Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2014

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 2014 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 2014.

FINANCIAL HIGHLIGHTS

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	**2014**	2013
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
Turnover	**47,551**	40,583	**131,057**	112,440
Profit/(loss) attributable to shareholders of the Company	**(71)**	920	**858**	1,938
Basic earnings per share[1]			**HK$0.36**	HK$0.81

	At 30 September 2014	At 31 December 2013
	(Unaudited)	(Audited)
	HK$ million	*HK$ million*
Equity attributable to shareholders of the Company	**50,719**	44,073
Non-controlling interests	**21,588**	15,538
Total equity	**72,307**	59,611
Consolidated net borrowings	**-**	1,167
Gearing ratio[2]	**Net Cash**	2.0%
Net assets per share (book value):	**HK$21.01**	HK$18.34

Notes:

1. Diluted earnings per share for the nine months ended 30 September 2014 and 2013 are HK$0.36 and HK$0.81 respectively.
2. 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		
	2014	2013	Increased/	**2014**	2013	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
Retail	**29,582**	23,920	**23.7%**	**82,171**	71,827	**14.4%**
Beer	**10,911**	11,332	**(3.7%)**	**29,386**	27,410	**7.2%**
Food	**4,334**	3,171	**36.7%**	**12,369**	8,175	**51.3%**
Beverage	**3,162**	2,494	**26.8%**	**8,219**	5,869	**40.0%**
	47,989	40,917	**17.3%**	**132,145**	113,281	**16.7%**
Elimination of inter-segment transactions	**(438)**	(334)	**31.1%**	**(1,088)**	(841)	**29.4%**
Total	**47,551**	40,583	**17.2%**	**131,057**	112,440	**16.6%**

Profit/(loss) attributable to shareholders ("PAS") by segment	Three months ended 30 September			Nine months ended 30 September		
	2014	2013	Increased/	**2014**	2013	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
Retail	**(702)**	84	**(935.7%)**	**(2)**	721	**(100.3%)**
Beer	**625**	749	**(16.6%)**	**1,042**	1,107	**(5.9%)**
Food	**(19)**	30	**(163.3%)**	**(91)**	101	**(190.1%)**
Beverage	**85**	90	**(5.6%)**	**151**	129	**17.1%**
	(11)	953	**(101.2%)**	**1,100**	2,058	**(46.6%)**
Net corporate interest and expenses	**(60)**	(33)	**81.8%**	**(242)**	(120)	**101.7%**
Total	**(71)**	920	**(107.7%)**	**858**	1,938	**(55.7%)**

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		
	2014	2013	Increased/	**2014**	2013	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
Retail[a]	**(732)**	75	**(1076.0%)**	**(293)**	699	**(141.9%)**
Beer	**625**	749	**(16.6%)**	**1,042**	1,107	**(5.9%)**
Food	**(19)**	30	**(163.3%)**	**(91)**	101	**(190.1%)**
Beverage	**85**	90	**(5.6%)**	**151**	129	**17.1%**
	(41)	944	**(104.3%)**	**809**	2,036	**(60.3%)**
Net corporate interest and expenses	**(60)**	(33)	**81.8%**	**(242)**	(120)	**101.7%**
Total	**(101)**	911	**(111.1%)**	**567**	1,916	**(70.4%)**

Notes**:**

For the nine months ended 30 September 2014,

a. Net valuation surplus on investment properties with an aggregate amount of approximately HK$291 million (2013: HK$22 million) has been excluded from the results of Retail 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 2013 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 2014.

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, amendments and interpretations 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, amendments and interpretations but is not yet in a position to state whether these new and revised standards, amendments and interpretations 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 2014 amounted to approximately HK$47,551 million and HK$131,057 million, respectively, representing increases of 17.2% and 16.6% over the same period last year. The unaudited consolidated loss attributable to the Company’s shareholders for the third quarter of 2014 is approximately HK$71 million, compared to profit of HK$920 million for the same period last year. The unaudited consolidated profit attributable to the Company’s shareholders for the first nine months of 2014 reached approximately HK$858 million, representing decreases of 55.7% year-on-year. Excluding the after-tax effect of asset revaluation and major disposals, the Group’s unaudited underlying consolidated loss attributable to the Company’s shareholders for the third quarter of 2014 is HK$101 million, compared to profit of HK$911 million for the same period last year. The unaudited underlying consolidated profit attributable to the Company’s shareholders for the first nine months of 2014 decreased by 70.4%.

Retail

The Group’s retail division achieved turnover of HK$29,582 million in the third quarter of 2014, representing an increase of 23.7% over the same period last year. Turnover for the first nine months amounted to HK$82,171 million, an increase of 14.4% year-on-year. Attributable loss for the third quarter recorded HK$702 million, compared to attributable profit of HK$84 million for the same period last year. Attributable loss for the first nine months is HK$2 million, compared to attributable profit of HK$721 million for the same period last year. Excluding the after-tax revaluation surplus and the disposal of non-core assets, the division’s attributable loss for the third quarter was HK$732 million, as compared to attributable profit of HK$75 million for the same period last year. Attributable loss for the first nine months of 2014 was HK$293 million, compared to attributable profit of HK$699 million for the same period last year. The decrease in attributable profit was mainly due to the anticipated financial impact arising from the initial stage of the formation of the joint venture with Tesco PLC ("Tesco") which was completed on 28 May

2014. Tesco is required to make a capital injection of HK$4,325 million pursuant to the terms of the joint venture agreement. The retail business is also adversely affected by the stagnant growth in the Chinese retail market due to the continuation of the Chinese government's anti-extravagance policy and the increasing competition from the e-commerce businesses.

The Group’s retail division mainly consists of “華潤萬家 CR Vanguard” 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 September 2014, the Group operated over 4,800 stores in China, of which approximately 84% were self-operated while the rest were franchised.

During the period under review, prevailing effects from sluggish growth of the domestic macro-economy continued to exert pressure on the retail market. Sales of high-end products and store value cards were affected by the central government’s strict enforcement of frugality. The development of e-commerce, which diverted some consumers from physical stores, also added to the slow-down in growth of the retail market. As a result, the Group’s retail division recorded a decrease in same store sales (excluding Tesco) of 2.0% year-on-year.

The top priority of the division is to enhance operational efficiency and profitability of the joint venture through the synergy created by the Group’s local advantages and Tesco’s international retail expertise, which will also foster the growth of e-commerce and the development of global sourcing. Furthermore, the division implemented various initiatives to control operating costs in a comprehensive manner such as establishing an energy management system to speed up energy savings optimization at its retail stores, leveraging synergies through its multi-format business to enhance bargaining power in lease negotiations and rationalizing its labour structure and hiring system, etc.

In the meantime, the division continued to expand into new markets and optimize its product mix and operational strategy to further enhance the division’s market share and to reinforce its national influence. During the period under review, “華潤萬家 CR Vanguard” supermarkets continued to extend its network in the southern, northern and northwestern part of China. “太平洋咖啡 Pacific Coffee” shops and “采活 VIVO” health and beauty stores continued to open new stores in first-to-second tier cities. All these developments have further strengthened the national influence of the Group’s retail business.

Looking ahead, the division will refine and innovate its multi-format store network and expand its network in regions where the Group has already established a presence. By enhancing operational balance, efficiency and resource allocation, the division strives to become the market leader in the retail industry. Meanwhile, the division will focus on deepening business reforms to become more customer-centric with sustainable improvements in its operating capabilities. This will enhance the growth and profitability of the business through carrying out its expansion strategy in all channels and establish competitive edges by combining its online platform and physical stores, thereby providing better retail services for customers in China.

Beer

The Group’s beer division reported turnover of HK$10,911 million for the third quarter of 2014, representing a decrease of 3.7% over the corresponding period last year. Turnover for the first nine months of the year increased by 7.2% year-on-year to HK$29,386 million. Attributable profit for the third quarter amounted to HK$625 million, representing a decline of 16.6% over the corresponding period last year. Attributable profit for the first nine months of the year decreased by 5.9% year-on-year to HK$1,042 million. Third quarter is usually a peak season for beer sales. However, as parts of the key sales regions in the middle and lower reaches of the Yangtze River recorded more rainfall and lower-than-normal temperatures as contrasted to hotter summer for the same period last year, which affected sales in those regions, leading to lower year-on-year overall profit for the period under review.

The Group's beer sales volume increased by 3% year-on-year to approximately 10,120,000 kiloliters for the first nine months of 2014, with sales volume of the Group's national "雪花 Snow" brand accounting for approximately 90% of the Group's total beer sales volume. The growth momentum in sales volume for the first nine months in 2014 was mainly driven by the Group's continuous efforts to strengthen its brand promotions, as well as the enhancement of its sales network and points of sale services which in return improved operating efficiency. In addition, the successful integration of Kingway beer also boosted the division's overall sales volume.

During the period under review, in response to the intensifying market competition, the division ramped up investment in its promotions and marketing activities. By leveraging its centralized procurement and economies of scale, the division further enhanced its production efficiency and its product mix to lift the average selling prices of its products and to relieve pressures from rising costs.

As at the end of September 2014, the Group operated more than 95 breweries in China with an aggregate annual production capacity of over 19,000,000 kiloliters.

Looking ahead, the Group's beer division will continue to carry out marketing campaigns for the "雪花 Snow" brand in order to enhance 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 so as to attain a higher market share and maintain its leading market position.

Food

The Group's food division reported turnover of HK$4,334 million for the third quarter of 2014, representing an increase of 36.7% year-on-year. Turnover for the first nine months of the year increased by 51.3% year-on-year to HK$12,369 million. Attributable loss for the third quarter was HK$19 million, compared to attributable profit of HK$30 million for the same period last year. Attributable loss for the first nine months reached HK$91 million, compared to attributable profit of HK$101 million for the same period last year. The decrease in profitability was mainly due to the rice business which was in its developmental stage as the company incurred high start-up and marketing expenses.

As for the division's operation in Hong Kong, although prices in the livestock market picked up slightly in the third quarter as compared to the first half of the year, overall selling prices of live pigs remained low; moreover, the costs of raw materials such as feeds remained at high levels, putting pressure on the profitability of the livestock rearing operation. As such, the division will strengthen its profitability by continuing to optimize its feeds procurement with stricter cost control, and adjusting inventory with an optimized livestock structure and better quality.

As for the meat operation in China, through the vigorous expansion of the division's first-tier meat wholesale business and carved meat business, as well as by increasing the number of specialized meat retail stores in various cities, the division achieved remarkable growth in turnover as compared to the same period last year, which was also beneficial for the improvement of the division's profitability.

With respect to the rice operation, the division has started to establish a nationwide presence and achieve rapid year-on-year sales growth through acquisitions and vigorous expansion of new markets. The division continued to grow its market share by means of adjusting its management structure to keep up with business growth and improving the reputation of "五豐 Ng Fung" branded rice products.

Looking ahead, the Group's food division will continue to focus on the domestic market and will enhance its operational efficiency to accommodate its development strategy. Through 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 its domestic business and profitability of the division.

Beverage

The Group's beverage division reported turnover of HK$3,162 million in the third quarter of 2014, representing an increase of 26.8% over the corresponding period last year. Turnover for the first nine months of the year increased by 40.0% year-on-year to HK$8,219 million. Attributable profit decreased by 5.6% year-on-year to HK$85 million for the third quarter of 2014, and attributable profit increased by 17.1% year-on-year to HK$151 million for the first nine months of the year.

The division's total sales volume increased by 37% year-on-year to approximately 5,401,000 kiloliters in the first nine months of 2014. This increase is mainly attributable to the remarkable growth in the sales volume of "怡寶 C'estbon" purified water. During the period under review, to further solidify its market-leading position in southern China, the division's purified water business deepened its market penetration and reinforced its competitive edge by focusing on its core markets in Guangdong, Hunan, and Sichuan provinces and expanding its sales network in their adjacent regions. At the same time, the purified water business propelled the expansion of the "怡寶 C'estbon" brand across the country through television and internet advertisements, as well as offline marketing and promotional activities such as sponsorship of the "Transformers 4" movie, which contributed to the sales growth of "怡寶 C'estbon".

Faced with market competition in the industry, during the year under review, the division continued to invest in marketing moderately through roadshows and spokespersons to increase brand awareness and recognition of its beverage products. In addition, the division focused on certain key cities to boost synergistic investments in sales channels for beverage products with those of packaged water to sharpen the competitive edge of the division in the market.

Looking ahead, the division will follow industry trends and reinforce its efforts in product research, development and promotional activities to meet customer demand. The division will also optimize its marketing strategy to enhance its brand image in order to increase its market share.

PROSPECTS

Looking ahead to the fourth quarter of 2014, the Group's retail division remains under challenged by the anti-extravagance policy, the ever-looming e-commerce business and the consolidation of Tesco stores in China since the completion of the joint venture. In the short to medium term, the Group's overall profitability may come under significant pressure as it takes time to turn around the recurring loss-making Tesco stores in China and integrate them with its other supermarket businesses. On the other hand, the Group also foresees its overall capabilities to be reinforced after the integration. The Group reiterates its confidence in its retail business development in the long run, upon its partnership with Tesco, for which there are more untapped synergies. The Group is fully prepared to face with the uncertainties, and to seize any promising opportunities ahead.

The Group will leverage its economies of scale in its four pillar businesses to promote operational efficiency and profitability. The Company will also continue to adjust and optimize its development strategy to support the growth of its national presence.

FINANCIAL REVIEW

Pledge of Assets

As at 30 September 2014, assets with a carrying value of HK$238 million (31 December 2013: HK$514 million) were pledged for bank loans and notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 September 2014.

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 2014 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, 14 November, 2014

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. Wei Bin, Mr. Yan Biao, Mr. Chen Ying and Mr. Wang Yan. The Independent Non-executive Directors are Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Moses, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.