



青島啤酒

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號: 168)

2011

INTERIM REPORT 中期報告

激情成就夢想
Passion, dreams & success

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TSINGTAO BREWERY COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2011 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

	Note 5 (unless otherwise stated)	As at			
		30 June 2011 Group	31 December 2010 Group	30 June 2011 Company	31 December 2010 Company
ASSETS					
Current assets					
Cash at bank and on hand	(1)	7,542,134,054	7,597,958,091	3,687,345,359	4,772,872,985
Notes receivable	(2)	22,649,000	12,605,000	7,100,000	2,005,000
Accounts receivable	(3),14(1)	198,980,553	89,810,071	279,026,622	169,209,978
Advances to suppliers	(5)	126,242,843	49,775,991	61,015,651	65,500,190
Interest receivable		—	—	11,433,721	20,214,662
Other receivables	(4),14(2)	171,123,593	188,917,414	157,757,833	236,941,202
Inventories	(6)	2,365,216,663	1,942,413,649	454,320,167	305,481,888
Other current assets	(7)	9,572,497	13,157,293	—	—
Total current assets		10,435,919,203	9,894,637,509	4,657,999,353	5,572,225,905
Non-Current assets					
Long-term receivables	(8),14(3)	2,000,000	2,000,000	755,313,453	703,130,064
Long-term equity investments	(9),14(4)	154,992,900	153,017,377	6,557,579,887	4,448,935,964
Investment properties		—	—	18,840,060	19,131,371
Fixed assets	(11)	5,868,739,700	5,511,053,295	807,213,835	843,186,767
Construction in progress	(12)	955,383,078	282,565,821	150,084,222	12,816,320
Fixed assets pending for disposal	(13)	5,895,625	3,148,488	3,794,844	1,921,306
Intangible assets	(14)	2,173,987,545	1,318,785,832	314,781,192	311,503,442
Goodwill	(15)	1,081,684,918	122,816,301	—	—
Long-term prepaid expenses	(16)	7,118,690	7,906,289	1,723,663	2,120,820
Deferred tax assets	(17)	462,328,722	332,191,308	238,281,842	166,324,833
Other non-current assets	(19)	477,605,271	148,993,638	72,662,914	18,579,426
Total Non-Current assets		11,189,736,449	7,882,478,349	8,920,275,912	6,527,650,313
TOTAL ASSETS		21,625,655,652	17,777,115,858	13,578,275,265	12,099,876,218

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

AS AT 30 JUNE 2011 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

	Note 5 (unless otherwise stated)	As at			
		30 June 2011 Group	31 December 2010 Group	30 June 2011 Company	31 December 2010 Company
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Short-term borrowings	(20)	173,372,514	196,216,646	170,000,000	170,000,000
Notes payable	(21)	112,713,201	70,711,200	68,600,000	50,900,000
Accounts payable	(22)	1,911,078,721	1,262,629,805	1,192,286,415	529,459,786
Advances from customers	(23)	400,920,397	775,414,619	156,881,505	538,600,817
Employee benefits payable	(24)	720,641,573	648,993,939	210,043,929	213,453,382
Taxes payable	(25)	832,165,782	514,219,277	307,919,781	210,953,135
Dividends payable	(26)	251,976,903	9,549,729	243,176,903	—
Other payables	(27)	3,684,452,444	2,520,112,525	1,165,116,941	948,179,486
Current portion of non-current liabilities	(28)	5,689,209	17,930,254	—	—
Total current liabilities		8,093,010,744	6,015,777,994	3,514,025,474	2,661,546,606
Non-current liabilities					
Long-term borrowings	(29)	468,530,577	10,722,061	—	—
Debentures payable	(30)	1,293,124,093	1,264,646,258	1,293,124,093	1,264,646,258
Long-term payables	(31)	1,000,000	1,625,414	—	—
Payables for specific projects	(32)	322,924,661	184,215,175	—	—
Deferred tax liabilities	(17)	221,415,399	31,094,094	—	—
Other non-current liabilities	(33)	709,657,592	549,289,390	7,314,130	7,264,130
Total non-current liabilities		3,016,652,322	2,041,592,392	1,300,438,223	1,271,910,388
Total liabilities		11,109,663,066	8,057,370,386	4,814,463,697	3,933,456,994
Owners' equity					
Share capital	(34)	1,350,982,795	1,350,982,795	1,350,982,795	1,350,982,795
Capital surplus	(35)	4,016,839,641	4,016,839,641	4,314,547,068	4,314,547,068
Surplus reserve	(36)	691,825,740	691,825,740	691,825,740	691,825,740
Undistributed profits	(37)	4,284,545,565	3,537,820,385	2,406,455,965	1,809,063,621
Difference on translation of foreign currency financial statements		6,264,587	5,643,471	—	—
Total equity attributable to equity holders of the Company		10,350,458,328	9,603,112,032	8,763,811,568	8,166,419,224
Minority interests	(38)	165,534,258	116,633,440	—	—
Total owners' equity		10,515,992,586	9,719,745,472	8,763,811,568	8,166,419,224
TOTAL LIABILITIES AND OWNERS' EQUITY		21,625,655,652	17,777,115,858	13,578,275,265	12,099,876,218

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

Legal representative:
JIN Zhiguo

Principal in charge of accounting:
 (Chief Accountant): **YU Zhuming**

Head of accounting department:
YU Zhuming

TSINGTAO BREWERY COMPANY LIMITED
CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Note 5 (unless otherwise stated)	Six months ended 30 June			
		2011 Group	2010 Group (Restated)	2011 Company	2010 Company
Revenue	(39),14(5)	12,049,983,553	9,927,822,034	7,004,182,281	5,810,401,129
Less: Cost of sales	(39),14(5)	(6,840,298,683)	(5,535,579,316)	(4,900,113,337)	(3,941,673,173)
Taxes and surcharges	(40)	(1,055,938,143)	(824,071,739)	(181,713,757)	(164,352,274)
Selling and distribution expenses	(41)	(2,375,755,752)	(2,135,152,543)	(1,219,529,886)	(1,137,444,064)
General and administrative expenses	(42)	(494,642,260)	(406,860,909)	(134,123,044)	(111,106,220)
Financial expenses — net	(43)	(2,373,512)	(28,930,300)	(17,676,562)	(39,862,603)
Asset impairment losses	(45)	(1,445,070)	4,430,862	(447,405)	225,223
Add: Investment income	(44),14(6)	1,975,523	5,804,544	432,739,926	58,582,700
Including: Share of profit of associates and jointly controlled entities	(44),14(6)	1,975,523	5,804,544	1,975,523	5,804,544
Operating profit		1,281,505,656	1,007,462,633	983,318,216	474,770,718
Add: Non-operating income	(46)	124,562,972	118,068,064	13,624,441	8,104,585
Less: Non-operating expenses	(47)	(14,675,952)	(13,688,764)	(7,630,354)	(582,207)
Including: Losses on disposal of non-current assets	(47)	(6,718,195)	(9,414,622)	(3,250,308)	(40,954)
Total profit		1,391,392,676	1,111,841,933	989,312,303	482,293,096
Less: Income tax expenses	(48)	(344,557,300)	(241,330,393)	(148,743,056)	(115,840,132)
Net profit		1,046,835,376	870,511,540	840,569,247	366,452,964
Attributable to equity holders of the Company		989,902,083	813,916,373	840,569,247	366,452,964
Minority interests		56,933,293	56,595,167	Not Applicable	Not Applicable
Earnings per share					
Basic earnings per share	(49)	0.733	0.602	Not Applicable	Not Applicable
Diluted earnings per share	(49)	0.733	0.602	Not Applicable	Not Applicable
Other comprehensive income	(50)	621,116	2,025,974	—	—
Total comprehensive income		1,047,456,492	872,537,514	840,569,247	366,452,964
Attributable to equity holders of the Company		990,523,199	815,942,347	840,569,247	366,452,964
Minority interests		56,933,293	56,595,167	Not Applicable	Not Applicable

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

Legal representative:
JIN Zhiguo

Principal in charge of accounting:
(Chief Accountant): **YU Zhuming**

Head of accounting department:
YU Zhuming

TSINGTAO BREWERY COMPANY LIMITED

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Note 5 (unless otherwise stated)	Six months ended 30 June			
		2011 Group	2010 Group	2011 Company	2010 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		13,032,680,292	11,602,998,871	7,401,795,838	6,496,510,739
Refund of taxes and surcharges		72,307,562	108,369,454	—	35,046,584
Cash received relating to other operating activities	(51)(a)	509,714,135	469,191,171	38,282,857	189,371,114
Sub-total of cash inflows		13,614,701,989	12,180,559,496	7,440,078,695	6,720,928,437
Cash paid for goods and services		(6,814,847,598)	(5,534,117,864)	(4,975,381,978)	(3,913,215,894)
Cash paid to and on behalf of employees		(1,078,651,332)	(886,303,066)	(326,570,614)	(283,269,375)
Payments of taxes and surcharges		(2,418,761,822)	(1,991,942,416)	(703,701,579)	(610,298,897)
Cash paid relating to other operating activities	(51)(b)	(1,175,430,202)	(1,110,263,283)	(681,303,434)	(505,418,902)
Sub-total of cash outflows		(11,487,690,954)	(9,522,626,629)	(6,686,957,605)	(5,312,203,068)
Net cash flows from operating activities	(52)(a), 14(7)(a)	2,127,011,035	2,657,932,867	753,121,090	1,408,725,369
Cash flows from investing activities					
Cash received from disposal of investments		—	—	633,176,611	210,550,000
Cash received from returns on investments		—	—	438,795,032	51,489,137
Net cash received from disposal of fixed assets and intangible assets		21,350,978	7,846,574	1,585,856	1,030,825
Net cash received from acquisition of a subsidiary	(52)(b)	—	1,216,081	—	—
Cash received relating to other investing activities	(51)(c)	363,618,405	179,045,700	85,300,000	—
Sub-total of cash inflows		384,969,383	188,108,355	1,158,857,499	263,069,962
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,118,410,055)	(302,890,975)	(198,863,997)	(88,709,914)
Net cash paid to acquisition of subsidiaries	(52)(b)	(1,768,717,960)	—	(1,470,558,400)	—
Cash paid to acquire investments		—	(174,160,000)	(1,311,470,000)	(486,080,000)
Cash paid relating to other investing activities	(51)(d)	(923,657)	—	(280,000)	—
Sub-total of cash outflows		(2,888,051,672)	(477,050,975)	(2,981,172,397)	(574,789,914)
Net cash flows from investing activities		(2,503,082,289)	(288,942,620)	(1,822,314,898)	(311,719,952)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Note 5 (unless otherwise stated)	Six months ended 30 June			
		2011 Group	2010 Group	2011 Company	2010 Company
Cash flows from financing activities					
Cash received from capital contributions		30,000,000	—	—	—
Cash received from borrowings		598,352,713	173,528,323	50,000,000	50,000,000
Cash received relating to other financing activities	(51)(e)	6,143,720	12,460,989	—	—
Sub-total of cash inflows		634,496,433	185,989,312	50,000,000	50,000,000
Cash repayments of borrowings		(233,324,775)	(181,687,739)	(50,000,000)	(50,000,000)
Cash payments for interest expenses and distribution of dividends or profits		(72,434,112)	(46,400,748)	(16,245,071)	(16,112,133)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(54,917,288)	(29,958,700)	—	—
Cash payments relating to other financing activities	(51)(f)	(9,059,683)	(8,811,830)	—	—
Sub-total of cash outflows		(314,818,570)	(236,900,317)	(66,245,071)	(66,112,133)
Net cash flows from financing activities		319,677,863	(50,911,005)	(16,245,071)	(16,112,133)
Effect of foreign exchange rate changes on cash and cash equivalents		(2,015,823)	(1,591,919)	10,021	(3,391,743)
Net (decrease)/increase in cash and cash equivalents		(58,409,214)	2,316,487,323	(1,085,428,858)	1,077,501,541
Add: Cash and cash equivalents at beginning of period	(52)(a), 14(7)(b)	7,562,805,978	5,307,575,041	4,744,305,113	3,646,814,318
Cash and cash equivalent at end of period	(52)(a), 14(7)(b)	7,504,396,764	7,624,062,364	3,658,876,255	4,724,315,859

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

Legal representative:
JIN Zhiguo

Principal in charge of accounting:
(Chief Accountant): YU Zhuming

Head of accounting department:
YU Zhuming

TSINGTAO BREWERY COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Note 5 (unless otherwise stated)	Attributable to equity holders of the Company					Difference on translation of foreign currency financial statements	Minority interests	Total owners' equity
		Share capital	Capital surplus	Surplus reserves	Undistributed profits				
Balance at 31 December 2009		1,350,982,795	4,194,817,488	613,542,388	2,055,205,540	6,031,786	342,574,150	8,563,154,147	
Changes in accounting policies	2(29)	—	(88,851,729)	—	256,571,094	—	(167,719,365)	—	
Balance at 1 January 2010 (Restated)		1,350,982,795	4,105,965,759	613,542,388	2,311,776,634	6,031,786	174,854,785	8,563,154,147	
Movements for the six months ended 30 June 2010		—	(91,792,322)	—	597,759,126	2,025,974	(55,980,556)	452,012,222	
Net profit (Restated)		—	—	—	813,916,373	—	56,595,167	870,511,540	
Other comprehensive income	(50)	—	—	—	—	2,025,974	—	2,025,974	
Capital contribution and withdrawal by owners		—	(91,792,322)	—	—	—	(82,617,023)	(174,409,345)	
Others		—	(91,792,322)	—	—	—	(82,617,023)	(174,409,345)	
Profit distribution	(37)	—	—	—	(216,157,247)	—	(29,958,700)	(246,115,947)	
Profit distribution to equity owners		—	—	—	(216,157,247)	—	(29,958,700)	(246,115,947)	
Balance at 30 June 2010 (Restated)		1,350,982,795	4,014,173,437	613,542,388	2,909,535,760	8,057,760	118,874,229	9,015,166,369	
Balance at 1 January 2011		1,350,982,795	4,016,839,641	691,825,740	3,537,820,385	5,643,471	116,633,440	9,719,745,472	
Movements for the six months ended 30 June 2011		—	—	—	746,725,180	621,116	48,900,818	796,247,114	
Net profit		—	—	—	989,902,083	—	56,933,293	1,046,835,376	
Other comprehensive income	(50)	—	—	—	—	621,116	—	621,116	
Capital contribution and withdrawal by owners		—	—	—	—	—	46,135,084	46,135,084	
Capital contribution by owners		—	—	—	—	—	30,000,000	30,000,000	
Others		—	—	—	—	—	16,135,084	16,135,084	
Profit distribution	(37)	—	—	—	(243,176,903)	—	(54,167,559)	(297,344,462)	
Profit distribution to equity owners		—	—	—	(243,176,903)	—	(54,167,559)	(297,344,462)	
Balance at 30 June 2011		1,350,982,795	4,016,839,641	691,825,740	4,284,545,565	6,264,587	165,534,258	10,515,992,586	

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

Legal representative:
JIN Zhiguo

Principal in charge of accounting:
(Chief Accountant): **YU Zhuming**

Head of accounting department:
YU Zhuming

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Note 5	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Total owners' equity
Balance at 1 January 2010		1,350,982,795	4,311,880,864	613,542,388	1,320,670,703	7,597,076,750
Movements for the six months ended 30 June 2010		—	—	—	150,295,717	150,295,717
Net profit		—	—	—	366,452,964	366,452,964
Profit distribution	(37)	—	—	—	(216,157,247)	(216,157,247)
Profit distribution to equity owners		—	—	—	(216,157,247)	(216,157,247)
Balance at 30 June 2010		<u>1,350,982,795</u>	<u>4,311,880,864</u>	<u>613,542,388</u>	<u>1,470,966,420</u>	<u>7,747,372,467</u>
Balance at 1 January 2011		1,350,982,795	4,314,547,068	691,825,740	1,809,063,621	8,166,419,224
Movements for the six months ended 30 June 2011		—	—	—	597,392,344	597,392,344
Net profit		—	—	—	840,569,247	840,569,247
Profit distribution	(37)	—	—	—	(243,176,903)	(243,176,903)
Profit distribution to equity owners		—	—	—	(243,176,903)	(243,176,903)
Balance at 30 June 2011		<u>1,350,982,795</u>	<u>4,314,547,068</u>	<u>691,825,740</u>	<u>2,406,455,965</u>	<u>8,763,811,568</u>

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

Legal representative:
JIN Zhiguo

Principal in charge of accounting:
(Chief Accountant): **YU Zhuming**

Head of accounting department:
YU Zhuming

TSINGTAO BREWERY COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

(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 it’s A shares have been listed on the Shanghai Stock Exchange since 27 August 1993. The total share capital upon issue amounted to RMB900,000,000. Subsequently, the Company increased its total share capital to RMB1,308,219,178 after 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 shall 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 such 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 30 June 2011, 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 12 August 2011.

These financial statements are not audited.

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

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

The financial statements of the Company for the six months ended 30 June 2011 are in compliance with CAS, and truly and completely present the financial position as of 30 June 2011 and the operating results, cash flows and other information for the period then ended of the Group and the Company.

(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.

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

(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. 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.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash 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.

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

(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.

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Recognition and measurement (Cont'd)

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.

When there is objective evidence that an impairment loss on available-for-sale financial assets occurs, 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.

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.

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

(9) Financial instruments (Cont'd)

(b) Financial liabilities

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

(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.

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

(10) Receivables (Cont'd)

(b) Receivables that are combined into certain groups and subject to provision by groups (Cont'd)

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%

(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.

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

(11) Inventories (Cont'd)

(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.

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.

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

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

(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.

(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.

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

(13) Investment properties (Cont'd)

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 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.

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.

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

(14) Fixed assets (Cont'd)

(b) Depreciation of fixed assets (Cont'd)

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

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

(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 are 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)).

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

(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.

(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"), Shandong Xin Immense Brewery Company Limited ("Immense Brewery"), and Tsingtao Beer (Jinan) Baotuquan Sales Co., Ltd. ("Baotuquan Company") Amortisation is calculated using the straight-line method over the estimated useful lives.

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

(17) Intangible assets (Cont'd)

(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.

(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.

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

(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.

(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.

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

(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.

(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.

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

(24) Government Grants (Cont'd)

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.

(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.

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

(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.

(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 year 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 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.

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

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

Details and reasons for the changes	Procedures for approval	Affected items	Amount
Under CAS Interpretation No. 4 issued by Ministry of Finance on 14 July 2010, where the amount of losses for the current year 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 six months ended 30 June 2010.	RMB16,119,949 respectively.

The aforesaid change in accounting policies is applied retrospectively, and has been disclosed in the financial statements for the year ended 31 December 2010.

(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)).

(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.

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

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

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

(iii) Accounting estimates on recognition of deferred tax assets

The estimates of deferred tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The 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 30 June 2011, deferred tax assets of RMB462,328,722 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 RMB306,461,000 as at 30 June 2011, 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		3% to 25%
Value-added tax ("VAT")	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)		17%
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%

(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.

3. TAXATION (CONT'D)

(2) Tax preference and official approvals (Cont'd)

(i) Corporate income tax of the Company (Cont'd)

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

(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	24%	Transitional preferential policy on corporate income tax	Guofa [2007] No. 39
Shenzhen Tsingtao Brewery Huanan Holding Company Limited	24%	Transitional preferential policy on corporate income tax	Guofa [2007] No. 39
Shenzhen Tsingtao Beer Asahi Company Limited	24%	Transitional preferential policy on corporate income tax	Guofa [2007] No. 39
Tsingtao Brewery (Xiamen) Company Limited	24%	Transitional preferential policy on corporate income tax	Guofa [2007] No. 39
Xiamen Tsingtao Brewery Dongnan Sales Company Limited	24%	Transitional preferential policy on corporate income tax	Guofa [2007] No. 39
Tsingtao Brewery Yulin 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.	Yukaiguoshuihan [2008] No. 1
Tsingtao Brewery (Nanning) Company Limited ("Nanning Company") (a)	12.5%	Second 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%	Second 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%	Second 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
Tsingtao Brewery (Changsha) 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.	Ningxiangguoshuijian mianzi [2008] No. 14
Tsingtao Brewery (Fuzhou) 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.	Rongguoshuizhizhan [2007] No. 68

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

3. TAXATION (CONT'D)

(3) Hong Kong profits tax and Macau profits tax

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

(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 15% on its export sales of products based on an “exempt, credit, refund” policy enacted. The Group also pays input VAT on its purchases of raw materials, machineries, and taxable services which is deductible against output VAT on its sales in order to arrive at the net VAT amount payable to the PRC government.

(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.

(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	Wang Xinhong	70841245-7
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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(1) Subsidiaries (Cont'd)

(a) Subsidiaries acquired from establishment or investment (Cont'd)

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Scope of business	Nature	Legal representative	Code of organisation
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	RMB446,110	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
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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(1) Subsidiaries (Cont'd)

(a) Subsidiaries acquired from establishment or investment (Cont'd)

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Scope of business	Nature	Legal representative	Code of organisation
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
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 Zuijiang	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	Huang Yinbo	73238966-4

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(1) Subsidiaries (Cont'd)

(a) Subsidiaries acquired from establishment or investment (Cont'd)

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Scope of business	Nature	Legal representative	Code of organisation
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	Jim 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	Wang Ruiyong	73786016-0
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	Wang Xinhong	73474630-3
Tsingtao Brewery Machinery and Equipment Company Limited ("Machinery and Equipment Company")	Indirectly	Qingdao, the PRC	Constuction	RMB2,000	Manufacture and trading of machinery, electrical equipment accessory	Company limited	Wang Bing	68257486-0

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(1) Subsidiaries (Cont'd)

(a) Subsidiaries acquired from establishment or investment (Cont'd)

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Scope of business	Nature	Legal representative	Code of organisation
Tsingtao Brewery (Shijiazhuang) Company Limited ("Shijiazhuang Company")	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")	Directly	Taiyuan, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company limited	Huang Kexing	56132576-1
Asia Brewery (Macau) Company Limited ("Macau Company")	Indirectly	Macau, the PRC	Wholesale and retail sale	MOP200	Trading of beer in Macau	Company limited	Yuan Li	Not Applicable
Tsingtao Brewery Finance Company Liability Limited ("Finance Company") (3)	Directly	Qingdao, the PRC	Finance	RMB300,000	Corporate financing	Company limited	Sun Yuguo	57575577-0

	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 non-controlling 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	—	—
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	16,000,000	100%	100%	Yes	—	—
Maanshan Company	85,628,047	35,000,000	99.76%	100%	Yes	—	183,922
Shouguang Company	60,000,000	—	99%	99%	Yes	1,374,444	—
Weifang Company	73,620,001	—	100%	100%	Yes	—	—
No. 3 Company	446,452,300	—	100%	100%	Yes	—	—
Huaihai Sales Company	55,000,000	—	100%	100%	Yes	—	—
Xuzhou Company	33,467,142	10,000,000	66%	66%	Yes	17,938,152	—
Pengcheng Company	275,547,373	—	100%	100%	Yes	—	—
Subtotal	1,748,699,678	61,000,000				19,312,596	183,922

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(1) Subsidiaries (Cont'd)

(a) Subsidiaries acquired from establishment or investment (Cont'd)

	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 non-controlling adjusted against minority interests in the profit or loss
Xuecheng Company	2,078,659	130,000,000	85%	85%	Yes	(9,838,543)	—
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	—	—
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	5,964,832	—
Xingkaihu Company	129,430,000	32,760,000	100%	100%	Yes	—	—
Mishan Company	23,920,000	33,600,000	100%	100%	Yes	—	—
Haerbin Company	109,940,000	31,600,000	100%	100%	Yes	—	—
Import/Export Company	11,210,000	—	100%	100%	Yes	—	—
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	6,428,226	—
Taizhou Company	62,808,167	—	100%	100%	Yes	—	—
Hongkong Company	41,728,681	—	100%	100%	Yes	—	—
Hanzhong Company	46,093,340	—	66%	66%	Yes	17,714,810	—
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	18,000,000	100%	100%	Yes	—	—
Yulin Company	54,442,237	—	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	30,000,000	100%	100%	Yes	—	—
Finance Company	300,000,000	—	100%	100%	Yes	—	—
Macau Company	90,875	—	55%	55%	Yes	3,271,794	—
Subtotal	3,833,015,187	400,460,000				23,541,119	—
Total	5,581,714,865	461,460,000				42,853,715	183,922

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

* As at 30 June 2011, none of the subsidiaries had the balance of issued debentures.

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(1) Subsidiaries (Cont'd)

(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	WangRuiyong	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
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	Huang Zujiang	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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(1) Subsidiaries (Cont'd)

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

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Scope of business	Nature	Legal representative	Code of organisation
Tsingtao Brewery Beverage Company Limited ("Beverage Company")	Indirectly	Qingdao, the PRC	Manufacturing	RMB110,000	Manufacture and domestic trading of beverage	Company Limited	Zhang Baichuan	72402575-6
Tsingtao Beer (Jinan) Baotuan Sales Company Limited ("Baotuan Company")	Directly	Jinan, the PRC	Wholesale and retail sale	RMB20,000	Domestic trading of beer	Company Limited	Wang Ruiyong	67727382-8
Shandong Xin Immense Brewery Company Limited ("Immense Brewery") (3)/(4)	Directly	Mengyin, the PRC	Manufacturing	USD18,760	Manufacture and domestic trading of beer	Company Limited	Huang Kexing	78715752-9
Tsingtao Brewery (Hangzhou) Company Limited ("Hangzhou Company") (3)/(5)	Directly	Jiande, the PRC	Manufacturing	RMB230,000	Manufacture and domestic trading of beer	Company Limited	Wang Ruiyong	67399878-4
	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 non-controlling adjusted interests in the profit or loss	
Sanshui Company	58,789,877	—	75%	75%	Yes	27,231,784	—	
Chenzhou Company	71,921,877	—	100%	100%	Yes	—	—	
Shenzhen Asahi	126,746,680	—	51%	51%	Yes	177,167,544	—	
Nanning Company	270,495,918	—	75%	75%	Yes	37,539,747	—	
Songjiang Company	204,972,676	—	100%	100%	Yes	—	—	
Three Ring Company	73,846,179	150,000,000	54%	54%	Yes	(39,948,579)	—	
Five Star Company	75,917,538	98,000,000	62.64%	62.64%	Yes	(23,010,602)	—	
Weinan Company	50,693,709	—	100%	100%	Yes	—	—	
Gansu Nongken Company	64,292,092	167,000,000	55.06%	55.06%	Yes	(59,382,631)	—	
Wuwei Company	35,710,000	60,000,000	54.91%	99.72%	Yes	148,765	—	
Rongcheng Company	65,103,434	—	70%	70%	Yes	(2,257,777)	—	
Suzhou Company	9,000,000	—	90%	90%	Yes	(1,053,177)	—	
Fuzhou Company	68,094,738	—	100%	100%	Yes	—	—	
Zhangzhou Company	69,367,401	—	90%	90%	Yes	9,980,126	—	
Construction Company	2,490,000	—	100%	100%	Yes	—	—	
Penglai Company	30,000,000	53,600,000	80%	80%	Yes	(10,667,727)	447,846	
Cultural Communication Company	5,290,000	—	100%	100%	Yes	—	—	
Beverage Company	44,000,001	—	100%	100%	Yes	—	—	
Baotuan Company	174,160,000	—	100%	100%	Yes	—	—	
Immense Brewery	1,874,866,697	—	100%	100%	Yes	—	—	
Hangzhou Company	186,000,000	—	80%	80%	Yes	45,095,341	1,039,744	
Total	<u>3,561,758,817</u>	<u>528,600,000</u>				<u>160,842,814</u>	<u>1,487,590</u>	

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

* As at 30 June 2011, none of the subsidiaries had the balance of issued debentures.

(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 30 June 2011 are summarised as follows:

	30 June 2011
Cash at bank and on hand	16,929,510
Accounts receivable	19,334,451
Inventories	16,880,795
Fixed assets	51,775,072
Short-term borrowings	(67,000,000)
Accounts payable	(23,450,519)
Taxes payable	(53,374,953)

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

	Net assets on 30 June 2011	Net profits/ (losses) for the current period
Finance Company (i)	300,625,742	625,742
Immense Brewery Company (ii)	932,240,942	16,242,863
Hangzhou Company (ii)	225,476,703	(5,198,719)

(i) 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, 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. Finance company obtained business license in 31 May 2011.

(ii) Immense Brewery and Hangzhou Company are both subsidiaries acquired through business combinations involving entities not under common control, and the net profit/(loss) consolidated includes the period from the date of acquisition to 30 June 2011.

(4) Business combination involving entities not under common control

The significant business combination involving entity not under common control occurred during the period is disclosed as follows:

	Amount of goodwill	Calculation of goodwill
Immense Brewery	958,868,617	The amount of the cost of combination over the acquirer's interests in the fair value of the acquiree's identifiable net assets acquired is recognised as goodwill. The calculation is as follow:

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(4) Business combination involving entities not under common control (Cont'd)

On 7 December 2010, the Company and Hong Kong Company entered into an agreement with Xin Immense Brewery (Hong Kong) Company Limited and China Skill Limited (collectively as the "Transferors") to acquire 75% and 25% equity interest in Immense Brewery held by the Transferors respectively. The acquisition date of this transaction is 31 March 2011, on which the Group effectively obtains the rights to control Immense Brewery.

(i) Details of the cost of combination and goodwill recognised are as follows:

Cost of combination — Cash paid	1,874,866,697
<i>Less:</i> Fair value of the identifiable net assets acquired	<u>(915,998,080)</u>
Goodwill	<u>958,868,617</u>

(ii) The assets and liabilities of Immense Brewery at the acquisition date, and the cash flows relating to the acquisition are as follows:

	Fair value	Carrying amount	
	Date of	Date of	31 December
	acquisition	acquisition	2010
Cash at bank and on hand	168,729,136	168,729,136	141,644,983
Accounts receivable	33,977,640	33,977,640	7,072,601
Advances to suppliers	20,621,560	20,614,402	44,230,175
Other Receivables	6,447,531	6,447,531	7,629,698
Inventories	161,125,001	157,339,625	136,511,871
Fixed assets	323,895,973	286,774,147	285,422,452
Construction in progress	—	—	104,160
Intangible assets	782,422,385	31,323,682	31,297,536
Deferred tax assets	309,708	309,708	113,678
<i>Less:</i> Accounts payable	(92,202,787)	(92,202,787)	(56,428,851)
Notes payable	—	—	(5,600,000)
Advances from customers	(37,700,893)	(37,700,893)	(57,400,874)
Employee benefits payable	(58,753,264)	(58,753,264)	(52,194,017)
Taxes payable	(19,225,840)	(19,225,840)	(22,105,340)
Other payables	(172,040,804)	(172,040,804)	(129,831,148)
Deferred tax liabilities	(198,003,266)	—	—
Payables for specific projects	(3,604,000)	(3,604,000)	(3,604,000)
Net assets	915,998,080	321,988,283	326,862,924
<i>Less:</i> Minority interest	—	—	—
Net assets acquired	<u>915,998,080</u>	<u>321,988,283</u>	<u>326,862,924</u>
Consideration settled in cash	1,874,866,697		
<i>Less:</i> cash and cash equivalents in the subsidiary acquired	<u>(168,729,136)</u>		
Net cash outflow on acquisition of the subsidiary	<u>1,706,137,561</u>		

The fair value of the assets and liabilities of Immense Brewery at the acquisition date are determined by the Group using valuation techniques. The valuation method and critical assumptions applied are as follows:

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(4) Business combination involving entities not under common control (Cont'd)

The valuation method used for fixed assets is Depreciated Replacement Cost approach, using the following critical assumptions:

Assets in category of house and buildings are continued to be used for the existing purpose, the houses which have no Property Ownership Certificate may legally obtain the Property Ownership Certificate; assets in category of machines and equipment are continued to be used for the existing purpose.

The valuation methods used for intangible assets are as follows:

The valuation methods used for land use right are the Adjusted Benchmarking Land Price Scale Method and the Cost Approximation, using the following critical assumptions: The use purpose will not be changed.

The valuation methods used for sales network is the Income Approach, using the following critical assumptions: It will strive to maintain and develop the customer relations, especially the relationship with the key customer by being based on the current customer relations of Immense Brewery and the established marketing policies, but disregard the contribution made by the new customers to the marketing network during the future operations.

The valuation methods used for trademarks is the Income Approach, using the following critical assumptions: The trademarks are continued to be used for the current purpose, in the current manner, size, frequency and circumstance, or used on the minor-changed basis; the trademarks can be duly extended in the future years, and may be extended by the enterprises which use the trademarks pursuant to the relevant laws and regulations.

- (iii) The revenue, net profit and cash flows of Immense Brewery for the period from the acquisition date to 30 June 2011 are as follows:

Revenue	330,015,064
Net profit	16,242,863
Cash flows from operating activities	39,358,910
Net cash flows	39,263,068

(5) Increase in registered capital of subsidiaries:

In May 2011 and June 2011, the Company increased its investments in Hangzhou Company and No.3 Company with amount of RMB120,000,000 and RMB216,110,000, respectively. All the investments are paid in cash.

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

	Assets and liabilities		Revenue, expenses and cash flows
	30 June 2011	31 December 2010	
Hong Kong Company	HKD1 = RMB0.8316	HKD1 = RMB0.8509	Spot exchange rates at the date of the transaction
Macau Company	MOP1 = RMB0.8057	MOP1 = RMB0.8265	

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2011 (Unaudited)			31 December 2010		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash on hand						
RMB	—	—	630,315	—	—	581,281
HKD	25,180	0.8316	20,940	42,491	0.8509	36,156
MOP	66,636	0.8057	53,689	—	—	—
			<u>704,944</u>			<u>617,437</u>
Bank deposits						
RMB	—	—	7,441,926,191	—	—	7,535,273,954
USD	5,159,312	6.4716	33,389,004	1,149,857	6.6227	7,615,158
HKD	21,588,479	0.8316	17,952,979	22,651,285	0.8509	19,273,978
EUR	953,299	9.3612	8,924,023	2,890	8.8065	25,451
MOP	1,861,267	0.8057	1,499,623	—	—	—
			<u>7,503,691,820</u>			<u>7,562,188,541</u>
Other cash balances						
RMB	—	—	37,737,290	—	—	35,152,113
			<u>7,542,134,054</u>			<u>7,597,958,091</u>

As at 30 June 2011, other cash balances of RMB5,674,263 (31 December 2010: RMB2,707,986) is pledged as collateral for issuance of the bank acceptance (Note 5(21)); other cash balances of RMB32,063,027 (31 December 2010: RMB32,049,812) represents housing maintenance fund deposited in the bank.

(2) Notes receivable

	30 June 2011 (Unaudited)	31 December 2010
Bank acceptance notes	<u>22,649,000</u>	<u>12,605,000</u>

As at 30 June 2011, the top five and other notes receivable that are not mature but have been endorsed and other analysis are as follows:

Company of issuance	Date of issuance	Due date	Amount (Unaudited)
Qingdao Xinkangjian Brewery Company Limited ("Xinkangjian Company")	2011.5.3	2011.11.3	14,000,000
Xinkangjian Company	2011.5.24	2011.11.24	10,000,000
Xinkangjian Company	2011.5.25	2011.11.25	7,500,000
Xinkangjian Company	2011.1.24	2011.7.24	7,300,000
Xinkangjian Company	2011.1.25	2011.7.25	7,100,000
Others			<u>140,158,216</u>
			<u>186,058,216</u>

As at 30 June 2011, there are no pledged notes receivables and no discounted trade acceptance notes that were not mature.

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

(3) Accounts receivable

	30 June 2011	31 December 2010
	(Unaudited)	
Accounts receivable	447,209,019	337,912,495
Less: provision for bad debts	<u>(248,228,466)</u>	<u>(248,102,424)</u>
	<u>198,980,553</u>	<u>89,810,071</u>

* 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 150 days.

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

	30 June 2011	31 December 2010
	(Unaudited)	
Within 6 months	194,619,020	88,718,287
6 months to 1 year	4,394,375	329,036
1 to 2 years	373,754	1,558,400
2 to 3 years	1,482,107	1,891,312
Over 3 years	<u>246,339,763</u>	<u>245,415,460</u>
	<u>447,209,019</u>	<u>337,912,495</u>

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

	30 June 2011 (Unaudited)				31 December 2010			
	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	10.09%	(45,101,710)	100%	45,101,710	13.35%	(45,101,710)	100%
Subject to provision by groups Group C	<u>402,107,309</u>	<u>89.91%</u>	<u>(203,126,756)</u>	<u>50.52%</u>	<u>292,810,785</u>	<u>86.65%</u>	<u>(203,000,714)</u>	<u>69.33%</u>
	<u>447,209,019</u>	<u>100%</u>	<u>(248,228,466)</u>	<u>55.51%</u>	<u>337,912,495</u>	<u>100%</u>	<u>(248,102,424)</u>	<u>73.42%</u>

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

(3) Accounts receivable (cont'd)

- (c) As at 30 June 2011, accounts receivable that are individually significant and subject to separate provision are analysed as follows:

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

- (i) As Guangzhou General Agency had ceased its 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 accordingly 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 accordingly 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.
- (d) The group of accounts receivable used ageing analysis method are analysed as follows:

	30 June 2011 (Unaudited)				31 December 2010			
	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	194,619,020	48.40%	—	—	88,718,287	30.30%	—	—
6 months to 1 year	4,394,375	1.09%	(219,719)	5%	329,036	0.11%	(16,452)	5%
1 to 2 years	373,754	0.09%	(186,877)	50%	1,558,400	0.53%	(779,200)	50%
2 to 3 years	1,482,107	0.37%	(1,482,107)	100%	1,891,312	0.65%	(1,891,312)	100%
Over 3 years	201,238,053	50.05%	(201,238,053)	100%	200,313,750	68.41%	(200,313,750)	100%
	<u>402,107,309</u>	<u>100%</u>	<u>(203,126,756)</u>	<u>50.52%</u>	<u>292,810,785</u>	<u>100%</u>	<u>(203,000,714)</u>	<u>69.33%</u>

- (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 period (six months ended 30 June 2010: nil).

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

(3) Accounts receivable (cont'd)

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

Nature	Amount (Unaudited)	Reason	Arising from related party transactions or not
Others	<u>416,285</u>	Those companies had been deregistered.	No

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

	30 June 2011(Unaudited)		31 December 2010	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Asahi Breweries, Ltd. ("Asahi Breweries")	<u>4,466,695</u>	<u>—</u>	<u>4,298,310</u>	<u>—</u>

(h) As at 30 June 2011, the top five of accounts receivable are analysed as follows:

	Relationship with the Group	Amount (Unaudited)	Ageing	% of total balance
Guangzhou General Agency	Associate	18,859,690	Over 3 years	4.22%
Xinkangjian Company	Third party	17,957,583	Within 6 months	4.02%
Nongken Brewery Company	Third party	14,996,236	Over 3 years	3.35%
Tsingtao Brewery Import&Export S.A.R.L ("European Company")	Associate	11,308,695	Within 6 months	2.53%
Beijing Sales Company	Associate	<u>11,245,784</u>	Over 3 years	<u>2.51%</u>
		<u>74,367,988</u>		<u>16.63%</u>

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

	Relationship with the Group	30 June 2011 (Unaudited)			31 December 2010		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Guangzhou General Agency	Associate	18,859,690	4.22%	(18,859,690)	18,859,690	5.57%	(18,859,690)
European Company	Associate	11,308,695	2.53%	—	8,837,901	2.62%	—
Beijing Sales Company	Associate	11,245,784	2.51%	(11,245,784)	11,245,784	3.33%	(11,245,784)
Asahi Breweries	Shareholder of the Company	4,466,695	1.00%	—	4,298,310	1.27%	—
Asahi Beer (China) Investment Co., Ltd. ("Asahi Investment")	Shareholder's subsidiary	1,641,230	0.37%	—	—	—	—
Asahi Brewery (Shanghai) Product Services Ltd. ("Asahi Brewery Shanghai")	Shareholder's subsidiary	—	—	—	1,675,014	0.50%	—
		<u>47,522,094</u>	<u>10.63%</u>	<u>(30,105,474)</u>	<u>44,916,699</u>	<u>13.29%</u>	<u>(30,105,474)</u>

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

(3) Accounts receivable (cont'd)

(j) As at 30 June 2011, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2010: nil).

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

	30 June 2011 (Unaudited)			31 December 2010		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
HKD	70,170,470	0.8316	58,353,763	66,266,016	0.8509	56,385,753
USD	3,167,318	6.4716	20,497,615	2,538,734	6.6227	16,813,274
EUR	1,247,403	9.3612	11,677,189	1,043,201	8.8065	9,186,950
MOP	4,667,942	0.8057	3,760,961	—	—	—
CAD	205,961	6.6722	1,374,213	197,411	6.6043	1,303,761
			<u>95,663,741</u>			<u>83,689,738</u>

(4) Other receivables

	30 June 2011 (Unaudited)	31 December 2010
Staff advance	45,615,128	30,481,977
Deposits	33,661,562	16,364,000
Refund of prepayment for land use rights	27,441,647	27,441,647
Refund of prepayment for property	13,000,000	13,000,000
VAT refund	7,870,056	6,471,098
Deposit for acquisition of a subsidiary	—	85,000,000
Others	132,773,605	98,284,570
	<u>260,361,998</u>	277,043,292
Less: provision for bad debts	<u>(89,238,405)</u>	<u>(88,125,878)</u>
	<u>171,123,593</u>	<u>188,917,414</u>

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

	30 June 2011 (Unaudited)	31 December 2010
Within 6 months	144,508,449	164,234,944
6 months to 1 year	4,971,416	6,698,022
1 to 2 years	7,460,376	7,264,516
2 to 3 years	4,577,624	2,229,615
Over 3 years	98,844,133	96,616,195
	<u>260,361,998</u>	<u>277,043,292</u>

(4) Other receivables (cont'd)

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

	30 June 2011 (Unaudited)				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total	Amount	Ratio	Amount	% of total	Amount	Ratio
		balance				balance		
Individually significant and subject to separate provision	30,441,647	11.69%	(30,441,647)	100%	30,441,647	10.99%	(30,441,647)	100%
Subject to provision by groups								
Group A	21,747,441	8.35%	—	—	104,802,522	37.83%	—	—
Group C	208,172,910	79.96%	(58,796,758)	28.24%	141,799,123	51.18%	(57,684,231)	40.68%
	<u>260,361,998</u>	<u>100%</u>	<u>(89,238,405)</u>	<u>34.27%</u>	<u>277,043,292</u>	<u>100%</u>	<u>(88,125,878)</u>	<u>31.81%</u>

(c) As at 30 June 2011, other receivables that are individually significant and subject to separate provision are analysed as follows:

	Ending balance (Unaudited)	Provision for bad debts (Unaudited)	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 a 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.

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

	30 June 2011 (Unaudited)				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total	Amount	Ratio	Amount	% of total	Amount	Ratio
		balance				balance		
Within 6 months	144,508,449	69.42%	—	—	77,047,565	54.34%	—	—
6 months to 1 year	2,970,716	1.43%	(149,033)	5%	5,196,956	3.67%	(259,849)	5%
1 to 2 years	4,092,040	1.97%	(2,046,020)	50%	4,260,439	3.00%	(2,130,219)	50%
2 to 3 years	3,496,598	1.68%	(3,496,598)	100%	2,229,615	1.57%	(2,229,615)	100%
Over 3 years	53,105,107	25.50%	(53,105,107)	100%	53,064,548	37.42%	(53,064,548)	100%
	<u>208,172,910</u>	<u>100%</u>	<u>(58,796,758)</u>	<u>28.24%</u>	<u>141,799,123</u>	<u>100%</u>	<u>(57,684,231)</u>	<u>40.68%</u>

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

(4) Other receivables (cont'd)

- (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 period (six months ended 30 June 2010: nil).
- (f) For the six months ended 30 June 2011, there are no other receivables that are written off.
- (g) As at 30 June 2011, there are no other receivables from shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2010: nil).
- (h) As at 30 June 2011, the top five of other receivables are analysed as follows:

	Relationship with the Group	Amount (Unaudited)	Ageing	% of total balance
Qingdao Bureau of Land and Resources of Economic Technical Development Area	Third party	17,441,647	Over 3 years	6.71%
Qingdao No. 2 Taxation Bureau	Third party	13,000,000	Over 3 years	4.99%
Heze Mudan Finance Bureau	Third party	10,000,000	Over 3 years	3.84%
Wuwei Carton Factory	Third party	5,000,000	Over 3 years	1.92%
Xiliang Wuwei Brewery Company Limited	Third party	4,616,730	Over 3 years	1.77%
		<u>50,058,377</u>		<u>19.23%</u>

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

	Relationship with the Group	30 June 2011 (Unaudited)			31 December 2010		
		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	0.84%	—	2,187,379	0.79%	—
Yantai Asahi	Associate	550,000	0.21%	—	—	—	—
Beijing Brewery Asahi Company Limited ("Beijing Asahi")	Shareholder's subsidiary	—	—	—	454,936	0.16%	—
		<u>2,737,379</u>	<u>1.05%</u>	<u>—</u>	<u>2,642,315</u>	<u>0.95%</u>	<u>—</u>

- (j) As at 30 June 2011, there are no other receivables derecognised due to transfer of financial assets (31 December 2010: nil).
- (k) As at 30 June 2011, there are no other receivables in foreign currency (31 December 2010: nil).

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

(5) Advances to suppliers

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

	30 June 2011 (Unaudited)		31 December 2010	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	124,744,559	98.81%	47,048,229	94.52%
1 to 2 years	1,232,280	0.98%	1,722,738	3.46%
2 to 3 years	139,245	0.11%	109,461	0.22%
Over 3 years	126,759	0.10%	895,563	1.80%
	<u>126,242,843</u>	<u>100%</u>	<u>49,775,991</u>	<u>100%</u>

As at 30 June 2011, advances to suppliers aged over one year amounted to RMB1,498,284 (31 December 2010: RMB2,727,762), mainly represents deposits prepaid for materials, which had not yet been received.

(b) As at 30 June 2011, the top five of advances to suppliers are analysed as follows:

	Relationship with the Group	Amount (Unaudited)	% of total balance	Recognition date	Reason for unsettled
Tsingtao Brewery (Baoji) Company Limited	Shareholding	20,053,112	15.88%	2011	Goods not received
Laiwu Luzhong Beer Material Limited	Third party	12,404,262	9.83%	2011	Goods not received
Jining Beihui Glass Manufacturing Limited	Third party	8,049,917	6.38%	2011	Goods not received
Pacific Can Manufacturing (Beijing) Limited	Third party	7,853,217	6.22%	2011	Goods not received
Yongshuntai (Changle) Malt Limited	Third party	5,285,800	4.19%	2010	Goods not received
		<u>53,646,308</u>	<u>42.50%</u>		

(c) As at 30 June 2011, there are no advances to shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2010: nil).

(d) As at 30 June 2011, there are no advances to related parties (31 December 2010: nil).

(e) As at 30 June 2011, there are no advances to suppliers in foreign currency (31 December 2010: nil).

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

(6) Inventories

(a) Classification of inventories is as follow:

	30 June 2011 (Unaudited)			31 December 2010		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	743,654,580	(5,728,187)	737,926,393	535,181,417	(6,085,447)	529,095,970
Packaging materials	856,424,039	(26,938,647)	829,485,392	850,681,277	(33,720,444)	816,960,833
Low cost consumables	50,440,983	—	50,440,983	43,765,829	—	43,765,829
Consigned materials for further processing	9,730,849	—	9,730,849	14,080,882	—	14,080,882
Work in progress	330,779,111	—	330,779,111	247,491,492	—	247,491,492
Finished goods	406,893,977	(40,042)	406,853,935	291,036,997	(18,354)	291,018,643
	<u>2,397,923,539</u>	<u>(32,706,876)</u>	<u>2,365,216,663</u>	<u>1,982,237,894</u>	<u>(39,824,245)</u>	<u>1,942,413,649</u>

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

	31 December 2010	Current period additions (Unaudited)	Current period reductions		30 June 2011 (Unaudited)
			Reversal (Unaudited)	Write-off (Unaudited)	
Raw materials	(6,085,447)	(1,073)	107,260	251,073	(5,728,187)
Packaging materials	(33,720,444)	(17,497)	142,782	6,656,512	(26,938,647)
Finished goods	(18,354)	(21,688)	—	—	(40,042)
	<u>(39,824,245)</u>	<u>(40,258)</u>	<u>250,042</u>	<u>6,907,585</u>	<u>(32,706,876)</u>

(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	0.01%
Packaging materials	Amount of carrying amount over net realisable value	Increase in net realisable value	0.02%
Finished goods	Amount of carrying amount over net realisable value	Not applicable	Not applicable

(7) Other current assets

	30 June 2011 (Unaudited)	31 December 2010
Prepaid corporate income tax	<u>9,572,497</u>	<u>13,157,293</u>

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

(8) Long-term receivables

	30 June 2011 (Unaudited)	31 December 2010
Deposits	2,000,000	2,000,000
<i>Less: provisions for bad debts</i>	<u>—</u>	<u>—</u>
	<u>2,000,000</u>	<u>2,000,000</u>

As at 30 June 2011, there are no long-term receivables from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2010: nil).

(9) Long-term equity investments

	30 June 2011 (Unaudited)	31 December 2010
Jointly controlled entity — unlisted (a)	—	—
Associates — unlisted (b)	154,904,258	152,928,735
Other long-term equity investments — unlisted (c)	<u>10,116,821</u>	<u>10,116,821</u>
	165,021,079	163,045,556
<i>Less: Provision for impairment of long-term equity investments (d)</i>	<u>(10,028,179)</u>	<u>(10,028,179)</u>
	<u>154,992,900</u>	<u>153,017,377</u>

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

(a) Jointly controlled entity — unlisted

	Accounting treatment	Investment cost	31 December 2010	Current period movement (Unaudited)				30 June 2011 (Unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity voting rights held	Impairment losses recognised in the current period
				Addition /reduction	of profit or loss	Cash dividend declared	Other changes in equity					
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 six months ended 30 June 2011 amounted to RMB250,875 (six months ended 30 June 2010: RMB133,536). As at 30 June 2011, the cumulative unrecognised investment losses amounted to RMB1,539,803 (31 December 2010: RMB1,288,928).

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

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

(b) Associates — unlisted

	Accounting treatment	Investment cost	31 December 2010	Share of profit or loss (Unaudited)	30 June 2011 (Unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment (Unaudited)	Impairment losses recognised in the current period (Unaudited)
Liaoning Shengqing Tsingtao Brewery Company Limited ("Liaoning Shengqing")	Equity method	600,000	3,206,609	(138,535)	3,068,074	30%	30%	Not Applicable	—	—
Qingdao Zhaoshang Logistics Company Limited ("Zhaoshang Logistics")	Equity method	6,000,000	21,701,059	2,352,596	24,053,655	30%	30%	Not Applicable	—	—
European Company	Equity method	584,166	1,680,265	—	1,680,265	40%	40%	Not Applicable	—	—
Yantai Asahi	Equity method	120,024,598	125,120,802	(238,538)	124,882,264	39%	39%	Not Applicable	—	—
Others	Equity method		<u>1,220,000</u>	<u>—</u>	<u>1,220,000</u>				<u>(1,220,000)</u>	<u>—</u>
			<u>152,928,735</u>	<u>1,975,523</u>	<u>154,904,258</u>				<u>(1,220,000)</u>	<u>—</u>

(c) Other long-term equity investments — unlisted

	Accounting treatment	Investment cost	31 December 2010	Current period movement (Unaudited)	30 June 2011 (Unaudited)	Provision for impairment (Unaudited)	Impairment losses recognised in the current period (Unaudited)	Cash dividends declared in the current period (Unaudited)
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)	—	—
Others	Cost method	2,596,560	<u>2,521,560</u>	<u>—</u>	<u>2,521,560</u>	<u>(1,212,918)</u>	<u>—</u>	<u>—</u>
			<u>10,116,821</u>	<u>—</u>	<u>10,116,821</u>	<u>(8,808,179)</u>	<u>—</u>	<u>—</u>

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

	31 December 2010	Current period additions (Unaudited)	Current period disposals (Unaudited)	30 June 2011 (Unaudited)
Beihai Real Estate Company	(3,610,000)	—	—	(3,610,000)
Yingxiao Club	(3,985,261)	—	—	(3,985,261)
Others	<u>(2,432,918)</u>	<u>—</u>	<u>—</u>	<u>(2,432,918)</u>
	<u>(10,028,179)</u>	<u>—</u>	<u>—</u>	<u>(10,028,179)</u>

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

(10) Investments in jointly controlled entity and associates

	Equity interest held	Voting rights held	30 June 2011 (Unaudited)			Six months ended 30 June 2011 (Unaudited)	
			Total assets	Total liabilities	Net assets	Revenue	Net profits/(losses)
Jointly controlled entity —							
Equipment Manufacture	50%	50%	20,904,608	23,984,213	(3,079,605)	1,777,403	(501,750)
Associates —							
Liaoning Shengqing	30%	30%	42,404,816	30,846,914	11,557,902	188,106,400	(461,783)
Zhaoshang Logistics	30%	30%	123,563,689	43,559,672	80,004,017	118,389,069	7,841,987
Yantai Asahi	39%	39%	399,974,146	165,717,416	234,256,730	269,296,147	1,318,364

(11) Fixed assets

	31 December 2010	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2011 (Unaudited)
Cost	12,615,986,806	651,234,730	(109,312,371)	13,157,909,165
Buildings	3,891,626,875	226,557,150	(11,291,305)	4,106,892,720
Machinery and equipment	7,931,243,444	375,180,225	(77,248,673)	8,229,174,996
Motor vehicles	349,358,321	28,553,420	(12,726,988)	365,184,753
Other equipment	443,758,166	20,943,935	(8,045,405)	456,656,696
Accumulated depreciation	(6,357,404,173)	(267,435,612)	75,477,974	(6,549,361,811)
Buildings	(1,249,502,675)	(47,429,481)	6,251,751	(1,290,680,405)
Machinery and equipment	(4,608,539,003)	(187,842,394)	50,431,979	(4,745,949,418)
Motor vehicles	(202,107,219)	(8,515,432)	11,617,685	(199,004,966)
Other equipment	(297,255,276)	(23,648,305)	7,176,559	(313,727,022)
Net book value	6,258,582,633			6,608,547,354
Buildings	2,642,124,200			2,816,212,315
Machinery and equipment	3,322,704,441			3,483,225,578
Motor vehicles	147,251,102			166,179,787
Other equipment	146,502,890			142,929,674
Provision for impairment	(747,529,338)	—	7,721,684	(739,807,654)
Buildings	(116,500,835)	—	—	(116,500,835)
Machinery and equipment	(609,128,233)	—	6,848,742	(602,279,491)
Motor vehicles	(21,482,661)	—	865,482	(20,617,179)
Other equipment	(417,609)	—	7,460	(410,149)
Carrying amount	5,511,053,295			5,868,739,700
Buildings	2,525,623,365			2,699,711,480
Machinery and equipment	2,713,576,208			2,880,946,087
Motor vehicles	125,768,441			145,562,608
Other equipment	146,085,281			142,519,525

As at 30 June 2011, none of the fixed assets are pledged as collateral for borrowings (31 December 2010: nil).

For the six months ended 30 June 2011, depreciation expense of fixed assets amount to RMB267,435,612 (six months ended 30 June 2010: RMB254,086,629) in total, of which RMB228,660,026, RMB5,329,530 and RMB33,446,056 (six months ended 30 June 2010: RMB226,160,182, RMB6,243,688 and RMB21,682,759) 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 RMB156,942,787 (six months ended 30 June 2010: RMB128,996,156).

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

(11) Fixed assets (cont'd)

(a) *Transitorily idle fixed assets*

As at 30 June 2011, the buildings, and machinery and equipment with carrying amount of RMB11,649,192 (cost of RMB45,737,038) are idle transitorily for the reason of products update (31 December 2010: carrying amount of RMB8,948,033, cost of RMB50,329,160). The analysis is as follow:

	Cost (Unaudited)	Accumulated depreciation (Unaudited)	Provision for impairment (Unaudited)	Carrying amount (Unaudited)
Buildings	3,587,691	(1,777,716)	(111,446)	1,698,529
Machinery and equipment	42,149,347	(24,398,193)	(7,800,491)	9,950,663
	<u>45,737,038</u>	<u>(26,175,909)</u>	<u>(7,911,937)</u>	<u>11,649,192</u>

(b) *Fixed assets held under a finance lease*

As at 30 June 2011, the fixed assets with carrying amount of RMB7,310,034 (cost of RMB10,214,224) are held under a finance lease (31 December 2010: carrying amount of RMB7,655,763, cost of RMB10,214,224). The analysis is as follow:

30 June 2011	Cost (Unaudited)	Accumulated depreciation (Unaudited)	Provision for impairment (Unaudited)	Carrying amount (Unaudited)
Machinery and equipment	<u>10,214,224</u>	<u>(2,904,190)</u>	—	<u>7,310,034</u>
31 December 2010	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	<u>10,214,224</u>	<u>(2,558,461)</u>	—	<u>7,655,763</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 30 June 2011, there are no significant fixed assets held for sale (31 December 2010: nil).

(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	30 June 2011 (Unaudited)		31 December 2010	
	Cost	Carrying amount	Cost	Carrying amount
In the application process	588,025,000	470,772,000	475,759,000	372,663,000
Unable to obtain	135,189,000	66,290,000	135,189,000	67,410,000
	<u>723,214,000</u>	<u>537,062,000</u>	<u>610,948,000</u>	<u>440,073,000</u>

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).

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

(11) Fixed assets (cont'd)

(e) Fixed assets rented out through operating lease

As at 30 June 2011, there are no material fixed assets rented out through operating lease (31 December 2010: nil).

(12) Construction in progress

	30 June 2011 (Unaudited)			31 December 2010		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
New Factory Project of Zhuhai Company	194,875,623	—	194,875,623	29,915,875	—	29,915,875
New Factory Project of Tengzhou Company	158,464,264	—	158,464,264	55,734,609	—	55,734,609
Production Line Improvement of No. 2 Factory	145,957,836	(462,515)	145,495,321	11,896,017	(462,515)	11,433,502
Production Line Improvement of No. 3 Company	140,951,506	—	140,951,506	271,116	—	271,116
New Factory Project of Fuzhou Company	83,606,886	—	83,606,886	31,803,969	—	31,803,969
New Factory Project of Shijiazhuang Company	83,531,851	—	83,531,851	40,124,674	—	40,124,674
Production Line Improvement of Shenzhen Asahi	42,891,260	—	42,891,260	52,850,731	—	52,850,731
Production Line Improvement of Suqian Company	17,498,792	—	17,498,792	—	—	—
Production Line Improvement of Luzhou Company	16,145,612	—	16,145,612	14,499,890	—	14,499,890
Production Line Improvement of Xiamen Company	14,557,301	—	14,557,301	1,459,642	—	1,459,642
Production Line Improvement of Sanshui Company	9,004,224	—	9,004,224	1,772,265	—	1,772,265
Production Line Improvement of Jinan Company	5,972,423	—	5,972,423	5,106,292	—	5,106,292
Production Line Improvement of Rizhao Company	5,752,749	—	5,752,749	203,628	—	203,628
Production Line Improvement of Hansi Baoji	5,559,007	—	5,559,007	—	—	—
Production Line Improvement of No. 5 Company	4,721,914	—	4,721,914	7,348,940	—	7,348,940
Production Line Improvement of Songjiang Company	3,405,398	—	3,405,398	—	—	—
Production Line Improvement of Changsha Company	2,733,971	—	2,733,971	1,198,718	—	1,198,718
Financial System Installation of Headquarters	2,267,813	—	2,267,813	168,909	—	168,909
Production Line Improvement of Three Ring Company	2,032,137	—	2,032,137	1,768,041	—	1,768,041
Production Line Improvement of Taizhou Company	1,964,262	—	1,964,262	1,367,283	—	1,367,283
Production Line Improvement of Gansu Nongken Company	1,947,018	—	1,947,018	928,559	—	928,559
Production Line Improvement of Xi'an Company	1,851,578	—	1,851,578	6,565,259	—	6,565,259
Production Line Improvement of Nanning Company	1,238,406	—	1,238,406	2,207,288	—	2,207,288
Production Line Improvement of Pingyuan Company	1,125,953	—	1,125,953	1,291,144	—	1,291,144
Other projects	7,787,809	—	7,787,809	14,545,487	—	14,545,487
	<u>955,845,593</u>	<u>(462,515)</u>	<u>955,383,078</u>	<u>283,028,336</u>	<u>(462,515)</u>	<u>282,565,821</u>

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

(12) Construction in progress (cont'd)

(a) Movement in significant construction in progress

Name	Budget	31 December 2010	Current period additions (Unaudited)	Transfer to fixed assets (Unaudited)	30 June 2011 (Unaudited)	% contribution in budget	Progress of construction	Source of funds
New Factory Project of Zhuhai Company	371,056,685	29,915,875	164,959,748	—	194,875,623	53%	55%	Self-funding
New Factory Project of Tengzhou Company	164,900,770	55,734,609	102,819,699	(90,044)	158,464,264	96%	97%	Self-funding
Production Line Improvement of No. 2 Factory	492,647,382	11,896,017	138,432,374	(4,370,555)	145,957,836	40%	42%	Self-funding
Production Line Improvement of No. 3 Company	217,031,064	271,116	151,172,592	(10,492,202)	140,951,506	77%	79%	Self-funding
New Factory Project of Fuzhou Company	265,877,955	31,803,969	51,802,917	—	83,606,886	31%	31%	Self-funding
New Factory Project of Shijiazhuang Company	224,500,000	40,124,674	43,407,177	—	83,531,851	37%	39%	Self-funding
Production Line Improvement of Shenzhen Asahi	172,377,621	52,850,731	65,500,581	(75,460,052)	42,891,260	69%	70%	Self-funding
Production Line Improvement of Suqian Company	200,000,000	—	17,500,587	(1,795)	17,498,792	9%	10%	Self-funding
Production Line Improvement of Luzhou Company	21,960,000	14,499,890	1,897,022	(251,300)	16,145,612	75%	76%	Self-funding
Production Line Improvement of Xiamen Company	187,610,000	1,459,642	13,097,659	—	14,557,301	8%	9%	Self-funding
Production Line Improvement of Sanshui Company	16,919,919	1,772,265	10,324,553	(3,092,594)	9,004,224	71%	74%	Self-funding
Production Line Improvement of Jman Company	25,899,983	5,106,292	4,707,027	(3,840,896)	5,972,423	78%	80%	Self-funding
Production Line Improvement of Rizhao Company	7,471,069	203,628	5,549,121	—	5,752,749	77%	78%	Self-funding
Production Line Improvement of Hansi Baoji	10,324,653	—	7,353,831	(1,794,824)	5,559,007	71%	80%	Self-funding
Production Line Improvement of No. 5 Company	10,331,840	7,348,940	1,498,948	(4,125,974)	4,721,914	86%	90%	Self-funding
Production Line Improvement of Songjiang Company	67,350,000	—	4,586,376	(1,180,978)	3,405,398	7%	9%	Self-funding
Production Line Improvement of Changsha Company	78,128,844	1,198,718	1,535,253	—	2,733,971	3%	5%	Self-funding
Financial System Installation of Headquarters	19,971,420	168,909	2,098,904	—	2,267,813	11%	12%	Self-funding
Production Line Improvement of Three Ring Company	9,514,101	1,768,041	4,666,925	(4,402,829)	2,032,137	68%	69%	Self-funding
Production Line Improvement of Taizhou Company	8,035,000	1,367,283	818,614	(221,635)	1,964,262	27%	29%	Self-funding
Production Line Improvement of Gansu Nongken Company	17,153,109	928,559	1,227,177	(208,718)	1,947,018	13%	15%	Self-funding
Production Line Improvement of Xi'an Company	20,794,800	6,565,259	10,216,029	(14,929,710)	1,851,578	81%	87%	Self-funding
Production Line Improvement of Nanning Company	11,727,113	2,207,288	157,709	(1,126,591)	1,238,406	20%	79%	Self-funding
Production Line Improvement of Pingyan Company	2,908,000	1,291,144	830,445	(995,636)	1,125,953	73%	78%	Self-funding
Other projects		14,545,487	23,598,776	(30,356,454)	7,787,809			
		<u>283,028,336</u>	<u>829,760,044</u>	<u>(156,942,787)</u>	<u>955,845,593</u>			

For the six months ended 30 June 2011, there are no borrowing costs eligible for capitalisation (six months ended 30 June 2010: nil).

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

(12) Construction in progress (cont'd)

(b) Provision for impairment

	31 December 2010	Current period charges (Unaudited)	Current period reductions (Unaudited)	30 June 2011 (Unaudited)	Reason for provision
Tin Seamer Installation Project	<u>(462,515)</u>	<u>—</u>	<u>—</u>	<u>(462,515)</u>	Project terminated

(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.

(13) Fixed assets on disposal

	30 June 2011 (Unaudited)	31 December 2010	Reason for transfer to disposal
Machinery and equipment	<u>5,895,625</u>	<u>3,148,488</u>	Old machinery and equipment for disposal

(14) Intangible assets

	31 December 2010	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2011 (Unaudited)
Original cost	1,700,209,177	906,357,892	(4,500,231)	2,602,066,838
Land use rights	1,231,677,374	139,300,483	(260,547)	1,370,717,310
Patents	124,945,726	166,072,860	—	291,018,586
Proprietary	18,629,100	—	—	18,629,100
Marketing network	189,751,203	576,675,500	—	766,426,703
Others	135,205,774	24,309,049	(4,239,684)	155,275,139
Accumulated amortisation	(376,019,564)	(46,861,695)	205,747	(422,675,512)
Land use rights	(225,798,115)	(14,117,137)	205,747	(239,709,505)
Patents	(56,745,878)	(4,278,578)	—	(61,024,456)
Proprietary	(18,629,100)	—	—	(18,629,100)
Marketing network	(32,405,825)	(23,467,113)	—	(55,872,938)
Others	(42,440,646)	(4,998,867)	—	(47,439,513)
Net book value	1,324,189,613			2,179,391,326
Land use rights	1,005,879,259			1,131,007,805
Patents	68,199,848			229,994,130
Proprietary	—			—
Marketing network	157,345,378			710,553,765
Others	92,765,128			107,835,626
Provision for impairment	(5,403,781)	—	—	(5,403,781)
Land use rights	(5,403,781)	—	—	(5,403,781)
Carrying amount	1,318,785,832			2,173,987,545
Land use rights	1,000,475,478			1,125,604,024
Patents	68,199,848			229,994,130
Proprietary	—			—
Marketing network	157,345,378			710,553,765
Others	92,765,128			107,835,626

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

(14) Intangible assets (cont'd)

For the six months ended 30 June 2011, amortisation expenses of intangible assets amount to RMB46,861,695 in total, which are recognised in profit or loss for the current period. (six months ended 30 June 2010: RMB23,763,727).

As at 30 June 2011, there are no intangible assets pledged as collateral for bank borrowings (31 December 2010: nil).

As at 30 June 2011, the relevant legal procedures for certificates application of the Group's land use rights with carrying value of approximately RMB32,940,000 (31 December 2010: RMB31,454,000) are still in process. According to the legal adviser's opinion, the directors of the Company are of the view that, there is no substantial legal restriction for the acquisition of the certificates, which does not have significant impact on the Group's operation and no provision for impairment of intangible assets is considered necessary. In addition, as at 30 June 2011, 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 RMB78,336,000 as at 30 June 2010 (31 December 2010: RMB69,591,000). The Company's directors consider that there is no significant adverse impact on the operations of the Group.

(15) Goodwill

	31 December 2010	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2011 (Unaudited)
Goodwill —				
Immense Brewery	—	958,868,617	—	958,868,617
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>958,868,617</u>	<u>—</u>	<u>1,279,095,657</u>
Less: provision for impairment (a) —				
Nanning Company	(130,895,740)	—	—	(130,895,740)
Three Ring Company/ Beifang Sales Company	(24,642,782)	—	—	(24,642,782)
Others	(41,872,217)	—	—	(41,872,217)
	<u>(197,410,739)</u>	<u>—</u>	<u>—</u>	<u>(197,410,739)</u>
	<u>122,816,301</u>	<u>958,868,617</u>	<u>—</u>	<u>1,081,684,918</u>

Goodwill recognised arose from acquisition of 100% of the equity interests in Immense Brewery Company (Note 4(4)).

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

(15) Goodwill (cont'd)

(a) Provision for impairment

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

	30 June 2011 (Unaudited)	31 December 2010
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>

As at 31 December 2010:

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.

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 2010	Current period additions (Unaudited)	Current period amortisation (Unaudited)	30 June 2011 (Unaudited)
Occupancy expense	2,240,000	—	(80,000)	2,160,000
Gardening expense	1,512,713	—	(1,006,375)	506,338
Advertising expense	165,858	51,368	(157,826)	59,400
Rental charge	869,906	1,602,777	(1,059,375)	1,413,308
Others	<u>3,117,812</u>	<u>385,970</u>	<u>(524,138)</u>	<u>2,979,644</u>
	<u>7,906,289</u>	<u>2,040,115</u>	<u>(2,827,714)</u>	<u>7,118,690</u>

(17) Deferred tax assets and deferred tax liabilities

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

	30 June 2011 (Unaudited)		31 December 2010	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Impairment provision	9,869,633	39,478,533	9,395,818	37,583,273
Business combination involving entities not under common control	1,161,231	4,644,926	1,337,163	5,348,654
Deferred government grants	1,122,893	4,491,571	4,042,574	16,170,296
Accruals	502,643,942	2,027,588,356	378,504,189	1,530,913,420
	<u>514,797,699</u>	<u>2,076,203,386</u>	<u>393,279,744</u>	<u>1,590,015,643</u>

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

	30 June 2011 (Unaudited)		31 December 2010	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Business combination involving entities not under common control	221,415,399	885,661,596	31,094,094	124,376,376
The difference between carrying amount and tax base of convertible bonds	52,468,977	209,875,908	61,088,436	244,353,744
	<u>273,884,376</u>	<u>1,095,537,504</u>	<u>92,182,530</u>	<u>368,730,120</u>

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

	30 June 2011 (Unaudited)	31 December 2010
Deductible temporary differences	693,261,289	901,693,397
Deductible losses	554,286,679	575,663,278
	<u>1,247,547,968</u>	<u>1,477,356,675</u>

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 RMB133,146,000 (31 December 2010: RMB135,059,000) 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 RMB173,315,000 (31 December 2010: RMB225,423,000) arising from the deductible temporary differences resulting from the impacts of provision for impairment losses and business combination on fair value.

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

(17) Deferred tax assets and deferred tax liabilities (cont'd)

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

	30 June 2011 (Unaudited)	31 December 2010
2011	—	80,849,150
2012	132,950,181	146,398,898
2013	182,859,562	190,462,815
2014	73,897,829	74,126,224
2015	118,072,069	83,826,191
2016	46,507,038	—
	<u>554,286,679</u>	<u>575,663,278</u>

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

	30 June 2011 (Unaudited)	31 December 2010
Deferred tax assets	52,468,977	61,088,436
Deferred tax liabilities	52,468,977	61,088,436

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

	30 June 2011 (Unaudited)		31 December 2010	
	Net values	Deductible/ taxable temporary differences after offsetting	Net values	Deductible/ taxable temporary differences after offsetting
Deferred tax assets	462,328,722	1,866,327,478	332,191,308	1,345,661,899
Deferred tax liabilities	221,415,399	885,661,596	31,094,094	124,376,376

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

(18) Provision for asset impairment

	31 December 2010	Current period additions (Unaudited)	Current period reductions		30 June 2011 (Unaudited)
			Reversal (Unaudited)	Write-off (Unaudited)	
Provision for bad debts	336,228,302	2,478,167	(823,313)	(416,285)	337,466,871
Including:					
Provision for bad debts of accounts receivable	248,102,424	767,618	(225,291)	(416,285)	248,228,466
Provision for bad debts of other receivables	88,125,878	1,710,549	(598,022)	—	89,238,405
Provision for decline in value of inventories	39,824,245	40,258	(250,042)	(6,907,585)	32,706,876
Provision for impairment of long-term equity investments	10,028,179	—	—	—	10,028,179
Provision for impairment of fixed assets	747,529,338	—	—	(7,721,684)	739,807,654
Provision for impairment of construction in progress	462,515	—	—	—	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>1,336,887,099</u>	<u>2,518,425</u>	<u>(1,073,355)</u>	<u>(15,045,554)</u>	<u>1,323,286,615</u>

(19) Other non-current assets

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

As at 30 June 2011, 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 2010: nil).

(20) Short-term borrowings

(a) Classification of short-term borrowings

	Currency	30 June 2011 (Unaudited)	31 December 2010
Unsecured	RMB	—	32,840,000
Unsecured	HKD	106,372,514	94,376,646
Guaranteed	RMB	—	2,000,000
Entrusted (i)	RMB	67,000,000	67,000,000
		<u>173,372,514</u>	<u>196,216,646</u>

(i) Represents short-term borrowings entrusted to Yangzhou Company by TB Group Company through bank. Details please refer to Note 7(5).

For the six months ended 30 June 2011, the weighted average interest rate of short-term borrowings is 3.72% (six months ended 30 June 2010: 3.30%).

As at 30 June 2011, there are no short-term borrowings that are due but have not been repaid (31 December 2010: nil).

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

(21) Notes payable

	30 June 2011 (Unaudited)	31 December 2010
Trade acceptance notes	65,100,000	50,900,000
Bank acceptance notes	47,613,201	19,811,200
	<u>112,713,201</u>	<u>70,711,200</u>

As at 30 June 2011, other cash balances of RMB5,674,263 (31 December 2010: RMB2,707,986) is pledged as collateral for insurance of acceptance notes (Note 5(1)).

As at 30 June 2011, the Group's bank acceptance notes with amount of RMB5,017,359 (31 December 2010: RMB8,111,200) are guaranteed by TB Group Company. Details please refer to Note 7(4)(d).

As at 30 June 2011, all notes payable are due within six months.

(22) Accounts payable

	30 June 2011 (Unaudited)	31 December 2010
Amount for purchase materials	1,844,683,849	1,228,861,166
Amount for purchase beer from related parties	34,731,487	18,952,243
Amount for purchase promotion goods	28,404,413	12,373,124
Others	3,258,972	2,443,272
	<u>1,911,078,721</u>	<u>1,262,629,805</u>

(a) As at 30 June 2011, there are no accounts payable to shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2010: nil).

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

	30 June 2011 (Unaudited)	31 December 2010
Yantai Asahi	31,829,679	12,075,464
Beijing Asahi	2,690,400	6,721,120
Hangzhou West Lake Asahi Company Limited ("Hangzhou Asahi")	211,408	155,659
	<u>34,731,487</u>	<u>18,952,243</u>

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

	30 June 2011 (Unaudited)			31 December 2010		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
HKD	2,122,177	0.8316	1,764,802	—	—	—
USD	49,268	6.4716	318,843	38,141	6.6227	252,596
MOP	23,615	6.9173	163,352	23,615	6.7139	158,549
			<u>2,246,997</u>			<u>411,145</u>

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

(22) Accounts payable (cont'd)

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

	30 June 2011 (Unaudited)	31 December 2010
Within 1 year	1,883,038,651	1,241,636,171
1 to 2 years	10,747,110	6,420,787
2 to 3 years	4,677,202	2,713,839
Over 3 years	12,615,758	11,859,008
	<u>1,911,078,721</u>	<u>1,262,629,805</u>

(23) Advances from customers

	30 June 2011 (Unaudited)	31 December 2010
Advances from customers for purchase of beer	<u>400,920,397</u>	<u>775,414,619</u>

(a) As at 30 June 2011, there are no advances from shareholders who hold more than 5% (including 5% of the voting rights of the Company (31 December 2010: nil).

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

	30 June 2011 (Unaudited)	31 December 2010
Liaoning Shenqing	<u>3,411,962</u>	<u>42,628,369</u>

(c) As at 30 June 2011, advances from customers over 1 year with carrying amount of approximately RMB10,852,275 (31 December 2010: RMB10,293,000) 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.

(d) As at 30 June 2011, there are no advances from customers in foreign currency (31 December 2010: nil).

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

(24) Employee benefits payable

	31 December 2010	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2011 (Unaudited)
Salaries, bonuses, allowances and subsidies	279,267,702	813,792,566	(797,082,996)	295,977,272
Staff welfare	1,042,531	53,142,192	(54,077,413)	107,310
Social insurances	16,244,263	203,560,934	(169,877,235)	49,927,962
Including: Medical insurance	4,021,366	54,938,458	(46,512,429)	12,447,395
Pension insurance	9,095,822	124,624,759	(103,703,382)	30,017,199
Unemployment insurance	2,828,983	12,561,994	(10,027,732)	5,363,245
Other insurances	298,092	11,435,723	(9,633,692)	2,100,123
Housing funds	7,181,390	65,033,728	(54,135,364)	18,079,754
Labor union fund and employee education fund	93,460,388	32,028,040	(20,487,628)	105,000,800
Early termination benefits	251,797,665	32,080,656	(32,329,846)	251,548,475
	<u>648,993,939</u>	<u>1,199,638,116</u>	<u>(1,127,990,482)</u>	<u>720,641,573</u>

As at 30 June 2011, 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.

(25) Taxes payable

	30 June 2011 (Unaudited)	31 December 2010
Corporate income tax	377,416,672	221,380,547
Consumption tax	251,091,430	180,420,205
VAT	107,672,536	29,117,597
Business tax	14,904,285	18,275,637
City maintenance and construction tax	28,931,787	13,052,402
Withholding income tax	2,486,513	12,686,892
Education surcharge	14,338,055	6,420,056
Others	35,324,504	32,865,941
	<u>832,165,782</u>	<u>514,219,277</u>

(26) Dividends payable

	30 June 2011 (Unaudited)	31 December 2010
Payable to non-selling restricted shareholders	168,045,892	—
Payable to selling restricted shareholders	75,131,011	—
Payable to YWJ Enterprise Inc	8,800,000	8,800,000
Payable to SITC Logistic (HK) Limited	—	749,729
	<u>251,976,903</u>	<u>9,549,729</u>

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

(27) Other payables

	30 June 2011 (Unaudited)	31 December 2010
Accruals for marketing & advertising expenses	1,661,553,153	1,235,258,525
Guarantee deposits	845,647,338	581,610,008
Payables for construction and machinery	457,526,301	216,082,793
Accruals for transportation expenses	223,477,563	76,925,142
Accruals for general and administrative expenses	28,633,175	23,484,356
Accruals for labor expenses	41,275,431	19,210,447
Accruals for electricity expenses	18,271,392	10,683,642
Withholding social insurance for staffs	7,644,645	6,943,363
Others	400,423,446	349,914,249
	<u>3,684,452,444</u>	<u>2,520,112,525</u>

(a) As at 30 June 2011, there are no other payables to shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2010: nil).

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

	30 June 2011 (Unaudited)	31 December 2010
Zhaoshang Logistics	752,715	5,837,219
Yantai Asahi	—	82,500
	<u>752,715</u>	<u>5,919,719</u>

(c) As at 30 June 2011, other payables over 1 year with carrying amount of RMB376,981,340 (31 December 2010: RMB328,308,323) are mainly liabilities incurred on acquisition of subsidiaries.

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

	30 June 2011 (Unaudited)			31 December 2010		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
USD	680,082	6.4716	4,401,219	—	—	—
HKD	1,905,749	0.8316	1,584,821	4,173,729	0.8509	3,551,426
			<u>5,986,040</u>			<u>3,551,426</u>

(28) Current portion of non-current liabilities

	30 June 2011 (Unaudited)	31 December 2010
Current portion of long-term borrowings (a)	3,859,217	15,579,933
Current portion of long-term payables (b)	1,829,992	2,350,321
	<u>5,689,209</u>	<u>17,930,254</u>

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

(28) Current portion of non-current liabilities (cont'd)

(a) Current portion of long-term borrowings

	30 June 2011 (Unaudited)	31 December 2010
Guaranteed	<u>3,859,217</u>	<u>15,579,933</u>

As at 30 June 2011, there are no overdue borrowings (31 December 2010: nil). Details please refer to Note 5(29).

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

	Beginning date	Termination date	Currency	Interest rate (%)	30 June 2011 (Unaudited)		31 December 2010	
					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	—	395,112	495,154	397,409	468,148
Import and Export Bank of China	1996.12.31	2016.12.31	EUR	—	153,394	1,435,952	153,394	1,350,862
Communications Bank of China, Hong Kong Branch	2009.07.14	2011.07.14	HKD	1.07	2,318,556	1,928,111	16,165,034	13,760,923
						<u>3,859,217</u>		<u>15,579,933</u>

(b) Current portion of long-term payables

As at 30 June 2011, current portion of long-term payables represents fixed assets finance lease payable to Meilianxin, a third party (Note 11).

(29) Long-term borrowings

	Currency	30 June 2011 (Unaudited)	31 December 2010
Guaranteed	DKK	4,511,520	4,476,400
Guaranteed	EUR	6,639,057	6,245,661
Guaranteed	HKD	457,380,000	—
		<u>468,530,577</u>	<u>10,722,061</u>

As at 30 June 2011, guaranteed long-term borrowings include:

Bank guaranteed borrowing of RMB5,006,674 (foreign currency: DKK3,995,112) (31 December 2010: RMB4,944,548, foreign currency: DKK4,197,409) 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 RMB495,154 (31 December 2010: RMB468,148);

Bank guaranteed borrowing of RMB8,075,009 (foreign currency: EUR862,604) (31 December 2010: RMB7,596,523, foreign currency: EUR862,604) 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 RMB1,435,952 (31 December 2010: RMB1,350,862);

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

(29) Long-term borrowings (cont'd)

Bank guaranteed borrowing of RMB457,380,000 (foreign currency: HKD550,000,000) guaranteed by the Company to Hong Kong company, a subsidiary of the Company. The principal amount shall be repaid when the borrowing falls due on 25 May 2014.

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

	Beginning date	Termination date	Currency	Interest rate (%)	30 June 2011 (Unaudited)		31 December 2010	
					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	—	3,600,000	4,511,520	3,800,000	4,476,400
Import and Export Bank of China	1996.12.31	2016.12.31	EUR	—	709,210	6,639,057	709,210	6,245,661
The National Development Bank, Hong Kong Branch	2011.5.25	2014.5.25	HKD	2.94	550,000,000	457,380,000	—	—
						<u>468,530,577</u>		<u>10,722,061</u>

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

	30 June 2011 (Unaudited)	31 December 2010
Between 1 to 2 years	1,986,131	1,868,066
Between 2 to 5 years	463,087,751	5,604,198
Over 5 years	3,456,695	3,249,797
	<u>468,530,577</u>	<u>10,722,061</u>

For the six months ended 30 June 2011, the weighted average interest rate of long-term borrowings is 1.55% (six months ended 30 June 2010: 0.16%).

(30) Debentures payable

	31 December 2010	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2011 (Unaudited)
Convertible bonds	<u>1,264,646,258</u>	<u>40,477,835</u>	<u>(12,000,000)</u>	<u>1,293,124,093</u>

As stated in Note 1, the Company issued 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.

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

(30) Debentures payable (Cont'd)

Accrued interests of debentures are analysed as follows:

	Accrued interests			30 June 2011 (Unaudited)
	31 December 2010	Current period accruals (Unaudited)	Current period payments (Unaudited)	
Convertible bonds	—	12,000,000	(12,000,000)	—

As at 30 June 2011, the liability component of the convertible bonds is set out as follow:

	<i>RMB</i> (Unaudited)
Face value of the convertible bonds	1,500,000,000
Less: Equity component	(389,702,040)
Transaction costs attributable to liability component	(26,245,028)
Liability component on initial recognition	1,084,052,932
Interest expenses up to 31 December 2010	204,593,326
Interest paid up to 31 December 2010	(24,000,000)
Liability component as at 31 December 2010	1,264,646,258
Interest expenses for the six months ended 30 June 2011	40,477,835
Interest paid for the six months ended 30 June 2011	(12,000,000)
Liability component as at 30 June 2011	<u>1,293,124,093</u>

(31) Long-term payables

	30 June 2011 (Unaudited)	31 December 2010
Finance lease payable	—	625,414
Others	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,000,000</u>	<u>1,625,414</u>

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

	Expiration date	Initial amount	Interest rate (%)	Accrued interests	Ending balance	Conditions
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

	30 June 2011(Unaudited)		31 December 2010	
	Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
Meilianxin	—	—	—	625,414

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).

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

(31) Long-term payables (Cont'd)

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

	30 June 2011 (Unaudited)	31 December 2010
Between 1 to 2 years	—	625,414
Between 2 to 5 years	<u>1,000,000</u>	<u>1,000,000</u>
	<u><u>1,000,000</u></u>	<u><u>1,625,414</u></u>

(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

	30 June 2011 (Unaudited)	31 December 2010
Deferred income (a)	<u><u>709,657,592</u></u>	<u><u>549,289,390</u></u>

(a) Deferred income

	30 June 2011 (Unaudited)	31 December 2010
Government grants related to income		
Projects on relocation compensation	—	9,853,014
Projects on scientific research grant	<u>4,066,130</u>	<u>4,066,130</u>
	<u>4,066,130</u>	<u>13,919,144</u>
Government grants related to assets		
Projects on relocation compensation for old factory	<u>609,332,420</u>	466,261,374
Projects on expansion	<u>80,942,519</u>	54,481,016
Projects on technology improvement	<u>6,242,598</u>	5,504,737
Project on sewage treatment	<u>3,198,000</u>	3,198,000
Other projects	<u>5,875,925</u>	<u>5,925,119</u>
	<u>705,591,462</u>	<u>535,370,246</u>
	<u><u>709,657,592</u></u>	<u><u>549,289,390</u></u>

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

(34) Share capital

	31 December 2010	Current period additions and reductions		30 June 2011 (Unaudited)
		Others (Unaudited)	Subtotal (Unaudited)	
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>—</u>	<u>—</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>—</u>	<u>—</u>	<u>933,588,290</u>
	<u>1,350,982,795</u>	<u>—</u>	<u>—</u>	<u>1,350,982,795</u>
	31 December 2009	Current period additions and reductions		30 June 2010 (Unaudited)
		Others (Unaudited)	Subtotal (Unaudited)	
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>—</u>	<u>—</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>—</u>	<u>—</u>	<u>933,588,290</u>
	<u>1,350,982,795</u>	<u>—</u>	<u>—</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 lock-in period of five years, 417,394,505 shares held by the original shareholders of non-circulating shares were not subject to trading (Note 1).

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

(35) Capital surplus

	31 December 2010	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2011 (Unaudited)
Share premium	3,920,210,913	—	—	3,920,210,913
Other capital surplus —	96,628,728	—	—	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	3,290,514	—	—	3,290,514
	<u>4,016,839,641</u>	<u>—</u>	<u>—</u>	<u>4,016,839,641</u>
	31 December 2009 (Restated)	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2010 (Unaudited) (Restated)
Share premium	4,011,753,890	—	(91,542,977)	3,920,210,913
Other capital surplus —	94,211,869	—	(249,345)	93,962,524
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	—	(249,345)	624,310
	<u>4,105,965,759</u>	<u>—</u>	<u>(91,792,322)</u>	<u>4,014,173,437</u>

(36) Surplus reserve

	31 December 2010	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2011 (Unaudited)
Statutory surplus reserve	<u>691,825,740</u>	<u>—</u>	<u>—</u>	<u>691,825,740</u>
	31 December 2009	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2010 (Unaudited)
Statutory surplus reserve	<u>613,542,388</u>	<u>—</u>	<u>—</u>	<u>613,542,388</u>

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

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

(37) Undistributed profits

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Amount (Unaudited)	Ratio for appropriation or distribution	Amount (Unaudited) (Restated)	Ratio for appropriation or distribution
Undistributed profits at the beginning of the period (Note 2(29))	3,537,820,385		2,311,776,634	
Add: Net profit attributable to the Company for the current period (restated)	989,902,083		813,916,373	
Less: Appropriation for statutory surplus reserve	—		—	
Ordinary shares dividend payable	(243,176,903)	0.18 per share	(216,157,247)	0.16 per share
Undistributed profits at the end of the period	<u>4,284,545,565</u>		<u>2,909,535,760</u>	

As at 30 June 2011, included in the undistributed profits, RMB480,419,299 is subsidiaries' surplus reserve attributable to the Company (31 December 2010: RMB480,419,299).

In accordance with the resolution at the Annual General Meeting dated on 16 June 2011, the Company proposed a cash dividend to equity holders of the Company of RMB243,176,903 (RMB0.18 per share (pre-tax)), based on total numbers of shares 1,350,982,795 (2010: cash dividend for 2009 RMB0.16 per share (pre-tax) at RMB216,157,247). As at 30 June 2011, the dividend has not been paid yet.

(38) Minority interests

Minority interests attributable to the shareholders of subsidiaries

	30 June 2011 (Unaudited)	31 December 2010
Shenzhen Asahi	177,167,544	198,304,632
Hangzhou Company	45,095,341	—
Nanning Company	37,539,747	35,255,588
Sanshui Company	27,231,784	26,253,984
Xuzhou Company	17,938,152	17,937,232
Hanzhong Company	17,714,810	17,110,044
Gansu Nongken Company	(59,382,631)	(66,355,127)
Yangzhou Company	(46,435,926)	(49,689,542)
Three Ring Company	(39,948,579)	(40,907,129)
Five Star Company	(23,010,602)	(23,399,562)
Others	11,624,618	2,123,320
	<u>165,534,258</u>	<u>116,633,440</u>

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

(39) Revenue and cost of sales

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Revenue from main operation	11,873,127,931	9,805,457,102
Revenue from other operation	176,855,622	122,364,932
	<u>12,049,983,553</u>	<u>9,927,822,034</u>
	Six months ended 30 June 2010 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Cost of main operation	(6,719,638,039)	(5,440,459,376)
Cost of other operation	(120,660,644)	(95,119,940)
	<u>(6,840,298,683)</u>	<u>(5,535,579,316)</u>

(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:

	Six months ended 30 June 2011 (Unaudited)		Six months ended 30 June 2010 (Unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of Beer	<u>11,873,127,931</u>	<u>(6,719,638,039)</u>	<u>9,805,457,102</u>	<u>(5,440,459,376)</u>

Analysis by locations is as follow:

	Six months ended 30 June 2011 (Unaudited)		Six months ended 30 June 2010 (Unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Shandong Region	6,290,846,421	(3,583,915,649)	5,054,450,952	(2,766,777,857)
Huanan Region	2,321,186,762	(1,257,707,527)	1,967,451,616	(1,091,045,004)
Huabei Region	2,189,874,872	(1,513,919,302)	1,799,117,713	(1,235,418,807)
Huadong Region	977,385,827	(688,579,769)	925,786,642	(610,957,494)
Dongnan Region	826,550,601	(524,321,382)	624,194,637	(395,049,038)
Hong Kong, Macau and other overseas	<u>218,638,817</u>	<u>(101,167,584)</u>	<u>181,977,187</u>	<u>(88,732,821)</u>
	<u>12,824,483,300</u>	<u>(7,669,611,213)</u>	<u>10,552,978,747</u>	<u>(6,187,981,021)</u>
Less: eliminations	<u>(951,355,369)</u>	<u>949,973,174</u>	<u>(747,521,645)</u>	<u>747,521,645</u>
	<u>11,873,127,931</u>	<u>(6,719,638,039)</u>	<u>9,805,457,102</u>	<u>(5,440,459,376)</u>

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

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

(b) Revenue and cost of other operation

	Six months ended 30 June 2011 (Unaudited)		Six months ended 30 June 2010 (Unaudited)	
	Revenue from other operation	Cost of other operation	Revenue from other operation	Cost of other operation
Sale of materials and scraps	91,881,129	(78,820,397)	55,852,786	(56,340,923)
Sale of packaging materials	17,522,330	(11,470,017)	17,736,607	(16,760,340)
Others	67,452,163	(30,370,230)	48,775,539	(22,018,677)
	<u>176,855,622</u>	<u>(120,660,644)</u>	<u>122,364,932</u>	<u>(95,119,940)</u>

(c) Top five of the revenue of the Group

Top five of the revenue of the Group amount to RMB725,006,000 (six months ended 30 June 2010: RMB651,286,000), which accounts for 6.02% (six months ended 30 June 2010: 6.56%) of the total revenue of the Group.

(40) Tax and surcharges

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)	Tax basis
Consumption tax	833,531,824	686,716,860	Refer to Note 3
Business tax	2,124,133	3,020,146	Refer to Note 3
City maintenance and construction tax	130,334,099	91,670,778	Refer to Note 3
Education surcharge	89,906,520	42,620,737	Refer to Note 3
Others	41,567	43,218	
	<u>1,055,938,143</u>	<u>824,071,739</u>	

(41) Selling and distribution expenses

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Promotion-related expenses	1,045,446,884	1,016,478,538
Transportation expenses	521,608,979	425,041,435
Employee benefit expenses	411,580,478	340,683,038
Advertising related expenses	222,528,106	210,509,876
Administrative and business travel expenses	50,851,330	48,958,409
Rental expenses	30,800,690	20,953,842
Materials consumption	22,964,191	22,866,332
Amortisation expenses	24,075,040	9,487,560
Depreciation expenses	5,329,530	6,243,688
Others	40,570,524	33,929,825
	<u>2,375,755,752</u>	<u>2,135,152,543</u>

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

(42) General and administrative expenses

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Employee benefit	240,605,152	191,654,866
Administrative, business travel, and entertainment expenses	63,631,259	50,748,542
Tax expenses	58,981,395	57,888,998
Depreciation expenses	33,446,056	21,682,759
Amortisation expenses	24,847,460	18,874,566
Repair expenses	14,983,524	11,312,432
Intermediary agency fees	12,816,553	10,259,138
Materials consumption	8,173,681	7,507,378
Rental expenses	6,319,663	3,638,011
Insurance premiums	2,185,978	2,353,007
Others	28,651,539	30,941,212
	<u>494,642,260</u>	<u>406,860,909</u>

(43) Financial expenses — net

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Interest expenses —		
Including: * Bank borrowings	3,311,305	2,827,613
* Debentures payable	40,477,835	38,363,161
Less: Interest income	(48,992,022)	(21,336,758)
Exchange losses	39,028	3,950,683
Future finance charges	4,682,036	2,754,761
Others	2,855,330	2,370,840
	<u>2,373,512</u>	<u>28,930,300</u>

(44) Investment income

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Income from long-term equity investment under equity method	<u>1,975,523</u>	<u>5,804,544</u>

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

(44) Investment income (Cont'd)

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

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

The investees are set out as follows:

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)	Reason for current period additions or reductions
Zhaoshang Logistics	2,352,596	2,711,359	Decrease in profit of the investee for the period
Yantai Asahi	(238,538)	2,822,393	Decrease in profit of the investee for the period
Liaoning Shenqing	(138,535)	270,792	Decrease in profit of the investee for the period
	<u>1,975,523</u>	<u>5,804,544</u>	

(45) Asset impairment losses

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Bad debts losses/(reversal)	1,654,854	(804,610)
Declines in values of inventories reversal	(209,784)	(3,626,252)
	<u>1,445,070</u>	<u>(4,430,862)</u>

(46) Non-operating income

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Gain on disposal of non-current assets	828,501	969,624
Including: gain on disposal of fixed assets	828,501	969,624
Penalty gains	539,350	376,284
Gain on unpaid debts	451,805	666,263
Government grants (a)	119,137,976	104,256,429
Others	3,605,340	11,799,464
	<u>124,562,972</u>	<u>118,068,064</u>

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

(46) Non-operating income (Cont'd)

(a) Details of government grants

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)	Remarks
Tax return	66,369,453	70,355,102	Return of certain portion of tax paid
Project support fund	29,185,764	11,714,460	Grants for technology improvement projects and sewage treatment projects
Relocation compensation	16,887,218	14,763,140	Relocation compensation for manufacturing factories
Others	<u>6,695,541</u>	<u>7,423,727</u>	
	<u><u>119,137,976</u></u>	<u><u>104,256,429</u></u>	

(47) Non-operating expenses

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Losses on disposal of non-current assets	6,718,195	9,414,622
Including: Losses on disposal of fixed assets	6,718,195	9,414,622
Public welfare donations	1,685,130	476,827
Compensation and overdue fine	862,213	899,659
Penalty losses	348,204	295,165
Others	<u>5,062,210</u>	<u>2,602,491</u>
	<u><u>14,675,952</u></u>	<u><u>13,688,764</u></u>

(48) Income tax expenses

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Current income tax calculated according to tax law and related regulations in mainland China	477,971,754	392,835,388
Current profits tax calculated according to tax law and related regulations in Hong Kong	3,597,585	2,029,705
Current profits tax calculated according to tax law and related regulations in Macau	807,336	—
Deferred income tax	<u>(137,819,375)</u>	<u>(153,534,700)</u>
	<u><u>344,557,300</u></u>	<u><u>241,330,393</u></u>

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

(48) Income tax expenses (Cont'd)

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

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Total profit	<u>1,391,392,676</u>	1,111,841,933
Income tax expenses calculated at applicable tax rates	338,059,174	263,333,117
Expenses not deductible for tax purposes	25,196,654	8,509,880
Income not subject to tax	(5,604,445)	(12,242,506)
Utilisation of previously unrecognised deferred tax assets	(25,937,872)	(22,918,963)
Tax influence for which no deferred tax assets were recognised	<u>12,843,789</u>	4,648,865
Income tax expenses	<u>344,557,300</u>	<u>241,330,393</u>

(49) Earnings per share

(a) Basic earnings per share

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

	Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited) (Restated)
Consolidated net profit attributable to ordinary shareholders of the Company	989,902,083	813,916,373
Weighted average number of ordinary shares outstanding	<u>1,350,982,795</u>	1,350,982,795
Basic earnings per share	<u>0.733</u>	<u>0.602</u>
Including:		
— Basic earnings per share relating to continuing operations	0.733	0.602

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusted net profit for the current period attributable to ordinary shareholders by the adjusted weighted average number of ordinary shares outstanding. As there were no potential ordinary shares for the six months ended 30 June 2011 and 30 June 2010, diluted earnings per share are equal to basic earnings per share.

(50) Other comprehensive income

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Exchange differences arising from translating foreign operations	<u>621,116</u>	<u>2,025,974</u>

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

(51) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Deposits	271,053,328	181,749,569
Government grants	67,624,177	30,142,809
Income from sales of materials and scraps	47,966,241	44,494,617
Others	123,070,389	212,804,176
	<u>509,714,135</u>	<u>469,191,171</u>

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Advertising expenses	248,502,370	218,073,601
Transportation expenses	380,149,776	332,535,574
Marketing and promotion expenses	165,302,898	130,276,763
Administrative expenses	122,887,644	96,316,629
Deposits	115,355,829	96,709,608
Others	143,231,685	236,351,108
	<u>1,175,430,202</u>	<u>1,110,263,283</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Government compensation for relocation and expansion projects	277,591,936	179,045,700
Refund of deposit for acquisition of a subsidiary	85,000,000	—
Receipt of tender deposits etc.	1,026,469	—
	<u>363,618,405</u>	<u>179,045,700</u>

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Payment of tender deposits etc.	<u>923,657</u>	<u>—</u>

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

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

(e) Cash received relating to other financing activities

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Recovery of notes and letter of credit deposit	<u>6,143,720</u>	<u>12,460,989</u>

(f) Cash paid relating to other financing activities

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Deposits payment for notes and letter of credit	7,772,122	7,274,422
Payment of finance lease payables	1,282,293	1,282,293
Others	<u>5,268</u>	<u>255,115</u>
	<u>9,059,683</u>	<u>8,811,830</u>

(52) Supplementary information to consolidated cash flow statements

(a) Supplementary information to consolidated cash flow statements

Reconciliation from net profit to cash flows from operating activities

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Net profit	1,046,835,376	870,511,540
<i>Add:</i> Provisions for asset impairment	1,445,070	(4,430,862)
Depreciation of fixed assets	267,435,612	254,086,629
Amortisation of intangible assets	46,861,695	23,763,727
Amortisation of long-term prepaid expenses	2,827,714	1,867,328
Losses on disposal of fixed assets, intangible assets and other long-term assets	5,889,694	8,444,998
Financial expenses	42,794,160	41,821,639
Investment income	(1,975,523)	(5,804,544)
Increase in deferred tax assets	(130,137,414)	(151,913,281)
Decrease in deferred tax liabilities	(7,681,961)	(1,621,419)
(Increase)/decrease in inventories	(240,392,016)	209,956,097
Increase in operating receivables	(94,644,688)	(1,024,126,029)
Increase in operating payables	<u>1,187,753,316</u>	<u>2,435,377,044</u>
Net cash flows from operating activities	<u>2,127,011,035</u>	<u>2,657,932,867</u>

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

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

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

Net increase in cash and cash equivalents

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Cash at the end of the period (c)	7,504,396,764	7,624,062,364
Less: cash at the beginning of the period	<u>(7,562,805,978)</u>	<u>(5,307,575,041)</u>
Net (decrease)/increase in cash	<u>(58,409,214)</u>	<u>2,316,487,323</u>

(b) Acquisition of subsidiaries

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Consideration for acquisitions	1,940,866,697	1
Cash paid for acquisitions	1,940,866,697	1
Less: Cash in the subsidiaries acquired	<u>(172,148,737)</u>	<u>(1,216,082)</u>
Net cash received for acquisitions	<u>1,768,717,960</u>	<u>(1,216,081)</u>

Net assets of the subsidiaries acquired

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Current assets	425,944,409	6,891,521
Non-current assets	1,260,087,741	37,686,938
Current liabilities	(487,751,383)	(31,001,646)
Non-Current liabilities	<u>(201,607,266)</u>	<u>—</u>
	<u>996,673,501</u>	<u>13,576,813</u>

(c) Cash and cash equivalents

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Cash (Note 5(1))	7,504,396,764	7,624,062,364
Including: Cash on hand	704,944	675,593
Cash at bank that can be readily drawn on demand	<u>7,503,691,820</u>	<u>7,623,386,771</u>
Cash and cash equivalents at end of period	<u>7,504,396,764</u>	<u>7,624,062,364</u>

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, Macau and other overseas, responsible for the distribution of beer in Hong Kong, Macau and other 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 six months ended 30 June 2011 is as follow (unaudited):

	Shandong Region	Huanan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong, Macau and other overseas	Unallocated	Elimination	Total
Revenue from external customers	5,994,655,353	2,240,327,440	1,863,049,009	921,361,900	802,762,642	227,827,209	—	—	12,049,983,553
Inter-segment revenue	1,109,793,564	117,748,165	347,934,681	73,068,187	30,640,924	57,642,071	—	(1,736,827,592)	—
Selling and distribution expenses	(1,316,257,901)	(480,846,927)	(195,235,549)	(153,013,324)	(178,032,254)	(52,369,797)	—	—	(2,375,755,752)
Interest income	5,402,549	3,880,082	7,249,795	1,206,487	658,269	58,608	30,536,232	—	48,992,022
Interest expenses	(228,118)	(4,133,211)	(14,753,256)	(3,731,486)	—	(63,156)	(40,477,835)	19,597,922	(43,789,140)
Share of profit of associates and jointly controlled entity	—	—	—	—	—	—	1,975,523	—	1,975,523
Asset impairment losses	(1,537,636)	24,071	394,657	(225,005)	(63,365)	(37,792)	—	—	(1,445,070)
Depreciation and amortisation	(112,921,764)	(81,861,393)	(54,152,193)	(34,893,140)	(11,634,631)	(915,370)	(20,746,530)	—	(317,125,021)
Total profit	831,532,417	310,351,202	206,289,650	14,825,918	62,488,928	58,797,059	(82,445,825)	(10,446,673)	1,391,392,676
Income tax expenses	(186,128,622)	(88,297,312)	(45,008,420)	142,527	(14,949,515)	(10,108,806)	(207,152)	—	(344,557,300)
Net profit	645,403,795	222,053,890	161,281,230	14,968,445	47,539,413	48,688,253	(82,652,977)	(10,446,673)	1,046,835,376
Total assets	8,433,263,689	3,577,573,861	3,078,682,845	1,784,519,870	974,409,032	172,822,391	5,222,234,819	(1,417,850,855)	21,625,655,652
Total liabilities	4,614,009,759	2,237,407,000	2,092,293,564	866,052,409	616,688,109	460,135,054	1,620,905,452	(1,397,828,281)	11,109,663,066
Long-term equity investments in associates and jointly controlled entity	—	—	—	—	—	—	153,684,258	—	153,684,258
Additions to non-current assets other than long-term equity investments	1,699,371,282	317,673,183	188,904,986	201,972,075	96,341,030	9,202,335	47,596,736	—	2,561,061,627

6. SEGMENT INFORMATION (CONT'D)

(b) Segment information as at and for the six months ended 30 June 2010 is as follow (unaudited):

	Shandong Region	Huinan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong, Macau and other overseas	Unallocated	Elimination	Total
Revenue from external customers	4,809,927,715	1,883,467,071	1,540,248,302	910,432,545	590,224,037	193,522,364	—	—	9,927,822,034
Inter-segment revenue	475,637,034	104,642,249	271,167,393	25,454,571	41,019,106	83,991,963	—	(1,001,912,316)	—
Selling and distribution expenses	(1,213,221,112)	(405,272,160)	(173,364,929)	(171,779,325)	(115,914,053)	(55,600,964)	—	—	(2,135,152,543)
Interest income	13,435,300	3,072,767	4,005,241	415,026	344,501	63,923	—	—	21,336,758
Interest expenses	(98,010)	(2,441,908)	(14,945,181)	(3,035,659)	—	(184,351)	(38,363,161)	17,877,496	(41,190,774)
Share of profit of associates and jointly controlled entity	—	—	—	—	—	—	5,804,544	—	5,804,544
Asset impairment losses	3,278,878	567,539	319,045	(411,197)	682,597	(6,000)	—	—	4,430,862
Depreciation and amortisation	(91,320,858)	(82,706,084)	(49,057,624)	(30,011,843)	(11,706,314)	(627,573)	(14,287,388)	—	(279,717,684)
Total profit	654,536,115	258,593,957	145,769,649	31,996,415	64,425,182	27,924,179	(89,761,615)	18,358,051	1,111,841,933
Income tax expenses	(135,508,351)	(64,871,094)	(24,871,413)	(929,920)	(9,220,503)	(5,929,112)	—	—	(241,330,393)
Net profit	519,027,764	193,722,863	120,898,236	31,066,495	55,204,679	21,995,067	(89,761,615)	18,358,051	870,511,540
Total assets	4,766,575,875	3,417,176,185	2,575,481,778	1,443,959,257	644,247,694	233,728,174	5,493,484,960	(1,283,076,358)	17,291,577,565
Total liabilities	3,080,409,270	1,749,379,415	1,862,273,645	780,744,488	383,804,509	45,660,796	1,750,896,835	(1,376,757,762)	8,276,411,196
Long-term equity investments in associates and jointly controlled entity	—	—	—	—	—	—	147,822,768	—	147,822,768
Additions to non-current assets other than long-term equity investments	117,023,325	34,983,521	26,312,520	75,852,335	7,686,638	2,100	11,946,293	—	273,806,732

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:

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Revenue from external customers		
Domestic	11,761,161,164	9,707,644,620
Hong Kong & Macau	131,236,764	104,930,580
Other overseas	157,585,625	115,246,834
	<u>12,049,983,553</u>	<u>9,927,822,034</u>
Total non-current assets		
Domestic	10,714,822,892	7,017,432,307
Hong Kong & Macau	10,584,835	2,071,899
	<u>10,725,407,727</u>	<u>7,019,504,206</u>

7. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of subsidiaries

The general information and other related information of the subsidiaries is set out in Note 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	USD 350,000	50%	50%	71375865-5
Associates – Liaoning Shengqing	Company limited	Liaoning, the PRC	Wang Zhi	Domestic trading of beer	RMB 2,000,000	30%	30%	74275001-1
Zhaoshang Logistics	Company limited	Qingdao, the PRC	Li Yasheng	Logistics service and management	RMB 20,000,000	30%	30%	73353404-2
European Company	Stock corporation	France	Not applicable	Import & Export trading of beer	EUR 152,449	40%	40%	Not applicable
Yantai Asahi	Company limited	Yantai, the PRC	Yamazaki Fumio	Manufacture & trading of beer and wine etc.	RMB 218,804,435	39%	39%	61341620-1

(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	Six months ended 30 June 2011		Six months ended 30 June 2010	
			Amount (Unaudited)	Percentage of like transactions (Unaudited)	Amount (Unaudited)	Percentage of like transactions (Unaudited)
Yantai asahi	Purchase of beer	Mutually-agreed prices and approval of board of directors	263,711,672	3.63%	222,949,156	3.91%
Equipment Manufacture	Receiving equipment and installation service	Mutually-agreed prices and approval of board of directors	—	—	651,700	0.43%
Zhaoshang Logistics	Receiving logistics service (including paid on behalf)	Mutually-agreed prices and approval of board of directors	100,065,954	20.47%	127,032,892	31.79%
Beijing Asahi	Purchase of beer	Mutually-agreed prices and approval of board of directors	26,613,607	0.37%	—	—

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

(4) Related party transactions (Cont'd)

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

Sales of goods and materials:

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	Six months ended 30 June 2011		Six months ended 30 June 2010	
			Amount (Unaudited)	Percentage of like transactions (Unaudited)	Amount (Unaudited)	Percentage of like transactions (Unaudited)
Liaoning Shenqing	Sale of beer	Mutually-agreed prices and approval of board of directors	159,455,915	1.34%	136,845,664	1.38%
European Company	Sale of beer	Mutually-agreed prices and approval of board of directors	32,020,925	0.27%	28,274,196	0.28%
Asahi Breweries	Sale of beer	Mutually-agreed prices and approval of board of directors	21,726,082	0.18%	17,174,013	0.17%
Asahi Investment	Sale of beer	Mutually-agreed prices and approval of board of directors	6,241,543	0.05%	—	—
Asahi Brewery Shanghai	Sale of beer	Mutually-agreed prices and approval of board of directors	594,978	0.01%	5,655,651	0.06%

(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 Baotuan Beer at nil consideration, until the completion of transfer of licensed trademark or the cancellation of licensed trademark due to non-renewal.

(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 (Notes payable)	5,017,359	27 January 2011	27 December 2011	No

(e) Remuneration of key management

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Remuneration of key management	4,895,002	4,852,476

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

(5) Receivables from and payables to related parties

Receivables from related parties:

	30 June 2011		31 December 2010	
	Ending balance (Unaudited)	Provision for bad debts (Unaudited)	Ending balance	Provision for bad debts
Accounts receivable (Note 5(3))				
Guangzhou General Agency	18,859,690	(18,859,690)	18,859,690	(18,859,690)
European Company	11,308,695	—	8,837,901	—
Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
Asahi Breweries	4,466,695	—	4,298,310	—
Asahi Investment	1,641,230	—	—	—
Asahi Brewery Shanghai	—	—	1,675,014	—
	<u>47,522,094</u>	<u>(30,105,474)</u>	<u>44,916,699</u>	<u>(30,105,474)</u>
Other receivables (Note 5(4))				
Equipment Manufacture	2,187,379	—	2,187,379	—
Yantai Asahi	550,000	—	—	—
Beijing Asahi	—	—	454,936	—
	<u>2,737,379</u>	<u>—</u>	<u>2,642,315</u>	<u>—</u>
Other non-current assets — prepayments for construction				
Equipment Manufacture	10,963,343	—	4,918,843	—

Payables to related parties:

	30 June 2011 (Unaudited)	31 December 2010
Accounts payable (Note 5(22))		
Yantai Asahi	31,829,679	12,075,464
Beijing Asahi	2,690,400	6,721,120
Hangzhou Asahi	211,408	155,659
	<u>34,731,487</u>	<u>18,952,243</u>
Other payables (Note 5(27))		
Zhaoshang Logistics	752,715	5,837,219
Yantai Asahi	—	82,500
	<u>752,715</u>	<u>5,919,719</u>
Advances from customers (Note 5(23))		
Liaoning Shenqing	3,411,962	42,628,369
Dividends Payable		
TB Group Company	74,052,009	—
Asahi Breweries	48,623,010	—
	<u>122,675,019</u>	<u>—</u>
Entrusted loans from (Note 5 (20))		
TB Group Company	67,000,000	67,000,000

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 6.941% per annum. For the six months ended 30 June 2011, Yangzhou Company paid interests amounting approximately RMB1,906,000 (six months ended 30 June 2010: RMB1,606,000) 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

	30 June 2011 (Unaudited)	31 December 2010
Fixed assets	738,249,853	535,897,846
Intangible assets	67,000,000	—
	<u>805,249,853</u>	<u>535,897,846</u>

(2) Operating lease commitments

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

	30 June 2011 (Unaudited)	31 December 2010
Within one year	590,436	637,836
Between 1 and 2 years	543,036	543,036
Between 2 and 3 years	—	298,670
	<u>1,133,472</u>	<u>1,479,542</u>

(3) Investment commitments

	30 June 2011 (Unaudited)	31 December 2010
Purchase 100% equity interest of Immense Brewery	—	1,788,000,000

(4) Performance status of previous commitments

The capital expenditure commitments, operating lease commitments and investment commitments of the Group as at 31 December 2010 have been fulfilled as committed.

10. EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the resolution approved by the Board of Directors, the Company was approved to invest a wholly-owned subsidiary, Tsingtao Brewery (Jie Yang) Company Limited with equity investment of RMB150,000,000. On 8 July 2011, the related legal procedures were completed.

At the date of these financial statements are approved, there are no other significant events occurring after the balance sheet date.

11. LEASES

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

	30 June 2011 (Unaudited)	31 December 2010
Within one year	1,923,540	2,564,587
Between 1 to 2 years	—	641,247
	<u>1,923,540</u>	<u>3,205,834</u>

As at 30 June 2011, the unrecognised financing charge amounted to RMB93,548 (31 December 2010: RMB230,099).

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 is mainly in HKD, 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. For the six months ended 30 June 2011, the Group did not enter into any forward exchange contracts (six months ended 30 June 2010: nil).

The carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarised as below:

	30 June 2011		
	HKD (Unaudited)	Foreign Currencies (Unaudited)	Total (Unaudited)
Financial assets denominated in			
foreign currency –			
Cash at bank and on hand			
(Note 5(1))	17,973,919	43,866,339	61,840,258
Accounts receivable (Note 5(3)(k))	58,353,763	37,309,978	95,663,741
	<u>76,327,682</u>	<u>81,176,317</u>	<u>157,503,999</u>
Financial liabilities denominated in			
foreign currency –			
Short-term borrowings			
(Note 5(20))	106,372,514	—	106,372,514
Accounts payable (Note 5(22)(c))	1,764,802	482,195	2,246,997
Other payables (Note 5(27)(d))	1,584,821	4,401,219	5,986,040
Current portion of non-current liabilities (Note 5(28))	1,928,111	1,931,106	3,859,217
Long-term borrowings			
(Note 5(29))	457,380,000	11,150,577	468,530,577
	<u>569,030,248</u>	<u>17,965,097</u>	<u>586,995,345</u>

12. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (cont'd)

(a) Foreign exchange risk (cont'd)

	31 December 2010		
	HKD	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)(c))	—	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>

As at 30 June 2011, if the currency had strengthened /weakened by 3 % against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB11,125,000 (31 December 2010: RMB810,000) higher/lower for various financial assets and liabilities denominated in HKD.

(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 30 June 2011, the Group's interest bearing debts were mainly RMB-denominated and HKD-denominated with floating rates, amounting to RMB565,680,625 (31 December 2010: RMB140,977,569), and RMB-denominated with fixed rates, amounting to RMB1,293,124,093 (31 December 2010: RMB1,264,646,258).

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 six months ended 30 June 2011, 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 RMB273,000 (six months ended 30 June 2010: RMB222,000), mainly as a result of higher/lower interest expense.

12. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(2) Credit risk

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

The Group expects that there is no significant credit risk associated with cash at bank 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.

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:

	30 June 2011 (Unaudited)				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	7,542,134,054	—	—	—	7,542,134,054
Notes receivable	22,649,000	—	—	—	22,649,000
Accounts receivable	447,209,019	—	—	—	447,209,019
Other receivables	260,361,998	—	—	—	260,361,998
Long-term receivables	—	2,000,000	—	—	2,000,000
	<u>8,272,354,071</u>	<u>2,000,000</u>	<u>—</u>	<u>—</u>	<u>8,274,354,071</u>
Financial liabilities –					
Short-term borrowings	178,477,484	—	—	—	178,477,484
Notes payable	112,713,201	—	—	—	112,713,201
Accounts payable	1,911,078,721	—	—	—	1,911,078,721
Dividends payable	251,976,903	—	—	—	251,976,903
Other payables	3,684,452,444	—	—	—	3,684,452,444
Current portion of non-current liabilities	5,782,757	—	—	—	5,782,757
Long-term borrowings	13,446,972	15,433,103	476,534,723	3,456,695	508,871,493
Debentures payable	12,000,000	12,000,000	1,512,000,000	—	1,536,000,000
Long-term payables	—	—	1,000,000	—	1,000,000
	<u>6,169,928,482</u>	<u>27,433,103</u>	<u>1,989,534,723</u>	<u>3,456,695</u>	<u>8,190,353,003</u>

12. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(3) Liquidity risk (cont'd)

	31 December 2010				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
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
	<u>8,225,518,878</u>	<u>2,000,000</u>	<u>—</u>	<u>—</u>	<u>8,227,518,878</u>
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
	<u>4,092,574,414</u>	<u>14,509,313</u>	<u>1,530,604,198</u>	<u>3,249,797</u>	<u>5,640,937,722</u>

(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, debentures payable 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.

	30 June 2011(Unaudited)		31 December 2010	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial liabilities				
Debentures payable	<u>1,293,124,093</u>	<u>1,274,600,115</u>	<u>1,264,646,258</u>	<u>1,237,417,522</u>

The fair value of long-term borrowings, long-term payables and debentures payable 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 30 June 2011, there are no financial instruments of the Group measured at fair value (31 December 2010: nil).

13. FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	31 December 2010	Profit or loss arising from changes in fair value for the current period (Unaudited)	Cumulative amount of changes in fair value recognised directly in equity (Unaudited)	Provision for impairment (Unaudited)	30 June 2011 (Unaudited)
Financial assets –					
Cash at bank and on hand (Note 5(1))	26,950,743	—	—	—	61,840,258
Accounts receivable (Note 5(3)(k))	83,689,738	—	—	—	95,663,741
Subtotal	<u>110,640,481</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>157,503,999</u>
Financial liabilities					
Short-term borrowings (Note 5(20))	94,376,646	—	—	—	106,372,514
Accounts payable (Note 5(22)(c))	411,145	—	—	—	2,246,997
Other payables (Note 5(27)(d))	3,551,426	—	—	—	5,986,040
Current portion of non-current liabilities (Note 5(28))	15,579,933	—	—	—	3,859,217
Long-term borrowings (Note 5(29))	10,722,061	—	—	—	468,530,577
Subtotal	<u>124,641,211</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>586,995,345</u>

14. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivable

	30 June 2011 (Unaudited)	31 December 2010
Accounts receivable	355,946,199	246,929,674
Less: provision for bad debts	(76,919,577)	(77,719,696)
	<u>279,026,622</u>	<u>169,209,978</u>

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

	30 June 2011 (Unaudited)	31 December 2010
Within 6 months	260,972,490	164,600,085
6 months to 1 year	16,631,370	670,608
1 to 2 years	514,922	687,555
2 to 3 years	75,288	985,458
Over 3 years	77,752,129	79,985,968
	<u>355,946,199</u>	<u>246,929,674</u>

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

(1) Accounts receivable (cont'd)

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

	30 June 2011(Unaudited)				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total				% of total			
	Amount	balance	Amount	Ratio	Amount	balance	Amount	Ratio
Individually significant and subject to separate provision	30,105,474	8.46%	(30,105,474)	100%	30,105,474	12.19%	(30,105,474)	100%
Subject to provision by groups								
Group B	227,103,341	63.80%	—	—	121,138,777	49.06%	(673,294)	0.56%
Group C	98,737,384	27.74%	(46,814,103)	47.41%	95,685,423	38.75%	(46,940,928)	49.06%
	<u>355,946,199</u>	<u>100%</u>	<u>(76,919,577)</u>	<u>21.61%</u>	<u>246,929,674</u>	<u>100%</u>	<u>(77,719,696)</u>	<u>31.47%</u>

(c) As at 30 June 2011, accounts receivable that are individually significant and subject to separate provision are analysed as follows:

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

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

	30 June 2011(Unaudited)				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total				% of total			
	Amount	balance	Amount	Ratio	Amount	balance	Amount	Ratio
Within 6 months	51,874,365	52.53%	—	—	48,739,862	50.94%	—	—
6 months to 1 year	46,614	0.05%	(2,331)	5%	—	—	—	—
1 to 2 years	9,266	0.01%	(4,633)	50%	9,266	0.01%	(4,633)	50%
2 to 3 years	75,288	0.08%	(75,288)	100%	75,288	0.08%	(75,288)	100%
Over 3 years	46,731,851	47.33%	(46,731,851)	100%	46,861,007	48.97%	(46,861,007)	100%
	<u>98,737,384</u>	<u>100%</u>	<u>(46,814,103)</u>	<u>47.41%</u>	<u>95,685,423</u>	<u>100%</u>	<u>(46,940,928)</u>	<u>49.06%</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 period (six months ended 30 June 2010: nil).

(f) For the six months ended 30 June 2011, there are no accounts receivable that are written off (six months ended 30 June 2010: nil).

(g) As at 30 June 2011, there are no accounts receivable from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (30 June 2010: nil).

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

(1) Accounts receivable (cont'd)

(h) As at 30 June 2011, the top five of accounts receivable are analysed as follows:

	Relationship with the Company	Amount (Unaudited)	Ageing	% of total balance
Dongnan Sales Company	Subsidiary	56,693,637	Within 6 months	15.92%
Hong Kong Company	Subsidiary	22,387,059	Within 6 months	6.29%
Guangzhou General Agency	Associate	18,859,690	Over 3 years	5.30%
Xinkangjian Company	Third party	17,957,583	Within 6 months	5.05%
European Company	Associate of a subsidiary	11,308,695	Within 6 months	3.18%
		<u>127,206,664</u>		<u>35.74%</u>

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

	Relationship with the Company	30 June 2011 (Unaudited)			31 December 2010		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Subsidiaries (Group B)		227,103,341	63.80%	—	121,138,777	49.06%	(673,294)
Dongnan Sales Company	Subsidiary	56,693,637	15.93%	—	32,607,256	13.21%	—
Taierzhuang Malt	Subsidiary	22,387,059	6.29%	—	19,224,603	7.79%	—
Hong Kong Company	Subsidiary	11,224,603	3.15%	—	14,449,582	5.85%	—
Nanning Company	Subsidiary	10,966,856	3.08%	—	10,534,408	4.27%	—
Beifang Sales Company	Subsidiary	10,398,727	2.92%	—	5,896,844	2.39%	—
Fuzhou Company	Subsidiary	9,193,402	2.58%	—	5,194,448	2.10%	—
Yangzhou Company	Subsidiary	8,912,136	2.50%	—	4,361,737	1.77%	—
Qingdao Guangrunlong Logistics Company Limited ("Guangrunlong Logistics")	Subsidiary	7,673,494	2.16%	—	3,930,020	1.59%	—
Rongcheng Company	Subsidiary	6,793,890	1.91%	—	3,611,304	1.46%	—
Haerbin Company	Subsidiary	6,542,948	1.84%	—	3,605,429	1.46%	—
Three Ring Company	Subsidiary	5,610,030	1.58%	—	2,885,216	1.17%	—
Other subsidiaries	Subsidiary	70,706,559	19.86%	—	14,837,930	6.00%	(673,294)
Beijing Sales Company	Associate	11,245,784	3.16%	(11,245,784)	11,245,784	4.55%	(11,245,784)
Guangzhou General Agency	Associate	18,859,690	5.30%	(18,859,690)	18,859,690	7.64%	(18,859,690)
European Company	Associate of a subsidiary	11,308,695	3.18%	—	8,837,901	3.58%	—
		<u>268,517,510</u>	<u>75.44%</u>	<u>(30,105,474)</u>	<u>160,082,152</u>	<u>64.83%</u>	<u>(30,778,768)</u>

(j) As at 30 June 2011, there are no accounts receivable derecognised due to transfer of financial assets (31 December 2010: nil).

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

(2) Other receivables

	30 June 2011 (Unaudited)	31 December 2010
Amounts to subsidiaries	130,318,805	133,639,902
Refund for prepayment of land use rights	17,441,647	17,441,647
Refund for prepayment of property	13,000,000	13,000,000
Staff advance	10,942,232	5,774,166
Deposits	2,881,362	9,940
Deposit return for acquisition of a subsidiary	—	85,000,000
Others	28,137,887	26,592,186
	202,721,933	281,457,841
<i>Less: provision for bad debts</i>	(44,964,100)	(44,516,639)
	<u>157,757,833</u>	<u>236,941,202</u>

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

	30 June 2011 (Unaudited)	31 December 2010
Within 6 months	103,990,225	103,223,494
6 months to 1 year	903,530	236,500
1 to 2 years	1,321,484	36,264,992
2 to 3 years	35,076,899	668,533
Over 3 years	61,429,795	141,064,322
	<u>202,721,933</u>	<u>281,457,841</u>

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

	30 June 2011 (Unaudited)				31 December 2010			
	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	15.02%	(30,441,647)	100%	30,441,647	10.82%	(30,441,647)	100%
Subject to provision by groups								
Group A	—	—	—	—	85,000,000	30.20%	—	—
Group B	130,318,805	64.28%	—	—	133,639,902	47.48%	—	—
Group C	41,961,481	20.70%	(14,522,453)	34.61%	32,376,292	11.50%	(14,074,992)	43.47%
	<u>202,721,933</u>	<u>100%</u>	<u>(44,964,100)</u>	<u>22.18%</u>	<u>281,457,841</u>	<u>100%</u>	<u>(44,516,639)</u>	<u>15.82%</u>

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

(2) Other receivables (cont'd)

- (c) As at 30 June 2011, other receivables that are individually significant and subject to separate provision are analysed as follows:

	Ending balance (Unaudited)	Provision for bad debts (Unaudited)	Ratio	Reason
Refund for repayment of land use rights	17,441,647	(17,441,647)	100%	Note 5(4)(c)
Refund for repayment of property	<u>13,000,000</u>	<u>(13,000,000)</u>	100%	Note 5(4)(c)
	<u>30,441,647</u>	<u>(30,441,647)</u>		

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

	30 June 2011 (Unaudited)				31 December 2010			
	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	26,375,018	62.86%	—	—	17,089,927	52.79%	—	—
6 months to 1 year	450,808	1.07%	(22,540)	5%	236,500	0.72%	(11,826)	5%
1 to 2 years	1,271,484	3.03%	(635,742)	50%	1,973,400	6.10%	(986,700)	50%
2 to 3 years	834,737	1.99%	(834,737)	100%	527,696	1.63%	(527,697)	100%
Over 3 years	<u>13,029,434</u>	<u>31.05%</u>	<u>(13,029,434)</u>	<u>100%</u>	<u>12,548,769</u>	<u>38.76%</u>	<u>(12,548,769)</u>	<u>100%</u>
	<u>41,961,481</u>	<u>100%</u>	<u>(14,522,453)</u>	<u>34.61%</u>	<u>32,376,292</u>	<u>100%</u>	<u>(14,074,992)</u>	<u>43.47%</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 period (six months ended 30 June 2010: nil).
- (f) For the six months ended 30 June 2011, there are no other receivables that are written off (six months ended 30 June 2010: nil).
- (g) As at 30 June 2011, there are no other receivables from shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2010: nil).
- (h) As at 30 June 2011, the top five of other receivables are analysed as follows:

	Relationship with the Group	Amount (Unaudited)	Ageing	% of total balance
Xinan Sales Company	Subsidiary	51,659,963	2 to 5 years	25.49%
Dongnan Sales Company	Subsidiary	23,887,594	Within 6 months	11.78%
Shanghai Sales Company	Subsidiary	19,054,175	Within 6 months	9.40%
Qingdao Bureau of Land and Resources of Economic Technical Development Area	Third party	17,441,647	Over 3 years	8.60%
Qingdao No. 2 Taxation Bureau	Third party	<u>13,000,000</u>	Over 3 years	<u>6.41%</u>
		<u>125,043,379</u>		<u>61.68%</u>

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

(2) Other receivables (cont'd)

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

	Relationship with the Company	30 June 2011(Unaudited)			31 December 2010		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Subsidiaries (Group B)							
Xinan Sales Company	Subsidiary	51,659,963	25.49%	—	51,659,963	18.35%	—
Dongnan Sales Company	Subsidiary	23,887,594	11.78%	—	23,645,735	8.40%	—
Shanghai Sales Company	Subsidiary	19,054,175	9.40%	—	19,278,218	6.85%	—
Gansu Nongken Company	Subsidiary	10,000,000	4.93%	—	—	—	—
Tsingtao Xianghong Shangwu Company Limited	Subsidiary	9,068,516	4.47%	—	8,003,601	2.84%	—
Beifang Sales Company	Subsidiary	5,310,846	2.62%	—	5,173,238	1.84%	—
Finance Company	Subsidiary	3,869,181	1.91%	—	—	—	—
Other subsidiaries	Subsidiary	7,468,530	3.68%	—	25,879,147	9.20%	—
		<u>130,318,805</u>	<u>64.28%</u>	<u>—</u>	<u>133,639,902</u>	<u>47.48%</u>	<u>—</u>

(3) Long-term receivables

	31 December 2010			30 June 2011 (Unaudited)
Entrusted loans to Subsidiaries (i)	950,317,179			993,510,000
Deposits	<u>2,000,000</u>			<u>2,000,000</u>
	952,317,179			995,510,000
		Current period additions	Current period reductions	
Less: provisions for bad debts	<u>(249,187,115)</u>	<u>—</u>	<u>8,990,568</u>	<u>(240,196,547)</u>
	<u>703,130,064</u>			<u>755,313,453</u>

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

(4) Long-term equity investments

	30 June 2011 (Unaudited)	31 December 2010
Subsidiaries — unlisted (a)	7,336,654,121	5,229,985,721
Associates — unlisted (b)	153,223,993	151,248,470
Other long-term equity investments — unlisted (c)	<u>6,485,263</u>	<u>6,485,263</u>
	7,496,363,377	5,387,719,454
Less: Provision for impairment of long-term equity investments (d)	<u>(938,783,490)</u>	<u>(938,783,490)</u>
	<u>6,557,579,887</u>	<u>4,448,935,964</u>

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

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

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

(a) Subsidiaries — unlisted

	Accounting treatment	Investment cost	31 December 2010	Current period movement <i>f)</i> (Unaudited)	30 June 2011 (Unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment (Unaudited)	Impairment losses recognised in the current period (Unaudited)	Cash dividends declared in the current period (Unaudited)
Shenzhen Asahi	Cost method	126,746,680	126,746,680	—	126,746,680	51%	51%	Not applicable	—	—	40,468,500
Chengzhou Company	Cost method	62,601,208	62,601,208	—	62,601,208	88.8%	88.8%	Not applicable	—	—	—
Huanan Sales Company	Cost method	45,070,000	45,070,000	—	45,070,000	100%	100%	Not applicable	—	—	200,000,000
Huanan Holding Company	Cost method	208,790,000	208,790,000	—	208,790,000	100%	100%	Not applicable	—	—	58,000,000
Hiadong 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	445,952,300	229,842,300	216,110,000	445,952,300	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	—	—	108,000,000
Wenan Company	Cost method	14,000,000	14,000,000	—	14,000,000	28%	28%	Not applicable	—	—	—
Anshan Company	Cost method	30,000,000	30,000,000	—	30,000,000	60%	60%	Not applicable	—	—	—
Xingkaifu 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)	—	—
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)	—
Import/Export Company	Cost method	11,210,000	11,210,000	—	11,210,000	100%	100%	Not applicable	—	—	—
No. 5 Company	Cost method	45,719,251	45,719,251	—	45,719,251	100%	100%	Not applicable	—	—	—
Tsingtao Brewery (Laoshan) Company Limited	Cost method	18,089,491	18,089,491	—	18,089,491	100%	100%	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	—	—	—
Yangzhou Company	Cost method	1,017,142	1,017,142	—	1,017,142	20%	100%	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	—	—	—
Guangrunlog 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	—	—	—
Suiqian 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	—	—	—
Baoquan 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	—	—	—
Finance Company	Cost method	300,000,000	—	300,000,000	300,000,000	100%	100%	—	—	—	—
Immense Brewery	Cost method	1,404,558,400	—	1,404,558,400	1,404,558,400	75%	75%	—	—	—	—
Hangzhou Company	Cost method	186,000,000	—	186,000,000	186,000,000	80%	80%	—	—	—	—
			5,229,985,721	2,106,668,400	7,336,654,121				(932,078,229)	—	406,468,500

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

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

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

(b) Associates — unlisted

	Accounting treatment	Investment cost	31 December 2010	Share of profits (Unaudited)	30 June 2011 (Unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment (Unaudited)	Impairment losses recognised in the current period (Unaudited)
Liaoning Shengqing	Equity method	600,000	3,206,609	(138,535)	3,068,074	30%	30%	Not Applicable	—	—
Zhaoshang Logistics	Equity method	6,000,000	21,701,059	2,352,596	24,053,655	30%	30%	Not Applicable	—	—
Yantai Asahi	Equity method	120,024,598	125,120,802	(238,538)	124,882,264	39%	39%	Not Applicable	—	—
Others	Equity method		1,220,000	—	1,220,000				(1,220,000)	—
			<u>151,248,470</u>	<u>1,975,523</u>	<u>153,223,993</u>				<u>(1,220,000)</u>	<u>—</u>

(c) Other long-term equity investments — unlisted

	Accounting treatment	Investment cost	31 December 2010	Current period movement (Unaudited)	30 June 2011 (Unaudited)	Provision for impairment (Unaudited)	Impairment losses recognised in the current period (Unaudited)	Cash dividends declared in the current period (Unaudited)
Yingxiao Club	Cost method	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)	—	—
			<u>6,485,263</u>	<u>—</u>	<u>6,485,263</u>	<u>(5,485,261)</u>	<u>—</u>	<u>—</u>

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

	31 December 2010	Current period additions (Unaudited)	Current period disposals (Unaudited)	30 June 2011 (Unaudited)
Subsidiaries	(932,078,229)	—	—	(932,078,229)
Associates	(1,220,000)	—	—	(1,220,000)
Other long-term equity investments	<u>(5,485,261)</u>	<u>—</u>	<u>—</u>	<u>(5,485,261)</u>
	<u>(938,783,490)</u>	<u>—</u>	<u>—</u>	<u>(938,783,490)</u>

(5) Revenue and cost of sales

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Revenue from main operation	6,452,991,853	5,460,209,580
Revenue from other operation	551,190,428	350,191,549
	<u>7,004,182,281</u>	<u>5,810,401,129</u>
	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Cost of main operation	(4,359,494,251)	(3,596,984,790)
Cost of other operation	(540,619,086)	(344,688,383)
	<u>(4,900,113,337)</u>	<u>(3,941,673,173)</u>

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

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

(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:

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Revenue from main operation (Unaudited)	Cost of main operation (Unaudited)	Revenue from main operation (Unaudited)	Cost of main operation (Unaudited)
Sale of Beer	6,452,991,853	(4,359,494,251)	5,460,209,580	(3,596,984,790)

Analysis by locations is summarised as follow:

	Six months ended 30 June 2011(Unaudited)		Six months ended 30 June 2010 (Unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Shandong Region	5,909,003,445	(3,910,618,725)	5,023,352,466	(3,237,192,059)
Hong Kong, Macau and other overseas	124,901,459	(87,530,460)	112,873,079	(78,155,213)
Other regions	419,086,949	(361,345,066)	323,984,035	(281,637,518)
	6,452,991,853	(4,359,494,251)	5,460,209,580	(3,596,984,790)

(b) Revenue and cost of other operation

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Revenue from other operation (Unaudited)	Cost of other operation (Unaudited)	Revenue from other operation (Unaudited)	Cost of other operation (Unaudited)
Sale of materials	544,169,080	(535,993,008)	340,159,590	(336,888,472)
Others	7,021,348	(4,626,078)	10,031,959	(7,799,911)
	551,190,428	(540,619,086)	350,191,549	(344,688,383)

(c) Top five of the revenue of the Company

Top five of the revenue of the Company amount to RMB668,592,000 (Six months ended 30 June 2010: RMB657,654,000), which accounts for 9.55% (six months ended 30 June 2010: 11.32%) of the total revenue of the Company.

(6) Investment income

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Income from long-term equity investment under cost method (a)	406,468,500	28,881,300
Income from long-term equity investment under equity method (b)	1,975,523	5,804,544
Income from entrusted loans	24,295,903	23,896,856
	432,739,926	58,582,700

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

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

(6) Investment income (Cont'd)

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

The investees are set out as follows:

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)	Reason for current period additions or reductions
Huanan Sales Company	200,000,000	—	The subsidiary did not distribute profit six months ended 30 June 2010.
Huanan Holding Company	58,000,000	—	The subsidiary did not distribute profit six months ended 30 June 2010.
Shenzhen Asahi	40,468,500	28,881,300	Increase in distributed profit of the subsidiary
Xi'an Company	108,000,000	—	The subsidiary did not distribute profit six months ended 30 June 2010.
	<u>406,468,500</u>	<u>28,881,300</u>	

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

The investees are set out as follows:

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)	Reason for current period additions or reductions
Zhaoshang Logistics	2,352,596	2,711,359	Decrease in distributed profit of the investee
Yantai Asahi	(238,538)	2,822,393	Decrease in distributed profit of the investee
Liaoning Shenqing	(138,535)	270,792	Decrease in distributed profit of the investee
	<u>1,975,523</u>	<u>5,804,544</u>	

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

(7) Supplementary information to consolidated cash flow statements

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

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Net profit	840,569,247	366,452,964
Add: Provisions for asset impairment	447,405	(225,223)
Depreciation of fixed assets	46,136,205	47,988,877
Amortisation of intangible assets	10,270,052	9,061,542
Amortisation of long-term prepaid expenses	397,157	422,157
Losses on disposal of fixed assets	3,163,804	(49,048)
Financial expenses	44,701,590	45,839,622
Investment income	(432,739,926)	(58,582,700)
Increase in deferred tax assets	(71,957,009)	(65,795,328)
Decrease in inventories	(148,838,279)	90,986,687
(Decrease)/Increase in operating receivables	(104,080,243)	1,971,175
Increase in operating payables	565,051,087	970,654,644
Net cash flows from operating activities	<u>753,121,090</u>	<u>1,408,725,369</u>

(b) Net (decrease)/increase in cash and cash equivalents

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Cash at end of period	3,658,876,255	4,724,315,859
Less: cash at beginning of period	(4,744,305,113)	(3,646,814,318)
Net (decrease)/increase in cash	<u>(1,085,428,858)</u>	<u>1,077,501,541</u>

*15. NET CURRENT ASSETS

	30 June 2011 Group (Unaudited)	31 December 2010 Group	30 June 2011 Company (Unaudited)	31 December 2010 Company
Current assets	10,435,919,203	9,894,637,509	4,657,999,353	5,572,225,905
Less: Current liabilities	(8,093,010,744)	(6,015,777,994)	(3,514,025,474)	(2,661,546,606)
Net current assets	<u>2,342,908,459</u>	<u>3,878,859,515</u>	<u>1,143,973,879</u>	<u>2,910,679,299</u>

*16. TOTAL ASSETS LESS CURRENT LIABILITIES

	30 June 2011 Group (Unaudited)	31 December 2010 Group	30 June 2011 Company (Unaudited)	31 December 2010 Company
Total assets	21,625,655,652	17,777,115,858	13,578,275,265	12,099,876,218
Less: Current liability	(8,093,010,744)	(6,015,777,994)	(3,514,025,474)	(2,661,546,606)
Total assets less current liabilities	<u>13,532,644,908</u>	<u>11,761,337,864</u>	<u>10,064,249,791</u>	<u>9,438,329,612</u>

TSINGTAO BREWERY COMPANY LIMITED

SUPPLEMENTARY INFORMATION

(All amounts in RMB Yuan unless otherwise stated)

1. SUMMARY OF NON-RECURRING PROFIT OR LOSS

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)
Losses on disposal of non-current assets	(5,889,694)	(8,444,998)
Government grants recognised in profits	119,137,976	104,256,429
Other non-operating income and expenses other than aforesaid items	(3,361,262)	8,567,869
	109,887,020	104,379,300
Impact on the income tax	(15,359,558)	(18,340,310)
Impact on the minority interests (after tax)	(2,472,805)	(3,830,720)
	92,054,657	82,208,270

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

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public — non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss arises from transactions and events that are irrelevant to ordinary business, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of financial statements making judgments in performance and profitability of an enterprise.

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%)		Earnings per share			
	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited) (Restated)	Basic earnings per share		Diluted earnings per share	
			Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited) (Restated)	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited) (Restated)
Net profit attributable to ordinary shareholders of the Company	9.80%	9.25%	0.733	0.602	0.733	0.602
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	8.89%	8.32%	0.665	0.542	0.665	0.542

MANAGEMENT DISCUSSION AND ANALYSIS

(I) REVIEW OF OPERATIONAL RESULTS FOR THE FIRST HALF OF 2011

In the first half of 2011, the domestic beer market grew more rapidly with the continuous rapid growth of China's economy. The whole industry's output reached 235 million hl in aggregate, increasing 11.4% comparing with that of the same period in the previous year, and the growth rate increased 6 percentage points (statistics from the National Bureau of Statistics).

In the first half year, the Company continued to carry out its work guideline of "To explore the market with full efforts, to reduce the costs with full efforts, and to embrace the opportunities and prevent from the inflation with full efforts", firmly promoted and implemented the "Strategy of dual drivers", consolidated the core base markets, actively carried out the development strategies driven by the brands and the brand promotion strategy of "Three-in-one", and increased the efficiency of supply chain and the systematic competitiveness, all of which promoted the rapid growth of the Company's market size. In the first half year, the Company totally sold 37.5 million hl of beer, increasing 20.6% comparing with that of the same period in the previous year; sales revenues reached RMB11.87 billion, increasing 21.1% comparing with that of the same period in the previous year; net profits attributable to the shareholders of the parent company reached RMB0.99 billion, increasing 21.6% comparing with that of the same period in the previous year.

To resolve the rising pressure of the cost, the Company appositely adjusted the price of mid-high-end products in the first half year to keep the trend of the market sale's continuous growth. The sales volume of its principle brand, Tsingtao Beer, reached 20.3 million hl, increasing 23% comparing with that of the same period in the previous year.

In the first half year, the Company made further progress in the size expansion and improvement of domestic market layouts. The newly acquired Immense Brewery had begun to reveal its synergistic role in the market. In the second quarter, its sales volume reached 1.5 million hl, increasing 23% comparing with that of the same period in the previous year. The Company had started the technical reconstruction and expansion project for an annual output of 2 million hl after it acquired 80% equity interests in Hangzhou Zijintan Wine Co., Ltd. in March 2011. In the first half year, the Company had also started a new construction of beer project for an annual output of 2.5 million hl in Jieyang, Guangdong Province, and the relocation and expansion projects of Wuwei Company and Langfang Company, which established a sound foundation for the continuous growth in the future market.

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

1. Analysis to the principal business and operational situations

Unit: RMB'000

Profit Items	Six months ended 30 June 2011	Six months ended 30 June 2010	Increased/ (Decreased) amount	Increase/ (Decrease) (%)
Revenue	12,049,984	9,927,822	2,122,162	21.4
Cost of sales	6,840,299	5,535,579	1,304,720	23.6
Selling and distribution costs	2,375,756	2,135,153	240,603	11.3
General and administrative expenses	494,642	406,861	87,781	21.6
Finance expenses — net	2,374	28,930	(26,556)	(91.8)
Investment incomes	1,976	5,805	(3,829)	(66.0)

- (1) The revenue increased 21.4% comparing with that of the same period in the previous year, which was mainly due to the increase of the sales volume of principal products during the reporting period.

(i) Table of principal business by industries and products

By industries or products	Revenue	Cost of sales	Operating profit rate (%)	Increase of revenue (%)	Unit: RMB'000	
					Increase of cost of sales (%)	Decrease of operating profit rate (%)
By industries						
Beer	11,873,128	6,719,638	34.51	21.09	23.51	(1.60)
By products						
Beer	11,873,128	6,719,638	34.51	21.09	23.51	(1.60)

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

(ii) Table of principal business by geographical markets

Region	Unit: RMB'000	
	Incomes of principal business	Increase (%)
Shandong Province	6,290,846	24.5
South China	2,321,187	18.0
North China	2,189,875	21.7
East China	977,386	5.6
South-East China	826,550	32.4
Hong Kong, Macau and other overseas	218,639	20.1
Sub-total	12,824,483	21.5
Less: Eliminations	(951,355)	27.3
Total	<u>11,873,128</u>	21.1

(2) Cost of sales

In the first half of 2011, the cost of sales of the Group increased 23.6% comparing with that of the same period in the previous year, which was mainly due to the expansion of sales scale and the price-hike of raw materials during the reporting period.

(3) Expenses during the period

- (i) In the first half of 2011, the selling and distribution expenses increased 11.3% comparing with that of the same period in the previous year, which was mainly due to the higher growth of sales volume, the increase of loading and transportation fees, employees' remunerations and promotional expenses during the reporting period.
- (ii) In the first half of 2011, the general and administrative expenses increased 21.6% comparing with that of the same period in the previous year, which was mainly due to the increase of operating costs as the growth of output and sales volume, and the increase of employees' remunerations during the reporting period.
- (iii) In the first half of 2011, the net financial expenses decreased 91.8% comparing with that of the same period in the previous year, which was mainly due to the increase of interests received during the reporting period.

(4) Investment incomes

In the first half of 2011, the investment incomes decreased 66.0% comparing with that of the same period in the previous year, which was mainly due to the decrease of net profits from the Company's associates during the reporting period.

2. Interpretation of composition of assets/liabilities

Unit: RMB'000

Items	30 June 2011	31 December 2010	Increased/ (Decreased) amount	Increase/ (Decrease) (%)
Notes receivable	22,649	12,605	10,044	79.7
Accounts receivable	198,981	89,810	109,171	121.6
Advances to suppliers	126,243	49,776	76,467	153.6
Construction in progress	955,383	282,566	672,817	238.1
Intangible assets	2,173,988	1,318,786	855,202	64.8
Goodwill	1,081,685	122,816	958,869	780.7
Deferred tax assets	462,329	332,191	130,138	39.2
Other non-current assets	477,605	148,994	328,611	220.6
Notes payable	112,713	70,711	42,002	59.4
Accounts payable	1,911,079	1,262,630	648,449	51.4
Advances from customers	400,920	775,415	(374,495)	(48.3)
Taxes payable	832,166	514,219	317,947	61.8
Other payables	3,684,452	2,520,113	1,164,339	46.2
Current portion of non-current liabilities	5,689	17,930	(12,241)	(68.3)
Long-term borrowings	468,531	10,722	457,809	4,269.8
Long-term payables	1,000	1,625	(625)	(38.5)
Payables for specific projects	322,925	184,215	138,710	75.3
Deferred tax liabilities	221,415	31,094	190,321	612.1
Minority interests	165,534	116,633	48,901	41.9

(1) Notes receivable

By the end of the reporting period, the notes receivable increased 79.7% comparing with that at the beginning of the reporting period, which was mainly due to the increase of accepted bank bills of exchange received from some subsidiaries as the growth of sales during the reporting period.

(2) Accounts receivable

By the end of the reporting period, the accounts receivable increased 121.6% comparing with that at the beginning of the reporting period, which was mainly due to the increase of account receivables contributed by the newly merged and acquired subsidiaries during the reporting period.

(3) Advances to suppliers

By the end of the reporting period, the advances to suppliers increased 153.6% comparing with that at the beginning of the reporting period, which was mainly due to the increase of prepayments made by some subsidiaries for the purchase of raw materials during the reporting period.

(4) Construction in progress

By the end of the reporting period, the construction in progress increased 238.1% comparing with that at the beginning of the reporting period, which was mainly due to the increase of the investments for the technical reconstruction and expansion, and the construction of the relocated plants of some subsidiaries.

(5) Intangible assets

By the end of the reporting period, intangible assets increased 64.8% comparing with that at the beginning of the reporting period, which was mainly due to the increase of intangible assets including brands and sales network from the newly acquired subsidiaries, land utilization right of the relocated plants.

(6) Goodwill

By the end of the reporting period, the goodwill increased 780.7% comparing with that at the beginning of the reporting period, which was mainly due to the increase of goodwill from the acquisition of equity interests in Immense Brewery during the reporting period.

(7) Deferred tax assets

By the end of the reporting period, the deferred tax assets increased 39.2% comparing with that at the beginning of the reporting period, which was mainly due to the increase of the deferred income tax assets recognized as a result of increased accrued expenses.

(8) Other non-current assets

By the end of the reporting period, the other non-current assets increased 220.6% comparing with that at the beginning of the reporting period, which was mainly due to the increase of prepayments for the investments to the relocated plants and new constructions.

(9) Notes payable

By the end of the reporting period, the notes payable increased 59.4% comparing with that at the beginning of the reporting period, which was mainly due to the increase of purchase of raw materials for the production in the peak seasons of the year.

(10) Accounts payable

By the end of the reporting period, the accounts payable increased 51.4% comparing with that at the beginning of the reporting period, which was mainly due to the increase of purchase of raw materials for the production in the peak seasons of the year.

(11) Advances from customers

By the end of the reporting period, the advances from customers decreased 48.3% comparing with that at the beginning of the reporting period, which was mainly due to the decrease of goods sold by way of receiving advance from the customers.

(12) Taxes payable

By the end of the reporting period, the taxes payable increased 61.8% comparing with that at the beginning of the reporting period, which was mainly due to the increase of value-added taxes payable and income taxes payable caused by the increase of total amount of sales revenues and profits during the reporting period.

(13) Other payables

By the end of the reporting period, the other payables increased 46.2% comparing with that at the beginning of the reporting period, which was mainly due to the increase of sales volume leading to the increase of accruals of some subsidiaries.

(14) Banking facilities

By the end of the reporting period, the short-term borrowings decreased 11.6% comparing with that at the beginning of the reporting period, which was mainly due to the repayment of matured bank borrowings made by some subsidiaries.

By the end of the reporting period, the current portion of non-current liabilities decreased 68.3% comparing with that at the beginning of the reporting period, which was mainly due to the maturity of the Hong Kong Company's long-term borrowings to mature within 1 year.

By the end of the reporting period, the long-term borrowings increased 4,269.8% comparing with that at the beginning of the reporting period, which was mainly due to the increase of bank borrowings of the Hong Kong Company.

By the end of the reporting period, the total amount of banking facilities of the Group was RMB645,763,000, which included RMB173,373,000 of short-term borrowings and RMB472,390,000 of long-term borrowings. Among the long-term borrowings, those would mature within 1 year were amounted to RMB3,859,000, those would mature in 1-5 years were amounted to RMB465,074,000, and those would mature over 5 years were amounted to RMB3,457,000.

By the end of the reporting period, the borrowings in Renminbi were amounted to RMB67,000,000, borrowings in Hong Kong dollar were amounted to RMB565,681,000, borrowings in Euro were amounted to RMB8,075,000, and borrowings in Danish krone were amounted to RMB5,007,000.

All borrowings of the Group were affected by the fluctuation of the interest rate in the market. As at the settlement date, the effective annual interest rate of Renminbi and Hong Kong dollar were 5.454% and 1.01% respectively.

(15) Payables for specific projects

By the end of the reporting period, the payables for specific projects increased 75.3% comparing with that at the beginning of the reporting period, which was mainly due to the increase of the compensations received by some subsidiaries from the local governments for the relocation.

(16) Deferred tax liabilities

By the end of the reporting period, the deferred tax liabilities increased 612.1% comparing with that at the beginning of the reporting period, which was mainly due to the recognition of deferred tax liabilities on the differences between the fair value and the carrying amount of the identifiable net assets obtained in business combination involving entities not under common control.

(17) Minority interests

By the end of the reporting period, the minority interests increased 41.9% comparing with that at the beginning of the reporting period, which was mainly due to the increase of minority interests of the newly merged subsidiaries, and the increase of investment made by the minority shareholders.

3. Analysis of cash flow

Items	<i>Unit: RMB'000</i>			
	Six months ended 30 June 2011	Six months ended 30 June 2010	Increased/ (Decreased) amount	Increase/ (Decrease) (%)
Cash flow from operating activities — net	2,127,011	2,657,933	(530,922)	(20.0)
Cash flow from investing activities — net	(2,503,082)	(288,943)	(2,214,139)	(766.3)
Cash flow from financing activities — net	319,678	(50,911)	370,589	727.9
Net increase in cash and cash equivalents	(58,409)	2,316,487	(2,374,896)	(102.5)

- (1) The cash flow from operating activities decreased 20.0% comparing with that of the same period in the previous year, which was mainly due to the growth of cash out-flow from operating activities higher than that of cash in-flow from operating activities as the price-hike of raw materials and labor costs during the reporting period.

- (2) The cash flow from investing activities decreased 766.3% comparing with that of the same period in the previous year, which was mainly due to that, firstly, the increase of cash paid for the acquisition of some subsidiaries during the reporting period comparing with that of the same period in the previous year; secondly, the increase of cash paid for the expenses for the technical reconstruction and expansion for some subsidiaries, and for the fixed assets of the new constructions during reporting period comparing with that of the same period in the previous year;
- (3) The cash flow from financing activities increased 727.9% comparing with that of the same period in the previous year, which was mainly due to the increase of cash as the Hong Kong Company obtained bank borrowings during the reporting period.

4. Interpretation for other operational situations

(1) Debt/Capital ratio

On 30 June 2011, the Group's debt/capital ratio was 14.5% (11.7% on 31 December 2010). The calculation of debt/capital is: total amount of long-term borrowings/(total amount of long-term borrowings + shareholders' interests attributable to the parent company).

(2) Assets mortgage

As at 30 June 2011, none of the bank borrowings of the Group was with mortgage (Nil as at 31 December 2010).

(3) Risk of fluctuation of exchange rate

As the balance of the borrowings dominated in foreign currencies is mainly in Hong Kong dollar, 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.

(4) Capital expenses

In 2011, the Company continues to strive to improve the efficiency in utilizing the existing assets. According to the Company's current situation in funds and profitability, it has sufficient funds and continuous in-flow of operational cash flow to satisfy the needs for funds for the Company's capital projects.

(5) Investments

For details please refer to the enclosed Notes 5(9) to Financial Statements.

(6) Contingent liabilities

For details please refer to the enclosed Notes 8 to Financial Statements.

(III) OUTLOOK FOR THE SECOND HALF OF 2011

In June 2011, the Company successfully elected a new Board. The 7th Board and the management team, based on the analysis on the trend of industry competition, with the ambition and motivation, timely adjusted and improved the Company's development strategies, and raised and determined a goal of striving to make its beer sales reach 100 million hl in 2014, and reserving and raising its leading position in the industry.

The Company will, with the opportunities, continue to expand its size and improve the market layout through relocation and expansion, mergers and acquisitions, and new constructions to strengthen its competitiveness in the domestic market, and meanwhile continue to improve its market sales networks, strengthen its cultivation of the key distributors, set up the concept of full-staff marketing and strengthen its implementation, which to realize the Company's continuous and fast growth of the market sale.

SIGNIFICANT EVENTS

(I) ACQUISITION OF EQUITY INTERESTS AND INVESTMENTS IN TARGET COMPANIES DURING THE REPORTING PERIOD

1. As approved by the Board, on 7 December 2010, the Company and Hong Kong Company entered into an equity transfer contract with Immense Brewery (Hong Kong) Limited and China Skill Limited (collectively, the “Vendor”), whereby the Company and Hong Kong Company agreed to respectively acquire 75% and 25% equity interests held by the Vendor in Immense Brewery. For details of the acquisition, please refer to the announcement published on 7 December 2010 on the websites of the stock exchanges on which the Company is listed. The change of registration at the industrial and commercial administration for the aforesaid acquired equity interests in Immense Brewery has been completed on 31 March 2011, and Immense Brewery thus became a wholly-owned subsidiary of the Group.
2. As approved by the Board, on 26 March 2011, the Company acquired 80% equity interests in Hangzhou Zijintan Wine Co., Ltd. (the “Target Company”) for a consideration of sixty six million Renminbi, and invested one hundred and fifty million Renminbi to increase the Target Company’s capital, and for the technical reconstruction and expansion for an annual output of 2 million hl. The Board is of the view that, the acquisition of the Target Company’s equity interests is beneficial for the Company to improve its strategic layout in the east China market, helps improve the Company’s competitiveness in the market in Zhejiang Province. As at 2 April 2011, the change of registration at the industrial and commercial administration for the aforesaid acquisition of the Target Company’s equity interest had been completed, the Target Company thus became a wholly-controlled subsidiary of the Group and was renamed as Tsingtao Brewery (Hangzhou) Company Limited.

(II) INFORMATION ON THE APPROVAL FOR THE COMPANY TO ESTABLISH A GROUP FINANCE COMPANY

To fully utilize the Company’s advantages at the centralized management of the funds, and to improve the Company’s finance management and capital operations, as approved by the Board, the Company established Tsingtao Brewery Finance Company Liability Limited (“Finance Company”) with sole investment of capital fund of RMB300 million. During the reporting period, the Company had completed the preparation and opening work of the Finance Company. The Finance Company had been permitted to open after receiving on 26 May 2011 from China Banking Regulatory Commission (“CBRC”) the *Reply by CBRC on the Opening of Tsingtao Brewery Finance Company Liability Limited* (No. YJF[2011]155), receiving the license of business corporation on 31 May 2011 issued by the State Administration for Industry and Commerce of Qingdao, and receiving the Financial License for the non-banking financial institutes issued by CBRC.

(III) GUARANTEES AND ENTRUSTED LOANS PROVIDED BY THE COMPANY FOR THE SUBSIDIARIES DURING THE REPORTING PERIOD

1. During the reporting period, as approved by the Board, the total amount of the guarantees provided by the Company for the bank financing business of its subsidiaries were amounted to RMB459.85 million in aggregate, in which including the counter-guarantee provided by the Company for the Letter of Guarantee in amount of HKD550 million issued by China Development Bank Co., Ltd. to Hong Kong Company (that is, the guarantee provided by the Company for the loan of HKD550 million applied by Hong Kong Company to the Hong Kong Branch of China Development Bank) for a term from 25 May 2011 to 24 June 2014 pursuant to the *Contract of Counter-Guarantee for Letter of Guarantee in Foreign Exchanges of China Development Bank Co., Ltd.* entered into between the Company and China Development Bank Co., Ltd. during the reporting period according to the resolution as approved at the Company’s first extraordinary general meeting held in 2011 for the Company’s providing guarantee for the Hong Kong Company’s bank financing business.
2. To ensure the production and operation of the subsidiaries, as approved by the Board, the total amount of the entrusted loan provided by the Company to its 20 subsidiaries including Tsingtao Brewery (Ma’anshan) Company Limited had reached approximately RMB993.51 million.

(IV) OTHER ISSUES

1. The Company shall not distribute interim dividends for the six months ended 30 June 2011 pursuant to the provisions in the articles of association of the Company.
2. During the reporting period, the Company was not involved in any new significant litigations and arbitration.
3. Under the *Entrusted Operation and Management Agreement* and its supplementary agreement entered into between the Company and Tsingtao Brewery Group Company Limited (“Tsingtao Group”), the Company went on to manage the Tsingtao Group’s 80% equity interests in Tsingtao Brewery (Yangzhou) Company Limited (“Yangzhou Company”) as its custodian and included the Yangzhou Company into the consolidating scope of financial statements during the reporting period.
4. As approved by the Board, on 8 July 2011, Tsingtao Brewery (Jieyang) Company Limited was established with the capital fund of RMB150 million as solely invested by the Company. The Company had started the project of the new construction of a brewery for an annual output of 2.5 million hl in the economic development zone in Jieyang, Guangdong Province. It is planned to invest approximately RMB401.46 million for the construction of fixed assets in this project. At present, the project of the construction of the brewery is in planning and designing.

CHANGES TO SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

2. Information of shareholders

(1) As at 30 June 2011, the total number of shareholders of the Company was 35,692, in which the holders of A-share were 35,373, and those of H-share were 319. Based on the public information which is known on the latest practicable date before the interim report is published, which is also within the knowledge of the directors of the Company, the number of the Company's shares held by the public has been satisfied the requirements in the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("Listing Rules").

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

Unit: Share

Shareholder's name	Class of shares	Shares held at the end of the reporting period	Holding percentage (%)
Tsingtao Brewery Group Company Limited (<i>Note 1</i>)	A-share	411,400,050	30.45
HKSCC Nominees Limited (<i>Note 2</i>)	H-share	373,703,484	27.66
Asahi Breweries Ltd (<i>Note 3</i>)	H-share	270,127,836	19.99
China Jianyin Investment Company Ltd.	A-share	17,574,505	1.30
China Life Insurance Co., Ltd. — Dividends — Personal dividends — 005L — FH002Hu	A-share	14,740,632	1.09
Morgan Stanley Investment Management Inc. — Morgan Stanley China A-share Fund	A-share	11,498,529	0.85
National Social Security Fund 108	A-share	9,400,000	0.70
Taikang Life Insurance Co., Ltd. — Dividends — Personal dividends — 019L — FH002Hu	A-share	8,531,661	0.63
Taikang Life Insurance Co., Ltd. — Universal Life Insurance — Personal	A-share	7,077,614	0.52
Industrial Bank Co., Ltd. — Xingquan Trend Investment Mixed Securities Investment Fund	A-share	6,480,106	0.48

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

Unit: share

Shareholder's name	Class of shares	Shares held at the end of the reporting period
HKSCC Nominees Limited	H-share	373,703,484
Asahi Breweries, Ltd.	H-share	270,127,836
China Life Insurance Co., Ltd. — Dividends — Personal dividends — 005L — FH002Hu	A-share	14,740,632
Morgan Stanley Investment Management Inc. — Morgan Stanley China A-share Fund	A-share	11,498,529
National Social Security Fund 108	A-share	9,400,000
Taikang Life Insurance Co., Ltd. — Dividends — Personal dividends — 019L — FH002Hu		8,531,661
Taikang Life Insurance Co., Ltd. — Universal Life Insurance — Personal	A-share	7,077,614
Industrial Bank Co., Ltd. — Xingquan Trend Investment Mixed Securities Investment Fund	A-share	6,480,106
ICBC — E Fund Value Growth Mixed Securities Investment Fund	A-share	6,138,284
ICBC — Nuo'an Value Growth Stock Securities Investment Fund	A-share	6,111,888

Notes:

1. The numbers of the shares held by Tsingtao Group in the Company include 7,944,000 shares of H-share held through its wholly-owned subsidiary, and 403,456,050 shares of A-share held by Tsingtao Group itself.
2. The H-shares are held by HKSCC Nominees Limited on behalf of different clients, and excluding the H-shares held by the wholly-owned subsidiary of Tsingtao Group.

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

(4) Substantial shareholders of H-share

Save as disclosed below, the directors of the Company are not aware of any persons other than a director or supervisor or chief executive of the Company or his/her respective associate(s) who, as at 30 June 2011, had an interest or short position in the shares or underlying shares of the Company which was recorded in the register to be kept under Section 336 of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (“SFO”):

Name	Nature	Class of Shares	Capacity	Note	Number of shares/ underlying shares	As a percentage of the entire issued capital	As a percentage of all H Shares
SASACQ	Long Position	A-Share	Corporate		403,456,050 A-Shares	29.86%	N/A
	Long Position	H-Share	Interest of controlled corporation	1	7,944,000 H-Shares	0.59%	1.21%
Asahi Breweries, Ltd	Long Position	H Share	Beneficial Owner	2	270,127,836 H-Shares	19.99%	41.24%
Chen Fa Shu	Long Position	H Share	Beneficial Owner		91,641,342 H-Shares	6.78%	13.99%
JPMorgan Chase & Co.	Long Position	H-Share	Interest of controlled corporation/ Beneficial Owner/ Investment Manager/ Custodian	3	59,221,950 H-Shares	4.38%	9.04%
	Interest in a lending pool	H-Share			7,901,987 H-Shares	0.58%	1.21%
	Short Position	H-Share	Beneficial Owner		1,350,000 H-Shares	0.10%	0.21%

Notes:

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

Unit: A-share

Name	Position	Shares held as at 31 December 2010	Shares purchased during the reporting period	Shares held as at 30 June 2011	Reasons for the changes
JIANG Hong	Executive Director, Vice President	37,000	15,200	52,200	Purchased personally through secondary market
CAO Xiang Dong	Retired Supervisor as Staff Representative	7,358	10,000	17,358	Ditto

Save as disclosed in the above changes of shareholdings of director and supervisor, as at 30 June 2011, Mr. JIN Zhi Guo, the Chairman, held 146,500 shares in the Company, Mr. SUN Ming Bo, the Executive Director & President, held 124,160 shares in the Company, Mr. SUN Yu Guo, the Executive Director and Vice President, held 146,500 shares in the Company, Mr. FAN Wei, the Vice President & President of Production Center, held 122,876 shares in the Company, Mr. HUANG Ke Xing, the Vice Present, held 1,300 shares in the Company, Mr. DONG Jian Jun, the Chief Brewer, held 92 shares in the Company, Mr. ZHANG Xue Ju, the Joint Company Secretary, held 92,079 shares in the Company. All shares held by the above individuals are A-shares.

Save as disclosed above, as at 30 June 2011, none of the directors, supervisors and senior management of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (as defined in Part XV of the *SFO*), which was recorded in the register required to be kept under section 352 of the *SFO* or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the *Model Code for Securities Transactions by Directors of Listed Companies* (the "*Model Code*") as set out in Appendix 10 of the *Listing Rules*.

2. MODEL CODE

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

3. STAFF

As at 30 June 2011, the Company (including its subsidiaries) totally had 34,540 persons of full-time staff, 3,465 persons of off-duty staff, and 4,833 persons of retired staff.

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

The Company takes seriously about its staff's education and trainings by strengthening its establishment of education and training system. It has set up Tsingtao Brewery Administration Institute as a platform for its staff's study, sharing and practice. It carries out the practical, applicable and effective training programs with pertinence based on the Company's needs. The contents of training include: promoting the comprehensive managing level of management team, improving staff's professional skills for their own position, and the continuing education of professional technicians. As at 30 June 2011, the Company carried out 44 items of company level training, accumulating to a total of 1,042 training hours for 4,676 person-times, and developed 60 standard courses.

PURCHASING, SELLING OR REDEEMING THE SECURITIES

For the six months ended 30 June 2011, neither the Company nor any of its subsidiaries ever purchased, sold or redeemed any of its listed securities.

CODE OF CORPORATE GOVERNANCE PRACTICE

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

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

REVIEW OF THE INTERIM REPORT

The Audit & Finance Committee under the Board has reviewed the unaudited interim report of the Company for the six months ended 30 June 2011.

COMPANY INFORMATION

1. Basic Information

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

2. Contact Person and Contact Methods

Joint Company Secretary:	ZHANG Xue Ju, ZHANG Rui Xiang
Address:	Equity Management Department Room 1105 Tsingtao Beer Tower May Fourth Square Hong Kong Road Central, Qingdao
Postal Code:	266071
Tel:	86-532-85713831
Fax:	86-532-85713240

3. Stock Exchanges on which the Company's shares are listed:

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



青島啤酒

2011

INTERIM REPORT

中期報告

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.