



青島啤酒

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.

(Stock Code 股份代號: 168)

激情成就夢想

Passion, dreams & success

2012

INTERIM REPORT
中期報告



TSINGTAO

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TSINGTAO BREWERY COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2012 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

	Note 5 (unless otherwise stated)	As at			
		30 June 2012 Group	31 December 2011 Group	30 June 2012 Company	31 December 2011 Company
ASSETS					
Current assets					
Cash at bank and on hand	(1)	8,740,950,947	6,107,611,258	3,691,444,104	2,634,082,939
Notes receivable	(2)	58,470,000	98,350,000	27,300,000	71,520,000
Accounts receivable	(3),14(1)	139,688,411	88,097,460	399,893,020	195,603,812
Advances to suppliers	(5)	57,112,388	273,208,801	55,515,548	115,338,796
Interest receivable	(6)	62,003,930	13,346,298	29,034,764	20,629,915
Dividends receivable		—	—	45,510,000	—
Other receivables	(4),14(2)	159,074,017	114,425,093	151,607,998	205,733,327
Inventories	(7)	2,130,985,819	2,717,721,790	502,409,923	666,203,531
Other current assets	(8)	114,240,451	170,592,062	—	—
Total current assets		11,462,525,963	9,583,352,762	4,902,715,357	3,909,112,320
Non-Current assets					
Long-term receivables	14(3)	—	—	731,535,930	782,585,325
Long-term equity investments	(9),14(4)	157,851,445	151,965,192	6,958,205,389	7,055,507,829
Investment properties	(11)	7,441,415	—	21,402,100	20,271,596
Fixed assets	(12)	7,762,975,476	7,204,985,036	1,371,181,746	865,203,049
Construction in progress	(13)	700,945,762	624,331,319	384,541,534	249,953,621
Fixed assets pending for disposal	(14)	10,632,245	3,426,554	8,872,738	3,374,490
Intangible assets	(15)	2,349,113,885	2,378,806,001	464,660,793	406,034,650
Goodwill	(16)	1,081,684,918	1,081,684,918	—	—
Long-term prepaid expenses	(17)	5,958,382	7,582,630	1,286,822	1,451,505
Deferred tax assets	(18)	451,965,277	392,464,144	257,619,336	218,315,282
Other non-current assets	(20)	445,771,714	205,555,005	51,331,549	21,227,106
Total Non-Current assets		12,974,340,519	12,050,800,799	10,250,637,937	9,623,924,453
TOTAL ASSETS		24,436,866,482	21,634,153,561	15,153,353,294	13,533,036,773

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

AS AT 30 JUNE 2012 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

		As at			
		30 June 2012	31 December 2011	30 June 2012	31 December 2011
LIABILITIES AND SHAREHOLDERS' EQUITY	Note 5	Group	Group	Company	Company
Current liabilities					
Short-term borrowings	(21)	165,818,267	162,696,637	170,000,000	170,000,000
Notes payable	(22)	63,100,425	83,893,730	22,100,000	32,100,000
Accounts payable	(23)	2,499,150,740	1,662,021,869	1,473,104,712	882,877,957
Advances from customers	(24)	557,829,021	751,128,688	253,173,190	373,625,564
Employee benefits payable	(25)	785,903,705	757,810,303	256,955,604	224,869,250
Taxes payable	(26)	837,911,376	568,596,400	207,770,691	216,284,524
Interest payable		1,532,799	2,458,418	290,882	309,107
Dividends payable	(27)	351,255,527	761,458	351,255,527	—
Other payables	(28)	3,791,581,341	3,164,401,766	1,339,003,424	1,100,542,605
Current portion of non-current liabilities	(29)	1,493,221	2,315,634	—	—
Total current liabilities		9,055,576,422	7,156,084,903	4,073,654,030	3,000,609,007
Non-current liabilities					
Long-term borrowings	(30)	456,233,196	454,116,834	—	—
Debentures payable	(31)	1,365,423,403	1,334,692,717	1,365,423,403	1,334,692,717
Long-term payables		1,000,000	1,000,000	—	—
Payables for specific projects	(32)	316,695,543	190,538,407	90,000,000	90,000,000
Deferred tax liabilities	(18)	197,723,252	209,569,271	—	—
Other non-current liabilities	(33)	1,050,927,671	1,011,216,862	39,010,569	14,751,273
Total non-current liabilities		3,388,003,065	3,201,134,091	1,494,433,972	1,439,443,990
Total liabilities		12,443,579,487	10,357,218,994	5,568,088,002	4,440,052,997
Shareholders' equity					
Share capital	(34)	1,350,982,795	1,350,982,795	1,350,982,795	1,350,982,795
Capital surplus	(35)	4,017,938,901	4,017,938,901	4,315,189,317	4,315,189,317
Surplus reserve	(36)	808,735,661	808,735,661	808,735,661	808,735,661
Undistributed profits	(37)	5,571,812,712	4,915,661,595	3,110,357,519	2,618,076,003
Difference on translation of foreign currency financial statements		14,869,074	17,119,722	—	—
Total equity attributable to equity holders of the Company		11,764,339,143	11,110,438,674	9,585,265,292	9,092,983,776
Minority interests	(38)	228,947,852	166,495,893	—	—
Total shareholders' equity		11,993,286,995	11,276,934,567	9,585,265,292	9,092,983,776
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		24,436,866,482	21,634,153,561	15,153,353,294	13,533,036,773

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

Legal representative:
SUN Mingbo

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 2012 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Six months ended 30 June			
		2012 Group	2011 Group	2012 Company	2011 Company
Revenue	(39),14(5)	13,405,497,777	12,049,983,553	7,507,338,783	7,004,182,281
Less: Cost of sales	(39),14(5)	(7,978,963,221)	(6,840,298,683)	(5,331,036,649)	(4,900,113,337)
Taxes and surcharges	(40)	(1,166,105,348)	(1,055,938,143)	(235,460,093)	(181,713,757)
Selling and distribution expenses	(41)	(2,461,537,136)	(2,375,755,752)	(1,294,356,903)	(1,219,529,886)
General and administrative expenses	(42)	(564,882,018)	(494,642,260)	(153,558,940)	(134,123,044)
Financial income/(expenses) — net	(43)	83,799,423	(2,373,512)	(22,249,609)	(17,676,562)
Asset impairment losses	(45)	(3,341,335)	(1,445,070)	(1,165,131)	(447,405)
Add: Investment income	(44),14(6)	5,886,253	1,975,523	499,075,418	432,739,926
Including: Share of profit of associates and joint ventures	(44),14(6)	5,886,253	1,975,523	5,886,253	1,975,523
Operating profit		1,320,354,395	1,281,505,656	968,586,876	983,318,216
Add: Non-operating income	(46)	114,569,567	124,562,972	9,095,993	13,624,441
Less: Non-operating expenses	(47)	(15,998,886)	(14,675,952)	(2,743,857)	(7,630,354)
Including: Losses on disposal of non-current assets	(47)	(8,136,098)	(6,718,195)	(1,072,858)	(3,250,308)
Total profit		1,418,925,076	1,391,392,676	974,939,012	989,312,303
Less: Income tax expenses	(48)	(368,736,836)	(344,557,300)	(131,401,969)	(148,743,056)
Net profit		1,050,188,240	1,046,835,376	843,537,043	840,569,247
Attributable to equity holders of the Company		1,007,406,644	989,902,083	843,537,043	840,569,247
Minority interests		42,781,596	56,933,293	Not Applicable	Not Applicable
Earnings per share					
Basic earnings per share	(49)	0.746	0.733	Not Applicable	Not Applicable
Diluted earnings per share	(49)	0.746	0.733	Not Applicable	Not Applicable
Other comprehensive (losses)/income	(50)	(2,250,648)	621,116	—	—
Total comprehensive income		1,047,937,592	1,047,456,492	843,537,043	840,569,247
Attributable to equity holders of the Company		1,005,155,996	990,523,199	843,537,043	840,569,247
Minority interests		42,781,596	56,933,293	Not Applicable	Not Applicable

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

Legal representative:
SUN Mingbo

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 2012 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Six months ended 30 June			
		2012 Group	2011 Group	2012 Company	2011 Company
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		14,727,400,519	13,032,680,292	8,169,818,781	7,401,795,838
Refund of taxes and surcharges		8,080,061	72,307,562	—	—
Cash received relating to other operating activities	(51)(a)	584,330,695	509,714,135	65,172,262	38,282,857
Sub-total of cash inflows		15,319,811,275	13,614,701,989	8,234,991,043	7,440,078,695
Cash paid for goods and services		(6,224,114,846)	(6,814,847,598)	(5,026,245,671)	(4,975,381,978)
Cash paid to and on behalf of employees		(1,373,575,981)	(1,078,651,332)	(441,387,722)	(326,570,614)
Payments of taxes and surcharges		(2,614,443,103)	(2,418,761,822)	(857,960,293)	(703,701,579)
Cash paid relating to other operating activities	(51)(b)	(1,533,374,239)	(1,175,430,202)	(830,894,109)	(681,303,434)
Sub-total of cash outflows		(11,745,508,169)	(11,487,690,954)	(7,156,487,795)	(6,686,957,605)
Net cash flows from operating activities	(52)(a), 14(7)(a)	3,574,303,106	2,127,011,035	1,078,503,248	753,121,090
Cash flows from investing activities					
Cash received from disposal of investments		—	—	266,865,942	633,176,611
Cash received from returns on investments		—	—	124,718,337	438,795,032
Net cash received from disposal of fixed assets and intangible assets		749,823	21,350,978	2,192,742	1,585,856
Net cash received from disposal of subsidiaries	14(7)(b)	—	—	381,149,419	—
Cash received relating to other investing activities	(51)(c)	328,054,782	363,618,405	116,024,600	85,300,000
Sub-total of cash inflows		328,804,605	384,969,383	890,951,040	1,158,857,499
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,252,868,405)	(1,118,410,055)	(291,078,296)	(198,863,997)
Net cash paid to acquisition of subsidiaries		—	(1,768,717,960)	—	(1,470,558,400)
Cash paid to acquire investments		—	—	(603,300,000)	(1,311,470,000)
Cash paid relating to other investing activities	(51)(d)	(463,614,179)	(923,657)	(1,067,468)	(280,000)
Sub-total of cash outflows		(1,716,482,584)	(2,888,051,672)	(895,445,764)	(2,981,172,397)
Net cash flows from investing activities		(1,387,677,979)	(2,503,082,289)	(4,494,724)	(1,822,314,898)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Six months ended 30 June			
		2012 Group	2011 Group	2012 Company	2011 Company
Cash flows from financing activities					
Cash received from capital contributions		70,000,000	30,000,000	—	—
Including: Cash received from capital contributions by minority shareholders of subsidiaries		70,000,000	30,000,000	—	—
Cash received from borrowings		75,402,217	598,352,713	50,000,000	50,000,000
Cash received relating to other financing activities	(51)(e)	7,967,824	6,143,720	—	—
Sub-total of cash inflows		153,370,041	634,496,433	50,000,000	50,000,000
Cash repayments of borrowings		(78,523,410)	(233,324,775)	(50,000,000)	(50,000,000)
Cash payments for interest expenses and distribution of dividends or profits		(73,805,537)	(72,434,112)	(16,966,681)	(16,245,071)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(51,091,095)	(54,917,288)	—	—
Cash payments relating to other financing activities	(51)(f)	(17,103,241)	(9,059,683)	—	—
Sub-total of cash outflows		(169,432,188)	(314,818,570)	(66,966,681)	(66,245,071)
Net cash flows from financing activities		(16,062,147)	319,677,863	(16,966,681)	(16,245,071)
Effect of foreign exchange rate changes on cash		407,491	(2,015,823)	243,033	10,021
Net increase/(decrease) in cash		2,170,970,471	(58,409,214)	1,057,284,876	(1,085,428,858)
Add: Cash at beginning of period	(52)(a), 14(7)(c)	5,550,147,726	7,562,805,978	2,606,570,012	4,744,305,113
Cash at end of period	(52)(a), 14(7)(c)	7,721,118,197	7,504,396,764	3,663,854,888	3,658,876,255

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

Legal representative:
SUN Mingbo

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 2012 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5 (unless otherwise stated)	Attributable to equity holders of the Company					Difference on translation of foreign currency financial statements	Minority interests	Total shareholders' equity
		Share capital	Capital surplus	Surplus reserves	Undistributed profits				
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									
Net profit		—	—	—	746,725,180	621,116	48,900,818	796,247,114	
Other comprehensive income	(50)	—	—	—	989,902,083	—	56,933,293	1,046,835,376	
Capital contribution and withdrawal by shareholders		—	—	—	—	621,116	—	621,116	
Capital contribution by shareholders		—	—	—	—	—	46,135,084	46,135,084	
Others		—	—	—	—	—	30,000,000	30,000,000	
Profit distribution	(37)	—	—	—	(243,176,903)	—	16,135,084	16,135,084	
Profit distribution to shareholders		—	—	—	(243,176,903)	—	(54,167,559)	(297,344,462)	
Balance at 30 June 2011		<u>1,350,982,795</u>	<u>4,016,839,641</u>	<u>691,825,740</u>	<u>4,284,545,565</u>	<u>6,264,587</u>	<u>165,534,258</u>	<u>10,515,992,586</u>	
Balance at 1 January 2012		<u>1,350,982,795</u>	<u>4,017,938,901</u>	<u>808,735,661</u>	<u>4,915,661,595</u>	<u>17,119,722</u>	<u>166,495,893</u>	<u>11,276,934,567</u>	
Movements for the six months ended 30 June 2012									
Net profit		—	—	—	656,151,117	(2,250,648)	62,451,959	716,352,428	
Other comprehensive income	(50)	—	—	—	1,007,406,644	—	42,781,596	1,050,188,240	
Capital contribution and withdrawal by shareholders		—	—	—	—	—	—	(2,250,648)	
Capital contribution by shareholders		—	—	—	—	—	70,000,000	70,000,000	
Profit distribution	(37)	—	—	—	(351,255,527)	—	70,000,000	70,000,000	
Profit distribution to shareholders		—	—	—	(351,255,527)	—	(50,329,637)	(401,585,164)	
Balance at 30 June 2012		<u>1,350,982,795</u>	<u>4,017,938,901</u>	<u>808,735,661</u>	<u>5,571,812,712</u>	<u>14,869,074</u>	<u>228,947,852</u>	<u>11,993,286,995</u>	

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

Legal representative:
SUN Mingbo

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 2012 (UNAUDITED)

(All amounts in RMB Yuan unless otherwise stated)

ITEM	Note 5	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance at 1 January 2011		<u>1,350,982,795</u>	<u>4,314,547,068</u>	<u>691,825,740</u>	<u>1,809,063,621</u>	<u>8,166,419,224</u>
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 shareholders		—	—	—	(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>
Balance at 1 January 2012		<u>1,350,982,795</u>	<u>4,315,189,317</u>	<u>808,735,661</u>	<u>2,618,076,003</u>	<u>9,092,983,776</u>
Movements for the six months ended 30 June 2012		—	—	—	492,281,516	492,281,516
Net profit		—	—	—	843,537,043	843,537,043
Profit distribution	(37)	—	—	—	(351,255,527)	(351,255,527)
Profit distribution to shareholders		—	—	—	(351,255,527)	(351,255,527)
Balance at 30 June 2012		<u>1,350,982,795</u>	<u>4,315,189,317</u>	<u>808,735,661</u>	<u>3,110,357,519</u>	<u>9,585,265,292</u>

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

Legal representative:
SUN Mingbo

*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 2012

(All amounts in RMB Yuan unless otherwise stated)

1. GENERAL INFORMATION

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

The Company’s H shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 15 July 1993, and 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 new 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 Shareholders’ 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 the register of China Securities Registration and Clearing Company limited Shanghai branch on the record date for the for the implementation of the reform proposal (18 December 2006) as consideration arrangements. After completion of the consideration arrangement, the non-circulating shares held by the shareholders of the Company would obtain trading rights immediately. However, the shareholders of state-owned shares 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 at a ratio not lower than 70% of the distributable profit of the Company realized for the year at the Shareholders’ Meeting of the Company in the following three years, and vote for the resolution on a poll at the General Meeting of the Company. According to the stipulated sale restrictions, 417,394,505 corporate legal shares held by the original shareholders of non-circulating shares have been subject to trading during the year 2011.

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 15 August 2012.

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 Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Rules on Financial Reporting (2010 revised) 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 2012 are in compliance with CAS, and truly and completely present the financial position of the Consolidated and the Company as of 30 June 2012 and of their financial performance, cash flows and other information for the period then ended.

(3) Accounting period

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

(4) Recording currency

The recording currency of the Company and the subsidiaries incorporated and operated in mainland China is Renminbi (RMB), while the recording of the subsidiaries in Hong Kong and Macau is Hong Kong Dollar (HKD) and Macau Pataca (MOP) respectively. The consolidated financial statement of the Group is represented in RMB. 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 from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving 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. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(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. Among the shareholders' equity items, the items 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 shareholders' equity. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

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

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

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

Financial assets at fair value through profit or loss

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

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

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)

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

(iii) Impairment of financial assets

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

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

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

(iv) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) 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 sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

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

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

(b) *Financial liabilities*

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group 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 is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

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

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. 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, etc. 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 with amounts that are individually significant and subject to separate assessment for provision for bad debts*

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

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

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

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

(10) Receivables (Cont'd)

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

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Basis for grouping is as follows:

Group A	Receivables of government etc.
Group B	Amounts due from subsidiaries
Group C	All other amounts remaining

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

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

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

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

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

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

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

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

(11) Inventories

(a) Classification

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

(b) Costing of inventories

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

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

(11) Inventories (Cont'd)

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

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net 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 methods of low value consumables and packaging materials

Turnover materials include low value consumables and packaging materials. They are amortised into expenses based upon periods 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 joint ventures 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. Joint ventures 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 to the equity method when preparing the consolidated financial statements. Investments in joint ventures 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 investees 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

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

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

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

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

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

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

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

For long-term equity investments accounted for using the equity method, the Group 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 on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

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

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

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

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

(d) Impairment of long-term equity investments

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

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

(13) Investment properties

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

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

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

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

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

An investment property is derecognised 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, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

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

(14) Fixed assets

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

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

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

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

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

(14) Fixed assets (Cont'd)

(b) Depreciation methods of fixed assets

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

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

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

The estimated useful lives, the estimated residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at 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 finance lease and related measurement

A lease that in substance transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge.

Fixed assets held under a finance lease are depreciated on a basis consistent with the depreciation policy adopts for fixed assets that are self-owned. When a leased asset can be reasonably determined that its ownership of the leased asset will be transferred at the end of the lease term, it is depreciated over the period of expected use; Otherwise, the leased asset is depreciated over the shorter period of the lease term and the period of expected use.

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

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

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

(17) Intangible assets

Intangible assets 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 the State shareholders at the reorganisation of the Company into a corporation are recognised based on the revaluated amounts as approved by the state-owned assets administration department.

(a) Land use rights

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

(b) Trademarks

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

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

(c) Sales networks

Sales networks include the sales network acquired from Yantai Brewery Tsingtao Asahi Co., Ltd. ("Yantai Asahi"), the sales network of Tsingtao Beer (Jinan) Baotouan Sales Co., Ltd. and the sales network of Shandong Xin Immense Brewery Company Limited. Amortisation is calculated using the straight-line method over the estimated useful lives of 10 years.

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 of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(g) Research and development

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

Expenditure on the research phase 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 or sale;
- management intends to complete the intangible asset, and to use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are 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 is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(19)).

(18) Long-term prepaid expenses

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

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

(19) Impairment of long-term assets

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

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

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

(20) Employee benefits

Employee benefits 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.

Employees of the Group participate in the defined contribution pension plan set up and administered by government authorities. Based on salaries of the employees, basic pensions are provided for monthly according to stipulated proportions (10% to 22%) and not exceeding the stipulated upper limit, which is paid to local labour and social security institutions. Apart from this, the Group has no other post-retirement benefit commitments.

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 termination of the employment relationship with employees is recognised, with a corresponding charge to profit or loss when the Group has made a formal plan for termination of the employment relationship or an offer for voluntary redundancy which will be implemented immediately and cannot be withdrawn by the Group unilaterally.

The Group provides internal retirement benefits to employees who accept internal retirement arrangements. Internal retirement benefits means wages paid to and social insurance charges paid for those employees who voluntarily remove themselves from their posts with the approval of the management of the Group before their statutory retirement ages. The Group accounts for internal retirement benefits as termination benefits. When the recognition criteria in respect of termination benefits are met, the internal retirement 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 estimated 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 are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

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

(21) Dividends distribution

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

(22) Convertible bonds with detachable warrants subscription rights

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

(23) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of 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 its discretion and takes the risks of any price fluctuations and 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 from the government to the Group at nil consideration, including relocation compensation, refund of taxes and financial subsidies, etc.

A government grant is recognised when the conditions attached to it can be 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.

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

(24) Government Grants (Cont'd)

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

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is 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 Group, the grant is 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, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised. 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 within the Group 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.

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

(26) Leases (Cont'd)

(b) Finance leases

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

(27) Held for sale and discontinued operations

A non-current asset or a component of the Group satisfying the following conditions is classified as held for sale: (1) the Group has made a resolution for 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 the carrying amount. Any 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 the business operations and in the 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) Critical accounting estimates and judgments

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

(a) Critical accounting estimates and key assumptions

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

(i) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 5(16)).

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

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

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

(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.

(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 2012, deferred tax assets of RMB 451,965,277 has been recognised in the Group's balance sheet. As stated in Note 5(18), the Group had unrecognised deferred tax assets aggregated to approximately RMB344,224,000 as at 30 June 2012, 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.

(iv) Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) Useful lives of fixed assets and intangible assets

The Group revisited the estimated useful lives for its fixed assets and intangible assets annually. The estimated useful lives are determined by management by reference to the historical experience of similar assets, the estimation generally used by other companies in the same industry and anticipated renovation in technologies. When there are significant changes in previous estimates, the Group should adjust the depreciation and amortization expense in future periods.

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

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

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

(vi) Net realizable values of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realizable value. The Group determine the estimates on net realizable values of inventories based on the estimated selling price of similar inventories less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. When the realized selling price or costs or expenses are different with previous estimates, the Group should adjust the net realizable values of inventories. Therefore, the estimates based on current experience may be different with the real situation, which could result in adjustment to the carrying amount of inventories on balance sheet.

3 TAXATION

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

Type	Taxable base		Tax rate
Enterprise income tax	Taxable income		3% to 25%
Value added tax ("VAT")	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)		17%
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 RMB3,000 per ton	RMB250 per ton	
	Less than RMB3,000 per ton	RMB220 per ton	
City maintenance and construction tax	Amount of VAT, business tax and consumption tax paid		5% to 7%
Education surcharge	Amount of VAT, business tax and consumption tax paid		3%

(2) Preferential tax treatment and approval documents

(i) Enterprise income tax of the Company

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

On 5 July 2007, the Company became aware of a notice (Guoshuihan [2007] No. 664) which was issued by SAT (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.

3. TAXATION (CONT'D)

(2) Preferential tax treatment and approval documents (Cont'd)

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

On April 2008, the Company was informed by the governing local tax bureau that the applicable enterprise 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 enterprise income tax exposure in prior years had been made in the financial statements.

The applicable enterprise income tax rate of the Company for the period is 25%.

(ii) Enterprise income tax of the subsidiaries

The applicable enterprise 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
Tsingtao Brewery Yulin Company Limited	12.5%	Third year of 50% reduction in respect of the two-year exemption and three-year	Yukaiguoshuihan [2008] No. 1
Tsingtao Brewery (Nanning) Company Limited ("Nanning Company") (a)	12.5%	50% reduction for productive foreign-invested enterprises.	Nanguowai shuifa [1996] No. 95
Beijing Five Star Tsingtao Brewery Company Limited ("Five Star Company") (a)	12.5%		Tax approval document pending
Beijing Tsingtao Brewery Three Ring Company Limited ("Three Ring Company") (a)	12.5%		Tax approval document pending

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

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year. Macau profits supplemental tax is imposed on the estimated taxable profit for the 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 machineries, raw materials and auxiliary materials which is deductible against output VAT on its sales in order to arrive at the net VAT amount payable to the PRC government.

(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.

3. TAXATION (CONT'D)

(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 THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Information of subsidiaries

(a) Subsidiaries obtained through incorporation

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Business scope	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
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	Cai Zhiwei	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	Cai Zhiwei	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 (Xuzhou) Huaihai Sales Company Limited ("Huaihai Sales Company") (4)	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	Cai Zhiwei	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	Cai Zhiwei	72061880-2

(1) Information of subsidiaries (Cont'd)

(a) Subsidiaries obtained through incorporation (Cont'd)

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Business scope	Nature	Legal representative	Code of organisation
Tsingtao Brewery (Xuecheng) Company Limited ("Xuecheng Company")	Indirectly	Xuecheng, the PRC	Manufacturing	RMB45,000	Manufacture and domestic trading of beer	Company Limited	Yu Jiaping	70617665-7
Tsingtao Brewery (Tengzhou) Company Limited ("Tengzhou Company")	Directly & Indirectly	Tengzhou, the PRC	Manufacturing	RMB61,020	Manufacture and domestic trading of beer	Company Limited	Yu Jiaping	72071609-0
Tsingtao Brewery (Heze) Company Limited ("Heze Company")	Directly & Indirectly	Heze, the PRC	Manufacturing	RMB130,000	Manufacture and domestic trading of beer	Company Limited	Yu Jiaping	16892261-5
Tsingtao Brewery (Suqian) Company Limited ("Suqian Company")	Directly & Indirectly	Suqian, the PRC	Manufacturing	RMB25,000	Manufacture and domestic trading of beer	Company Limited	Cai Zhiwei	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	Qu 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 (Xingkaifu) Company Limited ("Xingkaifu 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 (Pingyuan) Company Limited ("Pingyuan Company")	Directly	Pingyuan, the PRC	Manufacturing	RMB25,000	Manufacture and domestic trading of beer	Company Limited	Huang Zujiang	16741611-2
Tsingtao Brewery (Rizhao) Company Limited ("Rizhao Company")	Directly	Rizhao, the PRC	Manufacturing	RMB290,000	Manufacture and domestic trading of beer	Company Limited	Fan Wei	61380406-0
Chengdu Tsingtao Brewery Xinan Sales Company Limited ("Xinan Sales Company")	Directly	Chengdu, the PRC	Wholesale and retail sale	RMB100,000	Domestic trading of beer	Company Limited	Huang Yinbo	73238966-4
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

(1) Information of subsidiaries (Cont'd)

(a) Subsidiaries obtained through incorporation (Cont'd)

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Business scope	Nature	Legal representative	Code of organisation
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	HongKong, the PRC	Wholesale and retail sale	HKD40,500	Trading of beer in Hong Kong	Company Limited	Jin Zhiguo	Not Applicable
Tsingtao Brewery (Hanzhong) Company Limited ("Hanzhong Company")	Indirectly	Hanzhong, the PRC	Manufacturing	RMB29,410	Manufacture and domestic trading of beer	Company Limited	Zhang Anwen	71977863-0
Beijing 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	Sui Zhanping	70549981-7
Xiamen Tsingtao Brewery Dongnan Sales Company Limited ("Dongnan Sales Company")	Directly	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
Tsingdao Brewery Chengyang Sales Company Limited ("Chengyang Sales Company")	Directly	Qingdao, the PRC	Manufacturing	RMB8,000	Pre-packaged food	Company Limited	Cai Zhiwei	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	Construction	RMB2,000	Manufacture and trading of machinery, electrical equipment accessory	Company Limited	Wang Bing	68257486-0
Tsingtao Brewery (Shijiazhuang) Company Limited ("Shijiazhuang Company")	Directly	Shijiazhuang, the PRC	Manufacturing	RMB321,010	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
Tsingtao Brewery Finance Company Liability Limited ("Finance Company")	Directly	Qingdao, the PRC	Financing	RMB300,000	Corporate financing	Company Limited	Sun Yuguo	57575377-0
Tsingtao Brewery Sifang Sales Company Limited ("Sifang Sales Company")	Directly	Qingdao, the PRC	Wholesale and retail sale	RMB10,000	Pre-packaged food	Company Limited	Cai Zhiwei	57976276-7

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

(1) Information of subsidiaries (Cont'd)

(a) Subsidiaries obtained through incorporation (Cont'd)

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Business scope	Nature	Legal representative	Code of organisation
Tsingtao Brewery (Jieyang) Company Limited ("Jieyang Company") (5)	Directly	Jieyang, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company Limited	Huang Kexing	57791531-X
Tsingtao Brewery (Shaoguan) Company Limited ("Shaoguan Company")	Directly	Shaoguan, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company Limited	Wang Xinhong	58636851-4
Tsingtao Brewery (Hainan) Company Limited ("Hainan Company") (2)	Directly	Chengmai, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company Limited	Wang Xinhong	58394661-4
Tsingtao Brewery Shibei Sales Company Limited ("Shibei Sales Company") (2)	Directly	Qingdao, the PRC	Wholesale and retail sale	RMB8,000	Pre-packaged food	Company Limited	Wang Ruiyong	59529728-7
Tsingtao Brewery (Jiujiang) Company Limited ("Jiujiang Company") (2)	Directly	Jiujiang, the PRC	Manufacturing	RMB200,000	Manufacture and domestic trading of beer	Company Limited	Sui Zhanping	59654049-6
		Ending balance of other items which forms substantially part of the net investment in the subsidiary (j)	Share holding	Voting rights	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders	
	Ending balance of actual contribution							
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	85,626,047	—	99.76%	100%	Yes	—	—	
Shouguang Company	60,000,000	—	99%	99%	Yes	1,603,284	—	
Weifang Company	73,620,001	—	100%	100%	Yes	—	—	
Huaihai Sales Company (4)	55,000,000	—	100%	100%	Yes	—	—	
Xuzhou Company (4)	33,467,142	10,000,000	66%	66%	Yes	13,049,593	2,049,895	
Pengcheng Company	275,547,373	—	100%	100%	Yes	—	—	
Xuecheng Company	2,078,659	130,000,000	85%	85%	Yes	(10,739,793)	—	
Tengzhou Company	49,158,799	50,000,000	100%	100%	Yes	—	—	
Subtotal	1,353,484,836	206,000,000				3,913,084	2,049,895	

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

(1) Information of subsidiaries (Cont'd)

(a) Subsidiaries obtained through incorporation (Cont'd)

	Ending balance of actual contribution	Ending balance of other items which forms substantially part of the net investment in the subsidiary (i)	Share holding	Voting rights	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Heze Company	128,549,814	24,000,000	100%	100%	Yes	—	—
Suqian Company	23,017,507	—	100%	100%	Yes	—	—
Taierzhuang Malt Company	5,000,000	14,000,000	90.20%	100%	Yes	—	—
Langfang Company	80,830,288	17,000,000	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	—	60%	60%	Yes	7,427,404	—
Xingkaitu Company	129,430,000	7,000,000	100%	100%	Yes	—	—
Mishan Company	23,920,000	48,300,000	100%	100%	Yes	—	—
Haerbin Company	109,940,000	—	100%	100%	Yes	—	—
Import/Export Company	11,210,000	—	100%	100%	Yes	—	—
Pingyuan Company	21,730,001	—	100%	100%	Yes	—	—
Rizhao Company	339,239,300	—	100%	100%	Yes	—	—
Xinan Sales Company	99,200,000	—	100%	100%	Yes	—	—
Luzhou Company	110,518,371	—	95%	95%	Yes	6,740,690	—
Taizhou Company	62,808,167	—	100%	100%	Yes	—	—
Hongkong Company	41,728,681	—	100%	100%	Yes	—	—
Hanzhong Company	46,093,340	—	66%	66%	Yes	16,562,968	—
Beifang Sales Company	88,481,000	—	100%	100%	Yes	—	—
Subtotal	<u>1,774,323,583</u>	<u>110,300,000</u>				<u>30,731,062</u>	<u>—</u>

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

(1) Information of subsidiaries (Cont'd)

(a) Subsidiaries obtained through incorporation (Cont'd)

	Ending balance of actual contribution	Ending balance of other items which forms substantially part of the net investment in the subsidiary (i)	Share holding	Voting rights	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
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	321,010,000	—	100%	100%	Yes	—	—
Taiyuan Company	200,000,000	20,000,000	100%	100%	Yes	—	—
Finance Company	300,000,000	—	100%	100%	Yes	—	—
Sifang Sales Company	10,000,000	—	100%	100%	Yes	—	—
Jieyang Company (5)	150,000,000	—	75%	75%	Yes	48,225,115	1,774,885
Shaoguan Company	200,000,000	40,000,000	100%	100%	Yes	—	—
Hainan Company (2)	200,000,000	—	100%	100%	Yes	—	—
Shibei Sales Company (2)	8,000,000	—	100%	100%	Yes	—	—
Jiujiang Company (2)	180,000,000	—	90%	90%	Yes	20,000,000	—
Subtotal	2,779,654,020	78,000,000				68,225,115	1,774,885
Total	5,907,462,439	394,300,000				102,869,261	3,824,780

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

As at 30 June 2012, there is no debenture issued by the subsidiaries of the Company.

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

(1) Information of subsidiaries (Cont'd)

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

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Business scope	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 Brewery 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	Sun Mingbo	61930976-5
Tsingtao Brewery (Songjiang) Company Limited ("Songjiang Company") (4)	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 Liability 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	RMB30,000	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

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

(1) Information of subsidiaries (Cont'd)

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

	Type	Place of registration	Nature of business and principal activities	Registered capital '000	Business scope	Nature	Legal representative	Code of organisation
Tsingtao Brewery (Fuzhou) Company Limited ("Fuzhou Company")	Indirectly	Fuzhou, the PRC	Manufacturing	USD26,830	Manufacture and domestic trading of beer	Company Limited	Sui Zhanping	61131714-6
Tsingtao Brewery (Zhangzhou) Company Limited ("Zhangzhou Company")	Indirectly	Zhangzhou, the PRC	Manufacturing	RMB100,000	Manufacture and domestic trading of beer	Company Limited	Sui Zhanping	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
Tsingtao Brewery Beverage Company Limited ("Beverage Company")	Directly	Qingdao, the PRC	Manufacturing	RMB110,000	Manufacture and domestic trading of beverage	Company Limited	Hu Zhihong	72402575-6
Tsingtao Beer (Jinan) Baotouquan Sales Company Limited ("Baotouquan Company")	Directly	Jinan, the PRC	Wholesale and retail sale	RMB20,000	Domestic trading of beer	Company Limited	Yan Zhengguang	67277382-8
Shandong Xin Immense Brewery Company Limited ("Immense Brewery Company")	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")	Directly	Jiande, the PRC	Manufacturing	RMB230,000	Manufacture and domestic trading of beer	Company Limited	Wang Ruiyong	67399878-4
Asia Brewery (Macau) Company Limited ("Macau Company") (ii)	Indirectly	Macau, the PRC	Wholesale and retail sale	MOP200	Trading of beer in Macau	Company Limited	Yuan Li	Not Applicable
Tsingtao Brewery (Yangzhou) Company Limited ("Yangzhou Company") (iii)	Directly	Yangzhou, the PRC	Manufacturing	RMB5,000	Manufacture and domestic trading of beer	Company Limited	Cai Zhiwei	84088001-2

(1) Information of subsidiaries (Cont'd)

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

	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of net investment in the subsidiary (i)	Share holding	Voting rights	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Sanshui Company	58,789,877	—	75%	75%	Yes	22,899,004	—
Chenzhou Company	71,921,877	—	100%	100%	Yes	—	—
Shenzhen Asahi	126,746,680	—	51%	51%	Yes	183,997,176	—
Nanning Company	270,495,918	—	75%	75%	Yes	39,828,897	—
Songjiang Company (4)	204,972,676	—	100%	100%	Yes	—	—
Three Ring Company	73,846,179	135,000,000	54%	54%	Yes	(36,221,271)	—
Five Star Company	75,917,538	98,000,000	62.64%	62.64%	Yes	(26,238,320)	—
Weinan Company	50,693,709	—	100%	100%	Yes	—	—
Gansu Nongken Company	64,292,092	167,000,000	55.06%	55.06%	Yes	(61,303,649)	—
Wuwei Company	35,710,000	60,000,000	54.91%	99.72%	Yes	133,638	—
Rongcheng Company	65,103,434	—	70%	70%	Yes	(634,812)	—
Suizhou Company	9,000,000	—	90%	90%	Yes	(1,659,454)	193,326
Fuzhou Company	68,094,738	—	100%	100%	Yes	—	—
Zhangzhou Company	69,367,401	—	90%	90%	Yes	10,714,300	—
Construction Company	2,490,000	—	100%	100%	Yes	—	—
Penglai Company	30,000,000	53,165,930	80%	80%	Yes	(11,710,841)	526,342
Cultural Communication Company	5,290,000	—	100%	100%	Yes	—	—
Beverage Company	44,000,001	20,000,000	100%	100%	Yes	—	—
Baotouquan Company	174,160,000	—	100%	100%	Yes	—	—
Immense Brewery Company	1,874,866,697	—	100%	100%	Yes	—	—
Hangzhou Company	186,000,000	—	80%	80%	Yes	40,056,203	738,132
Macao Company (ii)	74,352	—	45%	100%	Yes	6,680,587	—
Yangzhou Company (iii)	12,017,142	—	75%	100%	Yes	(48,572,636)	—
Total	<u>3,573,850,311</u>	<u>533,165,930</u>				<u>117,968,822</u>	<u>1,457,800</u>

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

(1) Information of subsidiaries (Cont'd)

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

- (i) Represents the entrusted loans to subsidiaries entrusted by the Company through banks.
- (ii) Hongkong Company, a subsidiary of the Company, owns 45% of Macau Company's shares. Pursuant to the shareholders agreement of Macau Company, shareholders other than Hongkong Company do not have the rights to be directly or indirectly involved in the management or be authorized to function the rights of management or operation of Macau Company, and all administrative members responsible for the operation of Macau Company are appointed by Hongkong Company. Directors of the Company believe that the Group has essential control over Macau Company, hence Macau Company has been consolidated as subsidiary of the Group.
- (iii) 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 to sharing gains and losses in accordance with the ratio of investment. 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.

On 25 May 2012, the Company entered into an agreement with Songjiang Company to transfer 20% equity interest of Yangzhou Company to Songjiang Company with amount of RMB1,000,000. On 31 May 2012, Songjiang Company entered into an agreement with TB Group Company, TB Group Company agrees with Songjiang Company to increase investment in Yangzhou Company with amount of RMB11,000,000. After the above transaction finished in Jun 2012, Songjiang Company and TB Group Company hold 75% and 25% equity interest in Yangzhou Company respectively. The above entrusted agreement between the Company and TB Group Company is still effective.

As at 30 June 2012, there is no debenture issued by the subsidiaries of the Company.

(2) Entities newly included in the consolidation scope in the current period

	Net assets on 30 June 2012	Net (losses)/ profits for the current period
Jiujiang Company (i)	200,000,000	—
Hainan Company (ii)	199,971,054	(28,946)
Shibei Sales Company (ii)	12,907,897	4,907,897

- (i) Jiujiang Company is the subsidiary invested by the Company and Jiujiang Ocean Industrial Co., Ltd, which hold 75% and 25% equity interest respectively.
- (ii) Hainan Company and Shibei Sales Company are newly incorporated wholly-owned subsidiaries in the current period.

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

(3) Entities excluded from the consolidation scope in the current period

	Net assets at the disposal date	Net profit from 1 January 2012 to the disposal date
Tsingtao Brewery No. 3 Company Limited ("No. 3 Company")	552,320,032	12,969,359
Tsingtao Brewery No. 5 Company Limited ("No. 5 Company")	263,795,614	547,146

According to resolution passed at the annual General Meeting held on 6 June 2011, the Company considered to deregister two wholly-owned subsidiaries, No. 3 Company and No. 5 Company, and set up two branches No. 3 Factory and No. 5 Factory of the Company. No. 3 Company and No. 5 Company have finished deregistration in the current period and be excluded from the consolidation scope. No. 3 Factory and No. 5 Factory have been set up and start operation.

(4) Inter-group transfer of equity interest in subsidiaries

In June 2012, Songjiang Company, a subsidiary of the Company, acquired 66% equity interest of Xuzhou Company held by Huaihai Sales Company, which is also a subsidiary of the Company with amount of RMB30,650,000. The legal procedures have been finished in Jun 2012.

(5) Minority shareholders increase investment on a subsidiary of the Company

In February 2012, Jieyang Hongpeng Investment Company Limited increase investment of Jieyang Company, a subsidiary of the Company, with amount of 50,000,000. After the investment increase was finished, the Company and Jieyang Hongpeng Investment Company Limited hold 75% and 25% equity interest in Jieyang Company respectively.

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

	Assets and liabilities	
	30 June 2012	31 December 2011
Hong Kong Company	HKD1 = RMB 0.8152	HKD1 = RMB 0.8107
Macau Company	MOP1 = RMB 0.7956	MOP1 = RMB 0.7886

The shareholders' equity items other than "undistributed profits", income and expense items, and the cash flows items are translated at the spot exchange rates at the dates of the transactions.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2012 (Unaudited)			31 December 2011		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash on hand —						
RMB	—	—	547,670	—	—	473,233
HKD	51,206	0.8152	41,743	21,676	0.8107	17,573
MOP	6,024	0.7956	4,793	209,376	0.7886	165,114
			<u>594,206</u>			<u>655,920</u>
Bank deposits —						
RMB	—	—	1,482,315,506	—	—	1,821,109,979
USD	5,236,993	6.3249	33,123,457	6,007,207	6.3009	37,850,811
HKD	28,277,706	0.8152	23,051,986	25,738,591	0.8107	20,866,276
MOP	9,933,069	0.7956	7,902,750	7,004,192	0.7886	5,523,506
EUR	47	7.8710	370	6,732	8.1625	54,950
			<u>1,546,394,069</u>			<u>1,885,405,522</u>
Deposits with interbank (i) —						
RMB	—	—	6,174,129,922	—	—	3,664,086,284
Deposits with central bank (ii) —						
RMB	—	—	976,270,000	—	—	521,570,000
Other cash balances (iii) —						
RMB		—	43,562,750	—	—	35,893,532
			<u>8,740,950,947</u>			<u>6,107,611,258</u>

- (i) Deposits with interbank represents bank deposit reserves with other domestic banks by Finance Company.
- (ii) Deposits with central bank represents statutory deposit reserves with the People's Bank of China by Finance Company. As at 30 June 2012, the statutory deposit reserve ratio for RMB deposits of Finance Company is 15%.
- (iii) As at 30 June 2012, other cash balances of RMB11,551,525 (31 December 2011: RMB4,130,453) is pledged as collateral for opening the bank acceptance (Note 5(22)); other cash balances of RMB910,493 (31 December 2011: RMB749,769) represents guarantee deposits of the Company for the purpose of applying for letter of credit; other cash balances of RMB31,100,732 (31 December 2011: RMB31,013,310) represents housing maintenance fund deposited in the bank.

(2) Notes receivable

	30 June 2012 (Unaudited)	31 December 2011
Bank acceptance notes	<u>58,470,000</u>	<u>98,350,000</u>

(2) Notes receivable (Cont'd)

As at 30 June 2012, the five largest notes receivable that are not mature but have been endorsed and other analysis are as follows:

Issued Company	Issuance date	Maturity date	Amount (Unaudited)
Qingdao Xinkangjian Brewery Company Limited ("Xinkangjian Company")	22/05/2012	22/11/2012	7,000,000
Fujian Changying Industrial Company Limited	18/06/2012	18/12/2012	6,000,000
Fujian Nan'an Huayi Trading Company Limited	20/06/2012	20/12/2012	5,000,000
Xiamen Yuxiang trading Company Limited	10/01/2012	10/07/2012	5,000,000
Fujian Nan'an Huayi Trading Company Limited	15/01/2012	15/07/2012	5,000,000
Others below 2,000,000			158,035,515
			<u>186,035,515</u>

As at 30 June 2012, there are no pledged notes receivables and no discounted trade acceptance notes that were not mature (31 December 2011: nil).

(3) Accounts receivable

	30 June 2012 (Unaudited)	31 December 2011
Accounts receivable	368,794,023	325,048,799
Less: provision for bad debts	<u>(229,105,612)</u>	<u>(236,951,339)</u>
	<u>139,688,411</u>	<u>88,097,460</u>

The majority of the Company's domestic sales are made with cash and advances from customers. The remainings are settled by letters of credit, bank acceptance notes or credit terms from 30 to 150 days.

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

	30 June 2012 (Unaudited)	31 December 2011
Within 6 months	137,457,379	87,799,273
6 months to 1 year	2,277,309	137,349
1 to 2 years	135,175	335,411
2 to 3 years	231,322	186,438
Over 3 years	<u>228,692,838</u>	<u>236,590,328</u>
	<u>368,794,023</u>	<u>325,048,799</u>

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

(3) Accounts receivable (Cont'd)

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

	30 June 2012 (Unaudited)				31 December 2011			
	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	12.23%	(45,101,710)	100%	45,101,710	13.88%	(45,101,710)	100%
Subject to provision by groups								
Group C	323,692,313	87.77%	(184,003,902)	56.85%	279,947,089	86.12%	(191,849,629)	68.53%
	<u>368,794,023</u>	<u>100%</u>	<u>(229,105,612)</u>	<u>62.12%</u>	<u>325,048,799</u>	<u>100%</u>	<u>(236,951,339)</u>	<u>72.90%</u>

(c) As at 30 June 2012, accounts receivable with amounts that are individually significant and the related provision for bad debts is provided on the individual basis 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)
Gansu Nongken Brewery Company Limited ("Nongken Brewery Company")	14,996,236	(14,996,236)	100%	(ii)
Beijing Tsingtao Brewery Sales Company Limited ("Beijing Sales Company")	11,245,784	(11,245,784)	100%	(iii)
	<u>45,101,710</u>	<u>(45,101,710)</u>		

- (i) As Guangzhou General Agency had ceased 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.

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

(3) Accounts receivable (Cont'd)

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

	30 June 2012 (Unaudited)				31 December 2011			
	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	137,457,379	42.47%	—	—	87,799,273	31.36%	—	—
6 months to 1 year	2,277,309	0.70%	(113,864)	5%	137,349	0.05%	(6,867)	5%
1 to 2 years	135,175	0.04%	(67,588)	50%	335,411	0.12%	(167,706)	50%
2 to 3 years	231,322	0.07%	(231,322)	100%	186,438	0.07%	(186,438)	100%
Over 3 years	183,591,128	56.72%	(183,591,128)	100%	191,488,618	68.40%	(191,488,618)	100%
	<u>323,692,313</u>	<u>100%</u>	<u>(184,003,902)</u>	<u>56.85%</u>	<u>279,947,089</u>	<u>100%</u>	<u>(191,849,629)</u>	<u>68.53%</u>

- (e) There are no accounts receivable that related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in the current period (six months ended 30 June 2011: nil).

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

Nature	Amount	Reason	Arising from
			related party transactions or not
Changping Mingfeng Company Limited etc.	7,942,139	Deregistration etc.	No
Others	<u>206,082</u>	Deregistration etc.	No
	<u>8,148,221</u>		

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

	30 June 2012 (Unaudited)		31 December 2011	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Asahi Breweries, Ltd. ("Asahi Breweries")	<u>2,998,711</u>	<u>—</u>	<u>7,778,782</u>	<u>—</u>

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

(3) Accounts receivable (Cont'd)

(h) As at 30 June 2012, the five largest accounts receivable are analysed as follows:

	Relationship with the Group	Amount (Unaudited)	Ageing	% of total balance
Guangzhou General Agency (i)	Associate	18,859,690	Over 3 years	5.11%
Tsingtao Brewery Import & Export S.A.R.L. ("European Company")	Associate	16,763,606	Within 6 months	4.55%
Nongken Brewery Company (i)	Third party	14,996,236	Over 3 years	4.07%
Beijing Sales Company (i)	Associate	11,245,784	Over 3 years	3.05%
Nanjing Jiahongda Brewery Company Limited (i)	Third party	8,341,734	Over 3 years	2.26%
		<u>70,207,050</u>		<u>19.04%</u>

(i) Related provision for bad debts had been provided in full amount.

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

	Relationship with the Group	30 June 2012 (Unaudited)			31 December 2011		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Guangzhou General Agency	Associate	18,859,690	5.11%	(18,859,690)	18,859,690	5.80%	(18,859,690)
European Company	Associate	16,763,606	4.55%	—	12,336,949	3.80%	—
Beijing Sales Company	Associate	11,245,784	3.05%	(11,245,784)	11,245,784	3.46%	(11,245,784)
Asahi Breweries	Shareholder of the Company	2,998,711	0.81%	—	7,778,782	2.39%	—
Asahi Beer (China) Investment Co., Ltd. ("Asahi Investment")	Shareholders' subsidiary	1,069,713	0.29%	—	1,869,327	0.58%	—
		<u>50,937,504</u>	<u>13.81%</u>	<u>(30,105,474)</u>	<u>52,090,532</u>	<u>16.03%</u>	<u>(30,105,474)</u>

(j) As at 30 June 2012, there are no accounts receivable derecognised due to the transfer of financial assets (31 December 2011: nil).

(k) As at 30 June 2012, there are no accounts receivable pledged as a guarantee to secure bank borrowings (31 December 2011: nil).

(l) Accounts receivable dominated in foreign currency are as follows:

	30 June 2012 (Unaudited)			31 December 2011		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
HKD	47,182,697	0.8152	38,463,335	37,025,643	0.8107	30,016,689
USD	3,432,318	6.3249	21,709,068	4,109,317	6.3009	25,892,395
EUR	2,129,794	7.8710	16,763,609	1,511,418	8.1625	12,336,949
MOP	5,264,150	0.7956	4,188,158	5,142,001	0.7886	4,054,982
CAD	231,544	6.1223	1,417,582	141,055	6.1777	871,395
			<u>82,541,752</u>			<u>73,172,410</u>

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

(4) Other receivables

	30 June 2012 (Unaudited)	31 December 2011
Staff advance	51,192,833	33,768,594
Refund for prepayment of land use rights	27,441,647	27,441,647
Deposits	40,187,582	17,758,496
Payment on behalf for recycled bottles	13,886,568	17,735,716
Refund for prepayment of property	13,000,000	13,000,000
VAT refund	1,898,250	4,369,605
Others	107,321,739	93,708,491
	254,928,619	207,782,549
Less: provision for bad debts	(95,854,602)	(93,357,456)
	159,074,017	114,425,093

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

	30 June 2012 (Unaudited)	31 December 2011
Within 6 months	132,130,699	80,325,704
6 months to 1 year	10,637,862	19,084,650
1 to 2 years	12,392,712	6,566,790
2 to 3 years	6,018,439	4,169,427
Over 3 years	93,748,907	97,635,978
	254,928,619	207,782,549

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

	30 June 2012 (Unaudited)				31 December 2011			
	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	11.94%	(30,441,647)	100%	30,441,647	14.65%	(30,441,647)	100%
Subject to provision by groups								
Group A	13,559,250	5.32%	—	—	16,166,320	7.78%	—	—
Group C	210,927,722	82.74%	(65,412,955)	31.01%	161,174,582	77.57%	(62,915,809)	39.04%
	254,928,619	100%	(95,854,602)	37.60%	207,782,549	100%	(93,357,456)	44.93%

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

(4) Other receivables (Cont'd)

- (c) As at 30 June 2012, other receivables with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis are analysed as follows:

	Ending balance (Unaudited)	Provision for bad debts (Unaudited)	Ratio	Reason
Refund for prepayment of land use rights	17,441,647	(17,441,647)	100%	(i)
Refund for prepayment of property	<u>13,000,000</u>	<u>(13,000,000)</u>	100%	(ii)
	<u><u>30,441,647</u></u>	<u><u>(30,441,647)</u></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 Municipal Local Taxation Bureau No. 2 Branch 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 low, and has made full bad debt provision accordingly.
- (d) Other receivables that the related provision for bad debts is provided on grouping basis (Group C) using the ageing analysis method are analysed as follows:

	30 June 2012 (Unaudited)				31 December 2011			
	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	132,130,699	62.64%	—	—	80,325,704	49.83%	—	—
6 months to 1 year	8,107,572	3.84%	(405,379)	5%	15,978,910	9.91%	(798,946)	5%
1 to 2 years	11,363,752	5.39%	(5,681,877)	50%	5,506,210	3.42%	(2,753,105)	50%
2 to 3 years	6,018,439	2.85%	(6,018,439)	100%	4,169,427	2.59%	(4,169,427)	100%
Over 3 years	<u>53,307,260</u>	<u>25.28%</u>	<u>(53,307,260)</u>	<u>100%</u>	55,194,331	34.25%	(55,194,331)	100%
	<u><u>210,927,722</u></u>	<u><u>100%</u></u>	<u><u>(65,412,955)</u></u>	<u><u>31.01%</u></u>	<u><u>161,174,582</u></u>	<u><u>100%</u></u>	<u><u>(62,915,809)</u></u>	<u><u>39.04%</u></u>

- (e) There are no other receivables that the related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in the current period (six months ended 30 June 2011: nil).
- (f) Other receivables that were written off in current year are as follows:

Nature	Amount	Reason	Arising from related party transactions or not
Deposits	566,223	Cessation of business, deregistration or bankruptcy	No
Staff advance	182,776	Amount due from individuals, no evidence of collection	No
Others	<u>18,000</u>		No
	<u><u>766,999</u></u>		

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

(4) Other receivables (Cont'd)

(g) As at 30 June 2012, there are no other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2011: nil).

(h) As at 30 June 2012, the five largest 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 (i)	Third party	17,441,647	Over 3 years	6.84%
Qingdao No. 2 Taxation Bureau (i)	Third party	13,000,000	Over 3 years	5.10%
Heze Mudan Finance Bureau	Third party	10,000,000	Over 3 years	3.92%
Shanghai Songjiao Trading Company Limited	Third party	8,144,726	Within 6 months	3.19%
Wuwei Carton Factory (i)	Third party	5,000,000	Over 3 years	1.97%
		<u>53,586,373</u>		<u>21.02%</u>

(i) Related provision for bad debts had been provided in full amount.

(i) As at 30 June 2012, there are no other receivables from related parties (31 December 2011: nil).

(j) As at 30 June 2012, there are no other receivables derecognised due to transfer of financial assets (31 December 2011: nil).

(k) Other receivables dominated in foreign currency are as follows:

	30 June 2012 (Unaudited)			31 December 2011		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
HKD	1,594,269	0.8152	1,299,648	1,110,915	0.8107	900,619
MOP	214,876	0.7956	170,955	215,376	0.7886	169,846
			<u>1,470,603</u>			<u>1,070,465</u>

(5) Advances to suppliers

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

	30 June 2012 (Unaudited)		31 December 2011	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	56,221,486	98.44%	273,004,885	99.93%
1 to 2 years	828,118	1.45%	40,926	0.01%
2 to 3 years	—	—	—	—
Over 3 years	62,784	0.11%	162,990	0.06%
	<u>57,112,388</u>	<u>100%</u>	<u>273,208,801</u>	<u>100%</u>

As at 30 June 2012, advances to suppliers over 1 year with a carrying amount of RMB890,902 (31 December 2011: RMB203,916) are mainly advances paid for materials, which are not fully settled due to production plan.

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

(5) Advances to suppliers (Cont'd)

(b) As at 30 June 2012, the five largest advances to suppliers are analysed as follows:

	Relationship with the Group	Amount (Unaudited)	% of total balance	Recognition	Reason for unsettled
Jining Beihui Glass Manufacturing Limited	Third party	10,251,666	17.95%	2012	Goods not received
Baoji Yucui Bottle Manufacturing Limited	Third party	3,671,275	6.43%	2012	Goods not received
Bule (Wuxi) Trading Company Limited	Third party	3,021,382	5.29%	2012	Goods not received
Beijing Dezhijie Brewery Technology Company Limited	Third party	2,383,264	4.17%	2012	Goods not received
Xinjiang Lvjia Agricultural Development Company Limited	Third party	2,254,000	3.95%	2012	Goods not received
		<u>21,581,587</u>	<u>37.79%</u>		

(c) As at 30 June 2012, there are no advances to shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2011: nil).

(d) As at 30 June 2012, there are no advances to related parties (31 December 2011: nil).

(e) As at 30 June 2012, there are no advances to suppliers dominated in foreign currency (31 December 2011: nil).

(6) Interest receivable

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2012 (Unaudited)
Interest receivable	<u>13,346,298</u>	<u>130,950,448</u>	<u>(82,292,816)</u>	<u>62,003,930</u>

Interest receivable is the deposits interest that Finance Company will receive for other finance institutions.

As at 30 June 2012, there are no overdue interest receivable.

(7) Inventories

(a) Classification of inventories is as follow:

	30 June 2012 (Unaudited)			31 December 2011		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	548,950,596	(3,741,908)	545,208,688	735,484,791	(4,608,459)	730,876,332
Packaging materials	817,434,366	(15,215,185)	802,219,181	955,314,707	(17,334,891)	937,979,816
Low-value consumption goods	98,317,077	—	98,317,077	69,274,861	—	69,274,861
Material on consignment for further processing	31,973,250	—	31,973,250	54,894,188	—	54,894,188
Work in progress	389,875,034	—	389,875,034	343,148,204	—	343,148,204
Finished goods	263,410,943	(18,354)	263,392,589	581,566,743	(18,354)	581,548,389
	<u>2,149,961,266</u>	<u>(18,975,447)</u>	<u>2,130,985,819</u>	<u>2,739,683,494</u>	<u>(21,961,704)</u>	<u>2,717,721,790</u>

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

(7) Inventories (Cont'd)

(b) Provision for decline in the value of inventories are analysed as follows:

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period		30 June 2012 (Unaudited)
			Reversal (Unaudited)	Write-off (Unaudited)	
Raw materials	(4,608,459)	—	43,000	823,551	(3,741,908)
Packaging materials	(17,334,891)	—	182,304	1,937,402	(15,215,185)
Finished goods	(18,354)	—	—	—	(18,354)
	<u>(21,961,704)</u>	<u>—</u>	<u>225,304</u>	<u>2,760,953</u>	<u>(18,975,447)</u>

(c) Provision for decline in the value of inventories are 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

(8) Other current assets

	30 June 2012 (Unaudited)	31 December 2011
Input VAT	85,655,349	127,079,352
Prepaid enterprise income tax	22,636,871	41,129,441
Others	5,948,231	2,383,269
	<u>114,240,451</u>	<u>170,592,062</u>

(9) Long-term equity investments

	30 June 2012 (Unaudited)	31 December 2011
Jointly controlled entity — unlisted (a)	—	—
Associates — unlisted (b)	157,762,803	151,876,550
Other long-term equity investments — unlisted (c)	10,116,821	10,116,821
	167,879,624	161,993,371
Less: Provision for impairment of long-term equity investments (d)	(10,028,179)	(10,028,179)
	<u>157,851,445</u>	<u>151,965,192</u>

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

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

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

(a) Jointly controlled entity — unlisted

Accounting Method	Investment cost	31 December 2011	Current period movement (Unaudited)				30 June 2012 (Unaudited)	Equity interest held	Voting rights held	Explanation of disparity between percentages of share holding and voting rights	Provision for impairment	Impairment provided in the current period
			Increase/Decrease in investment	profit using the equity method	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, while the Group does 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 is only reduced to zero. The unrecognised investment losses for the six months ended 30 June 2012 amounted to RMB265,884 (six months ended 30 June 2011: RMB250,875). As at 30 June 2012, the cumulative unrecognised investment losses amounted to RMB1,055,802 (31 Dec 2011: RMB789,918).

(b) Associates — unlisted

Accounting Method	Investment cost	31 December 2011	Increase/Decrease in investment (Unaudited)	30 June 2012 (Unaudited)	Equity interest held	voting rights held	and voting rights	Explanation of disparity between percentages of share holding and voting rights	Provision for impairment (Unaudited)	Impairment provided in the current period (Unaudited)
Qingdao Zhaoshang Logistics Company Limited ("Zhaoshang Logistics")	Equity Method	6,000,000	19,065,231	2,516,398	21,581,629	30%	30%	Not Applicable	—	—
Liaoning Shenqing Tsingtao Brewery Company Limited ("Liaoning Shenqing")	Equity Method	600,000	3,363,932	73,982	3,437,914	30%	30%	Not Applicable	—	—
European Company	Equity Method	584,166	1,954,739	—	1,954,739	40%	40%	Not Applicable	—	—
Others	Equity Method		1,220,000	—	1,220,000				(1,220,000)	—
			151,876,550	5,886,253	157,762,803				(1,220,000)	—

(c) Other long-term equity investments — unlisted

Accounting Method	Investment cost	31 December 2011	Increase/Decrease in investment (Unaudited)	30 June 2012 (Unaudited)	Provision for impairment (Unaudited)	Impairment provided in the current period (Unaudited)	Cash dividends declared in the current period (Unaudited)
Qingdao Yingxiao Club (Yingxiao Club)	Cost method	3,985,261	3,985,261	—	3,985,261	(3,985,261)	—
Others	Cost method	2,521,560	2,521,560	—	2,521,560	(1,212,918)	—
			10,116,821	—	10,116,821	(8,808,179)	—

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

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

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

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2012 (Unaudited)
Beihai Real Estate Company	(3,610,000)	—	—	(3,610,000)
Yingxiao Club	(3,985,261)	—	—	(3,985,261)
Others	(2,432,918)	—	—	(2,432,918)
	<u>(10,028,179)</u>	<u>—</u>	<u>—</u>	<u>(10,028,179)</u>

(10) Investments in jointly controlled entity and associates

	Share holding (%)	Voting rights (%)	30 June 2012 (Unaudited)			Six months ended 30 June 2012 (Unaudited)	
			Total assets	Total liabilities	Net assets	Revenue	Net profits/ (losses)
Jointly controlled entity — Equipment Manufacture	50%	50%	18,337,510	20,449,356	(2,111,846)	9,698,265	(531,768)
Associates —							
Yantai Asahi	39%	39%	444,879,718	194,746,945	250,132,773	313,385,340	10,380,957
Zhaoshang Logistics	30%	30%	121,527,188	49,714,887	71,812,301	104,473,318	8,387,993
Liaoning Shenqing	30%	30%	62,863,178	50,998,433	11,864,745	209,622,228	246,607

(11) Investment properties

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2012 (Unaudited)
Cost	—	18,572,021	—	18,572,021
Buildings	—	18,572,021	—	18,572,021
Accumulated depreciation	—	(10,884,446)	—	(10,884,446)
Buildings	—	(10,884,446)	—	(10,884,446)
Net book value	—	—	—	7,687,575
Buildings	—	—	—	7,687,575
Provision for impairment	—	(246,160)	—	(246,160)
Buildings	—	(246,160)	—	(246,160)
Carrying amount	—	—	—	7,441,415
Buildings	—	—	—	7,441,415

As at 30 June 2012, the Group changed the use of certain buildings with a carrying amount of RMB7,441,415 (cost of RMB18,572,021 to lease out properties) and therefore, such assets were transferred from fixed assets to investment properties at the date of change in use.

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

(12) Fixed assets

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2012 (Unaudited)
Cost	14,387,812,784	920,718,488	(226,239,219)	15,082,292,053
Buildings	4,561,038,844	276,430,714	(26,414,015)	4,811,055,543
Machinery and equipment	8,964,962,068	583,197,363	(154,605,721)	9,393,553,710
Motor vehicles	365,111,945	33,237,470	(28,628,773)	369,720,642
Other equipment	496,699,927	27,852,941	(16,590,710)	507,962,158
Accumulated depreciation	(6,487,966,406)	(331,215,104)	178,260,739	(6,640,920,771)
Buildings	(1,275,326,905)	(52,244,689)	8,594,615	(1,318,976,979)
Machinery and equipment	(4,706,411,151)	(234,051,044)	134,953,939	(4,805,508,256)
Motor vehicles	(191,823,746)	(15,120,203)	22,272,219	(184,671,730)
Other equipment	(314,404,604)	(29,799,168)	12,439,966	(331,763,806)
Net book value	7,899,846,378	—	—	8,441,371,282
Buildings	3,285,711,939	—	—	3,492,078,564
Machinery and equipment	4,258,550,917	—	—	4,588,045,454
Motor vehicles	173,288,199	—	—	185,048,912
Other equipment	182,295,323	—	—	176,198,352
Provision for impairment	(694,861,342)	-	16,465,536	(678,395,806)
Buildings	(95,801,641)	-	4,305,247	(91,496,394)
Machinery and equipment	(579,809,179)	-	11,949,686	(567,859,493)
Motor vehicles	(18,830,135)	-	183,807	(18,646,328)
Other equipment	(420,387)	-	26,796	(393,591)
Carrying amount	7,204,985,036	—	—	7,762,975,476
Buildings	3,189,910,298	—	—	3,400,582,170
Machinery and equipment	3,678,741,738	—	—	4,020,185,961
Motor vehicles	154,458,064	—	—	166,402,584
Other equipment	181,874,936	—	—	175,804,761

As at 30 June 2012, there is no fixed assets pledged as collateral for borrowings (31 December 2011: nil).

For the six months ended 30 June 2012, depreciation charged to fixed assets amounts to RMB331,215,104 (six months ended 30 June 2011: RMB267,435,612) of which RMB300,567,292, RMB4,831,035 and RMB25,816,777 (six months ended 30 June 2011: RMB238,321,760, RMB5,329,530 and RMB23,674,322) has been charged in cost of sales, selling and distribution expenses and general and administrative expenses respectively.

For the six months ended 30 June 2012, the costs of fixed assets transferred from construction in progress amount to RMB524,966,414 (six months ended 30 June 2011: RMB156,942,787).

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

(12) Fixed assets (Cont'd)

(a) Temporarily idle fixed assets

As at 30 June 2012, the buildings, and machinery and equipment with carrying amount of RMB21,268,851 (cost of RMB57,429,891) are temporarily idle for the reason of products update (31 December 2011: carrying amount of RMB11,528,046 cost of RMB45,725,847), which are analysed as follow:

	Cost (Unaudited)	Accumulated depreciation (Unaudited)	Provision for impairment (Unaudited)	Carrying amount (Unaudited)
Buildings	2,390,804	(1,186,547)	(122,527)	1,081,730
Machinery and equipment	55,039,087	(34,851,966)	—	20,187,121
	<u>57,429,891</u>	<u>(36,038,513)</u>	<u>(122,527)</u>	<u>21,268,851</u>

(b) Fixed assets held under finance leases

As at 30 June 2012, there is no fixed assets held under finance leases (31 December 2011: carrying amount of RMB6,964,305, cost of RMB10,214,224).

(c) Fixed assets with pending certificates of ownership

The ownership certificates of the Group's certain fixed assets (mainly buildings) have not been obtained. The analysis are as follows:

Reason	30 June 2012 (Unaudited)		31 December 2011	
	Cost	Carrying amount	Cost	Carrying amount
In the application process	945,611,446	814,095,456	816,981,000	719,927,000
Unable to obtain	121,248,198	55,151,855	127,859,000	59,724,000
	<u>1,066,859,644</u>	<u>869,247,311</u>	<u>944,840,000</u>	<u>779,651,000</u>

Per consultation with the Company's legal adviser, the Company's directors are of the view that this situation will not prevent the Group from legal possession of such facilities as there is no legal restriction for the Group to apply for and obtain the building ownership certificates, there are no significant adverse impact on the operations of the Group, therefore, no provision for fixed assets impairment is provided. In addition, certain buildings of the Group are still located on parcels of allocated land owned by certain local municipal governments (note 5(15)).

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

(12) Fixed assets (Cont'd)

(c) Fixed assets with pending certificates of ownership (Cont'd)

	Reason	Estimated date
Partial buildings of No. 3 Company	In progress	2012
Partial buildings of Sanshui Company	In progress	2012
Partial buildings of Three Ring Company	In progress	2012
Partial buildings of Taiyuan Company	In progress	2012
Partial buildings of Mishan Company	In progress	2012
Partial buildings of Chengdu Company	In progress	2012
Partial buildings of Hangzhou Company	In progress	2012
Partial buildings of Yulin Company	In progress	2012
Partial buildings of Wuwei Company	In progress	2012
Partial buildings of Shenzhen Asahi	In progress	2012
Partial buildings of Weinan Company	In progress	2012
Partial buildings of Gansu Nongken Company	In progress	2012
Partial buildings of Wuhu Company	In progress	2012
Partial buildings of Suizhou Company	In progress	2012
Partial buildings of Immense Brewery Company	In progress	2012
Partial buildings of Luzhou Company	In progress	2012
Partial buildings of Zhangzhou Company	In progress	2012
Partial buildings of Zhuhai Company	In progress	2012
Partial buildings of Shijiazhuang Company	In progress	2012
Partial buildings of Xiamen Company	In progress	2012
Partial buildings of Five Star Company	In progress	2012
Partial buildings of Shaoguan Company	In progress	2012
Partial buildings of Shaoguan Company	Temporary building	Not applicable
Partial buildings of Five Star Company	Temporary building	Not applicable
Partial buildings of Xiamen Company	Lack of document	Not applicable
Partial buildings of No. 1 Factory	Lack of document	Not applicable
Partial buildings of Malt Factory	Lack of document	Not applicable

(13) Construction in progress

	30 June 2012 (Unaudited)			31 December 2011		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Production Line Improvement of No. 2 Factory	267,710,691	(462,515)	267,248,176	241,612,576	(462,515)	241,150,061
Production Line Improvement of No. 1 Factory	67,848,503	—	67,848,503	5,246,689	—	5,246,689
Production Line Improvement of Chengdu Company	66,584,217	—	66,584,217	6,359,151	—	6,359,151
New Factory Project of Suqian Company	50,448,907	—	50,448,907	8,807,317	—	8,807,317
New Factory Project of Fuzhou Company	46,109,088	—	46,109,088	77,399,700	—	77,399,700
Production Line Improvement of Wuwei Company	37,651,734	—	37,651,734	1,738,959	—	1,738,959
Production Line Improvement of Shenzhen Asahi	22,662,557	—	22,662,557	12,616,693	—	12,616,693
Production Line Improvement of No. 3 Company	21,759,220	—	21,759,220	35,267,350	—	35,267,350
Production Line Improvement of Hangzhou Company	21,087,044	—	21,087,044	6,542,459	—	6,542,459
New Factory Project of Yangzhou Company	13,688,002	—	13,688,002	1,149,984	—	1,149,984

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

(13) Construction in progress (Cont'd)

	30 June 2012 (Unaudited)			31 December 2011		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
New Factory Project of Zhuhai Company	10,286,897	—	10,286,897	3,612,076	—	3,612,076
Production Line Improvement of No. 4 Factory	9,820,578	—	9,820,578	—	—	—
New Factory Project of Malt Factory	9,285,741	—	9,285,741	1,086,095	—	1,086,095
New Factory Project of Tengzhou Company	5,755,760	—	5,755,760	35,524,256	—	35,524,256
Production Line Improvement of Shouguang Company	4,660,072	—	4,660,072	692,923	—	692,923
Production Line Improvement of Yulin Company	4,230,169	—	4,230,169	1,922,650	—	1,922,650
New Factory Project of Taizhou Company	4,129,360	—	4,129,360	886,748	—	886,748
Production Line Improvement of Hans Baoji Company	3,105,555	—	3,105,555	—	—	—
Instruments Installation of Headquarters	2,945,025	—	2,945,025	883,716	—	883,716
Production Line Improvement of Luzhou Company	2,681,809	—	2,681,809	—	—	—
New Factory Project of Shijiazhuang Company	2,616,651	—	2,616,651	—	—	—
Production Line Improvement of Pengcheng Company	2,467,593	—	2,467,593	1,629,003	—	1,629,003
Production Line Improvement of Anshan Company	2,283,095	—	2,283,095	—	—	—
Production Line Improvement of Xiamen Company	1,931,561	—	1,931,561	—	—	—
Production Line Improvement of Five Star Company	1,888,791	—	1,888,791	89,588	—	89,588
Production Line Improvement of Nanning Company	1,812,528	—	1,812,528	933,846	—	933,846
Production Line Improvement of No. 5 Factory	1,794,873	—	1,794,873	959,000	—	959,000
New Factory Project of Haerbin Company	1,787,544	—	1,787,544	19,891	—	19,891
Production Line Improvement of Yingcheng Company	1,444,716	—	1,444,716	—	—	—
Production Line Improvement of Taiyuan Company	1,310,837	—	1,310,837	317,415	—	317,415
Production Line Improvement of Immense Brewery Company	1,076,973	—	1,076,973	18,565,957	—	18,565,957
Production Line Improvement of Songjiang Company	941,156	—	941,156	19,075,827	—	19,075,827
New Factory Project of Jieyang Company	226,801	—	226,801	63,214,000	—	63,214,000
Production Line Improvement of Shaoguan Company	17,280	—	17,280	52,816,403	—	52,816,403
Other projects	7,356,949	—	7,356,949	25,823,562	—	25,823,562
	<u>701,408,277</u>	<u>(462,515)</u>	<u>700,945,762</u>	<u>624,793,834</u>	<u>(462,515)</u>	<u>624,331,319</u>

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

(13) Construction in progress (Cont'd)

(a) Movement in significant construction in progress

Name	Budget	31 December 2011	Increase in current period (Unaudited)	Transfer to fixed assets (Unaudited)	30 June 2012 (Unaudited)	Proportion of expenditures incurred to budgeted amount	Progress of construction	Source of funds
Production Line Improvement of No. 2 Factory	531,879,285	241,612,576	127,969,620	(101,871,505)	267,710,691	69%	72%	Funding from the exercise of bonds
Production Line Improvement of No. 1 Factory	297,660,000	5,246,689	64,394,769	(1,792,955)	67,848,503	23%	25%	Self-funding
Production Line Improvement of Chengdu Company	85,192,722	6,359,151	62,531,985	(2,306,919)	66,584,217	81%	86%	Self-funding
New Factory Project of Suqian Company	200,000,000	8,807,317	41,641,590	—	50,448,907	25%	27%	Self-funding
New Factory Project of Fuzhou Company	134,700,000	77,399,700	46,392,874	(77,683,486)	46,109,088	92%	96%	Self-funding
Production Line Improvement of Wuwei Company	314,910,000	1,738,959	36,842,425	(929,650)	37,651,734	12%	15%	Self-funding
Production Line Improvement of Shenzhen Asahi	58,377,621	12,616,693	24,300,802	(14,254,938)	22,662,557	63%	60%	Self-funding
Production Line Improvement of No. 3 Company	224,645,651	35,267,350	1,050,375	(14,558,505)	21,759,220	98%	95%	Self-funding
Production Line Improvement of Hangzhou Company	172,540,000	6,542,459	14,544,585	—	21,087,044	12%	14%	Self-funding
New Factory Project of Yangzhou Company	247,780,000	1,149,984	12,538,018	—	13,688,002	6%	5%	Self-funding
New Factory Project of Zhuhai Company	12,000,000	3,612,076	6,909,718	(234,897)	10,286,897	88%	93%	Self-funding
Production Line Improvement of No. 4 Factory	12,887,000	—	11,795,993	(1,975,415)	9,820,578	92%	96%	Self-funding
New Factory Project of Mali Factory	373,220,000	1,086,095	8,199,646	—	9,285,741	2%	2%	Funding from bonds
New Factory Project of Tengzhou Company	205,857,065	35,524,256	12,994,099	(42,762,595)	5,755,760	99%	99%	Self-funding
Production Line Improvement of Shouguang Company	10,125,000	692,923	7,060,990	(3,093,841)	4,660,072	70%	70%	Self-funding
Production Line Improvement of Yulin Company	7,875,131	1,922,650	2,307,519	—	4,130,169	70%	73%	Self-funding
New Factory Project of Taizhou Company	15,954,300	886,748	5,342,910	(2,100,298)	4,129,360	89%	90%	Self-funding
Production Line Improvement of Hans Baoji Company	9,331,918	—	8,259,851	(5,154,296)	3,105,555	88%	90%	Self-funding
Instruments Installation of Headquarters	10,773,648	883,716	2,061,309	—	2,945,025	27%	30%	Self-funding
Production Line Improvement of Luzhou Company	2,821,485	—	2,681,809	—	2,681,809	95%	100%	Self-funding
New Factory Project of Shijiazhuang Company	2,610,000	—	2,616,651	—	2,616,651	100%	100%	Self-funding
Production Line Improvement of Pengcheng Company	7,472,000	1,629,003	5,114,597	(4,276,007)	2,467,593	90%	95%	Self-funding
Production Line Improvement of Anshan Company	2,329,800	—	2,283,095	—	2,283,095	98%	95%	Self-funding
Production Line Improvement of Xiamen Company	8,761,000	—	1,931,561	—	1,931,561	22%	28%	Self-funding
Production Line Improvement of Five Star Company	6,503,106	89,588	4,326,835	(2,527,632)	1,888,791	68%	66%	Self-funding

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

(13) Construction in progress (Cont'd)

(a) Movement in significant construction in progress (Cont'd)

Name	Budget	31 December 2011	Increase in current period (Unaudited)	Transfer to fixed assets (Unaudited)	30 June 2012 (Unaudited)	Proportion of expenditures incurred to budgeted amount	Progress of construction	Source of funds
Production Line Improvement of Nanning Company	8,325,263	933,846	3,688,627	(2,809,945)	1,812,538	56%	60%	Self-funding
Production Line Improvement of No. 5 Factory	11,800,410	959,000	2,210,273	(1,374,400)	1,794,873	27%	31%	Self-funding
New Factory Project of Haerbin Company	12,385,000	19,891	2,357,237	(589,584)	1,787,544	19%	15%	Self-funding
Production Line Improvement of Yingsheng Company	2,787,759	—	2,290,092	(845,376)	1,444,716	82%	80%	Self-funding
Production Line Improvement of Taiyuan Company	24,577,339	317,415	2,917,591	(1,924,169)	1,310,837	42%	44%	Self-funding
Production Line Improvement of Immense Brewery Company	104,600,000	18,565,957	12,107,602	(29,596,586)	1,076,973	29%	30%	Self-funding
Production Line Improvement of Songjiang Company	217,107,300	19,075,827	20,415,300	(38,549,971)	941,156	84%	86%	Self-funding
New Factory Project of Jieyang Company	98,935,348	63,214,000	—	(62,987,199)	226,801	64%	62%	Self-funding
Production Line Improvement of Shaoguan Company	67,436,403	52,816,403	5,447,242	(58,246,365)	17,280	86%	84%	Self-funding
Other projects		25,823,562	34,053,267	(52,519,880)	7,356,949			Self-funding
		<u>624,793,834</u>	<u>601,580,857</u>	<u>(524,966,414)</u>	<u>701,408,277</u>			

For the six months ended 30 June 2012, there are no borrowing costs eligible for capitalisation (six months ended 30 June 2011: nil).

(b) Provision for impairment

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2012 (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.

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

(14) Fixed assets pending for disposal

	30 June 2012 (Unaudited)	31 December 2011	Reason for transfer to assets pending for disposal
Machinery and equipment	<u>10,632,245</u>	<u>3,426,554</u>	Old machinery and equipment for disposal

(15) Intangible assets

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2012 (Unaudited)
Original cost	2,855,950,174	46,805,371	—	2,902,755,545
Land use rights	1,515,820,582	30,818,944	—	1,546,639,526
Patents	378,018,586	—	—	378,018,586
Proprietary	18,629,100	—	—	18,629,100
Marketing network	766,864,038	—	—	766,864,038
others	176,617,868	15,986,427	—	192,604,295
Accumulated amortisation	(477,144,173)	(76,497,487)	—	(553,641,660)
Land use rights	(235,487,437)	(16,549,276)	—	(252,036,713)
Patents	(75,395,739)	(14,371,284)	—	(89,767,023)
Proprietary	(18,629,100)	—	—	(18,629,100)
Marketing network	(94,631,608)	(9,487,560)	—	(104,119,168)
others	(53,000,289)	(36,089,367)	—	(89,089,656)
Net book value	2,378,806,001	—	—	2,349,113,885
Land use rights	1,280,333,145	—	—	1,294,602,813
Patents	302,622,847	—	—	288,251,563
Proprietary	—	—	—	—
Marketing network	672,232,430	—	—	662,744,870
others	123,617,579	—	—	103,514,639

For the six months ended 30 June 2012, amortisation of intangible assets amount to RMB76,497,487 in total, which is recognised in profit or loss for the current period (six months ended 30 June 2011: RMB46,861,695).

As at 30 June 2012, there are no intangible assets pledged as collateral for bank borrowings (31 December 2011: nil).

As at 30 June 2012, the relevant legal procedures for certificates application of the Group's land use rights with carrying value of approximately RMB89,512,967 (31 December 2011: RMB138,152,000) 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 2012, 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 RMB77,752,296 as at 30 June 2012 (31 December 2011: RMB78,267,000). The Company's directors consider that there is no significant adverse impact on the operations of the Group.

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

(16) Goodwill

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2012 (Unaudited)
Goodwill —				
Immense Brewery Company	958,868,617	—	—	958,868,617
Huanan Region — Nanning Company	130,895,740	—	—	130,895,740
Huabei Region — Three Ring Company/Beifang Sales Company	24,642,782	—	—	24,642,782
Dongnan Region — Fuzhou Company/Xiamen Company/Zhangzhou company/Dongnan Sales Company	114,031,330	—	—	114,031,330
Others	50,657,188	—	—	50,657,188
	<u>1,279,095,657</u>	<u>—</u>	<u>—</u>	<u>1,279,095,657</u>
<i>Less: provision for impairment (a) —</i>				
Immense Brewery Company	—	—	—	—
Huanan Region — Nanning Company	(130,895,740)	—	—	(130,895,740)
Huabei Region — Three Ring Company/Beifang Sales Company	(24,642,782)	—	—	(24,642,782)
Dongnan Region — Fuzhou Company/Xiamen Company/Zhangzhou company/Dongnan Sales Company	—	—	—	—
Others	(41,872,217)	—	—	(41,872,217)
	<u>(197,410,739)</u>	<u>—</u>	<u>—</u>	<u>(197,410,739)</u>
	<u>1,081,684,918</u>	<u>—</u>	<u>—</u>	<u>1,081,684,918</u>

(a) Impairment

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

	30 June 2012 (Unaudited)	31 December 2011
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 2011, 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 calculated 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 each asset group and group of asset groups.

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

(17) Long-term prepaid expenses

	31 December 2011	Increase in current period (Unaudited)	Amortisation in current period (Unaudited)	30 June 2012 (Unaudited)
Occupancy expense	2,080,000	—	(80,000)	2,000,000
Gardening expense	1,561,622	—	(447,131)	1,114,491
Rental charge	1,383,193	—	(936,175)	447,018
Advertising expense	132,000	—	(66,000)	66,000
Others	2,425,815	492,815	(587,757)	2,330,873
	<u>7,582,630</u>	<u>492,815</u>	<u>(2,117,063)</u>	<u>5,958,382</u>

(18) Deferred tax assets and deferred tax liabilities

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

	30 June 2012 (Unaudited)		31 December 2011	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for assets impairment	8,238,567	32,954,268	8,798,589	35,194,356
Business combination involving entities not under common control	809,368	3,237,472	985,299	3,941,196
Deferred government grants	6,809,766	27,239,064	6,799,069	27,196,276
Accruals not tax deductible	470,501,725	1,882,006,900	419,458,008	1,677,832,032
	<u>486,359,426</u>	<u>1,945,437,704</u>	<u>436,040,965</u>	<u>1,744,163,860</u>

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

	30 June 2012 (Unaudited)		31 December 2011	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Business combination involving entities not under common control	197,723,252	790,893,007	209,569,271	838,277,084
The difference between carrying amount and tax base of convertible bonds	34,394,149	137,576,596	43,576,821	174,307,284
	<u>232,117,401</u>	<u>928,469,603</u>	<u>253,146,092</u>	<u>1,012,584,368</u>

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

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

	30 June 2012 (Unaudited)	31 December 2011
Deductible losses	839,377,087	914,000,823
Deductible temporary differences	537,521,055	609,407,297
	<u>1,376,898,142</u>	<u>1,523,408,120</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 has not recognised deferred tax assets of approximately RMB209,844,000 (31 December 2011: RMB222,674,000) arising from the accumulated losses that can set off against taxable incomes under tax laws in the five-year period from 2013 to 2017. 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 has not recognised deferred tax assets of approximately RMB134,380,000 (31 December 2011: RMB152,352,000) arising from the deductible temporary differences resulting from the impacts of provision for impairment losses and business combination on fair value.

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

	30 June 2012 (Unaudited)	31 December 2011
2012	—	138,380,361
2013	188,362,606	188,186,709
2014	83,029,715	73,759,599
2015	80,508,788	118,654,504
2016	337,742,095	395,019,650
2017	149,733,883	—
	<u>839,377,087</u>	<u>914,000,823</u>

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

	30 June 2012 (Unaudited)	31 December 2011
Deferred tax assets	34,394,149	43,576,821
Deferred tax liabilities	34,394,149	43,576,821

Net amounts of deferred assets and liabilities taking into consideration the offsetting of balances are set out as follows:

	30 June 2012 (Unaudited)		31 December 2011	
	Net amounts	Deductible/ taxable temporary differences after offsetting	Net amounts	Deductible/ taxable temporary differences after offsetting
Deferred tax assets	451,965,277	1,807,861,108	392,464,144	1,569,856,576
Deferred tax liabilities	197,723,252	790,893,007	209,569,271	838,277,084

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

(19) Provision for asset impairment

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period		30 June 2012 (Unaudited)
			Reversal (Unaudited)	Write-off (Unaudited)	
Provision for bad debts	330,308,795	4,008,733	(442,094)	(8,915,220)	324,960,214
Including:					
Provision for bad debts of accounts receivable	236,951,339	564,449	(261,955)	(8,148,221)	229,105,612
Provision for bad debts of other receivables	93,357,456	3,444,284	(180,139)	(766,999)	95,854,602
Provision for decline in value of inventories	21,961,704	—	(225,304)	(2,760,953)	18,975,447
Provision for impairment of long-term equity investments	10,028,179	—	—	—	10,028,179
Provision for impairment of fixed assets and investment properties	694,861,342	—	—	(16,219,376)	678,641,966
Provision for impairment of construction in progress	462,515	—	—	—	462,515
Provision for impairment of goodwill	197,410,739	—	—	—	197,410,739
	<u>1,255,033,274</u>	<u>4,008,733</u>	<u>(667,398)</u>	<u>(27,895,549)</u>	<u>1,230,479,060</u>

(20) Other non-current assets

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

As at 30 June 2012, there are no other non-current assets from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2011: nil).

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

(21) Short-term borrowings

(a) Classification of short-term borrowings

	Currency	30 June 2012 (Unaudited)	31 December 2011
Unsecured	HKD	103,818,267	103,696,637
Entrusted (i)	RMB	62,000,000	57,000,000
Guaranteed	RMB	—	2,000,000
		<u>165,818,267</u>	<u>162,696,637</u>

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

For the six months ended 30 June 2012, the weighted average interest rate of short-term borrowings is 4.53% (six months ended 30 June 2011: 3.72%).

As at 30 June 2012, there are no short-term borrowings that are due but have not been paid (31 December 2011: nil).

(22) Notes payable

	30 June 2012 (Unaudited)	31 December 2011
Trade acceptance notes	27,990,000	32,100,000
Bank acceptance notes	35,110,425	51,793,730
	<u>63,100,425</u>	<u>83,893,730</u>

As at 30 June 2012, other cash balances of RMB11,908,668 (31 December 2011: RMB4,130,453) is pledged as collateral for insurance of acceptance notes (Note 5(1)).

As at 30 June 2012, the Group's bank acceptance notes with amount of RMB10,408,763 (31 December 2011: RMB7,318,780) are guaranteed by TB Group Company (note 7(4)(c)).

As at 30 June 2012, all notes payable are due within six months.

(23) Accounts payable

	30 June 2012 (Unaudited)	31 December 2011
Amount for purchase materials	2,388,356,494	1,619,007,766
Amount for purchase beer from related parties	58,446,727	22,335,742
Amount for purchase promotion goods	46,219,406	17,272,500
Others	6,128,113	3,405,861
	<u>2,499,150,740</u>	<u>1,662,021,869</u>

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

(23) Accounts payable (Cont'd)

(a) As at 30 June 2012, there are no accounts payable to shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2011: nil).

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

	30 June 2012 (Unaudited)	31 December 2011
Yantai Asahi	<u>58,446,727</u>	<u>22,335,742</u>

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

	30 June 2012 (Unaudited)			31 December 2011		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
AUD	—	—	<u>—</u>	23,615	5.8162	<u>137,350</u>

(d) The ageing of accounts payable based on their recording dates is analysed below:

	30 June 2012 (Unaudited)	31 December 2011
Within 1 year	2,460,425,276	1,631,517,734
1 to 2 years	10,174,934	11,031,540
2 to 3 years	9,953,473	5,507,092
Over 3 years	<u>18,597,057</u>	<u>13,965,503</u>
	<u>2,499,150,740</u>	<u>1,662,021,869</u>

(24) Advances from customers

	30 June 2012 (Unaudited)	31 December 2011
Advances on sales of beer	<u>557,829,021</u>	<u>751,128,688</u>

(a) As at 30 June 2012, there are no advances from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2011: nil).

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

	30 June 2012 (Unaudited)	31 December 2011
Liaoning Shengqing	<u>7,155,660</u>	<u>21,336,053</u>

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

(24) Advances from customers (Cont'd)

- (c) As at 30 June 2012, advances from customers over 1 year with carrying amount of approximately RMB10,821,987 (31 December 2011: RMB15,321,032) 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 2012, there are no advances from customers denominated in foreign currency. (31 December 2011: nil).

(25) Employee benefits payable

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2012 (Unaudited)
Salaries, bonuses, allowances and subsidies	336,641,343	985,353,130	(977,362,898)	344,631,575
Staff welfare	255,903	79,725,715	(79,717,447)	264,171
Social insurances	41,432,671	212,332,971	(204,962,028)	48,803,614
Including: Medical insurance	13,925,219	58,633,136	(57,925,560)	14,632,795
Pension insurance	19,922,673	128,026,259	(122,420,214)	25,528,718
Unemployment insurance	5,450,053	13,111,197	(12,628,142)	5,933,108
Other insurances	2,134,726	12,562,379	(11,988,112)	2,708,993
Housing funds	18,256,043	66,526,259	(64,218,440)	20,563,862
Labor union fund and employee education fund	109,558,337	38,233,093	(23,014,000)	124,777,430
Internal retirement benefits	251,666,006	30,239,240	(35,042,193)	246,863,053
	<u>757,810,303</u>	<u>1,412,410,408</u>	<u>(1,384,317,006)</u>	<u>785,903,705</u>

As at 30 June 2012, no defaulted payables are included in the balance of employee benefits payable and the balance (other than partial bonuses, internal retirement benefits, social assurance and housing funds for temporary staff, labor union funds and employee education funds) is estimated to be used up in 2012. Bonuses will be paid according to payment plan, internal retirement benefits will be paid in installments in the period up to the employees' statutory retirement, social assurance and housing funds for temporary staff will be paid in installments based on usage, while labour union funds and employee education funds will be paid in installments based on usage plans.

(26) Taxes payable

	30 June 2012 (Unaudited)	31 December 2011
Consumption tax	273,367,102	147,133,279
Enterprise income tax	243,467,605	263,498,047
VAT	202,732,897	77,343,931
City maintenance and construction tax	34,647,323	14,274,948
Education surcharge	28,383,947	15,739,792
Business tax	16,935,728	32,849,680
Withholding income tax	1,651,445	2,283,348
Others	36,725,329	15,473,375
	<u>837,911,376</u>	<u>568,596,400</u>

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

(27) Dividends payable

	30 June 2012 (Unaudited)	31 December 2011
Payable to shareholders of RMB-denominated ordinary shares	180,937,541	—
Payable to shareholders of overseas listed shares	170,317,986	—
Payable to SITC Logistic (HK) Limited	—	761,458
	<u>351,255,527</u>	<u>761,458</u>

(28) Other payables

	30 June 2012 (Unaudited)	31 December 2011
Marketing expenses	1,354,889,604	1,238,615,498
Guarantee deposits	832,501,698	696,548,813
Payables to vendors of construction and machinery and equipment	681,378,681	583,344,169
Accruals for transportation expenses	234,480,040	104,763,827
Accruals for advertising expenses	177,540,339	95,923,946
Accruals for general and administrative expenses	31,539,813	37,675,863
Accruals for labor expenses	41,586,055	16,045,553
Accruals for electricity expenses	24,304,706	11,529,868
Withholding overall social planning expenses for staff	7,465,017	6,912,888
Others	405,895,388	373,041,341
	<u>3,791,581,341</u>	<u>3,164,401,766</u>

(a) As at 30 June 2012, there are no other payables to shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2011: RMB5,000,000).

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

	30 June 2012 (Unaudited)	31 December 2011
Zhaoshang Logistics	48,196,899	31,858,161
Yantai Asahi	22,143,456	1,501,875
TB Group Company	—	5,000,000
	<u>70,340,355</u>	<u>38,360,036</u>

(c) As at 30 June 2012, other payables over 1 year with carrying amount of RMB342,482,054 (31 December 2011: RMB328,516,321) are mainly liabilities incurred on acquisition of subsidiaries.

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

	30 June 2012 (Unaudited)			31 December 2011		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
HKD	17,939,221	0.8152	14,624,053	725,349	0.8107	588,040
USD	1,218,247	6.3249	7,705,290	582,850	6.3009	3,672,480
MOP	2,112,827	0.7956	1,680,965	300,000	0.7886	236,580
			<u>24,010,308</u>			<u>4,497,100</u>

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

(29) Current portion of non-current liabilities

	30 June 2012 (Unaudited)	31 December 2011
Current portion of long-term borrowings (a)	1,493,221	1,690,220
Current portion of long-term payables	—	625,414
	<u>1,493,221</u>	<u>2,315,634</u>

(a) Current portion of long-term borrowings

	30 June 2012 (Unaudited)	31 December 2011
Guaranteed	<u>1,493,221</u>	<u>1,690,220</u>

As at 30 June 2012, there are no overdue borrowings (31 December 2011: nil). Details please refer to Note 5(30).

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

	Starting date	Ending date	Currency	Interest rate (%)	30 June 2012 (Unaudited)		31 December 2011	
					Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
Import and Export Bank of China	1996.12.01	2012.12.31	EUR	—	154,313	1,214,599	154,313	1,259,581
Import and Export Bank of China	1996.10.01	2013.04.01	DKK	—	185,072	197,102	391,739	430,639
Communications Bank of China, Hong Kong Branch	2011.05.25	2014.07.14	HKD	3.17%	100,000	81,520	—	—
						<u>1,493,221</u>		<u>1,690,220</u>

(30) Long-term borrowings

	Currency	30 June 2012 (Unaudited)	31 December 2011
Guaranteed	HKD	448,278,480	445,885,000
Guaranteed	EUR	4,333,716	4,494,214
Guaranteed	DKK	<u>3,621,000</u>	<u>3,737,620</u>
		<u>456,233,196</u>	<u>454,116,834</u>

As at 30 June 2012, guaranteed long-term borrowings include:

Bank guaranteed borrowing of RMB448,360,000 (Original foreign currency: HKD550,000,000) (31 December 2011: RMB445,885,000 (Original foreign currency: HKD550,000,000)) guaranteed by the Company to Hong Kong company, a subsidiary. The amount due on 26 May 2013 amounted to RMB81,520. The principal amount shall be repaid when the borrowing falls due on 26 May 2014;

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

(30) Long-term borrowings (Cont'd)

Bank guaranteed borrowing of RMB5,548,315 (foreign currency: EUR704,906) (31 December 2011: RMB5,753,795, foreign currency: EUR704,906) 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 RMB1,214,599 (31 December 2011: RMB1,259,581);

Bank guaranteed borrowing of RMB3,818,102 (foreign currency: DKK3,585,072) (31 December 2011: RMB4,168,259, foreign currency: DKK3,791,739) 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 RMB197,102 (31 December 2011: RMB430,639).

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

	Starting date	Ending date	Currency	Interest rate (%)	30 June 2012 (Unaudited)		31 December 2011	
					Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
Communications Bank of China, Hong Kong Branch	2011.05.25	2014.05.26	HKD	3.17%	549,900,000	448,278,480	550,000,000	445,885,000
Import and Export Bank of China	1996.12.31	2016.12.31	EUR	—	550,593	4,333,716	550,593	4,494,214
Import and Export Bank of China	1996.10.01	2021.04.01	DKK	—	3,400,000	3,621,000	3,400,000	3,737,620
						<u>456,233,196</u>		<u>454,116,834</u>

For the six months ended 30 June 2012, the weighted average interest rate of long-term borrowings is 3.07% (six months ended 30 June 2011: 1.55%).

As at 30 June 2012, there are no overdue borrowings.

(31) Debentures payable

	31 December 2011	Current period additions (Unaudited)	Current period reductions (Unaudited)	30 June 2012 (Unaudited)
Convertible bonds	<u>1,334,692,717</u>	<u>42,730,686</u>	<u>(12,000,000)</u>	<u>1,365,423,403</u>

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

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

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

(31) Debentures payable (Cont'd)

Accrued interests of debentures are analysed as follows:

	Accrued interests			30 June 2012 (Unaudited)
	31 December 2011	Current period accruals (Unaudited)	Current period payments (Unaudited)	
Convertible bonds	—	12,000,000	(12,000,000)	—

As at 30 June 2012, 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	<u>(26,245,028)</u>
Liability component on initial recognition	1,084,052,932
Interest expenses up to 31 December 2011	286,639,785
Interest paid up to 31 December 2011	<u>(36,000,000)</u>
Liability component as at 31 December 2011	1,334,692,717
Interest expenses for the six months ended 30 June 2012	42,730,686
Interest paid for the six months ended 30 June 2012	<u>(12,000,000)</u>
Liability component as at 30 June 2012	<u><u>1,365,423,403</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 2012 (Unaudited)	31 December 2011
Deferred income (a)	<u><u>1,050,927,671</u></u>	<u><u>1,011,216,862</u></u>

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

(33) Other non-current liabilities (Cont'd)

(a) *Deferred income*

	30 June 2012 (Unaudited)	31 December 2011
Government grants related to income		
Projects on relocation compensation	32,484,116	21,886,308
Projects on scientific research grant	7,015,169	6,665,169
	39,499,285	28,551,477
Government grants related to assets		
Projects on relocation compensation for old factory	881,876,965	857,960,444
Projects on expansion or new factory construction	68,870,034	86,152,013
Projects on technology improvement	43,577,874	21,701,540
Project on sewage treatment	7,229,024	7,409,064
Other projects	9,874,489	9,442,324
	1,011,428,386	982,665,385
	1,050,927,671	1,011,216,862

(34) Share capital

	31 December 2011	Current period movement		30 June 2012
		Others (Unaudited)	Subtotal (Unaudited)	(Unaudited)
Shares not subject to trading restriction —				
RMB-denominated ordinary shares	695,913,617	—	—	695,913,617
Foreign shares listed overseas	655,069,178	—	—	655,069,178
	1,350,982,795	—	—	1,350,982,795

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

(34) Share capital (Cont'd)

	31 December 2010	Current period movement		30 June 2011 (Unaudited)
		Others (Unaudited)	Subtotal (Unaudited)	
Shares subject to trading restriction —				
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>
Shares not subject to trading restriction —				
RMB-denominated 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, as at 30 June 2012, all the shares held by the original shareholders of non-circulating shares were subject to trading (Note 1).

(35) Capital surplus

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2012 (Unaudited)
Share premium	3,920,210,913	—	—	3,920,210,913
Other capital surplus —	97,727,988	—	—	97,727,988
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	4,389,774	—	—	4,389,774
	<u>4,017,938,901</u>	<u>—</u>	<u>—</u>	<u>4,017,938,901</u>

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

(35) Capital surplus (Cont'd)

	31 December 2010	Increase in current period (Unaudited)	Decrease in current period (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>

(36) Surplus reserve

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2012 (Unaudited)
Statutory surplus reserve	<u>808,735,661</u>	<u>—</u>	<u>—</u>	<u>808,735,661</u>
	31 December 2010	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2011 (Unaudited)
Statutory surplus reserve	<u>691,825,740</u>	<u>—</u>	<u>—</u>	<u>691,825,740</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.

(37) Undistributed profits

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Amount (Unaudited)	Ratio for appropriation or distribution	Amount (Unaudited)	Ratio for appropriation or distribution
Undistributed profits at the beginning of the year	4,915,661,595		3,537,820,385	
Add: Net profit attributable to the Company for the current period	1,007,406,644		989,902,083	
Less: Appropriation for statutory surplus reserve	—		—	
Ordinary shares dividend payable	<u>(351,255,527)</u>	0.26 per share	<u>(243,176,903)</u>	0.18 per share
Undistributed profits at the end of the year	<u>5,571,812,712</u>		<u>4,284,545,565</u>	

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

(37) Undistributed profits (Cont'd)

As at 30 June 2012, included in the undistributed profits, RMB552,675,184 is subsidiaries' surplus reserve attributable to the Company (31 December 2011: RMB552,675,184).

In accordance with the resolution at the Annual General Meeting dated 27 June 2012, the Company proposed a cash dividend to shareholders of the Company of RMB351,255,527 (RMB0.26 per share(pre-tax)), based on total number of shares 1,350,982,795 (2011: cash dividend for 2010 RMB0.18 per share (pre-tax) at RMB243,176,903). As at 30 June 2012, the dividend has not been paid yet.

(38) Minority interests

Minority interests attributable to the shareholders of subsidiaries

	30 June 2012 (Unaudited)	31 December 2011
Shenzhen Asahi	183,997,176	199,668,835
Jieyang Company	48,225,115	—
Hangzhou Company	40,056,203	40,794,335
Nanning Company	39,828,897	38,171,153
Sanshui Company	22,899,004	27,231,784
Jiujiang Company	20,000,000	—
Hanzhong Company	16,562,968	15,702,977
Xuzhou Company	13,049,593	15,099,488
Zhangzhou Company	10,714,300	10,504,502
Gansu Nongken Company	(61,303,649)	(61,437,302)
Yangzhou Company	(48,572,636)	(52,499,541)
Three Ring Company	(36,221,271)	(41,581,133)
Five Star Company	(26,238,320)	(28,848,934)
Others	5,950,472	3,689,729
	<u>228,947,852</u>	<u>166,495,893</u>

(39) Revenue and cost of sales

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Revenue from main operation	13,206,159,391	11,873,127,931
Revenue from other operation	199,338,386	176,855,622
	<u>13,405,497,777</u>	<u>12,049,983,553</u>
	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Cost of main operation	(7,837,496,311)	(6,719,638,039)
Cost of other operation	(141,466,910)	(120,660,644)
	<u>(7,978,963,221)</u>	<u>(6,840,298,683)</u>

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

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

(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 2012 (Unaudited)		Six months ended 30 June 2011 (Unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sales of Beer	<u>13,206,159,391</u>	<u>(7,837,496,311)</u>	<u>11,873,127,931</u>	<u>(6,719,638,039)</u>

Analysis by locations is as follow:

	Six months ended 30 June 2012 (Unaudited)		Six months ended 30 June 2011 (Unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Shandong Region	7,070,490,347	(4,265,238,061)	6,290,846,421	(3,583,915,649)
Huanan Region	2,420,054,691	(1,409,994,851)	2,321,186,762	(1,257,707,527)
Huabei Region	2,602,982,556	(1,824,910,231)	2,189,874,872	(1,513,919,302)
Huadong Region	1,239,320,799	(899,999,230)	977,385,827	(688,579,769)
Dongnan Region	850,753,177	(548,952,389)	826,550,601	(524,321,382)
Hong Kong, Macau and other overseas	<u>220,425,249</u>	<u>(119,578,223)</u>	<u>218,638,817</u>	<u>(101,167,584)</u>
	14,404,026,819	(9,068,672,985)	12,824,483,300	(7,669,611,213)
Less: eliminations	<u>(1,197,867,428)</u>	<u>1,231,176,674</u>	<u>(951,355,369)</u>	<u>949,973,174</u>
	<u>13,206,159,391</u>	<u>(7,837,496,311)</u>	<u>11,873,127,931</u>	<u>(6,719,638,039)</u>

(b) Revenue and cost of other operation

	Six months ended 30 June 2012 (Unaudited)		Six months ended 30 June 2011 (Unaudited)	
	Revenue from other operation	Cost of other operation	Revenue from other operation	Cost of other operation
Sale of materials and scraps	79,035,479	(67,852,727)	79,228,674	(68,755,073)
Sale of packaging materials	20,243,711	(18,683,645)	17,522,330	(11,470,017)
Transportation service	36,817,759	(27,341,655)	12,652,455	(10,065,324)
Others	<u>63,241,437</u>	<u>(27,588,883)</u>	<u>67,452,163</u>	<u>(30,370,230)</u>
	<u>199,338,386</u>	<u>(141,466,910)</u>	<u>176,855,622</u>	<u>(120,660,644)</u>

(c) Revenue from the five largest customers of the Group

Revenue from the five largest customers of the Group with amount of RMB704,171,000 (six months ended 30 June 2011: RMB725,006,000) accounts for 5.25% (six months ended 30 June 2011: 6.02%).

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

(40) Tax and surcharges

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)	Tax basis
Consumption tax	907,876,379	833,531,824	Note 3
City maintenance and construction tax	144,570,722	130,334,099	Note 3
Education surcharge	109,894,132	89,906,520	Note 3
Business tax	3,660,877	2,124,133	Note 3
Others	103,238	41,567	
	<u>1,166,105,348</u>	<u>1,055,938,143</u>	

(41) Selling and distribution expenses

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Promotion-related expenses and advertising	1,160,472,774	1,267,974,990
Transportation and loading expenses	562,611,205	521,608,979
Employee benefit expenses	524,547,364	411,580,478
Administrative and business travel expenses	68,925,073	50,851,330
Rental expenses	35,965,551	30,800,690
Materials consumption	24,317,916	22,964,191
Amortisation expenses	38,850,065	24,075,040
Depreciation expenses	4,831,035	5,329,530
Others	41,016,153	40,570,524
	<u>2,461,537,136</u>	<u>2,375,755,752</u>

(42) General and administrative expenses

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Employee benefit	271,957,295	240,605,152
Administrative, business travel, and entertainment expenses	81,145,406	63,631,259
Tax expenses	65,975,899	58,981,395
Amortisation expenses	39,764,485	23,753,018
Depreciation expenses	25,816,777	23,674,322
Materials consumption	10,382,229	8,173,681
Repair expenses	10,357,172	14,983,524
Intermediary agency fees	8,609,103	12,816,553
Rental expenses	8,302,140	6,319,663
Insurance premiums	2,896,439	2,185,978
Others	39,675,073	39,517,715
	<u>564,882,018</u>	<u>494,642,260</u>

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

(43) Financial income/(expenses) — net

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Interest income	143,449,461	48,992,022
Less: Interest expenses —	(53,291,556)	(43,789,140)
Including: Bank borrowings	(10,560,870)	(3,311,305)
Debentures payable	(42,730,686)	(40,477,835)
Exchange losses	75,659	(39,028)
Future finance charges	(4,015,766)	(4,682,036)
Others	(2,418,375)	(2,855,330)
	<u>83,799,423</u>	<u>(2,373,512)</u>

(44) Investment income

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Income from long-term equity investment under equity method	<u>5,886,253</u>	<u>1,975,523</u>

There is no significant restriction on 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 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)	Reason for current period additions or reductions
Yantai Asahi	3,295,873	(238,538)	Increase in profit of the investee for the period
Zhaoshang Logistics	2,516,398	2,352,596	Increase in profit of the investee for the period
Liaoning Shenqing	<u>73,982</u>	<u>(138,535)</u>	Increase in profit of the investee for the period
	<u>5,886,253</u>	<u>1,975,523</u>	

(45) Asset impairment losses

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Impairment loss on bad debts	3,566,639	1,654,854
Impairment loss on decline in the values of inventories	(225,304)	(209,784)
	<u>3,341,335</u>	<u>1,445,070</u>

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

(46) Non-operating income

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Government grants (a)	95,201,061	119,137,976
Gain on disposal of non-current assets	8,686,433	828,501
including: gain on disposal of fixed assets	8,686,433	828,501
Gain on unpaid debts	536,118	451,805
Penalty gains	361,713	539,350
Others	9,784,242	3,605,340
	<u>114,569,567</u>	<u>124,562,972</u>

(a) Details of government grants

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)	Remarks
Relocation compensation	49,179,437	16,887,218	Relocation compensation for manufacturing factories
Tax return	5,043,662	66,369,453	Return of certain portion of tax paid
Project support fund	14,497,516	29,185,764	Grants for technology improvement projects
Others	26,480,446	6,695,541	and sewage treatment projects
	<u>95,201,061</u>	<u>119,137,976</u>	

(47) Non-operating expenses

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Losses on disposal of non-current assets	8,136,098	6,718,195
Including: Losses on disposal of fixed assets	8,136,098	6,718,195
Compensation and overdue fine	740,381	862,213
Public welfare donations	460,000	1,685,130
Penalty losses	126,595	348,204
Others	6,535,812	5,062,210
	<u>15,998,886</u>	<u>14,675,952</u>

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

(48) Income tax expenses

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Current income tax calculated according to tax law and related regulations — China enterprise income tax	438,834,446	477,971,754
Current profits tax calculated according to tax law and related regulations — Hong Kong profits tax	158,678	3,597,585
Current profits tax calculated according to tax law and related regulations — Macau profits supplemental tax	1,090,864	807,336
Deferred income tax	<u>(71,347,152)</u>	<u>(137,819,375)</u>
	<u>368,736,836</u>	<u>344,557,300</u>

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

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Total profit	<u>1,418,925,076</u>	<u>1,391,392,676</u>
Income tax expenses calculated at applicable tax rates	347,169,569	338,059,174
Tax impact for equivalent sales and expenses not deductible	18,518,721	25,196,654
Income not subject to tax	(3,659,738)	(5,604,445)
Utilisation of previously unrecognised deferred tax assets	(30,891,635)	(25,937,872)
Tax impact for which no deferred tax assets was recognised	<u>37,599,919</u>	<u>12,843,789</u>
Income tax expenses	<u>368,736,836</u>	<u>344,557,300</u>

(49) Earnings per share

(a) Basic earnings per share

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

	Six months ended 30 June 2012 (Unaudited)	2011 (Unaudited)
Consolidated net profit attributable to ordinary shareholders of the Company	1,007,406,644	989,902,083
Weighted average number of ordinary shares outstanding	<u>1,350,982,795</u>	<u>1,350,982,795</u>
Basic earnings per share	<u>0.746</u>	<u>0.733</u>
Including:		
— Basic earnings per share relating to continuing operations	0.746	0.733

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2012 and 2011, diluted earnings per share equal to basic earnings per share.

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

(50) Other comprehensive income

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Exchange differences arising from translating foreign operations	<u>(2,250,648)</u>	<u>621,116</u>

(51) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Deposits	334,626,621	271,053,328
Income from sales of materials and scraps	101,837,221	63,502,192
Government grants	34,626,168	67,624,177
Others	<u>113,240,685</u>	<u>107,534,438</u>
	<u>584,330,695</u>	<u>509,714,135</u>

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Transportation and loading expenses	518,123,355	401,730,378
Advertising expenses	377,844,649	248,502,370
Marketing and promotion expenses	234,729,750	165,302,898
Administrative expenses	125,189,232	122,887,644
Deposits	113,302,254	115,355,829
Others	<u>164,184,999</u>	<u>121,651,083</u>
	<u>1,533,374,239</u>	<u>1,175,430,202</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Government compensation for relocation and expansion projects	219,865,300	277,591,936
Deposits and interest income of Finance Company	102,901,900	—
Receipt of tender deposits etc.	5,287,582	1,026,469
Deposit for acquisition of a subsidiary	<u>—</u>	<u>85,000,000</u>
	<u>328,054,782</u>	<u>363,618,405</u>

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

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

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Deposit reserve of Finance Company	454,700,000	—
Payment of tender deposits etc.	<u>8,914,179</u>	<u>923,657</u>
	<u>463,614,179</u>	<u>923,657</u>

(e) Cash received relating to other financing activities

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Recovery of deposit for acceptance notes and letter of credit	<u>7,967,824</u>	<u>6,143,720</u>

(f) Cash paid relating to other financing activities

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Deposits paid for issuance of acceptance notes and letter of credit	16,461,994	7,772,122
Payment of finance lease payables	641,247	1,282,293
Others	<u>—</u>	<u>5,268</u>
	<u>17,103,241</u>	<u>9,059,683</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 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Net profit	1,050,188,240	1,046,835,376
<i>Add:</i> Provisions for asset impairment	3,341,335	1,445,070
Depreciation of fixed assets	331,215,104	267,435,612
Amortisation of intangible assets	76,497,487	46,861,695
Amortisation of long-term prepaid expenses	2,117,063	2,827,714
Losses on disposal of fixed assets	(550,335)	5,889,694
Financial (income)/expenses	(77,467,890)	42,794,160
Investment income	(5,886,253)	(1,975,523)
Increase in deferred tax assets	(59,501,133)	(130,137,414)
Decrease in deferred tax liabilities	(11,846,019)	(7,681,961)
Decrease/(Increase) in inventories	605,306,995	(240,392,016)
Decrease/(Increase) in operating receivables	757,650,736	(94,644,688)
Increase in operating payables	903,237,776	1,187,753,316
Net cash flows from operating activities	<u>3,574,303,106</u>	<u>2,127,011,035</u>

Net increase in cash

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Cash at the end of the period (b)	7,721,118,197	7,504,396,764
Less: cash at the beginning of the period	<u>(5,550,147,726)</u>	<u>(7,562,805,978)</u>
Net increase/(decrease) in cash	<u>2,170,970,471</u>	<u>(58,409,214)</u>

(b) Cash

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Cash (Note 5(1))	7,721,118,197	7,504,396,764
Including: Cash on hand	594,206	704,944
Cash at bank that can be readily drawn on demand	7,720,523,991	7,503,691,820
Cash at end of period	<u>7,721,118,197</u>	<u>7,504,396,764</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.

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

The Group identified 7 reportable segments as follows:

- Shandong region, responsible for the production and distribution of beer in Shandong region and 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
- Finance Company, engaged in the financial businesses of wealth management and agency collection and payment for its members.

Inter-segment transfer prices are based on mutually-agreed prices.

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

(a) Segment information as at and for the six months ended 30 June 2012 is as follow (unaudited):

	Shandong Region	Huanan Region	Huabei Region	Huadong Region	Dongnan Region	Hong Kong, Macau and other overseas	Finance Company	Unallocated	Elimination	Total
Revenue from external customers	6,806,703,539	2,353,927,179	2,047,543,170	1,133,378,239	839,009,317	224,934,023	2,310	—	—	13,405,497,777
Inter-segment revenue	741,590,033	113,278,713	569,803,320	123,952,030	19,520,011	28,462,419	2,717,076	—	(1,599,323,602)	—
Selling and distribution expenses	(1,354,945,372)	(447,096,584)	(191,996,172)	(227,698,423)	(175,424,648)	(64,278,637)	(97,300)	—	—	(2,461,537,136)
Interest income	5,050,174	4,123,925	7,003,246	2,490,069	550,368	60,806	130,950,448	28,136,868	(34,916,443)	143,449,461
Interest expenses	4,873,590	(3,842,113)	(19,316,206)	(5,495,477)	—	(6,806,261)	(34,916,444)	(48,136,411)	60,347,766	(53,291,556)
Share of profit of associates and jointly controlled entity	—	—	—	—	—	—	—	5,886,253	—	5,886,253
Asset impairment losses	(3,315,424)	85,835	92,333	118,016	(10,313)	(311,782)	—	—	—	(3,341,335)
Depreciation and amortisation	(156,705,438)	(104,351,422)	(72,154,073)	(38,553,262)	(17,361,642)	(1,764,582)	(275,595)	(18,663,640)	—	(409,829,654)
Total profit	798,253,518	246,164,929	246,462,973	(45,696,339)	98,622,887	19,385,047	96,643,075	(81,679,715)	40,768,701	1,418,925,076
Income tax expenses	(182,432,834)	(78,774,345)	(61,387,149)	(6,569,936)	(16,843,536)	(4,746,194)	(19,208,374)	—	1,225,532	(368,736,836)
Net profit	615,820,684	167,390,584	185,075,824	(52,266,275)	81,779,351	14,638,853	77,434,701	(81,679,715)	41,994,233	1,050,188,240
Total assets	8,463,722,003	4,735,338,396	4,064,334,939	1,998,086,933	1,391,773,535	180,066,222	7,447,108,790	4,782,232,750	(8,625,797,086)	24,436,866,482
Total liabilities	4,336,381,111	2,439,329,824	2,726,510,640	1,265,280,587	742,756,511	470,539,995	7,041,020,735	2,120,471,409	(8,698,710,965)	12,443,579,487
Long-term equity investments in associates and jointly controlled entity	—	—	—	—	—	—	—	156,542,803	—	156,542,803
Additions to non-current assets other than long-term equity investments	299,069,685	481,250,140	218,428,319	211,861,038	66,539,850	10,002,687	178,149	21,621,058	(24,103,100)	1,284,847,826

6. SEGMENT INFORMATION (CONT'D)

(b) Segment information as at and for the six months ended 30 June 2011 is as follow (unaudited):

	Shandong Region	Huanao 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	5,022,234,819	(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

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 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Revenue from external customers		
Domestic	13,109,391,531	11,761,161,164
Hong Kong & Macau	122,871,872	131,236,764
Other overseas	173,234,374	157,585,625
	<u>13,405,497,777</u>	<u>12,049,983,553</u>
Total non-current assets	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
Domestic	12,510,485,138	10,714,822,892
Hong Kong & Macau	11,890,104	10,584,835
	<u>12,522,375,242</u>	<u>10,725,407,727</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 —								
Yantai Asahi	Company Limited	Yantai, the PRC	Fumio Yamazaki	Producing & trading of beer and wine etc.	218,804,435	39%	39%	61341620-1
Zhaoshang Logistics	Company Limited	Qingdao, the PRC	Li Yasheng	Logistics service and management	RMB 20,000,000	30%	30%	73353404-2
Liaoning Shengqing	Company Limited	Liaoning, the PRC	Wang Zhi	Domestic trading of beer	RMB 20,000,000	30%	30%	74275001-1
European Company	Stock corporation	France	Not applicable	Import & Export trading of beer	EUR 152,449	40%	40%	Not applicable

(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 (i)	Shareholder's subsidiary	60741668-6
Beijing Asahi	Shareholder's subsidiary	60000772-4
Asahi Investment	Shareholder's subsidiary	71092096-0

(i) Asahi Brewery Shanghai deregistered in 2011 and is no longer the related party.

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

(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 2012		Six months ended 30 June 2011	
			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	309,371,013	3.98%	263,711,672	3.63%
Zhaoshang Logistics	Purchase logistics service (including paid on behalf)	Mutually-agreed prices and approval of board of directors	114,594,172	21.75%	100,065,954	20.47%
Beijing Asahi	Purchase of beer	Mutually-agreed prices and approval of board of directors	—	—	26,613,607	0.37%

Sales of goods and materials:

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	Six months ended 30 June 2012		Six months ended 30 June 2011	
			Amount (Unaudited)	Percentage of like transactions (Unaudited)	Amount (Unaudited)	Percentage of like transactions (Unaudited)
Liaoning Shengqing	Sale of beer	Mutually-agreed prices and approval of board of directors	177,219,025	1.34%	159,455,915	1.34%
European Company	Sale of beer	Mutually-agreed prices and approval of board of directors	28,464,077	0.22%	32,020,925	0.27%
Asahi Breweries	Sale of beer	Mutually-agreed prices and approval of board of directors	26,056,328	0.20%	21,726,082	0.18%
Asahi Investment	Sale of beer	Mutually-agreed prices and approval of board of directors	6,285,851	0.05%	6,241,543	0.05%
Asahi Brewery Shanghai	Sale of beer	Mutually-agreed prices and approval of board of directors	—	—	594,978	0.01%

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

(4) Related party transactions (Cont'd)

(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(1)(b).

(c) 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)	10,408,763	16 January 2012	31 August 2012	No

(d) Remuneration of key management

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Remuneration of key management	<u>6,099,548</u>	<u>4,895,002</u>

(e) Financing

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
TB Group Company	<u>62,000,000</u>	<u>67,000,000</u>

(f) Repayment funds

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
TB Group Company	<u>57,000,000</u>	<u>67,000,000</u>

(g) Payment of interest

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
TB Group Company	<u>2,073,411</u>	<u>1,570,675</u>

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

(5) Receivables from and payables to related parties

Receivables from related parties:

	30 June 2012		31 December 2011	
	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	16,763,606	—	12,336,949	—
Beijing Sales Company	11,245,784	(11,245,784)	11,245,784	(11,245,784)
Asahi Breweries	2,998,711	—	7,778,782	—
Asahi Investment	1,069,713	—	1,869,327	—
	<u>50,937,504</u>	<u>(30,105,474)</u>	<u>52,090,532</u>	<u>(30,105,474)</u>

Payables to related parties:

	30 June 2012 (Unaudited)	31 December 2011
Accounts payable (Note 5(23))		
Yantai Asahi	<u>58,446,727</u>	<u>22,335,742</u>
Other payables (Note 5(28))		
Zhaoshang Logistics	48,196,899	31,858,161
Yantai Asahi	22,143,456	1,501,875
TB Group Company	—	5,000,000
	<u>70,340,355</u>	<u>38,360,036</u>
Advances from customers (Note 5(24))		
Liaoning Shengqing	<u>7,155,660</u>	<u>21,336,053</u>
Dividends Payable		
TB Group Company	106,964,013	—
Asahi Breweries	70,233,237	—
	<u>177,197,250</u>	<u>—</u>
Short-term borrowings from (Note 5 (21))		
TB Group Company	<u>62,000,000</u>	<u>57,000,000</u>

- (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 not yet necessary to be recognised on the balance sheet

	30 June 2012	31 December 2011
	(Unaudited)	
Buildings, machinery and equipment and intangible assets	<u>796,018,190</u>	<u>512,592,871</u>

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

	30 June 2012	31 December 2011
	(Unaudited)	
Buildings, machinery and equipment and intangible assets	<u>2,990,516,105</u>	<u>3,232,054,227</u>

As at 30 June 2012, jointly controlled entity of the Group has no significant capital expenditures contracted for, or capital commitments authorised by the management but not yet contracted for.

(2) Operating lease commitments

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

	30 June 2012	31 December 2011
	(Unaudited)	
Within one year	7,225,275	8,606,296
Between 1 and 2 years	5,025,802	5,557,320
Between 2 and 3 years	<u>1,119,861</u>	<u>3,388,226</u>
	<u>13,370,938</u>	<u>17,551,842</u>

(3) Investment commitments

On 5 June 2012, the Company and Suntory (China) Investment Company Limited ("Suntory Company") entered into the Business Joint Venture Company ("Business JV Company") Framework Agreement and the Sales Joint Venture Company ("Sales JV Company") Framework Agreement. Both sides agreed to consolidate their respective certain subsidiaries and business in Shanghai city and Jiangsu province into the Business JV Company and the Sales JV Company.

Pursuant to the agreement, the Company will inject certain subsidiaries' equity into Songjiang Company by way of equity transfer, capital injection and other Internal restructuring ways, which will be the platform company of the Business JV Company. After the restructuring, Songjiang Company will acquire certain subsidiaries' equity interest of Suntory Company at a cash consideration of RMB1,335,910,000. Simultaneously, Suntory Company will inject of RMB1,352,030,000 in cash into Songjiang Company to obtain 50% equity interest of the Business JV Company.

9. COMMITMENTS (CONT'D)

(3) Investment commitments (Cont'd)

The Company and Suntory Company agreed to inject RMB 10,000,000 in cash respectively to establish the Sales JV Company and therefore hold 50% equity interest respectively. The Company and Suntory Company will consolidate certain subsidiaries into the Sales JV Company by way of equity transfer, asset and business transfer, etc.

As at 30 June 2012, the internal restructuring of the Business JV Company have not been finished, and the Sales JV Company has not been set up. As of the date of this financial statements being approved for issue, the Ministry of Commerce of the People's Republic of China anti-monopoly review of this transaction has not yet completed. If the transaction failed to pass anti-monopoly review, the two above-mentioned framework agreement will automatically terminate.

(4) Performance status of previous commitments

The Group has fulfilled the capital expenditure commitments, operating lease, and investment commitments as at 31 December 2011.

10. EVENTS AFTER THE BALANCE SHEET DATE

In July 2012, The Company acquired 38% equity interest of Suqian Company held by Huaihai Sales Company which is a subsidiary of the Company with amount of RMB19,450,000. The legal procedures have been finished in July 2012.

11. LEASES

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

	30 June 2012 (Unaudited)	31 December 2011
Within one year	<u>—</u>	<u>641,247</u>

As at 30 June 2012, as finance lease contract of the subsidiary of Shenzhen Asahi has been completed, there is no unrecognised financing. (31 December 2011: RMB15,833).

12. FINANCIAL INSTRUMENT AND RISK

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from financing activities and business transactions denominated in foreign currencies, primarily with respect to HKD. As the balance of the borrowings dominated in foreign currencies and the business transactions settled in foreign currencies are not material, the directors of the Company 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 2012, the Group did not enter into any forward exchange contracts. (six months ended 30 June 2011: nil).

12. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

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

	30 June 2012 (Unaudited)		
	HKD	Other foreign Currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand (Note 5(1))	23,093,729	41,031,370	64,125,099
Accounts receivable (Note 5(3)(k))	38,463,335	44,078,417	82,541,752
Other receivables (Note 5(4)(k))	1,299,648	170,955	1,470,603
	<u>62,856,712</u>	<u>85,280,742</u>	<u>148,137,454</u>
Financial liabilities denominated in foreign currency —			
Short-term borrowings (Note 5(21))	103,818,267	—	103,818,267
Other payables (Note 5(28)(d))	14,624,053	9,386,255	24,010,308
Current portion of non-current liabilities (Note 5(29))	81,520	1,411,701	1,493,221
Long-term borrowings (Note 5(30))	448,278,480	7,954,716	456,233,196
	<u>566,802,320</u>	<u>18,752,672</u>	<u>585,554,992</u>
	31 December 2011		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency —			
Cash at bank and on hand (Note 5(1))	20,883,849	43,594,381	64,478,230
Accounts receivable (Note 5(3)(k))	30,016,689	43,155,721	73,172,410
Other receivables (Note 5(4)(k))	900,619	169,846	1,070,465
	<u>51,801,157</u>	<u>86,919,948</u>	<u>138,721,105</u>
Financial liabilities denominated in foreign currency —			
Short-term borrowings (Note 5(21))	103,696,637	—	103,696,637
Accounts payable (Note 5(23)(e))	—	137,350	137,350
Other payables (Note 5(28)(d))	588,040	3,909,060	4,497,100
Current portion of non-current liabilities (Note 5(29))	—	1,690,220	1,690,220
Long-term borrowings (Note 5(30))	445,885,000	8,231,834	454,116,834
	<u>550,169,677</u>	<u>13,968,464</u>	<u>564,138,141</u>

As at 30 June 2012, if the currency had strengthened /weakened by 10% against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB37,796,000 (31 December 2011: RMB37,378,000) higher/lower for various financial assets and liabilities denominated in HKD.

12. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(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 2012, the Group's interest bearing debts were mainly RMB-denominated and HKD-denominated with floating rates, amounting to RMB552,178,267 (31 December 2011: RMB551,581,637), and RMB-denominated with fixed rates, amounting to RMB1,427,423,403 (31 December 2011: RMB1,391,692,717).

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 Group 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 2012, if interest rates on the floating rate borrowings had risen/fallen 50 basis points while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB1,097,000 (six months ended 30 June 2011: RMB273,000).

(c) Price risk

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

(2) Credit risk

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

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

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

12. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(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 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 2012 (Unaudited)				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial assets —					
Cash at bank and on hand	8,740,950,947	—	—	—	8,740,950,947
Notes receivable	58,470,000	—	—	—	58,470,000
Accounts receivable	368,794,023	—	—	—	368,794,023
Interest receivable	62,003,930	—	—	—	62,003,930
Other receivables	254,928,619	—	—	—	254,928,619
	<u>9,485,147,519</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,485,147,519</u>
Financial liabilities —					
Short-term borrowings	170,340,506	—	—	—	170,340,506
Notes payable	63,100,425	—	—	—	63,100,425
Accounts payable	2,499,150,740	—	—	—	2,499,150,740
Interest payable	1,532,799	—	—	—	1,532,799
Dividends payable	351,255,527	—	—	—	351,255,527
Other payables	3,791,581,341	—	—	—	3,791,581,341
Current portion of non-current liabilities	1,495,618	—	—	—	1,495,618
Long-term borrowings	13,179,387	463,132,346	4,363,237	1,917,000	482,591,970
Debentures payable	12,000,000	1,512,000,000	—	—	1,524,000,000
Long-term payables	—	1,000,000	—	—	1,000,000
	<u>6,903,636,343</u>	<u>1,976,132,346</u>	<u>4,363,237</u>	<u>1,917,000</u>	<u>8,886,048,926</u>

12. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(3) Liquidity risk (Cont'd)

	31 December 2011				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets —					
Cash at bank and on hand	6,107,611,258	—	—	—	6,107,611,258
Notes receivable	98,350,000	—	—	—	98,350,000
Accounts receivable	325,048,799	—	—	—	325,048,799
Interest receivable	13,346,298	—	—	—	13,346,298
Other receivables	207,782,549	—	—	—	207,782,549
	<u>6,752,138,904</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,752,138,904</u>
Financial liabilities —					
Short-term borrowings	164,919,713	—	—	—	164,919,713
Notes payable	83,893,730	—	—	—	83,893,730
Accounts payable	1,662,021,869	—	—	—	1,662,021,869
Interest payable	2,458,418	—	—	—	2,458,418
Dividends payable	761,458	—	—	—	761,458
Other payables	3,164,401,766	—	—	—	3,164,401,766
Current portion of non-current liabilities	2,331,467	—	—	—	2,331,467
Long-term borrowings	13,109,019	14,923,334	456,875,905	1,978,740	486,886,998
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>5,105,897,440</u>	<u>27,923,334</u>	<u>1,968,875,905</u>	<u>1,978,740</u>	<u>7,104,675,419</u>

Bank borrowings and debentures payable are analysed by repayment terms as follows:

	30 June 2012		31 December 2011	
	Bank borrowings	Debentures payable	Bank borrowings	Debentures payable
Wholly repayable within five years	619,726,582	1,500,000,000	614,335,432	1,500,000,000
Not wholly repayable within five years	3,818,102	—	4,168,259	—
	<u>623,544,684</u>	<u>1,500,000,000</u>	<u>618,503,691</u>	<u>1,500,000,000</u>

(4) Fair value

(a) Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly represent receivables, short-term borrowings, payables, long-term borrowings, debentures payable, and long-term payables.

Except for financial 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 2012(Unaudited)		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Debentures payable	<u>1,365,423,403</u>	<u>1,350,128,239</u>	<u>1,334,692,717</u>	<u>1,312,899,991</u>

The fair value of long-term borrowings and long-term payables not quoted in an active market is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

12. FINANCIAL INSTRUMENT AND RISK (CONT'D)

(4) Fair value (Cont'd)

(b) As at 30 June 2012, there are no financial instruments of the Group measured at fair value (31 December 2011: nil).

13. FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	31 December 2011	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 2012 (Unaudited)
Financial assets —					
Cash at bank and on hand (Note 5(1))	64,478,230	—	—	—	64,125,099
Accounts receivable (Note 5(3)(k))	73,172,410	—	—	—	82,541,752
Other receivables (Note 5(4)(k))	1,070,465	—	—	—	1,470,603
Subtotal	<u>138,721,105</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>148,137,454</u>
Financial liabilities					
Short-term borrowings (Note 5(21))	103,696,637	—	—	—	103,818,267
Accounts payable (Note 5(23)(c))	137,350	—	—	—	—
Other payables (Note 5(28)(d))	4,497,100	—	—	—	24,010,308
Current portion of non- current liabilities (Note 5(29))	1,690,220	—	—	—	1,493,221
Long-term borrowings (Note 5(30))	454,116,834	—	—	—	456,233,196
Subtotal	<u>564,138,141</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>585,554,992</u>

14. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivable

	30 June 2012 (Unaudited)	31 December 2011
Accounts receivable	479,995,641	272,521,756
Less: provision for bad debts	(80,102,621)	(76,917,944)
	<u>399,893,020</u>	<u>195,603,812</u>

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

	30 June 2012 (Unaudited)	31 December 2011
Within 6 months	392,442,181	189,837,888
6 months to 1 year	6,676,066	491,906
1 to 2 years	391,615	1,338,150
2 to 3 years	580,946	9,266
Over 3 years	79,904,833	80,844,546
	<u>479,995,641</u>	<u>272,521,756</u>

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

	30 June 2012(Unaudited)				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and subject to separate provision	30,105,474	6.27%	(30,105,474)	100%	30,105,474	11.05%	(30,105,474)	100%
Subject to provision by groups								
Group B	331,749,606	69.12%	—	—	158,029,438	57.99%	—	—
Group C	118,140,561	24.61%	(49,997,147)	42.32%	84,386,844	30.96%	(46,812,470)	55.47%
	479,995,641	100%	(80,102,621)	16.69%	272,521,756	100%	(76,917,944)	28.22%

(c) As at 30 June 2012, accounts receivable with amounts that are individually significant and the related provision for bad debts is provided on the individual basis 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>		

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

(1) Accounts receivable (Cont'd)

- (d) Accounts receivable that related provision for bad debts is provided on grouping basis using the ageing analysis method are analysed as follows:

	30 June 2012(Unaudited)				31 December 2011			
	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	64,385,442	54.50%	—	—	37,509,429	44.45%	—	—
6 months to 1 year	3,955,760	3.35%	(197,788)	5%	68,363	0.08%	(3,418)	5%
Over 3 years	49,799,359	42.15%	(49,799,359)	100%	46,809,052	55.47%	(46,809,052)	100%
	<u>118,140,561</u>	<u>100%</u>	<u>(49,997,147)</u>	<u>42.32%</u>	<u>84,386,844</u>	<u>100%</u>	<u>(46,812,470)</u>	<u>55.47%</u>

- (e) There are no accounts receivable that related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in the current period (six months ended 30 June 2011: nil).
- (f) For the six months ended 30 June 2012, there are no accounts receivable that are written off (six months ended 30 June 2011: nil).
- (g) As at 30 June 2012, there are no accounts receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2011: nil).
- (h) As at 30 June 2012, the five largest accounts receivable are analysed as follows:

	Relationship with the Company	Amount (Unaudited)	Ageing	% of total balance
Dongnan Sales Company	Subsidiary	99,316,968	Within 6 months	20.69%
Sifang Sales Company	Subsidiary	49,956,008	Within 6 months	10.41%
Hong Kong Company	Subsidiary	24,194,719	Within 6 months	5.04%
Guangzhou General Agency	Associate	18,859,690	Over 3 years	3.93%
Beifang Sales Company (note (c))	Subsidiary	<u>17,874,754</u>	Within 6 months	<u>3.72%</u>
		<u>210,202,139</u>		<u>43.79%</u>

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

(1) Accounts receivable (Cont'd)

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

	Relationship with the Company	30 June 2012(Unaudited)			31 December 2011		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Subsidiaries (Group B)		331,749,606	69.12%	—	158,029,438	57.99%	—
Dongnan Sales Company	Subsidiary	99,316,968	20.69%	—	30,846,402	11.32%	—
Sifang Sales Company	Subsidiary	49,956,008	10.41%	—	—	—	—
Hong Kong Company	Subsidiary	24,194,719	5.04%	—	24,499,003	8.99%	—
Beifang Sales Company	Subsidiary	17,874,754	3.72%	—	22,730,595	8.34%	—
Immense Brewery Company	Subsidiary	10,223,699	2.13%	—	—	—	—
Xingkaihu Company	Subsidiary	10,125,286	2.11%	—	4,407,424	1.62%	—
Jinan Company	Subsidiary	9,490,158	1.98%	—	3,081,536	1.13%	—
Songjiang Company	Subsidiary	9,366,391	1.95%	—	8,952,930	3.29%	—
Rongcheng Company	Subsidiary	6,212,413	1.29%	—	1,470,176	0.54%	—
Shanghai Sales Company	Subsidiary	5,701,523	1.19%	—	3,415,534	1.25%	—
Pengcheng Company	Subsidiary	5,689,716	1.19%	—	825,808	0.30%	—
Macau Company	Subsidiary	5,543,443	1.15%	—	4,027,717	1.48%	—
Yangzhou Company	Subsidiary	4,510,145	0.94%	—	7,026,096	2.58%	—
Taiyuan Company	Subsidiary	3,930,605	0.82%	—	—	—	—
Qingdao Guangrunlong Logistics Company Limited ("Guangrunlong Logistics")	Subsidiary	3,930,020	0.82%	—	3,930,020	1.44%	—
Maanshan Company	Subsidiary	3,196,514	0.67%	—	2,740,127	1.01%	—
Other subsidiaries	Subsidiary	62,487,244	13.02%	—	40,076,070	14.70%	—
Beijing Sales Company	Associate	11,245,784	2.34%	(11,245,784)	11,245,784	4.13%	(11,245,784)
Guangzhou General Agency	Associate	18,859,690	3.93%	(18,859,690)	18,859,690	6.92%	(18,859,690)
European Company	Associate	16,763,606	3.49%	—	12,336,949	4.53%	—
		<u>378,618,686</u>	<u>78.88%</u>	<u>(30,105,474)</u>	<u>200,471,861</u>	<u>73.57%</u>	<u>(30,105,474)</u>

(j) As at 30 June 2012, there are no accounts receivable derecognised due to transfer of financial assets (31 December 2011: nil).

(k) As at 30 June 2012, there are no accounts receivable pledged as collateral for the Group's borrowings (31 December 2011: nil).

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

(2) Other receivables

	30 June 2012 (Unaudited)	31 December 2011
Receivables from subsidiaries	128,544,865	140,148,694
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	13,277,153	9,974,120
Deposits	9,650,523	4,617,052
Payments for hop on behalf of subsidiaries	—	52,621,267
Others	20,951,678	13,849,846
	202,865,866	251,652,626
<i>Less: provision for bad debts</i>	(51,257,868)	(45,919,299)
	151,607,998	205,733,327

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

	30 June 2012 (Unaudited)	31 December 2011
Within 6 months	58,380,170	89,657,702
6 months to 1 year	2,221,605	5,423,480
1 to 2 years	1,330,276	893,055
2 to 3 years	817,671	35,735,577
Over 3 years	140,116,144	119,942,812
	202,865,866	251,652,626

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

	30 June 2012(Unaudited)				31 December 2011			
	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	15.01%	(30,441,647)	100%	30,441,647	12.10%	(30,441,647)	100%
Subject to provision by groups								
Group A	1,661,000	0.82%	—	—	3,661,000	1.45%	—	—
Group B	128,544,865	63.36%	—	—	140,148,694	55.69%	—	—
Group C	42,218,354	20.81%	(20,816,221)	49.31%	77,401,285	30.76%	(15,477,652)	20%
	202,865,866	100%	(51,257,868)	25.27%	251,652,626	100%	(45,919,299)	18.25%

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

(2) Other receivables (Cont'd)

- (c) As at 30 June 2012, other receivables with amounts that are individually significant and the related provision for bad debts is provided on the individual basis 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><u>30,441,647</u></u>	<u><u>(30,441,647)</u></u>		

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

	30 June 2012 (Unaudited)				31 December 2011			
	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	20,204,421	47.85%	—	—	57,857,522	74.74%	—	—
6 months to 1 year	560,605	1.33%	(28,031)	5%	3,526,464	4.56%	(176,323)	5%
1 to 2 years	1,330,276	3.15%	(665,138)	50%	1,431,940	1.85%	(715,970)	50%
2 to 3 years	817,671	1.94%	(817,671)	100%	1,608,833	2.08%	(1,608,833)	100%
Over 3 years	<u>19,305,381</u>	<u>45.73%</u>	<u>(19,305,381)</u>	<u>100%</u>	<u>12,976,526</u>	<u>16.77%</u>	<u>(12,976,526)</u>	<u>100%</u>
	<u><u>42,218,354</u></u>	<u><u>100%</u></u>	<u><u>(20,816,221)</u></u>	<u><u>49.31%</u></u>	<u><u>77,401,285</u></u>	<u><u>100%</u></u>	<u><u>(15,477,652)</u></u>	<u><u>20%</u></u>

- (e) There are no other receivables that the related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in the current period (six months ended 30 June 2011: nil).
- (f) For the six months ended 30 June 2012, there are no other receivables that are written off (six months ended 30 June 2011: nil).
- (g) As at 30 June 2012, there are no other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company (31 December 2011: nil).

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

(2) Other receivables (Cont'd)

(h) As at 30 June 2012, the five largest other receivables are analysed as follows:

	Relationship with the Group	Amount (Unaudited)	Ageing	% of total balance
Xinan Sales Company	Subsidiary	51,724,052	Over 3 years	25.50%
Dongnan Sales Company	Subsidiary	24,044,081	Over 3 years	11.85%
Shanghai Sales Company	Subsidiary	18,132,747	Over 3 years	8.94%
Qingdao Bureau of Land and Resources of Economic Technical Development Area (note 14(c))	Third Party	17,441,647	Over 3 years	8.60%
Qingdao Municipal Local Taxation Bureau No. 2 Branch (note 14(c))	Third Party	13,000,000	Over 3 years	6.40%
		<u>124,342,527</u>		<u>61.29%</u>

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

	Relationship with the Company	30 June 2012 (Unaudited)			31 December 2011		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Subsidiaries (Group B)							
Xinan Sales Company	Subsidiary	51,724,052	25.50%	—	51,659,963	20.53%	—
Dongnan Sales Company	Subsidiary	24,044,081	11.85%	—	23,645,708	9.40%	—
Shanghai Sales Company	Subsidiary	18,132,747	8.94%	—	18,794,940	7.47%	—
Huanan Holding Company	Subsidiary	10,950,145	5.40%	—	—	—	—
Tsingtao Xianghong Shangwu Company Limited ("Xianghong Shangwu")	Subsidiary	9,864,320	4.86%	—	8,819,505	3.50%	—
Huanan Sales Company	Subsidiary	2,022,038	1.00%	—	2,084,516	0.83%	—
Shaoguan Company	Subsidiary	—	—	—	30,000,000	11.92%	—
Other subsidiaries	Subsidiary	11,807,482	5.81%	—	5,144,062	2.04%	—
		<u>128,544,865</u>	<u>63.36%</u>	<u>—</u>	<u>140,148,694</u>	<u>55.69%</u>	<u>—</u>

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

(3) Long-term receivables

	31 December 2011			30 June 2012 (Unaudited)
Entrusted loans to Subsidiaries (i)	981,881,872		Increase in current period	930,315,930
			Decrease in current period	
Less: provisions for bad debts	<u>(199,296,547)</u>	<u>—</u>	<u>516,547</u>	<u>(198,780,000)</u>
	<u>782,585,325</u>			<u>731,535,930</u>

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

(4) Long-term equity investments

	30 June 2012 (Unaudited)	31 December 2011
Subsidiaries — unlisted (a)	7,673,195,552	7,776,384,245
Associates — unlisted (b)	155,808,064	149,921,811
Other long-term equity investments — unlisted (c)	6,485,263	6,485,263
	7,835,488,879	7,932,791,319
Less: Provision for impairment of long-term equity investments (d)	<u>(877,283,490)</u>	<u>(877,283,490)</u>
	<u>6,958,205,389</u>	<u>7,055,507,829</u>

There is no restriction on sales of the long-term equity investments held by the Company.

(a) Subsidiaries — unlisted

	Accounting treatment	Investment cost	31 December 2011	Current period movement (i) (Unaudited)	30 June 2012 (Unaudited)	Equity interest held	Voting rights held	Explanation of inconsistency of equity interest held and voting rights held	Provision for impairment (Unaudited)	Impairment losses recognized in the current period (Unaudited)	Cash dividends declared in the current period (Unaudited)
Shenzhen Ashii	Cost method	126,746,680	126,746,680	—	126,746,680	51%	51%	Not applicable	—	—	37,699,200
Chengzhuo Company	Cost method	62,601,208	62,601,208	—	62,601,208	88.8%	88.8%	Not applicable	—	—	—
Hianan Sales Company	Cost method	45,070,000	45,070,000	—	45,070,000	100%	100%	Not applicable	—	—	—
Hianan Holding Company	Cost method	208,790,000	208,790,000	—	208,790,000	100%	100%	Not applicable	—	—	55,130,221
Huadong Holding Company	Cost method	96,855,102	96,855,102	—	96,855,102	100%	100%	Not applicable	(96,855,102)	—	—
Songjiang Company	Cost method	153,750,000	153,750,000	—	153,750,000	75%	75%	Not applicable	—	—	—
Shouguang Company	Cost method	60,000,000	60,000,000	—	60,000,000	99%	99%	Not applicable	—	—	—
No. 3 Company (i)	Cost method	—	446,452,300	(446,452,300)	—	—	—	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	—	—	—

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

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

(a) Subsidiaries — unlisted (Cont'd)

	Accounting treatment	Investment cost	31 December 2011	Current period movement (i)	30 June 2012	Equity		Explanation of inconsistency of held and voting rights held	Provision for impairment	Impairment losses recognised in the current period	Cash dividends declared in the current period
						interest held	Voting rights held				
				(Unaudited)	2012				(Unaudited)	(Unaudited)	(Unaudited)
Weinan 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	—	—	—
Xingkuai Company	Cost method	129,430,000	129,430,000	—	129,430,000	100%	100%	Not applicable	(129,430,000)	—	—
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)	—	—
Penghai Company	Cost method	30,000,000	30,000,000	—	—	80%	80%	Not applicable	(30,000,000)	—	—
Rongcheng Company	Cost method	65,103,434	65,103,434	—	—	70%	70%	Not applicable	(65,103,434)	—	—
Import/Export Company	Cost method	11,210,000	11,210,000	—	—	100%	100%	Not applicable	—	—	—
No. 5 Company (i)	Cost method	—	43,719,251	(43,719,251)	—	—	—	Not applicable	—	—	—
Tsingtao Brewery (Laoshan) Company Limited	Cost method	18,089,491	18,089,491	—	—	96.90%	96.90%	Not applicable	—	—	—
Hong Kong Company	Cost method	41,728,681	41,728,681	—	—	100%	100%	Not applicable	—	—	—
Xinan Sales Company	Cost method	99,300,000	99,300,000	—	—	100%	100%	Not applicable	(82,310,170)	—	—
Tsingtao Brewery Kai Fa Company Limited	Cost method	1,320,000	1,320,000	—	—	100%	100%	Not applicable	(1,320,000)	—	—
Taizhou Company	Cost method	60,000,000	60,000,000	—	—	86.43%	86.43%	Not applicable	—	—	—
Maanshan Company	Cost method	80,000,000	80,000,000	—	—	94.12%	94.12%	Not applicable	—	—	—
Xianghong Shangwu	Cost method	5,760,000	5,760,000	—	—	100%	100%	Not applicable	—	—	—
Dongnan Sales Company	Cost method	293,088,560	293,088,560	—	—	100%	100%	Not applicable	—	—	—
Changsha Company	Cost method	47,600,000	47,600,000	—	—	70%	70%	Not applicable	—	—	—
Yangzhou Company	Cost method	1,017,142	1,017,142	(1,017,142)	—	—	—	Note(4)1	—	—	—
Huizhi Sales Company	Cost method	55,000,000	55,000,000	—	—	100%	100%	Not applicable	(55,000,000)	—	—
Jinan Company	Cost method	560,000,000	560,000,000	—	—	100%	100%	Not applicable	—	—	—
Guangrunlong Logistics	Cost method	16,465,405	16,465,405	—	—	100%	100%	Not applicable	—	—	—
Chengdu Company	Cost method	200,000,000	200,000,000	—	—	100%	100%	Not applicable	—	—	—
Cultural Communication Company	Cost method	5,290,000	5,290,000	—	—	100%	100%	Not applicable	—	—	—
Pengcheng Company	Cost method	250,370,000	250,370,000	—	—	98.16%	98.16%	Not applicable	—	—	45,510,000
Rizhao Company	Cost method	339,239,300	339,239,300	—	—	100%	100%	Not applicable	—	—	—
Weifang Company	Cost method	73,620,001	73,620,001	—	—	100%	100%	Not applicable	—	—	—
Pingyuan Company	Cost method	21,730,001	21,730,001	—	—	100%	100%	Not applicable	—	—	—
Construction Company	Cost method	2,490,000	2,490,000	—	—	100%	100%	Not applicable	—	—	—
Langfang Company	Cost method	79,090,000	79,090,000	—	—	80.80%	80.80%	Not applicable	—	—	—
Suqian Company	Cost method	17,040,000	17,040,000	—	—	62%	62%	Not applicable	—	—	—
Heze Company	Cost method	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	—	—	76.65%	76.65%	Not applicable	—	—	—
Tsingtao Brewery (Shanghai) Company Limited	Cost method	1,570,000	1,570,000	—	—	5%	5%	Not applicable	—	—	—
Wuhu Company	Cost method	94,290,000	94,290,000	—	—	84.25%	84.25%	Not applicable	—	—	—
Shanghai Sales Company	Cost method	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	—	—	100%	100%	Not applicable	—	—	—
Baotouqian Company	Cost method	174,160,000	174,160,000	—	174,160,000	100%	100%	Not applicable	—	—	—
Shijiazhuang Company	Cost method	321,010,000	321,010,000	—	321,010,000	100%	100%	Not applicable	—	—	—
Taiyuan Company	Cost method	200,000,000	200,000,000	—	200,000,000	100%	100%	Not applicable	—	—	—

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

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

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

	31 December 2011	Increase in current period (Unaudited)	Decrease in current period (Unaudited)	30 June 2012 (Unaudited)
Subsidiaries	(870,578,229)	—	—	(870,578,229)
Associates	(1,220,000)	—	—	(1,220,000)
Other long-term equity investments	(5,485,261)	—	—	(5,485,261)
	<u>(877,283,490)</u>	<u>—</u>	<u>—</u>	<u>(877,283,490)</u>

(5) Revenue and cost of sales

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Revenue from main operation	7,041,420,875	6,452,991,853
Revenue from other operation	465,917,908	551,190,428
	<u>7,507,338,783</u>	<u>7,004,182,281</u>
	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Cost of main operation	(4,867,097,000)	(4,359,494,251)
Cost of other operation	(463,939,649)	(540,619,086)
	<u>(5,331,036,649)</u>	<u>(4,900,113,337)</u>

(a) Revenue and cost of main operation

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

	Six months ended 30 June 2012 (Unaudited)		Six months ended 30 June 2011 (Unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Sale of Beer	<u>7,041,420,875</u>	<u>(4,867,097,000)</u>	<u>6,452,991,853</u>	<u>(4,359,494,251)</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 (Cont'd)

Analysis by locations is summarised as follow:

	Six months ended 30 June 2012 (Unaudited)		Six months ended 30 June 2011 (Unaudited)	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Shandong Region	6,407,570,071	(4,338,460,070)	5,909,003,445	(3,910,618,725)
Hong Kong, Macau and other overseas	137,755,644	(111,149,728)	124,901,459	(87,530,460)
Other regions	496,095,160	(417,487,202)	419,086,949	(361,345,066)
	<u>7,041,420,875</u>	<u>(4,867,097,000)</u>	<u>6,452,991,853</u>	<u>(4,359,494,251)</u>

(b) Revenue and cost of other operation

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Revenue from other operation (Unaudited)	Cost of other operation (Unaudited)	Revenue from other operation (Unaudited)	Cost of other operation (Unaudited)
Sale of materials	457,067,241	(458,051,806)	544,169,080	(535,993,008)
Others	8,850,667	(5,887,843)	7,021,348	(4,626,078)
	<u>465,917,908</u>	<u>(463,939,649)</u>	<u>551,190,428</u>	<u>(540,619,086)</u>

(c) Revenue from the five largest customers of the company

Revenue from amount of RMB910,168,355 (Six months ended 30 June 2011: RMB668,592,000) accounts for 12.12% (six months ended 30 June 2011: 9.55%) of the total revenue of the Company.

(6) Investment income

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Income from long-term equity investment under cost method (a)	138,339,421	406,468,500
Income from long-term equity investment under equity method (b)	5,886,253	1,975,523
Income from long-term equity investment disposal (c)	325,944,096	—
Income from entrusted loans	28,905,648	24,295,903
	<u>499,075,418</u>	<u>432,739,926</u>

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 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)	Reason for current period additions or reductions
Huanan Holding Company	55,130,221	58,000,000	Decrease in distributed profit of the subsidiary
Pengcheng Company	45,510,000	—	No profit distribution in last equivalent period
Shenzhen Asahi	37,699,200	40,468,500	Decrease in distributed profit of the subsidiary
Huanan Sales Company (c)	—	200,000,000	No profit distribution in the current period
Xi'an Company	—	108,000,000	No profit distribution in the current period
	<u>138,339,421</u>	<u>406,468,500</u>	

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

The investees are set out as follows:

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)	Reason for current period additions or reductions
Yantai Asahi	3,295,873	(238,538)	Increase in distributed profit of the investee
Zhaoshang Logistics	2,516,398	2,352,596	Increase in distributed profit of the investee
Liaoning Shenqing	73,982	(138,535)	Increase in distributed profit of the investee
	<u>5,886,253</u>	<u>1,975,523</u>	

(c) Investment income from long-term equity investment disposal due to wholly-owned No. 3 Company and No. 5 Company deregistration during the period

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

(7) Supplementary information to company's cash flow statements

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

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Net profit	843,537,043	840,569,247
<i>Add:</i> Provisions for asset impairment	1,165,131	447,405
Depreciation of fixed assets	61,928,831	46,136,205
Amortisation of intangible assets	19,037,889	10,270,052
Amortisation of long-term prepaid expenses	284,823	397,157
Losses on disposal of fixed assets	412,941	3,163,804
Financial expenses	47,936,523	44,701,590
Investment income	(499,075,418)	(432,739,926)
Increase in deferred tax assets	(32,618,446)	(71,957,009)
Decrease/(Increase) in inventories	279,885,455	(148,838,279)
Increase in operating receivables	(15,301,846)	(104,080,243)
Increase in operating payables	371,310,322	565,051,087
	<u>1,078,503,248</u>	<u>753,121,090</u>

(b) Disposal of subsidiaries

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Consideration of disposal	—	—
<i>Less:</i> cash in the subsidiaries disposed	(381,148,419)	—
	<u>381,148,419</u>	<u>—</u>

(c) Net increase/(decrease) in cash

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Cash at end of period	3,663,854,888	3,658,876,255
<i>Less:</i> cash at beginning of period	(2,606,570,012)	(4,744,305,113)
	<u>1,057,284,876</u>	<u>(1,085,428,858)</u>

15. NET CURRENT ASSETS

	30 June 2012 Group (Unaudited)	31 December 2011 Group	30 June 2012 Company (Unaudited)	31 December 2011 Company
Current assets	11,462,525,963	9,583,352,762	4,902,715,357	3,909,112,320
<i>Less: Current liabilities</i>	<u>(9,055,576,422)</u>	<u>(7,156,084,903)</u>	<u>(4,073,654,030)</u>	<u>(3,000,609,007)</u>
Net current assets	<u>2,406,949,541</u>	<u>2,427,267,859</u>	<u>829,061,327</u>	<u>908,503,313</u>

16. TOTAL ASSETS LESS CURRENT LIABILITIES

	30 June 2012 Group (Unaudited)	31 December 2011 Group	30 June 2012 Company (Unaudited)	31 December 2011 Company
Total assets	24,436,866,482	21,634,153,561	15,153,353,294	13,533,036,773
<i>Less: Current liability</i>	<u>(9,055,576,422)</u>	<u>(7,156,084,903)</u>	<u>(4,073,654,030)</u>	<u>(3,000,609,007)</u>
Total assets less current liabilities	<u>15,381,290,060</u>	<u>14,478,068,658</u>	<u>11,079,699,264</u>	<u>10,532,427,766</u>

TSINGTAO BREWERY COMPANY LIMITED

SUPPLEMENTARY INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2012

(All amounts in RMB Yuan unless otherwise stated)

1. SUMMARY OF NON-RECURRING PROFIT OR LOSS

	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Gails/(Losses) on disposal of non-current assets	550,335	(5,889,694)
Government grants recognised in profits	95,201,061	119,137,976
Other non-operating income and expenses other than aforesaid items	2,819,285	(3,361,262)
	<u>98,570,681</u>	<u>109,887,020</u>
Impact on the income tax	(9,152,672)	(15,359,558)
Impact on the minority interests (after tax)	<u>(2,467,144)</u>	<u>(2,472,805)</u>
	<u><u>86,950,865</u></u>	<u><u>92,054,657</u></u>

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

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss 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			
			Basic earnings per share		Diluted earnings per share	
	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited)
Net profit attributable to ordinary shareholders of the Company	8.67%	9.80%	0.746	0.733	0.746	0.733
Net profit after deducting non- recurring profit or loss attributable to ordinary shareholders of the Company	7.93%	8.89%	0.681	0.665	0.681	0.665

MANAGEMENT DISCUSSION AND ANALYSIS

(I) REVIEW OF OPERATIONAL RESULTS FOR THE FIRST HALF OF 2012

In the first half of 2012, due to the adverse effects such as the slow-down of the economic growth in China and the comparatively low temperature, the growth rate of the beer market in China decreased slightly, the national output volume reached 239.9 million hl in aggregate, increasing by 4.85% comparing with that of the corresponding period in the previous year (statistics from the National Bureau of Statistics).

In the first half-year, facing the negative factors including the slow-down of the growth of the domestic beer market, and the rise of costs, the Company maintained the continuous growth of sales volume, revenues and profits by, externally, actively exploring the market, optimizing the product mix, and consummating the market layout; internally, implementing the system integration, improving the efficiency, decreasing the costs and increasing the profits through optimizing the management. The Company achieved fast growth of the sales volume by continuing to insist on the brand-driven development strategy, by taking full advantages of Tsingtao beer brand, and through the way of sports marketing. In the first half-year, the Company realized 41.8 million hl of sales volume of beer, increasing by 11.3% comparing with that of the corresponding period in the previous year; realized RMB13.41 billion of sales revenues, increasing by 11.2% comparing with that of the corresponding period in the previous year; realized RMB1.01 billion of net profits attributable to the shareholders of the company, increasing by 1.8% comparing with that of the corresponding period in the previous year. The sales volume of Tsingtao beer, the principal brand, reached 22 million hl, increasing by 8.2% comparing with that of the corresponding period in the previous year, in which, the sales volume of the high value-added products such as Tsingtao draft beer increased by 14.9% comparing with that of the corresponding period in the previous year. At the same time, the products of the secondary brands grew comparatively fast, which contributed to the increase of the Company's market share in the country.

In the first half-year, the Company actively carried forward the development strategy of "dual drivers". It has started the construction project of a new plant with annual output capacity of 2 million hl in Jiujiang, Jiangxi Province, successfully put into production the beer project with annual output capacity of 3 million hl in Jiayang, Guangdong Province, and put into in succession the expansion projects of Tsingtao Brewery No. 2 Factory, Shanghai Songjiang, and Shandong Xin Immense, which further improved the Company's strength and advantages in competition in base markets. At the same time, the Company innovated the mode of external cooperation by entering into cooperative framework agreements with Suntory (China) Investment Co., Ltd, ("Suntory China") which built a firm basis for rapidly changing the competition situation in the eastern China 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	Jan-Jun 2012	Jan-Jun 2011	Increased/ (Decreased) amount	Increase/ (Decrease) (%)
Revenue	13,405,498	12,049,984	1,355,514	11.2
Cost of sales	7,978,963	6,840,299	1,138,664	16.6
Taxes and surcharges	1,166,105	1,055,938	110,167	10.4
Selling and distribution expenses	2,461,537	2,375,756	85,781	3.6
General and administrative expenses	564,882	494,642	70,240	14.2
Financial (income)/expenses				
— net	(83,799)	2,374	(86,173)	(3,629.9)
Investment income	5,886	1,976	3,910	197.9

- (1) The revenue increased by 11.2% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in revenue caused by the increase in sales volume of principal products during the Reporting Period.

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

Unit: RMB'000

By industries or products	Sales revenue	Sales cost	Operating profit rate (%)	Increase in sales revenue (%)	Increase in sales cost (%)	Decrease in operating profit rate (%)
By industries						
Beer	13,206,159	7,837,496	31.82	11.23	16.64	(2.69)
By products						
Beer	13,206,159	7,837,496	31.82	11.23	16.64	(2.69)

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

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

Unit: RMB'000

Region	Incomes from principal business	Increase (%)
Shandong Province	7,070,490	12.4
South China	2,420,055	4.3
North China	2,602,983	18.9
East China	1,239,321	26.8
South-East China	850,753	2.9
Hong Kong, Macau and other overseas	220,425	0.8
Sub-total	14,404,027	12.3
Less: Eliminations	1,197,868	25.9
Total	<u>13,206,159</u>	11.2

(2) *Cost of sales*

In the first half of 2012, the cost of sales increased by 16.6% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in cost of sales caused by the growth of sales volume and the price-hike of raw materials during the Reporting Period.

(3) *Taxes and surcharges*

In the first half of 2012, the taxes and surcharges increased by 10.4% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in various taxes caused by the growth of sales volume during the Reporting Period.

(4) *Expenses during the period*

- (i) In the first half of 2012, the selling and distribution expenses increased by 3.6% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in employees' remunerations, logistics expenses and advertisement fees during the Reporting Period.

- (ii) In the first half of 2012, the general and administrative expenses increased by 14.2% comparing with that of the corresponding period in the previous year, which was mainly due to, during the Reporting Period, the increase in employees' remunerations, and the increase in general and administrative expenses caused by the increase in new constructions for merged or acquired subsidiaries comparing with that of the corresponding period in the previous year.
- (iii) In the first half of 2012, the financial expenses decreased by 3,629.9% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in interests received during the Reporting Period.

(5) Investment income

In the first half of 2012, the investment income increased by 197.9% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in net profits from the Company's associates during the Reporting Period.

2. Interpretation of composition of assets/liabilities

Unit: RMB'000

Item	30 June 2011	31 December 2011	Increased/ (Decreased) amount	Increase/ (Decrease) (%)
Cash at bank and on hand	8,740,951	6,107,611	2,633,340	43.1
Notes receivable	58,470	98,350	(39,880)	(40.5)
Accounts receivable	139,688	88,097	51,591	58.6
Advances to suppliers	57,112	273,209	(216,097)	(79.1)
Interests receivable	62,004	13,346	48,658	364.6
Other receivables	159,074	114,425	44,649	39.0
Other current assets	114,240	170,592	(56,352)	(33.0)
Investment properties	7,441	—	7,441	—
Fixed assets pending for disposal	10,632	3,427	7,205	210.2
Other non-current assets	445,772	205,555	240,217	116.9
Accounts payable	2,499,151	1,662,022	837,129	50.4
Taxes payable	837,911	568,596	269,315	47.4
Dividends payable	351,256	761	350,495	46,057.2
Payables for specific projects	316,696	190,538	126,158	66.2
Minority interests	228,948	166,496	62,452	37.5

(1) Cash at bank and on hand

At the end of the Reporting Period, the cash at bank and on hand increased by 43.1% from the beginning of the Reporting Period, which was mainly due to the increase in net cash flow from operating activities during the Reporting Period.

(2) Notes receivable

At the end of the Reporting Period, the notes receivable decreased by 40.5% from the beginning of the Reporting Period, which was mainly due to the decrease in settling goods amount with accepted bank bills of exchange during the Reporting Period.

(3) Accounts receivable

At the end of the Reporting Period, the accounts receivable increased by 58.6% from the beginning of the Reporting Period, which was mainly due to the increase in balance of accounts receivable in the peak seasons during the Reporting Period.

(4) Advances to suppliers

At the end of the Reporting Period, the advances to suppliers decreased by 79.1% from the beginning of the Reporting Period, which was mainly due to the decrease in prepayments for purchasing raw materials during the Reporting Period.

(5) Interests receivable

At the end of the Reporting Period, the interests receivable increased by 364.6% from the beginning of the Reporting Period, which was mainly due to the increase in interests of bank deposits receivable from the Finance Company, a subsidiary of the Company, during the Reporting Period.

(6) Other receivables

At the end of the Reporting Period, the other receivables increased by 39.0% from the beginning of the Reporting Period, which was due to the increase in cash pledge of bottles and cases caused by the growth of sales volume in the peak seasons during the Reporting Period.

(7) Other current assets

At the end of the Reporting Period, the other current assets decreased by 33.0% from the beginning of the Reporting Period, which was mainly due to that the outstanding input VAT of some subsidiaries at the end of last year had been set-off during the Reporting Period and the decrease of pre-paid income tax.

(8) Investment properties

At the end of the Reporting Period, the investment properties increased by RMB7,441,000 from the beginning of the Reporting Period, which was mainly due to the premises of some subsidiaries were listed under the item of investment real estate as they were transferred from self-use to leasing during the Reporting Period.

(9) Fixed assets pending for disposal

At the end of the Reporting Period, the fixed assets pending for disposal increased by 210.2% from the beginning of the Reporting Period, which was mainly due to the increase in old assets pending for disposal for the technical reconstruction and relocation projects of some subsidiaries during the Reporting Period.

(10) Other non-current assets

At the end of the Reporting Period, the other non-current assets increased by 116.9% from the beginning of the Reporting Period, which was mainly due to the increase in prepayments for projects and purchasing equipment caused by the technical reconstruction and expansion of some subsidiaries, and the increase in the construction projects of relocated and new plants during the Reporting Period.

(11) Accounts payable

At the end of the Reporting Period, the accounts payable increased by 50.4% from the beginning of the Reporting Period, which was mainly due to the increase in accounts payable caused by the increase in purchasing materials for the production in the peak seasons during the Reporting Period.

(12) Taxes payable

At the end of the Reporting Period, the taxes payable increased by 47.4% from the beginning of the Reporting Period, which was mainly due to the increase in value-added taxes payable and consumption taxes payable caused by the increase in sales volume and revenues during the Reporting Period.

(13) Dividends payable

At the end of the Reporting Period, the dividends payable increased by 46,057.2% from the beginning of the Reporting Period, which was mainly due to that the payment of cash dividends according to the resolution passed at the general meeting had not been made during the Reporting Period.

(14) Payables for specific projects

At the end of the Reporting Period, the payables for specific projects increased by 66.2% from the beginning of the Reporting Period, which was mainly due to the increase in the relocation compensations received by some subsidiaries from the local governments during the Reporting Period.

(15) Minority interests

At the end of the Reporting Period, the minority interests increased by 37.5% from the beginning of the Reporting Period, which was mainly due to the increase in capital contribution made by the minority shareholders to the subsidiaries during the Reporting Period.

(16) Bank borrowings

At the end of the Reporting Period, the short-term borrowings increased by 1.9% from the beginning of the Reporting Period.

At the end of the Reporting Period, the non-current liabilities to mature within 1 year decreased by 35.5% from the beginning of the Reporting Period, which was mainly due to that the long-term accounts payable to mature within 1 year matured during the period and were paid during the Reporting Period.

At the end of the Reporting Period, the long-term borrowings increased by 0.5% from the beginning of the Reporting Period. By the end of the Reporting Period, the total amount of bank borrowings of the Group was RMB623,545,000, which included RMB165,818,000 of short-term borrowings and RMB457,727,000 of long-term borrowings. Among the long-term borrowings, those would mature within 1 year amounted to RMB1,493,000, those would mature in 1-5 years amounted to RMB454,316,000, and those would mature over 5 years amounted to RMB1,918,000.

At the end of the Reporting Period, the borrowings in Renminbi amounted to RMB62,000,000, borrowings in Hong Kong dollars amounted to RMB552,178,000, borrowings in Euro amounted to RMB5,548,000, and borrowings in Danish krone amounted to RMB3,819,000.

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 rates of Renminbi and Hong Kong dollar were 7.209% and 2.964% respectively.

3. Analysis of cash flow

Item	Jan-Jun 2012	Jan-Jun 2011	<i>Unit: RMB'000</i>	
			Increased/ (Decreased) amount	Increase/ (Decrease) (%)
Cash flow from operating activities-net	3,574,303	2,127,011	1,447,292	68.0
Cash flow from investing activities-net	(1,387,678)	(2,503,082)	1,115,404	44.6
Cash flow from financing activities-net	(16,062)	319,678	(335,740)	(105.0)
Net increase in cash and cash equivalents	2,170,970	(58,409)	2,229,380	3,816.8

- (1) The net cash flow from operating activities increased by 68.0% comparing with that of the corresponding period in the previous year, which was mainly due to the increase in cash received from selling the goods during the Reporting Period comparing with that of the corresponding period in the previous year, and the decrease in the cash paid for purchasing the goods during the Reporting Period comparing with that of the corresponding period in the previous year.
- (2) The net cash flow from investing activities increased by 44.6% comparing with that of the corresponding period in the previous year, which was mainly due to the decrease in cash paid to acquire subsidiaries during the Reporting Period comparing with that of the corresponding period in the previous year.
- (3) The net cash flow from financing activities decreased by 105.0% comparing with that of the corresponding period in the previous year, which was mainly due to the decrease in amounts of borrowings obtained from the financial institutes during the Reporting Period comparing with that of the corresponding period in the previous year.

4. Interpretation for other operational situations

(1) Debt/Capital ratio

On 30 June 2012, the Group's debt/capital ratio was 13.4% (13.9% on 31 December 2011). 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 2012, none of the bank borrowings of the Group was with mortgage (Nil as at 31 December 2011).

(3) Risk of fluctuations of exchange rate

The Group is exposed to foreign exchange risk arising from financing activities and business transactions denominated in foreign currencies, primarily with respect to HKD.

(4) Capital expenses

In 2012, the Company will continue 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 net in-flow of operational cash flow to satisfy its needs for funds for the capital projects of the Company.

(5) Investments

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

(6) Contingent liabilities

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

(III) OUTLOOK FOR THE SECOND HALF OF 2012

The board of directors of the Company (the "Board") is of the view that, the recent changes of personnel in the management team will not affect the Company's development strategy and targets. In the second half-year, although the Company will continue to face the severe market and operational situation, under the leadership of the Board and the management team which is led by Chairman SUN Ming Bo and President HUANG Ke Xing, the Company will continue to follow the changes with the strength of reform, continue to develop with the strength of innovation, forge ahead and surmount the difficulties, to achieve new success. At the same time, it will actively promote the implementation of the development strategy of "dual drivers", continue to take the advantages of the Tsingtao beer brand, improve the premium capacity of the brands, continue to strengthen the market promotions through sports marketing, to further increase the output volume of the beer. The Board and the management team of the Company are confident and determined to realize the grand target that the output volume of beer reaches 100 million hl in 2014.

(I) MATTERS ON THE MERGER AND ACQUISITION AND INFORMATION ON INVESTMENT DURING THE REPORTING PERIOD

1. On 27 February 2012, the 7th Board of Directors of the Company held an extraordinary meeting, at which the feasible report of the Company's new construction project of a beer production base for an annual output capacity of 2 million hl in Jiujiang, Jiangxi Province was considered and approved. It is estimated that the investment for the construction of fixed assets is approximately RMB299.54 million, which will be from the capital funds input through establishing a subsidiary and be provided with entrusted loan. On 12 June 2012, Tsingtao Brewery (Jiujiang) Company Limited ("Jiujiang Company") was formally established by the Company and Jiujiang Ocean Industries Co., Ltd. with investment of capital fund of RMB180 million and RMB20 million respectively. At present, the project of plant construction is in the phase of construction.
2. On 25 May 2012, an equity transfer agreement was entered into between the Company and Tsingtao Brewery Shanghai Songjiang Company Limited ("Songjiang Company"), its wholly-owned subsidiary, pursuant to which the 20% equity interests held by the Company in Tsingtao Brewery (Yangzhou) Company Limited ("Yangzhou Company") was sold for a consideration of RMB1 million.

On 31 May 2012, the 7th Board of Directors of the Company held an extraordinary meeting to consider and approve the related transaction of Songjiang Company increasing cash investment in Yangzhou Company. It agreed to increase the registered capital of Yangzhou Company from RMB5 million to RMB16 million, of which the RMB11 million of increased investment was paid solely by Songjiang Company in cash. The pricing of the increased investment was made with reference to the assessed value of the 100% equity interests in Yangzhou Company (approximately RMB4.91 million), and the factor of relocation compensation of the relocation and construction project of Yangzhou Company, which was fair. The Company is of the view that, such increase in investment can thoroughly solve the problem of horizontal competition and remove the obstacles of investment and development caused by the shareholding by Tsingtao Brewery Group Company Limited ("Tsingtao Group") in Yangzhou Company, expands the room for the future development of Yangzhou Company. For details of the abovementioned transaction, please refer to the related announcement published on the websites of the stock exchange on which the Company is listed and domestic newspapers.

In accordance with the *Capital Injection Agreement* entered into between Songjiang Company and Yangzhou Company, the aforesaid increased amount had been actually paid by Songjiang Company. On 17 July 2012, the procedures for the changes at the industrial and commercial administration for the aforesaid sale of equity interests and fund increase in Yangzhou Company had been completed. Yangzhou Company therefore became a controlling subsidiary in which the Company indirectly held 75% equity interests, and the remaining 25% equity interests will continue to be held by Tsingtao Group.

3. On 5 June 2012, the 7th Board of Directors of the Company held an extraordinary meeting to consider and approve the cooperative transaction between the Company and Suntory China. Both parties have entered into *Business Joint-investment Company Framework Agreement* and *Sales Joint-investment Company Framework Agreement* on the same day. The Company and Suntory China will restructure and integrate the assets and business of the respective target subsidiaries in Shanghai and whole Jiangsu Province into two joint-investment companies, including a business joint-investment company which is in charge of the matters including business plan, brand/product development, propaganda and advertisement, production and purchasing of all integrated beer business of the both parties in Shanghai and the whole Jiangsu Province; and the other sales joint-investment company which is in charge of the matters including marketing and planning, sales, logistics, supplies, sales service and promotional advertisement of all integrated beer business of both parties in Shanghai and the whole Jiangsu Province. The two framework agreements are inter-conditional, and are effective at the same time. For details of the abovementioned transaction, please refer to the related announcement published on the websites of the stock exchange on which the Company is listed and domestic newspapers.

(II) ENTRUSTED LOANS PROVIDED BY THE COMPANY FOR THE SUBSIDIARIES DURING THE REPORTING PERIOD

To ensure the production and operation of the subsidiaries, as approved by the Board, the Company had provided entrusted loans to its 19 subsidiaries, including Tsingtao Brewery (Taiyuan) Company Limited, with a total amount of approximately RMB930.32 million.

(III) OTHER ISSUES

1. The Company shall not distribute interim dividends for the six months ended 30 June 2012 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.

CHANGES TO SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

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

2. Information of shareholders

(1) As at 30 June 2012, the total number of shareholders of the Company was 21,984, among which the holders of A-share were 21,673, and the holders of H-share were 311. 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 satisfied the requirements in the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")*.

(2) Shareholdings of the 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	373,757,484	27.67
Asahi Group Holdings 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	13,588,895	1.01
Taikang Life Insurance Co., Ltd. — Dividends — Personal dividends — 019L — FH002Hu	A-share	13,403,121	0.99
ICBC — E-Fund Value Growth Mixed Securities Investment Fund	A-share	10,784,054	0.80
Shanghai Chongyang Investment Co., Ltd.	A-share	9,025,456	0.67
National Social Security Fund 108	A-share	8,650,000	0.64
Industrial Bank Co., Ltd. — Xingquan Trend Investment Mixed Securities Investment Fund	A-share	7,025,222	0.52

Notes:

- 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.
- The H-shares held by the HKSCC Nominees Limited were held on behalf of different clients, and had excluded the H-shares held by the wholly-owned subsidiary of Tsingtao Group.

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

(3) Substantial shareholders of H-share

Save as disclosed below, the directors of the Company are not aware of any persons other than a director or supervisor or chief executive of the Company or his/her respective associate(s) who, as at 30 June 2012, 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		49,069,342 H-Shares	3.63%	7.49%
JPMorgan Chase & Co.	Long Position	H-Share	Interest of controlled corporation/ Beneficial Owner/ Investment Manager/ Custodian	3	65,188,765 H-Shares	4.83%	9.95%
	Interest in a lending pool	H-Share			11,537,062 H-Shares	0.85%	1.76%
	Short Position	H-Share	Beneficial Owner		1,384,983 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. Asahi Group Holdings Ltd. was re-organized and set up on 1 July 2011, and held the aforesaid shares of H-share on behalf of Asahi Breweries, Ltd.
- (3) The 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).

1. SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 30 June 2012, Mr. SUN Ming Bo, Chairman of the Board, held 124,160 shares in the Company; Mr. HUANG Ke Xing, President of the Company, held 1,300 shares in the Company; Ms. JIANG Hong, Executive Director and Vice President of the Company, held 52,200 shares in the Company; Mr. SUN Yu Guo, Executive Director and Vice President of the Company, held 132,200 shares in the Company; Mr. FAN Wei, Vice President of the Company & President of Production Center, held 122,876 shares in the Company; Mr. LIU Ying Di, Vice President of the Company, held 124,294 shares in the Company; Mr. DONG Jian Jun, Chief Brewer of the Company, held 92 shares in the Company; Mr. ZHANG Xue Ju, Joint Company Secretary of the Company, held 92,079 shares in the Company. All shares held by the above individuals are Listed shares of A-share.

Save as disclosed above, as at 30 June 2012, 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. UPDATE ON DIRECTOR'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. SUN Ming Bo, the executive director of the Company, changed his role from the President of the Company to the Chairman of the Board with effect from 28 June 2012.

3. 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.

4. STAFF

As at 30 June 2012, the Company (including its subsidiaries) had a total of 39,789 full-time staff.

The Company cares about its staff and protects 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 share with its staff the operational results, making the remuneration of its staff grow with its development continuously.

The Company sets up a platform of learning, sharing and growth for its staff. It carried out the systematic trainings based on the model of "Exploration of leadership, promotion of professional abilities, expansion of practical strength" to strengthen its reserve and cultivation of talents. Through implementing the Golden ★ Program, Silver ★ Program and setting up talents pool, the Company's cultivation of talents become more and more systematic, professional and practical. As at 30 June 2012, the Company had trained 608,687 persons · training hours, that is, 16 training hours per person in average, and had developed 112 courses with company-level standard.

PURCHASING, SELLING OR REDEEMING THE SECURITIES

For the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

IN COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE AND CORPORATE GOVERNANCE CODE

The Company had 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 operations to ensure its shareholders can obtain rewards from sound corporate governance.

During the reporting period, the Company had been in compliance with the *Code of Corporate Governance Practice* (effective till 31 March 2012) and *Corporate Governance Code* (effective from 1 April 2012) in Appendix 14 of the *Listing Rules*.

REVIEW OF THE UNAUDITED INTERIM RESULTS

The Audit & Finance Committee under the Board has reviewed the Group's unaudited interim results for the year 2012.

COMPANY INFORMATION

1. BASIC INFORMATION

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

2. CONTACT PERSON AND CONTACT METHODS

Joint Company Secretaries: 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

2012

INTERIM REPORT

中期報告

青島啤酒股份有限公司
TSINGTAO BREWERY CO., LTD.