



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

(Stock Code 股份代號: 168)



2020  
中期報告  
INTERIM REPORT

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# TSINGTAO BREWERY COMPANY LIMITED

## CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2020

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 4 (unless otherwise stated)	As at			
		30 June	31 December	30 June	31 December
		2020	2019	2020	2019
		Consolidated (unaudited)	Consolidated	Company (unaudited)	Company
<b>Current assets</b>					
Cash at bank and on hand	(1)	18,956,550,214	15,301,983,408	8,316,278,699	6,073,903,675
Financial assets held for trading	(2)	1,894,596,161	1,523,793,019	-	-
Notes receivable	(3)	29,013,290	75,100,000	27,650,000	75,100,000
Accounts receivable	(4),14(1)	148,968,802	151,069,427	1,421,109,352	1,191,236,318
Advances to suppliers	(5)	160,979,564	117,156,091	95,471,719	81,193,236
Other receivables	(6),14(2)	109,974,545	86,269,436	114,994,007	661,842,853
Inventories	(7),14(3)	2,316,614,699	3,181,769,333	690,770,671	1,440,374,542
Other current assets	(8)	186,721,288	564,677,336	11,100,103	337,621,348
<b>Total current assets</b>		<b>23,803,418,563</b>	<b>21,001,818,050</b>	<b>10,677,374,551</b>	<b>9,861,271,972</b>
<b>Non-current assets</b>					
Debt investment	14(4)	-	-	59,813	163,325,489
Long-term equity investments	(9),14(5)	372,733,530	376,641,802	10,738,827,716	10,452,229,369
Other non-current financial assets		600,000	600,000	300,000	300,000
Investment properties	(10)	32,113,394	36,504,682	27,074,418	28,074,694
Fixed assets	(11)	10,230,042,782	10,222,034,465	2,141,453,668	2,075,232,310
Construction in progress	(12)	344,559,663	178,993,842	74,363,796	29,888,393
Right-of-use assets	(13)	121,330,690	66,970,435	31,348,582	29,566,778
Intangible assets	(14)	2,462,738,497	2,558,572,455	484,391,894	507,006,725
Goodwill	(15)	1,307,103,982	1,307,103,982	-	-
Long-term prepaid expenses	(16)	39,869,406	35,255,388	4,403,122	3,897,707
Deferred tax assets	(17)	1,671,282,870	1,455,035,532	953,156,873	885,429,696
Other non-current assets	(19)	119,000,441	72,852,914	27,604,326	31,543,686
<b>Total non-current assets</b>		<b>16,701,375,255</b>	<b>16,310,565,497</b>	<b>14,482,984,208</b>	<b>14,206,494,847</b>
<b>TOTAL ASSETS</b>		<b>40,504,793,818</b>	<b>37,312,383,547</b>	<b>25,160,358,759</b>	<b>24,067,766,819</b>

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

AS AT 30 JUNE 2020

(All amounts in RMB Yuan unless otherwise stated)

	Note 4	As at			
		30 June 2020 Consolidated (unaudited)	31 December 2019 Consolidated	30 June 2020 Company (unaudited)	31 December 2019 Company
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Short-term borrowings	(20)	275,645,686	270,906,631	-	-
Notes payable	(21)	268,063,017	220,825,323	147,762,825	119,897,333
Accounts payable	(22)	3,508,330,149	2,167,178,181	4,211,845,821	2,454,746,492
Contract liabilities	(23)	4,910,305,764	6,275,719,703	3,171,954,571	4,472,664,628
Employee benefits payable	(24)	1,510,316,310	1,458,665,786	518,337,897	531,653,920
Taxes payable	(25)	1,185,036,034	513,058,160	278,349,022	99,681,934
Other payables	(26)	3,862,128,674	2,424,857,501	1,323,950,230	1,011,094,365
Current portion of non-current liabilities	(27)	34,066,534	22,208,025	11,328,139	9,183,992
Other current liabilities		367,375	361,684	-	-
<b>Total current liabilities</b>		<b>15,554,259,543</b>	<b>13,353,780,994</b>	<b>9,663,528,505</b>	<b>8,698,922,664</b>
<b>Non-current liabilities</b>					
Long-term borrowings	(28)	-	209,180	-	-
Lease liabilities	(29)	76,372,100	37,471,885	15,853,654	17,127,751
Long-term payables	(30)	400,853,759	372,579,660	-	-
Deferred income	(31)	2,585,669,190	2,519,926,935	411,152,015	425,786,239
Long-term employee benefits payable	(32)	894,642,666	931,008,557	433,021,374	425,765,776
Deferred tax liabilities	(17)	169,093,923	184,035,480	-	-
<b>Total non-current liabilities</b>		<b>4,126,631,638</b>	<b>4,045,231,697</b>	<b>860,027,043</b>	<b>868,679,766</b>
<b>Total liabilities</b>		<b>19,680,891,181</b>	<b>17,399,012,691</b>	<b>10,523,555,548</b>	<b>9,567,602,430</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)	3,270,837,863	3,444,317,455	4,306,639,721	4,306,633,811
Other comprehensive income	(35)	(50,401,351)	(47,347,633)	(47,445,000)	(47,445,000)
Surplus reserve	(36)	1,400,704,380	1,400,704,380	1,400,704,380	1,400,704,380
General reserve	(37)	234,715,680	234,715,680	-	-
Undistributed profits	(38)	13,900,152,922	12,788,210,357	7,625,921,315	7,489,288,403
Total equity attributable to shareholders of the Company		20,106,992,289	19,171,583,034	14,636,803,211	14,500,164,389
Non-controlling interests		716,910,348	741,787,822	-	-
<b>Total equity</b>		<b>20,823,902,637</b>	<b>19,913,370,856</b>	<b>14,636,803,211</b>	<b>14,500,164,389</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>40,504,793,818</b>	<b>37,312,383,547</b>	<b>25,160,358,759</b>	<b>24,067,766,819</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 2020

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4 (unless otherwise stated)	Six months ended 30 June			
		2020 Consolidated (unaudited)	2019 Consolidated (unaudited)	2020 Company (unaudited)	2019 Company (unaudited)
<b>Revenue</b>	(39),14(6)	<b>15,678,991,336</b>	16,550,665,464	<b>11,266,625,819</b>	11,943,907,237
Less: Cost of sales	(39),(44),14(6),(7)	<b>(9,131,648,894)</b>	(9,911,821,503)	<b>(8,724,584,290)</b>	(9,300,444,580)
Taxes and surcharges	(40)	<b>(1,203,887,260)</b>	(1,320,966,492)	<b>(266,409,049)</b>	(311,132,704)
Selling and distribution expenses	(41),(44),14(7)	<b>(2,865,454,502)</b>	(2,989,388,327)	<b>(1,221,053,868)</b>	(1,496,752,380)
General and administrative expenses	(42),(44),14(7)	<b>(503,010,708)</b>	(590,627,801)	<b>(160,312,334)</b>	(160,121,596)
Research and development expenses	(43),(44),14(7)	<b>(6,689,518)</b>	(7,928,139)	<b>(6,689,518)</b>	(7,928,139)
Finance expenses	(45)	<b>236,113,350</b>	235,121,980	<b>103,782,556</b>	69,735,481
Including: Interest expenses		<b>(8,490,374)</b>	(6,594,455)	-	-
Interest income		<b>251,335,596</b>	253,227,854	<b>106,556,345</b>	76,024,825
Add: Other income	(48)	<b>330,275,468</b>	313,300,318	<b>93,102,739</b>	71,781,005
Investment income	(49),14(8)	<b>21,958,363</b>	20,591,398	<b>61,375,664</b>	62,412,037
Including: Share of profit of associates and a joint venture		<b>16,497,374</b>	19,265,218	<b>15,263,156</b>	17,512,909
Profits arising from changes in fair value (Losses are listed with "-")	(50)	<b>27,783,514</b>	31,023,477	-	-
Credit impairment losses (Losses are listed with "-")	(46)	<b>511,352</b>	1,900,121	<b>36,579,878</b>	1,992,659
Asset impairment losses (Losses are listed with "-")	(47)	<b>(1,538,581)</b>	(1,259,543)	-	(50,000,000)
Gains on disposals of assets (Losses are listed with "-")	(51)	<b>(8,007,618)</b>	(21,948,784)	<b>(360,712)</b>	(275,870)
<b>Operating profit</b>		<b>2,575,396,302</b>	2,308,662,169	<b>1,182,056,885</b>	823,173,150
Add: Non-operating income	(52)	<b>6,423,694</b>	15,474,872	<b>1,022,300</b>	1,575,642
Less: Non-operating expenses	(53)	<b>(23,670,172)</b>	(1,918,592)	<b>(22,907,601)</b>	(621,206)
<b>Total profit</b>		<b>2,558,149,824</b>	2,322,218,449	<b>1,160,171,584</b>	824,127,586
Less: Income tax expense	(54)	<b>(618,702,999)</b>	(596,677,665)	<b>(280,498,135)</b>	(211,757,313)
<b>Net profit</b>		<b>1,939,446,825</b>	1,725,540,784	<b>879,673,449</b>	612,370,273
<b>Classified by continuity of operations</b>					
Net profit from continuing operations		1,939,446,825	1,725,540,784	879,673,449	612,370,273
Net profit from discontinued operations		-	-	-	-
<b>Classified by ownership of the equity</b>					
Attributable to shareholders of the company		1,854,983,102	1,630,516,036	879,673,449	612,370,273
Attributable to non-controlling interests		84,463,723	95,024,748	-	-
<b>Other comprehensive income, net of tax</b>	(35)	<b>(3,053,718)</b>	(494,826)	-	-
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		77,344	32,847	-	-
Currency translation differences		<b>(3,131,062)</b>	(527,673)	-	-
<b>Total comprehensive income</b>		<b>1,936,393,107</b>	1,725,045,958	<b>879,673,449</b>	612,370,273
Attributable to shareholders of the Company		1,851,929,384	1,630,021,210	879,673,449	612,370,273
Attributable to non-controlling interests		84,463,723	95,024,748	-	-
<b>Earnings per share</b>					
Basic earnings per share	(55)	1.373	1.207	-	-
Diluted earnings per share	(55)	1.373	1.207	-	-

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 2020

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Six months ended 30 June			
		2020 Consolidated (unaudited)	2019 Consolidated (unaudited)	2020 Company (unaudited)	2019 Company (unaudited)
<b>Cash flows from operating activities</b>					
Cash received from sales of goods or rendering of services		16,456,593,125	17,894,106,323	11,230,375,339	12,468,599,083
Refund of taxes and surcharges		15,521,340	15,023,705	12,258,112	7,930,176
Cash received relating to other operating activities	(56)(a)	702,021,732	748,394,912	134,161,708	217,461,180
<b>Sub-total of cash inflows</b>		<b>17,174,136,197</b>	<b>18,657,524,940</b>	<b>11,376,795,159</b>	<b>12,693,990,439</b>
Cash paid for goods and services		(6,254,818,909)	(7,885,257,391)	(6,822,312,617)	(7,851,912,620)
Cash paid to and on behalf of employees		(2,016,727,304)	(2,279,718,132)	(732,067,891)	(804,664,751)
Payments of taxes and surcharges		(2,172,002,536)	(2,899,572,333)	(569,692,296)	(835,671,323)
Cash paid relating to other operating activities	(56)(b)	(1,766,090,548)	(1,774,908,973)	(1,098,291,567)	(1,088,742,863)
<b>Sub-total of cash outflows</b>		<b>(12,209,639,297)</b>	<b>(14,839,456,829)</b>	<b>(9,222,364,371)</b>	<b>(10,580,991,557)</b>
<b>Net cash flows from operating activities</b>	(57)(a)	<b>4,964,496,900</b>	<b>3,818,068,111</b>	<b>2,154,430,788</b>	<b>2,112,998,882</b>
<b>Cash flows from investing activities</b>					
Cash received from disposal of investments		842,000,000	719,900,000	208,700,000	113,300,000
Cash received from returns on investments		50,336,309	31,717,895	626,562,928	452,120,892
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		15,512,744	223,174,898	1,525,222	526,698
Cash received relating to other investing activities	(56)(c)	184,930,632	400,434,385	543,000	1,931,450
<b>Sub-total of cash inflows</b>		<b>1,092,779,685</b>	<b>1,375,227,178</b>	<b>837,331,150</b>	<b>567,879,040</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(545,343,260)	(470,314,049)	(158,940,440)	(104,563,542)
Cash paid to acquire investments		(1,229,900,000)	(835,000,000)	(301,518,181)	(239,000,000)
Cash paid relating to other investing activities	(56)(d)	(92,640,185)	(9,122,809)	(933,300)	(1,703,450)
<b>Sub-total of cash outflows</b>		<b>(1,867,883,445)</b>	<b>(1,314,436,858)</b>	<b>(461,391,921)</b>	<b>(345,266,992)</b>
<b>Net cash flows from investing activities</b>		<b>(775,103,760)</b>	<b>60,790,320</b>	<b>375,939,229</b>	<b>222,612,048</b>

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

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

ITEM	Note 4	Six months ended 30 June			
		2020 Consolidated (unaudited)	2019 Consolidated (unaudited)	2020 Company (unaudited)	2019 Company (unaudited)
<b>Cash flows from financing activities</b>					
Cash received from borrowings		270,120,000	456,620,000	-	-
<b>Sub-total of cash inflows</b>		<b>270,120,000</b>	456,620,000	-	-
Cash repayments of borrowings		(270,330,000)	(289,335,200)	-	-
Cash payments for distribution of dividends, profits or interests expenses		(429,763,491)	(42,405,533)	(380,979,595)	-
Including: Cash payments for dividends, profit to minority shareholders of subsidiaries		(41,044,076)	(37,235,100)	—	—
Cash payments relating to other financing activities	(56)(e)	(257,733,732)	(9,571,268)	(8,066,521)	(6,131,060)
<b>Sub-total of cash outflows</b>		<b>(957,827,223)</b>	(341,312,001)	(389,046,116)	(6,131,060)
<b>Net cash flows from financing activities</b>		<b>(687,707,223)</b>	115,307,999	(389,046,116)	(6,131,060)
<b>Exchange effect on cash and cash equivalents</b>		<b>6,580,437</b>	199,620	4,047,533	106,719
<b>Net increase in cash and cash equivalents</b>	(57)(a)	<b>3,508,266,354</b>	3,994,366,050	2,145,371,434	2,329,586,589
Add: Cash and cash equivalents at beginning of period		14,557,393,355	11,653,288,328	6,043,843,854	5,086,721,740
<b>Cash and cash equivalents at end of period</b>	(57)(b)	<b>18,065,659,709</b>	15,647,654,378	8,189,215,288	7,416,308,329

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 2020

(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		
<b>Balance at 1 January 2019</b>		1,350,982,795	3,444,186,312	(44,696,804)	1,400,704,380	199,512,331	11,619,782,072	719,480,301	18,689,951,387
<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>
<b>Balance at 31 December 2019</b>		<u>1,350,982,795</u>	<u>3,444,317,455</u>	<u>(47,347,633)</u>	<u>1,400,704,380</u>	<u>234,715,680</u>	<u>12,788,210,357</u>	<u>741,787,822</u>	<u>19,913,370,856</u>
<b>Balance at 1 January 2020</b>		<u>1,350,982,795</u>	<u>3,444,317,455</u>	<u>(47,347,633)</u>	<u>1,400,704,380</u>	<u>234,715,680</u>	<u>12,788,210,357</u>	<u>741,787,822</u>	<u>19,913,370,856</u>
<b>Movements for the six months ended 30 June 2020 (unaudited)</b>									
Total comprehensive income									
Net profit		-	-	-	-	-	1,854,983,102	84,463,723	1,939,446,825
Other comprehensive income	(35)	-	-	(3,053,718)	-	-	-	-	(3,053,718)
Total comprehensive income for the six months ended 30 June 2020		-	-	(3,053,718)	-	-	1,854,983,102	84,463,723	1,936,393,107
Profit distribution	(38)								
Profit distribution to shareholders		-	-	-	-	-	(743,040,537)	(41,044,076)	(784,084,613)
Others	(34)	-	(173,479,592)	-	-	-	-	(68,297,121)	(241,776,713)
<b>Balance at 30 June 2020 (unaudited)</b>		<u>1,350,982,795</u>	<u>3,270,837,863</u>	<u>(50,401,351)</u>	<u>1,400,704,380</u>	<u>234,715,680</u>	<u>13,900,152,922</u>	<u>716,910,348</u>	<u>20,823,902,637</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**  
**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

*(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 2019</b>		1,350,982,795	4,306,625,628	(48,482,000)	1,400,704,380	7,320,371,233	14,330,202,036
<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>
<b>Balance at 31 December 2019</b>		1,350,982,795	4,306,633,811	(47,445,000)	1,400,704,380	7,489,288,403	14,500,164,389
<b>Balance at 1 January 2020</b>		1,350,982,795	4,306,633,811	(47,445,000)	1,400,704,380	7,489,288,403	14,500,164,389
<b>Movements for the six months ended 30 June 2020 (unaudited)</b>							
Total comprehensive income							
Net profit		-	-	-	-	879,673,449	879,673,449
Total comprehensive income for the six months ended 30 June 2020		-	-	-	-	879,673,449	879,673,449
Profit distribution	(38)						
Profit distribution to shareholders		-	-	-	-	(743,040,537)	(743,040,537)
Others		-	5,910	-	-	-	5,910
<b>Balance at 30 June 2020 (unaudited)</b>		<u>1,350,982,795</u>	<u>4,306,639,721</u>	<u>(47,445,000)</u>	<u>1,400,704,380</u>	<u>7,625,921,315</u>	<u>14,636,803,211</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

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FOR THE SIX MONTHS ENDED 30 JUNE 2020

(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 28 August 2020.

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 impairment of financial assets (Note 2(9)), cost formulas (Note 2(10)), depreciation of fixed assets and amortization of intangible assets (Note 2(13) and (16)), revenue recognition (Note 2(21)),etc.

The areas including significant judgments to determine the critical accounting estimate of the Group are disclosed in Note 2(28).

#### (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 2020 are in compliance with CAS, and truly and completely present the Consolidated and the Company's financial position as at 30 June 2020 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.

#### *(c) Purchase of minority equity in subsidiaries*

After the acquisition of the control right over the subsidiary, the Group obtained all or part of the minority equity of the subsidiary owned by the minority shareholder of the subsidiary. In the consolidated financial statements, the assets and liabilities of the subsidiary are reflected by the amount continuously calculated from the date of purchase or combination. The capital surplus shall be adjusted according to the difference between the newly increased long-term equity investment and the net asset share of the subsidiary calculated continuously from the date of acquisition or merger with the newly increased shareholding ratio. If the capital surplus (share premium) is not sufficient to offset the difference, the retained earnings shall be adjusted.

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

### (6) Preparation of consolidated financial statements

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

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

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

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

If the identification of the same transaction is different between the Group and the Company or the subsidiaries as accounting entity, 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.

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

### (8) Foreign currency translation (Cont'd)

#### *(b) Translation of foreign currency financial statements*

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

### (9) Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity meanwhile form 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.

## 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 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 consistent 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 non-current assets due within one year; as at acquiring date, other debt investments, that the due dates are within one year (including one year), are listed as other current assets.

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.

## 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)

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.

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, accounts receivable and contract assets formed from daily operations such as sales of goods and rendering of services, whether significant financing components exists or not, 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	Guarantee deposits
Other receivables	Receivables from subsidiaries
Other receivables	Receivables from other entities

For accounts receivable on the grouping basis and notes receivable, 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 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 for 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.

## 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

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.

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.



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

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

#### *(b) Cost formulas*

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

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

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

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

#### *(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 is comprised of 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.

## 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, 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.

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, other comprehensive income and profit distribution, the Group records its proportionate share directly into capital surplus. 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 and land use rights that are held for the purpose of leasing, are measured at the initial cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are occurred.

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

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

The Group adopts cost model for subsequent measurement of investment properties. Land use rights are amortized on the straight-line basis over their approved 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%

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.

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

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

#### (b) Depreciation methods of fixed assets (Cont'd)

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

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

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

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

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

### (15) Borrowing costs (Cont'd)

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 known-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.

#### (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.

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

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

#### *(g) Research and development*

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

Expenditure on the research phase, such as planned investigation, evaluation and selection for improvement of the products 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 products technology before the large-scale production, should be capitalised only if all of the following conditions satisfied:

- The development of the products technology has been sufficiently proved by the technical team;
- The budget relating to the products technology improvement has been approved by the management;
- It can be demonstrated that the products due to products technology improvement have potential market from previous marketing investigation;
- There are adequate technical and financial resources for improvement of the products technology and the large-scale production; and
- The expenditure attributable to the improvement of products 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 right-of-use assets, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

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

### (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 or with indefinite useful life, 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 group of assets or group of asset combinations which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of a group of assets or group of assets combinations, 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 group of assets or group of asset combinations, and then deducted from the carrying amounts of other assets within the group of assets or groups of asset combinations in proportion to the carrying amounts of assets other than goodwill.

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

### (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.

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

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

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

##### *Basic pension insurance*

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

#### (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.



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

### (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.

#### *Sale of goods*

The Group mainly manufactures and sells beer products to the regional dealers. Based on contracts, the Group delivers 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.

After signing contracts with dealers and receiving orders, the Group recognizes the amount of contract consideration received from the dealers as contract liabilities before delivering products to dealers.

### (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.

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 expenses.

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

### (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.

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) Share-based payment

#### *(a) Types of share-based payment*

The restricted share incentive plan of the Group refers to share-based payment which settled with the equity instruments of the Company granted by the Group as consideration to relevant incentive objects.

For equity-settled share-based payment transactions, the Group shall measure the services received, and the corresponding increase in equity directly, at the fair value of the services received. The equity instruments granted do not vest until the counterparty achieve a specified performance condition during the vesting period. According to the fair value of equity instrument on grant date, the Group shall recognise the services to be rendered by the counterparty in related cost or expenses based on the most likely outcome of exercisable equity instrument during the vesting period, with a corresponding increase in capital surplus. The Group shall revise its estimate if subsequent information indicates that the number of the exercisable equity instrument differs from previous estimates and adjust to the actual numbers of exercisable equity instrument on the vesting date.

#### *(b) Methods for determining the fair value of equity instruments*

The Group determines the fair value of restricted shares based on the daily closing price of the tradable shares on the grant date of the equity instruments and the liquidity discount.

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

### (24) Share-based payment (Cont'd)

#### *(c) Basis for confirming the best estimation of exercisable options*

On each balance sheet date of the vesting period, the Group makes the best estimate based on the latest information of the number of employees available for exercise, and modifies the number of options available. On the vesting date, the final estimated number of exercisable equity instruments is consistent with the actual number of exercisable equity instruments.

### (25) Leases

A lease 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 payment 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, land use rights, machinery and equipment and other. 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. The carrying amount of right-of-use assets is reduced to the recoverable amount when the recoverable amount is lower than the carrying 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 financial 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 financial lease.

#### *(a) Operating leases*

When the Group operatingly leases out buildings, 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.

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

### (26) 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.

### (27) 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.

### (28) 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 group of assets and groups of asset combinations is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 4(15)).

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

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

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

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

If the management revises the gross margin or the pre-tax discount rate that is used in the calculation of the future cash flows of group of assets and groups of asset combinations, and the revised gross profit 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 profit 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 2020, the Group recognised impairment losses of 1,538,581 (For six months ended 30 June 2019: 1,547,653) for fixed assets based on such evaluation. As at 30 June 2020, the Group recognised the cumulative provision for fixed assets impairment amounting to 440,889,170 (31 December 2019: 469,369,758) (Note 4(11)).

If the management revises the gross margin or the pre-tax discount rate that is used in the calculation of the future cash flows of group of assets and groups of asset combinations and the revised gross profit 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 profit margin is higher or pre-tax discount rate is lower than management's estimates, the impairment loss of fixed assets previously provided for is not allowed to be reversed by the Group.

##### (iii) Accounting estimates on recognition of deferred tax assets

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

As at 30 June 2020, deferred tax assets of 1,671,282,870 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 930,420,000 as at 30 June 2020, 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 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, a recognition or reversal of deferred tax assets may arise accordingly.

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

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

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

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

As stated in Note 2(19)(b), the present value of the post-retirement obligation is 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.

##### (v) Measurement of ECL

The Group calculates the ECL through the EAD and the ECL rate, and determines the ECL rate based on the probability of default and the default loss rate. When determining the ECL rate, the Group uses data such as internal historical credit loss experience and adjusts historical data in combination with current conditions and forward-looking information. In considering forward-looking information, the indicators used by the Group include the risk of economic downturn, changes in the external market environment, changes in customer conditions and etc. The Group regularly monitors and reviews assumptions related to the calculation of ECL. The above estimation techniques and key assumptions have not changed significantly for the six months ended 30 June 2020.

## 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)	13%, 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, business tax and consumption tax paid	5% and 7%
Education surcharge	Amount of VAT, business tax and consumption tax paid	5%

### 3. TAXATION (CONT'D)

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

##### (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 and Macau, 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 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.

##### (b) VAT

The Group calculated VAT at the VAT rate of 13% on the sales revenue of beer and other products. Revenue from financial service of Tsingtao Brewery Finance 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 9% respectively.

##### (c) Consumption tax

Beer production activities undertaken by the Group are subject to consumption tax. 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.

##### (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 2020 (unaudited)</b>	31 December 2019
Cash on hand	<b>220,660</b>	203,723
Bank deposits	<b>6,820,171,906</b>	1,262,542,417
Interbank deposits (i)	<b>11,426,357,360</b>	13,408,414,018
Deposits in central bank (ii)	<b>672,729,670</b>	591,561,976
Other cash balances (iii)	<b>37,070,618</b>	39,261,274
	<b><u>18,956,550,214</u></b>	<b><u>15,301,983,408</u></b>
Including: cash at bank and on hand overseas (iv)	<b><u>94,557,588</u></b>	<b><u>94,112,833</u></b>

(i) Interbank deposits represent bank deposits and its interest receivable deposited in domestic banks by Finance Company.

(ii) Deposits in central bank represent statutory deposit and its interest receivable deposited in the People's Bank of China by Finance Company, a subsidiary of the Company. As at 30 June 2020, the statutory deposit reserves ratio of Finance Company is 6% (31 December 2019: 6%).

(iii) As at 30 June 2020, other cash balances of 31,901,585 (31 December 2019: 31,852,379) represent housing maintenance fund in the bank; 4,950,000 (31 December 2019: 6,630,000) are pledged as collateral for issuance of bank acceptance (Note 4(21)); the remaining balances are other deposits of 219,033 (31 December 2019: 778,895).

(iv) As at 30 June 2020, cash at bank and on hand overseas represents the cash, bank deposits and its interest receivable of Hong Kong Company and Macau Company held in Hong Kong and Macau respectively.

Cash and cash equivalents presented in cash flow statements:

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Cash at bank and on hand	<b>18,956,550,214</b>	15,301,983,408
Other receivables — deposits in non-financial institutions	<b>5,447,384</b>	924,748
Less: Restricted deposits in central bank	<b>(672,430,000)</b>	(591,270,000)
Restricted other cash balances	<b>(37,070,618)</b>	(39,261,274)
Interest receivable on deposits	<b>(186,837,271)</b>	(114,983,527)
	<b><u>18,065,659,709</u></b>	<b><u>14,557,393,355</u></b>



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

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

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Wealth management products (i)	<b>1,796,605,764</b>	1,396,589,764
Fund investment (ii)	<b>97,990,397</b>	127,203,255
	<b><u>1,894,596,161</u></b>	<u>1,523,793,019</u>

- (i) It represents the wealth management products purchased by Finance Company, a subsidiary of the Company. As at 30 June 2020, the fair value is measured based on the estimation of the future cash flow.
- (ii) It represents the fund purchased by Finance Company, a subsidiary of the Company. As at 30 June 2020, its fair value is determined based on the market value on the last trading day of June 2020 issued by relevant fund management company.

##### (3) Notes receivable

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Bank acceptance notes	<b><u>29,013,290</u></b>	<u>75,100,000</u>

- (a) As at 30 June 2020, the Group has no pledged notes receivable (31 December 2019: nil).
- (b) As at 30 June 2020, the Group's notes receivable which have been endorsed but not yet matured are derecognised amounting to 152,625,119 (31 December 2019: 196,015,000). There are no discounted bank acceptance notes that are not yet matured (31 December 2019: nil).
- (c) Provision for bad debts

The Group's notes receivable are all formed from daily operations such as sales of goods and rendering of services. Irrespective of whether there is significant financing component, the Group measures loss provision according to the ECL of the lifetime.

As at 30 June 2020, 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 2020 (unaudited)</b>	31 December 2019
Accounts receivable	<b>335,193,863</b>	337,040,440
Less: Provision for bad debts	<b><u>(186,225,061)</u></b>	<u>(185,971,013)</u>
	<b><u>148,968,802</u></b>	<u>151,069,427</u>

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

#### 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 2020 (unaudited)</b>	31 December 2019
Within 1 year	<b>149,289,592</b>	151,053,718
1 to 2 years	<b>1,867</b>	47,764
2 to 5 years	<b>206,725</b>	246,918
Over 5 years	<b>185,695,679</b>	185,692,040
	<b><u>335,193,863</u></b>	<b><u>337,040,440</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 2020, 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>61,926,311</u></b>	<b><u>(26,242,020)</u></b>	<b><u>18%</u></b>

(c) As at 30 June 2020, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2019: nil).

(d) *Provision for bad debts*

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

(i) As at 30 June 2020, 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>
Gansu Nongken Brewery Co., Ltd.	14,996,236	100%	(14,996,236)
Beijing Tsingtao Brewery Sales Co., Ltd. ("Beijing Sales Company")	<u>11,245,784</u>	100%	<u>(11,245,784)</u>
	<b><u>26,242,020</u></b>		<b><u>(26,242,020)</u></b>

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.

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

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

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

(ii) As at 30 June 2020, accounts receivable that are subject to provision for bad debts on the grouping basis are analysed as follows:

Group – Dealers

	30 June 2020 (unaudited)			31 December 2019		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Lifetime ECL ratio	Amount	Amount	Lifetime ECL ratio	Amount
Not overdue	142,837,655	-	-	150,520,204	-	-
Overdue within 1 year	6,451,937	5%	(322,597)	567,465	5%	(28,373)
Overdue within 1-2 years	3,613	50%	(1,806)	20,263	50%	(10,132)
Overdue 2 years or more	159,658,638	100%	(159,658,638)	159,690,488	100%	(159,690,488)
	<b>308,951,843</b>		<b>(159,983,041)</b>	<b>310,798,420</b>		<b>(159,728,993)</b>

(iii) The provision for bad debts increased in this period is 378,369. The collecting or reversal of provisions for bad debts is 4,451, the corresponding carrying amount is 4,451, the amount of bad debts due to currency translation differences increases by 1,710, and the provision for bad debts written off due to uncollectable beer sales is 121,580.

##### (5) Advances to suppliers

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

	30 June 2020 (unaudited)		31 December 2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	154,931,343	96.2%	111,338,319	95.0%
1 to 2 years	1,490,858	0.9%	3,355,283	2.9%
2 to 3 years	3,983,929	2.5%	1,885,206	1.6%
Over 3 years	573,434	0.4%	577,283	0.5%
	<b>160,979,564</b>	<b>100%</b>	<b>117,156,091</b>	<b>100%</b>

As at 30 June 2020, the carrying amount of advances to suppliers over 1 year is 6,048,221 (As at 31 December 2019: 5,817,772), which have not been required to deliver yet due to production plan.

(b) As at 30 June 2020, 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	83,677,287	52%

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

##### (6) Other receivables

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Receivables on materials and waste materials	27,408,096	19,060,595
Guarantee deposits	25,250,949	21,877,494
Reservation fund	17,662,304	14,544,689
Receivables of refundable cost of land use rights and buildings	17,441,647	17,441,647
Dividends receivable (Note 4(9))	10,488,900	-
Payment on behalf for recycling bottles	8,361,667	8,988,995
Receivables on construction and equipment (i)	2,277,668	1,997,404
VAT refund	1,446,406	963,020
Others	72,172,107	74,760,438
	<b>182,509,744</b>	159,634,282
Less: Provision for bad debts	<b>(72,535,199)</b>	<b>(73,364,846)</b>
	<b>109,974,545</b>	86,269,436

(i) It represents receivables on construction and equipment from third parties to the subsidiaries of the Company, which are Tsingtao Brewery Equipment Manufacturing Co., Ltd. ("Equipment Manufacturing Company") and Tsingtao Brewery Equipment Co., Ltd. ("Machinery and Equipment Company").

(a) *The ageing of other receivables is analysed as follows:*

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Not overdue	106,156,701	83,701,082
Overdue within 1 year	3,647,602	2,319,520
Overdue within 1-2 years	694,709	729,620
Overdue 2 years or more	72,010,732	72,884,060
	<b>182,509,744</b>	159,634,282

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

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

##### (b) Movement in provision for losses and carrying amount

	<u>Stage one (unaudited)</u>		<u>Stage three (unaudited)</u>		<u>Total (unaudited)</u>
	<u>Next 12 months ECL (Group)</u>		<u>Lifetime ECL (Credit impairment losses already occurred)</u>		
	<u>Ending balance</u>	<u>Provision for bad debts</u>	<u>Ending balance</u>	<u>Provision for bad debts</u>	
31 December 2019	3,049,140	(480,786)	72,884,060	(72,884,060)	(73,364,846)
Increase in the current period	2,600,850	(194,492)	-	(6,846)	(201,338)
Reversals in the current period	(1,293,987)	143,965	(887,020)	887,020	1,030,985
Transfer to stage three	(13,692)	6,846	13,692	(6,846)	-
30 June 2020	<u>4,342,311</u>	<u>(524,467)</u>	<u>72,010,732</u>	<u>(72,010,732)</u>	<u>(72,535,199)</u>

As at 30 June 2020, the Group has no other receivables in stage two. The analysis of other receivables in stage one and stage three is as follows:

- (i) As at 30 June 2020, other receivables with amounts that are individually subject to separate assessment for provision are analysed as follows:

<u>Stage three</u>	<u>Ending balance (unaudited)</u>	<u>ECL ratio for the next 12 months</u>	<u>Provision for bad debts (unaudited)</u>
Receivables of refundable cost of land use rights and building <i>i)</i>	17,441,647	100%	(17,441,647)
Receivables from other entities <i>ii)</i>	54,569,085	100%	(54,569,085)
	<u>72,010,732</u>		<u>(72,010,732)</u>

- i)* A land use right of the Company was expropriated by the government years ago. The government committed to 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.
- 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 recognized.

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

## (b) Movement in provision for losses and carrying amount (Cont'd)

(ii) As at 30 June 2020 and 31 December 2019, other receivables of provisions for bad debts on grouping basis are in stage one, and the analysis is as follows:

	30 June 2020 (unaudited)			31 December 2019		
	Ending balance	Provision for bad debts	% of total balance	Ending balance	Provision for bad debts	% of total balance
	Amount	Amount		Provision for bad debts	Amount	
Guarantee deposits	40,938	(17,994)	5%-50%	1,783,418	(295,918)	5%-50%
Receivables from other entities	4,301,373	(506,473)	5%-50%	1,265,722	(184,868)	5%-50%
	<u>4,342,311</u>	<u>(524,467)</u>		<u>3,049,140</u>	<u>(480,786)</u>	

By referring to historical credit loss experience, the Group recognized provision for bad debts based on current conditions and forecasts of future economic situation.

(c) The provision for bad debts increased in the current period is 201,338. The collecting or reversal of provision for bad debts is 1,030,985, and its corresponding carrying amount is 2,175,507. No other receivables was written off in the current period.

(d) As at 30 June 2020, the top five other receivables are analysed as follows:

Nature	Amount (unaudited)	Ageing	% of total balance	Provision for bad debts (unaudited)
No.1 Dividends receivable	10,488,900	Within six months	6%	-
No.2 Refundable cost of land	8,584,437	More than five years	5%	(8,584,437)
No.3 Payment on behalf for recycling bottles	7,276,755	Within six months	4%	-
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	3%	(4,616,730)
	<u>35,966,822</u>		<u>21%</u>	<u>(18,201,167)</u>

(e) As at 30 June 2020, the Group does not have government grants recognized as receivable amount.

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

##### (7) Inventories

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

	30 June 2020 (unaudited)			31 December 2019		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Raw materials	572,536,567	(1,021,240)	571,515,327	557,229,799	(1,021,240)	556,208,559
Packaging materials	736,104,908	(2,517,462)	733,587,446	878,527,021	(2,517,462)	876,009,559
Consigned processing materials	12,413,970	-	12,413,970	-	-	-
Low-value consumables	79,885,524	-	79,885,524	61,236,850	-	61,236,850
Work in progress	390,697,619	-	390,697,619	407,440,587	-	407,440,587
Finished goods	528,514,813	-	528,514,813	1,280,873,778	-	1,280,873,778
	<u>2,320,153,401</u>	<u>(3,538,702)</u>	<u>2,316,614,699</u>	<u>3,185,308,035</u>	<u>(3,538,702)</u>	<u>3,181,769,333</u>

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

##### 30 June 2020

	31 December 2019	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2020 (unaudited)
Raw materials	557,229,799	2,115,502,149	(2,100,195,381)	572,536,567
Packaging materials	878,527,021	4,070,652,013	(4,213,074,126)	736,104,908
Consigned processing materials	-	118,597,711	(106,183,741)	12,413,970
Low-value consumables	61,236,850	201,176,834	(182,528,160)	79,885,524
Work in progress	407,440,587	2,599,976,889	(2,616,719,857)	390,697,619
Finished goods	<u>1,280,873,778</u>	<u>8,358,448,006</u>	<u>(9,110,806,971)</u>	<u>528,514,813</u>
	<u>3,185,308,035</u>			<u>2,320,153,401</u>

##### 31 December 2019

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Raw materials	464,687,748	4,405,646,292	(4,313,104,241)	557,229,799
Packaging materials	806,153,659	8,693,678,209	(8,621,304,847)	878,527,021
Low-value consumables	62,685,451	445,023,058	(446,471,659)	61,236,850
Work in progress	396,253,676	5,077,236,331	(5,066,049,420)	407,440,587
Finished goods	<u>928,748,247</u>	<u>17,353,695,993</u>	<u>(17,001,570,462)</u>	<u>1,280,873,778</u>
	<u>2,658,528,781</u>			<u>3,185,308,035</u>

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

(7) Inventories (Cont'd)

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

30 June 2020

	31 December 2019	Increase in the current period (unaudited)	Decrease in the current period		30 June 2020 (unaudited)
			Reversal (unaudited)	Write-off (unaudited)	
Raw materials	(1,021,240)	-	-	-	(1,021,240)
Packaging materials	(2,517,462)	-	-	-	(2,517,462)
	<u>(3,538,702)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,538,702)</u>

31 December 2019

	31 December 2018	Increase in the current year	Decrease in the current year		31 December 2019
			Reversal	Write-off	
Raw materials	(2,503,854)	-	-	1,482,614	(1,021,240)
Packaging materials	(4,800,201)	-	288,110	1,994,629	(2,517,462)
	<u>(7,304,055)</u>	<u>-</u>	<u>288,110</u>	<u>3,477,243</u>	<u>(3,538,702)</u>

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

Basis for net realisable value

Raw materials and packaging materials	Estimated selling price less the estimated costs to completion and estimated expenses necessary to sale and related taxes
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(8) Other current assets

	30 June 2020 (unaudited)	31 December 2019
VAT input to be deducted	80,435,457	272,740,541
VAT input to be verified	75,623,527	89,535,948
Credit and factoring business	10,776,625	13,426,255
Treasury bonds reverse repo investment	9,907,799	-
Prepaid Enterprise Income tax	9,729,627	187,655,849
Others	420,887	1,547,000
	<u>186,893,922</u>	<u>564,905,593</u>
Less: Provision for other current assets	<u>(172,634)</u>	<u>(228,257)</u>
	<u>186,721,288</u>	<u>564,677,336</u>



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

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

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Joint Venture (a)	<b>225,692,808</b>	230,912,855
Associates (b)	<b>148,260,722</b>	146,948,947
	<b>373,953,530</b>	377,861,802
Less: Provision for impairment of long-term equity investments	<b>(1,220,000)</b>	(1,220,000)
	<b>372,733,530</b>	376,641,802

##### (a) Joint Venture

###### 30 June 2020

	Movements in the current period (unaudited)				30 June 2020 (unaudited)	Balance of provision for impairment at end of period (unaudited)	
	31 December 2019	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")	230,912,855	4,779,953	-	-	(10,000,000)	225,692,808	-

###### 31 December 2019

	Movements in the current year (unaudited)				31 December 2019	Balance of provision for impairment at end of year	
	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 Company	228,842,662	8,070,193	-	-	(6,000,000)	230,912,855	-

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).

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

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

###### (b) Associates

30 June 2020

	Movements in the current period (unaudited)					30 June 2020 (unaudited)	Balance of provision for impairment at end of period (unaudited)
	31 December 2019	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")	127,976,623	9,111,643	-	-	(10,488,900)	126,599,366	-
Qingdao Zhaoshang Logistics Company Limited. ("Zhaoshang Logistics")	15,181,001	1,426,062	-	5,910	-	16,612,973	-
Tsingtao Brewery Import & Export S.A.R.L. ("European Company")	2,516,821	1,234,218	77,344	-	-	3,828,383	-
Liaoning Shenqing Tsingtao Brewery Company Limited. ("Liaoning Shenqing")	54,502	(54,502)	-	-	-	-	-
Others	1,220,000	-	-	-	-	1,220,000	(1,220,000)
	<u>146,948,947</u>	<u>11,717,421</u>	<u>77,344</u>	<u>5,910</u>	<u>(10,488,900)</u>	<u>148,260,722</u>	<u>(1,220,000)</u>

31 December 2019

	Movements in the current year					31 December 2019	Balance of provision for impairment at end of year
	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 Asahi	128,559,087	8,462,433	-	-	(9,044,897)	127,976,623	-
Zhaoshang Logistics	11,672,943	3,499,875	-	8,183	-	15,181,001	-
European Company	1,321,393	1,186,015	9,413	-	-	2,516,821	-
Liaoning Shenqing	90,115	(35,613)	-	-	-	54,502	-
Others	1,220,000	-	-	-	-	1,220,000	(1,220,000)
	<u>142,863,538</u>	<u>13,112,710</u>	<u>9,413</u>	<u>8,183</u>	<u>(9,044,897)</u>	<u>146,948,947</u>	<u>(1,220,000)</u>

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

Liaoning Shenqing Company's net assets are negative due to continuous losses, and the Group has no obligation to bear additional losses. Therefore, when confirming the share of the Group on the net loss incurred, the book value of the long-term equity investment is written down to zero. As at 30 June 2020, the accumulative unconfirmed investment loss is 11,599 (31 December 2019: 0).

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

(10) Investment properties

30 June 2020

	Buildings	Land use rights	Total
<b>Original cost</b>			
31 December 2019	84,224,430	8,734,452	92,958,882
Increase in the current period — transfer from fixed assets (i) (unaudited)	511,728	-	511,728
Decrease in the current period — transfer to fixed assets and intangible assets (unaudited)	(13,808,818)	(2,587,486)	(16,396,304)
<b>30 June 2020 (unaudited)</b>	<b>70,927,340</b>	<b>6,146,966</b>	<b>77,074,306</b>
<b>Accumulated depreciation</b>			
31 December 2019	(51,492,494)	(2,612,357)	(54,104,851)
Increase in the current period (unaudited)			
Accrual	(1,042,518)	(70,095)	(1,112,613)
Transfer from fixed assets (i)	(57,371)	-	(57,371)
Decrease in the current period — transfer to fixed assets and intangible assets (unaudited)	10,712,133	1,308,014	12,020,147
<b>30 June 2020 (unaudited)</b>	<b>(41,880,250)</b>	<b>(1,374,438)</b>	<b>(43,254,688)</b>
<b>Provision for impairment</b>			
31 December 2019	(2,349,349)	-	(2,349,349)
Decrease in the current period — transfer to fixed assets (unaudited) (i)	643,125	-	643,125
<b>30 June 2020 (unaudited)</b>	<b>(1,706,224)</b>	<b>-</b>	<b>(1,706,224)</b>
<b>Carrying amount</b>			
<b>30 June 2020 (unaudited)</b>	<b>27,340,866</b>	<b>4,772,528</b>	<b>32,113,394</b>
31 December 2019	30,382,587	6,122,095	36,504,682

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

(10) Investment properties (Cont'd)

31 December 2019

	Buildings	Land use rights	Total
Original cost			
31 December 2018	75,682,956	-	75,682,956
Increase in the current year — transfer from fixed assets and intangible assets	10,454,815	8,734,452	19,189,267
Decrease in the current year — transfer to fixed assets	(1,913,341)	-	(1,913,341)
31 December 2019	84,224,430	8,734,452	92,958,882
Accumulated depreciation			
31 December 2018	(46,171,652)	-	(46,171,652)
Increase in the current year			
Accrual	(2,106,715)	(110,127)	(2,216,842)
Transfer from fixed assets and intangible assets	(4,242,939)	(2,502,230)	(6,745,169)
Decrease in the current year — transfer to fixed assets	1,028,812	-	1,028,812
31 December 2019	(51,492,494)	(2,612,357)	(54,104,851)
Provision for impairment			
31 December 2018	(1,578,536)	-	(1,578,536)
Increase in the current year — transfer from fixed assets	(770,813)	-	(770,813)
31 December 2019	(2,349,349)	-	(2,349,349)
Carrying amount			
31 December 2019	30,382,587	6,122,095	36,504,682
31 December 2018	27,932,768	-	27,932,768

(i) For the six months ended 30 June 2020, the fixed assets with carrying amount of 454,357 (cost: 511,728) are reclassified to investment properties as they are used for leasing instead of self-use.

(11) Fixed assets

	30 June 2020 (unaudited)	31 December 2019
Fixed assets (a)	10,228,977,264	10,221,482,397
Fixed assets pending for disposal (b)	1,065,518	552,068
	<u>10,230,042,782</u>	<u>10,222,034,465</u>

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

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

###### (a) Fixed assets

**30 June 2020**

	Buildings	Machinery and equipment	Vehicles	Other equipments	Total
<b>Original cost</b>					
31 December 2019	7,312,629,435	10,944,686,036	315,594,700	905,875,957	19,478,786,128
Increase in the current period (unaudited)					
Purchase	-	19,747,085	5,235,289	23,997,367	48,979,741
Transfer from construction in progress	160,372,611	308,101,056	-	11,331,417	479,805,084
Transfer from investment properties	13,808,818	-	-	-	13,808,818
Decrease in the current period (unaudited)					
Disposal	(2,410,137)	(118,257,280)	(4,540,889)	(1,037,572)	(126,245,878)
Transfer to construction in progress	(72,396,774)	(54,828,710)	-	(552,951)	(127,778,435)
Transfer to investment properties	(511,728)	-	-	-	(511,728)
<b>30 June 2020 (unaudited)</b>	<b>7,411,492,225</b>	<b>11,099,448,187</b>	<b>316,289,100</b>	<b>939,614,218</b>	<b>19,766,843,730</b>
<b>Accumulated depreciation</b>					
31 December 2019	(1,905,385,451)	(6,001,215,144)	(210,994,112)	(670,339,266)	(8,787,933,973)
Increase in the current period (unaudited)					
Accrual	(98,889,140)	(293,076,619)	(11,333,962)	(38,122,568)	(441,422,289)
Transfer from investment properties	(10,712,133)	-	-	-	(10,712,133)
Decrease in the current period (unaudited)					
Disposal	1,155,330	72,939,422	4,378,276	747,350	79,220,378
Transfer to construction in progress	34,350,865	29,054,074	-	408,411	63,813,350
Transfer to investment properties	57,371	-	-	-	57,371
<b>30 June 2020 (unaudited)</b>	<b>(1,979,423,158)</b>	<b>(6,192,298,267)</b>	<b>(217,949,798)</b>	<b>(707,306,073)</b>	<b>(9,096,977,296)</b>
<b>Provision for impairment</b>					
31 December 2019	(141,826,361)	(325,414,187)	(1,703,027)	(426,183)	(469,369,758)
Increase in the current period (unaudited)					
Accrual	-	(1,455,541)	(71,978)	(11,062)	(1,538,581)
Transfer from investment properties	(643,125)	-	-	-	(643,125)
Decrease in the current period (unaudited)					
Disposal	748,535	29,401,108	134,073	38,481	30,322,197
Transfer to construction in progress	123,980	216,117	-	-	340,097
<b>30 June 2020 (unaudited)</b>	<b>(141,596,971)</b>	<b>(297,252,503)</b>	<b>(1,640,932)</b>	<b>(398,764)</b>	<b>(440,889,170)</b>
<b>Carrying amount</b>					
<b>30 June 2020 (unaudited)</b>	<b>5,290,472,096</b>	<b>4,609,897,417</b>	<b>96,698,370</b>	<b>231,909,381</b>	<b>10,228,977,264</b>
31 December 2019	5,265,417,623	4,618,056,705	102,897,561	235,110,508	10,221,482,397

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

(11) Fixed assets (Cont'd)

(a) Fixed assets (Cont'd)

31 December 2019

	Buildings	Machinery and equipment	Vehicles	Other equipments	Total
<b>Original cost</b>					
As at 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 year					
Purchase	-	29,420,740	7,746,068	87,608,467	124,775,275
Transfer from construction in progress	386,833,039	686,566,613	-	-	1,073,399,652
Transfer from investment properties	1,913,341	-	-	-	1,913,341
Decrease in the current year					
Disposal	(31,278,767)	(346,336,544)	(20,987,319)	(64,797,727)	(463,400,357)
Transfer to construction in progress	(121,614,531)	(232,627,776)	-	(1,995,652)	(356,237,959)
Transfer to investment properties	(10,454,815)	-	-	-	(10,454,815)
As at 31 December 2019	7,312,629,435	10,944,686,036	315,594,700	905,875,957	19,478,786,128
<b>Accumulated depreciation</b>					
As at 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 year					
Accrual	(198,036,044)	(591,536,075)	(23,109,432)	(80,315,974)	(892,997,525)
Transfer from investment properties	(1,028,812)	-	-	-	(1,028,812)
Decrease in the current year					
Disposal	13,306,827	244,459,317	18,652,023	57,729,482	334,147,649
Transfer to construction in progress	21,320,056	122,524,470	-	1,814,456	145,658,982
Transfer to investment properties	4,242,939	-	-	-	4,242,939
As at 31 December 2019	(1,905,385,451)	(6,001,215,144)	(210,994,112)	(670,339,266)	(8,787,933,973)
<b>Provision for impairment</b>					
As at 31 December 2018	(117,194,676)	(312,955,604)	(1,806,132)	(2,545,307)	(434,501,719)
Increase in the current year					
Accrual	(34,510,559)	(86,056,556)	(284,985)	(487,430)	(121,339,530)
Decrease in the current year					
Disposal	9,108,061	70,161,277	388,090	2,606,554	82,263,982
Transfer to construction in progress	-	3,436,696	-	-	3,436,696
Transfer to investment properties	770,813	-	-	-	770,813
As at 31 December 2019	(141,826,361)	(325,414,187)	(1,703,027)	(426,183)	(469,369,758)
<b>Carrying amount</b>					
As at 31 December 2019	5,265,417,623	4,618,056,705	102,897,561	235,110,508	10,221,482,397
As at 31 December 2018	5,224,846,075	4,718,044,543	120,493,116	232,948,332	10,296,332,066

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

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

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

For the six months ended 30 June 2020, fixed assets of the Group with the carrying amount of 63,624,988 (cost: 127,778,435; accumulated depreciation 63,813,350; impairment provision 340,097) are transferred to construction in progress to be upgraded due to the requirements of technology renewal and the likes.

As at 30 June 2020, there are no fixed assets pledged as collateral for borrowings (31 December 2019: nil).

For the 6 months ended 30 June 2020, fixed assets accumulated depreciation are 441,422,289 (For the 6 months ended 30 June 2019: 440,919,197), of which 395,725,476, 3,769,283, 40,754,371 and 1,173,159 (For the 6 months ended 30 June 2019: 398,954,967, 3,671,267, 37,039,817 and 1,253,146) have been charged to cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses respectively.

The cost of fixed assets transferred from construction in progress amounts to 479,805,084 (For the six months ended 30 June 2019: 668,061,494).

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

As at 30 June 2020, the buildings and the machinery and equipment with carrying amount of 63,897,336 (cost 222,889,130) are temporarily idle for the reason of products update (31 December 2019: carrying amount of 73,945,969 (cost: 229,171,949)). The management planned to reallocate these assets among the Group or upgrade. The detailed analysis of these assets is as follows:

##### 30 June 2020

	Cost (unaudited)	Accumulated depreciation (unaudited)	Provision for impairment (unaudited)	Carrying amount (unaudited)
Machinery and equipment	195,757,537	(130,070,996)	(6,135,236)	59,551,305
Buildings	27,131,593	(12,863,964)	(9,921,598)	4,346,031
	<u>222,889,130</u>	<u>(142,934,960)</u>	<u>(16,056,834)</u>	<u>63,897,336</u>

##### 31 December 2019

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	202,425,243	(125,632,434)	(7,207,498)	69,585,311
Buildings	26,746,706	(12,485,423)	(9,900,625)	4,360,658
	<u>229,171,949</u>	<u>(138,117,857)</u>	<u>(17,108,123)</u>	<u>73,945,969</u>

###### (ii) Provision for impairment

According to the accounting policies mentioned in Note 2(18), the Group performs impairment test on fixed assets with signs of impairment on the balance sheet date, and made provision for impairment of fixed assets of 1,538,581 for the 6 months ended 30 June 2020.

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

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

## (iii) 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 2020	31 December 2019
	Carrying amount (unaudited)	Carrying amount
In the application process	459,871,000	536,747,000
Unable to obtain	87,654,000	89,578,000
	<u>547,525,000</u>	<u>626,325,000</u>

Per consultation with the Company's legal adviser, the Company's directors are of the view that unable to obtain the building ownership certificates will not prevent the Group from legal possession of such facilities, there is no legal restriction for the Group to apply for and obtain the building ownership certificates, and 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)).

	Reason
Partial buildings of Shenzhen Asahi	In the application process
Partial buildings of Yangzhou 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 Chenzhou 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 San Ring Company	Temporary buildings, unable to obtain
Partial buildings of Xuecheng Company	Temporary buildings, unable to obtain
Partial buildings of Zhangjiakou Company	Temporary buildings, unable to obtain
Partial buildings of Chenzhou Company	Temporary buildings, unable to obtain
Partial buildings of No.1 Factory	Lack of document, unable to obtain
Partial buildings of Yangzhou Company	Lack of document, unable to obtain

## (b) Fixed assets pending for disposal

	30 June 2020	31 December 2019
	(unaudited)	
Machinery, equipment and buildings	<u>1,065,518</u>	<u>552,068</u>



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

##### (12) Construction in progress

	30 June 2020 (unaudited)			31 December 2019		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Relocation project of Dezhou Company	98,940,503	-	98,940,503	87,230,868	-	87,230,868
Production line improvement of No. 1 Factory	57,312,672	-	57,312,672	15,310,982	-	15,310,982
Relocation project of Xi'an Company	42,191,943	-	42,191,943	3,155,194	-	3,155,194
Building project of ShanXi Sales Company	32,459,744	-	32,459,744	32,388,057	-	32,388,057
Production line improvement of Heze Company	29,649,761	-	29,649,761	-	-	-
Production line improvement of Kunshan Company	18,118,319	-	18,118,319	475,558	-	475,558
Relocation project of Langfang Company	8,339,599	-	8,339,599	7,798,583	-	7,798,583
Production line improvement of Shenzhen Asahi	6,166,613	-	6,166,613	-	-	-
Production line improvement of Chenzhou Company	6,044,354	-	6,044,354	4,736	-	4,736
Production line improvement of No. 5 Factory	3,912,530	-	3,912,530	4,589,025	-	4,589,025
Production line improvement of Jieyang Company	3,836,023	-	3,836,023	2,669,455	-	2,669,455
Production line improvement of No. 4 Factory	3,815,473	-	3,815,473	-	-	-
Production line improvement of No. 2 Factory	3,699,978	-	3,699,978	5,654,908	-	5,654,908
Production line improvement of Hangzhou Company	3,140,967	-	3,140,967	2,914,644	-	2,914,644
Production line improvement of Zhuhai Company	2,149,414	-	2,149,414	1,323,949	-	1,323,949
Production line improvement of Jinan Company	1,965,320	-	1,965,320	-	-	-
Production line improvement of No. 3 Factory	1,865,595	-	1,865,595	2,593,102	-	2,593,102
Production line improvement of Yulin Company	1,648,712	-	1,648,712	-	-	-
Production line improvement of Three Ring Company	1,642,342	-	1,642,342	-	-	-
Production line improvement of Shijiazhuang Company	1,557,798	-	1,557,798	-	-	-
Production line improvement of Minhang Company	1,016,372	-	1,016,372	-	-	-
Other projects	15,085,631	-	15,085,631	12,884,781	-	12,884,781
	<u>344,559,663</u>	<u>-</u>	<u>344,559,663</u>	<u>178,993,842</u>	<u>-</u>	<u>178,993,842</u>

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

## (a) Movement in significant construction in progress

30 June 2020

Name	Budget	31 December 2019	Increase in the current period — Purchase (unaudited)	Increase in the current period — Transfer from fixed assets (unaudited)	Transfer to fixed assets (unaudited)	30 June 2020 (unaudited)	Expenditures percentage of budget	Completion percentage	Source of funds
Relocation project of Dezhou Company	212,110,000	87,230,868	93,506,797	-	(81,797,162)	98,940,503	85%	85%	Self-funding
Production line improvement of No. 1 Factory	151,285,385	15,310,982	54,706,423	2,414,977	(15,119,710)	57,312,672	62%	62%	Self-funding
Relocation project of Xi'an Company	500,606,250	3,155,194	41,753,841	-	(2,717,092)	42,191,943	9%	9%	Self-funding
Building project of ShanXi Sales Company	36,367,720	32,388,057	945,758	-	(874,071)	32,459,744	92%	92%	Self-funding
Production line improvement of Heze Company	57,938,780	-	29,649,761	-	-	29,649,761	93%	51%	Self-funding
Production line improvement of Kunshan Company	55,230,550	475,558	16,491,575	8,727,719	(7,576,533)	18,118,319	66%	46%	Self-funding
Relocation project of Langfang Company	250,850,000	7,798,583	2,455,814	-	(1,914,798)	8,339,599	91%	91%	Self-funding
Production line improvement of Shenzhen Asahi	21,814,645	-	8,494,832	-	(2,328,219)	6,166,613	47%	39%	Self-funding
Production line improvement of Chenzhou Company	58,527,225	4,736	27,872,950	5,966,817	(27,800,149)	6,044,354	72%	58%	Self-funding
Production line improvement of No. 5 Factory	52,527,263	4,589,025	43,029,361	-	(43,705,856)	3,912,530	91%	82%	Self-funding
Production line improvement of Jieyang Company	8,416,750	2,669,455	1,166,568	-	-	3,836,023	67%	52%	Self-funding
Production line improvement of No. 4 Factory	9,334,000	-	4,829,334	-	(1,013,861)	3,815,473	52%	52%	Self-funding
Production line improvement of No. 2 Factory	95,330,230	5,654,908	10,319,065	7,469,960	(19,743,955)	3,699,978	79%	79%	Self-funding
Production line improvement of Hangzhou Company	9,538,504	2,914,644	934,451	30,251	(738,379)	3,140,967	95%	92%	Self-funding
Production line improvement of Zhuhai Company	16,197,810	1,323,949	6,374,423	307,858	(5,856,816)	2,149,414	73%	72%	Self-funding
Production line improvement of Jinan Company	4,637,092	-	3,953,373	-	(1,988,053)	1,965,320	90%	85%	Self-funding
Production line improvement of No. 3 Factory	154,331,742	2,593,102	91,266,072	-	(91,993,579)	1,865,595	63%	61%	Self-funding
Production line improvement of Yulin Company	6,515,220	-	3,409,297	2,076,095	(3,836,680)	1,648,712	87%	84%	Self-funding
Production line improvement of Three Ring Company	7,801,529	-	5,511,390	284,529	(4,153,577)	1,642,342	74%	74%	Self-funding
Production line improvement of Shijiazhuang Company	11,846,802	-	4,818,799	5,989,471	(9,250,472)	1,557,798	91%	91%	Self-funding
Production line improvement of Minhang Company	3,836,000	-	1,016,372	-	-	1,016,372	26%	26%	Self-funding
Other projects		12,884,781	129,239,661	30,357,311	(157,396,122)	15,085,631			
		<u>178,993,842</u>	<u>581,745,917</u>	<u>63,624,988</u>	<u>(479,805,084)</u>	<u>344,559,663</u>			

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

## (a) Movement in significant construction in progress (Cont'd)

31 December 2019

Name	Budget	31 December 2018	Increase in the current year — Purchase	Increase in the current year — Transfer from fixed assets	Transfer to fixed assets	31 December 2019	Expenditures percentage of budget	Completion percentage	Source of funds
Relocation project of Dezhou Company	212,110,000	2,062,286	85,168,582	-	-	87,230,868	47%	41%	Self-funding
Building project of ShanXi Sales Company	36,367,720	29,465,111	2,922,946	-	-	32,388,057	89%	89%	Self-funding
Production line improvement of No. 1 Factory	230,143,534	17,771,040	44,968,867	13,573,396	(61,002,321)	15,310,982	60%	52%	Self-funding
Relocation project of Langfang Company	250,850,000	137,069,038	47,582,183	609,325	(177,461,963)	7,798,583	82%	78%	Self-funding
Production line improvement of No. 2 Factory	106,601,344	4,479,371	21,661,901	12,185,077	(32,671,441)	5,654,908	88%	88%	Self-funding
Production line improvement of No. 3 Factory	36,147,856	5,610,537	27,093,049	1,693,127	(29,807,688)	4,589,025	99%	99%	Self-funding
Relocation project of Xi'an Company	500,606,250	-	3,406,964	-	(251,770)	3,155,194	1%	1%	Self-funding
Production line improvement of Hangzhou Company	9,538,504	-	5,490,778	2,367,432	(4,943,566)	2,914,644	82%	82%	Self-funding
Production line improvement of Jieyang Company	8,416,750	338,462	2,831,604	-	(500,611)	2,669,455	53%	38%	Self-funding
Production line improvement of No. 3 Factory	68,194,747	1,749,999	57,820,586	6,314,666	(63,292,149)	2,593,102	97%	97%	Self-funding
Production line improvement of New Songjiang Company	15,667,898	-	3,310,871	2,669,425	(4,594,455)	1,385,841	38%	38%	Self-funding
Production line improvement of Zhuhai Company	16,197,810	-	4,954,981	-	(3,631,032)	1,323,949	31%	31%	Self-funding
Production line improvement of Wuwei Company	33,163,105	2,350,068	24,289,042	3,096,682	(28,538,431)	1,197,361	90%	90%	Self-funding
Zhangjiakou Company New Plant Project	235,610,000	151,363,810	67,185,114	-	(218,464,457)	84,467	93%	93%	Self-funding
Other projects		27,631,572	266,672,451	164,633,151	(448,239,768)	10,697,406			
		<u>379,891,294</u>	<u>665,359,919</u>	<u>207,142,281</u>	<u>(1,073,399,652)</u>	<u>178,993,842</u>			

For the six months ended 30 June 2020, there are no new increased borrowing costs capitalised (For the six months ended 30 June 2019: nil).

## (b) Provision for impairment of construction in progress

For the six months ended 30 June 2020, 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 2019: nil)

## (13) Right-of-use assets

## 30 June 2020

	Buildings	Land use rights	Machinery and equipment	Others	Total
Original cost					
31 December 2019	75,792,267	9,097,754	3,677,046	1,259,170	89,826,237
Increase in the current period and renewal (unaudited)	71,143,502	-	-	585,897	71,729,399
Decrease in the current period (unaudited)					
Lease change	(254,133)	(49,539)	-	(150,475)	(454,147)
Lease expiration	(5,731,948)	-	-	(35,331)	(5,767,279)
<b>30 June 2020 (unaudited)</b>	<b>140,949,688</b>	<b>9,048,215</b>	<b>3,677,046</b>	<b>1,659,261</b>	<b>155,334,210</b>

## Accumulated depreciation

31 December 2019	(20,913,741)	(1,115,220)	(720,447)	(106,394)	(22,855,802)
Accrual (unaudited)	(15,703,124)	(555,271)	(360,224)	(296,378)	(16,914,997)
Decrease in the current period (unaudited)	5,731,948	-	-	35,331	5,767,279
<b>30 June 2020 (unaudited)</b>	<b>(30,884,917)</b>	<b>(1,670,491)</b>	<b>(1,080,671)</b>	<b>(367,441)</b>	<b>(34,003,520)</b>

## Carrying amount

<b>30 June 2020 (unaudited)</b>	<b>110,064,771</b>	<b>7,377,724</b>	<b>2,596,375</b>	<b>1,291,820</b>	<b>121,330,690</b>
31 December 2019	54,878,526	7,982,534	2,956,599	1,152,776	66,970,435

## 31 December 2019

	Buildings	Land use rights	Machinery and equipments	Others	Total
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## Original cost

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
Increase in the current year and renewal	27,479,846	2,055,534	-	1,216,757	30,752,137
31 December 2019	75,792,267	9,097,754	3,677,046	1,259,170	89,826,237

## Accumulated depreciation

31 December 2018	—	—	—	—	—
1 January 2019	-	-	-	-	-
Accrual	(20,913,741)	(1,115,220)	(720,447)	(106,394)	(22,855,802)
31 December 2019	(20,913,741)	(1,115,220)	(720,447)	(106,394)	(22,855,802)

## Carrying amount

31 December 2019	54,878,526	7,982,534	2,956,599	1,152,776	66,970,435
31 December 2018	—	—	—	—	—

According to the notice of “Regulations on accounting treatment of rent reduction related to new pneumonia epidemic situation” (the “notice”) issued by the Ministry of Finance on 19 June 2020, the Group adopts the simplified method to deal with the rent reduction meeting the requirements of the notice. For the six months ended 30 June 2020, the relevant rent reduction with simplified treatment has an impact on the current profit and loss of about 620,000.

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

##### (14) Intangible assets

###### 30 June 2020

	Land use rights	Trademarks	Technology known-how	Marketing networks	Software and others	Total
<b>Original Cost</b>						
31 December 2019	2,624,663,664	449,743,612	18,629,100	974,935,670	486,832,730	4,554,804,776
Increase in the current period (unaudited)						
Purchase	-	-	-	-	5,041,249	5,041,249
Transfer from investment properties	2,587,486	-	-	-	-	2,587,486
Decrease in the current period — Disposal (unaudited)	(278,806)	-	-	-	(10,186)	(288,992)
<b>30 June 2020 (unaudited)</b>	<b>2,626,972,344</b>	<b>449,743,612</b>	<b>18,629,100</b>	<b>974,935,670</b>	<b>491,863,793</b>	<b>4,562,144,519</b>
<b>Accumulated amortisation</b>						
31 December 2019	(541,417,212)	(342,358,212)	(18,629,100)	(822,501,782)	(271,326,015)	(1,996,232,321)
Increase in the current period (unaudited)						
Purchase	(31,064,630)	(12,028,293)	-	(38,933,605)	(19,936,781)	(101,963,309)
Transfer from investment properties	(1,308,014)	-	-	-	-	(1,308,014)
Decrease in the current period — Disposal (unaudited)	87,942	-	-	-	9,680	97,622
<b>30 June 2020 (unaudited)</b>	<b>(573,701,914)</b>	<b>(354,386,505)</b>	<b>(18,629,100)</b>	<b>(861,435,387)</b>	<b>(291,253,116)</b>	<b>(2,099,406,022)</b>
<b>Carrying amount</b>						
<b>30 June 2020 (unaudited)</b>	<b>2,053,270,430</b>	<b>95,357,107</b>	<b>-</b>	<b>113,500,283</b>	<b>200,610,677</b>	<b>2,462,738,497</b>
31 December 2019	2,083,246,452	107,385,400	-	152,433,888	215,506,715	2,558,572,455

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

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

31 December 2019

	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 year						
Purchase	138,413,458	-	-	-	54,253,068	192,666,526
Decrease in the current year						
— Disposal	(33,535,077)	-	-	-	(32,725)	(33,567,802)
Transfer into Investment property	(8,734,452)	-	-	-	-	(8,734,452)
31 December 2019	2,624,663,664	449,743,612	18,629,100	974,935,670	486,832,730	4,554,804,776
<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 year						
Accrual	(56,658,427)	(24,426,383)	-	(83,411,625)	(42,308,657)	(206,805,092)
Decrease in the current year						
— Disposal	12,792,805	-	-	-	32,725	12,825,530
Transfer into Investment property	2,502,230	-	-	-	-	2,502,230
31 December 2019	(541,417,212)	(342,358,212)	(18,629,100)	(822,501,782)	(271,326,015)	(1,996,232,321)
<b>Carrying amount</b>						
31 December 2019	2,083,246,452	107,385,400	-	152,433,888	215,506,715	2,558,572,455
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 2020, the amortisation amount of intangible assets is 101,963,309 (For six months ended 30 June 2019: 106,217,122).

As at 30 June 2020, there are no intangible assets pledged as collateral for borrowings (31 December 2019: nil).

As at 30 June 2020, the relevant legal procedures for certificates application of the Group's land use rights with carrying amount of approximately 1,974,305 (31 December 2019: 2,011,000) are still in process. In addition, as at 30 June 2020, buildings of certain subsidiaries of the Group were located on parcels of allocated land owned by certain local municipal governments. Most of the relevant local governments have undertaken to implement transfer procedures for these lands. Carrying amount of the buildings constructed thereon are approximately 31,687,000 as at 30 June 2020 (31 December 2019: 31,976,000). The Company's directors consider that there is no significant impact on the operations of the Group.

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

##### (15) Goodwill

###### 30 June 2020

	31 December 2019	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2020 (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)

31 December 2019

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
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>
<i>Less: Provision for impairment —</i>				
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 group of assets and group of asset combinations on purchase date. The goodwill allocation are summarised by operating segments as follows:

	<b>30 June 2020 (unaudited)</b>	31 December 2019
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 amount of asset group and asset group portfolio is based on the five-year budget approved by the management, and then estimated based on the fixed growth rate and calculated by cash flow forecasting method.

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

###### 30 June 2020

	31 December 2019	Increase in the current period (unaudited)	Amortisation in the current period (unaudited)	30 June 2020 (unaudited)
Decoration and renovation expenses	24,953,149	10,830,675	(5,146,595)	<b>30,637,229</b>
Factory hardening expenses	3,517,689	665,128	(745,475)	<b>3,437,342</b>
Gardening expenses	1,777,987	-	(627,218)	<b>1,150,769</b>
Others	5,006,563	-	(362,497)	<b>4,644,066</b>
	<b><u>35,255,388</u></b>	<b><u>11,495,803</u></b>	<b><u>(6,881,785)</u></b>	<b><u>39,869,406</u></b>

###### 31 December 2019

	31 December 2018	Increase in the current year	Amortisation in the current year	31 December 2019
Decoration and renovation expenses	21,871,399	11,583,181	(8,501,431)	24,953,149
Factory hardening expenses	4,721,877	1,312,686	(2,516,874)	3,517,689
Gardening expenses	1,496,032	1,364,525	(1,082,570)	1,777,987
Others	5,018,111	645,267	(656,815)	5,006,563
	<b><u>33,107,419</u></b>	<b><u>14,905,659</u></b>	<b><u>(12,757,690)</u></b>	<b><u>35,255,388</u></b>

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

(a) *Deferred tax assets without offsetting*

	30 June 2020 (unaudited)		31 December 2019	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	4,316,044	1,079,011	13,396,668	3,349,167
Provision for asset impairment	55,991,780	13,997,945	56,044,968	14,011,242
Deferred income	999,166,732	249,791,683	1,072,795,800	268,198,950
Elimination of intra-group unrealised profit	49,388,864	12,347,216	249,124,220	62,281,055
Accruals of expenses	6,190,823,196	1,547,705,799	4,820,532,160	1,205,133,040
	<u>7,299,686,616</u>	<u>1,824,921,654</u>	<u>6,211,893,816</u>	<u>1,552,973,454</u>
Including:				
Expected to reverse within one year (inclusive)		1,471,421,107		1,171,074,254
Expected to reverse after one year		<u>353,500,547</u>		<u>381,899,200</u>
		<u>1,824,921,654</u>		<u>1,552,973,454</u>

(b) *Deferred tax liabilities without offsetting*

	30 June 2020 (unaudited)		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not under common control	547,006,624	136,751,656	600,029,908	150,007,477
Depreciation of fixed assets	711,260,467	177,815,117	495,297,448	123,824,362
Changes in fair value of wealth management products	24,597,160	6,149,290	24,589,764	6,147,441
The difference between carrying amount and tax base resulted from government grants charged in profit or loss in the current period	8,066,576	2,016,644	7,976,488	1,994,122
	<u>1,290,930,827</u>	<u>322,732,707</u>	<u>1,127,893,608</u>	<u>281,973,402</u>
Including:				
Expected to reverse within one year (inclusive)		51,334,834		39,386,009
Expected to reverse after one year		<u>271,397,873</u>		<u>242,587,393</u>
		<u>322,732,707</u>		<u>281,973,402</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 2020 (unaudited)</b>	31 December 2019
Deductible temporary differences	<b>1,271,192,171</b>	1,226,124,839
Deductible losses	<b>2,450,488,807</b>	2,550,471,144
	<b><u>3,721,680,978</u></b>	<b><u>3,776,595,983</u></b>

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 612,622,000 (31 December 2019: 637,618,000) arising from the accumulated losses that can set off against taxable incomes under tax laws in the period from 2020 to 2025. 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 317,798,000 (31 December 2019: 306,531,000) 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 2020 (unaudited)</b>	31 December 2019
2020	<b>448,061,516</b>	574,266,958
2021	<b>513,603,802</b>	529,147,107
2022	<b>512,962,199</b>	544,822,721
2023	<b>584,073,251</b>	609,128,474
2024	<b>308,844,491</b>	293,105,884
2025	<b>82,943,548</b>	—
	<b><u>2,450,488,807</u></b>	<b><u>2,550,471,144</u></b>

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

	<b>30 June 2020 (unaudited)</b>		31 December 2019	
	<b>Offsetting amount</b>	<b>Net amounts</b>	Offsetting amount	Net amounts
Deferred tax assets	<b>153,638,784</b>	<b>1,671,282,870</b>	97,937,922	1,455,035,532
Deferred tax liabilities	<b>153,638,784</b>	<b>169,093,923</b>	97,937,922	184,035,480

## (18) Provision for asset impairment and loss

## 30 June 2020

	31 December 2019	Increase in the current period (unaudited)	Decrease in the current period (unaudited)			30 June 2020 (unaudited)
			Reversal	Write-off	Others (unaudited)	
Provision for bad debt of accounts receivable	185,971,013	378,369	(4,451)	(121,580)	1,710	186,225,061
Including: Provision for bad debt recognised individually	26,251,710	-	-	-	-	26,251,710
Provision for bad debt recognised on grouping basis	159,719,303	378,369	(4,451)	(121,580)	1,710	159,973,351
Provision for bad debt of other receivables	73,364,846	201,338	(1,030,985)	-	-	72,535,199
Provision for bad debt of other current asset	228,257	-	(55,623)	-	-	172,634
Subtotal	259,564,116	579,707	(1,091,059)	(121,580)	1,710	258,932,894
Provision for impairment of inventory	3,538,702	-	-	-	-	3,538,702
Provision for impairment of long-term investment	1,220,000	-	-	-	-	1,220,000
Provision for impairment of investment properties	2,349,349	-	-	-	(643,125)	1,706,224
Provision for impairment of fixed assets	469,369,758	1,538,581	-	(30,322,197)	303,028	440,889,170
Provision for impairment of goodwill	197,410,739	-	-	-	-	197,410,739
Subtotal	673,888,548	1,538,581	-	(30,322,197)	(340,097)	644,764,835
	<u>933,452,664</u>	<u>2,118,288</u>	<u>(1,091,059)</u>	<u>(30,443,777)</u>	<u>(338,387)</u>	<u>903,697,729</u>

## 31 December 2019

	31 December 2018	Increase in the current year	Decrease in the current year			31 December 2019
			Reversal	Write-off	Others	
Provision for bad debt of accounts receivable	191,061,189	41,756	(5,116,804)	(16,264)	1,136	185,971,013
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	41,756	(4,616,804)	(16,264)	1,136	159,719,303
Provision for bad debt of other receivables	77,142,452	377,983	(2,466,905)	(1,688,684)	-	73,364,846
Provision for bad debt of other current asset	155,498	228,257	(155,498)	-	-	228,257
Subtotal	268,359,139	647,996	(7,739,207)	(1,704,948)	1,136	259,564,116
Provisions for impairment of inventory	7,304,055	-	(288,110)	(3,477,243)	-	3,538,702
Provisions for impairment of long-term investment	1,220,000	-	-	-	-	1,220,000
Provisions for impairment of investment properties	1,578,536	-	-	-	770,813	2,349,349
Provisions for impairment of fixed assets	434,501,719	121,339,530	-	(82,263,982)	(4,207,509)	469,369,758
Provisions for impairment of goodwill	197,410,739	-	-	-	-	197,410,739
Subtotal	642,015,049	121,339,530	(288,110)	(85,741,225)	(3,436,696)	673,888,548
	<u>910,374,188</u>	<u>121,987,526</u>	<u>(8,027,317)</u>	<u>(87,446,173)</u>	<u>(3,435,560)</u>	<u>933,452,664</u>

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

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

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Prepayments for construction and equipment	<u><b>119,000,441</b></u>	<u>72,852,914</u>

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

	Currency	<b>30 June 2020 (unaudited)</b>	31 December 2019
Unsecured loan (i)	HKD	<u><b>274,020,000</b></u>	<u>268,740,000</u>
Interest payable	HKD	<u><b>1,625,686</b></u>	<u>2,166,631</u>
		<u><b>275,645,686</b></u>	<u>270,906,631</u>

- (i) As at 30 June 2020, short-term loan represents the borrowing from China Construction Bank (Asia) Co., Ltd., with RMB274,020,000 (Original foreign currency: HKD300,000,000) to Hong Kong Company, a subsidiary of the Company (As at 31 December 2019: the borrowing from Bank of China Co. Ltd., with RMB268,740,000 (Original foreign currency: HKD300,000,000)).

As at 30 June 2020, the interest rate of short-term borrowings is 2.67% (31 December 2019: 3.50%).

##### (21) Notes payable

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Trade acceptance notes	<u><b>48,815,299</b></u>	<u>100,758,461</u>
Bank acceptance notes	<u><b>219,247,718</b></u>	<u>120,066,862</u>
	<u><b>268,063,017</b></u>	<u>220,825,323</u>

Other cash balances of 4,950,000 (31 December 2019: 6,630,000) are pledged as collateral for the bank acceptance notes of the Group (Note 4(1)(iii)).

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

##### (22) Accounts payable

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Payable for materials purchase	<b>3,225,577,294</b>	2,013,364,203
Payable for beer purchase due to related parties <i>(Note 7(5))</i>	<b>153,203,765</b>	102,848,774
Payable for promotional goods	<b>123,330,816</b>	42,206,864
Others	<b>6,218,274</b>	8,758,340
	<b><u>3,508,330,149</u></b>	<u>2,167,178,181</u>

(i) As at 30 June 2020, accounts payable over 1 year with carrying amount of 12,798,554 (31 December 2019: 14,011,253) are mainly payables for materials purchase, for which has not yet been completed.

(ii) The ageing of accounts payable based on their recording dates is analysed below:

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Within 1 year	<b>3,495,531,595</b>	2,153,166,928
1 to 2 years	<b>3,950,197</b>	4,998,759
2 to 3 years	<b>2,071,821</b>	2,245,977
Over 3 years	<b>6,776,536</b>	6,766,517
	<b><u>3,508,330,149</u></b>	<u>2,167,178,181</u>

##### (23) Contract liabilities

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Dealer contract liabilities	<b><u>4,910,305,764</u></b>	<u>6,275,719,703</u>

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

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

##### (24) Employee benefits payable

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Short-term employee benefits (a)	<b>1,221,229,813</b>	1,160,930,670
Defined contribution plans (b)	<b>22,161,292</b>	23,671,162
Termination benefits (c)	<b>248,208,273</b>	250,713,615
Supplemental retirement benefits (Note 4(32))	<b>18,326,018</b>	22,959,425
Other retirement benefits (Note 4(32))	<b>390,914</b>	390,914
	<b><u>1,510,316,310</u></b>	<b><u>1,458,665,786</u></b>

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

###### 30 June 2020

	31 December 2019	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	<b>30 June 2020 (unaudited)</b>
Wages and salaries, bonus, allowances and subsidies	807,442,369	1,555,004,099	(1,517,897,155)	<b>844,549,313</b>
Staff welfare	1,036,893	111,009,443	(110,949,561)	<b>1,096,775</b>
Social security contributions	10,672,749	88,351,179	(87,917,613)	<b>11,106,315</b>
Including: Medical insurance	7,264,574	82,805,445	(82,377,715)	<b>7,692,304</b>
Work injury insurance	1,700,401	2,242,827	(2,271,785)	<b>1,671,443</b>
Maternity insurance	1,707,774	3,302,907	(3,268,113)	<b>1,742,568</b>
Housing funds	16,850,657	137,500,938	(136,373,522)	<b>17,978,073</b>
Labour union funds and employee education funds	<u>324,928,002</u>	<u>55,279,712</u>	<u>(33,708,377)</u>	<b><u>346,499,337</u></b>
	<b><u>1,160,930,670</u></b>	<b><u>1,947,145,371</u></b>	<b><u>(1,886,846,228)</u></b>	<b><u>1,221,229,813</u></b>

###### 31 December 2019

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Wages and salaries, bonus, allowances and subsidies	703,999,357	3,447,969,313	(3,344,526,301)	807,442,369
Staff welfare	871,037	280,558,162	(280,392,306)	1,036,893
Social security contributions	12,725,361	255,081,357	(257,133,969)	10,672,749
Including: Medical insurance	9,160,085	218,244,711	(220,140,222)	7,264,574
Work injury insurance	1,765,883	11,491,750	(11,557,232)	1,700,401
Maternity insurance	1,799,393	25,344,896	(25,436,515)	1,707,774
Housing funds	16,948,486	266,156,357	(266,254,186)	16,850,657
Labour union funds and employee education funds	<u>299,137,024</u>	<u>121,150,090</u>	<u>(95,359,112)</u>	<b><u>324,928,002</u></b>
	<b><u>1,033,681,265</u></b>	<b><u>4,370,915,279</u></b>	<b><u>(4,243,665,874)</u></b>	<b><u>1,160,930,670</u></b>

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

(24) Employee benefits payable (Cont'd)

(b) *Defined contribution plans*

30 June 2020

	31 December 2019	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2020 (unaudited)
Basic pension	19,261,897	81,069,811	(82,251,215)	<b>18,080,493</b>
Unemployment insurance	4,409,265	2,978,098	(3,306,564)	<b>4,080,799</b>
	<u>23,671,162</u>	<u>84,047,909</u>	<u>(85,557,779)</u>	<u><b>22,161,292</b></u>

31 December 2019

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Basic pension	21,020,996	448,615,915	(450,375,014)	19,261,897
Unemployment insurance	4,469,431	16,747,851	(16,808,017)	4,409,265
	<u>25,490,427</u>	<u>465,363,766</u>	<u>(467,183,031)</u>	<u>23,671,162</u>

(c) *Termination benefits*

	30 June 2020 (unaudited)	31 December 2019
Early retirement benefits (Note 4(32))	<b>127,219,638</b>	123,371,385
Other termination benefits (i)	<b>120,988,635</b>	127,342,230
	<u><b>248,208,273</b></u>	<u>250,713,615</u>

(i) For the six months ended 30 June 2020, the Group has paid other termination benefit of 11,069,869 due to termination of labor relationship.

(d) *Defined benefit plan*

	30 June 2020 (unaudited)	31 December 2019
Supplementary retirement benefits (Note 4(32))	<b>18,326,018</b>	22,959,425



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

##### (25) Taxes payable

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Enterprise income tax payable	501,907,069	211,357,396
Unpaid VAT	294,862,854	87,811,500
Consumption tax payable (i)	279,048,560	148,495,951
City maintenance and construction tax payable	34,321,884	10,016,179
Education surcharge payable	26,217,737	8,377,748
Others	48,677,930	46,999,386
	<b><u>1,185,036,034</u></b>	<b><u>513,058,160</u></b>

- (i) As at 30 June 2020, the Company's individual subsidiaries have accumulated outstanding consumption tax balances from previous years amounting to approximately RMB41,883,000, and the local tax authorities have not yet required these subsidiaries to pay.

##### (26) Other payables

	<b>30 June 2019 (unaudited)</b>	31 December 2019
Accruals for transportation expenses	940,561,443	319,194,913
Guarantee deposits	795,110,010	752,125,817
Payables for equipments and engineering construction	552,595,046	379,395,052
Accruals for advertising expenses	378,994,098	285,777,281
Dividends payable	362,060,942	-
Accruals for labour expenses	132,202,702	73,671,439
Compensation collected in advance for demolition project	106,216,173	106,216,173
Accruals for water, electricity and steam expenses	74,566,409	52,268,924
Accruals for general and administrative expenses	59,893,301	43,722,276
Withholding social expenses for staff	12,959,149	12,241,556
Absorbed deposits from related parties by Finance Company (i)	870,471	19,566,363
Others	446,098,930	380,677,707
	<b><u>3,862,128,674</u></b>	<b><u>2,424,857,501</u></b>

- (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 2020, other payables over 1 year with carrying amount of 549,187,882 (31 December 2019: 433,135,935) are mainly liabilities due to acquisition of subsidiaries and payables for equipment and engineering construction.

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

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

	<b>30 June 2019 (unaudited)</b>	31 December 2019
Current portion of long-term borrowings (note 4(28))	<b>427,400</b>	418,360
Current portion of lease liabilities (note 4(29))	<b>33,639,134</b>	21,789,665
	<b><u>34,066,534</u></b>	<b><u>22,208,025</u></b>

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

	Currency	<b>30 June 2020 (unaudited)</b>	31 December 2019
Guaranteed	DKK	<b>427,400</b>	627,540
<i>Less: Current portion of guaranteed Borrowing (Note 4(27))</i>		<b>(427,400)</b>	(418,360)
		<b><u>-</u></b>	<b><u>209,180</u></b>

As at 30 June 2020, bank guaranteed borrowing of RMB427,400 (Original foreign currency: DKK400,000) (31 December 2019: RMB627,540 (Original foreign currency: DKK600,000)), 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 427,400 (31 December 2019: 418,360).

As at 30 June 2020 and 31 December 2019, the long-term borrowings are interest-free borrowings.

##### (29) Lease liabilities

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Lease liabilities	<b>110,011,234</b>	59,261,550
<i>Less: Current portion of lease liabilities (Note 4(27))</i>	<b>(33,639,134)</b>	(21,789,665)
	<b><u>76,372,100</u></b>	<b><u>37,471,885</u></b>

As at 30 June 2020, the Group has no liabilities that will lead to potential cash outflow at the end of the term.

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

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

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Payables for specific projects	<b><u>400,853,759</u></b>	<b><u>372,579,660</u></b>

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

###### 30 June 2020

	31 December 2019	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	<b>30 June 2020 (unaudited)</b>	Reason
Government grants	<u>2,519,926,935</u>	<u>221,275,719</u>	<u>(155,533,464)</u>	<b><u>2,585,669,190</u></b>	Grants for relocation and technology improvement projects

	31 December 2019	Increase in the current period (unaudited)	Charged to other income in the current period (unaudited)	Charged to gains on disposals of assets in the current period (unaudited)	<b>30 June 2020 (unaudited)</b>	Related to assets/income
Government grants items						

###### Relocation projects

Malt Factory relocation project	393,639,710	-	(12,823,881)	-	<b>380,815,829</b>	Assets
Xi'an Company relocation project	176,686,902	35,606,382	(1,988,992)	-	<b>210,304,292</b>	Assets
Dezhou Company relocation project	98,699,600	67,568,249	(4,746,346)	-	<b>161,521,503</b>	Assets/Income
Tengzhou Company relocation project	150,441,211	-	(5,329,158)	-	<b>145,112,053</b>	Assets
Suizhou Company relocation project	149,099,992	-	(5,732,694)	-	<b>143,367,298</b>	Assets
Wuwei Company relocation project	134,427,971	-	(5,387,411)	-	<b>129,040,560</b>	Assets
Weinan Company relocation project	132,885,544	-	(5,815,940)	-	<b>127,069,604</b>	Assets
Heze Company relocation project	129,770,199	-	(5,565,837)	-	<b>124,204,362</b>	Assets
Rizhao Company relocation project	126,703,263	-	(5,233,635)	-	<b>121,469,628</b>	Assets
Suqian Company relocation project	116,180,374	-	(4,775,140)	-	<b>111,405,234</b>	Assets
Gansu Nongken Company relocation project	109,197,434	-	(5,816,997)	-	<b>103,380,437</b>	Assets
Zhuhai Company relocation project	105,598,119	-	(5,314,838)	-	<b>100,283,281</b>	Assets
Xingkaihu Company relocation project	101,721,776	33,000	(3,245,627)	-	<b>98,509,149</b>	Assets/Income
Yangzhou Company relocation project	97,172,162	-	(4,852,847)	-	<b>92,319,315</b>	Assets

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

(31) Deferred income (Cont'd)

30 June 2020 (Cont'd)

Government grants items	31 December 2019	Increase in the current period (unaudited)	Charged to other income in the current period (unaudited)	Charged to gains on disposals of assets in the current period (unaudited)	30 June 2020 (unaudited)	Related to assets/income
<b>Relocation projects</b>						
Fuzhou Company relocation project	86,040,544	-	(5,657,465)	-	80,383,079	Assets
Hansi Baoji Company relocation project	49,193,675	-	(3,387,343)	-	45,806,332	Assets
Harbin Company relocation project	47,637,650	-	(3,134,616)	-	44,503,034	Assets
Langfang Company relocation project	41,630,253	1,505,914	(584,050)	-	42,552,117	Assets
No. 3 Factory relocation project	7,960,479	-	(1,705,817)	-	6,254,662	Assets
Pengcheng Company relocation project	6,623,098	-	(1,671,396)	-	4,951,702	Income
<b>Technology improvement projects</b>						
Technology improvement projects of Maan shan Company	-	20,000,000	(120,024)	-	19,879,976	Assets
Technology improvement projects of Shouguang Company	7,246,624	-	(289,866)	-	6,956,758	Assets
Technology improvement projects of Luzhou Company	6,834,645	-	(562,357)	-	6,272,288	Assets
Technology improvement projects of Five Star Company	6,259,274	-	(322,154)	(214,143)	5,722,977	Assets
Technology improvement projects of Three Ring Company	5,600,000	-	(280,000)	-	5,320,000	Assets
<b>Other projects</b>	<u>232,676,436</u>	<u>96,562,174</u>	<u>(60,575,234)</u>	<u>(399,656)</u>	<u>268,263,720</u>	
	<u>2,519,926,935</u>	<u>221,275,719</u>	<u>(154,919,665)</u>	<u>(613,799)</u>	<u>2,585,669,190</u>	

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

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

31 December 2019

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019	Reason	
Government grants	<u>2,343,747,145</u>	<u>542,738,567</u>	<u>(366,558,777)</u>	<u>2,519,926,935</u>	Grants for relocation and technology improvement projects	
Government grants items	31 December 2018	Increase in the current year	Charged to other income in the current year	Charged to gains on disposals of assets in the current year	31 December 2019	Related to assets/income
<b>Relocation projects</b>						
Malt Factory relocation project	408,842,128	10,228,702	(25,431,120)	-	393,639,710	Assets
Xi'an Company relocation project	-	178,577,533	(1,890,631)	-	176,686,902	Assets
Tengzhou Company relocation project	161,122,724	-	(10,656,013)	(25,500)	150,441,211	Assets
Suizhou Company relocation project	150,824,841	10,044,878	(11,769,727)	-	149,099,992	Assets
Wuwei Company relocation project	145,327,766	-	(10,899,795)	-	134,427,971	Assets
Weinan Company relocation project	80,843,472	73,300,721	(21,258,649)	-	132,885,544	Assets
Heze Company relocation project	96,418,152	43,440,000	(10,087,953)	-	129,770,199	Assets
Rizhao Company relocation project	137,399,968	-	(10,696,705)	-	126,703,263	Assets
Suqian Company relocation project	126,117,012	-	(9,936,638)	-	116,180,374	Assets
Gansu Nongken Company relocation project	121,126,737	-	(11,929,303)	-	109,197,434	Assets
Zhuhai Company relocation project	126,494,059	-	(12,145,399)	(8,750,541)	105,598,119	Assets
Xingkaihu Company relocation project	108,147,567	92,333	(6,518,124)	-	101,721,776	Assets/Income
Dezhou Company relocation project	17,609,154	83,954,612	(2,864,166)	-	98,699,600	Assets/Income
Yangzhou Company relocation project	107,379,254	-	(10,207,092)	-	97,172,162	Assets
Fuzhou Company relocation project	99,814,183	-	(12,792,086)	(981,553)	86,040,544	Assets
Hansi Baoji Company relocation project	56,374,777	-	(7,181,102)	-	49,193,675	Assets
Harbin Company relocation project	54,089,410	-	(6,451,760)	-	47,637,650	Assets
Langfang Company relocation project	42,621,044	29,470,430	(30,461,221)	-	41,630,253	Assets/Income
No. 3 Factory relocation project	11,372,112	-	(3,411,633)	-	7,960,479	Assets
Pengcheng Company relocation project	10,059,872	-	(3,436,774)	-	6,623,098	Assets

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

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

31 December 2019 (Cont'd)

Government grants items	31 December 2018	Increase in the current year	Charged to other income in the current year	Charged to gains on disposals of assets in the current year	31 December 2019	Related to assets/income
<b>Technology improvement projects</b>						
Technology improvement projects of Shouguang Company	6,171,429	1,573,200	(498,005)	-	7,246,624	Assets
Technology improvement projects of Luzhou Company	8,404,719	-	(1,172,432)	(397,642)	6,834,645	Assets
Technology improvement projects of Five Star Company	10,720,000	-	(1,024,286)	(3,436,440)	6,259,274	Assets
Technology improvement projects of Three Ring Company	6,160,000	-	(560,000)	-	5,600,000	Assets
<b>Other projects</b>	<u>250,306,765</u>	<u>112,056,158</u>	<u>(129,235,540)</u>	<u>(450,947)</u>	<u>232,676,436</u>	
	<u>2,343,747,145</u>	<u>542,738,567</u>	<u>(352,516,154)</u>	<u>(14,042,623)</u>	<u>2,519,926,935</u>	

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

	<b>30 June 2020</b> <b>(unaudited)</b>	31 December 2019
Early retirement benefits (a)	<b>599,043,755</b>	646,095,319
Supplemental retirement benefits (b)	<b>350,380,481</b>	340,479,962
Other retirement benefits (c)	<b>91,155,000</b>	91,155,000
	<b><u>1,040,579,236</u></b>	<u>1,077,730,281</u>
<i>Less:</i> Early retirement benefits within one year	<b>(127,219,638)</b>	(123,371,385)
Supplemental retirement benefits within one year	<b>(18,326,018)</b>	(22,959,425)
Other retirement benefits within one year	<b>(390,914)</b>	(390,914)
	<b><u>(145,936,570)</u></b>	<u>(146,721,724)</u>
	<b><u>894,642,666</u></b>	<u>931,008,557</u>

The above-mentioned benefits to be paid within one year are represented in employee benefits payable.

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

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

###### (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 2020 (unaudited)</b>	31 December 2019
Discount rate (yield-to-maturity of the government bond with the same term)	<b>2.18% – 2.82%</b>	2.36% – 3.11%
Early retirement benefits charged to profit or loss for the current period:		
	<b>Six months ended 30 June 2020 (unaudited)</b>	Six months ended 30 June 2019 (unaudited)
General and administrative expenses	<b>(6,334,092)</b>	5,607,586
Finance expenses	<b>3,399,204</b>	4,591,640

###### (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. Such defined benefit obligations were calculated by external independent actuary according to the projected unit credit method.

(i) Supplemental retirement benefits obligations of the Group:

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Defined benefit obligations	<b>350,380,481</b>	340,479,962
Less: Fair value of plan assets	<u>-</u>	<u>-</u>
Defined benefit liabilities	<b><u>350,380,481</u></b>	<b><u>340,479,962</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)

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

	<b>Present value of the defined benefit obligation</b>
As at 1 January 2020	340,479,962
Amount charged to profit or loss in the current period (unaudited)	
— Service cost	14,659,989
— Interest expense on the net defined benefit obligations	5,362,165
Payment (unaudited)	<u>(10,121,635)</u>
<b>As at 30 June 2020 (unaudited)</b>	<b><u>350,380,481</u></b>
	Present value of the defined benefit obligation
As at 1 January 2019	325,266,898
Amount charged to profit or loss in the current year	
— Service cost	25,694,999
— Interest expense on the net defined benefit obligations	10,255,000
Re-measurement amount	
— Actuarial loss (Note 4(35))	(907,000)
Payment	<u>(19,829,935)</u>
As at 31 December 2019	<b><u>340,479,962</u></b>

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

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Discount rate	<b>3.25%</b>	3.25%

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



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

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

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

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease 2.76%	Increase 2.89%

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 2019: nil).
- (vi) The weighted average duration of the defined benefit obligations is 11.3 years (31 December 2019: 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.

###### (c) Other retirement benefits

According to relevant guidance, other retirement benefits are the benefits that are accrued by the Group this year for the employees who will retire in future years that meet certain conditions.

##### (33) Share capital

	31 December 2019	Movements in the current period (unaudited)	30 June 2020 (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>

As at 30 June 2020, the Company has not received the subscription payment related to the issuance of restricted stock and has not completed registration and other capital increase procedures as stated in Note 11, so the share capital of the Company has not been changed.

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

(33) Share capital (Cont'd)

	31 December 2018	Movements in the current year	31 December 2019
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 2019	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2020 (unaudited)
Share premium (i)	3,356,662,970	-	(173,521,060)	3,183,141,910
Other capital surplus —	87,654,485	41,468	-	87,695,953
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(10,196,463)	5,910	-	(10,190,553)
Transfer from capital surplus recognised under the previous accounting system	93,338,214	-	-	93,338,214
Others	4,512,734	35,558	-	4,548,292
	<u>3,444,317,455</u>	<u>41,468</u>	<u>(173,521,060)</u>	<u>3,270,837,863</u>

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Share premium	3,356,662,970	-	-	3,356,662,970
Other capital surplus —	87,523,342	131,143	-	87,654,485
Share of changes of equity other than comprehensive income and profits distribution of investees accounted for using the equity method	(10,204,646)	8,183	-	(10,196,463)
Transfer from capital surplus recognised under the previous accounting system	93,338,214	-	-	93,338,214
Others	4,389,774	122,960	-	4,512,734
	<u>3,444,186,312</u>	<u>131,143</u>	<u>-</u>	<u>3,444,317,455</u>

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

##### (34) Capital surplus (Cont'd)

- (i) On 22 November 2019, the Company signed an equity transfer agreement with Shandong Huashi Beer Co., Ltd. (“Huashi Beer”) to transfer 35% of the minority equity of Shandong Lulansa Beer Co., Ltd. (“Lulansa Company”), a subsidiary of the Company, held by Huashi Beer. The equity transaction was completed on 30 June 2020, and the Company’s shareholding ratio in Lulansa Company increased from 55% to 90%. The capital surplus shall be adjusted according to the difference between the newly increased long-term equity investment and the net assets continuously calculated from the merger date with the newly increased shareholding ratio. The details are as follows:

Purchase cost — cash paid	241,818,181
<i>Less:</i> The shares of identifiable net assets of Lulansa Company continuously calculated from the merger date shall be determined according to the newly acquired 35% equity ratio	(68,297,121)
Adjustment of capital reserve	<u>173,521,060</u>

##### (35) Other comprehensive income

	Other comprehensive income in the balance sheet		Other comprehensive income in the income statement of six months ended 30 June 2020					
	31 December 2019	Attributable to shareholders of the Company, net of tax (unaudited)	30 June 2020 (unaudited)	The pre-tax amount in the current period (unaudited)	<i>Less:</i> Transfer out from which were recognised in other comprehensive income in the previous periods (unaudited)	<i>Less:</i> Income tax expense (unaudited)	Attributable to shareholders of the Company, net of tax (unaudited)	Attributable to 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	(49,361,000)	-	(49,361,000)	-	-	-	-	-
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	(657,778)	77,344	(580,434)	77,344	-	-	77,344	-
Currency translation differences	2,671,145	(3,131,062)	(459,917)	(3,131,062)	-	-	(3,131,062)	-
	<u>(47,347,633)</u>	<u>(3,053,718)</u>	<u>(50,401,351)</u>	<u>(3,053,718)</u>	<u>-</u>	<u>-</u>	<u>(3,053,718)</u>	<u>-</u>

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

##### (35) Other comprehensive income (Cont'd)

	Other comprehensive income in the balance sheet		Other comprehensive income in the income statement of six months ended 30 June 2019					
	31 December 2018	Attributable to shareholders of the Company, net of tax	31 December 2019	The pre-tax amount in the current period	Less: Transfer out from which were recognised in other comprehensive income in the previous periods	Less: Income tax expense	Attributable to shareholders of the Company, net of tax	Attributable to the non-controlling interests, net of tax
Items that will not be subsequently reclassified to profit or loss								
Changes arising from re-measurement of defined benefit plan liabilities	(50,268,000)	907,000	(49,361,000)	907,000	-	-	907,000	-
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)	9,413	(657,778)	9,413	-	-	9,413	-
Profits or loss from change in wealth management products	6,238,387	(3,567,242)	2,671,145	(3,567,242)	-	-	(3,567,242)	-
Currency translation differences	(44,696,804)	(2,650,829)	(47,347,633)	(2,650,829)	-	-	(2,650,829)	-

##### (36) Surplus Reserve

	31 December 2019	Appropriation in the current year (unaudited)	Decrease in the current year (unaudited)	30 June 2020 (unaudited)
Statutory surplus reserve	<u>1,400,704,380</u>	<u>-</u>	<u>-</u>	<u>1,400,704,380</u>
	31 December 2018	Appropriation in the current year	Decrease in the current year	31 December 2019
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.

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

##### (37) General reserve

	31 December 2019	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2020 (unaudited)
General reserve	234,715,680	-	-	234,715,680

  

	31 December 2018	Appropriation in the current year (unaudited)	Decrease in the current year (unaudited)	31 December 2019 (unaudited)
General reserve	199,512,331	35,203,349	-	234,715,680

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.

##### (38) Undistributed profits

	Six months ended 30 June 2020 (unaudited)	2019
Undistributed profits at the beginning of the period	12,788,210,357	11,619,782,072
Add: Net profit attributable to shareholders of the Company for the current period	1,854,983,102	1,852,103,376
Less: appropriated general reserve)	-	(35,203,349)
Ordinary shares dividend payable (a)	(743,040,537)	(648,471,742)
Undistributed profits at the end of the period	13,900,152,922	12,788,210,357

- (a) Pursuant to the resolution at the Annual General Meeting dated 8 June 2020, the Company approved a cash dividend of RMB0.55 per share (tax included) to the shareholders of the Company with RMB743,040,537, based on a total number of 1,350,982,795 shares (2019: 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 share).

For the six months ended 30 June 2020, the Company did not declare the distribution of interim dividends (for the six months end 30 June 2019:nil).

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

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Revenue from main operation (a)	15,569,515,965	16,406,304,740
Revenue from other operations (b)	<u>109,475,371</u>	<u>144,360,724</u>
	<u><b>15,678,991,336</b></u>	<u><b>16,550,665,464</b></u>
	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Cost of main operation (a)	(9,056,342,173)	(9,819,940,217)
Cost of other operations (b)	<u>(75,306,721)</u>	<u>(91,881,286)</u>
	<u><b>(9,131,648,894)</b></u>	<u><b>(9,911,821,503)</b></u>

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

	Six months ended 30 June 2020 (unaudited)		Six months ended 30 June 2019 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of beer, etc.	<u>15,569,515,965</u>	<u>(9,056,342,173)</u>	<u>16,406,304,740</u>	<u>(9,819,940,217)</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 2020 (unaudited)		Six months ended 30 June 2019 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sale of packaging materials	32,104,898	(16,162,094)	34,441,840	(21,784,669)
Transportation services	19,744,416	(24,868,515)	19,728,527	(24,770,420)
Sale of raw materials	6,090,699	(5,963,437)	9,014,315	(8,862,623)
Others	<u>51,535,358</u>	<u>(28,312,675)</u>	<u>81,176,042</u>	<u>(36,463,574)</u>
	<u><b>109,475,371</b></u>	<u><b>(75,306,721)</b></u>	<u><b>144,360,724</b></u>	<u><b>(91,881,286)</b></u>

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

##### (40) Taxes and surcharges

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)	Tax base
Consumption tax	891,833,533	981,826,288	Note 3
City maintenance and construction tax	134,417,803	146,345,742	Note 3
Education surcharges	101,551,781	109,791,245	Note 3
Land use tax	26,963,555	30,320,375	
Real estate tax	26,289,767	30,234,869	
Stamp duty	12,327,962	13,299,555	
Others	10,502,859	9,148,418	
	<u>1,203,887,260</u>	<u>1,320,966,492</u>	

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Handling and transportation expenses	1,154,819,231	1,175,437,089
Employee benefits expenses	906,330,207	991,664,439
Advertising related expenses	434,432,527	501,522,714
Administrative expenses	76,891,542	91,285,087
Depreciation and amortisation charges	56,203,797	56,412,696
Services charges	54,927,719	53,075,931
Material consumptions	32,154,755	33,247,980
Other expenses	149,694,724	86,742,391
	<u>2,865,454,502</u>	<u>2,989,388,327</u>

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Employee benefits expenses	274,395,886	360,984,988
Depreciation and amortisation charges	103,765,498	99,031,677
Administrative expenses	28,997,017	41,639,323
Agency fees	22,056,564	14,252,658
Repair expenses	12,875,427	13,355,469
Handling and transportation expenses	3,986,501	3,421,344
Insurance expenses	3,985,813	3,950,440
Material consumptions	3,153,174	5,444,198
Other expenses	49,794,828	48,547,704
	<u>503,010,708</u>	<u>590,627,801</u>

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

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Employee benefits expenses	4,333,559	5,427,664
Depreciation charges	1,173,159	1,253,146
Material consumption	335,573	641,126
Other expenses	847,227	606,203
	<u>6,689,518</u>	<u>7,928,139</u>

##### (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 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Raw materials, packaging materials and consumables used	6,135,661,953	6,791,756,840
Employee benefits expenses	2,044,235,452	2,376,212,051
Handling and transportation expenses	1,242,593,037	1,268,505,634
Changes in inventories of finished goods and work in progress	769,101,933	588,786,084
Depreciation and amortisation charges	563,023,629	563,008,704
Finished goods purchased from outside	542,941,953	632,250,473
Advertising related expenses	434,432,527	501,522,714
Repair expenses	142,729,722	158,490,026
Service charges	122,261,352	146,099,752
Amortisation expenses of packaging materials	108,946,546	119,520,228
Administrative expenses	107,988,036	136,798,205
Other expenses	292,887,482	216,815,059
	<u>12,506,803,622</u>	<u>13,499,765,770</u>

##### (45) Finance expenses

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Interest expense	8,490,374	6,594,455
Less: Interest income	(251,335,596)	(253,227,854)
Exchange gains	(5,494,778)	(850,561)
Discounting impact of the long-term employee benefits payable	8,761,369	9,718,307
Interest expense on lease liabilities	2,032,223	1,056,912
Others	1,433,058	1,586,761
	<u>(236,113,350)</u>	<u>(235,121,980)</u>



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

##### (46) Credit impairment losses

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Losses/(Reversals) of bad debts of accounts receivable	373,918	(505,952)
Reversals of bad debts of other receivables	(829,647)	(1,325,038)
Reversals of bad debts of other current assets	(55,623)	(69,131)
	<u>(511,352)</u>	<u>(1,900,121)</u>

##### (47) Asset impairment losses

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Impairment losses of fixed assets	1,538,581	1,547,653
Impairment reversals of inventories	-	(288,110)
	<u>1,538,581</u>	<u>1,259,543</u>

##### (48) Other incomes

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)	Related to assets/income
Grant for relocation projects	92,770,029	112,177,451	Assets/Income
Grant for company development	202,670,399	147,445,111	Assets/Income
Grant for technology improvement projects	1,574,401	1,739,923	Assets
Grant for other production and operation	33,260,639	51,937,833	Assets/Income
	<u>330,275,468</u>	<u>313,300,318</u>	

##### (49) Investment income

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Investment income from long-term equity investments accounted for using the equity method	16,497,374	19,265,218
Fund investment income	3,928,423	569,795
Others	1,532,566	756,385
	<u>21,958,363</u>	<u>20,591,398</u>

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

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

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Financial assets at fair value through profit or loss		
Wealth management products	29,687,419	30,952,822
Fund investment	<u>(1,903,905)</u>	<u>70,655</u>
	<u>27,783,514</u>	<u>31,023,477</u>

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Losses on disposal of fixed assets	(11,460,555)	(21,948,784)
Gains from disposal of intangible assets	<u>3,452,937</u>	<u>-</u>
	<u>(8,007,618)</u>	<u>(21,948,784)</u>

For the six months ended 30 June 2020, all gains and losses on asset disposal have been regarded as non-recurring profit or loss in the current period.

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Gains on unpaid debts	1,577,301	12,912,331
Penalty gains	4,986	836,499
Others	<u>4,841,407</u>	<u>1,726,042</u>
	<u>6,423,694</u>	<u>15,474,872</u>

For the six months ended 30 June 2020, all non-operating income has been regarded as non-recurring profit or loss in the current period.

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

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Donations	13,328,950	306,699
Compensations, defaults and overdue fines	9,863,237	636,136
Others	477,985	975,757
	<u>23,670,172</u>	<u>1,918,592</u>

For the six months ended 30 June 2020, all non-operating expenses have been regarded as non-recurring profit or loss in the current period.

##### (54) Income tax expense

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	849,619,347	854,947,080
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	-	1,199,731
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	272,547	519,074
Deferred income tax	<u>(231,188,895)</u>	<u>(259,988,220)</u>
	<u>618,702,999</u>	<u>596,677,665</u>

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Total profit	<u>2,558,149,824</u>	<u>2,322,218,449</u>
Income tax expense calculated at applicable tax rates	638,808,101	579,376,595
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	22,063,376	13,713,463
Income not subject to tax	<u>(10,013,778)</u>	<u>(10,551,685)</u>
Impact of utilisation of deductible tax losses and temporary differences from previously unrecognised deferred tax assets	<u>(60,650,242)</u>	<u>(54,640,876)</u>
Deductible temporary differences of currently unrecognised deferred tax assets	7,782,065	14,590,218
Deductible tax losses of currently unrecognised deferred tax assets	<u>20,713,477</u>	<u>54,189,950</u>
Income tax expense	<u>618,702,999</u>	<u>596,677,665</u>

#### 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 2020 (unaudited)</b>	Six months ended 30 June 2019 (unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	<b>1,854,983,102</b>	1,630,516,036
Weighted average numbers of ordinary shares outstanding (Note 4(33))	<b>1,350,982,795</b>	1,350,982,795
Basic earnings per share	<b><u>1.373</u></b>	<u>1.207</u>
Including:		
— Basic earnings per share from continuing operations	<b>1.373</b>	1.207

###### (b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding. As there were no dilutive potential ordinary shares for six months ended 30 June 2020 (For six months ended 30 June 2019: 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 2020 (unaudited)</b>	Six months ended 30 June 2019 (unaudited)
Government grants	<b>386,399,689</b>	341,274,264
Guarantee deposits	<b>274,957,163</b>	331,760,781
Others	<b>40,664,880</b>	75,359,867
	<b><u>702,021,732</u></b>	<u>748,394,912</u>

#### 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 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Handling and transportation expenses	647,628,189	640,431,186
Advertising related expenses	359,960,947	343,692,160
Marketing and promotion expenses	335,010,114	400,867,076
Guarantee deposits	149,275,269	155,327,980
Administrative expenses	105,946,296	128,614,400
Others	168,269,733	105,976,171
	<u>1,766,090,548</u>	<u>1,774,908,973</u>

###### (c) Cash received relating to other investing activities

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Interest income of Finance Company's deposits	172,143,768	194,673,475
Bidding deposits and others received	12,786,864	10,430,910
Deposit reserve withdrew by Finance Company	-	195,330,000
	<u>184,930,632</u>	<u>400,434,385</u>

###### (d) Cash paid relating to other investing activities

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Deposit reserve paid by Finance Company	81,160,000	-
Bidding deposits and others paid	11,480,185	9,122,809
	<u>92,640,185</u>	<u>9,122,809</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 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Purchase of minority equity	241,818,181	-
Repayment of lease liabilities	<u>15,915,551</u>	<u>9,571,268</u>
	<u><b>257,733,732</b></u>	<u><b>9,571,268</b></u>

For the six months ended 30 June 2020, total cash outflows related to lease paid by the Group is 59,908,213. 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 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Net profit	1,939,446,825	1,725,540,784
Add: Provision for asset impairment	1,538,581	1,259,543
Reversal for credit impairment	(511,352)	(1,900,121)
Depreciation of right-of-use assets	16,295,306	10,104,434
Depreciation of fixed assets and investment properties	442,534,902	441,972,457
Amortisation of intangible assets	101,963,309	106,217,122
Amortisation of long-term prepaid expenses	6,881,785	8,307,475
Losses on disposal of fixed assets and intangible assets	8,007,618	21,948,784
Profit arising from changes in fair value	(27,783,514)	(31,023,477)
Financial expenses	(141,390,270)	(184,191,532)
Investment income	(21,958,363)	(20,591,398)
Increase in deferred tax assets	(216,247,338)	(254,464,582)
Amortisation of deferred income	(154,919,665)	(208,501,265)
Decrease in deferred tax liabilities	(14,941,557)	(5,523,638)
Decrease in inventories	864,013,024	661,811,762
Decrease in operating receivables	260,382,724	107,894,936
Increase in operating payables	<u>1,901,184,885</u>	<u>1,439,206,827</u>
Net cash flows from operating activities	<u><b>4,964,496,900</b></u>	<u><b>3,818,068,111</b></u>

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 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Cash and cash equivalents at end of the period	18,065,659,709	15,647,654,378
Less: Cash and cash equivalents at beginning of the period	(14,557,393,355)	(11,653,288,328)
Net increase in cash and cash equivalents	<u>3,508,266,354</u>	<u>3,994,366,050</u>

(b) Cash and cash equivalents

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Cash and cash equivalents (Note 4(1))	18,065,659,709	15,647,654,378
Including: Cash on hand	220,660	296,521
Cash at bank that can be readily drawn on demand	18,059,991,665	15,645,446,395
Cash at non-financial institutions that can be readily drawn on demand	5,447,384	1,911,462
Cash and cash equivalents at end of the period	<u>18,065,659,709</u>	<u>15,647,654,378</u>

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

## (58) Foreign currency items

	Six months ended 30 June 2020 (unaudited)		
	Balance in foreign currency	Currency exchange rate	Balance in RMB
Cash at bank and cash on hand —			
USD	29,635,678	7.0795	209,805,782
EUR	8,414,251	7.9610	66,985,852
HKD	58,791,212	0.9134	53,699,893
MOP	44,519,237	0.8870	39,488,563
			<u>369,980,090</u>
Accounts receivable —			
HKD	35,825,259	0.9134	32,722,792
USD	4,421,224	7.0795	31,300,055
MOP	6,571,202	0.8870	5,828,656
EUR	337,760	7.9610	2,688,907
CAD	270,596	5.1843	1,402,851
GBP	132,224	8.7144	1,152,253
			<u>75,095,514</u>
Other receivables —			
HKD	1,384,456	0.9134	1,264,562
MOP	341,053	0.8870	302,514
			<u>1,567,076</u>
Short-term borrowings —			
HKD	300,000,000	0.9134	274,020,000
Other payables —			
USD	482,705	7.0795	3,417,310
MOP	3,288,040	0.8870	2,916,491
HKD	2,019,265	0.9134	1,844,397
			<u>8,178,198</u>
Current portion of non-current liabilities —			
DKK	400,000	1.0685	427,400

Foreign currency monetary item mentioned above refers to all currencies other than RMB (the scope is different from the foreign currency items in Note 10(1)(a)).



## 5. INTERESTS IN OTHER ENTITIES

### (1) Interests in subsidiaries

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

Name	Place of operation	Place of incorporation	Principal activities	Registered capital	Share proportion		Acquisition method
					Directly	Indirectly	
Shenzhen Tsingtao Brewery Huanan Holding Co., Ltd. ("Huanan Holding Company")	Shenzhen, the PRC	Shenzhen, the PRC	Financing	200,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Zhuhai) Co., Ltd. ("Zhuhai Company")	Zhuhai, the PRC	Zhuhai, the PRC	Manufacturing	60,000,000	-	100%	Establishment or investment
Tsingtao Brewery (Huangshi) Co., Ltd. ("Huangshi Company")	Huangshi, the PRC	Huangshi, the PRC	Manufacturing	168,630,000	97.18%	2.82%	Establishment or investment
Tsingtao Brewery (Yingcheng) Co., Ltd. ("Yingcheng Company")	Yingcheng, the PRC	Yingcheng, the PRC	Manufacturing	47,070,000	89.91%	10.09%	Establishment or investment
Shenzhen Huanan Tsingtao Brewery Sales Co., Ltd. ("Huanan Sales Company")	Guangdong, the PRC	Shenzhen, the PRC	Wholesale and retail sale	20,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Changsha) Co., Ltd. ("Changsha Company")	Changsha, the PRC	Changsha, the PRC	Manufacturing	68,000,000	70%	30%	Establishment or investment
Shanghai Tsingtao Brewery Huadong (Holding) Co., Ltd. ("Huadong Holding Company")	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	100,000,000	100%	-	Establishment or investment
Tsingtao Brewery Huadong Shanghai Sales Co., Ltd. ("Shanghai Sales Company")	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	100,300,000	97.01%	2.99%	Establishment or investment
Nanjing Tsingtao Brewery Huadong Sales Co., Ltd.	Jiangsu, the PRC	Nanjing, the PRC	Wholesale and retail sale	1,000,000	-	100%	Establishment or investment
Tsingtao Brewery (Wuhu) Co., Ltd. ("Wuhu Company")	Wuhu, the PRC	Wuhu, the PRC	Manufacturing	314,290,000	94.27%	5.73%	Establishment or investment
Tsingtao Brewery (Maanshan) Co., Ltd. ("Maanshan Company")	Maanshan, the PRC	Maanshan, the PRC	Manufacturing	85,000,000	94.12%	5.58%	Establishment or investment
Tsingtao Brewery (Shouguang) Co., Ltd. ("Shouguang Company")	Shouguang, the PRC	Shouguang, the PRC	Manufacturing	60,606,060	99%	-	Establishment or investment
Tsingtao Brewery (Weifang) Co., Ltd. ("Weifang Company")	Weifang, the PRC	Weifang, the PRC	Manufacturing	75,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Xuzhou) Huaitai Sales Co., Ltd.	Jiangsu, the PRC	Xuzhou, the PRC	Wholesale and retail sale	131,000,000	-	100%	Establishment or investment
Tsingtao Brewery (Xuecheng) Co., Ltd. ("Xuecheng Company")	Xuecheng, the PRC	Xuecheng, the PRC	Manufacturing	45,000,000	-	85%	Establishment or investment
Tsingtao Brewery (Tengzhou) Co., Ltd. ("Tengzhou Company")	Tengzhou, the PRC	Tengzhou, the PRC	Manufacturing	61,020,000	76.65%	23.35%	Establishment or investment
Tsingtao Brewery (Heze) Co., Ltd. ("Heze Company")	Heze, the PRC	Heze, the PRC	Manufacturing	130,000,000	93.08%	6.92%	Establishment or investment
Langfang Company	Langfang, the PRC	Langfang, the PRC	Manufacturing	99,000,000	80.80%	19.20%	Establishment or investment
Tsingtao Brewery Xi'an Han's Group Co., Ltd. ("Xi'an Company")	Shaanxi, the PRC	Xi'an, the PRC	Manufacturing and Wholesale and retail sale	287,903,022	100%	-	Establishment or investment
Tsingtao Brewery Hansi Baoji Co., Ltd.	Baoji, the PRC	Baoji, the PRC	Manufacturing	130,000,000	-	100%	Establishment or investment
Tsingtao Brewery (Anshan) Co., Ltd. ("Anshan Company")	Anshan, the PRC	Anshan, the PRC	Manufacturing	50,000,000	60%	-	Establishment or investment
Tsingtao Brewery (Xingkaihu) Co., Ltd. ("Xingkaihu Company")	Jixi, the PRC	Jixi, the PRC	Manufacturing	200,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Mishan) Co., Ltd. ("Mishan Company")	Mishan, the PRC	Mishan, the PRC	Manufacturing	118,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Harbin) Co., Ltd. ("Harbin Company")	Harbin, the PRC	Harbin, the PRC	Manufacturing	155,600,000	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	Place of operation	Place of incorporation	Principal activities	Registered capital	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingtao Brewery Import/Export Co., Ltd. ("Import/Export Company")	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	11,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Dezhou) Co., Ltd. ("Dezhou Company")	Pingyuan, the PRC	Pingyuan, the PRC	Manufacturing	25,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Rizhao) Co., Ltd. ("Rizhao Company")	Rizhao, the PRC	Rizhao, the PRC	Manufacturing	290,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Luzhou) Co., Ltd. ("Luzhou Company")	Luzhou, the PRC	Luzhou, the PRC	Manufacturing	111,110,000	95%	-	Establishment or investment
Tsingtao Brewery (Taizhou) Co., Ltd. ("Taizhou Company")	Taizhou, the PRC	Taizhou, the PRC	Manufacturing	70,000,000	86.43%	13.57%	Establishment or investment
Hong Kong Company	Hong Kong, the PRC	Hong Kong, the PRC	Wholesale and retail sale	40,500,000HKD	100%	-	Establishment or investment
Tsingtao Brewery (Hanzhong) Co., Ltd. ("Hanzhong Company")	Hanzhong, the PRC	Hanzhong, the PRC	Manufacturing	29,410,000	34%	66%	Establishment or investment
Beijing Tsingtao Brewery Beifang Sales Co., Ltd. ("Beifang Sales Company")	Beijing, the PRC	Beijing, the PRC	Wholesale and retail sale	89,980,000	95%	5%	Establishment or investment
Qingdao Guangrunlong Logistics Co., Ltd. ("Guangrunlong Logistics")	Shandong, the PRC	Qingdao, the PRC	Logistics	6,184,000	100%	-	Establishment or investment
Tsingtao Brewery (Xiamen) Co., Ltd.	Xiamen, the PRC	Xiamen, the PRC	Manufacturing	90,000,000	-	100%	Establishment or investment
Xiamen Tsingtao Brewery Dongnan Sales Co., Ltd. ("Dongnan Sales Company")	Fujian, the PRC	Xiamen, the PRC	Wholesale and retail sale	215,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Jinan) Co., Ltd. ("Jinan Company")	Jinan, the PRC	Jinan, the PRC	Manufacturing	560,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Chengdu) Co., Ltd. ("Chengdu Company")	Chengdu, the PRC	Chengdu, the PRC	Manufacturing	280,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Yulin) Co., Ltd.	Yulin, the PRC	Yulin, the PRC	Manufacturing	55,000,000	-	100%	Establishment or investment
Tsingtao Brewery Chengyang Sales Co., Ltd. ("Chengyang Sales Company")	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	8,000,000	100%	-	Establishment or investment
Tsingtao Brewery Chenzhou Sales Co., Ltd.	Chenzhou, the PRC	Chenzhou, the PRC	Wholesale and retail sale	1,000,000	-	100%	Establishment or investment
Machinery and Equipment Company	Qingdao, the PRC	Qingdao, the PRC	Construction	2,000,000	-	100%	Establishment or investment
Tsingtao Brewery (Shijiazhuang) Co., Ltd. ("Shijiazhuang Company")	Shijiazhuang, the PRC	Shijiazhuang, the PRC	Manufacturing	321,010,000	100%	-	Establishment or investment
Tsingtao Brewery (Taiyuan) Co., Ltd. ("Taiyuan Company")	Taiyuan, the PRC	Taiyuan, the PRC	Manufacturing	200,000,000	100%	-	Establishment or investment
Finance Company	Qingdao, the PRC	Qingdao, the PRC	Financing	1,000,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Jieyang) Co., Ltd. ("Jieyang Company")	Jieyang, the PRC	Jieyang, the PRC	Manufacturing	200,000,000	75%	-	Establishment or investment
Tsingtao Brewery (Shaoguan) Co., Ltd. ("Shaoguan Company")	Shaoguan, the PRC	Shaoguan, the PRC	Manufacturing	200,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Electronic Commerce) Co., Ltd. ("Electronic Commerce Company")	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	8,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Jiujiang) Co., Ltd. ("Jiujiang Company")	Jiujiang, the PRC	Jiujiang, the PRC	Manufacturing	200,000,000	90%	-	Establishment or investment
Tsingtao Brewery (Pingdu) Sales Co., Ltd. ("Pingdu Sales Company")	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	5,000,000	100%	-	Establishment or investment
Shanghai Tsingtao Brewery Sales Co., Ltd.	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	96,300,000	-	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	Place of operation	Place of incorporation	Principal activities	Registered capital	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingtao Brewery (Xuzhou) Enterprise Management Service Co., Ltd. ("Xuzhou Enterprise Management")	Xuzhou, the PRC	Xuzhou, the PRC	Wholesale and retail sale	10,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Luoyang) Co., Ltd. ("Luoyang Company")	Luoyang, the PRC	Luoyang, the PRC	Manufacturing	200,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Shanghai) industrial Co., Ltd. ("Shanghai Industrial Company")	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	416,800,000	100%	-	Establishment or investment
Tsingtao Brewery (Zhangjiakou) Co., Ltd. ("Zhangjiakou Company")	Zhangjiakou, the PRC	Zhangjiakou, the PRC	Manufacturing	200,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Zaozhuang) Co., Ltd. ("Zaozhuang Company") (i)	Zaozhuang, the PRC	Zaozhuang, the PRC	Manufacturing	200,000,000	100%	-	Establishment or investment
Shanghai Tsingtao Catering Management Co., Ltd.	Shanghai, the PRC	Shanghai, the PRC	Services	12,000,000	-	80%	Establishment or investment
Tsingtao Brewery (Sanshui) Co., Ltd. ("Sanshui Company")	Sanshui, the PRC	Sanshui, the PRC	Manufacturing	5,000,000USD	-	75%	Business combination not under common control
Tsingtao Brewery (Chenzhou) Co., Ltd. ("Chenzhou Company")	Chenzhou, the PRC	Chenzhou, the PRC	Manufacturing	70,000,000	88.80%	11.20%	Business combination not under common control
Shenzhen Tsingtao Brewery Asahi Co., Ltd. ("Shenzhen Asahi")	Shenzhen, the PRC	Shenzhen, the PRC	Manufacturing	30,000,000USD	51%	-	Business combination not under common control
Nanning Tsingtao Brewery Co., Ltd.	Nanning, the PRC	Nanning, the PRC	Manufacturing	730,000,000	-	75%	Business combination not under common control
Beijing Tsingtao Brewery Three Ring Co., Ltd. ("Three Ring Company")	Beijing, the PRC	Beijing, the PRC	Manufacturing	29,800,000USD	29%	25%	Business combination not under common control
Beijing Tsingtao Brewery Five Star Co., Ltd. ("Five Star Company")	Beijing, the PRC	Beijing, the PRC	Manufacturing	862,000,000	37.64%	25%	Business combination not under common control
Tsingtao Brewery (Weinan) Co., Ltd. ("Weinan Company")	Weinan, the PRC	Weinan, the PRC	Manufacturing	50,000,000	28%	72%	Business combination not under common control
Tsingtao Brewery (Gansu) Co., Ltd. ("Gansu Nongken Company")	Lanzhou, the PRC	Lanzhou, the PRC	Manufacturing	174,420,800	-	55.06%	Business combination not under common control
Tsingtao Brewery (Wuwei) Co., Ltd.	Wuwei, the PRC	Wuwei, the PRC	Manufacturing	36,100,000	-	99.72%	Business combination not under common control
Tsingtao Brewery (Rongcheng) Co., Ltd. ("Rongcheng Company")	Rongcheng, the PRC	Rongcheng, the PRC	Manufacturing	20,000,000	70%	-	Business combination not under common control
Tsingtao Brewery (Suizhou) Co., Ltd.	Suizhou, the PRC	Suizhou, the PRC	Manufacturing	24,000,000	-	90%	Business combination not under common control
Tsingtao Brewery (Fuzhou) Co., Ltd.	Fuzhou, the PRC	Fuzhou, the PRC	Manufacturing	26,828,100USD	-	100%	Business combination not under common control
Tsingtao Brewery (Zhangzhou) Co., Ltd.	Zhangzhou, the PRC	Zhangzhou, the PRC	Manufacturing	100,000,000	-	90%	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	Place of operation	Place of incorporation	Principal activities	Registered capital	Share proportion		Acquisition method
					Directly	Indirectly	
Construction Company	Qingdao, the PRC	Qingdao, the PRC	Construction	13,142,176	100%	-	Business combination not under common control
Tsingtao Brewery (Penglai) Co., Ltd. ("Penglai Company")	Penglai, the PRC	Penglai, the PRC	Manufacturing	37,500,000	80%	-	Business combination not under common control
Tsingtao Brewery Cultural Communication Co., Ltd. ("Cultural Communication Company")	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	3,500,000	100%	-	Business combination not under common control
Tsingtao Brewery Beverage Co., Ltd. ("Beverage Company")	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	130,000,000	100%	-	Business combination not under common control
Shandong Xin Immense Brewery Co., Ltd. ("Immense Brewery Company")	Shandong, the PRC	Mengyin, the PRC	Manufacturing Wholesale and retail sale	18,760,000USD	75%	25%	Business combination not under common control
Tsingtao Brewery (Hangzhou) Co., Ltd. ("Hangzhou Company")	Jiande, the PRC	Jiande, the PRC	Manufacturing	230,000,000	80%	-	Business combination not under common control
Macau Company	Macau, the PRC	Macau, the PRC	Wholesale and retail sale	200,000MOP	-	60%	Business combination not under common control
Tsingto Brewery (Shanghai) Market Service Co., Ltd.	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	334,578,898	-	100%	Business combination not under common control
Lulansa Company	Zibo, the PRC	Zibo, the PRC	Manufacturing	100,000,000	90%	-	Business combination not under common control
Equipment Manufacture Company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	2,897,600	-	100%	Business combination not under common control
Tsingtao Brewery (Shanghai) Investing Co., Ltd ("Shanghai Investing Company")	Shanghai, the PRC	Shanghai, the PRC	Financing	907,320,000	100%	-	Business combination not under common control
Tsingtao Brewery Shanghai Songjiang Manufacturing Co., Ltd.	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	50,000,000	-	100%	Business combination not under common control
Tsingto Brewery (Suqian) Co., Ltd. ("Suqian Company")	Suqian, the PRC	Suqian, the PRC	Manufacturing	100,000,000	75%	25%	Business combination not under common control
Tsingto Brewery (Xuzhou) Pengcheng Co., Ltd.	Xuzhou, the PRC	Xuzhou, the PRC	Manufacturing	155,000,000	-	100%	Business combination not under common control
Tsingto Brewery (Xuzhou) Co., Ltd. ("Xuzhou Company")	Xuzhou, the PRC	Xuzhou, the PRC	Manufacturing	39,336,899	-	100%	Business combination not under common control
Tsingto Brewery (Yangzhou) Co., Ltd. ("Yangzhou Company")	Yangzhou, the PRC	Yangzhou, the PRC	Manufacturing	200,000,000	50%	50%	Business combination not under common control
Tsingto Brewery (Kunshan) Co., Ltd.	Kunshan, the PRC	Kunshan, the PRC	Manufacturing	731,535,952	-	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	Place of operation	Place of incorporation	Principal activities	Registered capital	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingto Brewery (Lianyungang) Co., Ltd.	Lianyungang, the PRC	Lianyungang, the PRC	Manufacturing	166,093,523	-	100%	Business combination not under common control
Tsingto Brewery (Minhang) Co., Ltd.	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	377,251,025	-	96.50%	Business combination not under common control

- (i) According to the resolution of the board of directors of the Company, the Company plans to invest RMB200 million to establish a wholly-owned subsidiary Zaozhuang Company, and the business registration of Zaozhuang Company has been completed.

Except Gansu Nongken, whose corporate category is incorporated company by shares, all of the above mentioned subsidiaries are limited liability companies.

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 2020 (unaudited)	Total dividends distributed to the minority shareholders in six months ended 30 June 2020 (unaudited)	Non-controlling interests as at 30 June 2020 (unaudited)
Shenzhen Asahi	49%	20,887,166	(40,880,700)	203,315,466

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

	As at 30 June 2020 (unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	215,724,352	427,448,324	643,172,676	(219,973,994)	(8,176,998)	(228,150,992)
	31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	240,519,444	438,155,341	678,674,785	(215,850,329)	(6,603,887)	(222,454,216)

## 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 2020 (unaudited)			
	Revenue	Net profit	Total other comprehensive income	Cash flows from operating activities
Shenzhen Asahi	358,727,443	42,231,113	42,231,113	48,720,976

  

	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

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 Jiaye 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 2020 (unaudited)</b>	31 December 2019
Current assets	<b>112,023,680</b>	82,331,606
Including: cash and cash equivalents	<b>44,030,036</b>	40,726,999
Non-current assets	<b>91,918,972</b>	93,746,322
<b>Total assets</b>	<b>203,942,652</b>	176,077,928
Current liabilities	<b>(57,729,634)</b>	(22,829,436)
<b>Total liabilities</b>	<b>(57,729,634)</b>	(22,829,436)
Total equity attributable to shareholders of the Company	<b>146,213,018</b>	153,248,492
Adjusted fair value of the identifiable net assets when obtained	<b>77,315,379</b>	80,719,792
Adjusted total equity attributable to shareholders of the Company	<b>223,528,397</b>	233,968,284
The share of net assets calculated based on the shareholding proportion (i)	<b>111,764,199</b>	116,984,142
Adjusting item — goodwill	<b>113,928,609</b>	113,928,609
— unrealised profits of internal transaction	-	104
<b>Carrying amount of investment on the joint venture</b>	<b>225,692,808</b>	230,912,855

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 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Revenue	183,350,951	219,027,676
Finance expenses	(209,307)	(182,805)
Income tax expense	3,531,910	6,478,821
Net profit	12,964,526	19,318,169
Total comprehensive income	12,964,526	19,318,169
Adjusted fair value of the identifiable net assets when obtained	(3,404,413)	(4,018,074)
Adjusted total comprehensive income attributable to shareholders of the Company	9,560,113	15,300,095
Dividends received from the joint venture in the current period	10,000,000	6,000,000

(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 2020 (unaudited)				31 December 2019			
	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company
Current assets	326,137,407	150,693,746	21,910,167	12,567,565	273,636,770	140,439,495	36,004,404	26,062,398
Including: cash and cash equivalents	265,833,893	1,483,393	4,486,944	6,044,580	63,087,129	1,182,619	2,893,942	12,920,569
Non-current assets	256,418,299	1,523,034	3,138,799	152,533	252,208,610	1,312,921	3,278,509	144,001
Total assets	582,555,706	152,216,780	25,048,966	12,720,098	525,845,380	141,752,416	39,282,913	26,206,399
Current liabilities	(246,431,234)	(96,840,204)	(25,087,629)	(3,149,140)	(230,020,875)	(91,149,079)	(39,101,240)	(19,914,347)
Non-current liabilities	(59,871,659)	-	-	-	(8,364,072)	-	-	-
Total liabilities	(306,302,893)	(96,840,204)	(25,087,629)	(3,149,140)	(238,384,947)	(91,149,079)	(39,101,240)	(19,914,347)
Total equity attributable to shareholders of the Company	276,252,813	55,376,576	(38,663)	9,570,958	287,460,433	50,603,337	181,673	6,292,052
Adjusted fair value of the identifiable net assets when obtained	24,238,506	-	-	-	26,168,506	-	-	-
Adjusted total equity attributable to shareholders of the Company	300,491,319	55,376,576	(38,663)	9,570,958	313,628,939	50,603,337	181,673	6,292,052
The share of net assets calculated based on the shareholding proportion (i)	117,191,614	16,612,973	(11,599)	3,828,383	122,315,286	15,181,001	54,502	2,516,821
Adjusting items								
— Goodwill	9,640,679	-	-	-	9,640,679	-	-	-
— Unrealised profits of internal transaction	(232,927)	-	-	-	(3,979,342)	-	-	-
— Others (ii)	-	-	11,599	-	-	-	-	-
Book value of investments on Associates	126,599,366	16,612,973	-	3,828,383	127,976,623	15,181,001	54,502	2,516,821

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 2020 (unaudited)				Six months ended 30 June 2019 (unaudited)			
	Yantai Asahi	Zhaoshang Logistics	Liaoning Shengqing	European Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shengqing	European Company
Revenue	363,242,870	100,864,022	28,027,208	31,042,970	398,072,240	116,401,153	39,651,511	51,894,850
Net profits/(loss)	15,686,995	4,753,539	(220,336)	3,085,546	16,193,716	6,992,669	(293,413)	4,380,772
Other comprehensive income	-	-	-	193,360	-	30,854	-	82,118
Total comprehensive income	15,686,995	4,753,539	(220,336)	3,278,906	16,193,716	7,023,523	(293,413)	4,462,890
Total comprehensive income attributable to shareholders of the Company	15,686,995	4,753,539	(220,336)	3,278,906	16,193,716	7,023,523	(293,413)	4,462,890
Adjusted fair value of the identifiable net assets when obtained	(1,930,000)	-	-	-	(1,885,255)	-	-	-
Adjusted total comprehensive income attributable to shareholders	13,756,995	4,753,539	(220,336)	3,278,906	14,308,461	7,023,523	(293,413)	4,462,890
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, adjusted according to the fair value of the identifiable assets and liabilities of the associates at the acquisition date and conformed to accounting policies of the Group.

(ii) Other adjustments are unrecognized excess losses.

#### (d) Excess losses of associate

	Accumulated unrecognized losses at the beginning of the period	Unrecognized loss in the current period	Accumulated unrecognized losses at the end of the period
Liaoning Shengqing	-	11,599	11,599

The Group has no unrecognized commitment related to joint venture investment and no contingent liability related to investment in associates.

## 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, a subsidiary of the 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.

(a) Segment information as at and for the six months ended 30 June 2020 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	9,634,098,290	1,287,285,102	2,672,495,940	1,468,818,500	367,903,581	243,359,433	4,386,293	644,197	-	15,678,991,336
Inter-segment revenue	1,083,680,119	491,798,392	902,951,316	158,750,041	3,633,310	51,444,873	12,107,363	248,755	(2,704,614,169)	-
Cost of sales	(6,958,676,107)	(1,130,460,572)	(2,276,680,725)	(1,094,802,111)	(267,029,418)	(200,414,323)	(30,873)	(431,194)	2,796,876,429	(9,131,648,894)
Selling and distribution expenses	(1,993,965,211)	(216,777,063)	(330,255,135)	(218,523,251)	(61,985,930)	(43,947,912)	-	-	-	(2,865,454,502)
Interest income	271,519,502	8,337,806	22,309,952	3,049,892	553,045	909,535	146,946,306	105,879,959	(63,810,401)	251,335,596
Interest expense	(1,645,356)	(2,310,938)	(5,822,824)	(6,032,631)	(34,800)	(4,246,693)	(66,724,998)	-	78,327,866	(8,490,374)
Share of profit of associates and a joint venture	-	-	-	-	-	-	-	16,497,374	-	16,497,374
Credit impairment reversals/ (losses)	1,017,205	(142)	(166,562)	(24,175)	-	(370,697)	(2,674,261)	-	2,729,884	511,352
Asset impairment losses	(978,368)	-	-	(560,213)	-	-	-	-	-	(1,538,581)
Depreciation and amortisation	(246,440,841)	(83,651,663)	(107,154,311)	(79,693,463)	(19,162,124)	(1,961,412)	(664,864)	(28,946,624)	-	(567,675,302)
Total profit	1,151,357,185	302,465,611	688,540,610	105,982,959	5,958,522	48,477,874	124,481,329	20,908,778	109,976,956	2,558,149,824
Income tax expense	(306,831,017)	(69,567,370)	(157,749,865)	(12,180,112)	(3,299,518)	(11,843,849)	(31,138,862)	-	(26,092,406)	(618,702,999)
Net profit	844,526,168	232,898,241	530,790,745	93,802,847	2,659,004	36,634,025	93,342,467	20,908,778	83,884,550	1,939,446,825
Total assets	13,125,351,478	4,367,750,711	7,872,291,796	3,615,516,553	839,978,604	653,055,456	14,376,340,989	10,495,214,153	(14,840,705,922)	40,504,793,818
Total liabilities	10,628,350,274	2,054,659,427	4,996,943,884	3,064,314,664	571,724,176	717,098,563	11,640,286,971	565,415,559	(14,557,902,337)	19,680,891,181
Non-cash expenses other than depreciation and amortisation	7,401,377	325,428	2,479,481	407,404	142,200	37,702	-	-	-	10,793,592
Long-term equity investments in associates and a joint venture	-	-	-	-	-	-	-	372,733,530	-	372,733,530
Additions of non-current assets (i)	445,357,413	79,113,763	117,735,933	104,308,459	11,725,064	1,072,270	-	9,601,081	(3,774,347)	765,139,636

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

## 6. SEGMENT INFORMATION (CONT'D)

(b) 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	-	16,550,665,464
Inter-segment revenue	1,382,522,436	541,864,880	888,648,397	85,631,176	5,999,454	147,122,630	14,013,349	248,755	(3,066,053,077)	-
Cost of sales	(7,448,217,390)	(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	24,099,479	6,236,468	20,220,251	2,757,666	420,935	2,222,385	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)	-	-	83,866,959	(6,594,455)
Share of profit 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)/reversals	(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)	(2,394,358)	(16,183,365)	(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)	49,858,596	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.

(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:

Revenue from external customers	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Mainland China	<b>15,381,641,740</b>	16,212,450,430
Hong Kong and Macau SAR	<b>90,763,619</b>	102,950,910
Other overseas regions	<b>206,585,977</b>	235,264,124
	<b>15,678,991,336</b>	<b>16,550,665,464</b>
<b>Total non-current assets</b>	<b>30 June 2020 (unaudited)</b>	<b>30 June 2019 (unaudited)</b>
Mainland China	<b>15,013,978,883</b>	15,064,384,990
Hong Kong and Macau SAR	<b>15,513,502</b>	15,482,457
	<b>15,029,492,385</b>	<b>15,079,867,447</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:

Company name	Relationship with the Group
Beijing Sales Company	Associate
Guangzhou General Agency	Associate

### (3) Information of other related parties

	Relationship with the Group
Tsingtao Brewery Group Co., Ltd.	Majority shareholder of the Company
Fosun International Group Co., Ltd.	Majority shareholder of the Company

### (4) Related party transactions

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

Name of related party	Nature of transaction	Pricing policies	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Yantai Asahi	Purchase of beer	Mutually-agreed prices	359,743,924	395,197,166
Hebei Jiahe Company	Purchase of beer	Mutually-agreed prices	183,198,029	218,682,299
Zhaoshang Logistics	Receiving logistics service (including payment on behalf)	Mutually-agreed prices	94,651,413	84,664,952
			<b>637,593,366</b>	<b>698,544,417</b>

#### (b) Sales of goods and providing services

Name of related party	Nature of transaction	Pricing policies	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Liaoning Shenqing	Sale of beer and materials	Mutually-agreed prices	28,151,444	31,448,440
European Company	Sale of beer and materials	Mutually-agreed prices	21,257,079	37,882,588
			<b>49,408,523</b>	<b>69,331,028</b>

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

(4) Related party transactions (Cont'd)

(c) Absorbed deposits from related parties

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Yantai Asahi	<u>390,459,903</u>	<u>432,345,264</u>

(d) Interest expense paid to related parties

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Yantai Asahi	<u>30,873</u>	<u>24,168</u>

(e) Financial services fee received from related parties

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Yantai Asahi	<u>2,346</u>	<u>3,762</u>

(f) Key management compensation

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Key management compensation paid	<u>2,905,828</u>	<u>2,344,772</u>

(g) For the six months ended 30 June 2020, there is no loan provided to the key management from the Group (For the six months ended 30 June 2019: nil).

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

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

Receivables from related parties:

		30 June 2020 (unaudited)		31 December 2019	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
	European Company	2,688,906	-	10,142,225	-
		<u>13,934,690</u>	<u>(11,255,474)</u>	<u>21,388,009</u>	<u>(11,245,784)</u>
Other receivables	Yantai Asahi	<u>10,488,900</u>	<u>-</u>	<u>-</u>	<u>-</u>

Payables to related parties:

		30 June 2020 (unaudited)	31 December 2019
Accounts payable	Yantai Asahi	117,593,393	100,272,419
	Hebei jiahe Company	35,610,372	2,576,355
		<u>153,203,765</u>	<u>102,848,774</u>
Other payables	Zhaoshang Logistics	92,863,947	47,745,380
	Yantai Asahi	870,471	19,566,363
		<u>93,734,418</u>	<u>67,311,743</u>
Contract liabilities	Liaoning Shenqing	<u>7,889,908</u>	<u>26,666,144</u>

## 8. COMMITMENTS

### Capital commitments

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

	30 June 2020 (unaudited)	31 December 2019
Buildings, machinery and equipment	<u>266,321,211</u>	<u>200,519,703</u>

## 9. OPERATING LEASE RECEIPTS AFTER THE BALANCE SHEET DATE

As the lessor, the undiscounted cash amount of lease receivables after the balance sheet date is summarised as follows:

	<b>30 June 2020</b> <b>(unaudited)</b>	31 December 2019
Within one year	<b>3,504,786</b>	3,193,636
1 to 2 years	<b>3,233,440</b>	3,341,040
2 to 3 years	<b>3,158,432</b>	3,091,040
3 to 4 years	<b>3,169,032</b>	3,134,040
4 to 5 years	<b>1,800,000</b>	1,800,000
More than 5 years	<b>8,100,000</b>	9,000,000
	<b>22,965,690</b>	23,559,756

## 10. 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.

### (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 2020 and 2019, the Group did not enter into any forward foreign exchange contracts or currency swap contracts.

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

### (1) Market risk (Cont'd)

#### (a) Foreign exchange risk (Cont'd)

As at 30 June 2020 and 31 December 2019, the carrying amounts in RMB equivalent to the Group's assets and liabilities denominated in foreign currencies are summarised as below:

	30 June 2020 (unaudited)		
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	208,454,279	66,986,436	275,440,715
Receivables	31,300,055	5,244,011	36,544,066
	<u>239,754,334</u>	<u>72,230,447</u>	<u>311,984,781</u>
Financial liabilities denominated in foreign currency —			
Other payables	3,417,310	-	3,417,310
Current portion of non-current liabilities	-	427,400	427,400
	<u>3,417,310</u>	<u>427,400</u>	<u>3,844,710</u>
	31 December 2019		
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	176,341,385	37,422,818	213,764,203
Receivables	60,166,202	18,840,024	79,006,226
	<u>236,507,587</u>	<u>56,262,842</u>	<u>292,770,429</u>
Financial liabilities denominated in foreign currency —			
Other payables	4,871,529	-	4,871,529
Current portion of non-current liabilities	-	418,360	418,360
Long-term borrowings	-	209,180	209,180
	<u>4,871,529</u>	<u>627,540</u>	<u>5,499,069</u>

As at 30 June 2020, 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 7,090,000 (31 December 2019: 6,949,000) higher or lower.



## 10. 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 2020 and 31 December 2019, 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 decisions according to the latest market conditions. The directors of the Company are of the view that future interest rate changes will not have a material adverse impact on the Group's operating performance.

As at 30 June 2020, 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 RMB264,000 (31 December 2019: approximately RMB832,000).

#### (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 2020 and 31 December 2019, 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 2020, the Group holds no significant collateral and other credit enhancements because of the debtor's mortgage.

## 10. 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 2020 (unaudited)				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	281,384,091	-	-	-	281,384,091
Notes payable	268,063,017	-	-	-	268,063,017
Accounts payable	3,508,330,149	-	-	-	3,508,330,149
Other payables	3,862,128,674	-	-	-	3,862,128,674
Current portion of non-current liabilities	35,245,310	-	-	-	35,245,310
Lease liabilities	-	27,864,695	39,666,518	25,511,921	93,043,134
	<u>7,955,151,241</u>	<u>27,864,695</u>	<u>39,666,518</u>	<u>25,511,921</u>	<u>8,048,194,375</u>
	31 December 2019				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	273,459,028	-	-	-	273,459,028
Notes payable	220,825,323	-	-	-	220,825,323
Accounts payable	2,167,178,181	-	-	-	2,167,178,181
Other payables	2,424,857,501	-	-	-	2,424,857,501
Current portion of non-current liabilities	22,770,590	-	-	-	22,770,590
Long-term borrowings	-	209,180	-	-	209,180
Lease liability	-	16,559,450	20,695,887	7,610,159	44,865,496
	<u>5,109,090,623</u>	<u>16,768,630</u>	<u>20,695,887</u>	<u>7,610,159</u>	<u>5,154,165,299</u>

Bank borrowings are analysed by repayment terms as follows:

	30 June 2020 (unaudited)	31 December 2019
Within 1 year	276,073,086	271,324,991
1 to 2 years	-	209,180
	<u>276,073,086</u>	<u>271,534,171</u>

## 11. SHARE-BASED PAYMENT

The Company held the 2019 Annual General Meeting of shareholders and the 2020 first A-Share and H-Share class shareholders' meeting on 8 June 2020, and approved the Proposal on the Restricted A-Share Incentive Plan of Qingdao Beer Co., Ltd. (Draft) and its abstract, "Proposal on the implementation and assessment management measures for the implementation of Restricted A-Share Incentive Plan of Qingdao Brewery Co., Ltd." and "Proposal on requesting the general meeting of shareholders to authorize the Board to handle matters related to Restricted A-Share Incentive Plan". The Company held the eighth extraordinary meeting of the ninth session of the Board on 29 June 2020, and approved the proposal of Tsingtao Brewery Co., Ltd. to grant Restricted A-Shares to the participants for the first time. According to these proposals, the Company will award 13.2 million Restricted Shares to 627 participants on 29 June 2020 as the grant date. The Restricted Shares will be granted at RMB21.18 per share. As at 30 June 2020, the Company has not yet received the share subscription payment nor completed the capital increase procedures such as registration, etc. Therefore, the Company has not confirmed the new share issuance and share repurchase obligations. The restricted selling period of the Incentive Plan granted shares is 24 months, 36 months and 48 months from the date of equity registration to release 1/3, 1/3 and 1/3 of the restricted shares according to the Company's performance assessment and individual performance assessment, respectively.

As of the date of approval and issuance of the financial statements, the Company has collected the subscription of RMB279,576,000 from 627 participants, and completed the registration procedures for capital increase.

## 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 2020, the assets measured at fair value on a recurring basis are analysed below (unaudited):

	Level 1	Level 3	Total
Financial assets held for trading			
— Fund investment	97,990,397	-	97,990,397
Financial assets held for trading			
— Wealth management products	-	1,796,605,764	1,796,605,764
Financial assets held for trading			
— Equity instrument investment	-	600,000	600,000
	<u>97,990,397</u>	<u>1,797,205,764</u>	<u>1,895,196,161</u>

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

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

As at 31 December 2019, the assets measured at fair value on a recurring basis are analysed below:

	Level 1	Level 3	Total
Financial assets held for trading			
— Fund investment	127,203,255	-	127,203,255
Financial assets held for trading			
— Wealth management products	-	1,396,589,764	1,396,589,764
Financial assets held for trading			
— Equity instrument investment	-	600,000	600,000
	<u>127,203,255</u>	<u>1,397,189,764</u>	<u>1,524,393,019</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.

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

	31 December 2019	Purchase (unaudited)	Disposal (unaudited)	Total current profits — Profits accrued to current profit or loss (a) (unaudited)	30 June 2020 (unaudited)	Assets still held on 30 June 2020 are recognised as movement on unrealized gains of profit or loss for the six months ended 30 June 2020 — Profit or loss from changes in fair value (unaudited)
Financial assets						
— Wealth management products	<u>1,396,589,764</u>	<u>1,220,000,000</u>	<u>(846,589,764)</u>	<u>31,212,185</u>	<u>1,796,605,764</u>	<u>26,605,764</u>

	31 December 2018	Purchase	Disposal	Total current profits — Profits accrued to current profit or loss (a)	31 December 2019	Assets still held on 31 December 2019 are recognised as movement on unrealized gains of profit or loss for the year ended 31 December 2019 — Profit or loss from changes in fair value
Financial assets						
— Wealth management products	<u>1,046,306,137</u>	<u>1,757,000,000</u>	<u>(1,431,306,137)</u>	<u>58,997,282</u>	<u>1,396,589,764</u>	<u>24,589,764</u>

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

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

- (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 evaluates and determines its fair value based on the future cash flow.

### (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, notes payable, accounts payable and long-term borrowings etc. 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 2020, 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 2020 and 31 December 2019 are as follows:

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Cash and cash equivalents	<b>18,065,659,709</b>	14,557,393,355
<i>Less:</i> Short-term borrowings	<b>(275,645,686)</b>	(270,906,631)
Current portion of non-current liabilities	<b>(427,400)</b>	(418,360)
Long-term borrowings	<b>-</b>	(209,180)
	<b>(276,073,086)</b>	(271,534,171)
Cash balance after deducting borrowings	<b><u>17,789,586,623</u></b>	<b><u>14,285,859,184</u></b>

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

### (1) Accounts receivable

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Accounts receivable	<b>1,477,881,519</b>	1,247,712,732
Less: Provision for bad debts	<b>(56,772,167)</b>	(56,476,414)
	<b><u>1,421,109,352</u></b>	<b><u>1,191,236,318</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.

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

	<b>30 June 2020 (unaudited)</b>	31 December 2019
Within 1 year	<b>1,083,845,829</b>	916,296,744
1 to 2 years	<b>131,987,305</b>	96,447,540
2 to 3 years	<b>104,810,023</b>	83,484,921
3 to 4 years	<b>73,335,728</b>	69,839,383
4 to 5 years	<b>9,930,876</b>	12,909,771
Over 5 years	<b>73,971,758</b>	68,734,373
	<b><u>1,477,881,519</u></b>	<b><u>1,247,712,732</u></b>

*(b) As at 30 June 2020, 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>545,886,152</u></b>	<b><u>-</u></b>	<b><u>37%</u></b>

*(c) As at 30 June 2020, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2019: nil).*

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

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

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

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 2020, 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)	Reason
Beijing Sales Company	11,245,784	100%	(11,245,784)	Note 4(4)(d)

- (ii) As at 30 June 2020, accounts receivable that are subject to provision for bad debts on the grouping basis are analysed as follows:

##### Group — Subsidiaries

As at 30 June 2020, accounts receivable from subsidiaries to the Company is 1,394,865,174. The Company believes there is no significant credit risk, thus no provision for bad debts is recognised.

##### Group — Dealers

	30 June 2020 (unaudited)			31 December 2019		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Lifetime ECL ratio	Amount	Amount	Lifetime ECL ratio	Amount
Not overdue	20,208,429	-	-	50,026,027	-	-
Overdue within 1 year	6,353,420	5%	(317,671)	511,142	5%	(25,557)
Overdue 2 years or more	45,208,712	100%	(45,208,712)	45,205,073	100%	(45,205,073)
	<u>71,770,561</u>		<u>(45,526,383)</u>	<u>95,742,242</u>		<u>(45,230,630)</u>

- (iii) The provision for bad debts increased in the current period is 295,753. In the current period, there is no accounts receivable collected, reversed or written off.

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

(2) Other receivables

	30 June 2020 (unaudited)	31 December 2019
Receivables from subsidiaries	67,355,675	52,780,900
Dividends receivable	29,488,900	589,000,000
Receivables of refundable cost of land and buildings	17,441,647	17,441,647
Reservation fund	11,232,119	10,624,210
Guarantee deposits	6,198,509	3,790,015
Receivables on materials and waste materials	5,881,567	3,830,593
Others	15,789,343	23,644,873
	<b>153,387,760</b>	701,112,238
<i>Less: Provision for bad debts</i>	<b>(38,393,753)</b>	(39,269,385)
	<b>114,994,007</b>	661,842,853

(a) The ageing of accounts receivable is analysed below:

	30 June 2020 (unaudited)	31 December 2019
Not overdue	114,853,520	661,722,841
Overdue within 1 year	81,382	62,263
Overdue 1-2 years	127,388	121,724
Overdue over 2 years	38,325,470	39,205,410
	<b>153,387,760</b>	701,112,238

(b) Movement in provision for losses and 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 2019	183,987	(63,975)	39,205,410	(39,205,410)	(39,269,385)
Increase in the current period	28,775	(6,304)	-	(1,480)	(7,784)
Reversals in the current period	(1,032)	516	(882,900)	882,900	883,416
Transfer to stage three	(2,960)	1,480	2,960	(1,480)	-
30 June 2020	<b>208,770</b>	<b>(68,283)</b>	<b>38,325,470</b>	<b>(38,325,470)</b>	<b>(38,393,753)</b>

As at 30 June 2020, the Company has no other receivables in the stage two. The analysis of other receivables in the stage one and stage three is as follows:



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

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

##### (b) Movement in provision for losses and carrying amount (Cont'd)

- (i) As at 30 June 2020, other receivables with amounts that are individually subject to separate assessment for provision are analysed as follows:

Stage three	Ending balance (unaudited)	Next 12 months ECL ratio interval	Provision for bad debts (unaudited)	Reason
Receivables of refundable cost of land and buildings	17,441,647	100%	(17,441,647)	Note 4(6)
Receivables from other entities	<u>20,883,823</u>	100%	<u>(20,883,823)</u>	Note 4(6)
	<u>38,325,470</u>		<u>(38,325,470)</u>	

- (ii) As at 30 June 2020 and 31 December 2019, other receivables of provisions for bad debts on grouping basis are in stage one, and the analysis is as follows:

	30 June 2020 (unaudited)			31 December 2019		
	Ending balance	Provision for bad debts	% of total	Ending balance	Provision for bad debts	% of total
	Amount	Amount	balance	Amount	Amount	balance
Guarantee deposits	12,438	(6,219)	5%-50%	12,438	(6,219)	5%-50%
Receivables from other entities	<u>196,332</u>	<u>(62,064)</u>	5%-50%	<u>171,549</u>	<u>(57,756)</u>	5%-50%
	<u>208,770</u>	<u>(68,283)</u>		<u>183,987</u>	<u>(63,975)</u>	

- (c) The provision for bad debts in the current period is 7,784; The collecting or reversal of provision for bad debts is 883,416 and its corresponding carrying amount is 883,932. No other receivables was written off in the current period.

- (d) As at 30 June 2020, 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 social security	22,405,373	More than 5 years	15%	-
No.2 Payment on behalf for recycling bottles	13,569,988	Within 2 year	9%	-
No.3 Payment on behalf for recycling bottles	10,503,025	1 to 2 years	7%	-
No.4 Receivables of refundable cost of land	8,584,437	More than 5 years	6%	(8,584,437)
No.5 Payment on behalf of others	<u>4,022,410</u>	More than 5 years	3%	<u>(4,022,410)</u>
	<u>59,085,233</u>		<u>40%</u>	<u>(12,606,847)</u>

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

### (3) Inventories

	30 June 2020 (unaudited)			31 December 2019		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Raw materials	331,527,806	-	331,527,806	334,080,493	-	334,080,493
Packaging materials	133,507,534	(662,025)	132,845,509	94,401,515	(662,025)	93,739,490
Low-value consumables	40,737,693	-	40,737,693	27,190,531	-	27,190,531
Work in progress	83,412,533	-	83,412,533	93,098,557	-	93,098,557
Finished goods	102,247,130	-	102,247,130	892,265,471	-	892,265,471
	<u>691,432,696</u>	<u>(662,025)</u>	<u>690,770,671</u>	<u>1,441,036,567</u>	<u>(662,025)</u>	<u>1,440,374,542</u>

### (4) Debt investment

	30 June 2020 (unaudited)	31 December 2019
Entrusted loans to subsidiaries	55,000,000	254,000,000
Plus: Interest on debt investment	<u>59,813</u>	<u>325,489</u>
<i>Less: Debt investment impairment provisions</i>	<u>(55,000,000)</u>	<u>(91,000,000)</u>
	<u>59,813</u>	<u>163,325,489</u>

The entrusted loans to subsidiaries are unsecured RMB loans provided by the Company through banks and Finance Company, a subsidiary of the Company.

### (5) Long-term equity investments

	30 June 2020 (unaudited)	31 December 2019
Subsidiaries (a)	11,881,655,856	11,589,837,675
Joint Ventures (b)	225,692,808	230,912,855
Associates (c)	<u>144,432,339</u>	<u>144,432,126</u>
	12,251,781,003	11,965,182,656
<i>Less: Provision for impairment of long-term equity investments (d)</i>	<u>(1,512,953,287)</u>	<u>(1,512,953,287)</u>
	<u>10,738,827,716</u>	<u>10,452,229,369</u>

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

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

(a) Subsidiaries

	31 December 2019	Movements in the current year Increased investment (unaudited)	30 June 2020 (unaudited)	Balance of provision for impairment at end of period (i) (unaudited)	Cash dividends declared in the current period (ii) (unaudited)
Shenzhen Asahi	126,746,680	-	126,746,680	-	83,430,000
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	-	-
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	274,290,000	-	274,290,000	(274,290,000)	-
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	1,000,000,000	-	1,000,000,000	-	-
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	-	653,504
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	-	-

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

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

#### (a) Subsidiaries (Cont'd)

	31 December 2019	Movements in the current year Increased investment (unaudited)	30 June 2020 (unaudited)	Balance of provision for impairment at end of period (i) (unaudited)	Cash dividends declared in the current period (ii) (unaudited)
Zhangjiakou Company	200,000,000	-	200,000,000	-	-
Lulansa Company (Note 4(34))	317,374,000	241,818,181	559,192,181	-	-
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	-	-
Tsingtao Brewery Shanghai Yangpu Co., Ltd.	200,000,000	-	200,000,000	(200,000,000)	-
Zaozhuang Company (Note 5(1)(a))	-	50,000,000	50,000,000	-	-
	<u>11,589,837,675</u>	<u>291,818,181</u>	<u>11,881,655,856</u>	<u>(1,511,733,287)</u>	<u>84,083,504</u>

(i) The Company has not made provision for impairment of long-term equity investment in the current period.

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

#### (b) Joint venture

	Movements in the current period (unaudited)				30 June 2020 (unaudited)	Balance of provision for impairment at end of the period (unaudited)
	31 December 2019	Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Hebei Jiahe Company	<u>230,912,855</u>	<u>4,779,953</u>	<u>-</u>	<u>(10,000,000)</u>	<u>225,692,808</u>	<u>-</u>

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

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

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

(c) Associates

	Movements in the current period (unaudited)				30 June 2020 (unaudited)	Balance of provision for impairment at end of the period (unaudited)
	31 December 2019	Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Yantai Asahi Zhaoshang	127,976,623	9,111,643	-	(10,488,900)	126,599,366	-
Logistics	15,181,001	1,426,062	5,910	-	16,612,973	-
Liaoning						
Shenqing	54,502	(54,502)	-	-	-	-
Others	1,220,000	-	-	-	1,220,000	(1,220,000)
	<u>144,432,126</u>	<u>10,483,203</u>	<u>5,910</u>	<u>(10,488,900)</u>	<u>144,432,339</u>	<u>(1,220,000)</u>

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 2019	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2020 (unaudited)
Subsidiaries	(1,511,733,287)	-	-	(1,511,733,287)
Associates	<u>(1,220,000)</u>	<u>-</u>	<u>-</u>	<u>(1,220,000)</u>
	<u>(1,512,953,287)</u>	<u>-</u>	<u>-</u>	<u>(1,512,953,287)</u>

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

(6) Revenue and cost of sales

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Revenue from main operation (a)	10,509,777,602	11,145,576,843
Revenue from other operations (b)	<u>756,848,217</u>	<u>798,330,394</u>
	<u><u>11,266,625,819</u></u>	<u><u>11,943,907,237</u></u>
	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Cost of main operation (a)	(7,990,454,764)	(8,525,633,463)
Cost of other operations (b)	<u>(734,129,526)</u>	<u>(774,811,117)</u>
	<u><u>(8,724,584,290)</u></u>	<u><u>(9,300,444,580)</u></u>

(a) Revenue and cost of main operation

	Six months ended 30 June 2020 (unaudited)		Six months ended 30 June 2019 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sale of beer, etc.	<u>10,509,777,602</u>	<u>(7,990,454,764)</u>	<u>11,145,576,843</u>	<u>(8,525,633,463)</u>

(b) Revenue and cost of other operations

	Six months ended 30 June 2020 (unaudited)		Six months ended 30 June 2019 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sales of raw materials	753,645,214	(731,344,694)	795,221,468	(772,572,549)
Others	<u>3,203,003</u>	<u>(2,784,832)</u>	<u>3,108,926</u>	<u>(2,238,568)</u>
	<u><u>756,848,217</u></u>	<u><u>(734,129,526)</u></u>	<u><u>798,330,394</u></u>	<u><u>(774,811,117)</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:

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Finished goods purchased from outside	5,541,220,914	5,986,097,077
Raw materials, packaging materials and consumables used	2,089,625,054	2,436,202,761
Changes in inventories of finished goods and work in progress	799,704,365	570,405,679
Employee benefits expenses	785,719,063	870,928,192
Handling and transportation expenses	470,707,337	547,323,468
Advertising related expenses	149,970,341	270,615,061
Depreciation and amortisation charges	135,840,008	133,543,834
Administrative expenses	34,032,798	49,403,854
Repair expenses	30,681,367	33,216,004
Labour expenses	11,780,273	11,845,342
Other expenses	63,358,490	55,665,423
	<u>10,112,640,010</u>	<u>10,965,246,695</u>

##### (8) Investment income

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Investment income from long-term equity investment accounted for using the cost method (a)	43,039,428	41,573,717
Investment income from long-term equity investment accounted for using the equity method	15,263,156	17,512,909
Interest income from debt investment	3,073,080	3,325,411
	<u>61,375,664</u>	<u>62,412,037</u>

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 2020

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

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

	<b>Six months ended 30 June 2020 (unaudited)</b>	Six months ended 30 June 2019 (unaudited)
Government grants recognized in profits	<b>330,275,468</b>	313,300,318
Employee arrangement expenses arising from land acquisition	-	(41,933,363)
Losses on disposal of non-current assets	<b>(8,007,618)</b>	(21,948,784)
Reversal of impairment provision for accounts receivable which impairment is provided individually	-	500,000
Other non-operating income and expenses other than aforesaid items	<b>(17,246,478)</b>	13,556,280
	<b>305,021,372</b>	263,474,451
Impact of income tax expense	<b>(64,433,710)</b>	(61,734,655)
Impact on the non-controlling interests, net of tax	<b>(8,356,388)</b>	(16,209,440)
	<b>232,231,274</b>	185,530,356

#### 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 the China Securities Regulatory Commission, 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 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Net profit attributable to ordinary shareholders of the Company	<b>9.30%</b>	8.68%	<b>1.373</b>	1.207	<b>1.373</b>	1.207
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	<b>8.13%</b>	7.69%	<b>1.201</b>	1.070	<b>1.201</b>	1.070



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

In the first half year of 2020, China's beer industry suffered from the impact of COVID-19, with market sales facing huge difficulties and challenges. In particular, damage to the first quarter under the pandemic was severe, and domestic catering end sales were almost into a complete halt. As the epidemic was put under effective control in the second quarter, domestic beer market went back on track step by step. In the first half of the fiscal year, China's total beer sales volume reached 17.14 million kl, a decrease of 9.5% from the corresponding period in the previous year. (Data source: National Bureau of Statistics; statistical population: all industrial corporate entities with annual revenue of more than RMB20 million.)

Facing the unprecedented challenges brought to the Company's operations by COVID-19 in the first half of the fiscal year, the Company firmly implemented the high-quality development strategy established by the Board of Directors. Under the six strategic guidelines including "Led by Brand, Driven by Innovation, Quality First, Prioritizing Efficiency, Optimizing Structure and Coordinated Development", the Company gave full play to the brand and quality advantages of Tsingtao Beer and wasted no time in developing domestic and foreign markets. It accelerated the improvement and upgrading of product mix and marketing innovation, expedited the development of high value-added products, improved the end management system, and continued to enhance its end control ability, leading to stable growth in its business against the head wind. During the Reporting Period, the Company's total product sales volume reached 4.406 million kl, generating operating revenue of RMB15.68 billion; net profits attributable to the shareholders of the listed company was RMB1.85 billion, an increase of 13.8% from the corresponding period in the previous year.

During the Reporting Period, the Company continued to step up effort in constructing the strategic belt of market base. It commenced the reconstruction and expansion projects, such as the Expansion of Tsingtao Beer Pingdu Smart Industry Demonstration Park with the Capacity of 1 Million KL Beer and the Expansion and Upgrading of the Intelligent Manufacturing Demonstration Plant of Tsingtao Beer Factory. The Company focused on developing large and intelligent production bases and strengthening growth drivers to promote the transformation and upgrading of corporate development.

The Company took full advantage of its sales network that covers major domestic market, accelerated marketing and channel innovations, seized emerging channels such as online and community channels, and grasped the market opportunity brought by the growing proportion of household consumption in the new context. It expanded its delivery services and product promotion to communities and implemented new channels and new models to adapt to the new environment, including "contact-free Delivery" services and "Giving Back to Millions of Communities", resulting in expansion in market sales. The Company beefed up online marketing and made use of its multi-dimensional e-commerce channel system of "Online Supermarket + Official Flagship Store + Authorized Franchised Store + WeChat Mall" to seize the e-commerce consumption opportunity. It took the lead in kicking off the "Distributor" plan on the WeChat platform of Tsingtao Beer and "KOL Livestreaming Sales" to drive brand communication and sales. This has helped the Company adapt to the new marketing environment with diverse consumption scenarios in the context of COVID-19, and allowed it to effectively enhance its marketing efficiency and maintain its industrial leading position in the development of new products, new channels and modern channels. With respect to international market, influenced by the epidemic control of other countries in the first half year, consumption outlets especially the ready-to-drink outlets were closed or open to a limited extent, the brand marketing could not be normally carried out, thus to a great extent impacting the major overseas markets in Europe, America, Japan, Korea, and Australia etc..

During the Reporting Period, the Company continued to proactively implement its brand strategy of "Tsingtao Beer as Core Brand + Laoshan Beer as Second Brand". Focused on the immersive and all-around marketing model, it further improved its brand influence and market competitiveness, and accelerated the transformation and upgrade of high value-added products represented by canned beer and craft beer. During the Reporting Period, the Company's total sales volume of its core brand, Tsingtao Beer, reached 2.091 million kl. Core brand sales include a total of 0.971 million kl in high-end products such as "Augerta, Hong Yun Dang Tou, Classic 1903 and draft beer" etc. The Company managed to maintain its competitive advantage in domestic mid- and high-end beer market.

In the darkest hours of the epidemic in the first half of the fiscal year, the Company made a resolute decision to introduce *The Restricted A Shares Incentive Plan of Tsingtao Brewery Company Limited* and set very challenging business targets. This has further improved the Company's corporate governance structure, refined its mid- and long-term reward and restraint mechanism, and fully motivated the enthusiasm and creativity of its core management personnel and key business personnel, injecting strong drives into the sustainable high-quality development of the Company.

## (II) CORE COMPETITIVENESS ANALYSIS

The Company's core competitiveness did not change during the Reporting Period. Please refer to the Company's 2019 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	15,678,991	16,550,665	(5.27)
Cost of sales	9,131,649	9,911,822	(7.87)
Selling and distribution expenses	2,865,455	2,989,388	(4.15)
General and administrative expenses	503,011	590,628	(14.83)
R&D expenses	6,690	7,928	(15.62)
Finance expenses	(236,113)	(235,122)	(0.42)
Credit impairment losses	511	1,900	(73.09)
Gains on disposals of assets	(8,008)	(21,949)	63.52
Non-operating income	6,424	15,475	(58.49)
Non-operating expenses	23,670	1,919	1,133.73

#### (1) Revenue

In the first half of year 2020, revenue decreased by 5.27% from the corresponding period in prior year, which was mainly due to that the Company suffered a decline in the sales volume of its core products during the Reporting Period as a result of the COVID-19 pandemic.

#### (2) Cost of sales

In the first half of year 2020, cost of sales decreased by 7.87% from the corresponding period in prior year, which was mainly due to that the Company suffered a decline in the sales volume of its core products during the Reporting Period.

#### (3) Selling and distribution expenses

In the first half of year 2020, selling and distribution expenses decreased by 4.15% from the corresponding period in prior year, which was mainly due to that the government reduced or exempted social insurance expenses and the Company's product transportation expenses decreased from the corresponding period in prior year because of COVID-19 pandemic during the Reporting Period.

#### (4) General and administrative expenses

In the first half of year 2020, general and administrative expenses decreased by 14.83% from the corresponding period in prior year, which was mainly due to that the government reduced and exempted social insurance expenses in view of the COVID-19 pandemic in the Reporting Period.

**(5) R&D expenses**

In the first half of year 2020, R&D expenses decreased by 15.62% from the corresponding period in prior year, which was mainly due to that the government reduced and exempted social insurance expenses in view of the COVID-19 pandemic in the Reporting Period.

**(6) Finance expenses**

In the first half of 2020, finance expenses decreased by 0.42% from the corresponding period in prior year, mainly due to the increase in exchange gains because of exchange rate fluctuations during the Reporting Period.

**(7) Credit impairment losses**

In the first half of 2020, credit impairment losses decreased by 73.09% from the corresponding period in prior year, mainly due to the individual units' decrease as compared to the corresponding period in the previous year in accounts receivable of the accrued credit impairment losses during the Reporting Period.

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

In the first half of year 2020, gains on disposals of assets had increased by 63.52% from the corresponding period in the previous year, mainly due to decrease as compared to the corresponding period in the previous year in losses from disposals of fixed assets by some subsidiaries during the Reporting Period.

**(9) Non-operating income**

In the first half of year 2020, non-operating income had decreased by 58.49% from the corresponding period in the previous year, mainly due to the decrease as compared to the corresponding period in the previous year in non-operating related revenue recognized by some subsidiaries during the Reporting Period.

**(10) Non-operating expenses**

In the first half of year 2020, non-operating expenses increased by RMB21,751,580 from the corresponding period in prior year, which was mainly due to that the Company proactively fulfilled its social responsibilities to make external donations used in COVID-19 prevention and control in the Reporting Period.

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

*Unit: '000 Yuan Currency: RMB*

<b>Item</b>	<b>Current Reporting Period</b>	<b>Corresponding period in the previous year</b>	<b>Increase/Decrease (%)</b>
Net cash flow from operating activities	4,964,497	3,818,068	30.03
Net cash flow from investing activities	(775,104)	60,790	(1,375.04)
Net cash flow from financing activities	(687,707)	115,308	(696.41)

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

In the first half of 2020, the net cash flow from operating activities increased by 30.03% from the corresponding period in prior year, mainly due to the that the impact of the COVID-19 epidemic led to cash decrease in cash payment for the purchase of goods and services, various taxes and fees as compared to the corresponding period in the previous year.

## (2) Net cash flow from investing activities

In the first half of 2020, the net cash flow from investment activities decreased by RMB835,894,080 from the corresponding period in prior year, mainly due to the increase in net investment in wealth management by the company's wholly-owned subsidiary Finance Company and decrease in the net cash received from the disposal of long-term assets such as fixed assets during the Reporting Period as compared to the corresponding period in the previous year.

## (3) Net cash flow from financing activities

In the first half of 2020, the net cash flow from financing activities decreased by RMB803,015,222 from the corresponding period in prior year, mainly due to the increase in cash paid for dividend distribution and the acquisition of the minority equity of individual subsidiaries during the Reporting Period as compared to the corresponding period in the previous year.

### 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 last year	Figure at end of last year to total assets (%)	Change ratio of figure at the end of this Reporting Period to the end of last year (%)
Cash at bank and on hand	18,956,550	46.80	15,301,983	41.01	23.88
Notes receivable	29,013	0.07	75,100	0.20	(61.37)
Advances to suppliers	160,980	0.40	117,156	0.31	37.41
Other current assets	186,721	0.46	564,677	1.51	(66.93)
Construction in progress	344,560	0.85	178,994	0.48	92.50
Right-of-use assets	121,331	0.30	66,970	0.18	81.17
Other non-current assets	119,000	0.29	72,853	0.20	63.34
Accounts payable	3,508,330	8.66	2,167,178	5.81	61.88
Taxes payable	1,185,036	2.93	513,058	1.38	130.97
Other payables	3,862,129	9.53	2,424,858	6.50	59.27
Current portion of non-current liabilities	34,067	0.08	22,208	0.06	53.40
Lease liabilities	76,372	0.19	37,472	0.10	103.81

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

Cash at bank and on hand at the end of the Reporting Period had increased by 23.88% from the beginning of the Reporting 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 61.37% from the beginning of the Reporting Period, mainly due to that some notes receivable had been endorsed during the Reporting Period.

**(3) *Advances to suppliers***

Advances to suppliers as at the end of the Reporting Period increased by 37.41% from the beginning of the Reporting Period, which was mainly due to the increase in prepayments for the purchase of raw materials in the Reporting Period.

**(4) *Other current assets***

Other current assets as at the end of the Reporting Period decreased by 66.93% from the beginning of the Reporting Period, which was mainly due to that the VAT to be deducted of some subsidiaries at the end of the previous year was deducted during the Reporting Period.

**(5) *Construction in progress***

Construction in progress as at the end of the Reporting Period increased by 92.50% from the beginning of the Reporting Period, which was mainly due to the increase in projects in progress in some subsidiaries during the Reporting Period.

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

Right-of-use assets increased by 81.17% at the end of the Reporting Period compared with the beginning of the Reporting Period, mainly due to the increase in long-term leased houses of some subsidiaries during the Reporting Period.

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

Other non-current assets as at the end of the Reporting Period had increased by 63.34% from the beginning of the Reporting Period, mainly due to the increase in project and equipment purchase prepayment of some subsidiaries during the Reporting Period.

**(8) *Accounts payable***

Accounts payable as at the end of the Reporting Period had increased by 61.88% from the beginning of the Reporting Period, mainly due to the purchase of materials during the Reporting period.

**(9) *Taxes payable***

Taxes payable at the end of the Reporting Period had increased by 130.97% from the beginning of the Reporting Period, mainly due to the increase in VAT payable, income tax payable and consumption tax payable at the end of the Period.

**(10) *Other payables***

Other payable as at the end of the Reporting Period had increased by 59.27% from the beginning of the Reporting 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 fees to be paid after entering the peak season of sales.

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

Current portion of non-current liabilities at the end of the Reporting Period increased by 53.40% compared with that at the beginning of the Reporting Period, which is mainly due to the increase in long-term leases of some subsidiaries and the increase in the current value of the payments amount for the unpaid lease payments within one year during the Reporting Period.

**(12) *Lease liabilities***

Lease liabilities increased by 103.81% at the end of the reporting period compared to the beginning of the Reporting Period, mainly due to the increase in long-term leased houses of some subsidiaries and the increase in the current value of the unpaid lease payments with an account period of more than one year during the Reporting Period.

#### **4. Other information**

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

As at 30 June 2020, the Company's debt/capital ratio was 0 (31 December 2019: 0.001%). 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 2020, the Company did not have any mortgages (31 December 2019: Nil)

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

The Company currently relies on imported barley as its raw material. Therefore, fluctuations in the exchange rate would indirectly 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 2020, the Company had invested a total of approximately RMB545 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***

See details in the notes to the financial statements of the 2020 Interim Report.

##### ***(6) Contingent liabilities***

Nil.

## SIGNIFICANT EVENTS

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### (I) THE INCENTIVE PLAN

1. On 23 March 2020, the 2020 third extraordinary meeting of the ninth session of the Board and the 2020 first extraordinary meeting of the ninth session of the Supervisory Committee approved the resolutions in relation to the Restricted A Share Incentive Plan of Tsingtao Brewery Company Limited (Draft) and its abstract, as well as the management measures for the implementation and appraisal of the Restricted A Share Incentive Plan of Tsingtao Brewery Company Limited.
2. On 21 April 2020, the 2020 fifth extraordinary meeting of the ninth session of the Board approved the resolution in relation to requesting the Annual General Meeting to authorize the Board to handle matters in relation to the Restricted A Share Incentive Plan.
3. The Incentive Plan has been approved by the state-owned Assets Supervision & Administration Commission of the People's Government of Qingdao and submitted to the Company's 2019 Annual General Meeting and the 2020 first A Share and H Share class meetings for consideration and approval.
4. On 29 June 2020, the 2020 eighth extraordinary meeting of the ninth session of the Board and the 2020 second extraordinary meeting of the ninth session of the Supervisory Committee approved the resolutions in relation to adjusting the Grant Price of the First Grant under the Restricted A Share Incentive Plan of the Company, adjusting the list of Participants and the number of restricted shares granted in the First Grant under the Restricted A Share Incentive Plan of the Company, and the First Grant of Restricted A Shares to the Participants.
5. On 7 July 2020, Zhongxingcai Guanghua Certified Public Accountants LLP verified the actual payment for subscribing the restricted shares made by the Company's participants and issued the Capital Verification Report numbered "ZXCGHSYZ (2020) No. 315001".
6. On 24 July 2020, the Company completed the registration of part of the Restricted A Shares under the First Grant of Restricted A Share Incentive Plan with the Shanghai Branch of China Securities Depository and Clearing Co., Ltd..
7. On 12 August 2020, the Company completed the registration procedures for the change in the registered capital in its business license.

For more details on the Incentive Plan, please refer to the Company's circular of connected transaction dated 29 April 2020 and related announcements published on the websites of Shanghai Stock Exchange and Hong Kong Exchanges and Clearing Limited.

## **(II) CHANGES IN THE DIRECTORS AND SUPERVISORS OF THE COMPANY DURING THE REPORTING PERIOD**

1. Due to personal redeployment of his work, Mr. YU Jia Ping resigned from his position of supervisor as employees' representative, which took effect from 8 January 2020. After resigning from his position of supervisor as employees' representative, Mr. YU Jia Ping continues to work for the Company. Meanwhile, in accordance with democratic election procedures, the Company has elected Mr. HUANG Zu Jiang and Mr. MENG Qing Shang to be supervisors as employees' representative of the ninth session of the Board of Supervisors starting from 8 January 2020 until the expiry of the term of the ninth session of the Board of Supervisors.
2. As Mr. FAN Wei reached the statutory retirement age, he resigned from his positions of Executive Director and President of the Company, which took effect from 28 February 2020.
3. The Company held an extraordinary general meeting on 16 April 16 2020, where the resolution to elect Mr. SHI Kun as Non-executive Director of the ninth session of the Board was considered and approved. The term of office would start from the date of the approval of his appointment at the Company's extraordinary general meeting until the expiry of the ninth session of the Board.
4. The Company held the 2019 Annual General Meeting on 8 June 2020, where the resolution to elect Mr. XIAO Geng and Mr. SHENG Lei Ming as Independent Non-executive Directors of the ninth session of the Board was considered and approved. The terms of office would start from the date of the approval of their appointments at the Company's Annual General Meeting until the expiry of the ninth session of the Board. The Company's Independent Non-executive Directors Mr. BEN Sheng Lin and Mr. JIANG Min had served for six years and left their positions after the end of the Annual General Meeting.

## **(III) SIGNIFICANT INVESTMENT DURING THE REPORTING PERIOD**

At the ninth meeting of the ninth session of the Board of the Company, the feasibility report on the project concerning the establishment of Zaozhuang Company with the capacity of 600,000 kl beer production was considered and approved. The Zaozhuang Company was incorporated with a registered capital of RMB200 million on 4 June 2020 with the Company as the sole shareholder. Currently, the project is in the preparation stage.

**(IV)** During the Reporting Period, the Company was not involved in any new significant litigation or arbitration.



# CHANGES TO SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

- As at 30 June 2020, the total number of shareholders of the Company was 31,755, including 31,487 holders of A-share and 268 holders of H-share. Based on disclosed public information which was known by the Board 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.
- As at the end of the Reporting Period, the shareholding of top 10 shareholders of the Company is as follows

*Unit: Share*

Shareholder's name	Class of share	Shares held at the end of the Reporting Period	Shareholding percentage (%)
HKSCC Nominees Limited ( <i>Note 1</i> )	H-share	613,865,867	45.44
Tsingtao Brewery Group Company Limited ( <i>Note 2</i> )	A-share and H-share	443,467,655	32.83
China Securities Finance Corporation Company	A-share	32,708,915	2.42
China Jianyin Investment Limited	A-share	17,574,505	1.30
Hong Kong Securities Clearing Company Limited	A-share	16,550,165	1.23
Central Huijin Asset Management LLC.	A-share	10,517,500	0.78
China Merchants Bank Co., Ltd. – Dongfanghong Ruize Three-Year Periodically Opened Flexible Allocation Mixed Securities Investment Fund	A-share	6,313,793	0.47
Agricultural Bank of China Co., Ltd.-E Fund Consumer Industry Equity Securities Investment Fund	A-share	6,137,337	0.45
China Life Insurance Company Limited – Dividend-Individual Dividend-005L-FH002 Shanghai	A-share	5,444,457	0.40
China Life Insurance Company Limited – Traditional-General Insurance Products – 005L-CT001 Shanghai	A-share	5,324,380	0.39

*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 itself and through Xinhaisheng, and 405,132,055 shares of A-share in the Company by itself.
- As at the end of the Reporting Period, five entities under Fosun International hold 211,708,236 shares of H-share of the Company, occupying 15.67% of the Company's total share capital. 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 2020, 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 (“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 Xinhaiheng 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/ Investment manager	2	34,477,701 H-Share	2.55%	5.26%
FMR LLC	Long position	H-Share	Interest of controlled Corporation	3	32,865,417 H-Share	2.43%	5.02%
Guo Guangchang	Long position	H-Share	Interest of controlled Corporation	4	212,728,236 H-Share	15.75%	32.47%
Fosun International Holdings Ltd.	Long position	H-Share	Interest of controlled Corporation	4	212,728,236 H-Share	15.75%	32.47%
Fosun International Limited	Long position	H-Share	Interest of controlled Corporation	4	212,728,236 H-Share	15.75%	32.47%
Fosun Industrial Holdings Limited	Long position	H-Share	Beneficial Owner		153,255,626 H-Share	11.34%	23.40%

*Notes:*

- (1) The 38,335,600 H-Shares which were deemed to be interested by SASACQ were held by Hong Kong Xinhaiheng 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 FIDELITY MANAGEMENT & RESEARCH COMPANY LLC was deemed to be interested were held through various controlled wholly-owned subsidiaries of FMR LLC.
- (4) 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.
- (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 2020, 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. YU Zeng Biao, Non-Executive Director of the Company, held 20,000 shares of the Company, Company Employee Supervisor Mr. Huang Zujiang held 12,900 shares of the Company. All the shares held by the aforementioned persons are tradable A-Shares.

As at 30 June 2020, apart from the disclosed information above, none of the directors, supervisors 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 2020, the Company (including the subsidiaries) employs a total of 36,781 full-time employees.

In the first half year of 2020, the company hinged on controlling the epidemic, stabilizing employees and ensuring income. With comprehensive consideration to the linkage between operating performance and total wages and on the prerequisite of ensuring employee income, on the one hand, the company implemented a forward and flattened payroll management system of special period, especially the payroll assessment and performance incentive strategies that enrich, optimize and support the rapid resumption of work and production, and the rapid recovery of business performance; on the other hand, actively promote the implementation of favorable enterprise policies within the enterprise to reduce labor costs for enterprises. Through the joint efforts of the company and all employees, various business management performances have been continuously improved and employee income has been guaranteed. The company continues to improve the comprehensive incentive system which is "Take salary incentives as basis, career development incentives as impetus, emotional incentives as cohesion, and cultural incentives as the core". Taking performance and job value contribution as consideration factors, the company implemented an employee income sharing mechanism that is linked to the economic benefits of the enterprise and the labor productivity of all employees and is based on the growth of enterprise.

In the first half of 2020, the company started an all staff transformation study trip of breakthrough and transformation, management innovation and empowerment business under the premise of guaranteeing the implementation of epidemic prevention and control policies and ensuring the health and safety of staff. Community marketing strategy and best cases were published in a timely manner, empowering regional manager above 10,711 person times and pushing "Contact-free delivery" and "Giving back to millions of communities" to its climax. Live broadcast courses of biggie talking of famous enterprise and community marketing series were viewed 32,000 person times, facilitating the digital transformation and all staff marketing of the company. Faced with unexpected pandemic, the company staff responded in time and made rapid transformation by seeking opportunities in crisis, learning from practicing, doing in learning. In the first half of the year, learning hours had increased by 170% from the corresponding period in the previous year. The improvement of organizational learning ability effectively empowered the company's rapid recovery and rapid growth of business performance.

## PURCHASING, SELLING OR REDEEMING THE SECURITIES

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During the six months as of 30 June 2020, 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 2020 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 ("the Stock Exchange") and its corporate governance practices shall comply with the requirements of applicable laws and securities regulations of both Shanghai and Hong Kong. The Company is dedicated to maintain a high level of corporate governance and abided by all the provisions set out in the Corporate Governance Code of Appendix 14 of the Listing Rules during the Reporting Period, except the deviation from provision A.2.1 of the Corporate Governance Code.

Provision A.2.1 of the Corporate Governance Code stipulates that the roles of the Chairman of the Board and the Chief Executive Officer should be separated and not be performed by the same person. Since Mr. FAN Wei resigned from the positions of Executive Director and President of the Company on 28 February 2020 because he had reached the statutory retirement age, the position of President of the Company remains temporarily vacant as the successor of the Company's President has been under discussion and negotiation. In order to ensure the normal operation of the Company, the Chairman of the Board has been discreetly performing the duties of the President in line with the demand of maintaining a sound and stable corporate governance structure that meets the needs of the Company.

## 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 January 1 to June 30, 2020
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
The Incentive Plan	Means	The Restricted A Shares Incentive Plan of the Company
Zaozhuang Company	Means	Tsingtao Brewery (Zaozhuang) Co., Ltd.

# 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, Shibei District, Qingdao, Shandong Province
- Office Address: Tsingtao Beer Tower, No. 35 Donghai West Road, Shinan District, 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,  
No. 35 Donghai West Road, Shinan District,  
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

2020

INTERIM REPORT

中期報告

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



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