



TSINGTAO

青島啤酒

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號: 168)



青島啤酒股份有限公司



TSINGTAO BREWERY CO., LTD.

中期報告
INTERIM REPORT
2016

CONTENTS

	Page
Financial Information (Unaudited)	2
Management Discussions and Analysis	116
Significant Events	123
Changes to Share Capital and Information of Shareholders	124
Directors, Supervisors, Senior Management Officers and Staff	126
Purchasing, Selling or Redeeming the Securities	127
Code of Corporate Governance Practice	127
Review of the Unaudited Interim Results	127
Company Information	128

TSINGTAO BREWERY COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2016

(All amounts in RMB Yuan unless otherwise stated)

	Note 4 (unless otherwise stated)	As at			
		30 June 2016 Consolidated (unaudited)	31 December 2015 Consolidated	30 June 2016 Company (unaudited)	31 December 2015 Company
ASSETS					
Current assets					
Cash at bank and on hand	(1)	9,919,877,592	8,401,751,637	4,380,410,441	3,043,305,966
Notes receivable	(2)	42,730,000	22,770,000	20,860,000	18,600,000
Accounts receivable	(3), 15(1)	212,889,774	117,990,987	848,710,944	448,695,212
Advances to suppliers	(5)	78,753,297	44,392,821	46,153,493	21,196,969
Interests receivable	(6)	70,515,490	148,581,416	7,158,625	21,963,787
Other receivables	(4), 15(2)	562,160,333	200,675,954	152,683,490	154,660,185
Inventories	(7)	1,610,339,444	2,182,435,136	583,906,039	829,296,282
Other current assets	(8)	<u>1,292,395,395</u>	<u>768,741,109</u>	<u>465,079,295</u>	<u>657,471,757</u>
Total current assets		<u>13,789,661,325</u>	<u>11,887,339,060</u>	<u>6,504,962,327</u>	<u>5,195,190,158</u>
Non-current assets					
Available-for-sale financial assets	(9)	608,642	608,642	300,000	300,000
Long-term receivables	15(3)	—	—	409,400,000	474,200,000
Long-term equity investments	(10), 15(4)	1,523,051,860	1,507,745,095	8,908,966,095	9,103,798,500
Investment properties	(11)	25,554,588	25,512,148	32,225,939	32,874,602
Fixed assets	(12)	9,736,623,071	9,896,905,884	2,324,746,631	2,278,222,674
Construction in progress	(13)	254,895,101	287,469,734	59,683,035	161,458,068
Fixed assets pending for disposal	(14)	7,611,422	6,571,007	2,305,039	2,910,998
Intangible assets	(15)	2,525,720,318	2,707,099,617	638,260,640	671,513,765
Goodwill	(16)	1,307,103,982	1,307,103,982	—	—
Long-term prepaid expenses	(17)	39,667,726	39,861,860	7,514,570	8,413,988
Deferred tax assets	(18)	939,235,746	769,158,717	552,639,261	433,253,394
Other non-current assets	(20)	<u>648,565,965</u>	<u>65,214,382</u>	<u>581,650,952</u>	<u>11,896,660</u>
Total non-current assets		<u>17,008,638,421</u>	<u>16,613,251,068</u>	<u>13,517,692,162</u>	<u>13,178,842,649</u>
TOTAL ASSETS		<u><u>30,798,299,746</u></u>	<u><u>28,500,590,128</u></u>	<u><u>20,022,654,489</u></u>	<u><u>18,374,032,807</u></u>

TSINGTAO BREWERY COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS (Cont'd)

AS AT 30 JUNE 2016

(All amounts in RMB Yuan unless otherwise stated)

	Note 4	As at			
		30 June 2016 Consolidated (unaudited)	31 December 2015 Consolidated	30 June 2016 Company (unaudited)	31 December 2015 Company
ASSETS					
Current liabilities					
Short-term borrowings	(21)	354,888,600	810,387,282	—	—
Notes payable	(22)	139,916,944	100,141,631	50,983,750	51,600,000
Accounts payable	(23)	3,481,021,337	2,590,986,856	3,190,083,204	1,955,648,512
Advances from customers	(24)	529,894,128	1,000,313,388	275,904,920	664,814,193
Employee benefits payable	(25)	959,957,097	925,629,768	352,762,277	341,050,125
Taxes payable	(26)	705,586,914	261,889,152	97,982,064	52,527,324
Interests payable		690,904	1,486,051	—	—
Dividends payable	(27)	526,883,290	—	526,883,290	—
Other payables	(28)	4,972,692,448	4,061,298,404	2,261,813,944	1,992,292,436
Current portion of non-current liabilities	(29)	898,254	856,189	—	—
Total current liabilities		11,672,429,916	9,752,988,721	6,756,413,449	5,057,932,590
Non-current liabilities					
Long-term borrowings	(30)	1,585,920	1,711,800	—	—
Payables for specific projects	(31)	215,701,637	251,632,082	16,006,283	48,663,142
Deferred income	(32)	1,587,835,073	1,656,652,129	65,787,848	43,821,553
Long-term employee benefits payable	(33)	532,368,925	537,725,965	270,242,919	268,790,726
Deferred tax liabilities	(18)	123,489,584	133,868,381	—	—
Total non-current liabilities		2,460,981,139	2,581,590,357	352,037,050	361,275,421
Total liabilities		14,133,411,055	12,334,579,078	7,108,450,499	5,419,208,011
Equity					
Share capital	(34)	1,350,982,795	1,350,982,795	1,350,982,795	1,350,982,795
Capital surplus	(35)	4,075,084,573	4,075,078,879	4,306,629,798	4,306,624,104
Other comprehensive income	(36)	(23,815,295)	(20,326,159)	(32,110,000)	(32,110,000)
Surplus reserve	(37)	1,400,704,380	1,400,704,380	1,400,704,380	1,400,704,380
General reserve	(38)	106,025,418	106,025,418	—	—
Undistributed profits	(39)	10,087,742,316	9,545,596,720	5,887,997,017	5,928,623,517
Total equity attributable to shareholders of the Company		16,996,724,187	16,458,062,033	12,914,203,990	12,954,824,796
Non-controlling interests		(331,835,496)	(292,050,983)	—	—
Total equity		16,664,888,691	16,166,011,050	12,914,203,990	12,954,824,796
TOTAL LIABILITIES AND EQUITY		30,798,299,746	28,500,590,128	20,022,654,489	18,374,032,807

The accompanying notes form an integral part of these financial statements.

Legal representative:
SUN Mingbo

Principal in charge of accounting
(Chief Financial Officer): **YU Zhuming**

Head of accounting department:
HOU Qiuyan

TSINGTAO BREWERY COMPANY LIMITED

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4 (unless otherwise stated)	Six months ended 30 June			
		2016 Consolidated (unaudited)	2015 Consolidated (unaudited)	2016 Company (unaudited)	2015 Company (unaudited)
Revenue		14,746,116,848	16,066,594,121	9,794,512,213	9,819,243,326
Less: Cost of sales	(40), (15/5)	(8,728,850,579)	(9,822,404,877)	(7,230,733,348)	(7,311,515,246)
Taxes and surcharges	(41)	(1,074,999,656)	(1,183,028,440)	(278,131,798)	(281,457,251)
Selling and distribution expenses	(42), (15/6)	(3,075,597,006)	(3,151,532,081)	(1,732,352,487)	(1,794,082,706)
General and administrative expenses	(42), (15/6)	(618,127,361)	(636,737,390)	(200,248,604)	(197,878,217)
Finance expenses — net	(43)	128,500,915	147,615,265	27,959,912	19,092,360
Asset impairment (losses)/ reversals	(45)	(3,652,458)	(864,201)	437,880	522,208
Add: Investment income	(44), (15/7)	29,324,814	25,593,306	188,273,191	1,343,685,273
Including: Share of profits of associates and a joint venture		29,320,541	24,127,694	29,259,953	25,075,083
Operating profit		1,402,715,517	1,445,235,703	569,716,959	1,597,609,747
Add: Non-operating income	(46)	270,631,425	280,322,295	28,714,525	85,636,149
Including: Gains on disposal of non-current assets		216,974	479,332	2,310	20,852
Less: Non-operating expenses	(47)	(155,881,955)	(77,724,573)	(8,087,688)	(37,292,711)
Including: Losses on disposal of non-current assets		(154,425,835)	(74,677,547)	(7,425,990)	(36,444,956)
Total profit		1,517,464,987	1,647,833,425	590,343,796	1,645,953,185
Less: Income tax expense	(48)	(442,944,614)	(428,288,925)	(104,087,006)	(83,359,315)
Net profit		1,074,520,373	1,219,544,500	486,256,790	1,562,593,870
Attributable to shareholders of the Company		1,069,028,886	1,198,721,948	486,256,790	1,562,593,870
Attributable to non-controlling interests		5,491,487	20,822,552	Not Applicable	Not Applicable
Other comprehensive income, net of tax	(36)	(3,489,136)	(101,066)	—	—
Other comprehensive income attributable to shareholders of the Company, net of tax					
Items that will be subsequently reclassified to profit or loss					
Currency translation differences		(3,567,718)	25,578	—	—
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss		78,582	(126,644)	—	—
Total comprehensive income		1,071,031,237	1,219,443,434	486,256,790	1,562,593,870
Attributable to shareholders of the Company		1,065,539,750	1,198,620,882	486,256,790	1,562,593,870
Attributable to non-controlling interests		5,491,487	20,822,552	Not Applicable	Not Applicable
Earnings per share					
Basic earnings per share	(49)	0.791	0.887	Not Applicable	Not Applicable
Diluted earnings per share	(49)	0.791	0.887	Not Applicable	Not Applicable

The accompanying notes form an integral part of these financial statements.

Legal representative:
SUN Mingbo

Principal in charge of accounting
(Chief Financial Officer): **YU Zhuming**

Head of accounting department:
HOU Qiuyan

TSINGTAO BREWERY COMPANY LIMITED

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Six months ended 30 June			
		2016 Consolidated (unaudited)	2015 Consolidated (unaudited)	2016 Company (unaudited)	2015 Company (unaudited)
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		15,872,954,189	17,175,368,825	10,399,173,799	10,564,492,221
Refund of taxes and surcharges		11,436,028	4,653,963	6,286,806	4,273,310
Cash received relating to other operating activities	(50)(a)	702,378,412	735,241,852	192,381,540	171,001,846
Sub-total of cash inflows		16,586,768,629	17,915,264,640	10,597,842,145	10,739,767,377
Cash paid for goods and services		(6,926,623,988)	(7,465,785,729)	(6,654,907,504)	(6,650,879,565)
Cash paid to and on behalf of employees		(1,945,040,313)	(1,919,772,140)	(710,226,260)	(667,755,418)
Payments of taxes and surcharges		(2,311,227,862)	(2,446,253,168)	(713,254,972)	(746,315,341)
Cash paid relating to other operating activities	(50)(b)	(1,619,541,956)	(1,662,334,265)	(881,045,003)	(703,468,526)
Sub-total of cash outflows		(12,802,434,119)	(13,494,145,302)	(8,959,433,739)	(8,768,418,850)
Net cash flows from operating activities	(51)(a)	3,784,334,510	4,421,119,338	1,638,408,406	1,971,348,527
Cash flows from investing activities					
Cash received from disposal of investments	(50)(f)	300,000,000	20,000,000	947,400,000	335,100,000
Cash received from returns on investments		28,758,223	4,122,509	98,543,499	1,204,697,430
Net cash received from disposal of fixed assets and intangible assets		15,954,570	8,376,599	1,122,916	1,224,432
Cash received relating to other investing activities	(50)(c)	314,264,388	382,394,526	3,980,100	2,231,250
Sub-total of cash inflows		658,977,181	414,893,634	1,051,046,515	1,543,253,112
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(401,468,498)	(789,350,659)	(89,067,574)	(174,920,538)
Cash paid to acquire investments	(50)(g)	(1,697,312,001)	(522,010,000)	(965,512,001)	(349,620,000)
Net cash paid to acquire subsidiaries and other operating entities	(51)(b)	(10,000,000)	(100,000,000)	—	—
Cash paid relating to other investing activities	(50)(d)	(176,375,313)	(202,050,468)	(1,375,620)	(370,000)
Sub-total of cash outflows		(2,285,155,812)	(1,613,411,127)	(1,055,955,195)	(524,910,538)
Net cash flows from investing activities		(1,626,178,631)	(1,198,517,493)	(4,908,680)	1,018,342,574

TSINGTAO BREWERY COMPANY LIMITED
CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (Cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Six months ended 30 June			
		2016 Consolidated (unaudited)	2015 Consolidated (unaudited)	2016 Company (unaudited)	2015 Company (unaudited)
Cash flows from financing activities					
Cash received from borrowings		46,000,000	285,204,138	—	—
Cash received from other financing activities	(50)(e)	—	304,095,000	—	304,095,000
Sub-total of cash inflows		46,000,000	589,299,138	—	304,095,000
Cash repayments of borrowings		(507,710,450)	(369,614,233)	—	—
Cash payments for distribution of dividends or profits or interest expense		(52,958,599)	(71,268,047)	—	—
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(45,276,000)	(62,813,434)	—	—
Cash payments relating to other financing activities		(568,178)	(1,057,823)	—	—
Sub-total of cash outflows		(561,237,227)	(441,940,103)	—	—
Net cash flows from financing activities		(515,237,227)	147,359,035	—	304,095,000
Effect of foreign exchange rate changes on cash and cash equivalent		5,518,018	(3,162,472)	2,970,456	(3,614,569)
Net increase in cash and cash equivalents	(51)(a)	1,648,436,670	3,366,798,408	1,636,470,182	3,290,171,532
Add: Cash and cash equivalents at beginning of period		7,575,374,183	5,266,389,764	2,714,972,098	864,393,047
Cash and cash equivalents at end of period	(51)(c)	9,223,810,853	8,633,188,172	4,351,442,280	4,154,564,579

The accompanying notes form an integral part of these financial statements.

Legal representative:
SUN Mingbo

*Principal in charge of accounting
(Chief Financial Officer):* **YU Zhuming**

Head of accounting department:
HOU Qiuyan

TSINGTAO BREWERY COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Attributable to shareholders of the Company							Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserves	General reserve	Undistributed profits	Non-controlling interests	
Balance at 1 January 2015		1,350,982,795	4,079,399,151	10,040,344	1,216,339,469	66,981,927	8,663,818,498	(100,279,746)	15,287,282,438
Movements for the six months ended 30 June 2015 (unaudited)									
Total comprehensive income		—	(5,652,859)	(101,066)	—	—	590,779,690	(64,935,952)	520,089,813
Net profit		—	—	—	—	—	1,198,721,948	20,822,552	1,219,443,434
Other comprehensive income	(36)	—	—	(101,066)	—	—	—	—	(101,066)
Profit distribution	(39)	—	—	—	—	—	(607,942,258)	(63,951,363)	(671,893,621)
Profit distribution to shareholders		—	—	—	—	—	(607,942,258)	(63,951,363)	(671,893,621)
Other	(35)	—	(5,652,859)	—	—	—	—	(21,807,141)	(27,460,000)
Balance at 30 June 2015 (unaudited)		<u>1,350,982,795</u>	<u>4,073,746,292</u>	<u>9,939,278</u>	<u>1,216,339,469</u>	<u>66,981,927</u>	<u>9,254,598,188</u>	<u>(165,215,698)</u>	<u>15,807,372,251</u>
Balance at 1 January 2016		1,350,982,795	4,075,078,879	(20,326,159)	1,400,704,380	106,025,418	9,545,596,720	(292,050,983)	16,166,011,050
Movements for the six months ended 30 June 2016 (unaudited)									
Total comprehensive income		—	5,694	(3,489,136)	—	—	542,145,596	(39,784,513)	498,877,641
Net profit		—	—	—	—	—	1,069,028,886	5,491,487	1,071,031,237
Other comprehensive income	(36)	—	—	(3,489,136)	—	—	—	—	(3,489,136)
Profit distribution	(39)	—	—	—	—	—	(526,883,290)	(45,276,000)	(572,159,290)
Profit distribution to shareholders		—	—	—	—	—	(526,883,290)	(45,276,000)	(572,159,290)
Other		—	5,694	—	—	—	—	—	5,694
Balance at 30 June 2016 (unaudited)		<u>1,350,982,795</u>	<u>4,075,084,573</u>	<u>(23,815,295)</u>	<u>1,400,704,380</u>	<u>106,025,418</u>	<u>10,087,742,316</u>	<u>(331,835,496)</u>	<u>16,664,888,691</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:
SUN Mingbo

Principal in charge of accounting
(Chief Financial Officer): **YU Zhuming**

Head of accounting department:
HOU Qiuyan

TSINGTAO BREWERY COMPANY LIMITED
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance at 1 January 2015		1,350,982,795	4,306,073,277	(14,321,000)	1,216,339,469	4,877,281,580	11,736,356,121
Movement for the six months ended 30 June 2015 (unaudited)		—	—	—	—	954,651,612	954,651,612
Total comprehensive income		—	—	—	—	1,562,593,870	1,562,593,870
Net profit		—	—	—	—	1,562,593,870	1,562,593,870
Profit distribution	(39)	—	—	—	—	(607,942,258)	(607,942,258)
Profit distribution to shareholders		—	—	—	—	(607,942,258)	(607,942,258)
Balance at 30 June 2015 (unaudited)		<u>1,350,982,795</u>	<u>4,306,073,277</u>	<u>(14,321,000)</u>	<u>1,216,339,469</u>	<u>5,831,933,192</u>	<u>12,691,007,733</u>
Balance at 1 January 2016		1,350,982,795	4,306,624,104	(32,110,000)	1,400,704,380	5,928,623,517	12,954,824,796
Movement for the six months ended 30 June 2016 (unaudited)		—	5,694	—	—	(40,626,500)	(40,620,806)
Total comprehensive income		—	—	—	—	486,256,790	486,256,790
Net profit		—	—	—	—	486,256,790	486,256,790
Profit distribution	(39)	—	—	—	—	(526,883,290)	(526,883,290)
Profit distribution to shareholders		—	—	—	—	(526,883,290)	(526,883,290)
Other		—	5,694	—	—	—	5,694
Balance at 30 June 2016 (unaudited)		<u>1,350,982,795</u>	<u>4,306,629,798</u>	<u>(32,110,000)</u>	<u>1,400,704,380</u>	<u>5,887,997,017</u>	<u>12,914,203,990</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:
SUN Mingbo

Principal in charge of accounting
(Chief Financial Officer): **YU Zhuming**

Head of accounting department:
HOU Qiuyan

TSINGTAO BREWERY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB Yuan unless otherwise stated)

1. GENERAL INFORMATION

Tsingtao Brewery Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 16 June 1993. The Company obtained business license as a Sino-foreign joint stock limited company on 27 December 1995. The registered address and head office address of the company is Qingdao, Shandong province, the PRC, with a total share capital of RMB482,400,000 at establishment.

The Company’s H shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 15 July 1993, and its A shares have been listed on the Shanghai Stock Exchange since 27 August 1993. The total share capital upon issue amounted to RMB900,000,000. Subsequently, the Company increased its total share capital to RMB1,308,219,178 after issuing new RMB ordinary shares and corporate convertible bonds which were converted into H shares.

Approved by the Circular [2008] No. 445 issued by the China Securities Regulatory Commission, the Company issued convertible bonds with detachable warrants subscription rights on 2 April 2008 at a total size of RMB1,500 million with the term of 6 years. Upon the exercise period ended on 19 October 2009, 42,763,617 A shares of the Company were issued and the total number of the Company’s shares was increased from 1,308,219,178 to 1,350,982,795.

The Company and its subsidiaries (collectively the “Group”) are principally engaged in the production and distribution of beer products.

Subsidiaries which are included in the scope of consolidation in this period are disclosed in Note 6(1). No new subsidiaries have been included in the scope of consolidation in this period. Tsingtao Brewery Sifang Sales Co., Ltd. (“Sifang Sales Company”) and Tsingtao Brewery (Hainan) Co., Ltd. (“Hainan Company”) have been excluded from the scope of consolidation from this period (Note 5).

These financial statements have been approved for issue by the Company’s Board of Directors on 30 August 2016.

These financial statements are not audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group applied the accounting policies and accounting estimates based on its business operations characteristics, including provision of bad debts of receivable (Note 2(10)), cost formulas (Note 2(11)), depreciation of fixed assets and amortization of intangible assets (Note 2(14) and (17)), timing of revenue recognition (Note 2(23)), etc.

The areas including significant judgments to determine the critical accounting policies of the Group are disclosed in Note 2(29).

(1) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises — Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 — General Rules on Financial Reporting issued by the China Securities Regulatory Commission. In addition, the financial statements also include relevant disclosure required under the new Hong Kong Companies Ordinance.

The financial statements are prepared on a going concern basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements for the six months ended 30 June 2016 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Consolidated and the Company's financial position as at 30 June 2016 and their financial performance, cash flows and other information for the period then ended.

(3) Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The recording currency of the Company and the subsidiaries incorporated and operated in mainland China is Renminbi (RMB), while the recording currency of the subsidiaries in Hong Kong and Macau is Hong Kong Dollar (HKD) and Macau Pataca (MOP) respectively. The consolidated financial statements of the Group are represented in RMB.

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interests in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interests in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(c) Acquisition of non-controlling interests

When acquiring part of or all of the non-controlling interests from its minority shareholders after obtaining the control over a subsidiary, the assets and liabilities of the subsidiary shall be stated at the amounts calculated continuously from the date of acquisition or merger in the consolidated financial statements. The difference between the increase in the cost of long-term equity investments as a result of acquisition of non-controlling interests and the share of net assets of the subsidiary calculated continuously from the date of the acquisition or merger based on the new shareholding proportion shall be adjusted against the capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining difference shall be adjusted against retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realized before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The items which can't be attributable to the shareholders of the company in subsidiary's equity, net profit or loss, and total comprehensive income of the period, are separately presented in the equity item, in net profit item and total comprehensive income item of the consolidated financial statement respectively. Elimination of intra-group unrealized profit on sale of assets by the Company to its subsidiaries should be in full of the net profit attributable to the shareholders, and elimination of intra-group unrealized profit on sale of assets by subsidiaries to the Company should be allocated between the net profit attributable to the shareholders and non-controlling interests in the ratio of their interests. Elimination of intra-group unrealized profit on sale of assets amongst the subsidiaries should be allocated between the net profit attributable to the shareholders and non-controlling interests, according to the Company's share interest in the subsidiary of selling party.

If the Group and the Company or the subsidiaries as accounting entity are in different view in this transaction, the adjustment should be made in the Group's view.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(8) Foreign currency translation (Cont'd)

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates on the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented separately in the shareholders' equity. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months on the balance sheet date.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months at the balance sheet date are included in the current portion of non-current assets; held-to-maturity investments with maturities no more than 12 months when the investments were made are included in other current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity are recycled into profit or loss for the current period. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

The objective evidence of impairment is a result of one or more events that occurred after the initial recognition of the financial asset, and such one or more events must have a reliably measurable effect on the present value of estimated future cash flows of the financial assets.

The objective evidence which indicates impairment in fair value of available-for-sale equity instruments includes the significant and prolonged decline in fair value. The Group has separately tested various available-for-sale equity instruments at the balance sheet date. It will be defined as impairment if the fair value is lower than the original cost at initial recognition by more than 50% (including 50%) or the period in which the fair value of the investment has been below that original cost has lasted for no less than 1 year. While if the fair value is between 20% (including 20%) to 50% lower than the original cost, the Group will take other factors such as price fluctuation into consideration to estimate whether the equity instrument has impaired or not. The basis for measuring the original cost of available-for-sale equity instruments is determined by using weighted average method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Impairment of financial assets (Cont'd)

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

When an impairment loss on an available-for-sale financial asset measured at fair value has occurred, the cumulative losses arising from the decline in fair value that had been recognised directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised directly in equity.

When an impairment loss on an available-for-sale financial asset carried at cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows using the market yield of similar financial assets. The loss which has already occurred will not be reversed in subsequent period.

(iv) De-recognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group mainly comprise other financial liabilities, including payables and borrowings.

Payables, including accounts payable and other payables, are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(9) Financial instruments (Cont'd)

(b) Financial liabilities (Cont'd)

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique when it is applicable under current conditions and there are enough available data and other information to support. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability, and should maximize the use of relevant observable inputs. When related observable inputs can't be acquired or are not feasible to be acquired, then use unobservable inputs.

(10) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

(a) Receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts

Receivables with amounts that are individually significant are subject to assessment for impairment on the individual basis. If there is objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made.

The criterion for determining "individually significant" amounts is that any individual amount is more than RMB10,000,000.

The method of providing for bad debts for those individually significant amounts is as follows: the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

(b) Receivables that are subject to provision for bad debts on the grouping basis

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and no provision has been made are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Basis for grouping is as follows:

Group A	Receivables from government etc.
Group B	Amounts due from subsidiaries
Group C	Others

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(10) Receivables (Cont'd)

(b) *Receivables that are subject to provision for bad debts on the grouping basis (Cont'd)*

Methods of determining provision for bad debts by grouping are as follows:

Group A	Low credit risk upon assessment, no bad debts provided
Group B	Low credit risk upon assessment, no bad debts provided
Group C	Ageing analysis method

The provision ratios used under the ageing analysis method for the above groupings are as follows:

	Provision ratios used for accounts receivable	Provision ratios used for other receivables
Within 6 months	0%	0%
6 months to 1 year	5%	5%
1 to 2 years	50%	50%
Over 2 years	100%	100%

(c) *Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts*

The reason for making separate assessment for provision for bad debts is that there exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

- (d) When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

(11) Inventories

(a) *Classification*

Inventories comprise raw materials, work in progress, finished goods and turnover materials, and are measured at the lower of cost and net realizable value.

(b) *Cost formulas*

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) *Basis for determining net realizable values of inventories and method for making provision for decline in the value of inventories*

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

- (d) The Group adopts the perpetual inventory system.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(11) Inventories (Cont'd)

(e) Amortization methods of low value consumables and packaging materials

Low value consumables and packaging materials are written off once used and amortised based upon periods of usage respectively.

(12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has jointly control together with other parties and has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is the investee over which the Group has significant influence by participating in the financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of shareholders' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and recognition of related profit and loss

Long-term equity investments accounted for using the cost method are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(12) Long-term equity investments (Cont'd)

(b) Subsequent measurement and recognition of related profit and loss (Cont'd)

For long-term equity investments accounted for using the equity method, the Group recognizes the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus other comprehensive income, and profit distribution. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profit or loss arising from the intra-group transactions amongst the Group and its investees is eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment income is recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(c) Basis for determining existence of control, jointly control or significant influence over investees

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities and can influence the amount.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

(13) Investment properties

Investment properties are buildings that are held for the purpose of leasing, are measured at the initial cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are occurred.

The Group adopts the cost model for subsequent measurement of investment properties. Buildings are depreciated to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of investment properties are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	20-40 years	3% to 5%	2.4% to 4.9%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(13) Investment properties (Cont'd)

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset is reclassified as investment properties at its carrying amount at the date of the transfer.

The investment property's estimated useful life, net residual value and depreciation method applied are reviewed and adjusted as appropriate at each year end.

An investment property is derecognised when it is disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of investment properties shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles and other equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the acquisition date. The fixed assets contributed by the State shareholders at the reorganization of the Company into a corporation entity are recognised based on the revaluated amounts approved by the state-owned assets administration department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	20-40 years	3% to 5%	2.4% to 4.9%
Machinery and equipment	5-14 years	3% to 5%	6.8% to 19.4%
Motor vehicles	5-12 years	3% to 5%	7.9% to 19.4%
Other equipment	5-10 years	3% to 5%	9.5% to 19.4%

The estimated useful lives, the estimated residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amount of fixed assets shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(14) Fixed assets (Cont'd)

(d) Basis for identification of fixed assets held under finance lease and related measurement

A lease that in substance transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge (Note 2(26)(b)).

Fixed assets held under a finance lease are depreciated on a basis consistent with the depreciation policy adopted for fixed asset that are self-owned. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the leased asset is depreciated over the shorter period of the lease term and the period of expected use.

(e) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses are recognised in profit or loss for the current period.

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (19)).

(16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interests income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(17) Intangible assets

Intangible assets comprise land use rights, trademarks, marketing networks, computer software, technology known-how and others. All intangible assets are measured at cost. The intangible assets contributed by the State shareholders at the reorganisation of the Company into a corporation are recognised based on the revaluated amounts as approved by the state-owned assets administration department.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved useful period from 30 to 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Trademarks

Trademarks mainly include the “TSINGTAO BEER” trademark which was injected by the founding shareholders into the Company on 16 June 1993 as their capital contributions. The recorded value of the trademark was assessed based on the results of the valuation as approved by state-owned assets administration department. Based on the forecast of beer industry and the business position of the Company, the directors are of the view that the “TSINGTAO BEER” trademark has an indefinite useful life, accordingly, it is not subject to amortisation but annual impairment assessments.

Other trademarks were acquired as a result of acquisitions of certain subsidiaries. They are amortised over their estimated useful lives ranging from 5 to 10 years.

(c) Marketing networks

Marketing networks include marketing networks purchased by the Company in the process of business combination of Yantai Brewery Tsingtao Asahi Co., Ltd. (“Yantai Asahi”), Hebei Jiahe Beer Co., Ltd. (“Hebei Jiahe Company”) and Shandong Lulansa Brewery Co., Ltd (“Lulansa Brewery”), marketing networks purchased in the process of business combination by the subsidiary Beijing Tsingtao Brewery Beifang Sales Co., Ltd. (“Beifang Sales Company”), new recognised marketing networks in the process of business combination of subsidiaries as Shandong Xin Immense Brewery Co., Ltd. (“Immense Brewery Company”), Tsingtao Brewery (shanghai) market service Co., Ltd. (“Shanghai Market Service”), Tsingtao Brewery (Lian Yungang) Sales Co., Ltd. (“Lian Yungang Sales Company”), and Baotuquan brand. Amortisation is calculated using the straight-line method over the estimated useful lives of 5 — 10 years.

(d) Computer software

Computer software are amortised over their estimated useful lives ranging from 5 to 10 years.

(e) Technology known-how

Technology known-how is amortised on the straight-line basis over their estimated useful lives of 10 years.

(f) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(17) Intangible assets (Cont'd)

(g) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the research phase, such as planned investigation, evaluation and selection for improvement of the beer technology, is recognised in profit or loss in the period when it is incurred. Expenditure on the development phase, such as the designing and testing for the final application of the beer technology before the large-scale production, should be capitalised only if all of the following conditions satisfied:

- The development of the beer technology has been sufficiently proved by the technical team;
- The budget relating to the beer technology improvement has been approved by the management;
- It can be demonstrated that the products due to beer technology improvement have potential market from previous marketing investigation;
- There are adequate technical and financial resource for improvement of the beer technology and the large-scale production; and
- The expenditure attributable to the improvement of beer technology during its development phase can be liable measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(h) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(19)).

(18) Long-term prepaid expenses

Long-term prepaid expenses comprise the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(19) Impairment of long-term assets

Fixed assets, constructions in progress, intangible assets with finite useful lives, investing properties measured at cost method and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. The intangible assets not ready for intended use yet, are treated at least annually for impairment, irrespective of whether there are any indications of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(20) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of remuneration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs. The employee benefits liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plan under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plan that are not defined contribution plan. During the reporting period, the Group post-employment benefits mainly include defined contribution plans such as basic pension and unemployment insurance, and which belong to supplemental retirement benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(20) Employee benefits (Cont'd)

(b) *Post-employment benefits (Cont'd)*

Basic pension insurance

The employees of the group participated in the basic social pension insurance organised and implemented by the local labour and social security departments. The Group pays the basic social pension insurance to related local agencies monthly, following the demanding proportion and base. When the employees retire, the local labour and social security departments have obligations to pay the entire basic social pension. When an employee has rendered service to the Group during the accounting period, the Group should recognize liabilities and costs of assets or expenses.

Supplemental retirement benefits

In addition to the basic social pension plans, the Group also provides supplementary retirement benefits to those retired employees qualified for certain criteria. Such supplementary benefits are classified as defined benefit plans. The defined benefit obligation recognised in the balance sheet is the present value of the defined benefit obligation, net of the fair value of plan assets. The defined benefit obligation is calculated by the external independent actuary using the Projected Unit Credit method and applying interests rates of government bonds that have terms to maturity approximating to the terms of the related pension obligation. The service cost and net interest income related to supplemental retirement benefits are recognised as assets or expenses, and actuarial gains or losses arising from re-measurement of net defined benefit obligation is recognised as other comprehensive income.

(c) *Termination benefits*

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognizes a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; 2) when the Group recognizes costs or expenses related to the restructuring that involves the payment of termination benefits.

Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by the management. The Group pays early retirement benefits to those early retired employees from the early retirement date until normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment of termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period in which they occur.

The termination benefits expected to be paid within one year since the balance sheet date are classified as current liabilities.

(21) Dividends distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(22) Convertible bonds with detachable warrants subscription rights

The convertible bonds with subscription warrants subscription rights issued are split into liability and equity components at initial recognition. The liability component is determined as the discounted amount of future cash flows, and the equity component is determined as the amount after deducting liability amount from proceeds of the issue. The transaction costs incurred on the issue of the convertible bonds are allocated between the liability component and equity component based on the proportion of their amounts at initial recognition. The liability amount of the convertible bonds is measured at amortised cost using the effective interest method.

(23) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) *Sale of goods*

The Group manufactures and sells beer products to the regional distributors. The products will be delivered by carriers to the specific location agreed or will be picked up by the distributors themselves. If the goods are transported by carriers, the relevant risk of damage in transit will be taken by the carriers and settled to the distributors. Revenue is recognised once the goods are picked up by the distributors or carriers.

(b) *Rendering of services*

The Group provides construction service. The related revenue is recognised using the percentage of completion method, with the stage of completion being determined based on proportion of costs incurred to date to the estimated total costs.

(24) Government Grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including relocation compensation, refund of taxes and financial subsidies, etc.

A government grant is recognised when the conditions attached to it can be satisfied and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or to be received. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

Grants related to assets are those obtained for forming long-term assets by purchase, construction or acquisition in other ways. Grants related to income are government grants other than those related to assets.

A government grant related to an asset is recognised as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. Government grants measured at nominal amounts are recognised immediately in profit or loss for the current period.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and
- tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(26) Leases

A finance lease is a lease that transfers substantially all the risks and rewards related to the ownership of an asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Lease income under an operating lease is recognised on a straight-line basis over the period of the lease.

(b) Finance leases

The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortized using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(27) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has made a resolution and obtained appropriate approval for disposal of the non-current asset or the disposal group; (3) the Group has signed an irrevocable transfer agreement with the transferee; and (4) the transfer is to be completed within one year.

Non-current assets (except for financial assets and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less the costs to sell is recognised as asset impairment losses.

Such non-current assets and assets/liabilities included in disposal groups as classified as held for sale are accounted for as current assets/liabilities, and are presented separately in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) is a subsidiary acquired exclusively with a view to resale.

(28) Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to generate revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance; and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(29) Critical accounting estimates and judgments

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) *Critical accounting estimates and key assumptions*

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) *Accounting estimates on impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 4(16)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(29) Critical accounting estimates and judgments (Cont'd)

(a) Critical accounting estimates and key assumptions (Cont'd)

(i) Accounting estimates on impairment of goodwill (Cont'd)

If management revises the gross margin or the pre-tax discount rate that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used or the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognize further impairment against goodwill. If the actual gross margin is higher or pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

(ii) Accounting estimates on impairment of fixed assets

According to the accounting policies stated in Note 2(19), the Group tests whether fixed assets, for example, buildings and machinery have suffered any impairment on the balance sheet date. The recoverable amounts of the fixed assets have been determined based on the higher of an asset's present value of the expected future cash flow and fair value less costs to sell. These calculations require the use of accounting estimates.

For the six months ended 30 June 2016, the Group recognised impairment losses of 3,832,393 (For the six months ended 30 June 2015: 1,236,712) for fixed assets based on such evaluation. As at 30 June 2016 the Group recognised the cumulative provision for fixed assets impairment amounting to 407,018,611 (31 December 2015: 413,382,183) (Note 4(12)).

If management revises the gross margin or the pre-tax discount rate that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used or the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognize further impairment against fixed assets. If the actual gross margin is higher or pre-tax discount rate is lower than management's estimates, the impairment loss of fixed assets previously provided for is not allowed to be reversed by the Group.

(iii) Accounting estimates on recognition of deferred tax assets

The estimates of deferred tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The realization of deferred tax assets depends on the realization of sufficient profitability (taxable profit) of the Group. The change in future income tax rates and timing of reversals of taxable temporary differences would affect income tax expense (benefits) and balances of deferred tax. Deviation of aforesaid estimates could result in material adjustment to the carrying amount of deferred income tax.

As at 30 June 2016, deferred tax assets of 939,235,746 have been recognised in the Group's balance sheet. As stated in Note 4(18), the Group has unrecognised deferred tax assets aggregated to approximately 570,482,000 as at 30 June 2016, which mainly attributable to accumulated tax losses and impairment losses of certain subsidiaries. Deferred tax assets have not been recognised due to the fact that there is no certainty of obtaining approval from local tax authorities or there is no certainty of their respective realization of these tax benefits through available future taxable profits of those subsidiaries concerned. In cases where the actual future assessable profits are more or less than expected or approval from local tax authorities are obtained, a recognition or reversal of deferred tax assets may arise accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(29) Critical accounting estimates and judgments (Cont'd)

(a) Critical accounting estimates and key assumptions (Cont'd)

(iv) Useful lives of fixed assets and intangible assets

The Group revisited the estimated useful lives for its fixed assets and intangible assets annually. The estimated useful lives are determined by management by reference to the historical experience of similar assets, the estimation generally used by other companies in the same industry and anticipated renovation in technologies. When there are significant changes in previous estimates, the Group should adjust the depreciation and amortization expense in future periods.

(v) Net realizable values of inventories

Provision for decline in the value of inventories is determined at the excess amount of the category of carrying amounts of the inventories over their net realizable value. The Group determines the estimates on net realizable values of inventories based on the estimated selling price of same inventories less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. When the realized selling price, costs or expenses are different with previous estimates, the Group should adjust the net realizable values of inventories. Therefore, the estimates based on current experience may be different from the actual result, which could result in adjustment to the carrying amount of inventories on balance sheet.

(vi) Post-retirement benefits Actuary

As stated in Note 2 (20)(b), the present value of the post-retirement obligation estimated on an actuarial basis using a number of assumptions. The actuarial valuations, in which discount rate was determined by government bonds of China and the mortality rate was based on published statistics by China Life Annuitant Mortality Table 2000 — 2003, are the best estimation on the post-retirement obligation on balance sheet date. Any changes in these assumptions will have impact on the carrying amount of post-employment obligations, which will be recognised in the future years.

3. TAXATION

(1) The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax base		Tax rate
Enterprise income tax	Taxable income		3% to 25%
Value added tax (“VAT”)	Taxable value added amount (Tax payable is calculated using the taxable sales amount and service revenue multiplied by the effective tax rate less deductible VAT input of current period)		3%,6% and 17%
Business tax	Taxable turnover amount		3% and 5%
Consumption tax	Sales Price of Beer	Consumption Tax per Unit	Not Applicable
	More than or equal to RMB3,000 per ton	RMB250 per ton	
	Less than RMB3,000 per ton	RMB220 per ton	
City maintenance and construction tax	Amount of VAT, business tax and consumption tax paid		5% and 7%
Education surcharge	Amount of VAT, business tax and consumption tax paid		5%

(2) Preferential tax treatment and approval documents

Enterprise income tax of the Company

In accordance with an approval document dated 18 April 1994 issued by the State Administration for Taxation (“SAT”) of the PRC, net profit earned by the Company was subject to enterprise income tax at 15%, which was effective from the date of establishment of the Company until there is further changes of the relevant laws and regulations. The Company also received a confirmation from the Finance Bureau of Qingdao on 23 March 1997 that this preferential tax treatment would not be terminated until further notice.

On 5 July 2007, the Company became aware of a notice (Guoshuihan [2007] No.664) which was issued by SAT (the “Notice”) regarding the preferential tax treatment granted to nine state-owned enterprises listed on the Stock Exchange of Hong Kong Limited in 1993 (including the Company). According to the Notice, the relevant local tax authorities were required to immediately rectify the expired preferential tax treatments adopted by the Company and take appropriate action on the differences of income taxes collected in prior years arising therefore in accordance with the applicable rules and provisions under the promulgated Law on Tax Collection and Administration of the PRC. For this purpose, the Company issued an announcement in relation to such matter on the websites of stock exchanges in the PRC and overseas, and in domestic newspapers on 6 July 2007.

In April 2008, the Company was informed by the governing local tax bureau that the applicable enterprise income tax rate for the year ended 31 December 2007 was adjusted from 15% to 33%. The Company has not been notified by any tax authorities regarding the exposure of prior years. The directors are of the view that the final outcome cannot be reliably estimated and, therefore, no provision for potential enterprise income tax exposure in prior years had been made in the financial statements.

The applicable enterprise income tax rate of the Company for the current period is 25%.

3. TAXATION (CONT'D)

(3) Hong Kong profits tax and Macau profits supplemental tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year. Macau profits supplemental tax is imposed on the estimated taxable profit for the year at a progressive rate scale ranging from 3% to 12%.

(4) VAT

According to “the People’s Republic of China Value-added Tax Temporary Regulations” (“VAT Regulations”), the Group is subject to output VAT calculated at 17% of the domestic sales value of tangible goods. In addition, it is subject to a refund of 15% on its export sales of products based on an “exempt, credit, refund” policy enacted. The Group also pays input VAT on its purchases of raw materials and auxiliary materials, machineries and VAT taxable services which is deductible against output VAT on its sales in order to arrive at the net VAT amount payable to the PRC government.

(5) Consumption tax

Beers production and manufacturing consignment activities undertaken by the Group are subject to consumption tax in the PRC. For beer with an ex-factory price (including packaging materials and related deposits) of 3,000 or above per ton, the consumption tax is 250 per ton. For all other beer sold below that price, the consumption tax is levied at 220 per ton.

Tsingtao Brewery (Langfang) Co., Ltd. (“Langfang Company”), a subsidiary of the Company, has outstanding consumption balances in respect of prior years amounting to approximately 3,884,000. The consumption tax was held over according to the preferential treatment provided by local governments.

(6) Withholding Tax

According to Circular Guoshuihan [2008] No. 897 “Notice on the issue about withholding Enterprise Income Tax on the dividends paid by Chinese resident enterprises to overseas non-resident enterprises H-share holders” issued by State Administration of Taxation on 6 November 2008, where a Chinese resident enterprise pays dividends to its H-share holders which are overseas non-resident enterprises, it shall withhold the enterprise income tax on the basis of 10% of the dividends.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2016 (unaudited)	31 December 2015
Cash on hand	395,073	424,497
Bank deposits	674,514,581	389,464,333
Interbank deposits (i)	8,548,901,199	7,185,485,353
Deposits in central bank (ii)	656,860,000	489,020,000
Other cash balances (iii)	39,206,739	337,357,454
	<u>9,919,877,592</u>	<u>8,401,751,637</u>
Including: cash at bank and on hand overseas (iv)	<u>85,302,843</u>	<u>79,939,295</u>

(i) Interbank deposits represent bank deposits reserved in domestic banks by Tsingtao Brewery Financial Co., Ltd. (“Finance Company”).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(1) Cash at bank and on hand (Cont'd)

- (ii) Deposits in central bank represent statutory deposit reserves in the People's Bank of China by Finance Company. As at 30 June 2016, the statutory deposit reserves ratio of Finance Company is 7.0% (31 December 2015: 7.5%).
- (iii) As at 30 June 2016, other cash balances of 31,538,321 (31 December 2015: 31,504,108) represent housing maintenance fund in the bank; 5,267,000 (31 December 2015: 4,057,894) are pledged as collateral for issuance of bank acceptance (Note 4(22)); the remains are other deposits of 2,401,418 (31 December 2015: other deposits of 1,795,452); as at 31 December 2015, other cash balances include structured deposits 300,000,000.
- (iv) As at 30 June 2016, cash at bank and on hand overseas represents the cash and bank deposits of Tsingtao Brewery Hong Kong Trading Co., Ltd. ("Hong Kong Company") and Asia Brewery (Macau) Co., Ltd. ("Macau Company") held in Hong Kong and Macau respectively.

Cash and cash equivalents presented in cash flow statements

	30 June 2016 (unaudited)	31 December 2015
Cash at bank and on hand	9,919,877,592	8,401,751,637
<i>Less:</i> Restricted deposits in central bank	(656,860,000)	(489,020,000)
Other restricted cash balances	(39,206,739)	(337,357,454)
	<u>9,223,810,853</u>	<u>7,575,374,183</u>

(2) Notes receivable

	30 June 2016 (unaudited)	31 December 2015
Bank acceptance notes	<u>42,730,000</u>	<u>22,770,000</u>

As at 30 June 2016, the Group's notes receivable which have been endorsed but not yet matured are derecognised amounting to 158,803,713 (as at 31 December 2015: derecognised amounting to 228,139,434 all of which were endorsed but not yet matured), and there are no discounted bank acceptance notes that are not yet matured(31 December 2015:nil).

As at 30 June 2016, there are no pledged notes receivable, or no endorsed or discounted trade acceptance notes that are not yet matured(31 December 2015:nil).

(3) Accounts receivable

	30 June 2016 (unaudited)	31 December 2015
Accounts receivable	408,069,213	313,868,670
<i>Less:</i> Provision for bad debts	(195,179,439)	(195,877,683)
	<u>212,889,774</u>	<u>117,990,987</u>

The majority of the Group's domestic sales are made by advances from customers. The remains are settled by letters of credit, bank acceptance notes or providing credit terms from 30 to 100 days.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Accounts receivable (Cont'd)

(a) The ageing of accounts receivable based on their recording dates is analysed below:

	30 June 2016 (unaudited)	31 December 2015
Within 6 months	211,281,305	117,065,349
6 months to 1 year	1,369,540	545,871
1 to 2 years	614,813	814,122
2 to 3 years	127,122	110,102
3 to 4 years	110,102	—
4 to 5 years	—	605,020
Over 5 years	194,566,331	194,728,206
	<u>408,069,213</u>	<u>313,868,670</u>

As at 30 June 2016, accounts receivable of 8,109,549 (as at 31 December 2015: 7,921,217) have past due but not impaired. Based on analysis on financial condition and past credit record of the customers, the overdue amounts can be recovered. The ageing analysis of these accounts receivable is as follows:

	30 June 2016 (unaudited)	31 December 2015
Within 6 months	<u>8,109,549</u>	<u>7,921,217</u>

(b) Accounts receivable by categories are analysed as follows:

	30 June 2016 (unaudited)				31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and subject to separate assessment for provision	29,501,710	7.23%	(29,501,710)	100%	30,201,710	9.62%	(30,201,710)	100%
Subject to provision on the grouping basis								
Group C	<u>378,567,503</u>	<u>92.77%</u>	<u>(165,677,729)</u>	<u>43.76%</u>	<u>283,666,960</u>	<u>90.38%</u>	<u>(165,675,973)</u>	<u>58.41%</u>
	<u>408,069,213</u>	<u>100%</u>	<u>(195,179,439)</u>	<u>47.83%</u>	<u>313,868,670</u>	<u>100%</u>	<u>(195,877,683)</u>	<u>62.41%</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Accounts receivable (Cont'd)

- (c) As at 30 June 2016, accounts receivable with amounts that are individually significant and subject to separate assessment for provision are analysed as follows:

	Ending balance (unaudited)	Provision for bad debts (unaudited)	Ratio	Reason
Gansu Nongken Brewery Co., Ltd. ("Nongken Brewery Company")	14,996,236	(14,996,236)	100%	(i)
Beijing Tsingtao Brewery Sales Co., Ltd. ("Beijing Sales Company")	11,245,784	(11,245,784)	100%	(ii)
Tsingtao Brewery (Guangzhou) General Agency Co., Ltd. ("Guangzhou General Agency")	<u>3,259,690</u>	<u>(3,259,690)</u>	100%	(iii)
	<u>29,501,710</u>	<u>(29,501,710)</u>		

- (i) As the Group has ceased all business transactions with Nongken Brewery Company, the management of the Group is of the view that it is difficult to collect the receivable amount, therefore full bad debt provision has been made accordingly.
- (ii) As the Company has ceased all business transactions with Beijing Sales Company, the management of the Company is of the view that it is difficult to collect the receivable amount, therefore full bad debt provision has been made accordingly.
- (iii) As Guangzhou General Agency has been ceased operation years ago, the management of the Company is of the view that it is difficult to collect the receivable amount, therefore full bad debt provision has been made accordingly.
- (d) Accounts receivable that are subject to provision for bad debts on the grouping basis (Group C) using the ageing analysis method are analysed as follows:

	30 June 2016 (unaudited)			31 December 2015		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
		Amount	Ratio		Amount	Ratio
Within 6 months	211,281,305	—	—	117,065,349	—	—
6 months to 1 year	1,369,540	(68,477)	5%	545,871	(27,294)	5%
1 to 2 years	614,813	(307,407)	50%	814,122	(407,061)	50%
2 to 3 years	127,122	(127,122)	100%	110,102	(110,102)	100%
3 to 4 years	110,102	(110,102)	100%	—	—	—
4 to 5 years	—	—	—	605,020	(605,020)	100%
Over 5 years	<u>165,064,621</u>	<u>(165,064,621)</u>	100%	164,526,496	(164,526,496)	100%
	<u>378,567,503</u>	<u>(165,677,729)</u>	<u>43.76%</u>	<u>283,666,960</u>	<u>(165,675,973)</u>	<u>58.41%</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Accounts receivable (Cont'd)

- (e) The provisions for bad debts are 382,605, the increase amount of bad debts due to currency translation differences are 1,646, and the reversal provisions for bad debts are 1,075,924. The significant reversal provision for bad debts is as follows:

	Reason for collecting or reversal	Rationality of provision basis	Amount of collecting or reversal (Unaudited)	Collecting way
Guangzhou General Agency	Partially collected	The collecting probability is low in the management's view	700,000	By cash

- (f) Accounts receivable 6,571(Six months ended 30 June 2015: 653),where the management has no expectation of receiving additional cash, were written off with the approval in the current period.

- (g) As at 30 June 2016, the top five accounts receivable are analysed as follows:

	Amount (unaudited)	Provision of bad debts (unaudited)	% of total balance
Total amount of the top five accounts receivable	63,877,028	(34,583,754)	15.65%

- (h) As at 30 June 2016, there are no accounts receivable derecognised due to the transfer of financial assets (As at 30 June 2015: nil).

(4) Other receivables

	30 June 2016 (unaudited)	31 December 2015
Loans and discounted notes (i)	349,558,701	—
Receivables on construction and equipment (ii)	67,113,690	56,248,785
Staff advance	28,757,573	24,388,135
Guarantee deposits	26,323,117	27,900,032
Treasury bond reverse repo (iii)	20,000,000	—
Payment on behalf for recycling bottles	18,670,706	45,814,654
Refund for prepayment of land use rights	17,441,647	17,441,647
VAT refund	3,540,956	5,545,370
Brand royalty (iv)	2,075,987	15,381,998
Others	100,594,964	79,358,957
	634,077,341	272,079,578
Less: provision for bad debts	(71,917,008)	(71,403,624)
	562,160,333	200,675,954

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(4) Other receivables (Cont'd)

- (i) It represents the loans lent by Finance Company, due from the Company's associates, including Tsingtao Brewery (Shanghai) Yangpu Co., Ltd. ("Shanghai Yangpu Company"), Tsingtao Brewery (Lianyungang) Co., Ltd. ("Lianyungang Company") (Note 8(5)) and the third parties, and discounted notes, due from the Company's associate, Tsingtao Brewery (Shanghai) Investment Co., Ltd. (Formerly Suntory Tsingtao Brewery (Shanghai) Co., Ltd., short for "Shanghai Investment Company") (Note 8(5)).
- (ii) It represents the construction and equipment receivables of Tsingtao Brewery Construction Co., Ltd. ("Construction Company"), Tsingtao Brewery Machinery and Equipment Co., Ltd. ("Machinery and Equipment Company") and Tsingtao Brewery Equipment Manufacture Co., Ltd. ("Equipment Manufacture"), all of which are subsidiaries of the Company, due from the Company's associates, including Tsingtao Brewery Shanghai Songjiang Manufacturing Co., Ltd. ("New Songjiang Manufacturing"), Tsingtao Brewery (Xuzhou) Co., Ltd. ("Xuzhou Company"), Tsingtao Brewery (Suqian) Co., Ltd. ("Suqian Company"), Tsingtao Brewery (Yangzhou) Co., Ltd. ("Yangzhou Company"), Tsingtao Brewery (Xuzhou) Pengcheng Co., Ltd. ("Pengcheng Company") (Note 8(5)), and the third parties.
- (iii) It represents the investment of Finance company in Treasury bond reverse repo.
- (iv) It mainly represents the Company's brand royalty receivables due from the Company's associates, including New Songjiang Manufacturing, Xuzhou Company, Pengcheng Company, and Suqian Company, according to the "Brand and Advertising Services Contract" signed among the Company and these associates (Note 8(5)).
- (a) The ageing of other receivables is analysed below:

	30 June 2016 (unaudited)	31 December 2015
Within 6 months	515,422,156	150,182,199
6 months to 1 year	4,451,970	3,059,079
1 to 2 years	20,052,385	48,854,292
2 to 3 years	25,636,973	978,016
3 to 4 years	511,865	737,691
4 to 5 years	8,684,044	9,277,730
Over 5 years	59,317,948	58,990,571
	<u>634,077,341</u>	<u>272,079,578</u>

The Group has no specific credit terms for other receivables. Therefore, the Group has no other receivables that are past due but not impaired as at 30 June 2016 and 31 December 2015.

(4) Other receivables (Cont'd)

(b) Other receivables by categories are analysed as follows:

	30 June 2016 (unaudited)				31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and subject to separate assessment for provision	17,441,647	2.75%	(17,441,647)	100%	17,441,647	6.41%	(17,441,647)	100%
Subject to provision on the grouping basis								
Group A	6,746,987	1.06%	—	—	8,821,351	3.24%	—	—
Group B (i)	383,197,789	60.44%	—	—	62,899,286	23.12%	—	—
Group C	226,690,918	35.75%	(54,475,361)	24.03%	182,917,294	67.23%	(53,961,977)	29.50%
	<u>634,077,341</u>	<u>100%</u>	<u>(71,917,008)</u>	<u>11.34%</u>	<u>272,079,578</u>	<u>100%</u>	<u>(71,403,624)</u>	<u>26.24%</u>

(i) It represents the loans lent by the Group due from the associates, including Shanghai Yangpu Company and Lianyungang Company, construction and equipment receivables, brand royalty receivables, and payment on behalf for materials etc. of the Group due from the associates, including New Songjiang Manufacturing, Suqian Company, Yangzhou Company, Pengcheng Company, Xuzhou Company and Shanghai Investment Company (Note 8(5)). As is stated in Note 10(3), the Company entered into the agreement with Suntory (China) Investment Co., Ltd. ("Suntory Company") about purchasing 50% equity interest of Shanghai Investment Company. After the transaction, the associates listed above will become subsidiaries of the Company. According to the bad debt provision method for the subsidiaries (Group B), there is no bad debt provision made for the associates.

(c) As at 30 June 2016, other receivables that are individually significant and subject to separate assessment for provision are analysed as follows:

	Ending balance (unaudited)	Provision for bad debts (unaudited)	Ratio	Reason
Refund for prepayment of land use rights	<u>17,441,647</u>	<u>(17,441,647)</u>	100%	(i)

(i) A land use right of the Company was expropriated by the government years ago. The government committed rendering another new land use right instead. The management of the Company considers that the possibility of obtaining new land use right is low, and therefore has transferred the cost of the expropriated land use right of 8,584,437 and cost of buildings on this land of 8,857,210 to other receivables, and full bad debt provision has been recorded accordingly.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(4) Other receivables (Cont'd)

- (d) Other receivables that are subject to provision for bad debts on the grouping basis (Group C) using the ageing analysis method are analysed as follows:

	30 June 2016 (unaudited)			31 December 2015		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
		Amount	Ratio		Amount	Ratio
Within 6 months	166,298,810	—	—	123,121,531	—	—
6 months to 1 year	2,782,855	(139,143)	5%	3,059,079	(152,954)	5%
1 to 2 years	6,546,070	(3,273,035)	50%	5,855,323	(2,927,662)	50%
2 to 3 years	1,651,973	(1,651,973)	100%	978,016	(978,016)	100%
3 to 4 years	511,865	(511,865)	100%	737,691	(737,691)	100%
4 to 5 years	7,023,044	(7,023,044)	100%	7,616,730	(7,616,730)	100%
Over 5 years	41,876,301	(41,876,301)	100%	41,548,924	(41,548,924)	100%
	<u>226,690,918</u>	<u>(54,475,361)</u>	<u>24.03%</u>	<u>182,917,294</u>	<u>(53,961,977)</u>	<u>29.50%</u>

- (e) The provisions for bad debts are 1,932,960, and the reversal provision for bad debts are 1,419,576.
- (f) In the current period, no other receivables were written off. (Six months ended 30 June 2015: nil)
- (g) As at 30 June 2016, the top five other receivables are analysed as follows:

	Nature	Amount (unaudited)	Ageing	% of total balance	provision for bad debts (unaudited)
No.1	Loan	167,200,000	Within 6 months	26.37%	—
No.2	Loan	157,200,000	Within 6 months	24.79%	—
No.3	Construction and equipment receivables	28,744,715	Within 6 months	4.53%	—
No.4	Construction and equipment receivables, brand royalty receivables, etc.	26,024,326	Within 2 years	4.10%	—
No.5	Investment in treasury bonds reserve repo	20,000,000	Within 6 months	3.16%	—
		<u>399,169,041</u>		<u>62.95%</u>	<u>—</u>

(5) Advances to suppliers

- (a) The ageing of advances to suppliers is analysed as follows:

	30 June 2016 (unaudited)		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	73,593,380	93.45%	40,244,046	90.65%
1 to 2 years	1,679,870	2.13%	791,721	1.78%
2 to 3 years	3,428,700	4.35%	3,311,707	7.46%
Over 3 years	51,347	0.07%	45,347	0.11%
	<u>78,753,297</u>	<u>100%</u>	<u>44,392,821</u>	<u>100%</u>

As at 30 June 2016, advances to suppliers over 1 year with carrying amount of 5,159,917 (31 December 2015: 4,148,775) are mainly advances paid for materials, which have not been required to deliver yet due to production plan.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(5) Advances to suppliers (Cont'd)

(b) As at 30 June 2016, the total amount of top five advances to suppliers are analysed as follows:

	Amount (unaudited)	% of total balance
Total amount of the top five advances to suppliers	<u>29,886,720</u>	<u>37.95%</u>

(6) Interests receivable

	30 June 2016 (unaudited)	31 December 2015
Interests receivable	<u>70,515,490</u>	<u>148,581,416</u>

Interests receivable are mainly the inter-bank deposits interests due from external financial institutions, which not yet been received by Finance Company.

As at 30 June 2016, there are no interests receivable overdue (31 December 2015: nil.).

(7) Inventories

(a) Classification of inventories is as follows:

	30 June 2016 (unaudited)			31 December 2015		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Raw materials	552,157,231	(1,659,796)	550,497,435	644,183,244	(2,487,995)	641,695,249
Packaging materials	407,335,059	(7,523,656)	399,811,403	609,947,904	(8,736,698)	601,211,206
Low-value consumables	63,973,692	—	63,973,692	51,139,719	—	51,139,719
Materials on consignment for further processing	26,606,793	—	26,606,793	80,187,035	—	80,187,035
Work in progress	341,917,918	—	341,917,918	389,693,337	—	389,693,337
Finished goods	<u>227,532,203</u>	<u>—</u>	<u>227,532,203</u>	<u>418,508,590</u>	<u>—</u>	<u>418,508,590</u>
	<u>1,619,522,896</u>	<u>(9,183,452)</u>	<u>1,610,339,444</u>	<u>2,193,659,829</u>	<u>(11,224,693)</u>	<u>2,182,435,136</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(7) Inventories (Cont'd)

(b) The movements of inventories are as follows:

	31 December 2015	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2016 (unaudited)
Raw materials	644,183,244	1,845,755,773	(1,937,781,786)	552,157,231
Packaging materials	609,947,904	3,004,053,201	(3,206,666,046)	407,335,059
Low-value consumables	51,139,719	209,200,391	(196,366,418)	63,973,692
Material on consignment for further processing	80,187,035	57,659,412	(111,239,654)	26,606,793
Work in progress	389,693,337	2,315,167,353	(2,362,942,772)	341,917,918
Finished goods	418,508,590	8,537,875,523	(8,728,851,910)	227,532,203
	<u>2,193,659,829</u>	<u>15,969,711,653</u>	<u>(16,543,848,586)</u>	<u>1,619,522,896</u>

(c) Provisions for decline in the value of inventories are analysed as follows:

	31 December 2015	Increase in the current period (unaudited)	Decrease in the current period		30 June 2016 (unaudited)
			Reversal (unaudited)	Write-off (unaudited)	
Raw materials	(2,487,995)	—	—	828,199	(1,659,796)
Packaging materials	(8,736,698)	—	—	1,213,042	(7,523,656)
	<u>(11,224,693)</u>	<u>—</u>	<u>—</u>	<u>2,041,241</u>	<u>(9,183,452)</u>

(d) Provisions for decline in the value of inventories are as follows:

	Basis for provision	Reason for writing-off
Raw materials and packaging materials	Estimated selling price less the estimated costs to completion and estimated expenses necessary to make the sale and related taxes	Writing-off: used or disposed in the current period

(8) Other current assets

	30 June 2016 (unaudited)	31 December 2015
Wealth management products (i)	780,000,000	—
Prepaid Enterprise Income tax	454,231,422	571,276,009
Input VAT	56,965,706	197,334,248
Others	1,198,267	130,852
	<u>1,292,395,395</u>	<u>768,741,109</u>

(i) It represents floating rate wealth management products purchased by Finance Company. These products are all matured within one year.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(9) Available-for-sale financial assets

	30 June 2016 (unaudited)	31 December 2015
Measured at cost		
— available-for-sale equity instruments	9,261,821	9,261,821
Less: impairment allowance	(8,653,179)	(8,653,179)
	<u>608,642</u>	<u>608,642</u>

(a) Available-for-sale financial assets are analysed as follows:

Available-for-sale financial assets measured at cost:

	31 December 2015	Increase in the current period (unaudited)	30 June 2016 (unaudited)	Dividends distribution in the current period (unaudited)
Cost of available-for-sale equity instruments				
— Qingdao Yingxiao Club	3,985,261	—	3,985,261	—
— Guangxi Beihai Real Estate Co., Ltd.	3,610,000	—	3,610,000	—
— Others	<u>1,666,560</u>	—	<u>1,666,560</u>	—
	<u>9,261,821</u>	—	<u>9,261,821</u>	—
		31 December 2015	Changes in the current period (unaudited)	30 June 2016 (unaudited)
Impairment allowance of available-for-sale equity instruments				
— Qingdao Yingxiao Club		(3,985,261)	—	(3,985,261)
— Guangxi Beihai Real Estate Co., Ltd.		(3,610,000)	—	(3,610,000)
— Others		<u>(1,057,918)</u>	—	<u>(1,057,918)</u>
		<u>(8,653,179)</u>	—	<u>(8,653,179)</u>

(b) The available-for-sale financial assets measured at cost mainly include the unlisted equity investments held by the Group which are not quoted in an active market and whose fair value cannot be reliably measured as the range of reasonable fair value estimates is wide and probabilities for determining these estimates cannot be reasonably determined. The Group has no plan to dispose these investments.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(10) Long-term equity investments

	30 June 2016 (unaudited)	31 December 2015
Joint Ventures (a)	228,444,177	225,462,073
Associates (b)	1,295,827,683	1,283,503,022
	1,524,271,860	1,508,965,095
Less: Provision for impairment of long-term equity investments	(1,220,000)	(1,220,000)
	<u>1,523,051,860</u>	<u>1,507,745,095</u>

There is no restriction on realisation the long-term equity investments to cash.

There is no restriction on fund transferring among the Group and its joint venture and associates.

(a) Joint Venture

	Movements in the current period (unaudited)				30 June 2016 (unaudited)	Equity interest held	Voting rights	Balance of provision for impairment at end of period (unaudited)
	31 December 2015	Share of net profit or loss using the equity method	share of other comprehensive income	Other equity changes				
Hebei Jiahe Company	<u>225,462,073</u>	<u>2,982,104</u>	—	—	<u>228,444,177</u>	50%	50%	—

The share of equity interests and voting right held by the Company are both 50% in Hebei Jiahe Company, so the Group owns joint control over Hebei Jiahe Company and accounts for it as a joint venture.

Details of equity interests in the joint venture are disclosed in note 6(2)(b).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(10) Long-term equity investments (Cont'd)

(b) Associates

	Movements in the current period (unaudited)				30 June 2016 (unaudited)	Equity interests held	Voting rights	Balance of provision for impairment at end of period (unaudited)
	31 December 2015	Share of net profit or loss using the equity method	Share of other comprehensive income	Share of other equity				
Shanghai Investment Company (i)	1,127,813,513	9,117,821	—	—	1,136,931,334	50%	44.44%	—
Yantai Asahi	133,456,185	14,190,747	—	—	(14,098,052)	39%	39%	—
Qingdao Zhaoshang Logistics Company Limited ("Zhaoshang Logistics")	17,058,242	2,302,947	—	5,694	—	30%	30%	—
Liaoning Shenqing Tsingtao Brewery Company Limited ("Liaoning Shenqing")	2,197,360	(36,258)	—	—	—	30%	30%	—
Tsingtao Brewery Import & Export S.A.R.L. ("European Company")	1,757,722	763,180	78,582	—	—	40%	40%	—
Others	1,220,000	—	—	—	—	—	—	(1,220,000)
	<u>1,283,503,022</u>	<u>26,338,437</u>	<u>78,582</u>	<u>5,694</u>	<u>(14,098,052)</u>			<u>(1,220,000)</u>

- (i) The Group's share of equity interests in Shanghai Investment Company is 50%, while the voting right is 44.44%. All decisions of operating activities are made by the Board of Directors of Shanghai Investment Company. As there are 9 directors in total while 4 directors are from the Group, the Group can exercise significant influence over Shanghai Investment Company and accounted for it as an associate. The other 5 directors are from Suntory Company.

The share of net losses using the equity method of Shanghai Investment Company is 9,117,821, including investment income of 9,296,605 which derives from shares of net income based on the fair value adjustment and investment loss of 178,784 due to the unrealised profit in intra-group sales reversed in the current period.

Details of equity interests in the associates are disclosed in note 6(2)(c).

(11) Investment properties

	Buildings
31 December 2015	25,512,148
Transferred from fixed assets (i) (unaudited)	1,005,502
Depreciation in the current period (unaudited)	(797,123)
Transferred to fixed assets in the current period (unaudited)	<u>(165,939)</u>
30 June 2016 (unaudited)	<u>25,554,588</u>

- (i) In January 2016, the fixed assets with the carrying amount of 1,005,502 (original cost: 1,715,030) are reclassified to investment properties as they are used for leasing instead of self-use.

For the six months ended 30 June 2016, there is no investment property measured at fair value in the Group (For the six months ended 30 June 2015: nil).

As at 30 June 2016, there is no investment property without ownership certificates (31 December 2015: nil).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(12) Fixed assets

	Buildings	Machinery and equipment	Vehicles	Other equipment	Total
Cost					
As at 31 December 2015	6,123,673,099	10,194,261,003	350,324,541	773,301,752	17,441,560,395
Increase in the current period (unaudited)	118,323,356	246,604,195	7,799,397	40,476,677	413,203,625
Purchase	—	25,131,356	7,799,397	40,476,677	73,407,430
Transfer from construction in progress	117,666,499	221,472,839	—	—	339,139,338
Transfer from investment properties	656,857	—	—	—	656,857
Decrease in the current period (unaudited)	(127,192,097)	(282,804,214)	(14,936,875)	(23,830,934)	(448,764,120)
Disposal	(107,312,271)	(156,531,569)	(14,936,875)	(23,693,729)	(302,474,444)
Transfer to construction in progress (i)	(18,164,796)	(126,272,645)	—	(137,205)	(144,574,646)
Transfer to investment properties	(1,715,030)	—	—	—	(1,715,030)
As at 30 June 2016 (unaudited)	6,114,804,358	10,158,060,984	343,187,063	789,947,495	17,405,999,900
Accumulated depreciation					
As at 31 December 2015	(1,442,584,826)	(5,021,385,384)	(192,837,568)	(474,464,550)	(7,131,272,328)
Increase in the current period (unaudited)	(83,002,268)	(266,037,281)	(16,016,704)	(46,537,666)	(411,593,919)
Accrual	(82,757,510)	(266,037,281)	(16,016,704)	(46,537,666)	(411,349,161)
Transfer from investment properties	(244,758)	—	—	—	(244,758)
Decrease in the current period (unaudited)	58,046,997	188,034,034	12,082,712	22,344,286	280,508,029
Disposal	53,300,523	116,937,689	12,082,712	22,221,023	204,541,947
Transfer to construction in progress (i)	4,036,946	71,096,345	—	123,263	75,256,554
Transfer to investment properties	709,528	—	—	—	709,528
As at 30 June 2016 (unaudited)	(1,467,540,097)	(5,099,388,631)	(196,771,560)	(498,657,930)	(7,262,358,218)
Provision for impairment					
As at 31 December 2015	(61,457,546)	(349,186,841)	(2,543,820)	(193,976)	(413,382,183)
Increase in the current period (unaudited)	(691,294)	(3,130,619)	(91,354)	(165,286)	(4,078,553)
Accrual	(445,134)	(3,130,619)	(91,354)	(165,286)	(3,832,393)
Transfer from investment properties	(246,160)	—	—	—	(246,160)
Decrease in the current period (unaudited)	52,768	10,167,176	194,906	27,275	10,442,125
Disposal	52,768	10,167,176	194,906	27,275	10,442,125
As at 30 June 2016 (unaudited)	(62,096,072)	(342,150,284)	(2,440,268)	(331,987)	(407,018,611)
Carrying amount					
As at 30 June 2016 (unaudited)	4,585,168,189	4,716,522,069	143,975,235	290,957,578	9,736,623,071
As at 31 December 2015	4,619,630,727	4,823,688,778	154,943,153	298,643,226	9,896,905,884

- (i) For the six months ended 30 June 2016, fixed assets of the Group with the carrying amount of 69,318,092 (cost: 144,574,646; accumulated depreciation: 75,256,554) are transferred to construction in progress to be upgraded due to technology renewal.

(12) Fixed assets (Cont'd)

As at 30 June 2016, there are no fixed assets pledged as collateral (31 December 2015: nil).

For the six months ended 30 June 2016, fixed assets accumulated depreciation are 411,349,161 (Six months ended 30 June 2015: 380,106,050), of which 366,627,174, 5,845,064 and 38,876,923 (Six months ended 30 June 2015: 336,380,116, 6,966,129 and 36,759,805) have been charged to cost of sales, selling and distribution expenses and general and administrative expenses respectively.

The cost of fixed assets transferred from construction in progress amounts to 339,139,338 (Six months ended 30 June 2015: 816,903,415).

(a) Temporarily idle fixed assets

As at 30 June 2016, the buildings and the machinery and equipment with carrying amount of 98,554,244 (cost: 235,603,925) are temporarily idle for the reason of relocation or products update (31 December 2015: carrying amount of 56,228,495 (cost: 102,660,465)). The management planned to dispose or reallocate these assets among the Group. The detailed analysis of these assets is as follows:

	Cost (unaudited)	Accumulated depreciation (unaudited)	Provision for impairment (unaudited)	Carrying amount (unaudited)
Machinery and equipment	190,402,573	(108,754,565)	(7,991,724)	73,656,284
Buildings	<u>45,201,352</u>	<u>(20,289,231)</u>	<u>(14,161)</u>	<u>24,897,960</u>
	<u>235,603,925</u>	<u>(129,043,796)</u>	<u>(8,005,885)</u>	<u>98,554,244</u>

(b) Fixed assets held under finance leases

As at 30 June 2016, there are no fixed assets held under finance leases (31 December 2015: nil).

(c) Provision for impairment

According to the accounting policies stated in Note 2(19), the Group performs impairment testing on buildings, machinery and equipment with impairment indicator at the balance sheet date, and impairment of 3,832,393 has been provided.

(d) Fixed assets without ownership certificates

The ownership certificates of the Group's certain buildings have not been obtained. The analysis is as follows:

Reason	30 June 2016 Carrying amount (unaudited)	31 December 2015 Carrying amount
In the application process	525,558,000	590,092,000
Unable to obtain	<u>46,454,000</u>	<u>49,321,000</u>
	<u>572,012,000</u>	<u>639,413,000</u>

(12) Fixed assets (Cont'd)

(d) Fixed assets without ownership certificates (Cont'd)

Per consultation with the Company's legal adviser, the Company's directors are of the view that this situation will not prevent the Group from legal possession of such facilities as there is no legal restriction for the Group to apply for and obtain the building ownership certificates, there are no significant adverse impact on the operations of the Group, therefore, no provision for fixed assets impairment is provided. In addition, certain buildings of the Group are still located on parcels of allocated land owned by certain local municipal governments (Note 4(15)).

Reason

Partial buildings of Shenzhen Asahi Company	In the application process
Partial buildings of Sanshui Company	In the application process
Partial buildings of Yulin Company	In the application process
Partial buildings of Wuwei Company	In the application process
Partial buildings of Weinan Company	In the application process
Partial buildings of Wuhu Company	In the application process
Partial buildings of Suizhou Company	In the application process
Partial buildings of Immense Brewery Company	In the application process
Partial buildings of Luzhou Company	In the application process
Partial buildings of Xiamen Company	In the application process
Partial buildings of Shaoguan Company	In the application process
Partial buildings of Malt Factory	In the application process
Partial buildings of Hansi Baoji Company	In the application process
Partial buildings of Shaoguan Company	Temporary buildings, unable to obtain
Partial buildings of Five Star Company	Temporary buildings, unable to obtain
Partial buildings of Xiamen Company	Lack of document, unable to obtain
Partial buildings of No.1 Factory	Lack of document, unable to obtain
Partial buildings of Three Ring Company	Lack of document, unable to obtain
Partial buildings of Xuecheng Company	Lack of document, unable to obtain

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(13) Construction in progress

	30 June 2016 (unaudited)			31 December 2015		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Relocation project of Xingkaihu Company	84,098,488	—	84,098,488	45,645,690	—	45,645,690
Relocation project of Suizhou Company	34,820,911	—	34,820,911	3,749,476	—	3,749,476
Production line improvement of No. 1 Factory	24,562,786	—	24,562,786	28,698,169	—	28,698,169
New factory project of Zhangjiakou Company	15,998,126	—	15,998,126	15,998,126	—	15,998,126
Production line improvement of No. 2 Factory	14,559,861	—	14,559,861	12,277,670	—	12,277,670
Relocation project of Langfang Company	9,442,915	—	9,442,915	8,028,094	—	8,028,094
Relocation project of Malt Factory	8,938,083	—	8,938,083	108,143,961	—	108,143,961
Relocation project of Weinan Company	8,146,417	—	8,146,417	11,363,320	—	11,363,320
Production Line Improvement of Five stars Company	5,332,237	—	5,332,237	35,000	—	35,000
Equipment installation of Fuzhou Company	4,374,745	—	4,374,745	3,595,846	—	3,595,846
Production Line Improvement of Three Ring Company	3,711,704	—	3,711,704	—	—	—
New office building project of Shanghai Sales Company	3,258,376	—	3,258,376	3,258,376	—	3,258,376
Production Line Improvement of Taiyuan Company	3,064,005	—	3,064,005	1,268,376	—	1,268,376
Production Line Improvement of Nanning Company	2,981,453	—	2,981,453	885,462	—	885,462
Production line improvement of No. 5 Factory	2,840,106	—	2,840,106	3,429,437	—	3,429,437
Relocation project of Hansi Baoji Company	2,484,681	—	2,484,681	20,840,772	—	20,840,772
Production line improvement of Lulansha Factory	2,078,440	—	2,078,440	—	—	—
Production line improvement of Jiujiang Factory	2,057,444	—	2,057,444	4,752,858	—	4,752,858
Production line improvement of Shenzhen Asahi	1,633,501	—	1,633,501	300,574	—	300,574
Production line improvement of Jinan Factory	1,552,249	—	1,552,249	769,831	—	769,831
Production line improvement of Wuwei Factory	1,405,149	—	1,405,149	—	—	—
Production line improvement of Changsha Factory	1,323,310	—	1,323,310	1,032,000	—	1,032,000
Production Line Improvement of Xi'an Company	1,312,651	—	1,312,651	1,121,539	—	1,121,539
Production Line Improvement of Zhangzhou Company	1,147,846	—	1,147,846	—	—	—
Production Line Improvement of Sanshui Company	1,056,479	—	1,056,479	61,712	—	61,712
Production Line Improvement of Tengzhou Company	1,029,033	—	1,029,033	—	—	—
Other projects	11,684,105	—	11,684,105	12,213,445	—	12,213,445
	<u>254,895,101</u>	<u>—</u>	<u>254,895,101</u>	<u>287,469,734</u>	<u>—</u>	<u>287,469,734</u>

(13) Construction in progress (Cont'd)

(a) Movement in significant construction in progress

Name	Budget	31 December 2015	Increase in the current period (unaudited)	Transfer to fixed assets (unaudited)	30 June 2016 (unaudited)	Proportion of expenditures incurred to budgeted amount	Completion percentage	Source of funds
Relocation project of Xingkaifu Company	255,000,000	45,645,690	38,452,798	—	84,098,488	39%	34%	Self-funding
Relocation project of Suizhou Company	268,000,000	3,749,476	31,363,813	(292,378)	34,820,911	18%	13%	Self-funding
Production line improvement of No. 1 Factory	315,508,388	28,698,169	7,727,848	(11,863,231)	24,562,786	91%	91%	Self-funding
New factory project of Zhangjiakou Company	400,000,000	15,998,126	—	—	15,998,126	4%	4%	Self-funding
Production line improvement of No. 2 Factory	403,642,000	12,277,670	11,524,379	(9,242,188)	14,559,861	90%	87%	Self-funding
Relocation project of Langfang Company	299,220,000	8,028,094	3,868,464	(2,453,643)	9,442,915	8%	4%	Self-funding
Relocation project of Mali Factory	422,500,000	108,143,961	27,161,837	(126,367,715)	8,938,083	100%	99%	Funding from convertible bonds and self-funding
Relocation project of Weinan Company	308,330,000	11,363,320	15,739,242	(18,956,145)	8,146,417	75%	73%	Self-funding
Production Line Improvement of Five stars Company	18,819,000	35,000	5,791,254	(494,017)	5,332,237	99%	98%	Self-funding
Equipment installation of Fuzhou Company	38,917,512	3,595,846	5,046,392	(4,267,493)	4,374,745	39%	39%	Self-funding
Production Line Improvement of Three Ring Company	6,835,000	—	5,892,185	(2,180,481)	3,711,704	86%	86%	Self-funding
New office building project of Shanghai Sales Company	140,000,000	3,258,376	—	—	3,258,376	2%	2%	Self-funding
Production Line Improvement of Taiyuan Company	26,363,636	1,268,376	7,014,511	(5,218,882)	3,064,005	94%	94%	Self-funding
Production Line Improvement of Nanning Company	16,706,431	885,462	3,296,008	(1,200,017)	2,981,453	94%	83%	Self-funding
Production line improvement of No. 5 Factory	30,250,459	3,429,437	8,474,058	(9,063,389)	2,840,106	76%	76%	Self-funding
Relocation project of Hansi Baoji Company	509,960,732	20,840,772	20,089,510	(38,445,601)	2,484,681	73%	73%	Self-funding
Production line improvement of Lulansha Factory	2,950,000	—	2,872,156	(793,716)	2,078,440	97%	97%	Self-funding
Production line improvement of Jiujiang Factory	40,120,000	4,752,858	3,754,238	(6,449,652)	2,057,444	76%	75%	Self-funding
Production line improvement of Shenzhen Asahi	29,581,926	300,574	4,907,562	(3,574,635)	1,633,501	99%	99%	Self-funding
Production line improvement of Jinan Factory	9,165,065	769,831	3,265,467	(2,483,049)	1,552,249	94%	94%	Self-funding
Production line improvement of Wuwei Factory	4,834,000	—	1,455,149	(50,000)	1,405,149	30%	30%	Self-funding
Production line improvement of Changsha Factory	6,938,350	1,032,000	2,013,629	(1,722,319)	1,323,310	84%	84%	Self-funding
Production Line Improvement of Xi'an Company	29,900,988	1,121,539	8,601,393	(8,410,281)	1,312,651	93%	93%	Self-funding
Production Line Improvement of Zhangzhou Company	3,240,000	—	1,147,846	—	1,147,846	35%	35%	Self-funding
Production Line Improvement of Sanshui Company	17,254,400	61,712	1,051,929	(57,162)	1,056,479	13%	13%	Self-funding
Production Line Improvement of Tengzhou Company	1,220,967	—	1,029,033	—	1,029,033	84%	84%	Self-funding
Other projects		12,213,445	85,024,004	(85,553,344)	11,684,105			
		287,469,734	306,564,705	(339,139,338)	254,895,101			

For the six months ended 30 June 2016, there are no new increased borrowing costs capitalised (Six months ended 30 June 2015: nil).

For the six months ended 30 June 2016, fixed assets of the Group with the carrying amount of 69,318,092 (cost: 144,574,646) are transferred to construction in progress (For the six months ended 30 June 2015: carrying amount 49,460,414 (cost: 141,772,209)).

(b) Provision for impairment

For the six months ended 30 June 2016, the Group did not provide or write off provision for impairment of construction in progress (Six months ended 30 June 2015: nil).

(14) Fixed assets pending for disposal

	30 June 2016 (unaudited)	31 December 2015
Machinery and equipment	<u>7,611,422</u>	<u>6,571,007</u>

(15) Intangible assets

	Land use rights	Trademarks	Technology known-how	Marketing networks	Others	Total
Cost						
31 December 2015	2,099,783,750	415,988,313	18,629,100	974,935,670	339,518,077	3,848,854,910
Increase in the current period						
— Purchase (unaudited)	627,171	—	—	—	5,350,307	5,977,478
Decrease in the current period						
— Disposal (unaudited)	(90,739,170)	—	—	—	—	(90,739,170)
30 June 2016 (unaudited)	2,009,671,751	415,988,313	18,629,100	974,935,670	344,868,384	3,764,093,218
Accumulated amortisation						
31 December 2015	(345,466,592)	(203,882,882)	(18,629,100)	(444,655,746)	(129,120,973)	(1,141,755,293)
Increase in the current period						
— Amortisation (unaudited)	(20,986,086)	(16,397,619)	—	(49,072,402)	(16,164,838)	(102,620,945)
Decrease in the current period						
— Disposal (unaudited)	6,003,338	—	—	—	—	6,003,338
30 June 2016 (unaudited)	(360,449,340)	(220,280,501)	(18,629,100)	(493,728,148)	(145,285,811)	(1,238,372,900)
Carrying amount						
30 June 2016 (unaudited)	1,649,222,411	195,707,812	—	481,207,522	199,582,573	2,525,720,318
31 December 2015	1,754,317,158	212,105,431	—	530,279,924	210,397,104	2,707,099,617

For the six months ended 30 June 2016, the amortisation amount of intangible assets is 102,620,945 (Six months ended 30 June 2015: 100,412,958), of which 55,561,036 and 47,059,909 (six months ended 30 June 2015: 50,797,246 and 49,615,712) have been charged to selling and distribution expenses and general and administrative expenses respectively.

As at 30 June 2016, there are no intangible assets pledged as collateral (31 December 2015: nil).

As at 30 June 2016, the relevant legal procedures for certificates application of the Group's land use rights with carrying amount of approximately 155,000 (31 December 2015: 51,683,000) are still in process. According to the legal adviser's opinion, the directors of the Company are of the view that, there is no substantial legal restriction for the acquisition of the certificates, which does not have significant impact on the Group's operation and no provision for impairment of intangible assets is considered necessary. In addition, as at 30 June 2016, buildings of certain subsidiaries of the Group were located on parcels of allocated land owned by certain local municipal governments. Most of the relevant local governments have undertaken to implement transfer procedures for these lands. Carrying amount of the buildings constructed thereon are approximately 31,122,000 as at 30 June 2016 (31 December 2015: 31,782,000). The Company's directors consider that there is no significant adverse impact on the operations of the Group.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(16) Goodwill

	31 December 2015	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2016 (unaudited)
Goodwill —				
Immense Brewery Company	958,868,617	—	—	958,868,617
Lulansa Brewery	227,026,482	—	—	227,026,482
Huanan Region — Nanning Company	130,895,740	—	—	130,895,740
Dongnan Region — Fuzhou Company/Xiamen Company/Zhangzhou Company/Dongnan Sales Company	114,031,330	—	—	114,031,330
Huabei Region — Three Ring Company/Beifang Sales Company	24,642,782	—	—	24,642,782
Other Regions	49,049,770	—	—	49,049,770
	<u>1,504,514,721</u>	<u>—</u>	<u>—</u>	<u>1,504,514,721</u>
<i>Less: provision for impairment (a) —</i>				
Immense Brewery Company	—	—	—	—
Lulansa Brewery	—	—	—	—
Huanan Region — Nanning Company	(130,895,740)	—	—	(130,895,740)
Dongnan Region — Fuzhou Company/Xiamen Company/Zhangzhou Company/Dongnan Sales Company	—	—	—	—
Huabei Region — Three Ring Company/Beifang Sales Company	(24,642,782)	—	—	(24,642,782)
Other Regions	(41,872,217)	—	—	(41,872,217)
	<u>(197,410,739)</u>	<u>—</u>	<u>—</u>	<u>(197,410,739)</u>
	<u><u>1,307,103,982</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>1,307,103,982</u></u>

(a) Impairment

The goodwill allocated to the asset groups and groups of asset groups are summarised by operating segments as follows:

	30 June 2016 (unaudited)	31 December 2015
Huanan Region	(130,895,740)	(130,895,740)
Huabei Region	(24,642,782)	(24,642,782)
Other Regions	(41,872,217)	(41,872,217)
	<u>(197,410,739)</u>	<u>(197,410,739)</u>

(16) Goodwill (Cont'd)**(a) Impairment (Cont'd)**

The recoverable amounts of asset groups and groups of asset groups are calculated using the estimated cash flows determined according to the five-year financial budgets approved by management.

Management determines budgeted gross margin based on previous experience and forecast on future market. The discount rate used by management is the pre-tax interest rate that is able to reflect the risks specific to related asset groups and groups of asset groups. The above assumptions are used to assess the recoverable amount of each asset group and group of asset groups.

(17) Long-term prepaid expenses

	31 December 2015	Increase in the current period (unaudited)	Amortisation in the current period (unaudited)	30 June 2016 (unaudited)
Decoration and renovation expenses	17,431,686	4,086,258	(2,957,006)	18,560,938
Factory hardening expenses	7,116,896	1,923,668	(1,143,548)	7,897,016
Gardening expenses	6,637,194	859,497	(2,216,375)	5,280,316
Site and vehicle leasing expenses	4,802,284	45,806	(761,209)	4,086,881
Others	3,873,800	1,372,459	(1,403,684)	3,842,575
	<u>39,861,860</u>	<u>8,287,688</u>	<u>(8,481,822)</u>	<u>39,667,726</u>

(18) Deferred tax assets and deferred tax liabilities**(a) Deferred tax assets without offsetting**

	30 June 2016 (unaudited)		31 December 2015	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	404,536,404	101,134,101	281,250,744	70,312,686
Provision for asset impairment	10,035,080	2,508,770	10,759,220	2,689,805
Deferred income	38,921,728	9,730,432	34,102,432	8,525,608
Elimination of intra-group unrealised profit	47,772,740	11,943,185	85,554,512	21,388,628
Accruals of expenses	3,317,151,476	829,287,869	2,732,546,792	683,136,698
	<u>3,818,417,428</u>	<u>954,604,357</u>	<u>3,144,213,700</u>	<u>786,053,425</u>
Including:				
Expected to reverse within one year (inclusive)		784,422,465		666,210,087
Expected to be recovered after one year		<u>170,181,892</u>		<u>119,843,338</u>
		<u>954,604,357</u>		<u>786,053,425</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(18) Deferred tax assets and deferred tax liabilities (Cont'd)

(b) Deferred tax liabilities without offsetting

	30 June 2016 (unaudited)		31 December 2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not under common control	489,098,768	122,274,692	533,864,420	133,466,105
Depreciation of fixed assets	15,109,752	3,777,438	17,963,676	4,490,919
The difference between carrying amount and tax base resulted from government grants charged in profit or loss in the current period	51,224,260	12,806,065	51,224,260	12,806,065
	555,432,780	138,858,195	603,052,356	150,763,089
Including:				
Expected to be recovered within one year (inclusive)		20,626,662		26,610,652
Expected to be recovered after one year		118,231,533		124,152,437
		138,858,195		150,763,089

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	30 June 2016 (unaudited)	31 December 2015
Deductible temporary differences	340,756,849	345,082,076
Deductible losses	1,941,173,240	1,769,750,774
	2,281,930,089	2,114,832,850

Given the loss-making position of certain subsidiaries, whether it is probable that sufficient future taxable incomes will be available against such deductible losses is highly uncertain. Therefore, the Group has not recognised deferred tax assets of approximately 485,293,000 (31 December 2015: 442,438,000) arising from the accumulated losses that can set off against taxable incomes under tax laws in the five-year period from 2017 to 2021. In addition, given the loss-making position of certain subsidiaries, whether it is probable that sufficient future taxable incomes will be available against temporary differences is highly uncertain or the possibility of obtaining approval on the losses from tax authorities is low. Therefore, the Group also has not recognised deferred tax assets of approximately 85,189,000 (31 December 2015: 86,271,000) arising from the deductible temporary differences resulting from the impact of provision for impairment losses.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(18) Deferred tax assets and deferred tax liabilities (Cont'd)

(d) Deductible losses that are not recognised as deferred tax assets will be overdue in the following years:

	30 June 2016 (unaudited)	31 December 2015
2016	248,860,914	281,111,059
2017	330,207,609	336,857,590
2018	357,404,201	357,741,607
2019	320,803,816	329,760,124
2020	471,202,396	464,280,394
2021	212,694,304	—
	<u>1,941,173,240</u>	<u>1,769,750,774</u>

(e) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	30 June 2016 (unaudited)		31 December 2015	
	Offsetting amount	Net amounts	Offsetting amount	Net amounts
Deferred tax assets	15,368,611	939,235,746	16,894,708	769,158,717
Deferred tax liabilities	15,368,611	123,489,584	16,894,708	133,868,381

(19) Provision for asset impairment

	31 December 2015 (unaudited)	Increase in the current period (unaudited)	<u>Decrease in the current period</u>			30 June 2016 (unaudited)
			Reversal (unaudited)	Write-off (unaudited)	Others (unaudited)	
Provision for bad debts	267,281,307	2,315,565	(2,495,500)	(6,571)	1,646	267,096,447
Including: Provision for bad debts of accounts receivable	195,877,683	382,605	(1,075,924)	(6,571)	1,646	195,179,439
Provision for bad debts of other receivables	71,403,624	1,932,960	(1,419,576)	—	—	71,917,008
Provision for decline in value of inventories	11,224,693	—	—	(2,041,241)	—	9,183,452
Provision for impairment of available- for-sale financial assets	8,653,179	—	—	—	—	8,653,179
Provision for impairment of long-term equity investments	1,220,000	—	—	—	—	1,220,000
Provision for impairment of investment properties	852,747	—	—	—	(246,160)	606,587
Provision for impairment of fixed assets	413,382,183	3,832,393	—	(10,442,125)	246,160	407,018,611
Provision for impairment of goodwill	197,410,739	—	—	—	—	197,410,739
	<u>900,024,848</u>	<u>6,147,958</u>	<u>(2,495,500)</u>	<u>(12,489,937)</u>	<u>1,646</u>	<u>891,189,015</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(20) Other non-current assets

	30 June 2016 (unaudited)	31 December 2015
Prepayments for investment (<i>Note 10 (3)</i>)	572,912,001	—
Prepayments for construction and equipment	75,653,964	65,214,382
	<u>648,565,965</u>	<u>65,214,382</u>

(21) Short-term borrowings

	Currency	30 June 2016 (unaudited)	31 December 2015
Unsecured loan (<i>i</i>)	HKD/RMB	334,888,600	301,942,672
Entrusted loan (<i>ii</i>)	RMB	20,000,000	208,444,610
Interbank borrowing (<i>iii</i>)	RMB	—	300,000,000
		<u>354,888,600</u>	<u>810,387,282</u>

(i) Represents the borrowing of RMB 288,888,600 (Original foreign currency: HKD 338,000,000) to Hong Kong company, a subsidiary, provided by the Bank of China Macau branch (31 December 2015: RMB283,176,400 (HKD:338,000,000)), and the borrowing of RMB 46,000,000 provided by the Bank of Tokyo-Mitsubishi UFJ (China), Ltd. (“BTMU China”) to Shenzhen Tsingtao Brewery Asahi Co., Ltd. (“Shenzhen Asahi”) (31 December 2015: the borrowing provided by BTMU China to Shenzhen Asahi was RMB18,766,272 (HKD: 22,399,465)).

(ii) As at 30 June 2016, the entrusted loan 20,000,000 is the borrowing of Lulansa Company, a subsidiary of the Company, from its minority shareholder Shandong Huashi Beer Co., Ltd. (“Shandong Huashi”). (As at 31 December 2015, the entrusted loan includes the borrowing of Lulansa Company from Shandong Huashi, amounting to 20,000,000, and borrowings of Shanghai Market Service and the Prince Sales, subsidiaries of the Company, from Suntory Company through banks, amounting to 124,661,317 and 63,783,293 respectively).

(iii) As at 31 December 2015, it represents the interbank borrowing of RMB300,000,000 from Agricultural Bank of China by Finance Company, with the maturity date of January 2016.

As at 30 June 2016, the interest rate range of short-term borrowings is from 1.45% to 5.60% (31 December 2015: 1.48% to 5.60%).

(22) Notes payable

	30 June 2016 (unaudited)	31 December 2015
Bank acceptance notes	113,157,854	68,022,320
Trade acceptance notes	26,759,090	32,119,311
	<u>139,916,944</u>	<u>100,141,631</u>

Other cash balances of 5,267,000 (31 December 2015: 4,057,894) are pledged as collateral for the bank acceptance notes of the Group (Note4 (1)).

All notes payable will be due within six months.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(23) Accounts payable

	30 June 2016 (unaudited)	31 December 2015
Payable for materials purchase	2,318,231,611	1,692,948,348
Payable for beer purchase due to related parties <i>(Note 8(5))</i>	1,132,812,346	879,652,889
Payable for promotional goods	28,071,521	16,975,251
Others	1,905,859	1,410,368
	<u>3,481,021,337</u>	<u>2,590,986,856</u>

(a) As at 30 June 2016, accounts payable over 1 year with carrying amount of 54,829,633 (31 December 2015: 53,746,030) are mainly payables for materials purchase, for which final settlement has not yet been completed.

(b) The ageing of accounts payable based on their recording dates is analysed as follows:

	30 June 2016 (unaudited)	31 December 2015
Within 1 year	3,426,191,704	2,537,240,826
1 to 2 years	31,116,999	32,294,411
2 to 3 years	7,390,946	4,354,162
Over 3 years	16,321,688	17,097,457
	<u>3,481,021,337</u>	<u>2,590,986,856</u>

(24) Advances from customers

	30 June 2016 (unaudited)	31 December 2015
Advances on sales of beer	<u>529,894,128</u>	<u>1,000,313,388</u>

As at 30 June 2016, advances from customers over 1 period with carrying amount of 15,722,018 (31 December 2015: 13,766,714) are mainly purchase deposits received from customers in advance. The amount has not been settled as the Group still maintains cooperative relationship with these customers.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(25) Employee benefits payable

	30 June 2016 (unaudited)	31 December 2015
Short-term employee benefits (a)	821,087,827	788,693,683
Defined contribution plans (b)	23,933,233	22,745,678
Termination benefits (c)	98,839,641	98,978,948
Defined benefit plans (d)	16,096,396	15,211,459
	<u>959,957,097</u>	<u>925,629,768</u>

(a) Short-term employee benefits

	31 December 2015	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2016 (unaudited)
Wages and salaries, bonus, allowances and subsidies	521,462,427	1,374,624,800	(1,356,400,180)	539,687,047
Staff welfare	—	79,069,870	(79,069,870)	—
Social security contributions	14,914,382	106,781,957	(107,100,649)	14,595,690
Including: Medical insurance	11,635,024	91,000,558	(91,356,779)	11,278,803
Work injury insurance	1,686,122	7,910,185	(7,896,109)	1,700,198
Maternity insurance	1,593,236	7,871,214	(7,847,761)	1,616,689
Housing funds	16,699,563	116,386,058	(115,249,646)	17,835,975
Labour union funds and employee education funds	<u>235,617,311</u>	<u>48,932,359</u>	<u>(35,580,555)</u>	<u>248,969,115</u>
	<u>788,693,683</u>	<u>1,725,795,044</u>	<u>(1,693,400,900)</u>	<u>821,087,827</u>

(b) Defined contribution plans

	31 December 2015	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2016 (unaudited)
Basic pension	18,765,809	212,359,299	(211,379,774)	19,745,334
Unemployment insurance	<u>3,979,869</u>	<u>12,440,117</u>	<u>(12,232,087)</u>	<u>4,187,899</u>
	<u>22,745,678</u>	<u>224,799,416</u>	<u>(223,611,861)</u>	<u>23,933,233</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(25) Employee benefit payable (Cont'd)

(c) Termination benefits

	30 June 2016 (unaudited)	31 December 2015
Early retirement benefits payable (to be paid within one year) (Note 4(33))	98,606,523	98,470,798
Other termination benefits (i)	233,118	508,150
	<u>98,839,641</u>	<u>98,978,948</u>

(i) For the six months ended 30 June 2016, the Group's other termination benefits paid for termination of the employment relationship is 1,977,902, because of certain subsidiaries' relocation and other events.

(d) Defined benefit plans

	30 June 2016 (unaudited)	31 December 2015
Supplemental retirement benefits(to be paid within one year) (Note 4(33))	<u>16,096,396</u>	<u>15,211,459</u>

(26) Taxes payable

	30 June 2016 (unaudited)	31 December 2015
Enterprise income tax	247,882,544	122,496,662
Consumption tax	184,242,046	58,051,366
VAT	179,005,854	23,863,186
City maintenance and construction tax	29,225,423	7,208,969
Education surcharge	22,785,860	5,967,324
Business tax	1,378,996	3,303,668
Others	41,066,191	40,997,977
	<u>705,586,914</u>	<u>261,889,152</u>

(27) Dividends payable

	30 June 2016 (unaudited)	31 December 2015
Dividends payable to common shareholders	271,406,311	—
Dividends payable to abroad shareholders	255,476,979	—
	<u>526,883,290</u>	<u>—</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(28) Other payables

	30 June 2016 (unaudited)	31 December 2015
Accruals for marketing expenses	2,341,921,869	1,948,497,991
Guarantee deposits	641,193,217	648,667,909
Payables to vendors of construction, machinery and equipment	543,146,271	600,398,710
Absorbed deposits from related parties and interests payable (i)	378,876,489	84,107,852
Accruals for transportation expenses	345,846,277	138,921,466
Accruals for advertising expenses	196,194,808	140,129,568
Accruals for labour expenses	73,990,162	51,706,889
Accruals for general and administrative expenses	54,084,797	53,494,182
Accruals for water, electricity and steam expenses	45,869,413	30,112,147
Withholding social expenses for staff	11,722,111	11,727,176
Investment payable (ii)	10,000,000	20,000,000
Others	<u>329,847,034</u>	<u>333,534,514</u>
	<u>4,972,692,448</u>	<u>4,061,298,404</u>

(i) It represents the deposits and interests payable of Finance Company, a subsidiary of the Company, which are absorbed from the associates including Shanghai Investment Company, New Songjiang Manufacturing, Suqian Company, Yangzhou Company, Pengcheng Company, Xuzhou Company, Tsingtao Brewery Shanghai Minhang Co., Ltd (“Shanghai Minhang Company”), Shanghai Yangpu Company, Tsingtao Brewery (Kunshan) Co., Ltd (“Kunshan Company”), Lianyungang Company and Yantai Asahi.

(ii) As at 31 December 2015, the Company had the equity investment payables to Lulansa Company of 20,000,000. In the current period, the Company has paid 10,000,000 according to the agreement with the acquirees.

As at 30 June 2016, other payables over 1 year with carrying amount of 521,359,948 (31 December 2015: 475,844,128) are mainly liabilities due to acquisition of subsidiaries, payables to vendors of construction, machinery and equipment, and investment payable.

(29) Current portion of non-current liabilities

	30 June 2016 (unaudited)	31 December 2015
Current portion of long-term borrowings (Note 4(30))	<u>898,254</u>	<u>856,189</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(30) Long-term borrowings

	Currency	30 June 2016 (unaudited)	31 December 2015
Guaranteed (i)	EUR	509,706	490,368
Guaranteed (ii)	DKK	1,974,468	2,077,621
		2,484,174	2,567,989
<i>Less: Current portion of guaranteed borrowings</i>			
Guaranteed (i)	EUR	(509,706)	(490,368)
Guaranteed (ii)	DKK	(388,548)	(365,821)
		(898,254)	(856,189)
		1,585,920	1,711,800

- (i) Bank guaranteed borrowing of RMB509,706 (Original foreign currency: EUR69,113) (31 December 2015: RMB490,368 (Original foreign currency: EUR69,113)) is guaranteed by the Bank of China Beijing Branch. The principal amount shall be repaid annually based on the matching principal method, with the last repayment falling due on 31 December 2016.
- (ii) Bank guaranteed borrowing of RMB1,974,468 (Original foreign currency: DKK1,991,998) (31 December 2015: RMB2,077,621 (Original foreign currency: DKK2,184,670)) guaranteed by Beijing Development and Reform Commission. The principal amount shall be repaid twice annually based on the matching principal method, with the last repayment falling due on 1 April 2021. The amount due within one year amounted to 388,548 (31 December 2015: RMB365,821).

As at 30 June 2016 and 31 December 2015, the long-term borrowings are interest-free borrowings.

(31) Payables for specific projects

Payables for specific projects mainly represent the relocation compensation received by subsidiaries from the government. As the relocation has not yet been completed, the amount was temporarily accounted for as "payables for specific projects" in accordance with the requirements under No. 3 Interpretation of Accounting Standards for Business Enterprises issued by the Ministry of Finance.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(32) Deferred income

	31 December 2015	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2016 (unaudited)	Reason
Government grants	<u>1,656,652,129</u>	<u>138,103,605</u>	<u>(206,920,661)</u>	<u>1,587,835,073</u>	Grants for relocation and technology improvement project
Government grants items	31 December 2015	Additions in the current period (unaudited)	Charged to non-operating income (unaudited)	30 June 2016 (unaudited)	Related to assets/income
Relocation projects					
Tengzhou Company relocation project	194,623,891	—	(5,892,316)	188,731,575	Assets
Wuwei Company relocation project	180,662,792	4,561	(5,947,275)	174,720,078	Assets/Income
Rizhao Company relocation project	169,782,864	—	(5,436,389)	164,346,475	Assets
Zhuhai Company relocation project	163,475,093	—	(6,339,967)	157,135,126	Assets
Gansu nongken Company relocation project	159,164,684	—	(5,847,078)	153,317,606	Assets/Income
Fuzhou Company relocation project	136,622,799	—	(6,289,262)	130,333,537	Assets
Weinan Company relocation project	109,123,851	61,498,606	(72,555,167)	98,067,290	Assets/Income
Harbin Company relocation project	95,465,286	—	(3,843,706)	91,621,580	Assets/Income
Suizhou Company relocation project	45,983,867	35,789,498	(768,423)	81,004,942	Assets/Income
Hansi Baoji relocation project	118,986,235	25	(71,188,694)	47,797,566	Assets/Income
Langfang Company relocation project	45,692,325	—	(511,880)	45,180,445	Assets
Xingkaihu Company relocation project	40,392,771	1,002,620	(1,441,706)	39,953,685	Assets/Income
Heze Company relocation project	33,562,651	—	(1,860,284)	31,702,367	Assets
Malt Factory relocation project	6,300,001	32,656,859	(13,359,839)	25,597,021	Assets/Income
No. 3 Factory relocation project	23,724,680	—	(1,890,356)	21,834,324	Assets
Technology improvement projects					
Technology improvement projects of Luzhou Company	11,519,933	—	(544,190)	10,975,743	Assets
Production line improvement project of Shijiazhuang Company	10,549,116	—	(1,690,388)	8,858,728	Assets
Other projects	<u>111,019,290</u>	<u>7,151,436</u>	<u>(1,513,741)</u>	<u>116,656,985</u>	
	<u>1,656,652,129</u>	<u>138,103,605</u>	<u>(206,920,661)</u>	<u>1,587,835,073</u>	

(33) Long-term employee benefits payable

	30 June 2016 (unaudited)	31 December 2015
Early retirement benefits (a)	382,152,349	391,090,281
Supplemental retirement benefits (b)	264,919,495	260,317,941
	647,071,844	651,408,222
Less: Payable within one year (note 4(25))	(114,702,919)	(113,682,257)
	532,368,925	537,725,965

(a) Early retirement benefits

Some employees of the Group have retired early because of factory relocation. As at the balance sheet date, the significant actuarial assumptions used in estimating the early retirement benefits payable by the Group are as follows:

	30 June 2016 (unaudited)	31 December 2015
Discount rate (yield-to-maturity of the fixed interest rate government bond with the same term)	2.39% - 3.46%	2.30% - 3.51%

Early retirement benefits charged to profit or loss for the current period:

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
General and administrative expenses	39,655,092	55,512,512
Finance expenses	5,308,198	6,931,308

(b) Supplemental retirement benefits

Supplemental retirement benefits are provided to those retired employees who met certain criteria and whose benefit plan was approved by the Board of directors. The benefits they can receive depend on their positions and seniorities at the time of retirement. Such defined benefit obligations were calculated using the projected unit credit method at the balance sheet date.

(i) Supplemental retirement benefits obligations of the Group:

	30 June 2016 (unaudited)	31 December 2015
Defined benefit obligations	264,919,495	260,317,941
Less: fair value of plan assets	—	—
Defined benefit liabilities	264,919,495	260,317,941

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(33) Long-term employee benefits payable (Cont'd)

(b) Supplemental retirement benefits (Cont'd)

(ii) The movements in supplemental retirement benefits of the Group are as follows:

	Present value of the defined benefit obligation
As at 1 January 2016	260,317,941
Amount charged to profit or loss in the current period (unaudited)	
— Service cost	8,608,508
— Interest expense on the net defined benefit obligations	3,785,998
Payment from the plan (unaudited)	<u>(7,792,952)</u>
As at 30 June 2016 (unaudited)	<u>264,919,495</u>

(iii) The significant actuarial assumptions for the present value of the defined benefit obligations of the Group are as follows:

	30 June 2016 (unaudited)	31 December 2015
Discount rate	3.00%	3.00%

Mortality refers to China Life Insurance Mortality Table (2000-2003).

(iv) The sensitivity of the significant actuarial assumptions for the present value of defined benefit obligations is analysed as follows:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 2.72%	Increase by 2.85%

The sensitivity analyses above are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity analyses present value of the defined benefit obligation, the same method, projected unit credit method, has been applied as well.

(v) The group has not invested in any plan assets, and no separate trustee-administered assets to reimburse the payment of the defined benefit obligation of the Group (31 December 2015: nil).

(vi) The weighted average duration of the defined benefit obligations is 11.1 years (31 December 2015: 11.1 years).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(33) Long-term employee benefits payable (Cont'd)

(b) Supplemental retirement benefits (Cont'd)

(vii) Supplemental retirement benefits caused many risks to the Group, and the primary risk is the fluctuation of the interest rates of government bonds. Decreasing in interest rates of government bonds results in increasing in the defined benefit obligation.

(34) Share capital

	31 December 2015	Movements in the current period (unaudited)	30 June 2016 (unaudited)
RMB-denominated ordinary shares	695,913,617	—	695,913,617
Foreign shares listed overseas	655,069,178	—	655,069,178
	<u>1,350,982,795</u>	<u>—</u>	<u>1,350,982,795</u>

	31 December 2014	Movements in the current period (unaudited)	30 June 2015 (unaudited)
RMB-denominated ordinary shares	695,913,617	—	695,913,617
Foreign shares listed overseas	655,069,178	—	655,069,178
	<u>1,350,982,795</u>	<u>—</u>	<u>1,350,982,795</u>

(35) Capital surplus

	31 December 2015	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2016 (unaudited)
Share premium	3,987,557,061	—	—	3,987,557,061
Other capital surplus —	87,521,818	5,694	—	87,527,512
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(10,206,170)	5,694	—	(10,200,476)
Transfer from capital surplus recognised under the previous accounting system	93,338,214	—	—	93,338,214
Others	4,389,774	—	—	4,389,774
	<u>4,075,078,879</u>	<u>5,694</u>	<u>—</u>	<u>4,075,084,573</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(35) Capital surplus (Cont'd)

	31 December 2014	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2015 (unaudited)
Share premium	3,992,428,160	59,485	(5,712,344)	3,986,775,301
Other capital surplus —	86,970,991	—	—	86,970,991
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(9,120,011)	—	—	(9,120,011)
Transfer of capital surplus recognised under the previous accounting system	91,701,228	—	—	91,701,228
Others	4,389,774	—	—	4,389,774
	<u>4,079,399,151</u>	<u>59,485</u>	<u>(5,712,344)</u>	<u>4,073,746,292</u>

(36) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement of six months ended 30 June 2016				
	31 December 2015	Attributable to shareholders of the Company, net of tax (unaudited)	30 June 2016 (unaudited)	The pre-tax amount in the current period (unaudited)	Less: Transfer out from which were recognised in other comprehensive income in the previous periods (unaudited)	Less: Income tax expense (unaudited)	Attributable to shareholders of the Company, net of tax (unaudited)	Attributable to the non- controlling interests, net of tax (unaudited)
Items that will not be subsequently reclassified to profit or loss								
Changes arising from re-measurement of defined benefit plan liabilities	(33,280,000)	—	(33,280,000)	—	—	—	—	—
Items that will be subsequently reclassified to profit or loss								
Currency translation differences	13,795,473	(3,567,718)	10,227,755	(3,567,718)	—	—	(3,567,718)	—
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss	(841,632)	78,582	(763,050)	78,582	—	—	78,582	—
	<u>(20,326,159)</u>	<u>(3,489,136)</u>	<u>(23,815,295)</u>	<u>(3,489,136)</u>	<u>—</u>	<u>—</u>	<u>(3,489,136)</u>	<u>—</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(36) Other comprehensive income (Cont'd)

	Other comprehensive income in the balance sheet		Other comprehensive income in the income statement of six months ended 30 June 2015					
	31 December 2014	Attributable to shareholders of the Company, net of tax (unaudited)	30 June 2015 (unaudited)	The pre-tax amount in current period (unaudited)	Less: Transfer out from which were recognised in other comprehensive income in the previous periods (unaudited)	Less: Income tax expense (unaudited)	Attributable to shareholders of the Company, net of tax (unaudited)	Attributable to the non-controlling interest, net of tax (unaudited)
Items that will not be subsequently reclassified to profit or loss								
Changes arising from re-measurement of defined benefit plan liabilities	(14,767,000)	—	(14,767,000)	—	—	—	—	—
Items that will be subsequently reclassified to profit or loss								
Currency translation differences	25,572,023	25,578	25,597,601	25,578	—	—	25,578	—
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss	(764,679)	(126,644)	(891,323)	(126,644)	—	—	(126,644)	—
	<u>10,040,344</u>	<u>(101,066)</u>	<u>9,939,278</u>	<u>(101,066)</u>	<u>—</u>	<u>—</u>	<u>(101,066)</u>	<u>—</u>

(37) Surplus reserve

	31 December 2015	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2016 (unaudited)
Statutory surplus reserve	<u>1,400,704,380</u>	<u>—</u>	<u>—</u>	<u>1,400,704,380</u>
	31 December 2014	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2015 (unaudited)
Statutory surplus reserve	<u>1,216,339,469</u>	<u>—</u>	<u>—</u>	<u>1,216,339,469</u>

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(38) General reserve

	31 December 2015	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2016 (unaudited)
General reserve	<u>106,025,418</u>	<u>—</u>	<u>—</u>	<u>106,025,418</u>

	31 December 2014	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2015 (unaudited)
General reserve	<u>66,981,927</u>	<u>—</u>	<u>—</u>	<u>66,981,927</u>

Pursuant to Caijin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” issued by the Ministry of Finance, Finance Company appropriates general reserve by required ratio of the ending balance of the risk assets every year (2015: 1.3%), based on its risk consideration.

(39) Undistributed profits

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Undistributed profits at beginning of the period	9,545,596,720	8,663,818,498
<i>Add:</i> Net profit attributable to shareholders of the Company in the current period	1,069,028,886	1,198,721,948
<i>Less:</i> Ordinary shares dividend payable	<u>(526,883,290)</u>	<u>(607,942,258)</u>
Undistributed profits at end of the period	<u>10,087,742,316</u>	<u>9,254,598,188</u>

In accordance with the resolution at the Annual General Meeting on 16 June 2016, the Company proposed a cash dividend RMB0.39 per share (pre-tax) to the shareholders of the Company of RMB526,883,290, based on a total number of 1,350,982,795 shares (including 695,913,617 RMB-denominated ordinary shares and 655,069,178 foreign shares listed overseas) (2015: cash dividend RMB0.45 per share (pre-tax) to the shareholders of the Company of RMB607,942,258, based on a total number of 1,350,982,795 shares). As at 30 June 2016, the dividend has not been paid yet. (Note 4(27)).

As at 30 June 2016, the board of directors do not declare the distribution of interim dividends (As at 30 June 2015: nil).

(40) Revenue and cost of sales

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Revenue from main operation (a)	14,591,619,722	15,842,763,003
Revenue from other operations (b)	154,497,126	223,831,118
	<u>14,746,116,848</u>	<u>16,066,594,121</u>
	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Cost of main operation (a)	(8,622,031,858)	(9,680,116,688)
Cost of other operations (b)	(106,818,721)	(142,288,189)
	<u>(8,728,850,579)</u>	<u>(9,822,404,877)</u>

(a) Revenue and cost of main operation

	Six months ended 30 June 2016 (unaudited)		Six months ended 30 June 2015 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of beer	<u>14,591,619,722</u>	<u>(8,622,031,858)</u>	<u>15,842,763,003</u>	<u>(9,680,116,688)</u>

(b) Revenue and cost of other operations

	Six months ended 30 June 2016 (unaudited)		Six months ended 30 June 2015 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sale of packaging materials	26,734,554	(18,684,615)	56,792,021	(16,043,768)
Transportation service	25,536,720	(23,614,104)	20,263,388	(20,857,294)
Sale of raw materials	19,431,400	(18,601,994)	44,636,780	(45,798,454)
Sale of construction and equipment	11,749,334	(10,390,476)	25,611,145	(23,637,486)
Others	<u>71,045,118</u>	<u>(35,527,532)</u>	<u>76,527,784</u>	<u>(35,951,187)</u>
	<u>154,497,126</u>	<u>(106,818,721)</u>	<u>223,831,118</u>	<u>(142,288,189)</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(41) Taxes and surcharges

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)	Tax base
Consumption tax	839,275,106	930,943,143	Note3
City maintenance and construction tax	133,172,386	141,520,542	Note3
Education surcharges	100,704,925	107,212,687	Note3
Business tax	1,799,988	3,268,768	Note3
Others	<u>47,251</u>	<u>83,300</u>	
	<u><u>1,074,999,656</u></u>	<u><u>1,183,028,440</u></u>	

(42) Expenses by nature

The cost of sales, selling and distribution expenses and general and administrative expenses classified by nature are as follows:

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Raw materials and consumables used	5,187,508,181	6,094,294,030
Employee benefit expenses	2,000,835,962	2,054,528,547
Finished goods purchased from outside	1,747,807,146	1,950,325,068
Promotion related expenses	937,179,111	965,292,638
Handling and transportation expenses	764,083,990	810,158,579
Depreciation and amortisation charges	523,249,051	487,423,873
Advertising related expenses	345,977,619	293,505,738
Changes in inventories of finished goods and work in progress	238,751,806	241,973,046
Repair expenses	145,225,987	153,432,291
Administrative expenses	128,860,456	131,980,362
Tax expenses	80,335,360	87,867,339
Service charges	79,982,818	93,573,048
Amortisation expenses of packaging materials	63,409,567	65,744,703
Operating lease payments	59,350,727	64,131,958
Others	<u>120,017,165</u>	<u>116,443,128</u>
Cost of sales, selling and distribution expenses and general and administrative expenses in total	<u><u>12,422,574,946</u></u>	<u><u>13,610,674,348</u></u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(43) Finance expenses — net

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Interest expense	7,338,690	3,980,528
Including: Bank borrowings	7,338,690	3,920,036
Discounted note	—	60,492
Less: Interest income	(141,576,532)	(169,919,562)
Exchange (gains)/losses	(5,706,356)	3,331,739
Unwinding the discount of long-term employee benefits payable	9,094,196	11,070,816
Others	2,349,087	3,921,214
	<u>(128,500,915)</u>	<u>(147,615,265)</u>

(44) Investment income

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Profits from long-term equity investment accounted for using equity method	29,320,541	24,127,694
Income from government bonds reverse repo agreements of Finance Company	4,273	—
Income from wealth management products	—	1,165,614
Others	—	299,998
	<u>29,324,814</u>	<u>25,593,306</u>

There is no significant restriction on transferring funds in the form of investment income.

(45) Asset impairment losses

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Reversals of bad debts	(179,935)	(302,290)
Reversals of decline in the values of inventories	—	(70,221)
Impairment losses of fixed assets	3,832,393	1,236,712
	<u>3,652,458</u>	<u>864,201</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(46) Non-operating income

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Government grants (a)	262,345,468	274,651,110
Penalty gains	1,830,180	489,222
Gain on unpaid debts	1,183,787	867,774
Gain on disposal of non-current assets	216,974	479,332
Including: Gains on disposal of fixed assets	216,974	479,332
Others	5,055,016	3,834,857
	<u>270,631,425</u>	<u>280,322,295</u>

For six months ended 30 June 2016, all non-operating income has been regard as non-recurring profit or loss in the current period.

(a) Details of government grants

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)	Note	Related to assets/income
Relocation compensations	203,172,342	118,705,513	Relocation compensations for manufacturing factories	Assets/Income
Funds for enterprises development and projects supporting	32,980,373	113,541,285	Enterprises development and projects supporting	Assets/Income
Tax refund	6,554,034	3,684,913	Returns of certain portion of tax paid	Income
Others	19,638,719	38,719,399		Income
	<u>262,345,468</u>	<u>274,651,110</u>		

(47) Non-operating expenses

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Losses on disposal of non-current assets	154,425,835	74,677,547
Including: Losses on disposal of fixed assets	69,690,003	74,677,547
Losses on disposal of intangible assets	84,735,832	—
Donations	613,655	540,000
Compensations, defaults and overdue fines	420,991	761,955
Penalty losses	20,214	747,887
Others	401,260	997,184
	<u>155,881,955</u>	<u>77,724,573</u>

For the six months ended 30 June 2016, non-operating expenses have been regard as non-recurring profit or loss in the current period.

(48) Income tax expense

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	621,462,373	588,802,303
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	1,624,879	1,549,926
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	313,188	691,636
Deferred income tax	(180,455,826)	(162,754,940)
	<u>442,944,614</u>	<u>428,288,925</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expense is as follows:

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Total profit	<u>1,517,464,987</u>	<u>1,647,833,425</u>
Income tax expenses calculated at applicable tax rates	378,093,625	410,608,931
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	8,223,738	7,758,821
Income not subject to tax	(13,139,310)	(12,530,128)
Utilisation of previously unrecognised deferred tax assets	(22,302,978)	(38,999,410)
Deductible temporary differences for which no deferred tax assets were recognised	17,244,263	7,711,265
Deductible tax losses for which no deferred tax assets were recognised	<u>74,825,276</u>	<u>53,739,446</u>
Income tax expense	<u>442,944,614</u>	<u>428,288,925</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(49) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average numbers of ordinary shares outstanding:

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	1,069,028,886	1,198,721,948
Weighted average number of ordinary shares outstanding	1,350,982,795	1,350,982,795
Basic earnings per share	<u>0.791</u>	<u>0.887</u>
Including:		
— Basic earnings per share relating to continuing operations	0.791	0.887

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2016 (Six months ended 30 June 2015: nil), diluted earnings per share equals to basic earnings per share.

(50) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Absorbed deposits from related parties	294,679,527	108,744,145
Deposits	150,096,551	191,277,832
Sales of raw materials, sales of packaging and disposal of scraps	105,978,022	132,977,276
Government grants	52,354,151	177,607,853
Others	99,270,161	124,634,746
	<u>702,378,412</u>	<u>735,241,852</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(50) Notes to consolidated cash flow statement (Cont'd)

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Handling and transportation expenses	607,769,214	558,094,280
Advertising related expenses	316,569,233	240,857,982
Promotion related expenses	315,146,324	324,126,940
Administrative expenses	119,570,590	123,281,987
Deposits	94,832,071	197,052,027
Others	165,654,524	218,921,049
	<u>1,619,541,956</u>	<u>1,662,334,265</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Interest income of Finance Company's deposits	206,774,448	192,079,481
Government compensation for relocation and expansion projects	98,521,723	181,849,027
Bidding deposits collected	8,968,217	8,466,018
	<u>314,264,388</u>	<u>382,394,526</u>

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Deposit reserve of Finance Company	167,840,000	189,760,000
Bidding deposits paid	8,535,313	12,290,468
	<u>176,375,313</u>	<u>202,050,468</u>

(e) Cash received relating to other financing activities

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Guarantee deposits for loan collected	—	291,000,000
Interest of the guarantee deposits for loan received	—	13,095,000
	<u>—</u>	<u>304,095,000</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(50) Notes to consolidated cash flow statement (Cont'd)

(f) Cash received from disposal of investment

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
The principal of structured deposit collected when matured	300,000,000	—
The principal of wealth management products collected when matured	—	20,000,000
	<u>300,000,000</u>	<u>20,000,000</u>

(g) Cash paid to acquire investments

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Payment for wealth management products purchasing	780,000,000	500,000,000
Prepayments for equity investment	572,912,001	—
Payment for loan	324,400,000	—
Payment for government bonds reverse repo agreements	20,000,000	—
Payment for purchasing non-controlling interests of subsidiaries	—	22,010,000
	<u>1,697,312,001</u>	<u>522,010,000</u>

(51) Supplementary information to consolidated cash flow statements

(a) Supplementary information to consolidated cash flow statements

Reconciliation from net profit to cash flows from operating activities:

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Net profit	1,074,520,373	1,219,544,500
<i>Add:</i> Provisions for asset impairment	3,652,458	864,201
Depreciation of fixed assets and investment properties	412,146,284	380,274,362
Amortisation of intangible assets	102,620,945	100,412,958
Amortisation of long-term prepaid expenses	8,481,822	6,736,553
Losses on disposal of fixed assets and intangible assets	154,208,861	74,198,215
Finance expenses	(135,728,783)	(145,999,216)
Investment income	(29,324,814)	(25,593,306)
Increase in deferred tax assets	(170,077,029)	(149,352,672)
Amortisation of deferred income	(206,920,661)	(129,665,618)
Decrease in deferred tax liabilities	(10,378,797)	(13,402,268)
Decrease in inventories	569,851,561	476,170,659
Decrease in operating receivables	101,085,267	919,948
Increase in operating payables	1,910,197,023	2,626,011,022
	<u>3,784,334,510</u>	<u>4,421,119,338</u>
Net cash flows from operating activities	<u>3,784,334,510</u>	<u>4,421,119,338</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(51) Supplementary information to consolidated cash flow statements (Cont'd)

(a) *Supplementary information to consolidated cash flow statements (Cont'd)*

Significant financing activities without cash flow

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Extension of the borrowing	<u>288,888,600</u>	<u>—</u>

Net increase in cash

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Cash at end of the period	9,223,810,853	8,633,188,172
Less: Cash at beginning of the period	<u>(7,575,374,183)</u>	<u>(5,266,389,764)</u>
Net increase in cash	<u>1,648,436,670</u>	<u>3,366,798,408</u>

(b) *Acquisition of subsidiaries*

For the six months ended 30 June 2016, the Company has paid the equity investment pay to Lulansa Company of 10,000,000 (For the six months ended 30 June 2015:100,000,000).

(c) *Cash and cash equivalents*

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
<i>Cash (Note 4(1))</i>	9,223,810,853	8,633,188,172
Including: Cash on hand	395,073	551,175
Cash at bank that can be readily drawn on demand	<u>9,223,415,780</u>	<u>8,632,636,997</u>
Cash at end of period	<u>9,223,810,853</u>	<u>8,633,188,172</u>

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(52) Foreign currency items

	30 June 2016 (unaudited)		
	Balance in foreign currency	Currency exchange rate	Balance in RMB
Cash at bank and cash on hand —			
HKD	68,127,372	0.8547	58,228,465
USD	25,305,225	6.6312	167,804,008
MOP	32,593,612	0.8308	27,078,773
EUR	7,258,295	7.3750	53,529,926
			<u>306,641,172</u>
Accounts receivable —			
HKD	74,472,905	0.8547	63,651,992
USD	3,374,659	6.6312	22,378,039
EUR	2,026,069	7.3750	14,942,259
MOP	7,867,873	0.8308	6,536,629
CAD	345,659	5.1222	1,770,535
			<u>109,279,454</u>
Other receivables —			
HKD	2,201,801	0.8547	1,881,879
Short-term borrowings —			
HKD	338,000,000	0.8547	288,888,600
Other payables —			
HKD	10,914,899	0.8547	9,328,964
USD	326,680	6.6312	2,166,280
MOP	800,359	0.8308	664,938
			<u>12,160,182</u>
Current portion of non-current liabilities —			
EUR	69,113	7.3750	509,706
DKK	391,998	0.9912	388,548
			<u>898,254</u>
Long-term borrowings —			
DKK	1,600,000	0.9912	1,585,920

5. CHANGES IN CONSOLIDATION SCOPE

The Company has completed deregistration process of Sifang Sales Company at 7 April 2016. The net assets of the Sifang Sales Company was 97,361,998 at the date of deregistration.

The Company has completed deregistration process of Hainan Company at 20 May 2016. The net assets of Hainan Company was 213,637,439 at the date of deregistration.

6. INTERESTS IN OTHER ENTITIES

(1) Interests in subsidiaries

(a) The structure of the Group

Name	Kind of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Shenzhen Tsingtao Brewery Huanan Holding Co., Ltd. ("Huanan Holding Company")	Limited liability company	Shenzhen, the PRC	Shenzhen, the PRC	Financing	100%	—	Establishment or investment
Tsingtao Brewery (Zhuhai) Co., Ltd. ("Zhuhai Company")	Limited liability company	Zhuhai, the PRC	Zhuhai, the PRC	Manufacturing	—	100%	Establishment or investment
Tsingtao Brewery (Huangshi) Co., Ltd. ("Huangshi Company")	Limited liability company	Huangshi, the PRC	Huangshi, the PRC	Manufacturing	97.18%	2.82%	Establishment or investment
Tsingtao Brewery (Yingcheng) Co., Ltd. ("Yingcheng Company")	Limited liability company	Yingcheng, the PRC	Yingcheng, the PRC	Manufacturing	89.91%	10.09%	Establishment or investment
Shenzhen Huanan Tsingtao Brewery Sales Co., Ltd. ("Huanan Sales Company")	Limited liability company	Guangdong, the PRC	Shenzhen, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Changsha) Co., Ltd. ("Changsha Company")	Limited liability company	Changsha, the PRC	Changsha, the PRC	Manufacturing	70%	30%	Establishment or investment
Shanghai Tsingtao Brewery Huadong (Holding) Co., Ltd. ("Huadong Holding Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Finance	100%	—	Establishment or investment
Tsingtao Brewery Huadong Shanghai Sales Co., Ltd. ("Shanghai Sales Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	97.01%	2.99%	Establishment or investment
Nanjing Tsingtao Brewery Huadong Sales Co., Ltd. ("Nanjing Sales Company") (ii)	Limited liability company	Jiangsu, the PRC	Nanjing, the PRC	Wholesale and retail sale	—	50%	Establishment or investment
Tsingtao Brewery (Wuhu) Co., Ltd. ("Wuhu Company")	Limited liability company	Wuhu, the PRC	Wuhu, the PRC	Manufacturing	89.04%	10.96%	Establishment or investment
Tsingtao Brewery (Maanshan) Co., Ltd. ("Maanshan Company")	Limited liability company	Maanshan, the PRC	Maanshan, the PRC	Manufacturing	94.12%	5.58%	Establishment or investment
Tsingtao Brewery (Shouguang) Co., Ltd. ("Shouguang Company")	Limited liability company	Shouguang, the PRC	Shouguang, the PRC	Manufacturing	99%	—	Establishment or investment
Tsingtao Brewery (Weifang) Co., Ltd. ("Weifang Company")	Limited liability company	Weifang, the PRC	Weifang, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Xuzhou) Huaihai Sales Co., Ltd. ("Huaihai Sales Company") (ii)	Limited liability company	Jiangsu, the PRC	Xuzhou, the PRC	Wholesale and retail sale	—	50%	Establishment or investment
Tsingtao Brewery (Xuecheng) Co., Ltd. ("Xuecheng Company")	Limited liability company	Xuecheng, the PRC	Xuecheng, the PRC	Manufacturing	—	85%	Establishment or investment
Tsingtao Brewery (Tengzhou) Co., Ltd. ("Tengzhou Company")	Limited liability company	Tengzhou, the PRC	Tengzhou, the PRC	Manufacturing	76.65%	23.35%	Establishment or investment
Tsingtao Brewery (Heze) Co., Ltd. ("Heze Company")	Limited liability company	Heze, the PRC	Heze, the PRC	Manufacturing	93.08%	6.92%	Establishment or investment

6. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name	Kind of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Langfang Company	Limited liability company	Langfang, the PRC	Langfang, the PRC	Manufacturing	80.80%	19.20%	Establishment or investment
Tsingtao Brewery Xi'an Han's Group Co., Ltd. ("Xi'an Company")	Limited liability company	Shaanxi, the PRC	Xi'an, the PRC	Manufacturing and wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery Hansi Baoji Co., Ltd. ("Hansi Baoji")	Limited liability company	Baoji, the PRC	Baoji, the PRC	Manufacturing	—	100%	Establishment or investment
Tsingtao Brewery (Anshan) Co., Ltd. ("Anshan Company")	Limited liability company	Anshan, the PRC	Anshan, the PRC	Manufacturing	60%	—	Establishment or investment
Tsingtao Brewery (Xingkaihu) Co., Ltd. ("Xingkaihu Company")	Limited liability company	Jixi, the PRC	Jixi, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Mishan) Co., Ltd. ("Mishan Company")	Limited liability company	Mishan, the PRC	Mishan, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Harbin) Co., Ltd. ("Harbin Company")	Limited liability company	Harbin, the PRC	Harbin, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery Import/Export Co., Ltd. ("Import/Export Company")	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Pingyuan) Co., Ltd. ("Pingyuan Company")	Limited liability company	Pingyuan, the PRC	Pingyuan, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Rizhao) Co., Ltd. ("Rizhao Company")	Limited liability company	Rizhao, the PRC	Rizhao, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Luzhou) Co., Ltd. ("Luzhou Company")	Limited liability company	Luzhou, the PRC	Luzhou, the PRC	Manufacturing	95%	—	Establishment or investment
Tsingtao Brewery (Taizhou) Co., Ltd. ("Taizhou Company")	Limited liability company	Taizhou, the PRC	Taizhou, the PRC	Manufacturing	86.43%	13.57%	Establishment or investment
Hong Kong Company	Limited liability company	Hong Kong, the PRC	Hong Kong, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Hanzhong Company	Limited liability company	Hanzhong, the PRC	Hanzhong, the PRC	Manufacturing	34%	66%	Establishment or investment
Beifang Sales Company	Limited liability company	Beijing, the PRC	Beijing, the PRC	Wholesale and retail sale	95%	5%	Establishment or investment
Qingdao Guangrunlong Logistics Co., Ltd. ("Guangrunlong Logistics")	Limited liability company	Shandong, the PRC	Qingdao, the PRC	Logistics	100%	—	Establishment or investment

6. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name	Kind of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingtao Brewery (Xiamen) Co., Ltd. ("Xiamen Company")	Limited liability company	Xiamen, the PRC	Xiamen, the PRC	Manufacturing	—	100%	Establishment or investment
Xiamen Tsingtao Brewery Dongnan Sales Co., Ltd. ("Dongnan Sales Company")	Limited liability company	Fujian, the PRC	Xiamen, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Jinan) Co., Ltd. ("Jinan Company")	Limited liability company	Jinan, the PRC	Jinan, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Chengdu) Co., Ltd. ("Chengdu Company")	Limited liability company	Chengdu, the PRC	Chengdu, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Yulin) Co., Ltd. ("Yulin Company")	Limited liability company	Yulin, the PRC	Yulin, the PRC	Manufacturing	—	100%	Establishment or investment
Tsingtao Brewery Chengyang Sales Co., Ltd. ("Chengyang Sales Company")	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery Chenzhou Sales Co., Ltd. ("Chenzhou Sales Company")	Limited liability company	Chenzhou, the PRC	Chenzhou, the PRC	Wholesale and retail sale	—	100%	Establishment or investment
Machinery and Equipment Company	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing, wholesale and retail sale	—	100%	Establishment or investment
Tsingtao Brewery (Shijiazhuang) Co., Ltd. ("Shijiazhuang Company")	Limited liability company	Shijiazhuang, the PRC	Shijiazhuang, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Taiyuan) Co., Ltd. ("Taiyuan Company")	Limited liability company	Taiyuan, the PRC	Taiyuan, the PRC	Manufacturing	100%	—	Establishment or investment
Finance Company	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Financing	100%	—	Establishment or investment
Tsingtao Brewery (Jieyang) Co., Ltd. ("Jieyang Company")	Limited liability company	Jieyang, the PRC	Jieyang, the PRC	Manufacturing	75%	—	Establishment or investment
Tsingtao Brewery (Shaoguan) Co., Ltd. ("Shaoguan Company")	Limited liability company	Shaoguan, the PRC	Shaoguan, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery Shibe Sales Co., Ltd. ("Shibe Sales Company")	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Tsingtao Brewery (Jiujiang) Co., Ltd. ("Jiujiang Company")	Limited liability company	Jiujiang, the PRC	Jiujiang, the PRC	Manufacturing	90%	—	Establishment or investment
Tsingtao Brewery (Pingdu) Sales Co., Ltd. ("Pingdu Sales Company")	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	100%	—	Establishment or investment
Shanghai Tsingtao Brewery Sales Co., Ltd. ("New Shanghai Sales")(ii)	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	—	50%	Establishment or investment

6. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name	Kind of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingtao Brewery (Xuzhou) Enterprise Management Service Co., Ltd. ("Xuzhou Enterprise Management")	Limited liability company	Xuzhou, the PRC	Xuzhou, the PRC	Wholesale, retail sale and assets management	100%	—	Establishment or investment
Tsingtao Brewery (Luoyang) Co., Ltd. ("Luoyang Company")	Limited liability company	Luoyang, the PRC	Luoyang, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (shanghai) industrial Co., Ltd. (formerly Suntory Tsingtao (shanghai) sales Co., Ltd, short for "Shanghai Industrial Company") (i)	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	50%	—	Establishment or investment
Tsingtao Brewery (Zhangjiakou) Co., Ltd. ("Zhangjiakou company")	Limited liability company	Zhangjiakou, the PRC	Zhangjiakou, the PRC	Manufacturing	100%	—	Establishment or investment
Tsingtao Brewery (Sanshui) Co., Ltd. ("Sanshui Company")	Limited liability company	Sanshui, the PRC	Sanshui, the PRC	Manufacturing	—	75%	Business combination not under common control
Tsingtao Brewery (Chenzhou) Co., Ltd. ("Chenzhou Company")	Limited liability company	Chenzhou, the PRC	Chenzhou, the PRC	Manufacturing	88.80%	11.20%	Business combination not under common control
Shenzhen Asahi	Limited liability company	Shenzhen, the PRC	Shenzhen, the PRC	Manufacturing	51%	—	Business combination not under common control
Beijing Tsingtao Brewery Three Ring Co., Ltd. ("Three Ring Company")	Limited liability company	Beijing, the PRC	Beijing, the PRC	Manufacturing	29%	25%	Business combination not under common control
Nanning Tsingtao Brewery Co., Ltd. ("Nanning Company")	Limited liability company	Nanning, the PRC	Nanning, the PRC	Manufacturing	—	75%	Business combination not under common control
Beijing Five Star Tsingtao Brewery Co., Ltd. ("Five Star Company")	Limited liability company	Beijing, the PRC	Beijing, the PRC	Manufacturing	37.64%	25%	Business combination not under common control
Tsingtao Brewery (Weinan) Co., Ltd. ("Weinan Company")	Limited liability company	Weinan, the PRC	Weinan, the PRC	Manufacturing	28%	72%	Business combination not under common control
Tsingtao Brewery (Gansu) Nongken Co., Ltd. ("Gansu Nongken Company")	Limited liability company	Lanzhou, the PRC	Lanzhou, the PRC	Manufacturing	—	55.06%	Business combination not under common control
Tsingtao Brewery (Wuwei) Company Co., Ltd. ("Wuwei Company")	Limited liability company	Wuwei, the PRC	Wuwei, the PRC	Manufacturing	—	99.72%	Business combination not under common control
Tsingtao Brewery (Rongcheng) Co., Ltd. ("Rongcheng Company")	Limited liability company	Rongcheng, the PRC	Rongcheng, the PRC	Manufacturing	70%	—	Business combination not under common control
Tsingtao Brewery (Suizhou) Co., Ltd. ("Suizhou Company")	Limited liability company	Suizhou, the PRC	Suizhou, the PRC	Manufacturing	—	90%	Business combination not under common control
Tsingtao Brewery (Fuzhou) Co., Ltd. ("Fuzhou Company")	Limited liability company	Fuzhou, the PRC	Fuzhou, the PRC	Manufacturing	—	100%	Business combination not under common control

6. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name	Kind of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingtao Brewery (Zhangzhou) Co., Ltd. ("Zhangzhou Company")	Limited liability company	Zhangzhou, the PRC	Zhangzhou, the PRC	Manufacturing	—	90%	Business combination not under common control
Construction Company	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Construction	100%	—	Business combination not under common control
Tsingtao Brewery (Penglai) Co., Ltd. ("Penglai Company")	Limited liability company	Penglai, the PRC	Penglai, the PRC	Manufacturing	80%	—	Business combination not under common control
Tsingtao Brewery Cultural Communication Co., Ltd. ("Cultural Communication Company")	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	100%	—	Business combination not under common control
Tsingtao Brewery Beverage Co., Ltd. ("Beverage Company")	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	100%	—	Business combination not under common control
Immense Brewery company	Limited liability company	Shandong, the PRC	Mengyin, the PRC	Manufacturing, Wholesale and retail sale	75%	25%	Business combination not under common control
Tsingtao Brewery (Hangzhou) Co., Ltd. ("Hangzhou Company")	Limited liability company	Jiande, the PRC	Jiande, the PRC	Manufacturing	80%	—	Business combination not under common control
Macau Company	Limited liability company	Macau, the PRC	Macau, the PRC	Wholesale and retail sale	—	60%	Business combination not under common control
Shanghai Market Service(ii)	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	—	50%	Business combination not under common control
Lian Yungang Sales Company (ii)	Limited liability company	Jiangsu, the PRC	LianYungang, the PRC	Wholesale and retail sale	—	50%	Business combination not under common control
Lulansa Brewery	Limited liability company	Zibo, the PRC	Zibo, the PRC	Manufacturing	55%	—	Business combination not under common control
Equipment Manufacture	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	—	100%	Business combination not under common control

(i) The Company has 50% equity interests in Shanghai Industrial Company. But all operating activities decisions are made by the Board of Directors, and only when at least half of the directors agree, the decisions could be made. There are 9 directors in total in Shanghai Industrial Company, 5 directors of which are from the Company. So the voting rate of the Company was 55.56%, and can exercise control over Shanghai Industrial Company. The other 4 directors are from Suntory Company. According to the agreement entered between the Company and Suntory Company in October 2015, the Company will acquire 50% equity interest of Shanghai Investment Company owned by Suntory Company. The transaction details is referred to Note 10(3).

(ii) Nanjing Sales Company, Huaihai Sales Company, New Shanghai Sales, Shanghai Market Service and Lian Yungang Sales Company, are all wholly owned subsidiaries of the Shanghai Industrial Company.

As at 30 June 2016, no share capital or debt securities are issued by the subsidiaries of the Company.

There are no restrictions on using the assets of the Group or settling the liabilities of the Group.

6. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

(b) Subsidiaries with significant non-controlling interests

Name of subsidiaries	Share proportion of non-controlling interests	Non-controlling interests for the six months ended 30 June 2016 (unaudited)	Total dividends distributed to the minority shareholders in the six months ended 30 June 2016 to the minority (unaudited)	Non-controlling interests as at 30 June 2016 (unaudited)
Shenzhen Asahi Shanghai Industrial Company (i)	49%	28,101,875	(45,276,000)	210,675,742
Shanghai Industrial Company (i)	50%	(63,080,765)	—	(864,552,207)

Summarised financial information of significant non-wholly owned subsidiaries is as follows:

	As at 30 June 2016 (unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi Shanghai Industrial Company (i)	93,105,668	570,220,382	663,326,050	(227,003,108)	(6,061,912)	(233,065,020)
Shanghai Industrial Company (i)	285,423,386	65,938,054	351,361,440	(2,068,354,354)	(12,111,500)	(2,080,465,854)
	As at 31 December 2015					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi Shanghai Industrial Company (i)	94,885,314	587,167,299	682,052,613	(210,633,354)	(6,233,681)	(216,867,035)
Shanghai Industrial Company (i)	155,230,576	71,536,633	226,767,209	(1,816,704,314)	(13,005,779)	(1,829,710,093)
	Six months ended 30 June 2016 (unaudited)					
	Revenue	Net profit/(loss)	Other comprehensive income	Cash flows from operating activities		
Shenzhen Asahi Shanghai Industrial Company (i)	424,629,627	57,475,452	57,475,452	73,941,729		
Shanghai Industrial Company (i)	1,389,604,039	(126,161,530)	(126,161,530)	126,674,456		
	Six months ended 30 June 2015 (unaudited)					
	Revenue	Net profit/(loss)	Other comprehensive income	Cash flows from operating activities		
Shenzhen Asahi Shanghai Industrial Company (i)	528,312,505	58,204,740	58,204,740	108,136,632		
Shanghai Industrial Company (i)	1,482,452,521	(129,369,076)	(129,369,076)	124,912,450		

Financial information above doesn't include the offset amount in the Group.

- (i) The information are extracted from the consolidated financial statement of Shanghai Industrial Company and its subsidiaries, including Nanjing Sales Company, Huaihai Sales Company, New Shanghai Sales, Shanghai Market Service and Lian Yungang Sales Company.

6. INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates

(a) Fundamental information of significant joint ventures and associates

	Place of operation	Place of incorporation	Principal activities	Strategic impact on the Group	Share proportion	
					Directly	Indirectly
Joint ventures —						
Hebei Jiahe Company	Shijiazhuang, the PRC	Shijiazhuang, the PRC	Manufacturing	Yes	50%	—
Associates —						
Shanghai Investment Company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing Wholesale and retail sale	Yes	50%	—
Yantai Asahi	Yantai, the PRC	Yantai, the PRC	Manufacturing	Yes	39%	—
Zhaoshang Logistics	Qingdao, the PRC	Qingdao, the PRC	Logistics	Yes	30%	—
Liaoning Shenqing	Shenyang, the PRC	Shenyang, the PRC	Wholesale and retail sale	Yes	30%	—
European Company	France	France	Wholesale and retail sale	Yes	—	40%

The equity investments above are accounted for using the equity method.

(b) Summarised financial information of the joint venture

	Hebei Jiahe Company	
	30 June 2016 (unaudited)	31 December 2015
Current assets	63,535,595	37,608,985
Including: cash and cash equivalents	8,982,445	4,394,803
Non-current assets	117,227,990	118,821,650
Total assets	180,763,585	156,430,635
Current liabilities	(67,673,740)	(56,500,419)
Total liabilities	(67,673,740)	(56,500,419)
Total equity attributable to shareholders of the company	113,089,845	99,930,216
Adjusted fair value of the identifiable net assets when obtained	115,941,291	123,136,711
Adjusted total equity attributable to shareholders of the company	229,031,136	223,066,927
The share of net assets calculated based on the shareholding proportion (i)	114,515,568	111,533,464
Adjusting item — goodwill	113,928,609	113,928,609
Book value of investment on the joint venture	228,444,177	225,462,073

There is no quoted market price for the joint venture investment of the Group.

6. INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates (Cont'd)

(b) Summarised financial information of the joint venture (Cont'd)

	<u>Hebei Jiahe Company</u>	
	six months ended 30 June 2016 (unaudited)	six months ended 30 June 2016 (unaudited)
Revenue	171,581,078	219,254,891
Finance expenses — net	562,389	1,185,378
Income tax expense	4,423,582	2,902,104
Net profit	13,159,629	22,193,992
Total comprehensive income	13,159,629	22,193,992
Adjusted fair value of the identifiable net assets when obtained	<u>(7,195,420)</u>	<u>(6,728,858)</u>
Adjusted total comprehensive income attributable to shareholders of the company	<u>5,964,209</u>	<u>15,465,134</u>
Dividends received from the joint venture in the current period	—	—

- (i) The share of the net asset of the joint venture was calculated by the share proportion of the Group, based on the equity attributable to shareholders of the Company in the consolidated financial statement of the joint venture, adjusted accordingly to the fair value of the identifiable assets and liabilities of the joint ventures at the acquisition date and conformed to accounting policies of the Group.

6. INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates (Cont'd)

(c) Summarised financial information of associates

	30 June 2016 (unaudited)					31 December 2015				
	Shanghai Investment Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company	Shanghai Investment Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company
Current assets	1,926,177,392	214,554,778	160,217,060	38,158,794	22,988,279	1,445,256,641	230,208,045	133,747,718	43,381,314	21,926,025
Including: cash and cash equivalents	410,838,794	29,963,879	1,351,452	10,883,369	7,480,669	127,606,056	18,329,398	1,324,943	5,392,240	6,939,318
Non-current assets	2,016,273,780	244,282,264	3,878,015	5,423,210	130,191	2,432,645,024	235,744,650	4,471,033	5,548,121	140,059
Total assets	3,942,451,172	458,837,042	164,095,075	43,582,004	23,118,470	3,877,901,665	465,952,695	138,218,751	48,929,435	22,066,084
Current liabilities	(1,427,734,065)	(180,392,338)	(99,538,799)	(36,378,330)	(16,619,761)	(1,367,318,381)	(182,023,878)	(81,357,946)	(41,604,901)	(17,671,780)
Non-current liabilities	(379,279,499)	—	—	—	—	(393,752,504)	—	—	—	—
Total liabilities	(1,807,113,564)	(180,392,338)	(99,538,799)	(36,378,330)	(16,619,761)	(1,761,070,885)	(182,023,878)	(81,357,946)	(41,604,901)	(17,671,780)
Non-controlling interests	16,794,928	—	—	—	—	17,238,991	—	—	—	—
Total equity attributable to shareholders of the company	2,118,542,680	278,444,704	64,556,276	7,203,674	6,498,709	2,099,591,789	283,928,817	56,860,805	7,324,534	4,394,304
Adjusted fair value of the identifiable net assets when obtained	95,711,041	39,678,497	—	—	—	96,068,723	41,608,497	—	—	—
Adjusted total equity attributable to shareholders of the company	2,214,253,721	318,123,201	64,556,276	7,203,674	6,498,709	2,195,660,512	325,537,314	56,860,805	7,324,534	4,394,304
The share of net assets calculated based on the shareholding proportion (i)	1,107,126,861	124,068,048	19,366,883	2,161,102	2,599,484	1,097,830,256	126,959,552	17,058,242	2,197,360	1,757,722
Adjusting items										
— Goodwill	38,540,092	9,640,679	—	—	—	38,540,092	9,640,679	—	—	—
— Unrealised profits of internal transaction	(8,735,619)	(159,847)	—	—	—	(8,556,835)	(3,144,046)	—	—	—
Book value of investments on Associates	1,136,931,334	133,548,880	19,366,883	2,161,102	2,599,484	1,127,813,513	133,456,185	17,058,242	2,197,360	1,757,722

There is no quoted market price for the investments in associates of the Group.

6. INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates (Cont'd)

(c) Summarised financial information of associates (Cont'd)

	Six months ended 30 June 2016 (unaudited)					Six months ended 30 June 2015 (unaudited)				
	Shanghai Investment Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shengqing	European Company	Shanghai Investment Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shengqing	European Company
Revenue	1,138,775,252	366,701,409	164,685,692	51,950,901	43,186,506	1,268,949,248	362,660,324	146,378,399	73,017,046	33,947,093
Net profits/(loss)	18,506,828	30,664,739	7,676,490	(120,860)	1,907,950	8,655,781	23,910,044	9,577,512	(444,274)	1,532,983
Other comprehensive income	—	—	—	—	196,455	—	—	—	—	(316,610)
Total comprehensive income	18,506,828	30,664,739	7,676,490	(120,860)	2,104,405	8,655,781	23,910,044	9,577,512	(444,274)	1,216,373
Non-controlling interests	(444,063)	—	—	—	—	(1,146,229)	—	—	—	—
Total comprehensive income attributable to shareholders of the company	18,950,891	30,664,739	7,676,490	(120,860)	2,104,405	9,802,010	23,910,044	9,577,512	(444,274)	1,216,373
Adjusted fair value of the identifiable net assets when obtained	(357,682)	(1,930,000)	—	—	—	(1,993,088)	(1,930,000)	—	—	—
Adjusted total comprehensive income attributable to shareholders	18,593,209	28,734,739	7,676,490	(120,860)	2,104,405	7,808,922	21,980,044	9,577,512	(444,274)	1,216,373
Dividend distributed from Associate current period	—	14,098,052	—	—	—	—	—	2,915,621	—	—

(i) The share of the net asset of associates was calculated by the share proportion of the Group, based on the equity attributable to shareholders of the Company in the consolidated financial statement of the associates, adjusted accordingly to the fair value of the identifiable assets and liabilities of the associates at the acquisition date and conformed to accounting policies of the Group.

(d) As at 30 June 2016, the Group's joint venture and associates have no excess losses.

(e) As at 30 June 2016, there are no unrecognised commitments related to the investment in the joint venture of the Group, and no contingent liabilities related to the investments in the joint venture and associates either. The unrecognised commitment related to the investments in the associates refer to Note 10(3).

7. SEGMENT INFORMATION

As the Group is mainly engaged in the production and distribution of beer, the reportable segments of the Group are business units operating in different regions. Each region requires different marketing strategies, and the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions on resources allocation to these segments and to assess their performance.

Finance Company is principally engaged in the financial businesses of wealth management and agency collection and payment for its members. Due to the unique business characteristics of Finance Company, the Group manages its operation independently and evaluates its operating results separately, to determine its resources allocation and assess its performance.

The Group identified 7 reportable segments as follows:

- Shandong region, responsible for the production and distribution of beer in Shandong region and surrounding regions
- Huanan region, responsible for the production and distribution of beer in South China region
- Huabei region, responsible for the production and distribution of beer in North China region
- Huadong region, responsible for the production and distribution of beer in East China region
- Dongnan region, responsible for the production and distribution of beer in Southeast China region
- Hong Kong, Macau and other overseas, responsible for the distribution of beer in Hong Kong, Macau and other overseas
- Finance Company, engaged in the financial businesses of wealth management and agency collection and payment for its members.

Inter-segment transfer pricing is based on mutually-agreed prices.

Assets are allocated based on the operation of the segments and the physical location of the assets. Liabilities are allocated based on the operation of the segments. Expenses indirectly attributable to each segment are allocated among segments based on the proportion of each segment's revenue.

(a) Segment information as at and for the six months ended 30 June 2016 is as follows (unaudited):

	Shandong Region	Huanan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong, Macau and other overseas	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	7,915,718,509	1,728,582,456	2,386,209,069	1,513,621,265	919,053,703	277,588,332	4,827,130	516,384	—	14,746,116,848
Inter-segment revenue	1,250,706,360	266,023,130	670,021,418	61,205,698	114,232,467	97,657,154	20,448,547	261,193	(2,480,555,967)	—
Cost of sales	(5,572,907,232)	(1,242,889,107)	(1,969,237,327)	(1,402,844,964)	(735,681,137)	(266,433,074)	(831,661)	(491,850)	2,462,465,773	(8,728,850,579)
Selling and distribution expenses	(1,651,542,769)	(494,199,509)	(319,615,658)	(286,559,461)	(257,692,519)	(65,987,090)	—	—	—	(3,075,597,006)
Interest income	12,863,341	6,063,906	13,461,626	631,357	2,228,969	529,451	135,735,560	28,467,068	(58,404,746)	141,576,532
Interest expense	(6,231,448)	(4,616,595)	(9,406,180)	(8,094,204)	(3,969,462)	(2,260,126)	(60,849,514)	—	88,088,839	(7,338,690)
Share of profit of associates and a joint venture	—	—	—	—	—	—	—	29,320,541	—	29,320,541
Asset impairment reversals/(losses)	657,603	(509,862)	(248,166)	(35,646)	(2,900,202)	(23,854)	(5,674,497)	(1,933)	5,164,199	(3,652,458)
Depreciation and amortisation	(232,067,313)	(96,311,922)	(113,706,732)	(8,207,674)	(37,749,560)	(1,153,783)	(582,336)	(33,469,731)	—	(523,249,051)
Total profit	1,171,307,254	21,665,232	562,200,781	(151,889,334)	(46,769,158)	45,004,681	93,212,630	(194,569,364)	17,302,265	1,517,464,987
Income tax expense	(271,424,806)	(8,126,401)	(148,212,264)	4,868,738	14,775,999	(10,162,185)	(23,450,317)	—	(1,213,378)	(442,944,614)
Net profit	899,882,448	13,538,831	413,988,517	(147,020,596)	(31,993,159)	34,842,496	69,762,313	(194,569,364)	16,088,887	1,074,520,373
Total assets	11,862,160,511	4,286,934,520	5,818,433,647	614,376,665	1,954,559,464	570,409,857	11,461,774,485	7,029,839,314	(12,800,188,717)	30,798,299,746
Total liabilities	6,354,781,424	1,745,294,541	3,841,007,411	2,198,187,140	1,025,759,376	690,738,158	10,235,158,049	825,968,186	(12,783,483,230)	14,133,411,055
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	1,523,051,860	—	1,523,051,860
Additions to non-current assets other than long-term equity investments	100,749,013	80,084,342	123,451,331	994,951	28,829,402	666,155	—	13,626,315	(13,042,710)	335,358,791

7. SEGMENT INFORMATION (CONT'D)

(b) Segment information as at and for the six months ended 30 June 2015 is as follow (unaudited):

	Shandong Region	Huannan Region	Hubei Region	Huadong Region	Dongnan Region	Hong Kong, Macau and other overseas	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	8,296,585,345	2,238,920,655	2,401,220,007	1,580,401,299	1,316,917,613	229,342,778	3,206,444	—	—	16,066,594,121
Inter-segment revenue	1,293,991,664	216,979,048	769,506,380	99,396,078	55,267,802	63,472,882	20,701,557	—	(2,519,315,411)	—
Cost of sales	(6,008,938,633)	(1,538,122,029)	(2,167,616,565)	(1,477,829,723)	(919,250,034)	(209,100,497)	(354,169)	(349,154)	2,499,155,927	(9,822,404,877)
Selling and distribution expenses	(1,670,846,404)	(434,177,230)	(305,760,579)	(318,346,819)	(363,418,762)	(58,982,287)	—	—	—	(3,151,532,081)
Interest income	15,857,261	9,081,304	23,439,584	778,324	4,312,725	596,999	153,810,006	30,249,380	(68,206,021)	169,919,562
Interest expense	(7,697,889)	(2,356,287)	(12,310,653)	(5,600,649)	(4,529,286)	(3,058,710)	(71,890,610)	—	103,463,556	(3,980,528)
Share of profit of associates and a joint venture	—	—	—	—	—	—	—	24,127,694	—	24,127,694
Asset impairment reversals/(losses)	75,724	116,947	54,527	150,000	(1,242,518)	7,222	(5,349,486)	(6,103)	5,329,486	(864,201)
Depreciation and amortisation	(224,159,469)	(101,658,846)	(87,052,611)	(11,618,567)	(37,736,872)	(1,094,549)	(579,262)	(23,523,697)	—	(487,423,873)
Total profit	1,191,362,583	220,370,113	376,463,218	(158,165,339)	2,855,103	15,688,720	93,967,883	(115,688,700)	20,979,844	1,647,833,425
Income tax expense	(260,849,060)	(55,841,843)	(85,858,108)	6,602,966	1,135,359	(3,020,662)	(24,081,739)	—	(6,375,838)	(428,288,925)
Net profit	930,513,523	164,528,270	290,605,110	(151,562,373)	3,990,462	12,668,058	69,886,144	(115,688,700)	14,604,006	1,219,544,500
Total assets	11,145,270,102	4,771,097,252	5,852,785,386	629,580,684	2,141,871,199	362,752,580	10,201,492,134	7,013,541,200	(11,565,362,840)	30,553,027,697
Total liabilities	6,431,706,578	1,967,507,057	4,317,295,232	1,811,396,331	1,109,213,449	513,535,259	9,154,774,030	993,637,482	(11,553,409,972)	14,745,655,446
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	1,540,705,013	—	1,540,705,013
Additions to non-current assets other than long-term equity investments	230,300,551	104,099,554	358,763,420	10,699,116	46,291,949	1,197,972	290,000	18,415,367	(16,012,521)	754,045,408

7. SEGMENT INFORMATION (CONT'D)

The Group's total revenue from external customers domestically and in foreign countries or geographical areas, and the total non-current assets other than financial assets and deferred tax assets located domestically and in foreign countries or geographical areas are as follows:

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Revenue from external customers		
Domestic	14,451,799,810	15,823,149,740
Hong Kong and Macau	116,603,576	115,709,039
Other countries/geographical areas	177,713,462	127,735,342
	<u>14,746,116,848</u>	<u>16,066,594,121</u>
	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Total non-current assets		
Domestic	16,057,874,569	16,036,063,153
Hong Kong and Macau	10,919,464	11,156,368
	<u>16,068,794,033</u>	<u>16,047,219,521</u>

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of subsidiaries

The general information and other related information of the subsidiaries is set out in Note 6(1).

(2) Information of the joint venture and associates

Except for the information of the joint venture and associates disclosed in Note 6(2), the other associates having related parties transactions with the Group are set out below:

Company name	Relationship with the Group
Associates —	
New Songjiang Manufacturing	A subsidiary of Shanghai Investment Company, the Group's associate
Pengcheng Company	A subsidiary of Shanghai Investment Company, the Group's associate
Yangzhou Company	A subsidiary of Shanghai Investment Company, the Group's associate
Xuzhou Company	A subsidiary of Shanghai Investment Company, the Group's associate
Suqian Company	A subsidiary of Shanghai Investment Company, the Group's associate
Kunshan Company	A subsidiary of Shanghai Investment Company, the Group's associate
Shanghai Minhang Company	A subsidiary of Shanghai Investment Company, the Group's associate
Shanghai Yangpu Company	A subsidiary of Shanghai Investment Company, the Group's associate
Lianyungang Company	A subsidiary of Shanghai Investment Company, the Group's associate

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(3) Information of other related parties

	Relationship with the Group
Tsingtao Brewery Group Co., Ltd. ("TB Group Company")	Majority shareholder of the Company
Asahi Breweries, Ltd. ("Asahi Breweries")	Same shareholder of the Company
Asahi Beer (China) Investment Co., Ltd. ("Asahi Investment")	Same shareholder of the Company
Suntory Company	Minority shareholder of the Company Subsidiary

(4) Related party transactions

(a) Purchases of goods and receiving services

Name of related party	Nature of transaction	Pricing policies	Six months ended 30 June 2016	Six months ended 30 June 2015
			(unaudited)	(unaudited)
Yantai asahi	Purchase of beer	Mutually-agreed prices and approval by board of directors	364,391,728	360,166,920
Hebei Jiahe Company	Purchase of beer	Mutually-agreed prices	171,508,056	216,240,317
Songjiang Manufacturing	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	165,705,582	388,501,789
Zhaoshang Logistics	Purchase logistics service (including paid on behalf)	Mutually-agreed prices	108,050,072	154,037,755
Kunshan Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	63,114,083	188,722,024
Shanghai Minhang Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	51,914,619	189,036,279
Pengcheng Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	39,975,253	131,723,781
Lianyungang Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	35,024,313	99,725,071
Yangzhou Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	30,759,529	85,941,895
Suqian Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	30,081,498	73,341,950
Xuzhou Company	Purchase of beer	Mutually-agreed prices and approval by board of directors	27,411,879	85,145,363
Shanghai Yangpu Company	Purchase of beer	Mutually-agreed prices and approval by board of directors	2,017,144	7,817,921
			1,089,953,756	1,980,401,065

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(4) Related party transactions (Cont'd)

(b) Sales of goods and providing services

Name of related party	Nature of transaction	Pricing policies	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Liaoning Shenqing European Company	Sale of beer	Mutually-agreed prices	46,825,201	79,933,650
Asahi Breweries	Sale of beer	Mutually-agreed prices	34,877,505	26,718,681
Asahi Investment	Sale of beer	Mutually-agreed prices and approval by board of directors	12,850,324	11,499,529
Asahi Investment	Sale of beer	Mutually-agreed prices and approval by board of directors	3,878,382	2,602,074
Songjiang Manufacturing Company	Sale of materials	Mutually-agreed prices	786,153	8,663,159
Shanghai Minhang Company	Sale of materials	Mutually-agreed prices	61,046	—
Pengcheng Company	Provide engineering and equipment installation services	Mutually-agreed prices	20,773	213,675
Pengcheng Company	Sale of beer and materials	Mutually-agreed prices	11,924	1,192,699
Yangzhou Company	Sale of materials	Mutually-agreed prices	1,496	4,969
Xuzhou Company	Sale of beer and materials	Mutually-agreed prices	—	4,615
Songjiang Manufacturing	Provide engineering and equipment installation services	Mutually-agreed prices	—	1,820,085
Yantai Asahi	Sale of materials	Mutually-agreed prices	—	337,792
			99,312,804	132,990,928

(c) Brand royalty

Name of related party	Nature of transaction	Pricing policies	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Songjiang Manufacturing	Royalty fee of brand	Mutually-agreed prices	2,063,593	4,831,310
Pengcheng Company	Royalty fee of brand	Mutually-agreed prices	379,345	1,270,302
Yangzhou Company	Royalty fee of brand	Mutually-agreed prices	347,350	959,428
Suqian Company	Royalty fee of brand	Mutually-agreed prices	311,151	693,529
Xuzhou Company	Royalty fee of brand	Mutually-agreed prices	237,982	747,396
Lianyungang Company	Royalty fee of brand	Mutually-agreed prices	75,087	129,829
			3,414,508	8,631,794

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(4) Related party transactions (Cont'd)

(d) Entrusted loan from related parties

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Suntory Company	<u>542,964,875</u>	<u>337,484,320</u>

(e) Loan repayments to related parties

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Suntory Company	<u>731,409,485</u>	<u>400,599,365</u>

(f) Entrusted loan provided to related parties

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Lianyungang Company	167,200,000	—
Shanghai Yangpu Company	<u>157,200,000</u>	—
	<u>324,400,000</u>	<u>—</u>

(g) Absorbed deposits from related parties

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Yantai Asahi	408,367,151	432,635,013
Songjiang Manufacturing	160,724,669	338,186,416
Shanghai Investment Company	60,717,198	89,514,956
Pengcheng Company	39,257,665	115,237,789
Suqian Company	35,657,531	76,486,288
Xuzhou Company	27,611,514	68,285,442
Yangzhou Company	<u>25,057,104</u>	<u>78,912,113</u>
	<u>757,392,832</u>	<u>1,199,258,017</u>

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(4) Related party transactions (Cont'd)

(h) Interest expense

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Suntory Company	1,283,341	1,268,510
Songjiang Manufacturing	35,154	127,985
Pengcheng Company	30,170	34,295
Yantai Asahi	23,010	67,497
Xuzhou Company	7,853	10,940
Suqian Company	7,020	8,527
Yangzhou Company	6,500	46,932
Shanghai Investment Company	2,780	5,486
	<u>1,395,828</u>	<u>1,570,172</u>

(i) Interest income

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Lianyungang Company	1,423,763	—
Shanghai Yangpu Company	1,338,610	—
	<u>2,762,373</u>	<u>—</u>

(j) Financial services fee received from related parties

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Songjiang Manufacturing	3,998	8,381
Yantai Asahi	3,737	5,016
Pengcheng Company	1,247	2,783
Xuzhou Company	1,219	1,410
Suqian Company	812	1,605
Yangzhou Company	335	1,034
Shanghai Investment Company	—	79
	<u>11,348</u>	<u>20,308</u>

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(4) Related party transactions (Cont'd)

(k) Key management compensation

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Key management compensation	<u>3,791,558</u>	<u>3,677,000</u>

(l) For the year ended 30 June 2016 and 2015, there is no loan provided to the key management from the Group.

(5) Receivable and payable balances with related parties

Receivables from related parties:

	30 June 2016 (unaudited)		31 December 2015	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable				
European Company	14,942,261	—	12,498,849	—
Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
Guangzhou General Agency	3,259,690	(3,259,690)	3,959,690	(3,959,690)
Asahi Breweries	2,220,049	—	2,345,825	—
Asahi Investment	1,102,517	—	862,511	—
	<u>32,770,301</u>	<u>(14,505,474)</u>	<u>30,912,659</u>	<u>(15,205,474)</u>
Advances to suppliers				
Shanghai Yangpu Company	2,901,857	—	—	—
Lianyungang Company	1,446,791	—	1,446,791	—
	<u>4,348,648</u>	<u>—</u>	<u>1,446,791</u>	<u>—</u>
Interests receivable				
Lianyungang Company	200,013	—	—	—
Shanghai Yangpu Company	188,051	—	—	—
	<u>388,064</u>	<u>—</u>	<u>—</u>	<u>—</u>

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Receivable and payable balances with related parties (Cont'd)

Receivables from related parties (Cont'd):

	30 June 2016 (unaudited)		31 December 2015	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Other receivables				
Lianyungang Company	167,200,000	—	—	—
Shanghai Yangpu Company	157,200,000	—	—	—
Suqian Company	26,024,326	—	25,398,906	—
Shanghai Investment Company	16,350,541	—	2,192,861	—
Yangzhou Company	12,194,294	—	19,421,507	—
Xuzhou Company	1,740,900	—	2,241,990	—
New Songjiang Manufacturing	1,553,825	—	11,448,059	—
Pengcheng Company	933,903	—	2,195,963	—
	383,197,789	—	62,899,286	—

Payables to related parties:

	30 June 2016 (unaudited)	31 December 2015
Accounts payable		
New Songjiang Manufacturing	441,631,400	431,183,207
Kunshan Company	278,682,874	234,843,123
Yantai Asahi	112,997,460	91,317,028
Pengcheng Company	79,073,470	74,067,416
Lianyungang Company	76,372,891	19,997,712
Shanghai Minhang Company	56,391,110	21,179,335
Hebei jiahe Company	30,909,976	3,657,847
Xuzhou Company	22,421,865	673,221
Yangzhou Company	20,384,699	1,485,417
Suqian Company	13,946,601	811,896
Shanghai Yangpu Company	—	436,687
	1,132,812,346	879,652,889

8. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Receivable and payable balances with related parties (Cont'd)

Payables to related parties: (Cont'd)

	30 June 2016 (unaudited)	31 December 2015
Other payables		
Kunshan Company	170,198,795	44,431,093
Shanghai Minhang Company	118,768,269	52,175,437
New Songjiang Manufacturing	56,878,238	13,306,619
Xuzhou Company	33,205,504	14,033,356
Pengcheng Company	28,847,396	25,597,994
Suqian Company	24,075,287	9,589,096
Shanghai Yangpu Company	22,002,677	6,675,880
Zhaoshang Logistics	20,628,097	33,947,864
Shanghai Investment Company	14,914,201	113,226
Yangzhou Company	14,630,615	13,461,796
Lianyungang Company	11,813,768	—
Yantai Asahi	6,430,256	8,215,924
	<u>522,393,103</u>	<u>221,548,285</u>
Advances from customers		
Liaoning Shenqing	499,342	9,793,264
	<u>499,342</u>	<u>9,793,264</u>
Interests payable		
Suntory Company	—	440,749
	<u>—</u>	<u>440,749</u>
Short-term borrowings		
Suntory Company	—	188,444,610
	<u>—</u>	<u>188,444,610</u>

9. CONTINGENT LIABILITIES

As stated in Note 3(2), the Group's potential risk of income tax liabilities related to prior years has not been settled. The directors are of the view that the impact of the potential income tax liabilities could not be reliably estimated and therefore, no provision was made in these financial statements.

10. COMMITMENTS

(1) Capital commitments

Capital expenditures contracted for but not yet necessary to be recognised on the balance sheet

	30 June 2016 (unaudited)	31 December 2015
Buildings, machinery and equipment	<u>291,435,528</u>	<u>353,124,460</u>

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	30 June 2016 (unaudited)	31 December 2015
Within one year	17,649,903	26,323,769
1 to 2 years	1,810,503	4,149,753
2 to 3 years	<u>30,000</u>	<u>120,000</u>
	<u>19,490,406</u>	<u>30,593,522</u>

(3) Investment commitments

According to the Framework Agreement of Transfer of Equity Interests and Permission for Use of Brand and Technologies (“Framework Agreement”) entered between the Company and Suntory Company on 18 October 2015, the Company will acquire 50% equity interest of Tsingtao Brewery (Shanghai) Investment Co., Ltd. (“Shanghai Investment Company”) and 50% equity interest of Shanghai Industrial Company. The consideration is determined by basic price of 822,912,001 together with subsequent consideration adjustment as mentioned in Framework Agreement. After the completion of this deal, Shanghai Investment Company and Shanghai Industrial Company will become wholly owned subsidiaries of the Company. The procedures of alteration at the industrial and commercial administration for the transfer of the equity interests of Shanghai Investment Company and Shanghai Industrial Company have been completed on 16 March 2016 and 24 March 2016 respectively. Up to 30 June 2016, the Company has paid 572,912,001 according to the agreement for the transfer of equity interests. Up to the date of the financial statements approved to be issued, the final consideration of the equity transfer has not been agreed, and hence the impact on financial statements is unable to measure accurately and not recognised in the financial statements.

11. LEASE

For the period ended 30 June 2016, there is no financing lease, and operating lease payments recognised in profit or loss for the current period amount to 59,350,727 (30 June 2015: there is no financing lease and operating lease payments amount to 64,131,958).

12. FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from financing activities and business transactions denominated in foreign currencies, primarily with respect to HKD, and from some sales receipts settled by USD and EUR. As the balance of the borrowings denominated in foreign currencies and the business transactions settled in foreign currencies are not material, the directors of the Company are of the view that the Group's exposure to foreign exchange risk would be immaterial. The Group's head office is responsible for monitoring the amount of assets and liabilities and transactions denominated in foreign currencies to minimise the foreign exchange risk. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. For the six months ended 30 June 2016 and 30 June 2015, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 30 June 2016 and 31 December 2015, the carrying amounts in RMB equivalent to the Group's assets and liabilities denominated in foreign currencies are summarised as below:

	30 June 2016 (unaudited)			Total
	USD	HKD	Other foreign currencies	
Financial assets				
denominated in foreign currency —				
Cash at bank and on hand	167,804,008	4,395	53,529,926	221,338,329
Accounts receivable	22,378,039	27,044,429	16,712,794	66,135,262
	<u>190,182,047</u>	<u>27,048,824</u>	<u>70,242,720</u>	<u>287,473,591</u>
Financial liabilities				
denominated in foreign currency —				
Other payables	2,166,280	—	—	2,166,280
Current portion of non-current liabilities	—	—	898,256	898,256
Long-term borrowings	—	—	1,585,920	1,585,920
	<u>2,166,280</u>	<u>—</u>	<u>2,484,176</u>	<u>4,650,456</u>

12. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	30 June 2015 (unaudited)			Total
	USD	HKD	Other foreign currencies	
Financial assets denominated in foreign currency —				
Cash at bank and on hand	48,235,636	688	18,273,900	66,510,224
Accounts receivable	<u>28,625,489</u>	<u>382,838</u>	<u>13,744,635</u>	<u>42,752,962</u>
	<u>76,861,125</u>	<u>383,526</u>	<u>32,018,535</u>	<u>109,263,186</u>
Financial liabilities denominated in foreign currency —				
Short-term borrowings	—	18,766,720	—	18,766,720
Other payables	2,884,226	—	—	2,884,226
Current portion of non- current liabilities	—	—	856,189	856,189
Long-term borrowings	<u>—</u>	<u>—</u>	<u>1,711,800</u>	<u>1,711,800</u>
	<u>2,884,226</u>	<u>18,766,720</u>	<u>2,567,989</u>	<u>24,218,935</u>

As at 30 June 2016, for various financial assets and liabilities denominated in USD and HKD, if RMB had strengthened or weakened by 10% against the USD while all other variables had been held constant, the Group's net profit for the year would have been approximately 14,101,000 higher or lower (31 December 2015: if RMB had strengthened or weakened by 10% against the USD while all other variables had been held constant, the Group's net profit for the year would have been approximately 5,548,000 higher or lower); if RMB had strengthened or weakened by 10% against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately 2,029,000 lower or higher (31 December 2015: if RMB had strengthened or weakened by 10% against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately 1,379,000 higher or lower).

12. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(b) Interest rate risk

The Group's interest rate risk arises from interest bearing debts such as long-term bank borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2016 and 31 December 2015, as the long-term bank borrowings are all interest-free and immaterial, there is no material interest rate risk in the view of the directors of the Group.

The Group's head office continuously monitors the interest rate position of the Group. Increase in interest rate will increase the cost of new interest-bearing borrowings and therefore could have an adverse impact on the Group's financial position. The management of the Group makes decisions according to the latest market conditions. The directors of the Company are of the view that future interest rate changes will not have a material adverse impact on the Group's operating performance.

(c) Price risk

The Group's price risk arises from price fluctuation of the principal raw materials in beer production, while the rise of raw material prices will have adverse impact on the Group's operating performance. The purchasing department of the Group keeps analysing and monitoring the trend of raw materials prices, and considers entering into long-term purchase contracts with the suppliers to make sure that there is no material fluctuation of raw material prices. The directors of the Company are of the view that future price changes of principal raw materials will not have material adverse impact on the Group's operating performance.

(2) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash at bank and on hand, accounts receivable, other receivables and notes receivable etc.

The Group expects that there is no significant credit risk associated with cash at bank considering they are deposited at state-owned banks and other medium or large size public-listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Sales are mainly settled by advances from customers or bank acceptance notes, and accordingly, there is no significant credit risk related to customers.

In addition, the Group has policies to limit the credit exposure on accounts receivable and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

12. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's head office. The head office monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2016 (unaudited)				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	358,977,245	—	—	—	358,977,245
Notes payable	139,916,944	—	—	—	139,916,944
Accounts payable	3,481,021,337	—	—	—	3,481,021,337
Interests payable	690,904	—	—	—	690,904
Other payables	4,972,692,448	—	—	—	4,972,692,448
Dividends payable	526,883,290	—	—	—	526,883,290
Current portion of non-current liabilities	898,254	—	—	—	898,254
Long-term borrowings	—	396,480	1,189,440	—	1,585,920
	<u>9,481,080,422</u>	<u>396,480</u>	<u>1,189,440</u>	<u>—</u>	<u>9,482,666,342</u>
	31 December 2015				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	812,760,460	—	—	—	812,760,460
Notes payable	100,141,631	—	—	—	100,141,631
Accounts payable	2,590,986,856	—	—	—	2,590,986,856
Interests payable	1,486,051	—	—	—	1,486,051
Other payables	4,061,298,404	—	—	—	4,061,298,404
Current portion of non-current liabilities	856,189	—	—	—	856,189
Long-term borrowings	—	380,400	1,141,200	190,200	1,711,800
	<u>7,567,529,591</u>	<u>380,400</u>	<u>1,141,200</u>	<u>190,200</u>	<u>7,569,241,391</u>

Bank borrowings are analysed by repayment terms as follows:

	30 June 2016 (unaudited)	31 December 2015
Within 1 year	355,786,854	811,243,471
1 to 2 years	396,480	380,400
2 to 5 years	1,189,440	1,141,200
Over 5 years	—	190,200
	<u>357,372,774</u>	<u>812,955,271</u>

13. FAIR VALUE ESTIMATION

The level of fair value measurement is determined by the lowest level of inputs which has significant impact on fair value measurement, as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

(1) Assets measured at fair value on a recurring basis

As at 30 June 2016, persistent financial instruments measured at fair value are wealth management products of the Group (Note 4(8)), which belong to Level 3 (31 December 2015: there is no asset measured at fair value on a recurring basis).

The timing of transfers is determined at the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1 and 2 during the year.

(2) Financial instruments not measured at fair value but disclosed at fair value

Financial assets and liabilities of the Group measured at amortised cost mainly represent receivables, short-term borrowings, payables, long-term borrowings. The difference between the carrying amount and fair value of those financial assets and liabilities not measured by fair value is small.

The fair value of long-term borrowings is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, which belongs to level 3.

14. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

For the six months ended 30 June 2016, the group's strategy, which was unchanged from the prior period, was to maintain the cash balance above a certain standard to meet the Group's business development needs. Cash balance is calculated as cash and cash equivalents less total borrowings (including short-term borrowings, current portion of non-current liabilities, and long-term borrowings as shown in the consolidated balance sheet). The cash balance as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016 (unaudited)	31 December 2015
Cash and cash equivalents	<u>9,223,810,853</u>	<u>7,575,374,183</u>
<i>Less:</i> Short-term borrowings	(354,888,600)	(810,387,282)
Current portion of non-current liabilities	(898,254)	(856,189)
Long-term borrowings	<u>(1,585,920)</u>	<u>(1,711,800)</u>
	(357,372,774)	(812,955,271)
Cash balance after deducting borrowings	<u>8,866,438,079</u>	<u>6,762,418,912</u>

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivable

	30 June 2016 (unaudited)	31 December 2015
Accounts receivable	912,884,391	513,563,811
Less: provision for bad debts	(64,173,447)	(64,868,599)
	<u>848,710,944</u>	<u>448,695,212</u>

The majority of the Company's domestic sales are made by advances from customers. The remains are settled by letters of credit, bank acceptance notes or providing credit terms from 30 to 100 days.

(a) The ageing of accounts receivable based on their recording dates is analysed below:

	30 June 2016 (unaudited)	31 December 2015
Within 6 months	792,333,637	411,254,406
6 months to 1 year	21,563,277	19,460,215
1 to 2 years	29,401,767	14,063,769
2 to 3 years	1,518,753	18,464
3 to 4 years	—	—
4 to 5 years	3,108,229	3,119,850
Over 5 years	64,958,728	65,647,107
	<u>912,884,391</u>	<u>513,563,811</u>

As at 30 June 2016, the Company has no accounts receivables (as at 31 December 2015: nil) which have been past due but not impaired.

(b) Accounts receivable by categories are analysed as follows:

	30 June 2016 (unaudited)				31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total				%			
	Amount	balance	Amount	Ratio	Amount	balance	Amount	Ratio
Individually significant and subject to separate assessment for provision	14,505,474	1.59%	(14,505,474)	100%	15,205,474	2.96%	(15,205,474)	100%
Subject to provision on the grouping basis								
Group B	789,297,507	86.46%	—	—	407,623,922	79.37%	—	—
Group C	109,081,410	11.95%	(49,667,973)	45.53%	90,734,415	17.67%	(49,663,125)	54.73%
	<u>912,884,391</u>	<u>100%</u>	<u>(64,173,447)</u>	<u>7.03%</u>	<u>513,563,811</u>	<u>100%</u>	<u>(64,868,599)</u>	<u>12.63%</u>

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(1) Accounts receivable (Cont'd)

- (c) As at 30 June 2016, accounts receivable with amounts that are individually significant and subject to separate assessment for provision are analysed as follows:

	Ending balance (unaudited)	Provision for bad debts (unaudited)	Ratio	Reason
Beijing Sales Company	11,245,784	(11,245,784)	100%	<i>Notes 4 (3)(c)</i>
Guangzhou General Agency	<u>3,259,690</u>	<u>(3,259,690)</u>	100%	<i>Notes 4 (3)(c)</i>
	<u>14,505,474</u>	<u>(14,505,474)</u>		

- (d) Accounts receivable that are subject to provision for bad debts on the grouping basis (Group C) using the ageing analysis method are analysed as follows:

	30 June 2016 (unaudited)			31 December 2015		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 6 months	58,719,766	—	—	41,058,093	—	—
6 months to 1 year	730,180	(36,509)	5%	—	—	—
1 to 2 years	—	—	—	26,394	(13,197)	50%
2 to 3 years	—	—	—	18,464	(18,464)	100%
3 to 4 years	—	—	—	—	—	—
4 to 5 years	—	—	—	100,000	(100,000)	100%
Over 5 years	<u>49,631,464</u>	<u>(49,631,464)</u>	100%	<u>49,531,464</u>	<u>(49,531,464)</u>	100%
	<u>109,081,410</u>	<u>(49,667,973)</u>	<u>45.53%</u>	<u>90,734,415</u>	<u>(49,663,125)</u>	<u>54.73%</u>

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(1) Accounts receivable (Cont'd)

- (e) The provisions for bad debts are 36,509, and the reversal provisions for bad debts are 731,661. The significant reversal amount is as follows:

	Reason for collecting or reversal	Rationality of provision basis	Amount of collecting or reversal (unaudited)	Collecting way
		The collecting probability is low in the management's view		
Guangzhou General Agency	Partially collected	view	<u>700,000</u>	By cash

- (f) As at 30 June 2016, there are no accounts receivable written off (30 June 2015: nil).

- (g) As at 30 June 2016, the top five accounts receivable are analysed as follows:

	Amount (unaudited)	Provision for bad debts (unaudited)	% of total balance
Total amount of the top five accounts receivable	<u>419,664,363</u>	<u>—</u>	<u>45.97%</u>

- (h) As at 30 June 2016, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2015: nil).

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(2) Other receivables

	30 June 2016 (unaudited)	31 December 2015
Receivables from subsidiaries	122,517,061	112,597,272
Refund for prepayment of land use rights	17,441,647	17,441,647
Staff advance	13,544,544	13,120,665
Payment on behalf for Social Security	13,498,551	12,380,215
Deposits	4,827,103	6,162,946
Brand royalty	2,075,987	15,381,998
Others	18,868,164	17,407,738
	192,773,057	194,492,481
<i>Less: provision for bad debts</i>	(40,089,567)	(39,832,296)
	152,683,490	154,660,185

(a) The ageing of other receivables is analysed below:

	30 June 2016 (unaudited)	31 December 2015
Within 6 months	70,455,208	92,834,057
6 months to 1 year	31,040,996	28,695,359
1 to 2 years	35,631,766	18,736,096
2 to 3 years	5,559,890	1,722,168
3 to 4 years	392,544	231,984
4 to 5 years	1,820,300	1,846,239
Over 5 years	47,872,353	50,426,578
	192,773,057	194,492,481

The Company has no specific credit terms for other receivables. Therefore, the Company has no other receivables that are past due but not impaired as at 30 June 2016 and 31 December 2015.

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(2) Other receivables (Cont'd)

(b) Other receivables by categories are analysed as follows:

	30 June 2016 (unaudited)				31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total				% of total			
	Amount	balance	Amount	Ratio	Amount	balance	Amount	Ratio
Individually significant and subject to separate assessment for provision	17,441,647	9.05%	(17,441,647)	100%	17,441,647	8.97%	(17,441,647)	100%
Subject to provision on the grouping basis								
Group A	3,206,031	1.66%	—	—	3,206,031	1.65%	—	—
Group B	125,783,811	65.25%	—	—	112,597,272	57.89%	—	—
Group C	46,341,568	24.04%	(22,647,920)	48.87%	61,247,531	31.49%	(22,390,649)	36.56%
	<u>192,773,057</u>	<u>100%</u>	<u>(40,089,567)</u>	<u>20.80%</u>	<u>194,492,481</u>	<u>100%</u>	<u>(39,832,296)</u>	<u>20.48%</u>

(c) As at 30 June 2016, other receivables with amounts that are individually significant and subject to separate assessment for provision are analysed as follows:

	Ending balance (unaudited)	Provision for bad debts (unaudited)	Ratio	Reason
Refund for repayment of land use rights	<u>17,441,647</u>	<u>(17,441,647)</u>	100%	Notes4 (4)(c)

(d) Other receivables that are subject to provision for bad debts on the grouping basis (Group C) using the ageing analysis method are analysed as follows:

	30 June 2016 (unaudited)			31 December 2015		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 6 months	23,204,832	—	—	38,278,941	—	—
6 months to 1 year	257,185	(12,859)	5%	488,980	(24,449)	5%
1 to 2 years	488,980	(244,490)	50%	226,820	(113,410)	50%
2 to 3 years	452,874	(452,874)	100%	260,396	(260,396)	100%
3 to 4 years	211,375	(211,375)	100%	231,984	(231,984)	100%
4 to 5 years	159,300	(159,300)	100%	185,239	(185,239)	100%
Over 5 years	21,567,022	(21,567,022)	100%	21,575,171	(21,575,171)	100%
	<u>46,341,568</u>	<u>(22,647,920)</u>	<u>48.87%</u>	<u>61,247,531</u>	<u>(22,390,649)</u>	<u>36.56%</u>

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(2) Other receivables (Cont'd)

- (e) For the six months ended 30 June 2016, the provisions for bad debts are 346,310, and the reversal provisions for bad debts are 89,039.
- (f) For the six months ended 30 June 2016, there are no other receivables written off.
- (g) As at 30 June 2016, the top five other receivables are analysed as follows:

	Nature	Amount (unaudited)	Ageing	% of total balance	Provisions for bad debts (unaudited)
Wuhu Company	Payment on behalf for recycled bottles	38,789,848	Within 3 years	20.13%	—
Suizhou Company	Payment on behalf for recycled bottles	25,200,627	Within 2 years	13.07%	—
Yingcheng Company	Payment on behalf for recycled bottles	21,671,637	Within 3 years	11.24%	—
Tsingtao Xianghong Shangwu Co., Ltd. ("Xianghong Shangwu")	Payment on behalf for Social Security	13,498,851	Within 3 years	7.00%	—
New Shanghai Sales Company	Assets transferred	8,863,684	Over 3 years	4.60%	—
		<u>108,024,647</u>		<u>56.04%</u>	<u>—</u>

(3) Long-term receivables

	31 December 2015			30 June 2016 (unaudited)
Entrusted loans to Subsidiaries (i)	<u>648,500,000</u>			<u>583,700,000</u>
		Increase in the current period (unaudited)	Decrease in the current period (unaudited)	
Less: provisions for bad debts	<u>(174,300,000)</u>	<u>—</u>	<u>—</u>	<u>(174,300,000)</u>
	<u>474,200,000</u>			<u>409,400,000</u>

- (i) The entrusted loans to subsidiaries are unsecured RMB loans provided by the Company through banks and Finance Company, with annual interest of 3.9% to 5.4% and quarterly payment.

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(4) Long-term equity investments

	30 June 2016 (unaudited)	31 December 2015
Subsidiaries (a)	8,202,708,408	8,412,708,408
Joint Ventures (b)	228,444,177	225,462,073
Associates (c)	<u>1,233,401,569</u>	<u>1,221,216,078</u>
	9,664,554,154	9,859,386,559
Less: Provision for impairment of long-term equity investments (d)	<u>(755,588,059)</u>	<u>(755,588,059)</u>
	<u>8,908,966,095</u>	<u>9,103,798,500</u>

There is no restriction on realisation the long-term equity investments to cash.

(a) Subsidiaries

	31 December 2015	Movements in the current period		30 June 2016 (unaudited)	Provision for impairment for the current period (unaudited)	Balance of provision for impairment at end of period (unaudited)	Cash dividends declared in the current period (unaudited)
		Increased investment (unaudited)	Decreased investment (unaudited)				
Shenzhen Asahi	126,746,680	—	—	126,746,680	—	—	(92,400,000)
Chenzhou Company	62,601,208	—	—	62,601,208	—	—	—
Huanan Sales Company	45,070,000	—	—	45,070,000	—	—	—
Huanan Holding Company	208,790,000	—	—	208,790,000	—	—	—
Huadong Holding Company	96,855,102	—	—	96,855,102	—	(96,855,102)	—
Shouguang Company	60,000,000	—	—	60,000,000	—	—	—
Five star Company	24,656,410	—	—	24,656,410	—	(24,656,410)	—
Three Ring Company	69,457,513	—	—	69,457,513	—	(69,457,513)	—
Beifang Sales Company	83,984,000	—	—	83,984,000	—	(83,984,000)	—
Xi'an Company	392,627,114	—	—	392,627,114	—	—	—
Weinan Company	14,000,000	—	—	14,000,000	—	—	—
Anshan Company	30,000,000	—	—	30,000,000	—	—	—
Xingkaihu Company	129,430,000	—	—	129,430,000	—	(129,430,000)	—
Mishan Company	23,920,000	—	—	23,920,000	—	(23,920,000)	—
Harbin Company	213,540,000	—	—	213,540,000	—	(109,940,000)	—
Penglai Company	30,000,000	—	—	30,000,000	—	(30,000,000)	—
Rongcheng Company	65,103,434	—	—	65,103,434	—	(65,103,434)	—
Import/ Export Company	11,210,000	—	—	11,210,000	—	—	—
Tsingtao Brewery (Laoshan) Co., Ltd.	18,089,491	—	—	18,089,491	—	—	—
Hong Kong Company	41,728,681	—	—	41,728,681	—	—	—
Tsingtao Brewery Kai Fa Co., Ltd.	1,320,000	—	—	1,320,000	—	(1,320,000)	—

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(4) Long-term equity investments (Cont'd)

(a) Subsidiaries (Cont'd)

	31 December 2015	Movements in the current period		30 June 2016 (unaudited)	Provision for impairment for the current period (unaudited)	Balance of provision for impairment at end of period (unaudited)	Cash dividends declared in the current period (unaudited)
		Increased investment (unaudited)	Decreased investment (unaudited)				
Taizhou Company	60,000,000	—	—	60,000,000	—	—	—
Maanshan Company	80,000,000	—	—	80,000,000	—	—	—
Xianghong Shangwu	5,760,000	—	—	5,760,000	—	—	—
Dongnan Sales Company	293,088,560	—	—	293,088,560	—	—	—
Changsha Company	47,600,000	—	—	47,600,000	—	—	—
Jinan Company	560,000,000	—	—	560,000,000	—	—	—
Guangrunlong Logistics	16,465,405	—	—	16,465,405	—	—	—
Chengdu Company	280,000,000	—	—	280,000,000	—	—	—
Cultural Communication Company	5,290,000	—	—	5,290,000	—	—	—
Rizhao Company	339,239,300	—	—	339,239,300	—	—	—
Weifang Company	73,620,001	—	—	73,620,001	—	—	—
Pingyuan Company	21,730,001	—	—	21,730,001	—	—	—
Construction Company	2,490,000	—	—	2,490,000	—	—	—
Langfang Company	79,090,000	—	—	79,090,000	—	—	—
Heze Company	124,590,000	—	—	124,590,000	—	(51,301,600)	—
Tengzhou Company	48,310,000	—	—	48,310,000	—	—	—
Tsingtao Brewery (Shanghai) Company Limited	1,570,000	—	—	1,570,000	—	—	—
Wuhu Company	144,290,000	—	—	144,290,000	—	—	—
Shanghai Sales Company	97,300,000	—	—	97,300,000	—	(47,300,000)	—
Chengyang Sales Company	8,000,000	—	—	8,000,000	—	—	—
Shijiazhuang Company	321,010,000	—	—	321,010,000	—	—	—
Taiyuan Company	200,000,000	—	—	200,000,000	—	—	—
Finance Company	500,000,000	—	—	500,000,000	—	—	—
Immense Brewery Company	1,404,558,400	—	—	1,404,558,400	—	—	—
Hangzhou Company	186,000,000	—	—	186,000,000	—	—	—

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(4) Long-term equity investments (Cont'd)

(a) Subsidiaries (Cont'd)

	31 December 2015	Movements in the current period		30 June 2016 (unaudited)	Provision for impairment for the current period (unaudited)	Balance of provision for impairment at end of period (unaudited)	Cash dividends declared in the current period (unaudited)
		Increased investment (unaudited)	Decreased investment (unaudited)				
Sifang Sales Company (i)	10,000,000	—	(10,000,000)	—	—	—	—
Jieyang Company	150,000,000	—	—	150,000,000	—	—	—
Beverage Company	30,044,252	—	—	30,044,252	—	—	—
Shaoguan Company	200,000,000	—	—	200,000,000	—	—	—
Hainan Company(i)	200,000,000	—	(200,000,000)	—	—	—	—
Shibei Sales Company	8,000,000	—	—	8,000,000	—	—	—
Jiujiang Company	180,000,000	—	—	180,000,000	—	—	—
Xuzhou Enterprise Management	10,000,000	—	—	10,000,000	—	(10,000,000)	—
Pingdu sales Company	5,000,000	—	—	5,000,000	—	—	—
Luoyang Company	200,000,000	—	—	200,000,000	—	—	—
Sales Company	10,000,000	—	—	10,000,000	—	(10,000,000)	—
Luzhou Company	118,460,956	—	—	118,460,956	—	—	—
Harbin sales Company	1,100,000	—	—	1,100,000	—	(1,100,000)	—
Zhangjiakou Company	91,600,000	—	—	91,600,000	—	—	—
Lulansa Company	317,374,000	—	—	317,374,000	—	—	—
Huangshi Company	163,630,000	—	—	163,630,000	—	—	—
Yingcheng Company	42,070,000	—	—	42,070,000	—	—	—
Hanzhong Company	26,297,900	—	—	26,297,900	—	—	—
	<u>8,412,708,408</u>	<u>—</u>	<u>(210,000,000)</u>	<u>8,202,708,408</u>	<u>—</u>	<u>(754,368,059)</u>	<u>(92,400,000)</u>

(i) As stated in Note 5, the Group cancelled the registration of Sifang Sales Company and Hainan Company during this period.

(b) Joint ventures

	31 December 2015	Movements in the current period			30 June 2016 (unaudited)	Equity interest held	Voting rights	Balance of provision for impairment at end of period (unaudited)
		Share of net profit or loss using the equity method	Cash dividends declared	Other equity changes				
Hebei Jiabe	<u>225,462,073</u>	<u>2,982,104</u>	<u>—</u>	<u>—</u>	<u>228,444,177</u>	50%	50%	<u>—</u>

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(4) Long-term equity investments (Cont'd)

(c) Associates

	Movements in the current period (unaudited)				30 June 2016 (unaudited)	Equity interest held	Voting rights	Balance of provision for impairment at end of period (unaudited)
	31 December 2015	Share of net profit or loss using the equity method	Share of other equity changes	Cash dividends declared				
Shanghai Investment Company (i)	1,067,284,291	9,820,413	—	—	1,077,104,704	50%	44.44%	—
Yantai Asahi	133,456,185	14,190,747	—	(14,098,052)	133,548,880	39%	39%	—
Zhaoshang Logistics	17,058,242	2,302,947	5,694	—	19,366,883	30%	30%	—
Liaoning Shenqing	2,197,360	(36,258)	—	—	2,161,102	30%	30%	—
Others	1,220,000	—	—	—	1,220,000			(1,220,000)
	<u>1,221,216,078</u>	<u>26,277,849</u>	<u>5,694</u>	<u>(14,098,052)</u>	<u>1,233,401,569</u>			<u>(1,220,000)</u>

- (i) The share of net income using the equity method in Shanghai Investment Company is 9,820,413, including the income from investment of 9,999,197 which derives from shares of net income based on the fair value adjustment and investment loss of 178,784 due to the unrealized profit in intra-group sales in the current period.

The explanation for the difference between equity interest percentage and voting right percentage in Shanghai Investment Company refers to Note 4(10)(b)(i).

(d) Provision for impairment of long-term equity investments

	31 December 2015	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2016 (unaudited)
Subsidiaries	(754,368,059)	—	—	(754,368,059)
Associates	<u>(1,220,000)</u>	<u>—</u>	<u>—</u>	<u>(1,220,000)</u>
	<u>(755,588,059)</u>	<u>—</u>	<u>—</u>	<u>(755,588,059)</u>

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(5) Revenue and cost of sales

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Revenue from main operation	9,129,923,977	9,056,855,657
Revenue from other operations	664,588,236	762,387,669
	<u>9,794,512,213</u>	<u>9,819,243,326</u>
	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Cost of main operation	(6,578,737,820)	(6,566,209,483)
Cost of other operations	(651,995,528)	(745,305,763)
	<u>(7,230,733,348)</u>	<u>(7,311,515,246)</u>

(a) Revenue and cost of main operation

	Six months ended 30 June 2016 (unaudited)		Six months ended 30 June 2015 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sale of Beer	<u>9,129,923,977</u>	<u>(6,578,737,820)</u>	<u>9,056,855,657</u>	<u>(6,566,209,483)</u>

(b) Revenue and cost of other operations

	Six months ended 30 June 2016 (unaudited)		Six months ended 30 June 2015 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sales of raw materials	653,366,308	(645,900,137)	747,376,111	(740,580,848)
others	11,221,928	(6,095,391)	15,011,558	(4,724,915)
	<u>664,588,236</u>	<u>(651,995,528)</u>	<u>762,387,669</u>	<u>(745,305,763)</u>

15. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(6) Expenses by nature

The costs of sales, selling and distribution expenses and general and administrative expenses classified by nature are as follows:

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Finished goods purchased from third parties	4,736,557,352	4,637,498,220
Raw materials and consumables used	2,059,027,859	2,238,279,365
Employee benefit expenses	734,302,391	735,108,370
Handling and transportation expenses	472,504,500	481,718,609
Promotion related expenses	429,986,826	550,946,240
Advertising related expenses	267,259,631	199,607,861
Depreciation and amortisation charges	141,936,039	122,429,406
Changes in inventories of finished goods and work in progress	137,596,598	161,966,937
Administrative expenses	57,515,321	51,324,643
Repair expenses	35,169,644	39,359,190
Operating lease payments	26,282,097	30,189,712
Tax expenses	18,711,233	20,466,064
Other expense	46,484,948	34,581,552
	<u>9,163,334,439</u>	<u>9,303,476,169</u>
Total Cost of sales, Selling and distribution, General and administrative expenses	<u>9,163,334,439</u>	<u>9,303,476,169</u>

(7) Investment income

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Income from disposal of long-term equity investment (a)	100,999,437	—
Income from long-term equity investment under cost method (b)	47,124,000	1,304,712,000
Income from long-term equity investment under equity method	29,259,953	25,075,083
Income from entrusted loans	10,889,801	13,598,192
Others	—	299,998
	<u>188,273,191</u>	<u>1,343,685,273</u>

There is no significant restriction on transferring funds in the form of investment income.

- (a) For the six months ended 30 June 2016, the Income from disposal of long-term equity investment comes from the deregistered Sifang Sales Company and Hainan Company.
- (b) Investment income from long-term equity investment accounted for using the cost method is the profit distribution of subsidiaries Shenzhen Asahi.

SUPPLEMENTARY INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

(All amounts in RMB Yuan unless otherwise stated)

1 SUMMARY OF NON-RECURRING PROFIT OR LOSS

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Government grants recognised in profits	262,345,468	274,651,110
Losses on disposal of non-current assets	(154,208,861)	(74,198,215)
Reversal of bad debt provision for accounts receivables which provision is provided on the individual basis	700,000	600,000
Other non-operating income and expenses other than aforesaid items	<u>6,612,863</u>	<u>2,144,827</u>
	<u>115,449,470</u>	<u>203,197,722</u>
Impact of the income tax	(17,484,409)	(35,764,275)
Impact of the non-controlling interests (net of tax)	<u>(5,959,225)</u>	<u>(8,684,411)</u>
	<u>92,005,836</u>	<u>158,749,036</u>

Basis for preparation of summary of non-recurring profit or loss

Under the requirements in Explanatory announcement No.1 on information disclosure by companies offering securities to the public – non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Net profit attributable to ordinary shareholders of the Company	6.29%	7.50%	0.791	0.887	0.791	0.887
Net profit attributable to ordinary shareholders of the Company after deducting on-recurring profit or loss	5.75%	6.51%	0.723	0.770	0.723	0.770

(I) SUMMARY OF OVERALL OPERATION ACTIVITIES DURING THE REPORTING PERIOD

In the first half of 2016, due to the slow-down of the domestic economic growth, the consumption in the beer market was still under relatively huge pressure, while both the stagnation of mid-and-high-end catering market and the unusual climate brought negative impacts to the sales of beer. On the other hand, the consumption structure of the domestic beer market was upgraded that the consumers' needs for the beer products were diversified and personalized, which brought out new requests to the breweries. Due to the continuous expansion of foreign breweries and imported beer in China's market, the competition in brand, product and channel became fiercer in the beer market. In the first half-year, the production volume of the domestic beer industry reached 225.2 million hl, decreasing by 4.3% (Source: National Bureau of Statistics) comparing with that of the corresponding period in the previous year, which revealed a fiercer competition situation in the market.

Under the severe market situation, the Company not only insisted on its strategies, but also actively responded to the pressure and challenges brought by the "new normality" of China's beer industry with the strategy of "stabling the growth, upgrading the structure" to promote the transformation and upgrade of the marketing. The Company adopted a couple of active measures including enhancing the global brand impact, innovating the supply system, adjusting and optimizing the market structure, and deepening and intensifying the management, to explore and implement the new mode and new method of realizing the qualified growth with the "innovative drive" which promote the transformation of development mode and the healthy and sustainable development. In the first half-year, the Company sold 44.4 million hl of beer in total, representing nearly 20% of the domestic market share; recorded RMB14.746 billion of revenue, and RMB1.069 billion of net profit attributable to the shareholders of the Company.

In the first half-year, the Company grasped the development opportunity of "the Belt and the Road" in the market construction to firmly strengthen the construction of the strategic areas along the Yellow River and in the coastal markets, to consolidate and upgrade the dominant markets in the coastal area and in the area along the Yellow River basin, and to strengthen the construction of the connected base markets in the Yellow River basin. The more and more obvious markets synergetic effect deepened the strategic depth of the Company's future sustainable development, and worked in concert with the coastal base markets, which built a solid basis for the construction of Tsingtao Brewery's nation-wide strategic market layout of "one vertical line and one cross line".

The Company made full use of its advantages in brand and quality in the overseas markets, focused on the area of important cities, important period and target people to carry out its brand expansion, which promoted the broad distribution and brand expansion of Tsingtao Beer globally, and improved the international image of the brand and the reputation among the consumers. In the first half-year, despite of the stagnation of global economy and unsatisfactory export results, the sales volume in the overseas markets obtained growth instead which increased by 16% comparing with that of the corresponding period in the previous year.

As led by the Board and the management team, the Company accelerated the transformation and upgrade of the marketing mode that it strengthened the market promotion through various channels and marketing manners, reasonably controlled the input of market expenses, focused on improving the marketing efficiency, accelerated the optimization and adjustment of the product mix, developed the personalized and diversified new products to meet the changes of the consumption needs, and maintained its competitiveness of the products with high quality and differentiation under the background of consumption upgrade, all of which had made considerable achievements.

The Company made huge efforts in the base markets that it accelerated the optimization and adjustment of the product mix in the provincial and big city base markets, continued to optimize the brand and product mix, promoted the sales of high value-added products to stimulate the consumers' needs, which ensured its advantages in the competition in the high-end products and base markets. In the first half-year, the sales volume of Tsingtao Beer, the core brand of the Company, recorded 21.2 million hl including 8.9 million hl of the high-end products such as the canned beer, small-bottled beer, draft beer, Classic 1903 and Augerta, which maintained its leading position in the domestic mid-and-high-end market. The Company carried out the product innovation mainly for the consumers that it developed and presented the featured products including IPA craft beer, original beer keg, Classic 1903 Memorial Version of Warcraft which followed the current consumption trend to provide more and diversified product experience for the consumers, led the new trend of the domestic consumption, and established a relatively improved product mix.

The Company actively explored and applied the new marketing mode in the mobile internet era by establishing the channel system of "internet+" and innovating the marketing mode that, after having established the all-around e-commerce channel system of official flagship store + official shopping mall + online retailers + distributor boutiques, it also established its own e-commerce channels including "Tsingtao Beer WeChat Shopping Mall" and "Tsingtao Quich-Buy APP" to satisfy the purchasing needs and consumption experience of the consumers through various channels including the establishment of professional networks and high-quality final product mix, which promoted the construction of featured new commercial mode, the upgrade of product mix and the development of new and special products in the regional markets.

The Company strengthened its brand promotion and increased its market input through the significant sport events including the Euro Cup and Rio Olympic Games. For the brand communication, the Company improved brand communication mode from different aspects to enrich the consumers' experience. Combining with the consumption features in the internet era in recent years, and based on the existing brand communication, product distribution and consumers' experience, the Company increased the on-line interaction with the consumers and set up the "4 in 1" brand communication mode. During the Reporting Period, the Company actively explored the mutual communication channel with the consumers through a series of measures including sponsoring the sport and music events favored by the young people such as the AFC Champions League and CBA basket games; appointing HUANG Xiao Ming, a famous movie star, to be the image spokesman of Tsingtao Draft Beer to completely improve the image of draft beer; and the national thematic promotion events such as the Qingdao International Beer Festival, to completely improve the recognition and fondness of Tsingtao Beer among the young consumers and to obtain the consumers' extensive recognition. During the Reporting Period, Tsingtao Beer continued to take the top position and maintained its leading position in the domestic market with RMB116.875 billion (Source: World Brand Lab) of its brand value.

(II) ANALYSIS OF CORE COMPETITIVENESS

During the Reporting Period, there were no changes to the Company's core competitiveness.

(III) ANALYSIS OF PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD
(CALCULATED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARD FOR
BUSINESS ENTERPRISES)

1. Analysis of changes to items in Income Statements

Item	Unit: '000 Yuan Currency: RMB		
	Amount during the Reporting Period	Amount during the corresponding period in previous year	Increase/ (Decrease) (%)
Revenue	14,746,117	16,066,594	(8.22)
Cost of sales	8,728,851	9,822,405	(11.13)
Business tax and surcharges	1,075,000	1,183,028	(9.13)
Selling and distribution expenses	3,075,597	3,151,532	(2.41)
General and administrative expenses	618,127	636,737	(2.92)
Finance expenses	(128,501)	(147,615)	12.95
Asset Impairment losses	3,652	864	322.64
Non-operating expenses	155,882	77,725	100.56
Net profit attributable to non-controlling interests	5,491	20,823	(73.63)

(1) Revenue

In the first half of 2016, revenue decreased by 8.22% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in revenue caused by the decline of sales volume of beer during the Reporting Period.

(i) Table of main operation by industries and products

Main operation by industries				Unit: '000 Yuan Currency: RMB		
By industries	Revenue	Cost of sales	Gross margin (%)	Increase/ (Decrease) in revenue from the corresponding period in previous year (%)	Increase/ (Decrease) in cost of sales from the corresponding period in previous year (%)	Increase/ (Decrease) in gross margin from the corresponding period in previous year (%)
Beer	14,591,620	8,622,032	40.91	(7.90)	(10.93)	Increased by 2.01 percentage points

Main operation by products

By products	Revenue	Cost of sales	Gross margin (%)	Increase/ (Decrease) in revenue from the corresponding period in previous year (%)	Increase/ (Decrease) in cost of sales from the corresponding period in previous year (%)	Increase/ (Decrease) in gross margin from the corresponding period in previous year (%)
Beer	14,591,620	8,622,032	40.91	(7.90)	(10.93)	Increased by 2.01 percentage points

(ii) Table of main operation by regions

Unit: '000 Yuan Currency: RMB

Region	Revenue	Increase/ (Decrease) in revenue from previous year (%)
Shandong Province	8,684,720	(3.68)
North China	3,049,294	(3.57)
South China	1,957,998	(18.61)
East China	1,560,324	(6.69)
South-East China	1,026,343	(24.94)
Hong Kong, Macau and other overseas	<u>274,640</u>	19.78)
Sub-total	16,553,319	(7.28)
Less: Eliminations	<u>1,961,699</u>	(2.43)
Total	<u><u>14,591,620</u></u>	(7.90)

(2) *Cost of sales*

In the first half of 2016, cost of sales decreased by 11.13% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in cost of sales caused by the decline of sales volume of beer and the purchasing price of some raw materials during the Reporting Period.

(3) *Business tax and surcharges*

In the first half of 2016, business tax and surcharges decreased by 9.13% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in consumption tax caused by the decline of sales volume during the Reporting Period.

(4) *Selling and distribution expenses*

In the first half of 2016, selling and distribution expenses decreased by 2.41% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in market input caused by the decline of sales volume during the Reporting Period.

(5) *General and administrative expenses*

In the first half of 2016, general and administrative expenses decreased by 2.92% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in the remuneration of the administrative personnel during the Reporting Period.

(6) *Finance expenses*

In the first half of 2016, finance expenses increased by 12.95% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in interests received as the benchmark deposit rate of the financial institutes was reduced by the State during the Reporting Period.

(7) *Asset Impairment losses*

In the first half of 2016, asset impairment losses increased by 322.64% comparing with that of the corresponding period in previous year, which was mainly due to the increase in impairment losses of fixed assets of some subsidiaries during the Reporting Period.

(8) Non-operating expenses

In the first half of 2016, non-operating expenses increased by 100.56% comparing with that of the corresponding period in previous year, which was mainly due to the increase in losses in disposing fixed assets and land use right during the Reporting Period.

(9) Net profit attributable to non-controlling interests

In the first half of 2016, net profit attributable to non-controlling interests decreased by 73.63% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in net profit of some subsidiaries with non-controlling shareholders during the Reporting Period.

2. Analysis of changes to items in Balance Sheet

Item	Unit: '000 Yuan Currency: RMB		
	End of the Reporting Period	End of previous year	Increase/ (Decrease) (%)
Notes receivable	42,730	22,770	87.66
Accounts receivable	212,890	117,991	80.43
Advances to suppliers	78,753	44,393	77.40
Interests receivable	70,515	148,581	(52.54)
Other receivables	562,160	200,676	180.13
Other current assets	1,292,395	768,741	68.12
Other non-current assets	648,566	65,214	894.51
Short-term borrowings	354,889	810,387	(56.21)
Notes payable	139,917	100,142	39.72
Accounts payable	3,481,021	2,590,987	34.35
Advances from suppliers	529,894	1,000,313	(47.03)
Taxes payable	705,587	261,889	169.42
Dividends payable	526,883	—	—
Interests payable	691	1,486	(53.51)

(1) Notes receivable

Notes receivable at the end of the Reporting Period increased by 87.66% from the beginning of the Reporting Period, which was mainly due to the increase in accepted bank bills of exchanges received by some subsidiaries in the peak season of sales at the end of the Reporting Period.

(2) Accounts receivable

Accounts receivable at the end of the Reporting Period increased by 80.43% from the beginning of the Reporting Period, which was mainly due to the increase in balance of receivable accounts of some subsidiaries in the peak seasons of sales during the Reporting Period.

(3) Advances to suppliers

Advances to suppliers at the end of the Reporting Period increased by 77.40% from the beginning of the Reporting Period, which was mainly due to the increase in purchase of raw materials with prepayments during the Reporting Period.

(4) Interests receivable

Interests receivable at the end of the Reporting Period decreased by 52.54% from the beginning of the Reporting Period, which was mainly due to the decrease in receivable interests of savings deposited by the Finance Company, a wholly-owned subsidiaries of the Company, in the external financial institutes during the Reporting Period.

(5) Other receivables

Other receivables at the end of the Reporting Period increased by 180.13% from the beginning of the Reporting Period, which was mainly due to the increase in loans provided by the Finance Company, a wholly-owned subsidiary of the Company, to the joint ventures during the Reporting Period.

(6) Other current assets

Other current assets at the end of the Reporting Period increased by 68.12% from the beginning of the Reporting Period, which was mainly due to the increase in financial products purchased by the Finance Company, a wholly-owned subsidiary of the Company, during the Reporting Period.

(7) Other non-current assets

Other non-current assets at the end of the Reporting Period increased by 894.51% from the beginning of the Reporting Period, which was mainly due to the increase in prepaid investment amount during the Reporting Period.

(8) Short-term borrowings

Short-term borrowings at the end of the Reporting Period decreased by 56.21% from the beginning of the Reporting Period, which was mainly due to the decrease in funds from interbank borrowings of the Finance Company, a wholly-owned subsidiary of the Company, during the Reporting Period.

(9) Notes payable

Notes payable at the end of the Reporting Period increased by 39.72% from the beginning of the Reporting Period, which was mainly due to the increase in ratio of settlement of goods amount with notes during the Reporting Period.

(10) Accounts payable

Accounts payable at the end of the Reporting Period increased by 34.35% from the beginning of the Reporting Period, which was mainly due to the increase in payable accounts caused by the growth of purchase for materials in the peak seasons of production during the Reporting Period.

(11) Advances from suppliers

Advances from suppliers at the end of the Reporting Period decreased by 47.03% from the beginning of the Reporting Period, which was mainly due to the decrease in prepayments of beer amount during the Reporting Period.

(12) Taxes payable

Taxes payable at the end of the Reporting Period increased by 169.42% from the beginning of the Reporting Period, which was mainly due to the increase in payable income tax, payable consumption tax and payable value-added tax in the peak seasons of sales during the Reporting Period.

(13) Dividends payable

Dividends payable at the end of the Reporting Period increased by RMB526,880 thousand from the end of the Reporting Period, which was mainly due to the outstanding cash dividends according to the resolution passed at the general meeting at the end of the Reporting Period.

(14) Interests payable

Interests payable at the end of the Reporting Period decreased by 53.51% from the beginning of the Reporting Period, which was mainly due to the decrease in payable interests caused by the decrease in external borrowings of some subsidiaries at the end of the Reporting Period.

3. Analysis of changes to items in Cash Flow Statements

Item	Unit: '000 Yuan		Currency: RMB
	Amount during the Reporting Period	Amount during the corresponding period in previous year	
Net cash flows from operating activities	3,784,335	4,421,119	(14.40)
Net cash flows from investing activities	(1,626,179)	(1,198,517)	(35.68)
Net cash flows from financing activities	(515,237)	147,359	(449.65)

(1) Net cash flows from operating activities

Net cash flows from operating activities decreased by 14.40% comparing with that of the corresponding period in previous year, which was mainly due to the decrease in cash received from selling goods and providing service during the Reporting Period.

(2) Net cash flows from investing activities

Net cash flows from investing activities decreased by 35.68% comparing with that of the corresponding period in previous year, which was mainly due to the increase in transfer amount paid for purchasing the equity interests, and the cash paid by the Finance Company for purchasing the finance products during the Reporting Period.

(3) Net cash flows from financing activities

Net cash flows from financing activities decreased by 449.65% comparing with that of the corresponding period in previous year, which was mainly due to the increase in cash paid for repaying the debts during the Reporting Period, and the receipt of bank guarantees during the corresponding period in the previous year.

4. R&D Expenses

Item	Unit: '000 Yuan		Currency: RMB
	Amount during the Reporting Period	Amount during the corresponding period in previous year	
R&D expenses	5,461	5,591	(2.33)

5. Interpretation for other operational situations

(1) Debt/Capital ratio

As at 30 June 2016, the Group's debt/capital ratio was 0.01% (31 December 2015: 0.01%). The calculation of debt/capital ratio is: total amount of long-term borrowings/(total amount of long-term borrowings + equity attributable to shareholders of the Company).

(2) Asset mortgage

As at 30 June 2016, no assets of the Group were pledged (31 December 2015: Nil).

(3) Risk of fluctuation of exchange rate

At present, the Company mainly relies on the imported barley among the raw materials in its production of core brand, therefore the change of exchange rate would affect the purchasing cost of the raw materials used by the Company; besides, some products of the Company are exported, therefore the change of exchange rate would directly affect the revenue from the exported products of the Company; the above issues would bring certain extent of impact on the profitability of the Group.

(4) Capital expenses

In the first half of 2016, the Company totally invested in approximately RMB401 million in the new construction, relocation, re-construction and expansion projects. According to the Company's current situation in funds and profitability, it has sufficient funds and continuous net operational cash in-flow to satisfy its needs for funds for the Company's capital projects.

(5) Investments

For details please refer to the enclosed *Notes to Financial Statements*.

(6) Contingent liabilities

For details please refer to the enclosed *Notes to Financial Statements*.

SIGNIFICANT EVENTS

1. As considered and approved at the eighth meeting of the eighth session of the Board, the Company and Suntory (China) Holding Co., Ltd. ("Suntory Company") had entered into the *Framework Agreement of Transfer of Equity Interests and Permission for Use of Label and Technologies* ("Framework Agreement") on 18 October 2015, which had been considered and approved at the 2015 First Extraordinary General Meeting held by the Company on 4 December 2015. Pursuant to the *Framework Agreement*, the Company would acquire 50% equity interests in Tsingtao Brewery (Shanghai) Investing Co., Ltd. (the former Suntory-Tsingtao (Shanghai) Co., Ltd., "Shanghai Investing Company") and 50% equity interests in Tsingtao Brewery (Shanghai) Industrial Co., Ltd. (the former Tsingtao-Suntory (Shanghai) Sales Co., Ltd., "Shanghai Industrial Company") held by Suntory Company for a consideration based on the sum of RMB822,912,001 and adjusted and determined according to the price adjustment factors as agreed in the *Framework Agreement*. Shanghai Investing Company and Shanghai Industrial Company will become the wholly-owned subsidiaries of the Company after the completion of the transaction. On 16 March 2016 and 24 March 2016, Shanghai Investing Company and Shanghai Industrial Company had respectively completed the registration alteration procedures at the industrial and commercial administration. As of 30 June 2016, the Company had made a payment of RMB572,912,001 for the transfer of the equity interests.
2. Entrusted loans provided by the Company to the subsidiaries during the Reporting Period

To ensure the production and operation of the subsidiaries, as approved by the Board, the total amount of the entrusted loan provided by the Company to its subsidiaries had reached approximately RMB583.70 million during the Reporting Period.
3. During the Reporting Period, the Company was not involved in any new significant litigations and arbitration.
4. During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CHANGES TO SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

1. There were no changes of the total amount of share and the structure of share capital during the Reporting Period.

2. Information of shareholders

(1) As at 30 June 2016, there were totally 40,121 shareholders of the Company, including 39,839 holders of A-share and 282 holders of H-share. Based on the public information which is known on the latest practical date before the interim report is published, and which is also within the knowledge of the directors of the Company, the number of the Company's shares held by the public has been satisfied with the requirements in the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("Listing Rules").

(2) Shareholding of top ten shareholders of the Company by the end of the Reporting Period

Shareholder's name	Class of shares	Unit: Share	
		Shares held at the end of the Reporting Period	Holding percentage (%)
Tsingtao Brewery Group Company Limited (Note 1)	A-share +		
	H-share	416,448,055	30.83
HKSCC Nominees Limited (Note 2)	H-share	370,395,449	27.42
Asahi Group Holdings Ltd	H-share	270,127,836	19.99
China Securities Finance Corporation Company	A-share	40,395,975	2.99
PICC Life Insurance Co., Ltd. – Dividends – Dividends for personal insurance	A-share	29,006,916	2.15
China Jianyin Investment Company Ltd.	A-share	17,574,505	1.30
Central Huijin Investment Ltd.	A-share	10,517,500	0.78
Guosen Securities Co., Ltd.	A-share	9,881,974	0.73
China Galaxy Securities Co., Ltd.	A-share	6,752,519	0.50
Hong Kong Monetary Authority – Own Funds	A-share	6,096,366	0.45

Notes:

- The numbers of the shares held by Tsingtao Group in the Company include 11,316,000 shares of H-share held by itself and through its wholly-owned subsidiary, and 405,132,055 shares of A-share held by itself.
- The H-shares are held by HKSCC Nominees Limited on behalf of different clients, and excluding the H-shares held by the wholly-owned subsidiary of Tsingtao Group.

The Company is unaware if there are any other associations among these top ten shareholders or they are of the parties acting in concert.

(3) Substantial shareholders of H-share

Save as disclosed below, the directors of the Company are not aware of any persons other than a director or supervisor or chief executive of the Company or his/her respective associate(s) who, as at 30 June 2016, had an interest or short position in the shares or underlying shares of the Company which was recorded in the register to be kept under Section 336 of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”):

Name	Nature	Class of Shares	Capacity	Note	Number of shares/ underlying shares	As a percentage of the entire issued capital	As a percentage of all H-Shares
State-owned Assets Supervision & Administration Commission of the People’s Government of Qingdao (“SASACQ”)	Long Position	A-Share	Corporate		405,132,055 A-Shares	29.99%	N/A
	Long Position	H-Share	Interest of controlled corporation	1	11,316,000 H-Shares	0.84%	1.73%
Asahi Breweries, Ltd	Long Position	H Share	Beneficial Owner	2	270,127,836 H-Shares	19.99%	41.24%
Chen Fa Shu	Long Position	H Share	Beneficial Owner	3	36,413,342 H-Shares	2.70%	5.56%
JPMorgan Chase & Co.	Long Position	H-Share	Interest of controlled corporation/ Beneficial Owner/ Investment Manager/ Custodian	3&4	78,448,839 H-Shares	5.81%	11.98%
	Interest in a lending pool	H-Share			40,292,544 H-Shares	2.98	6.15%
	Short Position	H-Share	Beneficial Owner		26,000 H-Shares	0.002%	0.004%
Baillie Gifford & Co.	Long Position	H-Share	Interest of controlled corporation	5	33,035,000 H-Shares	2.45%	5.04%
		H-Share	Investment Manager		6,376,753 H-Shares	0.47%	0.97%

Notes:

- (1) The 11,316,000 H-shares which were deemed to be interested by SASACQ were held by a wholly-owned subsidiary of Tsingtao Group. According to the latest disclosure of interests filings, SASACQ is interested in 7,844,000 H-Shares.
- (2) According to the latest disclosure of interests filings, Asahi Breweries, Ltd is interested in 269,127,836 H-Shares. Asahi Group Holdings Ltd. was re-organized and set up on 1 July 2011, and held the aforesaid shares of H-share on behalf of Asahi Breweries, Ltd.
- (3) The shareholding information of Mr. CHEN Fa Shu and JPMorgan Chase & Co. is made based on the latest disclosure of interests filings.
- (4) The shares in which JPMorgan Chase & Co. was deemed to be interested were held through various intermediate holding companies.
- (5) The shares in which Baillie Gifford & Co. was deemed to be interested were held through various wholly-owned subsidiaries of Baillie Gifford & Co.
- (6) From the latest disclosure of interests filings for the Company’s substantial shareholders, please refer to the “Disclosure of Interests” section on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND STAFF

1. Shareholding of directors, supervisors and senior management officers

As at 30 June 2016, Mr. SUN Ming Bo, Chairman of the Board of the Company, held 124,160 shares in the Company, Mr. HUANG Ke Xing, Executive Director and President of the Company, was deemed to hold 26,502 shares in the Company, Mr. FAN Wei, Executive Director and Vice President of the Company, President of Manufacturing Center & Chief Brewer, held 122,876 shares in the Company, Mr. LIU Ying Di, Vice President of the Company, held 124,294 shares in the Company. All shares held by the above individuals are listed shares of A-share.

Save as disclosed above, as at 30 June 2016, none of the directors, supervisors and senior management officers of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (as defined in Part XV of *Securities and Futures Ordinance*), which was recorded in the register required to be kept under section 352 of the *Securities and Futures Ordinance* or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the *Model Code for Securities Transactions by Directors of Listed Companies* (*'Model Code'*) as set out in Appendix 10 of the *Listing Rules*.

2. Model Code

The Company has adopted the *Model Code* and the *Administration Regulations of the Company's Shares held by Directors, Supervisors and Senior Management of the Company and its Changes* formulated by the Company as its codes of conduct and standards in respect of securities transactions by the directors and supervisors. Specific enquiries were made with all directors and supervisors who had confirmed that they had complied with the *Model Code* and its codes of conduct and standards regarding securities transactions by directors and supervisors at all applicable time during the Reporting Period.

3. Staff

As at 30 June 2016, there were 43,707 on-duty staff in total in the Company (including its subsidiaries).

The Company continued to improve the overall incentive system based on the remuneration incentive, driven by the professional development incentive, concentrated on the emotion incentive, and focused on the culture incentive. The Company was dedicated to the healthy and qualified development due to that China's beer industry had entered into the "new normality" of low growth. In the first-half of 2016, the Company's remuneration policy and performance incentive system, by focusing on the Company's core development strategy of "stabling the growth, adjusting the structure, controlling the expenses, improving the efficiency", enriched the incentive strategy, improved the supporting mechanism, upgraded the input-output of labor cost, continuously promoted the personnel optimization and efficiency improvement projects to control the total number of the employees, to improve the per capita efficiency, to reasonably control the total amount of labor cost, and to promote the stability and continuity of employees' income.

In the first-half of 2016, the Company continued to improve the establishment of training management standard and the innovation of training management that it mainly focused on the management of marketing training, and promoted the establishment of the IT-manner of training system and the regulations; focused on the establishment of the position-taking qualification system based on the system, platform and knowledge, and put into efforts in building the mobile micro-study platform. The students in the Tsingtao-Doemens Brewer Class (Phase 2) for the craftsmen spirit of Tsingtao Beer had successfully completed the study and the program of results exchange and transformation; the first TT-MA class of CFO administrative accounting class which was targeted for helping the financial transformation had successfully completed; the training programs including the "Gold ★ Qualification Class" and "Silver ★ Plan (Marketing)" for the reservation of medium management officers, and the "Elite Training Camp" and "Position Qualification Certification of Newly Appointed Great Area Manager" for the cultivation of the marketing personnel had been continuously optimized and improved for the practice.

PURCHASING, SELLING OR REDEEMING THE SECURITIES

For the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company had been committing to the corporate governance and improving its transparency. Under the requirements on corporate governance raised by the regulatory authorities, the Company had been improving its internal control to realize a standard and highly efficient operation and to ensure that its shareholders can obtain returns from sound corporate governance.

During the Reporting Period, the Company had been in compliance with the provisions in *Corporate Governance Code* set out in Appendix 14 of *Listing Rules*.

REVIEW OF THE UNAUDITED INTERIM RESULTS

The Audit & Internal Control Committee under the Board has reviewed the Group's unaudited 2016 interim results and interim report.

COMPANY INFORMATION

1. BASIC INFORMATION

- (1) Company Name: Tsingtao Brewery Company Limited
- (2) Legal Representative: SUN Ming Bo
- (3) Registered Address: No. 56, Dengzhou Road,
Qingdao, Shandong Province
Business Address: Tsingtao Beer Tower, May Fourth Square
Hong Kong Road Central, Qingdao
Shandong Province
Postal Code: 266071
Company Website: www.tsingtao.com.cn

2. CONTACT PERSON AND CONTACT METHODS

- Company Secretary: ZHANG Rui Xiang
Address: Secretarial Office of the Board
Room 1105, Tsingtao Beer Tower
May Fourth Square, Hong Kong Road Central
Qingdao, Shandong Province
Postal Code: 266071
Tel: 86-532-85713831
Fax: 86-532-85713240

3. STOCK EXCHANGES ON WHICH THE COMPANY'S SHARES ARE LISTED

- A share: Shanghai Stock Exchange
Stock Name: 青島啤酒
Stock Code: 600600
H share: The Stock Exchange of Hong Kong Limited
Stock Name: TSINGTAO BREW
Stock Code: 00168



青島啤酒

2016

INTERIM REPORT

中期報告

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.