



TSINGTAO

青島啤酒

青島啤酒股份有限公司 TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號 : 168)

中期報告 INTERIM REPORT 2017



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TSINGTAO BREWERY COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

	Note 4 (unless otherwise stated)	As at			
		30 June 2017 Consolidated (unaudited)	31 December 2016 Consolidated	30 June 2017 Company (unaudited)	31 December 2016 Company
Current assets					
Cash at bank and on hand	(1)	11,761,010,361	8,572,685,245	5,120,368,791	3,412,002,240
Financial assets at fair value through profit or loss	(2)	20,236,015	—	—	—
Notes receivable	(3)	46,064,450	26,400,000	40,100,000	19,700,000
Accounts receivable	(4), 13(1)	226,068,380	124,647,040	1,062,258,051	812,009,033
Advances to suppliers	(5)	134,258,813	51,806,259	82,275,655	24,993,651
Interests receivable	(6)	98,789,873	71,557,290	9,557,328	14,898,299
Dividends receivable	13(2)	—	—	64,457,872	1,354,063,724
Other receivables	(7), 13(3)	154,978,282	233,843,886	159,197,834	147,123,899
Inventories	(8)	1,829,576,327	2,412,442,780	565,499,578	823,095,523
Other current assets	(9)	1,066,470,882	1,116,181,886	73,764,702	277,939,238
Total current assets		<u>15,337,453,383</u>	<u>12,609,564,386</u>	<u>7,177,479,811</u>	<u>6,885,825,607</u>
Non-current assets					
Available-for-sale financial assets	(10)	608,642	608,642	300,000	300,000
Long-term receivables	13(4)	—	—	20,400,000	6,000,000
Long-term equity investments	(11), 13(5)	391,038,760	379,530,915	10,118,823,250	9,943,282,037
Investment properties	(12)	24,587,071	24,946,020	31,384,486	31,577,276
Fixed assets	(13)	11,265,678,803	11,447,611,540	2,214,032,178	2,297,664,815
Construction in progress	(14)	160,767,369	193,446,726	58,361,387	45,141,139
Fixed assets pending for disposal	(15)	2,397,307	1,158,936	679,329	761,719
Intangible assets	(16)	2,866,280,418	2,974,746,773	596,654,312	630,198,434
Goodwill	(17)	1,307,103,982	1,307,103,982	—	—
Long-term prepaid expenses	(18)	35,134,177	39,921,000	4,503,330	6,221,005
Deferred tax assets	(19)	1,201,208,393	1,042,209,554	752,621,879	671,265,463
Other non-current assets	(21)	68,892,147	56,310,013	6,430,467	2,639,524
Total non-current assets		<u>17,323,697,069</u>	<u>17,467,594,101</u>	<u>13,804,190,618</u>	<u>13,635,051,412</u>
TOTAL ASSETS		<u>32,661,150,452</u>	<u>30,077,158,487</u>	<u>20,981,670,429</u>	<u>20,520,877,019</u>

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

AS AT 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

	Note 4	As at			
		30 June 2017 Consolidated (unaudited)	31 December 2016 Consolidated	30 June 2017 Company (unaudited)	31 December 2016 Company
LIABILITIES AND EQUITY					
Current liabilities					
Short-term borrowings	(22)	330,130,200	302,341,000	—	—
Notes payable	(23)	265,641,675	307,516,920	56,890,000	76,500,000
Accounts payable	(24)	3,078,646,523	2,049,229,359	3,011,108,291	2,501,183,597
Advances from customers	(25)	450,759,122	1,320,882,187	265,031,378	1,027,556,435
Employee benefits payable	(26)	1,018,323,448	988,416,962	378,974,337	373,400,438
Taxes payable	(27)	925,089,979	396,466,643	121,889,395	86,703,934
Interests payable		854,729	737,291	—	—
Dividends payable	(28)	472,843,978	—	472,843,978	—
Other payables	(29)	5,691,583,151	4,918,819,305	2,637,764,816	2,353,717,365
Current portion of non-current liabilities	(30)	410,591	376,372	—	—
Total current liabilities		12,234,283,396	10,284,786,039	6,944,502,195	6,419,061,769
Non-current liabilities					
Long-term borrowings	(31)	1,250,520	1,376,480	—	—
Payables for specific projects	(32)	133,854,738	175,014,368	15,440,660	15,440,660
Deferred income	(33)	1,947,122,724	1,948,814,560	56,436,813	61,307,433
Long-term employee benefits payable	(34)	519,356,611	538,957,516	286,107,914	288,026,884
Deferred tax liabilities	(19)	234,489,862	249,069,955	—	—
Total non-current liabilities		2,836,074,455	2,913,232,879	357,985,387	364,774,977
Total liabilities		15,070,357,851	13,198,018,918	7,302,487,582	6,783,836,746
Equity					
Share capital	(35)	1,350,982,795	1,350,982,795	1,350,982,795	1,350,982,795
Capital surplus	(36)	3,444,192,440	3,444,189,700	4,306,631,756	4,306,629,016
Other comprehensive income	(37)	(44,771,252)	(50,149,422)	(49,477,000)	(49,477,000)
Surplus reserve	(38)	1,400,704,380	1,400,704,380	1,400,704,380	1,400,704,380
General reserve	(39)	142,496,409	142,496,409	—	—
Undistributed profits	(40)	10,701,352,882	10,025,728,867	6,670,340,916	6,728,201,082
Total equity attributable to shareholders of the Company		16,994,957,654	16,313,952,729	13,679,182,847	13,737,040,273
Non-controlling interests		595,834,947	565,186,840	—	—
Total equity		17,590,792,601	16,879,139,569	13,679,182,847	13,737,040,273
TOTAL LIABILITIES AND EQUITY		32,661,150,452	30,077,158,487	20,981,670,429	20,520,877,019

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

Legal representative:
SUN Mingbo

Principal in charge of accounting:
YU Zhuming

Head of accounting department:
HOU Qiyan

TSINGTAO BREWERY COMPANY LIMITED

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4 (unless otherwise stated)	Six months ended 30 June			
		2017 Consolidated (unaudited)	2016 Consolidated (unaudited)	2017 Company (unaudited)	2016 Company (unaudited)
Revenue	(41),13(6)	15,062,721,002	14,746,116,848	10,203,155,962	9,794,512,213
<i>Less:</i> Cost of sales	(41),(45),13(6),(7)	(8,743,749,045)	(8,728,850,579)	(7,730,667,934)	(7,230,733,348)
Taxes and surcharges	(42)	(1,319,364,035)	(1,074,999,656)	(304,849,988)	(278,131,798)
Selling and distribution expenses	(43),(45),13(7)	(3,073,837,935)	(3,075,597,006)	(1,671,341,618)	(1,732,352,487)
General and administrative expenses	(44),(45),13(7)	(542,783,121)	(618,127,361)	(161,577,563)	(200,248,604)
Finance expenses — net	(46)	164,697,006	128,500,915	22,904,183	27,959,912
Asset impairment (losses)/ reversals	(50)	(1,989,739)	(3,652,458)	89,641,945	437,880
<i>Add:</i> Profits arising from changes in fair value	(47)	236,015	—	—	—
Investment income	(48),13(8)	33,745,993	29,324,814	75,572,099	188,273,191
Including: Share of profits of associates and a joint venture		26,182,374	29,320,541	25,749,871	29,259,953
Other income	(49)	97,765,697	—	6,016,008	—
Operating profit		1,677,441,838	1,402,715,517	528,853,094	569,716,959
<i>Add:</i> Non-operating income	(51)	86,148,441	270,631,425	18,148,106	28,714,525
Including: Gains on disposal of non-current assets		736,480	216,974	63,382	2,310
<i>Less:</i> Non-operating expenses	(52)	(37,534,410)	(155,881,955)	(11,386,357)	(8,087,688)
Including: Losses on disposal of non-current assets		(15,764,634)	(154,425,835)	(2,091,450)	(7,425,990)
Total profit		1,726,055,869	1,517,464,987	535,614,843	590,343,796
<i>Less:</i> Income tax expense	(53)	(501,144,342)	(442,944,614)	(120,631,031)	(104,087,006)
Net profit		1,224,911,527	1,074,520,373	414,983,812	486,256,790
Attributable to shareholders of the Company		1,148,467,993	1,069,028,886	414,983,812	486,256,790
Attributable to non-controlling interests		76,443,534	5,491,487	n/a	n/a
Other comprehensive income, net of tax	(37)	5,378,170	(3,489,136)	—	—
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		134,129	78,582	—	—
Currency translation differences		5,244,041	(3,567,718)	—	—
Total comprehensive income		1,230,289,697	1,071,031,237	414,983,812	486,256,790
Attributable to shareholders of the Company		1,153,846,163	1,065,539,750	414,983,812	486,256,790
Attributable to non-controlling interests		76,443,534	5,491,487	n/a	n/a
Earnings per share					
Basic earnings per share	(54)	0.850	0.791	n/a	n/a
Diluted earnings per share	(54)	0.850	0.791	n/a	n/a

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

Legal representative:
SUN Mingbo

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 2017
(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Six months ended 30 June			
		2017 Consolidated (unaudited)	2016 Consolidated (unaudited)	2017 Company (unaudited)	2016 Company (unaudited)
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		16,113,453,305	15,872,954,189	10,597,889,192	10,399,173,799
Refund of taxes and surcharges		11,363,666	11,436,028	6,532,430	6,286,806
Cash received relating to other operating activities	(55)(a)	411,369,082	702,378,412	167,608,128	192,381,540
Sub-total of cash inflows		16,536,186,053	16,586,768,629	10,772,029,750	10,597,842,145
Cash paid for goods and services		(6,671,882,805)	(6,926,623,988)	(7,835,905,388)	(6,654,907,504)
Cash paid to and on behalf of employees		(2,040,556,539)	(1,945,040,313)	(720,795,332)	(710,226,260)
Payments of taxes and surcharges		(2,564,488,923)	(2,311,227,862)	(708,652,535)	(713,254,972)
Cash paid relating to other operating activities	(55)(b)	(1,740,596,530)	(1,619,541,956)	(973,926,745)	(881,045,003)
Sub-total of cash outflows		(13,017,524,797)	(12,802,434,119)	(10,239,280,000)	(8,959,433,739)
Net cash flows from operating activities	(56)(a)	3,518,661,256	3,784,334,510	532,749,750	1,638,408,406
Cash flows from investing activities					
Cash received from disposal of investments	(55)(e)	959,900,000	300,000,000	130,600,000	947,400,000
Cash received from returns on investments		22,375,017	28,758,223	1,350,387,945	98,543,499
Net cash received from disposal of fixed assets, intangible assets		1,099,433	15,954,570	701,774	1,122,916
Cash received relating to other investing activities	(55)(c)	202,820,609	314,264,388	340,000	3,980,100
Sub-total of cash inflows		1,186,195,059	658,977,181	1,482,029,719	1,051,046,515
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(347,048,629)	(401,468,498)	(67,029,879)	(89,067,574)
Cash paid to acquire investments	(55)(f)	(1,120,000,000)	(1,697,312,001)	(240,317,130)	(965,512,001)
Net cash received from disposal of subsidiaries and other business units	(56)(b)	(20,317,130)	(10,000,000)	—	—
Cash paid relating to other investing activities	(55)(d)	(194,674,831)	(176,375,313)	(320,684)	(1,375,620)
Sub-total of cash outflows		(1,682,040,590)	(2,285,155,812)	(307,667,693)	(1,055,955,195)
Net cash flows from investing activities		(495,845,531)	(1,626,178,631)	1,174,362,026	(4,908,680)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Six months ended 30 June			
		2017 Consolidated (unaudited)	2016 Consolidated (unaudited)	2017 Company (unaudited)	2016 Company (unaudited)
Cash flows from financing activities					
Cash received from borrowings		<u>335,301,600</u>	46,000,000	—	—
Sub-total of cash inflows		<u>335,301,600</u>	46,000,000	—	—
Cash repayments of borrowings		<u>(298,691,600)</u>	(507,710,450)	—	—
Cash payments for distribution of dividends, profits or interests expenses		<u>(48,786,649)</u>	(52,958,599)	—	—
Including: Cash payments for dividends, profit to minority shareholders of subsidiaries		<u>(45,540,427)</u>	(45,276,000)	—	—
Cash payments relating to other financing activities		<u>(287,686)</u>	(568,178)	—	—
Sub-total of cash outflows		<u>(347,765,935)</u>	(561,237,227)	—	—
Net cash flows from financing activities		<u>(12,464,335)</u>	(515,237,227)	—	—
Effect of foreign exchange rate changes on cash and cash equivalent		<u>(1,866,582)</u>	5,518,018	<u>2,377,450</u>	2,970,456
Net increase in cash and cash equivalents	(56)(a)	<u>3,008,484,808</u>	1,648,436,670	<u>1,709,489,226</u>	1,636,470,182
<i>Add:</i> Cash and cash equivalents at beginning of period		<u>7,929,473,031</u>	7,575,374,183	<u>3,382,727,922</u>	2,714,972,098
Cash and cash equivalents at end of period	(56)(c)	<u><u>10,937,957,839</u></u>	<u><u>9,223,810,853</u></u>	<u><u>5,092,217,148</u></u>	<u><u>4,351,442,280</u></u>

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

Legal representative:
SUN Mingbo

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 2017

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Attributable to shareholders of the Company							Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserves	General reserve	Undistributed profits	Non-controlling interests	
Balance at 1 January 2016		1,350,982,795	4,075,078,879	(20,326,159)	1,400,704,380	106,025,418	9,545,596,720	(292,050,983)	16,166,011,050
Movements for the six months ended 30 June 2016 (unaudited)									
Total comprehensive income		—	5,694	(3,489,136)	—	—	542,145,596	(39,784,513)	498,877,641
Net profit		—	—	—	—	—	1,069,028,886	5,491,487	1,074,520,373
Other comprehensive income	(37)	—	—	(3,489,136)	—	—	—	—	(3,489,136)
Profit distribution	(40)	—	—	—	—	—	(526,883,290)	(45,276,000)	(572,159,290)
Profit distribution to shareholders		—	—	—	—	—	(526,883,290)	(45,276,000)	(572,159,290)
Other		—	5,694	—	—	—	—	—	5,694
Balance at 30 June 2016 (unaudited)		1,350,982,795	4,075,084,573	(23,815,295)	1,400,704,380	106,025,418	10,087,742,316	(331,835,496)	16,664,888,691
Balance at 1 January 2017		1,350,982,795	3,444,189,700	(50,149,422)	1,400,704,380	142,496,409	10,025,728,867	565,186,840	16,879,139,569
Movements for the six months ended 30 June 2017 (unaudited)									
Total comprehensive income		—	2,740	5,378,170	—	—	675,624,015	30,648,107	711,653,032
Net profit		—	—	—	—	—	1,148,467,993	76,443,534	1,224,911,527
Other comprehensive income	(37)	—	—	5,378,170	—	—	—	—	5,378,170
Profit distribution	(40)	—	—	—	—	—	(472,843,978)	(45,540,427)	(518,384,405)
Profit distribution to shareholders		—	—	—	—	—	(472,843,978)	(45,540,427)	(518,384,405)
Others		—	2,740	—	—	—	—	(255,000)	(252,260)
Balance at 30 June 2017 (unaudited)		1,350,982,795	3,444,192,440	(44,771,252)	1,400,704,380	142,496,409	10,701,352,882	595,834,947	17,590,792,601

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

Legal representative:
SUN Mingbo

Principal in charge of accounting:
YU Zhuming

Head of accounting department:
HOU Qiuyan

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

ITEM	<i>Note 4</i>	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance at 1 January 2016		1,350,982,795	4,306,624,104	(32,110,000)	1,400,704,380	5,928,623,517	12,954,824,796
Movement for the six months ended 30 June 2016 (unaudited)		—	5,694	—	—	(40,626,500)	(40,620,806)
Total comprehensive income		—	—	—	—	486,256,790	486,256,790
Net profit		—	—	—	—	486,256,790	486,256,790
Profit distribution	(40)	—	—	—	—	(526,883,290)	(526,883,290)
Profit distribution to shareholders		—	—	—	—	(526,883,290)	(526,883,290)
Others		—	5,694	—	—	—	5,694
Balance at 30 June 2016 (unaudited)		<u>1,350,982,795</u>	<u>4,306,629,798</u>	<u>(32,110,000)</u>	<u>1,400,704,380</u>	<u>5,887,997,017</u>	<u>12,914,203,990</u>
Balance at 1 January 2017		1,350,982,795	4,306,629,016	(49,477,000)	1,400,704,380	6,728,201,082	13,737,040,273
Movement for the six months ended 30 June 2017 (unaudited)		—	2,740	—	—	(57,860,166)	(57,857,426)
Total comprehensive income		—	—	—	—	414,983,812	414,983,812
Net profit		—	—	—	—	414,983,812	414,983,812
Profit distribution	(40)	—	—	—	—	(472,843,978)	(472,843,978)
Profit distribution to shareholders		—	—	—	—	(472,843,978)	(472,843,978)
Others		—	2,740	—	—	—	2,740
Balance at 30 June 2017 (unaudited)		<u>1,350,982,795</u>	<u>4,306,631,756</u>	<u>(49,477,000)</u>	<u>1,400,704,380</u>	<u>6,670,340,916</u>	<u>13,679,182,847</u>

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

Legal representative:
SUN Mingbo

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 2017

(All amounts in RMB Yuan unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

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

Subsidiaries which are included in the scope of consolidation in this period are disclosed in Note5(1). There is no change in the scope of consolidation in this period.

These financial statements have been approved for issue by the Company’s Board of Directors on 30 August 2017.

These financial statements are not audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group applied the accounting policies and accounting estimates based on its business operations characteristics, including provision of bad debts of receivable (Note 2(10)), cost formulas (Note 2(11)), depreciation of fixed assets and amortization of intangible assets (Note 2(14) and (17)), timing of revenue recognition (Note 2(22)), etc.

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

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

According to the requirement of Hong Kong Companies Ordinance, there are changes to presentation and disclosures of certain information in the financial statements.

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

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

The financial statements for the six months ended 30 June 2017 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Consolidated and the Company's financial position as at 30 June 2017 and their financial performance, cash flows and other information for the period then ended.

(3) Accounting period

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

(4) Recording currency

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

(5) Business combinations

(a) Business combinations involving enterprises under common control

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

(b) Business combinations involving enterprises not under common control

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

For business combinations achieved by stages involving enterprises not under common control, previously-held equity in the acquiree is remeasured at its fair value at the acquisition dates, and the difference between its fair value and carrying amount is included in investment income for the current period in consolidated financial statement. Where the previously-held equity in the acquiree involves other comprehensive income under equity method and shareholders' equity changes other than those arising from the net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other shareholders' equity changes are transferred into income for the current period to which the acquisition dates belongs, excluding those arising from changes in the investee's remeasurement of net liability or net asset related to the defined benefit plan. The excess of the sum of fair value of the previously-held equity and fair value of the consideration paid at the acquisition dates over share of fair value of identifiable net assets acquired from the subsidiary is recognised as goodwill.

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

(5) Business combinations (Cont'd)

(c) Acquisition of non-controlling interests

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

(6) Preparation of consolidated financial statements

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

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

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

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

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

(7) Cash and cash equivalents

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

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

(8) Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

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

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

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

Financial assets at fair value through profit or loss

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

Receivables

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

Available-for-sale financial assets

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

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification of financial assets (Cont'd)

Held-to-maturity investments

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

(ii) Recognition and measurement

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

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

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

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

(iii) Impairment of financial assets

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

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

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

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

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

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

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

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

(iv) De-recognition of financial assets

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

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

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

(9) Financial instruments (Cont'd)

(b) Financial liabilities

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

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

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

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

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

(c) Determination of fair value of financial instruments

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

(10) Receivables

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

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

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

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

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

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

(10) Receivables (Cont'd)

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

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

Basis for grouping is as follows:

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

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

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

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

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

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

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

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

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

(11) Inventories

(a) *Classification*

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

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

(11) Inventories (Cont'd)

(b) Cost formulas

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

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

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

(d) The Group adopts the perpetual inventory system.

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

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

(12) Long-term equity investments

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

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

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

(a) Determination of investment cost

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

For business combinations achieved by stages involving enterprises not under common control, the initial investment cost accounted for using the cost method is the sum of carrying amount of previously-held equity investment and additional investment cost. Including, for previously-held equity accounted for using the equity method, the accounting treatment of related other comprehensive income from disposal of the equity is carried out on a same basis with the investee's direct disposal of related assets or liabilities. Shareholders' equity, which is recognised due to changes in investee's shareholders' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, is accordingly transferred into profit or loss in the period in which the investment is disposed.

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

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

(a) *Determination of investment cost (Cont'd)*

For investment in previously-held equity accounted for using the recognition and measurement standards of financial instruments, the initial investment cost accounted for using the cost method is the sum of carrying amount of previously-held equity investment and additional investment cost.

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

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

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

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

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

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

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

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

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

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

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

(d) Impairment of long-term equity investments

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

(13) Investment properties

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

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

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

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

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

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

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

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

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

(14) Fixed assets

(b) Depreciation methods of fixed assets

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

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

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

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

(c) The carrying amount of fixed assets shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note2(19)).

(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.

(15) Construction in progress

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

(16) Borrowing costs

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

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

(16) 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.

(17) Intangible assets

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

(a) Land use rights

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

(b) Trademarks

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

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

(c) Marketing networks

Marketing networks 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 to 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.

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

(17) 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 resource for improvement of the beer technology and the large-scale production; and
- The expenditure attributable to the improvement of beer technology during its development phase can be liable measured.

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

(h) Impairment of intangible assets

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

(18) Long-term prepaid expenses

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

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

(19) Impairment of long-term assets

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

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

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

(20) Employee benefits

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

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

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

(20) Employee benefits (Cont'd)

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

Basic pension insurance

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

Supplemental retirement benefits

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

(c) *Termination benefits*

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

Early retirement benefits

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

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

(21) Dividends distribution

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

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

(22) Revenue recognition

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

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

(a) *Sale of goods*

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

(b) *Rendering of services*

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

(23) 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.

Government grants related to assets are recognised as deferred income and amortized to profit or loss over the useful life of the related assets in reasonable and systematic methods; for government grants related to income, where the grants are compensations for related expenses or losses to be incurred by the Group in subsequent periods, the grants are recognised as deferred income, and included in profit or loss over the period in which the related expenses or losses are recognised; where the grants are compensations for related expenses or losses already incurred by the Group, the grants are recognised immediately in profit or loss for the current period; government grants of the same category apply the same presentation method, with the grants related to ordinary activities being included in operating profit and the grants unrelated to ordinary activities being included in non-operating income and expenses.

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

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

(24) 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.

(25) Leases

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

(a) *Operating leases*

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

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

(b) *Finance leases*

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

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

(26) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when both 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 to usual practices for sale of such non-current asset or disposal group; (2) the Group has signed a legal binding sale agreement with other parties and has obtained appropriate approval, and the sale is to be completed within one year.

Non-current assets (except for financial assets, investment properties at fair value 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 separately identified component of the Group that either has been disposed of or is classified as held for sale, 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.

Profit or loss from the discontinued operations stated in the income statement includes the profit or loss arising from operation and disposal.

(27) Segment information

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

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

(28) Critical accounting estimates and judgments

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

(a) *Critical accounting estimates and key assumptions*

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

(i) *Accounting estimates on impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of 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(17)).

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

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

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

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

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

(ii) Accounting estimates on impairment of fixed assets

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

For the six months ended 30 June 2017, the Group recognised impairment losses of 1,740,144 (For the six months ended 30 June 2016: 3,832,393) for fixed assets based on such evaluation. As at 30 June 2017 the Group recognised the cumulative provision for fixed assets impairment amounting to 379,697,561 (31 December 2016: 391,192,662) (Note 4(13)).

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

(iii) Accounting estimates on recognition of deferred tax assets

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

As at 30 June 2017, deferred tax assets of 1,201,208,393 have been recognised in the Group's balance sheet. As stated in Note 4(19), the Group has unrecognised deferred tax assets aggregated to approximately 773,221,000 as at 30 June 2017, which mainly attributable to accumulated tax losses and impairment losses of certain subsidiaries. Deferred tax assets have not been recognised due to the fact that there is no certainty of obtaining approval from local tax authorities or there is no certainty of their respective realization of these tax benefits through available future taxable profits of those subsidiaries concerned. In cases where the actual future assessable profits are more or less than expected or approval from local tax authorities are obtained, a recognition or reversal of deferred tax assets may arise accordingly.

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

(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 (20)(b), the present value of the post-retirement obligation estimated on an actuarial basis using a number of assumptions. The actuarial valuations, in which discount rate was determined by government bonds of China and the mortality rate was based on published statistics by China Life Annuitant Mortality Table 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.

(29) Changes in significant accounting policies

In 2017, the Ministry of Finance issued CAS 42 “Non-current assets and disposal groups held for sale and discontinued operations” and CAS 16 “Government Grant” (revised). The Group has adopted both above standards in preparation of financial statements for the six months ended 30 June 2017. Financial statement items have been presented according to the above standards.

3. TAXATION

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

Category	Tax base	Tax rate
Enterprise income tax	Taxable income	3% to 25%
Value added tax (“VAT”)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	17%, 11% and 6%
Business tax	Taxable turnover amount	3% and 5%
Consumption tax	Sales Price of Beer	Consumption Tax per Unit
	More than or equal to RMB3,000 per ton	RMB250 per ton
	Less than RMB3,000 per ton	RMB220 per ton
City maintenance and construction tax	Amount of VAT, business tax and consumption tax paid	5% and 7%
Education surcharge	Amount of VAT, business tax and consumption tax paid	3%

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

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

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

3. TAXATION (CONT'D)

(3) VAT & BT

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

Pursuant to the Circular on the overall Promotion of Pilot Program of Levying VAT in place of BT(Cai Shui [2016] No.36) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue from financial service of Tsingtao Brewery Financial LLC. (“Finance Company”, a subsidiary of the Company) and revenue from construction business of Tsingtao Brewery Construction Co., Ltd. (“Construction Company”, a subsidiary of the Company) are subject to VAT at the rates of 6% and 11% respectively from 1 May 2016, which were subject to business tax at the rates of 5% and 3% respectively before then.

(4) Consumption tax

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

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

(5) Withholding Tax

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

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2017 (unaudited)	31 December 2016
Cash on hand	429,413	411,137
Bank deposits	671,336,809	567,807,084
Interbank deposits (i)	10,266,272,671	7,362,521,925
Deposits in central bank (ii)	782,600,000	601,010,000
Other cash balances (iii)	<u>40,371,468</u>	<u>40,935,099</u>
	<u><u>11,761,010,361</u></u>	<u><u>8,572,685,245</u></u>
Including: cash at bank and on hand overseas (iv)	<u>99,208,277</u>	<u>98,097,375</u>

- (i) Interbank deposits represent bank deposits reserved in domestic banks by Finance Company.
- (ii) Deposits in central bank represent statutory deposit reserves in the People's Bank of China by Finance Company. As at 30 June 2017, the statutory deposit reserves ratio of Finance Company is 7% (31 December 2016: 7%).
- (iii) As at 30 June 2017, other cash balances of 31,645,468 (31 December 2016: 31,588,099) represent housing maintenance fund in the bank; 8,026,000 (31 December 2016: 8,647,000) are pledged as collateral for issuance of bank acceptance (Note 4(23)); the remains are other deposits of 700,000 (31 December 2016: 700,000).
- (iv) As at 30 June 2017, cash at bank and on hand overseas represents the cash and bank deposits of Hong Kong Company and Macau Company held in Hong Kong and Macau respectively.

Cash and cash equivalents presented in cash flow statements

	30 June 2017 (unaudited)	31 December 2016
Cash at bank and on hand	11,761,010,361	8,572,685,245
Other receivables — deposit in non-financial institutions	1,278,946	92,885
Less: Restricted bank deposit	(1,360,000)	(1,360,000)
Restricted deposit in central bank	(782,600,000)	(601,010,000)
Other restricted cash balances	(40,371,468)	(40,935,099)
	<u><u>10,937,957,839</u></u>	<u><u>7,929,473,031</u></u>

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

(2) Financial assets at fair value through profit or loss

	30 June 2017 (unaudited)	31 December 2016
Financial assets at fair value through profit or loss		
— Money market fund	<u>20,236,015</u>	<u>—</u>

Financial assets at fair value through profit or loss represents the money market fund issued by Fund Management Company, which, purchased by Finance Company (a subsidiary of the Company). As at 30 June 2017, the fair value is measured according to the earning announcement issued by Fund Management Company on the last trading day of June 2017.

(3) Notes receivable

	30 June 2017 (unaudited)	31 December 2016
Bank acceptance notes	<u>46,064,450</u>	<u>26,400,000</u>

As at 30 June 2017, the Group's notes receivable which have been endorsed but not yet matured are derecognised amounting to 167,982,562 (31 December 2016: derecognised amounting to 149,575,200 all of which were endorsed but not yet matured), and there are no discounted bank acceptance notes that are not yet matured (31 December 2016: nil).

As at 30 June 2017, there are no pledged notes receivable, or no endorsed or discounted trade acceptance notes that are not yet matured (31 December 2016:nil).

(4) Accounts receivable

	30 June 2017 (unaudited)	31 December 2016
Accounts receivable	419,387,475	317,973,385
<i>Less:</i> Provision for bad debts	<u>(193,319,095)</u>	<u>(193,326,345)</u>
	<u>226,068,380</u>	<u>124,647,040</u>

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

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

(4) Accounts receivable (Cont'd)

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

	30 June 2017 (unaudited)	31 December 2016
Within 6 months	224,134,857	122,294,348
6 months to 1 year	1,943,954	2,413,781
1 to 2 years	173,534	119,200
2 to 3 years	743,683	757,264
3 to 4 years	66,448	110,102
4 to 5 years	57,235	—
Over 5 years	192,267,764	192,278,690
	<u>419,387,475</u>	<u>317,973,385</u>

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

As at 30 June 2017, accounts receivable of 18,686,983 (31 December 2016: 14,837,330) were past due, but based on the analysis of the customers' financial position and credit record, the Group was of the view that the overdue amounts could be fully or partially recovered, thus no provision for bad debts are individually or fully provided. The past-due ageing of these accounts receivables is analysed as follows:

	30 June 2017 (unaudited)	31 December 2016
Within 6 months	18,497,290	13,709,044
6 months to 1 year	120,062	1,104,627
1 to 2 years	69,631	23,659
	<u>18,686,983</u>	<u>14,837,330</u>

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

	30 June 2017 (unaudited)				31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and subject to separate assessment for provision	28,851,710	6.88%	(28,851,710)	100%	28,851,710	9.07%	(28,851,710)	100%
Subject to provision on the grouping basis								
Group C	<u>390,535,765</u>	<u>93.12%</u>	<u>(164,467,385)</u>	<u>42.11%</u>	<u>289,121,675</u>	<u>90.93%</u>	<u>(164,474,635)</u>	<u>56.89%</u>
	<u>419,387,475</u>	<u>100%</u>	<u>(193,319,095)</u>	<u>46.10%</u>	<u>317,973,385</u>	<u>100%</u>	<u>(193,326,345)</u>	<u>60.80%</u>

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

(4) Accounts receivable (Cont'd)

- (c) As at 30 June 2017, accounts receivable with amounts that are individually significant and subject to separate assessment for provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Gansu Nongken Brewery Co., Ltd. ("Nongken Brewery Company")	14,996,236	(14,996,236)	100%	(i)
Beijing Tsingtao Brewery Sales Co., Ltd. ("Beijing Sales Company")	11,245,784	(11,245,784)	100%	(ii)
Tsingtao Brewery (Guangzhou) General Agency Co., Ltd. ("Guangzhou General Agency")	<u>2,609,690</u>	<u>(2,609,690)</u>	100%	(iii)
	<u>28,851,710</u>	<u>(28,851,710)</u>		

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

	30 June 2017 (unaudited)			31 December 2016		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
		Amount	Ratio		Amount	Ratio
Within 6 months	224,134,857	—	—	122,294,348	—	—
6 months to 1 year	1,943,954	(97,198)	5%	2,413,781	(120,689)	5%
1 to 2 years	173,534	(86,767)	50%	119,200	(59,600)	50%
2 to 3 years	743,683	(743,683)	100%	757,264	(757,264)	100%
3 to 4 years	66,448	(66,448)	100%	110,102	(110,102)	100%
4 to 5 years	57,235	(57,235)	100%	—	—	—
Over 5 years	<u>163,416,054</u>	<u>(163,416,054)</u>	100%	<u>163,426,980</u>	<u>(163,426,980)</u>	100%
	<u>390,535,765</u>	<u>(164,467,385)</u>	<u>42.11%</u>	<u>289,121,675</u>	<u>(164,474,635)</u>	<u>56.89%</u>

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

(4) Accounts receivable (Cont'd)

- (e) In the current period, the provisions for bad debts are 121,648, the decrease amount of provisions for bad debts due to currency translation differences are 1,416, and the reversal provisions for bad debts are 127,482.
- (f) For the six months ended 30 June 2017, no accounts receivable were written off (For the six months ended 30 June 2016: 6,571).
- (g) As at 30 June 2017, 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	66,249,079	(26,242,020)	15.80%

- (h) As at 30 June 2017, there are no accounts receivable derecognised due to the transfer of financial assets (30 June 2016: nil).

(5) Advances to suppliers

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

	30 June 2017 (unaudited)		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	128,462,936	95.68%	46,527,120	89.81%
1 to 2 years	536,103	0.40%	112,760	0.22%
2 to 3 years	1,478,452	1.10%	1,804,909	3.48%
Over 3 years	3,781,322	2.82%	3,361,470	6.49%
	134,258,813	100%	51,806,259	100%

As at 30 June 2017, advances to suppliers over 1 year with carrying amount of 5,795,877 (31 December 2016: 5,279,139) are mainly advances paid for materials, which have not been required to deliver yet due to production plan.

- (b) As at 30 June 2017, 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	55,122,688	41.06%

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

(6) Interests receivable

	30 June 2017 (unaudited)	31 December 2016
Interests receivable	<u>98,789,873</u>	<u>71,557,290</u>

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

(7) Other receivables

	30 June 2017 (unaudited)	31 December 2016
Reservation fund	22,902,761	22,053,131
Receivables on construction and equipment (i)	21,472,837	26,238,208
Reimbursable payment for recycling bottles	19,960,634	42,144,059
Refundable cost of land use rights and building	17,441,647	17,441,647
Guarantee deposits	16,184,791	19,750,335
Dealer credit (ii)	5,100,000	7,100,000
VAT refund	4,148,379	5,598,156
Government bonds reverse repo investment	—	79,900,000
Others	<u>122,139,075</u>	<u>87,742,140</u>
	229,350,124	307,967,676
Less: Provision for bad debts	<u>(74,371,842)</u>	<u>(74,123,790)</u>
	<u>154,978,282</u>	<u>233,843,886</u>

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

(ii) It represents the loans to the dealers by Finance Company, a subsidiary of the Company, which will be overdue in June 2018.

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

(7) Other receivables (Cont'd)

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

	30 June 2017 (unaudited)	31 December 2016
Within 6 months	143,801,201	222,358,023
6 months to 1 year	6,455,877	4,687,350
1 to 2 years	1,403,724	5,115,624
2 to 3 years	6,786,299	5,056,572
3 to 4 years	1,013,688	2,053,816
4 to 5 years	1,720,531	432,609
Over 5 years	68,168,804	68,263,682
	<u>229,350,124</u>	<u>307,967,676</u>

The Group has no specific credit terms for other receivables. Therefore, the Group has no other receivables that are past due but not impaired as at 30 June 2017 and 31 December 2016.

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

	30 June 2017 (unaudited)				31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and subject to separate assessment for provision	17,441,647	7.60%	(17,441,647)	100%	17,441,647	5.66%	(17,441,647)	100%
Subject to provision on the grouping basis								
Group A	8,831,085	3.85%	—	—	10,115,864	3.29%	—	—
Group C	<u>203,077,392</u>	<u>88.55%</u>	<u>(56,930,195)</u>	<u>28.03%</u>	<u>280,410,165</u>	<u>91.05%</u>	<u>(56,682,143)</u>	<u>20.21%</u>
	<u>229,350,124</u>	<u>100%</u>	<u>(74,371,842)</u>	<u>32.43%</u>	<u>307,967,676</u>	<u>100%</u>	<u>(74,123,790)</u>	<u>24.07%</u>

(c) As at 30 June 2017, other receivables that are individually significant and subject to separate assessment for provision are analysed as follows:

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

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

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

(7) Other receivables (Cont'd)

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

	30 June 2017 (unaudited)			31 December 2016		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 6 months	141,655,642	—	—	219,841,914	—	—
6 months to 1 year	3,989,151	(199,458)	5%	3,010,220	(150,511)	5%
1 to 2 years	1,403,724	(701,862)	50%	2,052,798	(1,026,399)	50%
2 to 3 years	5,422,299	(5,422,299)	100%	5,056,572	(5,056,572)	100%
3 to 4 years	1,013,688	(1,013,688)	100%	965,016	(965,016)	100%
4 to 5 years	636,730	(636,730)	100%	432,609	(432,609)	100%
Over 5 years	48,956,158	(48,956,158)	100%	49,051,036	(49,051,036)	100%
	<u>203,077,392</u>	<u>(56,930,195)</u>	<u>28.03%</u>	<u>280,410,165</u>	<u>(56,682,143)</u>	<u>20.21%</u>

- (e) In the current period, the provisions for bad debts are 577,420, and the reversal provisions for bad debts are 321,991.
- (f) In the current period, other receivables of 7,377 were written off.
- (g) As at 30 June 2017, the top five other receivables are analysed as follows:

	Nature	Amount (unaudited)	Ageing	% of total balance	Provision for bad debts (unaudited)
No.1	Receivables on construction and equipment	19,002,178	Within six months	8.29%	—
No.2	Reimbursable payment for recycling bottles	18,662,470	Within six months	8.14%	—
No.3	Refundable cost of land use rights and building	8,584,437	Over five years	3.74%	(8,584,437)
No.4	Receivables on materials	5,000,000	Over five years	2.18%	(5,000,000)
No.5	Receivables on materials	4,616,730	Over five years	2.01%	(4,616,730)
		<u>55,865,815</u>		<u>24.36%</u>	<u>(18,201,167)</u>

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

(8) Inventories

(a) Classification of inventories is as follows:

	30 June 2017 (unaudited)			31 December 2016		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Raw materials	529,405,459	(1,609,530)	527,795,929	526,264,352	(1,629,861)	524,634,491
Packaging materials	592,971,968	(3,940,576)	589,031,392	751,529,177	(4,100,245)	747,428,932
Low-value consumables	63,652,313	—	63,652,313	47,281,048	—	47,281,048
Materials on consignment for further processing	1,972,086	—	1,972,086	11,485,076	—	11,485,076
Work in progress	353,892,378	—	353,892,378	402,043,549	—	402,043,549
Finished goods	293,232,229	—	293,232,229	679,569,684	—	679,569,684
	<u>1,835,126,433</u>	<u>(5,550,106)</u>	<u>1,829,576,327</u>	<u>2,418,172,886</u>	<u>(5,730,106)</u>	<u>2,412,442,780</u>

(b) The movements of inventories are as follows:

	31 December 2016	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2017 (unaudited)
Raw materials	526,264,352	2,195,392,325	(2,192,251,218)	529,405,459
Packaging materials	751,529,177	3,746,810,133	(3,905,367,342)	592,971,968
Low-value consumables	47,281,048	173,006,269	(156,635,004)	63,652,313
Material on consignment for further processing	11,485,076	37,159,718	(46,672,708)	1,972,086
Work in progress	402,043,549	2,986,700,967	(3,034,852,138)	353,892,378
Finished goods	679,569,684	8,376,923,445	(8,763,260,900)	293,232,229
	<u>2,418,172,886</u>	<u>17,515,992,857</u>	<u>(18,099,039,310)</u>	<u>1,835,126,433</u>

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

	31 December 2016	Increase in the current period (unaudited)	Decrease in the current period		30 June 2017 (unaudited)
			Reversal (unaudited)	Write-off (unaudited)	
Raw materials	(1,629,861)	—	—	20,331	(1,609,530)
Packaging materials	(4,100,245)	—	—	159,669	(3,940,576)
	<u>(5,730,106)</u>	<u>—</u>	<u>—</u>	<u>180,000</u>	<u>(5,550,106)</u>

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

(8) Inventories (Cont'd)

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

	Basis for net realizable value	Reason for writing-off
Raw materials and packaging materials	Estimated selling price less estimated costs to completion, estimated selling expense and related taxes	Disposed in the current period

(9) Other current assets

	30 June 2017 (unaudited)	31 December 2016
Available-for-sale financial assets (<i>Note 4 (10)</i>)	940,000,000	720,000,000
Prepaid Enterprise Income tax	37,192,335	155,807,742
VAT input to be deducted	31,482,628	158,747,492
VAT input to be verified	56,501,118	81,133,475
Others	1,294,801	493,177
	<u>1,066,470,882</u>	<u>1,116,181,886</u>

(10) Available-for-sale financial assets

	30 June 2017 (unaudited)	31 December 2016
Measured at fair value		
— wealth management products	940,000,000	720,000,000
Measured at cost		
— available-for-sale equity instruments	9,261,821	9,261,821
Less: provision for impairment of available-for-sale equity instruments	(8,653,179)	(8,653,179)
	940,608,642	720,608,642
Less: available-for-sale financial assets listed in other current assets (<i>Note 4(9)</i>)	(940,000,000)	(720,000,000)
	<u>608,642</u>	<u>608,642</u>

(10) Available-for-sale financial assets (Cont'd)

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

Available-for-sale financial assets measured at fair value:

As at 30 June 2017 and 31 December 2016, the available-for-sale financial assets measured at fair value both represent the non-principal guaranteed wealth management products with floating income purchased by Finance Company (a subsidiary of the Company), in which wealth management products to be matured within one year are both included in other current assets. As at 30 June 2017, the carrying amount approximated the fair value. The fair values are based on cash flow discounted using the expected return based on management's judgment and are within level 3 of the fair value hierarchy.

As at 30 June 2017, the maximum exposure to credit risk of the wealth management products classified as available-for-sale is its carrying value.

None of these available-for-sale financial assets are past due or impaired.

Available-for-sale financial assets measured at cost:

	31 December 2016	Increase in the current period (unaudited)	30 June 2017 (unaudited)	Dividends distribution in the current period (unaudited)
Cost of available-for-sale equity instruments				
— Qingdao Yingxiao Club	3,985,261	—	3,985,261	—
— Guangxi Beihai Real Estate Co., Ltd.	3,610,000	—	3,610,000	—
— Others	1,666,560	—	1,666,560	—
	<u>9,261,821</u>	<u>—</u>	<u>9,261,821</u>	<u>—</u>
		31 December 2016	Changes in the current period (unaudited)	30 June 2017 (unaudited)
Provision for impairment of available-for-sale equity instruments				
— Qingdao Yingxiao Club		(3,985,261)	—	(3,985,261)
— Guangxi Beihai Real Estate Co., Ltd.		(3,610,000)	—	(3,610,000)
— Others		(1,057,918)	—	(1,057,918)
		<u>(8,653,179)</u>	<u>—</u>	<u>(8,653,179)</u>

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

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

(11) Long-term equity investments

	30 June 2017 (unaudited)	31 December 2016
Joint Venture (a)	237,937,491	226,219,372
Associates (b)	154,321,269	154,531,543
	392,258,760	380,750,915
Less: Provision for impairment of long-term equity investments	(1,220,000)	(1,220,000)
	391,038,760	379,530,915

(a) Joint Venture

	Movements in the current period (unaudited)				30 June 2017 (unaudited)	Balance of provision for impairment at end of period (unaudited)
	31 December 2016	Share of net profit or loss using the equity method	Share of other comprehensive income	Other equity changes		
Hebei Jiahe Beer Co., Ltd. ("Hebei Jiahe Company")	226,219,372	11,718,119	—	—	237,937,491	—

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

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

(b) Associates

	Movements in the current period (unaudited)				30 June 2017 (unaudited)	Balance of provision for impairment at end of period (unaudited)
	31 December 2016	Share of net profit or loss using the equity method	Share of other comprehensive income	Other equity changes		
Yantai Brewery Tsingtao Ashi Co., Ltd. ("Yantai Asahi")	132,718,159	12,262,592	—	—	(14,811,398)	130,169,353
Qingdao Zhaoshang Logistics Company Limited. ("Zhaoshang Logistics")	16,870,025	2,110,438	—	2,740	—	18,983,203
Liaoning Shengqing Tsingtao Brewery Company Limited. ("Liaoning Shengqing")	1,770,091	(341,278)	—	—	—	1,428,813
Tsingtao Brewery Import & Export S.A.R.L. ("European Company")	1,953,268	432,503	134,129	—	—	2,519,900
Others	1,220,000	—	—	—	—	1,220,000
	154,531,543	14,464,255	134,129	2,740	(14,811,398)	154,321,269
						(1,220,000)

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

(12) Investment properties

Buildings**Cost**

31 December 2016	53,430,046
Increase in the current period — transfer from fixed assets (unaudited) (i)	1,097,869
30 June 2017 (unaudited)	54,527,915

Accumulated depreciation

31 December 2016	(27,877,439)
Increase in the current period (unaudited)	(1,456,818)
Accrual	(822,551)
Transfer from fixed assets (i)	(634,267)
30 June 2017 (unaudited)	(29,334,257)

Provision for impairment

31 December 2016	(606,587)
30 June 2017 (unaudited)	(606,587)

Carrying amount

30 June 2017 (unaudited)	24,587,071
31 December 2016	24,946,020

- (i) For the six months ended 30 June 2017, the fixed assets with the carrying amount of 463,602 (cost: 1,097,869) are reclassified to investment properties as they are used for leasing instead of self-use.

For the six months ended 30 June 2017, there is no investment property measured at fair value in the Group (For the six months ended 30 June 2016: nil).

As at 30 June 2017, there is no investment property without ownership certificates (31 December 2016: nil).

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

(13) Fixed assets

	Buildings	Machinery and equipment	Vehicles	Other equipment	Total
Cost					
As at 31 December 2016	7,100,793,985	10,996,820,185	363,886,714	849,498,987	19,310,999,871
Increase in the current period					
(unaudited)	98,174,291	266,138,093	3,337,202	23,654,438	391,304,024
Purchase	—	2,582,456	3,337,202	23,654,438	29,574,096
Transfer from construction in progress	98,174,291	263,555,637	—	—	361,729,928
Decrease in the current period					
(unaudited)	(48,289,741)	(331,992,481)	(8,725,237)	(17,144,932)	(406,152,391)
Disposal	(20,055,875)	(164,762,442)	(8,725,237)	(17,144,932)	(210,688,486)
Transfer to construction in progress (i)	(27,135,997)	(167,230,039)	—	—	(194,366,036)
Transfer to investment properties	(1,097,869)	—	—	—	(1,097,869)
As at 30 June 2017 (unaudited)	7,150,678,535	10,930,965,797	358,498,679	856,008,493	19,296,151,504
Accumulated depreciation					
As at 31 December 2016	(1,519,006,075)	(5,214,672,163)	(207,427,882)	(531,089,549)	(7,472,195,669)
Increase in the current period					
— Accrual (unaudited)	(95,243,956)	(304,238,531)	(14,245,054)	(49,620,465)	(463,348,006)
Decrease in the current period					
(unaudited)	17,940,078	245,295,887	7,948,029	13,584,541	284,768,535
Disposal	11,140,065	138,916,495	7,948,029	13,584,541	171,589,130
Transfer to construction in progress (i)	6,165,746	106,379,392	—	—	112,545,138
Transfer to investment properties	634,267	—	—	—	634,267
As at 30 June 2017 (unaudited)	(1,596,309,953)	(5,273,614,807)	(213,724,907)	(567,125,473)	(7,650,775,140)
Provision for impairment					
As at 31 December 2016	(61,378,013)	(327,459,767)	(2,305,197)	(49,685)	(391,192,662)
Increase in the current period					
— Accrual (unaudited)	—	(1,696,911)	(22,568)	(20,665)	(1,740,144)
Decrease in the current period					
— Disposal (unaudited)	356,590	12,429,573	449,082	—	13,235,245
As at 30 June 2017 (unaudited)	(61,021,423)	(316,727,105)	(1,878,683)	(70,350)	(379,697,561)
Carrying amount					
As at 30 June 2017 (unaudited)	5,493,347,159	5,340,623,885	142,895,089	288,812,670	11,265,678,803
As at 31 December 2016	5,520,409,897	5,454,688,255	154,153,635	318,359,753	11,447,611,540

- (i) For the six months ended 30 June 2017, fixed assets of the Group with the carrying amount of 81,820,898 (cost: 194,366,036; accumulated depreciation: 112,545,138) are transferred to construction in progress to be upgraded due to technology renewal and the likes.

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

(13) Fixed assets (Cont'd)

As at 30 June 2017, there are no fixed assets pledged as collateral for borrowings (31 December 2016: nil).

For the six months ended 30 June 2017, fixed assets accumulated depreciation are 463,348,006 (For the six months ended 30 June 2016: 411,349,161), of which 412,908,713, 4,853,486 and 45,585,807 (For the six months ended 30 June 2016: 366,627,174, 5,845,064 and 38,876,923) have been charged to cost of sales, selling and distribution expenses and general and administrative expenses respectively.

The cost of fixed assets transferred from construction in progress amounts to 361,729,928 (For the six months ended 30 June 2016: 339,139,338).

(a) Temporarily idle fixed assets

As at 30 June 2017, the buildings and the machinery and equipment with carrying amount of 95,529,558 (cost: 319,535,421) are temporarily idle for the reason of products update (31 December 2016: carrying amount of 80,756,169 (cost:193,706,174)). The management planned to reallocate these assets among the Group. The detailed analysis of these assets is as follows:

	Cost (unaudited)	Accumulated depreciation (unaudited)	Provision for impairment (unaudited)	Carrying amount (unaudited)
Machinery and equipment	289,959,501	(185,102,653)	(15,496,810)	89,360,038
Buildings	<u>29,575,920</u>	<u>(12,735,003)</u>	<u>(10,671,397)</u>	<u>6,169,520</u>
	<u>319,535,421</u>	<u>(197,837,656)</u>	<u>(26,168,207)</u>	<u>95,529,558</u>

(b) Fixed assets held under finance leases

As at 30 June 2017, there are no fixed assets held under finance leases (31 December 2016: nil).

(c) Provision for impairment

According to the accounting policies stated in Note 2(19), the Group performs impairment testing on buildings, machinery and equipment with impairment indicator at the balance sheet date, and impairment of 1,740,144 has been provided.

(d) Fixed assets without ownership certificates

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

Reason	30 June 2017 Carrying amount (unaudited)	31 December 2016 Carrying amount
In the application process	557,354,000	486,110,000
Unable to obtain	<u>42,608,000</u>	<u>48,633,000</u>
	<u>599,962,000</u>	<u>534,743,000</u>

(13) Fixed assets (Cont'd)

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

Per consultation with the Company's legal adviser, the Company's directors are of the view that this situation will not prevent the Group from legal possession of such facilities as there is no legal restriction for the Group to apply for and obtain the building ownership certificates, there are no significant adverse impact on the operations of the Group, therefore, no provision for fixed assets impairment is provided. In addition, certain buildings of the Group are still located on parcels of allocated land owned by certain local municipal governments (Note 4(16)).

Reason

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

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

(14) Construction in progress

	30 June 2017 (unaudited)			31 December 2016		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Relocation project of Langfang Company	23,167,082	—	23,167,082	13,484,798	—	13,484,798
Production line improvement of No. 1 Factory	22,518,375	—	22,518,375	17,950,454	—	17,950,454
Production line improvement of No. 2 Factory	17,281,476	—	17,281,476	12,755,649	—	12,755,649
Production line improvement of Yulin Company	17,224,575	—	17,224,575	—	—	—
New factory project of Zhangjiakou Company	17,049,140	—	17,049,140	16,344,643	—	16,344,643
Production line improvement of No. 5 Factory	8,511,548	—	8,511,548	3,465,804	—	3,465,804
New factory building project of Shanghai Investing Company	7,566,516	—	7,566,516	7,409,926	—	7,409,926
Production line improvement of Jiujiang Company	7,138,089	—	7,138,089	934,674	—	934,674
Relocation project of Suizhou Company	5,910,809	—	5,910,809	71,104,298	—	71,104,298
New office building project of Shanghai Sales Company	4,553,466	—	4,553,466	3,258,376	—	3,258,376
Relocation project of Weinan Company	4,376,709	—	4,376,709	2,928,903	—	2,928,903
Production line improvement of New Songjiang Manufacturing	2,652,215	—	2,652,215	1,686,760	—	1,686,760
Production line improvement of Hanzhong Company	2,599,166	—	2,599,166	283,019	—	283,019
Production line improvement of Luzhou Company	2,215,644	—	2,215,644	1,238,185	—	1,238,185
Production line improvement of No. 3 Factory	1,752,160	—	1,752,160	2,182,747	—	2,182,747
Production line improvement of Jinan Company	1,733,261	—	1,733,261	511,090	—	511,090
Production line improvement of Pengcheng Company	1,382,763	—	1,382,763	312,613	—	312,613
Production line improvement of Xiamen Company	1,099,376	—	1,099,376	948,433	—	948,433
Other projects	12,034,999	—	12,034,999	36,646,354	—	36,646,354
	160,767,369	—	160,767,369	193,446,726	—	193,446,726

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

(14) Construction in progress (Cont'd)

(a) Movement in significant construction in progress

Name	Budget	31 December 2016	Increase in the current period (unaudited)	Transfer to fixed assets in the current period (unaudited)	30 June 2017 (unaudited)	Proportion of expenditures incurred to budgeted amount	Completion percentage	Source of funds
Relocation project of Langfang Company	299,220,000	13,484,798	9,682,284	—	23,167,082	12%	9%	Self-funding
Production line improvement of No. 1 Factory	50,257,599	17,950,454	13,267,343	(8,699,422)	22,518,375	60%	59%	Self-funding
Production line improvement of No. 2 Factory	189,699,000	12,755,649	20,098,467	(15,572,640)	17,281,476	78%	78%	Self-funding
Production line improvement of Yulin Company	20,872,027	—	19,440,623	(2,216,048)	17,224,575	93%	93%	Self-funding
New factory project of Zhangjiakou Company	400,000,000	16,344,643	704,497	—	17,049,140	4%	4%	Self-funding
Production line improvement of No. 5 Factory	17,518,381	3,465,804	8,172,621	(3,126,877)	8,511,548	69%	66%	Self-funding
New factory building project of Shanghai Investing Company	10,887,500	7,409,926	156,590	—	7,566,516	74%	74%	Self-funding
Production line improvement of Jiujiang Company	69,700,000	934,674	6,516,794	(313,379)	7,138,089	59%	58%	Self-funding
Relocation project of Suizhou Company	268,000,000	71,104,298	40,982,379	(106,175,868)	5,910,809	87%	85%	Self-funding
New office building project of Shanghai Sales Company	140,000,000	3,258,376	1,295,090	—	4,553,466	3%	3%	Self-funding
Relocation project of Weinan Company	308,330,000	2,928,903	1,811,099	(363,293)	4,376,709	86%	84%	Self-funding
Production line improvement of New Songjiang Manufacturing	11,428,000	1,686,760	8,559,834	(7,594,379)	2,652,215	90%	90%	Self-funding
Production line improvement of Hanzhong Company	6,638,504	283,019	3,981,510	(1,665,363)	2,599,166	64%	64%	Self-funding
Production line improvement of Luzhou Company	19,777,100	1,238,185	14,165,427	(13,187,968)	2,215,644	92%	86%	Self-funding
Production line improvement of No. 3 Factory	4,130,277	2,182,747	249,690	(680,277)	1,752,160	61%	61%	Self-funding
Production line improvement of Jinan Company	7,414,757	511,090	1,369,381	(147,210)	1,733,261	25%	25%	Self-funding
Production line improvement of Pengcheng Company	2,700,000	312,613	1,382,763	(312,613)	1,382,763	63%	63%	Self-funding
Production line improvement of Xiamen Company	12,591,554	948,433	7,151,120	(7,000,177)	1,099,376	64%	64%	Self-funding
Other projects		36,646,354	170,063,059	(194,674,414)	12,034,999			
		193,446,726	329,050,571	(361,729,928)	160,767,360			

For the six months ended 30 June 2017, there are no new increased borrowing costs capitalised (For the six months ended 30 June 2016: nil).

(b) Provision for impairment

For the six months ended 30 June 2017, the Group did not provide or write off provision for impairment of construction in progress (For the six months ended 30 June 2016: nil).

(15) Fixed assets pending for disposal

	30 June 2017 (unaudited)	31 December 2016
Machinery and equipment	<u>2,397,307</u>	<u>1,158,936</u>

(16) Intangible assets

	Land use rights	Trademarks	Technology known-how	Marketing networks	Others	Total
Cost						
31 December 2016	2,511,821,119	449,743,612	18,629,100	974,935,670	373,203,139	4,328,332,640
Increase in the current period						
— Purchase (unaudited)	4,810,767	—	—	—	2,157,429	6,968,196
Decrease in the current period						
— Disposal (unaudited)	—	—	—	—	(22,074)	(22,074)
30 June 2017 (unaudited)	2,516,631,886	449,743,612	18,629,100	974,935,670	375,338,494	4,335,278,762
Accumulated amortisation						
31 December 2016	(389,845,357)	(242,958,273)	(18,629,100)	(542,800,550)	(159,352,587)	(1,353,585,867)
Increase in the current period	(32,503,067)	(18,749,339)	—	(49,072,402)	(15,097,714)	(115,422,522)
— Amortisation (unaudited)						
Decrease in the current period	—	—	—	—	10,045	10,045
— Disposal (unaudited)						
30 June 2017 (unaudited)	(422,348,424)	(261,707,612)	(18,629,100)	(591,872,952)	(174,440,256)	(1,468,998,344)
Carrying amount						
30 June 2017 (unaudited)	2,094,283,462	188,036,000	—	383,062,718	200,898,238	2,866,280,418
31 December 2016	2,121,975,762	206,785,339	—	432,135,120	213,850,552	2,974,746,773

For the six months ended 30 June 2017, the amortisation amount of intangible assets is 115,422,522 (For the six months ended 30 June 2016: 102,620,945).

As at 30 June 2017, there are no intangible assets pledged as collateral for borrowings (31 December 2016: nil).

As at 30 June 2017, the relevant legal procedures for certificates application of the Group's land use rights with carrying amount of approximately 824,507 (31 December 2016: 839,000) are still in process. According to the legal adviser's opinion, the directors of the Company are of the view that, there is no substantial legal restriction for the acquisition of the certificates, which does not have significant impact on the Group's operation and no provision for impairment of intangible assets is considered necessary. In addition, as at 30 June 2017, 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 32,278,384 as at 30 June 2017 (31 December 2016: 31,105,000). The Company's directors consider that there is no significant adverse impact on the operations of the Group.

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

(17) Goodwill

	31 December 2016	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2017 (unaudited)
Goodwill —				
Immense Brewery Company	958,868,617	—	—	958,868,617
Lulansa Brewery	227,026,482	—	—	227,026,482
South China Region —				
Nanning Company	130,895,740	—	—	130,895,740
Southeast China Region —				
Fuzhou Company/ Xiamen Company/ Zhangzhou Company/ Dongnan Sales Company	114,031,330	—	—	114,031,330
North China Region —				
Three Ring Company/ Beifang Sales Company	24,642,782	—	—	24,642,782
Other Regions	49,049,770	—	—	49,049,770
	<u>1,504,514,721</u>	<u>—</u>	<u>—</u>	<u>1,504,514,721</u>
<i>Less: provision for impairment (a) —</i>				
Immense Brewery Company	—	—	—	—
Lulansa Brewery	—	—	—	—
South China Region —				
Nannin 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>

(a) Impairment

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

	30 June 2017 (unaudited)	31 December 2016
South China Region	(130,895,740)	(130,895,740)
North China Region	(24,642,782)	(24,642,782)
Other Regions	(41,872,217)	(41,872,217)
	<u>(197,410,739)</u>	<u>(197,410,739)</u>

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

(17) Goodwill (Cont'd)

(a) Impairment (Cont'd)

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

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

(18) Long-term prepaid expenses

	31 December 2016	Increase in the current period (unaudited)	Amortisation in the current period (unaudited)	30 June 2017 (unaudited)
Decoration and renovation expenses	18,863,747	1,828,629	(3,588,615)	17,103,761
Factory hardening expenses	9,043,509	58,545	(1,407,457)	7,694,597
Gardening expenses	4,045,719	1,678,521	(2,010,057)	3,714,183
Site and vehicle leasing expenses	3,371,177	—	(378,127)	2,993,050
Others	4,596,848	163,577	(1,131,839)	3,628,586
	<u>39,921,000</u>	<u>3,729,272</u>	<u>(8,516,095)</u>	<u>35,134,177</u>

(19) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets without offsetting

	30 June 2017 (unaudited)		31 December 2016	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	218,896,368	54,724,092	293,541,748	73,385,437
Provision for asset impairment	11,169,648	2,792,412	11,420,660	2,855,165
Deferred income	463,481,952	115,870,488	444,044,664	111,011,166
Elimination of intra-group unrealised profit	38,943,456	9,735,864	97,366,116	24,341,529
Accruals of expenses	4,130,440,476	1,032,610,119	3,381,791,780	845,447,945
	<u>4,862,931,900</u>	<u>1,215,732,975</u>	<u>4,228,164,968</u>	<u>1,057,041,242</u>
Including:				
Expected to reverse within one year (inclusive)		996,493,550		819,084,034
Expected to be recovered after one year		219,239,425		237,957,208
		<u>1,215,732,975</u>		<u>1,057,041,242</u>

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

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

(b) Deferred tax liabilities without offsetting

	30 June 2017 (unaudited)		31 December 2016	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not under common control	925,660,464	231,415,116	987,300,452	246,825,113
Depreciation of fixed assets	14,962,936	3,740,734	17,254,456	4,313,614
The difference between carrying amount and tax base resulted from government grants charged in profit or loss in the current period	55,434,376	13,858,594	51,051,664	12,762,916
	996,057,776	249,014,444	1,055,606,572	263,901,643
Including:				
Expected to be recovered within one year (inclusive)		32,208,091		32,779,311
Expected to be recovered after one year		216,806,353		231,122,332
		249,014,444		263,901,643

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

	30 June 2017 (unaudited)	31 December 2016
Deductible temporary differences	588,547,804	494,788,360
Deductible losses	2,504,337,951	2,430,156,260
	3,092,885,755	2,924,944,620

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 626,084,000 (31 December 2016: 607,539,000) arising from the accumulated losses that can set off against taxable incomes under tax laws from 2017 to 2022. In addition, given the loss-making position of certain subsidiaries, whether it is probable that sufficient future taxable incomes will be available against temporary differences is highly uncertain or the possibility of obtaining approval on the losses from tax authorities is low. Therefore, the Group also has not recognised deferred tax assets of approximately 147,137,000 (31 December 2016: 123,697,000) arising from the deductible temporary differences.

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

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

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

	30 June 2017 (unaudited)	31 December 2016
2017	296,423,205	334,602,827
2018	415,706,564	448,241,230
2019	366,977,937	388,955,990
2020	532,256,060	569,085,697
2021	628,074,889	689,270,516
2022	264,899,296	—
	<u>2,504,337,951</u>	<u>2,430,156,260</u>

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

	30 June 2017 (unaudited)		31 December 2016	
	Offsetting amount	Net amounts	Offsetting amount	Net amounts
Deferred tax assets	14,524,582	1,201,208,393	14,831,688	1,042,209,554
Deferred tax liabilities	14,524,582	234,489,862	14,831,688	249,069,955

(20) Provision for asset impairment

	31 December 2016	Increase in the current period (unaudited)	Decrease in the current period (unaudited)		Others (unaudited)	30 June 2017 (unaudited)
			Reversal	Write-off		
Provision for bad debts	267,450,135	699,068	(449,473)	(7,377)	(1,416)	267,690,937
Including: Provision for bad debts of accounts receivable	193,326,345	121,648	(127,482)	—	(1,416)	193,319,095
Provision for bad debts of other receivables	74,123,790	577,420	(321,991)	(7,377)	—	74,371,842
Provision for decline in value of inventories	5,730,106	—	—	(180,000)	—	5,550,106
Provision for impairment of available- for-sale financial assets	8,653,179	—	—	—	—	8,653,179
Provision for impairment of long-term equity investments	1,220,000	—	—	—	—	1,220,000
Provision for impairment of investment properties	606,587	—	—	—	—	606,587
Provision for impairment of fixed assets	391,192,662	1,740,144	—	(13,235,245)	—	379,697,561
Provision for impairment of goodwill	197,410,739	—	—	—	—	197,410,739
	<u>872,263,408</u>	<u>2,439,212</u>	<u>(449,473)</u>	<u>(13,422,622)</u>	<u>(1,416)</u>	<u>860,829,109</u>

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

(21) Other non-current assets

	30 June 2017 (unaudited)	31 December 2016
Prepayments for construction and equipment	<u>68,892,147</u>	<u>56,310,013</u>

(22) Short-term borrowings

Currency	30 June 2017 (unaudited)	31 December 2016
Unsecured loan	<u>330,130,200</u>	<u>302,341,000</u>

As at 30 June 2017, it represents the borrowing of RMB293,350,200 (Original foreign currency: HKD338,000,000) to Hong Kong company, a subsidiary of the Company, provided by the Bank of China (31 December 2016: RMB302,341,000 (HKD:338,000,000)), and the borrowing of RMB36,780,000 provided by the Bank of Tokyo-Mitsubishi UFJ (China), Ltd. to Shenzhen Tsingtao Brewery Asahi Co., Ltd. ("Shenzhen Asahi"), a subsidiary of the Company (31 December 2016:nil).

As at 30 June 2017, the interest rate range of short-term borrowings is from 1.48% to 4.13% (31 December 2016: 1.53%).

(23) Notes payable

	30 June 2017 (unaudited)	31 December 2016
Bank acceptance notes	196,732,405	224,891,416
Trade acceptance notes	<u>68,909,270</u>	<u>82,625,504</u>
	<u>265,641,675</u>	<u>307,516,920</u>

Other cash balances of 8,026,000 (31 December 2016: 8,647,000) are pledged as collateral for the bank acceptance notes of the Group (Note 4(1)).

(24) Accounts payable

	30 June 2017 (unaudited)	31 December 2016
Payable for materials purchase	2,938,073,648	1,928,984,313
Payable for beer purchase due to related parties (Note 7(5))	116,752,177	103,908,631
Payable for promotional goods	21,128,629	13,441,767
Others	<u>2,692,069</u>	<u>2,894,648</u>
	<u>3,078,646,523</u>	<u>2,049,229,359</u>

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

(24) Accounts payable (Cont'd)

- (a) As at 30 June 2017, accounts payable over 1 year with carrying amount of 38,490,914 (31 December 2016: 44,836,080) are mainly payables for materials purchase, for which has not yet been completed.
- (b) The ageing of accounts payable based on their recording dates is analysed as follows:

	30 June 2017 (unaudited)	31 December 2016
Within 1 year	3,040,155,609	2,004,393,279
1 to 2 years	14,019,682	19,396,936
2 to 3 years	8,070,250	8,170,856
Over 3 years	16,400,982	17,268,288
	<u>3,078,646,523</u>	<u>2,049,229,359</u>

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

(25) Advances from customers

	30 June 2017 (unaudited)	31 December 2016
Advances on sales of beer	<u>450,759,122</u>	<u>1,320,882,187</u>

As at 30 June 2017, advances from customers over 1 year with carrying amount of 11,009,727 (31 December 2016: 14,808,190) are mainly purchase deposits received from customers in advance. The amount has not been settled as the Group still maintains cooperative relationship with these customers.

(26) Employee benefits payable

	30 June 2017 (unaudited)	31 December 2016
Short-term employee benefits (a)	877,160,751	849,670,462
Defined contribution plans (b)	26,045,407	24,177,787
Termination benefits (c)	97,120,682	97,832,721
Defined benefit plans (d)	17,996,608	16,735,992
	<u>1,018,323,448</u>	<u>988,416,962</u>

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

(26) Employee benefits payable

(a) Short-term employee benefits

	31 December 2016	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2017 (unaudited)
Wages and salaries, bonus, allowances and subsidies	560,806,852	1,453,188,698	(1,441,986,132)	572,009,418
Staff welfare	1,091,050	88,246,387	(88,344,214)	993,223
Social security contributions	15,101,415	119,826,048	(120,398,555)	14,528,908
Including: Medical insurance	11,598,421	102,467,521	(103,203,141)	10,862,801
Work injury insurance	1,762,766	8,432,519	(8,348,551)	1,846,734
Maternity insurance	1,740,228	8,926,008	(8,846,863)	1,819,373
Housing funds	16,433,576	118,277,878	(117,325,044)	17,386,410
Labour union funds and employee education funds	256,237,569	51,348,769	(35,343,546)	272,242,792
	<u>849,670,462</u>	<u>1,830,887,780</u>	<u>(1,803,397,491)</u>	<u>877,160,751</u>

(b) Defined contribution plans

	31 December 2016	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2017 (unaudited)
Basic pension	19,935,261	232,617,694	(230,828,099)	21,724,856
Unemployment insurance	4,242,526	9,808,936	(9,730,911)	4,320,551
	<u>24,177,787</u>	<u>242,426,630</u>	<u>(240,559,010)</u>	<u>26,045,407</u>

(c) Termination benefits

	30 June 2017 (unaudited)	31 December 2016
Early retirement benefits payable (Note 4(34))	97,120,682	96,813,803
Other termination benefits	—	1,018,918
	<u>97,120,682</u>	<u>97,832,721</u>

(d) Defined benefit plans

	30 June 2017 (unaudited)	31 December 2016
Supplemental retirement benefits (Note 4(34))	<u>17,996,608</u>	<u>16,735,992</u>

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

(27) Taxes payable

	30 June 2017 (unaudited)	31 December 2016
Enterprise income tax	291,122,926	130,342,186
Unpaid VAT	260,460,605	77,885,966
Consumption tax	257,526,115	109,597,442
City maintenance and construction tax	33,113,987	8,650,180
Education surcharge	25,667,122	8,154,050
Others	57,199,224	61,836,819
	<u>925,089,979</u>	<u>396,466,643</u>

(28) Dividends payable

	30 June 2017 (unaudited)	31 December 2016
Dividends payable to common shareholders	243,569,766	—
Dividends payable to abroad shareholders	229,274,212	—
	<u>472,843,978</u>	<u>—</u>

(29) Other payables

	30 June 2017 (unaudited)	31 December 2016
Accruals for marketing expenses	3,176,261,140	2,689,962,189
Guarantee deposits	697,649,215	684,183,068
Payables to vendors of construction, machinery and equipment	607,386,893	668,721,848
Accruals for transportation expenses	439,129,443	202,591,950
Accruals for advertising expenses	156,379,173	118,266,763
Accruals for labour expenses	81,669,779	58,817,147
Accruals for water, electricity and steam expenses	71,859,640	46,649,608
Accruals for general and administrative expenses	60,379,972	55,547,351
Investment payable (i)	16,682,870	37,000,000
Withholding social expenses for staff	8,921,905	12,130,599
Absorbed deposits from related parties and interests payables (ii)	8,319,258	18,530,087
Others	366,943,863	326,418,695
	<u>5,691,583,151</u>	<u>4,918,819,305</u>

(i) As at 30 June 2017, investment payable includes unpaid payment of 10,000,000, which arise from the acquisition of Shandong Lulansa Brewery Co.,Ltd (“Lulansa Brewery”) and the unpaid payment of 6,682,870, which arise from the acquisitions of Tsingtao Brewery (Shanghai) Investing Co., Ltd. (“Shanghai Investing Company”) and Tsingtao Brewery (Shanghai) industrial Co., Ltd. (“Shanghai Industrial Company”).

(ii) 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 2017, other payables over 1 year with carrying amount of 603,194,887 (31 December 2016: 575,145,948) are mainly liabilities due to acquisition of subsidiaries, payables to vendors of construction, machinery and equipment, and investment payable.

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

(30) Current portion of non-current liabilities

	30 June 2017 (unaudited)	31 December 2016
Current portion of long-term borrowings (<i>Note 4(31)</i>)	<u>410,591</u>	<u>376,372</u>

(31) Long-term borrowings

	Currency	30 June 2017 (unaudited)	31 December 2016
Guaranteed (<i>i</i>)	DKK	<u>1,661,111</u>	<u>1,752,852</u>
<i>Less:</i> Current portion of guaranteed borrowing (<i>Note 4(30)</i>)			
Guaranteed (<i>i</i>)	DKK	<u>(410,591)</u>	<u>(376,372)</u>
		<u>1,250,520</u>	<u>1,376,480</u>

- (i) Bank guaranteed borrowing of RMB1,661,111 (Original foreign currency: DKK1,594,004) (31 December 2016: RMB1,752,852 (Original foreign currency: DKK1,723,382)) is guaranteed by Beijing Development and Reform Commission. The principal amount shall be repaid twice annually based on the equal repayment of principal method, with the last repayment falling due on 1 April 2021. The amount due within one year amounted to 410,591 (31 December 2016: 376,372).

As at 30 June 2017 and 31 December 2016, the long-term borrowings are interest-free borrowings.

(32) Payables for specific projects

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

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

(33) Deferred income

					30 June 2017 (unaudited)	31 December 2016
Government grants					1,947,122,724	1,948,814,560
Government grants items	31 December 2016	Increase in the current period (unaudited)	Charged to other income (unaudited)	Charged to non-operating income (unaudited)	30 June 2017 (unaudited)	Related to assets/income
Relocation projects						
Tengzhou Company relocation project	182,859,984	—	(5,604,916)	—	177,255,068	Assets
Wuwei Company relocation project	169,790,352	—	(5,859,171)	—	163,931,181	Assets
Suizhou Company relocation project	126,607,790	32,349,189	(4,841,155)	—	154,115,824	Assets
Rizhao Company relocation project	158,628,187	—	(5,360,837)	—	153,267,350	Assets
Zhuhai Company relocation project	150,833,692	—	(6,115,301)	—	144,718,391	Assets
Gansu nongken Company relocation project	147,503,661	—	(6,036,820)	—	141,466,841	Assets
Suqian Company relocation project	146,569,617	—	(5,317,149)	—	141,252,468	Assets
Xingkaihu Company relocation project	129,171,945	10,000,000	(3,656,721)	—	135,515,224	Assets
Yangzhou Company relocation project	129,349,046	—	(5,439,358)	—	123,909,688	Assets
Fuzhou Company relocation project	124,152,481	—	(6,018,476)	—	118,134,005	Assets
Weinan Company relocation project	94,682,892	—	(3,459,855)	—	91,223,037	Assets/Income
Harbin Company relocation project	69,878,597	5,000,000	(4,553,512)	—	70,325,085	Assets/Income
Heze Company relocation project	29,836,044	30,000,000	(8,530,233)	—	51,305,811	Assets
Langfang Company relocation project	44,668,565	289,084	(800,965)	—	44,156,684	Assets
Malt Factory relocation project	23,286,287	—	(2,117,425)	—	21,168,862	Assets
No. 3 Factory relocation project	19,943,971	—	(1,890,355)	—	18,053,616	Assets
Hansi Baoji relocation project	22,634,391	—	(3,111,696)	(1,633,554)	17,889,141	Assets/Income
Pengcheng Company relocation project	14,745,120	—	(1,564,925)	—	13,180,195	Assets
Mishan Company relocation project	—	8,533,199	(711,225)	(7,821,974)	—	Income
Technology improvement projects						
Technology improvement projects of Five Star Company	12,768,572	—	(512,143)	—	12,256,429	Assets
Technology improvement projects of Luzhou Company	10,796,000	—	(607,886)	—	10,188,114	Assets
Technology improvement projects of Shijiazhuang Company	8,006,150	—	(483,580)	—	7,522,570	Assets
Other projects	132,101,216	7,857,565	(3,671,641)	—	136,287,140	
	1,948,814,560	94,029,037	(86,265,345)	(9,455,528)	1,947,122,724	

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

(34) Long-term employee benefits payable

	30 June 2017 (unaudited)	31 December 2016
Early retirement benefits (a)	340,745,976	361,011,072
Supplemental retirement benefits (b)	293,727,925	291,496,239
	<u>634,473,901</u>	<u>652,507,311</u>
<i>Less:</i> Early retirement benefits within one year	(97,120,682)	(96,813,803)
Supplemental retirement benefits within one year	(17,996,608)	(16,735,992)
	<u>(115,117,290)</u>	<u>(113,549,795)</u>
	<u>519,356,611</u>	<u>538,957,516</u>

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

(a) Early retirement benefits

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

	30 June 2017 (unaudited)	31 December 2016
Discount rate (yield-to-maturity of the government bond with the same term)	3.46% – 3.59%	2.65% – 3.01%

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

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016
General and administrative expenses	26,575,283	39,655,092
Finance expenses	5,784,332	5,308,198

(b) Supplemental retirement benefits

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

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

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

(b) Supplemental retirement benefits (Cont'd)

(i) Supplemental retirement benefits obligations of the Group:

	30 June 2017 (unaudited)	31 December 2016
Defined benefit obligations	293,727,925	291,496,239
Less: fair value of plan assets	—	—
Defined benefit liabilities	<u>293,727,925</u>	<u>291,496,239</u>

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

	Present value of the defined benefit obligation
As at 1 January 2017	291,496,239
Amount charged to profit or loss in the current period (unaudited)	
— Service cost	5,949,964
— Interest expense on the net defined benefit obligations	4,481,165
Payment from the plan (unaudited)	<u>(8,199,443)</u>
As at 30 June 2017 (unaudited)	<u>293,727,925</u>
	Present value of the defined benefit obligation
As at 1 January 2016	260,317,941
Amount charged to profit or loss in the current period (unaudited)	
— Service cost	8,608,508
— Interest expense on the net defined benefit obligations	3,785,998
Payment from the plan (unaudited)	<u>(7,792,952)</u>
As at 30 June 2016 (unaudited)	<u>264,919,495</u>

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

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

(b) Supplemental retirement benefits (Cont'd)

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

	30 June 2017 (unaudited)	31 December 2016
Discount rate	3.25%	3.25%

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

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 2.85%	Increase by 2.99%

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

- (v) The group has not invested in any plan assets, and no separate trustee-administered assets to reimburse the payment of the defined benefit obligation of the Group (31 December 2016: nil).
- (vi) The weighted average duration of the defined benefit obligations is 11.7 years (31 December 2016: 11.7 years).
- (vii) Supplemental retirement benefits caused many risks to the Group, and the primary risk is the fluctuation of the interest rates of government bonds. Decreasing in interest rates of government bonds results in increasing in the defined benefit obligation.

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

(35) Share capital

	31 December 2016	Movements in the current period (unaudited)	30 June 2017 (unaudited)
RMB-denominated ordinary shares	695,913,617	—	695,913,617
Foreign shares listed overseas	655,069,178	—	655,069,178
	<u>1,350,982,795</u>	<u>—</u>	<u>1,350,982,795</u>

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

(36) Capital Surplus

	31 December 2016	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2017 (unaudited)
Share premium	3,356,662,970	—	—	3,356,662,970
Other capital surplus —	87,526,730	2,740	—	87,529,470
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(10,201,258)	2,740	—	(10,198,518)
Transfer from capital surplus recognised under the previous accounting system	93,338,214	—	—	93,338,214
Others	4,389,774	—	—	4,389,774
	<u>3,444,189,700</u>	<u>2,740</u>	<u>—</u>	<u>3,444,192,440</u>

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

(36) Capital Surplus (Cont'd)

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

(37) Other comprehensive income

	Other comprehensive income in the balance sheet		Other comprehensive income in the income statement of six months ended 30 June 2017					
	31 December 2016	Attributable to shareholders of the Company, net of tax (unaudited)	30 June 2017 (unaudited)	The pre-tax amount in the current period (unaudited)	Less: Transfer out from which were recognised in other comprehensive income in the previous periods (unaudited)	Less: Income tax expense (unaudited)	Attributable to the non- controlling interests, net of tax (unaudited)	Attributable to the non- controlling interests, net of tax (unaudited)
Items that will not be subsequently reclassified to profit or loss								
Changes arising from re-measurement of defined benefit plan liabilities	(51,422,000)	—	(51,422,000)	—	—	—	—	—
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	(790,080)	134,129	(655,951)	134,129	—	—	134,129	—
Currency translation differences	2,062,658	5,244,041	7,306,699	5,244,041	—	—	5,244,041	—
	<u>(50,149,422)</u>	<u>5,378,170</u>	<u>(44,771,252)</u>	<u>5,378,170</u>	<u>—</u>	<u>—</u>	<u>5,378,170</u>	<u>—</u>

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

(37) Other comprehensive income (Cont'd)

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

(38) Surplus reserve

	31 December 2016	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2017 (unaudited)
Statutory surplus reserve	<u>1,400,704,380</u>	<u>—</u>	<u>—</u>	<u>1,400,704,380</u>
	31 December 2015	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2016 (unaudited)
Statutory surplus reserve	<u>1,400,704,380</u>	<u>—</u>	<u>—</u>	<u>1,400,704,380</u>

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

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

(39) General reserve

	31 December 2016	Appropriation in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2017 (unaudited)
General reserve	<u>142,496,409</u>	<u>—</u>	<u>—</u>	<u>142,496,409</u>

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

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 required ratio of the ending balance of the risk assets every year based on its risk consideration (2016:1.5%).

(40) Undistributed profits

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Undistributed profits at the beginning of the period	10,025,728,867	9,545,596,720
Add: Net profit attributable to shareholders of the Company for the current period	1,148,467,993	1,069,028,886
Less: Ordinary shares dividend payable	(472,843,978)	(526,883,290)
Undistributed profits at the end of the period	<u>10,701,352,882</u>	<u>10,087,742,316</u>

In accordance with the resolution at the annual general meeting dated 30 June 2017, the Company approved a cash dividend of RMB0.35 per share (pre-tax) to the shareholders of the Company with RMB472,843,978, based on a total number of 1,350,982,795 shares (2016: cash dividend of RMB0.39 per share (pre-tax) to the shareholders of the Company with RMB526,883,290, based on a total number of 1,350,982,795 share). As at 30 June 2017, the dividends has not been paid yet (Note 4(28)).

As at 30 June 2017, the board of directors do not declare the distribution of interim dividends.(As at 30 June 2016: nil)

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

(41) Revenue and cost of sales

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Revenue from main operation (a)	14,930,213,878	14,591,619,722
Revenue from other operations (b)	<u>132,507,124</u>	<u>154,497,126</u>
	<u>15,062,721,002</u>	<u>14,746,116,848</u>
	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Cost of main operation (a)	(8,650,666,933)	(8,622,031,858)
Cost of other operations (b)	<u>(93,082,112)</u>	<u>(106,818,721)</u>
	<u>(8,743,749,045)</u>	<u>(8,728,850,579)</u>

(a) Revenue and cost of main operation

	Six months ended 30 June 2017 (unaudited)		Six months ended 30 June 2016 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of beer	<u>14,930,213,878</u>	<u>(8,650,666,933)</u>	<u>14,591,619,722</u>	<u>(8,622,031,858)</u>

(b) Revenue and cost of other operations

	Six months ended 30 June 2017 (unaudited)		Six months ended 30 June 2016 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Transportation service	29,389,119	(31,970,736)	25,536,720	(23,614,104)
Sales of packaging materials	24,083,110	(15,021,189)	26,734,554	(18,684,615)
Sales of raw materials	11,386,642	(11,267,303)	19,431,400	(18,601,994)
Others	<u>67,648,253</u>	<u>(34,822,884)</u>	<u>82,794,452</u>	<u>(45,918,008)</u>
	<u>132,507,124</u>	<u>(93,082,112)</u>	<u>154,497,126</u>	<u>(106,818,721)</u>

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

(42) Taxes and surcharges

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Tax base
Consumption tax	955,176,253	839,275,106	Note 3
City maintenance and construction tax	150,334,578	133,172,386	Note 3
Education surcharges	114,234,215	100,704,925	Note 3
Land use tax	34,413,333	—	
Real estate tax	30,698,959	—	
Stamp duty	18,028,755	—	
Others	16,477,942	1,847,239	
	<u>1,319,364,035</u>	<u>1,074,999,656</u>	

(43) Selling and distribution expenses

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Promotion related expenses	896,163,677	937,179,111
Employee benefit expenses	895,569,688	893,325,025
Handling and transportation expenses	741,231,725	672,835,843
Advertising related expenses	297,672,416	345,977,619
Administrative expenses	64,446,687	82,008,537
Depreciation and amortisation expenses	60,414,522	61,406,100
Rental expenses	60,023,428	42,148,812
Low-value consumables	44,758,466	32,453,869
Others	13,557,326	8,262,090
	<u>3,073,837,935</u>	<u>3,075,597,006</u>

(44) General and administrative Expenses

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Employee benefits expenses	288,792,327	295,751,986
Depreciation and amortisation expenses	105,361,404	84,738,279
Administrative expenses	43,786,169	42,542,329
Agency fees	15,688,343	16,877,996
Repair expenses	13,127,963	12,323,773
Rental expenses	10,065,157	8,620,585
Low-value consumables	6,180,729	5,561,964
Handling and transportation expenses	5,317,486	4,741,809
Tax expenses	—	80,335,360
Others	54,463,543	66,633,280
	<u>542,783,121</u>	<u>618,127,361</u>

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

(45) Expenses by nature

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

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Raw materials and consumables used	5,888,082,867	5,187,508,181
Employee benefits expenses	2,106,844,338	2,000,835,962
Promotion related expenses	896,163,677	937,179,111
Handling and transportation expenses	846,280,811	764,083,990
Finished goods purchased from outside	655,953,572	1,747,807,146
Depreciation and amortisation expenses	588,109,174	523,249,051
Changes in inventories of finished goods and work in progress	434,488,626	238,751,806
Advertising related expenses	297,672,416	345,977,619
Repair expenses	155,888,470	145,225,987
Administrative expenses	111,928,541	128,860,456
Service charges	85,857,031	79,982,818
Amortisation expenses of packaging materials	79,385,153	63,409,567
Operating lease payments	77,275,063	59,350,727
Tax expenses	—	80,335,360
Others	136,440,362	120,017,165
	<u>12,360,370,101</u>	<u>12,422,574,946</u>
Cost of sales, selling and distribution expenses, and general and administrative expenses in total		

(46) Finance expenses — net

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Interest expense	5,058,153	7,338,690
Less: Interest income	(181,657,205)	(141,576,532)
Exchange gains	(283,492)	(5,706,356)
Discounting impact of the long-term employee benefits payable	10,265,497	9,094,196
Others	1,920,041	2,349,087
	<u>(164,697,006)</u>	<u>(128,500,915)</u>

(47) Profits arising from changes in fair value

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Financial assets at fair value through profit or loss		
— Money market fund	<u>236,015</u>	<u>—</u>

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

(48) Investment income

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Income from long-term equity investment under equity method	26,182,374	29,320,541
Income from wealth management products and others	<u>7,563,619</u>	<u>4,273</u>
	<u>33,745,993</u>	<u>29,324,814</u>

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

(49) Other incomes

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Related to assets/income
Relocation project allowance	80,990,095	—	Assets/Income
Technology renewed project allowance	10,269,445	—	Assets/Income
Others	<u>6,506,157</u>	—	Assets/Income
	<u>97,765,697</u>	<u>—</u>	

(50) Asset impairment losses

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Losses/(reversals) of bad debts	249,595	(179,935)
Impairment loss of fixed assets	<u>1,740,144</u>	<u>3,832,393</u>
	<u>1,989,739</u>	<u>3,652,458</u>

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

(51) Non-operating income

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Government grants (a)	76,454,875	262,345,468
Gain on unpaid debts	4,257,719	1,183,787
Gain on disposal of non-current assets	736,480	216,974
Including: Gains on disposal of fixed assets	736,480	216,974
Penalty gains	294,456	1,830,180
Others	4,404,911	5,055,016
	86,148,441	270,631,425

For six months ended 30 June 2017, all non-operating income has been regard as non-recurring profit or loss in the current period.

(a) Details of government grants

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Related to assets/income
Enterprise development fund	56,741,852	32,980,373	Income
Relocation compensation	9,455,528	203,172,342	Assets/Income
Others	10,257,495	26,192,753	
	76,454,875	262,345,468	

(52) Non-operating expenses

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Losses on disposal of non-current assets	15,764,634	154,425,835
Including: Losses on disposal of fixed assets	15,764,634	69,690,003
Losses on disposal of intangible assets	—	84,735,832
Compensation, defaults and overdue fine	12,114,815	420,991
Donations	450,000	613,655
Penalty losses	207,251	20,214
Others	8,997,710	401,260
	37,534,410	155,881,955

For the six months ended 30 June 2017, non-operating expenses have been regard as non-recurring profit or loss in the current period.

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

(53) Income tax expense

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	673,059,196	621,462,373
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	1,403,464	1,624,879
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	260,614	313,188
Deferred income tax	(173,578,932)	(180,455,826)
	<u>501,144,342</u>	<u>442,944,614</u>

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

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Total profit	<u>1,726,055,869</u>	<u>1,517,464,987</u>
Income tax expenses calculated at applicable tax rates	430,505,342	378,093,625
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	33,488,329	8,223,738
Income not subject to tax	(12,929,658)	(13,139,310)
Utilisation of previously unrecognised deferred tax assets	(37,476,562)	(22,302,978)
Deductible temporary differences for which no deferred tax assets were recognised	21,332,067	17,244,263
Deductible tax losses for which no deferred tax assets were recognised	<u>66,224,824</u>	<u>74,825,276</u>
Income tax expenses	<u>501,144,342</u>	<u>442,944,614</u>

(54) 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 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	1,148,467,993	1,069,028,886
Weighted average number of ordinary shares outstanding	1,350,982,795	1,350,982,795
Basic earnings per share	0.850	0.791
Including:		
— Basic earnings per share relating to continuing operations	0.850	0.791

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2017 (For the six months ended 30 June 2016: nil), diluted earnings per share equals to basic earnings per share.

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

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Deposits	235,692,983	150,096,551
Government grants	81,946,475	52,354,151
Deposits of Financial Company from related party	—	294,679,527
Deposits of scraps and sales of packaging materials	—	105,978,022
Others	93,729,624	99,270,161
	411,369,082	702,378,412

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

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

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Handling and transportation expenses	630,630,869	607,769,214
Marketing and promotion expenses	370,386,063	315,146,324
Advertising related expenses	268,215,035	316,569,233
Administrative expense	119,703,486	119,570,590
Deposits	115,834,470	94,832,071
Others	235,826,607	165,654,524
	<u>1,740,596,530</u>	<u>1,619,541,956</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Interest income of Finance Company	152,627,021	206,774,448
Government compensation for relocation and expansion projects	45,011,842	98,521,723
Bidding deposits collected	5,181,746	8,968,217
	<u>202,820,609</u>	<u>314,264,388</u>

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Deposit in central bank paid by Finance Company	181,590,000	167,840,000
Bidding deposits paid	13,084,831	8,535,313
	<u>194,674,831</u>	<u>176,375,313</u>

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

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

(e) Cash received from disposal of investment

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
The principal of wealth management products collected when matured	860,000,000	—
Government bonds reverse repo investment collected when matured	79,900,000	—
The principal of money market fund redeemed	20,000,000	—
The principal of structured deposit collected when matured	—	300,000,000
	<u>959,900,000</u>	<u>300,000,000</u>

(f) Cash paid to acquire investments

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Payment for wealth management products	1,080,000,000	780,000,000
Payment for money market fund	40,000,000	—
Payment for equity investments	—	572,912,001
Granting of loans	—	324,400,000
Government bonds reverse repo investment	—	20,000,000
	<u>1,120,000,000</u>	<u>1,697,312,001</u>

(56) 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 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Net profit	1,224,911,527	1,074,520,373
Add: Provisions for asset impairment	1,989,739	3,652,458
Depreciation of fixed assets and investment properties	464,170,557	412,146,284
Amortisation of intangible assets	115,422,522	102,620,945
Amortisation of long-term prepaid expenses	8,516,095	8,481,822
Losses on disposal of fixed assets and intangible assets	15,028,154	154,208,861
Profit arising from changes in fair value	(236,015)	—
Financial expenses	(175,862,851)	(135,728,783)
Investment income	(33,745,993)	(29,324,814)
Increase in deferred tax assets	(158,998,839)	(170,077,029)
Amortisation of deferred income	(95,057,173)	(206,920,661)
Decrease in deferred tax liabilities	(14,580,093)	(10,378,797)
Decrease in inventories	579,871,078	569,851,561
Decrease in operating receivables	64,621,267	101,085,267
Increase in operating payables	1,522,611,281	1,910,197,023
	<u>3,518,661,256</u>	<u>3,784,334,510</u>
Net cash flows from operating activities		

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

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

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

Significant financing activities without cash flow

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Extension of the borrowing	—	288,888,600

Net increase in cash and cash equivalents

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Cash and cash equivalents at end of the period	10,937,957,839	9,223,810,853
Less: Cash and cash equivalents at beginning of the period	<u>(7,929,473,031)</u>	<u>(7,575,374,183)</u>
Net increase in cash and cash equivalents	<u>3,008,484,808</u>	<u>1,648,436,670</u>

(b) *Acquisition of subsidiaries*

For the six months ended 30 June 2017, the Company has paid 20,317,130 as the share transfer payment for the acquisition of Shanghai Investing Company. (For the six months ended 30 June 2016: 10,000,000 as the payment for the acquisition of Lulansa Brewery).

(c) *Cash and cash equivalents*

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Cash and cash equivalents (Note 4(1))	10,937,957,839	9,223,810,853
Including: Cash on hand	429,413	395,073
Cash at bank that can be readily drawn on demand	10,936,249,480	9,223,415,780
Cash at non-financial institutions that can be readily drawn on demand	1,278,946	—
Cash and cash equivalents at end of the period	<u>10,937,957,839</u>	<u>9,223,810,853</u>

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

(57) Foreign currency items

	30 June 2017 (unaudited)		
	Balance in foreign currency	Currency exchange rate	Balance in RMB
Cash at bank and cash on hand —			
USD	33,319,949	6.7744	225,722,663
EUR	15,124,620	7.7496	117,209,755
HKD	82,834,869	0.8679	71,892,383
MOP	32,328,362	0.8450	27,317,466
			<u>442,142,267</u>
Accounts receivable —			
HKD	42,854,322	0.8679	37,193,266
USD	4,628,551	6.7744	31,355,656
EUR	2,223,955	7.7496	17,234,762
MOP	8,426,701	0.8450	7,120,562
CAD	409,370	5.2144	2,134,619
			<u>95,038,865</u>
Other receivables —			
HKD	3,322,905	0.8679	2,883,949
MOP	508,383	0.8450	429,584
			<u>3,313,533</u>
Short-term borrowings —			
HKD	338,000,000	0.8679	293,350,200
Other payables —			
HKD	8,160,928	0.8679	7,082,869
USD	461,037	6.7744	3,123,249
MOP	776,392	0.8450	656,051
			<u>10,862,169</u>
Current portion of non-current liabilities —			
DKK	394,004	1.0421	410,591
Long-term borrowings —			
DKK	1,200,000	1.0421	1,250,520

5. INTERESTS IN OTHER ENTITIES

(1) Interests in subsidiaries

(a) The structure of the Group

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

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

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

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

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

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

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

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

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

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

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

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

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

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

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

Name	Kind of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Equipment Manufacture	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	—	100%	Business combination not under common control
Shanghai Investing Company	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Industrial investment	100%	—	Business combination not under common control
Tsingo Brewery New Songjiang Manufacturing Co., Ltd. ("New Songjiang Manufacturing")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingo Brewery (Suqian) Co., Ltd. ("Suqian Company")	Limited liability company	Suqian, the PRC	Suqian, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingo Brewery (Xuzhou) Pengcheng Co., Ltd. ("Pengcheng Company")	Limited liability company	Xuzhou, the PRC	Xuzhou, the PRC	Manufacturing	—	100%	Business combination not under common control
Xuzhou Company	Limited liability company	Xuzhou, the PRC	Xuzhou, the PRC	Manufacturing	—	100%	Business combination not under common control
Yangzhou Company	Limited liability company	Yangzhou, the PRC	Yangzhou, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingo Brewery (Kunshan) Co., Ltd. ("Kunshan Company")	Limited liability company	Kunshan, the PRC	Kunshan, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingo Brewery (Huai'an) Co., Ltd.	Limited liability company	Huai'an, the PRC	Huai'an, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingo Brewery (Lianyungang) Co., Ltd. ("Lianyungang Company")	Limited liability company	Lianyungang, the PRC	Lianyungang, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingo Brewery (Yangpu) Co., Ltd. ("Yangpu Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	—	100%	Business combination not under common control
Tsingo Brewery (Minhang) Co., Ltd. ("Minhang Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	—	96.50%	Business combination not under common control

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in subsidiaries (Cont'd)

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

As at 30 June 2017, no share capital or debt securities are issued by the subsidiaries of the Company.

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

(b) Subsidiaries with significant non-controlling interests

Name of subsidiaries	Share proportion of non-controlling interests	Non-controlling interests for the six months ended 30 June 2017 (unaudited)	Total proposed dividend in the six months ended 30 June 2017 attributable to the minority shareholders (unaudited)	Non-controlling interests as at 30 June 2017 (unaudited)
Shenzhen Asahi	49%	22,383,668	(45,506,300)	204,725,695

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

	As at 30 June 2017 (unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	98,948,118	530,819,215	629,767,333	(205,767,819)	(5,943,068)	(211,710,887)

	As at 31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	106,845,941	551,611,342	658,457,283	(186,376,308)	(6,422,606)	(192,798,914)

	Six months ended 30 June 2017 (unaudited)				
	Revenue	Net profit	Other comprehensive income	Cash flows from operating activities	
Shenzhen Asahi	395,927,132	45,268,077	45,268,077	59,293,974	

	Six months ended 30 June 2016 (unaudited)				
	Revenue	Net profit	Other comprehensive income	Cash flows from operating activities	
Shenzhen Asahi	424,629,627	57,475,452	57,475,452	73,941,729	

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

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in Joint Ventures and Associates

(a) Fundamental information of significant Joint Ventures and Associates

	Place of operation	Place of incorporation	Principal activities	Strategic impact on the Group	Share proportion	
					Directly	Indirectly
Joint Ventures —						
Hebei Jiahe Company	Shijiazhuang, the PRC	Shijiazhuang, the PRC	Manufacturing	Yes	50%	—
Associates —						
Yantai Asahi	Yantai, the PRC	Yantai, the PRC	Manufacturing	Yes	39%	—
Zhaoshang Logistics	Qingdao, the PRC	Qingdao, the PRC	Logistics	Yes	30%	—
Liaoning Shenqing 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 2017 (unaudited)	31 December 2016
Current assets	99,588,533	32,486,995
Including: Cash and cash equivalents	46,957,623	5,565,690
Non-current assets	104,566,407	109,818,901
Total assets	204,154,940	142,305,896
Current liabilities	(59,574,486)	(27,131,803)
Total liabilities	(59,574,486)	(27,131,803)
Total equity attributable to shareholders of the Company	144,580,454	115,174,093
Adjusted fair value of the identifiable net assets when obtained	103,437,309	109,407,433
Adjusted total equity attributable to shareholders of the Company	248,017,763	224,581,526
The share of net assets calculated based on the shareholding proportion (i)	124,008,882	112,290,763
Adjusting item — goodwill	113,928,609	113,928,609
Book value of investment on the joint venture	237,937,491	226,219,372

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

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in Joint Ventures and Associates (Cont'd)

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

Hebei Jiahe Company		
	Six months ended 31 June 2017 (unaudited)	Six months ended 31 June 2016 (unaudited)
Revenue	209,425,292	171,581,078
Finance expenses — net	(44,914)	562,389
Income tax expense	9,979,429	4,423,582
Net profit	29,406,361	13,159,629
Total comprehensive income	29,406,361	13,159,629
Adjusted fair value of the identifiable net assets when obtained	(5,970,124)	(7,195,420)
Adjusted total comprehensive income attributable to shareholders of the Company	23,436,237	5,964,209
Dividends received from the joint venture in the current period	—	—

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

(c) Summarised financial information of associates

	30 June 2017 (unaudited)				31 December 2016			
	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company
Current assets	200,149,884	178,333,550	49,513,413	24,712,241	228,383,254	134,043,419	48,588,253	16,927,437
Including: Cash and cash equivalents	34,375,166	1,057,184	15,584,989	8,916,341	27,246,774	1,305,196	7,601,198	2,086,654
Non-current assets	277,475,968	3,677,610	4,966,538	115,082	271,442,287	4,266,724	5,053,723	123,952
Total assets	477,625,852	182,011,160	54,479,951	24,827,323	499,825,541	138,310,143	53,641,976	17,051,389
Current liabilities	(202,452,325)	(118,733,817)	(49,717,239)	(18,527,573)	(177,803,357)	(82,076,728)	(47,741,672)	(12,168,219)
Non-current liabilities	(1,500,000)	—	—	—	(32,044,508)	—	—	—
Total liabilities	(203,952,325)	(118,733,817)	(49,717,239)	(18,527,573)	(209,847,865)	(82,076,728)	(47,741,672)	(12,168,219)
Total equity attributable to shareholders of the Company	273,673,527	63,277,343	4,762,712	6,299,750	289,977,676	56,233,415	5,900,304	4,883,170
Adjusted fair value of the identifiable net assets when obtained	35,818,502	—	—	—	37,748,498	—	—	—
Adjusted total equity attributable to shareholders of the Company	309,492,029	63,277,343	4,762,712	6,299,750	327,726,174	56,233,415	5,900,304	4,883,170
The share of net assets calculated based on the shareholding proportion (i)	120,701,891	18,983,203	1,428,813	2,519,900	127,813,207	16,870,025	1,770,091	1,953,268
Adjusting items	9,640,679	—	—	—	9,640,679	—	—	—
— Goodwill	(173,217)	—	—	—	(4,735,727)	—	—	—
— Unrealised profits of internal transaction	—	—	—	—	—	—	—	—
Book value of investments on Associates	130,169,353	18,983,203	1,428,813	2,519,900	132,718,159	16,870,025	1,770,091	1,953,268

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

5. INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in Joint Ventures and Associates (Cont'd)

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

	Six months ended 30 June 2017 (unaudited)				Six months ended 30 June 2016 (unaudited)			
	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shenqing	European Company
Revenue	356,490,989	141,927,933	29,477,791	41,058,434	366,701,409	164,685,692	51,950,901	43,186,506
Net profit/(loss)	21,673,795	7,034,795	(1,137,592)	1,081,258	30,664,739	7,676,490	(120,860)	1,907,950
Other comprehensive income	—	—	—	335,322	—	—	—	196,455
Total comprehensive income	21,673,795	7,034,795	(1,137,592)	1,416,580	30,664,739	7,676,490	(120,860)	2,104,405
Total comprehensive income attributable to shareholders of the Company	21,673,795	7,034,795	(1,137,592)	1,416,580	30,664,739	7,676,490	(120,860)	2,104,405
Adjusted fair value of the identifiable net assets when obtained	(1,929,996)	—	—	—	(1,930,000)	—	—	—
Adjusted total comprehensive income attributable to shareholders	19,743,799	7,034,795	(1,137,592)	1,416,580	28,734,739	7,676,490	(120,860)	2,104,405
Dividend distributed from Associate current period	14,811,398	—	—	—	14,098,052	—	—	—

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

(d) As at 30 June 2017, the Group's joint venture and associates have no excess losses.

(e) In accordance with "Equity Transferring Contract" signed on 29 October 2016 between the Company and Shijiazhuang Zhongshuo Management Co., Ltd. ("Shijiazhuang Zhongshuo"), the Company intended to acquire the remaining 50% equity interests of Hebei Jiahe Company, a joint venture of the Company, from Shijiazhuang Zhongshuo. As at 30 June 2017, the equity transferring procedures were not completed and the equity transferring payment has not been paid by the Company. Based on the changes of the business environment, the Company and Shijiazhuang Zhongshuo have reached an agreement to terminate the above-mentioned "Equity Transferring Contract" on 30 August 2017.

6. SEGMENT INFORMATION

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

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

The Group identified 7 reportable segments as follows:

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

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

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

(a) Segment information as at and for the six months ended 30 June 2017 is as follows (unaudited):

	Shandong Region	South China Region	North China Region	East China Region	Southeast China Region	Hong Kong, Macau and other overseas Regions	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	8,417,996,503	1,728,939,372	2,548,885,575	1,545,702,312	497,022,430	322,908,715	235,297	1,030,798	—	15,062,721,002
Inter-segment revenue	1,326,718,647	306,823,940	678,108,442	72,271,937	8,299,044	107,860,378	23,189,063	261,193	(2,523,532,644)	—
Cost of sales	(6,130,155,622)	(1,243,488,015)	(2,066,804,085)	(1,193,886,822)	(344,088,573)	(297,531,821)	(15,166)	(521,001)	2,532,742,060	(8,743,749,045)
Selling and distribution expenses	(1,644,815,008)	(516,299,204)	(390,389,224)	(319,124,863)	(131,557,670)	(71,651,966)	—	—	—	(3,073,837,935)
Interest income	15,643,606	7,416,437	17,408,902	1,653,898	674,610	816,789	179,938,958	26,949,826	(68,845,821)	181,657,205
Interest expenses	(7,326,169)	(3,247,967)	(7,214,423)	(8,006,905)	—	(2,519,122)	(69,293,264)	—	92,549,697	(5,058,153)
Share of profits of associates and a joint venture	—	—	—	—	—	—	—	26,182,374	—	26,182,374
Asset impairment (losses)/reversals	(674,567)	(7,922)	(3,171)	(25,468)	(1,530,888)	5,728	1,445,000	89,861,549	(91,060,000)	(1,989,739)
Depreciation and amortization	(255,045,498)	(98,139,085)	(96,985,058)	(90,927,804)	(19,098,877)	(792,343)	(353,669)	(26,766,840)	—	(508,109,174)
Total profit/(loss)	1,170,270,205	49,492,193	455,979,846	(127,346,658)	(3,113,086)	59,170,873	139,667,096	39,739,947	(57,804,547)	1,726,055,869
Income tax expense	(295,655,100)	(21,717,999)	(130,189,705)	(1,874,878)	2,167,317	(14,047,928)	(34,986,076)	—	(4,839,973)	(501,444,342)
Net profit/(loss)	874,615,105	27,774,194	325,790,141	(129,212,536)	(945,769)	45,122,945	104,681,020	39,739,947	(62,644,520)	1,224,911,527
Total assets	11,672,475,539	4,499,643,052	6,029,573,428	3,565,562,968	948,099,830	764,628,448	13,296,319,118	6,936,648,239	(15,051,800,170)	32,661,150,452
Total liabilities	7,446,552,662	1,954,855,038	3,883,876,893	2,671,011,147	519,422,235	852,947,589	11,871,519,938	894,551,014	(15,024,378,665)	15,070,357,851
Non-cash expenses other than depreciation and amortization	6,281,086	222,283	3,661,183	92,023	8,922	—	—	—	—	10,265,497
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	391,038,760	—	391,038,760
Additions of non-current assets	131,375,586	69,089,784	51,754,261	34,852,835	7,739,013	600,429	349,470	6,735,559	(2,413,566)	300,083,371

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

6. SEGMENT INFORMATION (CONT'D)

(b) Segment information as at and for the six months ended 30 June 2016 is 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	7,915,718,509	1,728,582,456	2,386,209,069	1,513,621,265	919,053,703	277,588,332	4,827,130	516,384	—	14,746,116,848
Inter-segment revenue	1,250,706,360	266,023,130	670,021,418	61,205,698	114,232,467	97,657,154	20,448,547	261,193	(2,480,555,967)	—
Cost of sales	(5,572,907,232)	(1,242,889,107)	(1,969,237,327)	(1,402,844,964)	(735,681,137)	(266,433,074)	(831,661)	(491,850)	2,462,465,773	(8,728,850,579)
Selling and distribution expenses	(1,651,542,769)	(494,199,509)	(319,615,658)	(286,559,461)	(257,692,519)	(65,987,090)	—	—	—	(3,075,597,006)
Interest income	12,863,341	6,063,906	13,461,626	631,357	2,228,969	529,451	135,735,560	28,467,068	(58,404,746)	141,576,532
Interest expenses	(6,231,448)	(4,616,595)	(9,406,180)	(8,094,204)	(3,969,462)	(2,260,126)	(60,849,514)	—	88,088,839	(7,338,690)
Share of profits of associates and a joint venture	—	—	—	—	—	—	—	29,320,541	—	29,320,541
Asset impairment reversals/(losses)	657,603	(589,862)	(248,166)	(35,646)	(2,900,302)	(23,854)	(5,674,497)	(1,933)	5,164,199	(3,652,458)
Depreciation and amortization	(232,067,313)	(96,311,922)	(113,706,732)	(8,207,674)	(37,749,500)	(1,153,783)	(582,336)	(33,469,731)	—	(523,249,051)
Total profit(loss)	1,163,455,660	21,835,545	417,565,296	(151,928,432)	(46,791,975)	45,004,681	93,212,630	(42,190,683)	17,302,265	1,517,464,987
Income tax expense	(271,424,806)	(8,126,401)	(148,212,264)	4,868,738	14,775,999	(10,162,185)	(23,450,317)	—	(1,213,378)	(442,944,614)
Net profit(loss)	892,030,854	13,709,144	269,353,032	(147,059,694)	(32,015,976)	34,842,496	69,762,313	(42,190,683)	16,088,887	1,074,520,373
Total assets	11,862,160,511	4,286,934,520	5,818,433,647	614,376,665	1,954,539,464	570,409,857	11,461,774,485	7,029,839,314	(12,800,188,717)	30,798,299,746
Total liabilities	6,354,781,424	1,745,294,541	3,841,007,411	2,198,187,140	1,025,759,376	690,738,158	10,235,158,049	825,968,186	(12,783,483,230)	14,133,411,055
Non-cash expenses other than depreciation and amortization	5,317,265	241,963	3,409,024	27,854	98,090	—	—	—	—	9,094,196
Long-term equity investments in associates and a joint venture	—	—	—	—	—	—	—	1,523,051,860	—	1,523,051,860
Additions of non-current assets	100,749,013	80,084,342	123,451,331	994,951	28,829,402	666,155	—	13,626,315	(13,042,718)	335,358,791

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

6. SEGMENT INFORMATION (CONT'D)

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

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Revenue from external customers		
Mainland China	14,706,533,309	14,451,799,810
Hong Kong and Macau	122,993,643	116,603,576
Other overseas regions	233,194,050	177,713,462
	<u>15,062,721,002</u>	<u>14,746,116,848</u>
	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Total non-current assets		
Mainland China	16,109,980,702	16,057,874,569
Hong Kong and Macau	11,899,332	10,919,464
	<u>16,121,880,034</u>	<u>16,068,794,033</u>

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of subsidiaries

The general information and other related information of the subsidiaries is set out in Note 5(1).

(2) Information of the joint venture and associates

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

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

- (i) Shanghai Investing Company and its subsidiaries as mentioned above became subsidiaries of the Company in 2016. The amount of related party transactions between the above-mentioned companies and the Group for the six months ended 30 June 2016, as present in Note 7(4), was amount occurred from 1 January 2016 to the acquisition date.

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

(3) Information of other related parties

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

(4) Related party transactions

(a) Purchases of goods and receiving services

Name of related party	Nature of transaction	Pricing policies	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Yantai Asahi	Purchase of beer	Mutually-agreed prices and approval by board of directors	354,617,350	364,391,728
Hebei Jiahe Company	Purchase of beer	Mutually-agreed prices	209,232,507	171,508,056
Zhaoshang Logistics	Purchase logistics service (including reimbursable payment)	Mutually-agreed prices	170,356,532	108,050,072
New Songjiang Manufacturing	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	—	165,705,582
Kunshan Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	—	63,114,083
Minhang Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	—	51,914,619
Pengcheng Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	—	39,975,253
Lianyungang Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	—	35,024,313
Yangzhou Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	—	30,759,529
Suqian Company	Purchase of beer and materials	Mutually-agreed prices and approval by board of directors	—	30,081,498
Xuzhou Company	Purchase of beer	Mutually-agreed prices and approval by board of directors	—	27,411,879
Yangpu Company	Purchase of beer	Mutually-agreed prices and approval by board of directors	—	2,017,144
			734,206,389	1,089,953,756

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

(4) Related party transactions (Cont'd)

(b) Sales of goods and providing services

Name of related party	Nature of transaction	Pricing policies	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
European Company	Sale of beer	Mutually-agreed prices	34,626,815	34,877,505
Asahi Breweries	Sale of beer	Mutually-agreed prices and approval by board of directors	28,582,283	12,850,324
Liaoning Shenqing	Sale of beer	Mutually-agreed prices	27,736,968	46,825,201
Asahi Investment	Sale of beer	Mutually-agreed prices and approval by board of directors	4,696,695	3,878,382
New Songjiang Manufacturing Company	Sale of materials	Mutually-agreed prices	—	786,153
Minhang Company	Sale of materials	Mutually-agreed prices	—	61,046
Pengcheng Company	Provide engineering and equipment installation services	Mutually-agreed prices	—	20,773
Pengcheng Company	Sale of beer and materials	Mutually-agreed prices	—	11,924
Yangzhou Company	Sale of materials	Mutually-agreed prices	—	1,496
			95,642,761	99,312,804

(c) Brand royalty

Name of related party	Nature of transaction	Pricing policies	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
New Songjiang Manufacturing Company	Royalty fee of brand	Mutually-agreed prices	—	2,063,593
Pengcheng Company	Royalty fee of brand	Mutually-agreed prices	—	379,345
Yangzhou Company	Royalty fee of brand	Mutually-agreed prices	—	347,350
Suqian Company	Royalty fee of brand	Mutually-agreed prices	—	311,151
Xuzhou Company	Royalty fee of brand	Mutually-agreed prices	—	237,982
Lianyungang Company	Royalty fee of brand	Mutually-agreed prices	—	75,087
			—	3,414,508

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

(4) Related party transactions (Cont'd)

(d) *Entrusted loan from related parties*

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Suntory Company	—	542,964,875

(e) *Loan repayments to related parties*

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Suntory Company	—	731,409,485

(f) *Entrusted loan provided to related parties*

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Lianyungang Company	—	167,200,000
Yangpu Company	—	157,200,000
	—	324,400,000

(g) *Absorbed deposits from related parties*

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Yantai Asahi	406,621,326	408,367,151
New Songjiang Manufacturing	—	160,724,669
Shanghai Investing Company	—	60,717,198
Pengcheng Company	—	39,257,665
Suqian Company	—	35,657,531
Xuzhou Company	—	27,611,514
Yangzhou Company	—	25,057,104
	406,621,326	757,392,832

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

(4) Related party transactions (Cont'd)

(h) Interest expense paid to related parties

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Yantai Asahi	15,181	23,010
Suntory Company	—	1,283,341
New Songjiang Manufacturing	—	35,154
Pengcheng Company	—	30,170
Xuzhou Company	—	7,853
Suqian Company	—	7,020
Yangzhou Company	—	6,500
Shanghai Investing Company	—	2,780
	<u>15,181</u>	<u>1,395,828</u>

(i) Interest income

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Lianyungang Company	—	1,423,763
Yangpu Company	—	1,338,610
	<u>—</u>	<u>2,762,373</u>

(j) Financial services fee received from related parties

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Yantai Asahi	4,455	3,737
New Songjiang Manufacturing	—	3,998
Pengcheng Company	—	1,247
Xuzhou Company	—	1,219
Suqian Company	—	812
Yangzhou Company	—	335
	<u>4,455</u>	<u>11,348</u>

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

(4) Related party transactions (Cont'd)

(k) Key management compensation

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Key management compensation	<u>2,021,685</u>	<u>3,791,558</u>

(l) For the year ended 30 June 2017 and 2016, there is no loan provided to the key management from the Group.

(5) Receivable and payable balances with related parties

Receivables from related parties:

	30 June 2017 (unaudited)		31 December 2016	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable				
European Company	17,234,765	—	6,778,852	—
Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
Asahi Breweries	2,922,289	—	8,600,891	—
Guangzhou General Agency	2,609,690	(2,609,690)	2,609,690	(2,609,690)
Asahi Investment	1,075,202	—	692,118	—
	<u>35,087,730</u>	<u>(13,855,474)</u>	<u>29,927,335</u>	<u>(13,855,474)</u>

Payables to related parties:

	30 June 2017 (unaudited)	31 December 2016
Accounts payable		
Yantai Asahi	88,283,939	102,352,747
Hebei jiahe Company	28,468,238	1,555,884
	<u>116,752,177</u>	<u>103,908,631</u>
Other payables		
Zhaoshang Logistics	101,506,919	64,873,239
Yantai Asahi	8,319,258	18,530,087
Liaoning Shenqing	956,354	3,458,735
	<u>110,782,531</u>	<u>86,862,061</u>
Advances from customers		
Liaoning Shenqing	<u>3,136,062</u>	<u>14,219,248</u>

8. COMMITMENTS

(1) Capital commitments

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

	30 June 2017 (unaudited)	31 December 2016
Buildings, machinery and equipment	<u>176,914,533</u>	<u>142,242,441</u>

(2) Operating lease commitments

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

	30 June 2017 (unaudited)	31 December 2016
Within one year	20,757,734	24,095,463
1 to 2 years	2,495,219	1,369,406
2 to 3 years	1,452,105	131,930
More than 3 years	<u>2,179,110</u>	<u>248,667</u>
	<u>26,884,168</u>	<u>25,845,466</u>

9. LEASE

For the six months ended 30 June 2017, there is no financing lease (For the six months ended 30 June 2016: nil). Operating lease payments recognised in profit or loss for the current period amount to 77,275,063 (For the six months ended 30 June 2016: 59,350,727).

10. FINANCIAL INSTRUMENT AND RISK

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from business transactions denominated in foreign currencies, primarily with respect to USD, and from some sales receipts settled by EUR. As the balance of the borrowings denominated in foreign currencies and the business transactions settled in foreign currencies are not material, the directors of the Company are of the view that the Group's exposure to foreign exchange risk would be immaterial. The Group's head office is responsible for monitoring the amount of assets and liabilities and transactions denominated in foreign currencies to minimise the foreign exchange risk. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. For the six months ended 30 June 2017 and 30 June 2016, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 30 June 2017 and 31 December 2016, the carrying amounts in RMB equivalent to the Group's assets and liabilities denominated in foreign currencies are summarised as below:

	30 June 2017 (unaudited)		
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	225,722,663	117,210,921	342,933,584
Accounts receivable	31,355,656	19,369,381	50,725,037
	<u>257,078,319</u>	<u>136,580,302</u>	<u>393,658,621</u>
Financial liabilities denominated in foreign currency —			
Other payables	3,123,249	—	3,123,249
Current portion of non-current liabilities	—	410,591	410,591
Long-term borrowings	—	1,250,520	1,250,520
	<u>3,123,249</u>	<u>1,661,111</u>	<u>4,784,360</u>

10. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	30 June 2016 (unaudited)		
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	198,275,783	87,616,956	285,892,739
Accounts receivable	27,410,293	8,098,726	35,509,019
	<u>225,686,076</u>	<u>95,715,682</u>	<u>321,401,758</u>
Financial liabilities denominated in foreign currency —			
Other payables	2,776,777	—	2,776,777
Current portion of non-current liabilities	—	376,372	376,372
Long-term borrowings	—	1,376,480	1,376,480
	<u>2,776,777</u>	<u>1,752,852</u>	<u>4,529,629</u>

As at 30 June 2017, for various financial assets and liabilities denominated in USD, 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 7,619,000 (31 December 2016: 6,687,000) higher or lower.

(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 2017 and 31 December 2016, as the long-term bank borrowings are all interest-free and immaterial, there is no material interest rate risk in the view of the directors of the Group.

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

(c) Price risk

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

10. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(2) Credit risk

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

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

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

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

(3) Liquidity risk

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

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

	30 June 2017 (unaudited)			
	Within 1 year	1 to 2 years	2 to 5 years	Total
Short-term borrowings	334,584,697	—	—	334,584,697
Notes payable	265,641,675	—	—	265,641,675
Accounts payable	3,078,646,523	—	—	3,078,646,523
Interests payable	854,729	—	—	854,729
Dividends payable	472,843,978	—	—	472,843,978
Other payables	5,691,583,151	—	—	5,691,583,151
Current portion of non-current liabilities	410,591	—	—	410,591
Long-term borrowings	—	416,840	833,680	1,250,520
	<u>9,844,565,344</u>	<u>416,840</u>	<u>833,680</u>	<u>9,845,815,864</u>

10. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(3) Liquidity risk (Cont'd)

	31 December 2016			Total
	Within 1 year	1 to 2 years	2 to 5 years	
Short-term borrowings	303,849,161	—	—	303,849,161
Notes payable	307,516,920	—	—	307,516,920
Accounts payable	2,049,229,359	—	—	2,049,229,359
Interests payable	737,291	—	—	737,291
Other payables	4,918,819,305	—	—	4,918,819,305
Current portion of non-current liabilities	376,372	—	—	376,372
Long-term borrowings	—	393,280	983,200	1,376,480
	<u>7,580,528,408</u>	<u>393,280</u>	<u>983,200</u>	<u>7,581,904,888</u>

Bank borrowings are analysed by repayment terms as follows:

	30 June 2017 (unaudited)	31 December 2016
Within 1 year	330,540,791	302,717,372
1 to 2 years	416,840	393,280
2 to 5 years	833,680	983,200
	<u>331,791,311</u>	<u>304,093,852</u>

11. FAIR VALUE ESTIMATION

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

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

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

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

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

As at 30 June 2017, assets measured at fair value on a recurring basis are as follows (unaudited):

	Level 1	Level 3	Total
Financial assets at fair value through profit or loss			
— money market funds (Note 4(2))	20,236,015	—	20,236,015
Available-for-sale financial assets — wealth management products (Note 4(10))	—	940,000,000	940,000,000
	<u>20,236,015</u>	<u>940,000,000</u>	<u>960,236,015</u>

11. FAIR VALUE ESTIMATION (CONT'D)

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

As at 31 December 2016, assets measured at fair value on a recurring basis are as follows:

	Level 3
Available-for-sale financial assets – wealth management products (<i>Note 4(10)</i>)	<u>720,000,000</u>

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

The fair value of the above financial assets within Level 1 is determined by the quoted price in the active market by the Group. The financial assets within Level 3 is determined by the unobservable input, i.e., the expected return, which is used by the management to evaluate its fair value.

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

	Available- for-sale financial assets
1 January 2017	720,000,000
Purchases (unaudited)	1,080,000,000
Collected when matured (unaudited)	<u>(860,000,000)</u>
30 June 2017 (unaudited)	<u>940,000,000</u>
Total gains for the current period (unaudited)	7,514,655
Gains recognised in profit or loss (unaudited)	7,514,655
	Available- for-sale financial assets
1 January 2016	—
Purchases (unaudited)	780,000,000
Collected when matured (unaudited)	<u>—</u>
30 June 2016 (unaudited)	<u>780,000,000</u>
Total gains for the current period (unaudited)	—
Gains recognised in profit or loss (unaudited)	—

Gains recognised in profit or loss are included in the income statement under the items of investment income.

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

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

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

12. CAPITAL MANAGEMENT

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

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

For the six months ended 30 June 2017, the group's strategy, which was unchanged from the prior year, was to maintain the cash balance above a certain standard to meet the Group's business development needs. Cash balance is calculated as cash and cash equivalents less total borrowings (including short-term borrowings, current portion of non-current liabilities, and long-term borrowings as shown in the consolidated balance sheet). The cash balance as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017 (unaudited)	31 December 2016
Cash and cash equivalents	<u>10,937,957,839</u>	<u>7,929,473,031</u>
<i>Less:</i> Short-term borrowings	<u>(330,130,200)</u>	(302,341,000)
Current portion of non-current liabilities	<u>(410,591)</u>	(376,372)
Long-term borrowings	<u>(1,250,520)</u>	(1,376,480)
	<u>(331,791,311)</u>	<u>(304,093,852)</u>
Cash balance after deducting borrowings	<u><u>10,606,166,528</u></u>	<u><u>7,625,379,179</u></u>

13. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivable

	30 June 2017 (unaudited)	31 December 2016
Accounts receivable	<u>1,125,809,245</u>	875,565,955
<i>Less:</i> Provision for bad debts	<u>(63,551,194)</u>	(63,556,922)
	<u><u>1,062,258,051</u></u>	<u><u>812,009,033</u></u>

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

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

(1) Accounts receivable (Cont'd)

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

	30 June 2017 (unaudited)	31 December 2016
Within 6 months	847,527,103	703,420,285
6 months to 1 year	129,653,368	57,089,016
1 to 2 years	56,379,543	35,228,701
2 to 3 years	23,276,121	12,376,910
3 to 4 years	1,539,737	18,464
4 to 5 years	11,059	—
Over 5 years	67,422,314	67,432,579
	<u>1,125,809,245</u>	<u>875,565,955</u>

As at 30 June 2017, accounts receivable of 769,712 (31 December 2016: 2,371,950) were past due, but based on the analysis of the customers' financial position and credit record, the Company was of the view that the overdue amounts could be fully or partially recovered, thus no provision for bad debt are individually or fully provided. The past-due ageing of these accounts receivables is analysed as follows:

	30 June 2017 (unaudited)	31 December 2016
Within 6 months	649,650	2,181,852
6 months to 1 year	120,062	190,098
	<u>769,712</u>	<u>2,371,950</u>

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

	<u>30 June 2017 (unaudited)</u>				<u>31 December 2016</u>			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total				% of total			
	Amount	balance	Amount	Ratio	Amount	balance	Amount	Ratio
Individually significant and subject to separate assessment for provision	13,855,474	1.23%	(13,855,474)	100%	13,855,474	1.58%	(13,855,474)	100%
Subject to provision on the grouping basis								
Group B	1,011,575,375	89.85%	—	—	771,619,428	88.13%	—	—
Group C	100,378,396	8.92%	(49,695,720)	49.51%	90,091,053	10.29%	(49,701,448)	55.17%
	<u>1,125,809,245</u>	<u>100%</u>	<u>(63,551,194)</u>	<u>5.64%</u>	<u>875,565,955</u>	<u>100%</u>	<u>(63,556,922)</u>	<u>7.26%</u>

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

(1) Accounts receivable (Cont'd)

- (c) As at 30 June 2017, accounts receivable with amounts that are individually significant and subject to separate assessment for provision are analysed as follows:

	Ending balance (unaudited)	Provision for bad debts (unaudited)	Ratio	Reason
Beijing Sales Company	11,245,784	(11,245,784)	100%	<i>Notes 4(4)(c)</i>
Guangzhou General Agency	<u>2,609,690</u>	<u>(2,609,690)</u>	100%	<i>Notes 4(4)(c)</i>
	<u><u>13,855,474</u></u>	<u><u>(13,855,474)</u></u>		

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

	30 June 2017 (unaudited)			31 December 2016		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
		Amount	Ratio		Amount	Ratio
Within 6 months	50,516,620	—	—	40,209,012	—	—
6 months to 1 year	168,904	(8,445)	5%	190,098	(9,505)	5%
1 to 2 years	11,194	(5,597)	50%	—	—	—
2 to 3 years	12,814	(12,814)	100%	26,394	(26,394)	100%
3 to 4 years	20,985	(20,985)	100%	18,464	(18,464)	100%
4 to 5 years	11,059	(11,059)	100%	—	—	—
Over 5 years	<u>49,636,820</u>	<u>(49,636,820)</u>	100%	<u>49,647,085</u>	<u>(49,647,085)</u>	100%
	<u><u>100,378,396</u></u>	<u><u>(49,695,720)</u></u>	<u><u>49.51%</u></u>	<u><u>90,091,053</u></u>	<u><u>(49,701,448)</u></u>	<u><u>55.17%</u></u>

- (e) In the current period, the provisions for bad debts are 13,482, and the reversal provisions for bad debts are 19,210.
- (f) For the six months ended 30 June 2017, there are no accounts receivable written off (For the six months ended 30 June 2016: nil).
- (g) As at 30 June 2017, the top five accounts receivable are analysed as follows:

	Amount (unaudited)	Provision for bad debts (unaudited)	% of total balance
Total amount of the top five accounts receivable	<u><u>387,471,288</u></u>	<u><u>—</u></u>	<u><u>34.42%</u></u>

- (h) As at 30 June 2017, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2016: nil).

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

(2) Dividends receivable

	30 June 2017 (unaudited)	31 December 2016
Xi'an Company	64,457,872	284,457,872
Pingdu Sales Company	—	364,626,982
Electronic Commerce Company	—	326,366,731
Chengyang Sales Company	—	190,832,490
Shijiazhuang Company	—	51,426,973
Taiyuan Company	—	42,872,378
Cultural Communication Company	—	40,000,000
Rizhao Company	—	29,127,083
Jinan Company	—	24,353,215
	<u>64,457,872</u>	<u>1,354,063,724</u>

(3) Other receivables

	30 June 2017 (unaudited)	31 December 2016
Receivables from subsidiaries	132,509,643	122,541,057
Refundable cost of land use rights and building	17,441,647	17,441,647
Reservation fund	8,675,756	12,208,521
Guarantee deposits	2,368,628	3,369,432
Others	38,868,200	32,265,499
	199,863,874	187,826,156
Less: Provision for bad debts	<u>(40,666,040)</u>	<u>(40,702,257)</u>
	<u>159,197,834</u>	<u>147,123,899</u>

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

	30 June 2017 (unaudited)	31 December 2016
Within 6 months	45,900,132	39,724,880
6 months to 1 year	16,517,053	24,931,573
1 to 2 years	34,654,436	63,760,684
2 to 3 years	48,459,384	14,839,660
3 to 4 years	11,083,652	1,722,168
4 to 5 years	771,449	231,984
Over 5 years	42,477,768	42,615,207
	<u>199,863,874</u>	<u>187,826,156</u>

The Company has no specific credit terms for other receivables. Therefore, the Company has no other receivables that are past due but not impaired as at 30 June 2017 and 31 December 2016.

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

(3) Other receivables (Cont'd)

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

	30 June 2017 (unaudited)				31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and subject to separate assessment for provision	17,441,647	8.73%	(17,441,647)	100%	17,441,647	9.29%	(17,441,647)	100%
Subject to provision on the grouping basis								
Group A	2,119,907	1.06%	—	—	2,119,907	1.13%	—	—
Group B	132,509,643	66.30%	—	—	122,541,057	65.24%	—	—
Group C	47,792,677	23.91%	(23,224,393)	48.59%	45,723,545	24.34%	(23,260,610)	50.87%
	<u>199,863,874</u>	<u>100%</u>	<u>(40,666,040)</u>	<u>20.35%</u>	<u>187,826,156</u>	<u>100%</u>	<u>(40,702,257)</u>	<u>21.67%</u>

(c) As at 30 June 2017, other receivables with amounts that are individually significant and subject to separate assessment for provision are analysed as follows:

	Ending balance (unaudited)	Provision for bad debts (unaudited)	Ratio	Reason
Refundable cost of land use rights and building	<u>17,441,647</u>	<u>(17,441,647)</u>	100%	Notes 4(7)(c)

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

	30 June 2017 (unaudited)			31 December 2016		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 6 months	23,526,262	—	—	18,975,137	—	—
6 months to 1 year	553,932	(27,697)	5%	3,007,554	(150,378)	5%
1 to 2 years	1,031,574	(515,787)	50%	1,261,244	(630,622)	50%
2 to 3 years	603,264	(603,264)	100%	226,820	(226,820)	100%
3 to 4 years	256,637	(256,637)	100%	260,396	(260,396)	100%
4 to 5 years	154,369	(154,369)	100%	231,984	(231,984)	100%
Over 5 years	21,666,639	(21,666,639)	100%	21,760,410	(21,760,410)	100%
	<u>47,792,677</u>	<u>(23,224,393)</u>	<u>48.59%</u>	<u>45,723,545</u>	<u>(23,260,610)</u>	<u>50.87%</u>

(e) In the current period, the provisions for bad debts are 275,932, and the reversal provisions for bad debts are 312,149.

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

(3) Other receivables (Cont'd)

(f) In the current period, no accounts receivable were written off.

(g) As at 30 June 2017, the top five other receivables are analysed as follows:

	Nature	Amount (unaudited)	Ageing	% of total balance	provisions for bad debts (unaudited)
Wuhu Company	Reimbursable payment for recycling bottles	43,994,528	Within 4 years	22.01%	—
Suizhou Company	Reimbursable payment for recycling bottles	25,729,915	Within 3 years	12.87%	—
Yingcheng Company	Reimbursable payment for recycling bottles	24,066,924	Within 4 years	12.04%	—
Tsingtao Xianghong Shangwu Co., Ltd. ("Xianghong Shangwu")	Reimbursable payment for Social Security	15,800,546	Within 4 years	7.91%	—
New Shanghai Sales Company	Assets transferred	6,695,264	Over 5 years	3.35%	—
		<u>116,287,177</u>		<u>58.18%</u>	<u>—</u>

(4) Long-term receivables

	31 December 2016			30 June 2017 (unaudited)
Entrusted loans to Subsidiaries	<u>181,100,000</u>			<u>105,900,000</u>
		Increase in the current period (unaudited)	Decrease in the current period (unaudited)	
Less: Provisions for bad debts	<u>(175,100,000)</u>	<u>—</u>	<u>89,600,000</u>	<u>(85,500,000)</u>
	<u>6,000,000</u>			<u>20,400,000</u>

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

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

(5) Long-term equity investments

	30 June 2017 (unaudited)	31 December 2016
Subsidiaries (a)	10,484,672,449	10,320,072,449
Joint Ventures (b)	237,937,491	226,219,372
Associates (c)	151,801,369	152,578,275
	10,874,411,309	10,698,870,096
Less: Provision for impairment of long-term equity investments (d)	(755,588,059)	(755,588,059)
	10,118,823,250	9,943,282,037

(a) Subsidiaries

	31 December 2016	Movements in the current period		30 June 2017 (unaudited)	Provision for impairment for the current period (unaudited)	Balance of provision for impairment at end of period (unaudited)	dividends declared in the current period (unaudited)
		Increased investment (unaudited)	Decreased investment (unaudited)				
Shenzhen Asahi	126,746,680	—	—	126,746,680	—	—	(92,870,000)
Chenzhou Company	62,601,208	—	—	62,601,208	—	—	—
Huanan Sales Company	45,070,000	—	—	45,070,000	—	—	—
Huanan Holding Company	208,790,000	—	—	208,790,000	—	—	—
Huadong Holding Company	96,855,102	—	—	96,855,102	—	(96,855,102)	—
Shouguang Company	60,000,000	—	—	60,000,000	—	—	—
Five star Company	24,656,410	—	—	24,656,410	—	(24,656,410)	—
Three Ring Company	69,457,513	—	—	69,457,513	—	(69,457,513)	—
Beifang Sales Company	83,984,000	—	—	83,984,000	—	(83,984,000)	—
Xi'an Company	392,627,114	—	—	392,627,114	—	—	—
Weinan Company	14,000,000	—	—	14,000,000	—	—	—
Anshan Company	30,000,000	—	—	30,000,000	—	—	—
Xingkaihu Company	129,430,000	70,000,000	—	199,430,000	—	(129,430,000)	—
Mishan Company	23,920,000	94,600,000	—	118,520,000	—	(23,920,000)	—
Harbin Company	213,540,000	—	—	213,540,000	—	(109,940,000)	—
Penglai Company	30,000,000	—	—	30,000,000	—	(30,000,000)	—
Rongcheng Company	65,103,434	—	—	65,103,434	—	(65,103,434)	—
Import/ Export Company	11,210,000	—	—	11,210,000	—	—	—
Tsingtao Brewery (Laoshan) Co., Ltd.	18,089,491	—	—	18,089,491	—	—	—
Hong Kong Company	41,728,681	—	—	41,728,681	—	—	—
Tsingtao Brewery Kai Fa Co., Ltd.	1,320,000	—	—	1,320,000	—	(1,320,000)	—
Taizhou Company	60,000,000	—	—	60,000,000	—	—	—
Maanshan Company	80,000,000	—	—	80,000,000	—	—	—
Xianghong Shangwu	5,760,000	—	—	5,760,000	—	—	—
Dongnan Sales Company	293,088,560	—	—	293,088,560	—	—	—
Changsha Company	47,600,000	—	—	47,600,000	—	—	—
Jinan Company	560,000,000	—	—	560,000,000	—	—	—

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

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

(a) Subsidiaries (Cont'd)

	31 December 2016	Movements in the current period		30 June 2017 (unaudited)	Provision for impairment for the current period (unaudited)	Balance of provision for impairment at end of period (unaudited)	Cash dividends declared in the current period (unaudited)
		Increased investment (unaudited)	Decreased investment (unaudited)				
Guangrunlong Logistics	16,465,405	—	—	16,465,405	—	—	—
Chengdu Company	280,000,000	—	—	280,000,000	—	—	—
Cultural Communication Company	5,290,000	—	—	5,290,000	—	—	—
Rizhao Company	339,239,300	—	—	339,239,300	—	—	—
Weifang Company	73,620,001	—	—	73,620,001	—	—	—
Pingyuan Company	21,730,001	—	—	21,730,001	—	—	—
Construction Company	2,490,000	—	—	2,490,000	—	—	—
Langfang Company	79,090,000	—	—	79,090,000	—	—	—
Heze Company	124,590,000	—	—	124,590,000	—	(51,301,600)	—
Tengzhou Company	48,310,000	—	—	48,310,000	—	—	—
Tsingtao Brewery (Shanghai) Company Limited	1,570,000	—	—	1,570,000	—	—	—
Wuhu Company	144,290,000	—	—	144,290,000	—	—	—
Shanghai Sales Company	97,300,000	—	—	97,300,000	—	(47,300,000)	—
Chengyang Sales Company	8,000,000	—	—	8,000,000	—	—	—
Shijiazhuang Company	321,010,000	—	—	321,010,000	—	—	—
Taiyuan Company	200,000,000	—	—	200,000,000	—	—	—
Finance Company	500,000,000	—	—	500,000,000	—	—	—
Immense Brewery Company	1,404,558,400	—	—	1,404,558,400	—	—	—
Hangzhou Company	186,000,000	—	—	186,000,000	—	—	—
Jieyang Company	150,000,000	—	—	150,000,000	—	—	—
Beverage Company	30,044,252	—	—	30,044,252	—	—	—
Shaoguan Company	200,000,000	—	—	200,000,000	—	—	—
Electronic Commerce Company	8,000,000	—	—	8,000,000	—	—	—
Jiujiang Company	180,000,000	—	—	180,000,000	—	—	—
Xuzhou Enterprise Management	10,000,000	—	—	10,000,000	—	(10,000,000)	—
Pingdu Sales Company	5,000,000	—	—	5,000,000	—	—	—
Luoyang Company	200,000,000	—	—	200,000,000	—	—	—
Shanghai Industrial Company	204,484,048	—	—	204,484,048	—	(10,000,000)	—
Luzhou Company	118,460,956	—	—	118,460,956	—	—	—
Harbin Sales Company	1,100,000	—	—	1,100,000	—	(1,100,000)	—
Zhangjiakou Company	91,600,000	—	—	91,600,000	—	—	—
Lulansa Brewery	317,374,000	—	—	317,374,000	—	—	—
Huangshi Company	163,630,000	—	—	163,630,000	—	—	—
Yingcheng Company	42,070,000	—	—	42,070,000	—	—	—
Hanzhong Company	26,297,900	—	—	26,297,900	—	—	—
Shanghai Investing Company	1,922,879,993	—	—	1,922,879,993	—	—	—
	<u>10,320,072,449</u>	<u>164,600,000</u>	<u>—</u>	<u>10,484,672,449</u>	<u>—</u>	<u>(754,368,059)</u>	<u>(92,870,000)</u>

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

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

(b) Joint ventures

	Movements in the current period (unaudited)				30 June 2017 (unaudited)	Balance of provision for impairment at end of period (unaudited)
	31 December 2016	Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Hebei Jiaye	226,219,372	11,718,119	—	—	237,937,491	—

Summarised financial information of joint ventures please refer to Note 5(2).

(c) Associates

	Movements in the current period (unaudited)				30 June 2017 (unaudited)	Balance of provision for impairment at end of period (unaudited)
	31 December 2016	Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Yantai Asahi Zhaoshang	132,718,159	12,262,592	—	(14,811,398)	130,169,353	—
Logistics Liaoning	16,870,025	2,110,438	2,740	—	18,983,203	—
Shenqing	1,770,091	(341,278)	—	—	1,428,813	—
Others	1,220,000	—	—	—	1,220,000	(1,220,000)
	152,578,275	14,031,752	2,740	(14,811,398)	151,801,369	(1,220,000)

Summarised financial information of joint ventures please refer to Note 5(2).

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

	31 December 2016	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2017 (unaudited)
Subsidiaries	(754,368,059)	—	—	(754,368,059)
Associates	(1,220,000)	—	—	(1,220,000)
	(755,588,059)	—	—	(755,588,059)

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

(6) Revenue and cost of sales

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Revenue from main operation (a)	9,499,923,685	9,129,923,977
Revenue from other operations (b)	703,232,277	664,588,236
	<u>10,203,155,962</u>	<u>9,794,512,213</u>
	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Cost of main operation (a)	(7,038,188,506)	(6,578,737,820)
Cost of other operations (b)	(692,479,428)	(651,995,528)
	<u>(7,730,667,934)</u>	<u>(7,230,733,348)</u>

(a) Revenue and cost of main operation

	Six months ended 30 June 2017 (unaudited)		Six months ended 30 June 2016 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of beer	<u>9,499,923,685</u>	<u>(7,038,188,506)</u>	<u>9,129,923,977</u>	<u>(6,578,737,820)</u>

(b) Revenue and cost of other operations

	Six months ended 30 June 2017 (unaudited)		Six months ended 30 June 2016 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Sales of raw materials	699,293,777	(689,378,427)	653,366,308	(645,900,137)
Others	3,938,500	(3,101,001)	11,221,928	(6,095,391)
	<u>703,232,277</u>	<u>(692,479,428)</u>	<u>664,588,236</u>	<u>(651,995,528)</u>

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

(7) Expenses by nature

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

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Finished goods purchased from outside	4,957,924,310	4,736,557,352
Raw materials and consumables used	2,238,150,576	2,059,027,859
Employee benefit expenses	741,809,380	734,302,391
Handling and transportation expenses	488,597,604	472,504,500
Promotion-related expenses	365,910,605	429,986,826
Changes in inventories of finished goods and work in progress	261,033,666	137,596,598
Advertising related expenses	213,380,661	267,259,631
Depreciation and amortisation expenses	141,565,237	141,936,039
Administrative and business travel expenses	48,737,142	57,515,321
Rental expenses	36,158,858	26,282,097
Repair expenses	36,060,216	35,169,644
Tax expenses	—	18,711,233
Others	34,258,860	46,484,948
	<u>9,563,587,115</u>	<u>9,163,334,439</u>
Cost of sales, selling and distribution expenses, and general and administrative expenses in total	<u>9,563,587,115</u>	<u>9,163,334,439</u>

(8) Investment income

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Income from long-term equity investment under cost method (a)	47,363,700	47,124,000
Income from long-term equity investment under equity method	25,749,871	29,259,953
Income from entrusted loans	2,458,528	10,889,801
Income from disposal of long-term equity investment	—	100,999,437
	<u>75,572,099</u>	<u>188,273,191</u>

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

- (a) Investment income from long-term equity investment under cost method is the profit distribution of subsidiary Shenzhen Asahi (Note 13(5)(a)).

SUPPLEMENTARY INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(All amounts in RMB Yuan unless otherwise stated)

1 SUMMARY OF NON-RECURRING PROFIT OR LOSS

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Government grants recognised in profits	174,220,572	262,345,468
Losses on disposal of non-current assets	(15,028,154)	(154,208,861)
Reversal of bad debt provision for accounts receivables which provision is provided on the individual basis	—	700,000
Other non-operating income and expenses other than aforesaid items	(12,812,690)	6,612,863
	146,379,728	115,449,470
Impact of the income tax	(23,365,716)	(17,484,409)
Impact of the non-controlling interests (after tax)	(6,668,985)	(5,959,225)
	116,345,027	92,005,836

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

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

2 RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Net profit attributable to ordinary shareholders of the Company	6.80%	6.29%	0.850	0.791	0.850	0.791
Net profit attributable to ordinary shareholders of the Company after deducting on-recurring profit or loss	6.11%	5.75%	0.764	0.723	0.764	0.723

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

In the first half of 2017, the beer market showed a satisfactory trend of steadiness and rise due to the steady growth of domestic economy. During the Reporting Period, the production volume of domestic beer industry reached 226.9 million hl, increased by 0.8% on y-o-y basis (source: the National Bureau of Statistics). However, the recovery of the domestic beer market still faces multiple complicated reasons: on one hand, the consumers' diversified consumption needs and the upgrade of consumption mix have brought more opportunities to the well-known breweries; on the other hand, the excess production capacity still exists due to the stagnation of mid-and-high-end catering consumption and the impacts brought by the foreign brands and imported beers; at the same time, the rise of price of raw materials, logistics and labor costs has caused a significant pressure of rising operation costs faced by the breweries.

During the Reporting Period, the Company insisted on the "development strategy driven by the brands with the supports of the capacity" and the commitment in operation, seized the opportunity of the upgrade of consumption mix, accelerated the innovation initiative and the optimization and upgrade of product mix, continued to strengthen the intensive management, improved the overall operation efficiency of value chain, which consolidated and improved the core competitiveness of the Company, and maintained the satisfactory growth trend of all operation indicators. During the Reporting Period, the Company realized 45.3 million hl of the sales volume of beer, increased by 2% on y-o-y basis; realized RMB15.063 billion of revenue, increased by 2.15% on y-o-y basis; realized RMB1.225 billion of net profits, increased by 14% on y-o-y basis; realized RMB1.148 billion of net profits attributable to shareholders of the Company, increased by 7.43% on y-o-y basis.

During the Reporting Period, the Company raised the working policy of "stabling the growth, adjusting the structure, promoting the development for improvement based on the stabilization", devoted to build a market layout of different aspects, structures and levels including the strategy line of "coastal and along-Yellow-River" base markets + great base market circle focusing on Shandong Province + urban base markets, continued to expand the domestic and international markets, explored more income channels, and also tried to defuse the unfavorable factors of excess production capacity and rising production and operation costs with different measures. At the same time, for the overseas markets, the Company seized the strategy opportunity of "the Belt and Road", focused on its resources, explored the regional markets with emphasis on those with regional impacts, driving capacity and long-term development potential, and improved the layout of market network. In the first half-year, Tsingtao Beer had been sold to 100 countries and regions globally with the growth of 14% of overseas sales volume on y-o-y basis.

The Company continued to improve the sales network covering the main markets throughout the country, strengthened the market promotion through various channels and marketing modes, improved the business synergy between the Company and the clients, kept improving its distribution ability in regional markets; reasonably controlled the input in marketing expenses, focused on improving the marketing efficiency. The Company had been promoting the optimization and adjustment of product mix, accelerating the innovation and R&D of new products to adapt to the new industrial trend of the upgrade of consumption structure. In recent years, the Company had successfully launched the specialized new products such as "Classic 1903, whole-barley Weissbier, raw stock barrel beer, and Tsingtao Pilsner" to provide the consumers with rich and diversified product experience, and lead the consumption trend. The Company accelerated the transformation and upgrade to the high value-added products represented by the canned beer and craft beer products, and realized the upgrade of the package of draft beer, which improved the optimization of the product category and product mix, and promoted the improvement of profitability. In the first half-year, the sales volume of Tsingtao Beer, the Company's core brand, reached 21.2 million hl, including 9 million hl of high-end products such as "Augerta, Hong Yun Dang Tou, Classic 1903 and draft beer", which maintained its advantages in competition in the mid-and-high-end product market.

The Company continued to actively explore and practice the intensive combination of substantial economy and "Internet +" that it had built up the all-around e-commerce channel system of "online retailer + official flagship store + distributor boutique + official shopping mall". The "Tsingtao Quick-Buy" APP, a self-owned e-commerce channel established by the Company, has covered over 50 cities since it was launched on the mobile internet terminal, which satisfied the consumers of Internet era with their purchasing needs and consumption experience through various channels.

(II) ANALYSIS OF CORE COMPETITIVENESS

During the Reporting Period, there were no changes to the Company's core competitiveness. Please refer to the Company's 2016 annual report for details.

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

1. Analysis of changes to items in Income Statements

Item	Amount during the Reporting Period	Unit: '000 Yuan Currency: RMB	
		Amount during the corresponding period in prior year	Increase/ (Decrease) (%)
Revenue	15,062,721	14,746,117	2.15
Cost of sales	8,743,749	8,728,851	0.17
Taxes and surcharges	1,319,364	1,075,000	22.73
Selling and distribution expenses	3,073,838	3,075,597	(0.06)
General and administrative expenses	542,783	618,127	(12.19)
Financial expenses	(164,697)	(128,501)	(28.17)
Asset Impairment losses	1,990	3,652	(45.52)
Profits arising from changes in fair value	236	—	—
Other income	97,766	—	—
Non-operating income	86,148	270,631	(68.17)
Non-operating expenses	37,534	155,882	(75.92)
Net profit attributable to non-controlling interests	76,444	5,491	1,292.04

(1) Revenue

In the first half of 2017, revenue increased by 2.15% comparing with that of the corresponding period in prior year, which was mainly due to the increase in revenue caused by the growth of sales volume of core products during the Reporting Period.

(i) Table of main operation by industries, products and regions

Main operation by industries				Unit: '000 Yuan Currency: RMB		
By industries	Revenue	Cost of sales	Gross margin (%)	Increase/ (Decrease) in revenue from the corresponding period in prior year (%)	Increase/ (Decrease) in cost of sales from the corresponding period in prior year (%)	Increase/ (Decrease) in gross margin from prior year (%)
Beer	14,930,214	8,650,667	42.06	2.32	0.33	Increased by 1.15 percentage points

Main operation by products

By products	Revenue	Cost of sales	Gross margin (%)	Increase/ (Decrease) in revenue from the corresponding period in prior year (%)	Increase/ (Decrease) in cost of sales from the corresponding period in prior year (%)	Increase/ (Decrease) in gross margin from prior year (%)
Beer	14,930,214	8,650,667	42.06	2.32	0.33	Increased by 1.15 percentage points

Main operation by regions

Region	Revenue	Increase/ (Decrease) in revenue from prior year (%)
Shandong Province	8,340,024	6.56
South China	1,703,996	0.28
North China	2,542,104	6.82
East China	1,529,481	2.02
South-East China	495,673	(45.78)
Hong Kong, Macau and other overseas regions	<u>318,936</u>	17.25
Total	<u><u>14,930,214</u></u>	2.32

Note: The revenue of South-East China decreased from prior year, which was mainly due to the change to the scale of South-East China caused by the Company's internal adjustment of organizational structure.

(2) Cost of sales

In the first half of 2017, cost of sales increased by 0.17% comparing with that of the corresponding period in prior year, which was mainly due to the increase in cost of sales caused by the growth of sales volume of core products during the Reporting Period.

(3) Taxes and surcharges

In the first half of 2017, taxes and surcharges increased by 22.73% comparing with that of the corresponding period in prior year, which was mainly due to that, during the Reporting Period, the increase in consumption tax caused by the growth of sales volume, and as requested by the relevant regulations of Ministry of Finance, the related taxes including real estate tax, land use tax, vehicle and vessel tax, and stamp duty tax were transferred from the general and administrative expenses and calculated into the taxes and surcharges.

(4) Selling and distribution expenses

In the first half of 2017, selling and distribution expenses decreased by 0.06% comparing with that of the corresponding period in prior year, which was mainly due to the decrease in expenses in some regional markets during the Reporting Period.

(5) General and administrative expenses

In the first half of 2017, general and administrative expenses decreased by 12.19% comparing with that of the corresponding period in prior year, which was mainly due to that, as requested by the relevant regulations of the Ministry of Finance, the related taxes including real estate tax, land use tax, vehicle and vessel tax, and stamp duty tax were transferred from the general and administrative expenses and calculated into the taxes and surcharges during the Reporting Period.

(6) Financial expenses

In the first half of 2017, financial expenses decreased by 28.17% comparing with that of the corresponding period in prior year, which was mainly due to the increase in interests received during the Reporting Period.

(7) Asset Impairment losses

In the first half of 2017, asset impairment losses decreased by 45.52% comparing with that of the corresponding period in prior year, which was mainly due to the decrease in accrued impairment losses of fixed assets of several subsidiaries during the Reporting Period.

(8) Profits arising from changes in fair value

In the first half of 2017, profits arising from changes in fair value increased by RMB236 thousand comparing with that of the corresponding period in prior year, which was mainly due to that the profits arising from changes in fair value of the money market fund purchased by the Finance Company, a wholly-owned subsidiary of the Company, during the Reporting Period were calculated into the profit of the period.

(9) Other income

In the first half of 2017, other income increased by RMB97,766 thousand comparing with that of the corresponding period in prior year, which was mainly due to that the government grants related to the enterprises' daily operations were calculated into other incomes during the Reporting Period.

(10) Non-operating income

In the first half of 2017, non-operating income decreased by 68.17% comparing with that of the corresponding period in prior year, which was mainly due to the decrease in non-operating income as the governmental subsidies related to the enterprises' daily operations were calculated into other incomes during the Reporting Period.

(11) Non-operating expenses

In the first half of 2017, non-operating expenses decreased by 75.92% comparing with that of the corresponding period in prior year, which was mainly due to the decrease in losses in disposing fixed assets and land use right during the Reporting Period.

(12) Net profit attributable to non-controlling interests

In the first half of 2017, net profit attributable to non-controlling interests increased by 1,292.04% comparing with that of the corresponding period in prior year, which was mainly due to that the non-controlling shareholders of Tsingtao (Shanghai) Sales Co., Ltd. during the corresponding period in prior year shared the operational losses.

2. Information of assets and liabilities

Item	End of the Reporting Period	Percentage of the total assets (%)	Unit: '000 Yuan Currency: RMB		
			End of prior year	Percentage of the total assets (%)	Increase/(Decrease) (%)
Cash at bank and on hand	11,761,010	36.01	8,572,685	28.50	37.19
Financial assets at fair value through profit or loss	20,236	0.06	—	—	—
Notes receivable	46,064	0.14	26,400	0.09	74.49
Accounts receivable	226,068	0.69	124,647	0.41	81.37
Advances to suppliers	134,259	0.41	51,806	0.17	159.16
Interests receivable	98,790	0.30	71,557	0.24	38.06
Other receivables	154,978	0.47	233,844	0.78	(33.73)
Fixed assets pending for disposal	2,397	0.01	1,159	0.004	106.85
Accounts payable	3,078,647	9.43	2,049,229	6.81	50.23
Advances from suppliers	450,759	1.38	1,320,882	4.39	(65.87)
Taxes payable	925,090	2.83	396,467	1.32	133.33
Dividends payable	472,844	1.45	—	—	—

(1) Cash at bank and on hand

Cash at bank and on hand at the end of the Reporting Period increased by 37.19% from the beginning of the Reporting Period, which was mainly due to the net cash in-flow from operation activities during the Reporting Period.

(2) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss at the end of the Reporting Period increased by RMB20,236 thousand from the beginning of the Reporting Period, which was mainly due to that the Finance Company, a wholly-owned subsidiary of the Company, purchased the money market fund during the Reporting Period.

(3) Notes receivable

Notes receivable at the end of the Reporting Period increased by 74.49% from the beginning of the Reporting Period, which was mainly due to the increase in accepted bank bills of exchanges received by some subsidiaries in the peak season of sales during the Reporting Period.

(4) Accounts receivable

Accounts receivable at the end of the Reporting Period increased by 81.37% from the beginning of the Reporting Period, which was mainly due to the increase in balance of receivable accounts of some subsidiaries in the peak seasons of sales during the Reporting Period.

(5) Advances to suppliers

Advances to suppliers at the end of the Reporting Period increased by 159.16% from the beginning of the Reporting Period, which was mainly due to the increase in purchase of raw materials with prepayments during the Reporting Period.

(6) Interests receivable

Interests receivable at the end of the Reporting Period increased by 38.06% from the beginning of the Reporting Period, which was mainly due to the increase in receivable interests of savings deposited by the Finance Company, a wholly-owned subsidiary of the Company, in the external financial institutes during the Reporting Period.

(7) Other receivables

Other receivables at the end of the Reporting Period decreased by 33.73% from the beginning of the Reporting Period, which was mainly due to that the financial wealth management products with fixed income purchased by the Finance Company, a wholly-owned subsidiary of the Company, matured during the Reporting Period.

(8) Fixed assets pending for disposal

Fixed assets pending for disposal at the end of the Reporting Period increased by 106.85% from the beginning of the Reporting Period, which was mainly due to the increase in fixed assets in disposal procedures of some subsidiaries during the Reporting Period.

(9) Accounts payable

Accounts payable at the end of the Reporting Period increased by 50.23% from the beginning of the Reporting Period, which was mainly due to the increase in accounts payable as the increase in purchasing raw materials in the peak seasons of production during the Reporting Period.

(10) Advances from suppliers

Advances from suppliers at the end of the Reporting Period decreased by 65.87% from the beginning of the Reporting Period, which was mainly due to that the beer amount received in advance from suppliers of some subsidiaries were settled and calculated into revenue in the peak seasons of sales during the Reporting Period.

(11) Taxes payable

Taxes payable at the end of the Reporting Period increased by 133.33% from the beginning of the Reporting Period, which was mainly due to the increase in payable value-added tax, payable income tax and payable consumption tax at the end of the Reporting Period.

(12) Dividends payable

Dividends payable at the end of the Reporting Period increased by Rmb472,844 thousand from the beginning of the Reporting Period, which was mainly due to that the proposed cash dividends according to the resolutions approved the general meeting had not been distributed at the end of the Reporting Period.

3. Analysis of changes to items in Cash Flow Statements

Item	Unit: '000 Yuan Currency: RMB		
	Amount during the Reporting Period	Amount during the corresponding period in prior year	Increase/ (Decrease) (%)
Net cash flows from operating activities	3,518,661	3,784,335	(7.02)
Net cash flows from investing activities	(495,846)	(1,626,179)	69.51
Net cash flows from financing activities	(12,464)	(515,237)	97.58

(1) Net cash flows from operating activities

Net cash flows from operating activities decreased by 7.02% comparing with that of the corresponding period in prior year, which was mainly due to that the Finance Company, a wholly-owned subsidiary of the Company, received the deposits from Tsingtao (Shanghai) Co., Ltd., an associated company of the Company, during the corresponding reporting period in prior year.

(2) Net cash flows from investing activities

Net cash flows from investing activities increased by 69.51% comparing with that of the corresponding period in prior year, which was mainly due to the withdrawal of principal of wealth management products by the Finance Company, a wholly-owned subsidiary of the Company, during the Reporting Period, and the payment of the amount for purchasing the equity interests during the corresponding period in prior year.

(3) Net cash flows from financing activities

Net cash flows from financing activities increased by 97.58% comparing with that of the corresponding period in prior year, which was mainly due to the increase in cash received from the borrowings, and the decrease of cash paid for the repayment of debts of several subsidiaries during the Reporting Period.

4. R&D Expenses

Item	Unit: '000 Yuan Currency: RMB		
	Amount during the Reporting Period	Amount during the corresponding period in prior year	Increase/ (Decrease) (%)
R&D expenses	6,432	5,461	17.80

5. Other interpretations

(1) Debt/Capital ratio

As at 30 June 2017, the Group's debt/capital ratio was 0.01% (31 December 2016: 0.01%). The calculation of debt/capital ratio is: total amount of long-term borrowings/(total amount of long-term borrowings + equity attributable to shareholders of the Company).

(2) Asset mortgage

As at 30 June 2017, no assets of the Group were pledged (31 December 2016: Nil).

(3) Risk of fluctuation of exchange rate

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

(4) Capital expenses

In the first half of 2017, the Company totally invested in approximately RMB347 million in the new construction, relocation, re-construction and expansion projects. According to the Company's current situation in funds and profitability, it has sufficient funds and continuous net operational cash in-flow to satisfy its needs for funds for the Company's capital projects.

(5) Investments

Nil

(6) Contingent liabilities

Nil

SIGNIFICANT EVENTS

1. Changes to accounting policies

During the Reporting Period, according to the *CAS 16 – Government Grant* (No. CK[2017]15) revised by the Ministry of Finance of China in 2017, it was stipulated that, since 1 January 2017, the government grants in relation to the Group's daily activities should be calculated into "Other income", and be separately reported in the item of "Operating profit" in the income statement; the government grants not related to the Group's daily activities should be calculated into non-operating income. The accumulative amount affected by such changes to accounting policies applied to the financial statements between January to June 2017 of the Company is: RMB97,765,697 of increase in the item of "Other income", and RMB97,765,697 of decrease in the item of "Non-operating income".

The aforesaid changes to the accounting policies in relation to the *CAS 16 – Government Grant* had no material influence to the Company's financial statements, nor any significant influence to the Group's financial situation, operating results and cash flows in the first half of 2017.

2. Purchase of wealth management products by the Finance Company during the Reporting Period

As considered and approved at the eighth session of the Board, the Finance Company, a wholly-owned subsidiary of the Company, launched a wealth management product business. The wealth management products which were purchased by the Finance Company in 2016 and had not matured by the end of 2016 were RMB720 million in accumulation. In the first half of 2017, it had accumulatively purchased RMB1.08 billion of wealth management products. As at the end of the Reporting Period, RMB860 million of the aforesaid wealth management products had matured, and the capital fund and approximately RMB7.51 million of income had been credited into the account; while the remaining RMB940 million had not matured.

During the Reporting Period, the Finance Company, a wholly-owned subsidiary of the Company, had accumulatively purchased RMB40 million of money market fund and realized approximately RMB27.5 thousand of investing income, and the unredeemed money market fund realized approximately RMB236 thousand of profits of changes to fair value.

3. During the Reporting Period, the Company was not involved in any new significant litigations and arbitration.

CHANGES TO SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

2. Information of shareholders

(1) As at 30 June 2017, there were totally 28,346 shareholders of the Company, including 28,066 holders of A-share and 280 holders of H-share. Based on the public information which is known on the latest practical date before the interim report is published, and which is also within the knowledge of the directors of the Company, the number of the Company's shares held by the public has been satisfied with the requirements in the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("*Listing Rules*").

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

Shareholder's name	Class of shares	Shares held at the end of the Reporting Period	<i>Unit: Share</i>
			Holding percentage (%)
Tsingtao Brewery Group Company Limited (<i>Note 1</i>)	A-share + H-share	416,448,055	30.83
HKSCC Nominees Limited (<i>Note 2</i>)	H-share	370,463,448	27.42
Asahi Group Holdings Ltd	H-share	270,127,836	19.99
China Securities Finance Corporation Company	A-share	40,395,979	2.99
PICC Life Insurance Co., Ltd. — Dividends — Dividends for personal insurance	A-share	24,000,000	1.78
China Jianyin Investment Company Ltd.	A-share	17,574,505	1.30
Hong Kong Securities Clearing Company Limited		11,195,263	0.83
Central Huijin Investment Ltd.	A-share	10,517,500	0.78
Guosen Securities Co., Ltd.	A-share	9,033,574	0.67
Hong Kong Monetary Authority — Own Funds	A-share	5,858,867	0.43

Notes:

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

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

(3) Substantial shareholders of H-share

Save as disclosed below, the directors of the Company are not aware of any persons other than a director or supervisor or chief executive of the Company or his/her respective associate(s) who, as at 30 June 2017, had an interest or short position in the shares or underlying shares of the Company which was recorded in the register to be kept under Section 336 of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”):

Name	Nature	Class of Shares	Capacity	Note	Number of shares/ underlying shares	As a percentage of the entire issued capital	As a percentage of all H-Shares
State-owned Assets Supervision & Administration Commission of the People’s Government of Qingdao (“SASACQ”)	Long Position	A-Share	Corporate		405,132,055 A-Shares	29.99%	N/A
	Long Position	H-Share	Interest of controlled corporation	1	11,316,000 H-Shares	0.84%	1.73%
Asahi Breweries, Ltd	Long Position	H Share	Beneficial Owner	2	270,127,836 H-Shares	19.99%	41.24%
JPMorgan Chase & Co.	Long Position	H-Share	Interest of controlled corporation/ Beneficial Owner/ Investment Manager/ Custodian	3&4	39,281,383 H-Shares	2.91%	6.00%
		Interest in a lending pool	H-Share		16,510,223 H-Shares	1.22%	2.52%
		Short Position	H-Share	Beneficial Owner		732,000 H-Shares	0.05%
Baillie Gifford & Co.	Long Position	H-Share	Interest of controlled corporation	5	48,574,250 H-Shares	3.60%	7.42%
		H-Share	Investment Manager		10,376,753 H-Shares	0.77%	1.58%

Notes:

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OFFICERS AND STAFF

1. Shareholding of directors, supervisors and senior management officers

As at 30 June 2017, Mr. SUN Ming Bo, Chairman of the Board of the Company, held 124,160 shares in the Company, Mr. HUANG Ke Xing, Executive Director and President of the Company, was interested and deemed to be interested in 26,502 shares in the Company, Mr. FAN Wei, Executive Director and Vice President of the Company, President of Manufacturing Center & Chief Brewer, held 122,876 shares in the Company. All shares held by the above individuals are listed shares of A-share.

Save as disclosed above, as at 30 June 2017, none of the directors, supervisors and senior management officers of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (as defined in Part XV of Securities and Futures Ordinance), which was recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the *Model Code for Securities Transactions by Directors of Listed Companies* ('*Model Code*') as set out in Appendix 10 of the *Listing Rules*.

2. Model Code

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

3. Staff

As at 30 June 2017, there were 41,482 on-duty staff in total in the Company (including its subsidiaries).

The Company continuously improved a comprehensive incentive system based on the salary incentive, driven by the professional development incentive, attracted by the emotion incentive and focused on the cultural incentive. Based on the material incentive, the Company deepened the honor incentive mechanism that it continuously implemented the honor incentive of "Wolf Warrior" in its marketing system.

In 2017, based on the operation strategies of "stabling the growth, adjusting the structure, controlling the expenses", and "ensuring the quality, lowering the costs, improving the efficiency", the Company has been improving its incentive policies and upgrading its supporting mechanisms. The Company also drove the transformation and growth based on the mechanisms of target incentive, honor incentive, performance control, and capability support.

In 2017, the Company continued to promote the employee optimization and efficiency improvement. In the first half-year, the Company efficiently controlled the total number of staff, obviously improved the per capita efficiency, reasonably controlled the labor costs, and steadily increased the employees' remuneration.

In the first half of 2017, based on the talent cultivation channel and interaction of multi-platforms, the Company built a study environment of innovation and combination of both on-line and off-line functions. It innovated the forms of learning that, based on the new media, successfully completed the first micro-course contest to elect 194 excellent courses among 1,098 courses. It fully played the features of "starting learning once being needed", "starting utilizing once after having learnt" and "knowledge concentration" of micro-courses, to help the employees rapidly solve the key problems encountered in the work, which greatly improved the working efficiency; focused on the key point of business to effectively promoted the intensive and extensive exchanges of marketing training base; innovatively managed the working qualification, focused on building the position qualification system based on the system, platform and knowledge for the mid-and-senior management officers; continuously built and upgraded the branding project, re-designed the cultivation channel and mode for the functional staff in the head office, and optimized the management of research-type topics for the training class.

PURCHASING, SELLING OR REDEEMING THE SECURITIES

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CORPORATE GOVERNANCE CODE

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

During the Reporting Period, the Company had complied with the provisions in *Corporate Governance Code* as set out in Appendix 14 of *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* except for the deviation from code provision A.4.2.

Code provision A.4.2 stipulates that, among others, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As disclosed in the announcement of the Company dated 14 June 2017, the terms of the eighth session of the Board and the supervisory committee of the Company expired on 16 June 2017. As the nomination of relevant candidates for directors and supervisors has not been finished, in order to maintain the continuity and stability of the work of the Board and the supervisory committee, the re-election and appointment of the eighth session of the Board and the supervisory committee of the Company was postponed and the terms of the eighth session of the Board committees was correspondingly extended. The Company will try to advance the progress of re-election and appointment of the Board and the supervisory committee as soon as practicable.

REVIEW OF THE UNAUDITED INTERIM RESULTS

The Audit & Internal Control Committee under the Board has reviewed the Group's unaudited 2017 interim results and interim report.

COMPANY INFORMATION

1. BASIC INFORMATION

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

2. CONTACT PERSON AND CONTACT METHODS

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

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

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



青島啤酒

2017

INTERIM REPORT

中期報告

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.