



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)



激情成就夢想
Passion, dreams & success

2010

INTERIM REPORT
中期報告



CONTENTS

	<i>Page</i>
Condensed Consolidated Interim Financial Information (unaudited) (Prepared in accordance with Hong Kong Financial Reporting Standards)	2
Management Discussions and Analysis	27
Significant Events	32
Continuing Connected Transactions of the Company	33
Changes of Share Capital and Information of Shareholders	34
Directors, Supervisors, Senior Management and Staff	37
Purchasing, Selling or Redeeming the Securities	39
Code of Corporate Governance Practice	39
Review of the Unaudited Interim Results	39
Company Information	40

TSINGTAO BREWERY COMPANY LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET

30 JUNE 2010

	<i>Note</i>	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	5	858,687	818,477
Property, plant and equipment	6	5,569,056	5,605,900
Intangible assets	6	428,132	423,841
Interests in jointly controlled entity and associates		147,823	147,449
Deferred income tax assets		392,756	240,843
Available-for-sale financial assets		5,369	5,369
Other non-current assets		10,437	11,814
		<u>7,412,260</u>	<u>7,253,693</u>
Current assets			
Inventories	7	1,703,585	1,877,379
Trade and other receivables	8	503,734	375,821
Income tax recoverable		11,535	9,979
Pledged bank deposits		36,402	43,006
Cash and cash equivalents	9	7,624,062	5,307,575
		<u>9,879,318</u>	<u>7,613,760</u>
Total assets		<u><u>17,291,578</u></u>	<u><u>14,867,453</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	10	1,350,983	1,350,983
Other reserves	11	4,992,068	5,081,834
Retained earnings			
— Proposed final dividend		—	216,157
— Others		2,401,642	1,571,606
		<u>8,744,693</u>	<u>8,220,580</u>
Non-controlling interests		<u>270,474</u>	<u>342,574</u>
Total equity		<u><u>9,015,167</u></u>	<u><u>8,563,154</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings	12	1,240,904	1,230,139
Deferred income tax liabilities		32,660	34,281
Deferred government grants		368,736	184,169
Other non-current liabilities		11,168	11,168
		<u>1,653,468</u>	<u>1,459,757</u>

TSINGTAO BREWERY COMPANY LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)

30 JUNE 2010

		Unaudited	Audited
	<i>Note</i>	30 June	31 December
		2010	2009
		RMB'000	RMB'000
Current liabilities			
Trade and other payables	13	5,830,302	4,449,805
Current income tax liabilities		371,612	212,925
Dividends payable		216,157	—
Borrowings	12	204,872	181,812
		<u>6,622,943</u>	<u>4,844,542</u>
Total liabilities		<u>8,276,411</u>	<u>6,304,299</u>
Total equity and liabilities		<u>17,291,578</u>	<u>14,867,453</u>
Net current assets		<u>3,256,375</u>	<u>2,769,218</u>
Total assets less current liabilities		<u>10,668,635</u>	<u>10,022,911</u>

The notes on pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

TSINGTAO BREWERY COMPANY LIMITED
CONDENSED CONSOLIDATED INCOME STATEMENT

30 JUNE 2010

	Note	Unaudited	
		Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
Sales		9,805,457	8,969,485
Cost of goods sold		(6,260,905)	(5,933,303)
Gross profit		3,544,552	3,036,182
Distribution costs		(2,134,348)	(1,857,528)
Administrative expenses		(409,233)	(387,869)
Other gains — net	14	125,593	76,110
Other operating gains — net	15	27,368	20,116
Operating profit		1,153,932	887,011
Finance costs	16	(47,896)	(50,569)
Share of profits/(losses) of jointly controlled entity and associates-net		5,805	(808)
Profit before income tax		1,111,841	835,634
Income tax expense	17	(241,330)	(169,298)
Profit for the period		870,511	666,336
Profit attributable to:			
— Equity holders of the Company		830,036	639,784
— Non-controlling interests		40,475	26,552
		870,511	666,336
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
— Basic and diluted	18	0.614	0.489
Dividends	19	216,157	327,055

The notes on pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

TSINGTAO BREWERY COMPANY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

30 JUNE 2010

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Profit for the period	870,511	666,336
Other comprehensive income		
Fair value loss on available-for-sale financial assets, net of tax	—	(2,409)
Currency translation differences	2,026	234
Other comprehensive income for the period, net of tax	2,026	(2,175)
Total comprehensive income for the period	872,537	664,161
Total comprehensive income for the period attributable to:		
— Equity holders of the Company	832,062	637,609
— Non-controlling interests	40,475	26,552
	872,537	664,161

The notes on pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

TSINGTAO BREWERY COMPANY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 JUNE 2010

	Unaudited					
	Attributable to equity holders of the Company				Non- controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Balance at 1 January 2009	1,308,219	3,835,057	938,962	6,082,238	335,377	6,417,615
Comprehensive income						
Profit for the period	—	—	639,784	639,784	26,552	666,336
Other comprehensive income:						
Fair value loss on available-for-sale financial assets, net of tax	—	(2,409)	—	(2,409)	—	(2,409)
Currency translation differences	—	234	—	234	—	234
Total comprehensive income for the period ended 30 June 2009	—	(2,175)	639,784	637,609	26,552	664,161
Transactions with owners						
Dividends relating to 2008	—	—	(327,055)	(327,055)	(24,500)	(351,555)
Acquisition of non-controlling interests in subsidiaries	—	30,461	—	30,461	(86,742)	(56,281)
Others	—	(204)	—	(204)	320	116
Total transactions with owners	—	30,257	(327,055)	(296,798)	(110,922)	(407,720)
Balance at 30 June 2009	1,308,219	3,863,139	1,251,691	6,423,049	251,007	6,674,056
Balance at 1 January 2010	1,350,983	5,081,834	1,787,763	8,220,580	342,574	8,563,154
Comprehensive income						
Profit for the period	—	—	830,036	830,036	40,475	870,511
Other comprehensive income:						
Currency translation differences	—	2,026	—	2,026	—	2,026
Total comprehensive income for the period ended 30 June 2010	—	2,026	830,036	832,062	40,475	872,537
Transactions with owners						
Dividends relating to 2009	—	—	(216,157)	(216,157)	(29,958)	(246,115)
Acquisition of non-controlling interests in a subsidiary	—	(91,543)	—	(91,543)	(82,617)	(174,160)
Others	—	(249)	—	(249)	—	(249)
Total transactions with owners	—	(91,792)	(216,157)	(307,949)	(112,575)	(420,524)
Balance at 30 June 2010	1,350,983	4,992,068	2,401,642	8,744,693	270,474	9,015,167

The notes on pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

TSINGTAO BREWERY COMPANY LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

30 JUNE 2010

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	2,874,328	2,819,475
Income tax paid	(237,732)	(242,088)
Interest received	21,337	13,835
Cash flows from operating activities — net	2,657,933	2,591,222
Cash flows from investing activities		
Purchases of property, plant and equipment (“PP&E”) and intangible assets	(302,891)	(412,724)
Purchase of equity shares in an associate	—	(120,036)
Purchase of non-controlling interests	(174,160)	(76,846)
Increase in short-term bank deposits and pledged bank deposits	—	(28,734)
Cash received from government grants	179,046	20,583
Proceeds from disposal of property, plant and equipment	7,846	5,128
Acquisition of a subsidiary, net of cash acquired	1,216	—
Proceeds from disposal of available-for-sale financial assets	—	5,803
Dividends received	—	5,280
Proceeds from disposal of investment in an associate	—	682
Cash flows from investing activities — net	(288,943)	(600,864)
Cash flows from financing activities		
Repayment of borrowings	(181,688)	(164,716)
Dividends paid to non-controlling interests	(29,958)	(26,596)
Interest paid	(15,108)	(23,613)
Proceeds from borrowings	173,528	539,060
Net cash received/(paid) for pledged deposit of bills	2,315	(377)
Cash flows from financing activities — net	(50,911)	323,758
Net increase in cash and cash equivalents	2,318,079	2,314,116
Cash and cash equivalents at the beginning of period	5,307,575	2,381,044
Exchange (losses)/gains on cash and cash equivalents	(1,592)	1,235
Cash and cash equivalents at the end of period	7,624,062	4,696,395

The notes on pages 8 to 25 form an integral part of this condensed consolidated interim financial information.

TSINGTAO BREWERY COMPANY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 JUNE 2010

1. GENERAL INFORMATION

Tsingtao Brewery Company Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the production and distribution of beer products.

The Company was established in the People’s Republic of China (the “PRC”) on 16 June 1993. The Company obtained business license as a Sino-foreign joint stock company on 27 December 1995. Its 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 Company’s registered address is No 56, Dengzhou Road, Qingdao, PRC.

This condensed consolidated interim financial information is presented in RMB, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 13 August 2010.

The English language names of some of the companies referred to in the condensed consolidated interim financial information represent unofficial translation of their registered Chinese names by management and these English language names have not been legally adopted by these entities.

This condensed consolidated interim financial information has not been audited.

Key events

Transaction with non-controlling interest

Tsingtao Beer (Jinan) Baotuquan Sales Co., Ltd (“Baotuquan Company”) is a subsidiary of the Company and has been consolidated from the date on which control is transferred to the Group. On 1 March 2010, the Company entered into an agreement with Tsingtao Brewery Group Company (“TB Group Company”) to acquire 100% share interest of Baotuquan Company, further details is given in Note 20.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with HKFRSs.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. ACCOUNTING POLICIES (CONT'D)

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), “Business combinations”, and consequential amendments to HKAS 27, “Consolidated and separate financial statements”, HKAS 28, “Investments in associates”, and HKAS 31, “Interests in joint ventures”, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs are expensed. The Group has applied HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), “consolidated and separate financial statements”, at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group has applied HKAS 27 (revised) prospectively to transactions with non-controlling interest from 1 January 2010. As the Group has already chosen the similar accounting policy as HKAS 27 (revised) in prior years, the adoption did not result in material impact on the Group’s financial statements.

- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 “Non-current assets held for sale and discontinued operations” is effective for annual period on or after 1 July 2009. It does not have a material impact on the Group’s financial statements.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- HK(IFRIC)-Int 17, “Distributions of non-cash assets to owners” is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- “Additional exemptions for first-time adopters” (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.
- HKAS 39 (Amendment), “Eligible hedged items” is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.
- HKFRS 2 (Amendment), “Group cash-settled share-based payment transaction” is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.
- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions, which consists of senior management led by the CEO and the president of the Group.

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. As the Group is mainly engaged in the production and distribution of beer products, the Executive Committee considers the business mainly from a geographic perspective.

The Executive Committee assesses the performance of the operating segments based on profit before income tax which is consistent with that in the financial statements. Other information, as noted below, is also provided to the Executive Committee.

Total assets exclude deferred tax, available-for-sale financial assets, derivative financial instruments and interests in jointly controlled entity and associates, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Sales between segments are carried out based on terms agreed. The revenue from external parties reported to the Executive Committee is measured in a manner consistent with that in the income statement.

The segment information provided to Executive Committee for the reportable segments for the period ended 30 June 2010 is as follows:

	(Unaudited)								
	Shandong Region RMB '000	Huanan Region RMB '000	Huabei Region RMB '000	Huadong Region RMB '000	Dongnan Region RMB '000	Overseas RMB '000	Unallocated RMB '000	Eliminations RMB '000	Total Group RMB '000
Segment revenue	5,054,450	1,967,452	1,799,118	925,787	624,195	181,977	—	(747,522)	9,805,457
Inter-segment revenue	(304,779)	(104,642)	(271,137)	(24,936)	(40,766)	(1,262)	—	747,522	—
Revenue (from external customers)	4,749,671	1,862,810	1,527,981	900,851	583,429	180,715	—	—	9,805,457
Profit before income tax	654,536	258,594	145,770	31,996	64,425	27,924	(89,762)	18,358	1,111,841
Distribution cost	(1,213,213)	(404,583)	(173,266)	(171,765)	(115,914)	(55,607)	—	—	(2,134,348)
Depreciation and amortisation	(91,321)	(82,706)	(49,058)	(30,012)	(11,706)	(628)	(14,287)	—	(279,718)
Finance income	13,435	3,073	4,005	415	345	64	—	—	21,337
Finance costs	(2,094)	(2,340)	(13,341)	(3,207)	(46)	(6,863)	(38,363)	18,358	(47,896)
Income tax expense	(135,508)	(64,871)	(24,871)	(930)	(9,221)	(5,929)	—	—	(241,330)
Share of profit from jointly controlled entity and associates	—	—	—	—	—	—	5,805	—	5,805
Total assets	4,766,576	3,417,176	2,575,482	1,443,959	644,248	233,728	5,493,485	(1,283,076)	17,291,578
Total assets include:									
Interests in jointly controlled entity and associates	—	—	—	—	—	—	147,823	—	147,823
Additions to non-current assets (other than financial instruments and deferred tax assets)	117,023	34,984	26,313	75,852	7,687	2	11,946	—	273,807
Total liabilities	3,080,409	1,749,379	1,862,274	780,744	383,805	45,661	1,750,897	(1,376,758)	8,276,411

4. SEGMENT INFORMATION (CONT'D)

The segment information for the reportable segments for the period ended 30 June 2009 is as follows:

	(Unaudited)								Total Group RMB'000
	Shandong Region RMB'000	Huanan Region RMB'000	Huabei Region RMB'000	Huadong Region RMB'000	Dongnan Region RMB'000	Overseas RMB'000	Unallocated RMB'000	Eliminations RMB'000	
Segment revenue	4,307,169	1,828,271	1,760,279	929,816	563,469	165,081	—	(584,600)	8,969,485
Inter-segment revenue	(185,299)	(74,304)	(275,528)	(5,133)	(43,247)	(1,089)	—	584,600	—
Revenue (from external customers)	4,121,870	1,753,967	1,484,751	924,683	520,222	163,992	—	—	8,969,485
Profit before income tax	483,534	202,366	125,409	17,088	44,479	30,043	(97,357)	30,072	835,634
Distribution cost	(942,108)	(365,420)	(212,285)	(186,196)	(108,440)	(43,079)	—	—	(1,857,528)
Depreciation and amortisation	(78,786)	(80,812)	(49,205)	(31,068)	(12,598)	(686)	(16,792)	—	(269,947)
Impairment losses of PP&E and other non-current assets	—	—	—	—	(1,334)	—	—	—	(1,334)
Finance income	9,349	1,033	2,736	469	173	75	—	—	13,835
Finance costs	(6,166)	(7,404)	(19,544)	(4,286)	(2,484)	(2,760)	(36,378)	28,453	(50,569)
Income tax expense	(89,609)	(59,610)	(19,216)	4,013	1,191	(6,067)	—	—	(169,298)
Share of profit from jointly controlled entity and associates	—	—	—	—	—	—	(808)	—	(808)
Total assets	4,642,234	3,391,562	2,366,359	1,392,008	606,801	301,102	3,198,402	(1,428,929)	14,469,539
Total assets include:									
Interests in jointly controlled entity and associates	—	—	—	—	—	—	144,691	—	144,691
Additions to non-current assets (other than financial instruments and deferred tax assets)	120,381	97,715	21,504	33,057	4,811	210	227,616	—	505,294
Total liabilities	2,483,410	1,864,551	1,984,215	759,765	438,093	139,667	1,650,917	(1,525,135)	7,795,483

4. SEGMENT INFORMATION (CONT'D)

A reconciliation of reportable segments' profit before tax to total profit before tax is provided as follows:

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Total segment profit before tax	1,201,603	932,991
Share of profits/(losses) of jointly controlled entity and associates	5,805	(808)
Interest expense on convertible bond	(38,363)	(36,378)
Corporate overhead	(57,204)	(66,784)
Other gains from derivative instruments	—	6,571
Other unallocated gains	—	42
Profit before income tax	<u>1,111,841</u>	<u>835,634</u>

Reportable segments' assets are reconciled to total assets as follows:

	30 June 2010	30 June 2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Total segment assets	11,798,093	11,271,137
Deferred income tax assets	392,756	238,551
Interests in jointly controlled entity and associates	147,823	144,691
Available-for-sale financial assets	5,369	5,369
Derivative financial instruments	—	1,040
Corporate pledged bank deposits	28,646	29,734
Corporate cash and equivalents	4,560,331	2,340,199
Corporate property, plant and equipment, intangible assets and leasehold land and land use rights	358,560	438,818
Total assets per balance sheet	<u>17,291,578</u>	<u>14,469,539</u>

Reportable segments' liabilities are reconciled to total liabilities as follows:

	30 June 2010	30 June 2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Total segment liabilities	6,525,514	6,144,566
Deferred income tax liabilities	32,660	12,299
Convertible bonds payable	1,225,259	1,161,557
Dividends payable	216,157	327,055
Other unallocated corporate liabilities	276,821	150,006
Total liabilities per balance sheet	<u>8,276,411</u>	<u>7,795,483</u>

5. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values were analysed as follows:

	<i>RMB'000</i> (Unaudited)
Six months ended 30 June 2009	
Opening net book amount as at 1 January 2009	842,077
Additions	206
Amortisation	<u>(10,583)</u>
Closing net book amount as at 30 June 2009	<u>831,700</u>
Six months ended 30 June 2010	
Opening net book amount as at 1 January 2010	818,477
Additions	40,701
Acquisition of a subsidiary	8,930
Amortisation	<u>(9,421)</u>
Closing net book amount as at 30 June 2010	<u>858,687</u>

6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment <i>RMB'000</i> (Unaudited)	Intangible assets <i>RMB'000</i> (Unaudited)
Six months ended 30 June 2009		
Opening net book amount as at 1 January 2009	5,617,314	249,468
Additions	287,888	96,939
Disposals	(11,688)	—
Depreciation and amortisation	(250,819)	(6,859)
Impairment	<u>(1,334)</u>	<u>—</u>
Closing net book amount as at 30 June 2009	<u>5,641,361</u>	<u>339,548</u>
Six months ended 30 June 2010		
Opening net book amount as at 1 January 2010	5,605,900	423,841
Additions	214,002	18,612
Acquisition of a subsidiary	28,730	21
Disposals	(25,489)	—
Depreciation and amortisation	<u>(254,087)</u>	<u>(14,342)</u>
Closing net book amount as at 30 June 2010	<u>5,569,056</u>	<u>428,132</u>

7. INVENTORIES

	As at	
	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000
Raw materials, packaging materials and auxiliary materials	1,287,295	1,440,226
Work-in-progress	247,187	234,984
Finished goods	169,103	202,169
Inventories, net	<u>1,703,585</u>	<u>1,877,379</u>

8. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000
Trade receivables (a)	124,497	92,595
Bills receivables	1,200	10,750
Prepayments (b)	214,264	139,233
Deposits and other receivables (b)	163,773	133,243
	<u>503,734</u>	<u>375,821</u>

(a) Trade receivables

The Group has a policy in place that sales are on cash on delivery terms for most of the domestic customers, and letters of credit have to be received for overseas customers. Only certain long-term overseas distributors with good credit history and certain domestic distributors are granted credit terms less than 1 year. At 30 June 2010 and 31 December 2009, the ageing analysis of the trade receivables based on invoiced date was as follows:

	As at 30 June 2010 (Unaudited)			As at 31 December 2009		
	Amount RMB'000	Provision for impairment of receivables RMB'000	Balance after provision RMB'000	Amount RMB'000	Provision for impairment of receivables RMB'000	Balance after provision RMB'000
Less than 1 year	122,854	(835)	122,019	90,932	(804)	90,128
1 to less than 2 years	266	(193)	73	2,134	(1,029)	1,105
2 to less than 3 years	2,124	(963)	1,161	633	(394)	239
Over 3 years	251,108	(249,864)	1,244	250,931	(249,808)	1,123
	<u>376,352</u>	<u>(251,855)</u>	<u>124,497</u>	<u>344,630</u>	<u>(252,035)</u>	<u>92,595</u>

8. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Prepayment, deposits and other receivables

	As at	
	30 June 2010 <i>RMB'000</i> (Unaudited)	31 December 2009 <i>RMB'000</i>
Prepayments	214,264	139,233
Staff advance	31,919	24,306
Prepayment of land use rights	27,442	35,434
Deposits	29,530	15,053
VAT refund	4,507	3,085
Others	144,578	129,596
	<u>452,240</u>	<u>346,707</u>
<i>Less:</i> provision for impairment	<u>(74,203)</u>	<u>(74,231)</u>
	<u><u>378,037</u></u>	<u><u>272,476</u></u>

9. CASH AND CASH EQUIVALENTS

	As at	
	30 June 2010 <i>RMB'000</i> (Unaudited)	31 December 2009 <i>RMB'000</i>
Cash at bank and on hand	7,064,062	5,307,575
Short-term bank deposits	560,000	—
	<u><u>7,624,062</u></u>	<u><u>5,307,575</u></u>

10. SHARE CAPITAL

	Number of Shares (thousands)	PRC public shares subject to restriction <i>RMB'000</i>	PRC public shares ("A Shares") <i>RMB'000</i>	Overseas public shares ("H Shares") <i>RMB'000</i>	Total <i>RMB'000</i>
Opening balance 1 January 2009	<u>1,308,219</u>	<u>417,395</u>	<u>235,755</u>	<u>655,069</u>	<u>1,308,219</u>
At 30 June 2009 (unaudited)	<u>1,308,219</u>	<u>417,395</u>	<u>235,755</u>	<u>655,069</u>	<u>1,308,219</u>
Opening balance 1 January 2010	<u>1,350,983</u>	<u>417,395</u>	<u>278,519</u>	<u>655,069</u>	<u>1,350,983</u>
At 30 June 2010 (unaudited)	<u>1,350,983</u>	<u>417,395</u>	<u>278,519</u>	<u>655,069</u>	<u>1,350,983</u>

11. OTHER RESERVES

	(Unaudited)				
	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Surplus reserve <i>RMB'000</i>	Cumulative translation adjustments <i>RMB'000</i>	Total <i>RMB'000</i>
Opening balance 1 January 2009	2,942,789	352,101	536,108	4,059	3,835,057
Available-for-sale financial assets					
— fair value gains	—	4,082	—	—	4,082
— tax on fair value gains	—	(1,021)	—	—	(1,021)
— transfers to income statement	—	(7,294)	—	—	(7,294)
— tax on transfers to income statement	—	1,824	—	—	1,824
Translation difference	—	—	—	234	234
Acquisition of non-controlling interests (<i>Note 20</i>)	30,461	—	—	—	30,461
Others	—	(204)	—	—	(204)
At 30 June 2009	<u>2,973,250</u>	<u>349,488</u>	<u>536,108</u>	<u>4,293</u>	<u>3,863,139</u>
Opening balance 1 January 2010	4,397,364	66,628	613,543	4,299	5,081,834
Translation difference	—	—	—	2,026	2,026
Acquisition of non-controlling interests (<i>Note 20</i>)	(91,543)	—	—	—	(91,543)
Others	—	(249)	—	—	(249)
At 30 June 2010	<u>4,305,821</u>	<u>66,379</u>	<u>613,543</u>	<u>6,325</u>	<u>4,992,068</u>

12. BORROWINGS

	As at	
	30 June 2010 <i>RMB'000</i>	31 December 2009 <i>RMB'000</i>
	(Unaudited)	
Non-current		
Bank borrowings (<i>a</i>)	13,815	28,267
Convertible bonds (<i>b</i>)	1,225,259	1,198,896
Finance lease liabilities	1,830	2,976
	<u>1,240,904</u>	<u>1,230,139</u>
Current		
Bank borrowings (<i>a</i>)	202,636	179,686
Finance lease liabilities	2,236	2,126
	<u>204,872</u>	<u>181,812</u>
Total borrowings	<u>1,445,776</u>	<u>1,411,951</u>

12. BORROWINGS (CONT'D)

(a) Bank borrowings

Movements of bank borrowings were analysed as follows:

	<i>RMB'000</i> (Unaudited)
Six months ended 30 June 2009	
Opening amount as at 1 January 2009	432,811
New borrowings	280,060
Repayments of borrowings	(164,716)
Currency translation differences	(67)
Closing amount as at 30 June 2009	<u>548,088</u>
Six months ended 30 June 2010	
Opening amount as at 1 January 2010	207,953
New borrowings	173,528
Acquisition of a subsidiary	20,000
Repayments of borrowings	(181,688)
Currency translation differences	(3,342)
Closing amount as at 30 June 2010	<u>216,451</u>

The carrying amounts of both current borrowings and non-current borrowings approximate to their fair values, as the impact of discounting is not significant.

The table below analysed the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period as at 30 June 2010 to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows:

	(Unaudited)			
	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>
At 30 June 2010				
Borrowings excluding finance lease liabilities	202,636	3,754	1,505,269	4,792
Finance lease liabilities	2,565	1,924	—	—
Trade and other payables excluding deposits and advances from customers	<u>5,510,931</u>	<u>—</u>	<u>11,168</u>	<u>—</u>
Total	<u>5,716,132</u>	<u>5,678</u>	<u>1,516,437</u>	<u>4,792</u>
At 31 December 2009				
Borrowings excluding finance lease liabilities	179,686	16,315	1,506,242	5,710
Finance lease liabilities	2,565	2,565	640	—
Trade and other payables excluding deposits and advances from customers	<u>4,178,789</u>	<u>—</u>	<u>11,168</u>	<u>—</u>
Total	<u>4,361,040</u>	<u>18,880</u>	<u>1,518,050</u>	<u>5,710</u>

The Group has no derivative financial liabilities at 30 June 2010.

12. BORROWINGS (CONT'D)

(b) Convertible bond

	<i>RMB'000</i> (Unaudited)
Six months ended 30 June 2009	
Opening amount as at 1 January 2009	1,137,179
Interest expenses	36,378
Interest paid	<u>(12,000)</u>
Closing amount as at 30 June 2009	<u>1,161,557</u>
Six months ended 30 June 2010	
Opening amount as at 1 January 2010	1,198,896
Interest expenses	38,363
Interest paid	<u>(12,000)</u>
Closing amount as at 30 June 2010	<u>1,225,259</u>

The fair value of the liability component of the convertible bond at 30 June 2010 amounted to approximately RMB1,225,259,000. The fair value was calculated using cash flow discounted at the rate of 6.1%.

Interest expense on borrowings for the six months ended 30 June 2010 is approximately RMB43,946,000 (30 June 2009: RMB49,741,000).

The Group had the following undrawn borrowing facilities:

	As at	
	30 June 2010	31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Floating rate:		
— expiring within one year (bank loan and bills facility)	5,960,000	4,855,000

13. TRADE AND OTHER PAYABLES

	As at	
	30 June 2010	31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Trade payables (a)	1,459,043	1,057,842
Bills payables	86,656	89,828
Deposits and advances from customers	323,781	271,016
Accruals and other payables (b)	3,960,822	3,031,119
	<u>5,830,302</u>	<u>4,449,805</u>

13. TRADE AND OTHER PAYABLES (CONT'D)

(a) Trade payables

At 30 June 2010 and 31 December 2009, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoiced date were as follows:

	As at	
	30 June 2010 <i>RMB'000</i> (Unaudited)	31 December 2009 <i>RMB'000</i>
Less than 1 year	1,435,900	1,007,559
1 to less than 2 years	8,433	37,367
2 to less than 3 years	2,665	2,835
Over 3 years	12,045	10,081
	<u>1,459,043</u>	<u>1,057,842</u>

(b) Accruals and other payables

The analysis of accruals and other payables by nature were as follows:

	As at	
	30 June 2010 <i>RMB'000</i> (Unaudited)	31 December 2009 <i>RMB'000</i>
Accruals for marketing and advertising expenses	1,602,238	1,012,308
Guarantee deposits for recycled bottles	640,209	576,221
Accrued payroll and other staff costs	544,262	541,062
Payables to vendors of PP&E	137,300	198,904
VAT and other duties and taxes	455,291	254,106
Accruals for transportation expenses	151,002	65,596
Accruals for administrative expenses	42,033	25,202
Accruals for electricity expenses	15,234	8,071
Others	373,253	349,649
	<u>3,960,822</u>	<u>3,031,119</u>

14. OTHER GAINS — NET

	Six months ended 30 June	
	2010 <i>RMB'000</i> (Unaudited)	2009 <i>RMB'000</i> (Unaudited)
Foreign exchange forward contracts:		
— Net foreign exchange losses	—	(723)
Disposal gains of available-for-sale financial assets	—	7,294
Interest income	21,337	13,835
Government grants	104,256	55,704
	<u>125,593</u>	<u>76,110</u>

15. OTHER OPERATING GAINS — NET

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Impairment provision against PP&E (<i>Note 6</i>)	—	(1,334)
Loss on disposal of PP&E	(8,445)	(1,251)
Gain on disposal of sundry materials and others	35,813	22,701
	27,368	20,116

16. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on loans		
— Bank borrowings	2,828	13,363
— Convertible bond	38,363	36,378
— Future financial charges	2,755	—
Discount of bills	—	2,126
Net foreign exchange translation losses/(gains)	3,950	(1,298)
	47,896	50,569

17. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
— Hong Kong profits tax (<i>i</i>)	2,030	3,117
— PRC corporate income tax (<i>ii</i>)	392,834	309,748
Deferred income tax	(153,534)	(143,567)
	241,330	169,298

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

(ii) PRC corporate income tax (“CIT”)

Applicable income tax rate of entities within the Group is subject to 25% from 1 January 2008 except that the lower preferential tax rates enjoyed by certain enterprises shall gradually be increased to the statutory tax rate of 25% within 5 years from 1 January 2008.

In accordance with an approval document dated 18th April 1994 issued by the State Administration for Taxation (“SAT”) of the PRC, net profit earned by the Company was subject to CIT at 15%, which was effective from the date of establishment of the Company and until there is further changes of the relevant laws and regulations. The Company also received a confirmation from the Finance Bureau of Qingdao on 23 March 1997 that this preferential tax treatment would not be terminated until further notice.

17. INCOME TAX EXPENSE (CONT'D)

(ii) PRC corporate income tax ("CIT") (cont'd)

On 5 July 2007, the Company became aware of a notice which was issued by SAT in June 2007 (the "Notice") regarding the preferential tax treatment granted to nine state-owned enterprises listed on the Stock Exchange of Hong Kong Limited in 1993 (including the Company). According to the Notice, the relevant local tax authorities were required to immediately rectify the expired preferential tax treatments adopted by the Company and take appropriate action on the differences of income taxes collected in prior years arising therefore in accordance with the applicable rules and provisions under the promulgated Law on Tax Collection and Administration of the PRC.

On 15 April 2008, the Company was informed by the governing local tax bureau that the applicable CIT rate for the year ended 31 December 2007 was adjusted from 15% to 33%. The PRC CIT for the year ended 31 December 2007 of the Company was hence provided at 33% in the financial statements of the Company and the Group. Up to the date of the approval of this condensed consolidated interim financial information, the Company has not been notified by any tax authorities regarding the exposure of prior years. The directors are of the view that the final outcome cannot be reliably estimated and, therefore, no provision for potential CIT exposure in prior years had been made in the financial statements.

18. EARNINGS PER SHARE — BASIC AND DILUTED

Earnings per share was calculated by dividing the profit attributable to equity holders of the Company by the number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
Profit attributable to equity holders of the Company (<i>RMB'000</i>)	830,036	639,784
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,350,983	1,308,219
Basic earnings per share (<i>RMB per share</i>)	0.614	0.489

The diluted earnings per share information were the same as basic for the six months ended 30 June 2010 and 2009 as there were no dilutive potential ordinary shares as of 30 June 2010 and 2009.

19. DIVIDENDS

During the period, a final dividend of RMB0.16 per share, amounting to an aggregate amount of approximately RMB216,157,000 (2009: final dividend for 2008 at RMB327,055,000), were approved in Annual General Meeting held on 17 June 2010. The Board of Directors does not recommend the payment of an interim dividend for the period (30 June 2009: nil).

20. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in a subsidiary

With the entrust agreement entered by the Company with TB Group Company on 27 July 2009, Baotuquan Company has become the subsidiary of the Group and been fully consolidated from the date on which control is transferred to the Group.

On 1 March 2010, the Company entered into an agreement with TB Group Company to acquire 100% share interest of Baotuquan Company at a consideration of RMB174,160,000. The related legal procedures have been completed in June 2010. The carrying amount of the non-controlling interests in Baotuquan Company on the date of acquisition was RMB82,617,000. The Group recognised a decrease in non-controlling interests of approximately RMB82,617,000 and a decrease in equity attributable to owners of the parent of approximately RMB91,543,000. The effect of changes in the ownership interest of subsidiaries on the equity attributable to owners of the Company during the period is summarised as follows:

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Carrying amount of non-controlling interests acquired	82,617	86,742
Consideration paid to non-controlling interests	(174,160)	(56,281)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(91,543)	30,461

(b) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the period ended 30 June 2010

	Six months ended 30 June 2010
	<i>RMB'000</i>
	(Unaudited)
Total comprehensive income for the period attributable to the shareholders of the Company	832,062
Changes in equity attributable to shareholders of the Company arising from:	
— Acquisition of additional interests in subsidiary	(91,543)
Net effect for transactions with non-controlling interests on changes in equity attributable to shareholders of the Company	740,519

21. CONTINGENCIES

As described in Note 17(ii), the directors are of the view that the potential income tax liabilities prior to 2007 arising from the cancellation of the previous preferential tax concessions could not be reliably estimated and therefore no provision was made.

22. COMMITMENTS

(a) Capital commitments

The Group had no material capital commitments which were authorised but not contracted and provided for as at 30 June 2010.

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As at	
	30 June	31 December
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	
Property, plant and equipment	138,113	67,716

(b) Operating lease commitments — Group as lessee

As at 30 June 2010, the Group had future aggregate minimum lease payments under non-cancelable operating leases of land and buildings as follows:

	As at	
	30 June	31 December
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	
Not later than one year	543	543
Later than 1 year and no later than 5 years	1,086	1,385
	1,629	1,928

23. RELATED PARTY TRANSACTIONS

(a) The following major transactions were carried out with related parties during the period:

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Sales of goods		
— Associates	165,120	197,359
— Asahi Breweries, Ltd.	17,174	18,147
— Asahi Brewery (Shanghai) Product Services Ltd. ("Asahi Brewery Shanghai")	<u>5,656</u>	<u>4,183</u>
Purchases of goods:		
— Associates	<u>222,949</u>	<u>144,824</u>
Purchases of construction services:		
— Jointly controlled entity	<u>652</u>	<u>—</u>
Purchases of logistics services (including paid on behalf):		
— Associates	<u>127,033</u>	<u>121,397</u>
Guarantee provided for the Group's bank loans and bills		
— TB Group Company	<u>12,536</u>	<u>9,930</u>
Interest paid to		
— TB Group Company	<u>1,606</u>	<u>1,963</u>

Transaction with non-controlling interest:

As stated in Note 1, the Group acquired 100% share interest of Baotuan Company from TB Group Company.

Acquisition of a subsidiary:

Tsingtao Brewery (No. 5) Company Limited, a wholly owned subsidiary of the Group, entered into an agreement with Asahi Beer (China) Investment Co., Ltd. ("Asahi Investment"), a subsidiary of Asahi Breweries, Ltd., to acquire the remaining 60% share interest of Tsingtao Beer and Asahi Beverages Company Limited ("Asahi Beverage") with a consideration of RMB1. The related procedures have been completed in January 2010 and after the completion, Asahi Beverage became a wholly owned subsidiary of the Group and renamed as Tsingtao Brewery Beverage Company Limited. The acquisition of Asahi Beverage resulted in a negative goodwill of approximately RMB8,343,000.

All the above transactions with related parties were carried out based on terms agreed between the Group and the related companies.

23. RELATED PARTY TRANSACTIONS (CONT'D)

- (b) As at 30 June 2010, the Group had the following significant balances maintained with related parties:

	As at	
	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000
Trade and other receivable		
— TB Group Company	—	5,198
— Jointly controlled entity	6,857	7,109
— Associates	56,183	55,696
Trade and other payables		
— Associates	36,436	25,914
Entrusted borrowings from		
— TB Group Company	67,000	67,000

Except for entrusted borrowings from TB Group Company, the Group's current balances maintained with related parties are all unsecured, non-interest bearing and with no fixed repayment terms.

- (c) Key management compensation

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Basic salaries, allowances and benefits-in-kind	4,573	4,266
Retirement fund contributions	279	260
	4,852	4,526

Key management personnel are those persons, in total 17 persons, having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and other senior management personnel.

24. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

At the date of these condensed consolidated interim financial information are approved, there are no significant events occurring after the balance sheet date.

TSINGTAO BREWERY COMPANY LIMITED
SUPPLEMENTARY INFORMATION

RECONCILIATION OF DIFFERENCES BETWEEN PRC GAAP AND HKFRS

The Group has prepared a separate set of financial information for the period ended 30 June 2010 in accordance with “Accounting Standards for Business Enterprises (2006)” (“PRC GAAP”) for equity holders of A shares of the Company.

As at 30 June 2010, there are no differences between the consolidated interim financial statements prepared in accordance with PRC GAAP and HKFRS. The details are summarised in the following table:

Impact on the consolidated net assets:

	As at	
	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000
Net assets attributable to the Company's equity holders as per accounts prepared under PRC GAAP	8,740,283	8,220,580
HKFRS adjustments:	—	—
Net assets attributable to the Company's equity holders as per financial statements prepared under HKFRS	<u>8,740,283</u>	<u>8,220,580</u>

Impact on the consolidated net profit:

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Net profit attributable to equity holders of the Company under PRC GAAP	830,036	639,784
HKFRS adjustments:	—	—
Net profit attributable to equity holders of the Company under HKFRS	<u>830,036</u>	<u>639,784</u>

(I) REVIEW OF OPERATIONAL RESULTS FOR THE FIRST HALF OF 2010

In the first half of 2010, China's economy maintained a steady growth based on the expedited adjustments towards the economic structure, while the national beer industry also continued to grow steadily. As a result, the total output of the industry in the first half year reached 211.8 million hl, increasing by 4.77% comparing with that of the same period in the previous year.

In the first half year, under the annual working guideline determined at the year beginning, the Company actively carried out various work to strengthen its brand promotion and marketing, and continued to promote the construction of its marketing system of "Big customer + Micro operations", which made the sales of its principal brand maintain a rapid growth. At the same time, the Company promoted the optimization of its supply chain to improve the efficiency of supply plan, realize the purchase in large scale, reduce the purchasing cost and improve the utilization ratio of production capacity in its plants, so as to promote the continuous improvement of the Company's operating results. In the first half of 2010, the Company totally sold 31.1 million hl of beer, increasing by 2.9% comparing with that of the same period in the previous year, in which 16.5 million hl of Tsingtao beer were sold, increasing by 14.9% comparing with that of the same period in the previous year, the sales volume of high-end products of Tsingtao draft, small-bottled and canned beer rose 26.7%, and the sales volume of the newly developed Tsingtao "Bingchun" series grew so rapidly that reached 1.49 million hl in the first half year.

During the reporting period, the profitability was further improved as the mid-high-end products continued to keep a rapid growth trend, and the product mix was further optimized, the Company realized its net sales incomes of RMB9,805 million, increasing by 9.3% comparing with that of the same period in the previous year; and net profits attributable to the shareholders of the parent company of RMB830 million, increasing by 29.74% comparing with that of the same period in the previous year.

(II) ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD (IN ACCORDANCE WITH HKFRSs)

1. Analysis to the principal business and operational situations

Unit: RMB'000

Profit items	Six months ended 30 June		Increased/ (Decreased) amount	Increased/ (Decreased) percent %
	2010	2009		
Sales	(1) 9,805,457	8,969,485	835,972	9.3
Cost of goods sold	(2) (6,260,905)	(5,933,303)	(327,602)	5.5
Distribution costs	(3) (2,134,348)	(1,857,528)	(276,820)	14.9
Administrative expenses	(3) (409,233)	(387,869)	(21,364)	5.5
Other gains — net	(4) 125,593	76,110	49,483	65.0
Income tax expense	(5) (241,330)	(169,298)	(72,032)	42.6

(1) The sales increased by 9.3% comparing with that of the same period in the previous year, which was mainly due to that, firstly, the ratio of the sales volume of principal brand increased during the period as the optimization of its product sales structure; secondly, the sales increased as the increase of sales volume of principal products during the reporting period.

(i) *Table of principal business by industries and products*

Unit: RMB'000

By industries or products	Sales	Cost of goods sold	Gross profits rate (%)	Increase of sales (%)	Increase of cost of goods sold (%)	Increase of gross profits rate (%)
By industries						
Beer	9,805,457	6,260,905	36.1	9.32	5.52	2.3
By products						
Beer	9,805,457	6,260,905	36.1	9.32	5.52	2.3

The Group is mainly engaged in the production and sales of beer.

(ii) *Table of principal business by geographical markets*

Unit: RMB'000

Region	Sales	Increased/ (Decreased) (%)
Shandong area	5,054,450	17.4
South China	1,967,452	7.6
North China	1,799,118	2.2
East China	925,787	(0.4)
South-East China	624,195	10.8
Hong Kong and overseas	181,977	10.2
Sub-total	10,552,979	10.5
Less: Eliminations	(747,522)	27.9
Total	9,805,457	9.3

(2) *Cost of goods sold*

In the first half of 2010, the cost of goods sold of the Group increased by 5.5% comparing with that of the same period in the previous year, which was mainly due to the increase of the cost of goods sold as the expansion of sales scale and the optimization of its product mix during the reporting period.

(3) *Expenses during the period*

- (i) In the first half of 2010, the distribution costs increased by 14.9% comparing with that of the same period in the previous year, which was mainly due to the increase of promotional expenses as the growth of sales volume of high-end products resulted from the optimization of product mix during the reporting period.
- (ii) In the first half of 2010, the administrative costs increased by 5.5% comparing with that of the same period in the previous year, which was mainly due to the increase of operating costs as the growth of output and sales volume and the increase of staff's remunerations during the reporting period.

(4) *Other gains — net*

In the first half of 2010, the other gains — net increased by 65.0% comparing with that of the same period in the previous year, which was mainly due to the increase of government grants received by its subsidiaries in the year and the increase of interests income during the reporting period.

(5) *Income tax expenses*

In the first half of 2010, the income tax expense increased by 42.6% comparing with that of the same period in the previous year, which was mainly due to the increased sales and the decrease of the accumulated tax losses of certain subsidiaries.

2. Interpretation of composition of assets/liabilities

Unit: RMB'000

Item	As At		Increased/ (Decreased) amount	Increased/ (Decreased) percent (%)
	30 June 2010	31 December 2009		
Cash and cash equivalents (1)	7,624,062	5,307,575	2,316,487	43.6
Trade and other receivables (2)	503,734	375,821	127,913	34.0
Deferred income tax assets (3)	392,756	240,843	151,913	63.1
Trade and other payables (4)	5,830,302	4,449,805	1,380,497	31.0
Current income tax liabilities (5)	371,612	212,925	158,687	74.5
Dividends payable (6)	216,157	—	216,157	—
Deferred government grants (7)	368,736	184,169	184,567	100.2

(1) *Cash and cash equivalents*

By the end of the reporting period, the cash and cash equivalents increased by 43.6% comparing with that at the beginning of the reporting period, which was mainly due to the increase of net cash flow from operating activities during the reporting period.

(2) *Trade and other receivables*

By the end of the reporting period, the trade and other receivables increased by 34.0% comparing with that at the beginning of the reporting period, which was mainly due to the increase of accounts receivable of some subsidiaries as the growth of sales, and the increase of prepayments for the purchase of raw materials and the lands during the reporting period.

(3) *Deferred income tax assets*

By the end of the reporting period, the deferred income tax assets increased by 63.1% comparing with that at the beginning of the reporting period, which was mainly due to the increase of deferred income tax assets as the increase of expenses pending for payment during the reporting period.

(4) *Trade and other payables*

By the end of the reporting period, the trade and other payables increased by 31.0% comparing with that at the beginning of the reporting period, which was mainly due to the increase of the unmatured accounts payable, and the increase of costs pending for payment by the end of the reporting period.

(5) *Current income tax liabilities*

By the end of the reporting period, the current income tax liabilities increased by 74.5% comparing with that at the beginning of the reporting period, which was mainly due to the increase of sales incomes and total profits during the reporting period.

(6) *Dividends payable*

By the end of the reporting period, the dividends payable increased by approximately RMB216,157,000 comparing with that at the beginning of the reporting period, which was mainly due to that the payment for the profits attributable for 2009 had not been made by the end of the reporting period.

(7) *Deferred government grants*

By the end of the reporting period, the deferred government grants increased by 100.2% comparing with that at the beginning of the reporting period, which was mainly due to the increase of governmental relocation subsidies and the government grants received by some subsidiaries during the reporting period.

3. Analysis of cash flow

Unit: RMB'000

Item	Six months ended 30 June		Increased/ (Decreased) amount	Increased/ (Decreased) percent (%)
	2010	2009		
Cash flow from operating activities — net	(1) 2,657,933	2,591,222	66,711	2.6
Cash flow from investing activities — net	(2) (288,943)	(600,864)	311,921	51.9
Cash flow from fund-raising activities — net	(3) (50,911)	323,758	(374,669)	(115.7)
Net increase in cash and cash equivalents	2,318,079	2,314,116	3,963	0.17

(1) The cash flow from operating activities increased by 2.6% comparing with that of the same period in the previous year, which was mainly due to the increase of the cash flow-in from the sales as the satisfying sales of its principal products resulted from the optimization of product mix.

(2) The cash flow from investing activities increased by 51.9% comparing with that of the same period in the previous year, which was mainly due to that, firstly, the expenses for the technical reconstruction and expansion for some subsidiaries, and the cash paid for the fixed assets of the new plants decreased during the reporting period comparing with that of the same period in the previous year; secondly, the relocation subsidies received by the subsidiaries during the reporting period increased comparing with that of the same period in the previous year.

(3) The cash flow from fund raising activities decreased by 115.7% comparing with that of the same period in the previous year, which was mainly due to that, firstly, the cash received from the borrowings decreased during the reporting period; secondly, the cash received from the discounting of bills decreased.

4. Interpretation for other operational situations

(1) *Debt/Capital Ratio*

On 30 June 2010, the Group's debt/capital ratio was 12.4% (13.0% on 31 December 2009). The calculation of debt/capital is: total amount of long-term borrowings/(total amount of long-term borrowings + shareholders' interests attributable to the parent company).

(2) *Assets mortgage*

As of 30 June 2010, none of the bank borrowings of the Group was with mortgage (Nil as at 31 December 2009).

(3) *Risk of fluctuations of exchange rate*

At present, the Group mainly relies on the imported barley among the raw materials in its production of principal brand, the changes of exchange rate would indirectly affect the price of raw materials used by the Group, so as to bring certain impacts to the profitability of the Group.

(4) Resource and utilization of funds

The Company's accrued capital expenses and the funds for the acquisitions are mainly from its own funds, the cash flow from operating activities, and the financing of its debts and the rights and interests in the future.

The Company has sufficient cash flow and sound credit status with strong ability of fund-raising. As at 30 June 2010, the outstanding comprehensive credit limits of the Company and its subsidiaries were RMB6.26 billion.

As at 30 June 2010, the total amount of bank borrowings of the Company was RMB216,451,000, in which those would expire within 1 year were amounted to RMB202,636,000, those would expire in 1-5 years were amounted to RMB9,023,000, and those would expire over 5 years were amounted to RMB4,792,000. And as categorized based on the currency, the borrowings in Renminbi were amounted to RMB80,251,000, borrowings in Hong Kong dollars were amounted to RMB122,877,000, borrowings in Euro were amounted to RMB8,445,000, and borrowings in Danish krone were amounted to RMB4,878,000. All borrowings of the Company were affected by the fluctuation of the interest rate in the market, and as of the settlement date, the effective annual interest rate of Renminbi and Hong Kong dollar were 4.779% and 1.105% respectively.

On 2 April 2008, the Company issued the separately traded convertible bonds for a period of 6 years in the total value of RMB1.5 billion, which the par annual interests rate was 0.8%, and the actual annual interest rate was 6.1%. Totally RMB1.15 billion of the proceeds has been used and the remaining RMB0.35 billion of the proceeds is deposited in the designated bank savings account for the proceeds from the fund raising activities.

During 13 to 19 October 2009, the additional 42.76 million shares of A-share were issued through the exercise of the Tsingtao warrants during the exercise period, as a result, it totally collected a proceed of approximately RMB1.189 billion and saved in the specific bank account designated by its Board. As required, the Company had entered into a *Three-Party Supervision Agreement of Specific Account for the Proceeds* among the commercial banks and underwriting institutions, and made an announcement on 6 November 2009. The aforesaid proceeds from the exercise will be used for the further expansion of the Company's production scale, and up to present, the Company had been actively seeking for the appropriate investment targets, and will announce for implementation as approved by the Board and the general meeting after submitting to them for consideration as soon as it has determined the investment targets.

(5) Contingent liabilities

For details please refer to the enclosed Note 10 of condensed consolidated interim financial information.

(III) OUTLOOK FOR THE SECOND HALF OF 2010

Despite the unfavorable situation of the huge pressure from the market in the first half year, the Company will insist on its annual working guideline of "To strengthen the position as industry leader as directed by the strategies and under integrated operations; to improve the efficiency of the systematic operations as promoted by the market and with the optimization of the supplying chain", continue to carry out its brand strategy of "1+3" (Tsingtao and Shanhuai, Laoshan and Hans), actively enlarge its market share in the second half year. It will pay full attention to and expedite the development of its secondary brands based on the influence and leadership of Tsingtao beer, its principal brand, and strive to realize its annual growth target of sales volume. At the same time, with the Company's advantages such as brands, technology and funds, it will increase its production capacity through the methods such as technical re-construction, new constructions and expansions, and actively seek for appropriate opportunities of mergers and acquisitions to further improve the Company's strategic layout and increase its market share.

SIGNIFICANT EVENTS

(I) PURCHASE OF NON-CONTROLLING INTERESTS DURING THE REPORTING PERIOD

As approved by the Board, on 1 March 2010, the Company and Tsingtao Brewery Group Company Limited (“Tsingtao Group”) entered into an equity transfer agreement, whereby the Company shall acquire the entire equity of Tsingtao Brewery (Jinan) Baotuan Sales Company Limited (“Target Company”) held by Tsingtao Group through Qingdao Property Rights Exchanges by way of public bidding (“Share Transfer”). The consideration of the Share Transfer was RMB174.16 million which was arrived at with reference to the valuation of the net assets and the bidding price of the Target Company. The Company must make full payment of total amount of considerations for the acquired equities to the designated account of Tsingtao Group in Qingdao Property Rights Exchanges within 5 working days after the agreement taking into effect. The Company and Tsingtao Group had entered into an equity custodian agreement (“Custodian Agreement”) in July 2009, whereby to operate the Target Company in custody, and thus the Target Company was consolidated from the date on which control is transferred to the Company. The Custodian Agreement will be terminated immediately upon the completion of this Share Transfer. The Board (including the independent non-executive directors) were of the view that the Share Transfer was beneficial for the long term development of the Company’s business in the beer market in Jinan, Shandong Province, the PRC, consistent with the business strategies of the Company to build a core base market in Jinan. The pricing of the Share Transfer was fair and reasonable and in the interests of the Company and its shareholders as a whole. For details of the Share Transfer, please refer to the announcement published by the Company on 1 March 2010 and 2 March 2010 respectively on the websites of the stock exchanges in Hong Kong and Shanghai.

During the reporting period, the procedures for the change of registration at the industry and commercial administration for the acquisition of the aforesaid equities of the Target Company had been completed, and the Target Company had become a wholly-owned subsidiary of the Company.

(II) OTHER ISSUES

1. The Company shall not distribute interim dividends for the 6 months ended 30 June 2010 pursuant to the provisions in the articles of association of the Company.
2. During the reporting period, the Company was not involved in any new significant litigations and arbitration.
3. Under the Entrusted Operation and Management Agreement and its supplemental agreement entered into between the Company and Tsingtao Group, the Company went on to manage Tsingtao Group’s 80% interests in Tsingtao Brewery (Yangzhou) Company Limited (“Yangzhou Company”) as its custodian and included it into the consolidating scope of financial statements of the Company during the reporting period.

CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY

(I) CONTINUING CONNECTED TRANSACTIONS OCCURRED DURING THE REPORTING PERIOD

As approved by the Board, on 2 March 2010, Shenzhen Tsingtao-Asahi Company Limited (“Tsingtao Shenzhen”), a controlling subsidiary of the Company, entered into two supplemental agreements of *Products Sales Agreement* (“*Supplemental Agreements*”) respectively with Asahi Breweries, Ltd. (“Asahi Breweries”) and one of its wholly-owned subsidiaries, whereby Asahi Breweries and the subsidiary agreed to continue to purchase beer products of “Asahi” brand from Tsingtao Shenzhen for an additional period from 1 January 2010 to 31 December 2010. The total purchase amount to be paid by Asahi Breweries and its subsidiary for 2010 will not exceed RMB74.62 million.

As Asahi Breweries is a substantial shareholder of the Company (held a 19.74% interest in the entire issued share capital of the Company as at the date of entering into the *Supplemental Agreements*), Asahi Breweries and the subsidiary are connected persons of the Company, and the applicable percentage ratios for the transactions that Tsingtao Shenzhen selling products to Asahi Breweries and its subsidiary are expected to be lower than 2.5%, thus constituting continuing connected transactions of the Company which must comply with the reporting and announcement requirement, but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (“*Listing Rules*”). For details of the connected transaction, please refer to the announcement published by the Company on 2 March 2010 on the websites of the stock exchanges in which it was listed.

(II) CONTINUING CONNECTED TRANSACTIONS AFTER THE REPORTING PERIOD

1. As approved by the Board, on 26 July 2010, the Company and Beijing Beer Asahi Co., Ltd. (“Beijing Asahi”) entered into a *Product Sales Agreement* (“*Product Sales Agreement*”), whereby the Company or its designated distributors shall purchase all beer products produced by Beijing Asahi with the use of the trademarks as permitted by the Company (“Tsingtao Beer Products”), and have the exclusive right to sell the Tsingtao Beer Products for a period from 26 July 2010 to 31 December 2010. For the year ended 31 December 2010, the estimated total purchase amount payable by the Company and its subsidiaries shall not exceed RMB50 million. The Board had made full consideration of the factors including market demands for the products, production costs and sales plan when determining the annual cap for the year.

As at the date of entering into the *Product Sales Agreement*, Asahi Breweries held a 72.82% interest in Beijing Asahi and had an equity of approximately 19.99% in the entire issued share capital of the Company, Beijing Asahi was a connected person of the Company under Chapter 14A of the *Listing Rules*. The entering into of and the transactions contemplated under the *Product Sales Agreement* thus constituted continuing connected transactions of the Company under Chapter 14A of the *Listing Rules*.

As the applicable percentage ratios in relation to the transactions contemplated under the *Product Sales Agreement* are to be more than 0.1% but less than 5% on an annual basis, such transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the *Listing Rules*. For details of the continuing connected transaction, please refer to the announcement published by the Company on 26 July 2010 on the websites of the stock exchanges in which it was listed.

2. On 30 July 2010, the Company had entered into an *Entrusted Processing Agreement* (“*Entrusted Processing Agreement*”) with Hangzhou Xihu Beer Asahi Co., Ltd. (“Hangzhou Asahi”), whereby the Company shall purchase all Tsingtao Beer Products produced by Hangzhou Asahi with the use of the trademarks as permitted by the Company, and have the exclusive right to sell the Tsingtao Beer Products for a period from 30 July 2010 to 31 December 2010. For the year ended 31 December 2010, the estimated total purchase amount payable by the Company shall not exceed RMB14 million.

As at the date of entering into the *Entrusted Processing Agreement*, Asahi Breweries indirectly controlled Hangzhou Asahi (held a 55% interest in it) and had an equity of approximately 19.99% in the entire issued share capital of the Company, Hangzhou Asahi was a connected person of the Company under Chapter 14A of the *Listing Rules*. The entering into of and the transactions contemplated under the *Entrusted Processing Agreement* thus constituted continuing connected transactions of the Company under Chapter 14A of the *Listing Rules*. As the applicable percentage ratios in relation to the transactions contemplated under the *Entrusted Processing Agreement* are to be less than 0.1% on an annual basis, such transactions are exempted under Chapter 14A of the *Listing Rules* being de minimis transactions.

CHANGES OF SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

1. There were no changes of total of shares and the structure of share capital during the reporting period.

2. Information of shareholders

(1) As at 30 June 2010, the total number of shareholders of the Company was 25,658, in which the holders of A-share were 25,315, and the holders of H-share were 343. Based on the public information which is known on the latest practicable date before the interim report is published, which is also known by the directors of the Company, the number of the Company's shares held by the public has been satisfied the requirements in the *Listing Rules*.

(2) Shareholdings of top ten shareholders of the Company by the end of the reporting period

Unit: Share

Shareholder's name	Class of share	Shares held at the end of the reporting period	Holding percentage (%)
Tsingtao Brewery Group Company Limited <i>(Note 1)</i>	A-share + H-share	411,400,050	30.45
HKSCC Nominees Limited <i>(Note 2)</i>	H-share	281,902,142	20.87
Asahi Breweries, Ltd. <i>(Note 3)</i>	H-share	270,127,836	19.99
ICBC (Asia) Nominee Limited <i>(Note 3)</i>	H-share	91,641,342	6.78
Bank of China — Dacheng Blue Chip Steady Securities Investment Fund	A-share	18,417,000	1.36
China Jiayin Investment Company Ltd.	A-share	17,574,505	1.30
National Social Security Fund 108 <i>(Note 4)</i>	A-share	11,465,900	0.85
Industrial Bank Co., Ltd. — Industrial Trend Investment Mixed Securities Investment Fund	A-share	10,247,744	0.76
National Social Security Fund 102 <i>(Note 4)</i>	A-share	8,800,000	0.65
China Resources SZITIC Trust Co., Ltd — Chongyang No. 3 Securities Investment Collection Fund Trust Program	A-share	6,499,284	0.48

- (3) Shareholdings of top ten holders of listed shares without sales restriction of the Company by the end of the reporting period

Shareholder's name	Class of share	<i>Unit: share</i>
		Shares held at the end of the reporting period
HKSCC Nominees Limited	H-share	281,902,142
Asahi Breweries, Ltd.	H-share	270,127,836
ICBC (Asia) Nominee Limited	H-share	91,641,342
Bank of China — Dacheng Blue Chip Steady Securities Investment Fund	A-share	18,417,000
National Social Security Fund 108	A-share	11,465,900
Industrial Bank Co., Ltd. — Industrial Trend Investment Mixed Securities Investment Fund	A-share	10,247,744
National Social Security Fund 102	A-share	8,800,000
China Resources SZITIC Trust Co., Ltd — Chongyang No. 3 Securities Investment Collection Fund Trust Program	A-share	6,499,284
China Construction Bank — Yinhua Core Value Selected Stock Securities Investment Fund	A-share	5,400,000
China Industrial and Commercial Bank — Jingshun Great Wall Blue Chip Stock Securities Investment Fund	A-share	4,618,305

Notes:

1. *The number of the shares held by Tsingtao Group in the Company include 7,944,000 shares of H-share held through its wholly-owned subsidiary, and 403,456,050 shares of A-share held by Tsingtao Group itself.*
2. *The H-shares are held by HKSCC Nominees Limited on behalf of different clients with the H-Shares held by Tsingtao Group's wholly-owned subsidiary deducted.*
3. *Asahi Breweries purchased additional 3,406,000 shares of H-share in the Company during the reporting period.*
4. *The National Social Security Fund 108 and National Social Security Fund 102 are the products operated by Bosera Funds Management Co., Ltd.*

Save as disclosed above, the Company is unaware if there are any other associations among these top ten shareholders or they are of the parties acting in concert.

(4) Substantial shareholders of H-share

Save as disclosed below, the Directors of the Company are not aware of any persons other than a Director or Supervisor or chief executive of the Company or his/her respective associate(s) who, as at 30 June 2010, had an interest or short position in the shares or underlying shares of the Company which was recorded in the register to be kept under Section 336 of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “SFO”):

Name	Nature	Class of Shares	Capacity	Note	Number of shares/ underlying shares	As a percentage of the entire issued capital	As a percentage of all H Shares
SASACQ	Long Position	A-Share	Corporate		403,456,050 A-Shares	29.86%	N/A
	Long Position	H-Share	Interest of controlled corporation	1	7,944,000 H-Shares	0.59%	1.21%
Asahi Breweries, Ltd	Long Position	H Share	Beneficial Owner	2	270,127,836 H-Shares	19.99%	41.24%
Chen Fa Shu	Long Position	H Share	Beneficial Owner		91,641,342 H-Shares	6.78%	13.99%
JPMorgan Chase & Co.	Long Position	H-Share	Interest of controlled corporation/ Beneficial Owner/ Investment Manager/ Custodian	3	59,179,763 H-Shares	4.38%	9.03%
	Interest in a lending pool	H-Share			21,040,593 H-Shares	1.56%	3.21%
	Short Position	H-Share	Beneficial Owner		425,000 H-Shares	0.03%	0.06%
Marathon Asset Management	Long Position	H-Share	Investment Manager		32,755,000 H-Shares	2.43%	5.00%

Notes:

- (1) The 7,944,000 H-shares which were deemed to interested by SASACQ were held by a wholly-owned subsidiary of Tsingtao Brewery Group Company Limited. According to the latest disclosure of interests filings, SASACQ is interest in 7,844,000 H-Shares.
- (2) According to the latest disclosure of interests filings, Asahi Breweries, Ltd is interested in 269,127,836 H-Shares.
- (3) The Shares in which JPMorgan Chase & Co. was deemed to be interested were held through various intermediate holding companies.
- (4) For the latest disclosure of interests filings for the Company’s substantial shareholders, please refer to the “Disclosure of Interests” section on the website of Hong Kong Exchanges and Clearing Limited (“HKEx”) (www.hkex.com.hk).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

1. CHANGES OF SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Unit: A-share

Name	Position	Shares held as at 31 December 2009	Shares purchased during the reporting period	Shares held as at 30 June 2010	Reasons for the changes
JIN Zhi Guo	Chairman	0	146,500	146,500	Purchased personally through secondary market
SUN Ming Bo	Executive Director, President	1,840	122,320	124,160	Purchased personally through secondary market
FAN Wei	Vice President & President of Manufacturing Center	3,476	119,400	122,876	Purchased personally through secondary market
JIANG Hong	Vice President	0	37,000	37,000	Purchased personally through secondary market

Save as disclosed in the above changes of shareholdings of directors and senior management, as at 30 June 2010, Mr. LIU Ying Di held 5,894 shares in the Company, Mr. DONG Jian Jun held 92 shares in the Company, Mr. ZHANG Xue Jue held 1,179 shares in the Company, Mr. CAO Xiang Dong held 2,358 shares in the Company, and Mr. HUANG Ke Xiang held 1,300 shares in the Company. All shares held by the above individuals are A-shares.

Save as disclosed above, as at 30 June 2010, none of the directors, supervisors and senior management of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (as defined in Part XV of the *Securities and Futures Ordinance*), which was recorded in the register required to be kept under section 352 of the *Securities and Futures Ordinance* or otherwise notified to the Company and the Stock Exchange of Hong Kong pursuant to the *Model Code for Securities Transactions by Directors of Listed Companies* (the "Model Code") included in Appendix 10 of the *Listing Rules*.

2. MODEL CODE

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

3. CHANGES OF INFORMATION OF DIRECTOR

Hereby are the changes of information of Mr. JIN Zhi Guo, Chairman of the Company, as required by Rule 13.51B(1) of the *Listing Rules*:

- (1) In September 2009, being a director of QKL Stores Inc. (stock code: QKLS), a company listed on NASDAQ, USA;
- (2) On 1 July 2010, being an independent non-executive director of China Dongxiang (Group) Co., Ltd. (stock code: 3818), a company listed on the main board of The Stock Exchange of Hong Kong;
- (3) On 9 August 2010, being an independent director of the Fourth Board of Directors of Jiuzhitang Co., Ltd. (stock code: 000989), a company listed on the main board of Shenzhen Stock Exchange.

4. STAFF

As at 30 June 2010, the Company (including its subsidiaries) totally had 33,393 persons of full-time staff, and 5,014 persons of retired staff.

The Company cares about its staff and secures their legal rights. It provides the full-time staff with social insurances including pension, basic medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance, and pays fees for these insurances with full amount. Meanwhile, the Company sets up a remuneration incentive mechanism subject to the staff's position value and personal development to have its staff share the operational results, which makes the remuneration of its staff obtain continuous growth with its development.

The Company takes seriously about its staff's education and trainings by strengthening its establishment of education and training system. It has set up Tsingtao Brewery Administration Institute as a platform for its staff's study, sharing and practice. It carries out the practical, applicable and effective training programs with pertinence based on the Company's needs. The contents of training include: promoting the comprehensive managing level of management team, improving staff's professional skills for their own position, and the continuing education of professional technicians. As at 30 June 2010, it totally had 12,200 training hours for 93,307 person-times.

PURCHASING, SELLING OR REDEEMING THE SECURITIES

For the 6 months ended 30 June 2010, neither the Company nor any of its subsidiaries ever purchased, sold or redeemed any of its listed securities.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company had been paying attention to the corporate governance and the transparency of it. Under the requirements on corporate governance raised by the regulatory authority, the Company had been improving its internal control to realize a standard and highly efficient operation to ensure its shareholders can obtain rewards from sound corporate governance.

During the reporting period, the Company had been in compliance with Appendix 14 *Code of Corporate Governance Practice of the Listing Rules*.

REVIEW OF THE UNAUDITED INTERIM RESULTS

The Audit & Finance Committee under the Board has reviewed the Company's unaudited 2010 interim results.

COMPANY INFORMATION

1. Basic Information

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

2. Contact Person and Contact Methods

Secretary to the Board:	ZHANG Xue Ju
Representative for Securities Affairs:	Zhang Rui Xiang
Address:	Equity Management Department, Room 1105, Tsingtao Beer Tower, May Fourth Square, Hong Kong Road Central, Qingdao, Shandong Province, the PRC
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

2010

INTERIM REPORT

中期報告

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.