THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Resources Beer (Holdings) Company Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 55.19% EQUITY INTEREST IN A TARGET COMPANY

Joint Financial Advisers to the Company

中信证券 CITIC SECURITIES

HSBC

Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 5 to 30 of this circular.

The Agreements and the Acquisition have been approved by written shareholder's approval obtained from China Resources Beer (Holdings) Company Limited, pursuant to Rule 14.44 of the Listing Rules in lieu of holding a general meeting of the Company. This circular is being despatched to the Shareholder for information only.

25 November 2022

CONTENTS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

"Acquisition"	the acquisition of an aggregate of 55.19% equity interest of the Target Company as contemplated under the Capital Increase Agreement and the Share Purchase Agreement
"Agreements"	the Capital Increase Agreement, the Share Purchase Agreement and the Shareholders Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"Capital Increase"	the transaction contemplated under the Capital Increase Agreement
"Capital Increase Agreement"	the capital increase agreement dated 25 October 2022 entered into among the Parties, in respect of the capital injection by CRWH into the Target Company
"Capital Increase Completion"	the completion of the Capital Increase pursuant to the terms and conditions of the Capital Increase Agreement
"China" or "PRC"	the People's Republic of China, and for the purposes of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	China Resources Beer (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 291)
"connected person(s)"	has the same meaning as ascribed thereto under the Listing Rules
"Consideration"	the total consideration of RMB12,300,000,000 for the Acquisition, consisting of RMB1,026,700,000 for the Capital Increase and RMB11,273,300,000 for the Share Purchase

"Contingent Debts" or "Contingent Liabilities"	contingent debts or liabilities as of the Reference Date, which include but are not limited to such debts or liabilities which arose from the following circumstances: (1) liabilities which should have been recorded in the Target Company's audit report as of the Reference Date but not recorded, or (2) compensation fees or expenses which were borne by the Target Company as a result of incidents happening before the Reference date which gave rise to litigation, arbitration or administrative penalty, or (3) obligations borne by the Target Company due to external guarantees provided by the Target Company before the Reference Date, or (4) other liabilities of Target Company prior to the Reference Date, whether known or unknown, which have not been disclosed to CRWH by the Existing Shareholders, Yichang Investment or the Target Company, or (5) contingent payback, contingent compensation, payment obligation and etc. of the Target Company which arose on or before the Reference Date due to taxation, labour disputes, payment of social security and provident fund and etc. Items (2) to (5) above do not include any amount of estimated liabilities which have been accrued in the Target Company's audit report as of the Reference Date
"CRC"	China Resources Company Limited* (中國華潤有限公司), a company incorporated in the PRC with limited liability, and the ultimate holding company of the Company
"CRH Beer"	CRH (Beer) Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder (as defined under the Listing Rules) holding more than 50% of the total issued share capital of the Company as at the Latest Practicable Date
"CRWH"	China Resources Wine Holdings Limited* (華潤酒業控股有限公司), a company incorporated with limited liability in the PRC and an indirect wholly-owned subsidiary of the Company
"Director(s)"	the directors of the Company
"Enlarged Group"	the Group after the Capital Increase Completion and the Share Purchase Completion

"Existing Shareholders"	the existing shareholders of the Target Company immediately before the Agreements were entered into, i.e. Yichang Caiyuan and Hubei Yihua
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hubei Yihua"	Hubei Yihua Group Co., Ltd.* (湖北宜化集團有限責任公司), a company incorporated with limited liability in the PRC, one of the Exiting Shareholders and the holding company holding the entire equity interest of both Yichang Caiyuan and Yichang Investment
"Latest Practicable Date"	18 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LTM"	last twelve months
"Parties"	collectively, the parties to the Agreements, comprising CRWH, the Existing Shareholders, Yichang Investment and the Target Company
"Reference Date"	31 October 2021
"RMB"	Renminbi, the lawful currency of the PRC
"SAMR"	the State Administration for Market Regulation of the PRC
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws Ordinance of Hong Kong) (as amended from time to time)
"Share(s)"	share(s) of the Company with no par value
"Share Purchase"	the transaction contemplated under the Share Purchase Agreement

"Share Purchase Agreement"	the share purchase agreement dated 25 October 2022 entered into among the Parties in relation to the acquisition of an aggregate of 50.58% of the total equity interest of the Target Company (upon the Capital Increase Completion) by CRWH from the Existing Shareholders
"Share Purchase Completion"	the completion of the Share Purchase pursuant to the terms and conditions of the Share Purchase Agreement
"Shareholder(s)"	registered holder(s) of the issued Share(s)
"Shareholders Agreement"	the shareholders agreement entered into among the Parties, in relation to the rights and obligations among the parties as shareholders of the Target Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Guizhou Jinsha Jiaojiu Winery Industry Co., Ltd.* (貴州金沙窖酒酒業有限公司), a company incorporated with limited liability in the PRC
"Target Group"	The Target Company, together with its subsidiaries
"Transition Period"	during the period commencing from Reference Date until the date of the Share Purchase Completion
"working day"	the statutory working day in the PRC
"Yichang Caiyuan"	Yichang Caiyuan Investment Management Co., Ltd.* (宜昌財源投資管理有限公司), a company incorporated with limited liability in the PRC, one of the Existing Shareholders and a direct wholly-owned subsidiary of Yichang Investment, which in turn is directly wholly-owned by Hubei Yihua
"Yichang Investment"	Yichang Yihua Investment Management Co., Ltd.* (宜昌宜化投資管理有限公司), a company incorporated with limited liability in the PRC
"%"	per cent.

* *For identification purposes only*

華潤啤酒(控股)有限公司
China Resources Beer (Holdings) Company Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 291)

Executive Directors:
Mr. HOU Xiaohai *(Chief Executive Officer)*
Mr. WEI Qiang *(Chief Financial Officer)*

Non-executive Directors:
Mr. LAI Ni Hium, Frank
Mr. Richard Raymond WEISSEND
Ms. ZHANG Kaiyu
Mr. TANG Liqing

Independent Non-executive Directors:
Mr. HOUANG Tai Ninh
Dr. LI Ka Cheung, Eric
Mr. LAI Hin Wing Henry Stephen
Mr. Bernard Charnwut CHAN
Mr. SIU Kwing Chue, Gordon

Registered office:
Room 2301 & 2310, 23/F.,
China Resources Building,
26 Harbour Road, Wanchai,
Hong Kong

Hong Kong, 25 November 2022

To the shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 55.19% EQUITY INTEREST IN A TARGET COMPANY

INTRODUCTION

Reference is made to the announcement of the Company dated 25 October 2022, in relation to, among others, the Agreements and the Acquisition.

PROPOSED ACQUISITION OF 55.19% EQUITY INTEREST IN A TARGET COMPANY

On 25 October 2022 (after trading hours), CRWH, an indirect wholly-owned subsidiary of the Company entered into the Agreements, which comprise: (i) the Capital Increase Agreement; (ii) the Share Purchase Agreement; and (iii) the Shareholders Agreement.

Pursuant to the Capital Increase Agreement, CRWH agreed to contribute a total of RMB1,026,700,000 to the Target Company, among which RMB4,832,792 will be credited as registered share capital of the Target Company, while the remaining sum will be credited into reserve of the Target Company. Upon the Capital Increase Completion, CRWH will hold an equity interest of 4.610% in the Target Company. Pursuant to the Share Purchase Agreement, CRWH agreed to purchase, and the Existing Shareholders agreed to sell, an aggregate of 50.58% of the enlarged share capital of the Target Company (upon the Capital Increase Completion) for a total consideration of RMB11,273,300,000.

Immediately following the Capital Increase Completion and the Share Purchase Completion, CRWH will hold a total of 55.19% of the enlarged share capital of the Target Company, and the Target Company will become an indirect non-wholly owned subsidiary of the Company. The results, assets and liabilities of the Target Group will be consolidated into the financial statement of the Company.

The Shareholders Agreement was entered into among the Parties to govern the rights and obligations of shareholders of the Target Company after the Capital Increase Completion and the Share Purchase Completion.

THE CAPITAL INCREASE AGREEMENT

Date : 25 October 2022 (after trading hours)

Parties :

(1) CRWH;

(2) The Existing Shareholders (namely Yichang Caiyuan and Hubei Yihua);

(3) Yichang Investment; and

(4) The Target Company.

Capital contribution : CRWH agreed to contribute a total of RMB1,026,700,000 to the Target Company, among which RMB4,832,792 will be credited as registered share capital of the Target Company, while the remaining sum will be credited into reserve of the Target Company.

Immediately upon the Capital Increase Completion, CRWH will hold an equity interest of 4.610% in the Target Company, while the equity interest of Yichang Caiyuan and Hubei Yihua in the Target Company will be reduced from 60% to approximately 57.234% and from 40% to approximately 38.156% respectively on an enlarged share capital basis.

Use of capital : The Target Company will utilize the capital to be contributed by CRWH for the following purposes *(Note 1)*:

(i) the Target Company's investment projects;

(ii) repaying loans of the Target Company (subject to approval of the board of directors of the Target Company and written approval of CRWH); and/or

(iii) such other purposes which may be approved by the board of directors of the Target Company and written approval of CRWH.

Note 1: The Target Company's investment projects refer to the expansion of its production capacity of 30,000 tons, which is expected to be conducted in several phases, and the improvement and replacement of certain of its existing production facilities. As to the loans of the Target Company, as at 30 June 2022, it had an outstanding bank and other borrowings of approximately RMB565,796,000. The priority of the Target Company is to utilize the capital for its investment projects, though depending on its needs, it may allocate a portion of the capital to be used for repayment of its loans and/or other purposes (both of which are subject to approval by the board of directors and written approval of CRWH).

Consideration and payment terms : The capital to be contributed by CRWH will be paid in the following manner:

(i) an amount of RMB1,026,700,000, which represents 100% of the consideration, will be paid to an escrow account (which is to be set up jointly by the Target Company and CRWH within two working days upon the Capital Increase Agreement taking effect) upon: (a) the Capital Increase Agreement taking effect in full; (b) satisfaction or waiver of the conditions precedents; (c) completion of the relevant administrative filings; and (d) within 15 working days upon the setting-up of the escrow account; and

(ii) the amount of RMB1,026,700,000 will be transferred from the escrow account to an account designated by the Target Company within five working days upon satisfaction of the following conditions: (a) the Target Company has provided CRWH with a detailed plan of use of capital to be contributed, which shall have been approved by CRWH; (b) the amount due from Hubei Yihua and its related parties, together with the interests in relation thereto, has been repaid to the Target Company; and (c) the guarantees provided by the Target Company for Hubei Yihua and its related parties have been duly released, the registration procedures of such releases have been duly registered, and the deregistration procedures and corresponding supporting documents have been provided.

Conditions for the Capital Increase Agreement taking effect : The Capital Increase Agreement will only take effect upon satisfaction of each of the following conditions:

(i) the Capital Increase has been duly approved by each contracting parties' internal decision making body pursuant to the relevant laws and regulations, the constitutional documents and the internal rules and regulations of the contracting party;

(ii) the Capital Increase has been approved by Yichang SASAC to be conducted in a non-public manner in accordance with the relevant regulations in relation to the supervision and administration of state-owned assets;

(iii) the Existing Shareholders and Yichang Investment have provided an undertaking in writing, pursuant to which in case there is any dispute in relation to employee placement and compensation scheme arising from the restructuring of the Target Company from being an enterprise owned by the whole people (全民所有制企業) to a limited liability company (有限責任公司) in July 2007, the Existing Shareholders and Yichang Investment shall be responsible for liaising with Jinsha governmental authorities for resolving such disputes; and

(iv) Yichang Investment and the Target Company have, pursuant to the requirements under the relevant agreements with an independent third party of the Company, duly performed their obligations to notify the said independent third party about the Acquisition and undertaken that the aforesaid notification will not affect the Acquisition, and that relevant documents evidencing the above have been provided to CRWH.

As at the Latest Practicable Date, all of the above conditions have been fulfilled.

Conditions precedent for the Capital Increase Completion : The Capital Increase Completion will be subject to the following conditions precedent:

(i) the Capital Increase has been approved in writing by all pledgees of the equity interest in the Target Company;

(ii) the Target Company has notified and/or obtained the consent of the relevant lending banks regarding the Capital Increase in accordance with the terms of the relevant loan contracts;

(iii) the banking creditors' committee of the Hubei Yihua has consented to the Capital Increase and has not made any request or passed any resolution which would adversely affect the Capital Increase;

(iv) with respect to the qualification procedures and ownership licenses for the Target Company's constructed land properties and ongoing construction projects, the Target Company, the Existing Shareholders and Yichang Investment have issued a letter of undertaking, pursuant to which the parties shall, among others, procure the relevant governmental authorities to coordinate with and support the Target Company in the administrative procedures in relation to such land properties and construction projects;

(v) the Target Company, the Existing Shareholders and Yichang Investment have issued documents confirming that as of the completion date, the mortgagee of the Target Company's base wine *(Note 2)* has not applied for preservation or enforcement of its secured assets;

(vi) key employees of the Target Company (including senior management and core personnel) have signed employment contracts (with a contract term of not less than three years) and non-competition agreements that are acceptable and satisfactory to the Target Company and CRWH;

(vii) the Target Company and its subsidiaries have not been ordered to suspend production, revoke relevant qualification and licenses, and have not been unable to operate normally due to other matters before the completion date;

Note 2: Base wine is the major component for manufacturing of baijiu. It is the original wine after fermentation which has not undergone any blending.

(viii) the Capital Increase has passed the undertaking concentration examination from the Anti-Monopoly Bureau of the SAMR; and

(ix) the due compliance with the relevant applicable Listing Rules requirements by the Company.

None of the above conditions has been fulfilled as at the Latest Practicable Date. Save as to conditions (iv) to (vii), all other conditions are non-waivable.

The Capital Increase Completion : Within three working days after all of the conditions precedent have been fulfilled or the waiver by CRWH in writing has been obtained, the parties will arrange the administrative fillings for registering the matters in relation to the Capital Increase.

The date on which the Target Company obtains the new business license from the relevant governmental authorities will be deemed as the date of the Capital Increase Completion.

Subsequent transfer : The Parties agreed that upon the completion of the administrative filings, the Parties will continue to advance the acquisition of the Target Company by CRWH, i.e. the Existing Shareholders will transfer an aggregate of 50.58% of the equity interest in the Target Company (after the Capital Increase) to CRWH or its designated entities. The said share transfer will be subject to the terms of the Share Purchase Agreement.

Termination : The Capital Increase Agreement may be terminated by mutual agreement of the Parties.

The Capital Increase Agreement may be terminated unilaterally by the Target Company, the Existing Shareholders or Yichang Investment in the event that CRWH fails to pay the total sum of capital to be contributed by CRWH within 12 months upon the Capital Increase Agreement taking effect and the due fulfilment of all conditions precedent.

The Capital Increase Agreement may be terminated unilaterally by CRWH upon occurrence of any of the following events:

(i) any defect in relation to the ownership of the equity interest in Target Company or the ownership of the equity interest in Yichang Caiyuan and its holding company above (including the equity interest in Yichang Caiyuan and its holding company above being indirectly held 100% by Yichang SASAC), which leads to the Capital Increase being void or revoked;

(ii) failure from the Target Company, the Existing Shareholders and Yichang Investment to resolve disputes within 6 months in the event that any party applies for execution or claims rights over the Target Company's base wine, immovable properties and property interest;

(iii) failure of fulfillment of the conditions precedent to the Capital Increase Completion in the absence of waiver from CRWH within 12 months after the Capital Increase Agreement taking effect (or such other date as may be agreed by the Parties in writing), subject to exceptions;

(iv) failure to complete the acquisition of the controlling interest in the Target Company by CRWH within 12 months after the Capital Increase Agreement and the Share Purchase Agreement taking effect for reasons not caused by CRWH, subject to exceptions; or

(v) the Target Company and its subsidiaries being ordered to suspend operation, or any of their qualification or licences being revoked, or any other matters which lead to the Target Company and its subsidiaries being unable to operate normally.

THE SHARE PURCHASE AGREEMENT

Date : 25 October 2022 (after trading hours)

Parties :

(1) CRWH;

(2) The Existing Shareholders (namely Yichang Caiyuan and Hubei Yihua);

(3) Yichang Investment; and

(4) The Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Existing Shareholders, Yichang Investment and the Target Company, their respective controlling shareholder(s) and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject equity interest : CRWH agreed to purchase, and the Existing Shareholders agreed to sell, an aggregate of 50.58% of the total equity interest of the Target Company (upon the Capital Increase Completion), among which 38.156% and 12.424% will be transferred by Hubei Yihua and Yichang Caiyuan respectively.

Conditions for the Share Purchase Agreement taking effect : The Share Purchase Agreement will only take effect upon satisfaction of each of the following conditions:

(i) the Capital Increase Agreement taking effect;

(ii) Yichang Investment and the Target Company have, pursuant to the requirements under the relevant agreements with an independent third party of the Company, duly performed their obligations to notify the said independent third party about the Acquisition and undertaken that the aforesaid notification will not affect the Acquisition, and that relevant documents evidencing the above have been provided to CRWH;

(iii) the Share Purchase has been duly approved by each contracting parties' internal decision making body pursuant to the relevant laws and regulations, the constitutional documents and the internal rules and regulations of the contracting party; and

(iv) the Share Purchase has been approved by Yichang SASAC to be conducted in a non-public manner in accordance with the relevant regulations in relation to the supervision and administration of state-owned assets.

As at the Latest Practicable Date, all of the above conditions have been fulfilled.

Conditions Precedent for the Share Purchase Completion : The Share Purchase Completion is subject to satisfaction or waiver of the following conditions:

(i) the Target Company has been released from all related party transactions with its related parties, except written consent by CRWH;

(ii) all existing pledges on real estate, land properties and intellectual properties of the Target Company have been released (except such foregoing pledges and mortgages which were entered into for debts of the Target Company arising from its normal business needs);

(iii) the Target Company has amended its articles of association in accordance with the relevant provisions of the Share Purchase Agreement or the Shareholders Agreement, and that the amended articles of association have been duly signed by the shareholders of the Target Company;

(iv) the Target Company has notified and/or obtained the consent of the relevant lending banks regarding the Share Purchase in accordance with the terms of the relevant loan contracts;

(v) the banking creditors' committee of the Hubei Yihua has consented to the Share Purchase and has not made any request or passed any resolution which would adversely affect the Share Purchase;

(vi) the amount due from Hubei Yihua and its related parties, together with the interests in relation thereto, has been repaid to the Target Company;

(vii) the Acquisition has passed the undertaking concentration examination from the Anti-Monopoly Bureau of the SAMR; and

(viii) the due compliance with the relevant applicable Listing Rules requirements by the Company.

None of the above conditions has been fulfilled as at the Latest Practicable Date. Save as to conditions (i), (ii) and (vi), all other conditions are non-waivable.

The Share Purchase Completion : Within three working days after all of the conditions precedent for the Share Purchase Completion have been fulfilled or waived, the Existing Shareholders and Yichang Investment shall arrange the administrative fillings for registering the matters in relation to the Share Purchase (including but not limited to release of existing pledge in relation to the subject equity interest of the Share Purchase and the registration of the new pledge of 15% of the Target Company by Yichang Caiyuan to CRWH.) *(Note 3)*

The date on which the market supervision and administration department of the place where the Target Company is registered issues to the Target Company a notice of approval for registration of Share Purchase will be the date of the Share Purchase Completion.

Consideration and payment terms : The total consideration payable by CRWH to the Existing Shareholders for the Share Purchase is RMB11,273,300,000 among which approximately RMB8,504,231,610 and RMB2,769,068,390 is payable to Hubei Yihua and Yichang Caiyuan respectively. The consideration will be paid in three tranches in the following manner:

(i) an amount of RMB3,381,990,000, which represents approximately 30% of the consideration of the Share Purchase, shall be paid to an escrow account (which was to be set up jointly by the Existing Shareholders and CRWH within two working days upon the Share Purchase Agreement taking effect) within five working days upon (a) the Share Purchase Agreement taking effect in full; (b) the existing pledges of the subject equity interest have been duly released and the registration of the new pledge of the said subject equity interest, with CRWH as the pledgee; and (c) the Acquisition has passed the undertaking concentration examination from the Anti-Monopoly Bureau of the SAMR, and that such sum shall be transferred from the escrow account to an account designated by the Existing Shareholders within 5 working days from the date of completion of the business registration for the Share Purchase;

Note 3: The 15% equity pledge is to be given by the Existing Shareholders in favour of CRWH as guarantee for the performance of their contractual obligations under the Agreements. It was determined after arm's length negotiation between the Company and the Existing Shareholders after considering the contractual obligations of the Existing Shareholders under the Agreements including representations, warranties and specific performance such as release of guarantees of loan and completion of administrative registration. The 15% equity pledge of the Target Company is for the purpose of procuring the Existing Shareholders to perform their contractual obligations pursuant to the Agreements.

(ii) an amount of RMB6,200,315,000, which represents approximately 55% of the consideration of the Share Purchase, shall be paid by CRWH to an account designated by the Existing Shareholders within 10 working days upon satisfaction or waiver of the conditions precedents for the Share Purchase Completion, upon which:

a. the business registration for the Share Purchase shall have been completed;

b. 15% of the total equity interest in the Target Company which will be held by Existing Shareholders after the Share Purchase Completion shall continue to be pledged to CRWH, for a period of five years as guarantee for the Target Company's representations, warranties, obligations and undertakings under the Share Purchase Agreement and ancillary documents;

c. the Parties shall have completed the handover of the management of the Target Company;

d. the amount due from Hubei Yihua and its related parties, together with the interests in relation thereto, shall have been repaid to the Target Company; and

e. the guarantees provided by the Target Company for Hubei Yihua and its related parties shall have been duly released, and that the registration procedures of such releases shall have been duly registered.

(iii) the remaining amount of RMB1,690,995,000, which represents approximately 15% of the consideration of the Share Purchase, will be paid to the escrow account within 5 working days upon the fulfillment and/or waiver of conditions for the transfer of the first payment and the second payment to an account designated by the Existing Shareholders and the date of completion of the opening of the escrow account; while the said remaining amount of RMB1,690,995,000 will be transferred from the escrow account to an account designated by the Existing Shareholders within 10 working days upon completion of the following: (a) necessary qualifications and approvals have been obtained in respect of the Target Company's newly invested construction project in accordance with the relevant requirements under applicable laws and regulations based on the respective construction status of the construction project of the Target Company; and (b) the Target Company has prepared consolidated financial statements made up to the date of the Share Purchase Completion, and has cooperated with the auditors appointed by CRWH for the audit in relation to the financial statements of the Target Company made up to the date of the Share Purchase Completion within two months after the said completion date.

Debt Arrangement : Other than (i) those which have been disclosed to CRWH; and (ii) liabilities incurred on or before Reference Date which were arisen from normal operation of the Target Company and its subsidiaries and do not have any material adverse impact on the Target Company and/or its subsidiaries and/or its shareholders, there are no other significant debts or Contingent Liabilities of the Target Group (being debts with an aggregate sum exceeding RMB500,000) as at the Reference Date which have not been reflected, whether by way of intentional concealment or omission.

In addition to the aforementioned debts, the Existing Shareholders and Yichang Investment shall be fully responsible for other Contingent Debts incurred by the Target Group before the date of the Share Purchase Completion. In the event there are such debts (in addition to the aforementioned debts) for which the Existing Shareholders and Yichang Investment shall be responsible, the Existing Shareholders and Yichang Investment shall indemnify the Target Group, in full and in one lump sum, within five working days from the date on which the Target Group has paid off such debts in accordance with the amount of debts actually undertaken by the Target Group.

After the Existing Shareholders and Yichang Investment have duly performed their indemnification obligation, if CRWH suffers any additional losses as a result of the aforementioned debts, the Existing Shareholders and Yichang Investment shall be jointly and severally liable for damages and breach of contractual obligations to CRWH.

Transition Arrangement : Unless otherwise agreed by the Parties or CRWH agrees to waive in writing *(Note 4)*, the Target Company, the Existing Shareholders and Yichang Investment undertake that, during the Transition Period, the Target Company and its subsidiaries would operate in accordance with their normal and usual business operation and would make commercially reasonable efforts to ensure that all important assets are in good operation status, and would not conduct any significant actions in the absence of prior written consent from CRWH. Such significant actions include, among others, change in nature of business operation, restructuring or change in share capital, revision of constitutional documents and declaration of dividend.

During the Transition Period, the profit and loss of the Target Company shall be entitled and borne by CRWH and the Existing Shareholders in accordance with the shareholding in the Target Company upon the Capital Increase Completion and Share Purchase Completion (i.e. 55.19% and 44.81% for CRWH and Yichang Caiyuan respectively).

Note 4: On 25 October 2022, the Parties entered into a waiver agreement, pursuant to which CRWH agreed to exercise its rights under the Agreements, to waive the liabilities for breach of contract arising from the relevant parties' failure to perform their obligation to notify CRWH on time as provided under the Agreements. Such significant actions disclosed include, among others, change in shareholding, senior management personnel, constitutional documents of the Target Company, details of loans payable and guarantees given by the Target Company and etc..

For the avoidance of doubt, the waiver contemplated under the waiver agreement only concerns the obligation from the Existing Shareholders and Yichang Investment to notify CRWH of the occurrence of such events, if the Target Company and/or CRWH incurs any losses by reason of matters set out in the waiver agreement (other than such losses which arise from normal business operation and could be classified transitional profits and losses in accordance with the Agreements), the Existing Shareholders and Yichang Investment shall, pursuant to the Agreements, remain liable for breach of contract and shall be jointly and severally liable to compensate the Target Company and/or CRWH for all losses suffered thereby.

Termination : The Share Purchase Agreement may be terminated by mutual agreement of the Parties.

The Share Purchase Agreement may be terminated unilaterally by the Target Company, the Existing Shareholders or Yichang Investment in the event that CRWH fails to pay the consideration under the Share Purchase Agreement within 12 months upon the respective payment obligation falls due.

The Share Purchase Agreement may be terminated unilaterally by CRWH upon occurrence of any of the following events:

(i) any defect in relation to the ownership of the equity interest in Target Company or the ownership of the equity interest in Yichang Caiyuan and its holding company above (including the equity interest in Yichang Caiyuan and its holding company above being indirectly held 100% by Yichang SASAC), which leads to the Share Purchase being void or revoked;

(ii) failure of fulfillment of the conditions precedent to the Share Purchase Completion in the absence of waiver from CRWH within 12 months after the Share Purchase Agreement taking effect (or such other date as may be agreed by the Parties in writing), subject to exceptions;

(iii) failure to complete the acquisition of the controlling interest in the Target Company by CRWH within 12 months after the Capital Increase Agreement and the Share Purchase Agreement taking effect for reasons not caused by CRWH, subject to exceptions; or

(iv) the Target Company and its subsidiaries being ordered to suspend operation, or any of their qualification or licences being revoked, or any other matters which lead to the Target Company and its subsidiaries being unable to operate normally.

THE SHAREHOLDERS AGREEMENT

Date	:	25 October 2022 (after trading hours)
Parties	:	(1) CRWH; (2) The Existing Shareholders (namely Yichang Caiyuan and Hubei Yihua); (3) Yichang Investment; and (4) The Target Company.
Composition of the board of directors of the Target Company	:	The board of directors of the Target Company comprises seven members, among which: (i) four of them will be nominated by CRWH; (ii) two of them will be nominated by Yichang Caiyuan; and (iii) the remaining one of them will be an employee representative nominated by Yichang Caiyuan and elected through relevant statutory procedures. The chairman of the Target Company, who will also be the legal representative of the Target Company, will be nominated by CRWH and elected through relevant statutory procedures. The Target Company has one deputy chairman, who will be nominated by Yichang Caiyuan and elected through relevant statutory procedures.
Composition of the supervisory committee of the Target Company	:	The supervisory committee of the Target Company comprises three members, among which: (i) one of them will be nominated by CRWH; (ii) one of them will be nominated by Yichang Caiyuan; and (iii) the remaining one of them will be an employee representative nominated by CRWH and elected through relevant statutory procedures.

Composition of the senior management of the Target Company	:	The Target Company has one general manager, who will be nominated by CRWH and approved by the board of directors of the Target Company. The Target Company may have multiple deputy general managers, whose appointment and removal will be decided by the board of directors of the Target Company. Yichang Caiyuan will have right to nominate one deputy general manager, whose appointment is subject to relevant statutory procedures. The Target Company has one chief financial officer, whose candidacy shall be recommended by the general manager of the Target Company based on the opinion of CRWH. The appointment of the chief financial officer of the Target Company is subject to the approval of the board of directors of the Target Company. The Target Company has one deputy financial controller, whose appointment will be decided by the general manager based on the nomination of Yichang Caiyuan.
Preferential subscription rights and anti-dilution rights	:	In the event that the Target Company intends to increase its registered capital subsequent to the signing of the Shareholders Agreement, CRWH will have a pre-emptive right to subscribe for all or any part of such equity interest until its equity interest in the Target Company reaches 60%, after which CRWH will continue to have a right to maintain its equity interest in the Target Company at such percentage without dilution.
Pre-emptive right	:	If the Existing Shareholders or Yichang Investment intend to directly or indirectly transfer their equity interest in the Target Company to a third party, CRWH is entitled to the pre-emptive rights to acquire such equity interest under the same terms and conditions. The Existing Shareholders or Yichang Investment are not allowed to transfer its equity interest in the Target Company directly or indirectly to the competitors of the Target Company and/or any other third party engaged in alcohol business.

Staff stability arrangement	:	Within one year upon the Share Purchase Completion, for the purposes of core employees holding key positions at the Target Company, unless such employees offer voluntary resignation, are in contravention of laws and regulations or administrative rules of the Target Group or the likes, or fail to measure up to the job descriptions, or their employment relationship is terminated in accordance with other relevant provisions under the labor contracts entered into with them, CRWH agrees that it will not exercise its power to dismiss such relevant employees in any unreasonable or unfair manner, as provided that such said arrangement will not apply to changes due to nomination of directors, supervisors, or senior management as agreed under the Shareholders Agreement.

BASIS OF THE CONSIDERATION

The total consideration of RMB12,300,000,000 for the Acquisition, consisting of: (1) RMB1,026,700,000 for the Capital Increase; and (2) RMB11,273,300,000 for the Share Purchase.

The amount of the Consideration was determined on the basis of normal commercial terms and arm's length negotiations between the Company and Hubei Yihua, Yichang Caiyuan and Yichang Investment, as well as taking into account various factors, including (i) the comparable companies analysis; (ii) the comparable transactions analysis within the baijiu industry; (iii) the recent financial and operational performance of the Target Group; and (iv) the potential synergies to be derived by the Group after the Capital Increase Completion and the Share Purchase Completion.

The Company will finance the Consideration by way of a combination of the Company's internal resources and external financing (e.g. bond offerings and/or bank loans).

The Board has considered various multiples, including price-to-book ("**P/B**"), enterprise-value-to-earnings-before-interest-tax-depreciation-and-amortization ("**EV/EBITDA**") and price-to-earnings ("**P/E**") multiples, and concluded that P/E multiple best reflects the profitability of the Target Group and the valuation on the basis of net profit attributable to owners of the Target Group. It is one of the most widely used and accepted methods for valuing a business with recurring profits, and is usually used for food and beverage companies and consumer industries.

Considering the fact that the growth and profitability profiles of Chinese baijiu are different from other types of alcoholic drinks (beer, wine, etc.) and that Chinese baijiu is predominantly offered in China market, the Board considers that A-share listed baijiu companies are comparable to the Target Group because of their similarity in product attributes and market conditions. Besides A-share market, the Board has reviewed companies listed in Hong Kong and other stock exchange markets. However, no listed baijiu company outside A-share market can be identified.

The Company has reviewed all A-share listed baijiu companies and considered factors, including (i) business scale; (ii) key product flavor profile; (iii) regional coverage; and (iv) product positioning/price range, to determine three sets of comparable companies (the "**Comparable Companies**") as set out below:

(a) Moutai: Moutai is the leading and the only publicly-listed sauce-flavor baijiu player. Moutai is included in the comparison as a reference to the current market valuation of leading sauce-flavor baijiu player. The Board believes that Moutai is comparable to the Target Group as they share similar sauce-flavor profile.

(b) Reference Comparable Companies: Listed baijiu companies with 2021 actual ("**2021A**") revenue between RMB2 billion to RMB10 billion are, in the Board's view, comparable to the Target Group in terms of business scale.

(c) Core Comparable Companies: Within the Reference Comparable Companies, the Board regards Shede, Swellfun, Jiugui as Core Comparable Companies considering the higher comparability to the Target Group in terms of regional coverage and product positioning. All of the Core Comparable Companies have established a national presence across China with a premium focused product strategy, which is highly similar to the Target Group. Therefore, the Board believes that the Core Comparable Companies are the closest set of Comparable Companies.

Details of the Comparable Companies are set out as below:

Set	Company name	Stock code	Industry and business model	Key product flavor profile	2021A Revenue *(RMB bn)*	Market capitalization *(RMB bn)*	2021A P/E multiples[1]
(a)	Kweichow Moutai Co., Ltd. ("**Moutai**")	600519.SS	Chinese baijiu manufacturing and distribution	Sauce-flavor	109.5	1,968.6	37.5x
(b)	Jiangsu King's Luck Brewery Joint-stock Co., Ltd.	603369.SS	Chinese baijiu manufacturing and distribution	Strong-flavor	6.4	54.4	26.8x
(b)	Anhui Kouzi Distillery Co., Ltd.	603589.SS	Chinese baijiu manufacturing and distribution	Others	5.0	28.3	16.4x
(b) (c)	Shede Spirits Co., Ltd. ("**Shede**")	600702.SS	Chinese baijiu manufacturing and distribution	Strong-flavor	5.0	47.7	37.9x
(b)	Anhui Yingjia Distillery Co., Ltd.	603198.SS	Chinese baijiu manufacturing and distribution	Strong-flavor	4.6	39.2	28.4x
(b) (c)	Sichuan Swellfun Co., Ltd. ("**Swellfun**")	600779.SS	Chinese baijiu manufacturing and distribution	Strong-flavor	4.6	31.9	26.6x
(b)	Hebei Hengshui Laobaigan Liquor Co., Ltd.	600559.SS	Chinese baijiu manufacturing and distribution	Others	4.0	21.4	54.3x
(b) (c)	Jiugui Liquor Co., Ltd. ("**Jiugui**")	000799.SZ	Chinese baijiu manufacturing and distribution	Others	3.4	39.5	44.2x
	Mean of Reference Comparable Companies						**33.5x**
	Mean of Core Comparable Companies						**36.2x**

Company name	Stock code	Industry and business model	Key product flavor profile	2021A Revenue *(RMB bn)*	Equity valuation *(RMB bn)*	2021A P/E multiple
Target Group	N/A	Chinese baijiu manufacturing and distribution	Sauce-flavor	3.6	22.3	17.0x

Note:

(1) All Comparable Companies are listed in China. The P/E multiples of the Comparable Companies are calculated by dividing the price per share as of the Latest Practicable Date by the basic earnings per share for the financial year ended 31 December 2021.

The 2021A P/E multiple of Moutai is 37.5 times. The mean of 2021A P/E multiples of the Reference and Core Comparable Companies is 33.5 times and 36.2 times, respectively. The 2021A P/E multiples of the Core Comparable Companies range from 26.6 times to 44.2 times. The Board believes that the Comparable Companies analysis provides a reference on valuation of the Target Group given that the Comparable Companies and the Target Group share similar business model as all of them are engaging in the manufacturing and distribution of Chinese baijiu products. Comparable Companies analysis could reflect the current market valuation of the companies operating in the same industry.

Considering all of the above mentioned factors, the Board believes that the Target Group is comparable to the Comparable Companies.

It is noted by the Board that the Consideration for the Acquisition implies a post-money equity valuation of the Target Group of RMB22.3 billion, representing a P/E multiple of 17.0 times[(1)] of 2021 net profit attributable to owners of the Target Group. Post-money equity valuation of the Target Group represents the equity value of the Target Company having considered the effect after the Capital Increase. The post-money equity valuation is calculated by dividing the total consideration of the Acquisition by the percentage of shareholding of the enlarged share capital of the Target Company. The Company believes this is fair and reasonable in light of the Comparable Companies analysis as certain adjustments shall be considered when comparing the P/E multiples of Comparable Companies to that of the Target Group. Major adjustments considered include: (i) the Comparable Companies are public companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, while the shares of the Target Group are not publicly traded. Hence, a liquidity discount should be applied; and (ii) the difference in terms of the flavor profile of the products and operation scale of the Target Group, as compared to that of the Comparable Companies.

The 2021A P/E multiple of the Target Group was calculated based on the Consideration which was on normal commercial terms and was determined after arm's length negotiations between various parties.

Comparable Companies analysis works as a reference for the Board. In view of the size and liquidity difference between the Target Group and the Comparable Companies, the Board believes that the 2021A P/E multiple of the Target Group of 17.0 times is fair and reasonable. However, there is no linear method to be applied to reconcile the difference.

Note:

(1) The P/E multiples of Target Group and the Comparable Companies as disclosed in this Circular are non-adjusted figures.

For comparable transactions analysis, the Company has identified and reviewed, to the best of its knowledge, the P/E multiples represented by the comparable acquisitions (the "**Comparable Transactions**") that met the following criteria:

(a) acquisitions of target companies primarily engaging in baijiu manufacturing and distribution in the PRC that were announced in the past three years as of the date of the Share Purchase Agreement with information which are publicly available;

(b) the target company being profitable at the time of the relevant acquisition;

(c) the purchaser will be holding at least 30% of the target company's stake after the relevant acquisition; and

(d) the transaction consideration is above RMB1 billion.

Details of the Comparable Transactions are set out as below:

Announcement date	Target	Purchaser	Acquisition stake	Consideration *(RMB bn)*(5)	LTM P/E multiples
June 2021	Beijing Red Star Co., Ltd.	Beijing Dahao Technology Co., Ltd.	100%(2)	6.3(2)	14.7x(3)
December 2020	Sichuan Tuopai Shede Group Co., Ltd.	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd.	70%	4.5	22.3x(3)
July 2020	Jinhui Liquor Co., Ltd. (603919.SS)	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd.	30%	1.8	18.5x(3)(4)
Mean					**18.5x**
	Target Group				16.1x(1)

Note:

(1) The P/E multiple of the Target Group is calculated by dividing the 100% equity valuation of the Target Group of RMB22.3 billion by its net profit attributable to owners for the last twelve months of the relevant transaction. The LTM profit of the Target Group refers to the net profit attributable to owners of the Target Group for the twelve-month period ended 30 June 2022. It was calculated by adding the net profit for the year ended 31 December 2021 to that for the six months ended 30 June 2022 after which the net profit for the six months ended 30 June 2021 was subtracted from the sum aforementioned. The LTM net profit attributable to owners of the Target Group was RMB1,385 million.

(2) In the transaction, Beijing Dahao Technology Co., Ltd. ("**Dahao**") acquired 100% stake in Beijing Yiqing Asset Management Co., Ltd. ("**Yiqing**") and 45% stake in Beijing Red Star Co., Ltd. ("**Red Star**") from existing shareholders for a total consideration of RMB12.7 billion. Before the transaction, Yiqing held 55% stake in Red Star as the controlling shareholder. Therefore, Dahao was considered to acquire 100% in Red Star. The consideration for 100% stake in Red Star is determined on the basis that 45% stake of Red Star represented a consideration of RMB2.8 billion.

(3) LTM P/E is an indicator which reflects the profitability of the most relevant full-year as compared to the transaction price. As the last twelve months' financial information of the target companies of the Comparable Transactions are not available from public source, the P/E multiples of the Comparable Transactions are calculated by dividing the 100% equity valuation of the target companies by the net profit attributable to owners of the target companies of the closest financial year, which was 2020.

(4) In the transaction, Shanghai Yuyuan Tourist Mart (Group) Co., Ltd acquired 30% stake in Jinhui Liquor Co., Ltd and became the single largest shareholder. The Company considers that this transaction is comparable to the Acquisition.

(5) Given there are limited transactions in related to acquisition of controlling stake of Chinese baijiu companies in the past three years, as such transactions with consideration amount above RMB1 billion are considered to be comparable to the Acquisition.

According to the Comparable Transactions analysis, the Company believes the Comparable Transactions are comparable to the Acquisition considering the selection criteria are similar to that of the Acquisition. The Company considers the P/E multiple of the Target Group of 16.1 times of last twelve months ended 30 June 2022 net profit attributable to owners of the Target Group is within the range of 14.7 times to 22.3 times for P/E multiples of Comparable Transactions, thus is fair and reasonable.

The Board has also considered the financial and operation performance of the Target Group including the production scale, revenue and profitability of the Target Group. The Target Group has a production capacity of 16,000 tons of base wine as of 30 June 2022 and has robust financial performance in recent years and its profitability is comparable to the Comparable Companies within the industry. Please refer to the section headed "**Management Discussion and Analysis**" in this circular.

The Board believes that the Acquisition will create synergies by combining the Group's existing distribution channels with the Target Group's extensive knowledge and experience in baijiu business such that the Enlarged Group will be able to further enhance its brand influence, expand the scope and size of its business and ultimately improve its business growth and profitability.

Having considered the above mentioned factors, including (i) the Comparable Companies analysis; (ii) the Comparable Transactions analysis; (iii) the financial and operational performance of the Target Group and (iv) the potential synergies to be derived from the Acquisition, the Directors consider that the valuation of the Acquisition is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

As to the amount of the capital to be contributed into the Target Company as contemplated under the Capital Increase Agreement, it was determined through arm's length negotiations among the Parties with reference to: (i) the intended usage of such capital, including the expected capital expenditure for the expansion of the Target Group's production capacity, and the repayment schedule of its outstanding bank loan; (ii) the expected cash flow from operation of the Target Group; and (iii) the expected needs of working capital of the Target Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS AND THE ACQUISITION

The Company has been reviewing its strategy and exploring opportunities for further development of its business. As disclosed in the announcement of the Company dated 26 August 2021, the Group entered into an investment in Shandong Jingzhi Baijiu Co., Ltd (山東景芝白酒有限公司) which enabled the Group to tap into the baijiu market in the PRC. The Acquisition represents the Group's continuous effort in seeking potential subsequent business development and diversification of product mix of alcoholic beverages and source of revenue of the Group. The Company will remain to be primarily committed to the beer brewing business in the PRC.

According to industry consultant Boston Consulting Group, the market size of baijiu industry in China was approximately RMB603 billion in 2021 and increased with a CAGR of 8.7% from 2010 to 2021. Sauce-flavor baijiu industry contributed approximately 31.5% of the baijiu industry in China with market size of approximately RMB190 billion in 2021. The market size of sauce-flavor baijiu industry increased with a CAGR of 17.3% from 2015 to 2021. Sauce-flavor baijiu has high profitability, the weighted average gross profit margin and net profit margin of sauce-flavor baijiu companies in 2021 were approximately 82% and 41% respectively.

The Group is of the view that sauce-flavor baijiu tends to traverse the consumption cycle and yield long-term earnings return, especially given the growing demand for sauce-flavor baijiu and the trend of consumption upgrades in the PRC. Further, having taken into account of the following features of the Acquisition: (i) the location of the Target Group (i.e. Jinsha county of Guizhou province of the PRC), which is a prime location with favourable conditions for sauce flavor baijiu production suitable temperature, water source and fertile soil due to the location's distinct seasonality and geographical advantages; (ii) the scalable production capacity of the Target Group; (iii) the recognized brand of the Target Group; (iv) the Target Group's robust financial performance in recent years; and (v) the opportunity to acquire a controlling stake, the Group believes that the Acquisition represents a scarce opportunity to the Group and will significantly add to the valuation of the Group. The Target Group is primarily engaged in the design, production and distribution of Chinese baijiu products in the PRC. The Target Company distributes its products primarily under the brand series of Zhaiyao (摘要) and Jinsha Huisha (金沙回沙), both of which are of the sauce-flavor baijiu category. With over 70 years of experience since 1951, it has accumulated extensive experience and established a high-quality baijiu brand image in the domestic market.

The Group believes that the Acquisition will create synergies by combining the Group's existing distribution channels with the Target Group's extensive knowledge and experience in baijiu business such that the Enlarged Group will be able to further enhance its brand influence, expand the scope and size of its business and ultimately improve its business growth and profitability. The Group will continue to actively explore cooperation with high-quality baijiu manufacturing companies to optimise regional roadmap, to improve product quality and further enhance the Group's competitiveness and brand recognition in the baijiu industry in the PRC, create greater value for the local community and greater returns for the Shareholders.

As the terms of the Agreements were arrived at after arm's length negotiations among the Parties thereto, the Directors are of the view that the terms of the Agreements are fair, reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP

The Company is incorporated in Hong Kong with limited liability and its ultimate holding company is CRC, a state-owned enterprise under the supervision of the SASAC. The Company principally engages in manufacture, sales and distribution of beer products. CRC is a conglomerate which holds a variety of businesses in Hong Kong and the PRC including but not limited to consumer products, healthcare, energy services, urban construction and operation, technology and finance.

CRWH is incorporated in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company. It is an investment holding company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability. It is an established Chinese baijiu manufacturer based in Guizhou, the PRC.

The table below sets out the equity interest in the Target Company immediately before and after the completion of the Capital Increase and the Share Purchase:

	Percentage of equity interest in the Target Company		
Name of shareholder	**Immediately before the completion of the Capital Increase and the Share Purchase**	**After the Capital Increase Completion but before the Share Purchase Completion**	**Immediately after the Capital Increase Completion and the Share Purchase Completion**
Yichang Caiyuan	60%	57.234%	44.81%
Hubei Yihua	40%	38.156%	0%
CRWH	0%	4.610%	55.19%

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Target Company, its respective controlling shareholder(s) and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION OF THE EXISTING SHAREHOLDERS AND YICHANG INVESTMENT

Yichang Caiyuan is a direct wholly-owned subsidiary of Yichang Investment, which in turn is directly wholly-owned by Hubei Yihua. Hubei Yihua is ultimately beneficially owned 100% by the State-owned Assets Supervision and Administration Commission of Yichang Municipal People's Government (宜昌市人民政府國有資產監督管理委員會). Yichang Caiyuan is principally engaged in industrial investment, asset management and housing leasing. Yichang Investment is principally engaged in investment activities with its own funds. Hubei Yihua is principally engaged in sales of mineral and chemical products, chemical products manufacturing, chemical technology consulting, chemical equipment manufacturing and installation, fertilizer manufacturing and sales, thermal power generation, import and export of goods or technology, recycling of renewable resources, online data processing and transaction processing in type 2 value-added telecommunications services and Internet information services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Existing Shareholders, Yichang Investment, their respective controlling shareholder(s) and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

FINANCIAL EFFECT OF THE ACQUISITION

Upon the Capital Increase Completion and the Share Purchase Completion, the Group will be interested in 55.19% of equity interest in the Target Company, which will be indirectly held by the Company through CRWH (i.e. the Purchaser), and the Target Group will become non-wholly owned subsidiaries of the Company. The financial results of the Target Group will be consolidated into the Group's financial statements.

Earnings

The audited net profit after tax of the Group attributable to equity shareholders of the Company for year ended 31 December 2021, as disclosed in the Company's 2021 annual report, was approximately RMB4,587,000,000.

As set out in Appendix II to this circular, the Target Group recorded an audited net profit after tax attributable to equity shareholders of the Company of approximately RMB1,314,875,000 for the financial year ended 31 December 2021.

The Directors consider that the Acquisition will bring positive contributions to the earnings of the Enlarged Group depending on the future performance of the Target Group.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, if the Acquisition had been taken place on 30 June 2022, the Group's total assets would increase from approximately RMB56,646,000,000 to approximately RMB77,270,000,000 and total liabilities would increase from approximately RMB29,242,000,000 to approximately RMB45,614,000,000, resulting in total consolidated net assets of approximately RMB31,656,000,000 upon the Capital Increase Completion and the Share Purchase Completion.

Further details of the financial effect of the Acquisition together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix IV to this circular.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition (calculated on an aggregated basis of both the Capital Increase and the Share Purchase) exceed 25% but are all less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and circular and shareholders' approval requirements under the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

Under Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by way of written shareholders' approval in lieu of holding a general meeting if (a) no shareholder is required to abstain from voting if the company were to convene a general meeting to obtain such shareholders' approval; and (b) written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition and no Shareholder is required to abstain from voting in respect of the approval of the Acquisition. The Company has obtained a written approval dated 4 November 2022 from its controlling Shareholder, CRH Beer, which held 1,676,338,664 Shares in the Company (representing approximately 51.67% of the total issued share capital of the Company) carrying rights to vote at a general meeting as at the date of the said written approval. Accordingly, such written shareholders' approval has originally been accepted in lieu of holding a general meeting for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company is to be convened to approve the Acquisition.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Agreements are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Agreements and the Acquisition, if such a general meeting were to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Agreements and the Acquisition.

GENERAL

The Acquisition may or may not proceed as completion is subject to, amongst other things, approval from the relevant government authority, and execution of further transaction documentation (if necessary). Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. The Company will make further announcement in respect of the Acquisition as and when appropriate in accordance with the Listing Rules.

ADDITIONAL INFORMATION

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

Yours faithfully,
China Resources Beer (Holdings) Company Limited
HOU Xiaohai
Executive Director and Chief Executive Officer

FINANCIAL SUMMARY

The financial information of the Group for each of the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 are disclosed in the Company's annual reports published on 20 April 2020, 16 April 2021 and 20 April 2022 and the Company's interim report published on 7 September 2022, respectively. The aforesaid are incorporated by reference into this circular. The said annual reports have been posted on the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company at https://www.crbeer.com.hk.

The financial information of the Group for the year ended 31 December 2019 are disclosed in the annual report of the Group published on 20 April 2020, from pages 103 to 192. The quick link is below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042000572.pdf

The financial information of the Group for the year ended 31 December 2020 are disclosed in the annual report of the Group published on 16 April 2021, from pages 106 to 190. The quick link is below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0416/2021041600377.pdf

The financial information of the Group for the year ended 31 December 2021 are disclosed in the annual report of the Group published on 20 April 2022, from pages 121 to 202. The quick link is below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0420/2022042000270.pdf

The financial information of the Group for the six months ended 30 June 2022 are disclosed in the interim report of the Group published on 7 September 2022, from pages 10 to 31. The quick link is below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0907/2022090700444.pdf

STATEMENT OF INDEBTEDNESS

At the close of business on 30 September 2022, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the publication of this circular, the total indebtedness of the Enlarged Group was as follows:

Borrowings

The borrowings of the Group and the Target Group as at 30 September 2022 were as follows:

	The Group	**The Target Group**	**The Enlarged Group**
	RMB million	*RMB million*	*RMB million*
Bank Borrowings			
— Secured and guaranteed	—	743	743
— Secured and unguaranteed	—	42	42
— Unsecured and guaranteed	—	118	118
— Unsecured and unguaranteed	800	—	800
Total	800	903	1,703

The Group had bank borrowings of RMB800 million which were unsecured and unguaranteed. The Target Group had bank borrowings of RMB743 million which were secured and guaranteed, RMB42 million which were secured and unguaranteed and RMB118 million which were unsecured and guaranteed.

Lease liabilities

The lease liabilities of the Group and the Target Group as at 30 September 2022 were follows:

	The Group	**The Target Group**	**The Enlarged Group**
	RMB million	*RMB million*	*RMB million*
Lease liabilities	139	8	147

Contingent liabilities

As at 30 September 2022, the Enlarged Group did not have any significant contingent liabilities.

Save as otherwise disclosed herein and apart from intra-group liabilities and normal trade payables in the normal course of business, as at 30 September 2022, the Enlarged Group did not have any other issued and outstanding, and authorised or otherwise created but unissued debt securities or other similar indebtedness, bank overdrafts, charges or debentures, pledges, loans or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, guarantees or any material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Enlarged Group since 30 September 2022.

WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the effect of the Acquisition, the proposed renewal of major and continuing connected transactions and the financial resources available to the Group, including but not limited to revenue generated by its principal operations, cash and cash equivalents on hand and the facilities currently available, the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances. The Company has obtained the relevant letter as required under Rule 14.66(12) of the Listing Rules.

MATERIAL ADVERSE CHANGE

The Directors confirmed that, as at the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Target Group, as a mass premium brand in the sauce-flavor baijiu industry, has been enjoying extensive market demand and rapid sales growth, primarily driven by increasing consumers' brand awareness and appreciation of the scarcity and luxury nature of sauce-flavor baijiu, as well as the Target Group's premiumization strategy.

Upon the Capital Increase Completion and Share Purchase Completion, the members of the Target Group will become subsidiaries of the Company, and their financial results will be consolidated into the financial statements of the Group.

Since 2017, the Group has implemented the "3+3+3" strategic roadmap with visions on products premiumization, brands diversification and internationalization for its beer business. The "3+3+3" strategic roadmap is a triple three-year development strategy theme of the Group spanning from 2017 to 2025, with the development strategy theme of the Group for the first three-year period being "Innovative Development, Transformation and Upgrade, Quality Growth", the second three-year period being "Quality Development for Success in Premium Segment", and the third three-year period being "Success in Premiumization with excellent development". The premiumization strategy has been effective with continuous product mix upgrade resulting in profitability improvement.

In respect of baijiu business, through the continuous sales development of Shandong Jingzhi Baijiu Co., Ltd., the Group will form a "beer and baijiu dual empowerment" model to develop both beer and non-beer businesses at the same time by facilitating team building, channel networking and brand building. The Group will also continue to pay attention to the development opportunities for appropriate non-beer alcoholic beverages in the pursuit of well-defined diversified development to explore potential synergies and further expand its business.

Upon completion of the Acquisition, the Enlarged Group will continue to augment its market position in the baijiu industry. By integrating the experienced management team, power of branding brand power and domestic sales network accumulated over the years in the beer business, the Enlarged Group will further complement the advantages of baijiu and beer products, accelerate its breaking into baijiu market and promote the transition of the Enlarged Group's beer business to a comprehensive alcohol provider, with extensive alcohol content portfolio meeting various consumption demands.

ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

The Group has not made any acquisition after the date of the latest published audited accounts required to be disclosed in this circular pursuant to the Listing Rules.

BDO

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF GUIZHOU JINSHA JIAOJIU WINERY INDUSTRY CO., LTD AND ITS SUBSIDIARIES TO THE DIRECTORS OF CHINA RESOURCES BEER (HOLDINGS) COMPANY LIMITED

Introduction

We report on the historical financial information of Guizhou Jinsha Jiaojiu Winery Industry Co., Ltd. ("貴州金沙窖酒酒業有限公司") (the "**Target Company**") and its subsidiaries (together the "**Target Group**") set out on pages II-4 to II-69, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the statement of the financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-69 forms an integral part of this report, which has been prepared for inclusion in the circular of China Resources Beer (Holdings) Company Limited (the "**Company**") dated 25 November 2022 (the "**Circular**") in connection with the proposed acquisition of 55.19% equity interest in the Target Company by the Company (the "**Proposed Acquisition**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the statement of the financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative historical financial information

We have reviewed the stub period comparative historical financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2022 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to Note 10 to the Historical Financial Information which contains information about the dividends declared and paid by the Target Company in respect of the Relevant Periods.

BDO Limited
Certified Public Accountants
Amy Yau Shuk Yuen
Practising Certificate no. P06095

Hong Kong
25 November 2022

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*6*	878,310	1,767,031	3,641,046	1,741,171	2,001,346
Cost of sales		(420,886)	(588,546)	(1,322,139)	(679,342)	(788,998)
Gross profit		457,424	1,178,485	2,318,907	1,061,829	1,212,348
Other income, gains and losses, net	*7*	6,302	23,040	28,104	15,690	12,067
Reversal of/(provision for) impairment loss on financial assets, net		1,625	(20,229)	1,359	4	(45)
Selling and distribution expenses		(180,258)	(215,592)	(492,755)	(245,656)	(296,498)
Administrative expenses		(67,073)	(77,581)	(72,641)	(25,586)	(41,295)
Finance costs	*8*	(46,104)	(36,915)	(25,180)	(13,516)	(10,069)
Profit before income tax expense	*8*	171,916	851,208	1,757,794	792,765	876,508
Income tax expense	*9*	(15,639)	(236,138)	(442,919)	(193,076)	(206,462)
Profit and total comprehensive income for the year/period		156,277	615,070	1,314,875	599,689	670,046
Profit and total comprehensive income for the year/period attributable to:						
Owners of the Target Company		140,994	525,552	1,314,875	599,689	670,046
Non-controlling interests		15,283	89,518	—	—	—
		156,277	615,070	1,314,875	599,689	670,046

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*14*	325,345	315,774	492,981	529,383
Right-of-use assets	*15*	11,762	28,992	35,240	71,689
Prepayments	*18*	681	6,289	—	11,064
Deferred tax assets	*17*	29	29	12,810	26,430
		337,817	351,084	541,031	638,566
Current assets					
Inventories	*16*	949,720	1,272,658	1,910,366	1,917,891
Trade and other receivables	*18*	590,070	961,123	511,416	555,583
Taxation recoverable		4,357	—	22,257	41,854
Pledged bank deposits	*20*	—	26,000	87,615	11,445
Cash and cash equivalents	*19*	139,211	408,344	426,165	430,666
		1,683,358	2,668,125	2,957,819	2,957,439
Current liabilities					
Trade and other payables	*21*	1,168,362	855,682	961,003	1,086,590
Contract liabilities	*22*	102,706	709,474	1,581,977	898,665
Bank and other borrowings	*23*	159,850	508,740	255,896	158,200
Lease liabilities	*15*	—	—	—	2,166
Taxation payable		33	100,030	25,594	39,920
		1,430,951	2,173,926	2,824,470	2,185,541
Net current assets		252,407	494,199	133,349	771,898
Total assets less current liabilities		590,224	845,283	674,380	1,410,464
Non-current liabilities					
Lease liabilities	*15*	—	—	—	6,042
Bank and other borrowings	*23*	455,829	95,818	347,600	407,596
		455,829	95,818	347,600	413,638
NET ASSETS		134,395	749,465	326,780	996,826

		As at 31 December			As at 30 June
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital and reserves					
Share capital	*24*	100,000	100,000	100,000	100,000
Reserves		22,626	548,178	226,780	896,826
Equity attributable to owners of the Target Company		122,626	648,178	326,780	996,826
Non-controlling interests		11,769	101,287	—	—
TOTAL EQUITY		134,395	749,465	326,780	996,826

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Target Company								
	Share capital *RMB'000*	**Share premium** *RMB'000* *(note i)*	**Capital reserve** *RMB'000*	**Other reserve** *RMB'000* *(note ii)*	**Statutory reserve** *RMB'000* *(note iii)*	**(Accumulated losses)/ retained profits** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2019	100,000	6,352	—	—	1,825	(126,545)	(18,368)	(3,514)	(21,882)
Profit and total comprehensive income for the year	—	—	—	—	—	140,994	140,994	15,283	156,277
At 31 December 2019	100,000	6,352	—	—	1,825	14,449	122,626	11,769	134,395
At 1 January 2020	100,000	6,352	—	—	1,825	14,449	122,626	11,769	134,395
Profit and total comprehensive income for the year	—	—	—	—	—	525,552	525,552	89,518	615,070
Transfer to statutory reserve	—	—	—	—	25,117	(25,117)	—	—	—
Transfer to other reserve	—	—	—	2,075	—	(2,075)	—	—	—
At 31 December 2020	100,000	6,352	—	2,075	26,942	512,809	648,178	101,287	749,465
At 1 January 2021	100,000	6,352	—	2,075	26,942	512,809	648,178	101,287	749,465
Profit and total comprehensive income for the year	—	—	—	—	—	1,314,875	1,314,875	—	1,314,875
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(100,907)	(100,907)
Dividends declared in respect of current year *(Note 10)*	—	—	—	—	—	(1,636,400)	(1,636,400)	—	(1,636,400)
Transfer to statutory reserve	—	—	—	—	23,058	(23,058)	—	—	—
Utilisation of other reserve	—	—	—	(790)	—	790	—	—	—
Acquisition of additional interests in a subsidiary	—	—	127	—	—	—	127	(380)	(253)
At 31 December 2021	100,000	6,352	127	1,285	50,000	169,016	326,780	—	326,780
At 1 January 2022	100,000	6,352	127	1,285	50,000	169,016	326,780	—	326,780
Profit and total comprehensive income for the period	—	—	—	—	—	670,046	670,046	—	670,046
Transfer to other reserve	—	—	—	2,712	—	(2,712)	—	—	—
Utilisation of other reserve	—	—	—	(469)	—	469	—	—	—
At 30 June 2022	100,000	6,352	127	3,528	50,000	836,819	996,826	—	996,826

	Equity attributable to shareholders of the Target Company								
	Share capital *RMB'000*	**Share premium** *RMB'000* *(note i)*	**Capital reserve** *RMB'000*	**Other reserve** *RMB'000* *(note ii)*	**Statutory reserve** *RMB'000* *(note iii)*	**Retained profits** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2021 (audited)	100,000	6,352	—	2,075	26,942	512,809	648,178	101,287	749,465
Profit and total comprehensive income for the period	—	—	—	—	—	599,689	599,689	—	599,689
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(100,907)	(100,907)
Dividends declared in respect of current period *(Note 10)*	—	—	—	—	—	(556,400)	(556,400)	—	(556,400)
Utilisation of other reserve	—	—	—	(414)	—	414	—	—	—
Acquisition of additional interests in a subsidiary	—	—	127	—	—	—	127	(380)	(253)
At 30 June 2021 (unaudited)	100,000	6,352	127	1,661	26,942	556,512	691,594	—	691,594

Notes:

i. Share premium is the excess of the proceeds received over the nominal value of the shares of the Target Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

ii. In accordance with the relevant rules and regulations in the People's Republic of China (the "**PRC**"), the Target Company and its subsidiaries registered in the PRC are required to transfer certain amount from retained earnings to other reserve for the provision for production safety. The amount of transfer is determined and approved by the boards of directors of the Target Company and its subsidiaries respectively. When expenses or capital expenditures on production safety measures are incurred, the incurred amount will be transferred from other reserve to retained earnings.

iii. In accordance with the relevant rules and regulations in the PRC, the Target Company and its subsidiaries registered in the PRC are required to transfer 10% of profit after income tax expense to the statutory reserve at financial year end, until the accumulated total of the statutory reserve reaches 50% of their respective registered capital.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating activities						
Profit before income tax expense		171,916	851,208	1,757,794	792,765	876,508
Adjustments for:						
Interest income	*7*	(658)	(6,802)	(13,274)	(7,965)	(4,369)
Finance costs	*8*	46,104	36,915	25,180	13,516	10,069
Depreciation of property, plant and equipment	8	14,544	52,759	27,740	14,157	20,100
Depreciation of right-of-use assets	*8*	201	1,237	—	—	1,929
(Gain)/loss on disposal of property, plant and equipment	*7*	(1,544)	—	3,227	—	(207)
(Reversal of)/provision for impairment loss on trade and other receivables		(1,625)	20,229	(1,359)	(4)	45
(Reversal of impairment)/ write-down of inventory	*8*	—	(1,370)	3,694	—	581
Operating profit before changes in working capital		228,938	954,176	1,803,002	812,469	904,656
(Increase)/decrease in inventories		31,019	(321,568)	(641,402)	(180,107)	(8,106)
(Increase)/decrease in trade and other receivables		(453,558)	(394,968)	(1,180,967)	(920,858)	(55,276)
Increase/(decrease) in trade and other payables		458,293	(313,372)	106,013	119,635	125,587
Increase/(decrease) in contract liabilities		(16,033)	606,768	872,503	493,766	(683,312)
Cash generated from operating activities		248,659	531,036	959,149	324,905	283,549
PRC income tax paid		(89,582)	(131,784)	(552,393)	(213,690)	(225,353)
Net cash generated from operating activities		159,077	399,252	406,756	111,215	58,196

		Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Investing activities						
Interest received		658	4,880	15,196	7,965	4,369
Proceeds from disposal of property, plant and equipment		6,528	111	9,518	—	761
Payment for purchase of property, plant and equipment		(5,999)	(43,299)	(208,619)	(59,252)	(57,056)
Payment for right-of-use assets		(900)	(18,467)	(15,321)	—	(28,222)
Placement of pledged deposits		—	(26,000)	(87,615)	—	(11,444)
Withdrawal of pledged deposits		—	—	26,000	26,000	87,614
Net cash generated from/(used in) investing activities		287	(82,775)	(260,841)	(25,287)	(3,978)
Financing activities						
Proceeds from bank and other borrowings		470,889	99,850	496,000	148,000	205,996
Repayments of bank and other borrowings		(482,786)	(110,971)	(547,062)	(197,302)	(255,696)
Proceeds from suppliers' finance arrangement		—	—	50,000	—	12,000
Interest paid		(46,104)	(36,223)	(25,872)	(13,516)	(9,856)
Capital element of lease rentals paid		—	—	—	—	(1,948)
Interest element of lease rentals paid		—	—	—	—	(213)
Dividends paid to non-controlling interests		—	—	(100,907)	(100,907)	—
Acquisition of additional interests in a subsidiary		—	—	(253)	(253)	—
Net cash used in financing activities		(58,001)	(47,344)	(128,094)	(163,978)	(49,717)
Net increase/(decrease) in cash and cash equivalents		101,363	269,133	17,821	(78,050)	4,501
Cash and cash equivalents at beginning of year/period		37,848	139,211	408,344	408,344	426,165
Cash and cash equivalents at end of year/period	*19*	139,211	408,344	426,165	330,294	430,666

STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Investment in subsidiaries	1,748	1,748	12,000	12,000
Property, plant and equipment	321,096	311,185	488,980	525,675
Right-of-use assets	11,762	19,686	35,240	64,040
Prepayments	681	—	—	—
	335,287	332,619	536,220	601,715
Current assets				
Inventories	926,458	1,272,658	1,910,366	1,910,192
Trade and other receivables	242,255	175,446	361,830	330,341
Taxation recoverable	—	—	—	29,670
Pledged bank deposits	—	26,000	38,615	11,445
Amount due from subsidiaries	39,591	12,622	—	53,503
Amount due from related parties	—	687,791	—	13,392
Cash and cash equivalents	97	143,868	377,160	406
	1,208,401	2,318,385	2,687,971	2,348,949
Current liabilities				
Trade and other payables	402,672	487,321	658,308	699,362
Bank and other borrowings	159,850	508,740	146,000	146,000
Lease liabilities	—	—	—	692
Taxation payable	—	52,554	1,900	—
Amount due to subsidiaries	2,770	1,165,089	1,894,646	1,269,728
Amount due to related parties	447,975	—	4,115	—
	1,013,267	2,213,704	2,704,969	2,115,782
Net current assets/(liabilities)	195,134	104,681	(16,998)	233,167
Total assets less current liabilities	530,421	437,300	519,222	834,882

		As at 31 December			As at 30 June
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Lease liabilities		—	—	—	527
Bank and other borrowings		435,849	75,878	347,600	387,596
		435,849	75,878	347,600	388,123
NET ASSETS		94,572	361,422	171,622	446,759
Capital and reserves					
Share capital	*24*	100,000	100,000	100,000	100,000
Reserves	*32(a)*	(5,428)	261,422	71,622	346,759
TOTAL EQUITY		94,572	361,422	171,622	446,759

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company is a limited liability company established in the People's Republic of China (the "**PRC**") on 8 July 2007. Its registered office is located at Dashui, Jinsha County, Bijie City, Guizhou Province, the PRC.

The Target Company and its subsidiaries (together the "**Target Group**") is primarily engaged in the design, manufacturing and distribution of Chinese baijiu products in the PRC.

The principal activities of its subsidiaries are set out in Note 25. The Target Company's parent is Yichang Financial Investment Management Co., Ltd ("宜昌財源投資管理有限公司") (incorporated in the PRC) and the directors consider its ultimate parent is Hubei Yihua Group Co., Ltd. ("湖北宜化集團有限責任公司") (a state owned enterprise ("**SOE**") incorporated in the PRC).

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (hereinafter collectively referred to as the "**HKFRS**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

For the purpose of preparing this Historical Financial Information, the Target Group has consistently applied the accounting policies which conform with HKFRS during the Relevant Periods which are effective for the accounting period beginning on 1 January 2022 throughout the Relevant Periods.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting assumptions and estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

2.2 Basis of measurement

The Historical Financial Information has been prepared under the historical cost basis, except for certain financial instruments are stated at their fair value as explained in the accounting policies set out in Note 4.

2.3 Functional and presentation currency

The Underlying Financial Statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Target Company. All Historical Financial Information presented in RMB has been rounded to the nearest thousand (RMB'000) except otherwise stated.

3. ADOPTION OF AMENDMENTS TO HKFRSs

The following amendments to HKFRS, potentially relevant to the Historical Financial Information, has been issued, but not yet effective and has not been early adopted by the Target Group during the Relevant Periods. The Target Group's current intention is to apply this change on the date it become effective.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023

The Target Group has already commenced an assessment of the potential impact of the amendments to HKFRS. The directors of the Target Company anticipate that the application of amendments to HKFRS will have no significant impact on the Target Group's result of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

Where the Target Company has control over an investee, it is classified as a subsidiary. The Target Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Target Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Target Company considers all relevant facts and circumstances, including:

- The size of the Target Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Target Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The Historical Financial Information presents the results of the Target Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The Historical Financial Information incorporates the results of business combinations using the acquisition method. In the consolidated statements of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statements of profit and loss and other comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

4.2 Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Construction in progress represents the items of property, plant and equipment under construction and pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the year/ period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 10%
Plant and machinery	5% to 10%
Motor vehicles	10% to 24%
Computer & electronic equipments	19% to 32%

Assets held under leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year/period end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statements of profit or loss and other comprehensive income in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

4.3 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Target Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Target Group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Target Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Target Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Target Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Target Group to use an identified asset and require services to be provided to the Target Group by the lessor, the Target Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Identifying Leases

The Target Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;

(b) The Target Group obtains substantially all the economic benefits from use of the asset; and

(c) The Target Group has the right to direct use of the asset.

The Target Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Target Group obtains substantially all the economic benefits from use of the asset, the Target Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Target Group has the right to direct use of the asset, the Target Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Target Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Target Group applies other applicable HKFRSs rather than HKFRS 16.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Target Group measures the right-of-use assets applying cost model. Under the cost model, the Target Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Land use right represents prepayment for acquiring right to use land in the People's Republic of China (the "**PRC**") for 46 to 50 years. Land use rights grants are recognised initially at acquisition cost. Land use rights of the Target Group are held for its own use. They are stated at cost, less accumulated amortisation and any impairment losses. Amortisation is charged to the consolidated statements of profit or loss and other comprehensive income on the straight-line basis over the period of the land use rights.

Lease liabilities

At the commencement date of the lease, the Target Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Group and payments of penalties for terminating the lease, if the lease term reflects the Target Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Target Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.4 Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Target Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Target Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Target Group recognises loss allowances for expected credit losses ("**ECLs**") on trade and other receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Target Group measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Target Group has established a provision matrix that is based on the Target Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Group's historical experience and informed credit assessment and including forward-looking information.

The Target Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

The Target Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Target Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Target Group on terms that the Target Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in "FVTOCI reserve (recycling)".

The Target Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iii) Financial liabilities

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a Target Group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Target Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the consolidated statements of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank and other borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Target Group are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of (1) the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments, and (2) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

(vii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Target Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year/period.

4.5 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales.

4.6 Revenue

The Target Group is primarily engaged in the design, manufacturing and distribution of Chinese baijiu products in the PRC. Revenue from contracts with customer is recognised based on the price specified in the contract, net of estimated volume rebates and discounts etc. Sales of goods are recognised when control of the goods is transferred to the customer. The Target Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Further details of the Target Group's revenue and other income recognition policies are as follows:

Sales of Chinese baijiu products

Revenue from sale of Chinese baijiu products is recognised at the point in time when control of the asset is transferred to the customer of Chinese baijiu products, generally on delivery and acceptance of the alcohol at the customer's location. Sales of Chinese baijiu products are normally settled on an advance receipt basis, whereby the customers are required to pay in advance either by cash or bill receivables.

The Target Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of Chinese baijiu products, the Target Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Target Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Target Group provides retrospective volume rebates to certain customers once the quantity of electronic equipment purchased during the period exceeds the threshold specified in the contract. The volume rebates give rise to variable consideration.

Volume rebates

The Target Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Target Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A contract liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price).

(ii) Significant financing component

The Target Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

(iii) Consideration payable

Consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to the customer. The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Target Group.

(iv) Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Target Group's refund liabilities arise from customers' volume rebates. The liability is measured at the amount the Target Group ultimately expects it will have to return to the customer. The Target Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Sales of materials

Revenue from sales of materials is recognised at a point in time when control of the goods is transferred to the customer, generally on delivery and acceptance of the alcohol at the customer's location.

Interest income

Interest income is recognised as it accrues using the effective interest method.

4.7 Income taxes

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the tax authorities, based on taxable profit for the year/period and tax rates that have been enacted or subsequently enacted by the end of the reporting year/period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year/period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting year/period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

4.8 Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of each annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year/period when the employees render the related service.

(ii) Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Target Group participates in a central pension scheme operated by the local municipal government (the "**Scheme**"), whereby the Target Group in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary of the Target Company. The only obligation of the Target Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs involving the payment of termination benefits.

4.9 Impairment of assets (other than financial assets)

At the end of each reporting period, the Target Group reviews the carrying amounts of its tangible to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or a CGU for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on a carrying value of each assets in the unit. The carrying amount of an assets is not reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would be otherwise have been allocated to the asset is allocated pro rata to the other assets of the units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years/periods. A reversal of an impairment loss is recognised as income immediately.

4.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the year in which they are incurred.

4.11 Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.12 Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants whose primary condition is that the Target Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statements of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expense or losses already incurred for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4.13 Dividends

Final dividends proposed by the directors of the Target Group are classified as a separate allocation of retained profits within the equity section of the consolidated statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

4.14 Contract assets and contract liabilities

A contract asset is recognised when the Target Group recognises revenue before being unconditionally entitled to the consideration under the payment term set out in the contract. Contract assets are assessed for ECLs in accordance with the policy and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before the Target Group recognises the related revenue. A contract liability would also be recognised if the Target Group has an unconditional right to receive non-refundable consideration before the Target Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, pledged bank deposit and other financial institutions, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 4.4(ii).

4.16 Related parties

(a) A person or a close member of that person's family is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of key management personnel of the Target Group or the Target Company's parent.

(b) An entity is related to the Target Group if any of the following conditions apply:

(i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.17 Subsidiaries

In the Target Company's statements of financial position, investment in subsidiaries is stated at cost less impairment loss, if any. The results of the subsidiary are accounted for by the Target Company on the basis of dividend received and receivable.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Target Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are discussed below.

(a) Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event such as any assets have become obsolete or idle, has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or value in use which is estimated based upon the continue use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections. Changing the judgment and estimations adopted by management in assessing impairment, including the estimated resale values with reference to the historical disposal values or second-hand market price of the assets and the estimated future cash flows generating from the property, plant and equipment with reference to the historical and expected rental income from leasing for assets in use, could affect the recoverable amounts used in the impairment test and as a result affect the Target Company's financial position and results of operations. In the opinion of the directors of the Target Company, there is no impairment indication during the Relevant Period.

(b) Write-down of inventories to net realisable value

The write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, these differences will have an impact on the carrying amounts of the inventories and the write-down charge/write-back in the year/period in which these estimates have been changed. The amount of write-down of inventories is disclosed in Note 16.

(c) Impairment loss on trade and other receivables

Trade receivable are assessed for ECL collectively based on shared credit risk characteristics and the days past due. In addition, for trade and other receivables with significant balances and credit-impaired, ECL are assessed for individually. At each reporting date, the historical observed rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. In particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment if a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowance.

The information about the ECL and the Target Group's trade and other receivables are disclosed in Note 29(ii).

6. REVENUE AND SEGMENT REPORTING

The Target Group determines its operating segments based on the reports reviewed by the chief operating decision-maker (the "**CODM**") that are used to make strategic decisions. The CODM is identified as executive directors of the Target Group. The CODM have considered the resource allocation and performance assessment on relevant analysis by products. No other discrete financial information is provided other than the Target Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customer and geographic information are presented.

No segment assets and liabilities are presented as they were not regularly provided to the CODM for the purpose of performance assessment and resources allocation.

Geographic information

The Target Group's revenue and profit are derived entirely from the operations in the PRC. All of the Target Group's non-current assets are located in the PRC.

Information about major customers

Information about the Target Group's performance obligation are summarised below:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Customer A	N/A*	N/A*	N/A*	178,075	N/A*
Customer B	N/A*	N/A*	N/A*	N/A*	319,349
	N/A*	N/A*	N/A*	178,075	319,349

* Revenue from the customer did not exceed 10% of total revenue in the respective year/period.

Chinese baijiu products

Revenue from sales of Chinese baijiu products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery and acceptance of the Chinese baijiu products at the customer's location. The Target Group's obligation to transfer goods to customer for which the Target Group has received consideration (or an amount of consideration is due) from the customers.

Set out below is the disaggregation of the Target Group's revenue from contracts with customers:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Type of goods					
Sales of Chinese baijiu products	878,310	1,767,031	3,641,046	1,741,171	2,001,346
Total revenue from contract with customers	878,310	1,767,031	3,641,046	1,741,171	2,001,346
Timing of revenue recognition					
Goods transferred at a point in time	878,310	1,767,031	3,641,046	1,741,171	2,001,346
Total revenue from contract with customers	878,310	1,767,031	3,641,046	1,741,171	2,001,346

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at Relevant Periods. Details of the transaction remaining performance obligations are disclosed in Note 22.

7. OTHER INCOME, GAINS AND LOSSES, NET

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of materials	1,879	4,090	6,346	1,886	742
Interest income from financial institutions	658	3,733	9,253	3,944	4,369
Interest income from an amount due from a related party *(Note 27)*	—	3,069	4,021	4,021	—
Government grants *(note)*	—	2,983	4,085	322	3,872
Gain/(loss) on disposal of property, plant and equipment	1,544	—	(3,227)	—	207
Others	2,221	9,165	7,626	5,517	2,877
	6,302	23,040	28,104	15,690	12,067

Note: During the Relevant Periods, government grants were recognised at the time the Target Group fulfilled the relevant granting criteria.

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(a) Finance costs					
Interest on bank borrowings	27,181	28,228	23,210	12,164	9,795
Interest on amounts due to related parties *(Note 27)*	15,951	6,119	1,077	459	—
Interest on other borrowings	2,972	2,568	893	893	61
Interest on lease liabilities	—	—	—	—	213
	46,104	36,915	25,180	13,516	10,069
(b) Staff costs					
Salaries, wages and other benefits (including directors' emoluments *(Note 11)*)	97,884	126,849	254,597	62,943	148,402
Contributed to defined contribution retirement plan	8,790	5,818	24,435	8,890	23,503
	106,674	132,667	279,032	71,833	171,905
(c) Other items					
Depreciation of property, plant and equipment	14,544	52,759	27,740	14,157	20,100
Depreciation of right-of-use assets	201	1,237	—	—	1,929
(Reversal of impairment)/write down of inventory *(Note 16)**	—	(1,370)	3,694	—	581
Short-term lease expense	885	5,182	7,910	1,926	2,026
Auditors' remuneration	200	200	200	—	—
Other tax expenses*	140,468	255,480	540,690	291,898	388,464
Carrying amount of inventories sold recognised as an expense *(Note 16)**	280,418	334,436	777,755	387,444	399,953

* Included in cost of sales.

9. INCOME TAX EXPENSE

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax					
Provision for the year	26,001	221,694	454,157	191,533	225,632
Under/(over)-provision in respect of prior years	(10,362)	14,444	1,543	1,543	(5,550)
	15,639	236,138	455,700	193,076	220,082
Deferred tax					
Origination and reversal of temporary differences *(Note 17)*	—	—	(12,781)	—	(13,620)
	15,639	236,138	442,919	193,076	206,462

Under the PRC Corporate Income Tax Law (the "**CIT Law**"), the Target Group's PRC entities are subject to income tax at a rate of 25% for years ended 31 December 2019, 2020, 2021 and six months periods ended 30 June 2021 and 2022, unless otherwise specified.

Deferred taxation in respect of PRC Corporate Income Tax was calculated at 25% for years ended 31 December 2019, 2020, 2021 and six months periods ended 30 June 2021 and 2022.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before income tax expense	171,916	851,208	1,757,794	792,765	876,508
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	42,979	212,802	439,448	198,191	219,127
Tax effect of expenses not deductible for tax purposes	7,429	14,566	15,334	—	6,517
Tax effect of income not taxable for tax purposes	(2,096)	(2,160)	(13,406)	(6,658)	(13,632)
Utilisation of tax losses previously not recognised	(22,311)	(3,514)	—	—	—
Under/(Over)-provision in respect of prior years	(10,362)	14,444	1,543	1,543	(5,550)
	15,639	236,138	442,919	193,076	206,462

10. DIVIDENDS

During the years ended 31 December 2019 and 2020, the directors of the Target Company did not recommend the payable of a final dividend for the respective years.

During the year ended 31 December 2021, dividend of RMB1,636,400,000 was declared by the Target Company to shareholders of the Target Company and was paid during the year ended 31 December 2021.

During the six months ended 30 June 2022, the directors of the Target Company did not recommend the payable of the final dividend for the period.

The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

During the year ended 31 December 2021, the Target Company entered into three-way debt agreements with its parent, 宜昌財源投資管理有限公司 and related parties to the Target Company comprising of subsidiaries of 宜昌財源投資管理有限公司. Pursuant to the contractual arrangement entered, the Target Group had a legally enforceable right to set off the amounts due from the related parties and the dividend payable to 宜昌財源投資管理有限公司 that are due to be settled on the same date and the Target Group intended to settle these balances on a net basis.

11. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Fees	**Salaries and other allowances**	**Pension scheme and contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019				
Directors				
Mr. DONG Bing	—	—	—	—
Mr. GONG Rong	—	247	8	255
Mr. HUANG Jin	—	147	5	152
Mr. LI Wei Dong	—	342	8	350
Mr. LU Xu#	—	—	—	—
Mr. NIE Shi Yang	—	—	—	—
Mr. SHI Feng#	—	—	—	—
Mr. WEI Yan Long	—	209	8	217
Mr. YANG Chang Qing	—	226	16	242
Mr. ZENG Min Hui#	—	—	—	—
Mr. ZHANG Bin	—	—	—	—
Mr. ZHANG Dao Hong	—	681	47	728
Ms. ZHANG Yu Hong	—	—	—	—
Mr. ZHENG Gang#	—	—	—	—
	—	1,852	92	1,944

The respective director received emoluments from the subsidiaries of the Target Company.

	Fees	Salaries and other allowances	Pension scheme and contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020				
Directors				
Mr. GONG Rong	—	1,421	22	1,443
Mr. HUANG Jin	—	89	3	92
Mr. LI Wei Dong	—	1,421	22	1,443
Mr. LU Xu#	—	—	—	—
Mr. SHI Feng#	—	—	—	—
Mr. SHI Yao Qiang	—	129	15	144
Mr. WANG Jun#	—	—	—	—
Mr. WEI Yan Long	—	1,361	22	1,383
Mr. YANG Chang Qing	—	1,371	39	1,410
Mr. ZENG Min Hui#	—	—	—	—
Mr. ZHENG Gang#	—	—	—	—
Mr. ZHANG Dao Hong	—	1,551	47	1,598
	—	7,343	170	7,513

	Fees	Salaries and other allowances	Pension scheme and contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021				
Directors				
Mr. GONG Rong	—	1,714	39	1,753
Mr. LI Wei Dong	—	1,682	39	1,721
Mr. SHI Feng#	—	—	—	—
Mr. SHI Yao Qiang	—	305	21	326
Mr. WANG Jun#	—	—	—	—
Mr. WEI Yan Long	—	1,622	39	1,661
Mr. YANG Chang Qing	—	1,632	42	1,674
Mr. ZENG Min Hui#	—	—	—	—
Mr. ZHENG Gang#	—	—	—	—
Mr. ZHANG Dao Hong	—	2,433	50	2,483
	—	9,388	230	9,618

The respective director received emoluments from the subsidiaries of the Target Company.

	Fees	Salaries and other allowances	Pension scheme and contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2021 (unaudited)				
Directors				
Mr. GONG Rong	—	817	20	837
Mr. LI Wei Dong	—	817	20	837
Mr. SHI Feng#	—	—	—	—
Mr. SHI Yao Qiang	—	140	—	140
Mr. WANG Jun#	—	—	—	—
Mr. WEI Yan Long	—	787	20	807
Mr. YANG Chang Qing	—	792	20	812
Mr. ZENG Min Hui#	—	—	—	—
Mr. ZHENG Gang#	—	—	—	—
Mr. ZHANG Dao Hong	—	1,176	24	1,200
	—	4,529	104	4,633

	Fees	Salaries and other allowances	Pension scheme and contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2022				
Directors				
Mr. GONG Rong	—	276	20	296
Mr. HAO Wei	—	19	4	23
Mr. LI Wei Dong	—	200	28	228
Mr. LI Yun Wei	—	17	4	21
Mr. SHI Feng#	—	—	—	—
Mr. SHI Yao Qiang	—	183	22	205
Mr. WANG Jun#	—	—	—	—
Mr. WEI Yan Long	—	166	28	194
Mr. YAN Qi Ping#	—	—	—	—
Mr. YANG Chang Qing	—	169	28	197
Mr. ZENG Min Hui#	—	—	—	—
Mr. ZHANG Hao	—	—	—	—
Mr. ZHENG Gang#	—	—	—	—
Mr. ZHANG Dao Hong	—	366	24	390
	—	1,396	158	1,554

The respective director received emoluments from the subsidiaries of the Target Company.

The executive director's remuneration shown above were for their services in connection with the management of the affairs of the Target Company. No directors waived any emoluments and no amount was paid as an inducement to join the Target Company during the Relevant Periods.

Notes:

(a) Mr. ZHANG Dao Hong appointed as director of the Target Company on 26 April 2019.

(b) Mr. GONG Rong appointed as director of the Target Company on 27 August 2019.

(c) Mr. LI Wei Dong appointed as director of the Target Company on 27 August 2019 and resigned as director of the Target Company on 26 May 2022.

(d) Mr. WEI Yan Long appointed as director of the Target Company on 27 August 2019 and resigned as director of the Target Company on 26 May 2022.

(e) Mr. YANG Chang Qing appointed as director of the Target Company on 27 August 2019 and resigned as director of the Target Company on 26 May 2022.

(f) Mr. LI Wei Dong appointed as director of the Target Company on 27 June 2022.

(g) Mr. HAO Wei appointed as director of the Target Company on 27 June 2022.

(h) Mr. HUANG Jin appointed as director of the Target Company on 27 August 2019 and resigned as director of the Target Company on 28 July 2020.

(i) Mr. LU Xu appointed as director of the Target Company on 27 August 2019 and resigned as director of the Target Company on 28 July 2020.

(j) Mr. ZENG Min Hui appointed as director of the Target Company on 27 August 2019 and resigned as director of the Target Company on 14 April 2022.

(k) Mr. SHI Feng appointed as director of the Target Company on 27 August 2019 and resigned as director of the Target Company on 27 June 2022.

(l) Mr. ZHENG Gang appointed as director of the Target Company on 27 August 2019 and resigned as director of the Target Company on 27 June 2022.

(m) Ms. ZHANG Yu Hong resigned as director of the Target Company on 27 August 2019.

(n) Mr. ZHANG Bin resigned as director of the Target Company on 27 August 2019.

(o) Mr. DONG Bing resigned as director of the Target Company on 27 August 2019.

(p) Mr. NIE Shi Yang resigned as director of the Target Company on 27 August 2019.

(q) Mr. SHI Yao Qiang appointed as director of the Target Company on 28 July 2020.

(r) Mr. WANG Jun appointed as director of the Target Company on 28 July 2020.

(s) Mr. YAN Qi Ping appointed as director of the Target Company on 14 April 2022.

(t) Mr. ZHANG Hao appointed as director of the Target Company on 26 May 2022.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, of the five individuals with the highest emoluments, three, five, five, four and two are directors whose emoluments are disclosed in Note 11, respectively. The aggregate of the emoluments in respect of the other two, one (unaudited) and three individuals for the years ended 31 December 2019 and the six months ended 30 June 2021 and 2022, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other emoluments	1,125	—	—	1,085	1,302
Contributions to retirement benefit scheme	23	—	—	7	63
	1,148	—	—	1,092	1,365

For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the emoluments of the two, nil, nil, one, and three individuals with the highest emoluments, respectively, are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	No. of individual	*No. of individual*	*No. of individual*	*No. of individual* (Unaudited)	*No. of individual*
Nil–RMB850,000 (Nil–HK$1,000,000)	2	—	—	—	3
RMB850,001–RMB1,275,000 (HK$1,000,001–HK$1,500,000)	—	—	—	1	—
	2	—	—	1	3

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Computer and electronic equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2019	404,884	72,192	2,511	6,847	—	486,434
Additions	—	309	1,965	884	2,841	5,999
Disposals	(4,297)	—	(656)	(667)	—	(5,620)
At 31 December 2019 and 1 January 2020	400,587	72,501	3,820	7,064	2,841	486,813
Additions	24,955	2,389	659	49	15,247	43,299
Disposals	—	—	(125)	—	—	(125)
Transfer	—	6,289	—	—	(6,289)	—
At 31 December 2020 and 1 January 2021	425,542	81,179	4,354	7,113	11,799	529,987
Additions	136	5,910	1,247	79	201,247	208,619
Disposals	(21,211)	(4,342)	(605)	—	—	(26,158)
Transfer	1,827	3,150	—	—	(4,977)	—
At 31 December 2021 and 1 January 2022	406,294	85,897	4,996	7,192	208,069	712,448
Additions	—	360	7	30	56,659	57,056
Disposals	—	(981)	(227)	—	—	(1,208)
Transfer	249,208	—	—	—	(249,208)	—
At 30 June 2022	655,502	85,276	4,776	7,222	15,520	768,296
ACCUMULATED DEPRECIATION						
At 1 January 2019	117,071	26,129	2,403	1,957	—	147,560
Depreciation	10,750	3,276	117	401	—	14,544
Disposals	—	—	(636)	—	—	(636)
At 31 December 2019 and 1 January 2020	127,821	29,405	1,884	2,358	—	161,468
Depreciation	37,228	10,757	288	4,486	—	52,759
Disposals	—	—	(14)	—	—	(14)
At 31 December 2020 and 1 January 2021	165,049	40,162	2,158	6,844	—	214,213
Depreciation	19,162	7,757	633	188	—	27,740
Disposals	(17,933)	(4,005)	(548)	—	—	(22,486)
At 31 December 2021 and 1 January 2022	166,278	43,914	2,243	7,032	—	219,467
Depreciation	15,553	4,106	400	41	—	20,100
Disposals	—	(437)	(217)	—	—	(654)
At 30 June 2022	181,831	47,583	2,426	7,073	—	238,913

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Computer and electronic equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
NET CARRYING AMOUNT						
At 31 December 2019	272,766	43,096	1,936	4,706	2,841	325,345
At 31 December 2020	260,493	41,017	2,196	269	11,799	315,774
At 31 December 2021	240,016	41,983	2,753	160	208,069	492,981
At 30 June 2022	473,671	37,693	2,350	149	15,520	529,383

Buildings are held for own use and situated in the PRC with medium-term leases.

As at 31 December 2019 and 2020, certain property, plant and equipment with net carrying amount of approximately RMB3,309,000 and RMB3,141,000, respectively, were pledged to secure certain bank and other borrowings of the Target Group. No property, plant and equipment were pledged to secure the Target Group's bank and other borrowings as at 31 December 2021 and 30 June 2022. Details of bank and other borrowings are set out in Note 23.

No property, plant and equipment were pledged to secure the Target Group's bill payables as at 31 December 2019 and 2020. As at 31 December 2021 and 30 June 2022, property, plant and equipment with net carrying amount of approximately RMB14,062,000 and RMB15,323,000 respectively, were pledged to secure bill payables of the Target Group. Details of bill payables are set out in Note 21.

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Target Group as a lessee

The Target Group has lease contracts for office premises and land use right used in its operation. Leases of office premise generally have lease terms between 2 and 3 years with fixed lease payments. None of the leases include variable lease payments.

Right-of-use assets

The carrying amounts of the Target Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount				
— Leasehold land	11,762	28,992	35,240	62,942
— Leased properties	—	—	—	8,747
	11,762	28,992	35,240	71,689
Depreciation provided:				
— Leasehold land	201	1,237	—	520
— Leased properties	—	—	—	1,409
	201	1,237	—	1,929
Expenses related to short term leases	885	5,182	7,910	2,026
Total cash outflow for leases	885	5,182	7,910	4,187
Addition of right-of-use assets:				
— Leasehold land	900	18,467	15,321	28,222
— Leased properties	—	—	—	10,156
	900	18,467	15,321	38,378
Disposal of right-of-use assets:				
— Leasehold land	—	—	(9,073)	—
— Leased properties	—	—	—	—
	—	—	(9,073)	—

As at 31 December 2019, 2020, 2021 and 30 June 2022, the certificate of land use right in respect of a parcel of land of the Target Group in the PRC with a carrying amount of approximately RMBNil, RMBNil, RMBNil and RMB28,222,000 has not been issued by the relevant PRC authority.

As at 31 December 2019 and 2020, certain land use right with net carrying amount of approximately RMB10,646,000 and RMB19,373,000, respectively, were pledged to secure certain bank and other borrowings of the Target Group. No land use rights were pledged to secure the Target Group's bank and other borrowings as at 31 December 2021 and 30 June 2022. Details of bank and other borrowings are set out in Note 23.

Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 30 June 2022
	RMB'000
Carrying amount at 1 January 2019, 31 December 2019, 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021 and 1 January 2022	—
Additions	10,156
Interest charged to profit or loss	213
Payment during the period	(2,161)
Carrying amount at 30 June 2022	8,208
Analysed into:	
— Current	2,166
— Non-current	6,042

16. INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December			**As at 30 June**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	72,334	141,256	99,245	70,254
Work in progress	817,699	1,115,444	1,653,129	1,694,265
Finished goods	58,459	15,958	72,801	55,996
Goods in transit	1,228	—	85,191	97,376
	949,720	1,272,658	1,910,366	1,917,891

No finished goods were carried at fair value less costs to sell during the Relevant Periods.

(b) The analysis of the amount of inventories recognised as an expense and included in consolidated statements of profit or loss and other comprehensive income are as follows:

	As at 31 December			**As at 30 June**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold recognised as an expense *(Note 8(c))*	280,418	334,436	777,755	399,953
(Reversal of impairment)/write down of inventory *(Note 8(c))*	—	(1,370)	3,694	581
	280,418	333,066	781,449	400,534

As at 31 December 2019, 2020 and 2021 and 30 June 2022, inventories amounted to RMB822,570,000, RMB893,581,000, RMB1,098,625,000 and RMB1,067,784,000 were pledged to secure certain bank and other borrowings and bank facilities of the Target Group and related parties. Details of bank and other borrowings are set out in Note 23.

17. DEFERRED TAX ASSETS

Details of the deferred tax assets recognised and movements thereon during the Relevant Periods are as follows:

	Other temporary differences *RMB'000*	Temporary differences arising from unrealised profits *RMB'000*	Total *RMB'000*
At 1 January 2019	29	—	29
Charged to profit or loss for the year	—	—	—
At 31 December 2019 and 1 January 2020	29	—	29
Credited to profit or loss for the year	—	—	—
At 31 December 2020 and 1 January 2021	29	—	29
Credited to profit or loss for the year	2	12,779	12,781
At 31 December 2021 and 1 January 2022	31	12,779	12,810
Credited to profit or loss for the period	4	13,616	13,620
At 30 June 2022	35	26,395	26,430

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Target Group has unused tax losses of RMB15,379,000, RMBNil, RMBNil, and RMBNil, respectively to offset against future profits. Included in unused tax losses as at 31 December 2019 are losses of RMB14,230,000 and RMB1,149,000 that expires in 2022 and 2023, respectively. No deferred tax asset was recognised for the year ended 31 December 2019 due to the unpredictability of future profit streams.

18. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	11,608	2,146	827	90
Less: ECL allowance for trade receivables	(345)	(272)	(52)	(27)
	11,263	1,874	775	63
Bill receivables	21,268	162,327	327,313	190,025
Prepayments *(note i)*	390,582	11,979	17,999	186,696
Other receivables, net ECL allowance	19,661	99,318	60,942	67,674
Refundable deposits for construction in progress	—	—	60,000	60,000
Other prepaid tax	—	2,202	44,387	48,797
Balance with related parties *(Note 27)*	147,977	687,790	—	13,392
Interest receivables	—	1,922	—	—
	590,751	967,412	511,416	566,647
Less: non-current portion of prepayment	(681)	(6,289)	—	(11,064)
	590,070	961,123	511,416	555,583

Notes:

(i) Prepayments mainly represented prepaid advertisement expense and prepayment to suppliers.

Details on the Target Group's credit policy and credit risk arising from trade and other receivables are set out in Note 29(ii).

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the ageing analysis of the trade receivables based on invoice date, net of ECL allowance, were as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	4,872	726	381	—
Over 3 months but within 6 months	2,937	344	157	—
Over 6 months but within 1 year	3,454	431	2	—
Over 1 year	—	373	235	63
	11,263	1,874	775	63

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Past due, but not impaired	11,263	1,874	775	63
	11,263	1,874	775	63

Receivables that were past due nor impaired related to a large number of diversified customers for whom there was no recent history of default. Details of ECLs are disclosed set out in Note 29(ii).

The bill receivables of the Target Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 are all mature within twelve months and held for future settlement of trade receivables of the Target Group, of which certain bills were further endorsed/refinanced by the Target Group.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Target Group endorsed certain bill receivables accepted by banks in the PRC (the "**Endorsed Bills**") with carrying amount of approximately RMB11,268,000, RMB131,027,000, RMB248,185,000 and RMB161,402,000, respectively, to certain creditors in order to settle liabilities due to these creditors (the "**Endorsement**"). In the opinion of the directors of the Target Company, the Target Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated liabilities settled. Subsequent to the Endorsement, the Target Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the liabilities settled by the Endorsed Bills during the years ended 31 December 2019, 2020 and 2021 and the period ended 30 June 2022 to which the creditors had recourse was approximately RMB11,268,000, RMB131,027,000, RMB248,185,000 and RMB161,402,000, respectively.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Target Group refinanced certain bill receivables accepted by banks in the PRC (the "**Refinanced Bills**") with carrying amount of approximately RMBNil, RMBNil, RMB50,000,000 and RMB12,000,000, respectively, to certain creditors in order to secure temporary financing needs (the "**Refinancing**"). In the opinion of the directors of the Target Company, the Target Group retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay those cash flows to another party. The aggregate carrying amount of other borrowings recorded to represent the contractual obligation to settle the refinancing arrangement during the years ended 31 December 2019, 2020 and 2021 and the period ended 30 June 2022 to which the creditors had recourse was approximately RMBNil, RMBNil, RMB50,000,000 and RMB12,000,000, respectively.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Target Group's maximum exposure to loss, which is same as the amount payable by the Target Group to creditors in respect of the Endorsed Bills and Refinanced Bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB11,268,000, RMB131,027,000, RMB298,185,000 and RMB173,402,000.

19. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	139,211	434,344	513,780	442,111
Less: Pledged bank deposits *(Note 20)*	—	(26,000)	(87,615)	(11,445)
Cash and cash equivalents in the consolidated statements of cash flows	139,211	408,344	426,165	430,666

The Target Group's cash and bank balances were denominated in RMB as at 31 December 2019, 2020 and 2021 and 30 June 2022.

The RMB is not freely convertible into other currencies. However, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Target Group, and earn interest at the respective short-term time deposit rates.

20. PLEDGED BANK DEPOSITS

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged bank deposits	—	26,000	87,615	11,445

Pledged bank deposits carry effective interest at prevailing market rates ranging from 0.3% to 1.75% per annual during the Relevant Periods.

As at 31 December 2020, the pledged bank deposits of approximately RMB26,000,000 was pledged to secure bank and other borrowings of the Target Group.

As at 31 December 2021, the pledged bank deposits of approximately RMB24,963,000 was pledged to secure bill payables and RMB49,000,000 was pledged to secure borrowings of the Target Group and its related parties.

As at 30 June 2022, the pledged bank deposits of approximately RMB11,445,000 was pledged to secure bill payables.

21. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(note i)*	916,543	346,527	218,586	516,726
Bill payables *(note ii)*	—	—	124,813	57,221
Accrued staff costs	22,666	9,686	8,000	21,088
Interest payable *(Note 30)*	—	692	—	—
Refundable deposits received from customers	160	489	85,967	83,873
Amounts due to related parties *(Note 27)*	—	15,173	—	—
Other tax payables *(note iii)*	141,394	278,511	266,758	237,752
Other payables *(note iv)*	87,599	204,604	256,879	169,930
	1,168,362	855,682	961,003	1,086,590

Notes:

(i) Included in the trade payables balance are certain amounts due to related parties. Further details are set out in Note 27. The remaining balances are interest free, unsecured and repayable upon the credit terms.

(ii) The bill payable was issued to a related party of the Target Company and the expiry date of bills payable were within one year at the end of each Relevant Periods.

(iii) Other tax payables mainly includes value added tax, consumption tax payable and surcharges.

(iv) The balance were mainly related to trade payables in which the Target Group has issued bills to the relevant suppliers for future settlement of trade payables. The Target Group continues to recognise these payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension.

The Target Group was granted by its suppliers of credit periods ranging from 30 to 180 days. An ageing analysis of trade payables of the Target Group, based on invoice date, is as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	867,284	281,426	179,809	374,680
Over 3 months but within 6 months	202	2,006	6,767	90,727
Over 6 months but within 1 year	22,101	7,578	10,262	4,309
Over 1 year	26,956	55,517	21,748	47,010
	916,543	346,527	218,586	516,726

22. CONTRACT LIABILITIES

Contract liabilities represent the Target Group's obligation to transfer goods to customers for which the Target Group has received consideration (or an amount of consideration is due) from the customers.

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities arising from:				
Receipt in advance of sales	102,706	574,707	1,113,388	506,079
Volume rebates *(note)*	—	134,767	468,589	392,586
	102,706	709,474	1,581,977	898,665

Note:

Commencing from the year ended 31 December 2020, the Target Group offered volume rebates upon customers satisfying certain conditions. Accordingly, the Target Group estimates the expected future rebates and records, as a reduction in revenue in the relevant year/period, and recorded as contract liabilities.

All the remaining performance obligations are expected to be recognised within one year. The Target Group has applied the practical expedients in paragraph 121 of HKFRS 15 to its sales contracts.

Movements in contract liabilities:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	118,739	102,706	709,474	1,581,977
Increase in contract liabilities as a result of consideration received from customers during the year/period	904,280	2,239,032	4,044,960	925,448
Decrease in contract liabilities as a result of recognising revenue during the year/period				
— the amount was included in the contract liabilities at the beginning of the year/period	(118,739)	(102,706)	(709,474)	(1,581,977)
— the amount was included in the contract liabilities during the year/period	(801,574)	(1,664,325)	(2,931,572)	(419,369)
Increase in contract liabilities as a result of recognising volume rebates during the year/period	—	134,767	468,589	392,586
	102,706	709,474	1,581,977	898,665

23. BANK AND OTHER BORROWINGS

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other borrowings				
— Secured	99,850	99,850	485,800	447,800
— Unsecured	515,829	504,708	117,696	117,996
	615,679	604,558	603,496	565,796
Bank borrowings				
— Within one year	159,850	508,740	205,896	146,200
— More than one year but within two years	350,890	59,816	—	407,596
— More than two but within five years	59,936	—	347,600	—
	570,676	568,556	553,496	553,796
Other borrowings				
— Within one year	—	—	50,000	12,000
— More than one but within two years	45,003	36,002	—	—
	45,003	36,002	50,000	12,000
Total borrowings	615,679	604,558	603,496	565,796

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysis for reporting purposes as:				
Current	159,850	508,740	255,896	158,200
Non-current	455,829	95,818	347,600	407,596
	615,679	604,558	603,496	565,796

As at 31 December 2019, bank and other borrowings of approximately RMB99,850,000 was secured by inventory, land use rights and property, plant and equipment held by the Target Group with net carrying values of approximately RMB822,570,000, RMB10,646,000 and RMB3,309,000, respectively. The secured bank and other borrowing carry an effective interest rate of 4.35% per annum. The remaining bank and other borrowings were unsecured with effective interest rates ranging from 4.51% to 4.80% per annum. The amounts due were based on the scheduled repayment dates set out in the loan agreements.

As at 31 December 2020, bank and other borrowings of approximately RMB99,850,000 was secured by inventory, land use rights, property, plant and equipment and pledged bank deposits held by the Target Group with net carrying values of approximately RMB893,581,000, RMB19,373,000 RMB3,141,000 and RMB26,000,000, respectively. The secured bank and other borrowing carry an effective interest rate of 4.35%. The related pledged assets were released upon settlement of the borrowings during the year ended 31 December 2021. The remaining bank and other borrowings were unsecured with effective interest rates ranging from 4.51% to 4.80% per annum. The amounts due were based on the scheduled repayment dates set out in the loan agreements.

As at 31 December 2021, bank and other borrowings of approximately RMB485,800,000 was secured by inventory and pledged bank deposits of RMB1,098,625,000 and RMB49,000,000, respectively, RMB88,000,000 was secured by assets of related parties and RMB50,000,000 was secured by bills receivables with an equivalent carrying value. The secured bank and other borrowings carry effective interest rates ranging from 4.10% to 4.35%. The remaining bank and other borrowings were unsecured with effective interest rates ranging from 4.15%–4.51%. The amounts due were based on the scheduled repayment dates set out in the loan agreements.

As at 30 June 2022, bank and other borrowings of approximately RMB347,800,000 was secured by inventory of RMB1,067,784,000, RMB88,000,000 was secured by assets of related parties and RMB12,000,000 was secured by bills receivables with an equivalent carrying value. The secured bank and other borrowings carry effective interest rates ranging from 4.10% to 4.35%. The remaining bank and other borrowings were unsecured with effective interest rates ranging from 4.15%–4.51%. The amounts due were based on the scheduled repayment dates set out in the loan agreements.

During the Relevant Periods, all the bank and other borrowings were guaranteed by Hubei Yihua Group Co., Ltd, a SOE and independent third party of the Target Company as at 31 December 2019 and 2020; the ultimate holding company of the Target Company as at 31 December 2021 and 30 June 2022.

None of the bank and other borrowings are subject to fulfillment of covenants relating to any of the Target Group's financial performance.

24. SHARE CAPITAL

	RMB'000
Registered:	
Ordinary shares at RMB1 each	
As at 31 December 2019, 2020 and 2021 and 30 June 2022	100,000
Paid-up capital:	
As at 31 December 2019, 2020 and 2021 and 30 June 2022	100,000

25. INVESTMENT IN SUBSIDIARIES

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Target Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place and date of incorporation/ establishment and operation	Attributable equity interest of the Target Company — At 31 December 2019	2020	2021	At 30 June 2022	At date of this report	Issued and fully paid share capital	Principal activities
Guizhou Jinsha Huisha Liquor Sales Co., Ltd (貴州金沙回沙酒銷售有限公司) *(note (d))*	Incorporated on November 5, 2008 in the PRC	75%	75%	100%	100%	100%	RMB1,000,000	Sales of Chinese baijiu products
Yichang Jinsha Huisha Liquor Sales Co., Ltd (宜昌金沙回沙酒銷售有限公司) *(note (d))*	Incorporated on August 8, 2019 in the PRC	100%	100%	100%	100%	100%	RMB1,000,000	Sales of Chinese baijiu products
Guizhou Jinsha Liquor Sales Co., Ltd. (貴州金沙酒業銷售有限公司) *(note (d))*	Incorporated on March 30, 2021 in the PRC	—	—	100%	100%	100%	RMB10,000,000	Sales of Chinese baijiu products

Notes:

(a) The English names of all subsidiaries established in the PRC are translated for identification purpose only.

(b) All companies comprising the Target Group have adopted 31 December as their financial year end date.

(c) All entities are established in the PRC in the form of domestic limited liability Company.

(d) The equity interests are directly held by the Target Company at the date of this report.

(e) Statutory financial statement of these PRC subsidiaries were unaudited for the year ended 31 December 2019. For the years ended 31 December 2020 and 2021, statutory financial statement of these PRC subsidiaries prepared and audited by BDO Hubei.

26. CAPITAL COMMITMENTS AND GUARANTEES

The Target Group has the following capital expenditure contracted for the end of each of the Relevant Periods.

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided in consolidated financial statement in respects of acquisition of property, plant and equipment	1,109	14,999	84,760	126,973

The Target Group has provided the followings guarantees as at the end of each reporting period:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial guarantee to a third party	26,875	26,875	26,875	26,875
Financial guarantee to a related party	—	27,700	27,700	27,700

The financial guarantee provided by the Target Group was for obtaining certain bank facilities by a third party and a related party. Both the third party and related party are SOE in the PRC. Financial guarantees are recognised in accordance with the Target Group's accounting policy set out in Note 4.4(vi). In the opinion of the directors of the Target Company, since the terms of bank facilities were similar to those without financial guarantee and the default risk of SOE is low, the subsequent value of the financial guarantees were assessed to be the higher of ECL at the end of each Relevant Periods and the initial fair value, which is insignificant to the Target Company.

27. MATERIAL RELATED PARTY TRANSACTIONS

a. Names and relationships with related parties

The Target Group entered into the material related party transactions with the following parties during the Relevant Periods:

Name of related parties	Subsidiary of/Shareholder
Beijing Lidafenghua Technology Co., Ltd. ("北京利達豐華科技有限公司")	Fellow subsidiary of immediate holding company, Yichang Financial Investment Management Co., Ltd. ("宜昌財源投資管理有限公司")
Yichang Haili Foreign Trade Co., Ltd. ("宜昌海利外貿有限公司")	Fellow subsidiary of immediate holding company, Yichang Financial Investment Management Co., Ltd. ("宜昌財源投資管理有限公司")
Hubei Ansan Logistics Co., Ltd. ("湖北安卅物流有限公司")	Fellow subsidiary of ultimate holding company, Hubei Yihua Group Co., Ltd. ("湖北宜化集團有限責任公司")
Yichang Jincheng Wanhe Logistics Co., Ltd. ("宜昌錦程萬和物流有限公司")	Fellow subsidiary of ultimate holding company, Hubei Yihua Group Co., Ltd. ("湖北宜化集團有限責任公司")
Hubei Chuxing Chemical Co., Ltd. ("湖北楚星化工股份有限公司")	Fellow subsidiary of immediate holding company, Yichang Financial Investment Management Co., Ltd. ("宜昌財源投資管理有限公司")
Hubei Yihua Group Co., Ltd. ("湖北宜化集團有限責任公司")*	Ultimate holding company of Guizhou Jinsha Jiaojiu Winery Industry Co., Ltd. ("貴州金沙窖酒酒業有限公司")
Guizhou Yihua Real Estate Co., Ltd. ("貴州宜化置業有限公司")	Fellow subsidiary of immediate holding company, Yichang Financial Investment Management Co., Ltd. ("宜昌財源投資管理有限公司")
Guizhou Jinsha Huisha Wine Industry Co., Ltd. ("貴州金沙回沙酒酒業有限責任公司")	Fellow subsidiary of immediate holding company, Yichang Financial Investment Management Co., Ltd. ("宜昌財源投資管理有限公司")
Guizhou Xinghua Chemical Co., Ltd. ("貴州興化化工股份有限公司")	Fellow subsidiary of immediate holding company, Yichang Financial Investment Management Co., Ltd. ("宜昌財源投資管理有限公司")

* Hubei Yihua Group Co., Ltd. became the ultimate holding company of the Target Company upon obtaining a controlling stake in Yichang Financial Investment Management Co., Ltd. during the year ended 31 December 2021.

b. Significant transactions with related parties

During the Relevant Periods, the Target Group had the following material transactions with related parties:

		Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(i)	Sales of goods					
	Beijing Lidafenghua Technology Co., Ltd. ("北京利達豐華科技有限公司")	—	—	1,321	1,321	—
	Other related parties	6	—	740	529	1,715
(ii)	Purchase the materials					
	Yichang Haili Foreign Trade Co., Ltd. ("宜昌海利外貿有限公司")	93,551	243,128	—	—	—
	Guizhou Yihua Real Estate Co., Ltd. ("貴州宜化置業有限公司")	—	2,649	—	—	—
	Other related parties	555	177	1,054	997	—
(iii)	Transportation services					
	Yichang Jincheng Wanhe Logistics Co., Ltd. ("宜昌錦程萬和物流有限公司")	—	—	14,139	1,330	10,683
	Hubei Ansan Logistics Co., Ltd. ("湖北安卅物流有限公司")	—	—	12,147	10,202	—
(iv)	Interest income					
	Hubei Chuxing Chemical Co., Ltd. ("湖北楚星化工股份有限公司")	—	3,069	4,021	4,021	—
(v)	Interest expenses					
	Hubei Chuxing Chemical Co., Ltd. ("湖北楚星化工股份有限公司")	15,951	6,119	—	—	—
	Yichang Haili Foreign Trade Co., Ltd. ("宜昌海利外貿有限公司")	—	—	1,077	459	—
(vi)	Short-term lease expenses					
	Hubei Yihua Group Co., Ltd. ("湖北宜化集團有限責任公司")	—	—	734	459	459
(vii)	Contracted labour costs					
	Beijing Lidafenghua Technology Co., Ltd. ("北京利達豐華科技有限公司")	770	—	—	—	—
	Other related parties	—	—	132	—	—

c. Balances with related parties

		As at 31 December			As at 30 June
		2019	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(i)	Prepayment				
	Yichang Haili Foreign Trade Co., Ltd. ("宜昌海利外貿有限公司") *(note c)*	147,899	—	—	—
	Other related parties	78	—	—	—
(ii)	Other receivables				
	Hubei Chuxing Chemical Co., Ltd ("湖北楚星化工股份有限公司") *(note a)*	—	665,747	—	—
	Yichang Haili Foreign Trade Co., Ltd. ("宜昌海利外貿有限公司") *(note b)*	—	15,000	—	13,392
	Beijing Lidafenghua Technology Co., Ltd. ("北京利達豐華科技有限公司") *(note b)*	—	5,706	—	—
	Guizhou Jinsha Wine Cellar Wine Co., Ltd. ("貴州金沙回沙酒酒業有限責任公司") *(note b)*	—	1,337	—	—

Notes:

(a) Amount due from the related party is non-trade in nature, with 4.35% interest, unsecured and repayable on demand.

(b) Amounts due from related parties are non-trade in nature, interest free, unsecured and repayable on demand.

(c) Balance mainly represented prepayment for raw materials.

		As at 31 December			As at 30 June
		2019	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(iii)	Trade payables				
	Hubei Chuxing Chemical Co., Ltd. ("湖北楚星化工股份有限公司") *(note d)*	443,577	—	—	—
	Yichang Haili Foreign Trade Co., Ltd. ("宜昌海利外貿有限公司") *(note e)*	—	98,136	—	—
	Guizhou Jinsha Wine Cellar Wine Co., Ltd. ("貴州金沙回沙酒酒業有限責任公司") *(note e)*	65,486	17,675	—	—
	Beijing Lidafenghua Technology Co., Ltd. ("北京利達豐華科技有限公司") *(note b) (note e)*	4,053	9,406	3,959	3,959
	Guizhou Xinghua Chemical Co., Ltd. ("貴州興化化工股份有限公司") *(note e)*	15,502	—	—	—
	Yichang Jincheng Wanhe Logistics Co., Ltd. ("宜昌錦程萬和物流有限公司") *(note e)*	—	—	3,819	6,673
	Other related parties *(note e)*	—	—	156	159
(iv)	Other payables				
	Yichang Haili Foreign Trade Co., Ltd. ("宜昌海利外貿有限公司") *(note d)*	—	15,000	—	—
	Other related parties *(note e)*	—	173	—	—

Notes:

(d) Amount due to the related party is trade in nature, with 4.35% interest, unsecured and repayable on demand.

(e) Amounts due to related parties are trade in nature, interest free, unsecured and repayable on demand.

In addition, the Target Group has certain of its cash and cash equivalents of approximately RMBNil, RMBNil, RMB321,752,000 and RMB384,134,000 placed in a financial institution of a SOE, namely the Target Company's ultimate holding company, in the PRC as at 31 December 2019, 2020 and 2021 and 30 June 2022. The deposit interest rate is at the market rate.

d. Compensation of key management personnel of the Target Company

The remuneration of directors and other members of key management during the Relevant Periods was as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages and other benefits	2,441	8,833	11,583	5,388	3,188
Contributions to defined contribution retirement plans	122	269	455	217	319
	2,563	9,102	12,038	5,605	3,507

Further details of directors' emoluments are set out in Note 11.

e. Transactions with other government-related entities in the PRC

Hubei Yihua Group Co., Ltd. is a PRC SOE. Government-related entities, other than entities under Hubei Yihua Group Co., Ltd., over which the PRC government has control, joint control or significant influence are also considered as related parties of the Target Group ("other government-related entities"). Certain business activities of the Target Group are conducted with other government-related entities.

The transactions between the Target Group and other government-related entities are conducted in the ordinary course of the Target Group's business within normal business operations. The Target Group has established its approval process for sales of goods, purchase of products and services and its financing policy for borrowing. Such approval processes and financing policy do not depend on whether the counterparties are government-related entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Target Group's approval processes and financing policy, and information that would be necessary for an understanding of the potential effect of the relationship on the Historical Financial Information, the directors believe that the following transactions are collectively significant for disclosure purpose:

— depositing and borrowing

The Target Group deposits some of its cash in government-related financial institutions, and also obtains certain short term and long-term loans from these financial institutions in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China.

— other transactions

Other collectively significant transactions with other government-related entities used in the normal operating business activities. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are government-related entities or not.

28. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities of the Target Group:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost				
— Trade and other receivables, including refundable deposits	30,924	790,904	121,717	141,129
— Cash and cash equivalents	139,211	408,344	426,165	430,666
— Pledged bank deposits	—	26,000	87,615	11,445
	170,135	1,225,248	635,497	583,240
Financial assets at FVOCI				
— Bill receivables	21,268	162,327	327,313	190,025
Financial liabilities at amortised cost				
— Trade and other payables	1,004,302	567,485	686,245	827,750
— Bank and other borrowings	615,679	604,558	603,496	565,796
	1,619,981	1,172,043	1,289,741	1,393,546
— Lease liabilities	—	—	—	8,208

29. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Target Group's principal financial instruments comprise trade and other receivables, cash and cash equivalents, pledged bank deposits, bills receivables, trade and other payables, bank and other borrowings and lease liabilities. The main purpose of these financial instruments is to raise finance for the Target Group's operations.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors of Target Company reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Interest rate risk

The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's interest-bearing bank borrowings with floating interest rates.

As at 31 December 2019, 2020 and 2021, and 30 June 2022, the Target Group's interest-bearing bank borrowings bear variable interest rates ranging 4.35%–4.75% per annum, 4.35%–4.8% per annum, 4.1%–4.8% per annum and 4.1%–4.75% per annum, respectively.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Target Group's post-tax profit for the year ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 would be decreased/increased by approximately RMB1,998,000, RMB2,288,000, RMB2,265,000, RMB2,175,000 (unaudited) and RMB2,156,000.

(ii) Credit risk

The carrying amounts of the Target Group's cash and cash equivalents, trade and other receivables, pledged bank deposits and bills receivables represent the Target Group's maximum exposure to credit risk in relation to its financial assets.

The majority of the Target Group's trade receivables are related to the sale of Chinese liquor products. The sales of Chinese liquor products is normally settled on an advance receipt basis whereby the customers are required to pay in advance either by cash or by bank acceptance drafts. The trading terms of the Target Group with its remaining customers are mainly on credit. The credit period is generally 30 days.

It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and only long-standing customers are granted with credit terms. In addition, receivable balances are monitored on an ongoing basis and the Target Group's exposure to ECL assessment under HKFRS 9 is not significant.

For other receivables, the management of the Target Group makes periodic individual assessment on the recoverability of these financial assets based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportable forward-looking information. The management of the Target Group believes that there are no significant increase in credit risk of these amounts since initial recognition and the Target Group provided impairment based on 12-months ECLs. For the years ended 31 December 2019, 2020 and 2021, and the six-months ended 30 June 2021 and 2022, the Target Group assessed the ECLs for these financial assets and recorded a reversal on ECLs of RMB1,625,000, additional ECLs of RMB20,144,000, a net reversal on ECLs of RMB1,714,000, RMBNil (unaudited), and additional ECLs of RMB70,000, respectively.

Movements in the ECLs allowance in respect of trade receivables during the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	1,848	345	272	52
(Reversal of)/provision for impairment losses	—	85	355	(25)
Impairment losses written off	(1,503)	(158)	(575)	—
At end of the year/period	345	272	52	27

Movements in the ECLs allowance in respect of other receivables during the Relevant Periods were as follows:

	Lifetime expected credit loss (individually assessed)	Credit-impaired financial assets (lifetime expected credit loss)
	RMB'000	*RMB'000*
ECLs allowance as at 1 January 2019	3,792	—
Changes due to financial instruments recognised as at 1 January:		
— Impairment losses reversed during the period	(1,625)	—
Write-offs	(2,039)	—
ELCs allowance as at 31 December 2019	128	—
ECLs allowance as at 1 January 2020	128	—
Changes due to financial instruments recognised as at 1 January:		
— Transfer to credit-impaired financial assets	(120)	120
Provision for impairment losses	1,892	18,252
ECLs allowance as at 31 December 2020	1,900	18,372
ECLs allowance as at 1 January 2021	1,900	18,372
Changes due to financial instruments recognised as at 1 January:		
— Impairment losses reversed during the period	(1,798)	—
Write-offs	(102)	(2,000)
Provision for impairment losses	38	46
ECLs allowance as at 31 December 2021	38	16,418
ECLs allowance as at 1 January 2022	38	16,418
Provision for impairment losses	70	—
Loss allowance as at 30 June 2022	108	16,418

The ECLs rate is reviewed, and adjusted if appropriate, at the end of each reporting period. The ECLs rate remained the same during the Relevant Periods as the business and customer base of the Target Group remained stable and there were no significant fluctuations on the historical credit loss incurred. In addition, there is no significant change on the economic indicators based on the assessment of the forward-looking information.

Since the Target Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer and by geographical region. Deposits in financial institutions are not exposed to credit risk as these financial institutions are with high credit rating. No other financial assets carry a significant exposure to credit risk.

The Target Group's credit risk arising from interest receivables, refundable deposits for construction in progress, balance with related parties which are not trade in nature, cash and cash equivalents, pledged bank deposits and bills receivables is limited because the counterparties are banks, financial institutions and SOE with good credit rating for which the Target Group considers to have low credit risk.

The directors of the Target Company have performed the ECL assessment for financial guarantee contracts of approximately RMB26,875,000, RMB54,575,000, RMB54,575,000 and RMB54,575,000 as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively, representing the maximum amount the Target Group has guaranteed under the respective contracts, on 12m ECL basis. When assessing the ECL, the directors of the Target Company have taken into account the historical default experience and financial strength of the guaranteed entities, as appropriate and concluded that the probability of default is low and accordingly, loss allowance was considered as insignificant.

The Target Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Within 3 months	**Over 3 months but within 6 months**	**Over 6 months but within 1 year**	**Over 1 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019					
Weighted average expected loss rate	1.27%	1.27%	1.27%	100%	
Receivable amount	4,935	2,975	3,498	200	11,608
Loss allowance	(63)	(38)	(44)	(200)	(345)
Net amount	4,872	2,937	3,454	—	11,263
As at 31 December 2020					
Weighted average expected loss rate	4.19%	4.19%	4.19%	36.00%	
Receivable amount	758	359	450	579	2,146
Loss allowance	(32)	(15)	(19)	(206)	(272)
Net amount	726	344	431	373	1,874
As at 31 December 2021					
Weighted average expected loss rate	4.82%	4.82%	4.82%	9.63%	
Receivable amount	400	165	2	260	827
Loss allowance	(19)	(8)	—	(25)	(52)
Net amount	381	157	2	235	775
As at 30 June 2022					
Weighted average expected loss rate	—	—	—	30.00%	
Receivable amount	—	—	—	90	90
Loss allowance	—	—	—	(27)	(27)
Net amount	—	—	—	63	63

The table below details the credit quality of the Target Group's financial assets other than trade receivables, as well as the Target Group's maximum exposure to credit risk by credit risk rating grades.

	Stage 1 **12-months ECL** *RMB'000*	**Stage 2** **Lifetime ECL — not credit impaired** *RMB'000*	**Stage 3** **Lifetime ECL — credit impaired** *RMB'000*	**Total** *RMB'000*
As at 31 December 2019				
Receivable amount	17,650	2,139	—	19,789
Loss allowance	—	(128)	—	(128)
Net amount	17,650	2,011	—	19,661
As at 31 December 2020				
Receivable amount	759,271	31,659	18,372	809,302
Loss allowance	—	(1,900)	(18,372)	(20,272)
Net amount	759,271	29,759	—	789,030
As at 31 December 2021				
Receivable amount	120,222	758	16,418	137,398
Loss allowance	—	(38)	(16,418)	(16,456)
Net amount	120,222	720	—	120,942
As at 30 June 2022				
Receivable amount	139,031	2,143	16,418	157,592
Loss allowance	—	(108)	(16,418)	(16,526)
Net amount	139,031	2,035	—	141,066

(iii) Liquidity risk

The Target Group monitors its risk to a shortage of funds. The Target Group considers the maturity of its financial assets (e.g. trade and other receivables) and projected cash flows from operations.

The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings.

The maturity profile of the Target Group's financial liabilities as at the end of the each reporting period, based on the contractual undiscounted payments, is as follows:

	Weight average effective interest rate	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019						
Trade and other payables	—	560,725	560,725	560,725	—	—
Interest-bearing trade payables	4.35%	443,577	443,577	443,577	—	—
Bank and other borrowings	4.67%	615,679	669,742	167,310	433,707	68,725
		1,619,981	1,674,044	1,171,612	433,707	68,725
As at 31 December 2020						
Trade and other payables	—	552,485	552,485	552,485	—	—
Interest-bearing other payables	4.35%	15,000	15,000	15,000	—	—
Bank and other borrowings	4.67%	604,558	637,442	532,475	104,967	—
		1,172,043	1,204,927	1,099,960	104,967	—
As at 31 December 2021						
Trade and other payables	—	686,245	686,245	686,245	—	—
Bank and other borrowings	4.16%	603,496	667,457	266,544	—	400,913
		1,289,741	1,353,702	952,789	—	400,913
As at 30 June 2022						
Trade and other payables	—	827,750	827,750	827,750	—	—
Bank and other borrowings	4.16%	565,796	607,006	164,783	442,223	—
Leases liabilities	4.75%	8,208	9,254	3,621	2,860	2,773
		1,401,754	1,444,010	996,154	445,083	2,773

(iv) Capital management

The primary objective of the Target Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

The Target Group monitors capital using a gearing ratio, which is calculated as interest-bearing debts divided by net asset plus interest-bearing debts. The gearing ratios as at the end of the reporting years were as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest bearing debts *(note)*	615,679	604,558	603,496	574,004
Net assets	134,395	749,465	326,780	996,826
Net assets plus interest-bearing debts	750,074	1,354,023	930,276	1,570,830
Gearing ratio	82%	45%	65%	37%

Note: Interest-bearing debts comprises interest-bearing bank and other borrowings and lease liabilities.

(v) Fair value

Some of the Target Group's financial assets are measured at fair value of the financial assets and valuation techniques as followings:

	As at 31 December			As at 30 June	Fair value hierarchy	Valuation techniques
	2019	**2020**	**2021**	**2022**		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		
Financial assets at fair value through OCI						
Bill receivables	21,268	162,327	327,313	190,025	Level 2	Fair values are estimated based on present value of the contracted cash inflow at the discount rate that reflects the market credit risk

The directors of the Target Group consider that the carrying amounts of financial assets and financial liabilities approximate their fair values due to the short term maturities of these instruments.

The carrying amounts of the non-current portion of interest-bearing bank borrowings approximate their fair values as the interest rates will adjust periodically based on People's Bank of China's benchmark rates and is close to market interest rate.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statements of cash flows as cash flows from financing activities.

	Interest payable *RMB'000* *(Note 21)*	Bank and other borrowings *RMB'000* *(Note 23)*	Lease liabilities *RMB'000* *(Note 15)*	Total *RMB'000*
At 1 January 2019	—	627,576	—	627,576
Changes from financing cash flow:				
Proceeds from bank and other borrowings	—	470,889	—	470,889
Repayment of bank and other borrowings	—	(482,786)	—	(482,786)
Interest paid	(46,104)	—	—	(46,104)
Total changes from financing cash flows	(46,104)	(11,897)	—	(58,001)
Other changes:				
Finance costs	46,104	—	—	46,104
Total other changes	46,104	—	—	46,104
At 31 December 2019	—	615,679	—	615,679
At 1 January 2020	—	615,679	—	615,679
Changes from financing cash flow:				
Proceeds from bank and other borrowings	—	99,850	—	99,850
Repayment of bank and other borrowings	—	(110,971)	—	(110,971)
Interest paid	(36,915)	—	—	(36,915)
Total changes from financing cash flows	(36,915)	(11,121)	—	(48,036)
Other changes:				
Finance costs	36,915	—	—	36,915
Total other changes	36,915	—	—	36,915
At 31 December 2020	—	604,558	—	604,558

	Interest payable *RMB'000* *(Note 21)*	Bank and other borrowings *RMB'000* *(Note 23)*	Lease liabilities *RMB'000* *(Note 15)*	Total *RMB'000*
At 1 January 2021	—	604,558	—	604,558
Changes from financing cash flow:				
Proceeds from bank and other borrowings	—	496,000	—	496,000
Repayment of bank and other borrowings	—	(547,062)	—	(547,062)
Proceeds from suppliers' finance arrangement	—	50,000	—	50,000
Interest paid	(25,180)	—	—	(25,180)
Total changes from financing cash flows	(25,180)	(1,062)	—	(26,242)
Other changes:				
Finance costs	25,180	—	—	25,180
Total other changes	25,180	—	—	25,180
At 31 December 2021	—	603,496	—	603,496
At 1 January 2021	—	604,558	—	604,558
Changes from financing cash flow:				
Proceeds from bank and other borrowings	—	148,000	—	148,000
Repayment of bank and other borrowings	—	(197,302)	—	(197,302)
Interest paid	(13,516)	—	—	(13,516)
Total changes from financing cash flows	(13,516)	(49,302)	—	(62,818)
Other changes:				
Finance costs	13,516	—	—	13,516
Total other changes	13,516	—	—	13,516
At 30 June 2021 (unaudited)	—	555,256	—	555,256

	Interest payable *RMB'000* *(Note 21)*	Bank and other borrowings *RMB'000* *(Note 23)*	Lease liabilities *RMB'000* *(Note 15)*	Total *RMB'000*
At 1 January 2022	—	603,496	—	603,496
Changes from financing cash flow:				
Proceeds from bank and other borrowings	—	205,996	—	205,996
Repayment of bank and other borrowings	—	(255,696)	—	(255,696)
Proceed from suppliers' finance arrangement	—	12,000	—	12,000
Repayment of lease liabilities	—	—	(1,948)	(1,948)
Interest paid	(9,856)	—	(213)	(10,069)
Total changes from financing cash flows	(9,856)	(37,700)	(2,161)	(49,717)
Other changes:				
Finance costs	9,856	—	213	10,069
New leases entered during the period	—	—	10,156	10,156
Total other changes	9,856	—	10,369	20,225
At 30 June 2022	—	565,796	8,208	574,004

31. EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events occurred that materially affect the Target Group's financial condition or operation after 30 June 2022 and up to the date of this accountants' report.

32. CAPITAL RESERVES AND DIVIDENDS

(a) Movements in components of the Target Company's equity

The reconciliation between the opening and closing balances of each component of the Target Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Target Company's individual components of equity during the Relevant Periods are set out below:

	Share capital	Share premium	Other reserve	Statutory reserve	(Accumulated losses)/ retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 24)	*(note i)*	*(note ii)*	*(note iii)*		
At 1 January 2019	100,000	6,352	—	1,825	(115,390)	(7,213)
Profit and total comprehensive income for the year	—	—	—	—	101,785	101,785
At 31 December 2019	100,000	6,352	—	1,825	(13,605)	94,572
At 1 January 2020	100,000	6,352	—	1,825	(13,605)	94,572
Profit and total comprehensive income for the year	—	—	—	—	266,850	266,850
Transfer to statutory reserve	—	—	—	25,117	(25,117)	—
Transfer to other reserve	—	—	2,075	—	(2,075)	—
At 31 December 2020	100,000	6,352	2,075	26,942	226,053	361,422
At 1 January 2021	100,000	6,352	2,075	26,942	226,053	361,422
Profit and total comprehensive income for the year	—	—	—	—	1,446,600	1,446,600
Dividends declared in respect of current year *(Note 10)*	—	—	—	—	(1,636,400)	(1,636,400)
Transfer to statutory reserve	—	—	—	23,058	(23,058)	—
Utilisation of other reserve	—	—	(790)	—	790	—
At 31 December 2021	100,000	6,352	1,285	50,000	13,985	171,622
At 1 January 2022	100,000	6,352	1,285	50,000	13,985	171,622
Profit and total comprehensive income for the period	—	—	—	—	275,137	275,137
Transfer to other reserve	—	—	2,712	—	(2,712)	—
Utilisation of other reserve	—	—	(469)	—	469	—
At 30 June 2022	100,000	6,352	3,528	50,000	286,879	446,759

Notes:

i. Share premium is the excess of the proceeds received over the nominal value of the shares of the Target Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

ii. In accordance with the relevant rules and regulations in the PRC, the Target Company registered in the PRC are required to transfer certain amount from retained earnings to other reserve for the provision for production safety. The amount of transfer is determined and approved by the boards of directors of the Target Company. When expenses or capital expenditures on production safety measures are incurred, the incurred amount will be transferred from other reserve to retained profits.

iii. In accordance with the relevant rules and regulations in the PRC, the Target Company registered in the PRC are required to transfer 10% of profit after income tax expense to the statutory reserve at financial year end, until the accumulated total of the statutory reserve reaches 50% of the respective registered capital.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, the Target Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2022.

This appendix summarises the management discussion and analysis of the Target Group for the three years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2022 (the "**Relevant Periods**"). The following financial information is based on the accountants' report of the Target Group.

OPERATING RESULTS

Revenue

The Target Company is a company established in the PRC. During the Relevant Periods, the Target Group had only one reportable business segment and its revenue consisted solely of revenue generated from distribution of Chinese baijiu products, namely the Zhaiyao and Jinsha Huisha.

For the three years ended 31 December 2019, 2020 and 2021, the Target Group's revenue were RMB878.3 million, RMB1,767.0 million and RMB3,641.0 million, respectively. For the six months ended 30 June 2021 and 2022, the Target Group's revenue were RMB1,741.2 million and RMB2,001.3 million respectively. The increases in revenue were mainly attributable to (i) the Target Group's continuous effort to improve product mix by substantially increasing the sales of Zhaiyao, and (ii) the increase in the selling price across its major product groups.

Cost of sales and gross profit

During the Relevant Periods, the Target Group's cost of sales primarily consists of (i) raw materials; (ii) packaging materials and (iii) direct labor costs.

For the three years ended 31 December 2019, 2020 and 2021, the Target Group's gross profit were RMB457.4 million, RMB1,178.5 million and RMB2,318.9 million, respectively. For the six months ended 30 June 2021 and 2022, the Target Group's gross profit were RMB1,061.8 million and RMB1,212.3 million respectively. The increase in gross profit was primarily in line with the increase in total revenue in each of the Relevant Periods.

For the three years ended 31 December 2019, 2020 and 2021, the Target Group's gross profit margins were 52.1%, 66.7% and 63.7% respectively. For the six months ended 30 June 2021 and 2022, the gross profit margins were 61.0% and 60.6% respectively. The increase in gross profit margin in 2020 was mainly attributable to the increase in average selling price. The decrease in gross profit margin in 2021 and first half of 2022 were mainly attributable to the increase of cost of raw materials, majority of which is the cost of base wine.

Selling and distribution expenses

During the Relevant Periods, the Target Group's selling and distribution expenses primarily consist of (i) advertising expenses (ii) staff cost and (iii) transportation expenses.

For the three years ended 31 December 2019, 2020 and 2021, the Target Group's selling and distribution expenses were RMB180.3 million, RMB215.6 million and RMB492.8 million respectively. The increases in selling and distribution expenses were mainly attributable to the increase in advertising expenses and staff cost in order to keep in line with the revenue growth.

For the six months ended 30 June 2021 and 2022, the Target Group's selling and distribution expenses were RMB245.7 million and RMB296.5 million respectively. The increases in the Target Group's selling and distribution expenses were primarily due to increase in advertising expenses.

Administrative expenses

During the Relevant Periods, the Target Group's administrative expenses primarily consist of (i) staff cost (ii) utilities and (iii) professional and consultancy fee.

For the three years ended 31 December 2019, 2020 and 2021, such amounts were RMB67.1 million, RMB77.6 million and RMB72.6 million respectively. The decreases in the Target Group's administrative expenses in 2021 was primarily due to the decrease in administrative staff cost.

For the six months ended 30 June 2021 and 2022, such amounts were RMB25.6 million and RMB41.3 million respectively. The increase was primarily due to an increase in staff cost.

Finance costs

During the Relevant Periods, the Target Group's finance costs primarily consist of (i) interest on bank borrowings, (ii) interest on amounts due to related parties, and (iii) interest on other borrowings.

For the three years ended 31 December 2019, 2020 and 2021, the Target Group's finance costs were RMB46.1 million, RMB36.9 million and RMB25.2 million respectively. For the six months ended 30 June 2021 and 2022, the finance costs were RMB13.5 million and RMB10.1 million respectively. The decrease in finance costs were primarily due to repayment of trade payable due to a related party and other borrowings.

Other income, gains and losses — net

During the Relevant Periods, the Target Group's other income, gains and losses — net primarily consist of (i) interest income and (ii) government grants.

For the three years ended 31 December 2019, 2020 and 2021, such amounts were RMB6.3 million income, RMB23.0 million income, and RMB28.1 million income, respectively. The increases were mainly attributable to increase in interest income and government grants, partly offset by the loss on disposal of property, plant and equipment.

For the six months ended 30 June 2021 and 2022, such amounts were RMB15.7 million income and RMB12.1 million income respectively. The decrease was mainly due to decrease in interest income.

Profit and total comprehensive income

For the three years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2021 and 2022, the Target Group's profit and total comprehensive income were RMB156.3 million, RMB615.1 million, RMB1,314.9 million, RMB599.7 million and RMB670.0 million respectively.

For the three years ended 31 December 2019, 2020 and 2021, the Target Group's net profit margins were 17.8%, 34.8%, 36.1% respectively. For the six months ended 30 June 2021 and 2022, the net profit margins were 34.4% and 33.5% respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Target Group financed its operations and working capital requirements primarily through a combination of internally generated cash flow and borrowings.

Cash and cash equivalents

As at 31 December 2019, 2020, 2021 and 30 June 2022, the Target Group had cash and cash equivalents amounting to RMB139.2 million, RMB408.3 million, RMB426.2 million, and RMB430.7 million respectively. All the cash and cash equivalents held by the Target Group were denominated in RMB.

Borrowings and Gearing ratio

As at 31 December 2019, 2020, 2021 and 30 June 2022, the Target Group had total outstanding borrowings of RMB615.7 million, RMB604.6 million, RMB603.5 million and RMB565.8 million respectively, which were all denominated in RMB.

The following table sets out a breakdown of the Target Group's borrowings as at the dates indicated:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other borrowings				
Shot-term borrowings	159,850	508,740	255,896	158,200
Long-term borrowings	455,829	95,818	347,600	407,596
	615,679	604,558	603,496	565,796

All borrowings from banks and financial institutions were interest bearing at rates ranging from 4.10% to 4.51% per annum as at 30 June 2022, respectively.

As at 30 June 2022, the Target Group had unutilised credit facilities of RMB42.6 million, which were committed, unrestricted and could be drawn down at any time.

As at 31 December 2019, 2020, 2021 and 30 June 2022, the gearing ratio[1] of the Target Group was 354.5%, 26.2%, 54.3% and 13.6%, respectively. The decreases in gearing ratio in 2020 and the six months ended 30 June 2022 were mainly due to the accumulation of retained earnings. The increase in gearing ratio in 2021 was primarily due to the distribution of dividends which reduced the total equity.

Charge on Assets

As at 31 December 2019 and 2020, certain land use right with net carrying amount of approximately RMB10.6 million and RMB19.4 million respectively, were pledged to secure certain bank and other borrowings. No land use right was pledged to secure the bank and other borrowings as at 31 December 2021 and 30 June 2022.

No property, plant and equipment were pledged to secure the bill payables as at 31 December 2019 and 2020. As at 31 December 2021 and 30 June 2022, property, plant and equipment with net carrying amount of approximately RMB14.1 million and RMB15.3 million respectively, were pledged to secure bill payables.

As at 31 December 2019 and 2020, certain property, plant and equipment with net carrying amount of approximately RMB3.3 million and RMB3.1 million, respectively, were pledged to secure certain bank and other borrowings. No property, plant and equipment were pledged to secure the bank and other borrowings as at 31 December 2021 and 30 June 2022.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, inventories amounted to RMB822.6 million, RMB893.6 million, RMB1,098.6 million and RMB1,067.8 million, respectively, were pledged to secure certain bank and other borrowings and bank facilities.

Foreign Currency and Hedging

The Target Group conducts its business in the PRC and all transactions are denominated in RMB, therefore, the Target Group has no foreign exchange risk exposure. In addition, the Target Group has not used any financial instrument to hedge potential fluctuation in interest rates and exchange rates.

Contingent Liabilities

As at 31 December 2019, 2020, 2021 and 30 June 2022, the Target Group did not have any material contingent liabilities.

1 Gearing ratio equals to net interest-bearing borrowings (total borrowings minus cash and cash equivalents), divided by total equity.

Employee and Remuneration Policies

As at 30 June 2022, the Target Group had 3,258 employees based in the PRC. As at 30 June 2022, the Target Group's staff costs primarily consisted of wages and salaries and other benefits amounted to RMB148.4 million, and contribution to defined contribution retirement plan amounted to RMB23.5 million.

In order to attract expertise and make good use of human resources to foster smooth business operation, the Target Group has been offering competitive remuneration packages by taking into account of market conditions, individual qualifications, experience and performance.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

During the Relevant Periods, there was no significant equity investments, material acquisitions and disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2022, the Target Group had committed approximately RMB176 million with contractors on the expansion of the baijiu and production and storage facilities.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

In connection with the proposed Acquisition by CRWH, an indirectly non-wholly owned subsidiary of the Company, the unaudited pro forma financial information of the Enlarged Group has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Acquisition on the Group's financial position as at 30 June 2022 as if the Acquisition had taken place at 30 June 2022.

The unaudited pro forma consolidated balance sheet as at 30 June 2022 and related notes (hereinafter collectively referred to as the "**Unaudited Pro Forma Financial Information**") of the Enlarged Group are prepared based on (i) the unaudited condensed consolidated balance sheet of the Group as at 30 June 2022 as extracted from the published interim report of the Company for the six months ended 30 June 2022; (ii) the audited consolidated statements of financial position of the Target Group as at 30 June 2022 as extracted from the accountant's report audited by BDO Limited, Certified Public Accountants as set out in Appendix II to this Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the proposed Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the Directors based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the Unaudited Pro Forma Financial Information of the Enlarged Group may not purport to predict what the financial position of the Enlarged Group would have been if the Acquisition had been completed on 30 June 2022 nor in any future period or on any future dates.

The Unaudited Pro forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I to this Circular and the historical financial information of the Target Company as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

As at 30 June 2022

		Pro forma adjustments					
	The Group	The Target Group	Other adjustments				The Enlarged Group
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Non-current assets							
Fixed assets	13,827	529					14,356
Right-of-use assets	3,227	72					3,299
Goodwill	9,314	—		7,044			16,358
Other intangible assets	230	—		10,000			10,230
Interests in joint ventures and an associate	1,432	—					1,432
Financial assets at fair value through profit or loss	3,712	—					3,712
Prepayments	188	11					199
Deferred tax assets	3,180	26					3,206
Pledged bank deposits	19	—					19
	35,129	638					52,811
Current assets							
Stock	5,999	1,918					7,917
Trade and other receivables	999	556				(13)	1,542
Taxation recoverable	110	42					152
Pledged bank deposits	1	11					12
Cash and cash equivalents	14,408	431	1,027	(1,027)	(16)	13	14,836
	21,517	2,958					24,459

			Pro forma adjustments				
	The Group	The Target Group		Other adjustments			The Enlarged Group
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Current liabilities							
Trade and other payables	(22,065)	(1,985)		(11,273)			(35,323)
Short-term loan	(800)	(158)					(958)
Lease liabilities	(85)	(2)					(87)
Taxation payable	(277)	(40)					(317)
	(23,227)	(2,185)					(36,685)
Net current (liabilities)/assets	(1,710)	773					(12,226)
Total assets less current liabilities	33,419	1,411					40,585
Non-current liabilities							
Lease liabilities	(64)	(6)					(70)
Long term loan	—	(408)					(408)
Deferred taxation liabilities	(2,148)	—		(2,500)			(4,648)
Other non-current liabilities	(3,803)	—					(3,803)
	(6,015)	(414)					(8,929)
Net assets	27,404	997					31,656
Capital and reserves							
Share capital	14,090	100	5	(105)			14,090
Reserves	13,272	897	1,022	(1,919)	(16)		13,256
Equity attributable to shareholders of the Company	27,362	997					27,346
Non-controlling interest	42	—		4,268			4,310
Total equity	27,404	997					31,656

Notes:

(1) The amounts are extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 June 2022 as set out in the published interim report of the Company for the six months ended 30 June 2022 dated 7 September 2022.

(2) The adjustment represents the recognition of the assets and liabilities of the Target Group as at 30 June 2022 assuming the Acquisition had taken place on 30 June 2022. The assets and liabilities of the Target Group as at 30 June 2022 has been extracted from the accountants' report of the Target Group audited by BDO Limited, Certified Public Accountants as set out in Appendix II in this Circular.

(3) The adjustment represent the capital injection of approximately RMB1,027 million by the Group to the Target Group pursuant to the Capital Increase Agreement assuming the Acquisition had taken place on 30 June 2022. Upon the Capital Increase Completion, CRWH will hold an equity interest of 4.610% in the Target Company.

(4) Pursuant to the Capital Increase Agreement and Share Purchase Agreement both dated on 25 October 2022, the capital injection and consideration payables (included in trade and other payables) are approximately RMB1,027 million and RMB11,273 million, respectively. The total consideration is approximately RMB12,300 million for the Acquisition. Upon the Capital Completion and the Share Purchase Completion, CRWH will hold a total of 55.19% of the enlarged capital of the Target Company. The adjustment for capital injection pursuant to the Capital Increase Agreement as described in note 3 above is eliminated in this adjustment.

The directors of the Company consider that it is appropriate to apply acquisition accounting under HKFRS 3 "Business Combinations" ("**HKFRS 3**") in respect of the Acquisition as this will provide more relevant and useful information to financial statement users and it better reflects the economic substance of the transaction. Based on the foregoing, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values under the acquisition method of accounting in accordance with HKFRS 3. For the purpose of the Unaudited Pro Forma Financial Information, the allocation of the purchase consideration is determined based on the estimates of the fair values of the identifiable assets and liabilities of the Target Group made the by the directors of the Company, and by reference to a valuation report issued by an independent qualified valuer, as if the Acquisition was completed on the 30 June 2022.

Calculation of pro forma provisional goodwill arising from the Acquisition:

	RMB million
Consideration	12,300
Less:	
Net assets of the Target Group as at 30 June 2022 *(note (i))*	(997)
Increase of net assets of the Target Group as at 30 June 2022 in relation to the capital injection made by the Group *(note 3)*	(1,027)
Fair value of intangible assets identified through the Acquisition as at 30 June 2022 *(note (ii))*	(10,000)
Deferred tax liabilities arising from the pro forma fair value adjustment on intangible assets *(note (ii))*	2,500
Net identifiable assets acquired and the liabilities assumed of the Target Group as at 30 June 2022	(9,524)
Add:	
Non-controlling interests *(note (iii))*	4,268
Pro forma provisional goodwill arising from the Acquisition	7,044

(i) The net assets of the Target Group as at 30 June 2022 has been extracted from the accountants' report of the Target Group audited by BDO Limited, Certified Public Accountants, as set out in Appendix II to this Circular.

(ii) The unaudited pro forma fair value adjustments on intangible assets are related to brand names and customer relationships of the Target Group, the fair value of which is estimated based on the independent valuation report prepared by an independent professional valuer as at 30 June 2022.

The unaudited pro forma fair value of intangible assets (including brand names and customer relationship) is estimated at approximately RMB10,000 million as at 30 June 2022 based on relief-from-royalty method and multi period excess earnings method.

Deferred tax liabilities relating to the pro forma fair value adjustments of approximately RMB2,500 million is calculated at the Chinese Mainland income tax rate of 25%.

(iii) Non-controlling interests of approximately RMB4,268 million is calculated at 44.81% of the net identifiable assets acquired and the liabilities assumed of the Target Group of approximately RMB9,524 million as at 30 June 2022.

(5) The adjustment represents the estimated transaction costs attributable to the Acquisition of approximately RMB16 million expected to be settled by cash.

(6) Pursuant to the Agreement, conditions precedent includes settling the outstanding related parties balances of approximately RMB13 million included in trade and other receivables as at the date of completion of the Acquisition.

(7) Apart from the above, no other adjustment has been made to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 30 June 2022 for the preparation of the unaudited pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2022.

(B) ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the unaudited pro forma financial information of the Enlarged Group prepared for the purpose of incorporation in this Circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte. 德勤

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

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Resources Beer (Holdings) Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 30 June 2022 and related notes as set out on pages IV-2 to IV-5 of the circular issued by the Company dated 25 November 2022 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page IV-1 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the major transaction in relation to the acquisition of 55.19% equity interest in a Target Company on the Group's financial position as at 30 June 2022 as if the transaction had taken place at 30 June 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2022, on which no review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2022 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 November 2022

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

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

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

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest[(1)] *(%)*
HOU Xiaohai	Long position	1,018,000	0.03
LAI Ni Hium, Frank	Long position	149,498	0.01
LI Ka Cheung, Eric	Long position	271,817	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares of the Company to the total issued shares of the Company as at the Latest Practicable Date.

2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

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

As at the Latest Practicable Date, certain directors had interest in the issued ordinary shares of associated corporations (within in the meaning of the SFO):

*(i) Interests in issued ordinary shares of an associated corporation, China Resources Land Limited ("**CR Land**")*

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest[(1)] (%)
LAI Ni Hium, Frank	Long position	10,000	0.01
LI Ka Cheung, Eric	Long position	50,000	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares of CR Land to the total issued shares of CR Land as at the Latest Practicable Date.

2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

*(ii) Interests in issued ordinary shares of an associated corporation, China Resources Mixc Lifestyle Services Limited ("**CR Mixc**")*

Name of director	Long position/ Short position	Number of shares	Aggregate percentage of interest[(1)] (%)
LAI Ni Hium, Frank	Long position	4,157	0.01
LI Ka Cheung, Eric	Long position	387	0.01

Notes:

1. This represents the percentage of the aggregate long positions in shares of CR Mixc to the total issued shares of CR Mixc as at the Latest Practicable Date.

2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

*(iii) Interests in issued ordinary shares of an associated corporation, China Resources Gas Group Limited ("**CR Gas**")*

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

Notes:

1. This represents the percentage of the aggregate long positions in shares of CR Gas to the total issued shares of CR Gas as at the Latest Practicable Date.

2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

*(iv) Interests in issued ordinary shares of an associated corporation, China Resources Power Holdings Company Limited ("**CR Power**")*

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

Notes:

1. This represents the percentage of the aggregate long positions in shares of CR Power to the total issued shares of CR Power as at the Latest Practicable Date.

2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

*(v) Interests in issued ordinary shares of an associated corporation, China Resources Cement Holdings Company Limited ("**CR Cement**")*

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

Notes:

1. This represents the percentage of the aggregate long positions in shares of CR Cement to the total issued shares of CR Cement as at the Latest Practicable Date.

2. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at Latest Practicable Date, other than the interests and short positions as disclosed above, the following persons have interests or short positions in the shares and underlying shares of the Company as they fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long Positions in the Shares

Name of interested party	Long position/ Short position	Number of shares in which the interested part is deemed to have interests	Percentage of shareholding *(%)*
CRC[(1)]	Long position	1,684,077,366	51.91
China Resources Inc. (formerly known as China Resources Co., Limited) ("**CRI**")[(1)]	Long position	1,684,077,366	51.91
CRC Bluesky Limited[(1)]	Long position	1,684,077,366	51.91
CRH[(1)]	Long position	1,684,077,366	51.91
CRH (CRE) Limited[(1)]	Long position	1,676,338,664	51.67
China Resources Enterprise, Limited[(1)]	Long position	1,676,338,664	51.67
Heineken Holding N.V.[(1)]	Long position	1,676,338,664	51.67
Heineken N.V.[(1)]	Long position	1,676,338,664	51.67
CRH (Beer) Limited[(1)]	Long position	1,676,338,664	51.67

Note:

1. CRH (Beer) Limited and Commotra Company Limited directly held 1,676,338,664 shares and 7,738,702 shares in the Company respectively. CRH (Beer) Limited is owned as to 60% by China Resources Enterprise, Limited and 40% by Heineken Brouwerijen B.V.. China Resources Enterprise, Limited is a wholly-owned subsidiary of CRH (CRE) Limited. CRH (CRE) Limited and Commotra Company Limited are beneficially wholly-owned subsidiaries of CRH. CRH is a beneficially wholly-owned subsidiary of CRC Bluesky Limited, which is in turn wholly-owned by CRI. CRI is an ultimately beneficially wholly-owned subsidiary of CRC. Thus, CRH, CRC Bluesky Limited, CRI and CRC are deemed to be interested in an aggregate of 1,684,077,366 shares in the Company. Heineken Brouwerijen B.V. is a wholly-owned subsidiary of Heineken International B.V. Heineken International B.V. is a wholly-owned subsidiary of Heineken N.V., which in turn is a wholly-owned subsidiary of Heineken Holding N.V. Thus, Heineken Brouwerijen B.V., Heineken International B.V., Heineken N.V. and Heineken Holding N.V. are deemed to be interested in 1,676,338,664 shares in the Company.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any party who, as at the Latest Practicable Date, had interests or short positions in the Shares and underlying shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTOR'S INTEREST

(a) Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significantly in relation to the business of the Group.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2021, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in competing business

As at the Latest Practicable Date, the Directors are not aware that any of the Directors and their respective close associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder of the Company).

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was or is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatened by or against any members of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by members of the Enlarged Group within two years preceding the Latest Practicable Date and are or may be material:

(a) the Capital Increase Agreement;

(b) the Share Purchase Agreement; and

(c) the Shareholders Agreement.

8. EXPERTS AND CONSENTS

The following are the qualifications of the expert(s) who had given opinion contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
BDO Limited	Certified Public Accountants

As at the Latest Practicable Date, none of the experts above had any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, or had any interest, either direct or indirect, in any assets which had been since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular with the respective reports, letters and references to their names in the form and context in which they are included.

9. GENERAL

(a) The registered office and principal place of business of the Company is Room 2301 & 2310, 23/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(c) The company secretary of the Company is Mr. LEUNG Wai Keung, who is a member of the Hong Kong Institute of Certified Public Accountants.

(d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese translation.

10. DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (https://www.hkexnews.hk/) and the website of the Company (https://www.crbeer.com.hk) for a period of not less than 14 days commencing from the date of this circular:

(a) the accountants' report on the Target Group as set out in Appendix II to this circular;

(b) the report on unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(c) the material contracts referred to in the paragraph headed "Material Contracts" of this appendix; and

(d) the letters of consents referred to under the section headed "Experts and Consents" in this appendix.