

Notes to Financial Statements

*For the Year Ended 31 December 2010
(All amounts in RMB Yuan unless otherwise stated)
(English Translation for Reference Only)*

1 General information

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

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 the total share capital to RMB1,308,219,178 after issue of additional RMB ordinary shares, issue of corporate convertible bonds and conversion of such bonds 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 amount of RMB1,500 million with the term of 6 years. Upon the exercise period ended on 19 October 2009, 42,763,617 A shares of the Company were issued and the total number of the Company’s shares was increased from 1,308,219,178 to 1,350,982,795.

Pursuant to the A share reform proposal approved at the General Meeting of the Company held on 16 October 2006, all shareholders of non-circulating shares of the Company should pay shares and cash to all shareholders of circulating A shares of the Company registered on China Securities Registration and Clearing Company Limited Shanghai branch on the date of implementation of the reform proposal (18 December 2006) as consideration arrangements. After completion of aforesaid consideration arrangement, the non-circulating shares held by the shareholders of the Company would obtain trading rights immediately. However, the state-owned shareholders of the Company had undertaken not to transfer their shares within 5 years after obtaining the trading rights, and had undertaken to put forward proposal for profit appropriation not lower than 70% of the distributable profit of the Company realized for the year at the General Meeting of the Company in the following three years, and vote for the resolution on a poll at the General Meeting of the Company. As at 31 December 2010, according to the stipulated restrictions, 417,394,505 corporate shares held by the original shareholders of non-circulating shares were not subject to trading.

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

These financial statements were authorised for issue by the Company’s Board of Directors on 30 March 2011.

2 Summary of significant accounting policies and accounting estimates

(1) Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter 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 Provisions on Financial Reporting (revised 2010) issued by the China Securities Regulatory Commission.

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

The financial statements of the Company for the year ended 31 December 2010 are in compliance with CAS, and truly and completely present the financial position as of 31 December 2010 and the operating results, cash flows and other information for the year then ended of the Group and the Company.

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(3) Accounting period

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

(4) Recording currency

The recording currency is Renminbi (RMB).

(5) Business combinations

(a) Business combinations involving entities under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained 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.

(b) Business combinations involving entities 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 interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period.

Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred.

(c) Transactions with minority interests

After obtaining the control over a subsidiary, out of all or part of the minority interests in the subsidiary obtained from its minority shareholders, 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 minority 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. If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining difference shall be adjusted against retained earnings.

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2 Summary of significant accounting policies and accounting estimates (continued)

(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, come under common control of the ultimate controlling party. The portion of the net profits realised 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 are inconsistent between the Company and subsidiaries, the financial statements of 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 inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements within equity and net profits respectively. (Subsidiary minority shareholders' share of current losses over the minority shareholders in the subsidiary exceed the owners' rights enjoyed by the share, its balance offsets the number of shareholders' equity). Where the amount of losses for the current period attributed to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owner equity of the subsidiary, the excess amount is allocated against minority interests.

(7) Cash and cash equivalents

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

(8) Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Items among the shareholders' equity other than "undistributed profits" are translated at the spot exchange rates of 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 owners' 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.

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(9) Financial instruments

(a) Financial assets

(i) Classification

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

Receivables

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

Available-for-sale financial assets

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

Held-to-maturity investments

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

(ii) Recognition and measurement

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

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

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

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2 Summary of significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(ii) Recognition and measurement (continued)

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

(iii) Impairment of financial assets

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

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

In the case of a significant or prolonged decline in the fair value of an available-for-sale financial asset, the cumulative loss arising from the decline in fair value that had been recognised directly in equity is removed from equity and recognised in impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed and recognised in profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in equity directly.

(iv) Derecognition of financial assets

A financial assets shall be derecognised when: (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; 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.

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(9) Financial instruments *(continued)*

(a) Financial assets *(continued)*

(iv) Derecognition of financial assets *(continued)*

On derecognition of a financial asset, the difference between the carrying amount and the consideration received and the cumulative changes in fair value that had been recognised directly in equity, shall be recognised in profit or loss.

(b) Financial liabilities

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

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

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

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

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

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of observable market inputs and relies as little as possible on entity-specific inputs.

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(10) Receivables

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

(a) *Receivables that are individually significant and subject to separate provision*

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is established.

The criteria for “individually significant” is that the amount exceeds RMB10,000,000.

The amount of the present value of the future cash flows expected to be derived from the receivable below the carrying amount shall be accounted for as bad debt provision.

(b) *Receivables that are combined into certain groups and subject to provision by groups*

Receivables that are not individually significant and those receivables that have been individually evaluated for impairment and have been found not impaired are combined into certain groups based on their credit risk characteristics. The impairment losses are determined based on the historical loss experience for the groups of receivables with the similar credit risk characteristics and taking into consideration of the current circumstances.

Basis for determination of group is as follow:

Group A	Amounts that could evaluate recovery risk individually
Group B	Amounts due from subsidiaries
Group C	All other amounts remaining

Methods for provision by groups are summarised as follows:

Group A	Specific identification
Group B	Specific identification
Group C	Ageing analysis method

Ratios used in the ageing analysis method amongst aforesaid groups are summarised as follows:

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

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(10) Receivables *(continued)*

(c) Accounts receivable that are not individually significant but subject to separate provision.

The basis for separate provision is that there is objective evidence that the Group will not be able to collect the full amount under the original terms.

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

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

(11) Inventories

(a) Classification

Inventories include raw materials, work in progress, finished goods and turnover materials, and are measured at the lower of cost and net realisable value.

(b) Cost of inventories

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and an allocation of all production overhead expenditures incurred that is systematically determined based on the normal production capacity.

(c) Basis for the determination of the net realisable value and provisions for declines in the value of inventory

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

(d) The Group adopts the perpetual inventory system.

(e) Amortisation of low cost consumables and packaging materials

Turnover materials include low cost consumables and packaging materials. They are amortised into expenses based upon numbers of usage.

(12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its jointly controlled entities and associates, as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured.

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2 Summary of significant accounting policies and accounting estimates (continued)

(12) Long-term equity investments (continued)

Subsidiaries are the investees over which the Company is able to exercise control. Jointly controlled entities are the investees over which the Group is able to exercise joint control together with other venturers. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in jointly controlled entities and associates are accounted for using the equity method. Other long-term equity investments, where the Group does not have control, joint control or significant influence over the investee and which are not quoted in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method.

(a) Determination of investment cost

Long-term equity investments accounted for using the cost method are measured at the initial investment costs. For long-term equity investments accounted for using the equity method, in the case that the initial investment cost of a long-term equity investment exceeds the investor's share of the fair value of the investee entity's identifiable net assets at the time of acquisition, long-term equity investment is measured at the initial investment cost; in the case that the initial investment cost is less than the investor's share of the fair value of the investee entity's identifiable net assets at the time of acquisition, the difference shall be included in profit or loss and the cost of the long-term equity investment shall be adjusted accordingly.

(b) Subsequent measurement

For long-term equity investments accounted for using the cost method, investment income is recognised in profit or loss for the cash dividends or profit distribution declared by the investees.

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

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(12) Long-term equity investments *(continued)*

(c) *Basis for determination of the power to control, jointly control or significant influence over the investee*

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. In determining whether the Company is able to exercise control over the investee, the effect of potential voting rights of the investee shall be considered, such as convertible debts and warrants currently exercisable.

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 amount of long-term equity investments in subsidiaries, jointly controlled entities and associates shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)). For other long-term equity investments which are not quoted in an active market and whose fair value cannot be reliably measured, the excess of its carrying amount over the present value of future cash flows discounted at the prevailing market yield rate for similar financial assets shall be recognised as impairment loss and cannot be reversed once recognised.

(13) Investment properties

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

The Group adopts the cost model for subsequent measurement of the 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 expressed as a percentage of cost and the annual depreciation rates of the investment properties are summarised as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	40 years	3%	2.4%

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

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

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(13) Investment properties *(continued)*

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

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

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

Fixed assets are recognised only if it is probable that 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 time of acquisition. The fixed assets contributed by state-owned shareholders during the incorporation of the Company are recorded based on the revaluation amount approved by state-owned assets administration department.

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

(b) Depreciation 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 are summarised as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	20-40 years	3% to 5%	2.4% to 4.9%
Machinery	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 least at each year-end.

(c) The carrying amount of fixed assets shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2 (19)).

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(14) Fixed assets *(continued)*

(d) Basis for identification of fixed assets held under a finance lease and its measurement

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. The leased asset shall be recorded at an amount equal to 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 shall be accounted for as unrecognised finance charge (Note 2(26)(b)).

Fixed assets held under a finance lease is depreciated on a basis consistent with the depreciation policy the Company adopts for fixed assets that are owned. If it can be reasonably determined that at the end of the lease term the ownership of the leased asset will be transferred, the leased asset is depreciated over the estimated useful lives; if not, the leased asset is depreciated over the shorter period of the lease term and the estimated useful lives.

(e) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(15) Construction in progress

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

(16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction 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, the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

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

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2 Summary of significant accounting policies and accounting estimates (continued)

(17) Intangible assets

Intangible assets include land use rights, trademarks, sales networks, computer software, technology known-how and others. All intangible assets are measured at cost. The intangible assets contributed by state shareholders during the incorporation of the Company are recorded based on the revaluation amount approved by 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 purchase costs of land use rights and the buildings located thereon cannot be reliably allocated between the land use rights and the buildings, all of the purchase costs are recognised as fixed assets.

(b) Trademarks

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

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

(c) Sales networks

Sales networks include the sales network acquired from Yantai Brewery (Tsingtao Asahi) Co., Ltd. (“Yantai Asahi”) and the sales network of Tsingtao Beer (Jinan) Baotuquan Sales Co., Ltd.. Amortisation is calculated using the straight-line method over the estimated useful lives of 10 years.

(d) Computer software

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

(e) Technology known-how

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

(f) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortisation method are performed at each year-end.

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(17) Intangible assets *(continued)*

(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 is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

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

(h) *Impairment of intangible assets*

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

(18) Long-term prepaid expenses

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

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(19) Impairment of long-term assets

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

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

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

(20) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Where the Group terminates the employment relationship with employees before the end of the employment contract or offers compensation for encouraging employees to accept voluntary redundancy, a provision for termination benefits for the compensation arising from the termination of an employment relationship with employees shall be recognised, with a corresponding charge to profit or loss when the Group has made a formal plan for termination of an employment relationship or an offer for voluntary redundancy which will be implemented immediately and cannot be withdrawn by the Group unilaterally.

The Group provides early termination benefits to employees who accept early termination arrangements. Early termination benefits means wages paid to and social insurance charges paid for those employees who voluntarily retire themselves from their posts with the approval of the management of the Group before their statutory retirement ages. The Group accounts for early termination benefits as termination benefits. When the recognition criteria in respect of termination benefits are met, the benefits proposed to be paid by the Group for the period from the discontinuation of service by the employee to his normal retirement date are recognised as liabilities, with a corresponding charge to profit or loss for the period.

Except for the compensation to employees for termination of the employment relationship, the employee benefits for the service are recognised in the accounting period in which employees have rendered service, and as costs of assets or expenses whichever the employee service is attributable to.

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(21) Dividends distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders at the Annual General Meeting.

(22) Convertible bonds with detachable warrants subscription rights

The convertible bonds with subscription warrants subscription rights issued are split into liability and equity components at initial recognition. The liability component is determined as the discounted amount of future cash flows, and the equity component is determined as the amount after deducting liability amount from proceeds of the issue. The transaction costs incurred on the issue of the convertible bonds are allocated between the liability component and equity component based on the proportion of their amounts at initial recognition. The liability amount of the convertible bonds is measured at amortized cost using the effective interest method.

(23) Revenue recognition

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

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

(a) Sale of goods

The Group manufactures and sells beer products to the regional distributors. Revenue is recognised when the Group has delivered the beer products to the location specified in the sales contract and the distributor has confirmed the acceptance of the products. Upon confirming the acceptance, the distributor has the right to sell the beer products at discretion and takes the risks of any obsolescence and loss of the products.

(b) Rendering of services

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

(c) Transfer of asset use rights

Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(24) Government Grants

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

A government grant shall be recognised when the conditions attached to it can be complied with 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 receivable. 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.

A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Grants measured at nominal amounts are recognised immediately in profit or loss for the current period.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the enterprise in the subsequent periods, the grant shall be recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the enterprise, the grant shall be recognised immediately in profit or loss for the current period.

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, jointly controlled entities and associates, except where the Group is able to control the timing of the 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, jointly controlled entities and associates 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 utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

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

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(26) Leases

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

(a) Operating leases

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

(b) Finance leases

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

(27) Held for sale and discontinued operations

A non-current asset or a component of an enterprise satisfying the following conditions is classified as held for sale: (1) the Group has made a resolution for the disposal of the non-current asset or the component; (2) an irrevocable contract with the transferee has been signed and; (3) the transfer will 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 included in other current assets at the amount equal to the lower of the fair value less costs to sell and carrying amount. An excess of the original carrying amount over the fair value less costs to sell is recognised as an asset impairment loss.

Discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and can be distinguished from other components within the Group in business operation and in preparation of financial statements.

(28) Segment information

The Group identifies operating segments based on the internal organisation 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 earn 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.

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(29) Changes in significant accounting policies

Details and reasons for the changes	Procedures for approval	Affected items	Amount
Treatment of excess losses contributed to minority shareholders of a subsidiary			
Before 1 January 2010, where the amount of loss for the current period attributed to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is allocated against owners' equity attributed to the parent unless the minority shareholders have a binding obligation and are able to cover the loss.	There is no need for the approval of the Group since the change is required by CAS Interpretation No. 4.	Increase undistributed profit of the Group as of 1 January 2009, decrease minority interests and capital surplus of the Group as of 1 January 2009.	RMB259,853,587, RMB171,001,858 and RMB88,851,729, respectively.
Under CAS Interpretation No. 4 issued by Ministry of Finance on 14 July 2010, where the amount of losses for the current period attributed to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is allocated against minority interests from 1 January 2010.		Increase minority interests of the Group, decrease net profit attributed to equity holders of the Company for the year ended 31 December 2009.	RMB3,282,493, respectively.
The aforesaid change in accounting policy is applied retrospectively.		Increase undistributed profit of the Group as of 1 January 2010, decrease minority interests and capital surplus of the Group as of 1 January 2010.	RMB256,571,094, RMB167,719,365 and RMB88,851,729, respectively.

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2 Summary of significant accounting policies and accounting estimates *(continued)*

(30) 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 financial 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 5(15)).

If management revises the gross margin 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, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual gross margin/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

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

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

For the year ended 31 December 2010, the Group recorded impairment losses amounting to RMB41,004,789 (2009: RMB40,834,361) for fixed assets based on such evaluation (Note 5(11)).

If management revises the gross margin 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, the Group would need to recognise further impairment against fixed assets.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against fixed assets.

If the actual gross margin/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of fixed assets previously provided for is not allowed to be reversed by the Group.

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2 Summary of significant accounting policies and accounting estimates (continued)

(30) Critical accounting estimates and judgments (continued)

(a) Critical accounting estimates and key assumptions (continued)

(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 realisation of deferred tax assets depends on the realisation of sufficient profitability (taxable profit) of the Group. The change in future income tax rates and timing of reversals of taxable temporary differences would affect income tax expenses or 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 31 December 2010, deferred tax assets of RMB332,191,308 has been recognised in the Group's balance sheet. As stated in Note 5(17), the Group had unrecognised deferred tax assets aggregated to approximately RMB360,482,000 as at 31 December 2010, which mainly attributable to accumulated tax losses of certain subsidiaries, depreciation differences of fixed assets acquired in business combinations and provision for impairment losses. Deferred tax assets had not been recognised due to the fact that there is no certainty of obtaining approval from local tax authorities or there is no certainty of their respective realisation of these tax benefits through available future taxable profits of the subsidiaries concerned. In cases where the actual future assessable profits generated 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.

3 Taxation

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

Type	Taxable base		Tax rate
Corporate income tax	Taxable income		16.5% to 25%
Value-added tax ("VAT")	Taxable amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)		17%
Business tax	Taxable turnover amount		3% to 5%
Consumption tax	Sales Price of Beer	Consumption Tax per Unit	Not Applicable
	More than or equal to RMB3000 per ton	RMB250 per ton	
	Less than RMB3000 per ton	RMB220 per ton	
City maintenance and construction tax	The amount of VAT, business tax and consumption tax paid		1% to 7%
Education surcharge	The amount of VAT, business tax and consumption tax paid		3%

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3 Taxation *(continued)*

(2) Tax preference and official approvals

(i) Corporate income tax of the Company

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 corporate income tax at 15%, which was effective from the date of establishment of the Company 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.

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. For this purpose, the Company issued an announcement in relation to such matter on the websites of stock exchanges in the PRC and overseas, and in domestic newspapers on 6 July 2007.

On April 2008, the Company was informed by the governing local tax bureau that the applicable corporate income tax rate for the year ended 31 December 2007 was adjusted from 15% to 33%. 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 corporate income tax exposure in prior years had been made in the financial statements.

The applicable corporate income tax rate of the Company for the current year is 25%.

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3 Taxation (continued)

(2) Tax preference and official approvals (continued)

(ii) Corporate income tax of the subsidiaries

The applicable corporate income tax rate of the subsidiaries incorporated and operated in mainland China is 25% except the following subsidiaries which enjoy tax preference:

Name of the subsidiary	Preferential tax rate	Tax preference enjoyed	Tax approval document
Shenzhen Huanan Tsingtao Brewery Sales Company Limited	22%	Transitional preferential policy on corporate income tax	Guofa [2007] No. 39
Shenzhen Tsingtao Brewery Huanan Holding Company Limited	22%	Transitional preferential policy on enterprise income tax	Guofa [2007] No. 39
Shenzhen Tsingtao Beer Asahi Company Limited	22%	Transitional preferential policy on enterprise income tax	Guofa [2007] No. 39
Tsingtao Brewery (Xiamen) Company Limited	22%	Transitional preferential policy on enterprise income tax	Guofa [2007] No. 39
Xiamen Tsingtao Brewery Dongnan Sales Company Limited	22%	Transitional preferential policy on enterprise income tax	Guofa [2007] No. 39
Tsingtao Brewery Yulin Company Limited	12.5%	First year of 50% reduction in respect of the two-year exemption and three-year 50% reduction for productive foreign-invested enterprises.	Yukaiguoshuihan [2008] No. 1
Tsingtao Brewery (Changsha) Company Limited	12.5%	Second year of 50% reduction in respect of the two-year exemption and three-year 50% reduction for productive foreign-invested enterprises	Ningxiangguoshuijianmianzi [2008] No. 14
Tsingtao Brewery (Fuzhou) Company Limited	12.5%	Second year of 50% reduction in respect of the two-year exemption and three-year 50% reduction for productive foreign-invested enterprises	Rongguoshuizhihan [2007] No. 68
Tsingtao Brewery Shanghai Songjiang Company Limited	12.5%	Third year of 50% reduction in respect of the two-year exemption and three-year 50% reduction for productive foreign-invested enterprises	Hudishuisongwai [2007] No. 30
Tsingtao Brewery (Nanning) Company Limited (“Nanning Company”) (a)	12.5%	First year of 50% reduction in respect of the two-year exemption and three-year 50% reduction for productive foreign-invested enterprises.	Nanguowaihuifa [1996] No. 95
Beijing Five Star Tsingtao Brewery Company Limited (“Five Star Company”) (a)	12.5%	First year of 50% reduction in respect of the two-year exemption and three-year 50% reduction for productive foreign-invested enterprises.	Tax approval document pending
Beijing Tsingtao Brewery Three Ring Company Limited (“Three Ring Company”) (a)	12.5%	First year of 50% reduction in respect of the two-year exemption and three-year 50% reduction for productive foreign-invested enterprises.	Tax approval document pending

(a) Nanning Company, Five Star Company and Three Ring Company still have not made up their losses of prior years.

(3) Hong Kong profits tax

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

(4) VAT

According to “the People’s Republic of China Value-added Tax Temporary Regulations” (“VAT Regulations”), the Group is subject to output VAT calculated at 17% of the domestic sales value of tangible goods. In addition, it is subject to a refund of 13% on its export sales of products based on an “exempt, credit, refund” policy enacted. The Group also pays input VAT on its purchases of machineries, raw materials and auxiliary materials which is deductible against output VAT on its sales in order to arrive at the net VAT amount payable to the PRC government.

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3 Taxation (continued)

(5) 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 RMB3,000 or above per ton, the consumption tax is RMB250 per ton. For all other beer sold below that price, the consumption tax is levied at RMB220 per ton.

Tsingtao Brewery (Yangzhou) Company Limited, Tsingtao Brewery (Xuzhou) Company Limited and Tsingtao Brewery (Langfang) Company Limited, the subsidiaries of the Company, had outstanding consumption taxes in respect of prior years amounting to approximately RMB58,456,000. The consumption taxes in default were the preferential treatment on the holding over of tax given by local governments.

(6) Withholding Tax

According to Circular Guoshuihan [2008] No. 897 “Notice on the issue about withholding Corporate 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 corporate income tax on the basis of 10% of the dividends.

4 Business combination and consolidated financial statements

(1) Subsidiaries

(a) Subsidiaries acquired from establishment or investment

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Scope of business	Nature	Legal representative	Code of organisation
Shenzhen Tsingtao Brewery Huanan Holding Company Limited (“Huanan Holding Company”)	Directly	Shenzhen, the PRC	Finance	RMB200,000	Investment holding	Company limited	Wang Xinhong	73414323-8
Tsingtao Brewery (Zhuhai) Company Limited (“Zhuhai Company”)	Indirectly	Zhuhai, the PRC	Manufacturing	RMB60,000	Manufacture and domestic trading of beer	Company limited	Wang Xinhong	71223785-8
Tsingtao Brewery (Huangshi) Company Limited (“Huangshi Company”)	Directly & Indirectly	Huangshi, the PRC	Manufacturing	RMB5,000	Manufacture and domestic trading of beer	Company limited	Wang Xinhong	17841848-X
Tsingtao Brewery (Yingcheng) Company Limited (“Yingcheng Company”)	Directly & Indirectly	Yingcheng, the PRC	Manufacturing	RMB5,000	Manufacture and domestic trading of beer	Company limited	Wang Xinhong	70695005-9
Shenzhen Huanan Tsingtao Brewery Sales Company Limited (“Huanan Sales Company”)	Directly	Shenzhen, the PRC	Wholesale and retail sale	RMB20,000	Domestic trading of beer	Company limited	Yan Xu	70841245-7

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4 Business combination and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(a) Subsidiaries acquired from establishment or investment (continued)

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Scope of business	Nature	Legal representative	Code of organisation
Tsingtao Brewery (Changsha) Company Limited ("Changsha Company")	Directly & Indirectly	Changsha, the PRC	Manufacturing	RMB68,000	Manufacture and domestic trading of beer	Company limited	Wang Xinhong	75580445-3
Tsingtao Brewery Huadong Holding Company Limited ("Huadong Holding Company")	Directly	Shanghai, the PRC	Finance	RMB100,000	Investment holding	Company limited	Wang Ruiyong	13213047-2
Tsingtao Brewery Huadong Shanghai Sales Company Limited ("Shanghai Sales Company")	Directly & Indirectly	Shanghai, the PRC	Wholesale and retail sale	RMB50,300	Domestic trading of beer	Company limited	Wang Ruiyong	63171279-2
Tsingtao Brewery Huadong Nanjing Sales Company Limited ("Nanjing Sales Company")	Indirectly	Nanjing, the PRC	Wholesale and retail sale	RMB1,000	Domestic trading of beer	Company limited	Cao Xiangdong	72457556-3
Tsingtao Brewery (Wuhu) Company Limited ("Wuhu Company")	Directly & Indirectly	Wuhu, the PRC	Manufacturing	RMB114,290	Manufacture and domestic trading of beer	Company limited	Wang Ruiyong	71396978-6
Tsingtao Brewery (Maanshan) Company Limited ("Maanshan Company")	Directly & Indirectly	Maanshan, the PRC	Manufacturing	RMB85,000	Manufacture and domestic trading of beer	Company limited	Wang Ruiyong	71171745-4
Tsingtao Brewery (Shouguang) Company Limited ("Shouguang Company")	Directly	Shouguang, the PRC	Manufacturing	RMB60,610	Manufacture and domestic trading of beer	Company limited	Dong Jianjun	72621713-7
Tsingtao Brewery (Weifang) Company Limited ("Weifang Company")	Directly	Weifang, the PRC	Manufacturing	RMB75,000	Manufacture and domestic trading of beer	Company limited	Dong Jianjun	72074366-2
Tsingtao Brewery No. 3 Company Limited ("No. 3 Company")	Directly & Indirectly	Qingdao, the PRC	Manufacturing	RMB230,000	Manufacture and domestic trading of beer	Company limited	Fan Wei	70648696-2
Tsingtao Brewery (Xuzhou) Huaihai Sales Company Limited ("Huaihai Sales Company")	Directly	Xuzhou, the PRC	Wholesale and retail sale	RMB55,000	Domestic trading of beer	Company limited	Wang Ruiyong	78435470-3
Tsingtao Brewery (Xuzhou) Company Limited ("Xuzhou Company")	Indirectly	Peixian, the PRC	Manufacturing	RMB39,340	Manufacture and domestic trading of beer	Company limited	Wang Ruiyong	70358441-X
Tsingtao Brewery (Xuzhou) Pengcheng Company Limited ("Pengcheng Company")	Directly & Indirectly	Xuzhou, the PRC	Manufacturing	RMB245,000	Manufacture and domestic trading of beer	Company limited	Wang Ruiyong	72061880-2

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4 Business combination and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(a) Subsidiaries acquired from establishment or investment (continued)

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Scope of business	Nature	Legal representative	Code of organisation
Tsingtao Brewery (Xuecheng) Company Limited ("Xuecheng Company")	Indirectly	Xuecheng, the PRC	Manufacturing	RMB45,000	Manufacture and domestic trading of beer	Company limited	Yu Jiaping	70617665-7
Tsingtao Brewery (Tengzhou) Company Limited ("Tengzhou Company")	Directly & Indirectly	Tengzhou, the PRC	Manufacturing	RMB61,020	Manufacture and domestic trading of beer	Company limited	Yu Jiaping	72071609-0
Tsingtao Brewery (Heze) Company Limited ("Heze Company")	Directly & Indirectly	Heze, the PRC	Manufacturing	RMB130,000	Manufacture and domestic trading of beer	Company limited	Yu Jiaping	16892261-5
Tsingtao Brewery (Suqian) Company Limited ("Suqian Company")	Directly & Indirectly	Suqian, the PRC	Manufacturing	RMB25,000	Manufacture and domestic trading of beer	Company limited	Wang Ruiyong	72220045-0
Tsingtao Brewery (Taierzhuang) Malt Company Limited ("Taierzhuang Malt")	Indirectly	Taierzhuang, the PRC	Manufacturing	RMB5,000	Manufacture and domestic trading of malt	Company limited	Zhai Jun	72329576-2
Tsingtao Brewery (Langfang) Company Limited ("Langfang Company")	Directly & Indirectly	Langfang, the PRC	Manufacturing	RMB99,000	Manufacture and domestic trading of beer	Company limited	Huang Kexing	60117924-5
Tsingtao Brewery Xi'an Han's Group Company Limited ("Xi'an Company")	Directly	Xi'an, the PRC	Manufacturing & Wholesale and retail sale	RMB287,900	Manufacture and domestic trading of beer	Company limited	Zhang Anwen	29446305-0
Tsingtao Brewery Hansi Baoji Company Limited ("Hansi Baoji")	Indirectly	Baoji, the PRC	Manufacturing	RMB30,000	Manufacture and domestic trading of beer	Company limited	Zhang Anwen	78367236-3
Tsingtao Brewery (Anshan) Company Limited ("Anshan Company")	Directly	Anshan, the PRC	Manufacturing	RMB50,000	Manufacture and domestic trading of beer	Company limited	Dong Jianjun	72370443-1
Tsingtao Brewery (Xingkaihu) Company Limited ("Xingkaihu Company")	Directly	Jixi, the PRC	Manufacturing	RMB130,000	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	70287259-1
Tsingtao Brewery (Mishan) Company Limited ("Mishan Company")	Directly	Mishan, the PRC	Manufacturing	RMB23,400	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	72135373-8
Tsingtao Brewery (Haerbin) Company Limited ("Haerbin Company")	Directly	Haerbin, the PRC	Manufacturing	RMB52,000	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	72367275-9
Tsingtao Brewery Import/Export Company Limited ("Import/Export Company")	Directly	Qingdao, the PRC	Wholesale and retail sale	RMB11,000	Import/Export trading of beer	Company limited	Jin Zhiguo	70643063-5

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4 Business combination and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(a) Subsidiaries acquired from establishment or investment (continued)

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Scope of business	Nature	Legal representative	Code of organisation
Tsingtao Brewery (No. 5 Company Limited ("No. 5 Company"))	Directly	Qingdao, the PRC	Manufacturing	RMB34,610	Manufacture and domestic trading of beer	Company limited	Fan Wei	71806771-4
Tsingtao Brewery (Pingyuan Company Limited ("Pingyuan Company"))	Directly	Pingyuan, the PRC	Manufacturing	RMB25,000	Manufacture and domestic trading of beer	Company limited	Huang Zujiang	16741611-2
Tsingtao Brewery (Rizhao Company Limited ("Rizhao Company"))	Directly	Rizhao, the PRC	Manufacturing	RMB290,000	Manufacture and domestic trading of beer	Company limited	Fan Wei	61380406-0
Chengdu Tsingtao Brewery Xinan Sales Company Limited ("Xinan Sales Company")	Directly & Indirectly	Chengdu, the PRC	Wholesale and retail sale	RMB100,000	Domestic trading of beer	Company limited	Sun Yue	73238966-4
Tsingtao Brewery (Chongqing Company Limited ("Chongqing Company"))	Directly & Indirectly	Chongqing, the PRC	Manufacturing	RMB60,000	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	71167955-8
Tsingtao Brewery (Luzhou Company Limited ("Luzhou Company"))	Indirectly	Luzhou, the PRC	Manufacturing	RMB111,110	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	72323962-1
Tsingtao Brewery (Taizhou Company Limited ("Taizhou Company"))	Directly & Indirectly	Taizhou, the PRC	Manufacturing	RMB70,000	Manufacture and domestic trading of beer	Company limited	Huang Zujiang	72585057-1
Tsingtao Brewery (Hong Kong Trading Company Limited ("Hong Kong Company"))	Directly	Xianggang, the PRC	Wholesale and retail sale	HKD40,500	Trading of beer in Hong Kong	Company limited	Jin Zhiguo	Not Applicable
Tsingtao Brewery (Hanzhong Company Limited ("Hanzhong Company"))	Indirectly	Hanzhong, the PRC	Manufacturing	RMB29,410	Manufacture and domestic trading of beer	Company limited	Zhang Anwen	71977863-0
Tsingtao Brewery Beifang Sales Company Limited ("Beifang Sales Company")	Directly & Indirectly	Beijing, the PRC	Wholesale and retail sale	RMB89,980	Domestic trading of beer	Company limited	Yang Huajiang	72261954-2
Tsingtao Brewery (Xiamen Company Limited ("Xiamen Company"))	Indirectly	Xiamen, the PRC	Manufacturing	RMB90,000	Manufacture and domestic trading of beer	Company limited	Cai Zhiwei	70549981-7
Xiamen Tsingtao Brewery Dongnan Sales Company Limited ("Dongnan Sales Company")	Directly & Indirectly	Xiamen, the PRC	Wholesale and retail sale	RMB215,000	Domestic trading of beer	Company limited	Yan Xu	73786016-0

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4 Business combination and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(a) Subsidiaries acquired from establishment or investment (continued)

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Scope of business	Nature	Legal representative	Code of organisation
Tsingtao Brewery (Jinan) Company Limited ("Jinan Company")	Directly	Jinan, the PRC	Manufacturing	RMB560,000	Manufacture and domestic trading of beer	Company limited	Fan Wei	79261928-1
Tsingtao Brewery (Chengdu) Company Limited ("Chengdu Company")	Directly	Chengdu, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company limited	Yang Huajiang	66301928-X
Tsingtao Brewery (Yulin) Company Limited ("Yulin Company")	Indirectly	Yulin, the PRC	Manufacturing	RMB55,000	Manufacture and domestic trading of beer	Company limited	Zhang Anwen	78695254-7
Tsingtao Brewery Chengyang Sales Company Limited ("Chengyang Sales Company")	Directly	Qingdao, the PRC	Manufacturing	RMB8,000	Pre-packaged food	Company limited	Wang Ruiyong	69715829-6
Tsingtao Brewery Chenzhou Sales Company Limited ("Chenzhou Sales Company")	Indirectly	Chenzhou, the PRC	Wholesale and retail sale	RMB1,000	Domestic trading of beer	Company limited	Yan Xu	73474630-3
Tsingtao Brewery Machinery and Equipment Company Limited ("Machinery and Equipment Company")	Indirectly	Qingdao, the PRC	Industry	RMB2,000	Indoor decoration, industrial equipment fixing	Company limited	Wang Bing	68257486-0
Tsingtao Brewery (Shijiazhuang) Company Limited ("Shijiazhuang Company") (3)	Directly	Shijiazhuang, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company limited	Huang Kexing	55607563-0
Tsingtao Brewery (Taiyuan) Company Limited ("Taiyuan Company") (3)	Directly	Taiyuan, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company limited	Huang Kexing	56132576-1

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4 Business combination and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(a) Subsidiaries acquired from establishment or investment (continued)

	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of net investment in subsidiaries (i)	% equity interest held by the Group	% voting rights held by the Group	Consolidated or not	Minority interests	Amount of minority interests adjusted against minority interests in the profit or loss
Huanan Holding Company	208,790,000	—	100%	100%	Yes	—	—
Zhuhai Company	111,679,356	—	99.47%	100%	Yes	—	1,187,452
Huangshi Company	12,928,201	—	100%	100%	Yes	—	—
Yingcheng Company	9,848,084	—	100%	100%	Yes	—	—
Huanan Sales Company	45,070,000	—	100%	100%	Yes	—	—
Changsha Company	68,000,000	—	100%	100%	Yes	—	—
Huadong Holding Company	96,855,102	—	100%	100%	Yes	—	—
Shanghai Sales Company	50,300,000	—	100%	100%	Yes	—	—
Nanjing Sales Company	1,000,000	—	99.93%	100%	Yes	—	—
Wuhu Company	114,516,072	—	100%	100%	Yes	—	—
Maanshan Company	85,626,047	35,000,000	99.76%	100%	Yes	183,922	—
Shouguang Company	60,000,000	—	99%	99%	Yes	1,182,521	—
Weifang Company	73,620,001	—	100%	100%	Yes	—	—
No.3 Company	230,342,300	—	100%	100%	Yes	—	—
Huaihai Sales Company	55,000,000	—	100%	100%	Yes	—	—
Xuzhou Company	33,467,142	10,000,000	66%	66%	Yes	17,937,232	—
Pengcheng Company	275,547,373	—	100%	100%	Yes	—	—
Xuecheng Company	2,078,659	145,000,000	85%	85%	Yes	(11,573,619)	—
Tengzhou Company	49,158,799	—	100%	100%	Yes	—	—
Heze Company	128,549,814	30,000,000	100%	100%	Yes	—	—
Suqian Company	23,017,507	—	100%	100%	Yes	—	—
Taierzhuang Malt Company	5,000,000	24,000,000	90.20%	100%	Yes	—	86,798
Langfang Company	80,830,288	—	100%	100%	Yes	—	—
Xi'an Company	392,627,114	—	100%	100%	Yes	—	—
Hansi Baoji	30,000,000	—	100%	100%	Yes	—	—
Anshan Company	30,000,000	5,000,000	60%	60%	Yes	4,099,287	—
Xingkaihu Company	129,430,000	22,760,000	100%	100%	Yes	—	—
Mishan Company	23,920,000	21,000,000	100%	100%	Yes	—	—
Haerbin Company	109,940,000	31,600,000	100%	100%	Yes	—	—
Import/Export Company	11,210,000	—	100%	100%	Yes	—	—
Subtotal	2,548,351,859	324,360,000				11,829,343	1,274,250

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4 Business combination and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(a) Subsidiaries acquired from establishment or investment (continued)

	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of net investment in subsidiaries (i)	% equity interest held by the Group	% voting rights held by the Group	Consolidated or not	Minority interests	Amount of minority interests adjusted against minority interests in the profit or loss
No. 5 Company	43,719,251	—	100%	100%	Yes	—	—
Pingyuan Company	21,730,001	5,500,000	100%	100%	Yes	—	—
Rizhao Company	339,239,300	—	100%	100%	Yes	—	—
Xinan Sales Company	99,200,000	—	100%	100%	Yes	—	—
Chongqing Company	53,000,000	60,000,000	100%	100%	Yes	—	—
Luzhou Company	110,518,371	—	95%	95%	Yes	6,049,324	—
Taizhou Company	62,808,167	13,200,000	100%	100%	Yes	—	—
Hongkong Company	41,728,681	—	100%	100%	Yes	—	—
Hanzhong Company	46,093,340	—	66%	66%	Yes	17,110,044	—
Beifang sales Company	88,481,000	—	100%	100%	Yes	—	—
Xiamen Company	92,289,095	—	100%	100%	Yes	—	—
Dongnan sales company	293,862,688	—	100%	100%	Yes	—	—
Jinan Company	560,000,000	—	100%	100%	Yes	—	—
Chengdu Company	200,000,000	—	100%	100%	Yes	—	—
Yulin Company	54,442,237	18,419,031	100%	100%	Yes	—	—
Chengyang sales Company	8,000,000	—	100%	100%	Yes	—	—
Chenzhou sales Company	50,000	—	100%	100%	Yes	—	—
Machinery and Equipment Company	2,000,000	—	100%	100%	Yes	—	—
Shijiazhuang Company	200,000,000	—	100%	100%	Yes	—	—
Taiyuan Company	200,000,000	—	100%	100%	Yes	—	—
Subtotal	2,517,162,131	97,119,031				23,159,368	—
Total	5,065,513,990	421,479,031				34,988,711	1,274,250

(i) Represents the entrusted loans to subsidiaries entrusted by the Company through banks.

* As at 31 December 2010, none of the subsidiaries had the balance of issued debentures.

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4 Business combination and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(b) Subsidiaries acquired in a business combination involving enterprises not under common control

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Scope of business	Nature	Legal representative	Code of organisation
Tsingtao Brewery (Sanshui) Company Limited ("Sanshui Company")	Indirectly	Sanshui, the PRC	Manufacturing	USD5,000	Manufacture and domestic trading of beer	Company limited	Wang Xinhong	71923008-5
Tsingtao Brewery (Chenzhou) Company Limited ("Chenzhou Company")	Directly & Indirectly	Chenzhou, the PRC	Manufacturing	RMB70,000	Manufacture and domestic trading of beer	Company limited	Wang Xinhong	71700298-6
Shenzhen Tsingtao Beer Asahi Company Limited ("Shenzhen Asahi")	Directly	Shenzhen, the PRC	Manufacturing	USD30,000	Manufacture and trading of beer	Company limited	Sun Mingbo	61884189-9
Tsingtao Brewery (Nanning) Company Limited ("Nanning Company")	Indirectly	Nanning, the PRC	Manufacturing	RMB730,000	Manufacture and domestic trading of beer	Company limited	Jin Zhiguo	61930976-5
Tsingtao Brewery (Songjiang) Company Limited ("Songjiang Company")	Directly & Indirectly	Shanghai, the PRC	Manufacturing	USD36,640	Manufacture and domestic trading of beer	Company limited	Wang Ruiyong	60733504-2
Beijing Tsingtao Brewery Three Ring Company Limited ("Three Ring Company")	Directly & Indirectly	Beijing, the PRC	Manufacturing	USD29,800	Manufacture and domestic trading of beer	Company limited	Huang Kexing	10296842-6
Beijing Five Star Tsingtao Brewery Company Limited ("Five Star Company")	Directly & Indirectly	Beijing, the PRC	Manufacturing	RMB862,000	Manufacture and domestic trading of beer	Company limited	Huang Kexing	60002535-9
Tsingtao Brewery (Weinan) Company Limited ("Weinan Company")	Directly & Indirectly	Weinan, the PRC	Manufacturing	RMB50,000	Manufacture and domestic trading of beer	Company limited	Zhang Anwen	99496209-6
Tsingtao Brewery (Gansu) Nongken Company Limited ("Gansu Nongken Company")	Indirectly	Lanzhou, the PRC	Manufacturing	RMB174,420	Manufacture and domestic trading of beer	Stock corporation	Zhang Anwen	71020161-6
Tsingtao Brewery (Wuwei) Company Limited ("Wuwei Company")	Indirectly	Lanzhou, the PRC	Manufacturing	RMB36,100	Manufacture and domestic trading of beer	Company Limited	Zhang Anwen	72022229-3
Tsingtao Brewery (Rongcheng) Company Limited ("Rongcheng Company")	Directly	Rongcheng, the PRC	Manufacturing	RMB20,000	Manufacture and domestic trading of beer	Company Limited	Huang Zujiang	26712457-1

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4 Business combination and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(b) Subsidiaries acquired in a business combination involving enterprises not under common control (continued)

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Scope of business	Nature	Legal representative	Code of organisation
Tsingtao Brewery (Suizhou) Company Limited ("Suizhou Company")	Indirectly	Suizhou, the PRC	Manufacturing	RMB24,000	Manufacture and domestic trading of beer	Company Limited	Wang Xinhong	72829922-8
Tsingtao Brewery (Fuzhou) Company Limited ("Fuzhou Company")	Indirectly	Fuzhou, the PRC	Manufacturing	USD26,830	Manufacture and domestic trading of beer	Company Limited	Cai Zhiwei	61131714-6
Tsingtao Brewery (Zhangzhou) Company Limited ("Zhangzhou Company")	Indirectly	Zhangzhou, the PRC	Manufacturing	RMB100,000	Manufacture and domestic trading of beer	Company Limited	Cai Zhiwei	72971694-3
Tsingtao Brewery Construction Company Limited ("Construction Company")	Directly	Qingdao, the PRC	Construction	RMB13,140	Indoor decoration, industrial equipment fixing	Company Limited	Liu Yingdi	26480798-3
Tsingtao Brewery (Penglai) Company Limited ("Penglai Company")	Directly	Penglai, the PRC	Manufacturing	RMB37,500	Manufacture and domestic trading of beer	Company Limited	Lu Wenjin	72073544-3
Tsingtao Brewery Cultural Communication Company Limited ("Cultural Communication Company")	Directly	Qingdao, the PRC	Manufacturing	RMB3,500	Pre-packaged food, accommodation and design	Company Limited	Liu Yingdi	26462903-X
Tsingtao Brewery Beverage Company Limited ("Beverage Company") (3)	Indirectly	Qingdao, the PRC	Manufacturing	RMB110,000	Manufacture and domestic trading of beverage	Company Limited	Zhang Baichuan	72402575-6
Tsingtao Beer (Jinan) Baotuquan Sales Company Limited ("Baotuquan Company")	Directly	Jinan, the PRC	Wholesale and retail sale	RMB20,000	Domestic trading of beer	Company Limited	Wang Ruiyong	67727382-8

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4 Business combination and consolidated financial statements (continued)

(1) Subsidiaries (continued)

(b) Subsidiaries acquired in a business combination involving enterprises not under common control (continued)

	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of net investment in subsidiaries (i)	% equity interest held by the Group	% voting rights held by the Group	Consolidated or not	Minority interests	Amount of minority interests adjusted against minority interests in the profit or loss
Sanshui Company	58,789,877	—	75%	75%	Yes	26,253,984	—
Chenzhou Company	71,921,877	—	100%	100%	Yes	—	—
Shenzhen Asahi	126,746,680	—	51%	51%	Yes	198,304,632	—
Nanning Company	270,495,918	—	75%	75%	Yes	35,255,588	—
Songjiang Company	204,972,676	—	100%	100%	Yes	—	—
Three Ring Company	73,846,179	147,498,306	54%	54%	Yes	(40,907,129)	—
Five Star Company	75,917,538	99,419,998	62.64%	62.64%	Yes	(23,399,562)	—
Weinan Company	50,693,709	—	100%	100%	Yes	—	—
Gansu Nongken Company	64,292,092	162,924,201	55.06%	55.06%	Yes	(66,355,127)	—
Wuwei Company	35,710,000	58,255,075	54.91%	99.72%	Yes	110,041	—
Rongcheng Company	65,103,434	—	70%	70%	Yes	(3,512,497)	9,160,067
Suizhou Company	9,000,000	—	90%	90%	Yes	(1,292,610)	—
Fuzhou Company	68,094,738	—	100%	100%	Yes	—	—
Zhangzhou Company	69,367,401	—	90%	90%	Yes	9,420,160	—
Construction Company	2,490,000	—	100%	100%	Yes	—	—
Penglai Company	30,000,000	48,300,000	80%	80%	Yes	(10,219,881)	907,396
Cultural Communication Company	5,290,000	—	100%	100%	Yes	—	—
Beverage Company	44,000,001	—	100%	100%	Yes	—	—
Baotuquan Company	174,160,000	—	100%	100%	Yes	—	—
Total	1,500,892,120	516,397,580				123,657,599	10,067,463

(i) Represents the entrusted loans to subsidiaries entrusted by the Company through banks.

* As at 31 December 2010, none of the subsidiaries had the balance of issued debentures.

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4 Business combination and consolidated financial statements (continued)

(2) Operational entities controlled under an entrustment

	Nature of transaction with the Group
Tsingtao Brewery (Yangzhou) Company Limited (“Yangzhou Company”)	Manufacture and distribute beer to the Group

Pursuant to the agreements entered into between the Company and Tsingtao Brewery Group Company (“TB Group Company”) in January 2003 and December 2004 respectively, TB Group Company, being the 80% equity owner of Yangzhou Company, entrusted the Company to control the operations and management of Yangzhou Company. In addition, a majority of the members of the board of directors of Yangzhou Company are also appointed by the Company. Accordingly, Yangzhou Company and its subsidiary Yangzhou Zhongdan Brewery Materials Recycling Company Limited have been consolidated as subsidiaries of the Group because the Group has control over its financial and operating decisions.

The major assets and liabilities consolidated as at 31 December 2010 are summarised as follows:

	31 December 2010
Inventories	19,015,864
Fixed assets	54,398,341
Short-term borrowings	(69,000,000)
Accounts payable	(17,309,811)
Taxes payable	(46,296,765)

(3) Entities newly included in the scope of consolidation in the current year

	Net assets on 31 December 2010	Net losses for the current year
Shijiazhuang Company (i)	194,441,518	5,558,482
Taiyuan Company (i)	191,218,168	8,781,832
Beverage Company (ii)	11,023,306	2,553,507

- (i) Subsidiaries of Shijiazhuang Company and Taiyuan Company were newly established during the year.
- (ii) Beverage Company, originally named Tsingtao Beer and Asahi Beverages Company Limited (“Asahi Beverages”), was an associate of the Group with 40% equity interest. No. 5 Company, a wholly-owned subsidiary of the Company, entered into an agreement with Asahi Beer (China) Investment Co., Ltd. (“Asahi Investment”), to acquire its 60% equity interests in Asahi Beverage at a consideration of RMB1. The related legal procedures were completed in January 2010. Thereafter, Asahi Beverage became a wholly-owned subsidiary of the Group and was renamed as “Tsingtao Brewery Beverage Company Limited”.

(4) Exchange rate applied to financial statements items of foreign operation entities

	Assets and liabilities		Revenue, expenses and cash flows
	31 December 2010	31 December 2009	
Hong Kong Company	1HKD = 0.8509RMB	1HKD = 0.8805RMB	Spot exchange rates at the date of the transaction

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5 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2010			31 December 2009		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash on hand						
RMB	—	—	581,281	—	—	721,862
HKD	42,491	0.8509	36,156	34,053	0.8805	29,984
			<u>617,437</u>			<u>751,846</u>
Bank deposits						
RMB	—	—	7,535,273,954	—	—	5,251,666,783
USD	1,149,857	6.6227	7,615,158	1,588,867	6.8282	10,849,102
HKD	22,651,285	0.8509	19,273,978	30,361,278	0.8805	26,733,105
EUR	2,890	8.8065	25,451	1,793,817	9.7971	17,574,205
			<u>7,562,188,541</u>			<u>5,306,823,195</u>
Other cash balances						
RMB	—	—	35,152,113	—	—	43,005,701
			<u>7,597,958,091</u>			<u>5,350,580,742</u>

As at 31 December 2010, other cash balances of RMB2,707,986 (31 December 2009: RMB3,374,787) is pledged as collateral for issuance of bank acceptance (Note 5(21)); other cash balances of RMB394,315 (31 December 2009: RMB7,316,050) represents guarantee deposits of the Company for the purpose of applying for letter of credit; other cash balances of RMB32,049,812 (31 December 2009: RMB32,314,864) represents housing maintenance fund deposited in the bank.

(2) Notes receivable

	31 December 2010	31 December 2009
Bank acceptance notes	<u>12,605,000</u>	<u>10,750,000</u>

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5 Notes to the consolidated financial statements *(continued)*

(2) Notes receivable *(continued)*

As at 31 December 2010, the top five notes receivable that are not mature but have been endorsed and other analysis are summarised as follows:

Company of issuance	Date of issuance	Due date	Amount
Qingdao Xinkangjian Brewery Company Limited ("Xinkangjian Company")	2010.10.08	2011.04.08	7,650,000
Xinkangjian Company	2010.11.30	2011.05.30	7,000,000
Xinkangjian Company	2010.10.27	2011.04.27	5,700,000
Xinkangjian Company	2010.08.23	2011.02.23	5,500,000
Zhangzhou Changying Winery Company Limited	2010.11.29	2011.05.29	5,000,000
Others			31,561,460
			62,411,460

As at 31 December 2010, there are no pledged notes receivables and no discounted trade acceptance notes that were not mature.

(3) Accounts receivable

	31 December 2010	31 December 2009
Accounts receivable	337,912,495	344,629,758
Less: provision for bad debts	(248,102,424)	(252,035,111)
	89,810,071	92,594,647

* The majority of the Group's domestic sales are transacted at cash on delivery terms. The remaining transactions are settled by letters of credit or granted to customers with credit terms of 30 to 90 days.

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

	31 December 2010	31 December 2009
Within 6 months	88,718,287	91,939,439
6 months to 1 year	329,036	115,857
1 to 2 years	1,558,400	2,134,007
2 to 3 years	1,891,312	632,890
Over 3 years	245,415,460	249,807,565
	337,912,495	344,629,758

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5 Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

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

	31 December 2010				31 December 2009			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and subject to separate provision	45,101,710	13.35%	(45,101,710)	100%	50,101,710	14.54%	(50,101,710)	100%
Subject to provision by groups								
Group C	292,810,785	86.65%	(203,000,714)	69.33%	294,528,048	85.46%	(201,933,401)	68.56%
	<u>337,912,495</u>	<u>100%</u>	<u>(248,102,424)</u>	<u>73.42%</u>	<u>344,629,758</u>	<u>100%</u>	<u>(252,035,111)</u>	<u>73.13%</u>

(c) As at 31 December 2010, accounts receivable that are individually significant and subject to separate provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Tsingtao Brewery (Guangzhou) General Agency Company Limited (“Guangzhou General Agency”)	18,859,690	(18,859,690)	100%	(i)
Gansu Nongken Brewery Company Limited (“Nongken Brewery Company”)	14,996,236	(14,996,236)	100%	(ii)
Beijing Tsingtao Brewery Sales Company Limited (“Beijing Sales Company”)	11,245,784	(11,245,784)	100%	(iii)
	<u>45,101,710</u>	<u>(45,101,710)</u>		

(i) As Guangzhou General Agency had ceased operation, the management of the Company is of the view that it is hard to collect the receivable amount, therefore full bad debt provision was made in prior years.

(ii) As Nongken Brewery Company had been deregistered, the management of the Group is of the view that it is hard to collect the receivable amount, therefore full bad debt provision was made in prior years.

(iii) The Company had ceased all business dealings with Beijing Sales Company since 2002, and had brought a proceeding in the court for the amount due. The management of the Company is of the view that it is hard to collect the receivable amount, therefore full bad debt provision was made accordingly in prior years.

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5 Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

(d) The group of accounts receivable used ageing analysis method are analysed as follows:

	31 December 2010				31 December 2009			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 6 months	88,718,287	30.30%	—	—	91,939,439	31.22%	—	—
6 months to 1 year	329,036	0.11%	(16,452)	5%	115,857	0.04%	(5,793)	5%
1 to 2 years	1,558,400	0.53%	(779,200)	50%	2,134,007	0.72%	(1,588,863)	74.45%
2 to 3 years	1,891,312	0.65%	(1,891,312)	100%	632,890	0.21%	(632,890)	100%
Over 3 years	200,313,750	68.41%	(200,313,750)	100%	199,705,855	67.81%	(199,705,855)	100%
	292,810,785	100%	(203,000,714)	69.33%	294,528,048	100%	(201,933,401)	68.56%

(e) There are no accounts receivable that are subject to fully provision or in large proportionate but are reversed or collected in full amount or in large proportionate in the current year (2009: nil).

(f) Accounts receivable that are written off in the current year are summarised as follows:

	Nature	Amount	Reason	Arising from related party transactions or not
Pingliang Taifeng Wine Dispatching Center	Sales of beer	138,825	Liquidation	No
Yangling Kaiyuan store	Sales of beer	112,914	Liquidation	No
Others	Others	439,612		
		691,351		

(g) Accounts receivable from shareholders who held more than 5% (including 5%) of the voting rights of the Company are analysed as follows:

	31 December 2010		31 December 2010	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Asahi Breweries, Ltd. (“Asahi Breweries”)	4,298,310	—	2,276,897	—

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5 Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

(h) As at 31 December 2010, the top five of accounts receivable are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Guangzhou General Agency	Associate	18,859,690	Over 3 years	5.57%
Xinkangjian Company	Third party	18,305,423	Within 6 months	5.42%
Nongken Brewery Company	Third party	14,996,236	Over 3 years	4.44%
Baijia Supermarket	Third party	13,875,576	Within 6 months	4.11%
Beijing Sales Company	Associate	11,245,784	Over 3 years	3.33%
		<u>77,282,709</u>		<u>22.87%</u>

(i) Accounts receivable from related parties are analysed as follows (Note 7(5)):

	Relationship with the Group	31 December 2010			31 December 2009		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Guangzhou General Agency	Associate	18,859,690	5.57%	(18,859,690)	23,859,690	6.93%	(23,859,690)
Beijing Sales Company	Associate	11,245,784	3.33%	(11,245,784)	11,245,784	3.26%	(11,245,784)
Tsingtao Brewery Import & Export S.A.R.L ("European Company")	Associate	8,837,901	2.62%	—	17,172,168	4.98%	—
Asahi Beverage	Shareholder of the Company	4,298,927	1.27%	—	2,276,897	0.66%	—
Asahi Brewery (Shanghai) Product Services Ltd. ("Asahi Brewery Shanghai")	Shareholder's subsidiary	1,675,014	0.50%	—	1,141,191	0.33%	—
		<u>44,917,316</u>	<u>13.29%</u>	<u>(30,105,474)</u>	<u>55,695,730</u>	<u>16.16%</u>	<u>(35,105,474)</u>

(j) As at 31 December 2010, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2009: nil).

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5 Notes to the consolidated financial statements (continued)

(3) Accounts receivable (continued)

(k) Accounts receivable in foreign currency are summarised as follows:

	31 December 2010			31 December 2009		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
HKD	66,266,016	0.8509	56,385,753	61,643,892	0.8805	54,277,447
USD	2,538,734	6.6227	16,813,274	2,310,792	6.8282	15,778,550
EUR	1,043,201	8.8065	9,186,950	1,759,831	9.7971	17,241,240
CAD	197,411	6.6043	1,303,761	210,467	6.4802	1,363,868
			<u>83,689,738</u>			<u>88,661,105</u>

(4) Other receivables

	31 December 2010	31 December 2009
Deposit for acquisition of a subsidiary (i)	85,000,000	—
Refund of prepayment for land use rights	27,441,647	35,434,017
Staff advance	30,481,977	24,305,795
Deposits	16,364,000	15,053,139
Refund of prepayment for property	13,000,000	13,000,000
VAT refund	6,471,098	3,084,659
Others	98,284,570	116,597,184
	<u>277,043,292</u>	<u>207,474,794</u>
Less: provision for bad debts	<u>(88,125,878)</u>	<u>(74,231,112)</u>
	<u>188,917,414</u>	<u>133,243,682</u>

(i) Represents the deposit paid by the Company to Xin Immense Brewery (Hong Kong) Company Limited (“Xin Immense Hong Kong”) for the acquisition of 100% equity interest in Shandong Xin Immense Brewery Company Limited (“Immense Brewery”) (Note 10(3)).

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

	31 December 2010	31 December 2009
Within 6 months	164,234,944	84,266,564
6 months to 1 year	6,698,022	9,944,418
1 to 2 years	7,264,516	15,811,058
2 to 3 years	2,229,615	3,375,704
Over 3 years	96,616,195	94,077,050
	<u>277,043,292</u>	<u>207,474,794</u>

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5 Notes to the consolidated financial statements (continued)

(4) Other receivables (continued)

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

	31 December 2010				31 December 2009			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and subject to separate provision	30,441,647	10.99%	(30,441,647)	100%	13,000,000	6.27%	(13,000,000)	100%
Subject to provision by groups								
Group A	104,802,522	37.83%	—	—	40,757,406	19.64%	—	—
Group C	141,799,123	51.18%	(57,684,231)	40.68%	153,717,388	74.09%	(61,231,112)	39.83%
	<u>277,043,292</u>	<u>100%</u>	<u>(88,125,878)</u>	<u>31.81%</u>	<u>207,474,794</u>	<u>100%</u>	<u>(74,231,112)</u>	<u>35.78%</u>

(c) As at 31 December 2010, other receivables that are individually significant and subject to separate provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Refund of prepayment for land use rights	17,441,647	(17,441,647)	100%	(i)
Refund of prepayment for property	13,000,000	(13,000,000)	100%	(ii)
	<u>30,441,647</u>	<u>(30,441,647)</u>		

(i) Represents the land premium prepaid to the government years ago. The government undertook to refund the land premium in case of failure to obtain the land use right. The management of the Company considers that the possibility of recovery is remote, and has made full bad debt provision accordingly.

(ii) Represents the deposit for purchase of property paid to Qingdao City Local Taxation Bureau No. 2 Branch Bureau years ago. Refund for the deposit had not been made after the termination of the transaction. The management of the Company considers that the possibility of recovery is remote, and has made full bad debt provision accordingly.

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5 Notes to the consolidated financial statements (continued)

(4) Other receivables (continued)

(d) The groups of other receivables used ageing analysis method is analysed as follow:

	31 December 2010				31 December 2009			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 6 months	77,047,565	54.34%	—	—	81,522,250	53.03%	—	—
6 months to 1 year	5,196,956	3.67%	(259,849)	5%	9,195,253	5.98%	(40,900)	0.44%
1 to 2 years	4,260,439	3.00%	(2,130,219)	50%	2,354,464	1.53%	(544,791)	23.14%
2 to 3 years	2,229,615	1.57%	(2,229,615)	100%	1,456,613	0.95%	(1,456,613)	100%
Over 3 years	53,064,548	37.42%	(53,064,548)	100%	59,188,808	38.51%	(59,188,808)	100%
	<u>141,799,123</u>	<u>100%</u>	<u>(57,684,231)</u>	<u>40.68%</u>	<u>153,717,388</u>	<u>100%</u>	<u>(61,231,112)</u>	<u>39.83%</u>

(e) There are no other receivables that are subject to fully provision or in large proportionate but are reversed or collected in full amount or in large proportionate in the current year (2009: nil).

(f) Other receivables that are written off in the current year are as follows:

Nature	Amount	Reason	Arising from related party transactions or not
Receivables for packaging materials	6,664,327	Cessation of business, deregistration or declaration of bankruptcy of counterparty	No
Deposits	155,470	Cessation of business, deregistration or declaration of bankruptcy of counterparty	No
Staff advance	52,953	Amount due from individual, determined to be irrecoverable	No
	<u>6,872,750</u>		

(g) Other receivables from shareholders who held more than 5% (including 5%) of the voting rights of the Company are analysed as follows:

	31 December 2010		31 December 2009	
	Amount	Provision for bad debts	Amount	Provision for bad debts
TB Group Company	—	—	698,147	—

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5 Notes to the consolidated financial statements (continued)

(4) Other receivables (continued)

(h) As at 31 December 2010, the top five of other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Xin Immense Hong Kong	Third party	85,000,000	Within 6 months	30.68%
Qingdao Bureau of Land and Resources of Economic Technical Development Area	Third party	17,441,647	Over 3 years	6.30%
Qingdao No. 2 Taxation Bureau	Third party	13,000,000	Over 3 years	4.69%
Heze Mudan Finance Bureau	Third party	10,000,000	Over 3 years	3.61%
Wuwei Carton Factory	Third party	5,000,000	Over 3 years	1.80%
		<u>130,441,647</u>		<u>47.08%</u>

(i) Other receivables from related parties are analysed as follows (Note 7(5)):

	Relationship with the Group	31 December 2010			31 December 2009		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Tsingtao Brewery Equipment Manufacture Company Limited ("Equipment Manufacture")	Jointly controlled entity	2,187,379	0.79%	—	2,187,379	1.05%	—
Beijing Brewery Asahi Company Limited ("Beijing Asahi")	Shareholder's subsidiary	454,936	0.16%	—	—	—	—
TB Group Company	Shareholder of the Company	—	—	—	698,147	0.34%	—
		<u>2,642,315</u>	<u>0.95%</u>	<u>—</u>	<u>2,885,526</u>	<u>1.39%</u>	<u>—</u>

(j) As at 31 December 2010, there are no other receivables derecognised due to transfer of financial assets (31 December 2009: nil).

(k) As at 31 December 2010, there are no other receivables in foreign currency (31 December 2009: nil).

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5 Notes to the consolidated financial statements (continued)

(5) Advances to suppliers

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

	31 December 2010		31 December 2009	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	47,048,229	94.52%	129,995,751	93.37%
1 to 2 years	1,722,738	3.46%	8,190,860	5.88%
2 to 3 years	109,461	0.22%	1,011,877	0.73%
Over 3 years	895,563	1.80%	34,730	0.02%
	49,775,991	100%	139,233,218	100%

As at 31 December 2010, advances to suppliers aged over one year amounted to RMB2,727,762 (31 December 2009: RMB9,237,467), mainly represent deposits prepaid for materials, which had not yet been received.

(b) As at 31 December 2010, the top five of advances to suppliers are analysed as follows:

	Relationship with the Group	Amount	% of total balance	Recognition date	Reason for unsettled
Tsingtao Brewery (Baoji) Company Limited	Other investment	16,306,811	32.76%	2010	Goods not received
Baoji Yucai Glass Manufacturing Limited	Third party	3,821,661	7.68%	2010	Goods not received
Anxing Glass Manufacturing Limited	Third party	3,000,000	6.03%	2010	Goods not received
Qingdao Laoshan Glass Manufacturing Limited	Third party	2,134,144	4.29%	2010	Goods not received
Baoji Yucai Glass Manufacturing Group	Third party	1,390,813	2.79%	2010	Goods not received
		26,653,429	53.55%		

(c) Advances to shareholders who held more than 5% (including 5%) of the voting rights of the Company are analysed as follows:

	31 December 2010		31 December 2009	
	Amount	Provision for bad debts	Amount	Provision for bad debts
TB Group Company	—	—	4,500,000	—

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5 Notes to the consolidated financial statements (continued)

(5) Advances to suppliers (continued)

(d) Advances to related parties are analysed as follows (Note 7(5)):

	Relationship with the Group	31 December 2010			31 December 2009		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Equipment Manufacture	Jointly controlled entity	—	—	—	4,920,543	3.54%	—
TB Group Company	Shareholder of the Company	—	—	—	4,500,000	3.23%	—
		—	—	—	9,420,543	6.77%	—

(e) As at 31 December 2010, there are no advances to suppliers in foreign currency (31 December 2009: nil).

(6) Inventories

(a) Classification of inventories is as follow:

	31 December 2010			31 December 2009		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	535,181,417	(6,085,447)	529,095,970	581,052,933	(6,142,564)	574,910,369
Packaging materials	850,681,277	(33,720,444)	816,960,833	826,349,994	(57,000,762)	769,349,232
Low cost consumables	43,765,829	—	43,765,829	40,556,851	—	40,556,851
Consigned materials for further processing	14,080,882	—	14,080,882	55,409,307	—	55,409,307
Work in progress	247,491,492	—	247,491,492	234,983,994	—	234,983,994
Finished goods	291,036,997	(18,354)	291,018,643	202,241,076	(71,560)	202,169,516
	1,982,237,894	(39,824,245)	1,942,413,649	1,940,594,155	(63,214,886)	1,877,379,269

(b) Provisions for declines in the value of inventories are analysed as follows:

	31 December 2009	Current year additions	Current year reductions		31 December 2010
			Reversal	Write-off	
Raw materials	(6,142,564)	(2,042,907)	831,380	1,268,644	(6,085,447)
Packaging materials	(57,000,762)	(13,325,897)	4,903,857	31,702,358	(33,720,444)
Finished goods	(71,560)	—	—	53,206	(18,354)
	(63,214,886)	(15,368,804)	5,735,237	33,024,208	(39,824,245)

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5 Notes to the consolidated financial statements (continued)

(6) Inventories (continued)

(c) Provisions for declines in the value of inventories are summarised as follows:

	Basis for provision	Reason for reversal	% of total balance
Raw materials	Amount of carrying amount over net realisable value	Increase in net realisable value	0.16%
Packaging materials	Amount of carrying amount over net realisable value	Increase in net realisable value	0.58%

(7) Other current assets

	31 December 2010	31 December 2009
Prepaid corporate income tax	13,157,293	9,978,877

(8) Long-term receivables

	31 December 2010	31 December 2009
Deposits	2,000,000	2,000,000
Less: provisions for bad debts	—	—
	<u>2,000,000</u>	<u>2,000,000</u>

As at 31 December 2010, there are no long-term receivables from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2009: nil).

(9) Long-term equity investments

	31 December 2010	31 December 2009
Jointly controlled entity — unlisted (a)	—	—
Associates — unlisted (b)	152,928,735	148,668,949
Other long-term equity investments — unlisted (c)	10,116,821	10,191,821
	<u>163,045,556</u>	<u>158,860,770</u>
Less: Provision for impairment of long-term equity investments (d)	(10,028,179)	(6,042,918)
	<u>153,017,377</u>	<u>152,817,852</u>

There is no limitation on realisation of the long-term equity investments held by the Group.

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5 Notes to the consolidated financial statements (continued)

(9) Long-term equity investments (continued)

(a) Jointly controlled entity — unlisted

	Accounting treatment	Investment cost	31 December 2009	Current year movement			31 December 2010	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment	Impairment losses recognised in the current year
				Addition/reduction	Share of profit or loss	Cash dividend declared						
Equipment Manufacture	Equity method	577,406	—	—	—	—	—	50%	50%	Not applicable	—	—

Equipment Manufacture had been loss-making with negative net assets, but the Group did not have any obligation for its additional losses. Accordingly, in the recognition of the Group's share of its net loss, the carrying value of the long-term equity investment was only reduced to zero. The unrecognised investment loss for the year amounted to RMB384,292 (2009: RMB180,019). As at 31 December 2010, the cumulative unrecognised investment losses amounted to RMB1,288,928 (31 December 2009: RMB904,636).

(b) Associates — unlisted

	Accounting treatment	Investment cost	31 December 2009	Current year movement			31 December 2010	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment	Impairment losses recognised in the current year
				Share of profit or loss	Other changes in equity	Other						
Liaoning Shengqing Tsingtao Brewery Company Limited ("Liaoning Shengqing")	Equity method	600,000	2,796,233	410,376	—	3,206,609	30%	30%	Not Applicable	—	—	
Beverage Company (i)	Equity method	44,000,000	5,430,725	—	(5,430,725)	—	100%	100%	Not Applicable	—	—	
Qingdao Zhaoshang Logistics Company Limited ("Zhaoshang Logistics")	Equity method	6,000,000	16,550,414	5,150,645	—	21,701,059	30%	30%	Not Applicable	—	—	
European Company	Equity method	584,166	1,579,330	100,935	—	1,680,265	40%	40%	Not Applicable	—	—	
Yantai Asahi	Equity method	120,024,598	121,092,247	4,028,555	—	125,120,802	39%	39%	Not Applicable	—	—	
Others	Equity method	—	1,220,000	—	—	1,220,000	—	—	—	(1,220,000)	—	
			148,668,949	9,690,511	(5,430,725)	152,928,735				(1,220,000)	—	

(i) Beverage Company became a wholly owned subsidiary as the Group acquired the other 60% equity interest of it in the current year. For details, please refer to Note 4(3).

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5 Notes to the consolidated financial statements (continued)

(9) Long-term equity investments (continued)

(c) Other long-term equity investments — unlisted

	Accounting treatment	Investment cost	31 December 2009	Current year movement	31 December 2010	Provision for impairment	Impairment losses recognised in the current year	Cash dividends declared in the current year
Guangxi Beihai Real Estate Company Limited ("Beihai Real Estate Company")	Cost method	3,610,000	3,610,000	—	3,610,000	(3,610,000)	—	—
Qingdao Yingxiao Club (Yingxiao Club)	Cost method	3,985,261	3,985,261	—	3,985,261	(3,985,261)	(3,985,261)	—
Others	Cost method	2,596,560	2,596,560	(75,000)	2,521,560	(1,212,918)	—	7,830
			10,191,821	(75,000)	10,116,821	(8,808,179)	(3,985,261)	7,830

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

	31 December 2009	Current year additions	Current year disposals	31 December 2010
Beihai Real Estate Company	(3,610,000)	—	—	(3,610,000)
Yingxiao Club	—	(3,985,261)	—	(3,985,261)
Others	(2,432,918)	—	—	(2,432,918)
	(6,042,918)	(3,985,261)	—	(10,028,179)

(10) Investments in jointly controlled entity and associates

	Equity interest held	Voting rights held	31 December 2010			2010	
			Total assets	Total liabilities	Net assets	Revenue	Net profit/(loss)
Jointly controlled entity —							
Equipment Manufacture	50%	50%	17,668,361	20,246,216	(2,577,855)	935,532	(768,584)
Associates —							
Liaoning Shenqing Zhaoshang Logistics	30%	30%	83,012,874	71,919,146	11,093,728	425,440,835	1,367,920
European Company	30%	30%	99,241,527	27,079,497	72,162,030	237,812,242	17,168,816
Yantai Asahi	40%	40%	20,417,500	16,567,184	3,850,316	58,339,086	252,337
	39%	39%	388,819,484	154,997,666	233,821,818	475,481,440	14,189,629

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5 Notes to the consolidated financial statements (continued)

(11) Fixed assets

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Cost	12,253,867,432	577,124,844	(215,005,470)	12,615,986,806
Buildings	3,808,587,348	106,876,124	(23,836,597)	3,891,626,875
Machinery and equipment	7,681,764,505	394,666,995	(145,188,056)	7,931,243,444
Motor vehicles	357,625,700	22,742,057	(31,009,436)	349,358,321
Other equipment	405,889,879	52,839,668	(14,971,381)	443,758,166
Accumulated depreciation	(6,015,775,919)	(510,064,475)	168,436,221	(6,357,404,173)
Buildings	(1,168,800,626)	(91,983,014)	11,280,965	(1,249,502,675)
Machinery and equipment	(4,367,603,442)	(357,460,376)	116,524,815	(4,608,539,003)
Motor vehicles	(213,012,501)	(15,750,992)	26,656,274	(202,107,219)
Other equipment	(266,359,350)	(44,870,093)	13,974,167	(297,255,276)
Net book value	6,238,091,513			6,258,582,633
Buildings	2,639,786,722			2,642,124,200
Machinery and equipment	3,314,161,063			3,322,704,441
Motor vehicles	144,613,199			147,251,102
Other equipment	139,530,529			146,502,890
Provision for impairment	(713,529,096)	(41,004,789)	7,004,547	(747,529,338)
Buildings	(94,156,221)	(23,264,979)	920,365	(116,500,835)
Machinery and equipment	(596,813,798)	(17,029,137)	4,714,702	(609,128,233)
Motor vehicles	(22,549,600)	(293,064)	1,360,003	(21,482,661)
Other equipment	(9,477)	(417,609)	9,477	(417,609)
Carrying amount	5,524,562,417			5,511,053,295
Buildings	2,545,630,501			2,525,623,365
Machinery and equipment	2,717,347,265			2,713,576,208
Motor vehicles	122,063,599			125,768,441
Other equipment	139,521,052			146,085,281

As at 31 December 2010, none of the fixed assets are pledged as collateral for borrowings (31 December 2009: nil).

For the year ended 31 December 2010, depreciation expense of fixed assets amount to RMB510,064,475 (2009: RMB504,141,597) in total, of which RMB455,268,671, RMB12,143,077 and RMB42,652,727 (2009: RMB449,353,703, RMB13,546,281, RMB41,241,613) are charged to cost of sales, selling and distribution expenses, and general and administrative expenses, respectively.

The costs of fixed assets transferred from construction in progress amount to RMB321,851,482 (2009: RMB505,032,845).

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5 Notes to the consolidated financial statements (continued)

(11) Fixed assets (continued)

(a) Transitorily idle fixed assets

As at 31 December 2010, the buildings, and machinery and equipment with carrying amount of RMB8,948,033 (cost of RMB50,329,160) are idle transitorily for the reason of products update (31 December 2009: carrying amount of RMB15,890,995 (cost of RMB66,165,027)). The analysis is as follow:

	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Buildings	21,087,516	(8,253,443)	(10,389,860)	2,444,213
Machinery and equipment	29,241,644	(20,631,071)	(2,106,753)	6,503,820
	<u>50,329,160</u>	<u>(28,884,514)</u>	<u>(12,496,613)</u>	<u>8,948,033</u>

(b) Fixed assets held under a finance lease

As at 31 December 2010, the fixed assets with carrying amount of RMB7,655,763 (cost of RMB10,214,224) are held under a finance lease (31 December 2009: carrying amount of RMB8,347,222 (cost of RMB10,214,224)). The analysis is as follow:

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
31 December 2010				
Machinery and equipment	<u>10,214,224</u>	<u>(2,558,461)</u>	<u>—</u>	<u>7,655,763</u>
31 December 2009				
Machinery and equipment	<u>10,214,224</u>	<u>(1,867,002)</u>	<u>—</u>	<u>8,347,222</u>

Fixed assets held under a finance lease represented machinery and equipment leased from Meilianxin Finance & Leasing Company Limited (“Meilianxin”) by Shenzhen Asahi, a subsidiary of the Company (Note 11).

(c) Fixed assets held-for-sale

As at 31 December 2010, there are no significant fixed assets held for sale (31 December 2009: nil).

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5 Notes to the consolidated financial statements (continued)

(11) Fixed assets (continued)

(d) Fixed assets lack of ownership certificates

The ownership certificates of the Group's certain buildings have not been obtained. The accumulated carrying amounts are summarised as follows:

Reason	31 December 2010		31 December 2009	
	Cost	Carrying amount	Cost	Carrying amount
In the application process	475,759,000	372,663,000	543,395,000	437,326,000
Unable to obtain	135,189,000	67,410,000	95,983,000	45,068,000
	610,948,000	440,073,000	639,378,000	482,394,000

Consulted 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, therefore, there are no significant adverse impact on the operations of the Group, and therefore, no provision for fixed assets impairment is considered necessary. In addition, certain buildings of the Group are still located on parcels of allocated land owned by certain local municipal governments. For details, please refer to Note 5(14).

	Reason	Estimated date
Partial buildings of Weinan Company	In progress	2011
Partial buildings of Chengdu Company	In progress	2011
Partial buildings of Yulin Company	In progress	Uncertainty
Partial buildings of Luzhou Company	In progress	Uncertainty
Partial buildings of Zhangzhou Company	In progress	Uncertainty
Partial buildings of Sanshui Company	In progress	Uncertainty
Partial buildings of Mishan Company	In progress	Uncertainty
Partial buildings of Shenzhen Asahi	In progress	Uncertainty
Partial buildings of Gansu Nongken Company	In progress	Uncertainty
Partial buildings of Wuhu Company	In progress	Uncertainty
Partial buildings of Wuwei Company	In progress	Uncertainty
Partial buildings of Three Ring Company	In progress	Uncertainty
Partial buildings of Fuzhou Company	In progress	Uncertainty
Partial buildings of Taiyuan Company	In progress	Uncertainty
Partial buildings of Zhuhai Company	Temporary building	Not applicable
Partial buildings of Rongcheng Company	Temporary building	Not applicable
Partial buildings of Five Star Company	Temporary building	Not applicable
Partial buildings of Xiamen Company	Lack of document	Not applicable
Partial buildings of No. 1 Factory	Lack of document	Not applicable
Partial buildings of Malt Factory	Lack of document	Not applicable

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5 Notes to the consolidated financial statements (continued)

(11) Fixed assets (continued)

(e) Provision for impairment

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

For the year ended 31 December 2010, the Group recorded impairment losses amounting to RMB41,004,789 for fixed assets based on such evaluation. Details are analysed as follows:

	Amount
Rongcheng Company	29,712,738
Other subsidiaries	11,292,051
	<u>41,004,789</u>

The provision for impairment of fixed assets made during the current year was mainly because the management has adjusted the assets using plan due to the fierce competition and the market investment had increased than expected.

(f) Fixed assets rented out through operating lease

As at 31 December 2010, there are no material fixed assets rented out through operating lease (31 December 2009: nil).

(12) Construction in progress

	<u>31 December 2010</u>			<u>31 December 2009</u>		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
New Factory Project of Tengzhou Company	55,734,609	—	55,734,609	—	—	—
Production Line Improvement of Shenzhen Asahi	52,850,731	—	52,850,731	4,241,883	—	4,241,883
New Factory Project of Shijiazhuang Company	40,124,674	—	40,124,674	—	—	—
New Factory Project of Fuzhou Company	31,803,969	—	31,803,969	1,503,063	—	1,503,063
New Factory Project of Zhuhai Company	29,915,875	—	29,915,875	1,555,351	—	1,555,351
Production Line Improvement of Luzhou Company	14,499,890	—	14,499,890	6,280,277	—	6,280,277
Production Line Improvement of No. 2 Factory	11,896,017	(462,515)	11,433,502	9,117,952	(462,515)	8,655,437
Production Line Improvement of No. 5 Company	7,348,940	—	7,348,940	7,534,988	—	7,534,988

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5 Notes to the consolidated financial statements (continued)

(12) Construction in progress (continued)

	31 December 2010			31 December 2009		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Production Line Improvement of Xi'an Company	6,565,259	—	6,565,259	2,874,787	—	2,874,787
Production Line Improvement of Taiyuan Company	6,321,959	—	6,321,959	—	—	—
Production Line Improvement of Jinan Company	5,106,292	—	5,106,292	—	—	—
Production Line Improvement of Nanning Company	2,207,288	—	2,207,288	2,181,556	—	2,181,556
Production Line Improvement of Maanshan Company	1,942,463	—	1,942,463	39,482	—	39,482
Production Line Improvement of Sanshui Company	1,772,265	—	1,772,265	2,523,696	—	2,523,696
Production Line Improvement of Three Ring Company	1,768,041	—	1,768,041	212,631	—	212,631
Production Line Improvement of Xiamen Company	1,459,642	—	1,459,642	3,124,405	—	3,124,405
Production Line Improvement of Anshan Company	1,401,709	—	1,401,709	—	—	—
Production Line Improvement of Taizhou Company	1,367,283	—	1,367,283	106,093	—	106,093
Production Line Improvement of Pingyuan Company	1,291,144	—	1,291,144	62,673	—	62,673
Production Line Improvement of Changsha Company	1,198,718	—	1,198,718	1,228,718	—	1,228,718
Production Line Improvement of Malt Factory	1,197,381	—	1,197,381	2,201,229	(1,115,133)	1,086,096
Production Line Improvement of Gansu Nongken Company	928,559	—	928,559	2,366,457	—	2,366,457
Production Line Improvement of Xingkaihu Company	528,026	—	528,026	2,299,576	—	2,299,576
Production Line Improvement of Rizhao Company	203,628	—	203,628	8,454,840	—	8,454,840
Financial System Installation of Headquarters	168,909	—	168,909	17,891,375	—	17,891,375
Other projects	3,425,065	—	3,425,065	25,047,678	—	25,047,678
	283,028,336	(462,515)	282,565,821	100,848,710	(1,577,648)	99,271,062

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5 Notes to the consolidated financial statements (continued)

(12) Construction in progress (continued)

(a) Movement in significant construction in progress

Name	Budget	31 December 2009	Current year addition	Transfer to fixed assets	Other reductions	31 December 2010	% contribution in budget	Progress of construction	Source of funds
New Factory Project of Tengzhou Company	139,989,979	—	55,902,949	(168,340)	—	55,734,609	40%	35%	Self-funding
Production Line Improvement of Shenzhen Asahi	156,065,894	4,241,883	68,034,682	(19,425,834)	—	52,850,731	46%	50%	Self-funding
New Factory Project of Shijiazhuang Company	224,500,000	—	40,124,674	—	—	40,124,674	18%	20%	Self-funding
New Factory Project of Fuzhou Company	265,877,955	1,503,063	30,300,906	—	—	31,803,969	12%	14%	Self-funding
New Factory Project of Zhuhai Company	291,500,720	1,555,351	29,522,407	(1,161,883)	—	29,915,875	11%	9%	Self-funding
Production Line Improvement of Luzhou Company	22,842,879	6,280,277	10,732,270	(2,512,657)	—	14,499,890	74%	77%	Self-funding
Production Line Improvement of No.2 Factory	415,150,000	9,117,952	31,332,461	(28,554,396)	—	11,896,017	10%	11%	Self-funding
Production Line Improvement of No. 5 Company	18,908,514	7,534,988	9,754,798	(9,940,846)	—	7,348,940	91%	85%	Self-funding
Production Line Improvement of Xi'an Company	30,423,144	2,874,787	12,398,423	(8,707,951)	—	6,565,259	52%	55%	Self-funding
Production Line Improvement of Taiyuan Company	14,246,033	—	6,548,460	(226,501)	—	6,321,959	46%	50%	Self-funding
Production Line Improvement of Jinan Company	19,307,932	—	17,297,411	(12,191,119)	—	5,106,292	90%	92%	Self-funding
Production Line Improvement of Nanning Company	22,167,111	2,181,556	12,355,073	(12,329,341)	—	2,207,288	68%	70%	Self-funding
Production Line Improvement of Maanshan Company	4,505,000	39,482	3,519,088	(1,616,107)	—	1,942,463	79%	79%	Self-funding
Production Line Improvement of Sanshui Company	7,892,694	2,523,696	2,974,909	(3,726,340)	—	1,772,265	70%	66%	Self-funding
Production Line Improvement of Three Ring Company	5,314,000	212,631	2,945,766	(1,390,356)	—	1,768,041	59%	60%	Self-funding
Production Line Improvement of Xiamen Company	7,520,000	3,124,405	3,818,623	(5,483,386)	—	1,459,642	92%	100%	Self-funding
Production Line Improvement of Anshan Company	2,940,000	—	2,601,709	(1,200,000)	—	1,401,709	88%	90%	Self-funding
Production Line Improvement of Taizhou Company	8,974,280	106,093	3,331,865	(2,070,675)	—	1,367,283	38%	44%	Self-funding
Production Line Improvement of Pingyuan Company	1,678,000	62,673	1,377,976	(149,505)	—	1,291,144	86%	90%	Self-funding
Production Line Improvement of Changsha Company	1,651,000	1,228,718	4,899	(4,899)	(30,000)	1,198,718	75%	78%	Self-funding
Production Line Improvement of Malt Factory	20,545,000	2,201,229	155,605	(44,320)	(1,115,133)	1,197,381	11%	13%	Self-funding
Production Line Improvement of Gansu Nongken Company	29,228,509	2,366,457	10,101,315	(11,539,213)	—	928,559	43%	46%	Self-funding

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5 Notes to the consolidated financial statements (continued)

(12) Construction in progress (continued)

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

Name	Budget	31 December 2009	Current year addition	Transfer to fixed assets	Other reductions	31 December 2010	% contribution in budget	Progress of construction	Source of funds
Production Line Improvement of Xingkaihu Company	6,370,000	2,299,576	2,738,741	(4,510,291)	—	528,026	79%	80%	Self-funding
Production Line Improvement of Rizhao Company	20,333,908	8,454,840	3,719,103	(11,970,315)	—	203,628	60%	63%	Self-funding
Production Line Improvement of Weifang Company	4,733,000	1,313,984	2,038,529	(3,079,247)	—	273,266	71%	77%	Self-funding
Production Line Improvement of No.3 Company	216,110,966	1,815,231	4,216,711	(5,760,826)	—	271,116	3%	1%	Self-funding
Financial System Installation of Headquarters	27,955,273	17,891,375	—	(1,495,656)	(16,226,810)	168,909	98%	99%	Self-funding
Production Line Improvement of No.4 Factory	2,124,609	1,764,500	360,109	(2,108,081)	—	16,528	100%	100%	Self-funding
Production Line Improvement of Yulin Company	17,300,515	1,674,480	13,329,414	(14,988,509)	—	15,385	87%	90%	Self-funding
Production Line Improvement of Songjiang Company	200,815,100	9,309,677	75,901,384	(85,211,061)	—	—	97%	100%	Self-funding
Production Line Improvement of Weinan Company	5,555,500	2,697,992	2,107,130	(4,805,122)	—	—	86%	100%	Self-funding
Production Line Improvement of Hanzhong Company	4,560,500	1,215,469	2,509,689	(3,725,158)	—	—	92%	100%	Self-funding
Production Line Improvement of No.1 Factory	11,949,505	29,657	10,632,612	(10,662,269)	—	—	89%	100%	Self-funding
Other projects	79,281,721	5,226,688	49,247,332	(51,091,278)	(533,972)	2,848,770	Not applicable	Not applicable	Self-funding
		<u>100,848,710</u>	<u>521,937,023</u>	<u>(321,851,482)</u>	<u>(17,905,915)</u>	<u>283,028,336</u>			

For the year ended 31 December 2010, there are no borrowing costs eligible for capitalisation (2009: nil).

(b) Provision for impairment

	31 December 2009	Current year charges	Current year reductions	31 December 2010	Reason for provision
Tin Seamer Installation Project	(462,515)	—	—	(462,515)	Project terminated
Malt Temperature Reduction Technology Improvement Project	(1,115,133)	—	1,115,133	—	Project terminated
	<u>(1,577,648)</u>	<u>—</u>	<u>1,115,133</u>	<u>(462,515)</u>	

(c) The construction progress of significant construction in progress is set out in note (a). The construction progress is estimated based on construction work quantity.

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5 Notes to the consolidated financial statements (continued)

(13) Fixed assets on disposal

	31 December 2010	31 December 2009	Reason for transfer to disposal
Machinery and equipment	3,148,488	13,336,856	Old machinery and equipment for disposal

(14) Intangible assets

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Original cost	1,423,940,719	276,268,458	—	1,700,209,177
Land use rights	995,166,483	236,510,891	—	1,231,677,374
Patents	124,945,726	—	—	124,945,726
Proprietary	18,629,100	—	—	18,629,100
Marketing network	189,751,203	—	—	189,751,203
Others	95,448,207	39,757,567	—	135,205,774
Accumulated amortisation	(330,306,006)	(45,713,558)	—	(376,019,564)
Land use rights	(203,567,053)	(22,231,062)	—	(225,798,115)
Patents	(56,221,235)	(524,643)	—	(56,745,878)
Proprietary	(18,629,100)	—	—	(18,629,100)
Marketing network	(13,430,705)	(18,975,120)	—	(32,405,825)
Others	(38,457,913)	(3,982,733)	—	(42,440,646)
Net book value	1,093,634,713			1,324,189,613
Land use rights	791,599,430			1,005,879,259
Patents	68,724,491			68,199,848
Proprietary	—			—
Marketing network	176,320,498			157,345,378
Others	56,990,294			92,765,128
Provision for impairment	(5,403,781)	—	—	(5,403,781)
Land use rights	(5,403,781)	—	—	(5,403,781)
Carrying amount	1,088,230,932			1,318,785,832
Land use rights	786,195,649			1,000,475,478
Patents	68,724,491			68,199,848
Proprietary	—			—
Marketing network	176,320,498			157,345,378
Others	56,990,294			92,765,128

For the year ended 31 December 2010, amortisation expenses of intangible assets amount to RMB45,713,558 in total, which are recognised in profit or loss for the current period (2009: RMB40,620,137).

As at 31 December 2010, there are no land use rights pledged as collateral for bank borrowings (31 December 2009: nil).

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5 Notes to the consolidated financial statements (continued)

(14) Intangible assets (continued)

As at 31 December 2010, the relevant legal procedures for certificates application of the Group's land use rights with carrying value of approximately RMB31,454,000 (31 December 2009: RMB29,598,000) are still in process. According to the legal adviser's opinion, the directors of the Company are of the view that, there is no substantial legal restriction for the acquisition of the certificates, which does not have significant impact on the Group's operation and no provision for impairment of intangible assets is considered necessary. In addition, as at 31 December 2010, 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 values of the associated buildings constructed thereon were approximately RMB69,591,000 as at 31 December 2010 (2009: RMB71,174,000). The Company's directors consider that there is no significant adverse impact on the operations of the Group.

Expenditures on research and development are set out as follows:

	31 December 2009	Current year additions	Current year reductions		31 December 2010
			Charged to losses	Recognised as intangible assets	
Beer production improvement project	—	10,989,420	(10,989,420)	—	—

For the year ended 31 December 2010, expenditures on research and development incurred amount to RMB10,989,420 (2009: RMB8,551,645) in total, which are recognised in current year profits and losses.

* Land use rights by location and useful life are analysed as follows:

	31 December 2010	31 December 2009
In China mainland — 10 to 50 years	1,000,475,478	786,195,649

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5 Notes to the consolidated financial statements *(continued)*

(15) Goodwill

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Goodwill —				
Nanning Company	130,895,740	—	—	130,895,740
Three Ring Company/Beifang Sales Company	24,642,782	—	—	24,642,782
Fuzhou Company/Xiamen Company/ Zhangzhou Company/Dongnan Sales Company	114,031,330	—	—	114,031,330
Others	50,657,188	—	—	50,657,188
	<u>320,227,040</u>			<u>320,227,040</u>
<i>Less: provision for impairment (a) —</i>				
Nanning Company	(130,895,740)	—	—	(130,895,740)
Three Ring Company/Beifang Sales Company	(24,642,782)	—	—	(24,642,782)
Fuzhou Company/Xiamen Company/ Zhangzhou Company/Dongnan Sales Company	—	—	—	—
Others	(41,872,217)	—	—	(41,872,217)
	<u>(197,410,739)</u>			<u>(197,410,739)</u>
	<u>122,816,301</u>			<u>122,816,301</u>

(a) Provision for impairment

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

	31 December 2010	31 December 2009
Huanan Region	(130,895,740)	(130,895,740)
Huabei 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. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 3% which does not exceed the long-term average growth rate of the brewery industry in the PRC.

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5 Notes to the consolidated financial statements (continued)

(15) Goodwill

(a) Provision for impairment (continued)

The main assumptions applied in calculating discounted future cash flows are as follows:

	Dongnan Region	Other Regions
Gross margin	34.7%	13.2% - 33.8%
Discount rate	20.8%	15.9% - 22.2%

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

(16) Long-term prepaid expenses

	31 December 2009	Current year additions	Current year amortisation	31 December 2010
Occupancy expense	2,400,000	—	(160,000)	2,240,000
Gardening expense	1,756,841	398,150	(642,278)	1,512,713
Advertising expense	481,374	138,600	(454,116)	165,858
Rental charge	1,304,860	150,668	(585,622)	869,906
Others	3,871,001	935,036	(1,688,225)	3,117,812
	<u>9,814,076</u>	<u>1,622,454</u>	<u>(3,530,241)</u>	<u>7,906,289</u>

(17) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets without taking into consideration the offsetting of balances

	31 December 2010		31 December 2009	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Impairment provision	9,395,818	37,583,273	11,556,702	51,642,036
Business combination involving entities not under common control	1,337,163	5,348,654	1,689,027	6,756,109
Deferred government grants	4,042,574	16,170,296	1,472,189	5,888,756
Accruals	378,504,189	1,530,913,420	300,586,028	1,280,329,400
Deductible tax losses	—	—	3,064,748	13,930,669
	<u>393,279,744</u>	<u>1,590,015,643</u>	<u>318,368,694</u>	<u>1,358,546,970</u>

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5 Notes to the consolidated financial statements (continued)

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

(b) Deferred tax liabilities without taking into consideration the offsetting of balances

	31 December 2010		31 December 2009	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Business combination involving entities not under common control	31,094,094	124,376,376	34,281,493	137,125,972
The difference between carrying amount and tax base of convertible bonds	61,088,436	244,353,744	77,525,988	310,103,950
	92,182,530	368,730,120	111,807,481	447,229,922

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

	31 December 2010	31 December 2009
Deductible temporary differences	901,693,397	945,663,970
Deductible losses	575,663,278	687,383,479
	1,477,356,675	1,633,047,449

Given the loss-making position of certain subsidiaries, whether it is probable that sufficient future taxable incomes will be available against which such deductible losses can be utilised is highly uncertain. Therefore, the Group did not recognise deferred tax assets of approximately RMB135,059,000 (31 December 2009: RMB157,855,000) arising from the accumulated losses that can set off against taxable incomes under tax laws in the five-year period from 2011 to 2015. In addition, given the loss-making position of certain subsidiaries, whether it is probable that sufficient future taxable incomes will be available against which temporary differences can be utilised is highly uncertain or the possibility of obtaining approval on the losses from tax authorities is low. Therefore, the Group also did not recognise deferred tax assets of approximately RMB225,423,000 (31 December 2009: RMB236,416,000) arising from the deductible temporary differences resulting from the impacts of provision for impairment losses and business combination on fair value.

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5 Notes to the consolidated financial statements (continued)

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

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

	31 December 2010	31 December 2009
2010	—	87,125,849
2011	80,849,150	137,408,956
2012	146,398,898	179,058,746
2013	190,462,815	207,840,069
2014	74,126,224	75,949,859
2015	83,826,191	—
	575,663,278	687,383,479

(e) Offsetting of balances of deferred tax assets and liabilities:

	31 December 2010	31 December 2009
Deferred tax assets	61,088,436	77,525,988
Deferred tax liabilities	61,088,436	77,525,988

The net values of deferred tax assets and liabilities taking into consideration the offsetting of balances are set out as follows:

	<u>31 December 2010</u>		<u>31 December 2009</u>	
	Net values	Deductible/ taxable temporary differences after offsetting	Net values	Deductible/ taxable temporary differences after offsetting
Deferred tax assets	332,191,308	1,345,661,899	240,842,706	1,048,443,020
Deferred tax liabilities	31,094,094	124,376,376	34,281,493	137,125,972

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5 Notes to the consolidated financial statements (continued)

(18) Provision for asset impairment

	31 December 2009	Current year additions	Current year reductions		31 December 2010
			Reversal	Write-off	
Provision for bad debts	326,266,223	24,105,128	(6,578,948)	(7,564,101)	336,228,302
Including:					
Provision for bad debts of accounts receivable	252,035,111	2,544,680	(5,786,016)	(691,351)	248,102,424
Provision for bad debts of other receivables	74,231,112	21,560,448	(792,932)	(6,872,750)	88,125,878
Provision for decline in value of inventories	63,214,886	15,368,804	(5,735,237)	(33,024,208)	39,824,245
Provision for impairment of long-term equity investments	6,042,918	3,985,261	—	—	10,028,179
Provision for impairment of fixed assets	713,529,096	41,004,789	—	(7,004,547)	747,529,338
Provision for impairment of construction in progress	1,577,648	—	—	(1,115,133)	462,515
Provision for impairment of intangible assets	5,403,781	—	—	—	5,403,781
Provision for impairment of goodwill	197,410,739	—	—	—	197,410,739
	<u>1,313,445,291</u>	<u>84,463,982</u>	<u>(12,314,185)</u>	<u>(48,707,989)</u>	<u>1,336,887,099</u>

(19) Other non-current assets

Other non-current assets represent prepayments for construction, machinery and equipment.

As at 31 December 2010, there are no other non-current assets from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2009: nil).

(20) Short-term borrowings

(a) Classification of short-term borrowings

	Currency	31 December 2010	31 December 2009
Unsecured	RMB	32,840,000	12,000,000
Unsecured	HKD	94,376,646	72,472,309
Guaranteed (i)	RMB	2,000,000	2,000,000
Entrusted (ii)	RMB	67,000,000	67,000,000
		<u>196,216,646</u>	<u>153,472,309</u>

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5 Notes to the consolidated financial statements (continued)

(20) Short-term borrowings (continued)

(a) Classification of short-term borrowings (continued)

- (i) As at 31 December 2010, bank guaranteed borrowings with amount of RMB2,000,000 are guaranteed by TB Group Company. Details please refer to Note 7(4)(d).
- (ii) Represents short-term borrowings entrusted to Yangzhou Company by TB Group Company through bank. Details please refer to Note 7(5).

As at 31 December 2010, the weighted average interest rate of short-term borrowings is 4.30% per annum (31 December 2009: 3.85%).

As at 31 December 2010, there are no short-term borrowings that are due but have not been repaid (31 December 2009: nil).

(21) Notes payable

	31 December 2010	31 December 2009
Trade acceptance notes	50,900,000	60,100,000
Bank acceptance notes	19,811,200	29,728,083
	70,711,200	89,828,083

As at 31 December 2010, other cash balances of RMB2,707,986 (31 December 2009: RMB3,374,787) is pledged as collateral for issuance of acceptance notes (Note 5(1)).

As at 31 December 2010, the Group's bank acceptance notes with amount of RMB8,111,200 are guaranteed by TB Group Company. Details please refer to Note 7(4)(d).

As at 31 December 2010, all notes payable are due within six months.

(22) Accounts payable

	31 December 2010	31 December 2009
Amount for purchase materials	1,228,861,166	1,025,973,376
Amount for purchase beer from related parties	18,952,243	21,462,586
Amount for purchase promotion goods	12,373,124	7,873,145
Others	2,443,272	2,532,578
	1,262,629,805	1,057,841,685

- (a)** As at 31 December 2010, there are no accounts payable to shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2009: nil).

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5 Notes to the consolidated financial statements (continued)

(22) Accounts payable (continued)

(b) Accounts payable to related parties are analysed as follows (Note 7(5)):

	31 December 2010	31 December 2009
Yantai Asahi	12,075,464	21,462,586
Beijing Asahi	6,721,120	—
Hangzhou West Lake Asahi Company Limited (“Hangzhou Asahi”)	155,659	—
	<u>18,952,243</u>	<u>21,462,586</u>

(c) As at 31 December 2010, accounts payable over 1 year with carrying amount of RMB20,993,634 (31 December 2009: RMB50,283,145) are mainly payables for purchase of materials, for which final settlement has not yet been made. As at the date on which the financial statements are authorised for issue, the aforesaid accounts payable have been repaid with the amount of RMB2,647,945 (Note 10 (1)).

(d) Accounts payable in foreign currency are summarised as follows:

	31 December 2010			31 December 2009		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
USD	38,141	6.6227	252,596	60,257	6.8282	411,447
AUD	23,615	6.7139	158,549	—	—	—
			<u>411,145</u>			<u>411,447</u>

(e) The ageing of accounts payable is analysed below:

	31 December 2010	31 December 2009
Within 1 year	1,241,636,171	1,007,558,540
1 to 2 years	6,420,787	37,367,479
2 to 3 years	2,713,839	2,834,681
Over 3 years	11,859,008	10,080,985
	<u>1,262,629,805</u>	<u>1,057,841,685</u>

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5 Notes to the consolidated financial statements (continued)

(23) Advances from customers

	31 December 2010	31 December 2009
Advances from customers for purchase of beer	<u>775,414,619</u>	<u>271,015,729</u>

(a) As at 31 December 2010, there are no advances from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2009: nil).

(b) Advances from related parties are analysed as follows (Note 7(5)):

	31 December 2010	31 December 2009
Liaoning Shenqing	<u>42,628,369</u>	<u>1,253,380</u>

(c) As at 31 December 2010, advances from customers over 1 year with carrying amount of approximately RMB10,293,000 (31 December 2009: RMB9,986,000) are mainly purchase deposits received from customers in advance. The amount has not been settled as the Group still maintains cooperative relationship with these customers. Revenue carried forward amounts to RMB927,406 (Note 10(1)).

(d) As at 31 December 2010, there are no advances from customers in foreign currency (31 December 2009: nil).

(24) Employee benefits payable

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Salaries, bonuses, allowances and subsidies	245,225,012	1,519,891,121	(1,485,848,431)	279,267,702
Staff welfare	1,327,998	100,604,432	(100,889,899)	1,042,531
Social insurances	15,208,408	293,577,246	(292,541,391)	16,244,263
Including: Medical insurance	3,408,317	80,747,642	(80,134,593)	4,021,366
Pension insurance	8,969,260	184,144,302	(184,017,740)	9,095,822
Unemployment insurance	2,539,260	13,361,497	(13,071,774)	2,828,983
Other insurances	291,571	15,323,805	(15,317,284)	298,092
Housing funds	6,731,309	91,117,532	(90,667,451)	7,181,390
Labor union fund and employee education fund	80,760,081	55,423,311	(42,723,004)	93,460,388
Early termination benefits	174,935,774	131,767,964	(54,906,073)	251,797,665
	<u>524,188,582</u>	<u>2,192,381,606</u>	<u>(2,067,576,249)</u>	<u>648,993,939</u>

As at 31 December 2010, no defaulted payables are included in the employee benefits payable and the balance (other than early termination benefits, labor union funds and employee education funds) is estimated to be used up in 2011. Early termination benefits will be paid in installments in the period up to the employees' statutory retirement, while labour union funds and employee education funds will be paid in installments based on usage plans.

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5 Notes to the consolidated financial statements (continued)

(25) Taxes payable

	31 December 2010	31 December 2009
Corporate income tax	221,380,547	212,924,571
Consumption tax	180,420,205	165,718,917
VAT	29,117,597	53,110,106
Business tax	18,275,637	11,771,615
City maintenance and construction tax	13,052,402	10,791,584
Withholding income tax	12,686,892	—
Education surcharge	6,420,056	5,458,278
Others	32,865,941	7,255,172
	<u>514,219,277</u>	<u>467,030,243</u>

(26) Dividends payable

	31 December 2010	31 December 2009
Payable to YWJ Enterprise Inc	8,800,000	—
Payable to SITC Logistic (HK) Limited	749,729	—
	<u>9,549,729</u>	<u>—</u>

(27) Other payables

	31 December 2010	31 December 2009
Marketing expenses	1,187,315,116	981,713,352
Guarantee deposits	581,610,008	576,220,596
Payables for construction and machinery	216,082,793	198,903,877
Accruals for transportation expenses	76,925,142	65,596,451
Accruals for advertising expenses	47,943,409	30,594,858
Accruals for general and administrative expenses	23,484,356	25,202,105
Accruals for labor expenses	19,210,447	11,747,762
Accruals for electricity expenses	10,683,642	8,070,693
Withholding social insurance for staffs	6,943,363	5,125,060
Others	349,914,249	349,649,561
	<u>2,520,112,525</u>	<u>2,252,824,315</u>

(a) As at 31 December 2010, there are no other payables to shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2009: nil).

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5 Notes to the consolidated financial statements (continued)

(27) Other payables (continued)

(b) Other payables to related parties are analysed as follows (Note 7 (5)):

	31 December 2010	31 December 2009
Zhaoshang Logistics	5,837,219	3,198,452
Yantai Asahi	82,500	—
	5,919,719	3,198,452

(c) As at 31 December 2010, other payables over 1 year with carrying amount of RMB328,308,323 (31 December 2009: RMB274,561,350) are mainly liabilities incurred on acquisition of subsidiaries. At the date on which the financial statements are authorised for issue, the aforesaid other payables have been repaid with the amount of RMB23,385,109 (Note 10(1)).

(d) Other payables in foreign currency are summarised as follows:

	31 December 2010			31 December 2009		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
USD	—	—	—	790,874	6.8282	5,400,246
HKD	4,173,729	0.8509	3,551,426	4,424,997	0.8805	3,896,210
			3,551,426			9,296,456

(28) Current portion of non-current liabilities

	31 December 2010	31 December 2009
Current portion of long-term borrowings (a)	15,579,933	26,214,224
Current portion of long-term payables (b)	2,350,321	2,126,336
	17,930,254	28,340,560

(a) Current portion of long-term borrowings

	31 December 2010	31 December 2009
Guaranteed	15,579,933	26,214,224

As at 31 December 2010, there are no overdue borrowings (31 December 2009: nil). Details please refer to Note 5(29).

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5 Notes to the consolidated financial statements (continued)

(28) Current portion of non-current liabilities (continued)

(a) Current portion of long-term borrowings (continued)

Current portion of long-term borrowings are set out as follows:

	Beginning date	Termination date	Currency	Interest rate (%)	31 December 2010		31 December 2009	
					Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
Import and Export Bank of China	1996.10.01	2021.04.01	DKK	—	397,409	468,148	394,826	519,986
Import and Export Bank of China	1996.12.31	2016.12.31	EUR	—	153,394	1,350,862	153,236	1,501,268
Communications Bank of China, Hong Kong Branch	2009.07.14	2011.07.14	HKD	1.07	16,165,034	13,760,923	27,477,024	24,192,970
						15,579,933		26,214,224

(b) Current portion of long-term payables

As at 31 December 2010, current portion of long-term payables represents fixed assets finance lease payable to Meilianxin, a third party (Note 11).

(29) Long-term borrowings

	Currency	31 December 2010	31 December 2009
Guaranteed	DKK	4,476,400	5,531,400
Guaranteed	EUR	6,245,661	8,502,198
Guaranteed	HKD	—	14,233,313
		10,722,061	28,266,911

As at 31 December 2010, guaranteed long-term borrowings include:

- bank guaranteed borrowing of RMB4,944,548 (foreign currency: DKK4,197,409) (31 December 2009: RMB6,051,386 (foreign currency: DKK4,594,826)) guaranteed by Beijing Development and Reform Commission. The principal amount shall be repaid twice annually based on the matching principal method, with the last repayment falling due on 1 April 2021. The amount due within one year amounted to RMB468,148 (31 December 2009: RMB519,986);
- bank guaranteed borrowing of RMB7,596,523 (foreign currency: EUR862,604) (31 December 2009: RMB10,003,466 (foreign currency: EUR1,021,064)) guaranteed by the Beijing Branch of Bank of China. The principal amount shall be repaid annually based on the matching principal method, with the last repayment falling due on 31 December 2016. The amount due within one year amounted to RMB1,350,862 (31 December 2009: RMB1,501,268);
- bank guaranteed borrowing of RMB13,760,923 (foreign currency: HKD16,165,034) (31 December 2009: RMB38,426,283 (foreign currency: HKD43,642,058)) guaranteed by the Company to Hong Kong Company, a subsidiary of the Company. The amount due within one year amounted to RMB13,760,923 (31 December 2009: RMB24,192,970).

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5 Notes to the consolidated financial statements (continued)

(29) Long-term borrowings (continued)

(a) Long-term borrowings are set out as follows:

	Beginning date	Termination date	Currency	Interest rate (%)	31 December 2010		31 December 2009	
					Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
Import and Export Bank of China	1996.10.01	2021.04.01	DKK	—	3,800,000	4,476,400	4,200,000	5,531,400
Import and Export Bank of China	1996.12.31	2016.12.31	EUR	—	709,210	6,245,661	867,828	8,502,198
Communications Bank of China, Hong Kong Branch	2009.07.14	2011.07.14	HKD	1.07	—	—	16,165,034	14,233,313
						<u>10,722,061</u>		<u>28,266,911</u>

(b) The long-term borrowings are repayable as follows:

	31 December 2010	31 December 2009
Between 1 to 2 years	<u>1,868,066</u>	16,314,105
Between 2 to 5 years	<u>5,604,198</u>	6,242,378
Over 5 years	<u>3,249,797</u>	5,710,428
	<u>10,722,061</u>	<u>28,266,911</u>

For the year ended 31 December 2010, the weighted average interest rate of long-term borrowings is 0.29% per annum (2009: 0.54%).

(30) Debentures payable

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Convertible bonds	<u>1,198,896,050</u>	<u>77,750,208</u>	<u>(12,000,000)</u>	<u>1,264,646,258</u>

As stated in Note 1, the Company issued the convertible bond with subscription warrants amounted to RMB1,500 million with a term of 6 years on 2 April 2008. The coupon rate of the convertible bonds was 0.8% per annum. Upon the issue of the bonds, the prevailing market interest rates of similar bonds without warrants were higher than the interest rate of the bond. The effective interest rate of the convertible bonds was 6.1%.

The fair value of the liability component of the convertible bonds was assessed based on the market interest rates of similar bonds without warrants on the date of issue. The fair value of the embedded equity component was calculated as the issue amount of the convertible bonds less the amount initially recognised for the liability component, and was included in equity.

Accrued interests of debentures are analysed as follows:

	Accrued interests			31 December 2010
	31 December 2009	Current year accruals	Current year payments	
Convertible bonds	<u>—</u>	<u>12,000,000</u>	<u>(12,000,000)</u>	<u>—</u>

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5 Notes to the consolidated financial statements (continued)

(30) Debentures payable (continued)

As at 31 December 2010, the liability component of the convertible bonds is set out as follow:

	<i>RMB</i>
Face value of the convertible bonds	1,500,000,000
Less: Equity component	(389,702,040)
Transaction costs attributable to liability component	<u>(26,245,028)</u>
Liability component on initial recognition	1,084,052,932
Interest expenses up to 31 December 2009	126,843,118
Interest paid up to 31 December 2009	<u>(12,000,000)</u>
Liability component as at 31 December 2009	1,198,896,050
Interest expenses for the year ended 31 December 2010	77,750,208
Interest paid for the year ended 31 December 2010	<u>(12,000,000)</u>
Liability component as at 31 December 2010	<u>1,264,646,258</u>

(31) Long-term payables

	31 December 2010	31 December 2009
Finance lease payable	625,414	2,975,735
Others	1,000,000	11,167,594
	<u>1,625,414</u>	<u>14,143,329</u>

(a) Long-term payables are set out as follows:

	Expiration date	Initial amount	Interest rate (%)	Accrued interests	Ending balance	Conditions
Meilianxin	Between 1 to 2 years	12,823,033	—	—	625,414	Not applicable
Shanxi High & New Technology Industrial Investment Company	Between 2 to 5 years	1,000,000	—	—	1,000,000	Not applicable

(b) Details of payable for finance lease

	31 December 2010		31 December 2009	
	Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
Meilianxin	—	625,414	—	2,975,735

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5 Notes to the consolidated financial statements (continued)

(31) Long-term payables (continued)

(b) Details of payable for finance lease (continued)

No independent third party has provided guarantee for the Group's finance leases.

Finance lease payables represented the balance after deducting unrecognised finance charges from the Group's minimum lease payments under fixed assets finance leases (Note 11).

(c) Long-term payables are analysed by maturity days as follows:

	31 December 2010	31 December 2009
Between 1 to 2 years	625,414	13,143,329
Between 2 to 5 years	1,000,000	1,000,000
	1,625,414	14,143,329

(32) Payables for specific projects

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

(33) Other non-current liabilities

	31 December 2010	31 December 2009
Deferred income (a)	549,289,390	171,134,452

(a) Deferred income

	31 December 2010	31 December 2009
Government grants related to income		
Projects of relocation	9,853,014	—
Projects on scientific research	4,066,130	—
	13,919,144	—
Government grants related to assets		
Projects on relocation of old factories	466,261,374	116,894,969
Projects on expansion	54,481,016	43,510,092
Projects on technology improvement	5,504,737	5,961,903
Project on sewage treatment	3,198,000	—
Other projects	5,925,119	4,767,488
	535,370,246	171,134,452
	549,289,390	171,134,452

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5 Notes to the consolidated financial statements (continued)

(34) Share capital

	31 December 2009	Current year additions and reductions		31 December 2010
		Others	Subtotal	
Selling restricted shares —				
State-owned legal person shares	399,820,000	—	—	399,820,000
Other domestic shares	17,574,505	—	—	17,574,505
Including: Domestic non-state-owned legal shares	17,574,505	—	—	17,574,505
	<u>417,394,505</u>	—	—	<u>417,394,505</u>
Non-selling restricted shares —				
RMB ordinary shares	278,519,112	—	—	278,519,112
Foreign shares listed overseas	655,069,178	—	—	655,069,178
	<u>933,588,290</u>	—	—	<u>933,588,290</u>
	<u>1,350,982,795</u>	—	—	<u>1,350,982,795</u>
		Current year additions and reductions		
	31 December 2008	Exercise subscription warrants	Subtotal	31 December 2009
Selling restricted shares —				
State-owned legal person shares	399,820,000	—	—	399,820,000
Other domestic shares	17,574,505	—	—	17,574,505
Including: Domestic non-state-owned legal shares	17,574,505	—	—	17,574,505
	<u>417,394,505</u>	—	—	<u>417,394,505</u>
Non-selling restricted shares-				
RMB ordinary shares	235,755,495	42,763,617	42,763,617	278,519,112
Foreign shares listed overseas	655,069,178	—	—	655,069,178
	<u>890,824,673</u>	<u>42,763,617</u>	<u>42,763,617</u>	<u>933,588,290</u>
	<u>1,308,219,178</u>	<u>42,763,617</u>	<u>42,763,617</u>	<u>1,350,982,795</u>

Since the implementation of the Company's share reform proposal on 18 December 2006, the shareholders of non-circulating shares of the Company obtained trading rights immediately. Pursuant to the stipulated period of five years, 417,394,505 shares held by the original shareholders of non-circulating shares were not subject to trading (Note 1).

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5 Notes to the consolidated financial statements (continued)

(35) Capital surplus

	31 December 2009 (Restated)	Current year additions	Current year reductions	31 December 2010
Share premium (i)	4,011,753,890	—	(91,542,977)	3,920,210,913
Other capital surplus —	94,211,869	2,666,204	(249,345)	96,628,728
Share of changes in equity other than profits of investees	1,636,986	—	—	1,636,986
Transfer of capital surplus recognised under the previous accounting system	91,701,228	—	—	91,701,228
Others	873,655	2,666,204	(249,345)	3,290,514
	<u>4,105,965,759</u>	<u>2,666,204</u>	<u>(91,792,322)</u>	<u>4,016,839,641</u>
	31 December 2008 (Restated)	Current year additions	Current year reductions	31 December 2009 (Restated)
Share premium	2,557,177,898	1,454,575,992	—	4,011,753,890
Other capital surplus —	379,685,980	—	(285,474,111)	94,211,869
Equity component of convertible bonds	380,490,332	—	(380,490,332)	—
Deferred tax arising on initial recognition of convertible bonds at fair value	(97,425,510)	—	97,425,510	—
Share of changes in equity other than profits of investees	1,636,986	—	—	1,636,986
Change in fair value of available-for-sale financial assets	2,409,289	—	(2,409,289)	—
Transfer of capital surplus recognised under the previous accounting system	91,701,228	—	—	91,701,228
Others	873,655	—	—	873,655
	<u>2,936,863,878</u>	<u>1,454,575,992</u>	<u>(285,474,111)</u>	<u>4,105,965,759</u>

- (a) The decrease of share premium in current year was caused by the purchase of minority interests by the Company. Baotuquan Company was originally an operational entity controlled under an entrustment and had been fully consolidated. With the approval by the document Qingguozichanquan [2009] No. 54 issued by the State-owned Assets Supervision and Administration Commission of Qingdao Municipal Government, an invitation for the sale quote of the 100% share interest of Baotuquan Company held by TB Group Company to public was issued in January 2010. The Company acquired the equity interest in Baotuquan Company at a price of RMB174,160,000 by participation in the public auction. The difference amounted to RMB82,617,023 (Note 5(38)) between the long-term equity investments newly acquired by the Group and the share of net assets of the subsidiary, which was calculated continuously from the date of the acquisition based on the new shareholding proportion, of RMB91,542,977 was adjusted against the capital surplus.

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5 Notes to the consolidated financial statements (continued)

(36) Surplus reserve

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Statutory surplus reserve	613,542,388	78,283,352	—	691,825,740
	31 December 2008	Current year additions	Current year reductions	31 December 2009
Statutory surplus reserve	536,107,764	77,434,624	—	613,542,388

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. According to a resolution at the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB78,283,352 for the year ended 31 December 2010 (2009: 10% of the net profit for year, amounting to RMB77,434,624) to the statutory surplus reserve.

(37) Undistributed profits

	2010		2009	
	Amount	Ratio for appropriation or distribution	Amount	Ratio for appropriation or distribution
Undistributed profits at the beginning of the year (before adjustments)	2,055,205,540		1,206,403,534	
Changes in accounting policies (Note 2(29))	256,571,094		259,853,587	
Undistributed profits at the beginning of the year (after adjustments)	2,311,776,634		1,466,257,121	
Add: Net profit attributable to the Company for the current year (restated)	1,520,484,350		1,250,008,932	
Less: Appropriation for statutory surplus reserve	(78,283,352)	10%	(77,434,624)	10%
Ordinary shares dividend payable	(216,157,247)	0.16 per share	(327,054,795)	0.25 per share
Undistributed profits at the end of the year	3,537,820,385		2,311,776,634	
Including: Proposed final dividend	243,176,903	0.18 per share	216,157,247	0.16 per share
Proposed final dividend in the current year	243,176,903	0.18 per share	216,157,247	0.16 per share

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5 Notes to the consolidated financial statements (continued)

(37) Undistributed profits (continued)

As at 31 December 2010, included in the undistributed profits, RMB480,419,299 is subsidiaries' surplus reserve attributable to the Company (31 December 2009: RMB418,322,451), of which RMB62,096,848 is appropriated for the current year (2009: RMB94,569,276).

In accordance with the resolution at the Annual General Meeting dated on 17 June 2010, the Company proposed a cash dividend to equity holders of the Company of RMB216,157,247 (RMB0.16 per share), based on total numbers of shares 1,350,982,795.

In accordance with the resolution at the Board of Directors dated on 30 March 2011, the Company proposed a cash dividend to equity holders of the Company of RMB243,176,903 (RMB0.18 per share) based on total numbers of shares 1,350,982,795. Such dividend distribution is still subject to the approval of Annual General Meeting, and is not reflected in these financial statements (Note 10 (2)).

(38) Minority interests

(a) Minority interests attributable to the shareholders of subsidiaries

	31 December 2010	31 December 2009 (Restated)
Shenzhen Asahi	198,304,632	182,853,029
Nanning Company	35,255,588	31,434,597
Sanshui Company	26,253,984	26,253,984
Xuzhou Company	17,937,232	17,937,209
Hanzhong Company	17,110,044	17,994,000
Baotouquan Company (Note 5(35))	—	82,617,023
Gansu Nongken Company	(66,355,127)	(73,649,543)
Yangzhou Company	(49,689,542)	(49,832,237)
Three Ring Company	(40,907,129)	(46,598,296)
Five Star Company	(23,399,562)	(24,375,906)
Others	2,123,320	10,220,925
	116,633,440	174,854,785

(39) Revenue and cost of sales

	2010	2009
Revenue from main operation	19,614,145,234	17,760,536,346
Revenue from other operation	283,682,531	265,571,542
	19,897,827,765	18,026,107,888

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5 Notes to the consolidated financial statements (continued)

(39) Revenue and cost of sales (continued)

	2010	2009
Cost of main operation	(11,044,332,613)	(10,076,821,445)
Cost of other operation	(190,157,552)	(208,310,650)
	(11,234,490,165)	(10,285,132,095)

(a) Revenue and cost of main operation

The Group is principally engaged in the production and distribution of beer products. Analysis by products is as follow:

	2010		2009	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of Beer	19,614,145,234	(11,044,332,613)	17,760,536,346	(10,076,821,445)

Analysis by locations is as follow:

	2010		2009	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Shandong Region	9,935,831,253	(5,560,370,528)	8,576,361,026	(4,834,603,963)
Huanan Region	4,185,367,177	(2,279,501,940)	3,880,760,590	(2,144,207,689)
Huabei Region	3,427,611,472	(2,383,523,157)	3,136,091,912	(2,132,142,070)
Huadong Region	1,729,271,972	(1,182,644,679)	1,709,364,438	(1,127,928,534)
Dongnan Region	1,380,299,906	(901,111,074)	1,211,333,425	(770,275,447)
Hong Kong and overseas	387,931,785	(190,207,090)	363,830,018	(184,540,049)
	21,046,313,565	(12,497,358,468)	18,877,741,409	(11,193,697,752)
Less: eliminations	(1,432,168,331)	1,453,025,855	(1,117,205,063)	1,116,876,307
	19,614,145,234	(11,044,332,613)	17,760,536,346	(10,076,821,445)

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5 Notes to the consolidated financial statements (continued)

(39) Revenue and cost of sales (continued)

(b) Revenue and cost of other operation

	2010		2009	
	Revenue from other operation	Cost of other operation	Revenue from other operation	Cost of other operation
Sale of materials and scraps	109,977,661	(84,211,277)	131,934,592	(116,771,617)
Sale of promotion goods	9,873,509	(6,794,213)	16,184,920	(12,865,672)
Sale of packaging materials	43,735,312	(45,300,040)	35,539,806	(36,649,601)
Others	120,096,049	(53,852,022)	81,912,224	(42,023,760)
	283,682,531	(190,157,552)	265,571,542	(208,310,650)

(c) Top five of the revenue of the Group

Top five of the revenue of the Group amount to RMB1,506,855,393 (2009: RMB1,275,999,068), which accounts for 7.57% (2009: 7.08%) of the total revenue of the Group. Details are summarised as follows:

	Revenue of sales	Percentage of the total revenue of the Group
Zhuhai Huahai Pengcheng Winery Company Limited	433,542,449	2.18%
Liaoning Shenqing	388,208,256	1.95%
Wenzhou Pengchengwang Trading Company Limited	244,991,838	1.23%
Puning Jishijia Grocery	244,923,932	1.23%
Xinkangjian Company	195,188,918	0.98%
	1,506,855,393	7.57%

(40) Tax and surcharges

	2010	2009	Tax basis
Consumption tax	1,399,255,887	1,302,436,534	Refer to Note 3
Business tax	6,146,388	5,080,819	Refer to Note 3
City maintenance and construction tax	175,392,741	163,229,933	Refer to Note 3
Education surcharge	82,213,689	76,440,909	Refer to Note 3
Others	124,665	117,521	
	1,663,133,370	1,547,305,716	

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5 Notes to the consolidated financial statements (continued)

(41) Selling and distribution expenses

	2010	2009
Promotion-related expenses	1,449,209,884	1,223,467,525
Transportation expenses	861,662,082	737,357,796
Employee benefit expenses	751,067,810	779,104,751
Advertising related expenses	520,523,456	428,711,647
Administrative and business travel expenses	116,019,307	100,747,147
Rental expenses	53,694,614	40,216,055
Materials consumption	53,295,574	61,363,679
Amortisation expenses	18,975,120	13,430,705
Depreciation expenses	12,143,077	13,546,281
Others	81,326,969	86,457,619
	<u>3,917,917,893</u>	<u>3,484,403,205</u>

(42) General and administrative expenses

	2010	2009
Employee benefit	565,570,307	546,123,310
Administrative, business travel, and entertainment expenses	133,805,535	100,498,317
Tax expenses	109,804,344	97,812,115
Depreciation expenses	42,652,727	41,241,613
Amortisation expenses	30,268,679	30,700,435
Intermediary agency fees	31,463,582	30,774,586
Repair expenses	28,890,758	26,455,334
Materials consumption	16,928,475	18,278,007
Insurance premiums	14,362,876	13,074,157
Rental expenses	9,723,407	8,588,902
* Auditors' remuneration	5,800,000	7,280,000
Others	89,931,957	77,314,269
	<u>1,079,202,647</u>	<u>998,141,045</u>

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5 Notes to the consolidated financial statements (continued)

(43) Financial expenses — net

	2010	2009
Interest expenses —		
Including: * Bank borrowings	5,135,135	19,944,788
* Debentures payable	77,750,208	73,717,465
* Notes discount	—	2,317,230
Less: Interest income	(89,870,433)	(41,087,027)
Exchange losses/(gains)	1,664,881	(3,478,996)
Future finance charges	5,500,806	6,458,777
Others	4,691,918	4,981,273
	<u>4,872,515</u>	<u>62,853,510</u>

* The Group's interest expenses by repayment term of bank borrowings or debentures payable are wholly repayable within five years.

(44) Loss on changes in fair value

	2010	2009
Financial assets held for trading —		
Loss on changes in fair value	—	1,762,500

(45) Investment income

	2010	2009
Income from long-term equity investment under cost method (a)	7,830	45,356
Income from long-term equity investment under equity method (b)	9,690,511	1,949,978
Income from disposal of financial assets held for trading	—	756,000
Income from disposal of available-for-sale financial assets	—	7,294,162
Others	(44,340)	21,808
	<u>9,654,001</u>	<u>10,067,304</u>

There is no significant restriction on the recovery of investment income.

* For the year ended 31 December 2010, no investment income of the Group was from unlisted investments (2009: investment income were from listed investments and non-listed investments of RMB7,294,162 and RMB2,773,142, respectively).

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5 Notes to the consolidated financial statements (continued)

(45) Investment income (continued)

(a) Investment income from long-term equity investment under cost method

The investees are set out as follows:

	2010	2009	Reason for current year additions or reductions
Zhejiang Taizhou Expressway Group Co., Ltd.	7,830	14,094	Decrease in distributed profit of the investee
Harbin Commercial Bank	—	31,262	No profit distribution made by the investee during the current year
	<u>7,830</u>	<u>45,356</u>	

(b) Investment income from long-term equity investment under equity method

The investees are set out as follows:

	2010	2009	Reason for current year additions or reductions
Zhaoshang Logistics	5,150,645	4,946,517	Increase in profit of the investee for the year
Beverage Company	—	(4,829,438)	Became a subsidiary after acquisition during the year
Yantai Asahi	4,028,555	1,067,649	Increase in profit of the investee for the year
Liaoning Shenqing	410,376	422,500	Decrease in profit of the investee for the year
European Company	100,935	342,750	Decrease in profit of the investee for the year
	<u>9,690,511</u>	<u>1,949,978</u>	

(46) Asset impairment losses

	2010	2009
Impairment losses of fixed assets	41,004,789	40,834,361
Provisions for bad debts	17,526,180	(9,352,975)
Declines in values of inventories	9,633,567	30,966,626
Impairment losses of long-term investments	3,985,261	—
Impairment losses of intangible assets	—	5,403,781
	<u>72,149,797</u>	<u>67,851,793</u>

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5 Notes to the consolidated financial statements (continued)

(47) Non-operating income

	2010	2009
Gain on disposal of non-current assets	4,471,768	2,241,105
including: gain on disposal of fixed assets	4,471,768	2,241,105
Penalty gains	1,261,498	1,249,529
Gain on unpaid debts	3,998,035	4,588,226
Government grants (a)	221,745,638	199,387,677
Others	13,550,819	5,860,476
	<u>245,027,758</u>	<u>213,327,013</u>

(a) Details of government grants

	2010	2009	Remarks
Tax return	131,544,591	112,385,112	Return of certain portion of tax paid
Project support fund	33,094,721	20,655,562	Grants for technology improvement projects and sewage treatment projects
Relocation compensation	38,965,334	41,586,673	Relocation compensation for manufacturing factories
Others	18,140,992	24,760,330	
	<u>221,745,638</u>	<u>199,387,677</u>	

For the year ended 31 December 2010, non-operating income was recorded in non-recurring profit or loss.

(48) Non-operating expenses

	2010	2009
Losses on disposal of non-current assets	39,213,622	42,077,738
Including: Losses on disposal of fixed assets	39,213,622	25,730,565
Losses on disposal of intangible assets	—	16,347,173
Public welfare donations	2,337,862	1,749,743
Compensation and overdue fine	11,313,547	8,091,605
Penalty losses	1,118,441	1,520,735
Others	3,563,956	9,278,929
	<u>57,547,428</u>	<u>62,718,750</u>

For the year ended 31 December 2010, non-operating expenses were all recorded in non-recurring profit or loss.

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5 Notes to the consolidated financial statements (continued)

(49) Income tax expenses

	2010	2009
Current income tax calculated according to tax law and related regulations in mainland China	629,303,654	584,159,769
Current income tax calculated according to tax law and related regulations in Hong Kong	4,008,941	3,757,016
Deferred income tax	(94,536,001)	(147,695,680)
	538,776,594	440,221,105

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

	2010	2009
Total profit	2,123,195,709	1,739,333,591
Income tax expenses calculated at applicable tax rates	497,522,734	384,904,972
Expenses not deductible for tax purposes	48,025,551	76,304,590
Income not subject to tax	(5,066,978)	(7,285,535)
Utilisation of previously unrecognised deferred tax assets	(56,658,940)	(48,343,776)
Tax influence for which no deferred tax assets were recognised	54,954,227	34,640,854
Income tax expenses	538,776,594	440,221,105

(50) Earnings per share

(a) Basic earnings per share

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

	2010	2009 (Restated)
Consolidated net profit attributable to ordinary shareholders of the Company	1,520,484,350	1,250,008,932
Weighted average number of ordinary shares outstanding	1,350,982,795	1,315,346,448
Basic earnings per share	1.125	0.950
Including:		
— Basic earnings per share relating to continuing operations	1.125	0.950

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5 Notes to the consolidated financial statements (continued)

(50) Earnings per share (continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusted net profit for the current year attributable to ordinary shareholders by the adjusted weighted average number of ordinary shares outstanding. As there were no potential ordinary shares in 2010, diluted earnings per share is equal to basic earnings per share (2009: The Company issued convertible bonds with detachable warrants. The exercise period of the warrants was due in October 2009. As the exercise price was higher than the average market price of the ordinary shares of the Company before the exercise, therefore no dilutive effect.

(51) Other comprehensive income

	2010	2009
Gain arising from available-for-sale financial assets	—	4,081,777
Less: Income tax relating to available-for-sale financial assets	—	(1,020,444)
Net amount of reclassifications from other comprehensive income to profit or loss	—	(5,470,622)
Subtotal	—	(2,409,289)
Exchange differences arising from translating foreign operations	(388,315)	240,112
Others	2,666,204	—
	2,277,889	(2,169,177)

(52) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	2010	2009
Deposits	470,908,156	328,470,296
Income from sales of materials and scraps	120,422,065	92,224,461
Government grants	92,091,055	71,185,115
Others	241,441,880	227,002,931
	924,863,156	718,882,803

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5 Notes to the consolidated financial statements (continued)

(52) Notes to consolidated cash flow statement (continued)

(b) Cash paid relating to other operating activities

	2010	2009
Advertising expenses	606,094,422	432,290,583
Transportation expenses	873,041,704	694,577,006
Marketing and promotion expenses	406,646,661	414,407,469
Administrative expense	250,971,044	234,160,403
Deposits	191,376,115	204,146,102
Others	204,866,860	175,543,566
	<u>2,532,996,806</u>	<u>2,155,125,129</u>

(c) Cash received relating to other investing activities

	2010	2009
Government compensation for relocation and expansion projects	569,829,088	23,000,000
Receipt of tender deposits etc.	82,905,500	613,528
Refund of prepayment for land use right	7,992,370	—
	<u>660,726,958</u>	<u>23,613,528</u>

(d) Cash paid relating to other investing activities

	2010	2009
Deposit for acquisition of a subsidiary (Note 5(4))	85,000,000	—
Payment of tender deposits etc.	81,271,174	221,544
Housing maintenance fund	—	28,844,926
	<u>166,271,174</u>	<u>29,066,470</u>

(e) Cash received relating to other financing activities

	2010	2009
Recovery of notes and letter of credit deposit	14,115,705	10,839,306
Cash received on bills discount	—	259,000,000
	<u>14,115,705</u>	<u>269,839,306</u>

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5 Notes to the consolidated financial statements (continued)

(52) Notes to consolidated cash flow statement (continued)

(f) Cash paid relating to other financing activities

	2010	2009
Deposits payment for notes and letter of credit	10,114,709	13,237,009
Payment of finance lease payables	2,564,587	2,564,587
Repayment of notes payable due	—	259,000,000
Payment of notes discount — related expenses	—	2,142,391
Others	—	678,814
	<u>12,679,296</u>	<u>277,622,801</u>

(53) 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

	2010	2009
Net profit	1,584,419,115	1,299,112,486
Add: Provisions for asset impairment	72,149,797	67,851,793
Depreciation of fixed assets	510,064,475	504,141,597
Amortisation of intangible assets	45,713,558	40,620,137
Amortisation of long-term prepaid expenses	3,530,241	3,511,003
Losses on disposal of fixed assets, intangible assets and other long-term assets	34,741,854	39,836,633
Loss on change in fair value	—	1,762,500
Financial expenses	85,382,780	93,481,582
Investment income	(9,654,001)	(10,067,304)
Increase in deferred tax assets	(91,348,602)	(146,783,984)
Decrease in deferred tax liabilities	(3,187,399)	(2,654,069)
(Increase)/decrease in inventories	(70,061,015)	847,991,513
Decrease in operating receivables	88,590,815	60,965,627
Increase in operating payables	1,033,686,060	561,231,801
Net cash flows from operating activities	<u>3,284,027,678</u>	<u>3,361,001,315</u>
Net increase in cash and cash equivalents		

	2010	2009
Cash at the end of the year (c)	7,562,805,978	5,307,575,041
Less: cash at the beginning of the year	<u>(5,307,575,041)</u>	<u>(2,381,044,218)</u>
Net increase in cash	<u>2,255,230,937</u>	<u>2,926,530,823</u>

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5 Notes to the consolidated financial statements (continued)

(53) Supplementary information to consolidated cash flow statements (continued)

(b) Acquisition of a subsidiary

	2010	2009
Consideration for acquisition	1	—
Cash paid for acquisition	1	—
Less: Cash in the subsidiary acquired	<u>(1,216,082)</u>	<u>(943,577)</u>
Net cash received for acquisition	<u>1,216,081</u>	<u>943,577</u>
Net assets of the subsidiary acquired		
	2010	2009
Current assets	6,891,521	41,674,537
Non-current assets	37,686,938	3,016,530
Current liabilities	<u>(31,001,646)</u>	<u>(33,530,894)</u>
	<u>13,576,813</u>	<u>11,160,173</u>

(c) Cash and cash equivalents

	31 December 2010	31 December 2009
Cash (Note 5(1))	7,562,805,978	5,307,575,041
Including: Cash on hand	617,437	751,846
Cash at bank that can be readily drawn on demand	<u>7,562,188,541</u>	<u>5,306,823,195</u>
Cash and cash equivalents at end of year	<u>7,562,805,978</u>	<u>5,307,575,041</u>

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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 strategy, 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.

The Group identified 6 reportable segments as follows:

- Shandong region, responsible for the production and distribution of beer in Shandong region and peripheral regions
- Huanan region, responsible for the production and distribution of beer in South China region
- Huabei region, responsible for the production and distribution of beer in North China region
- Huadong region, responsible for the production and distribution of beer in East China region
- Dongnan region, responsible for the production and distribution of beer in Southeast China region
- Hong Kong and overseas, responsible for the distribution of beer in Hong Kong and overseas

Inter-segment transfer prices are based on mutually-agreed prices. Assets are allocated based on the location of segment operation and location of assets. Liabilities are allocated based on the location of segment operation. Expenses attributable indirectly to each segment are allocated among segments based on the proportion of revenue.

(a) Segment information as at and for the year ended 31 December 2010 is as follow:

	Shandong Region	Huanan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong and overseas	Unallocated	Elimination	Total
Revenue from external customers	9,458,372,984	4,045,269,055	2,994,097,123	1,689,653,789	1,309,919,968	400,514,846	—	—	19,897,827,765
Inter-segment revenue	1,050,013,254	189,265,969	472,686,435	75,346,634	87,409,788	174,156,667	—	(2,048,878,747)	—
Selling and distribution expenses	(2,192,262,673)	(796,797,051)	(306,069,258)	(270,767,558)	(234,791,585)	(117,229,768)	—	—	(3,917,917,893)
Interest income	5,751,928	8,986,311	7,526,291	1,588,181	1,305,687	204,620	64,507,415	—	89,870,433
Interest expenses	(98,010)	(6,119,344)	(28,799,482)	(5,685,078)	—	(315,578)	(77,750,208)	35,882,357	(82,885,343)
Share of profit of associates and jointly controlled entity	—	—	—	—	—	—	9,690,511	—	9,690,511
Asset impairment losses	(46,165,392)	(8,644,149)	(1,148,720)	(4,357,059)	(11,758,393)	(76,084)	—	—	(72,149,797)
Depreciation and amortisation	(196,183,310)	(161,569,462)	(94,432,136)	(53,341,556)	(23,192,420)	(1,258,712)	(29,330,678)	—	(559,308,274)
Total profit	1,192,550,028	581,888,280	222,926,646	54,902,512	123,794,060	61,859,936	(177,932,473)	63,206,720	2,123,195,709
Income tax expenses	(285,149,422)	(128,129,255)	(68,806,254)	(13,025,480)	(28,789,037)	(14,877,146)	—	—	(538,776,594)
Net profit	907,400,606	453,759,025	154,120,392	41,877,032	95,005,023	46,982,790	(177,932,473)	63,206,720	1,584,419,115
Total assets	4,947,907,936	3,330,800,596	2,789,227,151	1,281,204,467	753,600,855	144,061,998	5,535,097,837	(1,004,784,982)	17,777,115,858
Total liabilities	3,030,763,141	1,818,250,066	1,804,732,366	602,782,474	440,132,160	31,578,836	1,381,710,298	(1,052,578,955)	8,057,370,386

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6 Segment information (continued)

(a) Segment information as at and for the year ended 31 December 2010 is as follow: (continued)

	Shandong Region	Huanan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong and overseas	Unallocated	Elimination	Total
Long-term equity investments in associates and jointly controlled entity	—	—	—	—	—	—	151,708,735	—	151,708,735
Additions to non-current assets other than long-term equity investments	424,022,134	211,031,372	315,944,619	116,207,848	88,948,443	160,518	29,874,086	—	1,186,189,020

(b) Segment information as at and for the year ended 31 December 2009 is as follow:

	Shandong region	Huanan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong and overseas	Unallocated	Elimination	Total
Revenue from external customers	8,258,322,580	3,796,122,338	2,738,721,135	1,712,520,748	1,136,347,682	384,073,405	—	—	18,026,107,888
Inter-segment revenue	702,244,659	157,084,951	437,996,592	15,969,749	90,280,796	107,878,501	—	(1,511,455,248)	—
Selling and distribution expenses	(1,791,826,512)	(751,241,098)	(327,306,728)	(297,903,278)	(220,500,417)	(95,625,172)	—	—	(3,484,403,205)
Interest income	26,254,522	6,389,766	6,300,538	1,316,020	567,819	258,362	—	—	41,087,027
Interest expenses	(3,820,335)	(13,082,146)	(38,859,031)	(7,893,527)	(2,723,943)	(3,222,659)	(78,482,634)	52,104,792	(95,979,483)
Share of profit of associates and jointly controlled entity	—	—	—	—	—	—	1,949,978	—	1,949,978
Asset impairment losses	(39,648,600)	(18,794,749)	(1,148,289)	(708,330)	(7,562,507)	10,682	—	—	(67,851,793)
Depreciation and amortisation	(169,648,656)	(166,431,796)	(98,187,986)	(61,639,201)	(23,456,786)	(1,321,204)	(27,587,108)	—	(548,272,737)
Total profit	1,060,599,419	493,882,992	198,606,259	42,866,987	92,995,770	73,810,132	(275,204,007)	51,776,039	1,739,333,591
Income tax expenses	(222,183,647)	(154,545,555)	(39,354,772)	(9,038,155)	1,538,436	(16,637,412)	—	—	(440,221,105)
Net profit	838,415,772	339,337,437	159,251,487	33,828,832	94,534,206	57,172,720	(275,204,007)	51,776,039	1,299,112,486
Total assets	4,463,587,968	3,038,324,060	2,111,380,930	1,239,581,449	560,067,807	228,552,892	4,370,973,682	(1,145,016,151)	14,867,452,637
Total liabilities	1,938,357,206	1,427,677,166	1,675,533,359	708,096,084	365,771,498	66,776,984	1,391,894,539	(1,269,808,346)	6,304,298,490
Long-term equity investments in associates and jointly controlled entity	—	—	—	—	—	—	147,448,949	—	147,448,949
Additions to non-current assets other than long-term equity investments	430,270,693	186,691,649	60,599,045	56,846,229	13,308,497	1,668,467	40,870,689	—	790,255,269

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6 Segment information (continued)

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

Revenue from external customers	2010	2009
Domestic	19,389,528,792	17,579,575,412
Hong Kong	200,694,726	204,057,836
Overseas	307,604,247	242,474,640
	19,897,827,765	18,026,107,888
	31 December	31 December
Total non-current assets	2010	2009
Domestic	7,546,386,103	7,008,773,023
Hong Kong	1,900,938	2,076,473
	7,548,287,041	7,010,849,496

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 4.

(2) Information of jointly controlled entity and associates

Type	Place of registration	Legal representative	Nature of business	Registered capital	% equity interest	% voting rights	Code of organisation	
Jointly controlled entity —								
Equipment Manufacture	Chinese-foreign cooperative enterprise	Qingdao, the PRC	Matsuzawa Hideo	Manufacture & installation of equipment and accessories	USD350,000	50%	50%	71375865-5
Associates —								
Liaoning Shenqing	Company limited	Liaoning, the PRC	Wang Zhi	Domestic trading of beer	RMB2,000,000	30%	30%	74275001-1
Zhaoshang Logistics	Company limited	Qingdao, the PRC	Li Yasheng	Logistics service and management	RMB20,000,000	30%	30%	73353404-2
European Company	Stock corporation	France	Not applicable	Import & Export trading of beer	EUR152,449	40%	40%	Not applicable
Yantai Asahi	Company limited	Yantai, the PRC	Yamazaki Fumio	Manufacture & trading of beer and wine etc.	RMB218,804,435	39%	39%	61341620-1

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7 Related parties and related party transactions *(continued)*

(3) Information of other related parties

	Relationship with the Group	Code of organisation
TB Group Company	Shareholder of the Company	26462834-4
Asahi Breweries	Shareholder of the Company	Not applicable
Asahi Brewery Shanghai	Shareholder's subsidiary	60741668-6
Beijing Asahi	Shareholder's subsidiary	60000772-4
Hangzhou Asahi	Shareholder's subsidiary	60912106-4
Asahi Investment	Shareholder's subsidiary	71092096-0

(4) Related party transactions

(a) Sales or purchases of goods, and rendering or receiving services

Purchases of goods and receiving services:

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	2010		2009	
			Amount	Percentage of like transactions	Amount	Percentage of like transactions
Yantai asahi	Purchase of beer	Mutually-agreed prices and approval of board of directors	465,324,940	3.75%	312,932,162	2.67%
Equipment Manufacture	Receiving equipment and installation service	Mutually-agreed prices and approval of board of directors	651,700	0.15%	4,578,650	1.37%
Zhaoshang Logistics	Receiving logistics service (including paid on behalf)	Mutually-agreed prices and approval of board of directors	305,929,636	38.75%	214,850,740	32.94%
Beijing Asahi	Purchase of beer	Mutually-agreed prices and approval of board of directors	17,326,940	0.14%	—	—
Hangzhou Asahi	Purchase of beer	Mutually-agreed prices and approval of board of directors	6,219,085	0.05%	—	—

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7 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(a) Sales or purchases of goods, and rendering or receiving services (continued)

Sales of goods and materials:

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	2010		2009	
			Amount	Percentage of like transactions	Amount	Percentage of like transactions
Liaoning Shengqing	Sale of beer	Mutually-agreed prices and approval of board of directors	388,208,253	1.98%	330,676,639	1.86%
European Company	Sale of beer	Mutually-agreed prices and approval of board of directors	56,523,243	0.29%	57,723,871	0.33%
Asahi Breweries	Sale of beer	Mutually-agreed prices and approval of board of directors	42,393,003	0.22%	29,111,250	0.16%
Asahi Brewery Shanghai	Sale of beer	Mutually-agreed prices and approval of board of directors	12,583,403	0.06%	7,547,818	0.04%
Beijing Asahi	Sale of materials	Mutually-agreed prices and approval of board of directors	2,412,000	3.90%	—	—

(b) Operational entities entrusted by related parties

Pursuant to the agreements entered with TB Group Company, the Company was entrusted the management of Yangzhou Company. For details, please refer to Note 4(2).

On 27 November 2010, the Company entered into an equity custodian agreement with Asahi Breweries. Pursuant to which, Asahi Breweries entrusted the Company to manage the 55% equity interest in Hangzhou Asahi it held. The agreement is valid from the date of its execution to 31 December 2012. As the Company did not have the control of Hangzhou Asahi, it was not consolidated.

(c) Use of trademarks by related parties

Pursuant to the exclusive trademark license agreement entered into between the Company and TB Group Company on 15 June 2009, and the supplemental agreement dated 7 June 2010, the Company was authorised to use the trademark of Baotiquan Beer at nil consideration, until the completion of transfer of licensed trademark or the cancellation of licensed trademark due to non-renewal.

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7 Related parties and related party transactions *(continued)*

(4) Related party transactions *(continued)*

(d) Guarantee

Guarantee provider	Guaranteed party	Amount	Date of the commencement of the guarantee	Date of the termination of the guarantee	Fully performed or not
TB Group Company	Yangzhou Company (borrowings)	2,000,000	16 November 2010	16 November 2011	No
TB Group Company	Yangzhou Company (notes payable)	8,111,200	6 July 2010	24 May 2011	No

(e) Purchase of minority interests *(Note 5(35))*

	2010	2009
TB Group Company	<u>174,160,000</u>	<u>—</u>

(f) Payment for custodian rights of Baotiquan Company

	2010	2009
TB Group Company	<u>—</u>	<u>9,000,000</u>

(g) Purchase of a subsidiary *(Note 4(3))*

	2010	2009
Asahi Investment	<u>1</u>	<u>—</u>

(h) Remuneration of key management

	2010	2009
Remuneration of key management	<u>19,177,009</u>	<u>16,420,002</u>

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7 Related parties and related party transactions (continued)

(4) Related party transactions (continued)

***(i) Directors' emoluments**

The remuneration of every Director for the year ended 31 December 2010 is set out below:

Name of Director	Fees	Salary	Social security contributions and housing funds	Total
Jin Zhiguo	160,000	1,665,056	34,097	1,859,153
Wang Fan	160,000	945,936	34,097	1,140,033
Sun Mingbo	160,000	1,282,576	34,097	1,476,673
Liu Yingdi	160,000	696,336	34,097	890,433
Sun Yuguo	160,000	716,336	34,097	910,433
Tang Jun	90,000	—	—	90,000
YamazakiI Fumio	90,000	—	—	90,000
Fu Yang	240,000	—	—	240,000
Li Yan	240,000	—	—	240,000
Poon Chiu Kwok	240,000	—	—	240,000
Wang Shuwen	240,000	—	—	240,000
	1,940,000	5,306,240	170,485	7,416,725

The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name of Director	Fees	Salary	Social security contributions and housing funds	Total
Jin Zhiguo	—	1,526,136	31,017	1,557,153
Wang Fan	—	846,876	31,017	877,893
Sun Mingbo	—	1,183,716	31,017	1,214,733
Liu Yingdi	—	717,476	31,017	748,493
Sun Yuguo	—	727,476	31,017	758,493
Mark F Schumm (i)	10,000	—	—	10,000
Stephen J Burrows (i)	10,000	—	—	10,000
Tang Jun (ii)	5,000	—	—	5,000
YamazakiI Fumio (ii)	5,000	—	—	5,000
Fu Yang	80,000	—	—	80,000
Li Yan	80,000	—	—	80,000
Poon Chiu Kwok	80,000	—	—	80,000
Wang Shuwen	80,000	—	—	80,000
	350,000	5,001,680	155,085	5,506,765

(i) Resigned on 1 May 2009.

(ii) Appointed on 2 Nov 2009.

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7 Related parties and related party transactions *(continued)*

(4) Related party transactions *(continued)*

***(i) Directors' emoluments** *(continued)*

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the current year include 2 (2009: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2009: 3) individuals during the current year are summarised as follows:

	2010	2009
Salary	6,843,128	6,334,239
Social insurance and housing funds	101,571	82,464
	<u>6,944,699</u>	<u>6,416,703</u>
	Number of individuals	
	2010	2009
Emolument bands:		
Below HKD1,000,000	0	0
Above HKD1,000,000	3	3

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7 Related parties and related party transactions (continued)

(5) Receivables from and payables to related parties

Receivables from related parties:

	31 December 2010		31 December 2009	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable (Note 5(3))				
Guangzhou General Agency	18,859,690	(18,859,690)	23,859,690	(23,859,690)
Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
European Company	8,837,901	—	17,172,168	—
Asahi Breweries	4,298,310	—	2,276,897	—
Asahi Brewery Shanghai	1,675,014	—	1,141,191	—
	44,916,699	(30,105,474)	55,695,730	(35,105,474)
Other receivables (Note 5(4))				
Equipment Manufacture	2,187,379	—	2,187,379	—
Beijing Asahi	454,936	—	—	—
TB Group Company	—	—	698,147	—
	2,642,315	—	2,885,526	—
Advances to suppliers (Note 5(5))				
Equipment Manufacture	—	—	4,920,543	—
TB Group Company	—	—	4,500,000	—
	—	—	9,420,543	—
Other non-current assets				
— prepayments for construction				
Equipment Manufacture	4,918,843	—	—	—

Payables to related parties:

	31 December 2010	31 December 2009
Accounts payable (Note 5(22))		
Yantai Asahi	12,075,464	21,462,586
Beijing Asahi	6,721,120	—
Hangzhou Asahi	155,659	—
	18,952,243	21,462,586
Other payables (Note 5(27))		
Zhaoshang Logistics	5,837,219	3,198,452
Yantai Asahi	82,500	—
	5,919,719	3,198,452
Advances from customers (Note 5(23))		
Liaoning Shenqing	42,628,369	1,253,380
Entrusted loans from (Note 5 (20))		
TB Group Company	67,000,000	67,000,000

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7 Related parties and related party transactions *(continued)*

(5) Receivables from and payables to related parties *(continued)*

The above loans represented the entrusted loans provided by TB Group Company to Yangzhou Company through a bank. The loans were unsecured, of which RMB5,000,000 carried interest at 5.229% per annum, and RMB62,000,000 carried interest at 4.779% per annum. In 2010, Yangzhou Company paid interests amounting approximately RMB3,167,000 (2009: RMB3,870,000) to TB Group Company.

- (6) There are no commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet date.

8 Contingencies

As described in Note 3(2)(i), the Group's potential risk of tax income liabilities related to prior years has not been settled. The directors are of the view that the potential income tax liabilities could not be reliably estimated and therefore, no provision was made in these financial statements.

9 Commitments

(1) Capital commitments

(a) Capital expenditures contracted for but are not yet necessary to be recognised on the balance sheet

	31 December 2010	31 December 2009
Fixed assets	<u>535,897,846</u>	<u>67,715,549</u>

**(b) Capital commitments authorised by the management but not contracted for*

	31 December 2010	31 December 2009
Buildings, machinery, and equipment and intangible assets	<u>2,381,648,040</u>	<u>614,142,306</u>

As at the balance sheet date, jointly controlled entity of the Group had no material capital expenditures contracted for, or capital commitments authorised by the management but not yet contracted for.

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9 Commitments (continued)

(2) Operating lease commitments

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

	31 December 2010	31 December 2009
Within one year	637,836	543,036
Between 1 and 2 years	543,036	543,036
Between 2 and 3 years	298,670	543,036
Over 3 years	—	298,670
	<u>1,479,542</u>	<u>1,927,778</u>

(3) Investment commitments

	31 December 2010	31 December 2009
Purchase 100% equity interest of Immense Brewery (Note 10(3))	<u>1,788,000,000</u>	<u>—</u>

(4) Performance status of previous commitments

The capital expenditure commitments, operating lease commitments and investment commitments of the Group as at 31 December 2009 have been fulfilled as committed.

10 Events after the balance sheet date

(1) Significant events after the balance sheet date

Item	Content	Effects to financial positions and operating results	Reason for not reliably estimated
Repayment of payables (Note 5(22)(c)) (Note 5(27)(c))	Repayment of significant payables over 1 year	Asset and liability decrease RMB26,033,054 respectively	Not applicable
Transfer of advance from customers to revenue (Note 5(23)(c))	Transfer of advance from customers over 1 year to revenue	Liability decrease RMB927,406	Not applicable

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10 Events after the balance sheet date *(continued)*

(2) Dividends distribution after the balance sheet date

	Amount
Dividends proposed <i>(a)</i>	
— Dividends authorised to declare	<u>243,176,903</u>

- (a) In accordance with the resolution at the Board of Directors' meeting dated on 30 March 2011, the Board of Directors proposed a dividend in the amount of RMB243,176,903 to the shareholders, which is not recorded as liability in the financial statements for the current year (Note 5(37)).

(3) Acquisitions of subsidiaries after the balance sheet date

Subsidiaries acquired in business combinations involving enterprises not under common control

(a) Purchase of equity interest of Immense Brewery

On 7 December 2010, the Company and Hong Kong Company, a wholly-owned subsidiary, entered into an agreement with Xin Immense Hong Kong and China Skill Limited (collectively as the "Transferors") to acquire 75% and 25% equity interest in Immense Brewery held by the Transferors respectively at a total consideration of RMB1,873 million. At the date on which there financial statements were authorised for issue, the acquisition has not been completed.

(b) Purchase of equity interest of Hangzhou Zijintan Brewery Company Limited ("Zijintan Company")

On 26 March 2011, the Company entered into an agreement with the equity holders of Zijintan Company to acquire 80% equity interest in Zijintan Company at a total consideration of RMB66 million. At the date on which there financial statements were authorised for issue, the acquisition has not been completed.

(4) A significant subsidiary to be established after the balance sheet date

Pursuant to the resolution approved by the Board of Directors on 7 April 2010, the Group was approved to invest RMB300 million to establish a wholly-owned subsidiary, Tsingtao Brewery Finance Company Limited ("Finance Company"). On 9 September 2010, the establishment of Finance Company was approved by the approval document Yinjianfu [2010] No. 431 issued by the China Banking Regulatory Commission. In February 2011, the Company contributed RMB300 million to Finance Company. At the date on which there financial statements were authorised for issue, certification of registered capital has been completed while the application for opening was still in the progress of approval by the China Banking Regulatory Commission.

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11 Leases

* For the year ended 31 December 2010, payments of operating leases recognised in profit or loss for the current year amounted to RMB53,694,614 (2009: RMB40,216,055).

The future lease payments of fixed assets held under finance lease are as follows:

	31 December 2010	31 December 2009
Within one year	2,564,587	2,564,587
Between 1 to 2 years	641,247	2,564,587
Between 2 to 3 years	—	641,247
Over 3 years	—	—
	3,205,834	5,770,421

As at 31 December 2010, the unrecognised financing charge amounted to RMB230,099 (31 December 2009: RMB668,350) (Note 5(31)(b)).

12 Financial instrument and risk

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from financing activities and business transactions denominated in foreign currencies, primarily with respect to HKD. As the balance of the borrowings dominated in foreign currencies and the business transactions settled in foreign currencies are not material, the directors of the Group are of the view that the Group's exposure to foreign exchange risk would be immaterial. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the currency risk. The Group may consider entering into forward exchange contracts to mitigate the foreign exchange risk. During 2010 and 2009, the Group did not enter into any forward exchange contracts.

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12 Financial instrument and risk (continued)

(1) **Market risk** (continued)

(a) **Foreign exchange risk** (continued)

As at 31 December 2010 and 2009, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarised as below:

	31 December 2010		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency			
Cash at bank and on hand (Note 5(1))	19,310,134	7,640,609	26,950,743
Accounts receivable (Note 5(3)(k))	56,385,753	27,303,985	83,689,738
	<u>75,695,887</u>	<u>34,944,594</u>	<u>110,640,481</u>
Financial liabilities denominated in foreign currency			
Short-term borrowings (Note 5(20))	94,376,646	—	94,376,646
Accounts payable (Note 5(22)(d))	—	411,145	411,145
Other payables (Note 5(27)(d))	3,551,426	—	3,551,426
Current portion of non-current liabilities (Note 5(28))	13,760,923	1,819,010	15,579,933
Long-term borrowings (Note 5(29))	—	10,722,061	10,722,061
	<u>111,688,995</u>	<u>12,952,216</u>	<u>124,641,211</u>
31 December 2009			
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency			
Cash at bank and on hand (Note 5(1))	26,763,089	28,423,307	55,186,396
Accounts receivable (Note 5(3)(k))	54,277,447	34,383,658	88,661,105
	<u>81,040,536</u>	<u>62,806,965</u>	<u>143,847,501</u>
Financial liabilities denominated in foreign currency			
Short-term borrowings (Note 5(20))	72,472,309	—	72,472,309
Accounts payable (Note 5(22)(d))	—	411,447	411,447
Other payables (Note 5(27)(d))	3,896,210	5,400,246	9,296,456
Current portion of non-current liabilities (Note 5(28))	24,192,970	2,021,254	26,214,224
Long-term borrowings (Note 5(29))	14,233,313	14,033,598	28,266,911
	<u>114,794,802</u>	<u>21,866,545</u>	<u>136,661,347</u>

As at 31 December 2010, if the currency had strengthened/weakened by 10% against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB2,699,000 (31 December 2009: RMB2,532,000) higher/lower for various financial assets and liabilities denominated in HKD.

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12 Financial instrument and risk *(continued)*

(1) Market risk *(continued)*

(b) Interest rate risk

The Group's interest rate risk arises from interest bearing debts including bank borrowings and debentures payable. 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 31 December 2010, the Group's interest bearing debts were mainly RMB-denominated and HKD-denominated with floating rates, amounting to RMB140,977,569 (31 December 2009: RMB122,898,592), and RMB-denominated with fixed rates, amounting to RMB1,264,646,258 (31 December 2009: RMB1,198,896,050).

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The management of the Group makes decisions with reference to the latest market conditions. The directors of the Company are of the view that future interest rate changes will not have material adverse impact on the Group's operating results.

For the year ended 31 December 2010, if interest rates on the interest bearing debts had been 10% higher/lower while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB684,000 (2009: approximately RMB990,000), mainly as a result of higher/lower interest expense.

(2) Credit risk

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

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties. Sales are mainly settled by advances from customers, and accordingly, there is no significant credit risk in relation to trade customers.

The management of the Group does not consider that there will be any significant loss resulted from the non-performance of these counterparties.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to 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.

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12 Financial instrument and risk (continued)

(3) Liquidity risk (continued)

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

	31 December 2010				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash at bank and on hand	7,597,958,091	—	—	—	7,597,958,091
Notes receivable	12,605,000	—	—	—	12,605,000
Accounts receivable	337,912,495	—	—	—	337,912,495
Other receivables	277,043,292	—	—	—	277,043,292
Long-term receivables	—	2,000,000	—	—	2,000,000
	8,225,518,878	2,000,000	—	—	8,227,518,878
Financial liabilities					
Short-term borrowings	199,372,918	—	—	—	199,372,918
Notes payable	70,711,200	—	—	—	70,711,200
Accounts payable	1,262,629,805	—	—	—	1,262,629,805
Dividends payable	9,549,729	—	—	—	9,549,729
Other payables	2,520,112,525	—	—	—	2,520,112,525
Current portion of non-current liabilities	18,198,237	—	—	—	18,198,237
Long-term borrowings	—	1,868,066	5,604,198	3,249,797	10,722,061
Debentures payable	12,000,000	12,000,000	1,524,000,000	—	1,548,000,000
Long-term payables	—	641,247	1,000,000	—	1,641,247
	4,092,574,414	14,509,313	1,530,604,198	3,249,797	5,640,937,722
	31 December 2009				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash at bank and on hand	5,350,580,742	—	—	—	5,350,580,742
Notes receivable	10,750,000	—	—	—	10,750,000
Accounts receivable	344,629,758	—	—	—	344,629,758
Other receivables	207,474,794	—	—	—	207,474,794
Long-term receivables	—	—	2,000,000	—	2,000,000
	5,913,435,294	—	2,000,000	—	5,915,435,294
Financial liabilities					
Short-term borrowings	155,956,438	—	—	—	155,956,438
Notes payable	89,828,083	—	—	—	89,828,083
Accounts payable	1,057,841,685	—	—	—	1,057,841,685
Other payables	2,252,824,315	—	—	—	2,252,824,315
Current portion of non-current liabilities	29,071,358	—	—	—	29,071,358
Long-term borrowings	—	16,364,880	6,242,378	5,710,428	28,317,686
Debentures payable	12,000,000	12,000,000	1,536,000,000	—	1,560,000,000
Long-term payables	—	12,732,181	1,641,247	—	14,373,428
	3,597,521,879	41,097,061	1,543,883,625	5,710,428	5,188,212,993

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12 Financial instrument and risk (continued)

(3) Liquidity risk (continued)

* Bank borrowings and debentures payable were repayable as follows:

	31 December 2010		31 December 2009	
	Bank borrowings	Debentures payable	Bank borrowings	Debentures payable
Wholly repayable within five years	209,977,569	1,500,000,000	191,898,592	1,500,000,000
Not wholly repayable within five years	12,541,071	—	16,054,852	—
	222,518,640	1,500,000,000	207,953,444	1,500,000,000

(4) Fair value

(a) Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly represent receivables, held-to-maturity investments, short-term borrowings, payables, long-term borrowings, and long-term payables.

Except for financial assets and liabilities listed below, the carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	31 December 2010		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Debentures payable	1,264,646,258	1,237,417,522	1,198,896,050	1,166,274,761

The fair value of long-term borrowings and long-term payables not quoted in an active market 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.

(b) As at 31 December 2010, there are no financial instruments of the Group measured at fair value (31 December 2009: nil).

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13 Financial assets and liabilities in foreign currencies

	31 December 2009	Profit or loss arising from changes in fair value for the current year	Cumulative amount of changes in fair value recognised directly in equity	Provision for impairment	31 December 2010
Financial assets					
Cash at bank and on hand (Note 5(1))	55,186,396	—	—	—	26,950,743
Accounts receivable (Note 5(3)(k))	88,661,105	—	—	—	83,689,738
Subtotal	143,847,501	—	—	—	110,640,481
Financial liabilities					
Short-term borrowings (Note 5(20))	72,472,309	—	—	—	94,376,646
Accounts payable (Note 5(22)(d))	411,447	—	—	—	411,145
Other payables (Note 5(27)(d))	9,296,456	—	—	—	3,551,426
Current portion of non-current liabilities (Note 5(28))	26,214,224	—	—	—	15,579,933
Long-term borrowings (Note 5(29))	28,266,911	—	—	—	10,722,061
Subtotal	136,661,347	—	—	—	124,641,211

14 Notes to the Company's financial statements

(1) Accounts receivable

	31 December 2010	31 December 2009
Accounts receivable	246,929,674	240,010,250
Less: provision for bad debts	(77,719,696)	(82,953,531)
	169,209,978	157,056,719

* The majority of the Company's domestic sales are transacted at cash on delivery terms. The remaining transactions are settled by letters of credit or granted to customers with credit terms of 30 to 90 days.

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14 Notes to the Company's financial statements (continued)

(1) Accounts receivable (continued)

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

	31 December 2010	31 December 2009
Within 6 months	164,600,085	153,711,020
6 months to 1 year	670,608	215,924
1 to 2 years	687,555	1,094,078
2 to 3 years	985,458	3,019,850
Over 3 years	79,985,968	81,969,378
	246,929,674	240,010,250

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

	31 December 2010				31 December 2009			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and subject to separate provision	30,105,474	12.19%	(30,105,474)	100%	35,105,474	14.62%	(35,105,474)	100%
Subject to provision by groups								
Group B	121,138,777	49.06%	(673,294)	0.56%	110,760,167	46.15%	—	—
Group C	95,685,423	38.75%	(46,940,928)	49.06%	94,144,609	39.23%	(47,848,057)	50.82%
	246,929,674	100%	(77,719,696)	31.47%	240,010,250	100%	(82,953,531)	34.56%

(c) As at 31 December 2010, accounts receivable that are individually significant and subject to separate provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Guangzhou General Agency	18,859,690	(18,859,690)	100%	Note 5(3)(c)(i)
Beijing Sales Company	11,245,784	(11,245,784)	100%	Note 5(3)(c)(iii)
	30,105,474	(30,105,474)		

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14 Notes to the Company's financial statements (continued)

(1) Accounts receivable (continued)

(d) The groups of accounts receivable used ageing analysis method are analysed as follow:

	31 December 2010				31 December 2009			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 6 months	48,739,862	50.94%	—	—	46,201,121	49.06%	—	—
6 months to 1 year	—	—	—	—	3,660	0.01%	(183)	5%
1 to 2 years	9,266	0.01%	(4,633)	50%	183,908	0.20%	(91,954)	50%
2 to 3 years	75,288	0.08%	(75,288)	100%	—	—	—	—
Over 3 years	46,861,007	48.97%	(46,861,007)	100%	47,755,920	50.73%	(47,755,920)	100%
	<u>95,685,423</u>	<u>100%</u>	<u>(46,940,928)</u>	<u>49.06%</u>	<u>94,144,609</u>	<u>100%</u>	<u>(47,848,057)</u>	<u>50.82%</u>

(e) There are no accounts receivable that are subject to provision in full amount or in large proportionate but are reversed or collected in full amount or in large proportionate in the current year (2009: nil).

(f) For the year ended 31 December 2010, there are no accounts receivable that are written off (2009: nil).

(g) As at 31 December 2010, there are no accounts receivable from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2009: nil).

(h) As at 31 December 2010, the top five of accounts receivable are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Dongnan Sales Company	Subsidiary	20,587,403	Within 6 months	8.34%
Taierzhuang Malt	Subsidiary	19,224,603	Within 6 months	7.79%
Guangzhou General Agency	Third party	18,859,690	Over 3 years	7.64%
Xinkangjian Company	Third party	18,305,423	Within 6 months	7.41%
Hong Kong Company	Subsidiary	14,449,582	Within 6 months	5.85%
		<u>91,426,701</u>		<u>37.03%</u>

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14 Notes to the Company's financial statements (continued)

(1) Accounts receivable (continued)

(i) Accounts receivable from related parties are analysed as follows:

	Relationship with the Company	31 December 2010			31 December 2009		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Subsidiaries		121,138,777	49.07%	(673,294)	110,760,167	46.15%	—
Dongnan Sales Company	Subsidiary	32,607,256	13.21%	—	37,507,048	15.63%	—
Taierzhuang Malt	Subsidiary	19,224,603	7.79%	—	2,927,479	1.22%	—
Hong Kong Company	Subsidiary	14,449,582	5.85%	—	15,733,514	6.56%	—
Nanning Company	Subsidiary	10,534,408	4.27%	—	2,763,600	1.15%	—
Beifang Sales Company	Subsidiary	5,896,844	2.39%	—	218,935	0.09%	—
Fuzhou Company	Subsidiary	5,194,448	2.10%	—	1,605,206	0.67%	—
Yangzhou Company	Subsidiary	4,361,737	1.77%	—	7,379,574	3.07%	—
Qingdao Guangrunlong Logistics Company Limited ("Guangrunlong Logistics")	Subsidiary	3,930,020	1.59%	—	3,930,020	1.64%	—
Rongcheng Company	Subsidiary	3,611,304	1.46%	—	1,980,304	0.83%	—
Haerbin Company	Subsidiary	3,605,429	1.46%	—	—	—	—
Three Ring Company	Subsidiary	2,885,216	1.17%	—	—	—	—
Other subsidiaries	Subsidiary	14,837,930	6.01%	(673,294)	36,714,487	15.29%	—
Beijing Sales Company	Associate	11,245,784	4.55%	(11,245,784)	11,245,784	4.69%	(11,245,784)
Guangzhou General Agency	Associate	18,859,690	7.64%	(18,859,690)	23,859,690	9.94%	(23,859,690)
European Company	Associate of subsidiary	8,837,901	3.58%	—	17,172,168	7.15%	—
		<u>160,082,152</u>	<u>64.84%</u>	<u>(30,778,768)</u>	<u>163,037,809</u>	<u>67.93%</u>	<u>(35,105,474)</u>

(j) As at 31 December 2010, there are no accounts receivable derecognised due to transfer of financial assets (31 December 2009: nil).

(2) Other receivables

	31 December 2010	31 December 2009
Receivables from subsidiaries	133,639,902	178,394,394
Deposit for acquisition of a subsidiary	85,000,000	—
Refund of prepayment for land use rights	17,441,647	17,441,647
Refund of prepayment for property	13,000,000	13,000,000
Staff advance	5,774,166	5,392,278
Deposits	9,940	3,010,093
Others	26,592,186	39,424,432
	<u>281,457,841</u>	<u>256,662,844</u>
Less: provision for bad debts	<u>(44,516,639)</u>	<u>(25,541,322)</u>
	<u>236,941,202</u>	<u>231,121,522</u>

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14 Notes to the Company's financial statements (continued)

(2) Other receivables (continued)

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

	31 December 2010	31 December 2009
Within 6 months	103,223,494	76,863,092
6 months to 1 year	236,500	15,336,382
1 to 2 years	36,264,992	4,916,765
2 to 3 years	668,533	77,412,060
Over 3 years	141,064,322	82,134,545
	281,457,841	256,662,844

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

	31 December 2010				31 December 2009			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and subject to separate provision	30,441,647	10.82%	(30,441,647)	100%	13,000,000	5.07%	(13,000,000)	100%
Subject to provision by groups								
Group A	85,000,000	30.20%	—	—	17,441,647	6.80%	—	—
Group B	133,639,902	47.48%	—	—	178,394,394	69.51%	—	—
Group C	32,376,292	11.50%	(14,074,992)	43.47%	47,826,803	18.62%	(12,541,322)	26.22%
	281,457,841	100%	(44,516,639)	15.82%	256,662,844	100%	(25,541,322)	9.95%

(c) As at 31 December 2010, other receivables that are individually significant and subject to separate provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Refund of prepayment for land use rights	17,441,647	(17,441,647)	100%	Note 5(4)(c)(i)
Refund of prepayment for property	13,000,000	(13,000,000)	100%	Note 5(4)(c)(ii)
	30,441,647	(30,441,647)		

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14 Notes to the Company's financial statements (continued)

(2) Other receivables (continued)

(d) The groups of other receivables used ageing analysis method are analysed as follow:

	31 December 2010				31 December 2009			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 6 months	17,089,927	52.79%	—	—	27,968,801	58.48%	—	—
6 months to 1 year	236,500	0.72%	(11,826)	5%	6,081,096	12.71%	—	—
1 to 2 years	1,973,400	6.10%	(986,700)	50%	1,235,584	2.58%	—	—
2 to 3 years	527,696	1.63%	(527,697)	100%	74,876	0.16%	(74,876)	100%
Over 3 years	12,548,769	38.76%	(12,548,769)	100%	12,466,446	26.07%	(12,466,446)	100%
	<u>32,376,292</u>	<u>100%</u>	<u>(14,074,992)</u>	<u>43.47%</u>	<u>47,826,803</u>	<u>100%</u>	<u>(12,541,322)</u>	<u>26.22%</u>

(e) There are no other receivables that are subject to provision in full amount or in large proportionate but are reversed or collected in full amount or in large proportionate in the current year (2009: nil).

(f) For the year ended 31 December 2010, there are no other receivables that are written off (2009: nil).

(g) Other receivables from shareholders who held more than 5% (including 5%) of the voting rights of the Company are analysed as follows:

	31 December 2010		31 December 2009	
	Amount	Provision for bad debts	Amount	Provision for bad debts
TB Group Company	—	—	698,147	—

(h) As at 31 December 2010, the top five of other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Xin Immense Hong Kong	Third party	85,000,000	Within 6 months	30.20%
Xinan Sales Company	Subsidiary	51,659,963	1 to 4 years	18.35%
Dongnan Sales Company	Subsidiary	23,645,735	Over 3 years	8.40%
Shanghai Sales Company	Subsidiary	19,278,218	Over 3 years	6.85%
Huaihai Sales Company	Subsidiary	19,222,188	Over 3 years	6.83%
		<u>198,806,104</u>		<u>70.63%</u>

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14 Notes to the Company's financial statements (continued)

(2) Other receivables (continued)

(i) Other receivables from related parties are analysed as follows:

	Relationship with the Company	31 December 2010			31 December 2009		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Subsidiaries (Group B)		133,639,902	47.48%	—	178,394,394	69.51%	—
Xinan Sales Company	Subsidiary	51,659,963	18.35%	—	62,061,605	24.18%	—
Dongnan Sales Company	Subsidiary	23,645,735	8.40%	—	45,926,496	17.89%	—
Shanghai Sales Company	Subsidiary	19,278,218	6.85%	—	18,920,231	7.37%	—
Huaihai Sales Company	Subsidiary	19,222,188	6.83%	—	26,844,210	10.46%	—
Tsingtao Xianghong Shangwu Company Limited ("Xianghong Shangwu")	Subsidiary	8,003,601	2.84%	—	8,097,560	3.15%	—
Beifang Sales Company	Subsidiary	5,173,238	1.84%	—	5,173,502	2.02%	—
No.5 Company	Subsidiary	2,133,009	0.76%	—	2,394,806	0.93%	—
Other subsidiaries	Subsidiary	4,523,950	1.61%	—	8,975,984	3.51%	—
TB Group Company	Shareholder of the Company	—	—	—	698,147	0.27%	—
		<u>133,639,902</u>	<u>47.48%</u>	<u>—</u>	<u>179,092,541</u>	<u>69.78%</u>	<u>—</u>

(3) Long-term receivables

	31 December 2009			31 December 2010
Entrusted loans to Subsidiaries (i)	1,100,900,568			950,317,179
Deposits	2,000,000			2,000,000
	1,102,900,568			952,317,179
		Current year additions	Current year reductions	
Less: provisions for bad debts	(172,187,115)	(77,000,000)	—	(249,187,115)
	<u>930,713,453</u>			<u>703,130,064</u>

(i) Represents the entrusted loans to the subsidiaries provided by the Company through banks.

(4) Long-term equity investments

	31 December 2010	31 December 2009
Subsidiaries — unlisted (a)	5,229,985,721	4,655,825,721
Associates — unlisted (b)	151,248,470	141,658,894
Other long-term equity investments — unlisted (c)	6,485,263	6,485,263
	5,387,719,454	4,803,969,878
Less: Provision for impairment of long-term equity investments (d)	(938,783,490)	(864,774,795)
	<u>4,448,935,964</u>	<u>3,939,195,083</u>

There is no limitation on realisation of the long-term equity investments held by the Company.

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14 Notes to the Company's financial statements (continued)

(4) Long-term equity investments (continued)

(a) Subsidiaries — unlisted

	Accounting treatment	Investment cost	31 December 2009	Current year movement (i)	31 December 2010	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment	Impairment losses recognised in the current year (ii)	Cash dividends declared in the current year
Shenzhen Asahi	Cost method	126,746,680	126,746,680	—	126,746,680	51%	51%	Not applicable	—	—	28,881,300
Chengzhou Company	Cost method	62,601,208	62,601,208	—	62,601,208	88.8%	88.8%	Not applicable	—	—	10,290,884
Huanan Sales Company	Cost method	45,070,000	45,070,000	—	45,070,000	100%	100%	Not applicable	—	—	300,000,000
Huanan Holding Company	Cost method	208,790,000	208,790,000	—	208,790,000	100%	100%	Not applicable	—	—	84,825,208
Huadong Holding Company	Cost method	96,855,102	96,855,102	—	96,855,102	100%	100%	Not applicable	(96,855,102)	—	—
Songjiang Company	Cost method	153,750,000	153,750,000	—	153,750,000	75%	75%	Not applicable	—	—	—
Shouguang Company	Cost method	60,000,000	60,000,000	—	60,000,000	99%	99%	Not applicable	—	—	—
No. 3 Company	Cost method	229,842,300	229,842,300	—	229,842,300	99.78%	99.78%	Not applicable	—	—	—
Five star Company	Cost method	24,656,410	24,656,410	—	24,656,410	37.64%	37.64%	Not applicable	(24,656,410)	—	—
Three Ring Company	Cost method	69,457,513	69,457,513	—	69,457,513	29%	29%	Not applicable	(69,457,513)	—	—
Beifang Sales Company	Cost method	83,984,000	83,984,000	—	83,984,000	95%	95%	Not applicable	(83,984,000)	—	—
Xi'an Company	Cost method	392,627,114	392,627,114	—	392,627,114	100%	100%	Not applicable	—	—	23,560,000
Weinan Company	Cost method	14,000,000	14,000,000	—	14,000,000	28%	28%	Not applicable	—	—	7,765,767
Anshan Company	Cost method	30,000,000	30,000,000	—	30,000,000	60%	60%	Not applicable	—	—	—
Xingkaihu Company	Cost method	129,430,000	129,430,000	—	129,430,000	100%	100%	Not applicable	(129,430,000)	—	—
Chongqing Company	Cost method	53,000,000	53,000,000	—	53,000,000	88.92%	88.92%	Not applicable	(53,000,000)	—	—
Mishan Company	Cost method	23,920,000	23,920,000	—	23,920,000	100%	100%	Not applicable	(23,920,000)	(4,920,000)	—
Haerbin Company	Cost method	109,940,000	109,940,000	—	109,940,000	100%	100%	Not applicable	(109,940,000)	—	—
Haerbin Northeast Tsingtao Brewery Sales Company Limited	Cost method	8,500,000	8,500,000	—	8,500,000	85%	85%	Not applicable	(8,500,000)	—	—
Penglai Company	Cost method	30,000,000	30,000,000	—	30,000,000	80%	80%	Not applicable	(30,000,000)	—	—
Rongcheng Company	Cost method	65,103,434	65,103,434	—	65,103,434	70%	70%	Not applicable	(65,103,434)	(65,103,434)	—
Import/Export Company	Cost method	11,210,000	11,210,000	—	11,210,000	100%	100%	Not applicable	—	—	—
No. 5 Company	Cost method	43,719,251	43,719,251	—	43,719,251	100%	100%	Not applicable	—	—	—
Tsingtao Brewery (Laoshan) Company Limited	Cost method	18,089,491	18,089,491	—	18,089,491	96.90%	96.90%	Not applicable	—	—	—
Hong Kong Company	Cost method	41,728,681	41,728,681	—	41,728,681	100%	100%	Not applicable	—	—	—
Xinan Sales Company	Cost method	94,300,000	94,300,000	—	94,300,000	95%	95%	Not applicable	(82,310,170)	—	—
Tsingtao Brewery Kai Fa Company Limited	Cost method	1,320,000	1,320,000	—	1,320,000	100%	100%	Not applicable	(1,320,000)	—	—
Taizhou Company	Cost method	60,000,000	60,000,000	—	60,000,000	86.43%	86.43%	Not applicable	—	—	—
Maanshan Company	Cost method	80,000,000	80,000,000	—	80,000,000	94.12%	94.12%	Not applicable	—	—	—
Xianghong Shangwu	Cost method	5,760,000	5,760,000	—	5,760,000	100%	100%	Not applicable	—	—	—
Dongnan Sales Company	Cost method	288,412,688	288,412,688	—	288,412,688	97.44%	97.44%	Not applicable	—	—	—
Changsha Company	Cost method	47,600,000	47,600,000	—	47,600,000	70%	70%	Not applicable	—	—	20,737,789
Yangzhou Company	Cost method	1,017,142	1,017,142	—	1,017,142	20%	20%	Note 4(2)	—	—	—
Huaihai Sales Company	Cost method	55,000,000	55,000,000	—	55,000,000	100%	100%	Not applicable	(55,000,000)	—	—
Jinan Company	Cost method	560,000,000	560,000,000	—	560,000,000	100%	100%	Not applicable	—	—	—
Guangrunlong Logistics	Cost method	16,465,405	16,465,405	—	16,465,405	100%	100%	Not applicable	—	—	—
Chengdu Company	Cost method	200,000,000	200,000,000	—	200,000,000	100%	100%	Not applicable	—	—	—
Cultural Communication Company	Cost method	5,290,000	5,290,000	—	5,290,000	100%	100%	Not applicable	—	—	—
Pengcheng Company	Cost method	250,370,000	250,370,000	—	250,370,000	98.16%	98.16%	Not applicable	—	—	—
Rizhao Company	Cost method	339,239,300	339,239,300	—	339,239,300	100%	100%	Not applicable	—	—	—
Weifang Company	Cost method	73,620,001	73,620,001	—	73,620,001	100%	100%	Not applicable	—	—	—
Pingyuan Company	Cost method	21,730,001	21,730,001	—	21,730,001	100%	100%	Not applicable	—	—	—
Construction Company	Cost method	2,490,000	2,490,000	—	2,490,000	100%	100%	Not applicable	—	—	—
Langfang Company	Cost method	79,090,000	79,090,000	—	79,090,000	80.80%	80.80%	Not applicable	—	—	—
Suqian Company	Cost method	17,040,000	17,040,000	—	17,040,000	62%	62%	Not applicable	—	—	—
Heze Company	Cost method	124,590,000	124,590,000	—	124,590,000	93.08%	93.08%	Not applicable	(51,301,600)	—	—
Tengzhou Company	Cost method	48,310,000	48,310,000	—	48,310,000	76.65%	76.65%	Not applicable	—	—	—
Tsingtao Brewery (Shanghai) Company Limited	Cost method	1,570,000	1,570,000	—	1,570,000	5%	5%	Not applicable	—	—	—
Wuhu Company	Cost method	94,290,000	94,290,000	—	94,290,000	84.25%	84.25%	Not applicable	—	—	—
Shanghai Sales Company	Cost method	47,300,000	47,300,000	—	47,300,000	94.04%	94.04%	Not applicable	(47,300,000)	—	—
Chengyang Sales Company	Cost method	8,000,000	8,000,000	—	8,000,000	100%	100%	Not applicable	—	—	—
Baotouan Company	Cost method	174,160,000	—	174,160,000	174,160,000	100%	100%	Not applicable	—	—	—
Shijiazhuang Company	Cost method	200,000,000	—	200,000,000	200,000,000	100%	100%	Not applicable	—	—	—
Taiyuan Company	Cost method	200,000,000	—	200,000,000	200,000,000	100%	100%	Not applicable	—	—	—
			4,655,825,721	574,160,000	5,229,985,721				(932,078,229)	(70,023,434)	476,060,948

(i) For details about the movement of long-term equity investments to subsidiaries in the current year, please refer to Note 4.

(ii) Pursuant to the accounting policies stated in Note 2(12)(d), the Company performed impairment tests on the carrying amounts of its investments during the year. RMB70,023,434 of impairment losses for the investment in subsidiaries was recognised.

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14 Notes to the Company's financial statements (continued)

(4) Long-term equity investments (continued)

(b) Associates — unlisted

	Accounting treatment	Investment cost	31 December 2009	Share of profits	31 December 2010	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment	Impairment losses recognised in the current year
Liaoning Shengqing	Equity method	600,000	2,796,233	410,376	3,206,609	30%	30%	Not Applicable	—	—
Zhaoshang Logistics	Equity method	6,000,000	16,550,414	5,150,645	21,701,059	30%	30%	Not Applicable	—	—
Yantai Asahi	Equity method	120,024,598	121,092,247	4,028,555	125,120,802	39%	39%	Not Applicable	—	—
Others	Equity method		1,220,000	—	1,220,000				(1,220,000)	—
			141,658,894	9,589,576	151,248,470				(1,220,000)	—

(c) Other long-term equity investments — unlisted

	Accounting treatment	Investment cost	31 December 2009	Current year movement	31 December 2010	Provision for impairment	Impairment losses recognised in the current year	Cash dividends declared in the current year
Yingxiao Club	Cost method	3,985,261	3,985,261	—	3,985,261	(3,985,261)	(3,985,261)	—
Others	Cost method	2,500,002	2,500,002	—	2,500,002	(1,500,000)	—	—
			6,485,263	—	6,485,263	(5,485,261)	(3,985,261)	—

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

	31 December 2009	Current year additions	Current year disposals	31 December 2010
Subsidiaries	(862,054,795)	(70,023,434)	—	(932,078,229)
Associates	(1,220,000)	—	—	(1,220,000)
Other long-term equity investments	(1,500,000)	(3,985,261)	—	(5,485,261)
	(864,774,795)	(74,008,695)	—	(938,783,490)

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14 Notes to the Company's financial statements *(continued)*

***(5) Investment properties**

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Cost	27,617,225	—	—	27,617,225
Buildings	27,617,225	—	—	27,617,225
Accumulated depreciation	(7,935,866)	(549,988)	—	(8,485,854)
Buildings	(7,935,866)	(549,988)	—	(8,485,854)
Net book value	19,681,359			19,131,371
Buildings	19,681,359			19,131,371
Provision for impairment	—	—	—	—
Buildings	—	—	—	—
Carrying amount	19,681,359			19,131,371
Buildings	19,681,359			19,131,371

For the year ended 31 December 2010, the amount of the depreciation of investment properties recognised was RMB549,988 (2009: RMB572,004).

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14 Notes to the Company's financial statements *(continued)*

***(6) Fixed assets**

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Cost	2,204,797,200	74,512,454	(49,601,876)	2,229,707,778
Buildings	555,546,134	3,736,767	(2,112,774)	557,170,127
Machinery and equipment	1,334,680,400	41,694,933	(33,703,323)	1,342,672,010
Motor vehicles	130,403,126	6,470,484	(6,947,827)	129,925,783
Other equipment	184,167,540	22,610,270	(6,837,952)	199,939,858
Accumulated depreciation	(1,318,136,718)	(95,614,102)	43,795,786	(1,369,955,034)
Buildings	(223,149,933)	(13,348,178)	699,894	(235,798,217)
Machinery and equipment	(889,311,323)	(55,426,063)	29,862,836	(914,874,550)
Motor vehicles	(90,988,936)	(4,516,236)	6,686,943	(88,818,229)
Other equipment	(114,686,526)	(22,323,625)	6,546,113	(130,464,038)
Net book value	886,660,482			859,752,744
Buildings	332,396,201			321,371,910
Machinery and equipment	445,369,077			427,797,460
Motor vehicles	39,414,190			41,107,554
Other equipment	69,481,014			69,475,820
Provision for impairment	(16,769,518)	—	203,541	(16,565,977)
Buildings	(833,961)	—	203,541	(630,420)
Machinery and equipment	(1,935,557)	—	—	(1,935,557)
Motor vehicles	(14,000,000)	—	—	(14,000,000)
Other equipment	—	—	—	—
Carrying amount	869,890,964			843,186,767
Buildings	331,562,240			320,741,490
Machinery and equipment	443,433,520			425,861,903
Motor vehicles	25,414,190			27,107,554
Other equipment	69,481,014			69,475,820

As at 31 December 2010, none of the fixed assets are pledged as collateral for borrowings (31 December 2009: nil).

For the year ended 31 December 2010, depreciation expense of fixed assets amount to RMB95,614,102 (2009: RMB94,985,223) in total, of which RMB69,321,423, RMB3,709,550 and RMB22,583,129 (2009: RMB68,637,278, RMB3,571,370, RMB22,776,575) were charged to cost of sales, selling and distribution expenses, and general and administrative expenses, respectively.

The costs of fixed assets transferred from construction in progress amount to RMB42,864,722 (2009: RMB34,235,717).

As at 31 December 2010, the ownership certificates of the Company's certain buildings amounting to approximately RMB42,238,000 had not been obtained (31 December 2009: RMB45,068,000). For details, please refer to Note 5(11).

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14 Notes to the Company's financial statements (continued)

*(7) Construction in progress

	31 December 2010			31 December 2009		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Production Line Improvement of No. 2 Factory	11,896,017	(462,515)	11,433,502	9,117,952	(462,515)	8,655,437
Production Line Improvement of Malt Factory	1,197,381	—	1,197,381	2,201,229	(1,115,133)	1,086,096
Financial System Installation of Headquarters	168,909	—	168,909	17,891,375	—	17,891,375
Production Line Improvement of No. 4 Factory	16,528	—	16,528	1,764,500	—	1,764,500
Production Line Improvement of No. 1 Factory	—	—	—	29,657	—	29,657
	<u>13,278,835</u>	<u>(462,515)</u>	<u>12,816,320</u>	<u>31,004,713</u>	<u>(1,577,648)</u>	<u>29,427,065</u>

For the year ended 31 December 2010, there are no borrowing costs eligible for capitalisation (2009: nil).

(a) Movement in significant construction in progress

Name	Budget	31 December 2009	Current year addition	Transfer to fixed assets	Other reductions	31 December 2010	% contribution		Source of funds
							in budget	Progress of construction	
Production Line Improvement of No. 2 Factory	415,150,000	9,117,952	31,332,461	(28,554,396)	—	11,896,017	10%	11%	Self-funding
Production Line Improvement of Malt Factory	20,545,000	2,201,229	155,605	(44,320)	(1,115,133)	1,197,381	11%	13%	Self-funding
Financial System Installation of Headquarters	27,955,273	17,891,375	—	(1,495,656)	(16,226,810)	168,909	98%	99%	Self-funding
Production Line Improvement of No. 4 Factory	2,124,609	1,764,500	360,109	(2,108,081)	—	16,528	100%	99%	Self-funding
Production Line Improvement of No. 1 Factory	11,949,505	29,657	10,632,612	(10,662,269)	—	—	89%	100%	Self-funding
		<u>31,004,713</u>	<u>42,480,787</u>	<u>(42,864,722)</u>	<u>(17,341,943)</u>	<u>13,278,835</u>			

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14 Notes to the Company's financial statements (continued)

***(7) Construction in progress (continued)**

(b) Provision for impairment

	31 December 2009	Current year charges	Current year reductions	31 December 2010	Reason for provision
End Seamer Installation Project	(462,515)	—	—	(462,515)	Project terminated.
Malt Temperature Reduction Technology Improvement Project	<u>(1,115,133)</u>	—	<u>1,115,133</u>	—	Project terminated.
	<u>(1,577,648)</u>	—	<u>1,115,133</u>	(462,515)	

***(8) Intangible assets**

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Original cost	336,739,060	79,591,609	—	416,330,669
Land use rights	91,016,664	37,308,323	—	128,324,987
Patents	100,000,000	—	—	100,000,000
Marketing network	94,475,403	—	—	94,475,403
Others	51,246,993	42,283,286	—	93,530,279
Accumulated amortisation	(86,046,085)	(18,781,142)	—	(104,827,227)
Land use rights	(28,708,705)	(2,593,519)	—	(31,302,224)
Patents	(33,749,967)	—	—	(33,749,967)
Marketing network	(7,872,950)	(9,447,540)	—	(17,320,490)
Others	(15,714,463)	(6,740,083)	—	(22,454,546)
Carrying amount	250,692,975			311,503,442
Land use rights	62,307,959			97,022,763
Patents	66,250,033			66,250,033
Marketing network	86,602,453			77,154,913
Others	35,532,530			71,075,733

For the year ended 31 December 2010, amortisation expenses of intangible assets amount to RMB18,781,142 in total, which is recognised in profit or loss (2009: RMB14,602,143, recognised in profit or loss).

As at 31 December 2010, there are no land use rights pledged as collateral for bank borrowings (31 December 2009: nil).

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14 Notes to the Company's financial statements *(continued)*

***(8) Intangible assets** *(continued)*

Expenditures on research and development are set out as follows:

	31 December 2009	Current year additions	Current year reductions		31 December 2010
			Charged to losses	Recognised as intangible assets	
Beer production process improvement project	—	10,989,420	(10,989,420)	—	—

For the year ended 31 December 2010, expenditures on research and development incurred amount to RMB10,989,420 (2009: RMB8,551,645) in total, which is recognised in losses.

Land use rights by location and useful life are analysed as follows:

	31 December 2010	31 December 2009
In China mainland — 10 to 50 years	97,022,763	62,307,959

***(9) Provision for asset impairment**

	31 December 2009	Current year additions	Current year reductions		31 December 2010
			Reversal	Write-off	
Provision for bad debts	280,681,968	96,107,925	(5,366,443)	—	371,423,450
Including:					
Provision for bad debts of accounts receivable	82,953,531	—	(5,233,835)	—	77,719,696
Provision for bad debts of other receivables	25,541,322	19,107,925	(132,608)	—	44,516,639
Provision for bad debts of long-term receivables	172,187,115	77,000,000	—	—	249,187,115
Provision for decline in value of inventories	1,022,238	—	—	—	1,022,238
Provision for impairment of long-term equity investments	864,774,795	74,008,695	—	—	938,783,490
Provision for impairment of fixed assets	16,769,518	—	—	(203,541)	16,565,977
Provision for impairment of construction in progress	1,577,648	—	—	(1,115,133)	462,515
	1,164,826,167	170,116,620	(5,366,443)	(1,318,674)	1,328,257,670

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14 Notes to the Company's financial statements *(continued)*

***(10) Accounts payable**

The ageing of accounts payable is analysed below:

	31 December 2010	31 December 2009
Within 1 year	527,124,641	381,781,837
1 to 2 years	50,143	30,028,751
2 to 3 years	100,806	26,526
Over 3 years	2,184,196	2,210,207
	<u>529,459,786</u>	<u>414,047,321</u>

***(11) Bank borrowings and debentures payable**

Bank borrowings and debentures payable were repayable as follows:

	31 December 2010		31 December 2009	
	Bank borrowings	Debentures payable	Bank borrowings	Debentures payable
Wholly repayable within five years	<u>170,000,000</u>	<u>1,500,000,000</u>	<u>170,000,000</u>	<u>1,500,000,000</u>

(12) Revenue and cost of sales

	2010	2009
Revenue from main operation	10,703,842,636	9,075,695,311
Revenue from other operation	829,340,124	511,412,582
	<u>11,533,182,760</u>	<u>9,587,107,893</u>
	2010	2009
Cost of main operation	(7,185,359,524)	(6,070,757,426)
Cost of other operation	(807,564,285)	(507,035,927)
	<u>(7,992,923,809)</u>	<u>(6,577,793,353)</u>

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14 Notes to the Company's financial statements (continued)

(12) Revenue and cost of sales (continued)

(a) Revenue and cost of main operation

The Company is principally engaged in the production and distribution of beer products. Analysis by products is summarised as follow:

	2010		2009	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sale of Beer	10,703,842,636	(7,185,359,524)	9,075,695,311	(6,070,757,426)

Analysis by locations is summarised as follow:

	2010		2009	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Qingdao Region	9,845,863,369	(6,475,838,328)	8,501,779,760	(5,602,130,436)
Hong Kong and overseas	240,120,203	(168,835,012)	238,926,418	(170,568,689)
Other regions	617,859,064	(540,686,184)	334,989,133	(298,058,301)
	10,703,842,636	(7,185,359,524)	9,075,695,311	(6,070,757,426)

(b) Revenue and cost of other operation

	2010		2009	
	Revenue from other operation	Cost of other operation	Revenue from other operation	Cost of other operation
Sale of materials	805,978,857	(792,970,056)	487,319,428	(495,099,357)
Others	23,361,267	(14,594,229)	24,093,154	(11,936,570)
	829,340,124	(807,564,285)	511,412,582	(507,035,927)

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14 Notes to the Company's financial statements *(continued)*

(12) Revenue and cost of sales *(continued)*

(c) Top five of the revenue of the Company

Top five of the revenue of the Company amount to RMB1,424,266,546 (2009: RMB1,174,219,746), which accounts for 12.35% (2009: 12.25%) of the total revenue of the Company. Details are summarised as follows:

	Revenue of sales	Percentage of the total revenue of the Company (%)
Dongnan Sales Company	508,432,404	4.41%
Liaoning Shenqing	388,208,256	3.37%
Wenzhou Pengchengwang Trading Company Limited	244,991,838	2.12%
Xinkangjian Company	195,188,918	1.69%
Huanhui Supermarket	87,455,130	0.76%
	<u>1,424,276,546</u>	<u>12.35%</u>

(13) Financial expenses — net

	2010	2009
Interest expenses —		
Including: * bank borrowings	8,164,314	16,846,860
* Debentures payable	77,750,208	73,717,465
Less: Interest income	(64,756,487)	(22,987,329)
Exchange losses/(gains)	5,615,152	(3,464,755)
Future finance charges	1,715,215	2,719,764
Others	2,652,654	1,900,930
	<u>31,141,056</u>	<u>68,732,935</u>

* The Company's interest expenses by repayment term of bank borrowings or debentures payable are wholly repayable within five years.

(14) Loss on changes in fair value

	2010	2009
Financial assets held for trading — Loss on changes in fair value	<u>—</u>	<u>1,762,500</u>

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14 Notes to the Company's financial statements (continued)

(15) Investment income

	2010	2009
Income from long-term equity investment under cost method (a)	476,060,948	435,006,957
Income from long-term equity investment under equity method (b)	9,589,576	6,436,666
Income from disposal of long-term equity investment	—	600,000
Income from disposal of financial assets held for trading	—	756,000
Income from disposal of available-for-sale financial assets	—	4,565,158
Income from entrusted loans	45,589,818	63,895,116
	531,240,342	511,259,897

There was no significant restriction on the recovery of investment income.

* For the year ended 31 December 2010, all the investment income of the Company was from unlisted investments (2009: investment income of RMB4,565,158 and RMB506,694,739 were from listed investments and non-listed investments, respectively).

(a) Investment income from long-term equity investment under cost method

The top five of the investees are set out as follows:

	2010	2009	Reason for current year additions or reductions
Huanan Sales Company	300,000,000	120,000,000	Increase in distributed profit of the subsidiary
Huanan Holding Company	84,825,208	56,500,000	Increase in distributed profit of the subsidiary
Shenzhen Asahi	28,881,300	25,500,000	Increase in distributed profit of the subsidiary
Xi'an Company	23,560,000	71,630,000	Decrease in distributed profit of the subsidiary
Changsha Company	20,737,789	10,610,000	Increase in distributed profit of the subsidiary
	458,004,297	284,240,000	

(b) Investment income from long-term equity investment under equity method

The investees are set out as follows:

	2010	2009	Reason for current year additions or reductions
Zhaoshang Logistics	5,150,645	4,946,517	Increase in profit of the investee
Yantai Asahi	4,028,555	1,067,649	Increase in profit of the investee
Liaoning Shenqing	410,376	422,500	Decrease in profit of the investee
	9,589,576	6,436,666	

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14 Notes to the Company's financial statements (continued)

(16) Asset impairment losses

	2010	2009
Bad debts losses	90,741,482	13,698,918
Impairment losses of long-term investments	74,008,695	104,301,600
	<u>164,750,177</u>	<u>118,000,518</u>

(17) Income tax expenses

	2010	2009
Current income tax calculated according to tax law and related regulations in mainland China	246,687,428	247,155,403
Deferred income tax	(70,927,797)	(83,133,428)
	<u>175,759,631</u>	<u>164,021,975</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the Company's financial statements to the income tax expenses is listed below:

	2010	2009
Total profit	958,593,148	938,368,214
Income tax expenses calculated at applicable tax rates	239,648,288	234,592,054
Income not subject to tax	(121,412,631)	(110,360,906)
Expenses not deductible for tax purposes	21,570,937	10,290,697
Tax influence for which no deferred tax assets were recognised	35,953,037	29,500,130
Income tax expenses	<u>175,759,631</u>	<u>164,021,975</u>

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14 Notes to the Company's financial statements (continued)

(18) Supplementary information to consolidated cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2010	2009
Net profit	782,833,517	774,346,239
Add: Provisions for asset impairment	164,750,177	118,000,518
Depreciation of fixed assets	96,164,090	94,985,223
Amortisation of intangible assets	18,781,142	14,602,143
Amortisation of long-term prepaid expenses	844,314	481,438
Losses on disposal of fixed assets	3,559,826	1,101,761
Loss on change in fair value	—	1,762,500
Financial expenses	88,328,839	87,185,281
Investment income	(531,240,342)	(511,259,897)
Increase in deferred tax assets	(70,927,797)	(83,133,428)
Decrease in inventories	99,764,072	238,452,078
Decrease/(Increase) in operating receivables	91,257,495	(39,353,759)
Increase in operating payables	805,028,218	442,507,927
Net cash flows from operating activities	<u>1,549,143,551</u>	<u>1,139,678,024</u>

(b) Net increase in cash and cash equivalents

	2010	2009
Cash at end of year	4,744,305,113	3,646,814,318
Less: cash at beginning of year	<u>(3,646,814,318)</u>	<u>(1,408,379,921)</u>
Net increase in cash	<u>1,097,490,795</u>	<u>2,238,434,397</u>

*15 Net current assets

	As at 31 December			
	2010 Group	2009 Group	2010 Company	2009 Company
Current assets	9,894,637,509	7,613,760,435	5,572,225,905	4,518,223,387
Less: Current liabilities	<u>(6,015,777,994)</u>	<u>(4,844,541,506)</u>	<u>(2,661,546,606)</u>	<u>(1,860,213,656)</u>
Net current assets	<u>3,878,859,515</u>	<u>2,769,218,929</u>	<u>2,910,679,299</u>	<u>2,658,009,731</u>

*16 Total assets less current liabilities

	As at 31 December			
	2010 Group	2009 Group	2010 Company	2009 Company
Total assets	17,777,115,858	14,867,452,637	12,099,876,218	10,656,186,456
Less: Current liability	<u>(6,015,777,994)</u>	<u>(4,844,541,506)</u>	<u>(2,661,546,606)</u>	<u>(1,860,213,656)</u>
Total assets less current liabilities	<u>11,761,337,864</u>	<u>10,022,911,131</u>	<u>9,438,329,612</u>	<u>8,795,972,800</u>