



**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)



**TSINGTAO**  
ESTD 青島啤酒 1903

2019  
YEAR OF THE  
PIG

HAPPY CHINESE NEW YEAR

2019

中期報告

INTERIM REPORT



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# TSINGTAO BREWERY COMPANY LIMITED

## CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2019

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 4 (unless otherwise stated)	As at			
		30 June 2019 Consolidated (unaudited)	31 December 2018 Consolidated	30 June 2019 Company (unaudited)	31 December 2018 Company
<b>Current assets</b>					
Cash at bank and on hand	(1)	16,573,687,567	12,535,737,018	7,509,201,909	5,114,874,023
Financial assets held for trading	(2)	1,450,602,959	1,202,544,491	-	-
Notes receivable	(3)	27,850,000	53,801,550	22,200,000	53,801,550
Accounts receivable	(4), 14(1)	187,260,826	110,705,784	1,262,584,623	1,111,186,119
Advances to suppliers	(5)	209,438,144	173,564,933	158,642,123	141,333,150
Other receivables	(6), 14(2)	110,116,269	297,784,761	107,433,349	568,746,003
Inventories	(7), 14(3)	1,991,414,551	2,651,224,726	541,314,382	1,047,023,276
Other current assets	(8)	364,090,292	734,941,934	210,166,009	411,447,441
<b>Total current assets</b>		<b>20,914,460,608</b>	<b>17,760,305,197</b>	<b>9,811,542,395</b>	<b>8,448,411,562</b>
<b>Non-current assets</b>					
Debt investment	14(4)	-	-	154,231,203	103,300,000
Long-term equity investments	(9), 14(5)	374,748,624	370,486,200	10,126,346,463	10,098,869,195
Other non-current financial assets		600,000	600,000	300,000	300,000
Investment properties	(10)	35,464,082	27,932,768	28,736,653	29,398,611
Fixed assets	(11)	10,430,089,420	10,326,694,147	2,079,856,194	2,082,331,715
Construction in progress	(12)	251,043,812	379,891,294	54,257,760	33,024,290
Right-of-use assets	(13)	64,521,008	—	33,427,107	—
Intangible assets	(14)	2,503,275,628	2,599,685,515	502,352,080	528,583,144
Goodwill	(15)	1,307,103,982	1,307,103,982	-	-
Long-term prepaid expenses	(16)	26,479,383	33,107,419	766,106	1,096,220
Deferred tax assets	(17)	1,461,484,969	1,207,020,387	884,002,883	825,985,377
Other non-current assets	(19)	87,141,507	62,438,096	17,416,065	14,738,527
<b>Total non-current assets</b>		<b>16,541,952,415</b>	<b>16,314,959,808</b>	<b>13,881,692,514</b>	<b>13,717,627,079</b>
<b>TOTAL ASSETS</b>		<b>37,456,413,023</b>	<b>34,075,265,005</b>	<b>23,693,234,909</b>	<b>22,166,038,641</b>

# TSINGTAO BREWERY COMPANY LIMITED

## CONSOLIDATED AND COMPANY BALANCE SHEETS (Cont'd)

AS AT 30 JUNE 2019

(All amounts in RMB Yuan unless otherwise stated)

	Note 4	As at			
		30 June 2019 Consolidated (unaudited)	31 December 2018 Consolidated	30 June 2019 Company (unaudited)	31 December 2018 Company
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Short-term borrowings	(20)	465,722,524	296,155,600	-	-
Notes payable	(21)	337,495,270	326,075,937	139,909,165	137,954,505
Accounts payable	(22)	3,132,055,772	2,246,348,607	3,585,754,500	1,808,755,123
Contract liabilities	(23)	4,125,343,897	5,237,538,511	2,667,647,391	3,735,161,617
Employee benefits payable	(24)	1,252,135,930	1,175,461,292	502,664,687	485,320,980
Taxes payable	(25)	989,294,283	691,133,999	149,139,005	132,203,110
Other payables	(26)	4,070,117,112	2,113,507,358	1,577,781,995	777,996,862
Current portion of non-current liabilities	(27)	20,395,883	420,320	11,020,178	-
Other current liabilities		75,395	228,510	-	-
<b>Total current liabilities</b>		<b>14,392,636,066</b>	<b>12,086,870,134</b>	<b>8,633,916,921</b>	<b>7,077,392,197</b>
<b>Non-current liabilities</b>					
Long-term borrowings	(28)	418,880	630,480	-	-
Lease liabilities	(29)	36,333,884	—	18,033,992	—
Long-term payables	(30)	395,338,888	222,324,164	-	-
Deferred income	(31)	2,203,935,280	2,343,747,145	428,909,685	442,625,999
Long-term employee benefits payable	(32)	499,702,927	526,560,514	318,264,488	315,818,409
Deferred tax liabilities	(17)	199,657,543	205,181,181	-	-
<b>Total non-current liabilities</b>		<b>3,335,387,402</b>	<b>3,298,443,484</b>	<b>765,208,165</b>	<b>758,444,408</b>
<b>Total liabilities</b>		<b>17,728,023,468</b>	<b>15,385,313,618</b>	<b>9,399,125,086</b>	<b>7,835,836,605</b>
<b>Equity</b>					
Share capital	(33)	1,350,982,795	1,350,982,795	1,350,982,795	1,350,982,795
Capital surplus	(34)	3,444,224,970	3,444,186,312	4,306,634,884	4,306,625,628
Other comprehensive income	(35)	(45,191,630)	(44,696,804)	(48,482,000)	(48,482,000)
Surplus reserve	(36)	1,400,704,380	1,400,704,380	1,400,704,380	1,400,704,380
General reserve	(37)	199,512,331	199,512,331	-	-
Undistributed profits	(38)	12,601,826,366	11,619,782,072	7,284,269,764	7,320,371,233
Total equity attributable to shareholders of the Company		18,952,059,212	17,970,471,086	14,294,109,823	14,330,202,036
Non-controlling interests		776,330,343	719,480,301	—	—
<b>Total equity</b>		<b>19,728,389,555</b>	<b>18,689,951,387</b>	<b>14,294,109,823</b>	<b>14,330,202,036</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>37,456,413,023</b>	<b>34,075,265,005</b>	<b>23,693,234,909</b>	<b>22,166,038,641</b>

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

Legal representative:  
HUANG Kexing

Principal in charge of accounting:  
YU Zhuming

Head of accounting department:  
HOU Qiuyan

# TSINGTAO BREWERY COMPANY LIMITED

## CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4 (unless otherwise stated)	Six months ended 30 June			
		2019 Consolidated (unaudited)	2018 Consolidated (unaudited)	2019 Company (unaudited)	2018 Company (unaudited)
<b>Revenue</b>	(39),14(6)	16,550,665,464	15,153,690,513	11,943,907,237	10,745,158,759
Less: Cost of sales	(39),(44),14(6),(7)	(9,911,821,503)	(9,187,180,102)	(9,300,444,580)	(8,577,295,018)
Taxes and surcharges	(40)	(1,320,966,492)	(1,307,888,063)	(311,132,704)	(290,986,920)
Selling and distribution expenses	(41),(44),14(7)	(2,989,388,327)	(2,696,553,724)	(1,496,752,380)	(1,500,152,615)
General and administrative expenses	(42),(44),14(7)	(590,627,801)	(578,194,159)	(160,121,596)	(168,624,021)
Research and development expenses	(43),(44),14(7)	(7,928,139)	(7,116,545)	(7,928,139)	(7,116,545)
Finance expenses	(45)	235,121,980	241,191,088	69,735,481	27,230,981
Including: Interest expenses		6,594,455	5,916,028	-	-
Interest income		253,227,854	261,107,536	76,024,825	36,803,393
Add: Other income	(46)	313,300,318	241,698,296	71,781,005	12,325,781
Investment income	(47),14(8)	20,591,398	18,354,411	62,412,037	70,083,834
Including: Share of profit of associates and a joint venture		19,265,218	16,708,068	17,512,909	15,731,712
Profits arising from changes in fair value (Losses are listed with "-")	(48)	31,023,477	24,927,121	-	-
Credit impairment losses (Losses are listed with "-")	(49)	1,900,121	2,085,078	1,992,659	2,421,832
Asset impairment losses (Losses are listed with "-")	(50)	(1,259,543)	(6,642,975)	(50,000,000)	-
Gains on disposals of assets (Losses are listed with "-")	(51)	(21,948,784)	(7,613,067)	(275,870)	(905,272)
<b>Operating profit</b>		2,308,662,169	1,890,757,872	823,173,150	312,140,796
Add: Non-operating income	(52)	15,474,872	7,849,272	1,575,642	385,971
Less: Non-operating expenses	(53)	(1,918,592)	(2,838,182)	(621,206)	(800,072)
<b>Total profit</b>		2,322,218,449	1,895,768,962	824,127,586	311,726,695
Less: Income tax expense	(54)	(596,677,665)	(499,557,944)	(211,757,313)	(72,945,968)
<b>Net profit</b>		1,725,540,784	1,396,211,018	612,370,273	238,780,727
<b>Classified by continuity of operations</b>					
Net profit from continuing operations		1,725,540,784	1,396,211,018	612,370,273	238,780,727
Net profit from discontinued operations		-	-	-	-
<b>Classified by ownership of the equity</b>					
Attributable to non-controlling interests		95,024,748	93,986,033	N/A	N/A
Attributable to shareholders of the Company		1,630,516,036	1,302,224,985	612,370,273	238,780,727
<b>Other comprehensive income, net of tax</b>	(35)	(494,826)	(937,039)	-	-
Other comprehensive income attributable to shareholders of the Company, net of tax items that will be subsequently reclassified to profit or loss					
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss		32,847	(43,082)	-	-
Currency translation differences		(527,673)	(893,957)	-	-
<b>Total comprehensive income</b>		1,725,045,958	1,395,273,979	612,370,273	238,780,727
Attributable to shareholders of the Company		1,630,021,210	1,301,287,946	612,370,273	238,780,727
Attributable to non-controlling interests		95,024,748	93,986,033	N/A	N/A
<b>Earnings per share</b>					
Basic earnings per share (RMB Yuan)	(55)	1.207	0.964	N/A	N/A
Diluted earnings per share (RMB Yuan)	(55)	1.207	0.964	N/A	N/A

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

Legal representative:  
**HUANG Kexing**

Principal in charge of accounting:  
**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 2019

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Six months ended 30 June			
		2019 Consolidated (unaudited)	2018 Consolidated (unaudited)	2019 Company (unaudited)	2018 Company (unaudited)
<b>Cash flows from operating activities</b>					
Cash received from sales of goods or rendering of services		17,894,106,323	17,376,721,789	12,468,599,083	12,099,524,399
Refund of taxes and surcharges		15,023,705	12,441,039	7,930,176	6,935,085
Cash received relating to other operating activities	(56)(a)	748,394,912	583,061,288	217,461,180	85,652,005
<b>Sub-total of cash inflows</b>		<b>18,657,524,940</b>	<b>17,972,224,116</b>	<b>12,693,990,439</b>	<b>12,192,111,489</b>
Cash paid for goods and services		(7,885,257,391)	(7,257,796,557)	(7,851,912,620)	(7,524,137,875)
Cash paid to and on behalf of employees		(2,279,718,132)	(2,171,327,617)	(804,664,751)	(784,767,134)
Payments of taxes and surcharges		(2,899,572,333)	(2,614,813,575)	(835,671,323)	(711,668,485)
Cash paid relating to other operating activities	(56)(b)	(1,774,908,973)	(1,743,912,801)	(1,088,742,863)	(1,034,220,582)
<b>Sub-total of cash outflows</b>		<b>(14,839,456,829)</b>	<b>(13,787,850,550)</b>	<b>(10,580,991,557)</b>	<b>(10,054,794,076)</b>
<b>Net cash flows from operating activities</b>	(57)(a)	<b>3,818,068,111</b>	<b>4,184,373,566</b>	<b>2,112,998,882</b>	<b>2,137,317,413</b>
<b>Cash flows from investing activities</b>					
Cash received from disposal of investments		719,900,000	879,900,000	113,300,000	20,400,000
Cash received from returns on investments		31,717,895	21,188,268	452,120,892	333,275,326
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		223,174,898	2,579,645	526,698	246,628
Cash received relating to other investing activities	(56)(c)	400,434,385	174,801,357	1,931,450	670,000
<b>Sub-total of cash inflows</b>		<b>1,375,227,178</b>	<b>1,078,469,270</b>	<b>567,879,040</b>	<b>354,591,954</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(470,314,049)	(342,547,656)	(104,563,542)	(74,156,559)
Cash paid to acquire investments		(835,000,000)	(1,209,800,000)	(239,000,000)	(339,700,000)
Cash paid relating to other investing activities	(56)(d)	(9,122,809)	(236,644,266)	(1,703,450)	(975,708)
<b>Sub-total of cash outflows</b>		<b>(1,314,436,858)</b>	<b>(1,788,991,922)</b>	<b>(345,266,992)</b>	<b>(414,832,267)</b>
<b>Net cash flows from investing activities</b>		<b>60,790,320</b>	<b>(710,522,652)</b>	<b>222,612,048</b>	<b>(60,240,313)</b>

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

*(All amounts in RMB Yuan unless otherwise stated)*

ITEM	Note 4	Six months ended 30 June			
		2019 Consolidated (unaudited)	2018 Consolidated (unaudited)	2019 Company (unaudited)	2018 Company (unaudited)
<b>Cash flows from financing activities</b>					
Cash received from borrowings		456,620,000	274,591,200	-	-
<b>Sub-total of cash inflows</b>		<b>456,620,000</b>	<b>274,591,200</b>	<b>-</b>	<b>-</b>
Cash repayments of borrowings		(289,335,200)	(274,801,200)	-	-
Cash payments for distribution of dividends, profits or interests expenses		(42,405,533)	(48,249,913)	-	-
Including: Cash payments for dividends, profit to minority shareholders of subsidiaries		(37,235,100)	(44,652,283)	-	-
Cash payments relating to other financing activities	(56)(e)	(9,571,268)	(1,134,743)	(6,131,060)	(1,134,743)
<b>Sub-total of cash outflows</b>		<b>(341,312,001)</b>	<b>(324,185,856)</b>	<b>(6,131,060)</b>	<b>(1,134,743)</b>
<b>Net cash flows from financing activities</b>		<b>115,307,999</b>	<b>(49,594,656)</b>	<b>(6,131,060)</b>	<b>(1,134,743)</b>
<b>Exchange effect on cash and cash equivalents</b>		<b>199,620</b>	<b>1,101,399</b>	<b>106,719</b>	<b>(1,387,034)</b>
<b>Net increase in cash and cash equivalents</b>	(57)(a)	<b>3,994,366,050</b>	<b>3,425,357,657</b>	<b>2,329,586,589</b>	<b>2,074,555,323</b>
Add: Cash and cash equivalents at beginning of period		11,653,288,328	9,101,908,887	5,086,721,740	3,622,747,912
<b>Cash and cash equivalents at end of year</b>	(57)(b)	<b>15,647,654,378</b>	<b>12,527,266,544</b>	<b>7,416,308,329</b>	<b>5,697,303,235</b>

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

*Legal representative:*  
**HUANG Kexing**

*Principal in charge of accounting:*  
**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 2019

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Attributable to shareholders of the Company						Non-controlling interests	Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits		
Balance at 31 December 2017		1,350,982,795	3,444,181,512	(9,038,750)	1,400,704,380	155,497,737	10,802,900,749	629,276,278	17,774,504,701
Changes in accounting policies		-	-	(6,108,986)	-	-	6,108,986	-	-
<b>Balance at 1 January 2018</b>		<u>1,350,982,795</u>	<u>3,444,181,512</u>	<u>(15,147,736)</u>	<u>1,400,704,380</u>	<u>155,497,737</u>	<u>10,809,009,735</u>	<u>629,276,278</u>	<u>17,774,504,701</u>
<b>Movements for the six months ended 30 June 2018 (unaudited)</b>									
Total comprehensive income									
Net profit		-	-	-	-	-	1,302,224,985	93,986,033	1,396,211,018
Other comprehensive income	(35)	-	-	(937,039)	-	-	-	-	(937,039)
Total comprehensive income for the six months ended 30 June 2018		-	-	(937,039)	-	-	1,302,224,985	93,986,033	1,395,273,979
Profit distribution	(38)	-	-	-	-	-	-	-	-
Profit distribution to shareholders		-	-	-	-	-	(567,412,774)	(44,652,283)	(612,065,057)
Others	(34)	-	5,228	-	-	-	-	-	5,228
<b>Balance at 30 June 2018 (unaudited)</b>		<u>1,350,982,795</u>	<u>3,444,186,740</u>	<u>(16,084,775)</u>	<u>1,400,704,380</u>	<u>155,497,737</u>	<u>11,543,821,946</u>	<u>678,610,028</u>	<u>18,557,718,851</u>
<b>Balance at 31 December 2018</b>		<u>1,350,982,795</u>	<u>3,444,186,312</u>	<u>(44,696,804)</u>	<u>1,400,704,380</u>	<u>199,512,331</u>	<u>11,619,782,072</u>	<u>719,480,301</u>	<u>18,689,951,387</u>
<b>Balance at 1 January 2019</b>		<u>1,350,982,795</u>	<u>3,444,186,312</u>	<u>(44,696,804)</u>	<u>1,400,704,380</u>	<u>199,512,331</u>	<u>11,619,782,072</u>	<u>719,480,301</u>	<u>18,689,951,387</u>
<b>Movements for the six months ended 30 June 2019 (unaudited)</b>									
Total comprehensive income									
Net profit		-	-	-	-	-	1,630,516,036	95,024,748	1,725,540,784
Other comprehensive income	(35)	-	-	(494,826)	-	-	-	-	(494,826)
Total comprehensive income for the six months ended 30 June 2019		-	-	(494,826)	-	-	1,630,516,036	95,024,748	1,725,045,958
Profit distribution	(38)	-	-	-	-	-	-	-	-
Profit distribution to shareholders		-	-	-	-	-	(648,471,742)	(38,174,706)	(686,646,448)
Others	(34)	-	38,658	-	-	-	-	-	38,658
<b>Balance at 30 June 2019 (unaudited)</b>		<u>1,350,982,795</u>	<u>3,444,224,970</u>	<u>(45,191,630)</u>	<u>1,400,704,380</u>	<u>199,512,331</u>	<u>12,601,826,366</u>	<u>776,330,343</u>	<u>19,728,389,555</u>

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

Legal representative:  
**HUANG Kexing**

Principal in charge of accounting:  
**YU Zhuming**

Head of accounting department:  
**HOU Qiyan**



# TSINGTAO BREWERY COMPANY LIMITED

## COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
<b>Balance at 1 January 2018</b>		<u>1,350,982,795</u>	<u>4,306,620,828</u>	<u>(26,869,000)</u>	<u>1,400,704,380</u>	<u>7,149,822,495</u>	<u>14,181,261,498</u>
<b>Movements for the six months ended 30 June 2018 (unaudited)</b>							
Total comprehensive income							
Net profit		-	-	-	-	238,780,727	238,780,727
Total comprehensive income for the six months ended 30 June 2018		-	-	-	-	238,780,727	238,780,727
Profit distribution	(38)						
Profit distribution to shareholders		-	-	-	-	(567,412,774)	(567,412,774)
Others		-	5,228	-	-	-	5,228
<b>Balance at 30 June 2018 (unaudited)</b>		<u>1,350,982,795</u>	<u>4,306,626,056</u>	<u>(26,869,000)</u>	<u>1,400,704,380</u>	<u>6,821,190,448</u>	<u>13,852,634,679</u>
<b>Balance at 31 December 2018</b>		<u>1,350,982,795</u>	<u>4,306,625,628</u>	<u>(48,482,000)</u>	<u>1,400,704,380</u>	<u>7,320,371,233</u>	<u>14,330,202,036</u>
<b>Balance at 1 January 2019</b>		<u>1,350,982,795</u>	<u>4,306,625,628</u>	<u>(48,482,000)</u>	<u>1,400,704,380</u>	<u>7,320,371,233</u>	<u>14,330,202,036</u>
<b>Movements for the six months ended 30 June 2019 (unaudited)</b>							
Total comprehensive income							
Net profit		-	-	-	-	612,370,273	612,370,273
Total comprehensive income for the six months ended 30 June 2019		-	-	-	-	612,370,273	612,370,273
Profit distribution	(38)						
Profit distribution to shareholders		-	-	-	-	(648,471,742)	(648,471,742)
Others		-	9,256	-	-	-	9,256
<b>Balance at 30 June 2019 (unaudited)</b>		<u>1,350,982,795</u>	<u>4,306,634,884</u>	<u>(48,482,000)</u>	<u>1,400,704,380</u>	<u>7,284,269,764</u>	<u>14,294,109,823</u>

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

Legal representative:  
HUANG Kexing

Principal in charge of accounting:  
YU Zhuming

Head of accounting department:  
HOU Qiuyan

# TSINGTAO BREWERY COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

(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 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 RMB1.5 billion 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 5(1).

These financial statements have been approved for issue by the Company’s Board of Directors on 15 August 2019.

The interim 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 expected credit loss of receivables (Note 2(9)), cost formulas (Note 2(10)), depreciation of fixed assets and amortization of intangible assets (Note 2(13)and(16)), term of operating leases (Note 2(24)), revenue recognition (Note 2(21)),etc.

The areas including significant judgments to determine the critical accounting policies of the Group are disclosed in Note 2(27).

#### (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.

The financial statements are prepared on a going concern basis.

The new Hong Kong “Companies Ordinance” came into effect in 3 March 2014. According to the requirement of Hong Kong Companies Ordinance, there are changes to presentation and disclosures of certain information in the financial statements.

## 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 of the Company for six months ended 30 June 2019 are in compliance with CAS, and truly and completely present the Consolidated and the Company's financial position as at 30 June 2019 and their financial performance, cash flows and other information for the six months then ended.

### (3) Accounting period

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

### (4) Recording currency

The Company's recording currency is Renminbi (RMB). The recording currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate. The recording currency of subsidiaries in Hong Kong SAR and Macau SAR is Hong Kong Dollar (HKD) and Macau Pataca (MOP) respectively. The financial statements are presented 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. If the merged party was acquired by the final control party from a third party in the previous year, then the consideration was measured based on carrying amount of assets and liabilities of the merged party (including the goodwill arising from acquisition by the final control party) in the final control party's consolidated financial statements. 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.

### (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.

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

### (6) Preparation of consolidated financial statements (Cont'd)

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 functional currency 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 functional currency 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.

#### (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.

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

### (9) Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. When the Group becomes a party of the contract, relative financial assets or liabilities are recognised.

#### (a) Financial assets

##### (i) Classification and measurement

Based on the business mode for management of the Group and cash flow characteristics of contracts, the financial assets are classified into the following categories: (1) financial assets measured at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial assets are fairly valued at initial recognition. For financial assets at fair value through profit or loss, related transaction costs are recognised in profit or loss for the current period; for other financial assets, related transaction costs are recognised in the amount of initial recognition. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

##### Debt instruments

Debt instruments held by the Group are instruments that meets the definition of financial liabilities from the perspective of the issuer, and are measured by the following three ways:

##### Measured at amortized cost:

The Group's business mode of managing this type of financial assets is to collect contractual cash flows. The contractual cash flow characteristics of such financial assets are consistent with basic loan arrangement, which means the cash flow generated at certain date is only the payment for the principal and the corresponding interest based on unpaid principal. The interest income from such financial assets is recognised by effective interest method. These financial assets include cash at bank and on hand, notes receivable, accounts receivable, other receivables and debt investments. Debt investments due within 1 year (inclusive) at the balance sheet date are listed as the current portion of non-current assets; at acquiring date, debt investments with maturities within one year (inclusive) are listed as other current assets.

##### Measured at fair value through other comprehensive income ("FVOCI"):

The Group's business mode of managing this type of financial assets is to collect contractual cash flows as well as capture profit by selling. The character of contractual cash flows is consist with the normal borrowing arrangement. These financial assets are measured at fair value and movements in the carrying amount are taken through other comprehensive income but the impairment loss or gain, exchange gain or loss and interest income using the effective interest rate method are recognised into current profit or loss. These financial assets are listed as other debt investment. The Group lists other debt investment due within one year (including one year) from the balance sheet date as current portion of non-current assets; as at acquiring date, other debt investments, that the due dates are within one year (including one year), are listed as other current assets.

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

### (9) Financial instruments (Cont'd)

#### (a) Financial assets (Cont'd)

##### (i) Classification and measurement (Cont'd)

Measured at fair value through profit or loss ("FVTPL"):

The Group lists those debt instruments that do not meet the criteria for amortised cost or FVOCI as financial assets held for trading that are measured at FVTPL. At the initial recognition, for eliminating or dramatically reducing accounting mismatch, the Group specifies parts of financial assets as those measured at fair value through current profit or loss. The Group lists those expired for more than one year from the balance sheet date and expected to be held for more than one year as other non-current financial assets.

Equity instruments

The Group recognises its equity instruments that have no control, joint control and significant influence on the fair value through profit or loss and list them as financial assets held for trading; the equity instruments that are expected to be held for more than a year from the balance sheet date are listed as other non-current financial assets.

Besides, the Group specifies certain non-tradable equity instrument investments as financial assets that are measured at fair value through other comprehensive income and presented as other equity instrument investments. The relevant dividend income of such financial assets is included in the current profit and loss.

##### (ii) Impairment

In terms of financial assets measured at amortised cost and investments in debt instruments at fair value through other comprehensive income, the Group recognises their loss provision on the basis of expected credit losses ("ECL").

Considering the reasonable and supportable information that is related to past events, current situation and forecasting on future economic conditions, the Group, based on the default risk weight, calculates the probability-weighted amount of the present value of the difference between contractual cash flows receivable and cash flows expected to be received, so as to recognise the ECL.

At each balance sheet date, the Group separately calculates the ECL of financial instruments at different stage. Financial instruments whose credit risk did not increase significantly after the initial recognition belong to stage 1 and the Group calculates their loss provision based on the ECL in the next 12 months. Financial instruments whose credit risk increased significantly after the initial recognition without credit impairment yet belong to stage 2 and the Group calculates their loss provision based on the lifetime ECL. Financial instruments suffering from credit impairment since initial recognition belong to stage 3 and the Group calculates their loss provision based on the lifetime ECL.

For the financial instruments with low credit risk at the balance sheet date, the Group assumes their credit risk did not increase significantly after the initial recognition and calculates their loss provision based on the ECL in the next 12 months.

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

### (9) Financial instruments (Cont'd)

#### (a) Financial assets (Cont'd)

##### (ii) Impairment (Cont'd)

For the financial instruments at stage 1 and stage 2, and those with low credit risk, the Group calculates their interest income based on their book value before deducting provision for impairment and their effective interest rate. For the financial instruments at stage 3, the Group calculates their interest income based on their amortised cost, which is book value less the provision for impairment, and their effective interest rate.

For notes receivable and accounts receivable, no matter containing significant financing components, the Group calculates their loss provision based on the lifetime ECL.

When a single financial asset is unable to assess ECL at a reasonable cost, the Group classified receivables into certain groupings based on their credit risk characteristics and calculated ECL based on the grouping basis. Basis for grouping is as follows:

Bank acceptance notes	Banks with low credit risk
Accounts receivable	Dealers
Accounts receivable	Subsidiaries
Other receivables	Dividends receivable
Other receivables	Receivables from subsidiaries
Other receivables	Payment on behalf for recycling bottles
Other receivables	VAT refund
Other receivables	Receivables from other entities

For notes receivable on the grouping basis, the Group calculates the ECL by referring to historical credit loss experience, considering current situation and future economic conditions, and based on the exposure at default ("EAD") and lifetime ECL ratio.

For accounts receivable on the grouping basis, the Group calculates the ECL by referring to historical credit loss experience, considering current situation and future economic conditions, and formulating a reconciliation table between overdue days and lifetime ECL ratio.

For other receivables on the grouping basis, the Group calculates the ECL by referring to historical credit loss experience, considering current situation and future economic conditions, and based on the EAD and the ECL ratio within 12 months or for the lifetime.

The Group recognises provision or reversal of losses in profit or loss for the current period. For debt instruments at fair value through other comprehensive income, the Group recognises impairment losses or gains into profit or loss for the current period and adjusts other comprehensive income in the meanwhile.

##### (iii) 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 terminate; (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.

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

### (9) Financial instruments (Cont'd)

#### (a) Financial assets (Cont'd)

##### (iii) De-recognition of financial assets (Cont'd)

When the investment of other equity instruments is de-recognised, the difference between carrying amount and the sum of the consideration received and the change of fair value accumulated in the original direct accounting of other comprehensive income shall be recorded into the retained earnings; when the recognition of other financial assets is de-recognised, the difference between carrying amount and the sum of the consideration received and the change of fair value accumulated in the original direct accounting of other comprehensive income shall be recorded into the current profit and loss.

#### (b) Financial liabilities

Financial liabilities are classified into financial liabilities at amortised cost and financial liabilities that are at fair value through profit or loss at initial recognition.

Financial liabilities of the Group are mainly financial liabilities at amortised cost, including notes payable and accounts payable, other payables, borrowings and etc. These financial liabilities are recognised initially at fair value minus transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Those with maturities no more than one year are classified as current liabilities; those with maturities over one year but 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 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) Inventories

#### (a) Classification

Inventories comprise raw materials, packing materials, work in progress and finished goods, 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.



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

### (10) Inventories (Cont'd)

*(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.

*(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 fractional method respectively.

### (11) 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 shareholder's 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)

### (11) 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 recognises 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 in the contingencies are satisfied, the Group continues recognising the expected 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 interests 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(18)).

### (12) Investment properties

Investment properties are buildings that are held for the purpose of leasing, and 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. Land use rights are amortized on the straight-line basis over their useful period of 50 years. 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%
Land use rights	50 years	-	2.0%

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

### (12) Investment properties (Cont'd)

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible 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 or intangible 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(18)).

### (13) 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.

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

### (13) Fixed assets (Cont'd)

(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(18)).

#### (d) 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.

### (14) 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(18)).

### (15) Borrowing costs

The borrowing costs incurred in the Group 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.

### (16) Intangible assets

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

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

### (16) Intangible assets (Cont'd)

#### (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 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 are the distribution channel identified in the process of business combination of the Company, which are amortised over their estimated useful lives with a range of 5 — 10 years using the straight-line method.

#### (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.

#### (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;

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

### (16) Intangible assets (Cont'd)

#### (g) *Research and development (Cont'd)*

- 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 resources 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(18)).

### (17) 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.

### (18) Impairment of long-term assets

Fixed assets, constructions in progress, right-of-use assets, 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.

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

### (18) Impairment of long-term assets (Cont'd)

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

### (19) 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.

##### *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 recognise 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 a independently actuary using the Projected Unit Credit method and applying interests rates of government bonds that have similar currency and terms to maturity to those 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.

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

### (19) Employee benefits (Cont'd)

#### (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 recognises 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 recognises 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.

### (20) Dividends distribution

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

### (21) Revenue recognition

Revenue is recognised by the Group based on the amount of consideration that is expected to be charged when clients obtain the control of relative goods and services.

#### (a) Sale of goods

The Group manufactures and sells beer products to the regional dealers. Based on contracts, the Group delivers beer products to dealers. After the acceptance of the goods and signing of delivery lists by the dealers, the Group recognises the net amount after deducting consideration payable to the customer as revenue.

#### (b) Rendering of services

The Group provides construction service to clients; based upon the progresses of completed services, the Group recognises revenue over a period of time. The progresses of completed services are confirmed with the stage of completion being determined based on proportion of costs incurred to date to the estimated total costs. On the balance sheet date, the Group re-estimate the progresses of completed services so that it can reflect the changes of the compliance with the contract.



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

### (22) 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.

Government 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.

The Group recognises government grants related to assets as deferred income and apportions to profit or loss in a systemic manner over the useful lives of the relevant assets.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred 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.

The Group presents similar types of government grants consistently in the financial statements.

Government grants that are related to daily activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

The relocation compensations received directly from the government in terms of fiscal budget, which are due to the overall planning of the town, reservoir construction, shanty areas rebuilding, subsidence area management and other public interests, are recognised as payables for specific projects. The payables for specific projects, which attributes to the compensations for the losses on disposal of fixed assets and intangible assets, the expensed expenditure, the downtime losses and the new purchased and constructed assets after the relocation, in the process of the relocation and rebuilding, are transferred to deferred income and accounted for in accordance with the regulation of government grant. The excess of relocation compensation over the amount transferred to deferred income is recognised as capital reserve.

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the interests by loan principals and the favourable interest rates. The fiscal interest discounts directly received by the group offset the relevant borrowing costs.

Some items of the comparative financial statements have been presented in the manner in which the financial statements were disclosed in the current year.

### (23) 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.

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

### (23) Deferred tax assets and deferred tax liabilities (Cont'd)

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.

### (24) Leases

Leases is a contract in which the lessor transfers the use rights of assets to the lessee to obtain consideration for a certain period.

#### *The Group as the lessee*

The Group recognises the right-of-use assets at the starting date of the lease term, and recognises the lease liabilities at the present value of the outstanding lease payment. Lease payments include fixed payments and payments to be made if it is reasonably certain that the option to purchase or terminate will be exercised. The variable rent determined according to a certain proportion of sale shall be recognised in profit or loss instead of being included in the lease payment when actually incurred. The Group lists the lease liabilities paid within one year (including one year) from the balance sheet date as current portion of non-current liabilities.

The Group's right-of-use assets include leased buildings, machinery and equipment, management tools, land use rights and etc. The right-of-use asset is initially measured according to the cost, which includes the initial measurement amount of the lease liability, the lease payment paid on or before the starting date of the lease term, the initial direct expense and etc., and deducts the lease incentive received. When the Group can reasonably determine the ownership of the leased asset upon expiration of the lease term, depreciation is recognised within the remaining useful life of the leased asset. If it is impossible to reasonably determine whether the ownership of the leased asset can be acquired at the end of the lease term, the depreciation is calculated within the shorter period between the lease term and the remaining useful life of the leased asset. When the recoverable amount is lower than the book value of the right-of-use assets, the Group writes down the book value to the recoverable amount.

For short-term leases, whose lease period is no more than 12 months, and low-value asset leases, which the value of brand-new individual asset is low, the Group chooses not to recognise the right-of-use assets or lease liabilities. The relevant rent expenses are recognised into the current profit or loss or the cost of relevant assets by straight-line method during each period of the lease term.

#### *The Group as the lessor*

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

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

### (24) Leases (Cont'd)

#### (a) *Operating leases*

When the Group operatingly lease out self-owned machinery equipments and land use rights, the rental income from the operating lease shall be recognised in accordance with the straight-line basis over the lease period.

#### (b) *Finance leases*

As at the starting date of the lease period, the Group recognises the finance lease receivables and derecognise relevant assets.

### (25) 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 entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected 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.

The net profit from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

### (26) 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.

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

### (27) 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(15)).

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 recognise 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(18), the Group tests whether fixed assets 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 2019, the Group recognised impairment losses of 1,547,653 (For six months ended 30 June 2018: 6,642,975) for fixed assets based on such evaluation. As at 30 June 2019, the Group recognised the cumulative provision for fixed assets impairment amounting to 411,179,827 (31 December 2018: 434,501,719) (Note 4(11)).

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 recognise 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.

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

### (27) Critical accounting estimates and judgments (Cont'd)

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

##### (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 2019, deferred tax assets of 1,461,484,969 have been recognised in the Group's balance sheet. As stated in Note 4(17), the Group has unrecognised deferred tax assets aggregated to approximately 942,681,000 as at 30 June 2019, which mainly attributable to accumulated tax losses and impairment losses of certain subsidiaries. The Group has unrecognised deferred tax assets for such deductible losses and deductible temporary differences 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.

##### (iv) Post-retirement benefits Actuary

As stated in Note 2(19)(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 2010 — 2013, 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 as other comprehensive income in the future.

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

### (28) Changes in significant accounting policies

In 2018, the Ministry of Finance issued the revised CAS 21 “Lease” (hereinafter referred to as “the new lease standard”), and issued “Circular on revising and issuing the formats of corporate financial statements for 2019” (Cai Kuai [2019] No.6). The financial statements for the six months ended 30 June 2019 are prepared in accordance with the above standard and circular, and impacts are as follows:

#### (a) Modification on the format of general corporate financial statements

The impacts on consolidated and company balance sheets are listed as follows:

Contents and reasons of the modification of accounting policies	The line items affected	The amounts affected			
		31 December 2018		1 January 2018	
		Consolidated	Company	Consolidated	Company
The Group and the Company split ‘notes receivable and accounts receivable’ into ‘notes receivable’ and ‘accounts receivable’.	Accounts receivable	110,705,784	1,111,186,119	141,397,244	922,481,180
	Notes receivable	53,801,550	53,801,550	42,220,000	39,850,000
	Notes receivable and accounts receivable	(164,507,334)	(1,164,987,669)	(183,617,244)	(962,331,180)
The Group and the Company split ‘notes payable and accounts payable’ into ‘notes payable’ and ‘accounts payable’.	Accounts payable	2,246,348,607	1,808,755,123	2,083,733,787	1,426,450,890
	Notes payable	326,075,937	137,954,505	289,472,296	76,624,794
	Notes payable and accounts payable	(2,572,424,544)	(1,946,709,628)	(2,373,206,083)	(1,503,075,684)
Interest on financial instruments accrued based on the effective interest rate method is adjusted to the carrying amount of the corresponding financial instrument.	Other receivables	(183,887,992)	(31,132,653)	(86,573,933)	(21,499,661)
	Cash at bank and on hand	183,703,320	30,940,753	86,365,872	21,365,083
	Other current assets	184,672	-	208,061	-
	Debt investment	-	191,900	-	134,578
	Other payables	(1,728,562)	-	(815,222)	-
	Short-term borrowings	1,728,562	-	815,222	-

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

(28) Changes in significant accounting policies (Cont'd)

(b) Lease

According to relevant regulations of the new lease standard, the Group and the Company adjust the amount of related items at the beginning of 2019 for the cumulative impact of the initial adoption of the standard. The comparative financial statements of 2018 are not restated.

(i) Contents and reasons of the modification of accounting policies	The line items affected	The amounts affected 1 January 2019	
		Consolidated	Company
For operating lease contracts that exist before the initial implementation of the new lease standard, the Group and the Company adopt different methods according to the remaining lease period:	Right-of-use assets	59,074,100	25,343,677
	Lease liabilities	39,998,101	16,964,799
	Current portion of non-current liabilities	18,309,553	7,847,999
	Advances to suppliers	(766,446)	(530,879)

If the remaining lease period is longer than one year, the Group and the Company recognise lease liabilities based on the remaining lease payment and incremental borrowing rate on 1 January 2019. Right-of-use assets are recognised as the same amount as lease liabilities, and are adjusted according to prepaid rent.

If the remaining lease period is less than one year, the Group and the Company adopt a simplified method of not recognising the right-of-use assets and lease liabilities, with no significant impact on the financial statements.

As at 1 January 2019, the Group and the Company adopt same discount rate for lease contracts with similar characteristics when measuring lease liabilities, and the weighted average of the incremental borrowing interest rate adopted is 4.82%.

- (ii) As at 1 January 2019, the Group adjusts the outstanding minimum operating lease payment disclosed under the original lease standard to lease liabilities recognised under the new lease standard as follows:

	Consolidated
Disclosure of future minimum operating lease payment on 31 December 2018	46,892,617
Present value of the above-mentioned minimum operating lease payment discounted by incremental borrowing rate	45,155,066
Add: others (Note 1)	29,724,419
Less: Present value of lease contract payments less than 12 months	(16,571,831)
Lease liabilities recognised on 1 January 2019 (including the current portion of non-current liabilities) (Note 2(28)(b)(i))	<u>58,307,654</u>

Note 1: The disclosure by the Group on 31 December 2018 about the outstanding minimum operating lease payment does not include factors that leases are expected to renew. When determining lease liabilities on the first adoption date, the Group includes the payment of leases in the calculation of lease liabilities for leases reasonably expected to be renewed.

### 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(a)	Taxable income		3%-12%, 16.5%,25%
Value added tax (“VAT”) (b)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)		17%,16%, 13%, 11%, 10% ,9% and 6%
Consumption tax(c)	<b>Sales Price of Beer</b>	<b>Consumption Tax per Unit</b>	
	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 and consumption tax paid		5% and 7%
Education surcharge	Amount of VAT and consumption tax paid		5%

(a) *Enterprise income tax*

(i) *Hong Kong profits tax and Macau profits supplemental tax*

Tsingtao Brewery Hong Kong Trading Co., Ltd. (“Hong Kong Company”) and Asia Brewery (Macau) Co., Ltd. (“Macau Company”), the Company’s subsidiaries, were established in Hong Kong SAR and Macau SAR, applying Hong Kong profits tax and Macau profits supplemental tax respectively.

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%.

(ii) Pursuant to the Circular on the Deduction Policies of Relevant Enterprise Income Tax for Equipment and Apparatus (Cai Shui [2018] No. 54) and related regulations issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, the newly purchased equipment under 5 million yuan can be recognised in cost and expense of the current period in the month after the assets are put into use, and can be deducted when calculating the taxable income.



### 3. TAXATION (CONT'D)

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

##### (b) VAT

Before 1 May 2018, the Group calculated VAT at the VAT rate of 17% on the sales revenue of beer and other products; The tax refund rate of export products with the method of “exemption, offset and refund” is 15%. Revenue from financial service of Tsingtao Brewery Financial LLC. (“Finance Company”, a subsidiary of the Company) and revenue from construction business of Tsingtao Brewery Construction Co., Ltd. (“Construction Company”, a subsidiary of the Company) are subject to VAT at the rates of 6% and 11% respectively. Input VAT from purchasing goods, machinery and equipment for production or taxable services can be used to deduct output VAT. VAT payable is the balance of output VAT after deducting the deductible part of input VAT.

According to the Circular on the adjustment of VAT rate (Caishui [2018] No.32), the Announcement on deepening the reform of the VAT related policy (Caishui [2019] No.39) and related regulations issued by the Ministry of Finance and the State Administration of Taxation, the tax rates of the Group’s business which originally applied 17% and 11% were adjusted to 16% and 10% respectively from 1 May 2018, and were adjusted to 13% and 9% respectively from 1 April 2019. On 1 November 2018, the tax refund rate of the export products of the Group was changed to 16%, and since 1 April 2019, it has been changed to 13%.

##### (c) Consumption tax

Beer production 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. Otherwise, the consumption tax is levied at 220 per ton.

Tsingtao Brewery (Yangzhou) Co., Ltd. (“Yangzhou Company”), Tsingtao Brewery (Xuzhou) Co., Ltd. (“Xuzhou Company”), Tsingtao Brewery (Langfang) Co., Ltd. (“Langfang Company”), which are subsidiaries of the Company, have accumulated outstanding consumption balances from previous years amounting to approximately 41,883,000, which are held over according to the preferential treatment provided by local governments.

##### (d) 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, a Chinese resident enterprise shall withhold the enterprise income tax on the basis of 10% of the dividends, when it pays dividends to its H-share holders who are overseas non-resident enterprises.

#### 4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

##### (1) Cash at bank and on hand

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Cash on hand	296,521	238,749
Bank deposits	5,461,145,061	618,149,108
Interbank deposits (i)	10,184,301,334	11,034,213,907
Deposit in central bank (ii)	638,670,000	834,000,000
Other cash balances (iii)	50,618,702	49,135,254
Interest receivable on deposits	238,655,949	—
	<u>16,573,687,567</u>	<u>12,535,737,018</u>
Including: cash at bank and on hand overseas (iv)	<u>86,813,515</u>	<u>111,474,640</u>

- (i) Interbank deposits represent bank deposits reserved in domestic banks by Finance Company.
- (ii) Deposits in central bank represent statutory deposit reserves in the People's Bank of China by Finance Company. As at 30 June 2019, the statutory deposit reserves ratio of Finance Company is 7% (31 December 2018: 7%).
- (iii) As at 30 June 2019, other cash balances of 31,788,946 (31 December 2018: 31,763,816) represent housing maintenance fund in the bank; 18,051,000 (31 December 2018: 15,032,000) are pledged as collateral for issuance of bank acceptance (Note 4(21)); the remaining balances are other deposits of 778,756 (31 December 2018: 2,339,438).
- (iv) As at 30 June 2019, cash at bank and on hand overseas represents the cash and bank deposits of Hong Kong Company and Macau Company held in Hong Kong SAR and Macau SAR respectively.

##### *Cash and cash equivalents presented in cash flow statements:*

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Cash at bank and on hand	<b>16,573,687,567</b>	12,535,737,018
Other receivables — deposit in non-financial institutions	<b>1,911,462</b>	686,564
Less: Restricted deposit in central bank	<b>(638,670,000)</b>	(834,000,000)
Other restricted cash balances	<b>(50,618,702)</b>	(49,135,254)
Interest receivable on deposits	<b>(238,655,949)</b>	—
	<u><b>15,647,654,378</b></u>	<u>11,653,288,328</u>

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

##### (2) Financial assets held for trading

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Wealth management products (i)	<b>1,423,744,438</b>	1,046,306,137
Money market fund (ii)	<b>26,858,521</b>	156,238,354
	<b><u>1,450,602,959</u></b>	<b><u>1,202,544,491</u></b>

(i) It represents the wealth management products purchased by Finance Company (a subsidiary of the Company). As at 30 June 2019, the fair value is measured based on the estimation of the future cash flow by using income method.

(ii) It represents the money market fund purchased by Finance Company (a subsidiary of the Company). As at 30 June 2019, the fair value is measured according to the earning announcement issued by related fund management company on the last trading day of June 2019.

##### (3) Notes receivable

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Bank acceptance notes	<b><u>27,850,000</u></b>	<b><u>53,801,550</u></b>

(a) As at 30 June 2019, the Group has no pledged notes receivable (31 December 2018: nil).

(b) As at 30 June 2019, the Group's notes receivable which have been endorsed but not yet matured are derecognised amounting to 124,766,226 (31 December 2018: 211,648,915). There are no discounted bank acceptance notes that are not yet matured (31 December 2018: nil).

(c) Provision for bad debt

For notes receivable, irrespective of whether there is significant financing component, the Group measures loss provision according to the expected credit loss of the lifetime.

As at 30 June 2019, the Group considers the bank acceptance notes held have no significant credit risk and will not cause major losses due to the bank default, thus no provision for bad debts is recognised.

##### (4) Accounts receivable

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Accounts receivable	<b>377,816,295</b>	301,766,973
Less: Provision for bad debts	<b>(190,555,469)</b>	(191,061,189)
	<b><u>187,260,826</u></b>	<b><u>110,705,784</u></b>

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)

(4) Accounts receivable (Cont'd)

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

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Within 1 year	<b>187,262,840</b>	110,831,624
1 to 2 years	<b>131,514</b>	255,791
2 to 3 years	<b>297,057</b>	41,542
3 to 4 years	-	-
4 to 5 years	<b>430,869</b>	655,737
Over 5 years	<b>189,694,015</b>	189,982,279
	<b><u>377,816,295</u></b>	<b><u>301,766,973</u></b>

Accounts receivable are mainly recorded based on the dates of transaction. The ageing of accounts receivable represented on their recording dates is basically the same as the ageing represented on the dates of invoice.

(b) *As at 30 June 2019, the top five accounts receivable are analysed as follows:*

	<b>Amount (unaudited)</b>	<b>Provision of bad debts (unaudited)</b>	<b>% of total balance</b>
Total amount of the top five accounts receivable	<b><u>74,729,842</u></b>	<b><u>(26,242,020)</u></b>	<b><u>20%</u></b>

(c) As at 30 June 2019, there are no accounts receivable derecognised due to the transfer of financial assets.

(d) *Provision for bad debts*

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Provision for bad debts of accounts receivable	<b><u>(190,555,469)</u></b>	<b><u>(191,061,189)</u></b>

For accounts receivable, irrespective of whether there is significant financing component, the Group measures loss provision according to the expected credit loss of the lifetime.

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

##### (4) Accounts receivable (Cont'd)

##### (d) Provision for bad debts (Cont'd)

- (i) As at 30 June 2019, accounts receivable with amounts that are individually subject to separate assessment for provision are analysed as follows:

	Ending balance (unaudited)	Lifetime ECL ratio	Provision for bad debts (unaudited)
Gansu Nongken Brewery Co., Ltd.	14,996,236	100%	(14,996,236)
Beijing Tsingtao Brewery Sales Co., Ltd. ("Beijing Sales Company")	11,245,784	100%	(11,245,784)
Tsingtao Brewery (Guangzhou) General Agency Co., Ltd. ("Guangzhou General Agency")	<u>9,690</u>	100%	<u>(9,690)</u>
	<u>26,251,710</u>		<u>(26,251,710)</u>

As the Group has ceased all business transactions with the above companies, the Group is of the view that it is difficult to collect the receivable amount, therefore full bad debt provision has been made accordingly. As at 30 June 2019, the carrying amount is the remaining unrecovered portion.

- (ii) As at 30 June 2019, accounts receivable that are subject to provision for bad debts on the grouping basis are analysed as follows:

Group – Dealers

	30 June 2019 (unaudited)		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL ratio	Amount
Not overdue	186,043,593	-	-
Overdue within 1 year	1,204,116	5%	(60,206)
Overdue within 1-2 years	146,646	50%	(73,323)
Overdue 2 years or more	<u>164,170,230</u>	100%	<u>(164,170,230)</u>
	<u>351,564,585</u>		<u>(164,303,759)</u>

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

##### (4) Accounts receivable (Cont'd)

###### (d) Provision for bad debts (Cont'd)

(iii) The provisions for bad debts increased in this period are 21,458, the collecting or reversal of provisions for bad debts is 527,410, corresponding carrying amount is 541,457, the amount of bad debts due to currency translation differences increases by 232. Among them the significant collecting or reversal of 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	<u>500,000</u>	By cash

##### (5) Advances to suppliers

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

	30 June 2019 (unaudited)		31 December 2018	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	203,117,617	97.0%	163,426,092	94.2%
1 to 2 years	5,742,735	2.7%	9,558,373	5.5%
2 to 3 years	261,480	0.1%	264,156	0.1%
Over 3 years	<u>316,312</u>	<u>0.2%</u>	<u>316,312</u>	<u>0.2%</u>
	<u>209,438,144</u>	<u>100%</u>	<u>173,564,933</u>	<u>100%</u>

As at 30 June 2019, the carrying amount of advances to suppliers over 1 year is 6,320,527 (As at 31 December 2018: 10,138,841), which have not been required to deliver yet due to production plan.

(b) As at 30 June 2019, 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>139,092,321</u>	<u>66%</u>

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

(6) Other receivables

	30 June 2019 (unaudited)	31 December 2018
Receivables on materials and waste materials	26,636,493	17,455,477
Guarantee deposits	20,539,029	26,370,094
Receivables of refundable cost of land and buildings	17,441,647	17,441,647
Reservation fund	16,888,069	14,280,248
Payment on behalf for recycling bottles	11,817,606	39,305,857
Dividends receivable	9,044,897	714,927
VAT refund	2,176,421	5,936,000
Receivables on construction and equipment (i)	2,152,962	3,036,687
Interests receivable	-	183,887,992
Others	79,236,559	66,498,284
	<b>185,933,683</b>	<b>374,927,213</b>
<i>Less: Provision for bad debts</i>	<b>(75,817,414)</b>	<b>(77,142,452)</b>
	<b>110,116,269</b>	<b>297,784,761</b>

(i) It represents receivables on construction and equipment business due from third parties to the Company's subsidiaries, Tsingtao Brewery Machinery and Equipment Co., Ltd. ("Machinery and Equipment Company") and Tsingtao Brewery Equipment Manufacture Co., Ltd. ("Equipment Manufacture Company").

(a) Provision for losses and movement in carrying amount

	Stage one(unaudited)		Stage three(unaudited)		Total (unaudited)
	Next 12 months ECL (Group)		Lifetime ECL (Credit impairment losses already occurred)		
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	
31 December 2018	3,280,035	(508,547)	76,633,905	(76,633,905)	(77,142,452)
Increase in the current period	6,257,938	(338,660)	-	(52,701)	(391,361)
Reversals in the current period	(88,760)	5,800	(1,710,599)	1,710,599	1,716,399
Transfer to stage three	(105,402)	52,701	105,402	(52,701)	-
30 June 2019	<b>9,343,811</b>	<b>(788,706)</b>	<b>75,028,708</b>	<b>(75,028,708)</b>	<b>(75,817,414)</b>

## (6) Other receivables (Cont'd)

## (a) Provision for losses and movement in carrying amount (Cont'd)

- (i) As at 30 June 2019, provisions for bad debts of other receivables in stage one are analysed as follows:

	Ending balance (unaudited)	ECL ratio for the next 12 months	Provision for bad debts (unaudited)
Payment on behalf for recycling bottles	11,817,606	0%-0.5%	-
VAT refund	2,176,421	-	-
Receivables from other entities	<u>96,910,948</u>	0%-1%	<u>(788,706)</u>
	<u><u>110,904,975</u></u>		<u><u>(788,706)</u></u>

The Group recognises provision for bad debts by referring to the experience of historical credit losses, combined with current situation and the forecast of future economic conditions. The Group expects the credit loss rate of interests receivable and VAT refund to be extremely low and there is no need to recognise provision for bad debts.

- (ii) As at 30 June 2019, the Group has no other receivables in stage two.
- (iii) As at 30 June 2019, provisions for bad debts of other receivables in stage three are analysed as follows:

	Ending balance (unaudited)	Lifetime ECL ratio	Provision for bad debts (unaudited)	Reason
Subject to separate assessment for provision: Receivables of refundable cost of land use rights and building	17,441,647	100%	(17,441,647)	i)
Subject to provision on the grouping basis: Receivables from other entities	<u>57,587,061</u>	100%	<u>(57,587,061)</u>	ii)
	<u><u>75,028,708</u></u>		<u><u>(75,028,708)</u></u>	

- 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 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)

##### (6) Other receivables (Cont'd)

###### (a) Provision for losses and movement in carrying amount (Cont'd)

(iii) As at 30 June 2019, provisions for bad debts of other receivables in stage three are analysed as follows (Cont'd):

ii) As these other receivables are overdue 2 years or more, the Group judged that credit impairment losses had already occurred and full amount provision for bad debts had been recognised.

(b) The provisions for bad debts increased in the current period are 391,361. The amount of bad debt provision recovered or transferred is 1,716,399, and the corresponding book balance is 1,799,359. No other receivables were written off in the current period.

(c) As at 30 June 2019, the top five other receivables are analysed as follows:

Nature		Amount (unaudited)	Ageing	% of total balance	Provision for bad debts (unaudited)
No.1	Payment on behalf for recycling bottles	11,226,069	Within six months	6%	-
No.2	Dividends receivable	9,044,897	Within six months	5%	-
No.3	Receivables of refundable cost of land	8,584,437	More than five years	5%	(8,584,437)
No.4	Receivables on materials	5,000,000	More than five years	3%	(5,000,000)
No.5	Receivables on materials	4,616,730	More than five years	2%	(4,616,730)
		<u>38,472,133</u>		<u>21%</u>	<u>(18,201,167)</u>

(d) As at 30 June 2019, the Group does not have government grants recognised as receivable amount.

##### (7) Inventories

###### (a) Classification of inventories is as follows:

	30 June 2019 (unaudited)			31 December 2018		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Raw materials	520,671,191	(2,053,565)	518,617,626	464,687,748	(2,503,854)	462,183,894
Packaging materials	666,609,788	(2,575,356)	664,034,432	806,153,659	(4,800,201)	801,353,458
Low-value consumables	72,546,654	-	72,546,654	62,685,451	-	62,685,451
Work in progress	385,430,933	-	385,430,933	396,253,676	-	396,253,676
Finished goods	350,784,906	-	350,784,906	928,748,247	-	928,748,247
	<u>1,996,043,472</u>	<u>(4,628,921)</u>	<u>1,991,414,551</u>	<u>2,658,528,781</u>	<u>(7,304,055)</u>	<u>2,651,224,726</u>

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

##### (7) Inventories (Cont'd)

(b) *The movements of inventories is as follows:*

	31 December 2018	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2019 (unaudited)
Raw materials	464,687,748	2,375,807,440	(2,319,823,997)	520,671,191
Packaging materials	806,153,659	4,589,355,503	(4,728,899,374)	666,609,788
Low-value consumables	62,685,451	211,562,289	(201,701,086)	72,546,654
Work in progress	396,253,676	2,728,487,459	(2,739,310,202)	385,430,933
Finished goods	928,748,247	9,323,628,643	(9,901,591,984)	350,784,906
	<u>2,658,528,781</u>			<u>1,996,043,472</u>

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

	31 December 2018	Increase in the current period (unaudited)	Decrease in the current period		30 June 2019 (unaudited)
			Reversal (unaudited)	Write-off (unaudited)	
Raw materials	(2,503,854)	-	-	450,289	(2,053,565)
Packaging materials	(4,800,201)	-	288,110	1,936,735	(2,575,356)
	<u>(7,304,055)</u>	<u>-</u>	<u>288,110</u>	<u>2,387,024</u>	<u>(4,628,921)</u>

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

	Basis for net realisable value	Reason for reversal or write-off
Raw materials and packaging materials	Estimated selling price less the estimated costs to completion and estimated expenses necessary to sale and related taxes	Reversal: impairment factors disappear, realizable net increase Write-off: used or disposed of during the current period

##### (8) Other current assets

	30 June 2019 (unaudited)	31 December 2018
Prepaid Enterprise Income tax	184,482,941	348,612,732
VAT input to be deducted	102,250,129	186,252,522
VAT input to be verified	70,279,302	64,528,920
Credit and factoring business	5,731,176	8,900,000
Treasury bonds reverse repo investment	-	124,900,000
Others	1,433,111	1,903,258
	<u>364,176,659</u>	<u>735,097,432</u>
Less: Provision for other current assets	<u>(86,367)</u>	<u>(155,498)</u>
	<u>364,090,292</u>	<u>734,941,934</u>

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

##### (9) Long-term equity investments

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Joint Venture (a)	<b>230,510,577</b>	228,842,662
Associates (b)	<b>145,458,047</b>	142,863,538
	<b>375,968,624</b>	371,706,200
Less: Provision for impairment of long-term equity investments	<b>(1,220,000)</b>	(1,220,000)
	<b>374,748,624</b>	370,486,200

##### (a) Joint Venture

	Movements in the current period (unaudited)					30 June 2019 (unaudited)	Balance of provision for impairment at end of period (unaudited)
	31 December 2018	Share of net profit or loss using the equity method	Share of other comprehensive income	Other equity changes	Cash dividends declared		
Hebei Jiahe Beer Co., Ltd. ("Hebei Jiahe Company")	228,842,662	7,667,915	-	-	(6,000,000)	230,510,577	-

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 5(2)(b).

##### (b) Associates

	Movements in the current period (unaudited)					30 June 2019 (unaudited)	Balance of provision for impairment at end of period (unaudited)
	31 December 2018	Share of net profit or loss using the equity method	Share of other comprehensive income	Other equity changes	Cash dividends declared		
Yantai Brewery Tsingtao Asahi Co., Ltd. ("Yantai Asahi")	128,559,087	7,835,217	-	-	(9,044,897)	127,349,407	-
Qingdao Zhaoshang Logistics Company Limited. ("Zhaoshang Logistics")	11,672,943	2,097,801	-	9,256	-	13,780,000	-
Tsingtao Brewery Import & Export S.A.R.L. ("European Company")	1,321,393	1,752,309	32,847	-	-	3,106,549	-
Liaoning Shenqing Tsingtao Brewery Company Limited. ("Liaoning Shenqing")	90,115	(88,024)	-	-	-	2,091	-
Others	1,220,000	-	-	-	-	1,220,000	(1,220,000)
	<b>142,863,538</b>	<b>11,597,303</b>	<b>32,847</b>	<b>9,256</b>	<b>(9,044,897)</b>	<b>145,458,047</b>	<b>(1,220,000)</b>

Details of equity interests in the associates are disclosed in Note 5(2)(c).

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

(10) Investment properties

	Buildings	Land use rights	Total
Original cost			
31 December 2018	75,682,956	-	75,682,956
Increase in the current period — transfer from fixed assets and intangible assets (i) (unaudited)	9,210,649	4,973,737	14,184,386
Decrease in the current period — transfer to fixed assets (unaudited)	(1,913,341)	-	(1,913,341)
<b>30 June 2019 (unaudited)</b>	<b>82,980,264</b>	<b>4,973,737</b>	<b>87,954,001</b>
Accumulated depreciation			
31 December 2018	(46,171,652)	-	(46,171,652)
Increase in the current period (unaudited)	(4,777,199)	(715,266)	(5,492,465)
Accrual	(1,042,694)	(10,566)	(1,053,260)
Transfer from fixed assets and intangible assets (i)	(3,734,505)	(704,700)	(4,439,205)
Decrease in the current period — transfer to fixed assets (unaudited)	1,028,754	-	1,028,754
<b>30 June 2019 (unaudited)</b>	<b>(49,920,097)</b>	<b>(715,266)</b>	<b>(50,635,363)</b>
Provision for impairment			
31 December 2018	(1,578,536)	-	(1,578,536)
Increase in the current period — transfer from fixed assets (unaudited) (i)	(276,020)	-	(276,020)
<b>30 June 2019 (unaudited)</b>	<b>(1,854,556)</b>	<b>-</b>	<b>(1,854,556)</b>
Carrying amount			
<b>30 June 2019 (unaudited)</b>	<b>31,205,611</b>	<b>4,258,471</b>	<b>35,464,082</b>
31 December 2018	27,932,768	-	27,932,768

- (i) For the six months ended 30 June 2019, the fixed assets with carrying amount of 5,200,124 (cost: 9,210,649) and land use rights with carrying amount of 4,269,037 (cost:4,973,737) are reclassified to investment properties as they are used for leasing instead of self-use.

As at 30 June 2019, there is no investment property without ownership certificates (31 December 2018: nil).

(11) Fixed assets

	30 June 2019 (unaudited)	31 December 2018
Fixed assets (a)	10,426,753,099	10,296,332,066
Fixed assets pending for disposal (b)	3,336,321	30,362,081
	<u>10,430,089,420</u>	<u>10,326,694,147</u>

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

##### (11) Fixed assets (Cont'd)

###### (a) Fixed assets

	Buildings	Machinery and equipment	Vehicles	Other equipments	Total
<b>Original cost</b>					
31 December 2018	7,087,231,168	10,807,663,003	328,835,951	885,060,869	19,108,790,991
Increase in the current period (unaudited)	293,847,386	376,582,831	1,807,675	40,030,909	712,268,801
Purchase	-	20,870,128	1,807,675	19,616,163	42,293,966
Transfer from construction in progress	291,934,045	355,712,703	-	20,414,746	668,061,494
Transfer from investment properties	1,913,341	-	-	-	1,913,341
Decrease in the current period (unaudited)	(90,875,879)	(227,863,320)	(12,492,108)	(12,467,972)	(343,699,279)
Disposal	(3,521,490)	(90,033,256)	(12,492,108)	(10,472,320)	(116,519,174)
Transfer to construction in progress	(78,143,740)	(137,830,064)	-	(1,995,652)	(217,969,456)
Transfer to investment properties	(9,210,649)	-	-	-	(9,210,649)
<b>30 June 2019 (unaudited)</b>	<b>7,290,202,675</b>	<b>10,956,382,514</b>	<b>318,151,518</b>	<b>912,623,806</b>	<b>19,477,360,513</b>
<b>Accumulated depreciation</b>					
31 December 2018	(1,745,190,417)	(5,776,662,856)	(206,536,703)	(649,567,230)	(8,377,957,206)
Increase in the current period (unaudited)	(98,405,904)	(292,083,795)	(11,652,061)	(39,806,191)	(441,947,951)
Accrual	(97,377,150)	(292,083,795)	(11,652,061)	(39,806,191)	(440,919,197)
Transfer from investment properties	(1,028,754)	-	-	-	(1,028,754)
Decrease in the current period (unaudited)	15,684,327	141,820,484	11,675,854	11,296,905	180,477,570
Disposal	807,984	69,012,489	11,675,854	9,763,318	91,259,645
Transfer to construction in progress	11,141,838	72,807,995	-	1,533,587	85,483,420
Transfer to investment properties	3,734,505	-	-	-	3,734,505
<b>30 June 2019 (unaudited)</b>	<b>(1,827,911,994)</b>	<b>(5,926,926,167)</b>	<b>(206,512,910)</b>	<b>(678,076,516)</b>	<b>(8,639,427,587)</b>
<b>Provision for impairment</b>					
31 December 2018	(117,194,676)	(312,955,604)	(1,806,132)	(2,545,307)	(434,501,719)
Increase in the current period (unaudited)	-	-	-	-	-
Accrual	(616,826)	(799,519)	(84,415)	(46,893)	(1,547,653)
Decrease in the current period (unaudited)	701,898	23,667,179	168,867	331,601	24,869,545
Disposal	425,878	20,230,483	168,867	331,601	21,156,829
Transfer to construction in progress	-	3,436,696	-	-	3,436,696
Transfer to investment properties	276,020	-	-	-	276,020
<b>30 June 2019 (unaudited)</b>	<b>(117,109,604)</b>	<b>(290,087,944)</b>	<b>(1,721,680)</b>	<b>(2,260,599)</b>	<b>(411,179,827)</b>
<b>Carrying amount</b>					
<b>30 June 2019 (unaudited)</b>	<b>5,345,181,077</b>	<b>4,739,368,403</b>	<b>109,916,928</b>	<b>232,286,691</b>	<b>10,426,753,099</b>
31 December 2018	5,224,846,075	4,718,044,543	120,493,116	232,948,332	10,296,332,066

For six months ended 30 June 2019, fixed assets of the Group with the carrying amount of 129,049,340 (cost: 217,969,456; accumulated depreciation: 85,483,420; impairment provision: 3,436,696) are transferred to construction in progress to be upgraded due to technology renewal and the likes.

As at 30 June 2019, there are no fixed assets pledged as collateral for borrowings (31 December 2018: nil).

For the 6 months ended 30 June 2019, fixed assets accumulated depreciation are 440,919,197 (For the 6 months ended 30 June 2018: 455,700,818), of which 398,954,967, 3,671,267, 37,039,817 and 1,253,146 (For the 6 months ended 30 June 2018: 412,434,603, 3,983,587, 37,962,773 and 1,319,855) have been charged to operating cost, selling and distribution expenses, general and administrative expenses and research and development expenses respectively.

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

##### (11) Fixed assets (Cont'd)

###### (a) Fixed assets (Cont'd)

The cost of fixed assets transferred from construction in progress amounts to 668,061,494 (For the six months ended 30 June 2018: 232,698,191).

###### (i) Temporarily idle fixed assets

As at 30 June 2019, the buildings and the machinery and equipment with carrying amount of 74,486,105 (cost: 173,010,658) are temporarily idle for the reason of products update (31 December 2018: carrying amount of 80,048,500 (cost: 192,641,414)). The management planned to reallocate these assets among the Group or upgrade. The detailed analysis of these assets is as follows:

	Cost (unaudited)	Accumulated depreciation (unaudited)	Provision for impairment (unaudited)	Carrying amount (unaudited)
Buildings	10,916,736	(6,743,043)	(17,086)	4,156,607
Machinery and equipment	<u>162,093,922</u>	<u>(91,335,051)</u>	<u>(429,373)</u>	<u>70,329,498</u>
	<u>173,010,658</u>	<u>(98,078,094)</u>	<u>(446,459)</u>	<u>74,486,105</u>

###### (ii) 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 2019	31 December 2018
	Carrying amount (unaudited)	Carrying amount
In the application process	<b>538,846,000</b>	394,309,000
Unable to obtain	<u>52,660,000</u>	<u>42,618,000</u>
	<u><b>591,506,000</b></u>	<u>436,927,000</u>

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(14)).

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

(11) Fixed assets (Cont'd)

(a) Fixed assets (Cont'd)

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

	<b>Reason</b>
Partial buildings of Shenzhen Asahi	In the application process
Partial buildings of Yangzhou Company	In the application process
Partial buildings of Yulin Company	In the application process
Partial buildings of Immense Brewery Company	In the application process
Partial buildings of Xiamen Company	In the application process
Partial buildings of Wuwei Company	In the application process
Partial buildings of Luzhou Company	In the application process
Partial buildings of Sanshui Company	In the application process
Partial buildings of Suizhou Company	In the application process
Partial buildings of Zhangjiakou Company	In the application process
Partial buildings of Langfang 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 Wuhu 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
Partial buildings of Yangzhou Company	Lack of document, unable to obtain

(iii) The lease contracts for machinery and equipment signed by the Group as a lessor has no residual guarantee clause.

(b) Fixed assets pending for disposal

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Machinery, equipment and buildings	<b>3,336,321</b>	30,362,081

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

(12) Construction in progress

	30 June 2019 (unaudited)			31 December 2018		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
New factory project of Zhangjiakou Company	90,802,849	-	90,802,849	151,363,810	-	151,363,810
Factory building project of Xi'an Hansi	29,465,111	-	29,465,111	29,465,111	-	29,465,111
Production line improvement of No. 1 Factory	23,203,203	-	23,203,203	17,771,040	-	17,771,040
Relocation project of Dezhou Company	20,163,743	-	20,163,743	2,062,286	-	2,062,286
Production line improvement of No. 2 Factory	9,797,448	-	9,797,448	4,479,371	-	4,479,371
Production line improvement of No. 5 Factory	9,491,158	-	9,491,158	5,610,537	-	5,610,537
Production line improvement of Rizhao Company	6,197,637	-	6,197,637	561,557	-	561,557
Production line improvement of Shenzhen Asahi	5,079,567	-	5,079,567	2,118,275	-	2,118,275
Production line improvement of No. 3 Factory	4,680,172	-	4,680,172	1,749,999	-	1,749,999
Production line improvement of Kunshan company	4,277,414	-	4,277,414	657,430	-	657,430
Production line improvement of Chenzhou company	3,905,456	-	3,905,456	23,978	-	23,978
Production line improvement of Shijiazhuang company	3,089,560	-	3,089,560	1,460,676	-	1,460,676
Production line improvement of Fuzhou Company	2,785,264	-	2,785,264	-	-	-
Production line improvement of No. 4 Factory	2,780,799	-	2,780,799	1,230,087	-	1,230,087
Production line improvement of Immense Brewery Company	2,460,388	-	2,460,388	-	-	-
Production line improvement of Minhang Company	2,311,172	-	2,311,172	385,721	-	385,721
Relocation project of Langfang Company	1,928,228	-	1,928,228	137,069,038	-	137,069,038
Relocation project of Weinan Company	1,893,579	-	1,893,579	2,728,453	-	2,728,453
Other projects	26,731,064	-	26,731,064	21,153,925	-	21,153,925
	<u>251,043,812</u>	<u>-</u>	<u>251,043,812</u>	<u>379,891,294</u>	<u>-</u>	<u>379,891,294</u>



## (12) Construction in progress (Cont'd)

## (a) Movement in significant construction in progress

Name	Budget	31 December 2018	Increase in the current period — Purchase (unaudited)	Increase in the current period — Transfer from fixed assets (unaudited)	Transfer to fixed assets (unaudited)	30 June 2019 (unaudited)	Expenditures percentage of budget	Completion percentage	Source of funds
New factory project of Zhangjiakou Company	283,625,400	151,363,810	39,803,223	-	(100,364,184)	<b>90,802,849</b>	82%	78%	Self-funding
Factory building project of Xi'an Hansi	31,100,000	29,465,111	-	-	-	<b>29,465,111</b>	95%	95%	Self-funding
Production line improvement of No. 1 Factory	92,473,534	17,771,040	6,151,767	10,673,308	(11,392,912)	<b>23,203,203</b>	47%	41%	Self-funding
Relocation project of Dezhou Company	212,110,000	2,062,286	18,101,457	-	-	<b>20,163,743</b>	11%	10%	Self-funding
Production line improvement of No. 2 Factory	94,811,344	4,479,371	12,358,856	10,520,991	(17,561,770)	<b>9,797,448</b>	34%	34%	Self-funding
Production line improvement of No. 5 Factory	31,108,135	5,610,537	20,893,968	-	(17,013,347)	<b>9,491,158</b>	86%	85%	Self-funding
Production line improvement of Rizhao Company	34,361,479	561,557	28,243,019	1,812,534	(24,419,473)	<b>6,197,637</b>	89%	89%	Self-funding
Production line improvement of Shenzhen Asahi	16,512,000	2,118,275	8,716,462	-	(5,755,170)	<b>5,079,567</b>	71%	66%	Self-funding
Production line improvement of No. 3 Factory	58,350,614	1,749,999	55,671,089	-	(52,740,916)	<b>4,680,172</b>	98%	98%	Self-funding
Production line improvement of Kunshan Company	8,765,957	657,430	4,174,859	209,139	(764,014)	<b>4,277,414</b>	73%	58%	Self-funding
Production line improvement of Chenzhou Company	6,622,196	23,978	4,653,694	568,696	(1,340,912)	<b>3,905,456</b>	79%	79%	Self-funding
Production line improvement of Shijiazhuang Company	9,819,070	1,460,676	5,230,095	1,384,770	(4,985,981)	<b>3,089,560</b>	82%	82%	Self-funding
Production line improvement of Fuzhou Company	20,673,232	-	2,663,000	3,895,387	(3,773,123)	<b>2,785,264</b>	32%	32%	Self-funding
Production line improvement of No. 4 Factory	11,117,000	1,230,087	2,972,953	-	(1,422,241)	<b>2,780,799</b>	41%	38%	Self-funding
Production line improvement of Immense Brewery Company	6,000,000	-	2,460,388	-	-	<b>2,460,388</b>	65%	41%	Self-funding
Production line improvement of Minhang Company	5,984,000	385,721	3,106,025	-	(1,180,574)	<b>2,311,172</b>	69%	58%	Self-funding
Relocation project of Langfang Company	250,850,000	137,069,038	45,087,809	936,700	(181,165,319)	<b>1,928,228</b>	94%	89%	Self-funding
Relocation project of Weinan Company	25,902,583	2,728,453	178,704	-	(1,013,578)	<b>1,893,579</b>	88%	85%	Self-funding
Other projects		21,153,925	149,697,304	99,047,815	(243,167,980)	<b>26,731,064</b>			
		<u>379,891,294</u>	<u>410,164,672</u>	<u>129,049,340</u>	<u>(668,061,494)</u>	<u>251,043,812</u>			

For the six months ended 30 June 2019, there are no new increased borrowing costs capitalised (For the six months ended 30 June 2018: nil).

## (b) Provision for impairment

For the six months ended 30 June 2019, the management has assessed that there is no impairment risk on construction in progress and did not recognise provision for impairment of construction in progress (For the six months ended 30 June 2018: nil).

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

##### (13) Right-of-use assets

	Buildings	Land use rights	Machinery and equipment	Management tools	Total
<b>Original cost</b>					
31 December 2018	—	—	—	—	—
Changes in accounting policies	48,312,421	7,042,220	3,677,046	42,413	59,074,100
1 January 2019	48,312,421	7,042,220	3,677,046	42,413	59,074,100
Newly increased (unaudited)	13,495,213	2,056,129	-	-	15,551,342
<b>30 June 2019 (unaudited)</b>	<b>61,807,634</b>	<b>9,098,349</b>	<b>3,677,046</b>	<b>42,413</b>	<b>74,625,442</b>
<b>Accumulated depreciation</b>					
31 December 2018	—	—	—	—	—
1 January 2019	-	-	-	-	-
Accrual (unaudited)	(9,167,314)	(557,780)	(360,223)	(19,117)	(10,104,434)
<b>30 June 2019 (unaudited)</b>	<b>(9,167,314)</b>	<b>(557,780)</b>	<b>(360,223)</b>	<b>(19,117)</b>	<b>(10,104,434)</b>
<b>Carrying amount</b>					
<b>30 June 2019 (unaudited)</b>	<b>52,640,320</b>	<b>8,540,569</b>	<b>3,316,823</b>	<b>23,296</b>	<b>64,521,008</b>
31 December 2018	—	—	—	—	—

##### (14) Intangible assets

	Land use rights	Trademarks	Technology known-how	Marketing networks	Software and others	Total
<b>Original Cost</b>						
31 December 2018	2,528,519,735	449,743,612	18,629,100	974,935,670	432,612,387	4,404,440,504
Increase in the current period						
— Purchase (unaudited)	6,333,585	-	-	-	7,742,687	14,076,272
Decrease in the current period (unaudited)	(4,973,737)	-	-	-	-	(4,973,737)
— Transfer to investment properties	(4,973,737)	-	-	-	-	(4,973,737)
<b>30 June 2019 (unaudited)</b>	<b>2,529,879,583</b>	<b>449,743,612</b>	<b>18,629,100</b>	<b>974,935,670</b>	<b>440,355,074</b>	<b>4,413,543,039</b>
<b>Accumulated amortisation</b>						
31 December 2018	(500,053,820)	(317,931,829)	(18,629,100)	(739,090,157)	(229,050,083)	(1,804,754,989)
Increase in the current period						
— Accrual (unaudited)	(30,070,600)	(12,398,090)	-	(44,478,020)	(19,270,412)	(106,217,122)
Decrease in the current period (unaudited)	704,700	-	-	-	-	704,700
— Transfer to investment properties	704,700	-	-	-	-	704,700
<b>30 June 2019 (unaudited)</b>	<b>(529,419,720)</b>	<b>(330,329,919)</b>	<b>(18,629,100)</b>	<b>(783,568,177)</b>	<b>(248,320,495)</b>	<b>(1,910,267,411)</b>
<b>Carrying amount</b>						
<b>30 June 2019 (unaudited)</b>	<b>2,000,459,863</b>	<b>119,413,693</b>	<b>-</b>	<b>191,367,493</b>	<b>192,034,579</b>	<b>2,503,275,628</b>
31 December 2018	2,028,465,915	131,811,783	-	235,845,513	203,562,304	2,599,685,515

For the six months ended 30 June 2019, the amortisation amount of intangible assets is 106,217,122 (For six months ended 30 June 2018: 115,917,728).

As at 30 June 2019, there are no intangible assets pledged as collateral for borrowings (31 December 2018: nil).

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

##### (14) Intangible assets (Cont'd)

As at 30 June 2019, the relevant legal procedures for certificates application of the Group's land use rights with carrying amount of approximately 2,058,000 (31 December 2018: 10,043,000) are still in process. In addition, as at 30 June 2019, 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 11,328,000 as at 30 June 2019 (31 December 2018: 12,066,000). The Company's directors consider that there is no significant impact on the operations of the Group.

##### (15) Goodwill

	31 December 2018	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2019 (unaudited)
Goodwill —				
Shandong Region — Immense Brewery Company	958,868,617	-	-	958,868,617
Shandong Region — Lulansa Brewery	227,026,482	-	-	227,026,482
South China Region — Nanning Company	130,895,740	-	-	130,895,740
Southeast China Region — Fuzhou Company/Xiamen Company/ Zhangzhou Company/Dongnan Sales Company	114,031,330	-	-	114,031,330
North China 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>
Less: Provision for impairment —				
Shandong Region — Immense Brewery Company	-	-	-	-
Shandong Region — Lulansa Brewery	-	-	-	-
South China Region — Nanning Company	(130,895,740)	-	-	(130,895,740)
Southeast China Region — Fuzhou Company/Xiamen Company/Zhangzhou Company/Dongnan Sales Company	-	-	-	-
North China 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>1,307,103,982</u>	<u>-</u>	<u>-</u>	<u>1,307,103,982</u>

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

##### (15) Goodwill (Cont'd)

All goodwill of the Group has been allocated to relevant asset groups and asset group combinations on purchase date. The goodwill allocation are summarised by operating segments as follows:

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Shandong Region	<b>1,185,895,099</b>	1,185,895,099
South China Region	<b>130,895,740</b>	130,895,740
Southeast China Region	<b>114,031,330</b>	114,031,330
North China Region	<b>24,642,782</b>	24,642,782
Other Regions	<b>49,049,770</b>	49,049,770
	<b><u>1,504,514,721</u></b>	<b><u>1,504,514,721</u></b>

The recoverable amounts of asset groups and asset group combinations are calculated using the estimated cash flows determined according to the five-year financial budgets approved by management. Cash flows beyond the five-year period are estimated by using a fixed growth rate .

##### (16) Long-term prepaid expenses

	<b>31 December 2018</b>	<b>Increase in the current period (unaudited)</b>	<b>Amortisation in the current period (unaudited)</b>	<b>30 June 2019 (unaudited)</b>
Improvement of buildings and right-of-use assets	21,871,399	1,087,888	(3,991,611)	<b>18,967,676</b>
Factory hardening expenses	4,721,877	309,309	(1,374,884)	<b>3,656,302</b>
Gardening expenses	1,496,032	-	(500,376)	<b>995,656</b>
Others	5,018,111	282,242	(2,440,604)	<b>2,859,749</b>
	<b><u>33,107,419</u></b>	<b><u>1,679,439</u></b>	<b><u>(8,307,475)</u></b>	<b><u>26,479,383</u></b>

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

##### (17) Deferred tax assets and deferred tax liabilities

###### (a) Deferred tax assets without offsetting

	30 June 2019 (unaudited)		31 December 2018	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	30,432,424	7,608,106	122,069,184	30,517,296
Provision for asset impairment	44,454,364	11,113,591	55,873,680	13,968,420
Deferred income	887,110,444	221,777,611	649,551,258	162,387,815
Elimination of intra-group unrealised profit	30,628,232	7,657,058	153,105,416	38,276,354
Accruals of expenses	5,157,754,148	1,289,438,537	4,008,410,594	1,002,102,648
	<u>6,150,379,612</u>	<u>1,537,594,903</u>	<u>4,989,010,132</u>	<u>1,247,252,533</u>
Including:				
Expected to reverse within one year (inclusive)		1,263,887,133		1,014,650,230
Expected to be reverse after one year		<u>273,707,770</u>		<u>232,602,303</u>
		<u>1,537,594,903</u>		<u>1,247,252,533</u>

###### (b) Deferred tax liabilities without offsetting

	30 June 2019 (unaudited)		31 December 2018	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not under common control	657,368,604	164,342,151	719,461,076	179,865,269
Depreciation of fixed assets	369,336,696	92,334,174	171,223,584	42,805,896
Changes in fair value of wealth management products	33,744,438	8,436,110	26,306,137	6,576,534
The difference between carrying amount and tax base resulted from government grants charged in profit or loss in the current period	42,620,168	10,655,042	64,662,511	16,165,628
	<u>1,103,069,906</u>	<u>275,767,477</u>	<u>981,653,308</u>	<u>245,413,327</u>
Including:				
Expected to be reverse within one year (inclusive)		96,573,914		50,519,395
Expected to be reverse after one year		<u>179,193,563</u>		<u>194,893,932</u>
		<u>275,767,477</u>		<u>245,413,327</u>

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

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

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

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Deductible temporary differences	<b>937,871,139</b>	896,906,934
Deductible losses	<b><u>2,832,852,516</u></b>	<u>2,808,322,326</u>
	<b><u>3,770,723,655</u></b>	<u>3,705,229,260</u>

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 708,213,000 (31 December 2018: 702,081,000) arising from the accumulated losses that can set off against taxable incomes under tax laws in the period from 2019 to 2024. 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 234,468,000 (31 December 2018: 224,227,000) arising from the deductible temporary differences resulting from the impact of provision for impairment losses.

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

	<b>30 June 2019 (unaudited)</b>	31 December 2018
2019	<b>270,462,615</b>	315,641,910
2020	<b>572,486,213</b>	628,518,650
2021	<b>586,180,579</b>	615,459,818
2022	<b>564,091,876</b>	597,897,636
2023	<b>614,028,475</b>	650,804,312
2024	<b><u>225,602,758</u></b>	<u>—</u>
	<b><u>2,832,852,516</u></b>	<u>2,808,322,326</u>

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

	<b>30 June 2019 (unaudited)</b>		31 December 2018	
	<b>Offsetting amount</b>	<b>Net amounts</b>	Offsetting amount	Net amounts
Deferred tax assets	<b>76,109,934</b>	<b>1,461,484,969</b>	40,232,146	1,207,020,387
Deferred tax liabilities	<b><u>76,109,934</u></b>	<b><u>199,657,543</u></b>	<u>40,232,146</u>	<u>205,181,181</u>

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

##### (18) Provision for asset impairment and loss

	31 December 2018	Increase in the current period (unaudited)	Decrease in the current period (unaudited)		30 June 2019 (unaudited)	
			Reversal	Write-off		
Provision for bad debt of accounts receivable	191,061,189	21,458	(527,410)	-	232	190,555,469
Including: Provision for bad debt recognised individually	26,751,710	-	(500,000)	-	-	26,251,710
Provision for bad debt recognised on grouping basis	164,309,479	21,458	(27,410)	-	232	164,303,759
Provision for bad debt of other receivables	77,142,452	391,361	(1,716,399)	-	-	75,817,414
provision for bad debt of other current assets	155,498	73,532	(142,663)	-	-	86,367
Subtotal	268,359,139	486,351	(2,386,472)	-	232	266,459,250
Provision for impairment of inventory	7,304,055	-	(288,110)	(2,387,024)	-	4,628,921
Provision for impairment of long-term investment	1,220,000	-	-	-	-	1,220,000
Provision for impairment of investment properties	1,578,536	-	-	-	276,020	1,854,556
Provision for impairment of fixed assets	434,501,719	1,547,653	-	(24,593,525)	(276,020)	411,179,827
Provision for impairment of goodwill	197,410,739	-	-	-	-	197,410,739
Subtotal	642,015,049	1,547,653	(288,110)	(26,980,549)	-	616,294,043
	<u>910,374,188</u>	<u>2,034,004</u>	<u>(2,674,582)</u>	<u>(26,980,549)</u>	<u>232</u>	<u>882,753,293</u>

##### (19) Other non-current assets

	30 June 2019 (unaudited)	31 December 2018
Prepayments for construction and equipment	<u>87,141,507</u>	<u>62,438,096</u>

##### (20) Short-term borrowings

	Currency	30 June 2019 (unaudited)	31 December 2018
Entrusted loan (i)	HKD	263,910,000	296,155,600
Interbank borrowing (ii)	RMB	200,000,000	-
Interest payable	RMB	1,812,524	-
		<u>465,722,524</u>	<u>296,155,600</u>

- (i) As at 30 June 2019, short-term loan represents the borrowing from China Construction Bank (Asia) Co., Ltd., with RMB263,910,000 (Original foreign currency: HKD300,000,000) to Hong Kong Company, a subsidiary of the Company (As at 31 December 2018: the borrowing from Bank of China Co. Ltd., with RMB296,155,600 (Original foreign currency: HKD338,000,000) to Hong Kong Company.

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

##### (20) Short-term borrowings (Cont'd)

(ii) As at 30 June 2019, the interbank borrowing represents the interbank borrowing of Finance Company, a subsidiary of the Company.

As at 30 June 2018, the interest rate of short-term borrowings is from 1.60% to 3.05% (31 December 2018: 3.00%).

##### (21) Notes payable

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Trade acceptance notes	<b>46,618,018</b>	93,811,951
Bank acceptance notes	<b>290,877,252</b>	232,263,986
	<b><u>337,495,270</u></b>	<b><u>326,075,937</u></b>

Other cash balances of 18,051,000 (31 December 2018: 15,032,000) are pledged as collateral for the bank acceptance notes of the Group (Note 4(1)(iii)).

##### (22) Accounts payable

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Payable for materials purchase	<b>2,892,201,158</b>	2,118,754,944
Payable for beer purchase due to related parties (Note 7(5))	<b>152,536,644</b>	82,999,958
Payable for promotional goods	<b>81,851,276</b>	35,184,352
Others	<b>5,466,694</b>	9,409,353
	<b><u>3,132,055,772</u></b>	<b><u>2,246,348,607</u></b>

(i) As at 30 June 2019, accounts payable over 1 year with carrying amount of 20,772,461 (31 December 2018: 28,513,063) are mainly payables for materials purchase, for which has not yet been completed.

(ii) The aging based on their recording dates is analysed as follows:

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Within 1 year	<b>3,111,283,311</b>	2,217,835,544
1 to 2 years	<b>8,957,557</b>	10,637,317
2 to 3 years	<b>2,696,671</b>	3,481,831
Over 3 years	<b>9,118,233</b>	14,393,915
	<b><u>3,132,055,772</u></b>	<b><u>2,246,348,607</u></b>



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

##### (23) Contract liabilities

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Dealer contract liabilities	<u><b>4,125,343,897</b></u>	<u>5,237,538,511</u>

The majority of the opening balance of contract liabilities of the Group has been transferred to revenue in the current period.

##### (24) Employee benefits payable

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Short-term employee benefits (a)	<b>1,116,595,623</b>	1,033,681,265
Defined contribution plans (b)	<b>24,706,509</b>	25,490,427
Termination benefits (c)	<b>87,457,397</b>	94,282,557
Defined benefit plans (d)	<u><b>23,376,401</b></u>	<u>22,007,043</u>
	<u><b>1,252,135,930</b></u>	<u>1,175,461,292</u>

##### (a) Short-term employee benefits

	31 December 2018	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	<b>30 June 2019 (unaudited)</b>
Wages and salaries, bonus, allowances and subsidies	703,999,357	1,637,189,195	(1,571,888,264)	<b>769,300,288</b>
Staff welfare	871,037	122,248,864	(122,035,002)	<b>1,084,899</b>
Social security contributions	12,725,361	125,705,069	(126,847,886)	<b>11,582,544</b>
Including: Medical insurance	9,160,085	107,062,043	(108,174,605)	<b>8,047,523</b>
Work injury insurance	1,765,883	6,198,115	(6,167,760)	<b>1,796,238</b>
Maternity insurance	1,799,393	12,444,911	(12,505,521)	<b>1,738,783</b>
Housing funds	16,948,486	125,320,397	(125,449,702)	<b>16,819,181</b>
Labour union funds and employee education funds	<u>299,137,024</u>	<u>58,067,601</u>	<u>(39,395,914)</u>	<u><b>317,808,711</b></u>
	<u>1,033,681,265</u>	<u>2,068,531,126</u>	<u>(1,985,616,768)</u>	<u><b>1,116,595,623</b></u>

##### (b) Defined contribution plans

	31 December 2018	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	<b>30 June 2019 (unaudited)</b>
Basic pension	21,020,996	233,830,506	(234,640,272)	<b>20,211,230</b>
Unemployment insurance	<u>4,469,431</u>	<u>8,231,825</u>	<u>(8,205,977)</u>	<u><b>4,495,279</b></u>
	<u>25,490,427</u>	<u>242,062,331</u>	<u>(242,846,249)</u>	<u><b>24,706,509</b></u>

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

##### (24) Employee benefits payable (Cont'd)

###### (c) Termination benefits

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Early retirement benefits (Note 4(32))	87,457,397	94,282,557
Other termination benefits (i)	-	-
	<b><u>87,457,397</u></b>	<b><u>94,282,557</u></b>

(i) For the six months ended 30 June 2019, the Group has paid termination benefit of 48,014,292, mainly due to termination of labor relationship.

###### (d) Defined benefit plans

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Supplemental retirement benefits (Note 4(32))	<b><u>23,376,401</u></b>	<b><u>22,007,043</u></b>

##### (25) Taxes payable

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Enterprise income tax	319,821,656	263,094,463
Unpaid VAT	289,311,955	104,309,735
Consumption tax	269,825,635	258,665,295
City maintenance and construction tax	33,166,536	8,870,492
Education surcharge	25,463,216	7,647,840
Others	51,705,285	48,546,174
	<b><u>989,294,283</u></b>	<b><u>691,133,999</u></b>

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

##### (26) Other payables

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Accruals for transportation expenses	925,814,594	260,063,006
Guarantee deposits	788,091,355	710,726,775
Dividends payable	649,411,348	-
Payables to vendors of construction, machinery and equipment	504,538,850	435,719,135
Accruals for advertising expenses	338,772,765	187,372,331
Compensation collected in advance for demolition project	219,216,173	-
Accruals for labour expenses	110,328,473	74,872,344
Accruals for general and administrative expenses	76,325,501	42,679,007
Accruals for water, electricity and steam expenses	66,000,660	45,326,286
Absorbed deposits from related parties and interests payables (i)	14,851,628	18,625,074
Withholding social expenses for staff	9,393,099	10,921,473
Others	367,372,666	327,201,927
	<u><b>4,070,117,112</b></u>	<u><b>2,113,507,358</b></u>

(i) It represents the principal and interest of deposits absorbed from the Company's associates by Finance Company, a subsidiary of the Company.

As at 30 June 2019, other payables over 1 year with carrying amount of 544,229,940 (31 December 2018: 554,538,905) are mainly liabilities due to acquisition of subsidiaries, payables to vendors of construction, machinery and equipment, and investment payable.

##### (27) Current portion of non-current liabilities

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Current portion of long-term borrowings (note 4 (28))	418,880	420,320
Current portion of lease liabilities (note 4 (29))	19,977,003	—
	<u><b>20,395,883</b></u>	<u><b>420,320</b></u>

##### (28) Long-term borrowings

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Guaranteed	DKK	837,760
		1,050,800
<i>Less:</i> Current portion of guaranteed borrowing	(418,880)	(420,320)
	<u><b>418,880</b></u>	<u><b>630,480</b></u>

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

##### (28) Long-term borrowings (Cont'd)

As at 30 June 2019, bank guaranteed borrowing of RMB 837,760 (Original foreign currency: DKK 800,000)(31 December 2018: RMB1,050,800 (Original foreign currency: DKK1,000,000)), is guaranteed by Beijing Development and Reform Commission. The principal amount shall be repaid twice annually based on the equal repayment of principal method, with the last repayment falling due on 1 April 2021. The amount due within one year amounted to 418,880 (31 December 2018: 420,320).

As at 30 June 2019 and 31 December 2018, the long-term borrowings are interest-free borrowings.

##### (29) Lease liabilities

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Lease liabilities	<b>56,310,887</b>	—
Less: Current portion of lease liabilities	<b>(19,977,003)</b>	—
	<b><u>36,333,884</u></b>	<u>—</u>

As at 30 June 2019, the Group has no liabilities that will lead to potential cash outflow at the end of the year.

##### (30) Long-term payables

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Payables for specific projects	<b><u>395,338,888</u></b>	<u>222,324,164</u>

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.

##### (31) Deferred income

	31 December 2018	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	<b>30 June 2019 (unaudited)</b>	Reason
Government grants	<u>2,343,747,145</u>	<u>68,689,400</u>	<u>(208,501,265)</u>	<b><u>2,203,935,280</u></b>	Grants for relocation and technology improvement projects

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

##### (31) Deferred income (Cont'd)

Government grants items	31 December 2018	Increase in the current period (unaudited)	Charged to other income (unaudited)	30 June 2019 (unaudited)	Related to assets/income
<b>Relocation projects</b>					
Mali Factory relocation project	414,242,128	-	(12,692,736)	<b>401,549,392</b>	Assets
Tengzhou Company relocation project	161,122,724	-	(5,328,052)	<b>155,794,672</b>	Assets
Suizhou Company relocation project	150,824,841	10,044,878	(6,033,913)	<b>154,835,806</b>	Assets
Wuweí Company relocation project	145,327,766	-	(5,460,395)	<b>139,867,371</b>	Assets
Rizhao Company relocation project	137,399,968	-	(5,260,846)	<b>132,139,122</b>	Assets
Suqian Company relocation project	126,117,012	-	(4,798,737)	<b>121,318,275</b>	Assets
Zhuhai Company relocation project	126,494,059	-	(6,074,070)	<b>120,419,989</b>	Assets
Gansu Nongken Company relocation project	121,126,737	-	(5,981,529)	<b>115,145,208</b>	Assets
Xingkaihu Company relocation project	108,147,567	-	(3,212,894)	<b>104,934,673</b>	Assets
Yangzhou Company relocation project	107,379,254	-	(5,347,002)	<b>102,032,252</b>	Assets
Fuzhou Company relocation project	99,814,183	-	(5,860,253)	<b>93,953,930</b>	Assets
Heze Company relocation project	96,418,152	-	(5,244,447)	<b>91,173,705</b>	Assets
Weinan Company relocation project	80,843,472	-	(3,459,855)	<b>77,383,617</b>	Assets
Hansi Baoji relocation project	56,374,777	-	(3,590,551)	<b>52,784,226</b>	Assets
Harbin Company relocation project	54,089,410	-	(3,308,187)	<b>50,781,223</b>	Assets
Langfang Company relocation project	42,621,044	25,741,538	(26,248,669)	<b>42,113,913</b>	Assets/Income
Dezhou Company relocation project	17,609,154	509,277	(685,663)	<b>17,432,768</b>	Assets/Income
No. 3 Factory relocation project	11,372,112	-	(1,705,817)	<b>9,666,295</b>	Assets
Pengcheng Company relocation project	10,059,872	-	(1,690,602)	<b>8,369,270</b>	Assets
Mishan Company relocation project	-	59,333	(59,333)	-	Income
Xian Hansi relocation project	-	133,900	(133,900)	-	Income
<b>Technology improvement projects</b>					
Technology improvement projects of Immense Brewery Company	31,303,367	2,000,000	(125,040)	<b>33,178,327</b>	Assets
Technology improvement projects of Five Star Company	10,720,000	-	(512,143)	<b>10,207,857</b>	Assets
Technology improvement projects of Luzhou Company	8,404,719	-	(594,169)	<b>7,810,550</b>	Assets
Technology improvement projects of Shouguang Company	6,171,429	-	(228,571)	<b>5,942,858</b>	Assets
Technology improvement projects of Three Ring Company	6,160,000	-	(280,000)	<b>5,880,000</b>	Assets
<b>Other projects</b>	<u>213,603,398</u>	<u>30,200,474</u>	<u>(94,583,891)</u>	<u>149,219,981</u>	
	<u>2,343,747,145</u>	<u>68,689,400</u>	<u>(208,501,265)</u>	<u>2,203,935,280</u>	

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

##### (32) Long-term employee benefits payable

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Early retirement benefits (a)	277,675,218	317,583,216
Supplemental retirement benefits (b)	<u>332,861,507</u>	<u>325,266,898</u>
	<u>610,536,725</u>	<u>642,850,114</u>
Less: Early retirement benefits within one year	(87,457,397)	(94,282,557)
Supplemental retirement benefits within one year	<u>(23,376,401)</u>	<u>(22,007,043)</u>
	<u>(110,833,798)</u>	<u>(116,289,600)</u>
	<u><u>499,702,927</u></u>	<u><u>526,560,514</u></u>

Early retirement benefits and supplemental retirement benefits which will be paid within a year are represented in employee benefits payable.

##### (a) Early retirement benefits

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

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Discount rate (yield-to-maturity of the government bond with the same term)	2.64% – 3.23%	2.60% – 3.22%

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

	<b>Six months ended 30 June 2019 (unaudited)</b>	Six months ended 30 June 2018 (unaudited)
General and administrative expenses	5,607,586	31,570,589
Finance expenses	4,591,640	5,877,824

##### (b) Supplemental retirement benefits

Supplemental retirement benefits are provided to those retired employees who met certain criteria and the benefit plan was approved by the board of directors and the President's office. The benefits they can receive depend on their positions and seniorities at the time of retirement. The Group's defined benefit obligations were calculated by external independent actuary according to the projected unit credit method.

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

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

(b) Supplemental retirement benefits (Cont'd)

(i) Supplemental retirement benefits obligations of the Group:

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Defined benefit obligations	<b>332,861,507</b>	325,266,898
Less: Fair value of plan assets	-	-
Defined benefit liabilities	<b><u>332,861,507</u></b>	<b><u>325,266,898</u></b>

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

	<b>Present value of the defined benefit obligation</b>
1 January 2019	325,266,898
Amount charged to profit or loss in the current period (unaudited)	
— Service cost	11,996,716
— Interest expense on the net defined benefit obligations	5,126,667
Payment from the plan (unaudited)	<u>(9,528,774)</u>
<b>30 June 2019 (unaudited)</b>	<b><u>332,861,507</u></b>

	<b>Present value of the defined benefit obligation</b>
1 January 2018	279,555,205
Amount charged to profit or loss in the current period (unaudited)	
— Service cost	13,336,646
— Interest expense on the net defined benefit obligations	5,413,334
Payment from the plan (unaudited)	<u>(8,760,158)</u>
30 June 2018 (unaudited)	<b><u>289,545,027</u></b>

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

##### (32) Long-term employee benefits payable (Cont'd)

###### (b) Supplemental retirement benefits (Cont'd)

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

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Discount rate	<b>3.25%</b>	3.25%

Mortality refers to China Life Insurance Mortality Table (2010-2013).

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

	<b>Change in assumption</b>	<b>Impact on defined benefit obligation</b>	
		<b>Increase in assumption</b>	<b>Decrease in assumption</b>
Discount rate	0.25%	Decrease by 2.77%	Increase by 2.91%

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 of 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 2018: nil).
- (vi) The weighted average duration of the defined benefit obligations is 11.3 years (31 December 2018: 11.3 years).
- (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.

##### (33) Share capital

	31 December 2018	Movements in the current period (unaudited)	<b>30 June 2019 (unaudited)</b>
RMB-denominated ordinary shares	695,913,617	-	<b>695,913,617</b>
Foreign shares listed overseas	655,069,178	-	<b>655,069,178</b>
	<u>1,350,982,795</u>	<u>-</u>	<u><b>1,350,982,795</b></u>



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

##### (33) Share capital (Cont'd)

	31 December 2017	Movements in the current period (unaudited)	30 June 2018 (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>

##### (34) Capital surplus

	31 December 2018	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2019 (unaudited)
Share premium	3,356,662,970	-	-	<b>3,356,662,970</b>
Other capital surplus —	87,523,342	38,658	-	<b>87,562,000</b>
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(10,204,646)	9,256	-	<b>(10,195,390)</b>
Transfer from capital surplus recognised under the previous accounting system	93,338,214	-	-	<b>93,338,214</b>
Others	4,389,774	29,402	-	<b>4,419,176</b>
	<u>3,444,186,312</u>	<u>38,658</u>	<u>-</u>	<u><b>3,444,224,970</b></u>
	31 December 2017	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2018 (unaudited)
Share premium	3,356,662,970	-	-	3,356,662,970
Other capital surplus —	87,518,542	5,228	-	87,523,770
Share of changes of equity other than comprehensive income and profits distribution of investees accounted for using the equity method	(10,209,446)	5,228	-	(10,204,218)
Transfer of capital surplus recognised under the previous accounting system	93,338,214	-	-	93,338,214
Others	4,389,774	-	-	4,389,774
	<u>3,444,181,512</u>	<u>5,228</u>	<u>-</u>	<u>3,444,186,740</u>

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

(35) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement of six months ended 30 June 2019					
	31 December 2018	Attributable to shareholders of the Company, net of tax (unaudited)	30 June 2019 (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	(50,268,000)	-	(50,268,000)	-	-	-	-	-	
Items that will be subsequently reclassified to profit or loss									
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss	(667,191)	32,847	(634,344)	32,847	-	-	32,847	-	
Currency translation differences	6,238,387	(527,673)	5,710,714	(527,673)	-	-	(527,673)	-	
	<u>(44,696,804)</u>	<u>(494,826)</u>	<u>(45,191,630)</u>	<u>(494,826)</u>	<u>-</u>	<u>-</u>	<u>(494,826)</u>	<u>-</u>	
	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement of six months ended 30 June 2018					
	31 December 2017	Changes in accounting policies	1 January 2018	Attributable to shareholders of the Company, net of tax (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	(27,752,000)	-	(27,752,000)	-	(27,752,000)	-	-	-	-
Items that will be subsequently reclassified to profit or loss									
Shares of other comprehensive income of investees accounted for using the equity method that will be subsequently reclassified to profit or loss	(654,343)	-	(654,343)	(43,082)	(697,425)	(43,082)	-	(43,082)	-
Profits or loss from change in wealth management products	6,108,986	(6,108,986)	-	-	-	-	-	-	-
Currency translation differences	13,258,607	-	13,258,607	(893,957)	12,364,650	(893,957)	-	(893,957)	-
	<u>(9,038,750)</u>	<u>(6,108,986)</u>	<u>(15,147,736)</u>	<u>(937,039)</u>	<u>(16,084,775)</u>	<u>(937,039)</u>	<u>-</u>	<u>(937,039)</u>	<u>-</u>

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

##### (36) Surplus reserve

	31 December 2018	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2019 (unaudited)
Statutory surplus reserve	<u>1,400,704,380</u>	<u>-</u>	<u>-</u>	<u>1,400,704,380</u>

	31 December 2017	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2018 (unaudited)
Statutory surplus reserve	<u>1,400,704,380</u>	<u>-</u>	<u>-</u>	<u>1,400,704,380</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.

##### (37) General reserve

	31 December 2018	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2019 (unaudited)
General reserve	<u>199,512,331</u>	<u>-</u>	<u>-</u>	<u>199,512,331</u>

	31 December 2017	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2018 (unaudited)
General reserve	<u>155,497,737</u>	<u>-</u>	<u>-</u>	<u>155,497,737</u>

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" issued by the Ministry of Finance, Finance Company, a subsidiary of the Company, appropriated general reserve by 1.5% of the ending balance of the risk assets every year based on its risk consideration.

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

##### (38) Undistributed profits

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Undistributed profits at the beginning of the period (before adjustment)	11,619,782,072	10,802,900,749
Adjustment (a)	<u>-</u>	<u>6,108,986</u>
Undistributed profits at the beginning of the period (after adjustment)	11,619,782,072	10,809,009,735
Add: Net profit attributable to shareholders of the Company for the current period	1,630,516,036	1,302,224,985
Less: appropriated general reserve Ordinary shares dividend payable (b)	<u>(648,471,742)</u>	<u>(567,412,774)</u>
Undistributed profits at the end of the period	<u><u>12,601,826,366</u></u>	<u><u>11,543,821,946</u></u>

(a) As at 1 January 2018, undistributed profits of 6,108,986 were adjusted at the beginning of 2018 due to the first implementation of the new financial instrument standards.

(b) Pursuant to the resolution at the Annual General Meeting dated 28 June 2019, the Company approved a cash dividend of RMB0.48 per share (tax included) to the shareholders of the Company with RMB648,471,742, based on a total number of 1,350,982,795 shares (2018: cash dividend of RMB0.42 per share (tax included) to the shareholders of the Company with RMB567,412,774, based on a total number of 1,350,982,795 share).

For the six months ended 30 June 2019, the board of directors do not declare the distribution of interim dividends (for the six months end 30 June 2019:nil).

##### (39) Revenue and cost of sales

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Revenue from main operation (a)	16,406,304,740	15,021,049,974
Revenue from other operations (b)	<u>144,360,724</u>	<u>132,640,539</u>
	<u><u>16,550,665,464</u></u>	<u><u>15,153,690,513</u></u>
	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Cost of main operation (a)	(9,819,940,217)	(9,094,062,607)
Cost of other operations (b)	<u>(91,881,286)</u>	<u>(93,117,495)</u>
	<u><u>(9,911,821,503)</u></u>	<u><u>(9,187,180,102)</u></u>

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

##### (39) Revenue and cost of sales (Cont'd)

###### (a) Revenue and cost of main operation

	Six months ended 30 June 2019 (unaudited)		Six months ended 30 June 2018 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of beer	<u>16,406,304,740</u>	<u>(9,819,940,217)</u>	<u>15,021,049,974</u>	<u>(9,094,062,607)</u>

The Group delivers beer products to dealers and revenue shall be recognised after the dealers' acceptance and signing delivery lists of goods.

###### (b) Revenue and cost of other operations

	Six months ended 30 June 2019 (unaudited)		Six months ended 30 June 2018 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sale of packaging materials	34,441,840	(21,784,669)	18,211,117	(9,606,878)
Transportation services	19,728,527	(24,770,420)	29,469,220	(33,182,989)
Sale of raw materials	9,014,315	(8,862,623)	10,507,068	(9,692,166)
Others	<u>81,176,042</u>	<u>(36,463,574)</u>	<u>74,453,134</u>	<u>(40,635,462)</u>
	<u>144,360,724</u>	<u>(91,881,286)</u>	<u>132,640,539</u>	<u>(93,117,495)</u>

##### (40) Taxes and surcharges

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)	Tax base
Consumption tax	981,826,288	963,194,446	Note 3
City maintenance and construction tax	146,345,742	147,910,843	Note 3
Education surcharges	109,791,245	112,262,715	Note 3
Land use tax	30,320,375	29,015,278	
Real estate tax	30,234,869	30,253,691	
Stamp duty	13,299,555	13,740,351	
Others	<u>9,148,418</u>	<u>11,510,739</u>	
	<u>1,320,966,492</u>	<u>1,307,888,063</u>	

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

##### (41) Selling and distribution expenses

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Handing and transportation expenses	1,175,437,089	964,387,121
Employee benefits expenses	991,664,439	946,352,498
Advertising related expenses	501,522,714	467,153,782
Administrative expenses	91,285,087	89,633,586
Depreciation and amortisation charges	56,412,696	59,544,623
Services charges	53,075,931	43,441,773
Material consumption	33,247,980	39,795,412
Other expenses	86,742,391	86,244,929
	<u>2,989,388,327</u>	<u>2,696,553,724</u>

##### (42) General and administrative expenses

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Employee benefits expenses	360,984,988	340,611,654
Depreciation and amortisation charges	99,031,677	98,041,857
Administrative expenses	41,639,323	42,320,147
Agency fees	14,252,658	19,532,061
Repair expenses	13,355,469	15,026,553
Material consumption	5,444,198	4,776,146
Insurance expenses	3,950,440	3,969,768
Handling and transportation expenses	3,421,344	5,405,439
Other expenses	48,547,704	48,510,534
	<u>590,627,801</u>	<u>578,194,159</u>

##### (43) Research and development expenses

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Employee benefits expenses	5,427,664	4,321,875
Depreciation charges	1,253,146	1,319,855
Material consumption	641,126	733,025
Other expenses	606,203	741,790
	<u>7,928,139</u>	<u>7,116,545</u>

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

##### (44) Expenses by nature

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

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Raw materials, packaging materials and consumables used	6,791,756,840	6,381,040,340
Employee benefits expenses	2,376,212,051	2,236,554,924
Handling and transportation expenses	1,268,505,634	1,068,159,697
Finished goods purchased from outside	632,250,473	661,189,868
Changes in inventories of finished goods and work in progress	588,786,084	328,549,473
Depreciation and amortisation charges	563,008,704	575,647,453
Advertising related expenses	501,522,714	467,153,782
Repair expenses	158,490,026	159,081,643
Service charges	146,099,752	131,009,086
Administrative expenses	136,798,205	135,612,214
Amortisation expenses of packaging materials	119,520,228	96,877,918
Other expenses	216,815,059	228,168,132
	<u>13,499,765,770</u>	<u>12,469,044,530</u>

##### (45) Finance expenses

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Interest expenditure on lease liabilities	1,056,912	—
Interest expense	6,594,455	5,916,028
Less: Interest income	(253,227,854)	(261,107,536)
Discounting impact of the long-term employee benefits payable	9,718,307	11,291,158
Exchange loss	(850,561)	497,295
Others	1,586,761	2,211,967
	<u>(235,121,980)</u>	<u>(241,191,088)</u>

##### (46) Other incomes

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)	Related to assets/income
Grant for relocation projects	112,177,451	86,569,549	Assets/Income
Grant for company development	139,000,000	89,800,361	Income
Grant for technology improvement projects	1,739,923	1,386,312	Assets
Grant for other production and operation	60,382,944	63,942,074	Assets/Income
	<u>313,300,318</u>	<u>241,698,296</u>	

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

##### (47) Investment income

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Investment income from long-term equity investments accounted for using the equity method	19,265,218	16,708,068
Others	<u>1,326,180</u>	<u>1,646,343</u>
	<u><u>20,591,398</u></u>	<u><u>18,354,411</u></u>

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

##### (48) Profit arising from changes in fair value

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Financial assets at fair value through profit or loss — Wealth management products	30,952,822	21,612,161
Fund investment	<u>70,655</u>	<u>3,314,960</u>
	<u><u>31,023,477</u></u>	<u><u>24,927,121</u></u>

##### (49) Credit impairment losses

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Losses/(Reversals) of bad debts of accounts receivable	(505,952)	(1,396,795)
Losses/(Reversals) of bad debts of other receivables	(1,325,038)	(677,083)
Losses/(Reversals) of bad debts of other current assets	<u>(69,131)</u>	<u>(11,200)</u>
	<u><u>(1,900,121)</u></u>	<u><u>(2,085,078)</u></u>

##### (50) Asset impairment losses

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Impairment loss/(reversal) of inventories	(288,110)	-
Impairment loss of fixed assets	<u>1,547,653</u>	<u>6,642,975</u>
	<u><u>1,259,543</u></u>	<u><u>6,642,975</u></u>



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

##### (51) Gains on disposals of assets

	<b>Six months ended 30 June 2019 (unaudited)</b>	Six months ended 30 June 2018 (unaudited)
Losses on disposal of fixed assets	<u><b>21,948,784</b></u>	<u>7,613,067</u>

For the six months ended 30 June 2019, all asset disposal gains and losses have been regarded as non-recurring profit or loss in the current period.

##### (52) Non-operating income

	<b>Six months ended 30 June 2019 (unaudited)</b>	Six months ended 30 June 2018 (unaudited)
Gains on unpaid debts	<b>12,912,331</b>	178,230
Penalty gains	<b>836,499</b>	1,267,534
Government grant	-	723,300
Others	<u><b>1,726,042</b></u>	<u>5,680,208</u>
	<u><b>15,474,872</b></u>	<u>7,849,272</u>

For the six months ended 30 June 2019, all non-operating income has been regarded as non-recurring profit or loss in the current period.

##### (53) Non-operating expenses

	<b>Six months ended 30 June 2019 (unaudited)</b>	Six months ended 30 June 2018 (unaudited)
Compensations, defaults and overdue fines	<b>636,136</b>	1,578,960
Donations	<b>306,699</b>	448,893
Penalty losses	<b>195,831</b>	221,499
Others	<u><b>779,926</b></u>	<u>588,830</u>
	<u><b>1,918,592</b></u>	<u>2,838,182</u>

For the six months ended 30 June 2019, all non-operating expenses have been regarded as non-recurring profit or loss in the current period.

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

##### (54) Income tax expense

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	854,947,080	692,622,001
Current profits tax calculated according to tax law and related regulations in Hong Kong SAR — Hong Kong profits tax	1,199,731	1,382,956
Current profits supplemental tax calculated according to tax law and related regulations in Macau SAR — Macau profits supplemental tax	519,074	405,647
Deferred income tax	<u>(259,988,220)</u>	<u>(194,852,660)</u>
	<b><u>596,677,665</u></b>	<b><u>499,557,944</u></b>

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 listed below:

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Total profit	<u>2,322,218,449</u>	1,895,768,962
Income tax expense calculated at applicable tax rates	579,376,595	472,522,469
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	13,713,463	8,419,257
Income not subject to tax	(10,551,685)	(9,316,800)
Impact of utilisation of deductible tax losses and temporary differences from previously unrecognised deferred tax assets	(54,640,876)	(36,993,236)
Deductible temporary differences of currently unrecognised deferred tax assets	14,590,218	16,066,017
Deductible tax losses of currently unrecognised deferred tax assets	<u>54,189,950</u>	<u>48,860,237</u>
Income tax expense	<b><u>596,677,665</u></b>	<b><u>499,557,944</u></b>

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

##### (55) 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:

	<b>Six months ended 30 June 2019 (unaudited)</b>	Six months ended 30 June 2018 (unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	<b>1,630,516,036</b>	1,302,224,985
Weighted average numbers of ordinary shares outstanding	<b>1,350,982,795</b>	1,350,982,795
Basic earnings per share	<b><u>1.207</u></b>	<b><u>0.964</u></b>
Including:		
— Basic earnings per share from continuing operations	<b>1.207</b>	0.964

###### (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. For six months ended 30 June 2019, there were no dilutive potential ordinary shares (For six months ended 30 June 2018: nil), diluted earnings per share equals to basic earnings per share.

##### (56) Notes to consolidated cash flow statement

###### (a) Cash received relating to other operating activities

	<b>Six months ended 30 June 2019 (unaudited)</b>	Six months ended 30 June 2018 (unaudited)
Government grants	<b>341,274,264</b>	318,809,075
Guarantee deposits	<b>331,760,781</b>	220,429,945
Others	<b>75,359,867</b>	43,822,268
	<b><u>748,394,912</u></b>	<b><u>583,061,288</u></b>

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

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

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Handling and transportation expenses	640,431,186	670,632,544
Marketing and promotion expenses	400,867,076	379,856,692
Advertising related expenses	343,692,160	374,373,857
Guarantee deposits	155,327,980	105,722,008
Administrative expenses	128,614,400	118,140,589
Others	105,976,171	95,187,111
	<u>1,774,908,973</u>	<u>1,743,912,801</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Withdraw of deposit reserve of Finance Company	195,330,000	-
Interest income of Finance Company's deposits	194,673,475	170,156,854
Biding deposits collected	10,430,910	4,644,503
	<u>400,434,385</u>	<u>174,801,357</u>

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Biding deposits paid	9,122,809	5,924,266
Deposit in central bank paid by Finance Company	-	230,720,000
	<u>9,122,809</u>	<u>236,644,266</u>

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

##### (56) Notes to consolidated cash flow statement (Cont'd)

###### (e) Cash paid relating to other financing activities

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Repayment of lease liabilities	9,571,268	—
Others	—	1,134,743
	<u>9,571,268</u>	<u>1,134,743</u>

For the six months ended 30 June 2019, total cash outflows related to lease paid by the Group is 42,992,214. Other cash outflows are recognised into operating activities except repayment of lease liabilities recognised in financing activities mentioned above.

##### (57) 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 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Net profit	1,725,540,784	1,396,211,018
<i>Add:</i> Provision for asset impairment	1,259,543	6,642,975
Reversal for credit impairment	(1,900,121)	(2,085,078)
Depreciation of right-of-use assets	10,104,434	—
Depreciation of fixed assets and investment properties	441,972,457	456,627,636
Amortisation of intangible assets	106,217,122	115,917,728
Amortisation of long-term prepaid expenses	8,307,475	7,376,780
Losses on disposal of fixed assets and intangible assets	21,948,784	7,613,067
Profit arising from changes in fair value	(31,023,477)	(24,927,121)
Financial expenses	(184,191,532)	(250,875,932)
Investment income	(20,591,398)	(18,354,411)
Increase in deferred tax assets	(254,464,582)	(184,544,754)
Amortisation of deferred income	(208,501,265)	(116,317,234)
Decrease in deferred tax liabilities	(5,523,638)	(10,307,906)
Decrease in inventories	661,811,762	538,834,227
Increase in operating receivables	107,894,936	142,902,363
Increase in operating payables	1,439,206,827	2,119,660,208
	<u>3,818,068,111</u>	<u>4,184,373,566</u>
Net cash flows from operating activities		

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

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

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

Net increase in cash and cash equivalents

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Cash and cash equivalents at end of the period	<b>15,647,654,378</b>	12,527,266,544
Less: Cash and cash equivalents at beginning of the period	<b>(11,653,288,328)</b>	(9,101,908,887)
Net increase in cash and cash equivalents	<b><u>3,994,366,050</u></b>	<b><u>3,425,357,657</u></b>

(b) *Cash and cash equivalents*

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Cash and cash equivalents <i>(Note 4(1))</i>	<b>15,647,654,378</b>	12,527,266,544
Including: Cash on hand	<b>296,521</b>	343,128
Cash at bank that can be readily drawn on demand	<b>15,645,446,395</b>	12,526,369,241
Cash at non-financial institutions that can be readily drawn on demand	<b>1,911,462</b>	554,175
Cash and cash equivalents at end of the period	<b><u>15,647,654,378</u></b>	<b><u>12,527,266,544</u></b>

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

## (58) Foreign currency items

	Six months ended 30 June 2019 (unaudited)		
	Balance in foreign currency	Currency exchange rate	Balance in RMB
Cash at bank and cash on hand —			
USD	38,349,701	6.8747	263,642,689
EUR	12,496,785	7.8170	97,687,368
HKD	52,113,913	0.8797	45,844,609
MOP	46,357,382	0.8553	39,649,469
			446,824,135
Accounts receivable —			
USD	4,455,781	6.8747	30,632,159
HKD	29,563,760	0.8797	26,007,239
EUR	2,447,831	7.8170	19,134,698
GBP	587,409	8.7113	5,117,092
CAD	280,990	5.2490	1,474,917
			82,366,105
Short-term borrowings —			
HKD	300,000,000	0.8797	263,910,000
Other payables —			
USD	819,336	6.8747	5,632,689
Current portion of non-current liabilities —			
DKK	400,000	1.0472	418,880
Long-term borrowings —			
DKK	400,000	1.0472	418,880

Foreign currency monetary item mentioned above refers to all currencies other than RMB (the scope is different from the foreign currency items in Note 11(1)(a)).

## 5. INTERESTS IN OTHER ENTITIES

### (1) Interests in subsidiaries

#### (a) The structure of the Group

Name	Category 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	Industrial investment	100%	-	Establishment or investment
Tsingtao Brewery (Zuhai) Co., Ltd.	Limited liability company	Zuhai, the PRC	Zuhai, 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	Wholesale and retail sale	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.	Limited liability company	Jiangsu, the PRC	Nanjing, the PRC	Wholesale and retail sale	-	100%	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.	Limited liability company	Jiangsu, the PRC	Xuzhou, the PRC	Wholesale and retail sale	-	100%	Establishment or investment
Tsingtao Brewery (Xuecheng) Co., Ltd.	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
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, wholesale and retail sale	100%	-	Establishment or investment
Tsingtao Brewery Hansi Baoji Co., Ltd.	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



## 5. INTERESTS IN OTHER ENTITIES (CONT'D)

### (1) Interests in subsidiaries (Cont'd)

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

Name	Category of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
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 (Dezhou) Co., Ltd. ("Dezhou Company")	Limited liability company	Dezhou, the PRC	Dezhou, 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
Tsingtao Brewery (Hanzhong) Co., Ltd. ("Hanzhong Company")	Limited liability company	Hanzhong, the PRC	Hanzhong, the PRC	Manufacturing	34%	66%	Establishment or investment
Beijing Tsingtao Brewery Beifang Sales Co., Ltd. ("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
Tsingtao Brewery (Xiamen) Co., Ltd.	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.	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.	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	Industry	-	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 (Electronic Commerce) Co., Ltd. ("Electronic Commerce 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

## 5. INTERESTS IN OTHER ENTITIES (CONT'D)

### (1) Interests in subsidiaries (Cont'd)

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

Name	Category of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
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	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	-	100%	Establishment or investment
Tsingtao Brewery (Xuzhou) Enterprise Management Service Co., Ltd. ("Xuzhou Enterprise Management")	Limited liability company	Xuzhou, the PRC	Xuzhou, the PRC	Wholesale and retail sale	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. ("Shanghai Industrial Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	100%	-	Establishment or investment
Tsingtao Brewery (Zhangjiakou) Co., Ltd. ("Zhangjiakou company")	Limited liability company	Zhangjiakou, the PRC	Zhangjiakou, the PRC	Manufacturing	100%	-	Establishment or investment
Shanghai Tsingtao Catering Management Co., Ltd.	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Services	-	80%	Establishment or investment
Tsingtao Brewery (Sanshui) Co., Ltd.	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 Tsingtao Brewery Asahi Co., Ltd. ("Shenzhen Asahi")	Limited liability company	Shenzhen, the PRC	Shenzhen, the PRC	Manufacturing	51%	-	Business combination not under common control
Nanning Tsingtao Brewery Co., Ltd.	Limited liability company	Nanning, the PRC	Nanning, the PRC	Manufacturing	-	75%	Business combination not under common control
Beijing Tsingtao Brewery Co., Ltd. ("Three Ring Company")	Limited liability company	Beijing, the PRC	Beijing, the PRC	Manufacturing	29%	25%	Business combination not under common control
Beijing 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) Co., Ltd.	Limited liability company	Lanzhou, the PRC	Lanzhou, the PRC	Manufacturing	-	55.06%	Business combination not under common control
Tsingtao Brewery (Wuwei) Co., Ltd.	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.	Limited liability company	Suizhou, the PRC	Suizhou, the PRC	Manufacturing	-	90%	Business combination not under common control
Tsingtao Brewery (Fuzhou) Co., Ltd.	Limited liability company	Fuzhou, the PRC	Fuzhou, the PRC	Manufacturing	-	100%	Business combination not under common control

## 5. INTERESTS IN OTHER ENTITIES (CONT'D)

### (1) Interests in subsidiaries (Cont'd)

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

Name	Category of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingtao Brewery (Zhangzhou) Co., Ltd.	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
Shandong Xin Immense Brewery Co., Ltd. ("Immense Brewery Company")	Limited liability company	Shandong, the PRC	Megnyin, 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
Tsingto Brewery (Shanghai) Market Service Co., Ltd.	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	-	100%	Business combination not under common control
Shandong Lulansa Brewery Co., Ltd. ("Lulansa Company")	Limited liability company	Zibo, the PRC	Zibo, the PRC	Manufacturing	55%	-	Business combination not under common control
Equipment Manufacture Company	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	-	100%	Business combination not under common control
Tsingtao Brewery (Shanghai) Investing Co., Ltd. ("Shanghai Investment Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Industrial investment	100%	-	Business combination not under common control
Tsingtao Brewery Shanghai Songjiang Manufacturing Co., Ltd.	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	-	100%	Business combination not under common control
Tsingto Brewery (Suqian) Co., Ltd. ("Suqian Company")	Limited liability company	Suqian, the PRC	Suqian, the PRC	Manufacturing	75%	25%	Business combination not under common control
Tsingto Brewery (Xuzhou) Pengcheng Co., Ltd.	Limited liability company	Xuzhou, the PRC	Xuzhou, the PRC	Manufacturing	-	100%	Business combination not under common control
Xuzhou Company	Limited liability company	Xuzhou, the PRC	Xuzhou, the PRC	Manufacturing	-	100%	Business combination not under common control
Yangzhou Company	Limited liability company	Yangzhou, the PRC	Yangzhou, the PRC	Manufacturing	50%	50%	Business combination not under common control
Tsingto Brewery (Kunshan) Co., Ltd.	Limited liability company	Kunshan, the PRC	Kunshan, the PRC	Manufacturing	-	100%	Business combination not under common control

## 5. INTERESTS IN OTHER ENTITIES (CONT'D)

### (1) Interests in subsidiaries (Cont'd)

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

Name	Category of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingto Brewery (Lianyungang) Co.,Ltd.	Limited liability company	Lianyungang, the PRC	Lianyungang, the PRC	Manufacturing	-	100%	Business combination not under common control
Tsingto Brewery (Minhang) Co.,Ltd.	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	-	96.50%	Business combination not under common control

As at 30 June 2019, 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.

#### (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 2019 (unaudited)	Total dividends distributed to the minority shareholders in six months ended 30 June 2019 (unaudited)	Non-controlling interests as at 30 June 2019 (unaudited)
Shenzhen Asahi	49%	22,349,552	(37,235,100)	204,910,372

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

	As at 30 June 2019 (unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	166,603,300	455,318,071	621,921,371	(199,454,653)	(4,019,538)	(203,474,191)

  

	31 December 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	178,710,312	468,463,751	647,174,063	(193,868,094)	(4,527,121)	(198,395,215)

## 5. INTERESTS IN OTHER ENTITIES (CONT'D)

### (1) Interests in subsidiaries (Cont'd)

#### (b) Subsidiaries with significant non-controlling interests (Cont'd)

	Six months ended 30 June 2019 (unaudited)			
	Revenue	Net profit	Total other comprehensive income	Cash flows from operating activities
Shenzhen Asahi	398,514,661	45,658,332	45,658,332	73,012,384

  

	Six months ended 30 June 2018 (unaudited)			
	Revenue	Net profit	Total other comprehensive income	Cash flows from operating activities
Shenzhen Asahi	393,478,842	48,720,797	48,720,797	90,104,861

Financial information above represents the amounts of subsidiaries excluding elimination in the Group.

### (2) Interests in the Joint Venture and Associates

#### (a) Fundamental information of the significant Joint Venture 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 —						
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.

## 5. INTERESTS IN OTHER ENTITIES (CONT'D)

### (2) Interests in the Joint Venture and Associates (Cont'd)

#### (b) Summarised financial information of the joint venture

	<b>Hebei Jiahe Company</b>	
	<b>30 June 2019 (unaudited)</b>	31 December 2018
Current assets	<b>107,350,047</b>	77,703,478
Including: cash and cash equivalents	<b>36,524,089</b>	33,568,846
Non-current assets	<b>95,993,626</b>	97,554,244
<b>Total assets</b>	<b>203,343,673</b>	175,257,722
Current liabilities	<b>(54,773,396)</b>	(34,005,614)
<b>Total liabilities</b>	<b>(54,773,396)</b>	(34,005,614)
Total equity attributable to shareholders of the Company	<b>148,570,277</b>	141,252,108
Adjusted fair value of the identifiable net assets when obtained	<b>84,593,659</b>	88,611,733
Adjusted total equity attributable to shareholders of the Company	<b>233,163,936</b>	229,863,841
The share of net assets calculated based on the shareholding proportion (i)	<b>116,581,968</b>	114,931,920
Adjusting item — Goodwill	<b>113,928,609</b>	113,928,609
— Unrealised profits of internal transaction	-	(17,867)
<b>Book value of investment on the joint venture</b>	<b>230,510,577</b>	228,842,662

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

## 5. INTERESTS IN OTHER ENTITIES (CONT'D)

### (2) Interests in the Joint Venture and Associates (Cont'd)

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

	Hebei Jiahe Company	
	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Revenue	219,027,676	205,231,856
Finance expenses	(182,805)	(131,208)
Income tax expense	6,478,821	4,771,109
Net profit	19,318,169	13,946,840
Total comprehensive income	19,318,169	13,946,840
Adjusted fair value of the identifiable net assets when obtained	(4,018,074)	(4,780,667)
Adjusted total comprehensive income attributable to shareholders of the Company	15,300,095	9,166,173
Dividends received from the joint venture in the current period	6,000,000	7,270,000

- (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 according 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.

#### (c) Summarised financial information of associates

	30 June 2019 (unaudited)				31 December 2018			
	Yantai Asahi	Zhaoshang Logistics	Liaoning Shengqing	European Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shengqing	European Company
Current assets	243,743,061	141,360,049	18,579,916	28,443,718	240,326,764	119,289,748	35,060,115	25,420,063
Including: cash and cash equivalents	67,019,676	1,190,062	1,278,175	11,502,653	43,913,837	1,051,871	212,085	3,496,239
Non-current assets	260,009,391	1,607,459	3,522,472	119,647	268,607,815	1,957,802	3,629,320	123,320
Total assets	503,752,452	142,967,508	22,102,388	28,563,365	508,934,579	121,247,550	38,689,435	25,543,383
Current liabilities	(223,053,669)	(97,034,176)	(22,095,418)	(20,796,992)	(220,329,830)	(82,337,741)	(38,389,052)	(22,239,900)
Non-current liabilities	(6,927,537)	-	-	-	(7,835,176)	-	-	-
Total liabilities	(229,981,206)	(97,034,176)	(22,095,418)	(20,796,992)	(228,165,006)	(82,337,741)	(38,389,052)	(22,239,900)
Total equity attributable to shareholders of the Company	273,771,246	45,933,332	6,970	7,766,373	280,769,573	38,909,809	300,383	3,303,483
Adjusted fair value of the identifiable net assets when obtained	28,143,250	-	-	-	30,028,505	-	-	-
Adjusted total equity attributable to shareholders of the Company	301,914,496	45,933,332	6,970	7,766,373	310,798,078	38,909,809	300,383	3,303,483
The share of net assets calculated based on the shareholding proportion (i)	117,746,653	13,780,000	2,091	3,106,549	121,211,250	11,672,943	90,115	1,321,393
Adjusting items								
— Goodwill	9,640,679	-	-	-	9,640,679	-	-	-
— Unrealised profits of internal transaction	(37,925)	-	-	-	(2,292,842)	-	-	-
Book value of investments on Associates	127,349,407	13,780,000	2,091	3,106,549	128,559,087	11,672,943	90,115	1,321,393

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

## 5. INTERESTS IN OTHER ENTITIES (CONT'D)

### (2) Interests in the Joint Venture and Associates (Cont'd)

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

	Six months ended 30 June 2019 (unaudited)				Six months ended 30 June 2018 (unaudited)			
	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company
Revenue	398,072,240	116,401,153	39,651,511	51,894,850	362,174,036	130,867,335	34,047,220	45,691,363
Net profits / (loss)	16,193,716	6,992,669	(293,413)	4,380,772	16,652,266	6,979,448	(1,032,524)	2,440,890
Other comprehensive income	-	30,854	-	82,118	-	-	-	(107,704)
Total comprehensive income	16,193,716	7,023,523	(293,413)	4,462,890	16,652,266	6,979,448	(1,032,524)	2,333,186
Total comprehensive income attributable to shareholders of the Company	16,193,716	7,023,523	(293,413)	4,462,890	16,652,266	6,979,448	(1,032,524)	2,333,186
Adjusted fair value of the identifiable net assets when obtained	(1,885,255)	-	-	-	(1,929,994)	-	-	-
Adjusted total comprehensive income attributable to shareholders	14,308,461	7,023,523	(293,413)	4,462,890	14,722,272	6,979,448	(1,032,524)	2,333,186
Dividends received from the associates in the current period	-	-	-	-	-	-	-	-

(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, which considers 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 2019, the Group's joint venture and associates have no excess losses.

## 6. 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. Different regions require 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 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 seven reportable segments as follows:

- Shandong region segment, responsible for the production and distribution of beer in Shandong region and surrounding regions
- South China region segment, responsible for the production and distribution of beer in South China region
- North China region segment, responsible for the production and distribution of beer in North China region
- East China region segment, responsible for the production and distribution of beer in East China region
- Southeast China region segment, responsible for the production and distribution of beer in Southeast China region
- Hong Kong, Macau and other overseas region segment, responsible for the distribution of beer in Hong Kong SAR, Macau SAR and other overseas regions
- Finance Company segment, 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.



## 6. SEGMENT INFORMATION (CONT'D)

(a) Segment information as at and for the six months ended 30 June 2019 is listed as follows (unaudited):

	Shandong Region	South China Region	North China Region	East China Region	Southeast China Region	Hong Kong, Macau and other overseas Regions	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	9,971,137,793	1,351,680,003	2,889,682,398	1,626,062,146	392,696,831	315,158,021	3,326,148	922,124	-	16,590,665,464
Inter-segment revenue	1,382,532,436	541,864,880	888,648,397	85,631,176	5,999,454	147,122,630	14,015,349	248,755	(3,066,053,077)	-
Cost of sales	(7,448,827,390)	(1,235,440,415)	(2,477,051,866)	(1,213,563,254)	(314,363,593)	(340,550,353)	(21,979)	(440,729)	3,117,828,076	(9,911,821,503)
Selling and distribution expenses	(1,998,829,500)	(240,973,638)	(372,529,558)	(259,944,145)	(64,054,455)	(53,057,031)	-	-	-	(2,989,388,327)
Interest income	24,009,479	6,236,468	20,220,251	2,757,666	420,935	5,222,385	191,540,239	73,996,714	(68,266,283)	253,227,854
Interest expense	(2,254,540)	(2,576,831)	(6,610,223)	(5,533,681)	-	(3,933,016)	-	(69,553,123)	-	(83,866,959)
Investment income of associates and a joint venture	-	-	-	-	-	-	-	-	19,265,218	19,265,218
Credit impairment reversals/(losses)	1,818,539	35,951	431	(35,035)	-	11,104	(164,207)	-	233,338	1,900,121
Asset impairment losses	(441,476)	-	(574,465)	288,110	(531,712)	-	-	(50,000,000)	50,000,000	(1,259,543)
Depreciation and amortisation	(244,443,680)	(86,007,037)	(103,160,850)	(82,595,197)	(20,546,451)	(1,785,668)	(476,696)	(27,585,909)	-	(566,601,488)
Total profit/(losses)	1,120,166,856	208,761,009	676,437,618	20,073,970	(6,602,460)	66,041,961	170,449,183	(50,919,642)	117,809,954	2,322,218,449
Income tax expense	(297,559,700)	(48,341,470)	(149,533,518)	(23,878,779)	(2,394,538)	(16,185,365)	(42,336,888)	-	(16,447,587)	(596,677,665)
Net profit/(losses)	822,607,156	160,419,539	526,904,100	(3,804,809)	(8,996,818)	49,856,596	128,112,295	(50,919,642)	101,362,367	1,725,540,784
Total assets	13,091,541,246	3,898,454,445	7,037,826,146	3,456,018,930	859,601,444	708,004,007	13,342,521,215	9,148,256,462	(14,085,810,872)	37,456,413,023
Total liabilities	9,403,225,900	1,818,198,411	4,359,158,401	2,646,354,503	553,141,546	761,926,088	11,299,497,775	1,076,076,970	(14,189,556,126)	17,728,023,468
Non-cash expenses other than depreciation and amortisation	6,441,095	145,526	3,045,520	79,229	6,939	-	-	-	-	9,718,309
Long-term equity investments in associates and a joint venture	-	-	-	-	-	-	-	374,748,624	-	374,748,624
Additions of non-current assets (i)	242,318,189	30,824,221	184,735,396	40,224,760	11,213,153	1,182,197	168,000	19,737,990	(8,294,764)	522,109,142

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

(b) Segment information as at and for the six months ended 30 June 2018 is listed as follows (unaudited):

	Shandong Region	South China Region	North China Region	East China Region	Southeast China Region	Hong Kong, Macau and other overseas Regions	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	8,917,647,833	1,252,149,345	2,644,183,907	1,629,819,732	398,865,972	307,975,257	1,702,865	1,345,602	-	15,153,690,513
Inter-segment revenue	1,327,436,005	517,087,687	776,634,632	67,471,425	2,427,078	80,084,963	20,102,055	248,755	(2,791,492,600)	-
Cost of sales	(6,728,001,975)	(1,164,603,405)	(2,192,083,182)	(1,281,103,873)	(330,588,958)	(280,365,893)	(17,563)	(441,409)	2,790,026,156	(9,187,180,102)
Selling and distribution expenses	(1,694,129,139)	(238,563,430)	(355,123,787)	(290,865,460)	(65,047,752)	(52,824,156)	-	-	-	(2,696,553,724)
Interest income	20,825,232	5,497,805	18,347,931	2,530,743	792,040	2,076,089	258,082,275	34,800,774	(81,845,353)	261,107,526
Interest expense	(4,811,250)	(2,783,891)	(6,167,709)	(8,528,438)	-	(2,675,136)	(83,381,330)	-	102,431,726	(5,916,056)
Investment income of associates and a joint venture	-	-	-	-	-	-	-	-	16,708,068	16,708,068
Asset impairment (losses)/reversals	482,152	(1,111,823)	(2,396,687)	(2,330,629)	-	(41,310)	(8,985,510)	829,200	8,996,710	(4,557,897)
Depreciation and amortisation	(253,088,863)	(89,548,550)	(103,210,875)	(86,930,600)	(19,009,170)	(992,127)	(345,359)	(26,796,600)	-	(579,922,144)
Total profit/(losses)	1,044,833,287	176,652,389	554,744,897	(91,502,773)	(25,004,528)	51,840,082	209,300,930	(53,596,832)	28,501,510	1,895,768,962
Income tax expense	(253,146,291)	(36,031,268)	(137,084,393)	(11,097,998)	8,109,783	(11,761,560)	(53,887,314)	-	(4,658,903)	(499,557,944)
Net profit/(losses)	791,686,996	140,621,121	417,660,504	(102,600,771)	(16,894,745)	40,078,522	155,413,616	(53,596,832)	23,842,607	1,396,211,018
Total assets	11,915,863,324	3,805,126,367	6,390,469,278	3,676,807,740	919,327,206	671,152,474	15,599,635,667	7,502,985,083	(16,169,383,871)	34,311,983,268
Total liabilities	7,532,619,186	1,770,001,034	3,814,237,151	2,702,004,681	534,993,428	744,846,866	13,866,552,813	945,528,629	(16,156,519,371)	15,254,664,417
Non-cash expenses other than depreciation and amortisation	7,170,487	215,445	3,751,789	144,206	9,231	-	-	-	-	11,291,158
Long-term equity investments in associates and a joint venture	-	-	-	-	-	-	-	373,538,339	-	373,538,339
Additions of non-current assets (i)	106,024,859	30,453,107	122,794,598	45,479,618	21,640,401	1,045,804	20,171	7,332,018	(4,018,993)	330,771,583

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

## 6. SEGMENT INFORMATION (CONT'D)

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

<b>Revenue from external customers</b>	<b>Six months ended 30 June 2019 (unaudited)</b>	Six months ended 30 June 2018 (unaudited)
Mainland China	<b>16,212,450,430</b>	14,823,809,988
Hong Kong SAR and Macau SAR	<b>102,950,910</b>	100,662,031
Other overseas regions	<b>235,264,124</b>	229,218,494
	<b><u>16,550,665,464</u></b>	<b><u>15,153,690,513</u></b>
<b>Total non-current assets</b>	<b>30 June 2019 (unaudited)</b>	30 June 2018 (unaudited)
Mainland China	<b>15,064,384,990</b>	15,464,503,191
Hong Kong SAR and Macau SAR	<b>15,482,457</b>	11,464,633
	<b><u>15,079,867,447</u></b>	<b><u>15,475,967,824</u></b>

## 7. 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 5(1).

### (2) Information of the joint venture and associates

Except for the information of the joint venture and associates disclosed in Note 5(2), the other associates having related parties transactions with the Group are set out below:

<u>Company name</u>	<u>Relationship with the Group</u>
Beijing Sales Company	Associate
Guangzhou General Agency	Associate

## 7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

### (3) Information of other related parties

	Relationship with the Group
Tsingtao Brewery Group Co., Ltd. ("Tsingtao Group")	Majority shareholder of the Company
Fosun Group (i)	Majority shareholder of the Company
Asahi Group holding co., LTD. ("Asahi Group") (i)	Previous majority shareholder of the Company
Asahi Breweries, Ltd. ("Asahi Breweries") (i)	Subsidiary of Asahi Group
Asahi Beer (China) Investment Co., Ltd. ("Asahi Investmen") (i)	Subsidiary of Asahi Group

- (i) As at 20 December 2017, Asahi Group with five subsidiaries of Fosun International Co., LTD. (collectively known as "Fosun Group") signed the share transfer agreement, and would transfer 243,108,236 H shares of the company (approximately 17.99% of the Company's share capital) to Fosun Group. On the same day, Asahi Group signed an equity transfer agreement with Tsingtao Group and its subsidiary Hong Kong Xinhaisheng investment and development co., LTD. ("Xinhaisheng") and would transfer 27,019,600 H shares capital of the company (approximately 1.99% of the Company's share capital) to Xinhaisheng. As at 19 March 2018, the share transfer agreement mentioned above has been completed. Fosun Group becomes major shareholder of the Company and Asahi Group holds no shares in the Company. The related transaction amount among Asahi Breweries, Asahi Investment and the Group for the six months ended 30 June 2018 stated in Note 7(4) is the amount incurred from 1 January 2018 to 19 March 2018. The transactions of Asahi Breweries, Asahi Investment, and Yantai Asahi with the Group during the period from 1 January 2018 to 19 March 2018 are continuing connected transactions disclosed in compliance with the requirements of Chapter 14A of Hong Kong Stock Exchange Securities Listing Rules.

### (4) Related party transactions

#### (a) Purchases of goods and receiving services

Name of related party	Nature of transaction	Pricing policies	Six months ended	Six months ended
			30 June 2019 (unaudited)	30 June 2018 (unaudited)
Yantai Asahi	Purchase of beer	Mutually-agreed prices	395,197,166	360,285,449
Hebei Jiaye Company	Purchase of beer	Mutually-agreed prices	218,682,299	205,069,159
Zhaoshang Logistics	Receiving logistics service (including payment on behalf)	Mutually-agreed prices	84,664,952	124,552,922
			<b>698,544,417</b>	<b>689,907,530</b>

## 7. 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 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
European Company	Sale of beer and materials	Mutually-agreed prices	37,882,588	37,074,416
Liaoning Shengqing	Sale of beer and materials	Mutually-agreed prices	31,448,440	32,260,046
Asahi Breweries	Sale of beer and materials	Mutually-agreed prices	—	6,337,902
Asahi Investment	Sale of beer and materials	Mutually-agreed prices	—	1,428,027
			<u>69,331,028</u>	<u>77,100,391</u>

#### (c) Absorbed deposits from related parties

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Yantai Asahi	<u>432,345,264</u>	<u>439,023,031</u>

#### (d) Interest expense paid to related parties

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Yantai Asahi	<u>24,168</u>	<u>17,555</u>

#### (e) Financial services fee received from related parties

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Yantai Asahi	<u>3,762</u>	<u>3,957</u>

## 7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

### (4) Related party transactions (Cont'd)

#### (f) Key management compensation

	<b>Six months ended 30 June 2019 (unaudited)</b>	Six months ended 30 June 2018 (unaudited)
Key management compensation paid	<u><b>2,344,772</b></u>	<u>2,157,146</u>

(g) For the six months ended 30 June 2019 and 2018, there is no loan provided to the key management from the Group.

### (5) Receivable and payable balances with related parties

Receivables from related parties:

		<u>30 June 2019 (unaudited)</u>		<u>31 December 2018</u>	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	European Company	19,134,698	-	9,201,895	-
	Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
	Guangzhou General Agency	<u>9,690</u>	<u>(9,690)</u>	<u>509,690</u>	<u>(509,690)</u>
		<u><b>30,390,172</b></u>	<u><b>(11,255,474)</b></u>	<u><b>20,957,369</b></u>	<u><b>(11,755,474)</b></u>

Payables to related parties:

		<u>30 June 2019 (unaudited)</u>	<u>31 December 2018</u>
Accounts payable	Yantai Asahi	107,508,507	78,478,233
	Hebei jiahe Company	<u>45,028,137</u>	<u>4,521,725</u>
		<u><b>152,536,644</b></u>	<u><b>82,999,958</b></u>
Other payables	Zhaoshang Logistics	119,214,298	47,400,051
	Yantai Asahi	<u>14,851,628</u>	<u>18,625,074</u>
		<u><b>134,065,926</b></u>	<u><b>66,025,125</b></u>
Contract liabilities	Liaoning Shenqing	7,408,748	28,071,401
	European Company	<u>187,103</u>	<u>103,538</u>
		<u><b>7,595,851</b></u>	<u><b>28,174,939</b></u>

## 8. COMMITMENTS

### (1) Capital commitments

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

	<b>30 June 2019</b> <b>(unaudited)</b>	31 December 2018
Buildings, machinery and equipment	<u><b>51,434,356</b></u>	<u>208,567,730</u>

## 9. OPERATING LEASE COMMITMENTS

The future minimum lease payment due under the signed irrevocable operating lease contracts are summarised as follows

	<b>30 June 2019</b> <b>(unaudited)</b>	31 December 2018
Within one year	<b>4,914,094</b>	3,793,876
1 to 2 years	<b>2,804,500</b>	1,300,500
2 to 3 years	<b>2,752,500</b>	952,500
3 to 4 years	<b>2,752,500</b>	952,500
4 to 5 years	<b>2,336,250</b>	950,250
More than 5 years	<u><b>9,120,000</b></u>	<u>120,000</u>
	<u><b>24,679,844</b></u>	<u>8,069,626</u>

## 10. LEASE

For the six months ended 30 June 2019, there is no finance lease (For the six months ended 30 June 2018: nil). For the six months ended 30 June 2019, operating lease payment recognised in profit or loss for the current period amount to 47,311,903 (For the six months ended 30 June 2018: 60,027,531).

## 11. FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The financial risk mentioned above and risk management policies adopted by the Group to reduce the risk are as follows:

The Board of Directors is responsible for planning and establishing risk management framework of the Group, formulating risk management policies and related guidelines of the Group and supervising the implementation of risk management measures. The Group has developed risk management policies to identify and analyse risks faced by the Group. These risk management policies explicitly stipulate specific risks, covering the management of market risks, credit risks, liquidity risk and many other aspects. The Group assesses the changes of market environment and the Group's operating activities regularly to determine whether the policies and systems of risk management should be updated. The Group's risk management is launched by relevant departments in accordance with the policies approved by the board of directors. These departments identifies, evaluates and avoids related risks through close cooperation with other business departments of the Group. Internal audit department of the Group conducts regular inspections on the control and procedures of risk management, and reports the result to the audit committee of the Group.

## 11. FINANCIAL INSTRUMENT AND RISK (CONT'D)

### (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 has recognised foreign exchange risk from foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in USD). The Group continuously monitors transactions denominated in foreign currencies and the scale of assets and liabilities to minimise the foreign exchange risk. For this purpose, 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 2019 and 2018, the Group did not enter into any forward foreign exchange contracts or currency swap contracts.

As at 30 June 2019 and 31 December 2018, the carrying amounts in RMB equivalent to the Group's assets and liabilities denominated in foreign currencies are summarised as below:

	30 June 2019 (unaudited)		
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	262,333,233	97,687,929	360,021,162
Accounts receivables	30,632,159	25,726,708	56,358,867
	<u>292,965,392</u>	<u>123,414,637</u>	<u>416,380,029</u>
Financial liabilities denominated in foreign currency —			
Other payables	5,632,689	-	5,632,689
Current portion of non-current liabilities	-	418,880	418,880
Long-term borrowings	-	418,880	418,880
	<u>5,632,689</u>	<u>837,760</u>	<u>6,470,449</u>
31 December 2018			
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	251,420,625	72,732,157	324,152,782
Receivables	34,522,562	10,785,101	45,307,663
	<u>285,943,187</u>	<u>83,517,258</u>	<u>369,460,445</u>
Financial liabilities denominated in foreign currency —			
Short-term borrowings	5,088,418	-	5,088,418
Current portion of non-current liabilities	-	420,320	420,320
Long-term borrowings	-	630,480	630,480
	<u>5,088,418</u>	<u>1,050,800</u>	<u>6,139,218</u>

As at 30 June 2019, for various financial assets and liabilities denominated in USD with a recording currency of RMB, if USD had strengthened or weakened by 4% against the RMB while all other variables had been held constant, the Group's net profit for the year would have been approximately 8,620,000 (31 December 2018: 8,426,000) higher or lower.

## 11. 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 2019 and 31 December 2018, as the long-term bank borrowings are all interest-free and immaterial (Note 4(28)), 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 performance. The management of the Group makes timely adjustments 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.

As at 30 June 2019, if the borrowing rate calculated at the floating rate rose or fell by 50 basis points and other factors remained unchanged, the Group's net profit would decrease or increase by approximately RMB531,291 (31 December 2018: approximately RMB927,000).

#### *(c) Other price risk*

Other price risk of the Group mainly arises from the investment of equity instruments, where risk of price changes exists. As at 30 June 2019 and 31 December 2018, the amount of equity instruments of the Group is insignificant, and the directors of the Company consider that there is no significant price risk.

### (2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, notes receivable, accounts receivable and other receivables etc. At the balance sheet date, the carrying amount of the Group's financial assets represented its maximum credit exposure.

The Group expects that there is no significant credit risk associated with cash at bank considering they are deposited at joint-stock commercial banks with high credit rating. Management does not expect that there will be any significant credit losses from non-performance by these counterparties.

Sales are mainly settled by advances from customers, 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, notes receivable and other receivables. The Group assesses the credit quality of and sets credit limits on its dealers 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 dealers is regularly monitored by the Group. In respect of dealers 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.

As at 30 June 2019, the Group holds no significant collateral and other credit enhancements because of the debtor's mortgage.



## 11. 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 Group 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 2019 (unaudited)				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	470,241,501	-	-	-	470,241,501
Notes payable	337,495,270	-	-	-	337,495,270
Accounts payable	3,132,055,772	-	-	-	3,132,055,772
Other payables	4,070,117,112	-	-	-	4,070,117,112
Current portion of non-current liabilities	22,684,083	-	-	-	22,684,083
Long-term borrowings	-	418,880	-	-	418,880
Lease liabilities	-	14,877,337	18,264,940	8,789,458	41,931,735
	<u>8,032,593,738</u>	<u>15,296,217</u>	<u>18,264,940</u>	<u>8,789,458</u>	<u>8,074,944,353</u>

	31 December 2018				Total
	Within 1 year	1 to 2 years	2 to 5 years		
Short-term borrowings	298,371,360	-	-	-	298,371,360
Notes payable	326,075,937	-	-	-	326,075,937
Accounts payable	2,246,348,607	-	-	-	2,246,348,607
Other payables	2,112,963,113	-	-	-	2,112,963,113
Current portion of non-current liabilities	420,320	-	-	-	420,320
Long-term borrowings	-	420,320	210,160	-	630,480
	<u>4,984,179,337</u>	<u>420,320</u>	<u>210,160</u>	-	<u>4,984,809,817</u>

Bank borrowings are analysed by repayment terms as follows:

	30 June 2019 (unaudited)	31 December 2018
Within 1 year	464,328,880	296,575,920
1 to 2 years	418,880	420,320
2 to 5 years	-	210,160
	<u>464,747,760</u>	<u>297,206,400</u>

## 12. 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 2019, the assets measured at fair value on a recurring basis are analysed below (unaudited):

	Level 1	Level 3	Total
Financial assets at fair value through profit or loss			
— Money market fund	26,858,521	-	26,858,521
Financial assets at fair value through profit or loss			
— Wealth management products with floating income	-	1,423,744,438	1,423,744,438
Financial assets at fair value through profit or loss			
— Equity instrument investment	-	600,000	600,000
	<u>26,858,521</u>	<u>1,424,344,438</u>	<u>1,451,202,959</u>

As at 31 December 2018, the assets measured at fair value on a recurring basis are analysed below:

	Level 1	Level 3	Total
Financial assets at fair value through profit or loss			
— Money market fund	156,238,354	-	156,238,354
Financial assets at fair value through profit or loss			
— Wealth management products with floating income	-	1,046,306,137	1,046,306,137
Financial assets at fair value through profit or loss			
— Equity instrument investment	-	600,000	600,000
	<u>156,238,354</u>	<u>1,046,906,137</u>	<u>1,203,144,491</u>

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

## 12. FAIR VALUE ESTIMATION (CONT'D)

### (1) Assets measured at fair value on a recurring basis (Cont'd)

Changes of the above Level 3 financial assets are analysed below:

	31 December 2018	Purchase (unaudited)	Disposal (unaudited)	Total current profits — Profits accrued to current profit or loss (a) (unaudited)	30 June 2019 (unaudited)	Assets still held on 30 June 2019 are recognised as movement on unrealized gains of profit or loss for the six months ended 30 June 2019 — Profit or loss from changes in fair value (unaudited)
Financial assets						
Financial assets held for trading						
— Wealth management products	<u>1,046,306,137</u>	<u>825,000,000</u>	<u>(455,000,000)</u>	<u>31,612,359</u>	<u>1,423,744,438</u>	<u>7,438,301</u>

	31 December 2017	Changes in accounting policies 1 January 2018	Purchase (unaudited)	Disposal (unaudited)	Total current profits — Profits accrued to current profit or loss (unaudited)	30 June 2018 (unaudited)	Assets still held on 30 June 2018 are recognised as movement on unrealized gains of profit or loss for the six months ended 30 June 2018 — Profit or loss from changes in fair value (unaudited)
Financial assets							
Finance assets held for trading —							
— Wealthy management products	<u>—</u>	<u>628,145,315</u>	<u>628,145,315</u>	<u>1,030,000,000</u>	<u>(744,670,329)</u>	<u>23,085,257</u>	<u>927,577,507</u>
							<u>14,102,521</u>

- (a) Gains recognised in the current profit and loss is included in the income statement under the items of profit arising from changes in fair value and investment income respectively.

For the level 3 financial assets stated above, the management uses the income method to evaluate the future cash flow to determine its fair value.

## 12. FAIR VALUE ESTIMATION (CONT'D)

### (2) Assets and liabilities not measured at fair value but disclosed at fair value

Financial assets and financial liabilities of the Group measured at amortised cost mainly represent notes receivable, accounts receivable, other receivables, debt investment, short-term borrowings, accounts payable and 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.

## 13. 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 six months ended 30 June 2019, the Group's strategy, which was unchanged from the prior year, 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). The cash balance as at 30 June 2019 and 31 December 2018 are as follows:

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Cash and cash equivalents	<u>15,647,654,378</u>	<u>11,653,288,328</u>
Less: Short-term borrowings	<b>(465,722,524)</b>	(296,155,600)
Current portion of non-current liabilities		
— long-term borrowings	<b>(418,880)</b>	(420,320)
Long-term borrowings	<u><b>(418,880)</b></u>	<u>(630,480)</u>
	<u><b>(466,560,284)</b></u>	<u>(297,206,400)</u>
Cash balance after deducting borrowings	<u><u><b>15,181,094,094</b></u></u>	<u><u>11,356,081,928</u></u>

#### 14. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

##### (1) Accounts receivable

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Accounts receivable	<b>1,323,554,095</b>	1,172,669,870
<i>Less:</i> Provision for bad debts	<b>(60,969,472)</b>	(61,483,751)
	<b><u>1,262,584,623</u></b>	<b><u>1,111,186,119</u></b>

The majority of the Company 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:

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Within 1 year	<b>984,442,970</b>	877,370,179
1 to 2 years	<b>91,300,345</b>	125,801,728
2 to 3 years	<b>148,316,676</b>	74,871,197
3 to 4 years	<b>18,625,395</b>	18,726,221
4 to 5 years	<b>14,487,912</b>	10,582,155
Over 5 years	<b>66,380,797</b>	65,318,390
	<b><u>1,323,554,095</u></b>	<b><u>1,172,669,870</u></b>

(b) As at 30 June 2019, the top five accounts receivable are analysed as follows:

	<b>Amount (unaudited)</b>	<b>Provision of bad debts (unaudited)</b>	<b>% of total balance</b>
Total amount of the top five accounts receivable	<b><u>503,596,668</u></b>	<b><u>-</u></b>	<b><u>38%</u></b>

(c) As at 30 June 2019, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2018: nil).

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

### (1) Accounts receivable (Cont'd)

#### (d) Provision for bad debts

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Provision for bad debts	<u><u>(60,969,472)</u></u>	<u><u>(61,483,751)</u></u>

For accounts receivable, irrespective of whether there is significant financing component, the Company measures loss provision according to the ECL of the lifetime.

- (i) As at 30 June 2019, accounts receivable with amounts that are individually subject to separate assessment for provision are analysed as follows:

	<b>Ending balance (unaudited)</b>	<b>Lifetime ECL ratio</b>	<b>Provision for bad debts (unaudited)</b>	<b>Reason</b>
Beijing Sales Company	11,245,784	100%	(11,245,784)	Notes 4(4)(d)
Guangzhou General Agency	<u>9,690</u>	100%	<u>(9,690)</u>	Notes 4(4)(d)
	<u><u>11,255,474</u></u>		<u><u>(11,255,474)</u></u>	

- (ii) As at 30 June 2019, accounts receivable by categories are analysed as follows:

#### Group-Subsidiaries

As at 30 June 2019, accounts receivable from subsidiaries to the Company is 1,199,548,693. The company believes there is no significant credit risk to recognise provision for bad debts.

#### Group-Dealers

	<b>30 June 2019 (unaudited)</b>		
	<b>Ending balance</b>	<b>Provision for bad debts</b>	
	<b>Amount</b>	<b>Lifetime ECL ratio</b>	<b>Amount</b>
Not overdue	<b>62,433,635</b>	-	-
Overdue wwithin 1 year	<b>633,995</b>	5%	<b>(31,700)</b>
Overdue 2 years or more	<u><b>49,682,298</b></u>	100%	<u><b>(49,682,298)</b></u>
	<u><u><b>112,749,928</b></u></u>		<u><u><b>(49,713,998)</b></u></u>

- (iii) In the current period, there is no provision for bad debts. The reversal of provisions for bad debts is 514,279 and the corresponding carrying amount is 528,326 (Note 4(4)(d)(iii)). In the current period, there is no accounts receivable written off.

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

(2) Other receivables

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Receivables from subsidiaries	74,434,132	117,446,821
Receivables of refundable cost of land and buildings	17,441,647	17,441,647
Reservation fund	12,739,209	11,643,526
Dividends receivable from associates	9,044,897	-
Guarantee deposits	3,089,205	2,785,573
Dividends receivable from subsidiaries	2,818,817	403,880,000
Interests receivable	-	31,132,653
Others	28,477,272	26,505,994
	<b>148,045,179</b>	610,836,214
<i>Less:</i> Provision for bad debts	<b>(40,611,830)</b>	(42,090,211)
	<b>107,433,349</b>	568,746,003

(a) Provision for bad debts and movement in carrying amount

	Stage one (unaudited)		Stage three (unaudited)		Total (unaudited) Provision for bad debts
	Next 12 months ECL (Groups)		Lifetime ECL (Credit impairment losses already occurred)		
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	
31 December 2018	379,850	(45,807)	42,044,404	(42,044,404)	(42,090,211)
Increase in the current period	513,926	(34,947)	-	(40,895)	(75,842)
Reversals in the current period	(132,308)	25,800	(1,528,423)	1,528,423	1,554,223
Transfer to stage three	(81,790)	40,895	81,790	(40,895)	-
30 June 2019	<b>679,678</b>	<b>(14,059)</b>	<b>40,597,771</b>	<b>(40,597,771)</b>	<b>(40,611,830)</b>

- (i) As at 30 June 2019, other receivables that are subject to provision for bad debts during stage one are analysed as follows:

	Ending balance (unaudited)	ECL ratio for the next 12 months	Provision for bad debts (unaudited)
Receivables from subsidiaries	74,434,132	0%-0.5%	-
Dividends from subsidiaries	2,818,817	-	-
Receivables from other entities	30,194,459	0%-1%	(14,059)
	<b>107,447,408</b>		<b>(14,059)</b>

- (ii) As at 30 June 2019, the Company has no other receivables in stage two.

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

### (2) Other receivables (Cont'd)

#### (a) Provision for bad debts and movement in carrying amount (Cont'd)

(iii) As at 30 June 2019, provisions for bad debts of other receivables in stage three are analysed as follows:

	Ending balance (unaudited)	Lifetime ECL ratio	Provision for bad debts (unaudited)	Reason
Subject to separate assessment for provision:				
Receivables of refundable cost of land use rights and building	17,441,647	100%	(17,441,647)	Notes 4(6)(a)(iii)
Subject to provision on the grouping basis:				
Receivables from other entities	<u>23,156,124</u>	100%	<u>(23,156,124)</u>	Notes 4(6)(a)(iii)
	<u>40,597,771</u>		<u>(40,597,771)</u>	

(b) The provisions for bad debts in the current period is 75,842; The reversal of provisions for bad debts is 1,554,223, and the corresponding carrying amount is 1,660,731. No other receivables and provisions for bad debts are written off.

(c) As at 30 June 2019, the top five other receivables are analysed as follows:

	Amount (unaudited)	Ageing	% of total balance	Provision for bad debts (unaudited)
No.1 Payment on behalf for social security	20,300,730	More than 5 years	14%	-
No.2 Payment on behalf for recycling bottles	18,865,807	Within 1 year	13%	-
No.3 Payment on behalf for recycling bottles	15,559,334	Within 1 year	11%	-
No.4 Receivables of refundable cost of land	8,587,437	More than 5 years	6%	(8,587,437)
No.5 Payment on behalf of others	<u>4,022,410</u>	More than 5 years	<u>3%</u>	<u>(4,022,410)</u>
	<u>67,335,718</u>		<u>47%</u>	<u>(12,609,847)</u>

### (3) Inventories

	30 June 2019 (unaudited)			31 December 2018		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Raw materials	279,440,797	-	279,440,797	229,241,812	-	229,241,812
Packaging materials	49,836,762	(662,025)	49,174,737	46,757,337	(662,025)	46,095,312
Low-value consumables	44,308,449	-	44,308,449	32,890,074	-	32,890,074
Work in progress	82,921,399	-	82,921,399	77,389,896	-	77,389,896
Finished goods	<u>85,469,000</u>	<u>-</u>	<u>85,469,000</u>	<u>661,406,182</u>	<u>-</u>	<u>661,406,182</u>
	<u>541,976,407</u>	<u>(662,025)</u>	<u>541,314,382</u>	<u>1,047,685,301</u>	<u>(662,025)</u>	<u>1,047,023,276</u>



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

##### (4) Debt investment

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Subsidiary entrusted loans	<b>209,000,000</b>	158,300,000
Interest receivable on debt investment	<b>231,203</b>	—
<i>Less:</i> Debt investment impairment provisions	<b>(55,000,000)</b>	(55,000,000)
	<b><u>154,231,203</u></b>	<b><u>103,300,000</u></b>

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

##### (5) Long-term equity investments

	<b>30 June 2019 (unaudited)</b>	31 December 2018
Subsidiaries (a)	<b>11,063,857,675</b>	10,988,857,675
Joint Ventures (b)	<b>230,510,577</b>	228,842,662
Associates (c)	<b>142,351,498</b>	141,542,145
	<b>11,436,719,750</b>	11,359,242,482
<i>Less:</i> Provision for impairment of long-term equity investments (d)	<b>(1,310,373,287)</b>	(1,260,373,287)
	<b><u>10,126,346,463</u></b>	<b><u>10,098,869,195</u></b>

##### (a) Subsidiaries

	31 December 2018	Movements in the current period Increased investment (unaudited)	<b>30 June 2019 (unaudited)</b>	Increase of provision for impairment in the current period (unaudited)	Balance of provision for impairment at end of period (unaudited)	Cash dividends declared in the current period (ii) (unaudited)
Shenzhen Asahi	126,746,680	-	126,746,680	-	-	75,990,000
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	199,430,000	-	199,430,000	-	(129,430,000)	-
Mishan Company	118,520,000	-	118,520,000	-	(118,520,000)	-
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	-	-	-

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

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

(a) Subsidiaries (Cont'd)

	31 December 2018	Movements in the current period Increased investment (unaudited)	30 June 2019 (unaudited)	Increase of provision for impairment in the current period (unaudited)	Balance of provision for impairment at end of period (unaudited)	Cash dividends declared in the current period (ii) (unaudited)
Tsingtao Brewery Kai Fa Co., Ltd.	1,320,000	-	1,320,000	-	(1,320,000)	-
Taizhou Company	60,000,000	-	60,000,000	-	-	-
Maanshan Company	80,000,000	-	80,000,000	-	-	-
Qingdao Xianghong Shangwu Co., Ltd.	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	-	-	-
Dezhou 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) Co., Ltd.	1,570,000	-	1,570,000	-	-	-
Wuhu Company (i)	219,290,000	55,000,000	274,290,000	(50,000,000)	(269,290,000)	-
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	-	-	-
Jieyang Company	150,000,000	-	150,000,000	-	-	3,758,423
Beverage Company	30,044,252	-	30,044,252	-	-	-
Shaoguan Company	200,000,000	-	200,000,000	-	-	-
Electronic Commerce	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	-	-	-
Shanghai Industrial Company	200,895,228	-	200,895,228	-	(200,895,228)	-
Luzhou Company	118,460,956	-	118,460,956	-	-	-
Tsingtao Brewery Harbin Sales Company	1,100,000	-	1,100,000	-	(1,100,000)	-
Zhangjiakou Company (i)	151,600,000	20,000,000	171,600,000	-	-	-
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	-	-	-
Shanghai Investing Company	1,920,654,039	-	1,920,654,039	-	-	-
Yangzhou Company	100,000,000	-	100,000,000	-	-	-
Suqian Company	75,000,000	-	75,000,000	-	-	-
Yangu Company	200,000,000	-	200,000,000	-	-	-
	<u>10,988,857,675</u>	<u>75,000,000</u>	<u>11,063,857,675</u>	<u>(50,000,000)</u>	<u>(1,309,153,287)</u>	<u>79,748,423</u>

(i) According to the decision made by the board of directors of the Company, the Company increased investment of 55,000,000 in cash in Wuhu Company and investment of 20,000,000 in cash in Zhangjiakou Company in the current period.

(ii) The cash dividends declared this period are distributed to all shareholders of the Company.

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

##### (5) Long-term equity investments (Cont'd)

###### (b) Joint venture

	Movements in the current period (unaudited)				30 June 2019 (unaudited)	Balance of provision for impairment at end of the period (unaudited)
	31 December 2018	Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Hebei Jiahe Company	228,842,662	7,667,915	-	(6,000,000)	230,510,577	-

Details of equity interests in the joint venture are disclosed in Note 5(2)(b).

###### (c) Associates

	Movements in the current period (unaudited)				30 June 2019 (unaudited)	Balance of provision for impairment at end of the period (unaudited)
	31 December 2018	Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Yantai Asahi Zhaoshang Logistics Liaoning	128,559,087	7,835,217	-	(9,044,897)	127,349,407	-
Shenqing	11,672,943	2,097,801	9,256	-	13,780,000	-
Others	90,115	(88,024)	-	-	2,091	-
	1,220,000	-	-	-	1,220,000	(1,220,000)
	141,542,145	9,844,994	9,256	(9,044,897)	142,351,498	(1,220,000)

Details of equity interests in the associates are disclosed in Note 5(2)(c).

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

	31 December 2018	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2019 (unaudited)
Subsidiaries (i)	(1,259,153,287)	(50,000,000)	-	(1,309,153,287)
Associates	(1,220,000)	-	-	(1,220,000)
	(1,260,373,287)	(50,000,000)	-	(1,310,373,287)

(i) For the six months ended 30 June 2019, long-term equity investments of the Company in Wuhu Company is recognised impairment provision of 50,000,000.

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

(6) Revenue and cost of sales

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Revenue from main operation (a)	11,145,576,843	10,007,949,871
Revenue from other operations (b)	<u>798,330,394</u>	<u>737,208,888</u>
	<u><u>11,943,907,237</u></u>	<u><u>10,745,158,759</u></u>
	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Cost of main operation (a)	(8,525,633,463)	(7,868,836,279)
Cost of other operations (b)	<u>(774,811,117)</u>	<u>(708,458,739)</u>
	<u><u>(9,300,444,580)</u></u>	<u><u>(8,577,295,018)</u></u>

(a) Revenue and cost of main operation

	Six months ended 30 June 2019 (unaudited)		Six months ended 30 June 2018 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sale of Beer	<u>11,145,576,843</u>	<u>(8,525,633,463)</u>	<u>10,007,949,871</u>	<u>(7,868,836,279)</u>

(b) Revenue and cost of other operations

	Six months ended 30 June 2019 (unaudited)		Six months ended 30 June 2018 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sales of raw materials	795,221,468	(772,572,549)	732,317,362	(705,508,067)
Others	<u>3,108,926</u>	<u>(2,238,568)</u>	<u>4,891,526</u>	<u>(2,950,672)</u>
	<u><u>798,330,394</u></u>	<u><u>(774,811,117)</u></u>	<u><u>737,208,888</u></u>	<u><u>(708,458,739)</u></u>

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

##### (7) Expenses by nature

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

	<b>Six months ended 30 June 2019 (unaudited)</b>	Six months ended 30 June 2018 (unaudited)
Finished goods purchased from third parties	<b>5,986,097,077</b>	5,707,641,786
Raw materials, packaging materials and consumables used	<b>2,436,202,761</b>	2,344,250,103
Employee benefits expenses	<b>870,928,192</b>	828,423,832
Changes in inventories of finished goods and work in progress	<b>570,405,679</b>	236,912,348
Handling and transportation expenses	<b>547,323,468</b>	534,802,103
Advertising related expenses	<b>270,615,061</b>	303,862,072
Depreciation and amortisation charges	<b>133,543,834</b>	139,311,539
Administrative expenses	<b>49,403,854</b>	55,677,112
Repair expenses	<b>33,216,004</b>	36,525,562
Labour expenses	<b>11,845,342</b>	10,231,621
Other expenses	<b>55,665,423</b>	55,550,121
	<b><u>10,965,246,695</u></b>	<b><u>10,253,188,199</u></b>

##### (8) Investment income

	<b>Six months ended 30 June 2019 (unaudited)</b>	Six months ended 30 June 2018 (unaudited)
Investment income from long-term equity investment accounted for using the cost method (a)	<b>41,573,717</b>	51,785,100
Investment income from long-term equity investment accounted for using the equity method	<b>17,512,909</b>	15,731,712
Interest income from debt investment	<b>3,325,411</b>	2,567,022
	<b><u>62,412,037</u></b>	<b><u>70,083,834</u></b>

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

- (a) Investment income from long-term equity investment accounted for using the cost method is the profit distribution of subsidiaries (Note 14(5)(a)).

# SUPPLEMENTARY INFORMATION

## FOR THE SIX MONTHS ENDED 30 JUNE 2019

*(All amounts in RMB Yuan unless otherwise stated)*

### 1. SUMMARY OF NON-RECURRING PROFIT OR LOSS

	<b>Six months ended 30 June 2019 (unaudited)</b>	Six months ended 30 June 2018 (unaudited)
Government grants recognised in profits	313,300,318	242,421,596
Employee arrangement expenses arising from demolition project	(41,933,363)	-
Losses on disposal of non-current assets	(21,948,784)	(7,613,067)
Reversal of impairment provision for accounts receivables which impairment is provided on the individual basis	500,000	1,500,000
Other non-operating income and expenses other than aforesaid items	13,556,280	4,287,790
	<b>263,474,451</b>	240,596,319
Impact of income tax expense	(61,734,655)	(35,823,360)
Impact on the non-controlling interests, net of tax	(16,209,440)	(8,971,067)
	<b>185,530,356</b>	195,801,892

#### 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 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Net profit attributable to ordinary shareholders of the Company	8.68%	7.32%	1.207	0.964	1.207	0.964
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	7.69%	6.22%	1.070	0.819	1.070	0.819

### (I) INTRODUCTION OF GENERAL INFORMATION OF THE COMPANY'S OPERATING ACTIVITIES DURING THE REPORTING PERIOD

During the first half of year 2019, China's beer market has achieved stable development, the upgrading of consumption structure has continued, and industrial capacity and product mix have been further optimized, with beer production reaching 19.488 million kl (Data source: National Bureau of Statistics, production of beer companies of above designated scale), a slight increase of 0.8% from the corresponding period in the previous year.

During the Reporting Period, the Company has adopted a proactive approach towards the expansion of domestic and foreign markets, and has implemented a range of measures, including the optimization of brand and variety mix structure, so as to achieve the positive development trends of sustained growth in sales volume, sales revenue and net profit, as well as the continued rise of brand value. During the Reporting Period, the Company's sale volume of beer has reached 4.73 million kl, an increase of 3.6% from the corresponding period in the previous year; it has reached RMB 16.551 billion in operating revenue, an increase of 9.22% from the corresponding period in the previous year, and RMB 1.631 billion of net profit attributable to shareholders of the Company, an increase of 25.21% from the corresponding period in the previous year.

During the Reporting Period, the Company has continued to strengthen its brand development strategy of "Tsingtao Beer as Core Brand + Laoshan Beer as Secondary Brand". By focusing on its product strategy and regional strategy, the Company has proactively carried out brand promotion, harnessed the brand and quality advantages of Tsingtao Beer, and further enhanced the mid-to-high-end brand positioning of Tsingtao Beer. By ensuring the stronger, better, bigger and faster transformation and upgrading of Tsingtao Classic, Tsingtao draft beer, new special products and Laoshan Beer towards high value-added products, the Company has continued to drive the improvement and upgrading of product mix. During the first half of the year, sales volume of the Company's core brands has reached 2.360 million kl, an increase of 6.3% from the corresponding period in the previous year, thus maintaining the Company's competitive advantage in the domestic mid-to-high-end markets.

In light of the grave challenge of rising raw material costs, the Company has continued to optimize cost control and spending, as well as strengthen its budget management efficiency, while striving to enhance product mix and price. Through a combination of measures to reduce costs and increase efficiency, the Company has maintained the continuous and stable growth of its sales volume and profit.

Through its continuous promotion of innovation-driven development, the Company has optimized the bidding strategy of centralized procurement by creating efficient supply chain synergies, thereby actively absorbing the pressure of rising costs; the Company has adopted new technologies of intelligent manufacturing to achieve intelligent and green production, increased the efficiency of resource allocation, expedited the conversion from old to new growth drivers, and maintained its differentiated competitive advantages. The Company has actively promoted the development and implementation of new channels and new business operations, accelerated the market layout of new retail and new business operations, as well as continued the improvement of its e-commerce sales channel system to satisfy consumers' purchase demands and consumption experience through multiple channels in the Internet era, thus developing new growth potential for the sustainable and healthy development of Tsingtao Brewery.

During the first half of year 2019, "Tsingtao Beer" has topped the list of China's beer industry brand value for the 16th consecutive year with a brand value of RMB 163.772 billion; the brand value of the Company's secondary beer brand "Laoshan Beer" has reached RMB 32.709 billion. (Data source: World Brand Laboratory)

## (II) CORE COMPETITIVENESS ANALYSIS

The Company's core competitiveness did not change during the Reporting Period. Please refer to the Company's 2018 Annual Report for details.

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

### 1. Analysis of changes to items in Income Statements

Item	Unit: '000 Yuan Currency: RMB		
	Current Reporting Period	Corresponding period in the previous year	Increase/Decrease (%)
Revenue	16,550,665	15,153,691	9.22
Cost of sales	9,911,822	9,187,180	7.89
Selling and distribution expenses	2,989,388	2,696,554	10.86
General and administrative expenses	590,628	578,194	2.15
R&D expenses	7,928	7,117	11.40
Finance expenses	(235,122)	(241,191)	2.52
Asset impairment losses	(1,260)	(6,643)	81.04
Gains on disposals of assets	(21,949)	(7,613)	(188.30)
Non-operating revenue	15,475	7,849	97.15

#### (1) Revenue

In the first half of year 2019, revenue had increased by 9.22% from the corresponding period in the previous year, mainly due to the increase in the Company's product sales volume and the year-on-year increase in operating revenue resulting from the optimization of product mix during the Reporting Period.

#### (2) Cost of sales

In the first half of year 2019, cost of sales had increased by 7.89% from the corresponding period in the previous year, mainly due to the rising costs of key raw materials, the increase in product sales volume and product mix changes of the Company during the Reporting Period.

#### (3) Selling and distribution expenses

In the first half of year 2019, selling and distribution expenses had increased by 10.86%, mainly due to the year-on-year increases in logistics costs, staff remuneration and brand costs resulting from the increase in sales volume during the Reporting Period.

#### (4) General and administrative expenses

In the first half of year 2019, general and administrative expenses had increased by 2.15% from the corresponding period in the previous year, mainly due to the year-on-year increase in staff remuneration during the Reporting Period.

#### (5) R&D expenses

In the first half of year 2019, R&D expenses had increased by 11.40% from the corresponding period in the previous year, mainly due to the year-on-year increase in R&D investment and expenditure during the Reporting Period.



**(6) Finance expenses**

In the first half of year 2019, finance expenses had increased by 2.52% from the corresponding period in the previous year, mainly due to the year-on-year decrease in interest income during the Reporting Period.

**(7) Asset impairment losses**

In the first half of year 2019, asset impairment losses had decreased by RMB5,383,432 from the corresponding period in the previous year, mainly due to the year-on-year decrease in fixed asset impairment losses recognized by some subsidiaries during the Reporting Period.

**(8) Gains on disposals of assets**

In the first half of year 2019, gains on disposals of assets had decreased by 188.30% from the corresponding period in the previous year, mainly due to the year-on-year increase in losses from disposals of fixed assets recognized by some subsidiaries during the Reporting Period.

**(9) Non-operating revenue**

In the first half of year 2019, non-operating revenue had increased by 97.15% from the corresponding period in the previous year, mainly due to the year-on-year increase in non-operating related revenue recognized by some subsidiaries during the Reporting Period.

**2. Analysis of changes to items in Cash Flow Statements**

<b>Item</b>	<i>Unit: '000 Yuan Currency: RMB</i>		
	<b>Current Reporting Period</b>	<b>Corresponding period in the previous year</b>	<b>Increase/Decrease (%)</b>
Net cash flow from operating activities	3,818,068	4,184,374	(8.75)
Net cash flow from investing activities	60,790	(710,523)	108.56
Net cash flow from financing activities	115,308	(49,595)	332.50

**(1) Net cash flow from operating activities**

In the first half of year 2019, net cash flow from operating activities had decreased by 8.75% from the corresponding period in the previous year, mainly due to the year-on-year increase in cash paid for product purchase and labor service.

**(2) Net cash flow from investing activities**

In the first half of year 2019, net cash flow from investment activities had increased by 108.56% from the corresponding period in the previous year, mainly due to that the Finance Company, a wholly-owned subsidiary of the Company, withdrew central bank reserves, and the year-on-year increase in net cash from disposals of fixed assets, intangible assets and other long-term assets by some subsidiaries during the Reporting Period.

**(3) Net cash flow from financing activities**

In the first half of year 2019, net cash flow from financing activities had increased by 332.50% from the corresponding period in the previous year, mainly due to the interbank borrowings of the Finance Company, a wholly-owned subsidiary of the Company, during the Reporting Period.

### 3. Information on assets and liabilities

Unit: '000 Yuan Currency: RMB

Item	As of the end of this Reporting Period	Percentage of total assets (%)	As of the end of the corresponding reporting period in the previous year	Percentage of total assets (%)	Increase/ Decrease (%)
Cash at bank and on hand	16,573,688	44.25	12,535,737	36.79	32.21
Notes receivable	27,850	0.07	53,802	0.16	(48.24)
Accounts receivable	187,261	0.50	110,706	0.32	69.15
Other receivables	110,116	0.29	297,785	0.87	(63.02)
Other current assets	364,090	0.97	734,942	2.16	(50.46)
Construction in progress	251,044	0.67	379,891	1.11	(33.92)
Right-of-use assets	64,521	0.17	—	—	—
Other non-current assets	87,142	0.23	62,438	0.18	39.56
Short-term borrowings	465,723	1.24	296,156	0.87	57.26
Accounts payable	3,132,056	8.36	2,246,349	6.59	39.43
Contract liabilities	4,125,344	11.01	5,237,539	15.37	(21.24)
Taxes payable	989,294	2.64	691,134	2.03	43.14
Other payables	4,070,117	10.87	2,113,507	6.20	92.58
Current portion of non-current liabilities	20,396	0.05	420	0.001	4,752.47
Lease liabilities	36,334	0.10	—	—	—
Long-term payables	395,339	1.06	222,324	0.65	77.82

#### (1) Cash at bank and on hand

Cash at bank and on hand at the end of the Reporting Period had increased by 32.21% from the beginning of the Period, mainly due to the net cash inflow from operating activities during the Reporting Period.

#### (2) Notes receivable

Notes receivable as at the end of the Reporting Period had decreased by 48.24% from the beginning of the period, mainly due to that some notes receivable had been endorsed during the Reporting Period.

#### (3) Accounts receivable

Accounts receivable as at the end of the Reporting Period had increased by 69.15% from the beginning of the period, mainly due to the increase in trade receivable of some subsidiaries during the Reporting Period.

#### (4) Other receivables

Other receivables as at the end of the Reporting Period had decreased by 63.02% from the beginning of the period, mainly due to that the interests of financial instruments recognized based on the effective interest method had been adjusted from “other account receivable” to “cash at bank and on hand” according to the Circular on revising and issuing the formats of corporate financial statement for 2019 implemented in the year.

**(5) Other current assets**

Other current assets as at the end of the Reporting Period had decreased by 50.46% from the beginning of the period, mainly due to the decrease in corporate income tax pre-paid as at the end of the Reporting Period, and the increase in mature treasury bonds reverse repo bought by the Finance Company, a wholly-owned subsidiary of the Company.

**(6) Construction in progress**

Construction in progress as at the end of the Reporting Period had decreased by 33.92% from the beginning of the period, mainly due to that the construction projects in progress of some subsidiaries had been completed and transferred into fixed assets during the Reporting Period.

**(7) Right-of-use assets**

Right-of-use assets as at the end of the Reporting Period had increased by RMB64,521,008 from the beginning of the period, mainly due to that the right to use leased assets during the leasing term had been recognized as right-of-use assets according to the Accounting Standards for Business Enterprises No. 21 — Leases implemented in the year.

**(8) Other non-current assets**

Other non-current assets as at the end of the Reporting Period had increased by 39.56% from the beginning of the period, mainly due to the increase in project and equipment purchase prepayment of some subsidiaries during the Reporting Period.

**(9) Short-term borrowings**

Short-term borrowings as at the end of the Reporting Period had increased by 57.26% from the beginning of the period, mainly due to the interbank borrowings of the Finance Company, a wholly-owned subsidiary of the Company, during the Reporting Period.

**(10) Accounts payable**

Accounts payable as at the end of the Reporting Period had increased by 39.43% from the beginning of the period, mainly due to the increase in purchase of materials during the Reporting period.

**(11) Contract liabilities**

Contract liabilities as at the end of the Reporting Period had decreased by 21.24% from the beginning of the period, mainly due to that beer advances collected by some subsidiaries had been transferred to revenue during the Reporting Period.

**(12) Taxes payable**

Taxes payable at the end of the Reporting Period had increased by 43.14% from the beginning of the Period, mainly due to the increase in VAT payable, income tax payable and consumption tax payable at the end of the Reporting Period.

**(13) Other payables**

Other payable as at the end of the Reporting Period had increased by 92.58% from the beginning of the period, mainly due to that the cash dividends to be distributed according to the resolution of the annual general meeting had not been paid as at the end of the Reporting Period, and the increase in sales volume, resulted in the increase of accrual expenses.

***(14) Current portion of non-current liabilities***

Current portion of non-current liabilities as at the end of the Reporting Period had increased by RMB19,975,563 from the beginning of the period, mainly due to that the present value of the unpaid rental payment due within one year had been recognized as current portion of non-current liabilities according to the Accounting Standards for Business Enterprises No. 21 — Leases implemented in the year.

***(15) Lease liabilities***

Lease liabilities as at the end of the Reporting Period had increased by RMB36,333,884 from the beginning of the period, mainly due to that the present value of the unpaid rental payment over one year had been recognized as lease liabilities according to the Accounting Standards for Business Enterprises No. 21 — Leases implemented in the year.

***(16) Long-term payables***

Long-term payables at the end of the Reporting Period had increased by 77.82% from the beginning of the Period, mainly due to the relocation compensation received by some subsidiaries from the government during the Reporting Period.

**4. Other information**

***(1) Debt/Capital ratio***

As at 30 June 2019, the Company's debt/capital ratio was 0.002% (31 December 2018: 0.004%). The calculation of debt/capital ratio is: total amount of long-term borrowings/ (total amount of long-term borrowings + interests attributable to the shareholders of the Company)

***(2) Assets mortgage***

As at 30 June 2019, the Company did not have any mortgages (31 December 2018: nil)

***(3) Risk of fluctuations in exchange rate***

The Company currently relies on imported barley as its raw material. Therefore, fluctuations in exchange rate would affect the purchase cost of raw materials. In addition, fluctuations in exchange rate would also directly affect the product export income of the Company as some beer products of the Company are exported for sale. These matters would impact the profitability of the Company to certain extents.

***(4) Capital expenses***

In the first half of year 2019, the Company had invested a total of approximately RMB 470 million in new construction, relocation, reconstruction and expansion projects. Based on the current situation of the Company's funds and profitability, there are sufficient self-owned funds and continuous net operating cash inflow to satisfy the Company's needs for funds for its capital projects.

***(5) Investments***

Nil.

***(6) Contingent liabilities***

Nil.

## SIGNIFICANT EVENTS

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1. Due to an adjustment in personnel, Mr. TANG Bin has resigned from his positions as (i) Non-executive Director of the Company; and (ii) a member of each of the Audit and Internal Control Committee, Nomination and Remuneration Committee and Strategy and Investment Committee of the Board, with effect from 16 July 2019.
2. At the third non-scheduled meeting of 2019 of the Company's ninth session of the Board held on 1 August 2019, the proposal on the recruitment of new senior management officers was reviewed and approved. It was agreed that Mr. JIANG Zong Xiang shall be appointed as the Company's Vice President and President of Supply Chain; Ms. XU Nan as the Company's Vice President, President of Manufacturing Center and Chief Brewer; and Mr. WANG Shao Bo as the Company's Vice President. The tenure of the aforementioned senior management officers starts from the dates when their appointments are approved by the Board till the expiration of the term of the ninth session of the Board. Mr. FAN Wei, the Company's Executive Director and President, has ceased to serve as President of Manufacturing Center and Chief Brewer of the Company.
3. During the Reporting Period, the Company was not involved in any new significant litigation or arbitration.

# CHANGES TO SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

1. During the Reporting Period, no changes occurred to the total number of shares and share capital structure of the Company.

## 2. Information of Shareholders

(1) As at 30 June 2019, the total number of shareholders of the Company was 37,287, including 37,012 holders of A-share and 275 holders of H-share. Based on disclosed public information which was known by the Board of Directors of the Company on the latest practicable date prior to the publication of the Interim Report, the number of public shareholding of the Company had satisfied the requirements of the *Listing Rules*.

(2) As at the end of the Reporting Period, the shareholding of top 10 shareholders of the Company is as follows

Shareholder's name	Class of share	Unit: Share	
		Shares held at the end of the Reporting Period	Shareholding percentage (%)
HKSCC Nominees Limited	H-share	613,841,647	45.44
Tsingtao Brewery Group Company Limited	A-share and H-share	443,467,655	32.83
China Securities Finance Corporation Company	A-share	32,708,915	2.42
Hong Kong Securities Clearing Company Limited	A-share	31,216,363	2.31
China Jianyin Investment Company Ltd.	A-share	17,574,505	1.30
Central Huijin Asset Management LLC.	A-share	10,517,500	0.78
China Merchants Bank Co., Ltd. – Orient Hongruize Three-Year Periodically Opened Flexible Allocation Mixed Securities Investment Fund	A-share	5,518,520	0.41
Hong Kong Monetary Authority-own fund	A-share	5,188,148	0.38
Bank of China Limited – Harvest Shanghai-Hong Kong-Shenzhen Selected Stock Securities Investment Fund	A-share	3,899,955	0.29
Monetary Authority of Macao – own fund	A-share	3,653,288	0.27

### Notes:

- Both HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited. The H-shares are held by HKSCC Nominees Limited on behalf of different clients excluding the H-shares held by Tsingtao Group and Xinhaisheng, while the A-shares are held by Hong Kong Securities Clearing Company Limited also on behalf of different clients.
- Tsingtao Group holds 38,335,600 shares of H-share in the Company through itself and its wholly-owned subsidiary Xinhaisheng, and 405,132,055 shares of A-share in the Company by itself.
- According to the explanation of Fosun International, five entities under Fosun International hold 243,108,236 shares of H-share of the Company, representing 17.99% of the Company's total share capital. As at the end of the Reporting Period, the shares were held by HKSCC Nominees Limited on behalf of the five entities under Fosun International.

Apart from the disclosed information above, the Company is unaware of any associations among these top ten shareholders or if any of the parties is acting in concert.

(3) Substantial Shareholders of H-share

Apart from the disclosed information 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 2019, 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 (Chapter 571 of the Laws of Hong Kong) (the “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
SASACQ	Long position	A-Share	Corporate		405,132,055 A-Share	29.99%	N/A
	Long position	H-Share	Interest of Controlled Corporation	1	38,335,600 H-Share	2.84%	5.85%
Hong Kong Xinhaisheng Investment Limited	Long position	H-Share	Beneficial Owner		38,335,600 H-Share	2.84%	5.85%
Baillie Gifford & Co.	Long position	H-Share	Interest of Controlled Corporation	2	59,129,003 H-Share	4.37%	9.03%
Guo Guangchang	Long position	H-Share	Interest of Controlled Corporation	3	243,108,236 H-Share	17.99%	37.11%
Fosun International Holdings Ltd.	Long position	H-Share	Interest of Controlled Corporation	3	243,108,236 H-Share	17.99%	37.11%
Fosun International Limited	Long position	H-Share	Interest of Controlled Corporation	3	243,108,236 H-Share	17.99%	37.11%
Fosun Industrial Holdings Limited	Long position	H-Share	Beneficial Owner		153,255,626 H-Share	11.34%	23.40%
China Momentum Fund, L.P.	Long position	H-Share	Interest of Controlled Corporation	4	43,939,899 H-Share	3.25%	6.71%
China Momentum Investment (BVI) Limited	Long position	H-Share	Beneficial Owner		43,939,899 H-Share	3.25%	6.71%
Fidelidade — Companhia de Seguros, S.A.	Long position	H-Share	Beneficial Owner		34,434,533 H-Share	2.55%	5.26%

*Notes:*

- (1) The 38,335,600 H-Shares which were deemed to be interested by SASACQ were held by Hong Kong Xinhaisheng Investment Limited, a wholly-owned subsidiary of Tsingtao Brewery Group Company Limited, which is controlled by SASACQ. According to the latest disclosure of interest filings, SASACQ was interested in 38,335,600 H-Shares.
- (2) The shares in which Baillie Gifford & Co. was deemed to be interested were held through various controlled wholly-owned subsidiaries of Baillie Gifford & Co.
- (3) The shares in which Mr. GUO Guangchang, Fosun International Holdings Ltd. and Fosun International Limited were deemed to be interested were held through various controlled corporations and a fund managed by the controlled corporation held by Mr. GUO Guangchang, Fosun International Holdings Ltd. and Fosun International Limited.
- (4) The shares in which China Momentum Fund, L. P. was deemed to be interested were held by China Momentum Investment (BVI) Limited.
- (5) For the latest disclosure of interests filed 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.hkex.com.hk](http://www.hkex.com.hk)).

## **DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND STAFF**

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### **1. The shareholding of the Company's directors, supervisors, senior management officers and staff**

As at 30 June 2019, Mr. HUANG Ke Xing, Chairman of the Company was deemed to be interested in 26,502 shares (Mr. HUANG Ke Xing held 1,300 shares of the Company personally and 25,202 shares of the Company were held by his spouse), Mr. FAN Wei, Executive Director & President of the Company held 122,876 shares of the Company and Mr. YU Zeng Biao, Non-Executive Director of the Company, held 20,000 shares of the Company. All the shares held by the aforementioned persons are tradable A-Shares.

As at 30 June 2019, apart from the disclosed information above, none of the directors, supervisors or senior management officers of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any associated corporations (as defined in Part XV of SFO), and such interests or short positions were recorded in the register required to be kept under Section 352 of SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### **2. Model Code**

The Company has adopted Model Code and Administration Regulations of Shares of the Company Held by Its Directors, Supervisors and Senior Management Officers and the Changes formulated by the Company as its code 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 Model Code as well as its code of conduct and standards regarding securities transactions by the directors and supervisors at all applicable times during the Reporting Period.



### **3. Employees**

As at 30 June 2019, the Company (including the subsidiaries) employs a total of 38,173 fulltime employees.

The Company continuously improves its comprehensive incentive system with salary motivation as the foundation, career development motivation as its driving force, emotional motivation as cohesive force and cultural motivation at its core. Meanwhile, the Company continued to promote the mechanism of linking gross salary with performance to increase the efficiency of manpower; it continued to drive the projects of optimizing staffing and enhancing efficiency to improve efficiency; it continued to create new performance incentive mechanisms, centered tightly around its operating strategies and policies, adjusted structure, propelled growth, increased cost efficiency, and matched impetus mechanisms and incentive and disincentive mechanisms in an effort to drive its transformation and development. In the first half of 2019, the total staff number was effectively controlled, efficiency per capita saw an obvious increase, manual costs were reasonably controlled and employees' salary rose steadily.

In the first half of 2019, Tsingtao Management University focused on the improvement of leaders' professional abilities, adopted the model of "inviting in and going out", set firstclass standards as benchmark, and continued to improve staff abilities in comprehensive analysis, induction and inference, research, judgement and refinement, and problem solving. For skilled talents, it beefed up the hierarchical development of skilled talents and magnified the effects and social influence of empowering front lines through dynamic management, such as selfevaluation, honors and commendation, and extraction of unique skills. It continued to promote the "Elite Training Camp" Wolf Warrior Honors Class, "Little Sharp Knife Mini Lecture", and online learning programs, including "New Managers Growth Camp", "High Performance Managers" and "Management Concept Course", centered closely around "general abilities + professional empowerment" to build systemic mindset, and continuously developed a learning-based organization.

## **PURCHASING, SELLING OR REDEEMING THE SECURITIES**

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During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## **REVIEW OF THE UNAUDITED INTERIM RESULTS**

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The Audit & Internal Control Committee of the Board has reviewed the Company's unaudited 2019 Interim Results.

## **CODE OF CORPORATE GOVERNANCE**

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The Company was listed simultaneously on Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited and its corporate governance practices shall comply with the requirements of applicable laws and securities regulations of both Shanghai and Hong Kong.

During the Reporting Period, the Company had fully adopted and complied with all the code provisions in Corporate Governance Code set out in Appendix 14 of Listing Rules of the Stock Exchange.

## DEFINITIONS

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In this Report, the following expressions have the following respective meanings set adjacent below, unless the context requires otherwise:

the Company	Means	Tsingtao Brewery Company Limited
the Group	Means	the Company and its subsidiaries
the Board	Means	Board of Directors of the Company
Tsingtao Group	Means	Tsingtao Brewery Company Limited
SASACQ	Means	State-owned Assets Supervision & Administration Commission of the People's Government of Qingdao
SSE	Means	Shanghai Stock Exchange
the Stock Exchange	Means	The Stock Exchange of Hong Kong Limited
Reporting Period	Means	From 1 January 2019 to 30 June 2019
Model Code	Means	Model Code for Securities Transactions by Directors of Listed Issuers,
Listing Rules	Means	Rules Governing the Listing of Securities on The Stock of Exchange of Hong Kong Limited
Articles of Association	Means	Articles of Association of the Company
Finance Company	Means	Tsingtao Brewery Finance LLC.
Xinhaisheng	Means	Hong Kong Xinhaisheng Investment Development Co., Ltd.
Fosun International	Means	Fosun International Limited

# COMPANY INFORMATION

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## 1. BASIC INFORMATION

- (1) Company Name: Tsingtao Brewery Company Limited
- (2) Legal Representative: HUANG Ke Xing
- (3) Registered Address: No. 56 Dengzhou Road, Qingdao,  
Shandong Province  
Office 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 INFORMATION

Company Secretary: ZHANG Rui Xiang  
Address: Secretarial Office of the Board,  
Room 1106, 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: TSINGTAO BREW  
Stock Code: 600600  
H-Share: The Stock Exchange of Hong Kong Limited  
Stock Name: TSINGTAO BREW  
Stock Code: 00168



青島啤酒

**2019**  
**INTERIM REPORT**  
中期報告

青島啤酒股份有限公司  
TSINGTAO BREWERY CO., LTD.



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