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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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

- The unaudited consolidated turnover of the Group increased by 7.2% to RMB18,825,000,000. The Group's earnings before interest and taxation and the profit attributable to the Company's shareholders amounted to RMB2,632,000,000 and RMB1,871,000,000 respectively, representing an increase of 27.5% and 24.1% year-on-year respectively
- The overall sales volume of the Group outperformed the market, delivering a 2.6% year-on-year growth to approximately 6,375,000 kiloliters. Benefitting from the brand repositioning strategy, further upgrade of product mix and contribution from the acquisition of Heineken China, the sales volume of the mid- to high-end beer expanded by 7.0%. The overall average selling price of the Group increased by 4.5% year-on-year
- Though the cost of sales increased due to the rising cost of certain raw materials and further upgrade of product mix, the Group's gross profit recorded a growth of 12.7% year-on-year to RMB7,125,000,000
- The Group completed the acquisition of Heineken China on 29 April 2019 and began the long-term strategic partnership with Heineken Group
- The Board recommended an interim dividend of RMB0.12 per share

FINANCIAL HIGHLIGHTS

For the six months ended 30 June	**2019 (Unaudited)** ***RMB million***	2018 (Unaudited) *RMB million*
Turnover	**18,825**	17,565
Profit attributable to shareholders of the Company	**1,871**	1,508
Basic and diluted earnings per share	**RMB 0.58**	RMB 0.46
Interim dividend per share	**RMB 0.12**	RMB 0.09

	As at 30 June 2019 (Unaudited) ***RMB million***	As at 31 December 2018 (Audited) *RMB million*
Equity attributable to shareholders of the Company	**20,622**	18,848
Non-controlling interests	**63**	62
Total equity	**20,685**	18,910
Consolidated net cash	**2,817**	1,212
Gearing ratio[1]	**Net cash**	Net cash
Current ratio	**0.53**	0.46
Net assets per share - book value	**RMB 6.36**	RMB 5.81

Note:
1. *Gearing ratio represents the ratio of consolidated net borrowings to total equity .*

ANALYSIS OF TURNOVER AND EARNINGS BEFORE INTEREST AND TAXATION

	Turnover Six months ended 30 June		Earnings before interest and taxation Six months ended 30 June	
	2019 **(Unaudited)** ***RMB million***	2018 (Unaudited) *RMB million*	**2019** **(Unaudited)** ***RMB million***	2018 (Unaudited) *RMB million*
Eastern region	**9,732**	9,009	**1,377**	844
Central region	**5,020**	4,368	**751**	524
Southern region	**4,552**	4,697	**572**	752
	19,304	18,074	**2,700**	2,120
Elimination of inter-segment transactions	**(479)**	(509)	**-**	-
Net corporate expenses	**-**	-	**(68)**	(56)
Total	**18,825**	17,565	**2,632**	2,064

2019 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 2019 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***RMB million***	*RMB million*
Turnover		**18,825**	17,565
Cost of sales		**(11,700)**	(11,242)
Gross profit		**7,125**	6,323
Other income	*5*	**396**	382
Selling and distribution expenses		**(2,906)**	(2,564)
General and administrative expenses		**(1,944)**	(2,031)
Finance costs	*6*	**(22)**	(33)
Profit before taxation		**2,649**	2,077
Taxation	*7*	**(777)**	(563)
Profit for the period	*8*	**1,872**	1,514
Attributable to:			
Shareholders of the Company		**1,871**	1,508
Non-controlling interests		**1**	6
		1,872	1,514
Earnings per share	*10*		
Basic		**RMB 0.58**	RMB0.46
Diluted		**RMB 0.58**	RMB0.46

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Profit for the period	**1,872**	1,514
Other comprehensive expenses:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**-**	(33)
Other comprehensive expenses for the period, net of tax	**-**	(33)
Total comprehensive income for the period	**1,872**	1,481
Attributable to:		
Shareholders of the Company	**1,871**	1,475
Non-controlling interests	**1**	6
	1,872	1,481

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**As at 30 June 2019 (Unaudited)** ***RMB million***	As at 31 December 2018 (Audited) *RMB million*
Non-current assets			
Fixed assets			
- Interests in leasehold land held for own use		**3,411**	3,141
- Property, plant and equipment		**17,153**	16,491
Right-of-use assets		**277**	-
Goodwill		**9,461**	8,390
Other intangible assets		**492**	124
Financial assets at fair value through other comprehensive income		**9**	9
Prepayments		**208**	240
Deferred taxation assets		**2,516**	2,426
		33,527	30,821
Current assets			
Stocks		**5,219**	5,379
Trade and other receivables	*11*	**1,010**	906
Loan to a holding company		**1,400**	-
Taxation recoverable		**184**	240
Pledged bank deposits		**67**	67
Cash and cash equivalents		**4,061**	1,858
		11,941	8,450
Current liabilities			
Trade and other payables	*12*	**(20,643)**	(17,637)
Short term loans		**(1,311)**	(704)
Lease liabilities		**(76)**	-
Taxation payable		**(306)**	(29)
		(22,336)	(18,370)
Net current liabilities		**(10,395)**	(9,920)
Total assets less current liabilities		**23,132**	20,901
Non-current liabilities			
Long term loans		**-**	(9)
Lease liabilities		**(186)**	-
Deferred taxation liabilities		**(685)**	(399)
Other non-current liabilities		**(1,576)**	(1,583)
		(2,447)	(1,991)
		20,685	18,910
Capital and reserves			
Share capital		**14,090**	14,090
Reserves		**6,532**	4,758
Equity attributable to shareholders of the Company		**20,622**	18,848
Non-controlling interests		**63**	62
Total equity		**20,685**	18,910

Notes:

1. Independent review

The interim results for the six months ended 30 June 2019 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 2019 ("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 2018 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018 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.

On 29 April 2019, the Group acquired Heineken Group's operations in mainland China, Hong Kong and Macau. The acquisition was completed during the period and provisional goodwill arising from the acquisition was recognised, as set out in Note 13.

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 2018, except for the adoption of new standards, amendments and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2019.

The adoption of these new standards, amendments and interpretation has had no material effect on the results and financial positions of the Group for the current and prior accounting periods, and no prior period adjustment required, except for Hong Kong Financial Reporting Standards ("HKFRS") 16 "Leases" as set out below.

HKFRS 16 "Leases"

The Group has adopted HKFRS 16 "Leases" from 1 January 2019, which has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial information. In accordance with the transition provisions in HKFRS 16, the Group has adopted the modified retrospective approach for transition to the new leases standard. The adjustment arising from the new rules is therefore not reflected in the consolidated balance sheet as at 31 December 2018, but is recognised in the opening consolidated balance sheet on 1 January 2019.

3. Principal accounting policies (Continued)

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was around 4%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liabilities (which was classified as short term loans and long term loans in the last financial year according to HKAS 17) immediately before transition as the carrying amount of the right-of-sduse asset and the lease liabilities at the date of initial application. The measurement principles of HKFRS 16 are only applied from 1 January 2019.

	2019 (Unaudited) RMB million
Operating lease commitments disclosed as at 31 December 2018	120
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	(16)
Add: finance lease liabilities recognised as at 31 December 2018	12
Lease liabilities recognised as at 1 January 2019	116
Of which are:	
Current lease liabilities	38
Non-current lease liabilities	78
	116

Most of the right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to property, plant and equipment.

The adjustments on the consolidated balance sheet as at 1 January 2019 are summarised below:

Consolidated balance sheet (extract)	31 December 2018 (Audited) **As originally presented** RMB million	**Effect of adoption of HKFRS 16** RMB million	1 January 2019 (Unaudited) **Restated** RMB million
Fixed assets – property, plant and equipment	16,491	(8)	16,483
Right-of-use assets	-	118	118
Trade and other receivables	906	(6)	900
Current lease liabilities	-	(38)	(38)
Non-current lease liabilities	-	(78)	(78)
Short term loans	(704)	3	(701)
Long term loans	(9)	9	-

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) - Interpretation 4 “Determining whether an Arrangement contains a Lease”.

3. Principal accounting policies (Continued)

The Group leases various offices, warehouses, and equipments. Rental contracts are typically made for fixed periods of 1 to 14 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until 2018, lease of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the leases.

From 1 January 2019, leases are recognised as a right-of-use assets and a corresponding liability at the date at which the leased assets are available for the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets recognised on a straight-line basis as an expense in profit or loss are insignificant. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise plant and machinery.

The Group has not early applied the new standards, amendments and interpretation that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretation will have no material impact on the Group's result of operations and financial positions.

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 2019					
Turnover[1]					
External sales	9,575	4,836	4,414	-	18,825
Inter-segment sales	157	184	138	(479)	-
Total	9,732	5,020	4,552	(479)	18,825
Segment result[2]	1,377	751	572		2,700
Unallocated corporate expenses					(68)
Interest income					39
Finance costs					(22)
Profit before taxation					2,649
Taxation					(777)
Profit for the period					1,872
Other information					
Additions to non-current assets[3]	3,292	210	134	-	3,636
Depreciation and amortisation	459	209	184	3	855
Impairment loss recognised	102	10	114	-	226
For the six months ended 30 June 2018					
Turnover[1]					
External sales	8,739	4,304	4,522	-	17,565
Inter-segment sales	270	64	175	(509)	-
Total	9,009	4,368	4,697	(509)	17,565
Segment result[2]	844	524	752		2,120
Unallocated corporate expenses					(56)
Interest income					46
Finance costs					(33)
Profit before taxation					2,077
Taxation					(563)
Profit for the period					1,514
Other information					
Additions to non-current assets[3]	261	526	273	-	1,060
Depreciation and amortisation	433	187	197	1	818
Impairment loss recognised	159	27	80	-	266

1. Turnover represents sales of beer products net of sales rebates was recognised at a point of time (Included RMB375 million contributed by Heineken China).
2. Segment result represents earnings before interest income, finance costs and taxation.
3. Additions to non-current assets included fixed assets, goodwill, other intangible assets and right-of-use assets (Included RMB2,941 million from the acquisition of Heineken China).

5. Other income

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Other income includes:		
Interest income	**39**	46

6. Finance costs

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Interest on bank loans and other loans	**12**	29
Interest on lease liabilities	**6**	-
Financing charges	**4**	4
	22	33

7. Taxation

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Chinese Mainland income tax		
Current taxation	**651**	527
Deferred taxation	**126**	36
	777	563

Hong Kong Profit Tax is calculated at 16.5% (2018: 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 2019 is 25% (2018: 25%).

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 declarations of dividends are anticipated in the foreseeable future.

8. Profit for the period

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Profit for the period has been arrived at after charging/(crediting):		
Staff cost (including directors' emoluments)	**2,861**	3,014
Depreciation		
- Owned assets	**818**	806
- Right-of-use assets	**18**	-
Amortisation of other intangible assets	**19**	12
Impairment loss recognised on		
- Fixed assets	**88**	90
- Stocks	**138**	176
Cost of goods sold	**11,700**	11,242
Gain on disposal of fixed assets	**(71)**	(57)

9. Dividends

At the board meeting held on 20 March 2019, the directors proposed a final dividend of RMB0.03 per share for the year ended 31 December 2018. Such proposal was subsequently approved by shareholders on 24 May 2019. The dividend was translated to and paid in Hong Kong dollars at HK$0.03 per share. The 2018 final dividend paid was approximately RMB97 million (2018: RMB227 million was paid for 2017).

At the board meeting held on 16 August 2019, the Board has declared an interim dividend of RMB0.12 (2018: RMB0.09) 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 RMB389 million (2018: RMB292 million).

10. Earnings per share

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
The calculation of the basic and diluted earnings per share is based on the following data:		
Earning		
Profit attributable to shareholders of the Company for the purposes of calculating basic and diluted earnings per share	**1,871**	1,508

	2019	2018
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**3,244,176,905**	3,244,176,905

	2019	2018
	(Unaudited)	(Unaudited)
	RMB	*RMB*
Basic and diluted earnings per share	**0.58**	0.46

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

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 2019	As at 31 December 2018
	(Unaudited)	(Audited)
	RMB million	*RMB million*
0 – 30 days	**298**	78
31 – 60 days	**73**	68
61 – 90 days	**34**	41
> 90 days	**157**	256
	562	443

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 2019 (Unaudited) *RMB million*	As at 31 December 2018 (Audited) *RMB million*
0 – 30 days	**3,613**	1,963
31 – 60 days	**402**	132
61 – 90 days	**166**	176
> 90 days	**58**	69
	4,239	2,340

13. Acquisition of Heineken Group's Operations in mainland China, Hong Kong and Macau

On 29 April 2019, the Group acquired from Heineken Group the entire equity interest of seven companies, namely Heineken (China) Management Services Co., Ltd., Heineken Trading (Shanghai) Co., Ltd., Heineken (Shanghai) Co., Ltd., Heineken Brewery (Guangzhou) Co., Ltd., Heineken Brewery (Zhejiang) Co., Ltd., Heineken Brewery (Hainan) Co., Ltd., and Heineken Hong Kong Limited (collectively "Heineken China"). Total cash consideration being the agreed enterprise value of HK$2,355 million and as adjusted by the agreed price adjustment items. Provisional consideration of HK$2,882 million (equivalent to RMB2,472 million) was paid as at 30 June 2019, while the price adjustment items and final consideration had not been agreed as at the reporting date.

Provisional goodwill arising from the acquisition was amounting to RMB1,065 million, which is attributable to the profitability and the synergies expected to be arisen from the acquired businesses.

Identifiable assets and liabilities acquired at the date of acquisition are as follows:

	Provisional fair value RMB million
Fixed assets	**1,468**
Intangible assets	**378**
Other assets	**461**
Cash and bank balances	**256**
Trade and other payables	**(916)**
Other liabilities	**(240)**
	1,407

The fair value is provisional and pending receipt of the final valuation.

Since the completion of the acquisition of Heineken China, contribution from such operation does not bring significant impact to the Group's financial performance for the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The unaudited consolidated turnover of the Group and profit attributable to the Company's shareholders for the first half of 2019 were RMB18,825,000,000 and RMB1,871,000,000 representing an increase of 7.2% and 24.1%, respectively, compared with the same period last year. The Group's earnings before interest and taxation in the first half of 2019 increased by 27.5% to RMB2,632,000,000 over the same period last year.

In the first half of 2019, benefitting from a consumption upgrade, the overall beer market volume grew compared with the same period last year. The Group's overall sales volume outperformed the market, delivering a 2.6% year-on-year growth to approximately 6,375,000 kiloliters.

Benefitting from the brand repositioning strategy, further upgrade of product mix and contribution from the acquisition of Heineken China, the sales volume of the mid- to high-end beer expanded by 7.0% year-on-year. The Group's overall average selling price increased by 4.5% compared with the same period last year, while the cost of sales also increased due to the rising cost of certain raw materials and further upgrade of product mix. Combining the above factors, the gross profit in the first half of 2019 recorded a growth of 12.7% year-on-year to RMB7,125,000,000.

The Group's overall selling and distribution expense in the first half of 2019 increased by 13.3% compared with the same period last year due to the impact of higher investment in advertisement and the acquisition of Heineken China. The Group continued to pursue capacity optimization and organizational restructuring, resulting in staff compensation and resettlement expenses of approximately RMB348,000,000 (2018: approximately RMB81,000,000). The general and administrative expenses in the first half of 2019 was decreased by 4.3% year-on-year as a result of the impact of staff compensation and resettlement, an one-off annuity provision of its staff cost that the Group accrued for 2017 in the first half of 2018 (approximately RMB174,000,000), decrease in staff costs and reduction in impairment loss recognised.

The Group continued with its product portfolio diversification. In April 2019, the Group launched mid- to high-end product, MARRSGREEN, together with our high-end beer product, "Craftsmanship", and our mid- to high-end beer product, "Brave the World superX" launched last year, further supporting the growth of mid- to high-end beer sales and enhancing our brand image.

The recognised impairment loss of fixed assets and inventories for the first half of 2019 were RMB88,000,000 and RMB138,000,000, respectively. The Group continued with its deployment of production capacity optimization. During the period under review, one brewery ceased operation. In the meantime, three breweries were added after the acquisition of Heineken China. As of the end of June 2019, the Group operated 80 breweries across 25 provinces, municipalities and autonomous regions in Mainland China, with an aggregate annual production capacity of approximately 21,600,000 kiloliters.

In terms of execution of the premiumization strategies, the acquisition of Heineken China was completed on 29 April 2019, and the Heineken trademark licensing agreement and framework agreement also became effective on the same date. Since the completion of the acquisition of Heineken China, contribution from such operation does not bring significant impact to the Group's financial performance for the period under review. This long-term strategic partnership will provide an important strategic opportunity for our development in China's premium beer market.

Looking into the future, the competition in the industry is expected to remain intense. We will continue to adjust our product mix, strengthen channel development as well as elevate our brand positioning and competitiveness in the premium market through key marketing strategies, such as advertising campaigns of our new brands. In addition, to unleash the potential of our long-term strategic partnership with the Heineken Group, we will continue focus on promoting the integration of the Heineken China. This long-term strategic partnership will help the Group capture the opportunities in the rapidly growing premium beer market in China and enhancing our value. Honoring our key management themes – "Innovative Development, Transformation and Upgrade, Quality Growth", we will implement a series of strategic measures, such as lean sales management, brand repositioning, operational reform, online marketing, organization restructuring, capacity optimization, channel reform, upgrade of information technology and corporate culture repositioning. The Group will continue to monitor market changes and the potential impact of China-US trade tensions on our cost, and take swift actions accordingly. The Group's financial performance is expected to be affected by the implementation of production capacity optimization and organizational restructuring continuously.

FINANCIAL REVIEW

Capital and Funding

As at 30 June 2019, the Group's consolidated cash and bank deposits amounted to RMB4,128,000,000. The Group's borrowings as at 30 June 2019 were RMB1,311,000,000 and were repayable within 1 year.

The Group was at a net cash position as at 30 June 2019 and 31 December 2018.

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 30 June 2019, 1.2% of the Group's cash and bank deposits balances were held in Hong Kong dollars, 96.2% in Renminbi and 2.6% 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.

As at 30 June 2019, the Group's current liabilities and current ratio were RMB22,336,000,000 and 0.53, 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, with no significant net cash outflow in short run. 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 2019, assets with a carrying value of RMB67,000,000 (31 December 2018: RMB67,000,000) were pledged for notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2019.

Employees

As at 30 June 2019, the Group had a staff size of around 35,000, 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 RMB0.12 per share (equivalent to HK$0.134 per share at the exchange rate of RMB1:HK$1.11575, 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) for the six months ended 30 June 2019 (2018: interim dividend RMB0.09 per share, equivalent to HK$0.10 per share) payable on Monday, 14 October 2019 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 27 September 2019. The interim dividend will be payable in cash in Hong Kong dollars.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 27 September 2019. 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 Thursday, 26 September 2019 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.2.6 and A.2.8 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, 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 24 May 2019 (the "AGM") due to business appointments. Mr. Jian Yi, 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 and had answered questions at the AGM competently.

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 2019.

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 2019.

By order of the Board
JIAN YI
Executive Director

Hong Kong, 16 August 2019

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. Rudolf Gijsbert Servaas van den Brink. 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.