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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

- Unaudited consolidated turnover amounted to approximately HK$71,857 million, representing an increase of 12.3%
- Excluding the after-tax effect of asset revaluation and major disposals, the Group's unaudited underlying consolidated profit attributable to the Company's shareholders contributed by the businesses decreased by 11.1% year-on-year to HK$1,005 million
- The Board of Directors recommended an interim dividend of HK$0.13 per share

FINANCIAL HIGHLIGHTS

For the six months ended 30 June	2013 (Unaudited) HK$ million	2012 (Unaudited) HK$ million
Turnover	**71,857**	63,959
Profit attributable to shareholders of the Company	**1,018**	2,235
Basic earnings per share[1]	**HK$0.42**	HK$0.93
Interim dividend per share	**HK$0.13**	HK$0.15
	At 30 June 2013 (Unaudited) HK$ million	At 31 December 2012 (Audited) HK$ million
Equity attributable to shareholders of the Company	**41,489**	40,742
Non-controlling interests	**13,295**	13,042
Total equity	**54,784**	53,784
Consolidated net borrowings	**-**	1,330
Gearing ratio[2]	**Net Cash**	2.5%
Net assets per share (book value):	**HK$17.27**	HK$16.97

Notes:
1. Diluted earnings per share for the six months ended 30 June 2013 and 2012 are HK$0.42 and HK$0.93, respectively.
2. Gearing ratio represents the ratio of consolidated net borrowings to total equity.

ANALYSIS OF TURNOVER AND PROFIT

	Turnover		Profit Attributable to Shareholders of the Company ("PAS")		PAS excluding the effect of asset revaluation and major disposal of non-core assets/investments (Note)	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) ***HK$ million***	2012 (Unaudited) *HK$ million*	**2013 (Unaudited)** ***HK$ million***	2012 (Unaudited) *HK$ million*	**2013 (Unaudited)** ***HK$ million***	2012 (Unaudited) *HK$ million*
Retail	**47,907**	42,125	**637**	1,754	**624**	650
Beer	**16,078**	14,633	**358**	375	**358**	375
Food	**5,004**	5,114	**71**	144	**71**	144
Beverage	**3,375**	2,289	**39**	30	**39**	30
	72,364	64,161	**1,105**	2,303	**1,092**	1,199
Elimination of inter-segment transactions	**(507)**	(202)	**-**	–	**-**	–
Net corporate interest and expenses	**-**	-	**(87)**	(68)	**(87)**	(68)
Total	**71,857**	63,959	**1,018**	2,235	**1,005**	1,131

Note:

For the analysis of PAS excluding the effect of asset revaluation and major disposal of non-core assets/investments, the effect of the following transaction have been excluded in PAS of the respective division:

a. Net gain on disposal of non-core investments and net valuation surplus on investment properties with an aggregate amount of approximately HK$13 million (2012: HK$1,104 million) have been excluded from the results of Retail division.

CHAIRMAN'S STATEMENT

HALF-YEAR RESULTS

In the first half of 2013, both the Chinese and global economies found conditions too hazy to drive a clear path forward which resulted in ongoing fluctuations in the financial markets and dampened economic growth in China. Despite the market volatility, the Group continued to evaluate the market situation and to grasp opportunities with our long-term commitment to developing our businesses - retail, beer, food and beverage. With our strategy of national expansion emphasizing strong regional leadership and synergistic opportunities between our businesses, we remained steadfast in driving our sustainable development, and above all else, in continuing to enhance long term value for our shareholders.

The Group's unaudited consolidated turnover for the six months ended 30 June 2013 increased 12.3% to approximately HK$71,857 million. Unaudited consolidated profit attributable to the Company's shareholders amounted to HK$1,018 million, representing a decrease of 54.5% 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 six months ended 30 June 2013 decreased by 11.1% to HK$1,005 million.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.13 per share for the six months ended 30 June 2013 (2012: HK$0.15 per share), payable on or around 15 October 2013 to shareholders whose names appear on the Register of Members of the Company on 2 October 2013.

STRATEGY IMPLEMENTATION

With the fine-tuning of the economic structure and policy in China, the atmosphere during Chinese New Year in 2013 was affected. By leveraging its extensive network of over 4,400 stores across China and the synergies arising from its multi-platform business, the Group's retail division continued to expand its business network, strengthen its market share and boost same stores sales to reinforce its competitiveness. In order to strive for balance between market expansion and effective capital management, the division opened new stores in both existing and new regions with adjustments in timing and location when necessary. In addition, the division continued to enrich its product mix with the aim of enhancing the unique and sophisticated shopping experience for customers, as well as to foster collaboration with national property developers in China to bring in its multi-format stores to high quality shopping malls.

During the period under review, weather conditions were more favourable and the consumer sentiment in China's beer market was better than in 2012. The Group's beer division continued its strong growth momentum in beer sales volume, with its national "雪花 Snow" brand continuing as the best-selling single beer brand in China by volume for the eighth consecutive year. To strengthen its brand reputation and customer loyalty, the division stepped up its efforts in brand promotions and enhanced its customer services at points of sale. In response to rising operational and raw material costs, the division also enhanced its production efficiency and further optimized its product mix to lift the average selling price and to improve overall operating profitability. In addition, we are confident that our acquisition of the beer business of Kingway Brewery Holdings Limited, which brings us a reputable brand and strong market share in

Guangdong province with extensive sales network and established manufacturing facilities, will further enhance our leading position in China's beer industry.

The food division continued its active expansion in the China market by leveraging the reputation of the "五豐 Ng Fung" brand. The division continued to strengthen its vertically-integrated high quality food supply chain and was vigorous in identifying opportunities to expand its revenue stream. In particular, upon the disposal of marine fishing and aquatic products processing operation in 2012, the division reoriented its strategic focus towards the development of high potential businesses such as the sourcing and distribution of certain food and agricultural products. On the heels of the acquisition of a rice distribution business in Shenzhen last year, the division also acquired another rice distribution business in Shanghai and a fruit processing and distribution business during the period under review.

The beverage division also achieved remarkable growth in sales volume and turnover for "怡寶 C'estbon" purified water thanks to concerted efforts in enhancing production capacity and operational efficiency. The division penetrated further into existing markets, including Guangdong and Hunan provinces, and expanded its sales network in nearby provinces. The division also stepped up marketing efforts for the promotion of "麒麟 Kirin" beverage products, and moderately localized the brand to broaden its customer base.

In order to fuel sustainable growth, the Group is devoted to continuing education and talent development. Apart from the trainings organized by headquarters and our business divisions, our managements also actively participated in training courses organized by China Resources University, our parent company's training institute. With the aim of enhancing its core competitiveness, management flow and cost effectiveness, the Group continued to develop its lean management and information system.

The sustainable development of all of our business segments was the culmination of the disciplined execution of our strategic direction and our high standards of corporate governance. We firmly believe that a good and solid corporate governance framework is imperative for the sustainable growth of the Group and for enhancing shareholder value. As such, we are committed to attaining and maintaining high standards of corporate governance and adopting principles that include a quality board, accountability to stakeholders, open communications and fair disclosure. Our commitment to good corporate governance not only helps us earn our esteemed reputation in the investment community, but also enhances our competitiveness for truly sustainable growth, thereby putting us in a better position to embrace new opportunities ahead and helping us move towards our goal of becoming the largest consumer goods company in China.

PROSPECTS

Looking forward to the second half of 2013, the short-term operating environment and consumer sentiment are both likely to be affected by the volatile global economy. However, we remain optimistic about the long-term development of China's retail market as the central government's new urbanization strategies highlighted at the "18th National Congress" will continue to drive steady growth in domestic consumption. Backed by our strong financial position and healthy cash flow, we are better-equipped than ever to face the uncertainties ahead and to capitalize on promising opportunities when they arise.

Moreover, we will carry on looking for opportunities to team up with other market leaders, especially for our retail and food divisions. We are confident that the win-win strategy to cooperate with other leading companies and international players will enable us to sharpen our competitive edge and accelerate our development in China's consumer market.

Despite the challenges ahead, we will continue to pursue sustainable growth through the steady expansion of our businesses and by focusing on strengthening our core competitiveness. We will continue to intensify our control in risk management, and will maintain a firm grip on cash management and financial efficiency. We will also adhere to our commitment to further developing market share for each of our consumer goods businesses while leveraging our economies of scale to enhance operational efficiency, all to generate higher value for our customers and investors in the long term.

APPRECIATION

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our valued shareholders, customers and business associates for their trust and unwavering support. I would also like to thank our management and colleagues for their hard work and dedication.

CHEN LANG
Chairman

Hong Kong, 21 August 2013

2013 INTERIM RESULTS

The Directors of China Resources Enterprise, Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCCOUNT

		For the six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$ million***	*HK$ million*
Turnover	*4*	**71,857**	63,959
Cost of sales		**(53,822)**	(48,310)
Gross profit		**18,035**	15,649
Other income	*5*	**794**	1,767
Selling and distribution expenses		**(13,256)**	(11,212)
General and administrative expenses		**(2,950)**	(2,530)
Finance costs	*6*	**(153)**	(192)
Share of net results of associates		**8**	19
Profit before taxation		**2,478**	3,501
Taxation	*7*	**(1,002)**	(764)
Profit for the period	*8*	**1,476**	2,737
Attributable to:			
Shareholders of the Company		**1,018**	2,235
Non-controlling interests		**458**	502
		1,476	2,737
Earnings per share	*10*		
Basic		**HK$0.42**	HK$0.93
Diluted		**HK$0.42**	HK$0.93

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$ million	*HK$ million*
Profit for the period	**1,476**	2,737
Other comprehensive income/(expenses):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**770**	(226)
Fair value adjustment on available for sale investments	**(13)**	-
Fair value adjustment on derivative financial instruments	**-**	4
Reclassification adjustments:		
– release of exchange differences upon disposal of subsidiaries	**(13)**	-
	744	(222)
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of properties	**191**	62
Income tax relating to:		
– surplus on revaluation of properties	**(104)**	(25)
	87	37
Other comprehensive income/(expenses) for the period, net of tax	**831**	(185)
Total comprehensive income for the period	**2,307**	2,552
Attributable to:		
Shareholders of the Company	**1,606**	2,128
Non-controlling interests	**701**	424
	2,307	2,552

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2013 (Unaudited) *HK$ million*	At 31 December 2012 (Audited) *HK$ million*
Non-current assets			
Fixed assets			
- Investment properties		**13,433**	12,735
- Interests in leasehold land held for own use under operating leases		**7,745**	6,266
- Other property, plant and equipment		**39,919**	37,970
Goodwill		**15,132**	14,948
Other intangible assets		**312**	295
Interests in associates		**401**	389
Available for sale investments		**109**	128
Prepayments		**1,018**	2,258
Deferred taxation assets		**1,066**	992
		79,135	75,981
Current assets			
Stocks		**20,769**	21,242
Trade and other receivables	*11*	**15,371**	13,744
Derivative financial instruments		**2**	-
Taxation recoverable		**184**	125
Pledged bank deposits		**359**	391
Cash and bank balances		**21,450**	16,005
		58,135	51,507
Current liabilities			
Trade and other payables	*12*	**(61,142)**	(53,104)
Short term loans		**(3,592)**	(4,374)
Taxation payable		**(942)**	(706)
		(65,676)	(58,184)
Net current liabilities		**(7,541)**	(6,677)
Total assets less current liabilities		**71,594**	69,304
Non-current liabilities			
Long term loans		**(14,461)**	(13,352)
Deferred taxation liabilities		**(1,650)**	(1,499)
Other non-current liabilities		**(699)**	(669)
		(16,810)	(15,520)
		54,784	53,784
Capital and reserves			
Share capital		**2,402**	2,401
Reserves		**39,087**	38,341
Equity attributable to shareholders of the Company		**41,489**	40,742
Non-controlling interests		**13,295**	13,042
Total equity		**54,784**	53,784

Notes:

1. Independent review

The interim results for the six months ended 30 June 2013 are unaudited and have been reviewed by the Company's Audit Committee.

2. Basis of preparation

The interim results announcement has been presented in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited .

A full set of unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 ("interim financial information") which has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" will be published as soon as practicable.

3. Principal accounting policies

The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2012 except for the adoption of certain new and 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 2013.

The adoption of these 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.

The Group has not early applied the new and revised 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 and revised standards and amendments but is not yet in a position to state whether these new and revised standards and amendments would have a material impact on its results of operations and financial position.

4. Turnover and segment information

Operating segments

	Retail *HK$ million*	Beer *HK$ million*	Food *HK$ million*	Beverage *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
For the six months ended 30 June 2013						
Turnover						
External sales	47,857	15,994	4,657	3,349	-	71,857
Inter-segment sales*	50	84	347	26	(507)	-
Total	47,907	16,078	5,004	3,375	(507)	71,857
Segment result**	1,119	1,135	160	90		2,504
Unallocated corporate expenses						(62)
Interest income						189
Finance costs						(153)
Profit before taxation						2,478
Taxation						(1,002)
Profit for the period						1,476
For the six months ended 30 June 2012						
Turnover						
External sales	42,083	14,585	5,018	2,273	-	63,959
Inter-segment sales*	42	48	96	16	(202)	-
Total	42,125	14,633	5,114	2,289	(202)	63,959
Segment result**	2,238	1,040	252	65		3,595
Unallocated corporate expenses						(52)
Interest income						150
Finance costs						(192)
Profit before taxation						3,501
Taxation						(764)
Profit for the period						2,737

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

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

5. Other income

	Six months ended 30 June	
	2013	2012
	HK$ million	*HK$ million*
Other income includes the following:		
Interest income	**189**	150
Valuation gain on investment properties	**17**	915
Profit on disposal of available for sale investments	**-**	2

6. Finance costs

	Six months ended 30 June	
	2013	2012
	HK$ million	*HK$ million*
Interest on bank loans and other loans wholly repayable within five years	**143**	156
Financing charges	**15**	41
	158	197
Less: Amount capitalised in cost of qualifying assets	**(5)**	(5)
	153	192

7. Taxation

	Six months ended 30 June	
	2013	2012
	HK$ million	*HK$ million*
Current taxation		
Hong Kong	**84**	76
Chinese Mainland	**912**	740
Overseas	**-**	3
	996	819
Deferred taxation		
Hong Kong	**2**	(12)
Chinese Mainland	**4**	(43)
	1,002	764

Hong Kong Profit Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the period.

Chinese Mainland income tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the Chinese Mainland. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

8. Profit for the period

	Six months ended 30 June	
	2013	2012
	HK$ million	*HK$ million*
Profit for the period has been arrived at after charging:		
Depreciation		
- Owned assets	**1,763**	1,652
Amortisation of other intangible assets (included in general and administrative expenses)	**13**	8
Cost of goods sold	**53,637**	48,136

9. Dividends

At the board meeting held on 21 March 2013, the directors proposed a final dividend of HK$0.15 per ordinary share for the year ended 31 December 2012. Such proposal was subsequently approved by shareholders on 24 May 2013. The 2012 final dividend paid was approximately HK$360 million (2011: HK$768 million).

At the board meeting held on 21 August 2013, the directors declared an interim dividend of HK$0.13 per ordinary share (2012: interim dividend of HK$0.15 per ordinary share). Based on the latest number of shares in issue at the date of this announcement, the aggregate amount of the dividend is estimated to be HK$312 million (2012: HK$360 million).

10. Earnings per share

	Six months ended 30 June	
	2013	2012
	HK$ million	*HK$ million*
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings		
Profit attributable to shareholders of the Company for the purposes of calculating basic and diluted earnings per share	**1,018**	2,235

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,402,342,811**	2,399,791,301
Effect of dilutive potential ordinary shares:		
- Share options	**2,137,755**	3,943,064
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,404,480,566**	2,403,734,365

11. Trade and other receivables

Included in trade and other receivables are trade receivables and their aging analysis is as follows:

	At 30 June 2013	At 31 December 2012
	HK$ million	*HK$ million*
0 – 30 days	**1,035**	776
31 – 60 days	**375**	231
61 – 90 days	**209**	80
> 90 days	**406**	340
	2,025	1,427

The Group normally trades with its customers under the following credit terms:
(a) cash upon delivery; or
(b) open credit from 30 to 90 days

12. Trade and other payables

Included in trade and other payables are trade payables and their aging analysis is as follows:

	At 30 June 2013	At 31 December 2012
	HK$ million	*HK$ million*
0 – 30 days	**14,896**	13,649
31 – 60 days	**3,574**	3,293
61 – 90 days	**1,530**	1,339
> 90 days	**2,578**	2,007
	22,578	20,288

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Retail

The Group's retail division reported turnover of HK$47,907 million and attributable profit of HK$637 million in the first half of 2013, representing an increase of 13.7% and a decrease of 63.7% year-on-year, respectively. Excluding the after-tax revaluation surplus and the disposal of the non-core assets, the division's attributable profit for the first half of 2013 decreased by 4.0% year-on-year.

The Group's retail division mainly consists of supermarkets, "中藝 Chinese Arts & Crafts" stores, "華潤堂 CRCare" stores, "采活 VIVO" health and beauty stores and "太平洋咖啡 Pacific Coffee" shops. As at the end of June 2013, the Group operated over 4,400 stores in China, of which approximately 82% were self-operated while the rest were franchised.

During the period under review, the central government's efforts in executing anti-extravagance and the slower growth in gross domestic product have affected the consumption expenditure in the short term. As a result, total retail sales of consumer goods grew at the most moderate rate since 2006. However, with better event management and promotion, the Group's retail division achieved same store sales growth of 5.6% year-on-year.

The increases in minimum wage levels across various regions and the normal salary increment within the industry have exerted pressure on the profitability of the retail division. The increase in scale in the retail division, coupled with various initiatives to control operating costs comprehensively, will absorb costs over time. Aspects such as enhancing bargaining power over leases and sharing sales and leveraging synergies through its multi-format business, establishing an energy management system to optimize energy savings at its retail stores, as well as rationalizing its labor structure and hiring system were implemented.

To reinforce the national influence of the Group's retail business, as well as to further enhance its market share, the division continued to open new stores in new regions with appropriate adjustments in the timing and location of new shops opening, and reviewed its product mix and operational strategy. During the period under review, "太平洋咖啡 Pacific Coffee" and "Ole' ", two of the division's leading brands, collaborated for the first time to establish boutique stores in Northeast China. "華潤萬家 CR Vanguard" also opened its first modified metropolitan retail outlet in Dalian and halal supermarket in Ningxia. Furthermore, the division teamed with a national supplier to organize a workshop about lean management, which highlighted our customer-oriented corporate value.

Looking ahead, the retail division will adopt hypermarkets as its main retail format, and expand its multi-format store network in regions where the Group has already established a presence. Through enhancing resource allocation as well as operational balance and efficiency, the division targets to become a market leader in the retail industry. To further increase its market share, the Group accelerated the pace of the expansion of its established business format, thus consolidating its leading position in major regional markets in China. The division will continue to speed up its expansion into third-to-fourth tier cities, as well as into counties, towns and villages, and will also establish direct trading bases with farmers, food safety model shops and environmental protection with energy saving model shops. Moreover, the division will accelerate the renovation and brand transition of the newly-acquired stores in order to improve store image and provide a better shopping experience to customers.

Beer

The Group's beer division reported turnover and attributable profit of HK$16,078 million and HK$358 million, respectively in the first half of 2013, representing an increase of 9.9% and a decrease of 4.5% year-on-year, respectively.

The Group's beer sales volume increased by 7% year-on-year to approximately 5,759,000 kiloliters in the first half of 2013, of which sales volume of the Group's national "雪花 Snow" brand increased by 8% to approximately 5,263,000 kiloliters, accounting for more than 90% of the Group's total beer sales volume. The growth momentum in beer sales volume was mainly attributable to the Group's continuous efforts to enhance its production capacity, its effective brand promotions, as well as the strengthening of its sales network and enhancement of customer services at points of sale. During the period under review, higher-than-usual temperatures nationwide accelerated the growth of the overall capacity in beer market, which in turn boosted the division's sales volume.

During the period under review, the division's overall operating costs, including primary and secondary raw materials costs, generally increased. Moreover, in response to the intensifying market competition, the division ramped up investment in some of its promotions and marketing activities in a moderate manner, which in turn hindered growth in the division's operating profit. By leveraging its economies of scale and centralized procurement, the Group's beer division further enhanced its production efficiency so as to relieve cost pressures. Meanwhile, the division continued to enhance its product mix in hope to lift the average selling price of its product and to consolidate its overall profitability.

The division's newly-built breweries in Guangxi, Anhui, Hubei and Zhejiang commenced operation during the period under review. As at the end of June 2013, the Group operated more than 80 breweries in China with an aggregate annual production capacity of more than 18,000,000 kiloliters.

In addition, the Group's beer division has entered into an agreement in February 2013 to acquire the business of Kingway Brewery Holdings Limited ("Kingway Brewery") in relation to its beer production, distribution and sales businesses for a total consideration of RMB5.38 billion. The assets involved include seven breweries in Chengdu, Dongguan, Foshan, Shantou, Tianjin, Xian and Shenzhen Plant 2 with a combined production capacity of 1.45 million tonnes. With the good brand reputation of Kingway Brewery in China, especially in Guangdong Province, as well as its strong market share, extensive sales network and established manufacturing facilities, the acquisition will not only strengthen the division's production capacity and economies of scale, but also further optimize the sales network of the Group in China and continue to enhance the Group's leading position in China's beer industry.

Looking ahead, the Group's beer division will continue to carry out marketing campaigns for the "雪花 Snow" brand in order to strengthen the brand's reputation and customer loyalty. The division will reinforce the promotion of its premium beer to optimize its product mix. At the same time, the division will continue to seek and evaluate investment opportunities in a prudent manner while pursuing organic growth in order to expand its market share and to consolidate its leading market position.

Food

The Group's food division reported turnover of HK$5,004 million and attributable profit of HK$71 million in the first half of 2013, representing decreases of 2.2% and 50.7% year-on-year, respectively. The division is being restructured. New businesses have yet to reach scale, thus affecting the overall performance.

In respect of the division's operation in Hong Kong, selling prices of live pigs remained at a low level. By reinforcing communications with suppliers, the division improved the quality of products procured and partially alleviated the impact brought by the decline in selling prices on the profitability of the livestock distribution operation. Affected by cyclical effects of live pig raising, the selling prices of live pigs declined. Coupled with higher raw material prices, it affected the profitability of the division's livestock raising business. To cope with the sluggish live pig market in future, the division will step up construction of its Hong Kong breeding base in Southern China, and will enhance the quality and the sources of live pig procurement in order to strengthen the management of the business.

As for the meat operation in China, domestic live pig prices remained low, which stabilized the demand for pork. Through the vigorous expansion of the division's carved meat business and increasing the number of specialized meat retail stores in various cities, the division achieved satisfactory growth in both the turnover and gross profit margin.

The division's assorted foodstuff operation in China strengthened the awareness of "五豐黎紅" brand through various initiatives including promotional activities and inviting distributors for company visits, which in turn led to the significant improvement in probability as compared to the same period last year. In addition, upon the acquisition of a rice distribution business in Shenzhen, the rice distribution business completed the acquisition of another distribution business in Shanghai during the period under review. Leveraging its sales network and brand reputation, the rice distribution business endeavoured to consolidate the reputation of "五豐 Ng Fung" branded rice products across the nation.

During the period under review, the division completed the acquisition of a fruit processing and distribution business, laying a solid foundation for the formation of a vertically-integrated industry chain spanning from sources to retail channels. The division will continue the vigorous expansion of its quality agricultural bases nationwide, sparing no effort to become the top brand in China's fruit and vegetable industry.

Looking ahead, the Group's food division will continue to focus on the domestic market and will enhance the operational efficiency of its existing businesses to accommodate its development strategy. Through the promotion and marketing of the "五豐 Ng Fung" brand, expansion into new markets and mergers and acquisitions, the Group will further enhance the scale of the division's business in China and improve its profitability.

Beverage

The Group's beverage division reported turnover of HK$3,375 million and attributable profit of HK$39 million for the first half of 2013, representing increases of 47.4% and 30.0% respectively over the same period last year.

Thanks to the remarkable growth in the sales volume of "怡寶 C'estbon" purified water, as well as the active promotion of beverage products, the division's total sales volume increased by 34%

year-on-year to approximately 2,268,000 kiloliters in the first half of 2013. To further enhance its market-leading position in Southern China, the purified water business deepened its market penetration and reinforced its competitive edge by focusing on its core markets in Guangdong and Hunan and expanding its sales network in the adjacent regions. At the same time, the purified water business implemented a set of lean management measures to enhance operation efficiency and maintain supply of products, which contributed to sustainable sales growth for the division.

In the face of the market competition in the beverage industry, the division actively strengthened its marketing and promotional efforts for "麒麟 Kirin" beverage products during the period under review, and moderately localized the brand in order to broaden its customer base. This enhanced product awareness and sharpened the competitive edge of the division in the market.

Looking ahead, China's beverage industry will remain its relative strong growth momentum, particularly in the packaged water sector. The division will continue to reinforce its efforts in research and development and promotional activities, and will also optimize its marketing strategy in order to enhance its brand image and market share.

FINANCIAL REVIEW

Capital and Funding

As at 30 June 2013, the Group's consolidated cash and bank balance amounted to HK$21,809 million. The Group's borrowings as at 30 June 2013 were HK$18,053 million with HK$3,592 million repayable within 1 year, HK$14,458 million repayable after 1 year but within 5 years and HK$3 million repayable after 5 years.

The Group was at a net cash position as at 30 June 2013. 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 2.5% as at 31 December 2012.

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 30 June 2013, 6.2% of the Group's cash deposit balances was held in Hong Kong dollars, 77.8% in Renminbi and 16.0% in US dollars; whereas 63.8% of the Group's borrowings was denominated in Hong Kong dollars and 35.5% in Renminbi and 0.7% in US dollars. The Group's borrowings are principally on a floating rate basis. To mitigate the interest rate exposure, the Group entered into certain interest rate swaps to hedge part of its borrowings.

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

Pledge of Assets

As at 30 June 2013, assets with a carrying value of HK$359 million (31 December 2012: HK$391 million) were pledged for notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2013.

Employees

As at 30 June 2013, the Group, excluding its associated companies, had a staff size of around 211,000, amongst which about 98% were employed in the Chinese Mainland, whilst the rest were mainly in Hong Kong and overseas. Remuneration packages are assessed in accordance with the nature of job duties, individual performance and market trends with built-in merit components, paid in the form of cash bonuses.

CORPORATE GOVERNANCE

The Company recognises that the development and maintenance of a good and solid framework of corporate governance suitable to the needs of the Group requires commitment and continuous vigilance. The Directors firmly believe that sensible corporate governance practice is essential to vigorous but steady growth of the Group.

The Company has implemented its own corporate governance standards and objectives since November 2003. On 8 April 2005, the Board approved the Company's "Corporate Governance Practice Manual" ("Corporate Governance Manual"). The Corporate Governance Manual, which was revised on 31 March 2009, 18 November 2010 and 21 March 2012, incorporates almost all of the Code Provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules. The Corporate Governance Manual can be downloaded from our website and copies are available on request to the Company Secretary.

The Company has complied with the Code Provisions set out in the CG Code during the period, save and except the following:

In respect of Code Provision A.4.1 of the CG Code, all the non-executive directors are not appointed for a fixed term. The Board does not believe in any arbitrary term of office. The current arrangement will give the Company sufficient flexibility to organize the composition of the Board to serve the needs of the Group. Further, the Articles of Association of the Company requires that one-third of the Directors (including executive and non-executive directors) shall retire each year and every director shall be subject to retirement by rotation at least once every three years. The Directors to retire each year shall be those appointed by the Board during the year and those who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

In respect of Code Provision C.1.2 of the CG Code, the Company has not provided all members of the Board with monthly updates to enable the Board as a whole and each Director to discharge their duties. However, the Company has based on business situation, provided to the Board from time to time, updated business information to enable the Board as a whole and each Director to discharge their duties.

In respect of Code Provision D.1.4 of the CG Code, the Company did not have formal letters of appointment for Directors. However, the Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company. In addition, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors", and, if applicable, "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under the Listing Rules, legal and other regulatory requirements.

On 8 April 2005, the Company has adopted its own Code of Ethics and Securities Transactions ("Code of Ethics") which apply to the Directors and other specified individuals including the Group's senior management and persons who are privy to price sensitive information of the Group. To further improve the effectiveness in the actual application of the Code of Ethics, the Company has since fine-tuned the Code of Ethics on 6 April 2006, 4 April 2007, 31 March 2009 and 18 November 2010 ("New Code of Ethics"). Both the Code of Ethics and the New Code of Ethics are on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company is not aware of any non-compliance with the standards set out in the Code of Ethics, the New Code of Ethics and the Model Code by any Director throughout the interim period.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 2 October 2013 (Wednesday) to 8 October 2013 (Tuesday), both days inclusive. In order to be eligible for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 30 September 2013 (Monday).

By order of the Board
CHEN LANG
Chairman

Hong Kong, 21 August 2013

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.