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)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

- The Group's earnings before interest and taxation and profit attributable to shareholders of the Company in the first half of 2021 increased by 111.9% and 106.4% to RMB5,913,000,000 and RMB4,291,000,000 respectively over the same period of last year. The increase was mainly attributable to: (i) the initial compensation gain on transfer of the land owned by the Group, which amounted to approximately RMB1,755,000,000, pursuant to the Relocation Compensation Agreement dated 22 January 2021 entered into between Shenzhen Runtou Consulting Co., Ltd. (深圳市潤投諮詢有限公司), China Resources Snow Breweries (China) Investment Co., Ltd. (華潤雪花啤酒（中國）投資有限公司) and China Resources Snow Breweries (China) Co., Ltd. (華潤雪花啤酒（中國）有限公司), an indirect wholly-owned subsidiary of the Company; and (ii) the increase in gross profit due to increase in sales volume and the average selling price of products of the Group

- The consolidated turnover of the Group for the first half of 2021 was RMB19,634,000,000, representing an increase of 12.8% year-on-year

- In the first half of 2021, the overall beer sales volume of the Group saw a 4.9% year-on-year increase to approximately 6,337,000 kilolitres. Of which, the sales volume of the sub-premium beer segment and above reached 1,000,000 kilolitres, representing an increase of 50.9% year-on-year and a significant improvement in product mix

- The overall average selling price increased by 7.5% year-on-year to offset the impact of the increase in average costs of sales due to the increase in price of raw materials and packaging materials. Together with the increase in sales volume, the overall gross profit in the first half of the year increased by 18.1% year-on-year to RMB8,305,000,000

- The Group continued to build and promote its brand portfolio by launching a number of new brands in the first half of 2021, including the super premium product "Li", the premium product "Löwen Fruit Beer" (#485 Rosé), the carbonated beverage "Snow Xiao Pi Qi" as well as the international brand "Amstel" , to further enrich the Group's product portfolio and support its premiumization development

- The Board has declared an interim dividend of RMB0.264 per share

FINANCIAL HIGHLIGHTS

For the six months ended 30 June	**2021 (Unaudited)** *RMB million*	2020 (Unaudited) *RMB million*
Turnover	**19,634**	17,408
Profit attributable to shareholders of the Company	**4,291**	2,079
Basic earnings per share	**RMB1.32**	RMB0.64
Interim dividend per share	**RMB0.264**	RMB0.128

	As at 30 June 2021 (Unaudited) *RMB million*	As at 31 December 2020 (Audited) *RMB million*
Equity attributable to shareholders of the Company	**25,087**	21,217
Non-controlling interests	**62**	57
Total equity	**25,149**	21,274
Consolidated net cash[1]	**11,815**	4,614
Gearing ratio[2]	**Net cash**	Net cash
Current ratio	**0.86**	0.68
Net assets per share - book value[3]	**RMB7.73**	RMB 6.54

Notes:
1. *Consolidated net cash represents consolidated total of cash and cash equivalents and pledged bank deposits minus consolidated total loans.*
2. *Gearing ratio represents the ratio of consolidated net borrowings to total equity.*
3. *Net assets per share – book value is calculated by dividing equity attributable to shareholders of the Company by the number of issued shares at the end of the year.*

ANALYSIS OF TURNOVER AND EARNINGS BEFORE INTEREST AND TAXATION

	Turnover		Earnings before interest and taxation	
	For the six months ended 30 June		For the six months ended 30 June	
	2021 (Unaudited) ***RMB million***	2020 (Unaudited) *RMB million*	**2021 (Unaudited)** ***RMB million***	2020 (Unaudited) *RMB million*
Eastern region	**9,883**	8,980	**3,231**	1,149
Central region	**5,339**	4,679	**1,370**	810
Southern region	**5,193**	4,435	**1,345**	894
	20,415	18,094	**5,946**	2,853
Elimination of inter-segment transactions	**(781)**	(686)	**-**	-
Net corporate expenses	**-**	-	**(33)**	(63)
Total	**19,634**	17,408	**5,913**	2,790

2021 INTERIM RESULTS

The Directors of China Resources Beer (Holdings) Company Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	***RMB million***	*RMB million*
Turnover		**19,634**	17,408
Cost of sales		**(11,329)**	(10,378)
Gross profit		**8,305**	7,030
Other income and gains	*5*	**2,643**	554
Selling and distribution expenses		**(3,291)**	(2,927)
Administrative and other expenses		**(1,637)**	(1,823)
Finance costs	*6*	**(29)**	(3)
Profit before taxation		**5,991**	2,831
Taxation	*7*	**(1,695)**	(747)
Profit for the period	*8*	**4,296**	2,084
Attributable to:			
Shareholders of the Company		**4,291**	2,079
Non-controlling interests		**5**	5
		4,296	2,084
Earnings per share	*10*		
Basic		**RMB1.32**	RMB0.64

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Profit for the period	**4,296**	2,084
Other comprehensive (expenses) / income:		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of functional currency to presentation currency	**(245)**	396
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**247**	(387)
Fair value adjustment on financial assets	**2**	(1)
	249	(388)
Other comprehensive income for the period, net of tax	**4**	8
Total comprehensive income for the period	**4,300**	2,092
Attributable to:		
Shareholders of the Company	**4,295**	2,088
Non-controlling interests	**5**	4
	4,300	2,092

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2021 (Unaudited) RMB million	As at 31 December 2020 (Audited) RMB million
Non-current assets			
Fixed assets		**13,869**	14,414
Right-of-use assets		**3,156**	3,367
Goodwill		**9,310**	9,326
Other intangible assets		**289**	320
Interests in joint venture		**30**	-
Financial assets at fair value through other comprehensive income		**-**	7
Financial assets at fair value through profit and loss	*13*	**3,642**	-
Prepayments		**88**	106
Deferred taxation assets		**3,518**	2,858
Pledged bank deposits		**18**	-
		33,920	30,398
Current assets			
Stocks		**5,965**	6,014
Trade and other receivables	*11*	**1,129**	2,378
Taxation recoverable		**82**	371
Pledged bank deposits		**74**	76
Cash and cash equivalents		**11,723**	4,538
		18,973	13,377
Current liabilities			
Trade and other payables	*12*	**(21,400)**	(19,327)
Lease liabilities		**(13)**	(83)
Taxation payable		**(524)**	(162)
		(21,937)	(19,572)
Net current liabilities		**(2,964)**	(6,195)
Total assets less current liabilities		**30,956**	24,203
Non-current liabilities			
Lease liabilities		**(137)**	(117)
Deferred taxation liabilities		**(1,910)**	(788)
Other non-current liabilities		**(3,760)**	(2,024)
		(5,807)	(2,929)
		25,149	21,274
Capital and reserves			
Share capital		**14,090**	14,090
Reserves		**10,997**	7,127
Equity attributable to shareholders of the Company		**25,087**	21,217
Non-controlling interests		**62**	57
Total equity		**25,149**	21,274

Notes:

1. Independent review

The interim results for the six months ended 30 June 2021 are unaudited and have been reviewed by the Company's Audit Committee.

2. Basis of preparation

The interim results 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.

A full set of unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 ("interim financial information") which has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" will be published as soon as practicable.

The financial information relating to the year ended 31 December 2020 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2021 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year 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 (Chapter 622 of the laws of Hong Kong) ("Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Taking into account the gearing ratio, historical and expected future cash flows from operations and unutilised available banking facilities of the Group, management expected the Group has adequate resources to meet its liabilities and commitment as and when they fall due and to continue in operational existence for the foreseeable future.

3. Principal accounting policies

The accounting policies applied in the preparation of the interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2020, except for the adoption of the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("HKFRS") and the amendments issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2021.

The adoption of these new amendments to HKFRSs and the Amendments to References the Conceptual Framework 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.

In June 2021, the IFRS Interpretations Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realizable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's existing accounting policy is to determine net realisable value taking into consideration incremental costs only. As at 30 June 2021, the Group is still in the process of assessing the potential impact and has yet to implement the change in accounting policy based on the Committee's agenda decision. The impacts on such change, if any, will be disclosed in the Group's future consolidated financial statements.

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

4. Segment information

	Eastern Region (Unaudited) *RMB million*	Central Region (Unaudited) *RMB million*	Southern Region (Unaudited) *RMB million*	Corporate / Elimination (Unaudited) *RMB million*	Total (Unaudited) *RMB million*
For the six months ended 30 June 2021					
Turnover[1]					
External sales	9,548	5,024	5,062	-	19,634
Inter-segment sales	335	315	131	(781)	-
Total	9,883	5,339	5,193	(781)	19,634
Segment result[2]	3,231	1,370	1,345		5,946
Unallocated corporate expenses					(33)
Interest income					107
Finance costs					(29)
Profit before taxation					5,991
Taxation					(1,695)
Profit for the period					4,296
Other information					
Additions to non-current assets[3]	170	120	131	-	421
Depreciation and amortisation	423	206	185	2	816
Impairment loss recognised	242	115	74	-	431
For the six months ended 30 June 2020					
Turnover[1]					
External sales	8,621	4,453	4,334	-	17,408
Inter-segment sales	359	226	101	(686)	-
Total	8,980	4,679	4,435	(686)	17,408
Segment result[2]	1,149	810	894		2,853
Unallocated corporate expenses					(63)
Interest income					44
Finance costs					(3)
Profit before taxation					2,831
Taxation					(747)
Profit for the period					2,084
Other information					
Additions to non-current assets[3]	207	162	35	23	427
Depreciation and amortisation	476	220	197	4	897
Impairment loss recognised	164	213	67	-	444

Notes:
1. Turnover represents sales of beer products net of sales rebates was recognised at a point of time.
2. Segment result represents earnings before interest income, finance cost and taxation.
3. Additions to non-current assets included fixed assets and right-of-use assets.

5. Other income and gains

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Other income and gains includes:		
Interest income	**107**	44
Government grants recognised	**259**	66
Profit on disposal of fixed assets	**24**	57
Profit on disposal of interests in leasehold land held for own use (Note 13)	**1,755**	-
Sales of scrapped materials	**117**	99
Bottles usage income	**269**	224

6. Finance costs

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Interest on bank loans and other loans	**3**	12
Interest on lease liabilities	**3**	4
Financing charges	**2**	3
Net exchange loss / (gain)	**21**	(16)
	29	3

7. Taxation

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Chinese Mainland income tax		
Current taxation	**1,229**	908
Deferred taxation	**466**	(161)
	1,695	747

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits for the period.

Chinese Mainland income tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the Chinese Mainland. The applicable principal income tax rate for the six months ended 30 June 2021 is 25% (2020: 25%).

Under the Law of People's Republic of China ("PRC"), withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for undistributed profits to the extent that declarations of dividends are anticipated in the foreseeable future.

Significant deferred tax charged in the current interim period included the deferred tax impact arising from disposal of land as disclosed in note 13.

8. Profit for the period

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Profit for the period has been arrived at after charging:		
Staff cost (including directors' emoluments)	**2,725**	2,514
Depreciation		
- Owned fixed assets	**700**	736
- Right-of-use assets	**88**	129
Amortisation of other intangible assets	**28**	32
Impairment loss recognised on		
- Owned fixed assets	**205**	263
- Stocks	**226**	181
Cost of goods sold	**11,329**	10,378

9. Dividends

At the board meeting held on 22 March 2021, the directors proposed a final dividend of RMB0.131 per share for the year ended 31 December 2020. Such proposal was subsequently approved by shareholders on 18 May 2021. The dividend was translated to and paid in Hong Kong dollars ("HK$") at HK$0.158 per share. The 2020 final dividend paid was approximately RMB425 million (2020: RMB146 million was paid for 2019).

At the board meeting held on 18 August 2021, the Board has declared an interim dividend of RMB0.264 (2020: RMB0.128) per share. Based on the latest number of shares in issue at the date of this announcement, the aggregate amount of the dividend is estimated to be RMB856 million (2020: RMB415 million).

10. Earnings per share

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
The calculation of the basic earnings per share is based on the following data:		
Earnings		
Profit attributable to shareholders of the Company for the purposes of calculating basic earnings per share	**4,291**	2,079

	2021	2020
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares for the purpose of calculating basic earnings per share	**3,244,176,905**	3,244,176,905

	2021	2020
	(Unaudited)	(Unaudited)
	RMB	*RMB*
Basic earnings per share	**1.32**	0.64

No separate diluted earnings per share information has been presented as there were no potential ordinary shares outstanding issue for both periods.

11. Trade and other receivables

Included in trade and other receivables are trade receivables and their aging analysis is as follows:

	As at 30 June	As at 31 December
	2021	2020
	(Unaudited)	(Audited)
	RMB million	*RMB million*
0 – 30 days	**105**	43
31 – 60 days	**30**	28
61 – 90 days	**15**	11
> 90 days	**69**	114
	219	196

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

12. Trade and other payables

Included in trade and other payables are trade payables and their aging analysis is as follows:

	As at 30 June 2021 (Unaudited) *RMB million*	As at 31 December 2020 (Audited) *RMB million*
0 – 30 days	**4,164**	2,290
31 – 60 days	**9**	11
61 – 90 days	**2**	10
> 90 days	**25**	26
	4,200	2,337

13. Disposal Of Interests In Leasehold Land Held For Own Use

The Company, through its wholly-owned subsidiaries (including China Resources Snow Breweries (China) Investment Co., Ltd ("CR Snow investment")) entered into the following agreements with the wholly-owned subsidiaries of China Resources Land Limited ("CR Land") on 22 January 2021: (1) the JV Agreement; (2) the Relocation Compensation Agreement; and (3) the Construction Agreement.

According to the JV Agreement, each of CR Snow Investment and Shenzhen Runtou Consulting Co., Ltd. (深圳市潤投咨詢有限公司) (a wholly-owned subsidiary of CR Land) ("Shenzhen Runtou") committed to capital injection of RMB500 million to the Shenzhen Runxue Industrial Co., Ltd* (深圳市潤雪實業有限公司, the "JV"). Upon the formation of the JV after the execution of the JV Agreement on 26 April 2021, each of CR Snow Investment and Shenzhen Runtou injected RMB50 million and therefore owned 50% equity interest of the JV respectively. The JV is responsible for the demolition of the existing building and relocation of several parcels of land (the "Land") owned by China Resources Snow Breweries (China) Co., Ltd (華潤雪花啤酒(中國)有限公司) (a wholly-owned subsidiary of CR Snow Investment) ("CR Snow"), as well as applying to Shenzhen government together with CR Snow for land modification of the Land pursuant to the Relocation Compensation Agreement. The land modification involves the de-registration of the title certificate of the Land and modification of the Land for general industrial and emerging industrial uses with the relevant authority of Shenzhen government.

During the six months ended 30 June 2021, the formation of JV pursuant to the JV Agreement and disposal of Land to the JV pursuant to the Relocation Compensation Agreement have been completed after the approval obtained from Shenzhen government. According to the Relocation Compensation Agreement, the Group would be entitled to consideration of RMB4,650 million. If the final selling prices of the properties exceeds RMB15,933 million, the Group will be entitled to an extra consideration equal to 30.29% based on the excess of the final selling price and RMB15,775 million. If the final selling prices of the properties are below RMB15,617 million, the final consideration will be reduced by an amount equal to 30.29% on the difference of RMB15,775 million and the final selling price. The consideration will be settled by installment based on the proportion of the floor areas of properties sold to the total saleable floor areas of properties. The completion date of the construction is expected to be end of 2024 and the first settlement payment of consideration is expected to be received by CR Snow from the JV in 2025.

The disposal of Land is completed on 26 May 2021 upon the de-registration of the title of the Land. On completion date, the consideration to be received is recognised as financial assets at fair value through profit or loss ("FVTPL") and measured at level 3 fair value measurement based on discount cash flow method. The financial assets at FVTPL is classified as non-current assets as the amounts are expected to be received 12 months after the end of reporting period. The significant unobservable inputs used are (i) discount rate of 6.5% in which the increase/decrease in discount rate would result in decrease/increase in fair value of consideration; and (ii) the market transaction price ranging from RMB23,000 to RMB45,000 per square meter in which the increase/decrease in the market transaction price would result in increase/decrease in fair value of consideration. On completion date, the fair value of consideration is measured at approximately RMB3,640 million. The carrying amount of disposed Land was approximately RMB130 million and therefore a gain on disposal of right-of-use assets of approximately RMB3,510 million arose and related deferred tax liabilities of approximately RMB878 million have been recognized. 50 % gain on disposal of right-of-use assets (after 50% elimination of downstream transaction) of approximately RMB1,755 million and deferred tax assets of approximately RMB439 million have been recognised.

The elimination of the Group's share of gain on disposal exceed the investment cost by the Group in the JV. Deferred income of approximately RMB1,705 million have been recognised and included in other non-current liabilities in the condensed consolidated balance sheet as at 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The unaudited consolidated turnover of the Group for the first half of 2021 was RMB19,634,000,000, representing an increase of 12.8% compared with the same period last year. The Group's earnings before interest and taxation and profit attributable to the shareholders of the Company in the first half of 2021 increased by 111.9% and 106.4% to RMB5,913,000,000 and RMB4,291,000,000 respectively over the same period last year.

In the first half of 2021, even though the beer market sales volume was affected by the partial recurrence of the pandemic in some regions such as Guangdong, Heilongjiang, Liaoning and Anhui in certain period of time, the Group's overall beer sales volume in the first half of 2021 has largely resumed to the level of the same period in 2019, which was in line with industry level. The Group's overall beer sales volume in the first half of 2021 increased by 4.9% to approximately 6,337,000 kilolitres compared with the same period last year.

During the period under review, benefitting from the continuous promotion of the Group's premiumization strategy and the launch of various marketing activities such as the UEFA Euro 2020, the UEFA Champions League, product tastings and brand campaign event "X-party" to cultivate and promote various signature brands, the sales volume of the sub-premium beer segment and above have reached 1,000,000 kilolitres in the first half of 2021, representing an increase of 50.9% compared with the same period last year and a significant improvement in product mix. Among the brands, the sales volume of premium brands "Heineken" and "SNOW MARRSGREEN BEER" both increased by mid-double-digit, while the sales volume of the sub-premium brand "Brave the World superX" has doubled. Affected by the shrinking market capacity of mainstream segment as well as the Group's initiatives to normalize product prices and remove low quality sales, the Group's sales volume of products below mid-end segment decreased in the first half of the year compared with the same period last year. Due to the aforementioned reasons, the overall average selling price increased by 7.5% compared with the same period last year to offset the impact of the increase in average costs of sales due to the increase in price of raw materials and packaging materials. Together with the increase in sales volume, the overall gross profit in the first half of the year increased by 18.1% to RMB8,305,000,000 compared with the same period last year.

Pursuant to the Relocation Compensation Agreement dated 22 January 2021 entered into between Shenzhen Runtou Consulting Co., Ltd. (深圳市潤投諮詢有限公司), China Resources Snow Breweries (China) Investment Co., Ltd. (華潤雪花啤酒（中國）投資有限公司) and China Resources Snow Breweries (China) Co., Ltd. (華潤雪花啤酒（中國）有限公司), an indirect wholly-owned subsidiary of the Company, the initial compensation gain on transfer of the land owned by the Group amounted to approximately RMB1,755,000,000. Subsequently, other income and gains in the first half of 2021 increased by 377.1% to RMB2,643,000,000 compared with the same period last year.

During the period under review, the selling and distribution expenses of the Group in the first half of 2021 increased by 12.4% compared with the same period last year due to the increase in labour costs and marketing expenses. In addition, administrative and other expenses in the first half of 2021 decreased by 10.2% compared with the same period last year. The Group continued to implement capacity optimization during the period under review, and the related asset impairment in the first half of 2021 recorded a decrease compared with the same period last year, while the related compensation and settlement expenses increased by RMB14,000,000 year-on-year.

The Group continued to build and promote its brand portfolio by launching a number of new brands in the first half of 2021, including the super premium product "Li", the premium product "Löwen Fruit Beer" (#485 Rosé), the carbonated beverage "Snow Xiao Pi Qi" as well as the international brand "Amstel", to further enrich the Group's product portfolio and support its premiumization development.

The Group recognized impairment loss on fixed assets in the first half of 2021 of RMB205,000,000. Among them, the Group continued with its deployment of production capacity optimization and ceased operation of 2 breweries during the period under review. At the end of June 2021, the Group operated 68 breweries in 25 provinces, municipalities and autonomous regions in Mainland China, with an aggregate annual production capacity of approximately 18,700,000 kilolitres.

Looking ahead, despite the uncertainty associated with the ongoing pandemic, the Group will be well-prepared to actively respond to the recurrence of the pandemic in certain areas. In response to the pressure of rising prices of raw materials and packaging materials, the Group will continue to closely monitor the market dynamics of domestic and foreign raw materials and packaging materials, and replenish stocks reasonably at appropriate times and implement staggered peak procurement to mitigate the pressure of rising prices. In addition, industry competitors are also making efforts in the premium market concurrently with the frequent launch of new products by key competitors. The Group will continue adhering to its strategic management philosophy of "Quality Development for Success in Premium Segment", whilst effectively strengthening the promotion and channel marketing of its domestic and international brands. It will also continue to improve its innovation, research and development, execute its three-year talent planning, maximize the production capacity intensively, upgrade informatization and benchmark with world-class enterprises, to enhance the Group's competitive position. The Group will also pay attention to development opportunities for appropriate non-beer alcoholic beverages by well-defined diversified development to explore potential synergies and further expand its business.

FINANCIAL REVIEW

Capital and Funding

As at 30 June 2021, the Group's consolidated cash and bank deposits amounted to RMB11,815,000,000. The Group had no borrowings as at 30 June 2021.

The Group was at a net cash position as at 30 June 2021 and 31 December 2020.

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 30 June 2021, 0.9% of the Group's cash and bank deposits balances were held in Hong Kong dollars, 98.1% in Renminbi and 1.0% in US dollars.

As at 30 June 2021, the Group's current liabilities and current ratio were RMB21,937,000,000 and 0.86, respectively. The current liabilities included receipts in advance on sales and accruals on promotion and marketing expenses, majority of these amounts would be offset by trade receivables or be realised through sale discounts in the future, and thus no significant net cash outflow was anticipated. Taking into account the gearing ratio, historical and expected future cash flows from operations and unutilised available banking facilities of the Group, management expected the Group has adequate resources to meet its liabilities and commitment as and when they fall due and to continue in operational existence for the foreseeable future.

Pledge of Assets

As at 30 June 2021, bank deposits with a carrying value of RMB92,000,000 (31 December 2020: RMB76,000,000) were pledged for notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2021.

Employees

As at 30 June 2021, the Group had a staff size of around 28,000, 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.

INTERIM DIVIDEND

The Board has declared an interim dividend of RMB0.264 per share (equivalent to HK$0.317 per share at the exchange rate of RMB1:HK$1.20157, being 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 this announcement, and rounded to 3 decimal places) for the six months ended 30 June 2021 (2020: interim dividend RMB0.128 per share, equivalent to HK$0.143 per share) payable on Thursday, 21 October 2021 to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 2 September 2021. The interim dividend will be payable in cash in Hong Kong dollars unless an election is made to receive the same in RMB.

Dividend currency election form is expected to be despatched to the shareholders of the Company on Thursday, 9 September 2021. If shareholders elect to receive all or part of the interim dividend in RMB, shareholders should complete the dividend currency election form and return it to the share registrar of the Company, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 29 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, 2 September 2021. In order to be eligible for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 1 September 2021 for registration.

CORPORATE GOVERNANCE

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

The Company has implemented its own corporate governance standards and objectives since November 2003. On 8 April 2005, the Board approved the Company's Corporate Governance Practice Manual ("Corporate Governance Manual"). The Corporate Governance Manual, which was revised on 31 March 2009, 18 November 2010, 21 March 2012, 7 December 2015, 18 March 2016 and 21 November 2018, incorporates almost all of the Code Provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and includes the implementation details for the Code Provisions and, where appropriate, the Recommended Best Practices. The Corporate Governance Manual can be downloaded from our website and copies are available on request to the Company Secretary.

The Company has complied with the Code Provisions set out in the CG Code during the period, save and except the following:

In respect of Code Provisions A.2.1 to A.2.9 of the CG Code, since the resignation of Mr. Chen Lang as the Chairman with effect from 11 July 2019, the position of the Chairman has been vacant and has not been filled up as at the date of this announcement. The Board of the Company as a whole and its members have discharged the duties under the aforementioned Code Provisions of the CG code as appropriate. The Board and the Nomination Committee of the Company will continuously review and discuss the adjustment to the composition of the Board.

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 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, the responsibilities under statute and common law, legal and other regulatory requirements.

In respect of Code Provision E.1.2 of the CG Code, the position of the Chairman has been vacant at the annual general meeting of the Company held on 18 May 2021 (the "AGM") and has not been filled up as at the date of this announcement. Mr. Lai Po Sing, Tomakin, an executive Director of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM.

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 all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2021.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

By order of the Board
HOU XIAOHAI
Chief Executive Officer
and Executive Director

Hong Kong, 18 August 2021

* *For identification purposes only*

As at the date of this announcement, the Executive Directors of the Company are Mr. Jian Yi, Mr. Hou Xiaohai (Chief Executive Officer) and Mr. Lai Po Sing, Tomakin (Chief Financial Officer). The Non-executive Directors of the Company are Mr. Lai Ni Hium, Frank, Mr. Tuen Muk Lai Shu and Mr. Richard Raymond Weissend. The Independent Non-executive Directors of the Company 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.