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華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

- The Group's consolidated turnover was RMB31,448,000,000 in 2020, representing a decrease of 5.2% year-on-year which was mainly affected by the COVID-19 pandemic
- The Group's consolidated profit attributable to the Company's shareholders and earnings before interest and taxation in 2020 rose by 59.6% and 42.3% to RMB2,094,000,000 and RMB3,079,000,000 respectively compared with 2019
- The overall beer sales volume of the Group in 2020 recorded a 2.9% drop year-on-year, outperforming the industry. During the year under review, benefitting from the promotion of the Group's premiumization strategy, the implementation of its "five-point-one-line" methodology and the introduction of Heineken's international brands in 2019, the Group's sales volume of the sub-premium beer segment and above achieved 1,460,000 kiloliters and increased by 11.1% year-on-year, which has further improved the product mix and led to an increase in average selling price at the same time
- The Group continued to enrich its product portfolio and launched the premium beer product "Heineken® Silver" beer in the second quarter of 2020. The launch, together with its premium products, "SNOW MARRSGREEN BEER" and "Löwen White Beer" launched in 2019, further supported its premiumization strategy and enhanced its brand image
- The Board of Directors recommends a final dividend of RMB0.131 per share. Together with the interim dividend of RMB0.128 per share, the total dividend for 2020 will amount to RMB0.259 per share

FINANCIAL HIGHLIGHTS

	2020 RMB million	2019 RMB million
Turnover	31,448	33,190
Profit attributable to shareholders of the Company	2,094	1,312
Basic earnings per share	RMB0.65	RMB0.40
Dividend per share		
- interim	RMB0.128	RMB0.120
- final	RMB0.131	RMB0.045
	RMB0.259	RMB0.165
	As at 31 December 2020	As at 31 December 2019
	RMB million	RMB million
Equity attributable to shareholders of the Company	21,217	19,670
Non-controlling interests	57	57
Total equity	21,274	19,727
Consolidated net cash ¹	4,614	1,897
Gearing ratio ²	Net Cash	Net Cash
Current ratio	0.68	0.49
Net assets per share - book value ³	RMB6.54	RMB6.06

Notes:

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

ANALYSIS OF TURNOVER AND EARNINGS BEFORE INTEREST AND TAXATION

	Turnover		Earnings before interest and taxation	
	2020	2019	2020	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Eastern region	16,369	17,278	1,134	1,007
Central region	7,887	8,490	757	598
Southern region	8,352	8,466	1,312	714
	32,608	34,234	3,203	2,319
Elimination of inter-segment transactions	(1,160)	(1,044)	-	-
Net corporate expenses	-	-	(124)	(156)
Total	31,448	33,190	3,079	2,163

2020 RESULTS

The board of directors (“Board”) of China Resources Beer (Holdings) Company Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2020

		2020	2019
	<i>Notes</i>	<i>RMB million</i>	<i>RMB million</i>
Turnover	4	31,448	33,190
Cost of sales		(19,373)	(20,964)
Gross profit		12,075	12,226
Other income	5	1,687	1,017
Selling and distribution expenses		(6,123)	(5,925)
Administrative and other expenses		(4,419)	(5,046)
Finance costs	6	(211)	(70)
Profit before taxation		3,009	2,202
Taxation	7	(915)	(892)
Profit for the year	8	2,094	1,310
Attributable to:			
Shareholders of the Company		2,094	1,312
Non-controlling interests		-	(2)
		2,094	1,310
Earnings per share	10		
Basic		RMB0.65	RMB0.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>RMB million</i>	2019 <i>RMB million</i>
Profit for the year	2,094	1,310
Other comprehensive (expenses) income:		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of functional currency to presentation currency	(1,426)	490
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	1,441	(489)
Fair value adjustment on financial assets	(1)	-
	1,440	(489)
Other comprehensive income for the year, net of tax	14	1
Total comprehensive income for the year	2,108	1,311
Attributable to:		
Shareholders of the Company	2,108	1,313
Non-controlling interests	-	(2)
	2,108	1,311

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Notes	2020 <u>RMB million</u>	2019 <u>RMB million</u> (Restated)
Non-current assets			
Fixed assets		14,414	15,818
Right-of-use assets		3,367	3,595
Goodwill		9,326	9,422
Other intangible assets		320	384
Financial assets at fair value through other comprehensive income		7	9
Prepayments		106	113
Deferred taxation assets		2,858	2,532
		<u>30,398</u>	<u>31,873</u>
Current assets			
Stocks		6,014	6,018
Trade and other receivables	11	2,378	943
Taxation recoverable		371	349
Pledged bank deposits		76	68
Cash and cash equivalents		4,538	2,340
		<u>13,377</u>	<u>9,718</u>
Current liabilities			
Trade and other payables	12	(19,327)	(19,061)
Short term loans		-	(511)
Lease liabilities		(83)	(90)
Taxation payable		(162)	(194)
		<u>(19,572)</u>	<u>(19,856)</u>
Net current liabilities		<u>(6,195)</u>	<u>(10,138)</u>
Total assets less current liabilities		<u>24,203</u>	<u>21,735</u>
Non-current liabilities			
Lease liabilities		(117)	(124)
Deferred taxation liabilities		(788)	(678)
Other non-current liabilities		(2,024)	(1,206)
		<u>(2,929)</u>	<u>(2,008)</u>
		<u>21,274</u>	<u>19,727</u>
Capital and reserves			
Share capital		14,090	14,090
Reserves		7,127	5,580
Equity attributable to shareholders of the Company		<u>21,217</u>	<u>19,670</u>
Non-controlling interests		<u>57</u>	<u>57</u>
Total equity		<u>21,274</u>	<u>19,727</u>

Notes:

1. Basis of preparation

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

The consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance (Cap. 622).

2. Principal Accounting Policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those applied in the consolidated annual financial statements for the year ended 31 December 2019, except for the application of amendments to HKFRSs, which are effective for the Group’s financial year beginning 1 January 2020.

Application of Amendments to HKFRSs

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Principal Accounting Policies (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new standard, amendments to existing standards and framework that have been issued but are not yet effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions
HKFRS 17	Insurance Contracts and the related Amendments
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

These new and amendments to HKFRSs are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Adjustment for goodwill arising from acquisition of Heineken China

On 29 April 2019, the Group acquired from Heineken N.V. (“Heineken Group”) the entire equity interest of Heineken China (i.e. Heineken (China) Management Services Co., Ltd., Heineken Trading (Shanghai) Co., Ltd., Heineken (Shanghai) Co., Ltd., Heineken Brewery (Guangzhou) Co., Ltd., Heineken Brewery (Zhejiang) Co., Ltd., Heineken Brewery (Hainan) Co., Ltd., and Heineken Hong Kong Limited), while the price adjustment items and final consideration had not been agreed as at 31 December 2019, the provisional consideration of RMB2,333 million was applied for the calculation of provisional goodwill as at 31 December 2019.

During the year ended 31 December 2020, the Group and Heineken Group reached a consensus on the consideration. The final consideration is determined to be RMB2,390 million and the goodwill was adjusted to RMB997 million.

The adjustments on the consolidated balance sheet as at 31 December 2019 are summarised below:

	31 December 2019 As originally presented and audited RMB million	Adjustments RMB million	31 December 2019 Restated RMB million
Consolidated balance sheet (extract)			
Non-current assets			
Goodwill	9,365	57	9,422
Current assets			
Trade and other receivables	1,000	(57)	943

4. Segment information

	Eastern region <i>RMB million</i>	Central region <i>RMB million</i>	Southern region <i>RMB million</i>	Corporate / Elimination <i>RMB million</i>	Total <i>RMB million</i>
For the year ended					
31 December 2020					
TURNOVER¹					
External sales	15,785	7,497	8,166	-	31,448
Inter-segment sales	584	390	186	(1,160)	-
Total	16,369	7,887	8,352	(1,160)	31,448
Segment result²	1,134	757	1,312		3,203
Unallocated corporate expenses					(124)
Interest income					141
Finance costs					(211)
Profit before taxation					3,009
Taxation					(915)
Profit for the year					2,094
As at 31 December 2020					
ASSETS					
Segment assets	20,574	8,206	11,692		40,472
Deferred taxation assets					2,858
Taxation recoverable					371
Unallocated corporate assets					74
Consolidated total assets					43,775
LIABILITIES					
Segment liabilities	11,231	5,501	4,767		21,499
Taxation payable					162
Deferred taxation liabilities					788
Unallocated corporate liabilities					52
Consolidated total liabilities					22,501
OTHER INFORMATION					
Additions to non-current assets ³	528	357	102	24	1,011
Depreciation and amortisation	943	416	379	8	1,746
Impairment loss recognised for fixed assets and stocks	420	390	159	-	969

4. Segment information (continued)

	Eastern region	Central region	Southern region	Corporate / Elimination	Total
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
For the year ended					
31 December 2019					
TURNOVER¹					
External sales	16,927	8,073	8,190	-	33,190
Inter-segment sales	351	417	276	(1,044)	-
Total	17,278	8,490	8,466	(1,044)	33,190
Segment result²	1,007	598	714		2,319
Unallocated corporate expenses					(156)
Interest income					109
Finance costs					(70)
Profit before taxation					2,202
Taxation					(892)
Profit for the year					1,310
As at 31 December 2019					
ASSETS					
Segment assets	19,549	7,859	11,260		38,668
Deferred taxation assets					2,532
Taxation recoverable					349
Unallocated corporate assets					42
Consolidated total assets					41,591
LIABILITIES					
Segment liabilities	11,690	4,261	4,472		20,423
Taxation payable					194
Deferred taxation liabilities					678
Unallocated corporate liabilities					569
Consolidated total liabilities					21,864
OTHER INFORMATION					
Additions to non-current assets ³					
(Restated)	3,249	539	140	-	3,928
Depreciation and amortisation	920	422	375	7	1,724
Impairment loss recognised for fixed assets and stocks	487	240	325	-	1,052

Notes:

1. Turnover represents sales of beer products and was recognised at a point of time. There was no customer contributing over 10% of total turnover of the Group for the years ended 31 December 2020 and 2019.
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 year ended 31 December 2019, included RMB2,767 million arising from the acquisition of Heineken China.

5. Other income

	2020 <i>RMB million</i>	2019 <i>RMB million</i>
Other income includes the following:		
Interest income	141	109
Government grants recognised	473	162
Profit on disposal of fixed assets*	-	161
Profit on disposal of interests in leasehold land held for own use	53	6
Sales of scrapped materials	208	232
Bottles usage income	567	203

* Profit on disposal of fixed assets for 2019 included compensation received from the Government of RMB254 million.

6. Finance costs

	2020 <i>RMB million</i>	2019 <i>RMB million</i>
Interests on bank loans and other loans	50	54
Interests on lease liabilities	6	12
Financing charges	5	1
Exchange loss	150	4
	211	71
Less: Interest capitalised	-	(1)
	211	70

7. Taxation

	2020 <i>RMB million</i>	2019 <i>RMB million</i>
Chinese Mainland income tax		
Current taxation	1,101	771
Deferred taxation	(186)	121
	915	892

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the year.

Chinese Mainland income tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the Mainland China. The applicable principal income tax rate for the year ended 31 December 2020 is 25% (2019: 25%).

The effective tax rate is higher than the domestic rates mentioned above as there were tax losses arising from certain loss-making subsidiaries, including breweries which were determined to be closed down, of which no deferred tax assets were recognised as the realisation of the related tax benefit through the future taxable profits is not probable.

8. Profit for the year

	2020 <i>RMB million</i>	2019 <i>RMB million</i>
Profit for the year has been arrived at after charging:		
Auditors' remuneration		
- Audit services	10	13
- Non-audit services	-	-
Staff costs (including directors' emoluments)	5,607	6,309
Depreciation		
- Owned assets	1,489	1,552
- Right-of-use assets	193	123
Amortisation of other intangible assets	64	49
Impairment loss recognised on		
- Fixed assets	574	700
- Stocks	395	352
Loss on disposal of fixed assets	42	-
Cost of goods sold	19,373	20,964
Expense relating to short-term leases	91	51

9. Dividends

	2020 <i>RMB million</i>	2019 <i>RMB million</i>
2020 interim dividend paid of RMB0.128 per ordinary share (2019: RMB0.12)	415	390
2020 proposed final dividend of RMB0.131 per ordinary share (2019: RMB0.045)	425	146
	840	536

At the meeting held on 22 March 2021, the directors proposed final dividend of RMB0.131 (2019: RMB0.045) per ordinary share. This proposed dividend, which is calculated on the Company's number of ordinary shares as at the date of the board meeting, is not recognised as a liability in these consolidated financial statements. The total dividends paid by the Company, including the final dividend for the year 2019 and the interim dividend for the year 2020, amounting to RMB561 million (2019: the final dividend for the year 2018 and the interim dividend for the year 2019, amounting to RMB487 million) are reflected in the current year consolidated financial statements.

10. Earnings per share

	2020 <i>RMB million</i>	2019 <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	2,094	1,312
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	3,244,176,905	3,244,176,905
	2020	2019
	<i>RMB</i>	<i>RMB</i>
Basic earnings per share	0.65	0.40

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

11. Trade and other receivables

	2020 <i>RMB million</i>	2019 <i>RMB million</i> (Restated)
Trade receivables from third parties	217	349
Trade receivables from fellow subsidiaries	19	26
Less: allowance for credit losses	(40)	(46)
	196	329
Value-added tax recoverable	157	195
Prepayments	135	205
Deposits paid	22	20
Other receivables	263	192
Amount due from a holding company (Note 1)	-	1
Amounts due from fellow subsidiaries (Note 2)	1,605	1
	2,378	943

Notes:

1. Amount due from a holding company was unsecured, interest-free and repayable on demand.
2. Amounts due from fellow subsidiaries were unsecured, bear interest at 3.5% - 3.915 % per annum and repayable within one year from the reporting date.

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

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

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

	2020 <i>RMB million</i>	2019 <i>RMB million</i>
The Group		
0 – 30 days	43	34
31 – 60 days	28	40
61 – 90 days	11	25
> 90 days	114	230
	196	329

Impairment assessment on trade receivables is using the expected loss rates which are based on credit assessments on each aging category of customers and adjusted for forward-looking information affecting the ability of the customers to settle the trade receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since the initial recognition.

Based on the assessments performed by management, the fair value of the Group's trade and other receivables at balance sheet date was approximate to the corresponding carrying amount.

12. Trade and other payables

	2020 <i>RMB million</i>	2019 <i>RMB million</i>
Trade payables to third parties	2,332	2,710
Trade payables to fellow subsidiaries	5	3
	2,337	2,713
Contract liabilities (Note 1)	7,451	7,427
Accruals	2,986	2,667
Deposit received (Note 2)	4,676	4,412
Other payables	1,842	1,801
Amounts due to holding companies (Note 3)	26	40
Amounts due to fellow subsidiaries (Note 3)	9	1
	19,327	19,061

Notes:

1. Included receipt in advance on sales of RMB864 million (2019: RMB941 million) and liabilities on promotional schemes of RMB6,587 million (2019: RMB 6,486 million). Contract liabilities are classified as current liabilities because the Group expects to settle them within 12 months after the end of the reporting period. During the year ended 31 December 2020, revenue recognised that was included in the contract liabilities balance at the beginning of the year amounting to RMB7,427 million (2019: RMB7,168 million).
2. Amounts mainly included deposits received for consumables and packing materials.
3. Amounts due to holding companies and fellow subsidiaries were unsecured, interest-free and repayable on demand.

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

	2020 <i>RMB million</i>	2019 <i>RMB million</i>
0 – 30 days	2,290	2,452
31 – 60 days	11	110
61 – 90 days	10	13
> 90 days	26	138
	2,337	2,713

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

13. Other information

The consolidated financial statements of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company and audited by the Company's auditor, Deloitte Touche Tohmatsu. An unqualified auditor's report will be included in the Annual Report to shareholders.

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results for the year ended 31 December 2020 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those Consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622). The Company will deliver the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2020. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 20 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The Group's consolidated turnover in 2020 was RMB31,448,000,000, which decreased by 5.2% compared with 2019. The Group's consolidated profit attributable to the Company's shareholders and earnings before interest and taxation in 2020 increased by 59.6% and 42.3% to RMB2,094,000,000 and RMB3,079,000,000 respectively compared with 2019.

Since the outbreak of COVID-19 in early 2020 in Mainland China, local governments have implemented lockdown policies in various cities and a number of emergency prevention and control measures to mitigate the risk of the pandemic spreading further in the country. As a result, the beer market was severely affected. However, the pandemic situation began to ease in most areas in Mainland China after the end of March 2020, except for certain areas where there has been a recurrence of infections, the beer market has managed to gradually recover to a normal level. Due to the impact of the pandemic, the overall beer market capacity shrunk significantly compared with 2019.

During the outbreak of COVID-19, the Group overcame the difficulties in preventing and controlling the pandemic by enforcing remote office arrangement and, after obtaining approvals from local governments and ensuring the safety of staff, facilitating the resumption of production. Despite the pandemic, the Group has been striving for development and has launched a number of sales programs such as organizing strategic initiatives to gain market share in the premium segment, actively supporting channels, developing sales and marketing channels, restoring product prices to normalized levels and removing low quality sales. All in all, these measures promoted the Group's competitiveness in an adverse market. The overall beer sales volume outperformed the industry and recorded a 2.9% drop compared with 2019.

During the year under review, benefitting from the promotion of the Group's premiumization strategy, the implementation of its "five-point-one-line" methodology and the introduction of Heineken's international brands in 2019, the Group's sales volume of the sub-premium beer segment and above achieved 1,460,000 kiloliters and increased by 11.1% year-on-year, which has further improved the product mix and led to an increase in average selling price at the same time. In addition, the Group implemented the beer sales with returnable bottles in more regions. In light of the above factors, the overall average selling price dropped by 2.4% compared with 2019. Meanwhile, the promotion of beer sales with returnable bottles and the decline in sales volume offset the rising cost of sales driven by further upgrade of product mix, resulting in the overall cost of sales declining by 7.6% compared with 2019. Due to the aforementioned reasons, overall beer sales volume decreased by 2.9% as affected by the pandemic, the gross profit in 2020 recorded a decline of 1.2% year-on-year to RMB12,075,000,000, whereas profitability improved as the gross profit margin and average gross profit per kiloliters increased by 1.6 percentage points and 1.7%, respectively.

During the year under review, mainly benefitting from the increase in bottles usage income year-on-year, the overall other income increased by 65.9% to RMB1,687,000,000 as compared with 2019.

During the year under review, the Group increased its investments in brand cultivation and promotion compared with 2019. The Group implemented IP marketing activities covering whole chain like "Street Dance of China (Season 3)", "Where Are the Playful Dopes (Season 2)" and "Once Upon a Bite (Season 2)" as well as thematic marketing campaigns such as the "Heineken®

Silver Mission S campaign" and "SOL Pool Party" that have driven up the advertising and promotion expenses substantially. At the same time, the overall selling and distribution expenses were up 3.3% compared with 2019. In addition, the Group's fixed asset impairment during the year under review was down RMB126,000,000 compared with 2019. Amid a one-off decrease in recognised employee compensation and settlement expenses of RMB527,000,000 in 2019, the administrative and other expenses in 2020 decreased by 12.4% year-on-year.

The Group continued to enrich its product portfolio and launched the premium beer product "Heineken® Silver" beer in the second quarter of 2020. The launch, together with our premium products, "SNOW MARRSGREEN BEER" and "Löwen White Beer" launched in 2019, further supported its premiumization strategy and enhanced its brand image.

The Group recognised impairment loss on fixed assets and inventory of RMB574,000,000 and RMB395,000,000 respectively in 2020. The Group continued with its deployment of production capacity optimization to minimize inefficiency and improve the average production scale of the breweries. 4 breweries ceased operation during the year under review. At the end of 2020, the Group operated 70 breweries across 25 provinces, municipalities and autonomous regions in Mainland China, with an aggregate annual production capacity of approximately 18,750,000 kiloliters.

As of February 2021, the overall sales volume for the first two months has largely resumed to the level of the same period in 2019, in particular sub-premium segment and above recorded a satisfactory double-digit growth, even though certain regions were affected by a recurrence of the pandemic in certain period of time. Looking ahead, despite the uncertainty associated with the ongoing pandemic, the Group will be well-prepared to actively respond to the recurrence of the pandemic in certain areas. Nonetheless, the Group will continue to adhere to its strategic management philosophy of "Quality Development for Success in Premium Segment". The Group will also implement various high quality growth initiatives to enhance its competitiveness, such as continuing to expand its brand portfolio, introducing more international brands, strengthening its brand marketing, promoting its premiumization strategy, intensively maximizing the production capacity, advancing research and innovation, upgrading informatization and benchmarking itself with the global first-class enterprises.

FINANCIAL REVIEW

Capital and Funding

As at 31 December 2020, the Group's consolidated cash and bank deposits amounted to RMB4,614,000,000. The Group had no borrowings as at 31 December 2020.

The Group was in a net cash position as at 31 December 2020 and 31 December 2019.

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 31 December 2020, 0.7% of the Group's cash and bank deposit balance was held in Hong Kong dollars, 94.9% in Renminbi and 4.4% in US dollars.

As at 31 December 2020, the Group's current liabilities and current ratio were RMB19,572,000,000 and 0.68, respectively. The current liabilities included receipts in advance on sales and accruals on promotion and marketing expenses, majority of these amounts would be offset by trade receivables or be realized through sale discounts in the future, with no significant

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

Pledge of Assets

As at 31 December 2020, assets with a carrying value of RMB76,000,000 (31 December 2019: RMB68,000,000) were pledged for notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2020.

EMPLOYEES

As at 31 December 2020, the Group had a staff size of around 27,000, 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.

DIVIDENDS

The Board recommends a final dividend of RMB0.131 per share for the year ended 31 December 2020 (2019: RMB0.045 per share) payable on or around 11 June 2021 to shareholders whose names appear on the register of members of the Company on 25 May 2021. The final dividend, if approved, is to be payable in cash in Hong Kong dollars which will be converted from RMB at the average CNY Central Parity Rate announced by the People's Bank of China for the five business days prior to and including the date of the Annual General Meeting (as defined in the below section headed "Closure of Register of Members"). Together with the interim dividend of RMB0.128 per share, the total dividend for 2020 will amount to RMB0.259 per share (2019: RMB0.165 per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 12 May 2021 to Tuesday, 18 May 2021, both days inclusive, during which no transfer of shares of the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on 18 May 2021 (the "Annual General Meeting"), all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 11 May 2021 for registration.

Subject to the approval of shareholders at the Annual General Meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Tuesday, 25 May 2021, and the register of members of the Company will be closed on Tuesday, 25 May 2021, during which no transfer of

shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents, accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 24 May 2021 for registration.

CORPORATE GOVERNANCE

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

On 8 April 2005, the Company adopted the Corporate Governance Practice Manual ("CG Manual"). The CG Manual which was revised on 31 March 2009, 18 November 2010, 21 March 2012, 7 December 2015, 18 March 2016 and 21 November 2018, incorporates almost all the Code Provisions of the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules and includes the implementation details for the Code Provisions and, where appropriate, the Recommended Best Practices. The CG Manual can be downloaded from the Company's website and copies are available on request to the Company Secretary.

The Company has complied with the Code Provisions set out in the CG Code throughout the year ended 31 December 2020, save and except the following:

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

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

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

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

In respect of Code Provision E.1.2 of the CG Code, the position of the Chairman has been vacant at the annual general meeting of the Company held on 22 May 2020 (the “AGM”) and has not been filled up as at the date of this announcement. Mr. Jian Yi, an Executive Director of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

On 8 April 2005, the Company has adopted a Code of Ethics and Securities Transactions (“Code of Ethics”) which incorporates the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules. The Code of Ethics has been amended, approved and reconfirmed by the Board of the Company on 6 April 2006, 4 April 2007, 31 March 2008 and further revised on 31 March 2009, 18 November 2010, and 7 December 2015 respectively. The prohibitions on securities dealing and disclosure requirements in the Code of Ethics also apply to specified individuals who include the Group’s senior management and persons who are privy to inside information of the Group. The Code of Ethics is on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry with the directors, all directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2020.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

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

Hong Kong, 22 March 2021

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