**465**	406
		2,034	4,649
Earnings per share	*11*		
From continuing and discontinued operations			
Basic		**HK$0.65**	HK$1.77
Diluted		**HK$0.65**	HK$1.77
From continuing operations			
Basic		**HK$0.65**	HK$0.52
Diluted		**HK$0.65**	HK$0.52

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$ million	*HK$ million*
Profit for the period	**2,034**	4,649
Other comprehensive income/(expenses):		
Exchange differences on translating foreign operations	**704**	330
Fair value adjustment on available for sale investments	**-**	(89)
Fair value adjustment on derivative financial instruments	**10**	(21)
Reclassification adjustments:		
– release of exchange differences upon disposal of subsidiaries/associates	**-**	(44)
– release of valuation reserve upon disposal of available for sale investments	**-**	(10)
Income tax relating to fair value adjustment on available for sale investments	**-**	(3)
Other comprehensive income for the period, net of tax	**714**	163
Total comprehensive income for the period	**2,748**	4,812
Attributable to:		
Shareholders of the Company	**2,055**	4,314
Non-controlling interests	**693**	498
	2,748	4,812

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**At 30 June 2011 (Unaudited)** *HK$ million*	At 31 December 2010 (Audited) *HK$ million*
Non-current assets			
Fixed assets			
- Investment properties		**10,436**	9,904
- Interests in leasehold land held for own use under operating leases		**5,516**	4,984
- Other property, plant and equipment		**28,854**	26,555
Goodwill		**9,851**	9,654
Other intangible assets		**467**	219
Interests in associates		**560**	376
Available for sale investments		**31**	23
Prepayments		**247**	311
Deferred taxation assets		**573**	556
		56,535	52,582
Current assets			
Stocks		**16,213**	15,626
Trade and other receivables	*12*	**8,881**	6,843
Taxation recoverable		**25**	46
Pledged bank deposits		**396**	234
Cash and bank balances		**16,124**	14,071
		41,639	36,820
Current liabilities			
Trade and other payables	*13*	**(38,003)**	(32,476)
Derivative financial instruments		**(26)**	(22)
Short term loans		**(1,410)**	(4,151)
Taxation payable		**(758)**	(849)
		(40,197)	(37,498)
Net current assets/(liabilities)		**1,442**	(678)
Total assets less current liabilities		**57,977**	51,904
Non-current liabilities			
Long term loans		**(12,023)**	(8,158)
Deferred taxation liabilities		**(2,356)**	(2,096)
Derivative financial instruments		**-**	(14)
Other non-current liabilities		**(365)**	(347)
		43,233	41,289
Capital and reserves			
Share capital		**2,399**	2,398
Reserves		**29,550**	28,421
Equity attributable to shareholders of the Company		**31,949**	30,819
Non-controlling interests		**11,284**	10,470
Total equity		**43,233**	41,289

Notes:

1. **Independent review**

   The interim results for the half-year ended 30 June 2011 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 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 standard 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 standard and amendments but is not yet in a position to state whether these new standard and amendments would have a material impact on its results of operations and financial position.

4. Turnover and segment information

Operating segments

	Retail *HK$ million*	Beer *HK$ million*	Food *HK$ million*	Beverage *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 2011									
Turnover									
External sales	34,330	12,788	4,762	1,350	-	-	53,230	-	53,230
Inter-segment sales*	37	42	93	16	-	(188)	-	-	-
Total	34,367	12,830	4,855	1,366	-	(188)	53,230	-	53,230
Segment result**	1,505	1,069	299	80	-		2,953	-	2,953
Unallocated corporate expenses							(50)	-	(50)
Interest income							131	-	131
Finance costs							(87)	-	(87)
Profit before taxation							2,947	-	2,947
Taxation							(913)	-	(913)
Profit for the period							2,034	-	2,034
For the six months ended 30 June 2010									
Turnover									
External sales	26,856	10,036	3,794	884	-	-	41,570	410	41,980
Inter-segment sales*	36	7	82	12	-	(137)	-	-	-
Total	26,892	10,043	3,876	896	-	(137)	41,570	410	41,980
Segment result**	1,360	754	396	70	(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

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

** Segment result represents earnings before interest income, finance costs and taxation.

5. Other income

	Six months ended 30 June	
	2011	2010
	HK$ million	*HK$ million*
Other income includes the following:		
Continuing operations		
Interest income	**131**	52
Valuation gain on investment properties	**442**	497
Profit on disposal of associates	**-**	19
Profit on disposal of available for sale investments	**-**	10
Profit on disposal of fixed assets	**32**	182
Discontinued operations		
Interest income	**-**	1

6. Finance costs

	Six months ended 30 June	
	2011	2010
	HK$ million	*HK$ million*
Continuing operations		
Interest on bank loans and other loans wholly repayable within five years	**64**	65
Financing charges	**23**	21
	87	86
Less: Amount capitalised in cost of qualifying assets	**-**	(2)
	87	84
Discontinued operations		
Interest on bank loans and other loans wholly repayable within five years	**-**	1
Financing charges	**-**	2
	-	3
	87	87

7. Taxation

	Six months ended 30 June	
	2011	2010
	HK$ million	*HK$ million*
Continuing operations		
Current taxation		
Hong Kong	**71**	77
Chinese Mainland	**618**	427
Overseas	**3**	-
	692	504
Deferred taxation		
Hong Kong	**81**	77
Chinese Mainland	**140**	80
	913	661
Discontinued operations		
Current taxation		
Chinese Mainland	**-**	382
Deferred taxation		
Chinese Mainland	**-**	(2)
	-	380
	913	1,041

Hong Kong Profit Tax is calculated at 16.5% (2010: 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	
	2011	2010
	HK$ million	*HK$ million*
Profit for the period has been arrived at after charging:		
Continuing operations		
Depreciation		
- Owned assets	**1,427**	1,238
Amortisation of other intangible assets (included in general and administrative expenses)	**10**	5
Cost of goods sold	**39,822**	30,754
Valuation deficit on financial assets at fair value through profit and loss	**-**	214
Discontinued operations		
Depreciation		
- Owned assets	**-**	8
Cost of goods sold	**-**	190

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.

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 *HK$ million*
Profit for the period from discontinued operations	
Revenue	414
Expenses	(359)
Profit before taxation	55
Taxation	(12)
Profit after taxation	43
Net profit on disposal of discontinued operation	2,979
	3,022
Profit for the period attributable to:	
Shareholders of the Company	3,001
Non-controlling interests	21
	3,022
Net assets of discontinued operations disposed of	374

10. Dividends

At the board meeting held on 24 March 2011, the directors proposed a final dividend of HK$0.38 per ordinary share for the year ended 31 December 2010. Such proposal was subsequently approved by shareholders on 27 May 2011. The 2010 final dividend paid was approximately HK$912 million (2009: HK$839 million).

At the board meeting held on 25 August 2011, the directors declared an interim dividend of HK$0.15 per ordinary share (2010: 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$360 million (2010: HK$336 million).

11. Earnings per share

	Six months ended 30 June	
	2011 ***HK$ million***	2010 *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	**1,569**	4,243

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,398,572,175**	2,396,579,413
Effect of dilutive potential ordinary shares:		
- Share options	**5,216,277**	6,456,664
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,403,788,452**	2,403,036,077

11. Earnings per share (continued)

	Six months ended 30 June	
	2011	2010
	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	**1,569**	4,243
Less:		
Profit attributable to shareholders of the Company from discontinued operations	**-**	(3,001)
Profit attributable to shareholders of the Company for the purposes of calculating basic and diluted earnings per share from continuing operations	**1,569**	1,242

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

For discontinued operations
For the period ended 30 June 2010, basic earnings per share and diluted earnings per share for the discontinued operations are HK$1.25 per share and HK$1.25 per share, respectively, based on the profit attributable to shareholders of the Company from the discontinued operations of HK$3,001 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 2011	At 31 December 2010
	HK$ million	*HK$ million*
0 – 30 days	**760**	675
31 – 60 days	**239**	240
61 – 90 days	**100**	93
> 90 days	**428**	219
	1,527	1,227

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 2011	At 31 December 2010
	HK$ million	*HK$ million*
0 – 30 days	**8,992**	7,640
31 – 60 days	**2,249**	2,967
61 – 90 days	**2,724**	1,061
> 90 days	**1,479**	1,924
	15,444	13,592

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Retail

The Group's retail division recorded a turnover of HK$34,367 million and an attributable profit of HK$1,030 million in the first half of 2011, representing increases of 27.8% and 7.9% respectively over the corresponding period of 2010. Excluding an after-tax revaluation surplus, the division's attributable profit for the first half of 2011 would have increased by 23.4% year-on-year.

The Group's retail division mainly consists of supermarkets, "中藝 Chinese Arts & Crafts" stores,"華潤堂 CR Care" stores, "采活 VivoPlus" health and beauty stores and "Pacific Coffee" stores. As at the end of June 2011, the Group operated over 3,400 stores in China, of which approximately 75% were self-operated while the rest were franchised.

Since the beginning of this year, the increases in the minimum wage in different regions and taxes such as China's Urban Maintenance and Construction Tax and Education Surcharges imposed on foreign enterprises have added pressure on the operating costs in the Chinese Mainland. However, increasing food prices caused by different factors such as lower global food supply and higher production costs were the major driver in lifting the consumer price index and further supported the increases in sales per transaction. As a result, same store sales of the retail division increased by 12.4% year-on-year. Meanwhile, the Group sought to improve gross margins and profitability through various initiatives such as leveraging its economies of scale, establishing direct trading bases between farmers and supermarkets. The growth in operating profit was mainly attributable to the substantial improvement in sales during the Chinese New Year period.

During the period under review, the Group's "華潤萬家 CR Vanguard" and "Ole'" supermarkets extended their footprints into new markets such as western part of Guangdong, Baise of Guangxi, Chongqing and Changsha of Hunan. In line with its strategy of harnessing synergy on a multi-format business platform, the Group's "中藝 Chinese Arts & Crafts" stores, "華潤堂 CR Care" stores and "Pacific Coffee" stores further expanded their mainland markets. For example, "Pacific Coffee" opened 6 new stores in China in the second quarter of this year. In addition, with an aim to enhance the shopping environment and store image, the Group accelerated the renovation and rebranding of newly acquired stores during the period under review. The Group also entered into strategic cooperation agreements with various reputable property developers to secure more prime retail space for future business development. The division was selected to become the exclusive retail service provider of integrated supermarkets, retail stores in all sport venues, and supermarkets in the main media center for the Shenzhen Universiade 2011. After achieving remarkable results and gaining good reputation during its appointment as the retail service provider for the Guangzhou 2010 Asian Games, the Group has once again been appointed to provide retail services for another large-scale international sports event. This will further enhance the reputation on quality services of the Group's retail division.

China's "12th Five-Year Plan" has placed great strategic importance on expanding 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, the rising personal income and the increased threshold for individual income tax have fueled consumption spending, which in turn stimulate the sales of daily consumer goods such as fresh and food products.

The Group's retail division will keep on pursuing a national expansion strategy that emphasizes regional leadership and synergy on a multi-format business platform to strengthen its leading position in China's major regional markets, and at the same time extend its multi-format business model to other regions of the country. In early July 2011, the Group's retail division entered into an agreement to acquire a retail drugstore chain under the brand name "Sanjiu" for approximately RMB70 million. The drugstore chain currently operates 152 stores in several provinces in China. Through the division's purchase and inventory management platform, the newly acquired stores will create synergy with the Group's health care retail chains "采活 VivoPlus", and "華潤堂 CR Care" stores which mainly sell mid- to high-end health products. It will further strengthen the Group's market position in Jiangsu, Guangdong, Shandong and Zhejiang. Moreover, as these stores own the pharmaceutical licenses to distribute regulated medical products, the product mix of the Group's health care retail chains will be enhanced.

Besides, the Group's retail division entered into an agreement in July 2011 to acquire a 100% interest in Jiangxi Hongkelong Department Store Investment Company Limited ("Hongkelong Department Store") at a consideration of RMB3,690 million. Hongkelong Department Store is a competitive retail chain operator in Jiangxi Province. Through the acquisition, the Group immediately expands its retail business into Jiangxi Province and gains an advantageous market position in the region, thereby further enhancing its network and competitiveness in China's retail market.

Beer

The beer division reported a turnover and attributable profit of HK$12,830 million and for HK$329 million respectively for the first half of 2011, representing an increase of 27.8% and 27.5% over the corresponding period of the previous year.

The Group's beer division continued to enhance its production capacity through building and acquiring new breweries as well as reconfiguring and expanding existing breweries. Coupled with the effective promotions for targeted market segments in the second quarter, its beer sales volume in the first half of 2011 increased by 15% to approximately 5,052,000 kiloliters. The division continued to step up its effort in the promotion of "雪花 Snow" brand to enhance its reputation. As a result, the sales volume of the Group's national brand "雪花 Snow" increased by 14% to approximately 4,506,000 kiloliters, accounting for about 90% of the Group's total beer sales volume in the first half of 2011.

However, peer competition in China's beer industry has intensified. Together with the rising cost of primary and secondary raw materials, higher labor cost and additional tax charges of Urban Maintenance and Construction Tax and Education Surcharges imposed on foreign enterprises, operating costs continued to rise. By leveraging its economies of scale, the Group further enhanced its production and energy efficiency to relieve cost pressures. To satisfy customers' demands for better quality products, the division made a concerted effort to lift the sales of premium beers and enhance its product mix, which in turn improved average selling prices and profitability.

The Group's newly acquired breweries in Jiangsu, Liaoning, Henan and Shanghai commenced production during the period under review. As at the end of June 2011, the Group operated over 75 breweries in China with an aggregate annual production capacity of more than 15,000,000 kiloliters.

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

In mid July 2011, the Group's beer division announced to acquire a 49% equity stake in Jiangsu Dafuhao Breweries Co., Ltd ("Jiangsu Dafuhao Breweries") and 100% equity stake in Shanghai Asia Pacific Brewery Company Limited ("Shanghai Asia Pacific Brewery") for a total consideration of approximately RMB870 million. The five production plants of Jiangsu Dafuhao Breweries have an aggregate annual production capacity of over 450,000 kiloliters, and the production plant of Shanghai Asia Pacific Brewery has an annual production capacity of 250,000 kiloliters. The acquisition will further reinforce the Group's leading position in China's beer market and enhance the organic growth of the division.

Besides, the Group's beer division entered into an acquisition agreement in early August 2011 to acquire remaining 55% equity stake in Hangzhou Xihu Beer Asahi Co.,Ltd. ("Hangzhou Xihu Beer") and remaining 25% equity stake in Zhejiang Xihu Beer Asahi Co. Ltd. ("Huzhou Brewery") for a total consideration of RMB300 million. Hangzhou Xihu Beer currently owns a 75% interest in Huzhou Brewery. Upon completion of the acquisitions, Hangzhou Xihu Beer and Huzhou Brewery will become the wholly-owned subsidiaries of the Group's beer division, further strengthening the division's leading position in Zhejiang Province.

Food

The food division reported a turnover of HK$4,855 million for the first half of 2011, representing an increase of 25.3% over the corresponding period in 2010. The division's attributable profit for the period under review decreased by 19.6% to HK$193 million compared with the same period in the previous year. Excluding the after-tax revaluation surplus and after-tax profits from the reduction of certain equity interests in strategic investments in the corresponding period of last year, the division's attributable profit would have decreased by 12.6% year-on-year in the first half of 2011.

During the period under review, the operating profit of the Group's meat business in China was affected by various factors, including higher costs of raw materials, labor and pigs, as well as lower consumer demand on pork arising from higher pork prices. By enhancing the construction of an integrated quality supply system from livestock raising, slaughtering, meat processing, cold storage and trading to points of sales, the Group maintained its competitive edge in the meat business. The Group has completed the acquisition of its meat business in Jiaxing during the period under review, which possess complete business chain comprising slaughtering, meat processing and cold storage operation, further bolstering our meat business strategy in Yangtze River Delta region.

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

The assorted foodstuff operation recorded 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. Both the sales volume and profitability of the frozen food and ice-cream operation increased as the Group further consolidated the existing market in Zhejiang and made significant inroads into neighboring markets such as Jiangsu. Furthermore, by launching various brand promotion events in Yangzhou and Hangzhou, the operation boosted its market share and brand reputation in Jiangsu.

The operating profit of the marine fishing and aquatic products processing operation was affected by the rising price of crude oil in the first half of the year. The operation continued to extend its value chain in order to expand the high-end aquatic products market in China. By using 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 the operational efficiency, the Group will also weigh up the expansion strategy of the division and seek to strengthen its business in China through acquisitions.

Beverage

The beverage division reported a turnover of HK$1,366 million and an attributable profit of HK$58 million for the first half of 2011, representing year-on-year increases of 52.5% and 9.4% respectively over the corresponding period of 2010. With its flagship purified water brand “怡寶 C’estbon”, the division recorded total sales volume of approximately 1,214,000 kiloliters in the first half of 2011, representing an increase of about 40% year-on-year.

During the period under review, sales of drinks products with food addictives in China were negatively affected by the plasticizer contamination. But the incident had benefited the industry of bottled water with boom in sales volume and created an opportunity for growth of the Group’s beverage division. 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. Leveraging this initial success, the division has further penetrated into neighboring markets such as Guangxi, Fujian, Jiangxi, Shanghai and Chongqing, and has achieved remarkable growth both in terms of turnover and total sales volume.

The rising raw material and packaging material costs have added pressure on the operating costs, in turn influenced the profit growth momentum. The division made appropriate adjustments to its sales strategy in markets such as Sichuan and Guangdong to encourage notable growth in sales volume and reported a stable increase in profitability. The division’s mineral water business, “加林山 Jialinshan”, in Zhuhai modified and consolidated its distribution channel to optimize the profit distribution in its value chain, and enhanced its operation model to sustain sales growth.

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 Chinese 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 process of the Group’s cooperation with Kirin Holdings Company, Limited ("Kirin") was smooth. The operation is expected to be complemented by the Group's 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, which in turn will ultimately benefit to consumers.

FINANCIAL REVIEW

Capital and Funding

As at 30 June 2011, the Group's consolidated cash and bank balance amounted to HK$16,520 million. The Group's borrowings as at 30 June 2011 were HK$13,433 million with HK$1,410 million repayable within 1 year, HK$12,019 million repayable after 1 year but within 5 years and HK$4 million repayable after 5 years. Committed borrowing facilities available to the Group but not drawn as at 30 June 2011 amounted to approximately HK$1,050 million.

The Group was at a net cash position as at 30 June 2011 and 31 December 2010.

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 30 June 2011, 20.3% of the Group's cash deposit balances was held in Hong Kong dollars, 69.5% in Renminbi and 9.8% in US dollars; whereas 91.9% of the Group's borrowings was denominated in Hong Kong dollars and 5.4% in Renminbi and 2.7% in US dollars. The Group's borrowings are principally on a floating rate basis. To mitigate the interest rate exposure, the Group entered into certain interest rate swaps to hedge part of its borrowings.

As the majority of the Group's assets, liabilities, revenue and payments are denominated in functional currencies of the respective group entity, the expected foreign currency exposure is minimal.

Pledge of Assets

As at 30 June 2011, assets with a carrying value of HK$423 million (31 December 2010: HK$234 million) were pledged for bank borrowings and notes payable.

Contingent Liabilities

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

Employees

As at 30 June 2011, the Group, excluding its associated companies, had a staff size of around 179,000, amongst which about 95% 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 18 November 2010, 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 are 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 has adopted its own Code of Ethics and Securities Transactions (“Code of Ethics”) which apply to the Directors and other specified individuals including the Group's senior management and persons who are 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, 31 March 2009 and 18 November 2010 (“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 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 3 October 2011 (Monday) to 7 October 2011 (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 2011 (Friday).

By order of the Board
CHEN LANG
Chief Executive Officer and Executive Director

Hong Kong, 25 August 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.