THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in **China Resources Enterprise, Limited** (the "Company"), you should at once hand this circular to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF ALL NON-BEER BUSINESSES

(2) CAPITAL REDUCTION

(3) REVISED SPECIAL DIVIDEND

(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Advisor

UBS

Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders

ROTHSCHILD

A letter from the Board is set out on pages 9 to 36 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular. A letter from Rothschild containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-38 of this circular.

A notice convening an extraordinary general meeting of China Resources Enterprise, Limited to be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 3 August 2015 at 3:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at Tricor Standard Limited, the branch share registrar of China Resources Enterprise, Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, 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. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

9 July 2015

CONTENTS

* *including a note on financial information of Disposal Assets*

AS COMPLETION IS SUBJECT TO THE CONDITIONS PRECEDENT SET OUT IN THE SALE AND PURCHASE AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT), INCLUDING THE APPROVAL OF THE INDEPENDENT SHAREHOLDERS, THE DISPOSAL MAY OR MAY NOT PROCEED.

THE REVISED SPECIAL DIVIDEND IS SUBJECT TO THE COMPLETION OF THE SALE AND PURCHASE AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT) AND THE IMPLEMENTATION OF THE CAPITAL REDUCTION AND DIRECTORS' FIDUCIARY DUTIES. AS SUCH, THE REVISED SPECIAL DIVIDEND MAY OR MAY NOT BE DECLARED AND PAID.

AS THE MAKING OF THE REVISED PARTIAL OFFER IS SUBJECT TO THE SATISFACTION OF THE PRE-CONDITIONS (INCLUDING BUT NOT LIMITED TO THE COMPLETION OF THE SALE AND PURCHASE AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT), THE IMPLEMENTATION OF THE CAPITAL REDUCTION AND THE PAYMENT OF THE REVISED SPECIAL DIVIDEND), THE REVISED PARTIAL OFFER MAY OR MAY NOT PROCEED.

SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR OR OTHER PROFESSIONAL ADVISORS.

NOTICE TO US HOLDERS OF SHARES

THE REVISED PARTIAL OFFER IS BEING MADE FOR THE SECURITIES OF A HONG KONG COMPANY AND IS SUBJECT TO HONG KONG DISCLOSURE REQUIREMENTS, WHICH ARE DIFFERENT FROM THOSE OF THE UNITED STATES. THE FINANCIAL INFORMATION INCLUDED IN THIS CIRCULAR HAS BEEN PREPARED IN ACCORDANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS AND THUS MAY NOT BE COMPARABLE TO FINANCIAL INFORMATION OF US COMPANIES OR COMPANIES WHOSE FINANCIAL STATEMENTS ARE PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES. THE REVISED PARTIAL OFFER WILL BE MADE IN THE UNITED STATES PURSUANT TO THE APPLICABLE US TENDER OFFER RULES AND OTHERWISE IN ACCORDANCE WITH THE REQUIREMENTS OF THE SFO. ACCORDINGLY, THE REVISED PARTIAL OFFER WILL BE SUBJECT TO DISCLOSURE AND OTHER PROCEDURAL REQUIREMENTS, INCLUDING WITH RESPECT TO WITHDRAWAL RIGHTS, OFFER TIMETABLE, SETTLEMENT PROCEDURES AND TIMING OF PAYMENTS THAT ARE DIFFERENT FROM THOSE APPLICABLE UNDER US DOMESTIC TENDER OFFER PROCEDURES AND LAW.

THE RECEIPT OF CASH PURSUANT TO THE PARTIAL OFFER BY A US HOLDER OF SHARES MAY BE A TAXABLE TRANSACTION FOR US FEDERAL INCOME TAX PURPOSES AND UNDER APPLICABLE STATE AND LOCAL, AS WELL AS FOREIGN AND OTHER TAX LAWS. EACH HOLDER OF SHARES IS URGED TO CONSULT HIS/HER/ITS INDEPENDENT PROFESSIONAL ADVISOR IMMEDIATELY REGARDING THE TAX CONSEQUENCES OF ACCEPTANCE OF THE REVISED PARTIAL OFFER.

IT MAY BE DIFFICULT FOR US HOLDERS OF SHARES TO ENFORCE THEIR RIGHTS AND ANY CLAIM ARISING OUT OF THE US FEDERAL SECURITIES LAWS, SINCE CRH, THE OFFEROR AND THE COMPANY ARE LOCATED IN A COUNTRY OUTSIDE THE UNITED STATES, AND SOME OR ALL OF THEIR OFFICERS AND DIRECTORS MAY BE RESIDENTS OF A COUNTRY OTHER THAN THE UNITED STATES. US HOLDERS OF SHARES MAY NOT BE ABLE TO SUE A NON-US COMPANY OR ITS OFFICERS OR DIRECTORS IN A NON-US COURT FOR VIOLATIONS OF THE US SECURITIES LAWS. FURTHER, IT MAY BE DIFFICULT TO COMPEL A NON-US COMPANY AND ITS AFFILIATES TO SUBJECT THEMSELVES TO A US COURT'S JUDGEMENT.

IN ACCORDANCE WITH THE CODE AND RULE 14E-5(B) OF THE US SECURITIES EXCHANGE ACT OF 1934, BOFAML, MORGAN STANLEY AND THEIR RESPECTIVE AFFILIATES MAY CONTINUE TO ACT AS EXEMPT PRINCIPAL TRADERS IN THE SHARES ON THE STOCK EXCHANGE. THESE PURCHASES MAY OCCUR EITHER IN THE OPEN MARKET AT PREVAILING PRICES OR IN PRIVATE TRANSACTIONS AT NEGOTIATED PRICES. ANY INFORMATION ABOUT SUCH PURCHASES WILL BE REPORTED TO THE SFC AND, TO THE EXTENT MADE PUBLIC BY THE SFC, WILL BE AVAILABLE ON THE WEBSITE OF THE SFC AT HTTP://WWW.SFC.HK.

In this circular, unless the context indicates or specifies otherwise, the following specific terms and expressions have the following meanings:

"Binding Proposal"	means the binding proposal dated 13 April 2015 from CRH to the Company (enclosing a form of the sale and purchase agreement), the principal terms of which are described in the section headed "Principal Terms of the Binding Proposal" of the First Announcement, which include the Disposal, the Capital Reduction, the Special Dividend and the Partial Offer;
"Board"	means the board of Directors;
"BofAML"	means Merrill Lynch (Asia Pacific) Limited, a licensed corporation under the SFO, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities), and Type 6 (advising on corporate finance) regulated activities under the SFO, one of the financial advisors to CRH and the Offeror;
"Business Day"	means a day (excluding a Saturday or Sunday or public holiday) on which banks in Hong Kong and in the PRC are generally open for business;
"BVI"	means the British Virgin Islands;
"CAGR"	means compound annual growth rate;
"Capital Reduction"	means the capital reduction of the Company to reduce its capital and create an aggregate minimum of HK$10 billion of distributable reserves;
"Closing Date"	means the date stated in the Composite Document as the closing date of the Revised Partial Offer, which will be twenty US Business Days following the date on which the Composite Document is posted;
"Code"	means the Hong Kong Code on Takeovers and Mergers;
"Companies Ordinance"	means the Companies Ordinance (Cap. 622 of the Laws of Hong Kong);
"Company"	means China Resources Enterprise, Limited (華潤創業有限公司);

"Completion"	means the completion of the Disposal;
"Completion Date"	means the date that Completion occurs;
"Composite Document"	means the composite offer and response document to be issued, subject to satisfaction of the Pre-Conditions, by or on behalf of the Offeror and the Company to all Qualifying Shareholders in accordance with the Code containing, among other things, details of the Revised Partial Offer and the Form of Acceptance in respect of the Revised Partial Offer, as may be revised or supplemented as appropriate;
"Court"	means the Court of First Instance of the High Court of Hong Kong;
"CRH"	means China Resources (Holdings) Company Limited (華潤(集團)有限公司);
"CR Snow"	means China Resources Snow Breweries Limited (華潤雪花啤酒有限公司);
"Director(s)"	the director(s) of the Company;
"Disposal"	means the proposed disposal of the Disposal Assets in accordance with the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement);
"Disposal Assets"	means the assets listed under the section headed "*Assets to be disposed of*" of the Letter from the Board in this circular;
"Disposal Group"	means the Target Companies and its subsidiaries (including any holding company thereof);
"DTZ"	means DTZ Debenham Tie Leung Limited, the professional surveyor and valuer instructed by the Company in connection with the valuation of certain real property interests in the Disposal Assets;

"EGM"	means the extraordinary general meeting of the Company to be convened on 3 August 2015 for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the Supplemental Agreement and the transactions contemplated thereunder;
"Executive"	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
"Final Dividend"	means the final dividend of the Company for the year ended 31 December 2014 of HK$0.16 per Share;
"Financial Advisor" or "UBS"	means UBS AG, acting through its Hong Kong branch, an institution licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO and the financial advisor to the Company in relation to the Binding Proposal and the Revised Binding Proposal;
"First Announcement"	means the joint announcement made by the Company, CRH and the Offeror dated 20 April 2015 in relation to, among others, the possible very substantial disposal of all non-beer businesses of the Company;
"Form of Acceptance"	means the form of acceptance and transfer in respect of the Revised Partial Offer accompanying the Composite Document;
"Group"	means the Company and its subsidiaries;
"HK$" or "HKD"	means Hong Kong Dollars, the lawful currency of Hong Kong;
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;

"Independent Board Committee"	means the independent board committee of the Company comprising Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Moses, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon, being all the independent non-executive Directors, established to give recommendations to the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement);
"Independent Financial Advisor" or "Rothschild"	means Rothschild (Hong Kong) Limited, the financial advisor to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement), and is a licensed corporation under the SFO, licensed to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities;
"Independent Shareholders"	means the Shareholders other than the Offeror, CRH and their associates and parties acting in concert with them for the purpose of approving the Sale and Purchase Agreement (as amended by the Supplemental Agreement);
"Kingway Brewery"	means Guangdong Land Holdings Limited, formerly known as Kingway Brewery Holdings Limited;
"Kirin"	means Kirin Holdings Company, Limited;
"Last Trading Date"	means 2 April 2015, being the last trading day prior to the halt in trading of Shares which was resumed upon publication of the First Announcement on 21 April 2015;
"Latest Practicable Date"	6 July 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication;
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	means 31 December 2015 or such later date as the Parties may agree in writing;

"Morgan Stanley"	means Morgan Stanley Asia Limited, a licensed corporation licensed to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, one of the financial advisors to CRH and the Offeror;
"Non-Beer Contracts"	means all the contracts relating to the non-beer businesses entered into by the Company or its subsidiaries (other than the Disposal Group);
"Offer Period"	has the meaning ascribed to it in the Code, which, in respect of the Revised Partial Offer, has commenced on the date of the First Announcement;
"Offer Price"	means HK$12.70 per Share;
"Offeror"	means CRH (Enterprise) Limited, the offeror in the Revised Partial Offer;
"Parking Lots"	means certain parking spaces in CRE Centre in Lai Chi Kok, Kowloon and certain parking spaces in Riley House in Kwai Chung, New Territories;
"Partial Offer"	means the pre-conditional voluntary cash partial offer by BofAML and Morgan Stanley on behalf of the Offeror to the Qualifying Shareholders, to acquire up to 242,136,536 Shares (representing approximately 10% of the issued share capital of the Company as at the Latest Practicable Date) at HK$12.70 per share, which has been subsequently amended by the Revised Binding Proposal;
"Party"	means either CRH or the Company, and the term "Parties" means both of them;
"percentage ratios"	has the same meaning ascribed to it under the Listing Rules;
"PRC"	means the People's Republic of China (which for the purpose of this circular excludes Hong Kong, the Macao Special Administrative Region and Taiwan);

"Pre-Conditions"	means the pre-conditions to the making of the Revised Partial Offer, as set out in section headed "A. First Announcement" of Appendix VI to this circular;
"Promissory Note"	means a promissory note, as amended by the Supplemental Agreement, for the principal amount of HK$15,420,952,062, the details of which are set out under the section headed "*Consideration*" of the Letter from the Board in this circular;
"Qualifying Shareholders"	means the Shareholders other than the Offeror and parties acting in concert with it;
"Registrar"	means the Registrar of Companies in Hong Kong;
"Remaining Group"	means the Group immediately after Completion;
"Revised Binding Proposal"	means the binding proposal dated 15 June 2015 from CRH to the Company setting out, among others, the Revised Partial Offer and enclosing a draft of the Supplemental Agreement;
"Revised Partial Offer"	means Partial Offer as revised by the Revised Binding Proposal, namely the increase in the number of Shares under the Partial Offer from 242,136,536 Shares (representing approximately 10% of the issued Shares as at the Latest Practicable Date) to 484,273,072 Shares (representing approximately 20% of the issued Shares as at the Latest Practicable Date);
"Revised Special Dividend"	means the Special Dividend as revised by the Revised Binding Proposal, namely the increase from HK$11.50 per Share to HK$12.30 per Share in the aggregate amount of approximately HK$29,783 million or approximately HK$29,928 million (representing the amount before and after taking into account any Shares to be issued under the scrip dividend scheme in respect of the Final Dividend respectively, and assuming no other changes to the number of issued shares of the Company from the Latest Practicable Date to the record date in respect of the Revised Special Dividend), representing most of the proceeds from the Disposal;
"SABMiller"	means SABMiller Asia Limited;

"Sale and Purchase Agreement"	means the sale and purchase agreement dated 4 May 2015 entered into between the Company and CRH in respect of, among others, the Disposal, which has been subsequently amended by the Supplemental Agreement;
"Second Announcement"	means the announcement made by the Company dated 4 May 2015 in relation to, among others, the Sale and Purchase Agreement;
"SFC"	means the Securities and Futures Commission;
"SFO"	means the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
"Share(s)"	means ordinary share(s) in the capital of the Company;
"Shareholder(s)"	means the holder(s) of the Shares;
"Shareholders Loans"	means the shareholders loans owed by the Disposal Group to the Company which are outstanding and not repaid as at Completion;
"Special Dividend"	means a special dividend of HK$11.50 per Share in the aggregate amount of approximately HK$27,846 million (without taking into account any Shares to be issued under the scrip dividend scheme in respect of the Final Dividend and assuming no further changes to the number of issued shares of the Company from the Latest Practicable Date to the record date in respect of the Special Dividend), representing most of the proceeds from the Disposal, which has been subsequently amended by the Supplemental Agreement;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Supplemental Agreement"	means the supplemental sale and purchase agreement entered into by the Company and CRH on 15 June 2015;

"Target Companies"	are all engaged in non-beer businesses and means: (i) Ondereel Ltd, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company; (ii) Best-Growth Resources Limited, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company; (iii) Havensbrook Investments Limited, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company; (iv) China Resources Enet Solutions Limited, a company incorporated under the laws of Cayman Islands and a direct wholly-owned subsidiary of the Company; (v) CRE Finance (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company; (vi) CRE (Nominees) Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company; (vii) CRE Trading (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company;
"Tesco"	means Tesco PLC;
"Tesco MOU Announcement"	means the announcement made by the Company dated 9 August 2013 that it had entered into a Memorandum of Understanding to form a joint venture with Tesco;
"Third Announcement"	means the joint announcement made by the Company, the Offeror and CRH dated 17 June 2015 in relation to, among others, the Supplemental Agreement and the Revised Partial Offer;
"United States" or "US"	means the United States of America;
"US$" or "USD"	means United States Dollars, the lawful currency of the United States;
"US Business Day"	means any day, other than Saturday, Sunday or a US federal holiday, and shall consist of the time period from 12:01 a.m. through 12:00 midnight Eastern time; and
"%"	means per cent.

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

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

Executive Directors:
Mr. CHEN Lang *(Chairman)*
Mr. HONG Jie *(Chief Executive Officer)*
Mr. LIU Hongji *(Vice Chairman)*
Mr. LAI Ni Hium, Frank *(Chief Financial Officer)*

Non-executive Directors:
Mr. DU Wenmin
Mr. WEI Bin
Mr. YAN Biao
Mr. CHEN Ying
Mr. WANG Yan

Independent Non-executive Directors:
Mr. HOUANG Tai Ninh
Dr. LI Ka Cheung, Eric
Dr. CHENG Mo Chi, Moses
Mr. Bernard Charnwut CHAN
Mr. SIU Kwing Chue, Gordon

Registered office, head office and principal place of business in Hong Kong:
39th Floor,
China Resources Building,
26 Harbour Road, Wanchai,
Hong Kong

9 July 2015

To the Shareholders,

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF ALL NON-BEER BUSINESSES

(2) CAPITAL REDUCTION

(3) REVISED SPECIAL DIVIDEND

(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Company published a joint announcement with CRH and the Offeror dated 20 April 2015 announcing the receipt of the Binding Proposal, which includes the possible very substantial disposal of all non-beer businesses of the Company, the possible Capital Reduction, the possible Special Dividend and the pre-conditional Partial Offer. The Company published the Second Announcement dated 4 May 2015 announcing that the

Company entered into the Sale and Purchase Agreement with CRH, pursuant to which, subject to the conditions precedent set therein, the Company agreed to sell and CRH agreed to purchase all of the non-beer businesses of the Company (including but not limited to the Disposal Group and all the assets and rights relating to all the non-beer businesses held by the Group) for a total consideration of HK$28,000,000,000. The Company published the Third Announcement with CRH and the Offeror dated 17 June 2015 announcing the entering into of the Supplemental Agreement to, inter alia, increase the total consideration of the Disposal from HK$28,000,000,000 to HK$30,000,000,000 and the Revised Partial Offer.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal, (ii) financial and other information of the Group and the Disposal Group, (iii) unaudited pro forma financial information of the Remaining Group upon Completion, (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (v) a letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders; and (vi) a notice of the EGM.

THE SALE AND PURCHASE AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT)

The principal terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are set out as follows:

Date:	4 May 2015	
Parties:	(A) Vendor:	the Company
	(B) Purchaser:	CRH

Assets to be disposed of (the "Disposal Assets")

CRH has agreed to purchase and the Company has agreed to sell all of the non-beer businesses of the Company pursuant to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) comprising the following:

(i) the direct (or, where applicable, indirect) interest in the entire issued share capital of the Target Companies, being subsidiaries of the Company;

(ii) (a) all the rights under the Non-Beer Contracts; (b) such assets and rights relating to the non-beer businesses held by the Company and Purple Finance Limited (which is a wholly-owned subsidiary of the Company) (for the avoidance of doubt and subject to (c) below, excluding the Company's head office fixed assets, prepayments, other receivables (other than receivables of management income in connection with a housing estate and the Parking Lots), utility deposits, club memberships, tax recoverable of the Company at the date of Completion), and (c) the Parking Lots (together with any utility deposits and prepayments less expenses in association therewith);

(iii) the cash and cash equivalents held by the Company attributable to its non-beer businesses (the amount of which was approximately HK$3,600 million as at 31 March 2015); and

(iv) the Shareholders Loans (the amount of which was approximately HK$4,959 million as at 31 March 2015).

At Completion, CRH will assume all obligations and liabilities of the Company and its subsidiaries unrelated to the beer business (including but not limited to tax liabilities, tax related penalties and surcharges arising out of or in connection with the transactions contemplated under the Sale and Purchase Agreement (as amended by the Supplemental Agreement), corporate liabilities such as bank loans of and income tax payable by CRE Finance (Hong Kong) Limited and liabilities owed by Purple Finance Limited to the Target Companies)). As at 31 March 2015, the total liabilities of the Company and its subsidiaries unrelated to the beer business amounted to approximately HK$78,755 million. The Company will release all financial guarantees relating to the non-beer businesses on or prior to Completion. As at 31 March 2015, the Company did not have any material contingent liabilities.

The Company and CRH have been actively liaising with the relevant third parties on the release of financial guarantees relating to the non-beer businesses, all of which is expected to take place by Completion Date, after the approval by Independent Shareholders of the Disposal has been obtained.

All costs and expenses directly incurred by the Company in connection with, amongst others, the implementation of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) will be fully reimbursed by CRH.

Information of the Target Companies

The Target Companies consist of the direct (or, where applicable, indirect) interest in the following companies:

(i) Ondereel Ltd, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding of retail focused subsidiaries;

(ii) Best-Growth Resources Limited, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding of food focused subsidiaries;

(iii) Havensbrook Investments Limited, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding of beverage focused subsidiaries;

(iv) China Resources Enet Solutions Limited, a company incorporated under the laws of Cayman Islands and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding;

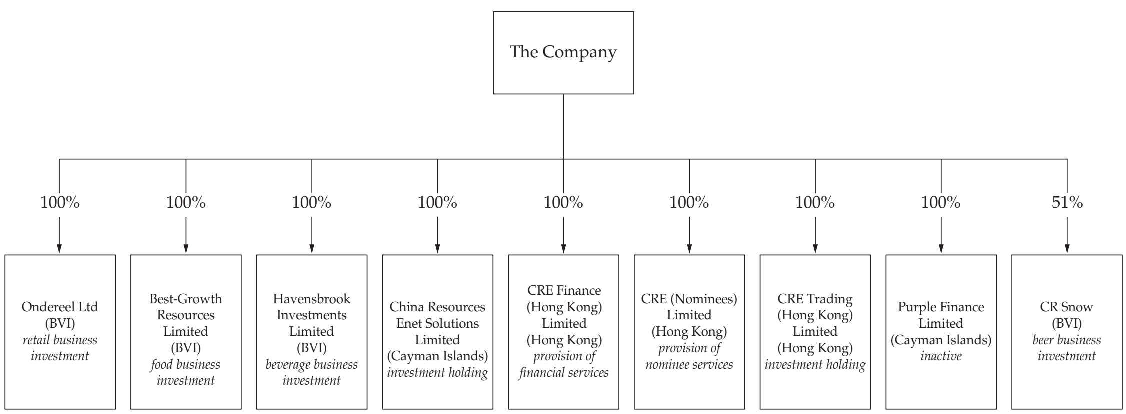
(v) CRE Finance (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company, which is principally engaged in the provision of financial services to group companies;

(vi) CRE (Nominees) Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company, which is principally engaged in the provision of nominee services; and

(vii) CRE Trading (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding.

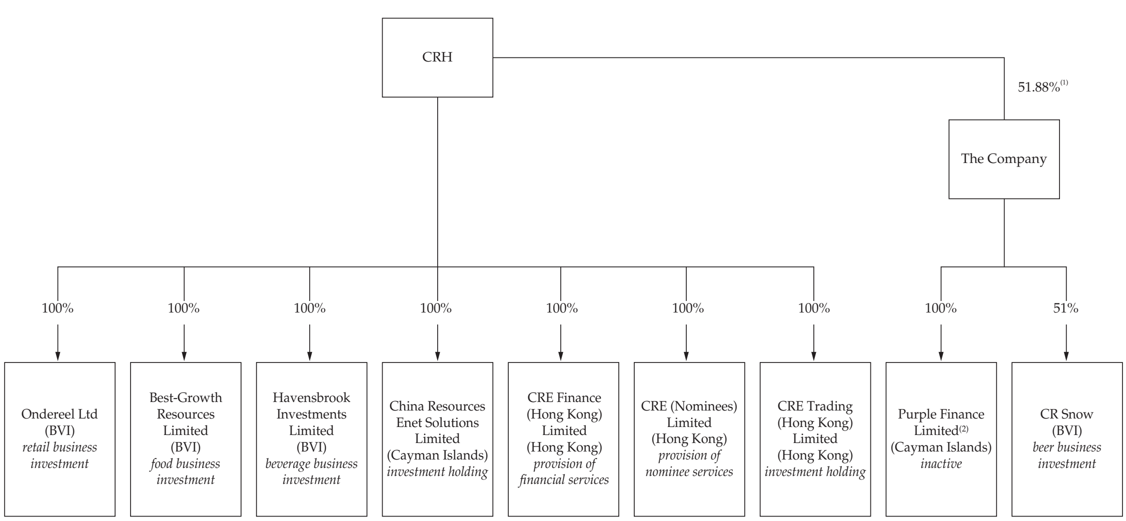
Current holding structure

The current holding structure of the Group (including the Target Companies) is as follows:



Expected holding structure

Immediately after Completion, the expected holding structure of the Group and the Target Companies is as follows:



Notes:

1. CRH indirectly held 1,253,735,940 Shares as at the date of the Sale and Purchase Agreement as well as the Latest Practicable Date (representing approximately 51.78% of the issued shares of the Company). It will indirectly hold 1,262,389,854 Shares upon the allotment and issue of new Shares under the scrip dividend scheme in respect of the Final Dividend on 10 July 2015 (representing approximately 51.88% of the total issued shares of the Company upon the allotment and issuance of the above-mentioned new Shares).

2. Purple Finance Limited has no assets and liabilities other than certain inter-company balances, which would be taken up by CRH at Completion.

— denotes direct or indirect interest

Consideration

The total consideration payable by CRH to the Company in respect of the Disposal under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) is HK$30,000,000,000 payable in cash as to HK$14,579,047,938 and the balance by way of the Promissory Note.

The cash consideration of HK$14,579,047,938 is to be paid by CRH to the Company within three Business Days from the date of Completion. The Promissory Note with no callable feature is to be issued by CRH upon Completion as a part of the consideration for the Disposal, and will bear interest at the higher of (i) 0.94% per annum and (ii) the best three-month bank deposit rate which the Company may obtain from banks which have existing business relationships with the Company under the prevailing market conditions about the time of Completion as notified in writing to CRH two Business Days before Completion for the period from the date of Completion to the date when the principal amount, together with the accrued interest, of the Promissory Note is to be fully paid to set off against the Revised Special Dividend.

In the event that the amount of the Revised Special Dividend is insufficient to redeem the amount due under the Promissory Note, CRH will be required to pay the shortfall to the Company on the date of payment of the Revised Special Dividend.

To the extent that no Revised Special Dividend is paid, CRH will be required under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) to repay such outstanding amount under the Promissory Note (together with interest accrued on the principal amount of the Promissory Note up to repayment date) within five Business Days upon the Company's notification in writing to CRH that the Revised Special Dividend is not capable of being paid. The Promissory Note is not transferable and has neither security nor maturity period.

The consideration for the Disposal, as part of the Revised Binding Proposal, was proposed by CRH with reference to CRH's view of the value of the non-beer businesses and the terms of the transaction taken as a whole, including the Revised Partial Offer. The Company accepted the consideration for the Disposal arrived at on an arm's length basis, which is expected to result in an unaudited loss on disposal before taxation of approximately HK$5.0 billion (please refer to the section headed "Reasons for the

Disposal and Financial Implications thereof" for details), with reference to the terms of the Revised Binding Proposal taken as a whole, including the Revised Partial Offer and after taking into account the benefits which may be brought to the Company and the Shareholders as a whole, such as unlocking the unrealisable near term value in the Company and removing the ongoing challenges and uncertain outlook in the short to medium term for the non-beer businesses, as more specifically discussed in the section headed "Reasons for the Disposal and Financial Implications thereof" below.

Conditions precedent

Completion is subject to and conditional upon fulfillment of the following conditions:

(i) the approval of Independent Shareholders at the EGM for the Company's entry into and performance of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder;

(ii) the Company and CRH having obtained all relevant bank consents and third party consents in connection with the transactions contemplated under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) in relation to the bank loans made to, and subsisting agreements made with, the Company or the Disposal Group; and

(iii) the Company and CRH having obtained all consents, permits, approvals, authorisations and waivers from any competent governmental or regulatory authorities as may be necessary or desirable to give effect to the transactions contemplated under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) (if any). This does not include the implementation of the Capital Reduction and the Revised Special Dividend distribution.

The Parties may, by mutual agreement, waive in whole or in part the conditions precedent (ii) and (iii). The condition precedent (i) shall not be waived in any event. As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled or waived.

If the conditions precedent to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) have not been satisfied or, to the extent permitted, waived by the Long Stop Date, either Party may give notice in writing to the other Party to terminate the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

Completion

Completion will take place on or before the second Business Day after the conditions precedent to the Sale and Purchase Agreement (as amended by the Supplemental Agreement) have been fulfilled or, to the extent permitted, waived in accordance with the Sale and Purchase Agreement (as amended by the Supplemental Agreement) (or such other date as the Parties may agree).

The Company is required under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) to use its commercially reasonable endeavours to implement the Capital Reduction as soon as practicable after signing of the Sale and Purchase Agreement (as amended by the Supplemental Agreement). If the Capital Reduction cannot be effected by Completion, the Company undertakes to complete the Capital Reduction as soon as practicable after Completion.

The Company is also required under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) to, following the implementation of the Capital Reduction, convene a meeting of the Board to consider the approval of the declaration and payment of the Revised Special Dividend of HK$12.30 per Share, subject to Directors' fiduciary duties. Before taking into account the Shares to be issued under the scrip dividend scheme in respect of the Final Dividend and assuming no other changes to the total number of issued shares of the Company from the Latest Practicable Date to the record date in respect of the Revised Special Dividend, the aggregate amount of approximately HK$29,783 million would be paid as the Revised Special Dividend. The aggregate amount after taking into account the scrip Shares is approximately HK$29,928 million. Barring any unforeseen circumstances, it is expected that the Revised Special Dividend will be payable by the end of October 2015. The Company will publish an announcement containing, among other things, the detailed timetable of the declaration and payment of the Revised Special Dividend as and when appropriate.

CRH has also agreed that it will not, for a period of three years after Completion, without the Company's prior written consent,

1. without limiting paragraphs 2 and 3 below, directly or indirectly, sell, transfer or otherwise dispose of (a) 25% or more of the equity interests in any of the supermarket retail business segment, beverage business segment or food business segment, or (b) any of the Disposal Assets or the Disposal Group which represents 25% or more of the consolidated net asset value (as determined based on the latest audited consolidated financial statements) of any of the supermarket retail business, beverage business or food business;

2. directly or indirectly, sell, transfer or otherwise dispose of, any of the investment properties of the Disposal Group (i.e. those properties classified by the Company as investment properties as at 31 December 2014) (the "Investment Properties") which are part of the Disposal Assets; and

3. undertake or implement the listing or quotation of shares on any stock exchange of any of the supermarket retail business, food business or beverage business, or any of the Investment Properties, individually or on a combined basis.

In addition, CRH undertakes, as soon as practicable after the satisfaction of all the Pre-Conditions, to procure the making of the Revised Partial Offer by or on behalf of the Offeror.

Further, CRH has agreed to provide, upon the Company's request after Completion and for the purposes of developing the Group's beer business, shareholder's loan(s) up to a maximum aggregate amount of HK$10,000,000,000 for a duration of not more than three years. Such shareholder's loan(s) will be available for drawdown by the Company for a period of three years from Completion at an interest rate that CRH is able to borrow Hong Kong dollars in an amount equal to the relevant loan from a bank or a financial institution for the relevant period.

Following Completion, the Target Companies will cease to be subsidiaries of the Company and the results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group.

As at the Latest Practicable Date, CRH had neither intention nor plan to inject any assets or businesses into the Company. The Company had no intention to enter into any new beer business venture. After Completion, the Company will take into account the prevailing market circumstances and the resources and opportunities available in its development and growth of its beer business.

Completion is not conditional on the implementation of the Capital Reduction and the declaration and payment of the Revised Special Dividend.

FINANCIAL INFORMATION OF THE DISPOSAL ASSETS

The unaudited net profit before taxation of the Disposal Assets for the year ended 31 December 2013 and 2014 were approximately HK$2,415 million and HK$(444) million, respectively. The unaudited net profit after taxation of the Disposal Assets for the year ended 31 December 2013 and 2014 were approximately HK$1,285 million and HK$(1,191) million, respectively. The unaudited results of the Disposal Assets for the three months ended 31 March 2015 and 31 March 2014 are set out below:

	For the three months ended 31 March	
	2015	**2014**
	HK$ million	*HK$ million*
Turnover	40,155	33,971
Net profit before taxation	809	783
Net profit after taxation	452	439
Profit attributable to shareholders of the Company	319	355

The unaudited balance sheet figures of the Disposal Assets as at 31 March 2015 and 31 December 2014 are set out below:

	As at 31 March 2015 HK$ million	As at 31 December 2014 HK$ million
Total assets		
Investment properties *(Note)*	21,088	21,105
Goodwill	12,372	12,410
Cash and bank balances	14,991	14,582
Other assets	75,096	75,718
	123,547	123,815
Total liabilities		
Short term loans and long term loans	18,275	20,043
Other liabilities	60,480	61,106
	78,755	81,149
Net tangible assets	32,192	30,022
Non-controlling interests	7,610	7,439
Net assets attributable to shareholders of the Company	37,182	35,227

The unaudited net assets attributable to shareholders of the Company of the Disposal Assets as at 31 December 2013 and 2014 were approximately HK$31,368 million and HK$35,227 million, respectively.

Note:

	Carrying value as at 31 March 2015 HK$ million	Carrying Value attributable to the Group (excluding non-controlling interests) as at 31 March 2015(*) HK$ million	Carrying value as at 31 December 2014 HK$ million	Carrying Value attributable to the Group (excluding non-controlling interests) as at 31 December 2014(*) HK$ million
Investment properties located in Hong Kong	14,097(**)	13,978	14,097	13,978
Investment properties located in Mainland China	6,991	5,577	7,008	5,591
Grand total	21,088	19,555	21,105	19,569

* The carrying values attributable to the Group were calculated from the carrying values of the properties multiplied by the Company's effective shareholding in the holding entity of such properties. Such properties are carried in the balance sheet at their fair value. In accordance with the Group's accounting policy which is in compliance with Hong Kong Accounting Standard 40.

** Inclusive of the valuation of the Parking Lots which valuation report, as required under the Listing Rules, is set out in Appendix V of this circular. The carrying value of the Parking Lots as at 31 March 2015 and carrying value as at 31 December 2014, which were entirely attributable to the Group, are HK$66 million and HK$66 million respectively. For the other investment properties, since their carrying value represented less than 50% of the total assets of the relevant Target Company as at 31 March 2015, no valuation reports are required to be included in this circular under the Listing Rules.

REASONS FOR THE DISPOSAL AND FINANCIAL IMPLICATIONS THEREOF

Summary

- The Board has been informed that the rationale for the offer from CRH is to unlock the value of the beer business from the conglomerate structure and to remove the associated discount in the share price. The transaction also enables Shareholders to invest in a transparent and focused beer business and removes the impact of uncertainties created by the ongoing restructuring of the non-beer businesses. The Revised Binding Proposal was made by CRH with reference to CRH's view of the value of the non-beer businesses and the terms of the transaction taken as a whole, including the Revised Partial Offer, and having considered changes in general market conditions since the Last Trading Date to enhance the attractiveness of the transaction to the Shareholders.

- The offer from CRH allows shareholders of the Company to realise a significant premium to the historical trading value of the Shares. For each Share that is accepted into the Revised Partial Offer, a total consideration of HK$25.00 is received by Shareholders, which represents a 64.5% premium and a 4.2% premium over the closing share price on the Last Trading Date and the Latest Practicable Date, respectively.

- The offer from CRH to purchase the non-beer businesses for HK$30.0 billion is part of the overall Revised Binding Proposal from CRH and should be considered in conjunction with the removal of the conglomerate discount from the Company as a beer focused business in the future. The proceeds received for the non-beer businesses will largely be distributed to the Shareholders in the form of a special dividend.

- The ongoing challenges and uncertain outlook in the short to medium term for the non-beer businesses and the poor share price performance creates uncertainty as to whether the value being unlocked through the Revised Binding Proposal can be realized by the Company and its shareholders in the foreseeable future.

- The Board believes that the Revised Binding Proposal is attractive as it creates the opportunity for the Shareholders to unlock otherwise unrealisable near term value in the Company.

Background

As disclosed in our annual report for the year ended 31 December 2014, the Chinese retail industry has faced an increasingly challenging macroeconomic and consumer environment with consumer spending and retail sales growth as well as inflation continuing to decline, particularly over the past 18 months. Like its peers, the Company's retail division has not been immune to these headwinds and, as a result, its financial performance has been negatively impacted. While the Company's management continues to perform well with respect to the execution of its business plan, the Company has also faced persistent external challenges associated with structural changes in the industry, including anti-extravagance policies as well as increasing and sustained competition from the rapid emergence of new and innovative businesses such as e-commerce businesses in China as well as from new industry players such as discounters.

These external factors have had a significant negative impact across the Company's businesses resulting in a decline in its operating and financial performance. This comes at a point in time when the Company is already facing a combination of significant strategic challenges including: (i) integration of Tesco's China business in the retail segment; (ii) significant investment decisions with respect to e-commerce and IT; and (iii) defining a longer-term growth strategy for both the food and beverage businesses which require additional investment.

Beer is the Company's strongest performing business in terms of profitability, but has also been impacted by the changing macroeconomic and competitive environment while undertaking the integration of the Kingway beer business following the acquisition and implementing the optimal branding strategy for its beer portfolio.

As the controlling shareholder of the Company, CRH has continuously supported the development of the Company throughout its history as a publicly listed company on the Stock Exchange. CRH has taken particular note of the stock performance of the Company since 2013, and notes that the weakness experienced over this period is also shared by other listed PRC-focused retail peers. CRH is of the view that, to ensure the long-term prospects and success of the Company, there is a need to continue investing significant amounts of capital and resources in the Company's non-beer businesses. Furthermore, there is no certainty as to the time required for the return of the non-beer businesses to profitability.

After considering a number of potential alternatives to unlock value for the Company and its Shareholders, it is CRH's belief that a strategic transformation into a beer-focused business is the best option for the Company and is in the best interests of the Shareholders. The proposed transformation enables the non-beer businesses to be managed privately without exposing the Company and its minority shareholders to the impact of uncertainties created by ongoing restructuring, and provides Shareholders with a unique opportunity to continue having an ownership interest in CR Snow, the number one beer business in China by sales volume which will be unburdened from the existing conglomerate structure and associated capital constraints allowing for greater flexibility to execute its business plan.

The Board believes that a more simplified structure could help unlock significant value for all Shareholders of the Company. Under the terms of the Revised Binding Proposal, the Shareholders would receive a special dividend of HK$12.30 per Share representing substantially all of the proceeds received by the Company as consideration for the non-beer businesses. Qualifying Shareholders would additionally have the opportunity to tender all of their Shares into the Revised Partial Offer to be launched by CRH. However, it is possible that if a Qualifying Shareholder tenders all of his/her Shares for acceptance under the Revised Partial Offer, not all of such Shares will be taken up. Assuming no further changes to the number of Shares from the Latest Practicable Date other than Shares to be allotted and issued pursuant to the scrip dividend scheme in respect of the Final Dividend, Qualifying Shareholders can, however, be assured that a minimum of approximately 41.44% of Shares tendered for acceptance under the Revised Partial Offer will be taken up, further details of which are set out in Appendix VI to this circular.

Disposal Assets: Recent Business Performance and Strategic Considerations

Retail Segment

The Company's retail division is largely comprised of the joint venture with Tesco and mainly consists of "華潤萬家 CR Vanguard" supermarkets. It also comprises "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 2014, the Company operated over 4,800 stores in China across 31 provinces, of which approximately 85% were self-operated while the rest were franchised. The retail segment also includes a number of self-owned properties that are occupied by its retail stores and are an integral part of the business. As such, these properties have not been periodically revaluated as they are considered operating assets. The retail segment generated turnover of HK$109,500 million and recorded an underlying attributable loss to shareholders of HK$1,359 million in 2014 and in the first quarter of 2015, it generated turnover of HK$34,060 million and recorded an underlying net profit (excluding the after-tax effect of asset revaluation and major disposals) attributable to shareholders of HK$335 million. For the PRC retail industry, the first quarter result is impacted by seasonality effects (Chinese New Year). This does not reflect the overall deteriorating condition of the retail market. Furthermore, the Company's 2015 first quarter retail underlying net profit attributable to shareholders of HK$335 million is worse compared with the Company's 2014 first quarter retail underlying net profit attributable to shareholders of HK$464 million. In the first quarter of 2015, the retail business also suffered a decrease in same stores sales of 3.3% year-on-year.

The Board notes that the challenging environment in China's retail market and general market conditions have posed a significant challenge on the Company. This led the Board to believe that a change in strategy is required.

Slowing economic growth has resulted in lower consumer spending growth and this has had a negative impact on the retail sector. This impact has been compounded by the shift to e-commerce and the entry of new industry players that is impacting large format stores, and has therefore resulted in declining same store sales for the retail segment over the last 18 months. These trends, when combined with an escalation in labour costs, have led to a decline in profitability. Notably, investor sentiment in the overall retail and specifically the food retail sector in China has significantly worsened and this has also impacted the Company's share price performance. At the same time, the Company is undertaking the integration with Tesco's China business that will require a significant amount of time and capital investment.

The Board remains supportive of the Tesco partnership and the retail segment's management team and continues to believe the joint venture has the potential to be a strong platform over time. Although the integration remains generally on track, there is no certainty as to the timing or successful execution in view of the current operational environment and ongoing industry challenges. Furthermore, e-commerce is an increasing threat and significant investment will also be required to develop and support an e-commerce strategy to ensure its competitiveness. In addition, further investment will need to be made into the retail stores to adapt to the changing landscape and improve profitability such as investments to strengthen the retail segment's fresh produce proposition, optimising store formats and further centralisation of operations. Such significant investment coupled with the competition from other retailers and e-commerce players may put further downward pressure on the profitability of the retail segment.

Food Segment

The Company's food division is one of the largest suppliers of foods in Hong Kong with a vision to become the largest and most competitive branded food companies in China by volume. The division sells mainly rice, meat, assorted food and modern agricultural products. Capitalizing on the "五豐 Ng Fung" brand that is recognized for its quality with a track record of over 60 years in Hong Kong, the division is actively expanding its presence in the China market. Its industrial chain is empowered with capabilities in production, processing, wholesaling, retail, logistics and international trading.

The food segment generated turnover of HK$16,486 million and recorded an underlying attributable loss to shareholders of HK$134 million in 2014 and in the first quarter of 2015, it reported turnover of HK$4,096 million and attributable loss to shareholders of HK$38 million. The losses incurred were as a result of the significant investments undertaken and marketing expenses incurred as a result of a strategy to grow the rice business. The rice business is currently unprofitable due to government price controls and lower degree of integration across the value chain as compared to competitors, and will therefore require further investment to improve profitability. In addition, the pork business is also less profitable than competitors, due to the focus on upstream slaughtering as well as low utilization rates of slaughterhouses and it will therefore likely require continued investment along the value chain into downstream processed pork segments to improve capacity utilisation and profitability.

Beverage Segment

The Company's beverage business is a joint venture with Kirin. It generated turnover of HK$9,891 million and recorded an underlying net profit attributable to shareholders of HK$237 million in 2014 and in the first quarter of 2015, it generated turnover and attributable profit to shareholders of HK$2,400 million and HK$66 million, respectively. The beverage business's flagship purified water brand "怡寶 C'estbon" is one of the best-selling water brands in China. The segment also produces milk tea, coffee, energy drinks and other beverage products in China.

While the beverage business has demonstrated strong growth in recent years, the business is facing increasing competition and there is a need to make additional ongoing investments to achieve and maintain its leading position. A significant portion of its growth and profit is derived from purified water, which contributes the majority of sales volume and turnover. The Company has continued to invest in other beverage products since the formation of the joint venture with Kirin in 2011, but has yet to become a national player in those categories. Market leaders in beverages are typically multi-category businesses with large product portfolios. So, there is a need for additional investment to develop market leading brands in other categories given the relatively limited product portfolio the business has today. In addition, further investments in sales, distribution and production is also required to become a market leading beverage business. There are therefore execution risks with respect to additional investment and product development and there is no certainty that such new products and brands will become market leading brands in the future.

Investment Properties

The Disposal Assets include all the investment properties held by the Group, which had a carrying value of HK$21.1 billion as at 31 March 2015. Excluding minority interests, the Company's share of the value of all investment properties is HK$19.6 billion. The investment properties are primarily retail spaces located in Mainland China and Hong Kong.

Of the HK$7.0 billion investment properties in Mainland China, HK$6.7 billion are held by the retail joint venture with Tesco, representing primarily floor area leased to third parties within shopping malls that contain its stores. The Board notes that the Company's retail business has presence in, as well as the management right over, most of these investment properties in the PRC. As the continuation of our retail business presence at these properties requires retention of management rights over them, such properties are not readily available for sale without risk of disruption to the retail business.

The Hong Kong investment properties, which were valued at HK$14.1 billion as at 31 March 2015, include primarily retail spaces within shopping malls. These investment properties in Hong Kong are largely remnants of legacy operations of the Company's retail businesses which have been discontinued for a number of years. The Board considers all such investment properties as non-core to the Company's business. The Board notes the impact of the macroeconomic headwinds and the anti-extravagance policies from China on a number of key retail segments, such as cosmetics, watches, jewelry and department stores in 2014, coupled with the restrictions on multiple-entry endorsements for Shenzhen residents implemented on 13 April 2015. These factors potentially impact the value of these investment properties in the medium to longer term.

CRH has indicated that, in light of the above concerns, it does not, as at the date of this letter, envisage supporting any sale of the investment properties held by the Company that requires Board approval to independent third parties.

Remaining Beer Business: Recent Business Performance and Strategic Considerations

After Completion, the Company will continue to operate its beer business, owning 51% of CR Snow which is a highly successful 21-year joint venture partnership with SABMiller. CR Snow generated turnover of HK$34,482 million and profit attributable to shareholders of HK$761 million in 2014 and in the first quarter of 2015, it reported turnover and attributable profit to shareholders of HK$8,509 million and HK$51 million, respectively. The second and third quarters of a year are normally the peak seasons of the beer division and as such, the performance of the beer segment is subject to seasonal fluctuation. CR Snow is the largest brewer by sales volume in China, the largest beer market by sales volume in the world. Its flagship brand "Snow" is the largest by volume in the world since 2008 and the largest beer brand in China by volume since 2006 with a 21.0% market share, almost double the volume market share of the second largest brand in China, according to Euromonitor International. Since establishment in 1994 with 2 breweries in Liaoning province, CR Snow has grown to a total of 98 breweries in 25 provinces with total capacity of over 200 million hectoliters as of the end of 2014. Over the same time, CR Snow has seen tremendous growth in sales and net profit since 1994, achieving a turnover and net profit CAGR of 26% and 23%, respectively.

The proposed transaction creates an attractive and unique opportunity for Shareholders to have a standalone investment in CR Snow, the leading beer company in the world's largest beer market. CRH, as controlling shareholder of the Company, will support the development of the Group's beer business. Unburdened from the previous conglomerate structure and associated capital constraints, it will be a beer focused company with a dedicated management team. CR Snow will have greater financial and operational transparency, highlighting the Company's exceptional track record of growth and profitability. It is anticipated that as a listed entity with a focus on beer, the Company should enjoy greater flexibility in equity and debt capital issuance, to fund organic growth and, if desired, to lead further industry consolidation.

Share Price Considerations

The Company's share price has significantly underperformed the Hang Seng Index for the nine months prior to the First Announcement, and in addition, prior to the First Announcement, there was a risk of its shares falling out of the Hang Seng Index. As at the Last Trading Date prior to the First Announcement (being 2 April 2015) and the Latest Practicable Date, the Company's closing share price had:

- declined by 40.9% and 6.6% since the Tesco MOU Announcement, respectively; and

- declined by 30.6% and increased by 9.6% in the twelve months prior to the First Announcement, respectively.

Furthermore, in the 12 months prior to the First Announcement, the share price of the Company had continued to trade significantly below the net book value of the Company. The closing share price on the Last Trading Date and the Latest Practicable Date of HK$15.20 and HK$24.00 represented a 24.5% discount and 19.2% premium to the net book value per share of the Company of HK$20.13 as of 31 December 2014, respectively. Peers of the Company's non-beer businesses have also underperformed due to the challenging economic and competitive environment.

The Board notes that CRH's motivations for the Revised Binding Proposal include the removal of the apparent discount in the stock price of the Company, versus CRH's own assessment of the sum of the parts value of the Company. The Revised Binding Proposal from CRH includes an offer for all of the non-beer businesses and a Revised Partial Offer for up to approximately 20% of the issued share capital of the Company (as at the Latest Practicable Date). In light of the above, the Board believes it is appropriate to review and consider the Revised Binding Proposal as a whole, taking into consideration the likely trading value post Completion. Through the Revised Special Dividend of HK$12.30 per Share, investors can realise approximately 80.9% of the share value based on the closing share price of the Shares on the Last Trading Date and approximately 51.3% of the share value based on the closing share price of the Shares on the Latest Practicable Date. It is more appropriate to consider the Revised Special Dividend with reference to the closing share price of the Shares on the Last Trading Date, which is the relevant date before the Disposal was first announced. For each share that is accepted into the Revised Partial Offer, a total consideration of HK$25.00 is received by Shareholders, which represents:

- 64.5% premium over the closing share price on the Last Trading Date;
- 4.2% premium over the closing share price on the Latest Practicable Date; and
- 57.0% premium over the average closing price of the 90 days immediate prior to and including the Last Trading Date.

In respect of those Shares which, after receipt of the Revised Special Dividend, are not accepted into the Revised Partial Offer, the Board notes that the trading price of the Company as a beer business, may be determined by reference to a number of factors, including the trading levels and valuations of relevant comparable companies. The Partial Offer price of HK$12.70 per share, representing 83.6% and 52.9% of the closing share price on the Last Trading Date and the Latest Practicable Date, respectively, also serves as a valuation benchmark for the future trading of the Company as a beer-focused company.

The Board notes that if the Revised Binding Proposal is not approved by the Independent Shareholders and does not proceed, there is no assurance that the trading price will remain at its current level and there is no assurance that another proposal or event will materialize which will create value above the implied premium of the Revised Binding Proposal in the foreseeable future.

Alternate Transactions

The Board notes that the management of the Company has considered a variety of potential alternate transactions to the Revised Binding Proposal to unlock and realise shareholder value. These alternatives include a spin-off listing of the beer business, a sale and leaseback of our owned real estate, a sale of part, or all of the non-beer businesses to a third party, introduction of financial or strategic investors or buy-back of certain Shares. Having assessed the merits and viability of these potential alternate transactions, the Board believes that in addition to the potential challenges of successfully executing each of those alternatives and possible disruption to existing business operations, there is no certainty as to the time any of the potential alternatives will take to complete (which is dependent on a number of factors including counterparties, capital requirements as well as current market conditions) or the value they will create relative to the Revised Binding Proposal. CRH has indicated it has no current plan to implement any of the aforesaid alternate transactions and does not, as at the Latest Practicable Date, envisage supporting any alternate transactions that requires Board approval. Based on the foregoing, the Board is of the opinion that, without the support of CRH, it is unlikely that Independent Shareholders will receive another offer or proposal from a third party.

Other Considerations

The unaudited net assets attributable to shareholders of the Company as at 31 March 2015 amounting to HK$37.2 billion includes goodwill of HK$9.3 billion in its retail segment. The Company reviews the carrying value of goodwill on a regular basis. In light of the weak financial performance of the retail segment in the first quarter and the outlook in the second quarter of 2015, management would re-assess the carrying value of the goodwill if such market and operational conditions were to continue in the medium term. Should there be a revision in management estimate of the nominal growth rate beyond the five years cash flow projection from 8% (which was the rate adopted in the goodwill assessment for the year ended 31 December 2014 as disclosed in the annual report of the Company for 2014) to say, 4.4% (i.e., if there is a 45% downward sensitivity change from the 8% nominal rate due to the probable downward adjustment of medium to long term outlook of the retail segment), the Group would recognise an impairment against goodwill of approximately HK$3.7 billion, of which, HK$2.9 billion is attributable to shareholders of the Company.

Upon Completion, the Company will no longer be engaged in any of the non-beer businesses and all of the execution risks of improving the non-beer businesses will be transferred fully to CRH, with future capital investment requirements and potential losses to be borne by CRH. Given the deep integration and restructuring required of the Disposal Assets in the near term, CRH expects to continue investing in the non-beer businesses and focus on the strategic planning, organizational transformation, and adjustment of the business model required to turn around the non-beer businesses over the potentially challenging near future.

CRH has indicated that it will continue to support the Company and also encourages Shareholders to remain invested in the Company, as a pure play beer business. CRH does not have any current intentions to privatize the Company. As stated in the First Announcement, the Company will remain an integral constituent of CRH. Pursuant to the Supplemental Agreement, CRH has agreed to provide, upon the Company's request after Completion and for purposes of developing the Group's beer business, shareholder's loan(s) up to a maximum aggregate amount of HK$10,000,000,000 for a duration of not more than three years. Such shareholder's loan(s) will be available for drawdown by the Company for a period of three years from Completion at an interest rate that CRH is able to borrow Hong Kong dollars in an amount equal to the relevant loan from a bank or a financial institution for the relevant period. CRH's continued support of the Company will not change irrespective of the outcome of the Revised Binding Proposal.

Financial Implications

After Completion, the Group will be engaged solely in the beer business. Based on the pro forma financial information of the Remaining Group as at and for the year ended 31 December 2014 and the pro forma financial information of the Remaining Group as at and for the three months ended 31 March 2015:

	As at and for the year ended 31 December 2014		**As at and for the three months ended 31 March 2015**	
	Whole Group Before Completion	**Remaining Group Pro Forma After Completion**	**Whole Group Before Completion**	**Remaining Group Pro Forma After Completion**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Earnings/(Losses) per Share	HK$(0.07)	HK$0.86	HK$0.15	HK$(1.21)[1]
Profit/(Loss) attributable to shareholder of the Company	(161)	2,062	363	(2,936)[2]
Weighted average no. of Shares ('million)	2,410	2,410	2,421	2,421
Equity attributable to shareholders of the Company	48,747	43,741	48,965	41,993
Total liabilities	111,741	30,592	110,634	31,879
Net current assets/ (liabilities)	(21,118)	25,817	(25,088)	19,906[3]
Gearing ratio[4]	11.6%	(20.9%)	10.3%	(20.1%)
Total equity	69,623	57,178	68,195	53,613
Net borrowings	8,063	(11,973)	7,056	(10,787)

Notes:

1. taken into account the estimated loss on disposal of HK$2,980 million, assuming Completion had taken place on 1 January 2015. If Completion had taken place on 31 March 2015, the estimated loss on disposal would be HK$5,030 million and the losses per Share would be HK$2.06.

2. included the estimated loss on disposal of HK$2,980 million, assuming Completion had taken place on 1 January 2015. If Completion had taken place on 31 March 2015, the estimated loss on disposal would be HK$5,030 million and the loss attributable to shareholder of the Company would be HK$4,986 million. The performance of the beer segment is subject to seasonal fluctuation.

3. the net current liabilities of the Company would be improved upon Disposal.

4. being the ratio of the total loans minus cash and cash equivalents divided by total equity.

The consideration for the non-beer businesses of HK$30.0 billion is below the unaudited book value of HK$37.2 billion, as of 31 March 2015, for the non-beer businesses. As a result of the increase in consideration for the Disposal, it is estimated that the Group will realise an unaudited loss on the Disposal before taxation of approximately HK$5.0 billion, which is calculated with reference to the consideration for the Disposal less (i) the net asset value (after the deduction of the proposed Final Dividend) of the Disposal Assets attributable to the Shareholders as at 31 March 2015; and (ii) release of reserves as at 31 March 2015. The above mentioned estimation may be different from the actual financial effect of the Disposal at the date of Completion as the above deduction items (i) and (ii) will then be calculated based on the respective amount at the date of Completion. All costs and expenses (including tax expense) directly incurred for the Disposal have not been taken into account as all these costs will be fully reimbursed by CRH. Most of the cash proceeds from the consideration under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are required to be returned to all Shareholders via the Revised Special Dividend after Completion and the Capital Reduction. This is in line with the intention of CRH to provide a substantial and immediate cash realization to Shareholders as a part of the Revised Binding Proposal.

CRH Undertakings

CRH has also agreed that it will not, for a period of three years after Completion, without the Company's prior written consent,

1. without limiting paragraphs 2 and 3 below, directly or indirectly, sell, transfer or otherwise dispose of (a) 25% or more of the equity interests in any of the supermarket retail business segment, beverage business segment or food business segment, or (b) any of the Disposal Assets or the Disposal Group which represents 25% or more of the consolidated net asset value (as determined based on the latest audited consolidated financial statements) of any of the supermarket retail business, beverage business or food business;

2. directly or indirectly, sell, transfer or otherwise dispose of, any of the investment properties of the Disposal Group (i.e. those properties classified by the Company as investment properties as at 31 December 2014) (the "Investment Properties") which are part of the Disposal Assets; and

3. undertake or implement the listing or quotation of shares on any stock exchange of any of the supermarket retail business, food business or beverage business, or any of the Investment Properties, individually or on a combined basis.

Conclusions

The Financial Advisor appointed to advise the Company on the Binding Proposal and Revised Binding Proposal believes that, given the limited alternate options to realise value, the implied premium of the Revised Binding Proposal and the fact that the Revised Binding Proposal allows investors to immediately realize a significant part of the Company's value in cash whilst retaining ownership in the Company as a pure play beer business, the Revised Binding Proposal is attractive to Shareholders.

After taking into account (i) the terms of the Revised Binding Proposal as a whole, (ii) CRH's reasons and rationale for making the Revised Binding Proposal, (iii) the analysis and advice received from the Financial Advisor as disclosed in this circular, (iv) the share price performance of the Company prior to the First Announcement, (v) the recent operational and financial performance of the non-beer businesses together with the deteriorating market environment, the recent rapid emergence of new and innovative business models and new competitors in the market and the expected ongoing operational challenges in the short-to-medium term, (vi) the growth prospect of the beer business, and (vii) the lack of potential alternatives to readily realise greater shareholder value, the Board believes, therefore, that the Revised Binding Proposal is an attractive proposal as it creates the opportunity for Shareholders to unlock otherwise unrealizable near term value in the Company and offers Shareholders the opportunity to realise part of the value upfront in cash and retaining substantial relative value for the beer business. The Revised Binding Proposal also demonstrates CRH's full support for the Company in taking on the risks associated with the consolidation of the non-beer businesses while allowing the Company to transform into a beer-focused company.

On the basis of the above, the Directors consider the terms of the Revised Binding Proposal (including the Disposal) to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the Directors take the view that Independent Shareholders should be given the opportunity to consider and vote on the matter.

CAPITAL REDUCTION

The Company is required under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) to undertake to declare and pay the proposed Revised Special Dividend as soon as practicable after Completion, subject to Directors' fiduciary duties.

As there will be insufficient distributable reserves to support the proposed distribution of the Revised Special Dividend, the Company is required under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) as a pre-completion undertaking to use its commercially reasonable endeavours to implement the Capital Reduction as soon as practicable so that the capital of the Company will be reduced by a minimum of HK$10 billion, which will be credited to the distributable reserves of the Company. If the Capital Reduction cannot be effected by Completion Date, the Company is required under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) to undertake to complete the Capital Reduction as soon as practicable after Completion. Upon the Capital Reduction becoming effective, the Revised Special Dividend can then be made from the increased distributable reserves of the Company.

Conditions of the Capital Reduction

The Capital Reduction is conditional upon the fulfillment of the following conditions:

(i) the approval by the Independent Shareholders at the EGM of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions thereunder;

(ii) the passing of a special resolution by the Shareholders at the EGM approving the Capital Reduction;

(iii) all the Directors making a solvency statement in relation to the proposed Capital Reduction in accordance with the Companies Ordinance;

(iv) the publication of a notice of capital reduction in the Gazette and newspapers in accordance with the Companies Ordinance;

(v) the delivery to the Registrar for registration a copy of the solvency statement in relation to the proposed Capital Reduction in accordance with Companies Ordinance;

(vi) no application has been made to the Court for cancellation of the special resolution by members or creditors of the Company within a five-week period after the date of the special resolution approving the Capital Reduction or in the event of such application, the Court making an order to confirm the special resolution; and

(vii) the registration of the relevant documents with the Registrar within the prescribed timeframe in accordance with the Companies Ordinance.

Assuming that all of the above conditions are fulfilled, it is expected that: (a) the Capital Reduction will become effective immediately following the registration of the relevant documents with the Registrar as referred to in condition (vii) above; and (b) the record date for the Revised Special Dividend will be determined at the board meeting to be held towards the end of the month next following the registration of the relevant documents with the Registrar whereupon the specified financial statements of the Company prepared pursuant to the requirements of the Companies Ordinance for the distribution of the Revised Special Dividend will be considered and approved. Further announcement will be made to give notice of the record date and the related dates on which the register of members of the Company will be closed in order to determine the identity of the members of the Company who are entitled to the Revised Special Dividend.

If the resolution to approve the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the Disposal has been passed by the Independent Shareholders at the EGM, the Offeror and Commotra Company Limited (wholly-owned subsidiaries of CRH through which CRH holds approximately 51.78% interest in the Company) will vote in favour of the special resolution(s) to approve the Capital Reduction.

Effects of the Capital Reduction

As at the Latest Practicable Date, the Company had an issued and paid-up share capital of HK$15,740,223,795.86.

The Company has been informed by CRH that it has elected to receive scrip dividend in respect of the Final Dividend. Upon the completion of the Capital Reduction and assuming no further changes to the share capital of the Company from the Latest Practicable Date to the date when the Capital Reduction becomes effective, except for allotment and issuance of 11,767,315 scrip shares in respect of the Final Dividend to CRH and other Shareholders who have elected to receive the Final Dividend in the form of scrip shares (which are to be allotted and issued on 10 July 2015), the Company will have an issued and paid-up share capital of HK$16,012,990,157.56.

The credit arising from the Capital Reduction which amounts to HK$10 billion will be transferred to the distributable reserves of the Company. Based on the audited financial statements of the Company for the year ended 31 December 2014, implementation of the Capital Reduction will not result in diminution of any liability in respect of unpaid capital. There will also be no change in the number of Shares held by Shareholders immediately before and after the completion of the Capital Reduction.

The costs and expenses incurred by the Company in relation to the Capital Reduction will be effectively borne by CRH. The implementation of the Capital Reduction will not, in itself, alter the underlying assets, liabilities, business operations, management of the Company or the proportionate interests or voting rights of the Shareholders of the Shares held by the Shareholders immediately prior to the Capital Reduction becoming effective. The Board considers that the Capital Reduction alone will not have any material adverse effect on the financial position of the Group.

As at the Latest Practicable Date, no share options were granted by the Company under any share option scheme, and the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Set out below, for illustrative purpose only, is a simplified statement showing the proposed movement of the equity of the Company immediately after the Completion and before and after the Capital Reduction taking effect, based on the Company's share capital position as at 31 March 2015.

	As at 31 March 2015	**Immediately after (i) the Completion and (ii) the Capital Reduction taking effect and the application of credit arising from the Capital Reduction to a capital reduction reserve account (but before payment of Revised Special Dividend)** *(Note 4)*	**Immediately after payment of Revised Special Dividend** *(Note 4)*
	HK$ million	*HK$ million*	*HK$ million*
Share capital *(Notes 2 and 3)*	15,740	5,740	5,740
Shares held for restricted incentive award *(Note 5)*	(381)	(171)	(171)
Employee share-based compensation reserve	172	172	172
Unrealised gain on revaluation of investment properties	62	62	62
Capital reduction reserve	–	10,000	–
Retained profit *(Note 6)*	7,727	20,727	944
Total equity of the Company *(Note 7)*	23,320	36,530	6,747

Notes:

1. This table does not take into account of the expenses that will be incurred by the Company in relation to the Capital Reduction. Based on the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement), the Company shall be reimbursed by CRH in respect of all costs and expenses on the implementation of the transactions contemplated under the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

2. As at the Latest Practicable Date, save for the scrip dividend scheme in respect of the Final Dividend, there were no agreements, options or other rights which would entitle the Shareholders to subscribe for new shares in the capital of the Company.

3. The share capital figures are exclusive of 11,767,315 Shares to be allotted and issued on 10 July 2015 pursuant to the scrip dividend scheme in respect of the Final Dividend. Accordingly, the share capital will increase from HK$15,740,223,795.86 to HK$16,012,990,157.56 upon the allotment and issuance of the scrip Shares.

4. The sum of Revised Special Dividend of HK$29,783 million takes no account of the number of Shares which may be allotted and issued pursuant to the scrip dividend scheme in respect of the Final Dividend. If the 11,767,315 Shares to be allotted and issued on 10 July 2015 pursuant to the scrip dividend scheme in respect of the Final Dividend are taken into account, the amount of aggregate Revised Special Dividend is approximately HK$29,928 million.

5. These Shares are held by independent professional trustee for selected employees pending vesting. The professional trustee will not exercise the voting rights of the Shares it held under the restricted incentive award scheme.

6. While it is estimated that the Group will realise an unaudited loss on the Disposal before taxation of approximately HK$5.0 billion, the Company is expected to realise a profit of approximately HK$13 billion after Completion.

7. Total equity of the Company represents the total equity of China Resources Enterprise, Limited only. The consolidated total equity of the Group as at 31 March 2015 was approximately HK$68,195 million.

REVISED PRE-CONDITIONAL PARTIAL OFFER

As set out in the First Announcement, the Second Announcement and the Third Announcement, BofAML and Morgan Stanley, on behalf of the Offeror, will, subject to the satisfaction of the Pre-Conditions, make the Revised Partial Offer. Based on the Revised Binding Proposal, the maximum number of Shares under the Partial Offer will increase from 242,136,536 Shares (representing approximately 10% of the issued share capital of the Company as at the Latest Practicable Date) to 484,273,072 Shares (representing approximately 20% of the issued share capital of the Company as at the Latest Practicable Date). Assuming full acceptance of this Revised Partial Offer, the aggregate cash consideration payable by the Offeror under the Revised Partial Offer will be approximately HK$6,150,268,014. For details, please refer to Appendix VI to this circular.

Qualifying Shareholders should note that acceptance of the Revised Partial Offer may result in their holding odd lots of Shares. Accordingly, it is intended that a designated broker will be appointed by the Offeror to match sales and purchases of odd lot holdings of Shares in the market for a reasonable time period following the closing of the Revised Partial Offer to enable such Qualifying Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots. Details of such arrangement will be disclosed in the Composite Document.

The procurement of making the Revised Partial Offer forms a post-completion undertaking of CRH in the Sale and Purchase Agreement as supplemented by the Supplemental Agreement.

It is expected that the Composite Document containing, among other things, (i) the full terms and details of the Revised Partial Offer; (ii) the recommendation from the Independent Board Committee in respect of the Revised Partial Offer; (iii) the letter from the Independent Financial Advisor in respect of the Revised Partial Offer; and (iv) the Form of Acceptance will be despatched to Shareholders within seven days after the satisfaction of the Pre-Conditions or by 7 January 2016, whichever the earlier. The Offeror has obtained the consent of the Executive under Note 2 to Rule 8.2 of the Code to further extend the time for despatch of the Composite Document and to permit the Composite Document to be posted within the above time frame.

POST-COMPLETION FINANCIAL ASSISTANCE BY CRH

As part of CRH's continued support and commitment to the Company, including potential future organic or inorganic growth opportunities in its beer business, CRH has agreed to provide, upon the Company's request after Completion, shareholder's loan(s) up to a maximum aggregate amount of HK$10,000,000,000 for a duration of not more than three years. Such shareholder's loan(s) will be available for drawdown by the Company for the purposes of developing its beer business for a period of three years from Completion at an interest rate that CRH is able to borrow Hong Kong dollars in an amount equal to the relevant loan from a bank or a financial institution for the relevant period.

The financing support will constitute a connected transaction in the form of financial assistance from CRH in favour of the Company, but will be fully-exempt from the shareholders' approval and other requirements of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules, on the basis that it will be on normal commercial terms or better and is not secured by the assets of the Group.

IMPLICATIONS OF THE DISPOSAL UNDER THE LISTING RULES

CRH indirectly held 1,253,735,940 Shares as at the date of the Sale and Purchase Agreement as well as the Latest Practicable Date (representing approximately 51.78% of the issued shares of the Company). It will indirectly hold 1,262,389,854 Shares upon the allotment and issuance of new Shares under the scrip dividend scheme in respect of the Final Dividend on 10 July 2015 (representing approximately 51.88% of the total issued shares of the Company upon the allotment and issuance of the above-mentioned new Shares). Accordingly, CRH is a connected person of the Company and the Disposal constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5%, the Disposal is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal also constitutes a very substantial disposal for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The approval of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and transactions contemplated thereunder shall be subject to Independent Shareholders' approval at the EGM by way of an ordinary resolution. CRH (Enterprise) Limited and Commotra Company Limited, wholly-owned subsidiaries of CRH which directly held 1,247,971,700 Shares and 5,764,240 Shares respectively as at the Latest Practicable Date, and will hold 1,256,585,827 Shares and 5,804,027 Shares respectively upon the allotment and issuance of new Shares under the scrip dividend scheme in respect of the Final Dividend on 10 July 2015, are required to abstain from voting at the EGM.

No Shareholders are required to abstain from voting in respect of the special resolution required under the Companies Ordinance for the implementation of the Capital Reduction, which is conditional on the passing of the ordinary resolution by the Independent Shareholders in respect of the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

INFORMATION OF THE COMPANY AND CRH

The Company is the flagship subsidiary of CRH (with CRH indirectly holding approximately 51.78% issued share capital as at the Latest Practicable Date) focusing on retail and consumer businesses. The Group operates four principal businesses namely retail, beer, food and beverage. For retail business, the Group owns a portfolio of famous brand names including "華潤萬家 CR Vanguard", "蘇果 Suguo", "歡樂頌 Fun Square", and "太平洋咖啡Pacific Coffee", which form an extensive network of over 4,800 stores across the PRC. The Group's beer division is a well-established market leader, with the "雪花 Snow" brand being the best-selling single beer brand in the world in terms of volume since 2008. The food division is primarily engaged in rice, meat, assorted food and international distribution.

The beverage division owns a portfolio of products including "怡寶 C'estbon", one of the best-selling purified water brands in the PRC by volume, and "麒麟 Kirin" beverage products.

CRH is a multi-business holding enterprise group registered and operating in Hong Kong. It operates in seven major sectors, namely the consumables (retail, brewery, food and drinks), power supply, real estate, cement, gas, pharmaceutical and financial services. CRH has approximately 2,000 business entities and a total of approximately 450,000 employees. The ultimate beneficial owner of CRH is China Resources National Corporation (中國華潤總公司) which is a company incorporated in the PRC.

RULE 10 OF THE CODE

Pursuant to Rule 10 of the Code, (i) the unaudited profit attributable to shareholders of the Company for the three months ended 31 March 2015 and (ii) the net profit before taxation, the net profit after taxation and the profit attributable to shareholders of the Company for the three months ended 31 March 2015 in respect of the Disposal Assets (the "Profit Estimates") constitute a profit forecast and should be reported on by the Company's financial advisors and reporting accountants (the "Profit Forecast Reports") under Rule 10.4 of the Code.

PricewaterhouseCoopers, the Company's reporting accountant, has reported, as required by Rule 10 of the Code, that, so far as the accounting policies and calculations are concerned, the Profit Estimates have been properly compiled on a basis consistent, in all material respects, with the accounting policies adopted by the Group, as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2014. PricewaterhouseCoopers have conducted their work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The Profit Estimates have been prepared based on the unaudited consolidated management accounts of the Group and the unaudited management accounts of the Disposal Assets for the three months ended 31 March 2015 respectively. UBS, the financial advisor to the Company, has discussed with the Directors the basis of preparation of the Profit Estimates and is satisfied that the Profit Estimates, for which the Directors are solely responsible, have been made by the Directors with due care and consideration. The Profit Forecast Reports have been lodged with the Executive and reproduced at pages III-36 to III-40 of this circular.

EXTRAORDINARY GENERAL MEETING

Set out on pages EGM-1 to EGM-3 of this circular is a notice convening the EGM which will be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 3 August 2015 at 3:30 p.m. at which an ordinary resolution will be proposed for Independent Shareholders to approve the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and a special resolution will be proposed for the Shareholders to approve the Capital Reduction.

CRH and its close associates (as defined in the Listing Rules) are required to abstain from voting in respect of the ordinary resolution to approve the Sale and Purchase Agreement (as amended by the Supplemental Agreement). If the ordinary resolution has been passed by the Independent Shareholders, the Offeror and Commotra Company Limited (which together directly held approximately 51.78% of the issued shares of the Company as at the Latest Practicable Date and will directly hold approximately 51.88% of the issued shares of the Company upon the allotment and issuance of new Shares under the scrip dividend scheme in respect of the Final Dividend on 10 July 2015), will vote in favour of the special resolution.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion of the proxy form and its return will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, save for resolutions which relate purely to procedure or administrative matter to be voted by a show of hands, any vote of the Shareholders at a general meeting must be taken by poll. Accordingly, the resolution to be considered and, if thought fit, passed at the EGM will be voted by way of poll by Shareholders. Article 65 of the Articles of Association of the Company provides that on a poll, every Shareholder present in person, by proxy or by authorised representative shall have one vote for every Share held by that Shareholder. An explanation of the procedures of conducting a poll is provided in the notes to the notice of the EGM and details will be conveyed to the Shareholders at the EGM.

The Company will publish an announcement on the poll results of the resolution on the respective websites of the Company (http://www.cre.com.hk) and the Stock Exchange (http://www.hkexnews.hk) promptly after the conclusion of the EGM.

CLOSURE OF REGISTER OF MEMBERS FOR ATTENDING AND VOTING AT THE EGM

In order to determine the identity of the members of the Company who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 29 July 2015 to Monday, 3 August 2015 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all relevant transfer documents accompanied by the relevant Share certificates must be lodged at the office of the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 28 July 2015 for registration.

RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder are in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions to be proposed at the EGM.

Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages IBC-1 and IBC-2 of this circular and the letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in connection with the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder, and the principal factors and reasons considered by them in arriving at such advice, set out on pages IFA-1 to IFA-38 of this circular.

FURTHER INFORMATION

Your attention to also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
China Resources Enterprise, Limited
CHEN Lang
Chairman

The following is the text of the letter of recommendation to the Independent Shareholders from the Independent Board Committee regarding the terms of the Revised Binding Proposal and the transactions contemplated thereunder for the purpose of incorporation in this circular.

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

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

9 July 2015

To the Independent Shareholders

Dear Sir and Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF ALL NON-BEER BUSINESSES, (2) CAPITAL REDUCTION AND (3) REVISED SPECIAL DIVIDEND

We refer to the circular (the "Circular") dated 9 July 2015 issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement), details of which are described in the letter from the Board as set out in the Circular.

We also draw your attention to the advice of Rothschild, the Independent Financial Advisor appointed in respect of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) as set out on pages IFA-1 to IFA-38 of the Circular.

As members of the Independent Board Committee, we have discussed with the management of the Company the reasons for accepting the Binding Proposal and the Revised Binding Proposal and entering into the Sale and Purchase Agreement and the Supplemental Agreement as described in the letter from the Board as set out in the Circular. We have also considered the key factors taken into account by Rothschild in arriving at its opinion regarding the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) as set out in the letter from Rothschild in the Circular, which we urge you to read carefully.

Having taken into consideration the advice from the Independent Financial Advisor, we consider the terms of the Sale and Purchase Agreement and the Supplemental Agreement are fair and reasonable and on normal commercial terms. While the Disposal, the Capital Reduction and the Revised Special Dividend are not in the ordinary and usual course of business, they are in the interest of the Company and the Shareholders as a whole.

On the basis of the above, we recommend the Independent Shareholders to vote in favour of the resolutions to approve the Sale and Purchase Agreement and the Supplemental Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
Independent Board Committee
Houang Tai Ninh **Li Ka Cheung, Eric**
Cheng Mo Chi, Moses **Bernard Charnwut Chan**
Siu Kwing Chue, Gordon
Independent Non-executive Directors

The following is the text of a letter from Rothschild, the Independent Financial Advisor appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement), which has been prepared for the purpose of inclusion in this circular.

ROTHSCHILD

9 July 2015

To the Independent Board Committee and
the Independent Shareholders of
China Resources Enterprise, Limited

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF ALL NON-BEER BUSINESSES, (2) CAPITAL REDUCTION AND (3) REVISED SPECIAL DIVIDEND

We refer to the Sale and Purchase Agreement (as amended by the Supplemental Agreement), details of which are contained in the circular issued by the Company dated 9 July 2015 (the "Circular"), of which this letter forms a part. Rothschild has been appointed (which appointment has been approved by the Independent Board Committee) as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) are fair and reasonable, are on normal commercial terms or better and in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how they should vote on the Sale and Purchase Agreement (as amended by the Supplemental Agreement) at the EGM.

The terms used in this letter shall have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, CRH, being the purchaser in the Disposal, indirectly held approximately 51.78% equity interest in the Company. Accordingly, CRH is a connected person of the Company and the Disposal constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5%, the Disposal is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing

Rothschild (Hong Kong) Limited
16th Floor, Alexandra House, 18 Chater Road, Central
Hong Kong SAR

Tel: +852 2525 5333
Fax: +852 2868 1728

Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal also constitutes a very substantial disposal for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The approval of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) and transactions contemplated thereunder shall be subject to Independent Shareholders' approval at the EGM by way of an ordinary resolution. CRH and its associates will abstain from voting on the resolution to approve the Disposal at the EGM. No Shareholders are required to abstain from voting in respect of the special resolution required under the Companies Ordinance for the implementation of the Capital Reduction, which is conditional on the passing of the ordinary resolution by the Independent Shareholders in respect of the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Moses, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon, has been established and will consider and advise the Independent Shareholders on the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

Rothschild is not associated with the Company, the Board, CRH or their respective associates, nor do we have any shareholding in any members of the Group, or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group that could reasonably be regarded as relevant to the independence of Rothschild. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Advisor, no arrangement exists whereby we will receive any fees or benefits from the Company, the Board, CRH or any of their respective associates.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company (including the Company's other advisors) and have assumed that any information and representations made to us are true, accurate and complete in all respects as at the date hereof and that they may be relied upon. We consider that, in order to provide a reasonable basis for our advice, we have taken reasonable steps and performed sufficient work in compliance with Rule 13.80 of the Listing Rules (including the notes thereto). We have also assumed that all information, representations and opinions contained or referred to in the Circular and provided to us by the Company are true, accurate and complete in all respects, fair and reasonable and, accordingly, we have relied on them.

We have been advised by the Directors that no material facts have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate, incomplete or misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. The Directors have all declared in a responsibility statement set out in the "Appendix VII – General information" of the Circular that they collectively and individually accept full responsibility (includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company) 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, opinions expressed and information contained in the Circular have been arrived at after due and careful consideration, is accurate and complete in all material respects and not misleading or deceptive, and there is no other facts the omission of which would make any statements in the Circular misleading. We believe that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our advice. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group, or the Disposal Group's assets and businesses.

PRINCIPAL FACTORS AND REASONS

In arriving at our opinion and recommendation as regards to the Sale and Purchase Agreement (as amended by the Supplemental Agreement), we have taken into consideration the following principal factors and reasons:

1. Overview

The Company is the flagship subsidiary of CRH focusing on retail and consumer businesses, and is one of the industry leaders in the PRC market. The Group operates four principal businesses:

Retail – The retail division comprises the joint venture with Tesco ("Tesco JV") which primarily operates supermarkets with the brand name "華潤萬家 CR Vanguard" ("CRE Retail") as well as other retail and smaller businesses such as "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 (collectively "Other Businesses"). As at 31 December 2014, CRE Retail operated over 4,800 stores primarily in the PRC, Hong Kong, and the Macao Special Administrative Region, of which approximately 85% were self-operated while the rest were franchised;

Beer – The beer division ("Remaining Business") owns a 51.0% equity interest in the joint venture with SABMiller, which owns the flagship brand "雪花 Snow", the largest beer brand by volume in the world since 2008 and in the PRC since 2006, with a 21.0% market share, almost double the market share (by volume) of the second largest brand in the PRC[1];

[1] *According to the Letter from the Board*

Food – The food division ("CRE Food") is one of the largest suppliers of foods in Hong Kong with a vision to become the largest and most competitive branded food companies in the PRC by volume. The division sells mainly rice, meat, assorted food and modern agricultural products. Capitalising on the "五豐 Ng Fung" brand that is recognised for its quality with a track record of over 60 years in Hong Kong, the division is actively expanding its presence in the PRC market. It has capabilities in production, processing, wholesaling, retail, logistics and international trading; and

Beverage – The beverage division ("CRE Beverage", and together with CRE Retail, Other Businesses and CRE Food, the "Disposal Businesses") owns a 60.0% equity interest in the joint venture with Kirin, which owns the flagship purified water brand "怡寶 C'estbon", one of the best-selling water brands in the PRC. The segment also produces milk tea, coffee, energy drinks and other beverage products in the PRC.

In addition, the Company also holds a portfolio of 57 investment properties with a total gross floor area of over 1.8 million square meters in Hong Kong and the PRC, primarily comprising retail spaces located in the PRC and Hong Kong (the "Investment Properties").

On 4 May 2015, the Company announced that it has entered into the Sale and Purchase Agreement with CRH. On 17 June 2015, the Company and CRH announced that it has entered into the Supplemental Agreement, pursuant to which certain terms of the Disposal, including the consideration for the Disposal has been increased. Under the Supplemental Agreement, the Company has conditionally agreed to sell and CRH has conditionally agreed to purchase all of the non-beer businesses of the Company for a total consideration of HK$30,000 million (the "Consideration"). The Consideration will be payable as to approximately HK$14,579 million in cash and the balance by way of the Promissory Note. Independent Shareholders should note that the beer business does not form part of the Disposal and upon Completion, the Company will continue to hold approximately 51.88% equity interest in the Remaining Group (after the scrip Shares are allotted and issued).

Subject to fulfilling certain conditions and the Directors' fiduciary duties (amongst which is to ensure that there are sufficient reserves following the Capital Reduction), the Company intends to declare and pay the Revised Special Dividend as soon as practicable upon Completion and after the Capital Reduction. The amount of Revised Special Dividend represents more than 99.0% of the Consideration. For further details, please refer to the section headed "Capital Reduction" of the Letter from the Board in this Circular.

A summary of the Disposal Assets is set out in the section headed "Assets to be disposed of" in the Letter from the Board in this Circular.

Completion is subject to and conditional upon fulfilment of the conditions to Completion. For further details, please refer to the section headed "Conditions precedent" of the Letter from the Board in this Circular. If the conditions precedent to Completion have not been satisfied or, to the extent permitted, waived by the Long Stop Date, either Party may give notice in writing to the other Party to terminate the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

2. Reasons for, and benefits of, the Disposal

Unlock value of the beer business from the conglomerate structure and remove associated discount in the trading price of the Shares

The trading price of the Shares has significantly underperformed the Hang Seng Index for the nine months prior to the First Announcement. Furthermore, in the 12 months prior to the First Announcement, the trading price of the Shares had continued to trade significantly below the net asset value ("NAV") of the Company. We note from the Letter from the Board that the Board believes that a more simplified structure could help unlock significant value for all Shareholders, and that CRH's motivations for the Revised Binding Proposal include the removal of the discount in the trading price of the Shares, versus CRH's own assessment of the sum-of-the-parts value of the Company.

Through the Revised Special Dividend of HK$12.30 per Share, Independent Shareholders can realise approximately 80.9% of the value of the Shares based on the closing price of the Shares on the Last Trading Date, or approximately 51.3% based on the closing price as of the Shares on the Latest Practicable Date, whilst the business of the Company is being transformed into a pure play beer business.

The Revised Binding Proposal includes the Disposal and the Revised Partial Offer. Since the Revised Partial Offer is an integral part of the Revised Binding Proposal, the Board believes that the Disposal and the Revised Partial Offer should be considered as a package.

On a combined basis, post-Completion, for each Share that is tendered and accepted into the Revised Partial Offer, a total consideration of HK$25.00 will be received by the Shareholders, which represents a premium of approximately 64.5% over the closing price of the Shares on the Last Trading Date, approximately 57.0% over the average closing price of the 90 trading days immediately prior to and including the Last Trading Date, and approximately 4.2% over the closing price of the Shares of HK$24.00 per Share on the Latest Practicable Date.

Enable Shareholders to invest in a transparent and focused beer business

Post-Completion, the Company will continue to operate its beer business. As stated in the Letter from the Board, the Revised Binding Proposal creates an opportunity for Shareholders to have a standalone investment in CR Snow, the leading beer company in the world's largest beer market. As a pure- play beer company with a focused management team, as well as a more simplified structure unencumbered by the conglomerate structure and associated capital constraints, management of the Company (the "Management") is of the view that CR Snow will have greater financial and operational transparency, highlighting the Company's track record of growth and profitability. The Management also anticipates that as a listed company with a focus on the beer business, the Company should enjoy greater flexibility in equity and debt issuance, to fund organic growth and, if desired, lead further industry consolidation.

Remove impact of uncertainties created by ongoing restructuring of the Disposal Businesses, which have been loss-making and continue to face ongoing challenges and uncertain outlook in the short-to-medium term

As disclosed in the Company's annual report for the year ended 31 December 2014 and further analysed in the section headed "Overview of the Disposal Assets and the Remaining Business" below, the retail market continues to experience pressure from the sluggish domestic macro-economic environment, with consumer spending, retail sales growth, as well as inflation continuing to decline. In particular, CRE Retail and Other Businesses, being the Disposal Group's 80.5% turnover contributor, have been facing persistent external challenges associated with structural changes in the industry, including anti-extravagance policies as well as increasing and sustained competition from the rapid emergence of e-commerce in the PRC. This came at a point in time when the Company was already facing a combination of significant strategic challenges, including (i) integration of Tesco business, and (ii) defining a longer-term growth strategy for both CRE Food and CRE Beverages, both of which require additional investments.

The Board noted that significant investment will be required to address challenges arising from the integration of the Tesco JV and competition from e-commerce to enhance its competitiveness. Such significant investment, coupled with the competition from other e-commerce players as well as cost escalation such as labour costs, may put further downward pressure on the Company's overall profitability and trading price of the Shares. In addition, further investment will need to be made into the retail stores to adapt to the changing landscape and to improve profitability such as investments to strengthen CRE Retail's fresh produce proposition, optimising store formats and further centralisation of operations.

With regards to CRE Food, the Management recognised that it may potentially remain loss-making in the near future as the rice business is still at the initial investment stage for national expansion, has low profitability and faces fierce competition. The pork business is also less profitable than its competitors, due to the focus on upstream slaughtering as well as low utilisation rates of slaughterhouses. Therefore, continued investments will be required along the value chain for both the rice business and the pork business.

With regards to CRE Beverage, the Board noted that it is facing increasing competition and there is a need to make additional ongoing investments to achieve and maintain its leading position in the purified water business, and to develop market-leading brands in the broader non-water beverage product portfolio in the PRC, given the relatively limited product portfolio it has today. There is no certainty that such new products and brands will be successful in the future.

Despite the significant investment requirements for the Disposal Businesses, the Board is of the view that there is no certainty as to the timing or a successful execution in turning around the businesses in view of the current operational environment and ongoing industry challenges.

Investment Properties are considered non-core to the Company

The Disposal Assets include all the Investment Properties held by the Group, which were valued at a book value of approximately HK$21,088 million as at 31 March 2015, or approximately HK$19,555 million excluding minority interests, as at 31 March 2015. The Investment Properties are primarily retail spaces located in the PRC and Hong Kong.

Based on our discussions with the Management, we noted that a substantial portion of the Investment Properties located in the PRC represents floor areas leased to third parties within shopping malls which also house the CRE Retail business, and the Board believes that the continuation of CRE Retail's presence at these properties would require retention of its management right. As such, these properties are not readily saleable without incurring risks of disruption to the retail business. With regards to the Investment Properties in Hong Kong, they are largely remnants of legacy operations of the Group's retail business in Hong Kong which have been discontinued for a number of years and had remained as investment properties.

The Board also noted that the macro-economic headwinds and the anti-extravagance policies from the PRC have materially impacted Hong Kong in a number of key retail segments, such as cosmetics, watches, jewellery and department stores in the year ended 31 December 2014, coupled with restrictions on multiple-entry endorsements for Shenzhen residents implemented on 13 April 2015. These factors may potentially impact the value of these Investment Properties in the medium- to long-term.

The Board considered the Investment Properties as non-core to the Group's business going forward as it is the intention of the Board to transform the Company into a pure play beer business.

Other alternatives considered by the Board are unlikely to deliver the same value and are neither as viable nor as certain

The Board noted that the Management has considered a variety of potential alternative transactions to the Revised Binding Proposal to unlock and realise value to Shareholders. These alternatives include a spin-off listing of the Remaining Business, a sale and leaseback of certain of the properties currently owned by the Group, a sale of part, or all of the Disposal Businesses to a third party, introduction of financial or strategic investors or buy-back of certain Shares. We have discussed the merits and viability of these potential alternate transactions with the Board and concur with the Board's view that in addition to the potential challenges of successfully executing each of those alternatives and possible disruption to existing business operations, there is no certainty as to how long any of these alternatives will take to complete (which is dependent on a number of factors including counterparties, capital requirements as well as current market conditions) or how much the value they will create relative to the Revised Binding Proposal. The Board believes that none of the potential alternatives can deliver similar or more value to Shareholders than the current Revised Binding Proposal.

On the above basis, we concur with the view of the Board that the Revised Binding Proposal could (i) unlock value of the beer business from the conglomerate structure and remove associated discount in the trading price of the Shares; (ii) enable the Shareholders to invest in a transparent and focused beer business; and (iii) remove impact of the uncertainties created by ongoing restructuring of the Disposal Businesses, which have been loss-making and continue to face ongoing challenges and uncertain outlook in the short-to-medium term. We further note that (i) the Disposal Assets include the Investment Properties which are considered non-core to the Company and that (ii) other alternatives considered by the Board are not as viable nor as certain in terms of timing and value creation.

3. Overview of the Disposal Assets and the Remaining Business

Independent Shareholders should note that the Sales and Purchase Agreement (as amended by the Supplemental Agreement) does not contain an apportionment of the Consideration as discussions between the Company and CRH regarding the Consideration had focused upon the overall Consideration to be paid for the Disposal Assets, no apportionment of the Consideration between the various different assets to be sold had been made available by CRH, being the purchaser in the Disposal. Independent Shareholders should also note that the Disposal has been structured on the basis that approval is sought for the disposal of the entire package of assets. In assessing the fairness and reasonableness of the terms of the Disposal, we have taken into account the business and financial performance of individual assets, notwithstanding the terms of the Disposal will be considered as a whole.

(i) Overview of the Disposal Assets

The Disposal Assets primarily consists of CRE Retail, Other Businesses, CRE Food, CRE Beverage as well as the Investment Properties. As shown in the table below, although the rental income generated by the Investment Properties only represented 0.8% of the turnover of the Disposal Assets for the year ended 31 December 2014, the Investment Properties represented more than 50.0% of the NAV of the Disposal Assets as at 31 March 2015. For more financial information of the Disposal Assets, please refer to the section headed "Financial information of the Disposal Assets" of the Letter from the Board in this Circular.

Table 1 – Summary of the Disposal Assets

	Turnover[1] for the year ended 31 December 2014		**Unaudited NAV attributable to the Shareholders as of 31 March 2015**	
	HK$ million	%	*HK$ million*	%
CRE Retail and Other Businesses[2]	108,318	80.5%	15,612	42.0%
CRE Food	15,285	11.4%	824	2.2%
CRE Beverage	9,811	7.3%	1,191	3.2%
Investment Properties[3]	1,074	0.8%	19,555	52.6%
Total	134,488	100.0%	37,182	100.0%

Source: Company

Notes:

1. Turnover of the Disposal Businesses excludes inter-segment sales

2. NAV attributable to Shareholders for CRE Retail only (not including Other Businesses) as of 31 March 2015 amounted to approximately HK$12,590 million, including goodwill

3. Turnover of Investment Properties refers to rental income

(a) CRE Retail and Other Businesses

CRE Retail largely comprises the Tesco JV which primarily operates supermarkets with the brand name "華潤萬家 CR Vanguard", while Other Businesses comprises "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. CRE Retail also includes a number of self-owned properties that are occupied by the division and are an integral part of the business. As such, these properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any, and have not been revalued to its market value. CRE Retail and Other Businesses contributed to approximately 80.5% of the Disposal Assets' total turnover for the year ended 31 December 2014.

Table 2 – Summary of key financial information of CRE Retail and Other Businesses

	For the year ended 31 December			For the three months ended 31 March (unaudited)	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Turnover[1]	83,415	95,072	109,382	28,055	34,035
EBITDA[2]	2,869	3,446	669	n.a.[4]	n.a.[4]
Underlying Profit/(Loss)[3]	525	734	(1,359)	464	335

Source: Company

Notes:

1. Turnover includes rental income from Investment Properties and excludes inter-segment sales

2. Earnings before interests, tax, depreciation and amortisation ("EBITDA") excludes the effect of asset revaluation and major disposal of non-core assets/investments

3. Underlying Profit/(Loss) is defined as profit/(loss) attributable to Shareholders excluding the effect of asset revaluation and major disposal of non-core assets/investments

4. "n.a." denotes not available

During the period under review, turnover of CRE Retail and Other Businesses increased from approximately HK$83,415 million for the year ended 31 December 2012 to approximately HK$95,072 million for the year ended 31 December 2013. We understand that such increase was primarily due to an improved macro-economic conditions as well as the net opening of approximately 200 new stores in the year ended 31 December 2013.

CRE Retail and Other Businesses also recorded improvement in its profitability for the year ended 31 December 2013. EBITDA increased to approximately HK$3,446 million, representing an increase of approximately 20.1% and its Underlying Profit increased to approximately HK$734 million, representing an increase of approximately 39.8%. The growth in the EBITDA and Underlying Profit was primarily attributable to the same-store-sales growth ("SSSG") of approximately 4.7%.

For the year ended 31 December 2014, turnover of CRE Retail and Other Businesses further increased by approximately 15.1% to approximately HK$109,382 million. The growth was primarily contributed by the net opening of 252 retail stores during the year ended 31 December 2014 and the inclusion of the Tesco JV which was formed in May 2014. Despite such increase in turnover, CRE Retail and Other Businesses recorded a decrease in its EBITDA and Underlying Profit for the year ended 31 December 2014. EBITDA decreased by approximately 80.6% to approximately HK$669 million while the division recorded an Underlying Loss of approximately HK$1,359 million. We understand from the Management that the decline in profitability was a result of the adverse impact of the PRC's anti- extravagance policy, the competition from e-commerce businesses and the financial impact arising from the initial stage of the formation of the Company's Tesco JV and loss recorded in the Tesco business, resulting in a negative SSSG of approximately 2.6%.

For the three months ended 31 March 2015, CRE Retail and Other Businesses continued to report an increase in turnover due to the inclusion of the Tesco JV. The reported turnover was approximately HK$34,035 million, representing an increase of approximately 21.3% over the same period in 2014. However, its profitability continues to be impacted by the sluggish growth in the PRC's retail market with the central government's strict enforcement of frugality, which affected sales of high-end products, gifts and stored-value cards, and rising competition from e-commerce players which, to a certain extent, draws customers away from physical stores. Underlying Profit decreased from approximately HK$464 million for the three months ended 31 March 2014 to approximately HK$335 million over the same period in 2015, representing a decrease of approximately 27.8%. In the same period, CRE Retail and Other Businesses recorded an approximately 3.3% decrease in SSSG.

CRE Retail recorded an Underlying Loss for the year ended 31 December 2014. Whilst the first quarter of the calendar year is the peak season for CRE Retail, we noted that there has been a significant decrease in the SSSG in the first quarter results of 2015 and the Management indicated that the short to medium-term performance of the Group's retail business will continue to be affected by the development of the e-commerce market and shift in the macro-economy, and is looking at further adjustments ahead. Although the integration of the Tesco JV remains generally on track, there is no certainty as to the timing or successful execution as well as a return to profitability in view of the current operational environment and ongoing industry challenges. Widening losses in particularly the North-eastern China region as well as potential market share losses to e-commerce and smaller formats will continue to exert pressure on CRE Retail.

(b) CRE Food

CRE Food is one of the largest suppliers of foods in Hong Kong. The division sells mainly rice, fruit and vegetables, meat, frozen foods and modern agricultural products. Since the year ended 31 December 2013, CRE Food also started engaging in rice repacking and distribution as a way of diversification. CRE Food generated turnover of approximately HK$15,295 million and recorded an Underlying Loss of approximately HK$134 million for the year ended 31 December 2014. CRE Food contributed to approximately 11.4% of the Disposal Assets' total turnover for the year ended 31 December 2014.

Table 3 – Summary of key financial information of CRE Food:

	For the year ended 31 December			For the three months ended 31 March (unaudited)	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Turnover[1]	10,106	11,267	15,295	3,668	3,735
EBITDA[2]	663	409	257	n.a.[4]	n.a.[4]
Underlying Profit/(Loss)[3]	259	53	(134)	(50)	(38)

Source: Company

Notes:

1. Turnover includes rental income from Investment Properties and excludes inter-segment sales

2. EBITDA excludes the effect of asset revaluation and major disposal of non-core assets/investments

3. Underlying Profit/(Loss) is defined as profit/(loss) attributable to Shareholders excluding the effect of asset revaluation and major disposal of non-core assets/investments

4. "n.a." denotes not available

Turnover of CRE Food increased by approximately 11.5% from approximately HK$10,106 million for the year ended 31 December 2012 to approximately HK$11,267 million for the year ended 31 December 2013. The growth was primarily contributed by the expansion of the meat business as well as acquisitions in the rice distribution businesses and fruit processing and distribution business.

EBITDA and Underlying Profit recorded were approximately HK$409 million and approximately HK$53 million for the year ended 31

December 2013, representing a decrease of approximately 38.3% and approximately 79.5% respectively, when compared to the year ended 31 December 2012. The decrease in profitability was primarily due to the undergoing business transition, with the new businesses establishing economies of scale, as well as the live pig selling prices in Hong Kong which remained low over the period.

For the year ended 31 December 2014, turnover of CRE Food increased by approximately 35.8% to approximately HK$15,295 million. The strong sales growth for the year ended 31 December 2014 was primarily contributed by the continuous expansion of the first-tier meat wholesale business and carved meat business, the increased number of specialised meat retail stores in various cities, and the addition of the rice distribution business, similar to the year ended 31 December 2013.

However, the EBITDA declined to approximately HK$257 million and Underlying Profit declined to a loss of approximately HK$134 million for the year ended 31 December 2014, with a decrease in EBITDA of approximately 37.2% and Underlying Profit turning negative. The declining profitability was primarily due to the continued initial investment required for the rice business as well as the low selling prices of live pigs in Hong Kong. Moreover, the costs of raw materials such as feeds remained high, adding pressure on the profitability of the division's livestock rearing operation.

For the three months ended 31 March 2015, CRE Food recorded turnover of approximately HK$3,735 million, representing an increase of approximately 1.8% over the same period for the year ended 31 December 2014. Underlying Loss for the same period was reduced to approximately HK$38 million, compared to an Underlying Loss of approximately HK$50 million over the same period in 2014. The trend of turnover growth and negative profitability was primarily attributable to its business transition, i.e. the high initial investment and marketing expenses for national expansion of the rice business.

The Management expects that the meat distribution business will continue to be challenging with low profit margins. At the same time it is also difficult to increase production, hence sales volume, without investing more on food safety controls. The Management is focused on the continued expansion of the food segment but recognises that it may potentially remain loss-making in the near-term as the rice business is still at the initial investment stage for national expansion, has low profitability due to government price controls, lower degree of integration across the value chain as compared to competitors and faces fierce competition.

(c) CRE Beverage

CRE Beverage owns a portfolio of consumer beverage products, including " 怡寶 C'estbon", one of the best-selling purified water brands in the PRC by volume, and the "麒麟 Kirin" branded beverage products. It is a joint venture set up with Kirin (the "Kirin JV") during the year ended 31 December 2011, whereby the Company has an equity interest of 60.0% and Kirin has an equity interest of 40.0%. As of 31 December 2014, the Kirin JV has a total number of 44 beverage plants in China. CRE Beverage contributed to approximately 7.3% of the Disposal Assets' total turnover for the year ended 31 December 2014.

Table 4 – Summary of key financial information of CRE Beverage

	For the year ended 31 December			For the three months ended 31 March (unaudited)	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Turnover[1]	4,742	7,239	9,811	2,248	2,385
EBITDA[2]	263	324	673	n.a.[4]	n.a.[4]
Underlying Profit[3]	86	106	237	10	66

Source: Company

Notes:

1. Turnover excludes inter-segment sales

2. EBITDA excludes the effect of asset revaluation and major disposal of non-core assets/investments

3. Underlying Profit is defined as profit attributable to Shareholders excluding the effect of asset revaluation and major disposal of non-core assets/investments

4. "n.a." denotes not available

Turnover of CRE Beverage increased by approximately 52.7% from approximately HK$4,742 million for the year ended 31 December 2012 to approximately HK$7,239 million for the year ended 31 December 2013. The turnover growth was primarily due to the remarkable growth in the sales volume of "怡寶 C'estbon" purified water with enhanced market position in regional markets across the PRC including Southern China, as well as the active promotion of beverage products.

EBITDA and Underlying Profit for the year ended 31 December 2013 were approximately HK$324 million and approximately HK$106 million respectively, representing an increase of approximately 23.2% and approximately 23.3%, respectively. Similar to turnover, the increase was mainly due to the growth in sales volume of "C'estbon" purified water.

For the year ended 31 December 2014, the turnover of CRE Beverage further increased by approximately 35.5% to approximately HK$9,811 million, with the sales volume increased by approximately 33.0% compared to the previous year, and we understand that the strong growth was also primarily attributable to the growth in sales volume of "C'estbon" purified water.

For the year ended 31 December 2014, EBITDA and Underlying Profit recorded by CRE Beverage were approximately HK$673 million and approximately HK$237 million respectively, representing an increase of approximately 107.7% and approximately 123.6%, respectively.

For the three months ended 31 March 2015, CRE Beverage recorded a turnover of approximately HK$2,385 million, representing an increase of approximately 6.1% over the same period in 2014. Underlying Profit was approximately HK$66 million, which has substantially increased from approximately HK$10 million over the same period in 2014. This represented a period-on-period growth of approximately 560.0%. We understand that such increase in profitability was the result of an increase in sales, a reduction in marketing expenses and polyethylene terephthalate raw material costs which has been affected by the fluctuation of crude oil price recently.

The Management indicated that the division will step up its efforts on promotional activities as well as research and development to enhance its brand image and boost its market share of the product portfolio, as they expect that the purified water business will experience flat growth going forward, referencing performance of other pure-play peer companies in the industry. While CRE Beverage further strengthened its market leadership in Southern China, the Management also expects to continue investing in marketing of new products as well as research and development amidst intensified market competition in the industry. Such investments are expected to continue putting downward pressure on CRE Beverage's profitability.

(d) Investment Properties

Pursuant to the Sale and Purchase Agreement, the Disposal Assets include the Investment Properties. These 57 Investment Properties comprise units within commercial buildings, industrial buildings, shopping malls, residential buildings and car parks located in Hong Kong and the PRC. Amongst the Investment Properties, some of the properties in the PRC were only acquired recently as a result of the formation of the Tesco JV during the year ended 31 December 2014. According to the valuation report dated 18 May 2015 by DTZ, the value of the Investment Properties attributable to the Shareholders as at 31 March 2015 was approximately HK$19,555 million, representing approximately 52.6% of the NAV of the Disposal Assets. Set out below is a summary of the key Investment Properties.

Table 5 – Key Investment Properties

In Hong Kong

Brief description	**Location**	**Market value attributable to Shareholders as at 31 March 2015** *HK$ million*
Retail space and car parking spaces in Silvercord	Tsimshatsui, Kowloon	3,690
Retail space in Star House	Tsimshatsui, Kowloon	2,430
Retail space in Argyle Centre, Phase 1	Mongkok, Kowloon	2,340
Retail space and car parking spaces in Nan Fung Centre	Tsuen Wan, New Territories	1,265
Retail space in Hennessy Apartments	Causeway Bay, Hong Kong	1,230
Retail space in JD Mall	Jordan, Kowloon	926
Other Investment Properties in Hong Kong		2,097
Sub-total		13,978

In the PRC

Brief description	**Location**	**Market value attributable to Shareholders as at 31 March 2015** *HK$ million*
Retail space in Dalian LifeSpace Mall	Dalian, Liaoning Province	610
Retail space in Hefei Fun Square Shopping Mall	Hefei City, Anhui Province	480
Retail space in Qinhuangdao Lifespace Mall	Qinhuangdao, Hebei Province	402
Retail space in Anshan Lifespace Mall	Anshan City, Liaoning Province	392
Other Investment Properties in the PRC		3,693
Sub-total		5,577
Total		19,555

Source: DTZ Valuation Report as at 31 March 2015

(ii) Overview of the Remaining Business

The Remaining Business, held under China Resources Snow Breweries Limited, is a joint venture between the Company and SABMiller set up during the year ended 31 December 1994, whereby the Company has a 51.0% equity interest and SABMiller has a 49.0% equity interest. As at 31 March 2015, the Remaining Business operated more than 95 breweries in the PRC with an aggregate annual production capacity of over 20,000,000 kilolitres. The Remaining Business contributed to approximately 20.4% of the Group's total turnover for the year ended 31 December 2014.

Table 6 – Summary of key financial information of the Remaining Business

	For the year ended 31 December			For the three months ended 31 March (unaudited)	
	2012	2013	2014	2014	2015
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Turnover[1]	27,973	32,835	34,376	7,841	8,461
EBITDA[2]	3,824	4,415	4,353	n.a.[4]	n.a.[4]
Underlying Profit[3]	823	943	761	6	51

Source: Company

Notes:

1. Turnover excludes inter-segment sales

2. EBITDA excludes the effect of asset revaluation and major disposal of non-core assets/investments

3. Underlying Profit is defined as profit attributable to the Shareholders excluding the effect of asset revaluation and major disposal of non-core assets/investments

4. "n.a." denotes not available

Turnover of the Remaining Business increased by approximately 17.4% from approximately HK$27,973 million for the year ended 31 December 2012 to approximately HK$32,835 million for the year ended 31 December 2013. The turnover growth was primarily contributed by the sales volume growth of approximately 10% resulting from the continuous efforts to enhance its production capacity, organic growth and the acquisition of seven breweries of Kingway Brewery.

EBITDA and Underlying Profit for the year ended 31 December 2013 were approximately HK$4,415 million and approximately HK$943 million respectively, representing an increase of approximately 15.5% and approximately 14.6%, respectively. The increase in EBITDA and Underlying Profit was mainly due to the increase in turnover and improved production efficiency by leveraging the Remaining Business' economies of scale.

For the year ended 31 December 2014, the turnover of the Remaining Business increased further by approximately 4.7% to approximately HK$34,376 million. Compared to the turnover growth in the previous period, the lower turnover growth was primarily due to the sluggish sales volume growth in the three months ended 30 September 2014, which was negatively affected by the cooler than usual summer conditions in the middle and lower reaches of the Yangtze River.

EBITDA and Underlying Profit for the Remaining Business for the year ended 31 December 2014 were approximately HK$4,353 million and approximately HK$761 million, respectively, representing a decrease of approximately 1.4% and a decrease of approximately 19.3%, respectively. The decrease in profitability was also due to the sluggish sales and cooler than usual summer conditions as stated above and integration of Kingway Brewery.

For the three months ended 31 March 2015, the Remaining Business recorded turnover of approximately HK$8,461 million, representing an increase of approximately 7.9% over the same period in 2014. Underlying Profit for the same period was approximately HK$51 million, representing an increase of approximately 750.0% over the same period in the year ended 31 December 2014. The increase of profitability was primarily attributable to the enhanced production capacity, investments in marketing promotions, as well as the expansion and improvement of sales and distribution channels and the establishment of new points of sale. The rapid increase in the sales of premium beer products also added to the turnover growth.

The Management expects that the Remaining Business will continue to carry out marketing campaigns while reinforcing the promotion of its premium beer products and optimising its product mix in order to strengthen the brand. At the same time, the Remaining Business will continue to expand through organic growth and potential investments to expand its market share and consolidate its market position.

4. Valuation considerations

As noted in the Letter from the Board, CRH's motivation for the Revised Binding Proposal is to remove the discount in the trading price of the Shares and the Revised Binding Proposal from CRH is a package which includes the Disposal and the Revised Partial Offer. In light of the above, the Board believes, and we concur that, it is appropriate to review and consider the Revised Binding Proposal as a whole, taking into consideration the likely trading value of the Remaining Business after Completion.

In addition to the financial performance of the Disposal Businesses, in evaluating the Consideration, we have considered: (i) the historical trading performance of the Shares; (ii) trading multiples of companies comparable to the Disposal Businesses (the "Comparable Companies"); (iii) market value of the Investment Properties and comparable privatisation precedents; (iv) Precedent comparable transactions; and (v) Price-to-NAV ("P/NAV") ratio of listed property investment companies in Hong Kong.

As noted in the paragraph headed "(i) Overview of the Disposal Assets" in the section headed "3. Overview of the Disposal Assets and the Remaining Business" above, the Disposal Assets mainly include the Disposal Businesses and Investment Properties. Since CRH has not provided any apportionment of the Consideration to the individual Disposal Assets, we were not able to assess the values ascribed to each of these assets on an individual basis. In addition, it should be noted that the Disposal Businesses as a whole recorded negative EBITDA and Underlying Loss for the year ended 31 December 2014. In our assessment of the valuation of the Disposal Businesses on an aggregate basis, we would have to reference to the Disposal Businesses' NAV while the more commonly used metrics such as price-to-earnings ratio ("P/E") and enterprise value[2] ("EV") to EBITDA ratio ("EV/EBITDA") cannot be used. We are of the view that an asset-based valuation metric does not reflect the profitability of the individual businesses that are profit-making, such as CRE Food and CRE Beverage. Therefore, in assessing the valuation of the Disposal Assets as a whole, we have adopted the sum-of-the-parts ("SOTP") analysis and evaluated the implied value for each of the Disposal Businesses and the Investment Properties. By using the SOTP methodology, Independent Shareholders should note that we are not suggesting that these are the valuations ascribed to each of the Disposal Assets as there could be many different ways to arrive at the Consideration which CRH has not disclosed in the Revised Binding Proposal. As to the valuation of the Investment Properties, Independent Shareholders should note that DTZ has performed a market valuation of the Investment Properties as at 31 March 2015.

As set out in the First Announcement, the Second Announcement and the Third Announcement, the Company and CRH have entered into the Sale and Purchase Agreement on 4 May 2015 and Supplemental Agreement on 15 June 2015. CRH, will, subject to the satisfaction of the Pre-Conditions, make the Revised Partial Offer to acquire up to 484,273,072 Shares (representing approximately 20.0% of the issued share capital of the Company as at the Latest Practicable Date) at HK$12.70 per Share.

Independent Shareholders should note that Shares to be acquired under the Revised Partial Offer are subject to, and after, Completion and payment of the Revised Special Dividend. In the closing price analysis below, we do not consider a comparison of the Offer Price with the ex-dividend (i.e. excluding the Revised Special Dividend) closing price of the Shares a meaningful analysis because (i) the Revised Partial Offer is an integral part of the Revised Binding Proposal and we have considered the Disposal and the Partial Offer as a package; and (ii) we do not believe that the ex-dividend (i.e. excluding the Revised Special Dividend) closing price of the Shares is a good proxy of the value of the Remaining Business since the trading price of the Shares include the value of both the Disposal Assets and the Remaining Business and we cannot accurately apportion the trading price of the Shares into its respective values for comparison. Therefore, for illustrative purposes, we have compared the trading price of the Shares as quoted on the Stock Exchange with the sum of the Offer Price and the amount of the Revised Special Dividend.

[2] *Enterprise value is defined as the equity value plus interest bearing borrowings less bank balances and cash, minority interests, preferred stock, financial leases, pension liability and deduct investment in joint venture and associates*

The Offer Price plus the Revised Special Dividend (being in aggregate HK$25.00 per Share) represents:

a) a premium of approximately 64.5% over the closing price of HK$15.20 per Share as quoted on the Stock Exchange on the Last Trading Date;

b) a premium of approximately 30.2% over the average closing price of HK$19.20 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the one year immediately prior to and including the Last Trading Date;

c) a premium of approximately 52.3% over the average closing price of HK$16.41 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Date;

d) a premium of approximately 57.0% over the average closing price of HK$15.92 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Date;

e) a premium of approximately 57.2% over the average closing price of HK$15.90 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date; and

f) a premium of approximately 4.2% over the closing price of the Shares of HK$24.00 per Share on the Latest Practicable Date.

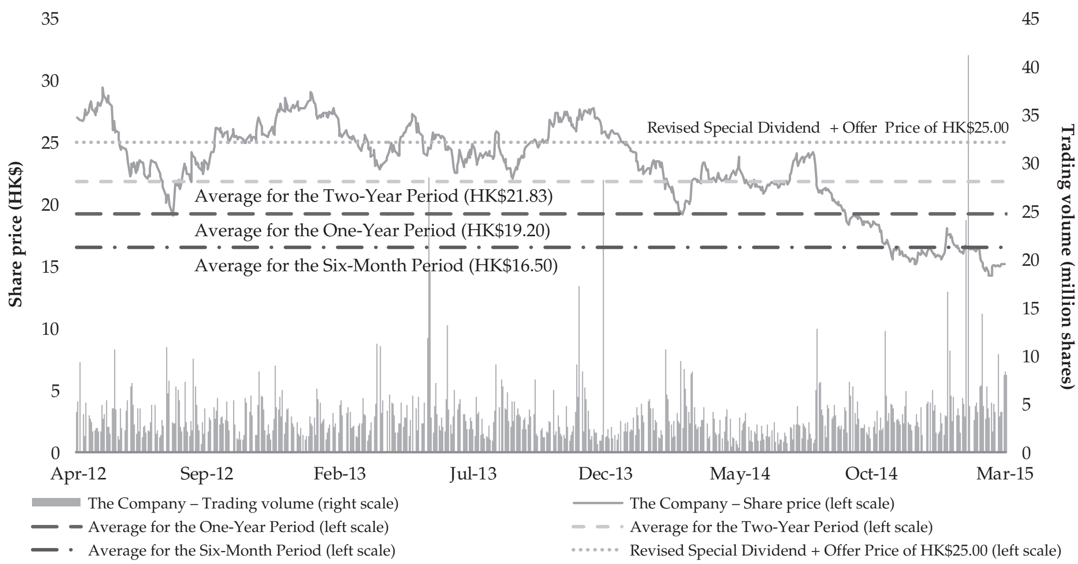
Independent Shareholders, however, should note that the Revised Partial Offer is extended to only approximately 20.0% of the Shares in issue or approximately 41.4% of the Shares held by the Independent Shareholders (after the scrip Shares are allotted and issued, assuming no further changes to the number of issued share of the Company from the Latest Practicable Date). It is possible that if an Independent Shareholder tenders all his/her Shares for acceptance under the Revised Partial Offer, not all of such Shares will be accepted under the Revised Partial Offer. Qualifying Shareholders can, however, be assured that a minimum of approximately 41.4% of the Shares tendered for acceptance under the Revised Partial Offer will be accepted.

A summary of the Pre-Conditions to the Revised Partial Offer is set out under the section headed "1. Pre-Conditions to the Partial Offer" in Appendix VI to the Circular. Independent Shareholders should note that if such Pre-Conditions are not satisfied on or before the Long Stop Date, the Revised Partial Offer will not be made.

(i) Historical trading performance of the Shares

The graph below illustrates the average closing price of the Shares for the six-month (the "Six-Month Period"), one-year (the "One-Year Period") and two-year (the "Two-Year Period") periods prior to and including the Last Trading Date, and the daily closing price from 2 April 2012 up to and including the Last Trading Date. Performance beyond the Last Trading Date has been excluded in our analysis given the trading price of the Shares has reacted according to the First Announcement.

Chart 1 – Daily closing price and trading volume of the Shares



Source: Bloomberg

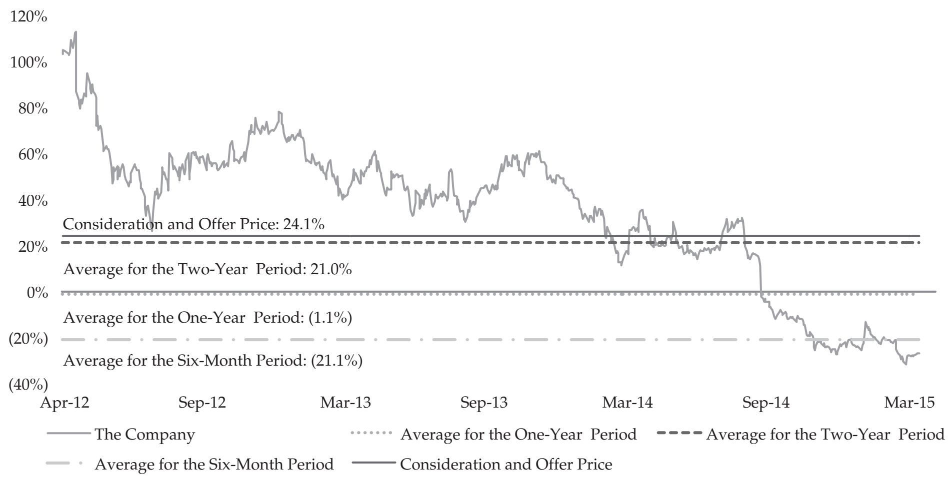
The aggregate of the Revised Special Dividend and Offer Price of HK$25.00 per Share represents a premium over the average closing price of the Shares in the Six-Month Period, One-Year Period and Two-Year Period, of approximately 51.5%, 30.2% and 14.5% respectively.

P/NAV ratio

The unaudited NAV attributable to Shareholders for the Group was approximately HK$48,965 million as at 31 March 2015. The Consideration, together with the implied valuation for the Remaining Business based on the Revised Partial Offer, is HK$60,751 million, representing a premium of approximately 24.1% over the unaudited NAV attributable to Shareholders for the Disposal Assets and Remaining Business as at 31 March 2015.

In the chart below, we have compared the performance of the closing price of the Shares to the unaudited NAV attributable to Shareholders during the Six-Month Period, One-Year Period and Two-Year Period.

Chart 2 – P/NAV ratio analysis



Sources: Bloomberg

During the Two-Year Period, the Shares have been trading at a premium to NAV of the Company for most of the time until the third quarter of 2014 and the closing price of the Shares during such period represented an average premium of approximately 21.0%. For the Six-Month Period and One-Year Period, the closing price of the Shares represented an average discount of approximately 21.1% and 1.1% respectively. Independent Shareholders should note that the aggregate of the Revised Special Dividend and Offer Price of HK$25.00 per Share represents a 24.1% premium to the NAV of the Company which is higher than the average premium over/(discount to) NAV implied by the closing price during the Six-Month Period, One-Year Period and Two-Year Period.

(ii) Trading multiples of the Comparable Companies

We note from the Company's 2014 annual report that the EBITDA and Underlying Profit of the Disposal Businesses include other non-operating related income and expenses and one-off items such as rental income from the Investment Properties, effect of asset revaluation and major disposal on non-core assets/investments, and the inclusion of such items would reduce the comparability of the trading multiples between the Disposal Businesses and Comparable Companies. As such, in assessing the Consideration, we have deducted such items from the EBITDA and the Underlying Profit of the Disposal Businesses.

However, after removing the rental income, effect of asset revaluation and major disposal on non-core assets/investments, the EBITDA and the Underlying Profit of CRE Retail for the year ended 31 December 2014 would become negative. As a result, the two commonly used valuation metrics for retail businesses, being the EV/EBITDA ratio and P/E ratio could not be used. Whilst EV/EBITDA and P/E ratios are metrics commonly adopted for assessing valuation of retail businesses, with limited key financial information of CRE Retail available for valuation assessment, we expanded the scope of the valuation metrics to EV-to-Sales ("EV/Sales") and P/NAV as alternative valuation metrics. EV/Sales ratio only focuses on a company's ability to generate turnover but does not account for its profitability. The EV/Sales multiples of the Comparable Companies also varies widely, resulting in a wide implied valuation range for CRE Retail that is not sufficiently meaningful for our overall valuation analysis. Given CRE Retail incurred losses in the year ended 31 December 2014, we have concentrated our analysis of CRE Retail on balance sheet measure of the P/NAV ratio, which tend to be more stable. As of 31 March 2015, NAV of CRE Retail attributable to Shareholders amounted to approximately HK$12,590 million. Such amount is inclusive of goodwill of approximately HK$9,087 million which was partly stemmed from establishment of the Tesco JV.

Based on our discussions with the Company, we understand that the Company reviews the carrying amount of goodwill on a regular basis and the nominal growth rate adopted beyond its five-year forecast period is 8.0%. In light of the weak financial performance of the retail segment in the first quarter and the outlook in the second quarter of the year ending 31 December 2015, the Management confirms that they would re-assess the carrying value of the goodwill if such market and operational conditions were to continue in the medium term. Should there be a revision in the Management's estimate of the nominal growth rate beyond the five-year cash flow projection from 8.0% (which was the rate adopted in the goodwill assessment for the year ended 31 December 2014 as disclosed in the annual report of the Company for 2014) to say, 4.4% (i.e., if there is a 45% downward sensitivity change from the 8.0% nominal rate due to the probable downward adjustment of medium to long term outlook of the retail segment), the Group would recognise an impairment against goodwill of approximately HK$3,700 million, of which approximately HK$2,900 million will be attributable to the Shareholders. We have compared the 4.4% nominal growth rate to market estimates and perpetual growth rates adopted by research analysts in the market for CRE Retail and Comparable Companies in the retail sector and noted that a 4.4% perpetual growth rate is considered high. Given that the perpetual growth rate adopted by the market is lower, in evaluating the estimated valuation for CRE Retail, we believe that it is reasonable to deduct such estimated impairment in our analysis based on P/NAV ratio.

With the positive profitability of CRE Food and CRE Beverage, we have adopted the EV/EBITDA and P/E metrics in the evaluation of the businesses, which are commonly used valuation metrics for these sectors.

Given the Disposal Businesses are principally engaged in the retail, food and beverage sectors in the PRC, in identifying companies comparable to the Disposal Businesses, we have reviewed companies listed on the Main Board of the Stock Exchange in the supermarkets, hypermarkets, convenience stores, raw meat (pork) and non-alcoholic beverage (non-dairy) sectors (the "Relevant Sectors"). From our review, we note that there is no company with the same combination of businesses and historical performance as the Disposal Businesses listed on the Stock Exchange, and that Comparable Companies are only selected to be "most comparable" in light of these circumstances since no directly comparable company exists. The Comparable Companies are exposed to different degree of macro-economic factors similar to the Disposal Businesses but they have performed better or worse than the Disposal Businesses, hence resulting in different valuation multiples. To assess the fairness and reasonableness of the Consideration, we have reviewed the trading multiples of Comparable Companies with over 50.0% of its revenue generated in the PRC for the fiscal year 2014 and over 50.0% of its revenue generated from any of the Relevant Sectors.

As previously mentioned, without any apportionment of the Consideration by CRH to the Disposal Businesses, we could not evaluate individually the reasonableness of the value of each of these assets and have therefore assessed the estimated value of the Disposal Businesses as a whole by considering the aggregated estimated values for the Disposal Businesses.

Table 7 – Trading multiples of companies comparable to CRE Retail

Company	Stock code	Closing price[1]	Market capitalisation	NAV	P/NAV
		HK$	*HK$ million*	*HK$ million*	*times*
Comparable Companies in the retail sector					
Sun Art Retail Group Limited	6808	7.02	66,969	24,801	2.7x
Wumart Stores, Inc.[2]	1025	4.88	6,283	4,767	1.3x
Springland International (Holding) Co. Ltd.	1700	2.55	6,222	6,284	1.0x
Lianhua Supermarket Holdings Co., Ltd.[2]	980	4.48	5,016	4,289	1.2x
CP Lotus Corp.	121	0.17	1,906	2,532	0.8x
				Maximum	2.7x
				Minimum	0.8x
				Average	1.4x

	NAV[3]
	HK$ million
CRE Retail	9,690

Equity value implied by trading multiple of Comparable Companies	Low	Average	High
	HK$ million	*HK$ million*	*HK$ million*
CRE Retail	7,296	13,432	26,165

Source: Bloomberg and the latest published consolidated financial statements of the respective companies

Notes:

1. Closing share price as at the Latest Practical Date
2. Based on closing price in Hong Kong
3. NAV figure does not include Other Businesses
4. Actual figures have been rounded to the nearest million and actual ratios have been rounded to one decimal place

NAV attributable to Shareholders for CRE Retail as of 31 March 2015 amounted to approximately HK$12,590 million. Assuming a potential impairment of goodwill of approximately HK$2,900 million is included, the adjusted NAV of CRE Retail will be reduced to approximately HK$9,690 million. Based on the adjusted NAV and the P/NAV multiples of the Comparable Companies, the estimated equity value of CRE Retail would be reduced to a range of approximately HK$7,296 million to approximately HK$26,165 million.

Table 8 – Trading multiples of companies comparable to CRE Food

Company	Stock code	Closing price[1]	Market capitalisation	Enterprise value	EBITDA	EV/EBITDA
		HK$	*HK$ million*	*HK$ million*	*HK$ million*	*times*
Comparable Companies in the food sector						
WH Group Ltd.	288	4.95	72,510	108,861	16,734	6.5x
China Yurun Food Group Limited	1068	2.30	4,192	11,605	785	14.8x
China Putian Food Holding Ltd.	1699	0.56	896	1,136	128	8.9x
Huisheng International Holdings Ltd.	1340	1.08	521	192	156	1.2x
					Maximum	14.8x
					Minimum	1.2x
					Average	7.9x

	EBITDA
	HK$ million
CRE Food	247

Equity value implied by trading multiple of Comparable Companies[2]	**Low**	**Average**	**High**
	HK$ million	*HK$ million*	*HK$ million*
CRE Food	(2,365)	(1,105)	211

Source: Bloomberg and the latest published consolidated financial statements of the respective companies

Notes:

1. Closing share price as at the Latest Practical Date

2. Implied equity value is adjusted for net debt and minority interests

3. Actual figures have been rounded to the nearest million and actual ratios have been rounded to one decimal place

CRE Food recorded positive EBITDA and Underlying Loss for the year ended 31 December 2014. Based on the EV/EBITDA ratio of the Comparable Companies as at the Latest Practicable Date, the implied EV for CRE Food ranges from at HK$304 million to HK$3,650 million. However, after adjustment for the net debt balance of HK$3,375 million and minority interests, implied equity value ranges from approximately HK$(2,365) million to HK$211 million.

Table 9 – Trading multiples of companies comparable to CRE Beverage

Company	Stock code	Closing price[1] *HK$*	Market capitalisation *HK$ million*	Enterprise value *HK$ million*	EBITDA *HK$ million*	Net profit attributable to shareholders *HK$ million*	EV/ EBITDA *times*	P/E *times*
Comparable Companies in the beverage sector								
Want Want China Holdings Limited	151	8.09	106,236	104,416	6,971	4,812	15.0x	22.1x
Tingyi (Cayman Islands) Holding Corp.	322	14.90	83,501	102,233	8,912	3,105	11.5x	26.9x
Uni-President China Holdings Ltd.	220	7.38	31,877	37,022	2,251	360	16.4x	nm[2]
China Huiyuan Juice Group Ltd.	1886	3.57	9,488	14,222	652	(160)	21.8x	nm[2]
Tibet 5100 Water Resources Holdings Ltd.	1115	2.49	6,397	5,261	674	433	7.8x	14.8x
China Culiangwang Beverages Holdings Ltd.	904	0.25	1,461	2,832	119	(599)	23.9x	nm[2]
China Tianyi Holdings Limited	756	0.99	1,334	1,549	248	147	6.3x	9.1x
						Maximum	23.9x	26.9x
						Minimum	6.3x	9.1x
						Average	14.7x	18.2x

	EBITDA *HK$ million*	Underlying Profit *HK$ million*
CRE Beverage	673	237

Equity value implied by trading multiple of Comparable Companies[3]	Low *HK$ million*	Average *HK$ million*	High *HK$ million*
CRE Beverage (based on EV/EBITDA)	2,579	5,972	9,685
CRE Beverage (based on P/E)	2,146	4,313	6,372

Source: Bloomberg and the latest published consolidated financial statements of the respective companies

Notes:

1. Closing share price as at the Latest Practical Date
2. P/E ratios below 0x and larger than 50x are denoted as "nm"
3. Implied equity value is adjusted for net debt and minority interests
4. Actual figures have been rounded to the nearest million and actual ratios have been rounded to one decimal place

CRE Beverage recorded positive EBITDA and Underlying Profit for the year ended 31 December 2014. We have concentrated our analysis on the implied equity valuation based upon the EV/EBITDA ratio and draw reference to P/E ratio of the Comparable Companies because EBITDA is a better proxy for free cash flow. We noted that the implied equity value of CRE Beverage ranges from approximately HK$2,579 million to HK$9,685 million based on the EV/EBITDA ratio of the Comparable Companies as at the Latest Practicable Date.

Other Businesses such as Pacific Coffee, CRCare, Chinese Arts and Crafts, VIVO and CR Logistics collectively contribute to approximately 8.1%, or approximately HK$3,022 million of the total NAV attributable to Shareholders of the Disposal Assets as at 31 March 2015. Given the insignificant size of these individual businesses as compared to the rest of the Disposal Assets, we are assessing the valuation of these businesses based on NAV.

(iii) Market value of the Investment Properties

The Investment Properties attributable to the Shareholders of the Company, after adjusting for minority interests, were valued at HK$19,555 million and represents approximately 52.6% of the total NAV attributable to Shareholders of the Disposal Assets as at 31 March 2015. The Investment Properties comprise units within commercial buildings, industrial buildings, residential buildings, shopping malls and car parks located in Hong Kong and the PRC. The valuation represented the market value which, in accordance with the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

As per our discussions with DTZ, we noted that the market value of HK$19,555 million simply represents an aggregate of the estimated market value of the individual properties, and no discount has been applied on the Investment Properties to reflect the liquidity of the property market in absorbing the entire Investment Properties as well as the execution risks in divesting the entire portfolio of Investment Properties in one single transaction. Further, based on our discussions with DTZ and Management, when a portfolio of properties such as the Investment Properties is being put to the market, given the size of the portfolio and the execution risk involved, it is expected that the final price received will be at a discount to the property valuation. In order to assess the range of discount applicable to the disposal of a portfolio of properties, we have referenced successful privatisation transactions in the property sectors starting from the year ended 31 December 2004 until the Latest Practicable Date, to ascertain the discount to the adjusted NAV implied by the offer price in those transactions.

Table 10 – List of successful privatisation transactions in the property sector

Company	Date	Offer/ cancellation price *(HK$)*	Adjusted NAV per share *(HK$)*	% premium *(discount)*
Shanghai Forte Land Co., Ltd	25-Feb-11	3.50	4.74	(26.2%)
Wheelock Properties Limited	19-May-10	13.00	14.79	(12.1%)
Shimao International Holdings Limited	04-Jun-07	1.05	1.31	(19.9%)
Henderson China Holdings Limited	20-Jun-05	8.00	12.51	(36.1%)
Kwong Sang Hong International Limited	13-Dec-04	1.25	1.83	(31.7%)
		Maximum		(36.1%)
		Minimum		(12.1%)
		Average		(25.2%)

Source: Company filing

Based on the above privatisation precedents, we noted that on average the offer price represents a discount of approximately 25.2% to the adjusted NAV.

We noted that in the privatisation cases above all properties were required to be revalued but under the Disposal only the Investment Properties have been revalued. We understand from the Management that the self-used properties are primarily retail stores in the format of supermarket and hypermarket for operating the retail business in the PRC and are not for investment purposes, and that divesting the self-used properties will cause a potentially adverse impact to the operation as well as valuation of CRE Retail. As a result, we concur with the Management's view that a mark-to-market valuation for such self-used assets is not necessary.

Based on the average discount to adjusted NAV of 25.2% implied by the property privatisation precedents, the realisable value of the Investment Properties is estimated to be approximately HK$14,633 million.

In our assessment of the fairness and reasonableness of the Disposal, we have considered the Disposal in conjunction with the Revised Partial Offer and the objective of unlocking value of CR Snow. We have aggregated the implied valuation of the Remaining Business from the Revised Partial Offer and the implied valuation of the Disposal Assets, and compared against the Consideration and the Revised Partial Offer. With reference to the above analyses on trading multiples based on Comparable Companies analysis and the discounted market value of the Investment Properties, we have set out below a summary of the implied valuation of the Disposal Assets and the Remaining Business.

Table 11 – Implied valuation of the Disposal Assets and Remaining Business

Implied valuation of the Disposal Assets	**Low** *HK$ million*	**Average** *HK$ million*	**High** *HK$ million*
CRE Retail	7,296	13,432	26,165
CRE Food	(2,365)	(1,105)	211
CRE Beverage	2,579	5,972	9,685
Other Businesses	3,022	3,022	3,022
Implied valuation for the Disposal Businesses	10,532	21,321	39,084
Investment Properties[1]	14,633	14,633	19,555
Implied valuation for the Disposal Assets	25,164	35,954	58,639
Premium/(discount) implied by the Consideration	*19.2%*	*(16.6%)*	*(48.8%)*

Implied valuation of Disposal Assets and Remaining Business	**Low** *HK$ million*	**Average** *HK$ million*	**High** *HK$ million*
Disposal Businesses	10,532	21,321	39,084
Investment Properties	14,633	14,633	19,555
Remaining Business[2]	30,751	30,751	30,751
Total	55,916	66,705	89,390
Premium/(discount) implied by the Consideration and the Revised Partial Offer	*8.6%*	*(8.9%)*	*(32.0%)*

Source: Bloomberg, filing of Comparable Companies

Notes:

1. Market value of the Investment Properties is only discounted at the low-end and average

2. Implied valuation for the Remaining Business based on Offer Price is approximately HK$30,751 million, representingHK$12.70 per Share multiplied by approximately 2,421 million of number of outstanding Shares

3. Actual figures have been rounded to the nearest million

We have performed a SOTP valuation exercise on the Disposal Assets by using a combination of Comparable Companies analysis and NAV analysis to (a) estimate the implied valuation of each of the divisions within the Disposal Assets and (b) to estimate the appropriate discount to be applied to the appraised value of the Investment Properties to reflect the liquidity discount as well as the execution risks in divesting the entire portfolio of Investment Properties in one single transaction. The implied valuations are then aggregated to arrive at the implied valuation of the Disposal Assets for comparison with the Consideration in the absence of apportionment of the Consideration from CRH. Based on the above, the Consideration together with the implied value of the Remaining Business based on the Offer Price represents a premium of approximately 8.6% to the low end of the implied valuation range and a discount of 8.9% to the average of the implied valuation range. We consider such a discount to be within an acceptable range.

Other valuation methodologies not adopted

(iv) Precedent comparable transactions

In addition to the Comparable Companies, we have also reviewed a number of comparable transactions since 1 January 2011 up to and including 30 April 2015 for which the assets disposed of were similar to the individual Disposal Businesses and Remaining Business. In screening these comparable transactions, we have selected transactions in which the target companies operate in the same or similar sectors to the individual Disposal Businesses and Remaining Business with over 50.0% revenue generated from the PRC. From our review of the comparable transactions, we have identified 11 comparable transactions that relate to the disposal of businesses engaging in retail, food, beverage or beer sectors that can be considered as comparable transactions. We would highlight that, however, there are differences, including, but not limited to, scale of operation, profitability, growth profile and capital requirement, between the business operation of the Disposal Assets and Remaining Business vis-a-vis the businesses in the comparable transactions. In addition, the rationale of the buyers and sellers as well as other circumstances surrounding the comparable transactions also influences the implied transaction multiples, making comparability of these transactions rather limited. As such, we have not included the results from the comparable transactions analysis into our valuation analysis.

(v) P/NAV ratio of listed property investment companies in Hong Kong

We have also drawn references to the P/NAV ratio of listed property investment companies in Hong Kong in determining the discount to be applied on the appraised value of the Investment Properties. In selecting the universe of the property investment companies, we have reviewed companies listed on the Main Board of the Stock Exchange with market capitalisation of US$2.0 billion or above which are in the property investment sector. We shortlisted companies with more than 50.0% of revenue generated from property investment and more than 50.0% of revenue generated from Hong Kong. However, we have not included the discount to NAV of listed property investment companies in Hong Kong in our valuation analysis given such trading NAV discount reflects only value to the minority shareholders whereas the disposal of Investment Properties under the Disposal involve a controlling stake being disposed of.

5. Other key terms in the Sale and Purchase Agreement

The Promissory Note

Pursuant to the terms of the Sale and Purchase Agreement (as amended by the Supplemental Agreement), the Promissory Note with no callable feature is to be issued by CRH upon Completion as a part of the Consideration for the Disposal. The Promissory Note will bear interest at the higher of (i) 0.94% per annum and (ii) the best three-month bank deposit rate which the Company may obtain from banks which have existing business relationships with the Company under the prevailing market conditions about the time of Completion, for the period from the date of Completion to the date when the principal amount, together with the accrued interest, of the Promissory Note is to be fully paid to set off against the Revised Special Dividend.

In the event that the amount of the Revised Special Dividend receivable by CRH is insufficient to redeem the amount due under the Promissory Note, CRH will be required to pay the shortfall to the Company in cash on the date of payment of the Revised Special Dividend.

To the extent that no Revised Special Dividend is paid, CRH will be required under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) to repay such outstanding amount under the Promissory Note (together with interest accrued on the principal amount of the Promissory Note up to repayment date) within five Business Days upon the Company's notification in writing to CRH that the Revised Special Dividend is not capable of being paid. The Promissory Note is not transferrable and has neither security nor maturity period.

On the basis that the principal amount of the Promissory Note equals to the amount of Revised Special Dividend receivable by CRH based on CRH's shareholding in CRE of approximately 51.78% as at the Latest Practicable Date and the Promissory Note bears an interest at the higher of 0.94% and the best three-months despite rate as stated above, we consider that the Promissory Note is in the interest of the Shareholders and is under normal commercial terms.

The Special Dividend and the Capital Reduction

The payment of Revised Special Dividend requires sufficient distributable reserves. Since there are insufficient distributable reserves to support the proposed distribution of the Revised Special Dividend, the Company is required under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) as a pre-Completion undertaking to use its commercially reasonable endeavours to implement the Capital Reduction as soon as practicable after signing of the Sale and Purchase Agreement (as amended by the Supplemental Agreement) so that the capital of the Company will be reduced by a minimum of HK$10.0 billion, which will be credited to the distributable reserves of the Company. If the Capital Reduction cannot be effected by the Completion date, the Company is required under the Sale and Purchase Agreement (as amended by the Supplemental Agreement) to undertake to complete the Capital Reduction as soon as practicable after Completion. As mentioned in the Letter from the Board, the Capital Reduction is subject to conditions (please refer to the Letter from the Board for detail of the conditions). Upon the Capital Reduction becoming effective, the Revised Special Dividend can then be made from the increased distributable reserves of the Company.

Assuming all of the conditions are fulfilled, it is expected that: (i) the Capital Reduction will become effective immediately following the registration of the relevant documents with the Registrar; and (ii) the record date for the Revised Special Dividend will be the same date of registration with the Registrar.

Substantially all of the cash proceeds from the Consideration are required to be returned to all Shareholders via the Revised Special Dividend after Completion and the Capital Reduction. Since the Capital Reduction is subject to conditions and some of which are beyond the control of the Company, Independent Shareholders should note the inherent risks and timing associated with the technicalities in the execution of the Capital Reduction which will in turn affect the distribution of the Revised Special Dividend.

CRH Undertaking

CRH has agreed that it will not, for a period of three years after the Completion, without the Company's prior written consent:

(i) without limiting paragraphs (ii) and (iii) below, directly or indirectly, sell, transfer or otherwise dispose of (a) 25% or more of the equity interests in any of the retail business, beverage business or food business, or (b) any of the Disposal Assets or the Disposal Group which represents 25% or more of the consolidated NAV (as determined based on the then latest audited consolidated financial statements) of any of the retail business, beverage business or food business;

(ii) directly or indirectly, sell, transfer or otherwise dispose of, any of the Investment Properties of the Disposal Group which are part of the Disposal Assets; and

(iii) undertake or implement the listing or quotation of shares on any stock exchange of any of the retail business, food business or beverage business, or any of the Investment Properties, individually or on a combined basis.

Other considerations

We further note that, the absence of any undertakings or representations or warranties required by CRH, being the purchaser, in the Sale and Purchase Agreement (as amended by the Supplemental Agreement), the CRH Undertaking, as well as CRH's reimbursement of all costs and expenses directly incurred by the Company in connection with, amongst others, the implementation of the Sale and Purchase Agreement (as amended by the Supplemental Agreement), are on terms no less favourable than those offered by third parties.

6. Financial effects of the Disposal on the Company

Given the Disposal is a very substantial disposal transaction of the Company, the assets and liabilities to be remained in the Company following Completion will be reduced accordingly. After Completion, the Group will be engaged in the Remaining Business.

For illustrative purposes, we have summarised below the financial effects of the Disposal to the Group. Further details of the financial effects of the Disposal are set out in the "Letter from the Board" and the "Unaudited Pro Forma Financial Information of the Remaining Group as at and for the year ended 31 December 2014" in Appendix IVA and "Unaudited Pro Forma Condensed Financial Information of the Remaining Group as at and for the three months ended 31 March 2015" in Appendix IVB in this Circular.

	Whole Group Before Completion *(unaudited)*	Remaining Group Pro Forma After Completion *(unaudited)*
In respect of earnings:		
Profit/(loss) attributable to Shareholders for the year ended 31 December 2014 (HK$ million)	(161)	2,062[2]
In respect of NAV:		
Consolidated NAV attributable to Shareholders as at 31 March 2015 (HK$ million)	48,965	41,993
In respect of gearing:		
Net debt/(cash) as at 31 March 2015 (HK$ million)	7,056	(10,787)
Gearing ratio (%)	10.3	Net cash

Source: Company

Note:

1. Gearing ratio is the ratio of net debt/(cash) divided by total equity

2. The amount includes an estimated gain on disposal of approximately HK$1,332 million. If the Completion had taken place on 1 January 2015, the estimated loss on disposal would be approximately HK$2,980 million. If the Completion had taken place on 31 March 2015, the estimated loss on disposal would be approximately HK$5,030 million and the loss attributable to Shareholders of the Company would be approximately HK$4,986 million

(i) Profitability

For the year ended 31 December 2014, the Group recorded loss attributable to Shareholders of approximately HK$161 million, of which the Disposal Assets recorded a loss attributable to Shareholders of approximately HK$891 million. Assuming the Completion had taken place on 1 January 2014 which is prior to the formation of the Tesco JV in May 2014, the estimated gain on disposal would be approximately HK$1,332 million. Since the gain incurred on the Disposal is non-recurring in nature, the pro forma profit attributable to Shareholders would be approximately HK$730 million if such one-time gain is excluded.

(ii) NAV

Upon Completion but before the payment of the Revised Special Dividend, the Group's NAV attributable to the Shareholders as at 31 March 2015 would be reduced by approximately HK$6,972 million to approximately HK$41,993 million. The reduction is mainly attributable to the loss recognised as a result of the Disposal as mentioned above.

(iii) Gearing

As at 31 March 2015, the Group had a net debt position (total debt minus total cash) of approximately HK$7,056 million and a net debt-to-equity ratio of approximately 10.3%. After Completion but before the payment of the Revised Special Dividend, the Remaining Group's debt position will be decreased significantly, resulting in a net cash position of approximately HK$10,787 million.

7. Summary

Having considered the above principal factors and reasons, we draw your attention to the following key factors in arriving at our conclusions to the Disposal:

(i) As referred to the section headed "2. Reasons for, and benefits of, the Disposal" in our letter, trading price of the Shares has been underperforming the Hang Seng Index for the nine months prior to the First Announcement. The Revised Proposal offers an opportunity for the Independent Shareholders to realise part of their investment in the Company by way of the Revised Special Dividend, and sets a valuation benchmark for the Remaining Business through the Revised Partial Offer, which allows the Independent Shareholders to realise part of their investment at a premium to the Share price without having to incur the brokerage fees, transaction levies and trading fees;

(ii) Upon Completion, there will be greater market clarity for Shareholders to evaluate the Remaining Business on a standalone basis which would enable the market to better understand and unlock the value of the Remaining Business, which was previously part of a conglomerate;

(iii) The Disposal Businesses are operating in a challenging operating environment facing macro-economic headwinds and fierce competition in the market, which are expected to continue to put pressure on the overall margin and profitability of the Disposal Businesses. Furthermore, significant capital investments and management resources are expected over the next three to five years and there is no certainty as to the timing or a successful execution in turning around the businesses. The Disposal offers an opportunity for the Company to remove any execution risks attached to the business performance of the Disposal Businesses, and will have the single strategic focus of enhancing the competitive position of the Remaining Business and delivering Shareholder value;

(iv) Based on the SOTP valuation of the Disposal Assets in which we use a combination of Comparable Companies analysis and/or NAV analysis for the Disposal Businesses and the appraised value of the Investment Properties, we noted that the Consideration together with the implied value of the Remaining Business based on the Offer Price represents a premium of approximately 8.6% to the low end of the implied valuation range and a discount of 8.9% to the average of the implied valuation range. We consider such a discount to be within an acceptable range;

(v) The aggregate of the Revised Special Dividend and Offer Price of HK$25.00 per Share represents: an uplift of HK$9.80 from the closing price of HK$15.20 per Share on the Last Trading Date and a premium over the average closing price of the Shares in the Six-Month Period, One-Year Period and Two-Year Period, of approximately 51.5%, 30.2% and 14.5% respectively; and

(vi) The Directors have considered other alternatives for the Disposal Assets in the past and believed that none of the alternatives is as viable and as certain in terms of timing and value creation to the Independent Shareholders as the current Revised Binding Proposal.

RECOMMENDATION

Having considered the above principal factors and reasons, we considered that the terms in the Sale and Purchase Agreement and the Supplemental Agreement, are fair and reasonable and on normal commercial terms. While the Disposal, the Capital Reduction and the Revised Special Dividend are not in the ordinary and usual course of business, in our opinion they are 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 resolutions to approve the Sale and Purchase Agreement and the Supplemental Agreement and the transactions contemplated thereunder at the EGM.

Yours very truly,
For and on behalf of
Rothschild (Hong Kong) Limited

Kelvin Chau
Managing Director

Wallace Wong
Director

Notes:

1. Mr. Kelvin Chau is a licensed person registered with the Securities and Futures Commission of Hong Kong and regarded as a responsible officer of Rothschild (Hong Kong) Limited under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities and has over 25 years of experience in investment banking and corporate finance.

2. Mr. Wallace Wong Chun Ho is a licensed person registered with the Securities and Futures Commission of Hong Kong and regarded as a responsible officer of Rothschild (Hong Kong) Limited under the SFO to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities and has over 15 years of experience in investment banking and corporate finance.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 are disclosed in the following documents which have been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.cre.com.hk):

- the Company's annual report for the year ended 31 December 2012 published on 22 April 2013 (pages 115 to 193);
- the Company's annual report for the year ended 31 December 2013 published on 24 April 2014 (pages 117 to 189);
- the Company's annual report for the year ended 31 December 2014 published on 24 April 2015 (pages 113 to 198); and
- the Company's announcement dated 17 June 2015 on its financial and operational review for the three months ended 31 March 2015.

2. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 May 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding total borrowings of approximately HK$26,467 million comprising bank loans of approximately HK$26,465 million. Out of such outstanding bank loans of approximately HK$26,465 million, an amount of approximately HK$545 million in aggregate is secured by certain properties (including investment properties, construction in progress, land and buildings and related properties with net book value of HK$1,273 million).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 May 2015.

General

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills and payables) or other similar indebtedness, debentures, mortgages, charges, loans acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 May 2015.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 May 2015.

3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Group's business prospects, internal resources, available banking facilities and the effect of the transactions contemplated under the Sale and Purchase Agreement (as amended by the Supplemental Agreement), the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirmed that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Upon Completion, the Remaining Group will be principally engaged in the business of the manufacture and distribution of beer in the PRC that owns the best selling beer brand "雪花 Snow" in the world since 2008 by sales volume.

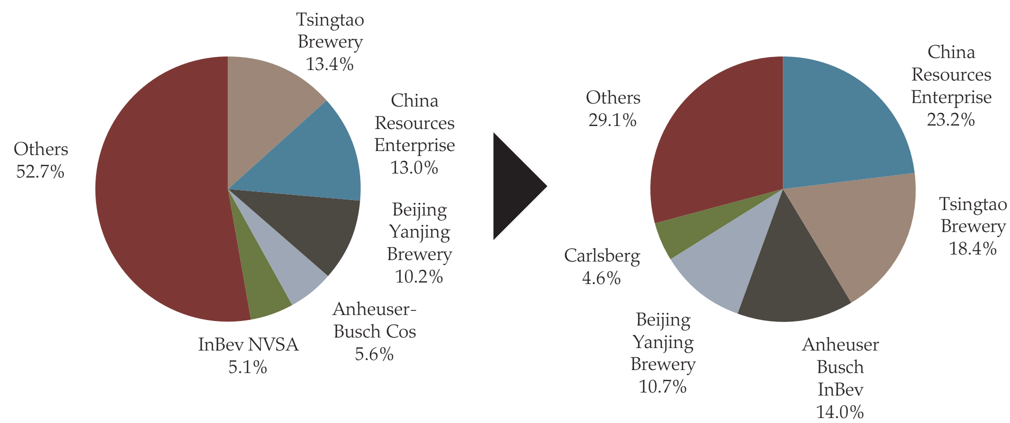
The beer division of the Group reported sales and attributable profit of HK$34,482 million and HK$761 million for the year ended 31 December 2014, respectively, representing an increase of approximately 4.5% and a decline of approximately 19.3% compared with those for the year ended 31 December 2013.

Trading Prospects

CR Snow is a highly successful 21 year partnership between the Company and SABMiller. We have consistently been the largest brewer in China by volume since 2006 and we have 23.2% market share by volume in beer in China in 2014 which is approximately 480 basis point higher than the second largest brewer by volume, according to Euromonitor International.

China beer market – competitive landscape by volume[1]

2005 Top five market share = 47.3% **2014 Top five market share = 70.9%**



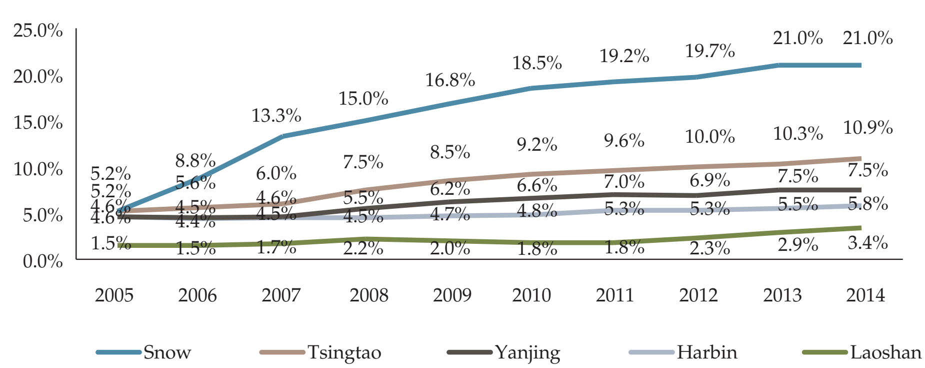
Source: *Euromonitor International* *Source:* *Euromonitor International*

Note: 1 Based on historic owner share data

China's beer market has continued to consolidate and the top five players accounted for 70.9% of the market in 2014. This represents an increase of 23.6 percentage points when compared to the market share in 2005 of 47.3%. According to Euromonitor International, the consolidation in beer market will continue to increase in the future as leading players are expected to increase their share through both organic growth and taking share from smaller brewers as well as through acquisitions.

Our market share is anchored by our flagship brand "Snow" which is the largest brand in China with a 21.0% market share, almost doubled the volume market share of Tsingtao, the second largest single brand in China in 2014, according to Euromonitor International.

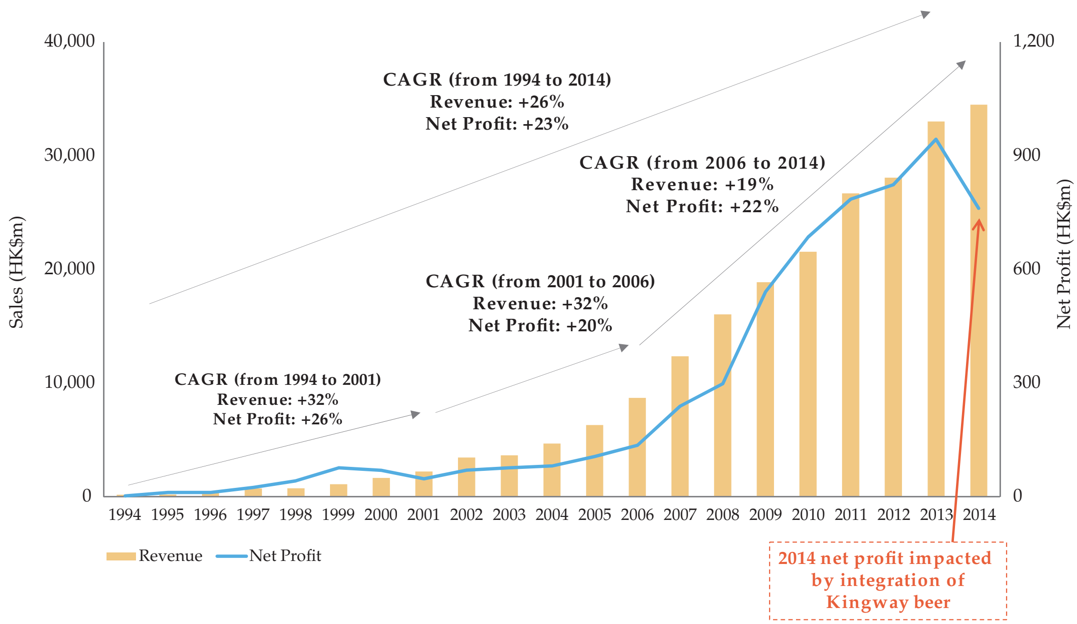
Volume share of top 5 beer brands in China



Source: *Euromonitor International*

Since establishing our joint venture with SABMiller in 1994 with 2 breweries in Liaoning Province, CR Snow has since grown to a total of 98 breweries in 25 provinces with a total capacity of over 200 million hectolitres as of the end of 2014. Over the same time, CR Snow has seen tremendous growth in sales and net profit, achieving a sales revenue and net profit CAGR of 26% and 23%, respectively:

1994-2014 sales and net profit of CR Snow



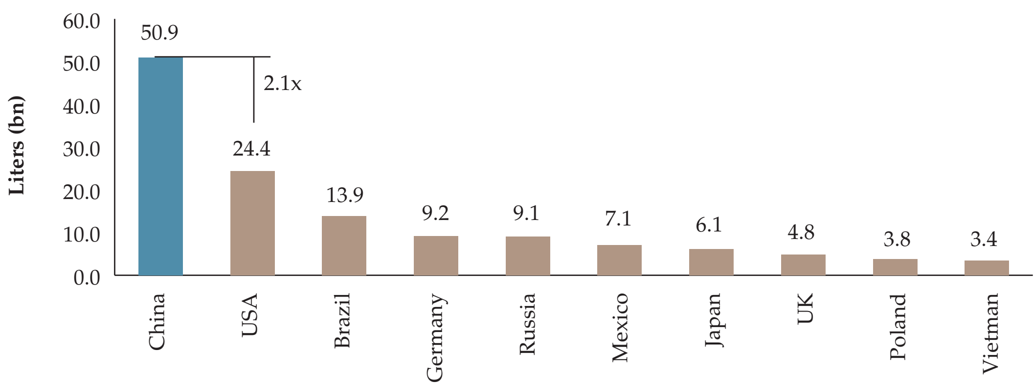
Source: Company Filings

Despite some of the recent challenges seen in the sector in 2014, driven in part by extreme weather, weak macroeconomic conditions and overall beer consumption growth slowdown in China, we continue to believe that the medium to longer term outlook for CR Snow remains strong due to i) robust longer term industry fundamentals of the beer sector in China; ii) our leading market position and relative strengths versus our competitors; and iii) our future growth strategy. These points will be further elaborated in the next few sections.

i) China is the largest and most attractive beer market globally

According to Euromonitor International, China is the world's largest beer market by volume and is more than twice the size of the US market.

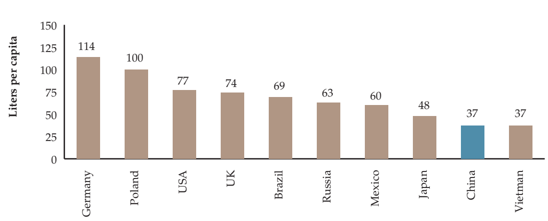
2014 Top ten beer markets in the world



Source: Euromonitor International

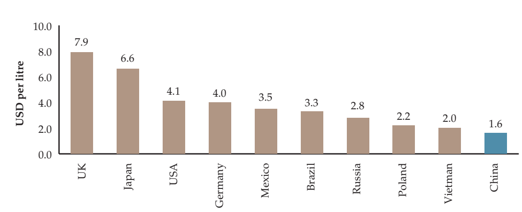
China's beer per capita volume consumption is the second lowest among the top ten beer markets in the world, which highlights significant potential for future consumption growth. In addition, regional markets within China vary in terms of per capita consumption and it is foreseeable that beer continues to be a credible substitute for other traditional alcoholic beverages (such as white spirit and rice wine). Furthermore, China's beer market unit price is the lowest among the top ten beer markets and has potential for premiumization as the disposable income of China continues to increase and consumer becomes more sophisticated and aspirational, such as in rural areas and smaller towns.

Top ten beer markets per capita volume consumption (2014)



Source: Euromonitor International

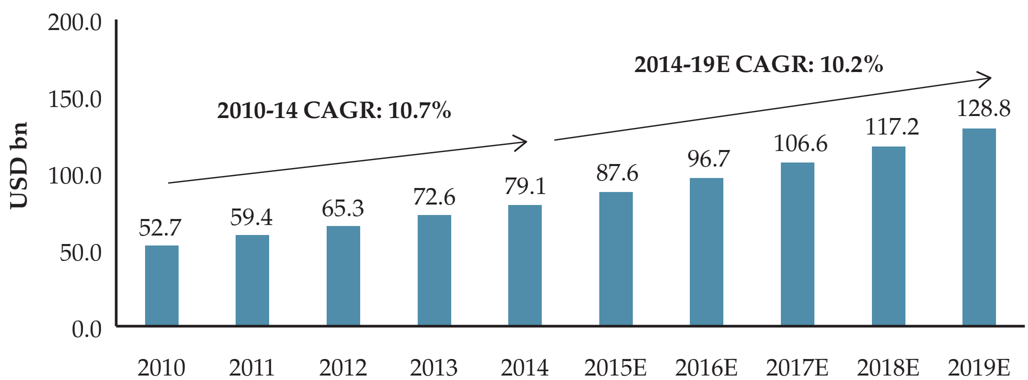
Top ten beer markets price per litre (2014)



Source: Euromonitor International

According to Euromonitor International, the Chinese beer market has demonstrated robust double digit growth in retail sales value historically and is expected to continue on this trajectory over the next five years. According to Euromonitor International, the beer segment in China is expected to grow at a volume CAGR of 2.4% between 2014 and 2019 and at a retail sales value CAGR of 10.2% over the same time period. The higher value growth implies an increase in average unit prices and trend of premiumization. According to Euromonitor International, growth in the China beer market by value is expected to account for 15.6% of the global beer growth over the next 5 years. We expect growth in the Chinese beer market to be driven by ongoing economic growth and increasing disposable incomes as well as ongoing urbanization.

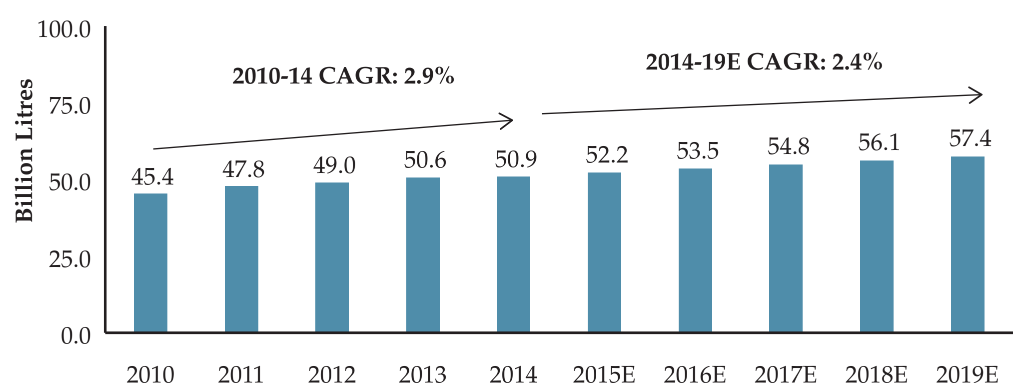
China beer market size and growth by value[1]



Source: *Euromonitor International*

Note: 1 Based on current value and fixed 2014 exchange rates

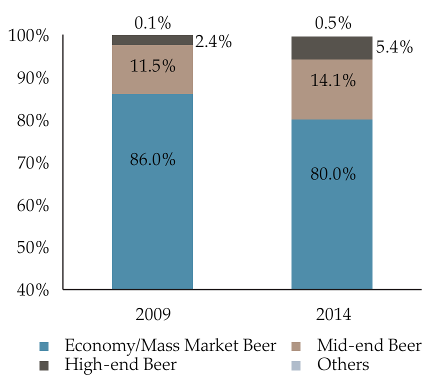
China beer market size and growth by volume



Source: *Euromonitor International*

In addition, we believe that there will continue to be significant growth being driven from premiumization. Based on Euromonitor data and definitions, sales volume of economy/mass market beer comprises 80% of the market in 2014, which suggests that China's beer market is price sensitive. However, there is a clear trend of premiumization in the market as high-end and mid-end beer has collectively increased from representing 13.9% of the market in 2009 to 19.5% of the market in 2014 and has been growing at a CAGR of 10.6% from 2009 to 2014 by volume. In addition, further product segmentation is expected to bring incremental growth to beer and new premium products as well as new flavors and types of beer are expected to be developed and introduced to customers by the leading brewers. New packaging, such as cans and aluminum bottles, will also be important to attract younger legal drinking age consumers as a reflection of their consumption preferences. Unit price per litre has increased from USD1.10/L in 2009 to USD1.56/L in 2013 or a CAGR of 7.2% and this trend is expected to continue with unit price per litre expected to increase to USD2.25/L by 2019.

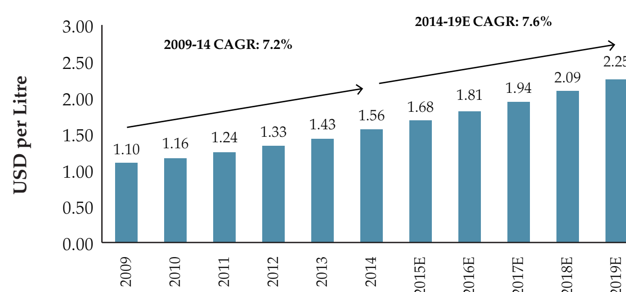
China beer market volume by pricing



Source: *Euromonitor International*

Note: 1 Economy/Mass Market – below RMB7 per litre; Mid-priced – between RMB7–14 per litre; Premium over RMB14 per litre

China beer market unit price per litre[1] (USD/L)



Source: *Euromonitor International*

Note: 1 Based on current value and fixed 2014 exchange rates

ii) Competitive advantages of CR Snow

We believe we are well positioned to continue our market leadership due to the following competitive strengths:

Snow is the largest brand in China, the world's largest beer market

We own the leading dominant beer brand in the world's largest market, "Snow". The total sales volume of CR Snow ranked number one in the China market for 9 consecutive years from 2006 to 2014. According to Euromonitor International, we are the undisputed No.1 beer player in China by volume with a market share of 23.2% in 2014, up from 15.4% in 2006 when we first became the market leader in beer. "Snow" has also become the largest beer brand by volume worldwide since 2008 with a global market share of 5.4% in 2014, according to Euromonitor International.

As the largest beer brand in China, "Snow" resonates deeply with Chinese consumers given its heritage and has won numerous international accolades. "Snow" was ranked No.1 among "The World's Most Popular Beer" list by CNN in 2014. "Snow" was named the No.1 beer brand in China Brand Power Index by Chnbrand in 2014 based on consumer survey results. "Snow"'s brand value was estimated to be approximately RMB87.6 billion in 2014 by World Brand Lab, ranked the 28th amongst all Chinese brands.

We believe that, with our strong brand equity and leading market position, we are best positioned to capture the significant growth potential of China's beer industry, which is also expected to continue to consolidate as leading players continue to take share from smaller brewers. We believe that we are well positioned to capture the ongoing shift towards beer consumption by consumers, as they shift from other alcoholic beverages to beer in more rural areas. We also continue to gain market share in more established areas as we take market share from more regional brands. We believe our market leading position will continue to be a key driver of our strong growth and profitability.

Well established nationwide brewery network within close proximity to key markets with early mover advantages and quality improvement

We have the most extensive network of production facilities across the nation with 98 breweries in 25 provinces, having successfully expanded from a regional brewer historically focused on Northeastern China to a national leader today.

Through our network, we have leadership positions in Northeastern China, Eastern China and Southwestern China with respective market shares of approximately 50%, 43% and 35% by sales volume in these regions in 2014. We were early market movers in these regions and have established leading market positions. In other markets such as Guangdong Province, our acquisition of Kingway beer has provided us with a strong market position with market share increasing from single digit to approximately 20%.

We believe that our nationwide distribution network is a key competitive advantage. This allows us to ensure that our products are delivered to consumers quickly and efficiently but also allows us to better understand local markets and consumers on a first hand basis. With our on-the-ground presence, we are able to respond to the market in a timely manner by adjusting our local production mix and providing the right products to local markets. Our close relationships with our distributors also enable us to collect market intelligence and adjust our overall product portfolio accordingly.

Furthermore, there continues to be ongoing quality and productivity improvement from lean manufacturing and other initiatives. For example, our beer production per production staff and malt inventory turnover in selective plants showed improvement in 2014 versus the previous year.

Differentiated sales channel strategy with unique on-the-ground capabilities

We have an extensive sales and distribution network that covers most regions and markets in China with deep penetration in both urban and rural areas. We have formulated tailored strategies for different sales channels with strong on-the-ground management and capabilities. We categorize our market into urban markets and county or rural markets and developed tailored strategies for each of these markets as well as channels.

For our urban markets, we have divided into four specific channels with tailored strategies for each channel:

– ***High end on-trade channel***: we established specific sales force to target on-trade customers such as high end restaurants, night clubs, KTV, etc. on a one to one basis to build and maintain a strong channel and customer relationship.

– ***Other on-trade channel and traditional retail channel***: We have established a flat distributor network by dividing our targeted markets into smaller areas to eliminate the number of layers of distributors to allow for higher profitability, closer proximity to and relationship with end customers and better management of the distributors and retailers.

– ***Modern retail channel***: Our sales team at our headquarters covers and negotiates with nationwide retailors directly while our regional sales teams coordinate the negotiation with regional retailers. Regional sales offices coordinate the on-the-ground execution of the distribution agreements with distributors only responsible for product delivery. We maintain a one to one coverage of our customers in the modern retail channel.

– ***E-commerce channel***: we have established our e-commerce channel as well as through sales on e-commerce platforms such as Yihaodian, JD.com, or setting up our own flagship stores on platforms such as T-mall, Haigou.com. We have also set up our own beta e-commerce platform to sell beer and directly interact with our end customers and consumers in a selected number of local markets.

For our more regional markets in smaller towns and rural areas, we maintain long standing relationships with local distributors to broaden our coverage and penetration to these areas. We also maintain a flat distribution model for these markets through careful and finer division of regional markets and we also utilize secondary distributors to supply to rural areas.

Due to our strong on-the-ground management capabilities of the our force over our different sales channels, we have established a close relationship with our distributors and customers which allow us to formulate specific sales strategies by channel and by region.

Diverse product portfolio and innovation across brands and multiple price points

We have a strong and diversified product portfolio to cater for a full spectrum of consumers. We have mainly developed mainstream, mid and high-end products across different retail price points ranging from approximately RMB3 to RMB25 per bottle to target different markets and cater to customer needs. While our mainstream products still account for majority of our sales volume, we have been focused on the development of mid- to high-end products in recent years in recognition of the premiumization trend in China. Sales of our mid to high end products, which we define as products with a retail price of approximately RMB5 per 500ml or above, have increased from 29% of our sales volume in 2012 to approximately 41% of our sales volume in 2014.

Highly experienced management team with exceptional track record supported by 21 year partnership with the second largest global brewer

CR Snow's management team are highly experienced in the beer industry with an average industry experience of over 20 years. Many members of the senior management team have been with CR Snow for over 15 years and have therefore developed a strong industry and operational know-how. With the support of the headquarters of the Company, CR Snow's management team has created a strong track record and expanded CR Snow continuously with consistent high growth in the last 20 years from both through organic and inorganic expansions. The team has also demonstrated their ability to successfully integrate and turn around acquired businesses in their abundant acquisition experiences in the last decade.

As the 49% shareholder of CR Snow, SABMiller has also provided strong support to CR Snow's operation, including technology, production and product standards, quality control, raw material, product testing, research and development, new product innovation, technological exchange, brand portfolio and category development. The long-standing strategic partnership has and will continue to benefit and support CR Snow's continuous growth.

iii) Future growth strategy

We believe our market leadership and our competitive strengths have provided CR Snow with an extremely strong platform on which to grow. Our vision going forward is to continue to increase our sales, market share as well as our profitability, both for the Company overall and for our flagship brand, "Snow". Our strategy in achieving in the medium term is focused on 4 key pillars:

Expanding "Snow" with ongoing premiumization

Given the strength of the "Snow" brand and our platform in China, we believe we can continue to capitalise on the ongoing growth of the beer market in China and will continue to increase our market share by capturing new beer drinkers but also continue to gain share from other national and regional brands. Given ongoing shifts in economic and sector trends and notably increasing disposable income in China, our growth strategy is also increasingly focused on premiumization and we believe that this will not only help to drive revenue growth but also profitability. Going forward, we will continue to focus on growing such higher-priced and higher margin brands and products to drive revenue and profitability for our beer business.

Strengthen our regional presence through organic growth and acquisitions

While we have built our beer business to be the market leader in China, we continue to focus on growing our market share on a regional basis both organically and inorganically.

We are focused on strengthening our presence and increasing our market share. In the long term, we would focus on expand and upgrade our current breweries and improve operating efficiency.

In addition, we will continue to evaluate acquisition targets to strengthen our regional presence. Since 2006, we have made more than 20 acquisitions including most recently the approximately HK$6.6 billion acquisition of Kingway beer which has allowed us to not only expand our platform into new regions but has also provided us with strong regional brands and management teams. For example, the acquisition of Kingway beer provided us with a strong regional brand and increased the number of breweries we had in Guangdong from one to five as well as provide additional facilities in Tianjin, Chengdu and Xi'an.

Integrating Kingway beer and extracting value through synergies

Following the acquisition of Kingway beer in 2013, we have continued to focus on integrating the business into our platform. We recently completed the first phase of the integration plan in 2014 which focused on the integration of back office and certain operating functions as well as beginning the production of Snow beer at Kingway beer manufacturing facilities. Going forward, among other things, we will be focusing on upgrading Kingway Brewery's breweries to CR Snow's best-in-class operating standards as well as integrating Kingway beer's distribution and channel network into CR Snow's platform. Given our experience and track record of over 20 acquisitions and integrations since 2006, we continue to be confident in executing our integration plans and we expect full integration to happen within the next three to four years and for the business to become profitable following full integration.

Collaboration with SABMiller

We will continue to work with SABMiller in improving the operating efficiency of our business and have a number of initiatives currently being undertaken which include, among others, 1) optimising production at our breweries and end-to-end supply chain to ensure that our products are produced and delivered in the most cost effective way to customers; 2) leveraging SABMiller technology and know how to enhance production efficiencies; and 3) improving the know-how of our employees and management team through shared expertise with SABMiller. We believe that our continued focus with our partner on operating efficiency will help to improve our profit margins going forward as we grow our business more effectively.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

For the period ended 31 March 2015

Business and Financial Review

The Remaining Group reported sales and attributable profit of HK$8,509 million and HK$44 million in the first three months of 2015, respectively, representing an increase of 8.0% and 4,300.0% year-on-year, respectively. The Remaining Group was contributed by the operation of beer business in China and the apportionment of headquarter operation of the Company. The following review focuses on the beer operations only.

During the three months ended 31 March 2015, the sales and attributable profit of the beer operation was HK$8,509 million and HK$51 million, respectively, representing an increase of 8.0% and 750.0% year-on-year, respectively. As compared with 2014, the EBITDA improved by 28.7% to HK$865 million.

In the first quarter of 2015, the division's beer sales volume increased by 3% to 26,490,000 hectoliters, of which our national "雪花 Snow" brand accounted for approximately 90%. During the period ended 31 March 2015, although a decline in overall beer market was recorded according to the National Statistical Bureau as a result of the slowdown in the domestic macro-economy, the sales volumes of the operation for the first quarter of 2015 disconsolidated growth due to the increased production capacity, investments in marketing and promotions, as well as the expansion and improvement of our sales and distribution channels and broadening of our sales network and product production. In addition, the rapid increase in the sales of premium beer has also boosted growth in the division's overall sales volume. The sales volume of mid-end and above products increased by approximately 30% and the overall average selling price boosted by 5.6% as compared with the same period in 2014.

During the period ended 31 March 2015, driven by an increase in sales, the division also recorded an increase in operating profit. For the production, the business leveraged its centralized procurement and economies of scale and enhanced its production efficiency to counteract cost pressures.

As at the end of March in 2015, the business operated 98 breweries in China, scattered in 25 provinces, with an aggregate annual nominal capacity of over 200,000,000 hectoliters.

Liquidity and financial resources

As at 31 March 2015, the Remaining Group (derived by excluding the Disposal Assets from the Group) had cash and cash equivalents, including pledged bank deposits, of approximately HK$5,161 million. The Remaining Group's total loans as at 31 March 2015 was HK$8,953 million, of which the short term portion and long term portion were HK$4,651 million and HK$4,302 million, respectively. The gearing ratio, being the ratio of the total loans minus cash and cash equivalents divided by total equity, was 16.1%. The liquidity ratio of current assets over current liabilities, was 0.62 as at 31 March 2015. All the loans of the Remaining Group are unsecured.

	As at 31 March 2015
	HK$'m
Loans:	
– bank loans repayable within 5 years	8,951
– bank loans repayable over 5 years	2
	8,953
Amounts due within one year – bank loans	(4,651)
Amounts due over one year	4,302

The Remaining Group's currency and interest rate

The Remaining Group's transactions are denominated in RMB and HK$. The Remaining Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when conditions arises.

In terms of the interest rate risk exposures, the Remaining Group does not have any significant interest rate risk as both the borrowings of the Remaining Group and the interest rates thereof currently remain at low levels.

Material acquisition and disposal of subsidiaries

The Remaining Group had no material acquisition and disposal of subsidiaries during the period ended 31 March 2015.

Employee and emolument policy

As at 31 March 2015, the Remaining Group employed approximately 60,400 employees. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Remaining Group include medical insurance, staff provident fund and restricted incentive award scheme. The restricted incentive award scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. Details of the scheme can be referred to the Report of the Directors in the annual report of the Company for 2014.

Charges on the assets

There was no material charges on the assets of the Remaining Group as at 31 March 2015.

Capital Expenditures

As at 31 March 2015, the Remaining Group had capital commitments of approximately HK$4,078 million.

Contingent Liabilities

As at 31 March 2015, the Remaining Group had contingent liabilities in respect of guarantees for banks loans provided to Disposal Group of HK$14,889 million.

For the financial year ended 31 December 2014

Business and Financial Review

The Remaining Group reported sales and attributable profit of HK$34,482 million and HK$730 million in 2014, respectively, representing an increase of 4.5% and a decline of 18.8% year-on-year, respectively. The Remaining Group was contributed by the operation of beer business in China and the apportionment of headquarter operation of the Company. The following review focused on the beer operation only.

During the year ended 31 December 2014, the sales and attributable profit of the beer operation was HK$34,482 million and HK$761 million, respectively, representing an increase of 4.5% and a decline of 19.3% year-on-year, respectively. As compared with 2013, the EBITDA declined by 1.4% to HK$4,353 million.

In 2014, the overall beer market in China was sluggish as a result of the slower growth of the macro economy. Furthermore, sales volume growth of the beer operation in the third quarter was negatively affected by the cooler-than-usual summer conditions in the middle and lower reaches of the Yangtze River, where the hot summer in the corresponding period in 2013 drove up sales volume. This has led to a slowdown in overall sales volumes growth and a decline in profitability, including Kingway beer integration. After the smooth integration of Kingway beer, which was acquired in 2013 (further details please refer to *Business and Financial Review* for the financial year ended 31 December 2013), the beer sales volume of the business enjoyed an overall 1% increase to 118,420,000 hectoliters, of which the operation's national "雪花 Snow" brand accounted for approximately 90% of the operation's total beer sales volume.

Faced with further intensification of market competition, the operation continued to ramp up investment in its promotion activities as well as launch new super premium products, such as "Snow Opera Mask" and the promotion of cans, to cater for demands of high end consumers, such that the sales volume of mid-end and above products increased by over 25% as compared with that of 2013. The overall average selling price rose by 2.7% (in RMB terms) during the year ended 31 December 2014.

By leveraging its centralized procurement and economies of scale, the business further enhanced its production efficiency and stepped up efforts in the optimization of its product mix so as to relieve pressure of rising costs. As at the end of 2014, the business operated 98 breweries in China, scattered in 25 provinces, with an aggregate annual production capacity of over 200,000,000 hectoliters.

Liquidity and financial resources

As at 31 December 2014, the Remaining Group (derived by excluding the Disposal Assets from the Group) had cash and cash equivalents, including pledged bank deposits, of approximately HK$6,248 million. The Remaining Group's total loans as at 31 December 2014 was HK$8,854 million, of which the short term portion and long term portion were HK$3,251 million and HK$5,603 million, respectively. The gearing ratio, being the ratio of the total loans minus cash and cash equivalents divided by total equity, was 9.6%. The liquidity ratio of current assets over current liabilities, was 0.82 as at 31 December 2014.

	As at 31 December 2014 *HK$'m*
Loans:	
– Unsecured bank loans repayable within 5 years	8,852
– Unsecured bank loans repayable over 5 years	2
	8,854
Amounts due within one year – Unsecured bank loans	(3,251)
Amounts due over one year	5,603

The Remaining Group's currency and interest rate

The Remaining Group's transactions are denominated in RMB and HK$. The Remaining Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when conditions arises.

In terms of the interest rate risk exposures, the Remaining Group does not have any significant interest rate risk as both the borrowings of the Remaining Group and the interest rates thereof currently remain at low levels.

Material acquisition and disposal of subsidiaries

The Remaining Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2014.

Employee and emolument policy

As at 31 December 2014, the Remaining Group employed approximately 62,000 employees. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Remaining Group include medical insurance, staff provident fund, share option scheme and restricted incentive award scheme. The restricted incentive award scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. Details of the scheme can be referred to the Report of the Directors in the annual report of the Company for 2014.

Charges on the assets

There was no material charges on the assets of the Remaining Group as at 31 December 2014.

Capital Expenditures

As at 31 December 2014, the Remaining Group had capital commitments of approximately HK$5,842 million.

Contingent Liabilities

As at 31 December 2014, the Remaining Group had contingent liabilities in respect of guarantees for banks loans provided to Disposal Group of HK$17,121 million.

For the financial year ended 31 December 2013

Business and Financial Review

The Remaining Group reported sales and attributable profit of HK$32,994 million and HK$899 million in 2013, respectively, representing an increase of 17.6% and 13.7% year-on-year, respectively. The Remaining Group was contributed by the operation of beer business in China and the apportionment of headquarter operation of the Company. The following review focused on the beer operation only.

During the year ended 31 December 2013, the sales and attributable profit of the beer operation was HK$32,994 million and HK$943 million, respectively, representing an increase of 17.6% and 14.6% year-on-year, respectively. As compared with 2012, the EBITDA improved by 15.5% to HK$4,415 million.

The beer sales volume of the operation increased by 10% year-on-year to approximately 117,220,000 hectoliters in 2013, of which the sales volume of the operation's national "雪花 Snow" brand increased by 10% to approximately 106,200,000 hectoliters, accounting for more than 90% of the operation's total beer sales volume. During the year ended 31 December 2013, the growth momentum in beer sales volume was mainly attributable to continuous efforts to enhance its production capacity, effective brand promotions, as well as the strengthening of its distribution network and enhancement of management services to points of sale. The higher than usual temperatures nationwide in 2013 accelerated the growth of overall capacity in the beer market, which along with rapid growth in the sales volume of premium beers, in turn boosted the division's sales volume.

During the year ended 31 December 2013, new super premium products, "Snow Opera Mask", were launched in certain regions, like Sichuan and Liaoning to capture the affluent consumers. The sales volume contribution of the products to the overall sales volume was insignificant in 2013. However, it helped to raise the overall average selling price by 4.7% (in RMB) as compared with that of 2012. For the mid-end and above products, the sales volume increased by over 25% year-on-year.

At the same time, by leveraging its economies of scale and centralized procurement, the operation further enhanced its production efficiency so as to relieve cost pressures. Such measures, together with the significant growth in sales, improved the operating profit of the business.

The newly-built breweries in Guangxi, Anhui, Hubei, Zhejiang and Guizhou commenced operation during the year ended 31 December 2013. The business operated more than 95 breweries in China, scattered in 25 provinces, with an aggregate annual production capacity of over 190,000,000 hectoliters as at 31 December 2013. In addition, the operation completed the acquisition of Kingway Brewery's seven breweries for a total consideration of RMB5.38 billion in September 2013 in relation to its beer production, distribution and sales businesses, with an annual production capacity of 1.45 million tonnes. With the strong brand reputation of Kingway brand 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 Province, but will also further optimize the operation's sales network in China, enhancing its leading position in China's beer industry.

Liquidity and financial resources

As at 31 December 2013, the Remaining Group (derived by excluding the Disposal Assets from the Group) had cash and cash equivalents, including pledged bank deposits, of approximately HK$5,490 million. The Remaining Group's total loans as at 31 December 2013 was HK$9,405 million, of which the short term portion and long term portion were HK$1,551 million and HK$7,854 million, respectively. The gearing ratio, being the ratio of the total loans minus cash and cash equivalents divided by total equity, was 15.2%. The liquidity ratio of current assets over current liabilities, was 0.86 as at 31 December 2013.

	As at 31 December 2013 *HK$'m*
Loans:	
– Unsecured bank loans repayable within 5 years	9,402
– Unsecured bank loans repayable over 5 years	3
	9,405
Amounts due within one year – Unsecured bank loans	(1,551)
Amounts due over one year	7,854

The Remaining Group's currency and interest rate

The Remaining Group's transactions are denominated in RMB and HK$. The Remaining Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when conditions arises.

In terms of the interest rate risk exposures, the Remaining Group does not have any significant interest rate risk as both the borrowings of the Remaining Group and the interest rates thereof currently remain at low levels.

Material acquisition and disposal of subsidiaries

In September 2013, the beer division of Remaining Group completed the acquisition of Kingway Brewery's seven breweries in relation to its beer production, distribution and sales businesses, with an annual production capacity of 1.45 million tonnes. Please refer to *Business and Financial Review* for the financial year ended 31 December 2013 above for further details of the acquisition.

Save as disclosed above, the Remaining Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2013.

Employee and emolument policy

As at 31 December 2013, the Remaining Group employed approximately 57,000 employees. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Remaining Group include medical insurance, staff provident fund, share option scheme and restricted incentive award scheme. The restricted incentive award scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. Details of the scheme can be referred to the Report of the Directors in the annual report of the Company for 2013.

Charges on the assets

There was no material charges on the assets of the Remaining Group as at 31 December 2013.

Capital Expenditures

As at 31 December 2013, the Remaining Group had capital commitments of approximately HK$7,971 million.

Contingent Liabilities

As at 31 December 2013, the Remaining Group had contingent liabilities in respect of guarantees for banks loans provided to Disposal Group of HK$12,953 million.

For the financial year ended 31 December 2012

Business and Financial Review

The Remaining Group reported sales and attributable profit of HK$28,064 million and HK$791 million in 2012, respectively. The Remaining Group was contributed by the operation of beer business in China and the apportionment of headquarter operation of the Company. The following review focused on the beer operation only.

During the year ended 31 December 2012, the sales, EBITDA and attributable profit of the beer operation was HK$28,064 million, HK$3,824 million and HK$823 million, respectively.

In 2012, the business continued to enhance its production capacity through the construction and acquisition of breweries as well as the reconfiguration and expansion of its existing breweries, while also implementing effective promotions and strengthening the establishment and management of its distribution channels with the aim of boosting beer sales. However, frequent occurrences of severe weather conditions, including nationwide torrential rain and continuous low temperatures, have affected overall growth in volume in the beer market. As some of the division's leading markets are located in the regions affected by severe weather conditions, the overall sales volume growth and average selling prices of the beer business were then affected during the year under review. The operation's total beer sales volume in 2012 increased by 4% year-on-year to approximately 106,390,000 hectoliters, of which sales volume of the national "雪花 Snow" brand increased by 5% year-on-year to approximately 96,670,000 hectoliters, accounting for more than 90% of the operation's total beer sales volume. With the help of product mix upgrade, which was illustrated by the sales volume of mid-end and above products rose over 35%, the overall average selling prices of the operation was steady as compared with that of 2011.

During the year ended 31 December 2012, the division's overall operating costs, including primary and secondary raw material costs, generally increased. By leveraging its economies of scale and centralized procurement, the business further enhanced its production and energy efficiency so as to relieve cost pressures. Furthermore, the operation has stepped up its marketing and promotional efforts in response to the intensifying market competition, which in turn hindered growth in operating profit.

The newly-built and acquired breweries in Henan, Shanxi and Zhejiang commenced operation during the year ended 31 December 2012. As at the end of 2012, the Group operated more than 80 breweries in China, scattered in 22 provinces, with an aggregate annual production capacity of approximately 180,000,000 hectoliters.

Liquidity and financial resources

As at 31 December 2012, the Remaining Group (derived by excluding the Disposal Assets from the Group) had cash and cash equivalents, including pledged bank deposits, of approximately HK$1,890 million. The Remaining Group's total loans as at 31 December 2012 was HK$5,980 million, of which the short term portion and long term portion were HK$3,327 million and HK$2,653 million, respectively. The gearing ratio, being the ratio of the total loans minus cash and cash equivalents divided by total equity, was 18.0%. The liquidity ratio of current assets over current liabilities, was 0.84 as at 31 December 2012.

	As at 31 December 2012 *HK$'m*
Loans:	
– Unsecured bank loans repayable within 5 years	5,977
– Unsecured bank loans repayable over 5 years	3
	5,980
Amounts due within one year – Unsecured bank loans	(3,327)
Amounts due over one year	2,653

The Remaining Group's currency and interest rate

The Remaining Group's transactions are denominated in RMB and HK$. The Remaining Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when conditions arises.

In terms of the interest rate risk exposures, the Remaining Group does not have any significant interest rate risk as both the borrowings of the Remaining Group and the interest rates thereof currently remain at low levels.

Material acquisition and disposal of subsidiaries

The Remaining Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2012.

Employee and emolument policy

As at 31 December 2012, the Remaining Group employed approximately 56,000 employees. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Remaining Group include medical insurance, staff provident fund and share option scheme.

Charges on the assets

There was no material charges on the assets of the Remaining Group as at 31 December 2012.

Capital Expenditures

As at 31 December 2012, the Remaining Group had capital commitments of approximately HK$13,594 million.

Contingent Liabilities

As at 31 December 2012, the Remaining Group had contingent liabilities in respect of guarantees for banks loans provided to Disposal Group of HK$12,619 million.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc

羅兵咸永道

9 July 2015

The Directors
China Resources Enterprise, Limited

Dear Sirs,

We report on the financial information of China Resources Enterprise, Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated and company balance sheets of the Company as at 31 December 2012, 2013 and 2014, and the consolidated profit and loss accounts, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Company for each of the years ended 31 December 2012, 2013 and 2014 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 9 July 2015 (the "Circular") in connection with the proposed disposal of certain subsidiaries, assets and shareholders loans relating to the non-beer businesses (the "Disposal Assets") by the Company (the "Transaction").

The Company was incorporated in Hong Kong on 5 August 1965 as a company with limited liability under the Companies Ordinance of Hong Kong.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries, joint ventures and associates as set out in Note 39 of Section II below.

The consolidated financial statements of the Company for each of the years ended 31 December 2012, 2013 and 2014 were audited by PricewaterhouseCoopers pursuant to separate terms of engagement with the Company.

The directors of the Company during the Relevant Periods are responsible for the preparation of the consolidated financial statements of the Company that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The financial information has been prepared based on the audited consolidated financial statements of the Company with no adjustment made thereon.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, 2013 and 2014 and of the Group's results and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2012, 2013 and 2014 and for each of the year ended 31 December 2012, 2013 and 2014 (the "Financial Information").

Consolidated Profit and Loss Accounts

	Notes	**2012** *HK$ million*	**2013** *HK$ million*	**2014** *HK$ million*
Turnover	*6*	126,236	146,413	168,864
Cost of sales		(95,835)	(109,040)	(126,419)
Gross profit		30,401	37,373	42,445
Other income	*7*	4,459	2,647	3,469
Selling and distribution expenses		(21,891)	(27,566)	(34,904)
General and administrative expenses		(6,003)	(7,131)	(8,579)
Finance costs	*8*	(361)	(304)	(526)
Share of net results of associates		48	27	14
Share of net results of joint ventures		–	–	(78)
Profit before taxation		6,653	5,046	1,841
Taxation	*13*	(1,631)	(1,894)	(1,550)
Profit for the year	*9*	5,022	3,152	291
Attributable to:				
Shareholders of the Company		3,945	1,908	(161)
Non-controlling interests		1,077	1,244	452
		5,022	3,152	291
Earnings per share	*15*			
Basic		HK$1.64	HK$0.79	HK$(0.07)
Diluted		HK$1.64	HK$0.79	HK$(0.07)

Consolidated Statements of Comprehensive Income

	2012 *HK$ million*	2013 *HK$ million*	2014 *HK$ million*
Profit for the year	5,022	3,152	291
Other comprehensive income/(expenses):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	3	1,435	(110)
Fair value adjustment on available for sale investments	7	21	144
Fair value adjustment on derivative financial instruments	8	–	–
Reclassification adjustments:			
– release of valuation reserve upon disposal of available for sale investments	–	–	(163)
– release of exchange differences upon disposal of subsidiaries/associates	(6)	(13)	(6)
Income tax relating to fair value adjustment on available for sale investments	–	–	(1)
	12	1,443	(136)
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of properties	132	1,881	69
Income tax relating to surplus on revaluation of properties	(64)	(150)	(22)
	68	1,731	47
Other comprehensive income/(expenses) for the year, net of tax	80	3,174	(89)
Total comprehensive income for the year	5,102	6,326	202
Attributable to:			
Shareholders of the Company	4,022	4,615	(253)
Non-controlling interests	1,080	1,711	455
	5,102	6,326	202

Consolidated Balance Sheets

	Notes	2012 HK$ million	2013 HK$ million	2014 HK$ million
Non-current assets				
Fixed assets				
– Investment properties	16	12,735	15,952	21,105
– Interests in leasehold land held for own use under operating leases	16	6,266	8,492	10,653
– Other property, plant and equipment	16	37,970	44,673	56,302
Goodwill	17	14,948	19,428	22,854
Other intangible assets	19	295	562	510
Interests in associates	20	389	388	368
Interests in joint ventures	21	–	–	1,014
Available for sale investments	22	128	142	33
Prepayments	23	2,258	876	1,015
Deferred taxation assets	28	992	1,540	2,274
		75,981	92,053	116,128
Current assets				
Stocks	24	21,242	25,021	27,690
Trade and other receivables	25	13,744	16,428	16,555
Taxation recoverable		125	251	157
Pledged bank deposits		391	336	187
Cash and bank balances		16,005	21,200	20,647
		51,507	63,236	65,236
Current liabilities				
Trade and other payables	26	(53,104)	(69,178)	(76,260)
Short term loans	27A	(4,374)	(3,357)	(9,025)
Taxation payable		(706)	(1,155)	(1,069)
		(58,184)	(73,690)	(86,354)
Net current liabilities		(6,677)	(10,454)	(21,118)
Total assets less current liabilities		69,304	81,599	95,010
Non-current liabilities				
Long term loans	27B	(13,352)	(19,346)	(19,872)
Deferred taxation liabilities	28	(1,499)	(1,831)	(2,245)
Other non-current liabilities	29	(669)	(811)	(3,270)
		(15,520)	(21,988)	(25,387)
		53,784	59,611	69,623
Capital and reserves				
Share capital	30	2,401	2,403	15,740
Reserves	31	38,341	41,670	33,007
Equity attributable to shareholders of the Company		40,742	44,073	48,747
Non-controlling interests		13,042	15,538	20,876
Total equity		53,784	59,611	69,623

Balance Sheets

	Notes	2012 HK$ million	2013 HK$ million	2014 HK$ million
Non-current assets				
Fixed assets				
– Investment properties	16	66	66	66
– Other property, plant and equipment	16	8	8	7
Interests in subsidiaries	18	24,960	26,797	28,595
		25,034	26,871	28,668
Current assets				
Trade and other receivables	25	4,034	1,398	553
Taxation recoverable		–	4	–
Cash and bank balances		1,731	5,446	5,081
		5,765	6,848	5,634
Current liabilities				
Trade and other payables	26	(5,270)	(6,722)	(1,981)
Taxation payable		(5)	–	–
		(5,275)	(6,722)	(1,981)
Net current assets		490	126	3,653
Total assets less current liabilities		25,524	26,997	32,321
Non-current liabilities				
Amount due to subsidiaries	26	(7,343)	(9,069)	(10,879)
Deferred taxation liabilities	28	(1)	(1)	(1)
		(7,344)	(9,070)	(10,880)
		18,180	17,927	21,441
Capital and reserves				
Share capital	30	2,401	2,403	15,740
Reserves	31	15,779	15,524	5,701
		18,180	17,927	21,441

Consolidated Cash Flow Statements

	Notes	2012 HK$ million	2013 HK$ million	2014 HK$ million
Cash flows from operating activities				
Cash generated from operations	32A	10,622	12,827	6,389
Hong Kong Profits Tax paid		(144)	(211)	(178)
Chinese Mainland income tax paid		(1,544)	(1,909)	(2,024)
Overseas profits tax paid		(2)	–	–
Hong Kong Profits Tax refunded		7	31	6
Chinese Mainland income tax refunded		–	42	71
Net cash from operating activities		8,939	10,780	4,264
Cash flows from investing activities				
Proceeds from disposal of fixed assets		1,883	394	366
Proceeds from disposal of available for sale investments		5	–	238
Proceeds from formation of joint venture/disposal of partial interest in subsidiaries		–	4	3,547
Proceeds from disposal of associates		–	5	–
Disposal of subsidiaries/business (net of cash and cash equivalents disposed of)	32B	629	98	5
Dividends received from associates		38	36	29
Dividends received from unlisted available for sale investments		1	2	7
Interest received		387	527	714
Receipt of government grants		595	490	515
Repayment of loan to fellow subsidiaries		–	2,466	–
Repayment of loan to a holding company		–	–	1,640
Loan to a holding company		(740)	(1,867)	–
Loan to a fellow subsidiary		(2,455)	–	(253)
Deposits paid for purchase of fixed assets		(1,961)	(655)	(730)
Deposits paid for acquisition of subsidiaries		(611)	–	–
Purchase of fixed assets		(6,933)	(6,440)	(8,002)
Purchase of other intangible assets		(14)	(96)	(1)
Acquisition of associates		–	(13)	–
Acquisition of subsidiaries/business (net of cash and cash equivalents acquired)	32C	(1,565)	(4,847)	(340)
Settlement of consideration payable for acquisition of subsidiaries in prior year		–	–	(672)
Changes in pledged bank deposits		(160)	55	149
Net cash used in investing activities		(10,901)	(9,841)	(2,788)

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Cash flows from financing activities			
Dividends paid	(1,128)	(673)	(276)
Dividends paid to non-controlling shareholders of subsidiaries	(111)	(124)	(100)
Interest paid	(324)	(334)	(441)
Net proceeds from issue of ordinary shares	21	18	18
Proceeds from bank and other borrowings	10,458	9,405	12,695
Contribution from non-controlling interest	–	1,520	–
Repayment of bank and other borrowings	(9,095)	(4,720)	(13,679)
Purchase of additional interests in subsidiaries	(87)	(650)	(9)
Purchase of shares under restricted incentive award scheme	–	(451)	(120)
Net cash (used in)/from financing activities	(266)	3,991	(1,912)
Net (decrease)/increase in cash and cash equivalents	(2,228)	4,930	(436)
Effect of foreign exchange rate changes	(23)	265	(117)
Cash and cash equivalents at 1 January	18,256	16,005	21,200
Cash and cash equivalents at 31 December	16,005	21,200	20,647
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	16,005	21,200	20,647

Consolidated Statements of Changes in Equity

	Equity attributable to shareholders of the Company									
	Share capital *HK$ million*	Share premium *HK$ million*	Valuation reserve *HK$ million*	Employee share-based compensation reserve *HK$ million*	Hedge reserve *HK$ million*	Exchange reserve *HK$ million*	Retained profits *HK$ million*	Total *HK$ million*	Non-controlling interests *HK$ million*	Total equity *HK$ million*
At 1 January 2012	2,399	12,957	24	172	(4)	3,611	18,680	37,839	12,633	50,472
Exchange differences on translating foreign operations	–	–	–	–	–	4	–	4	(1)	3
Fair value adjustment on derivatives financial instruments	–	–	–	–	4	–	–	4	4	8
Fair value adjustment on available for sale investments, net of tax	–	–	7	–	–	–	–	7	–	7
Release of exchange differences upon disposal of subsidiaries	–	–	–	–	–	4	–	4	–	4
Release of exchange differences upon disposal of associates	–	–	–	–	–	(10)	–	(10)	–	(10)
Surplus on revaluation of properties	–	–	68	–	–	–	–	68	–	68
Profit for the year	–	–	–	–	–	–	3,945	3,945	1,077	5,022
Total comprehensive income for the year	–	–	75	–	4	(2)	3,945	4,022	1,080	5,102
Shares issued at premium	2	19	–	–	–	–	–	21	–	21
Contribution from non-controlling interest	–	–	–	–	–	–	14	14	12	26
Purchase additional interest in subsidiaries	–	–	–	–	–	–	(26)	(26)	(61)	(87)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1	1
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(512)	(512)
Dividends	–	–	–	–	–	–	(1,128)	(1,128)	(111)	(1,239)
	2	19	75	–	4	(2)	2,805	2,903	409	3,312
At 31 December 2012	2,401	12,976	99	172	–	3,609	21,485	40,742	13,042	53,784

	Equity attributable to shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Valuation reserve	Employee share-based compensation reserve	Exchange reserve	Shares held for restricted incentive award scheme	Retained profits	Total		
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
At 1 January 2013	2,401	12,976	99	172	3,609	–	21,485	40,742	13,042	53,784
Exchange differences on translating foreign operations	–	–	–	–	968	–	–	968	467	1,435
Fair value adjustment on available for sale investments, net of tax	–	–	21	–	–	–	–	21	–	21
Release of exchange differences upon disposal of subsidiaries	–	–	–	–	(13)	–	–	(13)	–	(13)
Release of valuation reserve upon disposal of subsidiaries	–	–	(3)	–	–	–	3	–	–	–
Surplus on revaluation of properties	–	–	1,731	–	–	–	–	1,731	–	1,731
Profit for the year	–	–	–	–	–	–	1,908	1,908	1,244	3,152
Total comprehensive income for the year	–	–	1,749	–	955	–	1,911	4,615	1,711	6,326
Shares issued at premium	2	16	–	–	–	–	–	18	–	18
Contribution from non-controlling interest	–	–	–	–	–	–	–	–	1,520	1,520
Acquisition of subsidiaries or purchase of additional interest in subsidiaries	–	–	–	–	–	–	(178)	(178)	(459)	(637)
Disposal of subsidiaries or decrease in shareholdings of subsidiaries	–	–	–	–	–	–	–	–	(152)	(152)
Purchase of shares under restricted incentive award scheme	–	–	–	–	–	(451)	–	(451)	–	(451)
Dividends	–	–	–	–	–	–	(673)	(673)	(124)	(797)
	2	16	1,749	–	955	(451)	1,060	3,331	2,496	5,827
At 31 December 2013	2,403	12,992	1,848	172	4,564	(451)	22,545	44,073	15,538	59,611

	Equity attributable to shareholders of the Company									
	Share capital *HK$ million*	Share premium *HK$ million*	Valuation reserve *HK$ million*	Employee share-based compensation reserve *HK$ million*	Exchange reserve *HK$ million*	Shares held for restricted incentive award scheme *HK$ million*	Retained profits *HK$ million*	Total *HK$ million*	Non-controlling interests *HK$ million*	Total equity *HK$ million*
At 1 January 2014	2,403	12,992	1,848	172	4,564	(451)	22,545	44,073	15,538	59,611
Exchange differences on translating foreign operations	–	–	–	–	(102)	–	–	(102)	(8)	(110)
Fair value adjustment on available for sale investments, net of tax	–	–	141	–	–	–	–	141	2	143
Release of exchange differences upon disposal of subsidiaries	–	–	–	–	(6)	–	–	(6)	–	(6)
Release of valuation reserve upon disposal of available for sale investments	–	–	(163)	–	–	–	–	(163)	–	(163)
Surplus on revaluation of properties	–	–	38	–	–	–	–	38	9	47
Profit for the year	–	–	–	–	–	–	(161)	(161)	452	291
Total comprehensive income for the year	–	–	16	–	(108)	–	(161)	(253)	455	202
Shares issued at premium	14	5	–	–	–	–	–	19	–	19
Disposal of partial interest in subsidiaries *(Note 36)*	–	–	–	–	(373)	–	5,498	5,125	5,000	10,125
Acquisition of subsidiaries or purchase of additional interest in subsidiaries	–	–	–	–	–	–	1	1	(4)	(3)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(13)	(13)
Purchase or sale of shares under restricted incentive award scheme	–	–	–	–	–	58	–	58	–	58
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	12,997	(12,997)	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	(602)	(602)	(100)	(702)
Shares issued in lieu of scrip dividend	326	–	–	–	–	–	–	326	–	326
	13,337	(12,992)	16	–	(481)	58	4,736	4,674	5,338	10,012
At 31 December 2014	15,740	–	1,864	172	4,083	(393)	27,281	48,747	20,876	69,623

Note: In 2011, the Group disposed of its 40% interest in beverage business for a net cash consideration of approximately HK$3.2 billion. Pursuant to the shareholders agreement, the non-controlling interest shall have the right to cause the Group to purchase all the 40% equity interest at fair market value upon the eighth anniversary or the thirteenth anniversary of the date of the agreement.

II NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

A Ultimate holding company

The Company is a public company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors regard the ultimate holding company to be China Resources National Corporation ("CRNC"), a company established in the Chinese Mainland. The address of the registered office and principal place of business of the Company is 39/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

B Principal activities

The Group is principally engaged in retail, beer, food and beverage businesses. The principal activities of the Company are investment holding and property investment. The activities of its principal subsidiaries, joint ventures and associates are shown in note 39.

C Basis of preparation of the Financial Information

The Financial Information has been prepared in accordance with accounting principles generally accepted in Hong Kong. Save as specified in the principal accounting policies as set out in note 2, the Financial Information have been prepared under the historical cost convention.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

D(i) Adoption of new and revised standards, amendments and interpretations

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised standards, amendments and interpretations on Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") that are effective or available for early adoption for the financial year beginning 1 January 2014. For the Relevant Periods, the Group has adopted the following new and revised standards, amendments and interpretations.

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKFRS Interpretation 21	Levies

The adoption of the new and revised standards, amendments and interpretations has had no material effect on the results or financial positions of the Group for the Relevant Periods.

D(ii) Accounting standards and amendments that are not yet effective

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

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
HKFRS 9	Financial Instruments
HKFRS 10 and HKAS 28 (Amendments)	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 10, HKFRS 12 and HKAS 28(Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers

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

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap.622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2. PRINCIPAL ACCOUNTING POLICIES

A Consolidation

The consolidated financial information of the Group include the financial statements of the Company and of all its direct and indirect subsidiaries and also incorporate the Group's interests in associates and joint ventures on the basis set out in note 2C and 2D below. The results of subsidiaries, associates and joint ventures acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal, as appropriate. All material intra-group transactions and balances have been eliminated on consolidation.

Prior to 1 January 2010, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in the consolidated profit and loss account.

From 1 January 2010 onward, changes in the Group's ownership interests in existing subsidiaries that do not involve a loss of control are accounted for as equity transactions, with no impact on goodwill or profit or loss. When control of subsidiary is lost as a result of a transaction, event or other circumstance, the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost, with the gain or loss arising recognised in the consolidated profit and loss account.

B Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. In the Company's balance sheet, investments in subsidiaries are carried at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

C Associates

An associate is an enterprise, not being a subsidiary nor a joint venture, over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate. In the consolidated balance sheet, interests in associates are stated at the Group's share of net assets of the associates plus goodwill arising on acquisitions. Goodwill arising on the acquisition of an associate, which forms part of the carrying amount of an investment in an associate, represents the excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities.

D Joint Ventures

A joint venture is an arrangement whereby the Group contractually agreed to share control of the arrangement and have rights to the net assets of the arrangement. The results and assets and liabilities of joint venture are incorporated in the consolidated financial information using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint ventures, less any identified impairment loss. When the Group's share of losses of an joint venture equals or exceeds its interest in that joint venture, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture. In the consolidated balance sheet, interests in joint ventures are stated at the Group's share of net assets of the joint ventures plus goodwill arising on acquisitions. Goodwill arising on the acquisition of an joint venture, which forms part of the carrying amount of an investment in an joint venture, represents the excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities.

E Goodwill

Goodwill arising on acquisition of a subsidiary prior to 1 January 2010 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill arising on acquisition of a subsidiary on or after 1 January 2010 represents the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the previously held equity interest in the acquiree over the net fair value of the identifiable assets acquired and the liabilities assumed. Goodwill is tested for impairment at the reporting date and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired. Such goodwill is carried at cost less accumulated impairment losses. An impairment loss for goodwill is recognised in the consolidated profit and loss account and is not reversed in a subsequent period. On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Goodwill arising on acquisitions prior to 1 January 2001 continues to be recognised as a deduction from equity and is not recognised in the consolidated profit and loss account when the Group disposes of all or part of the business to which that goodwill relates or when a cash generating unit to which the goodwill relates becomes impaired.

Prior to 1 January 2010, a discount on acquisition arising on an acquisition of a subsidiary represents the excess of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition over the cost of acquisition. Gain on bargain purchase arising on an acquisition of a subsidiary on or after 1 January 2010 represents the excess of the net fair value of the identifiable assets acquired and the liabilities assumed over the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the previously held equity interest in the acquiree. Discount on acquisition or gain on bargain purchase arising on an acquisition of a subsidiary is recognised immediately in the consolidated profit and loss account.

F Financial assets and liabilities

The Group's financial assets are classified as "financial assets at fair value through profit or loss", "loans and receivables" and "available-for-sale investments" dependent on the purpose for which the assets are acquired. Financial liabilities are classified as "financial liabilities at fair value through profit or loss" and "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". Details of classifications and measurements are as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially measured at fair value and have two sub-categories: financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the profit and loss account in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market which are initially measured at fair value. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Objective evidence of impairment includes significant financial difficulty of the debtors, the Group's past experience of collecting payments, and observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(c) Available for sale investments

Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

The Group holds certain investments in equity securities, that do not have a quoted market price in an active market and whose fair value cannot be measured reliably. These available for sale investments are stated at cost less impairment losses. Apart from this, available for sale investments are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the profit and loss account.

An impairment loss is recognised in the profit and loss account when there is objective evidence that the equity investment is impaired.

Objective evidence of impairment includes significant financial difficulty of the issuer or counterparty and observable changes in national or local economic conditions that correlate with the operations of the investment.

For those investments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the equity investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods. For those investments carried at fair value, any subsequent increase in the fair value of such equity investments is recognised directly in other comprehensive income and accumulated in valuation reserve.

(d) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the profit and loss account in the period in which they arise.

(e) Other financial liabilities

Other financial liabilities are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

(f) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit and loss account.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit and loss account.

G Fixed assets

(a) Investment properties

Investment properties are interests in land and buildings which are held for long term rental and/or for capital appreciation. Such properties are carried in the balance sheet at their fair value. Changes in fair value of investment properties are recognised directly in the profit and loss account in the period in which they arise.

(b) Construction in progress

Properties, plant and equipment in the course of construction for production or administrative purposes, are carried at cost less accumulated impairment losses, if any. Cost includes all construction expenditure, professional fees, borrowing costs capitalised and other relevant expenses directly attributable to such projects.

No provision for depreciation is made on construction in progress until such time when construction work is complete and the costs of construction are transferred to the appropriate category of fixed assets when available for use.

(c) Other property, plant and equipment

Fixed assets other than investment properties and construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation of other fixed assets is provided to write off the cost of the assets over their estimated useful lives and after taking into account their estimated residual values, using the straight line method. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. The estimated useful lives are as follows:

– Interests in leasehold land held for own use under operating leases are amortised on a straight-line basis over the period of the lease term
– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 20 to 50 years

–	Leasehold improvements	3 to 10 years or over the unexpired term of lease, whichever is shorter
–	Vessels	5 to 15 years
–	Cold storage facilities	10 years
–	Plant and machinery	5 to 25 years
–	Furniture and equipment	3 to 10 years
–	Motor vehicles	3 to 8 years

(d) Leased assets

(i) Assets acquired under finance leases

Assets acquired pursuant to finance leases that transfer to the Group substantially all the risks and rewards incidental to ownership are classified as being held under finance leases and are accounted for as if purchased whereby an amount equivalent to cost is recorded as fixed assets and as obligations under finance leases. Depreciation is provided in accordance with the Group's depreciation policy. Payments to the lessor are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account.

(ii) Operating lease charges

All leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Rental income or expense arising from operating leases (net of any benefits received and receivable as an incentive to enter into an operating lease) is recognised in the profit and loss account on a straight line basis over the periods of the respective leases except where an alternative basis is more representative of the time pattern of the user's benefit.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(e) Impairment of fixed assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed asset other than investment properties are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount. Such reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

The gain or loss on the disposal or retirement of an item of fixed asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

H Other intangible assets

On initial recognition, other intangible assets acquired separately and from business combinations are recognised at cost and at fair value respectively. After initial recognition, other intangible assets with indefinite useful lives are carried at cost less subsequent accumulated impairment losses. Other intangible assets with finite useful lives are stated at cost and are amortised on the straight line method over their useful lives with amortisation commences when the asset is available for use. The estimated useful lives of other intangible assets with finite useful lives are as follows:

Brand names	10 to 20 years
Exploitation rights	17 to 20 years

These intangible assets are assessed for impairment at each balance sheet date by comparing their carrying amounts with their recoverable amounts. Where indication of impairment exists, an impairment loss is charged to the profit and loss account to reduce the assets to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount. Such reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

I Deferred taxation

Deferred taxation is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information, with limited exceptions. Deferred taxation assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred taxation is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

For the purpose of measuring deferred tax arising from investment properties, the presumption that the carrying amount of the investment properties will be recovered through sales is not rebutted.

J Stock of properties

Stock of properties represents properties held for sale which is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

K Other stocks

Other stocks which comprise raw materials, consumables and packing materials, work-in-progress, finished goods and merchandise for resale are stated at the lower of cost (include those costs directly attributable to the acquisition of finished goods. Purchase rebates are deducted in determining the cost of purchase) and net realisable value or amortised into expense based upon periods of usage.

Cost of work-in-progress and finished goods comprise direct materials, direct labour and an appropriate proportion of production overheads.

Cost is determined on the weighted average method or in the case of retail business, cost is calculated on the first-in first-out basis.

Net realisable value is determined as the estimated net selling price less all further costs of production and the related costs of marketing, selling and distribution.

L Derivative financial instruments and hedging

Derivative financial instruments (including put options issued by the Group over non-controlling interests in subsidiary companies that may be settled by exchange of a variable amount of cash for a fixed number of shares of the subsidiary companies) are recognised at fair value at each balance sheet date and are deemed as held-for-trading financial assets/liabilities, unless they are designated and qualified as effective hedging instruments. The Group designates certain derivatives as either fair value hedges or cash flow hedges.

(a) Fair value hedges

Hedges are classified as fair value hedges when hedges are made to hedge against exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment.

For fair value hedges that qualifying for hedge accounting, changes in the fair values of hedging instruments and hedged item attributable to the hedged risk are recognised in the profit and loss account in the periods in which fair value changes arise.

(b) Cash flow hedges

Hedges are classified as cash flow hedges when hedges are made to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

For cash flow hedges that qualify for hedge accounting, the effective portion of the gains or losses arising on the changes in fair value of hedging instruments is initially recognised in equity and transferred to the profit and loss account when the hedged item affects the profit and loss account. The ineffective portion is recognised immediately in the profit and loss account.

For the hedge of a forecast transaction that subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains or losses are removed from equity and included in the initial cost or other carrying amount of the asset or liability.

Any gains or losses arising from changes in the fair value of derivatives that either do not qualify for hedge accounting or are classified as held-for-trading financial assets/liabilities are recognised directly in the profit and loss account.

M Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit and loss account over the expected useful life of the relevant asset.

N Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business and net of discounts.

Sales are recognised upon delivery of goods and provision of services; and interest income is recognised in the profit and loss account as it accrues.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

O Financial guarantee contracts

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where consideration is received or receivable for the issuance of the guarantee, the consideration is amortised to the consolidated profit and loss account over the guarantee period.

P Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the profit and loss account in the year incurred, except for costs that are directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of that assets, until such time as the assets are substantially ready for their intended use or sale.

Fees paid for the arrangement of syndicated loan facilities and debt securities are deferred, and are carried at amortised cost using the effective interest method.

Q Foreign exchange

In preparing the financial information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the profit and loss account in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial information. Exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's exchange reserve. Such exchange differences are recognised in the consolidated profit and loss account in the period which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation before 1 January 2005 is treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

R Share-based payment

The Group has granted share options to certain employees and other participants, for their services rendered, to subscribe for shares of the Company in accordance with the Company's share option scheme. The fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

3. CRITICAL ACCOUNTING ESTIMATES

A Investment properties

The fair values of investment properties are determined annually by independent valuer on market value for existing use basis or calculated on the net rental income and allowing for reversionary income potential.

In making the judgement, considerations have been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates of the net rental income. These estimates are regularly compared to actual market data and transactions entered into by the Group.

B Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2E. Determining whether goodwill is impaired requires an estimation of the recoverable amounts of cash generating units to which goodwill has been allocated. The recoverable amounts have been determined either based on value-in-use calculations or the cash-generating units' fair value less costs to sell. Details of the key assumptions are disclosed in Note 17.

4. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and currency risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

A Credit risk

As at 31 December 2012, 2013 and 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

The Group's credit risk is primarily attributable to trade and other receivables, bank balances and derivative financial instruments entered into.

The Group has no significant concentrations of credit risk to trade and other receivables as its customer bases are widely spread across diverse industries and geographical locations. For its retail businesses and some transactions in its beer and beverage businesses, sales of products are made in cash. The Group has policies in place to ensure that open account customers are financially viable and with an appropriate credit history. To minimise its credit risk exposure, credit evaluations are performed for the determination and approval of credit limits granted and other monitoring procedures are implemented to ensure that follow-up actions are taken to recover overdue debts. In addition, regular reviews on aging and recoverability are performed to ensure that adequate impairment losses are made for irrecoverable amounts.

In respect of bank deposits and transactions involving derivative financial instruments, the Group has procedures and policies in place to ensure they are made to counterparties with good credit rating.

Except for the financial guarantees given by the Company as set out in note 35, the Group does not provide any other guarantees which would expose the Group to credit risk as at 31 December 2012, 2013 and 2014.

B Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash and the availability of adequate committed credit facilities to fund capital, prospective investment opportunities, debt servicing obligations and dividend payments. Management also closely monitors the Group's rolling forecast and actual cash flows and maturity profiles of financial liabilities.

Other than short term loans, long term loans and derivative financial instruments, all other financial liabilities of the Group are non-interest bearing. The following table details the outstanding contractual maturities at the balance sheet date of the Group's borrowings and derivative financial instruments, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay. For derivative instruments settled on a net basis, undiscounted net cash inflow/(outflow) is presented. Whereas they require gross settlement, the undiscounted gross inflow/(outflow) is presented.

	Within 1 year *HK$ million*	Between 1 and 2 years *HK$ million*	Between 2 to 5 years *HK$ million*	Over 5 years *HK$ million*	Total contractual undiscounted cash flow *HK$ million*	Carrying amount *HK$ million*
2012						
Variable rate borrowings						
Bank loans	(4,621)	(2,898)	(10,744)	(3)	(18,266)	(17,726)
2013						
Variable rate borrowings						
Bank loans	(3,591)	(9,273)	(10,286)	(3)	(23,153)	(22,703)
2014						
Fixed rate borrowings						
Bank loans	(315)	–	–	–	(315)	(310)
Variable rate borrowings						
Bank loans	(9,248)	(5,458)	(14,577)	(159)	(29,442)	(28,587)
	(9,563)	(5,458)	(14,577)	(159)	(29,757)	(28,897)

C Interest rate risk

The Group is exposed to interest rate risk mainly from its long term and short term borrowings. Borrowings at fixed and floating interest rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. To cover interest rate risk, the Group maintains the loan portfolio in a preferred fixed/floating interest rate mix and is subject to regular review. To avoid undue concentration of risk, the Group entered into interest rate swaps to mitigate current and future corporate profitability from interest rate volatility.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 December 2012, 2013 and 2014 would decrease/increase by HK$177 million, HK$227 million and HK$289 million respectively.

This analysis is prepared by using certain hypothetical assumptions. In reality, market interest rates would not change in isolation. In the management's opinion, the analysis is used for reference and should not be considered a projection of the future profits or losses.

D Currency risk

Some subsidiaries of the Group are operating outside Hong Kong and have their local currencies as their functional currencies.

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. For the years ended 31 December 2012, 2013 and 2014, approximately 98%, 99% and 99% of the Group's sales are denominated in the group entity's respective functional currencies respectively, whilst approximately 98%, 99% and 99% of costs are denominated in the group entity's respective functional currencies respectively.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2012		**2013**		**2014**	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Renminbi	674	106	2,207	–	476	1
US Dollars	1,392	3,853	1,184	5,874	999	5,810
HK Dollars	17	–	74	–	1	–

The following table details the Group's sensitivity to a 5% increase or decrease of the Hong Kong dollar against the Renminbi. Under the linked exchange rate system, the financial impact on exchange difference between Hong Kong dollar and US dollar will be immaterial and therefore no sensitivity analysis has been prepared. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the relevant foreign currency strengthens 5% against the Hong Kong dollar. For a 5% weakening of the relevant foreign currency against the Hong Kong dollar, there would be an equal and opposite impact on the profit and other equity.

	Effect on profit/(loss) after tax			Effect on other components of equity		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Renminbi	28	110	24	–	–	–

This analysis is prepared by using certain hypothetical assumptions. In reality, market exchange rates would not change in isolation. In the management's opinion, the analysis is used for reference and should not be considered a projection of the future profits or losses.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 27, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raise of bank borrowings or the redemption of existing debt.

6. TURNOVER AND SEGMENT INFORMATION

A Turnover and segment information of the Group

	2012	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*
Turnover comprises revenue from:			
Sales of goods	118,520	136,777	156,876
Rendering of services and others	7,060	8,922	11,084
Rental income	656	714	904
	126,236	146,413	168,864

Operating segments

Operating segments are reported in a manner consistent with the internal reporting for resource allocation and assessment of performance.

	Retail *HK$ million*	Beer[1] *HK$ million*	Food *HK$ million*	Beverage[1] *HK$ million*	Investments and others *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
For the year ended 31 December 2012							
TURNOVER							
External sales	83,415	27,973	10,106	4,742	–	–	126,236
Inter-segment sales[2]	91	91	273	24	–	(479)	–
Total	83,506	28,064	10,379	4,766	–	(479)	126,236
Segment result[3]	3,695	2,362	508	181	–		6,746
Unallocated corporate expenses							(118)
Interest income							386
Finance costs							(361)
Profit before taxation							6,653
Taxation							(1,631)
Profit for the year							5,022
As at 31 December 2012							
ASSETS							
Segment assets	68,751	41,878	7,583	2,280	–		120,492
Deferred taxation assets							992
Taxation recoverable							125
Unallocated corporate assets							5,879
Consolidated total assets							127,488
LIABILITIES							
Segment liabilities	36,434	21,285	1,092	1,028	–		59,839
Taxation payable							706
Deferred taxation liabilities							1,499
Unallocated corporate liabilities							11,660
Consolidated total liabilities							73,704
OTHER INFORMATION							
Profit attributable to shareholders	2,871	823	331	86	(166)		3,945
Additions to non-current assets[4]	9,686	3,859	495	70	1		14,111
Depreciation and amortisation	1,533	1,462	214	82	1		3,292
Impairment loss recognised	7	220	5	–	–		232
Valuation gain on investment properties	2,166	–	1	–	–		2,167

	Retail	Beer[1]	Food	Beverage[1]	Investments and others	Elimination	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
For the year ended 31 December 2013							
TURNOVER							
External sales	95,072	32,835	11,267	7,239	–	–	146,413
Inter-segment sales[2]	102	159	802	66	–	(1,129)	–
Total	95,174	32,994	12,069	7,305	–	(1,129)	146,413
Segment result[3]	1,973	2,581	208	224	–		4,986
Unallocated corporate expenses							(170)
Interest income							534
Finance costs							(304)
Profit before taxation							5,046
Taxation							(1,894)
Profit for the year							3,152
As at 31 December 2013							
ASSETS							
Segment assets	78,652	55,052	9,777	4,342	–		147,823
Deferred taxation assets							1,540
Taxation recoverable							251
Unallocated corporate assets							5,675
Consolidated total assets							155,289
LIABILITIES							
Segment liabilities	43,694	31,367	2,396	2,870	–		80,327
Taxation payable							1,155
Deferred taxation liabilities							1,831
Unallocated corporate liabilities							12,365
Consolidated total liabilities							95,678
OTHER INFORMATION							
Profit attributable to shareholders	1,000	943	53	106	(194)		1,908
Additions to non-current assets[4]	6,051	9,343	1,283	724	1		17,402
Depreciation and amortisation	1,753	1,834	201	100	1		3,889
Impairment loss recognised	112	109	60	–	–		281
Valuation gain on investment properties	280	–	–	–	–		280

	Retail[1] HK$ million	Beer[1] HK$ million	Food HK$ million	Beverage[1] HK$ million	Investments and others HK$ million	Elimination HK$ million	Total HK$ million
For the year ended 31 December 2014							
TURNOVER							
External sales	109,382	34,376	15,295	9,811	–	–	168,864
Inter-segment sales[2]	118	106	1,191	80	–	(1,495)	–
Total	109,500	34,482	16,486	9,891	–	(1,495)	168,864
Segment result[3]	(1,020)	2,200	181	503	–		1,864
Unallocated corporate expenses							(211)
Interest income							714
Finance costs							(526)
Profit before taxation							1,841
Taxation							(1,550)
Profit for the year							291
As at 31 December 2014							
ASSETS							
Segment assets	102,966	54,186	12,961	3,423	–		173,536
Deferred taxation assets							2,274
Taxation recoverable							157
Unallocated corporate assets							5,397
Consolidated total assets							181,364
LIABILITIES							
Segment liabilities	56,667	29,587	2,741	3,357	–		92,352
Taxation payable							1,069
Deferred taxation liabilities							2,245
Unallocated corporate liabilities							16,075
Consolidated total liabilities							111,741
OTHER INFORMATION							
Profit attributable to shareholders	(873)	761	13	237	(299)		(161)
Additions to non-current assets[4]	23,372	3,079	458	787	3		27,699
Depreciation and amortisation	2,299	2,153	223	170	2		4,847
Impairment loss recognised[5]	439	63	15	45	–		562
Valuation gain on Investment properties	610	–	–	–	–		610

Notes

1. These segments have significant non-controlling interest to the Group, details are set out on the principal subsidiaries, joint ventures and associates in note 39.

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

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

4. Additions to non-current assets included fixed assets, goodwill and other intangible assets.

5. As part of the integration process with Tesco's China operations, the Group's retail segment had made provision on assets impairment during the year ended 31 December 2014 for the closure of certain less efficient stores and stores with poor prospects.

Geographical segments

	Hong Kong	Chinese Mainland	Other Countries	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Turnover for the year ended 31 December 2012	8,740	116,331	1,165	126,236
As at 31 December 2012				
Non-current assets *(Note)*	13,756	61,103	2	74,861
Turnover for the year ended 31 December 2013	8,100	138,192	121	146,413
As at 31 December 2013				
Non-current assets *(Note)*	15,637	74,733	1	90,371
Turnover for the year ended 31 December 2014	9,510	159,193	161	168,864
As at 31 December 2014				
Non-current assets *(Note)*	16,514	97,306	1	113,821

Note:

Non-current assets excluded available for sale investments and deferred taxation assets.

B Financial Information of the Disposal Assets

On 4 May 2015, the Company and China Resources (Holdings) Company Limited ("CRH"), the holding company of the Company, entered into a sale and purchase agreement ("Sale and Purchase Agreement"), pursuant to which, subject to the conditions precedent set out therein, the Company agreed to sell and CRH agreed to purchase all of the non-beer businesses of the Company for a consideration of HK$28,000,000,000 payable in cash as to HK$13,582,036,690 within 3 business days from the date of completion of disposal (the "Completion") and the balance by way of a promissory note which has no callable feature and bear interest at the higher of (i) 0.94% per annum and (ii) the best 3-month bank deposit rate which the Company may obtain from banks. Interest is payable for period from the Completion to the date when the principal amount, together with the accrued interest, of the promissory note is to be fully paid.

The Company is required under the Sale and Purchase Agreement to undertake to declare and pay a special dividend of HK$11.50 per share in the aggregate amount of approximately HK$27,846 million (the "Special Dividend") as soon as practicable after Completion, subject to Directors' fiduciary duties. As there will be insufficient distributable reserves to support the proposed distribution of the Special Dividend, the Company is required under the Sale and Purchase Agreement as a pre-completion undertaking to use its commercially reasonable endeavours to implement the Capital Reduction as soon as practicable so that the capital of the Company will be reduced by a minimum of HK$10,000,000,000, which will be credited to the distributable reserves of the Company. If the Capital Reduction cannot be effected by Completion Date, the Company is required under the Sale and Purchase Agreement to undertake to complete the Capital Reduction as soon as practicable after Completion. Upon the Capital Reduction becoming effective, the Special Dividend can then be made from the increased distributable reserves of the Company.

On 15 June 2015, the Company and CRH entered into a supplementary agreement to increase the total consideration for the Disposal from HK$28,000,000,000 to HK$30,000,000,000 which is payable in cash as to HK$14,579,047,938 and the balance by way of the promissory note. The payment terms for the cash consideration and the promissory note are consistent with those in the Sale and Purchase Agreement. As a result of the increase in total consideration for the Disposal, the Special Dividend will be increased from HK$11.50 per share to HK$12.30 per share in the aggregate amount of approximately HK$29,783 million. In addition, for a period of three years from the date of Completion, upon the request of the Company and for the purposes of developing the Group's beer business, CRH will provide shareholder's loan(s) for a duration of not more than three years up to a maximum aggregate amount of HK$10,000,000,000 to the Company at an interest rate at which CRH is able to borrow Hong Kong dollars in an amount equal to the relevant loan from a bank or a financial institution for the relevant period.

The non-beer businesses (including but not limited to all the assets and rights relating to all the non-beer businesses held by the Company) (collectively the "Disposal Assets") to be disposed of comprising the following:

(i) the Target Companies consist of the direct (or, where applicable, indirect) interest in the following companies:

  (i) Ondereel Ltd, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding of retail focused subsidiaries;

  (ii) Best-Growth Resources Limited, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding of food focused subsidiaries;

  (iii) Havensbrook Investments Limited, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding of beverage focused subsidiaries;

  (iv) China Resources Enet Solutions Limited, a company incorporated under the laws of Cayman Islands and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding;

  (v) CRE Finance (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company, which is principally engaged in the provision of financial services to group companies;

  (vi) CRE (Nominees) Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company, which is principally engaged in the provision of nominee services; and

  (vii) CRE Trading (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding.

(ii) (a) all the rights under all contracts relating to the non-beer businesses entered into by the Company or its subsidiaries (other than Target Companies and their subsidiaries (collectively the "Disposal Group")); (b) such assets and rights relating to the non-beer businesses held by the Company and Purple Finance Limited (which is a direct wholly-owned subsidiary of the Company) as agreed to be purchased under the Sale and Purchase Agreement (excluding fixed assets, prepayments, other receivables (other than receivables of management income in connection with a housing estate and certain parking space in CRE Centre in Lai

Chi Kok, Kowloon and certain parking spaces in Riley House in Kwai Chung, New Territories (the "Parking Lots"), utility deposits, club memberships, tax recoverable of the Company at the date of completion of the disposal); and (c) the Parking Lots (together with any utility deposits and prepayments less expenses in association therewith);

(iii) the cash and cash equivalents held by the Company attributable to its non-beer businesses; and

(iv) the shareholders loans owed by the Disposal Group to the Company (the "Shareholders Loans").

At completion, CRH will assume all obligations and liabilities of the Company and its subsidiaries unrelated to the beer business of the Company (including but not limited to tax liabilities, tax related penalties and surcharges arising out of or in connection with the transactions contemplated under the Sale and Purchase Agreement). The Company will release all financial guarantees relating to the non-beer businesses on or prior to completion of the Disposal.

After the disposal of the Disposal Assets, the Group retains mainly the beer business (the "Remaining Group").

Pursuant to the Sale and Purchase Agreement, all costs and expenses directly incurred by the Company in connection with, amongst others, the implementation of the Sale and Purchase Agreement will be fully reimbursed by CRH.

(a) Basis of compilation of the aggregate financial information of the Disposal Assets

The financial statements of the Disposal Group have been prepared in accordance with the accounting policies of the Group as set out in note 2.

The aggregate financial information of the Disposal Assets represents the aggregation of the financial statements of the Disposal Group with the following adjustments:

(i) the elimination of intercompany balances (including Shareholders Loans) between the Disposal Group and the Remaining Group;

(ii) the inclusion of tax liabilities and any accrued tax related penalties and surcharges recognised by the Group (other than the Disposal Group) which are unrelated to the beer business;

(iii) the inclusion of assets, rights and liabilities in relation to the Disposal Assets that are held by the Company and Purple Finance Limited, including:

a. the Parking Lots (together with any utility deposits, prepayments and other payables in association therewith);

b. the cash and cash equivalents held by the Company attributable to the Disposal Assets and the related interest receivables;

c. the shares held for restricted incentive award scheme held by the Company attributable to the Disposal Assets and the amounts are calculated based on the number of restricted incentive awards attributable to the employees of the Disposal Group and the average cost per share;

(iv) the inclusion of income or expenses recognised by the Company in relation to the Disposal Assets, including:

a. the rental income and related expenses in relation to the Parking Lots;

b. the interest income in relation to the cash and cash equivalents held by the Company attributable to the Disposal Assets;

c. certain portion of the administrative and other overhead expenses recognised by the Company of HK$92 million, HK$97 million and HK$93 million for the years ended 31 December 2012, 2013 and 2014 respectively and the amounts are determined based on the proportion of the Group's total turnover contributed by the Disposal Assets and the Remaining Group.

(v) the inclusion of the cash flow impact of the above adjustments.

(b) ***Aggregate Profit and Loss Accounts of the Disposal Assets***

The Aggregate Profit and Loss Accounts of the Disposal Assets for the years ended 31 December 2012, 2013 and 2014 are as follows:

	2012	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*
Turnover	98,264	113,578	134,488
Cost of sales	(76,852)	(87,513)	(103,995)
Gross profit	21,412	26,065	30,493
Other income	3,587	1,509	2,508
Selling and distribution expenses	(17,595)	(21,641)	(27,973)
General and administrative expenses	(2,833)	(3,369)	(5,064)
Finance costs	(262)	(176)	(344)
Share of net results of associates	48	27	14
Share of net results of joint ventures	–	–	(78)
Profit/(loss) before taxation	4,357	2,415	(444)
Taxation	(938)	(1,130)	(747)
Profit/(loss) for the year	3,419	1,285	(1,191)
Attributable to:			
Shareholders of the Company	3,154	1,009	(891)
Non-controlling interests	265	276	(300)
	3,419	1,285	(1,191)

(c) Aggregate Statements of Comprehensive Income of the Disposal Assets

The Aggregate Statements of Comprehensive Income of the Disposal Assets for the years ended 31 December 2012, 2013 and 2014 are as follows:

	2012	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*
Profit/(loss) for the year	3,419	1,285	(1,191)
Other comprehensive income/(expenses):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(6)	640	(21)
Fair value adjustment on available for sale investments	7	21	140
Reclassification adjustments:			
– release of valuation reserve upon disposal of available for sale investments	–	–	(163)
– release of exchange differences upon disposal of subsidiaries/associates	(6)	(13)	(6)
Income tax relating to fair value adjustment on available for sale investments	–	–	(1)
	(5)	648	(51)
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of properties	132	1,881	69
Income tax relating to surplus on revaluation of properties	(64)	(150)	(22)
	68	1,731	47
Other comprehensive income/(expenses) for the year, net of tax	63	2,379	(4)
Total comprehensive income/(expenses) for the year	3,482	3,664	(1,195)
Attributable to:			
Shareholders of the Company	3,223	3,316	(942)
Non-controlling interests	259	348	(253)
	3,482	3,664	(1,195)

(d) ***Aggregate Balance Sheets of the Disposal Assets***

The Aggregate Balance Sheets of the Disposal Assets as at 31 December 2012, 2013 and 2014 are as follows:

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Non-current assets			
Fixed assets			
– Investment properties	12,735	15,940	21,105
– Interests in leasehold land held for own use under operating leases	3,258	4,618	6,683
– Other property, plant and equipment	18,802	22,331	33,883
Goodwill	9,113	9,463	12,410
Other intangible assets	147	255	234
Interests in associates	389	388	368
Interests in joint ventures	–	–	1,014
Available for sale investments	119	133	19
Prepayments	1,954	605	721
Deferred taxation assets	78	112	595
	46,595	53,845	77,032
Current assets			
Stocks	12,397	15,404	18,078
Trade and other receivables	9,355	12,109	14,106
Taxation recoverable	34	24	13
Pledged bank deposits	164	116	4
Cash and bank balances	14,342	15,930	14,582
	36,292	43,583	46,783
Current liabilities			
Trade and other payables	(38,421)	(47,955)	(57,055)
Short term loans	(1,047)	(1,806)	(5,774)
Taxation payable	(572)	(685)	(668)
	(40,040)	(50,446)	(63,497)
Net current liabilities	(3,748)	(6,863)	(16,714)
Total assets less current liabilities	42,847	46,982	60,318
Non-current liabilities			
Long term loans	(10,699)	(11,492)	(14,269)
Deferred taxation liabilities	(1,109)	(1,286)	(1,671)
Other non-current liabilities	(17)	(36)	(1,712)
	(11,825)	(12,814)	(17,652)
	31,022	34,168	42,666
Capital and reserves			
Share capital	–	–	–
Reserves	28,163	31,368	35,227
Equity attributable to shareholders of the Company	28,163	31,368	35,227
Non-controlling interests	2,859	2,800	7,439
Total equity	31,022	34,168	42,666

(e) Aggregate Cash Flow Statements of the Disposal Assets

The Aggregate Cash Flow Statements of the Disposal Assets for the years ended 31 December 2012, 2013 and 2014 are as follows:

	2012 *HK$ million*	2013 *HK$ million*	2014 *HK$ million*
Cash flows from operating activities			
Cash generated from operations	6,218	6,435	1,909
Hong Kong Profits Tax paid	(143)	(203)	(178)
Chinese Mainland income tax paid	(772)	(831)	(963)
Overseas tax paid	(2)	–	–
Hong Kong Profits Tax refunded	7	31	2
Chinese Mainland income tax refunded	–	42	71
Net cash from operating activities	5,308	5,474	841
Cash flows from investing activities			
Proceeds from disposal of fixed assets	998	101	205
Proceeds from disposal of available for sale investments	5	–	238
Proceeds from formation of joint venture/disposal of partial interest in subsidiaries	–	4	3,547
Proceeds from disposal of associates	–	5	–
Disposal of subsidiaries/business (net of cash and cash equivalents disposed of)	629	98	5
Dividends received from associates	38	36	29
Dividends received from unlisted available for sale investments	1	2	7
Interest received	321	304	417
Receipt of government grants	596	490	515
Repayment of loan to fellow subsidiaries	–	12	–
Repayment of loan to a holding company	–	255	504
Loan to a holding company	(740)	–	–
Loan to a fellow subsidiary	–	–	(253)
Deposits paid for purchase of fixed assets	(1,657)	(385)	(436)
Purchase of fixed assets	(3,274)	(5,271)	(5,856)
Purchase of other intangible assets	(12)	(94)	(1)
Acquisition of associates	–	(13)	–
Acquisition of subsidiaries/business (net of cash and cash equivalents acquired)	(1,565)	(284)	–
Settlement of consideration payable for acquisition of subsidiaries in prior year	–	–	(47)
Changes in amounts due from Remaining Group	(1,189)	(1,558)	(1,809)
Changes in pledged bank deposits	(144)	49	111
Net cash used in investing activities	(5,993)	(6,249)	(2,824)

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Cash flows from financing activities			
Dividends paid to non-controlling shareholders of subsidiaries	(93)	(109)	(93)
Interest paid	(212)	(208)	(293)
Proceeds from bank and other borrowings	9,144	2,654	11,695
Repayment of bank and other borrowings	(6,101)	(1,223)	(12,128)
Purchase of additional interests in subsidiaries	(18)	(256)	(9)
Capital injection by the Company	470	722	–
Changes in amounts due to Remaining Group	737	(86)	2,196
(Decrease)/increase in advance from the Company	(3,409)	1,557	(661)
Dividends paid to the Company	–	(921)	–
Net cash from financing activities	518	2,130	707
Net (decrease)/increase in cash and cash equivalents	(167)	1,355	(1,276)
Effect of foreign exchange rate changes	(31)	233	(72)
Cash and cash equivalents at 1 January	14,540	14,342	15,930
Cash and cash equivalents at 31 December	14,342	15,930	14,582
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	14,342	15,930	14,582

(f) ***Aggregate Statements of Changes in Equity of the Disposal Assets***

The Aggregate Statements of Changes in Equity of the Disposal Assets for the years ended 31 December 2012, 2013 and 2014 are as follows:

For the year ended 31 December 2012

	Equity attributable to shareholders of the Company	**Non-controlling interests**	**Total equity**
	HK$ million	*HK$ million*	*HK$ million*
At 1 January 2012	28,322	3,206	31,528
Total comprehensive income for the year	3,223	259	3,482
Capital injection by the Company	470	–	470
Distribution to the Company	(3,861)	–	(3,861)
Contribution from non-controlling interest	13	12	25
Purchase additional interest in subsidiaries	(4)	(14)	(18)
Acquisition of subsidiaries	–	1	1
Disposal of subsidiaries	–	(512)	(512)
Dividends	–	(93)	(93)
	(159)	(347)	(506)
At 31 December 2012	28,163	2,859	31,022

For the year ended 31 December 2013

	Equity attributable to shareholders of the Company *HK$ million*	Non-controlling interests *HK$ million*	Total equity *HK$ million*
At 1 January 2013	28,163	2,859	31,022
Total comprehensive income for the year	3,316	348	3,664
Capital injection by the Company	722	–	722
Contribution by the Company	185	–	185
Acquisition of subsidiaries or purchase of additional interest in subsidiaries	(97)	(146)	(243)
Disposal of subsidiaries or decrease in shareholdings of subsidiaries	–	(152)	(152)
Dividends	(921)	(109)	(1,030)
	3,205	(59)	3,146
At 31 December 2013	31,368	2,800	34,168

For the year ended 31 December 2014

	Equity attributable to shareholders of the Company *HK$ million*	Non-controlling interests *HK$ million*	Total equity *HK$ million*
At 1 January 2014	31,368	2,800	34,168
Total comprehensive income for the year	(942)	(253)	(1,195)
Disposal of partial interest in subsidiaries	5,125	4,987	10,112
Acquisition of subsidiaries or purchase of additional interest in subsidiaries	1	(2)	(1)
Distribution to the Company	(325)	–	(325)
Dividends	–	(93)	(93)
	3,859	4,639	8,498
At 31 December 2014	35,227	7,439	42,666

(g) ***Material Related Party Transactions of the Disposal Assets with the Remaining Group***

(i) Transactions of the Disposal Assets with the Remaining Group for the years ended 31 December 2012, 2013 and 2014 are disclosed as follow:

	2012	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*
Purchase of goods from fellow subsidiaries	92	159	106
Interest expenses paid to fellow subsidiaries	–	9	6
Interest income received from fellow subsidiaries	–	6	–

(ii) Balances of the Disposal Assets with the Remaining Group as at 31 December 2012, 2013 and 2014 are disclosed as follow:

	2012	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*
Due from fellow subsidiaries	1,542	1,439	3,511
Due to fellow subsidiaries	4,349	4,356	5,488
Due from holding company	7,374	9,034	8,771
Shareholders Loans	12,073	11,951	12,926

(iii) Guarantee provided by the Remaining Group to the Disposal Assets as at 31 December 2012, 2013 and 2014 are disclosed as follow:

	2012	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*
Guarantee received from the Company for banks and other loans granted to the Disposal Assets	12,619	12,953	17,121

Pursuant to the Sale and Purchase Agreement, the Company will release all financial guarantees relating to the non-beer businesses on or prior to the completion of the Disposal.

(iv) Arrangements between the Company and the non-controlling interests of the Disposal Assets

(a) In 2011, the subsidiary of the Company disposed of its 40% interest in beverage business for a net cash consideration of approximately HK$3.2 billion. Pursuant to the shareholders agreement, the non-controlling interest shall have the right to cause the Group to purchase all the 40% equity interest at fair market value upon the eighth anniversary or the thirteenth anniversary of the date of the agreement.

(b) During the year ended 31 December 2014, a subsidiary of the Company issued 20% of its total share capital to a subsidiary of Tesco PLC ("Tesco") for a total consideration of cash amounting to HK$4.3 billion and injection of the retail business and real estate properties business operated by Tesco in the PRC. A joint venture with Tesco (the "non-controlling interest") was formed and the Group owns 80% interest in the joint venture. Pursuant to the investment agreement, the non-controlling interest shall have the right to subscribe for additional shares in the joint venture, so that the total interest in the joint venture held by the non-controlling interest will increase by 5% (on a fully diluted basis) upon the earlier of the listing of the joint venture or the fifth anniversary of completion. The non-controlling interests shall have the right to cause the Group to purchase all the 20% equity interest at fair market value if certain events were to occur. The events include (a) a material breach of any of the key terms of this arrangement by the Company; (b) ceasing to maintain its listing on the Hong Kong Stock Exchange; (c) an insolvency event of the Company; or (d) a change of control of the Company to a competitor of Tesco.

7. OTHER INCOME

	2012	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*
Other income includes the following:			
Dividends from unlisted available for sale investments	1	2	7
Interest income	386	534	714
Valuation gain on investment properties	2,167	280	610
Profit on disposal of subsidiaries/business	192	1	12
Profit on disposal of associates	65	1	–
Profit on disposal of available for sale investments	2	–	147
Profit on disposal of fixed assets	307	174	–
Government grants recognised	319	345	336

8. FINANCE COSTS

	2012	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*
Interests on bank loans and other loans wholly repayable within five years	323	329	433
Financing charges (including exchange gain or loss)	67	(2)	114
	390	327	547
Less: Amount capitalised in cost of qualifying assets*	(29)	(23)	(21)
	361	304	526

* During the years ended 31 December 2012, 2013 and 2014, the weighted average capitalisation rate on funds borrowed generally is 1.20%, 1.20% and 1.64% per annum respectively.

9. PROFIT FOR THE YEAR

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Profit for the year has been arrived at after charging:			
Auditors' remuneration			
– current year	22	33	39
– underprovision in prior year	3	–	2
	25	33	41
Staff costs (including directors' emoluments)	13,833	16,468	19,396
Depreciation			
– owned assets	3,274	3,853	4,795
Impairment loss recognised on (included in cost of sales, selling and distribution expenses or general and administrative expenses)			
– fixed assets	39	88	524
– other intangible assets	1	2	–
– stocks	192	183	38
– associate	–	8	–
Amortisation of other intangible assets (included in general and administrative expenses)	18	36	52
Operating leases charges on land and buildings *(Note 1)*	4,142	4,715	6,135
Cost of goods sold	95,481	108,656	126,042
And after crediting:			
Gross rental income	656	714	904
Less: Related out-goings	(21)	(63)	(70)
Net rental income	635	651	834

Note:

1. Including contingent rent of HK$125 million, HK$151 million and HK$189 million for the years ended 31 December 2012, 2013 and 2014 respectively. Contingent rent for certain properties was determined by a certain percentage of turnover of the leases.

10. DIRECTORS' EMOLUMENTS

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Fees	1.62	1.50	1.51
Basic salaries and allowances	12.94	11.04	10.97
Provident fund contributions	0.41	0.42	0.46
Bonus	7.65	7.36	6.92
	22.62	20.32	19.86

		Other Emoluments			
2012	**Fees**	**Basic Salaries and Allowances**	**Provident Fund Contributions**	**Bonus[1]**	**Total**
Name of director	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Chen Lang	0.08	2.53	0.14	1.70	4.45
Hong Jie	0.03	2.73	0.06	–	2.82
Liu Hongji	0.03	2.26	0.05	2.82	5.16
Lai Ni Hium, Frank	0.08	3.76	0.07	1.63	5.54
Du Wenmin	0.08	–	–	–	0.08
Wei Bin	0.08	–	–	–	0.08
Yan Biao	0.08	–	–	–	0.08
Chen Ying	0.05	–	–	–	0.05
Houang Tai Ninh	0.19	–	–	–	0.19
Li Ka Cheung, Eric	0.19	–	–	–	0.19
Cheng Mo Chi, Moses	0.19	–	–	–	0.19
Bernard Charnwut Chan	0.19	–	–	–	0.19
Siu Kwing Chue, Gordon	0.19	–	–	–	0.19
Huang Daoguo	0.05	–	–	–	0.05
Qiao Shibo	0.05	1.66	0.09	1.50	3.30
Shi Shanbo	0.03	–	–	–	0.03
Zhang Haipeng	0.03	–	–	–	0.03
Total	1.62	12.94	0.41	7.65	22.62

		Other Emoluments			
2013	**Fees**	**Basic Salaries and Allowances**	**Provident Fund Contributions**	**Bonus[1]**	**Total**
Name of director	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Chen Lang	0.08	2.63	0.14	1.78	4.63
Hong Jie	0.08	2.27	0.14	0.77	3.26
Liu Hongji	0.08	2.33	0.07	3.05	5.53
Lai Ni Hium, Frank	0.08	3.81	0.07	1.76	5.72
Du Wenmin	–	–	–	–	–
Wei Bin	–	–	–	–	–
Yan Biao	0.07	–	–	–	0.07
Chen Ying	0.08	–	–	–	0.08
Houang Tai Ninh	0.19	–	–	–	0.19
Li Ka Cheung, Eric	0.19	–	–	–	0.19
Cheng Mo Chi, Moses	0.19	–	–	–	0.19
Bernard Charnwut Chan	0.19	–	–	–	0.19
Siu Kwing Chue, Gordon	0.19	–	–	–	0.19
Huang Daoguo	0.08	–	–	–	0.08
Total	1.50	11.04	0.42	7.36	20.32

2014 Name of director	Fees HK$ million	Other Emoluments: Basic Salaries and Allowances HK$ million	Other Emoluments: Provident Fund Contributions HK$ million	Other Emoluments: Bonus[1] HK$ million	Total HK$ million
Chen Lang	0.08	2.56	0.16	–	2.80
Hong Jie	0.08	2.27	0.15	1.71	4.21
Liu Hongji	0.08	2.33	0.07	3.19	5.67
Lai Ni Hium, Frank	0.08	3.81	0.08	2.02	5.99
Du Wenmin	–	–	–	–	–
Wei Bin	–	–	–	–	–
Yan Biao	0.08	–	–	–	0.08
Chen Ying	0.08	–	–	–	0.08
Wang Yan	0.03	–	–	–	0.03
Houang Tai Ninh	0.19	–	–	–	0.19
Li Ka Cheung, Eric	0.19	–	–	–	0.19
Cheng Mo Chi, Moses	0.19	–	–	–	0.19
Bernard Charnwut Chan	0.19	–	–	–	0.19
Siu Kwing Chue, Gordon	0.19	–	–	–	0.19
Huang Daoguo	0.05	–	–	–	0.05
Total	1.51	10.97	0.46	6.92	19.86

[1] The bonus is determined with reference to the operating results, individual performance and comparable market statistics during the Relevant Periods.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2012, 2013 and 2014 included four, three and three directors respectively, details of whose remunerations are set out in note 10 above. The details of the remunerations paid to the other one, two and two highest paid employees during the years ended 31 December 2012, 2013 and 2014 respectively are as follows:

	2012 HK$ million	2013 HK$ million	2014 HK$ million
Basic salaries and allowances	1.95	4.01	4.33
Provident fund contributions	0.14	0.22	0.21
Bonus	1.39	4.31	6.29
	3.48	8.54	10.83

The emoluments of the one, two and two highest paid individuals during the years ended 31 December 2012, 2013 and 2014 respectively were within the following band:

	No. of person		
HK$	2012	2013	2014
3,000,001-3,500,000	1	–	–
3,500,001-4,000,000	–	1	–
4,500,001-5,000,000	–	1	1
6,000,001-6,500,001	–	–	1

12. STAFF PROVIDENT FUND

A Hong Kong

The Group operates various defined contribution retirement schemes which are available to all Hong Kong employees. The assets of the schemes are held separately from those of the Group in an independently administered fund. The amount of contributions is based on a specified percentage of the basic salary of employees and any forfeited contributions in respect of unvested benefits of staff leavers are used to reduce the Group's contributions.

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Group contributions to staff provident fund, charged to consolidated profit and loss account	42	45	44
Un-utilised forfeited contributions	–	–	–

B Chinese Mainland

The employees of the Group in the Chinese Mainland are members of state-managed retirement benefit schemes operated by the respective local government in the Chinese Mainland. The Group is required to contribute a specified percentage of payroll costs to the schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

The total cost charged to the consolidated profit and loss account in respect of the above-mentioned schemes in the Chinese Mainland amounted to approximately HK$1,469 million, HK$1,815 million and HK$2,096 million for the years ended 31 December 2012, 2013 and 2014 respectively.

13. TAXATION

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Current taxation			
Hong Kong	155	175	176
Chinese Mainland	1,524	2,200	1,847
Overseas	3	–	–
	1,682	2,375	2,023
Deferred taxation			
Hong Kong	(9)	5	(9)
Chinese Mainland	(42)	(486)	(464)
	(51)	(481)	(473)
	1,631	1,894	1,550

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the years ended 31 December 2012, 2013 and 2014 respectively.

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

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the domestic rates applicable to the country concerned as follows:

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Profit before taxation (excluding share of net results of associates and joint ventures)	6,605	5,019	1,905
Tax calculated at the domestic rates applicable in the country concerned	1,360	1,166	386
Income not subject to taxation	(630)	(108)	(174)
Expenses not deductible for taxation purposes	206	294	145
Utilisation of previously unrecognised tax losses	(132)	(219)	(129)
Tax loss not recognised	614	798	1,280
Under/(over) provision on taxation in previous year	83	(29)	45
Income earning companies exempted from taxation *(note)*	(81)	(18)	(13)
Withholding tax on undistributed profits	211	10	10
Taxation charge	1,631	1,894	1,550

Note:

Certain of the Group's subsidiaries operating in the Chinese Mainland are eligible for certain tax holidays or concessions and were exempted and reduced from Chinese Mainland income taxes for the year.

14. DIVIDENDS

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Interim dividend paid of HK$0.15, HK$0.13 and HK$0.11 per ordinary share for the years ended 31 December 2012, 2013 and 2014 respectively	360	313	265
Proposed final dividend of HK$0.15, HK$0.14 and HK$0.16 per ordinary share for the years ended 31 December 2012, 2013 and 2014 respectively	360	337	387
	720	650	652

At the meeting held on 20 March 2015, the directors proposed final dividend for the year ended 31 December 2014 of HK$0.16 per ordinary share in cash form, with an option to receive new and fully paid shares of the Company in lieu of cash. This proposed dividend, which is calculated on the Company's number of ordinary shares as at the date of the board meeting, is not recognised as a liability in the financial information.

The total dividends paid by the Company during the years ended 31 December 2012, 2013 and 2014, including the final dividend for the prior year and the interim dividend for the current year, amounting to HK$1,128 million, HK$673 million and HK$602 million respectively are reflected in the financial information.

15. EARNINGS PER SHARE

	2012	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*
The calculation of the basic and diluted earnings per share is based on the following data:			
Earnings			
Profit/(loss) attributable to shareholders of the Company for the purposes of calculating basic and diluted earnings per share	3,945	1,908	(161)
Number of shares			
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,400,353,822	2,402,658,243	2,409,546,529
Effect of dilutive potential ordinary shares:			
– Share options	3,425,292	1,927,606	707,108
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,403,779,114	2,404,585,849	2,410,253,637

16. FIXED ASSETS

	Investment properties	Interests in leasehold land held for own use under operating leases	Buildings held for own use	Other fixed assets	Sub-total	Total
		Other property, plant and equipment				
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
The Group						
Cost or valuation						
At 1 January 2012	11,180	6,769	15,250	33,290	48,540	66,489
Relating to acquisition of subsidiaries/business	–	54	1,567	148	1,715	1,769
Relating to disposal of subsidiaries/business	–	(1)	(80)	(997)	(1,077)	(1,078)
Additions	9	584	336	7,199	7,535	8,128
Disposals	(934)	(152)	(474)	(2,029)	(2,503)	(3,589)
Reclassifications	313	1	817	(1,206)	(389)	(75)
Adjustment on valuation	2,167	–	132	–	132	2,299
Exchange difference	–	(16)	(5)	11	6	(10)
At 31 December 2012 and 1 January 2013	12,735	7,239	17,543	36,416	53,959	73,933
Relating to acquisition of subsidiaries/business	30	873	1,107	1,743	2,850	3,753
Relating to disposal of subsidiaries/business	(83)	(45)	(51)	(13)	(64)	(192)
Additions	11	969	437	7,688	8,125	9,105
Disposals	(12)	(4)	(27)	(1,020)	(1,047)	(1,063)
Reclassifications	2,965	(1,228)	1,880	(3,705)	(1,825)	(88)
Adjustment on valuation	280	1,615	266	–	266	2,161
Exchange difference	26	307	969	2,241	3,210	3,543
At 31 December 2013 and 1 January 2014	15,952	9,726	22,124	43,350	65,474	91,152
Relating to acquisition of subsidiaries/business	–	58	87	108	195	253
Relating to disposal of subsidiaries/business	–	(2)	(11)	(2)	(13)	(15)
Relating to business injected by non-controlling interest *(Note 36)*	4,014	2,503	2,423	6,377	8,800	15,317
Additions	13	333	411	7,921	8,332	8,678
Disposals	–	(36)	(44)	(2,616)	(2,660)	(2,696)
Reclassifications	517	(717)	2,751	(2,930)	(179)	(379)
Adjustment on valuation	610	–	69	–	69	679
Exchange difference	(1)	(18)	(30)	(89)	(119)	(138)
At 31 December 2014	21,105	11,847	27,780	52,119	79,899	112,851

	Investment properties	Interests in leasehold land held for own use under operating leases	Buildings held for own use	Other fixed assets	Sub-total	Total
		Other property, plant and equipment				
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Accumulated depreciation and impairment						
At 1 January 2012	–	868	2,896	12,485	15,381	16,249
Relating to disposal of subsidiaries/business	–	–	(63)	(586)	(649)	(649)
Charge for the year	–	150	591	2,533	3,124	3,274
Written back on disposals	–	(49)	(271)	(1,529)	(1,800)	(1,849)
Impairment loss recognised	–	–	4	35	39	39
Reclassifications	–	(1)	(10)	(64)	(74)	(75)
Exchange difference	–	5	(20)	(12)	(32)	(27)
At 31 December 2012 and 1 January 2013	–	973	3,127	12,862	15,989	16,962
Relating to disposal of subsidiaries/business	–	(3)	(2)	(3)	(5)	(8)
Charge for the year	–	206	637	3,010	3,647	3,853
Written back on disposals	–	(1)	(15)	(780)	(795)	(796)
Impairment loss recognised	–	–	38	50	88	88
Reclassifications	–	(28)	(30)	(18)	(48)	(76)
Exchange difference	–	87	441	1,484	1,925	2,012
At 31 December 2013 and 1 January 2014	–	1,234	4,196	16,605	20,801	22,035
Relating to disposal of subsidiaries/business	–	–	(4)	(1)	(5)	(5)
Charge for the year	–	271	817	3,707	4,524	4,795
Written back on disposals	–	(10)	(21)	(2,109)	(2,130)	(2,140)
Impairment loss recognised	–	–	13	511	524	524
Reclassifications	–	(298)	(111)	30	(81)	(379)
Exchange difference	–	(3)	(12)	(24)	(36)	(39)
At 31 December 2014	–	1,194	4,878	18,719	23,597	24,791

		Other property, plant and equipment				
	Investment properties	Interests in leasehold land held for own use under operating leases	Buildings held for own use	Other fixed assets	Sub-total	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Net book values						
At 31 December 2012	12,735	6,266	14,416	23,554	37,970	56,971
At 31 December 2013	15,952	8,492	17,928	26,745	44,673	69,117
At 31 December 2014	21,105	10,653	22,902	33,400	56,302	88,060
Representing assets stated:						
At cost	–	7,239	17,543	36,416	53,959	61,198
At 2012 professional valuation	12,735	–	–	–	–	12,735
	12,735	7,239	17,543	36,416	53,959	73,933
At cost	–	9,726	22,124	43,350	65,474	75,200
At 2013 professional valuation	15,952	–	–	–	–	15,952
	15,952	9,726	22,124	43,350	65,474	91,152
At cost	–	11,847	27,780	52,119	79,899	91,746
At 2014 professional valuation	21,105	–	–	–	–	21,105
	21,105	11,847	27,780	52,119	79,899	112,851

	Investment properties HK$ million	Other property, plant and equipment: Buildings HK$ million	Other property, plant and equipment: Other assets HK$ million	Other property, plant and equipment: Sub-total HK$ million	Total HK$ million
The Company					
Cost or valuation					
At 1 January 2012	54	2	26	28	82
Additions	–	–	1	1	1
Adjustment on valuation	12	–	–	–	12
At 31 December 2012 and 1 January 2013	66	2	27	29	95
Additions	–	–	2	2	2
Written back on disposals	–	–	(5)	(5)	(5)
At 31 December 2013 and 1 January 2014	66	2	24	26	92
Additions	–	–	2	2	2
Written back on disposals	–	(2)	(1)	(3)	(3)
At 31 December 2014	66	–	25	25	91
Accumulated depreciation and impairment					
At 1 January 2012	–	1	19	20	20
Charge for the year	–	–	1	1	1
At 31 December 2012 and 1 January 2013	–	1	20	21	21
Charge for the year	–	–	2	2	2
Written back on disposals	–	–	(5)	(5)	(5)
At 31 December 2013 and 1 January 2014	–	1	17	18	18
Charge for the year	–	–	2	2	2
Written back on disposals	–	(1)	(1)	(2)	(2)
At 31 December 2014	–	–	18	18	18
Net book values					
At 31 December 2012	66	1	7	8	74
At 31 December 2013	66	1	7	8	74
At 31 December 2014	66	–	7	7	73
Representing assets stated:					
At cost	–	2	27	29	29
At 2012 professional valuation	66	–	–	–	66
	66	2	27	29	95
At cost	–	2	24	26	26
At 2013 professional valuation	66	–	–	–	66
	66	2	24	26	92
At cost	–	–	25	25	25
At 2014 professional valuation	66	–	–	–	66
	66	–	25	25	91

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Carrying amounts of the property interests comprise:			
The Group			
Hong Kong			
Properties held on long lease	8,571	10,289	10,605
Properties held on medium-term lease	3,726	3,823	3,897
Properties held on short lease	–	12	–
Chinese Mainland			
Properties held on long lease	253	96	71
Properties held on medium-term lease	19,471	26,536	38,973
Properties held on short lease	1,396	1,616	1,114
	33,417	42,372	54,660
The Company			
Hong Kong			
Properties held on medium-term lease	66	66	66
Chinese Mainland			
Properties held on medium-term lease	1	1	–
	67	67	66

A The investment properties have been valued at 31 December 2012, 2013 and 2014 by DTZ Debenham Tie Leung Limited, an independent professional valuer. The valuation is determined on an existing use basis. The valuers have relied on the income capitalisation approach and cross-referenced to the direct comparison method. The income capitalisation rates (the unobservable input) in the range of 2.5% to 9%, 2.5% to 9% and 3.75% to 9.0% were used in the income capitalisation approach as at 31 December 2012, 2013 and 2014 respectively.

B Other fixed assets mainly comprise construction in progress, plant and machinery, leasehold improvements, vessels, cold storage facilities, furniture and equipment and motor vehicles.

	Construction in progress	Plant and machinery	Leasehold improvements	Others	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
The Group					
Cost or valuation					
At 1 January 2012	3,383	20,445	5,165	4,297	33,290
Relating to acquisition of subsidiaries/business	2	44	57	45	148
Relating to disposal of subsidiaries/business	(77)	(42)	–	(878)	(997)
Additions	4,445	601	1,409	744	7,199
Disposals	(6)	(1,400)	(209)	(414)	(2,029)
Reclassifications	(3,227)	1,610	151	260	(1,206)
Exchange difference	15	(3)	3	(4)	11
At 31 December 2012 and 1 January 2013	4,535	21,255	6,576	4,050	36,416
Relating to acquisition of subsidiaries/business	274	1,319	–	150	1,743
Relating to disposal of subsidiaries/business	(2)	(7)	(1)	(3)	(13)
Additions	4,431	898	1,577	782	7,688
Disposals	(8)	(490)	(189)	(333)	(1,020)
Reclassifications	(6,067)	2,119	117	126	(3,705)
Exchange difference	104	1,781	219	137	2,241
At 31 December 2013 and 1 January 2014	3,267	26,875	8,299	4,909	43,350
Relating to acquisition of subsidiaries/business	–	105	–	3	108
Relating to disposal of subsidiaries/business	–	(1)	–	(1)	(2)
Relating to business injected by non-controlling interest *(Note 36)*	3,503	1,226	1,193	455	6,377
Additions	4,724	743	1,906	548	7,921
Disposals	(138)	(819)	(948)	(711)	(2,616)
Reclassifications	(4,485)	534	440	581	(2,930)
Exchange difference	13	(88)	(6)	(8)	(89)
At 31 December 2014	6,884	28,575	10,884	5,776	52,119

	Construction in progress *HK$ million*	Plant and machinery *HK$ million*	Leasehold improvements *HK$ million*	Others *HK$ million*	Total *HK$ million*
Accumulated depreciation and impairment					
At 1 January 2012	–	8,092	2,260	2,133	12,485
Relating to disposal of subsidiaries/business	–	(24)	–	(562)	(586)
Charge for the year	–	1,338	602	593	2,533
Written back on disposals	–	(1,024)	(153)	(352)	(1,529)
Impairment loss recognised	–	26	(1)	10	35
Reclassifications	–	(135)	–	71	(64)
Exchange difference	–	(1)	(5)	(6)	(12)
At 31 December 2012 and 1 January 2013	–	8,272	2,703	1,887	12,862
Relating to disposal of subsidiaries/business	–	(2)	–	(1)	(3)
Charge for the year	–	1,609	706	695	3,010
Written back on disposals	–	(369)	(136)	(275)	(780)
Impairment loss recognised	–	44	2	4	50
Reclassifications	–	(31)	(2)	15	(18)
Exchange difference	–	1,290	87	107	1,484
At 31 December 2013 and 1 January 2014	–	10,813	3,360	2,432	16,605
Relating to disposal of subsidiaries/business	–	–	–	(1)	(1)
Charge for the year	–	1,979	1,105	623	3,707
Written back on disposals	–	(536)	(908)	(665)	(2,109)
Impairment loss recognised	90	58	263	100	511
Reclassifications	–	(261)	109	182	30
Exchange difference	1	(29)	–	4	(24)
At 31 December 2014	91	12,024	3,929	2,675	18,719

	Construction in progress *HK$ million*	Plant and machinery *HK$ million*	Leasehold improvements *HK$ million*	Others *HK$ million*	Total *HK$ million*
Net book values					
At 31 December 2012	4,535	12,983	3,873	2,163	23,554
At 31 December 2013	3,267	16,062	4,939	2,477	26,745
At 31 December 2014	6,793	16,551	6,955	3,101	33,400
Representing assets stated:					
At cost	4,535	21,255	6,576	4,050	36,416
At 2012 professional valuation	–	–	–	–	–
	4,535	21,255	6,576	4,050	36,416
At cost	3,267	26,875	8,299	4,909	43,350
At 2013 professional valuation	–	–	–	–	–
	3,267	26,875	8,299	4,909	43,350
At cost	6,884	28,575	10,884	5,776	52,119
At 2014 professional valuation	–	–	–	–	–
	6,884	28,575	10,884	5,776	52,119

17. GOODWILL

	HK$ million
The Group	
Cost	
At 1 January 2012	10,772
Exchange difference	(7)
Acquisition of subsidiaries/business	4,200
At 31 December 2012 and 1 January 2013	14,965
Exchange difference	328
Acquisition of subsidiaries/business	4,248
Disposal of subsidiaries/business	(96)
At 31 December 2013 and 1 January 2014	19,445
Exchange difference	(22)
Acquisition of subsidiaries/business	518
Relating to business injected by non-controlling interest *(Note 36)*	2,930
At 31 December 2014	22,871
Accumulated impairment losses	
At 31 December 2012, 31 December 2013, and 31 December 2014	17
Carrying values	
At 31 December 2012	14,948
At 31 December 2013	19,428
At 31 December 2014	22,854

The carrying amount of goodwill was allocated to the cash generating units ("CGU"), each of which represent an operating entity within the operating segments identified by the Group for the purpose of segment reporting. A segment level summary of the goodwill allocation is presented below:

	2012	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*
Retail	8,598	8,782	11,718
Beer	5,836	9,965	10,444
Food	486	652	663
Beverage	28	29	29

The recoverable amounts of the CGUs are determined based on a value in use calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 8.5%, 8.5% and 9.2% per annum as at 31 December 2012, 2013 and 2014 respectively. Cash flows beyond the five-year period are extrapolated using the nominal growth rates stated below.

Key assumptions used for the value in use calculations:

	Nominal growth rate beyond the initial cash flow projections (%)		
	2012	**2013**	**2014**
Retail	8%	8%	8%
Beer	8%	8%	8%
Food	8%	8%	8%
Beverage	8%	8%	8%

18. INTERESTS IN SUBSIDIARIES

	2012 *HK$ million*	**2013** *HK$ million*	**2014** *HK$ million*
The Company			
Unlisted shares, at cost	12,628	14,932	14,932
Amounts due from subsidiaries	12,332	11,865	13,663

Particulars of the principal subsidiaries at 31 December 2012, 2013 and 2014 are set out in note 39.

19. OTHER INTANGIBLE ASSETS

	Brand names *HK$ million*	**Exploitation rights** *HK$ million*	**Other** *HK$ million*	**Total** *HK$ million*
The Group				
Cost				
At 1 January 2012	499	82	10	591
Additions	14	–	–	14
Disposal of subsidiaries/business	–	–	(10)	(10)
At 31 December 2012 and 1 January 2013	513	82	–	595
Additions	96	–	–	96
Acquisition of subsidiaries/business	200	–	–	200
Exchange difference	19	2	–	21
At 31 December 2013 and 1 January 2014	828	84	–	912
Additions	1	–	–	1
Acquisition of subsidiaries/business	1	–	–	1
Exchange difference	(4)	–	–	(4)
At 31 December 2014	826	84	–	910

	Brand names	Exploitation rights	Other	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Accumulated amortisation and impairment				
At 1 January 2012	276	5	–	281
Charge for the year	14	4	–	18
Impairment loss recognised	1	–	–	1
At 31 December 2012 and 1 January 2013	291	9	–	300
Charge for the year	31	5	–	36
Impairment loss recognised	2	–	–	2
Exchange difference	12	–	–	12
At 31 December 2013 and 1 January 2014	336	14	–	350
Charge for the year	47	5	–	52
Exchange difference	(2)	–	–	(2)
At 31 December 2014	381	19	–	400
Net book values				
At 31 December 2012	222	73	–	295
At 31 December 2013	492	70	–	562
At 31 December 2014	445	65	–	510

20. INTERESTS IN ASSOCIATES

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
The Group			
Unlisted			
Share of net assets	242	236	216
Goodwill	147	152	152
	389	388	368

Particulars of the principal associate at 31 December 2012, 2013 and 2014 are set out in note 39.

The summarised financial information in respect of the Group's associates is as follows:

	2012 *HK$ million*	2013 *HK$ million*	2014 *HK$ million*
Total assets	2,149	2,256	1,928
Total liabilities	(1,521)	(1,693)	(1,332)
Net assets	628	563	596
Group's share of net assets of associates	242	236	216
Revenue	3,856	3,038	2,351
Profit for the year	107	65	50
Group's share of profits of associates for the year	48	27	14

21. INTERESTS IN JOINT VENTURES

	2012 *HK$ million*	2013 *HK$ million*	2014 *HK$ million*
The Group			
Unlisted			
Share of net assets	–	–	1,014

Particulars of the principal joint ventures at 31 December 2014 are set out in note 39.

The summarised financial information in respect of the Group's joint ventures is as follows:

	2012 *HK$ million*	2013 *HK$ million*	2014 *HK$ million*
Total assets	–	–	2,659
Total liabilities	–	–	(631)
Net assets	–	–	2,028
Group's share of net assets of joint ventures	–	–	1,014
Revenue	–	–	177
Loss for the year	–	–	(156)
Group's share of losses of joint ventures for the year	–	–	(78)

22. AVAILABLE FOR SALE INVESTMENTS

	2012 *HK$ million*	2013 *HK$ million*	2014 *HK$ million*
The Group			
Listed equity shares in Chinese Mainland, at fair value	106	128	25
Unlisted equity shares in Hong Kong	11	11	7
Unlisted equity shares in Chinese Mainland	11	3	1
	22	14	8
	128	142	33
Analysed as:			
Non-current	128	142	33

The fair values of investment in listed equity shares are determined with reference to quoted market bid prices.

The investments in unlisted equity shares are measured at costs less impairment at each balance sheet date. As the range of parameters for estimating the reasonable fair values is so significant, their fair values cannot be ascertained reliably.

23. PREPAYMENTS

	2012 *HK$ million*	2013 *HK$ million*	2014 *HK$ million*
The Group			
Prepaid rent	301	221	285
Deposit payment for purchase of fixed assets	1,957	655	730
	2,258	876	1,015

24. STOCKS

	2012 *HK$ million*	2013 *HK$ million*	2014 *HK$ million*
The Group			
Properties held for sale	63	63	1,294
Raw materials	1,632	1,707	1,886
Consumables and packing materials	6,694	7,438	7,504
Work-in-progress	572	692	602
Finished goods	767	1,487	1,569
Merchandise for resale	11,514	13,634	14,835
	21,242	25,021	27,690

25. TRADE AND OTHER RECEIVABLES

	The Group			The Company		
	2012	2013	2014	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Trade receivables	1,466	2,308	2,351	–	–	–
Provision for doubtful debts	(39)	(63)	(115)	–	–	–
	1,427	2,245	2,236	–	–	–
Value-added tax recoverable	4,159	5,051	5,677	–	–	–
Prepayments	1,750	2,432	3,249	1	1	1
Deposits paid	1,260	1,332	877	3	3	–
Other receivables	1,895	2,658	3,162	3	24	68
Amounts due from subsidiaries	–	–	–	1,563	1,370	484
Amount due from a holding company	740	2,689	1,038	–	–	–
Amounts due from fellow subsidiaries	2,485	–	261	2,464	–	–
Amounts due from associates	28	21	23	–	–	–
Amounts due from joint ventures	–	–	32	–	–	–
	13,744	16,428	16,555	4,034	1,398	553

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

(a) cash upon delivery; and

(b) open credit from 30 to 90 days

Amount due from a holding company as at 31 December 2012, 2013 and 2014 include an amount of HK$740 million, HK$2,689 million and HK$1,014 million respectively, which are unsecured, bear interest at 5.04% per annum and repayable within six months from the reporting date.

Amount due from fellow subsidiaries as at 31 December 2012 and 2014 include an amount of HK$2,455 million and HK$254 million respectively, which are unsecured, bear interest at 2.81% to 2.85% and 5.05% per annum respectively and repayable within six months from the reporting date.

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

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
The Group			
0–30 days	776	1,205	841
31–60 days	231	341	400
61–90 days	80	126	220
> 90 days	340	573	775
	1,427	2,245	2,236

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

Movement in the provision for doubtful debts

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
At 1 January	68	39	63
Impairment losses recognised	8	25	48
Amounts written off as uncollectible	(17)	(5)	(10)
Acquisition of subsidiaries	1	3	13
Disposal of subsidiaries	(21)	–	–
Exchange difference	–	1	1
At 31 December	39	63	115

Aging of past due but not impaired

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Less than 30 days past due	84	165	154
31–60 days past due	60	187	229
61–90 days past due	22	55	54
Over 90 days past due	68	119	182
	234	526	619

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

26. TRADE AND OTHER PAYABLES

	The Group			The Company		
	2012	2013	2014	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Trade payables	20,288	25,822	26,893	–	–	–
Receipt in advance	14,552	16,580	17,679	–	–	–
Accruals	7,080	10,544	12,893	21	30	23
Deposit received	5,850	6,900	7,758	–	–	–
Other payables	5,252	9,212	11,018	3	1	–
Amounts due to subsidiaries	–	–	–	5,246	6,691	1,958
Amounts due to fellow subsidiaries	76	116	16	–	–	–
Amounts due to associates	6	4	3	–	–	–
	53,104	69,178	76,260	5,270	6,722	1,981

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

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
The Group			
0–30 days	13,649	17,919	16,557
31–60 days	3,293	3,787	4,227
61–90 days	1,339	1,406	1,671
> 90 days	2,007	2,710	4,438
	20,288	25,822	26,893

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

The Company's non-current portion of amount due to subsidiaries as at 31 December 2012, 2013 and 2014 include an advance of HK$7,343 million, HK$9,003 million and HK$8,740 million respectively, which are unsecured and bear interest at HIBOR plus 1.55% per annum.

27A. SHORT TERM LOANS

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
The Group			
Current portion of long term loans			
– secured bank loans	–	38	–
– unsecured bank loans	4,327	2,701	7,472
– of long term obligations under finance lease	–	–	2
Short term bank and other loans and trust receipts			
– secured	–	34	34
– unsecured	47	584	1,517
	4,374	3,357	9,025

27B. LONG TERM LOANS

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
The Group			
Secured bank loans repayable within 5 years	–	38	–
Unsecured bank loans repayable within 5 years	17,676	22,044	27,342
Unsecured bank loans not wholly repayable within 5 years	3	3	2
Obligations under finance leases repayable within 5 years	–	–	2
	17,679	22,085	27,346
Current portion included in current liabilities	(4,327)	(2,739)	(7,474)
	13,352	19,346	19,872

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
The Group			
The non-current portion of long term liabilities are repayable as follows:			
Bank Loans			
After 1 year, but within 2 years	2,701	12,443	6,895
After 2 years, but within 5 years	10,648	6,900	12,975
After 5 years	3	3	2
	13,352	19,346	19,872

The aggregate amount of committed borrowing facilities available to the Group as at 31 December 2012, 2013 and 2014 is HK$19.72 billion, HK$22.65 billion and HK$27.11 billion respectively. As at 31 December 2012, 2013 and 2014, a sum of HK$17.58 billion, HK$22.34 billion and HK$26.61 billion have been drawn down respectively.

As at 31 December 2012, 2013 and 2014, under the terms of the agreements of the Group's unsecured bank loans repayable within five years, CRH, a holding company, is required to remain as a beneficial owner of at least 35% of the voting shares of the Company or remain as a single largest shareholder (whether directly or indirectly through its subsidiaries) of the Company.

The Group has floating rate borrowings denominated in Hong Kong Dollars, US Dollars and Renminbi with interest rates linked to HIBOR, London Inter-Bank Offer Rate ("LIBOR") and the lending rate stipulated by the People's Bank of China respectively.

The effective annual interest rates on the Group's floating rate borrowings for the years ended 31 December 2012, 2013 and 2014 range from 0.59% to 7.65%, from 0.77% to 9.18% and from 0.90% to 8.52% per annum respectively.

28. DEFERRED TAXATION

The movement in deferred taxation assets and liabilities recognised during the respective year are as follows:

	Tax losses			Impairment, provision and others			Total		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
The Group									
Deferred taxation assets									
At 1 January	58	86	79	704	906	1,461	762	992	1,540
Credited/(charged) to consolidated profit and loss account	27	(10)	121	205	519	453	232	509	574
Charged to other comprehensive income	–	–	–	–	–	(1)	–	–	(1)
Acquisition of subsidiaries	–	–	–	–	1	–	–	1	–
Relating to business injected by non- controlling interest *(Note 36)*	–	–	65	–	–	99	–	–	164
Exchange rate adjustment	1	3	–	(3)	35	(3)	(2)	38	(3)
At 31 December	86	79	265	906	1,461	2,009	992	1,540	2,274

Deferred taxation assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2012, 2013 and 2014, the Group has unrecognised tax losses of HK$3,728 million, HK$7,203 million and HK$15,302 million respectively which is uncertain as to whether it can be utilised to set off against future taxable income. Out of this amount, the unrecognised tax loss of HK$3,582 million, HK$6,909 million and HK$14,342 million as at 31 December 2012, 2013 and 2014 respectively will expire within 5 years.

The components of deferred taxation liabilities recognised in the consolidated balance sheets and the movements during the year are as follows:

	Revaluation of investment property *HK$ million*	Accelerated tax depreciation *HK$ million*	Withholding tax on undistributed profits *HK$ million*	Total *HK$ million*
The Group				
At 1 January 2012	36	440	530	1,006
Charged/(credited) to consolidated profit and loss account	7	(37)	211	181
Acquisition of subsidiaries	–	257	–	257
Charged to other comprehensive income	64	–	–	64
Exchange rate adjustment	(8)	(1)	–	(9)
At 31 December 2012 and 1 January 2013	99	659	741	1,499
Charged to consolidated profit and loss account	9	9	10	28
Acquisition of subsidiaries	–	157	–	157
Disposal of subsidiaries	(4)	(14)	–	(18)
Charged to other comprehensive income	150	–	–	150
Exchange rate adjustment	11	4	–	15
At 31 December 2013 and 1 January 2014	265	815	751	1,831
Charged/(credited) to consolidated profit and loss account	115	(24)	10	101
Acquisition of subsidiaries	–	16	–	16
Relating to business injected by non-controlling interest *(Note 36)*	280	–	–	280
Charged to other comprehensive income	21	–	–	21
Exchange rate adjustment	(1)	(3)	–	(4)
At 31 December 2014	680	804	761	2,245

Under the Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for undistributed profits to the extent that declarations of dividends are anticipated in the foreseeable future.

The Company's deferred taxation liabilities relate to the accelerated tax depreciation of its land and building and other assets.

29. OTHER NON-CURRENT LIABILITIES

At 31 December 2012, 2013 and 2014, other non-current liabilities included government grants of HK$600 million, HK$718 million and HK$865 million respectively recognised as deferred revenue and consideration payable for acquisition of subsidiaries. The government grants mainly represent subsidies granted by PRC governmental authorities towards the purchases of leasehold land.

30. SHARE CAPITAL

	2012		2013		2014	
	Number of shares	**Nominal value**	**Number of shares**	**Nominal value**	**Number of shares**	**Nominal value**
	million	*HK$ million*	*million*	*HK$ million*	*million*	*HK$ million*
Authorised *(Note 1)*						
Ordinary shares of HK$1 each	3,000	3,000	3,000	3,000	–	–
Issued and fully paid						
At 1 January	2,399	2,399	2,401	2,401	2,403	2,403
Exercise of share options	2	2	2	2	2	14
Issue of scrip dividend shares	–	–	–	–	16	326
Transfer of share premium upon abolition of par value *(Note 2)*	–	–	–	–	–	12,997
At 31 December	2,401	2,401	2,403	2,403	2,421	15,740

Notes:

1 Under Chapter 622 of the new Hong Kong Companies Ordinance, the concept of "authorised share capital" had been abolished.

2 The Company's shares have no par value from the commencement date of Chapter 622 of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

The Company operates a share options scheme for the purpose of promoting additional commitment and dedication to the objectives of the Company by the participants ("Scheme").

The Scheme was approved by the shareholders in general meeting on 31 January 2002, which was subsequently amended on 20 August 2004 by an ordinary resolution passed by shareholders, and expired on 31 January 2012. The board of directors of the Company may grant options to eligible participants including any executive or non-executive directors of the Group (or persons proposed to be appointed as such), any discretionary object of a discretionary trust established by any employee, executive or non-executive directors of the Group, any executives and employees, consultants, professional and other advisors to the Group (or persons proposed to be appointed as such), chief executive, substantial shareholder of the Company, associated companies of the Group, associates of director, chief executive and substantial shareholder of the Company, and employees of substantial shareholder and where a substantial shareholder is a company, employees of subsidiaries of a substantial shareholder.

Share options are generally either fully vested or vested over a period of time up to a maximum of four years after the acceptance of a grant and exercisable within a period of 10 years immediately after the date of grant.

Details of the movement of the share options granted under the Scheme are summarised as follows:

		Number of share options						
Date of grant	**Exercise price** *HK$*	**Outstanding at 1/1/2012**	**Granted during the year**	**Exercised during the year[1]**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding at 31/12/2012**	**Estimated fair value of the share option granted** *HK$*
The Scheme								
07/02/2002	7.17	84,000	–	–	–	84,000	–	–
05/03/2002	7.35	361,000	–	70,000	–	291,000	–	–
19/04/2002	7.40	138,000	–	128,000	–	10,000	–	–
02/08/2002	8.32	150,000	–	150,000	–	–	–	–
14/04/2003	6.29	4,000	–	–	–	–	4,000	–
08/10/2003	8.90	2,000	–	–	–	–	2,000	–
14/01/2004	9.72	1,248,000	–	609,000	–	–	639,000	–
20/04/2004	9.89	840,000	–	450,000	–	–	390,000	–
25/05/2004	9.15	440,000	–	38,000	–	–	402,000	–
02/06/2004	9.55	200,000	–	–	–	–	200,000	–
04/01/2004	10.35	3,310,000	–	744,000	–	–	2,566,000	–
		6,777,000	–	2,189,000	–	385,000	4,203,000	
Exercisable at the end of the year							4,203,000	
Weighted average exercise price *(HK$)*		9.77	–	9.65	–	7.31	10.05	

Holders of the share options are analysed as follows:

The Scheme						
Directors	490,000	–	–	–	–	490,000
Employees	5,926,000	–	2,119,000	–	94,000	3,713,000
Other participants	361,000	–	70,000	–	291,000	–

Details of the movement of the share options granted under the Scheme are summarised as follows:

Date of grant	Exercise price *HK$*	Outstanding at 1/1/2013	Granted during the year	Exercised during the year[1]	Cancelled during the year	Lapsed during the year	Outstanding at 31/12/2013	Estimated fair value of the share option granted *HK$*
		Number of share options						
The Scheme								
14/04/2003	6.29	4,000	–	4,000	–	–	–	–
08/10/2003	8.90	2,000	–	2,000	–	–	–	–
14/01/2004	9.72	639,000	–	394,000	–	–	245,000	–
20/04/2004	9.89	390,000	–	390,000	–	–	–	–
25/05/2004	9.15	402,000	–	34,000	–	–	368,000	–
02/06/2004	9.55	200,000	–	200,000	–	–	–	–
04/10/2004	10.35	2,566,000	–	830,000	–	–	1,736,000	–
		4,203,000	–	1,854,000	–	–	2,349,000	
Exercisable at the end of the year							2,349,000	
Weighted average exercise price *(HK$)*		10.05	–	10.00	–	–	10.10	

Holders of the share options are analysed as follows:

The Scheme						
Directors	490,000	–	200,000	–	–	290,000
Employees	3,713,000	–	1,654,000	–	–	2,059,000

Date of grant	Exercise price *HK$*	Number of share options: Outstanding at 1/1/2014	Granted during the year	Exercised during the year[1]	Cancelled during the year	Lapsed during the year	Outstanding at 31/12/2014	Estimated fair value of the share option granted *HK$*
The Scheme								
14/01/2004	9.72	245,000	–	95,000	–	150,000	–	–
25/05/2004	9.15	368,000	–	318,000	–	50,000	–	–
04/10/2004	10.35	1,736,000	–	1,388,000	–	348,000	–	–
		2,349,000	–	1,801,000	–	548,000	–	
Exercisable at the end of the year							–	
Weighted average exercise price *(HK$)*		10.10	–	10.11	–	10.07	–	

Holders of the share options are analysed as follows:

	Outstanding at 1/1/2014	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31/12/2014
The Scheme						
Directors	290,000	–	290,000	–	–	–
Employees	2,059,000	–	1,511,000	–	548,000	–

Note:

1. The weighted average share price at the date of exercise for share options exercised during the years ended 31 December 2012, 2013 and 2014 was HK$25.78, HK$26.22 and HK$21.35 respectively.

31. RESERVES

The Group

Details of changes in reserves of the Group are set out in the consolidated statements of changes in equity on pages II-9 to II-11.

	Share premium *HK$ million*	Employee share-based compensation reserve *HK$ million*	Shares held for restricted incentive award scheme *HK$ million*	Retained profits *HK$ million*	Total *HK$ million*
The Company					
At 1 January 2012	12,957	172	–	3,780	16,909
Shares issued at premium	19	–	–	–	19
Loss for the year	–	–	–	(21)	(21)
Dividends	–	–	–	(1,128)	(1,128)
At 31 December 2012 and 1 January 2013	12,976	172	–	2,631	15,779
Shares issued at premium	16	–	–	–	16
Profit for the year	–	–	–	853	853
Purchase of shares under restricted incentive award scheme	–	–	(451)	–	(451)
Dividends	–	–	–	(673)	(673)
At 31 December 2013 and 1 January 2014	12,992	172	(451)	2,811	15,524
Shares issued at premium	5	–	–	–	5
Profit for the year	–	–	–	3,713	3,713
Purchase or sale of shares under restricted incentive award scheme	–	–	58	–	58
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	(12,997)	–	–	–	(12,997)
Dividends	–	–	–	(602)	(602)
At 31 December 2014	–	172	(393)	5,922	5,701

Reserves of the Company available for distribution to the shareholders as at 31 December 2012, 2013 and 2014 amounted to HK$2,570 million, HK$2,749 million and HK$5,860 million respectively.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

A Cash flows from operating activities

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Profit before taxation	6,653	5,046	1,841
Adjustments for:			
Share of net results of associates	(48)	(27)	(14)
Share of net results of joint ventures	–	–	78
Profit on disposal of subsidiaries/business	(192)	(1)	(12)
Profit on disposal of associates	(65)	(1)	–
Profit on disposal of available for sale investments	(2)	–	(147)
Dividend income from unlisted available for sale investments	(1)	(2)	(7)
Exchange gain	–	(181)	(71)
Interest income	(386)	(534)	(714)
Interest expenses	294	306	433
Net (profit)/loss on disposal of fixed assets	(307)	(174)	96
Impairment loss recognised on fixed assets	39	88	524
Impairment loss recognised on other intangible assets	1	2	–
Impairment loss recognised on stocks	55	183	38
Impairment loss recognised on associates	–	8	–
Depreciation	3,274	3,853	4,795
Amortisation of other intangible assets	18	36	52
Valuation gain on investment properties	(2,167)	(280)	(610)
Government grants recognised	(319)	(345)	(336)
Operating cash inflows before working capital changes	6,847	7,977	5,946
Prepayment for rental deposit	7	77	(64)
Changes in other stocks	(855)	(3,242)	479
Changes in trade and other receivables	(81)	(2,210)	2,011
Changes in trade and other payables	4,704	10,225	(1,983)
Cash generated from operations	10,622	12,827	6,389

B Disposal of subsidiaries/business

	2012	2013	2014
	HK$ million	*HK$ million*	*HK$ million*
Net assets disposed of:			
Fixed assets	429	184	10
Other intangible assets	10	–	–
Interests in associates	22	–	–
Goodwill	–	96	–
Available for sales investment	–	7	–
Stocks	433	12	1
Trade and other receivables	386	53	14
Pledged bank deposits	27	–	–
Cash and bank balances	151	218	–
Trade and other payables	(349)	(65)	(13)
Tax payable	(11)	(3)	–
Short term loans	(2)	–	–
Deferred taxation liabilities	–	(18)	–
	1,096	484	12
Non-controlling interests	(512)	(156)	(13)
Reserve released	4	(13)	(6)
Profit on disposal of subsidiaries/business	192	1	12
	780	316	5
Satisfied by:			
Cash consideration	780	316	5
Analysis of the net inflow of cash and cash equivalents in respect of disposal of subsidiaries/business			
Cash considerations received	780	316	5
Cash and bank balances disposed of	(151)	(218)	–
	629	98	5

C Acquisition of subsidiaries/business

	2012 *HK$ million*	**2013** *HK$ million*	**2014** *HK$ million*
The assets acquired and liabilities recognised at the dates of acquisition:			
Fixed assets	1,769	3,753	253
Other intangible assets	–	200	1
Deferred taxation assets	–	1	–
Stocks	159	383	14
Trade and other receivables	763	967	–
Cash and bank balances	460	492	–
Trade and other payables	(1,660)	(2,327)	(124)
Short term loans	(696)	(219)	–
Tax payable	(4)	(1)	–
Long term loans	(170)	(68)	–
Other non-current liabilities	–	(6)	–
Deferred taxation liabilities	(257)	(157)	(16)
	364	3,018	128
Non-controlling interests	(1)	(13)	(6)
Goodwill on acquisition	4,200	4,248	518
	4,563	7,253	640
Discharged by:			
Cash	2,025	5,339	340
Balance of consideration payable	717	1,914	300
Cash consideration paid in last year	1,821	–	–
	4,563	7,253	640
Analysis of the net outflow of cash and cash equivalents in respect of acquisition of subsidiaries/business's undertaking			
Cash consideration paid	(2,025)	(5,339)	(340)
Cash and bank balances acquired	460	492	–
	(1,565)	(4,847)	(340)

In 2012, the Group acquired 100% interest in Jiangxi Hongkelong Department Store Investment Company Limited at a cash consideration of RMB3,690 million. Goodwill arising on acquisition amounted to RMB3,389 million, which is attributable to the profitability and the synergies expected to arise from the acquired business.

In 2013, the Group acquired Kingway Brewery's business in relation to beer production, distribution and sales. Goodwill arising from the acquisition amounting to HK$4,292 million in total was recognised.

33. CAPITAL COMMITMENTS

	The Group			The Company		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Capital commitments outstanding at the balance sheet date are as follows:						
Contracted but not provided for *(Note)*	7,768	11,048	16,935	–	–	–
Authorised but not contracted for	12,688	3,150	4,423	–	–	–
	20,456	14,198	21,358	–	–	–

Note:

The balances as at 31 December 2012, 2013 and 2014 include contractual commitments for the acquisition of fixed assets of HK$6,902 million, HK$9,925 million and HK$16,799 million respectively.

34. OPERATING LEASE COMMITMENTS

A As lessee

	The Group			The Company		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:						
– Within one year	3,664	4,540	6,273	13	4	–
– In the second to fifth year inclusive	10,434	15,154	29,051	4	–	–
– After five years	19,929	29,484	21,115	–	–	–
	34,027	49,178	56,439	17	4	–

Operating lease payment represents rental payable by the Group for certain of its retail outlets and properties. Leases are negotiated for lease terms principally ranging from 1 to 20 years. The operating lease rentals of certain retail outlets are based on the higher of a minimum guaranteed rental or a sales level based rental of the relevant rental outlets. The minimum guaranteed rental has been used to arrive at the above commitments.

B As lessor

	The Group			The Company		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:						
– Within one year	1,072	1,325	1,660	1	1	1
– In the second to fifth year inclusive	1,589	2,355	3,105	–	–	–
– After five years	403	642	703	–	–	–
	3,064	4,322	5,468	1	1	1

These properties and retail outlets have committed tenants for lease terms principally ranging from 1 to 20 years.

35. CONTINGENT LIABILITIES

	The Group			The Company		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
At the balance sheet date, there were contingent liabilities in respect of guarantees for banks loans provided to subsidiaries	–	–	–	12,619	12,953	17,121

36. FORMATION OF JOINT VENTURE WITH TESCO PLC

During the year ended 31 December 2014, a subsidiary of the Group principally engaged in multi-category retailing business issued 20% of its total share capital on a fully diluted basis to a subsidiary of Tesco PLC ("Tesco") for a total consideration of cash amounting to HK$4.3 billion and injection of the retail business and real estate properties business operated by Tesco in the PRC ("Injected Business"). This transaction constitutes a partial disposal of the Group's multi-category retailing business ("Partial Disposal") and upon completion of the formation of joint venture in May 2014 (the "Formation of Joint Venture"), the Group owns 80% interest in the joint venture.

Pursuant to the investment agreement, the non-controlling interest shall have the right to subscribe for additional shares in the joint venture, so that the total interest in the joint venture held by the non-controlling interest will increase by 5% (on a fully diluted basis) upon the earlier of the listing of the joint venture or the fifth anniversary of completion. The non-controlling interests shall have the right to cause the Group to purchase all the 20% equity interest at fair market value if certain events were to occur.

The total consideration of HK$10.4 billion was arrived at after arm's length negotiation between the Group and Tesco, after taking into account the estimated relative business values of the multi-category retailing business operated by the Group and the Injected Business operated by Tesco. Goodwill arising from the Formation of Joint Venture amounting to HK$2.9 billion was attributable to the synergies expected to be arising from the combination of the Group's multi-category retailing business and the Injected Business.

Upon the completion of the Partial Disposal, non-controlling interests amounting to HK$5.0 billion was recognised. The difference between the non-controlling interests recognised and the fair value of the total consideration received, and after considering the release of exchange reserve and the deduction of transaction costs incurred, amounting to HK$5.5 billion was recognised directly in equity.

Pursuant to the investment agreement, the Group acquired the remaining 50% equity interest in several real estate property joint ventures at a cash consideration of HK$1.7 billion in December 2014 (the "Subsequent Acquisition"). Accordingly, those real estate property joint ventures are now accounted for as subsidiaries of the Group.

Identifiable assets and liabilities recognised at the date of Formation of Joint Venture and the Subsequent Acquisition are as follows:

	HK$ million
Fixed assets	15,317
Interest in joint ventures	1,429
Other assets	6,229
Cash and bank balances, including cash consideration received	5,291
Cash consideration receivable	1,000
Borrowings	(7,177)
Trade payable	(3,469)
Receipt in advance	(1,925)
Other liabilities	(7,499)
Net assets value acquired	9,196

The turnover contributed by the Injected Business to the consolidated profit and loss account since 28 May 2014 was HK$10,981 million. The Injected Business also contributed a loss of HK$906 million to the Group's loss attributable to shareholders of the Company over the same period.

37. MATERIAL RELATED PARTY TRANSACTIONS

A Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions.

	2012	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*
Purchase of goods from			
Fellow subsidiaries	25	885	1,100
Associates	102	88	112
Receipt of services from			
A holding company	1	–	–
Fellow subsidiaries	122	42	79
Associates	22	20	20
Sales of goods to			
A holding company	7	15	1
Fellow subsidiaries	16	14	13
Rendering of services to			
Fellow subsidiaries	3	3	13
Associates	9	9	9
Operating lease payment to			
A holding company	14	–	–
Fellow subsidiaries	66	96	110
Associates	2	2	–
Interest received from			
A holding company	21	91	98
Fellow subsidiaries	17	47	25
Interest paid to			
A holding company	–	–	4
A fellow subsidiary	–	–	2
Transaction under godown management agreement and facilities management agreement			
Receipt of service fee from			
A holding company	89	87	98
Fellow subsidiaries	93	77	86
Payment of monthly fee to			
A holding company	9	9	9
Fellow subsidiaries	25	27	27

Cash and bank balances or pledged bank deposits included deposits of HK$2,558 million, HK$1,668 million and HK$252 million made by the Group to China Resources Bank of Zhuhai Co., Ltd as at 31 December 2012, 2013 and 2014 respectively.

The above transactions also constitute continuing connected transactions under the Listing Rules and with respect to which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

B Transactions/balances with other state-controlled entities in Chinese Mainland

The Group itself is a part of a larger group of companies under CRNC which is controlled by the PRC government. Apart from the transactions with CRNC group and the associates of the Group, it also conducts businesses with entities directly or indirectly owned or controlled by the PRC government in the ordinary course of business. The directors are of the opinion that those entities other than the CRNC group do not have the power to govern or participate in the financial and operating policies of the Group. The transactions including sales and purchases of goods and services and bank deposits and corresponding interest income, with these entities are conducted in the ordinary course of the Group's business. The Group believes that it has provided, at the best of its knowledge, adequate and appropriate disclosure of related party transactions as summarised above.

C Compensation of key management personnel

Remuneration paid for key management personnel other than directors or the five highest paid employees are as follows:

	2012	**2013**	**2014**
	HK$ million	*HK$ million*	*HK$ million*
Basis salaries and allowances	–	–	3.75
Provided fund contribution	–	–	0.23
Bonus	–	–	1.22
	–	–	5.20

38. SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

Save as the significant events disclosed elsewhere to the financial statements, there is no other significant event took place subsequent to 31 December 2014.

39. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	Subsidiaries/ joint ventures/ associates	Issued ordinary share capital/ registered capital	Percentage of capital attributable to the Group 2012	2013	2014	held by the Company 2012	2013	2014	held by subsidiaries 2012	2013	2014	Principal activities
(1)	**Retail**											
	Incorporated in Hong Kong											
	Chinese Arts & Crafts (H.K.) Limited	5,000,000 ordinary shares	100.0	100.0	100.0	–	–	–	100.0	100.0	100.0	Retail business
	China Resources Vanguard (Hong Kong) Company Limited	90,000,001 ordinary shares	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Supermarket operations, investment holding and wholesale of merchandise
	CRE Properties (Hong Kong) Limited	2 ordinary shares	100.0	100.0	100.0	–	–	–	100.0	100.0	100.0	Investment holding and property management
	CRE Property (Nan Fung Centre) Limited	2 ordinary shares	100.0	100.0	100.0	–	–	–	100.0	100.0	100.0	Property investment
	CRE Property (Argyle Centre) Limited	2 ordinary shares	100.0	100.0	100.0	–	–	–	100.0	100.0	100.0	Property investment
	CRE Property (Silvercord) Limited	2 ordinary shares	100.0	100.0	100.0	–	–	–	100.0	100.0	100.0	Property investment
	CRE Property (Star House) Limited	2 ordinary shares	100.0	100.0	100.0	–	–	–	100.0	100.0	100.0	Property investment
	CRE Property (Hennessy) Limited	2 ordinary shares	100.0	100.0	100.0	–	–	–	100.0	100.0	100.0	Property investment
	Incorporated in British Virgin Islands											
	Gain Land Limited	7 ordinary shares of US$1 each	100.0	100.0	80.0	–	–	–	100.0	100.0	80.0	Investment holding
	Incorporated in Chinese Mainland											
	深圳華潤萬佳超級市場有限公司	HKD226,200,000	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Supermarket operations
**	江西洪客隆百貨投資有限公司	RMB90,000,000	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Supermarket operations
	華潤超級市場有限公司	RMB40,000,000	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Supermarket operations
	江蘇華潤萬家超市有限公司	RMB197,360,400	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Supermarket operations
	Suguo Supermarket Co., Ltd.	RMB782,820,000	85.0	85.0	68.0	–	–	–	85.0	85.0	85.0	Supermarket operations
	江蘇惠鄰商貿有限公司	RMB6,000,000	85.0	85.0	68.0	–	–	–	85.0	85.0	85.0	Supermarket operations and investment holding

	Subsidiaries/ joint ventures/ associates	Issued ordinary share capital/ registered capital	Percentage of capital attributable to the Group			Percentage of capital held by the Company			Percentage of capital held by subsidiaries			Principal activities
			2012	2013	2014	2012	2013	2014	2012	2013	2014	
	江蘇蘇盛商貿有限公司	RMB10,000,000	85.0	55.3	44.2	–	–	–	85.0	55.3	65.0	Supermarket operations and investment holding
**	天津華潤萬家生活超市有限公司	RMB120,000,000	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Supermarket operations
**	陝西華潤萬家生活超市有限公司	RMB60,000,000	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Supermarket operations
	陝西華潤萬家生活超市配送有限公司	RMB10,000,000	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Delivery services
	西安愛家超市有限公司	RMB5,000,000	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Supermarket operations and investment holding
**	China Resources Vanguard Co., Ltd.	RMB3,376,600,000	100.0	100.0	80.0	65.0	–	–	35.0	100.0	100.0	Supermarket operations
	China Resources Cikelong (Zhejiang) Supermarket Co., Ltd.	RMB124,000,000	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Supermarket operations
	China Resources Vanguard (Guangzhou) Superstore Co., Ltd.	RMB50,000,000	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Supermarket operations
	China Resources Vanguard (Zhuhai) Superstore Co., Ltd.	RMB30,000,000	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Supermarket operations
	China Resources Vanguard (Zhejiang) Superstore Co., Ltd.	RMB128,000,000	100.0	100.0	80.0	–	–	–	100.0	100.0	100.0	Supermarket operations
	上海樂購物流有限公司	RMB5,000,000	–	–	80.0	–	–	–	–	–	100.0	Delivery services
	上海康仁樂購超市貿易有限公司	RMB10,000,000	–	–	80.0	–	–	–	–	–	100.0	Supermarket operations
	上海七寶樂購購物中心有限公司	RMB10,000,000	–	–	80.0	–	–	–	–	–	100.0	Supermarket operations
	特易購樂購(中國)投資有限公司	RMB205,655,600	–	–	80.0	–	–	–	–	–	100.0	Investment holding
	鞍山特易購房地產開發有限公司	US$220,000,000	–	–	80.0	–	–	–	–	–	100.0	Investment holding and property management
*	南京鐘山特易購地產有限公司	US$150,000,000	–	–	40.0	–	–	–	–	–	50.0	Property development

	Subsidiaries/ joint ventures/ associates	Issued ordinary share capital/ registered capital	Percentage of capital attributable to the Group 2012	2013	2014	held by the Company 2012	2013	2014	held by subsidiaries 2012	2013	2014	Principal activities
(2)	**Beer**											
	Incorporated in Hong Kong											
	CRE Beverage Trading Limited	2 ordinary shares	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Financing
	Incorporated in British Virgin Islands											
	China Resources Snow Breweries Limited	42,800,400 ordinary shares of US$1 each	51.0	51.0	51.0	51.0	51.0	51.0	–	–	–	Investment holding
	Incorporated in Chinese Mainland											
**	China Resources Snow Breweries (Sichuan) Co., Ltd.	RMB124,143,853	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	華潤雪花啤酒(德陽)有限責任公司	RMB245,792,501	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	China Resources Snow Breweries (Suining) Co., Ltd.	RMB94,000,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	China Resources Snowflake Brewery (Jilin) Co., Ltd.	US$31,200,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
	華潤雪花啤酒(鞍山)有限公司	RMB141,000,000	45.9	45.9	45.9	–	–	–	90.0	90.0	90.0	Manufacturing and distribution of beer products
**	華潤雪花啤酒(中國)有限公司	US$12,982,255	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Distribution of beer products
**	華潤雪花啤酒(大連)有限公司	US$32,797,869	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	華潤雪花啤酒(阜陽)有限公司	RMB45,000,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	華潤雪花啤酒(天門)有限公司	RMB69,440,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	China Resources Snow Breweries (Heilongjiang) Co., Ltd.	US$25,800,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	China Resources Snow Breweries (Jiangsu) Co., Limited	US$114,000,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products

	Subsidiaries/ joint ventures/ associates	Issued ordinary share capital/ registered capital	Percentage of capital attributable to the Group 2012	2013	2014	held by the Company 2012	2013	2014	held by subsidiaries 2012	2013	2014	Principal activities
**	華潤雪花啤酒(杭州)有限公司	RMB161,000,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	華潤雪花啤酒(嘉興)有限公司	US$20,103,388	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	China Resources Snow Breweries (Xingan) Co., Ltd.	US$14,000,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	華潤雪花啤酒(河北)有限公司	US$36,500,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	華潤雪花啤酒(呼倫貝爾)有限公司	RMB21,000,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
	華潤雪花啤酒(丹東)有限公司	RMB34,000,000	45.9	45.9	45.9	–	–	–	90.0	90.0	90.0	Manufacturing and distribution of beer products
**	華潤雪花啤酒(貴州)有限公司	RMB77,680,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	華潤雪花啤酒(海拉爾)有限公司	RMB110,000,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	華潤雪花啤酒(台州)有限公司	US$24,000,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	China Resources Snow Breweries (Datong) Co., Ltd.	RMB150,000,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
**	華潤雪花啤酒(黔南)有限公司	RMB65,000,000	51.0	51.0	51.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beer products
(3)	**Food Incorporated in Hong Kong**											
	China Resources Ng Fung Limited	1,046,258,000 ordinary shares	100.0	100.0	100.0	–	–	–	100.0	100.0	100.0	Abattoir operation and investment holding
	Ng Fung Hong Limited	1 ordinary share	100.0	100.0	100.0	–	–	–	100.0	100.0	100.0	Distribution of livestock and acting as a food agent and investment holding

	Subsidiaries/ joint ventures/ associates	Issued ordinary share capital/ registered capital	Percentage of capital attributable to the Group 2012	2013	2014	held by the Company 2012	2013	2014	held by subsidiaries 2012	2013	2014	Principal activities
	Incorporated in Chinese Mainland											
	華潤五豐肉類食品(深圳)有限公司 (前稱:五豐食品(深圳)有限公司)	RMB543,000,000	70.0	70.0	70.0	–	–	–	70.0	70.0	70.0	Distribution of livestock abattoir operation, livestock raising, trading of fresh meats and property investment
	Sichuan Ng Fung Li Hong Food Co., Ltd	RMB60,000,000	55.0	55.0	55.0	–	–	–	55.0	55.0	55.0	Trading of foodstuffs
	華潤五豐(中國)投資有限公司	RMB700,000,000	100.0	100.0	100.0	–	–	–	100.0	100.0	100.0	Investment in food and food relating industry and providing consulting services
	華潤五豐米業(中國)有限公司 (前稱:華潤五豐營銷(深圳)有限公司)	RMB500,000,000	100.0	100.0	100.0	–	–	–	100.0	100.0	100.0	Consultation on international food technologies and food market
△	四川四海食品股份有限公司	RMB100,705,210	24.8	24.8	24.8	–	–	–	24.8	24.8	24.8	Food processing and distribution of meat
(4)	**Beverage** **Incorporated in Chinese Mainland**											
**	華潤怡寶飲料(中國)有限公司	RMB50,000,000	60.0	60.0	60.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of beverage
**	China Resources Food & Beverage (Chengdu) Co., Ltd.	US$700,000	60.0	60.0	60.0	–	–	–	100.0	100.0	100.0	Manufacturing and distribution of purified water
(5)	**Investments and Others** **Incorporated in Hong Kong**											
	CRE Finance (Hong Kong) Limited	2 ordinary shares	100.0	100.0	100.0	100.0	100.0	100.0	–	–	–	Financing
	Incorporated in Cayman Islands											
	Purple Finance Limited	3 ordinary shares of US$1 each	100.0	100.0	100.0	100.0	100.0	100.0	–	–	–	Financing

Notes:

1. The Directors are of the opinion that a complete list of the particulars of all subsidiaries, joint ventures and associates will be of excessive length and therefore the above list contains only the particulars of the subsidiaries, joint ventures and associates which materially affect the results or assets of the Group.

2. Unless otherwise stated, the principal country of operation of each company is the same as its place of incorporation.

3. For companies incorporated in the Chinese Mainland, the English name is as shown in the Certificate of Approval of each company.

△ Associates
* Joint Venture
** Wholly Foreign Owned Enterprise

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2014 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company in respect of any period subsequent to 31 December 2014.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Set out below are the unaudited condensed consolidated balance sheet of China Resources Enterprise, Limited (the "Company") and its subsidiaries (together, the "Group") as of 31 March 2015, and the unaudited condensed consolidated profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement for the three months ended 31 March 2015 and explanatory notes (the "Unaudited Condensed Consolidated Interim Financial Information"). The Unaudited Condensed Consolidated Interim Financial Information has been presented on the basis set out in note 1 and prepared in accordance with the accounting policies adopted by the Company and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules. The Unaudited Condensed Consolidated Interim Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the proposed disposal (the "Disposal") of certain subsidiaries, assets and shareholders loans relating to the non-beer businesses (collectively the "Disposal Assets"), the voluntary cash pre-conditional partial offer by CRH (Enterprise) Limited, a wholly-owned subsidiary of China Resources (Holdings) Company Limited to acquire up to 484,273,072 shares in the capital of the Company (the "Partial Offer"), the proposed capital reduction (the "Proposed Capital Reduction") and the proposed special dividend of HK$12.30 per Share to its shareholders (the "Proposed Special Dividend") by the Company (the Disposal, the Partial Offer, the Proposed Capital Reduction and the Proposed Special Dividend collectively referred to as the "Transaction").

PricewaterhouseCoopers, the Company's reporting accountant, was engaged to review the Unaudited Condensed Consolidated Interim Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion. The auditor has issued an unmodified review report.

A. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE GROUP AS AT AND FOR THE THREE MONTHS ENDED 31 MARCH 2015

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months ended 31 March 2015

		For the three months ended 31 March	
		2015	**2014**
		(Unaudited)	(Unaudited)
	Notes	*HK$ million*	*HK$ million*
Turnover	2	48,616	41,812
Cost of sales		(36,738)	(31,821)
Gross profit		11,878	9,991
Other income	3	481	484
Selling and distribution expenses		(9,373)	(7,717)
General and administrative expenses		(1,728)	(1,638)
Finance costs	4	(170)	(166)
Share of net results of associates and joint ventures		1	3
Profit before taxation		1,089	957
Taxation	5	(544)	(510)
Profit for the period	6	545	447
Attributable to:			
Shareholders of the Company		363	356
Non-controlling interests		182	91
		545	447
Earnings per share	8		
Basic		HK$0.15	HK$0.15
Diluted		HK$0.15	HK$0.15

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2015

	For the three months ended 31 March	
	2015	**2014**
	(Unaudited)	(Unaudited)
	HK$ million	*HK$ million*
Profit for the period	545	447
Other comprehensive income/(expenses):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(236)	(441)
Fair value adjustment on available for sale investments	1	5
Reclassification adjustments:		
– release of valuation reserve upon disposal of available for sale investments	(6)	–
Other comprehensive expenses for the period, net of tax	(241)	(436)
Total comprehensive income for the period	304	11
Attributable to:		
Shareholders of the Company	205	67
Non-controlling interests	99	(56)
	304	11

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

At 31 March 2015

	Notes	At 31 March 2015 (Unaudited) HK$ million	At 31 December 2014 (Audited) HK$ million
Non-current assets			
Fixed assets			
– Investment properties	9	21,088	21,105
– Interests in leasehold land held for own use under operating leases	9	10,550	10,653
– Other property, plant and equipment	9	56,843	56,302
Goodwill		22,781	22,854
Other intangible assets		496	510
Interests in associates		369	368
Interests in joint ventures		1,009	1,014
Available for sale investments		20	33
Prepayments		991	1,015
Deferred taxation assets		2,265	2,274
		116,412	116,128
Current assets			
Stocks		26,429	27,690
Trade and other receivables	10	15,703	16,555
Taxation recoverable		113	157
Pledged bank deposits		227	187
Cash and bank balances		19,945	20,647
		62,417	65,236

	Notes	At 31 March 2015 (Unaudited) *HK$ million*	At 31 December 2014 (Audited) *HK$ million*
Current liabilities			
Trade and other payables	*11*	(77,641)	(76,260)
Short term loans		(8,670)	(9,025)
Taxation payable		(1,194)	(1,069)
		(87,505)	(86,354)
Net current liabilities		(25,088)	(21,118)
Total assets less current liabilities		91,324	95,010
Non-current liabilities			
Long term loans		(18,558)	(19,872)
Deferred taxation liabilities		(2,056)	(2,245)
Other non-current liabilities		(2,515)	(3,270)
		(23,129)	(25,387)
		68,195	69,623
Capital and reserves			
Share capital	*12*	15,740	15,740
Reserves		33,225	33,007
Equity attributable to shareholders of the Company		48,965	48,747
Non-controlling interests		19,230	20,876
Total equity		68,195	69,623

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the three months ended 31 March 2015

	For the three months ended 31 March	
	2015	**2014**
	(Unaudited)	(Unaudited)
	HK$ million	*HK$ million*
Net cash from operating activities	3,697	1,277
Cash flows from investing activities		
Acquisition of subsidiaries/business (net of cash and cash equivalents acquired)	2	–
Purchase of fixed assets and deposits paid for purchase of fixed assets	(1,923)	(2,039)
Repayment of loan from a holding company	1,034	–
Other investing cash inflows, net	114	248
Net cash used in investing activities	(773)	(1,791)
Cash flows from financing activities		
Proceeds from bank and other borrowings	2,493	1,280
Repayment of bank and other borrowings	(4,155)	(671)
Purchase of additional interests in subsidiaries	(1)	(9)
Dividend paid to non-controlling shareholders of subsidiaries	(1,815)	(9)
Purchase or sale of share under restricted incentive award scheme	13	(5)
Other financing cash outflows, net	(142)	(92)
Net cash (used in)/from financing activities	(3,607)	494
Net decrease in cash and cash equivalents	(683)	(20)
Effect of foreign exchange rate changes	(19)	(7)
Cash and cash equivalents at 1 January	20,647	21,200
Cash and cash equivalents at 31 March	19,945	21,173
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	19,945	21,173

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015

	Equity attributable to shareholders of the Company								
	Share capital *HK$ million*	**Valuation reserve** *HK$ million*	**Employee share-based compensation reserve** *HK$ million*	**Exchange reserve** *HK$ million*	**Shares held for restricted incentive award scheme** *HK$ million*	**Retained profits** *HK$ million*	**Total** *HK$ million*	**Non-controlling interests** *HK$ million*	**Total equity** *HK$ million*
At 1 January 2015	15,740	1,864	172	4,083	(393)	27,281	48,747	20,876	69,623
Exchange differences on translating foreign operations	–	–	–	(153)	–	–	(153)	(83)	(236)
Fair value adjustment on available for sale investments	–	1	–	–	–	–	1	–	1
Release of valuation reserve upon disposal of available for sale investments	–	(6)	–	–	–	–	(6)	–	(6)
Profit for the period	–	–	–	–	–	363	363	182	545
Total comprehensive income for the period	–	(5)	–	(153)	–	363	205	99	304
Acquisition of subsidiaries or purchase of additional interest in subsidiaries	–	–	–	–	–	–	–	70	70
Purchase or sale of shares under restricted incentive award scheme	–	–	–	–	13	–	13	–	13
Dividends	–	–	–	–	–	–	–	(1,815)	(1,815)
	–	(5)	–	(153)	13	363	218	(1,646)	(1,428)
At 31 March 2015	15,740	1,859	172	3,930	(380)	27,644	48,965	19,230	68,195

For the three months ended 31 March 2014

	Equity attributable to shareholders of the Company									
	Share capital *HK$ million*	**Share premium** *HK$ million*	**Valuation reserve** *HK$ million*	**Employee share-based compensation reserve** *HK$ million*	**Exchange reserve** *HK$ million*	**Shares held for restricted incentive award scheme** *HK$ million*	**Retained profits** *HK$ million*	**Total** *HK$ million*	**Non-controlling interests** *HK$ million*	**Total equity** *HK$ million*
At 1 January 2014	2,403	12,992	1,848	172	4,564	(451)	22,545	44,073	15,538	59,611
Exchange differences on translating foreign operations	–	–	–	–	(294)	–	–	(294)	(147)	(441)
Fair value adjustment on available for sale investments	–	–	5	–	–	–	–	5	–	5
Profit for the period	–	–	–	–	–	–	356	356	91	447
Total comprehensive income for the period	–	–	5	–	(294)	–	356	67	(56)	11
Shares issued at premium	1	2	–	–	–	–	–	3	–	3
Acquisition of subsidiaries or purchase of additional interest in subsidiaries	–	–	–	–	–	–	1	1	(10)	(9)
Purchase or sale of shares under restricted incentive award scheme	–	–	–	–	–	(5)	–	(5)	–	(5)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	12,994	(12,994)	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	–	–	(9)	(9)
	12,995	(12,992)	5	–	(294)	(5)	357	66	(75)	(9)
At 31 March 2014	15,398	–	1,853	172	4,270	(456)	22,902	44,139	15,463	59,602

Note: In 2011, the Group disposed of its 40% interest in beverage business for a net cash consideration of approximately HK$3.2 billion. Pursuant to the shareholders agreement, the non-controlling interest shall have the right to cause the Group to purchase all the 40% equity interest at fair market value upon the eighth anniversary or the thirteenth anniversary of the date of the agreement.

1. General

A. Basis of preparation

The unaudited condensed consolidated interim financial information for the three months ended 31 March 2015 (the "unaudited condensed consolidated interim financial information") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and the accounting policies of the Group.

B. Principal accounting policies

The accounting policies used in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2014 except for the adoption of certain new and revised standards, amendments and interpretations (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2015.

The adoption of these new HKFRSs has had no material effects on the results and financial positions of the Group for the current and prior accounting periods.

The Group has not early applied the new standards, amendments and interpretation 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 determine whether these new and revised standards and amendments would have a material impact on its results of operations and financial position.

2. Turnover and Segment Information

(a) Operating segments

	Retail *HK$ million*	Beer *HK$ million*	Food *HK$ million*	Beverage *HK$ million*	Corporate *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
For the three months ended 31 March 2015							
Turnover							
External sales	34,035	8,461	3,735	2,385	–	–	48,616
Inter-segment sales*	25	48	361	15	–	(449)	–
Total	34,060	8,509	4,096	2,400	–	(449)	48,616
Segment result **	771	290	(2)	129	–		1,188
Unallocated corporate expenses							(57)
Interest income							128
Finance costs							(170)
Profit before taxation							1,089
Taxation							(544)
Profit for the period							545
Profit attributable to shareholders	338	51	(38)	66	(54)		363
Net valuation surplus on investment properties	3	–	–	–	–		3
Depreciation and amortisation	748	575	63	31	1		1,418

	Retail	Beer	Food	Beverage	Corporate	Elimination	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
For the three months ended 31 March 2014							
Turnover							
External sales	28,055	7,841	3,668	2,248	–	–	41,812
Inter-segment sales*	26	35	274	11	–	(346)	–
Total	28,081	7,876	3,942	2,259	–	(346)	41,812
Segment result **	795	172	12	22	–		1,001
Unallocated corporate expenses							(53)
Interest income							175
Finance costs							(166)
Profit before taxation							957
Taxation							(510)
Profit for the period							447
Profit attributable to shareholders	471	6	(50)	10	(81)		356
Net valuation surplus on investment properties	7	–	–	–	–		7
Depreciation and amortisation	487	500	58	34	–		1,079

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

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

(b) An analysis of the Group's assets by operating segments is set out

	Retail	**Beer**	**Food**	**Beverage**	**Total**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
As at 31 March 2015					
ASSETS					
Segment assets	102,085	49,439	16,405	3,735	171,664
Deferred taxation assets					2,265
Taxation recoverable					113
Unallocated corporate assets					4,787
Consolidated total assets					178,829
As at 31 December 2014					
ASSETS					
Segment assets	102,966	54,186	12,961	3,423	173,536
Deferred taxation assets					2,274
Taxation recoverable					157
Unallocated corporate assets					5,397
Consolidated total assets					181,364

(c) Financial Information of the Disposal Assets

On 4 May 2015, the Company and China Resources (Holdings) Company Limited ("CRH"), the holding company of the Company, entered into a sale and purchase agreement ("Sale and Purchase Agreement"), pursuant to which, subject to the conditions precedent set out therein, the Company agreed to sell and CRH agreed to purchase all of the non-beer businesses of the Company for a consideration of HK$28,000,000,000 payable in cash as to HK$13,582,036,690 with 3 business days from the date of completion of disposal (the "Completion") and the balance by way of a promissory note which has no callable feature and bear interest at the higher of (i) 0.94% per annum and (ii) the best 3-month bank deposit rate which the Company may obtain from banks. Interest is payable for period from the Completion to the date when the principal amount, together with the accrued interest, of the promissory note is to be fully paid.

The Company is required under the Sale and Purchase Agreement to undertake to declare and pay a special dividend of HK$11.50 per share in the aggregate amount of approximately HK$27,846 million (the "Special Dividend") as soon as practicable after Completion, subject to Directors' fiduciary duties. As there will be insufficient distributable reserves to support the proposed distribution of the Special Dividend, the Company is required under the Sale and Purchase Agreement as a pre-completion undertaking to use its commercially reasonable endeavours to implement the Capital Reduction as soon as practicable so that the capital of the Company will be reduced by a minimum of HK$10,000,000,000, which will be credited to the distributable reserves of the Company. If the Capital Reduction cannot be effected by Completion date, the Company is required under the Sale and Purchase Agreement to undertake to complete the Capital Reduction as soon as practicable after Completion. Upon the Capital Reduction becoming effective, the Special Dividend can then be made from the increased distributable reserves of the Company.

On 15 June 2015, the Company and CRH entered into a supplementary agreement to increase the total consideration for the Disposal from HK$28,000,000,000 to HK$30,000,000,000 which is payable in cash as to HK$14,579,047,938 and the balance by way of the promissory note. The payment terms for the cash consideration and the promissory note are consistent with those in the Sale and Purchase Agreement. As a result of the increase in total consideration for the Disposal, the Special Dividend will be increased from HK$11.50 per share to HK$12.30 per share in the aggregate amount of approximately HK$29,783 million. In addition, for a period of three years from the date of Completion, upon the request of the Company and for the purposes of developing the Group's beer business, CRH will provide shareholder's loan(s) for a duration of not more than three years up to a maximum aggregate amount of HK$10,000,000,000 to the Company at an interest rate at which CRH is able to borrow Hong Kong dollars in an amount equal to the relevant loan from a bank or a financial institution for the relevant period.

The non-beer businesses (including but not limited to all the assets and rights relating to all the non-beer businesses held by the Company) (collectively the "Disposal Assets") to be disposed of comprising the following:

(i) the direct (or, where applicable, indirect) interest in the entire issued share capital of the following subsidiaries of the Company (the "Target Companies");

 (1) Ondereel Ltd, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding of retail focused subsidiaries;

 (2) Best-Growth Resources Limited, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding of food focused subsidiaries;

 (3) Havensbrook Investments Limited, a company incorporated under the laws of BVI and a direct wholly-owned subsidiary of

the Company, which is principally engaged in investment holding of beverage focused subsidiaries;

(4) China Resources Enet Solutions Limited, a company incorporated under the laws of Cayman Islands and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding;

(5) CRE Finance (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company, which is principally engaged in the provision of financial services to group companies;

(6) CRE (Nominees) Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company, which is principally engaged in the provision of nominee services; and

(7) CRE Trading (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company, which is principally engaged in investment holding.

(ii) (a) all the rights under all contracts relating to the non-beer businesses entered into by the Company or its subsidiaries (other than Target Companies and their subsidiaries (collectively the "Disposal Group")); (b) such assets and rights relating to the non-beer businesses held by the Company and Purple Finance Limited (which is a direct wholly-owned subsidiary of the Company) as agreed to be purchased under the Sale and Purchase Agreement (excluding fixed assets, prepayments, other receivables (other than receivables of management income in connection with a housing estate and certain parking space in CRE Centre in Lai Chi Kok, Kowloon and certain parking spaces in Riley House in Kwai Chung, New Territories (the "Parking Lots"), utility deposits, club memberships, tax recoverable of the Company at the date of completion of the disposal); and (c) the Parking Lots (together with any utility deposits and prepayments less expenses in association therewith);

(iii) the cash and cash equivalents held by the Company attributable to its non-beer businesses; and

(iv) the shareholders loans owed by the Disposal Group to the Company (the "Shareholders Loans").

At completion, CRH will assume all obligations and liabilities of the Company and its subsidiaries unrelated to the beer business of the Company (including but not limited to tax liabilities, tax related penalties and surcharges arising out of or in connection with the transactions contemplated under the Sale and Purchase Agreement). The Company will release all financial guarantees relating to the non-beer businesses on or prior to completion of the Disposal.

After the disposal of the Disposal Assets, the Group retains mainly the beer business (the "Remaining Group").

Pursuant to the Sale and Purchase Agreement, all costs and expenses directly incurred by the Company in connection with, amongst others, the implementation of the Sale and Purchase Agreement will be fully reimbursed by CRH.

(1) Basis of compilation of the aggregate financial information of the Disposal Assets

The financial statements of the Disposal Group have been prepared in accordance with the accounting policies of the Group as set out in note 2 of the Accountant's Report set out in Appendix II.

The aggregate financial information of the Disposal Assets represents the aggregation of the financial statements of the Disposal Group with the following adjustments:

(i) the elimination of intercompany balances (including Shareholders Loans) between the Disposal Group and the Remaining Group;

(ii) the inclusion of tax liabilities and any accrued tax related penalties and surcharges recognised by the Group (other than the Disposal Group) which are unrelated to the beer business;

(iii) the inclusion of assets, rights and liabilities in relation to the Disposal Assets that are held by the Company and Purple Finance Limited, including:

a. the Parking Lots (together with any utility deposits, prepayments and other payables in association therewith);

b. the cash and cash equivalents held by the Company attributable to the Disposal Assets and the related interest receivables;

c. the shares held for restricted incentive award scheme held by the Company attributable to the Disposal Assets and the amounts are calculated based on the number of restricted incentive awards attributable to the employees of the Disposal Group and the average cost per share;

(iv) the inclusion of income or expenses recognised by the Company in relation to the Disposal Assets, including:

a. the rental income and related expenses in relation to the Parking Lots;

b. the interest income in relation to the cash and cash equivalents held by the Company attributable to the Disposal Assets;

c. certain portion of the administrative and other overhead expenses recognised by the Company of HK$20 million and HK$20 million for the three months ended 31 March 2015 and 31 March 2014 respectively and the amounts are determined based on the proportion of the Group's total turnover contributed by the Disposal Assets and the Remaining Group.

(v) the inclusion of the cashflow impact of the above adjustments.

(2) Aggregate Profit and Loss Accounts of the Disposal Assets

The Aggregate Profit and Loss Accounts of the Disposal Assets for the three months ended 31 March 2015 and 2014 are as follows:

	For the three months ended 31 March	
	2015	**2014**
	HK$ million	*HK$ million*
Turnover	40,155	33,971
Cost of sales	(30,893)	(26,499)
Gross profit	9,262	7,472
Other income	359	301
Selling and distribution expenses	(7,783)	(6,077)
General and administrative expenses	(892)	(816)
Finance costs	(138)	(100)
Share of net results of associates and joint ventures	1	3
Profit before taxation	809	783
Taxation	(357)	(344)
Profit for the period	452	439
Attributable to:		
Shareholders of the Company	319	355
Non-controlling interests	133	84
	452	439

(3) *Aggregate Statements of Comprehensive Income of the Disposal Assets*

The Aggregate Statements of Comprehensive Income of the Disposal Assets for the three months ended 31 March 2015 and 2014 are as follows:

	For the three months ended 31 March	
	2015	**2014**
	HK$ million	*HK$ million*
Profit for the period	452	439
Other comprehensive income/(expenses):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(113)	(184)
Fair value adjustment on available for sale investments	1	6
Reclassification adjustments:		
– release of valuation reserve upon disposal of available for sale investments	(6)	–
Other comprehensive expenses for the period, net of tax	(118)	(178)
Total comprehensive income for the period	334	261
Attributable to:		
Shareholders of the Company	225	197
Non-controlling interests	109	64
	334	261

(4) Aggregate Balance Sheets of the Disposal Assets

The Aggregate Balance Sheets of the Disposal Assets as at 31 March 2015 and 31 December 2014 are as follows:

	At 31 March 2015 *HK$ million*	At 31 December 2014 *HK$ million*
Non-current assets		
Fixed assets		
– Investment properties	21,088	21,105
– Interests in leasehold land held for own use under operating leases	6,622	6,683
– Other property, plant and equipment	34,163	33,883
Goodwill	12,372	12,410
Other intangible assets	228	234
Interests in associates	369	368
Interests in joint ventures	1,009	1,014
Available for sale investments	6	19
Prepayments	771	721
Deferred taxation assets	594	595
	77,222	77,032
Current assets		
Stocks	17,229	18,078
Trade and other receivables	14,064	14,106
Taxation recoverable	21	13
Pledged bank deposits	20	4
Cash and bank balances	14,991	14,582
	46,325	46,783
Current liabilities		
Trade and other payables	(56,231)	(57,055)
Short term loans	(4,019)	(5,774)
Taxation payable	(859)	(668)
	(61,109)	(63,497)
Net current liabilities	(14,784)	(16,714)
Total assets less current liabilities	62,438	60,318

	At 31 March 2015 *HK$ million*	At 31 December 2014 *HK$ million*
Non-current liabilities		
Long term loans	(14,256)	(14,269)
Deferred taxation liabilities	(1,679)	(1,671)
Other non-current liabilities	(1,711)	(1,712)
	(17,646)	(17,652)
	44,792	42,666
Capital and reserves		
Share capital	–	–
Reserves	37,182	35,227
Equity attributable to shareholders of the Company	37,182	35,227
Non-controlling interests	7,610	7,439
Total equity	44,792	42,666

(5) Aggregate Cash Flow Statements of the Disposal Assets

The Aggregate Cash Flow Statements of the Disposal Assets for the three months ended 31 March 2015 and 2014 are as follows:

	For the three months ended 31 March	
	2015	**2014**
	HK$ million	*HK$ million*
Net cash from operating activities	1,616	1,249
Cash flows from investing activities		
Acquisition of subsidiaries/business (net of cash and cash equivalents acquired)	2	–
Purchase of fixed assets and deposits paid for purchase of fixed assets	(1,104)	(1,610)
Changes in amounts due from Remaining Group	2,171	(739)
Other investing cash inflows, net	123	324
Net cash from/(used in) investing activities	1,192	(2,025)
Cash flows from financing activities		
Proceeds from bank and other borrowings	2,393	1,280
Repayment of bank and other borrowings	(4,154)	(671)
Purchase of additional interests in subsidiaries	(1)	(9)
Dividends paid to non-controlling shareholders of subsidiaries	(9)	(8)
Changes in amounts due to Remaining Group	2,683	124
Decrease in advance from the Company	(3,151)	(2,028)
Other financing cash outflows, net	(108)	(17)
Net cash used in financing activities	(2,347)	(1,329)

	For the three months ended 31 March	
	2015	**2014**
	HK$ million	*HK$ million*
Net increase/(decrease) in cash and cash equivalents	461	(2,105)
Effect of foreign exchange rate changes	(52)	(63)
Cash and cash equivalents at 1 January	14,582	15,930
Cash and cash equivalents at 31 March	14,991	13,762
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	14,991	13,762

(6) *Aggregate Statements of Changes in Equity of the Disposal Assets*

The Aggregate Statements of Changes in Equity of the Disposal Assets for the three months ended 31 March 2015 are as follows:

For the three months ended 31 March 2015

	Equity attributable to shareholders of the Company	**Non-controlling interests**	**Total equity**
	HK$ million	*HK$ million*	*HK$ million*
At 1 January 2015	35,227	7,439	42,666
Total comprehensive income for the period	225	109	334
Contribution by the Company	1,730	–	1,730
Acquisition of subsidiaries	–	71	71
Dividends	–	(9)	(9)
	1,955	171	2,126
At 31 March 2015	37,182	7,610	44,792

For the three months ended 31 March 2014

	Equity attributable to shareholders of the Company	**Non-controlling interests**	**Total equity**
	HK$ million	*HK$ million*	*HK$ million*
At 1 January 2014	31,368	2,800	34,168
Total comprehensive income for the period	197	64	261
Distribution to the Company	(2,666)	–	(2,666)
Purchase additional interest in subsidiaries	1	(2)	(1)
Dividends	–	(8)	(8)
	(2,468)	54	(2,414)
At 31 March 2014	28,900	2,854	31,754

(7) *Material Related Party Transactions of the Disposal Assets with the Remaining Group*

(i) Transactions of the Disposal Assets with the Remaining Group for the three months ended 31 March 2015 and 2014 are disclosed as follow:

	For the three months ended 31 March	
	2015	**2014**
	HK$ million	*HK$ million*
Purchase of goods from fellow subsidiaries	48	35
Interest expenses paid to fellow subsidiaries	34	1

(ii) Balances of the Disposal Assets with the Remaining Group as at 31 March 2015 and 31 December 2014 are disclosed as follow:

	At 31 March 2015	**At 31 December 2014**
	HK$ million	*HK$ million*
Due from fellow subsidiaries	3,691	3,511
Due to fellow subsidiaries	7,674	5,488
Due from holding company	6,419	8,771
Shareholders Loans	13,418	12,926

(iii) Guarantee provided by the Remaining Group to the Disposal Assets as at 31 March 2015 and 31 December 2014 are disclosed as follow:

	At 31 March 2015	**At 31 December 2014**
	HK$ million	*HK$ million*
Guarantee received from the Company for banks and other loans granted to the Disposal Assets	14,889	17,121

Pursuant to the Sale and Purchase Agreement, the Company will release all financial guarantees relating to the non-beer businesses on or prior to the completion of the Disposal.

(iv) Arrangements between the Company and the non-controlling interests of the Disposal Assets

(a) In 2011, the subsidiary of the Company disposed of its 40% interest in beverage business for a net cash consideration of approximately HK$3.2 billion. Pursuant to the shareholders agreement, the non-controlling interest shall have the right to cause the Group to purchase all the 40% equity interest at fair market value upon the eighth anniversary or the thirteenth anniversary of the date of the agreement.

(b) During the year ended 31 December 2014, a subsidiary of the Company issued 20% of its total share capital to a subsidiary of Tesco PLC ("Tesco") for a total consideration of cash amounting to HK$4.3 billion and injection of the retail business and real estate properties business operated by Tesco in the PRC. A joint venture with Tesco (the "non-controlling interest") was formed and the Group owns 80% interest in the joint venture. Pursuant to the investment agreement, the non-controlling interest shall have the right to subscribe for additional shares in the joint venture, so that the total interest in the joint venture held by the non-controlling interest will increase by 5% (on a fully diluted basis) upon the earlier of the listing of the joint venture or the fifth anniversary of completion. The non-controlling interests shall have the right to cause the Group to purchase all the 20% equity interest at fair market value if certain events were to occur. The events include (a) a material breach of any of the key terms of this arrangement by the Company; (b) ceasing to maintain its listing on the Hong Kong Stock Exchange; (c) an insolvency event of the Company; or (d) a change of control of the Company to a competitor of Tesco.

3. Other Income

	For the three months ended 31 March	
	2015	**2014**
	HK$ million	*HK$ million*
Other income includes the following:		
Interest income	128	175
Government grants recognised	49	51

4. Finance Costs

	For the three months ended 31 March	
	2015	**2014**
	HK$ million	*HK$ million*
Interests on bank loans and other loans wholly repayable within five years	133	96
Financing charges (including exchange gain or loss)	40	71
	173	167
Less: Amount capitalised in cost of qualifying assets	(3)	(1)
	170	166

5. Taxation

	For the three months ended 31 March	
	2015	**2014**
	HK$ million	*HK$ million*
Current taxation		
Hong Kong	49	46
Chinese Mainland	488	407
	537	453
Deferred taxation		
Hong Kong	(1)	–
Chinese Mainland	8	57
	544	510

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the period.

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

6. Profit for the Period

	For the three months ended 31 March	
	2015	**2014**
	HK$ million	*HK$ million*
Profit for the period has been arrived at after charging:		
Staff costs	5,215	4,403
Depreciation		
– Owned assets	1,405	1,066
Amortisation of (included in selling and distribution expenses or general and administrative expenses)		
– Other intangible assets	13	13
– Stocks	79	78
Operating leases charges on land and buildings	1,683	1,288
Cost of goods sold	36,647	31,737
Loss on disposal of fixed assets	15	16

7. Dividends

	For the three months ended 31 March	
	2015	**2014**
	HK$ million	*HK$ million*
Final dividend declared and approved for 2014 of HK$0.16 (2014: HK$0.14 for 2013) per ordinary share *(Note a)*	387	337

(a) At the board meeting held on 20 March 2015, the directors proposed a final dividend of HK$0.16 per ordinary share for the year ended 31 December 2014 in cash form, with an option to receive new and fully paid shares of the Company in lieu of cash. Such proposal was subsequently approved by shareholders on 29 May 2015.

8. Earnings Per Share

	For the three months ended 31 March	
	2015	**2014**
	HK$ million	*HK$ million*
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings		
Profit attributable to shareholders of the Company for the purposes of calculating basic and diluted earnings per share	363	356

	2015	**2014**
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,421,365,364	2,403,652,364
Effect of dilutive potential ordinary shares:		
– Share options	–	1,211,433
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,421,365,364	2,404,863,797

9. Fixed Assets

			Other property, plant and equipment			
	Investment properties	Interests in leasehold land held for own use under operating leases	Buildings held for own use	Other fixed assets	Sub-total	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Net book values/ Fair values						
At 1 January 2015	21,105	10,653	22,902	33,400	56,302	88,060
Relating to acquisition of subsidiaries	–	–	76	125	201	201
Additions	1	9	151	1,786	1,937	1,947
Disposals	–	–	–	(42)	(42)	(42)
Depreciation	–	(71)	(229)	(1,105)	(1,334)	(1,405)
Adjustment on valuation	8	–	–	–	–	8
Exchange difference	(26)	(41)	(91)	(130)	(221)	(288)
Reclassifications	–	–	79	(79)	–	–
At 31 March 2015	21,088	10,550	22,888	33,955	56,843	88,481

The investment properties have been valued at 31 March 2015 by DTZ Debenham Tie Leung Limited, an independent professional valuer. The valuation is determined on an existing use basis. The valuers have relied on the income capitalization approach and cross-referenced to the direct comparison method.

Other fixed assets mainly comprise construction in progress, plant and machinery, leasehold improvements, vessels, cold storage facilities, furniture and equipment and motor vehicles.

	Construction in progress	Plant and machinery	Leasehold improvements	Others	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Net book values					
At 1 January 2015	6,793	16,551	6,955	3,101	33,400
Relating to acquisition of subsidiaries	–	119	–	6	125
Additions	1,085	160	304	237	1,786
Disposals	–	(15)	(6)	(21)	(42)
Depreciation	–	(514)	(326)	(265)	(1,105)
Exchange difference	(31)	(69)	(23)	(7)	(130)
Reclassifications	(1,192)	1,048	30	35	(79)
At 31 March 2015	6,655	17,280	6,934	3,086	33,955

10. Trade and Other Receivables

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

	At 31 March 2015	At 31 December 2014
	HK$ million	*HK$ million*
0–30 days	1,638	841
31–60 days	534	400
61–90 days	230	220
> 90 days	291	775
	2,693	2,236

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

(a) cash upon delivery; or

(b) open credit from 30 to 90 days.

11. Trade and Other Payables

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

	At 31 March 2015	**At 31 December 2014**
	HK$ million	*HK$ million*
0–30 days	15,429	16,557
31–60 days	5,565	4,227
61–90 days	2,408	1,671
> 90 days	4,400	4,438
	27,802	26,893

12. Share Capital

	At 31 March 2015		**At 31 December 2014**	
	Number of shares million	*HK$ million*	*Number of shares million*	*HK$ million*
Issued and fully paid				
At 1 January	2,421	15,740	2,403	2,403
Exercise of share options	–	–	2	14
Issue of scrip dividend shares	–	–	16	326
Transfer of share premium upon abolition of par value *(Note 1)*	–	–	–	12,997
	2,421	15,740	2,421	15,740

Note:

1. The Company's shares have no par value from the commencement date of Chapter 622 of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

13. Capital Commitments

	At 31 March 2015 *HK$ million*	At 31 December 2014 *HK$ million*
Capital commitments outstanding at the balance sheet date are as follows:		
Contracted but not provided for *(Note)*	16,092	16,935
Authorised but not contracted for	2,928	4,423
	19,020	21,358

Note:

Including contractual commitments for the acquisition of fixed assets of HK$16,092 million (2014: HK$16,799 million).

14. Material Related Party Transactions

(a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The Group entered into the following other material related party transactions during the period.

	For the three months ended 31 March	
	2015 *HK$ million*	**2014** *HK$ million*
Purchase of goods from		
Fellow subsidiaries	259	113
Associates	10	28
Receipt of services from		
Fellow subsidiaries	4	7
Associates	5	7
Sales of goods to		
A holding company	–	1
Fellow subsidiaries	4	11
Rendering of services to		
Fellow subsidiaries	2	2
Associates	2	2

	For the three months ended 31 March 2015	For the three months ended 31 March 2014
	HK$ million	*HK$ million*
Operating lease payments to		
Fellow subsidiaries	99	31
Interest received from		
A holding company	–	46
Fellow subsidiaries	2	8
Transactions under godown management agreement and facilities management agreement		
Receipt of service fees from		
A holding company	25	21
Fellow subsidiaries	29	18
Payment of monthly fee to		
A holding company	2	2
Fellow subsidiaries	7	7

(b) The Group had the following material related party balances:

	At 31 March 2015	At 31 December 2014
	HK$ million	*HK$ million*
Amounts due from:		
A holding company	3	1,038
Fellow subsidiaries	261	261
Associates	25	23
Joint ventures	32	32
Amounts due to:		
Fellow subsidiaries	15	16
Associates	1	3

(c) Transactions/balances with other state-controlled entities in Chinese Mainland.

The Group itself is a part of a larger group of companies under China Resources National Corporation ("CRNC") which is controlled by the People's Republic of China ("PRC") government. Apart from the transactions with CRNC group and the associates of the Group, the group also conducts businesses with entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government in the ordinary course of business. The directors are of the opinion that those entities other than the CRNC group do not have the power to govern or participate in the financial and operating policies of the Group. The transactions including sales and purchases of goods and services, with these entities are conducted in the ordinary course of the Group's business. The Group believes that it has provided, at the best of its knowledge, adequate and appropriate disclosure of related party transactions as summarised above.

B. UNAUDITED FINANCIAL INFORMATION OF THE GROUP AND THE DISPOSAL GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2015

Set out below is certain unaudited financial information of the Group and the Disposal Assets for the three months ended 31 March 2015 (the "Unaudited Financial Information") which is extracted from page III-2 and III-17 of this Circular.

The Unaudited Financial Information is published during the offer period commenced on 20 April 2015 in connection with the voluntary cash pre-conditional partial offer by CRH (Enterprise) Limited, a wholly-owned subsidiary of China Resources (Holdings) Company Limited ("CRH"), to acquire up to 484,273,072 shares in the capital of the Company (the "Partial Offer") and under the Rule 10 of the Code on Takeovers and Mergers. Accordingly, it is regarded as profit estimate and the Company's auditor or the Company's financial advisor are required to report on the Unaudited Financial Information under Rule 10 of the Code on Takeovers and Mergers.

UNAUDITED FINANCIAL INFORMATION OF THE GROUP

	For the three months ended 31 March 2015 *HK$ million*
Profit attributable to shareholders of the Company	363

UNAUDITED FINANCIAL INFORMATION OF THE DISPOSAL ASSETS

	For the three months ended 31 March 2015 *HK$ million*
Net profit before taxation	809
Net profit after taxation	452
Profit attributable to shareholders of the Company	319

C. REPORT ON UNAUDITED FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT ASSURANCE REPORT
TO THE BOARD OF DIRECTORS OF CHINA RESOURCES ENTERPRISE, LIMITED

We have performed our work on the principal accounting policies adopted and the calculations used in the preparation of certain unaudited condensed consolidated interim financial information of China Resources Enterprise, Limited (the "Company") and its subsidiaries (together the "Group") and certain subsidiaries, assets and shareholders loans relating to the non-beer businesses (collectively the "Disposal Assets") for the three months ended 31 March 2015 (the "Unaudited Financial Information of the Group and the Disposal Assets for 2015 First Quarter") (the Unaudited Financial Information of the Company and the Disposal Assets for 2015 First Quarter are collectively referred to as the "Unaudited Interim Financial Information") as set out on page III-35 of the Company's Circular. The Unaudited Financial Information is published during the Offer Period commenced on 20 April 2015 in connection with the voluntary cash pre-conditional partial offer by CRH (Enterprise) Limited, a wholly-owned subsidiary of China Resources (Holdings) Company Limited ("CRH"), to acquire up to 484,273,072 Shares in the capital of the Company. We understand it is required to be reported on under Rule 10 of the Code on Takeovers and Mergers.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND OURSELVES

The directors of the Company are solely responsible for preparing the Unaudited Financial Information on a basis consistent with the accounting policies adopted by the Group, as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2014 and the new accounting standards introduced that are effective for the three months ended 31 March 2015, where applicable. This responsibility includes designing, implementing and maintaining internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Financial Information that is free from material misstatement.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

It is our responsibility to report, as required by Rule 10 of the Code on Takeovers and Mergers, on whether, so far as the accounting policies and calculations are concerned, the Unaudited Financial Information has been properly compiled on a basis consistent, in all material respects, with the accounting policies adopted by the Group, as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2014 and the new accounting standards introduced that are effective for the three months ended 31 March 2015, where applicable, based on our reasonable assurance engagement, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF CONCLUSION

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our work consisted primarily of procedures such as a) obtaining an understanding of the principal accounting policies adopted in the preparation of the Unaudited Financial Information through inquires primarily of persons responsible for financial and accounting matters, b) obtaining an understanding of the internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Financial Information, c) comparing the principal accounting policies as set out in the Unaudited Financial Information with those set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2014 and the new accounting standards introduced that are effective for the three months ended 31 March 2015, where applicable, d) checking solely the arithmetical calculations relating to the financial numbers presented in the Unaudited Financial Information, and such other procedures that we considered necessary in the circumstances in accordance with HKSAE 3000. Our work would not enable us to, and we do not, provide any assurance on the design or operational effectiveness of internal control relating to preparation of the Unaudited Financial Information.

Our reasonable assurance engagement does not constitute an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or review opinion on the Unaudited Financial Information.

Conclusion

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the Unaudited Financial Information has been properly compiled on a basis consistent, in all material respects, with the accounting policies adopted by the Group, as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2014.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 9 July 2015

D. PROFIT FORECAST REPORT

The following is the text of a report on unaudited condensed consolidated interim financial information of the Group and the Disposal Assets as at and for the three months ended 31 March 2015 received from the Company's Financial Advisor, UBS, for the purpose of incorporation in this circular.

UBS

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

www.ubs.com

9 July 2015

China Resources Enterprise, Limited
39th Floor
China Resources Building
26 Harbour Road
Wan Chai, Hong Kong

For the attention of the Board of Directors

China Resources Enterprise, Limited (the "Company", and together with its subsidiaries, the "Group")

Very substantial disposal and connected transaction in relation to disposal of all non-beer businesses (the "Proposed Transaction") — Profit estimates of the Group and assets to be disposed of under the Proposed Transaction (the "Disposal Assets") for the three months ended 31 March 2015 (the "2015 First Quarter") as contained in the Company's circular dated 9 July 2015 (the "Circular")

We refer to the unaudited condensed consolidated interim financial information of the Group and the Disposal Assets for the 2015 First Quarter prepared by the Company as set out in Appendix III of the Circular, in relation to the Proposed Transaction. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

This letter is issued in compliance with the requirements under Rule 10.4 of the Code on Takeovers and Mergers (the "**Takeovers Code**") and Paragraph 29(2) of Appendix 1 Part B of the Listing Rules.

We have reviewed the Profit Estimates contained in the Circular and understand that the Profit Estimates have been prepared based on (i) the unaudited consolidated management accounts of the Group, and (ii) the unaudited management accounts of the Disposal Assets for the 2015 First Quarter, respectively. We have discussed with you such bases upon which the Profit Estimates have been prepared, and considered the letter dated 9 July 2015 addressed to the Directors from PricewaterhouseCoopers, the reporting accountants of the Company, regarding the accounting policies and calculations upon which the Profit Estimates have been made.

On the basis of the foregoing and on the basis that the Directors are satisfied that there are no further matters that should be brought to our attention, in our view, the Profit Estimates, for which you as the Directors are solely responsible, have been made by the Directors with due care and consideration.

The review carried out by us as described above are primarily based on the information and materials supplied to us by or on behalf of the Company, and the opinions expressed by, and the representations of, the employees and/or the senior management of the Company. We have relied upon the accuracy and completeness of all of such information and materials that were made available to us or were discussed with or reviewed by us and have assumed such accuracy and completeness for the purpose of providing this opinion.

This letter is supplied on the understanding that it is for the sole use of the Company. It must not be made available to any other party or filed with or referred to (either in whole or in part) in any other document or otherwise quoted, circulated or used for any other purpose without our prior written consent, except that we understand a copy of this letter will be lodged with the Stock Exchange and the Executive of the SFC, and a copy of this letter will be attached to the Circular. For the avoidance of doubt, all duties and liabilities (including without limitation those arising from negligence) to third parties, including the Stock Exchange, are specifically disclaimed, except those of our responsibilities under the Takeovers Code that cannot be disclaimed.

Yours faithfully
UBS AG Hong Kong Branch

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

The following is the unaudited pro forma financial information of the Remaining Group prepared for illustrative purposes (the "Unaudited Pro Forma Financial Information"), comprising the unaudited pro forma consolidated balance sheet, the unaudited pro forma consolidated profit and loss account, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated cash flow statement of the Remaining Group, which has been prepared to illustrate the effect of the disposal of certain subsidiaries, assets and shareholders' loans relating to the non-beer businesses of the Group (the "Disposal Assets") (collectively referred to as the "Disposal") as if it had taken place on 31 December 2014 for the unaudited pro forma consolidated balance sheet and on 1 January 2014 for the unaudited pro forma consolidated profit and loss account, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated cash flow statement.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results of operations and cash flows of the Remaining Group had the Disposal been completed on 31 December 2014 or 1 January 2014 where applicable, or at any future dates.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2014, the audited consolidated profit and loss account, the audited consolidated statement of comprehensive income and the audited consolidated cash flow statement of the Group for the year ended 31 December 2014 as extracted from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2014 as set out in Appendix II to this circular, after giving effect to the pro forma adjustments described in the notes and is prepared in accordance with Rule 4.29 of the Listing Rules.

Unaudited pro forma consolidated balance sheet of the Remaining Group as at 31 December 2014

	Audited consolidated balance sheet of the Group as at 31 December 2014	Pro-forma adjustments			Unaudited pro forma consolidated balance sheet of the Remaining Group as at 31 December 2014
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current assets					
Fixed assets	88,060	(61,671)	–	–	26,389
Goodwill	22,854	(12,410)	–	–	10,444
Other intangible assets	510	(234)	–	–	276
Interests in associates	368	(368)	–	–	–
Interests in joint ventures	1,014	(1,014)	–	–	–
Available for sale investments	33	(19)	–	–	14
Prepayments	1,015	(721)	–	–	294
Deferred taxation assets	2,274	(595)	–	–	1,679
	116,128	(77,032)	–	–	39,096
Current assets					
Stocks	27,690	(18,078)	–	–	9,612
Trade and other receivables	16,555	(14,106)	15,421	221	18,091
Taxation recoverable	157	(13)	–	–	144
Pledged bank deposits	187	(4)	–	–	183
Cash and bank balances	20,647	(14,582)	14,579	–	20,644
	65,236	(46,783)	30,000	221	48,674
Current liabilities					
Trade and other payables	(76,260)	57,055	–	–	(19,205)
Short term loans	(9,025)	5,774	–	–	(3,251)
Taxation payable	(1,069)	668	–	–	(401)
	(86,354)	63,497	–	–	(22,857)
Net current (liabilities)/assets	(21,118)	16,714	30,000	221	25,817
Total assets less current liabilities	95,010	(60,318)	30,000	221	64,913

	Audited consolidated balance sheet of the Group as at 31 December 2014	Pro-forma adjustments			Unaudited pro forma consolidated balance sheet of the Remaining Group as at 31 December 2014
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current liabilities					
Long term loans	(19,872)	14,269	–	–	(5,603)
Deferred taxation liabilities	(2,245)	1,671	–	–	(574)
Other non-current liabilities	(3,270)	1,712	–	–	(1,558)
	(25,387)	17,652	–	–	(7,735)
Net assets	69,623	(42,666)	30,000	221	57,178
Capital and reserves					
Share capital	15,740	–	–	–	15,740
Reserves	33,007	(35,227)	30,000	221	28,001
Equity attributable to shareholders of the Company	48,747	(35,227)	30,000	221	43,741
Non-controlling interests	20,876	(7,439)	–	–	13,437
Total equity	69,623	(42,666)	30,000	221	57,178

Unaudited pro forma consolidated profit and loss account of the Remaining Group for the year ended 31 December 2014

	Audited consolidated profit and loss account of the Group for the year ended 31 December 2014	Pro-forma adjustments			Unaudited pro forma consolidated profit and loss account of the Remaining Group for the year ended 31 December 2014
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	Note 8	*Note 9*	*Note 10*	*Note 11*	
Turnover	168,864	(134,488)	–	106	34,482
Cost of sales	(126,419)	103,995	–	(106)	(22,530)
Gross profit	42,445	(30,493)	–	–	11,952
Other income	3,469	(2,508)	–	6	967
Selling and distribution expenses	(34,904)	27,973	–	–	(6,931)
General and administrative expenses	(8,579)	5,064	–	–	(3,515)
Finance costs	(526)	344	–	(6)	(188)
Share of net results of associates	14	(14)	–	–	–
Share of net results of joint ventures	(78)	78	–	–	–
Gain on disposal of Disposal Assets	–	–	1,332	–	1,332
Profit before taxation	1,841	444	1,332	–	3,617
Taxation	(1,550)	747	–	–	(803)
Profit for the year	291	1,191	1,332	–	2,814
Attributable to:					
Shareholders of the Company	(161)	891	1,332	–	2,062
Non-controlling interests	452	300	–	–	752
	291	1,191	1,332	–	2,814
	HK$				*HK$*
(Losses)/earnings per share *(Note 17)*	(0.07)				0.86

Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2014

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2014	Pro-forma adjustments			Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2014
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	Note 8	*Note 9*	*Note 10*	*Note 11*	
Profit for the year	291	1,191	1,332	–	2,814
Other comprehensive income/(expenses):					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(110)	21	–	–	(89)
Fair value adjustment on available for sale investments	144	(140)	–	–	4
Reclassification adjustments:					
– Release of valuation reserve upon disposal of available for sale investments	(163)	163	(28)	–	(28)
– Release of exchange differences upon disposal of subsidiaries/associates	(6)	6	(2,672)	–	(2,672)
Income tax relating to fair value adjustment on available for sale investments	(1)	1	–	–	–
	(136)	51	(2,700)	–	(2,785)

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2014	Pro-forma adjustments			Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2014
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	Note 8	*Note 9*	*Note 10*	*Note 11*	
Items that will not be reclassified to profit or loss:					
Surplus on revaluation of properties	69	(69)	–	–	–
Income tax relating to surplus on revaluation of properties	(22)	22	–	–	–
	47	(47)	–	–	–
Other comprehensive expenses for the year, net of tax	(89)	4	(2,700)	–	(2,785)
Total comprehensive income for the year	202	1,195	(1,368)	–	29
Attributable to:					
Shareholders of the Company	(253)	942	(1,368)	–	(679)
Non-controlling interests	455	253	–	–	708
	202	1,195	(1,368)	–	29

Unaudited pro forma consolidated cash flow statement of the Remaining Group for the year ended 31 December 2014

	Audited consolidated cash flow statement of the Group for the year ended 31 December 2014	Pro-forma adjustments		Unaudited pro forma consolidated cash flow statement of the Remaining Group for the year ended 31 December 2014
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
	Note 12	*Note 13*	*Note 14*	
Cash flows from operating activities				
Cash generated from operations	6,389	(1,909)	–	4,480
Hong Kong Profits Tax paid	(178)	178	–	–
Chinese Mainland income tax paid	(2,024)	963	–	(1,061)
Hong Kong Profits Tax refunded	6	(2)	–	4
Chinese Mainland income tax refunded	71	(71)	–	–
Net cash from operating activities	4,264	(841)	–	3,423
Cash flows from investing activities				
Proceeds from disposal of fixed assets	366	(205)	–	161
Proceeds from disposal of available for sale investments	238	(238)	–	–
Proceeds from formation of joint venture/disposal of partial interest in subsidiaries	3,547	(3,547)	–	–
Disposal of subsidiaries/business (net of cash and cash equivalents disposed of)	5	(5)	14,579	14,579
Dividends received from associates	29	(29)	–	–
Dividends received from unlisted available for sale investments	7	(7)	–	–
Interest received	714	(417)	–	297
Receipt of government grants	515	(515)	–	–
Repayment of loan to a holding company	1,640	(504)	–	1,136
Loan to a fellow subsidiary	(253)	253	–	–
Deposits paid for purchase of fixed assets	(730)	436	–	(294)
Purchase of fixed assets	(8,002)	5,856	–	(2,146)
Purchase of other intangible assets	(1)	1	–	–
Acquisition of subsidiaries/business (net of cash and cash equivalents acquired)	(340)	–	–	(340)
Settlement of consideration payable for acquisition of subsidiaries in prior year	(672)	47	–	(625)
Changes in amounts due from Remaining Group	–	1,809	–	1,809
Changes in pledged bank deposits	149	(111)	–	38
Net cash (used in)/from investing activities	(2,788)	2,824	14,579	14,615

	Audited consolidated cash flow statement of the Group for the year ended 31 December 2014	Pro-forma adjustments		Unaudited pro forma consolidated cash flow statement of the Remaining Group for the year ended 31 December 2014
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
	Note 12	*Note 13*	*Note 14*	
Cash flows from financing activities				
Dividends paid	(276)	–	–	(276)
Dividends paid to non-controlling shareholders of subsidiaries	(100)	93	–	(7)
Interest paid	(441)	293	–	(148)
Net proceeds from issue of ordinary shares	18	–	–	18
Proceeds from bank and other borrowings	12,695	(11,695)	–	1,000
Repayment of bank and other borrowings	(13,679)	12,128	–	(1,551)
Purchase of additional interests in subsidiaries	(9)	9	–	–
Purchase of shares under restricted incentive award scheme	(120)	–	–	(120)
Changes in amounts due to Remaining Group	–	(2,196)	–	(2,196)
Decrease in advance from the Company	–	661	–	661
Net cash used in financing activities	(1,912)	(707)	–	(2,619)
Net (decrease)/increase in cash and cash equivalents	(436)	1,276	14,579	15,419
Effect of foreign exchange rate changes	(117)	72	–	(45)
Cash and cash equivalents at 1 January	21,200	(15,930)	–	5,270
Cash and cash equivalents at 31 December	20,647	(14,582)	14,579	20,644
Analysis of the balance of cash and cash equivalents				
Cash and bank balance	20,647	(14,582)	14,579	20,644

Note 1 The amounts are extracted from the audited consolidated balance sheet of the Group as at 31 December 2014 as set out in Appendix II to this circular.

Note 2 The adjustment, which is extracted from the aggregate balance sheet of the Disposal Assets as at 31 December 2014 as set out in note 6B(d) of Appendix II to this circular, represents the exclusion of the assets and liabilities of the Disposal Assets, assuming the Disposal had been completed on 31 December 2014.

Note 3 The adjustment represents the total consideration of HK$30,000 million comprising cash consideration of HK$14,579 million and the Promissory Note for the principal amount of HK$15,421 million from the Purchaser as if the Disposal had been completed on 31 December 2014.

The Promissory Note is interest bearing at the higher of (i) 0.94% per annum and (ii) the best three-month bank deposit rate which The Company may obtain from banks. Interest is payable for the period from the date of completion to the date when the principal amount, together with the accrued interest, of the Promissory Note is to be fully paid to set off against the Special Dividend. To the extent that no Special Dividend is paid, CRH will be required under the Sale and Purchase Agreement to repay such outstanding amount under the Promissory Note (together with interest accrued on the principal amount of the Promissory Note up to repayment date) within five Business Days upon the Company's notification in writing to CRH that the Special Dividend is not capable of being paid. On the assumption that CRH pay the Promissory Note on the 5 Business Days upon received of the Company's notification, the interest receivable on the Promissory Note is approximately HK$36 million.

Note 4 The adjustment represents the elimination in relation to the assignment of shares held for restricted incentive award scheme attributable to the Disposal Assets as at 31 December 2014. The shares are held on trust by a professional trustee for selected employees of the beer and non-beer business segments pending vesting.

Note 5 In accordance with the Sales and Purchase Agreement, the Company has to reduce its capital and create an aggregate minimum of HK$10 billion of distributable reserves for the Proposed Special Dividend. No costs or expenses is anticipated in relation to the capital reduction. For the avoidance of doubt, the capital reduction has not been taken into account for the purpose of preparing the unaudited pro forma financial information as stated above.

Note 6 In accordance with the Sales and Purchase Agreement, the Company has to pay a Proposed Special Dividend upon the completion of the Disposal. Details of the Special Dividend are as below:

Proposed Special Dividend to ordinary shares

	No. of shares as at the Latest Practicable Date	**Dividend per share**	**Proposed Special Dividend**
	(Million)	*HK$*	*HK$ million*
The Purchaser	1,254	12.3	15,421
Independent shareholders	1,167	12.3	14,362
	2,421		29,783

The Special Dividend payable to the Purchaser will be set off with the Promissory Note receivable from the Purchaser (note 3). For the avoidance of doubt, the Proposed Special Dividend has not been taken into account for the purpose of preparing the unaudited pro forma financial information as stated above.

Note 7 Apart from Notes 3 to 4 above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014 for the purpose of preparation of the unaudited pro forma consolidated balance sheet of the Remaining Group.

Note 8 The amounts are extracted from the audited consolidated profit and loss account and the audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2014 as set out in Appendix II to this circular.

Note 9 The adjustment, which is extracted from the aggregate profit and loss account and the aggregate statement of comprehensive income of the Disposal Assets for the year ended 31 December 2014 as set out in note 6B(b) and (c) of Appendix II to this circular respectively, represents the exclusion of the income and expenses of the Disposal Assets, assuming the Disposal had been taken place on 1 January 2014.

Note 10 The adjustment represents the estimated gain on disposal of HK$1,332 million assuming the Disposal had taken place on 1 January 2014 for the purpose of preparing the unaudited pro forma financial information of the Remaining Group.

Due to the formation of joint venture with Tesco completed in May 2014 (after 1 January 2014) as set out in note 36 of Appendix II, the directors of the Company consider that it is more appropriate to present the financial impact of the Disposal assuming it had taken place on 31 March 2015. Assuming the Disposal had taken place on 31 March 2015, the estimated loss on disposal would have been HK$5,030 million.

The estimated gain/(loss) is calculated as follow:

	Assuming Disposal was completed on 1 January 2014	**Assuming Disposal was completed on 31 March 2015**
	HK$ million	*HK$ million*
Consideration for Disposal	30,000	30,000
Less:		
Net asset values of the Disposal Assets attributable to the Shareholders	(31,368)	(37,182)
Release of reserves	2,700	2,152
Gain/(loss) on disposal	1,332	(5,030)

All costs and expenses (including taxation expenses) directly incurred for the Disposal and the Proposed Special Dividend have not been taken into accounts as all these costs and expenses will be fully reimbursed by CRH.

The financial effect of the Disposal and the actual amount of reduction of reserves from the Disposal are to be determined based on the consideration and the carrying amount of the Disposal Assets as at the completion date and are therefore subject to change upon completion of the Disposal.

In addition, CRH (Enterprise) Limited, a wholly-owned subsidiary of China Resources (Holdings) Company Limited ("CRH"), has proposed a pre-conditional voluntary cash partial offer to the qualifying shareholders to acquire up to 484,273,072 Shares (representing approximately 20 per cent of the issued share capital of the Company). No adjustment has been made in relation to this transaction as the transaction is related to shareholders level.

Note 11 The adjustment represents Intra-Group elimination, including sales and purchases transactions and interest income and expenses between the Disposal Assets and the Remaining Group.

Note 12 The amounts are extracted from the audited consolidated cash flow statement of the Group for the year ended 31 December 2014 as set out in Appendix II to this circular.

Note 13 The adjustment, which is extracted from the aggregate cash flow statement of the Disposal Assets for the year ended 31 December 2014 as set out in note 6B(e) of Appendix II to this circular, represents the exclusion of the cash flows of the Disposal Assets, assuming the Disposal had been taken place on 1 January 2014.

Note 14 The adjustment represents the net cash outflow arising from the Disposal assuming the Disposal had been completed on 1 January 2014.

	HK$ million
Total consideration	30,000
Less: Consideration settled by Promissory Note*	(15,421)
Cash consideration from Disposal	14,579

After taking into account the Proposed Special Dividend, the cash outflow would have been:

Proposed Special Dividend	(29,783)
Less: Special Dividend set off with Promissory Note*	15,421
Cash paid for the Proposed Special Dividend	(14,362)

* Pursuant to the Sale and Purchase Agreement, the Special Dividend payable to the Purchaser will be set off with the Promissory Note receivable from the Purchaser.

Note 15 Apart from Notes 10, 11 and 14 above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014 for the purpose of preparation of the unaudited pro forma consolidated profit and loss account of the Remaining Group, unaudited pro forma consolidated statement of comprehensive income of the Remaining Group and the unaudited pro forma consolidated cash flow statement of the Remaining Group.

Note 16 Except for Note 11, the above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated profit and loss account of the Remaining Group, the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group and the unaudited pro forma consolidated cash flow statement of the Remaining Group.

Note 17 The losses per share and the pro forma earnings per share are calculated based on the loss for the year attributable to the shareholders of the Company and the pro forma profit for the year attributable to the shareholders of the Company respectively and the weighted average number of 2,410 million ordinary shares in issue during the year ended 31 December 2014 which does not take in account of effect of the Proposed Capital Reduction and the Proposed Partial Offer.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE BOARD OF DIRECTORS OF CHINA RESOURCES ENTERPRISE, LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Resources Enterprise, Limited (the "Company") and its subsidiaries (collectively the "Group") excluding certain subsidiaries, assets and shareholders loans relating to the non-beer businesses (the "Disposal Assets") (collectively the "Remaining Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 31 December 2014, the unaudited pro forma consolidated profit and loss account for the year ended 31 December 2014, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2014, the unaudited pro forma consolidated cash flow statement for the year ended 31 December 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IVA-2 to IVA-11 of the Company's circular dated 9 July 2015, in connection with the proposed disposal of the Disposal Assets (the "Disposal") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IVA-2 to IVA-11.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Disposal on the Group's financial position as at 31 December 2014 and its financial performance and cash flows for the year ended 31 December 2014 as if the Disposal had taken place at 31 December 2014 and 1 January 2014 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 December 2014, on which an accountant's report has been published.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 31 December 2014 or 1 January 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 9 July 2015

A. UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION OF THE REMAINING GROUP AS AT AND FOR THE THREE MONTHS ENDED 31 MARCH 2015

The following is the unaudited pro forma condensed financial information of the Remaining Group for the three months ended 31 March 2015 prepared for illustrative purposes (the "Unaudited Pro Forma Condensed Financial Information for 2015 First Quarter"), comprising the unaudited pro forma condensed consolidated balance sheet, the unaudited pro forma condensed consolidated profit and loss account, the unaudited pro forma condensed consolidated statement of comprehensive income and the unaudited pro forma condensed consolidated cash flow statement of the Remaining Group, which has been prepared to illustrate the effect of the Disposal as if it had taken place on 31 March 2015 for the unaudited pro forma condensed consolidated balance sheet and on 1 January 2015 for the unaudited pro forma condensed consolidated profit and loss account, the unaudited pro forma condensed consolidated statement of comprehensive income and the unaudited pro forma condensed consolidated cash flow statement.

The Unaudited Pro Forma Condensed Financial Information for 2015 First Quarter has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results of operations and cash flows of the Remaining Group had the Disposal been completed on 31 March 2015 or 1 January 2015 where applicable, or at any future dates.

The Unaudited Pro Forma Condensed Financial Information for 2015 First Quarter is prepared based on the unaudited condensed consolidated balance sheet of the Group as at 31 March 2015, the unaudited condensed consolidated profit and loss account, the unaudited condensed consolidated statement of comprehensive income and the unaudited condensed consolidated cash flow statement of the Group for the three months ended 31 March 2015 as extracted from the unaudited condensed consolidated interim financial information of the Group as at and for the three months ended 31 March 2015 as set out in Section A of Appendix III to this circular, after giving effect to the pro forma adjustments described in the notes and is prepared in accordance with Rule 4.29 of the Listing Rules.

Unaudited pro forma condensed consolidated balance sheet of the Remaining Group as at 31 March 2015

	Unaudited condensed consolidated balance sheet of the Group as at 31 March 2015	Pro-forma adjustments			Unaudited pro forma condensed consolidated balance sheet of the Remaining Group as at 31 March 2015
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current assets					
Fixed assets	88,481	(61,873)	–	–	26,608
Goodwill	22,781	(12,372)	–	–	10,409
Other intangible assets	496	(228)	–	–	268
Interests in associates	369	(369)	–	–	–
Interests in joint ventures	1,009	(1,009)	–	–	–
Available for sale investments	20	(6)	–	–	14
Prepayments	991	(771)	–	–	220
Deferred taxation assets	2,265	(594)	–	–	1,671
	116,412	(77,222)	–	–	39,190
Current assets					
Stocks	26,429	(17,229)	–	–	9,200
Trade and other receivables	15,703	(14,064)	15,421	210	17,270
Taxation recoverable	113	(21)	–	–	92
Pledged bank deposits	227	(20)	–	–	207
Cash and bank balances	19,945	(14,991)	14,579	–	19,533
	62,417	(46,325)	30,000	210	46,302
Current liabilities					
Trade and other payables	(77,641)	56,231	–	–	(21,410)
Short term loans	(8,670)	4,019	–	–	(4,651)
Taxation payable	(1,194)	859	–	–	(335)
	(87,505)	61,109	–	–	(26,396)
Net current (liabilities)/assets	(25,088)	14,784	30,000	210	19,906
Total assets less current liabilities	91,324	(62,438)	30,000	210	59,096

	Unaudited condensed consolidated balance sheet of the Group as at 31 March 2015	Pro-forma adjustments			Unaudited pro forma condensed consolidated balance sheet of the Remaining Group as at 31 March 2015
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current liabilities					
Long term loans	(18,558)	14,256	–	–	(4,302)
Deferred taxation liabilities	(2,056)	1,679	–	–	(377)
Other non-current liabilities	(2,515)	1,711	–	–	(804)
	(23,129)	17,646	–	–	(5,483)
Net assets	68,195	(44,792)	30,000	210	53,613
Capital and reserves					
Share capital	15,740	–	–	–	15,740
Reserves	33,225	(37,182)	30,000	210	26,253
Equity attributable to shareholders of the Company	48,965	(37,182)	30,000	210	41,993
Non-controlling interests	19,230	(7,610)	–	–	11,620
Total equity	68,195	(44,792)	30,000	210	53,613

Unaudited pro forma condensed consolidated profit and loss account of the Remaining Group for the three months ended 31 March 2015

	Unaudited condensed consolidated profit and loss account of the Group for the three months ended 31 March 2015	Pro-forma adjustments			Unaudited pro forma condensed consolidated profit and loss account of the Remaining Group for the three months ended 31 March 2015
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	Note 8	*Note 9*	*Note 10*	*Note 11*	
Turnover	48,616	(40,155)	–	48	8,509
Cost of sales	(36,738)	30,893	–	(48)	(5,893)
Gross profit	11,878	(9,262)	–	–	2,616
Other income	481	(359)	–	34	156
Selling and distribution expenses	(9,373)	7,783	–	–	(1,590)
General and administrative expenses	(1,728)	892	–	–	(836)
Finance costs	(170)	138	–	(34)	(66)
Share of net results of associates and joint ventures	1	(1)	–	–	–
Loss on disposal of Disposal Assets	–	–	(2,980)	–	(2,980)
Profit/(loss) before taxation	1,089	(809)	(2,980)	–	(2,700)
Taxation	(544)	357	–	–	(187)
Profit/(loss) for the period	545	(452)	(2,980)	–	(2,887)
Attributable to:					
Shareholders of the Company	363	(319)	(2,980)	–	(2,936)
Non-controlling interests	182	(133)	–	–	49
	545	(452)	(2,980)	–	(2,887)
	HK$				*HK$*
Earnings/(losses) per share *(Note 17)*	0.15				(1.21)

Unaudited pro forma condensed consolidated statement of comprehensive income of Remaining Group for the three months ended 31 March 2015

	Unaudited condensed consolidated statement of comprehensive income of the Group for the three months ended 31 March 2015	Pro-forma adjustments			Unaudited pro forma condensed consolidated statement of comprehensive income of the Remaining Group for the three months ended 31 March 2015
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	Note 8	*Note 9*	*Note 10*	*Note 11*	
Profit/(loss) for the period	545	(452)	(2,980)	–	(2,887)
Other comprehensive income/(expenses):					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(236)	113	–	–	(123)
Fair value adjustment on available for sale investments	1	(1)	–	–	–
Reclassification adjustments:					
– release of valuation reserve upon disposal of available for sale investments	(6)	6	(12)	–	(12)
– release of exchange differences upon disposal of subsidiaries/associates	–	–	(2,235)	–	(2,235)
Other comprehensive (expenses)/income for the period, net of tax	(241)	118	(2,247)	–	(2,370)
Total comprehensive income/(expenses) for the period	304	(334)	(5,227)	–	(5,257)
Attributable to:					
Shareholders of the Company	205	(225)	(5,227)	–	(5,247)
Non-controlling interests	99	(109)	–	–	(10)
	304	(334)	(5,227)	–	(5,257)

Unaudited pro forma condensed consolidated cash flow statement of the Remaining Group for the three months ended 31 March 2015

	Unaudited condensed consolidated cash flow statement of the Group for the three months ended 31 March 2015	Pro-forma adjustments		Unaudited pro forma condensed consolidated cash flow statement of the Remaining Group for the three months ended 31 March 2015
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
	Note 12	*Note 13*	*Note 14*	
Net cash from operating activities	3,697	(1,616)	–	2,081
Cash flows from investing activities				
Acquisition of subsidiaries/business (net of cash and cash equivalents acquired)	2	(2)	–	–
Purchase of fixed assets and deposits paid for purchase of fixed assets	(1,923)	1,104	–	(819)
Repayment of loan from a holding company	1,034	–	–	1,034
Changes in amounts due from Remaining Group	–	(2,171)	–	(2,171)
Other investing cash inflows, net	114	(123)	14,579	14,570
Net cash (used in)/from investing activities	(773)	(1,192)	14,579	12,614
Cash flows from financing activities				
Proceeds from bank and other borrowings	2,493	(2,393)	–	100
Repayment of bank and other borrowings	(4,155)	4,154	–	(1)
Purchase of additional interests in subsidiaries	(1)	1	–	–
Dividend paid to non-controlling shareholders of subsidiaries	(1,815)	9	–	(1,806)
Purchase or sale of share under restricted incentive award scheme	13	–	–	13
Changes in amounts due to Remaining Group	–	(2,683)	–	(2,683)
Decrease in advance from the Company	–	3,151	–	3,151
Other financing cash outflows, net	(142)	108	–	(34)
Net cash (used in)/from financing activities	(3,607)	2,347	–	(1,260)
Net (decrease)/increase in cash and cash equivalents	(683)	(461)	14,579	13,435
Effect of foreign exchange rate changes	(19)	52	–	33
Cash and cash equivalents at 1 January	20,647	(14,582)	–	6,065
Cash and cash equivalents at 31 March	19,945	(14,991)	14,579	19,533
Analysis of the balances of cash and cash equivalents				
Cash and bank balances	19,945	(14,991)	14,579	19,533

Note 1 The amounts are extracted from the unaudited condensed consolidated balance sheet of the Group as at 31 March 2015 as set out in Section A of Appendix III to this circular.

Note 2 The adjustment, which is extracted from the aggregate balance sheet of the Disposal Assets as at 31 March 2015 as set out in note 2(c) of Section A of Appendix III to this circular, represents the exclusion of the assets and liabilities of the Disposal Assets, assuming the Disposal had been completed on 31 March 2015.

Note 3 The adjustment represents the total consideration of HK$30,000 million comprising cash consideration of HK$14,579 million and the Promissory Note for the principal amount of HK$15,421 million from the Purchaser as if the Disposal had been completed on 31 March 2015.

The Promissory Note is interest bearing at the higher of (i) 0.94% per annum and (ii) the best three-month bank deposit rate which The Company may obtain from banks. Interest is payable for the period from the date of completion to the date when the principal amount, together with the accrued interest, of the Promissory Note is to be fully paid to set off against the Special Dividend. To the extent that no Special Dividend is paid, CRH will be required under the Sale and Purchase Agreement to repay such outstanding amount under the Promissory Note (together with interest accrued on the principal amount of the Promissory Note up to repayment date) within five Business Days upon the Company's notification in writing to CRH that the Special Dividend is not capable of being paid. On the assumption that CRH pay the Promissory Note on the 5 Business Days upon received of the Company's notification, the interest receivable on the Promissory Note is approximately HK$36 million.

Note 4 The adjustment represents the elimination in relation to the assignment of shares held for restricted incentive award scheme attributable to the Disposal Assets as at 31 March 2015. The shares are held on trust by a professional trustee for selected employees of the beer and non-beer business segments pending vesting.

Note 5 In accordance with the Sales and Purchase Agreement, the Company has to reduce its capital and create an aggregate minimum of HK$10 billion of distributable reserves for the Proposed Special Dividend. No costs or expenses is anticipated in relation to the capital reduction. For the avoidance of doubt, the capital reduction has not been taken into account for the purpose of preparing the unaudited pro forma condensed financial information as stated above.

Note 6 In accordance with the Sales and Purchase Agreement, the Company has to pay a Proposed Special Dividend upon the completion of the Disposal. Details of the Special Dividend are as below:

Proposed Special Dividend to ordinary shares

	No. of shares as at the Latest Practicable Date	**Dividend per share**	**Proposed Special Dividend**
	(Million)	*HK$*	*HK$ million*
The Purchaser	1,254	12.3	15,421
Independent shareholders	1,167	12.3	14,362
	2,421		29,783

The Special Dividend payable to the Purchaser will be set off with the Promissory Note receivable from the Purchaser (note 3). For the avoidance of doubt, the Proposed Special Dividend has not been taken into account for the purpose of preparing the unaudited pro forma condensed financial information as stated above.

Note 7 Apart from Notes 3 to 4 above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015 for the purpose of preparation of the unaudited pro forma condensed consolidated balance sheet of the Remaining Group.

Note 8 The amounts are extracted from the unaudited condensed consolidated profit and loss account and the unaudited condensed consolidated statement of comprehensive income of the Group for the three months ended 31 March 2015 as set out in Section A of Appendix III to this circular.

Note 9 The adjustment, which is extracted from the aggregate profit and loss account and the aggregate statement of comprehensive income of the Disposal Assets for the three months ended 31 March 2015 as set out in note 2(c) of Section A of Appendix III to this circular, represents the exclusion of the income and expenses of the Disposal Assets, assuming the Disposal had been taken place on 1 January 2015.

Note 10 The adjustment represents the estimated loss on disposal of HK$2,980 million assuming the Disposal had taken place on 1 January 2015 for the purpose of preparing the unaudited pro forma condensed financial information of the Remaining Group.

The estimated loss is calculated as follow:

	HK$ million
Consideration for Disposal	30,000
Less:	
Net asset values of the Disposal Assets attributable to the Shareholders as at 1 January 2015	(35,227)
Release of reserves as at 1 January 2015	2,247
Loss on disposal	(2,980)

Assuming the Disposal had taken place on 31 March 2015, the estimated loss on disposal would have been HK$5,030 million. The estimated loss on disposal increased because the net assets value of the Disposal Assets as at 31 March 2015 had been increased to HK$37,182 million, which was mainly related to the divided distribution from China Resources Snow Breweries Limited in January 2015 of approximately HK$1,879 million.

The estimated loss is calculated as follow:

	HK$ million
Consideration for Disposal	30,000
Less:	
Net asset values of the Disposal Assets attributable to the Shareholders as at 31 March 2015	(37,182)
Release of reserves as at 31 March 2015	2,152
Loss on disposal	(5,030)

All costs and expenses (including taxation expenses) directly incurred for the Disposal and the Proposed Special Dividend have not been taken into accounts as all these costs and expenses will be fully reimbursed by CRH.

The financial effect of the Disposal and the actual amount of reduction of reserves from the Disposal are to be determined based on the consideration and the carrying amount of the Disposal Assets as at the completion date and are therefore subject to change upon completion of the Disposal.

In addition, CRH (Enterprise) Limited, a wholly-owned subsidiary of China Resources (Holdings) Company Limited ("CRH"), has proposed a pre-conditional voluntary cash partial offer to the qualifying shareholders to acquire up to 484,273,072 Shares (representing approximately 20 per cent of the issued share capital of the Company). No adjustment has been made in relation to this transaction as the transaction is related to shareholders level.

Note 11 The adjustment represents Intra-Group elimination, including sales transactions and dividend income between the Disposal Assets and the Remaining Group.

Note 12 The amounts are extracted from the unaudited condensed consolidated cash flow statement of the Group for the three months ended 31 March 2015 as set out in Section A of Appendix III to this circular.

Note 13 The adjustment, which is extracted from the aggregate cash flow statement of the Disposal Assets for the three months ended 31 March 2015 as set out in note 2(c) of Section A of Appendix III to this circular, represents the exclusion of the cash flows of the Disposal Assets, assuming the Disposal had been taken place on 1 January 2015.

Note 14 The adjustment represents the net cash outflow arising from the Disposal assuming the Disposal had been completed on 1 January 2015.

	HK$ million
Total consideration	30,000
Less: Consideration settled by Promissory Note*	(15,421)
Cash consideration from Disposal	14,579

After taking into account the Proposed Special Dividend, the cash outflow would have been:

Proposed Special Dividend	(29,783)
Less: Special Dividend set off with Promissory Note*	15,421
Cash paid for the Proposed Special Dividend	(14,362)

* Pursuant to the Sale and Purchase Agreement, the Special Dividend payable to the Purchaser will be set off with the Promissory Note receivable from the Purchaser.

Note 15 Apart from Notes 10, 11 and 14 above, no other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015 for the purpose of preparation of the unaudited pro forma condensed consolidated profit and loss account of the Remaining Group, the unaudited pro forma condensed consolidated statement of comprehensive income of the Remaining Group and the unaudited pro forma condensed consolidated cash flow statement of the Remaining Group.

Note 16 Except for Note 11, the above adjustments are not expected to have a continuing effect on the unaudited pro forma condensed consolidated profit and loss account of the Remaining Group, the unaudited pro forma condensed consolidated statement of comprehensive income of the Remaining Group and the unaudited pro forma condensed consolidated cash flow statement of the Remaining Group.

Note 17 The earnings per share and the pro forma losses per share are calculated based on the profit for the period attributable to the shareholders of the Company and the pro forma loss for the period attributable to the shareholders of the Company respectively and the weighted average number of 2,421 million ordinary shares in issue during the three months ended 31 March 2015 which does not take in account of effect of the Proposed Capital Reduction and the Proposed Partial Offer.

B. REPORT ON UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION OF THE REMAINING GROUP AS AT AND FOR THE THREE MONTHS ENDED 31 MARCH 2015

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION INCLUDED IN THIS CIRCULAR

TO THE BOARD OF DIRECTORS OF CHINA RESOURCES ENTERPRISE, LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma condensed financial information of China Resources Enterprise, Limited (the "Company") and its subsidiaries (collectively the "Group") excluding certain subsidiaries, assets and shareholders loans relating to the non-beer businesses (the "Disposal Assets") (collectively the "Remaining Group") by the directors for illustrative purposes only. The unaudited pro forma condensed financial information consists of the unaudited pro forma condensed consolidated balance sheet as at 31 March 2015, the unaudited pro forma condensed consolidated profit and loss account for the three months ended 31 March 2015, the unaudited pro forma condensed consolidated statement of comprehensive income for the three months ended 31 March 2015, the unaudited pro forma condensed consolidated cash flow statement for the three months ended 31 March 2015, and related notes (the "Unaudited Pro Forma Condensed Financial Information") as set out on pages IVB-2 to IVB-9 of the Company's circular dated 9 July 2015, in connection with the proposed disposal of the Disposal Assets (the "Disposal") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Condensed Financial Information are described on pages IVB-2 to IVB-9.

The Unaudited Pro Forma Condensed Financial Information has been compiled by the directors to illustrate the impact of the Disposal on the Group's financial position as at 31 March 2015 and its financial performance and cash flows for the three months ended 31 March 2015 as if the Disposal had taken place at 31 March 2015 and 1 January 2015 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's unaudited condensed consolidated interim financial information for the three months ended 31 March 2015, on which no audit report has been published.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION

The directors are responsible for compiling the Unaudited Pro Forma Condensed Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Condensed Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Condensed Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Condensed Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Condensed Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Condensed Financial Information.

The purpose of unaudited pro forma condensed financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 31 March 2015 or 1 January 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma condensed financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma condensed financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Condensed Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma condensed financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma condensed financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Condensed Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Condensed Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 9 July 2015

The following is the text of a report prepared for the purpose of incorporation in this circular received from DTZ, the independent property valuer in connection with its valuation as at 31 March 2015 of the fair value of certain real property interests in the Disposal Assets.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

9 July 2015

The Directors
China Resources Enterprise, Limited
39/F, China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with the instruction of China Resources Enterprise, Limited (the "Company") to value certain property interests as set out in this report which are to be disposed of by the Company for the purpose of compliance with the disclosure requirements under Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") pursuant to a sale and purchase agreement dated 4 May 2015 between the Company and China Resources (Holdings) Company Limited, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of these properties as at 31 March 2015 ("the Date of Valuation").

BASIS OF VALUATION

Our valuation of each property interests represents its market value which in accordance with the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2012 Edition Published by the Hong Kong Institute of Surveyors.

Our valuation of each property interests excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

METHOD OF VALUATION

The property interests have been valued on basis of capitalization of their net incomes which are provided to us by the Company. We have made reference to comparable market transactions for cross-checking purpose.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given to us by the Company and have accepted your advice on such matters as statutory notices, easements, tenure, identification of properties, particulars of occupancy, rental income and other details of lettings, floor plans, number of parking spaces and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximate. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

LAND TENURE

In valuing the property interests in Hong Kong, the Government leases of which expired before 30 June 1997, we have taken into account the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the Question of Hong Kong and the New Territories Leases (Extension) Ordinance that such leases have been extended without premium until 30 June 2047 and that a rent of 3% of the then rateable value is charged per annum for each property from the date of extension.

TITLE INVESTIGATION

We have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to verify any amendments to any documents. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

Our valuer, Amy Ho (MHKIS) inspected the exterior and wherever possible the interior of the properties in May 2015. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services.

We enclose herewith a summary of valuations and our valuation certificates for your attention.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong
MHKIS, RPS(GP)
Senior Director, Valuation & Advisory Services

Note: Mr K B Wong is a Registered Professional Surveyor (General Practice) who has over 30 years' experience in the valuation of properties Hong Kong.

SUMMARY OF VALUATIONS

Property		Market value in existing state as at 31 March 2015
Property interest held by the Company in Hong Kong for investment		
1.	Whole Car and Lorry Parking Areas on Ground, 1st and 2nd Floors, CRE Centre, 889 Cheung Sha Wan Road, Lai Chi Kok, Kowloon	HK$11,700,000
2.	Car Parking Spaces Nos. P1-P103 on Upper Ground Floor and Car Parking Spaces Nos. L1 to L7, L9 to L15, L17, L20 and L23 to L35 on Lower Ground Floor, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories	HK$54,400,000
Total:		HK$66,100,000

VALUATION CERTIFICATE

Property interest held by the Company in Hong Kong for investment

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2015
1.	Whole Car and Lorry Parking Areas on Ground, 1st and 2nd Floors, CRE Centre, 889 Cheung Sha Wan Road, Lai Chi Kok, Kowloon 45/1758th shares of and in New Kowloon Inland Lot No. 5540	The property comprises a total of 9 lorry parking spaces and 9 private car parking spaces on ground, 1st and 2nd floors of a 23-storey industrial building completed in 1995. The locality of the property is served by public transport services and characterized by industrial developments of various ages. The property is held from the Government under Conditions of Sale No. 10547 for a term of 99 years less the last 3 days from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	As at the Date of Valuation, the property was used for car/lorry parking spaces. The property was licensed either on monthly basis or hourly basis. The monthly licence fee receivable was approximately HK$110,000.	HK$11,700,000

Notes:

(1) The registered owner of the property is China Resources Enterprise, Limited.

(2) The property is zoned for “Other Specified Uses (Business 3)” under Cheung Sha Wan Outline Zoning Plan No. S/K5/35 dated 10 November 2014.

VALUATION CERTIFICATE

Property interest held by the Company in Hong Kong for investment

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2015
2.	Car Parking Spaces Nos. P1-P103 on Upper Ground Floor and Car Parking Spaces Nos. L1 to L7, L9 to L15, L17, L20 and L23 to L35 on Lower Ground Floor, Riley House, 88 Lei Muk Road, Kwai Chung, New Territories 22700/944862nd shares of and in Lot No. 937 in Demarcation District No. 450	The property comprises 103 private car parking spaces and 29 lorry parking spaces on the lower and upper ground floors of a 25-storey industrial building completed in 1992. The locality of the property is served by public transport services and characterized by industrial developments of various ages. The property is held from the Government under New Grant No. 4185 for a term of 99 years less the last 3 days from 1 July 1898 which has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	As at the Date of Valuation, the property was used for car/lorry parking spaces. The property was licensed either on monthly basis or hourly basis. The monthly licence fee receivable was approximately HK$355,000.	HK$54,400,000

Notes:

(1) The registered owner of the property is China Resources Enterprise, Limited.

(2) The property is zoned for “Other Specified Uses (Business)” under Kwai Chung Outline Zoning Plan No. S/KC/28 dated 13 June 2014.

The following are reproduction of the details of the Partial Offer and Revised Partial Offer as disclosed in the First Announcement, the Second Announcement and the Third Announcement:

A. FIRST ANNOUNCEMENT

"CRH and the Company jointly announce that BofAML and Morgan Stanley, on behalf of the Offeror, will, subject to the satisfaction of the Pre-Conditions, make a voluntary cash partial offer to acquire up to 242,136,536 Shares (representing approximately 10 per cent. of the Shares in issue as at the date of this announcement) from the Qualifying Shareholders on the following basis:

For each Share . . . . HK$12.70 in cash

The Partial Offer will be made in compliance with the Code, unless otherwise waived by the Executive.

1. Pre-Conditions to the Partial Offer

The making of the Partial Offer will be subject to the satisfaction of the Pre-Conditions, being:

(a) Completion having taken place;

(b) the Capital Reduction having been completed;

(c) the Special Dividend having been paid; and

(d) consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Code.

The Pre-Conditions may not be waived by the Offeror. If the Pre-Conditions are not satisfied on or before the Long Stop Date, the Partial Offer will not be made.

The Offeror will issue a further announcement as soon as practicable after the Pre-Conditions have been satisfied.

WARNING: The Pre-Conditions must be satisfied before the making of the Partial Offer. The making of the Partial Offer is therefore a possibility only. Accordingly, Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Company.

2. Partial Offer Closing Date

The Partial Offer, once made, shall be unconditional in all respects (for the avoidance of doubt, the Partial Offer, once made, is not conditional on the level of acceptances).

The Partial Offer will remain open until the Closing Date.

Pursuant to Rule 28.4 of the Code, CRH will not extend the Partial Offer beyond the Closing Date.

3. Offer Price

Shareholders should note that Shares to be acquired under the Partial Offer are subject to and after Completion and payment of the Special Dividend. Therefore for the purpose of making comparisons with the price of Shares as quoted on the Stock Exchange, it is appropriate to aggregate with the Offer Price the amount of the Special Dividend.

The Offer Price plus the Special Dividend (being in aggregate HK$24.20 per Share) represents *(Note 1)*:

(a) a premium of approximately 59.2 per cent. to the closing price of HK$15.20 per Share as quoted on the Stock Exchange on the Last Trading Date (2 April 2015, being one trading day immediately prior to the announcement of the trading halt by the Company) and a discount of 16.4 per cent. if not taking into account the payment of the Special Dividend;

(b) a premium of approximately 47.5 per cent. to the average closing price of HK$16.41 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Date and a discount of 22.6 per cent. if not taking into account the payment of the Special Dividend;

(c) a premium of approximately 52.0 per cent. to the average closing price of HK$15.92 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Date and a discount of 20.2 per cent. if not taking into account the payment of the Special Dividend;

(d) a premium of approximately 52.2 per cent. over the average closing price of HK$15.90 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date and a discount of 20.1 per cent. if not taking into account the payment of the Special Dividend;

(e) a premium of approximately 57.7 per cent. to the average closing price of HK$15.35 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Date and a discount of 17.3 per cent. if not taking into account the payment of the Special Dividend;

(f) a premium of approximately 60.4 per cent. to the average closing price of HK$15.09 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Date and a discount of 15.8 per cent. if not taking into account the payment of the Special Dividend; and

(g) a premium of approximately 59.5 per cent. to the average closing price of HK$15.17 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Date and a discount of 16.3 per cent. if not taking into account the payment of the Special Dividend.

4. Highest and lowest closing prices of the Shares

During the six-month period preceding the Last Trading Date, the highest closing price of Shares as quoted on the Stock Exchange was the closing price of HK$19.20 per Share on 7 October 2014 (HK$7.70 per Share after deduction of the Special Dividend), and the lowest closing price of Shares as quoted on the Stock Exchange was the closing price of HK$14.22 per Share on 16 March 2015 (HK$2.72 per Share after deduction of the Special Dividend).

5. Total consideration under the Partial Offer

As at the date of this announcement, there are 2,421,365,364 Shares in issue. The Partial Offer, based on the Offer Price of HK$12.70 per Share, is valued at approximately HK$3,075 million assuming valid acceptances of the Partial Offer are received in respect of 242,136,536 Shares.

As at the date of this announcement, the Company does not have in issue any outstanding options, warrants, derivatives or securities that carry a right to subscribe for or which are convertible into Shares.

6. Reasons for the Partial Offer

CRH intends, through the Offeror, to make the Partial Offer in conjunction with the Disposal, to reinforce its confidence, commitment and dedication to the Company. This confidence is evidenced by the fact that the Offer Price together with the payment of the Special Dividend is at a premium to the last trading price of the Shares.

At the same time, CRH recognises that the trading price of the Shares would likely undergo significant change should Completion take place. CRH also recognises that the Company would have undertaken a significant change in business direction and composition.

As such the Offer Price reflects CRH and the Offeror's view of the base value of the Company reflecting this change (being the beer business). In addition, the Partial Offer would offer an opportunity to those Shareholders who wish to realise part of their investment to do so at a premium to the share price (taking into account the Special Dividend) without having to incur certain brokerage fees, transaction levies and trading fees which are customarily payable when disposing of shares in the open market, whilst retaining the balance of their equity interest in the Company in order to participate in the future growth of the Company. Please refer to pages 12-14 of this announcement for a full comparison of the Offer Price.

7. Intention of the Offeror with regard to the Company

Beyond the effects of the Disposal, Capital Reduction and Special Dividend, CRH and the Offeror intend to continue the existing businesses of the Company and does not intend to introduce any major changes to the existing business strategies and operations of the Company. CRH and the Offeror also intend that the employment of the employees of the Group will be continued and there will be no material redeployment of financial resources not in the course of normal ordinary business.

CRH and the Offeror intend to maintain the listing status of the Company on the Stock Exchange upon the completion of the Partial Offer. As at the date of this announcement, the Company has a public float of approximately 48.13 per cent. of the entire issued share capital of the Company. Assuming full acceptances of the Partial Offer by all the Qualifying Shareholders, the Company will have a public float of approximately 38.13 per cent. of the entire issued share capital of the Company immediately following the completion of the Partial Offer and accordingly the number of Shares in public hands will continue to meet the public float requirement under Rule 8.08 of the Listing Rules.

8. Other terms of the Partial Offer

Qualifying Shareholders may accept the Partial Offer in respect of some or all of the Shares held by them. If (i) valid acceptances are received for 242,136,536 or fewer Shares, all Shares validly accepted will be taken up; and (ii) if valid acceptances are received for more than 242,136,536 Shares, the total number of Shares to be taken up by the Offeror from each Qualifying Shareholder will be determined in accordance with the following formula:

$$\frac{A \times C}{B}$$

Where:

A: 242,136,536 Shares (being the number of Shares for which the Partial Offer is made)

B: the total number of Shares tendered by all Qualifying Shareholders under the Partial Offer

C: the number of Shares tendered by the relevant individual Qualifying Shareholder under the Partial Offer

As a result, it is possible that if a Qualifying Shareholder tenders all his/her Shares for acceptance under the Partial Offer, not all of such Shares will be taken up. Qualifying Shareholders can, however, be assured that a minimum of approximately 20.73 per cent. of Shares tendered for acceptance under the Partial Offer will be taken up.

Fractions of Shares will not be taken up under the Partial Offer and, accordingly, the number of Shares that the Offeror will take up from each Qualifying Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror. The full terms and conditions of the Partial Offer will be set out in the Composite Document and the Form of Acceptance.

9. Effect of accepting the Partial Offer

By validly accepting the Partial Offer, Qualifying Shareholders will sell to the Offeror their tendered Shares which are finally taken up by the Offeror in accordance with the above formula free from all encumbrances and together with all rights and benefits at any time accruing and attaching thereto including all rights to any dividend or other distributions declared, made or paid on or after the Closing Date. The Offeror will not be entitled to any dividends or other distributions declared, made or paid before the Closing Date in respect of Shares which are taken up by the Offeror under the Partial Offer. Any such dividends or other distributions will be paid to the Shareholders who are qualified for such dividends or distributions.

For the avoidance of doubt, the acceptance by any Qualifying Shareholders of the Partial Offer will not affect their entitlement to the Special Dividend, which, if paid at all, will be paid before the Closing Date of the Partial Offer.

10. Confirmation of financial resources

Assuming full acceptance of the Partial Offer in respect of 242,136,536 Shares, the financial resources required by the Offeror to satisfy its obligations under the Partial Offer will amount to approximately HK$3,075 million. The funds required by the Offeror to satisfy the consideration of the Partial Offer will be financed from internal resources of CRH. Morgan Stanley and BofAML, financial advisors to CRH and the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Partial Offer in respect of 242,136,536 Shares.

11. Hong Kong Stamp Duty

Seller's ad valorem stamp duty at the rate of 0.1 per cent. of the value of the consideration arising on acceptance of the Partial Offer will be payable by the Qualifying Shareholders who accept the Partial Offer. The relevant amount of stamp duty payable by the Qualifying Shareholders will be deducted from the consideration payable to the Qualifying Shareholders under the Partial Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1 per cent. of the consideration payable in respect of acceptances of the Partial Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of Shares which are validly tendered for acceptance under the Partial Offer.

12. Overseas Shareholders

The making of the Partial Offer to Qualifying Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such Qualifying Shareholders may be prohibited or affected by the laws of the relevant jurisdictions and it is the responsibility of each such Qualifying Shareholder who wishes to accept the Partial Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Qualifying Shareholder in such relevant jurisdictions.

Any acceptance by any Qualifying Shareholder will be deemed to constitute a representation and warranty from such Qualifying Shareholder to the Offeror that all local laws and requirements have been complied with and that the Partial Offer can be accepted by such Qualifying Shareholder lawfully under the laws of the relevant jurisdiction. Qualifying Shareholders should consult their professional advisors if in doubt.

In the event that the despatch of the Composite Document to overseas Qualifying Shareholders is prohibited by any relevant law or may only be effected after compliance with conditions or requirements that are unduly burdensome, subject to the Executive's waivers, the Composite Document will not be despatched to such overseas Qualifying Shareholders. The Offeror will apply for such waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Code at such time.

13. Settlement of consideration

Settlement of the consideration under the Partial Offer will be made as soon as possible, but in any event within seven business days (as defined in the Code) of the Closing Date.

14. Odd lots

Qualifying Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of Shares. Accordingly, it is intended that a designated broker will be appointed by the Offeror to match sales and purchases of odd lot holdings of Shares in the market for a reasonable time period following the closing of the Partial Offer to enable such Qualifying Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots. Details of such arrangement will be disclosed in the Composite Document.

15. Interests in Shares and derivatives

As at the date of this announcement:

(a) the Offeror is interested in 1,247,971,700 Shares;

(b) Commotra Company Limited (which is wholly-owned subsidiary of CRH and a fellow subsidiary of the Offeror) is interested in 5,764,240 Shares. The directors of CRH and the directors of the Offeror together are interested in 2,220,000 Shares. The Offeror and its concert parties together held 1,255,955,940 Shares (and no other relevant securities (as defined in Note 4 to Rule 22 of the Code)) representing approximately 51.87 per cent. of the existing issued share capital of the Company;

(c) there is no existing holding of voting rights and rights over Shares in respect of which the Offeror and any person acting in concert with it has received an irrevocable commitment to accept the Partial Offer;

(d) there is no existing holding of voting rights and rights over Shares in respect of which the Offeror or any person acting in concert with it holds convertible securities, warrants or options;

(e) there is no outstanding derivative in respect of securities in the Company entered into by the Offeror or any person acting in concert with it;

(f) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to Shares and which might be material to the Partial Offer;

(g) there is no agreement or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke the Pre-Conditions; and

(h) there are no relevant securities (as defined in Note 4 to Rule 22 of the Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent.

The Offeror has not and no party acting in concert with it has acquired any relevant securities (as defined in Note 4 to Rule 22 of the Code) during the six months prior to the date of this announcement, being the commencement of the Offer Period.

BofAML and Morgan Stanley are presumed to be acting in concert with the Offeror in accordance with class 5 of the definition of "acting in concert" in the Code. Details of holdings or borrowings or lendings of, and dealings in, the Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Code) by other parts of the BofAML group or the Morgan Stanley group will be obtained as soon as possible after this announcement has been made in accordance with Note 1 to Rule 3.5 of the Code.

16. Effect of the Partial Offer on the shareholding structure of the Company

Set out below is the shareholding structure of the Company as at the date of this announcement and immediately upon closing of the Partial Offer (assuming that all Qualifying Shareholders tender all of their Shares for acceptance under the Partial Offer):

Please refer to *"Increase in the maximum number of shares under the pre-conditional partial offer"* in the Third Announcement as extracted below.

17. Composite Document

It is expected that the Composite Document containing, among other things, (i) the full terms and details of the Partial Offer; (ii) the recommendation from the Independent Board Committee in respect of the Partial Offer; (iii) the letter from the independent financial advisor to the Independent Board Committee in respect of the Partial Offer; and (iv) the Form of Acceptance will be despatched to Shareholders within seven days after the satisfaction of the Pre-Conditions. The Offeror has applied to the Executive for its consent under Note 2 to Rule 8.2 of the Code to permit the Composite Document to be posted within the timeframe described above *(Note 2)*.

For the purpose of reference only, based on the Special Dividend and the Offer Price for the Shares:

Please refer to *"Increase in the maximum number of shares under the pre-conditional partial offer"* in the Third Announcement as extracted below.

WARNING: SHAREHOLDERS AND/OR POTENTIAL INVESTORS SHOULD BE AWARE THAT AS THE MAKING OF THE PARTIAL OFFER IS SUBJECT TO THE SATISFACTION OF THE PRE-CONDITIONS (INCLUDING BUT NOT LIMITED TO THE COMPLETION OF THE SALE AND PURCHASE AGREEMENT) AND THEREFORE THE PARTIAL OFFER MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SHARES. PERSONS WHO

ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR OR OTHER PROFESSIONAL ADVISORS."

Notes:

1. The Offer Price plus the Revised Special Dividend (being in aggregate HK$25.00 per Share) represents a premium of approximately 4.2% to the closing price of HK$24.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date and a discount of 47.1% if not taking into account the payment of the Revised Special Dividend.

2. As disclosed on page 32 of this circular, the Offeror has obtained the consent of the Executive under Note 2 to Rule 8.2 of the Code to further extend the time for despatch of the Composite Document and to permit the Composite Document to be despatched to Shareholders within seven days after the satisfaction of the Pre-conditions or by 7 January 2016, whichever the earlier.

3. Reference to "this announcement" in the extract above means the First Announcement.

B. SECOND ANNOUNCEMENT

"As set out in the Joint Announcement, BofAML and Morgan Stanley, on behalf of the Offeror, will, subject to the satisfaction of the Pre-Conditions, make the Partial Offer. All terms of the Partial Offer remain the same as described in the Joint Announcement except that (i) the long stop date for the satisfaction of the Pre-Conditions will be changed from 30 September 2015 as disclosed in the Joint Announcement to 31 December 2015; and (ii) the closing date of the Partial Offer will be changed from 21 days following the date on which the Composite Document is posted as disclosed in the Joint Announcement to 20 US Business Days following the date on which the Composite Document is posted to comply with relevant US securities law. Please refer to the Joint Announcement for further details of the Partial Offer."

Note: Reference to "Joint Announcement" in the extract above means the First Announcement.

C. THIRD ANNOUNCEMENT

"INCREASE IN MAXIMUM NUMBER OF SHARES UNDER THE PRE-CONDITIONAL PARTIAL OFFER

Based on the Revised Binding Proposal, the maximum number of Shares under the pre-conditional Partial Offer will increase from 242,136,536 Shares (representing approximately 10% of the issued share capital of the Company as at the date of this announcement) to 484,273,072 Shares (representing approximately 20% of the issued share capital of the Company as at the date of this announcement). Assuming full acceptance of this Revised Partial Offer, the aggregate cash consideration payable by the Offeror under the Revised Partial Offer will be approximately HK$6,150,268,014.

Qualifying Shareholders should note that acceptance of the Revised Partial Offer may result in their holding odd lots of Shares. Accordingly, it is intended that a designated broker will be appointed by the Offeror to match sales and purchases of odd lot holdings of Shares in the market for a reasonable time period following the closing of the Revised Partial Offer to enable such Qualifying Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots. Details of such arrangement will be disclosed in the Composite Document.

The procurement of making the Revised Partial Offer forms a post-completion undertaking of CRH in the Sale and Purchase Agreement as supplemented by the Supplemental Agreement.

Save as disclosed in this announcement, all of the proposed terms and conditions of the Partial Offer as described in the Joint Announcement dated 20 April 2015 and the announcement of the Company dated 4 May 2015 remain unchanged and will apply to the Revised Partial Offer.

Effect on Shareholding upon Completion of the Revised Partial Offer as follows:

	As at the date of this announcement		**Upon completion of the Revised Partial Offer (assuming full acceptance by public Shareholders)** *(Note 2)*	
	No. of Shares	*approximately %*	*No. of Shares*	*approximately %*
CRH, Offeror and concert parties	1,255,955,940	51.87	1,740,229,012	71.87
Qualified shareholders *(Note 1)*	1,165,409,424	48.13	681,136,352	28.13
Total	2,421,365,364	100	2,421,365,364	100

Notes:

1. As at the date of this announcement, the Qualifying Shareholders together hold 1,165,409,424 Shares including 1,164,544,986 Shares held by public Shareholders and 864,438 Shares held by Directors (other than the common directors of the Company and CRH/the offeror).

2. Assuming full acceptances of the Revised Partial Offer by public Shareholders, the Company will have a public float of approximately 28.09% of the entire issued share capital of the Company immediately following the completion of the Revised Partial Offer and accordingly the number of Shares in public hands will continue to meet the public float requirement under Rule 8.08 of the Listing Rules.

Shareholders should note that Shares to be acquired under the Revised Partial Offer are subject to and after Completion and payment of Revised Special Dividend. Therefore, for the purpose of making comparisons with the price of Shares as quoted on the Stock Exchange, it is appropriate to aggregate the Offer Price with the amount under the Revised Special Dividend. Comparisons of the Offer Price against the price of Shares not taking into account the payment of the Revised Special Dividend are also included below. The comparisons against the price of Shares on the Last Trading Date and on 15 June 2015 (being the last trading date before the issue of this announcement) including and excluding the Revised Special Dividend are set out in the table below:

Comparison with reference to the closing price or the average closing prices# related to the Last Trading Date *(note 1)*	**Offer Price plus the Revised Special Dividend (being in aggregate HK$25.00 per Share) represents a premium of (%)**	**Offer Price (not taking into account the payment of the Revised Special Dividend) represents a (discount) of (%)**	**Comparison with reference to the closing price or the average closing prices# related to 15 June 2015 (being the last trading date before the issue of this announcement)**	**Offer Price plus the Revised Special Dividend (being in aggregate HK$25.00 per Share) represents a premium of (%)**	**Offer Price (not taking into account the payment of the Revised Special Dividend) represents a (discount) of (%)**
Closing price of HK$15.20 per Share as quoted on the Stock Exchange on the Last Trading Date	64.5	(16.4)	Closing price of HK$23.85 per Share as quoted on the Stock Exchange on 15 June 2015	4.8	(46.8)
120 trading days average closing price of HK$16.41 per Share	52.3	(22.6)	120 trading days average closing price of HK$18.40 per Share	35.9	(31.0)
90 trading days average closing price of HK$15.92 per Share	57.0	(20.2)	90 trading days average closing price of HK$19.25 per Share	29.9	(34.0)
60 trading days average closing price of HK$15.90 per Share	57.2	(20.1)	60 trading days average closing price of HK$20.58 per Share	21.5	(38.3)
30 trading days average closing price of HK$15.35 per Share	62.9	(17.3)	30 trading days average closing price of HK$23.73 per Share	5.3	(46.5)
10 trading days average closing price of HK$15.09 per Share	65.7	(15.8)	10 trading days average closing price of HK$23.40 per Share	6.9	(45.7)
5 trading days average closing price of HK$15.17 per Share	64.8	(16.3)	5 trading days average closing price of HK$23.60 per Share	5.9	(46.2)

average closing price inclusive of the closing price of the Last Trading Date or 15 June 2015, as the case may be

For the avoidance of doubt, the acceptance by any Qualifying Shareholders of the Revised Partial Offer will not affect their entitlement to the Revised Special Dividend, which if paid at all will be paid before the Closing Date of the Revised Partial Offer.

REASONS FOR THE REVISED PARTIAL OFFER

CRH, through the Offeror, is making the Revised Partial Offer in conjunction with the Disposal, to reinforce its confidence, commitment and dedication to the Company. This confidence is further evidenced by the fact that the maximum number of Shares under the pre-conditional Partial Offer of 242,136,536 Shares (representing approximately 10% of the issued share capital of the Company as at the date of this announcement) will be increased to 484,273,072 Shares (representing approximately 20% of the issued share capital of the Company as at the date of this announcement).

Despite the increased number of Shares under the Revised Partial Offer, CRH and the Offeror intend to continue maintaining the listing status of the Company on the Stock Exchange upon the completion of the Revised Partial Offer and welcome Shareholders to retain their shareholding and remain fully invested in the Company. CRH and the Offeror reiterate that the Offer Price reflects their view of the base value of the Company following Completion and the Revised Partial Offer provides an opportunity to those Shareholders who wish to realise a greater part of their investment to do so at a premium to the share price (taking into account the Revised Special Dividend) without having to incur certain brokerage fees, transaction levies and trading fees which are customarily payable when disposing of shares in the open market, whilst retaining the balance of their equity interest in the Company in order to participate in the future growth of the Company. Shareholders should note that the Offer Price (excluding the Revised Special Dividend) is at a discount to the share price and the Revised Partial Offer will not be made if the Pre-Conditions including the payment of the Revised Special Dividend are not satisfied.

BofAML and Morgan Stanley are satisfied that sufficient financial resources are available for the Offeror to satisfy full acceptance of the Revised Partial Offer.

For the purpose of reference only, based on the Revised Special Dividend and the Offer Price for the Shares:

	Cash Proceeds for a Share Tendered into and Accepted in the Revised Partial Offer
Revised Special Dividend	HK$12.30
Offer Price	HK$12.70
Revised Special Dividend plus Offer Price	**HK$25.00**
Closing share price on the Last Trading Date	HK$15.20
Implied premium of Revised Special Dividend plus Offer Price to closing share price on the Last Trading Date	**64.5%**
Implied (discount) of Offer Price to closing share price on the Last Trading Date	**(16.4%)**

Notes:

(i) If the Shares are not tendered or the Shares are tendered but not accepted in full (since the Revised Partial Offer is made for approximately 20% of the issued Shares as at the date of this announcement), the above calculation of implied premium is not applicable and the value of the Shares will be subject to market fluctuation.

(ii) The Revised Partial Offer is subject to the satisfaction of the Pre-Conditions including the payment of the Revised Special Dividend.

It is possible that if a Qualifying Shareholder tenders all his/her Shares for acceptance under the Revised Partial Offer, not all of such Shares will be taken up. Qualifying Shareholders can, however, be assured that a minimum of approximately 41.55% of Shares tendered for acceptance under the Revised Partial Offer will be taken up *(note 2)*.

AS COMPLETION IS SUBJECT TO THE CONDITIONS PRECEDENT SET OUT IN THE SALE AND PURCHASE AGREEMENT, INCLUDING THE APPROVAL OF THE INDEPENDENT SHAREHOLDERS, THE DISPOSAL MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

THE REVISED SPECIAL DIVIDEND IS SUBJECT TO THE COMPLETION OF THE SALE AND PURCHASE AGREEMENT AND THE IMPLEMENTATION OF THE CAPITAL REDUCTION AND DIRECTORS' FIDUCIARY DUTIES. AS SUCH, THE REVISED SPECIAL DIVIDEND MAY OR MAY NOT BE DECLARED AND PAID. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

AS THE MAKING OF THE REVISED PARTIAL OFFER IS SUBJECT TO THE SATISFACTION OF THE PRE-CONDITIONS (INCLUDING BUT NOT LIMITED TO THE COMPLETION OF THE SALE AND PURCHASE AGREEMENT, THE IMPLEMENTATION OF THE CAPITAL REDUCTION AND THE PAYMENT OF THE REVISED SPECIAL DIVIDEND), THE REVISED PARTIAL OFFER MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR OR OTHER PROFESSIONAL ADVISORS."

Notes:

1. The Offer Price plus the Revised Special Dividend (being in aggregate HK$25.00 per Share) represents a premium of 4.2% over the closing price of HK$24.00 per Share quoted on the Stock Exchange on the Latest Practicable Date. The Offer Price (not taking into account the payment of the Revised Special Dividend) represents a discount of 47.1% from the closing price of HK$24.00 per Share quoted on the Stock Exchange on the Latest Practicable Date.

2. The minimum percentage of Shares which will be taken up would have been approximately 41.55% of the Shares in issue as at the Latest Practicable Date and will be approximately 41.44% upon the allotment and issuance of the scrip Shares in respect of the Final Dividend on 10 July 2015 and assuming no other changes to the number of issued shares of the Company.

3. Reference to "this announcement" in the extract above means the Third Announcement.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

Disclosure of interests of Directors and chief executive

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in any Shares, underlying Shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 executives of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

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

Name of Director	Long position/ Short position	Number of Shares	Aggregate percentage of interest[1] *(%)*
Chen Lang	Long position	500,000	0.02
Hong Jie	Long position	350,000	0.01
Lai Ni Hium, Frank	Long position	112,124[2]	0.01
Du Wenmin	Long position	100,000	0.01
Yan Biao	Long position	500,000	0.02
Wang Yan	Long position	150,000	0.01
Li Ka Cheung, Eric	Long position	203,863[3]	0.01
Bernard Charnwut Chan	Long position	50,616	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares and underlying shares of the Company to the total issued shares of the Company as at the Latest Practicable Date.

2. This is inclusive of 768 Shares to be received under the scrip dividend scheme in respect of the Final Dividend to be allotted and issued on 10 July 2015.

3. This is inclusive of 1,397 Shares to be received under the scrip dividend scheme in respect of the Final Dividend to be allotted and issued on 10 July 2015.

4. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

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

As at the Latest Practicable Date, certain Directors had interests in the issued ordinary shares and underlying shares covered by options granted under the share option schemes of associated corporations (within the meaning of SFO), such options being unlisted physically settled equity derivatives:

(i) Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Land Limited ("CR Land"):

Name of Director	Long position/ Short position	Number of Shares	Aggregate percentage of interest[1] *(%)*
Lai Ni Hium, Frank	Long position	10,000	0.01
Du Wenmin	Long position	640,000	0.01
Yan Biao	Long position	1,992,000	0.03
Chen Ying	Long position	500,000	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Land to the total issued shares of CR Land as at the Latest Practicable Date.

2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

(ii) Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Gas Group Limited ("CR Gas"):

Name of Director	Long position/ Short position	Number of Shares	Aggregate percentage of interest[1] (%)
Liu Hongji	Long position	372,000	0.02
Lai Ni Hium, Frank	Long position	10,000	0.01
Du Wenmin	Long position	54,000	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Gas to the total issued shares of CR Gas as at the Latest Practicable Date.

2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

(iii) Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Power Holdings Company Limited ("CR Power"):

Name of Director	Long position/ Short position	Number of Shares	Aggregate percentage of interest[1] (%)
Hong Jie	Long position	5,000	0.01
Liu Hongji	Long position	61,080	0.01
Lai Ni Hium, Frank	Long position	10,000	0.01
Du Wenmin	Long position	480,240	0.01
Yan Biao	Long position	570,080	0.01
Wang Yan	Long position	44,000	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Power to the total issued shares of CR Power as at the Latest Practicable Date.

2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

(iv) Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Cement Holdings Limited ("CR Cement"):

Name of Director	Long position/ Short position	Number of Shares	Aggregate percentage of interest[1] (%)
Liu Hongji	Long position	922,000	0.01
Lai Ni Hium, Frank	Long position	40,000	0.01
Chen Ying	Long position	230,000	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Cement to the total issued shares of CR Cement as at the Latest Practicable Date.

2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) 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 he was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Name of interested party	**Long position/ Short position**	**Number of shares in which the interested party is deemed to have interests**	**Percentage of shareholding** *(%)*
China Resources National Corporation ("CRNC") *(Note 1)*	Long position	1,262,389,854	52.14
China Resources Co., Limited ("CRC") *(Note 1)*	Long position	1,262,389,854	52.14
CRC Bluesky Limited *(Note 1)*	Long position	1,262,389,854	52.14
CRH *(Note 1)*	Long position	1,262,389,854	52.14
CRH (Enterprise) Limited *(Note 1)*	Long position	1,256,585,827	51.90

Note:

1. As at the Latest Practicable Date, CRH (Enterprise) Limited and Commotra Company Limited directly held 1,247,971,700 Shares and 5,764,240 Shares in the Company respectively and both companies are wholly-owned subsidiaries of CRH. Both companies have also elected to receive the Final Dividend in scrip shares in the amount of 8,614,127 and 39,787 Shares respectively to be allotted and issued on 10 July 2015. The percentage of shareholding is calculated based on the number of shares in which the interested party is deemed to have interests (inclusive of the scrip shares) and the share capital of the Company before the allotment and issuance of the scrip shares. The percentage shareholding will be approximately 51.88% after the scrip Shares are allotted and issued. CRH is a wholly-owned subsidiary of CRC Bluesky Limited, which is in turn wholly-owned by CRC. CRC is a wholly-owned subsidiary of CRNC. Thus, CRH, CRC Bluesky Limited, CRC and CRNC are deemed to be interested in an aggregate of 1,262,389,854 Shares in the Company (inclusive of the aforesaid scrip Shares to be received).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company was aware of any other person, other than a Director or the chief executive of the Company, who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other member of the Group, or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

3. COMMON DIRECTORS

The following is a list of the directors of the Company who, as at the Latest Practicable Date, were also a director of the companies which have interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	**Name of the company which has interest in the Shares *(Note)* and in which the Director also acts a director**
Chen Lang	China Resources National Corporation China Resources Co., Limited China Resources (Holdings) Company Limited CRH (Enterprise) Limited
Du Wenmin	China Resources National Corporation China Resources Co., Limited China Resources (Holdings) Company Limited
Wei Bin	CRC Bluesky Limited China Resources National Corporation China Resources Co., Limited China Resources (Holdings) Company Limited CRH (Enterprise) Limited Commotra Company Limited
Yan Biao	CRC Bluesky Limited CRH (Enterprise) Limited Commotra Company Limited

Note: All such companies have a long position in the interests of the Shares.

4. DIRECTORS' INTERESTS

(a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

(b) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have, since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

(c) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or administrative proceedings of material importance and no litigation, arbitration, administrative proceedings or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT

(a) The following is the qualification of the expert who has given an opinion or advice which is contained in this circular:

Name	**Qualification**
PricewaterhouseCoopers	Certified Public Accountants
UBS	Licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO

Name	Qualification
Rothschild	Licensed to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
DTZ	Independent property valuer

(b) As at the Latest Practicable Date, none of the experts whose names appear in paragraph 7(a) above had any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) As at the Latest Practicable Date, none of the experts whose names appear in paragraph 7(a) above had any interest, direct or indirect, in any assets which have been, since 31 December 2014 (being the date to which the latest published financial statement of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(d) Each of the experts whose names appear in paragraph 7(a) above has given and has not withdrawn their written consent to the issue of this circular with the inclusion of its letter or advice and references to its name included herein in the form and context in which it appears.

8. MATERIAL CONTRACTS

Save as disclosed below, none of the members of the Group had within the two years immediately preceding the Latest Practicable Date entered into any contract (not being contracts entered into in the ordinary course of business of the Group) which are or may be material.

(a) the Sale and Purchase Agreement dated 4 May 2015 between the Company and CRH in respect of the disposal of the Group's non-beer related businesses at an aggregate consideration of HK$28,000 million;

(b) the Supplemental Agreement dated 15 June 2015 between the Company and CRH increasing the aggregate consideration under the Sale and Purchase Agreement from HK$28,000 million to HK$30,000 million;

(c) Investment Agreement dated 1 October 2013 between, among others, the Company and Tesco PLC in respect of subscription for ordinary shares in Gain Land Limited for an aggregate cash sum of HK$4,325 million so that the Company and Tesco PLC will hold their respective 80% and 20% interests in relation to a joint venture;

(d) Deed of Amendment and Restatement between, among others, the Company and Tesco PLC dated 22 February 2014 in relation to the Investment Agreement referred to in paragraph (c) above;

(e) Shareholders Agreement dated 28 May 2014 between, among others, the Company and Tesco PLC, entered into pursuant to the Investment Agreement referred to in paragraph (c) above;

(f) Two Deeds of Indemnity both dated 28 May 2014 between Ondereel Ltd, a subsidiary of the Company, and Cheshunt Holdings Guernsey Limited in respect of certain covenants and undertakings for Ondereel Ltd to indemnify Cheshunt Holdings Guernsey Limited;

(g) Intellectual Property and Know-how Agreement dated 28 May 2014 between Tesco PLC and Gain Land Limited, a subsidiary of the Company, entered into pursuant to the Investment Agreement and Shareholders Agreement referred to in paragraphs (c) and (e) above, to reflect the strategic partnership contemplated by those agreements and to set out the terms under which certain intellectual property is licensed; and

(h) Assignment of Trade Marks dated 28 May 2014 between Tesco Stores Limited and China Resources Vanguard Co., Ltd., a subsidiary of the Company, entered into pursuant to the Investment Agreement referred to in paragraph (c) above, to assign certain trade marks from Tesco Stores Limited to China Resources Vanguard Co., Ltd.

9. MISCELLANEOUS

(a) The secretary of the Company is Mr. Lai Ni Hium, Frank, who is a member of the Hong Kong Institute of Certified Public Accountant and a fellow member of CPA Australia.

(b) The share registrar of the Company in Hong Kong is Tricor Standard Limited, whose office is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company in Hong Kong at 39/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, during normal business hours on any business day from date of this circular until 14 days hereafter:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Board, the text of which is set out on pages 9 to 36 of this circular;

(c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages IBC-1 to IBC-2 of this circular;

(d) the letter from Rothschild to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages IFA-1 to IFA-38 of this circular;

(e) the annual reports of the Company for each of the years ended 31 December 2012, 2013 and 2014 and the announcement of the Company for its financial and operational review for the three months ended 31 March 2015;

(f) the accountant's report on the Group from PricewaterhouseCoopers as at and for each of the years ended 31 December 2012, 2013 and 2014, the text of which is set out in Appendix II to this circular;

(g) the report from PricewaterhouseCoopers on the Unaudited Financial Information of the Group as at and for the three months ended 31 March 2015, the text of which is set out in Section C of Appendix III to this circular;

(h) the report from PricewaterhouseCoopers on the Unaudited Pro Forma Financial Information of the Remaining Group as at and for the year ended 31 December 2014, the text of which is set out in Appendix IVA to this circular;

(i) the report from PricewaterhouseCoopers on the Unaudited Pro Forma Condensed Financial Information of the Remaining Group as at and for the three months ended 31 March 2015, the text of which is set out in Appendix IVB to this circular;

(j) the property valuation report issued by DTZ, as set out in Appendix V to this circular;

(k) the letter from UBS enclosing the conclusions of its analysis and advice to the Board as referred to in the section headed "Reasons for the Disposal and Financial Implications Thereof" of the "Letter from the Board" to this circular;

(l) the report from UBS on the Unaudited Condensed Consolidated Interim Financial Information of the Group and the Disposal Assets as at and for the three months ended 31 March 2015, the text of which is set out in Section D of Appendix III to this circular;

(m) the written consent given by Rothschild as referred to in paragraph 7(d) of this appendix;

(n) the written consent given by PricewaterhouseCoopers as referred to in paragraph 7(d) of this appendix;

(o) the written consent given by UBS as referred to in paragraph 7(d) of this appendix;

(p) the written consent given by DTZ as referred to in paragraph 7(d) of this appendix; and

(q) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix.

華潤創業有限公司
China Resources Enterprise, Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 291)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Resources Enterprise, Limited (the "**Company**") will be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 3 August 2015 at 3:30 p.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions:

AS ORDINARY RESOLUTION

1. "**THAT**:

(a) the entry into and performance by the Company of the sale and purchase agreement dated 4 May 2015 and the supplemental sale and purchase agreement dated 15 June 2015 (together, the "**Sale and Purchase Agreement**") entered into between the Company as vendor and China Resources (Holdings) Company Limited ("**CRH**") as purchaser in relation to the disposal of all the non-beer businesses of the Company for a total consideration of HK$30 billion (a copy of each the sale and purchase agreement and the supplemental sale and purchase agreement marked "A" is produced to this meeting and signed by the chairman of the meeting for identification purposes) and the transactions contemplated thereunder, including but not limited to the proposed reduction of capital of the Company, based on the terms (including but not limited to the pre-conditional partial offer to be made on behalf of CRH's subsidiary) as more particularly set out in the circular of the Company dated 9 July 2015 be and are hereby approved; and

(b) the directors of the Company (the "**Directors**") be and are hereby authorised to do such acts and things and to take such steps as they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder."

AS SPECIAL RESOLUTION

2. "**THAT**:

(a) conditional only upon the satisfaction of either one of the conditions set out in paragraph (b) of this special resolution and subject to any conditions imposed in accordance with paragraph (c) of this special resolution, the reduction of the amount standing to the credit of the share capital account of the Company by a sum equal to HK$10,000,000,000 ("**Capital Reduction**") be and is hereby approved and the Directors be and are hereby authorised to apply the credit arising from the Capital Reduction to a capital reduction reserve account of the Company and to use such reserve as the Directors think fit, including but not limited to the payment of a special dividend of HK$12.30 per ordinary share of the Company after the Capital Reduction becomes effective;

(b) the approval and authorisation set out in paragraph (a) of this special resolution shall be conditional upon either (i) there being no application ("**Application**") to the Court of First Instance of the High Court of Hong Kong ("**Court**") for cancellation of the approval of the Capital Reduction, set out in this special resolution, by members of the Company or creditors of the Company within 5 weeks of the date of this special resolution; or (ii) if any such Application is made, the Court making an order to confirm this special resolution;

(c) if such an Application is made and the Court makes an order to confirm this special resolution upon the Application, the approval and authorisation in paragraph (a) of this special resolution shall be subject to any conditions that may be imposed by the Court; and

(d) the Directors be and are hereby authorised generally to do all acts and things as may be necessary, desirable or expedient to implement or to give effect to the foregoing."

By Order of the Board
China Resources Enterprise, Limited
CHEN Lang
Chairman

Hong Kong, 9 July 2015

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer or attorney authorised to sign the same.

3. Any member entitled to attend and vote at the 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.

4. 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 thereof, must be lodged with Tricor Standard Limited, the branch share registrar of China Resources Enterprise, Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting.

5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

7. The register of members of the Company will be closed from Wednesday, 29 July 2015 to Monday, 3 August 2015, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's East, Hong Kong not later than 4:30 p.m. on Tuesday, 28 July 2015 for registration.