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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)

FINANCIAL AND OPERATIONAL REVIEW THIRD QUARTER 2012

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

The financial and operational review for the third quarter 2012 was not audited and was prepared in accordance with accounting principles generally accepted in Hong Kong.

The directors of the Company are pleased to present the following unaudited financial and operational information for the third quarter and the nine months ended 30 September 2012.

FINANCIAL HIGHLIGHTS

	Three months ended 30 September 2012		Nine months ended 30 September 2012	
	(Unaudited) HK\$ million	2011 (Unaudited and Restated)¹ HK\$ million	(Unaudited) HK\$ million	2011 (Unaudited and Restated)¹ HK\$ million
Turnover	34,209	30,795	98,168	84,025
Profit attributable to shareholders of the Company	1,138	898	3,373	2,535
Basic earnings per share ²			HK\$1.40	HK\$1.06
Equity attributable to shareholders of the Company			At 30 September 2012 (Unaudited) HK\$ million	At 31 December 2011 (Unaudited and Restated)¹ HK\$ million
Non-controlling interests			39,870	37,839
Total equity			53,385	50,472
Consolidated net borrowings			-	-
Gearing ratio ³			Net Cash	Net Cash
Net assets per share (book value):			HK\$16.61	HK\$15.77

Notes:

- As a result of the adoption of HKAS 12 (Amendments), the Group changed its accounting policy on deferred taxation related to investment properties. This amendment has been applied retrospectively and certain 2011 comparatives are restated accordingly. Profit attributable to shareholders of the Company for the nine months ended 30 September 2011 have been increased by approximately HK\$103 million and the equity attributable to shareholders of the Company as at 31 December 2011 has been increased by approximately HK\$1,485 million.
- Diluted earnings per share for the nine months ended 30 September 2012 and 2011 are HK\$1.40 and HK\$1.06 respectively.
- Gearing ratio represents the ratio of consolidated net borrowings to total equity.

ANALYSIS OF TURNOVER AND PROFIT

Turnover by segment	Three months ended 30 September			Nine months ended 30 September		
	2012 (Unaudited) HK\$ million	2011 (Unaudited) HK\$ million	Increased/ (Decreased) %	2012 (Unaudited) HK\$ million	2011 (Unaudited) HK\$ million	Increased/ (Decreased) %
Retail	20,942	17,669	18.5%	63,067	52,036	21.2%
Beer	9,153	9,274	(1.3%)	23,786	22,104	7.6%
Food	2,636	2,883	(8.6%)	7,750	7,738	0.2%
Beverage	1,619	1,096	47.7%	3,908	2,462	58.7%
	34,350	30,922	11.1%	98,511	84,340	16.8%
Elimination of inter-segment transactions	(141)	(127)	11.0%	(343)	(315)	8.9%
Total	34,209	30,795	11.1%	98,168	84,025	16.8%

Profit attributable to shareholders ("PAS") by segment	Three months ended 30 September			Nine months ended 30 September		
	2012 (Unaudited) HK\$ million	2011 (Unaudited and Restated) HK\$ million	Increased/ (Decreased) %	2012 (Unaudited) HK\$ million	2011 (Unaudited and Restated) HK\$ million	Increased/ (Decreased) %
- Retail	488	266	83.5%	2,242	1,364	64.4%
- Beer	503	534	(5.8%)	878	863	1.7%
- Food	127	59	115.3%	271	252	7.5%
- Beverage	58	62	(6.5%)	88	120	(26.7%)
	1,176	921	27.7%	3,479	2,599	33.9%
Net corporate interest and expenses	(38)	(23)	65.2%	(106)	(64)	65.6%
Total	1,138	898	26.7%	3,373	2,535	33.1%

ANALYSIS OF TURNOVER AND PROFIT (CONTINUED)

**PAS excluding the effect of
asset revaluation and major
disposal of non-core
assets/investments
by segment**

	Three months ended 30 September			Nine months ended 30 September		
	2012 (Unaudited) HK\$ million	2011 (Unaudited) HK\$ million	Increased/ (Decreased) %	2012 (Unaudited) HK\$ million	2011 (Unaudited) HK\$ million	Increased/ (Decreased) %
- Retail ^a	77	57	35.1%	727	731	(0.5%)
- Beer	503	534	(5.8%)	878	863	1.7%
- Food ^b	68	52	30.8%	212	239	(11.3%)
- Beverage	58	62	(6.5%)	88	120	(26.7%)
	706	705	0.1%	1,905	1,953	(2.5%)
Net corporate interest and expenses	(38)	(23)	65.2%	(106)	(64)	65.6%
Total	668	682	(2.1%)	1,799	1,889	(4.8%)

Notes:

For the nine months ended 30 September 2012,

- Net gain on disposal of non-core investments and net valuation surplus on investment properties with an aggregate amount of approximately HK\$1,515 million (2011: HK\$633 million) have been excluded from the results of Retail division.
- Net gain on disposal of non-core investments and valuation surplus on investment properties with an aggregate amount of approximately HK\$59 million (2011: HK\$13 million) have been excluded from the results of the Food division.

PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the quarterly financial information are consistent with those used in the annual financial statements for the year ended 31 December 2011 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 2012.

In previous periods, the deferred tax consequences are assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the carrying amount of the property. As a result of the adoption of HKAS 12 (Amendments), the Group changed its accounting policy on deferred taxation related to investment properties. Under the amendments, investment properties that are measured using the fair value model are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 and the comparative figures have been restated accordingly. Profit attributable to shareholders for the three months ended 30 September 2011 have been increased by approximately HK\$103 million and the equity attributable to shareholders of the Company as at 31 December 2011 has been increased by approximately HK\$1,485 million.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group’s unaudited consolidated turnover for the third quarter and the first nine months of 2012 amounted to approximately HK\$34,209 million and HK\$98,168 million, representing increases of 11.1% and 16.8% over the same period last year, respectively. The unaudited consolidated profit attributable to the Company’s shareholders for the third quarter and the first nine months of 2012 amounted to approximately HK\$1,138 million and HK\$3,373 million, respectively, representing increases of 26.7% and 33.1%, respectively, year-on-year. Excluding the after-tax effect of asset revaluation and major disposals, the Group’s unaudited underlying consolidated profit attributable to the Company’s shareholders for the third quarter and the first nine months of 2012 decreased by 2.1% and 4.8%, respectively.

As the dismal state of the global economy has affected the short-term operating environment in China, the Group’s consumer goods business in the near term is expected to remain under pressure. However, as the central government’s “12th Five-Year Plan” has been effective in stimulating domestic consumption, the Group is more optimistic about the future development of the consumer goods industry. The Group’s cash reserve helps facilitate its future expansion, which can capture the benefits from the anticipated rebound in China’s economy. Looking ahead, we will continue to push forward our expansion plans and to intensify our control in the areas of

risk management, as well as cash and asset management to cope with the changes in the global economic environment.

Retail

The Group's retail division achieved turnover of HK\$20,942 million in the third quarter of 2012, representing an increase of 18.5% over the same period last year. Turnover for the first nine months amounted to HK\$63,067 million, an increase of 21.2% year-on-year. Attributable profit for the third quarter increased by 83.5% to HK\$488 million, and that for the nine-month period increased by 64.4% year-on-year to HK\$2,242 million. Excluding the after-tax revaluation surplus and the disposal of the non-core assets, the division's attributable profit for the third quarter and first nine months of 2012 increased by 35.1% and decreased by 0.5%, respectively.

The Group's retail division mainly comprises supermarkets, “中藝 Chinese Arts & Crafts” stores, “華潤堂 CR Care” stores, “采活 VIVO” health and beauty stores and “Pacific Coffee” shops. As at the end of September 2012, the Group operated over 4,300 stores in China, of which approximately 81% were self-operated while the rest were franchised.

For the first nine months of 2012, China's economy grew at a slower rate while the consumer confidence index retreat. Together with the slower overall retail sales growth, the Mainland retail industry faced challenges. In spite of the setback in China's consumer price index, the division's same store sales grew by 4.6% year-on-year during the period. The sales growth of the Group's retail division was mainly attributable to the opening of new stores and the contribution from the newly acquired Jiangxi Hongkelong Department Store Investment Company Limited.

Slower economic growth, accompanied by increases in minimum wage levels across various regions leading to higher labor costs, as well as the incubation period required for the newly-opened stores, have affected the division's operating profitability. Accordingly, the division implemented various initiatives to control operating costs, such as enhancing bargaining power over leases by leveraging synergies arising from its multi-format business, establishing an energy management system to promote energy savings at its retail stores, as well as improving its labor structure and hiring system.

To further enhance its market share, the division continued to establish coverage in new regions and to review its product mix and operational strategy. By fostering strategic cooperation with national property developers, the division managed to establish a presence in multiple formats at various high-quality commercial properties. The division will soon open a number of convenience stores at metro stations in Hangzhou, Zhejiang Province. In addition, the division will continue to optimize its supply chain management, accelerate the enhancement of IT systems, emphasize staff training and recruit new talents. The division will also focus on improving the operation of new stores and loss-making stores.

Looking ahead, the Group's retail division is committed to its strategy of national expansion with an emphasis on strong regional leadership and creating synergies with its multi-format business platform. In addition to accelerating its efforts in developing mature formats to consolidate its leading status in major regional markets, the division will also step up its expansion into third-to-fourth tier cities, as well as into counties, towns and villages. The division will continue to establish direct trading bases between farmers and supermarkets, food safety model shops and environmental friendly and energy saving model shops. Moreover, the division will accelerate the renovation and brand transition of the newly-acquired stores with an aim of enhancing the shopping experience for customers and store image. Concerted efforts will also be made to

enhance the standardization of retail formats, optimize management flow and implement lean management measures, so as to boost sales and profitability through achieving organic growth.

Beer

The Group's beer division reported turnover of HK\$9,153 million for the third quarter of 2012, representing a decrease of 1.3% over the corresponding period last year. Turnover for the first nine months of the year increased by 7.6% year-on-year to HK\$23,786 million. Attributable profit for the third quarter was HK\$503 million, representing a decrease of 5.8% over the corresponding period last year and increased by 1.7% year-on-year to HK\$878 million for the first nine months of the year.

The Group's beer division continued to enhance its production capacity through the construction and acquisition of breweries as well as the reconfiguration and expansion of existing breweries, while implementing effective promotions and strengthening the establishment and management of its distribution channels with the aim of boosting beer sales. However, the greater frequency of rainy weather conditions across regions, where the Group has dominant market share, hindered the volume growth of the beer market in general for the first nine months of 2012. As the third quarter was a peak season for beer sales, this has affected the overall sales volume growth and average selling price of beer. The Group's total beer sales volume in the first nine months of 2012 increased by 5% to approximately 9,062,000 kiloliters. The sales volume of the Group's national “雪花 Snow” brand increased by 7% to approximately 8,216,000 kiloliters, accounting for over 90% of the Group's total beer sales volume.

For the first nine months of 2012, the division's overall operating costs, including primary and secondary raw materials costs, generally increased. By leveraging its economies of scale and centralized procurement, the Group's beer division further enhanced its production and energy efficiency to relieve cost pressures. In addition, the division stepped up its efforts to lift the sales of premium beer products and to enhance its product mix, which in turn raised its average sales price and stabilized profitability.

The division's newly-built and acquired breweries in Henan, Shanxi and Zhejiang commenced operation for the first nine months of 2012. At the end of September 2012, the Group operated over 80 breweries in China with an aggregate annual production capacity of more than 17,000,000 kiloliters.

Looking ahead, the Group's beer division will continue to carry out marketing campaigns for the “雪花 Snow” brand with the aim of enhancing the brand's reputation and customer loyalty. By reinforcing the promotion of its premium beers, the division will optimize its product mix and reinforce its centralized purchasing system. Meanwhile, the division will continue to seek and evaluate investment opportunities in a prudent manner while pursuing organic growth so as to achieve a larger market share and to consolidate its leading market position.

Food

The Group's food division reported turnover of HK\$2,636 million for the third quarter of 2012, representing a decrease of 8.6% year-on-year. Turnover for the first nine months of the year increased by 0.2% year-on-year to HK\$7,750 million. Attributable profit increased by 115.3% year-on-year to HK\$127 million for the third quarter, and increased by 7.5% year-on-year to HK\$271 million for the first nine months of the year. Excluding the after-tax revaluation surplus and the deemed gain on the disposal of non-core investments, the division's attributable profit

would have increased by 30.8% for the third quarter and decreased by 11.3% for the first nine months in 2012.

With respect to the division's meat operation in China, the drop in the price of live pigs has stimulated pork consumption. Benefitting from the decreasing procurement costs of live pigs, as well as the lower costs resulting from strengthened bargaining power over suppliers, there was an improvement in the gross profit margin of the operation. Moreover, the Group vigorously expanded its carved meat business and implemented various measures such as setting up specialized meat retail stores in various cities, hence driving higher turnover and gross profit over corresponding period last year.

The division's assorted foodstuff operation in China was affected by slower economic growth and unfavorable weather conditions. However, by modifying its product mix, together with significant inroads made in new markets such as Jiangsu and Anhui, the operation recorded growth in turnover and gross profit.

With respect to the division's operation in Hong Kong, the frozen food distribution operation was influenced by the general excess market supply, with selling prices remaining at low levels for the first nine months of 2012. Leveraging the strengthened forecasts on supply and demand, as well as adjustments in the procurement cycle, the profitability of the division improved steadily. The soaring live pig prices in 2011, a relatively high basis of comparison for the first nine months in 2012, resulted in a decline in turnover and operating profit in the livestock distribution operation.

The enhancement of product mix for the marine fishing and aquatic product processing operation contributed to the growth in turnover. However, rising diesel prices and labor costs impacted its operating profit.

Looking ahead, China remains a key market for the growth of the Group's food division. In addition to enhancing the operational efficiency of its existing businesses, the division is also reviewing its development strategy, and will execute mergers and acquisitions to strengthen and expand its business in China.

Beverage

The Group's beverage division reported turnover of HK\$1,619 million for the third quarter of 2012, representing an increase of 47.7% over the corresponding period last year. Turnover for the first nine months of the year increased by 58.7% year-on-year to HK\$3,908 million. Attributable profit decreased by 6.5% year-on-year to HK\$58 million for the third quarter, and decreased by 26.7% year-on-year to HK\$88 million for the first nine months of the year. The decrease in attributable profit was mainly the result of the diluted earnings contribution from the formation of a joint venture with Kirin Holdings Company, Limited in mid-August 2011.

With its flagship “怡寶 C'estbon” brand of purified water and the active promotion of the beverage products of the “麒麟 Kirin” operation, the Group's beverage division recorded total sales volume of approximately 1,174,000 kiloliters for the third quarter of 2012, representing an increase of 33% year-on-year. Sales volume in the first nine months rose by 36% to 2,859,000 kiloliters. For the first nine months of 2012, the bottled water operation reported a marked increase in sales volume, especially in provinces such as Guangdong, Hunan, Sichuan, Jiangsu, Guangxi, Fujian, and Hainan, which delivered rapid growth in both sales volume and turnover

and further consolidated the leading position of the Group's purified water operation in Southern China.

The “麒麟 Kirin” operation has started to sell its existing products through distribution channels of the packaged water operation in areas such as Guangdong, Hunan and Sichuan, and has picked up growth momentum in terms of sales volume in its existing markets. The drop in the prices of major primary and secondary raw materials, including packaging materials and sugar, has alleviated the pressure from rising operating costs for the first nine months of 2012. Additionally, in a move to further enhance brand awareness and recognition, the division stepped up its efforts in marketing and promotions for the first nine months of 2012.

Looking ahead, the beverage market in China shows considerable growth potential, paving the way for the Group's beverage division to maintain relatively high growth in sales volume.

FINANCIAL REVIEW

Pledge of Assets

As at 30 September 2012, assets with a carrying value of HK\$449 million (31 December 2011: HK\$449 million) were pledged for notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 September 2012.

CAUTION STATEMENT

The Board wishes to remind investors that the above financial data are based on the Company's internal records and management accounts. The above financial data for the third quarter and the nine months ended 30 September 2012 have not been reviewed or audited by the auditors. Shareholders of the Company and potential investors should exercise caution when dealing in shares of the Company.

By order of the Board
CHEN LANG
Chairman

Hong Kong, 21 November, 2012

As at the date of this announcement, the Executive Directors of the Company are Mr. Chen Lang (Chairman), Mr. Hong Jie (Chief Executive Officer), Mr. Liu Hongji (Vice Chairman) and Mr. Lai Ni Hium, Frank (Chief Financial Officer). The Non-executive Directors are Mr. Du Wenmin, Mr. Yan Biao, Mr. Wei Bin, Mr. Huang Daoguo and Mr. Chen Ying. 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.