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

(Incorporated in Hong Kong with limited liability)
(Stock Code: 291)

FINANCIAL AND OPERATIONAL REVIEW THIRD QUARTER 2013

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 2013 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 2013.

FINANCIAL HIGHLIGHTS

	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
Turnover	**40,583**	34,209	**112,440**	98,168
Profit attributable to shareholders of the Company	**920**	1,138	**1,938**	3,373
Basic earnings per share[1]			**HK$0.81**	HK$1.40

	At 30 September	At 31 December
	2013	2012
	(Unaudited)	(Audited)
	HK$ million	*HK$ million*
Equity attributable to shareholders of the Company	**42,168**	40,742
Non-controlling interests	**14,222**	13,042
Total equity	**56,390**	53,784
Consolidated net borrowings	**-**	1,330
Gearing ratio[2]	**Net Cash**	2.5%
Net assets per share (book value):	**HK$17.55**	HK$16.97

Notes:

1. Diluted earnings per share for the nine months ended 30 September 2013 and 2012 are HK$0.81 and HK$1.40 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		
	2013	2012	Increased/	**2013**	2012	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
Retail	**23,920**	20,942	**14.2%**	**71,827**	63,067	**13.9%**
Beer	**11,332**	9,153	**23.8%**	**27,410**	23,786	**15.2%**
Food	**3,171**	2,636	**20.3%**	**8,175**	7,750	**5.5%**
Beverage	**2,494**	1,619	**54.0%**	**5,869**	3,908	**50.2%**
	40,917	34,350	**19.1%**	**113,281**	98,511	**15.0%**
Elimination of inter-segment transactions	**(334)**	(141)	**136.9%**	**(841)**	(343)	**145.2%**
Total	**40,583**	34,209	**18.6%**	**112,440**	98,168	**14.5%**

Profit attributable to shareholders ("PAS") by segment	Three months ended 30 September			Nine months ended 30 September		
	2013	2012	Increased/	**2013**	2012	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
Retail	**84**	488	**(82.8%)**	**721**	2,242	**(67.8%)**
Beer	**749**	503	**48.9%**	**1,107**	878	**26.1%**
Food	**30**	127	**(76.4%)**	**101**	271	**(62.7%)**
Beverage	**90**	58	**55.2%**	**129**	88	**46.6%**
	953	1,176	**(19.0%)**	**2,058**	3,479	**(40.8%)**
Net corporate interest and expenses	**(33)**	(38)	**(13.2%)**	**(120)**	(106)	**13.2%**
Total	**920**	1,138	**(19.2%)**	**1,938**	3,373	**(42.5%)**

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**		
	2013 (Unaudited) ***HK$ million***	2012 (Unaudited) *HK$ million*	Increased/ (Decreased) %	**2013 (Unaudited)** ***HK$ million***	2012 (Unaudited) *HK$ million*	Increased/ (Decreased) %
Retail[a]	**75**	77	**(2.6%)**	**699**	727	**(3.9%)**
Beer	**749**	503	**48.9%**	**1,107**	878	**26.1%**
Food[b]	**30**	68	**(55.9%)**	**101**	212	**(52.4%)**
Beverage	**90**	58	**55.2%**	**129**	88	**46.6%**
	944	706	**33.7%**	**2,036**	1,905	**6.9%**
Net corporate interest and expenses	**(33)**	(38)	**(13.2%)**	**(120)**	(106)	**13.2%**
Total	**911**	668	**36.4%**	**1,916**	1,799	**6.5%**

Notes:

For the nine months ended 30 September 2013,

a. Net gain on disposal of non-core investments and net valuation surplus on investment properties with an aggregate amount of approximately HK$22 million (2012: HK$1,515 million) have 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$59 million have been excluded from the 2012 results of the Food division.

PRINCIPAL ACCOUNTING POLICIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's unaudited consolidated turnover for the third quarter and the first nine months of 2013 amounted to approximately HK$40,583 million and HK$112,440 million, respectively, representing increases of 18.6% and 14.5% over the same period last year. The unaudited consolidated profit attributable to the Company's shareholders for the third quarter and the first nine months of 2013 amounted to approximately HK$920 million and HK$1,938 million, respectively, representing decreases of 19.2% and 42.5% 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 third quarter and the first nine months of 2013 increased by 36.4% and 6.5%, respectively.

This year, impacted by factors such as weaker demand, overcapacity and regulatory control policies, China's economic growth remained sluggish. However, acceleration of urbanization, recovering growth in consumption and exports, together with a lower base level laid the foundations for retaining stability and even a modest recovery of the economy. The Group believes that favourable policies will clear the way for more optimistic future development of the consumer goods industry as the country has been accelerating its transformation and upgrading, and has been striving to safeguard and improve people's livelihoods. The Group will continue to capture the opportunities from the rebound in China's economy in the future so as to further expand its business. Looking ahead, we will continue to push forward our expansion plans, and to enhance profitability through organic growth, as well as to steadily move towards our goal of becoming the largest consumer goods company in China.

Retail

The Group's retail division achieved turnover of HK$23,920 million in the third quarter of 2013, representing an increase of 14.2% over the same period last year. Turnover for the first nine months amounted to HK$71,827 million, an increase of 13.9% year-on-year. Attributable profit for the third quarter decreased by 82.8% to HK$84 million, and that for the nine-month period decreased by 67.8% year-on-year to HK$721 million. Excluding the after-tax revaluation surplus and the disposal of the non-core assets, the division's attributable profit for the third quarter and the first nine months of 2013 decreased by 2.6% and 3.9%, respectively.

The Group's retail division mainly comprises 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 2013, the Group operated over 4,500 stores in China, of which approximately 83% were self-operated, while the rest were franchised.

During the period under review, with the support of the "steady-growth" policy, China's domestic economy showed positive momentum as total retail sales of consumer goods continued to see a better growth rate, while consumers in tier-one cities were more willing to spend. For the first nine months of this year, the division's same-store-sales growth was 5.9% year-on-year. The sales growth was mainly attributable to the expansion efforts into new regions and the opening of new stores. Nevertheless, 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. As such, the division implemented 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.

At the same time, to further increase its market share and to reinforce the influence of Group's retail business across the country, the division continued to open new stores to build more coverage in new regions with adjustments in the timing and locations of new shop openings when necessary, and reviewed its product mix and operational strategy. During the quarter under review, those stores under Jiangxi Hongkelong Department Store Investment Company Limited which integrated into the Group last year were rebranded as "華潤萬家 CR Vanguard" stores. "Ole' " also debuted its new-generation concept store in Eastern China at Jing An Kerry Centre, Shanghai. Furthermore, the division collaborated with a national supplier to organize workshops for lean management, which underscored our customer-oriented corporate value.

Furthermore, in October 2013, the Group and Tesco PLC ("Tesco") signed an agreement to form a Joint Venture to consolidate the retail business in China. The agreement is subject to the approval from regulatory and the Company's shareholders. Pursuant to the agreement, Tesco will inject the 134 stores and 19 shopping malls it currently operates in mainland China into the Joint Venture. Tesco will inject these assets and allocate an aggregate cash sum of HK$4,325 million to subscribe for the new shares of the Joint Venture so that the Group and Tesco will hold interests in the Joint Venture amounting to 80% and 20%, respectively. The Joint Venture will be the exclusive platform for the Group and Tesco to engage in the business of multi-category retailing through hypermarkets, supermarkets, convenience stores, cash and carry business and liquor stores (as well as the online/internet equivalent of any of the foregoing businesses) in Greater China. The Joint Venture aims to become the leading multi-format retailer in Greater China, and targets faster growth and enhanced profitability. It is also a compelling combination of local expertise and international best practices. The Joint Venture is set to improve retail services for consumers in China while securing significant cost and operational synergies from the combination of the two operations.

Looking ahead, the retail division is dedicated to adopting hypermarkets as its main retail format and expanding its multi-format store network in regions where the Group has already established a presence. By enhancing resource allocation as well as operational balance and efficiency, the division aims to become the market leader in the retail industry. The Group will accelerate the pace of the expansion of its established business format, thus consolidating its leading position in major regional markets in China. The division will also step up its expansion into third to fourth-tier cities, as well as into counties, towns and villages, and will also establish direct trading bases between farmers and supermarkets, food safety model shops and environmental protection and energy saving model shops. Moreover, the division will speed up the renovation and brand transition of the newly-acquired stores in order to provide a better shopping experience to customers and to improve store image. At the same time, the division will carry out various initiatives in a comprehensive manner, in regard of lean management so as to enhance organic growth; we will also step forward to optimize the supply chain with the aim of drafting a clear direction for supply chain development.

Beer

The Group's beer division reported turnover of HK$11,332 million for the third quarter of 2013, representing an increase of 23.8% over the corresponding period last year. Turnover for the first nine months of the year increased by 15.2% year-on-year to HK$27,410 million. Attributable profit for the third quarter amounted to HK$749 million, representing an increase of 48.9% over the corresponding period last year and an increase of 26.1% year-on-year to HK$1,107 million for the first nine months of the year.

The Group's beer sales volume increased over 8% year-on-year to approximately 9,831,000 kiloliters for the first nine months of 2013. Of this, the sales volume of the Group's national "雪花 Snow" brand increased by 9% to approximately 8,984,000 kiloliters, accounting for more than 90% of the Group's total beer sales volume. The growth momentum in sales volume for the first nine months this year was mainly driven by 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 third quarter, higher-than-usual temperatures nationwide accelerated the growth of overall capacity in the beer market, which, coupled with rapid growth of sales in premium beer, in turn boosted the division's sales volume.

During the period under review, in response to the intensifying market competition, the division ramped up investment in some of its promotional and marketing activities in a moderate manner. As such, the significant growth in sales boosted 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 the hopes of lifting the average selling price of its products and consolidating overall profitability.

The division's newly-built breweries in Guangxi, Anhui, Hubei and Zhejiang commenced operation in the first nine months of 2013. As at the end of September 2013, the Group operated more than 90 breweries in China with an aggregate annual production capacity of approximately 20,000,000 kiloliters.

In addition, in September 2013, the Group's beer division completed the acquisition of Kingway Brewery Holdings Limited ("Kingway Brewery")'s seven breweries in relation to its beer production, distribution and sales businesses. With the strong 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 market position in Guangdong, but will also further optimize the Group's sales network in China, enhancing 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$3,171 million for the third quarter of 2013, representing an increase of 20.3% year-on-year. Turnover for the first nine months of the year increased by 5.5% year-on-year to HK$8,175 million. Attributable profit for the third quarter decreased by 76.4% year-on-year to HK$30 million, and decreased by 62.7% year-on-year to HK$101 million for the first nine months of the year. Excluding the after-tax revaluation surplus and the deemed gain on the disposal of non-core investments in the same period of last year, the division's attributable profit would have decreased by 55.9% for the third quarter and 52.4% for the first nine months in 2013. The division is undertaking business transition while the new businesses have yet to reach economies of scale, thus affecting the overall performance of the division.

In respect of the division's operation in Hong Kong, the selling prices of live pigs remained at a low level as compared to the corresponding period last year, which in turn put pressure on the profitability of the livestock distribution operation. By reinforcing communication with suppliers, the division improved the quality of products procured and partially alleviated the impact brought by the decline in selling prices. Affected by cyclical effects arising from the production cycle, the selling prices of live pigs declined. Coupled with higher raw material prices, this affected the profitability of the division's livestock raising business. To cope with the sluggish live pig market, the division will step up the construction of its Hong Kong breeding base in southern China, and will enhance the quality and sources of live pig procurement in order to strengthen the management of the business.

As for the division's meat operation in China, domestic live pig prices saw a slight rebound in the third quarter, though remained low throughout the year, while pork consumption remained steady. Through the vigorous expansion of the division's carved meat business and by increasing the number of specialized meat retail stores in various cities, the division achieved growth in both turnover and gross profit margin.

The division's assorted foodstuffs operation in China strengthened awareness of "五豐黎紅" brand through various initiatives, including promotional activities and inviting distributors for company visits, which in turn led to a significant improvement in profitability. In addition, upon the acquisition of a rice distribution business in Shenzhen, the rice distribution business completed the acquisitions of other distribution business in Shanghai, Shanxi and Hubei during the period under review. It also completed the acquisition of a rice processing operation with an aggregated annual production capacity of 100,000 tonnes in Wuchang, a quality rice production district in Heilongjiang. 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 acquired 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 to push the vigorous nationwide expansion of its quality agricultural bases, and will spare 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$2,494 million in the third quarter of 2013, representing an increase of 54.0% over the corresponding period last year. Turnover for the first nine months of the year increased by 50.2% year-on-year to HK$5,869 million. Attributable profit increased by 55.2% year-on-year to HK$90 million for the third quarter of 2013, and 46.6% year-on-year to HK$129 million for the first nine months of the 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 38% year-on-year to approximately 3,955,000 kiloliters in the first nine months 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 advertised on television and sponsored "World Water Day" in order to support the national expansion of the "怡寶 C'estbon" brand, which contributed to sustained 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 focused on certain key cities to increase the synergistic investments in the sales channel with that of the packaged water. It also engaged in a moderate degree of brand localization in order to broaden its customer base. This enhanced product recognition and awareness which sharpened the competitive edge of the division in the market.

Looking ahead, China's beverage industry will maintain its relatively strong growth momentum, in particular, the growth of packaged water segment would be more appealing. With the increasing awareness of beverage products safety, customers will have higher expectations of the division's development. The division will continue to reinforce its efforts in product control, research and development and in promotional activities, and will also optimize its marketing strategy in order to enhance its brand image and market share.

FINANCIAL REVIEW

Pledge of Assets

As at 30 September 2013, assets with a carrying value of HK$485 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 September 2013.

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 2013 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, 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. Wei Bin, Mr. Yan Biao, 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.