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If you have sold or transferred all your shares in China Resources Enterprise, Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

DISPOSAL OF THE ENTIRE INTEREST IN CHINA RESOURCES PETROCHEMS HOLDINGS LIMITED AND POSSIBLE SPECIAL DIVIDEND

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders of
China Resources Enterprise, Limited**



PLATINUM
Securities

A letter from the Independent Board Committee containing its recommendations in respect of the Disposal is set out on pages 11 to 12 of this circular.

A letter from Platinum Securities Company Limited, the independent financial advisor to the Independent Board Committee, containing its recommendations in respect of the Disposal to the Independent Board Committee and the Independent Shareholders, is set out on pages 13 to 31 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 10:00 a.m. on Monday, 27th November, 2006 at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, is set out on pages 48 to 49 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed. Whether or not you are able to attend and vote at the extraordinary general meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's registrars, Standard Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

9th November, 2006

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

“Agreement”	the sale and purchase agreement dated 18th October, 2006 relating to the Disposal
“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Capitalisation of Shareholders’ Loans”	In anticipation of the Disposal, shareholders’ loans made by the Company to CRPH of HK\$250 million and HK\$450 million were capitalized by the Company on 27th July, 2006 and 30th September, 2006, respectively
“Circular”	this circular of the Company dated 9th November, 2006
“Company”	China Resources Enterprise, Limited (Stock Code: 291), a company incorporated in Hong Kong and listed on the Stock Exchange
“Completion”	Completion of the Agreement which shall take place within five business days after the satisfaction of the Condition unless otherwise agreed
“Completion Date”	Date of completion of the Agreement
“Condition”	The condition precedent for the Completion
“CRPGC”	China Resources Petrochem Gas Group Limited, a company incorporated in the British Virgin Islands, and a wholly owned subsidiary of CRH
“CRH”	China Resources (Holdings) Company Limited, the immediate holding company of the Company interested in about 52.4% of the Company’s issued share capital as at the Latest Practicable Date, a company incorporated in Hong Kong with limited liability, and an investment holding company of its subsidiaries
“CRPH”	China Resources Petrochemicals Holdings Limited, a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company

DEFINITIONS

“CRPH Group”	CRPH and its subsidiaries
“Disposal”	disposal of an 100% equity interest in CRPH by the Company to CRPGC
“Directors”	The directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held at 10:00 a.m. on Monday, 27th November, 2006 at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong and any adjournment thereof
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive directors of the Company, namely Dr. Chan Po Fun, Peter, Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric and Mr. Cheng Mo Chi
“Independent Shareholders”	The shareholder(s) of the Company other than CRH and its Associates, who are required to abstain from voting at the EGM under the Listing Rules
“Latest Practicable Date”	3rd November, 2006, being the latest practicable date for ascertaining certain information for inclusion in the Circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Platinum”	Platinum Securities Company Limited, a licensed corporation under the SFO to carry out types 1 and 6 regulated activities, and appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“PRC”	People’s Republic of China
“Preparis”	Preparis Limited, a company incorporated in the British Virgin Islands, and a wholly owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

DEFINITIONS

“Share(s)”	Share(s) of HK\$1.00 each in the capital of the Company
“Shareholder(s)”	Holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Share Option(s)”	A right to subscribe for Share(s) pursuant to a share option scheme of the Company previously adopted by the Company which was terminated on 31st January, 2002 and an existing share option scheme adopted by the Company on 31st January, 2002 and subsequently amended by way of ordinary resolution passed by shareholders of the Company on 20th August, 2004
“Special Dividend”	A special dividend of HK\$1 per Share intended to be declared by the Company upon the Completion
“HK\$” and “cent(s)”	Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong



華潤創業有限公司

China Resources Enterprise, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

Executive directors

Song Lin (*Chairman*)

Chen Shulin (*Managing Director*)

Keung Chi Wang, Ralph (*Deputy Managing Director*)

Wang Qun (*Deputy Managing Director*)

Lau Pak Shing (*Deputy Managing Director*)

Kwong Man Him (*Deputy Managing Director*)

Registered office and

Head Office:

39th Floor

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

Non-executive director

Qiao Shibo

Yan Biao

Jiang Wei

Wang Shuaiting

Xie Shengxi

Independent non-executive directors

Chan Po Fun, Peter

Houang Tai Ninh

Li Ka Cheung, Eric

Cheng Mo Chi

9th November, 2006

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

On 18th October, 2006, the Board announced that Prepara has, on the same date, entered into a conditional agreement with CRPGC for the disposal of its 100% equity interest in CRPH for a consideration of HK\$2,780 million which will be satisfied by cash. Prior to the Completion, CRPH is a wholly owned subsidiary of the Group and the holding company of all the Company's piped gas businesses, chemicals distribution businesses and other petroleum related businesses in Chinese Mainland.

The proceeds from the Disposal will be used by the Group for the payment of a special dividend with the remaining being used for general working capital. In view of the relative low gearing of the Group, it is intended that a special dividend of HK\$1 per

LETTER FROM THE BOARD

share in the Company will be declared by the Company shortly after the Completion. Details of the special dividend arrangement will also be announced by the Company shortly after the Completion.

THE AGREEMENT

Vendor:	Preparis
Purchaser:	CRPGC
Assets to be disposed:	100% equity interest in CRPH. The Company currently owns a 100% equity interest in CRPH. Following Completion, the Company will cease to have any interest in CRPH.
Consideration:	HK\$2,780 million
Payment arrangement:	The consideration for the Disposal shall be satisfied in cash, payable on the Completion Date.
Condition:	Completion is subject to the passing of a resolution by the Company's Independent Shareholders at the EGM.
Completion:	Subject to the terms of the Agreement and the fulfilment of the Condition, Completion will take place within five business days after the satisfaction of the Condition.
Long Stop Date:	The Agreement provides that should, among other things, the satisfaction of the Condition, not occur on or before 31st December, 2006 (or such other date as may be agreed by the parties), the Agreement shall terminate.
Guarantee:	The obligations of Preparis under the Agreement is guaranteed by the Company.

INFORMATION ON CRPH

CRPH, a wholly owned subsidiary of the Company, was formed by the Group as part of the restructuring of the entire petroleum and related products distribution division of the Group under which all the piped gas businesses, chemicals distribution businesses and other investments of the division in Chinese Mainland are held by CRPH. Therefore, the CRPH Group is principally engaged in the following businesses:

- Piped gas investments in Chinese Mainland;

LETTER FROM THE BOARD

- Chemicals trading and distribution businesses principally in Chinese Mainland;
- Sale and distribution of lubricant oil in Chinese Mainland;
- Other petroleum related businesses in Chinese Mainland.

After completion of the Disposal, the remaining business of the petroleum and related products distribution division of the Group primarily comprises of the petroleum and related products distribution business in Hong Kong.

As it is not a statutory requirement for CRPH to prepare audited consolidated accounts under the accounting principles generally accepted in Hong Kong and based on the individual companies comprising the CRPH Group, the unaudited consolidated net profits before taxation, extraordinary items and minority interests and the net profits attributable to the assets which are subject of the Disposal in respect of the two financial years ended 31st December, 2005 and six months ended 30th June, 2006 prepared in accordance with the accounting principles generally accepted in Hong Kong are as follows:

	Year ended 31st December,		Six months ended 30th June,
	2004	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit before taxation, extraordinary items and minority interests			
Continuing operations	113.3	85.7	119.2
Discontinued operation ⁽¹⁾	2.8	124.9	(1.2)
	<u>116.1</u>	<u>210.6</u>	<u>118.0</u>
Net profit attributable to shareholders			
Continuing operations	86.1	58.8	91.4
Discontinued operation ⁽¹⁾	2.4	79.3	(2.2)
	<u>88.5</u>	<u>138.1</u>	<u>89.2</u>

Note:

- (1) the net profit related to the operations of the petrol stations in Chinese Mainland and the before and after tax gains on disposals of 17 petrol stations in Chinese Mainland in 2005 of HK\$104.0 million and HK\$58.2 million respectively.

LETTER FROM THE BOARD

The breakdown of the unaudited consolidated net profits for the continuing operations attributable to the assets which are subject of the Disposal in respect of the two financial years ended 31st December, 2005 and six months ended 30th June, 2006 are as follows:

	Year ended 31st December, 2004 <i>HK\$ million</i> <i>(unaudited)</i>	Year ended 31st December, 2005 <i>HK\$ million</i> <i>(unaudited)</i>	Six months ended 30th June, 2006 <i>HK\$ million</i> <i>(unaudited)</i>
Piped gas businesses	17.9	33.2	44.5
Chemicals distribution businesses	67.8	34.3	45.1
Lubricant oil businesses	–	1.3	3.5
Other petroleum related businesses and corporate expense	0.4	(10.0)	(1.7)
Total	<u>86.1</u>	<u>58.8</u>	<u>91.4</u>

The unaudited consolidated net asset of CRPH which are subject to the Disposal as of 30th June, 2006 was approximately HK\$1,553.6 million. However, adjusting for the Capitalisation of Shareholders' Loans, the unaudited adjusted consolidated net asset of the assets which are subject to the Disposal as at 30th June, 2006 was approximately HK\$2,253.6 million.

BASIS OF CONSIDERATION

The consideration of HK\$2,780 million has been arrived at after arm's length negotiations between CRH and the Company after taking into account various relevant factors including the appropriate valuation methods according to nature of relevant businesses with reference to unaudited consolidated net profit and net asset value, market valuations and future prospects, and the prevailing commercial and business conditions in which CRPH operates. Notwithstanding the aggregate consideration for the Disposal, the Board considers the following breakdown of the consideration for the Disposal in analysing the overall consideration:

	Consideration <i>HK\$ million</i>
Piped gas businesses	2,100
Chemicals trading businesses	470
Lubricant oil businesses	20
Other petroleum related businesses	<u>190</u>
Total	<u>2,780</u>

LETTER FROM THE BOARD

The Directors consider the terms of the Agreement, which were reached based on arm's length negotiations, to be on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL ON THE COMPANY

As the CRPH Group was profitable for the two financial years ended 31st December, 2005 and six months ended 30th June, 2006, the loss of the profit contribution from the CRPH Group will lower the earnings of the Group in 2006. However, it is expected that the Group will recognise a gain on disposal upon the completion on the Disposal for the year ending 31st December, 2006. Based on the unaudited adjusted consolidated net asset value of CRPH adjusting for the Capitalisation of Shareholders' loans of approximately HK\$2,253.6 million as at 30th June, 2006, the Company would recognise a gain on the Disposal of approximately HK\$526.4 million in the consolidated accounts. It should be noted that the ultimate gain on disposal of CRPH will depend on the consolidated net asset value of CRPH at the completion of the Disposal.

The consolidated assets and liabilities of the Group will be reduced by the assets and liabilities of the CRPH Group upon the Completion as CRPH is a wholly owned subsidiary of the Group and the Group will cease to have any interest in CRPH after the Completion. The consolidated net asset of the Group will initially be increased by the gain on disposal of CRPH immediately after the Completion. With the Special Dividend, the consolidated net asset of the Group will be reduced accordingly. As at the Latest Practicable Date, the issued and fully paid share capital of the Company were approximately HK\$2,344.5 million. Based on such issued and fully paid share capital, the consolidated net asset of the Group will be reduced by some HK\$2,344.5 million after payment of the Special Dividend. Other than that, the Disposal does not have any significant advantage and disadvantage for the Company.

REASONS FOR THE DISPOSAL

With an objective of becoming the largest consumer company in China, the Group has been restructuring its non-core businesses so as to shift its focus to the core consumer business and to divest the non-core businesses. As part of such restructuring programme, the Group has decided to gradually divest businesses of its petroleum and related products distribution division which was acquired by the Group in 2000.

Prior to the Completion, the accounts of CRPH will continue to be consolidated in the accounts of the Group. The proceeds from the Disposal will be used by the Group for the payment of a special dividend with the remaining being used for general working capital. In view of the relative low gearing of the Group, it is intended that a special dividend of HK\$1 per share in the Company will be declared by the Company shortly after the Completion. Details of the special dividend arrangement will be announced by the Company shortly after the Completion.

Shareholders and potential investors should be aware that payment of a special dividend by the Company is subject to the Condition being fulfilled. Accordingly, they are advised to exercise caution when dealing in the shares in the Company.

LETTER FROM THE BOARD

As for the remaining business of the petroleum and related products distribution division of the Group, the Group has been assessing the feasibility of various alternatives and in discussions with potential investors which may lead to partial or complete disposal of such business but no agreement has been reached and no timetable has been set.

INFORMATION ON THE COMPANY

The Company is a company listed on the Hong Kong Stock Exchange, with business emphasis on the consumer business in Chinese Mainland and Hong Kong. The Group's core activities are retail, beverage, food processing and distribution, textile and property investments. It also has businesses in petroleum and related products distribution as well as other investments.

GENERAL

The Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As CRH is the controlling shareholder of the Company and each of the applicable percentage ratios under rule 14.07 of the Listing Rules is above 2.5%, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and requires Independent Shareholders' approval at an extraordinary general meeting of the Company. CRH and its Associates shall abstain from voting at such extraordinary general meeting.

EXTRAORDINARY GENERAL MEETING

Notice of the EGM is set out on pages 48 to 49 of the Circular of which this letter forms part. A form of proxy for use at the EGM is enclosed with the Circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's registrars, Standard Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the EGM or any adjourned meeting should you so wish.

At any general meeting of the Company, resolutions put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules and/or other applicable laws and regulations or unless a poll is (before or on the declaration of the result of the show of hands) demanded by (a) the chairman; or (b) not less than five Shareholders present in person or by proxy and having the right to vote at the meeting; or (c) a Shareholder or Shareholders present in person or by proxy representing not less than one-tenth of the Shareholder of Shareholders having the right to vote at the meeting; or (d) a Shareholder or Shareholders present in person or by proxy holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring the right.

LETTER FROM THE BOARD

According to Rule 13.39(4) of the Listing Rules, any vote taken at the EGM shall be taken by poll. The Company shall announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Board considers that the Agreement was entered into in the ordinary and usual course of business of the Company and on normal commercial terms and the terms of the Disposal are fair and reasonable and believes that the resolution to be proposed at the EGM are in the interests of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the resolution as set out in the notice of the EGM.

In addition, your attention is drawn to the letter from the Independent Board Committee as set out on pages 11 to 12 of the Circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders, based on the advice from Platinum in respect of the Disposal set out on pages 13 to 31 of the Circular which contains the recommendations of Platinum to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons taken into consideration.

ADDITIONAL INFORMATION

Your attention is drawn to the further information contained in the appendix to the Circular and the notice of the EGM.

Yours faithfully,
By Order of the Board
China Resources Enterprise, Limited
Song Lin
Chairman



華潤創業有限公司

China Resources Enterprise, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

9th November, 2006

To the Independent Shareholders

Dear Sir or Madam,

**DISPOSAL OF THE ENTIRE INTEREST IN
CHINA RESOURCES PETROCHEMS HOLDINGS LIMITED
AND
POSSIBLE SPECIAL DIVIDEND**

We refer to the circular (the “Circular”) dated 9th November, 2006 issued by China Resources Enterprise, Limited (the “Company”) to the shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

The Independent Board Committee has been appointed to make recommendation to the Independent Shareholders in respect of the Disposal. In addition, Platinum has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the same.

Your attention is drawn to the letter from the Board set out on pages 4 to 10 of the Circular, which sets out information relating to, and the reasons for the Disposal.

As your independent Directors, we have discussed with the management of the Company the reasons for the Disposal and the basis upon which its terms have been determined. We have also considered the principal factors taken into account by Platinum in arriving at its opinion regarding the Disposal as set out in its letter on pages 13 to 31 of the Circular. We concur with the views of Platinum that the Disposal is in the interests of the Company and the Independent Shareholders as a whole, and the Agreement was entered into based upon arm’s length negotiations and on normal commercial terms and the terms thereof are fair and reasonable. Therefore, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Disposal as set out on pages 48 and 49 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

As at the Latest Practicable Date, Dr. Chan Po Fun, Peter was beneficially interested in 506,000 Shares and outstanding Share Options covering 200,000 underlying Shares, representing an aggregate of approximately 0.03% of the issued share capital of the Company, and Dr. Chan Po Fun, Peter has indicated that he will vote in favour of the aforesaid resolution. As at the Latest Practicable Date, Mr. Houang Tai Ninh and Dr. Li Ka Cheung, Eric were each beneficially interested in outstanding Share Options covering 200,000 underlying Shares, representing an aggregate of approximately 0.01% of the issued share capital of the Company.

Yours faithfully,

Chan Po Fun, Peter Houang Tai Ninh Li Ka Cheung, Eric Cheng Mo Chi
Independent Board Committee

LETTER FROM PLATINUM

The following is the text of the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.



PLATINUM Securities Company Limited

22/F Standard Chartered Bank Building
4 Des Voeux Road Central
Hong Kong

Telephone (852) 2841 7000
Facsimile (852) 2522 2700

9th November, 2006

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO DISPOSAL OF THE ENTIRE INTEREST IN CHINA RESOURCES PETROCHEMS HOLDINGS LIMITED AND POSSIBLE SPECIAL DIVIDEND

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Agreement (the "Transaction"). Details of the Transaction are set out in the letter from the Board as set out in this circular of the Company dated 9th November, 2006, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether the Transaction is entered into in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and whether the Independent Shareholders should vote in favour of the Transaction, which will be proposed at the EGM, in respect of the Agreement and the Transaction.

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have reviewed, *inter alia*: (i) the Agreement; (ii) the annual reports of the Group for the three financial years ended 31st December, 2005 and the interim report of the Group for the six months ended 30th June, 2006 (the "2006 Interim Report"); and (iii) the unaudited management account of CRPH for the financial year ended 31st December, 2005 (the "2005 CRPH Account"). We have also discussed with the management of the Company regarding their plans and prospects of the Group.

LETTER FROM PLATINUM

We have assumed that all information, facts, opinions and representations contained in this circular are true, complete and accurate in all material respects and we have relied on the same. The Directors having collectively and individually accepted full responsibility for the accuracy of the information contained in this circular, and have confirmed, having made all reasonable enquiries, which to their best knowledge and belief, that no material facts have been omitted from the information supplied to us. Further, we have no reason to suspect the reasonableness of the opinions expressed by the Company.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in this circular and of the information and representations provided to us by the Company. Furthermore, we have no reasons to suspect that the reasonableness of the opinions and representations expressed by the Company and/or the Directors which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Group. We consider that we have been supplied and reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Transaction.

We are independent from, and are not associated with the Company or any other party to the Transaction, or their respective substantial shareholders or connected person(s), as defined under the Listing Rules and, accordingly, are considered eligible to give independent advice on the Transaction. We will receive a fee from the Company for our role as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company and another party to the Transaction or their respective substantial shareholders or connected person(s), as defined under the Listing Rules.

As stated in the letter from the Board, the Independent Board Committee, comprising four independent non-executive Directors, namely, Dr. Chan Po Fun, Peter, Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric and Mr. Cheng Mo Chi, has been established to advise the Independent Shareholders in respect of the Transaction.

LETTER FROM PLATINUM

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the Disposal and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors:

A. Reasons for and benefits of the Disposal:

1. *Background of the Disposal*

(a) The Disposal

On 18th October, 2006, the Board announced that Preparis has, on the same date, entered into a conditional agreement with CRPGC for the disposal of its 100% equity interest in CRPH for a consideration of HK\$2,780 million which will be satisfied by cash. Prior to the Completion, CRPH is a wholly owned subsidiary of the Group and the holding company of all the Company's piped gas businesses, chemicals distribution businesses and other petroleum related businesses in Chinese Mainland (the "Businesses for Disposal").

After completion of the Disposal, the remaining business of the petroleum and related products distribution division of the Group primarily comprises the petroleum and related products distribution business in Hong Kong.

(b) The Agreement

Vendor:	Preparis
Purchaser:	CRPGC
Assets to be disposed:	100% equity interest in CRPH. The Company currently owns 100% equity interest in CRPH. Following Completion, the Company will cease to have any interest in CRPH.
Consideration:	HK\$2,780 million
Payment arrangement:	The consideration for the Disposal shall be satisfied in cash, payable on the Completion Date.
Condition:	Completion is subject to the passing of a resolution by the Company's Independent Shareholders at the EGM.

LETTER FROM PLATINUM

Completion: Subject to the terms of the Agreement and the fulfillment of the condition, the Completion will take place within five business days after the satisfaction of the Condition.

Long Stop Date: The Agreement provides that should, among other things, the satisfaction of the Condition not occur on or before 31st December, 2006 (or such other date as may be agreed parties), the Agreement shall terminate.

Guarantee: The obligations of Preparis under the Agreement is guaranteed by the Company.

(c) Use of proceeds

The proceeds from the Disposal will be used by the Group for the payment of a special dividend with the remaining being used for general working capital. In view of the relative low gearing of the Group, it is intended that a special dividend of HK\$1 per share in the Company will be declared by the Company shortly after the Completion. Details of the special dividend arrangement will also be announced by the Company shortly after the Completion.

Shareholders and or potential investors should be aware that payment of a special dividend by the Company is subject to the Condition being fulfilled. Accordingly, they are advised to exercise caution when dealing in the shares in the Company.

2. Information on CRPH

CRPH, a wholly owned subsidiary of the Company, was formed by the Group as part of the restructuring of the entire petroleum and related products distribution division of the Group under which all the piped gas businesses, chemicals distribution businesses and other investments of the division in Chinese Mainland are held by CRPH. Therefore, the CRPH Group is principally engaged in the following businesses:

- (i) Piped gas investments in Chinese Mainland;
- (ii) Chemicals trading and distribution businesses principally in Chinese Mainland;
- (iii) Sale and distribution of lubricant oil in Chinese Mainland; and
- (iv) Other petroleum related businesses in Chinese Mainland.

LETTER FROM PLATINUM

As stated in the letter of the Board, the unaudited consolidated net profits before taxation, extraordinary items and minority interests and the net profits attributable to the assets which are subject of the Disposal in respect of the two financial years ended 31st December, 2005 and six months ended 30th June, 2006 prepared in accordance with the accounting principles generally accepted in Hong Kong are set out in Table 1 below:

Table 1: Unaudited profits before taxation, extraordinary items and minority interests and the net profits attributable of CRPH

	For the year ended 31st December,		For the six months ended
	2004	2005	30th June,
	(unaudited)	(unaudited)	(unaudited)
	HK\$'million	HK\$'million	HK\$'million
Continuing operations	113.3	85.7	119.2
Discontinued operation ^{Note}	2.8	124.9	(1.2)
Net profit before taxation, extraordinary items and minority interests	116.1	210.6	118.0
Continuing operations	86.1	58.8	91.4
Discontinued operation ^{Note}	2.4	79.3	(2.2)
Net profit attributable to shareholders	88.5	138.1	89.2

Source: Company

Note: The net profit related to the operations of the petrol stations in Chinese Mainland and the before and after tax gains on disposals of 17 petrol stations in Chinese Mainland in 2005 of HK\$104.0 million and HK\$58.2 million respectively.

LETTER FROM PLATINUM

As stated in the letter from the Board, the breakdown of the unaudited consolidated net profits for the continuing operations attributable to the assets which are subject of the Disposal in respect of the two financial years ended 31st December, 2005 and six months ended 30th June, 2006 are set out in Table 2 below:

Table 2: Breakdown of the unaudited consolidated net profits for the continuing operations attributable to shareholders of CRPH

	For the year ended 31st December,		For the six months ended
	2004	2005	30th June, 2006
	<u>HK\$'million</u>	<u>HK\$'million</u>	<u>HK\$'million</u>
Unaudited consolidated net profits			
(i) Piped gas businesses	17.9	33.2	44.5
(ii) Chemicals distribution	67.8	34.3	45.1
(iii) Lubricant oil businesses	–	1.3	3.5
(iv) Other petroleum related businesses and corporate expense	0.4	(10.0)	(1.7)
Sub-total	<u>86.1</u>	<u>58.8</u>	<u>91.4</u>

Source: Company

The unaudited consolidated net asset of CRPH which are subject to the Disposal as of 30th June, 2006 was approximately HK\$1,553.6 million. However, adjusting for the Capitalisation of Shareholders' Loans, the unaudited adjusted consolidated net asset of the assets which are subject to the Disposal as at 30th June, 2006 was approximately HK\$2,253.6 million.

3. Reasons for the Disposal

As stated in the letter from the Board, with an objective of becoming the largest consumer company in the PRC, the Group has been restructuring its non-core businesses so as to shift its focus to the core consumer business and to divest the non-core businesses. As part of such restructuring programme, the Group has decided to gradually divest businesses of its petroleum and related products distribution division which was acquired by the Group in 2000.

As stated in the letter from the Board, the proceeds from the Disposal will be used by the Group for the payment of a special dividend with the remaining being used for general working capital. In view of the relative low gearing of the Group, it is intended that a special dividend of HK\$1 per share in the Company will be declared by the Company shortly after the Completion. Details of the special dividend arrangement will be announced by the Company shortly after the Completion.

LETTER FROM PLATINUM

4. Business of the Group

The Company is a company listed on the Stock Exchange, with business emphasis on the consumer business in Chinese Mainland and Hong Kong. The Group's core activities are retail, beverage, food processing and distribution, textile and property investments. It also has businesses in petroleum and related products distribution as well as other investments. Table 3 below sets out the breakdown of the Group's revenue by business segments for the three financial years ended 31st December, 2005 and for the six months ended 30th June, 2006:

Table 3: Breakdown of revenue of the Group by business segments

	For the financial year ended 31st December,						For the six months ended 30th June,	
	2003		2004		2005		2006	
	% of total		% of total		% of total		% of total	
	Revenue <i>HK\$'000</i>	revenue %	Revenue <i>HK\$'000</i>	revenue %	Revenue <i>HK\$'000</i>	revenue %	Revenue <i>HK\$'000</i>	revenue %
Core business								
Retail	9,778,516	28.22	13,849,316	29.42	16,111,467	30.07	9,862,112	31.23
Beverage	3,950,167	11.40	5,070,535	10.77	6,845,984	12.78	4,340,612	13.74
Food processing and distribution	4,744,654	13.69	5,352,494	11.37	5,521,749	10.30	2,843,396	9.00
Textile	3,201,798	9.24	3,851,037	8.18	4,291,206	8.01	2,126,244	6.73
Investment property	234,620	0.68	273,860	0.58	273,755	0.51	156,692	0.50
Sub-total	21,909,755	63.23	28,397,242	60.32	33,044,161	61.67	19,329,056	61.20
Non-core business								
Petroleum and Related Products								
Distribution ^{Note}	12,565,348	36.25	18,680,861	39.68	20,539,758	38.33	12,251,666	38.80
Investment and others	180,069	0.52	-	-	-	-	-	-
Sub-total	12,745,417	36.77	18,680,861	39.68	20,539,758	38.33	12,251,666	38.80
Total	34,655,172	100.00	47,078,103	100.00	53,583,919	100.00	31,580,722	100.00

Source: Annual and interim reports of the Company

Note: Including both Chinese Mainland and Hong Kong operations

LETTER FROM PLATINUM

As stated in the annual reports of the Group, the core businesses of the Group comprise retailing, beverage, food processing and distribution, textile and investment property. From Table 3 above, revenue of the Group from its core businesses accounted for approximately 63.23%, 60.32% and 61.67% of the Group's total revenue for the three financial years ended 31st December, 2005 respectively and also accounted for approximately 61.20% of the Group's total revenue for the six months ended 30th June, 2006.

The balance of the revenue of the Group was generated from its non-core businesses, which include petroleum, piped gas, chemicals trading, lubricant oil, petroleum related business and investment and others. From Table 3 above, revenue of the Group from its non-core businesses accounted for approximately 36.77%, 39.68% and 38.33% of the Group's total revenue for the three financial years ended 31st December, 2005 respectively and also amounted to approximately 38.80% of the Group's total revenue for the six months ended 30th June, 2006.

We have also reviewed the net profits of the Group and the net profits of CRPH generated from the businesses to be disposed under the Transaction, namely: (i) piped gas; (ii) chemicals distribution; (iii) lubricant oil; and (iv) other petroleum related business (collectively, the "Businesses for Disposal"), as shown in Table 4 below:

Table 4: Profits from the Businesses for Disposal and profits of the Group

	For the year ended 31st December,		For the six months ended
	2004	2005	30th June,
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
Audited net profits of the Group (A)	1,819.0	2,618.3	1,521.3
Unaudited consolidated net profits			
(i) Piped gas businesses	17.9	33.2	44.5
(ii) Chemicals distribution	67.8	34.3	45.1
(iii) Lubricant oil businesses	–	1.3	3.5
(iv) Other petroleum related businesses and corporate expense	0.4	(10.0)	(1.7)
Sub-total (B)	<u>86.1</u>	<u>58.8</u>	<u>91.4</u>
% of net profits contributed from the Businesses for Disposal (B/A)	4.7%	2.2%	6.0%

Source: Annual and interim reports of the Company, unaudited management accounts of CRPH

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We note that, from Table 4 above, the unaudited consolidated net profits from the Businesses for Disposal amounted to approximately HK\$86.1 million, and HK\$58.8 million for the two financial years ended 31st December, 2005 and approximately HK\$91.4 million for the six months ended 30th June, 2006 respectively, which represents approximately 4.7% and 2.2% of the net profits of the Group for the two financial years ended 31st December, 2005 and approximately 6.0% of the net profits of the Group for the six months ended 30th June, 2006.

In light of above, we note that: (i) major portion of the Group's revenue has been streaming from its core businesses; and (ii) insignificant portion of profit was from Businesses for Disposal comparing to the Group's profits. Based on our discussion with management of the Company, we understand that the core businesses of the Group will continue to become the Group's major source of income and profit centre.

5. Long term strategy of the Group

As stated in the interim report of the Company for the six months ended 30th June, 2006, the Directors have decided that the Group should focus on the objective of becoming the largest consumer company in the PRC. The Group has been restructuring its non-core business so as to shift its focus to the core consumer business and to divest the non-core business. As part of the restructuring program, the Group has decided to gradually divest its petroleum and related products distribution business which was acquired by the Group in 2000.

According to the annual reports of the Group for the financial year ended 31st December, 2004 and 2005, the Group disposed of its interest in the aviation fuel facility at the Hong Kong International Airport in 2003 and interest in Qingdao Qirun Petrochemical Co. Ltd in 2004 and 2005. Also, by the end of 2005, the Group has entered into agreements to dispose of 51% interest in Dongguan China Resources Petroleum & Chemicals Company Limited, which is principally engaged in the petroleum and chemical storage and distribution business. In addition, the Group has also disposed of 17 petrol stations in Chinese Mainland in late 2005.

Furthermore, the Group has been stretching its market presence in the core business domains and has developed an extensive sales and distribution network in Chinese Mainland. At the same time, the Group remains committed to the divestment of non-core assets in a manner consistent with its shareholders' interest. Future expansion will focus on hypermarket and standard supermarket depending on local demographics and economies. The Group is strengthening the fresh food section by sourcing more food products directly from producers or wholesale markets. The Group is also integrating the procurement and logistics network in Eastern China and leasing out some of the hypermarket space to complementary tenants and are buying selective supermarket properties under stringent requirements. In addition, the Group plans to strengthen its presence in the existing districts of its beverage operations to attain regional dominance. The Group will continue to raise the market presence through acquisitions, greenfield investment, and capacity upgrade of existing plants.

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As stated in the letter from the Board, the Group has been assessing the feasibility of various alternatives and in discussions with potential investors for the remaining business of the petroleum and related products distribution division of the Group which may lead to partial or complete disposal of the said business, but no agreement has been reached and no timetable has been set.

We note that the Group has been undergoing its restructuring to dispose of the non-core businesses since 2003. Based on our discussion with management of the Company, we understand that the Disposal is another milestone of the Group's restructuring.

In view of:

- (i) a major portion of the Group's revenue was generated from its core business and insignificant portion of profit was from Businesses for Disposal comparing to the Group's profits;
- (ii) the Group's business focus on its core businesses and its development plan of becoming the largest consumer company in the PRC to consolidate its market leadership position; and
- (iii) the Disposal is in line with the Group's long term strategy to divest its non-core businesses,

we are of the opinion that the Disposal, although not in the usual and ordinary course of business of the Group, is in line with the long-term strategy of the Group.

B. Basis of the Consideration of the Disposal

As stated in the letter from the Board, the consideration of HK\$2,780 million has been arrived at after arm's length negotiations between CRH and the Company after taking into account various relevant factors including the appropriate valuation methods according to nature of relevant businesses with reference to unaudited consolidated net profit and net asset value, market valuations and future prospects, and the prevailing commercial and business conditions in which CRPH operates. Notwithstanding the aggregate consideration for the Disposal, the breakdown of the consideration as considered by the Board for the Disposal in analysing the overall consideration is set out in Table 5 below:

Table 5: Breakdown of consideration

	Consideration <i>HK\$'million</i>
Piped gas businesses	2,100
Chemicals trading businesses	470
Lubricant oil businesses	20
Other petroleum related	190
Total	<u><u>2,780</u></u>

Source: Company

In assessing the fairness and reasonableness of the consideration of the Disposal, we have considered the following:

1. Comparable companies

As illustrated in Table 4 above, we note that the businesses of CRPH comprise the Businesses for Disposal. As such, for comparison purpose, we compare all the business segments of CRPH instead of CRPH's business as a whole. We have categorized the Businesses for Disposal, according to their business natures into: (i) piped gas business; and (ii) petrochemical-related businesses (collectively, the "Business Categories").

We have selected a universe of comparable companies for each of the business category respectively based on the selection criteria of: (i) being listed on the Stock Exchange; (ii) approximately or over 50% of total revenue being generated from piped gas business (in particular for piped gas business); (iii) over 50% of total revenue generated from chemicals and other businesses (in particular for petrochemical-related business); and (iv) over 50% of total revenue being generated in Chinese Mainland (the "Comparable Companies"). These Comparable Companies are identified by us, to our best effort, in our research searching through published information on Bloomberg. Therefore, the Independent Shareholders should note that the information of the Comparable Companies below is for information and reference only.

We have reviewed commonly used valuation ratios implied by the share closing prices of the Comparable Companies as at the Latest Practicable Date. These valuation ratios (the "Valuation Ratios") include: (i) price-to-earnings ratio ("PER"); and (ii) price-to-book ratio ("PBR"), which we consider appropriate for the Business Categories.

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Table 6 below shows the Valuation Ratios of the Comparable Companies based on their share closing prices as at the Latest Practicable Date.

Table 6: Valuation Ratios of the Comparable Companies

(a) Companies engaged in piped gas businesses

	PER <i>Times</i>	PBR <i>Times</i>
	<hr/>	<hr/>
Xinao Gas Holdings Limited	22.29	2.82
China Gas Holdings Limited	21.95	2.11
Panva Gas Holdings Limited	19.84	1.88
	<hr/>	<hr/>
Simple average	21.36	2.27

(b) Companies engaged in petrochemical-related business

	PER <i>Times</i>	PBR <i>Times</i>
	<hr/>	<hr/>
Daqing Petroleum and Chemical Group Limited	7.81	0.91
Sinopec Shanghai Petrochemical Co Limited	13.32	1.32
Chinney Alliance Group Limited	7.40	0.25
	<hr/>	<hr/>
Simple average	9.51	0.83

Source: Bloomberg

In our analysis, we have adopted the weighted average methodology in order to give a more indicative and fair reference valuation ratio for the assessment of CRPH. The weighted average of the Valuation Ratios are calculated with respect to the weighting of net profits contributed by each of the Business Categories to CRPH for the six months ended 30th June, 2006. Table 7 below illustrates the weighting of net profits from each of the Business Categories contributed to CRPH for the six months ended 30th June, 2006:

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Table 7: Weighting of net profits from each of the Business Categories contributed to CRPH

	For the six months ended 30th June, 2006	
	consolidated net profits <i>HK\$'million</i>	weighting of net profits %
The Business Categories		
(a) Piped gas business	44.5	48.7
(b) Petrochemical-related businesses		
(i) Chemicals distribution businesses	45.1	49.3
(ii) Lubricant oil businesses	3.5	3.8
(iii) Other petroleum related businesses and corporate expense	(1.7)	(1.9)
Sub-total	46.9	51.2
Total	91.4	100.0

Source: Company data

As shown in Table 7 above, the net profits from the piped gas business and the petrochemical-related business accounted for approximately 48.69% and 51.31% of the aggregate net profits of the Business Categories respectively. Accordingly, the corresponding weighted average Valuation Ratios for CRPH as derived from the Comparable Companies are set out in Table 8 below:

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Table 8: Comparison of weighted average Valuation Ratios of Comparable Companies to the Valuation Ratios of CRPH as represented by the consideration of the Disposal

Business Categories

	PER <i>Times</i>	PBR <i>Times</i>	Weighting of net profits %
Piped gas business	21.36 ⁽¹⁾	2.27 ⁽¹⁾	48.69 ⁽²⁾
Petrochemical-related business	9.51 ⁽¹⁾	0.83 ⁽¹⁾	51.31 ⁽²⁾
Weighted average valuation multiple (derived from weighting of net profits)	15.28	1.53	
Implied valuation multiple of the Disposal based on financials as at 31st December, 2005	47.28	2.01	

Source: Bloomberg

Notes:

1. Based on the average Valuation Ratios given by the Comparable Companies as set out in Table 6.
2. Based on the weighting of net profits from each of the Business Categories as set out in Table 7.

PER

As shown in Table 8 above, we note that the PER of CRPH as represented by the consideration of the Disposal of approximately 47.28 times is higher than the weighted average PER of CRPH of approximately 15.28 times as derived from the average PER of the Comparable Companies based on their respective weightings.

PBR

As shown in Table 8 above, we note that the PBR of CRPH as represented by the consideration of the Disposal of approximately 2.01 times is higher than the weighted average PBR of CRPH of approximately 1.53 times as derived from the average PBR of the Comparable Companies based on their respective weightings.

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In light of this, we note that the Valuation Ratios of CRPH as represented by the consideration of the Disposal, based on a comparison with the Valuation Ratios of the Comparable Companies adopting the weighted average methodology, are higher. As such, we are of the opinion that the consideration of the Disposal is fair and reasonable.

2. *Comparable transactions*

We have reviewed recent transactions in relation to piped gas businesses (the “Comparable Transactions”). The Comparable Transactions are selected based on the business natures of the underlying assets/businesses being transacted. Based on the results of our findings, we observe that the comparables either are loss-making or consists of extremities. As such, we present the PER in the following table only for reference. As a result, we consider that PBR would be the appropriate evaluation parameter in making comparison with the Comparable Transactions. In addition, based on our discussion with management of the Company, we understand that majority of the underlying assets of the Business for Disposal are piped gas related assets.

The Comparable Transactions provide an indicative market range and averages for the key evaluation parameters for the purpose of comparing the terms of the Disposal. Table 9 below sets out details of the Comparable Transactions:

Table 9: The Comparable Transactions

Announcement Date	Purchaser	Vendor	NAV of acquisition target	Consideration	Asset to be acquired	PER (times)	PBR (times)
17th October, 2006	Tianjin Tianlian Public Utilities	Tianjin Gas Group	RMB7.2 million	RMB7.2 million	Piped gas related assets and other equipments	N/A	1.00
9th October, 2006	Chinese People Gas	(i) He Fei Tian An Group (ii) Fu Zhou Lian Dong Economic Development	RMB24.0 million	RMB104.3 million	100% interest in a natural gas company at Fu Zhou	N/A	4.35
9th June, 2006	Chinese People Gas	Xian Yanliang District People's Government	RMB39.0 million	RMB42.5 million	70% interest in Xian Yanliang Natural Gas	182.57	1.56
4th April, 2006	Chinese People Gas	Wei Nan City Development	RMB45.0 million	RMB33.0 million	51% interest in Wei Nan City Natural Gas	N/A	1.44
7th December, 2005	China Gas	Liuzhou City Gas	RMB168.0 million	RMB140.4 million	50% interest in Liuzhou City Gas	359.11	1.67
5th August, 2005	Chinese People Gas	Liu Xuanyu, a PRC citizen and an Independent Third Party	RMB10.9 million	RMB5.3 million	70% interest in Fu Ping Natural Gas	N/A	0.69

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Announcement			NAV of			PER	PBR
Date	Purchaser	Vendor	acquisition target	Consideration	Asset to be acquired	(times)	(times)
24th September, 2004	China Gas	Famestar	RMB34.7 million	RMB99.3 million	100% interest in Great Sun 35% interest in Hanchuan Jiaxu 35% interest in Xiaogan Jiaxu 35% interest in Yingcheng Jiaxu 35% interest in Yumeng Jiaxu 25% interest in Xiaogan	6.00	2.86
Average						182.56	1.94
Minimum						6.00	0.69
Maximum						359.11	4.35
The Disposal						47.28	2.01

Source: *Respective published announcements*

PER

From Table 9 above, we note that the PER of the Comparable Transactions ranges from approximately 6.00 times to approximately 359.11 times, with the PER of the Disposal of approximately 47.28 times being within this range. However, we note that four out of the seven Comparable Transactions' underlying assets to be sold are loss-making, in which case the PER is not applicable. Therefore, we consider that it might not present a meaningful evaluation parameter for comparison purpose and is only for reference.

PBR

As shown in Table 9 above, the average PBR as represented by the Comparable Transactions is approximately 1.94 times with a range of approximately 0.69 times and approximately 4.35 times. We note that the PBR of the Disposal of approximately 2.01 times is within the range of PBR of the Comparable Transactions and above the average PBR of the Comparable Transactions.

In light of this, we are of the opinion that the consideration of the Disposal, based on a comparison with the Recent Transactions on a PBR basis, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In view of the above, in particular:

- (i) consideration of the Disposal has been arrived at after arm's length negotiations between CRH and the Company;

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- (ii) the Valuation Ratios of CRPH as represented by the consideration of the Disposal are higher than the weighted average Valuation Ratios of the Comparable Companies; and
- (iii) consideration of the Disposal represents a PBR of approximately 2.01 times, which is higher than the Comparable Transactions,

we are of the view that the consideration of the Disposal is fair and reasonable, and the Disposal is entered into on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

C. Financial impact of the Disposal

1. *Effect on net asset value*

According to the 2006 Interim Report, the unaudited net asset value ("NAV") of the Group as at 30th June, 2006 was approximately HK\$19,842.5 million.

As stated in the letter from the Board, based on the unaudited adjusted consolidated net asset value of CRPH adjusting for the Capitalisation of Shareholders' loans of approximately HK\$2,253.6 million as at 30th June, 2006, the Company would recognise a gain on the Disposal of approximately HK\$526.4 million. As such, the Disposal will have a positive impact on the NAV of the Group.

Furthermore, as stated in the letter from the Board, the proceeds from the Disposal will be used by the Group for the payment of a special dividend with the remaining being used for general working capital. The Board intends to declare a special dividend of HK\$1 per Share. As at the Latest Practicable Date, there are a total of 2,344,507,120 Shares in issue. Based on the proposed special dividend of HK\$1 in accordance with the letter from the Board, a total amount of HK\$2,344.5 million of cash will be distributed to the Shareholders. As such, the NAV of the Group will decrease accordingly.

In light of the above, we are of the view that the Disposal would have a positive effect on the NAV of the Group before the distribution of the Special Dividend.

2. *Effect on earnings*

According to the annual report of the Group for the financial year ended 31st December, 2005, the profit attributable to the Shareholders was approximately HK\$2,220.4 million.

As stated in the letter from the Board, the Group would recognise a gain on the Disposal upon the completion on the Disposal of approximately HK\$526.4 million, which will be a one-off item. However, upon completion of the Disposal, there will be no residual revenue from the Businesses for Disposal to the Group.

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In consideration of the above, although there will be no residual revenue from the Businesses for Disposal upon completion of the Disposal, we consider that the effect of the Disposal on earnings is acceptable as the Group will derive a gain from the Disposal.

3. *Effect on working capital and gearing*

The working capital of the Group as at 30th June, 2006 was approximately 3,422.0 million.

Based on the unaudited consolidated balance sheet of CRPH as at 30th June, 2006, the bank balances and cash and the total bank borrowings of CRPH amounted to approximately HK\$698.5 million and HK\$385.2 million respectively. Upon completion of the Disposal, the Company will receive the consideration of the Disposal of HK\$2,780 million and CRPH will cease to be a subsidiary of the Company. Accordingly, the Group will not consolidate the bank borrowings of CRPH. Furthermore, the Group's cash level would increase as a result of the receipt of the consideration, which is in excess amount of the bank balances and cash of CRPH. As a result, the Group's cash position and working capital as well as the gearing will be improved subsequent to the completion of the Disposal.

On the other hand, following the distribution of the Special Dividend, cash balance of the Group will decrease by the amount of the Special Dividend paid resulting to a decrease in the equity of the Group. As such, the distribution of the Special Dividend will reduce the Group's working capital and increase gearing.

In light of the above, we are of the view that the Disposal would have a positive effect on the working capital and gearing of the Group. On the other hand, the distribution of the Special Dividend would reduce the Group's working capital and increase gearing.

In view of the above, in particular:

- (i) the positive effect on the NAV of the Group upon completion of the Disposal;
- (ii) although there will be no residual revenue from the Businesses for Disposal upon completion of the Disposal, the Group will derive a gain from the Disposal and the effect on earnings is acceptable; and
- (iii) the positive effect on the Group's working capital and gearing upon completion of the Disposal,

we are of the opinion that the financial effects of the Disposal, on an overall basis, are positive.

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RECOMMENDATION

Having considered the principal factors and reasons, in particular:

- (i) the Disposal, although not in the usual and ordinary course of business of the Group, is in line with the long-term strategy of the Group as stated in the interim report of the Company for the six months ended 30th June, 2006;
- (ii) the consideration of the Disposal is fair and reasonable; and
- (iii) the overall financial effects of the Disposal are positive,

we are of the view that the Disposal is: (i) in line with the long term strategy of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Disposal at the EGM. We also recommend the Independent Shareholders to vote in favor of the ordinary resolution in relation to the Disposal at the EGM.

Yours faithfully,

For and on behalf of

Platinum Securities Company Limited

Liu Chee Ming

Managing Director

Ross Cheung

Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS**Directors**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and chief executive of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be entered in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing of Securities on the Stock Exchange, were as follows:

(a) Interests in issued ordinary shares and underlying shares of the Company

Name of Directors	Long position/ Short position	Number of Shares	Number of underlying Shares ¹	Aggregate percentage of interest ² (%)
Song Lin	Long position	1,800,000	200,000 ³	0.09
Chen Shulin	Long position	2,412,000	–	0.10
Keung Chi Wang, Ralph	Long position	1,166,000	–	0.05
Wang Qun	Long position	360,000	–	0.02
Lau Pak Shing	Long position	1,000,000	–	0.04
Kwong Man Him	Long position	1,194,000	–	0.05
Qiao Shibo	Long position	1,400,000	–	0.06
Yan Biao	Long position	2,600,000	–	0.11

Name of Directors	Long position/ Short position	Number of Shares	Number of underlying Shares ¹	Aggregate percentage of interest ² (%)
Jiang Wei	Long position	240,000	–	0.01
Wang Shuaiting	Long position	30,000	–	0.001
Xie Shengxi	Long position	180,000	–	0.01
Dr. Chan Po Fun, Peter	Long position	336,000	200,000	0.03
	Long position	170,000 ⁴		
Houang Tai Ninh	Long position	–	200,000	0.01
Dr. Li Ka Cheung, Eric	Long position	–	200,000	0.01

1. This refers to underlying Shares covered by share options granted, such options being unlisted physically settled equity derivatives.
2. This represents the percentage of the aggregate long positions in Shares and underlying Shares to the total issued share capital of the Company as at the Latest Practicable Date.
3. Mr. Song Lin was deemed to be interested in 200,000 underlying Shares through interests of his spouse.
4. Such interest is held by a company of which Dr. Chan Po Fun, Peter is interested in 88.25% of its issued share capital.
5. Save as otherwise specified under note 3 and 4, interests disclosed hereunder are being held by each Director in his capacity as beneficial owner.

(b) Interest in issued ordinary shares and underlying shares of associated corporations

- (i) Interests in issued ordinary shares and underlying shares of an associated corporation, China Resources Land Limited (“CR Land”):

Name of Directors	Long position/ Short position	Number of Shares	Number of underlying shares ¹	Aggregate percentage of interest ² (%)
Song Lin	Long position	–	900,000	0.03
Chen Shulin	Long position	–	700,000	0.02
Lau Pak Shing	Long position	–	500,000	0.02
Qiao Shibo	Long position	–	700,000	0.02
Yan Biao	Long position	2,400,000	–	0.08
Jiang Wei	Long position	892,000	–	0.03
Wang Shuaiting	Long position	300,000	540,000	0.03
Xie Shengxi	Long position	140,000	500,000	0.02

1. This refers to the number of underlying shares of CR Land covered by share options granted, such options being unlisted physically settled equity derivatives.
2. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Land to the total issued share capital of CR Land as at the Latest Practicable Date.
3. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

- (ii) Interests in issued ordinary shares and underlying shares of an associated corporation, China Resources Logic Limited (“CR Logic”):

Name of Directors	Long position/ Short position	Number of Shares	Number of underlying Shares ¹	Aggregate percentage of interest ² (%)
Song Lin	Long position	3,600,000	8,900,000	0.45
Yan Biao	Long position	–	6,000,000	0.22
Jiang Wei	Long position	–	720,000	0.03
Wang Shuaiting	Long position	–	540,000	0.02
Xie Shengxi	Long position	–	450,000	0.02

1. This refers to the number of underlying shares of CR Logic covered by share options granted, such options being unlisted physically settled equity derivatives.
2. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Logic to the total issued share capital of CR Logic as at the Latest Practicable Date.
3. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

**APPENDIX****GENERAL INFORMATION**

- (iii) Interests in issued ordinary shares and underlying shares of an associated corporation, China Resources Power Holdings Company Limited (“CR Power”):

Name of Directors	Long position/ Short position	Number of Shares	Number of underlying Shares ¹	Aggregate percentage of interest ² (%)
Song Lin	Long position	–	2,900,000	0.08
Chen Shulin	Long position	–	1,100,000	0.03
Wang Qun	Long position	–	500,000	0.01
Lau Pak Shing	Long position	–	500,000	0.01
Qiao Shibo	Long position	–	1,100,000	0.03
		–	30,000 ³	
Yan Biao	Long position	–	1,000,000	0.03
Jiang Wei	Long position	–	1,600,000	0.04
Wang Shuaiting	Long position	86,000	5,400,000	0.14
Xie Shengxi	Long position	–	700,000	0.02

1. This refers to the number of underlying shares of CR Power covered by share options granted, such options being unlisted physically settled equity derivatives.
2. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Power to the total issued share capital of CR Power as at the Latest Practicable Date.
3. Mr. Qiao Shibo was deemed to be interested in the 30,000 underlying shares through interests of his spouse.
4. Save as otherwise specified in note 3, interests disclosed hereunder are being held by each Director in his capacity as beneficial owner.



SHAREHOLDERS WITH NOTIFIABLE INTERESTS AND SUBSTANTIAL SHAREHOLDERS

The Company

As at the Latest Practicable Date, other than the interests and short positions as disclosed above, so far as is known to the Directors, the following persons have interests or short positions in the Shares and underlying Shares as required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company:

Name of interested party	Number of shares in which the interested party is deemed to have interests	Percentage of shareholding (%)
China Resources National Corporation ("CRNC")	1,227,862,380	52.37
China Resources Co., Limited ¹	1,227,862,380	52.37
CRC Bluesky Limited ¹	1,227,862,380	52.37
CRH ¹	1,227,862,380	52.37
Commonwealth Bank of Australia ²	178,135,767	7.60
J.P. Morgan Chase & Co. ³	159,632,221	6.81

1. CRH is a 100% subsidiary of CRC Bluesky Limited, which is in turn owned as to 100% by China Resources Co., Limited, which is in turn held as to 99.98% by CRNC.
2. According to the information disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, these Shares were held by corporations controlled directly or indirectly as to 100% by Commonwealth Bank of Australia.
3. According to the information disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, these Shares were held by J.P. Morgan Chase & Co. and corporations controlled by it (note 4) in the respective following capacity:

Capacity	No. of Shares
Beneficial owner	7,238,700
Investment manager	59,646,000
Approved lending agent	92,747,521

4. According to the information disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, other than the following corporations which were held by J.P. Morgan Chase & Co. in the manner described below, all the corporations controlled by J.P. Morgan Chase & Co. and holding shares were controlled directly or indirectly as to 100% by J.P. Morgan Chase & Co.:

Name of corporation	Percentage interest (direct or indirect) held by J.P. Morgan Chase & Co.
J.P. Morgan Capital Holdings Ltd.	72.72%
J.P. Morgan Securities Ltd.	90.00%

SUBSTANTIAL SHAREHOLDERS IN OTHER MEMBERS OF THE GROUP

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons were, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Members of Group	Name of substantial shareholder(s)	Percentage of shareholding (%)
Senica International Limited	(1) Cheung Kong Investment Company Limited	22.5
	(2) Crownmax Limited	22.5
China International Fisheries Corp	中國水產總公司 (China National Fisheries Corp.)	49
C & G Fisheries Company Limited	Legon Fishing Company Limited	49
Chinese Wine Trading Company Limited 中國酒業貿易有限公司	Au Yeung Yik Fung 歐陽亦凡	10
Chung Kong Luen Livestock Company Limited 中港聯合生豬有限公司	(1) China Live Pigs Trading Limited 中國生豬貿易有限公司	15.59
	(2) Hong Kong Live Pigs Trading Limited 香港生豬貿易有限公司	15.59
	(3) Jointforce Trading Company Limited 聯能貿易有限公司	17.82
Fordex International Limited 和泰國際有限公司	Tai Kong Nam International Limited 大江南國際有限公司	49

Members of Group	Name of substantial shareholder(s)	Percentage of shareholding (%)
五豐食品(深圳)有限公司 (Ng Fung Foods (Shenzhen) Co., Ltd.)	深圳市投資控股有限公司 (Shenzhen Investment Holding Co., Ltd.)	30
深圳市鹽海肉類綜合加工有限公司 (Shenzhen Yan Hai Meat Multi-Processing Co., Ltd.)	深圳市鹽田區果菜食品公司 (Shenzhen Yan Tian Vegetable & Foodstuffs Co.)	47
杭州五豐嘉興冷食有限公司 (Hangzhou NF Jiaxing Refrigerated Food Co., Ltd.)	杭州冷氣製品廠 (Hangzhou Refrigerated Food Factory)	40
杭州五豐冷食有限公司 (Hangzhou NF Refrigerated Food Co., Ltd.)	杭州冷氣製品廠 (Hangzhou Refrigerated Food Factory)	40
湖州五豐冷食有限公司 (Huzhou NF Refrigerated Food Co., Ltd.)	杭州冷氣製品廠 (Hangzhou Refrigerated Food Factory)	40
江西五豐食品有限公司 (Jiangxi Ng Fung Foodstuffs Co., Ltd.)	會昌縣精製米食公司 (Huichang Country Refined Rice Products Company)	42
江西五豐牧業有限公司 (Jiangxi Wufeng Stock-Raising Co., Ltd.)	江西省糧油食品進出口公司 (Jiangxi Cereals, Oils & Foodstuffs Import & Export Corp.)	49
江西五豐畜牧科技有限公司 (Jiangxi Wu Feng Science & Technology of Livestock Raising Co., Ltd.)	江西省糧油食品進出口公司 (Jiangxi Cereals, Oils & Foodstuffs Import & Export Corp.)	49
Kowloon Live Cattle Trading Limited 九龍生牛貿易有限公司	(1) Ip Moon Tong 葉滿堂	20
	(2) Keensky Company Limited 建天有限公司	20

Members of Group	Name of substantial shareholder(s)	Percentage of shareholding (%)
Lian You Enterprise Company, Limited 聯友企業有限公司	四川新天地糧油食品進出口有限責任公司 (Sichuan NSL Cereals, Oils & Foodstuffs I/E Co., Ltd.)	49
Man Luen Hong Motor Company Limited 香港文聯運輸有限公司	中糧深圳糧油食品進出口公司 (Ceroilfood Shenzhen Cereals, Oils & Foodstuff Import & Export Company)	20
Ng Fung Slaughterhouse (Hong Kong) Company Limited 五豐屠房(香港)有限公司	Richgold Enterprises Limited 富高企業有限公司	30
上海五豐禽畜食品有限公司 (Shanghai Ng Fung Livestock Poultry & Foodstuff Co., Ltd.)	上海市食品進出口公司 (Shanghai Foodstuffs Import & Export Corp)	49
上海五豐上食畜牧有限公司 (Shanghai Ng Fung Shangshi Livestock Co., Ltd.)	錦江國際(集團)有限公司 (Jin Jiang International Holdings Co., Ltd.)	49
上海五豐上食食品有限公司 (Shanghai Ng Fung Shangshi Food Co., Ltd.)	錦江國際(集團)有限公司 (Jin Jiang International Holdings Co., Ltd.)	49
蘇果超市有限公司 (Suguo Supermarket Co., Ltd)	江蘇省果品食雜總公司 (Jiangsu Foodstuffs Co., Ltd.)	15
蘇果超市(全椒)有限公司 (Suguo Supermarket (Quanjiao) Co., Ltd)	李維兵 (Li Weibing)	10
蘇果超市(滁州)有限公司 (Suguo Supermarket (Chuzhou) Co., Ltd)	滁州市商貿超市有限責任公司 (Chuzhou Shi Shang Mao Supermarket Co., Ltd.)	12
蘇果超市(天長)有限公司 (Suguo Supermarket (Tianchang) Co., Ltd)	天長市金猴商貿有限公司 (Tianchang Shi Jin Hou Shang Mao Co., Ltd.)	10
Lee Kun Chiu Kee Supermarket Limited 麗勤超記超級市場有限公司	Wong Kin Choy 黃建財	14.3

Members of Group	Name of substantial shareholder(s)	Percentage of shareholding (%)
Wealthy Joy Limited 鴻正有限公司	(1) Cheung Yuk Kiang 張旭權	20
	(2) Lui Hop Ming 呂合銘	20
寧波華潤萬家有限公司 (Ningbo China Resources Vanguard Company Limited)	寧波富邦百家緣超市有限公司 (Ningbo Fu Bang Bai Jia Yuan Supermarket Company Limited)	20
山東華潤厚木尼龍有限公司 (Shandong CRC Atsugi Nylon Co. Ltd.)	厚木株式會社 (Atsugi Co., Ltd.)	40
河北正定華潤紡織有限公司 (Hebei Zhengding China Resources Textile Co., Ltd.)	正定縣工業經濟開發中心 (Zhengding Xian Industrial Economy Development Centre)	10
濟南華豐紡織有限公司 (Jinan Hua Feng Textiles Co., Ltd.)	(1) 山東海川集團控股公司 (Shandong Hai Chuan Holding Company)	20
	(2) 濟南仁豐紡織有限責任公司 (Jinan Renfeng Textile Co., Ltd.)	16
咸陽華潤紡織有限公司 (Xianyang China Resources Textiles Co., Ltd.)	陝西天王興業集團有限公司 (Shanxi Tian Wang Xing Ye Holding Co., Ltd.)	20
Upmarket Enterprises Limited	Splendid Approach Group Limited	45
Tactical Solutions Incorporated	Esprit China Distribution Limited	49
南京華潤東方投資管理有限責任公司 (Nanjing China Resources Dong Fang Investment Management Co., Ltd.)	南京東方商城有限責任公司 (Nanjing Dong Fang Shang Cheng Co., Ltd.)	10
China Resources Snow Breweries Limited (華潤雪花啤酒有限公司)	SABMiller Asia Limited 南非釀酒集團(亞洲)有限公司	49
四川華潤藍劍啤酒有限責任公司 (China Resources (Si Chuan) Blue Sword Breweries Co., Ltd.)	藍劍(集團)有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38

Members of Group	Name of substantial shareholder(s)	Percentage of shareholding (%)
華潤藍劍（邛崃）啤酒有限責任公司 (China Resources Blue Sword (Qionglai) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38
華潤藍劍（南充）啤酒有限公司 (China Resources Blue Sword (Nanchong) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38
華潤藍劍（內江）啤酒有限責任公司 (China Resources Blue Sword (Neijiang) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38
華潤藍劍（綿竹）啤酒有限責任公司 (China Resources Blue Sword (Mianzhu) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38
華潤藍劍（廣安）啤酒有限責任公司 (China Resources Blue Sword (Guangan) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38
華潤藍劍（達州）啤酒有限公司 (China Resources Blue Sword (Dazhou) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38
華潤藍劍（成都）啤酒有限責任公司 (China Resources Blue Sword (Chengdu) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38
華潤藍劍（什邡）啤酒有限責任公司 (China Resources Blue Sword (Shifang) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38
華潤藍劍（自貢）啤酒有限責任公司 (China Resources Blue Sword (Zigong) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38
華潤藍劍（綿陽）啤酒有限責任公司 (China Resources Blue Sword (Mianyang) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38
華潤藍劍（樂山）啤酒有限責任公司 (China Resources Blue Sword (Le Shan) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38

Members of Group	Name of substantial shareholder(s)	Percentage of shareholding (%)
華潤藍劍（遂寧）啤酒有限責任公司 (China Resources Blue Sword (Sui Ning) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38
雪花藍劍（西昌）啤酒有限公司 (Snow Blue Sword (Xichang) Brewery Co., Ltd.)	藍劍（集團）有限責任公司 (Lan Jian (Holding) Co., Ltd.)	38
華潤雪花啤酒（哈爾濱）有限公司 (China Resources Snow Breweries (Harbin) Company Limited)	黑龍江新三星股份有限公司 (Heilongjiang Xin San Xing Holding Stock Co., Ltd.)	30
華潤雪花啤酒（盤錦）有限公司 (China Resources Snowflake Brewery (Panjin) Company Limited)	盤錦遼河啤酒有限公司 (Panjin Liao He Brewery Co., Ltd.)	15
沈陽華潤創業釀酒有限公司 (Shenyang Huarunchuangye Beer Co., Ltd.)	沈陽市望花啤酒廠 (Shenyang Shi Wang Hua Brewery Factory)	20
華潤雪花啤酒（長春）有限公司 (China Resources Snow Breweries (Changchun) Co., Ltd.)	長春威士龍啤酒有限公司 (Changchun Wei Shi Long Brewery Co., Ltd.)	15
華潤雪花啤酒（鞍山）有限公司 (China Resources Snowflake Brewery (Anshan) Company Limited)	鞍山啤酒廠 (Anshan Brewery Factory)	10
華潤雪花啤酒（沈陽）有限公司 (China Resources Snow Breweries (Shenyang) Company Limited)	瀋陽市釀酒廠 (Shenyang Shi Niang Jiu Factory)	10
華潤雪花啤酒（武漢）有限公司 (China Resources Snow Brewery (Wuhan) Co., Ltd.)	武漢東西湖啤酒集團股份有限公司 (Wuhan Dong Xi Hu Breweries Holding Stock Co., Ltd.)	10
華潤雪花啤酒（浙江）股份有限公司 (China Resources Snow Breweries (Zhejiang) Stock Co., Ltd.)	孔飛躍 (Kong Feiyue)	27

Members of Group	Name of substantial shareholder(s)	Percentage of shareholding (%)
華潤雪花啤酒（常州）有限公司 (China Resources Snow Breweries (Changzhou) Limited)	李浩臻 (Li Haozhen)	20
常州市開運商貿有限公司 (Changzhou Kai Yun Shang Mao Co., Ltd.)	常州釀酒總廠工會 (Changzhou Niang Jiu Zong Chang Gong Hui)	10
華潤雪花啤酒（秦皇島）有限公司 (China Resources Snow Breweries (Qinhuangdao) Co., Ltd.)	秦皇島燕山實業公司 (Qinhuangdao Yanshan Enterprise Company Limited)	10
華潤雪花啤酒（福建）有限公司 (China Resources Snow Breweries (Fujian) Co., Ltd.)	泉州中僑（集團）股份有限公司 (Quanzhou Zhongqiao (Holding) Stock Company Limited)	15
華潤雪花啤酒（杭州）有限公司 (China Resources Snow Breweries (Hangzhou) Co., Ltd.)	浙江西冷啤酒有限公司 (Zhejiang Xileng Brewery Company Limited)	30
華潤雪花啤酒（淮北）有限公司 (China Resources Snow Breweries (Huaibei) Co., Ltd.)	安徽淮北相王啤酒有限責任公司 (Anhui Huaibei Xiangwang Brewery Company Limited)	10
常熟華潤石油化工有限公司 (Changshu Huarun Petroleum & Chemicals Co., Ltd.)	常熟市經濟開發集團有限公司 (Changshu Economic Development Holding Co., Ltd.)	10
南京華潤燃氣有限公司 (China Resources (Nanjing) Gas Co., Ltd.)	南京市城市建設投資控股（集團）有限責任公司 (Nanjing Urban Construction Investment Holding (Group) Co., Ltd.)	10
珠海經濟特區機動車器材供應 有限公司 (Zhuhai Economic Special Zone Automobile Materials Supply Co., Ltd.)	廣東省拱北汽車運輸有限責任公司 (Guangdong Gongbei Motorcar Transportation Co., Ltd.)	20
中山市華虹石化有限公司 (Zhongshan Hua Hong Petrochems Co., Ltd.)	中山市長虹石油貿易有限公司 (Zhongshan Chang Hong Petroleum Trading Co., Ltd.)	30

Members of Group	Name of substantial shareholder(s)	Percentage of shareholding (%)
China Resources Petrochemicals (Macau) Company Limited 華潤石化 (澳門) 有限公司	Kwong Tai Hong Petroleum Co. Ltd. 光大行石油有限公司	30
博興華潤油脂化學有限公司 (China Resources (Boxing) Oleochemicals Co., Ltd.)	Sunstate Investments Limited	15
山東華潤油脂化學有限公司 (China Resources (Shandong) Oleochemicals Co., Ltd.)	Sunstate Investments Limited	15
華潤油化 (博興) 有限公司 (China Resources Oleochemicals (Boxing) Co., Ltd.)	Sunstate Investments Limited	15
蘇州華潤燃氣有限公司 (Suzhou China-resources Gas Co., Ltd.)	蘇州市虎丘區國有 (集體) 資產經營公司 (Suzhou Hu Qiu Zone Guo You (Cooperative) Asset Management Co.)	30
大連華潤哈布拉清洗劑有限公司 (China Resources Habla (Dalian) Cleansers Co., Ltd.)	Habla-Hygiene GmbH	49
江門市新會經能石油有限公司 (Jiang Men Shi Xin Hui Jing Neng Petroleum Company Limited)	(1) 黃小軍 (Huang Xiao Jun)	11.55
	(2) 鍾華顯 (Zhong Hua Xian)	10.72
臨海華潤燃氣有限公司 (Linhai China Resources Gas Company Limited)	盧金榮 (Lu Jing Rong)	10

Note: All English names in brackets are unofficial translation of such names.

SERVICE CONTRACTS

No director has an unexpired service contract which is not terminable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their Associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have provided their advice, reports and valuations as the case may be, which are contained in this circular:

Name	Qualifications
Platinum Securities Company Limited	A corporation deemed licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Platinum has given and have not withdrawn their written consent to the issue of the Circular with the inclusion of their letter and the references to their name in the form and context in which it appears.

As at the Latest Practicable Date, except for 2,310,000 shares of China Resources Logic and 2,000 shares of China Resources Power held by Platinum Broking Company Limited, a subsidiary of Platinum, the stock broking arm of the Platinum group of companies ("Platinum Group") for and on behalf of clients not connected to the Platinum Group, Platinum was not interested beneficially or otherwise in any shares in the Company or any of its subsidiaries or associated corporations and did not have any right, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any shares in the Company or any of its subsidiaries or associated corporations nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

MISCELLANEOUS

- There is no contract or arrangement entered into by any member of the Group in which any Director is materially interested and which is significant in relation to the business of the Group.
- None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, the Company or any of its subsidiaries since 31st December, 2005, the date to which the latest published audited financial statements of the Group were made up.

- The Directors are not aware of any litigation or claims of material importance pending or threatened against any member of the Group.
- The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2005, the date to which the latest audited financial statements of the Group were made up.
- The secretary of the Company is Lee Yip Wah, Peter, who is a practising solicitor.
- The qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Keung Chi Wang, Ralph, who is a fellow member of the Association of Chartered Certified Accountant and a member of the Hong Kong Institute of Certified Public Accountants.
- The share registrars of the Company are Standard Registrars Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- The English texts of the Circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the registered office of the Company from the date of the Circular up to and including the date of the EGM:

- the Agreement;
- the guarantee executed by the Company in respect of, among other things, Prepara's obligations under the Agreement;
- the letter of advice from Platinum Securities Company Limited dated 9th November, 2006, the text of which is set out on pages 13 to 31 of the Circular; and
- the letter of consent referred to in paragraph headed "Experts and Consents" of this appendix.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



華潤創業有限公司

China Resources Enterprise, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Resources Enterprise, Limited (the “Company”) will be held at 10:00 a.m. on Monday, 27th November, 2006 at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** a conditional share purchase agreement dated 18th October, 2006 (“Agreement”) made between (i) Preparis Limited (“Preparis”), a wholly-owned subsidiary of the Company, as seller, and (ii) China Resources Petrochem Gas Group Limited (“CRPGC”), a wholly-owned subsidiary of China Resources (Holdings) Company Limited, as purchaser (a copy of which marked “A” is produced to the meeting and signed by the Chairman for the purpose of identification) relating to the acquisition by CRPGC of the entire issued share capital of China Resources Petrochems Holdings Limited (“Disposal”) at a consideration of HK\$2,780,000,000 to be satisfied by cash and the terms and conditions thereof and the transactions contemplated therein be and are hereby approved and the managing director of the Company or any director as delegated by him be and is hereby authorized on behalf of the Company to sign seal execute perfect and deliver all such documents and to implement and take all steps and do any other and all acts and things as he may in his discretion consider to be desirable and/or necessary in the interests of the Company for the purpose of, or in connection with, the implementation and/or enforcement of the provisions of the Agreement.”

By order of the Board
China Resources Enterprise, Limited
Lee Yip Wah, Peter
Company Secretary

Hong Kong, 9th November, 2006

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Registered office:

39th Floor, China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Notes:

1. Every member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.
2. In order to be valid, a form of proxy together with any power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited to the Company's registrars, Standard Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting.
3. According to Rule 13.39(4) of the Listing Rules, any vote taken at the extraordinary general meeting shall be taken by poll. The Company shall announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.
4. A circular of the Company dated 9th November, 2006 in relation to the Disposal can be viewed and downloaded from the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk.
5. The executive directors of the Company are Mr. Song Lin (Chairman), Mr. Chen Shulin (Managing Director), Mr. Keung Chi Wang, Ralph (Deputy Managing Director), Mr. Wang Qun (Deputy Managing Director), Mr. Lau Pak Shing (Deputy Managing Director) and Mr. Kwong Man Him (Deputy Managing Director). The non-executive directors are Mr. Qiao Shibo, Mr. Yan Biao, Mr. Jiang Wei, Mr. Wang Shuaiting and Mr. Xie Shengxi. The independent non-executive directors are Dr. Chan Po Fun, Peter, Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric and Mr. Cheng Mo Chi.