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華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

- **Consolidated turnover of the Group's continuing operations reached RMB28,694 million, representing an increase of 2.6% year-on-year**
- **The Group's beer sales volume increased 0.3% to 11,715,000 kiloliters and the average selling price recorded an increase of 2.3%. Thanks to the continuous efforts of the Groups in optimizing its product mix, the sales volume of mid- to high-end beer products maintained growth**
- **The Group's profit after tax recorded an increase of 6.8% year-on-year to RMB1,419 million**
- **Considering that the Company on 11 October 2016 completed its acquisition of 49% stake in China Resources Snow Breweries Limited ("CRSB Acquisition"), and that the fourth quarter is usually the slack season for the beer industry, the consolidated profit attributable to the Company's shareholders in 2016 was RMB629 million**
- **The Group's basic and diluted earnings per share for 2016 amounted to RMB0.22 per share, which were calculated according to the Company's shareholdings before and after the CRSB Acquisition (51% before acquisition and 100% after the acquisition), thus the benefit of the CRSB Acquisition has not been fully reflected in 2016 but is expected to be fully reflected in 2017**
- **The Company completed the rights issue in August 2016 and successfully raised over HK\$9.5 billion**
- **The Board recommended a final dividend of RMB0.08 per share**

FINANCIAL HIGHLIGHTS

	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)¹</i>
Turnover		
- continuing operations	28,694	27,959
- discontinued operations ²	-	79,021
Elimination of inter-segment transactions	-	(108)
	28,694	106,872
Profit/(loss) attributable to shareholders of the Company		
- continuing operations	629	667
- discontinued operations ²	-	(4,785)
	629	(4,118)
Basic and diluted earnings/(losses) per share ^{3,4}		
- continuing operations	RMB0.22	RMB0.25
- discontinued operations ²	-	RMB(1.81)
	RMB0.22	RMB(1.56)
Dividend per share		
- interim	-	-
- final	RMB0.08	-
	RMB0.08	-
- special	-	HK\$12.30 (RMB10.08)
	At 31 December 2016	At 31 December 2015
	<i>RMB million</i>	<i>RMB million</i> <i>(Restated)¹</i>
Equity attributable to shareholders of the Company	17,601	10,056
Non-controlling interests	66	9,264
Total equity	17,667	19,320
Consolidated net borrowings	3,677	2,690
Gearing ratio ⁵	20.8%	13.9%
Current ratio	0.53	0.59
Net assets per share - book value	RMB5.43	RMB 4.13

Notes:

1. With effect from 1 January 2016, the Company changed the currency in which it presents its financial results and position from Hong Kong dollars to Renminbi.
2. The Group disposed of its non-beer businesses on 1 September 2015. These businesses are presented as discontinued operations according to the Hong Kong Financial Reporting Standard 5.
3. Earnings/(losses) per share have been adjusted for the bonus element of the rights issue following the allotment and issuance of 811,044,226 fully paid right shares on 18 August 2016 pursuant to the right issue as announced by the Company on 6 July 2016, and prior year comparative has also been restated for such effect.
4. Since the Company completed the acquisition of 49% stake in China Resources Snow Breweries Limited ("CRSB") on 11 October 2016, basic and diluted earnings per share for the year were calculated according to the Company's shareholdings before and after the acquisition (51% before acquisition and 100% after the acquisition), thus the benefit of the acquisition of 49% stake has not been fully reflected in 2016.
5. Gearing ratio represents the ratio of consolidated net borrowings to total equity.

ANALYSIS OF TURNOVER AND EARNINGS BEFORE INTEREST AND TAXATION

	Turnover		Earnings before interest and taxation	
	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)¹</i>	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)¹</i>
Continuing operations				
Eastern region	15,445	15,606	1,007	1,100
Central region	6,636	6,382	73	34
Southern region	7,374	6,957	772	677
Elimination of inter-segment transactions	(761)	(986)	-	-
Beer	28,694	27,959	1,852	1,811
Corporate overheads	-	-	(95)	(21)
	28,694	27,959	1,757	1,790
Discontinued operations²				
Elimination of inter-segment transactions	-	79,021	-	(4,146)
	-	(108)	-	-
Total	28,694	106,872	1,757	(2,356)

Notes:

1. With effect from 1 January 2016, the Company changed the currency in which it presents its financial results and position from Hong Kong dollars to Renminbi.
2. The Group disposed of its non-beer businesses on 1 September 2015. These businesses are presented as discontinued operations according to the Hong Kong Financial Reporting Standard 5.

CHAIRMAN'S STATEMENT

FINAL RESULTS

In 2016, the Group reinforced its development strategy, continued to strengthen and expand its beer business to maximize efficiency and to premiumize its product mix.

For the year ended 31 December 2016, consolidated turnover of the Group's continuing operations increased 2.6% year-on-year to approximately RMB28,694 million. Considering that on 11 October 2016, the Company completed the acquisition of 49% stake in China Resources Snow Breweries Limited ("CRSB"), and the fourth quarter is usually the slack season for the beer industry, the Company recorded a 5.7% drop in consolidated profit attributable to the Company's shareholders to RMB629 million in 2016 as compared with 2015. It is expected that the benefit of the acquisition of 49% stake will be fully reflected in 2017. Profit after tax in 2016 increased by 6.8% to RMB1,419 million, as compared with 2015.

FINAL DIVIDEND

The Board recommends a final dividend of RMB0.08 per share for the year ended 31 December 2016 (2015: Nil) payable on or around 16 June 2017 to shareholders whose names appear on the register of members of the Company on 1 June 2017, to show its appreciation to shareholders for their support of the Group.

STRATEGY IMPLEMENTATION

The Company endeavors to create greater value for shareholders through various means. Upon the disposal of all non-beer businesses, including retail, food and beverage businesses, to its parent company, China Resources (Holdings) Company Limited ("CRH") in 2015, the Company successfully transformed itself into a listed company that focuses on the beer business. In March 2016, the Company announced that it had entered into an agreement with Anheuser-Busch InBev SA/NV to purchase the 49% stake held by SABMiller Asia Limited in CRSB for a total consideration of US\$1.6 billion. The transaction was completed in October 2016, which did not only mark the Group's gaining full ownership of CRSB, but also ensured the effective implementation of the Group's growth strategies in China. In July 2016, in order to reinforce the Company's capital base and to provide greater flexibility to capture development and expansion opportunities that may arise, the Company announced the launch of a proposed rights issue ("Rights Issue") on the basis of one rights share for every three existing shares at the subscription price of HK\$11.73. The Rights Issue was fully underwritten by CRH (Beer) Limited ("CRH Beer"), the Company's controlling shareholder and a wholly-owned subsidiary of CRH, demonstrating CRH Beer's confidence in and commitment to the Company's future and growth prospects. In addition, the Company believed that the Rights Issue provided the Company's shareholders with an equal opportunity to participate in the long-term growth of the Company and guaranteed that their shares were not diluted. In the end, the rights shares were oversubscribed and raised over HK\$9.5 billion. Trading in the shares started on The Stock Exchange of Hong Kong Limited in August 2016. The net proceeds were used to fund the acquisition of the CRSB 49% stake, as well as for working capital and other general corporate purposes.

In 2016, the overall beer market capacity was dampened by the sluggish macro-economic growth and the decline in consumer spending appetite. The weather condition varied during the year

under review. The market capacity was affected by the flooding in the cities along the Yangtze River and parts of southern China in the first half, but benefited from a warmer-than-usual summer in the third quarter. The performance on sales volume of the Group was better than the industry average. The Group also carried on the premiumization of its product mix, leverage of its economies of scale, and maintaining close communications with distributors and points of sales to gain insights in market changes. The Group focused resources on its flagship brand “雪花 Snow” to penetrate various cities in China, while through its highly efficient team execution power, it further improved its profitability. During the year under review, the Group achieved growth in both volume and average selling price, of which the increase in average selling price was benefited from the product mix upgrade. Furthermore, the reduction of certain raw material costs further improved gross profit margin.

PROSPECTS

The economy of China and the world in 2016 has been impacted by several significant global events, including Renminbi’s inclusion in the Special Drawing Right (SDR) basket, the election of the new United States President, as well as the Brexit vote. In 2017, great uncertainties in the economic outlook remain in view of the changes in political and economic policies in some key regions, such as the unclear policies and direction after the new United States President took office, or the elections in some important member countries of the Eurozone.

Despite the expected fluctuation in future China beer sales volume, the Group believes that there is still room for growth in the sales volume of mid- to high-end beers in view of progressive consumption upgrades in the medium to long term, as compared to other mature countries. Thanks to that, we are confident of the development of the China beer industry, and thus will continue to advance through both organic expansion and grasping appropriate acquisition opportunities to consolidate the market, in order to reinforce our market leadership across the nation and enhance our core competitiveness.

Through implementing strategies for innovative developments and for sales and marketing, lean sales, capacity optimization etc., the Group is determined to expand the proportion of its mid- to high-end beer products and canned beer products, and to optimize its brand strategy, with a view to enhancing the products’ gross profit and the effectiveness of its selling expenses. On the operations front, in anticipation of the pressure from the possible rise in costs for raw materials, packaging materials, transportation etc., the Group is dedicated to optimizing its production capacity, reinforcing its central procurements and improving its production efficiency and lean management. It is committed to improving its talent staff reserve, to staff training in technical advancement and to optimizing its staff composition. The Group is resolute in further strengthening its risk management awareness in order to cope with the complexities and multiple changes of 2017.

We look forward to leading the business progress and building a better life together with our consumers, shareholders, staff and business partners and make the Group a trusted and beloved beer enterprise.

APPRECIATION

On behalf of the Board, I would like to express our special gratitude to SABMiller PLC and its team for their contribution to the Group in the past 20 odd years. We would like to thank all shareholders for their support. We are grateful to our management and staff for their dedication as

well as our customers and business partners for their long-term trust. We will continue to be fully committed to delivering quality products to our customers and bringing attractive and stable returns to our shareholders.

Chen Lang
Chairman

Hong Kong, 21 March 2017

2016 RESULTS

The Directors of China Resources Beer (Holdings) Company 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 2016 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)</i>
		<u> </u>	<u> </u>
Continuing operations			
Turnover	5	28,694	27,959
Cost of sales		<u>(19,021)</u>	<u>(19,272)</u>
Gross profit		9,673	8,687
Other income	6	723	819
Selling and distribution expenses		(5,033)	(4,552)
General and administrative expenses		(3,535)	(3,003)
Finance costs	7	<u>(89)</u>	<u>(228)</u>
Profit before taxation		1,739	1,723
Taxation	8	<u>(320)</u>	<u>(394)</u>
Profit for the year from continuing operations	9	<u>1,419</u>	1,329
Discontinued operations			
Loss for the year from discontinued operations		<u>-</u>	<u>(5,337)</u>
		<u>1,419</u>	<u>(4,008)</u>
Attributable to:			
Shareholders of the Company			
Continuing operations		629	667
Discontinued operations		<u>-</u>	<u>(4,785)</u>
		629	(4,118)
Non-controlling interests			
		<u>790</u>	<u>110</u>
		<u>1,419</u>	<u>(4,008)</u>
Earnings/(losses) per share			
<i>11</i>			
From continuing and discontinued operations			
Basic		<u>RMB0.22</u>	<u>RMB(1.56)</u>
Diluted		<u>RMB0.22</u>	<u>RMB(1.56)</u>
From continuing operations			
Basic		<u>RMB0.22</u>	<u>RMB0.25</u>
Diluted		<u>RMB0.22</u>	<u>RMB0.25</u>
From discontinued operations			
Basic		<u>-</u>	<u>RMB(1.81)</u>
Diluted		<u>-</u>	<u>RMB(1.81)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	<i>RMB million</i>	<i>RMB million</i> <i>(Restated)</i>
	1,419	(4,008)
Profit/(loss) for the year		
Other comprehensive (expenses)/income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(114)	1
Fair value adjustment on available for sale investments	-	(14)
Reclassification adjustments:		
– release of valuation reserve upon disposal of available for sale investments	-	(6)
– release of exchange differences upon disposal of subsidiaries	-	(112)
– release of valuation reserve upon disposal of subsidiaries	-	11
	(114)	(120)
Other comprehensive expenses for the year, net of tax		
Total comprehensive income/(expenses) for the year	1,305	(4,128)
Attributable to:		
Shareholders of the Company	531	(4,108)
Non-controlling interests	774	(20)
	1,305	(4,128)
Total comprehensive income/(expenses) for the year attributable to shareholders of the Company arising from:		
Continuing operations	531	601
Discontinued operations	-	(4,709)
	531	(4,108)

CONSOLIDATED BALANCE SHEET

At 31 December 2016

	<i>Notes</i>	31 December 2016 RMB million	31 December 2015 RMB million (Restated)	1 January 2015 RMB million (Restated)
Non-current assets				
Fixed assets				
- Investment properties		-	-	16,649
- Interests in leasehold land held for own use under operating leases		3,324	3,134	8,404
- Other property, plant and equipment		17,576	18,255	44,415
Goodwill		8,422	8,326	18,029
Other intangible assets		171	194	402
Interests in associates		-	-	290
Interests in joint ventures		-	-	800
Available for sale investments		9	10	26
Prepayments		89	158	801
Deferred taxation assets		2,011	1,655	1,794
		31,602	31,732	91,610
Current assets				
Stocks		6,110	6,488	21,844
Trade and other receivables	12	1,253	1,531	13,060
Taxation recoverable		75	90	124
Pledged bank deposits		103	125	148
Cash and bank balances		3,487	2,802	16,288
		11,028	11,036	51,464
Current liabilities				
Trade and other payables	13	(16,411)	(16,778)	(60,160)
Loans from a holding company		(2,722)	-	-
Short term loans		(1,592)	(1,778)	(7,120)
Taxation payable		(80)	(194)	(843)
		(20,805)	(18,750)	(68,123)
Net current liabilities		(9,777)	(7,714)	(16,659)
Total assets less current liabilities		21,825	24,018	74,951
Non-current liabilities				
Long term loans		(2,953)	(3,839)	(15,676)
Deferred taxation liabilities		(271)	(258)	(1,771)
Other non-current liabilities		(934)	(601)	(2,580)
		(4,158)	(4,698)	(20,027)
		17,667	19,320	54,924
Capital and reserves				
Share capital		14,090	5,941	15,691
Reserves		3,511	4,115	22,764
Equity attributable to shareholders of the Company		17,601	10,056	38,455
Non-controlling interests		66	9,264	16,469
Total equity		17,667	19,320	54,924

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 2016 have been prepared in accordance with accounting principles generally accepted in Hong Kong and requirements of the Hong Kong Companies Ordinance (Cap. 622).

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 2015 except for the adoption of the new and revised standards, amendments and interpretations, which are effective for the Group’s financial year beginning 1 January 2016, and the change in presentation currency and segment information as set out in note 3 and note 5 respectively.

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 2016. In the current year, the Group has adopted the following new and revised standards, amendments and interpretations.

HKASs and HKFRSs	Annual Improvements 2012-2014 Cycle
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendments)	Equity Method in Separate Financial Statement
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

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 7 (Amendments)	Statement of Cash Flows
HKAS 12 (Amendments)	Income Taxes
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
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 15	Revenue from Contracts with Customers
HKFRS 16	Leases

The Group has not early applied the new and revised standards and amendments that have been issued by the HKICPA but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised standards and amendments but is not yet in a position to determine whether these new and revised standards and amendments would have a material impact on its results of operations and financial position.

3. Change in presentation currency

Since the completion of the disposal of non-beer businesses, the Group's revenues and cash flows are primarily generated from beer operation in China of which the functional currency is Renminbi ("RMB"), and are expected to remain principally denominated in RMB in the future. The Company determined that, with effect from 1 January 2016, the Company would change the currency in which it presents its financial results and position from Hong Kong dollars ("HKD") to RMB, in order to reduce the impact of foreign exchange movements on reported results so as to better reflect the underlying performance of the Group.

A change in presentation currency represents a change in accounting policy which is accounted for retrospectively. The comparative figures were translated from HKD to RMB using the applicable closing rates for items in the consolidated balance sheet and applicable average rates that approximated to actual rates for items in the consolidated profit and loss account and consolidated statement of comprehensive income.

4. Key events

On 2 March 2016, the Company and Anheuser-Busch InBev SA/NV (“ABI”) entered into a sales and purchase agreement to acquire the 49% equity interest in China Resources Snow Breweries Limited (“CRSB”), a company previously owned as to 51% by the Company and 49% by SABMiller Asia Limited (“SABMiller Asia”), at a total consideration of US\$1,600 million and transaction cost (equivalent to RMB11,001 million) (the “Acquisition”). The Acquisition was completed on 11 October 2016 and CRSB become a wholly-owned subsidiary of the Company upon completion.

During the year, the Company raised approximately HK\$9,514 million, before expenses, by way of a rights issue of 811,044,226 shares at a subscription price of HK\$11.73 (equivalent to RMB10.05) per rights share, on the basis of one rights share for every three ordinary shares. The proceeds were mainly used for funding the Acquisition. The rights shares were allotted and issued on 18 August 2016. As a result, the earnings/(losses) per share has been adjusted and prior year comparative has also been restated for such effect.

In addition, China Resources (Holdings) Company Limited (“CRH”) provided shareholder’s loans to the Company during the year for funding the Acquisition. As at 31 December 2016, RMB2,722 million was provided to the Group.

5. Segment information

Segments are reported in a manner consistent with the internal reporting or resource allocation and assessment of the performance.

In prior years, management assesses the performance of the Group by the following business segments:

- Retail
- Beer
- Food
- Beverage

In 2016, following completion of the disposal of all non-beer businesses and change in management organisational structure, management has revisited the existing management reporting structure and considered a change of operating segments from business to regional perspective as a more relevant performance measurement basis to be used in the Group’s internal financial and management reporting. As such, management has re-determined the regional segments of the remaining beer business for the manufacturing and distribution of beer production on these reports by the following segments:

- Eastern region represents Northeast and Eastern coastal regions of China.
- Central region represents other than those included in Eastern region and Southern region.
- Southern region represents Southeast and Southwest of China.

Information for the year ended 31 December 2015 that are presented for comparative purposes have been restated accordingly. The change in segment reporting does not have an impact on the Group’s financial position, financial performance or cash flows.

5. Segment information (continued)

	Continuing Operations					Discontinued operations ¹	Elimination	Total
	Eastern region	Central region	Southern region	Corporate / Elimination	Beer			
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
For the year ended 31 December 2016								
TURNOVER								
External sales	15,016	6,588	7,090	-	28,694	-	-	28,694
Inter-segment sales ²	429	48	284	(761)	-	-	-	-
Total	15,445	6,636	7,374	(761)	28,694	-	-	28,694
Segment result³	1,007	73	772		1,852	-		1,852
Unallocated corporate expenses					(95)	-		(95)
Interest income					71	-		71
Finance costs					(89)	-		(89)
Profit before taxation					1,739	-		1,739
Taxation					(320)	-		(320)
Profit for the year					1,419	-		1,419
As at 31 December 2016								
ASSETS								
Segment assets	19,932	7,724	12,181	-	39,837	-		39,837
Deferred taxation assets								2,011
Taxation recoverable								75
Unallocated corporate assets								707
Consolidated total assets								42,630
LIABILITIES								
Segment liabilities	13,756	3,614	4,254	-	21,624	-		21,624
Taxation payable								80
Deferred taxation liabilities								271
Unallocated corporate liabilities								2,988
Consolidated total liabilities								24,963
OTHER INFORMATION								
Additions to non-current assets ⁴	592	422	731	-	1,745	-		1,745
Depreciation and amortisation	921	402	396	2	1,721	-		1,721
Impairment loss recognised	163	169	132	-	464	-		464

5. Segment information (continued)

	Continuing Operations					Discontinued operations ¹	Elimination	Total
	Eastern region	Central region	Southern region	Corporate / Elimination	Beer			
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
For the year ended 31 December 2015, as restated								
TURNOVER								
External sales	14,784	6,241	6,826	-	27,851	79,021	-	106,872
Inter-segment sales ²								
- discontinued operation	89	14	5	-	108	-	(108)	-
	14,873	6,255	6,831	-	27,959	79,021	(108)	106,872
Inter-segment sales ²								
- continuing operation	733	127	126	(986)	-	-	-	-
Total	15,606	6,382	6,957	(986)	27,959	79,021	(108)	106,872
Segment result³	1,100	34	677		1,811	(1,950)		(139)
Unallocated corporate expenses					(21)	(99)		(120)
Interest income					161	175		336
Finance costs					(228)	(632)		(860)
Loss on re-measurement of disposal group ⁵					-	(1,784)		(1,784)
Net loss on disposal of discontinued operation					-	(313)		(313)
Profit/(loss) before taxation					1,723	(4,603)		(2,880)
Taxation					(394)	(734)		(1,128)
Profit/(loss) for the year					1,329	(5,337)		(4,008)
As at 31 December 2015, as restated								
ASSETS								
Segment assets	19,947	8,149	11,988	-	40,084	-		40,084
Deferred taxation assets								1,655
Taxation recoverable								90
Unallocated corporate assets								939
Consolidated total assets								42,768
LIABILITIES								
Segment liabilities	15,735	3,469	3,619	-	22,823	-		22,823
Taxation payable								194
Deferred taxation liabilities								258
Unallocated corporate liabilities								173
Consolidated total liabilities								23,448
OTHER INFORMATION								
Additions to non-current assets ⁴	656	411	1,424	-	2,491	2,577		5,068
Depreciation and amortisation	937	391	401	-	1,729	1,809		3,538
Impairment loss recognised	71	15	57	-	143	2,475 ⁶		2,618
Valuation gain on investment properties	-	-	-	-	-	87		87

Notes:

- The Group's non-beer businesses were disposed on 1 September 2015. The results of the non-beer businesses were classified as discontinued operations accordingly.
- Inter-segment sales were charged at prevailing market rates.
- Segment result represents earnings before interest income, finance costs and taxation.
- Additions to non-current assets included fixed assets, goodwill and other intangible assets.
- The Group had recognised a loss of RMB1,784 million in relation to the re-measurement of disposal group to the fair value less cost of disposal.
- The Group's retail segment had made an impairment on goodwill amounting to RMB2,022 million, following management's assessment of its performance as a result of challenging environment of industry and keen competition.

6. Other income

	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)</i>
Other income includes the following:		
Continuing operations		
Interest income	71	161
Profit on disposal of available for sale investments	-	3
Government grants recognised	146	114
Dividend income from available for sale investments	-	1

7. Finance costs

	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)</i>
Continuing operations		
Interests on bank loans and other loans	124	113
Financing charges	17	25
Exchange (gain)/loss	(32)	108
	109	246
Less: Amount capitalised in cost of qualifying assets	(20)	(18)
	89	228

8. Taxation

	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)</i>
Continuing operations		
Current taxation		
Hong Kong	-	2
Chinese Mainland	674	918
	674	920
Deferred taxation		
Chinese Mainland	(354)	(526)
	320	394

Hong Kong Profits Tax is calculated at 16.5% (2015: 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. The applicable principal income tax rate for the year ended 31 December 2016 is 25% (2015: 25%).

9. Profit for the year

	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)</i>
Profit for the year has been arrived at after charging:		
Continuing operations		
Depreciation		
- Owned assets	1,697	1,706
Impairment loss recognised on (included in general and administrative expenses)		
- Fixed assets	291	72
- Stocks	173	71
Amortisation of other intangible assets (included in general and administrative expenses)	24	23
Operating leases charges on land and buildings	120	122
Cost of goods sold	19,021	19,272

10. Dividends

	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)</i>
2015 special dividend paid of HK\$12.30 (RMB10.08) per ordinary share	-	24,516
2016 proposed final dividend of RMB0.08 (2015: Nil) per ordinary share	260	-
	260	24,516

At the meeting held on 21 March 2017, the directors proposed final dividend of RMB0.08 (2015: Nil) per ordinary share. This proposed dividend, which is calculated on the Company's number of ordinary shares as at the date of the board meeting, is not recognised as a liability in these financial statements.

11. Earnings/(losses) per share

The weighted average numbers of ordinary shares used in the calculation of earnings/(losses) per share have been adjusted for the bonus element of the rights issue following the allotment and issuance of the rights shares on 18 August 2016 and prior year comparative had also been restated for such effect.

	2016	2015 <i>(Restated)</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(losses) per share	2,873,592,085	2,647,781,013
	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)</i>
The calculation of the basic and diluted earnings/(losses) per share is based on the following data:		
Earnings/(losses)		
Profit attributable to shareholders of the Company for continuing operations	629	667
Loss attributable to shareholders of the Company for discontinued operations	-	(4,785)
	629	(4,118)
	2016 <i>RMB</i>	2015 <i>RMB</i> <i>(Restated)</i>
Basic and diluted earnings/(losses) per share		
- From continuing and discontinued operations	0.22	(1.56)
- From continuing operations	0.22	0.25
- From discontinued operations	-	(1.81)

The denominators used are the same as those detailed above for both basic and diluted earnings/(losses) per share.

12. Trade and other receivables

	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)</i>
Trade receivables from third parties	688	599
Trade receivables from fellow subsidiaries	41	70
Provision for doubtful debts	(40)	(39)
	689	630
Value-added tax recoverable	190	260
Prepayments	196	268
Deposits paid	5	11
Other receivables	172	360
Amount due from a holding company	1	-
Amounts due from fellow subsidiaries	-	2
	1,253	1,531

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:

	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)</i>
The Group		
0 – 30 days	96	119
31 – 60 days	58	99
61 – 90 days	57	93
> 90 days	478	319
	689	630

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

13. Trade and other payables

	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)</i>
Trade payables	1,583	1,501
Receipt in advance	613	623
Accruals	8,091	7,512
Deposit received	4,404	4,204
Other payables	1,670	2,291
Amounts due to holding companies	50	146
Amounts due to fellow subsidiaries	-	501
	16,411	16,778

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

	2016 <i>RMB million</i>	2015 <i>RMB million</i> <i>(Restated)</i>
0 – 30 days	1,461	1,373
31 – 60 days	22	42
61 – 90 days	12	26
> 90 days	88	60
	1,583	1,501

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

14. Other Information

The consolidated financial statements of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor, PricewaterhouseCoopers. An unqualified auditor's report will be included in the Annual Report to shareholders.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results for the year ended 31 December 2016 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622). The Company will deliver the financial statements for the year ended 31 December 2016 to the Registrar of Companies in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Consolidated turnover of the Group's continuing operation in 2016 was RMB 28,694 million. This represents an increase of 2.6% over the previous year. Affected by the completion of the acquisition of 49% stake in China Resources Snow Breweries Limited on 11 October 2016 ("CRSB Acquisition"), coupled with usual slack season for the beer market in the fourth quarter, the Group's consolidated profit attributable to shareholders decreased by 5.7% to RMB 629 million in 2016, as compared with the previous year. The Group's basic and diluted earnings per share for 2016 amounted to RMB0.22 per share, which were calculated according to the Company's shareholdings before and after the CRSB Acquisition (51% before acquisition and 100% after the acquisition), thus the benefit of the CRSB Acquisition has not been fully reflected in 2016 but is expected to be fully reflected in 2017. The Group's profit after tax in 2016 increased by 6.8% to RMB 1,419 million, as compared with the previous year.

During the year under review, the overall beer market capacity was dampened by sluggish macro-economic growth and the decline in consumer spending appetite. The weather condition varied in 2016. The market capacity was affected by the rainstorms in the mid-lower reaches of the Yangtze River and parts of southern China in the first half, but benefited from a warmer-than-usual summer in the third quarter. Chinese consumer's growing demand for high quality products also boosted the upgrade of product mix in the beer market.

In 2016, the beer sales volume of the Group increased by 0.3% to approximately 11,715,000 kilolitres as compared with the previous year. The performance was better than the industry average and the Group's market share was further enlarged. This was mainly contributed by tailored sales strategies to the local market, established closer long-standing cooperative relationships with distributors and expansion in market coverage through reinforced brand promotions. The national brand "雪花 Snow" accounted for approximately 90% of total beer sales volume of the Group's business. Due to the Group's continuous efforts in optimising its product mix, mid- to high-end beer products maintained growth in its sales volume. This led to an increase in overall average selling price by approximately 2.3% in 2016 as compared with the previous year, which drives an increase in turnover in all operating segments. Together with the decrease in certain raw material costs, overall gross profit margin increased by 2.6 percentage points as compared with the previous year.

Two major sports events — the Union of European Football Associations ("UEFA") EURO and the Olympic Games — took place during the year under review. The Group moderately increased its investment in promotional and marketing activities. The Group launched a thematic promotional activity "SNOW's First Game" during the period of UEFA EURO and the Olympic Games, to enhance brand awareness through targeted promotions and publicity for its products. The Group also concentrated resources on several large-scale promotional campaigns. For the Group's mid-end products "Brave the World" series, the event "Great Expedition, Challenge the Unclimbed by College Students" aided reinforcement of the promotion for the series, which has become the best-selling single beer brand for mid-end products. For the Group's high-end beer series such as "Snow Draft Beer", the Group utilised the national photo competition on ancient Chinese architecture, "Snow Draft Beer Ingenuity in Craft", as well as sponsoring the publication of the "Ancient Chinese Architecture of Popularisation and Inheritance Series", as the key promotion campaigns. In addition, in order to grasp the industry's channel development trend in the long run, during the year under review, the Group established partnerships with large

domestic e-commerce platform providers to expand its boundaries into online sales and marketing.

During the year under review, the Group continued to enhance its deployment of the production capacity, and promote regional consolidation of the production capacity and assets, so as to improve profitability in the mid- to long-term. The impairment loss recognised for 2016 increased by RMB321 million to RMB464 million as compared with the previous year. As at the end of 2016, the Group operated 98 breweries in 25 provinces, directly administered municipalities and autonomous regions in mainland China, with an aggregate annual production capacity of approximately 22,000,000 kiloliters.

Looking ahead, the overall market capacity may fluctuate due to the various lingering uncertainties in the macro economy and ongoing intense competition. However, along with the rising trend in Chinese consumers' income levels and their growing demand for high quality products, the Group will continue to enhance its product mix and product quality, expand the proportion of its mid- to high-end and canned beer products, to meet customers' needs. The Group will continue to monitor the market conditions and the competitive environment, improve effectiveness of selling expenses through innovative marketing and lean sales. The Group will also review and improve its “雪花 Snow” brand strategy to strengthen its brand reputation and customer loyalty. Further, the Group will continue to optimise deployment of the production capacity and reinforce central procurement, so as to ease possible pressure arising from certain cost increases on raw materials, packaging materials and transportation etc. The business will continue to be developed through both organic growth and evaluation of suitable potential acquisition opportunities, which will play out more synergy effects brought about by mergers and acquisitions. This will assure the Group's leading position in the market.

FINANCIAL REVIEW

Capital and Funding

As at 31 December 2016, the Group's consolidated cash and bank balance amounted to RMB3,590 million. The Group's borrowings as at 31 December 2016 were RMB7,267 million with RMB4,314 million repayable within one year, RMB2,952 million repayable after one year but within five years and RMB1 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 ratio was approximately at 20.8% as at 31 December 2016 (31 December 2015: 13.9%).

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 31 December 2016, 20.5% of the Group's cash deposit balance was held in Hong Kong dollars, 76.0% in Renminbi and 3.5% in US dollars; whereas 59.5% of the Group's borrowings was denominated in Hong Kong dollars and 40.5% in Renminbi. The Group's borrowings are principally on a floating rate basis.

During the year, the Company raised approximately HK\$9,514 million, before expenses, by way of a rights issue of 811,044,226 shares on the basis of one rights share for every three ordinary shares at a subscription price of HK\$11.73 per rights share. As at 31 December 2016, approximately HK\$8,600 million of the net proceeds was used for the partial settlement of the

consideration of the CRSB Acquisition, and approximately HK\$400 million was used for the acquisition-related cost and general operating expenses. The Group intended to utilize the remaining balance for general working capital and repayment of borrowings and interests.

Pledge of Assets

As at 31 December 2016, assets with a carrying value of RMB103 million (31 December 2015: RMB125 million) were pledged for notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2016.

DIVIDENDS

The Board recommends a final dividend of RMB0.08 per share for the year ended 31 December 2016 (2015: Nil) payable on or around 16 June 2017 to shareholders whose names appear on the register of members of the Company on 1 June 2017. The final dividend, if approved, is to be payable in cash in Hong Kong dollars which will be converted from RMB at the average CNY Central Parity Rate announced by the People's Bank of China for the five business days prior to and including the date of the Annual General Meeting (as defined in the below section headed "Closure of Register of Members"). No interim dividend was paid during the year (2015: Nil). No special dividend was paid during the year (2015: HK\$12.30 per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 May 2017 to Thursday, 25 May 2017, 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 25 May 2017 (the "Annual General Meeting"), 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, 19 May 2017 for registration.

Subject to the approval of shareholders at the Annual General 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, 1 June 2017, and the register of members of the Company will be closed on Thursday, 1 June 2017, 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, Hong Kong no later than 4:30 p.m. on Wednesday, 31 May 2017 for registration.

CORPORATE GOVERNANCE

The Company recognises that a good and solid corporate governance framework is essential to the successful growth of the Company and the enhancement of shareholder value. The Company is committed to attaining and maintaining high standards of corporate governance and adopts principles of corporate governance emphasising a quality Board, accountability to all stakeholders, open communication and fair disclosure.

On 8 April 2005, the Company adopted the Corporate Governance Practice Manual (“CG Manual”). The CG Manual which was revised on 31 March 2009, 18 November 2010, 21 March 2012, 7 December 2015 and 18 March 2016, incorporates almost all the Code Provisions of the Corporate Governance Code (“CG Code”) contained in Appendix 14 to the Listing Rules and includes the implementation details for the Code Provisions and, where appropriate, the Recommended Best Practices. The CG 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 2016, 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 a Code of Ethics and Securities Transactions (“Code of Ethics”) which incorporates the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules. The Code of Ethics has been amended, approved and reconfirmed by the Board of directors of the Company on 6 April 2006, 4 April 2007, 31 March 2008 and further revised on 31 March 2009, 18 November 2010, and 7 December 2015 respectively. The prohibitions on securities dealing and disclosure requirements in the Code of Ethics also apply to specified individuals who include the Group’s senior management and persons who are privy to inside information of the Group. The Code of Ethics is on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry with the directors, all directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2016.

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 2016, the Group had a staff size of around 58,200, amongst which more than 99% were employed in the Chinese Mainland. Remuneration packages are assessed in accordance with the nature of job duties, individual performance and market trends with built-in merit components, paid in the form of cash bonuses.

By order of the Board
CHEN LANG
Chairman

Hong Kong, 21 March 2017

As at the date of this announcement, the Executive Directors of the Company are Mr. Chen Lang (Chairman), Mr. Hou Xiaohai (Chief Executive Officer) and Mr. Lai Po Sing, Tomakin (Chief Financial Officer). The Non-executive Directors are Mr. Chen Rong and Mr. Lai Ni Hium, Frank. 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.