華潤啤酒(控股)有限公司
China Resources Beer (Holdings) Company Limited

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

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

- **The Group's consolidated turnover reached RMB29,732,000,000 representing an increase of 3.6% year-on-year**
- **The Group's beer sales volume increased by 0.9% year-on-year to 11,819,000 kiloliters. The performance was better than the industry average**
- **The overall average selling price of the Group increased by 2.7% year-on year. Thanks to the continuous effort in optimizing its product mix, mid- to high-end beer products maintained growth in sales volume**
- **The Group's earnings before interest and taxation in 2017 increased by 5.4% to RMB1,851,000,000 year-on-year**
- **The Company completed the acquisition of a 49% stake in China Resources Snow Breweries Limited on 11 October 2016, the benefit of which was fully reflected in 2017. Upon completion of the acquisition, the Company's share of China Resources Snow Breweries Limited's profit increased from 51% on 11 October 2016 to 100% in 2017. Thus the Group's consolidated profit attributable to the Company's shareholders increased by 86.8% year-on-year to RMB1,175,000,000**
- **The Board recommended a final dividend of RMB0.07 per share, bringing the total dividend for 2017 to RMB0.14 per share**

FINANCIAL HIGHLIGHTS

	2017	2016
	RMB million	*RMB million*
Turnover	**29,732**	28,694
Profit attributable to shareholders of the Company	**1,175**	629
Basic and diluted earnings per share [1]	**RMB0.36**	RMB0.22
Dividend per share		
- interim	**RMB0.07**	-
- final	**RMB0.07**	RMB0.08
	RMB0.14	RMB0.08

	At 31 December 2017	At 31 December 2016
	RMB million	*RMB million*
Equity attributable to shareholders of the Company	**18,421**	17,601
Non-controlling interests	**64**	66
Total equity	**18,485**	17,667
Consolidated net borrowings	**(1,030)**	(3,677)
Gearing ratio [2]	**5.6%**	20.8%
Current ratio	**0.49**	0.53
Net assets per share - book value	**RMB5.68**	RMB5.43

Notes:
1. Basic and diluted earnings per share for 2017 reflected the benefit of the acquisition of 49% stake in China Resources Snow Breweries Limited on 11 October 2016 and the effect of rights issue in 2016.
2. Gearing ratio represents the ratio of consolidated net borrowings to total equity.

ANALYSIS OF TURNOVER AND EARNINGS BEFORE INTEREST AND TAXATION

	Turnover		Earnings before interest and taxation	
	2017	2016	**2017**	2016
	RMB million	*RMB million*	***RMB million***	*RMB million*
Eastern region	**15,605**	15,445	**877**	1,007
Central region	**6,971**	6,636	**63**	73
Southern region	**7,893**	7,374	**1,014**	772
	30,469	29,455	**1,954**	1,852
Elimination of inter-segment transactions	**(737)**	(761)	**-**	-
Net corporate expenses	**-**	-	**(103)**	(95)
Total	**29,732**	28,694	**1,851**	1,757

CHAIRMAN'S STATEMENT

FINAL RESULTS

In 2017, the Group continued to make steady progress in business, while striving to accelerate its transformation and upgrade by implementing strategic measures such as innovative development and marketing, capacity optimization and efficiency improvement. As a result, the Group is on path to further strengthen its competitive edge in the Chinese beer industry and construct a solid foundation to reward its shareholders in the long term.

The Company successfully completed the acquisition of a 49% stake in China Resources Snow Breweries Limited ("CRSB") in October 2016, the benefit of which was fully reflected in 2017. Upon completion of the acquisition, the Company's share of CRSB's profit increased from 51% before 11 October 2016 to 100% in 2017. For the year ended 31 December 2017, the Group's consolidated turnover and profit attributable to the Company's shareholders were RMB29,732,000,000 and RMB1,175,000,000 respectively, representing an increase by 3.6% and 86.8% respectively compared with 2016. The Group's earnings before interest and taxation in 2017 increased by 5.4% to RMB1,851,000,000 compared with 2016.

FINAL DIVIDEND

The Board of Directors (the "Board") recommends a final dividend of RMB0.07 per share for the year ended 31 December 2017 (2016: RMB0.08 per share), payable on or around 15 June 2018 to shareholders whose names appear on the register of members of the Company on 30 May 2018. Together with the interim dividend of RMB0.07 per share, the total dividend for 2017 will amount to RMB0.14 per share (2016: RMB0.08 per share), to show its appreciation to shareholders for their support of the Group.

STRATEGY IMPLEMENTATION

In 2017, the Chinese beer market volume steadied and the industrial structure on product mix gradually transformed as sales of mid- to high-end beer became the main driver for the industry's revenue growth. Focused on the growth opportunities brought about by the consumption upgrade, the Group focused on three main management themes — "quality growth, transformation and upgrade, innovative development". The Group also implemented organizational restructuring, brand repositioning, capacity optimization, lean sales, channel renovation, operational reform, etc. The Group has achieved a sales increase in mid- to high-end beer through brand repositioning as well as an improvement in channel competiveness through solidifying measures. The Group enjoyed continuous increase in both beer sales volume and average selling price with a higher market share. The national brand "雪花 Snow" accounted for approximately 90% of the total beer sales volume of the Group.

The Group has always focused on the improvement of operational efficiency. During the year under review, the Group primarily established an unified national operation and digital logistics platform. In addition, the Group boosted its production efficiency and enhanced the strategy on energy conservation and consumption reduction, which effectively absorbed the effects brought about by the rising cost of packaging materials and logistics, and managed to maintain the gross profit margin. In terms of lean sales, the Group set up a lean sales team to strengthen its sales capacity and improve efficiency. In terms of capacity optimization, the Group executed a series of capacity improvement plans, including consolidating and shutting down beer plants with low efficiency in order to raise the medium to long term production efficiency.

PROSPECTS

In 2017, the Chinese economy steadily improved and moved from "high-speed growth" towards a new phase of "high-quality development". 2018 will be the first full year the spirit of the 19th National Congress of the Communist Party of China has been implemented. The Chinese economy is expected to grow at a steady pace. The country's economic structure will continue to progress and consumption will be the main spur for the growth of the economy.

The sales volume of the beer market in China has started to stabilize after experiencing a downturn. Consumers also increasingly prefer mid- to high-end beer products and the Group believes that there is still room for growth in the market. Therefore, the Group is fully confident in the future development of the market and will advance its expansion by way of organic growth, by grasping appropriate acquisition and co-operation opportunities, as well as by one of the most important strategies - premiumization.

To cope with the rising costs of raw materials, packaging materials, labour and other costs in 2018, the Group has adopted different measures, such as lean marketing, lean production, product refinement and premiumization to absorb the cost pressure. The Group is also committed to improving efficiency in various ways including reserving certain raw materials for an appropriate time and implementing electronization and automation in certain work processes. In the meantime, the Group moderately adjusts the prices of some of its products in certain regions to mitigate the heightened cost pressure.

In the medium to long term, the Group will endeavor to improve the impact of its brand and mid- to high-end products by utilizing continuously the three main management themes — "quality growth, transformation and upgrade, innovative development" and by further implementing organizational restructuring, brand repositioning, capacity optimization, lean sales, channel renovation, operational reform, etc. The Group will also create a digital sales and marketing model and upgrade its information platform, improve organizational efficiency, as well as reinforce its corporate culture and team building. The implementation of the aforementioned measures will help the Group's business development in the future and boost profitability.

As a leading beer enterprise in China, the Group strives to move into its new era and lead the advancement in the beer industry. The Company achieved a good performance in stock price in 2017, which indicates the shareholders appreciate the Group's development direction and the management's execution. We look forward to working together with all stakeholders to create higher corporate values and to make the Group a trusted and beloved beer enterprise.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to our shareholders, management and employees for their support, commitment and contributions, as well as to our customers and business partners for their long term trust. Looking ahead, we will continue to offer more quality products and services to our customers and deliver attractive returns to our shareholders.

Chen Lang
Chairman

Hong Kong, 21 March 2018

2017 RESULTS

The Directors of China Resources Beer (Holdings) Company Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2017

	Notes	**2017**	2016
		RMB million	*RMB million*
Turnover	*3*	**29,732**	28,694
Cost of sales		**(19,703)**	(19,021)
Gross profit		**10,029**	9,673
Other income	*4*	**903**	723
Selling and distribution expenses		**(5,012)**	(5,033)
General and administrative expenses		**(3,976)**	(3,535)
Finance costs	*5*	**(128)**	(89)
Profit before taxation		**1,816**	1,739
Taxation	*6*	**(630)**	(320)
Profit for the year	*7*	**1,186**	1,419
Attributable to:			
Shareholders of the Company		**1,175**	629
Non-controlling interests		**11**	790
		1,186	1,419
Earnings per share	*9*		
Basic		**RMB0.36**	RMB0.22
Diluted		**RMB0.36**	RMB0.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 *RMB million*	2016 *RMB million*
Profit for the year	**1,186**	1,419
Other comprehensive income/(expenses):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**135**	(114)
Other comprehensive income/(expenses) for the year, net of tax	**135**	(114)
Total comprehensive income for the year	**1,321**	1,305
Attributable to:		
Shareholders of the Company	**1,309**	531
Non-controlling interests	**12**	774
	1,321	1,305

CONSOLIDATED BALANCE SHEET

At 31 December 2017

	Notes	*2017* *RMB million*	*2016* *RMB million*
Non-current assets			
Fixed assets			
- Interests in leasehold land held for own use under operating leases		**3,253**	3,324
- Other property, plant and equipment		**17,196**	17,576
Goodwill		**8,318**	8,422
Other intangible assets		**147**	171
Available for sale investments		**9**	9
Prepayments		**81**	89
Deferred taxation assets		**2,261**	2,011
		31,265	31,602
Current assets			
Stocks		**5,826**	6,110
Trade and other receivables	*10*	**1,006**	1,253
Taxation recoverable		**114**	75
Pledged bank deposits		**79**	103
Cash and cash equivalents		**2,361**	3,487
		9,386	11,028
Current liabilities			
Trade and other payables	*11*	**(16,605)**	(16,411)
Loans from a holding company		**-**	(2,722)
Short term loans		**(2,383)**	(1,592)
Taxation payable		**(207)**	(80)
		(19,195)	(20,805)
Net current liabilities		**(9,809)**	(9,777)
Total assets less current liabilities		**21,456**	21,825
Non-current liabilities			
Long term loans		**(1,087)**	(2,953)
Deferred taxation liabilities		**(255)**	(271)
Other non-current liabilities		**(1,629)**	(934)
		(2,971)	(4,158)
		18,485	17,667
Capital and reserves			
Share capital		**14,090**	14,090
Reserves		**4,331**	3,511
Equity attributable to shareholders of the Company		**18,421**	17,601
Non-controlling interests		**64**	66
Total equity		**18,485**	17,667

Notes:

1. Basis of preparation

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

The financial statements for the year ended 31 December 2017 have been prepared in accordance with accounting principles generally accepted in Hong Kong and requirements of the Hong Kong Companies Ordinance (Cap. 622).

2. Principal Accounting Policies

The accounting policies used in the preparation of these financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2016, except for the adoption of new and revised standards, amendments and interpretations, which are effective for the Group's financial year beginning 1 January 2017.

<u>Adoption of amendments</u>

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised standards, amendments and interpretations on Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") that are effective or available for early adoption for the financial year beginning 1 January 2017. In the current year, the Group has adopted the following amendments.

HKAS 7 (Amendment)	Disclosure initiative
HKAS 12 (Amendment)	Income Taxes
HKFRS 12 (Amendment)	Disclosure of interests in other entities

The adoption of the amendments has had no material effect on the results or financial positions of the Group for the current and prior accounting periods. Accordingly, no prior period adjustments are required.

2. Principal Accounting Policies (continued)

Accounting standards, amendments and interpretations that are not yet effective

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

HKAS 28 (Amendment)	Long-term Interests in an Associate or Joint Venture
HKAS 40 (Amendment)	Transfers of investment property
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2014 – 2016 Cycle
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2015 – 2017 Cycle
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"
HKFRS 9	Financial Instruments
HKFRS 9 (Amendment)	Repayment Features with Negative Compensation
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HKFRS 16	Leases
HKFRS 17	Insurance Contracts
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration
HK(IFRIC) 23	Uncertainty over Income Tax Treatments

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations in the period of initial application. So far the Group has identified some aspects of the new standards which may have an impact on the Group. Further details of the expected impacts are discussed below.

2. Principal Accounting Policies (continued)

HKFRS 9 "Financial Instruments" (Effective for annual period beginning on or after 1 January 2018)
The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets because a fair value through other comprehensive income election is available for the equity instruments which are currently classified as available for sale investments.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The Group has also assessed on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. However, at this stage the Group does not expect to adopt any hedge accounting in near periods and therefore, it may not have any impact on the Group upon the adoption of HKFRS 9.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 "Revenue from contracts with customers" (Effective for annual period beginning on or after 1 January 2018)
The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has assessed the effects of the applying the new standard on the consolidated financial statements and has not identified any material impact to the Group.

3. Segment information

	Eastern region *RMB million*	Central region *RMB million*	Southern region *RMB million*	Corporate / Elimination *RMB million*	Total *RMB million*
For the year ended 31 December 2017					
TURNOVER					
External sales	15,154	6,930	7,648	-	29,732
Inter-segment sales[1]	451	41	245	(737)	-
Total	15,605	6,971	7,893	(737)	29,732
Segment result[2]	877	63	1,014		1,954
Unallocated corporate expenses					(103)
Interest income					93
Finance costs					(128)
Profit before taxation					1,816
Taxation					(630)
Profit for the year					1,186
As at 31 December 2017					
ASSETS					
Segment assets	18,859	7,413	11,979		38,251
Deferred taxation assets					2,261
Taxation recoverable					114
Unallocated corporate assets					25
Consolidated total assets					40,651
LIABILITIES					
Segment liabilities	12,137	3,877	4,520		20,534
Taxation payable					207
Deferred taxation liabilities					255
Unallocated corporate liabilities					1,170
Consolidated total liabilities					22,166
OTHER INFORMATION					
Additions to non-current assets	554	508	690	-	1,752
Depreciation and amortisation	906	393	406	1	1,706
Impairment loss recognised	383	256	100	-	739

3. Segment information (continued)

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

Notes:

1. Inter-segment sales were charged at prevailing market rates.
2. Segment result represents earnings before interest income, finance costs and taxation.

4. Other income

	2017	2016
	RMB million	*RMB million*
Other income includes the following:		
Interest income	**93**	71
Government grants recognised	**206**	146
Profit on disposal of fixed assets	**101**	32

5. Finance costs

	2017	2016
	RMB million	*RMB million*
Interests on bank loans and other loans	**99**	124
Financing charges	**19**	17
Exchange loss/(gain)	**26**	(32)
	144	109
Less: Interest capitalised	**(16)**	(20)
	128	89

6. Taxation

	2017	2016
	RMB million	*RMB million*
Chinese Mainland income tax		
Current taxation	**889**	674
Deferred taxation	**(259)**	(354)
	630	320

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the year.

Chinese Mainland income tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the Chinese Mainland. The applicable principal income tax rate for the year ended 31 December 2017 is 25% (2016: 25%).

7. Profit for the year

	2017	2016
	RMB million	*RMB million*
Profit for the year has been arrived at after charging:		
Depreciation		
- Owned assets	**1,683**	1,697
Amortisation of other intangible assets (included in general and administrative expenses)	**23**	24
Impairment loss recognised on (included in general and administrative expenses)		
- Fixed assets	**415**	291
- Stocks	**324**	173
Operating leases charges on land and buildings	**120**	120
Cost of goods sold	**19,703**	19,021

8. Dividends

	2017	2016
	RMB million	*RMB million*
2017 interim dividend paid of RMB0.07 (2016: Nil) per ordinary share	**227**	-
2017 proposed final dividend of RMB0.07 (2016: RMB0.08) per ordinary share	**227**	260
	454	260

At the meeting held on 21 March 2018, the directors proposed final dividend of RMB0.07 (2016: RMB0.08) per ordinary share. This proposed dividend, which is calculated on the Company's number of ordinary shares as at the date of the board meeting, is not recognised as a liability in these financial statements. The total dividends paid by the Company, including the final dividend for the year 2016 and the interim dividend for the year 2017, amounting to RMB487 million (2016: Nil) are reflected in the current year financial statements.

9. Earnings per share

	2017	2016
	RMB million	*RMB million*
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings		
Profit attributable to shareholders of the Company for the purposes of calculating basic and diluted earnings per share	**1,175**	629

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**3,244,176,905**	2,873,592,085

	2017	2016
	RMB	*RMB*
Basic and diluted earnings per share	**0.36**	0.22

The weighted average numbers of ordinary shares used in the calculation of earnings per share for the period ended 31 December 2016 has been adjusted for the bonus element of the rights issue following the allotment and issuance of the rights shares on 18 August 2016.

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

10. Trade and other receivables

	2017	2016
	RMB million	*RMB million*
Trade receivables from third parties	**609**	688
Trade receivables from fellow subsidiaries	**33**	41
Provision for doubtful debts	**(35)**	(40)
	607	689
Value-added tax recoverable	**125**	190
Prepayments	**154**	196
Deposits paid	**7**	5
Other receivables	**112**	172
Amount due from a holding company	**-**	1
Amounts due from fellow subsidiaries	**1**	-
	1,006	1,253

The Group normally trades with its customers under the following credit terms:
(a) cash upon delivery; or
(b) open credit from 30 to 90 days

The following is the aging analysis of trade receivables from third parties and fellow subsidiaries at the balance sheet date:

	2017	2016
	RMB million	*RMB million*
The Group		
0 – 30 days	**78**	96
31 – 60 days	**58**	58
61 – 90 days	**34**	57
＞ 90 days	**437**	478
	607	689

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

11. Trade and other payables

	2017	2016
	RMB million	*RMB million*
Trade payables to third parties	**1,616**	1,583
Trade payables to fellow subsidiaries	**1**	-
	1,617	1,583
Receipt in advance	**654**	613
Accruals	**8,734**	8,091
Deposit received	**4,243**	4,404
Other payables	**1,329**	1,670
Amounts due to holding companies	**28**	50
	16,605	16,411

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

	2017	2016
	RMB million	*RMB million*
0 – 30 days	**1,535**	1,461
31 – 60 days	**17**	22
61 – 90 days	**8**	12
＞ 90 days	**57**	88
	1,617	1,583

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

12. Other Information

The consolidated financial statements of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor, PricewaterhouseCoopers. An unqualified auditor's report will be included in the Annual Report to shareholders.

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results for the year ended 31 December 2017 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622). The Company will deliver the financial statements for the year ended 31 December 2017 to the Registrar of Companies in due course.

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The consolidated turnover of the Group in 2017 was RMB29,732,000,000. This represents an increase of 3.6% compared with 2016. The Company completed the acquisition of a 49% stake in China Resources Snow Breweries Limited ("CRSB") on 11 October 2016, and the benefit of the acquisition was fully reflected in 2017. Upon completion of the acquisition, the Company's share of CRSB's profit increased from 51% before 11 October 2016 to 100% in 2017. Thus the Group's consolidated profit attributable to the Company's shareholders increased by 86.8% to RMB1,175,000,000 compared with 2016. The Group's earnings before interest and taxation in 2017 increased by 5.4% to RMB1,851,000,000 compared with 2016.

During the year under review, the overall beer market capacity slightly decreased. Consumers' growing demand for high quality products boosted the change of product mix in the beer market, which increased the share of mid- to high-end products.

In 2017, the Group's beer sales volume increased by 0.9% to approximately 11,819,000 kilolitres compared with 2016, outperforming the industry average and capturing a larger market share. This was mainly contributed to CRSB's tailored sales strategies to the local market that improved an established long-standing co-operative relationship with distributors; and a revamp of its channels for the construction of a channel management system to improve efficiency and competitiveness. The national brand "雪花 Snow" accounted for approximately 90% of the total beer sales volume of the Group. In 2017, the Group started the campaign to reposition its brand, which diversified its product portfolio; and continued to deepen its brand promotion and market expansion, to help the growth of the overall sales volume of mid- and high-end beers, which leads to an increase of approximately 2.7% in the overall average selling price in 2017 compared with 2016. Moreover, by increasing its production efficiency, improving its energy conservation and reducing its consumption to absorb the impact of certain rising costs, such as packaging materials, the Group was able to maintain its gross profit margin to an adequate level. The Group also carried out lean sales management, reinforced its sales capability and increased its sales efficiency in 2017 to further control sales expenses. However, increases in other operating costs, such as transportation, and the impairment and provision for production capacity optimization, resulted in an increase of 4.9% in overall operating expenses compared with 2016.

During the year under review, CRSB concentrated its resources on adequate investments in targeted promotions and advertisements on products to increase its brand recognition. For the Group's mid-end "Brave the World" series of products, the event "Snow Great Expedition, Challenge the Unclimbed by College Students" strengthened the promotion of the series, which sustained a robust growth in sales volume. In order to grasp long term development trends in the industry, the Group continued to partner with large domestic e-commerce platform providers during the year under review, to expand its boundaries into online sales and marketing channels.

The Group continued to endorse its deployment of the production capacity during the year under review, including the consolidation of regional production capacity and assets, to improve profitability in the medium to long term. The impairment loss recognized for 2017 increased by

RMB275,000,000 to RMB739,000,000 compared with 2016. At the end of 2017, the Group operated 91 breweries in 25 provinces, directly administered municipalities and autonomous regions in Mainland China, with an aggregate annual production capacity of approximately 22,000,000 kiloliters.

Looking ahead, the beer market will see a continuous upgrade in consumption, while the high-end beer market will grow rapidly, with fierce competition expected to continue in the industry. The Group will proceed with brand repositioning exercises to enhance its brand portfolio and the competitiveness of its high-end brands in order to pursue a quality sales growth. With the increased possibility of abnormal weather conditions, the Group will take a proactive approach to manage the sales and production plans to cope with a volatile market capacity caused by extreme weather conditions. The Group will continue to examine the competitive environment and market conditions and carry on with lean sales to enhance the effectiveness of selling expenses. The Group will also proceed with organizational restructuring, reinforcing central procurement, optimizing logistics management and formulating appropriate medium to long term production capacity optimization plans to enhance operational efficiency. In some areas, the prices of certain products will be adjusted moderately to alleviate the pressure from expected rises in costs, such as the costs of raw materials, packaging materials and labour. Moreover, the Group will continue to grow the business organically and through the evaluation of suitable potential acquisition opportunities, which will boost synergy effects through mergers and acquisitions. This will further bolster the Group's leading position in the market.

FINANCIAL REVIEW

Capital and Funding

As at 31 December 2017, the Group's consolidated cash and bank deposits amounted to RMB2,440,000,000. The Group's borrowings as at 31 December 2017 were RMB3,470,000,000 with RMB2,383,000,000 repayable within 1 year, RMB1,086,000,000 repayable after 1 year but within 5 years and RMB1,000,000 repayable after 5 years.

On the basis of the Group's net borrowings relative to the shareholders' funds and non-controlling interests, the Group's gearing ratio was approximately at 5.6% as at 31 December 2017 (31 December 2016: 20.8%).

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 31 December 2017, 2.3% of the Group's cash and bank deposit balance was held in Hong Kong dollars, 96.0% in Renminbi and 1.7% in US dollars; whereas more than 99.9% of the Group's borrowings was denominated in Hong Kong dollars. The Group's borrowings are principally on a floating rate basis.

With healthy operating cash flow, available banking facilities and standby shareholder's loans, the Group is able to fulfill its liquidity requirement.

In 2016, the Company raised approximately HK$9,514,000,000, before expenses, by way of a rights issue of 811,044,226 shares on the basis of one rights share for every three ordinary shares at a subscription price of HK$11.73 per rights share. Approximately HK$9,000,000,000 of the net proceeds was used up to 31 December 2016. The remaining balance was used during the year for the settlement of loans from a holding company.

Pledge of Assets

As at 31 December 2017, assets with a carrying value of RMB79,000,000 (31 December 2016: RMB103,000,000) were pledged for notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2017.

EMPLOYEES

As at 31 December 2017, the Group had a staff size of around 52,000, amongst which more than 99% were employed in the Chinese Mainland, whilst the rest were mainly in Hong Kong. Remuneration packages are assessed in accordance with the nature of job duties, individual performance and market trends with built-in merit components, paid in the form of cash bonuses.

DIVIDENDS

The Board recommends a final dividend of RMB0.07 per share for the year ended 31 December 2017 (2016: RMB0.08 per share) payable on or around 15 June 2018 to shareholders whose names appear on the register of members of the Company on 30 May 2018. The final dividend, if approved, is to be payable in cash in Hong Kong dollars which will be converted from RMB at the average CNY Central Parity Rate announced by the People's Bank of China for the five business days prior to and including the date of the Annual General Meeting (as defined in the below section headed "Closure of Register of Members"). Together with the interim dividend of RMB0.07 per share, the total dividend for 2017 will amount to RMB0.14 per share (2016: RMB0.08 per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 17 May 2018 to Thursday, 24 May 2018, both days inclusive, during which no transfer of shares of the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on 24 May 2018 (the "Annual General Meeting"), all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 16 May 2018 for registration.

Subject to the approval of shareholders at the Annual General Meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Wednesday, 30 May 2018, and the register of members of the Company will be closed on Wednesday, 30 May 2018, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents, accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 29 May 2018 for registration.

CORPORATE GOVERNANCE

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

On 8 April 2005, the Company adopted the Corporate Governance Practice Manual ("CG Manual"). The CG Manual which was revised on 31 March 2009, 18 November 2010, 21 March 2012, 7 December 2015 and 18 March 2016, incorporates almost all the Code Provisions of the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules and includes the implementation details for the Code Provisions and, where appropriate, the Recommended Best Practices. The CG Manual can be downloaded from the Company's website and copies are available on request to the Company Secretary.

The Company has complied with the Code Provisions set out in the CG Code throughout the year ended 31 December 2017, save and except the following:

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

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

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

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

In respect of Code Provision E.1.2 of the CG Code, Mr. Chen Lang, the Chairman could not attend the annual general meeting of the Company held on 25 May 2017 due to business appointments.

On 8 April 2005, the Company has adopted a Code of Ethics and Securities Transactions ("Code of Ethics") which incorporates the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules. The Code of Ethics has been amended, approved and reconfirmed by the Board of directors of the Company on 6 April 2006, 4 April 2007, 31 March 2008 and further revised on 31 March 2009, 18 November 2010, and 7 December 2015 respectively. The prohibitions on securities dealing and disclosure requirements in the Code of Ethics also apply to specified individuals who include the Group's senior management and persons who are privy to inside information of the Group. The Code of Ethics is on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry with the directors, all directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2017.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

By order of the Board
CHEN LANG
Chairman

Hong Kong, 21 March 2018

As at the date of this announcement, the Executive Directors of the Company are Mr. Chen Lang (Chairman), Mr. Hou Xiaohai (Chief Executive Officer) and Mr. Lai Po Sing, Tomakin (Chief Financial Officer). The Non-executive Directors are Mr. Chen Rong and Mr. Lai Ni Hium, Frank. The Independent Non-executive Directors are Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Moses, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.