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 2012 FIRST QUARTER

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 2012 first quarter 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 first quarter ended 31 March 2012.

FINANCIAL HIGHLIGHTS

Three months ended 31 March	**2012 (Unaudited)** *HK$ million*	2011 (Unaudited and Restated) [1] *HK$ million*
Turnover	**33,348**	26,671
Profit attributable to shareholders of the Company	**1,327**	857
Basic earnings per share[2]	**HK$0.55**	HK$0.36

	At 31 March 2012 (Unaudited) *HK$ million*	At 31 December 2011 (Unaudited and Restated) [1] *HK$ million*
Equity attributable to shareholders of the Company	**39,209**	37,899
Non-controlling interests	**12,617**	12,633
Total equity	**51,826**	50,532
Consolidated net borrowings	**-**	-
Gearing ratio[3]	**Net Cash**	Net Cash
Net assets per share (book value):	**HK$16.34**	HK$15.80

Notes:

1. 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 for the three months ended 31 March 2011 have been increased by approximately HK$31 million and the equity attributable to shareholders of the Company as at 31 December 2011 has been increased by approximately HK$1,545 million.
2. Diluted earnings per share for the three months ended 31 March 2012 and 2011 are HK$0.55 and HK$0.36, respectively.
3. Gearing ratio represents the ratio of consolidated net borrowings to total equity.

ANALYSIS OF TURNOVER AND PROFIT

Three months ended 31 March	**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)**	
	2012	2011	**2012**	2011	**2012**	2011
	(Unaudited) ***HK$ million***	(Unaudited) *HK$ million*	**(Unaudited)** ***HK$ million***	(Unaudited and Restated) *HK$ million*	**(Unaudited)** ***HK$ million***	(Unaudited) *HK$ million*
Retail	**24,150**	19,019	**1,327**	726	**560**	532
Beer	**5,778**	4,902	**(33)**	20	**(33)**	20
Food	**2,580**	2,262	**57**	117	**57**	114
Beverage	**929**	567	**6**	10	**6**	10
	33,437	26,750	**1,357**	873	**590**	676
Elimination of inter-segment transactions	**(89)**	(79)	**-**	-	**-**	-
Net corporate interest and expenses	**-**	-	**(30)**	(16)	**(30)**	(16)
Total	**33,348**	26,671	**1,327**	857	**560**	660

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 the PAS of the respective division:

   a. Net valuation surplus on investment properties of approximately HK$767 million (2011: HK$194 million) has been excluded from the results of Retail division.

   b. Net valuation surplus on investment properties of approximately HK$3 million has been excluded from the 2011 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 31 March 2011 have been increased by approximately HK$31 million and the equity attributable to shareholders of the Company as at 31 December 2011 has been increased by approximately HK$1,545 million.

The Group has not early applied the new and revised standards, amendments and interpretation that have been issued by the HKICPA but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretation will have no material impact on the Group's results of operations and financial positions.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the first quarter ended 31 March 2012, the Group's unaudited consolidated turnover and profit attributable to the Company's shareholders amounted to approximately HK$33,348 million and HK$1,327 million respectively, representing increases of 25.0% and 54.8%, respectively over the corresponding period of last year. Excluding the asset revaluation, the Group's underlying unaudited consolidated profit attributable to the Company's shareholders would have decreased by 15.2% for the first quarter ended 31 March 2012.

Retail

The Group's retail division reported turnover of HK$24,150 million and attributable profit of HK$1,327 million for the first quarter of 2012, representing increases of 27.0% and 82.8% year-on-year, respectively. Excluding the revaluation surplus, the division's attributable profit for the first quarter of 2012 would have increased by 5.3% 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 Vivo" health and beauty stores and "Pacific Coffee" shops. As at the end of March 2012, the Group operated over 4,000 stores in China, of which approximately 80% were self-operated and the rest were franchised.

During the period under review, the slowdown in growth of the consumer price index in China, the stabilizing consumer confidence and the exemption of value added tax on trading and distribution of vegetable products since 1 January 2012 have played positive roles to the division's performance. Consequently, the division reported a same store sales increase of 6.4% year-on-year. Meanwhile, sales growth of the Group's retail division was also benefited from the opening of new stores and contributions from the newly acquired Jiangxi Hongkelong Department Store Investment Company Limited.

Despite the slight decline in China's consumer price index during the period under review, food prices remained high and consumer sentiment was weak. The increase in minimum wage levels across different regions and normal upward adjustments of salaries in the industry have resulted in a substantial increase in overall labor costs since the second quarter of last year, which in turn affected the division's operating profit during the quarter under review. The division continues to leverage the synergy derived from its multi-format business to enhance bargaining power for rental agreements, establishing an energy management system to promote energy savings in its retail stores, optimizing its labor structure and hiring system, and actively carry out various measures to control its operating costs.

To further enhance its market share, the division continues to build networks in new regions, review its product mix and operational strategy, optimize its supply chain management, and emphasize staff training and recruitment of new talent. The division will also focus on improving the operation of new stores and loss-making stores so as to enhance operational efficiency and effectiveness.

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 stepping up its efforts in developing mature markets to consolidate its leading market position and accelerating its expansion into third-to-fourth tier cities, counties, towns and villages, the division will also continue to establish direct trading bases between farmers and supermarkets, food safety model stores and energy-saving model stores, as well as further enhancing the retail formats models, promoting the standardization of operational flow and optimizing management flow in order to increase sales and profitability.

Beer

The Group's beer division reported turnover of HK$5,778 million for the first quarter of 2012, representing an increase of 17.9% over the corresponding period last year. The division recorded attributable loss of HK$33 million for the first quarter of 2012 and attributable profit of HK$20 million in the same period last year.

The Group's beer division continued to enhance its production capacity by building and acquiring new breweries as well as reconfiguring and expanding some of its existing breweries. However, the low temperatures recorded in most of the regions in China in March this year, along with the prolonged rainy and cloudy periods in the mid- to downstream and southern part of Yangtze River, have affected the beer sales of the division. For the quarter under review, the Group's beer sales volume increased by 4% to approximately 1,976,000 kiloliters. Aided by the marketing campaigns for the "雪花 Snow" brand aimed at enhancing its image, the sales volume of the Group's national "雪花 Snow" brand also increased by 4% to approximately 1,804,000 kiloliters in the first quarter of 2012, accounting for over 90% of the Group's total sales volume of beer.

During the quarter under review, overall operating costs of the beer division rose. The increase in sales promotions and escalation in marketing campaigns launched in response to the intense market competition have affected the operating results in the short run. By leveraging its economies of scale and centralised procurement, the Group's beer division further enhanced its production and energy efficiency to relieve cost pressures. Concerted efforts have also been made to optimize product mix and to raise sales of premium beer in order to raise average selling prices and stabilize profitability.

The division's newly-built and acquired breweries in Henan and Zhejiang commenced operation in the quarter under review. At the end of March 2012, the Group operated over 80 breweries in China with an aggregate annual production capacity of more than 15,600,000 kiloliters.

Looking ahead, the Group's beer division will continue to promote the "雪花 Snow" brand with the aim of enhancing its brand reputation and customer loyalty. While strengthening sales of premium beers, the division will optimize its product mix and reinforce its centralized purchasing system. At the same time, the division will continue to seek and evaluate investment opportunities in a prudent manner while pursuing organic growth so as to achieve greater market share and to consolidate its leading market position.

Food

The Group's food division reported turnover of HK$2,580 million and attributable profit of HK$57 million for the first quarter of 2012, representing an increase of 14.1% and a decrease of 51.3% year-on-year, respectively.

With respect to the division's meat operation in China, despite the slight drop in the price of live pigs from its peak during the quarter under review due to abundant market supply, the higher operating costs, including procurement costs of live pigs as compared to the corresponding period last year still exerted pressures to the operation's short term profitability. The division stepped up efforts in achieving its goal by expanding its sales channel, adjusting its sales strategy and improving the synergy from the market distribution in Shanghai and Shandong.

As for the assorted foodstuff operation in China, it took initiatives not only to consolidate the existing market in Zhejiang, but also to expand into neighboring markets such as Jiangsu and Anhui. The operation has also made its first step in transforming its market strategy from a regional focus to a nationwide focus. Annual promotional events for new products were held in Yangzhou and Hangzhou. As a result, the operation achieved satisfactory turnover growth in the quarter under review. Besides, the operation also enhanced its product mix to improve profitability, therefore alleviating most of the pressures from rising overall operating costs and maintaining operational competitiveness.

With respect to the division's operation in Hong Kong, the frozen food distribution operation was influenced by the overall excess market supply during the quarter under review. The prices of frozen food products continued their downward trend, thereby causing turnover to decrease year-on-year, which in turn affected operating profit. Benefiting from the synergy with its livestock raising business in China, the livestock distribution operation in Hong Kong maintained its leading market position. However, the rising cost pressure on live pigs imported from mainland China was not able to be absorbed in a short period of time and thereby still affected operating profit for the quarter under review.

The operating profit of the marine fishing and aquatic products processing operation was affected by the rising price of diesel during the quarter under review. The operation will continue to extend its value chain and develop sales channels, as well as expand the deep sea aquatic products market and increase sales of high value added aquatic products by leveraging the Group's sales channels in China.

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 will also review and formulate its strategic development plan as well as to strengthen and expand its business in China through acquisitions.

Beverage

The Group's beverage division reported turnover of HK$929 million and attributable profit of HK$6 million for the first quarter of 2012, representing an increase of 63.8% and a decrease of 40.0% year-on-year, respectively. The decrease in attributable profit was mainly resulted from diluted earnings contribution due to the formation of a joint venture with Kirin Holdings Company, Limited in mid-August 2011.

With its flagship "怡寶 C'estbon" purified water brand, the Group's beverage division recorded total sales volume of approximately 677,000 kiloliters in the first quarter of 2012, representing an increase of 30% over the corresponding period of 2011. The packaged water operation sustained stable growth in sales volume for the quarter under review. Rapid growth in sales volume and turnover was recorded in the markets outside Guangdong such as Hunan, Sichuan, Jiangxi and Fujian. The "麒麟 Kirin" brand operation has started to sell its existing products through the distribution channels of the packaged water operation in areas such as Guangdong, Hunan and Sichuan. It also made proactive effort in improving the operating situation by enhancing its product mix and rationalizing its pricing system. The higher labor costs drove operating costs up in the quarter under review. However, the decline in costs of major primary and secondary raw materials such as packaging materials since the end of last year alleviated the pressure on gross profit margins.

The beverage market in China continues to show considerable growth potential and is paving the way for the sustained development of the Group's beverage division. Riding on its extensive distribution capabilities in China, the division will promote products bearing the "麒麟 Kirin" brand in the market throughout most of the areas covered by the division to the ultimate benefit of consumers.

FINANCIAL REVIEW

Pledge of Assets

As at 31 March 2012, assets with a carrying value of HK$365 million (31 December 2011: HK$306 million) were pledged for bank borrowings and notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 March 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 first quarter of 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
Chief Executive Officer and Executive Director

Hong Kong, 16 May 2012

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.