



青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號: 168)



中期報告 2021
INTERIM
REPORT

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TSINGTAO BREWERY COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

	Note 4 (unless otherwise stated)	As at			
		30 June 2021 Consolidated (unaudited)	31 December 2020 Consolidated	30 June 2021 Company (unaudited)	31 December 2020 Company
ASSETS					
Current assets					
Cash at bank and on hand	(1)	9,322,353,390	18,466,880,608	3,176,385,093	7,498,667,378
Financial assets held for trading	(2)	9,177,366,562	1,888,862,835	7,195,438,356	-
Notes receivable	(3)	14,103,629	5,648,580	14,103,629	3,500,000
Accounts receivable	(4), 15(1)	197,266,935	119,506,428	1,552,803,678	1,289,784,383
Advances to suppliers	(5)	197,090,082	239,884,336	118,324,864	173,715,881
Other receivables	(6), 15(2)	128,672,472	73,893,587	119,357,361	767,551,777
Inventories	(7), 15(3)	2,213,640,971	3,281,033,526	631,604,795	1,484,423,351
Other current assets	(8)	6,595,016,017	552,409,778	5,896,685	213,704,493
Total current assets		27,845,510,058	24,628,119,678	12,813,914,461	11,431,347,263
Non-current assets					
Debt investment	15(4)	-	-	58,133,001	-
Long-term equity investments	(9), 15(5)	373,673,634	374,333,837	10,976,925,937	10,777,859,391
Other non-current financial assets		600,000	600,000	-	300,000
Investment properties	(10)	22,470,794	27,183,434	28,687,026	28,097,551
Fixed assets	(11)	10,509,375,815	10,302,628,630	2,115,103,160	2,207,215,759
Construction in progress	(12)	330,050,969	339,805,369	68,175,702	29,042,168
Right-of-use assets	(13)	168,614,698	168,329,047	32,592,315	33,604,316
Intangible assets	(14)	2,474,905,093	2,503,842,988	480,163,747	495,947,407
Goodwill	(15)	1,307,103,982	1,307,103,982	-	-
Long-term prepaid expenses	(16)	94,480,821	86,258,334	4,482,702	4,265,112
Deferred tax assets	(17)	2,009,158,442	1,718,307,625	1,166,988,103	1,044,203,455
Other non-current assets	(19)	100,966,627	57,672,911	17,782,371	20,751,654
Total non-current assets		17,391,400,875	16,886,066,157	14,949,034,064	14,641,286,813
TOTAL ASSETS		45,236,910,933	41,514,185,835	27,762,948,525	26,072,634,076

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

AS AT 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

	Note 4	As at			
		30 June 2021 Consolidated (unaudited)	31 December 2020 Consolidated	30 June 2021 Company (unaudited)	31 December 2020 Company
LIABILITIES AND EQUITY					
Current liabilities					
Short-term borrowings	(20)	450,255,705	703,273,054	-	-
Notes payable	(21)	192,247,098	149,491,592	118,775,982	118,344,729
Accounts payable	(22)	3,387,360,154	2,222,601,042	4,320,867,816	2,945,975,684
Contract liabilities	(23)	5,244,815,963	6,567,320,256	3,651,224,028	4,816,661,431
Employee benefits payable	(24)	1,873,598,111	1,906,199,446	625,537,989	630,441,397
Taxes payable	(25)	1,216,630,502	548,026,847	391,338,521	82,987,488
Other payables	(26)	5,306,657,698	3,074,878,208	2,506,397,395	1,389,865,972
Current portion of non-current liabilities	(27)	46,752,841	42,089,297	12,739,516	12,694,927
Other current liabilities	(23)	98,023,765	296,065,856	67,883,428	255,389,916
Total current liabilities		17,816,341,837	15,509,945,598	11,694,764,675	10,252,361,544
Non-current liabilities					
Lease liabilities	(28)	111,535,058	115,839,869	16,031,975	17,840,026
Long-term payables	(29)	288,053,679	462,046,060	-	-
Deferred income	(30)	2,958,428,519	2,899,626,024	382,555,211	399,473,516
Long-term employee benefits payable	(31)	942,091,056	991,111,582	550,748,061	543,156,836
Deferred tax liabilities	(17)	163,994,685	167,564,536	-	-
Total non-current liabilities		4,464,102,997	4,636,188,071	949,335,247	960,470,378
Total liabilities		22,280,444,834	20,146,133,669	12,644,099,922	11,212,831,922
Equity					
Share capital	(32)	1,364,476,795	1,364,182,795	1,364,476,795	1,364,182,795
Capital surplus	(33)	3,838,740,408	3,675,291,623	4,861,651,681	4,710,298,947
Less: Treasury stock	(34)	(275,682,420)	(279,576,000)	(275,682,420)	(279,576,000)
Other comprehensive income	(35)	(18,400,364)	(19,851,339)	(30,438,000)	(30,438,000)
Surplus reserve	(36)	1,400,704,380	1,400,704,380	1,400,704,380	1,400,704,380
General reserve	(37)	260,344,554	260,344,554	-	-
Undistributed profits	(38)	15,613,028,235	14,220,864,502	7,798,136,167	7,694,630,032
Total equity attributable to shareholders of the Company		22,183,211,588	20,621,960,515	15,118,848,603	14,859,802,154
Non-controlling interests		773,254,511	746,091,651	—	—
Total equity		22,956,466,099	21,368,052,166	15,118,848,603	14,859,802,154
TOTAL LIABILITIES AND EQUITY		45,236,910,933	41,514,185,835	27,762,948,525	26,072,634,076

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 2021

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4 (unless otherwise stated)	Six months ended 30 June			
		2021 Consolidated (unaudited)	2020 Consolidated (unaudited)	2021 Company (unaudited)	2020 Company (unaudited)
Revenue	(39),15(6)	18,291,160,751	15,678,991,336	13,217,854,896	11,266,625,819
<i>Less:</i> Cost of sales	(39),(45),15(6),(7)	(10,170,373,951)	(9,131,648,894)	(9,706,030,004)	(8,724,584,290)
Taxes and surcharges	(40)	(1,330,624,241)	(1,203,887,260)	(355,926,223)	(266,409,049)
Selling and distribution expenses	(41),(45),15(7)	(3,345,152,307)	(2,865,454,502)	(1,630,489,493)	(1,221,053,868)
General and administrative expenses	(42),(45),15(7)	(711,549,902)	(503,010,708)	(265,152,435)	(160,312,334)
Research and development expenses	(43),(45),15(7)	(8,248,555)	(6,689,518)	(8,248,555)	(6,689,518)
Finance expenses	(44)	135,425,576	236,113,350	2,131,918	103,782,556
Including: Interest expenses		(11,003,365)	(8,490,374)	-	-
Interest income		172,412,314	251,335,596	18,428,287	106,556,345
<i>Add:</i> Other income	(46)	221,466,965	330,275,468	25,321,148	93,102,739
Investment income	(47),15(8)	59,948,931	21,958,363	107,778,289	61,375,664
Including: Share of profit of associates and a joint venture		18,854,829	16,497,374	17,877,690	15,263,156
Profits arising from changes in fair value					
(Losses are listed with “-“)	(48)	130,474,522	27,783,514	96,868,493	-
Credit impairment losses					
(Losses are listed with “-“)		(1,714,712)	511,352	297,733	36,579,878
Asset impairment losses					
(Losses are listed with “-“)		(5,826)	(1,538,581)	-	-
Gains on disposals of assets					
(Losses are listed with “-“)	(49)	10,654,155	(8,007,618)	10,684,484	(360,712)
Operating profit		3,281,461,406	2,575,396,302	1,495,090,251	1,182,056,885
<i>Add:</i> Non-operating income	(50)	9,882,386	6,423,694	1,935,963	1,022,300
<i>Less:</i> Non-operating expenses	(51)	(483,496)	(23,670,172)	(180,661)	(22,907,601)
Total profit		3,290,860,296	2,558,149,824	1,496,845,553	1,160,171,584
<i>Less:</i> Income tax expenses	(52)	(803,995,081)	(618,702,999)	(369,981,822)	(280,498,135)
Net profit		2,486,865,215	1,939,446,825	1,126,863,731	879,673,449

TSINGTAO BREWERY COMPANY LIMITED

CONSOLIDATED AND COMPANY INCOME STATEMENTS (Cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4 (unless otherwise stated)	Six months ended 30 June			
		2021 Consolidated (unaudited)	2020 Consolidated (unaudited)	2021 Company (unaudited)	2020 Company (unaudited)
Classified by continuity of operations					
Net profit from continuing operations		2,486,865,215	1,939,446,825	1,126,863,731	879,673,449
Net profit from discontinued operations		-	-	-	-
Classified by ownership of the equity					
Attributable to shareholders of the Company		2,415,521,329	1,854,983,102	1,126,863,731	879,673,449
Attributable to non-controlling interests		71,343,886	84,463,723	—	—
Other comprehensive income, net of tax	(35)	1,450,975	(3,053,718)	-	-
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		(137,707)	77,344	-	-
Currency translation differences		1,588,682	(3,131,062)	-	-
Total comprehensive income		2,488,316,190	1,936,393,107	1,126,863,731	879,673,449
Attributable to shareholders of the Company					
		2,416,972,304	1,851,929,384	1,126,863,731	879,673,449
Attributable to non-controlling interests					
		71,343,886	84,463,723	—	—
Earnings per share					
Basic earnings per share	(53)	1.780	1.373	—	—
Diluted earnings per share	(53)	1.780	1.373	—	—

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 2021

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Six months ended 30 June			
		2021 Consolidated (unaudited)	2020 Consolidated (unaudited)	2021 Company (unaudited)	2020 Company (unaudited)
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		19,069,797,080	16,456,593,125	13,357,510,815	11,230,375,339
Refund of taxes and surcharges		10,529,750	15,521,340	10,529,750	12,258,112
Cash received relating to other operating activities	(54)(a)	472,938,811	702,021,732	80,162,193	134,161,708
Sub-total of cash inflows		19,553,265,641	17,174,136,197	13,448,202,758	11,376,795,159
Cash paid for goods and services		(7,392,696,835)	(6,254,818,909)	(8,196,163,975)	(6,822,312,617)
Cash paid to and on behalf of employees		(2,400,191,192)	(2,016,727,304)	(848,912,956)	(732,067,891)
Payments of taxes and surcharges		(2,759,812,677)	(2,172,002,536)	(886,697,736)	(569,692,296)
Cash paid relating to other operating activities	(54)(b)	(1,975,903,685)	(1,766,090,548)	(1,224,900,308)	(1,098,291,567)
Sub-total of cash outflows		(14,528,604,389)	(12,209,639,297)	(11,156,674,975)	(9,222,364,371)
Net cash flows from operating activities	(55)(a)	5,024,661,252	4,964,496,900	2,291,527,783	2,154,430,788
Cash flows from investing activities					
Cash received from disposal of investments		1,776,085,800	842,000,000	260,675,368	208,700,000
Cash received from returns on investments		41,707,649	50,336,309	776,833,007	626,562,928
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		14,074,578	15,512,744	6,847,302	1,525,222
Cash received relating to other investing activities	(54)(c)	199,654,726	184,930,632	2,755,050	543,000
Sub-total of cash inflows		2,031,522,753	1,092,779,685	1,047,110,727	837,331,150
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(703,675,247)	(545,343,260)	(90,993,631)	(158,940,440)
Cash paid to acquire investments		(16,520,809,580)	(1,229,900,000)	(7,566,000,000)	(301,518,181)
Cash paid relating to other investing activities	(54)(d)	(285,307,357)	(92,640,185)	(1,653,700)	(933,300)
Sub-total of cash outflows		(17,509,792,184)	(1,867,883,445)	(7,658,647,331)	(461,391,921)
Net cash flows from investing activities		(15,478,269,431)	(775,103,760)	(6,611,536,604)	375,939,229

TSINGTAO BREWERY COMPANY LIMITED

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (Cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Six months ended 30 June			
		2021 Consolidated (unaudited)	2020 Consolidated (unaudited)	2021 Company (unaudited)	2020 Company (unaudited)
Cash flows from financing activities					
Cash received from investment		6,226,920	-	6,226,920	-
Cash received from borrowings		251,370,000	270,120,000	-	-
Cash received from other financing activities		4,000	-	-	-
Sub-total of cash inflows		257,600,920	270,120,000	6,226,920	-
Cash repayments of borrowings		(501,572,470)	(270,330,000)	-	-
Cash payments for distribution of dividends, profits or interests expenses		(65,873,208)	(429,763,491)	-	(380,979,595)
Including: Cash payments for dividends, profit to minority shareholders of subsidiaries		(55,687,148)	(41,044,076)	-	-
Cash payments relating to other financing activities	(54)(e)	(27,931,298)	(257,733,732)	(9,692,907)	(8,066,521)
Sub-total of cash outflows		(595,376,976)	(957,827,223)	(9,692,907)	(389,046,116)
Net cash flows from financing activities		(337,776,056)	(687,707,223)	(3,465,987)	(389,046,116)
Exchange effect on cash and cash equivalents		(5,023,523)	6,580,437	(3,233,395)	4,047,533
Net increase in cash and cash equivalents	(55)(a)	(10,796,407,758)	3,508,266,354	(4,326,708,203)	2,145,371,434
Add: Cash and cash equivalents at beginning of period		17,643,123,424	14,557,393,355	7,469,757,605	6,043,843,854
Cash and cash equivalents at end of period	(55)(b)	6,846,715,666	18,065,659,709	3,143,049,402	8,189,215,288

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 2021

(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	Less: Treasury shares	Other comprehensive income	Surplus reserve	General reserve			Undistributed profits
Balance at 1 January 2020		1,350,982,795	3,444,317,455	-	(47,347,633)	1,400,704,380	234,715,680	12,788,210,357	741,787,822	19,913,370,856
Movements for the six months ended 30 June 2020 (unaudited)										
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	(33)	-	(173,479,592)	-	-	-	-	-	(68,297,121)	(241,776,713)
Balance at 30 June 2020 (unaudited)		1,350,982,795	3,270,837,863	-	(50,401,351)	1,400,704,380	234,715,680	13,900,152,922	716,910,348	20,823,902,637
Balance at 31 December 2020		1,364,182,795	3,675,291,623	(279,576,000)	(19,851,339)	1,400,704,380	260,344,554	14,220,864,502	746,091,651	21,368,052,166
Balance at 1 January 2021		1,364,182,795	3,675,291,623	(279,576,000)	(19,851,339)	1,400,704,380	260,344,554	14,220,864,502	746,091,651	21,368,052,166
Movements for the six months ended 30 June 2021 (unaudited)										
Total comprehensive income										
Net profit		-	-	-	-	-	-	2,415,521,329	71,343,886	2,486,865,215
Other comprehensive income	(35)	-	-	-	1,450,975	-	-	-	-	1,450,975
Total comprehensive income for the six months ended 30 June 2021		-	-	-	1,450,975	-	-	2,415,521,329	71,343,886	2,488,316,190
Shareholder investment and capital reduction										
Capital paid in by equity incentive shareholders	(33)	294,000	5,932,920	(6,226,920)	-	-	-	-	-	-
Share-based payment included in shareholders' equity	(33)	-	157,486,792	-	-	-	-	-	696,173	158,182,965
Profit distribution	(38)									
Profit distribution to shareholders		-	-	10,120,500	-	-	-	(1,023,357,596)	(44,877,199)	(1,058,114,295)
Others	(33)	-	29,073	-	-	-	-	-	-	29,073
Balance at 30 June 2021 (unaudited)		1,364,476,795	3,838,740,408	(275,682,420)	(18,400,364)	1,400,704,380	260,344,554	15,613,028,235	773,254,511	22,956,466,099

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 (Cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Share capital	Capital surplus	Less: Treasury shares	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2020		1,350,982,795	4,306,633,811	-	(47,445,000)	1,400,704,380	7,489,288,403	14,500,164,389
Movements for the six months ended 30 June 2020 (unaudited)								
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
Balance at 30 June 2020 (unaudited)		<u>1,350,982,795</u>	<u>4,306,639,721</u>	<u>-</u>	<u>(47,445,000)</u>	<u>1,400,704,380</u>	<u>7,625,921,315</u>	<u>14,636,803,211</u>
Balance at 31 December 2020		1,364,182,795	4,710,298,947	(279,576,000)	(30,438,000)	1,400,704,380	7,694,630,032	14,859,802,154
Balance at 1 January 2021		1,364,182,795	4,710,298,947	(279,576,000)	(30,438,000)	1,400,704,380	7,694,630,032	14,859,802,154
Movements for the six months ended 30 June 2021 (unaudited)								
Total comprehensive income								
Net profit		-	-	-	-	-	1,126,863,731	1,126,863,731
Total comprehensive income for the six months ended 30 June 2021		-	-	-	-	-	1,126,863,731	1,126,863,731
Shareholder investment and capital reduction								
Capital paid in by equity incentive shareholders (33)		294,000	5,932,920	(6,226,920)	-	-	-	-
Share-based payment included in shareholders' equity		-	145,417,833	-	-	-	-	145,417,833
Profit distribution (38)								
Profit distribution to shareholders		-	-	10,120,500	-	-	(1,023,357,596)	(1,013,237,096)
Others		-	1,981	-	-	-	-	1,981
Balance at 30 June 2021 (unaudited)		<u>1,364,476,795</u>	<u>4,861,651,681</u>	<u>(275,682,420)</u>	<u>(30,438,000)</u>	<u>1,400,704,380</u>	<u>7,798,136,167</u>	<u>15,118,848,603</u>

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

Legal representative:
HUANG Kexing

Principal in charge of accounting:
YU Zhuming

Head of accounting department:
HOU Qiuyan

TSINGTAO BREWERY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(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.

In 2020, the Company implemented equity incentive with 13,200,000 restricted shares, and the total number of shares of the Company increased from 1,350,982,795 to 1,364,182,795. For the six months ended 30 June 2021, the Company implemented equity incentive with 294,000 restricted shares, and the total number of shares of the Company increased from 1,364,182,795 to 1,364,476,795.

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 and Note 6.

These financial statements have been approved for issue by the Company’s Board of Directors on 25 August 2021.

The interim financial statements are not audited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group applied the accounting policies and accounting estimates based on its business operations characteristics, including provision of expected credit losses (“ECL”) of receivables (Note 2(9)), valuation of inventories (Note 2(10)), depreciation of fixed assets, amortisation of intangible assets and depreciation of right-of-use assets (Note 2(13),(16) and (25)), revenue recognition (Note 2(21)), etc.

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

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

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

The financial statements of the Company for six months ended 30 June 2021 are in compliance with CAS, and truly and completely present the Consolidated and the Company’s financial position as at 30 June 2021 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, Macau and Vietnam is Hong Kong Dollar (HKD), Macau Pataca (MOP) and Vietnamese Dong (VND) 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.

(5) Business combinations (Cont'd)

(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 based on the newly increased shareholding ratio. If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

(6) Preparation of consolidated financial statements

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

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

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

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

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

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

(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 capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

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

(9) Financial instruments

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

(a) Financial assets

(i) Classification and measurement

Based on the business mode for management of the Group and cash flow characteristics of contracts, the financial assets are classified into the following categories: (1) financial assets measured at amortised 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.

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

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 amortised 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 one year (including one year) 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 (including one year) are listed as other current assets.

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

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(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 ECL.

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

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

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

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 formed from daily operations such as sales of goods and rendering of services, 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.

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

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.

(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 derecognised, 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 recognised into the retained earnings; when the recognition of other financial assets is derecognised, 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 recognised into the current profit or 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, etc. These financial liabilities are recognised initially at fair value minus transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Those with maturities no more than one year are classified as current liabilities; those with maturities over one year but due within one year at the balance sheet date are classified as the current portion of non-current liabilities; others are classified as non-current liabilities.

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

(c) Determination of fair value of financial instruments

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

(10) Inventories

(a) Classification

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

(b) Cost formulas

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

(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) Amortisation 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.

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

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

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

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

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards in the contingencies are satisfied, the Group continues recognising the expected losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus other comprehensive income, and profit distribution. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealized 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 unrealized 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)).

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

(12) Investment properties

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

The Group adopts the cost model for subsequent measurement of investment properties. Land use rights are amortised on the straight-line basis over their useful period of 50 years. Buildings are depreciated to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of investment properties are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	20 - 40 years	3% to 5%	2.4% to 4.9%
Land use rights	50 years	-	2.0%

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

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

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

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

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

(13) Fixed assets (Cont'd)

(b) Depreciation methods of fixed assets

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

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

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

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

(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 next 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.

(15) Borrowing costs (Cont'd)

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

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

(16) Intangible assets

Intangible assets comprise land use rights, trademarks, marketing networks, computer software, technology 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.

(16) Intangible assets (Cont'd)

(f) Periodical review of useful life and amortisation method

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

(g) Research and development

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

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

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

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

(h) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(18)).

(17) Long-term prepaid expenses

Long-term prepaid expenses comprise the expenditure for improvements to right to 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.

(18) Impairment of long-term assets

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

Goodwill 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 defined contribution plans of the Group include the basic pension and unemployment insurance paid for employees.

The employees of the Group participated in the basic pension and unemployment insurance organized and implemented by the local labour and social security departments. If the employees leave the plans prior to vesting fully in such contributions, the Group has no right to utilise such contributions under the post-employment benefit plan to reduce the existing level of contributions.

(19) Employee benefits (Cont'd)

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

Basic pension insurance

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 post-employment benefits

In addition to the basic social pension plans, the Group also provides supplementary post-employment 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 an independently actuary using the Projected Unit Credit method and applying interest rate 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 post-employment 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.

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

After signing contracts with dealers and receiving orders, the Group recognises 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.

(22) Government Grants (Cont'd)

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 surplus.

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

(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

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 participants.

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. If the equity instruments granted vest immediately, it shall be measured at fair value through current profit or loss on grant date, with a corresponding increase in capital surplus; If the equity instruments granted do not vest until the counterparty meets specified service or performance conditions, 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, or the achievement of performance conditions. On this basis, according to the fair value of equity instrument on grant date, the Group shall recognise the services to be rendered by the counterparty in current profit or loss based on the most likely outcome of exercisable equity instrument during the vesting period, with a corresponding confirmation of capital surplus.

The Group will not recognise the cost or expense for share-based payments that fail to meet the viable conditions ultimately, unless the vesting conditions are market conditions or non-viable conditions. No matter whether the market conditions or non-viable conditions are met, as long as meeting all of the non-market conditions, it will be regarded as exercisable.

If the fair value of the equity instruments granted increase after the Group modifies the terms of the share-based payment plan, the Group shall recognise the increase of services obtained according to the difference between the fair value of the equity instruments before and after the modification. If the Group cancels the granted equity instrument, it will be treated as accelerated exercise on the cancellation date, and the amount that should have been recognised during the remaining vesting period will be immediately included in the current profit or loss, and the capital surplus will be recognised accordingly.

If the Group needs to repurchase the restricted shares that failed to be unlocked and invalid at the pre agreed repurchase price, the Group shall recognise the liabilities and treasury stocks according to the number of restricted shares and the corresponding repurchase price.

(25) Leases

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

The Group as a 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.

(25) Leases (Cont'd)

The Group as a lessee (Cont'd)

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

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

The Group shall treat the lease as a separate item, when the lease is changed and meets the following conditions: (1) The scope of leasing is expanded by adding the right to use one or more leased assets; (2) the increased consideration is equivalent to the amount of the separate price of the extended lease scope according to the contract.

The Group re-determines the lease term on the effective date of the lease change, uses the revised discount rate to discount the lease payment after the change, and remeasures the lease liabilities when the change is not accounted for as a separate lease. Unless the contract changes directly caused by the new pneumonia epidemic situation, the simplified method shall be adopted. If the change causes the scope of the lease to be narrowed or the term of the lease to be shortened, the Group will correspondingly reduce the book value of the right-of-use asset, and the relevant gains or losses from the partial or complete termination of the lease shall be included in the current profit or loss. If other changes cause the lease liabilities be remeasured, the Group adjusts the book value of the right-of-use asset accordingly.

For the rent reduction before 30 June 2021 that related to new pneumonia epidemic situation, the Group adopts the simplified method. The undiscounted amount of deduction shall be included in the current profit or loss when an agreement is reached to relieve the original payment obligation, and the lease liability shall be adjusted accordingly (Note 4(13)).

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.

When the Group operatingly lease out self-owned 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. The Group will include variable rents determined based on a certain percentage of sales into rental income when they actually occur.

When a lease is changed, the Group regards it as a new lease from the effective date of the change, and treats the amount of advance or receivable lease payments related to the lease before the change as the amount of the new lease.

(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:

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

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

(i) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 4(15)).

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

(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 present value of the expected future cash flow to sell. These calculations require the use of accounting estimates.

For the six months ended 30 June 2021, the Group recognised impairment losses of 5,826 (For six months ended 30 June 2020: 1,538,581) for fixed assets based on such evaluation. As at 30 June 2021, the Group recognised the cumulative provision for fixed assets impairment amounting to 509,115,044 (31 December 2020: 527,812,271) (Note 4(11)).

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

(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 expenses (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 2021, deferred tax assets of 2,009,158,442 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 927,489,000 as at 30 June 2021, which is mainly attributable to the accumulated losses can be deducted from taxable income in the next five years according to the tax law of certain subsidiaries and the deductible temporary differences of these subsidiaries. These subsidiaries have unrecognised deferred tax assets for such deductible losses and deductible temporary differences due to the fact that there is no certainty of obtaining approval from local tax authorities or there is no certainty of their respective realization of these tax benefits through available future taxable profits of those subsidiaries concerned. In cases where the actual future taxable income is more or less than expected or approval from local tax authorities are obtained, a recognition or reversal of deferred tax assets may arise accordingly.

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

(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 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 default risk exposure 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 Group considered various macroeconomic scenarios. The Group regularly monitors and reviews assumptions related to the calculation of ECL, including the risk of economic downturn, changes in the external market environment, changes in customer conditions, GDP, CPI, etc. The above estimation techniques and key assumptions have not changed significantly for the six months ended 30 June 2021.

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%, 20% and 25%
Value added tax ("VAT")(b)	Taxable value added amount (Tax payable is calculated by multiplying taxable sales by the applicable tax rate and deducting deductible VAT input of current period or by multiplying the taxable sales by the applicable levy rate)	13%, 9%, 6% and 3% as levy rate
Consumption tax	Sales Price of Beer More than or equal to RMB3,000 per ton Less than RMB3,000 per ton	Consumption Tax per Unit RMB250 per ton RMB220 per ton
City maintenance and construction tax	Amount of VAT and consumption tax paid	5% and 7%
Education surcharge	Amount of VAT and consumption tax paid	5%

(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, Macau profits supplemental tax and Vietnam corporate income tax*

Tsingtao Brewery Hong Kong Trading Co., Ltd. ("Hong Kong Company") and Asia Brewery (Macau) Co., Ltd. ("Macau Company") and Tsingtao Brewery Vietnam Co., Ltd. ("Vietnam Company"), the Company's subsidiaries, were established in Hong Kong, Macau and Vietnam, applying Hong Kong profits tax, Macau profits supplemental tax and Vietnam enterprise income tax respectively.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated taxable income 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%. Vietnam enterprise income tax is calculated and paid at a tax rate of 20% based on the estimated taxable income for the year

(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 RMB5 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. Pursuant to the Circular on the Announcement on Extending the Implementation Period of Certain Preferential Policies (Caishui [2021] No. 6) and related regulations issued by the State Administration of Taxation, the implementation period of the above-mentioned preferential policies is extended to 31 December 2023.

(b) *VAT*

Before 1 April 2019, the Group calculates the output VAT at the VAT rate of 16% of the sales revenue of beer and other products. The applicable VAT rates for the financial business income of Tsingtao Beer Finance Co., Ltd. ("Finance Company") and the engineering business income of Tsingtao Beer Engineering Co., Ltd. ("Engineering Company") are 6% and 10% respectively. Input VAT paid for the purchase of goods, machinery and equipment for production or taxable services can be deducted from output VAT. The amount of VAT payable is the balance of the current output tax less the deductible input tax.

According to the announcement on deepening the reform of value-added tax (announcement of the General Administration of Taxation of the Ministry of finance [2019] No. 39) and relevant regulations issued by the Ministry of finance, the State Administration of Taxation and the General Administration of customs, the tax rates of the Group originally applicable to the business of 16% and 10% were adjusted to 13% and 9% respectively from 1 April 2019. From 1 November 2018, the tax refund rate of the Group's export products was changed to 16%, and from 1 April 2019 adjusted to 13%.

(c) *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.

(1) Cash at bank and on hand

	30 June 2021 (unaudited)	31 December 2020
Cash on hand	241,528	252,872
Bank deposits	1,327,072,651	2,894,339,144
Interbank deposits(i)	7,041,028,618	14,886,572,984
Deposit in central bank(ii)	921,024,730	649,651,954
Other cash balances(iii)	32,985,863	36,063,654
	<u>9,322,353,390</u>	<u>18,466,880,608</u>
Including: cash at bank and on hand overseas(iv)	<u>101,699,078</u>	<u>87,369,362</u>

- (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 2021, the statutory deposit reserves ratio of Finance Company is 6% (31 December 2020: 6%).
- (iii) As at 30 June 2021, other cash balances of 32,766,553 (31 December 2020: 32,664,482) represent housing maintenance fund in the bank; the Group has no pledge as collateral for issuance of bank acceptance (31 December 2020: 3,180,000)(Note 4(21)); the remaining balances are other deposits of 219,310 (31 December 2020: 219,172).
- (iv) As at 30 June 2021, cash at bank and on hand overseas represents the cash, bank deposits and its interest receivable of Hong Kong Company, Macau Company and Vietnam Company held in Hong Kong, Macau and Vietnam respectively.

Cash and cash equivalents presented in cash flow statements:

	30 June 2021 (unaudited)	31 December 2020
Cash at bank and on hand	9,322,353,390	18,466,880,608
Other receivables — deposit in non-financial institutions	3,124,049	1,565,622
Less: Restricted deposit in central bank	(921,024,730)	(649,651,954)
Restricted deposit in bank	(1,400,000,000)	-
Restricted other cash balances	(32,985,863)	(36,063,654)
Interest receivable on deposits	(124,751,180)	(139,607,198)
	<u>6,846,715,666</u>	<u>17,643,123,424</u>

(2) Financial assets held for trading

	30 June 2021 (unaudited)	31 December 2020
Debt instruments(i)	<u>9,177,366,562</u>	<u>1,888,862,835</u>

(i) It represents the debt instruments purchased by the Group. As at 30 June 2021, the fair value is measured based on the estimation of the future cash flow.

(3) Notes receivable

	30 June 2021 (unaudited)	31 December 2020
Bank acceptance notes	<u>14,103,629</u>	<u>5,648,580</u>

(a) As at 30 June 2021, the Group has no pledged notes receivable(31 December 2020: nil).

(b) As at 30 June 2021, the Group's notes receivable which have been endorsed but not yet matured are derecognised amounting to 144,570,448 (31 December 2020: 119,095,996). There are no discounted bank acceptance notes that are not yet matured (31 December 2020: nil).

(c) Provision for bad debts

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

As at 30 June 2021, 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

	30 June 2021 (unaudited)	31 December 2020
Accounts receivable	378,594,576	302,944,075
Less: Provision for bad debts	<u>(181,327,641)</u>	<u>(183,437,647)</u>
	<u>197,266,935</u>	<u>119,506,428</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) Accounts receivable (Cont'd)

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

	30 June 2021 (unaudited)	31 December 2020
Within 1 year	197,260,750	119,520,059
1 to 2 years	18,498	12,134
2 to 3 years	-	1,610
3 to 4 years	65,926	197,440
4 to 5 years	-	6,946
Over 5 years	181,249,402	183,205,886
	<u>378,594,576</u>	<u>302,944,075</u>

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 2021, the top five accounts receivable are analysed as follows:*

	Amount (unaudited)	Provision of bad debts (unaudited)	% of total balance
Total amount of the top five accounts receivable	<u>104,983,299</u>	<u>(14,996,236)</u>	<u>28%</u>

(c) As at 30 June 2021, there are no accounts receivable derecognised due to the transfer of financial assets(31 December 2020: 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 2021, accounts receivable with amounts that are individually subject to separate assessment for provision are analysed as follows:

	Ending balance (unaudited)	Lifetime ECL ratio	Provision for bad debts (unaudited)
Gansu Nongken Brewery Co., Ltd.	14,996,236	100%	(14,996,236)
Beijing Tsingtao Brewery Sales Co., Ltd. ("Beijing Sales Company")	<u>11,245,784</u>	100%	<u>(11,245,784)</u>
	<u>26,242,020</u>		<u>(26,242,020)</u>

As the Group has ceased all business transactions with the above companies, the Group is of the view that it is difficult to collect the receivable amount, therefore full bad debt provision has been made accordingly.

(4) Accounts receivable (Cont'd)

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

- (ii) As at 30 June 2021, accounts receivable that are subject to provision for bad debts on the grouping basis are analysed as follows:

Group — Dealers

	30 June 2021 (unaudited)			31 December 2020		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Lifetime		Amount	Lifetime	
		ECL ratio	Amount		ECL ratio	Amount
Not overdue	197,199,476	-	-	119,126,094	-	-
Overdue within 1 year	61,274	5%	(3,064)	393,965	5%	(19,698)
Overdue within 1 -2 years	18,498	50%	(9,249)	12,134	50%	(6,067)
Overdue 2 years or more	155,073,308	100%	(155,073,308)	157,169,862	100%	(157,169,862)
	<u>352,352,556</u>		<u>(155,085,621)</u>	<u>276,702,055</u>		<u>(157,195,627)</u>

- (iii) The provision for bad debts increased in this period is 27,990. The collecting or reversal of provisions for bad debts is 316,719, the corresponding carrying amount is 634,370, the amount of bad debts due to currency translation differences decreases by 72, and the provision for bad debts written off due to uncollectable beer sales is 1,821,205.

(5) Advances to suppliers

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

	30 June 2021 (unaudited)		31 December 2020	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	175,635,144	89.1%	212,636,365	88.6%
1 to 2 years	16,549,860	8.4%	22,917,470	9.6%
2 to 3 years	750,501	0.4%	2,278,819	0.9%
Over 3 years	4,154,577	2.1%	2,051,682	0.9%
	<u>197,090,082</u>	<u>100%</u>	<u>239,884,336</u>	<u>100%</u>

As at 30 June 2021, the carrying amount of advances to suppliers over 1 year is 21,454,938 (As at 31 December 2020: 27,247,971), which have not been delivered yet due to production plan and other reason.

(b) As at 30 June 2021, the total amount of top five advances to suppliers are analysed as follows:

	Amount (unaudited)	% of total balance
Total amount of the top five advances to suppliers	<u>111,249,731</u>	<u>56%</u>

(6) Other receivables

	30 June 2021 (unaudited)	31 December 2020
Guarantee deposits	36,231,749	30,663,930
Receivables of refundable cost of land and building	17,441,647	17,441,647
Dividends receivable(<i>Note 4(9)</i>)	12,379,306	-
Reservation fund	11,262,615	10,331,110
Receivables on construction and equipment(<i>i</i>)	9,054,157	615,830
Payment on behalf for recycling bottles	5,290,571	2,141,753
VAT refund	2,477,398	1,555,693
Others	100,830,338	79,149,784
	194,967,781	141,899,747
<i>Less:</i> Provision for bad debts	(66,295,309)	(68,006,160)
	<u>128,672,472</u>	<u>73,893,587</u>

(i) It represents receivables on construction and equipment business due from third parties to the Company, which is Tsingtao Brewery Equipment Manufacturing Co., Ltd. ("Equipment Manufacturing Company").

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

	30 June 2021 (unaudited)	31 December 2020
Not overdue	126,927,067	72,565,244
Overdue within 1 year	1,649,762	1,194,100
Overdue within 1 - 2 years	356,263	395,115
Overdue 2 years or more	66,034,689	67,745,288
	<u>194,967,781</u>	<u>141,899,747</u>

(6) Other receivables (Cont'd)

(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 (Group)		Lifetime ECL (Credit impairment losses already occurred)		
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	
31 December 2020	1,589,215	(260,872)	67,745,288	(67,745,288)	(68,006,160)
Increase in the current period	703,294	(37,393)	-	(15,210)	(52,603)
Reversals in the current period	(256,064)	22,435	(114,561)	114,561	136,996
Written off in the current period	-	-	(1,626,458)	1,626,458	1,626,458
Transfer to stage three	(30,420)	15,210	30,420	(15,210)	-
30 June 2021	2,006,025	(260,620)	66,034,689	(66,034,689)	(66,295,309)

As at 30 June 2021, 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 2021, other receivables with amounts that are individually subject to separate assessment for provision are analysed as follows:

Stage three	Ending balance (unaudited)	ECL ratio for the next 12 months	Provision for bad debts (unaudited)	Reason
Receivables of refundable cost of land use rights and building	17,441,647	100%	(17,441,647)	i)
Receivables from other entities	48,593,042	100%	(48,593,042)	ii)
	66,034,689		(66,034,689)	

- i) A land use right of the Company was expropriated by the government years ago. The government committed rendering another new land use right instead. The management considers that the possibility of obtaining new land use right is low, and therefore has transferred the cost of the expropriated land use right of 8,584,437 and cost of buildings on this land of 8,857,210 to other receivables, and full bad debt provision has been recorded accordingly.
- ii) As these other receivables that are overdue 2 years or more, the Group judged that credit impairment losses had already occurred and full amount provision for bad debts had been recognised.

(6) Other receivables (Cont'd)

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

(ii) As at 30 June 2021 and 31 December 2020, other receivables of provisions for bad debts on grouping basis are in stage one, and the analysis is as follows:

	30 June 2021 (unaudited)			31 December 2020		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	% of total balance	Provision for bad debts	Amount	% of total balance
Guarantee deposits	814,588	(163,129)	5% - 50%	482,989	(146,995)	5% - 50%
Receivables from other entities	1,191,437	(97,491)	5% - 50%	1,106,226	(113,877)	5% - 50%
	<u>2,006,025</u>	<u>(260,620)</u>		<u>1,589,215</u>	<u>(260,872)</u>	

By referring to historical credit loss experience, the Group recognised 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 52,603. The collecting or reversal of provision for bad debts is 136,996, and its corresponding carrying amount is 370,625. No other receivables was written off in the current period.

(d) The book balance and bad debt provision of other receivables actually written off in the current period were 1,626,458.

(e) As at 30 June 2021, 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	12,379,306	Within six months	6%	-
No.2 Refundable cost of land	8,584,437	More than five years	4%	(8,584,437)
No.3 Payment on behalf of others	5,185,400	Within six months	3%	-
No.4 Receivables on materials	5,000,000	More than five years	3%	(5,000,000)
No.5 Receivables on materials	4,616,730	More than five years	2%	(4,616,730)
	<u>35,765,873</u>		<u>18%</u>	<u>(18,201,167)</u>

(f) As at 30 June 2021, the Group does not have government grants recognised as receivable amount.

(7) Inventories

(a) Classification of inventories is as follows:

	30 June 2021 (unaudited)			31 December 2020		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Raw materials	533,841,394	(959,617)	532,881,777	563,890,545	(968,968)	562,921,577
Packaging materials	732,208,864	(2,517,462)	729,691,402	946,154,798	(2,517,462)	943,637,336
Low-value consumables	86,881,252	-	86,881,252	74,320,823	-	74,320,823
Work in process - outsourced	9,689,279	-	9,689,279	5,922,378	-	5,922,378
Work in progress	393,319,687	-	393,319,687	425,004,935	-	425,004,935
Finished goods	461,177,574	-	461,177,574	1,269,226,477	-	1,269,226,477
	<u>2,217,118,050</u>	<u>(3,477,079)</u>	<u>2,213,640,971</u>	<u>3,284,519,956</u>	<u>(3,486,430)</u>	<u>3,281,033,526</u>

(b) The movements of inventories is as follows:

30 June 2021

	31 December 2020	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2021 (unaudited)
Raw materials	563,890,545	2,324,871,337	(2,354,920,488)	533,841,394
Packaging materials	946,154,798	4,577,651,393	(4,791,597,327)	732,208,864
Low-value consumables	74,320,823	249,498,741	(236,938,312)	86,881,252
Work in process - outsourced	5,922,378	74,575,448	(70,808,547)	9,689,279
Work in progress	425,004,935	2,960,375,623	(2,992,060,871)	393,319,687
Finished goods	1,269,226,477	9,291,070,168	(10,099,119,071)	461,177,574
	<u>3,284,519,956</u>			<u>2,217,118,050</u>

31 December 2020

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Raw materials	557,229,799	4,145,708,104	(4,139,047,358)	563,890,545
Packaging materials	878,527,021	8,045,479,533	(7,977,851,756)	946,154,798
Low-value consumables	61,236,850	533,927,096	(520,843,123)	74,320,823
Work in process - outsourced	-	171,063,443	(165,141,065)	5,922,378
Work in progress	407,440,587	4,878,363,825	(4,860,799,477)	425,004,935
Finished goods	1,280,873,778	16,350,873,997	(16,362,521,298)	1,269,226,477
	<u>3,185,308,035</u>			<u>3,284,519,956</u>

(7) Inventories (Cont'd)

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

30 June 2021

	31 December 2020	Increase in the current period (unaudited)	Decrease in the current period		30 June 2021 (unaudited)
			Reversal (unaudited)	Write-off (unaudited)	
Raw materials	(968,968)	-	-	9,351	(959,617)
Packaging materials	(2,517,462)	-	-	-	(2,517,462)
	<u>(3,486,430)</u>	<u>-</u>	<u>-</u>	<u>9,351</u>	<u>(3,477,079)</u>

31 December 2020

	31 December 2019	Increase in the current year	Decrease in the current year		31 December 2020
			Reversal	Write-off	
Raw materials	(1,021,240)	-	-	52,272	(968,968)
Packaging materials	(2,517,462)	-	-	-	(2,517,462)
	<u>(3,538,702)</u>	<u>-</u>	<u>-</u>	<u>52,272</u>	<u>(3,486,430)</u>

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

	Basis for net realisable value	Reason for writing-off
Raw materials and packaging materials	Estimated selling price less the estimated costs to completion, estimated expenses necessary to sale and related taxes	Disposed of during the current period

(8) Other current assets

	30 June 2021 (unaudited)	31 December 2020
Interbank negotiable certificates of deposit(i)	6,194,315,762	-
Credit and factoring business	161,727,855	6,383,733
Treasury bonds reverse repo investment	99,900,000	100,129,662
VAT input to be verified	69,765,501	111,121,227
VAT input to be deducted	68,095,998	227,459,185
Prepaid Enterprise Income tax	2,462,020	106,650,613
Others	955,653	784,296
	<u>6,597,222,789</u>	<u>552,528,716</u>
Less: Provision for other current assets	<u>(2,206,772)</u>	<u>(118,938)</u>
	<u>6,595,016,017</u>	<u>552,409,778</u>

(8) Other current assets (Cont'd)

- (i) It represents the negotiable certificates of deposit issued by the Bank purchased by the Group and the purpose of holding the deposit is to obtain contract cash flow. The interbank negotiable certificates of deposit held by the Group have no significant credit risk and will not cause significant credit losses due to bank default.

(9) Long-term equity investments

	30 June 2021 (unaudited)	31 December 2020
Joint Venture (a)	217,016,900	222,529,920
Associates (b)	157,876,734	153,023,917
	374,893,634	375,553,837
Less: Provision for impairment of long-term equity investments	(1,220,000)	(1,220,000)
	<u>373,673,634</u>	<u>374,333,837</u>

(a) Joint Venture**30 June 2021**

	Movements in the current period (unaudited)					30 June 2021 (unaudited)	Balance of provision for impairment at end of period (unaudited)
	31 December 2020	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")	222,529,920	1,486,980	-	-	(7,000,000)	217,016,900	-

31 December 2020

	Movements in the current year					31 December 2020	Balance of provision for impairment at end of period
	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 Company	230,912,855	1,617,065	-	-	(10,000,000)	222,529,920	-

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

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

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

(b) Associates

30 June 2021

	Movements in the current period (unaudited)					30 June 2021 (unaudited)	Balance of provision for impairment at end of period (unaudited)
	31 December 2020	Share of net profit or loss using the equity method	Share of other comprehensive income	Other equity changes	Cash dividends declared		
Shandong Yantai Brewery Co., Ltd ("Yantai Brewery Company")	130,899,019	14,382,317	-	-	(12,379,306)	132,902,030	-
Qingdao Zhaoshang Logistics Company Limited. ("Zhaoshang Logistics")	18,014,359	2,008,393	-	1,981	-	20,024,733	-
Tsingtao Brewery Europe Trading Company ("European Company")	2,890,539	977,139	(137,707)	-	-	3,729,971	-
Liaoning Shenqing Tsingtao Brewery Company Limited. ("Liaoning Shenqing")	-	-	-	-	-	-	-
Others	1,220,000	-	-	-	-	1,220,000	(1,220,000)
	<u>153,023,917</u>	<u>17,367,849</u>	<u>(137,707)</u>	<u>1,981</u>	<u>(12,379,306)</u>	<u>157,876,734</u>	<u>(1,220,000)</u>

31 December 2020

	Movements in the current year					31 December 2020	Balance of provision for impairment at end of period
	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 Company	127,976,623	13,411,296	-	-	(10,488,900)	130,899,019	-
Zhaoshang Logistics	15,181,001	2,823,069	-	10,289	-	18,014,359	-
European Company	2,516,821	301,392	72,326	-	-	2,890,539	-
Liaoning Shenqing	54,502	(54,502)	-	-	-	-	-
Others	1,220,000	-	-	-	-	1,220,000	(1,220,000)
	<u>146,948,947</u>	<u>16,481,255</u>	<u>72,326</u>	<u>10,289</u>	<u>(10,488,900)</u>	<u>153,023,917</u>	<u>(1,220,000)</u>

Details of equity interests in the associates are disclosed in Note 6(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 2021, the accumulative unconfirmed investment loss is 6,806 (31 December 2020: 10,981).

(10) Investment properties**30 June 2021**

	Buildings	Land use rights	Total
Original cost			
31 December 2020	66,401,478	6,146,966	72,548,444
Decrease in the current period (unaudited)			
— Transfer to intangible assets	-	(4,261,245)	(4,261,245)
30 June 2021 (unaudited)	66,401,478	1,885,721	68,287,199
Accumulated depreciation			
31 December 2020	(42,051,671)	(1,435,907)	(43,487,578)
Increase in the current period (unaudited)			
— Accrual	(936,784)	(18,858)	(955,642)
Decrease in the current period (unaudited)			
— Transfer to intangible assets	-	504,247	504,247
30 June 2021 (unaudited)	(42,988,455)	(950,518)	(43,938,973)
Provision for impairment			
31 December 2020	(1,877,432)	-	(1,877,432)
30 June 2021 (unaudited)	(1,877,432)	-	(1,877,432)
Carrying amount			
30 June 2021 (unaudited)	21,535,591	935,203	22,470,794
31 December 2020	22,472,375	4,711,059	27,183,434

(10) Investment properties (Cont'd)

31 December 2020

	Buildings	Land use rights	Total
Original cost			
31 December 2019	84,224,430	8,734,452	92,958,882
Increase in the current year			
— Transfer from fixed assets	908,328	-	908,328
Decrease in the current year			
— Transfer to fixed assets and intangible assets	(18,731,280)	(2,587,486)	(21,318,766)
31 December 2020	66,401,478	6,146,966	72,548,444
Accumulated depreciation			
31 December 2019	(51,492,494)	(2,612,357)	(54,104,851)
Increase in the current year			
— Accrual	(1,962,424)	(131,564)	(2,093,988)
— Transfer from fixed assets	(250,124)	-	(250,124)
Decrease in the current year			
— Transfer to fixed assets and intangible assets	11,653,371	1,308,014	12,961,385
31 December 2020	(42,051,671)	(1,435,907)	(43,487,578)
Provision for impairment			
31 December 2019	(2,349,349)	-	(2,349,349)
Increase in the current year			
— Transfer from fixed assets	(263,426)	-	(263,426)
Decrease in the current year			
— Transfer to fixed assets	735,343	-	735,343
31 December 2020	(1,877,432)	-	(1,877,432)
Carrying amount			
31 December 2020	22,472,375	4,711,059	27,183,434
31 December 2019	30,382,587	6,122,095	36,504,682

As at 30 June 2021, there is no investment property without ownership certificates (31 December 2020: nil).

(11) Fixed assets

	30 June 2021 (unaudited)	31 December 2020
Fixed assets (a)	10,507,524,926	10,301,504,225
Fixed assets pending for disposal (b)	1,850,889	1,124,405
	<u>10,509,375,815</u>	<u>10,302,628,630</u>

(11) Fixed assets (Cont'd)

(a) Fixed assets

30 June 2021

	Buildings	Machinery and equipment	Vehicles	Other equipments	Total
Original cost					
31 December 2020	7,500,331,895	11,328,511,203	314,061,622	992,771,926	20,135,676,646
Increase in the current period (unaudited)					
Purchase	-	29,686,286	5,251,786	22,093,198	57,031,270
Transfer from construction in progress	164,329,566	486,506,322	-	22,361,579	673,197,467
Decrease in the current period (unaudited)					
Disposal	(24,967,460)	(89,850,898)	(17,120,678)	(4,138,545)	(136,077,581)
Transfer to construction in progress	(60,790,643)	(47,873,075)	-	(388,749)	(109,052,467)
30 June 2021 (unaudited)	7,578,903,358	11,706,979,838	302,192,730	1,032,699,409	20,620,775,335
Accumulated depreciation					
31 December 2020	(2,062,850,078)	(6,296,074,336)	(221,700,887)	(725,734,849)	(9,306,360,150)
Increase in the current period (unaudited)					
Accrual	(100,842,471)	(294,926,816)	(10,693,056)	(36,705,010)	(443,167,353)
Decrease in the current period (unaudited)					
Disposal	18,441,458	63,073,073	15,519,086	3,616,906	100,650,523
Transfer to construction in progress	15,405,121	29,013,878	-	322,616	44,741,615
30 June 2021 (unaudited)	(2,129,845,970)	(6,498,914,201)	(216,874,857)	(758,500,337)	(9,604,135,365)
Provision for impairment					
31 December 2020	(141,771,916)	(382,996,441)	(2,718,111)	(325,803)	(527,812,271)
Increase in the current period (unaudited)					
Accrual	-	(5,826)	-	-	(5,826)
Decrease in the current period (unaudited)					
Disposal	658,496	16,705,325	1,063,610	275,622	18,703,053
30 June 2021 (unaudited)	(141,113,420)	(366,296,942)	(1,654,501)	(50,181)	(509,115,044)
Carrying amount					
30 June 2021 (unaudited)	5,307,943,968	4,841,768,695	83,663,372	274,148,891	10,507,524,926
31 December 2020	5,295,709,901	4,649,440,426	89,642,624	266,711,274	10,301,504,225

(11) Fixed assets (Cont'd)

(a) Fixed assets (Cont'd)

31 December 2020

	Buildings	Machinery and equipment	Vehicles	Other equipments	Total
Original cost					
As at 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 year					
Purchase	-	37,230,148	11,969,782	79,180,158	128,380,088
Transfer from construction in progress	317,781,254	815,395,506	-	30,029,822	1,163,206,582
Transfer from investment properties	18,731,280	-	-	-	18,731,280
Decrease in the current year					
Disposal	(5,638,626)	(307,524,604)	(13,502,860)	(20,646,845)	(347,312,935)
Transfer to construction in progress	(142,263,120)	(161,275,883)	-	(1,667,166)	(305,206,169)
Transfer to investment properties	(908,328)	-	-	-	(908,328)
As at 31 December 2020	7,500,331,895	11,328,511,203	314,061,622	992,771,926	20,135,676,646

Accumulated depreciation

As at 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 year					
Accrual	(200,024,285)	(599,838,514)	(22,430,473)	(76,642,668)	(898,935,940)
Transfer from investment properties	(11,653,371)	-	-	-	(11,653,371)
Decrease in the current year					
Disposal	1,814,861	207,490,461	11,723,698	19,758,992	240,788,012
Transfer to construction in progress	52,148,044	97,488,861	-	1,488,093	151,124,998
Transfer to investment properties	250,124	-	-	-	250,124
As at 31 December 2020	(2,062,850,078)	(6,296,074,336)	(221,700,887)	(725,734,849)	(9,306,360,150)

Provision for impairment

As at 31 December 2019	(141,826,361)	(325,414,187)	(1,703,027)	(426,183)	(469,369,758)
Increase in the current year					
Accrual	(1,537,248)	(127,036,986)	(1,398,679)	(580,787)	(130,553,700)
Transfer from investment properties	(735,343)	-	-	-	(735,343)
Decrease in the current year					
Disposal	1,438,484	69,237,533	383,595	681,167	71,740,779
Transfer to construction in progress	625,126	217,199	-	-	842,325
Transfer to investment properties	263,426	-	-	-	263,426
As at 31 December 2020	(141,771,916)	(382,996,441)	(2,718,111)	(325,803)	(527,812,271)

Carrying amount

As at 31 December 2020	5,295,709,901	4,649,440,426	89,642,624	266,711,274	10,301,504,225
As at 31 December 2019	5,265,417,623	4,618,056,705	102,897,561	235,110,508	10,221,482,397

(11) Fixed assets (Cont'd)**(a) Fixed assets (Cont'd)**

For six months ended 30 June 2021, fixed assets of the Group with the carrying amount of 64,310,852 (cost: 109,052,467; accumulated depreciation 44,741,615) are transferred to construction in progress to be upgraded due to technology renewal and the likes.

As at 30 June 2021, there are no fixed assets pledged as collateral for borrowings (31 December 2020: nil).

For the six months ended 30 June 2021, fixed assets accumulated depreciation are 443,167,353 (For the six months ended 30 June 2020: 441,422,289), of which 395,970,078, 6,429,808, 39,685,075 and 1,082,392 (For the six months ended 30 June 2020: 395,725,476, 3,769,283, 40,754,371 and 1,173,159) have been charged to operating cost, 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 673,197,467 (For the six months ended 30 June 2020: 479,805,084).

(i) Temporarily idle fixed assets

As at 30 June 2021, the buildings and the machinery and equipment with carrying amount of 49,143,555 (cost 215,745,150) are temporarily idle for the reason of products update (31 December 2020: carrying amount of 58,150,534, cost: 209,956,745). The management planned to reallocate these assets among the Group or upgrade. The detailed analysis of these assets is as follows:

30 June 2021

	Cost (unaudited)	Accumulated depreciation (unaudited)	Provision for impairment (unaudited)	Carrying amount (unaudited)
Machinery and equipment	185,469,498	(132,001,737)	(7,805,001)	45,662,760
Buildings	30,275,652	(16,738,960)	(10,055,897)	3,480,795
	<u>215,745,150</u>	<u>(148,740,697)</u>	<u>(17,860,898)</u>	<u>49,143,555</u>

31 December 2020

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	183,024,452	(120,829,814)	(8,148,021)	54,046,617
Buildings	26,932,293	(12,814,560)	(10,013,816)	4,103,917
	<u>209,956,745</u>	<u>(133,644,374)</u>	<u>(18,161,837)</u>	<u>58,150,534</u>

(11) Fixed assets (Cont'd)**(a) Fixed assets (Cont'd)***(ii) Fixed assets without ownership certificates*

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

Reason for failure to acquire the ownership certificates	30 June 2021	31 December 2020
	Carrying amount (unaudited)	Carrying amount
In the application process	322,636,000	332,619,000
Unable to obtain	62,663,000	84,764,000
	<u>385,299,000</u>	<u>417,383,000</u>

According to the consultation with the Company's legal adviser, the Company's directors believe that there should be no substantial legal obstacles to the application of these ownership certificates or that it will not affect the Company's normal use of these buildings, and will not have a significant impact on the normal operation of the Group, no provision for fixed assets impairment is provided.

(b) Fixed assets pending for disposal

	30 June 2021	31 December 2020
	(unaudited)	
Machinery, equipment and buildings	<u>1,850,889</u>	<u>1,124,405</u>

(12) Construction in progress

	30 June 2021 (unaudited)			31 December 2020		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Relocation project of Lu Nan Area	63,387,584	-	63,387,584	2,834,650	-	2,834,650
Industry park project of Ludong Area	56,682,729	-	56,682,729	-	-	-
Production line improvement of Ludong Area	36,162,702	-	36,162,702	1,865,595	-	1,865,595
Relocation project of Shaan Xi	34,938,972	-	34,938,972	248,125,700	-	248,125,700
Production line improvement of Ludong Area	19,164,778	-	19,164,778	16,867,976	-	16,867,976
Production line improvement of Hu Nan	18,144,722	-	18,144,722	7,147,614	-	7,147,614
Production line improvement of Ludong Area	12,715,321	-	12,715,321	656,637	-	656,637
Production line improvement of Jiang Su	9,918,127	-	9,918,127	11,620,055	-	11,620,055
Production line improvement of Fu Jian	7,273,366	-	7,273,366	2,637,704	-	2,637,704
Production line improvement of Shen Zhen	6,714,271	-	6,714,271	-	-	-
Production line improvement of Lu Zhong Area	5,845,064	-	5,845,064	530,006	-	530,006
Production line improvement of Guang Dong	5,531,857	-	5,531,857	1,218,166	-	1,218,166
Production line improvement of He Bei	5,166,881	-	5,166,881	924,567	-	924,567
Production line improvement of Liao Ning	4,632,769	-	4,632,769	2,891,483	-	2,891,483
Production line improvement of Lu Dong Area	4,296,008	-	4,296,008	709,928	-	709,928
Production line improvement of Shaan Xi	3,807,965	-	3,807,965	2,416,815	-	2,416,815
Production line improvement of Shang Hai	3,807,239	-	3,807,239	-	-	-
Other projects	31,860,614	-	31,860,614	39,358,473	-	39,358,473
	<u>330,050,969</u>	<u>-</u>	<u>330,050,969</u>	<u>339,805,369</u>	<u>-</u>	<u>339,805,369</u>

(12) Construction in progress (Cont'd)

(a) Movement in significant construction in progress

30 June 2021

Name	Budget	31 December 2020	Increase in the current period - Purchase (unaudited)	Increase in the current period - Transfer from fixed assets (unaudited)	Transfer to fixed assets (unaudited)	30 June 2021 (unaudited)	Expenditures percentage of budget	Completion percentage	Source of funds
Relocation project of Lu Nan Area	751,860,000	2,834,650	60,552,934	-	-	63,387,584	22%	22%	Self-funding
Industry park project of Ludong Area	246,620,000	-	56,682,729	-	-	56,682,729	35%	34%	Self-funding
Production line improvement of Ludong Area	185,484,703	1,865,595	18,175,068	34,412,703	(18,290,664)	36,162,702	98%	98%	Self-funding
Relocation project of Shaan Xi	546,976,250	248,125,700	271,416,951	-	(484,603,679)	34,938,972	95%	95%	Self-funding
Production line improvement of Ludong Area	48,356,933	16,867,976	3,305,142	-	(1,008,340)	19,164,778	80%	80%	Self-funding
Production line improvement of Hu Nan	26,096,302	7,147,614	15,814,517	6,788	(4,824,197)	18,144,722	88%	88%	Self-funding
Production line improvement of Ludong Area	27,018,124	656,637	14,667,408	547,551	(3,156,275)	12,715,321	59%	56%	Self-funding
Production line improvement of Jiang Su	14,459,531	11,620,055	1,994,461	-	(3,696,389)	9,918,127	99%	94%	Self-funding
Production line improvement of Fu Jian	13,661,168	2,637,704	1,719,559	9,310,348	(6,394,245)	7,273,366	82%	81%	Self-funding
Production line improvement of Shen Zhen	14,810,918	-	8,106,253	366,253	(1,758,235)	6,714,271	96%	57%	Self-funding
Production line improvement of Lu Zhong Area	16,863,700	530,006	10,951,794	14,750	(5,651,486)	5,845,064	69%	65%	Self-funding
Production line improvement of Guang Dong	10,916,802	1,218,166	7,340,069	327,198	(3,353,576)	5,531,857	93%	81%	Self-funding
Production line improvement of He Bei	17,633,391	924,567	6,154,998	-	(1,912,684)	5,166,881	56%	40%	Self-funding
Production line improvement of Liao Ning	7,024,455	2,891,483	3,275,162	152,265	(1,686,141)	4,632,769	90%	90%	Self-funding
Production line improvement of Lu Dong Area	10,684,000	709,928	6,203,232	1,162,627	(3,779,779)	4,296,008	76%	69%	Self-funding
Production line improvement of Shaan Xi	67,201,292	2,416,815	12,962,442	-	(11,571,292)	3,807,965	23%	23%	Self-funding
Production line improvement of Shang Hai	3,836,000	-	3,807,239	-	-	3,807,239	99%	99%	Self-funding
Other projects		39,358,473	96,002,257	18,010,369	(121,510,485)	31,860,614			
		339,805,369	599,132,215	64,310,852	(673,197,467)	330,050,969			

(12) Construction in progress (Cont'd)

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

31 December 2020

Name	Budget	31 December 2019	Increase in the current year - Purchase	Increase in the current year - Transfer from fixed assets	Transfer to fixed assets	31 December 2020	Expenditures percentage of budget	Completion percentage	Source of funds
Relocation project of Shaan Xi	500,606,250	3,155,194	248,379,377	-	(3,408,871)	248,125,700	50%	50%	Self-funding
Production line improvement of Ludong Area	261,501,027	15,310,982	119,208,245	2,449,879	(120,101,130)	16,867,976	85%	85%	Self-funding
Production line improvement of Luxi Area	188,353,854	-	150,078,683	-	(134,726,618)	15,352,065	80%	80%	Self-funding
Production line improvement of Jiang Su	70,344,470	475,558	50,075,758	11,266,080	(50,197,341)	11,620,055	99%	88%	Self-funding
Production line improvement of Hu Nan	49,966,348	4,736	36,113,564	7,339,398	(36,310,084)	7,147,614	87%	87%	Self-funding
Production line improvement of Ludong Area	118,620,205	5,654,908	18,407,393	26,053,303	(46,458,908)	3,656,696	86%	86%	Self-funding
Production line improvement of Liao Ning	10,146,300	-	7,254,817	-	(4,363,334)	2,891,483	72%	72%	Self-funding
Relocation project of Lu Nan Area	751,860,000	-	2,834,650	-	-	2,834,650	0%	0%	Self-funding
Production line improvement of Fu Jian	20,673,232	-	4,211,143	-	(1,573,439)	2,637,704	20%	20%	Self-funding
Production line improvement of Jiang Su	45,594,298	294,662	4,627,213	488,707	(2,858,158)	2,552,424	12%	12%	Self-funding
Production line improvement of Shaan Xi	64,227,386	-	48,192,735	-	(45,775,920)	2,416,815	75%	75%	Self-funding
Production line improvement of Lu Dong Area	151,998,255	2,593,102	120,532,886	4,647,840	(125,908,233)	1,865,595	84%	84%	Self-funding
Production line improvement of Lu Zhong Area	8,851,508	-	3,533,130	475,030	(2,194,217)	1,813,943	45%	45%	Self-funding
Production line improvement of Shang Hai	17,672,800	1,385,841	8,208,633	3,829,251	(11,624,765)	1,798,960	76%	76%	Self-funding
Production line improvement of Guang Dong	10,336,218	1,323,949	7,863,731	240,298	(8,209,812)	1,218,166	94%	91%	Self-funding
Production line improvement of Zhe Jiang	9,090,802	2,914,644	1,418,465	30,972	(3,247,998)	1,116,083	48%	48%	Self-funding
Relocation project of Lu Xi Area	212,110,000	87,230,868	111,729,974	3,484,521	(201,962,177)	483,186	95%	95%	Self-funding
Other projects		58,649,398	228,108,866	92,933,567	(364,285,577)	15,406,254			
		<u>178,993,842</u>	<u>1,170,779,263</u>	<u>153,238,846</u>	<u>(1,163,206,582)</u>	<u>339,805,369</u>			

For the six months ended 30 June 2021, there are no new borrowing costs capitalised (For the six months ended 30 June 2020: nil). 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 2020: nil).

(13) Right-of-use assets

30 June 2021

	Buildings	Land use rights	Machinery and equipment	Others	Total
Original cost					
31 December 2020	207,456,032	8,911,656	3,677,046	1,647,744	221,692,478
Increase in the current period and renewal (unaudited)	29,284,292	-	-	7,744	29,292,036
Decrease in the current period (unaudited)	(15,574,125)	-	-	(1,522)	(15,575,647)
Lease change	(3,713,155)	-	-	(1,218)	(3,714,373)
Lease expiration	(11,860,970)	-	-	(304)	(11,861,274)
30 June 2021 (unaudited)	221,166,199	8,911,656	3,677,046	1,653,966	235,408,867

Accumulated depreciation

31 December 2020	(49,218,680)	(2,071,235)	(1,440,894)	(632,622)	(53,363,431)
Accrual (unaudited)	(24,122,669)	(517,794)	(360,224)	(291,325)	(25,292,012)
Decrease (unaudited)	11,860,970	-	-	304	11,861,274
30 June 2021 (unaudited)	(61,480,379)	(2,589,029)	(1,801,118)	(923,643)	(66,794,169)

Carrying amount

30 June 2021 (unaudited)	159,685,820	6,322,627	1,875,928	730,323	168,614,698
31 December 2020	158,237,352	6,840,421	2,236,152	1,015,122	168,329,047

31 December 2020

	Buildings	Land use rights	Machinery and equipments	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 year and renewal	141,280,420	-	-	573,699	141,854,119
Decrease in the current year	(9,616,655)	(186,098)	-	(185,125)	(9,987,878)
Lease change	(212,652)	(49,539)	-	(150,475)	(412,666)
Lease expiration	(9,404,003)	(136,559)	-	(34,650)	(9,575,212)
31 December 2020	207,456,032	8,911,656	3,677,046	1,647,744	221,692,478

Accumulated depreciation

31 December 2019	(20,913,741)	(1,115,220)	(720,447)	(106,394)	(22,855,802)
Accrual	(37,708,942)	(1,092,574)	(720,447)	(560,878)	(40,082,841)
Decrease	9,404,003	136,559	-	34,650	9,575,212
31 December 2020	(49,218,680)	(2,071,235)	(1,440,894)	(632,622)	(53,363,431)

Carrying amount

31 December 2020	158,237,352	6,840,421	2,236,152	1,015,122	168,329,047
31 December 2019	54,878,526	7,982,534	2,956,599	1,152,776	66,970,435

According to the notice of “Regulations on accounting treatment of rent reduction related to new pneumonia epidemic situation” issued by the Ministry of Finance on 26 May 2021, 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 2021, the relevant rent reduction with simplified treatment has an impact on the current profit or loss of about 0 (For the six months ended 30 June 2020: 620,000)

(14) Intangible assets

30 June 2021

	Land use rights	Trademarks	Technology known-how	Marketing networks	Software and others	Total
Original cost						
31 December 2020	2,727,839,600	449,743,612	18,629,100	974,935,670	522,371,518	4,693,519,500
Increase in the current period (unaudited)						
Purchase	27,959,280	-	-	-	25,729,627	53,688,907
Transfer from investment properties	4,261,245	-	-	-	-	4,261,245
Decrease in the current year — Disposal (unaudited)	(1,023,424)	-	-	-	(325,277)	(1,348,701)
30 June 2021 (unaudited)	2,759,036,701	449,743,612	18,629,100	974,935,670	547,775,868	4,750,120,951

Accumulated amortisation

31 December 2020	(604,484,978)	(366,414,798)	(18,629,100)	(900,368,992)	(299,778,644)	(2,189,676,512)
Increase in the current period (unaudited)						
Accrual	(32,233,287)	(8,072,847)	-	(24,516,717)	(21,093,708)	(85,916,559)
Transfer from investment properties	(504,247)	-	-	-	-	(504,247)
Decrease in the current year — Disposal (unaudited)	566,295	-	-	-	315,165	881,460
30 June 2021 (unaudited)	(636,656,217)	(374,487,645)	(18,629,100)	(924,885,709)	(320,557,187)	(2,275,125,858)

Carrying amount

30 June 2021 (unaudited)	2,122,380,484	75,255,967	-	50,049,961	227,218,681	2,474,905,093
31 December 2020	2,123,354,622	83,328,814	-	74,566,678	222,592,874	2,503,842,988

31 December 2020

	Land use rights	Trademarks	Technology known-how	Marketing networks	Software and others	Total
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Original cost

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 year						
Purchase	103,122,537	-	-	-	47,017,733	150,140,270
Transfer from Investment property	2,587,486	-	-	-	-	2,587,486
Decrease in the current year — Disposal	(2,534,087)	-	-	-	(11,478,945)	(14,013,032)
31 December 2020	2,727,839,600	449,743,612	18,629,100	974,935,670	522,371,518	4,693,519,500

Accumulated amortisation

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 year						
Accrual	(62,189,744)	(24,056,586)	-	(77,867,210)	(39,825,332)	(203,938,872)
Transfer from Investment property	(1,308,014)	-	-	-	-	(1,308,014)
Decrease in the current year — Disposal	429,992	-	-	-	11,372,703	11,802,695
31 December 2020	(604,484,978)	(366,414,798)	(18,629,100)	(900,368,992)	(299,778,644)	(2,189,676,512)

Carrying amount

31 December 2020	2,123,354,622	83,328,814	-	74,566,678	222,592,874	2,503,842,988
31 December 2019	2,083,246,452	107,385,400	-	152,433,888	215,506,715	2,558,572,455

For the six months ended 30 June 2021, the amortisation amount of intangible assets is 85,916,559 (For six months ended 30 June 2020: 101,963,309).

As at 30 June 2021, there are no intangible assets pledged as collateral for borrowings (31 December 2020: nil).

(14) Intangible assets (Cont'd)

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 31,212,000 as at 30 June 2021 (31 December 2020: 31,476,000). The Company's directors consider that there is no significant impact on the operations of the Group.

Development expenditures are set out as follows:

	31 December 2020	Increase in the current period (unaudited)	Decrease in the current period(unaudited)		30 June 2021 (unaudited)
			Charged to profit or loss	Recognised as intangible assets	
Beer technology improvement project	-	8,248,555	8,248,555	-	-

For the six months ended 30 June 2021, research and development expenditures of 8,248,555 (For six months ended 30 June 2020: 6,689,518) are recognised in profit or loss.

(15) Goodwill

30 June 2021

	31 December 2020	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2021 (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>

(15) Goodwill (Cont'd)

31 December 2020

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
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>

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

	30 June 2021 (unaudited)	31 December 2020
Shandong Region	1,185,895,099	1,185,895,099
South China Region	130,895,740	130,895,740
Southeast China Region	114,031,330	114,031,330
North China Region	24,642,782	24,642,782
Other Regions	49,049,770	49,049,770
	<u>1,504,514,721</u>	<u>1,504,514,721</u>

(15) Goodwill (Cont'd)

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 2021**

	31 December 2020	Increase in the current period (unaudited)	Amortisation in the current period (unaudited)	30 June 2021 (unaudited)
Decoration and renovation expenses	78,361,374	21,140,345	(12,447,397)	87,054,322
Factory hardening expenses	3,584,280	1,032,584	(690,753)	3,926,111
Gardening expenses	930,894	-	(191,282)	739,612
Others	3,381,786	-	(621,010)	2,760,776
	<u>86,258,334</u>	<u>22,172,929</u>	<u>(13,950,442)</u>	<u>94,480,821</u>

31 December 2020

	31 December 2019	Increase in the current year	Amortisation in the current year	31 December 2020
Decoration and renovation expenses	24,953,149	66,583,607	(13,175,382)	78,361,374
Factory hardening expenses	3,517,689	1,511,550	(1,444,959)	3,584,280
Gardening expenses	1,777,987	376,056	(1,223,149)	930,894
Others	5,006,563	171,419	(1,796,196)	3,381,786
	<u>35,255,388</u>	<u>68,642,632</u>	<u>(17,639,686)</u>	<u>86,258,334</u>

(17) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets without offsetting

	30 June 2021 (unaudited)		31 December 2020	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Provision for asset impairment	83,096,912	20,774,228	96,219,816	24,054,954
Deferred income	1,637,635,548	409,408,887	1,364,996,248	341,249,062
Elimination of intra-group unrealized profit	34,714,912	8,678,728	216,300,624	54,075,156
Accruals of expenses	7,126,723,988	1,781,680,997	5,868,448,752	1,467,112,188
Share-based payment	429,566,488	107,391,622	177,367,392	44,341,848
	<u>9,311,737,848</u>	<u>2,327,934,462</u>	<u>7,723,332,832</u>	<u>1,930,833,208</u>
Including:				
Expected to reverse within one year (inclusive)		1,747,731,377		1,552,562,268
Expected to be reverse after one year		<u>580,203,085</u>		<u>378,270,940</u>
		<u>2,327,934,462</u>		<u>1,930,833,208</u>

(b) Deferred tax liabilities without offsetting

	30 June 2021 (unaudited)		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not under common control	447,132,736	111,783,184	491,075,772	122,768,943
Depreciation of fixed assets	1,349,248,096	337,312,024	994,820,244	248,705,061
Changes in fair value of debt instruments	127,366,562	31,841,641	27,042,735	6,760,684
The difference between carrying amount and tax base resulted from government grants charged in profit or loss in the current period	7,335,424	1,833,856	7,421,724	1,855,431
	<u>1,931,082,818</u>	<u>482,770,705</u>	<u>1,520,360,475</u>	<u>380,090,119</u>
Including:				
Expected to be reverse within one year (inclusive)		68,026,955		48,179,961
Expected to be reverse after one year		<u>414,743,750</u>		<u>331,910,158</u>
		<u>482,770,705</u>		<u>380,090,119</u>

(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:*

	30 June 2021 (unaudited)	31 December 2020
Deductible losses	2,031,735,258	2,163,327,814
Deductible temporary differences	1,678,219,926	1,645,626,327
	<u>3,709,955,184</u>	<u>3,808,954,141</u>

Given the loss-making position of certain subsidiaries, whether it is probable that sufficient future taxable incomes will be available against such deductible losses is highly uncertain. Therefore, the Group has not recognised deferred tax assets of approximately 507,934,000 (31 December 2020: 540,832,000) arising from the accumulated losses that can set off against taxable incomes under tax laws in the period from 2021 to 2026. 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. Therefore, the Group also has not recognised deferred tax assets of approximately 419,555,000 (31 December 2020: 411,407,000) arising from the deductible temporary differences.

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

	30 June 2021 (unaudited)	31 December 2020
2021	347,157,321	508,799,495
2022	485,363,083	492,075,945
2023	564,488,756	578,997,477
2024	302,166,479	310,121,976
2025	216,916,859	273,332,921
2026	115,642,760	—
	<u>2,031,735,258</u>	<u>2,163,327,814</u>

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

	30 June 2021 (unaudited)		31 December 2020	
	Offsetting amount	Net amounts	Offsetting amount	Net amounts
Deferred tax assets	318,776,020	2,009,158,442	212,525,583	1,718,307,625
Deferred tax liabilities	318,776,020	163,994,685	212,525,583	167,564,536

(18) Provision for asset impairment and loss**30 June 2021**

	31 December 2020	Increase in the current period (unaudited)	Decrease in the current period (unaudited)		Others (unaudited)	30 June 2021 (unaudited)
			Reversal	Write-off		
Provision for bad debt of accounts receivable	183,437,647	27,990	(316,719)	(1,821,205)	(72)	181,327,641
Including: Provision for bad debt recognised						
individually	26,242,020	-	-	-	-	26,242,020
Provision for bad debt recognised on grouping basis	157,195,627	27,990	(316,719)	(1,821,205)	(72)	155,085,621
Provision for bad debt of other receivables	68,006,160	52,603	(136,996)	(1,626,458)	-	66,295,309
Provision for bad debt of other current asset	118,938	2,087,834	-	-	-	2,206,772
Subtotal	251,562,745	2,168,427	(453,715)	(3,447,663)	(72)	249,829,722
Provision for impairment of inventory	3,486,430	-	-	(9,351)	-	3,477,079
Provision for impairment of long-term investment	1,220,000	-	-	-	-	1,220,000
Provision for impairment of investment properties	1,877,432	-	-	-	-	1,877,432
Provision for impairment of fixed assets	527,812,271	5,826	-	(18,703,053)	-	509,115,044
Provision for impairment of goodwill	197,410,739	-	-	-	-	197,410,739
Subtotal	731,806,872	5,826	-	(18,712,404)	-	713,100,294
	983,369,617	2,174,253	(453,715)	(22,160,067)	(72)	962,930,016

31 December 2020

	31 December 2019	Increase in the current year	Decrease in the current year		Others	31 December 2020
			Reversal	Write-off		
Provision for bad debt of accounts receivable	185,971,013	100,616	(543,980)	(2,085,558)	(4,444)	183,437,647
Including: Provision for bad debt recognised						
individually	26,251,710	-	(9,690)	-	-	26,242,020
Provision for bad debt recognised on grouping basis	159,719,303	100,616	(534,290)	(2,085,558)	(4,444)	157,195,627
Provision for bad debt of other receivables	73,364,846	512,250	(1,533,726)	(4,337,210)	-	68,006,160
Provision for bad debt of other current asset	228,257	-	(109,319)	-	-	118,938
Subtotal	259,564,116	612,866	(2,187,025)	(6,422,768)	(4,444)	251,562,745
Provisions for impairment of inventory	3,538,702	-	-	(52,272)	-	3,486,430
Provisions for impairment of long-term investment	1,220,000	-	-	-	-	1,220,000
Provisions for impairment of investment properties	2,349,349	-	-	-	(471,917)	1,877,432
Provisions for impairment of fixed assets	469,369,758	130,553,700	-	(71,740,779)	(370,408)	527,812,271
Provisions for impairment of goodwill	197,410,739	-	-	-	-	197,410,739
Subtotal	673,888,548	130,553,700	-	(71,793,051)	(842,325)	731,806,872
	933,452,664	131,166,566	(2,187,025)	(78,215,819)	(846,769)	983,369,617

(19) Other non-current assets

	30 June 2021 (unaudited)	31 December 2020
Prepayments for construction and equipment	<u>100,966,627</u>	<u>57,672,911</u>

(20) Short-term borrowings

	Currency	30 June 2021 (unaudited)	31 December 2020
Unsecured loan(i)	HKD	249,630,000	252,480,000
Inter-bank borrowing(ii)	RMB	200,000,000	450,000,000
Interest payable	RMB	625,705	793,054
		<u>450,255,705</u>	<u>703,273,054</u>

(i) As at 30 June 2021, short-term loan represents the borrowing from bank, with RMB249,630,000 (Original foreign currency: HKD300,000,000) to Hong Kong Company, a subsidiary of the Company (As at 31 December 2020: RMB252,480,000 (Original foreign currency: HKD300,000,000)).

(ii) On 25 June 2021, inter-bank borrowing has been borrowed by the Finance Company, a subsidiary of the Company and has been settled on 2 July 2021.

As at 30 June 2021, the interest rate of short-term borrowings is from 0.97% to 2.60% (31 December 2020: from 1.31% to 3.58%).

(21) Notes payable

	30 June 2021 (unaudited)	31 December 2020
Trade acceptance notes	23,676,540	43,437,492
Bank acceptance notes	<u>168,570,558</u>	<u>106,054,100</u>
	<u>192,247,098</u>	<u>149,491,592</u>

Other cash balances of 0 (31 December 2020: 3,180,000) are pledged as collateral for the bank acceptance notes of the Group (Note 4(1)(iii)).

(22) Accounts payable

	30 June 2021 (unaudited)	31 December 2020
Payable for materials and packing purchase	3,106,775,701	2,001,620,780
Payable for beer purchase due to related parties(<i>Note 8(5)</i>)	160,693,752	140,979,145
Payable for promotional goods	106,941,833	68,107,878
Others	12,948,868	11,893,239
	<u>3,387,360,154</u>	<u>2,222,601,042</u>

- (i) Accounts payable are mainly recorded based on the dates of transactions and the ageing based on their recording dates is analysed as follows:

	30 June 2021 (unaudited)	31 December 2020
Within 1 year	3,375,414,021	2,207,455,041
1 to 2 years	3,114,538	6,103,714
2 to 3 years	2,733,438	2,476,483
Over 3 years	6,098,157	6,565,804
	<u>3,387,360,154</u>	<u>2,222,601,042</u>

- (ii) As at 30 June 2021, accounts payable over one year with carrying amount of 11,946,133 (31 December 2020: 15,146,001) are mainly payables for materials purchase, for which has not yet been completed.

(23) Contract liabilities

	30 June 2021 (unaudited)	31 December 2020
Dealer contract liabilities	<u>5,244,815,963</u>	<u>6,567,320,256</u>

As at 30 June 2021, a majority of opening balance of contract liabilities has been transferred to revenue.

As at 30 June 2021, the Group listed the value-added tax corresponding to contract liabilities of RMB97,968,362 in other current liabilities (31 December 2020: 296,004,209)

(24) Employee benefits payable

	30 June 2021 (unaudited)	31 December 2020
Short-term employee benefits payable(a)	1,420,713,786	1,422,262,293
Defined contribution plans payable(b)	22,590,700	21,654,106
Termination benefits payable(c)	408,009,455	439,981,258
Supplemental post-employment benefits payable(Note 4(31))	22,284,170	22,301,789
	<u>1,873,598,111</u>	<u>1,906,199,446</u>

(a) Short-term employee benefits

30 June 2021

	31 December 2020	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2021 (unaudited)
Wages and salaries, bonus, allowances and subsidies	1,031,381,421	1,633,733,528	(1,651,945,400)	1,013,169,549
Staff welfare	38,500	111,453,561	(111,436,922)	55,139
Social security contributions	10,598,905	126,857,084	(126,973,443)	10,482,546
Including:				
Medical insurance	7,303,944	118,062,319	(118,218,000)	7,148,263
Work injury insurance	1,653,425	5,507,422	(5,449,315)	1,711,532
Maternity insurance	1,641,536	3,287,343	(3,306,128)	1,622,751
Housing funds	17,908,635	146,564,508	(147,524,227)	16,948,916
Labour union funds and employee education funds	362,334,832	58,271,493	(40,548,689)	380,057,636
	<u>1,422,262,293</u>	<u>2,076,880,174</u>	<u>(2,078,428,681)</u>	<u>1,420,713,786</u>

31 December 2020

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Wages and salaries, bonus, allowances and subsidies	807,442,369	3,567,167,919	(3,343,228,867)	1,031,381,421
Staff welfare	1,036,893	287,688,154	(288,686,547)	38,500
Social security contributions	10,672,749	208,367,214	(208,441,058)	10,598,905
Including:				
Medical insurance	7,264,574	197,713,469	(197,674,099)	7,303,944
Work injury insurance	1,700,401	3,851,912	(3,898,888)	1,653,425
Maternity insurance	1,707,774	6,801,833	(6,868,071)	1,641,536
Housing funds	16,850,657	289,934,179	(288,876,201)	17,908,635
Labour union funds and employee education funds	324,928,002	126,453,722	(89,046,892)	362,334,832
	<u>1,160,930,670</u>	<u>4,479,611,188</u>	<u>(4,218,279,565)</u>	<u>1,422,262,293</u>

(24) Employee benefits payable**(b) Defined contribution plans****30 June 2021**

	31 December 2020	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2021 (unaudited)
Basic pension	17,600,339	226,374,721	(225,441,946)	18,533,114
Unemployment insurance	4,053,767	8,711,290	(8,707,471)	4,057,586
	<u>21,654,106</u>	<u>235,086,011</u>	<u>(234,149,417)</u>	<u>22,590,700</u>

31 December 2020

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Basic pension	19,261,897	167,177,448	(168,839,006)	17,600,339
Unemployment insurance	4,409,265	6,199,518	(6,555,016)	4,053,767
	<u>23,671,162</u>	<u>173,376,966</u>	<u>(175,394,022)</u>	<u>21,654,106</u>

(c) Termination benefits

	30 June 2021 (unaudited)	31 December 2020
Early retirement benefits(<i>Note 4(31)</i>)	135,918,992	133,239,157
Other termination benefits(<i>i</i>)	272,090,463	306,742,101
	<u>408,009,455</u>	<u>439,981,258</u>

- (i) For the six months ended 30 June 2021, the Group has paid termination benefit of 6,374,982, mainly due to termination of labour relationship. (For the six months ended 30 June 2020: 11,069,869)

(25) Taxes payable

	30 June 2021 (unaudited)	31 December 2020
Enterprise income tax	579,867,385	246,490,851
Consumption tax(i)	277,251,020	203,604,649
Unpaid VAT	253,459,865	36,915,626
City maintenance and construction tax	31,214,539	8,168,453
Education surcharge	23,309,565	7,048,785
Others	51,528,128	45,798,483
	<u>1,216,630,502</u>	<u>548,026,847</u>

- (i) As at 30 June 2021, 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

	30 June 2021 (unaudited)	31 December 2020
Dividend payable	1,024,247,817	11,700,168
Accruals for transportation expenses	972,052,439	343,883,695
Guarantee deposits	904,163,041	800,813,929
Payables for equipments and engineering construction	685,101,744	566,763,419
Accruals for advertising expenses	658,237,035	370,800,664
Restricted stock repurchase obligations(Notes 12) (Note 4(34))	275,682,420	279,576,000
Accruals for labour expenses	121,333,182	78,609,432
Compensation collected in advance for demolition project	100,000,000	106,216,173
Accruals for administrative expenses	78,442,308	38,127,322
Accruals for water, electricity and steam expenses	71,077,734	56,502,716
Withholding social expenses for staff	16,186,818	10,185,931
Absorbed deposits from related parties by Finance Company(i)	10,669,606	224,353
Others	389,463,554	411,474,406
	<u>5,306,657,698</u>	<u>3,074,878,208</u>

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

As at 30 June 2021, other payables over one year with carrying amount of 656,119,046 (31 December 2020: 587,962,603) are mainly liabilities due to acquisition of subsidiaries and payables for equipments and engineering construction.

(27) Current portion of non-current liabilities

	30 June 2021 (unaudited)	31 December 2020
Current portion of long-term borrowings(i)	-	215,720
Current portion of lease liabilities(note 4(28))	<u>46,752,841</u>	<u>41,873,577</u>
	<u>46,752,841</u>	<u>42,089,297</u>

- (i) As at 31 December 2020, current portion of long-term borrowings of RMB215,720 (Original foreign currency: DKK 200,000) is guaranteed by Beijing Development and Reform Commission, which has been repaid on 1 April 2021.

(28) Lease liabilities

	30 June 2021 (unaudited)	31 December 2020
Lease liabilities	158,287,899	157,713,446
Less: Current portion of lease liabilities(Note 4(27))	<u>(46,752,841)</u>	<u>(41,873,577)</u>
	<u>111,535,058</u>	<u>115,839,869</u>

As at 30 June 2021, the Group has no liabilities that will lead to potential cash outflow at the end of the term.

(29) Long-term payables

	30 June 2021 (unaudited)	31 December 2020
Payables for specific projects	<u>288,053,679</u>	<u>462,046,060</u>

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

(30) Deferred income

30 June 2021

	31 December 2020	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2021 (unaudited)	Reason	
Government grants	<u>2,899,626,024</u>	<u>210,764,314</u>	<u>(151,961,819)</u>	<u>2,958,428,519</u>	Grants for relocation and technology improvement projects	
Government grants items	31 December 2020	Increase in the current period (unaudited)	Charged to other income (unaudited)	Charged to gains on disposals of assets (unaudited)	30 June 2021 (unaudited)	Related to assets/income
Relocation projects						
Relocation project of Shaan Xi	349,555,427	134,816,597	(19,710,436)	-	464,661,588	Assets/Income
Relocation project of Lu Dong area	368,020,769	-	(11,631,844)	-	356,388,925	Assets
Relocation project of Lu Nan area	104,284,124	67,522,784	(3,530,519)	-	168,276,389	Assets/Income
Relocation project of Lu Xi area	158,523,140	-	(9,772,001)	-	148,751,139	Assets
Relocation project of He Bei	141,917,867	-	(6,844,621)	-	135,073,246	Assets
Relocation project of Lu Nan area	139,782,895	-	(5,329,158)	-	134,453,737	Assets
Relocation project of Hu Bei	137,638,083	-	(5,723,034)	-	131,915,049	Assets
Relocation project of Gan Su	122,222,918	-	(5,348,041)	(556,981)	116,317,896	Assets
Relocation project of Shaan Xi	121,253,665	-	(5,815,939)	-	115,437,726	Assets
Relocation project of Lu Nan area	116,266,623	-	(5,194,003)	-	111,072,620	Assets
Relocation project of Lu Xi area	112,848,238	-	(4,631,057)	(2,874,181)	105,343,000	Assets
Relocation project of Jiang Su area	106,630,092	-	(4,775,141)	-	101,854,951	Assets
Others	542,462,120	33,000	(33,423,298)	(2,957,513)	506,114,309	Assets/Income
Technology improvement projects						
Technology improvement projects of Lu Xi area	144,159,955	-	(4,574,591)	-	139,585,364	Assets
Other Technology improvement projects	41,976,430	5,000,000	(2,275,036)	-	44,701,394	Assets
Other projects	<u>192,083,678</u>	<u>3,391,933</u>	<u>(16,994,425)</u>	<u>-</u>	<u>178,481,186</u>	
	<u>2,899,626,024</u>	<u>210,764,314</u>	<u>(145,573,144)</u>	<u>(6,388,675)</u>	<u>2,958,428,519</u>	

(30) Deferred income (Cont'd)

31 December 2020

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020		Reason
Government grants	<u>2,519,926,935</u>	<u>663,403,883</u>	<u>(283,704,794)</u>	<u>2,899,626,024</u>		Grants for relocation and technology improvement projects
Government grants items	31 December 2019	Increase in the current year	Charged to other income	Charged to gains on disposals of assets	31 December 2020	Related to assets/income
Relocation projects						
Relocation project of Lu Dong area	399,039,710	-	(31,018,941)	-	368,020,769	Assets
Relocation project of Shaan Xi	176,686,902	178,023,196	(5,154,671)	-	349,555,427	Assets/Income
Relocation project of Lu Xi area	98,699,600	67,641,158	(7,817,618)	-	158,523,140	Assets/Income
Relocation project of He Bei	41,630,253	101,505,914	(1,218,300)	-	141,917,867	Assets
Relocation project of Lu Nan area	150,441,211	-	(10,658,316)	-	139,782,895	Assets
Relocation project of Hu Bei	149,099,992	-	(11,461,909)	-	137,638,083	Assets
Relocation project of Gan Su	134,427,971	-	(10,753,146)	(1,451,907)	122,222,918	Assets
Relocation project of Shaan Xi	132,885,544	-	(11,631,879)	-	121,253,665	Assets
Relocation project of Lu Nan area	126,703,263	-	(10,436,640)	-	116,266,623	Assets
Relocation project of Lu Xi area	129,770,199	-	(10,264,227)	(6,657,734)	112,848,238	Assets
Relocation project of Jiang Su	116,180,374	-	(9,550,282)	-	106,630,092	Assets
Relocation project of Lu Nan area	-	106,284,976	(2,000,852)	-	104,284,124	Assets/Income
Other relocation projects	611,144,937	66,000	(68,748,817)	-	542,462,120	Assets/Income
Technology improvement projects						
Technology improvement projects of Lu Xi area	-	145,920,000	(1,760,045)	-	144,159,955	Assets
Other Technology improvement projects	25,940,543	20,000,000	(3,749,970)	(214,143)	41,976,430	Assets
Other projects	<u>227,276,436</u>	<u>43,962,639</u>	<u>(77,620,239)</u>	<u>(1,535,158)</u>	<u>192,083,678</u>	
	<u>2,519,926,935</u>	<u>663,403,883</u>	<u>(273,845,852)</u>	<u>(9,858,942)</u>	<u>2,899,626,024</u>	

(31) Long-term employee benefits payable

	30 June 2021 (unaudited)	31 December 2020
Early retirement benefits payable (a)	524,168,240	585,171,677
Supplemental post-employment benefits payable (b)	576,125,978	561,480,851
	1,100,294,218	1,146,652,528
<i>Less:</i> Early retirement benefits within one year	(135,918,992)	(133,239,157)
Supplemental post-employment benefits within one year	(22,284,170)	(22,301,789)
	(158,203,162)	(155,540,946)
	942,091,056	991,111,582

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

(a) Early retirement benefits payable

Early retirement benefits are provided to those employees who met certain criteria and the benefit plan was approved by the Company. As at the balance sheet date, the significant actuarial assumptions used in estimating the early retirement benefits payable by the Group are as follows:

	30 June 2021 (unaudited)	31 December 2020
Discount rate (yield-to-maturity of the government bond with the same term)	2.32% - 2.94%	2.47% - 3.15%

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

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
General and administrative expenses	(6,729,935)	(6,334,092)
Finance expenses	4,771,843	3,399,204

(b) Supplemental post-employment benefits payable

Supplemental post-employment 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. For the year ended 31 December 2020, the Group's supplemental post-employment benefits were calculated by external independent actuary Towers Watson Management Consulting (ShenZhen) Co., Ltd.(unit member of China Association of Actuaries) according to the projected unit credit method.

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

(b) Supplemental post-employment benefits payable (Cont'd)

(i) Supplemental post-employment benefits obligations of the Group:

	30 June 2021 (unaudited)	31 December 2020
Defined benefit obligations	576,125,978	561,480,851
Less: Fair value of plan assets	-	-
Defined benefit liabilities	<u>576,125,978</u>	<u>561,480,851</u>

(ii) The movements in supplemental post-employment benefits of the Group are as follows:

	Present value of the defined benefit obligation
As at 1 January 2021	561,480,851
Amount charged to profit or loss in the current period (unaudited)	
— Service cost	15,249,265
— Interest expense on the net defined benefit obligations	10,261,667
Re-measurement amount (unaudited)	
— Actuarial gain (Note 4(35))	-
Payment (unaudited)	(10,865,805)
As at 30 June 2021 (unaudited)	<u>576,125,978</u>
	Present value of the defined benefit obligation
As at 1 January 2020	431,634,962
Amount charged to profit or loss in the current year	
— Service cost	158,203,598
— Interest expense on the net defined benefit obligations	10,735,000
Re-measurement amount	
— Actuarial loss (Note 4(35))	(17,790,000)
Payment	(21,302,709)
As at 31 December 2020	<u>561,480,851</u>

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

(b) Supplemental post-employment benefits payable (Cont'd)

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

	30 June 2021 (unaudited)	31 December 2020
Discount rate	3.75%	3.75%

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

The salary growth rate of in-service personnel is determined by the Group's post-employment welfare policy and the average social salary growth rate.

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.52%	Increase by 3.73%

The sensitivity analyses above are based on a change in an assumption while keeping all other assumptions constant. However, various assumptions may be correlated actually. 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 2020: nil).
- (vi) The weighted average duration of the defined benefit obligations is 14.5 years (31 December 2020: 14.5 years).
- (vii) Supplemental post-employment benefits caused many risks to the Group, and the primary risk is the fluctuation of the interest rate of government bonds. Decreasing in interest rate of government bonds results in increasing in the defined benefit obligation.

(32) Share capital

	31 December 2020	Movements in the current period (unaudited)	30 June 2021 (unaudited)
RMB-denominated ordinary shares ⁽ⁱ⁾	709,113,617	294,000	709,407,617
Foreign shares listed overseas	655,069,178	-	655,069,178
	<u>1,364,182,795</u>	<u>294,000</u>	<u>1,364,476,795</u>
	31 December 2019	Movements in the current year	31 December 2020
RMB-denominated ordinary shares	695,913,617	13,200,000	709,113,617
Foreign shares listed overseas	655,069,178	-	655,069,178
	<u>1,350,982,795</u>	<u>13,200,000</u>	<u>1,364,182,795</u>

(i) For the restricted share incentive plan carried out by the Group, please refer to Note 12 for details

(33) Capital surplus

	31 December 2020	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2021 (unaudited)
Share premium ⁽ⁱ⁾	3,444,813,522	5,932,920	-	3,450,746,442
Other capital surplus —	230,478,101	157,515,865	-	387,993,966
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(10,186,174)	1,981	-	(10,184,193)
Share-based payment included in shareholders' equity ^(j)	142,725,847	157,486,792	-	300,212,639
Transfer from capital surplus recognised under the previous accounting system	93,338,214	-	-	93,338,214
Others	4,600,214	27,092	-	4,627,306
	<u>3,675,291,623</u>	<u>163,448,785</u>	<u>-</u>	<u>3,838,740,408</u>

(33) Capital surplus (Cont'd)

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Share premium	3,356,662,970	267,543,966	(179,393,414)	3,444,813,522
Other capital surplus —	87,654,485	142,823,616	-	230,478,101
Share of changes of equity other than comprehensive income and profits distribution of investees accounted for using the equity method	(10,196,463)	10,289	-	(10,186,174)
Share-based payment included in shareholders' equity	-	142,725,847	-	142,725,847
Transfer from capital surplus recognised under the previous accounting system	93,338,214	-	-	93,338,214
Others	4,512,734	87,480	-	4,600,214
	<u>3,444,317,455</u>	<u>410,367,582</u>	<u>(179,393,414)</u>	<u>3,675,291,623</u>

- (i) As stated in Note 12, in 2021, the Company received a total of RMB6,226,920 of capital contributions from 34 incentive recipients of the restricted share incentive plan. After the recognition of the share capital of RMB294,000, the difference of RMB5,932,920 is included in the capital surplus. For the six months ended 30 June 2021, the Group recognised the general and administrative expenses of RMB123,108,005 for the restricted share incentive plan and increased the capital surplus accordingly. At the same time, the Group recognised deferred income tax assets of RMB63,049,774 for temporary differences arising from the recognition of equity incentive expenses, of which RMB27,974,814 was included in income tax expenses, RMB696,173 was recognised as minority interests, and the difference of RMB34,378,787 was included in capital surplus (2020: the Company received a total of RMB279,576,000 of capital contributions from 627 incentive participants of the restricted share incentive plan. After the recognition of the share capital of RMB13,200,000, the difference of RMB266,376,000 is included in the capital surplus. The Group recognised the general and administrative expenses of RMB127,595,083 for the restricted share incentive plan and increased the capital surplus accordingly. Meanwhile, the Group recognised deferred income tax assets of RMB44,341,848 for temporary differences arising from the recognition of equity incentive expenses, of which RMB28,856,747 was included in income tax expenses, RMB354,337 was recognised in minority interests, and the difference of RMB15,130,764 was included in capital surplus).

(34) Treasury stock

	31 December 2020	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2021 (unaudited)
Treasury stock(i)	<u>279,576,000</u>	<u>6,226,920</u>	<u>(10,120,500)</u>	<u>275,682,420</u>
	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Treasury stock	<u>-</u>	<u>279,576,000</u>	<u>-</u>	<u>279,576,000</u>

- (i) The Group recognises the repurchase obligation due to the implementation of the restricted share incentive plan, please refer to Note 12 for details.

(35) Other comprehensive income

	Other comprehensive income in the balance sheet		Other comprehensive income in the income statement of six months ended 30 June 2021					
	31 December 2020	Attributable to shareholders of the Company, net of tax (unaudited)	30 June 2021 (unaudited)	The pre-tax amount in the current period (unaudited)	Less: Transfer out from which were recognised in other comprehensive income in the previous periods (unaudited)	Less: Income tax expenses (unaudited)	Attributable to shareholders of the Company, net of tax (unaudited)	Attributable to non-controlling interests, net of tax (unaudited)
Items that shall not be subsequently reclassified to profit or loss								
Changes arising from re-measurement of defined benefit plan liabilities (Note 4(31)(b)(ii))	(31,571,000)	-	(31,571,000)	-	-	-	-	-
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	(585,452)	(137,707)	(723,159)	(137,707)	-	-	(137,707)	-
Currency translation differences	12,305,113	1,588,682	13,893,795	1,588,682	-	-	1,588,682	-
	<u>(19,851,339)</u>	<u>1,450,975</u>	<u>(18,400,364)</u>	<u>1,450,975</u>	<u>-</u>	<u>-</u>	<u>1,450,975</u>	<u>-</u>
	Other comprehensive income in the balance sheet		Other comprehensive income in the income statement of 2020					
	31 December 2019	Attributable to shareholders of the Company, net of tax	31 December 2020	The pre-tax amount in the current year	Less: Transfer out from which were recognised in other comprehensive income in the previous periods	Less: Income tax expenses	Attributable to shareholders of the Company, net of tax	Attributable to non-controlling interests, net of tax
Items that shall not be subsequently reclassified to profit or loss								
Changes arising from re-measurement of defined benefit plan liabilities (Note 4(31)(b)(ii))	(49,361,000)	17,790,000	(31,571,000)	17,790,000	-	-	17,790,000	-
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	(637,778)	72,326	(585,452)	72,326	-	-	72,326	-
Currency translation differences	2,671,145	9,633,968	12,305,113	9,633,968	-	-	9,633,968	-
	<u>(47,347,633)</u>	<u>27,496,294</u>	<u>(19,851,339)</u>	<u>27,496,294</u>	<u>-</u>	<u>-</u>	<u>27,496,294</u>	<u>-</u>

(36) Surplus reserve

	31 December 2020	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2021 (unaudited)
Statutory surplus reserve	1,400,704,380	-	-	1,400,704,380
	31 December 2019	Appropriation in the current year	Decrease in the current year	31 December 2020
Statutory surplus reserve	1,400,704,380	-	-	1,400,704,380

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

(37) General reserve

	31 December 2020	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2021 (unaudited)
General reserve	260,344,554	-	-	260,344,554
	31 December 2019	Appropriation in the current year	Decrease in the current year	31 December 2020
General reserve	234,715,680	25,628,874	-	260,344,554

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 2021 (unaudited)	2020
Undistributed profits at the beginning of the period	14,220,864,502	12,788,210,357
<i>Add:</i> Net profit attributable to shareholders of the Company for the current period	2,415,521,329	2,201,323,556
<i>Less:</i> Appropriated general reserve	-	(25,628,874)
Ordinary shares dividend payable (a)	(1,023,357,596)	(743,040,537)
Undistributed profits at the end of the period	15,613,028,235	14,220,864,502

(38) Undistributed profits (Cont'd)

- (a) Pursuant to the resolution at the Annual General Meeting dated 28 June 2021, the Company approved a cash dividend of RMB0.75 per share (tax included) to the shareholders of the Company with RMB1,023,357,596 for the year of 2020, based on a total number of 1,364,476,795 shares and the Company paid the cash dividend on 10 August 2021. (2020: cash dividend of RMB0.55 per share (tax included) to the shareholders of the Company with RMB743,040,537 for the year of 2019, based on a total number of 1,350,982,795 shares).

No interim dividend for the six months ended 30 June 2021 has been proposed by the Board (for the six months end 30 June 2020:nil).

(39) Revenue and cost of sales

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Revenue from main operation (a)	18,031,065,721	15,569,515,965
Revenue from other operations (b)	260,095,030	109,475,371
	<u>18,291,160,751</u>	<u>15,678,991,336</u>
	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Cost of main operation (a)	(9,993,618,887)	(9,056,342,173)
Cost of other operations (b)	(176,755,064)	(75,306,721)
	<u>(10,170,373,951)</u>	<u>(9,131,648,894)</u>

(a) Revenue and cost of main operation

	Six months ended 30 June 2021 (unaudited)		Six months ended 30 June 2020 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of beer, etc.	<u>18,031,065,721</u>	<u>(9,993,618,887)</u>	<u>15,569,515,965</u>	<u>(9,056,342,173)</u>

The information about revenue recognised by business area segment, please refer to Note 7.

(39) Revenue and cost of sales (Cont'd)**(b) Revenue and cost of other operations**

	Six months ended 30 June 2021 (unaudited)		Six months ended 30 June 2020 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sale of packaging materials	60,757,242	(39,211,282)	32,104,898	(16,162,094)
Sale of raw materials	58,246,953	(57,578,632)	6,090,699	(5,963,437)
Catering related	45,940,202	(26,361,010)	3,904,323	(1,741,467)
Construction and equipment installations	19,677,643	(17,919,121)	2,759,225	(2,058,345)
Others	75,472,990	(35,685,019)	64,616,226	(49,381,378)
	260,095,030	(176,755,064)	109,475,371	(75,306,721)

(40) Taxes and surcharges

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Tax base
Consumption tax	989,768,837	891,833,533	Note 3
City maintenance and construction tax	148,689,170	134,417,803	Note 3
Education surcharges	112,221,175	101,551,781	Note 3
Real estate tax	31,494,264	26,289,767	
Land use tax	30,066,824	26,963,555	
Stamp duty	14,852,508	12,327,962	
Others	3,531,463	10,502,859	
	1,330,624,241	1,203,887,260	

(41) Selling and distribution expenses

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Handing and transportation expenses	1,199,573,036	1,154,819,231
Employee benefits expenses	1,055,156,817	906,330,207
Advertising related expenses	723,449,008	484,432,527
Administrative expenses	92,840,489	76,891,542
Labour expenses	73,358,666	54,927,719
Depreciation and amortisation charges	53,474,747	56,203,797
Operating lease expenses	46,945,768	40,290,899
Material consumptions	37,952,289	32,154,755
Other expenses	62,401,487	59,403,825
	3,345,152,307	2,865,454,502

(42) General and administrative expenses

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Employee benefits expenses	337,067,752	274,395,886
Share based payment expenses	123,108,005	-
Depreciation and amortisation charges	100,800,970	103,765,498
Administrative expenses	40,408,138	28,997,017
Agency fees	21,229,242	22,056,564
Repair expenses	15,319,576	12,875,427
Handling and transportation expenses	5,926,399	3,986,501
Insurance expenses	4,082,217	3,985,813
Material consumptions	3,704,005	3,153,174
Other expenses	59,903,598	49,794,828
	<u>711,549,902</u>	<u>503,010,708</u>

(43) Research and development expenses

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Employee benefits expenses	5,493,281	4,333,559
Depreciation charges	1,082,392	1,173,159
Material consumptions	440,046	335,573
Other expenses	1,232,836	847,227
	<u>8,248,555</u>	<u>6,689,518</u>

(44) Finance expenses

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Interest payment	11,003,365	8,490,374
<i>Less: Interest income</i>	<i>(172,412,314)</i>	<i>(251,335,596)</i>
Exchange losses/(gains)	5,066,278	(5,494,778)
Discounting impact of the long-term employee benefits payable	15,033,510	8,761,369
Interest expense on lease liabilities	3,855,069	2,032,223
Others	2,028,516	1,433,058
	<u>(135,425,576)</u>	<u>(236,113,350)</u>

(45) Expenses by nature

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

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Raw materials, packaging materials and consumables used	6,967,172,141	6,135,661,953
Changes in inventories of finished goods and work in progress	839,734,151	769,101,933
Finished goods purchased from outside	582,626,314	542,941,953
Employee benefits expenses	2,326,860,497	2,044,235,452
Handling and transportation expenses	1,245,707,713	1,242,593,037
Advertising related expenses	723,342,765	484,432,527
Depreciation and amortisation charges	564,939,358	563,023,629
Repair expenses	178,316,824	142,729,722
Labour expenses	146,918,124	122,261,352
Administrative expenses	136,263,976	107,988,036
Share-based payment expenses	123,108,005	-
Amortisation expenses of packaging materials	97,701,204	108,946,546
Other expenses	302,633,643	242,887,482
	<u>14,235,324,715</u>	<u>12,506,803,622</u>

(46) Other income

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Related to assets/income
Grant for relocation projects	121,729,092	92,770,029	Assets/Income
Grant for company development	52,216,903	202,670,399	Income
Grant for technology improvement projects	6,849,627	1,574,401	Assets
Grant for other production and operation	40,671,343	33,260,639	Assets/Income
	<u>221,466,965</u>	<u>330,275,468</u>	

(47) Investment income

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Interbank negotiable certificates of deposit investment income	38,306,182	-
Investment income from long-term equity investments accounted for using the equity method	18,854,829	16,497,374
Others	2,787,920	5,460,989
	<u>59,948,931</u>	<u>21,958,363</u>

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

(48) Profit arising from changes in fair value

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Financial assets measured at fair value through profit or loss —		
Debt instruments	<u>130,474,522</u>	<u>27,783,514</u>

(49) Gains on disposals of assets

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Losses on disposal of fixed assets	(891,001)	(11,460,555)
Gains from disposal of intangible assets	11,337,200	3,452,937
Gains on disposal of right-of-use assets	<u>207,956</u>	<u>-</u>
	<u>10,654,155</u>	<u>(8,007,618)</u>

For the six months ended 30 June 2021, all asset disposal gains and losses have been regarded as non-recurring profit or loss in the current period.

(50) Non-operating income

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Gains on unpaid debts	4,911,992	1,577,301
Penalty gains	819,248	4,986
Others	<u>4,151,146</u>	<u>4,841,407</u>
	<u>9,882,386</u>	<u>6,423,694</u>

For the six months ended 30 June 2021, all non-operating income has been regarded as non-recurring profit or loss in the current period.

(51) Non-operating expenses

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Compensations, defaults and overdue fines	164,372	9,863,237
Donations	11,800	13,328,950
Others	307,324	477,985
	<u>483,496</u>	<u>23,670,172</u>

For the six months ended 30 June 2021, all non-operating expenses have been regarded as non-recurring profit or loss in the current period.

(52) Income tax expenses

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	1,061,024,567	849,619,347
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	2,474,238	-
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	(158,016)	272,547
Deferred income tax	(259,345,708)	(231,188,895)
	<u>803,995,081</u>	<u>618,702,999</u>

(52) Income tax expenses (Cont'd)

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 expenses is listed below:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Total profit	3,290,860,296	2,558,149,824
Income tax expenses calculated at applicable tax rates	820,899,615	638,808,101
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	17,094,061	22,063,376
Income not subject to tax	(13,484,454)	(10,013,778)
Impact of utilisation of deductible tax losses and temporary differences from previously unrecognised deferred tax assets	(58,165,322)	(60,650,242)
Deductible temporary differences of currently unrecognised deferred tax assets	8,746,820	7,782,065
Deductible tax losses of currently unrecognised deferred tax assets	28,904,361	20,713,477
Income tax expenses	803,995,081	618,702,999

(53) Earnings per share**(a) Basic earnings per share**

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

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Consolidated net profit attributable to shareholders of the Company	2,415,521,329	1,854,983,102
Less: Cash dividend of restricted stocks expected to be vested in the future	(10,120,500)	-
Consolidated net profit attributable to ordinary shareholders of the Company	2,405,400,829	1,854,983,102
Weighted average numbers of ordinary shares outstanding	1,350,982,795	1,350,982,795
Basic earnings per share	1.780	1.373
Including:		
— Basic earnings per share from continuing operations	1.780	1.373

(53) Earnings per share (Cont'd)**(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. The restricted shares incentive plan implemented by the Company has no dilutive effect on earnings per share for the six months ended 30 June 2021 (For the six months ended 30 June 2020: there were no dilutive potential ordinary shares), so diluted earnings per share equals to basic earnings per share.

(54) Notes to consolidated cash flow statement**(a) Cash received relating to other operating activities**

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Guarantee deposits	307,232,251	274,957,163
Government grants	106,629,401	386,399,689
Others	59,077,159	40,664,880
	<u>472,938,811</u>	<u>702,021,732</u>

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Handling and transportation expenses	697,401,221	647,628,189
Advertising related expenses	449,027,986	359,960,947
Marketing and promotion expenses	411,600,122	335,010,114
Administrative expenses	138,012,589	105,946,296
Guarantee deposits	113,745,689	149,275,269
Others	166,116,078	168,269,733
	<u>1,975,903,685</u>	<u>1,766,090,548</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Interest income of Finance Company's deposits	181,948,020	172,143,768
Bidding deposits and others received	17,706,706	12,786,864
	<u>199,654,726</u>	<u>184,930,632</u>

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

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Deposit reserve paid by Finance Company	271,300,000	81,160,000
Bidding deposits and others paid	14,007,357	11,480,185
	<u>285,307,357</u>	<u>92,640,185</u>

(e) Cash paid relating to other financing activities

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Repayment of lease liabilities	27,931,298	15,915,551
Purchase of minority equity	-	241,818,181
	<u>27,931,298</u>	<u>257,733,732</u>

For the six months ended 30 June 2021, total cash outflows related to lease paid by the Group is 83,023,615. Other cash outflows are recognised into operating activities except repayment of lease liabilities recognised in financing activities mentioned above.

(55) 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 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Net profit	2,486,865,215	1,939,446,825
Add: Provision for asset impairment	5,826	1,538,581
Reversal for credit impairment	1,714,712	(511,352)
Depreciation of right-of-use assets	25,292,012	16,295,306
Depreciation of fixed assets and investment properties	444,122,995	442,534,902
Amortisation of intangible assets	85,916,559	101,963,309
Amortisation of long-term prepaid expenses	13,950,442	6,881,785
(Gains)/loss on disposal of fixed assets and intangible assets	(10,654,155)	8,007,618
Profit arising from changes in fair value	(130,474,522)	(27,783,514)
Financial expenses	(148,932,204)	(141,390,270)
Investment income	(59,948,931)	(21,958,363)
Increase in deferred tax assets	(255,775,857)	(216,247,338)
Amortisation of deferred income	(145,573,144)	(154,919,665)
Decrease in deferred tax liabilities	(3,569,851)	(14,941,557)
Decrease in inventories	1,066,352,506	864,013,024
Decrease in operating receivables	237,372,311	260,382,724
Increase in operating payables	1,417,997,338	1,901,184,885
Net cash flows from operating activities	<u>5,024,661,252</u>	<u>4,964,496,900</u>

Net increase in cash and cash equivalents

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Cash and cash equivalents at end of the period	6,846,715,666	18,065,659,709
Less: Cash and cash equivalents at beginning of the period	(17,643,123,424)	(14,557,393,355)
Net increase in cash and cash equivalents	<u>(10,796,407,758)</u>	<u>3,508,266,354</u>

(b) Cash and cash equivalents

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Cash and cash equivalents (Note 4(1))	6,846,715,666	18,065,659,709
Including: Cash on hand	241,528	220,660
Cash at bank that can be readily drawn on demand	6,843,350,089	18,059,991,665
Cash at non-financial institutions that can be readily drawn on demand	3,124,049	5,447,384
Cash and cash equivalents at end of the period	<u>6,846,715,666</u>	<u>18,065,659,709</u>

(56) Foreign currency items

	30 June 2021 (unaudited)		
	Balance in foreign currency	Currency exchange rate	Balance in RMB
Cash at bank and cash on hand —			
USD	34,156,066	6.4601	220,651,602
HKD	72,530,968	0.8321	60,353,018
MOP	46,095,443	0.8084	37,263,556
EUR	4,219,959	7.6862	32,435,449
VND	3,018,882,528	0.0003	905,665
			351,609,290
Accounts receivable —			
USD	4,495,458	6.4601	29,041,108
HKD	34,876,008	0.8321	29,020,326
EUR	1,859,706	7.6862	14,294,072
GBP	287,881	8.9410	2,573,944
MOP	1,559,283	0.8084	1,260,524
CAD	160,564	5.2097	836,490
VND	310,800,633	0.0003	93,240
			77,119,704
Other receivables —			
HKD	1,251,217	0.8321	1,041,138
MOP	339,918	0.8084	274,790
VND	339,900,000	0.0003	101,970
			1,417,898
Short-term borrowings —			
HKD	300,000,000	0.8321	249,630,000
Other payables —			
USD	1,334,608	6.4601	8,621,701
EUR	7,800	7.6862	59,952
			8,681,653

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

5 CHANGES IN CONSOLIDATION SCOPE

On 10 February 2021, the Company's subsidiary Tsingtao Beer Culture Communication Co., Ltd. ("Culture Communication Company") established Tsingtao Brewery fashion industry development Co., Ltd. ("Fashion Industry Company") with a registered capital of RMB100,000,000. On 30 June 2021, the Culture Communication Company had actually contributed RMB9,100,000 in cash.

On 5 March 2021, the Company's subsidiary Tsingtao Brewery (Taizhou) Co., Ltd. ("Taizhou Company") completed the cancellation.

(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, 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) Huaihai 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, 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
Tsingtao Brewery (Langfang) Co., Ltd. ("Langfang Company")	Langfang, the PRC	Langfang, the PRC	Manufacturing	99,000,000	80.80%	19.20%	Establishment or investment

(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 Xi'an Han's Group Co., Ltd. ("Xi'an Han's")	Shaanxi, the PRC	Xi'an, the PRC	Manufacturing and Wholesale and retail sale	287,903,022	100%	-	Establishment or investment
Tsingtao Brewery 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
Tsingtao Brewery International Trade Co., Ltd. ("International Trade")	Qingdao, the PRC	Qingdao, the PRC	Wholesale and retail sale	11,000,000	100%	-	Establishment or investment
Tsingtao Brewery (Dezhou) Co., Ltd. ("Dezhou Company")	Dezhou, the PRC	Dezhou, 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
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 Company")	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
Tsingtao Brewery Machinery and Equipment Co., Ltd.	Qingdao, the PRC	Qingdao, the PRC	Construction	2,000,000	-	100%	Establishment or investment

(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 (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")	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
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
Vietnam company	Vietnam, the PRC	Vietnam, the PRC	Wholesale and retail sale	1,000,000USD	-	100%	Establishment or investment
Tsingtao Brewery (Zaozhuang) Co., Ltd. ("Zaozhuang Company")	Zaozhuang, the PRC	Zaozhuang, the PRC	Manufacturing	200,000,000	100%	-	Establishment or investment
Tsingtao Brewery (West Coast) Cultural Tourism Development Co., Ltd ("West Coast Cultural Tourism")	Qingdao, the PRC	Qingdao, the PRC	Services	180,000,000	95%	5%	Establishment or investment
Shanghai Tsingtao Catering Management Co., Ltd	Shanghai, the PRC	Shanghai, the PRC	Services	12,000,000	-	68%	Establishment or investment
Fashion Industry Company	Qingdao, the PRC	Qingdao, the PRC	Services	100,000,000	-	100%	Establishment or investment

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

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

Name	Place of operation	Place of incorporation	Principal activities	Registered capital	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingtao Brewery (Sanshui) Co., Ltd.	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

6 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 (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
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
Cultural Communication Company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	73,500,000	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
Tsingtao 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

(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	
Shandong Lulansa Brewery Co., Ltd. ("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
Tsingtao Brewery (Suqian) Co., Ltd. ("Suqian Company")	Suqian, the PRC	Suqian, the PRC	Manufacturing	100,000,000	75%	25%	Business combination not under common control
Tsingtao Brewery (Xuzhou) Pengcheng Co., Ltd.	Xuzhou, the PRC	Xuzhou, the PRC	Manufacturing	155,000,000	-	100%	Business combination not under common control
Tsingtao Brewery (Xuzhou) Co., Ltd.	Xuzhou, the PRC	Xuzhou, the PRC	Manufacturing	39,336,899	-	100%	Business combination not under common control
Tsingtao Brewery (Yangzhou) Co., Ltd. ("Yangzhou Company")	Yangzhou, the PRC	Yangzhou, the PRC	Manufacturing	200,000,000	50%	50%	Business combination not under common control
Tsingtao Brewery (Kunshan) Co., Ltd.	Kunshan, the PRC	Kunshan, the PRC	Manufacturing	731,535,952	-	100%	Business combination not under common control
Tsingtao Brewery (Lianyungang) Co., Ltd.	Lianyungang, the PRC	Lianyungang, the PRC	Manufacturing	166,093,523	-	100%	Business combination not under common control
Tsingtao Brewery (Minhang) Co., Ltd.	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	377,251,025	-	96.50%	Business combination not under common control

(1) Interests in subsidiaries (Cont'd)

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

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 2021 (unaudited)	Total dividends distributed to the minority shareholders in six months ended 30 June 2021 (unaudited)	Non-controlling interests as at 30 June 2021 (unaudited)
Shenzhen Asahi	49%	24,063,995	(40,870,900)	206,662,008

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

	As at 30 June 2021 (unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	234,031,971	406,754,404	640,786,375	(210,223,249)	(7,430,730)	(217,653,979)

	31 December 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	253,771,498	413,666,957	667,438,455	(203,214,461)	(7,352,839)	(210,567,300)

	Six months ended 30 June 2021 (unaudited)			
	Revenue	Net profit	Total other comprehensive income	Cash flows from operating activities
Shenzhen Asahi	409,907,224	49,024,876	49,024,876	76,627,521

	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

Financial information above is the amount before offset among subsidiaries in the Group.

(2) Interests in the Joint Venture and Associates

(a) Fundamental information of the significant Joint Venture and Associates

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

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

(b) Summarised financial information of the joint venture

	Hebei Jiahe Company	
	30 June 2021 (unaudited)	31 December 2020
Current assets	111,507,100	75,750,625
Including: cash and cash equivalents	45,563,946	32,858,685
Non-current assets	90,248,752	90,798,553
Total assets	201,755,852	166,549,178
Current liabilities	(65,044,180)	(21,316,393)
Total liabilities	(65,044,180)	(21,316,393)
Total equity attributable to shareholders of the Company	136,711,672	145,232,785
Adjusted fair value of the identifiable net assets when obtained	69,464,910	72,841,613
Adjusted total equity attributable to shareholders of the Company	206,176,582	218,074,398
The share of net assets calculated based on the shareholding proportion(i)	103,088,291	109,037,199
Adjusting item — goodwill	113,928,609	113,928,609
— unrealized profits of internal transaction	-	(435,888)
Book value of investment on the joint venture	217,016,900	222,529,920

6 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)

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

	Hebei Jiahe Company	
	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Revenue	158,303,584	183,350,951
Finance expenses	(221,968)	(209,307)
Income tax expenses	(1,450,531)	(3,531,910)
Net profit	5,478,887	12,964,526
Total comprehensive income	5,478,887	12,964,526
Adjusted fair value of the identifiable net assets when obtained	(3,376,703)	(3,404,413)
Adjusted total comprehensive income attributable to shareholders of the Company	<u>2,102,184</u>	<u>9,560,113</u>
Dividends received from the joint venture in the current period	<u>(7,000,000)</u>	<u>10,000,000</u>

- (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.

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

(c) Summarised financial information of associates

	30 June 2021 (unaudited)				31 December 2020			
	Yantai Brewery Company	Zhaoshang Logistics	Liaoning Shenqing	European Company	Yantai Brewery Company	Zhaoshang Logistics	Liaoning Shenqing	European Company
Current assets	284,812,216	201,067,470	17,820,118	21,024,200	307,699,780	155,084,548	41,706,820	21,086,242
Including: cash and cash equivalents	77,528,100	2,597,636	2,388,744	8,888,583	59,020,238	1,368,701	1,586,314	10,627,524
Non-current assets	348,636,576	3,123,776	3,121,758	190,134	314,753,139	3,690,679	2,910,282	142,010
Total assets	633,448,792	204,191,246	20,941,876	21,214,334	622,452,919	158,775,227	44,617,102	21,228,252
Current liabilities	(247,705,373)	(137,146,154)	(20,964,563)	(11,889,407)	(229,490,749)	(97,667,428)	(44,653,704)	(14,001,905)
Non-current liabilities	(95,470,490)	(295,982)	-	-	(97,127,671)	(1,059,935)	-	-
Total liabilities	(343,175,863)	(137,442,136)	(20,964,563)	(11,889,407)	(326,618,420)	(98,727,363)	(44,653,704)	(14,001,905)
Total equity attributable to shareholders of the Company	290,272,929	66,749,110	(22,687)	9,324,927	295,834,499	60,047,864	(36,602)	7,226,347
Adjusted fair value of the identifiable net assets when obtained	25,813,649	-	-	-	22,308,507	-	-	-
Adjusted total equity attributable to shareholders of the Company	316,086,578	66,749,110	(22,687)	9,324,927	318,143,006	60,047,864	(36,602)	7,226,347
The share of net assets calculated based on the shareholding proportion(i)	123,273,765	20,024,733	(6,806)	3,729,971	124,075,772	18,014,359	(10,981)	2,890,539
Adjusting items								
— Goodwill	9,640,679	-	-	-	9,640,679	-	-	-
— Unrealized profits of internal transaction	(12,414)	-	-	-	(2,817,432)	-	-	-
— Unrecognised excess loss	-	-	6,806	-	-	-	10,981	-
Book value of investments on Associates	132,902,030	20,024,733	-	3,729,971	130,899,019	18,014,359	-	2,890,539

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

6 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 2021 (unaudited)				Six months ended 30 June 2020 (unaudited)			
	Yantai Brewery Company	Zhaoshang Logistics	Liaoning Shenqing	European Company	Yantai Brewery Company	Zhaoshang Logistics	Liaoning Shenqing	European Company
Revenue	424,244,834	128,916,426	29,609,699	33,879,234	363,242,870	100,864,022	28,027,208	31,042,970
Net profit/(loss)	26,180,241	6,694,642	13,915	2,442,847	15,686,995	4,753,539	(220,336)	3,085,546
Other comprehensive income	-	-	-	(344,267)	-	-	-	193,360
Total comprehensive income	26,180,241	6,694,642	13,915	2,098,580	15,686,995	4,753,539	(220,336)	3,278,906
Total comprehensive income attributable to shareholders of the Company	26,180,241	6,694,642	13,915	2,098,580	15,686,995	4,753,539	(220,336)	3,278,906
Adjusted fair value of the identifiable net assets when obtained	3,505,142	-	-	-	(1,930,000)	-	-	-
Adjusted total comprehensive income attributable to shareholders	29,685,383	6,694,642	13,915	2,098,580	13,756,995	4,753,539	(220,336)	3,278,906
Dividends received from the associates in the current period	12,379,306	-	-	-	-	-	-	-

- (i) The share of the net asset of associates was calculated by the share proportion of the Group, based on the equity attributable to 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.

(d) Excess losses of joint ventures and associated enterprises.

	Accumulated unrecognised losses at the beginning of the period	Unrecognised loss in the current period (unaudited)	Accumulated unrecognised losses at the end of the period (unaudited)
Liaoning Shenqing	10,981	(4,175)	6,806

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

7 SEGMENT INFORMATION

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

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

The Group identified seven reportable segments as follows:

- Shandong region segment, responsible for the production and distribution in Shandong region and surrounding regions
- South China region segment, responsible for the production and distribution in South China region
- North China region segment, responsible for the production and distribution in North China region
- East China region segment, responsible for the production and distribution 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 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.

(a) Segment information as at and for the six months ended 30 June 2021 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	11,144,886,789	1,523,994,869	3,248,270,608	1,576,071,560	480,114,629	309,258,467	5,306,324	3,257,505	-	18,291,160,751
Inter-segment revenue	1,485,372,214	424,094,052	1,043,485,034	147,306,792	3,677,180	89,426,907	8,439,759	12,453,733	(3,214,255,671)	-
Cost of sales	(7,782,209,120)	(1,197,657,807)	(2,752,813,878)	(1,128,382,239)	(297,598,945)	(320,889,128)	(20,458)	(15,193,240)	3,324,470,864	(10,170,373,951)
Selling and distribution expenses	(2,315,743,732)	(240,807,219)	(444,074,086)	(233,740,254)	(74,109,041)	(36,677,975)	-	-	-	(3,345,152,307)
Interest income	34,536,445	10,835,411	25,675,939	4,739,910	953,975	499,420	167,166,261	18,247,839	(90,242,886)	172,412,314
Interest expense	(1,443,402)	(1,901,494)	(1,141,878)	(7,247,560)	(658,916)	(1,255,239)	(98,960,265)	-	101,605,389	(11,003,365)
Investment income of associates and a joint venture	-	-	-	-	-	-	-	18,854,829	-	18,854,829
Credit impairment reversals/(losses)	312,253	-	95,228	(6,370)	-	(27,990)	(3,882,918)	-	1,795,085	(1,714,712)
Asset impairment losses	-	(5,826)	-	-	-	-	-	-	-	(5,826)
Depreciation and amortisation	(251,972,331)	(84,480,257)	(111,283,472)	(79,774,067)	(9,134,129)	(1,770,829)	(891,568)	(29,875,355)	-	(569,282,008)
Total profit	1,688,678,061	295,775,308	799,540,619	146,162,298	71,736,149	32,607,069	149,770,933	25,950,005	80,639,854	3,290,860,296
Income tax expenses	(447,554,469)	(67,758,464)	(190,011,705)	(19,251,324)	(4,618,853)	(6,854,080)	(38,282,448)	-	(29,663,738)	(803,995,081)
Net profit	1,241,123,592	228,016,844	609,528,914	126,910,974	67,117,296	25,752,989	111,488,485	25,950,005	50,976,116	2,486,865,215
Total assets	15,597,270,562	4,519,453,434	8,865,383,036	3,657,057,697	846,930,368	658,133,241	17,039,245,375	10,981,696,933	(16,548,259,713)	45,236,910,933
Total liabilities	11,817,545,855	1,915,136,231	5,102,745,502	3,013,882,899	596,137,190	708,813,945	14,093,746,549	1,580,833,953	(16,548,397,290)	22,280,444,834
Non-cash expenses other than depreciation and amortisation	13,996,573	701,745	3,062,025	789,964	276,661	61,611	-	-	-	18,888,579
Long-term equity investments in associates and a joint venture	-	-	-	-	-	-	-	373,673,634	-	373,673,634
Additions of non-current assets(i)	371,356,594	57,142,486	343,288,695	35,083,662	4,876,727	4,119,020	234,906	26,552,619	(38,043,635)	804,611,074

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

7 SEGMENT INFORMATION (CONT'D)

(b) 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)	(200,414,322)	(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)	(218,532,251)	(61,985,930)	(43,947,912)	-	-	-	(2,865,454,502)
Interest income	271,59,502	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)
Investment income of associates and a joint venture	-	-	-	-	-	-	-	16,497,374	-	16,497,374
Credit impairment reversals/(losses)	1,017,305	(142)	(166,562)	(24,175)	-	(370,697)	(2,674,261)	-	2,729,884	511,352
Asset impairment losses/(reversals)	(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/(losses)	1,151,357,185	302,465,611	688,540,610	105,902,959	5,958,522	48,477,874	124,481,329	20,908,778	109,976,956	2,538,149,824
Income tax expenses	(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/(losses)	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)	19,680,891,811
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.

(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 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Mainland China	17,957,768,054	15,381,641,740
Hong Kong and Macau SAR	84,508,015	90,763,619
Other overseas regions	248,884,682	206,585,977
	18,291,160,751	15,678,991,336
Total non-current assets	30 June 2021 (unaudited)	30 June 2020 (unaudited)
Mainland China	15,365,140,738	15,013,978,883
Hong Kong and Macau SAR	16,490,335	15,513,502
Other overseas regions	11,360	-
	15,381,642,433	15,029,492,385

(1) Information of subsidiaries

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

(2) Information of the joint venture and associates

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

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

(3) Information of other related parties

Company name	Relationship with the Group
Tsingtao Brewery Group Co., Ltd. (“Tsingtao Brewery Group”)(i)	Majority shareholder of the Company
Five subsidiaries of Fosun International Group Co., Ltd.	Majority shareholder of the Company
Tsingtao Brewery Youjia Health Drinks Co., Ltd. (“Youjia Health”)(i)	Controlled by the same major shareholder
Tsingtao Brewery Youjia Health Drinks (Shanghai) Co., Ltd. (“Youjia Shanghai”)(i)	Controlled by the same major shareholder
Yunnan Dashan Beverage Co., Ltd. (“Yunnan Dashan”)(i)	Controlled by the same major shareholder
Qingdao Smart Chain Success Delivery Technology Co., Ltd. (“Smart Chain Success Delivery”)(i)	Controlled by the same major shareholder
Shanghai Dasheng Smart Supply Chain Co., Ltd. (“Dasheng Smart Chain”)(i)	Controlled by the same major shareholder
Tsingtao Brewery Real Estate Co., Ltd. (“Tsingtao Brewery Real Estate”)(i)	Controlled by the same major shareholder

- (i) On 1 February 2021, the Company issued the announcement of Tsingtao Brewery Co., Ltd. on signing the related party transaction framework agreement and daily related party transaction with the controlling shareholder and its subsidiaries. The Company has considered and approved the signing of the 2021 entrusted production and sales framework agreement with Youjia health, the 2021 supply chain business service framework agreement with Smart Chain Success Delivery and the comprehensive service framework agreement with Tsingtao Brewery Group at the 14th meeting of the ninth board of directors.

(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 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Yantai Brewery Company	Purchase of beer	Mutually-agreed prices	419,446,308	359,743,924
Smart Chain Success Delivery	Receiving logistics and warehousing services	Mutually-agreed prices and prices approved by the board of directors	185,703,920	—
Hebei Jiaye Company Zhaoshang Logistics	Purchase of beer Receiving logistics service (including payment on behalf)	Mutually-agreed prices	157,127,593	183,198,029
		Mutually-agreed prices	110,239,103	94,651,413
			872,516,924	637,593,366

(b) Sales of goods and providing services

Name of related party	Nature of transaction	Pricing policies	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Youjia Health	Sale of products	Mutually-agreed prices refer to the market prices and prices approved by the board of directors	55,259,464	—
European Company	Sale of beer and materials	Mutually-agreed prices refer to the market prices	26,528,493	21,257,079
Liaoning Shengqing	Sale of beer and materials	Mutually-agreed prices refer to the market prices	9,089,912	28,151,444
Youjia Health	Provide comprehensive services	Mutually-agreed prices refer to the market prices and prices approved by the board of directors	2,828,546	—
Youjia Shanghai	Sale of products	Mutually-agreed prices refer to the market prices and prices approved by the board of directors	1,384,831	—
Yunnan Dashan	Sale of products	Mutually-agreed prices refer to the market prices and prices approved by the board of directors	1,220,000	—

(4) Related party transactions (Cont'd)

(b) Sales of goods and providing services (Cont'd)

Name of related party	Nature of transaction	Pricing policies	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Tsingtao Brewery Group	Provide comprehensive services	Mutually-agreed prices refer to the market prices and prices approved by the board of directors	1,191,482	—
Smart Chain Success Delivery	Provide comprehensive services	Mutually-agreed prices refer to the market prices and prices approved by the board of directors	753,622	—
Tsingtao Brewery Real Estate	Provide comprehensive services	Mutually-agreed prices refer to the market prices and prices approved by the board of directors	128,161	—
Dasheng Smart Chain	Provide comprehensive services	Mutually-agreed prices refer to the market prices and prices approved by the board of directors	112,722	—
Dasheng Smart Chain	Provide warehouse rental service	Mutually-agreed prices refer to the market prices and prices approved by the board of directors	21,024	—
			98,518,257	49,408,523

(c) Absorbed deposits from related parties

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Yantai Brewery Company	486,300,074	390,459,903

(d) Interest expense paid to related parties

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Yantai Brewery Company	20,458	30,873

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

(4) Related party transactions (Cont'd)

(e) Financial services fee received from related parties

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Yantai Brewery Company	<u>4,553</u>	<u>2,346</u>

(f) Key management compensation

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Share-based payment	7,421,226	—
Key management compensation paid	<u>3,078,617</u>	<u>2,905,828</u>
	<u>10,499,843</u>	<u>2,905,828</u>

- (g) For the six months ended 30 June 2021, there is no loan provided to the key management from the Group (For the six months ended 30 June 2020: nil).

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

(5) Receivable and payable balances with related parties

Receivables from related parties:

		30 June 2021 (unaudited)		31 December 2020	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	European Company	14,294,075	-	8,476,518	-
	Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
		25,539,859	(11,245,784)	19,722,302	(11,245,784)

Payables to related parties:

		30 June 2021 (unaudited)	31 December 2020
Accounts payable	Yantai Brewery Company	125,923,733	136,949,404
	Hebei jiahe Company	34,770,019	4,029,741
		160,693,752	140,979,145
Other payables	Zhaoshang Logistics	81,372,856	45,086,733
	Smart Chain Success Delivery	24,056,502	-
	Yantai Brewery Company	10,669,606	224,353
		116,098,964	45,311,086
Contract liabilities and other current liabilities	Liaoning Shenqing	3,457,033	35,310,803
	Youjia Health	1,950,573	-
	Yunnan Dashan	217,100	-
	Youjia Shanghai	185,140	-
	European Company	7,772	7,868
		5,817,618	35,318,671

9 COMMITMENTS

Capital commitments

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

	30 June 2021 (unaudited)	31 December 2020
Buildings, machinery and equipment	<u>343,754,241</u>	<u>287,293,449</u>

10 EVENTS AFTER THE BALANCE SHEET DATE

(1) Land acquisition and storage of the government

The Company held the first extraordinary meeting of the tenth Board of Directors in 2021 on 12 July 2021, and considered and approved “The Feasibility Report On The Collection And Storage Of The Company’s Yangjiaqun Cargo Yard Land By The Government” and “The Feasibility Report On The Disposal Of Assets Of The Liquidation Project Of Beijing Five-star Tsingtao Brewery Co., Ltd”. Agree with the matters related to the collection and storage of the Company’s yangjiaqun freight yard land by the government and the liquidation of Five-star Company. As of the approval date of this financial statement, the relevant land acquisition and storage agreements have not been signed.

11 FINANCIAL INSTRUMENT AND RISK

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

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

(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 foreign transactions and the scale of assets and liabilities denominated in foreign currency 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 2021 and 2020, the Group did not enter into any forward foreign exchange contracts or currency swap contracts.

As at 30 June 2021 and 31 December 2020, the carrying amounts in RMB equivalent to the Group’s assets and liabilities denominated in foreign currencies are summarised as below:

11 FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	30 June 2021 (unaudited)		
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	217,412,065	32,498,147	249,910,212
Accounts receivable	29,041,108	17,704,506	46,745,614
	<u>246,453,173</u>	<u>50,202,653</u>	<u>296,655,826</u>
Financial liabilities denominated in foreign currency —			
Other payables	<u>8,621,701</u>	<u>59,952</u>	<u>8,681,653</u>
	31 December 2020		
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	248,394,291	13,364,094	261,758,385
Accounts receivable	27,701,691	15,125,813	42,827,504
	<u>276,095,982</u>	<u>28,489,907</u>	<u>304,585,889</u>
Financial liabilities denominated in foreign currency —			
Other payables	6,283,009	-	6,283,009
Current portion of non-current liabilities	-	215,720	215,720
	<u>6,283,009</u>	<u>215,720</u>	<u>6,498,729</u>

As at 30 June 2021, 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 7,135,000 (31 December 2020: 8,094,000) higher or lower.

(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 2021 and 31 December 2020, as the long-term bank borrowings are all interest-free and immaterial(Note 4(27)), 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 Group has no interest rate swap arrangement in 2020 and the current period. 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 2021, 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 RMB520,000 (31 December 2020: approximately RMB1,054,000).

(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 2021 and 31 December 2020, the amounts of equity instruments of the Group are both 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.

(2) Credit risk (Cont'd)

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 2021, the Group holds no significant collateral and other credit enhancements caused by the debtor's mortgage.

(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 2021 (unaudited)				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	452,187,310	-	-	-	452,187,310
Notes payable	192,247,098	-	-	-	192,247,098
Accounts payable	3,387,360,154	-	-	-	3,387,360,154
Other payables	5,306,657,698	-	-	-	5,306,657,698
Current portion of non-current liabilities	50,901,678	-	-	-	50,901,678
Lease liabilities	-	41,776,266	63,147,385	24,508,440	129,432,091
	9,389,353,938	41,776,266	63,147,385	24,508,440	9,518,786,029
	31 December 2020				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	704,117,853	-	-	-	704,117,853
Notes payable	149,491,592	-	-	-	149,491,592
Accounts payable	2,222,601,042	-	-	-	2,222,601,042
Other payables	3,074,878,208	-	-	-	3,074,878,208
Current portion of non-current liabilities	46,219,464	-	-	-	46,219,464
Lease liability	-	34,528,432	72,555,191	27,574,427	134,658,050
	6,197,308,159	34,528,432	72,555,191	27,574,427	6,331,966,209

11 FINANCIAL INSTRUMENT AND RISK (CONT'D)

(3) Liquidity risk (Cont'd)

Bank borrowings are analysed by repayment terms as follows:

	30 June 2021 (unaudited)	31 December 2020
Within 1 year	<u>449,630,000</u>	<u>702,695,720</u>

12 SHARE-BASED PAYMENT

(a) Restricted stocks incentive plan

On June 8 2020, the Company held the 2019 Annual General Meeting of Shareholders and the first meeting of A-share and H-share shareholders in 2020, and approved the Proposal of Tsingtao Brewery Co., Ltd. A Share Restricted stocks Incentive Plan (Draft) and its summary, the Proposal of the Implementation of Evaluation and Management Measures for the A-share Restricted Stocks Incentive Plan of Tsingtao Brewery Co., Ltd. and the Proposal for the general meeting of shareholders to authorize the board of directors to handle matters related to the A-share restricted stocks incentive plan. On 29 June 2020, the Company held the eighth extraordinary meeting of the ninth board of directors in 2020, and approved the Proposal of Tsingtao Brewery Co., Ltd. on the First Grant of A-Share Restricted Share to Incentive Participants ("Incentive Plan"). According to the incentive plan, the Company granted 13.2 million restricted stocks to 627 incentive participants. The grant date was 29 June 2020, and the grant price was RMB21.18 per share. The unlocking periods for restricted stocks granted are 24 months, 36 months, and 48 months from the equity registration date. According to the Company's performance appraisal and personal performance appraisal, 1/3, 1/3, and 1/3 of restricted stocks will be unlocked respectively. According to the incentive plan, if the incentive object resigns before the expiration of the unlocking period, the stocks shall not be unlocked, and the Company must repurchase and cancel the restricted stocks at the corresponding repurchase price.

On 22 March 2021, the Company held the first extraordinary meeting of the ninth Board of Directors in 2021, and approved the Proposal on granting reserved part of A restricted stocks to incentive recipients (Plan for granting reserved restricted shares). According to the plan for granting reserved restricted stocks, the Company granted 300,000 restricted stocks to 35 incentive recipients, with the grant date of 22 March 2021 and the grant price of RMB21.18 per share. The unlocking periods for the restricted stocks granted are 24 months, 36 months and 48 months from the equity registration date. According to the Company's performance assessment and individual performance assessment, 1/3, 1/3 and 1/3 of the restricted stocks will be unlocked respectively. According to the plan of granting reserved restricted stocks, if the incentive participants resign before the expiration of the unlocking period, the shares shall not be unlocked, and the Company must repurchase and cancel the corresponding restricted stocks at the corresponding repurchase price. Among the 35 incentive recipients to be granted, 1 incentive recipient has waived the subscription for personal reasons. As of 30 June 2020, the remaining 34 incentive recipients have completed the subscription payment according to the distribution plan.

12 SHARE-BASED PAYMENT (CONT'D)

(a) Restricted stocks incentive plan (Cont'd)

According to the incentive plan, the Company received a total of RMB279,576,000 from the incentive recipients in 2020, and recognised liabilities of RMB279,576,000 and treasury shares of RMB279,576,000 for the repurchase obligation of restricted stocks. According to the plan for granting reserved restricted stocks, for the six months ended 30 June 2021, the Company received a total of RMB6,226,920 from the incentive recipients, and recognised a liability of RMB6,226,920 and treasury shares of RMB6,226,920 for the repurchase obligation of restricted shares.

According to the resolution of the 2020 Annual General Meeting of shareholders, the cash dividend of restricted stocks expected to be vested in the future will be RMB10,120,500 to the above incentive recipients, and the repurchase obligation will be offset accordingly. As at 30 June 2021, the restricted stocks incentive plan recognised a total of repurchase obligation liabilities of RMB275,682,420 and treasury shares of RMB275,682,420.

(b) Changes in restricted stocks during the current period

	Six months ended 30 June 2021	Six months ended 30 June 2020
Restricted stocks (shares) issued at the beginning of the period	13,200,000	—
Restricted stocks (shares) granted this period	294,000	—
Restricted stocks (shares) exercised this period	-	—
Restricted stocks (shares) lapsed this period	-	—
	<hr/>	<hr/>
Restricted stocks (shares) issued at the end of the period	13,494,000	—
	<hr/> <hr/>	<hr/> <hr/>
Share-based payment expenses this year	123,108,005	—
Accumulated share-based payment expenses	250,703,088	—

- (c) As at 30 June 2021, the remaining period of the restricted stock incentive plan is 5.06 years until 24 July 2026.

(d) Method for determining the fair value of restricted stocks on the grant date

The Group determines the fair value of restricted stocks on the basis of the single-day closing price of the circulating shares on the date when the equity instruments are granted.

13 FAIR VALUE ESTIMATION

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

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

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

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

13 FAIR VALUE ESTIMATION (CONT'D)

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

As at 30 June 2021, the assets measured at fair value on a recurring basis are analysed below (unaudited):

	Level 3
Financial assets held for trading	
— Debt instruments	9,177,366,562
Other non-current financial assets	
— Equity instruments	600,000
	9,177,966,562

As at 31 December 2020, the assets measured at fair value on a recurring basis are analysed below:

	Level 3
Financial assets held for trading	
— Debt instruments	1,888,862,835
Other non-current financial assets	
— Equity instruments	600,000
	1,889,462,835

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 period.

13 FAIR VALUE ESTIMATION (CONT'D)

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

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

	31 December 2020	Purchase (unaudited)	Disposal (unaudited)	Total current profits — Profits accrued to current profit or loss (a) (unaudited)	30 June 2021 (unaudited)	Assets still held on 30 June 2021 are recognised as movement on unrealized gains of profit or loss for the six months ended 30 June 2021 — Profit or loss from changes in fair value (unaudited)
Financial assets held for trading						
— Debt instruments	1,888,862,835	8,500,000,000	(1,344,528,679)	133,032,406	9,177,366,562	127,366,562
Other non-current financial assets						
— Equity instruments	600,000	-	-	-	600,000	-
	<u>1,889,462,835</u>	<u>8,500,000,000</u>	<u>(1,344,528,679)</u>	<u>133,032,406</u>	<u>9,177,966,562</u>	<u>127,366,562</u>

	31 December 2019	Purchase	Disposal	Total current profits — Profits accrued to current profit or loss (a)	31 December 2020	Assets still held on 31 December 2020 are recognised as movement on unrealized gains of profit or loss for the year ended 31 December 2020 — Profit or loss from changes in fair value
Financial assets held for trading						
— Debt instruments	1,396,589,764	2,220,000,000	(1,754,769,664)	60,895,433	1,888,862,835	27,042,735
Other non-current financial assets						
— Equity instruments	600,000	-	-	-	600,000	-
	<u>1,397,189,764</u>	<u>2,220,000,000</u>	<u>(1,754,769,664)</u>	<u>60,895,433</u>	<u>1,889,462,835</u>	<u>27,042,735</u>

- (a) Gains recognised in the current profit or 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.

13 FAIR VALUE ESTIMATION (CONT'D)

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

Financial assets and financial liabilities of the Group measured at amortised cost mainly represent notes receivable, accounts receivable, other receivables, other current assets, debt investment, short-term borrowings, notes payable, accounts payable and long-term borrowings. The difference between the carrying amount and fair value of those financial assets and liabilities not measured by fair value is small.

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

14 CAPITAL MANAGEMENT

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

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

For six months ended 30 June 2021, 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 and current portion of long-term borrowings). The cash balance as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021 (unaudited)	31 December 2020
Cash and cash equivalents	6,846,715,666	17,643,123,424
Less: Short-term borrowings	(450,255,705)	(703,273,054)
Current portion of long-term borrowings	-	(215,720)
	(450,255,705)	(703,488,774)
Cash balance after deducting borrowings	<u>6,396,459,961</u>	<u>16,939,634,650</u>

(1) Accounts receivable

	30 June 2021 (unaudited)	31 December 2020
Accounts receivable	1,609,226,746	1,346,209,651
Less: Provision for bad debts	(56,423,068)	(56,425,268)
	<u>1,552,803,678</u>	<u>1,289,784,383</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.

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

	30 June 2021 (unaudited)	31 December 2020
Within 1 year	1,141,626,886	934,123,162
1 to 2 years	157,399,650	138,175,367
2 to 3 years	70,737,373	53,839,278
3 to 4 years	91,979,203	80,548,100
4 to 5 years	68,003,642	62,078,414
Over 5 years	79,479,992	77,445,330
	<u>1,609,226,746</u>	<u>1,346,209,651</u>

(b) As at 30 June 2021, the top five accounts receivable are analysed as follows:

	Amount (unaudited)	Provision of bad debts (unaudited)	% of total balance
Total amount of the top five accounts receivable	<u>566,992,319</u>	<u>-</u>	<u>35%</u>

(c) As at 30 June 2021, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2020: nil).

(1) Accounts receivable (Cont'd)

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

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 2021, 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	<u>11,245,784</u>	100%	<u>(11,245,784)</u>	Note 4(4)(d)

- (ii) As at 30 June 2021, accounts receivable by categories are analysed as follows:

Group — Subsidiaries

As at 30 June 2021, accounts receivable from subsidiaries to the Company is 1,508,708,392. The Company believes there is no significant credit risk, thus no provision for bad debts is recognised.

Group — Dealers

	30 June 2021 (unaudited)			31 December 2020		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
		Lifetime			Lifetime	
	Amount	ECL ratio	Amount	Amount	ECL ratio	Amount
Not overdue	44,093,690	-	-	41,173,521	-	-
Overdue within 1 year	1,680	5%	(84)	-	-	-
Overdue 2 years	<u>45,177,200</u>	100%	<u>(45,177,200)</u>	45,179,484	100%	<u>(45,179,484)</u>
	<u>89,272,570</u>		<u>(45,177,284)</u>	<u>86,353,005</u>		<u>(45,179,484)</u>

(2) Other receivables

	30 June 2021 (unaudited)	31 December 2020
Receivables from subsidiaries	57,920,894	51,297,364
Dividends receivable from subsidiaries	34,049,967	700,149,831
Receivables of refundable cost of land and buildings	17,441,647	17,441,647
Reservation fund	10,985,305	10,182,793
Guarantee deposits	4,606,773	5,592,742
Others	32,780,586	21,310,745
	<u>157,785,172</u>	<u>805,975,122</u>
<i>Less: Provision for bad debts</i>	<u>(38,427,811)</u>	<u>(38,423,345)</u>
	<u><u>119,357,361</u></u>	<u><u>767,551,777</u></u>

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

	30 June 2021 (unaudited)	31 December 2020
Not overdue	119,337,661	767,489,799
Overdue within 1 year	13,363	51,292
Overdue 1-2 years	14,013	31,536
Overdue over 2 years	38,420,135	38,402,495
	<u>157,785,172</u>	<u>805,975,122</u>

(2) Other receivables (Cont'd)

(b) Movement in provision for bad debts 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 2020	82,828	(20,850)	38,402,495	(38,402,495)	(38,423,345)
Increase in the current period	-	-	-	(8,840)	(8,840)
Reversals in the current period	(37,772)	4,334	(40)	40	4,374
Transfer to stage three	(17,680)	8,840	17,680	(8,840)	-
30 June 2021	<u>27,376</u>	<u>(7,676)</u>	<u>38,420,135</u>	<u>(38,420,135)</u>	<u>(38,427,811)</u>

As at 30 June 2021, 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:

- (i) As at 30 June 2021, other receivables with amounts that are individually subject to separate assessment for provision are analysed as follows:

Stage three	Ending balance (unaudited)	Lifetime ECL ratio	Provision for bad debts (unaudited)	Reason
Receivables of refundable cost of land and buildings	<u>17,441,647</u>	100%	<u>(17,441,647)</u>	Note 4(6)
Receivables from other entities	<u>20,978,488</u>	100%	<u>(20,978,488)</u>	Note 4(6)
	<u>38,420,135</u>		<u>(38,420,135)</u>	

(2) Other receivables (Cont'd)**(b) Movement in provision for bad debts and carrying amount (Cont'd)**

(ii) As at 30 June 2021 and 31 December 2020, other receivables of provisions for bad debts on grouping basis are in stage one, and the analysis is as follows:

	30 June 2021 (unaudited)			31 December 2020		
	Ending balance	Provision for bad debts	% of total balance	Ending balance	Provision for bad debts	% of total balance
	Amount	Amount		Amount	Amount	
Receivables from other entities	27,376	(7,676)	5% - 50%	82,828	(20,850)	5% - 50%

(c) The provision for bad debts in the current period is 8,840; The reversal of provision for bad debts is 4,374 and its carrying amount is 37,812. No other receivables was written off in the current period.

(d) As at 30 June 2021, the top five other receivables are analysed as follows:

	Nature	Amount (unaudited)	Ageing	% of total balance	Provision for bad debts (unaudited)
No.1	Receivable of subsidiaries dividends	19,000,000	Within 1 year	12%	-
No.2	Receivable of subsidiaries dividends	12,379,306	Within 1 year	8%	-
No.3	Payment on behalf for recycling bottles	10,003,025	Within 1 year	6%	-
No.4	Payment on behalf for recycling bottles	4,512,595	Within 1 year	3%	-
No.5	Payment on behalf of others	4,022,410	More than 5 years	3%	(4,022,410)
		49,917,336		32%	(4,022,410)

(3) Inventories

	30 June 2021 (unaudited)			31 December 2020		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Raw materials	310,988,472	-	310,988,472	276,448,990	-	276,448,990
Packaging materials	70,995,199	(662,025)	70,333,174	136,606,270	(662,025)	135,944,245
Low-value consumables	43,833,227	-	43,833,227	41,916,164	-	41,916,164
Work in progress	77,578,139	-	77,578,139	95,540,890	-	95,540,890
Finished goods	126,535,279	-	126,535,279	934,573,062	-	934,573,062
Work in process — outsourced	2,336,504	-	2,336,504	-	-	-
	632,266,820	(662,025)	631,604,795	1,485,085,376	(662,025)	1,484,423,351

(4) Debt investment

	30 June 2021 (unaudited)	31 December 2020
Entrusted loans to subsidiaries	116,500,000	58,500,000
<i>Plus:</i> Interest on debt investment	133,001	-
<i>Less:</i> Debt investment impairment provisions	(58,500,000)	(58,500,000)
	<u>58,133,001</u>	<u>-</u>

The above funds are entrusted loans issued by the Company to its subsidiaries through banks or the finance company of its subsidiaries. They are unsecured RMB loans with an annual interest rate of 3.92%, and the interest is paid quarterly.

(5) Long-term equity investments

	30 June 2021 (unaudited)	31 December 2020
Subsidiaries ^(a)	12,268,715,561	12,068,149,380
Joint Ventures ^(b)	217,016,900	222,529,920
Associates ^(c)	154,146,763	150,133,378
	12,639,879,224	12,440,812,678
<i>Less:</i> Provision for impairment of long-term equity investments ^(d)	(1,662,953,287)	(1,662,953,287)
	<u>10,976,925,937</u>	<u>10,777,859,391</u>

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

(a) Subsidiaries

	31 December 2020	Movements in the current period (unaudited)			30 June 2021 (unaudited)	Balance of provision for impairment at end of period	Cash dividends declared in the current period (iv)
		Increased investment	Reduce investment	Dividends paid (iii)			
Shenzhen Asahi	127,416,376	-	-	646,366	128,062,742	-	83,410,000
Chenzhou Company	63,217,601	-	-	599,824	63,817,425	-	-
Huanan Sales Company	48,344,844	-	-	3,001,395	51,346,239	-	-
Huanan Investing Company	211,405,002	-	-	2,521,860	213,926,862	-	-
Huadong Holding Company	96,855,102	-	-	-	96,855,102	(96,855,102)	-
Shouguang Company	61,239,402	-	-	686,882	61,926,284	-	-
Five Star Company	25,170,071	-	-	386,878	25,556,949	(24,656,410)	-
Three Ring Company	70,028,716	-	-	418,059	70,446,775	(69,457,513)	-
Beifang Sales Company	85,255,148	-	-	1,282,194	86,537,342	(83,984,000)	-
Xi'an Han's	400,649,339	-	-	7,302,283	407,951,622	-	-
Weinan Company	14,727,112	-	-	820,541	15,547,653	-	-
Anshan Company	30,657,027	-	-	639,365	31,296,392	-	-
Xingkaihu Company	200,311,300	-	-	857,609	201,168,909	(129,430,000)	-
Mishan Company	118,520,000	-	-	-	118,520,000	(118,520,000)	-
Harbin Company	214,207,004	-	-	649,074	214,856,078	(109,940,000)	-
Penglai Company	30,000,000	-	-	-	30,000,000	(30,000,000)	-
Rongcheng Company	65,814,919	-	-	692,359	66,507,278	(65,103,434)	-
International Trade	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(i)	60,375,368	-	(60,375,368)	-	-	-	-
Maanshan Company	80,848,634	-	-	647,739	81,496,373	-	-
Qingdao Xianghong Shangwu Co., Ltd.	5,760,000	-	-	-	5,760,000	-	-
Dongnan Sales Company	296,762,362	-	-	3,244,774	300,007,136	-	-
Changsha Company	48,076,304	-	-	433,373	48,509,677	-	-
Jinan Company	560,808,675	-	-	786,937	561,595,612	-	-
Guangrunlong Logistics	16,465,405	-	-	-	16,465,405	-	-
Chengdu Company	280,709,786	-	-	639,291	281,349,077	-	-
Cultural Communication Company(ii)	6,177,233	70,000,000	-	886,413	77,063,646	-	-
Rizhao Company	339,908,047	-	-	763,745	340,671,792	-	-
Weifang Company	74,339,686	-	-	692,807	75,032,493	-	-
Dezhou Company	22,554,143	-	-	801,988	23,356,131	-	-
Construction Company	2,956,965	-	-	454,412	3,411,377	-	-
Langfang Company	80,163,205	-	-	672,453	80,835,658	(51,301,600)	-
Heze Company	125,299,786	-	-	916,657	126,216,443	-	-
Tengzhou Company	48,898,525	-	-	389,474	49,287,999	-	-
Tsingtao Brewery (Shanghai) Co., Ltd.	1,570,000	-	-	-	1,570,000	-	-
Wuhu Company	274,336,696	-	-	45,441	274,382,137	(274,290,000)	-
Shanghai Sales Company	97,300,000	-	-	-	97,300,000	(47,300,000)	-

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

(a) Subsidiaries (Cont'd)

	31 December 2020	Movements in the current period (unaudited)			30 June 2021 (unaudited)	Balance of provision for impairment at end of period	Cash dividends declared in the current period (iv)
		Increased investment	Reduce investment	Dividends paid (iii)			
Chengyang Sales Company	8,000,000	-	-	-	8,000,000	-	-
Shijiazhuang Company	321,766,483	-	-	736,147	322,502,630	-	-
Taiyuan Company	200,804,938	-	-	783,300	201,588,238	-	-
Finance Company	1,001,021,173	-	-	993,722	1,002,014,895	-	-
Immense Brewery Company	1,406,909,608	-	-	2,288,004	1,409,197,612	-	-
Hangzhou Company	186,756,483	-	-	684,733	187,441,216	-	-
Jieyang Company	150,618,818	-	-	602,184	151,221,002	-	3,560,881
Beverage Company	30,317,114	-	-	512,289	30,829,403	-	-
Shaoguan Company	200,476,304	-	-	413,859	200,890,163	(150,000,000)	-
Electronic Commerce	8,000,000	-	-	-	8,000,000	-	-
Jiujiang Company	180,569,697	-	-	554,382	181,124,079	-	-
Xuzhou Enterprise Management	10,547,102	-	-	463,500	11,010,602	(10,000,000)	-
Pingdu Sales Company	5,000,000	-	-	-	5,000,000	-	-
Luoyang Company	200,659,194	-	-	730,458	201,389,652	-	-
Shanghai Industrial Company	203,893,141	-	-	3,073,799	206,966,940	(200,895,228)	-
Luzhou Company	119,041,506	-	-	564,944	119,606,450	-	-
Zhangjiakou Company	200,672,373	-	-	654,298	201,326,671	-	-
Lulansa Company	559,885,449	-	-	674,631	560,560,080	-	-
Huangshi Company	164,252,183	-	-	605,457	164,857,640	-	-
Yingcheng Company	42,639,697	-	-	554,382	43,194,079	-	-
Hanzhong Company	26,881,109	-	-	567,532	27,448,641	-	-
Shanghai Investing Company	1,924,722,404	-	-	3,851,764	1,928,574,168	-	-
Yangzhou Company	100,756,483	-	-	736,147	101,492,630	-	-
Suqian Company	75,616,393	-	-	599,824	76,216,217	-	-
Zaozhuang Company(ii)	150,183,773	50,000,000	-	416,000	200,599,773	-	-
West Coast Cultural Tourism(ii)	30,000,000	88,000,000	-	-	118,000,000	-	-
Tsingtao Brewery Shanghai Yangpu Co., Ltd.	200,000,000	-	-	-	200,000,000	(200,000,000)	-
	12,068,149,380	208,000,000	(60,375,368)	52,941,549	12,268,715,561	(1,661,733,287)	86,970,881

(5) Long-term equity investments (Cont'd)**(a) Subsidiaries (Cont'd)**

- (i) The Company completed the cancellation of Tai Zhou Company in March 2021 as stated in Note 5.
- (ii) In accordance with the resolution of the Board of directors of the Company, the Company increased the capital of Cultural Communication Company, Zaozhuang Company and West Coast Cultural Travel Company for the six months ended 30 June 2021.
- (iii) The Company is obliged to settle the share payment of the employees of the Company's subsidiaries for restricted A share incentives. The Company recognises the long-term equity investment in the Company's subsidiaries of 52,941,549 according to the fair value of the equity instruments on the date of grant, and at the same time confirms the capital surplus of 52,941,549.
- (iv) The cash dividends declared in the current year are distributed to all shareholders of the Company.

(b) Joint ventures

	Movements in the current period (unaudited)				30 June 2021 (unaudited)	Balance of provision for impairment at end of the period (unaudited)
	31 December 2020	Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Hebei Jiahe Company	222,529,920	1,486,980	-	(7,000,000)	217,016,900	-

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

(c) Associates

	Movements in the current period (unaudited)				30 June 2021 (unaudited)	Balance of provision for impairment at end of the period (unaudited)
	31 December 2020	Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Yantai Brewery Company	130,899,019	14,382,317	-	(12,379,306)	132,902,030	-
Zhaoshang Logistics	18,014,359	2,008,393	1,981	-	20,024,733	-
Liaoning Shenqing	-	-	-	-	-	-
Others	1,220,000	-	-	-	1,220,000	(1,220,000)
	150,133,378	16,390,710	1,981	(12,379,306)	154,146,763	(1,220,000)

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

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

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

	31 December 2020 (unaudited)	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2021 (unaudited)
Subsidiaries	(1,661,733,287)	-	-	(1,661,733,287)
Associates	(1,220,000)	-	-	(1,220,000)
	<u>(1,662,953,287)</u>	<u>-</u>	<u>-</u>	<u>(1,662,953,287)</u>

(6) Revenue and cost of sales

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Revenue from main operation(a)	12,388,050,985	10,509,777,602
Revenue from other operations(b)	829,803,911	756,848,217
	<u>13,217,854,896</u>	<u>11,266,625,819</u>
	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Cost of main operation(a)	(8,900,386,788)	(7,990,454,764)
Cost of other operations(b)	(805,643,216)	(734,129,526)
	<u>(9,706,030,004)</u>	<u>(8,724,584,290)</u>

(a) Revenue and cost of main operation

	Six months ended 30 June 2021 (unaudited)		Six months ended 30 June 2020 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of beer, etc.	<u>12,388,050,985</u>	<u>(8,900,386,788)</u>	<u>10,509,777,602</u>	<u>(7,990,454,764)</u>

(6) Revenue and cost of sales (Cont'd)

(b) Revenue and cost of other operations

	Six months ended 30 June 2021 (unaudited)		Six months ended 30 June 2020 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of raw materials	804,092,989	(781,718,729)	753,645,214	(731,344,694)
Others	25,710,922	(23,924,487)	3,203,003	(2,784,832)
	829,803,911	(805,643,216)	756,848,217	(734,129,526)

(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 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Raw materials, packaging materials and consumables used	2,635,074,729	2,089,625,054
Changes in inventories of finished goods and work in progress	826,000,534	799,704,365
Finished goods purchased from outside	5,889,700,009	5,541,220,914
Employee benefits expenses	939,125,904	785,719,063
Handling and transportation expenses	586,068,137	470,707,337
Advertising related expenses	335,034,418	149,970,341
Depreciation and amortisation charges	142,784,682	135,840,008
Share-based payment	70,166,456	-
Administrative expenses	42,965,659	34,032,798
Repair expenses	37,436,209	30,681,367
Labour expenses	16,579,798	11,780,273
Other expenses	88,983,952	63,358,490
	11,609,920,487	10,112,640,010

(8) Investment income

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Investment income from long-term equity investment accounted for using the cost method(a)	45,209,761	43,039,428
Investment income from the disposal of long-term equity investments(b)	43,158,604	-
Investment income from long-term equity investment accounted for using the equity method	17,877,690	15,263,156
Others	1,532,234	3,073,080
	<u>107,778,289</u>	<u>61,375,664</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 15(5)(a)).
- (b) Investment income from the disposal of long-term equity investment is the income from the cancellation of Taizhou company (Note 15(5)(a)).

TSINGTAO BREWERY COMPANY LIMITED

SUPPLEMENTARY INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

1 SUMMARY OF NON-RECURRING PROFIT OR LOSS

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Government grants recognised in profits	221,466,965	330,275,468
In addition to the effective hedging business related to the normal business of the Company, the profit or loss from changes in fair value arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments	96,971,690	-
Net profit or loss on disposal of non-current assets	10,654,155	(8,007,618)
Other non-operating income and expenses other than aforesaid items	9,398,890	(17,246,478)
	338,491,700	305,021,372
Impact of income tax expenses	(73,936,026)	(64,433,710)
Impact on the non-controlling interests, net of tax	(7,070,627)	(8,356,388)
	257,485,047	232,231,274

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

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

2 RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return		Earnings per share			
	on net assets		Basic earnings per share		Diluted earnings per share	
	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Net profit attributable to ordinary shareholders of the Company	11.03%	9.30%	1.780	1.373	1.780	1.373
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	9.85%	8.13%	1.590	1.201	1.590	1.201

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

In the first half of 2021, the domestic beer market saw restorative growth driven by the trend of upgraded consumption in the beer industry. In the first half of the fiscal year, China's total beer production reached 18.89 million kl. (Data source: National Bureau of Statistics; statistical population: all industrial corporate entities with annual revenue over RMB20 million.)

During the Reporting Period, the Company firmly implemented high quality development strategy formulated by the Board of Directors. Internal growth drivers were fully activated, which accelerated the optimization of capacity and the upgrading of product mix, gave full play to the brand and quality advantages of Tsingtao Beer and proactively developed domestic and foreign markets. At the same time, by cultivating more sources of income, reducing costs and increasing efficiency, the Company achieved continuous stable growth in business performance. During the Reporting Period, the Company's total product sales volume reached 4.769 million kl, a year-on-year increase of 8.2%, generated operating revenue of RMB18.29 billion, a year-on-year increase of 16.66%; net profits attributable to the shareholders of the listed company was RMB2.416 billion, a year-on-year increase of 30.22%.

In the first half of the year, the Company took full advantage of its sales network that covers major domestic markets, continued to strengthen traditional core markets and entered emerging markets along the strategic belt. Led by the upgrading of product mix, the Company focused on core products, took the initiative to develop a series of artistically-created products such as distinctive-flavored "Centennial Journey" and "Amber Lager", and by virtue of a quality differentiated product mix, set the trend for ultra high-end development and product upgrade of China's beer industry. During the Reporting Period, the Company achieved a growth of 7.8% year-on-year in revenue from beer sales per kl, with the total sales volume of its core brand, Tsingtao Beer, reached 2.528 million kl, a year-on-year increase of 20.9%. The sales volume of products of above the high end increased by 41.4% year-on-year. The Company managed to maintain its competitive edge in domestic mid- and high-end beer market with its expanding high-quality development achievements.

On the international market, the Company carried out branding communication and marketing activities led by the high quality, high prices and high visibility of Tsingtao Beer. Facing the tough challenge of the pandemic on the international market, the Company made plans in advance as a fast response to continuously boost market sales and international influence. The Company achieved a year-on-year increase of 21.3% in sales volume on the overseas market.

During the Reporting Period, the Company continued to proactively implement its brand strategy of "Tsingtao Beer as Core Brand + Laoshan Beer as Second Brand". It stepped up effort in brand communication and channel innovation, setting a new marketing trend of diversified consumption scenarios on the backdrop of consumption upgrading through pervasive all-round brand promotion. As of now, the Company has established more than 200 "TSINGTAO1903 Tsingtao Beer Bars" across the country to create new high ground for immersive beer experience and satisfy consumers' multi-level demands for individualized, scenario-based, convenient, and high-end experience.

During the Reporting Period, the Company accelerated its digital transformation for stronger synergistic effect through large and intelligent production bases developed from industrial internet network. As a result of these efforts, Tsingtao Brewery Factory is recognised as the "Lighthouse Factory" as the world's first industrial internet network in the beer and beverage industry; the Company has established a "charismatic quality management model based on digital end-to-end decoding", delivered an effective charismatic quality management system that saw tangible achievements. In addition, the Company saw rapid growth in emerging business such as smart supply chain. New achievements in the development of digital supply chain were made. These contributed to the continuous improvement in the Company's management efficiency.

During the Reporting Period, "Tsingtao Beer" continued to maintain first place in terms of brand value in China's beer industry with a brand value of RMB198.566 billion. The total value of the Company's brands such as "Tsingtao Beer", "Laoshan Beer" and "Hans Beer" has exceeded RMB300 billion (Data source: World Brand Lab).

(II) CORE COMPETITIVENESS ANALYSIS

The Company's core competitiveness and the discussion and analysis on the Company's future developments (including the Company's development strategy and business plan) did not change during the Reporting Period. Please refer to the Company's 2020 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

Unit: '000 Yuan Currency: RMB

Item	Current Reporting Period	Corresponding period in the previous year	Increase/Decrease (%)
Revenue	18,291,161	15,678,991	16.66
Cost of sales	10,170,374	9,131,649	11.37
Selling and distribution expenses	3,345,152	2,865,455	16.74
General and administrative expenses	711,550	503,011	41.46
Finance expenses	(135,426)	(236,113)	42.64
R&D expenses	8,249	6,690	23.31
Other income	221,467	330,275	(32.94)
Investment income	59,949	21,958	173.01
Profits arising from changes in fair value	130,475	27,784	369.61
Gains on disposals of assets	10,654	(8,008)	233.05
Non-operating income	9,882	6,424	53.84
Non-operating expenses	483	23,670	(97.96)

(1) Revenue

In the first half of 2021, revenue increased by 16.66% from the corresponding period in prior year, which was mainly due to the increase of the sales volume and the upgrading of product mix in the Reporting Period.

(2) Cost of sales

In the first half of 2021, cost of sales increased by 11.37% from the corresponding period in prior year, which was mainly due to the increase of the sales volume and the upgrading of product mix in the Reporting Period.

(3) Selling and distribution expenses

In the first half of 2021, selling and distribution expenses increased by 16.74% from the corresponding period in prior year, which was mainly due to the increase of the sales volume and the Company's intensified effort for brand promotion in the Reporting Period, as well as the government's reduction and exemption of social insurance premiums under the impact of COVID-19 in the same period.

(4) General and administrative expenses

In the first half of 2021, general and administrative expenses increased by 41.46% from the corresponding period in prior year, which was mainly due to the recognition of share payment under the restricted share incentive plan in the Reporting Period, as well as the government's reduction and exemption of social insurance premiums under the impact of COVID-19 in the same period.

(5) Finance expenses

In the first half of 2021, finance expenses increased by 42.64% from the corresponding period in prior year, which was mainly due to that the income from wealth management products and other debt instruments were included into profits arising from changes in fair value in the Reporting Period.

(6) R&D expenses

In the first half of 2021, R&D expenses increased by 23.31%, which was mainly due to that the R&D spending in the Reporting Period increased from the corresponding period in prior year.

(7) Other income

In the first half of 2021, other income decreased by 32.94% from the corresponding period in prior year, which was mainly due to that the government subsidies relating to daily operating activities received by some subsidiaries in the Reporting Period decreased from the corresponding period in prior year.

(8) Investment income

In the first half of 2021, investment income increased by 173.01% from the corresponding period in prior year, which was mainly due to that the income from interbank negotiable certificates of deposit was included into investment income in the Reporting Period.

(9) Profits arising from changes in fair value

In the first half of 2021, profits arising from changes in fair value increased by 369.61% from the corresponding period in prior year, which was mainly due to that the wealth management products and other debt instruments generated profits arising from changes in fair value in the Reporting Period.

(10) Gains on disposals of assets

In the first half of 2021, gains on disposals of assets increased by 233.05% from the corresponding period in prior year, which was mainly due to that the gains on disposals of long-term assets such as land use rights by some subsidiaries in the Reporting Period increased from the corresponding period in prior year.

(11) Non-operating income

In the first half of 2021, non-operating income increased by 53.84% from the corresponding period in prior year, which was mainly due to that the income irrelevant to daily operating activities recognised by some subsidiaries in the Reporting Period increased from the corresponding period in prior year.

(12) Non-operating expenses

In the first half of 2021, non-operating expenses decreased by 97.96% from the corresponding period in prior year, which was mainly due to that the Company proactively fulfilled its social responsibility by making donations externally to fight against COVID-19 in the same period.

2. Analysis of changes to items in Cash Flow Statements

Item	Unit: '000 Yuan Currency: RMB		
	Current Reporting Period	Corresponding period in the previous year	Increase/Decrease (%)
Net cash flow from operating activities	5,024,661	4,964,497	1.21
Net cash flow from investing activities	(15,478,269)	(775,104)	(1,896.93)
Net cash flow from financing activities	(337,776)	(687,707)	50.88

(1) Net cash flow from operating activities

In the first half of 2021, net cash flow from operating activities increased by 1.21% from the corresponding period in prior year, which was mainly due to that the cash received from the sale of commodities and labour services increased from the corresponding period in prior year due to the increase of the sales volume and the upgrading of product mix in the Reporting Period.

(2) Net cash flow from investing activities

In the first half of 2021, net cash flow from investing activities decreased by RMB14,703,165,000 from the corresponding period in prior year, which was mainly due to the increase in the cash outflow from investing activities caused by wealth management products and other debt instruments in the Reporting Period.

(3) Net cash flow from financing activities

In the first half of 2021, net cash flow from financing activities increased by 50.88% from the corresponding period in prior year, which was mainly due to the difference in the time of payment for cash dividend distributed according to the annual general meeting's resolution in the Reporting Period and the same period.

3. Information on assets and liabilities

Unit: '000 Yuan Currency: RMB

Item	As of the end of this Reporting Period	Percentage of total assets (%)	As of the end of 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	9,322,353	20.61	18,466,881	44.48	-49.52
Financial assets held for trading	9,177,367	20.29	1,888,863	4.55	385.87
Notes receivable	14,104	0.03	5,649	0.01	149.68
Accounts receivable	197,267	0.44	119,506	0.29	65.07
Other receivables	128,672	0.28	73,894	0.18	74.13
Inventories	2,213,641	4.89	3,281,034	7.90	-32.53
Other current assets	6,595,016	14.58	552,410	1.33	1,093.86
Other non-current assets	100,967	0.22	57,673	0.14	75.07
Short-term borrowings	450,256	1.00	703,273	1.69	-35.98
Accounts payable	3,387,360	7.49	2,222,601	5.35	52.41
Taxes payable	1,216,631	2.69	548,027	1.32	122.00
Other payables	5,306,658	11.73	3,074,878	7.41	72.58
Other current liabilities	98,024	0.22	296,066	0.71	-66.89
Long-term payables	288,054	0.64	462,046	1.11	-37.66

(1) Cash at bank and on hand

Cash at bank and on hand as at the end of the Reporting Period decreased by 49.52% from the beginning of the Reporting Period, which was mainly due to the wealth management products and other debt instruments in the Reporting Period.

(2) Financial assets held for trading

Financial assets held for trading as at the end of the Reporting Period increased by 385.87% from the beginning of the Reporting Period, which was mainly due to the wealth management products and other debt instruments in the Reporting Period.

(3) Notes receivable

Notes receivable as at the end of the Reporting Period increased by 149.68% from the beginning of the Reporting Period, which was mainly due to the increase in the bank acceptances received by some subsidiaries in the Reporting Period.

(4) Accounts receivable

Accounts receivable as at the end of the Reporting Period increased by 65.07% from the beginning of the Reporting Period, which was mainly due to the increase in the trade receivables of some subsidiaries in the Reporting Period.

(5) Other receivables

Other receivables as at the end of the Reporting Period increased by 74.13% from the beginning of the Reporting Period, which was mainly due to the addition of dividends receivable from associates at the end of the Reporting Period.

(6) Inventories

Inventories as at the end of the Reporting Period decreased by 32.53% from the beginning of the Reporting Period, which was mainly due to the decrease in the goods in stock and raw materials of some subsidiaries in the peak season in the Reporting Period.

(7) Other current assets

Other current assets as at the end of the Reporting Period increased by RMB6,042,606,000 from the beginning of the Reporting Period, which was mainly due to the interbank negotiable certificates of deposit in the Reporting Period.

(8) Other non-current assets

Other non-current assets as at the end of the Reporting Period increased by 75.07% from the beginning of the Reporting Period, which was mainly due to the increase in some subsidiaries' prepayments for projects and the procurement of equipment in the Reporting Period.

(9) Short-term borrowings

Short-term borrowings as at the end of the Reporting Period decreased by 35.98% from the beginning of the Reporting Period, which was mainly due to the decrease in the interbank borrowings of Tsingtao Brewery Finance LLC, a wholly-owned subsidiary of the Company, in the Reporting Period.

(10) Accounts payable

Accounts payable as at the end of the Reporting Period increased by 52.41% from the beginning of the Reporting Period, which was mainly due to the purchase of materials in the Reporting Period.

(11) Taxes payable

Taxes payable as at the end of the Reporting Period increased by 122.00% from the beginning of the Reporting Period, which was mainly due to the increase in the income taxes, VAT and consumption taxes payable as at the end of the Reporting Period.

(12) Other payables

Other payables as at the end of the Reporting Period increased by 72.58% from the beginning of the Reporting Period, which was mainly due to that the cash dividends to be distributed according to the resolution at the annual general meeting had yet to be paid as at the end of the Reporting Period, and the expenses to be paid increased because of the increase in the sales volume.

(13) Other current liabilities

Other current liabilities as at the end of the Reporting Period decreased by 66.89% from the beginning of the Reporting Period, which was mainly due to the decrease in some subsidiaries' output VAT to be recognised as at the end of the Reporting Period.

(14) Long-term payables

Long-term payables as at the end of the Reporting Period decreased by 37.66% from the beginning of the Reporting Period, which was mainly due to that some subsidiaries transferred the compensation for relocation received from the government into deferred income according to the progress of the relocation projects.

4. Other information

(1) Debt/Capital ratio

As at 30 June 2021, the Company's debt/capital ratio was 0% (31 December 2020: 0%). 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 2021, the Company did not have any mortgages (31 December 2020: 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 2021, the Company had invested a total of approximately RMB704 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 2021 Interim Report.

(6) Contingent liabilities

Nil.

SIGNIFICANT EVENTS

(I) THE INCENTIVE PLAN

1. At the first extraordinary meeting of 2021 of the ninth session of the Board of Directors and the first extraordinary meeting of 2021 of the ninth session of the Board of Supervisors held by the Company on 22 March 2021, the Proposal on Granting Reserved Restricted A Shares to the Participants was reviewed and approved. At the same meeting, the award date is approved to be 22 March 2021, when 300,000 reserved restricted A shares under The Restricted A Share Incentive Plan of Tsingtao Brewery Company Limited (Draft) would be granted to 35 eligible participants at a price of RMB21.18 per share.
2. The Company has granted 294,000 restricted A shares to 34 participants. On 26 May 2021, the Company completed registration of reserved restricted A shares under its Restricted A Share Incentive Plan at Shanghai Branch of China Securities Depository and Clearing Co., Ltd. Total capital stock of the Company was changed from 1,364,182,795 to 1,364,476,795 and registered capital changed from RMB1,364,182,795 to RMB1,364,476,795. Furthermore, the Company has amended relevant terms in the Articles of Association and completed administrative procedures for the change in registered capital.

For more details on the Incentive Plan, please refer to the Company's circular of connected transaction dated 22 March, 7 April and 27 May 2021 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. Mr. LI Gang, Chairman of the Company's Board of Supervisors, has reached the statutory retirement age and thus resigned from current positions as Shareholder Supervisor and Chairman of the Board of Supervisors on 9 April 2021. During the extraordinary general meeting and the annual general meeting held on 28 May 2021 and 28 June 2021 respectively, the Company elected Mr. GUO Xiu Zhang as Shareholder Supervisor of the ninth session and tenth session of the Board of Supervisors. He was also elected as Chairman of the Board of Supervisors with more than half of the votes of the Board of Supervisors. His tenure starts from the date when the election result was approved by the annual general meeting and ends with the term of the tenth session of the Board of Supervisors.
2. Mr. YU Zeng Biao, Independent non-executive Director of the Company, whose tenure is almost six years, resigned after the end of the annual general meeting. At the annual general meeting held on 28 June 2021, the Company elected Ms. Rania Zhang as Independent non-executive Director of the Company's tenth session of the Board of Directors. Her tenure starts from the date when the election result was approved by the annual general meeting and ends with the term of the tenth session of the Board of Directors.

For more detail on changes to the Company's directors and supervisors, please refer to the announcements published on the websites of Shanghai Stock Exchange and Hong Kong Exchanges and Clearing Limited dated 9 April, 13 May, 28 May and 28 June 2021.

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

CHANGES TO SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

1. Information of Shareholders

- As at 30 June 2021, the total number of shareholders of the Company was 43,773, including 43,520 holders of A-share and 253 holders of H-share. Based on disclosed public information which was known by the Board of Directors of the Company on the latest practicable date prior to the publication of the Interim Report, the number of public shareholding of the Company had satisfied the requirements of the Listing Rules.
- As at the end of the Reporting Period, the shareholding of top 10 shareholders of the Company is as follows

Shareholder's name	Class of share	<i>Unit: Share</i>	
		Shares held at the end of the Reporting Period	Shareholding percentage (%)
HKSCC Nominees Limited (<i>Note 1</i>)	H-share	613,917,667	44.99
Tsingtao Brewery Group Company Limited (<i>Note 2</i>)	A-share and H-share	443,467,655	32.50
China Securities Finance Corporation Company	A-share	21,691,865	1.59
Hong Kong Securities Clearing Company Limited	A-share	19,140,727	1.40
Industrial and Commercial Bank of China Limited – Fullgoal Tianhui Select Hybrid Growth Securities Investment Fund (LOF)	A-share	9,462,358	0.69
Industrial Bank Co., Ltd. – ICBC Credit Suisse Culture and Sports Industry Stock Securities Investment Fund	A-share	7,227,323	0.53
National Social Insurance Fund Four One Four Portfolio	A-share	6,085,714	0.45
Abu Dhabi Investment Authority	A-share	5,817,295	0.43
China Life Insurance Company Limited – Dividend-Individual Dividend-005L-FH002 Shanghai	A-share	5,666,782	0.42
Agricultural Bank of China Co., Ltd. – E Fund Consumer Industry Equity Securities Investment Fund	A-share	5,375,127	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 111,206,236 shares of H-share of the Company, occupying 8.15% 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 2021, 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 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	29.69%	N/A
	Long position	H-Share	Interest of controlled Corporation	1	38,335,600 H-Share	2.81%	5.85%
Hong Kong Xinhaisheng Investment Limited	Long position	H-Share	Beneficial Owner		38,335,600 H-Share	2.81%	5.85%
Guo Guangchang	Long position	H-Share	Interest of controlled Corporation	2	111,206,236 H-Share	8.15%	16.98%
Fosun International Holdings Ltd.	Long position	H-Share	Interest of controlled Corporation	2	111,206,236 H-Share	8.15%	16.98%
Fosun International Limited	Long position	H-Share	Interest of controlled Corporation	2	111,206,236 H-Share	8.15%	16.98%
Fosun Industrial Holdings Limited	Long position	H-Share	Beneficial Owner		80,689,626 H-Share	5.91%	12.32%
Baillie Gifford & Co.	Long position	H-Share	Interest of controlled Corporation/ Investment manager	3	34,477,701 H-Share	2.53%	5.26%

Notes:

- (1) The 38,335,600 H-Shares which were deemed to be interested by SASACQ were held by Xinhaisheng, a wholly-owned subsidiary of Tsingtao Brewery Group, 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 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.
- (3) The shares in which Baillie Gifford & Co. was deemed to be interested were held through various controlled wholly-owned subsidiaries of Baillie Gifford & Co.
- (4) 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).

1. The shareholding of the Company's directors, supervisors and staff

As at 30 June 2021, Mr. HUANG Ke Xing, Chairman of the Company, was deemed to hold 151,400 shares of the Company, including 1,300 outstanding A shares and 150,000 restricted A shares held by himself and 100 outstanding A shares held by his spouse. Mr. YU Zhu Ming, Executive Director and CFO of the Company, held 110,000 restricted A shares; Mr. WANG Rui Yong, Executive Director and Vice President of the Company, held 110,000 restricted A shares; HUANG Zu Jiang, Staff Supervisor of the Company, held 12,900 outstanding A shares.

As at 30 June 2021, apart from the disclosed information above, none of the directors, supervisors or senior management officers of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any associated corporations (as defined in Part XV of SFO), and such interests or short positions were recorded in the register required to be kept under Section 352 of SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Model Code

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

3 Employees

As at 30 June 2021, the Company (including the subsidiaries) employs a total of 33,945 full-time employees.

The Company continued to refine the comprehensive incentive system that “is based on remuneration incentive, driven by career development incentive, concentrated by emotional incentive and centered around cultural incentive”. With the contribution of performance and job values as a measurement, the Company implemented a corporate growth-based mechanism of staff income sharing that is linked with economic benefits of the Company and productivity of all employees.

In the first half of 2021, the Company focused on the work policy of “stabilizing growth in the beer business, accelerating breakthroughs in emerging business, blazing a new trail through leaping development and undertaking the great cause by shouldering responsibilities and taking tangible steps”. Centering around the incentive of sharing growth in profits, income and sales volume, coupled with specific rewards including incentives for growth in key products and super high-end products and incentives for cost reduction and efficiency increase, the Company continued to improve the mechanism of linking total salaries with performance. These efforts have led to a substantial increase in the per capita efficiency, a stable growth in staff income and a positive development trend in the Company's input-output efficiency, injecting strong impetus into the Company's sustainable high-quality development.

In 2021, the Company quickened the pace of transforming training and explored empowerment modes that are more practical and more suitable for the new context. Delving into the training model of “practical research”, the Company created training-practice integrated models represented by “Practical Research on Project Management” to precisely empower the front line of business; exploring trainee-centered learning platforms, the Company enabled access to the best learning resources and the newest cases at one click, which led to the introduction of six high quality learning platforms and more than 3,100 internal and external courses; exploring the blended learning model for key management personnel, the Company upgraded Marketing EDP Training Camp and Practical Training Class for Silver Star 2.0 Reserve Cadres; exploring the development of a three-dimensional network for community learning, the Company created a featured learning community covering general managers, the middle management, key professionals and front-line employees; exploring new models of skill competitions in the next context, the Company introduced remote practical operation, virtual simulation and robot competition in the 8th Session of Professional Skill Competition, allowing 18,500 front-line employees to compete, learn and develop on new platforms.

PURCHASING, SELLING OR REDEEMING THE SECURITIES

During the six months as of 30 June 2021, 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

The Audit & Internal Control Committee of the Board has reviewed the Company's unaudited 2021 Interim Results.

CODE OF CORPORATE GOVERNANCE

The Company was listed simultaneously on Shanghai Stock Exchange and 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

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	January 1 to June 30, 2021
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
Xinhaisheng	Means	Hong Kong Xinhaisheng Investment Development Co., Ltd.

COMPANY INFORMATION

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

2021
INTERIM REPORT
中期報告

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.



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