華潤啤酒(控股)有限公司

China Resources Beer (Holdings) Company Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 291)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

- The unaudited consolidated turnover of the Group and profit attributable to the Company's shareholders amounted to RMB17,565,000,000 and RMB1,508,000,000 respectively, representing an increase of 11.4% and 28.9% year-on-year respectively
- The overall average selling price of the Group increased by 13.0% year-on-year, mainly due to the moderate price adjustment of certain products and the continuous growth in the proportion of mid- to high-end beer sales volume
- Although the cost of sales increased due to the rising cost of certain raw materials and packaging materials, and also the further upgrade in the product mix, the Group's gross profit recorded a year-on-year increase of 19.7%
- The Company announced the formation of a long term strategic collaboration with the Heineken Group on 3 August 2018. The collaboration represents an important strategic opportunity for the Group to strengthen its presence in the premium beer market in China
- The Board recommended an interim dividend of RMB0.09 per share

FINANCIAL HIGHLIGHTS

For the six months ended 30 June	**2018 (Unaudited)** ***RMB million***	2017 (Unaudited) *RMB million*
Turnover	**17,565**	15,774
Profit attributable to shareholders of the Company	**1,508**	1,170
Basic and diluted earnings per share	**RMB 0.46**	RMB 0.36
Interim dividend per share	**RMB 0.09**	RMB 0.07

	As at 30 June 2018 (Unaudited) ***RMB million***	As at 31 December 2017 (Audited) *RMB million*
Equity attributable to shareholders of the Company	**19,669**	18,421
Non-controlling interests	**70**	64
Total equity	**19,739**	18,485
Consolidated net cash/(borrowings)	**3,378**	(1,030)
Gearing ratio[1]	**Net cash**	5.6%
Current ratio	**0.58**	0.49
Net assets per share - book value	**RMB 6.06**	RMB 5.68

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

ANALYSIS OF TURNOVER AND EARNINGS BEFORE INTEREST AND TAXATION

	Turnover		Earnings before interest and taxation	
	Six months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB million	*RMB million*	***RMB million***	*RMB million*
Eastern region	**9,009**	8,324	**844**	738
Central region	**4,368**	3,902	**524**	236
Southern region	**4,697**	3,956	**752**	750
	18,074	16,182	**2,120**	1,724
Elimination of inter-segment transactions	**(509)**	(408)	**-**	-
Net corporate expenses	**-**	-	**(56)**	(37)
Total	**17,565**	15,774	**2,064**	1,687

CHAIRMAN'S STATEMENT

HALF-YEAR RESULTS

In the first half of 2018, the first year of the spirit of the 19th National Congress of the Communist Party of China, the economy maintained steady growth, and the market demand for premium products increased rapidly. Focusing on its three key management themes of "Innovative Development, Transformation and Upgrade, Quality Growth", China Resources Beer (Holdings) Company Limited (the "Company", together with its subsidiaries, the "Group") made solid moves in the first half of 2018, implementing a series of strategic measures encompassing channel upgrade and transformation, brand repositioning, operational reformation, organization restructuring and capacity optimization. The themes helped the Group achieve remarkable results. For the six months ended 30 June 2018, the Group's unaudited consolidated turnover and profit attributable to the Company's shareholders were RMB17,565,000,000 and RMB1,508,000,000, representing an increase of 11.4% and 28.9%, respectively, compared with the same period last year.

INTERIM DIVIDEND

The board of directors of the Company (the "Board") has recommended an interim dividend of RMB0.09 per share for the six months ended 30 June 2018 (2017: RMB0.07), payable on 15 October 2018 to shareholders whose names appear on the register of members of the Company on 28 September 2018, to show its appreciation to shareholders for their support of the Group.

STRATEGY IMPLEMENTATION

During the period under review, beer consumption benefited from economic development and weather conditions. The overall beer market volume increased compared with the same period last year. The beer market continued to enjoy a consumption upgrade, with growth in the proportion of mid- to high-end beer sales volume, which drove the growth of the industry revenue as a whole. The Group moderately adjusted the price for some of its products, and together with the continuous growth in sales volume of mid- to high-end beer products, the Group's overall average selling price significantly increased by 13.0% compared with the corresponding period last year. With the decrease of volume in the northeastern market and intensified competitions, as well as the decline in sales volume from the increase of products price in certain areas, the Group's overall sales volume in the first half of 2018 decreased by 1.5%. Although the cost of sales increased due to the rising cost of certain raw materials and packaging materials, and also the further upgrade in the product mix, the Group's gross profit was up 19.7% year-on-year for the first half of 2018.

Regarding the ongoing uplift in consumption level and the demand for diversity from consumers, and with the beer market is progressing towards premiumization, the Group adopted product portfolio premiumization as its core business strategy through the launch of mid-end or above products to broaden its product portfolio and strengthen its competitive advantage. Following the launch of "Concept Series" at the end of last year to target the premium segment, the Group launched "Brave the World superX", a new nationwide above mid-end product, in the first half of 2018, to tap into the high potential market of individualistic younger generation. This move helped to boost the Group's product mix.

In addition to brand repositioning, the Group continued to carry out lean sales management to further keep sales expense under control, and to strengthen its sales capabilities. Concurrently, the Group smoothly endorsed its optimization plan of production capacity. During the period under review, one brewery ceased operation. Through the continuous optimization of production capacity, we believe the Group's production efficiency will be enhanced in the long term. As at 30 June 2018, there were 90 breweries in operation in total. During the period under review, the Group experienced good progress with other strategic measures it implemented.

PROSPECTS

China's beer industry is undergoing a transformation, and the overall consumption awareness and capacity are constantly improving, which create room for the Group to growth. Adhering to the three key management themes and related strategic measures, the Group will proactively develop new products and broaden its portfolio with diversified products to fulfill the demand for premiumization, along with personalized and differentiated products, unleashing the enormous potential of the trend of consumption upgrade.

In terms of execution of the premiumization strategies, the Company announced the formation of a long term strategic collaboration with the Heineken Group and entered into a non-legally binding trade mark licensing agreement term sheet, non-legally binding heads of terms and a non-legally binding framework agreement term sheet on 3 August 2018. The Heineken Group will license the Group the right to use the Heineken® brand on an exclusive basis in mainland China, Hong Kong and Macau. The Heineken Group's beer operations in mainland China, Hong Kong and Macau will be combined with the Group's beer operations in China. Other international premium brands owned by the Heineken Group may be exclusively licensed by the Heineken Group to the Group for use in mainland China, Hong Kong and Macau in the future. In addition, the Group and the Heineken Group will work together to support and accelerate the international development of the Group's Chinese beer brands. This long term strategic collaboration will provide an important strategic opportunity for the Group to strengthen its presence in the premium beer market in China.

The Group believes that combining its strengths with the Heineken Group will help unlock significant market potential. With the Heineken Group's long heritage and world-class iconic brand portfolio, along with the Group's leading presence and deep understanding of China, the partnership will seize the opportunities in the rapid growing high-end beer market in China and uplift the potential value. The Group is very excited about this collaboration. In the Heineken Group, we have found the perfect partner to achieve our ambitions in China and they can help us grow our business outside China. We also look forward to working together with the Heineken Group in our newly formed Strategic Advisory Council, and supporting the Group in its ambition to go international.

APPRECIATION

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders for their tremendous support, our management and employees for their dedicated contributions, as well as our customers and business partners for their long-standing trust. We look forward to continuing to offer more quality products and services to our customers and delivering greater returns to our shareholders in the future.

CHEN LANG
Chairman

Hong Kong, 17 August 2018

2018 INTERIM RESULTS

The Directors of China Resources Beer (Holdings) Company Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***RMB million***	*RMB million*
Turnover		**17,565**	15,774
Cost of sales		**(11,242)**	(10,492)
Gross profit		**6,323**	5,282
Other income	*5*	**382**	399
Selling and distribution expenses		**(2,564)**	(2,541)
General and administrative expenses		**(2,031)**	(1,420)
Finance costs	*6*	**(33)**	(101)
Profit before taxation		**2,077**	1,619
Taxation	*7*	**(563)**	(441)
Profit for the period	*8*	**1,514**	1,178
Attributable to:			
Shareholders of the Company		**1,508**	1,170
Non-controlling interests		**6**	8
		1,514	1,178
Earnings per share	*10*		
Basic		**RMB0.46**	RMB0.36
Diluted		**RMB0.46**	RMB0.36

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Profit for the period	**1,514**	1,178
Other comprehensive (expenses)/income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(33)**	58
Other comprehensive (expenses)/income for the period, net of tax	**(33)**	58
Total comprehensive income for the period	**1,481**	1,236
Attributable to:		
Shareholders of the Company	**1,475**	1,228
Non-controlling interests	**6**	8
	1,481	1,236

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2018 (Unaudited) RMB million	As at 31 December 2017 (Audited) RMB million
Non-current assets			
Fixed assets			
- Interests in leasehold land held for own use under operating leases		**3,206**	3,253
- Other property, plant and equipment		**17,374**	17,196
Goodwill		**8,331**	8,318
Other intangible assets		**136**	147
Financial assets at fair value through other comprehensive income		**9**	-
Available for sale investments		**-**	9
Prepayments		**272**	81
Deferred taxation assets		**2,298**	2,261
		31,626	31,265
Current assets			
Stocks		**5,345**	5,826
Trade and other receivables	*11*	**1,018**	1,006
Taxation recoverable		**43**	114
Pledged bank deposits		**69**	79
Cash and cash equivalents		**6,398**	2,361
		12,873	9,386
Current liabilities			
Trade and other payables	*12*	**(19,506)**	(16,605)
Short term loans		**(2,667)**	(2,383)
Taxation payable		**(145)**	(207)
		(22,318)	(19,195)
Net current liabilities		**(9,445)**	(9,809)
Total assets less current liabilities		**22,181**	21,456
Non-current liabilities			
Long term loans		**(422)**	(1,087)
Deferred taxation liabilities		**(331)**	(255)
Other non-current liabilities		**(1,689)**	(1,629)
		(2,442)	(2,971)
		19,739	18,485
Capital and reserves			
Share capital		**14,090**	14,090
Reserves		**5,579**	4,331
Equity attributable to shareholders of the Company		**19,669**	18,421
Non-controlling interests		**70**	64
Total equity		**19,739**	18,485

Notes:

1. Independent review

The interim results for the six months ended 30 June 2018 are unaudited and have been reviewed by the Company's Audit Committee.

2. Basis of preparation

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

A full set of unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 ("interim financial information") which has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" will be published as soon as practicable.

The financial information relating to the year ended 31 December 2017 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong) ("Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

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 2017, except for the adoption of new standards, amendments and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2018.

The adoption of these new standards, amendments and interpretation has had no material effect on the results and financial positions of the Group for the current and prior accounting periods, except for HKFRS 9 "Financial instruments" as set out below.

HKFRS 9 "Financial Instruments"

The Group has adopted HKFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial information. In accordance with the transition provisions in HKFRS 9, the Group has adopted the modified retrospective approach for transition to the new financial instruments standard. The reclassification arising from the new rules is therefore not reflected in the consolidated balance sheet as at 31 December 2017, but is recognised in the opening consolidated balance sheet on 1 January 2018.

The adjustments on the consolidated balance sheet as at 1 January 2018 are summarised below:

Consolidated balance sheet (extract)	**31 December 2017 As originally presented** *RMB million*	**Effect of adoption of HKFRS 9** *RMB million*	**1 January 2018 Restated** *RMB million*
Available for sale investments	9	(9)	-
Financial assets at fair value through other comprehensive income	-	9	9

3. Principal accounting policies (Continued)

The Group has assessed which business models apply to the financial assets held by the Group and has classified its financial assets and liabilities into the appropriate HKFRS 9 categories. There were no changes to the carrying amount of the financial assets and liabilities through transition. For the investment in equity securities previously classified as available for sale investments, the Group elected to present its change in fair value in other comprehensive income. As a result, the investment was reclassified from available for sale investments to financial assets at fair value through other comprehensive income. There is no longer any reclassification of accumulated amounts from reserves to profit or loss on the disposal of these investments.

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The Group has also assessed on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

There was no impact on the Group's hedge accounting after adoption of HKFRS 9, as the Group does not adopt any hedge accounting in current and near periods.

The Group has not early applied the new standards, amendments and interpretation that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new standards, amendments and interpretation in the period of initial application. So far the Group has identified some aspects of HKFRS 16 "Leases" which may have an impact on the Group. Further details of the expected impacts are discussed below.

HKFRS 16 "Leases" (Effective for annual period beginning on or after 1 January 2019)

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated balance sheet. The Group is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

There are no other new standards, amendments and interpretation that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. Segment information

	Eastern Region (Unaudited) *RMB million*	Central Region (Unaudited) *RMB million*	Southern Region (Unaudited) *RMB million*	Corporate / Elimination (Unaudited) *RMB million*	Total (Unaudited) *RMB million*
For the six months ended 30 June 2018					
Turnover[1]					
External sales	8,739	4,304	4,522	-	17,565
Inter-segment sales	270	64	175	(509)	-
Total	9,009	4,368	4,697	(509)	17,565
Segment result[2]	844	524	752		2,120
Unallocated corporate expenses					(56)
Interest income					46
Finance costs					(33)
Profit before taxation					2,077
Taxation					(563)
Profit for the period					1,514
Other information					
Additions to non-current assets[3]	261	526	273	-	1,060
Depreciation and amortisation	433	187	197	1	818
Impairment loss recognised	159	27	80	-	266
For the six months ended 30 June 2017					
Turnover[1]					
External sales	8,065	3,883	3,826	-	15,774
Inter-segment sales	259	19	130	(408)	-
Total	8,324	3,902	3,956	(408)	15,774
Segment result[2]	738	236	750		1,724
Unallocated corporate expenses					(37)
Interest income					33
Finance costs					(101)
Profit before taxation					1,619
Taxation					(441)
Profit for the period					1,178
Other information					
Additions to non-current assets[3]	189	204	292	-	685
Depreciation and amortisation	453	196	196	1	846
Impairment loss recognised	14	13	(5)	-	22

1. The majority of turnover was recognised at a point of time.
2. Segment result represents earnings before interest income, finance costs and taxation.
3. Additions to non-current assets included fixed assets.

5. Other income

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Other income includes:		
Interest income	**46**	33

6. Finance costs

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Interest on bank loans and other loans	**29**	69
Financing charges	**4**	7
Exchange loss	**-**	26
	33	102
Less: Interest capitalised	**-**	(1)
	33	101

7. Taxation

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Chinese Mainland income tax		
Current taxation	**527**	499
Deferred taxation	**36**	(58)
	563	441

Hong Kong Profit Tax is calculated at 16.5% (2017: 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 2018 is 25% (2017: 25%).

8. Profit for the period

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
Profit for the period has been arrived at after charging/(crediting):		
Depreciation		
- Owned assets	**806**	834
Amortisation of other intangible assets	**12**	12
Impairment loss recognised on		
- Fixed assets	**90**	15
- Stocks	**176**	7
Cost of goods sold	**11,242**	10,492
Gain on disposal of fixed assets	**(57)**	(17)

9. Dividends

At the board meeting held on 21 March 2018, the directors proposed a final dividend of RMB0.07 per share for the year ended 31 December 2017. Such proposal was subsequently approved by shareholders on 24 May 2018. The dividend was translated to and paid in Hong Kong dollars at HK$0.09 per share. The 2017 final dividend paid was approximately RMB227 million (2017: RMB255 million was paid for 2016).

At the board meeting held on 17 August 2018, the Board has declared an interim dividend of RMB0.09 (2017: RMB0.07) per share. Based on the latest number of shares in issue at the date of this announcement, the aggregate amount of the dividend is estimated to be RMB292 million (2017: RMB227 million).

10. Earnings per share

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB million	*RMB million*
The calculation of the basic and diluted earnings per share is based on the following data:		
Earning		
Profit attributable to shareholders of the Company for the purposes of calculating basic and diluted earnings per share	**1,508**	1,170
	2018	2017
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**3,244,176,905**	3,244,176,905
	2018	2017
	(Unaudited)	(Unaudited)
	RMB	*RMB*
Basic and diluted earnings per share	**0.46**	0.36

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

11. Trade and other receivables

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

	As at 30 June 2018	As at 31 December 2017
	(Unaudited)	(Audited)
	RMB million	*RMB million*
0 – 30 days	**239**	78
31 – 60 days	**76**	58
61 – 90 days	**62**	34
> 90 days	**275**	437
	652	607

The Group normally trades with its customers under the following credit terms:
(a) cash upon delivery; or
(b) open credit from 30 to 90 days

12. Trade and other payables

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

	As at 30 June 2018 (Unaudited) ***RMB million***	As at 31 December 2017 (Audited) *RMB million*
0 – 30 days	**2,615**	1,535
31 – 60 days	**243**	17
61 – 90 days	**14**	8
> 90 days	**43**	57
	2,915	1,617

13. Subsequent event after reporting period

Pursuant to the non-legally binding heads of terms entered into between China Resources Enterprise, Limited (the intermediate holding company of the Group) ("CRE") and the Heineken N.V. ("Heineken Group") on 3 August 2018, CRE and the Heineken Group have agreed on the formation of a long term strategic partnership. On the same date, the Group also entered into a non-legally binding trade mark licensing agreement term sheet, non-legally binding heads of terms, and a non-legally binding framework agreement term sheet with the Heineken Group for the establishment of a long term strategic collaboration arrangement through (i) entering into of a trade mark licensing agreement to use the Heineken® brand on an exclusive basis in Chinese Mainland, Hong Kong and Macau (the Exclusive Territory); (ii) contribution of Heineken Group's current operations in the Exclusive Territory and combining them with the Group's beer operations in China; and (iii) entering into of a framework agreement to allow the Group to leverage on the Heineken Group's global distribution channels, and to govern the use of other premium brands owned by the Heineken Group which may be licensed to the Group in the Exclusive Territory, so as to support and accelerate the international growth of the Group's Snow® brand and its other Chinese beer brands.

The transactions are subject to, among others, due diligence and further negotiations and entering into of the definitive agreement(s). As such, these transactions may or may not proceed.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The unaudited consolidated turnover of the Group and profit attributable to the Company's shareholders for the first half of 2018 were RMB17,565,000,000 and RMB1,508,000,000, representing an increase of 11.4% and 28.9%, respectively, compared with the same period last year. The Group's earnings before interest and taxation in the first half of 2018 increased by 22.3% to RMB2,064,000,000 over the same period last year.

During the period under review, beer consumption benefited from economic development and weather conditions. The overall beer market volume increased compared with the same period last year. The beer market continued to enjoy a consumption upgrade, with growth in the proportion of mid- to high-end beer sales volume, which further enhanced the product mix upgrade.

During the period under review, the Group adjusted the price of certain products moderately and recorded a continuous growth in mid- to high-end beer sales volume, which further boosted the product mix upgrade. As a result, the Group's overall average selling price recorded a year-on-year increase of 13.0%. With the decrease of volume in the northeastern market and intensified competitions, as well as the decline in sales volume from the increase of product price in certain areas, the Group's overall beer sales volume in the first half of 2018 decreased by 1.5% year-on-year to 6,213,000 kiloliters. Although the cost of sales increased due to the rising cost of certain raw materials and packaging materials, and also the further upgrade in the product mix, the gross profit in the first half of 2018 recorded a year-on-year increase of 19.7% to RMB6,323,000,000.

The Group continued to carry out lean sales management in the first half of 2018 to further keep selling expenses under control. However, the increase in transportation costs resulted in an increase of 0.9% in overall selling and distribution expenses compared with the same period last year. Moreover, the Group embarked on a new corporate annuity plan during the period under review, which was effective from 1 January 2017. Therefore, the Group accrued an one-off provision of its staff cost for 2017 in the first half of 2018 with an approximate amount of RMB174,000,000. Along with the provision and impairment loss resulted from production capacity optimization, the overall general and administrative expenses recorded a year-on-year increase of 43.0%.

The Group staged a campaign to reposition its brand last year to diversify its product portfolio with the launch of its new product line, "Concept Series", with the theme "You Define Your Future", and the new product "Brave the World superX" in the first half of 2018, which further sustained the growth of mid- to high-end beer sales volume and raised its brand image. Moreover, the Group continued to partner with some major domestic e-commerce platform providers during the period under review to extend its reach to online sales and marketing channels.

The recognized impairment loss of fixed assets and inventories for the first half of 2018 were RMB90,000,000 and RMB176,000,000 respectively. The Group continued to optimize its deployment of production capacity. During the period under review, one brewery ceased operation. As at the end of June 2018, the Group operated 90 breweries in 25 provinces, municipalities and autonomous regions in Mainland China, with an aggregate annual production capacity of approximately 22,500,000 kiloliters.

In terms of execution of the premiumization strategies, the Company announced the formation of a long term strategic collaboration with the Heineken Group and entered into a non-legally binding trade mark licensing agreement term sheet, non-legally binding heads of terms and a non-legally binding framework agreement term sheet on 3 August 2018. The Heineken Group will license the Group the right to use the Heineken® brand on an exclusive basis in mainland China, Hong Kong and Macau. The Heineken Group's beer operations in mainland China, Hong Kong and Macau will be combined with the Group's beer operations in China. Other international premium brands owned by the Heineken Group may be exclusively licensed by the Heineken Group to the Group for use in mainland China, Hong Kong and Macau in the future. In addition, the Group and the Heineken Group will work together to support and accelerate the international development of the Group's Chinese beer brands. This long term strategic collaboration will provide an important strategic opportunity for the Group to strengthen its presence in the premium beer market in China. The formation of the strategic partnership with Heineken Group and the above transactions are subject to, among others, due diligence, further negotiations, entering into of the definitive agreement(s), and the approvals of the regulatory authorities, which is expected to require a period of time before completion.

Looking ahead, competition is expected to remain fierce in the industry. The Group will continue to apply tailored strategies to the local market to bolster the market advantages in core regions and enhance the position of the first-tier market. The Group will continue to focus on three main management themes – "Innovative Development, Transformation and Upgrade, Quality Growth". The Group will strive to implement a series of strategic measures such as channel upgrade and transformation, brand repositioning, operational reformation, organizational restructuring and capacity optimization.

FINANCIAL REVIEW

Capital and Funding

As at 30 June 2018, the Group's consolidated cash and bank deposits amounted to RMB6,467,000,000. The Group's borrowings as at 30 June 2018 were RMB3,089,000,000 with RMB2,667,000,000 repayable within 1 year, RMB421,000,000 repayable after 1 year but within 5 years and RMB1,000,000 repayable after 5 years.

The Group was at a net cash position as at 30 June 2018. On the basis of the Group's net borrowings relative to the shareholders' funds and non-controlling interests, the Group's gearing was approximately at 5.6% as at 31 December 2017.

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars, Renminbi and US dollars. As at 30 June 2018, 0.6% of the Group's cash and bank deposits balances were held in Hong Kong dollars, 68.6% in Renminbi and 30.8% in US dollars; whereas more than 99.9% of the Group's borrowings was denominated in Hong Kong dollars. The Group's borrowings are principally on a floating rate basis.

With healthy operating cash flow, available banking facilities and standby shareholder's loans, the Group is able to fulfill its liquidity requirement.

Pledge of Assets

As at 30 June 2018, assets with a carrying value of RMB69,000,000 (31 December 2017: RMB79,000,000) were pledged for notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2018.

Employees

As at 30 June 2018, the Group had a staff size of around 47,000, amongst which more than 99% were employed in the Chinese Mainland, whilst the rest were mainly in Hong Kong. Remuneration packages are assessed in accordance with the nature of job duties, individual performance and market trends with built-in merit components, paid in the form of cash bonuses.

INTERIM DIVIDEND

The Board has declared an interim dividend of RMB0.09 per share (equivalent to HK$0.10 per share at the exchange rate of RMB1:HK$1.14088, being the average CNY Central Parity Rate announced by the People's Bank of China for the five business days prior to and including the date of this announcement) for the six months ended 30 June 2018 (2017: interim dividend RMB0.07 per share, equivalent to HK$0.08 per share) payable on Monday, 15 October 2018 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 28 September 2018. The interim dividend will be payable in cash in Hong Kong dollars.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 28 September 2018. In order to be eligible for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 27 September 2018 for registration.

CORPORATE GOVERNANCE

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

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

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

In respect of Code 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 A.5.6 of the CG Code, the Board did not have a policy concerning diversity of the Board members but the Board is actively considering the adoption of the relevant policy.

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.

On 8 April 2005, the Company has adopted its own Code of Ethics and Securities Transactions (“Code of Ethics”) which applies to the Directors and other specified individuals including the Group's senior management and persons who are privy to inside information of the Group. To further improve the effectiveness in the actual application of the Code of Ethics, the Company has since fine-tuned the Code of Ethics on 6 April 2006, 4 April 2007, 31 March 2008, 31 March 2009, 18 November 2010 and 7 December 2015 (“New Code of Ethics”). Both the Code of Ethics and the New Code of Ethics are on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company is not aware of any non-compliance with the standards set out in the Code of Ethics, the New Code of Ethics and the Model Code by any Director throughout the interim period.

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 2018.

By order of the Board
CHEN LANG
Chairman

Hong Kong, 17 August 2018

As at the date of this announcement, the Executive Directors of the Company are Mr. Chen Lang (Chairman), 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. Chen Rong and Mr. Lai Ni Hium, Frank. 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.