



**TSINGTAO**

青島啤酒

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

(Stock Code 股份代號 : 168)

TSINGTAO



中期報告

INTERIM REPORT

2018

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**TSINGTAO BREWERY COMPANY LIMITED**  
**CONSOLIDATED AND COMPANY BALANCE SHEETS**

AS AT 30 JUNE 2018

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 4 (unless otherwise stated)	As at			
		30 June 2018 Consolidated (unaudited)	31 December 2017 Consolidated	30 June 2018 Company (unaudited)	31 December 2017 Company
<b>Current assets</b>					
Cash at bank and on hand	(1)	13,465,623,956	9,805,485,121	5,726,833,174	3,652,150,167
Financial assets held for trading	(2)	1,101,007,721	130,115,254	-	-
Notes receivable and accounts receivable	(3), 13(1)	211,352,202	183,617,244	1,103,058,286	962,331,180
Advances to suppliers	(4)	131,691,503	116,394,430	65,319,670	74,498,675
Other receivables	(5), 13(2)	334,015,799	348,400,531	191,200,579	433,294,786
Inventories	(6)	1,856,879,821	2,392,910,141	580,805,407	796,207,042
Other current assets	(7)	414,405,553	1,096,060,646	170,839,347	308,955,082
<b>Total current assets</b>		<b>17,514,976,555</b>	<b>14,072,983,367</b>	<b>7,838,056,463</b>	<b>6,227,436,932</b>
<b>Non-current assets</b>					
Available-for-sale financial assets		—	600,000	—	300,000
Debt investments	13(3)	-	—	114,300,000	—
Long-term receivables		-	-	-	25,000,000
Long-term equity investments	(8), 13(4)	373,538,339	375,899,439	10,262,162,384	10,034,228,614
Other non-current financial assets		600,000	—	300,000	—
Investment properties	(9)	27,206,446	27,261,927	30,060,570	30,722,528
Fixed assets	(10)	10,740,902,171	10,993,772,759	2,146,519,654	2,195,702,933
Construction in progress	(11)	242,038,367	200,139,178	34,684,732	37,865,820
Intangible assets	(12)	2,675,171,809	2,776,216,295	547,966,507	581,663,443
Goodwill	(13)	1,307,103,982	1,307,103,982	-	-
Long-term prepaid expenses	(14)	30,517,105	36,042,642	1,462,702	2,390,151
Deferred tax assets	(15)	1,320,438,889	1,135,894,135	821,212,610	715,995,858
Other non-current assets	(17)	79,489,605	48,798,055	5,421,942	2,858,948
<b>Total non-current assets</b>		<b>16,797,006,713</b>	<b>16,901,728,412</b>	<b>13,964,091,101</b>	<b>13,626,728,295</b>
<b>TOTAL ASSETS</b>		<b>34,311,983,268</b>	<b>30,974,711,779</b>	<b>21,802,147,564</b>	<b>19,854,165,227</b>

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

AS AT 30 JUNE 2018

(All amounts in RMB Yuan unless otherwise stated)

	Note 4	As at			
		30 June 2018 Consolidated (unaudited)	31 December 2017 Consolidated	30 June 2018 Company (unaudited)	31 December 2017 Company
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Short-term borrowings	(18)	284,967,800	282,534,200	-	-
Notes payable and accounts payable	(19)	3,385,909,639	2,373,206,083	3,243,052,177	1,503,075,685
Advances from customers		-	1,177,632,347	-	926,380,162
Contract liabilities	(20)	4,007,867,450	—	2,522,132,089	—
Employee benefits payable	(21)	1,077,268,521	1,032,628,088	405,043,265	379,436,264
Taxes payable	(22)	948,087,505	400,835,890	88,523,607	44,536,778
Other payables	(23)	3,243,513,589	5,184,870,253	1,346,976,569	2,479,260,972
Current portion of non-current liabilities		410,800	419,160	-	-
Other current liabilities		105,919	107,284	-	-
<b>Total current liabilities</b>		<b>12,948,131,223</b>	<b>10,452,233,305</b>	<b>7,605,727,707</b>	<b>5,332,689,861</b>
<b>Non-current liabilities</b>					
Long-term borrowings	(24)	821,600	1,047,900	-	-
Long-term payables	(25)	273,942,857	123,140,327	15,440,660	15,440,660
Deferred income	(26)	1,827,866,591	1,904,109,828	45,892,454	50,542,428
Long-term employee benefits payable	(27)	493,142,783	499,008,449	282,452,064	274,230,780
Deferred tax liabilities	(15)	210,359,363	220,667,269	-	-
<b>Total non-current liabilities</b>		<b>2,806,133,194</b>	<b>2,747,973,773</b>	<b>343,785,178</b>	<b>340,213,868</b>
<b>Total liabilities</b>		<b>15,754,264,417</b>	<b>13,200,207,078</b>	<b>7,949,512,885</b>	<b>5,672,903,729</b>
<b>Equity</b>					
Share capital	(28)	1,350,982,795	1,350,982,795	1,350,982,795	1,350,982,795
Capital surplus	(29)	3,444,186,740	3,444,181,512	4,306,626,056	4,306,620,828
Other comprehensive income	(30)	(16,084,775)	(9,038,750)	(26,869,000)	(26,869,000)
Surplus reserve	(31)	1,400,704,380	1,400,704,380	1,400,704,380	1,400,704,380
General reserve	(32)	155,497,737	155,497,737	-	-
Undistributed profits	(33)	11,543,821,946	10,802,900,749	6,821,190,448	7,149,822,495
<b>Total equity attributable to shareholders of the Company</b>		<b>17,879,108,823</b>	<b>17,145,228,423</b>	<b>13,852,634,679</b>	<b>14,181,261,498</b>
<b>Non-controlling interests</b>		<b>678,610,028</b>	<b>629,276,278</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>18,557,718,851</b>	<b>17,774,504,701</b>	<b>13,852,634,679</b>	<b>14,181,261,498</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>34,311,983,268</b>	<b>30,974,711,779</b>	<b>21,802,147,564</b>	<b>19,854,165,227</b>

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

Legal representative:  
HUANG Kexing

Principal in charge of accounting:  
YU Zhuming

Head of accounting department:  
HOU Qiuyan

# TSINGTAO BREWERY COMPANY LIMITED

## CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4 (unless otherwise stated)	Six months ended 30 June			
		2018 Consolidated (unaudited)	2017 Consolidated (unaudited)	2018 Company (unaudited)	2017 Company (unaudited)
<b>Revenue</b>	(34), (13/5)	15,153,690,513	15,062,721,002	10,745,158,759	10,203,155,962
Less: Cost of sales	(34), (38), (13/5), (13/6)	(9,187,180,102)	(8,743,749,045)	(8,577,295,018)	(7,730,667,934)
Taxes and surcharges	(35)	(1,307,888,063)	(1,319,364,035)	(290,986,920)	(304,849,988)
Selling and distribution expenses	(36), (38), (13/6)	(2,696,553,724)	(3,073,837,935)	(1,500,152,615)	(1,671,341,618)
General and administrative expenses	(37), (38), (13/6)	(578,194,159)	(536,330,695)	(168,624,021)	(155,145,137)
Research and development expenses	(38), (13/6)	(7,116,545)	(6,432,426)	(7,116,545)	(6,432,426)
Finance expenses	(39)	241,191,088	164,697,006	27,230,981	22,904,183
Including: Interest expenses		(5,916,028)	(5,058,153)	-	-
Interest income		261,107,536	181,657,205	36,803,393	58,688,712
Asset impairment losses	(40)	(6,642,975)	(1,989,739)	-	89,641,945
Credit impairment losses		2,085,078	-	2,421,832	-
Add: Other income	(41)	179,805,678	107,221,225	7,575,731	6,016,008
Investment income	(42), (13/7)	25,864,051	33,745,993	70,083,834	75,572,099
Including: Share of profits of associates and a joint venture		16,708,068	26,182,374	15,731,712	25,749,871
Profits arising from changes in fair value	(43)	17,417,481	236,015	-	-
Gains/(losses) on disposals of assets	(44)	(7,613,067)	(15,028,154)	(905,272)	(2,028,068)
<b>Operating profit</b>		<b>1,828,865,254</b>	<b>1,671,869,212</b>	<b>307,390,746</b>	<b>526,825,026</b>
Add: Non-operating income	(45)	69,741,890	75,936,433	5,136,021	18,084,724
Less: Non-operating expenses	(46)	(2,838,182)	(21,769,776)	(800,072)	(9,294,907)
<b>Total profit</b>		<b>1,895,768,962</b>	<b>1,726,055,869</b>	<b>311,726,695</b>	<b>535,614,843</b>
Less: Income tax expense	(47)	(499,557,944)	(501,144,342)	(72,945,968)	(120,631,031)
<b>Net profit</b>		<b>1,396,211,018</b>	<b>1,224,911,527</b>	<b>238,780,727</b>	<b>414,983,812</b>
Classified by continuity of operations					
Net profit from continuing operations		1,396,211,018	1,224,911,527	238,780,727	414,983,812
Net profit from discontinued operations		-	-	-	-
Classified by ownership of the equity					
Attributable to non-controlling interests		93,986,033	76,443,534	n/a	n/a
Attributable to shareholders of the Company		1,302,224,985	1,148,467,993	238,780,727	414,983,812
<b>Other comprehensive income, net of tax</b>	(30)	<b>(937,039)</b>	<b>5,378,170</b>	<b>-</b>	<b>-</b>
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 reclassified to profit or loss		(43,082)	134,129	-	-
Currency translation differences		(893,957)	5,244,041	-	-
<b>Total comprehensive income</b>		<b>1,395,273,979</b>	<b>1,230,289,697</b>	<b>238,780,727</b>	<b>414,983,812</b>
Attributable to shareholders of the Company		1,301,287,946	1,153,846,163	238,780,727	414,983,812
Attributable to non-controlling interests		93,986,033	76,443,534	n/a	n/a
<b>Earnings per share</b>					
Basic earnings per share	(48)	0.964	0.850	n/a	n/a
Diluted earnings per share	(48)	0.964	0.850	n/a	n/a

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

Legal representative:  
**HUANG Kexing**

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

Head of accounting department:  
**HOU Qiuyan**

# TSINGTAO BREWERY COMPANY LIMITED

## CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Six months ended 30 June			
		2018 Consolidated (unaudited)	2017 Consolidated (unaudited)	2018 Company (unaudited)	2017 Company (unaudited)
<b>Cash flows from operating activities</b>					
Cash received from sales of goods or rendering of services		17,376,721,789	16,113,453,305	12,099,524,399	10,597,889,192
Refund of taxes and surcharges		12,441,039	11,363,666	6,935,085	6,532,430
Cash received relating to other operating activities	(49)(a)	396,577,382	411,369,082	85,652,005	167,608,128
<b>Sub-total of cash inflows</b>		<b>17,785,740,210</b>	<b>16,536,186,053</b>	<b>12,192,111,489</b>	<b>10,772,029,750</b>
Cash paid for goods and services		(7,257,796,557)	(6,671,882,805)	(7,524,137,875)	(7,835,905,388)
Cash paid to and on behalf of employees		(2,171,327,617)	(2,040,556,539)	(784,767,134)	(720,795,332)
Payments of taxes and surcharges		(2,614,813,575)	(2,564,488,923)	(711,668,485)	(708,652,535)
Cash paid relating to other operating activities	(49)(b)	(1,743,912,801)	(1,740,596,530)	(1,034,220,582)	(973,926,745)
<b>Sub-total of cash outflows</b>		<b>(13,787,850,550)</b>	<b>(13,017,524,797)</b>	<b>(10,054,794,076)</b>	<b>(10,239,280,000)</b>
<b>Net cash flows from operating activities</b>	(50)(a)	<b>3,997,889,660</b>	<b>3,518,661,256</b>	<b>2,137,317,413</b>	<b>532,749,750</b>
<b>Cash flows from investing activities</b>					
Cash received from disposal of investments		879,900,000	959,900,000	20,400,000	130,600,000
Cash received from returns on investments		21,188,268	22,375,017	333,275,326	1,350,387,945
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,579,645	1,099,433	246,628	701,774
Cash received relating to other investing activities	(49)(c)	361,285,263	202,820,609	670,000	340,000
<b>Sub-total of cash inflows</b>		<b>1,264,953,176</b>	<b>1,186,195,059</b>	<b>354,591,954</b>	<b>1,482,029,719</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(342,547,656)	(347,048,629)	(74,156,559)	(67,029,879)
Cash paid to acquire investments		(1,209,800,000)	(1,120,000,000)	(339,700,000)	(240,317,130)
Net cash received from disposal of subsidiaries and other business units		-	(20,317,130)	-	-
Cash paid relating to other investing activities	(49)(d)	(236,644,266)	(194,674,831)	(975,708)	(320,684)
<b>Sub-total of cash outflows</b>		<b>(1,788,991,922)</b>	<b>(1,682,040,590)</b>	<b>(414,832,267)</b>	<b>(307,667,693)</b>
<b>Net cash flows from investing activities</b>		<b>(524,038,746)</b>	<b>(495,845,531)</b>	<b>(60,240,313)</b>	<b>1,174,362,026</b>

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

ITEM	Note 4	Six months ended 30 June			
		2018 Consolidated (unaudited)	2017 Consolidated (unaudited)	2018 Company (unaudited)	2017 Company (unaudited)
<b>Cash flows from financing activities</b>					
Cash received from borrowings		274,591,200	335,301,600	-	-
<b>Sub-total of cash inflows</b>		<b>274,591,200</b>	<b>335,301,600</b>	<b>-</b>	<b>-</b>
Cash repayments of borrowings		(274,801,200)	(298,691,600)	-	-
Cash payments for distribution of dividends, profits or interests expenses		(48,249,913)	(48,786,649)	-	-
Including: Cash payments for dividends, profit to minority shareholders of subsidiaries		(44,652,283)	(45,540,427)	-	-
Cash payments relating to other financing activities		(1,134,743)	(287,686)	(1,134,743)	-
<b>Sub-total of cash outflows</b>		<b>(324,185,856)</b>	<b>(347,765,935)</b>	<b>(1,134,743)</b>	<b>-</b>
<b>Net cash flows from financing activities</b>		<b>(49,594,656)</b>	<b>(12,464,335)</b>	<b>(1,134,743)</b>	<b>-</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalent</b>		<b>1,101,399</b>	<b>(1,866,582)</b>	<b>(1,387,034)</b>	<b>2,377,450</b>
<b>Net increase in cash and cash equivalents</b>	(50)(a)	<b>3,425,357,657</b>	<b>3,008,484,808</b>	<b>2,074,555,323</b>	<b>1,709,489,226</b>
Add: Cash and cash equivalents at beginning of period		9,101,908,887	7,929,473,031	3,622,747,912	3,382,727,922
<b>Cash and cash equivalents at end of period</b>	(50)(b)	<b>12,527,266,544</b>	<b>10,937,957,839</b>	<b>5,697,303,235</b>	<b>5,092,217,148</b>

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

*Legal representative:*  
**HUANG Kexing**

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

*Head of accounting department:*  
**HOU Qiuyan**

# TSINGTAO BREWERY COMPANY LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 4	Attributable to shareholders of the Company						Non-controlling interests	Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserves	General reserve	Undistributed profits		
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)		-	2,740	5,378,170	-	-	675,624,015	30,648,107	711,653,032
Total comprehensive income		-	-	5,378,170	-	-	1,148,467,993	76,443,534	1,230,289,697
Net profit		-	-	-	-	-	1,148,467,993	76,443,534	1,224,911,527
Other comprehensive income	(30)	-	-	5,378,170	-	-	-	-	5,378,170
Profit distribution	(33)	-	-	-	-	-	(472,843,978)	(45,540,427)	(518,384,405)
Profit distribution to shareholders		-	-	-	-	-	(472,843,978)	(45,540,427)	(518,384,405)
Other	(29)	-	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
Balance at 31 December 2017		1,350,982,795	3,444,181,512	(9,038,750)	1,400,704,380	155,497,737	10,802,900,749	629,276,278	17,774,504,701
Changes in accounting policies		-	-	(6,108,986)	-	-	6,108,986	-	-
Balance at 1 January 2018		1,350,982,795	3,444,181,512	(15,147,736)	1,400,704,380	155,497,737	10,809,009,735	629,276,278	17,774,504,701
Movements for the six months ended 30 June 2018 (unaudited)		-	5,228	(937,039)	-	-	734,812,211	49,333,750	783,214,150
Total comprehensive income		-	-	(937,039)	-	-	1,302,224,985	93,986,033	1,395,273,979
Net profit		-	-	-	-	-	1,302,224,985	93,986,033	1,396,211,018
Other comprehensive income	(30)	-	-	(937,039)	-	-	-	-	(937,039)
Profit distribution	(33)	-	-	-	-	-	(567,412,774)	(44,652,283)	(612,065,057)
Profit distribution to shareholders		-	-	-	-	-	(567,412,774)	(44,652,283)	(612,065,057)
Others	(29)	-	5,228	-	-	-	-	-	5,228
Balance at 30 June 2018 (unaudited)		1,350,982,795	3,444,186,740	(16,084,775)	1,400,704,380	155,497,737	11,543,821,946	678,610,028	18,557,718,851

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

Legal representative:  
HUANG Kexing

Principal in charge of accounting:  
YU Zhuming

Head of accounting department:  
HOU Qiuyan

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

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

ITEM	Note 4	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
<b>Balance at 1 January 2017</b>		1,350,982,795	4,306,629,016	(49,477,000)	1,400,704,380	6,728,201,082	13,737,040,273
<b>Movement for the six months ended 30 June 2017 (unaudited)</b>		-	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	(33)	-	-	-	-	(472,843,978)	(472,843,978)
Profit distribution to shareholders		-	-	-	-	(472,843,978)	(472,843,978)
Others		-	2,740	-	-	-	2,740
<b>Balance at 30 June 2017 (unaudited)</b>		<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>
<b>Balance at 1 January 2018</b>		<u>1,350,982,795</u>	<u>4,306,620,828</u>	<u>(26,869,000)</u>	<u>1,400,704,380</u>	<u>7,149,822,495</u>	<u>14,181,261,498</u>
<b>Movement for the six months ended 30 June 2018 (unaudited)</b>		-	5,228	-	-	(328,632,047)	(328,626,819)
Total comprehensive income		-	-	-	-	238,780,727	238,780,727
Net profit		-	-	-	-	238,780,727	238,780,727
Profit distribution	(33)	-	-	-	-	(567,412,774)	(567,412,774)
Profit distribution to shareholders		-	-	-	-	(567,412,774)	(567,412,774)
Others		-	5,228	-	-	-	5,228
<b>Balance at 30 June 2018 (unaudited)</b>		<u>1,350,982,795</u>	<u>4,306,626,056</u>	<u>(26,869,000)</u>	<u>1,400,704,380</u>	<u>6,821,190,448</u>	<u>13,852,634,679</u>

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

*Legal representative:*  
**HUANG Kexing**

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

*Head of accounting department:*  
**HOU Qiuyan**

# TSINGTAO BREWERY COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

(All amounts in RMB Yuan unless otherwise stated)

### 1. GENERAL INFORMATION

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

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

Approved by the Circular [2008] No.445 issued by the China Securities Regulatory Commission, the Company issued convertible bonds with detachable warrants subscription rights on 2 April 2008 at a total size of RMB1.5 billion with the term of 6 years. Upon the exercise period ended on 19 October 2009, 42,763,617 A shares of the Company were issued and the total number of the Company’s shares was increased from 1,308,219,178 to 1,350,982,795.

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

Subsidiaries which are included in the scope of consolidation in this period are disclosed in Note 5(1). 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 28 August 2018.

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

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

#### (1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

The new Hong Kong “Companies Ordinance” came into effect in 2016. According to the requirement of Hong Kong Companies Ordinance, there are changes to presentation and disclosures of certain information in the financial statements.

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

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

The financial statements of the Company for the six months ended 30 June 2018 are in compliance with CAS, and truly and completely present the Consolidated and the Company's financial position as at 30 June 2018 and their financial performance, cash flows and other information for the six months then ended.

### (3) Accounting period

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

### (4) Recording currency

The Company's recording currency is Renminbi (RMB). The recording currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate. The recording currency of subsidiaries in Hong Kong and Macau is Hong Kong Dollar (HKD) and Macau Pataca (MOP) respectively. The financial statements are presented in RMB.

### (5) Business combinations

#### *(a) Business combinations involving enterprises under common control*

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. If the merged party was acquired by the final control party from a third party in the previous year, then the consideration was measured based on carrying amount of assets and liabilities of the merged party (including the goodwill arising from acquisition by the final control party) in the final control party's consolidated financial statements. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognized 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 recognized 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 recognized 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 recognized 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 re-measured 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 re-measurement 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 recognized 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 functional currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized 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 instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

#### (a) Financial assets

##### (i) Classification and measurement

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

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

##### Debt instruments

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

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

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

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

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

Measured at amortized cost

This type of financial assets managed by the Group is held for collection of contractual cash flows. The contractual cash flow characteristics of such financial assets are consistent with basic loan arrangement, which means the cash flows generated on specified dates are solely the payment of the principal and interest on the principle amount outstanding. The interest income from such financial assets is recognized using the effective interest method. These financial assets mainly include cash at bank and on hand, notes receivable and accounts receivable, other receivables and debt investments. Debt investments and long-term receivables due within 1 year (inclusive) at the balance sheet date are included as the current portion of non-current assets; at acquiring date, debt investments with maturities within one year (inclusive) are included as other current assets.

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

These financial assets managed by the Group are held within business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The contractual cash flow characteristics of such financial assets are consistent with the basic loan arrangement. These financial assets are measured at fair value and changes in fair value are recognized in other comprehensive income. However, the impairment losses or gains, exchange gain or loss and interest income using the effective interest method are recognized into current profit or loss for the current period. These financial assets are presented as other debt investments. Other debt investments due within 1 year (inclusive) at the balance sheet date are included in the current portion of non-current assets; other debt investments with maturities within 1 year (inclusive) at acquisition are included in other current assets.

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

Debt instruments that are not classified as at amortized cost or FVOCI are presented as financial assets held for trading measured at FVTPL. The Group may designate a financial asset at fair value through profit or loss on initial recognition if this eliminates or significantly reduces on accounting mismatch. Financial assets with maturities over 1 year and expected to be held over 1 year at the balance sheet date are included in other non-current financial assets.

Equity instruments

Investments in equity instruments over which the Group exerts no control, joint control or significant influence, are presented as financial assets held for trading and measured at fair value through profit or loss; financial assets expected to be held over 1 year at the balance sheet date are included in other non-current assets.

Besides, the Group designates equity instrument investments that are not held for trading as financial assets, measured at fair value through other comprehensive income and presented as other equity instrument investments. The relevant dividend income of such financial assets is included in the current profit and loss.

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

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

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

##### (ii) Impairment of financial assets

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

The measurement of expected credit loss reflect the probability-weighted amount of the present value of the difference between contractual cash flows receivable and expected cash flows. Also, the Group consider reasonable and supportable information about past events, current situation and forecasts of future economic conditions as well as take default risk as the weight when measuring expected credit loss.

At each balance sheet date, the Group separately measures the ECL of financial instruments at different stages. Financial instruments that did not have significant increases in credit risk since the initial recognition belong to stage 1 and the loss provisions are measured based on the ECL in the next 12 months. Financial instruments that have had a significant increase in credit risk since the initial recognition without credit impairment belong to stage 2 and the loss provisions are measured based on the lifetime ECL. Financial instruments suffering from credit impairment since the initial recognition belong to stage 3 and the loss provisions are measured based on the lifetime ECL.

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

For the financial instruments at stage 1 and stage 2, and those with low credit risk, interest income is calculated based on gross carrying amount without deduction of impairment provision and the effective interest rate. For the financial instruments at stage 3, interest income is calculated based on amortised cost (gross carrying amounts less the impairment provision) and the effective interest rate.

For notes receivable and accounts receivable, whether containing significant financing components or not, the Group measures their loss provision based on the lifetime ECL.

The Group classifies receivables into several groupings in accordance with their credit risk characteristics and measures ECL based on the groupings. Basis for grouping is as follows:

Bank acceptance notes	Banks with low credit risk
Accounts receivable	Dealer customers
Accounts receivable	Receivables from subsidiaries
Other receivables	Dividends receivable
Other receivables	Interest receivable
Other receivables	Receivables from government etc.
Other receivables	Receivables from subsidiaries
Other receivables	Others

For notes receivable on the grouping basis, the Group calculates the ECL by referring to historical credit loss experience, current situation and forecasts of economic conditions, and based on the Exposure At Default ("EAD") and lifetime ECL ratio.

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

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

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

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

##### (ii) Impairment of financial assets (Cont'd)

For other receivable on the grouping basis, the Group calculates the ECL by referring to historical credit loss experience, current situation and future economic conditions, and based on the EAD and the lifetime ECL ratio.

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

##### (iii) De-recognition of financial assets

A financial asset is derecognized 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 derecognition of the investment of other equity instruments, the difference between carrying amount and the sum of the consideration received and the cumulative changes in fair value that have been recognized directly in other comprehensive income, shall be transferred into the retained earnings; On derecognition of other financial assets, the difference between carrying amount and the sum of the consideration received and the cumulative changes in fair value that have been recognized directly in other comprehensive shall be recognized into the current profit and loss.

#### (b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss.

Financial liabilities of the Group mainly comprise financial liabilities measured at amortised cost, including notes payable and accounts payable, other payables, borrowings and so on. Such financial liabilities are recognized initially at fair value added by the transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Those with maturities no more than one year are classified as current liabilities; those with maturities over one year but 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 derecognized or partly derecognized when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognized part of the financial liability and the consideration paid is recognized in profit or loss.

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

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

#### *(c) Determination of fair value of financial instruments*

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

### (10) Inventories

#### *(a) Classification*

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

#### *(b) Cost formulas*

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

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

Provision for decline in the value of inventories is determined by 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 until up to completion and estimated costs necessary to make the sale and related taxes.

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

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

Low value consumables and packaging materials are written off once used and amortised based upon fractional method respectively.

### (11) Long-term equity investments

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

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has jointly control together with other parties and has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associates 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.

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

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

#### (a) *Determination of investment cost*

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

For 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 recognized 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. 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 recognized 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 in the contingencies are satisfied, the Group continues recognising the expected losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus other comprehensive income, and profit distribution. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profit or loss arising from the intra-group transactions amongst the Group and its investees is eliminated in proportion to the Group's equity interests in the investees, and then based on which the investment income is recognized. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

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

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

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

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

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

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

#### (d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(18)).

### (12) Investment properties

Investment properties are buildings that are held for the purpose of leasing, 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 recognized 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:

	<b>Estimated useful lives</b>	<b>Estimated residual value</b>	<b>Annual depreciation rate</b>
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 derecognized 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 recognized in profit or loss for the current period.

The carrying amount of investment properties shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(18)).

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

### (13) Fixed assets

#### (a) Recognition and initial measurement of fixed assets

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

Fixed assets are recognized 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 recognized 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 derecognized. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

#### (b) Depreciation methods of fixed assets

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

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

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

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

(c) The carrying amount of fixed assets shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note2(18)).

#### (d) Disposal of fixed assets

A fixed asset is derecognized 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 recognized in profit or loss for the current period.

### (14) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note2(18)).

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

### (15) Borrowing costs

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

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

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

### (16) Intangible assets

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

#### (a) Land use rights

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

#### (b) Trademarks

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

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

#### (c) Marketing networks

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

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

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

#### *(d) Computer software*

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

#### *(e) Technology know-how*

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

#### *(f) Periodical review of useful life and amortisation method*

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

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

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

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

- The development of the beer technology has been sufficiently proved by the technical team;
- The budget relating to the beer technology improvement has been approved by the management;
- It can be demonstrated that the products due to beer technology improvement have potential market from previous marketing investigation;
- There are adequate technical and financial resources for improvement of the beer technology and the large-scale production; 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 recognized in profit or loss in the period in which they are incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

#### *(h) Impairment of intangible assets*

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

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

### (17) Long-term prepaid expenses

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

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

Fixed assets, constructions in progress, 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 recognized 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 recognized 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 recognized. 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 recognized, it will not be reversed for the value recovered in the subsequent periods.

### (19) Employee benefits

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

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

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs. The employee benefits liabilities are recognized 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.

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

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

#### (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's post-employment benefits mainly include defined contribution plans such as basic pension and unemployment insurance, and which belong to supplemental retirement benefits.

##### *Basic pension insurance*

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

##### *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 recognized 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 independent actuary using the Projected Unit Credit method and applying interests rates of government bonds that have terms to maturity approximating to the terms of the related pension obligation. The service cost and net interest income related to supplemental retirement benefits are recognized as expenses or costs of assets, and actuarial gains or losses arising from re-measurement of net defined benefit obligation is recognized 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 recognized 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 recognized 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.

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

### (20) Dividends distribution

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

### (21) Revenue

Revenue is recognized by the Group at the amount of consideration that is expected to be entitled when customers obtain the control of related goods and services.

#### (a) *Sale of goods*

The Group manufactures and sells beer products to the regional distributors. Based on contracts, the Group delivers beer products to distributors. Revenue is recognized when the goods has been accepted by the distributors.

#### (b) *Rendering of services*

The Group provides construction service to clients and recognizes revenue in a period by reference to the stage of completion, which is determined by proportion of costs incurred to the estimated total cost. On the balance sheet date, the Group re-estimate the stage of completion services to make sure the contract obligation can be reflected.

### (22) Government Grants

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

A government grant is recognized 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 grant related to asset should be initially recorded as deferred income and recognized in profit or loss on a systemic basis over the useful lives of the assets. For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognized immediately in profit or loss for the current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

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

The relocation compensations received directly from the government in terms of fiscal budget, which are due to the overall planning of the town, reservoir construction, shanty areas rebuilding, subsidence area management and other public interests, are recognized 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 recognized as capital reserve.

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

### (22) Government Grants (Cont'd)

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the interests by loan principals and the favourable interest rates.

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

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognized 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 recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized 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). On 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 recognized 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 recognized 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 recognized.

Deferred tax assets and liabilities are offset when:

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

### (24) Leases

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 recognized 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 recognized on a straight-line basis over the period of the lease.

#### (b) *Finance leases*

The leased asset is recognized 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 unrecognized 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 unrecognized finance charge.

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

### (25) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets and deferred tax assets) that meet the recognition criteria for held for sale are recognized 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 recognized as asset impairment losses.

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

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

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

### (26) Segment information

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

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

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

### (27) Critical accounting estimates and judgments

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

#### (a) *Critical accounting estimates and key assumptions*

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

##### (i) *Accounting estimates on impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 4(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 goodwill. If the actual gross margin is higher or pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

##### (ii) *Accounting estimates on impairment of fixed assets*

According to the accounting policies stated in Note 2(18), the Group tests whether fixed assets, 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 2018, the Group recognized impairment losses of 6,642,975 (for the six months ended 30 June 2017: 1,740,144) for fixed assets based on such evaluation. As at 30 June 2018, the Group recognized the cumulative provision for fixed assets impairment amounting to 356,361,340 (31 December 2017: 359,461,764) (Note 4(10)).

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.

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

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

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

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

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

As at 30 June 2018, deferred tax assets of 1,320,438,889 have been recognized in the Group's balance sheet. As stated in Note 4(15), the Group has unrecognized deferred tax assets aggregated to approximately 832,752,000 as at 30 June 2018, which mainly attributable to accumulated tax losses and impairment losses of certain subsidiaries. Those subsidiaries has unrecognized deferred tax assets for such deductible losses and deductible temporary differences due to the fact that there is no certainty of obtaining approval from local tax authorities or there is no certainty of their respective realization of these tax benefits through available future taxable profits of those subsidiaries concerned. In cases where the actual future assessable profits are more or less than expected or approval from local tax authorities are obtained, a recognition or reversal of deferred tax assets may arise accordingly.

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

As stated in Note 2(19)(b), the present value of the post-retirement obligation estimated on an actuarial basis using a number of assumptions. The actuarial valuations, in which discount rate was determined by government bonds of China and the mortality rate was based on published statistics by China Life Annuitant Mortality Table 2010 — 2013, are the best estimation on the post-retirement obligation on balance sheet date. Any changes in these assumptions will have impact on the carrying amount of post-employment obligations, which will be recognized as other comprehensive income in the future.

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

### (28) Changes in significant accounting policies

In 2017, the Ministry of Finance issued CAS 22 “Recognition and measurement of financial instruments” (Cai Kuai [2017] No.7), CAS 23 “Transfer of financial assets” (Cai Kuai [2017] No.8), CAS 37 “Presentation of financial instruments” (Cai Kuai [2017] No.14) (hereinafter referred to as “the new financial instruments standard”) and the revised CAS 14 “Revenue” (Cai Kuai [2017] No.22) (hereinafter referred to as “the new revenue standard”). In 2018, the Ministry of Finance issued “Circular of the Ministry of Finance on revising and issuing the formats of corporate financial statements for 2018” (Cai Kuai [2018] No.15) (hereinafter referred to as “the Circular”). The financial statements for the six months ended 30 June 2018 are prepared in accordance with the above standards and circular, and impacts are as follows:

#### (a) Financial instruments

- (i) As at 1 January 2018, financial assets classified and measured using the original and the new financial instruments standard are compared as below:

The original financial instruments standard				The new financial instruments standard			
Items	Measurement categories	Carrying amount — consolidated	Carrying amount — the Company	Items	Measurement categories	Carrying amount — consolidated	Carrying amount — the Company
Cash at bank and on hand	Amortised cost	9,805,485,121	3,652,150,167	Cash at bank and on hand	Amortised cost	9,805,485,121	3,652,150,167
Financial assets measured at fair value through profit or loss	Measured at fair value through profit or loss	130,115,254	-	Financial assets held for trading	Measured at fair value through profit or loss	130,115,254	-
Notes receivable and accounts receivable	Amortised cost	183,617,244	962,331,180	Notes receivable and accounts receivable	Amortised cost	183,617,244	962,331,180
Other receivable	Amortised cost	348,400,531	433,294,786	Other current assets	Amortised cost	127,919,000	-
Other current assets	Measured at fair value through other comprehensive income (wealth management products)	628,145,315	-	Other receivables	Amortised cost	220,481,531	433,294,786
Available-for-sale financial assets	Measured at cost (equity instruments)	600,000	300,000	Financial assets held for trading	Measured at fair value through profit or loss	628,145,315	-
Long-term receivable	Amortised cost	-	25,000,000	Other non-current financial assets	Measured at fair value through profit or loss	600,000	300,000
				Debt investments	Amortised cost	-	25,000,000

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

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

(a) Financial instruments (Cont'd)

(ii) As at 1 January 2018, based on the measurement categories under the new financial instruments standard, the carrying amounts of financial assets under the original financial instruments standard are reconciled as follows:

The categories under the new financial instruments standard	Notes
Financial assets measured at amortised cost	Table 1
Financial assets measured at fair value through profit or loss	Table 2
Financial assets measured at fair value through other comprehensive income	Table 3

Table 1: Financial assets measured at amortised cost under the new financial instruments standard

	Notes	Carrying amount — Consolidated	Carrying amount — Company
Cash at bank and on hand			
31 December 2017		<u>9,805,485,121</u>	<u>3,652,150,167</u>
1 January 2018		<u>9,805,485,121</u>	<u>3,652,150,167</u>
Receivables (Note 1)			
31 December 2017		532,017,775	1,420,625,966
Less: transfer to financial assets measured at amortised cost (the new financial instruments standard)	i)	<u>(127,919,000)</u>	<u>(25,000,000)</u>
1 January 2018		<u>404,098,775</u>	<u>1,395,625,966</u>
Debt investments (including other current assets)			
31 December 2017		—	—
Add: transfer in from other receivables (the original financial instruments standard)	i)	127,919,000	-
Add: transfer in from long-term receivables (the original financial instruments standard)	i)	<u>-</u>	<u>25,000,000</u>
1 January 2018		<u>127,919,000</u>	<u>25,000,000</u>
Total financial assets measured at amortised cost (the new financial instruments standard)		<u><u>10,337,502,896</u></u>	<u><u>5,072,776,133</u></u>

Note 1: As at both 31 December 2017 and 1 January 2018, the balance of receivables includes notes receivable and accounts receivable, other receivables and long-term receivables, etc.

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

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

(a) Financial instruments (Cont'd)

(ii) As at 1 January 2018, based on the measurement categories under the new financial instruments standard, the carrying amounts of financial assets under the original financial instruments standard are reconciled as follows (Cont'd):

Table 2: Financial assets measured at fair value through profit of loss under the new financial instruments standard

	<i>Notes</i>	Carrying amount — Consolidated	Carrying amount — Company
Financial assets held for trading (including other non-current financial assets)			
31 December 2017		130,115,254	-
<i>Add:</i> transfer in from available-for-sale financial assets (the original financial instruments standard)	<i>ii, iii</i>	<u>628,745,315</u>	<u>300,000</u>
1 January 2018		<u>758,860,569</u>	<u>300,000</u>
Total financial assets measured at fair value through profit or loss (the new financial instruments standard)		<u><u>758,860,569</u></u>	<u><u>300,000</u></u>

Table 3: Financial assets measured at fair value through other comprehensive income under the new financial instruments policies

	<i>Notes</i>	Carrying amount — Consolidated	Carrying amount — Company
Available-for-sale financial assets (including other current assets)			
31 December 2017		628,745,315	300,000
<i>Less:</i> transfer to financial assets measured at fair value through profit or loss (the new financial instruments standard)	<i>ii, iii</i>	<u>(628,745,315)</u>	<u>(300,000)</u>
1 January 2018		<u>—</u>	<u>—</u>
Total financial assets measured at fair value through other comprehensive income (the new financial instruments standard)		<u><u>-</u></u>	<u><u>-</u></u>

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

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

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

(ii) *As at 1 January 2018, based on the measurement categories under the new financial instruments standard, the carrying amounts of financial assets under the original financial instruments standard are reconciled as follows (Cont'd):*

##### i) Debt investments

As at 31 December 2017, the carrying amounts of Group's government bonds reverse repo investments and loans to dealer were RMB119,900,000 and RMB8,019,000 (carrying amount: RMB8,100,000; cumulative provision for impairment: RMB81,000) respectively. Upon the adoption of the new financial instruments standard, as the above investments were held for collecting contractual cash flows with characteristics in compliance with basic loan arrangements, the Group reclassified the investments from receivables to financial assets measured at amortised cost as at 1 January 2018 recorded as other current assets because such assets were due within one year.

As at 31 December 2017, the carrying amount of entrusted loans to subsidiaries granted by the Company via banks or Tsingtao Brewery Financial LLC. ("Finance Company"), a subsidiary of the Company, was RMB25,000,000. Upon the adoption of the new financial instruments standard, as the above investment was held for collecting contractual cash flows with characteristics in compliance with basic loan arrangements, the Group reclassified the entrusted loans from long-term receivables to financial assets measured at amortised cost as at 1 January 2018 which were included in debt investments.

##### ii) Non-principal-guaranteed floating income wealth management products

As at 31 December 2017, the carrying amount of the Group's non-principal-guaranteed floating income wealth management products matured within one year was RMB628,145,315. Upon the adoption of the new financial instruments standard, as the contractual cash flow characteristics of the above wealth management products no longer comply with basic loan arrangements, the Group reclassified the wealth management products from available-for-sale financial assets to financial assets at fair value through profit or loss as at 1 January 2018 recorded as financial assets held for trading. Accordingly, the Group transferred the accumulated after-tax amount of RMB6,108,986 recognized in other comprehensive income to retained earnings at beginning of period.

##### iii) Investments in equity instruments

As at 31 December 2017, the carrying amounts of investments in equity instruments over which the Group and the Company exerts no control, joint control or significant influence were RMB600,000 and RMB300,000 respectively. As at 1 January 2018, the Group and the Company reclassified these investments in equity instruments from available-for-sale financial assets to financial assets at fair value through profit or loss and recorded them as other non-current financial assets.

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

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

(a) Financial instruments (Cont'd)

(iii) As at 1 January 2018, the provision for impairment under original financial instruments standard was reconciled to provision for losses under the new financial instruments standard:

Categories of measurement	Provision for losses under the original financial instruments standard	Reclassification	Remeasurement	Provision for losses under the new financial instruments standard
<b>Consolidated</b>				
Financial assets measured at amortised cost -				
Provision for impairment of notes receivable and accounts receivable	193,033,704	-	-	193,033,704
Provision for impairment of other receivables	76,650,477	(81,000)	-	76,569,477
Provision for impairment of other current assets	-	81,000	-	81,000
Financial assets measured at cost -				
Provision for impairment of available-for-sale financial assets	8,653,179	-	(8,653,179)	—
Total	<u>278,337,360</u>	<u>-</u>	<u>(8,653,179)</u>	<u>269,684,181</u>
<b>The Company</b>				
Financial assets measured at amortised cost -				
Provision for impairment of notes receivable and accounts receivable	63,420,030	-	-	63,420,030
Provision for impairment of other receivables	41,975,857	-	-	41,975,857
Provision for impairment of debt investments	—	85,500,000	-	85,500,000
Provision for impairment of long-term receivables	85,500,000	(85,500,000)	-	-
Financial assets measured at cost -				
Provision for impairment of available-for-sale financial assets	4,385,261	-	(4,385,261)	—
Total	<u>195,281,148</u>	<u>-</u>	<u>(4,385,261)</u>	<u>190,895,887</u>

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

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

(b) Revenue

According to the new revenue standard, the Group recognized the significant effects of initial adoption of the standard as adjustment to the related items at the beginning of 2018. The comparative financial statements of 2017 is not required to restate.

Contents and reasons in the changes of accounting policies	The line items affected	The amounts affected	
		1 January 2018 Consolidated	1 January 2018 Company
As adoption of the new revenue standard, the Group reclassifies advances from customers relevant to beer sales and promotion-related marketing expenses payables to contract liabilities.	Advances from customers	(1,177,632,347)	(926,380,162)
	Other payables	(3,144,406,819)	(1,815,368,985)
	Contract liabilities	4,322,039,166	2,741,749,147

Comparing with the original revenue standard, the Group reclassifies advances from customers relevant to beer sales and promotion-related marketing expenses payables into contract liabilities due to the adoption of the new revenue standard and adjusts promotion-related marketing expenses, previously recorded in selling and distribution expenses, to offset revenue. The impact on the financial statements for the six month ended 30 June 2018 is listed as below:

Balance sheet items affected	The amounts affected	
	30 June 2018 Consolidated	30 June 2018 Company
Advances from customers	(677,146,246)	(451,731,788)
Other payables	(3,330,721,204)	(2,070,400,301)
Contract liabilities	4,007,867,450	2,522,132,089

Income statement items affected	The amounts affected	
	six months ended 30 June 2018 Consolidated	six months ended 30 June 2018 Company
Revenue	(652,065,948)	(452,714,093)
Selling and distribution expenses	652,065,948	452,714,093

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

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

#### (c) Financial statement presentation

The Group has prepared the financial statements for the six months ended 30 June 2018 in accordance with the circular and the comparative financial statements have been restated accordingly. The impacts are listed as follows:

Contents and reasons of the modification of accounting policies	The line items affected	The amounts affected			
		31 December 2017	1 January 2017	31 December 2017	1 January 2017
		Consolidated	Consolidated	Company	Company
The Group recorded 'notes receivable' and 'accounts receivable' into 'notes receivable and accounts receivable'. Notes receivable and accounts receivable	Accounts receivable	(141,397,244)	(124,647,040)	(922,481,180)	(812,009,033)
	Notes receivable	(42,220,000)	(26,400,000)	(39,850,000)	(19,700,000)
	Notes receivable and accounts receivable	183,617,244	151,047,040	962,331,180	831,709,033
The Group recorded 'interests receivable', 'dividends receivable' and 'other receivables' into 'other receivables'.	Interests receivable	(86,573,933)	(71,557,290)	(21,499,661)	(14,898,299)
	Dividends receivable	-	-	(271,593,000)	(1,354,063,724)
	Other receivables	86,573,933	71,557,290	293,092,661	1,368,962,023
The Group recorded 'fixed assets' and 'fixed assets pending for disposal' into 'fixed assets'.	Fixed assets pending for disposal	(2,310,587)	(1,158,936)	(1,686,474)	(761,719)
	Fixed assets	2,310,587	1,158,936	1,686,474	761,719
The Group recorded 'notes payable' and 'accounts payable' into 'notes payable and accounts payable'.	Accounts payable	(2,083,733,787)	(2,049,229,359)	(1,426,450,891)	(2,501,183,597)
	Notes payable	(289,472,296)	(307,516,920)	(76,624,794)	(76,500,000)
	Notes payable and accounts payable	2,373,206,083	2,356,746,279	1,503,075,685	2,577,683,597
The Group recorded 'interests payable', 'dividends payable' and 'other payables' into 'other payables'.	Interests payable	(815,222)	(737,291)	-	-
	Dividends payable	-	-	-	-
	Other Payables	815,222	737,291	-	-
The Group recorded 'long-term payable' and 'payables for special projects' into 'long-term payables'.	Payables for special projects	(123,140,327)	(175,014,368)	(15,440,660)	(15,440,660)
	Long-term payable	123,140,327	175,014,368	15,440,660	15,440,660
		<b>Six months ended 30 June 2017</b>		<b>Six months ended 30 June 2017</b>	
		<b>Consolidated</b>		<b>Company</b>	
The Group solely presents 'research and development expenses' that were recognized in 'general and administrative expenses'.	General and administrative expenses		(6,432,426)		(6,432,426)
	Research and development expenses		6,432,426		6,432,426

### 3. TAXATION

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

Category	Tax base	Tax rate
Enterprise income tax (a)	Taxable income	3%-25%
Value added tax (“VAT”) (b)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	17%, 16%, 11%, 10% and 6%
Consumption tax (c)	<p><b>Sales Price of Beer</b></p> <p>More than or equal to RMB3,000 per ton</p> <p>Less than RMB3,000 per ton</p>	<p><b>Consumption Tax per Unit</b></p> <p>RMB250 per ton</p> <p>RMB220 per ton</p>
City maintenance and construction tax	Amount of VAT and consumption tax paid	5% and 7%
Education surcharge	Amount of VAT and consumption tax paid	5%

**(a) 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%.

**(b) VAT**

Before 1 May 2018, the Group is subject to output VAT calculated at 17% of the domestic sales revenue of tangible goods including beers; In addition, it is subjected to a refund at the rate of 15% on its export sales of products based on an “exempt, credit and refund” policy. Revenue from financial service of Finance 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. The Group also pays input VAT on its purchases of raw 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 ‘Notice on the adjustment of the VAT rates’ (Cai Shui [2018] No.32) issued by the Ministry of Finance and the State Administration of Taxation, the business VAT rates which originally applied 17% and 11% are adjusted to 16% and 10% respectively since 1 May 2018.

### 3. TAXATION (CONT'D)

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

*(c) 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.

*(d) Withholding Tax*

According to Circular Guoshuihan [2008] No. 897 “Notice on the issue about withholding Enterprise Income Tax on the dividends paid by Chinese resident enterprises to overseas non-resident enterprises H-share holders” issued by State Administration of Taxation on 6 November 2008, 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

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Cash on hand	343,128	367,745
Bank deposits	699,627,235	780,564,084
Interbank deposits (i)	11,828,102,006	8,322,055,551
Deposits in central bank (ii)	891,520,000	660,800,000
Other cash balances (iii)	46,031,587	41,697,741
	<u>13,465,623,956</u>	<u>9,805,485,121</u>
Including: Cash at bank and on hand overseas (iv)	<u>112,181,345</u>	<u>96,521,253</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 2018, the statutory deposit reserves ratio of Finance Company is 7% (31 December 2017: 7%).
- (iii) As at 30 June 2018, 31,769,007 (31 December 2017: 31,718,697) represent housing maintenance fund in the bank; 10,383,000 (31 December 2017: 5,506,000) are pledged as collateral for issuance of bank acceptance notes (Note 4(19)(a)); the remaining balances are other deposits of 3,879,580 (31 December 2017: 4,473,044).
- (iv) As at 30 June 2018, 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*

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Cash at bank and on hand	<b>13,465,623,956</b>	9,805,485,121
Other receivables — deposit in non-financial institutions	<b>554,175</b>	281,507
Less: Restricted bank deposit	<b>(1,360,000)</b>	(1,360,000)
Restricted deposit in central bank	<b>(891,520,000)</b>	(660,800,000)
Other restricted cash balances	<b>(46,031,587)</b>	(41,697,741)
	<u><b>12,527,266,544</b></u>	<u>9,101,908,887</u>

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

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Wealth management products (i)	<b>927,577,507</b>	-
Money market fund (ii)	<b>173,430,214</b>	130,115,254
	<u><b>1,101,007,721</b></u>	<u>130,115,254</u>

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

##### (2) Financial assets held for trading (Cont'd)

- (i) It represents the non-principle-guaranteed floating income wealth management products purchased by Finance Company (a subsidiary of the Company). As at 30 June 2018, the fair value is measured based on the estimation of the future cash flow.
- (ii) It represents the money market fund purchased by Finance Company (a subsidiary of the Company). As at 30 June 2018, the fair value is measured according to the earning announcement issued by Fund Management Company on the last trading day of June 2018.

##### (3) Notes receivable and accounts receivable

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Notes receivable (a)	<b>18,500,000</b>	42,220,000
Accounts receivable (b)	<b>192,852,202</b>	141,397,244
	<b><u>211,352,202</u></b>	<b><u>183,617,244</u></b>

##### (a) Notes receivable

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Bank acceptance notes	<b><u>18,500,000</u></b>	<u>42,220,000</u>

As at 30 June 2018, the Group's notes receivable which have been endorsed but not yet matured are derecognized amounting to 138,526,118, and there are no discounted bank acceptance notes that are not yet matured.

As at 30 June 2018, the Group has no pledged notes receivable.

##### (b) Accounts receivable

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Accounts receivable	<b>384,401,375</b>	334,430,948
Less: Provision for bad debts	<b><u>(191,549,173)</u></b>	<u>(193,033,704)</u>
	<b><u>192,852,202</u></b>	<b><u>141,397,244</u></b>

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

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

##### (3) Notes receivable and accounts receivable (Cont'd)

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

(i) As at 30 June 2018, 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	69,344,714	(26,242,020)	18.04%

(ii) As at 30 June 2018, there are no accounts receivable derecognized due to the transfer of financial assets.

###### (c) Provision for bad debts

	30 June 2018 (unaudited)	31 December 2017
Provision for bad debts	(191,549,173)	(193,033,704)

(i) As at 30 June 2018, accounts receivable that are individually subject to separate assessment for provision are analysed as follows:

	Ending balance (unaudited)	Lifetime ECL ratio	Provision for bad debts (unaudited)	Reason
Accounts receivable from Gansu Nongken Brewery Co., Ltd. ("Nongken Brewery Company")	14,996,236	100%	(14,996,236)	i)
Accounts receivable from Beijing Tsingtao Brewery Sales Co., Ltd. ("Beijing Sales Company")	11,245,784	100%	(11,245,784)	ii)
Accounts receivable from Tsingtao Brewery (Guangzhou) General Agency Co., Ltd. ("Guangzhou General Agency")	1,009,690	100%	(1,009,690)	iii)
	<u>27,251,710</u>		<u>(27,251,710)</u>	

## (3) Notes receivable and accounts receivable (Cont'd)

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

- (i) As at 30 June 2018, accounts receivable that are individually subject to separate assessment for provision are analysed as follows (Cont'd):
- 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 Group has ceased all business transactions with Beijing Sales 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.
  - iii) As Guangzhou General Agency has ceased operation, 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. As at 30 June 2018, the carrying amount is the remaining unrecovered portion.
- (ii) As at 30 June 2018, notes receivable and accounts receivable that are subject to provision for bad debts on the grouping basis are analysed as follows:

## Group — Bank acceptance notes

As at 30 June 2018, the Group recognizes their loss provision on the basis of ECL in full lifetime. The Group considers the bank acceptance notes held have no significant credit risk and will not cause major losses due to the bank default, thus no provision for bad debts is provided.

## Group — Dealers

	30 June 2018 (unaudited)		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL ratio	Amount
Within 6 months	192,426,327	-	-
6 months to 1 year	365,474	5%	(18,274)
1 to 2 years	157,350	50%	(78,675)
Over 2 years	164,200,514	100%	(164,200,514)
	<u>357,149,665</u>		<u>(164,297,463)</u>

- (iii) The provisions for bad debts increased in the current period are 149,266, the reversal of provisions for bad debts as well as corresponding carrying amount are 1,546,061, and the amount of bad debts due to currency translation differences decreases by 21,786. The significant reversal of provision for bad debts is as follows:

	Reason for collecting or reversal	Rationality of provision basis	Amount of collecting or reversal (unaudited)	Collecting way
Guangzhou General Agency	Partially collected	The collecting probability is low in the management's view	<u>1,500,000</u>	By cash

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

##### (3) Notes receivable and accounts receivable (Cont'd)

(d) For six months ended 30 June 2018, accounts receivable of 65,950 with the same amount of provision for bad debt, cannot be collected and written off with approval.

##### (4) Advances to suppliers

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

	30 June 2018 (unaudited)		31 December 2017	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	130,815,470	99.34%	113,806,374	97.78%
1 to 2 years	427,141	0.32%	2,261,744	1.94%
2 to 3 years	372,876	0.28%	20,945	0.02%
Over 3 years	76,016	0.06%	305,367	0.26%
	<b>131,691,503</b>	<b>100%</b>	<b>116,394,430</b>	<b>100%</b>

As at 30 June 2018, advances to suppliers over 1 year with carrying amount of 876,033 (31 December 2017: 2,588,056) are mainly advances paid for materials, which have not been required to deliver yet due to production plan.

(b) *As at 30 June 2018, 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	43,307,041	32.89%

##### (5) Other receivables

	30 June 2018 (unaudited)	31 December 2017
Interests receivable (i)	174,474,186	86,573,933
Payment on behalf for recycling bottles	31,595,434	39,637,419
Receivables on materials and waste materials	24,909,829	16,924,916
Reservation fund	23,161,036	20,101,591
Receivables of refundable cost of land and buildings	17,441,647	17,441,647
Guarantee deposits	16,984,178	24,325,620
Dividends receivable	11,761,314	-
Receivables on construction and equipmen	6,756,647	4,902,774
Dealer credit (Notes 2(28)(a)(ii))	—	8,100,000
VAT refund	4,264,398	5,092,773
Treasury bonds reverse repo investment (Notes 2(28)(a)(ii))	—	119,900,000
Others	98,452,253	82,050,335
	<b>409,800,922</b>	<b>425,051,008</b>
Less: Provision for bad debts	<b>(75,785,123)</b>	<b>(76,650,477)</b>
	<b>334,015,799</b>	<b>348,400,531</b>

(i) It mainly represents the inter-bank deposits interests due from external financial institutions, which not yet been received by Finance Company, a subsidiary of the Company.

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

## (a) Provision for bad debts

- (i) As at 30 June 2018, other receivables that are individually subject to separate assessment for provision are analysed as follows:

	Ending balance (unaudited)	Lifetime ECL ratio	Provision for bad debts (unaudited)	Reason
Individually separate assessment for provision: Receivables of refundable cost of land use rights and building	17,441,647	100%	(17,441,647)	i)

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

- (ii) As at 30 June 2018, other receivables that are subject to provision for bad debts on the grouping basis are analysed as follows:

	Ending balance (unaudited)	Lifetime ECL ratio	Provision for bad debts (unaudited)	Reason
Interests receivable	174,474,186	-	-	i)
Receivables from government etc.	11,838,565	-	-	i)
Dividends receivable	11,761,314	-	-	i)
Others	194,285,210	ii)	(58,343,476)	ii)
	<u>392,359,275</u>		<u>(58,343,476)</u>	

- i) Refer to the experience of historical credit losses, current situation and the forecasts of future economic conditions, the Group expects the credit loss rate to be extremely low and has no need to recognize provision for bad debts.
- ii) Refer to the experience of historical credit losses, current situation and the forecasts of future economic conditions, the Group calculates ECL and recognizes provision for bad debts through EAD and ECL ratio, which is analysed as follows:

	Ending balance (unaudited)	Lifetime ECL ratio	Provision for bad debts (unaudited)
Within 6 months	133,173,890	-	-
6 months to 1 year	1,010,729	5%	(50,536)
1 to 2 years	3,615,302	50%	(1,807,651)
Over 2 years	56,485,289	100%	(56,485,289)
	<u>194,285,210</u>		<u>(58,343,476)</u>

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

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

- (b) The provisions for bad debts increased in the current period are 317,428. The reversals of provision for bad debts are 994,511, which are corresponded with the carrying amount.
- (c) In the current period, other receivables of 107,271 with the same amount of provision for bad debt were written off.
- (d) As at 30 June 2018, the top five other receivables are analysed as follows:

	Nature	Amount (unaudited)	Ageing	% of total balance	Provision for bad debts (unaudited)
No.1	Interests receivable	38,797,694	Within 6 months	9.47%	-
No.2	Interests receivable	37,930,528	Within 6 months	9.26%	-
	Payment on behalf for				
No.3	recycling bottles	31,595,434	Within 6 months	7.71%	-
No.4	Interests receivable	27,763,597	Within 6 months	6.77%	-
No.5	Interests receivable	26,519,153	Within 6 months	6.47%	-
		<u>162,606,406</u>		<u>39.68%</u>	<u>-</u>

##### (6) Inventories

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

	30 June 2018 (unaudited)			31 December 2017		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Raw materials	465,911,368	(1,605,275)	464,306,093	453,076,729	(1,605,275)	451,471,454
Packaging materials	561,219,836	(3,385,185)	557,834,651	786,537,984	(3,656,133)	782,881,851
Low-value consumables	61,555,761	-	61,555,761	48,978,297	-	48,978,297
Materials on consignment for further processing	-	-	-	7,845,750	-	7,845,750
Work in progress	362,144,762	-	362,144,762	390,788,388	-	390,788,388
Finished goods	411,038,554	-	411,038,554	710,944,401	-	710,944,401
	<u>1,861,870,281</u>	<u>(4,990,460)</u>	<u>1,856,879,821</u>	<u>2,398,171,549</u>	<u>(5,261,408)</u>	<u>2,392,910,141</u>

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

(6) Inventories (Cont'd)

(b) The movements of inventories are as follows:

	31 December 2017	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2018 (unaudited)
Raw materials	453,076,729	2,185,188,577	(2,172,353,938)	465,911,368
Packaging materials	786,537,984	4,185,299,870	(4,410,618,018)	561,219,836
Low-value consumables	48,978,297	179,901,699	(167,324,235)	61,555,761
Material on consignment for further processing	7,845,750	33,585,463	(41,431,213)	-
Work in progress	390,788,388	2,884,915,799	(2,913,559,425)	362,144,762
Finished goods	710,944,401	8,881,664,990	(9,181,570,837)	411,038,554
	<u>2,398,171,549</u>			<u>1,861,870,281</u>

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

	31 December 2017	Increase in the current period (unaudited)	Decrease in the current period		30 June 2018 (unaudited)
			Reversal (unaudited)	Write-off (unaudited)	
Raw materials	(1,605,275)	-	-	-	(1,605,275)
Packaging materials	(3,656,133)	-	-	270,948	(3,385,185)
	<u>(5,261,408)</u>	<u>-</u>	<u>-</u>	<u>270,948</u>	<u>(4,990,460)</u>

(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

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

##### (7) Other current assets

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Prepaid Enterprise Income tax	<b>179,223,016</b>	247,520,745
Treasury bonds reverse repo investment	<b>119,800,000</b>	—
VAT input to be deducted	<b>69,837,661</b>	156,864,912
VAT input to be verified	<b>36,872,366</b>	63,024,221
Dealer credit	<b>6,100,000</b>	—
Available-for-sale financial assets (Note 2(28)(a)(ii))	—	628,145,315
Others	<b>2,642,310</b>	505,453
	<b>414,475,353</b>	1,096,060,646
<i>Less: Provision for other current assets</i>	<b>(69,800)</b>	-
	<b>414,405,553</b>	1,096,060,646

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

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Joint Venture (a)	<b>230,410,660</b>	233,097,635
Associates (b)	<b>144,347,679</b>	144,021,804
	<b>374,758,339</b>	377,119,439
<i>Less: Provision for impairment of long-term equity investments</i>	<b>(1,220,000)</b>	(1,220,000)
	<b>373,538,339</b>	375,899,439

##### (a) Joint ventures

	Movements in the current period (unaudited)					Balance of provision for impairment at end of period (unaudited)
	31 December 2017	Share of net profit or loss using the equity method	Share of other comprehensive income	Other equity changes	Cash dividends declared	
Hebei Jiahe Beer Co., Ltd ("Hebei Jiahe Company")	233,097,635	4,583,025	-	-	(7,270,000)	230,410,660

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

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

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

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

(b) Associates

	Movements in the current period (unaudited)				Cash dividends declared	30 June 2018 (unaudited)	Balance of provision for impairment at end of period (unaudited)
	31 December 2017	Share of net profit or loss using the equity method	Share of other comprehensive income	Other equity changes			
Yantai Brewery Tsingtao Asahi Co., Ltd. ("Yantai Asahi")	128,899,610	9,364,610	-	-	(10,533,170)	127,731,050	-
Qingdao Zhaoshang Logistics Company Limited. ("Zhaoshang Logistics")	10,773,958	2,093,834	-	5,228	-	12,873,020	-
Tsingtao Brewery Import & Export S.A.R.L. ("European Company")	2,270,441	976,356	(43,082)	-	(1,228,144)	1,975,571	-
Liaoning Shenqing Tsingtao Brewery Company Limited. ("Liaoning Shenqing")	857,795	(309,757)	-	-	-	548,038	-
Others	1,220,000	-	-	-	-	1,220,000	(1,220,000)
	<u>144,021,804</u>	<u>12,125,043</u>	<u>(43,082)</u>	<u>5,228</u>	<u>(11,761,314)</u>	<u>144,347,679</u>	<u>(1,220,000)</u>

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

(9) Investment properties

**Buildings**

Original Cost

31 December 2017	68,353,205
Increase in the current period (unaudited)	1,869,409
Transfer from fixed assets (i)	1,869,409
<b>30 June 2018 (unaudited)</b>	<b>70,222,614</b>

Accumulated depreciation

31 December 2017	(40,442,610)
Increase in the current period (unaudited)	(1,891,246)
Accrual	(926,818)
Transfer from fixed assets (i)	(964,428)
<b>30 June 2018 (unaudited)</b>	<b>(42,333,856)</b>

Provision for impairment

31 December 2017	(648,668)
Increase in the current period — transfer from fixed assets (unaudited)(i)	(33,644)
<b>30 June 2018 (unaudited)</b>	<b>(682,312)</b>

Carrying amount

<b>30 June 2018 (unaudited)</b>	<b>27,206,446</b>
31 December 2017	27,261,927

- (i) For the six months ended 30 June 2018, the fixed assets with the carrying amount of 817,337 (cost: 1,869,409) are reclassified to investment properties as they are used for leasing instead of self-use.

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

##### (10) Fixed assets

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Fixed assets (a)	<b>10,736,660,790</b>	10,991,462,172
Fixed assets pending for disposal (b)	<b>4,241,381</b>	2,310,587
	<b>10,740,902,171</b>	10,993,772,759

##### (a) Fixed assets

	Buildings	Machinery and equipment	Vehicles	Other equipment	Total
<b>Original cost</b>					
As at 31 December 2017	7,112,409,232	10,917,325,757	345,784,265	855,452,388	19,230,971,642
Increase in the current period (unaudited)	82,972,070	188,464,062	7,893,629	15,143,353	294,473,114
Purchase	-	38,737,941	7,893,629	15,143,353	61,774,923
Transfer from construction in progress	82,972,070	149,726,121	-	-	232,698,191
Decrease in the current period (unaudited)	(48,080,333)	(183,879,576)	(13,970,552)	(12,823,325)	(258,753,786)
Disposal	(21,088,051)	(88,532,683)	(13,970,552)	(12,710,504)	(136,301,790)
Transfer to construction in progress	(25,122,873)	(95,346,893)	-	(112,821)	(120,582,587)
Transfer to investment properties	(1,869,409)	-	-	-	(1,869,409)
<b>As at 30 June 2018 (unaudited)</b>	<b>7,147,300,969</b>	<b>10,921,910,243</b>	<b>339,707,342</b>	<b>857,772,416</b>	<b>19,266,690,970</b>
<b>Accumulated depreciation</b>					
As at 31 December 2017	(1,631,766,590)	(5,455,371,000)	(207,648,975)	(585,261,141)	(7,880,047,706)
Increase in the current period					
— Accrual (unaudited)	(94,913,834)	(304,189,246)	(12,411,325)	(44,186,413)	(455,700,818)
Decrease in the current period (unaudited)	3,375,790	133,985,333	12,610,397	12,108,164	162,079,684
Disposal	1,457,476	67,480,566	12,610,397	12,000,985	93,549,424
Transfer to construction in progress	953,886	66,504,767	-	107,179	67,565,832
Transfer to investment properties	964,428	-	-	-	964,428
<b>As at 30 June 2018 (unaudited)</b>	<b>(1,723,304,634)</b>	<b>(5,625,574,913)</b>	<b>(207,449,903)</b>	<b>(617,339,390)</b>	<b>(8,173,668,840)</b>
<b>Provision for impairment</b>					
As at 31 December 2017	(61,370,214)	(296,814,480)	(1,160,702)	(116,368)	(359,461,764)
Increase in the current period					
— Accrual (unaudited)	(348,746)	(6,258,086)	(15,186)	(20,957)	(6,642,975)
Decrease in the current period (unaudited)	342,640	9,273,348	-	127,411	9,743,399
Disposal	308,996	9,273,348	-	127,411	9,709,755
Transfer to investment properties	33,644	-	-	-	33,644
<b>As at 30 June 2018 (unaudited)</b>	<b>(61,376,320)</b>	<b>(293,799,218)</b>	<b>(1,175,888)</b>	<b>(9,914)</b>	<b>(356,361,340)</b>
<b>Carrying amount</b>					
<b>As at 30 June 2018 (unaudited)</b>	<b>5,362,620,015</b>	<b>5,002,536,112</b>	<b>131,081,551</b>	<b>240,423,112</b>	<b>10,736,660,790</b>
As at 31 December 2017	5,419,272,428	5,165,140,277	136,974,588	270,074,879	10,991,462,172

For the six months ended 30 June 2018, fixed assets of the Group with the carrying amount of 53,016,755 (cost: 120,582,587; accumulated depreciation: 67,565,832) 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)

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

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

As at 30 June 2018, there are no fixed assets pledged as collateral for borrowings (31 December 2017: nil).

For the six months ended 30 June 2018, fixed assets accumulated depreciation are 455,700,818 (For the six months ended 30 June 2017: 463,348,006), of which 415,270,438, 3,983,587, 35,126,938 and 1,319,855 (For the six months ended 30 June 2017: 412,908,713, 4,853,486, 44,013,658 and 1,572,149) have been charged to operating cost, selling and distribution expenses, general and administrative expenses and research and development expenses respectively.

The cost of fixed assets transferred from construction in progress amounts to 232,698,191 (For the six months ended 30 June 2017: 361,729,928).

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

As at 30 June 2018, the buildings and the machinery and equipment with carrying amount of 101,087,351 (cost: 219,149,961) are temporarily idle for the reason of products update (31 December 2017: carrying amount of 106,345,998 (cost: 223,872,739)). The management planned to reallocate these assets among the Group or upgrade. The detailed analysis of these assets is as follows:

	Cost (unaudited)	Accumulated depreciation (unaudited)	Provision for impairment (unaudited)	Carrying amount (unaudited)
Machinery and equipment	206,098,286	(108,400,641)	(2,129,407)	95,568,238
Buildings	13,051,675	(7,532,562)	-	5,519,113
	<u>219,149,961</u>	<u>(115,933,203)</u>	<u>(2,129,407)</u>	<u>101,087,351</u>

###### (ii) Fixed assets held under finance leases

As at 30 June 2018, there are no fixed assets held under finance leases (31 December 2017: nil).

###### (iii) Provision for impairment

According to the accounting policies stated in Note 2(18), the Group performs impairment testing on buildings, machinery and equipment with impairment indicator at the balance sheet date, and impairment of 6,642,975 has been provided.

###### (iv) 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 2018	31 December 2017
	Carrying amount (unaudited)	Carrying amount
In the application process	402,625,000	405,086,000
Unable to obtain	41,324,000	41,963,000
	<u>443,949,000</u>	<u>447,049,000</u>

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

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

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

###### (iv) 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(12)).

	<b>Reason</b>
Partial buildings of Shenzhen Asahi Company	In the application process
Partial buildings of Yangzhou Company	In the application process
Partial buildings of Yulin Company	In the application process
Partial buildings of Immense Brewery Company	In the application process
Partial buildings of Xiamen Company	In the application process
Partial buildings of Wuwei Company	In the application process
Partial buildings of Sanshui Company	In the application process
Partial buildings of Luzhou 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 Shaoguan Company	Temporary buildings, unable to obtain
Partial buildings of Five Star Company	Temporary buildings, 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 Xiamen Company	Lack of document, unable to obtain
Partial buildings of Yangzhou Company	Lack of document, unable to obtain

###### (b) Fixed assets pending for disposal

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Machinery and equipment	<b>4,241,381</b>	2,310,587

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

(11) Construction in progress

	30 June 2018 (unaudited)			31 December 2017		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
New factory project of Zhangjiakou Company	80,713,077	-	80,713,077	48,536,978	-	48,536,978
Relocation project of Langfang Company	62,590,327	-	62,590,327	41,722,196	-	41,722,196
Office building project of Xi'an Company	28,192,183	-	28,192,183	28,192,183	-	28,192,183
Production line improvement of No. 1 Factory	16,957,218	-	16,957,218	12,119,930	-	12,119,930
Production line improvement of No. 2 Factory	6,193,734	-	6,193,734	10,703,954	-	10,703,954
Office building project of Shanghai Sales Company	5,521,390	-	5,521,390	5,521,390	-	5,521,390
Production line improvement of No. 5 Factory	5,290,325	-	5,290,325	7,076,524	-	7,076,524
Relocation project of Weinan Company	4,602,078	-	4,602,078	4,400,975	-	4,400,975
Production line improvement of Xuecheng Company	3,362,097	-	3,362,097	2,742,187	-	2,742,187
Production line improvement of Taiyuan Company	2,737,500	-	2,737,500	744,357	-	744,357
Production line improvement of Minhang Company	2,411,901	-	2,411,901	230,940	-	230,940
Production line improvement of No. 4 Factory	2,300,012	-	2,300,012	240,470	-	240,470
Production line improvement of No. 3 Factory	1,749,998	-	1,749,998	4,740,337	-	4,740,337
Production line improvement of Zhangzhou Company	1,551,155	-	1,551,155	-	-	-
Production line improvement of Jinan Company	1,465,414	-	1,465,414	3,564,187	-	3,564,187
Production line improvement of Shenzhen Asahi	1,382,326	-	1,382,326	1,174,814	-	1,174,814
Production line improvement of Kunshan Company	1,367,721	-	1,367,721	-	-	-
Production line improvement of Chenzhou Company	1,159,465	-	1,159,465	238,022	-	238,022
Other projects	12,490,446	-	12,490,446	28,189,734	-	28,189,734
	<u>242,038,367</u>	<u>-</u>	<u>242,038,367</u>	<u>200,139,178</u>	<u>-</u>	<u>200,139,178</u>

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

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

###### (a) Movement in significant construction in progress

Name	Budget	31 December 2017	Increase in the current period — Purchase (unaudited)	Increase in the current period — Transfer from fix asset (unaudited)	Transfer to fixed assets in current period (unaudited)	30 June 2018 (unaudited)	Proportion of expenditures incurred to budgeted amount	Completion percentage	Source of funds
New factory project of Zhangjiakou Company	328,015,400	48,536,978	32,176,099	-	-	80,713,077	41%	38%	Self-funding
Relocation project of Langfang Company	299,220,000	41,722,196	20,868,131	-	-	62,590,327	44%	39%	Self-funding
Office building project of Xi'an Company	33,000,000	28,192,183	-	-	-	28,192,183	85%	85%	Self-funding
Production line improvement of No. 1 Factory	128,713,000	12,119,930	8,867,505	-	(4,030,217)	16,957,218	85%	85%	Self-funding
Production line improvement of No. 2 Factory	110,407,201	10,703,954	4,072,595	9,959,506	(18,542,321)	6,193,734	84%	84%	Self-funding
Office building project of Shanghai Sales Company	140,000,000	5,521,390	-	-	-	5,521,390	4%	4%	Self-funding
Production line improvement of No. 5 Factory	25,852,548	7,076,524	7,569,361	-	(9,355,560)	5,290,325	57%	57%	Self-funding
Relocation project of Weinan Company	308,330,000	4,400,975	201,103	-	-	4,602,078	86%	84%	Self-funding
Production line improvement of Xuecheng Company	4,300,000	2,742,187	619,910	-	-	3,362,097	96%	78%	Self-funding
Production line improvement of Taiyuan Company	29,375,903	744,357	21,553,403	4,342,095	(23,902,355)	2,737,500	77%	76%	Self-funding
Production line improvement of Minhang Company	5,994,000	230,940	2,430,534	-	(249,573)	2,411,901	51%	44%	Self-funding
Production line improvement of No. 4 Factory	5,671,025	240,470	4,866,995	-	(2,807,453)	2,300,012	90%	90%	Self-funding
Production line improvement of No. 3 Factory	6,633,119	4,740,337	1,270,125	-	(4,260,464)	1,749,998	98%	91%	Self-funding
Production line improvement of Zhangzhou Company	15,524,994	-	10,486,216	1,307,044	(10,242,105)	1,551,155	92%	68%	Self-funding
Production line improvement of Jinan Company	12,969,056	3,564,187	2,903,589	-	(5,002,362)	1,465,414	50%	50%	Self-funding
Production line improvement of Shenzhen Asahi	12,393,359	1,174,814	1,936,318	1,443,155	(3,171,961)	1,382,326	59%	58%	Self-funding
Production line improvement of Kunshan Company	5,760,000	-	2,933,533	-	(1,565,812)	1,367,721	64%	51%	Self-funding
Production line improvement of Chenzhou Company	5,930,000	238,022	1,178,234	-	(256,791)	1,159,465	87%	75%	Self-funding
Other projects		28,189,734	97,646,974	35,964,955	(149,311,217)	12,490,446			
		<u>200,139,178</u>	<u>221,580,625</u>	<u>53,016,755</u>	<u>(232,698,191)</u>	<u>242,038,367</u>			

For the six months ended 30 June 2018, there are no new increased borrowing costs capitalised (For the six months ended 30 June 2017: nil).

###### (b) Provision for impairment

For the six months ended 30 June 2018, the Group did not provide or write off provision for impairment of construction in progress (For the six months ended 30 June 2017: nil).

**(12) Intangible assets**

	Land use rights	Trademarks	Technology known-how	Marketing networks	Software and others	Total
Original cost:						
31 December 2017	2,515,008,135	449,743,612	18,629,100	974,935,670	402,040,205	4,360,356,722
Increase in the current period						
— Purchase (unaudited)	7,931,372	-	-	-	6,941,870	14,873,242
<b>30 June 2018 (unaudited)</b>	<b>2,522,939,507</b>	<b>449,743,612</b>	<b>18,629,100</b>	<b>974,935,670</b>	<b>408,982,075</b>	<b>4,375,229,964</b>
Accumulated amortisation						
31 December 2017	(451,724,126)	(280,449,951)	(18,629,100)	(640,945,353)	(192,391,897)	(1,584,140,427)
Increase in the current period						
— Amortisation (unaudited)	(30,034,085)	(18,740,939)	-	(49,072,402)	(18,070,302)	(115,917,728)
<b>30 June 2018 (unaudited)</b>	<b>(481,758,211)</b>	<b>(299,190,890)</b>	<b>(18,629,100)</b>	<b>(690,017,755)</b>	<b>(210,462,199)</b>	<b>(1,700,058,155)</b>
Carrying amount						
<b>30 June 2018 (unaudited)</b>	<b>2,041,181,296</b>	<b>150,552,722</b>	<b>-</b>	<b>284,917,915</b>	<b>198,519,876</b>	<b>2,675,171,809</b>
31 December 2017	2,063,284,009	169,293,661	-	333,990,317	209,648,308	2,776,216,295

For the six months ended 30 June 2018, the amortisation amount of intangible assets is 115,917,728 (For the six months ended 30 June 2017: 115,422,522).

As at 30 June 2018, there are no intangible assets pledged as collateral for borrowings (31 December 2017: nil).

As at 30 June 2018, the relevant legal procedures for certificates application of the Group's land use rights with carrying amount of approximately 2,121,000 (31 December 2017: 2,158,000) are still in process. In addition, buildings of certain subsidiaries of the Group were located on parcels of allocated land owned by certain local municipal governments. Most of the relevant local governments have undertaken to implement transfer procedures for these lands. Carrying amount of the buildings constructed thereon are approximately 31,156,000 as at 30 June 2018 (31 December 2017: 31,950,000). 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)

##### (13) Goodwill

	31 December 2017	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2018 (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	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 —				
Nanning Company	(130,895,740)	-	-	(130,895,740)
Southeast China Region —				
Fuzhou Company/ Xiamen Company/ Zhangzhou Company/ Dongnan Sales Company	-	-	-	-
North China Region —				
Three Ring Company	(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 2018 (unaudited)	31 December 2017
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>

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.

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

(14) Long-term prepaid expenses

	31 December 2017	Increase in the current period (unaudited)	Amortisation in the current period (unaudited)	30 June 2018 (unaudited)
Decoration and renovation expenses	18,584,841	1,483,722	(3,795,540)	16,273,023
Factory hardening expenses	6,893,150	367,521	(1,497,071)	5,763,600
Site and vehicle leasing expenses	5,236,278	-	(501,125)	4,735,153
Gardening expenses	3,497,643	-	(1,345,167)	2,152,476
Others	1,830,730	-	(237,877)	1,592,853
	<u>36,042,642</u>	<u>1,851,243</u>	<u>(7,376,780)</u>	<u>30,517,105</u>

(15) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets without offsetting

	30 June 2018 (unaudited)		31 December 2017	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	223,228,916	55,807,229	223,502,140	55,875,535
Provision for asset impairment	9,884,920	2,471,230	9,967,276	2,491,819
Deferred income	482,327,863	120,581,966	490,526,572	122,631,643
Elimination of intra-group unrealised profit	46,422,452	11,605,613	92,649,212	23,162,303
Accruals of expenses	<u>4,627,123,181</u>	<u>1,156,780,795</u>	<u>3,770,120,916</u>	<u>942,530,229</u>
	<u>5,388,987,332</u>	<u>1,347,246,833</u>	<u>4,586,766,116</u>	<u>1,146,691,529</u>
Including:				
Expected to be reversed within one year (inclusive)		1,131,912,680		922,225,068
Expected to be recovered after one year		<u>215,334,153</u>		<u>224,466,461</u>
		<u>1,347,246,833</u>		<u>1,146,691,529</u>

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

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

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

	30 June 2018 (unaudited)		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not under common control	797,717,168	199,429,292	857,197,808	214,299,452
Depreciation of fixed assets	94,974,733	23,743,683	13,211,076	3,302,769
Changes in fair value of wealth management products	3,474,986	868,747	8,145,315	2,036,329
The difference between carrying amount and tax base resulted from government grants charged in profit or loss in the current period	52,502,340	13,125,585	47,304,452	11,826,113
	<u>948,669,227</u>	<u>237,167,307</u>	<u>925,858,651</u>	<u>231,464,663</u>
Including:				
Expected to be recovered within one year (inclusive)		33,151,495		35,450,852
Expected to be recovered after one year		<u>204,015,812</u>		<u>196,013,811</u>
		<u>237,167,307</u>		<u>231,464,663</u>

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

	30 June 2018 (unaudited)	31 December 2017
Deductible temporary differences	737,852,204	705,087,786
Deductible losses	<u>2,593,157,741</u>	<u>2,445,519,712</u>
	<u>3,331,009,945</u>	<u>3,150,607,498</u>

Given the loss-making position of certain subsidiaries, whether it is probable that sufficient future taxable incomes will be available against such deductible losses is highly uncertain. Therefore, the Group has not recognized deferred tax assets of approximately 648,289,000 (31 December 2017: 611,380,000) arising from the accumulated losses that can set off against taxable incomes under tax laws from 2018 to 2023. 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 recognized deferred tax assets of approximately 184,463,000 (31 December 2017: 176,272,000) arising from the deductible temporary differences.

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

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

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

	<b>30 June 2018 (unaudited)</b>	31 December 2017
2018	<b>324,757,626</b>	374,540,627
2019	<b>344,069,298</b>	353,848,078
2020	<b>563,197,471</b>	579,391,796
2021	<b>568,577,946</b>	594,764,850
2022	<b>597,114,452</b>	542,974,361
2023	<b>195,440,948</b>	—
	<b><u>2,593,157,741</u></b>	<b><u>2,445,519,712</u></b>

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

	<b>30 June 2018 (unaudited)</b>		31 December 2017	
	<b>Offsetting amount</b>	<b>Net amounts</b>	Offsetting amount	Net amounts
Deferred tax assets	<b>26,807,944</b>	<b>1,320,438,889</b>	10,797,394	1,135,894,135
Deferred tax liabilities	<b><u>26,807,944</u></b>	<b><u>210,359,363</u></b>	<b><u>10,797,394</u></b>	<b><u>220,667,269</u></b>

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

##### (16) Asset impairment and loss provision

	31 December 2017	Changes in accounting policies	1 January 2018	Increase in the current period (unaudited)	Decrease in the current period			30 June 2018 (unaudited)
					Reversal (unaudited)	Written-off (unaudited)	Others (unaudited)	
Provision for bad debt of notes receivable and accounts receivable	193,033,704	-	193,033,704	149,266	(1,546,061)	(65,950)	(21,786)	191,549,173
Including:								
Provision for bad debt recognized individually	28,751,710	-	28,751,710	-	(1,500,000)	-	-	27,251,710
Provision for bad debt recognized on groupings	164,281,994	-	164,281,994	149,266	(46,061)	(65,950)	(21,786)	164,297,463
Provision for bad debt of other receivables	76,650,477	(81,000)	76,569,477	317,428	(994,511)	(107,271)	-	75,785,123
Provision for bad debt of other current asset	-	81,000	81,000	8,800	(20,000)	-	-	69,800
Provision for bad debt of available- for-sale financial assets	8,653,179	(8,653,179)	-	-	-	-	-	-
Total	<u>278,337,360</u>	<u>(8,653,179)</u>	<u>269,684,181</u>	<u>475,494</u>	<u>(2,560,572)</u>	<u>(173,221)</u>	<u>(21,786)</u>	<u>267,404,096</u>
Provisions for impairment of inventory	5,261,408	-	5,261,408	-	-	(270,948)	-	4,990,460
Provisions for impairment of long-term investment	1,220,000	-	1,220,000	-	-	-	-	1,220,000
Provisions for impairment of investment properties	648,668	-	648,668	-	-	-	33,644	682,312
Provisions for impairment of fixed assets	359,461,764	-	359,461,764	6,642,975	-	(9,709,755)	(33,644)	356,361,340
Provisions for impairment of goodwill	197,410,739	-	197,410,739	-	-	-	-	197,410,739
Total	<u>564,002,579</u>	<u>-</u>	<u>564,002,579</u>	<u>6,642,975</u>	<u>-</u>	<u>(9,980,703)</u>	<u>-</u>	<u>560,664,851</u>
	<u>842,339,939</u>	<u>(8,653,179)</u>	<u>833,686,760</u>	<u>7,118,469</u>	<u>(2,560,572)</u>	<u>(10,153,924)</u>	<u>(21,786)</u>	<u>828,068,947</u>

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

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Prepayments for construction and equipment	<u><b>79,489,605</b></u>	<u>48,798,055</u>

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

(18) Short-term borrowings

	Currency	30 June 2018 (unaudited)	31 December 2017
Unsecured loan	HKD	<u>284,967,800</u>	<u>282,534,200</u>

As at 30 June 2018, short-term loan represented the borrowing from Bank of China, with RMB284,967,800 (Original foreign currency: HKD338,000,000) to Hong Kong company, a subsidiary of the Company (As at 31 December 2017: 282,534,200 (Original foreign currency: HKD338,000,000)). The Company issued a financing loan guarantee in Bank of China, Qingdao branch and provided a guarantee of HKD350,000,000 for it.

As at 30 June 2018, the interest rate range of short-term borrowings is 2.22% (31 December 2017: 1.60%).

(19) Notes payable and accounts payable

	30 June 2018 (unaudited)	31 December 2017
Notes payable (a)	371,733,713	289,472,296
Accounts payable (b)	<u>3,014,175,926</u>	<u>2,083,733,787</u>
	<u>3,385,909,639</u>	<u>2,373,206,083</u>

(a) Notes payable

	30 June 2018 (unaudited)	31 December 2017
Bank acceptance notes	274,196,787	218,767,502
Trade acceptance notes	<u>97,536,926</u>	<u>70,704,794</u>
	<u>371,733,713</u>	<u>289,472,296</u>

Other cash balances of 10,383,000 (31 December 2017: 5,506,000) are pledged as collateral for the bank acceptance notes of the Group (Note 4(1)(iii)).

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

##### (19) Notes payable and accounts payable (Cont'd)

###### (b) Accounts payable

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Payable for materials purchase	<b>2,861,640,904</b>	1,986,212,114
Payable for beer purchase due to related parties (Note 7(5))	<b>111,293,344</b>	73,829,031
Payable for promotional goods	<b>35,511,445</b>	15,850,286
Others	<b>5,730,233</b>	7,842,356
	<b><u>3,014,175,926</u></b>	<b><u>2,083,733,787</u></b>

(i) As at 30 June 2018, accounts payable over 1 year with carrying amount of 29,369,388 (31 December 2017: 30,969,162) are mainly payables for materials purchase, for which has not yet been completed.

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

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Within 1 year	<b>2,984,806,538</b>	2,052,764,625
1 to 2 years	<b>7,735,630</b>	9,020,945
2 to 3 years	<b>3,430,623</b>	4,530,665
Over 3 years	<b>18,203,135</b>	17,417,552
	<b><u>3,014,175,926</u></b>	<b><u>2,083,733,787</u></b>

##### (20) Contract liabilities

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Accruals for promotion-related marketing expenses	<b>3,330,721,204</b>	—
Advances on sales of goods	<b>677,146,246</b>	—
	<b><u>4,007,867,450</u></b>	<b><u>—</u></b>

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

(21) Employee benefits payable

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Short-term employee benefits (a)	<b>939,054,120</b>	895,379,790
Defined contribution plans (b)	<b>26,589,724</b>	25,891,433
Termination benefits (c)	<b>91,010,263</b>	92,301,300
Defined benefit plans (d)	<b>20,614,414</b>	19,055,565
	<b><u>1,077,268,521</u></b>	<u>1,032,628,088</u>

(a) Short-term employee benefits

	31 December 2017	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	<b>30 June 2018 (unaudited)</b>
Wages and salaries, bonus, allowances and subsidies	584,725,547	1,517,171,990	(1,487,841,631)	<b>614,055,906</b>
Staff welfare	1,138,013	116,764,136	(116,800,343)	<b>1,101,806</b>
Social security contributions	14,285,124	122,836,431	(123,768,798)	<b>13,352,757</b>
Including: Medical insurance	10,709,288	103,587,762	(104,631,133)	<b>9,665,917</b>
Work injury insurance	1,777,923	7,459,927	(7,407,327)	<b>1,830,523</b>
Maternity insurance	1,797,913	11,788,742	(11,730,338)	<b>1,856,317</b>
Housing funds	16,861,285	121,325,530	(121,239,817)	<b>16,946,998</b>
Labour union funds and employee education funds	278,369,821	53,999,701	(38,772,869)	<b>293,596,653</b>
	<u>895,379,790</u>	<u>1,932,097,788</u>	<u>(1,888,423,458)</u>	<u><b>939,054,120</b></u>

(b) Defined contribution plans

	31 December 2017	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	<b>30 June 2018 (unaudited)</b>
Basic pension	21,511,954	237,455,842	(236,787,528)	<b>22,180,268</b>
Unemployment insurance	4,379,479	8,051,812	(8,021,835)	<b>4,409,456</b>
	<u>25,891,433</u>	<u>245,507,654</u>	<u>(244,809,363)</u>	<u><b>26,589,724</b></u>

(c) Termination benefits

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Early retirement benefits payable (Note 4(27))	<b>91,010,263</b>	92,300,500
Other termination benefits	-	800
	<b><u>91,010,263</u></b>	<u>92,301,300</u>

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

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

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

	30 June 2018 (unaudited)	31 December 2017
Supplemental retirement benefits (Note 4(27))	<u>20,614,414</u>	<u>19,055,565</u>

##### (22) Taxes payable

	30 June 2018 (unaudited)	31 December 2017
Enterprise income tax	320,308,712	168,534,126
Unpaid VAT	269,448,955	51,053,836
Consumption tax	243,035,589	109,545,150
City maintenance and construction tax	30,102,308	5,936,227
Education surcharge	24,004,384	5,871,932
Others	<u>61,187,557</u>	<u>59,894,619</u>
	<u>948,087,505</u>	<u>400,835,890</u>

##### (23) Other payables

	30 June 2018 (unaudited)	31 December 2017
Guarantee deposits	761,216,812	709,796,967
Accruals for transportation expenses	645,537,998	209,229,448
Payables to vendors of construction, machinery and equipment	418,281,349	443,732,839
Dividends payable	567,412,774	-
Accruals for advertising expenses	227,791,918	151,600,648
Accruals for labour expenses	98,609,148	56,467,337
Accruals for general and administrative expenses	73,788,708	59,566,366
Accruals for water, electricity and steam expenses	70,606,649	53,552,638
Withholding social expenses for staff	11,502,351	12,601,607
Absorbed deposits from related parties by Finance Company (i)	10,403,957	9,305,035
Interests payable	1,213,648	815,222
Accruals for promotion-related marketing expenses (Note 2(28)(b))	—	3,144,406,819
Others	<u>357,148,277</u>	<u>333,795,327</u>
	<u>3,243,513,589</u>	<u>5,184,870,253</u>

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

As at 30 June 2018, other payables over 1 year with carrying amount of 613,207,349 (31 December 2017: 575,475,196) are mainly liabilities due to acquisition of subsidiaries, payables to vendors of construction, machinery and equipment.

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

##### (24) Long-term borrowings

	Currency	<b>30 June 2018</b> <b>(unaudited)</b>	31 December 2017
Guaranteed	DKK	<u>1,232,400</u>	<u>1,467,060</u>
<i>Less: Current portion of guaranteed borrowing</i>		<u>(410,800)</u>	<u>(419,160)</u>
		<u><b>821,600</b></u>	<u>1,047,900</u>

As at 30 June 2018, bank guaranteed borrowing of RMB1,232,400 (Original foreign currency: DKK1,200,000) (31 December 2017: RMB1,467,060 (Original foreign currency: DKK1,400,000)) is guaranteed by Beijing Development and Reform Commission. The principal amount shall be repaid twice annually based on the equal repayment of principal method, with the last repayment falling due on 1 April 2021. The amount due within one year amounted to RMB410,800 (31 December 2017: RMB419,160).

As at 30 June 2018 and 31 December 2017, the long-term borrowings are interest-free borrowings.

##### (25) Long-term payables

	<b>30 June 2018</b> <b>(unaudited)</b>	31 December 2017
Payables for specific projects	<u><b>273,942,857</b></u>	<u>123,140,327</u>

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

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

##### (26) Deferred income

	31 December 2017	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2018 (unaudited)	Reason
Government grants	<u>1,904,109,828</u>	<u>40,073,997</u>	<u>(116,317,234)</u>	<u>1,827,866,591</u>	Grants for relocation and technology improvement projects
Government grants items	31 December 2017	Increase in the current period (unaudited)	Charged to other income (unaudited)	30 June 2018 (unaudited)	Related to assets/income
<b>Relocation projects</b>					
Tengzhou Company relocation project	171,785,920	-	(5,331,598)	166,454,322	Assets
Suizhou Company relocation project	162,595,842	4,236,460	(9,520,646)	157,311,656	Assets/Income
Wuwei Company relocation project	156,767,283	-	(5,781,894)	150,985,389	Assets
Rizhao Company relocation project	147,988,358	-	(5,266,646)	142,721,712	Assets
Zhuhai Company relocation project	138,642,199	-	(6,074,070)	132,568,129	Assets
Suqian Company relocation project	135,934,998	-	(5,006,897)	130,928,101	Assets
Gansu nongken Company relocation project	135,438,058	-	(6,028,784)	129,409,274	Assets
Yangzhou Company relocation project	118,391,341	-	(5,518,348)	112,872,993	Assets
Xingkaihu Company relocation project	114,967,628	-	(3,607,167)	111,360,461	Assets/Income
Fuzhou Company relocation project	112,220,095	-	(5,904,472)	106,315,623	Assets
Weinan Company relocation project	87,763,182	-	(3,459,855)	84,303,327	Assets
Heze Company relocation project	59,513,612	10,000,000	(3,873,184)	65,640,428	Assets
Harbin Company relocation project	61,175,910	-	(3,543,320)	57,632,590	Assets
Langfang Company relocation project	43,644,804	9,585,002	(10,096,882)	43,132,924	Assets/Income
Malt Factory relocation project	19,051,435	-	(2,117,425)	16,934,010	Assets
No. 3 Factory relocation project	16,185,784	-	(1,867,745)	14,318,039	Assets
Hansi Baoji relocation project	14,732,065	-	(1,397,784)	13,334,281	Assets
Pengcheng Company relocation project	13,728,065	-	(1,792,918)	11,935,147	Assets
Dezhou Company relocation project	-	379,914	(379,914)	-	Income
<b>Technology improvement projects</b>					
Technology improvement projects of Five Star Company	11,744,286	-	(512,143)	11,232,143	Assets
Technology improvement projects of Luzhou Company	9,593,056	-	(594,169)	8,998,887	Assets
Technology improvement projects of Sanhuan Company	6,720,000	-	(280,000)	6,440,000	Assets
Technology improvement projects of Shouguang Company	6,400,000	-	-	6,400,000	Assets
<b>Other projects</b>	<u>159,125,907</u>	<u>15,872,621</u>	<u>(28,361,373)</u>	<u>146,637,155</u>	
	<u>1,904,109,828</u>	<u>40,073,997</u>	<u>(116,317,234)</u>	<u>1,827,866,591</u>	

**(27) Long-term employee benefits payable**

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Early retirement benefits (a)	<b>315,222,433</b>	330,809,309
Supplemental retirement benefits (b)	<b>289,545,027</b>	279,555,205
	<b>604,767,460</b>	610,364,514
<i>Less:</i> Early retirement benefits within one year	<b>(91,010,263)</b>	(92,300,500)
Supplemental retirement benefits within one year	<b>(20,614,414)</b>	(19,055,565)
	<b>(111,624,677)</b>	(111,356,065)
	<b>493,142,783</b>	499,008,449

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

**(a) Early retirement benefits**

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

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Discount rate (yield-to-maturity of the government bond with the same term)	<b>3.22% – 3.53%</b>	3.78% – 3.90%

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

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
General and administrative expenses	<b>31,570,589</b>	26,575,283
Finance expenses	<b>5,877,824</b>	5,784,332

**(b) Supplemental retirement benefits**

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

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

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

(b) Supplemental retirement benefits (Cont'd)

(i) Supplemental retirement benefits obligations of the Group:

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Defined benefit obligations	<b>289,545,027</b>	279,555,205
Less: Fair value of plan assets	-	-
Defined benefit liabilities	<b><u>289,545,027</u></b>	<b><u>279,555,205</u></b>

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

	<b>Present value of the defined benefit obligation</b>
As at 1 January 2018	279,555,205
Amount charged to profit or loss in the current period (unaudited)	
— Service cost	13,336,646
— Interest expense on the net defined benefit obligations	5,413,334
Payment from the plan (unaudited)	<u>(8,760,158)</u>
<b>As at 30 June 2018 (unaudited)</b>	<b><u>289,545,027</u></b>
	<b>Present value of the defined benefit obligation</b>
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)	<b><u>293,727,925</u></b>

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

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Discount rate	<b>4.00%</b>	4.00%

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

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

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

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 2.65%	Increase by 2.78%

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 2017: nil).
- (vi) The weighted average duration of the defined benefit obligations is 10.8 years (31 December 2017: 10.8 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.

## (28) Share capital

	31 December 2017	Movements in the current period (unaudited)	30 June 2018 (unaudited)
RMB-denominated ordinary shares	695,913,617	-	695,913,617
Foreign shares listed overseas	655,069,178	-	655,069,178
	<u>1,350,982,795</u>	<u>-</u>	<u>1,350,982,795</u>
	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>

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

(29) Capital Surplus

	31 December 2017	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	<b>30 June 2018 (unaudited)</b>
Share premium	3,356,662,970	-	-	<b>3,356,662,970</b>
Other capital surplus —	87,518,542	5,228	-	<b>87,523,770</b>
Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	(10,209,446)	5,228	-	<b>(10,204,218)</b>
Transfer from capital surplus recognized under the previous accounting system	93,338,214	-	-	<b>93,338,214</b>
Others	4,389,774	-	-	<b>4,389,774</b>
	<u>3,444,181,512</u>	<u>5,228</u>	<u>-</u>	<u><b>3,444,186,740</b></u>
	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 of capital surplus recognized 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><b>3,444,192,440</b></u>

## (30) Other comprehensive income

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement of six months ended 30 June 2018					
	31 December 2017	Changes in accounting policies	1 January 2018	Attributable to shareholders of the Company, net of tax (unaudited)	30 June 2018 (unaudited)	The pre-tax amount in the current period (unaudited)	Less: Transfer out from which were recognized in other comprehensive income in the previous periods (unaudited)	Less: Income tax expense (unaudited)	Attributable to shareholders of the Company, net of tax (unaudited)	Attributable to the non-controlling interests, net of tax (unaudited)
Other comprehensive income that cannot be reclassified to profit or loss										
Changes arising from re-measurement of defined benefit plan	(27,752,000)	—	(27,752,000)	-	(27,752,000)	-	-	-	-	-
Other comprehensive income that will be reclassified to profit or loss										
Shares of other comprehensive income of investees accounted for using the equity method that will be reclassified to profit or loss	(654,343)	—	(654,343)	(43,082)	(697,425)	(43,082)	-	-	(43,082)	-
Profits or loss from change in fair value of financial assets available for sale	6,108,986	(6,108,986)	—	—	—	—	—	—	—	—
Currency translation differences	13,258,607	—	13,258,607	(893,957)	12,364,650	(893,957)	-	-	(893,957)	-
	<u>(9,038,750)</u>	<u>(6,108,986)</u>	<u>(15,147,736)</u>	<u>(937,039)</u>	<u>(16,084,775)</u>	<u>(937,039)</u>	<u>-</u>	<u>-</u>	<u>(937,039)</u>	<u>-</u>
	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)	Attributable to shareholders of the Company, net of tax (unaudited)	The pre-tax amount in current period (unaudited)	Less: Transfer out from which were recognized in other comprehensive income in the previous periods (unaudited)	Less: Income tax expense (unaudited)	Attributable to shareholders of the Company, net of tax (unaudited)	Attributable to the non-controlling interests, net of tax (unaudited)	
Items that will not be subsequently reclassified to profit or loss										
Changes arising from re-measurement of defined benefit plan	(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 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>-</u>	<u>5,378,170</u>	<u>-</u>	

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

##### (31) Surplus reserve

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

	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>

In accordance with the Company Law of the People's Republic of China 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.

##### (32) General reserve

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

	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>

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

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

##### (33) Undistributed profits

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Undistributed profits at the beginning of the period (before adjustment)	10,802,900,749	10,025,728,867
Adjustment (a)	<u>6,108,986</u>	-
Undistributed profits at the beginning of the period (after adjustment)	10,809,009,735	10,025,728,867
Add: Net profit attributable to shareholders of the Company for the current period	1,302,224,985	1,148,467,993
Less: Ordinary shares dividend payable (b)	<u>(567,412,774)</u>	<u>(472,843,978)</u>
Undistributed profits at the end of the period	<u>11,543,821,946</u>	<u>10,701,352,882</u>

(a) As at 1 January 2018, undistributed profits of 6,108,986 were adjusted at the beginning of the current period due to first adoption of the new financial instruments standard (Notes 2(28)(a)(ii)).

(b) In accordance with the resolution at the annual general meeting dated 28 June 2018, the Company approved a cash dividend of RMB0.42 per share (pre-tax) to the shareholders of the Company with RMB567,412,774, based on a total number of 1,350,982,795 shares (2017: 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 share). As at 30 June 2018, the dividends has not been paid yet (Note 4(23)).

For the six months ended 30 June 2018, the board of directors do not declare the distribution of interim dividends (for the six months end 30 June 2017: nil).

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

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Revenue from main operation (a)	15,021,049,974	14,930,213,878
Revenue from other operations (b)	<u>132,640,539</u>	<u>132,507,124</u>
	<u>15,153,690,513</u>	<u>15,062,721,002</u>
	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Cost of main operation (a)	(9,094,062,607)	(8,650,666,933)
Cost of other operations (b)	<u>(93,117,495)</u>	<u>(93,082,112)</u>
	<u>(9,187,180,102)</u>	<u>(8,743,749,045)</u>

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

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

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

	Six months ended 30 June 2018 (unaudited)		Six months ended 30 June 2017 (unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of beer	<u>15,021,049,974</u>	<u>(9,094,062,607)</u>	<u>14,930,213,878</u>	<u>(8,650,666,933)</u>

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

	Six months ended 30 June 2018 (unaudited)		Six months ended 30 June 2017 (unaudited)	
	Revenue from other operations	Cost of other operations	Revenue from other operations	Cost of other operations
Transportation service	29,469,220	(33,182,989)	29,389,119	(31,970,736)
Sales of packaging materials	18,211,117	(9,606,878)	24,083,110	(15,021,189)
Sales of raw materials	10,507,068	(9,692,166)	11,386,642	(11,267,303)
Others	74,453,134	(40,635,462)	67,648,253	(34,822,884)
	<u>132,640,539</u>	<u>(93,117,495)</u>	<u>132,507,124</u>	<u>(93,082,112)</u>

##### (35) Taxes and surcharges

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)	Tax base
Consumption tax	963,194,446	955,176,253	Note 3
City maintenance and construction tax	147,910,843	150,334,578	Note 3
Education surcharges	112,262,715	114,234,215	Note 3
Real estate tax	30,253,691	30,698,959	
Land use tax	29,015,278	34,413,333	
Stamp duty	13,740,351	18,028,755	
Others	11,510,739	16,477,942	
	<u>1,307,888,063</u>	<u>1,319,364,035</u>	

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

(36) Selling and distribution expenses

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Handling and transportation expenses	964,387,121	741,231,725
Employee benefit expenses	946,352,498	895,569,688
Advertising related expenses	467,153,782	297,672,416
Administrative expenses	89,633,586	64,446,687
Rental expenses	61,799,487	60,023,428
Depreciation and amortisation expenses	59,544,623	60,414,522
Low-value consumables	49,711,059	44,758,466
Service charges	43,441,773	1,534,920
Promotion-related marketing expenses <i>(Note2(28)(b))</i>	—	896,163,677
Others	14,529,795	12,022,406
	<u>2,696,553,724</u>	<u>3,073,837,935</u>

(37) General and administrative expenses

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Employee benefits expenses	334,424,533	284,820,732
Depreciation and amortisation expenses	99,524,647	103,789,255
Administrative expenses	42,320,147	43,786,169
Agency fees	19,532,061	15,688,343
Repair expenses	15,026,553	13,127,963
Handling and transportation expenses	5,405,439	5,317,486
Low-value consumables	4,776,146	6,180,729
Rental expenses	6,458,989	10,065,157
Others	50,725,644	53,574,861
	<u>578,194,159</u>	<u>536,350,695</u>

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

##### (38) Expenses by nature

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

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Raw materials and consumables used	6,381,040,340	5,888,082,867
Employee benefits expenses	2,230,367,803	2,106,844,338
Handling and transportation expenses	1,068,159,697	846,280,811
Finished goods purchased from outside	661,189,868	655,953,572
Depreciation and amortisation expenses	579,922,144	588,109,174
Advertising related expenses	467,153,782	297,672,416
Changes in inventories of finished goods and work in progress	328,549,473	434,488,626
Repair expenses	159,081,643	155,888,470
Administrative expenses	135,612,214	111,928,541
Service charges	131,009,086	85,857,031
Amortisation expenses of packaging materials	96,877,918	79,385,153
Operating lease payments	74,900,918	77,275,063
Promotion-related marketing expenses (Note2(28)(b))	—	896,163,677
Others	155,179,644	136,440,362
	<u>12,469,044,530</u>	<u>12,360,370,101</u>
Operating cost, selling and distribution expenses, general and administrative expenses and research and development expenses in total	<u>12,469,044,530</u>	<u>12,360,370,101</u>

##### (39) Finance expenses

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Interest expense	5,916,028	5,058,153
Less: Interest income	(261,107,536)	(181,657,205)
Exchange losses/(gains)	497,295	(283,492)
Discounting impact of the long-term employee benefits payable	11,291,158	10,265,497
Others	2,211,967	1,920,041
	<u>(241,191,088)</u>	<u>(164,697,006)</u>

##### (40) Asset impairment losses

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Losses of bad debts	—	249,595
Impairment loss of fixed assets	6,642,975	1,740,144
	<u>6,642,975</u>	<u>1,989,739</u>

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

##### (41) Other incomes

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)	Related to assets/income
Relocation project allowance	<b>86,569,549</b>	90,445,623	Assets/Income
Grant for production and operation	<b>78,192,200</b>	8,665,836	Income
Grant for technology improvement projects	<b>1,386,312</b>	1,603,609	Asset
Others	<u>13,657,617</u>	<u>6,506,157</u>	Assets/Income
	<u><b>179,805,678</b></u>	<u>107,221,225</u>	

##### (42) Investment income

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Investment income from long-term equity investments accounted for using the equity method	<b>16,708,068</b>	26,182,374
Investment income from wealth management products etc.	<u>9,155,983</u>	<u>7,563,619</u>
	<u><b>25,864,051</b></u>	<u>33,745,993</u>

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

##### (43) Profits arising from changes in fair value

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Financial assets at fair value through profit or loss —		
Wealth management products	<b>14,102,521</b>	-
Money market fund	<u>3,314,960</u>	<u>236,015</u>
	<u><b>17,417,481</b></u>	<u>236,015</u>

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

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Losses on disposal of fixed assets	<u><b>(7,613,067)</b></u>	<u>(15,028,154)</u>

For six months ended 30 June 2018, all asset disposal losses have been regard as non-recurring profit or loss in the current period.

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

##### (45) Non-operating income

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Government grants (a)	<b>62,615,918</b>	66,999,347
Penalty gains	<b>1,267,534</b>	294,456
Gain on unpaid debts	<b>178,230</b>	4,257,719
Others	<b>5,680,208</b>	4,404,911
	<b><u>69,741,890</u></b>	<b><u>75,956,433</u></b>

For six months ended 30 June 2018, all non-operating income has been regard as non-recurring profit or loss in the current period.

##### (a) Details of government grants

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)	Related to assets/income
Enterprise development fund	<b>55,537,462</b>	56,741,852	Income
Others	<b>7,078,456</b>	10,257,495	Income
	<b><u>62,615,918</u></b>	<b><u>66,999,347</u></b>	

##### (46) Non-operating expenses

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Compensation, defaults and overdue fine	<b>1,578,960</b>	12,114,815
Donations	<b>448,893</b>	450,000
Penalty losses	<b>221,499</b>	207,251
Others	<b>588,830</b>	8,997,710
	<b><u>2,838,182</u></b>	<b><u>21,769,776</u></b>

For the six months ended 30 June 2018, 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)

(47) Income tax expense

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Current income tax calculated according to tax law and related regulations in mainland China — China enterprise income tax	692,622,001	673,059,196
Current profits tax calculated according to tax law and related regulations in Hong Kong — Hong Kong profits tax	1,382,956	1,403,464
Current profits supplemental tax calculated according to tax law and related regulations in Macau — Macau profits supplemental tax	405,647	260,614
Deferred income tax	<u>(194,852,660)</u>	<u>(173,578,932)</u>
	<u><b>499,557,944</b></u>	<u><b>501,144,342</b></u>

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

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Total profit	<u>1,895,768,962</u>	<u>1,726,055,869</u>
Income tax expenses calculated at applicable tax rates	472,522,469	430,505,342
Tax impact of equivalent sales and costs, expenses and losses not deductible for tax purpose	8,419,257	33,488,329
Income not subject to tax	(9,316,800)	(12,929,658)
Deductible tax losses and deductible temporary differences due to the utilization of previously unrecognized deferred tax assets	(36,993,236)	(37,476,562)
Deductible temporary differences for which no deferred tax assets were recognized	16,066,017	21,332,067
Deductible tax losses for which no deferred tax assets were recognized	<u>48,860,237</u>	<u>66,224,824</u>
Income tax expenses	<u><b>499,557,944</b></u>	<u><b>501,144,342</b></u>

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

##### (48) Earnings per share

###### (a) Basic earnings per share

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

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	<b>1,302,224,985</b>	1,148,467,993
Weighted average number of ordinary shares outstanding	<b>1,350,982,795</b>	1,350,982,795
Basic earnings per share	<b><u>0.964</u></b>	<u>0.850</u>
Including:		
— Basic earnings per share relating to continuing operations:	<b>0.964</b>	0.850

###### (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 2018 (For the six months ended 30 June 2017: nil), diluted earnings per share equals to basic earnings per share.

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

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

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Deposits	<b>220,429,945</b>	235,692,983
Government grants	<b>132,325,169</b>	81,946,475
Others	<b>43,822,268</b>	93,729,624
	<b><u>396,577,382</u></b>	<u>411,369,082</u>

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

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

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Handling and transportation expenses	670,632,544	630,630,869
Marketing and promotion expenses	379,856,692	370,386,063
Advertising related expenses	374,373,857	268,215,035
Administrative expense	118,140,589	119,703,486
Deposits	105,722,008	115,834,470
Others	95,187,111	235,826,607
	<u>1,743,912,801</u>	<u>1,740,596,530</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Government compensation for relocation and expansion projects	186,483,906	45,011,842
Interest income of Finance Company	170,156,854	152,627,021
Bidding deposits collected	4,644,503	5,181,746
	<u>361,285,263</u>	<u>202,820,609</u>

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Deposit in central bank paid by Finance Company	230,720,000	181,590,000
Bidding deposits paid	5,924,266	13,084,831
	<u>236,644,266</u>	<u>194,674,831</u>

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

##### (50) 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 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Net profit	1,396,211,018	1,224,911,527
Add: Provisions for asset impairment and loss	4,557,897	1,989,739
Depreciation of fixed assets and investment properties	456,627,636	464,170,557
Amortisation of intangible assets	115,917,728	115,422,522
Amortisation of long-term prepaid expenses	7,376,780	8,516,095
Losses on disposal of fixed assets and intangible assets	7,613,067	15,028,154
Profit arising from changes in fair value	(17,417,481)	(236,015)
Financial expenses	(250,875,932)	(175,862,851)
Investment income	(25,864,051)	(33,745,993)
Increase in deferred tax assets	(184,544,754)	(158,998,839)
Amortisation of deferred income	(116,317,234)	(95,057,173)
Decrease in deferred tax liabilities	(10,307,906)	(14,580,093)
Decrease in inventories	538,834,227	579,871,078
Decrease in operating receivables	142,902,363	64,621,267
Increase in operating payables	1,933,176,302	1,522,611,281
Net cash flows from operating activities	<u>3,997,889,660</u>	<u>3,518,661,256</u>

Net increase in cash and cash equivalents

	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Cash and cash equivalents at end of the period	12,527,266,544	10,937,957,839
Less: Cash and cash equivalents at beginning of the period	(9,101,908,887)	(7,929,473,031)
Net increase in cash and cash equivalents	<u>3,425,357,657</u>	<u>3,008,484,808</u>

###### (b) Cash and cash equivalents

	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Cash and cash equivalents (Note 4(1))	12,527,266,544	10,937,957,839
Including: Cash on hand	343,128	429,413
Cash at bank that can be readily drawn on demand	12,526,369,241	10,936,249,480
Cash at non-financial institutions that can be readily drawn on demand	554,175	1,278,946
Cash and cash equivalents at end of the period	<u>12,527,266,544</u>	<u>10,937,957,839</u>

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

## (51) Foreign currency items

	30 June 2018 (unaudited)		
	Balance in foreign currency	Currency exchange rate	Balance in RMB
Cash at bank and cash on hand —			
USD	53,682,744	6.6166	355,197,244
HKD	101,056,873	0.8431	85,201,050
EUR	4,865,429	7.6515	37,227,830
MOP	35,313,338	0.8212	28,999,313
			<u>506,625,437</u>
Accounts receivable —			
HKD	73,329,339	0.8431	61,823,966
USD	4,803,386	6.6166	31,782,084
EUR	2,394,443	7.6515	18,321,081
MOP	11,318,508	0.8212	9,294,759
GBP	594,975	8.6551	5,149,568
CAD	461,426	4.9947	2,304,684
			<u>128,676,142</u>
Other receivables —			
HKD	1,415,538	0.8431	1,193,440
MOP	307,742	0.8212	252,718
			<u>1,446,158</u>
Short-term borrowings —			
HKD	338,000,000	0.8431	284,967,800
Account Payable —			
HKD	29,863,952	0.8431	25,178,298
MOP	4,285,495	0.8212	3,519,249
			<u>28,697,547</u>
Other payables —			
HKD	9,097,731	0.8431	7,670,297
USD	611,142	6.6166	4,043,682
MOP	1,222,853	0.8212	1,004,207
			<u>12,718,186</u>
Current portion of non-current liabilities —			
DKK	400,000	1.0270	410,800
Long-term borrowings —			
DKK	800,000	1.0270	821,600

## 5. INTERESTS IN OTHER ENTITIES

### (1) Interests in subsidiaries

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

Name of significant subsidiaries	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
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

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

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

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

Name of significant subsidiaries	Kind of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingtao Brewery (Dezhou) Co., Ltd. ("Dezhou Company")	Limited liability company	Dezhou, the PRC	Dezhou, the PRC	Manufacturing	100%	-	Establishment or investment
Tsingtao Brewery (Rizhao) Co., Ltd. ("Rizhao Company")	Limited liability company	Rizhao, the PRC	Rizhao, the PRC	Manufacturing	100%	-	Establishment or investment
Tsingtao Brewery (Luzhou) Co., Ltd. ("Luzhou Company")	Limited liability company	Luzhou, the PRC	Luzhou, the PRC	Manufacturing	95%	-	Establishment or investment
Tsingtao Brewery (Taizhou) Co., Ltd. ("Taizhou Company")	Limited liability company	Taizhou, the PRC	Taizhou, the PRC	Manufacturing	86.43%	13.57%	Establishment or investment
Hong Kong Company	Limited liability company	Hong Kong, the PRC	Hong Kong, the PRC	Wholesale and retail sale	100%	-	Establishment or investment
Tsingtao Brewery (Hanzhong) Co., Ltd. ("Hanzhong Company")	Limited liability company	Hanzhong, the PRC	Hanzhong, the PRC	Manufacturing	34%	66%	Establishment or investment
Beijing Tsingtao Brewery Beifang Sales Co., Ltd. ("Beifang Sales Company")	Limited liability company	Beijing, the PRC	Beijing, the PRC	Wholesale and retail sale	95%	5%	Establishment or investment
Qingdao Guangrunlong Logistics Co., Ltd. ("Guangrunlong Logistics")	Limited liability company	Shandong, the PRC	Qingdao, the PRC	Logistics	100%	-	Establishment or investment
Tsingtao Brewery (Xiamen) Co., Ltd. ("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.	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	-	100%	Establishment or investment
Tsingtao Brewery (Xuzhou) Enterprise Management Service Co., Ltd. ("Xuzhou Enterprise Management")	Limited liability company	Xuzhou, the PRC	Xuzhou, the PRC	Wholesale and retail sale	100%	-	Establishment or investment

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

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

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

Name of significant subsidiaries	Kind of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingtao Brewery (Luoyang) Co., Ltd. ("Luoyang Company")	Limited liability company	Luoyang, the PRC	Luoyang, the PRC	Manufacturing	100%	-	Establishment or investment
Tsingtao Brewery (Shanghai) industrial Co., Ltd. ("Shanghai Industrial Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Wholesale and retail sale	100%	-	Establishment or investment
Tsingtao Brewery (Zhangjiakou) Co., Ltd. ("Zhangjiakou company")	Limited liability company	Zhangjiakou, the PRC	Zhangjiakou, the PRC	Manufacturing	100%	-	Establishment or investment
Shanghai Tsingtao Catering Management Co., Ltd. ("Tsingtao Catering")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Services	-	80%	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 Tsingtao Brewery Asahi Co., Ltd. ("Shenzhen Asahi")	Limited liability company	Shenzhen, the PRC	Shenzhen, the PRC	Manufacturing	51%	-	Business combination not under common control
Beijing Tsingtao Brewery Three Ring Co., Ltd. ("Three Ring Company")	Limited liability company	Beijing, the PRC	Beijing, the PRC	Manufacturing	29%	25%	Business combination not under common control
Nanning Tsingtao Brewery Co., Ltd. ("Nanning Company")	Limited liability company	Nanning, the PRC	Nanning, the PRC	Manufacturing	-	75%	Business combination not under common control
Beijing Five Star Tsingtao Brewery Co., Ltd. ("Five Star Company")	Limited liability company	Beijing, the PRC	Beijing, the PRC	Manufacturing	37.64%	25%	Business combination not under common control
Tsingtao Brewery (Weinan) Co., Ltd. ("Weinan Company")	Limited liability company	Weinan, the PRC	Weinan, the PRC	Manufacturing	28%	72%	Business combination not under common control
Tsingtao Brewery (Gansu) Nongken Co., Ltd. ("Gansu Nongken Company")	Limited liability company	Lanzhou, the PRC	Lanzhou, the PRC	Manufacturing	-	55.06%	Business combination not under common control
Tsingtao Brewery (Wuwei) Company Co., Ltd. ("Wuwei Company")	Limited liability company	Wuwei, the PRC	Wuwei, the PRC	Manufacturing	-	99.72%	Business combination not under common control
Tsingtao Brewery (Rongcheng) Co., Ltd. ("Rongcheng Company")	Limited liability company	Rongcheng, the PRC	Rongcheng, the PRC	Manufacturing	70%	-	Business combination not under common control
Tsingtao Brewery (Suizhou) Co., Ltd. ("Suizhou Company")	Limited liability company	Suizhou, the PRC	Suizhou, the PRC	Manufacturing	-	90%	Business combination not under common control
Tsingtao Brewery (Fuzhou) Co., Ltd. ("Fuzhou Company")	Limited liability company	Fuzhou, the PRC	Fuzhou, the PRC	Manufacturing	-	100%	Business combination not under common control
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

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

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

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

Name of significant subsidiaries	Kind of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
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
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
Shandong Lulansa Brewery Co., Ltd. ("Lulansa Brewery")	Limited liability company	Zibo, the PRC	Zibo, the PRC	Manufacturing	55%	-	Business combination not under common control
Equipment Manufacture	Limited liability company	Qingdao, the PRC	Qingdao, the PRC	Manufacturing	-	100%	Business combination not under common control
Tsingtao Brewery (Shanghai) Investing Co., Ltd. ("Shanghai Investing Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Industrial investment	100%	-	Business combination not under common control
Tsingtao Brewery New Songjiang Manufacturing Co., Ltd.	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	-	100%	Business combination not under common control
Tsingtao Brewery (Suqian) Co., Ltd. ("Suqian Company")	Limited liability company	Suqian, the PRC	Suqian, the PRC	Manufacturing	-	100%	Business combination not under common control
Tsingtao 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
Tsingtao Brewery (Kunshan) Co., Ltd. ("Kunshan Company")	Limited liability company	Kunshan, the PRC	Kunshan, the PRC	Manufacturing	-	100%	Business combination not under common control
Tsingtao Brewery (Huai'an) Co., Ltd.	Limited liability company	Huai'an, the PRC	Huai'an, the PRC	Manufacturing	-	100%	Business combination not under common control
Tsingtao Brewery (Lianyungang) Co., Ltd.	Limited liability company	Lianyungang, the PRC	Lianyungang, the PRC	Manufacturing	-	100%	Business combination not under common control

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

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

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

Name of significant subsidiaries	Kind of legal entity	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
					Directly	Indirectly	
Tsingtao Brewery (Yangpu) Co., Ltd. ("Yangpu Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	17.42%	82.58%	Business combination not under common control
Tsingtao Brewery (Minhang) Co., Ltd. ("Minhang Company")	Limited liability company	Shanghai, the PRC	Shanghai, the PRC	Manufacturing	-	96.50%	Business combination not under common control

As at 30 June 2018, 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 2018 (unaudited)	Total proposed dividend in the six months ended 30 June 2018 attributable to the minority shareholders (unaudited)	Non-controlling interests as at 30 June 2018 (unaudited)
Shenzhen Asahi	49%	23,817,493	(39,449,900)	206,383,097

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

	As at 30 June 2018 (unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	114,815,139	493,839,820	608,654,959	(182,161,432)	(4,983,992)	(187,145,424)
	As at 31 December 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Asahi	95,789,031	512,426,050	608,215,081	(149,452,814)	(5,463,530)	(154,916,344)

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

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

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

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

  

	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

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

### (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	Shenyang, the PRC	Shenyang, the PRC	Wholesale and retail sale	Yes	30%	-
European Company	France	France	Wholesale and retail sale	Yes	-	40%

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

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

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

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

	<b>Hebei Jiahe Company</b>	
	<b>30 June 2018 (unaudited)</b>	31 December 2017
Current assets	<b>98,240,067</b>	72,132,420
Including: Cash and cash equivalents	<b>51,044,499</b>	32,235,030
Non-current assets	<b>101,007,288</b>	105,356,533
<b>Total assets</b>	<b>199,247,355</b>	177,488,953
Current liabilities	<b>(59,258,625)</b>	(36,907,063)
<b>Total liabilities</b>	<b>(59,258,625)</b>	(36,907,063)
Total equity attributable to shareholders of the Company	<b>139,988,730</b>	140,581,890
Adjusted fair value of the identifiable net assets when obtained	<b>92,975,371</b>	97,756,038
Adjusted total equity attributable to shareholders of the Company	<b>232,964,101</b>	238,337,928
The share of net assets calculated based on the shareholding proportion (i)	<b>116,482,051</b>	119,168,964
Adjusting item — Goodwill	<b>113,928,609</b>	113,928,609
— Unrealised profits of internal transaction	-	62
<b>Book value of investment on the joint venture</b>	<b>230,410,660</b>	233,097,635

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)

	<b>Hebei Jiahe Company</b>	
	<b>Six months ended</b>	Six months ended
	<b>31 June 2018 (unaudited)</b>	31 June 2017 (unaudited)
Revenue	<b>205,231,856</b>	209,425,292
Finance expenses	<b>(131,208)</b>	(44,914)
Income tax expense	<b>4,771,109</b>	9,979,429
Net profit	<b>13,946,840</b>	29,406,361
Total comprehensive income	<b>13,946,840</b>	29,406,361
Adjusted fair value of the identifiable net assets when obtained	<b>(4,780,667)</b>	(5,970,124)
Adjusted total comprehensive income attributable to shareholders of the Company	<b>9,166,173</b>	23,436,237
Dividends received from the joint venture in the current period	<b>7,270,000</b>	-

(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 2018 (unaudited)				31 December 2017			
	Yantai Asahi	Zhaoshang Logistics	Liaoning Shengqing	European Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shengqing	European Company
Current assets	211,478,401	147,854,465	28,975,047	27,505,407	210,723,002	121,508,711	42,715,289	27,261,307
Including: Cash and cash equivalents	54,399,623	1,263,476	6,276,354	10,497,254	34,439,331	1,258,210	15,859,855	8,088,863
Non-current assets	275,543,740	2,348,601	3,766,121	112,714	283,555,661	2,835,905	4,703,991	122,012
Total assets	487,022,141	150,203,066	32,741,168	27,618,121	494,278,663	124,344,616	47,419,280	27,383,319
Current liabilities	(207,146,648)	(107,292,998)	(30,914,376)	(22,679,191)	(205,698,892)	(88,431,424)	(44,559,964)	(21,707,215)
Non-current liabilities	(8,222,591)	-	-	-	(6,571,007)	-	-	-
Total liabilities	(215,369,239)	(107,292,998)	(30,914,376)	(22,679,191)	(212,269,899)	(88,431,424)	(44,559,964)	(21,707,215)
Total equity attributable to shareholders of the company	271,652,902	42,910,068	1,826,792	4,938,930	282,008,764	35,913,192	2,859,316	5,676,104
Adjusted fair value of the identifiable net assets when Obtained	31,958,504	-	-	-	33,888,498	-	-	-
Adjusted total equity attributable to shareholders of the company	303,611,406	42,910,068	1,826,792	4,938,930	315,897,262	35,913,192	2,859,316	5,676,104
The share of net assets calculated based on the shareholding proportion (i)	118,408,448	12,873,020	548,038	1,975,571	123,199,932	10,773,958	857,795	2,270,441
Adjusting items								
— Goodwill	9,640,679	-	-	-	9,640,679	-	-	-
— Unrealised profits of internal transaction	(318,077)	-	-	-	(3,941,001)	-	-	-
Book value of investments on Associates	<b>127,731,050</b>	<b>12,873,020</b>	<b>548,038</b>	<b>1,975,571</b>	<b>128,899,610</b>	<b>10,773,958</b>	<b>857,795</b>	<b>2,270,441</b>

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 2018 (unaudited)				Six months ended 30 June 2017 (unaudited)			
	Yantai Asahi	Zhaoshang Logistics	Liaoning Shengqing	European Company	Yantai Asahi	Zhaoshang Logistics	Liaoning Shengqing	European Company
Revenue	362,174,036	130,867,335	34,047,220	45,691,363	356,490,989	141,927,933	29,477,791	41,058,434
Net profit/(loss)	16,652,266	6,979,448	(1,032,524)	2,440,890	21,673,795	7,034,795	(1,137,592)	1,081,258
Other comprehensive income	-	-	-	(107,704)	-	-	-	335,322
Total comprehensive income	16,652,266	6,979,448	(1,032,524)	2,333,186	21,673,795	7,034,795	(1,137,592)	1,416,580
Total comprehensive income attributable to shareholders of the company	16,652,266	6,979,448	(1,032,524)	2,333,186	21,673,795	7,034,795	(1,137,592)	1,416,580
Adjusted fair value of the identifiable net assets when obtained	(1,929,994)	-	-	-	(1,929,996)	-	-	-
Adjusted total comprehensive income attributable to shareholders	14,722,272	6,979,448	(1,032,524)	2,333,186	19,743,799	7,034,795	(1,137,592)	1,416,580
Dividend distributed from Associate current period	-	-	-	-	14,811,398	-	-	-

- (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 2018, the Group's joint venture and associates have no excess losses.

## 6. SEGMENT INFORMATION

As the Group is mainly engaged in the production and distribution of beer, the reportable segments of the Group are business units operating in different regions. 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 seven 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.

## 6. SEGMENT INFORMATION (CONT'D)

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

	Shandong Region	South China Region	North China Region	East China Region	Southeast China Region	Hong Kong, Macau and other overseas Regions	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	8,917,447,833	1,252,149,345	2,644,183,907	1,629,819,732	398,865,972	307,975,257	1,702,865	1,345,602	-	15,153,690,513
Inter-segment revenue	1,327,436,005	517,087,687	776,634,632	67,471,425	2,427,078	80,084,963	20,102,055	248,755	(2,791,492,600)	-
Cost of sales	(6,728,001,975)	(1,164,603,405)	(2,192,083,182)	(1,281,103,873)	(330,588,958)	(280,365,893)	(17,563)	(441,409)	2,790,026,156	(9,187,180,102)
Selling and distribution expenses	(1,694,129,139)	(238,563,540)	(355,123,787)	(290,865,460)	(65,047,752)	(52,824,156)	-	-	-	(2,696,553,724)
Interest income	20,825,232	5,497,805	18,347,931	2,530,743	792,400	2,076,089	258,082,275	34,800,774	(81,845,353)	261,107,536
Interest expenses	(4,811,250)	(2,783,891)	(6,167,709)	(8,528,438)	-	(2,675,136)	(83,881,330)	-	102,431,726	(5,916,028)
Share of profits of associates and a joint venture	-	-	-	-	-	-	-	16,708,068	-	16,708,068
Asset impairment (losses)/reversals	482,152	(1,111,823)	(2,396,687)	(2,330,629)	-	(41,310)	(8,985,510)	829,200	8,996,710	(4,557,897)
Depreciation and amortization	(253,888,863)	(89,548,550)	(103,210,875)	(86,930,600)	(19,009,170)	(992,127)	(345,359)	(26,796,600)	-	(579,922,144)
Total profit/(losses)	1,044,833,287	176,652,389	554,744,897	(91,502,773)	(25,004,520)	51,840,082	209,300,930	(53,596,832)	28,501,510	1,895,768,962
Income tax expense	(253,146,291)	(36,031,268)	(137,084,393)	(11,097,998)	8,109,783	(11,761,500)	(53,887,314)	-	(4,658,903)	(499,557,944)
Net profit/(losses)	791,686,996	140,621,121	417,660,504	(102,602,771)	(16,894,745)	40,078,522	155,413,616	(53,596,832)	23,842,607	1,396,211,018
Total assets	11,915,863,234	3,805,126,367	6,390,469,278	3,676,807,740	919,327,206	617,152,474	15,599,635,667	7,502,985,083	(16,169,383,871)	34,311,983,268
Total liabilities	7,532,619,186	1,770,001,034	3,814,237,151	2,702,004,681	534,993,428	744,846,866	13,866,552,813	945,538,629	(16,156,519,371)	15,754,264,417
Non-cash expenses other than depreciation and amortization	7,170,487	215,445	3,751,789	144,206	9,231	-	-	-	-	11,291,158
Long-term equity investments in associates and a joint venture	-	-	-	-	-	-	-	373,538,339	-	373,538,339
Additions of non-current assets (i)	106,024,859	30,453,107	122,794,598	45,479,618	21,640,401	1,045,804	20,171	7,332,018	(4,018,993)	330,771,583

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

(b) 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)	-	(588,109,174)
Total profit/(losses)	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	(57,304,547)	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)	(501,144,342)
Net profit/(losses)	874,615,105	27,774,194	325,790,141	(129,221,536)	(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)

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:

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
<b>Revenue from external customers</b>		
Mainland China	<b>14,823,809,988</b>	14,706,533,309
Hong Kong and Macau	<b>100,662,031</b>	122,993,643
Other overseas regions	<b>229,218,494</b>	233,194,050
	<b><u>15,153,690,513</u></b>	<b><u>15,062,721,002</u></b>
	<b>30 June 2018 (unaudited)</b>	31 December 2017 (unaudited)
<b>Total non-current assets</b>		
Mainland China	<b>15,464,503,191</b>	16,109,980,702
Hong Kong and Macau	<b>11,464,633</b>	11,899,332
	<b><u>15,475,967,824</u></b>	<b><u>16,121,880,034</u></b>

## 7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) Information of subsidiaries

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

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

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

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

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

### (3) Information of other related parties

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

- (i) As at 20 December 2017, Asahi Group with 5 subsidiaries of Fosun International Co., Ltd. ("Fosun Group") signed the share purchase agreement, and Asahi Group would transfer 243,108,236 H shares of the Company (approximately 17.99% of the Company's share capital) to Fosun Group. On the same day, Asahi Group signed the share purchase agreement with Tsingtao Brewery Group and its subsidiary Hong Kong Xinhaisheng Investment Development Co., Ltd. ("Xinhaisheng"), and would transfer 27,019,600 H shares of the Company (approximately 1.99% of the Company's share capital) to Xinhaisheng. As at 19 March 2018, the above equity transfer transaction was completed. Fosun Group become a majority shareholder of the Company and Asahi Group no longer held shares in the Company. The amounts of the transaction between Asahi Breweries, Asahi Investment and the Group for the six months ended 30 June 2018 as stated in Note7(4) are related to the transaction incurred from 1 January 2018 to 19 March 2018.

### (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 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Yantai Asahi	Purchase of beer	Mutually-agreed prices and approval by board of directors	360,285,449	354,617,350
Hebei Jiaye Company	Purchase of beer	Mutually-agreed prices	205,069,159	209,232,507
Zhaoshang Logistics	Purchase logistics service (including reimbursable payment)	Mutually-agreed prices	124,552,922	170,356,532
			<u>689,907,530</u>	<u>734,206,389</u>

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	Six months ended
			30 June 2018 (unaudited)	30 June 2017 (unaudited)
European Company	Sale of beer	Mutually-agreed prices	37,074,416	34,626,815
Liaoning Shengqing	Sale of beer	Mutually-agreed prices	32,260,046	27,736,968
Asahi Breweries	Sale of beer	Mutually-agreed prices	6,337,902	28,582,283
		and approval by board of directors		
Asahi Investment	Sale of beer	Mutually-agreed prices	1,428,027	4,696,695
		and approval by board of directors		
			<u>77,100,391</u>	<u>95,642,761</u>

(c) Absorbed deposits from related parties

	Six months ended	Six months ended
	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Yantai Asahi	<u>439,023,031</u>	<u>406,621,326</u>

(d) Interest expense paid to related parties

	Six months ended	Six months ended
	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Yantai Asahi	<u>17,555</u>	<u>15,181</u>

(e) Financial services fee received from related parties

	Six months ended	Six months ended
	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Yantai Asahi	<u>3,957</u>	<u>4,455</u>

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

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

#### (f) Key management compensation

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Key management compensation	<u><b>2,157,146</b></u>	<u>2,021,685</u>

(g) For the year ended 30 June 2018 and 2017, there is no loan provided to the key management from the Group.

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

Receivables from related parties:

		<u>30 June 2018 (unaudited)</u>		<u>31 December 2017</u>	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Notes receivable and accounts receivable	European Company	<b>18,321,081</b>	-	14,129,340	-
	Beijing Sales Company	<b>11,245,784</b>	<b>(11,245,784)</b>	11,245,784	(11,245,784)
	Asahi Breweries	—	—	3,430,707	-
	Asahi Investment	—	—	843,821	-
	Guangzhou General Agency	<b>1,009,690</b>	<b>(1,009,690)</b>	2,509,690	(2,509,690)
		<u><b>30,576,555</b></u>	<u><b>(12,255,474)</b></u>	<u>32,159,342</u>	<u>(13,755,474)</u>

Payables to related parties:

		<u>30 June 2018 (unaudited)</u>	<u>31 December 2017</u>
Notes payable and accounts payable	Yantai Asahi	<b>85,079,873</b>	71,317,118
	Hebei jiahe Company	<b>26,213,471</b>	2,511,913
		<u><b>111,293,344</b></u>	<u>73,829,031</u>
Other payables	Zhaoshang Logistics	<b>24,556,561</b>	37,767,220
	Yantai Asahi	<b>10,403,957</b>	9,305,035
		<u><b>34,960,518</b></u>	<u>47,072,255</u>
Contract liabilities	Liaoning Shenqing	<b>7,747,755</b>	7,363,198

## 8. COMMITMENTS

### (1) Capital commitments

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

	<b>30 June 2018</b> <b>(unaudited)</b>	31 December 2017
Buildings, machinery and equipment	<b><u>281,763,064</u></b>	<b><u>245,204,859</u></b>

### (2) Operating lease commitments

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

	<b>30 June 2018</b> <b>(unaudited)</b>	31 December 2017
Within one year	<b>25,714,822</b>	25,082,760
1 to 2 years	<b>8,182,063</b>	7,376,875
2 to 3 years	<b>3,640,872</b>	4,501,889
More than 3 years	<b><u>6,969,586</u></b>	<u>7,123,808</u>
	<b><u>44,507,343</u></b>	<b><u>44,085,332</u></b>

## 9. LEASE

For the six months ended 30 June 2018, there is no financing lease. Operating lease payments recognized in profit or loss for the current period amount to 74,900,918 (For the six months ended 30 June 2017: there is no financing lease. Operating lease payments amount to 77,275,063).

## 10. FINANCIAL RISK

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

The board of directors is responsible for planning and establishing risk management framework of the Group, formulating risk management policies and related guidelines of the Group and supervising the implementation of risk management measures. The Group has developed risk management policies to identify and analyse risks the Group exposes to. These risk management policies explicitly stipulate specific risks, covering the management of market risks, credit risks, liquidity risk, etc. The Group assesses the changes of market environment and the Group's operating activities periodically to determine whether the policies and systems of risk management should be updated. The Group's risk management is carried out by risk management department in accordance with the policies approved by the board of directors. Risk management department identifies, evaluates and mitigates related risks through close cooperation with other business departments of the Group. Internal audit department of the Group periodically reviews the risk management controls and procedures, and reports the result to the audit committee of the Group.

## 10. FINANCIAL RISK (CONT'D)

### (1) Market risk

#### (a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group has recognized foreign exchange risk from foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in USD). The Group continuously monitors transactions denominated in foreign currencies and the scale of assets and liabilities to minimise the foreign exchange risk. For this purpose, the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

As at 30 June 2018 and 31 December 2017, the carrying amounts in RMB equivalent to the Group's assets and liabilities denominated in foreign currencies are summarised as below:

	30 June 2018 (unaudited)		
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	353,932,172	39,695,313	393,627,485
Accounts receivable	31,782,084	54,071,507	85,853,591
	<u>385,714,256</u>	<u>93,766,820</u>	<u>479,481,076</u>
Financial liabilities denominated in foreign currency —			
Other payables	4,043,682	-	4,043,682
Current portion of non-current liabilities	-	410,800	410,800
Long-term borrowings	-	821,600	821,600
	<u>4,043,682</u>	<u>1,232,400</u>	<u>5,276,082</u>
31 December 2017			
	USD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand	279,008,581	157,731,061	436,739,642
Accounts receivable	41,592,993	15,765,373	57,358,366
	<u>320,601,574</u>	<u>173,496,434</u>	<u>494,098,008</u>
Financial liabilities denominated in foreign currency —			
Other payables	3,541,184	92,649	3,633,833
Current portion of non-current liabilities	-	419,160	419,160
Long-term borrowings	-	1,047,900	1,047,900
	<u>3,541,184</u>	<u>1,559,709</u>	<u>5,100,893</u>

As at 30 June 2018, 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 this period would have been approximately 11,450,000 (31 December 2017: approximately 9,512,000) higher or lower.

## 10. FINANCIAL RISK (CONT'D)

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

#### (b) Interest rate risk

The Group's interest rate risk arises from interest bearing debts such as long-term bank borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2018 and 31 December 2017, 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) Other price risk

Other price risk of the Group mainly arises from the investment of equity instruments, where risk of price changes exists. As at 30 June 2018 and 31 December 2017, the amount of equity instruments of the Group is insignificant, and the directors of the Company consider that there is no significant price risk.

### (2) Credit risk

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

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

In addition, the Group has policies to limit the credit exposure on notes receivable and accounts receivable and other receivables. 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.

As at 30 June 2018, the Group has no significant guaranty or other credit enhancements as collateral.

### (3) Liquidity risk

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

## 10. FINANCIAL RISK (CONT'D)

### (3) Liquidity risk (Cont'd)

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 2018 (unaudited)			
	Within 1 year	1 to 2 years	2 to 5 years	Total
Short-term borrowings	290,135,895	-	-	290,135,895
Notes payable and accounts payable	3,385,909,639	-	-	3,385,909,639
Other payables	3,243,513,589	-	-	3,243,513,589
Current portion of non-current liabilities	410,800	-	-	410,800
Long-term borrowings	-	410,800	410,800	821,600
	<u>6,919,969,923</u>	<u>410,800</u>	<u>410,800</u>	<u>6,920,791,523</u>

  

	31 December 2017			
	Within 1 year	1 to 2 years	2 to 5 years	Total
Short-term borrowings	283,811,882	-	-	283,811,882
Notes payable and accounts payable	2,373,206,083	-	-	2,373,206,083
Other payables	5,184,870,253	-	-	5,184,870,253
Current portion of non-current liabilities	419,160	-	-	419,160
Long-term borrowings	-	419,160	628,740	1,047,900
	<u>7,842,307,378</u>	<u>419,160</u>	<u>628,740</u>	<u>7,843,355,278</u>

Bank borrowings are analysed by repayment terms as follows:

	30 June 2018 (unaudited)	31 December 2017
Within 1 year	285,378,600	282,953,360
1 to 2 years	410,800	419,160
2 to 5 years	410,800	628,740
	<u>286,200,200</u>	<u>284,001,260</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 2018, assets measured at fair value on a recurring basis are as follows (unaudited):

	Level 1	Level 3	Total
Financial assets held for trading — Money market funds <i>(Note 4(2))</i>	173,430,214	-	173,430,214
Financial assets held for trading— Wealth management products <i>(Note 4(2))</i>	-	927,577,507	927,577,507
Other non-current financial assets — Equity investment	-	600,000	600,000
	<u>173,430,214</u>	<u>928,177,507</u>	<u>1,101,607,721</u>

As at 31 December 2017, assets measured at fair value on a recurring basis are as follows:

	Level 1	Level 3	Total
Financial assets held for trading — Money market funds	130,115,254	-	130,115,254
Available-for-sale financial assets — Wealth management products	-	628,145,315	628,145,315
	<u>130,115,254</u>	<u>628,145,315</u>	<u>758,260,569</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.

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

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

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

	31 December 2107	Changes in accounting policies	1 January 2018	Purchase (unaudited)	Disposal (unaudited)	Total current gains-gains recognized in current profit or loss (a) (unaudited)	30 June 2018 (unaudited)	Unrealized gains of financial assets still held on 30 June 2018 are recognized in profit or loss for the six months ended 30 June 2018 — Profit or loss from changes in fair value (unaudited)
Financial assets								
Financial assets held for trading —								
Wealth management products	—	628,145,315	628,145,315	1,030,000,000	(744,670,329)	23,085,257	927,577,507	14,102,521
Other non-current financial assets —								
Equity investment	—	600,000	600,000	—	—	—	600,000	—
Total Assets	—	628,745,315	628,745,315	1,030,000,000	(744,670,329)	23,085,257	928,177,507	14,102,521

	1 January 2017	Purchase (unaudited)	Disposal (unaudited)	Total current gains-gains recognized in current profit or loss (unaudited)	30 June 2017 (unaudited)	Unrealized gains of financial assets still held on 30 June 2017 are recognized in profit or loss for the six months ended 30 June 2017 — Profit or loss from changes in fair value (unaudited)
Financial assets						
Available-for-sale financial assets —						
Wealth management products	720,000,000	1,080,000,000	(860,000,000)	7,514,655	940,000,000	—

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

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

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

### (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 notes receivable and accounts receivable, other receivables, debt investments, short-term borrowings, payables and long-term borrowings. The difference between the carrying amount and fair value of those financial assets and liabilities not measured by fair value is small.

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

## 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 2018, 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 2018 and 31 December 2017 are as follows:

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Cash and cash equivalents	<u>12,527,266,544</u>	<u>9,101,908,887</u>
<i>Less:</i> Short-term borrowings	<b>(284,967,800)</b>	(282,534,200)
Current portion of non-current liabilities	<b>(410,800)</b>	(419,160)
Long-term borrowings	<u><b>(821,600)</b></u>	<u>(1,047,900)</u>
	<u><b>(286,200,200)</b></u>	<u>(284,001,260)</u>
Cash balance after deducting borrowings	<u><u><b>12,241,066,344</b></u></u>	<u><u>8,817,907,627</u></u>

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

#### (1) Notes receivable and accounts receivable

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Notes receivable (a)	<b>17,800,000</b>	39,850,000
Accounts receivable (b)	<b>1,085,258,286</b>	922,481,180
	<b><u>1,103,058,286</u></b>	<b><u>962,331,180</u></b>

#### (a) Notes receivable

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Bank acceptance notes	<b><u>17,800,000</u></b>	<u>39,850,000</u>

As at 30 June 2018, the Company's notes receivable which have been endorsed but not yet matured are derecognized amounting to 77,650,000, and there are not discounted bank acceptance notes that are not yet matured.

As at 30 June 2018, the Company has no pledged notes receivable.

#### (b) Accounts receivable

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Accounts receivable	<b>1,147,181,219</b>	985,901,210
Less: Provision for bad debts	<b><u>(61,922,933)</u></b>	<u>(63,420,030)</u>
	<b><u>1,085,258,286</u></b>	<b><u>922,481,180</u></b>

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

(i) As at 30 June 2018, the top five accounts receivable are analysed as follows:

	<b>Amount (unaudited)</b>	<b>Provision for bad debts (unaudited)</b>	<b>% of total balance</b>
Total amount of the top five accounts receivable	<b><u>423,114,966</u></b>	<b><u>-</u></b>	<b><u>36.88%</u></b>

(ii) As at 30 June 2018, there are no accounts receivable derecognized due to the transfer of financial assets (31 December 2017: nil).

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

#### (1) Notes receivable and accounts receivable (Cont'd)

##### (c) Provision for bad debts

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Provision for bad debts	<u><u>(61,922,933)</u></u>	<u><u>(63,420,030)</u></u>

- (i) As at 30 June 2018, accounts receivable that are individually subject to separate assessment for provision are analysed as follows:

	<b>Ending balance (unaudited)</b>	<b>Lifetime ECL ratio</b>	<b>Provision for bad debts (unaudited)</b>	<b>Reason</b>
Beijing Sales Company	11,245,784	100%	(11,245,784)	Notes 4(3)(c)
Guangzhou General Agency	<u>1,009,690</u>	100%	<u>(1,009,690)</u>	Notes 4(3)(c)
	<u><u>12,255,474</u></u>		<u><u>(12,255,474)</u></u>	

- (ii) As at 30 June 2018, notes receivable and accounts receivable by categories are analysed as follows:

##### Group – Bank acceptance notes

As at 30 June 2018, the Company recognizes their loss provision on the basis of ECL in full lifetime. The Company considers the bank acceptance notes held have no significant credit risk and will not cause major losses due to the bank default, thus no provision for bad debts is provided.

##### Group — Subsidiary

As at 30 June 2018, accounts receivable from subsidiaries to the Company is 1,029,680,749. The Company believes there is no significant credit risk to recognize provision for bad debts.

##### Group — Dealers

	<b>30 June 2018 (unaudited)</b>		
	<b>Ending balance</b>	<b>Provision for bad debts</b>	
	<b>Amount</b>	<b>Lifetime ECL ratio</b>	<b>Amount</b>
Within 6 months	55,345,727	-	-
6 months to 1 year	244,011	5%	(12,201)
Over 2 years	<u>49,655,258</u>	100%	<u>(49,655,258)</u>
	<u><u>105,244,996</u></u>		<u><u>(49,667,459)</u></u>

- (iii) The provisions for bad debts increased in the current period are 12,201. The reversal of provisions for bad debts as well as corresponding carrying amount are 1,509,298.

- (d) For six months ended 30 June 2018, there is no accounts receivable written off.

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

#### (2) Other receivables

	30 June 2018 (unaudited)	31 December 2017
Receivables from subsidiaries	132,830,811	124,211,413
Interests receivable	23,605,883	21,499,661
Receivables of refundable cost of land and buildings	17,441,647	17,441,647
Reservation fund	13,160,525	11,817,087
Dividends receivable from associates	10,533,170	-
Guarantee deposits	3,189,294	3,270,624
Dividends receivable from subsidiaries	-	271,593,000
Others	31,490,371	25,437,211
	<u>232,251,701</u>	475,270,643
<i>Less:</i> Provision for bad debts	<u>(41,051,122)</u>	<u>(41,975,857)</u>
	<u>191,200,579</u>	<u>433,294,786</u>

#### (a) Provision for bad debts

- (i) As at 30 June 2018, other receivables that are individually subject to separate assessment for provision are analysed as follows:

	Ending balance (unaudited)	Lifetime ECL ratio	Provision for bad debts (unaudited)	Reason
Individual subject to separate assessment for provision:				
Refundable cost of land use rights and building	<u>17,441,647</u>	100%	<u>(17,441,647)</u>	Notes 4(5)(a)

- (ii) As at 30 June 2018, other receivables that are subject to provision for bad debts on the grouping basis are analysed as follows:

	Ending balance (unaudited)	Lifetime ECL ratio	Provision for bad debts (unaudited)	Reason
Receivables from subsidiaries	132,830,811	-	-	
Interests receivable	23,605,883	-	-	Notes 4(5)(a)
Dividends receivable from associates	10,533,170	-	-	Notes 4(5)(a)
Receivables from government etc.	2,119,907	-	-	Notes 4(5)(a)
Others	<u>45,720,283</u>	i)	<u>(23,609,475)</u>	i)
	<u>214,810,054</u>		<u>(23,609,475)</u>	

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

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

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

- (ii) As at 30 June 2018, other receivables that are subject to provision for bad debts on the grouping basis are analysed as follows (Cont'd):
- i) Refer to the experience of historical credit losses, current situation and the forecast of future economic conditions, the Group calculates ECL and recognizes provision for bad debts through EAD and ECL ratio, which is analysed as follows:

	Ending balance (unaudited)	Lifetime ECL ratio	Provision for bad debts (unaudited)
Within 6 months	21,501,198	-	-
6 months to 1 year	23,514	5%	(1,175)
1 to 2 years	1,174,545	50%	(587,274)
Over 2 years	<u>23,021,026</u>	100%	<u>(23,021,026)</u>
	<u>45,720,283</u>		<u>(23,609,475)</u>

(b) The provisions for bad debts increased in the current period are 65,763. The reversal of provisions for bad debts are 990,498, which are corresponded with the carrying amount.

(c) For six months ended 30 June 2018, there are no other receivables written off.

(d) As at 30 June 2018, the top five other receivables are analysed as follows:

	Nature	Amount (unaudited)	Ageing	% of total balance	Provision for bad debts (unaudited)
No.1	Payment on behalf for recycling bottles	49,551,773	Within 5 years	21.34%	-
No.2	Interests receivable	23,377,105	Within 6 months	10.07%	-
No.3	Payment on behalf for recycling bottles	23,551,222	Within 5 years	10.14%	-
No.4	Payment on behalf for recycling bottles	20,981,248	Within 4 years	9.03%	-
No.5	Payment on behalf for social security	<u>18,110,850</u>	Within 5 years	<u>7.80%</u>	<u>-</u>
		<u>135,572,198</u>		<u>58.38%</u>	<u>-</u>

#### (3) Debt investments

	30 June 2018 (unaudited)	31 December 2017
Subsidiary entrusted loans (i)	<u>199,800,000</u>	<u>—</u>
Less: Debt investments impairment provisions	<u>(85,500,000)</u>	<u>—</u>
	<u>114,300,000</u>	<u>—</u>

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

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

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

	<b>30 June 2018 (unaudited)</b>	31 December 2017
Subsidiaries (a)	<b>10,883,857,675</b>	10,653,857,675
Joint Ventures (b)	<b>230,410,660</b>	233,097,635
Associates (c)	<b>142,372,108</b>	141,751,363
	<b>11,256,640,443</b>	11,028,706,673
Less: Provision for impairment of long-term equity investments (d)	<b>(994,478,059)</b>	(994,478,059)
	<b><u>10,262,162,384</u></b>	<b><u>10,034,228,614</u></b>

#### (a) Subsidiaries

	31 December 2017	Increased investment in the current period (unaudited)	<b>30 June 2018 (unaudited)</b>	Balance of provision for impairment at end of period (unaudited)	Dividends declared in the current period (unaudited)
Shenzhen Asahi	126,746,680	-	<b>126,746,680</b>	-	(80,510,000)
Chenzhou Company	62,601,208	-	<b>62,601,208</b>	-	-
Huanan Sales Company	45,070,000	-	<b>45,070,000</b>	-	-
Huanan Holding Company	208,790,000	-	<b>208,790,000</b>	-	-
Huadong Holding Company	96,855,102	-	<b>96,855,102</b>	(96,855,102)	-
Shouguang Company	60,000,000	-	<b>60,000,000</b>	-	-
Five star Company	24,656,410	-	<b>24,656,410</b>	(24,656,410)	-
Three Ring Company	69,457,513	-	<b>69,457,513</b>	(69,457,513)	-
Beifang Sales Company	83,984,000	-	<b>83,984,000</b>	(83,984,000)	-
Xi'an Company	392,627,114	-	<b>392,627,114</b>	-	-
Weinan Company	14,000,000	-	<b>14,000,000</b>	-	-
Anshan Company	30,000,000	-	<b>30,000,000</b>	-	-
Xingkaihu Company	199,430,000	-	<b>199,430,000</b>	(129,430,000)	-
Mishan Company	118,520,000	-	<b>118,520,000</b>	(118,520,000)	-
Harbin Company	213,540,000	-	<b>213,540,000</b>	(109,940,000)	-
Penglai Company	30,000,000	-	<b>30,000,000</b>	(30,000,000)	-
Rongcheng Company	65,103,434	-	<b>65,103,434</b>	(65,103,434)	-
Import/ Export Company	11,210,000	-	<b>11,210,000</b>	-	-
Tsingtao Brewery (Laoshan) Co., Ltd.	18,089,491	-	<b>18,089,491</b>	-	-
Hong Kong Company	41,728,681	-	<b>41,728,681</b>	-	-
Tsingtao Brewery Kai Fa Co., Ltd.	1,320,000	-	<b>1,320,000</b>	(1,320,000)	-
Taizhou Company	60,000,000	-	<b>60,000,000</b>	-	-
Maanshan Company	80,000,000	-	<b>80,000,000</b>	-	-
Tsingtao Xianghong Shangwu Co., Ltd.	5,760,000	-	<b>5,760,000</b>	-	-
Dongnan Sales Company	293,088,560	-	<b>293,088,560</b>	-	-
Changsha Company	47,600,000	-	<b>47,600,000</b>	-	-
Jinan Company	560,000,000	-	<b>560,000,000</b>	-	-
Guangrunlong Logistics	16,465,405	-	<b>16,465,405</b>	-	-
Chengdu Company	280,000,000	-	<b>280,000,000</b>	-	-
Cultural Communication Company	5,290,000	-	<b>5,290,000</b>	-	-
Rizhao Company	339,239,300	-	<b>339,239,300</b>	-	-

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

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

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

	31 December 2017	Increased investment in the current period (unaudited)	30 June 2018 (unaudited)	Balance of provision for impairment at end of period (unaudited)	Dividends declared in the current period (unaudited)
Weifang Company	73,620,001	-	73,620,001	-	-
Dezhou Company	21,730,001	-	21,730,001	-	-
Construction Company	2,490,000	-	2,490,000	-	-
Langfang Company	79,090,000	-	79,090,000	-	-
Heze Company	124,590,000	-	124,590,000	(51,301,600)	-
Tengzhou Company	48,310,000	-	48,310,000	-	-
Tsingtao Brewery (Shanghai) Company Limited	1,570,000	-	1,570,000	-	-
Wuhu Company	144,290,000	-	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	-	(14,300,000)
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	200,895,228	-	200,895,228	(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	30,000,000	121,600,000	-	-
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	1,920,654,039	-	1,920,654,039	-	-
Yangzhou Company	100,000,000	-	100,000,000	-	-
Suqian Company	75,000,000	-	75,000,000	-	-
Yangpu Company	-	200,000,000	200,000,000	-	-
	<u>10,653,857,675</u>	<u>230,000,000</u>	<u>10,883,857,675</u>	<u>(993,258,059)</u>	<u>(94,810,000)</u>

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

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

(b) Joint ventures

	31 December 2017	Movements in the current period (unaudited)			30 June 2018 (unaudited)	Balance of provision for impairment at end of period (unaudited)
		Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Hebei Jiahe	233,097,635	4,583,025	-	(7,270,000)	230,410,660	-

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

(c) Associates

	31 December 2017	Movements in the current period (unaudited)			30 June 2018 (unaudited)	Balance of provision for impairment at end of period (unaudited)
		Share of net profit or loss using the equity method	Other equity changes	Cash dividends declared		
Yantai Asahi Zhaoshang	128,899,610	9,364,610	-	(10,533,170)	127,731,050	-
Logistics	10,773,958	2,093,834	5,228	-	12,873,020	-
Liaoning Shenqing	857,795	(309,757)	-	-	548,038	-
Others	1,220,000	-	-	-	1,220,000	(1,220,000)
	141,751,363	11,148,687	5,228	(10,533,170)	142,372,108	(1,220,000)

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

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

	31 December 2017	Increase in the current period (unaudited)	Decrease in the current period (unaudited)	30 June 2018 (unaudited)
Subsidiaries	(993,258,059)	-	-	(993,258,059)
Associates	(1,220,000)	-	-	(1,220,000)
	(994,478,059)	-	-	(994,478,059)

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

(5) Revenue and cost of sales

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Revenue from main operation (a)	<b>10,007,949,871</b>	9,499,923,685
Revenue from other operations (b)	<b>737,208,888</b>	703,232,277
	<b><u>10,745,158,759</u></b>	<b><u>10,203,155,962</u></b>
	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Cost of main operation (a)	<b>(7,868,836,279)</b>	(7,038,188,506)
Cost of other operations (b)	<b>(708,458,739)</b>	(692,479,428)
	<b><u>(8,577,295,018)</u></b>	<b><u>(7,730,667,934)</u></b>

(a) Revenue and cost of main operation

	<b>Six months ended 30 June 2018 (unaudited)</b>		Six months ended 30 June 2017 (unaudited)	
	<b>Revenue from main operation</b>	<b>Cost of main operation</b>	Revenue from main operation	Cost of main operation
Sales of beer	<b><u>10,007,949,871</u></b>	<b><u>(7,868,836,279)</u></b>	<b><u>9,499,923,685</u></b>	<b><u>(7,038,188,506)</u></b>

(b) Revenue and cost of other operations

	<b>Six months ended 30 June 2018 (unaudited)</b>		Six months ended 30 June 2017 (unaudited)	
	<b>Revenue from main operation</b>	<b>Cost of main operation</b>	Revenue from main operation	Cost of main operation
Sales of raw materials	<b>732,317,362</b>	<b>(705,508,067)</b>	699,293,777	(689,378,427)
Others	<b>4,891,526</b>	<b>(2,950,672)</b>	3,938,500	(3,101,001)
	<b><u>737,208,888</u></b>	<b><u>(708,458,739)</u></b>	<b><u>703,232,277</u></b>	<b><u>(692,479,428)</u></b>

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

#### (6) Expenses by nature

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

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Finished goods purchased from outside	<b>5,707,641,786</b>	4,957,924,310
Raw materials and consumables used	<b>2,344,250,103</b>	2,238,150,576
Employee benefit expenses	<b>818,819,057</b>	741,809,380
Handling and transportation expenses	<b>534,802,103</b>	488,597,604
Advertising related expenses	<b>303,862,072</b>	213,380,661
Changes in inventories of finished goods and work in progress	<b>236,912,348</b>	261,033,666
Depreciation and amortisation expenses	<b>139,976,315</b>	141,565,237
Administrative expenses	<b>55,677,112</b>	48,737,142
Repair expenses	<b>36,525,562</b>	36,060,216
Rental expenses	<b>38,525,680</b>	36,158,858
Promotion-related expenses	—	365,910,605
Others	<b>36,196,061</b>	34,258,860
Operating cost, selling and distribution expenses, general and administrative expenses and research and development expenses in total	<b><u>10,253,188,199</u></b>	<b><u>9,563,587,115</u></b>

#### (7) Investment income

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Income from long-term equity investment under cost method(a)	<b>51,785,100</b>	47,363,700
Income from long-term equity investment under equity method	<b>15,731,712</b>	25,749,871
Income from entrusted loans	<b>2,567,022</b>	2,458,528
	<b><u>70,083,834</u></b>	<b><u>75,572,099</u></b>

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.

# SUPPLEMENTARY INFORMATION

## FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

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

	<b>Six months ended 30 June 2018 (unaudited)</b>	Six months ended 30 June 2017 (unaudited)
Government grants recognized in profits	242,421,596	174,220,572
Losses on disposal of non-current assets	(7,613,067)	(15,028,154)
Reversal of bad debt provision for accounts receivables which provision is provided on the individual basis	1,500,000	-
Other non-operating income and expenses other than aforesaid items	<u>4,287,790</u>	<u>(12,812,690)</u>
	<u>240,596,319</u>	<u>146,379,728</u>
Impact of the income tax	(35,823,360)	(23,365,716)
Impact of the non-controlling interests(after tax)	<u>(8,971,067)</u>	<u>(6,668,985)</u>
	<u><u>195,801,892</u></u>	<u><u>116,345,027</u></u>

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

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

### 2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Net profit attributable to ordinary shareholders of the Company	7.32%	6.80%	0.964	0.850	0.964	0.850
Net profit attributable to ordinary shareholders of the Company after deducting on-recurring profit or loss	6.22%	6.11%	0.819	0.764	0.819	0.764

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

During the first half of year 2018, the diversification and personalization of consumption demands in China's beer market has continued to drive the sustained upgrading of the industrial consumption structure. The domestic beer market has shown a stable trend, with beer production reaching 20.64 million kl, an increase of 1.2% from the corresponding period in the previous year (Data source: National Bureau of Statistics). Meanwhile, the challenge of excessive industrial production capacity is still prominent and the continued increase in raw material prices and labor costs had placed significant pressure on enterprises' production and operating costs.

During the Reporting Period, the Company has continued to expand domestic and foreign markets vigorously and taken a proactive approach towards the grave challenges of unfavorable factors such as intensified competition in middle- and high-end markets and increased production and operating costs through multiple measures of "structural adjustment, increase in cost efficiency, cost reduction and efficiency enhancement". As a result, the Company achieved positive results and realized all-round growth in key operating targets. During the Reporting Period, the Company's sales volume of beer has reached 4.57 million kl, an increase of 0.9% from the corresponding period in the previous year; it realized RMB 15.154 billion in operating revenue, an increase of 0.60% from the corresponding period in the previous year; (Note: On a comparable basis, the operating revenue increased by 4.93% from the corresponding period in the previous year due to the Company's implementation of the new revenue standards during the Reporting Period); and RMB 1.302 billion of net profit attributable to shareholders of the Company, an increase of 13.39% from the corresponding period in the previous year.

By harnessing its brand advantages and layout advantages of its production and sales network covering key markets in China, the Company has allocated resources in a reasonable manner, maintained coordination between production and sales, continued promoting its marketing capabilities in regional markets and segment markets, consolidated the core base market as well as driven the joint development of peripheral markets and promoted the increase of market sales and market share in the strategic belt along the coast and the Yellow River. The Company also continued to actively explore and practise the in-depth integration of real economy and "Internet+", optimized the E-commerce channel system and satisfied the buying demands and consumption experience of consumers in the Internet era through multiple channels. By taking advantage of the Belt and Road Initiative and the SCO Summit in Qingdao as well as 2018 FIFA World Cup, the Company continues to carry out global brand promotion activities for Tsingtao Beer, build and enhance the high-end brand positioning and product image of Tsingtao Beer, expand market coverage and drive sales increments with the brand advantage. Meanwhile, the Company has proactively promoted the improvement of product mix and the price adjustment of partial products, optimized cost control and expenditure, reduced costs and enhanced efficiency through multiple measures including the synergistic boost of efficiency in the supply chain, optimization of centralized procurement bidding strategies and promotion of effectiveness management of promotional expenses to actively alleviate the pressure of rising operating costs.

During the Reporting Period, the Company has continued to lead the trend of upgrading industrial consumption structure and proactively promote innovation-driven and product mix optimization and upgrading, driving the enhancement of profitability with further improved product categories and combination optimization of variety mix. The Company's new special products such as "Classic 1903, whole-barley Weissbier, raw stock, Pilsner, Tsingtao IPA" launched in recent years have provided consumers with a richer experience with greater product diversity. At the same time, the Company has accelerated the transformation and upgrading towards canned beer and personalized new special products with a focus on mid- and high-end markets for balanced volume-profit development. During the first half year, the Company's sales volume of core brand Tsingtao Beer has reached 2.22 million kl, an increase of 4.9% from the corresponding period in the previous year; the sales volume of high-end products such as "Augerta, Hong Yun Dang Tou, Classic 1903 and draft beer" has reached a total of 0.96 million kl, an increase of 6.8% from the corresponding period in the previous year, maintaining the Company's competitive advantages in the domestic mid- and high-end markets.

During the first half year, the Company's Board of Directors and Board of Supervisors had successfully completed the general election, laying a solid foundation for the Company to continue to promote and achieve its future strategic development goals. Facing the situation of ever increasing centralization of domestic beer market and intensified internationalized competition, the Company's strategic support lies in the strengthening of base market construction and enhancing brand construction, to ensure the high-quality and sustainable development of Tsingtao Beer. The Company shall continue to focus on innovation, give full play to the brand and quality advantages of Tsingtao Beer, dedicate itself to the optimization and upgrading of product mix and continue gaining new growth in domestic mid- and high-end markets with differentiated competition strategies. Meanwhile, it shall make efforts in the development and sales of new products, expedite the cultivation and development of new kinetic energy, expand new economic growth points and continue to satisfy and lead the consumption demands of the market.

## (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 2017 annual report for details.

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

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

Item	Unit: '000 Yuan Currency: RMB		
	Current Reporting Period	Corresponding period in the previous year	Increase/Decrease (%)
Revenue	15,153,691	15,062,721	0.60
Cost of sales	9,187,180	8,743,749	5.07
Selling and distribution expenses	2,696,554	3,073,838	(12.27)
General and administrative expenses	578,194	536,351	7.80
Research and development expenses	7,117	6,432	10.64
Finance expenses	(241,191)	(164,697)	(46.45)
Asset impairment losses	6,643	1,990	233.86
Credit impairment losses	(2,085)	—	—
Other income	179,806	107,221	67.70
Profit arising from changes in fair value	17,417	236	7,279.82
Gains on disposals of assets	(7,613)	(15,028)	49.34

#### (1) Revenue

In the first half of year 2018, revenue had increased by 0.60% from the corresponding period in the previous year, mainly due to the optimization of product structure and the increased prices of some products during the Reporting Period. In addition, due to the implementation of new revenue standards during the Reporting Period, the promotion-related marketing expenses that had been originally recorded into selling and distribution expenses was deducted from revenue. On a comparable basis, the revenue for the first half of year 2018 had increased by 4.93% from the corresponding period in the previous year.

#### (2) Cost of sales

In the first half of year 2018, cost of sales had increased by 5.07% from the corresponding period in the previous year, mainly due to the increased prices of main packaging materials, changes in product structure and increase in product sales.

**(3) *Selling and distribution expenses***

In the first half of year 2018, selling and distribution expenses had decreased by 12.27%, mainly due to the reduction of promotion-related marketing expenses that had been originally recorded into selling and distribution expenses under the implementation of new revenue standards during the Reporting Period.

**(4) *General and administrative expenses***

In the first half of year 2018, general and administrative expenses had increased by 7.80% from the corresponding period in the previous year, mainly due to the year-on-year increase in staff remuneration during the Reporting Period.

**(5) *Research and development expenses***

In the first half of year 2018, Research and development expenses had increased by 10.64% from the corresponding period in the previous year, mainly due to the year-on-year increase in Research and development expenses during the Reporting Period.

**(6) *Finance expenses***

In the first half of year 2018, finance expenses had decreased by 46.45% from the corresponding period in the previous year, mainly due to the year-on-year increase in interests received during the Reporting Period.

**(7) *Asset impairment losses***

In the first half of year 2018, asset impairment losses had increased by 233.86% from the corresponding period in the previous year, mainly due to an increment in fixed asset impairment losses of some subsidiaries during the Reporting Period, as compared to the corresponding period in the previous year.

**(8) *Credit impairment losses***

Due to the implementation of new standards for financial instruments during the Reporting Period, the expected credit losses of all financial instruments that had been recorded into asset impairment losses previously were adjusted and recorded into credit impairment losses. In the first half of year 2018, the amount of credit impairment losses was RMB2,085,000. This was mainly due to the recovery of receivables from credit impairment losses by some units.

**(9) *Other income***

In the first half of year 2018, other income had increased by 67.70% from the corresponding period in the previous year, mainly due to the year-on-year increase in government subsidies related to routine activities received by some subsidiaries during the Reporting Period.

**(10) *Profit arising from changes in fair value***

Due to the implementation of new standards for financial instruments during the Reporting Period, the changes in fair value of wealth management products with floating income were adjusted and recognized into the profits/losses for the period. In the first half of year 2018, profit arising from changes in fair value had increased by RMB17,181,466 from the corresponding period in the previous year. This was mainly due to the year-on-year increase in profit arising from changes in fair value of the wealth management products with floating income and money market funds held by the Finance Company, a wholly-owned subsidiary of the Company during the Reporting Period.

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

In the first half of year 2018, gains on disposals of assets had increased by 49.34% from the corresponding period in the previous year, mainly due to the year-on-year decrease in losses from disposal of fixed assets of some subsidiaries during the Reporting Period.

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

*Unit: '000 Yuan Currency: RMB*

Item	Current Reporting Period	Corresponding period in the previous year	Increase/Decrease (%)
Net cash flow from operating activities	3,997,890	3,518,661	13.62
Net cash flow from investing activities	(524,039)	(495,846)	(5.69)
Net cash flow from financing activities	(49,595)	(12,464)	(297.89)

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

In the first half of year 2018, net cash flow from operating activities had increased by 13.62% from the corresponding period in the previous year, mainly due to the year-on-year increase in cash received from sales of commodities and supply of services during the Reporting Period.

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

In the first half of year 2018, net cash flow from investing activities had decreased by 5.69% from the corresponding period in the previous year, mainly due to the year-on-year increase in wealth management expenditures of the Finance Company, a wholly-owned subsidiary of the Company during the Reporting Period.

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

In the first half of year 2018, net cash flow from financing activities had decreased by 297.89% from the corresponding period in the previous year, mainly due to the year-on-year decrease in cash received by some subsidiaries from borrowings during the Reporting Period.

## 3. Information on assets and liabilities

*Unit: '000 Yuan Currency: RMB*

Item	As of the end of this Reporting Period	Percentage of total assets (%)	As of the end of the corresponding reporting period in the previous year	Percentage of total assets (%)	Increase/Decrease (%)
Cash at bank and on hand	13,465,624	39.24	9,805,485	31.66	37.33
Financial assets held for trading	1,101,008	3.21	130,115	0.42	746.18
Other current assets	414,406	1.21	1,096,061	3.54	(62.19)
Other non-current assets	79,490	0.23	48,798	0.16	62.90
Notes payable and accounts payable	3,385,910	9.87	2,373,206	7.66	42.67
Advances from customers	-	-	1,177,632	3.80	(100.00)
Contract liabilities	4,007,867	11.68	—	—	—
Taxes payable	948,088	2.76	400,836	1.29	136.53
Other payables	3,243,514	9.45	5,184,870	16.74	(37.44)
Long-term payables	273,943	0.80	123,140	0.40	122.46

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

Monetary funds at the end of the Reporting Period had increased by 37.33% from the beginning of the Reporting Period, mainly due to the net cash inflow from operating activities during the Reporting Period.

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

Financial assets held for trading at the end of the Reporting Period had increased by 746.18% from the beginning of the Period, mainly due to the adjustment of wealth management products with floating income held from “other current assets” to “Financial assets held for trading”. The adjustment was performed at the end of the Period under the implementation of the new standards for financial instruments.

**(3) Other current assets**

Other current assets at the end of the Reporting Period had decreased by 62.19% from the beginning of the Reporting Period, mainly due to the adjustment of wealth management products with floating income held from “other current assets” to “trading financial assets”. The adjustment was performed at the end of the Period under the implementation of the new standards for financial instruments.

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

Other non-current assets at the end of the Reporting Period had increased by 62.90% from the beginning of the Reporting Period, mainly due to the increase in advances paid for projects and to purchase equipment by some subsidiaries during the Reporting Period.

**(5) Notes payable and accounts payable**

Notes payable and accounts payable at the end of the Reporting Period had increased by 42.67% from the beginning of the Reporting Period, mainly due to the increase in material purchases in the peak season of production during the Reporting Period.

**(6) Advances from customers**

Advances from customers at the end of the Reporting period had decreased by 100% from the beginning of the Reporting Period, mainly due to the adjustment of advanced payments received from “advances from customers” to “contract liabilities”. The adjustment was performed at the end of the Period under the implementation of the new standards for revenue.

**(7) Contract liabilities**

Contract liabilities at the end of the Reporting Period had increased by RMB4,007,867,450 from the beginning of the Reporting Period, mainly due to the adjustment of advanced payments received and promotion-related marketing expenses to be paid from “advances from customers” and “other payables” to “contract liabilities”. The adjustments were performed at the end of the Period under the implementation of the new standards for revenue.

**(8) Taxes payable**

Taxes payable at the end of the Reporting Period had increased by 136.53% from the beginning of the Reporting Period, mainly due to the increase in VAT payable, income tax payable and consumption tax payable at the end of the Reporting Period.

**(9) Other payables**

Other payables at the end of the Reporting Period had decreased by 37.44% from the beginning of the Reporting Period, mainly due to the adjustment of promotion-related marketing expenses to be paid from “other payables” to “contract liabilities”. The adjustment was performed at the end of the Reporting Period under the implementation of the new standards for revenue.

**(10) Long-term payables**

Long-term payables at the end of the Reporting Period had increased by 122.46% from the beginning of the Reporting Period, mainly due to the relocation compensation received by some subsidiaries from the government during the Reporting Period.

#### 4. Other information

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

As at 30 June 2018, the Company's debt/capital ratio was 0.005% (31 December 2017: 0.01%). The calculation of debt/capital ratio is: total amount of long-term borrowings/(total amount of long-term borrowings + interests attributable to the shareholders of the Company).

##### (2) Assets mortgage

As at 30 June 2018, the Company did not have any mortgages (31 December 2017: Nil).

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

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

##### (4) Capital expenses

In the first half of year 2018, the Company had invested a total of approximately RMB343 million in new construction, relocation, reconstruction and expansion projects. Based on the current situation of the Company's funds and profitability, there are sufficient self-owned funds and continuous net operating cash inflow to satisfy the Company's needs for funds for its capital projects.

##### (5) Investments

Nil.

##### (6) Contingent liabilities

Nil.

## SIGNIFICANT EVENTS

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### 1. Finance Company's engagement in purchase of wealth management products during the Reporting Period

As of the end of the Reporting Period, the Finance Company's engagement in the business of wealth management products is as follows:

As of the end of 2017, Finance Company had purchased and not redeemed money market funds of RMB130 million in total; during the Reporting Period, Finance Company had accumulatively purchased money market funds of RMB60 million in total. As of the end of the Reporting Period, RMB20 million of the aforementioned funds had been redeemed; the unredeemed funds amount to RMB170 million in total and the income from its fair value changes was approximately RMB3.32 million.

As of the end of 2017, Finance Company had purchased a total of RMB620 million of floating rate wealth management products that had not matured; during the Reporting Period, it had accumulatively purchased a total of RMB1.03 billion of floating rate wealth management products. As of the end of the Reporting Period, RMB740 million of the aforementioned products had matured, realizing an income of RMB13.65 million and all the principal and income had been credited into the account; total floating rate wealth management products that had not matured amounted to RMB910 million, with an estimated income of approximately RMB14.1 million.

### 2. During the Reporting Period, the Company was not involved in any new material litigation or arbitration.

# CHANGES TO SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

## 2. Information of Shareholders

(1) As at 30 June 2018, the total number of shareholders of the Company was 44,543, including 44,255 holders of A-share and 279 holders of H-share. Based on disclosed public information which was known by the Board of Directors of the Company on the latest practicable date prior to the publication of the Interim Report, the number of public shareholding of the Company had satisfied the requirements of the *Listing Rules*.

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

Shareholder's name	Class of share	Unit: Share	
		Shares held at the end of the Reporting Period	Shareholding percentage (%)
HKSCC Nominees Limited <i>(Note 1)</i>	H-Share	613,781,668	45.43
Tsingtao Brewery Group Company Limited <i>(Note 2)</i>	A-Share+		
	H-Share	443,467,655	32.83
China Securities Finance Corporation Company	A-Share	30,709,823	2.27
China Jianyin Investment Company Ltd.	A-Share	17,574,505	1.30
Central Huijin Asset Management LLC.	A-Share	10,517,500	0.78
Hong Kong Securities Clearing Company Limited	A-Share	6,757,982	0.50
China Merchants Bank Co., Ltd. – Orient Hongruifeng Flexible Allocation Mixed Securities Investment Fund (LOF)	A-Share	6,500,181	0.48
Bank of China Co., Ltd. – Orient Hongrui China Shanghai Hong Kong Shenzhen Flexible Allocation Mixed Securities Investment Fund	A-Share	6,081,243	0.45
Industrial and Commercial Bank of China – Orient Hong Industrial Upgrading Flexible Allocation Mixed Securities Investment Fund	A-Share	6,080,036	0.45
China Merchants Bank Co., Ltd. – Orient Hongruize Three-Year Periodically Opened Flexible Allocation Mixed Securities Investment Fund	A-Share	5,950,273	0.44

### Notes:

- Both HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited. The H-shares are held by HKSCC Nominees Limited on behalf of different clients excluding the H-shares held by Xinhaisheng, while the A-shares are held by Hong Kong Securities Clearing Company Limited also on behalf of different clients.
- Tsingtao Group holds 38,335,600 shares of H-share in the Company itself and through Xinhaisheng, and 405,132,055 shares of A-share in the Company by itself.

3. According to the explanation of Fosun International, five entities under Fosun International hold 243,108,236 shares of H-share of the Company, occupying 17.99% of the Company's total share capital. As at the end of the Reporting Period, the shares were held by HKSCC Nominees Limited on behalf of the five entities under Fosun International.

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

(3) Substantial Shareholders of H-share

Apart from the disclosed information below, the directors of the Company are not aware of any persons other than a director or supervisor or chief executive of the Company or his/her respective associate(s) who, as at 30 June 2018, had an interest or short position in the shares or underlying shares of the Company which was recorded in the register to be kept under Section 336 of SFO:

Name	Nature	Class of Shares	Capacity	Note	Number of Shares/ underlying Shares	As a percentage of the entire issued capital	As a percentage of all H Shares
SASACQ	Long position	A-Share	Corporate		405,132,055 A-Share	29.99%	N/A
	Long position	H-Share	Interest of controlled corporation	1	38,335,600 H-Share	2.84%	5.85%
Hong Kong Xinhaisheng Investment Limited	Long position	H-Share	Beneficial Owner		38,335,600 H-Share	2.84%	5.85%
JPMorgan Chase & Co.	Long position	H-Share	Interest of controlled corporation/ Beneficial Owner/ Investment Manager/Custodian	2	52,920,145 H-Share	3.91%	8.07%
	Interest in a lending pool	H-Share			24,251,164 H-Share	1.79%	3.70%
	Short position	H-Share	Beneficial Owner		3,306,116 H-Share	0.24%	0.50%
Baillie Gifford & Co.	Long position	H-Share	Interest of controlled corporation/ Investment Manager	3	58,953,003 H-Share	4.36%	9.00%
Guo Guangchang	Long position	H-Share	Interest of controlled corporation	4	243,108,236 H-Share	17.99%	37.11%
Fosun International Holdings Ltd.	Long position	H-Share	Interest of controlled corporation	4	243,108,236 H-Share	17.99%	37.11%
Fosun International Limited	Long position	H-Share	Interest of controlled corporation	4	243,108,236 H-Share	17.99%	37.11%
Fosun Industrial Holdings Limited	Long position	H-Share	Beneficial Owner		153,255,626 H-Share	11.34%	23.40%
China Momentum Fund, L.P.	Long position	H-Share	Interest of controlled corporation	5	43,939,899 H-Share	3.25%	6.71%
China Momentum Investment (BVI) Limited	Long position	H-Share	Beneficial Owner		43,939,899 H-Share	3.25%	6.71%
Fidelidade — Companhia de Seguros, S.A.	Long position	H-Share	Beneficial Owner		34,434,533 H-Share	2.55%	5.26%

*Notes:*

- (1) The 38,335,600 H-Shares which were deemed to be interested by SASACQ were held by Hong Kong Xinhaisheng Investment Limited, a wholly-owned subsidiary of Tsingtao Brewery Group Company Limited, which is controlled by SASACQ. According to the latest disclosure of interest filings, SASACQ was interested in 38,335,600 H-Shares.
- (2) The shareholding information of JPMorgan Chase & Co. is made based on the latest disclosure of interests filed and the shares in which it was deemed to be interested were held through various intermediate holding companies.
- (3) The shares in which Baillie Gifford & Co. was deemed to be interested were held through various controlled wholly-owned subsidiaries of Baillie Gifford & Co.
- (4) The shares in which Mr. GUO Guangchang, Fosun International Holdings Ltd. and Fosun International Limited were deemed to be interested were held through various controlled corporations and a fund managed by the controlled corporation held by Mr. GUO Guangchang, Fosun International Holdings Ltd. and Fosun International Limited.
- (5) The shares in which China Momentum Fund, L. P. was deemed to be interested were held by China Momentum Investment (BVI) Limited.
- (6) For the latest disclosure of interests filed for the Company's substantial shareholders, please refer to the "Disclosure of Interests" section on the website of Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)).

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

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

As at 30 June 2018, Mr. HUANG Ke Xing, Chairman of the Company was deemed to be interested in 26,502 shares (Mr. HUANG Ke Xing held 1,300 shares of the Company personally and 25,202 shares of the Company were held by his spouse) and Mr. FAN Wei, Executive Director, President of the Company & President of Manufacturing Center, Chief Brewer held 122,876 shares of the Company. All the shares held by the aforementioned persons are tradable A-Shares.

As at 30 June 2018, apart from the disclosed information above, none of the directors, supervisors or senior management officers of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any associated corporations (as defined in Part XV of SFO), and such interests or short positions were recorded in the register required to be kept under Section 352 of SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules.

### **2. Model Code**

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

### 3. Employees

As at 30 June 2018, the Company (including the subsidiaries) employs a total of 39,779 full-time employees.

The Company continuously improves its comprehensive incentive system with salary motivation as the foundation, career development motivation as its driving force, emotional motivation as cohesive force and cultural motivation at its core. Based on the material incentive, the Company deepens its honor incentive mechanism and continues to implement the honor incentive of “Wolf Warrior” in its marketing system.

In 2018, the Company retains its focus on its main business line of “maintaining growth, adjusting structure and controlling costs” as well as “maintaining quality, reducing costs and improving efficiency”. By doing so, the Company shall continue to diversify its incentive tactics and optimize its supporting mechanisms. It drives its own transformation and growth through the mechanism of “four impetuses”, including target-based incentive, honor-based traction, performance-based driving force and the capacity-based support.

In 2018, the Company continued to promote personnel optimization and efficiency improvement projects. In the first half-year, the Company achieved effective control over the total number of personnel, marked improvements in per capita efficiency, reasonable control over total labor costs and stable growth in staff’s income.

In the first half of year 2018, the Company continued to build its staff learning platform with a focus on the establishment of a knowledge base for standardized operation and professional post system. It held the 2nd Micro-lecture Competition, which resulted in the creation of more than 1,000 micro-lectures. Through these micro-lectures, the Company had held discussions on the building of an ecological learning platform to make online-offline/teaching-learning accessible; optimized the design of its comprehensive talent development chain that engages junior, middle and general managers to optimize the developmental paths for management staff’s competencies; strengthened integrated trainings for distributor teams by promoting national, regional and channel trainings.

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

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During the six months as of 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## **CODE OF CORPORATE GOVERNANCE**

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The Company was listed simultaneously on Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) and thus shall comply with the requirements of applicable laws and securities supervisory regulations on corporate governance in both places. The Company always devotes to maintain the high-level corporate governance. For the six months ended 30 June 2018, the Company strictly complied with relevant provisions stated 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 (the “Listing Rules”)*, except the deviation from code provision A.4.2.

As stated in Code provision A.4.2, all directors (including the director whose tenure is designated) shall retire by turns once every three years at least. As disclosed in the announcement of the Company dated 14 June 2017, the tenure of the Company’s 8th Session of the Board and Board of Supervisors expired on 16 June 2017. Considering that the nomination of relevant director/supervisor candidates was not completed, the reelection and appointment of the 8th session of the Board and Board of Supervisors shall postpone, and the tenure of various special committees of the Company’s 8th session of the Board and Board of Supervisors shall accordingly extend as well in order to guarantee the continuity and the stability of all works, the Company had completed the general election work of the 9th session of the Board and Board of Supervisors on 28 June 2018. Accordingly, the Company has already complied with the code provision A.4.2 since 28 June 2018, and revised the *Articles of Association of Tsingtao Brewery Company Limited* and its appendices.

The Company had fully adopted all the code provisions in *Corporate Governance Code* set out in Appendix 14 of *Listing Rules* of the Stock Exchange without any significant deviation or violation. The Company had made efforts in achieving better corporate governance practice and the related details are available in the contents of the Company’s 2017 Annual Report.

## REVIEW OF THE UNAUDITED INTERIM RESULTS

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The Audit & Internal Control Committee of the Board has reviewed the Company's unaudited 2018 Interim Results.

### DEFINITIONS

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

the Company	Means	Tsingtao Brewery Company Limited
the Group	Means	the Company and its subsidiaries
the Board	Means	Board of Directors of the Company
Tsingtao Group	Means	Tsingtao Brewery Group Company Limited
SASACQ	Means	State-owned Assets Supervision & Administration Commission of the People's Government of Qingdao
SSE	Means	Shanghai Stock Exchange
the Stock Exchange	Means	The Stock Exchange of Hong Kong Limited
Reporting Period	Means	From 1 January 2018 to 30 June 2018
Model Code	Means	Model Code for Securities Transactions by Directors of Listed Issuers
Listing Rules	Means	Rules Governing the Listing of Securities on The Stock of Exchange of Hong Kong Limited
Articles of Association	Means	Articles of Association of the Company
Finance Company	Means	Tsingtao Brewery Finance LLC.
Xinhaisheng	Means	Hong Kong Xinhaisheng Investment Development Co., Ltd.
Fosun International	Means	Fosun International Limited

# COMPANY INFORMATION

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## 1. BASIC INFORMATION

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

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

## 2018 INTERIM REPORT 中期報告

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