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

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

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

- Consolidated earnings reached a new high with an increase of 94.8% to about HK$5,674 million, including a net gain of about HK$3 billion from the disposal of a non-core brand-fashion distribution business
- Turnover and earnings from the core businesses rose by 35.2% and 25.4% respectively to about HK$86,728 million and HK$3,091 million
- The Board recommended a final dividend of HK$0.38 per share, bringing the total dividend for 2010 to HK$0.52 per share

FINANCIAL HIGHLIGHTS

	2010	2009
	HK$ million	*HK$ million*
Turnover		
– continuing operations	**86,728**	64,131
– discontinued operations[1]	**410**	7,498
	87,138	71,629
Profit attributable to shareholders of the Company		
– continuing operations	**2,673**	2,785
– discontinued operations[1]	**3,001**	128
	5,674	2,913
Basic earnings per share[2]		
– continuing operations	**HK$1.12**	HK$1.17
– discontinued operations[1]	**HK$1.25**	HK$0.05
	HK$2.37	HK$1.22
Dividend per share		
– interim	**HK$0.14**	HK$0.14
– final	**HK$0.38**	HK$0.35
	HK$0.52	HK$0.49
	At 31 December 2010	At 31 December 2009
	HK$ million	*HK$ million*
Equity attributable to shareholders of the Company	**30,819**	25,847
Non-controlling interests	**10,470**	9,597
Total equity	**41,289**	35,444
Consolidated net borrowings	**-**	3,340
Gearing ratio[3]	**Net Cash**	9.4%
Current ratio	**0.98**	0.90
Net assets per share (book value):	**HK$12.85**	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 year ended 31 December 2010 and 2009 are HK$2.36 and HK$1.21, respectively. Diluted earnings per share of discontinued operations for the year ended 31 December 2010 and 2009 are HK$1.25 and HK$0.05, 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 by segment (Note 1)	
	2010	2009	**2010**	2009	**2010**	2009
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Core Businesses						
- Retail	**55,140**	36,455	**1,930**	1,582	**830**	652
- Beer	**21,535**	18,878	**685**	540	**685**	540
- Food	**8,306**	7,443	**418**	350	**321**	230
- Beverage	**2,080**	1,592	**155**	144	**155**	144
	87,061	64,368	**3,188**	2,616	**1,991**	1,566
Elimination of inter-segment transactions	**(333)**	(237)	**-**	-	**-**	-
Net corporate interest and expenses	**-**	-	**(97)**	(152)	**(97)**	(152)
Total from core businesses	**86,728**	64,131	**3,091**	2,464	**1,894**	1,414
Other Businesses						
Investment and Others	**-**	-	**(418)**	321	**1**	321
Discontinued operations						
- Brand-fashion distribution	**410**	2,611	**3,001**	138	**22**	138
- Textile	**-**	4,887	**-**	(10)	**-**	(13)
Total from other businesses	**410**	7,498	**2,583**	449	**23**	446
Total	**87,138**	71,629	**5,674**	2,913	**1,917**	1,860

Note:

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 the PAS of the respective division:

   a. Net valuation surplus on investment properties of approximately HK$1,100 million (2009: HK$930 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$97 million (2009: HK$120 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$419 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$3 million arising mainly from industrial building held by the Textile division has been excluded from its 2009 results.

CHAIRMAN'S STATEMENT

Final Results

I am pleased to present the Group's 2010 annual results. For the year ended 31 December 2010, the Group's consolidated profit attributable to the Company's shareholders increased by 94.8% year-on-year to approximately HK$5,674 million, including a net gain of approximately HK$3 billion from the disposal of a non-core brand-fashion distribution business. Our performance has validated our efforts to move steadily toward our goal of becoming the largest consumer goods company in China. We have also realised the rewards of our strategy of focusing on building our core businesses comprising retail, beer, food and beverage.

Driven by continuous improvements in the macroeconomic environment and the central government's initiatives to promote consumer spending, retail sales in China recorded significant year-on-year growth of 18.4% in 2010, compared with 15.5% in 2009. The consumer price index also increased by 3.3% year-on-year, compared with a 0.7% decline in 2009.

On the back of a favorable operating environment, the Group continued to take concrete steps to grow its core consumer businesses and solidify its leading market position in China, which led to our remarkable growth last year. Turnover and profit attributable to the Company's shareholders from the core businesses were up 35.2% and 25.4% year-on-year respectively to approximately HK$86,728 million and HK$3,091 million. Excluding the after-tax profit of asset revaluation and major disposals, the Group's underlying consolidated profit attributable to the Company's shareholders contributed by the core businesses would have increased by 33.9% for the year ended 31 December 2010.

Dividends

The Board recommended a final dividend of HK$0.38 per share for 2010 (2009: HK$0.35 per share) payable on or around 15 June 2011 to shareholders whose names appear on the Register of Members of the Company on 23 May 2011. Together with the interim dividend of HK$0.14 per share, the total dividend for 2010 will amount to HK$0.52 per share (2009: HK$0.49 per share). This represents an increase of 6% over 2009.

Closure of Register of Members

The Register of Members will be closed from 23 May 2011 to 27 May 2011, both days inclusive. In order to be eligible for the final 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 20 May 2011.

Strategy Implementation

Our retail division was our major profit contributor among our core businesses, accounting for more than 34.0% of the Group's profit attributable to the Company's shareholders for the period under review. Leveraging its extensive retail network comprising over 3,000 stores, the Group pursues a national strategy which emphasizes regional leadership and synergy on a multi-format business platform. During the year, the net opening of new self-operated stores amounted to over 360 and the Group accelerated the design of new store formats such as "歡樂頌 Fun^2" to reinforce the Group's leadership in target markets. To maximize profitability and get higher market share, the Group continued to execute a strategy of offering mid- to high-end products to capture opportunities arising from the emerging middle class with increasing purchasing power.

The Group continued to expand its extensive retail network in 2010 with the acquisition of an 80% interest in Pacific Coffee (Holdings) Limited ("Pacific Coffee") in June in order to diversify its revenue base and introduce an exciting new element to its multi-store formats. Supported by CRE's financial strength, sourcing and logistical capabilities, as well as management and retail expertise, the Group is confident that "Pacific Coffee" will become the leading coffeehouse brand in China.

As at the end of 2010, the Group operated over 70 breweries in China with market share of more than 20%. Our beer division recorded solid growth in turnover and profitability in 2010 thanks to an expanded production capacity and aggressive promotions. Average selling prices and gross margins during the year also increased, reflecting an initial success of product mix optimization, such as the introduction of premium beer into the market.

With a well-managed supply chain, the food division continued to make strong and steady profit contribution to the Group in 2010. The development of branded meat products in China has been in good process. Leveraging the strong "五豐 Ng Fung" brand name and our efficient supply chain, we accelerated the development of self-owned retail stores and launched more than 120 meat counters and stores during the year.

The growth momentum of our beverage division strengthened further in 2010, with a significant year-on-year increase of 23% in sales volume to approximately 1,964,000 kiloliters. The Group continued to enhance its distribution network in Guangdong while actively expanding its market coverage to certain provincial markets. During the year, we also developed a new segment in the market with the newly rolled out fruit-flavored nutritional drink "零帕 0 PA", which was gaining increasing consumer awareness.

In order to further accelerate the growth of our beverage division, the Group announced in January 2011 that it teamed up with Kirin Holdings Company, Limited to form a 60:40 joint venture for the manufacture and distribution of non-alcoholic beverage products in China. Leveraging the complementary strengths of both companies in distribution and product development, the partnership will catapult us into a stronger position to capture market opportunities in the beverage sector in a faster way.

With a view to allowing greater flexibility in the management of surplus cash resources, the Group initiated a proposal for intra-group lending between six listed companies under China Resources Group. The proposal was approved by independent shareholders of the Group in an Extraordinary General Meeting in December 2010. We anticipate the intra-group lending arrangement will help make better use of substantial temporarily surplus liquidity from the retail business during peak holiday shopping seasons by generating higher returns on the otherwise idle cash pile.

Prospects

Looking ahead to 2011, we expect to see a robust retail market environment in China. The Group will continue to focus on expanding its core consumer businesses to capture market opportunities. We will further extend our market coverage and the reach of our retail chain and beer business to reinforce our market leadership. In view of the difficulty in searching for suitable retail sites, we will also consider locating our supermarkets in self-owned or partially-owned property development projects. The beer division will exert its influence to raise its average selling prices in certain strong regions to cover the increase in costs of raw materials and packaging materials.

As for the food division, we aim to continue the implementation of our "Food Basket" strategy, building on our already strong market presence in major regional cities of China. The beverage market in China abounds with tremendous growth potential. Therefore, we plan to devote more resources to growing our beverage division nationally.

The Group will continue to actively look for opportunities to develop and strengthen its core businesses through acquisitions and organic growth. The strong performance achieved in 2010 has built a much stronger consumer business platform and paved the way for our quality growth in the years to come.

Appreciation

On behalf of the Board, I would like to express our heartfelt thanks to Mr. Jiang Wei and Mr. Li Fuzuo for their valuable contribution to the Company in the past. I would also like to extend a warm welcome to Mr. Shi Shanbo, Mr. Wei Bin and Dr. Zhang Haipeng who joined the Board as Non-Executive Directors in November 2010.

Our sincere gratitude also goes to our valued shareholders, customers and business associates for their trust and unwavering support. I would also like to thank our management and staff for their professionalism and dedication. With commitment and hard work, we hope to bring to our customers better quality lifestyles.

Qiao Shibo
Chairman

Hong Kong, 24 March 2011

2010 RESULTS

The Directors of China Resources Enterprise, Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2010

	Notes	**2010** *HK$ million*	2009 *HK$ million*
Continuing operations			
Turnover	*3*	**86,728**	64,131
Cost of sales		**(64,404)**	(47,291)
Gross profit		**22,324**	16,840
Other income	*4*	**2,755**	1,982
Selling and distribution expenses		**(15,382)**	(11,014)
General and administrative expenses		**(4,537)**	(3,505)
Finance costs	*5*	**(175)**	(195)
Share of profits of associates		**27**	324
Profit before taxation		**5,012**	4,432
Taxation	*6*	**(1,395)**	(916)
Profit for the year from continuing operations	*7*	**3,617**	3,516
Discontinued operations			
Profit for the year from discontinued operations	*7,8*	**3,022**	267
Profit for the year		**6,639**	3,783
Attributable to:			
Shareholders of the Company		**5,674**	2,913
Non-controlling interests		**965**	870
		6,639	3,783
Earnings per share	*10*		
From continuing and discontinued operations			
Basic		**HK$2.37**	HK$1.22
Diluted		**HK$2.36**	HK$1.21
From continuing operations			
Basic		**HK$1.12**	HK$1.17
Diluted		**HK$1.11**	HK$1.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	HK$ million	*HK$ million*
Profit for the year	**6,639**	3,783
Other comprehensive income/(expenses):		
Exchange differences on translating foreign operations	**1,021**	(53)
Fair value adjustment on available for sale investments	**(94)**	142
Fair value adjustment on derivative financial instruments	**(20)**	(5)
Surplus on revaluation of properties	**-**	13
Share of other comprehensive income of associates	**-**	30
Reclassification adjustments:		
– release of exchange differences upon disposal of subsidiaries/associates	**(37)**	(8)
– release of valuation reserve upon disposal of subsidiaries	**(24)**	-
– release of valuation reserve upon disposal of available for sale investments	**(10)**	(47)
Income tax relating to:		
– surplus on revaluation of properties	**-**	(4)
– fair value adjustments on available for sale investments	**(2)**	-
Other comprehensive income for the year, net of tax	**834**	68
Total comprehensive income for the year	**7,473**	3,851
Attributable to:		
Shareholders of the Company	**6,189**	2,964
Non-controlling interests	**1,284**	887
	7,473	3,851

CONSOLIDATED BALANCE SHEET

At 31 December 2010

	Notes	2010 HK$ million	2009 HK$ million
Non-current assets			
Fixed assets			
- Investment properties		**9,904**	8,699
- Interests in leasehold land held for own use under operating leases		**4,984**	4,278
- Other property, plant and equipment		**26,555**	25,181
Goodwill		**9,654**	9,225
Other intangible assets		**219**	95
Interests in associates		**376**	395
Available for sale investments		**23**	142
Financial assets at fair value through profit or loss		**-**	419
Derivative financial instruments		**-**	10
Prepayments		**311**	261
Deferred taxation assets		**556**	333
		52,582	49,038
Current assets			
Stocks		**15,626**	11,133
Trade and other receivables	*11*	**6,843**	5,212
Available for sale investments		**-**	13
Derivative financial instruments		**-**	1
Taxation recoverable		**46**	37
Pledged bank deposits		**234**	275
Cash and bank balances		**14,071**	8,528
		36,820	25,199
Assets classified as held for sale		**-**	1,230
		36,820	26,429
Current liabilities			
Trade and other payables	*12*	**(32,476)**	(25,121)
Derivative financial instruments		**(22)**	-
Short term loans		**(4,151)**	(3,324)
Taxation payable		**(849)**	(329)
		(37,498)	(28,774)
Liabilities associated with assets classified as held for sale		**-**	(544)
		(37,498)	(29,318)
Net current liabilities		**(678)**	(2,889)
Total assets less current liabilities		**51,904**	46,149
Non-current liabilities			
Long term loans		**(8,158)**	(8,819)
Deferred taxation liabilities		**(2,096)**	(1,624)
Derivative financial instruments		**(14)**	(26)
Other non-current liabilities		**(347)**	(236)
		41,289	35,444
Capital and reserves			
Share capital		**2,398**	2,396
Reserves		**28,421**	23,451
Equity attributable to shareholders of the Company		**30,819**	25,847
Non-controlling interests		**10,470**	9,597
Total equity		**41,289**	35,444

Notes:

1. Basis of preparation

The 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 ("Listing Rules").

The financial statements for the year ended 31 December 2010 have been prepared in accordance with accounting principles generally accepted in Hong Kong.

2. Principal Accounting Policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009 except for the adoption of the new and revised standards, amendments and interpretations mentioned below.

Adoption of new and revised standards, amendments and interpretations

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised standards, amendments and interpretations on Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") that are effective or available for early adoption for the financial year beginning 1 January 2010. In the current year, the Group has adopted the following new and revised standards, amendments and interpretations.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2(Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKFRS Interpretation 17	Distributions of Non-cash Assets to Owners
Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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 HKFRS, 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 the profit and loss account. Under HKAS 27 (Revised), all such increases or decreases are dealt with in equity, with no impact on goodwill or the profit and loss account. 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$68 million was charged to the retained profits during the year ended 31 December 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 new and 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.

2. Principal Accounting Policies (continued)

Accounting standards, amendments and interpretations that are not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Financial Instruments: Presentation – Classification of Rights Issues
HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets
HKFRS 9	Financial Instruments
HKFRS Interpretation 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HKFRS Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the Group's results of operations and financial position.

3. 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 8) *HK$ million*	Total *HK$ million*
For the year ended 31 December 2010									
TURNOVER									
External sales	55,067	21,482	8,124	2,055	-	-	86,728	410	87,138
Inter-segment sales*	73	53	182	25	-	(333)	-	-	-
Total	55,140	21,535	8,306	2,080	-	(333)	86,728	410	87,138
Segment result**	2,733	1,928	686	204	(418)		5,133	57	5,190
Unallocated corporate expenses							(118)	-	(118)
Interest income							172	1	173
Profit on disposal of discontinued operation							-	3,347	3,347
Finance costs							(175)	(3)	(178)
Profit before taxation							5,012	3,402	8,414
Taxation							(1,395)	(380)	(1,775)
Profit for the year							3,617	3,022	6,639
As at 31 December 2010									
ASSETS									
Segment assets	43,275	32,942	7,647	1,047	-		84,911	-	84,911
Deferred taxation assets							556	-	556
Taxation recoverable							46	-	46
Unallocated corporate assets							3,889	-	3,889
Consolidated total assets							89,402	-	89,402
LIABILITIES									
Segment liabilities	20,687	15,868	1,413	428	1		38,397	-	38,397
Taxation payable							849	-	849
Deferred taxation liabilities							2,096	-	2,096
Unallocated corporate liabilities							6,771	-	6,771
Consolidated total liabilities							48,113	-	48,113
OTHER INFORMATION									
Capital expenditure	2,529	1,719	391	153	-		4,792	-	4,792
Depreciation and amortisation	1,141	1,212	197	25	1		2,576	8	2,584
Impairment loss recognised	5	275	2	-	-		282	-	282
Valuation deficit on financial assets at fair value through profit and loss	-	-	-	-	419		419	-	419

3. Segment information – continued

Operating segments (continued)

	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 8) *HK$ million*	Total *HK$ million*
For the year ended 31 December 2009									
TURNOVER									
External sales	36,380	18,832	7,350	1,569	-	-	64,131	7,498	71,629
Inter-segment sales*	75	46	93	23	-	(237)	-	-	-
Total	36,455	18,878	7,443	1,592	-	(237)	64,131	7,498	71,629
Segment result**	2,222	1,404	545	190	294		4,655	398	5,053
Unallocated corporate expenses							(117)	-	(117)
Interest income							89	9	98
Finance costs							(195)	(64)	(259)
Profit before taxation							4,432	343	4,775
Taxation							(916)	(76)	(992)
Profit for the year							3,516	267	3,783
As at 31 December 2009									
ASSETS									
Segment assets	35,585	29,292	6,777	709	532		72,895	1,230	74,125
Deferred taxation assets							333	-	333
Taxation recoverable							37	-	37
Unallocated corporate assets							972	-	972
Consolidated total assets							74,237	1,230	75,467
LIABILITIES									
Segment liabilities	14,521	14,840	1,172	280	3		30,816	544	31,360
Taxation payable							329	-	329
Deferred taxation liabilities							1,624	-	1,624
Unallocated corporate liabilities							6,710	-	6,710
Consolidated total liabilities							39,479	544	40,023
OTHER INFORMATION									
Capital expenditure	1,436	3,852	488	19	1		5,796	198	5,994
Depreciation and amortisation	901	1,044	162	23	1		2,131	333	2,464
Impairment loss recognised	15	492	-	-	-		507	34	541

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

3. Segment information – continued

Geographical segments

	2010		2009	
	Turnover from continuing operations	**Non-current assets (Note)**	Turnover from continuing operations	Non-current assets (Note)
	HK$ million	***HK$ million***	*HK$ million*	*HK$ million*
Hong Kong	**7,331**	**9,737**	6,865	9,526
Chinese Mainland	**78,073**	**41,781**	56,064	38,075
Other Countries	**1,324**	**485**	1,202	533
	86,728	**52,003**	64,131	48,134

Note: Non-current assets excluded financial instruments and deferred tax assets.

4. Other income

	2010	2009
	HK$ million	*HK$ million*
Other income includes the following:		
Continuing operations		
Dividends from unlisted available for sale investments	**19**	-
Interest income	**172**	89
Valuation gain on investment properties	**1,335**	1,124
Profit on disposal of associates	**98**	82
Profit on disposal of available for sale investments	**10**	55
Profit on disposal of fixed assets	**187**	-
Government grants recognised	**11**	5
Discontinued operations		
Dividends from unlisted available for sale investments	**-**	3
Interest income	**1**	9
Valuation gain on investment properties	**-**	4

5. Finance costs

	2010	2009
	HK$ million	*HK$ million*
Continuing operations		
Interest on bank loans and other loans wholly repayable within five years	**124**	179
Financing charges	**51**	34
	175	213
Less: Amount capitalised in cost of qualifying assets	**-**	(18)
	175	195
Discontinued operations		
Interest on bank loans and other loans wholly repayable within five years	**1**	63
Financing charges	**2**	1
	3	64
	178	259

6. Taxation

	2010	2009
	HK$ million	*HK$ million*
Continuing operations		
Current taxation		
Hong Kong	**135**	108
Chinese Mainland	**949**	708
Overseas	**18**	4
	1,102	820
Deferred taxation		
Hong Kong		
- Current year	**215**	190
Chinese Mainland	**78**	(94)
	1,395	916
Discontinued operations		
Current taxation		
Hong Kong	**-**	5
Chinese Mainland	**382**	78
	382	83
Deferred taxation		
Hong Kong		
- Current year	**-**	(4)
Chinese Mainland	**(2)**	(3)
	380	76
	1,775	992

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

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.

7. Profit for the year

	2010	2009
	HK$ million	*HK$ million*
Profit for the year has been arrived at after charging:		
Continuing operations		
Depreciation		
- Owned assets	**2,565**	2,118
Amortisation of other intangible assets		
(included in general and administrative expenses)	**11**	13
Discontinued operations		
Depreciation		
- Owned assets	**8**	333

8. 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 consolidated profit and loss account are set out below:

	2010	2009
	HK$ million	*HK$ million*
Profit for the year from discontinued operations		
Revenue	**414**	7,625
Expenses	**(359)**	(7,278)
Share of losses of associates	**-**	(4)
Profit before taxation	**55**	343
Taxation	**(12)**	(76)
Profit after taxation	**43**	267
Net profit on disposal of discontinued operation	**2,979**	-
	3,022	267
Profit for the year attributable to:		
Shareholders of the Company	**3,001**	128
Non-controlling interests	**21**	139
	3,022	267
Net assets of discontinued operations disposal of/transferred	**374**	3,385

9. Dividends

	2010	2009
	HK$ million	*HK$ million*
2010 interim dividend paid of HK$0.14 (2009: HK$0.14) per ordinary share	**336**	335
2010 proposed final dividend of HK$0.38 (2009: HK$0.35) per ordinary share	**911**	839
	1,247	1,174

At the meeting held on 24 March 2011, the directors proposed final dividend of HK$0.38 (2009: HK$0.35) per ordinary share. This proposed dividend, which is calculated on the Company's number of ordinary shares as at the date of the board meeting, is not recognised as a liability in these financial statements. The total dividends paid by the Company, including the final dividend for the year 2009, amounting to HK$1,175 million (2009: HK$932 million) are reflected in the current year financial statements.

10. Earnings per share

	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	**5,674**	2,913

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,397,120,695**	2,390,477,417
Effect of dilutive potential ordinary shares:		
- Share options	**6,254,157**	6,046,184
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,403,374,852**	2,396,523,601

	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	**5,674**	2,913
Less:		
Profit attributable to shareholders of the Company from discontinued operations	**(3,001)**	(128)
Profit attributable to shareholders of the Company for the purposes of calculating basic and diluted earnings per share from continuing operations	**2,673**	2,785

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: HK$0.05 per share) and HK$1.25 per share (2009: HK$0.05 per share), based on the profit attributable to shareholders of the Company from the discontinued operations of HK$3,001 million (2009: HK$128 million) and the denominators detailed above for the both basic and diluted earnings per share.

11. Trade and other receivables

	2010	2009
	HK$ million	*HK$ million*
Trade receivables	**1,331**	1,127
Provision for doubtful debts	**(104)**	(120)
	1,227	1,007
Value-added tax receivables	**1,907**	1,346
Prepayments	**1,182**	1,016
Deposits paid	**409**	312
Other receivables	**2,066**	1,490
Amounts due from fellow subsidiaries	**11**	2
Amounts due from associates	**41**	39
	6,843	5,212

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

a) cash upon delivery; and
b) open credit within 60 days

11. Trade and other receivables – continued

The following is the aging analysis of trade receivables at the balance sheet date:

	2010	2009
	HK$ million	*HK$ million*
0 – 30 days	**675**	563
31 – 60 days	**240**	180
61 – 90 days	**93**	87
> 90 days	**219**	177
	1,227	1,007

The fair value of the Group's trade and other receivables at balance sheet date was approximate to the corresponding carrying amount.

12. Trade and other payables

	2010	2009
	HK$ million	*HK$ million*
Trade payables	**13,592**	10,332
Receipt in advance	**7,067**	4,560
Accruals	**4,577**	3,670
Deposit received	**3,227**	2,496
Other payables	**3,803**	3,863
Amount due to a holding company	**118**	114
Amounts due to fellow subsidiaries	**87**	72
Amounts due to associates	**5**	14
	32,476	25,121

The following is an aging analysis of trade payables at the balance sheet date:

	2010	2009
	HK$ million	*HK$ million*
0 – 30 days	**7,640**	6,416
31 – 60 days	**2,967**	2,128
61 – 90 days	**1,061**	793
> 90 days	**1,924**	995
	13,592	10,332

The fair value of the Group's trade and other payables at balance sheet date was approximate to the corresponding carrying amount.

13. Other Information

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2010 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor, Deloitte Touche Tohmatsu. An unqualified auditors' report will be included in the Annual Report to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Retail

The Group's retail division recorded a turnover of HK$55,140 million and an attributable profit of 1,930 million in 2010 respectively, representing increases of 51.3% and 22.0% over 2009. Excluding an after-tax revaluation surplus, the attributable profit of the division in 2010 would have increased by 27.3% over 2009.

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 2010, the Group operated over 3,000 stores in China, of which more than 70% were self-operated and the rest were franchised stores. To satisfy the diverse needs of consumers and different market segments, the Group has continued to optimize its retail business by introducing new store formats to enhance consumption and provide customers with a wide variety of unique and sophisticated shopping experiences. Besides our wine cellars "Voi_la!", the Group launched a health and personal care chain store "VivoPlus" in Hong Kong during the year under review, offering health- and beauty-conscious customers a wide range of cosmetics, health and personal care products. This has not only helped the Group explore new markets but also unleashed more synergy from a strengthened retail business portfolio.

The retail industry maintained its robust growth thanks to the steady and relatively fast economic growth of China, as well as the stimulus policies of the central government to lift the levels of income and consumption. A moderately inflationary environment also continued to lend support to the retail sector. The increasing urbanization of China has expanded the consumption market and the choices of retail space. It has also boosted consumption amongst both the urban and rural population and facilitated the further development of modern retail formats.

Following the Group's acquisition of a hypermarket chain from its parent, China Resources (Holdings) Company Limited, the Group has enlarged the scale of its supermarket operation with expanded network coverage in Northern and Central China, leading to remarkable growth in turnover. Meanwhile, benefiting from the improving economy and rising food prices in China, the Group's retail division recorded year-on-year same store sales growth of 8.5% in 2010.

During the year under review, the Group further strengthened its core competency by establishing sustainable alliances for its fresh food operation and developing a unique supply chain that integrates the production, supply and sales of products including own-branded products. A nationwide promotion of the Group's in-store fresh food model counters has not only successfully enhanced the fresh food operation but also improved the skill sets of employees. This strategic move has led to marked improvements in sales at fresh food counters. Furthermore, the Group sought to meet its sales target on improved profitability through various initiatives such as consolidating product resources, developing and managing own-branded products and minimizing product wastage. Earnings before interest, tax, depreciation and amortization of the division in 2010 were HK$3,873 million, representing a year-on-year increase of 24.1%. The higher operating profit was mainly attributable to contribution from the hypermarket chain acquired from the parent company, satisfactory same store sales growth and a higher gross margin.

In mid 2010, the Group acquired an 80% interest in Pacific Coffee (Holdings) Limited ("Pacific Coffee"). As a leading coffeehouse chain in Hong Kong, "Pacific Coffee" has established a strong brand in the local market. The Group's extensive retail network, sourcing and logistical capabilities and retail management experience will provide strong support to the coffeehouse chain's future expansion in China.

Looking forward, the Group will keep on pursuing a national expansion strategy that emphasizes regional leadership and synergy on a multi-format business platform. The Group will strengthen its leading position in major regional cities by accelerating the development of the more established formats. In order to further consolidate the retail business and strengthen its regional leading positions, the Group will actively explore merger and acquisition opportunities. The Group will also establish a product supply chain on both national and regional levels, and push ahead with the establishment of a product category management centre to expand the breadth and depth of the Group's product offerings. To further enhance the influence of its brands, the Group will also harness the synergy between "華潤萬家 Vanguard" and specialty stores such as "華潤堂 CR Care" and "中藝 Chinese Arts & Crafts".

Beer

The beer division reported a turnover of HK$21,535 million and an attributable profit of HK$685 million for 2010, representing year-on-year increases of 14.1% and 26.9% respectively.

In the first half of 2010, beer sales in certain regions of China were affected due to heavy rain and cool weather. But weather conditions returned to normal in the second half of the year and led to an increase in beer consumption. In addition, due to a higher capacity achieved through newly built, recently acquired and expanded breweries, a stronger sales network, better services at points of sales, and a series of promotion activities for the "雪花 Snow" brand, the Group increased its beer sales volume by 11% to approximately 9,280,000 kiloliters. Sales growth was particularly pronounced in the Group's key markets such as the provinces of Heilongjiang, Jilin, Zhejiang and Anhui.

Sales volume of the Group's national brand "雪花 Snow" surged 16% to approximately 8,413,000 kiloliters, accounting for more than 90% of the total beer sales volume. As the largest brewer by volume in China, the Group's market share in the beer market was approximately 21% as at the end of 2010.

Driven by the increasing sales volume, the division recorded steady growth in turnover. The Group has made a concerted push to lift the sales volume of premium beer. By enhancing its product mix and fine-tuning the selling prices in certain regions, average selling prices and gross margins both increased. Although intensifying competition and rising operational costs caused sales and production costs to increase, the division still recorded year-on-year growth in its operating profit.

In order to broaden its geographical coverage and strengthen its market position, the Group has completed the acquisition of brewing assets of several breweries in Heilongjiang and Henan. The newly built and newly acquired breweries in Shanxi, Shanghai, Shandong and Heilongjiang commenced operation during the year under review. As at the end of 2010, the Group operated over 70 breweries in China with an annual production capacity of more than 14,500,000 kiloliters.

Under the inflationary environment, the Group's breweries are faced with rising raw material costs. The Group will seek to maintain its profitability by taking various measures such as leveraging its economies of scale, enhancing production efficiency, upgrading its product offerings, launching more new products and fine-tuning selling prices. Moreover, the Group will continue its promotion of the "雪花 Snow" brand through marketing campaigns such as "The Great Expedition" ("勇闖天涯") to strengthen the brand's reputation and customer loyalty. At the same time, the Group will seek and evaluate investment opportunities in a prudent manner, and pursue organic growth in order to help achieve its strategic goal of rapid development.

Food

The food division reported a turnover of HK$8,306 million and attributable profit of HK$418 million for 2010, representing year-on-year increases of 11.6% and 19.4% respectively. Excluding the after-tax profit from asset revaluation and reducing certain equity interests in strategic investments, the attributable profit from the food division would have increased by 39.6% year-on-year in 2010.

During the period under review, profit contribution from the meat business in China further increased due to strong brand recognition of the Group's premium meat and its effective supply chain management. Faced with fluctuating live pig prices in 2010, the division proactively strengthened marketing campaigns and expanded sales channels, and enhanced the bargaining power of "五豐 Ng Fung" products and its ability to shift the increased cost to points of sale. The Group has launched more than 120 self-owned retail stores and counters in Shanghai, Hangzhou, Nanning, Shenzhen and Ningbo, etc. Some of them are located in high-end supermarkets. Apart from generating profit growth, the division succeeded in raising the reputation of its branded meat products. Its operation in Shanghai was the preferred fresh pork supplier to the Expo 2010 Shanghai China. Furthermore, the acquisition in Nanning has further expanded our operations in slaughtering, cold storage and trading as well as the fresh meat business, bolstering our development in China's meat industry.

During the period under review, the Hong Kong livestock distribution operation achieved growth in sales volume, turnover and profit, together with a higher gross margin, through modifying its operational strategy. Improvements were also made in coordination between supply, logistics and sales to ensure a steady supply of live pigs to Hong Kong at stable prices. As for the slaughtering business in Hong Kong, Ng Fung Hong obtained the contract right to operate the abattoir in Sheung Shui, Hong Kong for a maximum of another ten years in 2009. The Group is committed to further enhancing the management and operation of the abattoir. It has ensured a safe, stable and balanced supply of fresh meat to Hong Kong by implementing a quality tracing system. As a result, the operation recorded a steady increase in both slaughtering volume and turnover.

The assorted foodstuff operation recorded notable growth in operating results during the period under review due to its dedication to promoting the "五豐 Ng Fung" brand. Both sales volume and profitability of the frozen food and ice-cream operation increased. In addition to the existing market in Zhejiang, the operation took initiatives to expand the neighboring markets such as Jiangsu. A new frozen food and ice-cream project with an annual production capacity of 32,000 tons was started in Yangzhou, Jiangsu so as to enhance its market share and brand awareness in Jiangsu. The Sichuan pepper oil business, which was acquired at the beginning of 2010, also achieved encouraging results for the year under review.

The marine fishing and aquatic products processing operation has extended its value chain. Leveraging the Group's strong distribution network in China, the division has expanded its China's deep-sea aquatic product business, boosting the reputation of the aquatic products of "五豐 Ng Fung" brand in the market.

Looking ahead, China remains a key market for the division's growth. The Group will continue to carry out and replicate the "Food Basket" strategy in core regional cities. It has dedicated itself to becoming a leading integrated quality food supplier with capabilities in research and development, processing, storage, logistics, wholesaling, retailing and international trade. The Group will also seek to strengthen its business in China through acquisitions.

Beverage

The beverage division reported a turnover of HK$2,080 million and an attributable profit of HK$155 million for 2010, representing increases of 30.7% and 7.6% respectively over 2009. With its flagship purified water brand "怡寶 C'estbon", the division recorded total sales volume of approximately 1,964,000 kiloliters in 2010, representing an increase of 23% year-on-year.

Through enhanced marketing campaigns and distribution channel management, the Group not only maintained the leading market position of "怡寶 C'estbon" in Guangdong, but also achieved strong sales growth in Hunan and Sichuan with wide brand recognition during the year under review. In 2010, the "怡寶 C'estbon" brand was granted a subsidy by the Shenzhen Municipal Government via a special funding program for reputable brands "2009 年度深圳市品牌專項資金項目", and was among one of the three companies that won the highest amount of funding. Meanwhile, the strategic expansion in Jiangsu, Guangxi, Fujian, Shanghai and Tianjin progressed smoothly, resulting in better market coverage and paving the way for the beverage business to build a nationwide distribution network.

In April 2010, the Group rolled out its fruit-flavored nutritional drink, "零帕 0 PA", as the first step in diversifying its beverage business. The launch has fostered the team's capabilities in business strategy, operations and leadership. In addition, the successful acquisition of the Jialinshan project during the year under review also marked our expansion into the mineral water sector. The acquisition has strengthened the distribution network in areas like Zhuhai, and helped secure a leading position in that region for the division.

In January 2011, the Group and Kirin Holdings Company, Limited ("Kirin") announced the formation of a joint venture, which would be 60%-owned by the Group. The two companies would each inject their respective existing non-alcoholic beverage operations in China into the joint venture to integrate their complementary strengths. The objective is to build a powerful contender in the non-alcoholic beverage market in China to the ultimate benefits of consumers. The joint venture would benefit from 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 beverage business has good prospects in view of the increasing demand from the health-conscious consumers in China. The Group will keep on its effort in optimizing product mix to increase organic growth. At the same time, the Group will also seek acquisition opportunities, develop new markets and further increase its market share.

FINANCIAL REVIEW

Capital and Funding

As at 31 December 2010, the Group's consolidated cash and bank balance amounted to HK$14,305 million. The Group's borrowings as at 31 December 2010 were HK$12,309 million with HK$4,151 million repayable within one year, HK$8,154 million repayable after one year but within five years and HK$4 million repayable after five years. Committed borrowing facilities available to the Group but not drawn as at 31 December 2010 amounted to approximately HK$500 million.

The Group was at a net cash position as at 31 December 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 31 December 2010, 33.0% of the Group's cash deposit balance was held in Hong Kong dollars, 55.5% in Renminbi and 10.9% in US dollars; whereas 89.1% of the Group's borrowings was denominated in Hong Kong dollars and 6.2% in Renminbi with 4.6% in US dollars. 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 31 December 2010, assets with a carrying value of HK$234 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 31 December 2010.

CORPORATE GOVERNANCE

It is the firm belief of the Company that a good and solid corporate governance framework is essential to the successful growth of the Company and the enhancement of shareholder value. The Company is committed to attaining and maintaining high standards of corporate governance and adopts principles of corporate governance emphasizing a quality board, accountability to all stakeholders, open communication and fair disclosure.

The Company has adopted the Corporate Governance Practice Manual which incorporates almost all the Code Provisions and, where appropriate, recommended best practices of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("CG Code").

Throughout the year ended 31 December 2010, the Company has complied with all the Code Provisions in the CG Code, with deviations from Code Provision A.4.1 and Code Provision E.1.2 of the CG Code. All Directors (including Executive and Non-Executive Directors) are not appointed for a fixed term. The Board does not believe in any arbitrary term of office and would like to retain sufficient flexibility to organize the composition of the Board to serve the needs of the Group. The Articles of Association of the Company require that one-third of the Directors shall retire at each annual general meeting provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire shall be those who have been longest in office since their election or re-election. A retiring Director is eligible for re-election. Besides, due to business appointment overseas, the Chairman of the Board was not in Hong Kong and therefore could not attend the annual general meeting of the Company held in 2010.

The Company has exceeded the requirements under the Listing Rules and the CG Code in various areas of its corporate governance practices. Since November 2002, to enable the shareholders to appraise the operations and performance of the Group, the Group has been releasing quarterly financial and operational review. The Company also exceeded the minimum requirements under the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with six Independent Non-Executive Directors. Two of our Independent Non-Executive Directors have appropriate accounting qualifications, which also exceeds the requirement of the Listing Rules. Throughout the year of 2010, the Company has maintained the proportion of its Independent Non-Executive Directors to at least one-third of the total members of the Board.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMPLOYEES

As at 31 December 2010, the Group, excluding its associated companies, had a staff size of around 171,000, 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.

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

Hong Kong, 24 March 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. Du Wenmin, Mr. Shi Shanbo, Mr. Wei Bin and Dr. Zhang Haipeng. 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.