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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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

- Consolidated turnover amounted to approximately HK$126,236 million, representing an increase of 14.6%
- Consolidated profit attributable to the Company's shareholders amounted to HK$3,945 million, representing an increase of 30.9%
- Excluding the after-tax effect of asset revaluation and major disposals of non-core assets / investments, the underlying consolidated profit attributable to the Company's shareholders decreased by 19.2% year-on-year
- The Board recommended a final dividend of HK$0.15 per share, bringing the total dividend for 2012 to HK$0.30 per share

FINANCIAL HIGHLIGHTS

	2012	2011 (Restated)[1]
	HK$ million	*HK$ million*
Turnover	**126,236**	110,164
Profit attributable to shareholders of the Company	**3,945**	3,013
Basic earnings per share[2]	**HK$1.64**	HK$1.25
Dividend per share		
– interim	**HK$0.15**	HK$0.15
– final	**HK$0.15**	HK$0.32
	HK$0.30	HK$0.47

	At 31 December 2012	At 31 December 2011 (Restated)[1]
	HK$ million	*HK$ million*
Equity attributable to shareholders of the Company	**40,742**	37,839
Non-controlling interests	**13,042**	12,633
Total equity	**53,784**	50,472
Consolidated net borrowings	**1,330**	-
Gearing ratio[3]	**2.5%**	Net Cash
Current ratio	**0.89**	0.96
Net assets per share (book value):	**HK$16.97**	HK$15.77

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 of the Company for the year ended 31 December 2011 have been increased by approximately HK$181 million and the equity attributable to shareholders of the Company as at 31 December 2011 has been increased by approximately HK$1,485 million.
2. Diluted earnings per share for the year ended 31 December 2012 and 2011 are HK$1.64 and HK$1.25, respectively.
3. Gearing ratio represents the ratio of consolidated net borrowings to total equity.

ANALYSIS OF TURNOVER AND PROFIT

	Turnover		Profit Attributable to Shareholders ("PAS")		PAS excluding the effect of asset revaluation and major disposal of non-core assets/investments (Note 1)	
	2012	2011	**2012**	2011 (Restated)	**2012**	2011
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Core Businesses						
- Retail	**83,506**	70,088	**2,871**	1,917	**525**	808
- Beer	**28,064**	26,689	**823**	785	**823**	785
- Food	**10,379**	10,706	**331**	278	**259**	263
- Beverage	**4,766**	3,112	**86**	126	**86**	126
	126,715	110,595	**4,111**	3,106	**1,693**	1,982
Elimination of inter-segment transactions	**(479)**	(431)	**-**	-	**-**	-
Net corporate interest and expenses	**-**	-	**(166)**	(93)	**(166)**	(93)
Total	**126,236**	110,164	**3,945**	3,013	**1,527**	1,889

Note:

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

   a. Net gain on disposal of non-core investments and net valuation surplus on investment properties with an aggregate amount of approximately HK$2,346 million (2011: HK$1,109 million) has been excluded from the results of Retail division.

   b. Net gain on disposal of non-core investments and valuation surplus on investment properties with an aggregate amount of approximately HK$72 million (2011: HK$15 million) have been excluded from the results of the Food division.

CHAIRMAN'S STATEMENT

Final Results

In 2012, the global economy faced many headwinds with the ongoing European debt crisis, the imminent U.S. fiscal cliff and the looming currency war, which affected economic growth in China. Despite the market volatility, the Group continued to evaluate the market situation and to identify opportunities with its commitment to developing its core businesses - retail, beer, food and beverage. Through organic growth and acquisitions, the Group maintained steady expansion and further strengthened its leading position in the market. Our track record of sustainable business growth has not only propelled us further towards our goal of becoming the largest consumer goods company in China, but also laid a solid foundation with which we will weather any uncertainties and grasp opportunities when the economy rebounds.

For the year ended 31 December 2012, the Group recorded consolidated turnover of approximately HK$126,236 million, representing an increase of 14.6% year-on-year. Consolidated profit attributable to the Company's shareholders amounted to HK$3,945 million, representing an increase of 30.9% year-on-year. Excluding the after-tax effect of asset revaluation and major disposals, the Group's underlying consolidated profit attributable to the Company's shareholders for the year ended 31 December 2012 would have decreased by 19.2%.

Dividends

The Board recommends a final dividend of HK$0.15 per share for 2012 (2011: HK$0.32 per share) payable on or around 14 June 2013 to shareholders whose names appear on the Register of Members of the Company on 30 May 2013. Together with the interim dividend of HK$0.15 per share, the total dividend for 2012 will amount to HK$0.30 per share (2011: HK$0.47 per share).

Closure of Register of Members

The register of members of the Company will be closed from Monday, 20 May 2013 to Friday, 24 May 2013, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on 24 May 2013, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 16 May 2013 for registration.

Subject to the approval of shareholders at the meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Thursday, 30 May 2013, and the register of members of the Company will be closed on Thursday, 30 May 2013, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 29 May 2013 for registration.

Strategy Implementation

Building on a development strategy of national expansion that emphasizes strong regional leadership and synergistic opportunities between its businesses, the Group further enhanced its competitiveness and achieved sustainable business growth during the year under review. Leveraging its extensive retail network of more than 4,400 stores in China, the retail division continued to expand its national footprint to new markets and strengthened its market dominance in existing markets. Furthermore, during the year under review, the contribution from the newly acquired Jiangxi Hongkelong Department Store Investment Company Limited demonstrates the success of the Group's acquisition strategy in accelerating growth. Apart from network expansion, the Group fostered cooperation with national mainland property developers to bring in its multi-format stores to high quality shopping malls. To further strengthen its competitive edge, the retail division will continue to relocate experienced staff to new regions, enrich its product mix and enhance the unique and sophisticated shopping experience for its customers.

With a market share of approximately 22% in China, the Group's beer sales volume reached approximately 10,639,000 kiloliters in 2012, and its flagship "雪花 Snow" brand beer continued to be the best-selling single beer brand by volume in the China market. Set against the increasingly competitive environment in China's beer industry, the beer division managed to boost beer sales and strengthen its market share by stepping up its efforts in marketing and promotions and enhancing its product mix in 2012. The Group also continued to implement its acquisition strategy to secure its leading position in the beer market. One important milestone was the agreement to acquire the beer business of Kingway Brewery Holdings Limited ("Kingway Brewery") in February 2013. The acquisition, which brings the Group well-received brand equity and a strong market share in Southern China, will further enhance its competitiveness in China's beer industry and will propel the expansion of its beer business.

As the largest supplier of Chinese foodstuffs in Hong Kong and one of the leading integrated food suppliers in China, the Group's food division actively expanded its market presence in China leveraging the reputation of its "五豐 Ng Fung" brand during the year under review. Moreover, the division strategically disposed of its marine fishing and aquatic products processing operation to focus resources on its core businesses. Looking forward, the division will actively identify opportunities to expand its revenue stream and focus on the development of high potential businesses such as the sourcing and distribution of certain food and agricultural products. Furthermore, more growth potential is expected to be explored through the synergy from the cooperation between the division's high growth potential businesses and the Group's retail business.

Thanks to its efforts in marketing and brand building and increased sales in other provinces, the Group's beverage division achieved remarkable growth in both sales volume and turnover of its "怡寶 C'estbon" purified water. During the year, the Group also expanded sales of "麒麟 Kirin" beverage products through the distribution channels of its packaged water operation. Looking ahead, the beverage division will also continue to engage in research and development on new products with the aim of tapping the robust demand for more innovative beverage products for customers. All of these endeavors will lead the Group to accomplish its goal of becoming a powerful contender in China's non-alcoholic beverage market.

In order to fuel sustainable growth, the Group is also devoted to continuing education and talent development. For example, the retail division has established a training institute to organize systematic training sessions for its staff since 2010. During the year under review, a total of more than 2,000,000 man-hours of trainings were organized by the retail division. Apart from our headquarters and business divisions organizing various training sessions and workshops, we also actively participate in training courses organized by China Resources University, our parent company's training institute. It was established to develop the management skills and leadership of senior and middle management as well as to enhance the competitiveness of the professional experts.

With the aim of enhancing its core competitiveness, management flow and cost effectiveness, the Group has established a special IT team comprising more than 30 professionals to develop its IT system projects. The Group will invest more than RMB2 billion in the coming 5-6 years to develop IT systems such as the Enterprise Resource Planning ("ERP") system and the Customer Relationship Management ("CRM") system for the fast-moving consumer goods ("FMCG") industry, as well as other systems related to the retail and FMCG industries.

Prospects

Looking forward to 2013, the global economic volatility is expected to affect consumer sentiment and the short-term operating environment in the retail industry. However, we are optimistic about the long-term development of China's retail market as the central government's new urbanization strategies promulgated in its "18th National Congress" will promote domestic consumption. With our strong financial position and healthy cash flow, we are more focused than ever to weather the uncertainties ahead and to prudently expand our business to capture the opportunities that will arise.

Moreover, we will carry on in looking for opportunities to team up with other market leaders where circumstances allow to create synergies, especially for our retail and food divisions. We have a good track record of partnering with SABMiller plc, one of the world's largest beer companies, to develop the beer market in China. In 2011, we formed a joint venture with Japan's leading beverage company - Kirin Holdings Company, Limited ("Kirin Holdings") - to ride on our beverage division's extensive distribution capabilities in China and the excellent product development capabilities of Kirin Holdings. 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.

In the future, our mission remains the same – to become the largest consumer goods company in China. We will adhere to our commitment to market share development for each of our consumer goods businesses while leveraging our economies of scale to enhance operational efficiency and generate higher value over the longer term. We will continue to observe the economic environment as we pursue sustainable growth with disciplined management of costs and risks, and will keep a firm grip on liquidity and financial efficiency. We will also strive to maintain high standard of corporate governance, aiming to win numerous related awards and accreditations continuously.

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 staff for their professionalism and dedication. We endeavor to bring quality lifestyle to our customers through our wholehearted commitment and hard work.

Chen Lang
Chairman

Hong Kong, 21 March 2013

2012 RESULTS

The Directors of China Resources Enterprise, Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2012

	Notes	**2012**	2011 (Restated)
		HK$ million	*HK$ million*
Turnover	*3*	**126,236**	110,164
Cost of sales		**(95,835)**	(82,807)
Gross profit		**30,401**	27,357
Other income	*4*	**4,459**	2,807
Selling and distribution expenses		**(21,891)**	(19,334)
General and administrative expenses		**(6,003)**	(5,190)
Finance costs	*5*	**(361)**	(224)
Share of net results of associates		**48**	10
Profit before taxation		**6,653**	5,426
Taxation	*6*	**(1,631)**	(1,375)
Profit for the year	*7*	**5,022**	4,051
Attributable to:			
Shareholders of the Company		**3,945**	3,013
Non-controlling interests		**1,077**	1,038
		5,022	4,051
Earnings per share	*9*		
Basic		**HK$1.64**	HK$1.25
Diluted		**HK$1.64**	HK$1.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011 (Restated)
	HK$ million	*HK$ million*
Profit for the year	**5,022**	4,051
Other comprehensive income/(expenses):		
Exchange differences on translating foreign operations	**3**	1,537
Fair value adjustment on available for sale investments	**7**	-
Fair value adjustment on derivative financial instruments	**8**	27
Surplus on revaluation of properties	**132**	7
Reclassification adjustments:		
– release of exchange differences upon disposal of subsidiaries/associates	**(6)**	-
Income tax relating to surplus on revaluation of properties	**(64)**	-
Other comprehensive income for the year, net of tax	**80**	1,571
Total comprehensive income for the year	**5,102**	5,622
Attributable to:		
Shareholders of the Company	**4,022**	4,068
Non-controlling interests	**1,080**	1,554
	5,102	5,622

CONSOLIDATED BALANCE SHEET

At 31 December 2012

	Notes	2012 HK$ million	2011 (Restated) HK$ million	2010 (Restated) HK$ million
Non-current assets				
Fixed assets				
- Investment properties		**12,735**	11,180	9,904
- Interests in leasehold land held for own use under operating leases		**6,266**	5,901	4,984
- Other property, plant and equipment		**37,970**	33,159	26,555
Goodwill		**14,948**	10,755	9,654
Other intangible assets		**295**	310	219
Interests in associates		**389**	432	376
Available for sale investments		**128**	31	23
Prepayments		**2,258**	305	311
Deferred taxation assets		**992**	762	556
		75,981	62,835	52,582
Current assets				
Stocks		**21,242**	20,715	15,626
Trade and other receivables	*10*	**13,744**	11,534	6,843
Taxation recoverable		**125**	51	46
Pledged bank deposits		**391**	258	234
Cash and bank balances		**16,005**	18,256	14,071
		51,507	50,814	36,820
Current liabilities				
Trade and other payables	*11*	**(53,104)**	(45,487)	(32,476)
Derivative financial instruments		**-**	(8)	(22)
Short term loans		**(4,374)**	(7,092)	(4,151)
Taxation payable		**(706)**	(610)	(849)
		(58,184)	(53,197)	(37,498)
Net current liabilities		**(6,677)**	(2,383)	(678)
Total assets less current liabilities		**69,304**	60,452	51,904
Non-current liabilities				
Long term loans		**(13,352)**	(8,442)	(8,158)
Deferred taxation liabilities		**(1,499)**	(1,006)	(787)
Derivative financial instruments		**-**	-	(14)
Other non-current liabilities		**(669)**	(532)	(347)
		(15,520)	(9,980)	(9,306)
		53,784	50,472	42,598
Capital and reserves				
Share capital		**2,401**	2,399	2,398
Reserves		**38,341**	35,440	29,725
Equity attributable to shareholders of the Company		**40,742**	37,839	32,123
Non-controlling interests		**13,042**	12,633	10,475
Total equity		**53,784**	50,472	42,598

Notes:

1. Basis of preparation

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

The financial statements for the year ended 31 December 2012 have been prepared in accordance with accounting principles generally accepted in Hong Kong.

2. Principal Accounting Policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011 except for the adoption of the new and revised standards, amendments and interpretations mentioned below.

Adoption of new and revised standards, amendments and interpretations

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised standards, amendments and interpretations on Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") that are effective or available for early adoption for the financial year beginning 1 January 2012. In the current year, the Group has adopted the following new and revised standards, amendments and interpretations.

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets

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.

The effects on the consolidated financial statements are as follows:

	As previously reported HK$ million	Effect of adoption of amendments to HKAS 12 HK$ million	As restated HK$ million
Consolidated Profit and Loss account for the year ended 31 December 2011			
Taxation	(1,556)	181	(1,375)
Profit for the period	3,870	181	4,051
Profit attributable to shareholders of the company	2,832	181	3,013
Earnings per share – Basic	HK$1.18	HK$0.07	HK$1.25
Earnings per share – Diluted	HK$1.18	HK$0.07	HK$1.25
Consolidated Balance Sheet as at 31 December 2011			
Deferred taxation liabilities	(2,496)	1,490	(1,006)
Non-controlling interests	12,628	5	12,633
Retained profits	17,195	1,485	18,680
Consolidated Balance Sheet as at 31 December 2010			
Deferred taxation liabilities	(2,096)	1,309	(787)
Non-controlling interests	10,470	5	10,475
Retained profits	12,726	1,304	14,030

2. Principal Accounting Policies – continued

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.

Accounting standards, amendments and interpretations that are not yet effective

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

HKAS 1 (Amendments)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKFRSs (Amendments)	Annual Improvements 2009 – 2011 Cycle
HKFRS 1 (Amendments)	Government loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interest in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

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

3. Segment information

Operating segments

	Retail *HK$ million*	Beer *HK$ million*	Food *HK$ million*	Beverage *HK$ million*	Investments and Others *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
For the year ended 31 December 2012							
TURNOVER							
External sales	83,415	27,973	10,106	4,742	-	-	126,236
Inter-segment sales*	91	91	273	24	-	(479)	-
Total	83,506	28,064	10,379	4,766	-	(479)	126,236
Segment result**	3,695	2,362	508	181	-		6,746
Unallocated corporate expenses							(118)
Interest income							386
Finance costs							(361)
Profit before taxation							6,653
Taxation							(1,631)
Profit for the year							5,022
As at 31 December 2012							
ASSETS							
Segment assets	68,751	41,878	7,583	2,280	-		120,492
Deferred taxation assets							992
Taxation recoverable							125
Unallocated corporate assets							5,879
Consolidated total assets							127,488
LIABILITIES							
Segment liabilities	36,434	21,285	1,092	1,028	-		59,839
Taxation payable							706
Deferred taxation liabilities							1,499
Unallocated corporate liabilities							11,660
Consolidated total liabilities							73,704
OTHER INFORMATION							
Capital expenditure	9,686	3,859	495	70	1		14,111
Depreciation and amortisation	1,533	1,462	214	82	1		3,292
Impairment loss recognised	7	220	5	-	-		232
Valuation gain on investment properties	2,166	-	1	-	-		2,167

3. Segment information – continued

Operating segments (continued)

	Retail *HK$ million*	Beer *HK$ million*	Food *HK$ million*	Beverage *HK$ million*	Investments and Others *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
For the year ended 31 December 2011 (Restated)							
TURNOVER							
External sales	69,992	26,609	10,500	3,063	-	-	110,164
Inter-segment sales*	96	80	206	49	-	(431)	-
Total	70,088	26,689	10,706	3,112	-	(431)	110,164
Segment result**	2,649	2,173	449	192	(1)		5,462
Unallocated corporate expenses							(113)
Interest income							301
Finance costs							(224)
Profit before taxation							5,426
Taxation							(1,375)
Profit for the year							4,051
As at 31 December 2011 (Restated)							
ASSETS							
Segment assets	56,168	40,466	8,367	1,917	-		106,918
Deferred taxation assets							762
Taxation recoverable							51
Unallocated corporate assets							5,918
Consolidated total assets							113,649
LIABILITIES							
Segment liabilities	29,839	21,999	1,487	829	1		54,155
Taxation payable							610
Deferred taxation liabilities							1,006
Unallocated corporate liabilities							7,406
Consolidated total liabilities							63,177
OTHER INFORMATION							
Capital expenditure	4,034	5,083	744	379	6		10,246
Depreciation and amortisation	1,304	1,325	213	51	1		2,894
Impairment loss recognised	-	357	15	4	-		376
Valuation gain on investment properties	1,121	-	16	-	-		1,137

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

3. Segment information – continued

Geographical segments

	2012		2011	
	Turnover	**Non-current assets (Note)**	Turnover	Non-current assets (Note)
	HK$ million	***HK$ million***	*HK$ million*	*HK$ million*
Hong Kong	**8,740**	**13,756**	8,817	12,840
Chinese Mainland	**116,331**	**61,103**	100,000	48,734
Other Countries	**1,165**	**2**	1,347	468
	126,236	**74,861**	110,164	62,042

Note: Non-current assets excluded available for sale investments and deferred tax assets.

4. Other income

	2012	2011
	HK$ million	*HK$ million*
Other income includes the following:		
Dividends from unlisted available for sale investments	**1**	1
Interest income	**386**	301
Valuation gain on investment properties	**2,167**	1,137
Profit on deemed disposal of an associate	**-**	30
Profit on disposal of subsidiaries/business	**192**	-
Profit on disposal of associates	**65**	7
Profit on disposal of available for sale investments	**2**	-
Profit on disposal of fixed assets	**307**	28
Government grants recognised	**319**	97

5. Finance costs

	2012	2011
	HK$ million	*HK$ million*
Interest on bank loans and other loans wholly repayable within five years	**323**	163
Financing charges	**67**	63
	390	226
Less: Amount capitalized in cost of qualifying assets	**(29)**	(2)
	361	224

6. Taxation

	2012	2011 (Restated)
	HK$ million	*HK$ million*
Current taxation		
Hong Kong	**155**	124
Chinese Mainland	**1,524**	1,287
Overseas	**3**	12
	1,682	1,423
Deferred taxation		
Hong Kong	**(9)**	4
Chinese Mainland	**(42)**	(52)
	1,631	1,375

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year.

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

7. Profit for the year

	2012	2011
	HK$ million	*HK$ million*
Profit for the year has been arrived at after charging:		
Depreciation		
- Owned assets	**3,274**	2,877
Amortisation of other intangible assets (included in general and administrative expenses)	**18**	17

8. Dividends

	2012	2011
	HK$ million	*HK$ million*
2012 interim dividend paid of HK$0.15 (2011: HK$0.15) per ordinary share	**360**	**360**
2012 proposed final dividend of HK$0.15 (2011: HK$0.32) per ordinary share	**360**	**768**
	720	**1,128**

At the meeting held on 21 March 2013, the directors proposed final dividend of HK$0.15 (2011: HK$0.32) per ordinary share. This proposed dividend, which is calculated on the Company's number of ordinary shares as at the date of the board meeting, is not recognised as a liability in these financial statements. The total dividends paid by the Company, including the final dividend for the year 2011 and the interim dividend for the year 2012, amounting to HK$1,128 million (2011: HK$1,271 million) are reflected in the current year financial statements.

9. Earnings per share

	2012	2011 (Restated)
	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	**3,945**	3,013

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,400,353,822**	2,398,928,915
Effect of dilutive potential ordinary shares:		
- Share options	**3,425,292**	4,928,267
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,403,779,114**	2,403,857,182

10. Trade and other receivables

	2012	2011
	HK$ million	*HK$ million*
Trade receivables	**1,466**	1,553
Provision for doubtful debts	**(39)**	(68)
	1,427	1,485
Value-added tax recoverable	**4,159**	3,347
Prepayments	**1,750**	2,627
Deposits paid	**1,260**	2,455
Other receivables	**1,895**	1,589
Amounts due from a holding company	**740**	-
Amounts due from fellow subsidiaries	**2,485**	3
Amounts due from associates	**28**	28
	13,744	11,534

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

a) cash upon delivery; and
b) open credit from 30 to 90 days

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

	2012	2011
	HK$ million	*HK$ million*
0 – 30 days	**776**	883
31 – 60 days	**231**	235
61 – 90 days	**80**	85
> 90 days	**340**	282
	1,427	1,485

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

11. Trade and other payables

	2012	2011
	HK$ million	*HK$ million*
Trade payables	**20,288**	18,546
Receipt in advance	**14,552**	11,084
Accruals	**7,080**	5,913
Deposit received	**5,850**	4,712
Other payables	**5,252**	5,136
Amount due to a holding company	**-**	-
Amounts due to fellow subsidiaries	**76**	90
Amounts due to associates	**6**	6
	53,104	45,487

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

	2012	2011
	HK$ million	*HK$ million*
0 – 30 days	**13,649**	10,739
31 – 60 days	**3,293**	2,333
61 – 90 days	**1,339**	3,688
> 90 days	**2,007**	1,786
	20,288	18,546

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

12. Other Information

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2012 have been reviewed by the Audit Committee of the Company and audited by the Company’s auditor, PricewaterhouseCoopers. An unqualified auditors’ report will be included in the Annual Report to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Retail

The Group's retail division recorded turnover of HK$83,506 million and attributable profit of HK$2,871 million in 2012, representing increases of 19.1% and 49.8% respectively as compared to that of 2011. Excluding the after-tax revaluation surplus and the disposal of the non-core assets, the division's attributable profit in 2012 would have decreased by 35.0% when compared to 2011.

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 2012, the Group operated more than 4,400 stores in China, of which approximately 81% were self-operated while the rest were franchised.

During the year under review, sluggish recovery of global economy and persistent Euro debt crisis have affected China's export trade and slowed down the economic growth in China. The home purchase restrictions imposed by the central government and the lackluster performance of China's stock markets have resulted in contraction of wealth effect and slower overall retail sales growth. Benefiting from the rising prices of consumer goods, same store sales of the Group's retail division grew by 4.1% year-on-year. The sales growth was mainly attributable to new store openings and the contribution of the newly acquired Jiangxi Hongkelong Department Store Investment Company Limited.

The increases in minimum wage levels across various regions leading to higher labor costs, accompanied by the incubation period required for the newly-opened stores, have exerted pressure on the division's profitability. Accordingly, the division carried out various initiatives to control operating costs, such as enhancing bargaining power over leases and sharing sales and marketing resources 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. In addition, the division has partnered with a national supplier to organize a summer camp for interns which allowed participants to share their knowledge in retail business and experience in operation. This has created a new co-operative model between retailers and suppliers that is set to enhance the quality of human resources in China's retail industry.

To further enhance its market share, the division continued to establish coverage in new regions and to review its product mix and operational strategy. During the year under review, the Group's supermarket business expanded into new markets such as Sichuan, Fujian and Hainan and opened a number of convenience stores at metro stations in Hangzhou, Zhejiang Province to broaden the customer base. By fostering strategic cooperation with national property developers, the division also managed to establish presence in multiple formats at various high-quality commercial properties.

China's "18th National Congress" put significant emphasis on promoting urbanization while the Central Economic Work Conference also separately identified urbanization as one of its main goals for the first time. The launch of new urbanization strategies will stimulate domestic consumption and give impetus for future economic growth in China, and will thereby facilitate the long term development of China's retail industry.

Looking ahead, hypermarkets will remain the main retail format of the Group's retail division. The division will continue to develop in regions in which the Group has dominant market share and to increase its market share by rapidly expanding its multi-format business platform. The Group will also replicate its successful multi-format business model to other regions in China by establishing more retail stores in core cities and accelerating 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 protection and energy saving model shops. Moreover, the division will accelerate the renovation and brand transition of the newly-acquired stores with the aim of providing a better shopping experience to customers and improving store image.

Beer

The Group's beer division reported turnover and attributable profit of HK$28,064 million and HK$823 million, respectively in 2012, representing year-on-year increases of 5.2% and 4.8%.

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 its existing breweries, while also implementing effective promotions and strengthening the establishment and management of its distribution channels with the aim of boosting beer sales. However, frequent occurrences of severe weather conditions during the year, including nationwide torrential rain and continuous low temperatures, have affected overall growth in volume in the beer market. As some of the division's leading markets are located in regions affected by severe weather conditions, the overall sales volume growth and average selling prices of the beer division were affected during the year under review. The Group's total beer sales volume in 2012 increased by 4% year-on-year to approximately 10,639,000 kiloliters, of which sales volume of the Group's national "雪花 Snow" brand increased by 5% year-on-year to approximately 9,667,000 kiloliters, accounting for more than 90% of the Group's total beer sales volume.

During the year under review, the division's overall operating costs, including primary and secondary raw material costs, generally increased. By leveraging its economies of scale and centralized procurement, the Group's beer division further enhanced its production and energy efficiency so as to relieve cost pressures. Furthermore, the division has stepped up its marketing and promotional efforts in response to the intensifying market competition, which in turn hindered growth in operating profit. As such, the division continued to enhance its product mix in order to enhance overall profitability.

The division's newly-built and acquired breweries in Henan, Shanxi and Zhejiang commenced operation during the year under review. As at the end of 2012, the Group operated more than 80 breweries in China with an aggregate annual production capacity of approximately 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, strengthen its centralized procurement system and enhance its production efficiency. 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 expand its market share and to consolidate its leading market position.

Food

The Group's food division reported turnover of HK$10,379 million and attributable profit of HK$331 million in 2012, representing a decrease of 3.1% and an increase of 19.1% year-on-year, respectively. Excluding the after-tax revaluation surplus and the deemed gain on the disposal of non-core investments, the division's attributable profit would have decreased by 1.5% year-on-year in 2012.

With respect to the division's meat operation in China, the fall in domestic pork prices has stimulated pork consumption. Benefitting from the decreasing procurement costs of live pigs, the vigorous expansion of the division's carved meat business and the increase of its specialized meat retail stores in various cities, the operation recorded satisfactory growth in gross profit.

The division's assorted foodstuff operation in China was affected by sluggish domestic consumption and unfavorable weather conditions. However, the operation maintained its operational advantages by modifying its product mix and expanding into new markets. In addition, leveraging the sales network and brand reputation of a newly-acquired rice distribution business in Shenzhen, the division consolidated its operational team and focused on the expansion of the downstream business of rice distribution. The operation is committed to enhancing the reputation of "五豐 Ng Fung" branded rice products of good quality and expanding the sales platform nationwide.

With respect to the division's operation in Hong Kong, the frozen food distribution operation was affected by excess market supply and low selling prices, which resulted in lower turnover for the operation. By consolidating its sales channels and reinforcing the communications with customers, the operation proactively responded to the frozen product market, which remained sluggish, and gradually stabilizing the profitability. The profitability of the livestock raising business was affected by plummeting live pig prices as compared to last year and rising feed prices. The division has adopted measures that include strengthening management of the livestock raising business and enhancing feed production technology to alleviate the impacts of the fall in prices and the increasing costs.

The profitability of the marine fishing and aquatic product processing operation was affected by rising diesel prices and labor costs. In line with the division's development strategy of focusing resources on core businesses, the marine fishing and aquatic products processing operation was disposed during the year.

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 activities, the Group will further enhance the scale of the division's business in China and its profitability.

Beverage

The Group's beverage division reported turnover of HK$4,766 million and attributable profit of HK$86 million in 2012, representing an increase of 53.1% and a decrease of 31.7% year-on-year, respectively. The decrease in attributable profit was mainly the result of the accelerated marketing promotions for "麒麟 Kirin" beverage products as well as diluted earnings contribution from the formation of a joint venture with Kirin Holdings Company, Limited in mid-August 2011.

Thanks to the remarkable growth in sales volume of "怡寶 C'estbon" purified water, as well as the active promotion of beverage products, total sales volume of the division in 2012 increased by 33% year-on-year to approximately 3,507,000 kiloliters. The purified water operation reported a marked increase in both sales volume and turnover in Guangdong, Hunan, Sichuan, Jiangsu, Guangxi and Fujian, and has further consolidated its market leading position in Southern China. The sales of "麒麟 Kirin" products has penetrated smoothly through the distribution channels of the packaged water operation in areas such as Guangdong, Hunan and Sichuan, and the profitability has been enhanced by expanding its sales network and distribution channel to boost its market coverage. During the year under review, the drop in the prices of primary and secondary raw materials, including packaging materials and sugar, has alleviated the pressure from rising operating costs. The division has stepped up its marketing and promotional efforts while optimizing its beverage product mix to sharpen its market competitive edge and enhance brand awareness and recognition.

Looking ahead, China's beverage market shows considerable growth potential in view of opportunities for innovative products as consumers become increasingly health conscious. The Group's beverage division will continue to engage in research and development of new products so as to optimize its product mix, and will implement strategic marketing plans to enhance its brand image and market share.

FINANCIAL REVIEW

Capital and Funding

As at 31 December 2012, the Group's consolidated cash and bank balance amounted to HK$16,396 million. The Group's borrowings as at 31 December 2012 were HK$17,726 million with HK$4,374 million repayable within one year, HK$13,349 million repayable after one year but within five years and HK$3 million repayable after five years.

On the basis of the Group's net borrowings relative to the shareholders' funds and minority 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 31 December 2012, 7.2% of the Group's cash deposit balance was held in Hong Kong dollars, 81.5% in Renminbi and 11.3% in US dollars; whereas 70.8% of the Group's borrowings was denominated in Hong Kong dollars and 0.2% in Renminbi and 29.0% 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 31 December 2012, assets with a carrying value of HK$391 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 December 2012.

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 and 18 November 2010, incorporates almost all of the Code Provisions and some of the Recommended Best Practices for the time being set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules. Pursuant to the amendments to Appendix 14 of the Listing Rules that came into effect on 1 April 2012, the Corporate Governance Manual was further revised on 21 March 2012 to incorporate almost all of the Code Provisions set out in the Corporate Governance Code ("New 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 from 1 January 2012 to 31 March 2012 and the New Code during the period from 1 April 2012 to 31 December 2012, save and except the following:

In respect of Code Provision A.4.1 of the CG Code and the New 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.

Further, in respect of Code Provision A.6.7 of the New Code, Mr. Du Wenmin, Mr. Yan Biao, Mr. Shi Shanbo and Dr. Zhang Haipeng, the Non-Executive Directors, and Dr. Li Ka Cheung, Eric and Dr. Cheng Mo Chi, the Independent Non-Executive Directors, were unable to attend the annual general meeting of the Company held on 25 May 2012 due to other business engagement or travel overseas.

In respect of Code Provision C.1.2 of the New 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 New 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.

In respect of Code Provision E.1.2 of the CG Code and the New Code, Mr. Qiao Shibo was not in Hong Kong due to business appointments overseas and therefore could not attend the annual general meeting of the Company held on 25 May 2012.

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 during the year ended 31 December 2012.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

EMPLOYEES

As at 31 December 2012, 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.

By order of the Board
CHEN LANG
Chairman

Hong Kong, 21 March 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.