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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)

**MAJOR TRANSACTION IN RELATION TO
THE PROPOSED ACQUISITION OF 49% OF
THE TOTAL ISSUED SHARE CAPITAL OF
CHINA RESOURCES SNOW BREWERIES**

Joint Lead Financial Advisers to the Company (in alphabetical order)

NOMURA



Joint Financial Advisers to the Company



A letter from the board of directors of China Resources Beer (Holdings) Company Limited is set out on pages 4 to 12 of this circular.

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DEFINITIONS

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

“ABI”	Anheuser-Busch InBev SA/NV, a public company organized under the laws of Belgium
“ABI-SABMiller Acquisition”	the proposed acquisition by ABI of SABMiller pursuant to a transaction governed by the UK Code
“ABI-SABMiller Announcement”	the announcement dated 11 November 2015 published by ABI and SABMiller in relation to the ABI-SABMiller Acquisition
“Acquisition”	the proposed acquisition by the Company of the Sale Shares pursuant to the terms of the Sale and Purchase Agreement
“Announcement”	the announcement dated 2 March 2016 made by the Company in relation to the Acquisition
“Anti-Monopoly Law”	the Anti-Monopoly Law of the PRC
“Board”	the board of Directors
“Business Days”	any day (excluding a Saturday or Sunday or public holiday) on which banks are generally open for business in Brussels, Hong Kong, London, New York and the PRC
“China Resources Snow Breweries”	China Resources Snow Breweries Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is currently owned as to 51% by the Company and 49% by SABMiller Asia
“Company”	China Resources Beer (Holdings) Company Limited (formerly known as China Resources Enterprise, Limited), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 291)
“Completion”	completion of the Acquisition
“Consideration”	the consideration of US\$1,600 million (equivalent to approximately HK\$12,440 million) payable by the Company to ABI in accordance with the Sale and Purchase Agreement

DEFINITIONS

“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Group upon Completion”	the Group upon completion of the Acquisition
“HKFRS”	Hong Kong Financial Reporting Standards
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	19 April 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	11 May 2017 or such later date as may be extended up to (but not including) 24 August 2017, as agreed between ABI and SABMiller (with the consent of UK Panel on Takeovers and Mergers and as the High Court of Justice in England and Wales may approve (if any such approval is required))
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MOFCOM”	the Ministry of Commerce of the PRC
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SABMiller”	SABMiller plc, a public limited company incorporated in England and Wales
“SABMiller Asia”	SABMiller Asia Limited, a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of SABMiller

DEFINITIONS

“Sale and Purchase Agreement”	the sale and purchase agreement dated 2 March 2016 entered into between the Company and ABI in relation to the Acquisition
“Sale Shares”	shares in China Resources Snow Breweries, constituting 49% of the total issued share capital of China Resources Snow Breweries, to be acquired by the Company pursuant to the Sale and Purchase Agreement
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Standby Shareholder’s Loan(s)”	unsecured standby shareholder’s loan(s) of up to a maximum aggregate amount of HK\$10,000 million from China Resources (Holdings) Company Limited (“CRH”), at an interest rate that CRH is able to borrow Hong Kong dollars in an amount equal to the relevant loan from a bank or a financial institution, as stated in the Company’s circular dated 9 July 2015 in relation to, among others, very substantial disposal and connected transaction in relation to disposal of all non-beer businesses. No amount has been drawn under the Standby Shareholder’s Loan(s) as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“UK Code”	UK City Code on Takeovers and Mergers
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. CHEN Lang (Chairman)

Mr. WANG Qun (Vice Chairman)

Mr. HOU Xiaohai (Chief Executive Officer)

Mr. LAI Ni Hium, Frank (Chief Financial Officer)

Registered office:

39th Floor,

China Resources Building,

26 Harbour Road, Wanchai,

Hong Kong

Non-executive Director:

Mr. CHEN Rong

Independent non-executive Directors:

Mr. HOUANG Tai Ninh

Dr. LI Ka Cheung, Eric

Dr. CHENG Mo Chi, Moses

Mr. Bernard Charnwut CHAN

Mr. SIU Kwing Chue, Gordon

22 April 2016

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF 49% OF THE TOTAL ISSUED SHARE CAPITAL OF CHINA RESOURCES SNOW BREWERIES

INTRODUCTION

Reference is made to the Announcement issued by the Company dated 2 March 2016 relating to the Acquisition.

As mentioned in the Announcement, on 2 March 2016, the Company and ABI entered into the Sale and Purchase Agreement, pursuant to which ABI has conditionally agreed to procure SABMiller Asia to sell, and the Company has conditionally agreed to acquire, the Sale Shares, constituting 49% of the total issued share capital of China Resources Snow Breweries, upon the terms and subject to the conditions set forth in the Sale and Purchase Agreement. Upon Completion, China Resources Snow Breweries will become a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

The purpose of this circular is to give you, among other things: (i) further details of the Sale and Purchase Agreement; (ii) details in relation to the Acquisition; (iii) the financial information of the Group; (iv) the financial information of China Resources Snow Breweries; and (v) the unaudited pro forma financial information of the Group upon Completion.

THE SALE AND PURCHASE AGREEMENT

Date:

2 March 2016

Parties:

- (i) the Company as purchaser; and
- (ii) ABI.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, ABI and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be acquired

The Sale Shares constitute 49% of the total issued share capital of China Resources Snow Breweries. Upon Completion, China Resources Snow Breweries will become a wholly-owned subsidiary of the Company.

Consideration

The total Consideration for the Sale Shares is US\$1,600 million (equivalent to approximately HK\$12,440 million).

The Consideration is expected to be satisfied by the Company in cash using a combination of various funding options (including debt and/or equity financing) as appropriate in compliance with the disclosure and shareholders' approval requirements under the Listing Rules. The Company is considering its funding options and depending on market conditions and other relevant factors, such funding options may include a rights issue. However, the Company has not yet determined its funding options and has not entered into any agreement, memorandum or understanding for its fund raising activities or commenced negotiation for such agreement, memorandum or understanding as at the date of this circular.

The Consideration will be payable in full by the Company to ABI on Completion.

LETTER FROM THE BOARD

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Company and ABI and with reference to the net asset value of China Resources Snow Breweries. The Company had also considered various other factors including, but not limited to, a number of industry valuation methodologies, such as trading comparables of companies in the consumer and beverage industries, precedent transactions of a nature similar to the Acquisition, and trading value of the Company relative to the Consideration payable for the Acquisition, as well as specific and unique characteristics of the Acquisition (being that it relates to the acquisition of a non-controlling interest in an unlisted company) and other commercial considerations, that arose during the normal course of such negotiations. The Directors believe that the Consideration is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions precedent

Completion of the Acquisition is conditional upon the fulfillment or waiver (as the case may be), of the following conditions precedent:

- 1 no law of the PRC shall have been enacted, entered, promulgated or enforced by any court of the PRC or any other governmental or regulatory authority in the PRC that prohibits the consummation of the Acquisition;
- 2 a merger filing having been made by ABI to and accepted by MOFCOM pursuant to the Anti-Monopoly Law, and MOFCOM having issued a decision confirming that it will not conduct further review of the ABI-SABMiller Acquisition or it will allow the ABI-SABMiller Acquisition to proceed without conditions or on conditions proposed or offered by ABI; or that all applicable waiting periods under the Anti-Monopoly Law in respect of the review of the ABI-SABMiller Acquisition have expired;
- 3 insofar as the Acquisition constitutes a "major transaction" as defined under the Listing Rules, the Company having obtained approval from its shareholders for entering into the Sale and Purchase Agreement and the transactions contemplated thereby in such manner as required by the Listing Rules; and
- 4 the Acquisition having been approved by SASAC and such approval remaining in full force and effect on Completion.

In relation to condition numbered 1 above, the Company is not aware that the Acquisition violates any law of the PRC as at the date of this Circular. Condition numbered 4 was included because the Company is ultimately controlled by China Resources National Corporation, a State-owned enterprise, as a result of which any acquisition by the Company is subject to the supervision of the SASAC. Pursuant to applicable rules and regulations of SASAC, the Company is required to make a filing in relation to the Acquisition to the SASAC, which is subject to any comments that SASAC may have.

LETTER FROM THE BOARD

As at the date of this circular, conditions numbered 3 and 4 above have been satisfied.

Completion

Completion will take place as soon as practicable on or within 24 hours after the closing of the ABI-SABMiller Acquisition at such time as the parties may agree, or such later date as may be agreed in writing between the parties. To that end, the Company will cooperate with and assist ABI in seeking MOFCOM's approval of the ABI-SABMiller Acquisition. The Consideration will be paid in full by the Company to ABI on Completion. As disclosed in the section headed "*Conditions precedent*" above, the Acquisition is conditional on, among others, a merger filing having been made by ABI to and accepted by MOFCOM pursuant to the Anti-Monopoly Law, and MOFCOM having issued a decision confirming that it will not conduct further review of the ABI-SABMiller Acquisition or it will allow the ABI-SABMiller Acquisition to proceed without conditions or on conditions proposed or offered by ABI. Therefore the Directors believe that it is in the interests of the Company and its shareholders to assist ABI in seeking MOFCOM's approval of the ABI-SABMiller Acquisition. The Company's assistance in this process has been in the form of participating in joint consultation with MOFCOM and making submission and filing to MOFCOM to facilitate MOFCOM's approval of the ABI-SABMiller Acquisition in accordance with applicable laws and regulations in the PRC.

Based on information available to the Company, the ABI-SABMiller Acquisition is subject to the antitrust and regulatory approvals in a number of jurisdictions including but not limited to the European Union, the PRC, South Africa and the United States of America. In addition, the ABI-SABMiller Acquisition will be implemented by way of a three stage process involving a scheme of arrangement in the United Kingdom, a voluntary cash takeover offer in Belgium and a reverse merger in Belgium. Implementation of these processes would involve release of public announcements and documents by ABI and/or SABMiller.

The Company is in regular direct communication with ABI to monitor the status of regulatory clearances and implementation as described above and is also actively monitoring public news reports and announcements made by ABI and SABMiller, in order to ensure that the Company will have sufficient funds available to satisfy the consideration payable for the Acquisition after closing of the ABI-SABMiller Acquisition.

Transaction expenses

If (i) the MOFCOM approval set out in the condition numbered 2 under the paragraph headed "*Conditions precedent*" above is received by ABI, and (ii) either ABI fails to close the ABI-SABMiller Acquisition on or prior to the Long Stop Date or the Sale and Purchase Agreement is terminated pursuant to the termination event numbered 2 under the paragraph headed "*Termination*" below, the Company will be entitled to reimbursement for up to US\$20 million of documented, out-of-pocket fees and expenses (including legal, accounting, financial advisory, financial printer and other advisors' fees and expenses, if applicable) incurred by the Company in connection with the negotiation and implementation of the Sale and Purchase Agreement.

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Termination

The Sale and Purchase Agreement may be terminated:

- 1 by either party by written notice to the other party if (i) Completion has not occurred prior to the Long Stop Date or (ii) any of the conditions set out under the paragraph headed “*Conditions precedent*” above becomes incapable of being satisfied as of Completion, in each case, other than through the failure of the terminating party to comply with its obligations under the Sale and Purchase Agreement;
- 2 upon the lapse or withdrawal of the ABI-SABMiller Acquisition in accordance with its terms, other than where: (i) such lapse or withdrawal is as a result of the exercise of ABI’s right to effect an election by ABI, with the consent of the UK Panel on Takeovers and Mergers, to implement the ABI-SABMiller Acquisition by way of (among other steps) the UK Offer (as defined in the ABI-SABMiller Announcement) rather than the UK Scheme (as defined in the ABI-SABMiller Announcement) and, subject to applicable Law, to otherwise change the Proposed Structure (as defined in the ABI-SABMiller Announcement); or (ii) it is otherwise to be followed within five Business Days by an announcement under Rule 2.7 of the UK Code made by ABI or a person acting in concert with ABI to implement the ABI-SABMiller Acquisition by a different offer or scheme or merger on substantially the same or improved terms; or
- 3 with the written consent of all the parties.

In the event of termination of the Sale and Purchase Agreement pursuant to its terms, the Sale and Purchase Agreement will become void and of no effect with no liability on the part of any party except for any antecedent breach and that the terms of the Sale and Purchase Agreement as summarised under the paragraph headed “*Transaction expenses*” above, this paragraph and the applicable law and jurisdiction clause in the Sale and Purchase Agreement above will survive such termination.

GENERAL INFORMATION

Information of China Resources Snow Breweries

China Resources Snow Breweries is a non-wholly owned subsidiary of the Company. As at the Latest Practicable Date, the Company and SABMiller Asia own 51% and 49%, respectively, of the total issued share capital of China Resources Snow Breweries. China Resources Snow Breweries and its subsidiaries are principally engaged in the production, sales and distribution of beer products.

LETTER FROM THE BOARD

Set out below are the net profits (both before and after taxation) of China Resources Snow Breweries based on the audited accounts of China Resources Snow Breweries prepared in accordance with HKFRS, for the two financial years ended 31 December 2015:

	For the financial year ended	
	31 December	
	2014	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit before taxation	2,317	2,146
Net profit after taxation	1,513	1,655

As at 31 December 2015, the net asset value of China Resources Snow Breweries was approximately HK\$22,289 million based on the consolidated financial statements of China Resources Snow Breweries prepared in accordance with HKFRS.

Please refer to Appendix II of this circular for further details about the financial information of China Resources Snow Breweries for the three years ended 31 December 2015.

Information of ABI, SABMiller and SABMiller Asia

ABI is a publicly traded company (Euronext: ABI) (MEXBOL: ABI) (JSE: ANB) based in Leuven, Belgium, with American Depositary Receipts on the New York Stock Exchange (NYSE: BUD). It is the leading global brewer and one of the world's top five consumer products companies. On 11 November 2015, ABI and SABMiller announced that they have reached agreement for a proposed acquisition by ABI of the entire issued share capital of SABMiller.

SABMiller is a multinational beer and beverage company, the shares of which are listed on both the London Stock Exchange and Johannesburg Stock Exchange. SABMiller Asia is a company incorporated in Hong Kong and a wholly-owned subsidiary of SABMiller.

Information on the Company

The Company is listed on the Main Board of the Stock Exchange. The Group's core business is the manufacturing, sales and distribution of beer products.

LETTER FROM THE BOARD

Reasons and Benefits of the Acquisition

The Board believes that the Acquisition would be beneficial to the Company and the shareholders as a whole due to the following reasons:

- (1) it allows the Company to gain full ownership in China Resources Snow Breweries, one of the leading brewers in the PRC, the largest beer market in the world;
- (2) it ensures effective implementation of the Company's growth strategies in the PRC; and
- (3) it allows full consolidation of China Resources Snow Breweries at the Company level, enhancing financial transparency to shareholders and eliminating any value leakage associated with a sizable minority interest.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the Acquisition, including the Consideration, are entered into on normal commercial terms and after arm's length negotiations among the parties and are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Financial Effect of the Acquisition

After the Acquisition, China Resources Snow Breweries will become a wholly-owned subsidiary of the Company.

Net assets

As detailed in the unaudited pro forma balance sheet of the Group upon Completion in Appendix III to this circular (the "Acquisition Pro Forma"), assuming the Acquisition is completed as at 31 December 2015, the total assets of the Group upon Completion as at 31 December 2015 would have decreased from HK\$51,049 million to HK\$50,669 million on a pro forma basis, the total liabilities of the Group upon Completion would have increased from HK\$27,989 million to HK\$40,429 million on a pro forma basis and the net assets would have decreased from HK\$23,060 million to HK\$10,240 million on a pro forma basis as a result of the Acquisition.

It should be noted that the Acquisition Pro Forma has no indication to the final funding arrangement of the Transaction as the Company is still considering the funding options.

LETTER FROM THE BOARD

Earnings

For the year ended 31 December 2015 the Group recorded a profit from continuing operations of approximately HK\$1,655 million. For the year ended 31 December 2015, China Resources Snow Breweries recorded a profit of approximately HK\$1,655 million. After completion of the Acquisition, the financial result of China Resources Snow Breweries will be consolidated as a wholly-owned subsidiary and the earnings of the Group attributable to Shareholders upon Completion will be affected as a result of the Acquisition.

Further details of the financial effects of the Acquisition, assuming the completion thereof took place on 31 December 2015 with sufficient funding available for the Consideration, on the balance sheet of the Group upon Completion together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out in Appendix III to this circular.

LISTING RULES IMPLICATIONS

No Director is considered to have a material interest in the Acquisition and therefore no Director was required to abstain from voting on the Board resolution approving the Sale and Purchase Agreement and the Acquisition.

Since the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the Acquisition.

As at the Latest Practicable Date, CRH (Beer) Limited (formerly known as CRH (Enterprise) Limited) owned 1,257,253,998 shares in the Company which represented approximately 51.67% of the issued share capital of the Company. Pursuant to Rule 14.44 of the Listing Rules, CRH (Beer) Limited has issued a written shareholder's approval certificate to approve the Acquisition and accordingly, no extraordinary general meeting will be convened by the Company to approve the Acquisition.

Further, as at the Latest Practicable Date, China Resources Snow Breweries was a 51% owned subsidiary of the Company, and the remaining 49% equity interest in China Resources Snow Breweries was held by SABMiller Asia. Therefore SABMiller Asia is a substantial shareholder of China Resources Snow Breweries and a connected person of the Company at the subsidiary level. On 11 November 2015, ABI and SABMiller, the parent company of SABMiller Asia, announced that they have reached agreement for the ABI-SABMiller Acquisition. Accordingly, although ABI itself is not a connected person of the Company as at the date of the Sale and Purchase Agreement, it will also become a connected person of the Company upon the completion of the ABI-SABMiller Acquisition,

LETTER FROM THE BOARD

the Acquisition therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if: (1) the listed issuer's board of directors have approved the transaction; and (2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

The Company has obtained the approval from the Board (including the independent non-executive Directors) regarding the Sale and Purchase Agreement and the Acquisition and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Sale and Purchase Agreement and the Acquisition are fair and reasonable, and that the Acquisition is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Acquisition is exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
China Resources Beer (Holdings) Company Limited
CHEN Lang
Chairman

Translation of US\$ into HK\$ in this letter from the Board is based on the approximate exchange rate of US\$1.00 to HK\$7.775 for information purposes only. Such translations should not be construed as representations that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

I. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 is disclosed on (i) pages 117 to 194 of the annual report of the Company for the year ended 31 December 2013; (ii) pages 113 to 204 of the annual report of the Company for the year ended 31 December 2014; and (iii) pages 6 to 18 of the annual results announcement of the Company for the year ended 31 December 2015, respectively, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.crbeer.com.hk>).

II. INDEBTEDNESS**(i) Borrowings and debts**

As at the close of business on 29 February 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$7,295 million, which are unsecured bank loans.

The Group did not have any material contingent liabilities as at 29 February 2016.

(ii) General

Save as otherwise disclosed herein and apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 29 February 2016, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, bank overdrafts, charges or debentures, mortgages, loans or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 29 February 2016.

III. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseen circumstances, after taking into account the Group's business prospects, internal resources, available banking facilities, Standby Shareholder's Loan(s) and the effect of the Consideration payable for the Acquisition being expected to be satisfied by the Company in cash using a combination of various funding options (including debt and/or equity financing), the Group upon Completion will have sufficient working capital to meet its requirements for at least 12 months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The China beer market faced a decline in sales volume in 2015, mainly attributable to the slower growth of the macro-economy, as well as unfavorable weather conditions during the peak season. The Group continues to increase its sales volume in spite of the sluggish environment. The Group is confident that the market's long-term prospects will be driven by multiple favorable factors. For instance, the China market has a lower market concentration and per capita beer consumption compared with most of the mature international markets, thus there is still capacity for growth. The Group believes that the beer market will be further consolidated over the medium term, especially at the expense of smaller regional players. The beer business will continue to become stronger through both organic expansion and acquisitions.

Other than the market share gain, the Group will also maintain its strategy of product mix upgrades. For those regions where the Group has significant scale and brand recognition, the Group will be more in favor of the product mix shifts, adding to its extensive use of the “雪花 Snow” brand across various product segments. The Group continuously pursues innovation on brand concept and product image which realizes one of the core competencies of its management team. The Group has different product images for various product segments. For instance, “Brave the World”, the Group's nationwide mid-end product series, deliver the spirit of “ambitious, challenging and innovative”, its premium and super premium products with the image of Chinese architecture and traditional heritage.

To optimize its cost structure, the Group will explore different ways for better management on production and administrative costs as well as efficiency enhancement, such as implementation of IT systems, improvement of overall production utilization and studying the integration of a number of breweries. The Group has demonstrated its capability to strengthen medium-term profitability by enhancing scale and market share. With the increase in market share and brand value, the Group is confident that its profitability improvement can be sustained in the long run.

1. ACCOUNTANT'S REPORT ON THE FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

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



羅兵咸永道

22 April 2016

The Directors
China Resources Beer (Holdings) Company Limited

Dear Sirs,

We report on the financial information of China Resources Snow Breweries Limited (the "Target") and its subsidiaries (together, the "Target Group"), which comprises the consolidated and company balance sheets of the Target as at 31 December 2013, 2014 and 2015, and the consolidated profit and loss accounts, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Target for each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of China Resources Beer (Holdings) Company Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 22 April 2016 (the "Circular") in connection with the proposed acquisition of 49% of the total issued share capital of the Target by the Company.

The Target was incorporated in the British Virgin Islands ("BVI") on 11 May 1993 as a limited liability company under the BVI International Business Companies Act.

As at the date of this report, the Target has direct and indirect interests in the subsidiaries as set out in Note 30 of Section II below.

The consolidated financial statements of the Target for each of the years ended 31 December 2013, 2014 and 2015 were audited by PricewaterhouseCoopers pursuant to separate terms of engagement with the Target. The directors of the Target are responsible for the preparation of the consolidated financial statements of the Target for the Relevant Periods that give a true and fair view in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and for such internal control as the directors of the Target determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Target for the Relevant Periods that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the accounting policies adopted by the Company and its subsidiaries (together, the “Group”), as set out in the annual report of the Company for the year ended 31 December 2015 (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements with no adjustment made thereon.

DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2015.

REPORTING ACCOUNTANT’S RESPONSIBILITY

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

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the financial position of the Target and of the Target Group as at 31 December 2013, 2014 and 2015 and of the Target Group’s financial performance and cash flows for the Relevant Periods.

I FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the Financial Information of the Target Group prepared by the directors of the Company as at 31 December 2013, 31 December 2014 and 31 December 2015 and for each of the years ended 31 December 2013, 31 December 2014 and 31 December 2015 (the “Financial Information”).

Consolidated Profit and Loss Accounts

	<i>Notes</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Turnover	7	32,993,952	34,482,295	34,820,892
Cost of sales		<u>(21,685,900)</u>	<u>(22,530,813)</u>	<u>(24,001,925)</u>
Gross profit		11,308,052	11,951,482	10,818,967
Other income	8	810,737	708,939	706,035
Selling and distribution expenses		(5,926,121)	(6,931,737)	(5,669,043)
General and administrative expenses		(3,374,336)	(3,224,097)	(3,423,582)
Finance costs	9	<u>(141,510)</u>	<u>(187,793)</u>	<u>(286,116)</u>
Profit before taxation		2,676,822	2,316,794	2,146,261
Taxation	12	<u>(764,511)</u>	<u>(803,500)</u>	<u>(491,475)</u>
Profit for the year	10	<u>1,912,311</u>	<u>1,513,294</u>	<u>1,654,786</u>
Attributable to:				
Shareholders of the Target		1,850,960	1,492,500	1,629,032
Non-controlling interests		<u>61,351</u>	<u>20,794</u>	<u>25,754</u>
		<u>1,912,311</u>	<u>1,513,294</u>	<u>1,654,786</u>

Consolidated Statements of Comprehensive Income

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Profit for the year	<u>1,912,311</u>	<u>1,513,294</u>	<u>1,654,786</u>
Other comprehensive income/(expenses):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations	794,139	(89,891)	(1,666,830)
Fair value adjustment on available for sale investments	(1,543)	4,427	2,299
Reclassification adjustments on disposal of available for sale investments	<u>–</u>	<u>–</u>	<u>(4,150)</u>
Other comprehensive income/(expenses) for the year, net of tax	<u>792,596</u>	<u>(85,464)</u>	<u>(1,668,681)</u>
Total comprehensive income/(expenses) for the year	<u>2,704,907</u>	<u>1,427,830</u>	<u>(13,895)</u>
Attributable to:			
Shareholders of the Target	2,633,423	1,410,658	(29,644)
Non-controlling interests	<u>71,484</u>	<u>17,172</u>	<u>15,749</u>
	<u>2,704,907</u>	<u>1,427,830</u>	<u>(13,895)</u>

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

Consolidated Balance Sheets

	<i>Notes</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets				
Fixed assets:				
– Investment properties	14	12,592	–	–
– Interests in leasehold land held for own use under operating leases	14	3,873,751	3,970,069	3,740,784
– Other property, plant and equipment	14	22,334,271	22,411,191	21,784,142
Goodwill	15	9,964,954	10,443,917	9,937,802
Other intangible assets	16	306,518	276,396	231,967
Available for sale investments	17	8,633	14,453	11,518
Prepayments	18	271,087	293,554	187,785
Deferred taxation assets	23	1,427,715	1,678,373	1,975,356
		<u>38,199,521</u>	<u>39,087,953</u>	<u>37,869,354</u>
Current assets				
Stocks	19	9,617,207	9,611,788	7,744,251
Trade and other receivables	20	5,989,226	4,326,091	1,783,873
Taxation recoverable		221,868	143,613	108,385
Pledged bank deposits		220,996	182,952	148,659
Cash and bank balances		3,851,942	4,350,624	2,416,411
		<u>19,901,239</u>	<u>18,615,068</u>	<u>12,201,579</u>
Current liabilities				
Trade and other payables	21	21,187,326	19,178,284	19,821,298
Short term loans	22A	1,550,552	3,251,332	2,122,280
Taxation payable		470,354	595,833	230,867
		<u>23,208,232</u>	<u>23,025,449</u>	<u>22,174,445</u>
Net current liabilities		<u>(3,306,993)</u>	<u>(4,410,381)</u>	<u>(9,972,866)</u>
Total assets less current liabilities		<u>34,892,528</u>	<u>34,677,572</u>	<u>27,896,488</u>

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

		2013	2014	2015
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current liabilities				
Long term loans	22B	7,853,968	5,602,307	4,581,724
Deferred taxation liabilities	23	544,004	378,729	307,729
Other non-current liabilities	24	<u>774,748</u>	<u>1,557,559</u>	<u>717,684</u>
		<u>9,172,720</u>	<u>7,538,595</u>	<u>5,607,137</u>
		<u>25,719,808</u>	<u>27,138,977</u>	<u>22,289,351</u>
Capital and reserves				
Share capital	25	331,013	331,013	331,013
Reserves		<u>25,237,564</u>	<u>26,647,756</u>	<u>21,804,164</u>
Equity attributable to shareholders of the Target		25,568,577	26,978,769	22,135,177
Non-controlling interests		<u>151,231</u>	<u>160,208</u>	<u>154,174</u>
Total equity		<u>25,719,808</u>	<u>27,138,977</u>	<u>22,289,351</u>

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

Balance Sheets of the Target

		2013	2014	2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Prepayments		7,075	658	5,950
Investments in subsidiaries	32	<u>19,138,309</u>	<u>19,675,146</u>	<u>17,546,248</u>
		<u>19,145,384</u>	<u>19,675,804</u>	<u>17,552,198</u>
Current assets				
Dividend receivable		–	3,697,373	–
Other receivables	20	702,721	407,772	3,877
Cash and bank balances		<u>89,503</u>	<u>93,521</u>	<u>220,346</u>
		<u>792,224</u>	<u>4,198,666</u>	<u>224,223</u>
Current liabilities				
Other payables	21	3,122,595	3,790,663	1,463,008
Short term loans	22A	<u>1,550,552</u>	<u>1,100,000</u>	<u>1,800,000</u>
		<u>4,673,147</u>	<u>4,890,663</u>	<u>3,263,008</u>
Net current liabilities		<u>(3,880,923)</u>	<u>(691,997)</u>	<u>(3,038,785)</u>
Total assets less current liabilities		<u>15,264,461</u>	<u>18,983,807</u>	<u>14,513,413</u>
Non-current liabilities				
Long term loans	22B	<u>2,400,000</u>	<u>2,300,000</u>	<u>1,280,000</u>
		<u>2,400,000</u>	<u>2,300,000</u>	<u>1,280,000</u>
		<u>12,864,461</u>	<u>16,683,807</u>	<u>13,233,413</u>
Capital and reserves				
Share capital	25	331,013	331,013	331,013
Reserves	31	<u>12,533,448</u>	<u>16,352,794</u>	<u>12,902,400</u>
		<u>12,864,461</u>	<u>16,683,807</u>	<u>13,233,413</u>

Consolidated Cash Flow Statements

		2013	2014	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities				
Cash generated from operations	26A	6,451,384	5,072,623	5,182,482
Chinese Mainland income tax paid		<u>(1,077,705)</u>	<u>(1,060,675)</u>	<u>(1,324,613)</u>
Net cash from operating activities		<u>5,373,679</u>	<u>4,011,948</u>	<u>3,857,869</u>
Cash flows from investing activities				
Proceeds from disposal of fixed assets		292,233	153,318	208,221
Interest received		236,814	304,513	177,651
Deposit paid for purchase of fixed assets		(271,087)	(293,553)	(187,787)
Purchase of fixed assets		(1,167,909)	(2,143,555)	(2,274,935)
Purchase of intangible assets		(2,106)	–	–
Acquisition of subsidiaries/business (net of cash and cash equivalents acquired)	26B	(4,562,558)	(340,157)	–
Settlement of consideration payable for acquisition of subsidiaries		–	(1,325,284)	–
(Proceeds to)/repayment from holding companies and fellow subsidiaries		(4,421,662)	854,573	2,392,550
Changes in pledged bank deposits		<u>5,679</u>	<u>38,044</u>	<u>34,293</u>
Net cash (used in)/from investing activities		<u>(9,890,596)</u>	<u>(2,752,101)</u>	<u>349,993</u>

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

	2013	2014	2015
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from financing activities			
Dividends paid to shareholders of the Target	–	–	(4,813,640)
Dividends paid to non-controlling shareholders of subsidiaries	(15,135)	(6,402)	(16,401)
Interest paid	(125,671)	(150,757)	(141,150)
Net proceeds from issue of ordinary shares	3,101,644	–	–
Proceeds from bank borrowing	6,750,904	1,000,000	1,802,280
Repayment of bank borrowing	(3,497,370)	(1,551,181)	(3,950,000)
Purchase of additional interests in subsidiaries	(393,573)	(8,262)	(5,690)
Advance from holding companies and fellow subsidiaries	112,820	–	761,905
	<u>5,933,619</u>	<u>(716,602)</u>	<u>(6,362,696)</u>
Net cash from/(used in) financing activities			
	<u>5,933,619</u>	<u>(716,602)</u>	<u>(6,362,696)</u>
Net increase/(decrease) in cash and cash equivalents	1,416,702	543,245	(2,154,834)
Effects of foreign exchange rate changes	33,060	(44,563)	220,621
Cash and cash equivalents at 1 January	<u>2,402,180</u>	<u>3,851,942</u>	<u>4,350,624</u>
Cash and cash equivalents at 31 December	<u><u>3,851,942</u></u>	<u><u>4,350,624</u></u>	<u><u>2,416,411</u></u>
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	<u><u>3,851,942</u></u>	<u><u>4,350,624</u></u>	<u><u>2,416,411</u></u>

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

Consolidated Statements of Changes in Equity

	Attributable to owners of the Target								Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Valuation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Surplus reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2013	331,012	8,512,282	5,158	19,521	2,896,372	725,954	7,501,060	19,991,359	330,606	20,321,965
Exchange differences on translating foreign operations	-	-	-	-	784,006	-	-	784,006	10,133	794,139
Fair value adjustment on available for sales investments	-	-	(1,543)	-	-	-	-	(1,543)	-	(1,543)
Profit for the year	-	-	-	-	-	-	1,850,960	1,850,960	61,351	1,912,311
Total comprehensive income for the year	-	-	(1,543)	-	784,006	-	1,850,960	2,633,423	71,484	2,704,907
Shares issued at premium	1	3,101,643	-	-	-	-	-	3,101,644	-	3,101,644
Purchase of additional interests in subsidiaries	-	-	-	-	-	-	(157,849)	(157,849)	(235,724)	(393,573)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(15,135)	(15,135)
Transfer	-	-	-	-	-	153,299	(153,299)	-	-	-
	1	3,101,643	(1,543)	-	784,006	153,299	1,539,812	5,577,218	(179,375)	5,397,843
At 31 December 2013	331,013	11,613,925	3,615	19,521	3,680,378	879,253	9,040,872	25,568,577	151,231	25,719,808
At 1 January 2014	331,013	11,613,925	3,615	19,521	3,680,378	879,253	9,040,872	25,568,577	151,231	25,719,808
Exchange differences on translating foreign operations	-	-	-	-	(86,269)	-	-	(86,269)	(3,622)	(89,891)
Fair value adjustment on available for sales investments	-	-	4,427	-	-	-	-	4,427	-	4,427
Profit for the year	-	-	-	-	-	-	1,492,500	1,492,500	20,794	1,513,294
Total comprehensive income for the year	-	-	4,427	-	(86,269)	-	1,492,500	1,410,658	17,172	1,427,830
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	6,003	6,003
Purchase of additional interests in subsidiaries	-	-	-	-	-	-	(466)	(466)	(7,796)	(8,262)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(6,402)	(6,402)
Transfer	-	-	-	-	-	258,081	(258,081)	-	-	-
	-	-	4,427	-	(86,269)	258,081	1,233,953	1,410,192	8,977	1,419,169
At 31 December 2014	331,013	11,613,925	8,042	19,521	3,594,109	1,137,334	10,274,825	26,978,769	160,208	27,138,977

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

	Attributable to owners of the Target									
	Share capital	Share premium	Valuation reserve	Employee share-based compensation reserve	Exchange reserve	Surplus reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	331,013	11,613,925	8,042	19,521	3,594,109	1,137,334	10,274,825	26,978,769	160,208	27,138,977
Exchange differences on translating foreign operations	-	-	-	-	(1,656,825)	-	-	(1,656,825)	(10,005)	(1,666,830)
Fair value adjustment on available for sales investments	-	-	2,299	-	-	-	-	2,299	-	2,299
Reclassification adjustments on disposal of available for sale investments	-	-	(4,150)	-	-	-	-	(4,150)	-	(4,150)
Profit for the year	-	-	-	-	-	-	1,629,032	1,629,032	25,754	1,654,786
Total comprehensive income for the year	-	-	(1,851)	-	(1,656,825)	-	1,629,032	(29,644)	15,749	(13,895)
Purchase of additional interests in subsidiaries	-	-	-	-	-	-	(308)	(308)	(5,382)	(5,690)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(16,401)	(16,401)
Dividends paid to shareholders (note 13)	-	-	-	-	-	-	(4,813,640)	(4,813,640)	-	(4,813,640)
Transfer	-	-	-	-	-	194,856	(194,856)	-	-	-
	-	-	(1,851)	-	(1,656,825)	194,856	(3,379,772)	(4,843,592)	(6,034)	(4,849,626)
At 31 December 2015	331,013	11,613,925	6,191	19,521	1,937,284	1,332,190	6,895,053	22,135,177	154,174	22,289,351

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL

The Target is a limited liability company incorporated in the British Virgin Islands (“BVI”) under the BVI International Business Companies Act. The directors regard the ultimate holding company to be China Resources National Corporation, a company established in the Chinese Mainland. The address of the registered office of the Target is P.O. Box 957, Office Incorporations Centre, Road Town, Tortola, British Virgin Islands.

As at 31 December 2013, 2014 and 2015, the Target Group was 51% owed by the China Resources Beer (Holdings) Company Limited (formerly known as China Resources Enterprise, Limited) (“CRBH”), a company incorporated in Hong Kong with limited liability listed on the Main Board of the Hong Kong Exchanges and Clearing Limited. Subsequent to 31 December 2015, CRBH and Anheuser-Busch InBev SA/NV (“ABI”) entered into a sales and purchase agreement, pursuant to which ABI has conditionally agreed to procure SABMiller Asia Limited (“SABMiller Asia”) to sell, and CRBH has conditionally agreed to acquire, the 49% of the issued share capital of the Target, a company currently owned as to 51% by CRBH and 49% by SABMiller Asia, at a total consideration of US\$1,600 million (equivalent to approximately HK\$12,440 million), upon the terms and subject to the conditions set forth in the sales and purchase agreement. The consideration is expected to be satisfied by CRBH in cash using a combination of various funding options (including debt and/or equity financing) as appropriate in compliance with the disclosure and shareholders’ approval requirements under the Listing Rules. Upon completion, the Target will become a wholly-owned subsidiary of CRBH. The acquisition was not completed as at the date of approval of this Financial Information.

The Target Group has been principally engaged in the manufacture, sales and distribution of beer products. The principle activity of the Target is investment holding and the activities of its subsidiaries are shown in note 30.

2 BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA. Save as specified in the principal accounting policies as set out in note 3, the Financial Information have been prepared under the historical cost convention.

2(i) Accounting standards and amendments that are not yet effective

The Target 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 ¹
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ¹
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ¹
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
HKFRS 9	Financial Instruments ²
HKFRS 10 and HKAS 28 (Amendments)	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²

Notes:

1. Effective for annual period beginning on or after 1 January 2016.
2. Effective for annual period beginning on or after 1 January 2018.
3. Effective date was postponed indefinitely.

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

3 PRINCIPAL ACCOUNTING POLICIES

(a) Consolidation

The Financial Information of the Target Group include the financial statements of the Target and of all its direct and indirect subsidiaries. The results of subsidiaries acquired or disposed of during the Relevant Periods are included from the effective date of acquisition or up to the effective date of disposal, as appropriate. All material intra-group transactions and balances have been eliminated on consolidation.

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

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

(b) Subsidiaries

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

(c) Goodwill

Goodwill arising on acquisition of a subsidiary prior to 1 January 2010 represents the excess of the cost of acquisition over the Target Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill arising on acquisition of a subsidiary on or after 1 January 2010 represents the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the previously held equity interest in the acquiree over the net fair value of the identifiable assets acquired and the liabilities assumed. Goodwill is tested for impairment at the reporting date and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired. Such goodwill is carried at cost less accumulated impairment losses. An impairment loss for goodwill is recognised in the

consolidated profit and loss accounts and is not reversed in a subsequent period. On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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

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

(d) Financial assets and liabilities

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

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

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

(b) *Loans and receivables*

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

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

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

(c) *Available for sale investments*

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

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

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

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

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

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

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

(e) *Other financial liabilities*

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

(f) *Derecognition*

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

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

(e) **Fixed assets**

(a) *Investment properties*

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

(b) *Construction in progress*

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

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

(c) *Other property, plant and equipment*

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

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

- Interests in leasehold land held for own use under operating leases are amortised on a straight-line basis over the period of the lease term
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 20 to 40 years
- Plant and machinery 5 to 25 years
- Motor vehicles 5 to 6 years
- Furniture and equipment 3 to 10 years

(d) Impairment of fixed assets

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

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

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

(f) Other intangible assets

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

Brand names	10 to 20 years
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These intangible assets are assessed for impairment at each balance sheet date by comparing their carrying amounts with their recoverable amounts. Where indication of impairment exists, an impairment loss is charged to profit and loss account to reduce the assets to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount. Such reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

(g) Deferred taxation

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

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

(h) Stocks

Stocks which comprise raw materials, consumables and packing materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value or amortised into expenses based upon periods of usage.

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

Cost is determined on the weighted average method.

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

(j) Government grants

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

(k) Recognition of revenue

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

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

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

(l) Borrowing costs

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

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

(m) Operating lease charges

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

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

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

(n) Foreign exchange

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES

(a) Estimated impairment of intangible assets (including goodwill and other intangible assets)

The Target Group tests annually whether intangible assets has suffered any impairment, in accordance with the accounting policy stated in note 3. Determining whether intangible assets is impaired requires an estimation of the recoverable amounts of cash generating units to which intangible assets has been allocated. The recoverable amounts have been determined either based on value-in-use calculations or the cash generating units' fair value less costs to sell. Details of the calculation are disclosed in notes 15 and 16, respectively.

(b) Accruals on promotion and marketing expenses

Management makes accruals on promotion and marketing expenses according to the term and conditions of the agreement with the distributors and customers. Expenses incurred for activities closely related to future volume are classified as discounts, while costs related to general market activities are classified as promotion and marketing expenses. Application of various accounting principles related to the classification, measurement and recognition requires the Target Group to make judgments and estimates. Specifically, arrangements with non-standard terms and conditions may require significant judgement to determine the appropriate accounting treatment. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Credit risk

As at 31 December 2013, 2014 and 2015, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheets.

The Target Group's credit risk is primarily attributable to trade and other receivables and bank balances entered into.

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

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

(b) Liquidity risk

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

Other than short term loans and long term loans, all other major financial liabilities of the Target Group are non-interest bearing. The following table details the outstanding contractual maturities at the balance sheet date of the Target Group's borrowings, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Target Group can be required to pay.

	Within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 to 5 years HK\$'000	Over 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amount HK\$'000
2013						
Variable rate borrowings						
Bank loans	(1,575,542)	(3,303,314)	(4,674,136)	(3,098)	(9,556,090)	(9,404,520)
2014						
Variable rate borrowings						
Bank loans	(2,997,689)	(2,640,838)	(3,351,834)	(2,344)	(8,992,705)	(8,853,639)
2015						
Variable rate borrowings						
Bank loans	(2,148,727)	(506,231)	(4,130,844)	(1,746)	(6,787,548)	(6,704,004)

(c) Interest rate risk

The Target Group is exposed to interest rate risk mainly from its long term and short term borrowings. Borrowings at floating interest rates expose the Target Group to fair value interest rate risk and cash flow interest rate risk respectively. To cover interest rate risk, the Target Group maintains the loan portfolio in a preferred floating interest rate mix and review regularly.

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

If interest rates had been 100 basis points higher/lower and all other variable were held constant, the Target Group's profit for the years ended 31 December 2013, 2014 and 2015 would decrease/increase by approximately HK\$94 million, HK\$89 million and HK\$67 million respectively.

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

(d) **Currency risk**

Most subsidiaries of the Target Group are operating in Chinese Mainland and have Renminbi as their functional currency. Their sales and purchases are transacted predominantly in Renminbi.

However, these subsidiaries had some foreign currency exposure arising from the bank borrowings and cash at bank denominated in US dollar and Hong Kong dollar. Management also monitors the related foreign currency exposure closely.

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

	2013		2014		2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Dollars	38,102	–	3,747	–	13,221	–
US Dollars	570,416	2,481,472	645,832	–	478,464	1,551,332

The following table details the Target Group's sensitivity to a 5% increase or decrease in the Hong Kong dollars against the Renminbi. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. A positive number below indicate an increase in profit and other equity where the functional currency strengthens 5% against the relevant foreign currency. For a 5% weakening of the functional currency against relevant foreign currency, there would be an equal and opposite impact on the profit and other equity.

	Effect on profit after tax		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Hong Kong Dollars	1,905	187	661
US Dollars	(95,552)	32,291	(45,275)

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

6 CAPITAL RISK MANAGEMENT

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

The capital structure of the Target Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents, pledged bank deposits and equity attributable to equity holders of the Target, comprising issued capital, reserves and retained profits as disclosed in the consolidated statements of changes in equity.

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Total equity	25,719,808	27,138,977	22,289,351
Consolidated net borrowings	5,331,582	4,320,063	4,138,934
Gearing Ratio	21%	16%	19%

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

7 TURNOVER

Turnover represents the amounts received and receivable for goods beer to outside customers less returns and allowances, during the Relevant Periods, and is analysed as follows:

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Sales of goods	<u>32,993,952</u>	<u>34,482,295</u>	<u>34,820,892</u>

8 OTHER INCOME

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Other income includes the following:			
Interest income from bank deposit	210,773	199,323	55,127
Interest income from amounts due from fellow subsidiaries or holding companies	25,686	104,648	122,511
Sales of by-products and scrap materials	241,612	288,827	234,112
Government grants recognised	<u>149,124</u>	<u>106,306</u>	<u>142,126</u>

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

9 FINANCE COSTS

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Interest on:			
– Bank loans and other loans wholly repayable within five years	125,592	150,757	141,150
– Bank loans and other loans wholly repayable over five years	79	–	–
Financing charges (including exchange gain or loss)	<u>38,637</u>	<u>57,871</u>	<u>167,701</u>
	164,308	208,628	308,851
Less: Amount capitalised in cost of qualifying assets*	<u>(22,798)</u>	<u>(20,835)</u>	<u>(22,735)</u>
	<u>141,510</u>	<u>187,793</u>	<u>286,116</u>

* During the year ended 31 December 2013, 2014, and 2015, the weighted average capitalisation rate on funds borrowed generally is 1.20%, 1.20% and 1.42% per annum respectively.

10 PROFIT FOR THE YEAR

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Profit for the year has been arrived at after charging:			
Auditor's remuneration – current year provision	12,245	11,631	14,571
Staff costs	6,071,936	6,486,199	6,415,022
Depreciation	1,816,008	2,122,564	2,124,431
Impairment loss recognised on (included in selling and distribution expenses or general and administrative expenses)			
– fixed assets	42,463	48,368	87,795
– other intangible assets	2,047	–	–
– stocks	63,668	14,252	89,249
Amortisation of other intangible assets	17,655	30,321	29,408
Operating leases charges on land and buildings	123,152	136,840	151,895
Cost of goods sold	<u>21,685,900</u>	<u>22,530,813</u>	<u>24,001,925</u>

11 STAFF PROVIDENT FUND

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

The total cost charged to the consolidated profit and loss accounts in respect of the above-mentioned schemes in the Chinese Mainland amounted to approximately HK\$480,000,000, HK\$556,438,000 and HK\$596,147,000 for the year ended 31 December 2013, 2014 and 2015 respectively.

(a) Directors' emoluments

The directors of the Target represent key management personnel of the Target Group having authority and responsibility for planning, directing and controlling activities of the Target Group (Note 29B).

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12 TAXATION

	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current taxation			
Chinese Mainland	1,249,634	1,240,996	951,994
Deferred taxation			
Chinese Mainland	<u>(485,123)</u>	<u>(437,496)</u>	<u>(460,519)</u>
	<u>764,511</u>	<u>803,500</u>	<u>491,475</u>

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

	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before taxation	<u>2,676,822</u>	<u>2,316,794</u>	<u>2,146,261</u>
Tax calculated at the domestic rates applicable in the country concerned	669,206	579,199	536,565
Expenses not deductible for taxation purposes	83,186	50,936	39,382
Utilisation of previously unrecognised tax losses	(215,477)	(128,562)	(82,558)
Tax losses not recognised	210,800	241,007	206,345
Under/(over) provision on taxation in previous years	16,796	231,582	(158,625)
Withholding tax on undistributed profits	<u>–</u>	<u>(170,662)</u>	<u>(49,634)</u>
Taxation charge	<u>764,511</u>	<u>803,500</u>	<u>491,475</u>

13 DIVIDENDS

	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim dividends declared and paid of HK\$nil, HK\$nil and HK\$4.55 per ordinary share for the years ended 31 December 2013, 2014 and 2015 respectively	<u>–</u>	<u>–</u>	<u>4,813,640</u>

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

14 Fixed Assets

	Other property, plant and equipment							Total HK\$'000
	Investment properties HK\$'000	Interest in leasehold land held for own use under operating leases HK\$'000	Buildings held for own use HK\$'000	Construction in progress HK\$'000	Plant and machinery, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Sub-total HK\$'000	
The Target Group								
Cost								
At 1 January 2013	–	3,369,638	7,638,428	2,252,025	16,767,581	637,818	27,295,852	30,665,490
Exchange difference	41	167,803	656,895	45,726	1,637,297	21,530	2,361,448	2,529,292
Relating to acquisition of subsidiaries/business (Note 26B)	29,762	722,706	860,808	486	1,295,622	29,514	2,186,430	2,938,898
Additions	–	125,053	153,559	1,624,256	303,241	32,582	2,113,638	2,238,691
Disposals	–	(589)	(22,521)	(2,153)	(252,483)	(31,465)	(308,622)	(309,211)
Reclassifications	(17,211)	–	1,209,459	(3,179,917)	1,918,307	45,675	(6,476)	(23,687)
At 1 January 2014	12,592	4,384,611	10,496,628	740,423	21,669,565	735,654	33,642,270	38,039,473
Exchange difference	(159)	(13,521)	(12,631)	2,570	(74,790)	(2,056)	(86,907)	(100,587)
Relating to acquisition of subsidiaries/business (Note 26B)	–	58,378	86,513	–	106,057	2,001	194,571	252,949
Additions	–	167,981	26,962	1,851,664	214,588	58,535	2,151,749	2,319,730
Disposals	–	(17,856)	(27,216)	(504)	(427,606)	(87,999)	(543,325)	(561,181)
Reclassifications	(12,433)	3,189	406,365	(1,134,894)	671,205	58,979	1,655	(7,589)
At 31 December 2014 and 1 January 2015	–	4,582,782	10,976,621	1,459,259	22,159,019	765,114	35,360,013	39,942,795
Exchange difference	–	(272,393)	(685,165)	(73,248)	(1,425,904)	(47,112)	(2,231,429)	(2,503,822)
Additions	–	118,396	11,854	2,812,759	114,961	44,696	2,984,270	3,102,666
Disposals	–	(20,639)	(50,379)	(1,342)	(483,019)	(74,059)	(608,799)	(629,438)
Reclassifications	–	–	654,867	(2,756,020)	2,050,475	49,758	(920)	(920)
At 31 December 2015	–	4,408,146	10,907,798	1,441,408	22,415,532	738,397	35,503,135	39,911,281

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	Other property, plant and machinery							Total HK\$'000
	Investment properties HK\$'000	Interest in leasehold land held for own use under operating leases HK\$'000	Buildings held for own use HK\$'000	Construction in progress HK\$'000	Plant and machinery, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Sub-total HK\$'000	
Accumulated depreciation and impairment								
At 1 January 2013	–	361,894	1,587,498	–	6,210,144	337,469	8,135,111	8,497,005
Exchange difference	–	70,779	389,690	–	1,286,565	(31,220)	1,645,035	1,715,814
Charge for the year	–	78,333	357,943	–	1,239,426	140,306	1,737,675	1,816,008
Written back on disposals	–	(146)	(13,459)	–	(187,755)	(27,384)	(228,598)	(228,744)
Impairment loss recognised	–	–	376	–	41,714	373	42,463	42,463
Reclassifications	–	–	937	–	(30,638)	6,014	(23,687)	(23,687)
At 1 January 2014	–	510,860	2,322,985	–	8,559,456	425,558	11,307,999	11,818,859
Exchange difference	–	(1,329)	(7,019)	–	(27,547)	(4,630)	(39,196)	(40,525)
Charge for the year	–	105,682	454,645	–	1,473,041	89,196	2,016,882	2,122,564
Written back on disposals	–	(3,501)	(15,280)	–	(300,327)	(61,034)	(376,641)	(380,142)
Impairment loss recognised	–	–	13,454	–	34,797	117	48,368	48,368
Reclassifications	–	1,001	38,398	–	(47,146)	158	(8,590)	(7,589)
At 31 December 2014 and 1 January 2015	–	612,713	2,807,183	–	9,692,274	449,365	12,948,822	13,561,535
Exchange difference	–	(41,270)	(200,731)	–	(681,757)	(28,887)	(911,375)	(952,645)
Charge for the year	–	99,776	448,733	–	1,499,754	76,168	2,024,655	2,124,431
Written back on disposals	–	(3,857)	(23,931)	–	(351,186)	(54,867)	(429,984)	(433,841)
Impairment loss recognised	–	–	3,471	–	83,220	1,104	87,795	87,795
Reclassifications	–	–	1,098	–	(2,036)	18	(920)	(920)
At 31 December 2015	–	667,362	3,035,823	–	10,240,269	442,901	13,718,993	14,386,355
Net book values								
At 31 December 2013	12,592	3,873,751	8,173,643	740,423	13,110,109	310,096	22,334,271	26,220,614
At 31 December 2014	–	3,970,069	8,169,438	1,459,259	12,466,745	315,749	22,411,191	26,381,260
At 31 December 2015	–	3,740,784	7,871,975	1,441,408	12,175,263	295,496	21,784,142	25,524,926

15 GOODWILL

HK\$'000

The Target Group

Cost

At 1 January 2013	5,834,919
Exchange difference	137,598
Acquisition of subsidiaries/business (Note 26B)	3,992,437

At 31 December 2013 and 1 January 2014	9,964,954
Exchange difference	(26,061)
Acquisition of subsidiaries/business (Note 26B)	505,024

At 31 December 2014 and 1 January 2015	10,443,917
Exchange difference	(506,115)

At 31 December 2015	9,937,802
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Carrying values

At 31 December 2013	9,964,954
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At 31 December 2014	10,443,917
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At 31 December 2015	9,937,802
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The carrying amount of goodwill was allocated to the cash generating unit ("CGU"). The recoverable amounts of the CGUs are determined based on a value in use calculation. These calculation use cash flow projections based on financial budgets approved by management covering a five-year period and discounted at a rate of 8.5%, 9.2% and 10.5% per annum for the years ended 31 December 2013, 2014 and 2015 respectively.

Key assumptions used for the value in use calculations:

	2013	2014	2015
Nominal growth rate beyond the initial cash flow projections	8%	8%	2.5%-5%

16 OTHER INTANGIBLE ASSETS

Brand names

HK\$'000

The Target Group

Cost

At 1 January 2013	406,936
Exchange difference	15,742
Additions	2,106
Acquisition of subsidiaries/business (Note 26B)	170,977

At 31 December 2013 and 1 January 2014	595,761
Exchange difference	(2,237)
Acquisition of subsidiaries/business (Note 26B)	1,328

At 31 December 2014 and 1 January 2015	594,852
Exchange difference	(39,178)

At 31 December 2015	555,674
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APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

		Brand names		
		<i>HK\$'000</i>		
Accumulated amortisation and impairment				
At 1 January 2013		258,887		
Exchange difference		10,654		
Charge for the year		17,655		
Impairment loss recognised		<u>2,047</u>		
At 31 December 2013 and 1 January 2014		289,243		
Exchange difference		(1,108)		
Charge for the year		<u>30,321</u>		
At 31 December 2014 and 1 January 2015		318,456		
Exchange difference		(24,157)		
Charge for the year		<u>29,408</u>		
At 31 December 2015		<u><u>323,707</u></u>		
Net book values				
At 31 December 2013		<u><u>306,518</u></u>		
At 31 December 2014		<u><u>276,396</u></u>		
At 31 December 2015		<u><u>231,967</u></u>		
17	AVAILABLE FOR SALE INVESTMENTS			
		2013	2014	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Target Group				
Non-current investments				
Listed equity shares in Chinese Mainland, at fair value		<u>8,633</u>	<u>14,453</u>	<u>11,518</u>
The fair value of investment in listed equity shares are determined with reference to quoted market bid prices.				
18	PREPAYMENTS			
		2013	2014	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Target Group				
Deposits paid for purchase of fixed assets		<u>271,087</u>	<u>293,554</u>	<u>187,785</u>

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

19 STOCKS

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
The Target Group			
Raw materials	1,167,178	1,230,076	763,117
Consumables and packing materials	7,304,316	7,358,839	5,942,551
Work-in-progress	497,760	410,256	371,077
Finished goods	647,953	612,617	667,506
	<u>9,617,207</u>	<u>9,611,788</u>	<u>7,744,251</u>

20 TRADE AND OTHER RECEIVABLES

	The Target Group			The Target		
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Trade receivables	637,989	649,285	715,645	–	–	–
Less: Provision for doubtful debts	(31,509)	(40,551)	(47,357)	–	–	–
	<u>606,480</u>	<u>608,734</u>	<u>668,288</u>	<u>–</u>	<u>–</u>	<u>–</u>
Prepayments	294,594	275,794	297,177	–	–	–
Value-added tax recoverable	247,424	286,152	310,342	–	–	–
Deposits	731,740	27,306	13,328	695,185	–	–
Other receivables	555,585	374,782	267,940	7,536	6,417	3,877
Amounts due from holding companies	3,548,870	1,570,995	144,532	–	401,355	–
Amounts due from fellow subsidiaries	–	1,177,626	82,266	–	–	–
Amount due from non-controlling interest	4,533	4,702	–	–	–	–
	<u>5,989,226</u>	<u>4,326,091</u>	<u>1,783,873</u>	<u>702,721</u>	<u>407,772</u>	<u>3,877</u>

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

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

The fair values of the Target Group's trade and other receivables at balance sheet dates were approximate to the corresponding carrying amounts.

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

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

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
0 – 30 days	141,827	108,614	134,604
31 – 60 days	82,003	65,437	98,295
61 – 90 days	42,469	51,410	81,471
> 90 days	340,181	383,273	353,918
	<u>606,480</u>	<u>608,734</u>	<u>668,288</u>

Movement in the provision for doubtful debts

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
At 1 January	9,801	31,509	40,551
Impairment loss recognised	23,071	12,852	42,703
Amounts written off as uncollectible	(1,959)	(6,517)	(33,667)
Acquisition of subsidiaries/business	249	2,757	–
Impairment losses reversed	(1)	–	(48)
Exchange difference	348	(50)	(2,182)
	<u>31,509</u>	<u>40,551</u>	<u>47,357</u>

Aging of trade receivables past due but not impaired

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Less than 30 days past due	36,349	43,076	23,912
31 - 60 days past due	24,253	25,742	8,179
61 - 90 days past due	14,992	16,527	9,381
Over 90 days past due	75,149	6,011	11,326
	<u>150,743</u>	<u>91,356</u>	<u>52,798</u>

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

As at 31 December 2015, the Target Group's amount due from a holding company is unsecured, has no fixed terms of repayment and bears interest at prevailing market interest rates.

As at 31 December 2014, the Target Group's amount due from a holding company included an amount of HK\$1,014 million which is unsecured, bears interest at 5.04% per annum. The remaining amount is unsecured, has no fixed terms of repayment and bears interest at prevailing market interest rates.

As at 31 December 2013, the Target Group's amount due from a holding company included an amount of HK\$2,162 million which is unsecured, bears interest at 5.04% per annum. The remaining amount is unsecured, has no fixed terms of repayment and bears interest at prevailing market interest rates.

As at 31 December 2015, the Target Group's amounts due from fellow subsidiaries are unsecured, have no fixed terms of repayment and bear interest at prevailing market interest rates.

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

As at 31 December 2014, the Target Group's amounts due from fellow subsidiaries included an amount of HK\$1,127 million which is unsecured, bear interest at prevailing market interest rates. The remaining amounts are unsecured, have no fixed terms of repayment and bear interest at prevailing market interest rates.

Amount due from non-controlling interest is unsecured, non-interest bearing and has no fixed term of repayment.

21 TRADE AND OTHER PAYABLES

	The Target Group			The Target		
	2013	2014	2015	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	2,685,339	1,806,782	1,792,325	–	–	–
Accruals	7,366,745	8,706,206	8,868,852	–	–	–
Deposit received	5,913,111	6,026,918	5,017,819	–	–	–
Receipt in advance	865,838	880,043	744,447	–	–	–
Other payables	3,461,058	1,750,735	2,623,811	2,235,454	3,790,663	1,298,881
Amount due to a holding company	887,141	–	164,170	887,141	–	164,127
Amount due to a fellow subsidiary	–	–	597,918	–	–	–
Amounts due to non-controlling interests	8,094	7,600	11,956	–	–	–
	<u>21,187,326</u>	<u>19,178,284</u>	<u>19,821,298</u>	<u>3,122,595</u>	<u>3,790,663</u>	<u>1,463,008</u>

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

	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
0 – 30 days	2,048,088	1,570,490	1,638,920
31 – 60 days	264,311	107,534	49,901
61 – 90 days	217,246	26,134	30,930
> 90 days	<u>155,694</u>	<u>102,624</u>	<u>72,574</u>
	<u>2,685,339</u>	<u>1,806,782</u>	<u>1,792,325</u>

The fair values of the Target Group's trade and other payables at balance sheet dates were approximate to the corresponding carrying amounts.

Amount due to a holding company is unsecured, non-interest bearing and has no fixed terms of repayment.

Amount due to a fellow subsidiary is unsecured, bears interest at prevailing market interest rates, and repayable within four months from the reporting date.

Amounts due to non-controlling interest are unsecured, non-interest bearing and have no fixed terms of repayment.

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

22A SHORT TERM LOANS

	The Target Group			The Target		
	2013	2014	2015	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current portion of long term loans						
– Unsecured bank loans	1,550,552	3,251,332	1,800,000	1,550,552	1,100,000	1,800,000
Short term bank loans						
– Secured	–	–	–	–	–	–
– Unsecured	–	–	322,280	–	–	–
	<u>1,550,552</u>	<u>3,251,332</u>	<u>2,122,280</u>	<u>1,550,552</u>	<u>1,100,000</u>	<u>1,800,000</u>

During the years ended 31 December 2013, 2014 and 2015, the average effective interest rates on the Target Group's floating rate borrowings was approximately 1.61%, 1.57% and 1.25% per annum respectively.

22B LONG TERM LOANS

	The Target Group			The Target		
	2013	2014	2015	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unsecured bank loans	9,404,520	8,853,639	6,704,004	3,950,552	3,400,000	3,080,000
Current portion included in current liabilities	<u>(1,550,552)</u>	<u>(3,251,332)</u>	<u>(2,122,280)</u>	<u>(1,550,552)</u>	<u>(1,100,000)</u>	<u>(1,800,000)</u>
	<u>7,853,968</u>	<u>5,602,307</u>	<u>4,581,724</u>	<u>2,400,000</u>	<u>2,300,000</u>	<u>1,280,000</u>
The non-current portion of bank loans are repayable as follows:						
After 1 year, but within 2 years	3,250,650	2,300,000	–	–	–	–
After 2 year, but within 5 years	4,600,000	3,300,000	4,580,000	2,400,000	2,300,000	1,280,000
After 5 years	<u>3,048</u>	<u>2,307</u>	<u>1,724</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>7,853,698</u>	<u>5,602,307</u>	<u>4,581,724</u>	<u>2,400,000</u>	<u>2,300,000</u>	<u>1,280,000</u>

The aggregate amount of committed bank borrowing facilities available to the Target Group as at 31 December 2013, 2014 and 2015 is HK\$9.40 billion, HK\$8.85 billion and HK\$6.38 billion respectively. As at 31 December 2013, 2014 and 2015, a sum of HK\$9.40 billion, HK\$8.85 billion and HK\$6.38 billion have been drawn down respectively.

The Target Group has floating rate borrowing denominated in Hong Kong Dollars and Renminbi with interest rates linked to HIBOR and the lending rate stipulated by the People's Bank of China respectively.

The effective annual interest rates on the Target Group's floating rate borrowings for the years ended 31 December 2013, 2014 and 2015 range from 0.77% to 9.18%, from 0.90% to 8.52% and from 1.02% to 3.92% per annum respectively.

23 DEFERRED TAXATION

The components of deferred taxation assets recognised in the consolidated balance sheets and the movements during the Relevant Periods are as follows:

	Tax losses HK\$'000	Impairment, provision and others HK\$'000	Total HK\$'000
The Target Group			
At 1 January 2013	35,153	878,289	913,442
(Charged)/credited to consolidated profit and loss accounts	(20,377)	502,582	482,205
Acquisition of subsidiaries/business (Note 26B)	–	1,145	1,145
Charged to other comprehensive income	–	522	522
Exchange difference	1,036	29,365	30,401
At 31 December 2013 and 1 January 2014	15,812	1,411,903	1,427,715
(Charged)/credited to consolidated profit and loss accounts	(10,495)	267,072	256,577
Credited to other comprehensive income	–	(1,404)	(1,404)
Exchange difference	(64)	(4,451)	(4,515)
At 31 December 2014 and 1 January 2015	5,253	1,673,120	1,678,373
Credited to consolidated profit and loss accounts	8,980	390,671	399,651
Credited to other comprehensive income	–	162	162
Exchange difference	(371)	(102,459)	(102,830)
At 31 December 2015	13,862	1,961,494	1,975,356

Deferred taxation assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 December 2013, 2014 and 2015, the Target Group has unrecognised tax losses of HK\$2,968,000,000, HK\$3,418,000,000 and HK\$4,071,000,000 respectively which is uncertain as to whether it can be utilised to set off against future taxable income. Included in unrecognised tax losses are losses of HK\$2,968,000,000, HK\$3,418,000,000 and HK\$4,071,000,000 as at 31 December 2013, 2014 and 2015 respectively that will expire within 5 years.

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

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

	Withholding tax on undistributed profits HK\$'000	Others HK\$'000	Total HK\$'000
The Target Group			
At 1 January 2013	355,000	34,306	389,306
Credited to consolidated profit and loss accounts	–	(2,918)	(2,918)
Acquisition of subsidiaries/business (<i>Note 26B</i>)	–	157,041	157,041
Exchange difference	–	575	575
	<hr/>	<hr/>	<hr/>
At 31 December 2013 and 1 January 2014	355,000	189,004	544,004
Credited to consolidated profit and loss accounts	(170,662)	(10,257)	(180,919)
Acquisition of subsidiaries	–	16,155	16,155
Exchange difference	–	(511)	(511)
	<hr/>	<hr/>	<hr/>
At 31 December 2014 and 1 January 2015	184,338	194,391	378,729
Credited to consolidated profit and loss accounts	(49,634)	(11,234)	(60,868)
Exchange difference	–	(10,132)	(10,132)
	<hr/>	<hr/>	<hr/>
At 31 December 2015	<u>134,704</u>	<u>173,025</u>	<u>307,729</u>

Under the Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for undistributed profits to the extent that declaration of dividends is anticipated in the foreseeable future.

24 OTHER NON-CURRENT LIABILITIES

At 31 December 2013, 2014 and 2015, other non-current liabilities included government grants of HK\$694,847,852, HK\$816,869,417 and HK\$702,380,774 respectively recognised as deferred revenue. The government grants mainly represent subsidies granted by PRC governmental authorities towards the purchases of leasehold land.

25 SHARE CAPITAL

	Number of shares '000	Share capital US\$'000	Share capital HK\$'000
The Target Group and Target			
Authorised			
Shares of US\$1 each at 1 January 2013, 31 December 2013, 2014 and 2015	100,000	100,000	780,000
	<hr/>	<hr/>	<hr/>
Issued and fully paid			
At 1 January 2013	42,800	42,800	331,012
Proceeds from share issued	–	–	1
	<hr/>	<hr/>	<hr/>
At 31 December 2013	<u>42,800</u>	<u>42,800</u>	<u>331,013</u>
	<hr/>	<hr/>	<hr/>
At 1 January 2014, 31 December 2014 and 2015	<u>42,800</u>	<u>42,800</u>	<u>331,013</u>

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

A. Cash flows from operating activities

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Profit before taxation	2,676,822	2,316,794	2,146,261
Adjustments for:			
Interest income	(236,814)	(304,513)	(177,651)
Interest expenses	125,671	150,757	141,150
Net (profit)/loss on disposal of fixed assets	(211,766)	15,244	(12,624)
Impairment loss recognised on stocks	63,668	14,252	89,249
Impairment loss recognised on fixed assets	42,463	48,368	87,795
Impairment loss recognised on other intangible assets	2,047	–	–
Depreciation	1,816,008	2,122,564	2,124,431
Amortisation of other intangible assets	17,655	30,321	29,408
Operating profit before working capital changes	4,295,754	4,393,787	4,428,019
Changes in stocks	(732,423)	5,009	1,778,288
Changes in trade and other receivables	40,816	822,496	(16,645)
Changes in trade and other payables	2,847,237	(148,669)	(1,007,180)
Cash generated from operations	<u>6,451,384</u>	<u>5,072,623</u>	<u>5,182,482</u>

B. Acquisition of subsidiaries/business

	2013 HK\$'000	2014 HK\$'000
The assets acquired and liabilities recognised at the dates of acquisition:		
Fixed assets	2,938,898	252,949
Other intangible assets	170,977	1,328
Deferred taxation assets	1,145	–
Stocks	103,149	13,843
Trade and other receivables	588,124	–
Tax recoverable	19	–
Cash and bank balances	234,013	–
Trade and other payables	(1,064,418)	(110,759)
Short term loans	(169,131)	–
Tax payable	(825)	(507)
Other non-current liabilities	(156,975)	–
Deferred taxation liabilities	(157,041)	(16,155)
	<u>2,487,935</u>	<u>140,699</u>
Non-controlling interests	–	(6,003)
Goodwill on acquisition	<u>3,992,437</u>	<u>505,024</u>
	<u>6,480,372</u>	<u>639,720</u>

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

	2013 HK\$'000	2014 HK\$'000
Discharged by:		
Cash	4,796,571	340,157
Balance of consideration payable	1,683,801	299,563
	<u>6,480,372</u>	<u>639,720</u>
Analysis of the net outflow of cash and cash equivalents in respect of acquisition of subsidiaries/business's undertaking		
Cash consideration paid	(4,796,571)	(340,157)
Cash and bank balances acquired	234,013	–
	<u>(4,562,558)</u>	<u>(340,157)</u>

The acquisition of subsidiaries/business in 2013 mainly represented the acquisition of Kingway Brewery's business in relation to beer production, distribution and sales, and including the related shareholder's loan and debts, for a total cash consideration of HK\$6.48 billion. The acquisition was completed in September 2013. Goodwill arising on acquisition was attributable to the profitability and the synergies expected to arise from the acquired business. With the strong brand reputation of Kingway Brewery in China, especially in Guangdong Province, as well as its strong market share, extensive sales network and established manufacturing facilities, the acquisition would not only strengthen the Target Group's market but also further optimize the Target Group's sales network in China, enhancing the Target Group's leading position in China's beer industry.

The acquisition of subsidiaries/business in 2014 mainly represented the acquisition of 95.73% interest in 貴州茅台酒廠集團啤酒有限責任公司 (translated as GuiZhou Maotai Brewery Company Limited) at a cash consideration of HK\$340 million. Goodwill arising on acquisition was attributable to the profitability and the synergies expected to arise from the acquired business.

27 CAPITAL COMMITMENTS

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
The Target Group			
Capital commitments outstanding at the balance sheet dates are as follows:			
Contracted but not provided for	4,821,214	1,419,221	4,262,119
Authorised but not contracted for	3,149,728	4,422,540	5,635,938
	<u>7,970,942</u>	<u>5,841,761</u>	<u>9,898,057</u>

28 OPERATING LEASE COMMITMENTS

At the balance sheet dates, the total future minimum lease payment in respect of land and buildings under non-cancellable operating leases are payable as follows:

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
The Target Group			
Within one year	120,493	72,798	50,758
In the second to fifth year inclusive	40,889	57,890	4,708
After five years	5,757	30,309	4,709
	<u>167,139</u>	<u>160,997</u>	<u>60,175</u>

Operating leases are negotiated for lease terms principally ranged from 1 to 20 years.

29 MATERIAL RELATED PARTY TRANSACTIONS

A Trading transactions

Transactions between the Target and its subsidiaries, which are related parties of the Target, have been eliminated on consolidation and are not disclosed in this note. In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Target Group entered into the following material related party transactions.

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Sales of goods to			
A holding company	10,908	8,813	10,308
Fellow subsidiaries	136,477	84,814	159,567
Operating lease payment to			
Fellow subsidiaries	13,084	21,522	19,341
Interest received from			
A holding company	16,293	98,217	12,784
A fellow subsidiary	9,393	6,431	109,727
Interest paid to			
A fellow subsidiary	<u>6,438</u>	<u>–</u>	<u>1,111</u>

As at 31 December 2013, 2014 and 2015, cash and bank balances includes deposits of HK\$285 million, HK\$12.7 million and HK\$11.9 million respectively made by the Target Group to China Resources Bank of Zhuhai Co., Ltd.

B Compensation of key management personnel

Remuneration paid for key management personnel include solely the directors of the Target as follows:

	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Basic salaries and allowance	2,056	2,049	1,929
Bonus paid	<u>2,721</u>	<u>2,615</u>	<u>11,322</u>
	<u>4,777</u>	<u>4,664</u>	<u>13,251</u>

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

30 SUBSIDIARIES OF THE TARGET

Subsidiaries of the Target are as follows:

Name of subsidiary	Issued ordinary share capital/ registered capital	Percentage of capital held by						Principal activities
		2013		2014		2015		
		Target %	Subsidiaries %	Target %	Subsidiaries %	Target %	Subsidiaries %	
Incorporated in Hong Kong:								
華創飲品貿易有限公司 CRE Beverage Trading Limited	2 ordinary shares	100	–	100	–	100	–	Financing
華潤雪花啤酒(蘇州)投資有限公司 (China Resources Snow Breweries (Suzhou) Investments Limited)	1,000 ordinary shares	100	–	100	–	100	–	Investment holding
粵海金威銷售有限公司 Guangdong Kingway Sales Limited	2 ordinary shares	100	–	100	–	100	–	Sales & marketing of beer
Incorporated in the British Virgin Islands:								
China Capital Investments Limited *中景投資公司	1 ordinary share of US\$1	100	–	100	–	100	–	Property holding
China Glory Investments Limited *中榮投資公司	1 ordinary share of US\$1	100	–	100	–	100	–	Property holding
Make Wish Investments Limited *萬昌投資公司	1 ordinary share of US\$1	100	–	100	–	100	–	Property holding
Max Shine International Limited *瑪光國際公司	1 ordinary share of US\$1	100	–	100	–	100	–	Property holding
Established in the Chinese Mainland:								
華潤雪花啤酒(安徽)有限公司 (China Resources Snow Breweries (Anhui) Co. Ltd.)	RMB246,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products

* Trade Name

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

Name of subsidiary	Issued ordinary share capital/ registered capital	Percentage of capital held by						Principal activities
		2013		2014		2015		
		Target %	Subsidiaries %	Target %	Subsidiaries %	Target %	Subsidiaries %	
華潤雪花啤酒(鞍山) 有限公司 **(China Resources Snow Breweries (Anshan) Co., Ltd.)	RMB141,000,000	–	90	–	90	–	90	Manufacturing and distribution of beer products
華潤雪花啤酒(四川) 有限責任公司 (China Resources Snow Breweries (Sichuan) Co., Ltd.)	RMB124,143,853	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(達州) 有限公司 (China Resources Snow Breweries (Dazhou) Co., Ltd.)	RMB35,376,483	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(廣安) 有限責任公司 (China Resources Snow Breweries (Guangan) Co., Ltd.)	RMB131,270,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(樂山) 有限責任公司 (China Resources Snow Breweries (Leshan) Co., Ltd.)	RMB132,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(綿陽) 有限責任公司 (China Resources Snow Breweries (Mianyang) Co., Ltd.)	RMB100,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(南充) 有限公司 (China Resources Snow Breweries (Nanchong) Co., Ltd.)	RMB45,428,155	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(內江) 有限責任公司 (China Resources Snow Breweries (Neijiang) Co., Ltd.)	RMB147,047,237	–	100	–	100	–	100	Manufacturing and distribution of beer products

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		2013		2014		2015		
		Target %	Subsidiaries %	Target %	Subsidiaries %	Target %	Subsidiaries %	
華潤雪花啤酒(邱縣) 有限責任公司 (China Resources Snow Breweries (Qionglai) Co., Ltd.)	RMB15,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(德陽) 有限責任公司 **(China Resources Snow Breweries (Deyang) Co., Ltd.)	RMB245,792,501	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(自貢) 有限責任公司 (China Resources Snow Breweries (Zigong) Co., Ltd.)	RMB34,988,797	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(長春) 有限公司 (China Resources Snow Breweries (Changchun) Co., Ltd.)	RMB92,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(大連) 有限公司 (China Resources Snow Brewery (Dalian) Co., Ltd.)	US\$32,797,869	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(哈爾濱) 有限公司 **(China Resources Snow Breweries (Haerbin) Co., Ltd.)	RMB260,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(吉林) 有限公司 (China Resources Snowflake Brewery (Jilin) Co., Ltd.)	US\$31,200,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(遼陽) 有限公司 **(China Resources Snow Breweries (Liaoyang) Co., Ltd.)	US\$1,208,000	–	100	–	100	–	100	Manufacturing and distribution of beer products

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		2013		2014		2015		
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華潤雪花啤酒(遼寧)有限公司 **(China Resources Snow Breweries (Liaoning) Co., Ltd.)	US\$118,504,683	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(天津)有限公司 (China Resources Snow Breweries (Tianjin) Co. Ltd.)	US\$44,250,000	–	97	–	97	–	97	Manufacturing and distribution of beer products
華潤雪花啤酒(中國)投資有限公司 **(China Resources Snow Breweries (China) Investment Co., Ltd.)	US\$617,673,544	100	–	100	–	100	–	Investment holding
華潤雪花啤酒(盤錦)有限公司 (China Resources Snowflake Brewery (Panjin) Co., Ltd.)	RMB35,000,000	–	90	–	90	–	90	Manufacturing and distribution of beer products
華潤雪花啤酒(武漢)有限公司 (China Resources Snow Brewery (Wuhan) Co., Ltd.)	RMB570,000,000	–	90	–	90	–	90	Manufacturing and distribution of beer products
華潤雪花啤酒(北京)有限公司 **(China Resources Snow Breweries (Beijing) Co., Ltd.)	US\$21,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(中國)有限公司 **(China Resources Snow Breweries (China) Co., Ltd.)	US\$12,982,255	–	100	–	100	–	100	Distribution of beer products
華潤雪花啤酒(遂寧)有限公司 (China Resources Snow Breweries (Suining) Co., Ltd.)	RMB94,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products

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		2013		2014		2015		
		Target %	Subsidiaries %	Target %	Subsidiaries %	Target %	Subsidiaries %	
華潤雪花啤酒(舒城)有限公司 (China Resources Snow Breweries (Shu Cheng) Co., Ltd.)	RMB70,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(六安)有限公司 (China Resources Snow Breweries (Luan) Co., Ltd.)	RMB182,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(浙江)有限公司 **(China Resources Snow Breweries (Zhejiang) Co., Ltd.)	RMB187,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(廣東)有限公司 **(China Resources Snow Breweries (Guangdong) Co., Ltd.)	US\$55,850,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(江蘇)有限公司 (China Resources Snow Breweries (Jiangsu) Ltd.)	US\$114,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(無錫)有限公司 (China Resources Snow Breweries (Wuxi) Ltd.)	US\$25,500,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(西藏)有限公司 (China Resources Snow Brewery (Xizang) Co. Ltd.)	RMB15,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(常州)有限公司 (China Resources Snow Brewery (Changzhou) Co. Ltd).	US\$27,841,640	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(阜陽)有限公司 **(China Resources Snow Breweries (Fuyang) Co., Ltd.)	RMB45,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products

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Name of subsidiary	Issued ordinary share capital/ registered capital	Percentage of capital held by						Principal activities
		2013		2014		2015		
		Target %	Subsidiaries %	Target %	Subsidiaries %	Target %	Subsidiaries %	
華潤雪花啤酒(宜昌) 有限公司 **(China Resources Snow Breweries (Yichang) Co., Ltd.)	RMB82,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(天門) 有限公司 **(China Resources Snow Breweries (Tianmen) Co., Ltd.)	RMB69,440,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(秦皇島) 有限公司 **(China Resources Snow Breweries (Qinhuangdao) Co., Ltd.)	RMB148,560,000	–	90	–	90	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(黑龍江) 有限公司 (China Resources Snow Breweries (Heilongjiang) Co., Ltd.)	US\$25,800,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(嘉興) 有限公司 **(China Resources Snow Breweries (Jiaxing) Co., Ltd.)	US\$20,103,388	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(杭州) 有限公司 **(China Resources Snow Breweries (Hangzhou) Co., Ltd.)	RMB161,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(淮北) 有限公司 (China Resources Snow Breweries (Huaibei) Co., Ltd.)	US\$7,500,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(興安) 有限公司 (China Resources Snow Breweries (Xingan) Co., Ltd.)	US\$14,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products

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		2013		2014		2015		
		Target %	Subsidiaries %	Target %	Subsidiaries %	Target %	Subsidiaries %	
華潤雪花啤酒(山西) 有限公司 **(China Resources Snow Breweries (Shanxi) Co., Ltd.)	US\$11,500,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(福建) 有限公司 (China Resources Snow Breweries (Fujian) Co., Ltd.)	US\$15,700,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(貴州) 有限公司 **(China Resources Snow Breweries (Guangzhou) Co., Ltd.)	RMB77,680,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(西昌) 有限公司 (China Resources Snow Breweries (Xichang) Co., Ltd.)	RMB50,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(溫州) 有限公司 (China Resources Snow Breweries (Wenzhou) Co., Ltd.)	US\$55,800,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(甘肅) 有限公司 **(China Resources Snow Breweries (Gansu) Co., Ltd.)	US\$31,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(河北) 有限公司 **(China Resources Snow Breweries (Hebei) Co., Ltd.)	US\$36,500,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(呼倫貝爾) 有限公司 **(China Resources Snow Breweries (Hulunbeier) Co., Ltd.)	RMB21,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products

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		2013		2014		2015		
		Target %	Subsidiaries %	Target %	Subsidiaries %	Target %	Subsidiaries %	
華潤雪花啤酒(依蘭) 有限公司 **(China Resources Snow Breweries (Yilan) Co., Ltd.)	US\$21,100,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(南京) 有限公司 **(China Resources Snow Breweries (Nanjing) Co., Ltd.)	US\$88,710,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(滁州) 有限公司 (China Resources Snow Breweries (Chuzhou) Co., Ltd.)	RMB72,500,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(湖南) 有限公司 **(China Resources Snow Breweries (Hunan) Co., Ltd.)	RMB41,158,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(五河) 有限公司 **(China Resources Snow Breweries (Wuhe) Co., Ltd.)	RMB50,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(丹東) 有限公司 **(China Resources Snow Breweries (Dandong) Co., Ltd.)	RMB34,000,000	–	90	–	90	–	90	Manufacturing and distribution of beer products
華潤雪花啤酒(通化) 有限公司 (China Resources Snowflake Brewery (Tonghua) Co. Ltd.)	US\$12,600,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(寧波) 有限公司 **(China Resources Snow Breweries (Ningbo) Co., Ltd.)	US\$26,666,667	–	100	–	100	–	100	Manufacturing and distribution of beer products

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		Target %	Subsidiaries %	Target %	Subsidiaries %	Target %	Subsidiaries %	
華潤雪花啤酒(海拉爾)有限公司 **(China Resources Snow Breweries (Hailaer) Co., Ltd.)	RMB110,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(瀋陽)有限公司 **(China Resources Snow Breweries (Yuncheng) Co., Ltd.)	RMB240,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(上海)有限公司 (China Resources Snow Breweries (Shanghai) Co. Ltd.)	RMB550,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(朝陽)有限公司 **(China Resources Snow Breweries (Chaoyang) Co., Ltd.)	RMB150,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(伊春)有限公司 **(China Resources Snow Breweries (Yichun) Co., Ltd.)	RMB23,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(安慶)有限公司 **(China Resources Snow Breweries (Anqing) Co., Ltd.)	RMB60,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(台州)有限公司 **(China Resources Snow Breweries (Taizhou) Co., Ltd.)	US\$24,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(山東)有限公司 **(China Resources Snow Breweries (Shandong) Co., Ltd.)	RMB120,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products

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		Target %	Subsidiaries %	Target %	Subsidiaries %	Target %	Subsidiaries %	
華潤雪花啤酒(濱州)有限公司 **(China Resources Snow Breweries (Binzhou) Co., Ltd.)	RMB180,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(聊城)有限公司 **(China Resources Snow Breweries (Liaocheng) Co., Ltd.)	RMB89,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(齊齊哈爾)有限公司 **(China Resources Snow Breweries (Qiqihaer) Co., Ltd.)	RMB52,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(駐馬店)有限公司 (China Resources Snow Breweries (Zhumadian) Co., Ltd.)	RMB100,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(鐵嶺)有限公司 **(China Resources Snow Breweries (Tieling) Co., Ltd.)	RMB100,000,000	–	90	–	90	–	90	Manufacturing and distribution of beer products
華潤雪花啤酒(阜新)有限公司 **(China Resources Snow Breweries (Fuxin) Co., Ltd.)	RMB100,000,000	–	90.1	–	90.1	–	90.1	Manufacturing and distribution of beer products
華潤雪花啤酒(寧夏)有限公司 (China Resources Snow Breweries (Ningxia) Co., Ltd.)	US\$19,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(蕪湖)有限公司 **(China Resources Snow Breweries (Wuhu) Co., Ltd.)	RMB140,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products

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華潤雪花啤酒(商丘) 有限公司 (China Resources Snow Breweries (Shangqiu) Co., Ltd.)	US\$20,594,771	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(河南) 有限公司 **(China Resources Snow Breweries (Henan) Co., Ltd.)	RMB400,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(黃石) 有限公司 **(China Resources Snow Breweries (Huangshi) Co., Ltd.)	US\$20,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(婁底) 有限公司 (China Resources Snow Breweries (Loudi) Co., Ltd.)	RMB135,500,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(湘西) 有限公司 (China Resources Snow Breweries (Xiangxi) Co., Ltd.)	RMB121,760,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(浙江) 西湖有限公司 **(China Resources Snow Breweries (Zhejiang) Xihu Co., Ltd.)	RMB426,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(泰州) 有限公司 **(China Resources Snow Breweries (Taizhou) Co., Ltd.)	US\$19,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
上海金山華潤雪花啤酒 有限公司 (Shanghai Jinshan China Resources Snow Breweries Co., Ltd.)	RMB300,000,000	–	98	–	100	–	100	Manufacturing and distribution of beer products

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		Target %	Subsidiaries %	Target %	Subsidiaries %	Target %	Subsidiaries %	
華潤雪花啤酒(大同)有限公司 (China Resources Snow Breweries (Datong) Co., Ltd.)	RMB150,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(黔南)有限公司 **(China Resources Snow Breweries (Qiannan) Co., Ltd.)	RMB65,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(黔东南)有限公司 **(China Resources Snow Breweries (Qiandongnan) Co., Ltd.)	RMB130,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
華潤雪花啤酒(廣西)有限公司 (China Resources Snow Breweries (Guangxi) Co., Ltd.)	RMB150,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
天津濱海新區雪花啤酒有限公司 (Tianjing Binhai New Area Snow Breweries Co., Ltd.)	US\$30,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
雪花啤酒(東莞)有限公司 **(Snow Breweries (Dongguan) Co., Ltd.)	US\$11,880,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
雪花啤酒(深圳)有限公司 **(Snow Breweries (Shenzhen) Co., Ltd.)	US\$48,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
雪花啤酒(佛山)有限公司 **(Snow Breweries (Foshan) Co., Ltd.)	US\$20,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
雪花啤酒(汕頭)有限公司 **(Snow Breweries (Shantou) Co., Ltd.)	RMB186,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products

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		Target %	Subsidiaries %	Target %	Subsidiaries %	Target %	Subsidiaries %	
雪花啤酒(成都)有限公司 **(Snow Breweries (Chengdu) Co., Ltd.)	US\$33,500,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
雪花啤酒(西安)有限公司 **(Snow Breweries (Xi'an) Co., Ltd.)	US\$17,000,000	–	100	–	100	–	100	Manufacturing and distribution of beer products
雪花啤酒物資回收(西安)有限公司 **(Snow Breweries Material Recycling (Xi'an) Co., Ltd.)	RMB500,000	–	100	–	100	–	100	Recycling wasted materials
華潤雪花啤酒(遵義)有限公司 **(China Resources Snow Breweries (Zunyi) Co., Ltd.)	RMB282,040,000	–	N/A	–	95.7311	–	95.7311	Manufacturing and distribution of beer products
華潤雪花電子商務有限公司 **(China Resources Snow Breweries E-Commerce Co., Ltd.)	US\$10,000,000	–	N/A	–	N/A	–	100	E-commerce business

** Translation for reference

31 RESERVE MOVEMENT OF THE TARGET

	Share Premium HK\$'000	Employee share-based compensation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2013	8,512,282	19,521	873,328	9,405,131
Shares issued at premium	3,101,643	–	–	3,101,643
Profit and total comprehensive income for the year	–	–	26,674	26,674
At 31 December 2013	<u>11,613,925</u>	<u>19,521</u>	<u>900,002</u>	<u>12,533,448</u>

APPENDIX II FINANCIAL INFORMATION OF CHINA RESOURCES SNOW BREWERIES

	Share Premium <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	11,613,925	19,521	900,002	12,533,448
Profit and total comprehensive income for the year	—	—	3,819,346	3,819,346
At 31 December 2014	<u>11,613,925</u>	<u>19,521</u>	<u>4,719,348</u>	<u>16,352,794</u>
At 1 January 2015	11,613,925	19,521	4,719,348	16,352,794
Profit and total comprehensive income for the year	—	—	1,363,246	1,363,246
Dividends paid to shareholders	—	—	(4,813,640)	(4,813,640)
At 31 December 2015	<u>11,613,925</u>	<u>19,521</u>	<u>1,268,954</u>	<u>12,902,400</u>

32 INVESTMENTS IN SUBSIDIARIES

	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Unlisted shares, at cost	5,687,623	5,677,738	5,677,738
Impairment losses recognised	(390,087)	(390,087)	(390,087)
Net investment cost	5,297,536	5,287,651	5,287,651
Amounts due from subsidiaries	13,840,773	14,387,495	12,258,597
	<u>19,138,309</u>	<u>19,675,146</u>	<u>17,546,248</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. The amounts are not expected to be repayable within one year from the end of the reporting period, and accordingly, the balances are classified as non-current assets.

33 SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

Save as the significant events disclosed elsewhere to this Financial Information, there is no other significant event took place subsequent to 31 December 2015.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target in respect of any period subsequent to 31 December 2015 and up to the date of this report. No dividend or distribution has been made by the Target in respect of any period subsequent to 31 December 2015.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON CHINA RESOURCES SNOW BREWERIES

For the year ended 31 December 2015

Business and Financial Review

In the year ended 31 December 2015, the turnover and attributable profit of China Resources Snow Breweries were HK\$34,821 million and HK\$1,629 million respectively, representing increases of 1.0% and 9.1% compared with the previous year.

During the year ended 31 December 2015, the macroeconomic slowdown and the anti-extravagance campaign driven by the Chinese government led to a decline in consumers' spending. This, combined with unfavorable weather conditions, resulted in a decline in overall sales volume in the beer industry.

In the year ended 31 December 2015, beer sales volume of China Resources Snow Breweries decreased by 1.3% compared with the year ended 31 December 2014 to approximately 11,683,000 kiloliters. By constantly enhancing the distribution of the production capacity, executing sales strategies tailored to local conditions, improving long-term relationship with the local distributors, strengthening the brand promotion, and expanding the market coverage, China Resources Snow Breweries' beer sales in the year ended 31 December 2015 surpassed the industry average. The operation's national "雪花 Snow" brand accounted for approximately 90% of the operation's total beer sales volume. In order to meet consumers' needs, China Resources Snow Breweries continued to improve and refine its product mix. The rapid increase in sales of premium beer also contributed to an increase in overall average selling price. In the year ended 31 December 2015, the overall average selling price in Renminbi increased by about 3.2% compared with the year ended 31 December 2014. During 2015, China Resources Snow Breweries organized various large-scale promotional campaigns, alongside optimization of its product mix. Through the "Great Expedition, Challenge the Unclimbed by College Students" event and its appointment as the sponsor of Beijing's bid for the 2022 Winter Olympics, China Resources Snow Breweries reinforced the promotion of the mid-end "Brave the World" series. In addition, China Resources Snow Breweries utilized the "Snow Draft Beer Ingenuity in Craft" photo competition on Chinese ancient buildings as a key event for promoting its high-end beer series such as "Snow Draft Beer".

During the year ended 31 December 2015, China Resources Snow Breweries improved operating profit by achieving economies of scale, lean management and better control of selling expenses. During the year under review, China Resources Snow Breweries continued to optimize tax planning. However, the Renminbi depreciation has led to an exchange loss arising from repayment of non-Renminbi loans, as well as a decrease in interest income from bank deposits due to dividend payout to shareholders of China Resources Snow Breweries. Earnings before

interests, tax, depreciation and amortisation (“EBITDA”) of China Resources Snow Breweries in the year ended 31 December 2015 increased by 1.3% to HK\$4,409 million, compared with the previous year. As at the end of 2015, China Resources Snow Breweries operated 97 breweries in 25 provinces in mainland China, with an aggregate annual production capacity of approximately 22,000,000 kiloliters.

Looking ahead, in light of prolonged weakness in the macro economy, slower expansion of overall market capacity and ongoing competition in the beer market, China Resources Snow Breweries will continue to carry out the “雪花 Snow” marketing campaigns and promotion activities to enhance the brand reputation and customer loyalty. It will also step up the promotion of premium beer products, strengthen product mix and quality as well as explore synergies from mergers and acquisitions. In the meantime, China Resources Snow Breweries will continue to increase its regional presence through organic growth and acquisitions, and consolidate its leading position.

Liquidity and financial resources

As at 31 December 2015, China Resources Snow Breweries had cash and cash equivalents, and pledged bank deposits, of approximately HK\$2,565 million. China Resources Snow Breweries’ total loans as at 31 December 2015 was HK\$6,704 million, of which the current portion and non-current portion were HK\$2,122 million and HK\$4,582 million, respectively. The gearing ratio, being the ratio of the total loans minus cash and cash equivalents and pledged bank deposits divided by total equity, was 18.6%. The liquidity ratio of current assets over current liabilities, was 0.55 as at 31 December 2015.

Currency and interest rate

China Resources Snow Breweries’ transactions are denominated in RMB and HK\$. China Resources Snow Breweries did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk mainly arise from non-RMB denominated bank loans. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when conditions arises.

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

Material acquisition and disposal of subsidiaries

China Resources Snow Breweries had no material acquisition and disposal of subsidiaries during the year ended 31 December 2015.

Employee and emolument policy

As at 31 December 2015, China Resources Snow Breweries employed approximately 60,000 employees. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefits plans maintained by China Resources Snow Breweries include medical insurance and staff provident fund.

Charges on the assets

There was no material charges on the assets of China Resources Snow Breweries as at 31 December 2015.

Capital Expenditures

As at 31 December 2015, China Resources Snow Breweries had capital commitments of approximately HK\$9,898 million, of which HK\$4,262 million was contracted but not provided for.

Contingent Liabilities

China Resources Snow Breweries did not have any material contingent liabilities as at 31 December 2015.

For the year ended 31 December 2014

Business and Financial Review

During the year ended 31 December 2014, the sales and attributable profit of China Resources Snow Breweries was HK\$34,482 million and HK\$1,493 million, respectively, representing an increase of 4.5% and a decline of 19.3% year-on-year, respectively. As compared with the year ended 31 December 2013, EBITDA declined by 1.4% to HK\$4,353 million.

In the year ended 31 December 2014, the overall beer market in China was sluggish as a result of the slower growth of the macro economy. Furthermore, sales volume growth of China Resources Snow Breweries 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 volume growth and a decline in profitability, which was also impacted by the Kingway beer integration. After the integration of Kingway beer, which was acquired in the year ended 31 December 2013, the overall beer sales volume of China Resources Snow Breweries enjoyed increased 1% to 11,842,000 kiloliters, of which China Resources Snow Breweries' national “雪花 Snow” brand accounted for approximately 90% of its total beer sales volume.

Faced with further intensification of market competition, China Resources Snow Breweries continued to ramp up investment in its promotion activities as well

as launch new super premium products and the promotion of cans, to cater for demands of high end consumers. The overall average selling price rose by 2.7% (in RMB terms) during the year ended 31 December 2014.

By leveraging its centralized procurement and economies of scale, China Resources Snow Breweries further enhanced its production efficiency and stepped up efforts in the optimization of its product mix so as to relieve pressure of rising costs. As at the end of 2014, China Resources Snow Breweries operated 98 breweries in China, scattered in 25 provinces, with an aggregate annual production capacity of over 20,000,000 kiloliters.

Liquidity and financial resources

As at 31 December 2014, China Resources Snow Breweries had cash and cash equivalents, and pledged bank deposits, of approximately HK\$4,534 million. China Resources Snow Breweries' total loans as at 31 December 2014 was HK\$8,854 million, of which the current portion and non-current portion were HK\$3,251 million and HK\$5,603 million, respectively. The gearing ratio, being the ratio of the total loans minus cash and cash equivalents and pledged bank deposits divided by total equity, was 15.9%. The liquidity ratio of current assets over current liabilities, was 0.81 as at 31 December 2014.

Currency and interest rate

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

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

Material acquisition and disposal of subsidiaries

China Resources Snow Breweries had no material acquisition and disposal of subsidiaries during the year ended 31 December 2014.

Employee and emolument policy

As at 31 December 2014, China Resources Snow Breweries employed approximately 59,000 employees. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefits plans maintained by China Resources Snow Breweries include medical insurance and staff provident fund.

Charges on the assets

There was no material charges on the assets of China Resources Snow Breweries as at 31 December 2014.

Capital Expenditures

As at 31 December 2014, China Resources Snow Breweries had capital commitments of approximately HK\$5,842 million, of which HK\$1,419 million was contracted but not provided for.

Contingent Liabilities

China Resources Snow Breweries did not have any material contingent liabilities as at 31 December 2014.

For the year ended 31 December 2013

Business and Financial Review

During the year ended 31 December 2013, the sales and attributable profit of China Resources Snow Breweries was HK\$32,994 million and HK\$1,851 million, respectively, representing an increase of 17.6% and 14.7% year-on-year, respectively. As compared with the year ended 31 December 2012, the EBITDA improved by 15.5% to HK\$4,415 million.

The beer sales volume of China Resources Snow Breweries increased by 10% year-on-year to approximately 11,722,000 kiloliters in the year ended 31 December 2013, of which the sales volume of China Resources Snow Breweries' national "雪花 Snow" brand increased by 10% to approximately 10,620,000 kiloliters, accounting for more than 90% of China Resources Snow Breweries' total beer sales volume. During the year ended 31 December 2013, the growth momentum in beer sales volume was mainly attributable to continuous efforts to enhance its production capacity, effective brand promotions, as well as the strengthening of its distribution network and enhancement of management services to points of sale. The higher than usual temperatures nationwide in 2013 accelerated the growth of overall capacity in the beer market, which along with rapid growth in the sales volume of premium beers, in turn boosted China Resources Snow Breweries' sales volume.

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

At the same time, by leveraging its economies of scale and centralized procurement, China Resources Snow Breweries further enhanced its production

efficiency so as to relieve cost pressures. Such measures, together with the significant growth in sales, improved the operating profit of China Resources Snow Breweries.

The newly-built breweries in Guangxi, Anhui, Hubei, Zhejiang and Guizhou commenced operation during the year ended 31 December 2013. China Resources Snow Breweries operated more than 95 breweries in China, scattered in 25 provinces, with an aggregate annual production capacity of over 19,000,000 kiloliters as at 31 December 2013. In addition, China Resources Snow Breweries completed the acquisition of seven breweries of Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (“Kingway Brewery”) for a total consideration of RMB5.38 billion in September 2013 in relation to its beer production, distribution and sales businesses, with an annual production capacity of 1.45 million tonnes. With the strong brand reputation of Kingway brand in China, especially in Guangdong Province, as well as its strong market share, extensive sales network and established manufacturing facilities, the acquisition was expected to strengthen China Resources Snow Breweries’ market position in Guangdong Province, but would also further optimize China Resources Snow Breweries’ sales network in China, enhancing its leading position in China’s beer industry.

Liquidity and financial resources

As at 31 December 2013, China Resources Snow Breweries had cash and cash equivalents, including pledged bank deposits, of approximately HK\$4,073 million. China Resources Snow Breweries’ total loans as at 31 December 2013 was HK\$9,405 million, of which the current portion and non-current portion were HK\$1,551 million and HK\$7,854 million, respectively. The gearing ratio, being the ratio of the total loans minus cash and cash equivalents and pledged bank deposits divided by total equity, was 20.7%. The liquidity ratio of current assets over current liabilities, was 0.86 as at 31 December 2013.

Currency and interest rate

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

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

Material acquisition and disposal of subsidiaries

In September 2013, China Resources Snow Breweries completed the acquisition of Kingway Brewery’s seven breweries in relation to its beer production,

distribution and sales businesses, with an annual production capacity of 1.45 million tonnes. Please refer to Business and Financial Review for the year ended 31 December 2013 above for further details of the acquisition.

Save as disclosed above, China Resources Snow Breweries had no material acquisition and disposal of subsidiaries during the year ended 31 December 2013.

Employee and emolument policy

As at 31 December 2013, China Resources Snow Breweries employed approximately 57,000 employees. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefits plans maintained by China Resources Snow Breweries include medical insurance and staff provident fund.

Charges on the assets

There was no material charges on the assets of China Resources Snow Breweries as at 31 December 2013.

Capital Expenditures

As at 31 December 2013, China Resources Snow Breweries had capital commitments of approximately HK\$7,971 million, of which HK\$4,821 million was contracted but not provided for.

Contingent Liabilities

China Resources Snow Breweries did not have any material contingent liabilities as at 31 December 2013.

1. UNAUDITED PRO FORMA BALANCE SHEET OF THE GROUP UPON COMPLETION AS AT 31 DECEMBER 2015**Introduction**

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Group upon Completion as at 31 December 2015 (the “Unaudited Pro Forma Financial Information”) which has been prepared based on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of the 49% of the total issued share capital of China Resources Snow Breweries Limited (the “Target”, together with its subsidiaries, the “Target Group”) (the “Transaction”), as if the Transaction had taken place on 31 December 2015. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group upon Completion had the Transaction been completed as at 31 December 2015 or at any future date.

It should be noted that the Unaudited Pro Forma Financial Information has no indication to the final funding arrangement of the Transaction, as the Group is still considering the funding options.

The Unaudited Pro Forma Financial Information of the Group upon Completion should be read in conjunction with other financial information included elsewhere in this circular.

Unaudited pro forma consolidated balance sheet of the Group upon completion
of the Transaction as at 31 December 2015

	Audited consolidated balance sheet of the Group as at 31 December 2015 <i>HK\$ million</i> <i>Note 1</i>	Pro forma adjustments		Unaudited pro forma consolidated balance sheet of the Group upon Completion as at 31 December 2015 <i>HK\$ million</i>
		<i>HK\$ million</i> <i>Note 2</i>	<i>HK\$ million</i> <i>Note 3</i>	
Non-current assets				
Fixed assets	25,531	-	-	25,531
Goodwill and other intangible assets	10,170	-	-	10,170
Other non-current assets	2,175	-	-	2,175
	<u>37,876</u>	<u>-</u>	<u>-</u>	<u>37,876</u>
Current asset				
Stock	7,744	-	-	7,744
Pledged bank deposits	149	-	-	149
Cash and bank balances	3,345	-	(380)	2,965
Other current assets	1,935	-	-	1,935
	<u>13,173</u>	<u>-</u>	<u>(380)</u>	<u>12,793</u>
Current liabilities				
Trade and other payables	(20,027)	(12,440)	-	(32,467)
Short term loans	(2,122)	-	-	(2,122)
Taxation payable	(231)	-	-	(231)
	<u>(22,380)</u>	<u>(12,440)</u>	<u>-</u>	<u>(34,820)</u>
Net current liabilities	<u>(9,207)</u>	<u>(12,440)</u>	<u>(380)</u>	<u>(22,027)</u>
Total assets less current liabilities	<u>28,669</u>	<u>(12,440)</u>	<u>(380)</u>	<u>15,849</u>
Non-current liabilities				
Long term loans	(4,582)	-	-	(4,582)
Deferred taxation liabilities	(309)	-	-	(309)
Other non-current liabilities	(718)	-	-	(718)
	<u>(5,609)</u>	<u>-</u>	<u>-</u>	<u>(5,609)</u>
Net assets	<u>23,060</u>	<u>(12,440)</u>	<u>(380)</u>	<u>10,240</u>
Capital and reserves				
Share capital	6,013	-	-	6,013
Reserve	5,990	(1,594)	(380)	4,016
Equity attributable to shareholders of the Company	<u>12,003</u>	<u>(1,594)</u>	<u>(380)</u>	<u>10,029</u>
Non-controlling interests	11,057	(10,846)	-	211
Total equity	<u>23,060</u>	<u>(12,440)</u>	<u>(380)</u>	<u>10,240</u>

Notes to the unaudited pro forma consolidated balance sheet of the Group upon Completion

Note 1 The audited consolidated balance sheet of the Group as at 31 December 2015 is extracted from the Company's published annual report for the year ended 31 December 2015.

Note 2 The adjustment represents:

- (i) the consideration of US\$1,600 million (equivalent to approximately HK\$12,440 million) payable by the Company upon completion of the Transaction. For the purpose of this Unaudited Pro Forma Financial Information, the Consideration payable for the Transaction is expected to be satisfied by the Company in cash using a combination of various funding options (including debt and/or equity financing). As of the date of this circular, the Group has not yet determined the funding option as disclosed in the letter from the Board in this circular;
- (ii) the derecognition of the carrying value of respective non-controlling interest of the Target as at 31 December 2015; and
- (iii) the difference between (i) and (ii) above is recognised in equity since the Target is a subsidiary of the Company before and after the Transaction.

	<i>HK\$ million</i>
Consideration of the Transaction	12,440
Less: Carrying value of 49% non-controlling interest of the Target as at 31 December 2015	(10,846)
	<hr/>
Difference to be recognised in the equity attributable to the shareholders of the Company upon completion of the Transaction	1,594
	<hr/>

The carrying value of 49% non-controlling interest of the Target as at 31 December 2015 is calculated based on 49% of the Target Group's net asset value attributable to the shareholders of the Target as at 31 December 2015 as extracted from the accountant's report of the Target as set out in Appendix II to this circular. Since the carrying value of 49% non-controlling interest of the Target upon completion of the Transaction may be different from this Unaudited Pro Forma Financial Information, the final amount to be recognised in the equity may be different from the amount presented above.

Note 3 The adjustment is made to reflect the estimated transaction expenses, such as legal, accounting and other professional fees, of approximately HK\$380 million incurred directly attributable to the Transaction.

Note 4 For the purpose of this Unaudited Pro Forma Financial Information, the translation of US to HK\$ was made at a rate of US\$1 to HK\$7.775.

Note 5 Apart from the Transaction, no other adjustment has been made to this Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 31 December 2015.

**2. REPORT ON UNAUDITED PRO FORMA BALANCE SHEET OF THE GROUP
UPON COMPLETION AS AT 31 DECEMBER 2015**

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

**羅兵咸永道****INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of China Resources Beer (Holdings) Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Resources Beer (Holdings) Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma balance sheet as at 31 December 2015 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-3 of the Company's circular dated 22 April 2016, in connection with the proposed acquisition (the "Transaction") of 49% of the total issued share capital of China Resources Snow Breweries Limited (the "Target Company") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-3.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2015 as if the Transaction had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended 31 December 2015, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 22 April 2016

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors and chief executive

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

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

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest ¹ (%)
Chen Lang	Long position	500,000	0.02
Lai Ni Hium, Frank	Long position	112,124	0.01
Li Ka Cheung, Eric	Long position	203,863	0.01
Bernard Charnwut Chan	Long position	50,616	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares and underlying shares of the Company to the total issued shares of the Company as at the Latest Practicable Date.
2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

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

As at the Latest Practicable Date, certain Directors had interests in the issued ordinary shares and underlying shares covered by options granted under the share option schemes of associated corporations (within the meaning of the SFO), such options being unlisted physically settled equity derivatives:

- (1) Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Land Limited (“CR Land”):

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest ¹ (%)
Lai Ni Hium, Frank	Long position	10,000	0.01

Notes:

- This represents the percentage of the aggregate long positions in shares and underlying shares of CR Land to the total issued shares of CR Land as at the Latest Practicable Date.
- All interests disclosed above are being held by each Director in his capacity as beneficial owner.

- (2) Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Gas Group Limited (“CR Gas”):

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest ¹ (%)
Lai Ni Hium, Frank	Long position	10,000	0.01

Notes:

- This represents the percentage of the aggregate long positions in shares and underlying shares of CR Gas to the total issued shares of CR Gas as at the Latest Practicable Date.
- All interests disclosed above are being held by each Director in his capacity as beneficial owner.

- (3) Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Power Holdings Company Limited (“CR Power”):

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest ¹ (%)
Lai Ni Hium, Frank	Long position	10,000	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Power to the total issued shares of CR Power as at the Latest Practicable Date.
2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

- (4) Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Cement Holdings Limited (“CR Cement”):

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest ¹ (%)
Lai Ni Hium, Frank	Long position	40,000	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares and underlying shares of CR Cement to the total issued shares of CR Cement as at the Latest Practicable Date.
2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company held any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

Name of interested party	Long position/ Short position	Number of shares in which the interested party is deemed to have interests	Percentage of shareholding (%)
China Resources National Corporation ("CRNC") (Note)	Long position	1,263,058,025	51.91
China Resources Co., Limited ("CRC") (Note)	Long position	1,263,058,025	51.91
CRC Bluesky Limited (Note)	Long position	1,263,058,025	51.91
China Resources (Holdings) Company Limited ("CRH") (Note)	Long position	1,263,058,025	51.91
CRH (CRE) Limited (Note)	Long position	1,257,253,998	51.67
China Resources Enterprise, Limited (Note)	Long position	1,257,253,998	51.67
CRH (Beer) Limited (Note)	Long position	1,257,253,998	51.67

Note: CRH (Beer) Limited (formerly known as CRH (Enterprise) Limited) and Commotra Company Limited directly held 1,257,253,998 shares and 5,804,027 shares in the Company respectively. CRH (Beer) Limited is a wholly-owned subsidiary of China Resources Enterprise, Limited (formerly known as Well Gain Ventures (Hong Kong) Limited), which in turn is a wholly-owned subsidiary of CRH (CRE) Limited (formerly known as Well Gain Ventures Limited). CRH (CRE) Limited and Commotra Company Limited are beneficially wholly-owned subsidiaries of CRH. CRH is a beneficially wholly-owned subsidiary of CRC Bluesky Limited, which is in turn wholly-owned by CRC. CRC is an ultimately beneficially wholly-owned subsidiary of CRNC. Thus, CRH, CRC Bluesky Limited, CRC and CRNC are deemed to be interested in an aggregate of 1,263,058,025 shares in the Company.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

3. OTHER INTERESTS OF DIRECTORS

Save as disclosed in this circular and as at the Latest Practicable Date,

(a) Interests in service contracts

none of the Directors had entered, or is proposed to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation);

(b) Interests in assets

none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2015, being the date to which the latest published audited consolidated accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group upon Completion or were proposed to be acquired or disposed of by or leased to, any member of the Group upon Completion; and

(c) Interests in contracts or arrangements

none of the Directors was materially interested in any contract or arrangement entered into with any member of the Group upon Completion, which contract or arrangement is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group upon Completion taken as a whole.

4. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed above, none of the Directors or their associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and their associates were appointed to represent the interests of the Company and/or the Group.

5. LITIGATION

So far as the Directors are aware, there was no litigation, claims of material importance pending or threatened against any member of the Group upon Completion as at the Latest Practicable Date.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given, or agreed to the inclusion of, its opinion or advice in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants

PricewaterhouseCoopers had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its report, as the case may be, and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, PricewaterhouseCoopers did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, PricewaterhouseCoopers did not have, nor had had, any direct or indirect interest in any assets which have since 31 December 2015 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

The following contracts were entered into by members of the Group upon Completion (not being a contract entered into in the ordinary course of business of the Company or any of its subsidiaries) during the period of two years immediately preceding the Latest Practicable Date and are or may be material.

- (a) the Sale and Purchase Agreement;
- (b) the deed of amendment and restatement between, among others, the Company, China Resources (Holdings) Company Limited and Tesco PLC dated 18 August 2015 in relation to the investment agreement dated 1 October 2013 between, among others, the Company and Tesco PLC in respect of subscription for ordinary shares in Gain Land Limited for an aggregate cash sum of HK\$4,325 million so that the Company and Tesco PLC will hold their respective 80% and 20% interests in relation to a joint venture and the shareholders agreement referred to in paragraph (e) below to reflect the

transfer of the Company's entire interests, liabilities and obligations in such agreements to China Resources (Holdings) Company Limited;

- (c) the supplemental agreement dated 15 June 2015 between the Company and China Resources (Holdings) Company Limited increasing the aggregate consideration under the sale and purchase agreement referred to in paragraph (d) below from HK\$28,000 million to HK\$30,000 million;
- (d) the sale and purchase Agreement dated 4 May 2015 between the Company and China Resources (Holdings) Company Limited in respect of the disposal of the Group's non-beer related businesses at an aggregate consideration of HK\$28,000 million;
- (e) the shareholders agreement dated 28 May 2014 between, among others, the Company and Tesco PLC, entered into pursuant to the investment agreement referred to in paragraph (b) above;
- (f) two deeds of indemnity both dated 28 May 2014 between Ondereel Ltd, a subsidiary of the Company, and Cheshunt Holdings Guernsey Limited in respect of certain covenants and undertakings for Ondereel Ltd to indemnify Cheshunt Holdings Guernsey Limited;
- (g) the intellectual property and know-how agreement dated 28 May 2014 between Tesco PLC and Gain Land Limited entered into pursuant to the investment agreement referred to in paragraph (b) above and the shareholders agreement referred to in paragraph (e) above, respectively, to reflect the strategic partnership contemplated by those agreements and to set out the terms under which certain intellectual property is licensed; and
- (h) the assignment of trade marks dated 28 May 2014 between Tesco Stores Limited and China Resources Vanguard Co., Ltd. entered into pursuant to the investment agreement referred to in paragraph (b) above, to assign certain trade marks from Tesco Stores Limited to China Resources Vanguard Co., Ltd.

8. MISCELLANEOUS

The registered office and the head office of the Company is at 39/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

- (a) The company secretary of the Company is Mr. Lai Ni Hium, Frank, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Certified Practicing Accountants Australia.
- (b) The share registrar of the Company is Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the above head office and principal place of business of the Company in Hong Kong for a period of 14 days from the date of this circular during normal business hours:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2015;
- (c) the accountant's report on the financial information of China Resources Snow Breweries from PricewaterhouseCoopers as at and for each of the years ended 31 December 2013, 2014 and 2015, the text of which is set out in Appendix II to this circular;
- (d) the report from PricewaterhouseCoopers on the Unaudited Pro Forma Financial Information of the Group upon Completion, the text of which is set out in Appendix III to this circular;
- (e) the written consent of PricewaterhouseCoopers referred to in the paragraph headed "Expert and Consent" in this Appendix IV;
- (f) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix IV; and
- (g) this circular.