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華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited

(Incorporated in Hong Kong with limited liability)

(Stock Codes: 291 (HKD counter) and 80291 (RMB counter))

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

- The unaudited consolidated turnover of the Group in the first half of 2023 was RMB23,871,000,000, representing an increase of 13.6% when compared with the same period last year.
- The Group's earnings before interest and taxation and profit attributable to shareholders of the Company in the first half of 2023 were RMB6,245,000,000 and RMB4,649,000,000, representing an increase of 21.1% and 22.3% when compared with the same period last year, respectively.
- In respect of the beer business, the Group's overall beer sales volume in the first half of 2023 increased by 4.4% to approximately 6,571,000 kilolitres when compared with the same period last year. In the first half of 2023, the sales volume of the sub-premium beer segment and above was approximately 1,444,000 kilolitres, representing an increase of 26.4% when compared with the same period last year, with a continuous improvement in the product mix. Of which, the sales volume of "Heineken[®]" brand achieved nearly 60% growth.
- The average selling price of the Group's beer products increased by 4.4% in the first half of 2023 when compared with the same period last year.
- In respect of the baijiu business, the Group has completed the transfer of equity interest in Guizhou Jinsha in the first half of 2023. The turnover and earnings before interest and taxation of the Group's baijiu business in the first half of 2023 were RMB977,000,000 and RMB71,000,000, respectively. Excluding the impact of the amortization of intangible assets arising from the acquisition of Guizhou Jinsha, the earnings before interest and taxation was RMB395,000,000.
- The Board of Directors has declared an interim dividend of RMB0.287 per share.

FINANCIAL HIGHLIGHTS

	2023 (Unaudited) RMB million	2022 (Unaudited) RMB million
For the six months ended 30 June		
Turnover	23,871	21,013
Profit attributable to shareholders of the Company	4,649	3,802
Basic earnings per share	RMB1.43	RMB1.17
Interim dividend per share	RMB0.287	RMB0.234
	As at 30 June 2023 (Unaudited) RMB million	As at 31 December 2022 (Audited) RMB million
Equity attributable to shareholders of the Company	30,710	27,039
Non-controlling interests	4,061	38
Total equity	34,771	27,077
Consolidated net cash ¹	4,110	9,129
Gearing ratio ²	Net cash	Net cash
Current ratio	0.89	0.88
Net assets per share - book value ³	RMB9.47	RMB8.33

Notes:

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

ANALYSIS OF TURNOVER AND EARNINGS BEFORE INTEREST AND TAXATION

	Turnover		Earnings before interest and taxation	
	For the six months ended 30 June		For the six months ended 30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Eastern region	11,196	10,455	2,289	2,158
Central region	6,609	6,107	2,037	1,633
Southern region	5,887	5,357	1,876	1,378
Beer sub-total	23,692	21,919	6,202	5,169
Baijiu	977	-	71	-
	24,669	21,919	6,273	5,169
Elimination of inter-segment transactions	(798)	(906)	-	-
Net corporate expenses	-	-	(28)	(10)
Total	23,871	21,013	6,245	5,159

STATEMENT FROM THE CHAIRMAN OF THE BOARD

HALF-YEAR RESULTS

In the first half of 2023, the Chinese economy has rebounded, market demand has gradually recovered, and high-quality development has been solidly promoted. China Resources Beer (Holdings) Company Limited (the “Company”, together with its subsidiaries, the “Group”) has entered the last three-year of its “3+3+3” corporate development strategy and officially entered the key stage of “Winning at Premiumization” while firmly advancing the new dual empowerment model of “Beer + Baijiu” businesses. For the six months ended 30 June 2023, the unaudited consolidated turnover of the Group was RMB23,871,000,000, representing an increase of 13.6% when compared with the same period last year, while the earnings before interest and taxation and profit attributable to shareholders of the Company were RMB6,245,000,000 and RMB4,649,000,000, respectively, representing an increase of 21.1% and 22.3% when compared with the same period last year.

INTERIM DIVIDEND

The Board of the Company has declared an interim dividend of RMB0.287 per share for the six months ended 30 June 2023 (first half of 2022: RMB0.234 per share), payable on Friday, 20 October 2023 to shareholders whose names appear on the register of members of the Company on Friday, 1 September 2023, to thank shareholders for supporting the Group.

STRATEGY EXECUTION

On 10 January 2023 (the “Completion Date”), the Group completed the transfer of equity interest of Guizhou Jinsha Jiaojiu Winery Industry Co., Ltd.* (貴州金沙窖酒酒業有限公司, “Guizhou Jinsha”). As a result, Guizhou Jinsha has become an indirect non-wholly owned subsidiary of the Group and has been included in the Group’s consolidated financial statement since the Completion Date. After the acquisition, the Group has actively optimized and strengthened its organizational structure by establishing two business units, namely China Resources Snow and China Resources Wine, which are responsible for the operation and management of the Group’s beer and baijiu businesses, respectively. The two business units have outlined clear development blueprints, allowing for a more focused, refined and balanced beer business, as well as an improved system and mechanism for the baijiu business. In addition, the Group started to disclose the performance of its beer and baijiu businesses since 2023 to better reflect the development trends of each business, highlight the Group’s determination to promote the dual empowerment model of “beer + baijiu” businesses, and to position itself as “becoming the leader of the new world of the beer industry” and “becoming an explorer of the new world of the baijiu industry”.

During the period under review, the sales channels and consumption sentiment of consumers gradually improved. In the beer business, the Group has actively promoted its “Winning at Premiumization” strategy as the beer market in Mainland China continues to develop towards premium, value-added, and personalized products. This has led the Group to a new stage of development. In the first half of 2023, the Group continued to enrich its product portfolio of “domestic brands + international brands” and promoted key brands through various activities, driving overall beer sales volume to increase by 4.4% compared with the same period last year, with a significant growth in sales of sub-premium beer segment and above, which increased by 26.4% from the same period last year. The gross profit of the Group’s beer business in the first half of 2023 increased by 16.6% compared with the same period last year, while the gross profit margin increased by 2.9 percentage points to 45.2%, mainly due to the increase in overall beer sales volume, the rise in average selling price and the decrease in partial packaging costs.

While steadily developing the beer business, the Group has embarked on an exploration journey in the baijiu industry. The baijiu industry in China is characterized by its long-term historical and cultural significance, and represents a crucial source of material and spiritual wealth for the development of the Chinese nation. As such, the completion of the acquisition of Guizhou Jinsha was an important step for the Group to enter the baijiu market. Leveraging on its extensive experience and resources in the beer industry, the Group has restructured its baijiu enterprises by reorganizing them in terms of overall structure, branding and products, as part of the efforts to thoroughly implement the dual empowerment model for its “beer + baijiu” businesses. The turnover and earnings before interest and taxation of the Group’s baijiu business in the first half of 2023 were RMB977,000,000 and RMB71,000,000, respectively. Excluding the impact of the amortization of intangible assets arising from the acquisition of Guizhou Jinsha, the earnings before interest and taxation was RMB395,000,000.

PROSPECTS

Looking ahead to the second half of 2023, growth will continue to be the Group’s top priority. The Group will focus on expanding scale, improving quality, strengthening its foundation, optimizing pricing with modest adjustments, streamlining expenses and managing stores with more precision. These measures aim to further consolidate the Group’s competitive advantages, build on the development momentum generated in the first half of the year, and strive for a balanced sales growth for the full year of 2023.

As the Group steadily marches towards the final stage of the “3+3+3” corporate strategy, which is “Winning at Premiumization”, we will adhere to the development policies of “growth, restructuring, refinement, balance, and rules”. This means that we will continue to grow sales volume, while promoting the restructuring of organizational and management structures, management models, and production-supply-sales industry chains. We will pursue lean, streamlined and refined operations; achieve overall balance in sales volume, structure, profit and business; and establish new systems, standards and rules based on facts, data, results, and performance.

The Group is committed to pursuing change while seeking stability and will dedicate the next three years to exploring, improving and developing its operations. In the beer business, the Group recognizes that precise strategy, refined execution, lean management and efficient teams are critical to the development of the new world of the beer industry. It also understands that organizational restructuring, transformation, and capacity building are fundamental aspects of ensuring the organization thrives and has the capabilities to flourish in the new world of the beer industry. The Group will continue to consolidate its market position as the “leader of the new world of the beer industry” through measures such as brand building, second-time organizational transformation, excellent manufacturing and green low-carbon initiatives. In the baijiu business, the Group has the courage to “be the explorer in the new world of the baijiu industry” and continue to leverage the advantages of our beer business to empower the baijiu business in terms of capital, brand, organization and channels, building a “dual empowerment model for beer and baijiu businesses with mutual growth” and bringing better products, brands and experiences to consumers.

The concept of “New World” carries the mission of driving the Group to continuously change and improve, while constantly shaping better competitiveness. This principle will continue to guide and propel the Group’s businesses and vision towards the future and in the direction of change. With the Group’s focus on developing in the “New World of the Beer Industry” and “New World of the Baijiu Industry”, we are confident that we can achieve long-term and sustainable profitable growth.

APPRECIATION

Finally, on behalf of the Board, I would like to take this opportunity to express our gratitude to Mr. Lai Ni Hium, Frank, for his invaluable contribution for serving on the Board and holding various positions with the Company for 14 years.

We would also like to sincerely thank our shareholders for their tremendous support, the management team and employees for their efforts, and our customers and business partners for their long-term trust. Going forward, we will continue to provide customers with high-quality products and services wholeheartedly, and create more attractive returns for our shareholders.

Hou Xiaohai

Executive Director and Chairman of the Board

Hong Kong, 18 August 2023

2023 INTERIM RESULTS

The Board of Directors (the “Board”) of China Resources Beer (Holdings) Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	For the six months ended 30 June	
		2023 (Unaudited) RMB million	2022 (Unaudited) RMB million
Turnover		23,871	21,013
Cost of sales		(12,880)	(12,135)
Gross profit		10,991	8,878
Other income and gains	6	955	1,028
Selling and distribution expenses		(3,914)	(3,220)
Administrative and other expenses		(1,576)	(1,346)
Share of results of joint ventures and an associate		(3)	(41)
Finance costs	7	(135)	(24)
Profit before taxation		6,318	5,275
Taxation	8	(1,620)	(1,472)
Profit for the period	9	4,698	3,803
Attributable to:			
Shareholders of the Company		4,649	3,802
Non-controlling interests		49	1
		4,698	3,803
Earnings per share	<i>11</i>		
Basic		RMB1.43	RMB1.17

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2023 (Unaudited) <i>RMB million</i>	2022 (Unaudited) <i>RMB million</i>
Profit for the period	<u>4,698</u>	<u>3,803</u>
Other comprehensive income/(expenses):		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of functional currency to presentation currency	<u>-</u>	<u>1,204</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<u>2</u>	<u>(1,094)</u>
Other comprehensive income for the period, net of tax	<u>2</u>	<u>110</u>
Total comprehensive income for the period	<u>4,700</u>	<u>3,913</u>
Attributable to:		
Shareholders of the Company	4,651	3,912
Non-controlling interests	<u>49</u>	<u>1</u>
	<u>4,700</u>	<u>3,913</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2023 (Unaudited) RMB million	As at 31 December 2022 (Audited) RMB million
	<i>Notes</i>		
Non-current assets			
Fixed assets		15,312	14,050
Right-of-use assets		3,276	3,156
Goodwill		16,742	9,385
Other intangible assets		9,355	203
Interests in joint ventures and an associate		1,482	1,489
Financial assets at fair value through profit or loss	12	3,716	4,740
Prepayments		165	128
Deferred taxation assets		3,281	3,266
Pledged bank deposits		18	18
		<u>53,347</u>	<u>36,435</u>
Current assets			
Stocks		9,094	7,402
Trade and other receivables	13	1,016	2,612
Taxation recoverable		592	653
Pledged bank deposits		35	3
Cash and cash equivalents		12,932	10,208
		<u>23,669</u>	<u>20,878</u>
Current liabilities			
Trade and other payables	14	(24,331)	(23,002)
Short-term bank loans	15	(1,688)	(512)
Lease liabilities		(62)	(53)
Taxation payable		(412)	(100)
		<u>(26,493)</u>	<u>(23,667)</u>
Net current liabilities		<u>(2,824)</u>	<u>(2,789)</u>
Total assets less current liabilities		<u>50,523</u>	<u>33,646</u>
Non-current liabilities			
Long-term bank loans	15	(7,187)	(588)
Lease liabilities		(59)	(59)
Deferred taxation liabilities		(4,442)	(1,850)
Other non-current liabilities		(4,064)	(4,072)
		<u>(15,752)</u>	<u>(6,569)</u>
		<u>34,771</u>	<u>27,077</u>
Capital and reserves			
Share capital		14,090	14,090
Reserves		16,620	12,949
Equity attributable to shareholders of the Company		<u>30,710</u>	<u>27,039</u>
Non-controlling interests		<u>4,061</u>	<u>38</u>
Total equity		<u>34,771</u>	<u>27,077</u>

Notes:

1. Independent review

The interim results of the Group for the six months ended 30 June 2023 are unaudited and have been reviewed with no disagreement by the Company's Audit Committee.

2. Basis of preparation

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

A full set of unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 ("interim financial information") which has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" will be published as soon as practicable.

The financial information relating to the year ended 31 December 2022 that is included in the interim financial information for the six months ended 30 June 2023 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Hong Kong Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

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

3. Principal accounting policies

The accounting policies applied in the preparation of the interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2022, except for the new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board which are relevant to the Group, which are effective for the Group's financial year beginning 1 January 2023.

The adoption of these new and amendments to HKFRSs and Committee's agenda decision have no material effect on the results and financial positions of the Group for the current and prior accounting periods. Accordingly, no prior period adjustments are required.

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

4. Change in functional currency

During the current period, the functional currency of the Company was changed from Hong Kong dollars to Renminbi ("RMB") upon completion of an acquisition of 55.19% equity interest in Guizhou Jinsha Jiaojiu Winery Industry Co., Ltd. * ("Guizhou Jinsha"). Following the development in Baijiu business, the Company placed more reliance in RMB as a major financing source, the directors of the Company revisited the functional currency of the Company. The underlying operations of the principal subsidiaries of the Company are primarily in the People's Republic of China (the "PRC") with RMB being the functional currency. The directors of the Company have considered that RMB better reflects the economic substance and financing sources of the Company. Accordingly, the functional currency of the Company was changed prospectively from the date of 1 January 2023.

5. Segment information

	Eastern Region (Unaudited) <i>RMB million</i>	Central Region (Unaudited) <i>RMB million</i>	Southern Region (Unaudited) <i>RMB million</i>	Beer Sub-total (Unaudited) <i>RMB million</i>	Baijiu ⁴ (Unaudited) <i>RMB million</i>	Corporate / Elimination (Unaudited) <i>RMB million</i>	Total (Unaudited) <i>RMB million</i>
For the six months ended							
30 June 2023							
Turnover¹							
External sales	10,645	6,408	5,841	22,894	977	-	23,871
Inter-segment sales	551	201	46	798	-	(798)	-
Total	<u>11,196</u>	<u>6,609</u>	<u>5,887</u>	<u>23,692</u>	<u>977</u>	<u>(798)</u>	<u>23,871</u>
Segment result²	<u>2,289</u>	<u>2,037</u>	<u>1,876</u>	<u>6,202</u>	<u>71</u>		<u>6,273</u>
Unallocated corporate expenses							(28)
Interest income							208
Finance costs							(135)
Profit before taxation							<u>6,318</u>
Taxation							<u>(1,620)</u>
Profit for the period							<u><u>4,698</u></u>
Other information							
Additions to non-current assets ³	466	517	331	1,314	17,942	188	19,444
Depreciation and amortisation	364	201	206	771	344 ⁵	2	1,117
Impairment loss recognised for fixed assets and stocks	187	9	16	212	-	-	212
For the six months ended							
30 June 2022							
Turnover¹							
External sales	10,061	5,750	5,202	21,013	-	-	21,013
Inter-segment sales	394	357	155	906	-	(906)	-
Total	<u>10,455</u>	<u>6,107</u>	<u>5,357</u>	<u>21,919</u>	<u>-</u>	<u>(906)</u>	<u>21,013</u>
Segment result²	<u>2,158</u>	<u>1,633</u>	<u>1,378</u>	<u>5,169</u>	<u>-</u>		<u>5,169</u>
Unallocated corporate expenses							(10)
Interest income							140
Finance costs							(24)
Profit before taxation							<u>5,275</u>
Taxation							<u>(1,472)</u>
Profit for the period							<u><u>3,803</u></u>
Other information							
Additions to non-current assets ³	327	410	134	871	-	-	871
Depreciation and amortisation	406	187	182	775	-	1	776
Impairment loss recognised for fixed assets and stocks	54	43	9	106	-	-	106

Notes:

1. Turnover represents sales of beer and baijiu products was recognised at a point in time.
2. Segment result represents earnings before interest income, finance costs and taxation.
3. Additions to non-current assets included fixed assets, right-of-use assets, goodwill and other intangible assets. For the six months ended 30 June 2023, the additions included RMB17,541 million arising from the acquisition of Guizhou Jinsha.
4. During the six months ended 30 June 2023, the Group commenced the business engaging in manufacturing and sales of baijiu products along with the acquisition of Guizhou Jinsha as detailed in note 16. It is considered as a new operating and reportable segment by the chief operating decision maker.
5. Depreciation and amortisation of Baijiu segment includes amortisation of intangible assets that amounted to RMB324 million arising from the acquisition of Guizhou Jinsha.

6. Other income and gains

	Six months ended 30 June	
	2023 (Unaudited) RMB million	2022 (Unaudited) RMB million
Other income and gains includes:		
Interest income	208	140
Government grants recognised	163	148
Profit on disposal of fixed assets	21	38
Profit on disposal of interests in leasehold land held for own use	14	120
Change in fair value of financial assets at fair value through profit or loss (Note 12)	3	99
Sales of scrapped materials	115	122
Bottles usage income	281	249

7. Finance costs

	Six months ended 30 June	
	2023 (Unaudited) RMB million	2022 (Unaudited) RMB million
Interests on bank loans	89	6
Interests on lease liabilities	4	4
Financing charges	7	8
Net exchange loss	35	6
	<u>135</u>	<u>24</u>

8. Taxation

	Six months ended 30 June	
	2023 (Unaudited) RMB million	2022 (Unaudited) RMB million
Chinese Mainland income tax		
Current taxation	1,209	1,117
Deferred taxation	411	355
	<u>1,620</u>	<u>1,472</u>

Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) on the estimated assessable profits for the period.

Chinese Mainland income tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the Chinese Mainland. The applicable principal income tax rate for the six months ended 30 June 2023 is 25% (2022: 25%).

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

9. Profit for the period

	Six months ended 30 June	
	2023 (Unaudited) <i>RMB million</i>	2022 (Unaudited) <i>RMB million</i>
Profit for the period has been arrived at after charging:		
Staff cost (including directors' emoluments)	2,783	2,748
Depreciation		
- Owned fixed assets	685	664
- Right-of-use assets	83	88
Amortisation of other intangible assets	349	24
Impairment loss recognised on		
- Owned fixed assets	87	-
- Stocks	125	106
Cost of goods sold	<u>12,880</u>	<u>12,135</u>

10. Dividends

At the Board meeting held on 24 March 2023, the directors proposed a final dividend of RMB0.302 per share for the year ended 31 December 2022. Such proposal was subsequently approved by shareholders on 19 May 2023. The 2022 final dividend recognised as distribution during the period was approximately RMB980 million (2022: RMB980 million was paid for 2021).

At the Board meeting held on 18 August 2023, the Board has declared an interim dividend of RMB0.287 (for the six months ended 30 June 2022: RMB0.234) per share. Based on the latest number of shares in issue at the date of this announcement, the aggregate amount of the interim dividend is estimated to be RMB931 million (2022: RMB759 million).

11. Earnings per share

	Six months ended 30 June	
	2023 (Unaudited) <i>RMB million</i>	2022 (Unaudited) <i>RMB million</i>
The calculation of the basic earnings per share is based on the following data:		
Earnings		
Profit attributable to shareholders of the Company for the purposes of calculating basic earnings per share	<u>4,649</u>	<u>3,802</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>3,244,176,905</u>	<u>3,244,176,905</u>
Basic earnings per share	<u>1.43</u>	<u>1.17</u>

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

12. Financial assets at fair value through profit or loss

	As at 30 June 2023 (Unaudited) RMB million	As at 31 December 2022 (Audited) RMB million
Unlisted equity interest (Note (i))	-	1,027
Consideration receivable (Note (ii))	3,714	3,711
Other financial assets	2	2
	3,716	4,740

Notes:

- (i) The unlisted equity interest for 4.61% equity interest of Guizhou Jinsha amounted to RMB1,027 million have been consolidated to the Group upon the acquisition of an additional 50.58% equity interest of Guizhou Jinsha during the six months ended 30 June 2023 as detailed in note 16.
- (ii) The Company, through its wholly-owned subsidiary China Resources Snow Breweries (China) Investment Co., Ltd. (“CR Snow Investment”), entered into the following agreements with a wholly-owned subsidiary of China Resources Land Limited (“CR Land”) on 22 January 2021: (1) the joint venture agreement (“JV Agreement”); (2) the relocation compensation agreement; and (3) the construction agreement.

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

The consideration will be settled by installment based on the proportion of the floor areas of properties sold to the total saleable floor areas of properties. The construction is expected to be completed in late 2024 and the first installment of consideration receivable is expected to be received from Shenzhen Runxue by CR Snow in 2025.

On 26 May 2021, the gain on disposal of right-of-use assets of approximately RMB3,510 million arose from the disposal of the Land and related deferred tax liabilities of approximately RMB878 million had been recognised. 50% gain on disposal of right-of-use assets (after 50% elimination of downstream transaction) of approximately RMB1,755 million had been recognised.

As at 30 June 2023, the fair value of consideration is measured at approximately RMB3,714 million (31 December 2022: RMB3,711 million). Accordingly, the fair value gain of approximately RMB3 million was recognised in profit or loss during the six months ended 30 June 2023 (During the six months ended 30 June 2022: RMB99 million).

13. Trade and other receivables

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

	As at 30 June 2023 (Unaudited) RMB million	As at 31 December 2022 (Audited) RMB million
0 – 30 days	85	43
31 – 60 days	24	22
61 – 90 days	16	11
> 90 days	46	42
	<u>171</u>	<u>118</u>

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

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

14. Trade and other payables

Included in trade and other payables are trade payables and their aging analysis by it invoice date is as follows:

	As at 30 June 2023 (Unaudited) RMB million	As at 31 December 2022 (Audited) RMB million
0 – 30 days	4,527	3,407
31 – 60 days	164	10
61 – 90 days	-	1
> 90 days	32	23
	<u>4,723</u>	<u>3,441</u>

15. Bank loans

	As at 30 June 2023 (Unaudited) RMB million	As at 31 December 2022 (Audited) RMB million
Unsecured bank loans		
Within 1 year	1,688	512
After 1 years, but within 2 years	108	12
After 2 years, but within 5 years	7,079	576
	<u>8,875</u>	<u>1,100</u>

As at 30 June 2023, the Group has fixed-rate bank loans denominated in Renminbi with interest rate of 1.75% (31 December 2022: 1.75%) per annum.

The Group has floating-rate bank loans denominated in Renminbi with interest rates linked to the lending rate stipulated by the People's Bank of China.

As at 30 June 2023, the effective interest rates on the Group's floating rate unsecured bank loans were 2.40% (31 December 2022: 2.40%) per annum.

16. Acquisition of equity interest in Guizhou Jinsha Jiaojiu Winery Industry Co., Ltd.* (貴州金沙窖酒酒業有限公司, “Guizhou Jinsha”)

On 10 January 2023, the Company completed the acquisition of Guizhou Jinsha, of which all conditions precedent to the completion of the capital increase agreement and the share purchase agreement of the acquisition have been fulfilled and the transfer of equity interest has been completed. China Resources Wine Holdings Co., Ltd.* (華潤酒業控股有限公司, “WH”), an indirect wholly-owned subsidiary of the Company, acquired 50.58% equity interest in Guizhou Jinsha with an initial provisional cash consideration of approximately RMB11,273 million. Together with the 4.61% equity interest acquired during the year ended 31 December 2022, the Group holds a total of 55.19% equity interest in Guizhou Jinsha and Guizhou Jinsha has become an indirect non-wholly owned subsidiary of the Company after the acquisition. The total provisional cash consideration for the acquisition amounted to approximately RMB11,225 million after the agreed subsequent price adjustment items of approximately RMB48 million. The final consideration had not been agreed as at the reporting date as the Group was in negotiation with the seller on certain subsequent price adjustment items. The Group will closely monitor the status of the transaction and may adjust the provisional amounts within the measurement period of twelve months following the acquisition date, if there are any new information obtained about the facts and circumstance related to the acquisition.

Provisional goodwill arising from the acquisition was amounting to approximately RMB7,357 million, which is attributable to the profitability and the synergies expected to be arisen from the acquired businesses. The provisional goodwill will not be deductible for tax purposes.

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

	Provisional fair value RMB million
Fixed assets	611
Right-of-use assets	73
Other intangible assets	9,500
Stocks	2,166
Trade and other receivables (mainly comprised other receivables)	333
Other assets	300
Cash and cash equivalents	1,467
Trade and other payables	(2,272)
Bank loans	(894)
Other liabilities	(40)
Deferred taxation liabilities	(2,375)
	<u>8,869</u>
Non-controlling interests	(3,974)
Fair value of 4.61% equity interest of Guizhou Jinsha previously acquired	(1,027)
Goodwill on acquisition	7,357
	<u>11,225</u>
Discharged by:	
Cash	<u>11,225</u>
Analysis of the net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	
Provisional cash consideration for 50.58% equity interest of Guizhou Jinsha	(11,225)
Consideration payable	49
Cash and bank balances acquired	1,467
	<u>(9,709)</u>

Turnover and net profit of RMB977 million and RMB102 million, respectively, were contributed by Guizhou Jinsha since the date of acquisition to the end of the reporting period. Had the acquisition of Guizhou Jinsha been completed on 1 January 2023, there is no significant impact to the Group’s financial performance for the six months ended 30 June 2023.

Non-controlling interests in Guizhou Jinsha are measured by reference to the proportionate share of recognised amounts of net identifiable assets of Guizhou Jinsha at the date of the acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The unaudited consolidated turnover of the Group in the first half of 2023 was RMB23,871,000,000, representing an increase of 13.6% when compared with the same period last year. The Group's earnings before interest and taxation and profit attributable to shareholders of the Company in the first half of 2023 were RMB6,245,000,000 and RMB4,649,000,000, representing an increase of 21.1% and 22.3% when compared with the same period last year, respectively. On 10 January 2023 (the "Completion Date"), the Group completed the transfer of equity interest in Guizhou Jinsha Jiaojiu Winery Industry Co., Ltd. * (貴州金沙窖酒酒業有限公司, "Guizhou Jinsha"). As a result, Guizhou Jinsha has become an indirect non-wholly owned subsidiary of the Group and has been included in the Group's consolidated financial statement since the Completion Date. The turnover and earnings before interest and taxation of the Group's beer business in the first half of 2023 were RMB22,894,000,000 and RMB6,202,000,000, representing an increase of approximately 9.0% and 20.0% when compared with the same period last year, respectively.

Beer Business

In the first half of 2023, the beer market in Mainland China has gradually recovered since the beginning of the year, and additionally, the hot weather conditions in the first half of the year also contributed to the sales of the Group's beer. The Group's overall beer sales volume in the first half of 2023 increased by 4.4% to approximately 6,571,000 kilolitres when compared with the same period last year.

During the period under review, the Group continued to promote the implementation of its "Winning at Premiumization" strategy, cultivating and promoting key brands through various thematic promotions and channel marketing activities. In the first half of 2023, the sales volume of the sub-premium beer segment and above was approximately 1,444,000 kilolitres, representing an increase of 26.4% when compared with the same period last year. The product mix continued to improve, while also driving up the average selling price by 4.4%. In respect of the promotion for domestic brands, while enhancing brand affinity by collaborating with brand endorsers, the Group also sponsored multiple marathon events "Brave, Never Stop", variety show "Camping LIFE Season 2", China's extreme event "X GAMES", and launched the industry's first human + AI co-creation designed beer "X Universe Project", with an aim to cultivate and promote its premium brands. Among the brands, "Snow Draft Beer", "Brave the World superX" and "Lao Xue" maintained rapid growth in the first half of 2023. In respect of the international brands, the Group launched a themed marketing campaign leveraging the UEFA Champions League, and embarked on a public launch campaign featuring the launch of the new premium non-alcoholic beer "Heineken® 0.0", driving the sale volume of "Heineken®" brand to achieve nearly 60.0% growth in the first half of 2023.

While the increase in overall beer sales volume and overall average selling price drove the turnover, the cost of some packaging materials decreased. As a result, the gross profit of the Group's beer business in the first half of 2023 increased by 16.6% compared with the same period last year, while the gross profit margin increased by 2.9 percentage points to 45.2%, further enhancing the profitability of the business.

The sales and distribution expenses of the Group's beer business in the first half of 2023 were affected by the increase in marketing and advertising expenses, resulting in an increase of 10.0% compared with the same period last year. The Group has continued to optimize its deployment of production capacity and ceased operations of one brewery during the period under review, while setting up a new intelligent factory in Bengbu, Anhui. As at the end of June 2023, the Group

operated 63 breweries in 24 provinces, municipalities and autonomous regions in Mainland China, with an aggregate annual production capacity of approximately 19,000,000 kilolitres. In the first half of 2023, the Group's impairment loss on fixed assets and one-off staff compensation and settlement expenses in relation to capacity optimization increased to approximately RMB94,000,000 compared with the same period last year (for the first half of 2022: nil).

Looking ahead, in the face of competition and changing market environment, the Group will continue to adhere to the strategic theme of "Excellence in Development for Winning at Premiumization", strengthen the promotion and channel marketing of its domestic and international brands, and promote the implementation of business initiatives such as brand building, second-time organizational transformation, excellence in manufacturing, and low-carbon operations to enhance the Group's competitive position and to "become the leader of the new world of the beer industry". Furthermore, as for the business development with bistros, the Joy Brew Shenzhen store started trial operations in the first half of 2023. Moving forward, in the second half of the year, the Group will further optimize the positioning and overall strategy for products and operations of bistros, facilitating the expansion of Joy Brew bistros in more cities.

Baijiu Business

In respect of expanding its non-beer businesses, the Group has completed the transfer of equity interest in Guizhou Jinsha in the first half of 2023. The turnover and earnings before interest and taxation of the Group's baijiu business in the first half of 2023 were RMB977,000,000 and RMB71,000,000, respectively. Excluding the impact of the amortization of intangible assets arising from the acquisition of Guizhou Jinsha, the earnings before interest and taxation was RMB395,000,000.

Since the completion of the acquisition, the Group has actively promoted the post-investment integration, empowerment, and improvement of Guizhou Jinsha. In terms of business promotion, during the period under review, the Group focused on six areas of "destocking and reducing pressure, restoring online and offline prices, boosting channel confidence, establishing sales order, seizing opportunities to expand the market, and restructuring the sales force", which in turn gradually restoring channel confidence. In terms of production management, the Group has focused on production and quality assurance since the Completion Date, increasing the production of base wine and the proportion of high-quality products, and synchronously advancing project construction to provide core elements for the Company's future development. In terms of management integration, while ensuring the talent demand in key business areas, the Group has introduced China Resources Beer's marketing strategies, management model, and experience to form management empowerment. The Group has also completed the comprehensive restructuring of the organizational structure of Guizhou Jinsha based on the principles of "flattening of the organization, focusing on strategy, specialization of division of labour, and systematic management and control".

As at the end of June 2023, the Group's baijiu business operated two baijiu distilleries in Guizhou Province, Mainland China, with an annual production capacity of approximately 20,000 kilolitres.

Looking ahead, the Group will position itself as the "explorer of the new world of the baijiu industry", focusing on promoting the marketing system, excellent operation system, and human resource management system of the new world of the baijiu industry. At the same time, the Group will actively promote the multi-brand strategy and continue to build its "dual empowerment model for beer and baijiu businesses" that features "Organizational Connection", "Value Enhancement", "Talent Pooling", "Splitting Investment in Costs", "Channel Sharing" and "Point-of-sale Joint Expansion" under a marketized environment, enhancing the development of both beer and non-beer businesses. The Group will form a "synergistic model of various baijiu companies" with the

advantages of “Strategic Collaborations”, “Independent Management” and “Mutual Growth”, while leveraging the advantages in the marketing channels of the Group’s beer business to expand and upgrade its retail network for a bigger and stronger baijiu business. The Group will also continue to pay close 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.

FINANCIAL REVIEW

Capital and Funding

As at 30 June 2023, the Group’s consolidated cash and bank deposits amounted to RMB12,985,000,000. The Group’s borrowings as at 30 June 2023 were RMB8,875,000,000 with RMB1,688,000,000 repayable within one year, and RMB7,187,000,000 repayable after one year but within five years. The Group’s borrowings were denominated in RMB with fixed interest rate 1.75% per annum and the effective interest rate of floating rate were 2.40%.

The Group was at a net cash position as at 30 June 2023 and 31 December 2022.

The Group’s principal assets, liabilities, turnover and payments are denominated in Hong Kong dollars (“HK\$”), RMB and US dollars. As at 30 June 2023, 0.1% of the Group’s cash and bank deposit balances were held in HK\$, 99.2% in RMB and 0.7% in US dollars.

As at 30 June 2023, the Group’s current liabilities and current ratio were RMB26,493,000,000 and 0.89, respectively. The current liabilities included receipts in advance on sales and accruals on promotion and marketing expenses, the majority of these amounts would be offset by trade receivables or be realised through sales discounts in the future, and thus no significant net cash outflow was anticipated. Taking into account of the net gearing ratio, historical and expected future cash flows from operations and unutilised available banking facilities of the Group, management expected the Group to have adequate resources to meet its liabilities and commitment as and when they fall due and to continue in operational existence for the foreseeable future.

Pledge of Assets

As at 30 June 2023, assets with a carrying value of RMB53,000,000 (31 December 2022: RMB21,000,000) were pledged for construction in progress and notes payable.

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

The Group collects substantially all of its turnover in RMB and most of the Group’s expenditures, including expenditure incurred in its operations as well as capital expenditure, are also denominated in RMB.

The Group’s business transactions were mainly carried out in HK\$ and RMB. The Group’s exposure to currency risk was attributable to the bank balances and debts which were denominated in currencies other than the functional currency of the relevant entities to which these bank balances and debts were related. The management regularly monitors the relevant foreign currency exposure and will consider taking appropriate measures to control the risk arising from significant exchange fluctuations.

Changes in Share Capital

There are no changes in the Company’s share capital during the six months ended 30 June 2023.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2023.

Employees

As at 30 June 2023, the Group had a staff size of around 27,000 (31 December 2022: 24,000), amongst which more than 99% were employed in the Mainland China, whilst the rest were mainly in Hong Kong. Remuneration packages are assessed in accordance with the nature of job duties, individual performance and market trends with built-in merit components, paid in the form of cash bonuses.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Completion of the acquisition of 55.19% equity interest in Guizhou Jinsha (the “Acquisition”)

Pursuant to the Company’s announcement dated 10 January 2023, the Company completed the Acquisition, of which all conditions precedent to the completion of the capital increase agreement and the share purchase agreement of the Acquisition have been fulfilled and the transfer of equity interest has been completed. After the completion, WH holds 55.19% equity interest in Guizhou Jinsha, and Guizhou Jinsha has become an indirect non-wholly owned subsidiary of the Company.

Saved as disclosed above, there was no significant investment held, material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

INTERIM DIVIDEND

The Board has declared an interim dividend of RMB0.287 per share (equivalent to HK\$0.312 per share at the exchange rate of RMB1:HK\$1.08814, being the average CNY Central Parity Rate announced by the People’s Bank of China for the five business days prior to and including the date of this announcement, and rounded to 3 decimal places) for the six months ended 30 June 2023 (2022: interim dividend RMB0.234 per share, equivalent to HK\$0.272 per share) payable on Friday, 20 October 2023 to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on Friday, 1 September 2023. The interim dividend will be payable in cash in HK\$ unless a dividend currency election form is made to receive the same in RMB.

Unless a permanent election on dividend currency had been made by the Shareholders, the dividend currency election form is expected to be despatched to the Shareholders on Thursday, 7 September 2023. If the Shareholders elect to receive all or part of the interim dividend in RMB, Shareholders should complete the dividend currency election form and return it to the share registrar of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 27 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 1 September 2023. In order to be eligible for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 31 August 2023 for registration.

CORPORATE GOVERNANCE

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

The Company has implemented its own corporate governance standards and objectives since November 2003. On 8 April 2005, the Company adopted the Corporate Governance Practice Manual (“Corporate Governance Manual”). The Corporate Governance Manual, which was revised on 31 March 2009, 18 November 2010, 21 March 2012, 7 December 2015, 18 March 2016, 21 November 2018, 5 November 2021, 1 January 2022 and 18 August 2023, incorporates almost all of the Code Provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and includes the implementation details for the Code Provisions and, where appropriate, the recommended best practices. The Corporate Governance Manual can be downloaded from the Company’s website and copies are available on request to the Company Secretary.

The Company has complied with the Code Provisions set out in the CG Code during the six months ended 30 June 2023, save and except the following:

In respect of Code Provisions C.2.1 to C.2.9 of the CG Code, since the resignation of Mr. Chen Lang as the chairman of the Board (the “Chairman”) as disclosed in the announcement of the Company dated 11 July 2019, the position of the Chairman has been vacant. Following the re-designation of Mr. Hou Xiaohai from the Chief Executive Officer of the Company to the Chairman as disclosed in the announcement of the Company dated 20 April 2023, the said CG Code has been duly complied with. During the period of vacancy of the Chairman, the Board as a whole and its members had discharged the duties under the aforementioned Code Provisions of the CG Code as appropriate. The Board and the Nomination Committee of the Company will continuously review and discuss the adjustment to the composition of the Board if and where applicable.

In respect of Code Provision C.3.3 of the CG Code, the Company did not have formal letters of appointment for the Directors. However, the Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company (the “Articles”). In any event, all Directors must retire by rotation in the manner prescribed under the Articles, and on re-election of the retiring Directors, Shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the retiring Directors. In addition, the Directors are required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry of Hong Kong and “Guidelines for Directors”, and, if applicable, “Guide for Independent Non-Executive Directors” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under the Listing Rules, the statute and common law, legal and other regulatory requirements and the Company’s business and governance policies.

In respect of Code Provision D.1.2 of the CG Code, the Company has not provided all members of the Board with monthly updates to enable the Board as a whole and each Director to discharge their duties. However, the Company has based on business situation, provided to the Board from time to time, updated business information to enable the Board as a whole and each Director to discharge their duties. The Company considers that such business information arising out of the ordinary business provided to the Board from time to time instead of monthly updates are sufficient for the

Board as a whole and each Director to discharge their duties. In the event of any significant updates to be provided, the Company will update all the Directors as early as practicable for discussion and resolution.

The Board will continue to review and monitor the corporate governance practices of the Company to ensure compliance with the CG Code and maintain high standard of corporate governance practices.

On 8 April 2005, the Company adopted a Code of Ethics and Securities Transactions (“Code of Ethics”) which incorporates the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules. The Code of Ethics has been amended, approved and reconfirmed by the Board on 6 April 2006, 4 April 2007, 31 March 2008 and further revised on 31 March 2009, 18 November 2010, 7 December 2015, 5 November 2021, 20 December 2022 and 18 August 2023 respectively. The prohibitions on securities dealing and disclosure requirements in the Code of Ethics also apply to specified individuals including the Group’s senior management and persons who are privy to inside information of the Group. The Code of Ethics is on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and Code of Ethics during the six months ended 30 June 2023.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2023.

EVENTS AFTER THE PERIOD UNDER REVIEW

There were no material subsequent events since 30 June 2023, being the end of the period under review.

By order of the Board

China Resources Beer (Holdings) Company Limited

Hou Xiaohai

Executive Director and Chairman

Hong Kong, 18 August 2023

** For identification purposes only*

As at the date of this announcement, the Executive Directors of the Company are Mr. Hou Xiaohai (Chairman), Mr. Zhao Chunwu and Mr. Zhao Wei (Chief Financial Officer). The Non-executive Directors are Mr. Richard Raymond Weissend, Ms. Zhang Kaiyu and Mr. Tang Liqing. The Independent Non-executive Directors are Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Mr. Lai Hin Wing Henry Stephen, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.