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

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

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

- Consolidated turnover achieved a new record of HK$168,864 million, representing an increase of 15.3%
- Excluding after-tax effect of asset revaluation, underlying consolidated loss attributable to the Company's shareholders would be HK$794 million
- The Board recommended a final dividend of HK$0.16 per share, bringing the total dividend for 2014 to HK$0.27 per share, same as total dividend for 2013

FINANCIAL HIGHLIGHTS

	2014 *HK$ million*	2013 *HK$ million*
Turnover	**168,864**	146,413
Profit attributable to shareholders of the Company	**(161)**	1,908
Basic earnings per share[1]	**HK$(0.07)**	HK$0.79
Dividend per share		
– interim	**HK$0.11**	HK$0.13
– final	**HK$0.16**	HK$0.14
	HK$0.27	HK$0.27

	At 31 December 2014 *HK$ million*	At 31 December 2013 *HK$ million*
Equity attributable to shareholders of the Company	**48,747**	44,073
Non-controlling interests	**20,876**	15,538
Total equity	**69,623**	59,611
Consolidated net borrowings	**8,063**	1,167
Gearing ratio[2]	**11.6%**	2.0%
Current ratio	**0.76**	0.86
Net assets per share (book value):	**HK$20.14**	HK$18.34

Notes:
1. Diluted earnings per share for the year ended 31 December 2014 and 2013 are HK$(0.07) and HK$0.79, respectively.
2. Gearing ratio represents the ratio of consolidated net borrowings to total equity.

ANALYSIS OF TURNOVER AND PROFIT

	Turnover		Profit Attributable to Shareholders ("PAS")		PAS excluding the effect of asset revaluation and major disposal of non-core assets/investments (Note 1)	
	2014	2013	**2014**	2013	**2014**	2013
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Core Businesses						
- Retail	**109,500**	95,174	**(873)**	1,000	**(1,359)**	734
- Beer	**34,482**	32,994	**761**	943	**761**	943
- Food	**16,486**	12,069	**13**	53	**(134)**	53
- Beverage	**9,891**	7,305	**237**	106	**237**	106
	170,359	147,542	**138**	2,102	**(495)**	1,836
Elimination of inter-segment transactions	**(1,495)**	(1,129)	**-**	-	**-**	-
Net corporate interest and expenses	**-**	-	**(299)**	(194)	**(299)**	(194)
Total	**168,864**	146,413	**(161)**	1,908	**(794)**	1,642

Note:

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

   a. Net gain on disposal of non-core investments and net valuation surplus on investment properties with an aggregate amount of approximately HK$486 million (2013: HK$266 million) has been excluded from the results of Retail division.

   b. Net gain on disposal of non-core investment approximately HK$147 million has been excluded from the results of Food division.

CHAIRMAN’S STATEMENT

FINAL RESULTS

China’s economic growth cooled in 2014, with Gross Domestic Product ("GDP") growing at 7.4%, the slowest rate of growth in 20 years. In response to this dynamic change, we continued to develop our core competence for long-term business development by expanding our scale and partnering with experienced leading global industry players.

For the year ended 31 December 2014, the Group recorded consolidated turnover of approximately HK$168,864 million, representing an increase of 15.3% year-on-year. Consolidated loss attributable to the Company’s shareholders recorded approximately HK$161 million for 2014 compared to attributable profit of approximately HK$1,908 million for 2013. Excluding the after-tax effect of asset revaluation, the Group’s underlying consolidated loss attributable to the Company’s shareholders for the year ended 31 December 2014 was approximately HK$794 million.

In May 2014, the Group completed the formation of a joint venture (the “Joint Venture”) with Tesco PLC (“Tesco”). Tesco is required to make an injection of HK$4,325 million in aggregate. The cash injection, which is reflected on the consolidated balance sheet, is a buffer for the immediate dilution of earnings contribution during the running-in period. The partnership unleashed significant operational synergies by integrating the parties’ respective strengths and talent resources, along with global best practices and local expertise. This will in turn reinforce the operating efficiency of the physical stores in the Group’s retail business, and will thereby strengthen its national retail network. Tesco’s established competence in its omni-channels can contribute to store transformation to compete against e-commerce retailers.

After the establishment of its alliance with Tesco, the Group performed an internal assessment on the returns of the asset portfolio of the Group's retail business in 2014. The Group identified stores and assets showing unsatisfactory performance. Provisions of approximately HK$800 million was made for the closure of certain less efficient stores and stores with poor prospects, primarily comprising of assets impairment and compensations for early termination of the shop leases. In view of the rapid changes in China’s retail industry, these assets will be rationalized, and the capital will be reinvested to enhance operational efficiency and IT development to accelerate growth in the asset returns from the Group’s retail business.

The Board recommends a final dividend of HK$0.16 per share for the year ended 31 December 2014 (2013: HK$0.14 per share) to shareholders whose names appear on the register of members of the Company on 4 June 2015. Despite the setback in short-term performance, the Group maintained a total dividend per share of HK$0.27 in 2014 (2013: HK$0.27 per share) to show its appreciation to shareholders for their support to the Group.

STRATEGY IMPLEMENTATION

With the vision of becoming a world renowned retail and consumer goods company, the Group is undertaking the strategy of “market leadership with outstanding brands, operational excellence and synergies among its businesses”.

On the retail front, during the year under review, the division’s turnover grew by 15.1% with over 4,800 stores as its national footprint was further consolidated after the incorporation of Tesco stores in China. Due to extended frugality measures and the rapid rise of e-commerce, the share of both business and government consumption of retail sales at physical stores decreased, while both family and personal consumption became increasingly important. Consumers are more focused on quality as well as variety of choice. To cope with such fast changes in the operating environment, the Group reviewed the performance of its retail stores and the returns of the assets on hand, identifying some unsatisfactory ones. Most of these stores and assets will be rationalized in 2015. We will concentrate the resources on those assets which show potential for improvement in operational efficiency. Resources will also be spent on IT development, which will save costs, strengthen internal management and lead to progress in the division’s omni-channels. IT development will also offer a better customer experience to consumers. The formation of the Joint Venture with Tesco is set to create ample synergies and ensure the sound development of the division’s global sourcing, private label products, advanced technology in the loyalty card management and Customer Relationship Management for stimulation of existing customers consumption. These will help us to achieve the goal of becoming the leading multi-format retailer in Greater China.

At the same time, the division will stress on the expansion of smaller stores, such as supermarkets, specialist stores and convenience stores, to match the development of the division's e-commerce business, which will officially be launched in the first half of 2015. Furthermore, the net opening of hypermarkets in 2015 will slow down. Certain existing hypermarkets will be reduced to a smaller size and transformed into a new trade up format called “V+” focusing on fresh produce and more spaces available for leasing so as to better cater to the changing consumer demand in certain regions.

Looking ahead, the Group’s top priority in 2015 is to improve operational efficiency and reduce losses. Costs saved from backoffice integration, merchandise cost efficiency from economy of scale, unified supply chain and others will all contribute to the turnaround. By the end of 2015, the financial system in Enterprise Resource Planning will also be incorporated for efficiency improvement on management, and a consultant is also working on improving workforce efficiency. With the Chinese economy entering a new phase, the Group will modify its operational model for its physical stores to strengthen its competitive edge and accelerate the growth in asset returns for the division.

The Group’s beer division marked two decades of partnership with SABMiller PLC in 2014. The Group’s flagship “雪花 Snow” brand was the best-selling single beer brand by volume in China for the ninth consecutive year with a market share of approximately 24% thanks to intensifying market consolidation. The division’s acquisition and seamless integration of Kingway Brewery, one of the largest acquisitions in terms of production capacity in China’s beer industry in the past five years, and the strengthening of the Group’s foothold in southern China, have reinforced its position in the market and led to an increase in market share, especially in Guangdong Province. In the future, the division will continue to strike a balance between making gains in market share and the delivery of operating leverage. In addition, the division will optimize its product mix to improve the division’s brand value and enhance the competitiveness of its premium beers.

The food division, which is undergoing a transition to focus on the nationwide expansion of its rice business, saw initial results by its increase in overall turnover of 36.6% year-on-year. The division will continue to achieve sustainable development through the promotion of the “五豐 Ng Fung” brand and will seek opportunities to partner with industry heavyweights. The division will also explore more benefits through synergies with the Group’s retail division.

The beverage division's turnover and profit attributable to shareholders surged with rapid development of the "怡寶 C'estbon" purified water business. Thanks to a growing focus on water quality among consumers, the division further consolidated its market share in Guangdong, Hunan, Sichuan and other provinces. During the year under review, it became one of top three packaged water producers in China. The division will continue to ramp up investment in marketing campaigns to enhance the brand's reputation and customer loyalty for both purified water and beverage products, optimizing its synergies to reinforce its leadership in the market.

PROSPECTS

The Group has a successful track record with joint venture partners. We believe that the Group can leverage the advanced technology and superb experience of its partners to capture business opportunities. In the short-to-medium term, the profitability of the Group will be affected by (i) China's anti-extravagance policy, (ii) the competition from e-commence businesses, and (iii) the integration process with Tesco's China operation. Although the profitability of the Group is expected to be volatile, gradual recovery should begin to be felt in the short-to-medium term and the Joint Venture with Tesco will assist in the Group's long term prospects and will further strengthen our competitive advantage in our retail operation. The Group's beer business established a solid foundation over the last two decades. The present scale was established under occasional unfavourable macro factors such as competition, extended cool weather and high raw material costs. The track record proves that the business is able to maintain good balance between growth and profitability over the medium and long term. The rice business within the food division has also affected the Group's results. The rice business is still at the initial investment stage for national expansion, and we believe that it will create value in future. Confronted with a fast changing business environment, particularly in China's retail sector, the Group believes that improving asset return is vital for its long term development. The Group will not only focus on enhancing profitability, but will also try to release more value from the operation and generate the best return to all stakeholders.

APPRECIATION

I would like to express my sincere appreciation, on behalf of the Board, to all our valued shareholders, customers and business partners for their trust and support. I would also like to take this chance to extend my gratitude for the commitment shown by our professional management and staff. We will continue our endeavors in offering high-quality products and services to our customers to become a world renowned retail and consumer goods company.

Chen Lang
Chairman

Hong Kong, 20 March 2015

2014 RESULTS

The Directors of China Resources Enterprise, Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$ million	*HK$ million*
Profit for the year	**291**	3,152
Other comprehensive income/(expenses):		
Exchange differences on translating foreign operations	**(110)**	1,435
Fair value adjustment on available for sale investments	**144**	21
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)
Income tax relating to fair value adjustment on available for sale investments	**(1)**	**-**
	(136)	1,443
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of properties	**69**	1,881
Income tax relating to surplus on revaluation of properties	**(22)**	(150)
	47	1,731
Other comprehensive income for the year, net of tax	**(89)**	3,174
Total comprehensive income for the year	**202**	6,326
Attributable to:		
Shareholders of the Company	**(253)**	4,615
Non-controlling interests	**455**	1,711
	202	6,326

CONSOLIDATED BALANCE SHEET

At 31 December 2014

	Notes	2014 *HK$ million*	2013 *HK$ million*
Non-current assets			
Fixed assets			
- Investment properties		**21,105**	15,952
- Interests in leasehold land held for own use under operating leases		**10,653**	8,492
- Other property, plant and equipment		**56,302**	44,673
Goodwill		**22,854**	19,428
Other intangible assets		**510**	562
Interests in associates		**368**	388
Interests in joint ventures		**1,014**	-
Available for sale investments		**33**	142
Prepayments		**1,015**	876
Deferred taxation assets		**2,274**	1,540
		116,128	92,053
Current assets			
Stocks		**27,690**	25,021
Trade and other receivables	*10*	**16,555**	16,428
Taxation recoverable		**157**	251
Pledged bank deposits		**187**	336
Cash and bank balances		**20,647**	21,200
		65,236	63,236
Current liabilities			
Trade and other payables	*11*	**(76,260)**	(69,178)
Short term loans		**(9,025)**	(3,357)
Taxation payable		**(1,069)**	(1,155)
		(86,354)	(73,690)
Net current liabilities		**(21,118)**	(10,454)
Total assets less current liabilities		**95,010**	81,599
Non-current liabilities			
Long term loans		**(19,872)**	(19,346)
Deferred taxation liabilities		**(2,245)**	(1,831)
Other non-current liabilities		**(3,270)**	(811)
		(25,387)	(21,988)
		69,623	59,611
Capital and reserves			
Share capital		**15,740**	2,403
Reserves		**33,007**	41,670
Equity attributable to shareholders of the Company		**48,747**	44,073
Non-controlling interests		**20,876**	15,538
Total equity		**69,623**	59,611

Notes:

1. Basis of preparation

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

The financial statements for the year ended 31 December 2014 have been prepared in accordance with accounting principles generally accepted in Hong Kong.

2. Principal Accounting Policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013 except for the adoption of the new and revised standards, amendments and interpretations mentioned below.

<u>Adoption of new and revised standards, amendments and interpretations</u>

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. In the current year, 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 current and prior accounting periods. Accordingly, no prior period adjustments are required.

2. Principal Accounting Policies (continued)

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 Statement
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 (Amendment)	Accounting for Acquisitions of Interests in Joint Operation
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.

3. Segment information

Operating segments

	Retail *HK$ million*	Beer *HK$ million*	Food *HK$ million*	Beverage *HK$ million*	Investments and Others *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
For the year ended 31 December 2014							
TURNOVER							
External sales	109,382	34,376	15,295	9,811	-	-	168,864
Inter-segment sales[1]	118	106	1,191	80	-	(1,495)	-
Total	109,500	34,482	16,486	9,891	-	(1,495)	168,864
Segment result[2]	(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							
Additions to non-current assets[3]	23,372	3,079	458	787	3		27,699
Depreciation and amortisation	2,299	2,153	223	170	2		4,847
Impairment loss recognised[4]	439	63	15	45	-		562
Valuation gain on investment properties	610	-	-	-	-		610

3. Segment information – continued

Operating segments (continued)

	Retail *HK$ million*	Beer *HK$ million*	Food *HK$ million*	Beverage *HK$ million*	Investments and Others *HK$ million*	Elimination *HK$ million*	Total *HK$ million*
For the year ended 31 December 2013							
TURNOVER							
External sales	95,072	32,835	11,267	7,239	-	-	146,413
Inter-segment sales[1]	102	159	802	66	-	(1,129)	-
Total	95,174	32,994	12,069	7,305	-	(1,129)	146,413
Segment result[2]	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							
Additions to non-current assets[3]	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

1 *Inter-segment sales were charged at prevailing market rates*
2 *Segment result represents earnings before interest income, finance costs and taxation*
3 *Additions to non-current assets included fixed assets, goodwill and other intangible assets.*
4 *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 for the closure of certain less efficient stores and stores with poor prospects.*

3. Segment information – continued

Geographical segments

	2014		2013	
	Turnover	**Non-current assets (Note)**	Turnover	Non-current assets (Note)
	HK$ million	***HK$ million***	*HK$ million*	*HK$ million*
Hong Kong	**9,510**	**16,514**	8,100	15,637
Chinese Mainland	**159,193**	**97,306**	138,192	74,733
Other Countries	**161**	**1**	121	1
	168,864	**113,821**	146,413	90,371

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

4. Other income

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

5. Finance costs

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

6. Taxation

	2014 *HK$ million*	2013 *HK$ million*
Current taxation		
Hong Kong	**176**	175
Chinese Mainland	**1,847**	2,200
	2,023	2,375
Deferred taxation		
Hong Kong	**(9)**	5
Chinese Mainland	**(464)**	(486)
	(473)	(481)
	1,550	1,894

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

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

7. Profit for the year

	2014 *HK$ million*	2013 *HK$ million*
Profit for the year has been arrived at after charging:		
Depreciation		
- Owned assets	**4,795**	3,853
Amortisation of other intangible assets (included in general and administrative expenses)	**52**	36

8. Dividends

	2014 *HK$ million*	2013 *HK$ million*
2014 interim dividend paid of HK$0.11 (2013: HK$0.13) per ordinary share	**265**	313
2014 proposed final dividend of HK$0.16 (2013: HK$0.14) per ordinary share	**387**	337
	652	650

At the meeting held on 20 March 2015, the directors proposed final dividend of HK$0.16 (2013: HK$0.14 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 these financial statements. The total dividends paid by the Company, including the final dividend for the year 2013 and the interim dividend for the year 2014, amounting to HK$602 million (2013: HK$673 million) are reflected in the current year financial statements.

9. Earnings per share

	2014	2013
	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	**(161)**	1,908

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,409,546,529**	2,402,658,243
Effect of dilutive potential ordinary shares:		
- Share options	**707,108**	1,927,606
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,410,253,637**	2,404,585,849

10. Trade and other receivables

	2014	2013
	HK$ million	*HK$ million*
Trade receivables	**2,351**	2,308
Provision for doubtful debts	**(115)**	(63)
	2,236	2,245
Value-added tax recoverable	**5,677**	5,051
Prepayments	**3,249**	2,432
Deposits paid	**877**	1,332
Other receivables	**3,162**	2,658
Amounts due from a holding company	**1,038**	2,689
Amounts due from fellow subsidiaries	**261**	-
Amounts due from associates	**23**	21
Amounts due from joint ventures	**32**	-
	16,555	16,428

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

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

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

	2014	2013
	HK$ million	*HK$ million*
0 – 30 days	**841**	1,205
31 – 60 days	**400**	341
61 – 90 days	**220**	126
> 90 days	**775**	573
	2,236	2,245

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

11. Trade and other payables

	2014	2013
	HK$ million	*HK$ million*
Trade payables	**26,893**	25,822
Receipt in advance	**17,679**	16,580
Accruals	**12,893**	10,544
Deposit received	**7,758**	6,900
Other payables	**11,018**	9,212
Amounts due to fellow subsidiaries	**16**	116
Amounts due to associates	**3**	4
	76,260	69,178

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

	2014	2013
	HK$ million	*HK$ million*
0 – 30 days	**16,557**	17,919
31 – 60 days	**4,227**	3,787
61 – 90 days	**1,671**	1,406
> 90 days	**4,438**	2,710
	26,893	25,822

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

12. Other Information

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014 have been reviewed by the Audit Committee of the Company and audited by the Company’s auditor, PricewaterhouseCoopers. An unqualified auditors’ report will be included in the Annual Report to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Retail

The Group's retail division reported turnover of HK$109,500 million in 2014, representing an increase of 15.1% year-on-year, and recorded attributable loss of HK$873 million compared to attributable profit of HK$1,000 million for 2013. Excluding after-tax revaluation surplus and the disposal of non-core assets, the division's attributable loss for 2014 was HK$1,359 million compared to attributable profit of HK$734 million for 2013.

The negative impact of China's anti-extravagance policy on China's retail market, the competition from e-commerce businesses, and the financial impact arising from the initial stage of the formation of the Group's joint venture (the "Joint Venture") with Tesco PLC ("Tesco") on 28 May 2014 continued to significantly affect the performance of the Group's retail segment for the year ended 31 December 2014. Further details of the Joint Venture are set out in the Company's announcements dated 2 October 2013 and 29 May 2014 respectively and the Company's circular dated 25 February 2014. Turnover and attributable loss contributed by the Tesco's China operations since 28 May 2014 was HK$10,981 million and HK$906 million, respectively.

Against the backdrop of the current macro-economic environment and the above circumstances, as part of the integration process, the Group's retail segment had made provision amounting to approximately HK$800 million in the fourth quarter of 2014 for the closure of certain less efficient stores and stores with poor prospects of the Joint Venture, primarily comprising of assets impairment for those shops and compensations for early termination of the shop leases. The Group will continue to review the store portfolio of the retail segment during the running-in period of the Joint Venture.

The Group's retail division mainly consists of "華潤萬家 CR Vanguard" supermarkets, "中藝 Chinese Arts & Crafts" stores, "華潤堂 CRCare" stores, "采活 VIVO" health and beauty stores and "太平洋咖啡 Pacific Coffee" shops. As at the end of 2014, the Group operated over 4,800 stores in China, of which approximately 85% were self-operated while the rest were franchised.

During the year under review, the market continued to experience pressure from the sluggish domestic macro economy and the central government's strict enforcement of frugality. Sales of high-end products and stored-value cards were affected. The growth of e-commerce sales has drawn customers from physical stores, which also helped to explain the slowdown in the overall retail market. The Group's retail division recorded a 2.6% year-on-year decrease in same store sales.

Enhancing operational efficiency and improving profitability of the Joint Venture is the top priority of the Group's retail division. By creating synergies through the utilization of the Group's local advantages and Tesco's global retail expertise, the division aims to strengthen profitability, foster the growth of its e-commerce business and develop its global procurement. During the year under review, the Group's retail business in northern and southern China successfully completed the integration of Tesco's management system respectively. At the same time, the Group implemented various initiatives to optimize its labour structure and hiring system, control operating costs in a comprehensive manner and reinforce the downsizing of its less efficient stores.

In the meantime, the Group’s retail division continued to optimize its store network and actively reviewed its product mix and operational strategy to further enhance the division’s market share and national influence. During the year under review, the division established new units responsible for direct sourcing of fresh produce and e-commerce, respectively, with the aim of establishing a unique and diversified business leveraging synergies through the division’s multi-format business.

It is expected that the short-to-medium term profitability of the division would be negatively affected during the running-in period of the Joint Venture in which the performance of the division will be affected by the integration process. Although the profitability of the Group is expected to be volatile, gradual recovery should begin to be felt in the short-to-medium term. The management takes the view that the Joint Venture will assist in the long term development of the Group's retail segment. Pursuant to the terms of the Joint Venture, Tesco is required to make an injection of HK$4,325 million in aggregate for funding the Group's restructuring cost, of which HK$2,325 million (which has been paid by Tesco) will be applied for general business purposes within the Joint Venture and HK$2,000 million (HK$1,000 million of which has also been paid by Tesco with the remaining HK$1,000 million payable this year) will be used upon discretion of the management of the Group. The management also takes the view that the business and operational environment in the Chinese retail industry may vary in the long run.

Looking ahead, the division will focus on deepening its business reforms to become more customer-oriented. It will also continue to improve its operational capability in order to support its all-channel expansion strategy. The combination of its online platform and physical stores will establish a competitive edge, which will in turn support growth in the division’s retail business and will improve profitability. Meanwhile, the division will expand its network in regions where the Group’s retail business has already established a presence while optimizing and applying innovation in its multi-format store network. By enhancing operational balance, efficiency and resource allocation, the division strives to become the market leader in the retail industry and to provide better quality retail service to Chinese customers.

Beer

The Group’s beer division reported turnover and attributable profit of HK$34,482 million and HK$761 million in 2014, respectively, representing an increase of 4.5% and a decline of 19.3% year-on-year, respectively. During the year under review, the overall market was sluggish as a result of the slower growth of the macro economy. Furthermore, sales volume growth 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 for the Group’s beer division and a decline in profitability. With the successful integration of Kingway beer, the division’s beer sales volume increased 1% to 11,842,000 kiloliters, of which the Group’s national “雪花 Snow” brand accounted for approximately 90% of the Group’s total beer sales volume.

During the year under review, faced with further intensification of market competition, the division ramped up investment in its promotions and marketing activities. By leveraging its centralized procurement and economies of scale, the division further enhanced its production efficiency and stepped up efforts in the optimization of its product mix in order to raise the average selling prices of its products so as to relieve pressure of rising costs.

As at the end of 2014, the Group operated more than 95 breweries in China with an aggregate annual production capacity of over 20,000,000 kiloliters.

Looking ahead, in order to strengthen the "雪花 Snow" brand's reputation and customer loyalty, the Group's beer division will continue to carry out marketing campaigns while reinforcing the promotion of its premium beers and optimizing its product mix. At the same time, the division will also continue to pursue and evaluate investment opportunities in a prudent manner while achieving organic growth as it aims to expand its market share and to consolidate its leading market position.

Food

The Group's food division reported turnover and attributable profit of HK$16,486 million and HK$13 million respectively, representing an increase of 36.6% and a decrease of 75.5% year-on-year, respectively. Excluding the disposal of non-core assets, the division's attributable loss for 2014 was HK$134 million compared to attributable profit of HK$53 million for 2013. The slide in the division's profitability was mainly due to the high initial investment and marketing expenses incurred from the expansion of the rice business.

As for the division's operations in Hong Kong, the selling prices of live pigs at the end of the year were still lower than expected despite a slight rebound in the second half of 2014 as compared to the first half of the year. Moreover, the costs of raw materials such as feeds remained high, putting pressure on the profitability of the division's livestock rearing operation. The Group will improve its profitability by continuing to enhance feeds procurement through stricter cost control, adjustments in inventory, and optimizing the structure and quality of live pig procurement.

Meanwhile, for the Group's meat operation in China, through the vigorous expansion of the division's first-tier meat wholesale business and carved meat business, as well as an increase in the number of specialized meat retail stores in various cities, the division achieved substantial growth in turnover year-on-year, which also improved the division's profitability.

With respect to the rice business, through both acquisitions and organic expansion into new markets, the division began to establish a nationwide presence and achieved rapid year-on-year sales growth. By means of adjusting its management structure to accommodate its business growth, the division continued to improve the reputation of "五豐 Ng Fung" branded rice products, thereby expanding its market share and leading to a steady improvement in profitability.

Looking ahead, the Group's food division will continue to concentrate on the domestic market, improve its operational efficiency and engage a progressive development strategy. Through the promotion and marketing of "五豐 Ng Fung" brand and expansion into new markets, as well as mergers and acquisitions, the division will further enhance the scale and profitability of its business in China.

Beverage

The Group’s beverage division reported turnover and attributable profit of HK$9,891 million and HK$237 million in 2014, respectively, representing increases of 35.4% and 123.6%, respectively, as compared to 2013.

The division’s total sales volume increased by 33% year-on-year to approximately 6,556,000 kiloliters in 2014, which was mainly attributable to the remarkable growth in the sales volume of “怡寶 C’estbon” purified water. During the year under review, the division further strengthened its leadership in southern China. By focusing on its core markets in Guangdong, Hunan, and Sichuan provinces and expanding its sales network in adjacent regions, the division was able to reinforce its competitive edge. Meanwhile, by means of advertisements in movies, on television and the internet, as well as offline promotional campaigns such as sponsorship of “World Water Day”, the “Let’s go home” microfilm as well as product placement in the “Transformers 4” movie and others, the division propelled the brand reputation and awareness of the “怡寶 C’estbon” brand. Such initiatives helped to boost sales for the division.

Faced with intensified market competition in the industry, in order to elevate reputation and product awareness during the year under review, the division continued to invest in marketing and promotion activities such as stepping up product promotion opportunities leveraging Yang Kun, the spokesperson for the “火咖 Fire” coffee drink, being re-engaged to the “Voice of China” music reality show. With the aim of sharpening the division’s market competitiveness, the division focused on certain key cities to boost synergistic investments in sales channels for beverage products with those of packaged water products.

Looking ahead, the division will ramp up product research and development and promotional campaigns to stay abreast of the trend in the industry to meet customer demand. The division will also optimize its marketing strategy to enhance its brand image so as to boom its market share.

FINANCIAL REVIEW

Capital and Funding

As at 31 December 2014, the Group’s consolidated cash and bank balance amounted to HK$20,834 million. The Group’s borrowings as at 31 December 2014 were HK$28,897 million with HK$9,025 million repayable within one year, HK$19,870 million repayable after one year but within five years and HK$2 million repayable after five years.

On the basis of the Group’s net borrowings relative to the shareholders’ funds and minority interests, the Group’s gearing was approximately at 11.6% as at 31 December 2014 (31 December 2013: 2.0%).

The Group’s principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 31 December 2014, 26.1% of the Group’s cash deposit balance was held in Hong Kong dollars, 67.4% in Renminbi and 6.5% in US dollars; whereas 70.3% of the Group’s borrowings was denominated in Hong Kong dollars and 8.2% in Renminbi and 21.5% in US dollars. The Group’s borrowings are principally on a floating rate basis.

As the majority of the Group's assets, liabilities, revenue and payments are denominated in functional currencies of the respective group entity, the expected foreign currency exposure is minimal.

Pledge of Assets

As at 31 December 2014, assets with a carrying value of HK$271 million (31 December 2013: HK$514 million) were pledged for bank borrowings and notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2014.

DIVIDENDS

The Board recommends a final dividend of HK$0.16 per share for the year ended 31 December 2014 (2013: HK$0.14 per share) to shareholders whose names appear on the register of members of the Company on 4 June 2015. The final dividend, if approved, is to be payable in cash, with an option to receive new and fully paid shares in lieu of cash (the "Scrip Dividend Scheme"). Together with the interim dividend of HK$0.11 per share, the total dividend for 2014 will amount to HK$0.27 per share (2013: HK$0.27 per share).

Subject to approval by shareholders at the forthcoming annual general meeting, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 12 June 2015. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. The dividend warrants and the share certificates for the Scrip Dividend Scheme are expected be sent to shareholders on or around 10 July 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 May 2015 to Friday, 29 May 2015, both days inclusive, during which no transfer of shares of the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on 29 May 2015, all share transfer documents accompanied by the relevant share certificates must be lodged with 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 Friday, 22 May 2015 for registration.

Subject to the approval of shareholders at the meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Thursday, 4 June 2015, and the register of members of the Company will be closed on Thursday, 4 June 2015, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents, accompanied by the relevant share certificates lodged with the Company's Share Registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East not later than 4:30 p.m. on Wednesday, 3 June 2015 for registration.

CORPORATE GOVERNANCE

The Company recognises that the development and maintenance of a good and solid framework of corporate governance suitable to the needs of the Group requires commitment and continuous vigilance. The Directors firmly believe that sensible corporate governance practice is essential to vigorous but steady growth of the Group.

The Company has implemented its own corporate governance standards and objectives since November 2003. On 8 April 2005, the Board approved the Company's “Corporate Governance Practice Manual” (“Corporate Governance Manual”). The Corporate Governance Manual, which was revised on 31 March 2009, 18 November 2010 and 21 March 2012, incorporates almost all of the Code Provisions and some of the Recommended Best Practices set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 of the Listing Rules. The Corporate Governance Manual can be downloaded from our website and copies are available on request to the Company Secretary.

The Company has complied with the Code Provisions set out in the CG Code throughout the year ended 31 December 2014, save and except the following:

In respect of Code Provision A.4.1 of the CG Code, all the non-executive Directors are not appointed for a fixed term. The Board does not believe in any arbitrary term of office. The current arrangement will give the Company sufficient flexibility to organize the composition of the Board to serve the needs of the Group. Further, the Articles of Association of the Company requires that one-third of the Directors (including executive and non-executive Directors) shall retire each year and every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire each year shall be those appointed by the Board during the year and those who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

In respect of Code Provision A.5.6 of the CG Code, the Board did not have a policy concerning diversity of the Board members, but the Board is actively considering the adoption of the relevant policy.

In respect of Code Provision C.1.2 of the CG Code, the Company has not provided all members of the Board with monthly updates to enable the Board as a whole and each Director to discharge their duties. However, the Company has based on business situation, provided to the Board from time to time, updated business information to enable the Board as a whole and each Director to discharge their duties.

In respect of Code Provision D.1.4 of the CG Code, the Company did not have formal letters of appointment for Directors. However, the Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company. In addition, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors", and, if applicable, "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under the Listing Rules, legal and other regulatory requirements.

On 8 April 2005, the Company has adopted its own Code of Ethics and Securities Transactions ("Code of Ethics") which apply to the Directors and other specified individuals including the Group's senior management and persons who are privy to information relating to the Group's securities which is price sensitive in nature or inside information of the Group. To further improve the effectiveness in the actual application of the Code of Ethics, the Company has since fine-tuned the Code of Ethics on 6 April 2006, 4 April 2007, 31 March 2009 and 18 November 2010 ("New Code of Ethics"). Both the Code of Ethics and the New Code of Ethics are on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company is not aware of any non-compliance with the standards set out in the Code of Ethics, the New Code of Ethics and the Model Code by any Director during the year ended 31 December 2014.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

EMPLOYEES

As at 31 December 2014, the Group, excluding its associated companies, had a staff size of around 252,000, amongst which about 98% were employed in the Chinese Mainland, whilst the rest were mainly in Hong Kong and overseas. Remuneration packages are assessed in accordance with the nature of job duties, individual performance and market trends with built-in merit components, paid in the form of cash bonuses.

By order of the Board
CHEN LANG
Chairman

Hong Kong, 20 March 2015

As at the date of this announcement, the Executive Directors of the Company are Mr. Chen Lang (Chairman), Mr. Hong Jie (Chief Executive Officer), Mr. Liu Hongji (Vice Chairman) and Mr. Lai Ni Hium, Frank (Chief Financial Officer). The Non-executive Directors are Mr. Du Wenmin, Mr. Wei Bin, Mr. Yan Biao, Mr. Chen Ying and Mr. Wang Yan. The Independent Non-executive Directors are Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Moses, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.